

I-27 Corridor Lab Market Report

Scheer Partners
A Reputation for Results

Q2 2018

Small Transactions - the pacesetters in the Life Sciences Market

The 2nd Quarter of 2018 was busy with several smaller transactions in the market. There were six transactions completed ranging from 2,500 to 5,300 square feet. This new demand snapped up any existing lab space that came on the market in that size range, as well as some space under construction at 704 Quince Orchard Road. Additionally, Lonza completed its first venture into the Montgomery County market in quite a while with a lease at 9900 Medical Center Drive.

There was one property with lab space that came available in the 2nd quarter of 2018; 9600 Medical Center Drive will provide approximately 29,000 square feet worth of lab and office as NantOmics transitions operations to the west coast and looks to sublease its facilities.

Forecast

Historically, activity with early-stage companies has been a positive bellwether for the market as it signals new initiatives and potential expansion in the region. This last round of demand and transactions will likely translate into new growth in the quarters to come.

In terms of future supply, there are only a few spaces that have potential to be available in the near future. However, some landlords who are not traditionally providers of lab space are responding to the constrained supply to provide conversion options.

Major Transactions



**9900 MEDICAL
CENTER DRIVE**
LONZA
16,000 SF



207 PERRY PARKWAY
CELLULAR
BIOMEDICINE GROUP
5,300 SF



**704 QUINCE
ORCHARD ROAD**
CARTESIAN
THERAPEUTICS
4,700 SF

Market Metrics

AVAILABILITY

218,961 SF [2.8%]

ABSORPTION

15,323 SF

AVERAGE RENTAL RATE

\$30.41, NNN

Next Generation Lab Space

The scientific industry (maybe more than any other industry) recognizes the value of being able to hire and retain the best and brightest talent. An integral part of recruiting and retention comes from providing a modern workspace with places for collaboration, and even relaxation. However, a majority of scientific facilities, especially for early-stage companies, have focused almost exclusively on lab function with little attention paid to the aesthetics or amenities of the facilities.

As this next generation of lab space is developed in the Maryland market, landlords are paying attention to common elements of the buildings to allow smaller companies to provide perks only larger companies were able to provide in the past. The shared nature of these common amenities allow for the costs to be spread amongst all of the tenants in the buildings, which makes them more economical for users who wouldn't otherwise have access to more grandiose amenity areas.

Some examples of the shared amenity areas that are being designed and built into new projects include:

- **Conference rooms:** large, fully-equipped conference areas and smaller collaboration areas are typically scheduled through an electronic medium.
- **Lounge areas:** alternatives to conventional conference rooms, lounge areas provide a more informal setting for communicating with colleagues. Also, these may include some element of recreation like ping-pong or foosball.
- **Kitchens:** well-appointed kitchen areas with some element of seating and even catering.
- **Fitness:** workout facilities can range in size and scope, but almost all will provide equipment and lockers with showers.
- **Outdoor areas:** seating and places to eat are evolving into gathering places complete with decks and fireplaces.
- **Lab consumables store:** the unique needs of lab users for consumables are being met for just-in-case situations by internal self-service stores.

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