

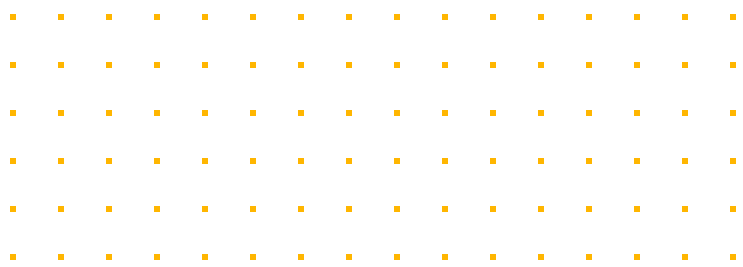


Winter/Spring 2024

Suburban Route 495

Annual CRE Market Insight Report

Photos: Duncan Lake/Cresa



State of the Market

Route 495

Flex space is still the power player of the submarket, while office landlords – particularly in Class B – may be wise to consider converting.

Office

Lease extensions and renewals were the name of the game for Route 495 office space in 2023 as the market softness persists. Total availability remains at about the same level as this time last year, representing roughly 28% of the area's inventory. As in other markets, office-to-lab conversions have subsided as the shifts in life sciences demand resonate across the country. Landlords of underperforming office buildings will have some tough decisions ahead, and we could start to see conversions to other uses come onto the table.

Flex/Industrial

Demand for flex space remains strong thanks to emerging industry sectors, while the industrial market is normalizing after years of growth. New construction industrial deliveries will continue to add to the area's inventory in the years ahead as the pipeline shrinks in a high interest rate environment. Larger users that typically show interest are not in the market for space at the same rate as years prior, putting requirements on hold for the time being.



Jackson Road, Devens | Photo: Duncan Lake/Cresa



Office-to-Flex

The cooling of the life sciences market has curbed the appeal of lab conversions. In an effort to meet demand, landlords are now more likely to consider flex/R&D conversions.



Floor Plates Remain Intact

Due to high construction costs, landlords are still hesitant to demise full-floor offerings despite persistent demand for sub-10,000 SF spaces.

Office



Market Size
27,793,575 SF



Vacancy
17.1%



Sublease
4.3%

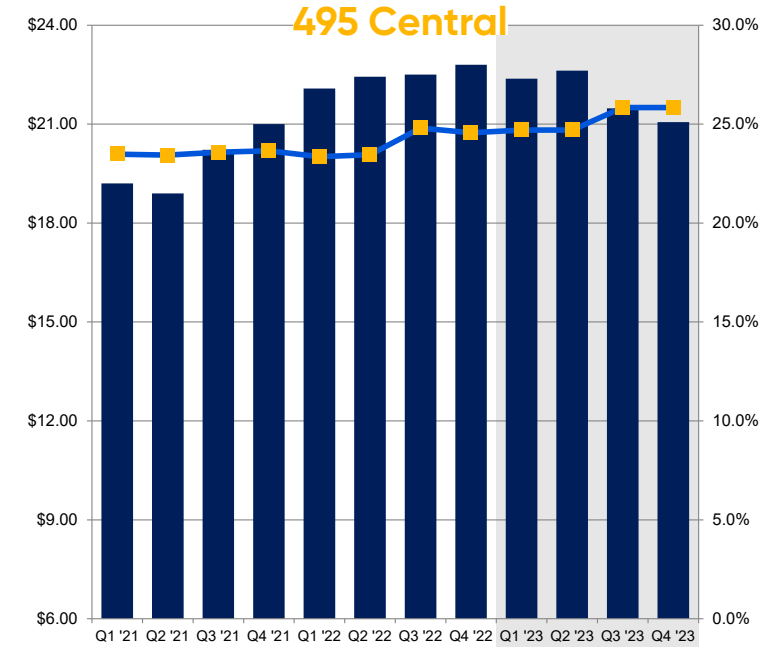
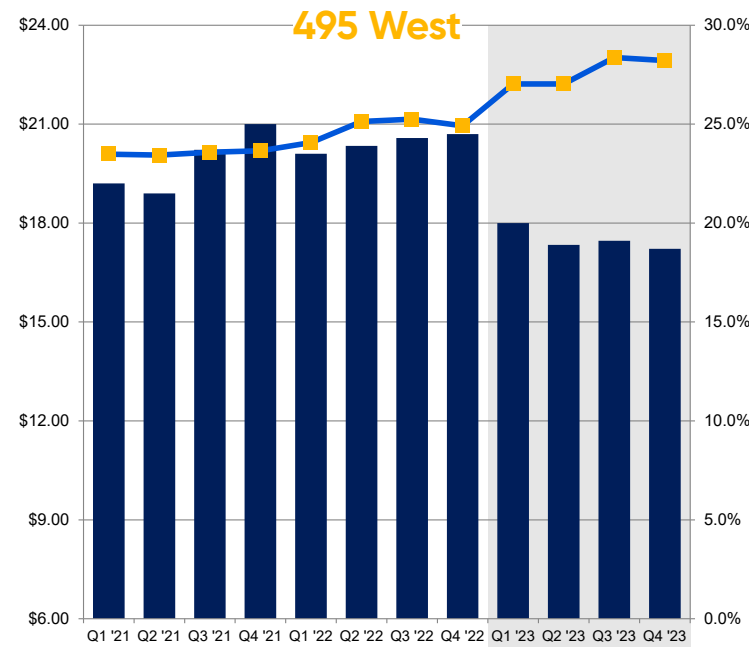
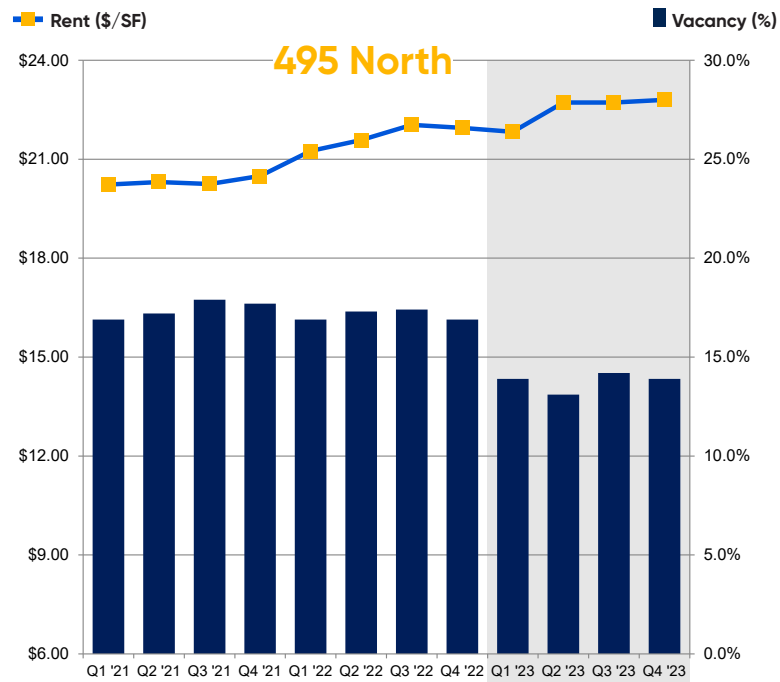


Available
27.9%

Direct Availability + Sublease Availability

Arrows Indicate One Year Change

Historical Rent & Vacancy



Flex/R&D

Market Size
34,197,971 SF

Vacancy
8.6%

Sublease
1.9%

Available
12.1%

Direct Availability + Sublease Availability

Industrial/Warehouse

Market Size
42,028,566 SF

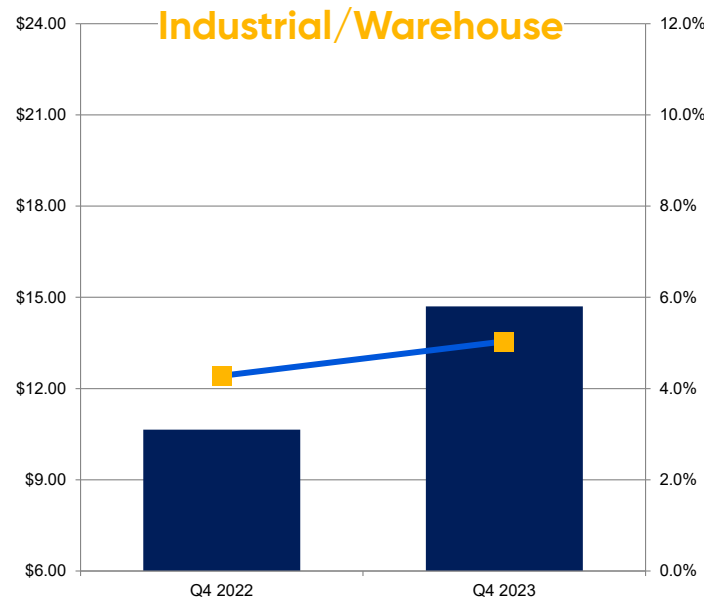
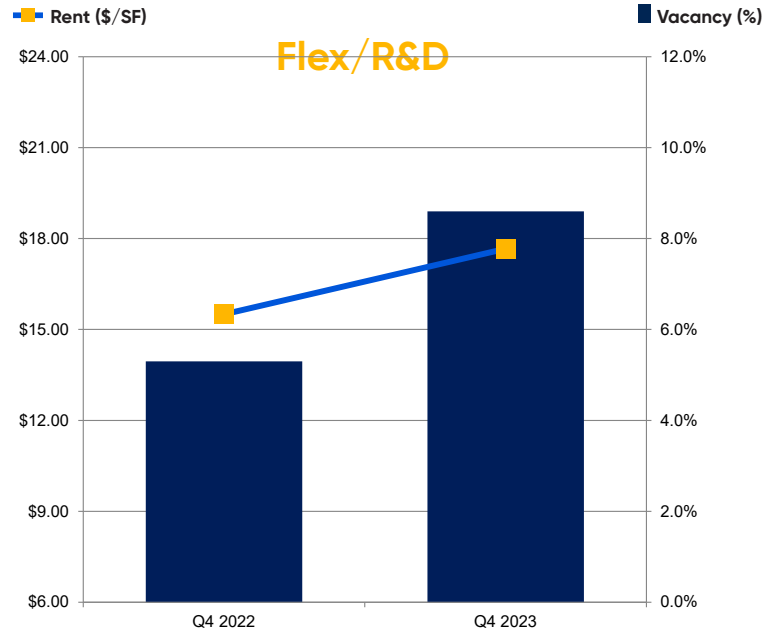
Vacancy
5.8%

Sublease
0.5%

Available
8.2%

Direct Availability + Sublease Availability

Historical Rent & Vacancy



Get to Know: The Autograph Tavern

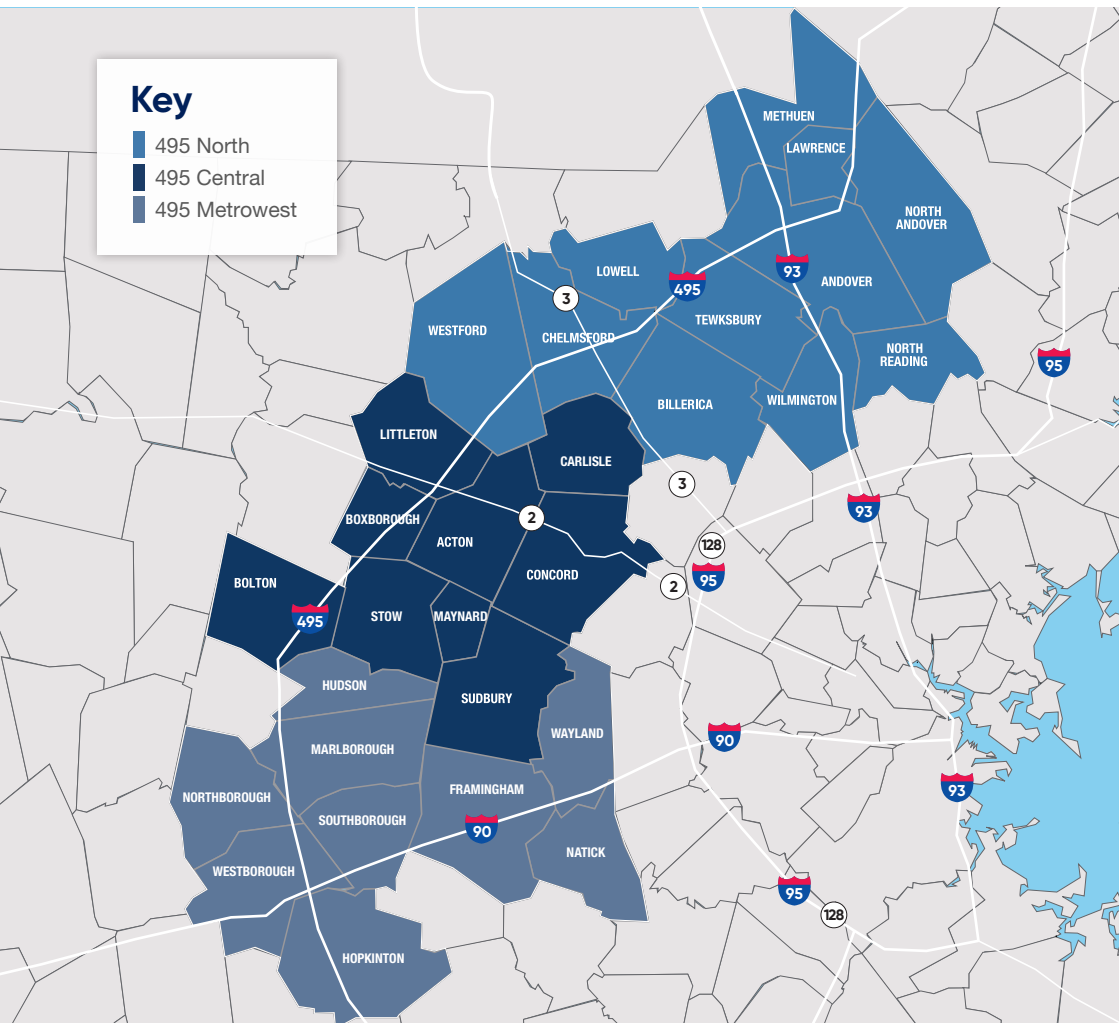
The Autograph Tavern offers the warmth of a traditional pub and the fun of a sports bar. Owned by local restaurateur Paul LaRosa, this family-friendly spot is a fresh new option in Andover's charming downtown. autographtavern.com



Photos: Duncan Lake/Cresa

By the Numbers

Data as of Q4 2023



Office Market

Submarket	Market Size (SF)	Vacant	Sublease	Available	Rent/SF
495 North	14,037,796	13.9%	4.2%	21.6%	\$22.80
495 Central	3,502,927	25.1%	1.4%	32.5%	\$21.50
495 Metrowest	10,252,852	18.7%	5.6%	35.0%	\$22.93
Total	27,793,575	17.1%	4.3%	27.9%	\$22.68

Flex/R&D Market

Submarket	Market Size (SF)	Vacant	Sublease	Available	Rent/SF
495 North	21,951,309	10.6%	2.5%	15.0%	\$18.25
495 Central	2,760,385	6.3%	0.0%	11.0%	\$15.98
495 Metrowest	9,486,277	4.8%	1.1%	5.8%	\$16.50
Total	34,197,971	8.6%	1.9%	12.1%	\$17.66

Industrial/Warehouse Market

Submarket	Market Size (SF)	Vacant	Sublease	Available	Rent/SF
495 North	22,310,965	6.0%	0.7%	8.8%	\$14.50
495 Central	3,201,064	0.1%	0.2%	3.5%	\$12.80
495 Metrowest	16,516,537	6.6%	0.3%	8.2%	\$13.05
Total	42,028,566	5.8%	0.5%	8.2%	\$13.55



Industrial and manufacturing requirements continue to drive market activity.



39 Jackson Road, Devens | Photo: Duncan Lake/Cresa



Brigham Business Park, Marlborough | Photo: CoStar

Notable Market Transactions

Two industrial deals (McKesson and Zoll) are new construction industrial and the other three are office-to-flex/R&D conversions, both of which have been defining trends of the last two to three years.

Tenant	Address	City	Use	Size (SF)	Type
McKesson	40 Lackey Dam Road	Uxbridge	Industrial	444,000	New Lease
Catania Oils	90 Nemco Way	Ayer	Industrial	216,000	Relocation
Ascend Elements	39 Jackson Road	Devens	Flex	101,000	New Lease
AM Batteries	8 Federal Street	Billerica	Flex	33,000	New Lease
BTU International	10 Liberty Way	Westford	Flex	57,000	Relocation

Sales Activity

Capital markets continue to focus on functional asset classes.

Buyer	Address	City	Use	Size (SF)	Price/SF
Oliver Street Capital/ Bain Capital	326 Ballardvale Street	Wilmington	Industrial	186,000	\$266.13
Rhino Capital Advisors	50 Minuteman Road and 6 Technology Drive (2 Buildings)	Andover	Office/Industrial	273,000	\$212.45
Berkeley Partners	Brigham Business Park 19, 41 and 53 Brigham Street	Marlborough	Industrial	171,000	\$176.57
National Development	75 Reed Road	Hudson	Office	417,000	\$28.78



4 Executive Place, Andover | Photo: Duncan Lake/Cresa



4.5 Million SF Under Construction

Development Pipeline

New construction is focused on industrial and logistics operations rather than flex/R&D. This shift has brought about a “normalization” of industrial rental appreciation while the flex/R&D market continues to appreciate.

Development	City	Developer/Owner	Size (SF)	Use
1 36/38 Upton Drive	Wilmington	Davis Companies	214,000	Industrial/Warehouse
2 90 Research Drive	Wilmington	Martignetti	21,000	Flex/R&D
3 175 Lowell Street	Wilmington	National Development	312,000	Industrial/Warehouse
4 1600-1630 Osgood Street	North Andover	Hillwood Development	3,800,000	Industrial/Distribution
5 4 Executive Drive	Andover	Marcus Partners	197,000	Industrial/Warehouse
6 100 Fordham Road	Wilmington	Carlisle Capital	158,000	Industrial/Manufacturing
7 1000 Nickerson Road	Marlborough	Lincoln Property Company	121,000	Flex/R&D/Life Science
8 600 Griffin Brook Drive	Methuen	RJ Kelly	100,000	Industrial/Warehouse
9 2 Monarch Drive	Littleton	VMD Companies	100,000	Industrial/Warehouse
10 40 Commerce Way	Tewksbury	Rhino Capital Advisors	66,000	Industrial/Warehouse
11 75 Reed Road	Hudson	National Development	1,000,000	Industrial
12 Littleton Technology Park	Littleton	The Gutierrez Company	330,000	Office

Nice Flex

The market for flex space continues to show impressive resiliency. Demand persists, thanks to a little creativity from occupiers.

Companies are getting innovative with how they're using flex buildings, in part due to the strength and diversity of the Massachusetts economy. At the heels of the life sciences investment and occupier demand shift comes the emergence of "Tough Tech" and "Clean Tech," research-heavy industry groupings applying breakthrough science and engineering to society's biggest challenges. This space includes companies with a wide range of focus areas, including climate tech, ag-tech, robotics, batteries, and more.

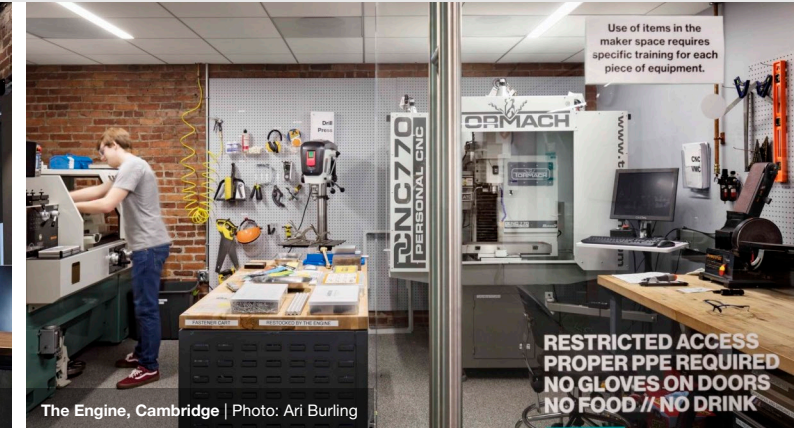
As with life sciences, Massachusetts is a pioneering force in these two emerging sectors. In its infancy, our ecosystem is among the national leaders in venture capital investments, and federal and state funding and access to premier talent are helping to spur growth. Incubator programs such as **Greentown Labs in Somerville** and **The Engine in Cambridge** have begun to bring the right groups together, while notable leasing

activity throughout the suburban market, from Watertown to Burlington to Devens, confirms the momentum is strong.

When it comes to real estate, these types of companies require specialized and capital-intensive space and equipment, with large investments up front and long lease commitments. Infrastructure is a top consideration for occupiers, with access to power and high clear heights among the most common criteria. Flex buildings in communities that can support these needs are the winners here. Timing couldn't be better from a market perspective as manufacturing facilities originally positioned for biotech companies are pivoting to accommodate this new and growing group of users. With the specialized nature of these needs comes a willingness to pay elevated rents. This trend should boost flex demand to new heights through 2024 and beyond.



The Engine, Cambridge | Photo: Ari Burling



The Engine, Cambridge | Photo: Ari Burling

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Greentown Labs, Somerville | Photo: Barry Hetherington

Industry Spotlight

Alternative Energy Ahead

As with other developments across the region, King Street Properties' **Pathway Devens campus** was originally intended for biotech users. Billed as “the world’s first multi-tenant, purpose-built biomanufacturing campus,” the campus will include 750,000 SF of real estate upon completion. The relentless life sciences demand is drying up, just as a new titan is born. It turns out, these exact types of spaces can accommodate other users quite well. The infrastructure of these buildings provides an opportunity for power-hungry advanced manufacturers in the tough/clean tech space who also have an eye on ventilation capability, climate control, and floor loads. King Street and other developers can breathe a sigh of relief and quickly pivot with their significant capital projects.

Three big lease transactions in 2023 from users tackling alternative energy solutions highlight the opportunity ahead. AM Batteries signed on for 33,000 SF at **8 Federal Street in Billerica** while Ascend Elements claimed 101,000 SF at **39 Jackson Road in Devens**. Earlier in the year, Commonwealth Fusion moved into their new **Devens campus at 117 Hospital Road**, which includes a 165,000 SF manufacturing facility where they intend to commercialize clean fusion energy by manufacturing magnets for fusion power plants around the world.

Photo: Shutterstock

Pathway Devens campus | Rendering: kingstreetproperties.com



8 Federal Street, Billerica | Photo: CoStar



39 Jackson Road, Devens | Photo: Duncan Lake/Cresa



117 Hospital Road, Devens | Photo: cfs.energy





Recruiting Company Continues Their Impressive Growth

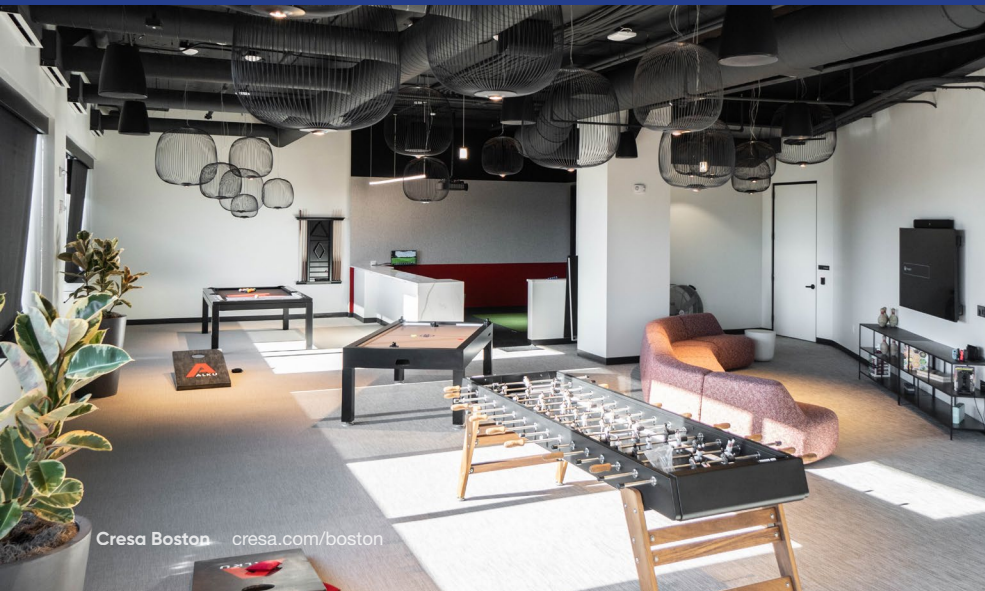
Client: ALKU

Location: 100 Brickstone Square, Andover

Project Size: 89,000 SF

Cresa Services Provided: Transaction Management

While most office tenants were focused on downsizing their presence in the market, ALKU went the other way. This decision was a testament to the success and culture of the ALKU team, which started at 3,500 SF in the same complex.



Objectives

Following a period of remarkable growth, this longtime Cresa client sought to expand their footprint within the same complex while managing an existing lease obligation. ALKU wanted a dynamic and engaging space that would highlight their tightknit culture and express a strong brand image.

Strategy & Results

The Cresa team secured trophy quality office space within the premier Andover office complex, allowing ALKU to continue their impressive headcount and revenue growth in the same complex where the company began at 3,500 SF. The fact that ALKU expanded their presence in a market where most tenants are downsizing is a testament to the organization's sustained success and inviting culture.

Looking Ahead in 2024

Occupier's Perspective



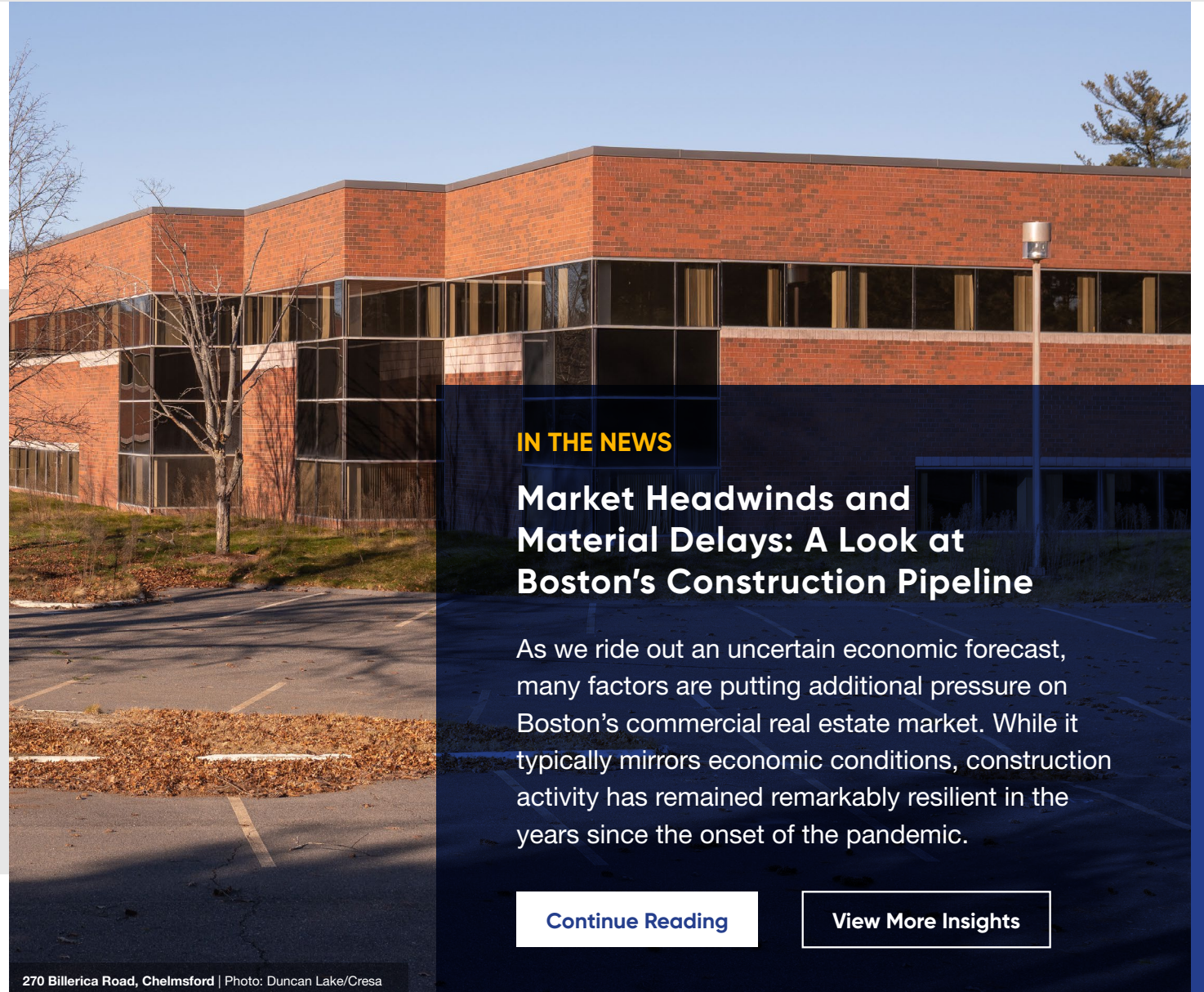
Power Hungry

With access to power top of mind for many flex/R&D users, companies might consider relocating to areas with a power surplus. Towns like Devens and Bedford leverage this as an economic development tool to attract new businesses.



Inflation Relief

The worst appears to be behind us in the recent spike in inflation. As a result, we may see operating costs recorrect to normal, pre-pandemic levels over the course of the year.



IN THE NEWS

Market Headwinds and Material Delays: A Look at Boston's Construction Pipeline

As we ride out an uncertain economic forecast, many factors are putting additional pressure on Boston's commercial real estate market. While it typically mirrors economic conditions, construction activity has remained remarkably resilient in the years since the onset of the pandemic.

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270 Billerica Road, Chelmsford | Photo: Duncan Lake/Cresa

Meet the Team

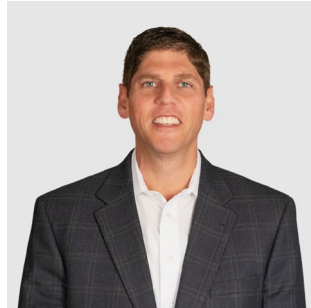
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About Cresa Boston

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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