

# I-27 Corridor Lab Market Report

## I-270 Lab Market Summary

The story thus far in 2017 has been opposing market forces of continued tight supply of lab space and sluggish transactional activity. In contrast to a white-hot market in 2016, which reduced the availability rate from 12% to 3%, the number of leases completed to date in 2017 has just kept pace with new availability (3.5%).

## Forecast

Based on current activity in the market, we are anticipating a substantial uptick in new leases in Q4 of this year. The result will be an even tighter supply of lab. Most models are pointing to a reduction in the lab availability rate to approximately 1.75% (135,000 square feet), the lowest supply since the late 1990's.

Near term supply of space will leave most tenants with few if any existing lab options depending on size and needed functionality. There are several spaces that can accommodate a conversion from shell condition with varying degrees of landlord contribution (tenant improvement allowance). This will increase the time needed to design, permit, and construct the space, and may also increase the capital contribution needed by the tenant.

## Rental Rates on the Move

Supply and demand is one of the most fundamental concepts of economics, and it is clearly demonstrated by the recent increase in price of lab space as the supply has become scarce.

Over the past 9 months we have seen the majority of lab rental rates jump almost 20% and push into the low \$30's. To be clear, there are still less expensive options on the market, but for high quality lab and office space the rental rates will continue the trend upward.

## For additional market insight, contact:

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## Third Quarter 2017

### TOTAL ABSORPTION RATE

# 0.1%

8,100 SQUARE FEET

### TOTAL AVAILABILITY RATE

# 3.5%

269,891 SQUARE FEET

## NOTABLE TRANSACTIONS



JCVI  
15,000 square feet  
**9605 Medical Center Drive**  
New office and lab space by converting lab space



Saint Gobain  
6,000 square feet  
**401 Professional Drive**  
Lab expansion near their existing space in Gaithersburg