

Appendix E: Real Estate and Land Use Analysis

April 2016

The N² Corridor is made up of about 500 acres straddling the Newton/Needham border near I-95/Route 128. It is principally comprised of two business parks, Needham Crossing in Needham and Wells Avenue Office Park in Newton, and the Highland Avenue/Needham Street commercial corridor. The N² Corridor, much like Newton and Needham overall, is significantly built out, but many redevelopment opportunities exist. A number of recently completed projects have helped to diversify the mix of uses within the area, and several other projects are planned or underway. This analysis details the physical assets of the N² Corridor by subarea and land use type.

Needham Crossing

Situated between I-95/Route 128 and the Charles River, Needham Crossing is the Town of Needham's main business park, featuring residential, hotel, retail, and restaurant space in addition to office space. Key developable parcels within the N² Corridor are concentrated in Needham Crossing, where the new state-of-the-art TripAdvisor headquarters is located and where additional commercial office and mixed-use developments are anticipated.

Needham Crossing offers considerable redevelopment opportunities. Slated for development is the 27-acre former General Dynamics site, which together with TripAdvisor and other adjacent properties, comprises the Center 128 project being undertaken by Normandy Real Estate Partners. Once complete, the development will total 1.8 million square feet, including 1.3 million square feet of office, retail, and hotel, as well as approximately 400 residential units. This "superpark," as it has been called, would be able to accommodate another large company seeking a built-to-suit headquarters, as well as smaller office tenants.

Wells Avenue Office Park

Wells Avenue Office Park is located off of Nahanton Street in the City of Newton. Many structures in the economically and fiscally important park are considered prime contenders for updating and in some cases updates and expansions are already planned. The park will also benefit from other possible improvements, especially a second access road and dining, retail, or other amenities. This is part of a national trend of suburban commercial landlords facing the need to reimagine existing office parks and to adopt mixed-used and smaller tenant leasing strategies. Updating and improving the park will be critical for attracting larger tenant companies in the future.

A recent market study¹ showed that Boston's Metro West/South sub-region could support a great deal of additional office development. Based on current development proposals in the region, there is room for additional office growth in and around Wells Avenue. That study determined that spec office development in the larger sub-region is now supportable for the first time in almost a decade, with several projects in the pipeline.

¹ Wells Avenue Market Study, prepared by the Metropolitan Area Planning Council for the City of Newton, March 2015.

Highland Avenue / Needham Street Corridor

The corridor of Highland Avenue and Needham Street, stretching northeastward from Webster Street in Needham to Winchester Street and Route 9 in Newton, is characterized by ad hoc, principally highway commercial style development, with a mix of office and retail space. Major retailers along this corridor include Marshalls, HomeGoods, Modells, Michaels, TJ Maxx, Eastern Mountain Sports, Staples, and Petco. Restaurants include primarily quick-service chains, such as Chipotle, Starbucks, New England Soup Factory, Panera, and McDonalds, as well as a handful of local establishments. The Newton-Needham Regional Chamber is located in this area.

This strip also includes limited industrial properties. Smaller industrial spaces, particularly in the Charles, Wexford, and Gould Street areas, are home to a handful of entrepreneurial companies. Despite expected growth in demand for industrial space throughout the region, the high cost of land in Newton and Needham largely precludes new industrial uses in these communities.

The soon-to-be-vacated site in Newton that is currently occupied in part by Clarks is a key property in the N² Corridor's development pipeline. Situated on the northwest corner of Needham and Oak streets, the site is slated to become a mixed-use development. Northland Development's master plan for the property is nearing completion and is likely to include a combination of multifamily residential, retail, and office space. This will be a critical project for the N² Corridor, as it has the potential to serve as a key activity node, featuring high-quality amenities, communal gathering places, and multi-modal transportation connections that serve to foster a true sense of place.

Office Space

The commercial office space inventory within the N² Corridor is approximately 2.9 million square feet spread throughout almost 40 buildings. Of this amount, approximately 2 million square feet is located in the Town of Needham, dispersed among Needham Crossing, the Highland Avenue corridor, and the Gould Street area. The remaining 900,000 square feet is located in the City of Newton, split between Wells Avenue Office Park and the Needham Street corridor. Class A space tends to be more common in Needham, while Newton has more Class B and Class C space.²

Commercial Office Space Inventory, N2 Corridor

Class	Needham	Newton	N2 Corridor
A	1,484,396 SF	330,439 SF	1,814,835 SF
B	464,972 SF	566,573 SF	1,031,545 SF
C	16,800 SF	21,000 SF	37,800 SF
Total	1,966,168 SF	918,012 SF	2,884,180 SF

Source: JLL Research, Q1 2016

The direct vacancy rate³ for the N² Corridor is 9.7%, which is lower than that of the Boston Metro overall (11.5%), and significantly lower than that of the suburbs (15.0%). The N² Corridor has higher vacancy compared to Boston and Cambridge, and is especially cost competitive when compared to these cities. Average asking rents in the corridor of \$33.68 per square foot are substantially less than rents in Boston (\$55.97 per SF) and Cambridge (\$61.01 per SF). However, when comparing to the Boston suburbs overall, rents in the Corridor are almost \$10 per square foot higher.

² JLL Research

³ Considers vacant space currently offered for lease or sale directly by the landlord; excludes space for sublease

Commercial Office Space, Class A, B, & C, Boston Metro

	Metro	Boston	Cambridge	Suburbs	N2 Corridor
Inventory	165.5 MSF	65.5 MSF	10.8 MSF	89.1 MSF	2.9 MSF
Direct Vacancy Rate	11.5%	7.8%	4.7%	15.0%	9.7%
Average Asking Rent (\$/SF)	\$33.60	\$55.97	\$61.01	\$24.04	\$33.68

Source: JLL Research, Q1 2016

Similar trends apply when examining Class A office separately, though differences in asking rents between the Corridor and Boston/Cambridge are even greater.

Class A Office Space, Boston Metro

	Metro	Boston	Cambridge	Suburbs	N2 Corridor
Inventory	90.5 MSF	37.1 MSF	7.5 MSF	45.8 MSF	1.8 MSF
Direct Vacancy Rate	11.4%	8.3%	3.3%	15.2%	8.1%
Average Asking Rent (\$/SF)	\$38.66	\$61.17	\$69.01	\$27.20	\$36.16

Source: JLL Research, Q1 2016

Housing

While the Corridor consists primarily of commercial properties, there are some key residential developments that have introduced housing into the area within close proximity of office and retail establishments. Housing is a critical element in bolstering the Corridor's mix of uses, while contributing to the vibrancy of the area outside of standard office hours. Two large residential rental developments within the Corridor are Charles River Landing and Avalon at Newton Highlands. The Charles River Landing development is located within Needham Crossing and includes 350 units, of which 88 are affordable units. Avalon at Newton Highlands is located on Needham Street and consists of 294 units, of which 74 are affordable units. The Village Falls complex at the corner of Oak Street and Needham Street contains 123 condominium units.

The residential component of the Center 128 development in Needham Crossing will feature a number of rental housing units, as will the proposed Northland development along Needham and Oak streets. Just beyond the corridor, a 136-unit project on Greendale Avenue in Needham is planned.

Large Residential Developments, N2 Corridor and vicinity

Development	Location	Status	Market-Rate Units	Affordable Units	Total Units
Charles River Landing	300 2nd Ave, Needham	Occupied	262	88	350
Avalon at Newton Highlands	99 Needham St, Newton	Occupied	220	74	294
Village Falls Condominiums	183 Oak St, Newton	Occupied	123	-	123
Second Avenue Residences	2nd Ave & A St, Needham	Approved	292	98	390
Modera Needham*	Greendale Ave, Needham	Approved	102	34	136
Northland property	Needham St & Oak St, Newton	Planned	TBD	TBD	TBD

*Outside corridor

Transportation

Considerable roadway improvements that are planned or under construction, particularly the new dedicated exit ramp off of I-95/Route 128 at Kendrick Street, will significantly improve the Corridor's accessibility. Needham Crossing's visibility from the interstate, as well as the increased height and density of the development now allowed there, will be an attractive visual signal to lure high-profile firms. Other

planned improvements include adding a new traffic signal at First Avenue and Highland Avenue, which will allow traffic exiting the Needham Crossing area to easily access I-95/Route 128.

Pedestrian and bicycle infrastructure connecting the various parts of the Corridor is limited. A number of trails and paths exist within the Corridor, but they are generally disjointed. These include the Upper Falls Greenway, a trail along the Needham side of the Charles River, and various trails in Nahanton Park and Cutler Park. Streetscape work along Highland Avenue and Needham will roll out in the next year or two and include pedestrian improvements and bicycle lanes.

Public transit serving the Corridor is also limited. There are no light rail or commuter rail stations within the Corridor itself. The Eliot and Newton Highlands stations on the Green Line are the nearest T stations, each about 2 miles from the center of the Corridor. Needham Heights is the nearest commuter rail station, about 1.5 miles from the Corridor's center. MBTA bus routes 59 and 52 serve portions of the corridor and provide connections to rail.

While public transit options are scarce, several private shuttle options exist. The 128 Business Council operates the Needham Shuttle between the Newton Highlands T station and seven companies located in or near the Needham Crossing area, running during morning and afternoon commuting hours. It is available to employees and tenants of member companies at no charge, and charges a fare of \$4.00 per ride for non-members. In addition, TripAdvisor operates its own private shuttle, and a possible shuttle servicing Wells Avenue Office Park is currently under discussion.

Other Amenities

Other amenities within the Corridor include two higher educational institutions, Mount Ida College and William James College, which are both located in or near the Wells Avenue Office Park. In addition, the Jewish Community Center (JCC) on Nahanton Street offers a variety of fitness and educational facilities and programming.