

# INTERSTATE 495

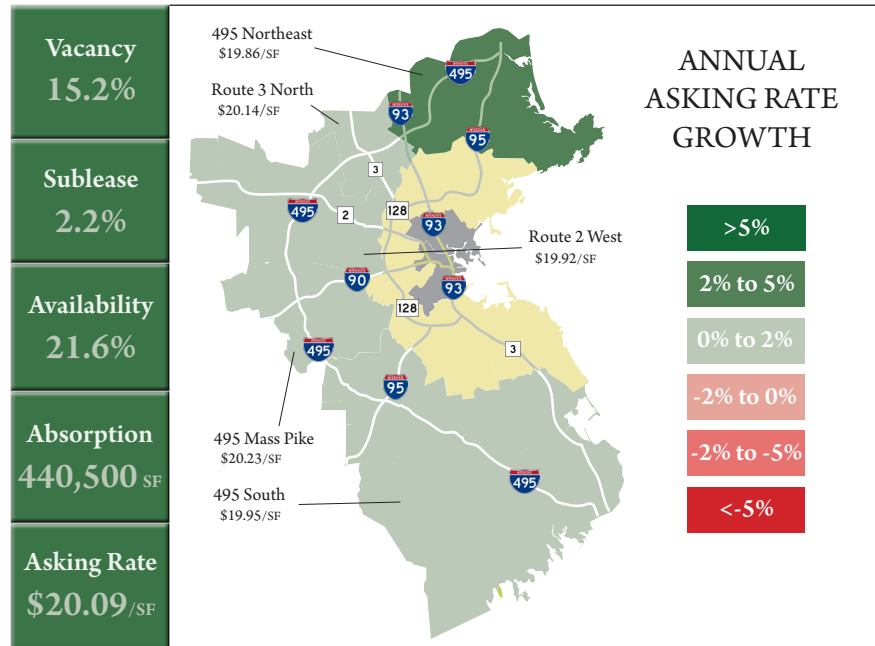
## Office Report

First Quarter 2017

### I-495 LEVERAGES MARKET POSITION

The Interstate 495 loop continued its strong growth this quarter with over 277,800 square feet of positive net absorption. As Greater Boston's secondary suburban belt, Interstate 495 has traditionally served as the economical back office or corporate campus solution. However, as the eastern Massachusetts landscape has evolved and become more saturated, tenants are looking to I-495 locations for rent relief and expansion space.

While the majority of Interstate 495 office space has been viewed as commodity space, astute owners are enhancing building lobbies, common corridors and the outdoor experience to attract today's modern tenants. Within tenant suites, users have become more conscience of how space use and amenities influence corporate culture and employee satisfaction.



**MASSACHUSETTS UNEMPLOYMENT**  
3.4% (February)



**NATIONAL UNEMPLOYMENT**  
4.7% (February)



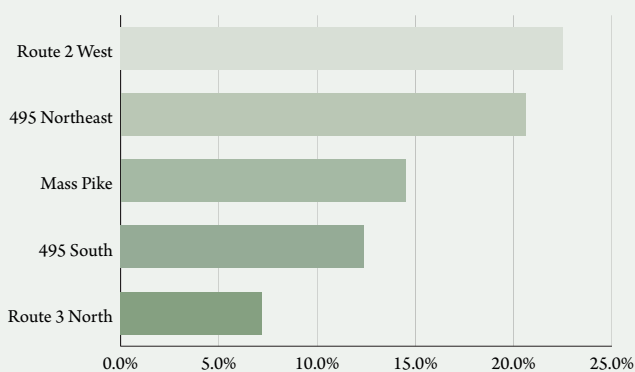
**2016 MASS VC INVESTMENT**  
\$4.8 Billion



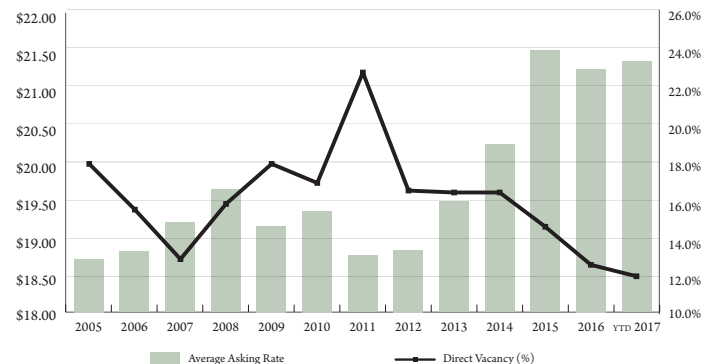
**2016 NIH MASS FUNDING**  
\$2.5 Billion

### MARKET ACTIVITY

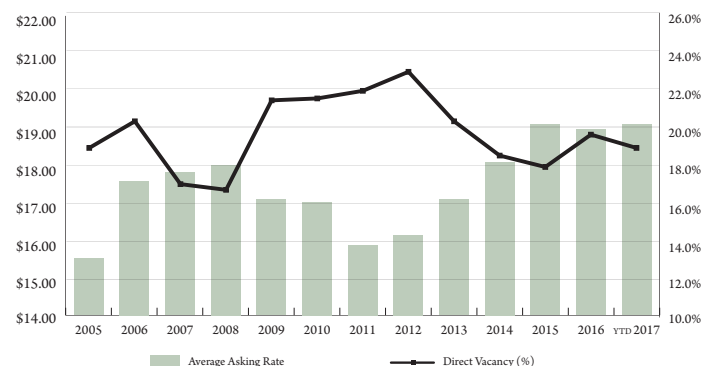
#### DIRECT VACANCY RATE BY SUBMARKET



#### CLASS A - ASKING RATE VS. DIRECT VACANCY



#### CLASS B - ASKING RATE VS. DIRECT VACANCY



Interstate 495's direct vacancy rate dropped to 15.2% which moved the submarket 80 basis points below its ten year low. Looking forward expect vacancy to tighten an additional 50-100 basis points, however it's unlikely that with nearly 43MM SF of inventory and the emerging flex market that vacancy will drop below a stabilized 14.0% percent level.

The evolution of the flex and industrial market will have an impact on the I-495 office market. With tenants more than ever blending office with R&D and light manufacturing uses watch for antiquated office buildings to market towards non-traditional office users through an adaptive reuse process.



**DIRECT  
VACANCY**  
15.2%



**SUBLEASE  
AVAILABILITY**  
2.2%



**TOTAL  
AVAILABILITY**  
21.6%



**12-MONTH  
ABSORPTION**  
440,500 SF



**AVERAGE  
ASKING RATE**  
\$20.09/SF

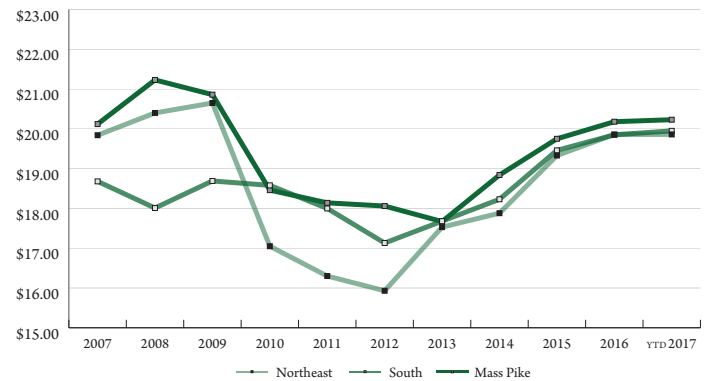
• Quarterly performances were mixed across the suburban landscape, however from a broader horizon the market has performed very well with solid leasing velocity and fundamentals. The generally stable market which offers less volatility than urban markets has experienced inward migration from urban tenants looking to inexpensively expand their footprints.

• Following recent relocations to Marlborough (200 Forest Street) by *GE Healthcare* and *Quest Diagnostics*, *Whole Foods* announced it would be leaving its regional HQ at 125 Cambridgepark Drive for 50,000 SF at 200 Forest Street. The former 530,000 SF *Hewlett Packard* owned building has nearly fully stabilized since turning vacant several years ago. The adaptive/creative reuse of the property capitalizes on sky-high construction costs and replacement values which are making new suburban development very challenging.

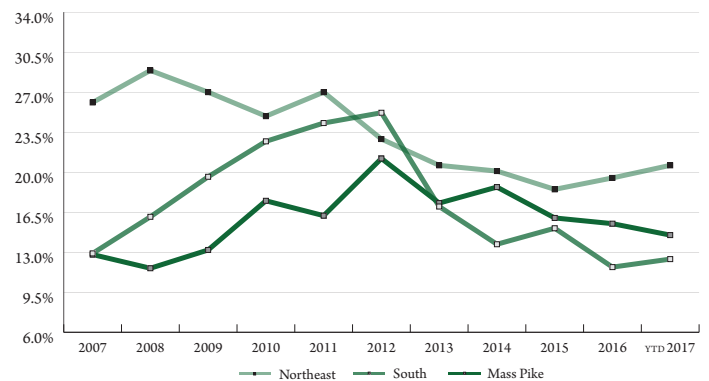
• Fresh off a banner year in 2016 which included nearly 600,000 SF of lease velocity between *Kronos & Ocular Therapeutix* alone, Route 3 North sustained positive momentum with *Rockwell Automation* committing to 57,000 SF at 2 Executive Drive and *EXFO* leasing 28,000 at 250 Apollo Drive. Watch for Route 3 North to continue evolving as the leading technology and healthcare hub on I-495.

• The forecast for Interstate 495 market remains very bright. Tenants are more real estate conscience than ever before and face the challenge of keeping costs in check while cultivating corporate culture that retains and attracts top talent. In many instances, landlords are proactively meeting the market through enhanced on-site amenities and other creative innovations that emphasize placemaking.

#### AVERAGE ASKING RATE BY SUBMARKET



#### AVERAGE DIRECT VACANCY BY SUBMARKET



#### NOTABLE QUARTERLY LEASES

| Address            | Town        | Submarket     | Tenant              | SF      |
|--------------------|-------------|---------------|---------------------|---------|
| 32 Wiggins Road    | Bedford     | Route 3 North | Anika Therapeutics  | 134,000 |
| 2 Executive Drive  | Chelmsford  | Route 3 North | Rockwell Automation | 57,000  |
| 200 Forest Street  | Marlborough | 495 Mass Pike | Whole Foods         | 50,000  |
| 26 Forest Street   | Marlborough | 495 Mass Pike | Babcock Power Sales | 46,100  |
| 5 Technology Park  | Westford    | Route 3 North | Akamai Technologies | 48,000  |
| 100 Pennsylvania   | Framingham  | 495 Mass Pike | Disruptor Beam      | 30,700  |
| 250 Apollo Drive   | Chelmsford  | Route 3 North | EXFO                | 28,000  |
| 46 Lizotte Drive   | Marlborough | 495 Mass Pike | Wind River Environ. | 16,300  |
| 210 Littleton Road | Westford    | Route 3 North | Medacuity           | 13,500  |
| 1800 W. Park Drive | Marlborough | 495 Mass Pike | CCR Wealth Mgt.     | 9,800   |
| Mill & Main        | Maynard     | Route 2 West  | Revolution Factory  | 9,000   |
| 80 Central Street  | Boxborough  | Route 2 West  | Antaeus Wealth Adv. | 5,000   |
| 100 Pennsylvania   | Framingham  | 495 Mass Pike | Applause App        | 5,000   |

#### RECENT INVESTMENT SALES (A&B)

|  |   |
|--|---|
|  | <b>300 Baker Avenue, Concord</b><br>\$63,500,000 (\$154/RSF)<br>Buyer: Novaya R.E.            |
|  | <b>100 Nagog Park, Acton</b><br>\$9,250,000 (\$48/RSF)<br>Buyer: Insulet Corporation          |
|  | <b>6 Campanelli Drive, Andover</b><br>\$4,775,646 (\$92/RSF)<br>Buyer: American Training Inc. |
|  | <b>305 Foster Street, Littleton</b><br>\$4,375,000 (\$55/RSF)<br>Buyer: Apex Properties       |
|  | <b>200 Baker Avenue, Concord</b><br>\$4,350,000 (\$84/RSF)<br>Buyer: New Horizons Comm.       |

# INTERSTATE 495

## Office Report

First Quarter 2017

LINCOLN  
PROPERTY  
COMPANY

STATS

| OFFICE                | Total Inventory(SF) | Direct Vacancy | Sublease Availability | Total Availability | Quarterly Absorption (SF) | 12 Month Absorption (SF) | Average Asking Rate |
|-----------------------|---------------------|----------------|-----------------------|--------------------|---------------------------|--------------------------|---------------------|
| <b>OFFICE A&amp;B</b> |                     |                |                       |                    |                           |                          |                     |
| <b>Inner Suburbs</b>  | 4,184,000           | 8.9%           | 1.7%                  | 15.1%              | (12,850)                  | (38,500)                 | \$33.04             |
| <b>ROUTE 128</b>      | <b>60,093,000</b>   | <b>10.5%</b>   | <b>3.0%</b>           | <b>16.0%</b>       | <b>46,500</b>             | <b>337,000</b>           | <b>\$26.81</b>      |
| 128 West              | 24,446,000          | 8.7%           | 3.9%                  | 15.5%              | 69,700                    | 69,350                   | \$31.60             |
| 128 North             | 18,883,000          | 10.9%          | 2.7%                  | 17.4%              | 31,7560                   | 131,450                  | \$25.35             |
| 128 South             | 16,764,000          | 12.9%          | 1.9%                  | 15.1%              | (54,950)                  | 136,100                  | \$21.46             |
| <b>INTERSTATE 495</b> | <b>42,456,000</b>   | <b>15.2%</b>   | <b>2.2%</b>           | <b>21.6%</b>       | <b>277,800</b>            | <b>440,500</b>           | <b>\$20.09</b>      |
| 495 Mass Pike West    | 19,114,000          | 14.5%          | 3.3%                  | 22.5%              | 192,700                   | 162,750                  | \$20.23             |
| 495 Route 2 West      | 6,585,000           | 22.5%          | 1.3%                  | 26.9%              | 43,150                    | (117,500)                | \$19.92             |
| 495 Northeast         | 5,721,500           | 20.6%          | 0.4%                  | 21.3%              | (59,550)                  | 7,500                    | \$19.86             |
| Route 3 North         | 6,763,500           | 7.2%           | 2.6%                  | 14.6%              | 130,500                   | 289,350                  | \$20.14             |
| 495 South             | 4,272,500           | 12.4%          | 0.8%                  | 20.6%              | (28,900)                  | 98,350                   | \$19.95             |
| <b>OFFICE A</b>       |                     |                |                       |                    |                           |                          |                     |
| <b>Inner Suburbs</b>  | 2,751,750           | 3.9%           | 2.4%                  | 12.9%              | (17,250)                  | (22,650)                 | \$33.00             |
| <b>ROUTE 128</b>      | <b>37,714,100</b>   | <b>10.2%</b>   | <b>4.1%</b>           | <b>16.3%</b>       | <b>(54,850)</b>           | <b>(278,500)</b>         | <b>\$29.98</b>      |
| 128 West              | 15,180,950          | 8.2%           | 5.3%                  | 15.8%              | 18,800                    | (119,150)                | \$36.13             |
| 128 North             | 12,906,050          | 11.1%          | 3.4%                  | 18.0%              | (54,800)                  | (116,550)                | \$27.93             |
| 128 South             | 9,627,150           | 12.3%          | 2.9%                  | 14.8%              | (18,800)                  | (42,850)                 | \$23.01             |
| <b>INTERSTATE 495</b> | <b>22,709,650</b>   | <b>12.0%</b>   | <b>2.4%</b>           | <b>19.9%</b>       | <b>144,100</b>            | <b>353,000</b>           | <b>\$21.25</b>      |
| 495 Mass Pike West    | 11,595,400          | 12.1%          | 2.9%                  | 21.4%              | 83,050                    | 22,950                   | \$21.11             |
| 495 Route 2 West      | 2,649,250           | 9.3%           | 2.6%                  | 15.6%              | (41,950)                  | 37,850                   | \$21.16             |
| 495 Northeast         | 3,173,500           | 22.0%          | 0.6%                  | 23.0%              | 32,250                    | 44,300                   | \$20.58             |
| Route 3 North         | 3,699,850           | 6.2%           | 3.4%                  | 13.6%              | 65,050                    | 172,850                  | \$22.48             |
| 495 South             | 1,591,650           | 8.9%           | 0.2%                  | 24.5%              | 5,700                     | 75,050                   | \$20.95             |
| <b>OFFICE B</b>       |                     |                |                       |                    |                           |                          |                     |
| <b>Inner Suburbs</b>  | 1,432,00            | 18.5%          | 0.2%                  | 19.1%              | 4,450                     | (15,800)                 | \$33.07             |
| <b>ROUTE 128</b>      | <b>22,378,800</b>   | <b>11.1%</b>   | <b>1.1%</b>           | <b>15.3%</b>       | <b>101,350</b>            | <b>615,500</b>           | <b>\$23.84</b>      |
| 128 West              | 9,265,000           | 9.4%           | 1.6%                  | 14.9%              | 50,950                    | 188,550                  | \$28.03             |
| 128 North             | 5,976,700           | 10.6%          | 1.2%                  | 16.0%              | 86,550                    | 247,950                  | \$21.52             |
| 128 South             | 7,137,050           | 13.6%          | 0.5%                  | 15.4%              | (36,150)                  | 178,900                  | \$20.34             |
| <b>INTERSTATE 495</b> | <b>19,746,400</b>   | <b>18.9%</b>   | <b>2.0%</b>           | <b>23.6%</b>       | <b>133,700</b>            | <b>87,450</b>            | <b>\$19.09</b>      |
| 495 Mass Pike West    | 7,518,350           | 18.2%          | 3.9%                  | 24.4%              | 109,650                   | 139,800                  | \$19.25             |
| 495 Route 2 West      | 3,935,500           | 31.5%          | 0.5%                  | 34.5%              | 85,150                    | (155,400)                | \$19.37             |
| 495 Northeast         | 2,548,050           | 18.9%          | 0.2%                  | 19.2%              | (91,850)                  | (36,800)                 | \$18.77             |
| Route 3 North         | 3,063,600           | 8.3%           | 1.5%                  | 15.8%              | 65,450                    | 116,450                  | \$18.15             |
| 495 South             | 2,680,900           | 14.4%          | 1.1%                  | 18.3%              | (34,650)                  | 23,300                   | \$19.61             |

All information provided in LPC's Market Statistics are from sources deemed reliable, but no warranty or representation is made as to its accuracy thereof and same is submitted subject to errors, omissions, or other conditions.

Lincoln Property Company's *I-495 Office Report* is produced by the Boston Office's research team in collaboration with our Suburban Brokerage Group. If you have any questions regarding market conditions and the information found in this report, please contact Ethan Robert at [erobert@lpc.com](mailto:erobert@lpc.com).