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Developers: Suburban Office Makeovers Justify Investment

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Expect developers to continue buying nearly-obsolete office properties in the Boston suburbs and repositioning them for 21st-century workforces.

Recent projects in Bedford, Burlington and Waltham have vindicated developers' investments by attracting growing tech companies at higher rents following multi-million-dollar modernization projects.

"There are going to be tenants that are going to move to cheaper rents," said Jonathan Davis, CEO of the Boston-based developer Davis Cos. "You're going to have to replace the tenant and there are incremental costs associated with that. But in every case, (new) tenants are willing to pay for additional value."

Davis participated in a panel discussion at a NAIOP-Massachusetts forum Wednesday at the Hyatt Regency Boston. Banker & Tradesman was a sponsor of the event. Despite the well-chronicled trend of growing companies relocating to urban neighborhoods to recruit younger workforces, Davis Cos. continues to acquire suburban office properties in what it considers prime locations.

In 2012, Davis Cos. acquired the 1960s-era Bedford Business Park for \$62.8 million. Since then it has renamed the 475,000-square-foot complex The Xchange at Bedford and added larger windows, new building entrances, a fitness center and fire pit-equipped patio.

Shortly after new facades were completed, health care cost management company MultiPlan leased 75,077 square feet in a relocation from Bay Colony Corporate Center in Waltham. The eight-building Xchange campus has an additional 145,000 square feet available.

Davis Cos. has a similar game plan for updates to One Burlington Business Center, a 176,886-square-foot office building that it acquired in January in partnership with Des Moines, Iowa-based Principal Real Estate Investors.

Waltham-based Saracen Properties acquired the 1.1-million-square-foot Clock Tower Place complex in Maynard at a public auction last month and plans to demolish some of the existing buildings to form better connections to the town center, said Marc Margulies, a principal for Margulies Perruzzi Architects. Monster Worldwide vacated 300,000 square feet at Clock Tower Place in early 2014.

Still, car-dependent commutes remain a major challenge to the competitiveness of suburban commercial properties.

During exit interviews, many Vistaprint employees listed unpleasant commutes as one of the big drawbacks, said Albert Plans, Vistaprint's director of corporate real estate. "It's really painful still to get to the suburbs," Plans said.

Vistaprint will move this fall from Lexington to a 315,000-square-foot build-to-suit complex in Hobbs Brook Office Park in Waltham.

Private industry in partnership with regional transportation councils has filled some of the gaps in the region's mass transit network by sponsoring shuttle services from MBTA stations to suburban office parks. Those services continue to expand.