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FROM BEDROOMS TO BOARDROOMS

A Scramble to Develop Office Space in Somerville

Rents Could Challenge Top Suburbs

By [Steve Adams](#) | Banker & Tradesman Staff | Jul 1, 2018

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In Union Square, developers are racing to build office and lab buildings in time for the MBTA's Green Line Extension completion in 2021. Across town in Assembly Square, the owners of a 9-acre commercial property have begun marketing a pair of office towers in the first phase of a 1.5-million-square-foot development called Xmbly.

The two neighborhoods have emerged as twin epicenters of Somerville's commercial real estate boom, with potential for over 4 million square feet of office and lab development in the next few years. It's no coincidence the scramble takes place as Boston and Cambridge run short of big office blocks, and new transit connections are making Somerville more desirable.

"Everything is starting to converge," said George Proakis, Somerville's director of planning. "It's an inflection point where you talk for years about trying to build the commercial market, and then things start to click."

While unemployment has fallen to the lowest level since 2000, 90 percent of Somerville residents still commute out of the city, according to a report released last week by city economic development officials.

Partners Healthcare gave a glimpse of Somerville's future potential as a job hub when it committed to a new 825,000-square-foot headquarters at Federal Realty's Assembly Row, consolidating workspaces for 4,200 employees in Greater Boston. Another 98,000-square-foot office building at Artisan Way was quickly leased to capacity.

Federal Realty's broker JLL now is marketing a 12-story, 250,000-square-foot office pad, one of five remaining commercial development sites at Assembly Row, with approvals for a total 1.5 million square feet of office space.

Next door at 5 Middlesex Ave., Cresset Development and Novaya Real Estate Ventures see an opportunity to duplicate much of Assembly Row's success.

Infrastructure work will begin next year and the developers are considering breaking ground on a speculative office and/or lab building, said Phil Giunta, an executive managing director at Newmark Knight Frank, which represents the developers. Under a 1.5-million-square-foot master plan recently approved by Somerville officials, nearly 650,000 square feet of office and lab space are planned in a pair of 200- and 250-foot towers with high-profile visibility on I-93.

"Somerville is becoming an extended neighborhood of Boston and Cambridge," Giunta said. "We don't expect it to be just overflow or a back office move as it has typically been in the inner suburban market."

The existing 162,000-square-foot office building, which is 98 percent occupied, will get mechanical updates and cosmetic exterior makeovers.

Urban Edge Challenges Route 128

Last week's latest ceremonial groundbreaking for the MBTA's \$2.3 billion Green Line Extension served as a reminder of the potential economic development benefits in a city historically underserved by rail.

Office rents in Somerville are positioned to top \$50 per square foot on a gross basis in the near future, making it competitive with top Route 128 markets such as Waltham, said Aaron Jodka, director of research at Colliers International in Boston.

"Once the Green Line Extension is active, all of a sudden there's a much higher opportunity for rent levels because of the proximity to the urban core," Jodka said. "They'll be among the highest rents outside of Cambridge and Boston."

But preparing shovel-ready sites in New England's most densely populated city is a complex task. The 16-acre Union Square project is an urban redevelopment process requiring the assemblage of multiple industrial parcels and governed by a land disposition and public benefits agreement with the city, which required master developer US2 Assoc. to contribute nearly \$20 million including \$5.5 million toward the Green Line Extension.

"If you look at Union Square on an aerial and all of the success that Cambridge has had, the biggest question is: why is it just now starting to gain traction?" said Peter Bekarian, a managing director at JLL. "The opportunity in Union Square is to add density and the kind of footprints that are going to attract large commercial office and lab users."

The community benefits and transit upgrades supported by US2 will flow to the next wave of developers in the neighborhood. New York-based DLJ Real Estate Capital Partners recently received final city approval for two office and lab buildings at 1 and 2 Earle St. totaling 374,000 square feet.

“People see the opportunity and they want to be a part of it,” said Proakis, the planning director. “Things are going to start to get built in the next year and beyond that, people will see the value of the sites.”

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