

MONTGOMERY COUNTY

REAL ESTATE OFFICE MARKET OVERVIEW

ANEMIC ECONOMIC ENGINE

In recent months there has been concern sparked by the exodus of major tenants from Montgomery County and the vacancies they will leave behind. Additional alarm is caused from most of the leasing within the County occurring linearly – with existing tenants moving from one MoCo building to another.

Economic Development is attempting to attract new companies to make their home in the County. The question is, will it be enough to attract the core tenants it sorely needs?

Exodus

Discovery Leaving their HQ: Discovery employed 1,300 people in their Silver Spring HQ at 1 Discovery Place; this year the company moved their operations to New York, leaving an entire building in downtown Silver Spring vacant.

Expiring GSA Leases on the Horizon: In 2019-2023 alone, GSA leases totaling almost 2M SF in Montgomery County will be expiring, with an additional 1,680,000 SF expiring in the years following and no guarantee they will remain in the County ^[1].

Montgomery County is not attracting the number of new establishments it once did. From 2011-2017 the county added only 88 net new establishments compared to the 7,500 in Maryland as a whole ^[1]. The County is seeing the activity in neighboring counties and are instating actions to up MoCo's competitive advantage.

One solution offered is the recently passed Bill 10-19 'Economic Impact Statements-Amendments' that will take into effect 2020; this requires all bills to be reviewed by an economist in the Office of Legislative Oversight (instead of the Department of Finance) to encourage a full review of how a bill impacts the County and its businesses on a fiscal and economic level – instead of focusing on the impact of the County budget. Once instated, this will require the County to consider the implications (like operating costs) on inhabiting businesses first before pushing a new bill through ^[2].

The County is focused on offering incentives to make MoCo appealing for new companies to place and expand their business:

New to the County	Expanding in Moco
MOVE PROGRAM	NEW JOBS TAX CREDIT PROGRAM
▶ For businesses new to the county	▶ Available to businesses that increase their space by 5K and add at least 25 new jobs
▶ Leases under 20,000 SF (Class A/B or Wet Lab)	▶ Only available to businesses (excluding retailers) that exist in MoCo or are moving to it from outside of the state
▶ Up to \$8/SF Grant	▶ The credit is combined with the state tax credit and decreases over 6 years

Expanding Biotech Startups	EDF Loan/Grant Program
▶ Bio Lab Pilot Project	▶ Montgomery County Economic Development Grant and Loan Program
▶ This new program helps small biotech companies who have outgrown their incubator fund lab fit-out costs	▶ Provides financial assistance to private employers who will add or retain jobs in Montgomery County
▶ Fewer than 20 employees, occupies less than 5,000 SF	▶ Priority given to high tech & manufacturing companies in addition to businesses in Urban revitalization areas and companies that provide public benefits
▶ Grant of \$10/SF of wet lab fit-out costs up to \$30,000	▶ Assistance ranges from \$5,000 - \$100,000 ^[3]

There are case studies that show how these programs can act as a final 'push' to incentivize a company's move into the County. At the beginning of the year, the biopharmaceutical company Autolus Therapeutics took advantage of conditional loans from both the State and the County to assist with the project costs of their new 85,000 SF U.S. headquarters in Rockville. They received over \$700,000 with the loans combined ^[4]. Although Autolus is a terrific example of new growth in the area their story is unfortunately not the norm.

Montgomery County is home to Federal agencies like NIH, NIST, FDA and is a jump away from the Nation's capital. So why is new business growth so slow? What more can be incorporated to end the reshuffling of the deck and bring new major job engines like Marriott, United Therapeutics, and Westat to increase job growth and restore the County's economy.

Read more about Montgomery County's Incentives & Bill 10-19 at: <https://www.montgomerycountymd.gov>

Continue the Story

Do you think Moco is doing enough to incentivize new growth?

Let me know your thoughts on Twitter [@mocofriend](https://twitter.com/mocofriend)

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References

¹[Sage Policy Group (January 2019). 'Restoring Economic Momentum in Montgomery County, MD]

² [Montgomery County Maryland (July 2019)*Council Unanimously Enacts Bill 10-19, Which Strengthens the Council's Economic Impact Statement for Each Bill Introduced.*]

³[MCEDC (2019). ' Two Minute Guide to Incentives: Helping you Navigate & Access Business Resources']

⁴[Maryland Department of Commerce (January 14, 2019). ' Maryland Montgomery County Announce Support for U.K. Biopharmaceutical Company Headquarters']