

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

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POSITIVE ABSORPTION of 644,000 sf marked a return to strong regional demand as construction completions held vacancy flat at 11.1 percent.

VERIZON leased 440,000 sf in a 651,000 sf tower to be built at Boston Properties' "Hub on Causeway" development next to North Station.

BOSTON CONSULTING GROUP and **Alexion Pharmaceuticals** moved into newly completed neighboring towers in the Seaport District.

WEWORK committed to opening its tenth regional location, marking a regional footprint of 782,000 sf.

PUTNAM Investments moved into a new 250,000 sf HQ at Boston Properties' 100 Federal Street.

FIVE MILLION SF could be underway in the Streetcar Ring in 2019 as several projects approach fruition.

RENT LEVELS increased slightly throughout the region with sustained space scarcity in some areas and widening value deltas in others.

BOEING agreed to lease 100,000 sf in a 425,000 sf tower to be developed at 314 Main Street in Cambridge for the study of autonomous flight.

COMPLETED THIS QUARTER, 140 Northern Avenue in the Seaport District traded for \$1,208 per sf, a record regional office valuation.

QUICK



Absorption

+644,000 sf

Absorption turned positive for the third quarter in four



Vacancy

11.1% +0.1%

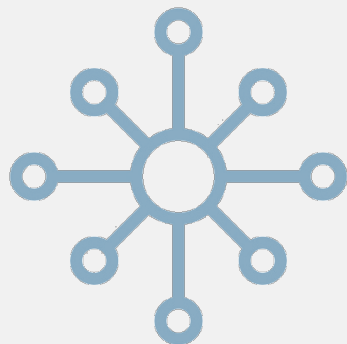
Vacancy rose driven by new completions



Rents (Class A)

\$39.77 +3.0%

Class A asking rents rose over prior quarter levels



EVERY HUB HAS ITS SPOKES

A successive set of cities surrounding Boston serve as reminders of a bygone industrial age; could this exceptionally rare configuration offer a solution to the Hub's crowding and pricing concerns today ...

OTB, page 3

timeline

LAWRENCE and surrounding towns Andover and North Andover are impacted by dozens of large explosions having to do with gas distribution though business impacts are believed to be minimal.



PUTNAM Investments takes occupancy of its new, 250,000 sf HQ presence at 100 Federal Street; the facility underwent a series of common area renovations following Putnam's commitment in 2016.



THE FLOWER EXCHANGE site is approved by the BPDA for a \$1 billion plan submitted by developer The Abbey Group to transform the longtime wholesaling facility to a 1.6 million sf office and lab campus.



BURNS & LEVINSON says it will relocate its office within the Financial District to a new 100,000 sf office at 125 High Street; unlike numerous recent law firm moves, this will not result in significant space reduction.

Burns

VERIZON signs a lease for 440,000 sf in what will be a third commercial, 651,000 sf structure at Boston Properties' Hub on Causeway development, set to break ground in early 2019.

verizon✓

WEWORK agrees to lease 10,000 sf at 25 Northern Avenue, also known as the "The Benjamin;" the lease is the coworking operator's second in the Seaport District and first in the region in a residential building.



TAKEDA announces it will relocate its US headquarters from the Chicago area to Greater Boston where it has substantial existing operations and is in the process of its second major acquisition, of Shire.



PIER FOUR, the newly-completed 372,000 sf home to Boston Consulting Group, Cengage Learning and others, sells for \$1,208 per sf, a market record for a commercial asset larger than 100,000 sf.

BCG

CAMBRIDGE SAVINGS BANK announces it will move a large share of its operations from its longtime Harvard Square HQ to a 75,000 sf facility in Waltham though maintain a presence in Cambridge.



BOEING announces it will open a 100,000 sf facility in Cambridge to develop autonomous flight technology; the move will anchor an MIT-developed 425,000 sf, 17-storey structure to be built at 314 Main Street.



SHARKNINJA's 2017-built 247,000 sf Needham HQ was acquired by \$96.5 million for \$390 per sf, a Needham record; NBC Universal is constructing its regional HQ in an adjacent structure.

Shark|NINJA

XCHANGE, a 482,000 sf, eight-building Bedford campus including iRobot's 272,000 sf HQ operation, was acquired by Quincy-based Jumbo capital Management and Soud Mark Partners for \$224 per sf.



q4

sep

sep

aug

aug

jul

jul

q2

Flashback to Q2'2018 ...

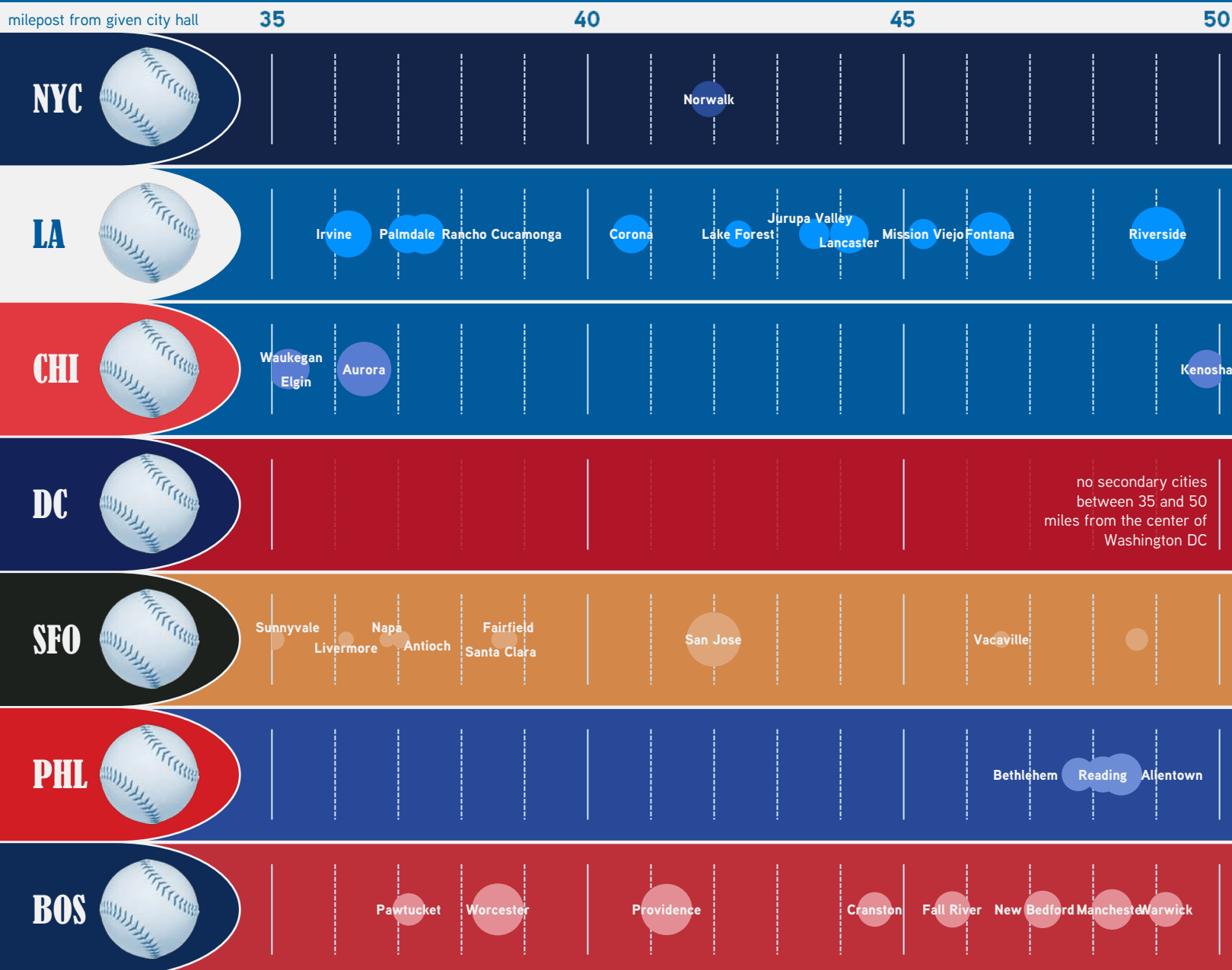
Slight negative absorption reflected a quarter of significant commitments and growth countered by large space consolidations. A healthcare venture announced in January to be backed by Amazon, Berkshire Hathaway and Chase will be based in Boston. Amazon announced it has leased enough space for 2,000 workers in its Alexa unit at a build-to-suit facility in the Seaport. Wayfair signed a 395,000 lease in the Back Bay as area availability has plummeted to very low levels. John Hancock announced it will vacate its 2004-built Seaport facility in a consolidation to the Back Bay John Hancock footprint.



A steady pattern of new corporate entrants, anchored-development announcements and significant project approvals continued in the Greater Boston market in the third quarter of 2013. Absorption was a positive 644,000 sf as vacancy, impacted by 939,000 sf of new completions, edged up 0.1 percent to 11.1 percent. While sharp lease rate increases have been largely confined during the now-seven year period of sustained regional commercial to distinct high demand areas; a metered, near universal statistical increase seemed to suggest a landlord effort to increase pricing, even if modestly, in light of widening discounts to the region's most preferred areas. With Boeing and Verizon each announcing they will anchor larger multi-use developments, a trend of newly developed assets being acquired for valuations eclipsing \$1,000 per sf continued as the BCG-anchored 140 Northern Avenue traded for a record \$1,208 per sf. As the region's strengths continue to create its own critical mass, the principal and growing concerns of scarce availability and decreasing affordability become more apparent. As a "Hub" figuratively, a near certain sustained development and densification of its core areas could likely be complemented by a certain number of surrounding high-density areas, with the State's assistance in aggressive efforts to lure the Red Sox' minor league team to Worcester an indication of a desire to create a dominant second urban cluster within Boston's exurban layer.

IS THE **HUB** THE ANSWER ?

When analyzing a 35 to 50 mile exurban ring around an urban center, Boston has more towns with at least 80,000 people than any of the nation's metropolises outside of California - potentially both an indicator of it's challenges, and a clue a solution for today's pricing and crowding concerns!



Urban Boston

This Quarter ...

- Occupancy levels rose 502,000 sf while vacancy rose 0.4 percent to 8.3 percent; average Class A asking lease rates rose 3.3 percent over year-ago levels to \$61.08 per sf.
- Neighboring Class A assets 121 Seaport Boulevard and 140 Northern Avenue were delivered with initial occupants Alexion Pharmaceuticals and BCG, respectively, occupying initial blocks.
- Putnam took occupancy of its new 250,000 sf HQ facility at 100 Federal Street; its former facility at One Post Office Square is undergoing a significant repositioning.
- Seaport Class A inventory of 4.8 million sf is an increase from just 1.6 million sf in 2010.
- Aktiv moved into its 61,000 sf space at 100 Northern Avenue as Drift established a 45,000 sf office at 222 Berkeley Street and VitalSource moved into 15,000 sf at 200 Portland Street.
- Verizon announced it will lease 440,000 sf in a 651,000 sf next and third commercial phase at its Hub on Causeway development.
- Tishman Speyer divested the newly-completed 140 Northern Avenue (\$450 million, 372,000 sf, \$1,208 per sf, a record high regional valuation)

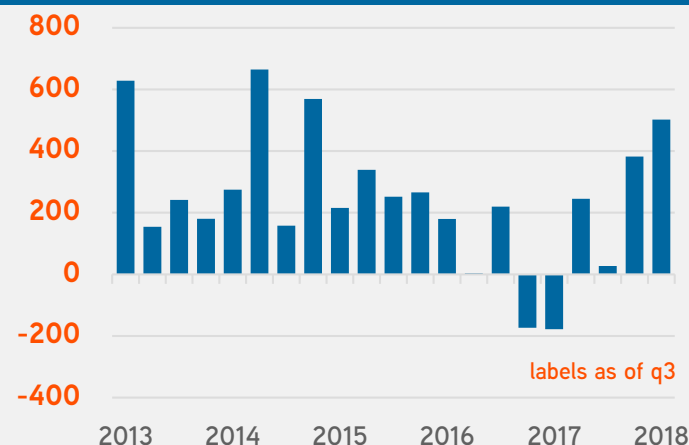
Buyers Snapping Up the New Buildings

Greater Boston office acquisitions since 2013 with buildings in first year of completion

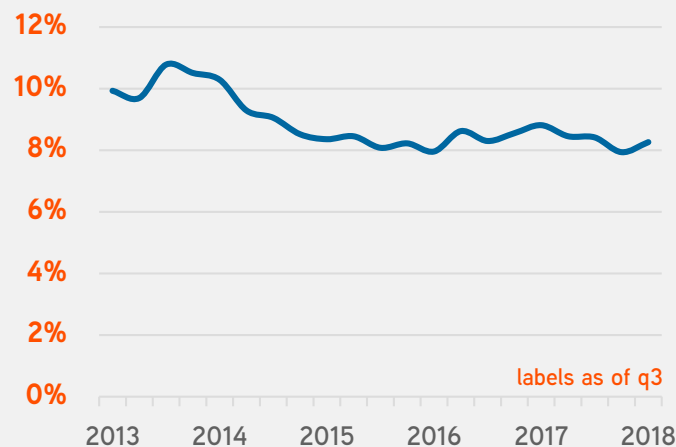
property	built	sold	sf	\$ per sf
490 Arsenal St, Watertown	2017	Aug 2018	185,015	\$852
200 Pier Four Blvd, Boston	2018	Aug 2018	372,372	\$1,208
89 A St, Needham	2017	Jul 2018	247,542	\$390
189 B St, Needham	2019	Aug 2017	165,000	\$253
100 Northern Ave, Boston	2016	Mar 2017	514,738	\$868
101 Seaport Blvd, Boston	2015	Apr 2016	439,058	\$1,029
160 N Washington St, Boston	2015	Mar 2016	232,000	\$647
1 Channel Center St, Boston	2014	Dec 2015	501,650	\$527
53 South Ave, Burlington	2014	Aug 2015	280,560	\$427
400 First Ave, Needham	2015	Jun 2015	280,892	\$474
63 South Ave, Burlington	2013	Jun 2014	150,673	\$261
150 Second St, Cambridge	2012	Dec 2013	123,210	\$767

189 B Street in Needham was sold while under construction

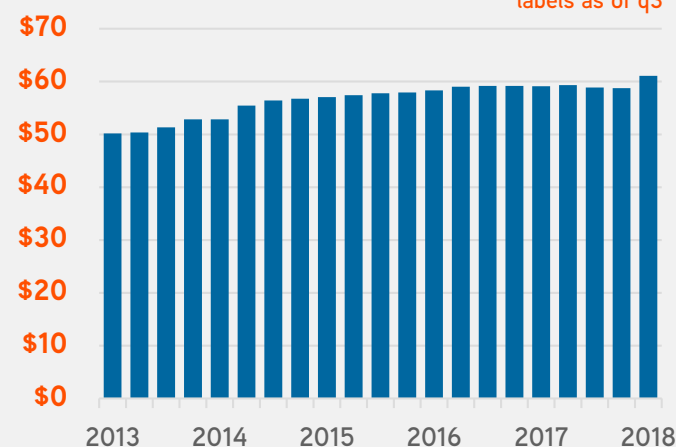
absorption (sf in thousands)



vacancy %



rents \$ class a per sf per year





Cambridge & Streetcar Belt

This Quarter ...

- Cambridge vacancy dipped 0.3 percent to 1.7 percent on 30,000 sf of absorption as Class A asking rents rose 3.7 percent to \$65.15 per sf.
- Kendall dropped to a new low vacancy of 0.4 percent as severe space constrictions and select tenant imperatives increasingly steer tenants to adjacent areas and lab-purposed properties.
- Boeing leased 100,000 sf at MIT's newly under construction 425,000 sf 314 Main Street.
- DivcoWest announced it will pursue a second, 500,000 sf speculative facility at its Cambridge Crossing Campus following the leasing of substantially all the first speculative project at 250 North Street.
- Streetcar Ring vacancy dropped 0.2 percent to 7.2 percent on 29,000 sf of positive absorption as average Class A asking rents increased \$1.03 to \$41.03 per sf.
- More than five million sf of new office and lab construction could be underway in Streetcar Ring areas in 2019 including projects in Allston, Dorchester, Somerville and Watertown.
- Clarion Partners acquired 490 Arsenal Street in Watertown (\$158 million, 185,000 sf, \$852 per sf).

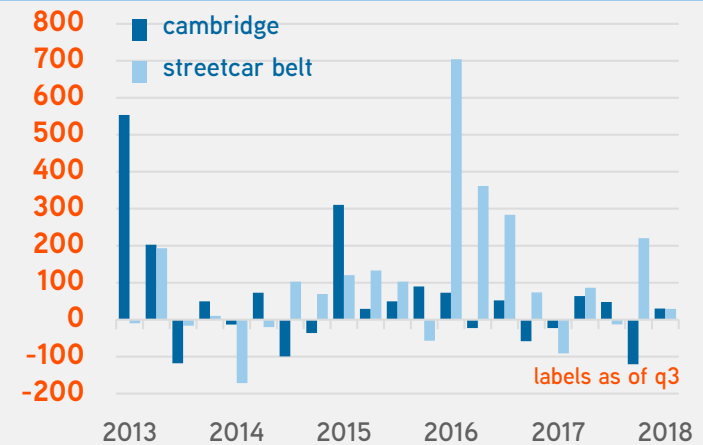
Some T Stops Eclipse 10mm sf in product

sf office inventory characteristics with a five minute walk of given MBTA rail station

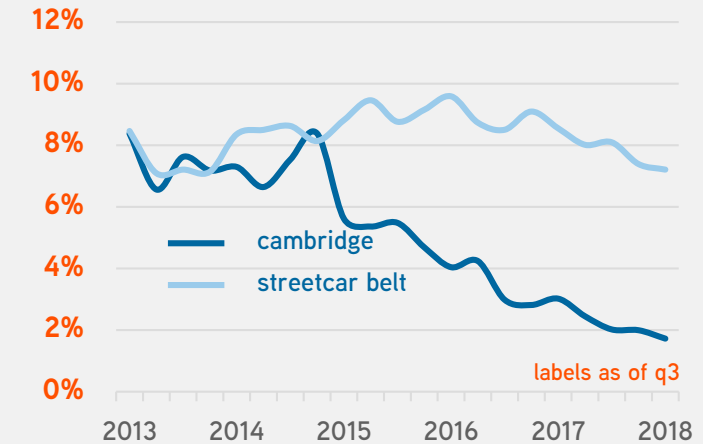
station	all	pre2010	10&since	UC now
SOUTH STATION	16,024	15,233	791	-
DOWNTOWN CROSSING	15,441	14,934	142	365
STATE	15,213	14,706	142	365
GOVERNMENT CENTER	12,002	11,637	-	365
AQUARIUM	10,370	10,005	-	365
BACK BAY	6,875	6,295	580	-
COPLEY	6,823	6,823	-	-
ARLINGTON	6,692	6,112	580	-
PARK STREET	5,993	5,850	142	-
BOWDOIN	5,013	5,013	-	-
PRUDENTIAL	4,581	4,156	425	-
CHINATOWN	4,135	4,135	-	-
KENDALL/MIT	3,835	2,834	515	486
HAYMARKET	2,637	2,462	-	175
NORTH STATION	2,547	2,140	232	175
BOYLSTON	1,854	1,854	-	-
YAWKEY	1,563	1,326	237	-
FENWAY	1,211	1,211	-	-
ALEWIFE	990	767	-	224
NORTH QUINCY	987	987	-	-

sf in thousands

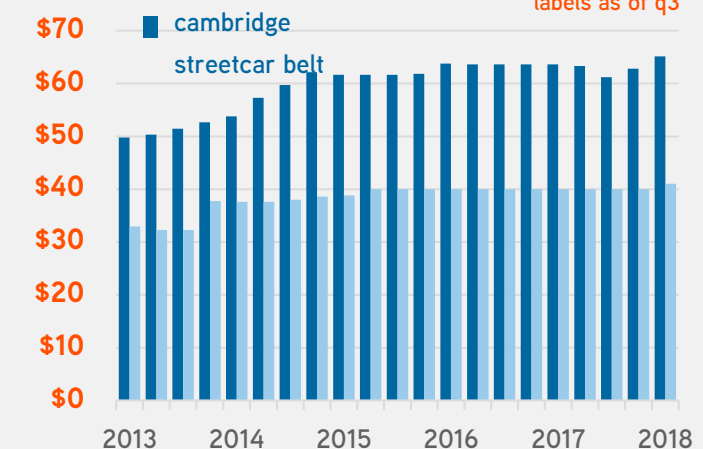
absorption (sf in thousands)



vacancy %



rents \$ class a per sf per year



128 & 495 Belts

This Quarter ...

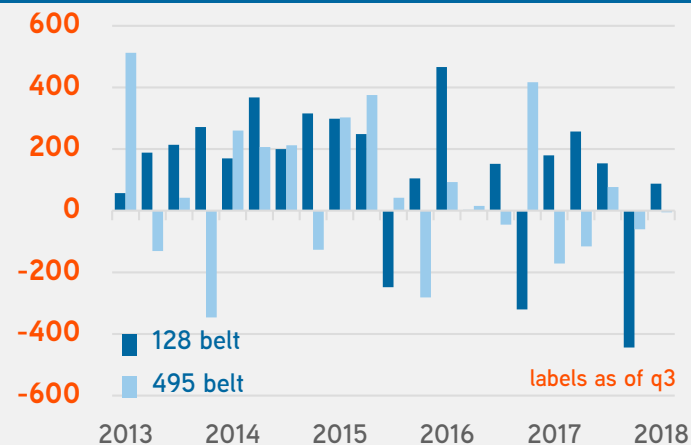
- 128 Ring vacancy remained stable at 11.6 percent as tenants absorbed 88,000 sf; Class A asking rents increased 1.8 percent to \$33.01 per sf.
- Moderna Therapeutics took occupancy of its 185,000 sf facility in Norwood as WAVE Life Sciences moved into 91,000 sf in Lexington and Aetna absorbed 23,000 sf in Bedford.
- Cambridge Savings Bank announced it will move certain executive functions from its Cambridge HQ into a 75,000 sf footprint in Waltham; ZoomInfo said it will move into a new 74,000 sf, also in Waltham.
- MetLife acquired the 2017-completed SharkNinja HQ at 89 A Street (\$96.5 million, 248,000 sf, \$390 per sf).
- 495 Ring vacancy increased 0.1 percent on negative demand of 5,000 sf; Class A asking rents of \$23.35 are a 2.7 premium to year-ago levels.
- MTSI moved into 58,000 sf in Lowell as Shields Health expand by 49,000 sf in Stoughton and MITRE grew by 25,000 sf in Bedford.
- Jumbo Capital Management acquired the eight-building Xchange at Bedford campus in Bedford (\$108 million, 482,000 sf, \$224 per sf) as KS Partners acquired 293 Boston Post Road West in Marlborough (\$16.4 million, 192,000 sf, \$85 per sf).

Logan Closest to CBD Gateway in US

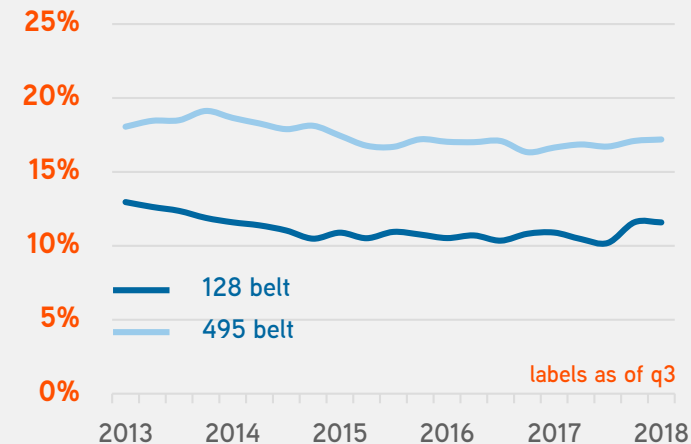
20 busiest USA airports in International passengers with distance to given CBD



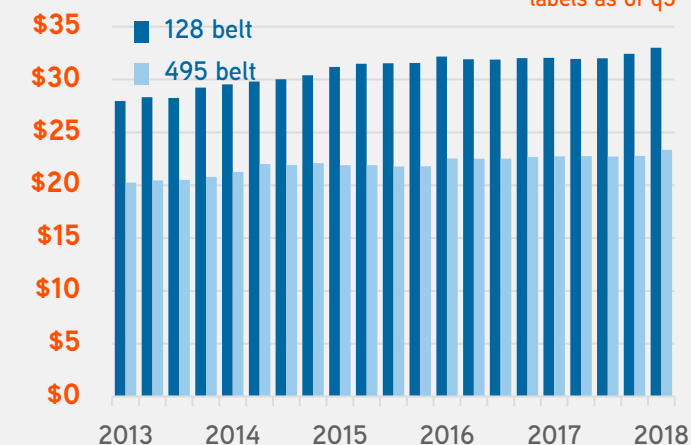
absorption (sf in thousands)



vacancy %



rents \$ class a per sf per year





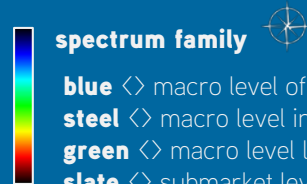
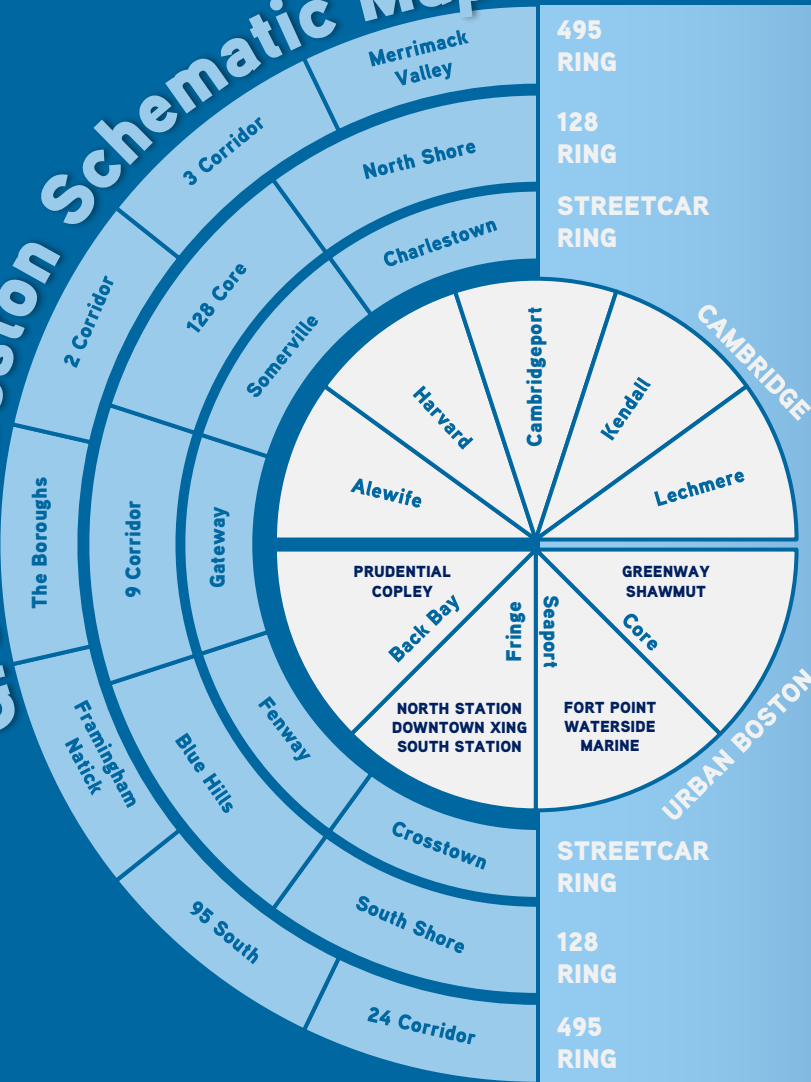
sf in thousands	rba	vac%	absorption		construction**			rent***
			q3'18	ltm	uc	lease%	ltm	\$cl a
total market	210,963	11.1%	644	2,008	2,825	83%	939	\$39.77
urban boston	69,211	8.3%	502	1,019	952	95%	790	\$61.08
core	34,389	8.9%	(155)	196	365	95%	0	\$58.47
greenway	12,454	6.5%	26	57	0		0	\$61.49
shawmut	21,935	10.2%	(181)	140	365	95%	0	\$57.13
fringe	7,874	6.2%	51	34	175	81%	0	\$46.60
downtown crossing	3,139	7.9%	29	28	0		0	\$48.00
north station	3,208	3.4%	1	20	175	81%	0	\$45.20
south station	1,527	8.7%	21	(14)	0		0	
back bay	14,680	7.6%	149	356	0		0	\$71.56
copley	10,699	9.1%	113	313	0		0	\$72.66
prudential	3,981	3.6%	37	42	0		0	\$70.19
seaport	12,268	8.6%	457	433	412	100%	790	\$61.88
fort point	3,985	9.0%	11	(171)	97	100%	0	
marine	2,054	5.4%	18	143	0		0	
waterside	6,230	9.4%	427	462	315	100%	790	\$61.88
cambridge	10,991	1.7%	30	205	1,010	94%	0	\$65.15
kendall	5,387	0.4%	32	53	486	100%	0	\$84.84
central	1,014	1.5%	1	128	0		0	
lechmere	1,698	2.2%	(2)	7	524	89%	0	\$69.55
harvard	1,240	2.4%	(13)	(9)	0		0	
alewife	1,653	5.2%	12	27	0		0	\$50.91
streetcar belt	16,189	7.2%	29	188	212	79%	0	\$41.03
charlestown	2,352	2.3%	24	62	0		0	
somerville	5,134	7.2%	(18)	106	212	79%	0	\$38.81
gateway	4,108	13.5%	23	(3)	0		0	\$40.70
longwood	2,356	2.8%	0	1	0		0	\$43.57
crosstown	2,239	5.6%	0	21	0		0	
128 belt	59,150	11.6%	88	755	651	52%	91	\$33.01
north shore	13,042	10.0%	(83)	53	145	0%	0	\$26.56
128 core	22,538	12.9%	99	476	341	51%	91	\$36.26
9 west	6,997	12.1%	(28)	(114)	165	100%	0	\$45.08
blue hills	6,520	15.2%	158	275	0		0	\$29.60
south shore	10,054	7.9%	(58)	64	0		0	\$23.22
495 belt	55,422	17.2%	(5)	(159)	0		58	\$23.35
merrimack valley	8,807	17.9%	(91)	194	0		0	\$22.76
3 north	15,087	19.6%	15	(408)	0		58	\$23.23
2 west	6,015	19.4%	(21)	(79)	0		0	
the boroughs	14,019	16.4%	(75)	(155)	0		0	\$20.15
framingham natick	6,508	11.2%	10	(13)	0		0	\$32.24
95 south	3,460	14.3%	80	198	0		0	\$22.26
24 corridor	1,527	20.2%	77	104	0		0	\$21.92

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.



Greater Boston Schematic Map



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

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