

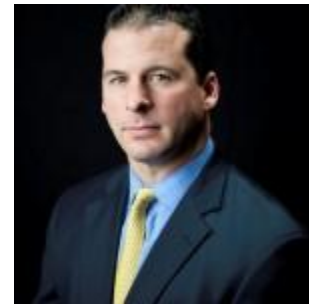


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CresaPartners: Why Route 128 West Will Remain a Tenant's Market

By Shawn McDonough

While Waltham has become one of the hottest office submarkets in Greater Boston, overall, the Route 128 West office market remains flat. After strong activity last quarter, absorption was down in Q3, and a full recovery is years away due to slow job growth and significant vacancy.



Shawn McDonough

Throughout the first half of the year, 128 West experienced some tightening of Class A space, as tenants looking to take advantage of low rates traded up in Waltham and surrounding towns. While it appeared the market was shifting in favor of landlords, Route 128 West remains a "tenant friendly" market, with availability in the Class A and B office sectors still above 21%. Large tenants face fewer options, but tenants seeking 10,000-20,000 SF have over 60 available options to choose from.

Despite some cases of landlords testing the market's appetite for higher rents, there is too much inventory to fundamentally change rental rates. In order to establish equilibrium between landlords and tenants and create a vibrant real estate market, thousands of jobs must be generated to fill the empty space, and it's unclear if enough jobs will be created in the next three to five years to make any real difference.

Other Highlights:

While the market will remain flat for the next 12 months, Marcus Partners could add over 800,000 SF of Class A office space when the market rebounds. In addition, Boston Properties recently announced plans to invest \$30 million into its purchased Bay Colony.

Total available (versus vacant) space is 21.4% in, while availability in some other submarkets (Metrowest, 495 Central, 495 North) average 10-15% points higher.

Asking rents for Class A space increased slightly to \$34/SF, while Class B remained flat at \$25.50/SF. Rents for both Class A and B will likely remain flat for the rest of the year.

Recent Transactions:

- Hitachi Took 50,000 SF at 610 Lincoln St, Waltham
- PyxisMobile Took 40,000 SF at 1000 Winter Street, Waltham
- Schwartz Communications Took 29,950 SF at 300 Fifth Avenue, Waltham
- Verisk Analytics Took 25,000 SF at 201 Jones Road, Waltham

Largest Tenants in the Market:

- VistaPrint with 150,000 SF
- Iron Mountain with 100,000 SF
- Sybase with 85,000 SF
- Welch's with 75,000 SF

Largest Contiguous Availabilities:

- 133 Boston Post Road, Weston: 356,992 SF
- 55 Chapel Street, Newton: 201,317 SF
- 1100 Winter Street, Waltham: 154,813 SF
- 20 Maguire Road, Lexington: 101,868 SF
- 333 Wyman Street, Waltham: 83,000 SF
- 1050 Winter Street, Waltham: 56,000 SF

Takeaway for Tenants:

Thanks to advanced technology and current economic conditions, more and more tenants are seeking ways to do more with less. Creative workplace solutions such as telecommuting and a predilection among tenants to renew existing leases and not expand will keep demand from rebounding quickly.

Tenants with strong business plans and good credit should consider locking into leases for the long term in order to take advantage of current market conditions.

Shawn is an exclusive tenant advisor responsible for business development in the Route 128 market. His column was reprinted with permission from <http://www.cresapartners.com/boston/blog/>