

Boston

Impact

The high-tech sector has been a significant contributor to office space demand in this economic recovery. Net absorption in the Greater Boston Area has been positive since early 2010, and rents continue to increase since hitting bottom in the third quarter of last year. Fundamentals have improved most in Cambridge, which is home to many high-tech tenants including Google and Microsoft, with rents increasing by 4.8 percent in the past year.

Overview

The submarkets of Cambridge, 128/Mass Pike, and Northwest are the most well known high-tech clusters. Both established and small-sized high-tech firms benefit from first-hand access to the submarket's highly educated workforce and unique urban culture. The 128/Mass Pike submarket is known as a high-tech hot bed and achieves the highest rents in the suburbs. The Northwest office market provides slightly less visibility, but asking rents are 10 percent less on average than 128/Mass Pike and over 50 percent less than Cambridge. Concessions are decreasing in Cambridge, while landlords continue to use tenant improvements to attract tenants to the Northwest and 128/Mass Pike submarkets. Established firms are signing leases up to 10 to 15 years in length, while start-ups and smaller firms remain more cautious.

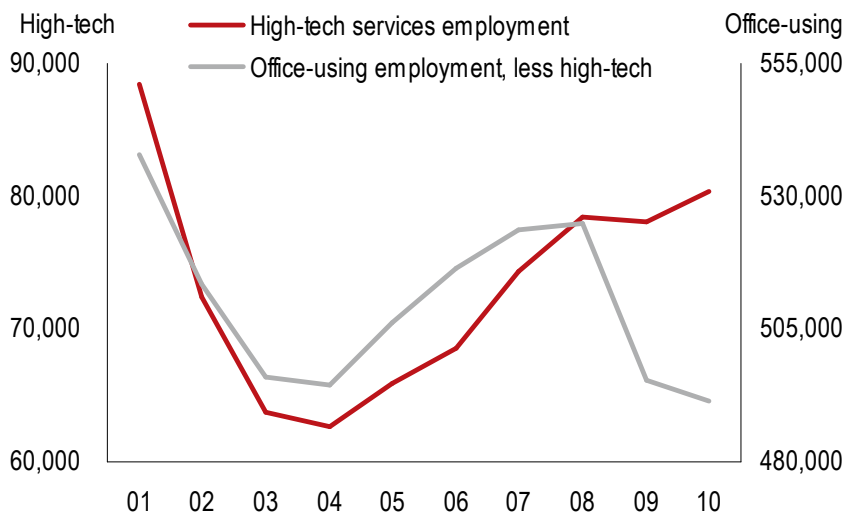
The South Boston Waterfront submarket is an emerging high-tech hub, driven by the establishment of the "Innovation District" where well known firms including Brightcove and Communispace have already moved into the submarket.

In common practice, large public companies have created corporate campuses on the periphery of the Greater Boston market where they can expand into larger spaces and pay lower rents, but still tap into Boston's resources. EMC, Bose, and IBM are some examples of this trend.

Outlook

Many companies may look for more economic space options in the Innovation District as its popularity increases and further development ensues. Those companies with even larger growth plans will move to the suburbs as they outgrow their urban space, seeking larger floor plates and more affordable rents than either of those submarkets can offer.

Boston high-technology employment



Players: top high-tech firms By real estate footprint



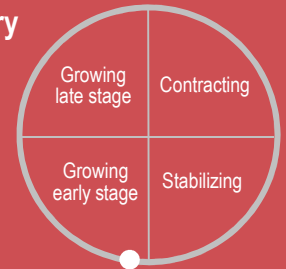
EMC
Bose Oracle
IBM
Sensata Technologies

Position



High-tech industry

Economic cycle clock



Office property

Market cycle clock



Scorecard



		rank
High-tech jobs / annual growth	129,183 / 0.0%	2/13
Percent of total jobs	7.4%	6
Number of firms	5,326	4
Venture capital funding (past 4 quarters)	\$2,710.3M	2
Share of U.S. total	10.9%	
College education	43.7%	8
Diversity (non-white / foreign born)	21.4% / 18.1%	14/10
Office		
Cost (average asking rent)	\$28.42	8
Annual growth	0.1%	10
Supply (vacancy rate)	19.9%	14
Demand (net absorption sf / % (past 4 quarters))	2,704,780 sf / 1.7%	3 / 5
High-tech concentration (high-tech services vs. office jobs)	14.0%	4



Recent lease activity



Pegasystems
1 Rogers St. and One Charles Park
163,000 sf



Google
3 Cambridge Center
62,000 sf

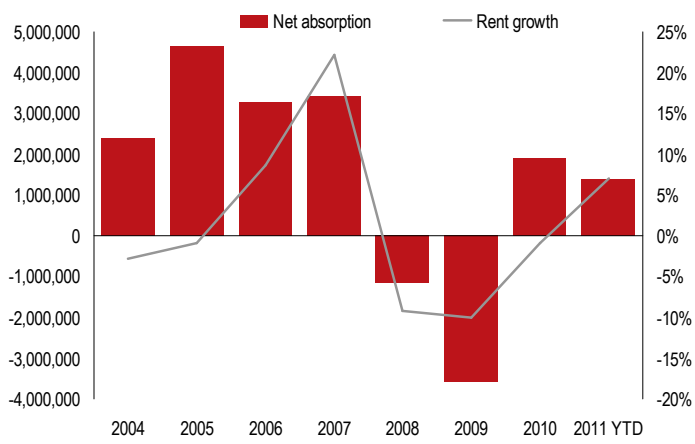


DynamicOps
1 Wall Street
37,000 sf



Acquia
30 Corporate Drive
35,000 sf

Net absorption vs. rent growth



Top headlines

- Boston**
- MIT's 2009 Entrepreneur Competition winner, Ksplice, bought by Oracle
 - Boston tech community falling behind, losing momentum to New York
 - Brightcove, an online video company, will relocate from Cambridge to Boston after leasing 82,000 square feet, doubling in size
 - A number of start-ups are expanding their space in downtown Boston as they sign mid-sized leases

Top Boston high-technology firms by real estate footprint

- Alphabetical order:
1. Agilent Technologies
 2. Akamai Technologies
 3. Analog Devices
 4. Avid Technology
 5. Bose
 6. Compucom
 7. Constant Contact
 8. Dassault Systems
 9. EMC
 10. Google (with ITA)
 11. IBM
 12. iRobot
 13. Lucent Technologies
 14. Microsoft
 15. Oracle (with Sun Microsystems)
 16. Pegasystems
 17. Philips Electronics
 18. Progress Software
 19. PTC
 20. Sensata Technologies
 21. Sonus Networks
 22. Stratus Technologies
 23. Teradyne
 24. TripAdvisor
 25. Waters Corporation

