

# Greater Boston



Boston Public Garden

## Market Facts

**4,567,000 SF**

is currently under construction

**10.4%**

of space is vacant on a direct or sublet basis

**1,153,000 SF**

was absorbed on a net basis in Q1' 2019

**\$40.19 PSF**

is the overall gross average asking rent

**2.8%**

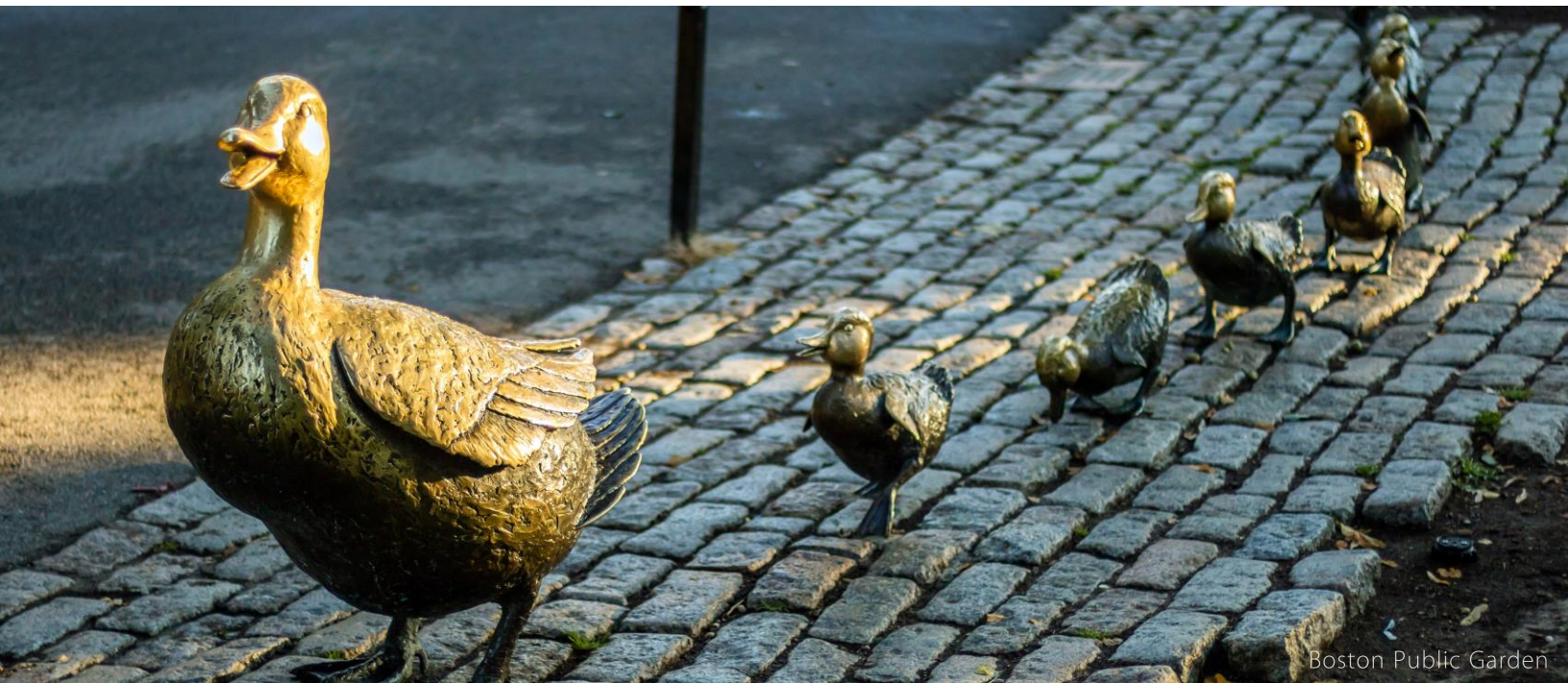
unemployment rate for Greater Boston

## Greater Boston starts 2019 off with over a million square feet of absorption and a strong uptick in rents

### A tight urban market gives way to higher rents and heavy suburban absorption

The Greater Boston Area (GBA) is off to quite the start in 2019 with over 1.1 MSF of absorption taking place throughout a market that has averaged 550,000 SF of absorption quarter after quarter since the start of 2014. What gives? Boston is starting to solidify itself as an international innovation hub. Aside from the plethora of recently published third party reports that put Boston on the global stage for the next five years, the proof has been in the pudding: Amazon continues to eye the market for major expansion while Wayfair takes down even more space than the e-commerce competitor, the Cambridge education and biotech machine continues to bring life science oriented companies here in a fashion comparable to the California Gold Rush, and some of the most ground breaking advances in robotics, artificial intelligence and engineering are taking place in Boston's backyard at MIT. While

this has brought more jobs, capital, and new office inventory to the market, growing pains are starting to be felt through a strained urban supply pipeline. In Urban Boston, rental rates are starting to tick upward faster than the last two years with no rent relief across the Charles in Cambridge, where some PSF rental quotes now have three figures. In the suburbs, absorption is starting to pick up again, with the western portion of the 128 Belt leading the way through built-to-suit deliveries and infrastructure changes to key transportation corridors. Looking ahead, The Ring and 128 Belt are favored to see an untraditional amount of growth due to limited near-term options in Urban Boston and Cambridge while select urban submarkets such as North Station Fenway/Kenmore, and Lechmere are expected to see the largest rental increases influenced by largescale mixed-use developments taking place.



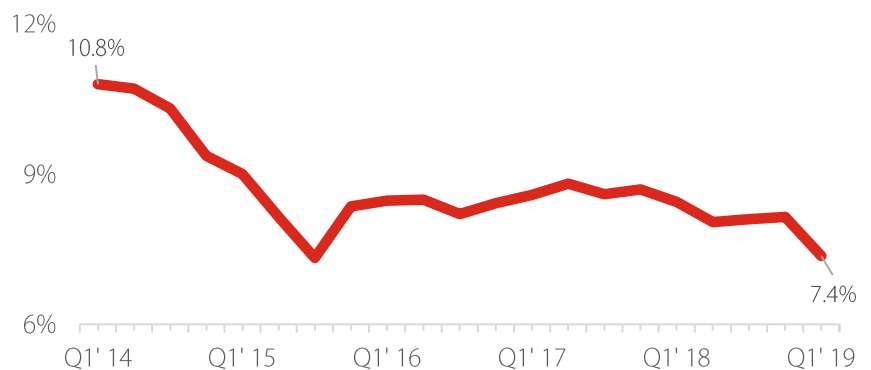
Boston Public Garden

## Activity & Trends

- **State Street**, one of Urban Boston's largest office users, has announced plans to relocate its global headquarters from a trophy location at 1 Lincoln St to Bulfinch Crossing for 510,000 SF where they will kick-off the long-awaited 1.12 MSF office tower, One Congress.
- **Space Banking** is trending again for companies with deep pockets looking to secure space for the long-term and sublease excess space in the short-term. Most notably, Cengage, PTC, and Philips have all participated in this recently.
- **KPMG** extended its lease at 2 Financial Center in advance of its 2025 lease expiration date, reinforcing the trend of large users negotiating much earlier in order to hedge for the future as rental rates continue to climb.
- **WeWork** will backfill most of the State Street space at 1 Lincoln St where they will provide approximately 4,000 desks. Rumor has it, two mid-size users have already committed.

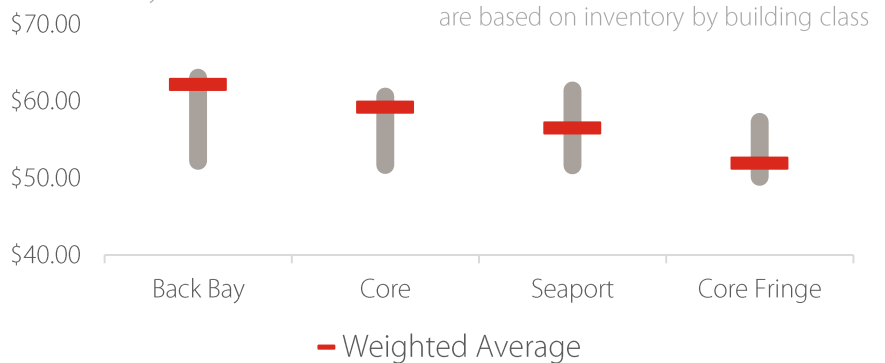
## Supply & Demand

Total vacancy



## Average Asking Rent

Total vacancy

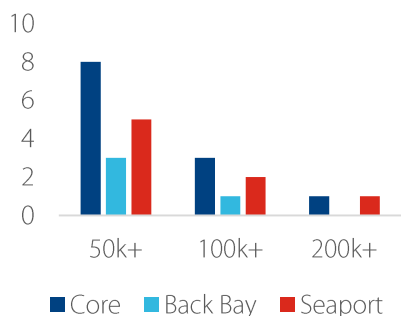




“Urban Boston is becoming a victim of its own success with a substantial amount of preleasing activity starting to strain supply all the way out to 2022”

### Limited near-term options

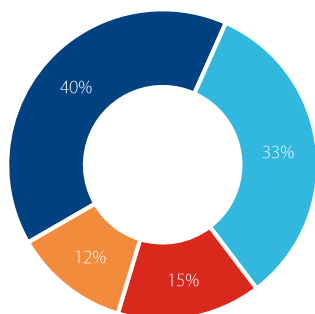
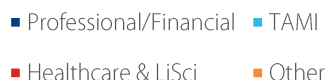
Only two existing availabilities above 200,000 SF remain on a direct basis, which is helping demand to overshadow supply.



<500,000 SF  
of leased supply will deliver in 2019

### Demand for Office Space

TAMI, Life Sciences and most professional service firms continue to account for the brunt of net absorption quarter over quarter while financial and law firms in particular tend to be retracting in size.

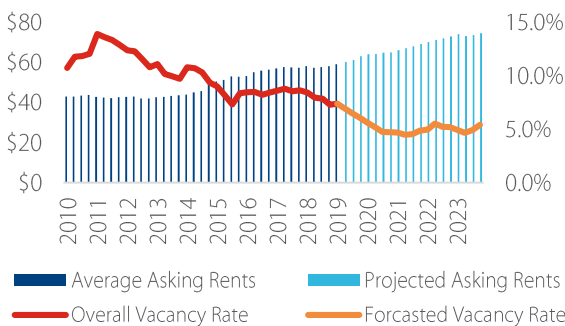


TAMI = Technology, Advertising, Marketing, Information

### The Winthrop Center is a “Go”

Boston’s newest major spec development kicks off with over 700,000 SF

Millennium Partners has officially kicked off one of Boston’s largest speculative developments in recent history. By early 2022, over 700,000 SF of new space is expected to deliver in Boston’s booming Core submarket. The question is not whether this building will be leased, but will it be through expansion(s) or local relocation(s) where space is given back elsewhere. The answer will effect the supply pipeline and rental rates for years to come.



### Urban Boston Forecast

Due to a strained development pipeline with a limited amount of available space delivering over the next two years, Urban Boston is expected to see a significant drop in vacancy and upward pressure on rents until a large supply delivery in 2022.



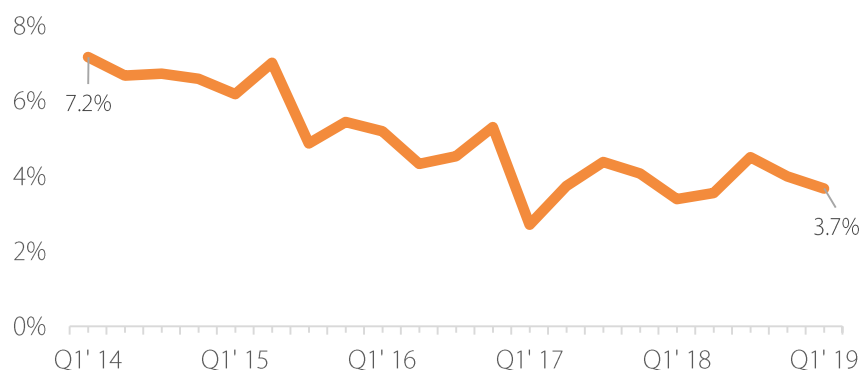
Charles River &amp; Harvard University

## Activity & Trends

- **Google** committed to 362,000 SF of new office space in the heart of Kendall Square, arguably the world's most innovative square mile. Located at 325 Main St, Boston Properties is expected to kick-off the 16 story office redevelopment later this year.
- **Capital One** is coming to Boston and making a statement. Rather than setting up shop in Urban Boston with the majority of banks, the newcomer will lease 78,000 SF across three floors at MIT's new 314 Main St development which is expected to be completed in mid-2020.
- **Sanofi** is consolidating its Cambridge operations to Cambridge Crossing, leaving what was thought to be Cambridge's first major space give-back in years. Don't blink, all of the space is already committed to.
- **\$100 PSF** are some of the gross quotes now being asked for in Kendall Square, making for some of the highest asking rents on the eastern seaboard next to NYC.

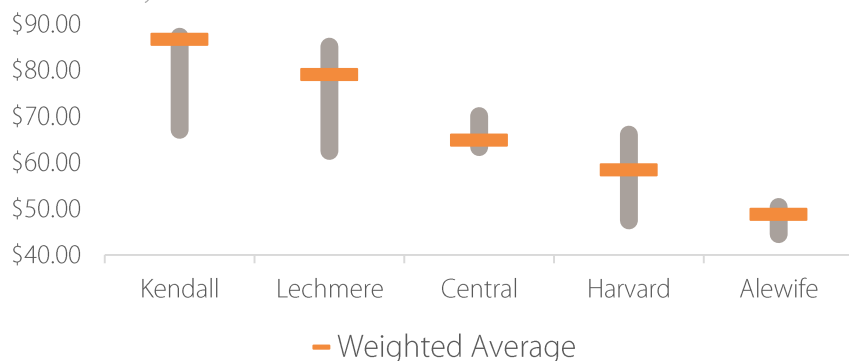
## Supply & Demand

Total vacancy



## Average Asking Rent

Total vacancy







## Enter: Bayer, Germany's largest Pharma

With plans to hire locally and relocate R&D specialists from Europe, one of the world's top ten life science oriented companies and Germany's largest pharmaceutical company is committing to Cambridge in a big way, **bringing new scientists to a new market with new capital.**



### New Scientists

Over 150 employees will be hired over the next three years, half of which will be scientists focusing on new therapies and data analytics.



### New Market

This new market expansion is big global statement that reinforces the region's status as a global innovation hub.

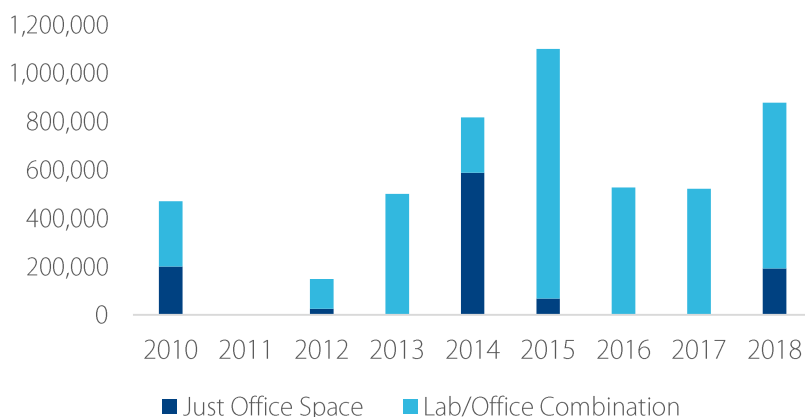


### New Capital

The NIH, PE, and VC firms are not the only capital sources adding to the life science start-up community. Big Pharma plays a big role.

## 5.4 Million Square Feet

has delivered fully leased over the last 10 years



\*only includes buildings over 25,000 SF



## Don't forget about the office space...

The Cambridge Galleria is no longer just an option for retail businesses trying to tap the high levels of disposable income in East Cambridge. It is now also an immediate relief valve for office tenant's trying to navigate a tight market with plans to add over 150,000 SF on the top floor of the mall.



## Cambridge Crossing breaching 70%

Sanofi's leasing at Cambridge Crossing is the most recent example of an overspill effect that is taking place in Kendall Square and the lack of new building options across the Charles in Boston. During the last five (5) years, over 90% of companies relocating to Boston or Cambridge with a requirement over 50,000 SF have either leased newly built space, renovated obsolete space, or have participated in a built-to-suit development. With these options limited over the next two years in Boston and Sanofi's locations in Kendall Square already backfilled, Cambridge Crossing is expected to be over 70% leased by year-end.



## A Shift in Alewife

The Alewife submarket is changing rapidly as life science tenants start to take over most of the occupied office square footage here while more tech companies move out. What's the main factor? Parking and traffic. Tech companies recruiting from all over the GBA are unable to attract and retain a variety of talent while life-science firms, are just fine being on the Red Line. Over the last year, Bitsight and Fuze have vacated for Boston with another office tenant now exploring up to 100,000 SF outside of the submarket.



Charlestown aka "The Town"

## Activity & Trends

- **Puma** has solidified the region as global "shoe hub" announcing plans to build its North American HQ in Somerville's Assembly Row where they will occupy approximately 150,000 SF and house over 500 Employees by 2021. Also HQ'ed here: Reebok (Adidas), New Balance, and Converse (Nike).
- **Amazon's** Alexa focused business unit is expanding in Medford with a lease for approximately 50,000 SF. Opening this spring, Amazon will house roughly 200 employees through new hires and relocations from its Back Bay WeWork office.
- **athenahealth** is giving space back to the market at The Arsenal in Watertown, where strong demand is being seen for space through an overspill effect out of Cambridge.
- **"Southie"** is poised to become an emerging office and lab market with several developers in the planning stages to add upwards of 1 MSF over the next several years, provided there are no capital restraints.

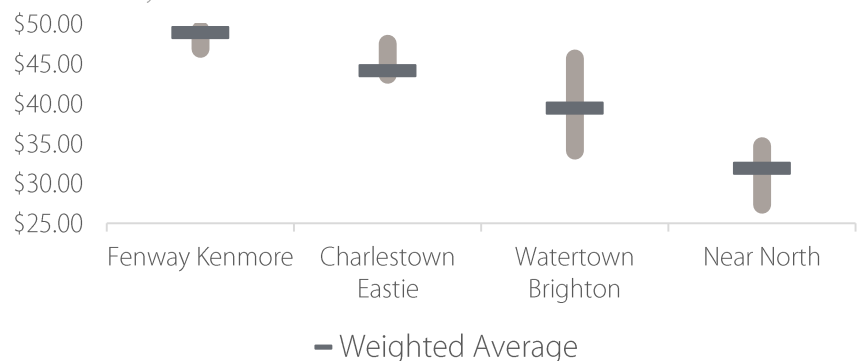
## Supply & Demand

Total vacancy



## Average Asking Rent

Total vacancy





10+

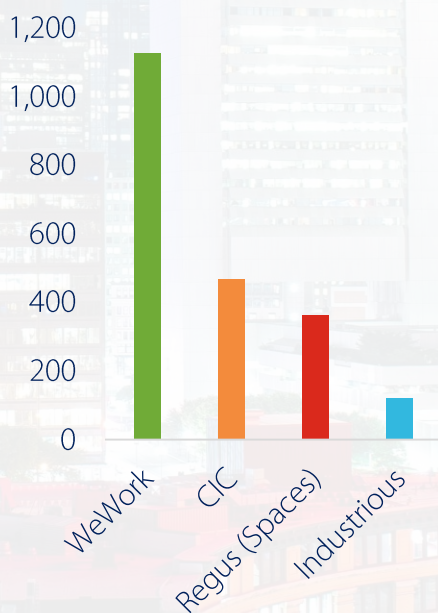
leases by WeWork are in  
the works for over  
300,000 SF

3

new Coworking leases  
were signed this quarter  
by different operators

3.1 MSF

is the amount of flex  
and coworking space in  
the urban market



### Major Operators

*leased office space by the largest market  
operators represented in the thousands*

### HQ by WeWork

is exploring several mid-size options in Boston for a new single-user model to help attract companies who prefer more of a custom feel to space without the operational hassle.

### Tenant-in-hand

is a term that you will hear more as coworking and flexible office providers start to service companies finding short-term space though leasing it themselves in the long-term.

### Students in Coworking?

while this has yet to happen in the GBA, the region is poised for this to take place based on the number of college and universities here. In Washington D.C., WeWork is already offering passes to MBA students.

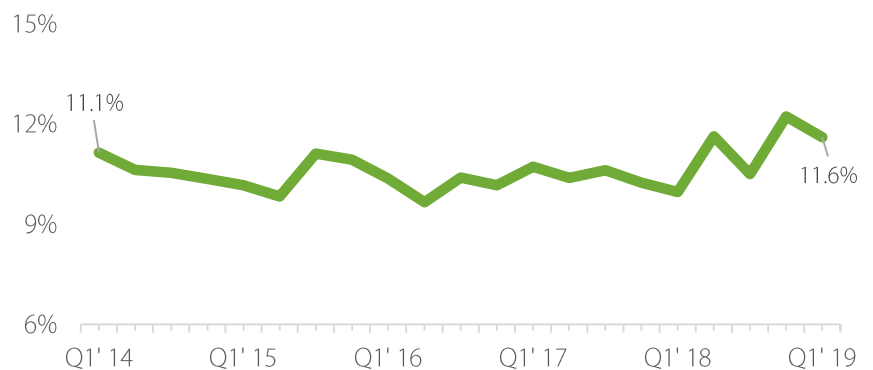


## Activity & Trends

- **Renewals** are becoming a popular option for companies with a larger footprint along the 128 Belt due to the lack of available options in the Urban Market and a trend where landlords are now providing similar amenity packages that replicate the urban “live-work-play” experience.
- **The District** in Burlington retained two large tenants, BAE Systems and Charles River Development who each renewed for a combined 259,000 SF. The 1.1 MSF office park is now marketing a new built-to-suit opportunity totaling 180,000 SF.
- **The MA State Lottery** vacated its Braintree operations in a move to Dorchester for office space and Norwell for data center space after renewal terms could not be met with its previous landlord.
- **Clean Harbors** renewed its 103,500 SF lease at 42 Longwater Dr, making for one of the largest office leases in the last 12 months for the 128 South Submarket.

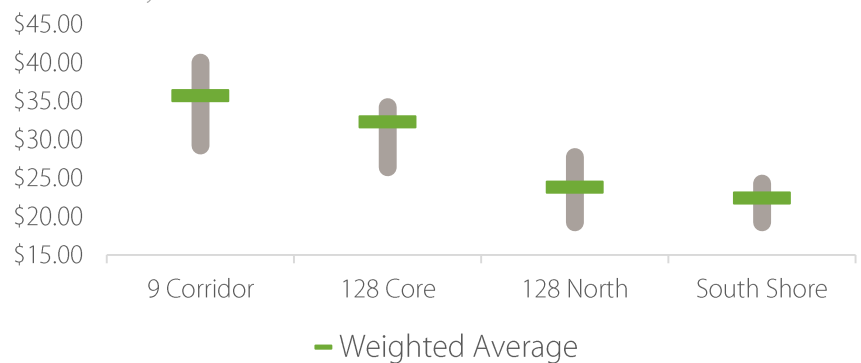
## Supply & Demand

Total vacancy



## Average Asking Rent

Total vacancy







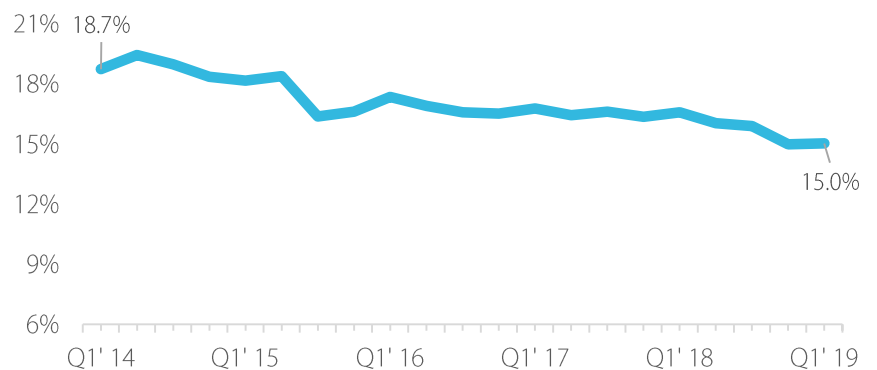
Andover's historic Old Town Hall

## Activity & Trends

- **The Apex Center** kicked off phase II of an office component in Marlborough with approximately 75,000 SF of speculative office space now under construction at the latest amenity center to be developed in 495 West.
- **Philips** will be giving back a very large block of space to the 495 Belt after announcing plans last year to relocate its North American HQ to Cambridge Crossing.
- **Doble Engineering** relocated within the 495 West submarket, reaffirming its commitment to Marlborough and signing a 79,000 SF lease at 123 Felton St where it will backfill space formally occupied by ADP.
- **Speculative development** is starting to occur in select submarkets such as 495 West and Framingham/Natick in a show of developer confidence that demand for office space is more favorable west of the 128 Belt compared to other 495 Belt submarkets.

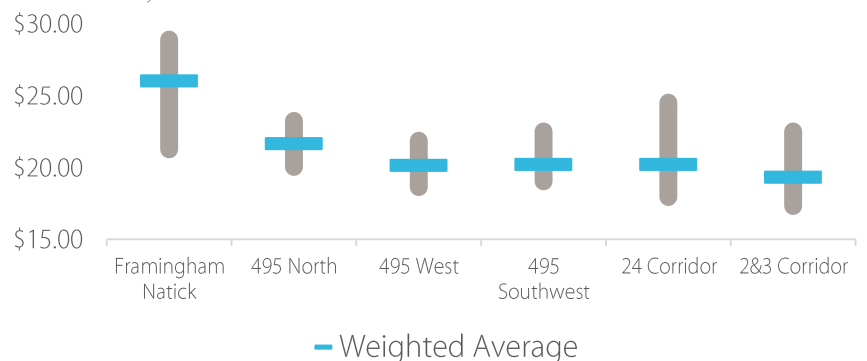
## Supply & Demand

Total vacancy



## Average Asking Rent

Total vacancy



	Inventory (SF)	Overall Vacancy	Weighted Asking Rent	Class A Asking Rent	Class B Asking Rent	Quarterly Net Absorption	12 Month Net Absorption	Under Construction	12 Month Completions
<b>Total Market</b>	<b>206,647</b>	<b>10.4%</b>	<b>\$40.33</b>	<b>\$43.91</b>	<b>\$34.54</b>	<b>1,153</b>	<b>3,094</b>	<b>4,567</b>	<b>2,366</b>
<b>Urban Markets</b>	<b>95,300</b>	<b>7.0%</b>	<b>\$55.05</b>	<b>\$57.32</b>	<b>\$50.02</b>	<b>589</b>	<b>1,927</b>	<b>4,281</b>	<b>1,288</b>
<b>Boston</b>	<b>69,630</b>	<b>7.4%</b>	<b>\$58.23</b>	<b>\$60.75</b>	<b>\$51.28</b>	<b>540</b>	<b>1,640</b>	<b>2,523</b>	<b>1,159</b>
<b>Core</b>	<b>35,355</b>	<b>7.6%</b>	<b>\$59.15</b>	<b>\$60.56</b>	<b>\$51.67</b>	<b>286</b>	<b>556</b>	<b>871</b>	<b>365</b>
Greenway	12,502	5.6%	\$59.35	\$60.00	\$50.20	62	134	0	0
PO Square	13,640	7.9%	\$59.54	\$61.20	\$52.29	170	90	871	0
State Street	9,213	9.9%	\$58.66	\$60.80	\$52.00	54	333	0	365
<b>Core Fringe</b>	<b>7,255</b>	<b>7.1%</b>	<b>\$51.88</b>	<b>\$57.28</b>	<b>\$50.12</b>	<b>(39)</b>	<b>(87)</b>	<b>808</b>	<b>0</b>
North Station	2,692	4.5%	\$50.38	\$56.50	\$49.29	(15)	(15)	808	0
Midtown	3,108	9.1%	\$52.69	\$58.00	\$50.71	(32)	(28)	0	0
South Station	1,455	7.7%	\$53.41	\$58.10	\$50.67	7	(44)	0	0
<b>Back Bay</b>	<b>14,602</b>	<b>4.9%</b>	<b>\$62.07</b>	<b>\$63.00</b>	<b>\$52.22</b>	<b>193</b>	<b>583</b>	<b>0</b>	<b>0</b>
Copley	10,664	6.0%	\$59.89	\$60.80	\$50.20	185	418	0	0
Prudential	3,938	2.1%	\$67.30	\$68.50	\$54.75	8	165	0	0
<b>Seaport</b>	<b>12,418</b>	<b>9.7%</b>	<b>\$56.45</b>	<b>\$61.33</b>	<b>\$51.61</b>	<b>101</b>	<b>588</b>	<b>843</b>	<b>794</b>
Fort Point	4,299	8.5%		na	\$53.60	214	102	95	0
Waterside	6,335	11.3%	\$59.07	\$61.33	\$44.00	(125)	452	511	794
Marine	1,785	6.8%		na	\$50.83	11	33	237	0
<b>Cambridge</b>	<b>11,064</b>	<b>3.7%</b>	<b>\$68.02</b>	<b>\$71.00</b>	<b>\$56.61</b>	<b>37</b>	<b>18</b>	<b>1,340</b>	<b>74</b>
Kendall	5,613	0.6%	\$86.55	\$87.20	\$67.05	(3)	71	910	0
Lechmere	1,757	2.7%	\$78.93	\$85.00	\$62.50	(12)	44	430	74
Central	899	8.9%	\$64.78	\$70.00	\$63.33	9	(59)	0	0
Harvard	1,014	1.4%	\$58.36	\$66.00	\$47.50	8	20	0	0
Alewife	1,782	13.1%	\$48.71	\$50.40	\$44.50	36	(59)	0	0
<b>The Ring</b>	<b>14,606</b>	<b>7.5%</b>	<b>\$40.73</b>	<b>\$43.80</b>	<b>\$38.04</b>	<b>12</b>	<b>269</b>	<b>419</b>	<b>55</b>
Charlestown Eastie	2,333	1.6%	\$44.09	\$47.50	\$43.60	47	34	0	0
Near North	3,969	13.2%	\$31.86	\$34.67	\$27.34	(45)	(70)	419	55
Watertown Brighton	3,575	2.8%	\$39.39	\$45.65	\$34.10	14	322	0	0
Fenway Kenmore	2,497	9.8%	\$48.85	\$49.22	\$46.85	41	(4)	0	0
Crosstown Corridor	2,233	8.6%		na	\$46.67	(46)	(13)	0	0
<b>Suburban Markets</b>	<b>111,347</b>	<b>13.4%</b>	<b>\$24.91</b>	<b>\$27.71</b>	<b>\$21.12</b>	<b>564</b>	<b>1,168</b>	<b>286</b>	<b>1,078</b>
<b>128 Belt</b>	<b>56,714</b>	<b>11.9%</b>	<b>\$28.39</b>	<b>\$31.38</b>	<b>\$22.83</b>	<b>534</b>	<b>249</b>	<b>211</b>	<b>444</b>
128 North	11,869	11.6%	\$23.76	\$27.69	\$19.23	91	(27)	0	145
128 Core	23,134	11.6%	\$32.21	\$34.16	\$26.39	437	235	211	134
9 Corridor	11,624	14.9%	\$35.63	\$39.94	\$29.21	146	281	0	165
South Shore	10,087	9.3%	\$22.33	\$24.24	\$19.25	(140)	(240)	0	0
<b>495 Belt</b>	<b>54,633</b>	<b>15.0%</b>	<b>\$20.81</b>	<b>\$23.68</b>	<b>\$18.55</b>	<b>31</b>	<b>919</b>	<b>75</b>	<b>634</b>
495 North	8,461	18.3%	\$21.63	\$23.25	\$20.04	(87)	(35)	0	0
2&3 Corridor	19,833	17.0%	\$19.29	\$22.50	\$17.33	96	557	0	60
495 West	13,906	14.7%	\$20.11	\$21.85	\$18.64	18	(25)	75	0
Framingham Natick	6,488	10.3%	\$26.00	\$28.90	\$21.25	(29)	52	0	512
495 Southwest	4,835	7.5%	\$20.18	\$22.50	\$19.03	(2)	196	0	0
24 Corridor	1,110	19.3%	\$20.19	\$24.50	\$17.94	35	174	0	62

\*absorption in the thousands



## Select Office Requirements

Company	Minimum SF	Maximum SF	Industry	Timing
Sage Therapeutics	250k	300k	Life Science	2019
Fidelity Investments	200k	500k	Finance	2020
CarGurus	200k	300k	TAMI	2020
WeWork ( <i>coworking</i> )	250k	300k	Real Estate	2019
IPG ( <i>multiple requirements</i> )	150k	200k	TAMI	2019
Brightcove	70k	80k	TAMI	2021
Drift	50k	70k	TAMI	2020
Department of VA	45k	50k	Government	2020
Industrious ( <i>coworking</i> )	40k	50k	Real Estate	2019

\*select office requirements are mainly focused on the urban market but some will consider a suburban location.

\*coworking requirements should not be counted as "true" demand since occupancy is not guaranteed upon lease signing.

\*requirements are based on space inquiries, lease expiration dates, and company press releases.

\*RBA in the thousands rounded to the nearest hundredth.

## Buildings Under Construction

Project Name	Submarket	Developer	Delivery (Est)	RBA	% Leased
115 Federal St	Core	Millennium Partners	Q1 2022	871k	0% ("spec")
100 Causeway St	Core Fringe	Boston Properties	Q2 2021	627k	70% (Verizon)
390 Congress St	Seaport	WS Development	Q1 2021	511k	100% (Amazon)
145 Broadway	Cambridge	Boston Properties	Q4 2019	485k	100% (Akamai)
250 North St	Cambridge	DivcoWest	Q4 2019	430k	87% (Philips)
314 Main St	Cambridge	MIT	Q3 2020	425k	59% (multi-tenant)
455 Grand Union Blvd	Cambridge	Federal Realty Inv. Trust	Q2 2022	304k	60% (Puma)
2 Drydock Ave	Seaport	Skanska	Q4 2019	237K	0% ( <i>committed</i> )
480 Totten Pond Rd	128 Core	Boston Properties	Q3 2019	211K	64% (multi-tenant)

\*only included buildings above 200,000 SF.

\*sublease space is not included in the % leased.

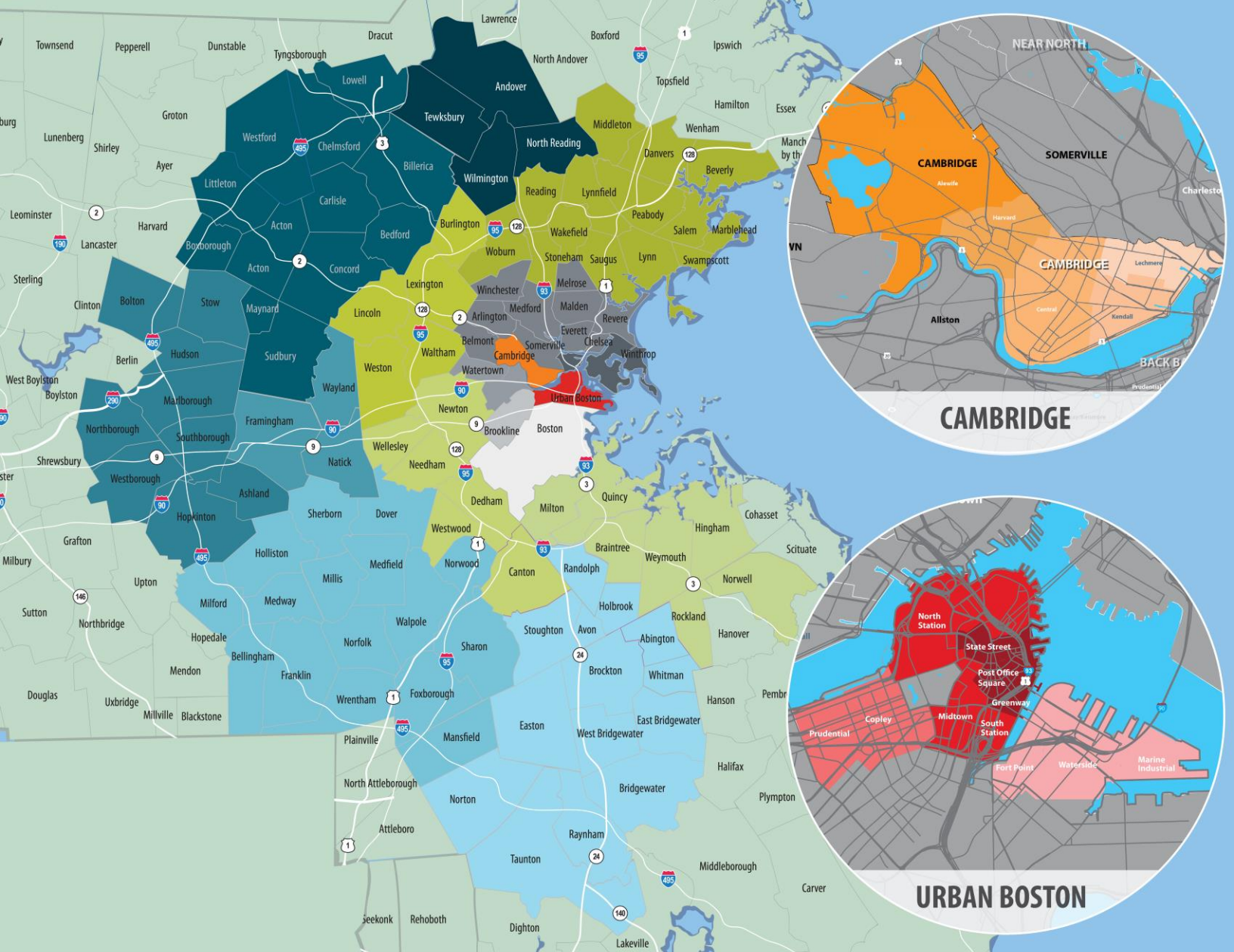
\*RBA in the thousands.

## Urban Supply Pipeline

The construction pipeline is broken down into four phases. While many projects are approved by the city, a lot of work needs to be done in order to be "ready to go".

4.2 MSF	3.2 MSF	3.7 MSF	7.5 MSF
Under Construction	"Ready To Go"	Approved by City	Filed/Under Review

\*does not include strictly life science oriented developments



## GREATER BOSTON OFFICE SUBMARKETS



**MICHAEL SMITH**  
Principal & Managing Director  
617.575.2830  
michael.smith@avisonyoung.com

**TUCKER WHITE**  
Senior Research Analyst  
617.993.0721  
tucker.white@avisonyoung.com

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