

I-270 Corridor Lab Market Report

THIRD QUARTER 2016



Market Summary

The lab market took a moment to collect itself with a relatively quiet 3rd quarter of 2016. That is, by comparison to the hyper-active market we experienced the 3 quarters prior. The transactions amounted to a handful with a few smaller new leases and a couple of larger renewals. Both U.S. Pharmacopiea (25,000 square feet) and Tetracore (40,000 square feet) renewed their leases. Additionally, there was some new activity at two of the private lab incubators/ accelerators in the I-270 Corridor, which is typically a good leading signal for growth in the market.

Forecast

With little new supply of lab space on the horizon, it is expected that the vacancy rate will remain low for the foreseeable future.

The next generation of marked demand will be dictated largely by the capital markets as well as investment from international entities/ sources. That said, it is expected that demand will normalize back to historical trends of 250,000 to 500,000 square feet of transactional activity per year with demand that will surpass current supply within the next 18 months. This continued pressure on supply will cause rents for “Class A” lab space to rise above \$30.00 per square feet in a similar time period.

Opportunities for Landlords

Repurposing existing buildings for lab use remains the best scenario for the immediate market. However, as rents continue to rise; ground-up development will become more attainable to those who have entitled land near existing lab clusters in the I-270 Corridor.

Opportunities for Tenants

The new capital investment to build first generation lab space will provide new lab/office space built to users specifications but also will likely expand the footprint of the lab clusters in the I-270 corridor to include more Metro accessible locations and locations further north, closer to the employment base in Frederick.

For additional market insight, contact:

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MAJOR LAB TRANSACTIONS



US Pharmacopiea renewal - 25,000 sf at 12725 Twinbrook Avenue.



Tetracore renewal - 40,000 sf at 9901 Belward Campus Drive.

AVAILABILITY RATE

2.7%

UP FROM 2.6% IN Q2 2016

CURRENT LAB RENTAL RATE

\$30,NNN

FOR "CLASS A" LAB SPACE