

# NORTH BETHESDA OFFICE MARKET REPORT

FOURTH QUARTER 2016



## A Reason to Leave or a Reason to Stay?

For the last year in North Bethesda, conversations have circled around who is leaving the North Bethesda Market, who is staying, what is getting torn down, and when or if projects will begin to break ground. The question begs is the North Bethesda Market a prime opportunity for tenants to move into the market and suffer through a couple of construction and transportation hiccups, or is Marriott really smart by leaving North Bethesda for downtown Bethesda.

## The \$600M Gorilla Remains in Montgomery County

The \$13.6B merger between Bethesda-based Marriott International and Starwood hotels earned regulatory approval in September. Hotel industry leaders and experts have expressed confidence in the company's ability to combine the two industry giants, but they think the merger will send shock waves throughout the industry. Marriott also announced it has narrowed its search for a new \$600M HQ facility to Downtown Bethesda, with local incentives helping it stay in Montgomery County. The region's largest private office tenant on the market has yet to decide on a specific site, but based on its search requirements, downtown Bethesda properties appear to be in contention. As reported widely in the press, Marriott officials are saying the new headquarters location needs to be within a five-minute walk of a metro station.

Good for the county that Marriott will remain, and a new opportunity for North Bethesda market.

## Transportation Needs Finally Met in North Bethesda?

This quarter, the transformation of roads in a redeveloping area around the White Flint Metro station into more navigable city blocks began construction.

If you drive past North Bethesda Marriott, you will notice the staging area for to work on the first phase of the "Western Workaround" project. The project will straighten Executive Boulevard, add a new six-story parking garage on the parking lot at the Bethesda Marriott North Hotel & Conference Center and create a new east-west road called Market Street just south of Pike & Rose.

The county expects the first phase to take about 12 to 15 months and then the second phase of the project will begin. Phase two involves extending Executive Boulevard to Grand Park Avenue at Pike & Rose, reconstructing the intersection of Old Georgetown Road and Executive Boulevard to create a traditional four-way intersection and connecting a rebuilt Hoya Street to Old Georgetown Road.

## What is Next for 2017?

The North Bethesda Market still remains an alternative to the more expensive submarkets in the county. North Bethesda may not be perfect for every tenant, but it does provide access to metro, exciting retail developments, and entertainment options. With the thought of 2,000 new drivers entering the downtown Bethesda market (with the Marriott HQ move), it is possible that some tenants are considering leaving the crowded, expensive, parking challenged Bethesda market for North Bethesda market where it could be a prime opportunity for tenants.

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### VACANCY RATE

# 17.1%

Overall vacancy in the market has remained steady at 17.1%, previously 17.6%.

### TRANSACTIONS IN THE MARKET



12300 TWINBROOK PARKWAY



1700 ROCKVILLE PIKE



11400 ROCKVILLE PIKE

Things are looking up for the market with renovations delivering from new landlords (12300 with MRP, Ivy at 1700 Rockville Pike, Hines at 11400 Rockville Pike / 5515 Security).