



Winter/Spring 2023

Suburban Route 128

Annual Market Insight Report

Photo: Duncan Lake/Cresa

cresa

Route 128

The pendulum is swinging back to the tenant's side headed into 2023, a welcome change for occupiers in the Greater Boston market who have been subject to rising costs and competitive market activity in recent years.

Office rents along Route 128 have largely held firm for the last three years. We have even seen increases in some assets, namely among the highly amenitized Class A spaces in demand. Entering 2023, opportunity is emerging for occupiers: available sublease space is steadily increasing while overall leasing activity remains stunted. Smaller requirements and downsizing exercises continue to drive market movement and decisions. Soon enough, landlords will have to react to these dynamics by adjusting their asking rents and concession packages.

Photo: Duncan Lake/Cresa



Collaboration Remains Key

Many organizations have embraced hybrid working, but most still prefer collaborative, team-orientated spaces as opposed to dedicated, individualized layouts.



New Market Activity is Slow

Much of the leasing activity is made up of shorter term extensions and relocations into smaller spaces as occupiers downsize to meet their post-pandemic needs, with limited large-growth and new-to-market companies looking to take down space.



Amenities in Demand

In the continued flight to quality, on-site, high-end amenities are a top priority for companies looking to enhance the in-office employee experience.



Market Size
48,794,650 SF



Vacancy
12.5%



Sublease
4.3%

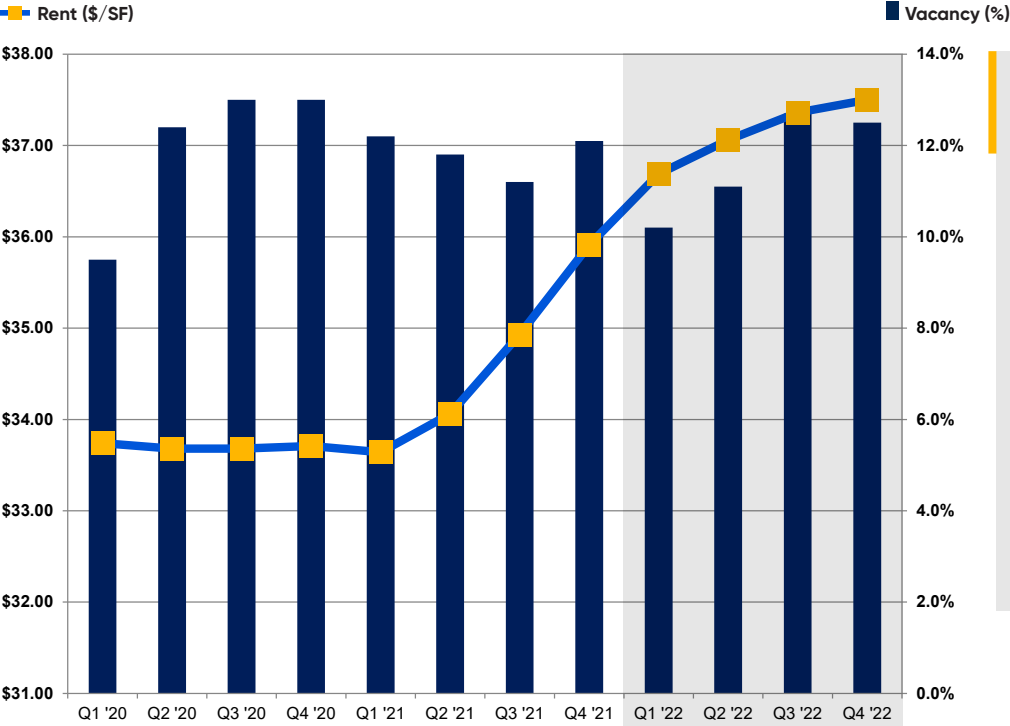


Available
19.6%

Arrows Indicate One Year Change

Direct Availability + Sublease Availability

Historical Rent & Vacancy



Although 2022 did not see the vacancy percentage match the pandemic high of 13% from Q3 and Q4 of 2020, the market currently holds more vacant square feet of office space than in either of those quarters. Anticipate the recent climb in market rent to continue to level off in response.

Get to Know: Burlington Mall



Rendering: boston25news.com

In response to the strong and growing appetite for high-quality space and amenities, Route 128 is seeing a wave of renovations designed to enhance the suburban work experience. HBC Properties and Investments is converting 360,000 SF of existing retail space in Burlington, Natick and Braintree into life sciences facilities, and the Burlington Mall is reimagining underutilized storefronts to offer outdoor food and beverage space and become a dining destination for the nearby office population.

[Visit Website](#)

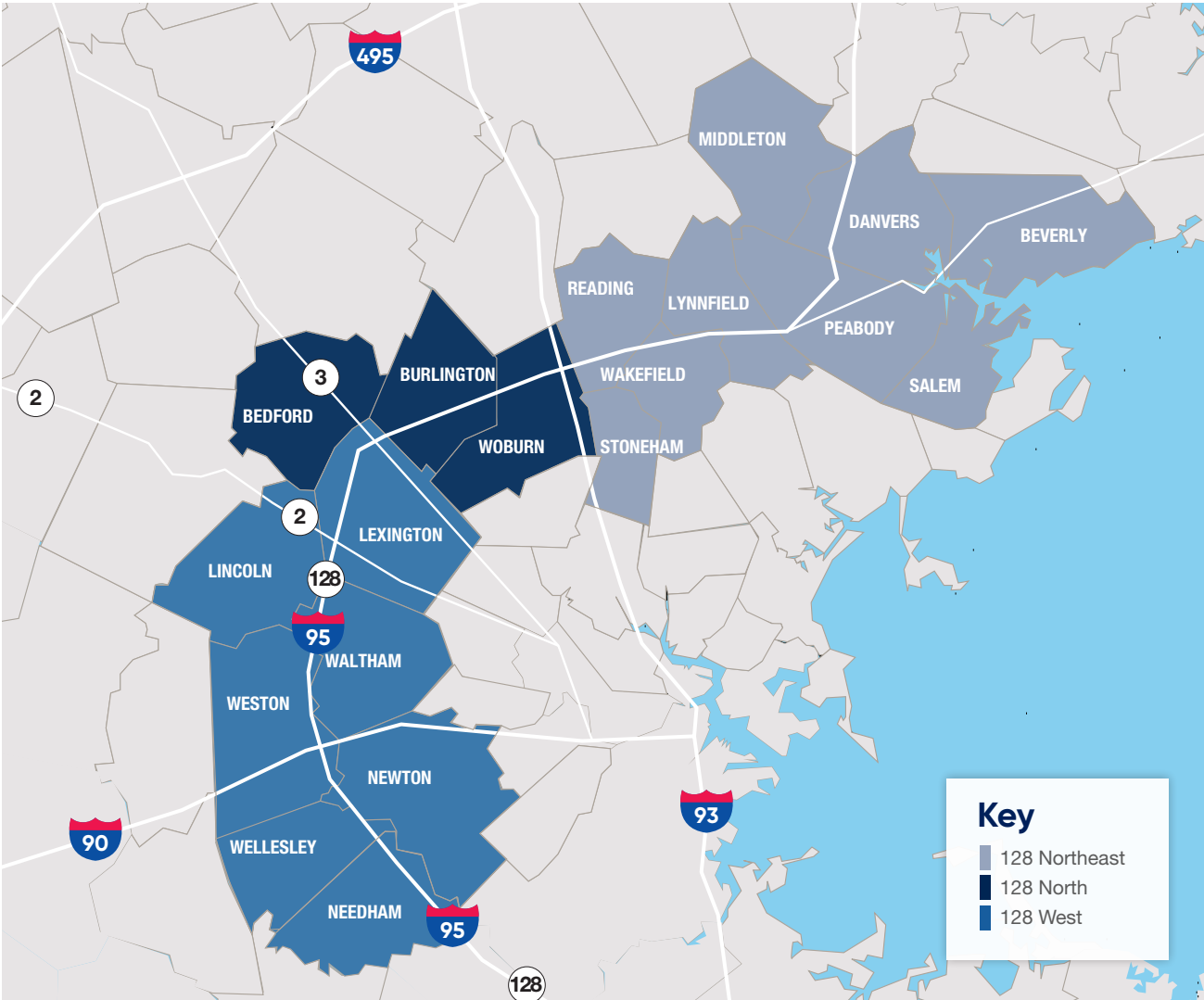
By the Numbers

Data as of Q4 2022

Submarket	Market Size (SF)	Vacant	Sublease	Available	Class A Rent/SF	Class B Rent/SF
128 Northeast	7,627,080	11.8%	2.4%	15.0%	\$29.00	\$24.00
128 North	13,073,556	12.0%	6.1%	22.7%	\$40.00	\$32.00
128 West	28,094,014	12.9%	3.9%	19.5%	\$46.00	\$37.00
Total	48,794,650	12.5%	4.3%	19.6%	\$42.00	\$33.00

	Class A	Class B
128 Northeast	15.8%	9.7%
128 North	14.3%	9.9%
128 West	15.1%	10.6%
Total	15.0%	10.2%

 Though Class A vacancy rates may seem high, much of the available square footage is in large blocks of space. There are very few Class A assets available for smaller occupiers (15,000 SF or less).



While larger office deal velocity has been low, the Route 128 market saw several notable transactions in 2022.

These deals were not only significant in size, but they were all Class A assets – a telling depiction of tenants’ appetite for quality.



1 Van De Graaff Drive, Burlington | Photo: Duncan Lake/Cresa

Notable Transactions

Tenant	Address	City	Size (SF)	Type
Broad Institute	25 Network Drive	Burlington	145,705	New Facility
Wellington Management Company	140 Kendrick Street	Needham	104,166	New Facility
National Grid	170 Tracer Lane	Waltham	73,000	Relocation
Signify	1 Van De Graaff Drive	Burlington	55,000	Relocation
Clarks	140 Kendrick Street	Needham	44,803	Relocation
Veracode	65 Network Drive	Burlington	44,365	Renewal
Convergent Dental	100 Fifth Avenue	Waltham	30,000	Relocation
J.C. Cannistraro	201 Jones Road	Waltham	25,959	Relocation



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



25 Network Drive, Burlington | Rendering: costar.com



40 Hartwell Avenue, Lexington | Photo: Duncan Lake/Cresa



4 Burlington Woods Drive, Burlington | Photo: costar.com

Investment Sales

Buyer	Address	City	Size (SF)	Price/SF	Asset Type
MetLife	4 Burlington Woods Drive	Burlington	109,085 SF	\$944.22	Lab
Barings	1 Patriots Park	Bedford	143,553 SF	\$919.52	Lab
Investcorp	20 Maguire Road	Lexington	101,310 SF	\$878.49	Lab
Alexandria	35 Gatehouse Drive (3 Building Sale)	Waltham	342,587 SF	\$742.33	Lab
Anchor Line Partners	Alexandria Park at Route 128 (9 Building Sale)	Waltham, Lexington, Bedford	370,000 SF	\$608.10	Lab
Mass General Brigham	195 West Street	Waltham	63,500 SF	\$593.70	Office
Greatland	25 & 40 Hartwell Avenue	Lexington	63,000 SF	\$542.85	Office
Beacon Capital Partners	Park9 (4 Building Sale)	Wellesley	375,058 SF	\$538.58	Office
Westbrook Partners	415 Wildwood Avenue	Woburn	241,600 SF	\$366.31	Industrial
GI Partners	3 Burlington Woods Drive	Burlington	164,000 SF	\$354.45	Office Slated for Lab Conversion
Bulfinch	254 Second Avenue	Needham	86,906 SF	\$352.68	Office
Montana Avenue Capital Partners	5 Burlington Woods Drive	Burlington	103,380 SF	\$316.79	Office Slated for Lab Conversion
Alexandria	225 & 235 Presidential Way	Woburn	440,130 SF	\$293.09	Office
Lincoln Property Company	Newton Wellesley Executive Park (4 Building Sale)	Wellesley	129,872 SF	\$281.43	Office
Taurus Investments	Wells Park (3 Building Sale)	Newton	377,696 SF	\$243.58	Office
AEW	14 Oak Park Drive	Bedford	171,580 SF	\$157.36	Office
Greatland	12-18 & 24 Hartwell Avenue	Lexington	162,650 SF	\$106.00	Office Slated for Lab Conversion

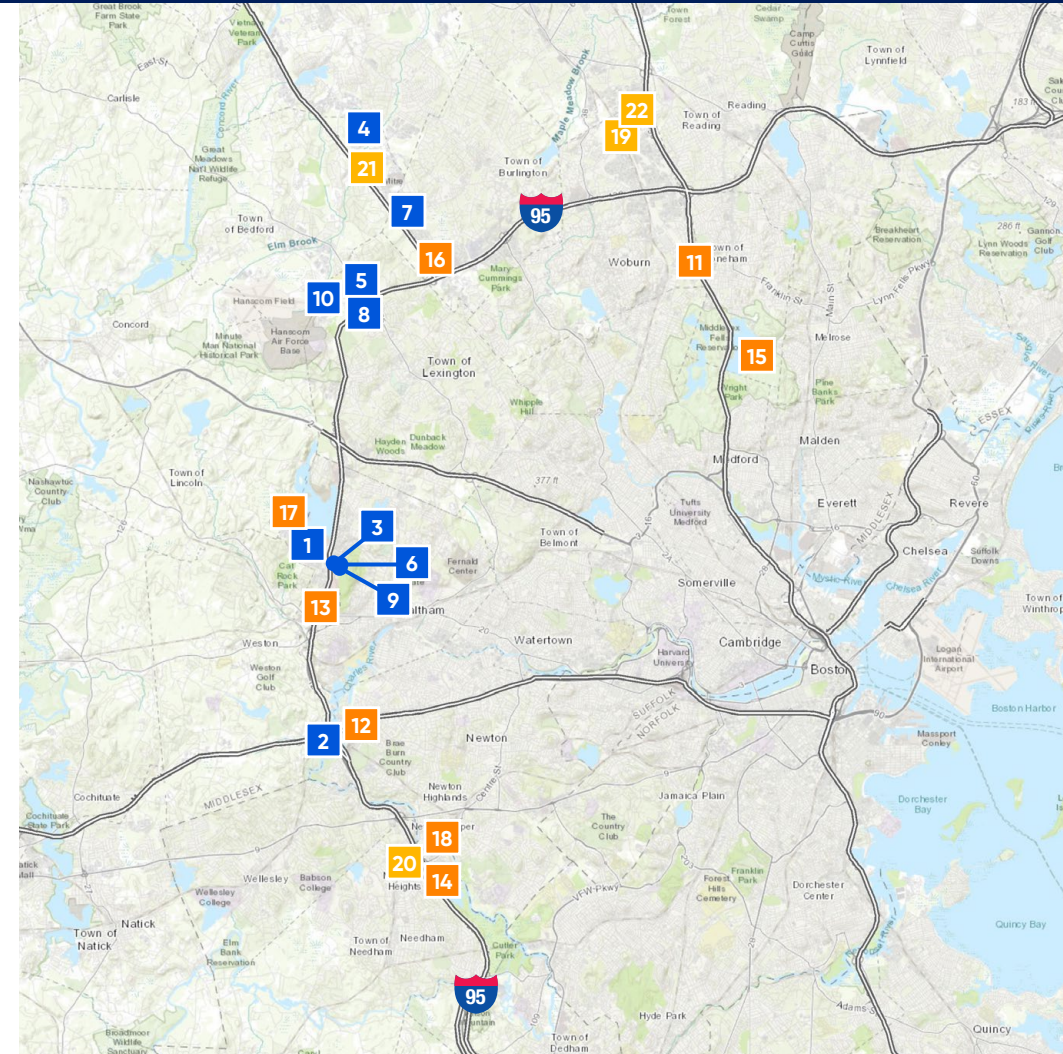
Development Pipeline

■ Under Construction ■ Permitted Development ■ Proposed

Development	Developer/Owner	Size (SF)	Asset Type
1 Reservoir Woods East, 10 Sylvan Road, Waltham	Alexandria	440,000	Lab
2 Riverside Labs, 9, 15 & 20 Riverside Road, Weston	Greatland Realty Partners	340,000	Lab
3 180 CityPoint, 180 Third Avenue, Waltham	Boston Properties	330,000	Lab
4 Bedford Woods, 170-172 Middlesex Turnpike, Bedford	The Gutierrez Company	326,000	Lab/GMP
5 440 Bedford Street, Lexington	Trammell Crow Company	310,000	Lab
6 245 5th Avenue, Waltham	Anchor Line Partners	262,000	Lab
7 25 Blue Sky Drive, Burlington	Nordblom	260,000	Lab
8 3 Ledgeмонт Center, Lexington	Hobbs Brook Management	162,000	Lab
9 103 CityPoint, 103 Fourth Avenue, Waltham	Boston Properties	113,000	Lab/GMP
10 1-3 Hartwell Place, Lexington	North River Leerink	100,000	Lab
11 The Vale, 2 Hill Street, Woburn	Leggat McCall	800,000	Lab/Office
12 Riverside Station Development, Grove Street, Newton	Mark Development	598,000	Lab/Office
13 110 Bear Hill Road, Waltham	Morgan Communities	375,000	Office/Flex
14 Founders Park, 37 A Street & 2 B Street, Needham	Normandy	259,000	Office
15 Langwood Commons, 5 Woodland Road, Stoneham	The Gutierrez Company	225,000	Office
16 Nexus Burlington, 43 South Avenue, Burlington	The Gutierrez Company	190,000	Lab
17 Reservoir Woods West, 910 Winter Street, Waltham	Davis Marcus Partners	150,000	Office
18 Northland Newton Development, 156 Oak Street, Newton	Northland	~150,000	Office
19 216 New Boston Street, Woburn	Cabo, Cabot & Forbes	310,000	Lab
20 Muzi Ford Redevelopment, 557 Highland Avenue, Needham	Bulfinch	300,000	Lab/Office
21 Crosby Drive BTS, Bedford	Anchor Line Partners	160,000	Lab/Office
22 215 Presidential Way, Woburn	Alexandria	112,000	Lab



The life sciences explosion continues to reverberate through the market: **there are no pure office developments in the construction pipeline.**

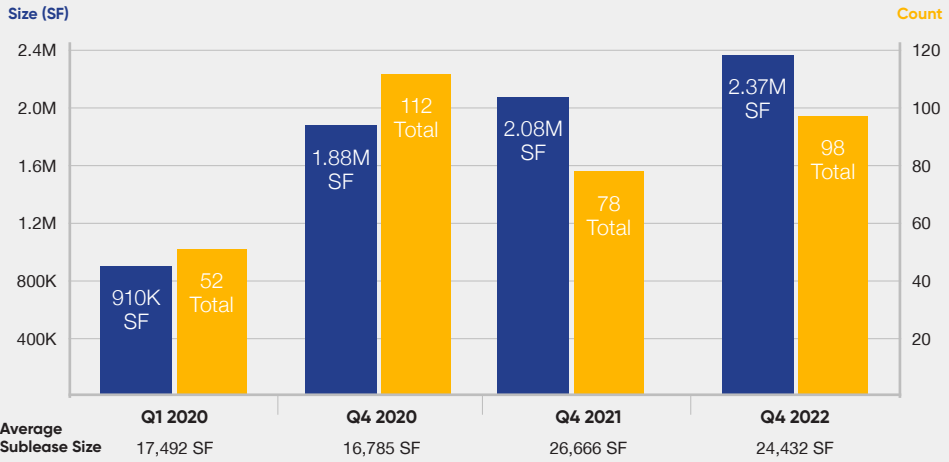


Sublease Observations

With the economic downturn beginning to make an impact both nationally and locally in 2023, occupiers are assessing their real estate holdings with a more conservative approach. As a result, and with projected growth slowing significantly, tenants across industries are releasing space onto the sublease market. The 128 market saw a notable jump in life sciences subleases in the second half of 2022, contributing to the overall year-over-year rise in sublease inventory. At the close of 2022, a total of 2.37M SF of sublease product was available along the Central Route 128 corridor – nearly tripling in size since April 2020.

Notably, despite the uptick in available square feet, the total number of subleases on the market fell from the peak count at the end of 2020. In other words, the average sublease is getting larger. This trend is largely driven by corporate occupiers looking to shed excess space and life sciences users looking to preserve cash. While the overall increase in sublease space appears to be advantageous for occupiers eyeing new real estate, size is definitely a key factor. The market has a number of offerings for medium and large spaces, but smaller users may struggle to find an appropriate footprint that meets their quality and amenity objectives.

Sublease Space Year-End Comparison



Behind the Numbers

74%

are office subleases
(72 of the 98 active subleases on the market as of 12/31/2022)

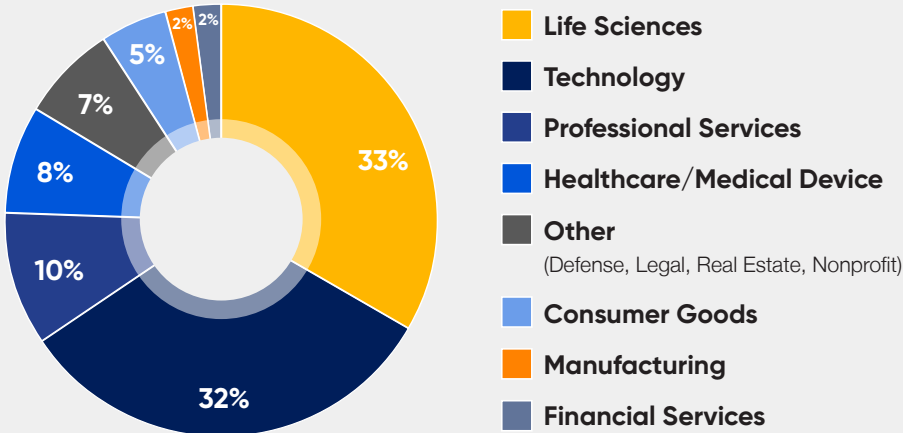
26%

are life science/
flex subleases
(26 of the 98 active subleases on the market as of 12/31/2022)

<40%

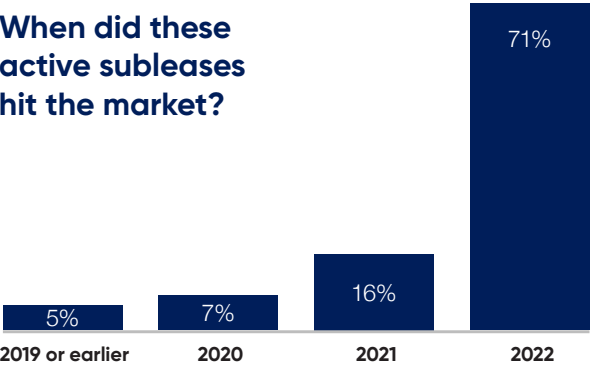
of the overall inventory
is considered true
Class A product

Inventory Breakdown by Industry

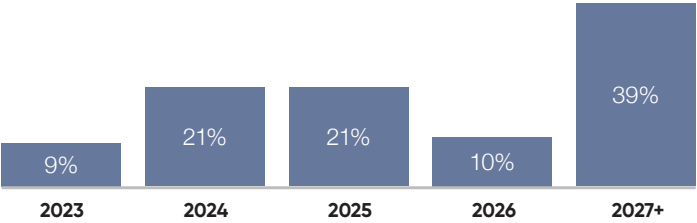


Sublease Shelf Life

When did these active subleases hit the market?



When do they expire?



Sizeable Subleases on the Market

 188,220 SF Office 174 Middlesex Turnpike Bedford	 152,748 SF Office 1000 Winter Street Waltham	 105,769 SF 400 First Avenue Needham	 104,000 SF Lab 41 Seyon Street Waltham	 98,419 SF Office 133 Boston Post Road Weston
 85,770 SF Flex 14 & 18 Crosby Drive Bedford	 78,415 SF Flex 4, 6 & 8 Crosby Drive Bedford	 42,710 SF Office 75-95 Wells Avenue Newton	 40,000 SF Office 75 Network Drive Burlington	 32,139 SF Office One Newton Place Newton

What does this mean for Occupiers?



50% of the sublease inventory expires between now and 2025; these opportunities on the market offer short term flexibility below direct market rents.



Smaller, high-quality sublease space (10,000 SF and below) remains scarce as many occupiers seek right-sized, hybrid-adjusted footprints that offer a best-in-class user experience.



Life sciences occupiers can now be more intentional with their site selection compared to this time last year. 89% of the life science subleases currently on the market came available in 2022 in response to economic headwinds and capital access volatility. These spaces had been virtually non-existent during the pandemic.

Upgrade and They Will Come

Quality and high-end amenities continue to drive demand

As companies grapple with the return-to-office and hybrid work, there is a strong appetite across industries for modern, renovated and amenitized spaces. This has become an overarching theme throughout the Route 128 market and landlords are feeling the pressure to deliver.

Office leasing activity is nowhere near where it was just a few short years ago. As market stakeholders proceed cautiously into a year plagued with recessionary fears, occupier priorities have also shifted. Tenants in the market are seeking places and spaces that will be desirable destinations for their employees to help ease the resistance to in-office work. These spaces often include high-end and modern finishes like exposed ceilings, polished concrete floors, ample glass rooms, lighting features and high-touch/visible technology. Users want to see this aesthetic extend beyond the confines of individual tenant suites, translating throughout the building and common area amenity offerings.

Landlords are taking note and doubling down with capital improvements to stay competitive, as evidenced by significant capital overhaul in buildings up and down the

Central Route 128 corridor. Prime examples include 25 Mall Road (Burlington), 1 Van De Graaff Drive (Burlington), Blue Sky Drive (Burlington), and 140 Kendrick Street (Needham) where multi-million-dollar budgets have been allocated to upgrade food service, common conferencing spaces, lounge areas, fitness centers and locker rooms with showers.

As market dynamics continue to shift in favor of the tenant, these strategic investments will likely separate the landlords and assets that win tenant requirements from those who get passed on in the year ahead. Offerings that minimize occupiers' out-of-pocket spend (on-site amenity and perk packages, high-end spec suites that are close to turnkey, etc.) will prove especially competitive in luring tenants in position to make leasing decisions.



Blue Sky Drive, Burlington | Photo: Duncan Lake/Cresa

“Landlords are taking note and doubling down with capital improvements to stay competitive.”



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

High-End, Brick & Beam Build in Newton

Client: Aquant

Location: 1234 Chestnut Street, Newton

Project Size: 5,500 SF

Cresa Services Provided: Transaction Management

Aquant sought to strike a balance between a modern, polished aesthetic and authentic, unique character.

Photos: DiMella Shaffer (Architect) | Anton Grassl (Photographer)

Objectives

Looking to tap into Boston's renowned talent pool, Aquant searched for space in the Central Route 128 belt to help establish a New England presence. The New York-based software company did not want cookie-cutter office space – they sought to strike a balance between a modern, polished aesthetic and authentic, unique character.

Strategy & Results

Aquant brought Cresa on board to help navigate the real estate process and to ultimately locate space that could serve their functional needs, echo and enhance their brand image and support their hybrid staff. The team also engaged DiMella Shaffer to provide architectural and design services to be sure the space could support Aquant's style of work, forecast growth and distinct vision. The search led them to 1234 Chestnut Street, a newly renovated and amenitized historical industrial building in their preferred neighborhood. The brick and beam inspired property provided a rich and unique backdrop for Aquant's design choices, highlighted by subtle branding, high-end finishes and a private entry, all of which will support their efforts to attract target talent as they continue to scale.

Things to Consider

1

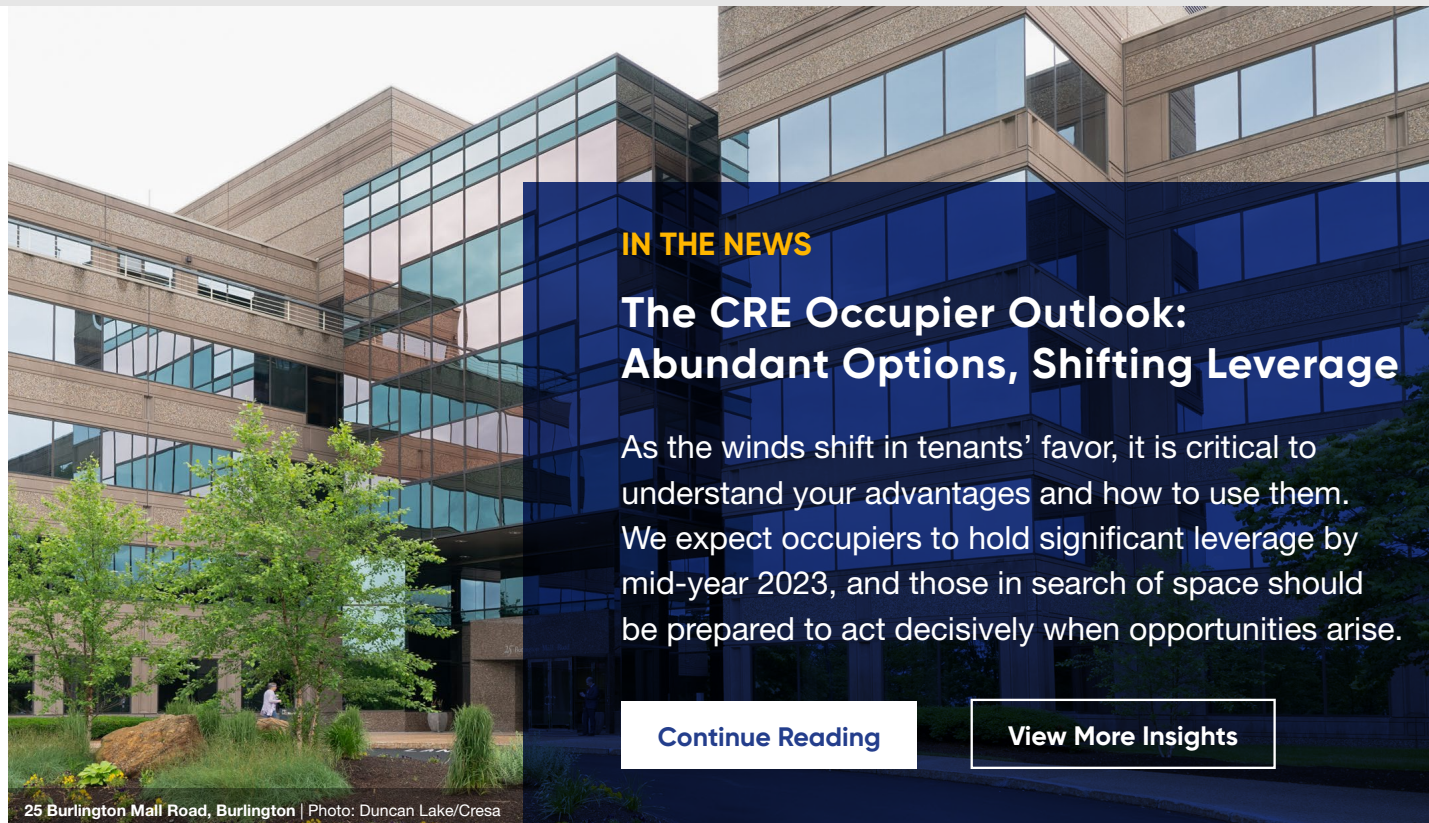
Is inflation affecting your operating costs?

Now is a good time to audit your real estate spending to understand what's under the hood with your building and landlord and to ensure all charges check out.

2

Is your site selection process factoring in the employee experience?

Commuting patterns are a primary deterrent for employees in the return to the office, especially along Route 128 with the limited public transit access. During site selection, be sure to complete location and commute studies to understand the end-to-end workday experience for your employees.



25 Burlington Mall Road, Burlington | Photo: Duncan Lake/Cresa

IN THE NEWS

The CRE Occupier Outlook: Abundant Options, Shifting Leverage

As the winds shift in tenants' favor, it is critical to understand your advantages and how to use them. We expect occupiers to hold significant leverage by mid-year 2023, and those in search of space should be prepared to act decisively when opportunities arise.

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Occupier's Perspective



Leverage Sublease Opportunities

Keep an eye on the sublease space that continues to flood the market. If a space can support your team and functions, it's an opportune way to secure move-in ready space with limited capital expense and lease flexibility.



Small Users Should Be Ready to Act

If a Class A asset on the smaller side (15,000 SF or less) becomes available, be ready to commit. With many occupiers eyeing smaller, high-quality space, there is limited inventory of readily available blocks of space that don't require demising or can even accommodate these smaller footprints.

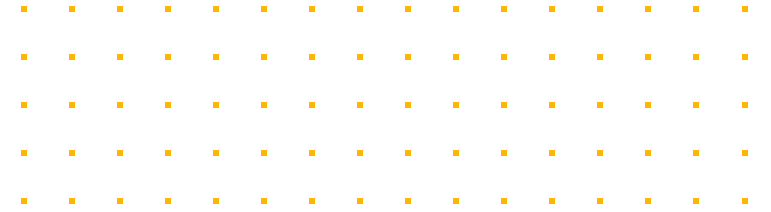
2023 Hot Take:

Sublease spaces with competitive, below market rents will force landlords to soften their base rents for direct space as they compete for the same tenants.

Meet the Team



Click to learn more about our advisors



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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.

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