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• Please click on links to view and download Avison Young's Q1 2018 Greater Boston Market Overview, Q1 2018 Greater Boston Lab Market Overview, and Q1 2018 Greater Boston Industrial Flex/Market Overview:

[Office Report](#)[Lab Report](#)[Industrial Report](#)

Greater Boston CRE market starts 2018 on high note in all major sectors with impending workforce growth brought on by regional hiring announcements

Avison Young releases Q1 2018 Greater Boston office, lab, and industrial/flex market reports

Boston, MA —The Greater Boston market kicked off 2018 with a bang by posting strong numbers in absorption, asking rents, and overall vacancy throughout the office, lab and industrial sectors. Leasing activity remained strong while the total net absorption across all markets and asset types for the first quarter of 2018 registered 736,000 square feet (sf). Going further into 2018, the major trend is the impending growth of the local workforce with hiring and large commitments from **Amazon, Philips, MassMutual, Alkermes** and **Wayfair**.

"After a quarter full of game-changing headlines for the region, particularly Boston and Cambridge, signs indicate that this is only the beginning of what will be a year full of the wow factor involving large players in the market," comments **Tucker White**, a Research Analyst based in Avison Young's Boston office.

Greater Boston Office Market Overview

The Greater Boston Area (GBA) started the year with positive momentum. Leasing activity remained active with the market recording positive net absorption of 403,000 sf in the first quarter of 2018, up from the fourth quarter of 2017. Office asking rents for all office submarkets in first-quarter 2018 mirrored those of the previous quarter, with average overall asking rents for the GBA

currently at \$37.65 per square foot (psf). The urban market posted an average overall asking rent of \$56.64 psf. Occupancy growth is expected to increase throughout 2018. Due to speculative construction and renovation projects, the vacancy rate is projected to remain static over the next two quarters. These projects come ahead of the demand curve in select submarkets, such as the 128 Core, 9 Corridor, and Near North.

In Urban Boston and Cambridge, market demand remains highest with a healthy and diverse mix of industries contributing to the growth. Boston's institutions and traditional tenants in the financial services and legal industries continue to grow with a focus on more efficient space usage, resulting in a net reduction of square footage. This reduction is offset, however, by the emergence and explosive growth of many startup and young technology, advertising, media and information (TAMI) tenants alongside life-science-oriented companies.

"We have never seen a healthier, more balanced mix of industries influencing Boston's growth," says **Mike McElaney**, a Senior Vice-President based in Avison Young's Boston office. "As a result, Boston's real estate market is now reaping the benefits of its intellectual capital."

Major Lease Transactions:

- Nixon Peabody announced that its roughly 300 Boston employees will be relocating to 105,000 sf at 53 State Street, downsizing from its longtime post at 100 Summer Street.
- Amazon kept its foot on the gas pedal, planning to lease 430,000 sf in Boston's Seaport Square with the option to build an additional 610,000-sf building right next door.
- MassMutual is fully invested in Boston, aiming to build a \$240-million campus at 10 Fan Pier Boulevard for nearly 1,000 new employees.
- Agero Inc. signed a 115,000-sf, 17-year lease for a new headquarters at 400 Rivers Edge in Medford, an upcoming development near MBTA's Wellington station.
- Astellas Institute is officially committed to a long-term lease at Westborough Technology Park, occupying more than 250,000 sf.

Greater Boston **Lab** Market Overview

The GBA lab market remains the hottest lab market in the country as overall vacancy sits at 2.8%, an all-time low. Accordingly, the extreme shortage of available space has resulted in limited options for tenants in search of immediate lab space. Looking ahead, there will be a surplus of options, as almost 2 msf of lab space is currently under construction with expected delivery dates between 2018-2020. Construction for lab space is primarily located in Cambridge, as the desire for proximity to some of the best hospitals, universities and life-science companies in the world has attracted office and lab users in an unprecedented way. Included in the construction pipeline is 432,000 sf at 100 Binney Street, 227,000 sf at 35 Cambridgepark Drive, and 164,000 sf at 399 Binney Street in Cambridge.

"In 2018, the lab market is not expected to slow down with current developments preleasing at a significant rate and life-science funding at healthy levels," notes **James McCarthy**, a Senior Associate based in Avison Young's Boston office, who specializes in Cambridge lab-space leasing.

Major Lease Transactions:

- LakePharma leased 69,000 sf at 35 South Street in Hopkinton with plans to add approximately 100 positions at the center by 2020.

- Kala Pharmaceuticals chose the LINX building, located at 490 Arsenal Way in Watertown, for its new long-term home.
- Beam Therapeutics took 38,203 sf at 26 Landsdowne Street in Cambridge.
- The new development at 399 Binney in Cambridge is roughly 75% leased up, as Relay Therapeutics and Celsius Therapeutics took space, joining Rubius Therapeutics.

Greater Boston Industrial/Flex Market Overview

Demand drivers for the industrial sector continue to thrive, resulting in a decreasing vacancy rate as leasing volume remains robust across the metro region. With tenants in the market primarily focusing on location and proximity to strong demographics and city centers, areas off Route 495 and 128 should continue to expand as more inventory is produced. The overall vacancy rate for industrial space across the GBA is down from the fourth quarter of 2017, currently sitting at 7.3%, with the second quarter of 2018 posting positive net absorption with the leasing of 169,000 sf of new space. Looking specifically at warehouse space, the market is continuing to tighten as the overall vacancy rate hovers just above 7% for the third straight quarter – resulting in a spike in asking rents, which currently sit at \$8.30 psf on average. The vacancy rate has also dipped in flex and manufacturing space, with just under 8% of competitive industrial space vacant on a direct and sublet basis as of first-quarter 2018. Coinciding with this situation, asking rents are reaching all-time highs as they breach \$9.00 psf.

“The industrial market is expected to stay active, particularly with warehouse and distribution users, as e-commerce trends continue to increase the importance of supply-chain management,” adds **Everett Palozej**, a Research Analyst based in the firm’s Boston office. “Looking inside Route 128, the market has tightened significantly due to the growing need of supply chains in proximity to urban centers, such as Boston and Cambridge.”

Major Lease Transactions:

- At 150 Charles Colton in Taunton, Williams-Sonoma leased almost 140,000 sf, leaving roughly 60,000 sf available for lease.
- Zippy Shell leased 85,000 sf at Boston Business Park.
- Repligen leased nearly 40,000 sf at 111 Locke Drive in Marlborough for 126 months with plans to take on new spaces in stages.

Avison Young is the world’s fastest-growing commercial real estate services firm. Headquartered in Toronto, Canada, Avison Young is a collaborative, global firm owned and operated by its principals. Founded in 1978, the company comprises 2,600 real estate professionals in 82 offices, providing value-added, client-centric investment sales, leasing, advisory, management, financing and mortgage placement services to owners and occupiers of office, retail, industrial, multi-family and hospitality properties.

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