



nererj

A game of musical chairs playing out along Route 128/Mass Pike market

February 09, 2010 - Spotlights

There is a game of musical chairs playing out in the Rte. 128/Mass Pike market, as landlords compete to attract tenants in a difficult leasing environment.

In the fourth quarter of 2009, the submarket recorded 321,625 s/f of negative net absorption, while both the availability and vacancy rates increased noticeably. The availability rate increased 1.6 percentage points to 21.6%. Vacancy increased 1.4 percentage points to 12.1%.

The largest blocks of space added to the market this quarter included 64,000 s/f occupied by Coldwell Banker at 1601 Trapelo Rd. in Waltham, and 30,000 s/f occupied by Silicon Valley Bank at 1 Newton Executive Park. Additionally, Starbucks put 18,300 s/f of sublease space back on the market at 75-95 Wells Ave. in Newton, which was the largest sublease of the quarter.

Sublease supply has stabilized over the past year and represented 20.8% of available space, significantly below the 48.3% reached when the tech bubble burst in 2001. In 2009, 63 leases were signed, down slightly from 68 in 2008 and 90 in 2007. Of these, only six transactions were over 50,000 s/f.

Tenants touring the market increased significantly in the fourth quarter compared to earlier in the year. At the close of 2009, there were eight available blocks of space over 100,000 s/f and 20 larger than 50,000 s/f. Several large requirements in the market are reportedly close to executing lease transactions. If completed, this would significantly reduce the available options for other tenants.

Jones Lang LaSalle is currently tracking 1.8 million s/f of office requirements in the 128/Mass Pike submarket. During the first half of 2010, tenant demand in the core 8,000 to 18,000 s/f range will remain subdued.

A majority of activity will be lateral moves driven by lease expirations. Of the 48 tenants in the market, one third are seeking additional space.

Landlords will have significant competition to draw tenants, and will continue to entice prospective tenants with free rent and generous tenant improvement allowances. Those landlords that did not seize the opportunity to undertake significant capital improvements in their properties will suffer in the pursuit of mid-sized tenants.

On an annual basis, the average asking rent was down 11.1%. Rents for premier Class A properties are expected to stabilize in 2010, while sluggish demand and an excess inventory of space in the 8,000 to 18,000 s/f range will cause rents to decline for lower quality Class A and Class B offices.

175 & 185 Wyman St. is scheduled to be delivered in the first quarter of 2010, and will be the final delivery of the recent boom in speculative construction in Waltham. To date, the building has not recorded any preleasing activity.

Keith Gurtler is senior vice president at Jones Lang LaSalle, Boston, Mass.