

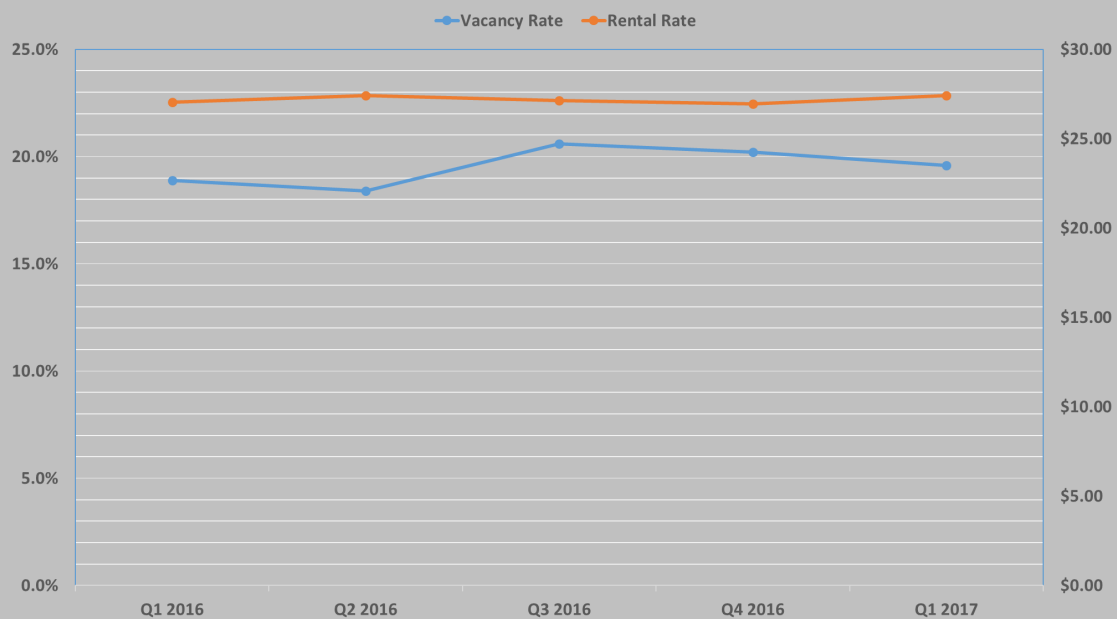


Q1 2017 COMMERCIAL MARKET BRIEF

Office Vacancy Falls Below 20% While Rents Tick Upwards

Driven by the relocation of the Substance Abuse and Mental Health Services Administration that left 228,000 SF vacant, Rockville's vacancy rate had surpassed 20% in Q3 2016. However, positive absorption in the next two quarters, totaling 130,000 SF, has seen the rate decline to 19.6% at the end of Q1 2017.

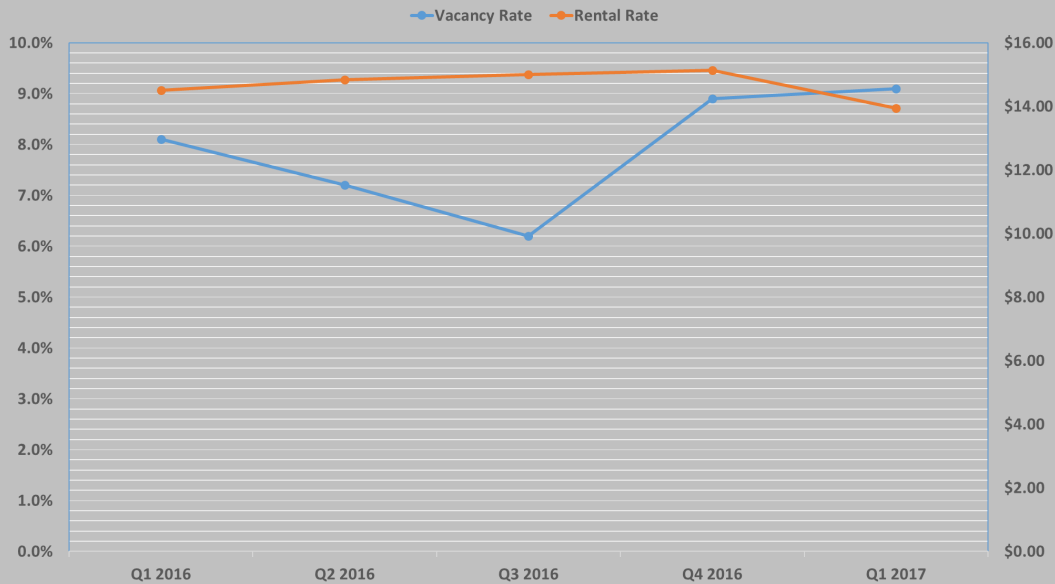
Significant move-ins during this quarter included Ingleside Retirement Services, who occupy 9,734 SF at 2275 Research Boulevard after relocating from Washington, DC. Additionally, BarnAllen Technologies expanded by 2,711 at 1700 Rockville Pike with the assistance of the Rockville Business Expansion Fund.



Source: CoStar

Flex/Industrial Rents Decline After Three Quarters of Steady Growth

For the first time since Q2 2015, the flex/industrial market's rental rates declined below the \$14/SF threshold after seeing modest growth throughout 2016. A second straight quarter of rising vacancy is a contributing factor as the 9.1% vacancy rate is the highest since Q2 2015, when rents similarly dipped.



Retail Rents Take Slight Dip as Vacancy Ticks Upward

With retail vacancy rising to 5.4% this quarter from 4.7% in Q4 2016, the market's rental rates continued to fluctuate as they show a slight decline to start 2017. Despite the uptick in vacancy, the retail market remains strong as the Q1 2017 vacancy rate is comparable to the pre-recession rate in 2007.

