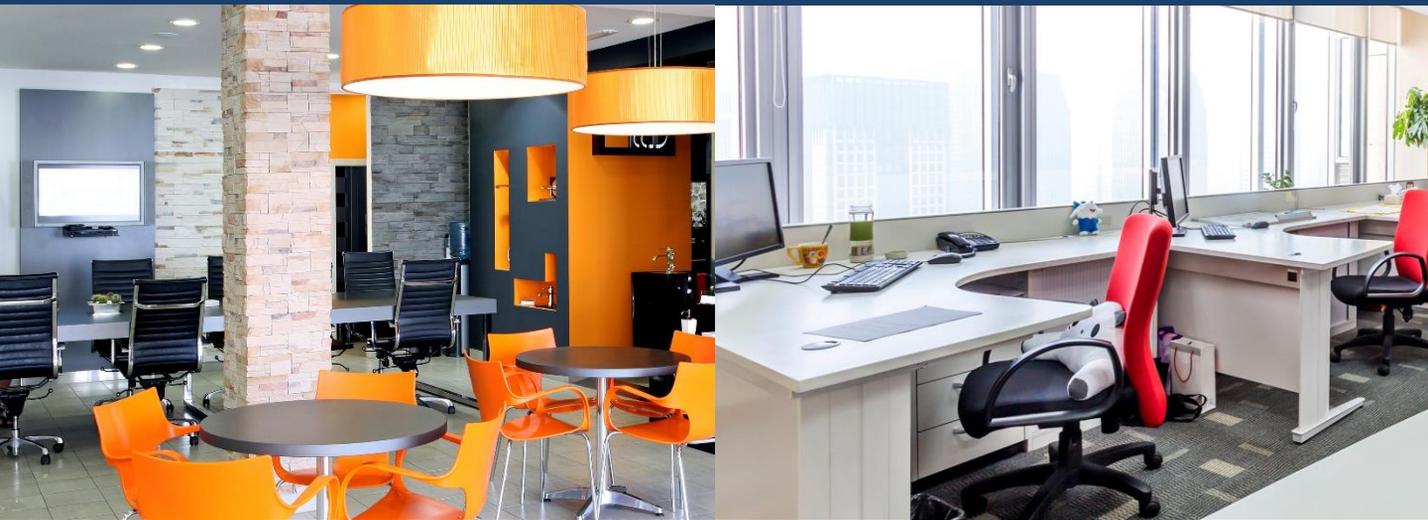


2018 Q1 CENTRAL 128 OFFICE SPACE SELECTION MARKET GUIDE



A population of small to mid sized companies with locations in Newton, Needham, or Wellesley provided insight into their commercial real estate experiences. The following information was collected to help other local businesses make informed decisions on the commercial real estate process.

Market Data



2018 Q1 Office Market Research Data

Average Rental Rate

\$30.64

Per Square Foot

Average Square Footage

5,422

Square Feet

Average Lease Term

4.9

Years

Percentage Growing

62.5

Percent

Considered Buying

40.0

Percent

It is important to know the office market in your target location so that you can compare properties based on analytics, not just personal impressions. Above are the key statistics gathered from the interviewed population.

AVERAGE RENTAL RATE

In Central 128, office rental rates can be expected to range from high \$20's up to high \$40's per square foot depending on the building class and amenities provided. In Wellesley, office rates can be as high as \$50/sf at Sun Life Executive Park due to its world class amenities and immediate access to Route 128.

AVERAGE SQUARE FOOTAGE

For companies with a traditional layout of all private offices expect 4 employees per 1,000 sf. A layout of 30% private offices with cubical or open space can likely fit 5 employees per 1,000 sf. Companies looking for the fully open hoteling model can accommodate around 6 employees per 1,000 sf.

AVERAGE LEASE TERM

Longer lease terms typically provide tenants with a larger tenant improvement allowance from a landlord. Any improvement allowance or turn key delivery of space will be subject to tenant's credit and amortized over the term. At a minimum, at least a 3 year commitment is required for a landlord to provide any improvement allowance or turn key delivery.

% OF GROWING OFFICE USERS

By performing a growth analysis prior to signing a lease, a tenant can predict expected space needs during a lease term. A growth analysis can mitigate the risk of having to sublet space in the future. No growing company wants to incur unnecessary costs in a market where rents are at a premium.

% CONSIDERED BUYING VS. LEASING

Owning instead of leasing is appealing to many small to mid sized companies due to the opportunity for future appreciation and return on investment. However, the current demand for property is high and supply is tight, causing vacant land and owner-user buildings to trade at a premium in Central 128. Availability of the right property is essential, as many companies cannot afford to play the waiting game.

2018 Q1 Current Trends and Solutions

Local businesses were asked to rank five factors (cost, location, amenities, employee retention, growth) when selecting office space. Based on their explanations, we determined the following trends facing office users.

LOCATION AS A RETENTION METHOD

Whether it's the executives, employees, or clients, the primary focus of location revolves around access and commute of company stakeholders. Several companies stated moving would have led to resignations, so it is important to be aware of your stakeholders' locations before moving elsewhere. Even two exits up 128 can add 20-30 minutes to someone's commute.

Solution: *Create an employee living map and give heavier weights to the executives and key players in the decision.*

RESPONSIVE LANDLORDS KEEP TENANTS LONG TERM

All tenants have differing levels of interaction with landlords, but it is important to know what to expect from a landlord and be confident they can deliver. Moving can be a strenuous and costly hassle. Understanding the ownership entity you are dealing with, their experience as a landlord, and the people you will be directly dealing with when issues arise is an important step to take.

Solution: *Research the ownership of the building and, if possible, arrange a meeting to familiarize yourself with them. Also, hearing first hand experiences from current tenants is another way to understand how the landlord operates.*

CLIENT EXPERIENCE AND BRAND IMAGE

For service companies, the client experience and impression of a company heavily relies on interior fit up. How the space looks and the impression it gives clients is also a big factor. Tenant improvement allowances let companies establish their brand and enhance the experience clients have entering the space.

Solution: *Remember, rent is a function of tenant improvements. It typically makes sense to consult with an architectural team prior to signing a letter of intent. Once a lease is drafted it can be difficult to ask for a larger tenant improvement allowance from the landlord once terms have been agreed to.*

INTERIOR EXPERIENCE VS. IN-BUILDING AMENITIES

Surprisingly, the most vital amenities companies desired were natural light and open space for their employees to work. Fewer tenants are using in-building amenities, such as a cafeteria, and are opting to walk a short distance to a restaurant or food truck for lunch.

Solution: *If the interior experience is of more importance than an in-building cafeteria, fitness center, or dramatic lobby, a class B office building with a lower rental rate and common area factor can be an attractive option.*

Decision Making



2018 Q1 Decision Making: Best Practices

At the end of the day, the executive team has the final say on office space selection. Though a daunting task, being knowledgeable and proactive can ease the pressures of relocating or renegotiating space. Follow these Do's and Don'ts to set yourself up for a smoother real estate transaction.

DO: Be an Informed Buyer

1/3 of interviewees were not confident in their understanding of the lease process or their office space decision.

WHY? Being an informed buyer can dramatically decrease the anxiety and pressure of deciding on such a large operational expense. Being informed can occur through several outlets. Brokers provide the most information, due to their expertise in the process, knowledge of the market, and connections to additional resources involved in the process (contractors, lawyers, bankers). 50% of interviewees used brokers, of that population 1/3 of them also conducted additional research separately to ensure their understanding and comfort. This additional research can be done through attending industry insight events, online on sites such as Loopnet, or having conversations with industry professionals.

DON'T: Delay the Process

22% of interviewees search for space less than 4 months before their lease expires.

Why? In this market in particular, with such little available, it is important to be looking ahead of time in order to find the right space for your company. Furthermore, not identifying the space early enough limits the amount of time a company has to create the optimum work environment. With such a tight deadline, it can be difficult to get tenant improvement work completed. For example, something that seems as simple as taking down a wall or adding offices can take around 60 days to complete.

DO: Include Commercial Real Estate in your Company Strategy

64% of interviewees include office space in their company strategy discussions, with lease expiration and image accounting for 60% of the discussion topics.

WHY? As seen in the trends section, office space has a great impact on the client's impression and experience with your company. Further, with rent being close to 1/3 of the operating expense for most businesses, it only makes sense to have a serious discussion on how to maximize the return and productivity of the asset. Including office space in your annual company strategy discussion through energy efficiency, employee productivity, and growth analysis allows you to prioritize updates to your space that help align your office to your company goals and values.



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