



COMMERCIAL REAL ESTATE TRENDS

January 23, 2017



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Colliers International | Boston



PROVIDENCE
COLLEGE

- 34+ years in Commercial Real Estate
- Completed over 750 tenant representation transactions totaling more than 8 Million square feet

COLLIERS *at a glance*



Comprised of
15,000
professionals



Revenue
\$2.6B
(US\$)



Managing
2B
(square feet)



Established in
68
countries



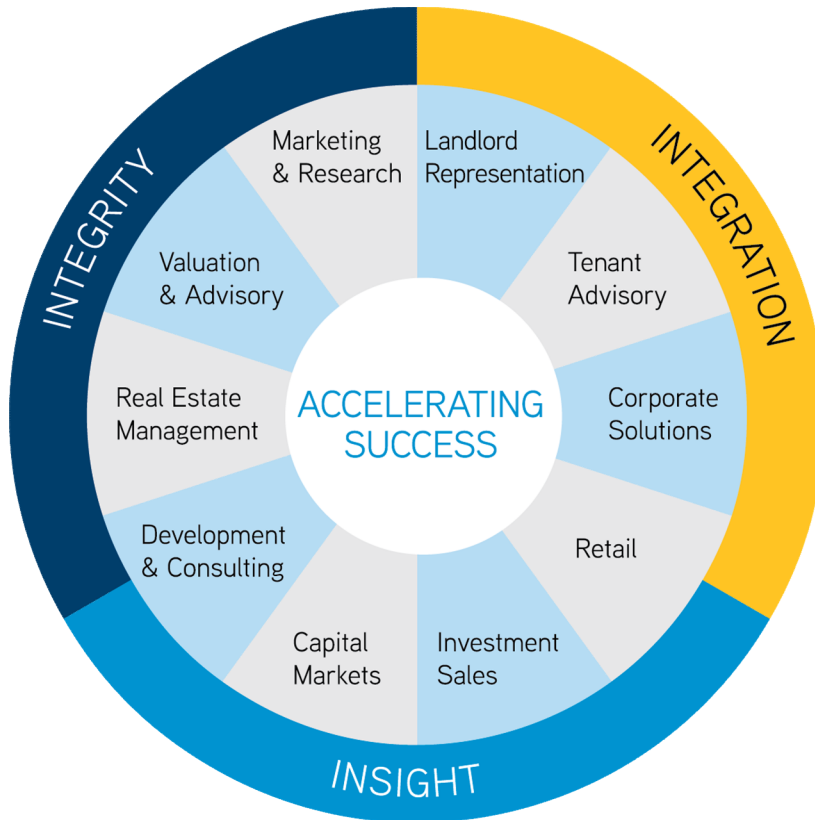
Lease/sale transactions
72,000



Transaction value
\$105B
(US\$)

All statistics are for 2016, are in U.S. dollars and include affiliates.

Scope of Services



We've got you covered
WORLDWIDE



We tell you what's
IMPORTANT



We are an
EXTENSION
of your staff & we can handle it all



In a changing industry
WE'RE STABLE



WE CARE
because what we love most is when
our clients win



AGENDA



- ☐ Why Boston?
- ☐ Urban Market Overview
- ☐ Suburban Market Overview
- ☐ 2018 Outlook

WE'RE GREEN

>>>> *in more ways than one*



#1

IN ENERGY
EFFICIENCY - ACEEE

34.7%

ARE 20-34 YEARS OLD
↑ HIGHEST IN THE COUNTRY

48,000+

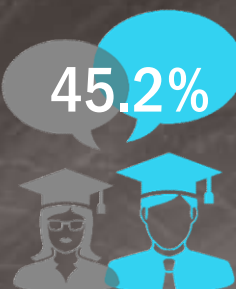
NEW RESIDENTS
SINCE 2010

AND EDUCATED...



IN U.S. FOR
COLLEGE STUDENTS
“ATHENS OF AMERICA”

45.2%



OF ADULT
POPULATION HAS A
BA DEGREE OR
HIGHER

250,000+ STUDENTS



50+
COLLEGES AND
UNIVERSITIES IN
GREATER BOSTON



EDUCATION WEEK
RANKS MASSACHUSETTS AS
HAVING **THE BEST PUBLIC
SCHOOLS**

...AND READY TO TAKE ON THE WORLD!

3.5%

MASSACHUSETTS
UNEMPLOYMENT RATE
(December 2017)

Money

BEST IN THE
NORTHEAST: BOSTON

- Ranked by Money Magazine



MOST LIKELY TO SURVIVE
A ZOMBIE APOCALYPSE

- Ranked by Careerbuilder LLC

BOSTON **Ups & Downs**

- Numerous large commitments to spaces bodes well for absorption going forward. Seaport and Back Bay the leaders.
- Class B has been outperforming. But Class A seeing momentum with spec suites. Class A rents could outperform in 2018.
- Record number of tenants looking in the market today – 250, seeking 6 million SF of space.

CAMBRIDGE **Market Still Hot**

- Now a lab majority market – 11.7 million SF of lab vs 11.3 million SF of office. Rents soaring.
- Early stage biotech companies growing. Big Pharma still a key driver.
- Tenants considering alternatives outside of Cambridge, a phenomenon giving landlords in nearby submarkets the opportunity to emerge as relief valves.

SUBURBS **Alive & Well**

- 100 million SF of occupied space – most ever.
- Life science a key driver within 128 communities. Lexington, Watertown, Waltham, Woburn, Bedford the prime beneficiaries.
- Adaptive re-use and placemaking are paramount. Post in Waltham, overlay district in Chelmsford, Reebok and PTC campuses are bellwethers.

URBAN MARKET OVERVIEW

URBAN MIGRATION | MORE THAN JUST A TREND



“PTC plans to relocate 1,000 workers to Boston from Needham”

- Boston Globe

“Red Hat sets up shop in Fort Point, near future GE”

- Boston Globe



“Amazon says 900 jobs will be added to at New Boston office”

- WBUR



“Millennials are at the heart of Reebok's big relocation to Boston”

- BostInno



“GE relocating headquarters to Boston”

- USA Today



“VMWare moving from Cambridge to Downtown Crossing”

- Boston Business Journal

INFRASTRUCTURE IMPACTS

**Boston gondola could ferry thousands
between South Station, Seaport**

- Curbed Boston



**Feds OK Green Line extension
costs**

- Boston Globe



**New Orange Line trains are 'on
the move'**

- Boston.com



MORE WITH LESS



51%

↓ 1.3M RSF
635K RSF



34%

↓ 500K RSF
330K RSF



19%

↓ 145K RSF
117K RSF



16%

↓ 245K RSF
205K RSF

ACTIVE TENANT LANDSCAPE

250+
TENANTS



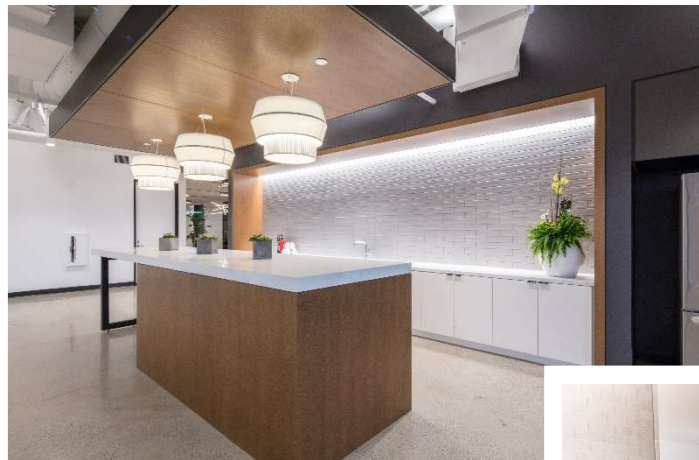
6 M SF

median:
8-10K SF
average:
20-25K SF

SUCCESS STORY:

- I. Buildout complete
- II. 1st tenant toured
- III. Signed LOI in a few days
- IV. Signed license agreement overnight
- V. Moved in w/in 7 days
- VI. \$11/SF over LL's initial underwriting

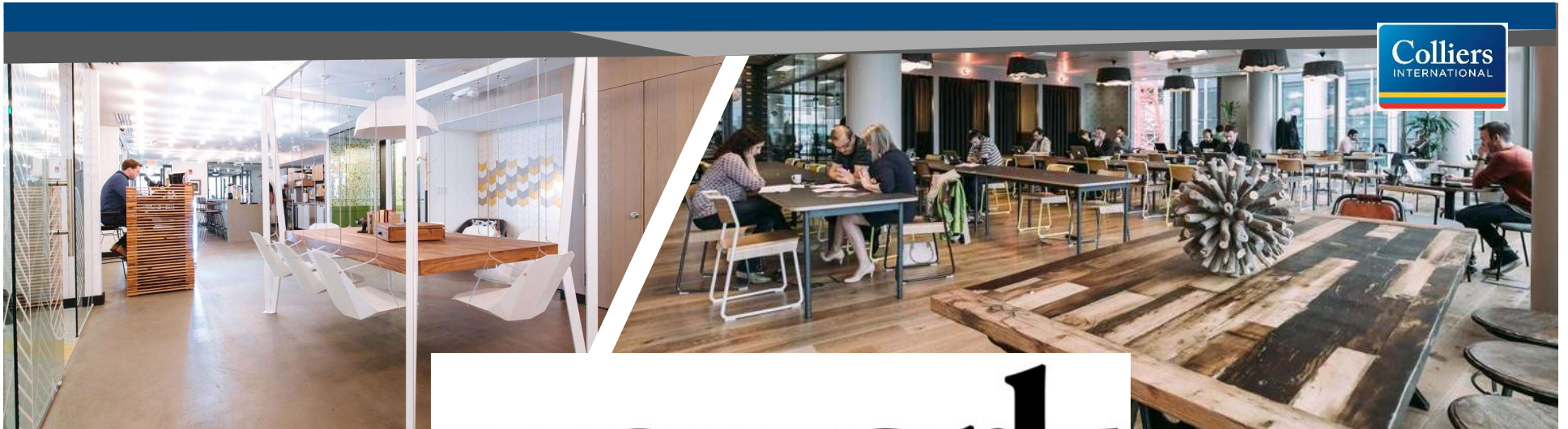
THE RISE OF THE **SPEC SUITE**



60 State Street
BOSTON

O|X|F|O|R|D

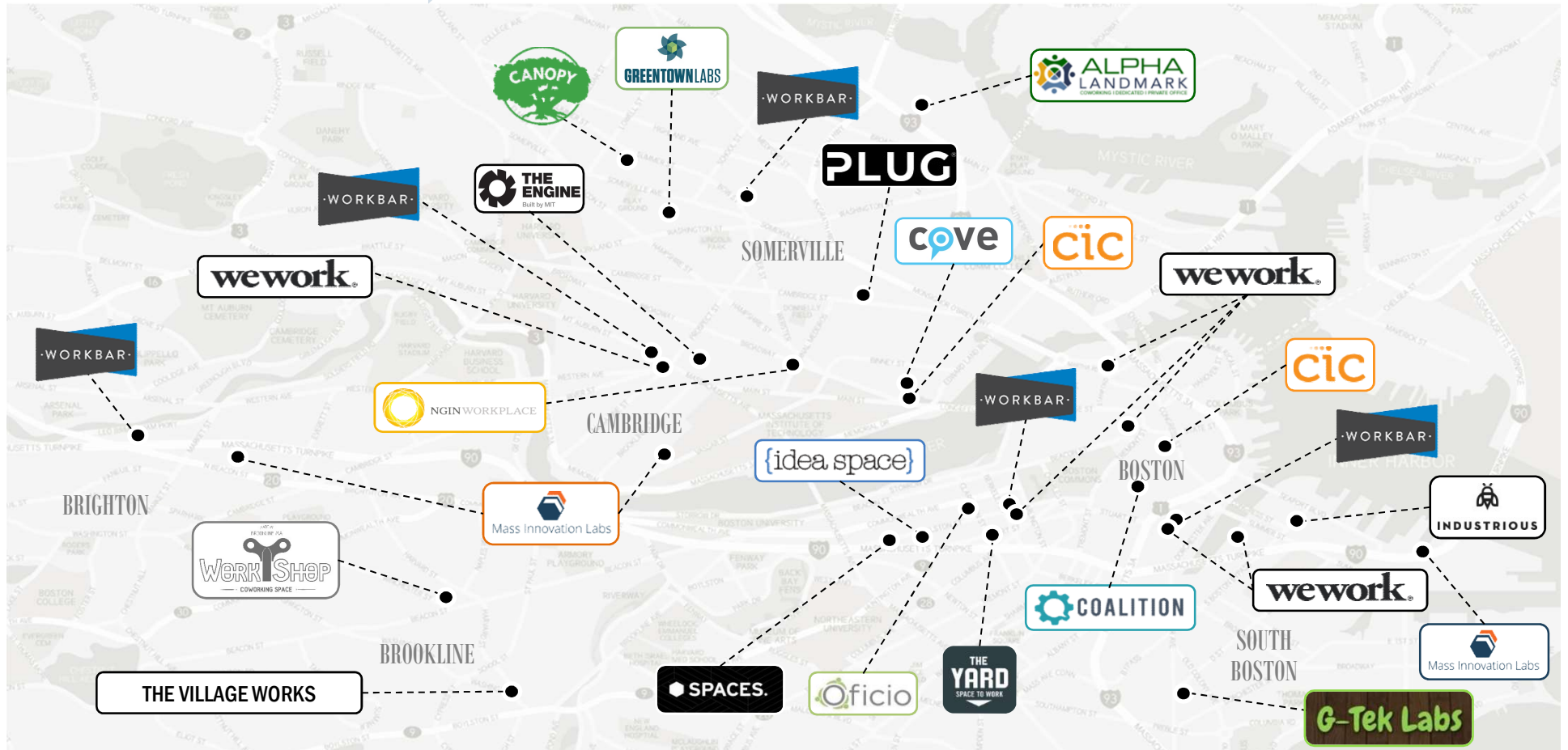




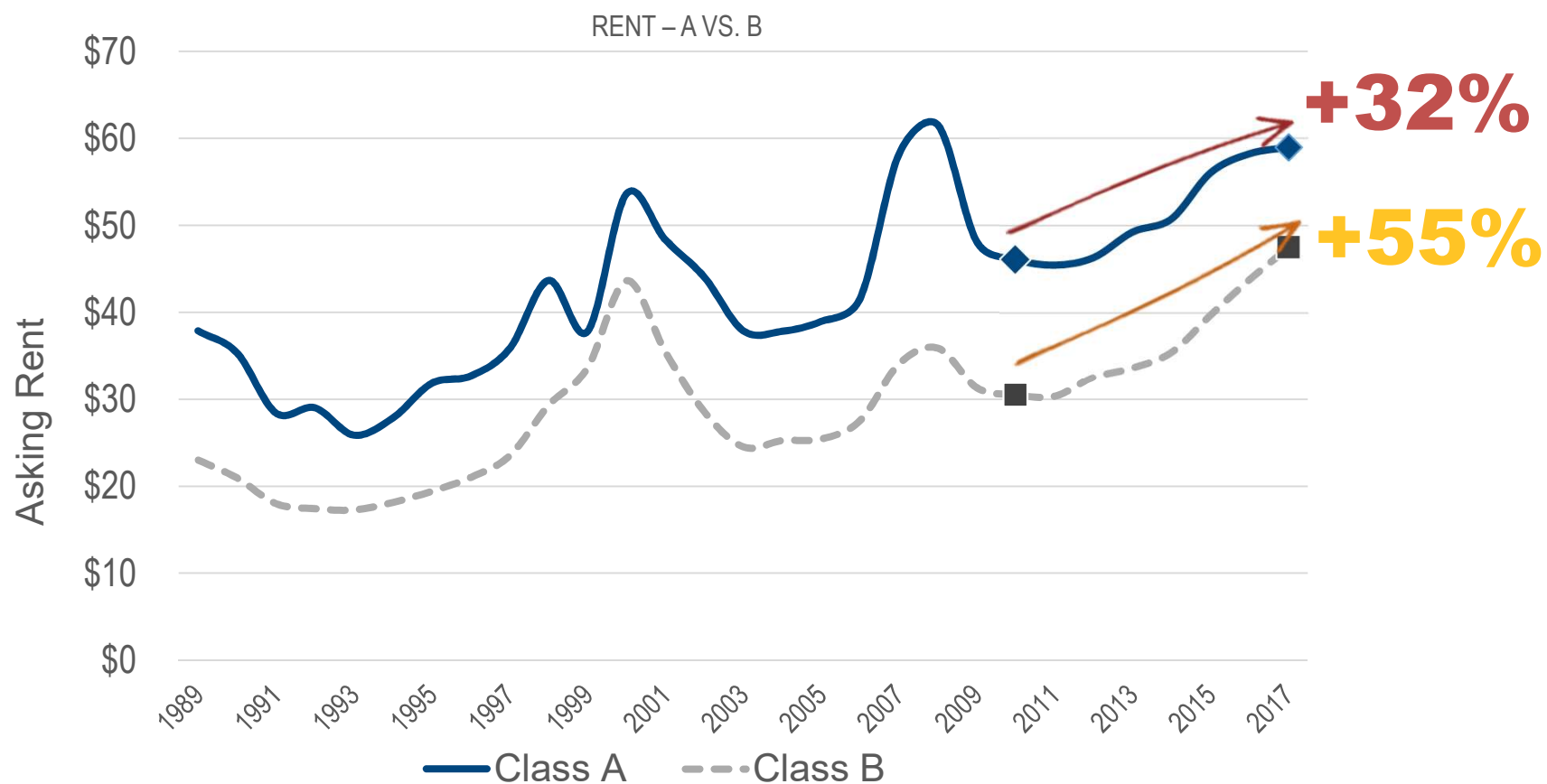
wework



The CO-WORKING Revolution



It's been a CLASS B Cycle



URBAN RENTS

CAMBRIDGE

Existing: \$84-86/SF
Future: \$91-96/SF

NORTH STATION

Class A: \$55-70/SF
Class B: \$40-55/SF

FINANCIAL DISTRICT

Class A: \$55-70/SF
Class B: \$50-57/SF

BACK BAY

Class A: \$55-55/SF
Class B: \$50-60/SF

SOUTH STATION

Class A: \$55-75/SF
Class B: \$50-55/SF

FENWAY

Class A: \$58-65/SF
Class B: \$45-55/SF

SEAPORT

Class A: \$55-65/SF
Class B: \$45-50/SF

SKANSKA



**121 Seaport
Boulevard
[SEAPORT]**



TISHMAN SPEYER



**PIER 4
[SEAPORT]**

bxp Boston
Properties



**Hub on
Causeway
[N. STATION]**

**88 Seaport
Boulevard
[SEAPORT]**



WSDEVELOPMENT

Mid to High \$40s NNN – High \$60s to Low \$70s Gross
(Tenant Improvements = \$75 - \$100/SF)

TENANTS IN THE MARKET | *STRONG DEMAND*

<<< URBAN / SUBURBAN >>>

wayfair amazon wework

Alkermes SOVOS

DRAFT
KINGS

WordStream

racepoint
GLOBAL

visiANT

WB turbine

Morgan Stanley

MONSTER



SALSIFY

SimpliSafe

NIXON
PEABODY

ClearMotion

csb Cambridge
SAVINGS BANK

threat stack

Spotify

Samsnite

REPLIGEN
INSPIRING ADVANCES IN BIOPROCESSING

HAEMONETICS

VOYA
FINANCIAL

CITRIX

Burns Levinson

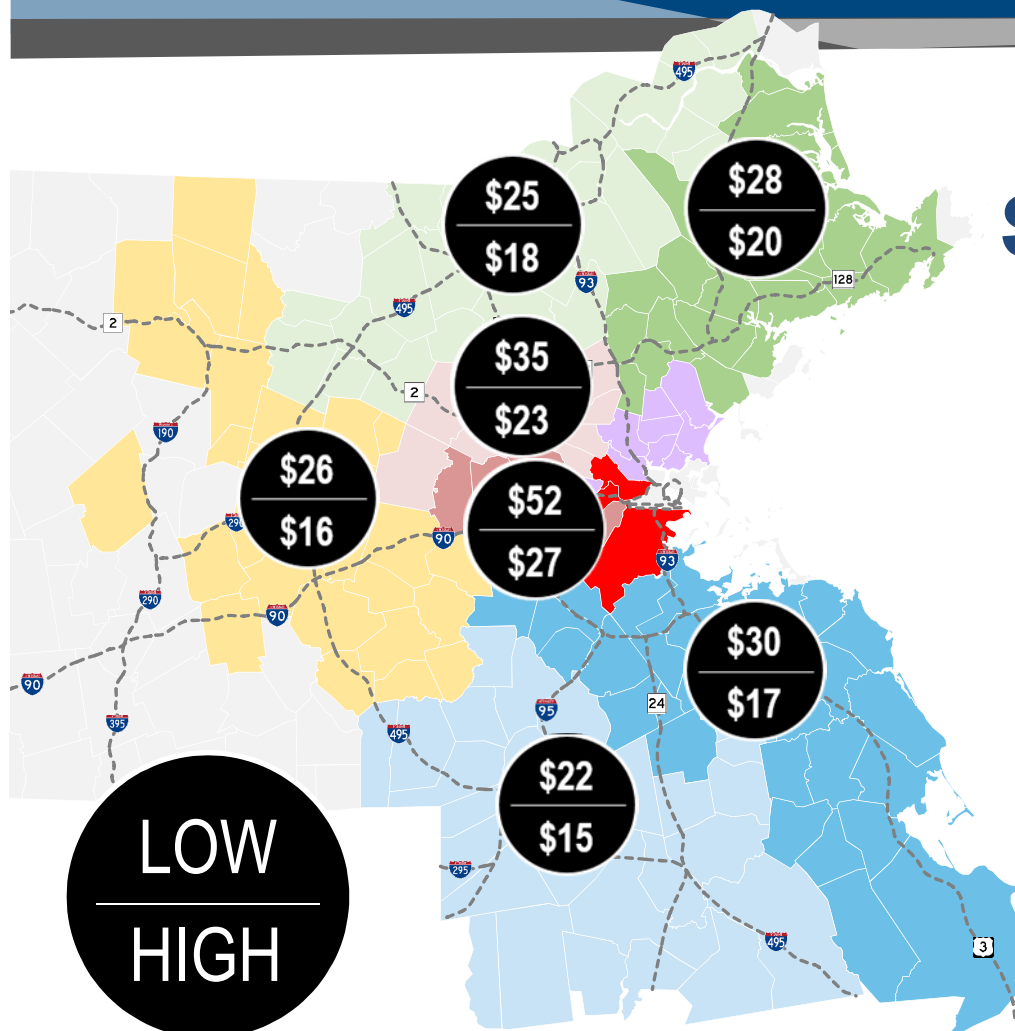
Zagster

Steward

Allegro
MicroSystems, Inc.

COLLEGIUM
Pharmaceutical

SUBURBAN MARKET OVERVIEW



SUBURBAN RENTS

128

Mid \$40s
gross

INTERSTATE
495

Low \$20s
gross

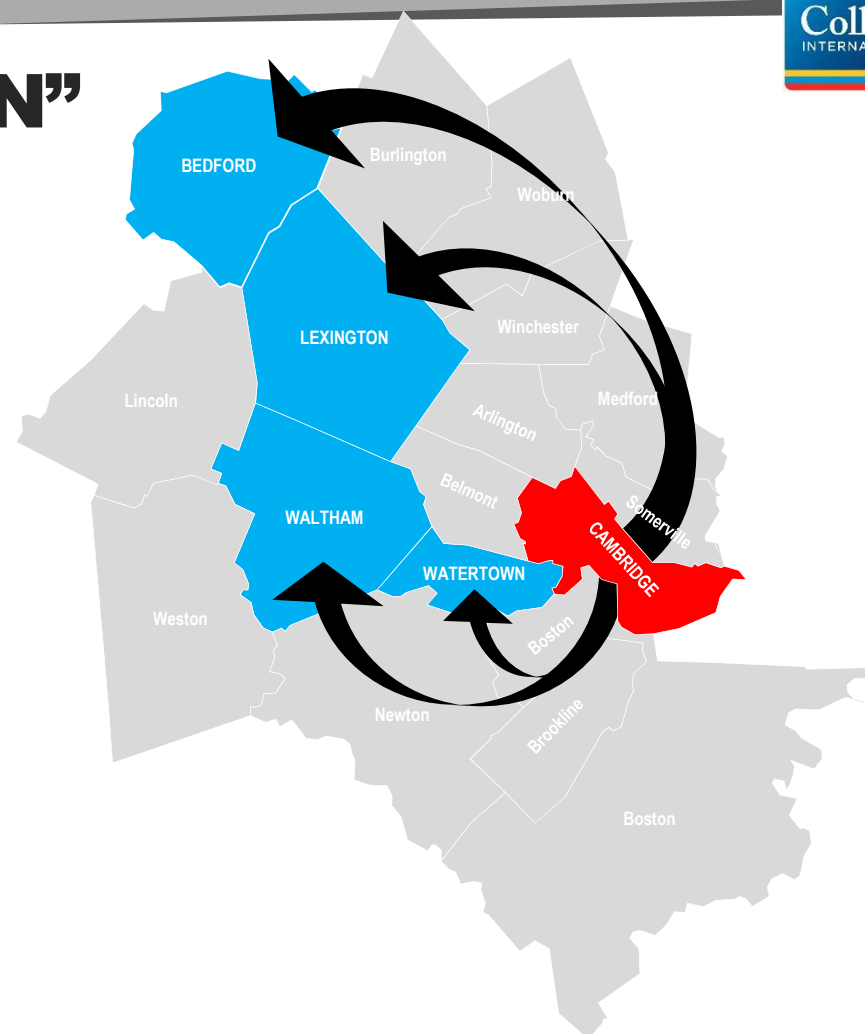


2018

**overall, suburban
rents will plateau**

HAVE RENTS \$ PEAKED?

“REVERSE MIGRATION”





WESTFORD
Campus

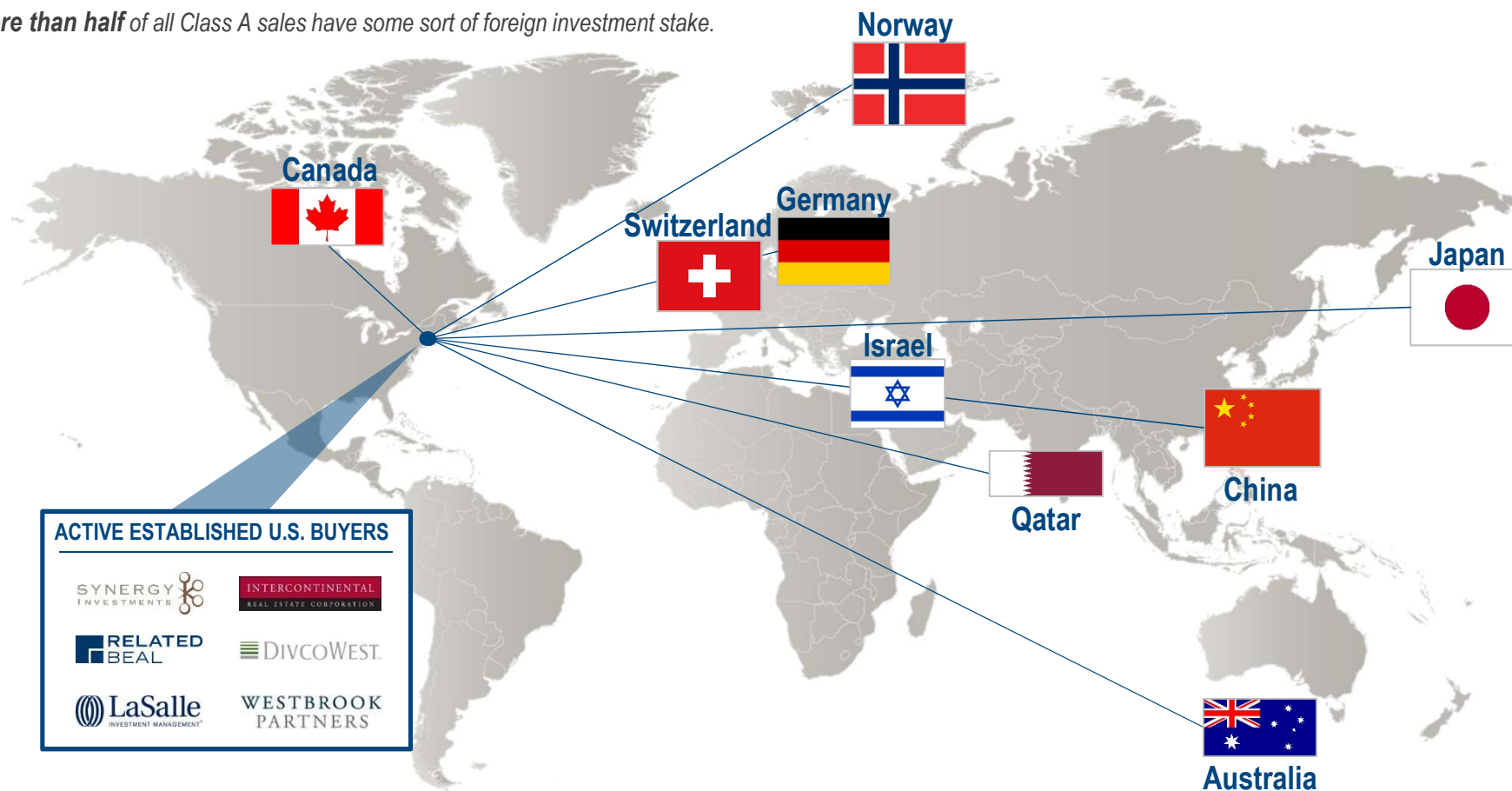


BOSTON
Executive
Briefing Center



BOSTON...A GLOBAL PLAYER >>>

More than half of all Class A sales have some sort of foreign investment stake.



ACTIVE ESTABLISHED U.S. BUYERS

SYNERGY
INVESTMENTS

INTERCONTINENTAL
REAL ESTATE CORPORATION

RELATED
BEAL

DIVCOWEST

LaSalle
INVESTMENT MANAGEMENT

WESTBROOK
PARTNERS

LOOKING AHEAD



Class A rents will continue to rise



Construction cost increase slowing



Tenants will continue to migrate and evaluate the peripheral urban core markets



Lab Market will become more relevant in the suburbs



Local and foreign investors will continue to want a piece of the urban market and along 128



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