

ROCKVILLE NORTH BETHESDA OFFICE MARKET REPORT

4TH QUARTER 2017

Development Stretching Up the Red Line:

With the current development boom in Bethesda, we're seeing plans stretch up the Pike. Beginning at Grovesnor Metro, plans are being reviewed by County Council this month. The hope is to complete a well-established community center and connect the adjacent neighborhoods of Kensington / Rockville to the major employment hubs of NIH and Walter Reed to include 5 residential complexes and a small retail center.

The success of Pike & Rose is evident near White Flint Metro. Unlike other less successful mixed use developments in the area, Pike & Rose did a fantastic job at providing ample parking and multiple points of egress to major roadways. This has attracted high regarded retail which is expanding to include Taylor Gourmet, Nada Taco Bar and Jinya Ramen Bar to name a few. The quick office digestion has also drawn the developer, Federal Realty to move their headquarters and announce 4 other build to suite office opportunities on site totaling almost 1,000,000 square feet. Deals at the trophy-class site are expected to fall to \$50 PSF, Full Service or over.

We're beginning to see projects break ground near Twinbrook Metro. 1900 Chapman Avenue, the location of the old Syms, is delivering over 300 apartments and 5,000 square feet of retail space June of 2018. With the success down the street at Pike & Rose there is high hope that BF Saul will pursue development on their 18.3 acre stretch on Rockville Pike. The mixed use site is planned to have 1,800 residential units, 430,000 square feet of office, 470,000 square feet of retail to include a theatre and a 1 acre park.

Tenants Gaining Interest in Moving North:

With trophy class office coming to Bethesda and top tier organizations flooding to fill it, we're seeing deals reach into the \$70 PSF range. Although I don't think it will happen, there is a possibility that rate spread will occur and today's Class A options will steadily increase and become out of reach for many organizations. That in mind, I think we will see a flood of tenants that don't need to be in Bethesda leave for other markets up the red line and begin to fill these new office developments like Pike & Ross and new Class B office renovations. With an ever growing amenity base and only 10-15 minutes more on metro, it's not crazy.

For additional insight, please contact:

Andrew Davis
(301) 337-4708
adavis@scheerpartners.com

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

TOTAL MARKET SIZE (SF)

22,161,055^{SF}

INVENTORY TRENDING DOWN

CURRENT AVERAGE RENTAL RATE

\$29.79

INVENTORY TRENDING DOWN

VACANCY RATE

15.7%

COMPRESS VACANCY
TRENDING DOWN