

NORTH BETHESDA OFFICE MARKET REPORT

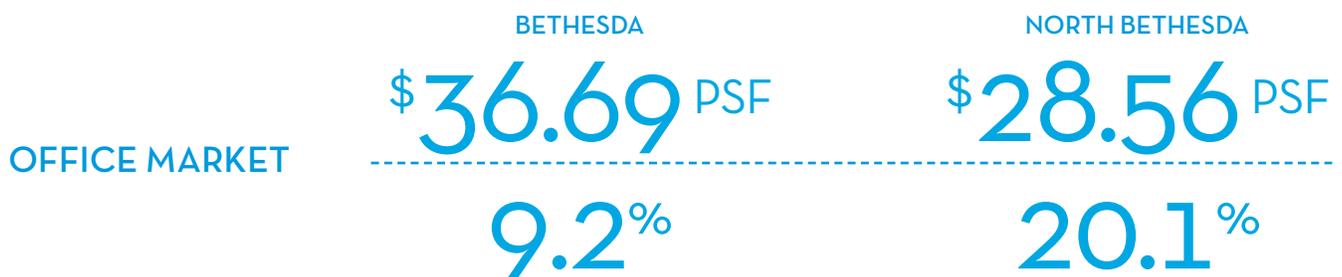
Straightening Up, Working Around, and Master Planning:

If you have recently driven through North Bethesda, you will probably notice the flurry of road construction, the breaking ground on new parking garages, explosive retail construction and booming residential projects.

The transformation of North Bethesda has long been in the works—and once completed will create an alluring, exciting market to further draw Tenants from Bethesda and surrounding markets. The catalyst is Federal Realty's Phase II completion at Pike & Rose where condos are already up for pre-sale with the expected Q4 2017 completion date. The highly-anticipated phase II includes a luxury bowling alley, a new flagship LL Bean store and an already delivered REI flagship.

Q1 2017 Tenant Takeaways:

The North Bethesda office market, much like most suburban MD markets, remains steady as a soft market for Tenants. The only markets where this is not true are right down the roadways in the suburban cores of Bethesda and Silver Spring. With the development excitement in Bethesda, tenants are expanding their options and heading north. With new, class A office product coming to Bethesda we are expected to see a spike in rents over the coming years; causing suburban pricing to be a term of the past. The numbers support a drive for businesses that are cost conscious to take advantage of the nearly \$10 PSF price difference we see now and move north before the margins expand.



Western Workaround Project:

Work has begun on the first phase of the “Western Workaround” which will straighten Executive Boulevard, add a new six-story parking garage on the parking lot at the North Bethesda Marriott and will create a new east-west road called Market Street (located just south of the Pike & Rose development).

Rock Spring Master Plan Sent to the County Council for Approval

At the beginning of the year, Montgomery County planning officials put their final touches on a vision for revitalizing the 535-acre area covering the struggling Rock Spring office park and the Westfield Montgomery mall.

As currently written, the Rock Spring Master Plan would enable the construction of an estimated 1.1 million square feet of commercial space and 2,297 new homes and could bring more than 3,300 jobs to the North Bethesda region. The 20-year growth document was approved unanimously by the Montgomery County Planning Board before being sent to the County Council for final approval.

The current version of plan would also provide development flexibility for the Rock Spring office park, where Lockheed Martin has its corporate offices. The proposed zoning designations for this location would seek to battle rising vacancy rates by allowing a wider variety of uses than is currently the case.

The plan also would give Westfield Montgomery mall owners flexibility to pursue residential development at the site.

Notable North Bethesda Movement: Happy at Rockledge



Infozen: Renewed and added 31,000 SF and **NIH:** expanded its footprint by 93,000 SF both at **6700 Rockledge Drive.**



HMS Host: Renewed its 120,000 SF Corporate Campus at **6905 Rockledge Drive.**

Notable North Bethesda Movement: Bracing for New Product



CARR Apex Building: 350,000 SF of office and 2 residential towers at **7272 Wisconsin Avenue.**



JBG Companies: 285,000 SF of office and 1st floor retail at **4733 Bethesda Avenue.**



Marriott HQ: Breaking ground at **7750 Wisconsin Avenue** Q4 2017.

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