

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

A SECOND consecutive quarter of slight positive absorption resulted in a slight vacancy increase of 0.1 percent to 11.1 percent.

NATIXIS moved into its new 152,000 sf HQ facility at 888 Boylston Street in the Back Bay.

WEWORK will open its fifth Boston-area location in a 40,000 sf space in North Station, this summer the group opened two other area locations.

AMAZON will establish a second headquarters that is expected to create nearly 50,000 jobs; Boston is widely considered a contender.

AMAZON'S 150,000 sf commitment in Boston's Fort Point will create a complement to its office in Kendall.

KRONOS moved into a new 472,000 sf HQ at Cross Point in Lowell; one of the complex's three sections has been rebranded as the "Kronos Tower."

121 SEAPORT is now fully leased after commitments for 222,000 sf from PTC of Needham, and 179,000 sf from Alexion Pharma of Connecticut.

MIXED-USE developers are rapidly acquiring low-density sites and lots throughout the Streetcar Ring.

FACEBOOK, founded in Cambridge in 2004, will open its first large office in the city – a 133,000 sf facility, in a lab-intended facility – in 2019.

QUICK



Absorption
+25,000 sf

Slight absorption extends a long positive streak



Vacancy

11.1% +0.1%

Vacancy rises slightly on new product completion



Rents (Class A)

\$38.60 =0.0%

Rent stabilized amid locally divergent dynamics



IS BOSTON PRIMED?

Boston may resoundingly meet all the criteria Amazon stated it seeks in a second headquarters location, but finding a plot here that can support up to ten million sf may be a challenge. Here are five of the more creative regional Amazon HQ site possibilities that aren't widely discussed ...

OTB, page 3



timeline

ALEXION PHARMACEUTICALS announces it will move into 179,000 sf at the under construction 121 Seaport Boulevard, the latest in a number of out-of-state relocations to be pursued by Connecticut-based firms.



KRONOS moves into its new 472,000 sf HQ at Cross Point in Lowell; the move from Chelmsford establishes "Cross Point 1" as the "Kronos Tower;" the group occupies additional space in the complex.



AMAZON announces it will seek a second North American HQ that will be a "full equivalent" to its current base in Seattle; Boston is among many cities mounting an effort to land what the e-tailer has referred to as "HQ2."



PTC says it will move its HQ from Needham into 222,000 at 121 Seaport Boulevard; the group becomes the first of two groups to fully lease the previously available facility, being built by Skanska and set for 2018 delivery.



NATIXIS moves into 152,000 sf at 888 Boylston Street, the building that its 2014 anchor lease "kicked off;" the move is a relocation from nearby 399 Boylston Street, which has served as the group's HQ since 2006.



FACEBOOK announces it has signed a lease to occupy 133,000 sf at 100 Binney Street, the operation's first large-scale Boston area office and the latest instance of a Cambridge biotech facility leased by a non-bio tenant.



WEWORK commits to opening a new 40,000 sf facility just one quarter after opening locations in the Back Bay and in Cambridge; the North Station submarket office will be the fifth location in Greater Boston.



NORDBLOM Company agrees to acquire the former Boston Globe facility at 135 William T Morrissey Boulevard in Dorchester; the 16-acre site is proximate to numerous other large-scale redevelopment sites.



GENERAL ELECTRIC announces it will not immediately proceed with the full development of its future 400,000 sf Fort Point HQ; the decision immediately follows a replacement of the conglomerate's CEO.



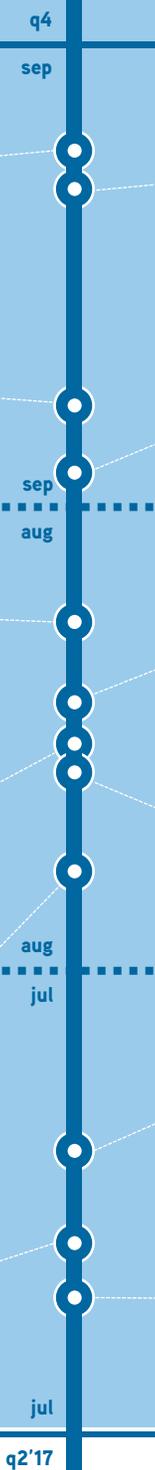
EDISON POWER PLANT development efforts receive opposition from groups that consider the plans too large for that section of South Boston and feel the project overwhelms already overcapacity transit infrastructure.



AMAZON leases 150,000 sf at 253 Summer Street in Fort Point, ending a well-known search that included many Urban Boston and Cambridge locations; the commitment predates the announcement of the "HQ2" search.



SHARKNINJA moves its HQ into 178,000 sf at the newly completed 247,000 sf 89 A Street in Needham; the group moves from nearby Newton and sites itself near the newly under construction NBC Universal facility.



Flashback to Q2'2017 ...

Absorption of 20,000 sf was the lowest quarterly figure seen since 2013; vacancy increased 0.1 percent to 10.9 percent. Boston Properties began construction on the 486,000 sf, 19-floor building that will serve as Akamai's Cambridge HQ. HYM Investment Group acquired and intends to redevelop the 161-acre Suffolk Downs racetrack. Charter schools were seen as increasingly buyers of functional but affordable Class B suburban office buildings. Boston Landing commuter rail station opened; its private funding may be a model for local transit-oriented developments.



A second consecutive flat quarter of slight positive absorption for the quarter ended September 30, 2017 was countered by accelerating positive optimism in the Greater Boston office market. Kronos, Natixis and SharkNinja all moved into new headquarters facilities as Alexion and PTC announced they will move into Boston's Seaport District from Connecticut and Needham, respectively, in 2018; and Amazon and Facebook each announced major new footprints in Boston and Cambridge. Amazon somewhat upstaged most other real estate and business events by announcing their intention to locate a second headquarters facility in North America which is expected to be on the scale of their existing base in Seattle. This intention, announced by press release on September 7, was accompanied, unusually, by a Request for Proposal to which governing bodies of metropolitan areas of North America must respond by October 19, 2017. This proposal is of particular interest to local businesses and political leaders, as many believe the Boston area is ideally suited to handle the second headquarters' 50,000 potential jobs and office footprint of up to ten million sf. However, as dynamics in the region remain robust, certain downscaling and lower sf per worker standards put downward pressure on aggregate market occupancy. Landlords in many areas are holding rents at previous quarter levels as owners place high value on existing occupancy over rent growth.

boston✓primed?

the best **HQ2** sites no one's discussing

This content is opinion of Perry Brokerage Associates. No implicated property owners have been consulted on this publication.

Recommended under Contiguous Sites

Recommended under Transit-Connected Campuses

Amazon at the Link

A one-block, eight million sf Amazon campus on a superbloc that includes South Station and the adjacent post office facility which is expected to be relocated



Pros

- ✓ A compact, one-block campus in the middle of the urban environment
- ✓ Direct connection the region's primary rail hub with direct connections to NYC, DC
- ✓ Potential first phase, one million sf tower soon to be under construction
- ✓ North/South rail link would connect campus to full north suburban rail ridership

Cons

- ✓ Postal office must be relocated to facility yet to be under construction

Amazon at the Link

★★★★★ 4.9

\$5 bln ✓prime

Add to Cart

In Stock

Order now to receive by 2019

Amazon(dot)Ave

A mostly linear campus located in close-in infill along Dorchester Avenue between the existing Broadway and Andrew Red Line MBTA subway stations



Pros

- ✓ Currently site is low-density uses with little business relocation necessary for assemblage
- ✓ Located in among the most compelling areas next to millennial-popular neighborhood
- ✓ Situated on subway line with direct connection to Harvard, MIT campuses

Cons

- ✓ Site consists of numerous individually-owned parcels

Amazon(dot)Ave

★★★★★ 4.8

\$5 bln ✓prime

Add to Cart

In Stock

Order now to receive by 2020

Prime Point

A set of walkable and rail transit-accessible sites centered around Cambridge's "North Point" and including Boston's "Hub on Causeway" and "Bulfinch Crossing" sites



Prime Point

★★★★★ 4.7

\$5 bln ✓prime

Add to Cart

Pros

- ✓ Five million sf of the total is fully approved
- ✓ Includes areas to be reached by new rail connection, under rapid development

Cons

- ✓ Requires multi-owner collaboration

In Stock

Order now to receive by 2019

Prime Pike

An urban/suburban collection of sites located along the Masspike and adjacent rail transit, including areas near South Station, Back Bay Station and in Waltham



Prime Pike

★★★★★ 4.6

\$5 bln ✓prime

Add to Cart

Pros

- ✓ Sites at South Station, Back Bay Station and Yawkey Station are in varying stages of approval
- ✓ Includes prime suburban format

Cons

- ✓ Requires some plan shifting of residential to office

In Stock

Order now to receive by 2019

Amazon on Acela

Successive sites with on-site Acela Express access including large sites at South Station, Back Bay Station, Route 128 Station and Providence Station



Amazon on Acela

★★★★★ 4.7

\$5 bln ✓prime

Add to Cart

Pros

- ✓ Coordinates two states in HQ2 win effort
- ✓ All offices offer direct transit to each other, all major northeast population centers
- ✓ More than five million sf already in planning

Cons

- ✓ Requires interstate coordination

In Stock

Order now to receive by 2019



Urban Boston

This Quarter ...

- ◇ Vacancy increased 0.3 percent to 8.9 percent on 176,000 sf of negative absorption as Class A asking lease rates dipped \$0.05 to \$59.12 per sf.
- ◇ Tenants showed a second straight quarter of negative absorption for the first time since 2011 as the Copley micromarket was affected by the shifting of Natixis into 152,000 sf at 888 Boylston Street in Prudential.
- ◇ The 415,000 sf building under construction at 121 Seaport Boulevard is fully committed following leases of 222,000 sf by PTC, which will relocate from Needham, and Alexion, which will move from Connecticut.
- ◇ Rubin and Rudman moved into 27,000 sf at 53 State Street as Altman Vilandrie took occupancy of 20,000 sf at 101 Federal Street.
- ◇ Amazon leased 150,000 sf at 253 Summer Street, adding to a local footprint that includes more than 200,000 sf at Kendall Center.
- ◇ Following the installment of a new CEO, General Electric to build its new Seaport District headquarters on a less expedited schedule, with the full 400,000 sf campus now set to fully open in 2021.
- ◇ Ashkenazy Acquisition Corporation acquired the headhouse of South Station (\$119 million, 210,000 sf, \$566 per sf) as Morgan Stanley bought 260 Summer Street (\$62 million, 105,000 sf, \$594 per sf).

71 Years of Transatlantic Flights

It is well-known the number of long-haul destinations from Logan International Airport have rapidly increased in recent years, though the airport's history of transatlantic service began with the below American Overseas Airlines timetable from 1946, showing weekly, direct air service from Logan to Shannon Airport in Ireland, with continuing service to London.

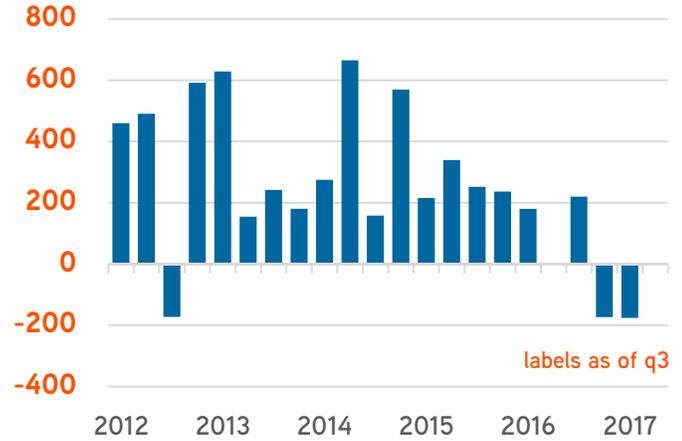
EVERY DAY IS DEPARTURE DAY TO EUROPE

Leaves	SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
CHICAGO		9:45am					
WASHINGTON				11:00am		11:00am	
PHILADELPHIA						12:30pm	
NEW YORK	1:00pm		10:00am	12:00pm	1:00pm	10:00am	1:00pm
BOSTON			2:00pm				

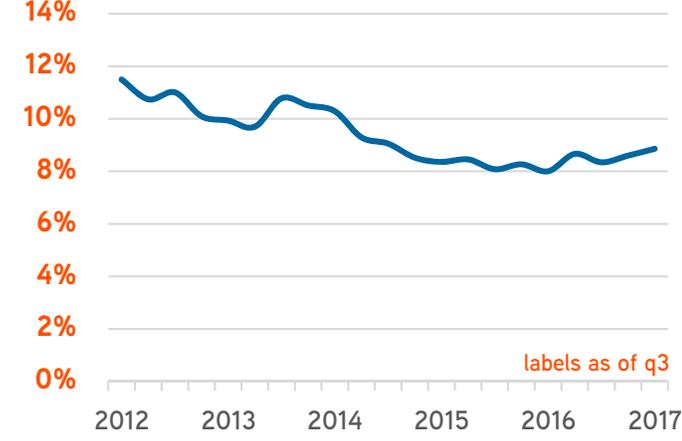
Arrive	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY	SUNDAY
SHANNON	10:10am	10:10am	7:10am	10:10am	10:10am	—	10:10am
LONDON	12:10pm	12:10pm	—	12:10pm	12:10pm	—	12:10pm
COPENHAGEN						12:25pm	
STOCKHOLM						2:40pm	
AMSTERDAM			11:05am				

For Connections to All Transatlantic Gateways From Any City in the United States, Canada and Mexico, Consult Your Travel Agent Or The Nearest American Airlines System Office.

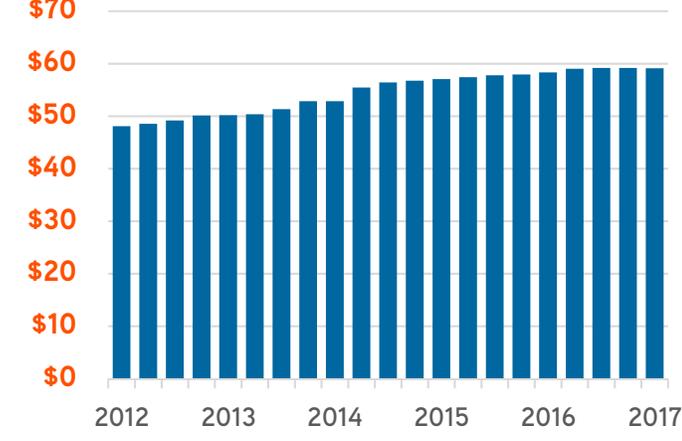
absorption (sf in thousands)



vacancy %



rents \$ class a per sf per year





Cambridge & Streetcar Belt

This Quarter ...

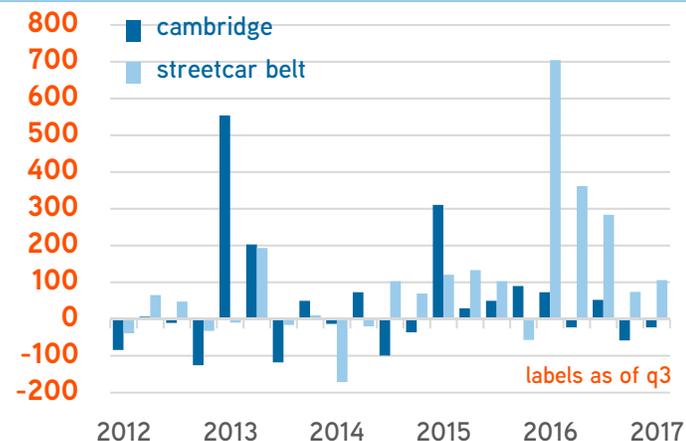
- Cambridge absorption was a slight negative 21,000 sf as vacancy bumped up 0.2 percent to 3.0 percent and Class A asking lease rates remained stable at \$63.63 per sf.
- Limited supply continues to constrain tenants as Cambridge Systematics vacated 32,000 sf in its namesake city in a relocation to Medford; MIT Sloan moved into 12,000 sf at 1 Rogers Street.
- Facebook announced it will lease 133,000 sf at 100 Binney Street, a biotech-intended asset set for near-term delivery; Global Atlantic Financial moved into 47,000 sf in Boston in a move from Southborough.
- Construction is underway on 450,000 sf at 250 North Street, the largest speculative office building ever to be constructed in Cambridge.
- Parteen acquired 515 Massachusetts Avenue in Cambridge (\$30 million, 47,000 sf, \$647 per sf).
- Streetcar Ring absorption was a positive 105,000 sf.
- Streetcar Ring low-density sites are being acquired by mixed-use redevelopers; National Development acquired 960 Massachusetts Avenue in Boston (\$12 million, 79,000 sf, \$148 per sf) and 130 Eastern Avenue in Chelsea (\$10 million, 37,000 sf, \$267 per sf).

Buying the Streetcar Dream ...

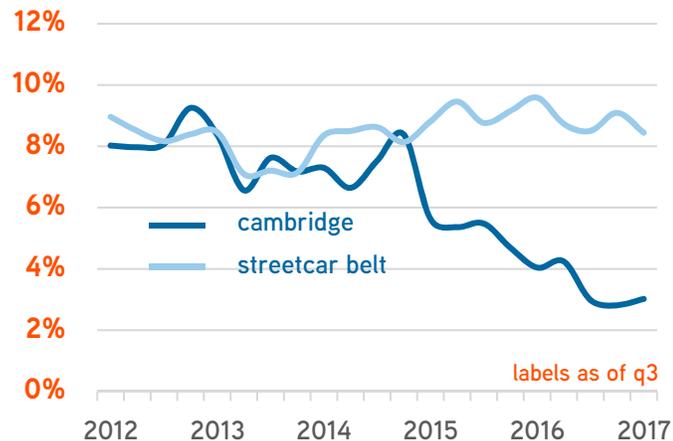
Potential redevelopment-intended Streetcar Ring acquisitions, 2016 & 2017

Property	Buyer	\$/acre
200 Exchange St, Malden	Berkeley Investments	\$9,073,640
2 WTMorrissey Blvd, Dorchester	Beacon Capital Partners	\$6,533,066
200 Innerbelt Rd, Somerville	North River II	\$6,193,205
Massachusetts Tpke, Allston	Harvard Real Estate	\$3,879,112
150 Arsenal St, Watertown	Greystar RE Partners	\$3,525,000
1399 N Shore Rd, Revere	Winstanley Enterprises	\$1,512,195
130 Eastern Ave, Chelsea	National Development	\$1,428,571
245-257 Marginal St, Chelsea	RCG-LLC	\$1,098,902
135 Am Legion Hwy, Revere	Atlantic Management	\$1,065,898
6-18 Ericsson St, Boston	City Point Capital	\$918,590
209 Revere Beach Pky, Revere	Redgate RE Advisors	\$809,061
135 WTMorrissey Blvd, Dorchester	Nordblom Company	TBD

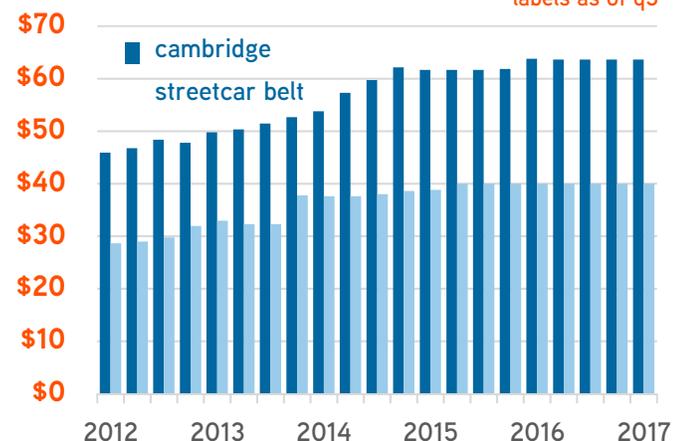
absorption (sf in thousands)



vacancy %



rents \$ class a per sf per year





128 & 495 Belts

This Quarter ...

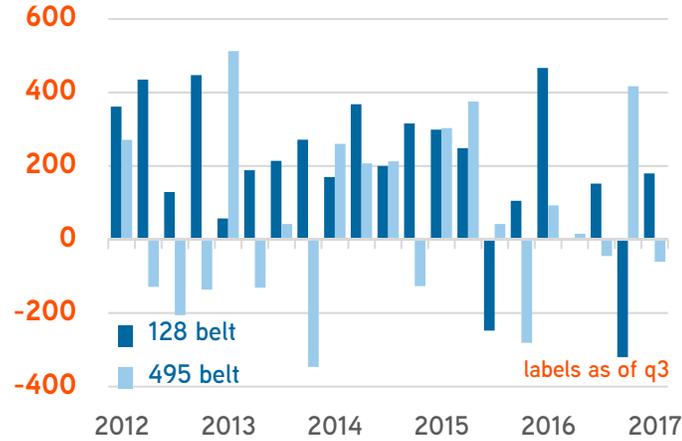
- ◇ 128 Ring absorption was a positive 180,000 sf, though vacancy increased 0.1 percent to 11.0 percent.
- ◇ SharkNinja took occupancy of 178,000 sf at the newly-built 247,000 sf 89 A Street in Needham; North American Self Storage moved into 56,000 sf in Peabody as the Boston Ballet moved into 27,000 sf in Newton; Oracle consolidated out of 73,000 sf in Burlington.
- ◇ A negative 74,000 sf 128 Core absorption trend reflects 'right-sized' relocations where groups adopt smaller per-worker footprints.
- ◇ NBC Universal acquired its under construction facility at 189 B Street in Needham (\$42 million, 165,000 sf, \$253 per sf) as IRA Capital acquired 2 Edgewater Drive in Norwood (\$21 million, 98,000 sf, 209 per sf).
- ◇ Negative 61,000 sf of 495 Ring absorption increased vacancy 0.1 percent to 16.4 percent.
- ◇ Kronos moved into 472,000 sf at Cross Point in Lowell, in a relocation from Chelmsford as Cytonome moved into 53,000 sf in Bedford.
- ◇ Direct Invest divested 60 Frontage Road in Andover (\$8.2 million, 150,000 sf, \$55 per sf) as Sovereign Bank sold 165 Forest Street in Marlborough (\$2.7 million, 49,000 sf, \$56 per sf).

Urban Influx Illustrated

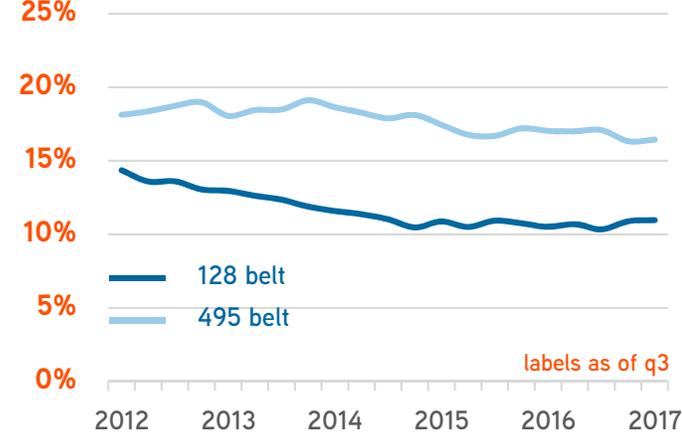
Select occupants moving into Boston, Cambridge from Suburbs, last three years



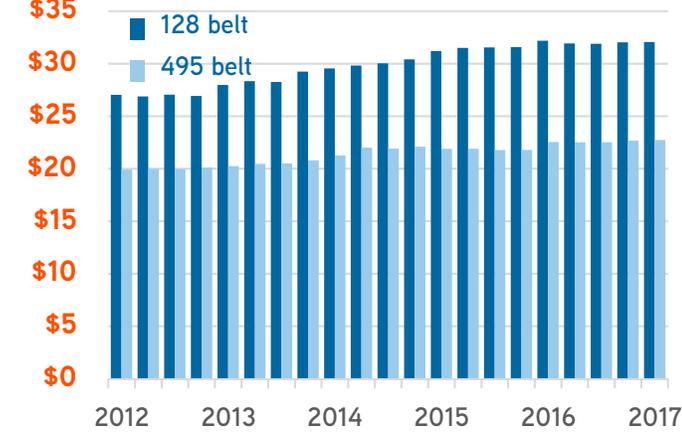
absorption (sf in thousands)



vacancy %



rents \$ class a per sf per year





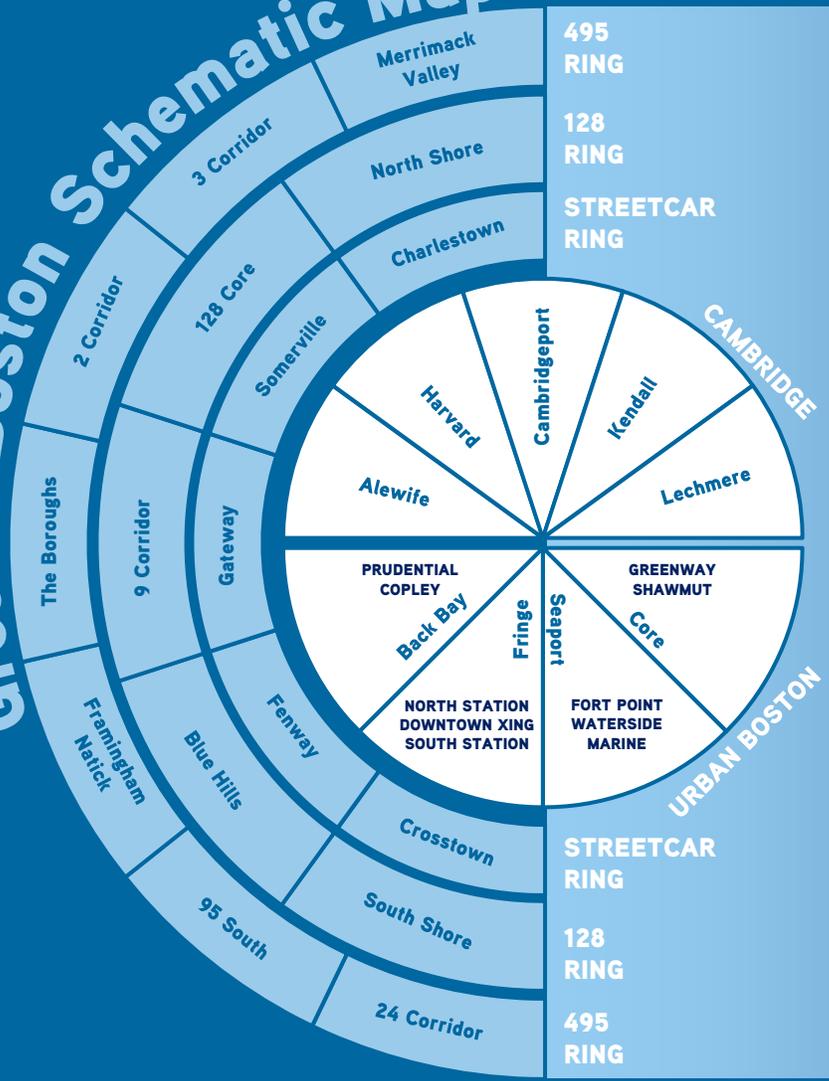
sf in thousands	rba	vac%	Absorption		construction**			rent***
			q3'17	ltm	uc	lease%	ltm	\$cl a
total market	209,687	11.1%	25	986	3,657	56%	1,619	\$38.60
urban boston	68,361	8.9%	(176)	(127)	1,390	64%	495	\$59.12
core	34,389	8.7%	17	331	365	69%	0	\$57.46
greenway	12,454	5.6%	(149)	217	0		0	\$62.09
shawmut	21,935	10.4%	166	114	365	69%	0	\$54.38
fringe	7,874	6.2%	23	0	175	0%	0	\$46.50
downtown crossing	3,139	8.9%	(13)	15	0		0	\$48.00
north station	3,208	4.7%	22	12	175	0%	0	\$45.00
south station	1,527	3.8%	14	(26)	0		0	
back bay	14,680	10.5%	(128)	(217)	0		425	\$65.73
copley	10,699	11.5%	(261)	(533)	0		0	\$64.75
prudential	3,981	7.8%	133	316	0		425	\$67.45
seaport	11,418	9.2%	(88)	(241)	850	75%	70	\$59.71
fort point	3,985	13.0%	(82)	(255)	0		70	
marine	2,054	13.2%	(5)	3	0		0	
waterside	5,379	4.8%	(1)	11	850	75%	0	\$59.71
cambridge	11,118	3.0%	(23)	(52)	936	52%	44	\$63.63
kendall	5,387	1.3%	(10)	(36)	486	100%	0	\$78.09
central	1,014	8.2%	0	(3)	0		44	
lechmere	1,698	2.9%	23	35	450	0%	0	\$70.00
harvard	1,240	1.9%	(2)	(19)	0		0	
alewife	1,779	6.4%	(34)	(29)	0		0	\$46.00
streetcar belt	16,270	8.4%	105	824	160	44%	706	\$40.00
charlestown	2,352	2.8%	12	430	0		0	
somerville	5,331	8.8%	92	278	0		250	\$39.00
gateway	3,993	16.1%	16	97	160	44%	456	\$40.00
longwood	2,356	2.6%	(4)	26	0		0	\$42.00
crosstown	2,239	6.0%	(9)	(7)	0		0	
128 belt	58,754	11.0%	180	14	1,106	48%	375	\$32.05
north shore	13,161	10.1%	(24)	32	145	0%	0	\$25.99
128 core	22,022	12.7%	(78)	(74)	796	47%	120	\$35.28
9 west	6,997	11.2%	169	53	165	100%	255	\$42.56
blue hills	6,520	11.7%	36	50	0		0	\$31.94
south shore	10,054	7.7%	76	(48)	0		0	\$22.44
495 belt	55,184	16.4%	(61)	327	65	100%	0	\$22.73
merrimack valley	8,807	19.6%	6	285	0		0	\$22.08
3 north	15,029	17.5%	(157)	(196)	0		0	\$22.09
2 west	6,015	18.4%	(44)	31	0		0	
the boroughs	14,019	15.2%	142	135	65	100%	0	\$19.59
framingham natick	6,328	9.3%	(0)	(56)	0		0	\$31.21
95 south	3,460	15.7%	2	122	0		0	\$21.42
24 corridor	1,527	22.6%	(9)	6	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.



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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