

I-270 Lab Market Summary

The 4th Quarter of 2017 closed with lackluster market metrics that do not accurately convey the overall health of the market. There was increased lab vacancy and relatively slow transactional volume. What the numbers don't tell you is that there was a huge increase in demand for lab space in the market with several 100,000+ square foot requirements coming online over the past few months.

Total Absorption Rate:

-0.8%
-64,500 SF

Total Availability Rate:

4.4%
342,938 SF

Notable Transactions:



5 Research Court

- **Vigene** - 33,000 sf at **5 Research Court**. Lease signed for building currently under renovation for Class A delivery with substantial amenities.
- **MacroGen** - 15,000 sf renewal at **1330 Piccard Drive**.
- **BeneVir** - 16,000 sf at **1330 Piccard Drive**. Took one of the last blocks of existing lab space in this size range in the market.

Forecast

The transactions that were anticipated to wrap-up in Q4 2017 will start to close in Q1 2018. The 1st half of 2018 is poised to well exceed 2017's demand, and with it will come several new conversions or ground-up developments. The continued increase in rents in the market are providing a point where developers can justify building new, "class A" lab buildings. Expect to see some major overhauls of existing buildings and/or cranes moving into the I-270 lab clusters in 2018.

2018 is expected to be another strong year for funding in the biotech and pharma sectors. This will drive the early and mid-stage companies to grow quickly in the market. We expect to see demand for new lab space from many incubator-stage companies over the next 12 months resulting in a potential shortage of space in this segment of the market.

Increase in demand results in potential new development

The past 18 months has been a story of low vacancy, but steady demand. While there were very few lab options available, the steady demand made the market appear to be in balance. In December that sense of equilibrium changed dramatically with several new 80,000 to 120,000 square foot requirements entering the market.

There are very few immediately available options at the top of the market to accommodate these requirements. To fulfill these needs necessitates either conversion of existing buildings or new ground up construction. This dynamic along with rising rental rates has several developers evaluating plans that could add to the overall Maryland lab inventory.

The result of this growth will be potential new development, but also possible second generation lab space coming available for smaller tenants in the next 24 months as those tenants transition into their new larger spaces. Rental rates will continue an upward trend and the supply of lab space will remain constrained for the foreseeable future.

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