BOSTON

EXECUTIVE SUMMARY

- The Greater Boston Area (GBA) is evolving into a leading international business hub as it relates to technology, healthcare, and the life sciences.
- The office market is expected to become the 3rd most expensive in the country during 2020 with rents already breaching $100 psf in East Cambridge and Boston's Back Bay.
- The GBA has now received the most NIH funding for the past 25 consecutive years and is expected to reive the most funding once again in 2020.
- Short-term growing pains are being felt through regional population growth and traffic congestion which has put a strain on the housing supply and prolonged commute times.
- Substantial transit improvements are underway. By 2023, the GBA is expected have over 300 new rail cars, seven new subway stops, and over 100 new daily flight departures.

The Greater Boston economy stands on solid footing heading into 2020 with one of the more economically sound metro's in the nation while maintaining a balance of industries that contribute towards market growth and stability. This has led to an increasing population that will continue to put pressure on the commercial inventory, infrastructure, and the housing market headed into 2020.

The GBA reaffirmed its position as one of the top-performing office markets in the nation heading into 2020 – claiming some of the highest asking rents in the region with a substantial amount of supply on the horizon to help alleviate demand. In the urban markets, Boston's CBD has seen over 1.5 msf of net absorption in 2019 which has been driven by the technology sector and is on track to surpass this in 2020 through major building deliveries. Across the Charles River, Cambridge remains one of the tightest and most expensive office markets in the nation with rents in Kendall Square, the world's strongest life science cluster, exceeding $100 psf a year on a triple net basis. While the suburbs have benefited from an overspill effect brought on by virtually no availability in Cambridge and growing pressure points in Boston such as traffic and expensive rents.

In line with previous years, the industrial inventory throughout the GBA continues to shift to the 495 Belt where the brunt of construction is taking place to help offset the depletion of urban industrial inventory. Companies that do not need to be within immediate striking distance of the city are finding it cheaper to move operations to the suburbs, whereas last-mile distributors like Amazon, who need to have immediate access to large population cohorts, are paying a premium for space within the 128 Belt.

Inversely, the retail inventory in the GBA is shifting towards the urban markets and away from the suburbs due the negative effects of e-commerce on big-box retailers.

The multifamily market is growing rapidly throughout the GBA and has become one of the most expensive in the country through the region's current economic expansion. Looking ahead, a greater amount of supply is expected to deliver in 2020 than 2019. However, asking rents are still expected to increase, particularly around transit-oriented locations in striking distance to Boston and Cambridge, where major corporations are planning to expand and hire a substantial number of employees.

Major tower trades in Boston, large corporate campus sales in the suburbs, and the several major financing deals in East Cambridge, put the GBA in the top five US office markets in terms of overall investment volume headed into 2020. While this has helped reinforce the region's strong economic status and has signalled strong investment confidence from a variety of capital sources, sales volume in 2020 is not expected to surpass 2019. This is primarily due to the longer term holds many buyers have placed on assets over the last several years along with the short-term economic uncertainly that will arise next year due to the presidential election.

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AVISON YOUNG

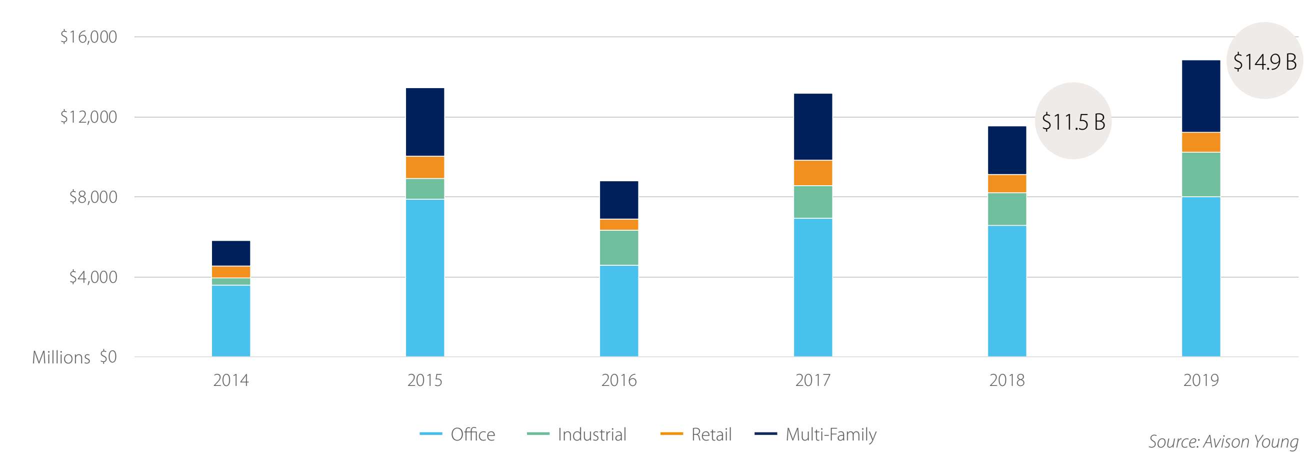
KEY MARKET METRICS – 2020 EXPECTATIONS

Annual Growth Rates, Estimated for Year-End 2020 vs Year-End 2019.

	OFFICE	RETAIL	INDUSTRIAL
Rental Growth	↑	→	↑↑
Vacant Space	↓↓	→	→
Construction Levels	→	→	↑
Leasing Volume	↑	↓	↑
Investment Volume	→	→	→

HISTORICAL INVESTMENT VOLUME

Greater Boston Area Total Annual Volume by Asset Type



Source: Avison Young