

# I-270 Corridor Lab Market Report

SECOND QUARTER 2016



# The Dust Settles

## MARKET SUMMARY

In 2nd quarter of 2016 it seems the last of the major transactions in the lab market have found a way to satisfy their need for growth. WellStat (115,000 sf) and Novavax (147,000 sf) reduced the vacancy rate by a combined 1.9%. The demand moving into the 3rd quarter seems to have stagnated, which might be just what the market needs to prepare for future demand.

We are now tracking approximately 97,000 sf (1.3% vacancy rate) of lab space immediately available with another 106,000 sf coming available over the next 9 months. Rental rates have responded to the scarcity of space with rents pushing into the high-\$20s, Triple Net for newer, class A product, and landlords able to sign transactions with less concessions as compared to years past.

## FORECAST

With limited new supply of lab space on the horizon the market will need to start solving for upcoming demand. We expect that conversions (repurposing) of existing structures will be the most cost effective means to delivering new lab space. The capital costs of building new labs will be either: (1) Borne by the tenant or (2) Paid by the landlord. Landlords willing to provide new lab space to the market can likely expect \$30+, NNN rents.

## OPPORTUNITIES FOR LANDLORDS

Repurposing of existing assets for lab users will likely lead to higher returns and potentially faster lease up (provided demand stabilizes).

## OPPORTUNITIES FOR TENANTS

With the development of first generation space, the user(s) will be able to design new labs, offices, etc. per their specifications. It should be noted that additional time and potentially additional capital should be allocated to accommodate the design and construction process.

For additional market insight, contact:

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## MARKET STATISTICS

### VACANCY RATE

1.3%

DOWN BY 1.9%

### SQ FT AVAILABLE

97,000<sup>SF</sup>

106,000 SF BACK ON MARKET IN 9 MONTHS

### CURRENT AVERAGE RENTAL RATE

\$24.71

ON A TRIPLE NET BASIS

## MAJOR LAB TRANSACTIONS



**WellStat** - 115,000 sf at 14200 Shady Grove Road. Growing well beyond their current footprint on Clopper Road, they signed a sublease to cohabitate with the new GSK Global Vaccines R&D Center. Their space on Clopper Road is expected to become vacant early 2017.



**Novavax** - 147,000 sf at 1201 Clopper Road of new expansion to facilitate a more robust manufacturing facility and additional lab / administrative functions.