

Suburban 128

2020 Market Insight Report



Winter/Spring '20

cresa

Market Overview

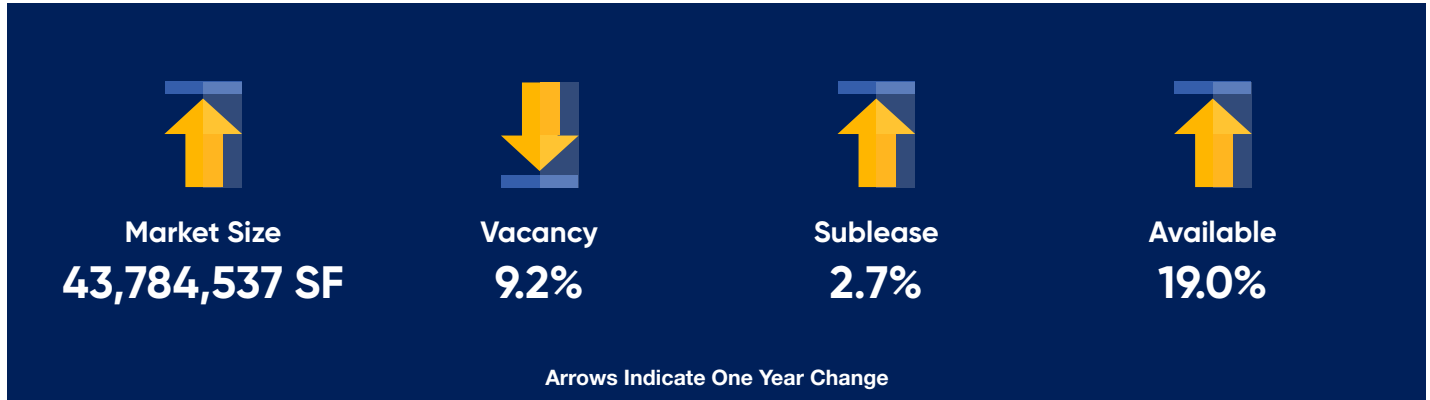


Photo Source: Warren Patterson

Trends

Quality Isn't in Quantity

Quality space continues to go fast as tenants see opportunities to save costs and time by utilizing good existing conditions with minor cosmetic and branding upgrades.

Full House

Companies continue to be increasingly efficient with their space utilization, fitting more employees into their square footage with help from flexible schedules and furniture systems.

Crave for Collaboration

Despite the remote work trend, occupiers across industries still express their desire to be present in the office to brainstorm and converse with team members.

Historical Rent & Vacancy

A clear drop in vacancy over 2019 gave way to a corresponding rise in rents.

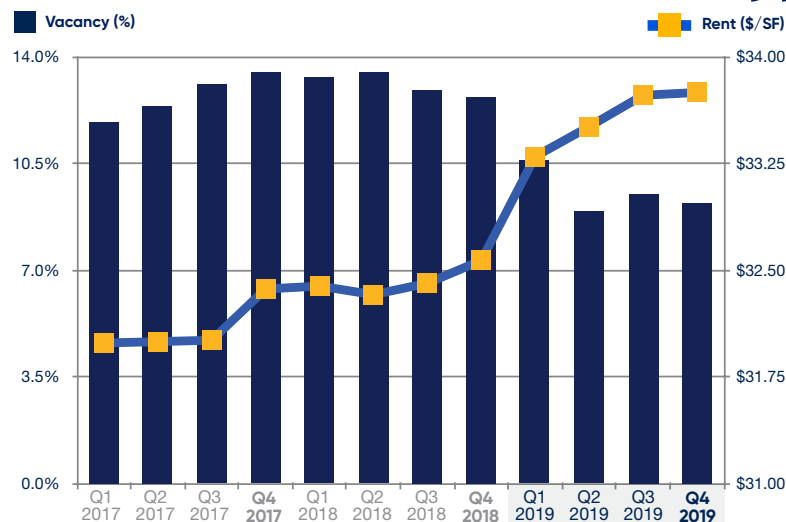


Photo Source: Cresa/Duncan Lake



Market Movement

Notable Transactions

Tenant	Address	Size (SF)	Type
Curis	128 Spring Street, Lexington	22,000	Relocation
Lahey Beth Israel	701 Edgewater Drive, Wakefield	17,679	New Facility
SeaChange	500 Totten Pond Road, Waltham	17,077	Relocation
Workbar	117 Kendrick Street, Needham	16,893	New Facility
HB Communications	555 Virginia Road, Concord	16,782	Relocation
Keyence	500 Unicorn Park Drive, Woburn	13,276	Relocation
Lewtan	610 Lincoln Street North, Waltham	11,940	Relocation

Investment Sales

Buyer	Address	Size (SF)	Price/SF
Montana Avenue Capital Partners	153 Second Street, Waltham	89,990 part of 2 property portfolio	\$525.68
Alexandria Real Estate	275 Grove Street, Newton	510,000	\$460.78
Angelo, Gordon & Co.	1400 Main Street, Waltham	54,400 part of 31 property portfolio	\$352.94
Tritower Financial Group	840 Winter Street, Waltham	135,332	\$237.19

2020 Predictions

- 1 While election years traditionally come with economic volatility and uncertainty, the suburban market won't see a large correction. If anything, life science, technology and educational occupiers will continue to insulate the demand quite a bit.
- 2 Tenants will increasingly re-engage with the presence of private offices or infuse space with more private workspaces versus open fields of cubes that lack privacy.
- 3 Unless Cambridge sees a dramatic slowdown, anticipate that life science groups will continue to move westward in order to find bigger blocks of space, cost savings, or a combination of both.

Get to Know:

Lexington



Photo Source: innathastingspark.com



Town Meeting Bistro

Innovative New England fare is served at the Inn at Hasting Park's handsome dining room complete with a fireplace.



Wilson Farm

Picturesque upscale market for farm-fresh produce, homemade baked goods and prepared foods, plus meat and seafood.



Btone Fitness Lexington

One of their six Boston area locations featuring unique workouts using state of the art equipment and resistance-based techniques.



Whipple Hill

120 acres and 3.9 miles of trails, Whipple Hill is Lexington's second largest conservation area and includes the highest point in the town at its summit (375 feet).

Project Preview



Photo Rendering: Fusion Design Consultants

SeaChange

10 CityPoint | Waltham, MA

Industry: Software

Size: 17,077 SF

Services: Transaction & Project Management

Architect: Fusion Design Consultants

Space Features:

- Polished and stained concrete floors
- Exposed ceiling
- Employee lounge spaces
- Espresso and coffee bar
- Coming Spring 2020

Coworking Corner



Coworking continues to fill a need for flexible options on Route 128, with Workbar's Burlington location now full with a waitlist. They've shown further commitment to the market, signing a long-term, 12-year lease at 117 Kendrick Street in Needham that has a capacity for 450 members.

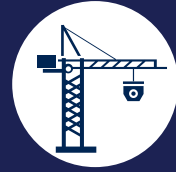


Institutional landlords are taking a crack at coworking. FLEX by BXP at 77 CityPoint in Waltham opened February 1st.



Photo Source: Workbar

Development Pipeline



Sites Under Development

Permitted Development

2.5M SF

Proposed Sites

1.25M SF

Under Construction

932K SF

Development	Developer/Owner	Size (SF)	Status
1 The Vale, 2 Hill Street, Woburn	Leggat McCall	800,000	Permitted Development
2 110 Bear Hill Road, Waltham	Morgan Communities	375,000	Permitted Development
3 Bedford Woods, 170-172 Middlesex Turnpike, Bedford	The Gutierrez Company	370,000	Permitted Development
4 25 Network Drive, Burlington	Nordblom	270,000	Permitted Development
5 380 1st Avenue, Needham	Normandy	210,000	Permitted Development
6 Founders Park, 2 B Street, Needham	Normandy	149,000	Permitted Development
7 300 Third Avenue, Waltham	Manulife/Lincoln Property Company	140,000	Permitted Development
8 Founders Park, 37 A Street, Needham	Normandy	110,000	Permitted Development
9 Building II, 180 Wells Avenue, Newton	Intrum Corp	80,000	Permitted Development
10 10 Sylvan Road, Waltham	Davis Marcus Partners	440,000	Proposed Site
11 The Pod, 40-60 Crosby Drive, Bedford	Jumbo Capital	307,666	Proposed Site
12 43 South Avenue, Burlington	The Gutierrez Company	190,000	Proposed Site
13 3 Ledgemont Center, Lexington	Hobbs Brook Management	162,000	Proposed Site
14 Reservoir Woods, 910 Winter Street, Waltham	The Davis Companies	150,000	Proposed Site
15 225 Wyman Street, Waltham	Hobbs Brook	507,620	Under Construction
16 75 Hayden Avenue, Lexington	BW Kennedy & Company	213,890	Under Construction
17 200 Quannapowitt Parkway, Wakefield	Waterstone/Related Beal	210,031	Under Construction



Photo Source: Cresa/Duncan Lake

Suburban 128

Spend Money to Make Money

If the last three years are any indication of what's in store for 2020, landlords should have their checkbooks open and ready to go in order to make a profit. Up and down Route 128, there are countless examples of ownerships that have taken capital risks and hit it big in return. From Hobbs Brook reinvesting in 701 Edgewater and inking a Lahey commitment, to Anchor Line Partners transforming Waltham's former post office into a fully leased POST site, tenants have made it clear that the landlords who invest in their properties will ultimately reap the benefits of their capital expenditures.

Off the shelf, legacy Class A space is no longer cutting it in the eyes of prospective tenants. The occupiers who are willing to spend the big bucks to get into a property want to see some quality finishes, touchdown spaces, and high quality amenities in return for their financial investments. Take Boston Properties'

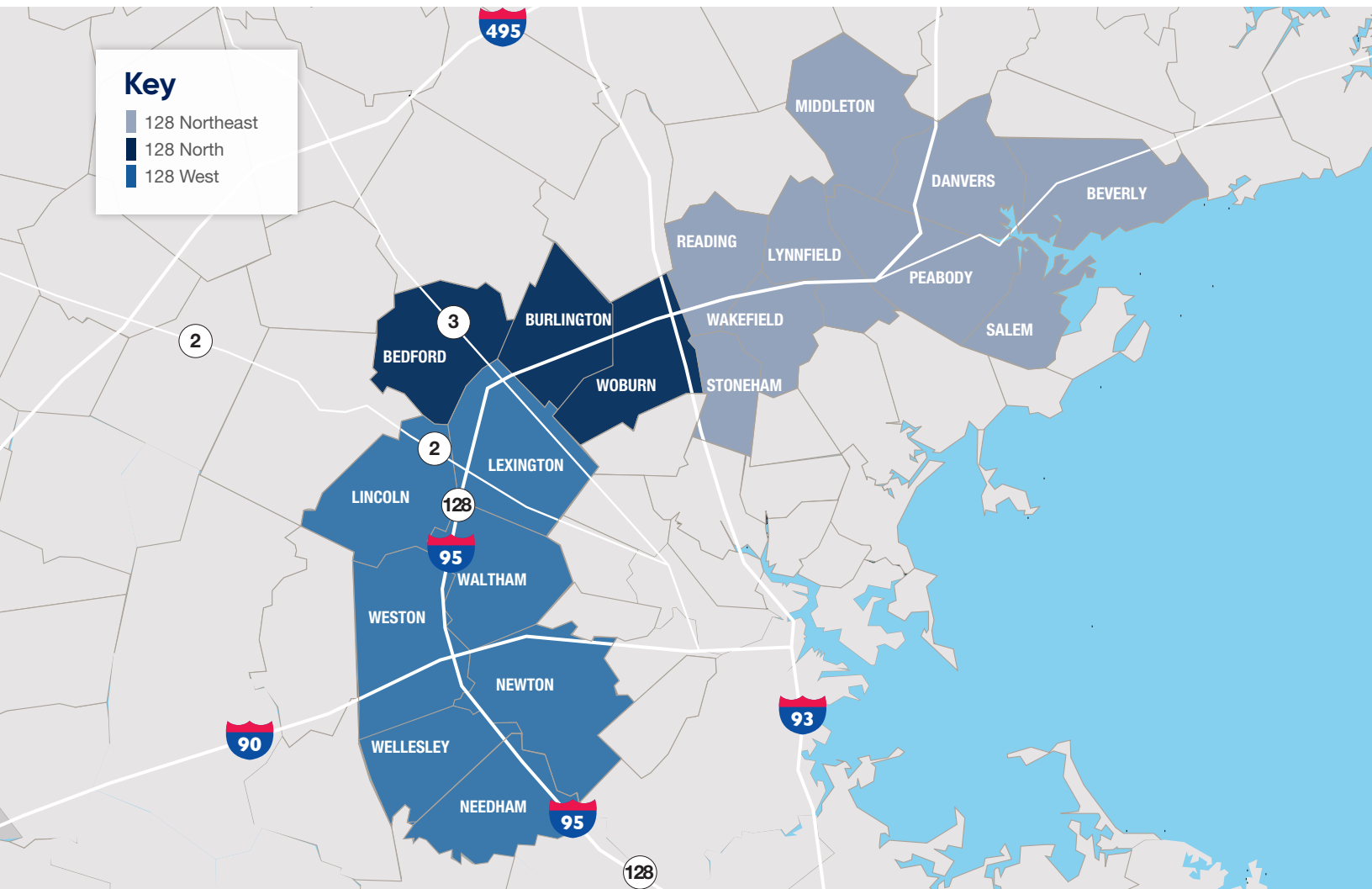
CityPoint assets as an example.

10 CityPoint is a fully-leased property, and the lobby spaces, roof deck, and fitness amenities go above and beyond what you typically see in a standard office park. Integrating with amenities is key – look no further than The District in Burlington and Fifth Avenue in Waltham, where retail and dining amenities are within reasonable walking distance and bring in foot traffic during the five-day work week and beyond.

While putting a heavy capital investment in upfront can have its unknowns when it comes to success rate and tenant attraction, the tenants along Route 128 have migrated heavily toward assets that have undergone heavy improvement and successfully manage to break up the feel of the typical suburban office building. Given the battle for talent and persisting work/life integration trend, 2020 should prove to be no different.

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Route 128 by the Numbers



Submarket	Market Size (SF)	Vacant	Sublease	Available	Class A Rent/SF	Class B Rent/SF
128 Northeast	6,826,170	10.8%	0.9%	17.0%	\$26.00	\$20.00
128 North	12,234,128	8.1%	1.6%	14.3%	\$37.00	\$28.00
128 West	24,724,239	9.3%	3.7%	22.0%	\$41.00	\$34.00
Total	43,784,537	9.2%	2.7%	19.0%	\$38.00	\$29.50

Tenants in the Market



200,000 SF

nationalgrid

150,000 SF



120,000 SF



BIOCETOGEN

60,000 SF



40,000 SF



35,000 SF

Photo Source: Cresa/Duncan Lake



About Cresa Boston

Cresa is the world's largest commercial real estate advisory firm that exclusively represents occupiers and specializes in the delivery of fully integrated real estate solutions. We work with our clients to align their business plans and their real estate needs, increase their productivity, and consistently save them money — results that have earned us numerous industry awards along the way. Our team of real estate advisors, project managers, strategic planners, analysts, and space planners listen to tenants' needs, meticulously research market conditions, firmly negotiate terms, and manage the design and construction of projects to customize the best possible occupancy solutions.

Contact

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