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The suburban office park is a relic. Here's the damage it's doing to one D.C.-area county

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The traditional suburban office park — generally cut off from public transportation, lacking retail and amenities and employee housing options — is a dying breed. We know this from anecdotes, leasing trends, and from the piles of applications to rezone these sprawling office centers for more desirable mixed-use development.

Here's additional proof: By mid-year 2014, 11 large Montgomery County office buildings totaling 2.25 million square feet stood almost or totally vacant, and another nine, totaling 1.4 million more square feet, were "almost totally available," according to a new report prepared by D.C.-based Partners for Economic Solutions for the Montgomery County Planning Department.

And all of those were located in office parks or independent campuses.

That result should jar not just commercial property owners, who are fully aware of the shift, but also the county government. As office buildings sit vacant and tenants reduce their space needs, landlords are pressured to lower rents or increase concessions, undercutting their building's market value. Depressed values negatively impact Montgomery County's property tax base. It's a vicious cycle.

"There's no way to sugarcoat it," said Gwen Wright, Montgomery's planning director. "It's not just Montgomery County. In the entire region the office market is not good. That's just a fact. What the study says to me is this is not a blip. It's actually a somewhat fundamental change in how office works and how we're going to be developing office in the future. We just have to wrap our heads around that, mourn the past and think about the future."

The PES study, scheduled to be presented to the Planning Board on Thursday, suggests no near-term relief, and significant struggles ahead. As long-term office park leases run their course, as the space requirement per employee falls from 180 toward 160 square feet, as the General Services Administration vacates office buildings for better options, the trend away from suburban campuses will intensify and spread.

“Plentiful free parking is no longer sufficient to attract tenants,” the report finds.

In desirable submarkets with lower vacancy rates, Metro access and mixed-use environments, recovery will come faster. For single-use office parks, “new construction will come much more slowly.”

The study’s results may not shock, but they are sobering. And this is by no means only a Montgomery County issue. More than 71 million square feet of office space is currently vacant across the Washington region. Fairfax County accounts for the largest share, 28 percent, followed by D.C. with 22 percent, Montgomery with 15 percent and Prince George’s with 7 percent. In Loudoun, huge swaths of land are zoned for office parks that have not been built because there’s no leasing interest.

But Montgomery, per PES, was hit by the Great Recession “somewhat harder than other parts of the region.” Its obstacles to recovery are broad.

For example, of the 92 approved office projects in Montgomery County, totaling 22.7 million square feet of unbuilt space, only two projects (Pike & Rose and North Bethesda Town Center) are within walking distance of a Metro station. Other proposed projects would be served by transit modes that do not exist yet, and may not for many years, if ever.

To drive Montgomery County’s 14.9 percent office vacancy rate down to 10 percent, PES determined, employment in office-based industries would need to expand by nearly 22,000 jobs — more than seven times the number of total jobs created in the county between 2004 and 2013.

The study’s recommendations:

- Diversify existing office parks with a mix of uses
- Invest in transit
- Use tax-increment financing to fund parking garages that eliminate surface parking lots, freeing up land for infill development
- Create and upgrade public spaces and the “walkable environment"
- Remove “any zoning impediments” to redevelopment
- Provide incentives for renovation
- Reduce the supply of non-competitive space by converting office buildings to housing or hotels
- Expand economic development efforts

Wright said the county perhaps should prioritize office development like it does retail — create a critical mass in the areas where there's the most market interest. Spread it too widely, she said, “and it doesn’t succeed.”

Developers are taking steps, such as conversions, already. The former CSC building in downtown Silver Spring is now a co-flagged Hampton Inn and Homewood Suites. The Computer Building in Wheaton is being converted into a 194-unit apartment building over ground-floor retail. And the office building at 1320 Fenwick Lane is being converted into a 102-unit condo complex, called Octave 1320.

At the Rock Spring Corporate Park in Bethesda, home to an itching-to-get-out Marriott Corp., Wright suggested introducing mixed-use elements, like restaurants, to induce tenants to stay.

“Bring some fun,” she said.

“Let’s not give up on office,” Wright added. “Let’s concentrate on putting office, and hopefully lots of it, in the places that are desirable.”

Montgomery County office market

Michael Neibauer covers economic development, chambers of commerce, transportation and politics.