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Even in soft market, Cummings is building on spec

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Few developers today have the luck or the guts that Bill Cummings has displayed over the course of three decades building speculative office parks on the North Shore.

At 67, the chairman of Cummings Properties LLC in Woburn hasn't stopped taking risks — even when occasional gambles cost him more than he bargained for. He's made a name doing what precious few others in his field would even consider — developing office buildings with no tenant in sight.

The latest example: Cummings is permitting a 500,000-square-foot office park called Trade Center Park while its newest office development, 500 Cummings Center in Beverly, has signed one tenant for 30,000 square feet in the 300,000-square-foot building.

"Every building we've ever built has been a speculative building," said Cummings. "We don't know at the time who we're building for."

The newest building, the unoccupied 500 Cummings Center, was built on land from Cummings' largest risk to date. He bought the former site of the United Shoe Machinery Corp. for \$500,000 and redeveloped it, investing \$63 million into the renovation of the historic property, now assessed at \$110 million. In 1996, when the 1.7 million-square-foot office park opened, the timing couldn't have been better.

While Cummings is admittedly losing money on the nearly vacant 500 Cummings Center, he says he's not sweating it, because the land was paid for as part of the United Shoe purchase. With the exception of the new building, the park is about 90 percent leased.

"There are cycles," said Cummings. "The tide comes in and the tide goes out in real estate."

For a brief period last year, Cummings did hire Meredith & Grew Inc. to lease the building, but there was just no market, so Cummings took over the leasing duties itself again.

While few developers are bold enough to build speculative office parks in a market with double-digit vacancy rates, speculative building is an expected part of the



Bill Cummings, chairman of Cummings Properties LLC, has built a career out of taking development risks.

industry, said David Begelfer, CEO of the Massachusetts chapter of the National Association of Industrial and Office Properties (NAIOP).

That said, few others would follow Cummings' lead.

"There's no other developer I know of today that would start construction tomorrow on an office building," Begelfer said.

Cummings' strategy, to build without a tenant in sight, is possible because the company has a staff of 200 employees who handle most aspects of development in-house. The company also self-finances its projects — 68 of its buildings are mortgage-free.

"We build buildings without having a budget in advance," said Cummings. "We don't work to prove that we can meet the budget."

Cummings Properties has developed 8 million square feet and collects more than \$100 million a year in rental income. Part of its strategy has been to build properties with extra infrastructure, so buildings can

be used by either lab or office tenants. The strategy may cost the company 20 percent more, but Cummings said building in flexibility lets the company accommodate multiple users.

Another strategy that has worked well for Cummings is building office parks for small to midsize companies and then leasing more space to its tenants as they grow. For instance, the first tenant at 500 Cummings Park, Agencourt Bioscience Corp., is currently located in another section of the Beverly office park.

Cummings said 40 percent of the company's tenants are internally generated and are businesses looking to expand. The company also provides incubator space for startups that need small amounts of space fast. Having flexible buildings with infrastructure in place allows that to happen.

"They have great relationships with users of all sizes, especially small-size companies," said Begelfer. "Small-size companies grow to big-size companies in some cases."

Being on the North Shore, Cummings might be a big fish in a small pond, but he said he wouldn't want to construct an office park he couldn't ride his bike to.

The company has defined itself in the Woburn and Beverly markets and has found a niche that works for them, said Ted Tye, managing partner at National Development, a commercial development company in Newton.

"Cummings has really always had their strategy in the market, and it's worked for them," said Tye.

Tye said Cummings has taken the right risks on projects other developers wouldn't go near — such as the United Shoe site. He said Cummings has done "phenomenally well" in Woburn and Beverly and has been successful at timing the market.

The last thing on developers' minds these days, said Tye, is speculative office projects. For Cummings, it's something he's always thinking about. Not shying away from another difficult market, Cummings is about to take his next risk and build the company's — and Beverly's — first hotel, which is now in the permitting stages.

"We think it's necessary to bring an important amenity," he said. "There's no hotel in Beverly."