

Suburban 495

# 2021 Market Insight Report



Winter/Spring 2021

cresa

Photo: Duncan Lake/Cresa



## Suburban 495



Photo: Duncan Lake/Cresa

## Route 495 Overview

Due to the pandemic, 2020 created much uncertainty for office occupiers. **Many who faced lease expiration dates opted for short-term, 1-2 year lease extensions in lieu of a traditional lease term**, providing marginal value for landlords in return. Tenants who could commit to 5+ years of lease term in this environment reaped the benefits of eager landlords desperate to securitize their assets, offering significant free rent and tenant improvement allowance.

The bright spot for Route 495, across all subsections of the market, was significant activity in the industrial and flex asset classes. With marginal development over the last 20 years and increased demand from manufacturing and biotech users, the **flex market continues to observe upward pressure on rents as vacancy rates decline**. Historically, rents in flex/manufacturing/R&D properties gradually adjusted, but given the functional aspects of these buildings and the ability for users to maintain a presence in their space since March 2020, the value of these assets and rents increased rapidly over the last 6 to 8 months.



### Flex is King

Against the backdrop of an inert office market, the flex market continues to appreciate in value.



### The Amazon Effect

Amazon continues to expand their local footprint with the development of large distribution centers along the 495 belt.

## Suburban 495

## Office:



Market Size  
26.5 Million SF



Vacancy  
24.5%



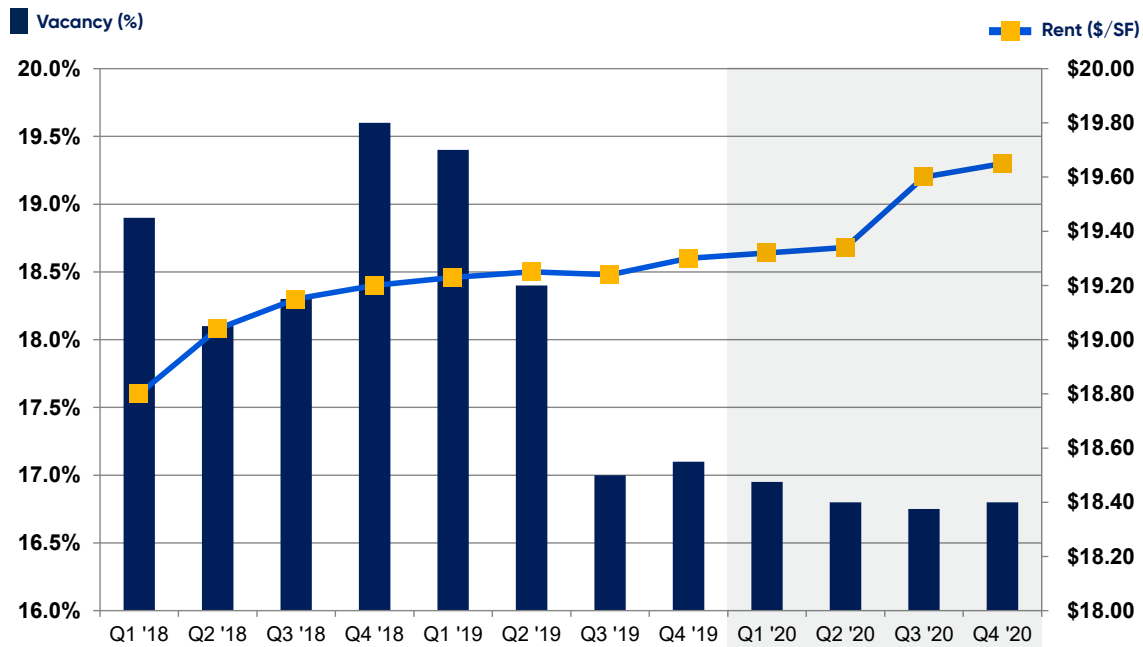
Sublease  
3.8%



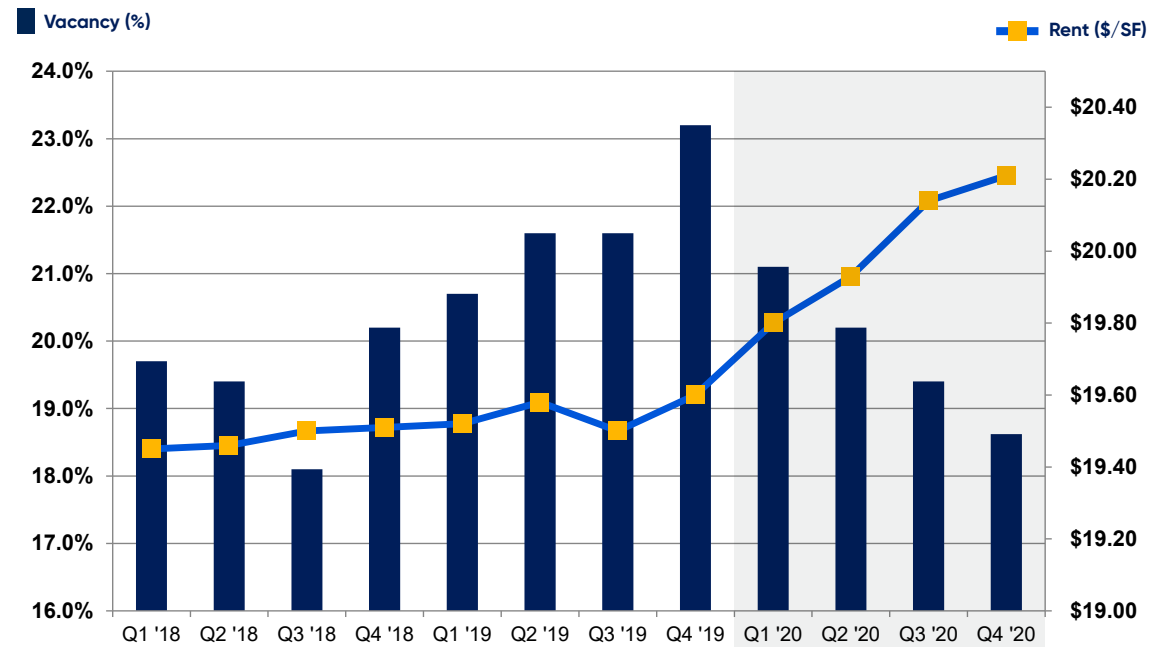
Available  
35.4%

Arrows Indicate One Year Change

## Historical Rent &amp; Vacancy 495 North



## Historical Rent &amp; Vacancy 495 West



## Suburban 495

Flex:



Market Size  
18.4 Million SF



Vacancy  
7.2%



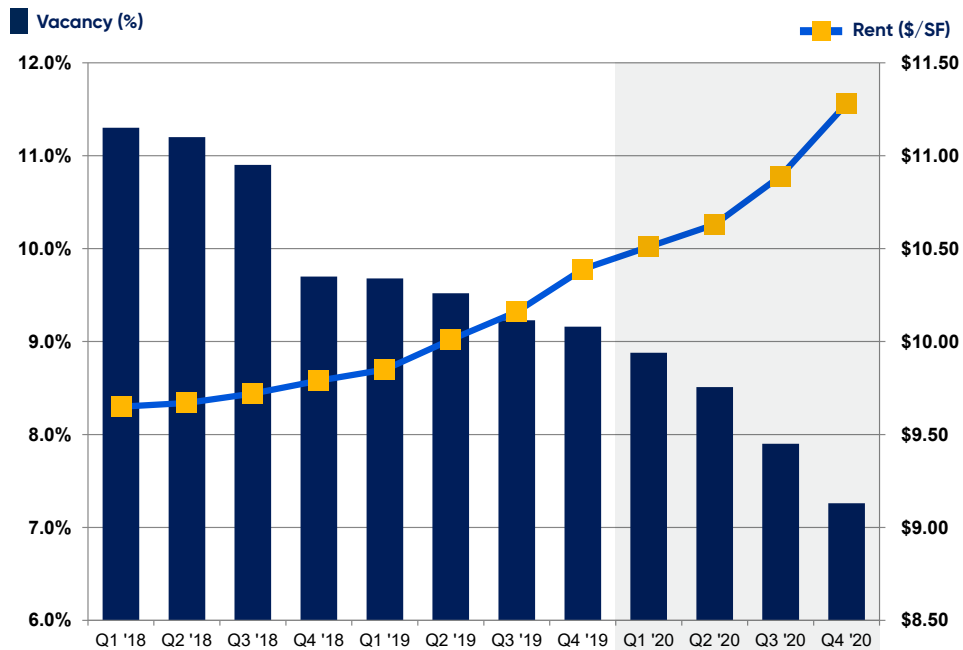
Sublease  
2.9%



Available  
14.1%

Arrows Indicate One Year Change

## Historical Rent &amp; Vacancy



## Small Business Spotlight

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



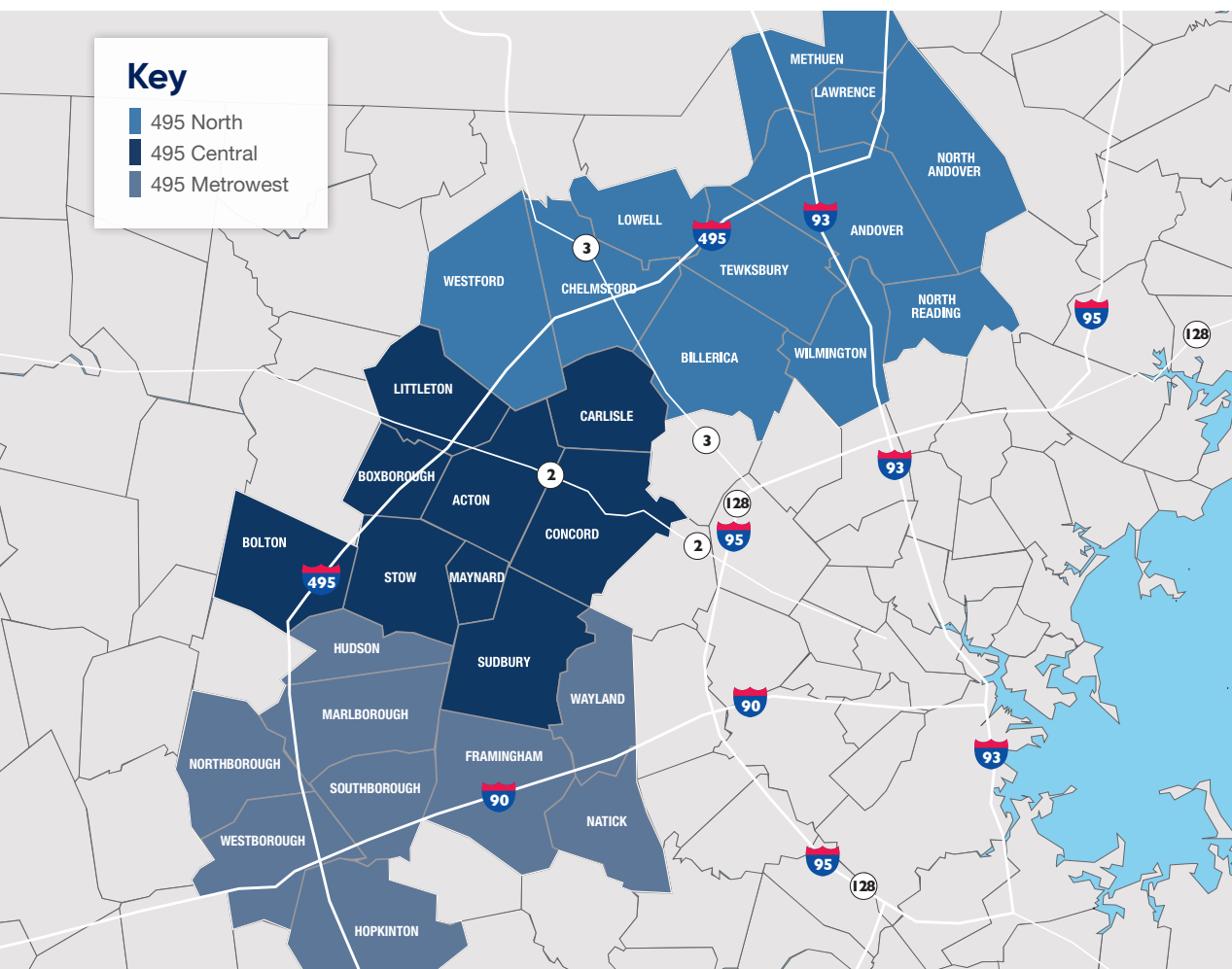
Exergen Corporation



In response to COVID, Exergen Corporation, a local manufacturer of thermometers, leased additional space in Methuen in order to increase production. And for that, we all thank you Exergen!

Photo: exergen.com

# By the Numbers



## Office Market

Submarket	Market Size (SF)	Vacant	Sublease	Available	Class A Rent/SF	Class B Rent/SF
495 North	13.6 M	23.5%	3.8%	28.2%	\$23.21	\$18.41
495 Central	4.2 M	17.6%	1.8%	40.9%	\$18.39	\$15.84
495 Metrowest	10.9 M	28.5%	4.7%	42.3%	\$21.03	\$18.10
<b>Total</b>	<b>26.5 M</b>	<b>24.5%</b>	<b>3.8%</b>	<b>35.4%</b>	<b>N/A</b>	<b>N/A</b>

## Flex Market

Submarket	Market Size (SF)	Vacant	Sublease	Available	Rent/SF
495 North	13.4 M	5.2%	2.9%	10.9%	\$11.97
495 Central	1.9 M	2.2%	0.0%	11.4%	\$10.23
495 Metrowest	3.1 M	18.9%	4.9%	29.3%	\$10.58
<b>Total</b>	<b>18.4 M</b>	<b>7.2%</b>	<b>2.9%</b>	<b>14.1%</b>	<b>\$11.28</b>

# Notable Transactions

Tenant	Address	City	Sector	Size (SF)	Type
Mattress Firm	32 Forge Parkway	Franklin	Industrial	142,000	Renewal
Mar Cor Purification	160 Stedman Street	Lowell	Industrial	26,400	New Lease
Oncorus	4 Corporate Drive	Andover	Lab/Office	80,000	New Lease
Charles River Laboratories	299 Ballardvale Street	Wilmington	Flex	15,200	Relocation
Ascent Aerosystems	100 Research Drive	Wilmington	Flex	9,500	Relocation

## Sales Activity

Buyer	Address	Size (SF)	Price/SF
Oxford Properties	33 New York Avenue, Framingham	114,000	\$833.33
Oliver Street Capital	Industrial Way, Wilmington (Portfolio)	579,345	\$255.45
Oliver Street Capital	Ballardvale Street, Wilmington (Portfolio)	255,600	\$215.47
Starwood	100/200 Danton Drive, Methuen	376,677	\$164.15
KS Partners	296/300 Concord Road, Billerica	360,862	\$34.64

## Tenants in the Market

 **150,000 SF**

 **150,000 SF**

**ORACLE** **140,000 SF**

 **100,000 SF**

 **60,000 SF**

 **30,000 SF**



# Sublease Highlight

## 600 Technology Park Drive

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Billerica, Massachusetts

### Space Profile

<b>Premises</b>	45,043 SF
<b>Floor</b>	4th
<b>Availability</b>	Immediate
<b>Term</b>	Through 9/30/25
<b>Rental Rate</b>	Negotiable
<b>Built</b>	2017



### Features

- Extensive infrastructure
- Fully furnished with new cubicles and office furniture, tel/data wiring and A/V equipment
- Full service cafeteria
- New fitness center and locker rooms
- Newly renovated lobby and entryways
- Route 3 visibility



Photos: Duncan Lake/Cresa





# Big Capital Comes to Town

**When the pandemic uprooted the daily cadence of our lives in March, nearly everyone was forced to grapple with a new work environment at home. But functionally, real estate is tied to the business of many users who occupy flex and industrial properties.**

Coupled with the severe uncertainty facing the office market, **investors were attracted to the security of these buildings and began to heavily deploy capital towards single-story flex and industrial product.** The most interesting impact on this market is the flood of national, institutional capital competing with more localized investment firms.

One of the major winners of 2020 was Oliver Street Capital, a relatively new firm with financial backing from Bain. In Q4 2020, they were able to purchase two major flex portfolios: I.F. Dicenso's eight-building set on Industrial Way, and Carlisle Capital's four-building set on Ballardvale Street. Both sales featured closing numbers above \$210/SF, nearly \$90/SF above what Novaya paid for their current holdings on Research Drive.

**Competition for this product was immense**, with national investment firms such as Starwood and Brookfield involved. Groups that did not "win out" on these sales turned to off-market investment opportunities, as they had capital

to deploy. Starwood finalized a \$49 million acquisition of 100 and 200 Danton Drive in Methuen, which also included developable land. Following a \$40 million purchase of a four-building portfolio on Concord Street in North Reading in May, Brookfield closed on three flex buildings in Billerica for just over \$146/SF in November.

In a year like any other, we shouldn't be surprised to see the same investors that have historically relied on trophy office assets in major markets turn to more functional product to deploy their capital. As a result of increased competition and demand, these properties' values increased nearly twofold, and the market continues to improve.

**The big question will be whether the trend is here to stay, or if it's driven by the pandemic.** Moreover, given that values and rents increased so quickly, it's also in question how the tenant composition of these secondary markets will change as some occupiers may be priced out of these areas.



80 Industrial Way, Wilmington | Photo: Duncan Lake/Cresa

**The most interesting impact on this market is the flood of national, institutional capital competing with more localized investment firms.**



220 Ballardvale Street, Wilmington | Photo: Duncan Lake/Cresa



# Looking Ahead to 2021



Photo: Duncan Lake/Cresa

## 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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## Occupier's Perspective



### Flexibility is Key

Facing a landlord-favored market, flex occupiers need to cast wider nets in order for requirements to increase leverage.



### Patience is a Virtue

If office tenants have the ability to execute a short-term strategy, they should do so immediately in order to fully capture a softening market.

## Things to Consider

1. What type of work environment do your employees desire upon return to work?
2. What modifications may need to be made to your physical space?
3. Embracing a hybrid work model? There may be opportunity to downsize.
4. How much and for how long will the office market depreciate in value? How high can the flex market go?

# Meet the Team

 Click to learn more about our advisors



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## 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.

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