

State of the Market

Bethesda is a market that has always had great appeal to tenants, property owners and residents. It has all the core fundamentals that a great submarket needs, including transit, high end residential and established and well-known retail. Because of this, Bethesda continues to achieve higher rental rates, boast one of the lowest vacancy rates in the region, and maintain an affluent tenant base. This past quarter has been no exception, with the average rental rate up to \$38.50 per square foot, and the vacancy rate remaining flat around 11%.

What is Happening in the Market

The BOZ has passed:

In mid-July, the County Council passed a new map outlining the “Height Incentive Area” for Downtown Bethesda. This also means they completed the plan for the Bethesda Overlay Zone or “BOZ.” Here are the major points:

Developers and density

There has been a lot of back and forth on this plan as to how developers would obtain additional density than allocated to them for their new projects. Here is the final decision: Developers will have to purchase additional density from a collection of about 4 million square feet. This will cost them \$10 per square foot and the money will go towards a park fund to create more “green space” throughout Bethesda.

Developers and MPDUs

The new plan increases the baseline for the number of MPDUs residential developers need to build in order to obtain “bonus density.” Developers are now required to construct at least 15% MPDUs and if they want to increase their height, they will need to construct 17.5%. These developers will still be required to pay the park fund on their market rate units.

CURRENT AVERAGE RENTAL RATE
\$38.50 PSF
VACANCY RATE
10.7%

Purple Line back in action:

This past spring, U.S. District Judge Richard J. Leon ruled that state and federal officials had not seriously considered the potential outcome of declining ridership on Metro, and blocked the Purple Line from continuing to move forward. However this July, a federal appeals court revived the Purple Line for the state of Maryland. The FTA argued that even if ZERO passengers transferred to the Purple line from other Metro lines, the Purple Line would still be among the most highly used light-rail projects. And as soon as this ruling came, the Purple Line Transit Constructors (PLTC) signed a lease for 5,000 sf at 8555 16th Street in Silver Spring.

Bethesda Row shoppers get ready:

Dean & DeLuca’s construction is moving along in JBG’s new retail project, 4747 Bethesda Avenue. And just across the street, big news just hit regarding the current Barnes and Noble site. We were told months ago that Barnes and Noble and Federal Realty could not reach an agreement on a lease renewal and Barnes and Noble would be leaving at the end of their term. What we did not know until a few weeks ago is who would be replacing their 3 story corner spot: Anthropologie & Co. announced they will be opening Fall 2018.

What to expect in the Market

There is something for everyone in Bethesda. Space in every size range is available.

If you want to be in class A on top of the metro, you are going to pay for it with rents ranging from \$43-\$50+ psf.

If metro is not as important to you, there are plenty of Class B options between \$33-\$37psf.

And if you’re really looking for a deal, and class is not as important to you, you can find a deal in the mid to upper \$20s.

Contact:

Anna Heiserman | (301) 337-4710 | aheiserman@scheerpartners.com

Scheer Partners | 15245 Shady Grove Road, Suite 210 | Rockville, Maryland 20850