

I-270 Corridor Lab Market Report

I-270 Lab Market Summary

During the 1st quarter of 2017 we saw an increase in steady demand and an increase in supply of laboratory space due to the promise of future (6 to 18 months) conversions along the I-270 Corridor. With the potential of possible new lab space supply becoming available in the coming months, tenants need to get their creative thinking caps on, as well as partner with experienced brokers, to locate any possible lab space (or buildings which could accommodate lab space) in the region.

TOTAL ABSORPTION RATE

-0.9%

-68,800 SQUARE FEET

TOTAL AVAILABILITY RATE

3.8% UP FROM
2.9%

283,776 SQUARE FEET

Forecast

Tenants converting existing office, flex, or industrial spaces into lab are anticipated to become more common practice. For example, Moko Bio made the decision to construct their lab facilities in an existing office building at 1445 Research Boulevard. This method substantially increases the tenant's capital contribution on the front-end, but provides a reduced rental rate over the term as compared to a model of landlord provided capital for the lab improvements.

With sustained low vacancy and increasing rental rates, some landlords have begun plans to convert existing structures to lab in the near future, but for those tenants who need immediate space, options are very limited. The limitations occur for both size (square footage) and functionality. The timing of new, lab-ready supply will likely not deliver until early-2018.

NOTABLE TRANSACTIONS



Moko Bio - 7,100 sf of new office and lab to be built in **1445 Research Boulevard** by converting existing office space.



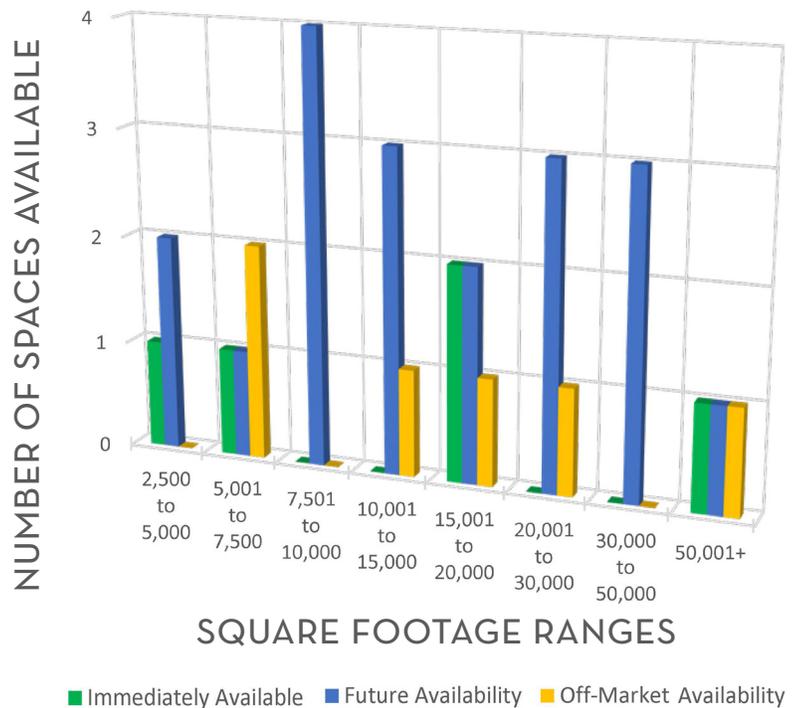
CGS Pharmacy - 11,500 sf of office and lab for a compounding pharmacy at **202 Perry Parkway**.

Holes in the Supply

To help illustrate the scarcity of lab space, please reference the blocking study of the market, which has been divided into 3 categories: **Immediately Available**, **Future Availability**, and **Off-Market Availability**.

In terms of timing, the Future Availability ranges in delivery times from 4th quarter 2017 to 4th quarter 2018. The Off-Market Availability are potential sublease spaces that are not openly marketed, but existing owners will evaluate transactions on a case-by-case basis. Also, it is important to note that some properties can accommodate a range of blocking sizes, which means they are counted in multiple columns; and if a larger tenant takes the entire block of space it will delete it from the smaller categories.

I-270 LAB SPACE BLOCKING STUDY



For additional market insight, contact:

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