

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



POSITIVE ABSORPTION of 44,000 sf stretched a positive absorption streak to five quarters while vacancy rose on new inventory expansion.

FOUNDATION MEDICINE agreed to lease 580,000 sf in a build-to-suit facility to be developed by WS Development at Seaport Square.

GOOGLE will to move into 177,000 sf at 150 Broadway when Akamai vacates to occupy its new HQ facility across the street at 145 Broadway.

HARVARD has begun the process of marketing commercial development portions of its future Allston campus.

ENCORE BOSTON HARBOR, now open, is increasing development awareness of the city of Everett.

DIVCOWEST and Rockpoint Group agreed to acquire the 841,000 sf 75 State Street, for \$767 per sf.

TWITTER joined Grubhub, Ironwood, Spotify and others in committing to growth in Boston's increasingly tech-relevant Core submarket.

SGH moved into its 105,000 sf office at the newly Boston Properties-developed, 211,000 sf 480 Totten Pond Road facility in Waltham.

BOSTON PROPERTIES acquired the 393,000 sf Waltham Woods for \$270 per sf, increasing the Waltham portfolio of the place-making REIT.

QUICK



Absorption
+44,000 sf
Absorption remained positive for the fifth straight quarter



Vacancy
10.4% +0.2%
Vacancy rose on new completions



Rents (Class A)
\$41.65 +\$0.81
Class A rents rose as tenants remained selective



SIGNATURE ON THE SKYLINE

For 48 years, Boston has had the same tallest building, tied for the longest such reign among the country's 40 largest metro areas; here we analyze the current building boom which has changed the commercial icons of many US cities ...

OTB, page 3



timeline

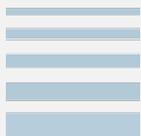
UMASS completes a 99-year ground lease of the site of the Bayside Expo Center to a joint venture of Accordia Partners and Ares Management; the JV has assembled more than four million sf of contiguous opportunity.



MILLENNIUM PARTNERS announces a plan to develop a 900,000 sf "Innovation Campus" on a Seaport site it controls; the site has spurred efforts by the developer to improve accessibility to the far Seaport.



DIVCOWEST and Rockport Group acquire the 841,000 sf 75 State Street for \$767 per sf; the sale of the 1987-built facility concludes a long-time presence in Boston Class A Core assets by Toronto-based Brookfield.



FOUNDATION Medicine agrees to lease 580,000 sf at a building to be developed at 400 Summer Street in the Seaport; the site is adjacent to the 511,000 sf site presently under construction for Amazon.



HARVARD UNIVERSITY begins a process to select the developer for 14 acres of land it controls in Allston; more than 100 acres of development potential will be awarded by Harvard in Allston over the coming years.



WALTHAM prepares for active construction at 225 Wyman Street; the former facility is being demolished as Hobbs Brook prepares to build a 500,000 sf speculative Class A office building, the suburbs' largest ever.



ENCORE Boston Harbor's initial popularity already increased discussion of significantly more entertainment function in that area of Everett; the casino is predominantly ringed by low density industrial use.



RAPID7 becomes the first commercial tenant to move into Boston Properties' Hub on Causeway development; its initial 147,000 sf footprint will be increased by 67,000 sf when the second phase of it opens in 2021.



GOOGLE announces it will expand into 177,000 sf at 150 Broadway in Cambridge after Akamai moves into its nearby build-to-suit tower in 2020; Google's footprint in Cambridge will have exceeded 800,000 sf by 2022.



TWITTER leases 44,000 sf at Center Plaza; having entered the market in 2014 with a location in Cambridge, the social media giant joins Grubhub and Spotify, having both committed to Center Plaza over the last two years.



SIMPSON Gumpertz & Heger moved into its 105,000 sf office at the newly-opened 211,000 sf facility developed by Boston Properties at 480 Totten Pond Road in Waltham; the group also maintains a Prudential Center office.



WEWORK, despite mixed dialogue following its much-anticipated initial public offering filing, announces more than 200,000 sf of urban leases at 75 Arlington Street, 200 Berkeley Street and 99 High Street.



q4

sep

sep

aug

aug

jul

jul

q2

Flashback to Q2 ...

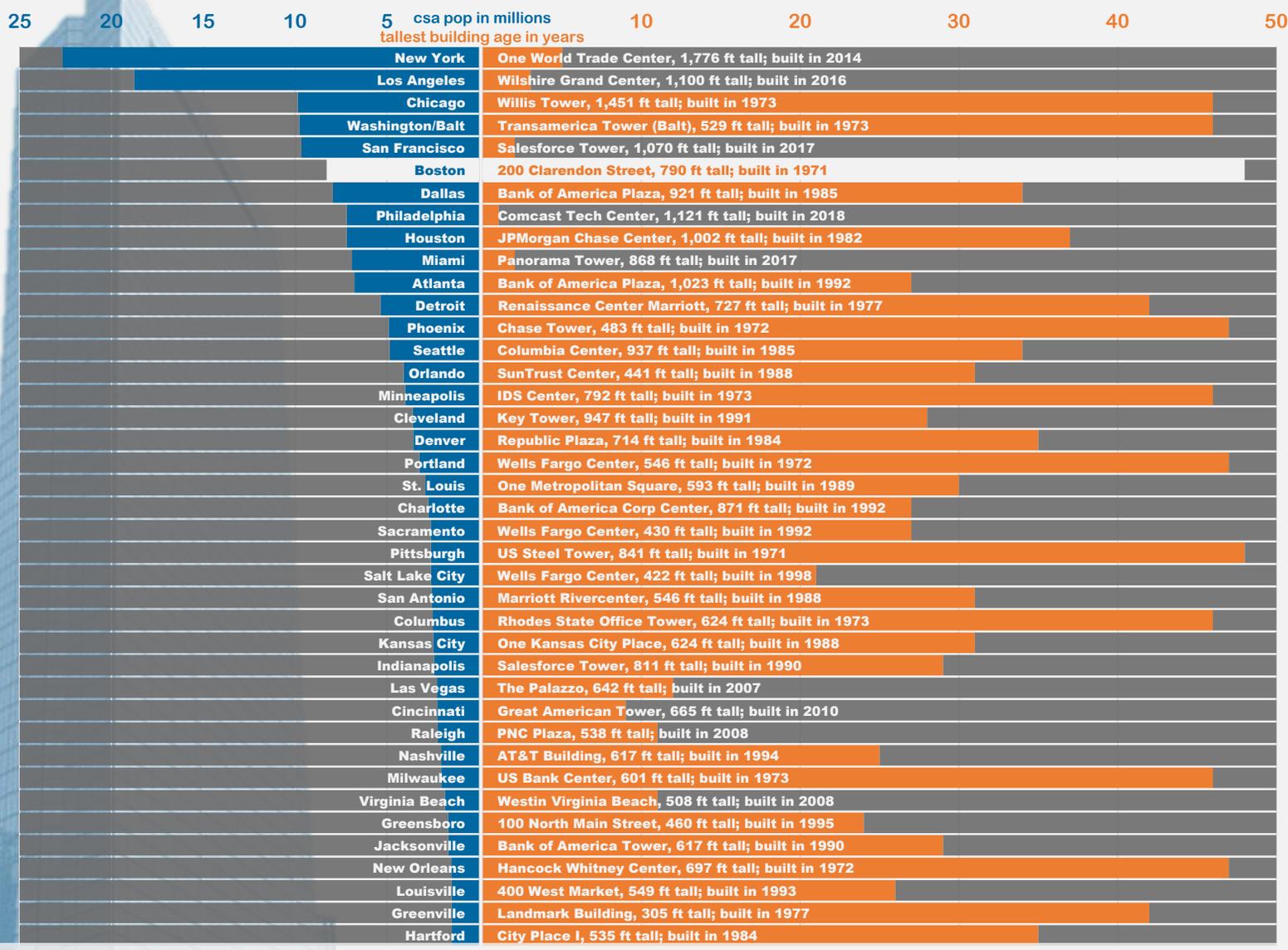
Demand of 407,000 sf lowered vacancy 0.3 percent to 10.3 percent as large deals suggest significant future absorption. Nine commercial groundbreakings occurred marketwide, increasing the current construction pipeline to 8.8 million sf. Bank of America agreed to renew its lease at 100 Federal Street, slightly reducing its footprint there to 500,000 sf. Raytheon agreed to a merger with United Technologies, a move with significant area occupancy implications. Developers acquired several adjacent Fort Point parcels within a one-week span for \$470 million.



Greater Boston continued a historical ascendancy as one of the world's primary centers of the current era of applied commercial technology as of the third quarter ended September 30, 2019. With nearly all of the world's largest technology companies present, Akamai, Amazon, Google and Twitter led a large number of prominent tech groups currently undergoing notable area expansions. The intense focus on a scarce supply of central locations from some of the world's best capitalized tech groups has caused sharp spikes in lease rates, particularly in East Cambridge, where developers are rushing to identify additional sites suitable for commercial development. Developers are also pursuing tactical development in areas where amenities and transit are believed sufficient to support a mix of uses. Rising rents, along with a shortage of prime availability for certain, mostly mid-sized tenants, is spurring some out-migration, mostly from East Cambridge, where space shortage has become critical. The Financial District's formerly defining groups, such as Back of America, Fidelity, John Hancock and State Street, while affirming their commitment to the region, continue to shed a historically vast combined footprint as modern occupancy trends suggest smaller space per worker standards. The region's rising rents and availability constraints continue to give Greater Boston some of the country's most enviable business and real estate challenges.

SIGNATURE *on the skyline*

200 Clarendon –formerly the John Hancock Tower– has been Greater Boston's tallest building for 48 years – the longest such run in any of the country's 40 largest cities; here are the nation's largest metros and the current reign of their tallest occupiable structures.



In the nation's 40 largest metro areas ... only Pittsburgh's US Steel Tower has been tallest for as long as our 200 Clarendon Street 4 are named for Bank of America, 3 are named for Wells Fargo, 2 are named for Salesforce 35% are named for banks One is a government building 5 are hotels, 35 are office buildings.



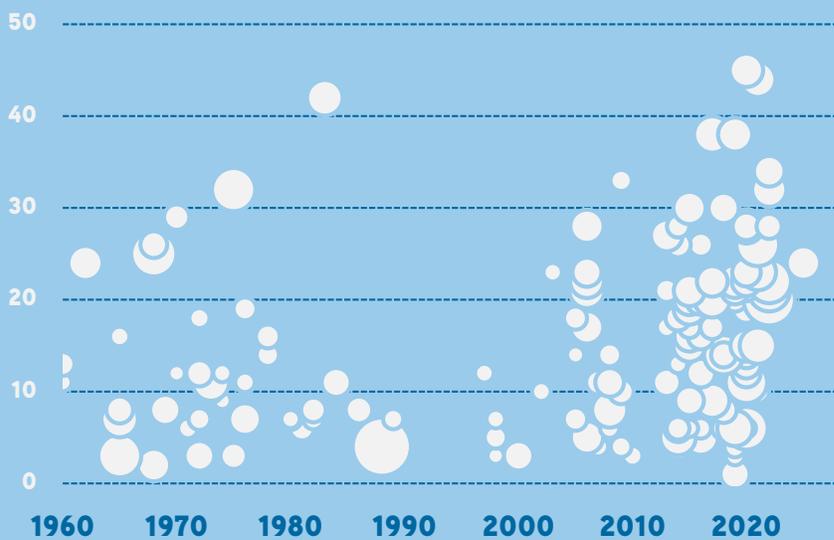
Urban Boston

This Quarter ...

- ◇ Vacancy rose 0.6 percent to 7.4 percent on 231,000 sf of negative absorption as average Class A asking rents rose \$0.62 to \$66.97 per sf.
- ◇ Substantial positive demand was offset by John Hancock's vacating of its 520,000 sf Seaport office in a consolidation in the Back Bay.
- ◇ Rapid7 moved into its 147,000 sf office at 120 Causeway Street, becoming the first commercial occupant at Boston Properties' redevelopment of the site of the former Boston Garden.
- ◇ Medidata moved into its 117,000 sf office in a relocation from Waltham as Burns & Levinson relocated into 103,000 sf at 125 High Street and DataRobot moved into 56,000 sf at 225 Franklin Street.
- ◇ WeWork agreed to lease 116,000 sf, 68,000 sf and 24,000 sf at 200 Berkeley Street, 75 Arlington Street and 99 High Street, respectively, as the coworking giant attempts to complete an initial public offering.
- ◇ Foundation Medicine agreed to lease a 580,000 sf build-to-suit facility commenced by WS Development at its Seaport Square campus.
- ◇ DivcoWest and Rockpoint Group combined to acquire 75 State Street (\$645 million, 841,000 sf, \$767 per sf) as EverWest bought 1 Bulfinch Place (\$39 million, 89,000 sf, \$437 per sf).

2000s Makes Boston a Hi-Rise Resi City

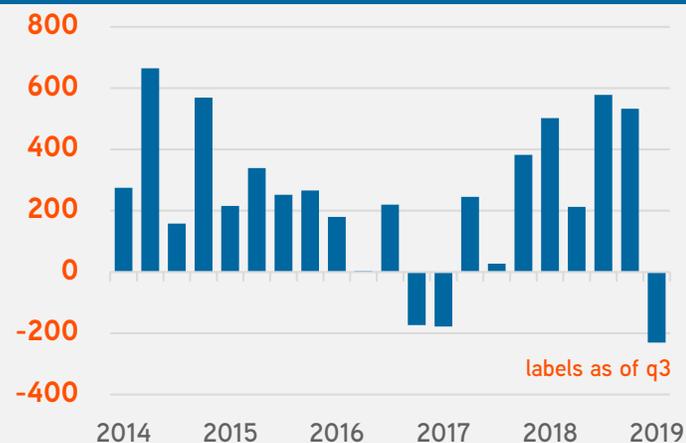
Boston mf bldgs by # of floors and year built within three miles of Boston City Hall, 100+ units



of the region's **47** apartment buildings at least 20 floors tall with at least 100 units within 3 miles of Boston City Hall, **87%** have been built since 2000

Bubble size denotes relative # of units

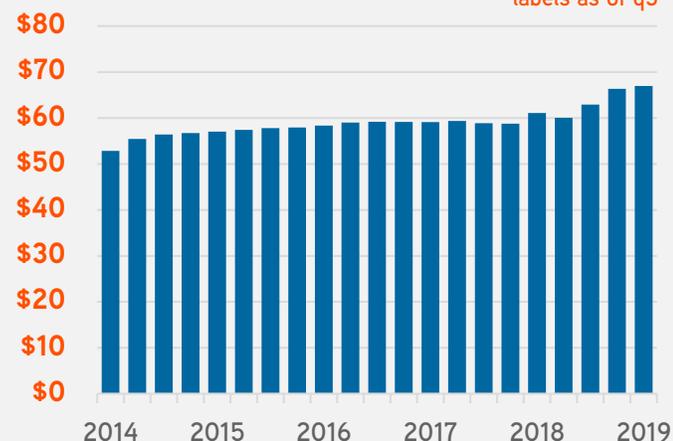
absorption (sf in thousands)



vacancy %



rents \$ class a per sf per year



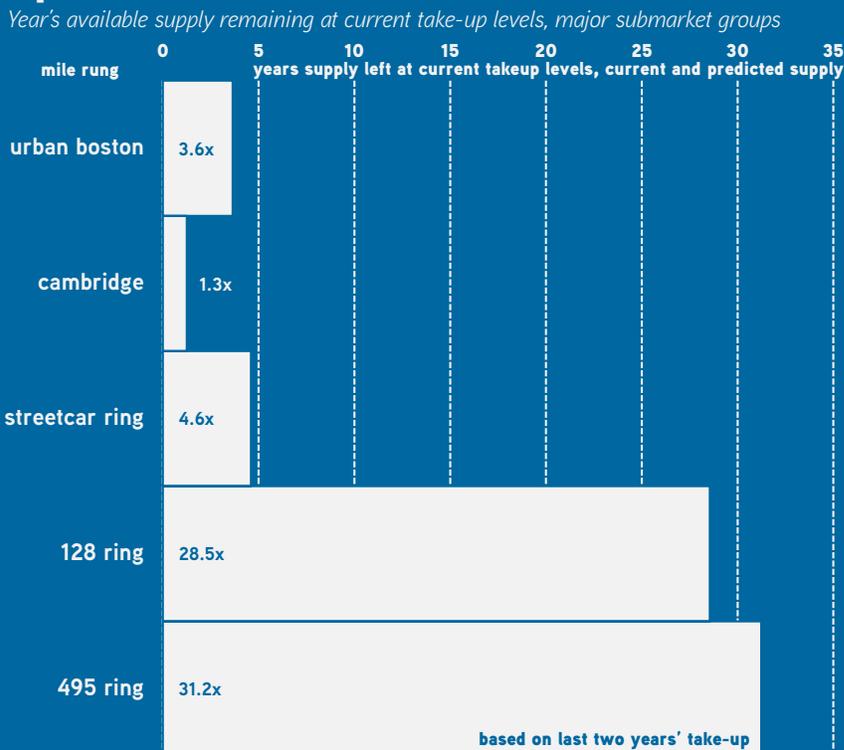


Cambridge & Streetcar Ring

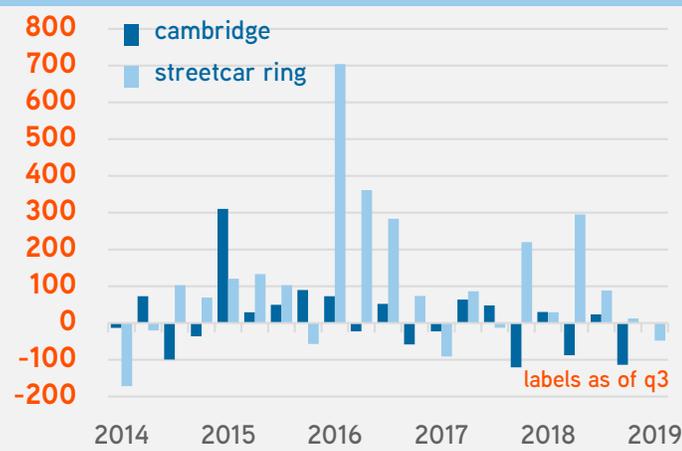
This Quarter ...

- Cambridge vacancy remained stable at 3.0 percent as Class A rents of \$77.17 represented an 18 percent premium to year-ago levels.
- Kendall became the region's first submarket to ever eclipse \$100 per sf for existing and available Class A space; \$102.22 per sf reflects a 21 percent increase over levels observed a year ago.
- Ironwood Pharmaceuticals and Syros Pharmaceuticals both announced plans to move substantial shares of their operations out of the Kendall submarket as parts of efforts to reduce costs.
- The Carlyle Group acquired 19 Blackstone Street from Investcorp (\$80 million, 76,000 sf, \$1,053 per sf).
- Streetcar Ring vacancy rose 0.3 percent to 5.4 percent on 48,000 sf of negative absorption as Class A rents rose \$0.70 to \$46.63 per sf.
- Boynton Yards' 306,000 sf office and lab building is under construction; the facility is the first of a wave of new developments expected to be spurred by the Green Line Extension to Somerville's Union Square.
- Accordia Partners and Ares Management acquired the 22-acre site of the former Bayside Expo Center by a ground lease for \$235 million; the site is envisioned for more than three million sf of development.

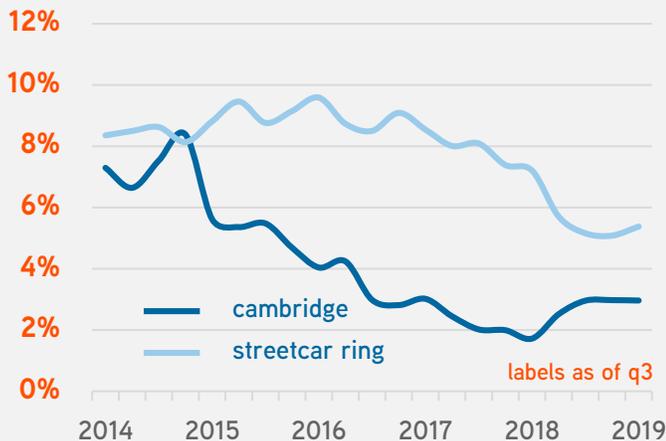
Space Limited Given Demand Rates



absorption (sf in thousands)



vacancy %



rents \$ class a per sf per year





128 & 495 Rings

This Quarter ...

- ◇ 128 Ring experienced 270,000 sf of positive absorption, lowering vacancy 0.2 percent to 11.5 percent as average Class A asking rents increased \$0.15 to \$34.95 per sf.
- ◇ Simpson Gumpertz & Heger moved into 105,000 sf at the newly-opened 211,000 sf facility at 480 Totten Pond Road.
- ◇ Bright Horizons agreed to move into an expanded 113,000 sf Newton facility developed in 2017; Oasis Systems moved into 30,000 sf in Burlington as Corbus expanded by 30,000 sf in Norwood, to 63,000 sf.
- ◇ Boston Properties acquired the two-building Waltham Woods campus in Waltham (\$106 million, 393,000 sf, \$270 per sf).
- ◇ 495 Ring vacancy stabilized at 15.9 percent on absorption of 51,000 sf; average Class A asking rents increased \$0.29 to \$23.76 per sf.
- ◇ L3 took occupancy of 140,000 sf in Tewksbury as Logix Health moved into a 53,000 sf facility it had acquired in Bedford and Crown Castle completed a relocation to 30,000 sf in Westborough.
- ◇ Stahl Real Estate acquired 1 Ocean Spray Drive in Lakeville (\$58 million, 162,000 sf, \$358 per sf) as Chestnut Realty bought 19 and 21 Alpha Road in Chelmsford (\$15.8 million, 128,000 sf, \$123 per sf).

Boston Sunrise?

Australian airline Qantas is expected to announce nonstop commercial service from Sydney to London Heathrow by the end of the year as part of its "Operation Sunrise." This 10,553 mile flight would eclipse the world's current longest regularly scheduled flight by more than 1,000 miles and leave Perth, Australia among the world's only places that would be out of reach from Boston given this newly increased distance limitation.

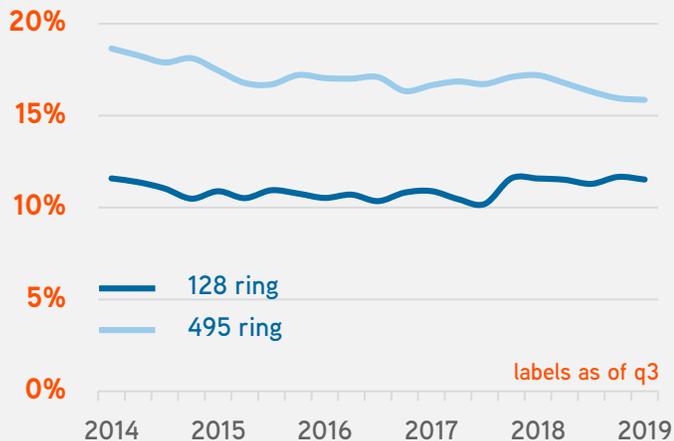


Remaining area of Earth outside a 10,573 mile distance from Boston (distance LHR-SYD)

absorption (sf in thousands)



vacancy %



rents \$ class a per sf per year





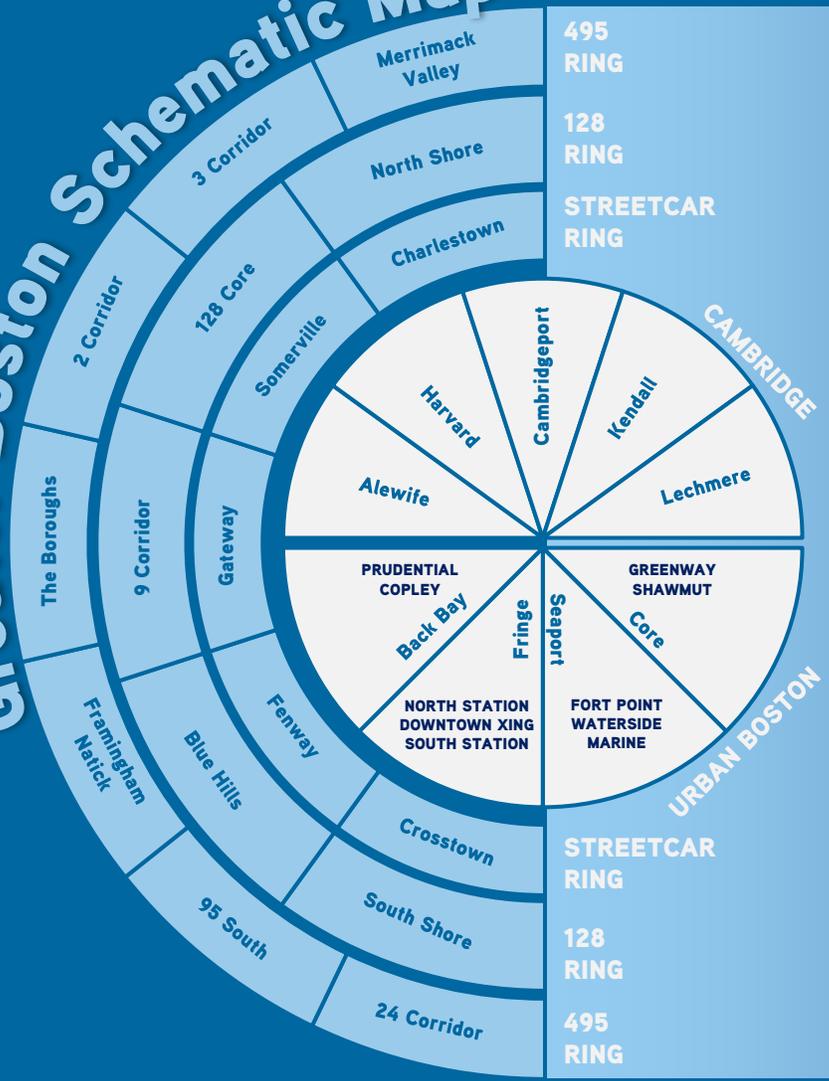
sf in thousands			absorption		construction**			rent***
	rba	vac%	q3'19	ltm	uc	lease%	ltm	\$cl a
total market	211,655	10.4%	44	2,182	6,494	70%	1,155	\$41.65
urban boston	69,751	7.4%	(231)	1,093	3,985	65%	540	\$66.97
core	34,754	8.3%	221	550	1,944	31%	365	\$65.82
greenway	12,454	5.6%	70	118	0		0	\$71.63
shawmut	22,300	9.8%	151	431	1,944	31%	365	\$63.24
fringe	8,049	6.0%	183	182	627	94%	175	\$48.87
downtown crossing	3,139	7.7%	19	8	0		0	\$51.59
north station	3,383	5.7%	130	91	627	94%	175	\$46.14
south station	1,527	3.2%	35	84	0		0	
back bay	14,680	4.1%	(57)	513	0		0	\$87.47
copley	10,699	5.0%	(51)	439	0		0	\$92.05
prudential	3,981	1.7%	(6)	74	0		0	\$78.32
seaport	12,268	9.9%	(578)	(151)	1,414	100%	0	\$71.46
fort point	3,985	10.1%	(2)	(43)	97	100%	0	
marine	2,054	5.2%	(4)	4	0		0	
waterside	6,230	11.2%	(573)	(112)	1,317	100%	0	\$71.46
cambridge	10,950	3.0%	1	(177)	1,321	93%	74	\$77.17
kendall	5,272	0.5%	(5)	(123)	871	100%	0	\$102.22
central	1,014	3.8%	3	(24)	0		0	
lechmere	1,772	1.7%	(9)	81	450	78%	74	\$89.76
harvard	1,240	4.4%	(6)	(24)	0		0	
alewife	1,653	10.4%	19	(87)	0		0	\$58.34
streetcar ring	16,243	5.4%	(48)	348	1,022	56%	55	\$46.63
charlestown	2,352	2.7%	(8)	(10)	50	0%	0	
somerville	5,189	7.4%	47	41	461	73%	55	\$43.30
gateway	4,107	4.1%	(1)	384	109	100%	0	\$44.66
longwood	2,356	3.9%	(9)	(27)	0		0	\$51.94
crosstown	2,239	7.3%	(77)	(39)	403	33%	0	
128 ring	59,441	11.5%	270	304	165	100%	486	\$34.95
north shore	12,992	9.2%	77	70	0		145	\$28.50
128 core	22,879	11.7%	78	566	0		341	\$39.20
9 west	6,997	13.1%	72	(71)	165	100%	0	\$48.02
blue hills	6,520	16.5%	72	(87)	0		0	\$32.93
south shore	10,054	9.6%	(28)	(173)	0		0	\$25.87
495 ring	55,270	15.9%	51	613	0		0	\$23.76
merrimack valley	8,807	15.7%	64	196	0		0	\$23.05
3 north	15,027	17.7%	87	243	0		0	\$23.84
2 west	6,015	17.1%	14	135	0		0	
the boroughs	14,019	16.1%	(54)	40	0		0	\$19.95
framingham natick	6,415	11.3%	(10)	(90)	0		0	\$34.12
95 south	3,460	13.4%	(58)	30	0		0	\$22.28
24 corridor	1,527	16.3%	8	60	0		0	\$22.46

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

Perry 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.



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 | occasional

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