

Suburban 128

2021 Market Insight Report



Photo: Duncan Lake/Cresa

Winter/Spring 2021

cresa

Suburban 128



Route 128 Overview

Kicking off 2021, the life sciences sector continues to be the shot in the arm for the otherwise stagnant Route 128 market. While office vacancy climbed to its highest level in nearly a decade and Q4 2020 closed out with negative absorption across all suburban submarkets, **lab requirements and life sciences activity are firing on all cylinders**. The migration out of Cambridge, coupled with organic growth by lab groups already established in the suburbs, has created a flow of demand that is keeping activity afloat and the overall outlook of suburban recovery relatively positive. Compared to the market pre-pandemic, leasing velocity is down over 50%. As a result, more **owners are looking to cash in on the lab sector and convert existing office product where feasible**. Office will likely remain rocky through the summer, but life sciences will hopefully serve as the rising tide that lifts all boats along Route 128.



Flexibility Reigns Supreme

As occupiers focus on band-aid solutions to weather the year without committing to longer-term leases, short-term extension (predominately 1- and 2-year deals discussions dominate tenant-landlord conversations.



Landlords Holding Firm

Despite minimal office activity, landlords hold firm on asking rates and move away from "COVID-19 discounts." Instead, they offer free rent or heavier improvement allowances.



All Bets on Lab

Unrelenting life sciences demand continues to outpace existing supply. Office conversions and pitches for ground-up lab construction take center stage over office developments.

Suburban 128



Market Size
46,381,679 SF



Vacancy
12.8%



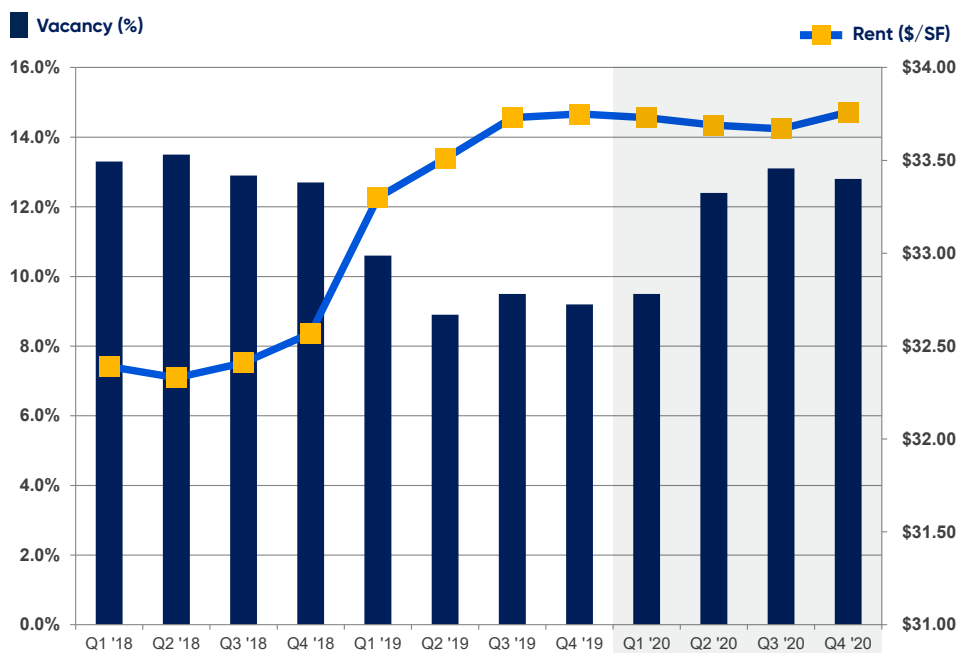
Sublease
3.6%



Available
19.2%

Arrows Indicate One Year Change

Historical Rent & Vacancy



Despite an increase in vacancy, rent remains rather stagnant

Small Business Spotlight

Local businesses that have transformed their offerings as a result of the pandemic

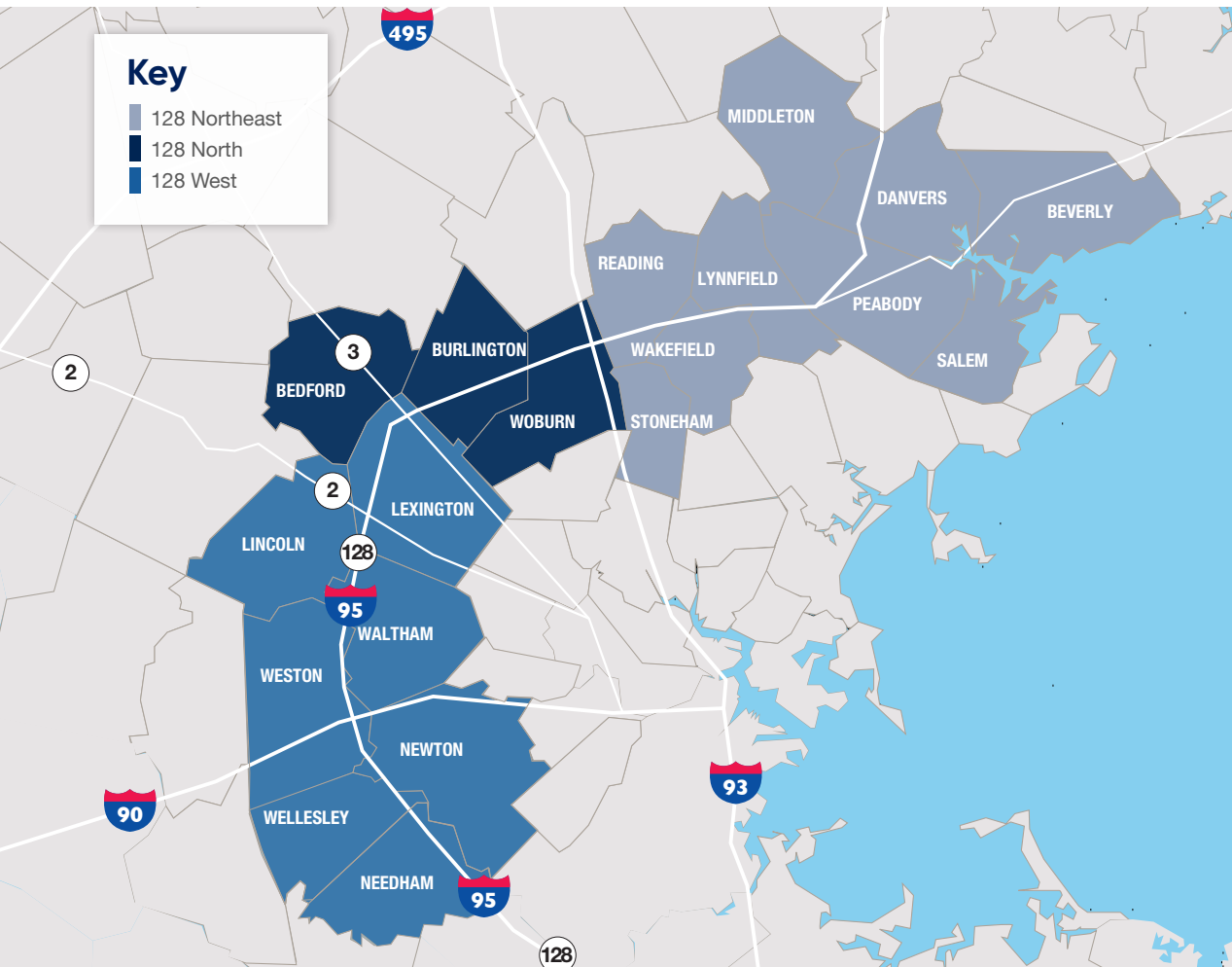


Mighty Squirrel Brewery



The Mighty Squirrel Brewery in Waltham transformed their parking lot to an outdoor beer garden for the summer and fall including artificial turf, tables with umbrellas and string lights. Once the winter hit they added 14 giant infrared heaters to their large covered outdoor patio to help it stay nice and toasty no matter how cold it might get.

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



Notable Transactions

Tenant	Address	City	Sector	▼ Size (SF)	Type
TranslateBio	200 West Street	Waltham	Lab	138,444	Relocation
Imprivata	20 CityPoint	Waltham	Office	75,000	Relocation
Floor + Decor	80 Second Avenue	Waltham	Flex	70,000	Relocation
Dyne Therapeutics	1560 Trapelo Road	Waltham	Lab	50,000	Relocation
Snapdragon Chemistry	360 Second Avenue	Waltham	Lab	46,365	Relocation
Enbridge	890 Winter Street	Waltham	Office	17,132	Renewal
Keypoint Partners	1 Van de Graaff Drive	Burlington	Office	11,396	Relocation

Investment Sales

Buyer	Address	Size (SF)	▼ Price/SF
TPG Global LLC	152 Grove Street (part of a 3 property sale)	134,010	\$746.21
Milliporesigma	400-600 Summit Drive, Burlington	350,000	\$722.13
Singerman Real Estate LLC	1040 + 1050 Waltham Street	81,909	\$283.24
TPG Global LLC & Anchorline Partners	Crosby Center (9 building sale)	590,053	\$206.76

Tenants in the Market

 Affinivax **150,000 SF**

 PEGA **140,000 SF**

 NetBrain **40,000 SF**

 QUALCOMM **30,000 SF**

 MEDIATEK **30,000 SF**

Development Pipeline

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 Tpk, 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 Founders Park, 37 A Street, Needham	Normandy	110,000	Permitted Development
8 Building II, 180 Wells Avenue, Newton	Intrum Corp	80,000	Permitted Development
9 10 Sylvan Road, Waltham	Davis Marcus Partners	440,000	Proposed Site
10 The Pod, 40-60 Crosby Drive, Bedford	Jumbo Capital	307,666	Proposed Site
11 5 Woodland Road, Stoneham	The Gutierrez Company	222,624	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	712,212	Under Construction
16 25 Rundlett Way, Middleton	Richardson Green	174,000	Under Construction
17 51 Dunham Road, Beverly	Cummings Properties	156,000	Under Construction
18 52 Dunham Road, Beverly	Cummings Properties	154,000	Under Construction
19 300 Third Avenue, Waltham	Manulife/Lincoln Property Company	140,000	Under Construction
20 44 Dunham Road, Beverly	Cummings Properties	50,400	Under Construction

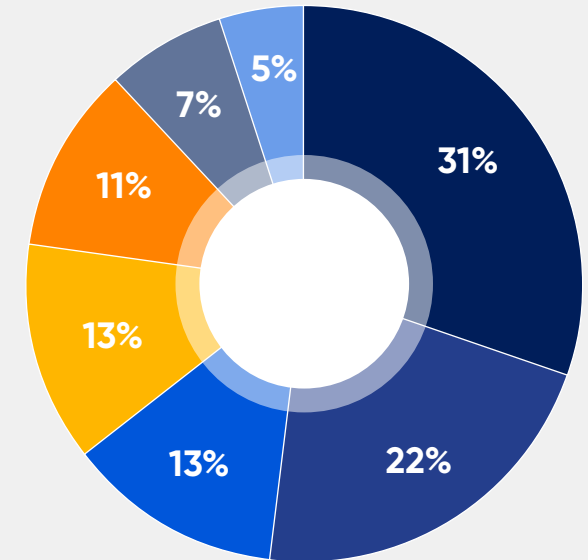


Sublease Observations

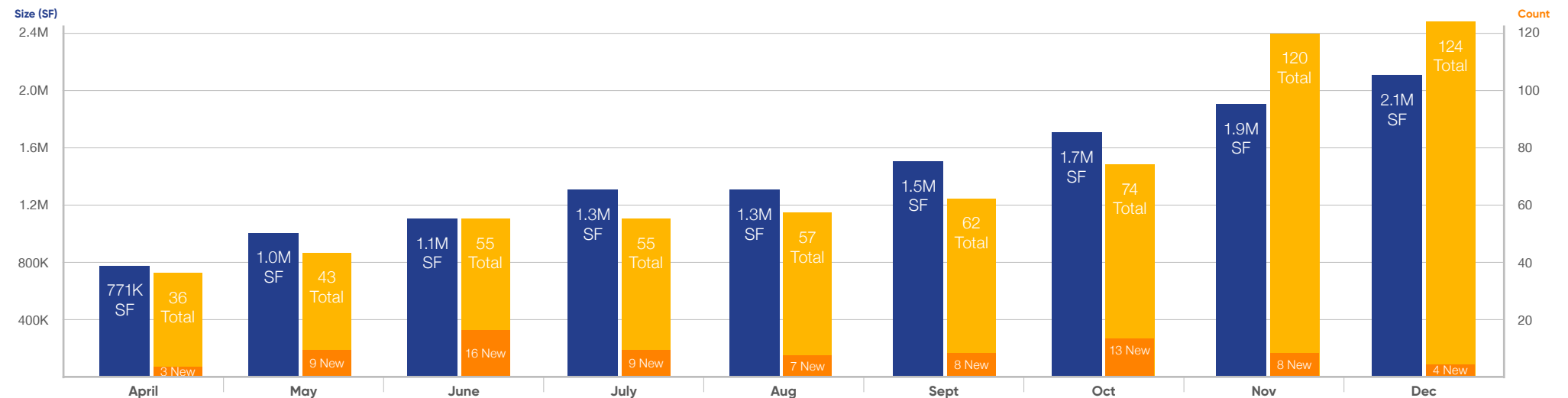
It's a tale of two cities on Route 128 as we begin 2021. While the life sciences/lab sector is healthy with activity, the office world remains largely stagnant.

Sublease space continues to trickle in, although many seem to have short terms left (2 years or less), as tenants are likely marketing their spaces in hopes of securing interested tenants and finding early exits prior to their lease expirations. While the starting stages of vaccine distribution are adding some hope to a larger return-to-office movement, expect that a handful of spaces will continue to hit the market month-by-month for the next 2-3 quarters while most continue to ride out the pandemic's uncertainty.

Subleases by Industry



Sublease Space by Month



Since April 1st 2020, **28 new subleases came to the market in Waltham alone, totaling 742,093 square feet.**

New and Notable Subleases

As a Result of COVID-19



59,000 SF

29 Hartwell Avenue
Lexington



23,839 SF

95 Network Drive
Burlington



69,191 SF

1100 Winter Street
Waltham



56,473 SF

130 Turner Street
Waltham



29,020 SF

133 Boston Post Road
Weston



12,590 SF

20 William Street
Wellesley



115,038 SF

940 Winter Street
Waltham



47,882 SF

80 William Street
Wellesley

133 Boston Post Road, Weston | Photo: CoStar



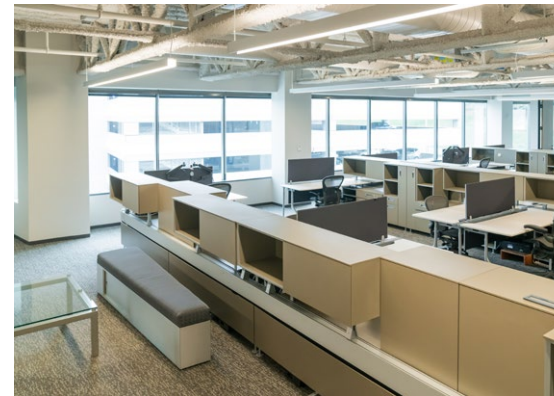
Sublease Highlight

10 CityPoint (500 Totten Pond Road)

Waltham, Massachusetts

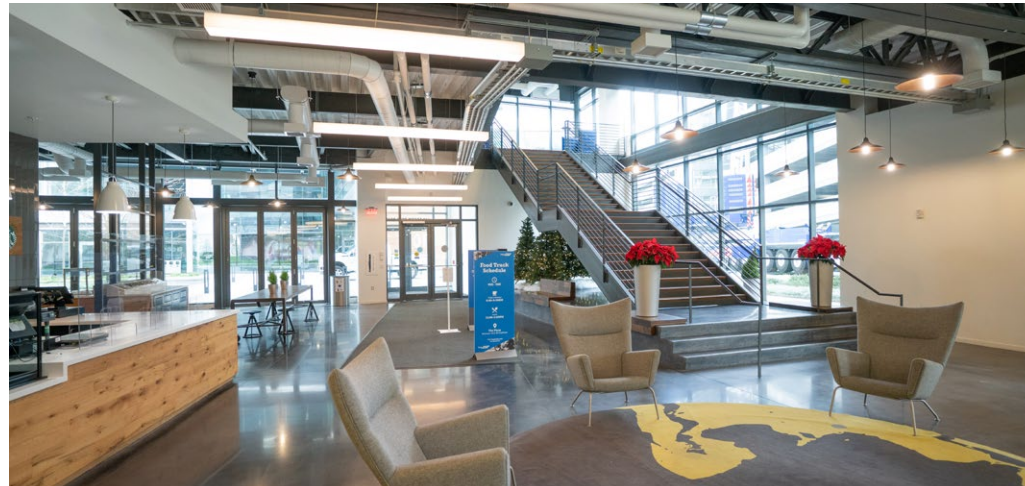
Space Profile

Premises	17,077 SF
Floor	4th
Availability	Immediate
Term	Through 2/28/25
Rental Rate	Negotiable
Built	2016



Features

- Easy access on and off Route 128
- Within minutes to various dining and retail options at 1265 Main
- Class A office amenities include on-site cafe, conferencing room, fitness center, covered parking and roof deck
- Newly built-out, true plug & play space
- Finishes include exposed ceiling and polished concrete flooring
- Abundant natural light throughout



Photos: Duncan Lake/Cresa



[View Available Subleases](#)

The Year of the Pivot

When the initial months of the pandemic disrupted nearly every aspect of our daily lives, many businesses and individuals assessed the situation and learned to pivot in order to survive amidst overwhelming uncertainty. A major example of this that hit the headlines was the mass demand for PPE that appeared overnight. Wherever feasible, players pivoted and adapted to the demand and suddenly made hand sanitizer, masks and gowns.

In a similar vein, that same pivot is playing out up and down the Route 128 corridor as we close out a year of severe office market uncertainty and start 2021. Though capital-intensive, lab conversions and speculative life sciences construction dominate conversations wherever possible as the flow of demand is stable years out. **There are groups touring for immediately-needed space, and groups with needs that have 2+ year runways, fueling overall confidence to capitalize on this source of occupier demand.** A few owners have already hit it big with the conversion move. Boston Properties secured an 11-year, 138,000-SF lab lease with TranslateBio at their 200 West Street conversion in Waltham, Phase 3 won out at 1560 Trapelo Road with Dyne Therapeutics taking down the entire 68,000-SF lab conversion, and Alexandria scoring Cambridge's Sherlock Biosciences for 30,000 SF at one of their conversions at the Arsenal on the Charles in Watertown.

While neither a widespread hub-and-spoke model nor the mass Downtown exodus of central business district tenants to the suburbs has come to fruition as initially hypothesized at the pandemic's onset, **western migration out of Cambridge by life science users continues to be seen.** Developers and landlords are strategizing

around this, going either full lab out of the gate, or building an element where lab can be accommodated. Take Hobbs Brook's 225 Wyman Street development, where Cambridge's Seqirus will lease 95,000 SF of the 600,000 SF+ property currently under construction that can accommodate both office and lab users.

With the lab sector stabilized and backed financially thanks to Greater Boston's stronghold on higher education and healthcare, expect that 2021 will be another year of the pivot. Waltham has been leading this charge already, with 300 Third Avenue underway. Boston Properties is moving towards the green light on a speculative lab build at 180 CityPoint, and Anchor Line Partners is setting its sights on building lab space at 245 Fifth Avenue.

A large question mark remains on the office sector, and it will likely stick around for the next 12 months as occupiers look to push out any long-term real estate decisions. The market is confident about life sciences, and Route 128 will continue to pivot and reposition itself wherever it's able to accommodate this changing tenant landscape.



200 West Street, Waltham | Photo: Duncan Lake/Cresa

“Though capital-intensive, lab conversions and speculative life sciences construction dominate conversations wherever possible as the flow of demand is stable years out.”



245 Fifth Avenue, Waltham | Photo: Duncan Lake/Cresa

Looking Ahead to 2021

Workplace Realty Reimagined

In March of 2020, millions of people shifted to working from home almost overnight and found that, more often than not, their work could be performed successfully without leaving the house. “This will inform corporate decision-making regarding the use of offices for years to come,” says Cresa Boston Managing Principal Adam Subber. Does the rise of work-from-home mean the end of offices? We predict major industry real estate shifts – including extraordinary office space opportunities – in a post-pandemic world.

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Photo: Duncan Lake/Cresa

Things to Consider



Suburban Market Recovery

The suburban market is expected to recover faster than its CBD counterpart. Landlord confidence will grow stronger as the 2021 vaccine rollout progresses and life sciences activity and its supporting ecosystem of services flood the market.



Abundance of Market Availability

Anticipate that the office market will further soften before pent up occupier demand returns to the market. This rides largely on the vaccine rollout and consumer confidence, therefore a window of opportunity for tenants will remain as more sublease space and general availability comes to market.



Communication is Key

Internal communication with employees is more paramount than ever. While you have the time to plan and strategize, get ahead of any lease expirations by surveying your employee base on what they seek in their workplace upon a return, so you can align any future space with the visions and needs of your company.

Meet the Team

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