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SPEC BUILDING:

Boston sees a modest return to the development of speculative office projects.

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BY MARC MARGULIES | BOSTON BUSINESS JOURNAL

Jason S. Weissman is working on a mixed-use project that includes speculative office space on the site of this Allston filling station.

Working on spec: Builders see market starting to stir

BY KEITH REGAN
SPECIAL TO THE JOURNAL

Cummings Properties is betting that better days lie ahead for the Boston-area commercial marketplaces. The Woburn-based developer and property manager has two speculative office projects in the development pipeline, including the 547,000-square-foot Trade Center Executive Park just off Route 128.

"We have seen significant improvement in the leasing market over the past 12 months," said **Dennis Clarke**, Cummings' CEO.

Cummings is in the midst of construction of a 30,000-square-foot project in Wilmington that began as a spec building but is now one-third leased. And even the Trade Center project is no longer purely speculative. Just last week, Cummings learned that its proposal to temporarily house the Massachusetts Trial Court during the renovation of the Cambridge court complex had been accepted by the state. The court is expected to take 130,000 square feet for three to five years.

Cummings' developments are part of what industry insiders describe as a modest trend toward more spec building in the commercial sector. Other projects include the **Davis Company's** plans to build a 185,000-square-foot office building as part of the redevelopment of the former **Polaroid Corp.** campus on Route 128, and **Duffy Properties'** 142,000-square-foot office structure going up on Waverly Oaks Road.

Downtown Boston has also been the focus of early-stage planning for spec projects, including Mayor **Thomas Menino's** desire to see a large office tower go up in the Financial District, one that he says would enhance the city's skyline and dramatically boost the amount of office space available.

The spec building is happening despite lagging employment growth in the state and a rash of consolidations

that in recent years has seen several major Boston-based businesses acquired by out-of-state rivals. Still, experts say demand from the biotech, medical device and financial services industries, among others, is giving developers reason to be optimistic.

The current rate of construction may only seem more fervent because of the long lull that lasted until 2005, said **Marc Margulies**, principal of **Margulies & Associates**, which designs office spaces. "There is a small, carefully considered amount of new office construction under way for which there is a statistical requirement, if not actual demand," he said.

David L. Cary, managing director of **Integra Realty Resources'** Boston office, said recent spec projects are being driven by "slightly lower vacancy rates, rising rental prices and stronger demand that has revived projects that had previously been shelved."

According to research from **Richards Barry Joyce & Partners LLC**, the vacancy rate in Boston's Financial District in the second quarter was 12.7 percent, compared with 15 percent in the second quarter of 2005. In the suburban market, the vacancy rate was 17.3 percent for the second quarter, according to **CB Richard Ellis**. Last year, the vacancy rate was closer to 20 percent.

Jason Weissman, founder and principal of **Boston Realty Advisors**, which is working with developer **MURB** on a 20,000-square-foot building in Allston that includes 10,000 feet of spec office space, said his firm's data show positive absorption rates for 15 straight quarters in Boston and Cambridge, with pharmaceutical and financial services firms helping to eat up existing space.

"Since 2001, there has been no new office space delivered to the market, with the exception of projects that were previously under construction," he said.