

# **Guiding the Future of Commercial Development In South Hingham**

# 1 INTRODUCTION

## SCOPE

This inventory study includes commercial parcels in the vicinity of Whiting Street and Derby Street within the Town of Hingham.

## PURPOSE

This study provides information to the South Hingham Study Group as it develops recommendations to ensure continued economic success of the area.

## INVENTORY

### South Shore Park Vacancies

Address	Building	Space/ sq. ft.	Description
90 Industrial Park Rd	61,000	61,000	Office Class B
125 Industrial Park Rd	74,000	11,000	Industrial
1 Pond Park Rd	9,540	726	Warehouse
2 Pond Park Rd	78,300	11,364	Office Class A
3 Pond Park Rd	40,000	25,000	Warehouse
4 Pond Park Rd	28,000	28,000	Office Class A
5 Pond Park Rd	12,000	12,000	Office/Research/LI
30 Pond Park Rd	30,000	7,500	Office/Warehouse
35 Pond Park Rd	50,000	2,400	Warehouse/Office/R&D/LI
60 Research Road	58,655	58,655	Prime Office, R&D, and LI
85 Research Rd	31,000	8,702	Warehouse/Office/R&D/LI
100 Research Road	99,200	23,000	Office/Warehouse/R&D/ LI
110 Research Road	39,000	0	
60 Sharp Street	35,000	0	
<b>Sub Total:</b>	<b>645,695</b>	<b>249,347</b>	

Whiting & Derby Street Vacancies

Address	Building	Space/ sq. ft.	Description
160 Old Derby Street	TBD	1,600	Class B
1 Derby Street	TBD	1,600	Class B
31 Derby Street	TBD	TBD	
48 Whiting Street	6,000	0	
<b>Sub Total:</b>		3,200	

**Total: 252,547 sq. ft.**

**Undeveloped**

Location	Acres/ sq. ft.	Description
90 Industrial Park Rd	9 acres/ 175,000	Class A Office
Derby Street	203 acres	Bristol Properties
Industrial Park	203 acres	AW Perry Parcels

**Conclusion**

Development patterns are so highly specialized for single uses that their layouts are resistant to incremental adaptation. Consequently, the most effective redevelopments will be those that retrofit the streets, blocks, and lots to provide a compact, connected, walkable mix of uses and types. The challenge for all involved is to provide settings and buildings that inspire the communities.

## **Appendix I**

### **Commercial Real Estate Listings**

# 1 Pond Park Road

Hingham, Massachusetts



## Warehouse Building

- 4 bays of various sizes
- Van-height/tailboard loading
- Warehouse/Recently Renovated Storage Space
- Gas Heat
- Fully Sprinklered
- Private front and rear entrances
- Wooded landscaped setting just inside the entrance of South Shore Park

## Lease Opportunity

Recently Renovated Storage Space  
**1 - 726 s.f. bay**  
Available July 2014

**1 Pond Park Road** is a 9,540 sq.ft. building located at the entrance of South Shore Park, Hingham at Exit 15 of Route 3.

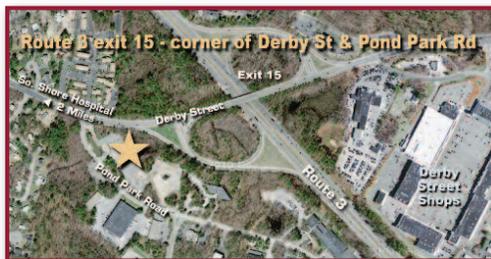
For more information please contact: **Rich Beal 617.542.1442** or **Jon Gifford 617.542.8008**



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# POND 2 PARK

Hingham, Massachusetts



Join South Shore Hospital and South Shore Orthopedic Associates in the South Shore's newest and most conveniently located medical facility which includes:

- Diagnostic imaging Center
- Phlebotomy Lab
- Pain Center
- Ambulatory Surgical Center with Six Operating Rooms

## Leasing Opportunities

Suites available from  
**3,000 to 11,364 sf**  
 in this 78,300 sf state-of-the-art  
 medical office building.

For more information please contact: Rich Beal 617.542.1442 or Jon Gifford 617.542.8008



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## 3 Pond Park Road

Hingham, Massachusetts



3 Pond Park Road is a 40,000 sq.ft. building located in South Shore Park, Hingham at Exit 15 of Route 3.

### Office/Warehouse, Research/Development, Light Industrial Building

- The available space has 4 loading docks
- This Building has 8 - 5,000 sf bays
- Central Air Conditioning in office space
- Gas Heat
- Fully Sprinklered
- 22' clearance in warehouse space
- Insulated overhead tailboard loading door/unit
- Private front and rear entrances
- Wooded landscaped setting

### Leasing Opportunities

1 - 5,000 sf bay  
1 - 20,000 sf bay

For more information please contact: Rich Beal 617.542.1442 or Jon Gifford 617.542.8008



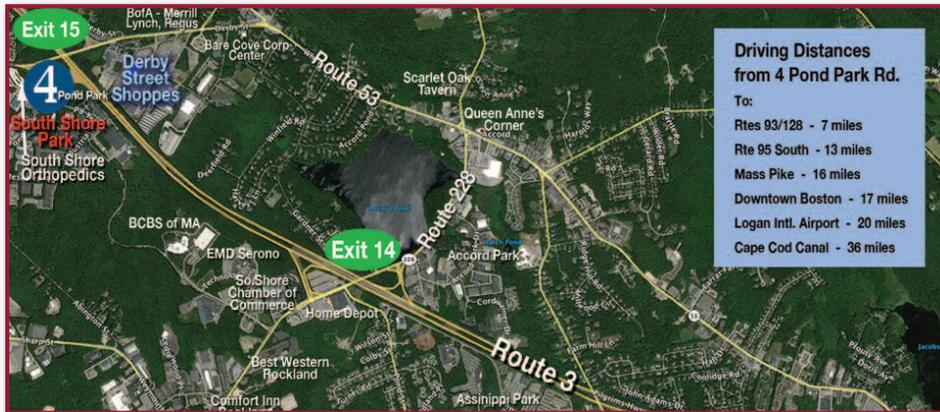
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POND **4** PARK  
 Hingham, Massachusetts



**Complete Building Renovation**  
**FULL BUILDING IDENTITY OPPORTUNITY**  
**10,000 - 28,000 SF Available on 3 Floors**

- Conveniently located off Route 3 at Exit 15/Derby Street
- Adjacent to new home of South Shore Orthopedics
- Parking: 123 spaces – 4.4/1,000 sf
- Abundant window line with minimal columns per floor
- Close to Derby Street Shoppes and numerous retail and restaurant amenities
- On site management by A.W. Perry



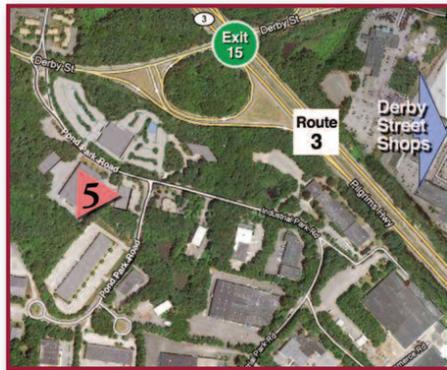
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# 5 Pond Park Road

Hingham, Massachusetts



## Office/Warehouse, Research/Development, Light Industrial Building

- Exterior decorative splitface block
- This Building has 6 - 2,000 sf bays
- Central Air Conditioning in office space
- Gas Heat
- Fully Sprinklered
- 12' clearance in warehouse space
- Insulated overhead tailboard loading door per unit
- Private front and rear entrances
- Wooded landscaped setting

**5 Pond Park Road** is a 12,000 sq.ft. building located in South Shore Park, Hingham at Exit 15 of Route 3.

For more information please contact: **Rich Beal 617.542.1442** or **Jon Gifford 617.542.8008**

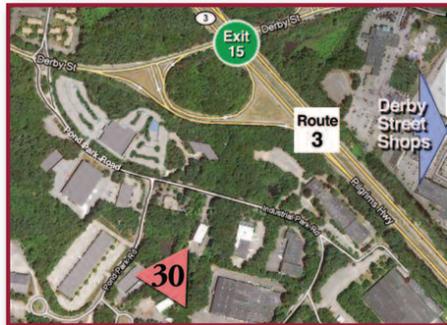


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# 30 Pond Park Road

Hingham, Massachusetts



30 Pond Park Road Road is a 30,000 sq.ft. building located in South Shore Park, Hingham at Exit 15 of Route 3.

## Office/Warehouse, Research/Development, Light Industrial Building

- This Building has twelve 2,500 sf bays
- Central Air Conditioning in office space
- Gas Heat
- Fully Sprinklered
- 18' clearance in warehouse space
- Insulated Overhead Tailboard Loading Door per unit
- Private front and rear entrances
- Wooded landscaped settings

## Leasing Opportunities 2,500 to 7,500 sf

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## 35 Pond Park Road

Hingham, Massachusetts



**35 Pond Park Road** is an attractive 50,000 sf building located in South Shore Park, Hingham at Exit 15 of Route 3.

### Office/Warehouse, Research/Development, Light Industrial Building

- Decorative splitface & single-score block
- Windows & Doors: Insulated glass with anodized bronzed aluminum frames
- Central Air Conditioning in office space
- Gas Heat
- Fully Sprinklered
- 2' x 2' acoustical ceiling in office space
- 12' clearance in warehouse space
- 8' x 8' insulated overhead tailboard loading door per unit
- Private front and rear entrances
- Professional, generously landscaped grounds

### Leasing Opportunity

1 - 2,400 sf bay

For more information please contact: **Rich Beal 617.542.1442** or **Jon Gifford 617.542.8008**



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# 60 RESEARCH ROAD

**FOR LEASE**

HINGHAM, MASSACHUSETTS

**Full Building Identity Opportunity, 58,655 sf**



On behalf of A. W. Perry, Perry Brokerage Associates is pleased to offer for lease **60 Research Road**. The building offers **58,655 sf** for office, R&D and industrial uses located in South Shore Park, Hingham. Situated directly off the Exit 15 ramp from Route 3, this building is just 15 miles southeast of Boston and 6 miles from the Route 128 corridor.



**Subdividable To:**

**1st Floor – 20,738 sf;  
14,498 sf; 16,553 sf**

**2nd Floor – 6,866 sf**

For more information please contact:

**Rich Beal 617.542.1442**

**or Jon Gifford 617.542.8008**



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# 85 Research Road

Hingham, Massachusetts



## Office/Warehouse, Research/Development, Light Industrial Building

**85 Research Road** is a 31,000 sq.ft. building located in South Shore Park, Hingham at Exit 15 of Route 3.

- This Building has 5 bays of various sizes
- Central Air Conditioning in office space
- Gas Heat
- Fully Sprinklered
- 16' clearance in warehouse space
- Drive-in Loading
- Private front and rear entrances
- Professionally landscaped grounds

### Lease Opportunities

- 1 - 4,000 sf bay**
- 1 - 4,702 sf bay**

For more information please contact: Rich Beal 617.542.1442 or Jon Gifford 617.542.8008



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# 100 Research Road

Hingham, Massachusetts



## Office/Warehouse, Research/Development, Light Industrial Building

This Building offers space options for tenants ranging from 23,000 sf and up.

- Central Air Conditioning in office space
- Gas Heat
- Fully Sprinklered
- 16' clearance in warehouse space
- Drive-in and Tailboard Loading
- Private front and rear entrances
- Wooded landscaped setting

## Lease Opportunity 1 - 23,000 sf bay

100 Research Road is a 99,200 sq.ft. building conveniently located in South Shore Park, Hingham Just 15 miles from Downtown Boston and 6 miles from Rte.128 at Exit 15 of Route 3.

For more information please contact: Rich Beal 617.542.1442 or Jon Gifford 617.542.8008



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## 125 Industrial Park Road



74,000 SF Total

7,000 to 11,000 SF available

Office

Broker - Rader Properties, Inc.

## 90 Industrial Park Rd

HT3 Design Concepts for  
HT3 - Hingham Technology Park



SWEENEY ARCHITECTS

RJS Realty Trust  
Osterville, MA

RJS Realty Trust has assembled a top-notch team of experienced professionals to conceptualize, design, build and market Hingham Technology Park (HT3), an exciting first-class office park located at 90 Industrial Park Road in Hingham, Massachusetts. This project is only the second major new office development project in the town in more than a decade. Initial plans call for two 4-story office buildings flanked by two 5-story parking garages plus additional ground-level parking. Building 'A' consists of 92,670 square feet and Building 'B' consists of 82,800 square feet. Total leasable space will be 175,000 square feet.

**ALTERNATE PLAN:** The Conceptual Design Layout for the 'full build' office park and parking garages requires demolishing the site's existing 61,000-square-foot office building. An alternative to demolishing the existing structure is to leave the existing space and construct Building 'A.'

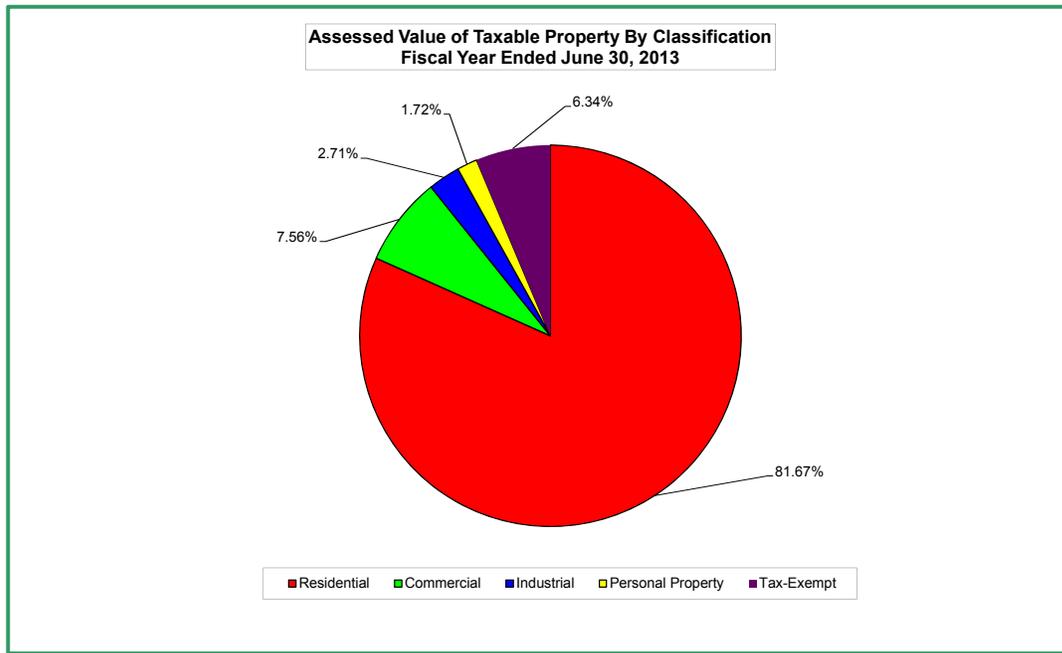
## **Appendix II**

### **Hingham Property + Employment Data**



**ASSESSED VALUE OF TAXABLE PROPERTY BY CLASSIFICATION (1)  
LAST TEN FISCAL YEARS**

Fiscal Year Ended June 30, (2)	Residential Valuation	Commercial Valuation	Industrial Valuation	Personal Property Valuation	Less: Tax-Exempt Property	Total Valuation
2004	\$ 3,445,300,065	\$ 229,436,735	\$ 153,148,500	\$ 69,735,540	\$ 315,970,600	\$ 3,581,650,240
2005	\$ 3,968,827,225	\$ 247,289,457	\$ 158,456,758	\$ 61,977,830	\$ 315,475,400	\$ 4,121,075,870
2006	\$ 4,537,505,927	\$ 383,712,499	\$ 205,880,174	\$ 65,365,130	\$ 328,824,300	\$ 4,863,639,430
2007	\$ 4,880,457,430	\$ 423,901,180	\$ 193,763,390	\$ 74,475,140	\$ 333,520,000	\$ 5,239,077,140
2008	\$ 5,001,557,821	\$ 463,240,322	\$ 191,314,157	\$ 69,240,920	\$ 384,268,700	\$ 5,341,084,520
2009	\$ 4,902,896,684	\$ 473,771,299	\$ 186,915,617	\$ 90,217,060	\$ 392,792,200	\$ 5,261,008,460
2010	\$ 4,883,302,232	\$ 475,224,448	\$ 182,626,233	\$ 94,952,320	\$ 392,792,200	\$ 5,243,313,033
2011	\$ 4,839,160,498	\$ 481,235,961	\$ 182,314,541	\$ 96,808,350	\$ 405,665,200	\$ 5,193,854,150
2012	\$ 4,742,405,100	\$ 434,205,900	\$ 164,218,200	\$ 97,359,740	\$ 358,700,200	\$ 5,079,488,740
2013	\$ 4,743,269,100	\$ 438,829,300	\$ 157,648,400	\$ 99,710,870	\$ 368,419,500	\$ 5,071,038,170
10 yr. average	\$ <u>4,594,468,208</u>	\$ <u>405,084,710</u>	\$ <u>177,628,597</u>	\$ <u>81,984,290</u>	\$ <u>359,642,830</u>	\$ <u>4,899,522,975</u>



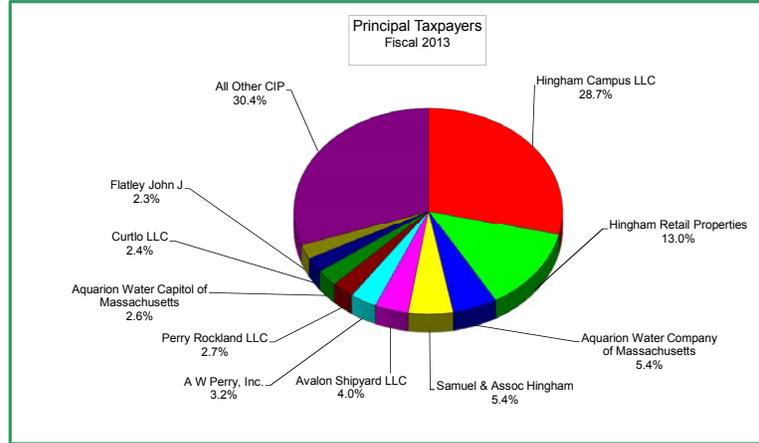
Source: Assessors Department, Town of Hingham

(1) Assessed valuations are determined annually as of January 1 and used for the fiscal year beginning on the next July 1.

(2) Change in valuations caused by revaluation of taxable property as required by State statute every three years; 2005, 2008 and 2011.

**PRINCIPAL TAXPAYERS(1)  
CURRENT FISCAL YEAR AND NINE YEARS AGO**

Name	Nature of Business	2013				2004	
		Assessed Valuation	Rank	Percentage of CIP(2)	Percentage of Total Tax Levy(3)	Assessed Valuation	Rank
Hingham Campus LLC	Housing	\$199,699,600	1	28.7%	3.7%	-	-
Hingham Retail Properties	Mall	\$90,670,500	2	13.0%	1.7%	-	-
Aquarion Water Company of Massachusetts	Commercial	\$37,302,140	3	5.4%	0.7%	-	-
Samuel & Assoc Hingham	Apartments	\$37,260,300	4	5.4%	0.7%	-	-
Avalon Shipyard LLC	Land & Building	\$28,099,300	5	4.0%	0.5%	-	-
A W Perry, Inc.	Utilities	\$22,248,200	6	3.2%	0.4%	-	-
Perry Rockland LLC	Mall	\$18,696,400	7	2.7%	0.3%	\$16,319,000	6
Aquarion Water Capitol of Massachusetts	Land Comm. & Ind. Bldg.	\$18,154,240	8	2.6%	0.3%	\$48,827,105	1
Curtlo LLC	Retail Clothing	\$16,478,900	9	2.4%	0.3%	\$11,428,800	7
Flatley John J	Land & Building	\$15,693,700	10	2.3%	0.3%	-	-
Hingham Resources	Industrial Park	-	-	-	-	\$33,900,000	2
CNL Retirement-LP	Real Estate	-	-	-	-	\$25,000,000	3
Talbots	Office Building	-	-	-	-	\$24,178,200	4
Thomas J. Flatley	Shopping Center	-	-	-	-	\$22,593,400	5
Verizon	Shopping Center	-	-	-	-	\$8,597,800	9
Bare Cove Realty Trust	Real Estate	-	-	-	-	\$11,182,999	8
Hewetts Cove	Real Estate	-	-	-	-	\$7,722,500	10
		<u>\$ 484,303,280</u>		<u>69.6%</u>	<u>8.9%</u>	<u>\$ 209,749,804</u>	



(1) SOURCE: Assessor's Department, Town of Hingham  
 (2) Total Commercial, Industrial & Personal Property (CIP) valuation \$696,188,570.  
 (3) Total valuation of all property \$5,439,457,670.

**PRINCIPAL EMPLOYERS  
CURRENT YEAR AND NINE YEARS AGO**

2013				
Employer	Business	Employees	Rank	% of Total Employment
Blue Cross/Blue Shield	Health Care	1,237	1	9.20%
Town of Hingham	Government	944	2	7.02%
Linden Ponds	Health Care	836	3	6.22%
Serono Laboratories	Bio-Technology	590	4	4.39%
Talbots	Retail Clothing	563	5	4.19%
Whole Foods	Retail	236	7	1.75%
Russ Electric	Manufacturing	229	6	1.70%
Harbor House	Health Care	218	9	1.62%
Stop & Shop	Retail	200	8	1.49%
Eat Well	Restaurant	173	10	1.29%
		<u>5,226</u>		<u>38.86%</u>

2004				
Employer	Business	Employees	Rank	% of Total Employment
Talbots	Retail Clothing	1,120	1	10.09%
Town of Hingham	Government	1,031	2	9.29%
Serono Laboratories	Bio-Technology	400	3	3.60%
Russ Electric	Manufacturing	257	4	2.32%
Stop & Shop	Retail	208	5	1.87%
Harbor House	Health Care	185	6	1.67%
Eat Well	Restaurant	170	7	1.53%
Kohl's	Retail	163	8	1.47%
Best Chevrolet	Auto Dealership	97	9	0.87%
Building #19	Distribution Warehouse	80	10	0.72%
		<u>3,711</u>		<u>33.43%</u>

Source: Mass Department of Labor and Workforce Development  
Town of Hingham Accounting Office

## **Appendix III**

### **News Stories**

9/30/2014

Office Parks Get a Makeover - WSJ

- WSJ
- WSJ LIVE
- MARKETWATCH
- BARRON'S
- MEMBERSHIP
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- 3 of 12 **Hundreds of Thousands Face Health Law S...**
- FAA Plans Revi After O'Hare W**

U.S. NEWS

# Office Parks Get a Makeover

Municipalities, Developers Want to Put Aging Suburban Facilities to New Uses

Email Print 7 Comments

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By LAURA KUSISTO

Updated May 21, 2013 8:20 p.m. ET



A Bridgewater, N.J., biomedical research facility formerly occupied by French drug maker Sanofi, shown, was bought in April by a developer. *John Taggart for The Wall Street Journal*

Once a symbol of suburban dominance, office parks from California to New Jersey are being reimagined as little cities.

Hoping to stave off suburban blight, local officials in more than a dozen communities have approved plans for developers to turn aging corporate parks into urban-style complexes with amenities including apartments, stores, movie theaters, bike paths and office space.

The most recent example is in Bridgewater, N.J., where a 1.2 million-square-foot office and research park once occupied by French pharmaceutical giant Sanofi was

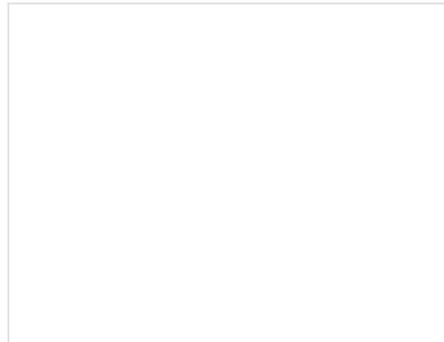
## RECOMMENDED STORIES

suburos, where an area with 8 million square feet of 1980s-era offices could be transformed by taller buildings with multiple uses.

And in the suburban cities of California's Silicon Valley, such as Mountain View and San Jose, city officials have approved plans for taller buildings, bike paths and pedestrian networks, and in some cases housing.

"Suburban office buildings are passé," said Burrell Saunders, a principal at Lyall Design who has redesigned suburban corporate spaces around the country. "We need

<http://online.wsj.com/news/articles/SB10001424127887323463704578497181555081610>



## Popular Now

What's This?

### ARTICLES

1 **Opinion: Obama Needs to Call Bush**



2 **EBay to Spin Off PayPal Business**



3 **The 2014 Baseball Playoffs Hateability Index**



4 **Opinion: The Obama-Military Divide**



5 **Opinion: Obama on Faulty Intelligence**



### VIDEO

1 **Aerial Drone Captures Scale of**

# Developers take steps to reinvent suburban office parks

By **Jay Fitzgerald** | GLOBE CORRESPONDENT JULY 27, 2014

When the exodus to the suburbs got underway more than a half-century ago, employers followed, and the office park was born. But today, as younger workers return to the city, and employers again follow the labor, these isolated campuses of low-slung buildings, parking lots, and company cafeterias face challenges, from new competitors to aging facilities to high vacancy rates.

As a result, owners and developers across Eastern Massachusetts are seeking to reinvent the suburban office park, taking a page from urban revitalization that transformed old mill and factory buildings into mixed-use developments of housing, retail, and office spaces. In communities such as Burlington and Marlborough, developers are adding restaurants, hotels, and other amenities, as well as housing, to compete with the “live, work, play” attraction of the city.

CONTINUE READING BELOW ▼

In Marlborough, for example, Atlantic Management Inc. of Framingham purchased the former Hewlett-Packard campus three years ago to launch a more than \$200 million rehab of the 110-acre site, which dates back to the 1960s. The project is well underway, with Atlantic refurbishing the two office buildings, while AvalonBay Communities of Virginia, which purchased 26 acres at the site, builds 350 luxury apartments.

Atlantic Management also plans to develop a 153-room hotel and 50,000 square feet of retail and restaurant space that may one day include a farmers market. Already, this redevelopment of the Marlborough Hills office park has attracted a major corporate tenant, Quest Diagnostics of New Jersey, which plans to locate more than 1,000 lab workers there later this year.w

“The number-one challenge for many companies is how to attract talent,” said Joseph Zink, chief executive of Atlantic Management. “Companies need to attract talent and this is one way to do it. I think we’re going to see more of this in Massachusetts.”

Suburban office parks across the nation are trying to respond to tenants insisting on more amenities, said David Begelfer, chief executive of NAIOP-Massachusetts, a real estate trade group. In Massachusetts, there’s no precise figure on how many office parks are undertaking renovations large and small, Begelfer said, but “it’s dozens of them and they’re easily spending billions of dollars.”

“The market is demanding it,” he said.

Commercial real estate specialists say the trend in office park redevelopment is driven by two forces. First, property owners

need to renovate aging, outdated buildings, some of which are a half-century old. Second, they must meet increasing competition from Boston, Cambridge, and other nearby urban communities.

Along Interstate 495, the vacancy rate for Class A offices is hovering at nearly 18 percent, compared with 11.5 percent in Boston and less than 6 percent in Cambridge. Commercial rents are depressed. Offices lease for only \$20 per square foot in the region, less than half of what similar space fetches in Boston and Cambridge, according to Jones Lang LaSalle, a commercial real estate firm.

The site of the former headquarters of data storage giant EMC Corp. in Hopkinton is an extreme case of a struggling suburban property. The 160,000-square-foot building, just off I-495, has sat empty for 13 years, ever since EMC moved to newer offices elsewhere in town, said Steven Zieff, a partner with Hopkinton's Crossroads Redevelopment LLC.

Crossroads has an option to buy the 38-acre property, which also includes four one-story buildings, and hopes to redevelop the site into a mixed-use complex of housing, retail stores, restaurants, and office space.

“People are looking for something different,” said Zieff. “It’s the entire ‘live, work, play’ environment that people want. They don’t want to go to just an office park with a cafeteria and parking lots.”

Along Route 128, the situation is not nearly as dire, with the office vacancy rate between Woburn and Needham running at 6.4 percent, below Boston's. Rents near that stretch of the

highway are rising as the economy continues to improve, averaging about \$34 per square foot, about \$20 less than office space in Boston and Cambridge.

But office park owners still feel pressure from intensifying competition with cities. In recent years, a number of suburban companies have moved to Boston or Cambridge, including ad firm Allen & Gerritsen, which moved to the Seaport District from Watertown. Biogen Idec soon will move from a Weston office campus to a new headquarters under construction in Kendall Square.

At the 13-building New England Executive Park in Burlington, the vacancy rate is 10 percent, with tenants that include tech firms BAE Systems, Charles River Systems, and Black Duck Software. Still, National Development, the park's owner, is convinced it needs improvements to stay competitive.

Later this year the firm plans to start a major overhaul that includes demolishing an office building — all 13 buildings were built between 1969 and 1986 — and constructing 300,000 square feet of new development. The new additions will include a 170-room hotel, three full-service restaurants, and new retail and office space.

“We’re seeing this great rush to the city [by tenants],” said Ted Tye, managing partner at the Newton-based National Development. “What that’s doing is forcing suburban properties to stay on their toes. And we’re responding to that.”

National Development, however, won’t add housing to its New England Executive Park mix. Tye said he’s not convinced that housing within office parks is a smart idea. Some towns might end up getting financially hurt because commercial and

industrial properties are usually taxed at higher levels than residential properties, he said.

He added that it's also hard to duplicate urban settings within suburban parks if they're not near public transit and don't have easy pedestrian access to offices. "This is a source of some disagreement within the industry," he said of housing's role in office park redevelopment.

In contrast, Nordblom Co., owner of Northwest Park in Burlington, is a firm believer in "live, work, play." Three years ago, it launched a massive \$500 million project to redevelop about half the 285-acre office park to include 600,000 square feet of retail space, 300 new apartments, a 225-room hotel, and 3.5 million square feet of new or refurbished offices.

Todd Fremont-Smith, senior vice president of Nordblom, said the redevelopment, which could take another 10 years to complete, has already attracted new office tenants, a steakhouse restaurant called The Bancroft, and a new Wegman's supermarket, which opens in October.

"By mixing the uses, you have a more dynamic environment — and it's more rentable," Fremont-Smith said. "People are seeking urban-like amenities where they work. I think we're going to see more of this at both office and industrial parks. People want it."

## Suburban renewal

*Below is a look at some proposed projects.*



## Elmwood Park, Hopkinton

*(possibly to be rebranded to Crossroads)*

**Developer** Crossroads Redevelopment LLC

**Former and current use** Former 160,000-square-foot headquarters of EMC, four one-story “flex space” buildings, and parking lots.

**Development plan** Construct 375 apartment units and a 150-room hotel; possibly renovate old EMC building or completely rebuild it; and build new access roadway to site.

**Status** Under zoning review by town of Hopkinton.



## Marlborough Hills, Marlborough

Developer Atlantic Management Inc.

**Former use** 750,000 square feet of office and R&D space in two buildings, previously used by Hewlett-Packard and vacated in 2011.

**Development plan** Remodel the two buildings and add 350 apartment units, a 153- room hotel and 50,000 square feet of retail and restaurant space.

**Status** One former HP building has already been renovated and leased to Quest Diagnostics; construction is underway on residential units; construction set to start this fall on hotel; no timetable yet for renovation of second HP building.



## Wells Avenue Park, Newton

**Developer** Cabot, Cabot & Forbes

**Former use** Parcel at 135 Wells Ave., now a 62,000- square-foot Boston Sports Club

facility

**Development plan** Tear down building and replace it with 334 apartment units; 6,000 square feet of co-working space for small companies and a café.

**Status** Still awaiting city permits.

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## Industrial and Office Park Outlook

By **Ron Nyren**  
August 1, 2012

Members of ULI's Industrial & Office Park Council discuss the recovery of the industrial and office sectors, what investors are looking for, the return of development, and other trends.

Contributing their insights are Jeffrey Barclay, managing director of Goldman, Sachs & Co. in New York City and chair of the Industrial & Office Park Council (Gold Flight); James Carpenter, executive director of capital markets for Cushman & Wakefield of Illinois in Chicago and assistant chair of the Green Flight; Jack Fraker, managing director of CBRE's capital markets industrial practice, vice chairman within the company's investment properties-institutional group in Dallas, and chair of the Red Flight; Andrew Friedman, managing director of capital transactions for Shorenstein in San Francisco and chair of the Blue Flight; and John Levy, president of John B. Levy & Company in Richmond, Virginia, and chair of the Black Flight.

### **How would you characterize the recovery of the industrial and office sectors, and what kind of uncertainty remains?**

**Jack Fraker:** The job losses in this country did not hit the industrial sector as badly as they hit the office market. But because consumer spending was down, warehouse demand was down, so we had a lull in the fundamentals in 2009 and 2010. When the recession hit, everybody could quickly put the brakes on new construction, knowing that it only takes about six months to build a warehouse or distribution center. Now the economy is better, and many markets around the country have healthy occupancy levels. Some speculative construction is taking place in a handful of markets. The fundamentals are improving, interest rates are favorable, and institutional investors continue to be interested in industrial real estate.

**James Carpenter:** Overall, the industrial leasing market improved in 2011. In prior recoveries, small businesses led the way. In this recovery, market performance was driven by large multinational corporations with cash or access to capital. They were reconfiguring their supply chains to save money, primarily for consumer products and e-retail, and they leased modern, high-ceiling

warehouses larger than 400,000 square feet [37,000 sq m]. At the other end of the spectrum, 20,000- to 100,000- square-foot [1,900 to 9,300 sq m] spaces leased to local companies and 100,000- to 300,000-square-foot [9,300 to 28,000 sq m] spaces leased to regional companies didn't start to perform very well until the fourth quarter of 2011, and then probably due to improved prospects for employment, a moderate uptick in consumer spending, restocking of inventories, and incrementally better credit for small to midsized business, all overlaid with a current of optimism about the economy.

**Andrew Friedman:** In the Bay Area, office absorption is strong in many markets, particularly in San Francisco's South of Market submarket and in Palo Alto, Menlo Park, Mountain View, and Cupertino. There has been less activity in San Jose and Santa Clara, but the prospects for 2012 are improving. Much of the leasing activity is driven by big technology firms like Apple, Facebook, Google, Salesforce, Twitter, Yammer, and Yelp. In Seattle, a dozen large companies are growing, but the big gorilla there is Amazon, which added about 10,000 employees last year, the overwhelming majority in Seattle's South Lake Union submarket. Traditional downtown office tenants—finance, real estate, insurance, and other professional services—have grown more slowly.

**Jeffrey Barclay:** The hottest topic for everybody in real estate right now, especially in the office sector, is job growth. Where is job growth going to come from? When will corporations that are now flush with cash start hiring? From a real estate point of view, the questions are how to respond to those companies' needs and to what extent is conventional real estate obsolete, or at least not optimally useful. On the industrial side, the question is really much more related to trade—how the slowdown of China's economy might influence trade patterns, how the 2014 expansion of the Panama Canal will have an impact on trade.

**John Levy:** What we have is a very uneven recovery, and the concept of risk is still a big issue for people. They really don't know where they want to take risk, and there are still a lot of people who want to play both ends of the barbell: either they want to be extremely safe or very risky. The thought process is that they will lose some money on the very risky deals, but they will make enough that it will be effective.

### **What are investors looking for, and what is the availability of financing?**

**Carpenter:** In the industrial arena, the typical investor in 2011 was seeking a major distribution market—Seattle, Los Angeles, Chicago, northern New Jersey, or Miami. The investor market wanted newer, fully occupied, larger distribution space in those markets, and they were willing to pay a handsome price. That resulted in significant trading of those assets in most markets. Now investors are willing to think about Class B product, provided that they stay in those major

markets. That's a function of pricing: the yields in the slightly lesser-quality product, as long as it's well located and well designed, are significantly higher than yields for core, probably by 125 to 175 basis points. After the Class B buildings begin to trade in primary markets, Class A products will likely trade in lesser markets like Indianapolis, Nashville, Charlotte, Memphis, or Phoenix.

**Fraker:** Most institutional investors are focused on the top-tier markets and are not looking as closely at industrial opportunities in so-called secondary cities. I think they are missing opportunities for slightly higher returns by not going into these secondary cities, where they could be getting a higher return by about 50 to 100 basis points. Later on, those cap rates and returns might get compressed in secondary markets, so there is a built-in profit. I'm watching closely to see when the money starts coming back into the secondary markets.

**Levy:** The good news for both industrial and office buildings is that the reemergence of the commercial mortgage-backed securities [CMBS] market is offering a financial alternative that has been lacking for the last four or five years. We have been able to do big deals in major cities for quite a while— Washington, D.C., New York, San Francisco—but a good building in Nashville or Austin might have had trouble. The CMBS market is willing to provide capital not just in five cities, but in 30 or 40. In addition, there is quite a bit of money in the form of either mezzanine debt or preferred equity. The rates for mezzanine debt have come down dramatically as well.

**Are you seeing signs of a return to development?**



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**Friedman:** Office development is coming back faster than people anticipated. In Seattle, there is talk of development, and one small project in the South Lake Union area just broke ground. In San Francisco, Tishman Speyer has announced plans to build two office projects in South of Market and expects to start construction in the near term. In Silicon Valley, a number of projects have either broken ground in the last 60 to 90 days or they are going to soon. I can think of three or four projects in Sunnyvale, Mountain View, Santa Clara, and Palo Alto. There are also some land sales. I know one that is expected to close at a price that is close to the peak prices reached before the downturn, and my understanding is that it's going to be a spec development.

**Fraker:** For the industrial markets, Los Angeles, Houston, south Florida, central Pennsylvania, and even Salt Lake City are showing signs of life. New construction is likely to start later this year in Dallas, Chicago, Cincinnati, and Indianapolis. What's being built are very large buildings because corporate America became very cautious and shelved its expansion projects and consolidated distribution center projects from 2009 to 2011. Now corporate America has a little more confidence in the economy.

**For the office sector, do trends favor urban locations over suburban ones?**

**Barclay:** Urbanization is creating new winners and losers. New York City is a great example. The most active markets in New York are not necessarily in the

traditional big corporate markets. The best example I can point to is Chelsea and the meatpacking district in New York. Two years ago, Google bought a building there, and ever since then the desire to be near there has been tremendous among tenants. It's possible that corporations will have less appetite for suburban office parks, or that some edge cities will benefit and some of the more remote locations will suffer. This trend is likely to lead to more adaptive reuse. The old buildings, like the one Google bought in New York, are extremely suitable for today's technology.

**Levy:** There is no question that there is a move to hipper space—unfinished ceilings, open plans, ping-pong tables, Wi-Fi everywhere. Today's workers may take up a little less space than they did in traditional offices, but now they have different needs. They want a car wash or a gym in the building; they want Wi-Fi in the lunchroom. But those spaces don't necessarily have to be downtown. Silicon Valley is pretty hip, after all.

### **What other trends are shaping the industrial and office park sectors?**

**Levy:** The Ben Bernanke economic plan is actually working. Right now, if you open a money market fund, you might get 10 basis points a year. Not too long ago, you could make 3 to 5 percent interest. With the Federal Reserve policy now, there is no reward for parking your money. You have to invest it, and real estate is generally thought to be a relatively safe, high-yield investment. By keeping rates very low, Bernanke has forced investors to look for and accept some risk.

**Carpenter:** E-commerce is the dominant force in the industrial sector because it's driving so much of the changing demand in retail. The e-retailers are leasing big buildings. Amazon is the bellwether: they leased a couple million square feet in Phoenix last year. In Louisville, which is a UPS hub, the Zappos.com shoe company has 900,000 square feet [84,000 sq m] and is adding more space every day. The large e-retailers are all taking space close to these major logistics hubs for overnight shipping.

**Fraker:** The biggest change in the industrial sector is that these buildings now are designed with lots of trailer parking on site. It requires more land, but corporate real estate managers want to get maximum utility out of the site. In some cases, the trailers are used for storage. Also, there is a move to make more warehouses environmentally oriented and to obtain LEED [Leadership in Energy and Environmental Design] certification, with features such as on-site water retention, reflective roofs, and clerestory windows to bring in natural light.

**Barclay:** The amount of office space per employee is shrinking. Technology such as the iPad has been a game changer. People can be much more productive in

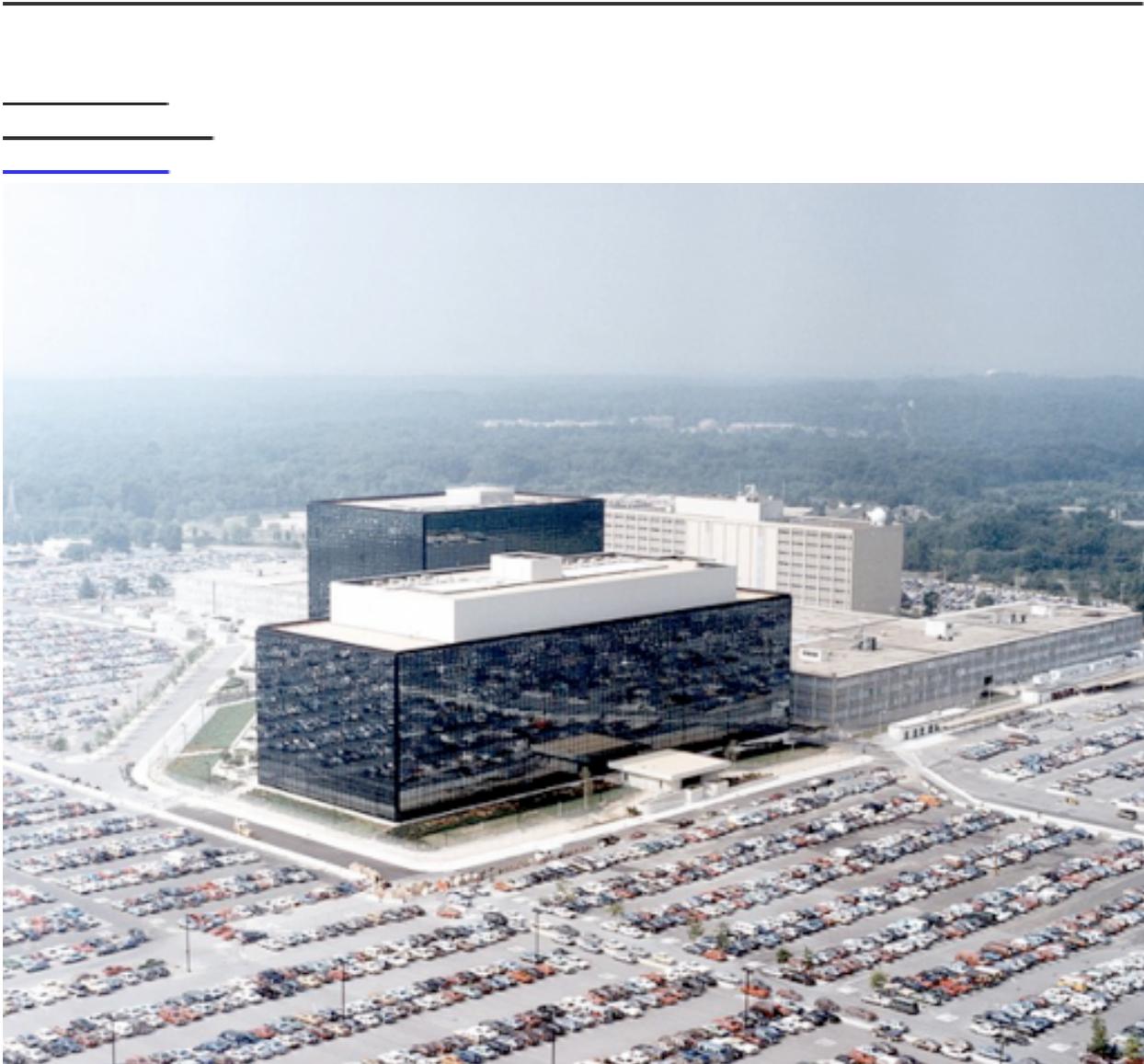
much less space. Even a few years ago the security concerns about wireless communication systems in offices were almost prohibitive, and now wireless systems are everywhere, allowing people to be productive from anywhere they want to be. Office tenants are looking for spaces where their employees can effectively collaborate. They're moving more toward teams: people work with one set of people on one project and another set of people on another project. Tenants want common areas where people can catch up over coffee or work out, informal meeting spaces distributed throughout the space. There's a major workplace trend toward breaking down the boundary between work and play.

**Friedman:** Workplaces are getting denser. The old rule of thumb was one employee per 250 square feet [23 sq m]. Now, especially in the tech world, in an open-plan work environment, one employee for every 125 to 140 square feet [12 to 13 sq m] is more common. Companies are also providing more informal meeting areas, lounges, and amenities such as high-quality food and exercise facilities. As a result, tenants are favoring larger floor plates with better window lines. That gives them the ability to efficiently accommodate a dense work environment, provide multiple amenities on the same floor as the workspace, and give employees the flexibility to quickly form project teams as needed. Now a lot of other industries with younger workers, whether media companies or entrepreneurial finance companies, are also seeking these creative kinds of

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## The Decline of the Suburban Office Park

Posted By Angie Schmitt On April 4, 2014 @ 10:51 am In Network Roundup | [No Comments](#) Is the suburban office park going the way of



the shopping mall?

That's what Erik Calloway of Bay Area planning firm Freedman Tung + Sasaki told an audience in the heart of the Silicon Valley recently,

making the case that the inwardly- focused, fortress model of the workplace is an industrial-era relic.

Adina Levin at [Peninsula Transportation Alternatives](#) [3] caught the presentation and

relays some of the highlights:

The business parks that emerged in the mid-20th century were designed to be standalone centers for industrial manufacturing, far from homes and stores. They have plenty of landscaping, but no public space — the activity is inside the complex.

[1]

Not the future. Photo via [@compujeramey](#) [2]

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Today the largest companies can still be self-contained — companies including Apple, Facebook, and Google are building internally focused headquarters — see Facebook HQ below. But a greater proportion of the economy is taking place among networks of collaborating business partners.

Increasingly, people prefer public spaces to interact and collaborate. So there is demand for workplaces that have public space, and that have access to restaurants and services that people like to have nearby.

The shift in workplace preferences is accompanied by a shift in the places where people many prefer to live. More people prefer places where they need to drive less. During the “great recession,” homes in urban areas maintained value more strongly than homes in remote suburbs.

Driving is declining, in an age of more expensive gasoline and changing preferences. Because of these preferences, a much greater share of startup companies are starting to locate in center cities and walkable suburban downtowns,

according to a [new report highlighted in Atlantic Cities](#). [4]

Skeptics in Sunnyvale and other Bay Area suburban communities argue that there is no need to create new development, because the existing area is “built out.” The presentation by Erik Calloway suggests that much of the existing building stock no longer meets today’s needs, so changes will be needed to keep up with how people want to live, work and shop.

An alternative, of course, is to continue to lose market share to more highly preferred walkable places with public space.

Elsewhere on the Network today: [Getting Around Sacramento](#) <sup>[5]</sup> posits that traffic signals optimized for cars are what prompts some cyclists to run reds. [Urban Review STL](#) <sup>[6]</sup> shares

photos of a new road diet in St. Louis that creates a protected pedestrian space on a busy road,

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as well as a bike lane. And [Bike Delaware](#) <sup>[7]</sup> explains “armadillos,” easily-installed plastic humps that can be used to separate bike lanes from motor vehicle traffic.

## **Appendix IV**

### **Suburban Studies**

**(See Attachments)**