



## Availability remains elevated, Montgomery County sees some tightening

Overall availability in Suburban Maryland increased 70 basis points over the year ending Q1 at 20.8%, and has seen very little change over the past two years as options remain plentiful throughout the market. Class A availability saw a more pronounced increase, ticking up 250 basis points over the year to 23.0%. The market, however, remains bifurcated with Montgomery County seeing a slight drop in availability. Overall availability in Montgomery County declined 70 basis points over the year to 20.0% with new construction options in Bethesda remaining a top tenant choice. New space has also put some upward pressure on asking rents. Overall asking rents increased 3.2% over the year to \$27.60 per square foot (psf), while class A rents saw a 2.5% increase year-over-year to \$28.74 psf.

### Leasing activity drops from a stand-out 2018, still on par with five-year average

Leasing activity for the quarter totaled just under 1.0 million square feet – less than half of what was seen this time last year – but still on par with average first-quarter totals. The first quarter of 2018 was a stand-out quarter for “mega deals” with far fewer large leases signed to begin 2019. Demand continues to be centered in Montgomery County, with those submarkets attracting more than 90.0% of major transactions seen this quarter. Tenants are on the move and are taking advantage of softer market conditions as relocations outpaced renewal activity this quarter.

### Tenants focus along Rockville Pike, new construction prompts continued flight to quality in Bethesda

Rockville and North Rockville accounted for a significant portion of leasing activity, representing 16.1% and 24.1% of total activity, respectively. Supernus Pharmaceuticals leased 136,016 square feet (sf) in North Rockville this quarter, in both 9713 and 9715 Key West Avenue, moving its headquarters north from Rockville. Aronson LLC will shift around within Rockville, relocating 49,833 sf to 111 Rockville Pike from 805 King Farm Boulevard. In Bethesda, ProShares is trading up space and will shift its corporate headquarters to 55,000 sf at the new 7272 Wisconsin Avenue. This brings 7272 Wisconsin Avenue to 59% pre-leased, with very few options in new construction remaining.

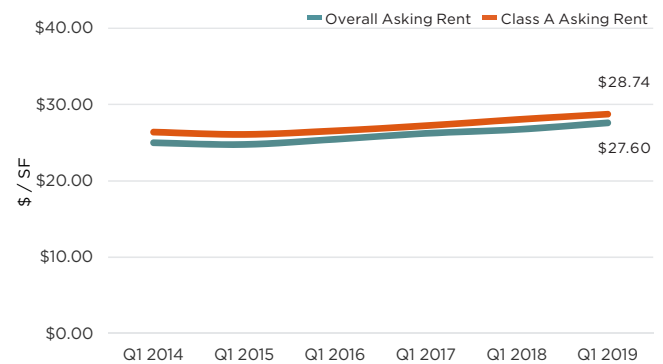
### Outlook

- Expect to see additional tightening in Montgomery County, particularly in submarkets along Rockville Pike, as a continued flight to quality reduces the number of large class A blocks available
- New construction will continue to push asking rents upwards, but concessions remain generous given the overall softness in the market
- Until there is a more substantial change in underlying market fundamentals, we expect to see tenants exploring relocation options over renewals, shifting space from both within and outside the market

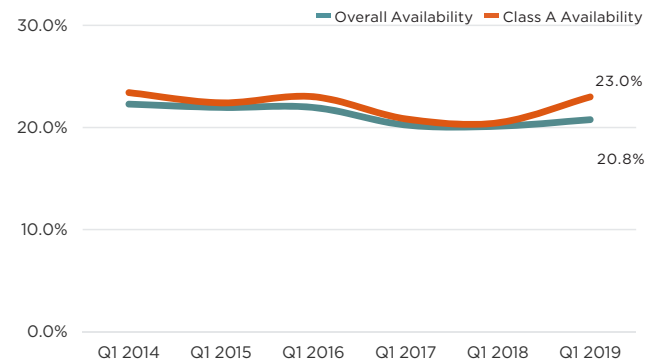
### KEY STATISTICS

	Q1 2018	Q1 2019	y-o-y Change
Inventory	63.3 MSF	<b>63.3 MSF</b>	◀▶
Availability Rate	20.1%	<b>20.8%</b>	▲
Asking Rental Rate	\$26.73	<b>\$27.60</b>	▲
Class A Asking Rental Rate	\$28.03	<b>\$28.74</b>	▲
Quarterly Leasing Activity	0.9 MSF	<b>1.0 MSF</b>	▲

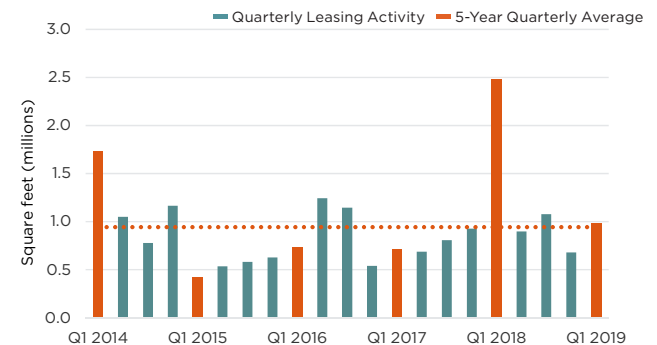
### ASKING RENT TRENDS



### AVAILABILITY TRENDS



### LEASING ACTIVITY



MAJOR TRANSACTIONS

**63.0%**

of major transactions were **new market entrants or relocations**

**94.5%**

of large transactions occurred in **Montgomery County** submarkets

**29.1%**

**Financial Services** represented 29.1% of major transactions

Tenant	Square feet	Address	Transaction type	Submarket	Industry
Supernus Pharmaceuticals	136,016	9713 & 9715 Key West Avenue	Relocation	Montgomery County	Pharmaceuticals & Life Sciences
AECOM	86,668	20501 Seneca Meadows Parkway	Renewal	Montgomery County	Professional Services
ProShares	55,000	7272 Wisconsin Avenue	Relocation	Montgomery County	Financial Services
MidCap Financial, LLC	50,000	7239-7255 Woodmont Avenue	Renewal and Expansion	Montgomery County	Financial Services
Aronson LLC	49,833	111 Rockville Pike	Relocation	Montgomery County	Financial Services
Stein Sperling Bennett De Jong Driscoll PC	42,406	1101 Wootton Parkway	Relocation	Montgomery County	Legal Services
Georgetown University	31,000	11333 Woodglen Drive	Renewal	Montgomery County	Education
ASRC Federal Holding Company	29,098	7515 Mission Drive	Renewal	Prince George's County	Professional Services
Marriott International	27,159	540 Gaither Road	New Location	Montgomery County	Real Estate
Worksource Montgomery Inc.	24,046	11510 Georgia Avenue	New Location	Montgomery County	Professional Services

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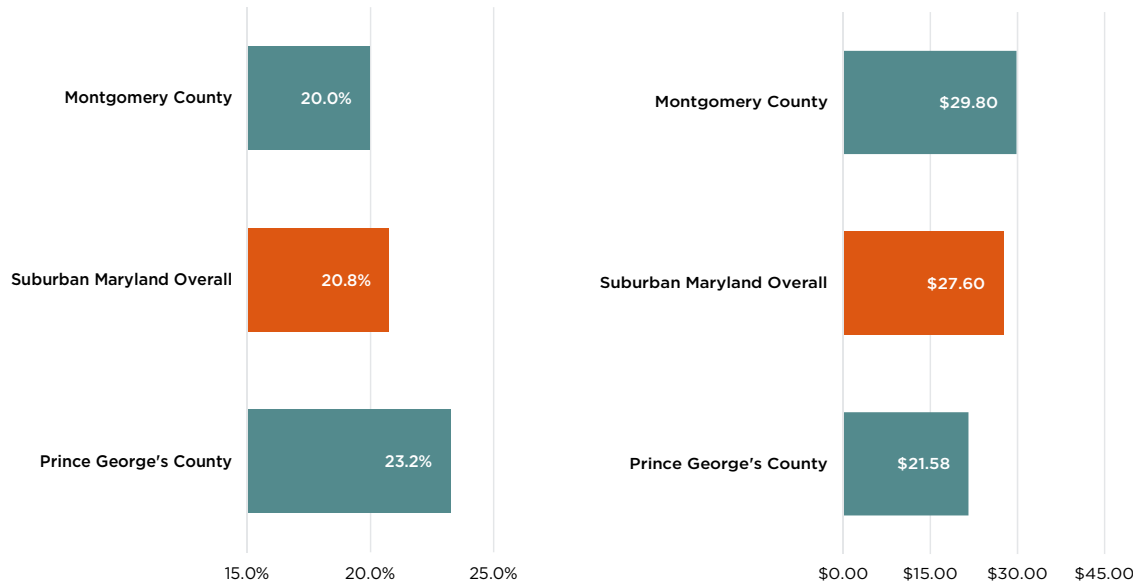
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AVAILABILITY RATE COMPARISON

Suburban Maryland Submarkets

RENTAL RATE COMPARISON (\$/SF)

Suburban Maryland Submarkets



Unless otherwise noted, all rents quoted throughout this report are average asking gross (full service) rents psf. Statistics are calculated using both direct and sublease information. Current and historical availability and rent data are subject to change due to changes in inventory.

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