

### THE MEDICAL MARKET LOOKS GREAT FOR TENANTS!

If you've been following along with our quarterly medical market reports, it shouldn't come as a surprise when we say that the medical market continues to be red-hot. Healthcare tenants are some of the most desirable tenants for any landlord. Medical office buildings (MOBs) tend to achieve higher rental rates than general office buildings because medical tenants invest more heavily in their infrastructure and typically do not relocate their offices as frequently. This leads to long-term security for both the landlord and the tenant.

The Shady Grove Corridor is a great example of the above. As of Q4 2018, while the general office market calls for average asking rents of between \$25 - \$26 per square foot, the medical market in Shady Grove sits between \$30 - \$31 per square foot. As a result of this, MOBs sell for more than general office buildings. While the average sales price per square foot of office buildings over the last few years sits just above \$200 per square foot, 9601 Blackwell Road sold for a staggering \$350 per square foot this quarter, or \$42.6 million.

Shady Grove Corridor	North Rockville	Montgomery County	Montgomery County
\$30 - \$31 PSF	24.5%	\$27.51 PSF	19.3%
Recent MOB sale at \$350 PSF	Office vacancy sub-20%	Down from \$27.63 in Q3	Up from 19.1% in Q3

With healthcare making a shift within the last decade away from hospital campuses and more towards community-driven locations, certain specialties are leaning more heavily on the visibility and accessibility provided to them by traditional retail shopping centers. In addition, a lot of well-located general office buildings are converting to medical and having high levels of success, such as the aforementioned building at 9601 Blackwell Road.

Landlords, however, need to be wary of over-conversion and over-saturation. While the increased product can benefit the tenants, landlords will have a harder time filling their buildings as they compete with one another. Looking to North Rockville, while the general office vacancy rate sits sub-20%, the medical office vacancy rate sits much higher at 24.5%. Too much product has over-saturated the market with availability leading landlords to have to get creative and aggressive to land strong healthcare tenants.

In Montgomery County as a whole, healthcare vacancy rates increased marginally from 19.1% in Q3 to 19.3% in Q4. Meanwhile, average asking rents per square foot decreased from \$27.63 in Q3 to \$27.51. With the beginning of a new year, now is a great time to have a healthcare real estate expert evaluate your lease and ensure that you're getting the best bang for your buck. It may be time to capitalize on current market conditions, to relocate, or revitalize your practice!

#### For additional medical market insight, contact:

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