

## Trophy Class Office Stretching Up the Pike

Bethesda is not the only market finally seeing office development. Federal Realty announced they are set to break ground Q1 2018 on a new 209,000 square foot, trophy class office building at the highly successful mixed use development, Pike and Rose.

909 Rose will be delivering in Q4 2019 and already has a tenant in tow with Federal Realty taking 50,000 square feet in its own building. Rumor has it deals will be made in the mid to high \$40's, possibly stretching into the \$50 range. Expect to get heavy traction after the successful full leasing of the only other office component in the park.

## Buildings Still Trading At Record Lows

\$87 million of offices assets traded in suburban Maryland in Q2 2017. Of that \$87 million, only one transaction was recorded in North Bethesda totaling \$9.5 million. 6116 Executive used to hold the National Cancer Institute but since 2013 has been fully vacant. At the very low price of \$44 PSF, Goodstone, LLC has already secured a \$30 million loan to complete significant building improvements. This is a continued story of past quarters where investors have been able to buy low in hopes to capitalize on a future wave of tenant migration from the suburban core of Bethesda.

## Tenant Takeaways - Blurring the Classification Lines

The story hasn't changed and the North Bethesda / Rockville markets still remain a soft tenants market. Though, with the past 3 quarters of investment from both local and out of state investors, we are seeing a spike in asking rents due to delivered building improvements. North Bethesda / Rockville is largely a class B market but with new landlords allocating space for luxury gyms, hip common areas and other tenant focused amenities we are seeing a spike in interest from tenants that typically tend to only focus on buildings labeled "Class A".

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TOTAL MARKET SIZE (SF)

**22,000,000** SF

INVENTORY FLAT

CURRENT AVERAGE RENTAL RATE

**\$29.64** PSF

ASKING RENTS TRENDING UP (7.5% INCREASE)

VACANCY RATE

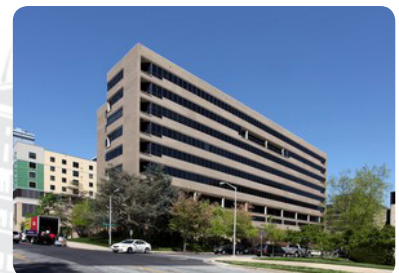
**16.3%**

VACANCY TRENDING UP

RECENT TENANT ACTIVITY



George Washington University renewed at **6116 Executive Boulevard** for 29,263 square feet.



Pacific Trade International expanded at **5515 Security Lane**, 13,000 square feet.