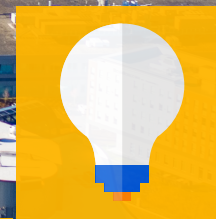


Suburban 128

# 2022 Market Insight Report



Winter/Spring 2022

cresa

Photo: Duncan Lake/Cresa

Suburban 128



Photo: Duncan Lake/Cresa

# Route 128 Overview

Many trends in their early stages before the pandemic have gained traction over the past two years, transforming the suburban real estate market. The life science sector has exploded and infiltrated Route 128 from Kendall Square. Before COVID, we saw this western migration as a slow trickle. Life science companies often toured the suburbs as a “check the box” exercise to justify spending the money on a pricey Cambridge zip code. Now, with the ubiquity of remote work, sub-1% vacancy for life science product in Cambridge, and rents in Boston proper reaching over \$100/SF, **the list of tenants in the market for spaces that accommodate flex, R&D, and lab use is longer than ever – and growing.**



## Shrinking Office Inventory

As lab conversions take office availabilities off the market, a shortage of office product will constrain office users’ optionality.



## Lab-Dominant Construction

The majority of new construction underway or in the pipeline is geared toward lab use. Gone are the days of pure office developments.



## Tenant Improvements Driving Deals

Construction costs have increased and driven up base rent and lease term length to bridge the high cost of labor and materials for tenant fit-outs.



## Quality Subleases Have Peaked

Many of the subleases left on the market are either pre-COVID “legacy” spaces or have limited terms, as the higher-end spaces have been gobbled up steadily through sublease transaction, termination, or recapture by landlords who will bring the space back on a direct basis at a substantially higher rent given the demand.

Suburban 128

↑  
Market Size  
47,980,919 SF

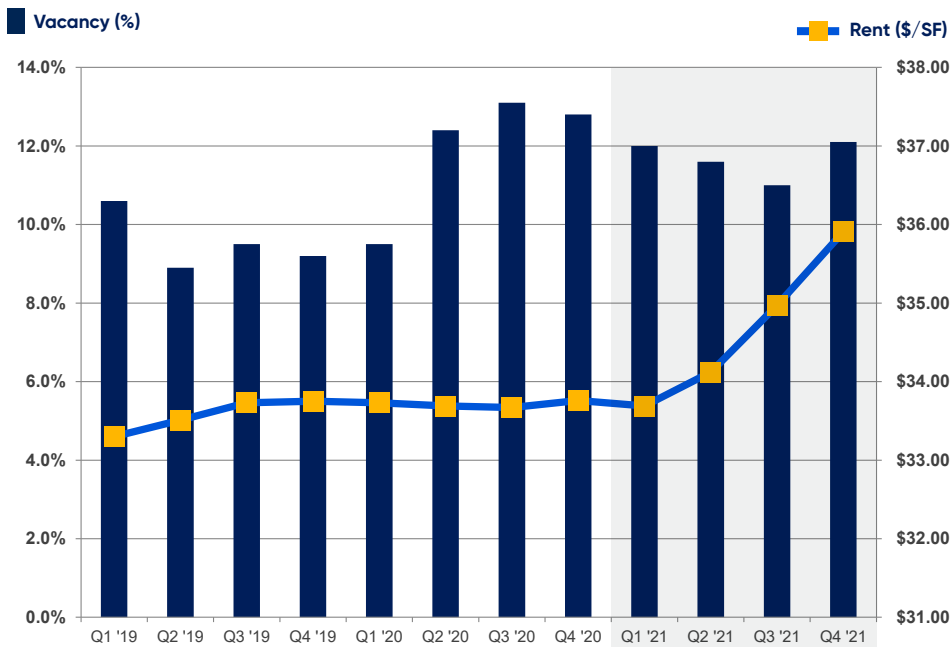
↓  
Vacancy  
12.1%

↑  
Sublease  
4.1%

↑  
Available  
21.2%

Arrows Indicate One Year Change

Historical Rent & Vacancy



🔍  
Rent rates continue to grow amidst shrinking available office inventory

Small Business Spotlight

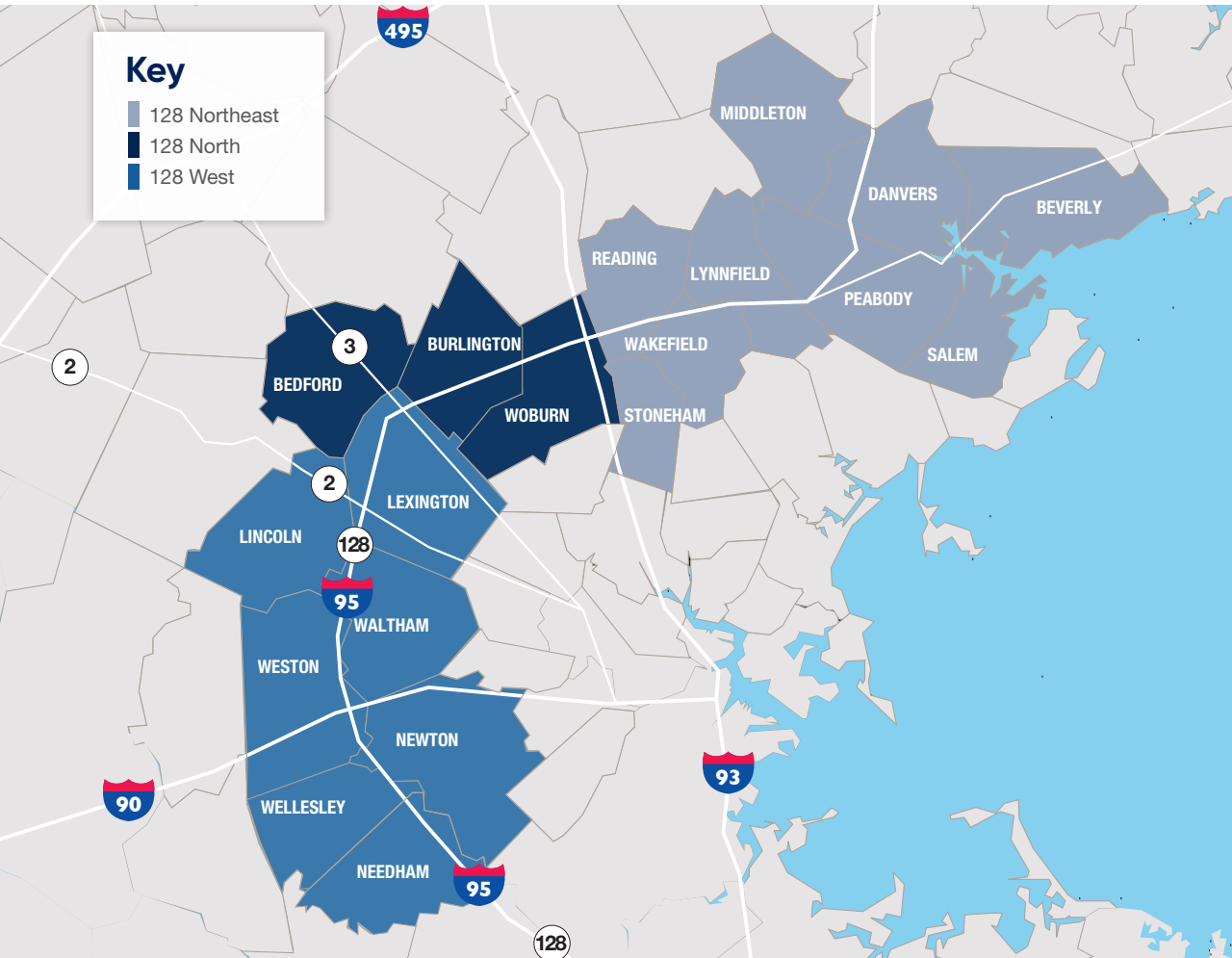


Roots to Rise

Born out of Waltham, this café offers farm-fresh, nutrition-packed staples for breakfast and lunch. In addition to their café location, Roots to Rise has also installed refrigerated 'Farm Shacks' in Waltham, Framingham, and within several private businesses in greater Boston. These shacks are accessible 24/7 and restocked daily to offer fresh and healthy dining options for workers on the go.

Suburban 128

# By the Numbers



| Submarket     | Market Size (SF)  | Vacant       | Sublease    | Available    | Class A Rent/SF | Class B Rent/SF |
|---------------|-------------------|--------------|-------------|--------------|-----------------|-----------------|
| 128 Northeast | 7,498,559         | 16.0%        | 1.8%        | 18.0%        | \$28.00         | \$23.00         |
| 128 North     | 13,880,256        | 12.9%        | 4.7%        | 20.4%        | \$38.00         | \$28.00         |
| 128 West      | 26,602,104        | 10.5%        | 4.5%        | 22.5%        | \$45.00         | \$35.00         |
| <b>Total</b>  | <b>47,980,919</b> | <b>12.1%</b> | <b>4.1%</b> | <b>21.2%</b> | <b>\$37.00</b>  | <b>\$29.00</b>  |



# Notable Transactions

| Tenant                | Address                  | City       | Sector     | Size (SF) | Type                |
|-----------------------|--------------------------|------------|------------|-----------|---------------------|
| ElevateBio            | 225 Wyman Street         | Waltham    | Office/Lab | 176,000   | Relocation          |
| Markforged            | 60 Tower Road            | Waltham    | Office/R&D | 120,000   | Relocation          |
| Wellington Management | 140 Kendrick Street      | Needham    | Office     | 106,000   | New Facility        |
| Microsoft             | 5 & 15 Wayside Road      | Burlington | Office     | 99,993    | Expansion & Renewal |
| Seqirus               | 225 Wyman Street         | Waltham    | Lab        | 94,536    | Relocation          |
| EDC                   | 300 Fifth Avenue         | Waltham    | Office     | 50,000    | Relocation          |
| Clarks                | 140 Kendrick Street      | Needham    | Office     | 50,000    | Relocation          |
| RVAC Medicines        | 880 Winter Street        | Waltham    | Lab        | 37,202    | New Facility        |
| Biocytogen            | 300 Third Avenue         | Waltham    | Lab        | 35,000    | Relocation          |
| Walker & Dunlop       | 140 Kendrick Street      | Needham    | Office     | 35,000    | Relocation          |
| Canbridge             | 4 Burlington Woods Drive | Burlington | Lab        | 25,336    | Relocation          |
| Santi Therapeutics    | 1050 Waltham Street      | Lexington  | Lab        | 25,000    | New Facility        |
| Cerence               | 1 Burlington Woods Drive | Burlington | Office     | 15,300    | Relocation          |

## Investment Sales

| Buyer              | Address  | City       | Size (SF) | Price/SF |
|--------------------|--|------------|-----------|----------|
| Undisclosed        | 181, 191 & 201 Spring Street (3 Property Sale) | Lexington  | 333,090   | \$574.92 |
| Partners Group AG  | 1075 Main Street (Recapitalization)            | Waltham    | 186,827   | \$444.26 |
| GEM Realty Capital | 10 Corporate Drive                             | Burlington | 114,807   | \$368.10 |
| Bulfinch           | 53-83 & 115 Fourth Avenue (2 Property Sale)    | Needham    | 133,377   | \$304.58 |

## Office Tenants in the Market



100,000 SF



80,000-100,000 SF



40,000 SF

Cannistraro

30,000-40,000 SF



30,000 SF

ADT

20,000 SF

AMSURG

20,000 SF



Veryst  
Engineering

15,000 SF

Photo: Duncan Lake/Cresa



## Suburban 128

# Development Pipeline

| Development   | Developer/Owner                 | Size (SF) | Status                |
|---|---------------------------------|-----------|-----------------------|
| 1 Langwood Commons, 5 Woodland Road, Stoneham         | The Gutierrez Company           | 223,000   | Proposed              |
| 2 Reservoir Woods West, 910 Winter Street, Waltham    | The Davis Companies             | 150,000   | Proposed              |
| 3 15 Riverside Road, Weston                           | Greatland Realty Partners       | 130,000   | Proposed              |
| 4 215 Presidential Way, Woburn                        | Alexandria Real Estate Equities | 112,000   | Proposed              |
| 5 1-3 Hartwell Place, Lexington                       | North River Leerink             | 220,000   | Permitted Development |
| 6 380 1st Avenue, Needham                             | Normandy                        | 210,000   | Permitted Development |
| 7 Nexus Burlington, 43 South Avenue, Burlington       | The Gutierrez Company           | 190,000   | Permitted Development |
| 8 3 Ledgemont Center, Lexington                       | Hobbs Brook Management          | 162,000   | Permitted Development |
| 9 Founders Park, 2 B Street, Needham                  | Normandy                        | 149,000   | Permitted Development |
| 10 Building II, 180 Wells Avenue, Newton              | Intrum Corporation              | 60,000    | Permitted Development |
| 11 333 Grove Street, Newton                           | Mark Development                | 598,000   | Permitted Development |
| 12 110 Bear Hill Road, Waltham                        | Morgan Communities              | 375,000   | Permitted Development |
| 13 25 Network Drive, Burlington                       | Nordblom                        | 270,000   | Permitted Development |
| 14 Founders Park, 37 A Street, Needham                | Normandy                        | 110,000   | Permitted Development |
| 15 The Vale, 2 Hill Street, Woburn                    | Leggat McCall                   | 800,000   | Under Construction    |
| 16 10 Sylvan Road, Waltham                            | Davis Marcus Partners           | 440,000   | Under Construction    |
| 17 180 CityPoint, 180 Third Avenue, Waltham           | Boston Properties               | 390,000   | Under Construction    |
| 18 Bedford Woods, 170-172 Middlesex Turnpike, Bedford | The Gutierrez Company           | 370,000   | Under Construction    |
| 19 The Pod, 40-60 Crosby Drive, Bedford               | Redgate                         | 308,000   | Under Construction    |
| 20 44 Dunham Road, Beverly                            | Cummings Properties             | 50,400    | Under Construction    |



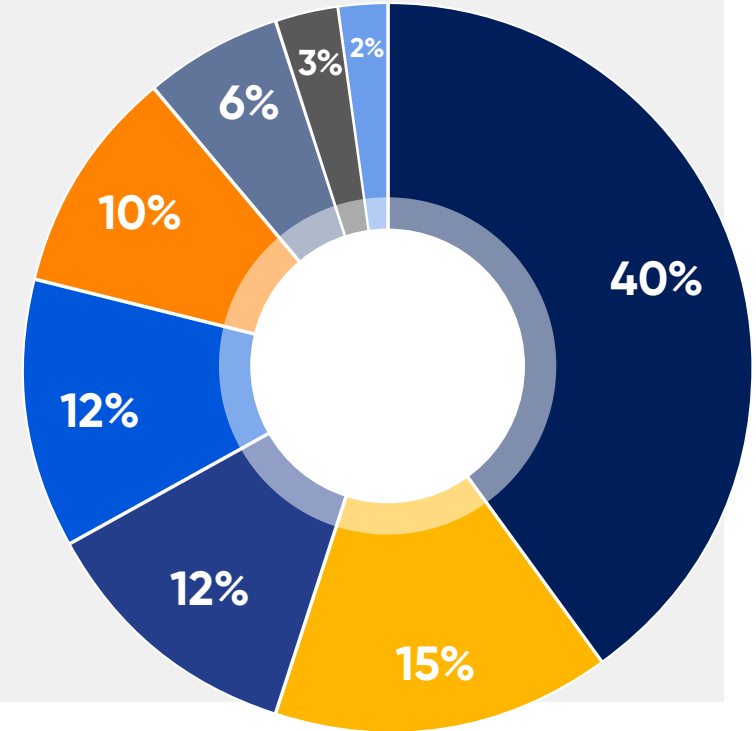
# Sublease Observations

As we approach the two-year mark of the COVID pandemic, sublease inventory looks like it has hit its peak and is cooling from the massive onslaught of product we saw hit the market throughout 2020 and into the first few quarters of 2021. The last quarter of 2021 saw the largest absorption of sublease square footage, mainly due to a combination of sublease transactions and terminations/recaptures with landlords, who will bring the space back on the market directly at a substantially higher rent given the demand for high-quality space. Many of the subleases remaining are either pre-COVID 'legacy' spaces or have limited terms (less than two years).

**We anticipate the inventory will continue on a downward trajectory toward pre-pandemic levels** (just over 900,000 SF was on the market before 4/1/2020). This is because older subleases that have sat on the market are steadily burning off, and anything high-end that hits the market quickly secures a subtenant commitment.

## Subleases by Industry

- Technology
- Life Sciences
- Professional Services
- Healthcare/Medical Device
- Manufacturing
- Financial Services
- Other  
(Real Estate, Nonprofit, Legal)
- Consumer Goods



## Subleases on the Market Above 50,000 SF



100,000 SF

400 First Avenue  
Needham



152,748 SF

1000 Winter Street  
Waltham



148,000 SF

350 & 358 Second Avenue  
Waltham



87,639 SF

950 Winter Street  
Waltham



73,862 SF

133 Boston Post Road  
Weston



56,473 SF

130 Turner Street  
Waltham

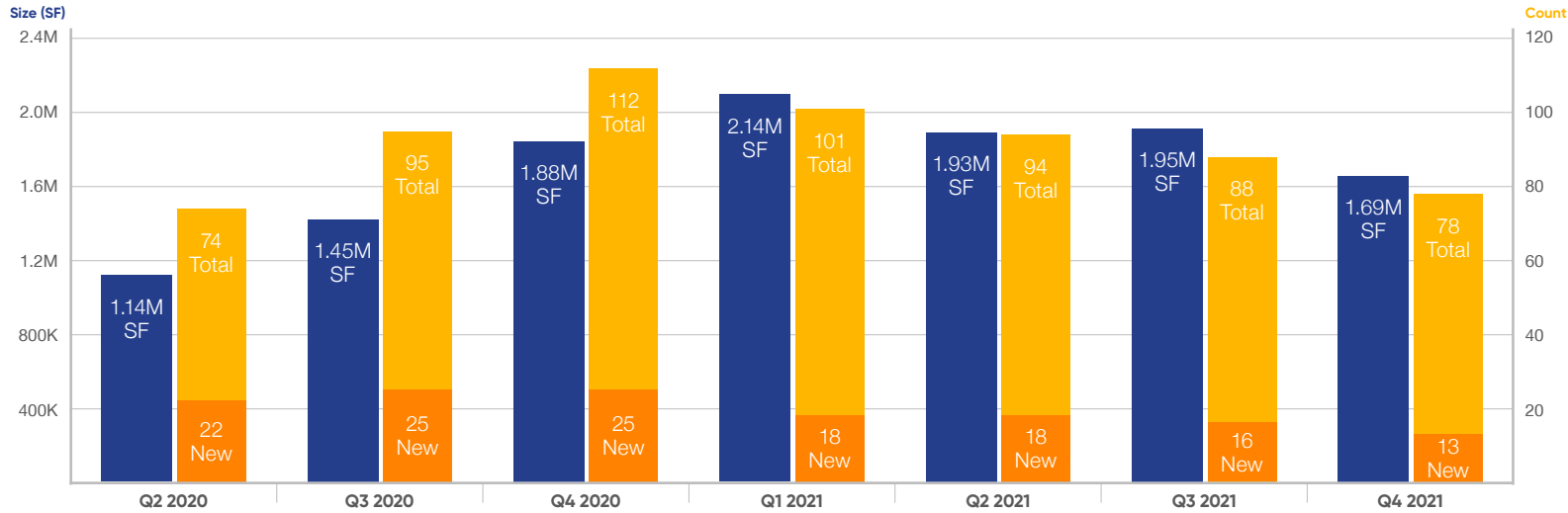


53,642 SF

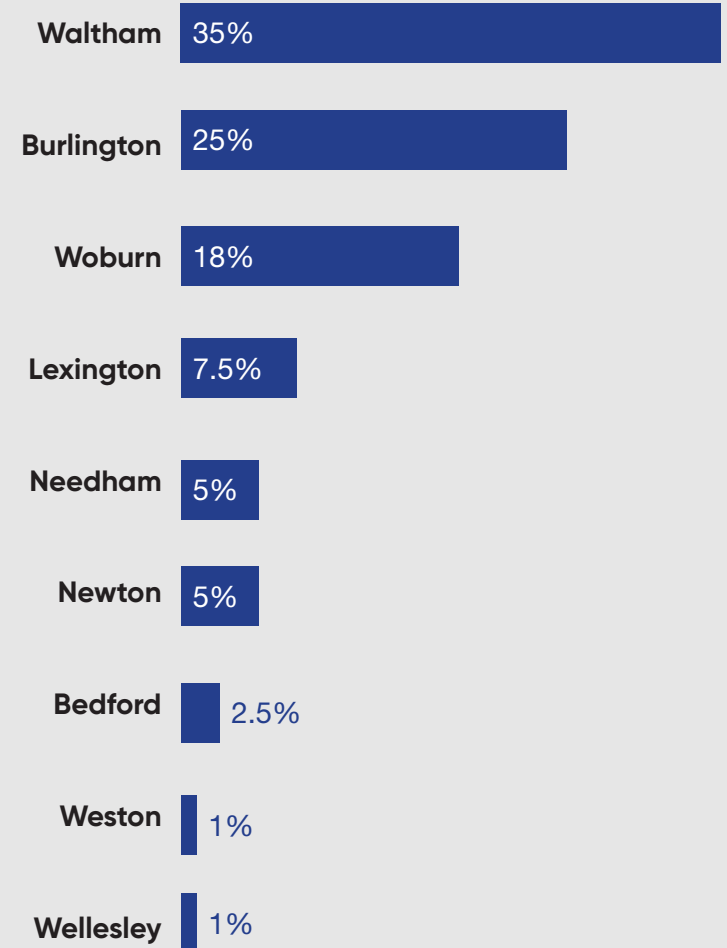
170 Tracer Lane &  
275 Wyman Street  
Waltham

# Sublease Observations

## Sublease Space by Quarter



## Geographic Breakdown of Central Route 128 Sublease Inventory:



Of the 78 subleases that were actively on the market as of the end of Q4 2021:

**15%**

of the subleases are “legacy”/pre-pandemic subleases that have remained available on the market and have not leased

**13%**

of the inventory expires within 2022

**< 30%**

are considered true Class A product



**Suburban 128**

# Sublease Highlight



## 40 Hartwell Avenue

Lexington, Massachusetts

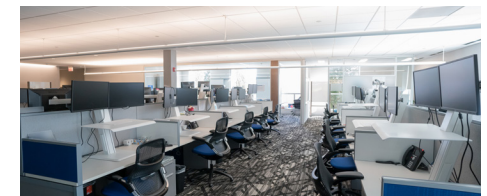
### Space Profile

|                     |                     |
|---------------------|---------------------|
| <b>Premises</b>     | 30,000 SF           |
| <b>Floors</b>       | 1 (Entire building) |
| <b>Availability</b> | Immediate           |
| <b>Term</b>         | Through 6/2029      |
| <b>Rental Rate</b>  | Negotiable          |



### Features

- Fully furnished with A/V equipment available
- 197 workstations, 14 private offices, 15 conference rooms, 1 tailboard loading dock, 1 café
- Dedicated generator with 100% power backup to desktops
- 14' clear height
- Stand-alone building
- Quick access to Route 128



 **View Available Subleases**

Photos: Duncan Lake/Cresa

# Office and Lab: Push and Pull for Route 128 Occupiers

**Despite the red-hot life science world and substantially cooler office landscape, both sides of the market are becoming increasingly intertwined as the Route 128 corridor adapts to the occupier demands of a post-COVID working environment.**

Landlords and developers across all ownership structures – from locally-based groups to more institutional REITs – have fully committed to cashing in on the demand for lab product that appears to have no end in sight. Most conversions and new construction in the pipeline have already been pre-leased or have a list of solid potential tenant commitments for buildings that won't be ready for tenant fit-up until mid-2023 or later. These triple-net rents are growing at an unprecedented pace; deals for lab space in Waltham that were signed in the low \$40's/SF NNN 24 months ago are now pushing \$90/SF NNN in the very same complex.

Though at a slower rate than their lab-oriented counterparts, office rents also continue to appreciate despite lagging demand. The driving factor here is the steadily shrinking office inventory due to lab conversions. Prime examples of this trend are playing out in Lexington and Burlington, where 20% of the current office inventories will flip to life science use once planned conversions and construction projects are complete. Bedford office inventory is close to non-existent due to the large-scale conversions on Crosby Drive and Middlesex Turnpike.

On top of the smaller pool of properties to pick from, many office users are looking for the same thing: high-quality, high-end builds in well amenitized buildings. As more organizations adopt hybrid work models, many employees will not come to the office five days a week. When they do come to the office, they want updated space and value-adding amenities that they don't have when they work from home. Downsizing occupiers are demonstrating the same appetite for innovative, forward-

thinking space and polished finishes. These occupiers are trading in square footage for quality, investing in spaces that will encourage collaboration and promote positive morale for on-site employees. The demand for Class A office product has compressed vacancy, which now sits below 10% in the Route 128 corridor. This has left a glut of second generation spaces that need substantial tenant improvement packages and capital investment in order to bring them up to today's modern standards, and to offer the look and feel that occupiers want.

With both the life science conversion dynamic and higher-end office demand continuing to materialize, the player taking the largest hit in all of this is seemingly the Class B office occupier. Class B office product has been the low-hanging fruit seen as ripe for lab conversions over the last 18 months, which ultimately has pushed these existing office users out on the street to compete with the Class A tenants in the market. Combine these two tenant profiles in the same pool of inventory that continues to shallow quarter-by-quarter, and we are bound to see some changes materialize in where office deals end up being inked. Perhaps we see a more robust deal flow start to form in the peripheral markets west and south of the Route 128 core? Occupiers will need to remain laser focused on needs vs. wants in this high-rent growth market, as they weigh upcoming real estate decisions both short-term and long-term. This will be especially true as pricing and inventory changes taking place over the next 12 months will likely force users to have far more flexibility in their search parameters and overall real estate strategies than they needed in the pre-pandemic market.



Photo: Duncan Lake/Cresa

**Most conversions and new construction in the pipeline have already been pre-leased or have a list of potential, but solid, tenant commitments lined up**

Revolution Labs, 1050 Waltham Street, Waltham | Photo: Duncan Lake/Cresa



Suburban 128



## Real Estate Insights to Fuel Future Success

Cresa is dedicated to sharing the latest data, emerging trends, and industry benchmarking in the Route 128 market for our clients and partners. From high-level real estate forecasting to workplace and hybrid work strategies, we regularly deliver high-value, high-impact findings to help our clients make future-focused, informed real estate decisions.

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### Things to Consider



#### Geographic Flexibility

Which employees are coming to the office? Occupiers will need to be more flexible on geography and open-minded with submarkets, given the shrinking availability. Assessing employee locations and commute times could present new opportunities that may not have been as widely adopted in pre-pandemic times.



#### Space Changes

COVID has impacted space usage and daily staff occupancy by varying degrees for every company. When employees come to the office, collaboration and call areas/phone rooms are in high demand. If individual desk space is going to be repurposed or minimized, space should provide ample options for closed-door Zoom/Teams calls.



#### Timeline and Option Dates

Worsening lead times for materials, coupled with a shortage in labor across industries, makes it increasingly critical for occupiers to allow ample time for relocation or space improvements.

# Meet the Team [Click to learn more about our advisors](#)



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**Joe Doyle**  
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## About Cresa Boston

Cresa is the world’s largest commercial real estate advisory firm that exclusively represents occupiers and specializes in the delivery of fully integrated real estate solutions. We work with our clients to align their business plans and their real estate needs, increase their productivity, and consistently save them money — results that have earned us numerous industry awards along the way. Our team of real estate advisors, project managers, strategic planners, analysts, and space planners listen to tenants’ needs, meticulously research market conditions, firmly negotiate terms, and manage the design and construction of projects to customize the best possible occupancy solutions.

## Contact

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