

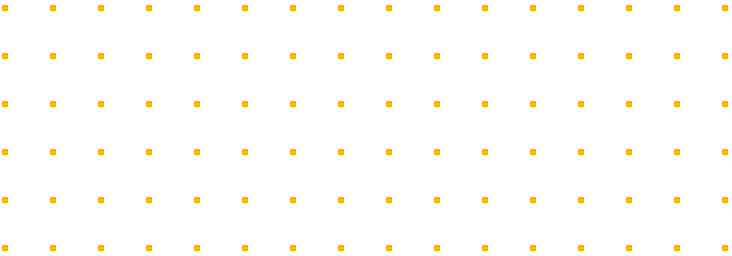


The Watch Factory, Waltham | Photo: Duncan Lake/Cresa

Winter/Spring 2024

Suburban Route 128

Annual CRE Market Insight Report



State of the Market

Route 128

Availabilities abound, with subleases representing the overwhelming majority.

Almost one quarter of the entire suburban 128 office market is now available for the taking, totaling nearly 12 million SF. This is a 20% increase from Q4 of last year, a sharp difference from the previous year-over-year jump of 4.4% from 2021 to 2022 and the past three-year average of 4.8%. While these numbers paint an ugly picture at first glance, the market struggles can be placed almost entirely on the secondary market. Direct availabilities have remained remarkably steady over the past three years, hovering between 7.2 and 7.7 million SF. In the past year, direct vacancies have actually decreased by nearly 10%, which helps explain why direct asking rates have continued to creep up. There likely won't be any additional supply side pressure, as the only buildings under active development within the suburban pipeline are lab spaces.

Photo: Duncan Lake/Cresa



Bigger Block, Bigger Vacancy

With demand skewing decidedly toward smaller, amenitized spaces, large blocks of space are lingering on the market.



Renew, Renew, Renew

While renewals have always been more common than relocations, that pattern is even more acute now as real estate decisions are under heightened scrutiny with the high cost of borrowing.



Market Size
48,478,091 SF



Vacancy
11.4%



Sublease
7.7%

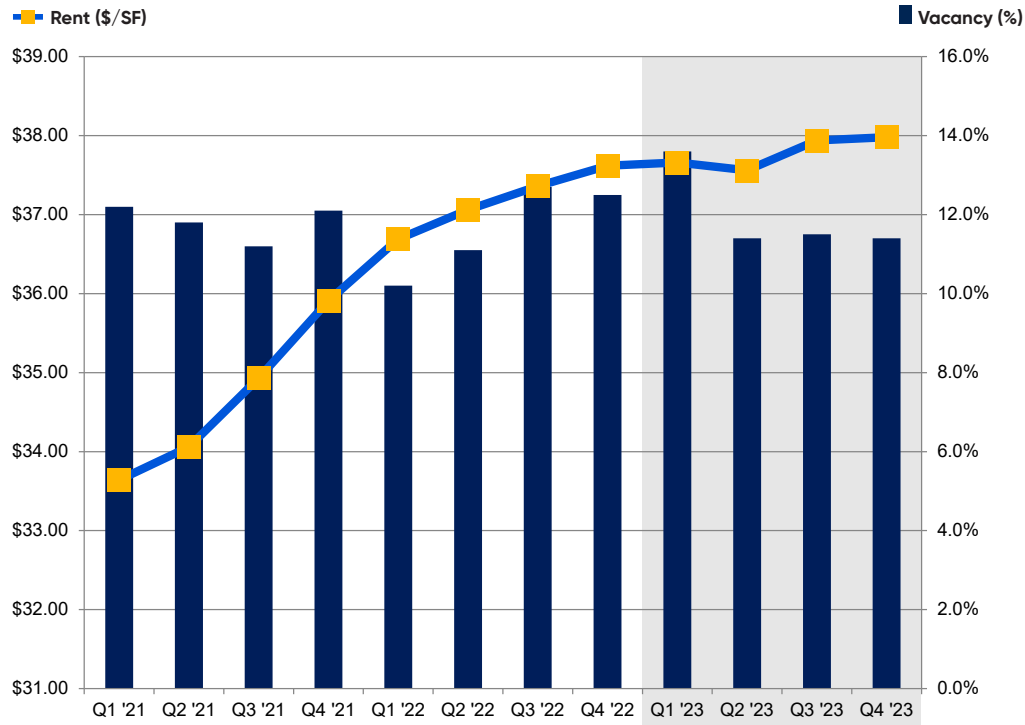


Available
23.7%

Direct Availability + Sublease Availability

Arrows Indicate One Year Change

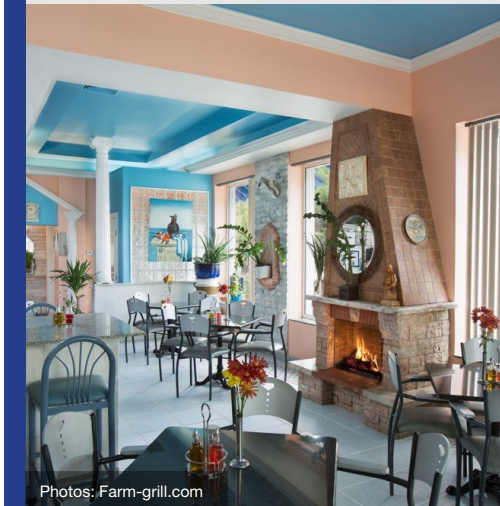
Historical Rent & Vacancy



Remarkably stagnant, the direct market holds steady without a notable change in rents and vacancy throughout 2023.

Get to Know: Farm Grill & Rotisserie

This family-owned favorite has amassed a loyal following since opening its doors in 1996. Serving up Mediterranean-style favorites via friendly counter service, Farm Grill is a go-to spot for lunch meetings or a healthy and delicious bite on the go. farm-grill.com

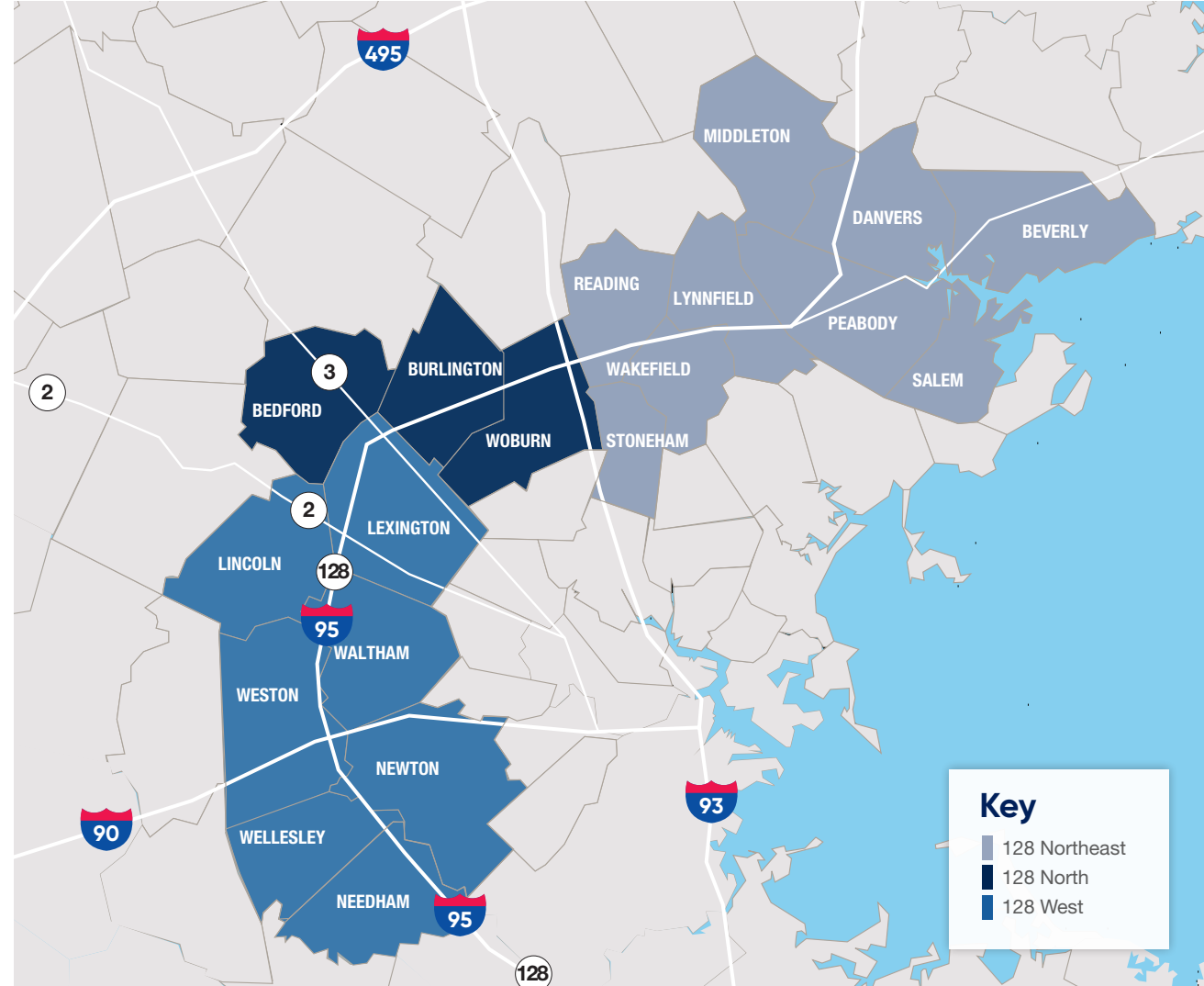


Photos: Farm-grill.com

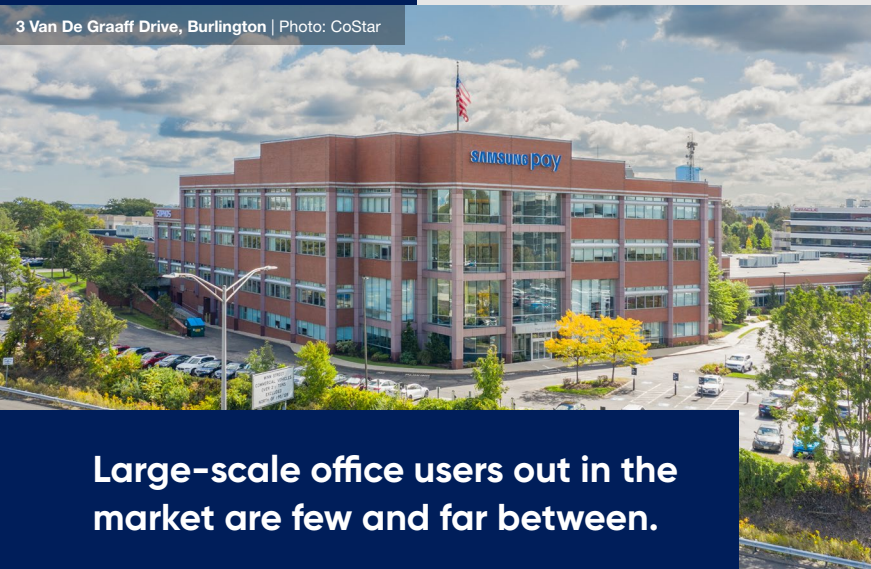
By the Numbers

Data as of Q4 2023

Submarket	Market Size (SF)	Vacant	Sublease	Available	Class A Rent/SF	Class B Rent/SF
128 Northeast	7,540,218	12.1%	2.0%	14.5%	\$29.00	\$24.00
128 North	12,988,125	12.6%	7.8%	26.5%	\$42.00	\$32.00
128 West	27,949,748	10.7%	9.2%	24.8%	\$47.00	\$37.00
Total	48,478,091	11.4%	7.7%	23.7%	\$43.50	\$33.00



3 Van De Graaff Drive, Burlington | Photo: CoStar



Large-scale office users out in the market are few and far between.

As a result, landlords are being forced to consider subdividing floor plates to meet demand, which continues to skew toward amenity-rich spaces under 15,000 SF.



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20 Crosby Drive, Bedford | Photo: CoStar

Notable Market Transactions

Many of the notable transactions in the last quarter were expansion projects for companies anticipating growth. This is encouraging news for a struggling market: while many tech group are shedding space and life sciences users are hesitant to make bold real estate moves, there are still occupiers establishing and renewing their commitments to office and lab space with long-term leases (Novo Nordisk and AspenTech being 15 and 11 years, respectively).

Tenant	Address	City	Size (SF)	Use	Type
Novo Nordisk	50-60 Sylvan Road	Waltham	185,000	Lab	New Lease
AspenTech	20 Crosby Drive	Bedford	150,000	Office	Renewal
Vasisala	3 Van de Graaff Drive	Burlington	28,000	Lab	New Lease
Tscan Therapeutics	850 Winter Street	Waltham	25,000	Lab	Renewal
Lyra	880 Winter Street	Waltham	24,000	Lab	Expansion
CH Bio	77 South Bedford Street	Burlington	19,000	Office	New Lease

Investment Sales

Jumbo Capital seized a high rent growth opportunity in the Wellesley corridor, where rents have continued to rise due to the high-value clientele and desirable location along Route 9. Capital market activity has otherwise remained quiet due to the high cost of capital.

Buyer	Address	City	Size (SF)	Price/SF	Asset Type
Phase3	100 Beaver Street (2 building with 640 Memorial Drive in Cambridge)	Waltham/ Cambridge	308,000 (combined)	\$994.04 (combined)	Lab
Jumbo Capital	7 Buildings: - 40 Grove Street - 326-332, 336, and 366 Washington Street - 16 Laurel Avenue - 10 and 16 Prescott Street	Wellesley	183,000	\$265.29	Office

Development Pipeline

With little to no new office product in the construction pipeline, existing Class A assets may see rent increases if tenants continue to seek out high-quality, amenitized space. Meanwhile, lab developments that broke ground during the height of life sciences demand are beginning to deliver, adding even more options to an oversupplied market.

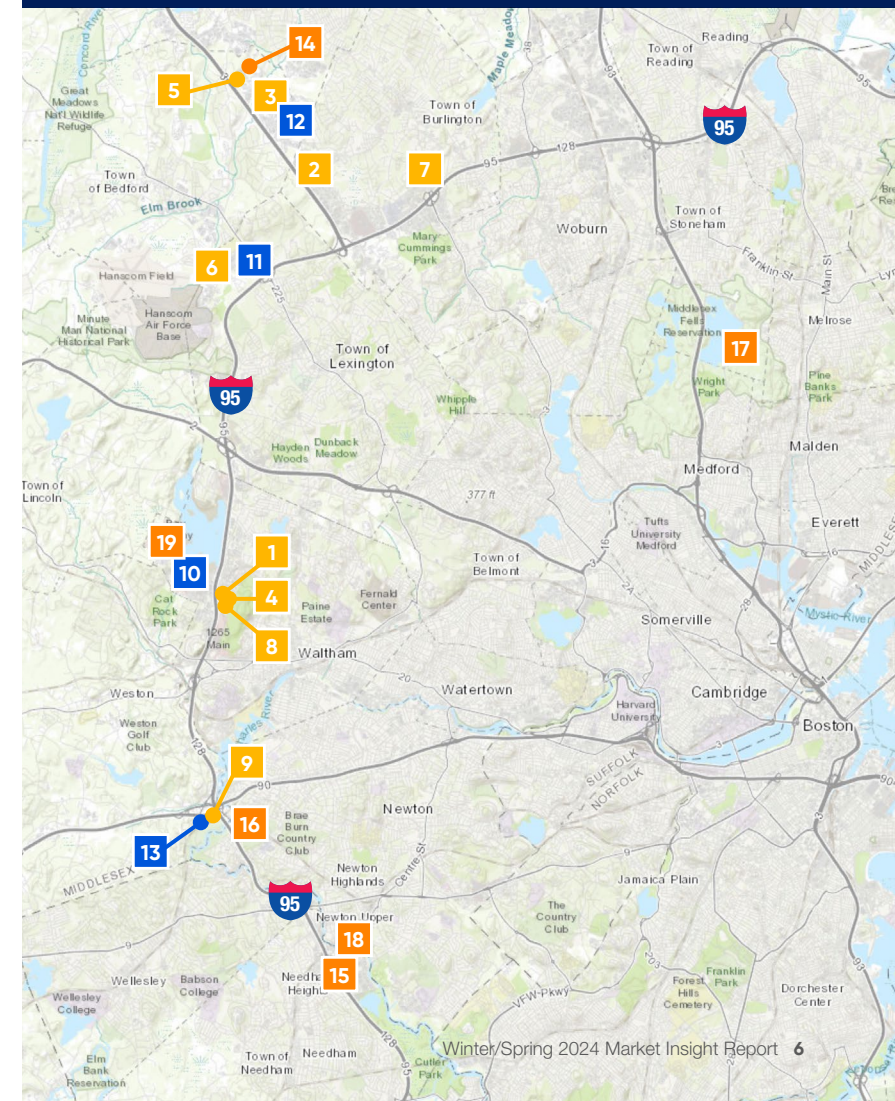
■ Delivered in 2023
 ■ Under Construction
 ■ Permitted Development

Development	City	Developer/Owner	Size (SF)	Asset Type	
1	180 CityPoint, 180 Third Avenue	Waltham	Boston Properties	330,000	Lab
2	25 Blue Sky Drive	Burlington	Nordblom	270,000	Lab
3	100 Crosby Drive	Bedford	Redgate	261,000	Lab
4	245 5th Avenue	Waltham	Anchor Line Partners	245,000	Lab
5	Bedford Woods, 172 Middlesex Turnpike	Bedford	The Gutierrez Company	140,000	Lab/GMP
6	10 Maguire Road Buildings 1,2, & 4	Lexington	Greatland Realty Partners	120,000	Lab Relocation
7	10 Corporate Drive	Burlington	The Gutierrez Company	110,000	Lab Relocation
8	103 CityPoint, 103 Fourth Avenue	Waltham	Lab	100,000	Lab/GMP
9	20 Riverside Road	Weston	Greatland Realty Partners	94,000	Lab Relocation
10	Reservoir Woods East, 10 Sylvan Road	Waltham	Alexandria	440,000	Lab
11	440 Bedford Street	Lexington	Trammell Crow Company	318,000	Lab
12	44 Middlesex Turnpike	Bedford	Camber Development	288,000	GMP
13	Riverside Labs, 9 & 15 Riverside Road	Weston	Greatland Realty Partners	250,000	Lab
14	Bedford Woods, 170 Middlesex Turnpike	Bedford	The Gutierrez Company	372,000	Lab/Office
15	Founders Park, 37 A Street & 2 B Street	Needham	Normandy	259,000	Office
16	Riverside Station, 333 Grove Street	Newton	Mark Development	240,000	Lab/Office
17	Langwood Commons, 5 Woodland Road	Stoneham	The Gutierrez Company	225,000	Office
18	Northland Newton Development, 156 Oak Street	Newton	Northland	180,000	Office
19	Reservoir Woods West, 910 Winter Street	Waltham	Marcus Partners	150,000	Office

2.7 Million SF in the Pipeline

Under Construction
1.3 Million SF

Permitted Development
1.4 Million SF



Sublease Sorrows

With over 4M SF of sublease space available in the submarket, market experts are eager to see how landlords will respond when leases begin to expire and hit their bottom lines.

Soaring sublease availability remains the leading story in the Suburban Route 128 market. Subleases have climbed steadily for the last four quarters, reaching a new high-water mark for the market. Year-over-year, the office sublease market has nearly doubled in size, rising by 80%. Large availabilities are dominating this scene, which is not where current market demand lies. At present, there are eight groups attempting to unload office spaces of greater than 100,000 SF in size. Five of the eight are in either the tech or life sciences industries, both of which have publicly struggled throughout the past year.

Notably, subleases are not a primary concern for landlords in the market. Many of the sublease spaces are still under contract with leases that were signed before the pandemic. As these leases expire – most are up in 2027 and beyond – landlords may become more aggressive with their real estate strategies, whether they seek to fill their vacancies or dispose of underperforming property. As it stands, despite widespread availabilities, base rent levels have yet to take a hit: landlords are offering concessions in the form of tenant improvement dollars and free rent in order to maintain strong rents. Tenants may see some relief if these secondary spaces do linger and eventually end up on the direct market.



133 Boston Post Road, Weston | Photo: CoStar



Year-over-year, the office sublease market has nearly doubled in size, rising by

80%



140 Kendrick Street, Needham | Photo: Duncan Lake/Cresa

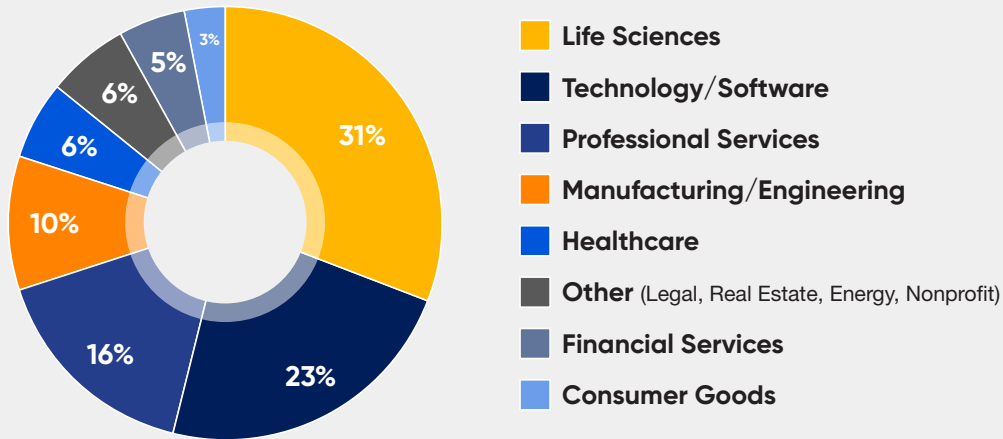


Sublease Observations

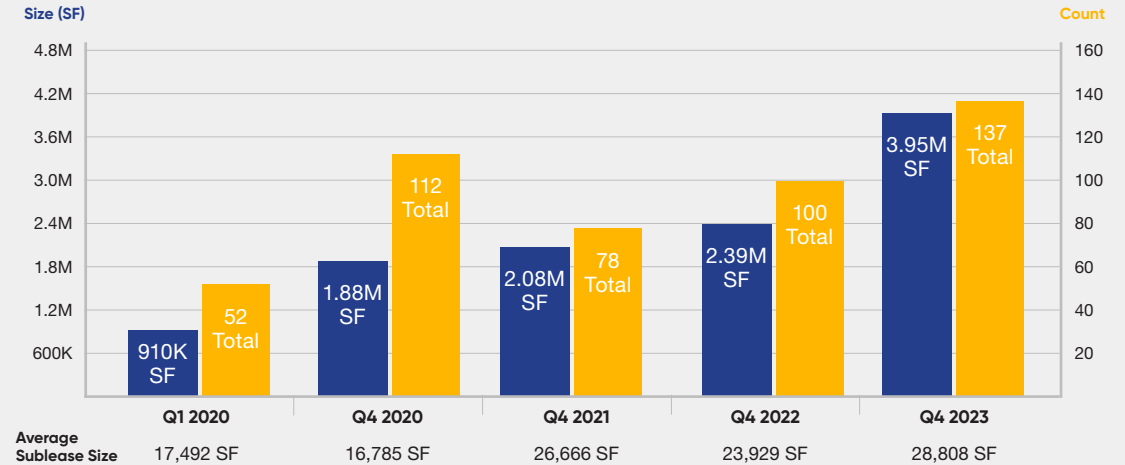
Sublease inventory has continued its steady climb in part due to large occupiers adding excess blocks of space to the sublease market. In turn, the average size of a sublease hit a record high and may remain there with limited market demand in the 30,000 SF+ arena. Time will tell if sublandlords start speculatively demising their subleases (where feasible) to attract smaller requirements, although with the cost of capital and unpredictable timeline to secure subtenants, the investment may not return a worthwhile reward. This will be especially true if the sublease term is limited, which applies to nearly half of the current inventory: **42% of subleases are expiring between 2024 and 2027.**



Inventory Breakdown by Industry

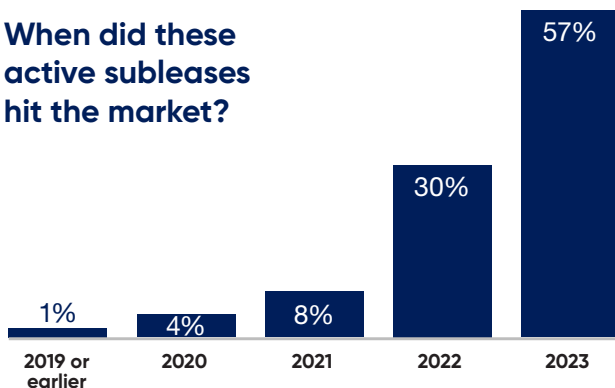


Sublease Space Year-End Comparison

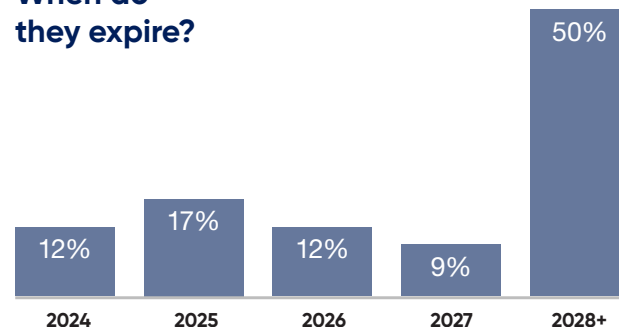


Sublease Shelf Life

When did these active subleases hit the market?



When do they expire?



Sizeable Subleases on the Market



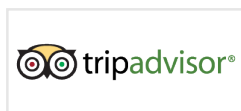
283,185 SF

920 Winter Street
Waltham



182,515 SF

133 Boston Post Road
Weston



136,373 SF

400 First Avenue
Needham



122,797 SF

140 Kendrick Street
Needham



110,000 SF

1265 Main Street
Waltham



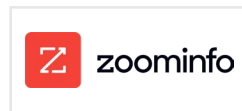
106,185 SF

5 Wall Street
Burlington



96,371 SF

45 William Street
Wellesley



94,684 SF

275 Wyman Street
Waltham



86,148 SF

500 Totten Pond Road
Waltham

What does this mean for Occupiers?



Nearly half of current sublease inventory has been on the market since 2022 or earlier. Tenants out in the market should either leverage these availabilities to gain bargaining power in direct deals, or **take advantage of shorter sublease shelf life to negotiate increased concessions** (below market rent, FF&E, free rent, etc.).



In the same vein, **50% of the inventory has at least four years left in the sublease term**. These availabilities present a great opportunity to secure built-out space, save on soft costs like furniture and wiring, and get into a building at below market rents for a longer term.



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Available Sublease Opportunity

221 Crescent Street

Waltham, MA

Space Profile

Size	7,482–30,362 SF
Floors	4, 5, 6
Availability	60–90 Days
Term	Through 11/1/2025
Rental Rate	Negotiable
Built	1854
Renovated	2010



 **WATCH THE VIRTUAL TOUR**



Photos: Duncan Lake/Cresa



Features

- Located within The Watch Factory, a historic brick & beam building complex on the banks of the Charles River
- Available fully furnished
- Abundance of windows providing unparalleled access to natural light
- Primarily office space with small areas of light labs
- 5-minute walk to local amenities on Moody Street and 15-minute walk to MBTA Commuter Rail Station
- On-site fitness center
- Italian restaurant and café, Berlundi, located on the property
- Access to outdoor amenities including courtyards and walking paths
- Close proximity to I-90 and Route 128

 [View Available Subleases](#)

Looking Ahead in 2024

Occupier's Perspective



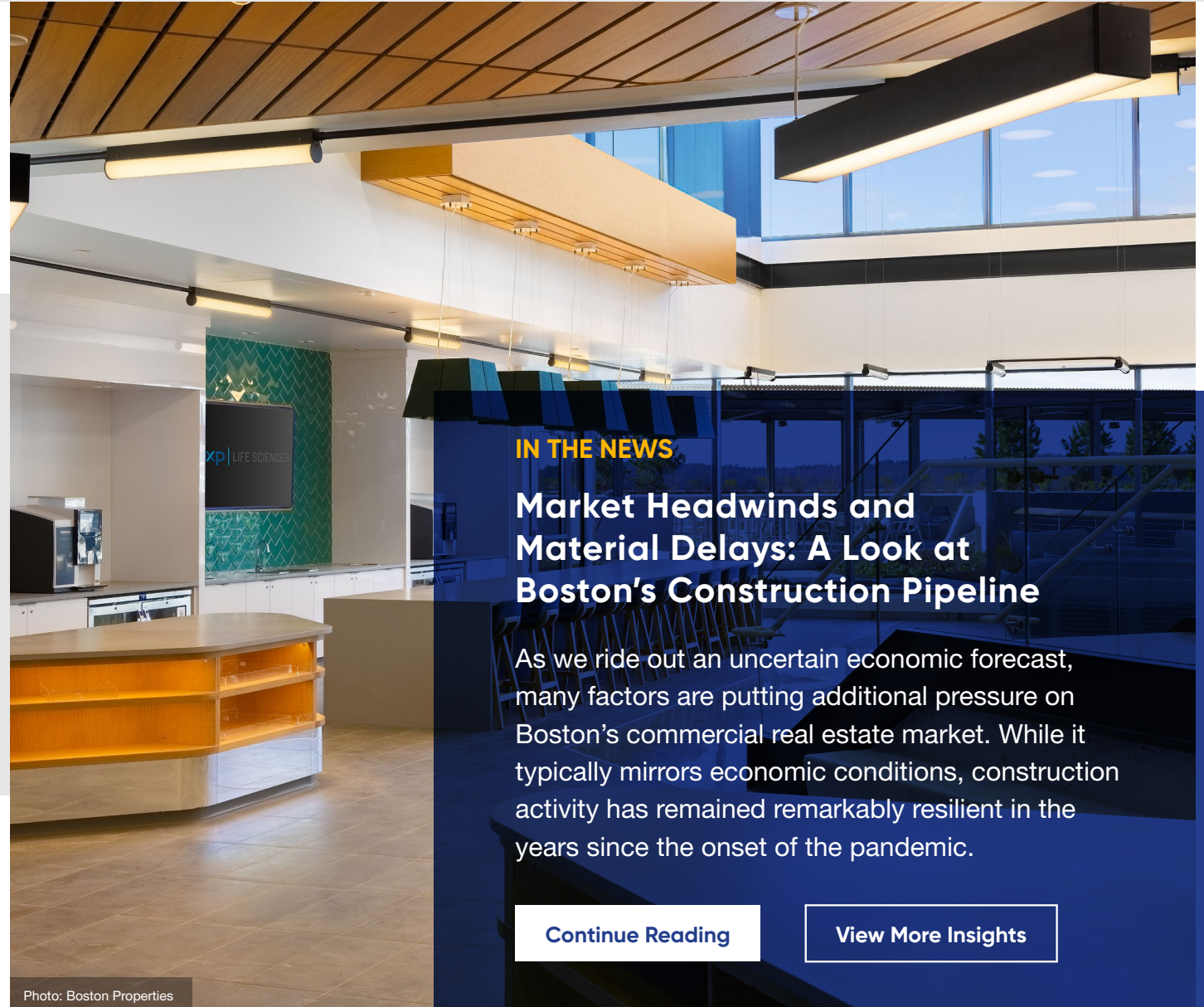
Lower Interest Rates

Tenants are eager to see the forecast drop in interest rates, which may loosen up capital markets and bring long-awaited rent relief.



Supply Side Pressure

With no Class A office under construction in the submarket, rents in top-tier buildings will continue to appreciate if the flight to quality continues.



IN THE NEWS

Market Headwinds and Material Delays: A Look at Boston's Construction Pipeline

As we ride out an uncertain economic forecast, many factors are putting additional pressure on Boston's commercial real estate market. While it typically mirrors economic conditions, construction activity has remained remarkably resilient in the years since the onset of the pandemic.

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Photo: Boston Properties

Meet the Team

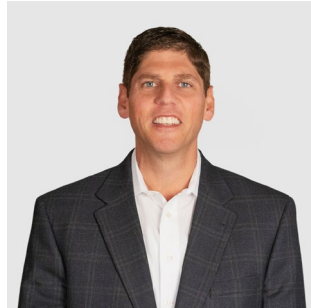
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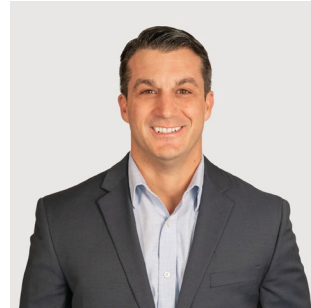
Mark Mulvey
Managing Principal



Joe Doyle
Managing Principal



Dave Ross
Principal



Mark Coelho
Senior Vice President



Nate Heilbron
Senior Advisor



Allison Hoffman
Senior Advisor

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.

Brian Gridley, Research Manager
bgridley@cresa.com

Contact

For more information about Cresa and the Boston CRE Market, please contact:

Cresa Boston
280 Congress Street
Boston, MA 02210
617.758.6000
cresa.com/boston

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