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No Longer the End of the Line

Green Line Extension Spurs Office Development

By Steve Adams | Banker & Tradesman Staff | May 13, 2018



Cambridge developer Urban Spaces is nearing completion of an office building at 121 First St. and preparing to break ground on two residential buildings.

Developer Urban Spaces has an unscientific measuring stick to gauge the vibrancy of the East Cambridge neighborhood where it's headquartered and now building office space and housing.

CEO Paul Ognibene calls it "the door test."

"When we would open the door out of our office, no one would be walking on the streets a few years ago," he said. "Now we have to be careful not to hit someone, because there's a lot of foot traffic."

The increasingly busy sidewalks of First Street reflect a neighborhood that's starting to come into its own after years in the shadows of the Cambridgeside mall and tech mecca Kendall Square. Near the northern terminus of the MBTA Green Line, it's poised to benefit from the 4.3-mile extension into Somerville and Medford which has prompted large-scale development plans in Union Square.

"Instead of being the end of the line, it's being connected to future growth corridors through Somerville and Medford," said Aaron Jodka, director of research for Colliers International in Boston. "Cambridge is the epicenter of life science research in the world and it could be a relief valve and an expansion of Kendall Square."

Aging retail and industrial buildings are being replaced with multifamily housing, lab space and tech offices. Urban Spaces is developing 10 parcels off First Street into housing, retail space and a speculative office building scheduled for completion this summer, and is reportedly in final negotiations with online auto marketplace CarGurus for all 49,000 square feet.

Phillips North America is rewarding developer DivcoWest's decision to build a 425,000-square-foot speculative office and lab-ready building at the long-delayed Cambridge Crossing site, a former Boston and Maine rail yard. Phillips has leased 341,000 square feet in the first commercial development on the 45-acre site, and DivcoWest is reportedly considering groundbreaking for another speculative office and lab building.

"The Green Line is only going to benefit Cambridge Crossing," predicted Liz Berthelette, director of research at NAI Hunneman in Boston. "The Green Line could be the second iteration of the (Red Line) brain train connecting Cambridge and Somerville to downtown Boston and Back Bay, revitalizing that area and providing a big tenant draw."

Relief Valve for Kendall Square

Cambridge Crossing presents a new destination for companies looking for a Cambridge address outside the high-rent Kendall Square district, which historically led them to consider Alewife or suburban properties.

Kendall Square's tech and life science cluster continues to attract a disproportionate share of private investment. East Cambridge companies received \$2.9 billion in venture capital funding in 2017, ranking only behind the entire states of New York and California, according to a Cushman & Wakefield research paper.

It's not surprising, then, that East Cambridge office vacancies dropped to an all-time low of 2.3 percent in the first quarter, according to JLL research. Former Microsoft space at 255 Main St. was quickly snapped up by Cambridge Innovation Center as it expanded by 92,500 square feet.

Even a robust 1.3-million-square-foot Cambridge office construction pipeline offers little relief, with the vast majority of space already committed such as Boston Properties' 453,000-square-foot office tower for Akamai at 145 Broadway.

Spilling into Somerville

One stop north near Somerville's Union Square, New York developer DLJ Properties plans to develop up to 570,000 square feet of commercial space and 380,000 square feet of housing on 3.4 acres currently occupied by surface lots, industrial buildings and scrap metal yards. It recently kicked off permitting for the project's first building, a 10-story, 139,000-square-foot office building to replace a parking lot on Earle Street. The first phase would include 374,000 square feet of office and lab space.

In submissions to Somerville officials, DLJ said the transit-oriented site is well suited for small and medium-sized companies and could generate up to 600 permanent jobs. The project requires variances for parking requirements, height limits and floor area ratios.

DLJ is the second major developer to move forward in the neighborhood. Somerville officials last December approved a master plan for Union Square led by developer US2, with plans for 2.4 million square feet of development including 1.4 million square feet of commercial space.

Betting on Transit and Office Growth

Transit and the eastward expansion of Kendall Square development factored heavily into Urban Spaces' targeting of a series of parking lots and small retail buildings near the Cambridgeside mall beginning in 2012. City officials finally approved a planned unit development in 2016.

Completion of the initial office building, built on speculation with financing from Northern Bank, is scheduled for July. Groundbreaking will take place later this summer on a pair of 118- and 18-unit residential buildings, with a 10,000-square-foot retail building to follow.

Unlike large developers such as Alexandria Real Estate Equities which target life science labs, Urban Spaces bet on growing office demand.

"It was a little counterintuitive but we figured over time, other businesses would fill in," Ognibene said. "This was on the periphery and now it's really become part of the center."