

Office Report



Market Facts

3,628,000 SF

is currently under construction

11%of office space is currently
vacant on a direct or sublet
basis**\$560,000 SF**was absorbed on a net basis
throughout the GBA in Q3' 2018**\$43.02 PSF**is the overall average asking
rent for office space throughout
all of the GBA**3.1%**

unemployment rate for the GBA

Greater Boston's office market is on pace for a banner year of expansion unseen since 2015

Tightening vacancy in Urban markets to increase suburban overspill trends in 2019

The Greater Boston Area (GBA) continues to reaffirm its position as one of the top performing office markets in the Nation, with average rents and overall office supply continuing to grow. After a strong third quarter comprised of 560,000 SF of net absorption, the overall market is on pace to breach 2 MSF of net absorption for 2018, the highest amount since 2015.

In the city, the Urban Boston market remains the breadwinner for the GBA, now accounting for over 50% of net absorption over the last two (2) quarters. Several office expansions and the fully-leased delivery of 200 Pier 4 Blvd in the Seaport helped contribute to 397,000 SF of net absorption.

Cambridge witnessed a rare uptick in vacancy this quarter due to give-backs in the Alewife submarket where a growing number of office tenants such as Fuze, Bitsight and Quickbase have decided to relocate across the Charles.

The suburbs remain volatile in terms of occupancy growth, with the 128 and 495 Belts only registering 223,000 SF of net absorption in 2018. However, select submarkets such as 128 Core and 495 West have seen an uptick in asking rates, particularly for newly-constructed Class A product. This is primarily because of the ability to lure requirements that are navigating a tight Urban Market by offering a substantial discount in asking rents for newer space.

Looking ahead, with over 700,000 SF projected to deliver next quarter (80% of which is already fully leased), the market is expected to end the year on a high note in terms of absorption. In 2019, Urban Boston's space availability will be put to the test by office requirements that are outpacing market availability and a construction pipeline providing no supply relief until 2020.



Seaport District
Boston, MA

Notable Activity

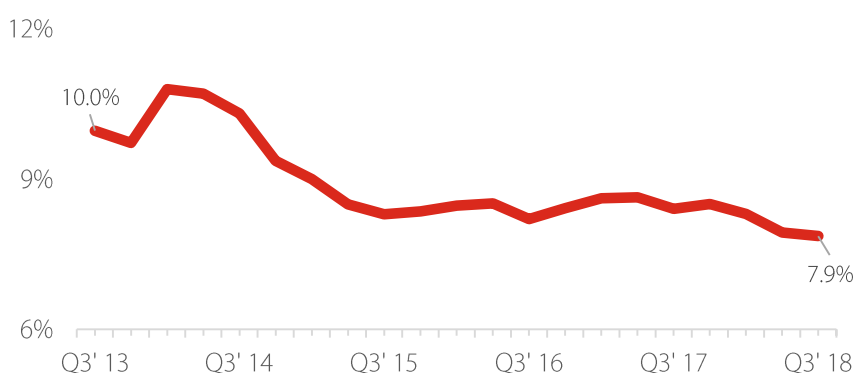
- **Oath (Verizon)** officially signed a 20-year lease for 440,000 SF at the new North Station development, Hub On Causeway, which is expected to open in 2021.
- **Burns & Levinson** signed a 15-year deal to occupy approximately 100,000 SF at 125 High Street, relocating from their long time home at 125 Summer Street.
- **Abbey Group** wins key approval on their \$1 billion planned development of the 5.6 acre Flower Exchange site, which they will convert into a roughly 1.6 MSF complex for life science and technology companies.
- **Pier 4**, the 370,000 SF, Class A office building recently constructed in Seaport, has traded to Commonwealth Partners for over \$1,200 PSF, setting an all-time high for a Boston office property. Pier 4 is anchored by Boston Consulting Group, as well as Cengage.
- **Harvard Management Company** executed their renewal option, signing a 5-year deal to remain in their 44,000 SF in the 100% leased Federal Reserve Plaza at 600 Atlantic Avenue.

Supply & Demand

Total vacancy

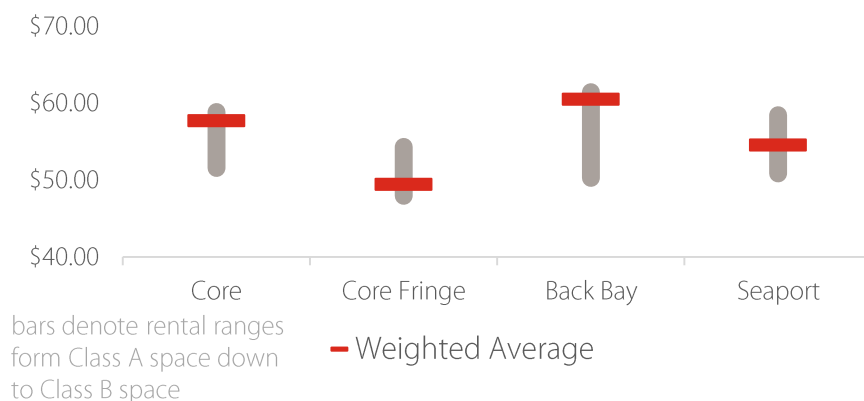
Q3'2018

SF in the thousands



Average Asking Rent

Gross, net electric





Kendall Square
Cambridge, MA

Notable Activity

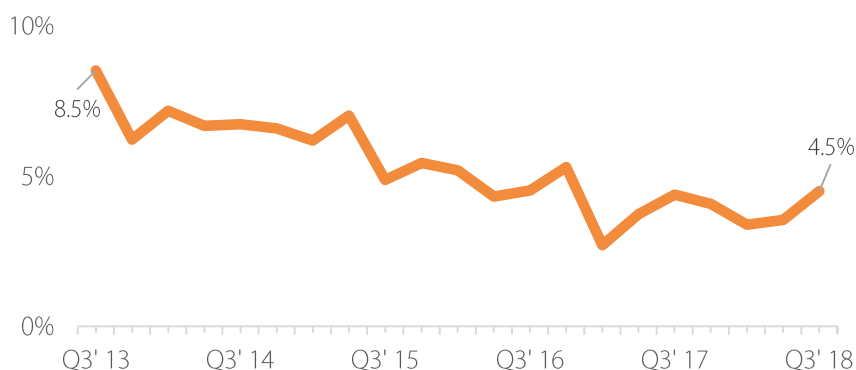
- **The Boeing Company**, aerospace behemoth, will be moving into MIT's \$2 billion development at 314 Main Street, where they will occupy roughly 100,000 SF of space spread throughout four (4) floors.
- **Boston Properties** is proposing to develop a new building for Google in Cambridge's Kendall Square. This site is proposed to be a 388,000 SF, 18-story glass tower that would replace the existing MIT Coop building.
- **Shire**, who is soon to be acquired by Takeda, stirred up some news as they announced they have decided to back out of their 350,000 SF lease at 500 Kendall Street, which they originally planned to occupy in 2019.
- **Education First**, one of the largest employers in Greater Boston, announced plans to hire an additional 300 employees over the next five (5) years with the opening of EF III, a 300,000 SF new development that is scheduled to open in mid-2019.
- **DivcoWest** announced it will go spec on the 500,000 SF, 2nd phase of Cambridge Crossing at 250 North Street.

Supply & Demand

Total vacancy

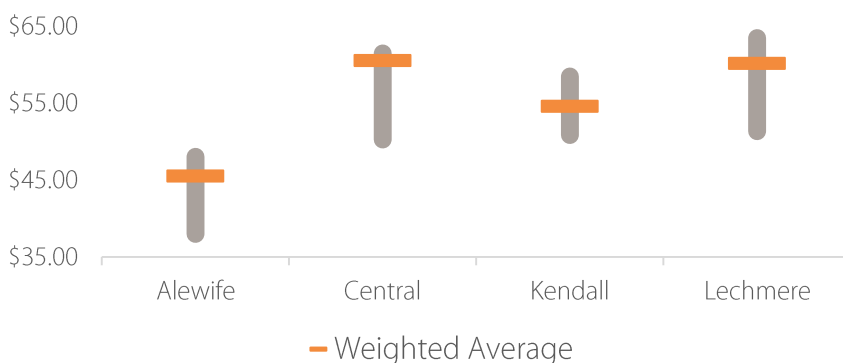
Q3'2018

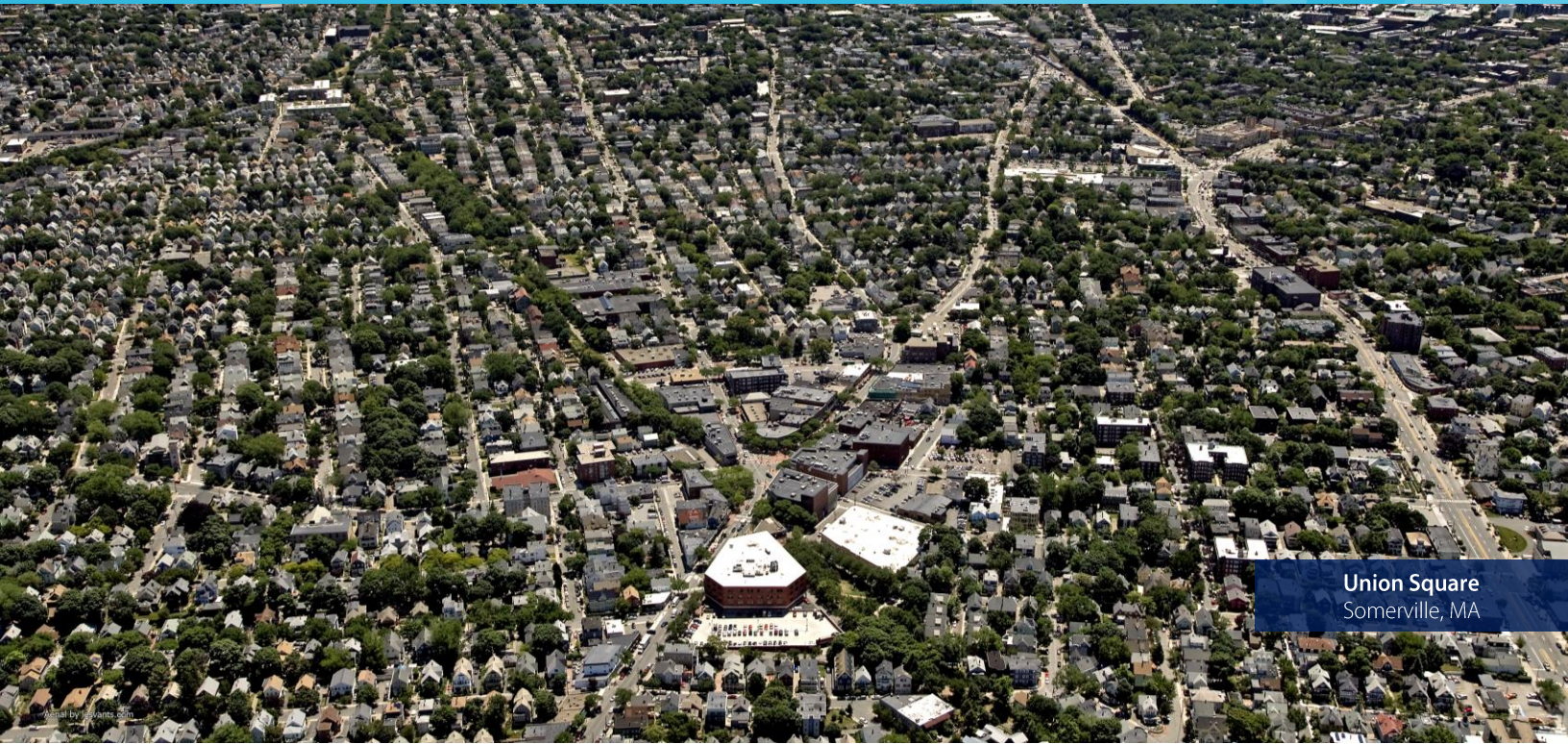
SF in the thousands



Average Asking Rent

Gross, net electric





Union Square
Somerville, MA

Notable Activity

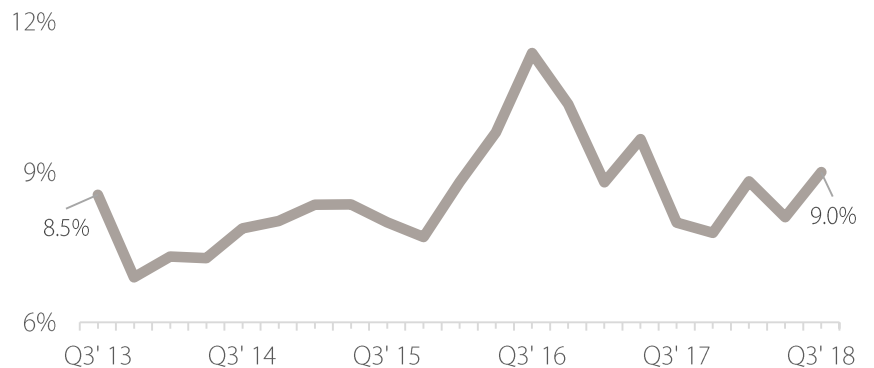
- **Hilco & Redgate** have revised their original plan for South Boston's Edison Power Plant development, reducing the total size to 1.9 MSF from 2.1 MSF. This development is set to begin in 2019, and is proposed to include over 365,000 SF of office space, as well as residential, retail, and hospitality space.
- **The Beat**, formally the headquarters for the Boston Globe, kicked-off renovation efforts in order to reposition the 690,000 SF building for the "new economy" and is now being looked at by a variety of users.
- **Clarion Partners** acquired the LINX building in Watertown for roughly \$158 million (\$852 PSF). The LINX is a 100% leased, 185,000 SF, Class B office/lab asset with a variety of tenants including Kala Pharmaceuticals, C4 Therapeutics, and Addgene Inc.
- **Suffolk Downs** is expected to start construction in 2019, and with the year quickly coming to an end and no decision from Amazon thus far, HYM is preparing to develop the site either way. Without Amazon, the development will mainly focus on housing rather than office space.

Supply & Demand

Total vacancy

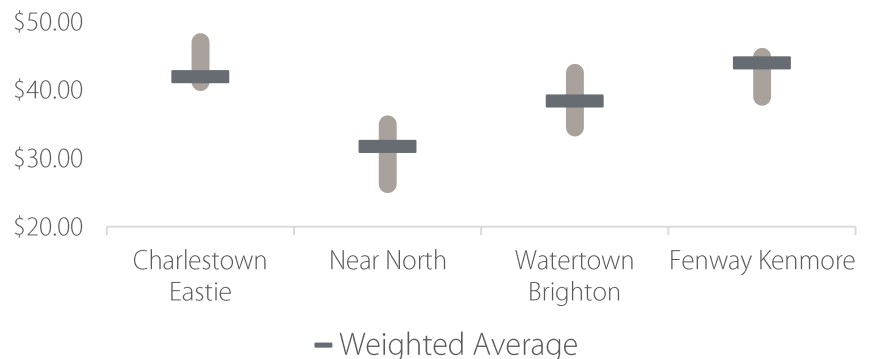
Q3'2018

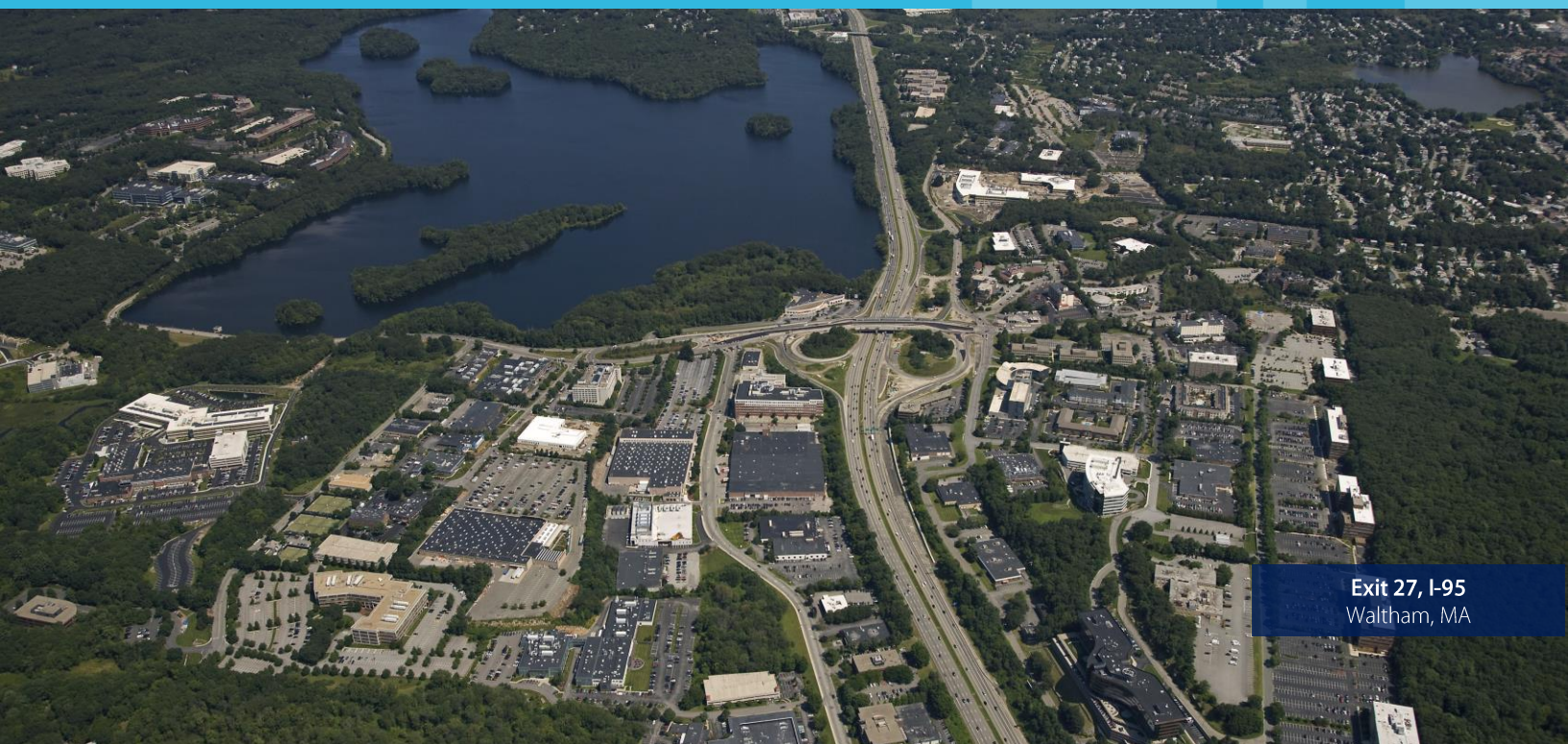
SF in the thousands



Average Asking Rent

Gross, net electric





Exit 27, I-95
Waltham, MA

Notable Activity

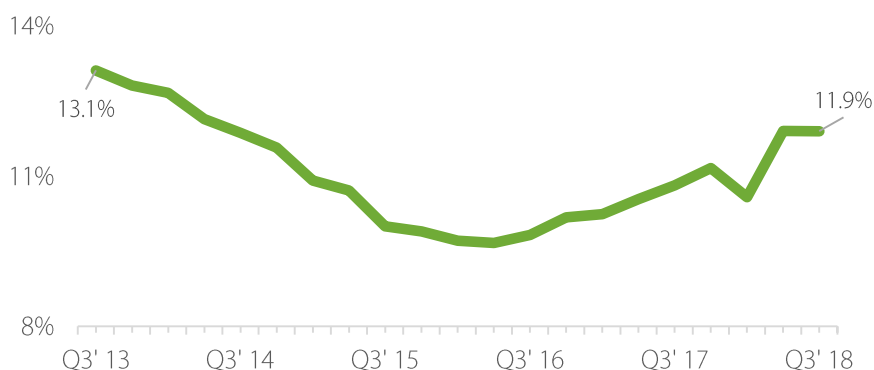
- **Cambridge Savings Bank** leased 76,000 SF at 81 Wyman Street in Waltham. In order to make this possible the bank is consolidating its back-office locations, however, they are retaining their headquarters in Cambridge.
- **Park 9** building in Wellesley completed over 55,000 SF of new leases to Morgan Stanley, Wellesley Bank, and Global Advanced Metals.
- **Brigham and Women's Physicians** committed to a long-term lease to occupy 47,000 SF at 254 2nd Avenue in Needham, which is currently undergoing some major renovations to common areas that will feature a top of the line amenity package.
- **Workbar** is set to open its 9th location in MA, as the company has finalized a lease to occupy 21,000 SF in December of 2018 at 100 Summit Drive, introducing co-working to the city of Burlington.
- **Boston Herald** will be relocating from 451 D Street to 100 Grossman Drive in Braintree by the end of this year. This move comes after the Herald was sold for \$12 million to Digital First Media earlier this year.

Supply & Demand

Total vacancy

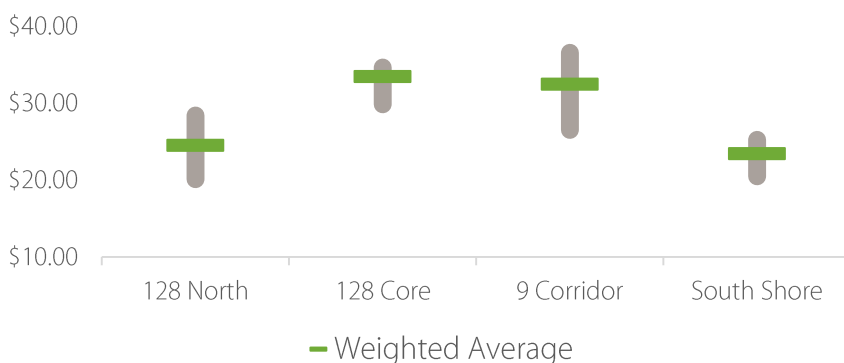
Q3'2018

SF in the thousands



Average Asking Rent

Gross, net electric





Exit 23, I-495
Westborough, MA

Notable Activity

- **MathWorks** is nearing completion of its new campus located at 19 Superior Drive in Natick. MathWorks purchased the old Boston Scientific site in 2015, and has since redeveloped the land into a two (2) building campus totaling more than 500,000 SF.
- **Shields Healthcare** continued to grow in the South Shore, expanding its headquarters by relocating from Quincy to roughly 37,000 SF at 100 Technology Drive in Stoughton.
- **rMACOM** expanded into 58,000 SF at the newly built 144 Chelmsford Street in thanks to Calare Properties who decided to buy and expand the campus in early 2017. The move now brings MACOMs occupancy in Lowell to over 200,000 SF
- **Sovos** reaffirmed its commitment to 495 North, signing an 8-year lease extension at 200 Ballardvale Street in Wilmington where the 50,000 SF footprint will be redesigned.
- **Analog Devices** started on new 250,000 SF headquarter space in Wilmington which will make room for employees being relocated from its old headquarters in Norwood, MA.

Supply & Demand

Total vacancy

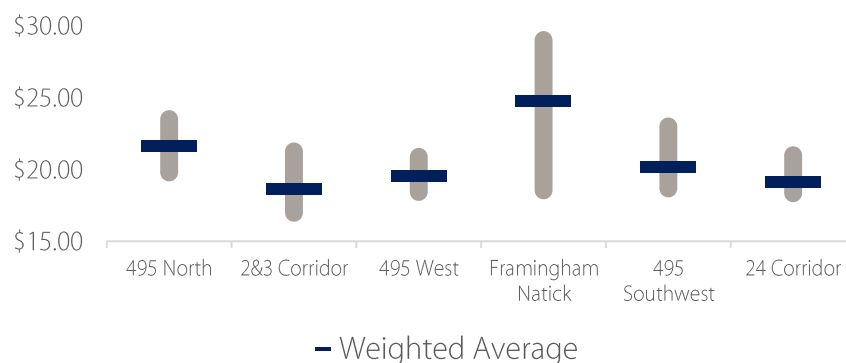
Q3'2018

SF in the thousands



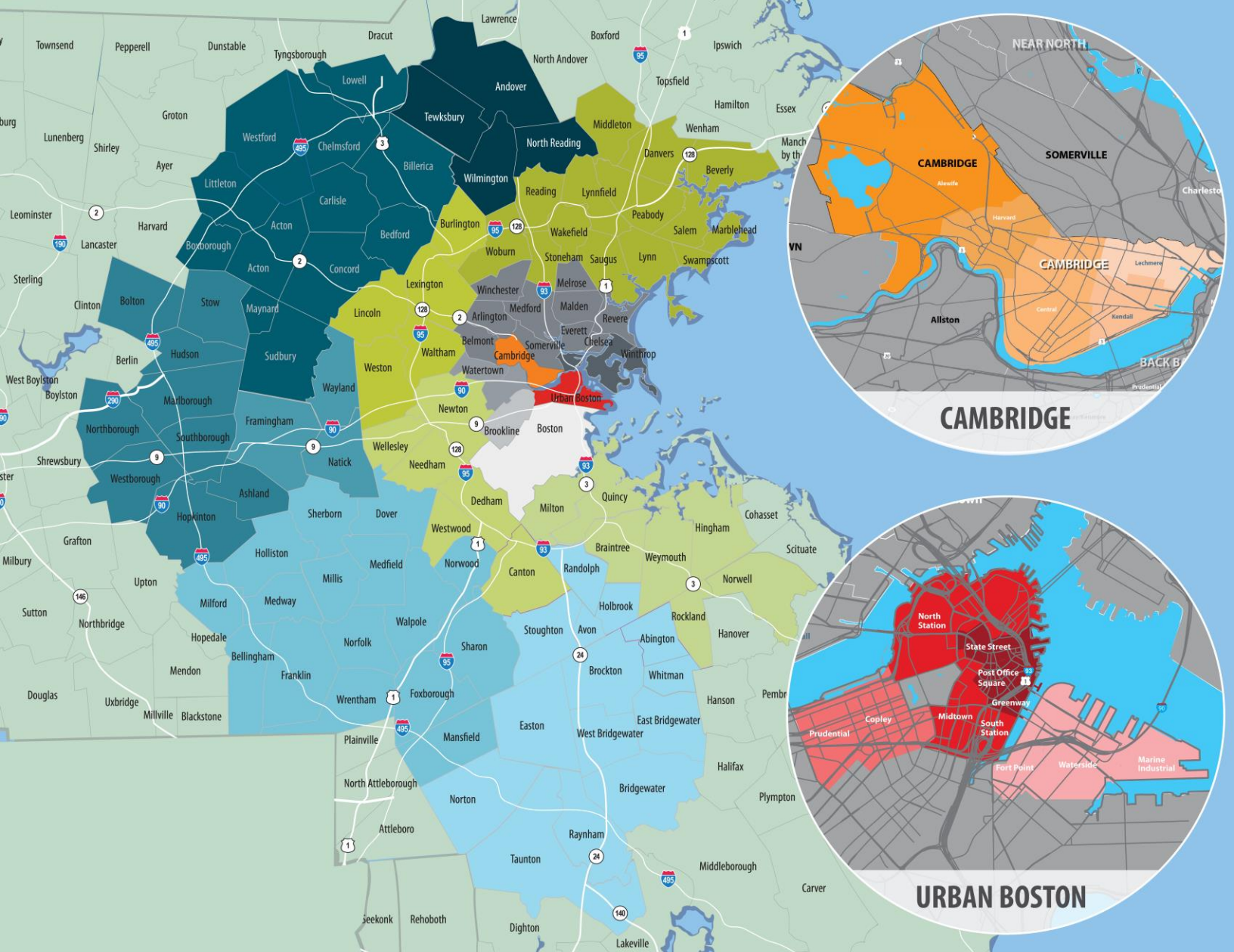
Average Asking Rent

Gross, net electric



Market by the Numbers *In Thousands

	Inventory (SF)	Overall Vacancy	Overall Asking Rent	Class A Asking Rent	Class B Asking Rent	Quarterly Net Absorption	12 Month Net Absorption	Under Construction (SF)	12 Month Completions (SF)
Urban Markets	95,209	7.6%	\$52.47	\$54.65	\$45.71	308	1,266	2,507	849
Boston	69,268	7.9%	\$56.80	\$59.32	\$50.04	397	1,234	870	794
Core	34,912	8.4%	\$57.65	\$58.80	\$51.54	(138)	(111)	365	0
Greenway	12,505	6.6%	\$58.50	\$59.03	\$51.06	46	(10)	0	0
PO Square	13,559	9.9%	\$57.83	\$59.20	\$51.67	(252)	(303)	0	0
State Street	8,848	8.7%	\$56.16	\$57.67	\$51.72	67	202	365	0
Core Fringe	7,077	6.4%	\$49.40	\$54.29	\$47.95	(17)	99	175	0
North Station	2,669	2.9%	na	\$52.94	\$48.89	13	70	175	0
Midtown	2,990	7.9%	\$35.21	na	\$46.33	(23)	114	0	0
South Station	1,417	9.8%	na	\$57.00	\$48.20	(8)	(85)	0	0
Back Bay	14,584	6.2%	\$60.42	\$61.38	\$50.25	265	510	0	0
Copley	10,579	7.2%	\$58.23	\$59.00	na	227	363	0	0
Prudential	4,005	3.7%	\$65.35	\$66.75	\$50.67	38	147	0	0
Seaport	12,695	9.1%	\$54.49	\$58.40	\$50.82	288	736	330	794
Fort Point	4,350	13.0%	\$52.75	\$57.00	\$51.96	(156)	(108)	97	0
Waterside	6,291	6.7%	\$56.96	\$58.75	\$45.00	480	821	0	794
Marine	2,054	8.3%	\$0.00	na	\$49.33	(36)	23	233	0
Cambridge	11,004	4.5%	\$61.15	\$63.43	\$52.26	(104)	(13)	1,415	0
Kendall	5,615	1.3%	\$77.64	\$78.00	\$67.00	4	141	911	0
Lechmere	1,697	2.2%	\$60.09	\$63.50	\$51.30	(9)	0	504	0
Central	903	9.0%	\$55.27	\$65.00	\$52.50	(62)	(47)	0	0
Harvard	999	2.2%	na	na	\$45.00	21	10	0	0
Alewife	1,790	12.1%	\$45.46	\$48.00	\$38.00	(7)	(67)	0	0
The Ring	14,937	9.0%	\$38.67	\$42.78	\$34.88	15	45	222	55
Charlestown Eastie	2,332	2.5%	\$41.90	\$47.00	\$41.17	20	16	0	0
Near North	3,999	12.4%	\$31.71	\$35.00	\$26.25	(61)	19	115	55
Watertown Brighton	3,798	9.4%	\$38.36	\$42.50	\$34.50	36	116	107	0
Fenway Kenmore	2,497	11.6%	\$43.94	\$44.85	\$39.00	0	(107)	0	0
Crosstown Corridor	2,312	6.2%	\$31.83	na	\$39.00	20	0	0694	0
Suburban Markets	110,346	13.9%	\$24.83	\$27.36	\$21.63	192	469	1,010	630
128 Belt	56,426	11.9%	\$28.86	\$31.33	\$24.38	76	(65)	376	585
128 North	11,961	9.0%	\$24.43	\$28.33	\$20.10	314	257	0	145
128 Core	22,847	13.2%	\$33.38	\$34.58	\$29.79	(92)	237	211	414
9 Corridor	11,520	15.8%	\$32.36	\$36.50	\$26.50	(99)	(457)	165	0
South Shore	10,098	8.1%	\$23.38	\$25.20	\$20.47	(47)	(101)	0	26
495 Belt	53,920	15.9%	\$20.44	\$23.21	\$18.29	176	533	634	45
495 North	8,399	17.4%	\$21.63	\$23.50	\$19.79	53	243	0	0
2&3 Corridor	19,680	17.6%	\$18.61	\$21.25	\$16.98	167	281	60	0
495 West	13,954	14.5%	\$19.55	\$20.88	\$18.44	(87)	(56)	0	45
Framingham Natick	5,981	12.4%	\$24.71	\$29.00	\$18.55	(13)	4	512	0
495 Southwest	4,800	11.0%	\$20.13	\$23.00	\$18.69	50	90	0	0
24 Corridor	1,107	31.7%	\$19.11	\$21.00	\$18.33	7	(30)	62	0
Total Market	205,555	11.0%	\$38.95	\$42.03	\$34.03	560	1,733	3,517	1,479



GREATER BOSTON OFFICE SUBMARKETS



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