

I-27 Corridor Lab Market Report

Scheer Partners
A Reputation for Results

2019 Q1

Market Summary

Following the 4th quarter of 2018, which was the most active quarter in the past 10 years, transactional activity in the 1st quarter of 2019 was relatively slow. The market was rebuilding with several new funding events driving potential tenant growth.

The big story of the 1st quarter was Supernus Pharmaceuticals. After signing a full building lease at 700 Quince Orchard Road (for 119,000 sf), Supernus and the landlord decided to part ways. In February, Supernus announced it would be moving its new headquarters to 9715 Key West Avenue. They will join Kolon Tissuegene who signed a lease at 9713 Key West and started the conversion of the project from office to lab.

Both of the transactions above illustrate a lack of available Class A spaces in lab clusters that accommodate larger users. The market is responding to large users and those seeking class-A options with a limited number of conversion opportunities or ground up development, but the next large, class A lab tenant will find only a few options available in the market.

Forecast

Throughout 2019, two major trends are expected to unfold:

- Rent spread: rents have compressed over the past 5 quarters. Most 2nd generation, lab-ready options clustered in the \$30.00 to \$34.00, NNN range, irrespective of quality, access to amenities, etc. With continued pressure on supply, it is expected that lab-ready options will find themselves in a good-better-best type of pricing categorization with higher prices for newer, amenity-rich options at the top of the market..
- Establishing new lab hubs: the lack of available 2nd generation lab space and / or conversion options near existing life science hubs will invite users to push into non-traditional areas to accommodate their growth.

For additional market insight, contact:

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Market Metrics

Availability
436,800 SF [5.06%]

Absorption
-132,800 SF

New Deliveries
275,000 SF

**Average Marketed
Rental Rate**
\$31.81, NNN

Major Transactions



Remedy Plan - 3,400 SF
New lease at 704 Quince Orchard Rd



NorwoodBio - 6,000 SF
New lease at 200 Girard Street



ST Cube - 6,200 SF
Renewal at 401 Professional Drive



Supernus - 130,000 SF
New lease at 9715 Key West Avenue