

Suburban Boston Office MarketView

Q4 2013

CBRE Global Research and Consulting



*Arrows indicate change from previous quarter.

THE GREATER BOSTON SUBURBAN OFFICE MARKET REMAINS IN GROWTH MODE WITH STRONG FOURTH QUARTER

Quick Stats

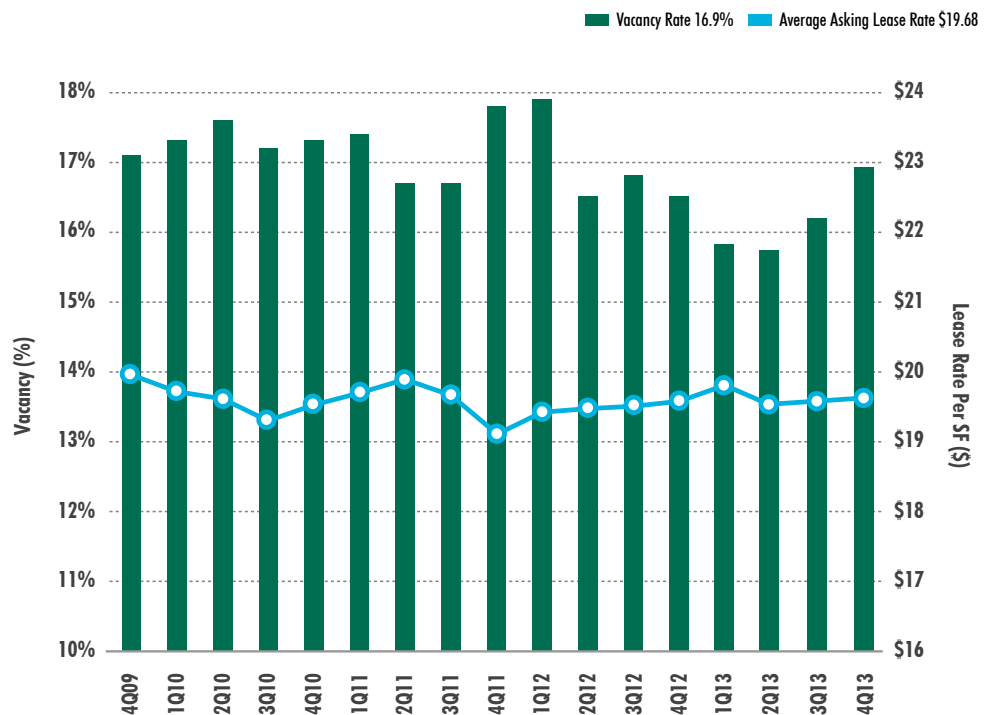
Q4 2013	Current	YoY	QoQ
Vacancy	16.9%	↑	↑
Lease Rate	\$19.68	↑	↑
Net Absorption	426,493 SF	↓	↑

Hot Topics

- monster.com subleased 174,000 square feet of office space from Biogen Idec at 133 Boston Post Road in Weston.
- Over 70% of the Class A office market in Burlington traded hands in 2013.
- Rising rents coupled with a lack of large, quality options is forcing tenants to consider new construction. A couple more projects are expected to break ground in 2014.

Following a relatively flat third quarter, the Suburban Office market finished 2013 strong, with 426,000 square feet of positive absorption in the fourth quarter. This was led by the Route 128 West and South submarkets, which posted 190,000 and 142,000 square feet of positive absorption in the fourth quarter, respectively. This pushed overall suburban office availability down by 30 basis points quarter-over-quarter to 20.3%, the lowest it has been since the second quarter of 2008. Additionally, it pushed average asking rents up by \$0.11 to \$19.68. Significant positive absorption of 1.3 million square feet in 2013, coupled with the continually growing trend of new construction and strong fundamentals, suggest that the Suburban Office market is still in growth mode.

Office Vacancy vs. Lease Rate



Source: CBRE/New England, Q4 2013

Metro North

- The Metro north submarket posted 42,000 square feet of positive absorption in the fourth quarter, up from negative 76,000 square feet in the third quarter. This pushed availability down 20 basis points quarter-over-quarter to 20.5%, and pushed average asking rents up \$0.06 to \$17.45, the highest point since the second quarter of 2012.
- Tenant activity in secondary markets, namely those surrounding Burlington, remained strong as tenants continued to seek value. Burlington rents continued to rise in the fourth quarter, by \$0.57 to \$24.92—the highest point since the second quarter of 2011. This is a result of increased investment sales in Burlington. In 2013, over 70% of Class A office product in Burlington changed hands, driving rents up \$1.84 year-over-year.

Metro West

- The Metro West submarket posted 141,000 square feet of positive absorption in the fourth quarter, bringing total absorption for the year to positive 824,000 square feet. This pushed availability down by 2.8% year-over-year to 19.3%. Asking rents remained relatively flat, decreasing \$0.10 from last year to \$21.00.
- Tenant demand continues to be driven by organic growth. Class A rents continue to increase, while concessions are down slightly. Given the lack of big block availability and rent increases, new construction is expected to pick up in 2014. One or two new projects announcements are anticipated for this year.
- The biggest deal taking place in the fourth quarter of 2013 was the monster.com sublease at 133 Boston Post Road in Weston. Biogen Idec had the 357,000 square foot facility on the market and backfilled approximately half of the space for their own use. They subleased the other 174,000 square feet in the end of October to monster.com, for a total of 357,000 square feet of positive absorption at 133 Boston Post Road year-over-year. Global Partners also signed a lease for 102,000 square feet at 800 South Street in Waltham.

- The Metro West market continues to be buoyed by the strength of the 128 West submarket, while leasing velocity in Framingham – Natick and the 495 corridor waned in the fourth quarter compared to the robust leasing activity experienced in the first half of the year.
- The monster.com deal speaks to three major trends currently being experienced by the Metro West, including: flight-to-quality, organic growth, and tenants being drawn to Route 128. In order to recruit and retain, tenants are looking to relocate to higher-quality, well-located buildings that can provide quality amenities to their employees.

Metro South

- The Metro South submarket posted 244,000 square feet of positive absorption in the fourth quarter, the highest since the second quarter of 2006 and the fourth consecutive quarter of positive absorption. This pushed availability down for the fourth consecutive quarter by two percentage points to 22.9%, the lowest point since 2009. Average asking rents increased \$0.35 quarter-over-quarter to \$19.20, the highest point since 2009 as well. These movements suggest that the Metro South is in continued growth mode.

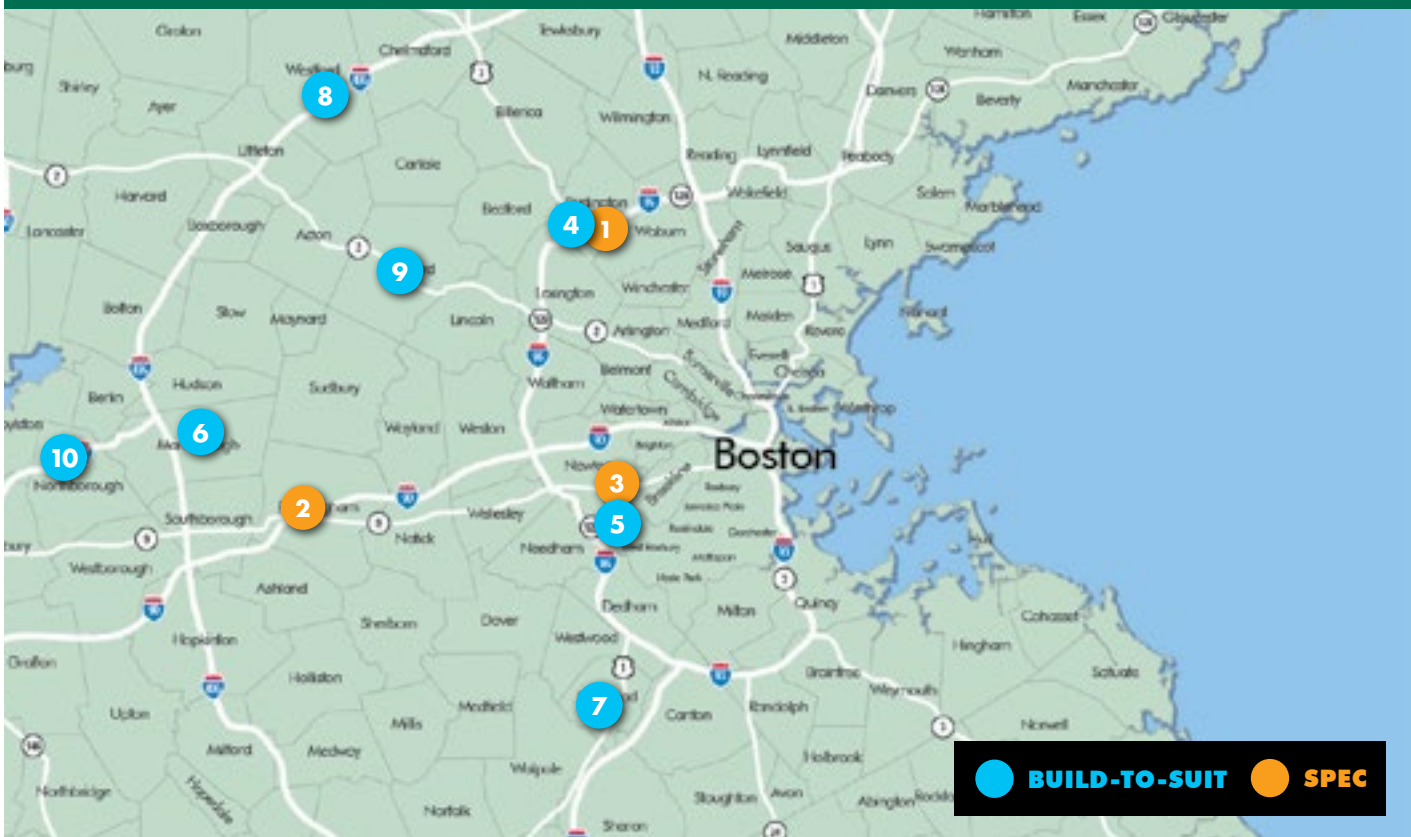
Transactions of Note

Tenant	Address	SF	Submarket	Type
monster.com	133 Boston Post Road	174,000	Metro West	Sublease; New/Expansion
ImmunoGen	830 Winter Street	116,500	Metro West	New
Global Partners, LP	800 South Street	101,771	Metro West	New
Amadeus	1050 Winter Street	56,000	Metro West	New/Expansion
National Heritage Insurance Company	75 Stg. William Terry Drive	55,168	Metro South	Renewal
Freedom Fertility Pharmacy	12 Kent Way	50,526	Metro north	Renewal
CR Bard Inc.	55 Technology Drive	46,119	Metro North	New
Nuance	15 Wayside Road	33,165	Metro North	New

SUBURBAN CONSTRUCTION SPOTLIGHT

New Construction – BTS vs. SPEC

- With more than 2.5 million square feet of office space currently under construction or scheduled to break ground in the near future, cranes have returned to change the suburban Boston landscape.
- Increased demand for Class A office space has led to a limited big block inventory, resulting in an uptick in spec and build-to-suit activity.
- In order to justify new construction in markets characterized by low supply and strong demand, such as 128 West, landlords will have to achieve mid-\$30s net rent, or mid-\$40s gross rent with taxes and operating expenses taken into consideration.
- The result — expect the Suburban Boston Office market to continue to tighten and rents to remain on the increase.



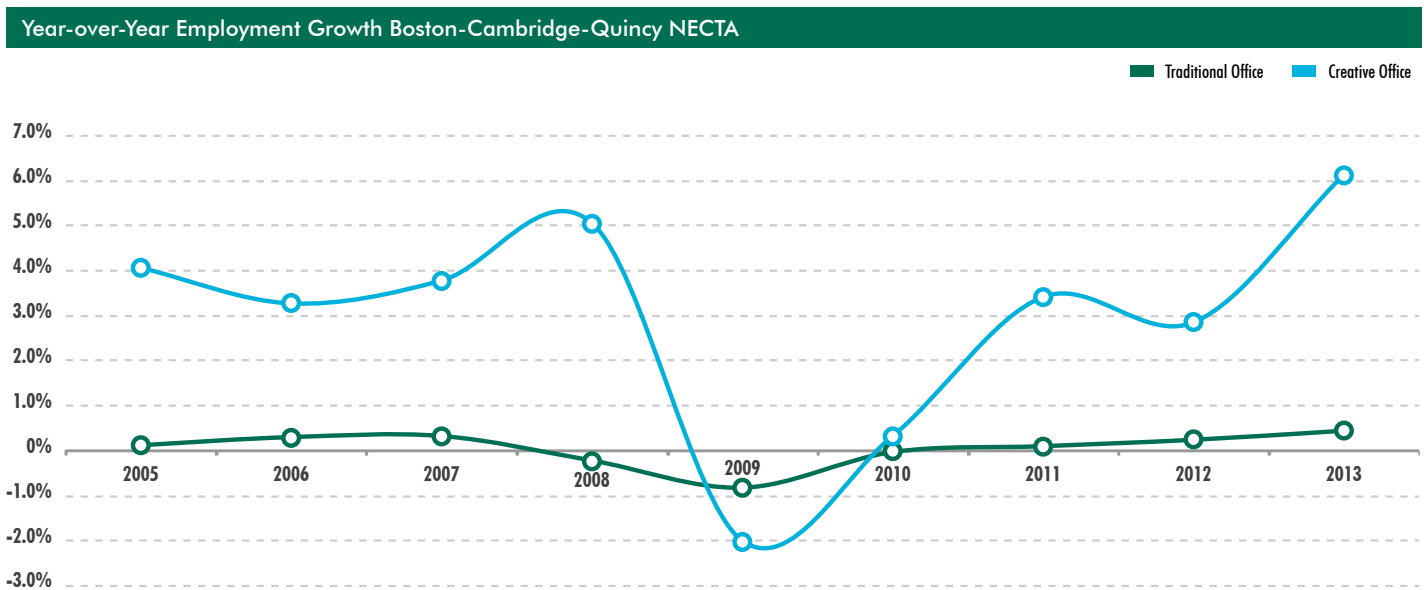
PROJECT/ TENANT NAME	LOCATION	STATUS	SF (OFFICE)	PROJECT/ TENANT NAME	LOCATION	STATUS	SF (OFFICE)
1 BLANCHARD WOODS	Burlington	Under Construction	125,000	6 BOSTON SCIENTIFIC	Marlborough	Under Construction	225,000
2 125 PENN	Framingham	Proposed-Permitted	85,000	7 FM GLOBAL HEADQUARTERS	Norwood	Under Construction	160,000
3 THE ATRIUM	Newton	Under Construction/Renovation	300,000	8 RED HAT	Westford	Complete	100,000
4 KEURIG	Burlington	Under Construction	424,000	9 HARVARD VANGUARD	Concord	Complete	50,000
5 CENTER 128 TRIPADVISOR	Needham	Under Construction	280,000	10 IRON MOUNTAIN	Northborough	Under Construction	30,000

Market Statistics

Market	Rentable Area (SF)	Availability Rate %	Vacancy Rate %	Sublease Rate %	Quarterly Net Absorption (SF)	Avg. Asking Rent (\$/SF/YR)
Close-In Suburbs North	4,147,746	14.2%	11.8%	2.4%	16,502	\$18.41
Route 128 – North	19,475,688	17.4%	13.5%	3.2%	33,816	\$20.11
Route 495 – Northeast	5,096,155	27.4%	22.3%	0.4%	(36,818)	\$15.27
Route 3 – North	14,232,189	24.1%	19.9%	3.2%	28,629	\$15.56
Metro North	42,951,778	20.5%	16.5%	2.8%	42,129	\$17.45
Route 128 – West	27,087,546	15.0%	12.3%	1.8%	189,505	\$27.00
Framingham – Natick	7,418,007	16.4%	13.2%	2.6%	(30,745)	\$19.60
Route 495 – Route 2 West	4,735,123	24.7%	20.4%	3.7%	(17,294)	\$15.20
Route 495 – Mass Pike West	13,548,898	27.6%	24.2%	2.8%	(614)	\$17.24
Metro West	52,789,574	19.3%	16.2%	2.3%	140,852	\$21.00
Route 128 – South	13,788,707	23.4%	20.9%	1.1%	142,248	\$19.61
Route 495 – South	2,190,950	20.0%	14.3%	0.7%	101,264	\$16.76
Metro South	15,979,657	22.9%	20.0%	1.1%	243,512	\$19.20
Overall Suburban Office	111,721,009	20.3%	16.9%	2.3%	426,493	(Gross) \$19.68

Employment Trends – Creative Office Outpacing the Market

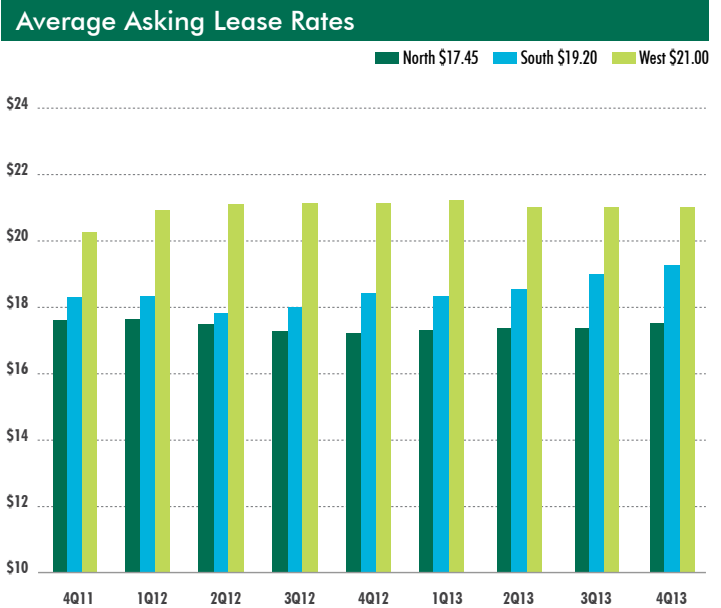
As of November 2013, total non-farm employment in the Boston area grew to 2.6 million jobs, increasing 2.1% from November 2012. Approximately 204,000 of those jobs occupy creative office space. These jobs are diversified across a range of industries, including software, telecommunications, architecture and publishing. These creative sectors currently account for 8.1% of the total office-using occupations in Greater Boston. Creative office employment grew by 6% year-over-year; this was led by the high-tech industry, growing at a rate of 15.7% year-over-year in the Boston area.



Source: www.bls.gov

Average Asking Rents

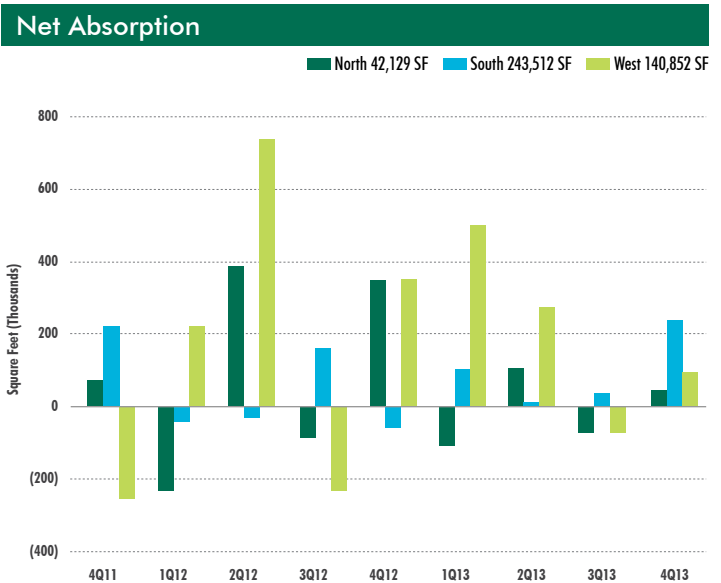
Overall asking rents in the Suburban office markets were up \$0.11 in the fourth quarter to \$19.68 per square foot, gross. Route 495 South saw the largest appreciation in rent this quarter, up \$1.76 to \$16.76, the highest point since the third quarter of 2011. The Route 495 – Route 2 West submarket saw average asking rents increase \$0.88 quarter-over-quarter to \$15.20, the highest point since the third quarter of 2011 as well. The Framingham – Natick submarket in the fourth quarter saw the largest decrease in asking rents, down by \$0.71 to \$19.60, following a \$0.35 gain in the third quarter. Average rents in the Metro West submarket were down \$0.05 overall in the fourth quarter. Overall rent growth in the Metro South led all submarkets for the third consecutive quarter, up \$0.35 to \$19.20 per square foot, gross.



Source: CBRE/New England, Q4 2013

Net Absorption

The overall Suburban Office market posted 426,000 square feet of positive absorption in the fourth quarter, bringing total absorption for the year to positive 1.3 million square feet. This is the second consecutive year in which the Suburban Office market saw over a million square feet of positive absorption; further illustration that the market remains in growth mode. The Metro South submarket led the rest with 244,000 square feet of positive absorption, followed by strong positive absorption of 141,000 square feet in the Metro West, and modest positive absorption 42,000 in the North.



Source: CBRE/New England, Q4 2013

DEFINITIONS

Average Asking Lease Rate

Rate determined by multiplying the asking gross lease rate for each building by its available space, summing the products, then dividing by the sum of the available space with net leases for all buildings in the summary.

Gross Leases

Includes all lease types whereby the tenant pays an agreed rent plus estimated average monthly costs of the operating expenses and taxes for the property, including utilities, insurance and/or maintenance expenses.

Market Coverage

Includes all competitive buildings in CBRE's survey set.

Net Absorption

The change in occupied square feet from one period to the next, as measured by available square feet.

Net Rentable Area

The gross building square footage minus the elevator core, flues, pipe shafts, vertical ducts, balconies and stairwell areas.

Occupied Area (Square Feet)

Building area not considered vacant.

Under Construction

Buildings that have begun construction as evidenced by site excavation or foundation work.

Available Area (Square Feet)

Available building area that is either physically vacant or occupied.

Availability Rate

Available square feet divided by the net rentable area.

Vacant Area (Square Feet)

Existing building area that is physically vacant or immediately available.

Vacancy Rate

Vacant building feet divided by the net rentable area.

Normalization

Due to a reclassification of the market, the base, number and square footage of buildings of previous quarters have been adjusted to match the current base. Availability and vacancy figures for those buildings have been adjusted in previous quarters.



25 Sylvan Road, Waltham, MA
Photo by www.lesvants.com

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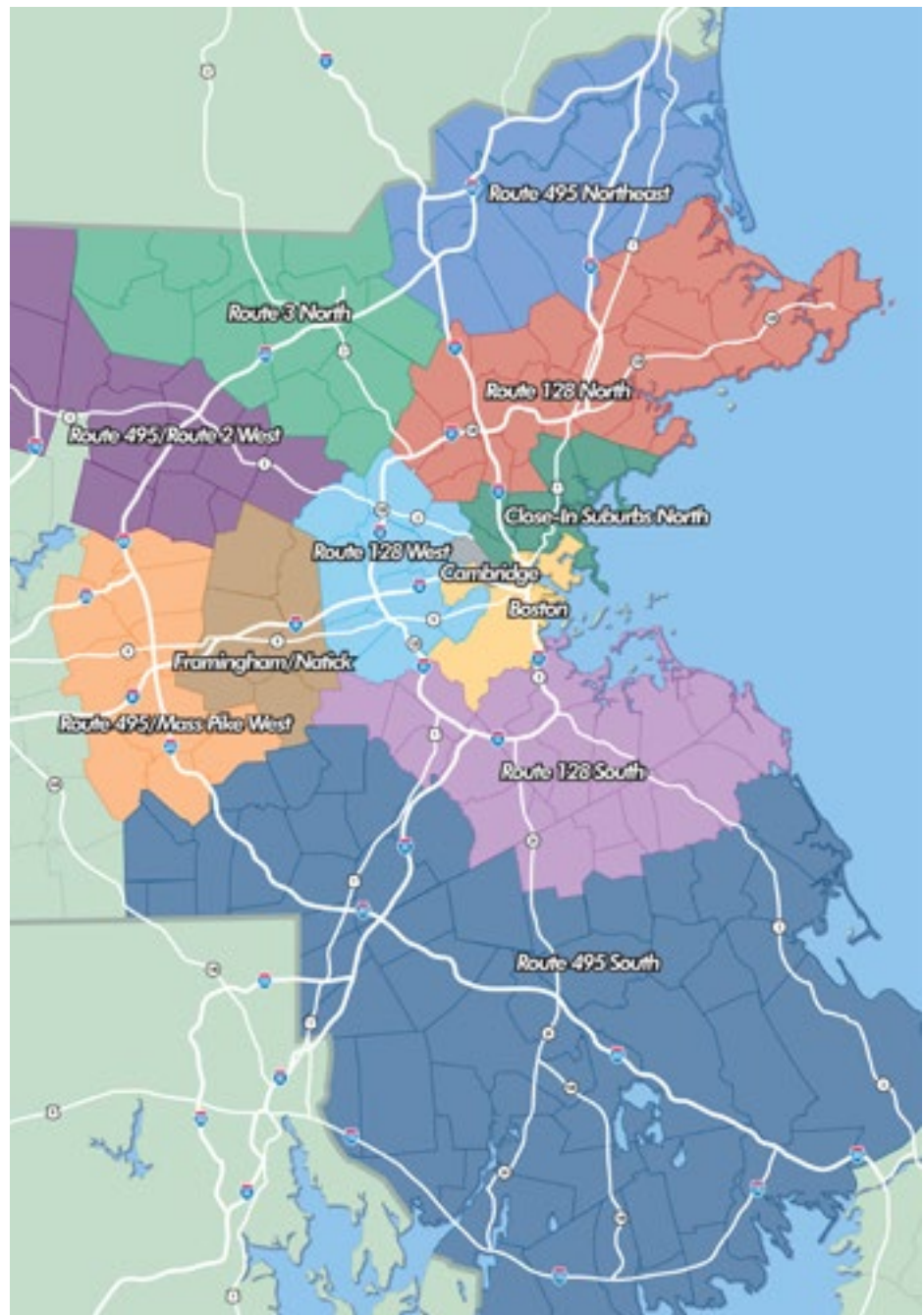
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