

MEDICAL MARKET

THE MONTGOMERY COUNTY MEDICAL MARKET CAN BEST BE DESCRIBED IN ONE WORD: CONCENTRATED.

The Shady Grove corridor contains close to 1.4 million square feet of what can be considered “medical” space, made up of fully medical buildings and quasi-medical buildings. These quasi-medical buildings contain a mix of medical practitioners as well as general office users.

In the Shady Grove corridor, Q2 saw an almost negligible increase from Q1 in vacancy rates, up to 25.6% from Q1’s 25.5%. The 25.6% vacancy rate translates to roughly 330,000 square feet of “medical” vacancy. This slight increase in vacancy rates was paired with a decrease in the gross asking rent per square foot, from \$29.60 per square foot down to \$29.44 per square foot.



15001-15005 SHADY GROVE ROAD

With **Capital Digestive Care’s** recent purchase of 100,000 square feet of medical office space at 15001 and 15005 Shady Grove Road, expect them to consolidate some of their physician offices and other services within this complex. CDC appears to be planning a ‘hub for patient services’ within the Shady Grove corridor. This change will provide a benefit not only to patients, but also to CDC as they are able to ‘make business more efficient’.

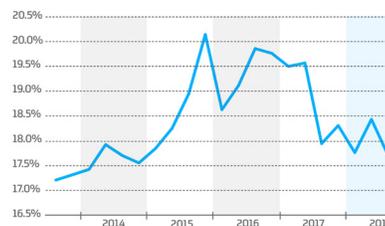
The expectation is that Capital Digestive Care will occupy at least the top two floors of the recently acquired 15001 Shady Grove Road. In addition, another healthcare group currently occupies the 2nd floor of 15001 Shady Grove Road.

These two groups combine to take just over 40,000 square feet off the market within the Shady Grove corridor, one of Montgomery County’s largest concentrations of medical professionals. Expect this coming absorption by Capital Digestive Care to keep rates in the Shady Grove corridor above the rest of the Montgomery County medical markets. In addition, this lowered medical vacancy has the potential to further increase the rental rates. Don’t expect landlords to immediately lower their concessions though, as almost all buildings in Shady Grove still have some level of vacant space available.

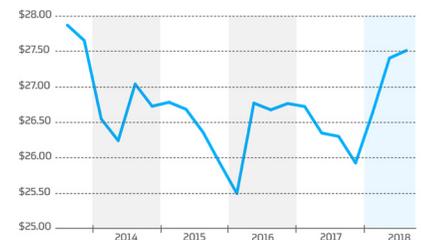
In Montgomery County as a whole, vacancy rates have slightly increased to 18.4%, up 0.6% from Q1. Despite this, vacancy rates are down almost 2% from the 5-year high of 20.1%. Meanwhile, the asking rent per square foot of \$27.41 has increased by almost \$1 per square foot from Q1 and continues to climb. Sticking with that trend, current rental rates are roughly \$2 per square foot higher than the 5-year low of \$25.50 per square foot. Despite these trends, the market is nowhere near its equilibrium and still considered a tenant’s market, which continues to offer high front-end concessions to tenants.

There are indications of an imminent shift towards a landlord’s market. If vacancy rates continue to fall and rental rates continue to increase, landlords will be less open to granting concessions to their tenants. Now is a great time to explore the market and ensure your practice is in a favorable position for many years to come!

MONTGOMERY COUNTY VACANCY RATE



MONTGOMERY COUNTY ASKING RENT



SHADY GROVE CORRIDOR VACANCY RATE



SHADY GROVE CORRIDOR ASKING RENT



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