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Market Report MD

# Lab Market Shows Signs of Cooling, Enters a Period of Rebalancing

*Oversaturation of lab space has led to a market imbalance favoring tenants*

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## KEY TAKEAWAYS

### 1. Surge in Available Lab Space Along I-270 Poised for Further Increase

Lab availability along the I-270 Corridor has reached a record high of 21.16% and is expected to rise further without new market entrants or expansions. By comparison, availability stood at 5.26% in H1 2021, rising to 9.59% in 2023 and 11.45% in 2024. An unusually high number of large blocks of lab spaces are already contributing to elevated availability, with more expected as leases expire and sublease offerings continue to grow. Based on historical absorption rates, the corridor currently holds approximately five-to-six years' worth of lab inventory.

### 2. Tenant Leverage Trends Up in a Softening Market

With fewer active requirements, leasing activity reflects a clear shift in leverage toward tenants. Landlords are competing more aggressively to attract a limited prospect pool. For the first time in years, the lab market is showing a clear pricing spread across product types, e.g., Class B vs. first-generation Class A, ranging from mid-$30s to $45 per square foot, and reflects true segmentation rather than more uniform asking rents once applied in low vacancy conditions. This dynamic, combined with increased willingness to offer short-term flexibility in place of traditional 7– to 10-year lease terms, is giving tenants multiple forms of leverage. Those with existing leases are taking advantage of early renewals or extensions.

### 3. Cautious, Short-Term Behavior Reflects Broader Uncertainty

Scientific companies are increasingly hesitant to make long-term commitments, favoring short-term lease renewals in the 3- to 5-year range. Many companies are delaying decisions entirely, as board-level approvals for expansion remain on hold due to limited cash runways averaging 8 to 15 months. This strategic pause reflects broader uncertainty in the market and a desire to preserve flexibility amid shifting capital priorities, with recent funding rounds largely focused on maintenance capital rather than growth. As a result, meaningful leasing activity remains muted despite the optionality and reductions to rental rate and term.

### 4. Subleases and Deliveries Reshape the Size Profile of Available Lab Space

A wave of lease expirations, sizeable sublease offerings, and recently delivered, but still vacant, projects have flooded the corridor with contiguous blocks of lab space exceeding 50,000 square feet. For context, smaller spec-suites now account for approximately 9.03% (234,495 square feet) of available inventory, a sharp increase from prior quarters, albeit with a less substantial influence on availability. In a cluster once driven by steady demand from 2,500 to 7,500 square foot users, muted deal flow is stalling growth. Ongoing uncertainty in early-stage funding, from NIH grants, universities, and private venture sources, is directly impacting tenant formation and expansion, further softening real estate demand.

## FORECAST

The I-270 Corridor is in the middle of a pronounced market correction, with rising availability, limited tenant activity, and a growing inventory across all blocking sizes resulting from lease expirations, subleases, and new vacant deliveries. Rather than a quick rebound, the market appears to be entering a prolonged period of recalibration.

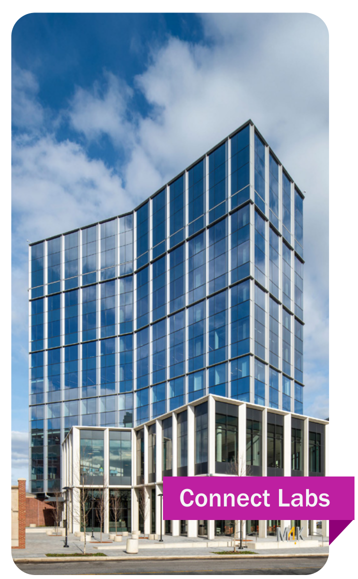
Well-capitalized and revenue generating firms are using the slowdown to their advantage, opportunistically evaluating space at lower rents, renegotiating leases, or positioning themselves for future growth at a discount. As refinancing and debt pressures mount, it's becoming harder for owners of vacant or low-occupancy buildings to justify competitive tenant improvement allowances to attract tenants, raising the likelihood of market distress through capital calls, distressed building sales, or potential defaults.

Despite contract service and manufacturers signaling plans to move onshore, meaningful movement will likely result when market pressures, such as regulatory certainty or commercial demand, justify capital deployment. There are opportunities for sizable, net-new tenants to enter the market at more competitive rental rates than those in other major East Coast life science hubs such as Boston. These markets are similarly experiencing rate compression, though rents remain above $100 per square foot, perhaps giving the I-270 Corridor a slight edge over time.

| Existing Inventory (SF) | Under Construction (SF) | Under Renovation (SF) | Proposed (SF) | Availability Rate (%) | Avg. Asking Rents ($) |
|---|---|---|---|---|---|
| 12,272,323 | 0 | 0 | 2,194,000 | 21.16 | 41.98 |

## MARKET NARRATIVE

Maryland's life science real estate market reflects a dynamic between tenant flexibility and landlord adaptability, as both sides continue to adjust to shifting demand and expanded availability. A limited pool of active lab requirements, combined with lease expirations, sublease listings, and stalled lease-up of new deliveries, has pushed the I-270 Corridor availability to historic heights. Many tenants are taking a "wait-and-see" approach, choosing indecision over a bad decision, or gravitating toward short-term renewals with favorable economics. Companies interested in leasing space are concentrated in more affordable, second-generation or Class B spaces, where landlords are aggressively offering concessions to prioritize occupancy and stabilize assets. This "race to the bottom" on pricing and terms underscores the current imbalance in supply and demand. In previous quarters, landlords invested in repositioning properties to attract smaller, highly specialized users. However, many of these firms carry higher credit risk because of their limited operating history and weaker balance sheets, making them less reliable long-term tenants despite the targeted investments.




Connect Labs by Wexford at 4 MLK Blvd. offers offices, private labs, and amenities in the UMD Bio Park.

The slowdown in venture capital investments and regulatory uncertainty, including public grants, is not just limiting new tenant formation, it's also extending decision timelines for funded companies. Capital uncertainty is directly slowing deal flow, especially for those prioritizing cash conservation. Historically, demand from early-stage life science companies has favored pre-built, move-in-ready lab suites that minimize upfront capital costs and accelerate time-to-occupancy, benefiting landlords who invested in spec buildouts and modular designs. However, as capital constraints and extended commercialization timelines persist, there is a noticeable shift toward incubators and accelerators offering shorter lease terms and access to shared equipment. In comparable markets, this flight to operational flexibility has benefited shared lab environments, a trend now playing out in Maryland. New Baltimore-based options, such as Blackbird BioHub at City Garage and Connect Labs at 4 MLK in the University of Maryland's Bio Park are becoming well-positioned to meet this evolving demand.

While life science and biotechnology companies are shifting from R&D toward commercialization and GMP production, much of the available space in the I-270 Corridor leans towards an R&D-focus. There's potentially a growing mismatch between space design and user demand for biomanufacturing infrastructure. Looking ahead, the I-270 Corridor is not expected to experience a near-term rebound. Instead, the market is entering a rebalancing cycle, where leasing strategies and development timelines must be carefully aligned with actual demand.

## NOTABLE LEASE TRANSACTIONS

Property Address
**9800 Medical Center Dr**

Submarket
**Rockville**

Tenant Name
**Advanced BioScience Laboratories (ABL)**

Square Feet
**31,547**

Deal Type
**Renewal**

Property Address
**20 Firstfield Rd.**

Submarket
**Gaithersburg**

Tenant Name
**Elutia**

Square Feet
**25,000**

Deal Type
**Sublease**


Property Address
**704 Quince Orchard Rd**

Submarket
**Gaithersburg**

Tenant Name
**Integer Bio**

Square Feet
**6,228**

Deal Type
**Direct New**

## FUNDING

**Infinity Bio**
Series A
$8M

**Immunomic Therapeutics (ITI), an HLB Company**
Later Stage
$6.5M

**Remedy Plan Therapeutics**
Later Stage
$18M


Blackbird BioHub

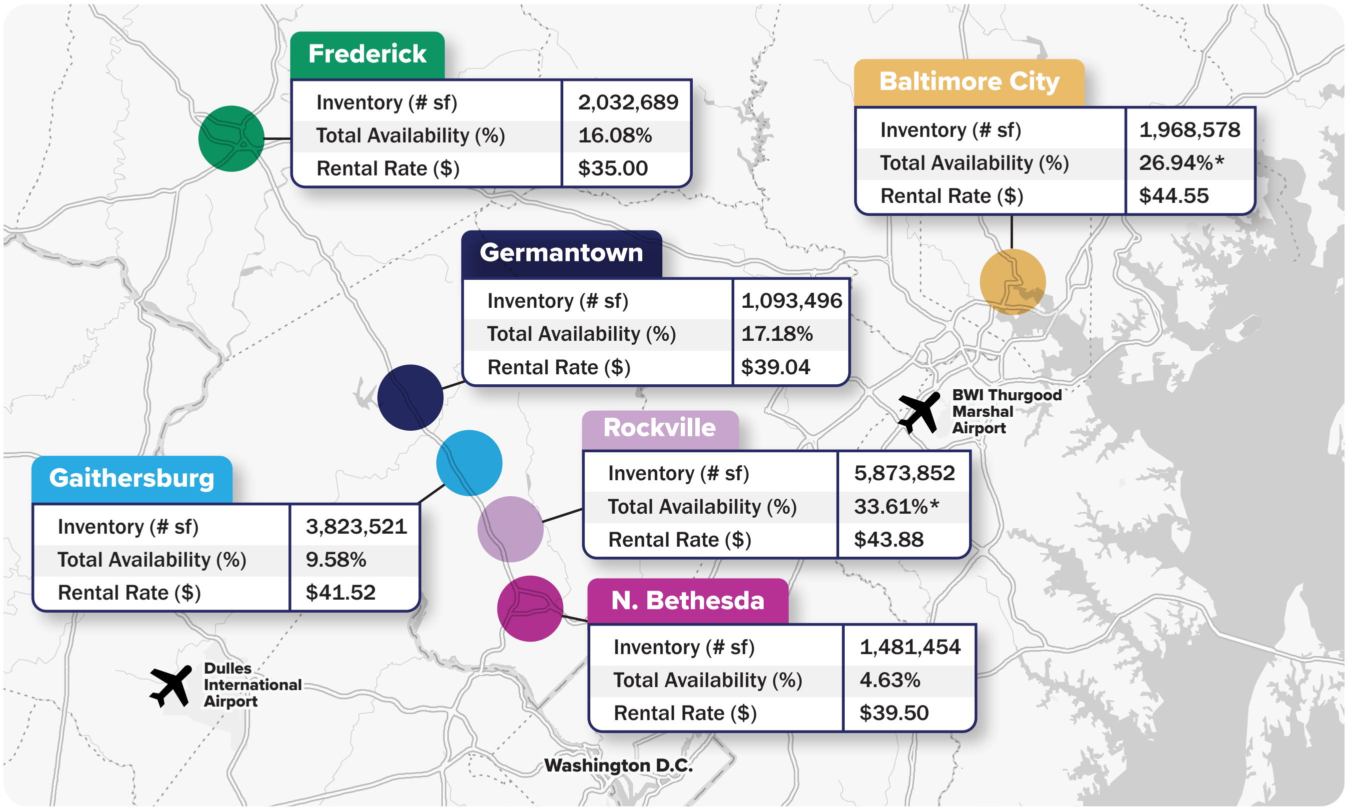
Blackbird Laboratories will open its 35,000 SF wet lab incubator in early 2026. Blackbird BioHub will provide companies with access to shared lab space and equipment.

## MERGERS & ACQUISITIONS

PREVISE
**acquired by Castle Biosciences**

Pii
Pharmaceutics International, Inc.
**acquired by Jabil** (NYSE: JBL)

## SUBMARKET MAP




**Frederick**

| | |
|---|---|
| Inventory (# sf) | 2,032,689 |
| Total Availability (%) | 16.08% |
| Rental Rate ($) | $35.00 |

**Baltimore City**

| | |
|---|---|
| Inventory (# sf) | 1,968,578 |
| Total Availability (%) | 26.94%* |
| Rental Rate ($) | $44.55 |

**Germantown**

| | |
|---|---|
| Inventory (# sf) | 1,093,496 |
| Total Availability (%) | 17.18% |
| Rental Rate ($) | $39.04 |

**Rockville**

| | |
|---|---|
| Inventory (# sf) | 5,873,852 |
| Total Availability (%) | 33.61%* |
| Rental Rate ($) | $43.88 |

**Gaithersburg**

| | |
|---|---|
| Inventory (# sf) | 3,823,521 |
| Total Availability (%) | 9.58% |
| Rental Rate ($) | $41.52 |

**N. Bethesda**

| | |
|---|---|
| Inventory (# sf) | 1,481,454 |
| Total Availability (%) | 4.63% |
| Rental Rate ($) | $39.50 |

*Rockville - 14200 Shady Grove Road and 9810 Darnestown totaling 874,189 SF.
*Baltimore - 4MLK totaling 173,384 SF

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