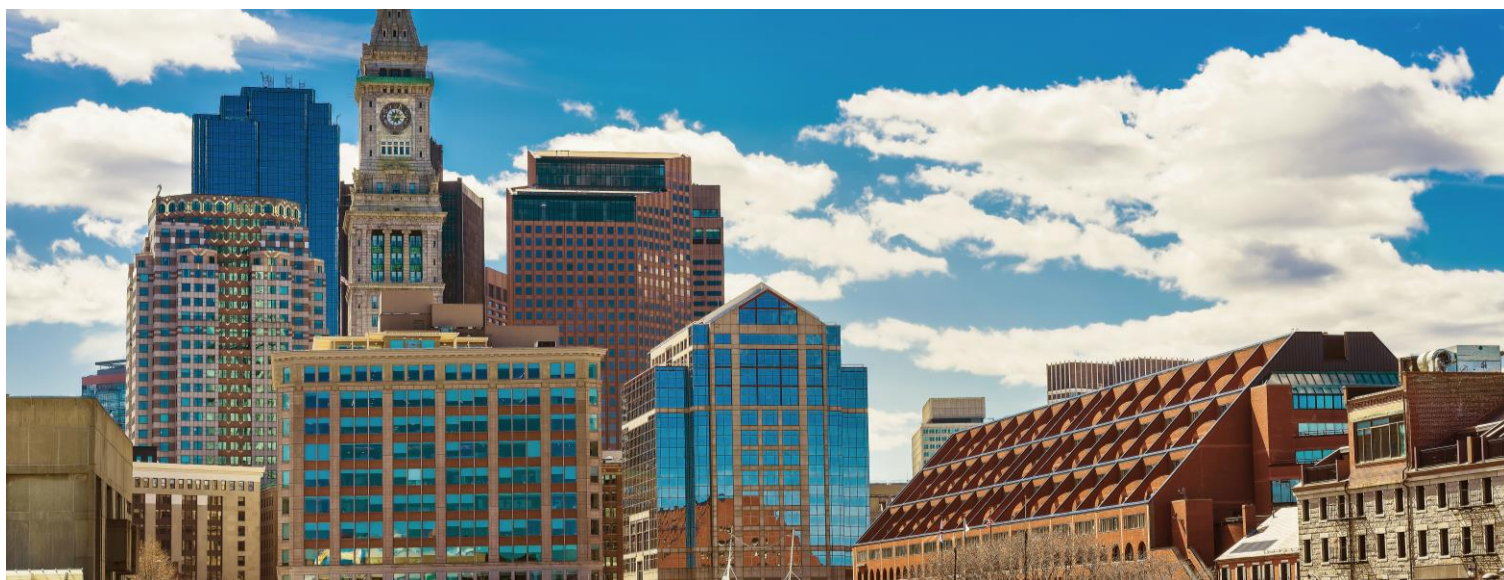


Greater Boston



Market Facts

3,755,360 SF

is currently under construction throughout all of the GBA

10.2%

of office space is currently vacant on a direct and sublet basis

372,000 SF

was absorbed on a net basis throughout Greater Boston in Q4' 2017

\$36.94 psf

is the overall average asking rent for the GBA

Leasing activity increases headed into 2018 warranting several large additions to a growing construction pipeline

The Greater Boston Area (GBA) finished the year with positive momentum headed into 2018 as companies continuing to invest in New England's hub and the chance of landing a second Headquarters for Amazon becoming more likely. Overall, the market absorbed just over 1.5 MSF of office space in 2017 with leasing velocity reaching 11.9 MSF, slightly down from 2016.

To end the year, the overall market absorbed a modest 372,000 SF this quarter, while leasing velocity reached an annual high of 3.1 MSF. Total vacancy nudged down to 11.2% with little movement due to the vacant delivery over 60,000 SF in the suburbs. Average asking rents have remained fairly static since the last quarter, increasing slightly to \$36.94 psf due to rental upturns in select submarkets, such as Near North, 128 Core, and North Station. Since the beginning of the year, asking rents increased by only 4.8% whereas 2016 witnessed an 11.8% upswing. The slow-down in ascendant pricing can be

attributed towards the demand for space being satisfied by a growing construction pipeline.

Currently the Greater Boston market is on track to add 3.8 MSF of new supply by the end of 2019 based on what is currently under construction. At 63% pre-leased, further office supply will be needed in order to alleviate growing demand for the GBA, particularly in Boston and Cambridge where space is the tightest. Urban developments such as Boston Landing, Cambridge Crossing and Seaport Square will remain key in keeping the construction pipeline full, while providing more opportunities for new companies to come to the GBA.

Looking forward, large occupancy gains are expected during the first half of 2018 with slight rental increases in the urban markets. With increased leasing velocity this quarter and a frenzy of fully-leased construction deliveries on the horizon, the market is due for 6 months of strong absorption.

GREATER BOSTON SUBMARKETS

MAP KEY

URBAN BOSTON



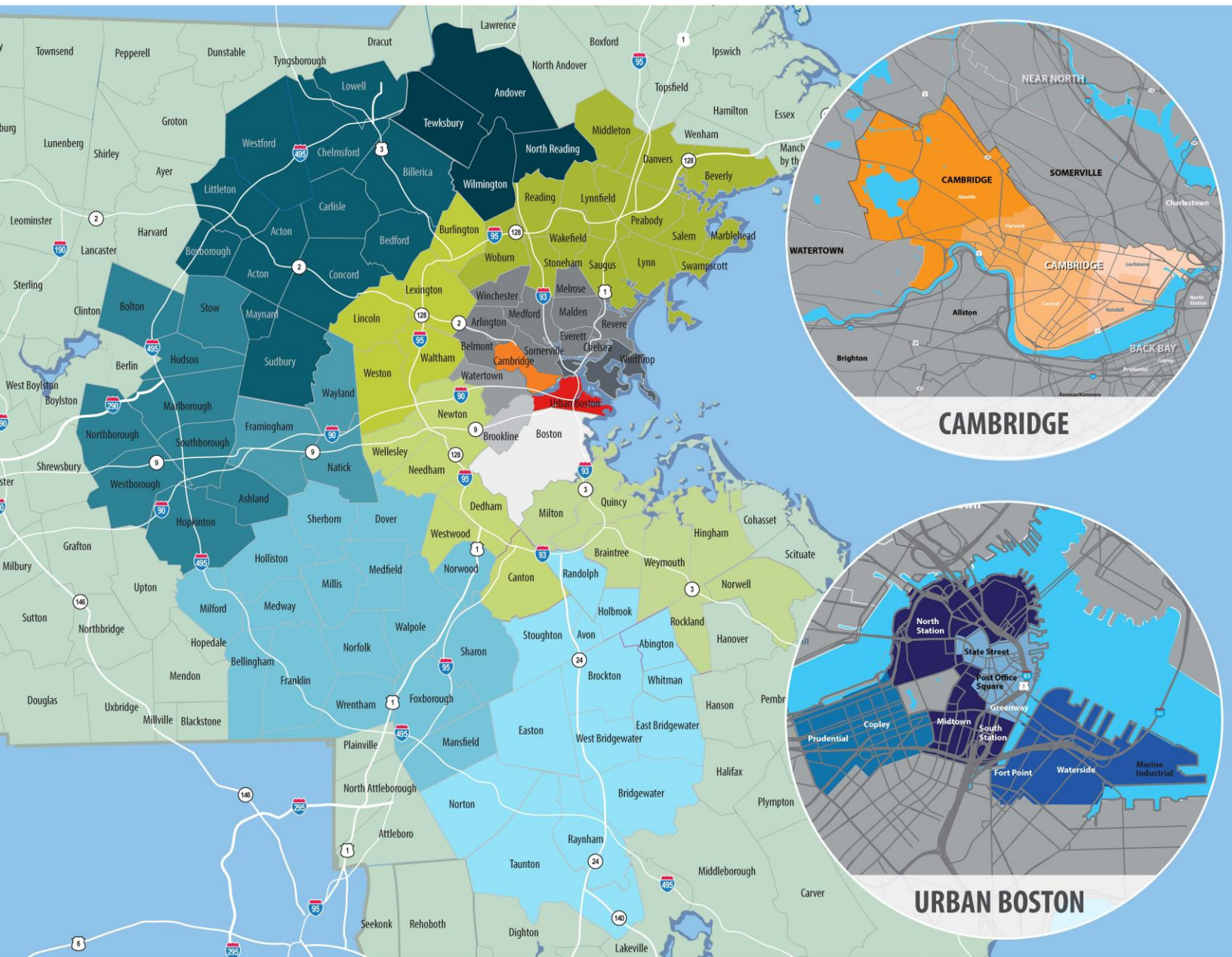
CAMBRIDGE



128 BELT



495 BELT



CAMBRIDGE

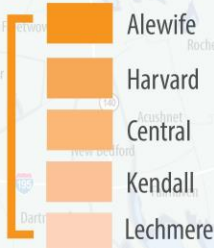


URBAN BOSTON

THE RING



CAMBRIDGE



URBAN BOSTON





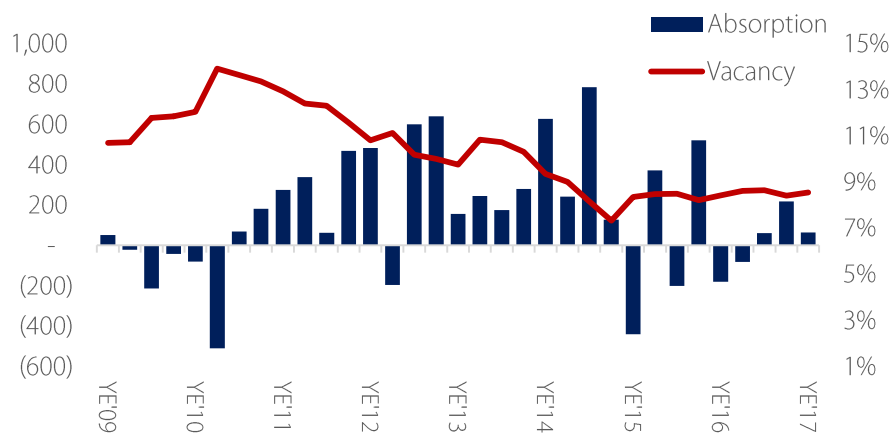
- ✓ The City **absorbed** approximately **63,000 SF** of space in **Q4' 2017**
- ✓ **Overall Asking Rents** rose, although at a **slower rate**, Rising **\$2.14 psf** over the last 12 months
- ✓ **Vacancy** stayed consistent with previous quarters. Overall at **8.5%**, with **Class A** space at **7.6%** and **Class B** space at **11.1%** on a direct basis
- ✓ The **Back Bay** continued to have the most expensive **Class A** space, averaging at **\$61.64 psf**
- ✓ Over **1.6 MSF** of competitive office space is currently **under construction**

Supply & Demand

quarterly net absorption vs total vacancy

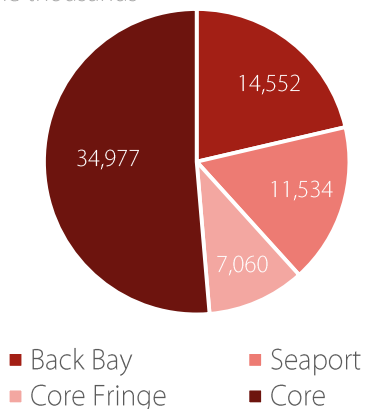
Q4' 2017

SF in the thousands



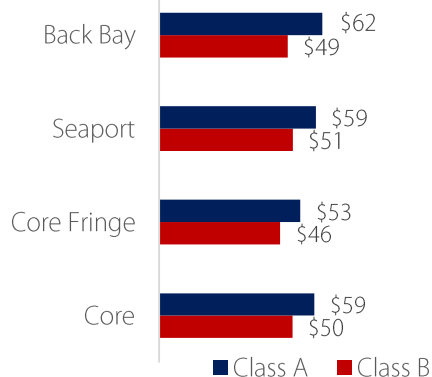
Inventory

SF in the thousands



Average Asking Rent

gross, net electric



Notable Activity

- **The Hub on Causeway** has landed **Rapid7** as an anchor tenant, who signed a lease for 147,000 SF with plans to fully move its headquarters in 2019.
- **Safety Insurance** downsized and renewed for 75,411 SF at **20 Custom House** while giving back 24,606 SF to the market.
- **JPMorgan Chase** finalized a renewal and expansion at **451 D Street**, leasing a total of 140,000 SF and expanding by 65,000 SF.
- **Cengage Learning** signed a 117,000 SF lease at **140 Northern Avenue**, leaving Tishman Speyer's new Pier 4 development 100 % leased prior to completion.
- **Amazon** announced plans to significantly increase a Boston office footprint aside from the HQ2 requirement with a **1 MSF** focus on the **Seaport**.
- **DraftKings** committed to over 100,000 SF in the Back Bay where they will relocate headquarters from 125 Summer Street in the Core to **500 Boylston Street** later this year.

- ✓ The market **absorbed** approximately **34,000 SF** of space in **Q4' 2017**
- ✓ Total **vacancy decreased** 30 basis points to **4.1%** after lease-ups in Kendall and Lechmere
- ✓ **Overall Asking rents** averaged at **\$58.59 psf**, barely increasing over the last 6 months
- ✓ **Lechmere** overall vacancy was at **1.6%** for Q4'2017, an **all-time low**
- ✓ Just over **1 MSF** is currently under construction and **19% is preleased**
- ✓ **Kendall** remained the most expensive office submarket in **New England**



Notable Activity

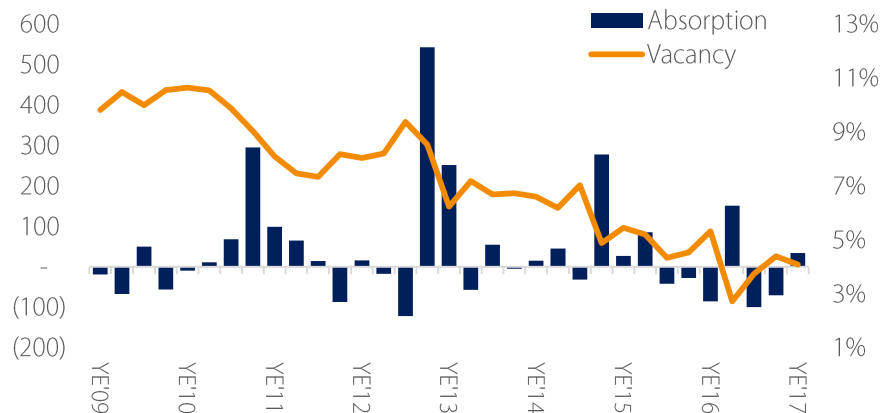
- **Philips** announced it will be relocating 2,000 employees to **Cambridge Crossing**, as it finalized a lease to take 243,000 SF beginning in 2020.
- **325 Vassar Street** signed two new tenants, **Cygnal Therapeutics** and **Adena Partners**, taking 18,396 SF and 13,379 SF, respectively.
- **Intersystems** signed an extension and a large expansion at **One Memorial Drive**, bringing the total footprint in the building to 238,000 SF.
- New office construction continues to play a necessary part in alleviating a tight market, warranting **MIT** to kick-off 425,000 SF of office construction at **314 Main Street**.
- Two large office tenants vacated Cambridge, including **Fuze**, giving back over 30,000 SF at **10 Fawcett Street**, and **VMware**, vacating its longtime post at **355 Main Street** to relocate to Urban Boston.
- **Morning Bright Investment** opened an incubator at **1000 Massachusetts Avenue**, back-filling the space Cambridge College vacated within 6 months.

Supply & Demand

quarterly net absorption vs total vacancy

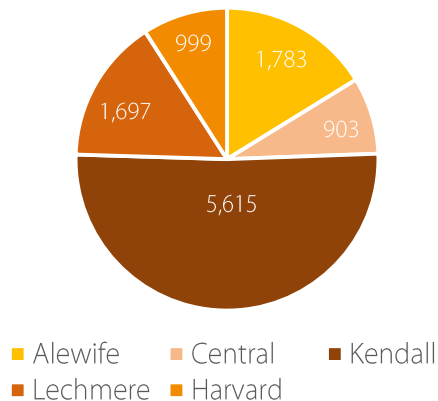
Q4' 2017

SF in the thousands



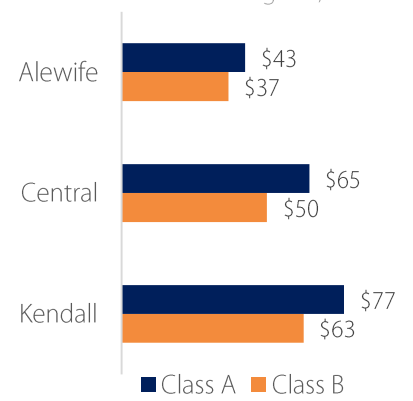
Inventory

SF in the thousands



Average Asking Rent

gross, net electric



*select submarkets only

THE RING

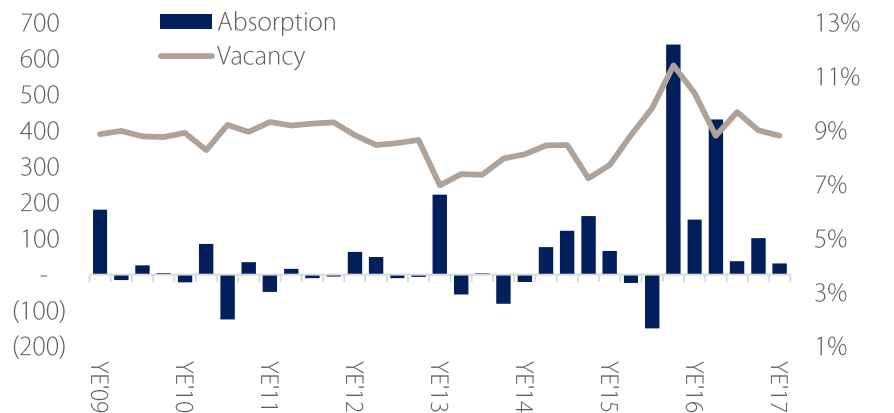
Charlestown, MA



- ✓ Over the **last twelve months**, The Ring has absorbed **602,000 SF**
- ✓ **Overall asking rents** sit at **\$34.65 psf**, with **Charlestown** registering the highest on average at **\$40.04 psf**
- ✓ The market **absorbed** approximately **31,000 SF** of space in **Q4' 2017**
- ✓ **215,000 SF** is currently under construction, with **74%** preleased
- ✓ The **6th straight quarter** the market has experienced **positive absorption**
- ✓ **Overall vacancy** decreased 20 basis points to **8.8%**

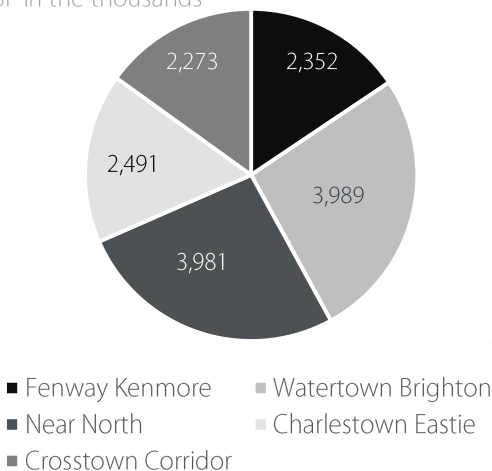
Supply & Demand

quarterly net absorption vs current vacancy



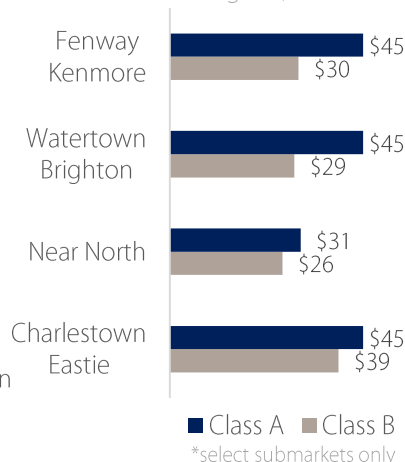
Inventory

SF in the thousands



Average Asking Rent

gross, net electric



Notable Activity

- NB Development Group's new development at **80 Guest Street**, aka Boston Landing, signed **Bose** to a long term 100,000 SF lease.
- **Cambridge College** opened a new campus at **500 Rutherford Avenue** in Charlestown after relocating into 108,000 SF from Cambridge.
- With Boston getting announced as one of the final 20 possible locations for **Amazon's 2nd HQ**, Suffolk Down's in East Boston/Revere remains the City's site of focus.
- **NormaTec**, leader in rapid recovery technology, has leased 14,519 SF at **480 Pleasant Street** in Watertown.
- The MBTA officially announced **GLX Constructors** as the winning bidder for the **Green Line Extension**, which is planned to include seven new stations from Lechmere in Cambridge to Tufts University.
- **Studio MLA Architects** are relocating within Brookline from 233 Harvard Street, to **316-320 Washington Street**.



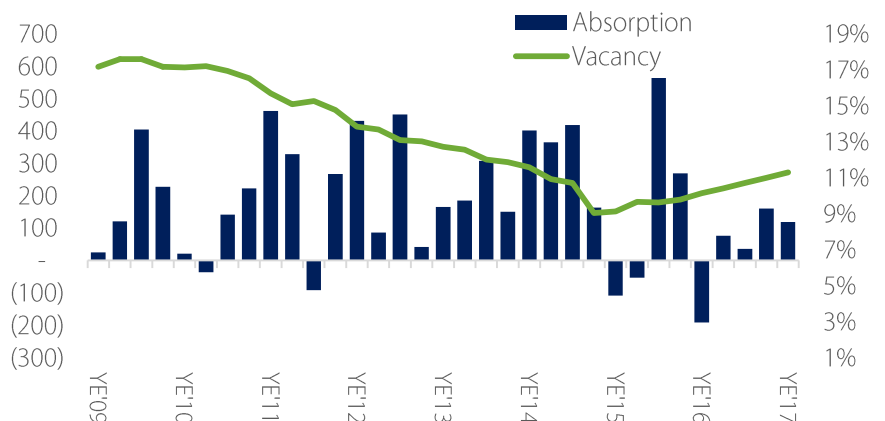
- ✓ The market **absorbed** approximately **119,000 SF** of space in **Q4' 2017**
- ✓ Available **sublet** space sits at **1.7%**, the **lowest** since **Q3' 2014**
- ✓ **310,000 SF** is currently under construction and **53% is preleased**
- ✓ **Overall asking rents** are up from last quarter, sitting at **\$27.33 psf**
- ✓ Total **vacancy** increased 30 basis points from the previous quarter to **11.3%**
- ✓ The **9 Corridor** and **128 Core** remain the highest for **overall asking rents** throughout 128 Belt submarkets

Notable Activity

- **Simpson Gumpertz & Heger** will be the 110,000 SF anchor tenant for Boston Properties' new build-to-suit project at **20 City Point** in Waltham.
- **45 Network Drive** is now fully leased, as **CA Technologies** signed a lease to relocate from Framingham after acquiring Veracode.
- New office development currently underway includes **145,000 SF** at **48 Dunham Road** in Beverly, and **165,000 SF** at **189 B Street** in Needham.
- The Gutierrez Company's 280,000 SF development at **400 Summit Drive** finished construction, as **MilliporeSigma** moved into its new campus.
- **Alkermes** and **Epsilon** remain in the market for possible build-to-suit opportunities, primarily focused in **Waltham** and **Lexington**.
- **TechTarget** has elected to renew its 75,000 SF lease at **275 Grove Street** in Newton.
- **141 Longwater Drive** signed three new tenants: **CHA Consulting**, **Morgan Stanley**, and **TriCore Solutions**.

Supply & Demand

quarterly net absorption vs total vacancy

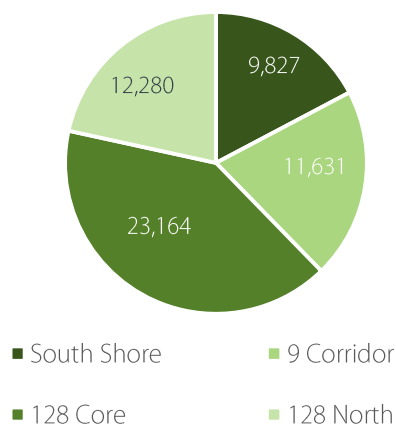


Q4' 2017

SF in the thousands

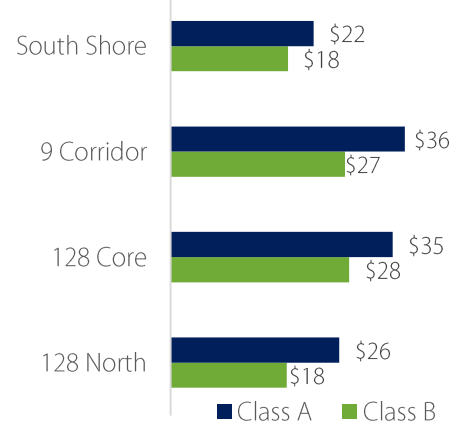
Inventory

SF in the thousands



Average Asking Rent

gross, net electric



495 Belt



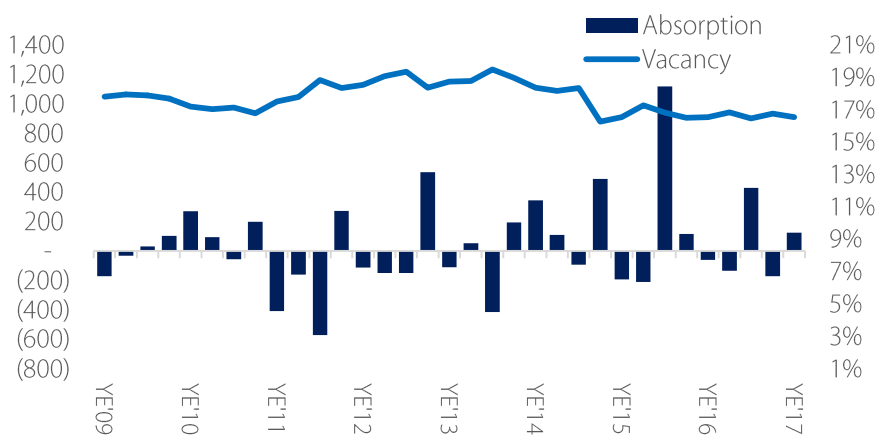
- ✓ The market **absorbed** approximately **124,000 SF** of space in **Q4' 2017**
- ✓ Total **vacancy** hovered around **16.5%**, mirroring **previous quarters**
- ✓ Overall **asking rents** reached an **all time** high, sitting at **\$19.95 psf**
- ✓ Roughly **180,000 SF** of office space is **currently under construction**
- ✓ Available **sublet** space has remained static over the **last 36 months**
- ✓ **495 North** saw the most leasing activity, **absorbing 114,000 SF**

Supply & Demand

quarterly net absorption vs current vacancy

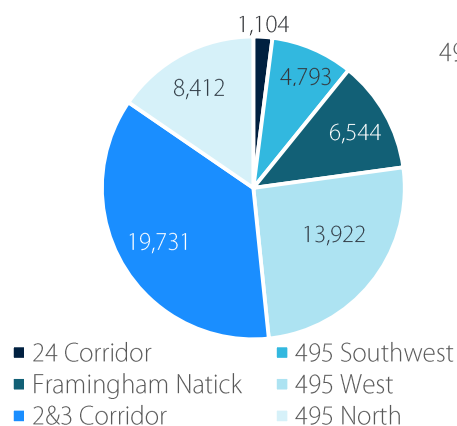
Q4' 2017

SF in the thousands



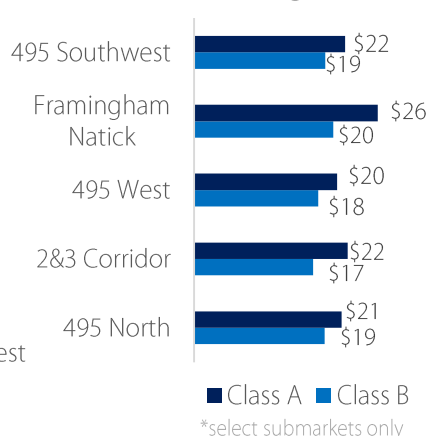
Inventory

SF in the thousands



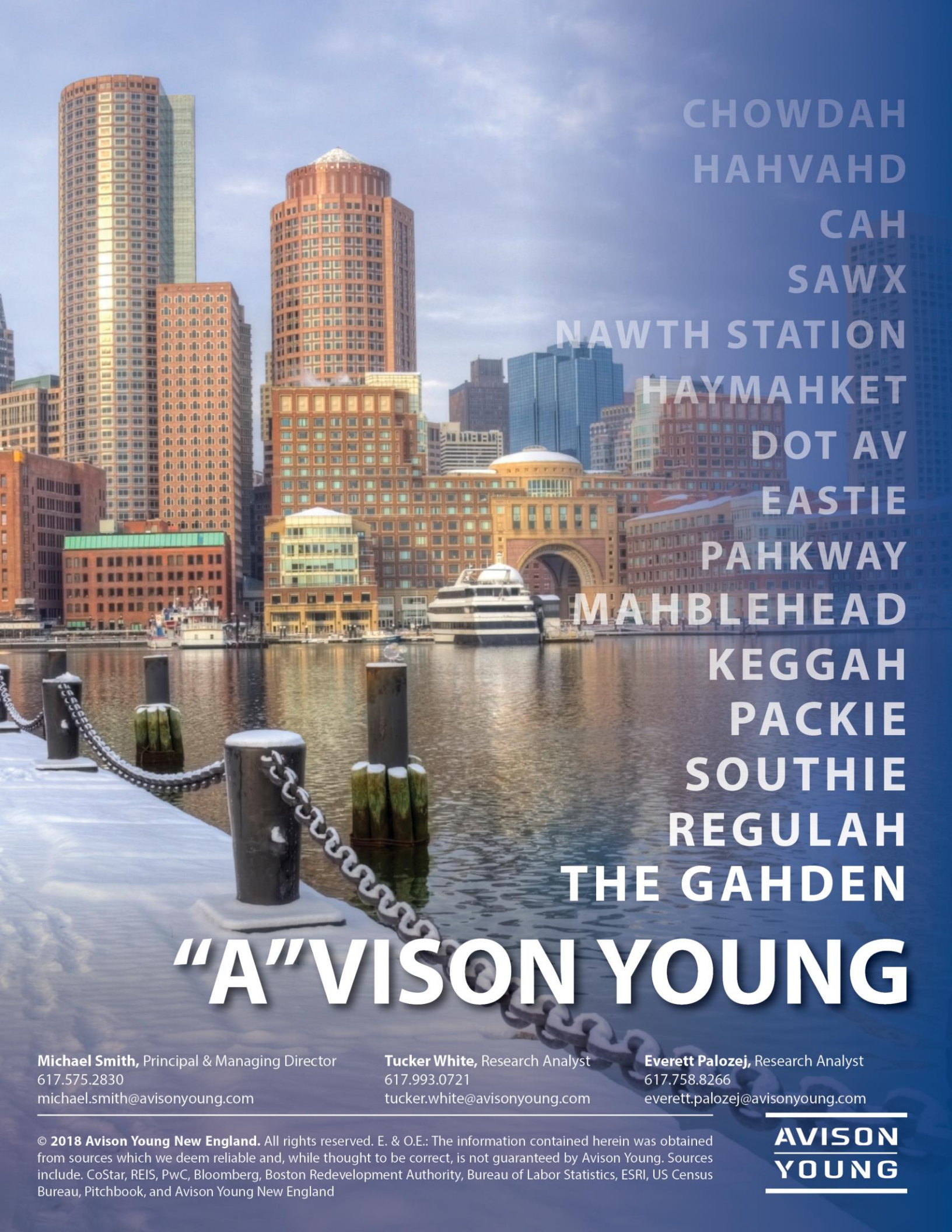
Average Asking Rent

gross, net electric



Notable Activity

- With the impending departure of **Phillips** to Cambridge Crossing, **495 North** is getting ready to **give-back** a large amount of space.
- **Avaya** officially closed and vacated 117,000 SF at **600 Technology Park Drive** in Billerica.
- **AllScirpts** expanded at **One Burlington Woods** in Burlington, as they sign a lease renewal/expansion for 44,000 SF.
- At Andover Landing, long-time tenant **Aras Corp** will be relocating and expanding from 300 Brickstone Square to 65,298 SF at **100 Brickstone Square**.
- **Phase I** of **11 Apex Drive** in Marlborough completed construction in December, thus leaving a large amount of vacant space. **Phase II** is expected to start construction later in the year.
- **Pall Corporation** signed a lease for 22,781 SF at **1700 W Park Drive** in Westborough.
- Lincoln Property Company added a new 20,000 SF tenant at **293 Boston Post Road** with the signing of **PC Connection**.



CHOWDAH
HAHVAHD

CAH
SAWX

NAWTH STATION

HAYMAHKET

DOT AV

EASTIE

PAHKWAY

MAHBLEHEAD

KEGGAH

PACKIE

SOUTHIE

REGULAH

THE GAHDEN

"A"VISON YOUNG

Michael Smith, Principal & Managing Director
617.575.2830
michael.smith@avisonyoung.com

Tucker White, Research Analyst
617.993.0721
tucker.white@avisonyoung.com

Everett Palozej, Research Analyst
617.758.8266
everett.palozej@avisonyoung.com

© 2018 Avison Young New England. All rights reserved. E. & O.E.: The information contained herein was obtained from sources which we deem reliable and, while thought to be correct, is not guaranteed by Avison Young. Sources include. CoStar, REIS, PwC, Bloomberg, Boston Redevelopment Authority, Bureau of Labor Statistics, ESRI, US Census Bureau, Pitchbook, and Avison Young New England

**AVISON
YOUNG**