

Bethesda Office Market Update

Scheer Partners
A Reputation for Results

Q4 2018

If 2018 was a party and the downtown Bethesda office market were all of the guests, then the year was one great, boisterous celebration with all of the “life of the party” milling around. The fourth quarter was that bittersweet last hour where the host turns the music down and happily catches up with a few welcome guests while dealing with a couple of wet blankets.

Missed the party? Thanks to social media (or good old-fashioned market intel), there’s always evidence for better or for worse...

4550 MONTGOMERY AVENUE



Stay as long as you like:

- Gelman, Rosenberg & Freedom expanded at 4550 Montgomery Avenue to 21,432 square feet.
- Merrill Lynch signed on at 3 Bethesda Metro for 14,000 square feet

The Wallflowers:

- Speaking of Bethesda Metro, the saga between developers, the community, and the county about what will happen at the plaza and Streetsense building saw no conclusion.
- Amazon passed over Montgomery County (and the rest of the finalists) in favor of Northern Virginia HQ2... and cut the deal in half... resulting in a very anti-climactic end to our closest chance of making an impact in Bethesda and the rest of our region, for that matter.

CURRENT VACANCY RATE

13.3 %

CURRENT AVERAGE ASKING RENT

\$ 38.78 PSF

Overall, while the new “trophy” office buildings in Bethesda had a great year with pre-leasing and are rumored to have more in the pipeline, the signed leases reported in the fourth quarter were only a handful in existing A & B buildings with rates in the \$33-\$47 per square foot range. More multifamily development was announced, notably the “iconic” Union Hardware location where Donohoe has a plan for a 22-story mixed-use condo building slated for 2022 delivery.

Bethesda Office Market Update

Scheer Partners
A Reputation for Results

Q4 2018

What to expect in 2019:

The Bethesda office market, especially the large blocks of Class A availability, will likely tighten back up in 2019 as the trophy buildings with high profile tenants attract other popular friends to the party. Rents may continue to rise including in older office product as landlords meet the demand and also invest to compete in the ever evolving “amenities race,” which national trends indicate will be increasingly more like amenities and services in the hospitality industry.

There will still be deals to be had, including for businesses in the “outskirts” that want to be in Bethesda for the same rates they currently pay.

I expressed concern earlier in 2018 about how we were all going to get to this party... as traffic continues to build up on Wisconsin Avenue. While people will still use their cars, I was optimistic to learn that Montgomery County adopted a bicycle master plan and while the entire plan is expected to take 50 years to implement, there are several downtown Bethesda locations included in the “Tier 1” rollout which should be implemented in the next 5 years. Are you an employer or landlord with no bike racks or bikes, for that matter? It appears that electric, motorized rackless bicycle providers such as Uber’s “bird” and LimeBike which are already extremely popular on the West Coast, are making their way here. Pike & Rose in North Bethesda and areas of DC have already introduced this new way of getting around. It’s a matter of time before this trend makes its way into downtown Bethesda and impacts the way employees and residents get around. Just remember if you’ve enjoyed a few drinks at the party, don’t drink and cycle! Happy New Year!

LIMEBIKE



Connect with me:

Want to network and work on you New Years health goals?

Contact me to attend my upcoming “Sweat - Working” event in downtown Bethesda!



@CARLYN.SCHEERPARTNERS

For additional market insight, contact:

Carlyn Kelley
(301) 337-4723
ckelley@scheerpartners.com

Scheer Partners, Inc.
15245 Shady Grove Road,
Suite 210
Rockville, Maryland 20850