

Firms plan Waltham office space amid glut

Prudential Real Estate, Davis bank on rebound.

By Thomas C. Palmer, Jr. Globe Staff

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With almost 20 percent of the office space still vacant in the western suburbs around Route 128, who would want to build more?

Davis Cos. of Boston and Prudential Real Estate Investors Inc. do, and they're starting construction on a lot of it -- spending \$85 million and adding 35,000 square feet to an aging office park that has no tenants.

The local developers and the national investment firm are planning to turn a three-building former Polaroid Corp. site on Winter Street in Waltham into 445,000 square feet of first-class office space. This marks the third venture Davis and Prudential have done together.



Jonathan G. Davis and Paul R. Marcus, partners of Davis Cos., said they decided a few months ago to defy conventional wisdom and build Reservoir Woods "on spec," or without any tenants actually signed up.

They said they're counting on gradual improvement in the leasing market, especially in Boston's western suburbs, as well as continuing high demand for best-of-the-best space, especially large blocks of it.

The companies plan to open the new building next summer. They want to be first to the market with it when employers come looking for space in a like-new office park on a beautiful reservoir right on Route 128.

After five terrible years in the suburban leasing world, vacancy rates are beginning to decline. According to Spaulding & Slye Colliers, the suburban office vacancy rate has dropped to about 24 percent, from a record 29 percent in 2003.

But the western suburbs have done even better. From a high of a little over 27 percent in 2003, the vacancy rate in the Route 128-Massachusetts Turnpike region has dropped to below 20 percent.

"We're moving toward a market where the data will support speculative construction," said Alex Dauria, senior vice president at real estate services firm Spaulding & Slye. "Large corporate users looking to locate to the western 128 marketplace have few choices."

Davis Cos. plans to construct and operate a fitness center, aerobics studio, cafe, and 150-person conference center, to go along with the new office floors.

"We'll have the full amenities package you'd find in a million-square-foot office building downtown," Marcus said.

They are doing everything but ripping down the concrete fortress that I.M. Pei designed in the mid-1960s as a research and development site for Polaroid.

The façade will be replaced with aluminum and glass. The interior will be gutted, reconfigured, and fitted with high-tech electronic connections, including WiFi and cellphone-signal repeaters, so people don't lose their conversations when they enter the building. The developers are adding 370 parking spaces -- including 100 in heated space underground for executives -- and spending \$700,000 on landscaping the rocky site so that tenants will be able to enjoy the views from the windows, which are being expanded to eight feet in height.

"Major corporations are all trying to attract employees who want a nice environment," said Marcus. The 56-acre property, which Davis Cos. and Prudential bought for \$70 million in 2001 from Polaroid Corp., is known as a "mature site" that's not only on the picturesque Cambridge Reservoir but is lush with trees and vegetation on a sloping ledge.

Davis said they have no firm tenant deals, though a tentative agreement is signed for about 5 percent of the space. "There are a couple we hope will bear fruit," he said.

Davis Cos. owns and manages about 4 million square feet of commercial space. Reservoir Woods and another recent project, the nearly complete Charles River Plaza in Boston, are examples of the firm's move toward larger projects.

The architectural firm replacing I.M. Pei's work in Waltham with a more open look is Spagnolo Gisness & Associates, of Boston. Geller Associates Inc., also of Boston, is the landscape architect.

Polaroid leased the buildings from Davis Cos. for three years after selling. Subsequently, three prospective tenants "got to the altar" before changing their minds and leasing space elsewhere.

"The buildings weren't going to lease themselves," said Davis.

"It was a good location, everybody looked at it," said Marcus.

"The buildings left them cold," said Davis.

Davis Cos. will try to take advantage of the high ceilings, floors that can carry heavy loads, and the existing large amount of electrical power to attract tenants who may need laboratory or research space, attached to spiffy offices for the top executives.

They expect to have two major tenants and perhaps a dozen smaller ones. The buildings are being reconfigured so there are multiple entrances and lobbies.

"They are going to go ahead with or without a tenant," said Spaulding & Slye's Dauria, "which is a very strong position" for a property owner.

Thomas C. Palmer Jr. can be reached at tpalmer@globe.com. ■