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New office building construction creates opportunities for the 128 Mass. Pike market

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The influx of new construction in 2008 in the 128 Mass. Pike market has created new opportunities for tenants seeking large blocks of contiguous space.

Three new office buildings, 77 City Point, 590 Lincoln St. in the Hobbs Brook Office Park and 1560 Trapelo Rd., delivered in the fourth quarter of last year. These class A buildings are now fully leased: Phase Forward, PRTM, and Administaff in City Point; AstraTech at 590 Lincoln; and Autodesk at 1560 Trapelo Rd. This represents more than 500,000 s/f of new supply leased.

At year end, the vacancy rate along 128 Mass. Pike remained flat at 9.3%. The availability rate, however, rose considerably to 17.8% due to the addition of three blocks of space over 50,000 s/f to the market.

The 128 Mass. Pike market was home to the largest deal of the year. Biogen Idec signed a lease to move into a 350,000 s/f building currently under construction at 133 Boston Post Rd. in Weston. The biotech company will relocate its headquarters here, while maintaining a sizeable amount of laboratory space in Cambridge. Other lease transactions for the quarter included Oco Inc.'s commitment to 10,474 s/f at 100 Fifth Ave. Waltham, and Mentor Graphics Corp.'s lease for 9,965 s/f at 890 Winter St. also in Waltham.

Leasing activity remains steady with approximately 20 leases completed between 10,000 and 20,000 s/f in this market last year. Tenants remain active, with 12 active requirements in the 15,000 s/f range. This demand exists largely in the biotechnology, computer software, consulting and health services sectors.

The overall average asking rent here fell to \$30.39 per s/f gross in Q4, a decline of 8.2% from the previous quarter. Since the fourth quarter of 2007, the average asking rent has dropped by 5.3%. Rent softening was most significant in class A space where average rents were 11.7% less than 2007.

We are currently tracking nearly 45 active requirements in the 128 Mass. Pike market overall. An increasing number of these companies will, due to the prevailing economic uncertainty, opt for short term renewals. Tenants that do decide to relocate, therefore, will benefit from lower rents and increasing landlord concessions.

Looking forward, some short term renewals may result in future demand being shifted forward two to three years. If this happens, companies that sign short term renewals in 2009 may see their lease expirations overlap with leases that would normally roll during this time period. This may cause a disproportionate amount of demand in 2011-2012.

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