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Jones Lang LaSalle's 128/Mass Pike and 495/Mass Pike Market Highlights

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The suburban - Rte. 128/Mass Pike area contains 10 towns including Allston, Brighton, Brookline, Needham, Newton, Waltham, Watertown, Wayland, Wellesley and Weston.

Overview - Net absorption in the Rte. 128/Mass Pike submarket totaled 308,131 s/f in 2007. The vacancy rate declined to 8.6% and is more than eleven percentage points below the 20% peak registered four years ago. Absorption in the Class A sector of Waltham reached nearly 376,000 s/f, well above recent annual averages. Competition for office space has intensified due to strong demand and limited leasing opportunities. Availability was further reduced in the fourth quarter as a result of Altus Pharmaceutical's 168,736 s/f lease at Hobbs Brook Park, Phase Forward's 165,129 s/f lease at 77 CityPoint, and Virgin Money's 30,000 s/f lease at 60 Hickory Dr., all in Waltham. Currently 49 tenants are seeking a total of 997,000 s/f of space, but with an availability rate of only 12.5% options are dwindling.

The 128/Mass Pike average Class A and B asking rent grew by \$3.11 or 10% to \$32.19 per s/f gross in the last 12 months. In the Class A sector, the average escalated 14% to \$37.21 per s/f gross, but Class A average rents in Waltham increased even more and now average \$38.42 per s/f gross. At the beginning of the year, landlords with top-notch space in premier Waltham Class A properties such as Waltham Woods, Bay Colony Corporate Center and Reservoir Woods were seeking \$38-\$40 per s/f gross. Recent lease transactions in these properties reflect achieved rents in the \$41-\$44 per s/f range. As a result achieved rents are now uniformly in the \$40-\$45 per s/f range in premier Class A properties in Waltham and slightly higher in Wellesley, where space is even more limited.

Outlook - No Class A options currently exist for immediate occupancy along Rte. 128 for firms seeking 100,000 s/f or more. Speculative development scheduled for spring 2008 delivery will help fill this void. Leasing gained momentum in these new developments in the last quarter. In Waltham, 77 CityPoint has been fully preleased with leases by Phase Forward, PRTM and Administaff. Other new projects including 1560 Trapelo Rd., 590 Lincoln St., 850 Winter St. are reportedly seeing activity from prospective tenants. Overlook Center will commence construction shortly. Low vacancy will bolster current asking rents while future available second-generation Class A space from Multiplan, Parexel, and PRTM will offer some large tenants good choices in second generation space. Occupancy in new development will help net absorption in 2008, due to the lack of available space.

The suburban - Rte. 495/Mass Pike area contains 11 towns including Framingham, Holliston, Hopkinton, Hudson, Marlborough, Natick, Northborough, Shrewsbury, Southborough, Sudbury and Westborough.

Overview - Over the last 12 months availability at 22.0% and vacancy at 14.4% has trended upward slightly, but the vacancy rate is still close to last quarter's six-year low of 13%. Year end net absorption at (43,939) s/f, would have been positive except for the addition of 100,000 s/f of Class A sublease space placed on the market by Natural Microsystems in Framingham. Nevertheless, the average asking rent has been on an upward path in the 495/Mass Pike market, rising by 19% over the last 36 months to \$21.04 per s/f gross. Significant leases in the fourth quarter in Marlborough included a 55,000 s/f renewal by Synopsys at 377 Simarano Dr. and Optos' relocation to 25,000 s/f at 67 Forest St.

Rent appreciation has been highest in the 5.1 million s/f Framingham and Natick submarket, due to limited leasing opportunities. Asking rents for available space in premier Class A buildings in this submarket jumped nearly \$3 per s/f during the year from \$26 to \$28.50 per s/f gross. Availability hovered at 11.8%, while the vacancy rate at 7.8% at year-end continued to drop. With no new development in the pipeline the prospect for rent relief from landlords is unlikely.

The heart of the office market on the I-495 beltway is in the 6.1 million s/f Marlborough and Westborough submarket. Their combined availability was 30.3% with vacancy at 20% at year-end. Even here, asking rents are trending upward, but at a slower rate and range from \$18 per s/f to the low \$20s depending on the quality, location and size of the space. Large blocks containing more than 100,000 s/f of available space are scarce and have slightly higher asking rents in the \$22.50 to \$25 range.

Outlook - Leasing opportunities along Rte. I-495 offer an attractive alternative to Waltham, Cambridge or Boston, where rents can range from \$10 to more than \$50 per s/f higher. Currently one 55,000 s/f speculative building in Southborough is under construction at 134 Turnpike Rd., with delivery scheduled for the first quarter of 2008. Active office requirements include 26 companies seeking a total of 558,000 s/f in the 495/Mass Pike office market.