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R.W. Holmes 2022 – Fourth quarter office and industrial highlights

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Elizabeth Holmes

Wayland, MA R.W. Holmes, one of the largest commercial brokerage firms serving tenants and landlords in Massachusetts for more than 45 years, released its fourth quarter market report and forecast for 2023, reporting a shift towards tenants in the office market for the first time in five years, continued activity in the industrial sector, and an expectation that investment sales will pick up by Q3 2023.

“We recently conducted a survey for a client looking for 10,000 s/f of office space in Waltham, Newton, and Watertown. There were 29 options,” said Elizabeth Holmes, SIOR, director of corporate services at R. W. Holmes. “This amount of supply has led to several landlords offering additional incentives, even for tenants whose leases don’t expire for 12 months. While landlords have yet to reduce rental rates, we are seeing the pendulum definitely starting to shift in tenants’ favor.”

Here are some other highlights from the report:

- With lab activity slowing, landlords are expected to refocus their properties on industrial or office uses rather than lab-redevelopment uses.
- Tenants are now considering larger geographic areas and are willing to go further out as long as there is easy highway access. This will require landlords to be aware of the larger submarket and how to differentiate against this growing competitive set.
- Office vacancy stands at Central 128: 10.25% and average asking rent at \$38.75 per s/f; 128 North/Rte. 3 North: vacancy: 15.5% and asking rent at \$27.25 per s/f; Natick/Framingham: vacancy: 9.9% and rent at \$25.75 per s/f; 495 West: vacancy: 22.5% and rent: \$19.75 per s/f.
- Industrial leasing activity remains steady north of Boston. Good existing product remain challenging to find and are being absorbed quickly. Investment sales of industrial buildings appear to be slowing down, with only one trade occurring in Q4 North of Boston.
- One question is being raised in the marketplace: Will the interest from users to look to New Hampshire for high bay space be the norm? Part of this trend is driven by the lack of existing product in Northern Massachusetts today.
- The Natick and Framingham submarket ended the year with a blockbuster deal at 100 Staples Dr. in Framingham. The full building, 157,000 s/f leased by Workhuman, adds to the number of large corporate users who dominate this submarket.

“Construction pricing remains a major factor in the suburban office market,” said Holmes. “With class B and A rents averaging between \$25-\$32 per s/f, these buildings are far less equipped to absorb the exorbitant tenant improvement costs necessary to compete for the small pool of active tenants in the market.”

Based in Wayland, Mass., R.W. Holmes is consistently ranked as one of the largest commercial real estate brokerage firms in Massachusetts. Founded in 1976, R.W. Holmes assists companies—from startups to Fortune 500—investors, owners, and developers with their local, national, and international real estate needs. R.W. Holmes specializes in property leasing, investment sales, tenant representation, consulting, and asset management.

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