

I-27 Corridor Lab Market Report

2019 Q4

Market Summary

Montgomery County

The Montgomery County lab transactions in the 4th quarter of 2019 were dominated by renewals, but there were a few new life science companies and expansions of existing lab users that showed the continued strength of the market. There was also some newly available lab (or lab-ready) spaces added to the inventory that provided a balance to the market. Options for tenants have become less scarce, but time to occupancy due to construction remains a major consideration. Rental rates are quickly moving into the upper-\$30's (NNN) for newer projects.

Baltimore

Existing lab facilities remain virtually non-existent in Baltimore. Tenants looking to find lab space in Baltimore have two facilities with existing infrastructure. Both properties are in Dundalk and equal 157,000 square feet of availability (7.5% of the market). To solve for the lack of lab space, three developers have announced purpose-built lab buildings in Baltimore. Wexford is extending the BioPark by 330,000 square feet by Q2 2022 with 4 Martin Luther King Blvd, Brookfield Properties is expanding their campus by JHU Medical Campus by 160,000 square feet by Q2/Q3 2022 with 1867 Eager St and Weller Development has announced a 200,000 square foot lab building at the Port Covington development. To solve for increasing demand in Baltimore, several landlords in Baltimore are showing interest in converting existing vacancy to lab. Converting existing product will help solve for the lack of inventory prior to the expected Q2/Q3 2022 deliveries above.

Frederick

Kite Pharma breaking ground in Urbana has been a bellwether for demand in Frederick. As of Q4 2019, there is 510,000 square feet worth of new demand; most of which is two tenants looking to build large scale manufacturing facilities. This will further strengthen Frederick as a manufacturing hub in Maryland for life science users looking for a presence on the East Coast or to expand their capacity in the region.

Market Metrics

Availability

554,000 SF [6.6 %]

Absorption

21,400 SF [0.25 %]

Average Marketed Rental Rate

\$31.47, NNN

Major Transactions



GeneDX - 83,000 SF
Renewal at 207 Perry Parkway



Macrogenics - 45,000 SF
Renewal at 9640 Medical Center Drive



REGENXBIO - 32,000 SF
Expansion at 9800 Medical Center Drive



AGT - 26,000 SF
Relocation to 9713 Key West Avenue

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Q4 2019 MARYLAND LIFE SCIENCE FUNDING

TYPE OF FUNDING	AMOUNT	DEAL COUNT
Seed	\$1,500,000	1
Series A	\$14,690,000	3
Series B	\$90,010,000	2
Series C	\$0	0
Series D	\$0	0
Mezzanine	\$0	0
Acquisition	\$0	0
Private Equity	\$3,050,000	1
Debt	\$0	0
IPO	\$150,100,000	1
PIPE	\$0	0
Grants	\$0	0
Partnerships	\$0	0

* Source: PitchBook

Funding Highlights

Total Amount
\$259,350,000

Total Deal Count
8

New Options Coming



8280 Wisconsin Ave, Bethesda, MD
165,000 SF
Estimated Delivery Winter 2022



4MLK, Baltimore, MD
333,000 SF
Ground breaking Q2 2020

Forecast

There are several sizeable lab requirements in the market, which promise to make 2020 a year to watch. With very little supply of large blocks of space, ground-up development is anticipated to be the solution for the larger users. The market will continue to trend toward urbanization with new options coming to life in Bethesda at 8280 Wisconsin Avenue as well as the Baltimore market near Johns Hopkins and University of Maryland BioPark. The Frederick market will likely see leaps in growth for manufacturing and CROs looking big blocks of high-bay space at lower cost. Rental rates are expected to continue to climb as new, class A options become available and differentiate from the existing, 2nd generation market.

For additional market insight, contact:

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