

# NORTH ROCKVILLE

## OFFICE SPACE MARKET REPORT

THIRD QUARTER 2016



## Summary

Well, it's pretty much status quo in North Rockville this quarter - vacancy rates remain in the high teens (19% to be exact) and asking rental rates actually slumped (down to \$24.80 per square foot from \$25.14 per square foot just last quarter). Abundant vacancy and low rental rates has been the message all year long, and this quarter is no different. Although this message might not be 'great' news for landlords, it is for those tenants who are looking to relocate or expand their offices.

Challenges such as ease of access to public transportation and congested roads are being addressed by the State and the County, and whereas improvements will not be happening overnight, landlords are offering concessions to prospective tenants to accommodate the short term challenges faced by the region, in the form of creative transportation solutions (i.e. Uber for Business™).

## Market Activity

PS Business Parks is the new owner of 2 buildings in the Shady Grove Executive Park. In addition to the three buildings already owned on Corporate Blvd, the firm recently purchased 9211 & 9200, making them the majority owner on the block. In an attempt to attract tenants, PS Business Parks plans to create a number of small "spec suites" in 9210 Corporate Blvd following an exodus of 2 large tenants.

The biggest transaction is Avendra's relocation to 540 Gaither where the Pharmaceutical giant will occupy 48,000 square feet. Avendra will not move into their new home for some time (1/1/2018) but the lease was signed Q3 2016.

Another tenant that recently expanded their footprint in North Rockville was ESAC, Inc. Signing a lease for 8,000 square feet at 1801 Research Boulevard, the growing IT company will move its headquarters from the Rockville Town Square to Research Boulevard by the end of the year.

Market activity has been picking up over the last 90 days. There are several tenants in the market with a need of at least 15,000 square feet, which fosters our belief that companies are considering North Rockville as an economically compelling submarket for their expansion and/or relocation needs.

It's still a tenant's market and landlords are actively "chasing" larger groups to try and fill their stagnant vacancy by offering persuasive concession packages that include rent abatement and large tenant improvement allowances, moving allowances and more.

## Forecast

With low rental rates and high vacancy, tenants will be continuing to consider North Rockville as a viable and valuable solution for their space needs. But there will come a time, as activity increases, when the vacancy rate will improve, rental rates will increase. Beyond this, and as the market tightens, we should expect to see tenant friendly concession packages currently being offered by landlords begin to wane as well. If you are seeking a deal, now is the time to consider the North Rockville market.

For additional market insight, contact:

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## NORTH ROCKVILLE OFFICE SPACE MARKET REPORT

CURRENT VACANCY RATE

19.0%

ASKING RENTAL RATE

\$25.14

RECENT MAJOR TRANSACTIONS



Avendra relocation - 48,000 square feet at 540 Gaither Road.



ESAC expansion - 8,000 square feet at 1801 Research Boulevard.