

Blue is Greater Boston's definitive resource for commercial office real estate discussion & analysis.



SIGNIFICANT ABSORPTION of 624,000 sf lowered vacancy, though 2017 absorption of 1.1 million sf is the lowest calendar figure since 2011.

BOSE agreed to lease 98,000 sf at Boston Landing while maintaining its existing operations in Framingham.

CAMBRIDGE CROSSING was announced as the new brand for the 4.5 million sf mixed-use project formerly known as North Point.

RAPID7 leased 147,000 sf at the under construction first phase of Boston Properties' 1.5 million sf Hub on Causeway project.

BOSTON PROPERTIES received final approval for a 1.3 million sf redevelopment of Back Bay Station.

BACK BAY average Class A rents are now a 17 percent premium to rents in the Core, or Financial District, the largest such gap ever recorded.

AMAZON received more than 200 proposals for its "HQ2;" Boston and Somerville are among area cities submitting bids to host the facility.

MIT announced it may build a tower as tall as 500 feet at the site of the Volpe Transportation Center.

MILLENNIUM PARTNERS may fund a cable-propelled transit system to connect South Station with a parcel it controls in the Seaport.

QUICK



Absorption
+624,000 sf

Absorption reached the highest level in three quarters



Vacancy
10.8% -0.3%

Vacancy dipped on positive demand



Rents (Class A)
\$38.82 +2.1%

Average rents rose slightly over year ago levels



ZEROING IN ...

Since 2010, tenant demand and real estate development has been increasingly focused in a relatively compact portion of the region – in toward the urban core, Cambridge and Streetcar Ring; here's a visualization of the shifting development trends and some interesting observations that can be made ...

OTB, page 3



timeline

APTIV announces it will establish an autonomous car research facility in the Seaport; the announcement comes as its locally-based subsidiary nuTonomy is introducing autonomous rides in the area through a partnership with Lyft.

• A P T I V •

CVS agrees to acquire Aetna, which earlier in 2017 announced it will move its headquarters, currently in Hartford, to New York City; the purchase may effectively reintroduce Boston as a potential location for that operation.

CVS

TWO DEVELOPERS are proposing to replace a now-dilapidated parking garage above the Quincy Center MBTA Red Line station into several hundred units of housing and more than 200,000 sf of office space.



BOSTON PROPERTIES receives city approval for a 1.3 million sf mixed-use development at Back Bay Station; the project will include a 600,000 sf office tower and a substantial renovation of the current, 1987-built headhouse.

bxp

MILLENNIUM PARTNERS begins demolition on a 1950s-era former city-owned parking garage at Winthrop Square, the site of a future 702-foot residential tower; construction is set to begin in the first quarter.



DIVCOWEST announces a rebranding of the underway 5.5 million sf project formerly known as North Point to Cambridge Crossing; the group began construction of a speculative 430,000 sf office building in the third quarter.

CX

q1

dec

dec

nov

nov

oct

oct

q3'17



JPMorgan Chase renews its existing 75,000 sf at 451 D Street in the Seaport and commits to an increased footprint of 140,000 sf; the group first moved into the 461,000 sf 1910-built facility in 2008.



MILLENNIUM PARTNERS says it will fund a cable-propelled transit system to connect South Station with a site it controls in the Seaport; the technology has been increasingly been adopted into public transit systems worldwide.



WAYFAIR announces it is actively looking to increase its local area footprint from approximately 350,000 sf to one million sf; the group may be focused on sites near its current Back Bay location.



RAPID7 commits to 147,000 sf at the under construction Hub on Causeway tower adjacent to North Station; the group, currently located across two facilities in Boston and in Cambridge; will consolidate at the facility in 2019.



BOSE announces it will lease 98,000 sf at the newly completed 80 Guest Street at Boston Landing; it is expected the group will maintain its existing headquarters in Framingham while using the new facility for research.



LOCAL municipalities submitted bids in a response to Amazon's request for proposals for its second headquarters location; Boston submitted a bid, as did Somerville, which including portions in Boston and in Cambridge.

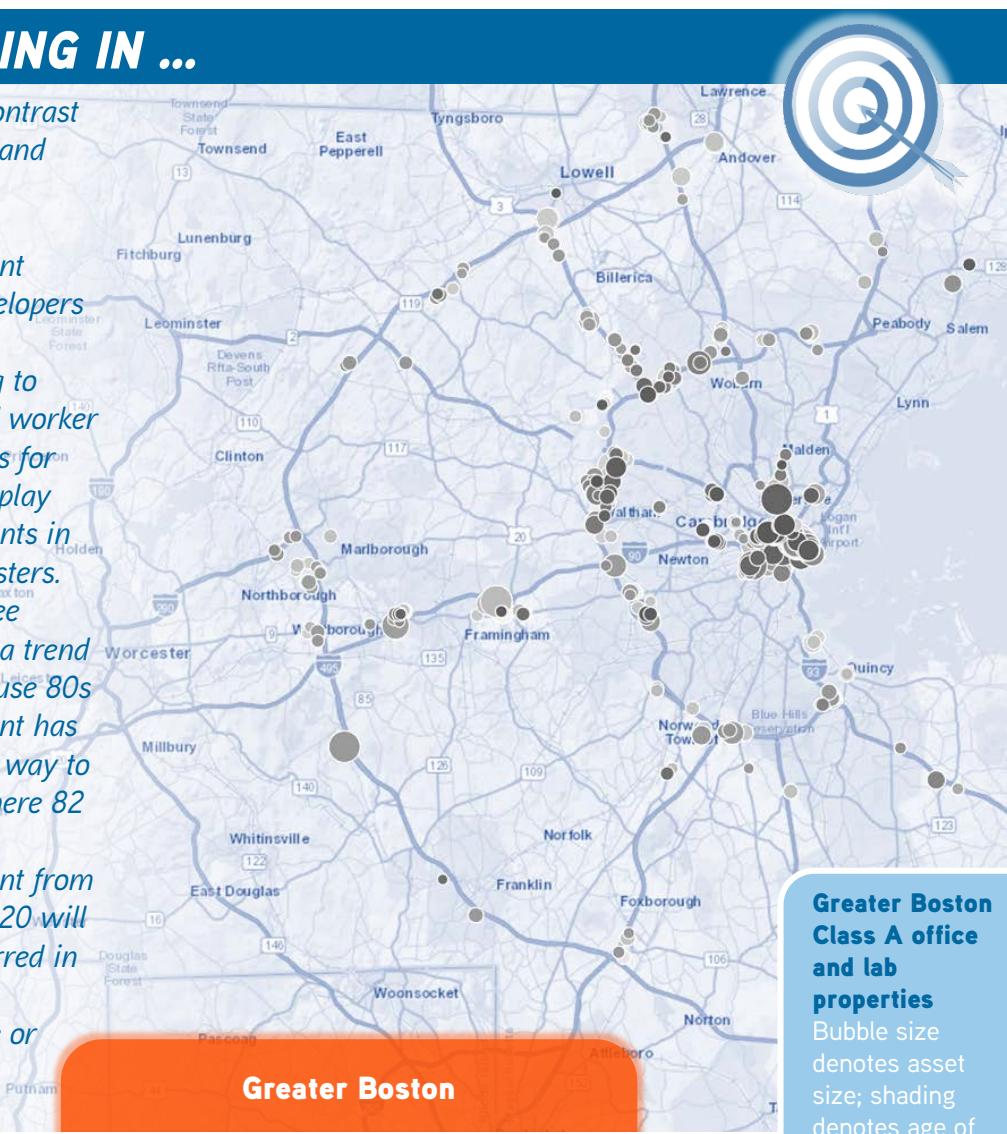
Flashback to Q3'2017 ...

A second straight quarter of positive absorption resulted in a vacancy increase of 0.1 percent to 11.1 percent. Amazon announced it will establish a second HQ that will result in 50,000 jobs; Boston may be considered a leading candidate. The under construction 121 Seaport was fully leased after commitments from PTC and Alexion Pharmaceuticals. Facebook announced it would open a 133,000 sf office in Cambridge; the company's first large office in the region. Kronos moved into its 472,000 sf office at Cross Point in Lowell.

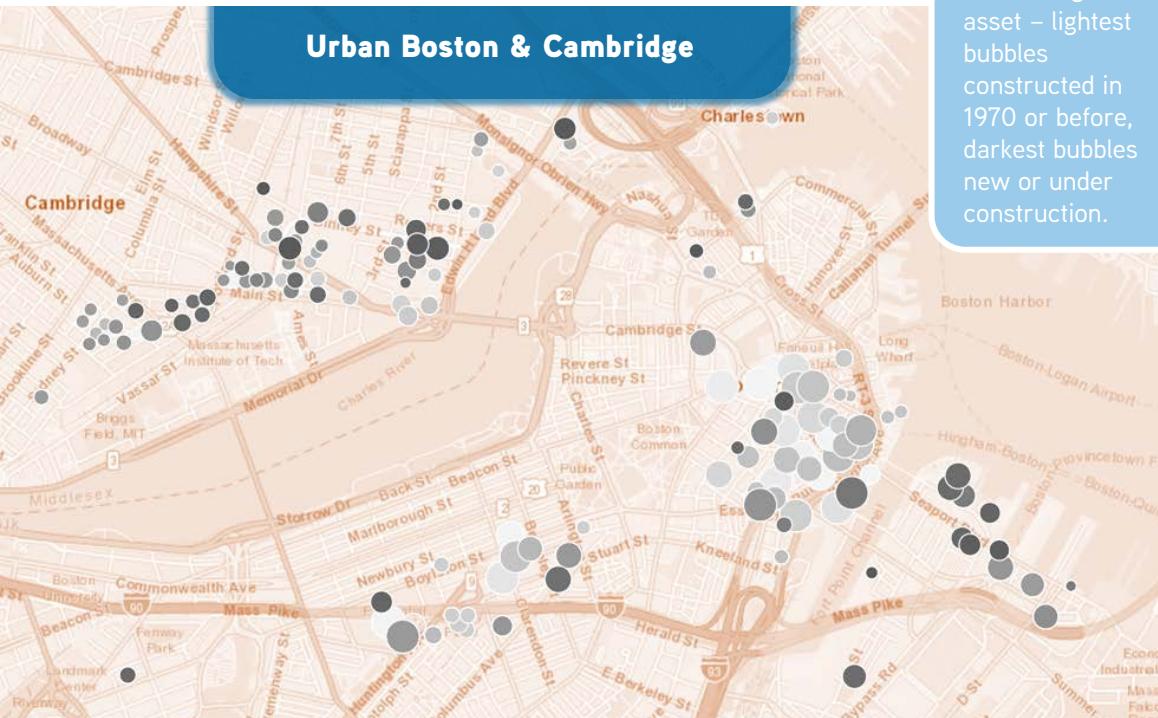


ZEROING IN ...

In sharp contrast to a 1970s and 1980s car-dependent development boom, developers today are responding to tenant and worker preferences for live/work/play environments in denser clusters. Here we see illustrated a trend where diffuse 80s development has now given way to a trend where 82 percent of development from 2014 to 2020 will have occurred in Boston, Cambridge or Waltham.



Urban Boston & Cambridge



A resumption of strong positive absorption, a flurry of new major lease commitments and expansion announcements, and additional construction groundbreakings marked the end of calendar 2017 in Greater Boston's commercial office market. Wayfair, presently a 350,000 sf tenant at Copley Place, announced it is seeking nearly one million sf to accommodate anticipated robust growth expectations over the coming year with a likely focus on existing facilities or new construction in the Back Bay. Rapid7 announced it will anchor 147,000 sf at the first phase of its under construction facility at the Hub on Causeway in 2019, and Bose, presently headquartered in Framingham, announced it will open a 98,000 sf office at Boston Landing. Construction activity remains robust as 2.3 million sf of activity commenced in 2017, and a 3.8 million sf under construction inventory is 62 percent pre-leased, reflecting a surge in build-to-suit projects in areas without sufficient existing inventory to satisfy demand. Boston, Somerville, and certain other municipalities in the region which submitted proposals to be selected as the host of Amazon's "HQ2," await guidance from the e-tailing giant on its intentions. As the region's transportation infrastructure increases as a point of discussion and concern, the private sector continues to become involved in transportation projects; this quarter with Millennium Partners considering a cable-propelled transit connection for a Seaport parcel it controls.

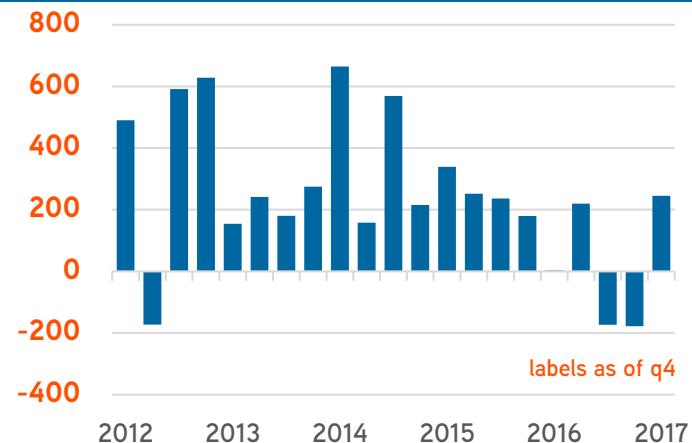


Urban Boston

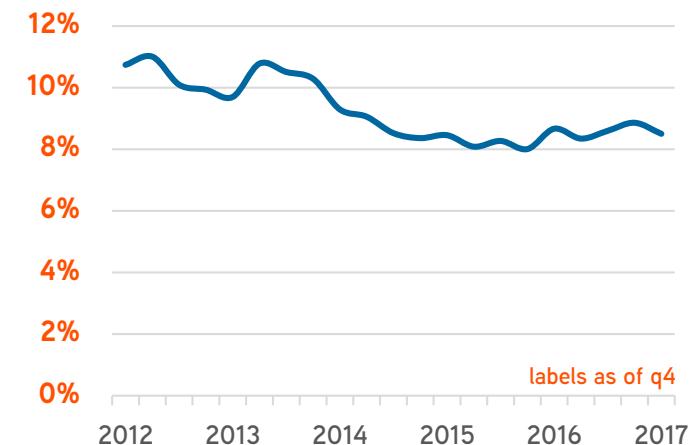
This Quarter ...

- ◊ Tenants absorbed 245,000 sf, lowering vacancy from 8.9 percent to 8.5 percent as Class A asking rents increased \$0.22 to \$59.34 per sf.
- ◊ Core vacancy is at 8.0 percent as absorption has totaled 526,000 sf over the last four quarters.
- ◊ Back Bay absorption swung to a positive 80,000 sf as a rare surge in availability may soon be offset in part by Wayfair, which is believed to be looking for as much as one million sf in the submarket.
- ◊ Accenture took occupancy of a 52,000 sf new office at 888 Boylston Street as Jacobs Engineering moved into 50,000 sf at 200 Clarendon Street, Asics opened a 26,000 sf office at 125 Summer Street.
- ◊ Rapid7 announced it will move into 147,000 sf at the Hub on Causeway when the first phase of the facility is completed in 2019, CloudHealth will move from the Seaport into 100 Summer Street in 2018.
- ◊ The private sector is organizing potential transportation solutions for the Seaport District including Millennium Partners, which is considering a proposal to fund a cable-propelled transit system.
- ◊ Morgan Stanley acquired 253 Summer Street (\$140 million, 201,000 sf, \$695 per sf); Amazon is set to occupy 150,000 sf at the facility in 2018.

absorption (sf in thousands)

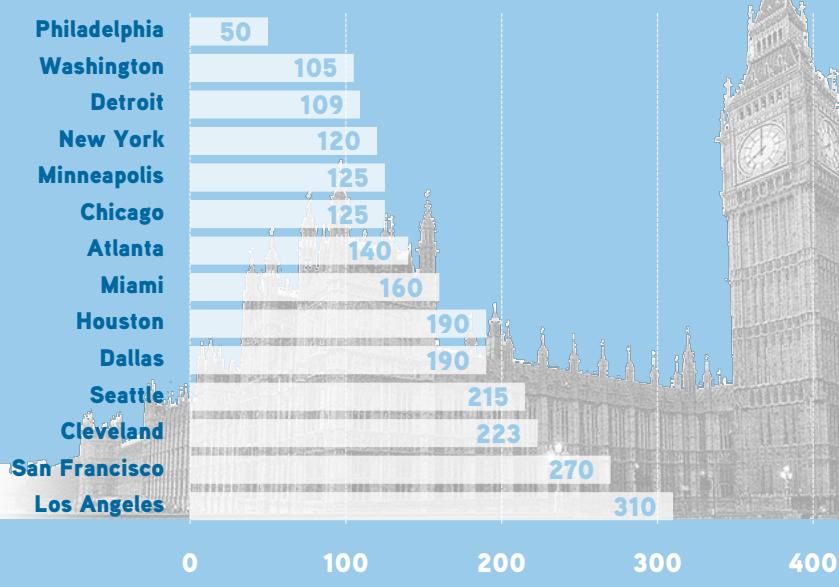


vacancy %

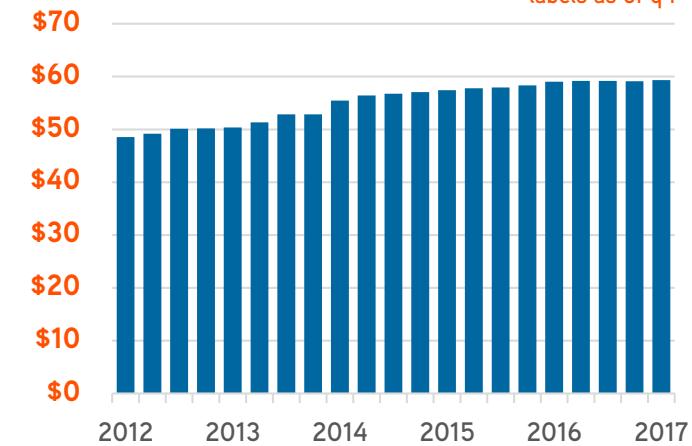


Europe's Most Convenient USA City

Owing to both the city's close proximity to the region's primary international airport, and to Boston's position as the closest city to Europe, it is, by far, the most convenient for European businesses to locate US operations; below are the average additional travel from each city's city hall to London Heathrow International Airport when compared with Boston City Hall to LHR ...



rents \$ class a per sf per year





Cambridge & Streetcar Belt

This Quarter ...

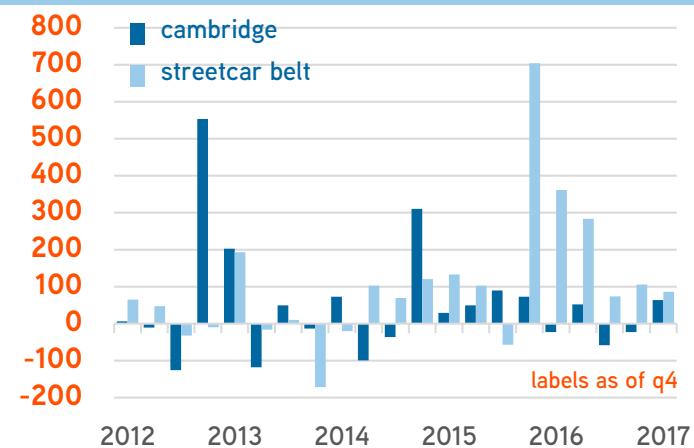
- ◊ Cambridge absorption was 64,000 sf as vacancy fell 0.6 percent to 2.4 percent and Class A asking lease rates dipped \$0.29 to \$63.34 per sf.
- ◊ Stagnating Class A rent statistics reflect a very limited supply of remaining available space; Cambridge vacancy is at the lowest level seen since 2000.
- ◊ MIT received City Council approval for its plans to redevelop the Volpe Transportation Center, the plans include 1.7 million sf of office space and envision buildings as tall as 500 feet.
- ◊ Shire subleased 220,000 sf from Takeda Oncology at 125 Binney Street, the lease will consolidate Shire's Cambridge presence at that site and at nearby 500 Kendall Street and 675 West Kendall Street.
- ◊ The Ring vacancy decreased 0.5 percent to 7.9 percent as tenants absorbed 86,000 sf.
- ◊ Bose leased 98,000 sf at Boston Landing; nearby, Harvard University has commenced construction on a 400,000 sf first development phase of what is envisioned as a major expansion of the school into Allston.
- ◊ Intercontinental Real Estate acquired 1280 Massachusetts Avenue in Cambridge (\$45 million, 43,000 sf, \$1,045 per sf).

A Banner Year of Sales...

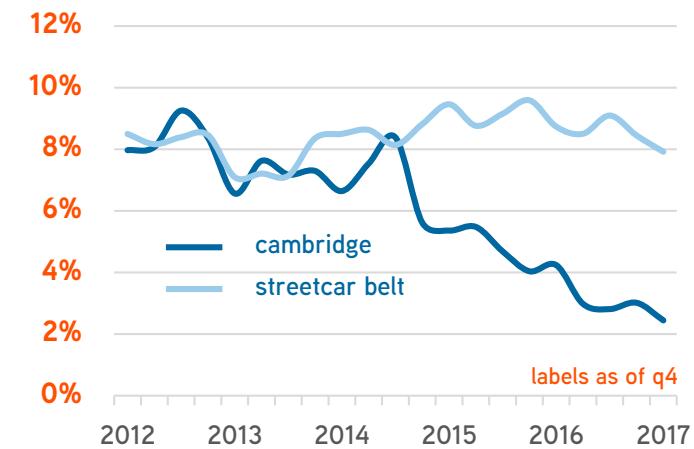
Largest Greater Boston commercial office sales 2017

asset	buyer	sf	price/sf
25 First St, Cambridge	Alony Hetz	228,471	\$886
100 Northern Ave, Boston	Deutsche Bank	514,738	\$868
10 StJA & 75 Arl St, Boston	Mori Trust	824,772	\$816
253 Summer St, Boston	Morgan Stanley	201,481	\$695
100 High St, Boston	Rockpoint Group	546,336	\$677
South Station, Boston	Ashkenazy Acquisition	210,228	\$566
160 Federal St, Boston	Rockpoint Group	366,998	\$518
Center Plaza, Boston	Synergy Investment	741,231	\$492
125&150 CamPk Dr, Camb	Longfellow RE	473,922	\$443
50 Congress St, Boston	Guggenheim RE	179,872	\$439
2 WT Morrissey Bd Boston	Beacon Capital Ptnrs	524,559	\$139

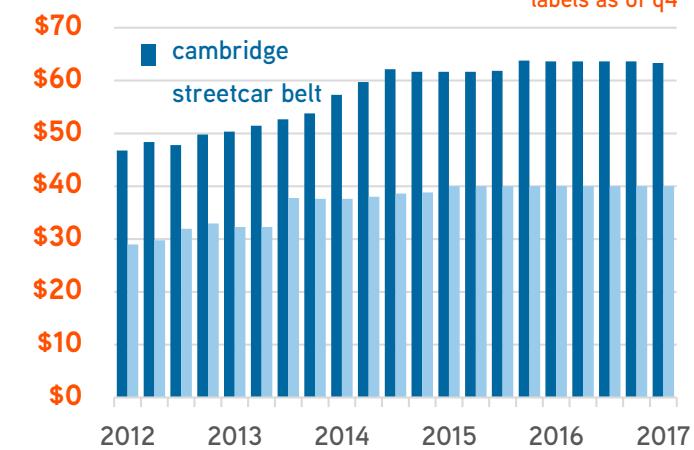
absorption (sf in thousands)



vacancy %



rents \$ class a per sf per year





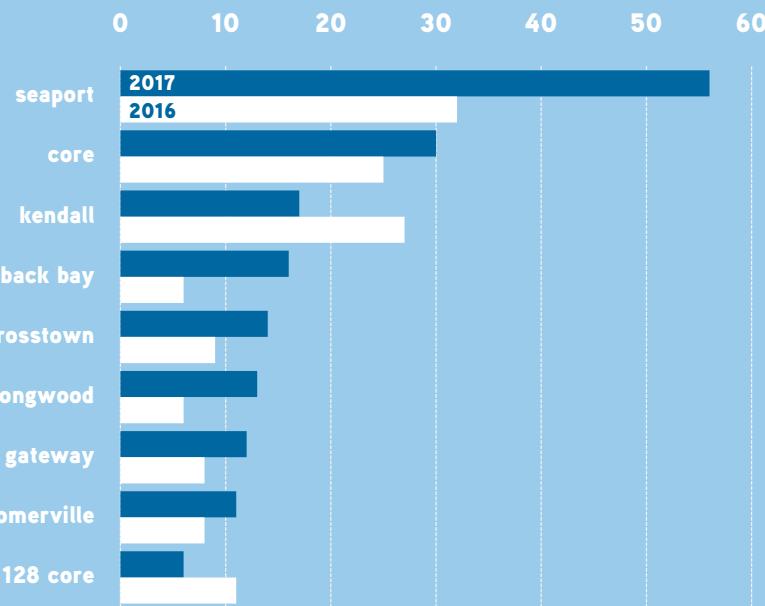
128 & 495 Belts

This Quarter ...

- ◊ 128 Ring vacancy dropped 0.5 percent to 10.4 percent as tenants absorbed 257,000 sf and average Class A asking rents remained flat at \$31.96 per sf.
- ◊ Massachusetts General expanded into 106,000 sf at its owned facility in Waltham as National Grid, vacating that space, moved into 68,000 sf in Waltham and Ipswich took occupancy of 34,000 sf in Burlington.
- ◊ An A/B Class vacancy gap has widened to 8.8 percent from 5.5 percent five quarters ago; Class A vacancy is 8.8 percent.
- ◊ MilliporeSigma took occupancy of its new 280,000 sf research and office facility at 400 Wheeler Road in Burlington.
- ◊ 495 Ring vacancy edged up 0.1 percent to 16.7 percent on 27,000 sf of negative absorption as Class A asking rents stayed flat at \$22.76 per sf.
- ◊ Bi-County Collaborative Charter School moved into a 46,000 sf facility in Walpole as MITRE expanded into a new 41,000 sf office in Bedford.
- ◊ Spear Street Capital acquired the four-building Center at Corporate Drive campus in Burlington (\$134 million, 492,000 sf, \$272 per sf) as Livingston Street Capital bought 130 Royall Street in Canton (\$37 million, 175,000 sf, \$213 per sf).

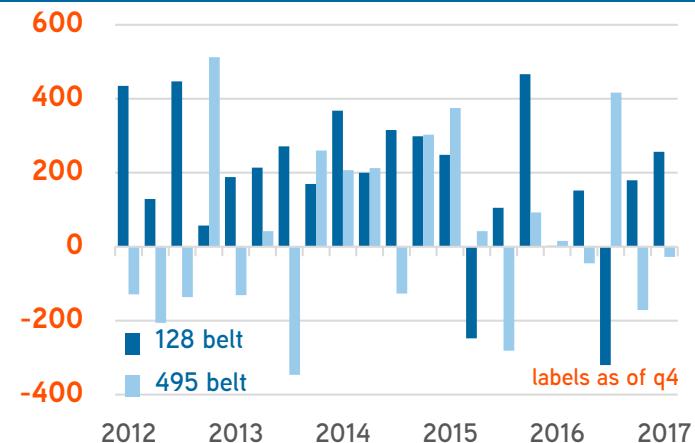
Keeping the Buzz on in Hot Areas

Number of print media mentions primarily focused on given area by year

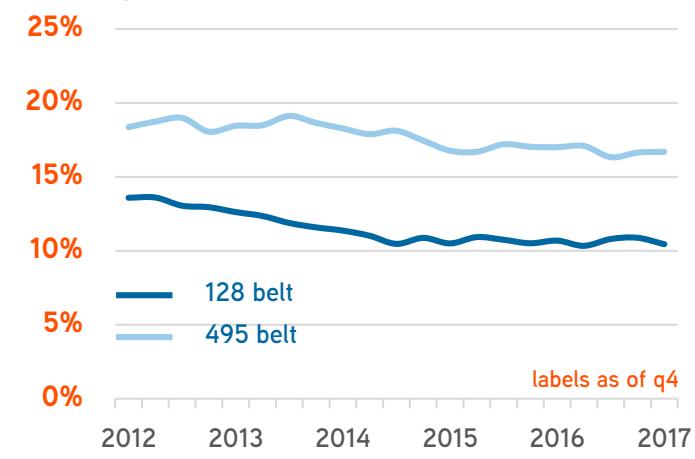


Print media contributors including Banker & Tradesman, Bisnow, Boston Business Journal, Boston Globe, Boston Herald, Curbed, The Real Reporter

absorption (sf in thousands)



vacancy %



rents \$ class a per sf per year

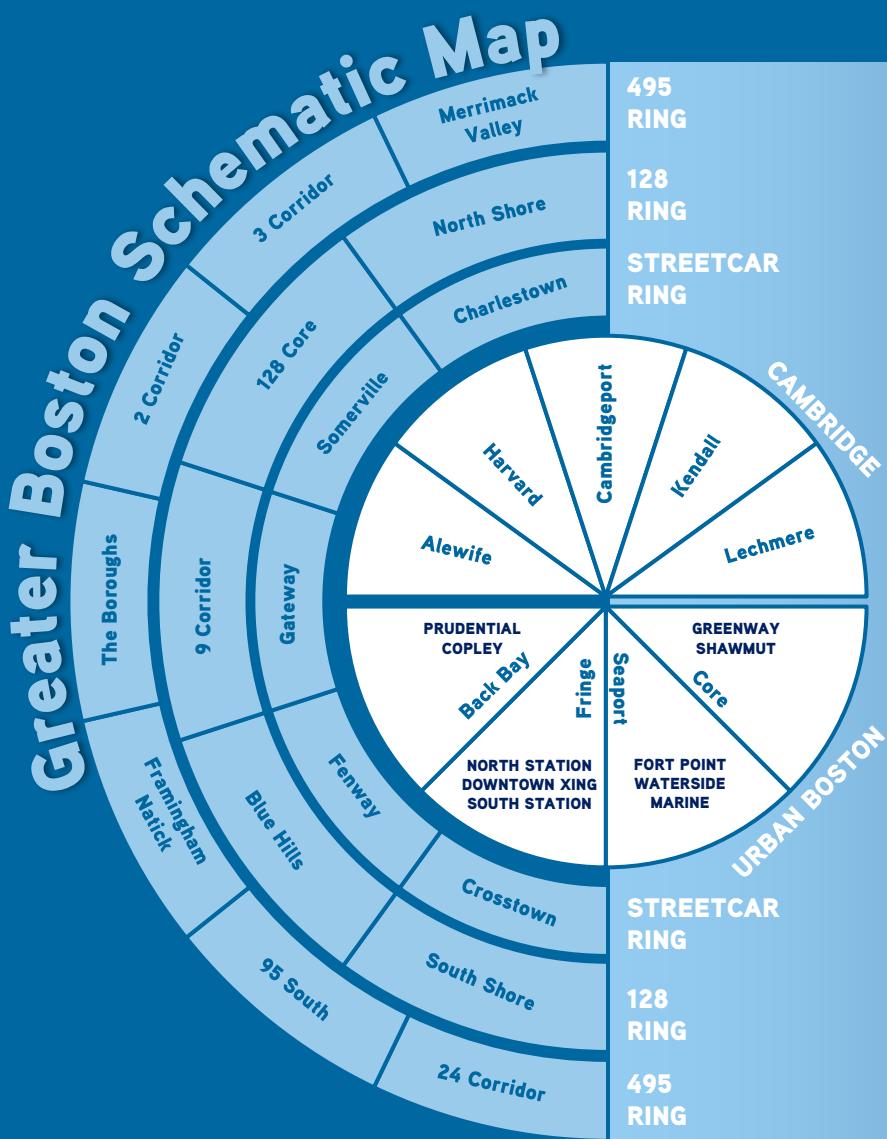




sf in thousands	rba	vac%	Absorption		construction**		rent***	
			q4'17	ltm	uc	lease%		
total market	209,632	10.8%	624	1,137	3,776	62%	754	\$38.82
urban boston	68,361	8.5%	245	113	1,487	78%	0	\$59.34
core	34,389	8.0%	221	526	365	69%	0	\$57.46
greenway	12,454	5.1%	55	104	0		0	\$62.09
shawmut	21,935	9.7%	166	422	365	69%	0	\$54.38
fringe	7,874	6.6%	(34)	17	175	100%	0	\$46.50
downtown crossing	3,139	9.5%	(21)	(15)	0		0	\$48.00
north station	3,208	4.9%	(5)	29	175	100%	0	\$45.00
south station	1,527	4.3%	(7)	3	0		0	
back bay	14,680	10.0%	80	(163)	0		0	\$67.41
copley	10,699	10.5%	103	(231)	0		0	\$67.38
prudential	3,981	8.4%	(23)	67	0		0	\$67.45
seaport	11,418	9.4%	(22)	(267)	947	77%	0	\$59.71
fort point	3,985	14.2%	(45)	(302)	97	100%	0	
marine	2,054	12.2%	21	24	0		0	
waterside	5,379	4.7%	2	12	850	75%	0	\$59.71
cambridge	11,118	2.4%	64	34	1,010	51%	44	\$63.34
kendall	5,387	1.2%	4	(36)	486	100%	0	\$72.52
central	1,014	2.9%	53	111	0		44	
lechmere	1,698	2.9%	0	10	524	5%	0	\$67.50
harvard	1,240	2.2%	(4)	(23)	0		0	
alewife	1,779	5.8%	10	(28)	0		0	\$50.00
streetcar belt	16,270	7.9%	86	549	215	74%	456	\$40.00
charlestown	2,352	2.0%	19	376	0		0	
somerville	5,331	8.1%	41	36	55	0%	0	\$38.00
gateway	3,993	15.6%	18	110	160	100%	456	\$40.00
longwood	2,356	2.7%	(2)	24	0		0	\$42.00
crosstown	2,239	5.6%	9	3	0		0	
128 belt	58,699	10.4%	257	268	826	31%	255	\$31.96
north shore	13,107	9.0%	87	74	145	0%	0	\$25.60
128 core	22,022	12.1%	130	81	516	18%	0	\$35.24
9 west	6,997	11.8%	(42)	96	165	100%	255	\$42.56
blue hills	6,520	11.3%	23	(8)	0		0	\$34.42
south shore	10,054	7.1%	59	26	0		0	\$22.86
495 belt	55,184	16.7%	(27)	173	238	100%	0	\$22.76
merrimack valley	8,807	18.7%	79	320	0		0	\$21.85
3 north	15,029	19.5%	(187)	(469)	58	100%	0	\$22.09
2 west	6,015	18.7%	(19)	(16)	0		0	
the boroughs	14,019	15.2%	(0)	191	0		0	\$19.77
framingham natick	6,328	9.3%	1	(64)	180	100%	0	\$31.21
95 south	3,460	13.2%	88	194	0		0	\$21.42
24 corridor	1,527	21.9%	10	17	0		0	\$21.50

rba = rentable building area ltm = last twelve months ** preleased % & last twelve months completions ***rent = \$ per sf per year full service class a

Perry Brokerage strives for complete accuracy in all aspects of its information and analysis, though no guarantee to that effect is made. Sources include Bureau of Economic Analysis, Bureau of Labor Statistics, Esri, Federal Reserve Bank, Google Analytics, Institute for Supply Management, Perry Brokerage Associates.



spectrum family

- blue ◇ macro level office | quarterly
- steel ◇ macro level industrial | quarterly
- green ◇ macro level laboratory | quarterly
- slate ◇ submarket level office series | quarterly
- node ◇ transit-accessible office & lab | twice-yearly
- white ◇ special interest | twice-yearly or so

Subscribe to Spectrum by texting "pbaresearch" to 228-28



Brendan Carroll ◇ Director of Intelligence ◇ bcarroll@perrybrokerage.com