



**TWELVE MILLION** sf has been absorbed during a 15-quarter streak of positive absorption; vacancy remained near stable at 11.1 percent.

**REEBOK** will move its corporate headquarters from Canton to Boston's Seaport District; the latest area shoe company to make a real estate play.

**MIT** has been selected to redevelop the 14-acre Kendall Square site home to the Volpe Transportation Center by a unit of the US Government.

**BOSTON PROPERTIES** welcomed tenants at the newly developed 888 Boylston Street in the Back Bay.

**CLARKS AMERICAS** moved into a newly developed 120,000 sf building at 50 Tower Road in Waltham.

**THIRTEEN** million sf of office product has either been developed since 2010 or is currently under construction.

**DEUTSCHE BANK** agreed to acquire law firm Goodwin's newly developed 516,000 sf Seaport District headquarters for \$921 per sf.

**SHIRE** agreed to lease the current Genzyme HQ facility at 500 Kendall Square starting when Genzyme moves to a new building nearby.

**SUBSTANTIAL** new projects have been proposed for sites adjacent to urban infill projects at Boston Landing and Somerville's Assembly Row.

**QUICK**



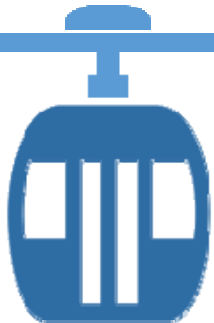
**Absorption**  
**+374,000 sf**  
 New product completions driving occupancy increase



**Vacancy**  
**11.1% +0.2%**  
 Vacancy edges up on inventory increase



**Rents (Class A)**  
**\$38.02 +2.3%**  
 Rent growth varies heavily depending on submarket



**ARE GONDOLAS THE ANSWER?**

*Long confined to ski resorts, Cable-Propelled Transit has made a big foray into urban public transit over the last few years, and with great success; is this the answer for our traffic-choked Seaport District?*

**OTB, page 3**



# timeline

q1'17

dec



**REEBOK** announces it will move its HQ from Canton to a new, 220,000 sf space at the Design Center in Boston's Seaport District next year; the most recent of many of the area's established shoemakers to invest in prominent new facilities.

**BOSTON PROPERTIES** opens 888 Boylston Street; the 425,000 sf office asset will welcome anchor tenant Natixis next year and includes many high end retail spaces, including the Eataly 45,000 sf Italian food emporium.



**GOODWIN'S** 516,000 sf new HQ at 100 Northern Avenue in the Seaport District is the area's latest Class A building sale; Deutsche Bank will pay \$921 per sf to acquire the asset from developer the Fallon Company.

**SHIRE** agrees to move into the 343,000 sf former Genzyme headquarters facility at 500 Kendall Street in 2019; the move is a Cambridge foray for the Ireland-based group which already has a substantial presence in Lexington.



dec

nov



**STATE STREET** says it will market 170,000 sf for sublease at the one million sf One Lincoln Street tower that has served as its headquarters since 2006; K&L Gates is currently the only other tenant at the building.

**AKAMAI** announces it has agreed to lease 630,000 sf for 15 years from Boston Properties at Kendall Center in Cambridge; the lease includes 480,000 sf in a building to be built at 145 Broadway, commencing in 2019.



**GENERAL SERVICES ADMINISTRATION** selects MIT as the redeveloper of the 14-acre Volpe Transportation Center site in Cambridge; the details of MIT's bid have not been released, the site's potential is estimated at 3 million sf.

**FEDERAL BUREAU OF INVESTIGATION** takes occupancy of its build-to-suit, 275,000 sf facility in Chelsea; the move consolidates functions throughout New England, including the former regional HQ at Center Plaza in Boston.



nov

oct



**VOTERS** in Boston overwhelmingly approve the Community Preservation Act, a move that will increase real estate taxes by one percent; the proceeds will benefit historic preservation, low-income housing and city-owned parks.

**LASALLE INVESTMENT** Management acquires the 367,000 sf 160 Federal Street in Boston for \$517 per sf; Beacon Capital Partners acquired the asset seven quarters ago for \$356 per sf.



**CLARKS AMERICAS** moves into its newly constructed 120,000 sf headquarters in Waltham, a relocation from the group's long-time HQ facility at 156 Oak Street in Newton.

**SMART GROWTH** projects are starting to get neighbors – multi-use, multi-million sf projects have been proposed for sites adjacent to Boston Landing in Brighton and Assembly Row in Somerville.



oct

q3

## Flashback to Q3'2016 ...

Tenants absorbed 1.7 million sf, the second-highest level over the last ten years; vacancy dipped 0.2 percent to 10.9 percent. Partners consolidated its administrative functions at a new, 825,000 sf build-to-suit facility at Somerville's Assembly Row. Thermo Fisher and Wolverine Worldwide each moved into new, build-to-suit facilities in Waltham. Akamai Technologies agreed to lease a to-be-built 454,000 sf facility from Boston Properties at the Kendall Center campus. One Kendall Square in Cambridge became the latest in a string of >\$1,000 per sf area office sales.

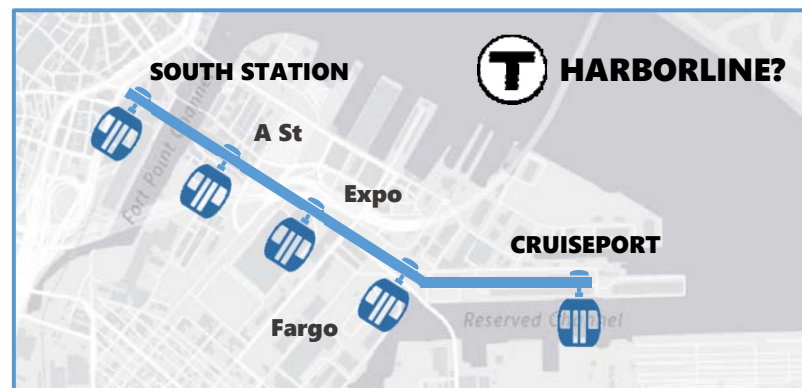


The 15th consecutive quarter of positive absorption capped a calendar year during which Greater Boston commercial office occupancy levels rose 2.4 million sf. Construction activity remained robust with 865,000 sf delivered in the quarter and 1.1 million sf of construction starts in the second half. With recent deliveries dominated by heavily leased facilities and an increase in speculative construction starts, a current 32 percent pre-leasing percentage compares with 78 percent just five quarters ago, signaling a well-founded confidence among developers on leasing prospects. Biotechnology and technology remain the primary drivers of absorption throughout the market, though the emerging General Electric campus in the Seaport District and more than one million sf of commitments last five years on the part of the shoemaking industry highlight the extent to which traditional industry is actively adopting innovation to enhance products and business processes. Common among many users is a requirement that locations be accessible by the tenants' desired labor forces by more than just automobile, as absorption activity for properties near transit continues to dwarf levels seen at places that can only be reached by a car. As low net absorption levels may partially mirror sentiment common during a new president election year, a certain pent-up level of absorption activity may be possible as clarity on economic policy changes is given in coming periods.



## Look to the Sky!

Seaport District growth has amazed locals and reconnected the city to its Harbor, though traffic congestion has skyrocketed as existing transit infrastructure already nears capacity. Meanwhile Cable Propelled Transit, a longtime fixture at ski resorts, is being introduced as public transit infrastructure throughout the world. It's growth is buoyed on by success of deployments, operational characteristics and cost advantages. Here's a quick primer on CPT ...



**COST**

CPT systems are far less expensive as rail systems, an 8,650 foot line pictured would cost less than \$100 million.

**SPEED**

Line speeds range from 13mph to 21mph, cabs stop at stations for up to a minute; pictured line is approx. an eight minute ride.

**CAPACITY**

Per car capacity ranges from 8 to 35; systems can offer as many as 10,000 rides per hour depending on style.

**FARE**

Fare systems generally restrict single-ride sales, visitors/tourists pay the highest per-ride prices to use the system.

**POWER**

Lack of on-board propulsion enables system to use green energy source, cabs operate silently between stations.

**SAFETY**

Complete separation from other transit and automated control makes this among the world's safest forms of transport.

## Explosion in CPT Deployments

Twenty-three new systems are currently under development



source: The Gondola Project  
see the Gondola Project's map at <https://ecs.re/gondolaprojectmap>

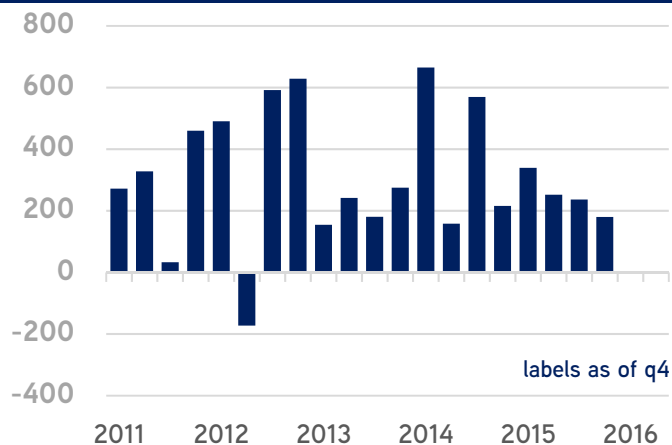


## urban boston

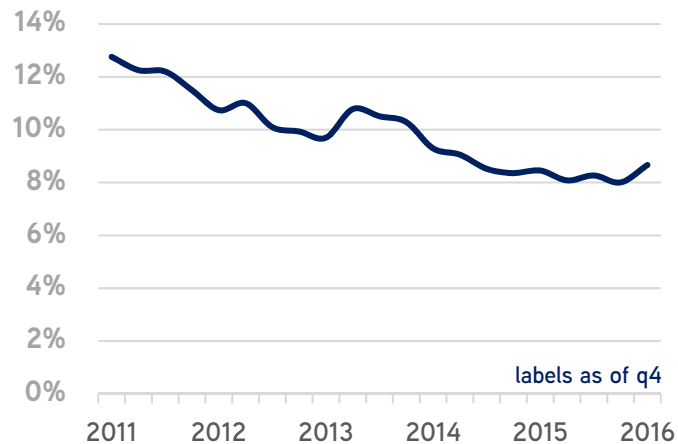
### this quarter ...

- ◇ Tenant demand was nearly flat at a positive 3,000 sf as a new product introduction rose vacancy to 8.7 percent from 8.0 percent.
- ◇ Construction was completed at Boston Properties' 425,000 sf 888 Boylston Street; the facility welcomed its first tenants ABRY Partners and Bracebridge Capital; Natixis will take occupancy of 125,000 in 2017.
- ◇ Reebok announced it will fast-track a move of its headquarters to a 220,000 sf space in the Boston Design Center in the Seaport District from Canton; the move may be completed by year-end 2017.
- ◇ Houghton Mifflin moved into 162,000 sf at 125 High Street, vacating space at 222 Berkeley Street; the regional FBI office vacated its 176,000 sf footprint at Center Plaza for a new facility in Chelsea.
- ◇ Mid-size urban tenants have enjoyed gradually increasing selection throughout the year; 30 choices in the 50,000 sf to 100,000 sf size range compares with just 19 available a year ago.
- ◇ The Seaport District's first pharmacy, a CVS, opened in the quarter; the area hopes to evolve into a living/working neighborhood.
- ◇ LaSalle Investment Management acquired 160 Federal Street from Beacon Capital Partners (\$190 million, 367,000 sf, \$517 per sf).

### absorption (sf in thousands)



### vacancy %

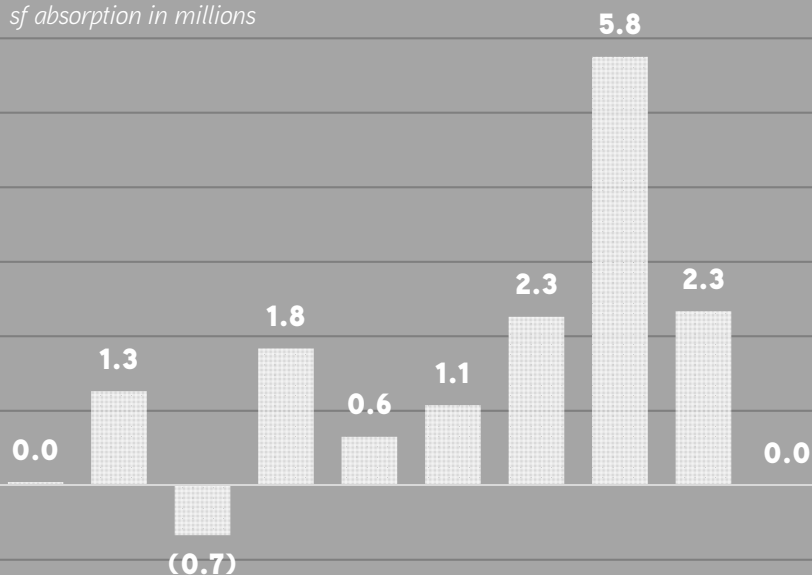


### Demand Intense at Quality & Value Ends

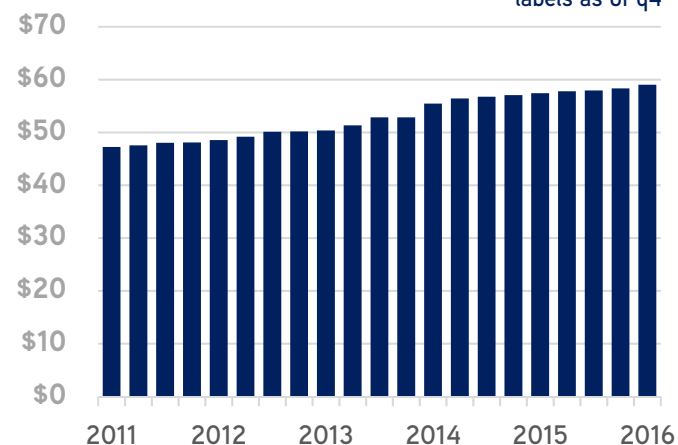
Last nine years absorption by point value, Encompass 10-point system

1 2 3 4 5 6 7 8 9 10

sf absorption in millions



### rents \$ class a per sf per year







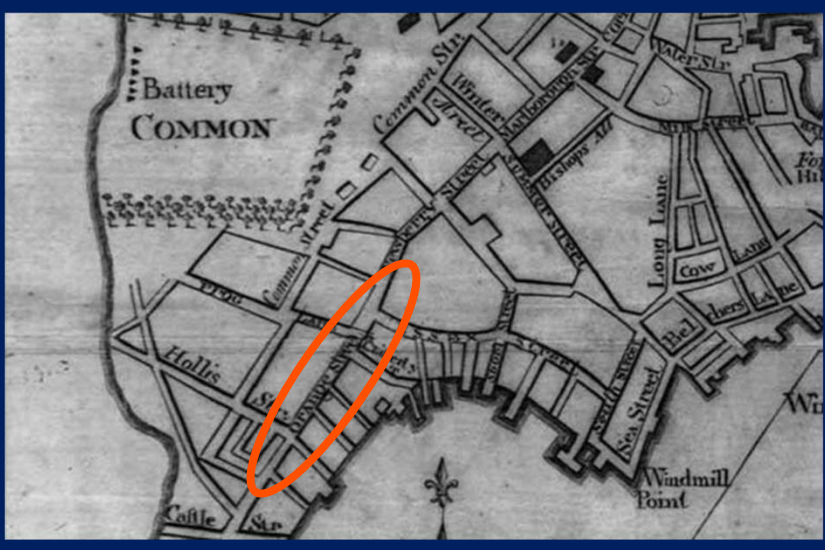
# cambridge & streetcar belt

## this quarter ...

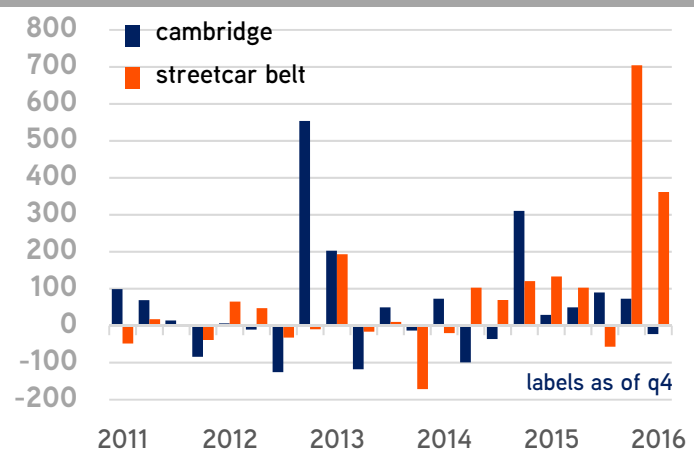
- Cambridge absorption was a slight negative 23,000 sf as vacancy edged up 0.2 percent to 4.2 percent.
- Akamai Technologies agreed to lease a total of 630,000 sf from Boston Properties starting in 2019; the footprint will include a newly built 19 floor building at 145 Broadway.
- The Government Services Administration selected MIT to redevelop 14 acres of land it controls adjacent to Kendall Square known as the Volpe site; the site is envisioned for nearly three million sf of development.
- Flagship Ventures moved into 21,000 sf at 55 Cambridge Parkway as Infinity Pharmaceuticals vacated 112,000 sf between two structures.
- Brickman Associates divested 19-23 Blackstone Square (\$56 million, 78,000 sf, \$718 per sf) as Putnam Circle sold 1050 Massachusetts Avenue (\$46 million, 62,000 sf, \$734 per sf).
- Streetcar Ring vacancy was a positive 361,000 sf as vacancy dropped to 8.7 percent from 9.6 percent.
- FBI took occupancy of its newly built, 250,000 sf facility in Chelsea in a move from Boston as Streetcar Ring enjoyed 1.1 million sf of positive absorption in the second half of 2016.

## Where Does "Orange" Come From?

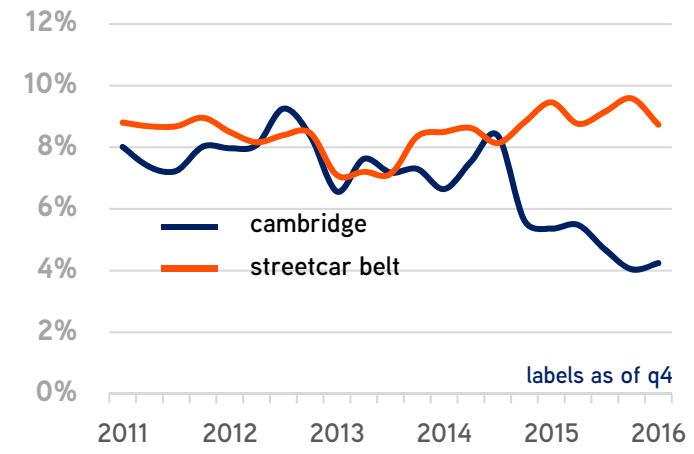
In 1965 the MBTA became the first transit system in the world to color-code its subway lines, opting for intuitive colors – Red for Harvard Crimson, Green for Olmstead's Emerald Necklace and Blue for the line that ran under Boston Harbor. But Orange? Well, prior to late 1700s establishment of Washington Street, the street was named Orange – for about a block.



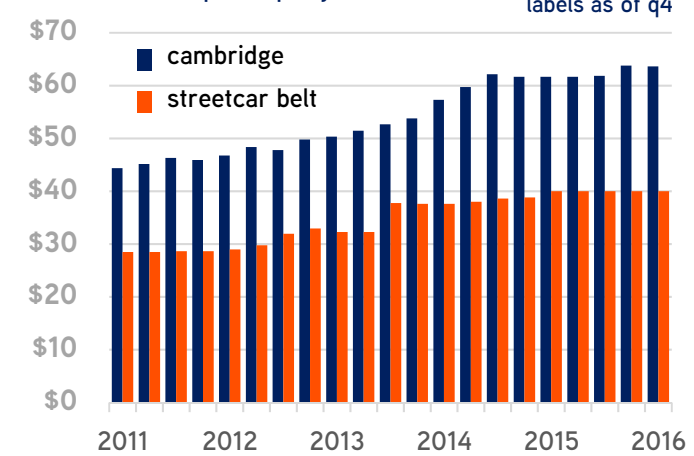
absorption (sf in thousands)



vacancy %



rents \$ class a per sf per year





# 128 & 495 belts

## this quarter ...

- Aggregate 128 ring demand was a flat 16,000 sf of positive absorption as new product deliveries lifted vacancy to 10.6 percent from 10.4 percent.
- Clarks took occupancy of its new, 125,000 sf regional headquarters facility at 50 Tower Road in Waltham; its long-held site in Newton at 156 Oak Street is expected to be incorporated into an extensive multi-use development including numerous adjacent sites.
- King Street Properties acquired the former Cubist Pharmaceuticals campus at 45-65 Hayden Avenue in Lexington (\$167 million, 388,000 sf, \$430 per sf); the 178,000 sf structure was fully lease by Shire last year.
- Persistent demand has lowered North Shore vacancy to 10.0 percent, its lowest level ever; vacancy has averaged 14.4 percent over the last ten years.
- 495 Ring vacancy remained stable at 16.7 percent on flat demand.
- Twenty-six of Greater Boston's availabilities larger than 100,000 sf are in the 495 Ring.
- Spear Street Capital divested 400 Minuteman Drive in Andover (\$37 million, 153,000 sf, \$242 per sf).

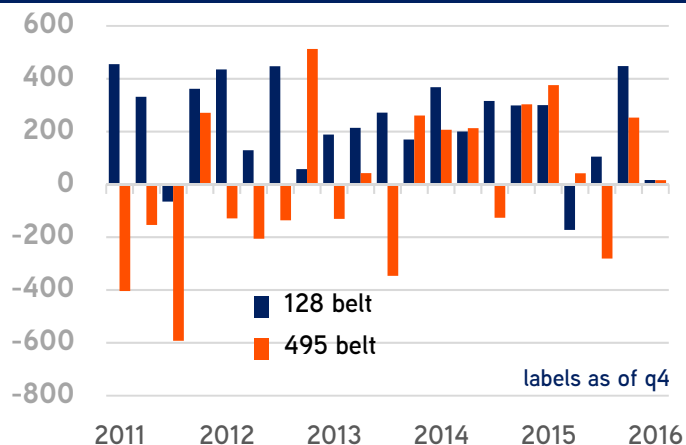


## construction update

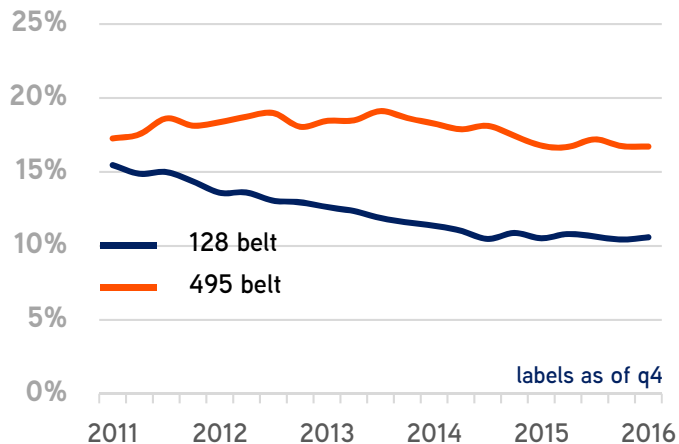
building	rba	lease%
50-60 Binney St, Cambridge lab	505,000	100%
100 Binney St, Cambridge lab	431,500	49%
200 Smith St, Waltham	425,000	0%
888 Boylston, Boston ✓	425,000	94%
121 Seaport Blvd, Boston	415,000	0%
140 Northern Ave, Boston	375,000	55%
400 Wheeler Rd, Burlington	280,000	100%
610 Main St, Cambridge lab ✓	272,801	100%
80 Guest St, Boston	270,000	15%
89 A St, Needham	255,000	74%
170 Everett Ave, Chelsea ✓	250,000	100%
500 Totten Pond Rd, Waltham ✓	245,000	92%
130 3rd Ave, Waltham ✓	230,000	100%
480 Arsenal St, Watertown	185,595	0%

✓ completed last two months

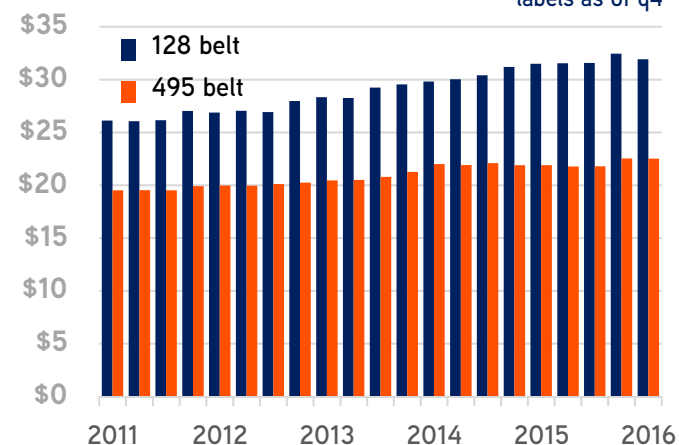
## absorption (sf in thousands)



## vacancy %



## rents \$ class a per sf per year





sf in thousands	rba	vac%	absorption		construction**			rent***
			q4'16	ltm	uc	lease%	ltm	\$cl a
<b>total market</b>	<b>209,275</b>	<b>11.1%</b>	<b>374</b>	<b>2,397</b>	<b>2,485</b>	<b>32%</b>	<b>2,652</b>	<b>\$38.02</b>
<b>urban boston</b>	<b>68,361</b>	<b>8.7%</b>	<b>3</b>	<b>671</b>	<b>790</b>	<b>26%</b>	<b>891</b>	<b>\$59.02</b>
<b>core</b>	<b>34,389</b>	<b>9.6%</b>	<b>24</b>	<b>(102)</b>	<b>0</b>		<b>0</b>	<b>\$57.73</b>
greenway	12,454	6.0%	167	337	0		0	\$62.84
shawmut	21,935	11.6%	(144)	(439)	0		0	\$54.60
<b>periphery</b>	<b>7,874</b>	<b>6.8%</b>	<b>(50)</b>	<b>83</b>	<b>0</b>		<b>0</b>	<b>\$46.50</b>
downtown crossing	3,139	9.0%	9	194	0		0	\$48.00
north station	3,208	5.8%	(23)	(89)	0		0	\$45.00
south station	1,527	4.5%	(36)	(21)	0		0	
<b>back bay</b>	<b>14,680</b>	<b>8.8%</b>	<b>26</b>	<b>244</b>	<b>0</b>		<b>425</b>	<b>\$64.09</b>
copley	10,699	8.4%	(199)	(27)	0		0	\$62.41
prudential	3,981	10.1%	225	271	0		425	\$67.45
<b>seaport</b>	<b>11,418</b>	<b>7.0%</b>	<b>4</b>	<b>446</b>	<b>790</b>	<b>26%</b>	<b>466</b>	<b>\$59.83</b>
fort point	3,985	6.6%	2	17	0		70	
marine	2,054	13.3%	1	100	0		0	
waterside	5,379	4.9%	1	329	790	26%	395	\$59.83
<b>cambridge</b>	<b>11,290</b>	<b>4.2%</b>	<b>(23)</b>	<b>189</b>	<b>44</b>	<b>41%</b>	<b>66</b>	<b>\$63.63</b>
kendall	5,467	2.0%	4	110	0		0	\$78.09
cambridgeport	970	10.0%	(61)	(36)	44	41%	0	
lechmere	1,698	3.5%	25	59	0		0	\$70.00
harvard	1,240	0.3%	0	63	0		66	
alewife	1,915	11.1%	9	(6)	0		0	\$46.00
<b>streetcar belt</b>	<b>15,815</b>	<b>8.7%</b>	<b>361</b>	<b>1,111</b>	<b>456</b>	<b>9%</b>	<b>1,100</b>	<b>\$40.00</b>
charlestown	2,352	17.9%	73	(159)	0		0	
somerville	5,331	8.7%	283	1,085	0		1,100	\$39.00
gateway	3,537	7.9%	6	100	456	9%	0	\$40.00
longwood	2,356	3.7%	0	147	0		0	\$42.00
crosstown	2,239	5.7%	(0)	(62)	0		0	
<b>128 belt</b>	<b>58,625</b>	<b>10.6%</b>	<b>16</b>	<b>397</b>	<b>1,196</b>	<b>44%</b>	<b>595</b>	<b>\$31.93</b>
north shore	13,161	10.0%	46	160	145	0%	0	\$25.96
128 prime	22,022	12.2%	(25)	21	796	42%	595	\$35.40
9 west	6,742	9.9%	(85)	(147)	255	74%	0	\$42.56
blue hills	6,520	11.2%	81	170	0		0	\$31.94
south shore	10,181	7.9%	(1)	193	0		0	\$22.37
<b>495 belt</b>	<b>55,184</b>	<b>16.7%</b>	<b>15</b>	<b>29</b>	<b>0</b>		<b>0</b>	<b>\$22.51</b>
merrimack valley	8,807	22.3%	44	(83)	0		0	\$22.08
3 north	15,029	16.4%	(24)	29	0		0	\$21.52
2 west	6,015	18.4%	28	(16)	0		0	
the boroughs	14,019	16.5%	(55)	110	0		0	\$19.52
framingham natick	6,328	8.3%	9	(133)	0		0	\$30.64
patriots	3,460	14.2%	16	114	0		0	\$21.42
24 corridor	1,527	23.0%	(1)	7	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

Encompass 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, Encompass Real Estate Strategy, Esri, Federal Reserve Bank, Google Analytics, Institute for Supply Management.



 **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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