

NORTH ROCKVILLE

OFFICE SPACE MARKET REPORT

SECOND QUARTER 2016



Have We Turned the Corner?

We're witnessing a slow and small tightening in the market as the vacancy rate is slowly improving (down approximately ½ a point YTD), rental rate remains unchanged, and activity levels seem to be on an uptick.

The lowering of the vacancy from ~18% to 17.3 % supports this, but even more telling is the amount of tenants in the market. It would appear that tenants are realizing the value that the North Rockville submarket has to offer. Low rental rates, free parking, aggressive concession packages, and improved building amenities continue to be status quo.



Activity

What we do see, in terms of activity, is tenants looking to relocate or expand their facilities. Unfortunately, it isn't all rainbows and sunshine. There is one looming cloud on the horizon that takes the shape of the building at 1 Choke Cherry Road (Substance Abuse and Mental Health Services Administration) which will become entirely vacant in Q3 of this year. This will create another 225,000 sf of vacancy. Couple this with the already overwhelming pool of large blocks of vacancy and it seems the North Rockville submarket's recent improvement will be short lived.

Available vs "Available" Space in the Market

Another important statistic to mention is the total amount of square footage that is "available." Available space is not the same as vacant space and suggests that a particular block of space is not technically empty, but rather will become so at a particular time (usually tied to a tenants lease expiration) or is available for sublease. These numbers are quite staggering. Just over 22% of the total square footage in the market is listed as "available", which this equates to over 3 million square feet in a 13.5 million square foot market. Shocking right?

However, I like to end my articles on a high note, so, as I've said before, it isn't all doom and gloom. North Rockville still provides great opportunities for tenants looking to relocate. Building owners continue to entice new prospects with aggressive economic lease terms, so when it comes to a company's bottom line, the North Rockville submarket remain will a compelling option.

For additional market insight, contact:

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