

ROCKVILLE NORTH BETHESDA OFFICE MARKET REPORT

The Future of Executive Boulevard

Executive Boulevard has been plagued by chronic vacancy since (2013-2014) NIH consolidated their corporate campus up Rockville Pike. Since then, Executive Boulevard has boasted a 35% vacancy rate, which is the largest of any street in the North Bethesda market. With the old existing office, the Planning Board has released an approved draft of the White Flint 2 Sector Plan. The Plan focuses on changing the zoning on Executive Boulevard from “Employment Office” to “Commercial Residential”. The expectation is that Executive Boulevard can become an expansion of the highly successful Pike & Rose development, with the commercial residential developers creating residential high rises using existing infrastructures. With the low price points less than \$50 psf on the properties changing hands, it’s an enticing play. Goodstone only paid \$9.5 million. The plan also describes the inclusion of roadways, greenscapes and architectural additions that will ideally assist in moving the millennial live/work/play atmosphere from the old, dingy office park that is currently Executive Boulevard.

TOTAL MARKET SIZE (SF)

22,261,424^{SF}

INVENTORY FLAT

CURRENT AVERAGE RENTAL RATE

\$29.72^{PSF}

ASKING RENTS TRENDING UP

VACANCY RATE

15.8%

VACANCY TRENDING DOWN

What’s going on at White Flint Mall?

The proposal request for Amazon’s second headquarters in North America (Amazon HQ2) has sparked interest in Montgomery County; one of the prime locations for the new HQ is the White Flint Mall site. Amazon’s requirement for their HQ2 is 8-million square feet located in a 30-mile radius from a city center, 45 minutes from an international airport, and has easy access to public transit. The White Flint Mall site checks all of those boxes. Landing Amazon HQ2 would be the win of a lifetime for any economic development team and could change the entire outlook of the North Bethesda community.

Tenant Takeaways

As a brokerage community, we’re seeing a migration of tenants from D.C. to Bethesda’s new trophy class developments. This is influencing an interest in the North Bethesda market from existing tenants in Bethesda, possibility due to potential rate spread with the supposed \$65 psf rates. That being said, we’re also seeing landlords in North Bethesda test the market with an asking rate of sub \$33 psf. Looking at the numbers, there’s been an increase of \$0.08 to \$29.72 on asking rates. Inventory is still flat and the vacancy rate has decreased by 0.5% to 15.8%.

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