

NORTH ROCKVILLE

OFFICE SPACE MARKET REPORT

4TH QUARTER 2015 & 2016 FORECAST



RIPE FOR INVESTMENT OPPORTUNITY OR A TRUE TENANT’S PARADISE

HIGH VACANCY, STAGNANT MARKET:

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This year, the North Rockville Market has been a lackluster. Year to date, North Rockville is experiencing the highest vacancy rate the submarket has seen in 5 years (19%)! Couple this with the fact that average rental rates are at a 5-year low (\$25.06), which is down almost \$1.50 psf, and it’s easy to see that we’re dealing with a very soft, stagnant market overall. This is even more evident when you compare the North Rockville submarket to Montgomery County as a whole. The current vacancy rate in the county is 14.5% and average asking rate is \$27.95. To be frank, North Rockville is “underperforming”.

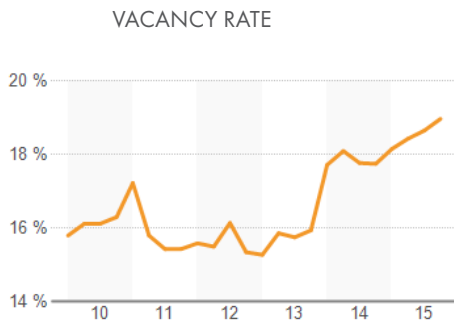
MAKING THE INVESTMENT:

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With over a dozen buildings in the area with large blocks of vacancy (20,000+ square feet), it is easy to see why landlords and owners alike have been investing significant capital into their assets in an attempt to attract new tenants. Fitness centers, conference facilities, and on-site delis are becoming commonplace amenities that tenants are expecting. Landlords are now challenged with providing something new and exciting to attract new tenants.

Whenever there is an opportunity to land a new deal, the investors will capitalize on it. We have seen several “out of town” investors enter the market. Whether it’s Marcus Partners (based out of Boston, MA) auction purchase of 2099 Gaither Road, Broe Group’s (based out of Colorado) purchase of 9600 Blackwell, or Island Capital’s (out of New York) partnership with McShea Properties that purchased 1801 & 1803 Research Boulevard, it’s easy to see that North Rockville is a prime location for investors.

MARKET STATISTICS:



LOOKING FORWARD TO 2016:

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When it comes to North Rockville office product, although supply outweighs demand space, overall leasing activity has been increasing. Despite the fact that the market's landscape seems to be all "doom and gloom", it is this author's opinion that things will begin change for the better. Looking ahead to 2016 we should see an improvement in vacancy rates as tenants in the market realize the opportunities and potential savings that can be achieved. The North Rockville market is still very much a tenant's market as landlords continue to "reach" for new deals to stabilize their assets.

FOR ADDITIONAL INFORMATION, CONTACT:

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Aaron Gambini | (301) 337-4700 | agambini@scheerpartners.com
Scheer Partners | 9201 Corporate Boulevard, Suite 420 | Rockville, MD 20850

MAJOR 4TH QUARTER TRANSACTIONS:



805 KING FARM BOULEVARD

- Sucampo Pharmaceuticals (27,502 square feet) at 805 King Farm Boulevard.



2101 GAITHER ROAD

- Northrop Grumman (12,507 square feet) at 2101 Gaither Road.



9707 KEY WEST AVENUE

- Nomad Digital (7,388 square feet) at 9707 Key West Avenue.

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