

Office Report



Market Facts

2,399,000 SF

is currently under construction

10.9%

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

808,000 SF

was absorbed on a net basis in
Q4' 2018

\$38.89 PSF

is the overall average asking
rent for office space throughout
all of the GBA

2.2%

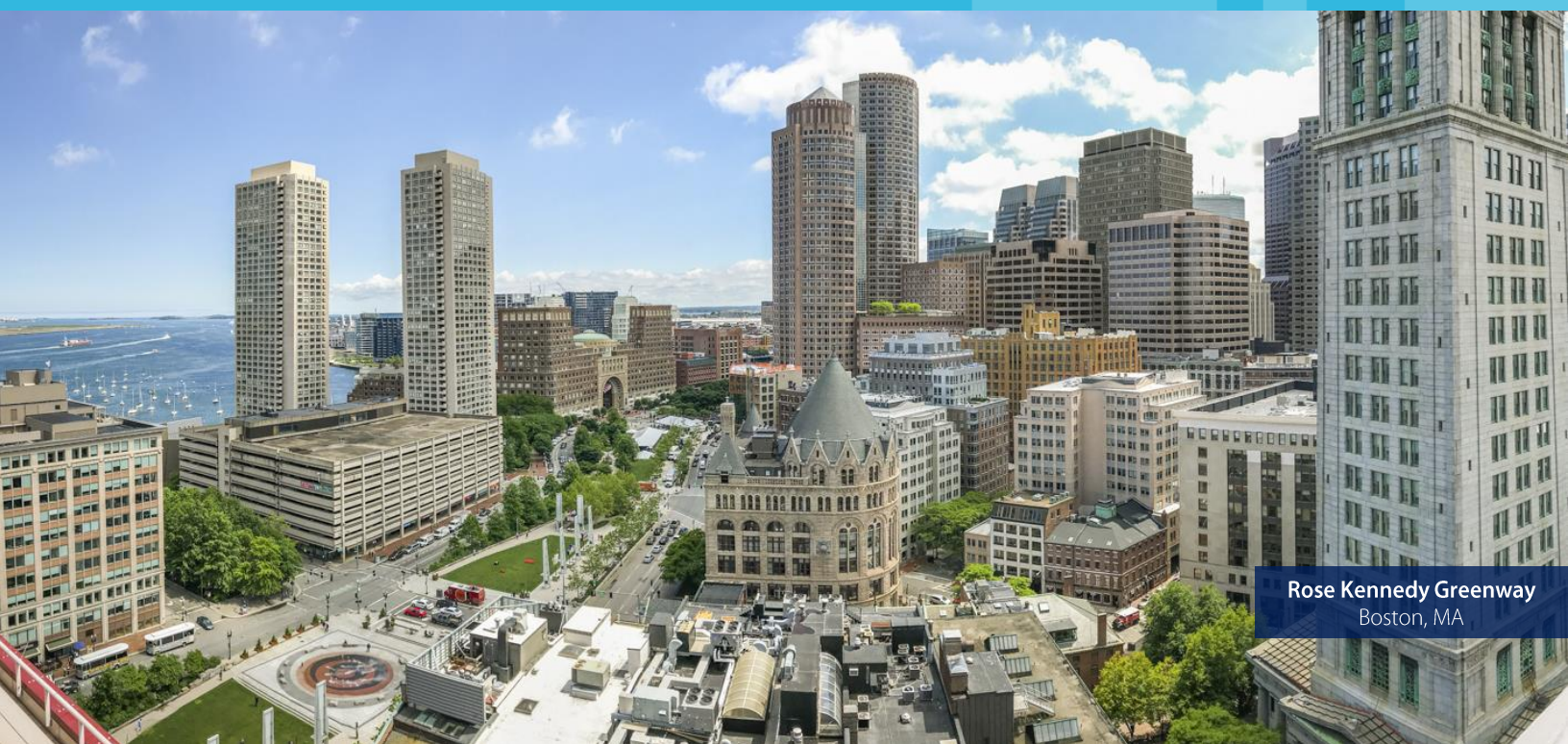
unemployment rate for the
Greater Boston

Suburban supply looks to relieve demand as the urban markets become victims of their own success

A strained supply pipeline in Boston and Cambridge put upward pressure on rents

The Greater Boston office market finished 2018 on a high note, outpacing 2017 in net absorption and adding over twice as many jobs in 2018 than the two years prior. Demand for office space continued to climb steadily throughout the region with TAMI (technology, advertising, marketing, internet) and life-science oriented tenants making up the brunt of new leasing activity this year. While the construction pipeline in the suburbs has relieved demand along the 128 and 495 Belts, the urban markets of Boston, Cambridge, and the Ring are becoming victims of their own success with a substantial amount of preleasing activity starting to strain supply all the way out to 2022. Most notably, the France-based life science juggernaut, Sanofi, leased approximately 900,000 SF of new construction at Cambridge Crossing for their US headquarters. Considered the largest single lease throughout Greater Boston since 2003, the deal kicks off the formation of another innovation cluster that will compliment the

unprecedented demand for a location in or around Kendall Square. Conversely, the major leasing at Cambridge Crossing has taken away a relief valve in a city that has posted an office vacancy rate below 5% for the last three years. While this has put significant upward pressure on rents, where some quotes for office space are breaching \$100 PSF in East Cambridge and pricing out capital sensitive tenants, it has also forced tenants to entertain options outside of Cambridge due to the sheer lack of available options. In Boston, the same dynamic is begging to take shape as a confined supply pipeline starts to come to fruition through a significant uptick in asking rents this past quarter where for the first time, overall asking rents have surpassed \$60.00 PSF on average. As these urban markets become more expensive and tighter, the suburbs are expected to act as a demand pacifier in 2019 with several large projects along the 128 Belt expected to deliver over 1.7 MSF of new product before 2021, over 60% of which is still available to lease.



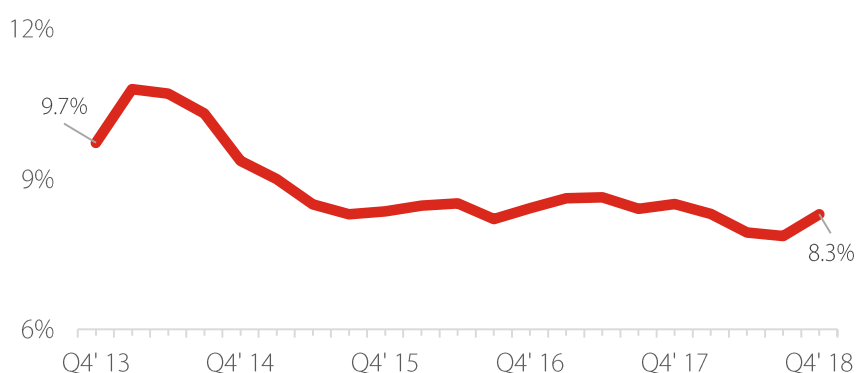
Rose Kennedy Greenway
Boston, MA

Notable Activity

- **Related Beal's** Congress Square project has been completed with Publicis.Sapient taking the majority of building and EZCater moving into approximately 100,000 SF through a WeWork headlease.
- **Speculative construction** started on the 1.3 MSF Winthrop Center, a mixed-use tower development at the former Winthrop Street garage site.
- **Fidelity Investments** announced plans to redevelop the World Trade Center in the Seaport into new offices and open green space that they are likely to utilize.
- **The Lafayette City Center** has now been completely backfilled after Partners vacation in 2016 thanks to major commitments from AIR Worldwide and Community Catalyst.
- **The Wing**, Boston's first woman-only coworking space, announced they will be opening their initial location at 699 Boylston Street at the start of 2019.
- **Medidata** signed a lease for 117,000 SF at 110 High Street, expanding from NYC as one of the Core's first major life-science tenants.

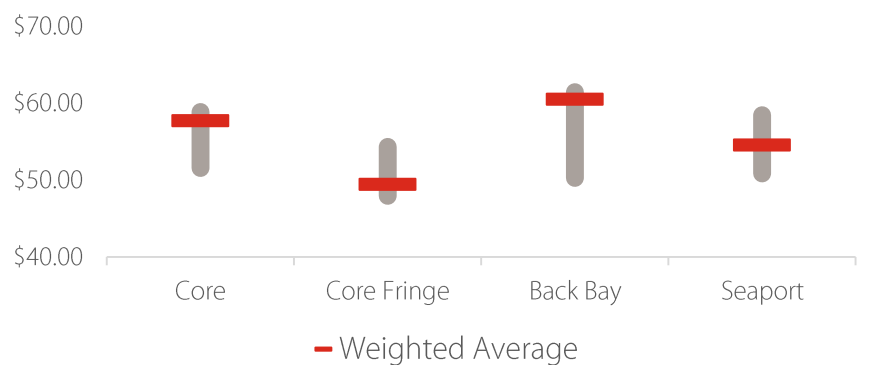
Supply & Demand

Total vacancy



Average Asking Rent

Gross, net electric





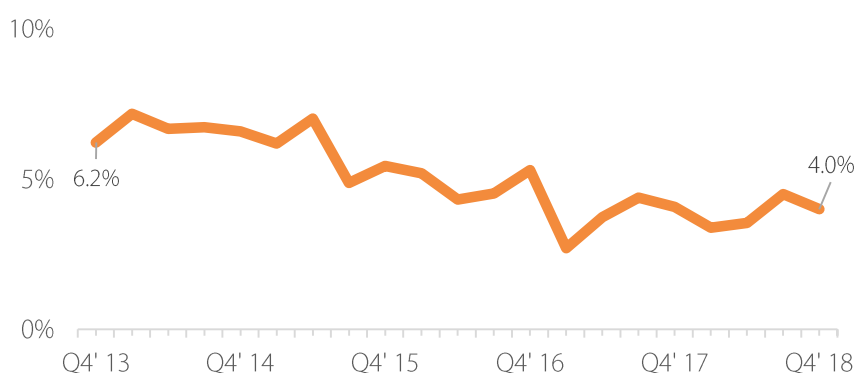
Longfellow Bridge
Boston-Cambridge, MA

Notable Activity

- **Sanofi** inked the largest deal Cambridge has seen in recent history by committing to two (2) full buildings at Cambridge Crossing along Dawes Avenue.
- **314 Main Street**, Apple and Capital One both committed to join Boeing at MIT's new office development at 314 Main Street in Cambridge which is projected to deliver by late 2020.
- **Facebook** moved into its new Kendall Square outpost at the newly build 100 Binney Street where they will occupy just over 130,000 SF.
- **Boston Properties** received unanimous approval to replace the MIT Coop bookstore with an 18-story glass tower in Kendall Square, which is likely to be home to Google upon completion.
- **New England Development** is proposing to convert 140,000 SF of retail space into high end office space at CambridgeSide Galleria Mall, which is coming at a time when available space is very limited with few options available.

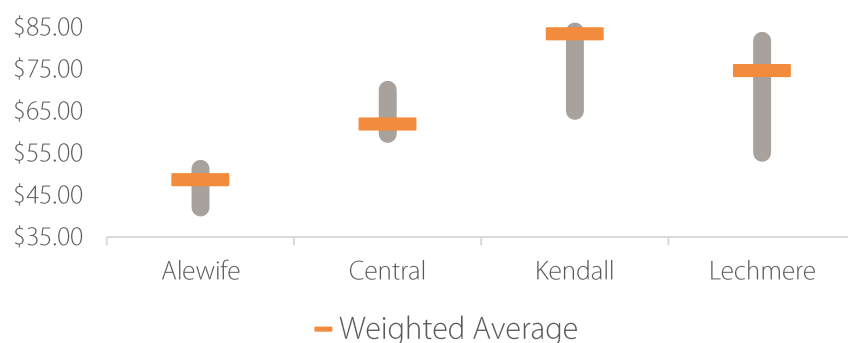
Supply & Demand

Total vacancy



Average Asking Rent

Gross, net electric



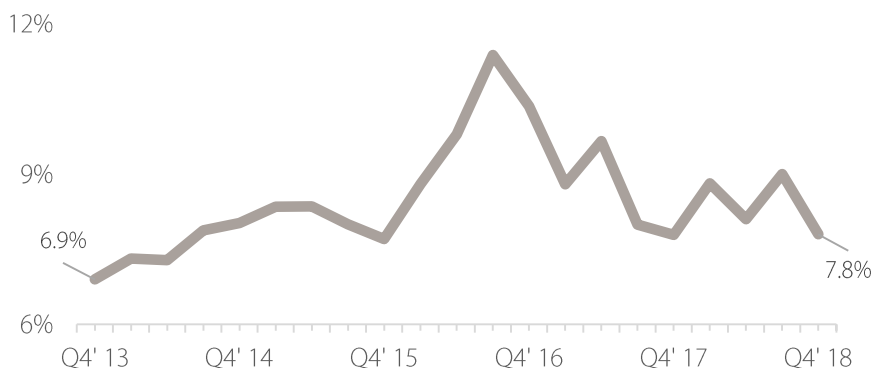


Notable Activity

- **Puma** is moving its North American headquarters from Westford to Somerville's Assembly Row, with plans to anchor half of a new 300,000 SF office tower come 2021.
- **"Southie"** or South Boston, is now poised to have a commercial cluster that connects to the Seaport through Alexandria' and Anchor Line Partners latest project near the Broadway MBTA stop.
- **Speculative Construction** is becoming more popular due demand overspill from Boston and Cambridge with 303,000 SF at 455 Grand Union Boulevard in Somerville kicking off this quarter.
- **Yardworks** at Arsenal Yards in Watertown, another speculative office and lab development, has an anchor tenant in hand for roughly 63,000 SF.
- **1 Constitution Wharf**, a revitalized Class A building on Boston's Harbor in Charlestown, finished renovations is starting to welcome it's three newest tenants, Shoe.com, Partners Healthcare, and Mass General.

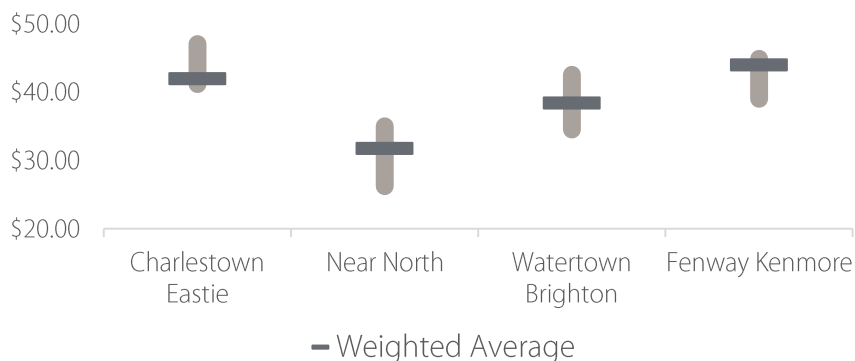
Supply & Demand

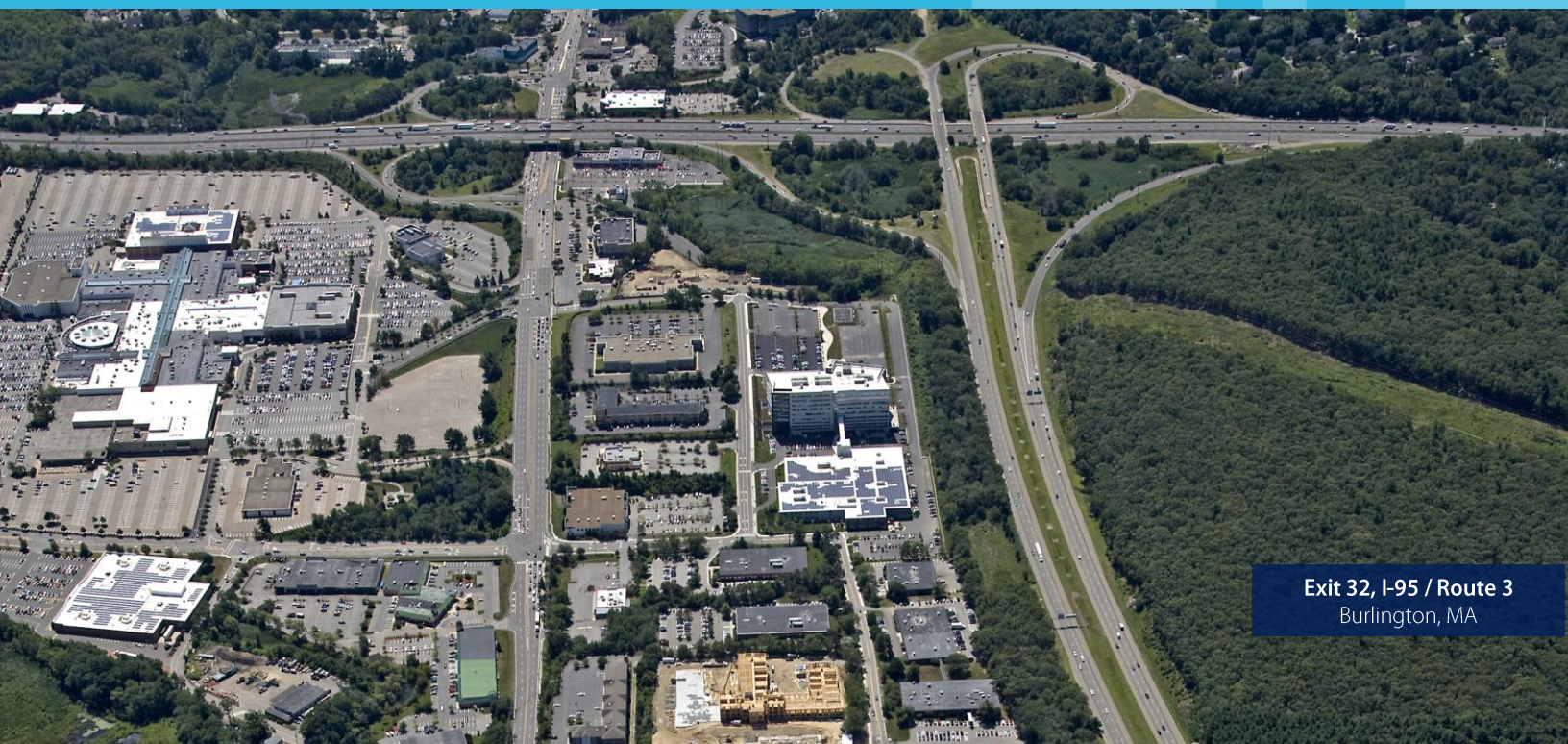
Total vacancy



Average Asking Rent

Gross, net electric





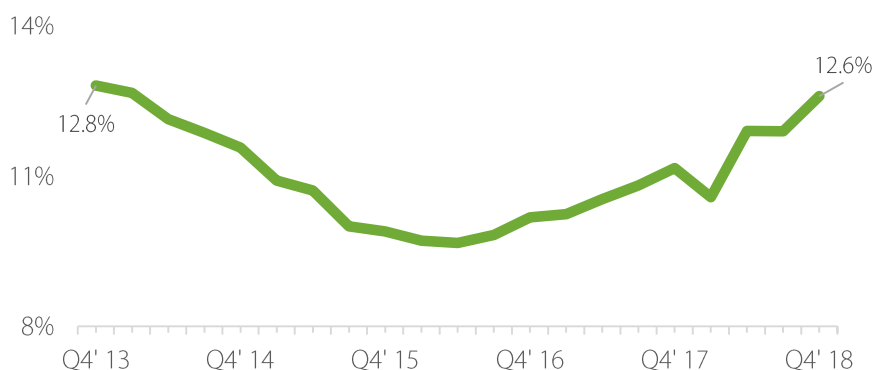
Exit 32, I-95 / Route 3
Burlington, MA

Notable Activity

- **The Post**, the recently completed new development in Waltham, has signed two notable tenants in Boston Dynamics and ElevateBio, taking down 175,000 SF and 107,000 SF respectively.
- **Humatics** has been experiencing rapid growth recently, resulting in the software company to officially relocate its headquarters to roughly 26,000 SF at 152 Grove Street in Waltham.
- **Avid Technology** is committed to 75 Network Drive, as the American technology and multimedia company recently inked a long term renewal cementing their commitment to the town of Burlington.
- **Reveneer** is relocating its headquarters from 10 State Street in Woburn to roughly 32,000 SF at 10 Maguire Road in Lexington, this move will take place in February of 2019.
- **Stantec**, a leading global design and engineering firm, has signed a lease for 46,668 SF at 65 Network Drive, a Class A office building in Burlington.

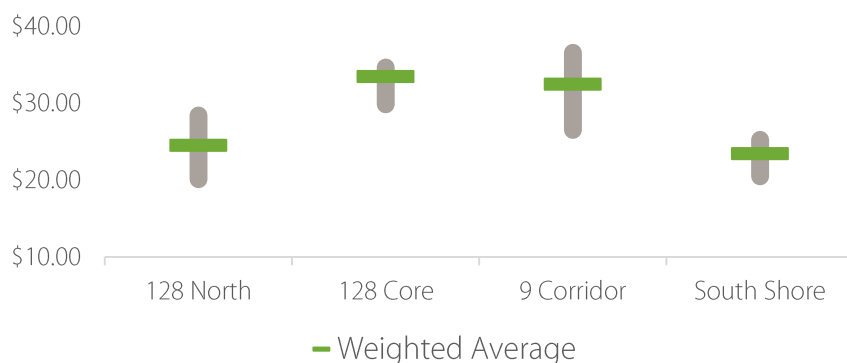
Supply & Demand

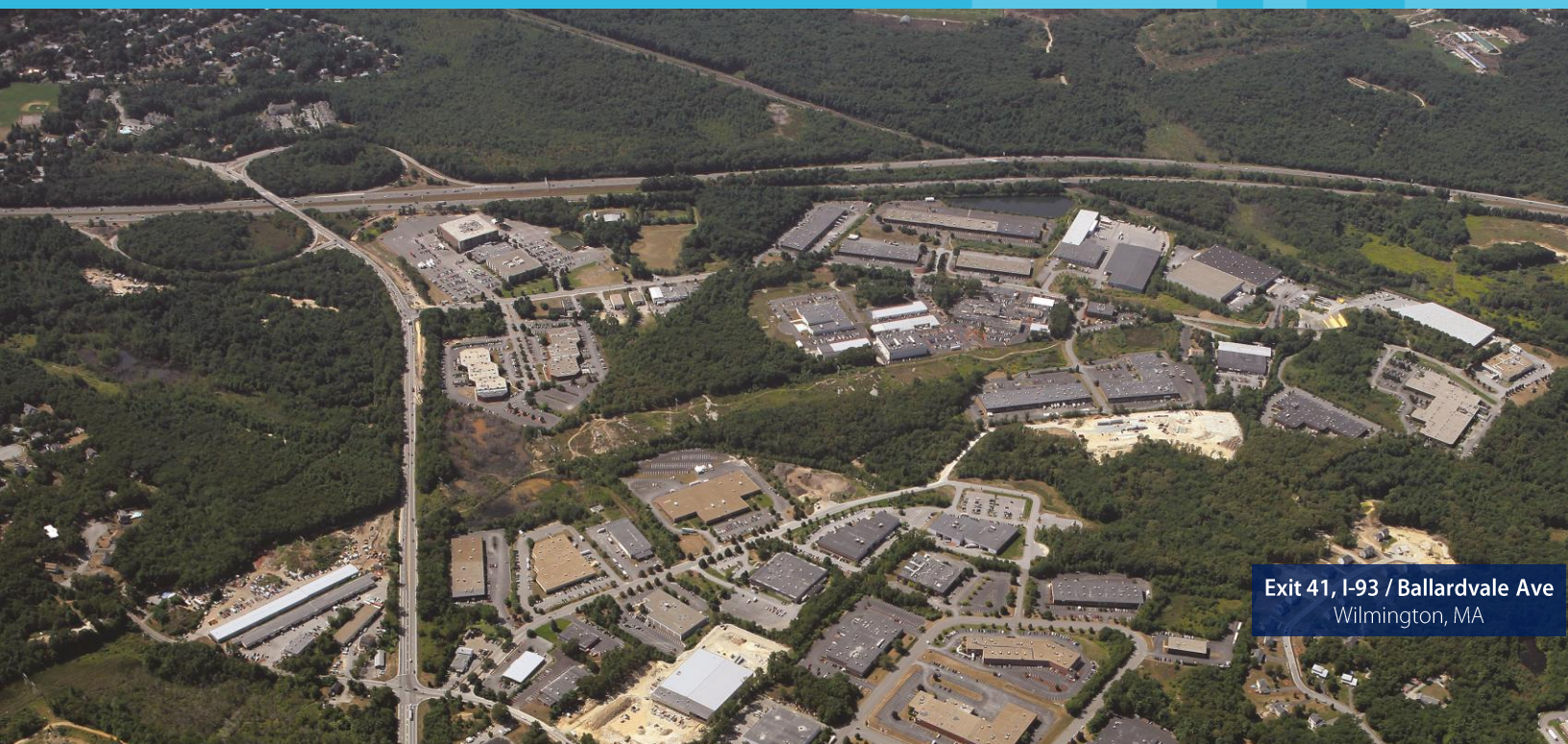
Total vacancy



Average Asking Rent

Gross, net electric



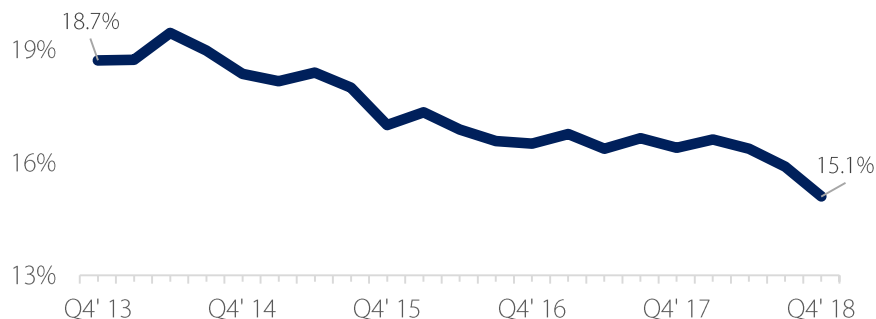


Notable Activity

- **ClearMotion** has taken occupancy of its new corporate headquarters, relocating from Woburn to 805 Middlesex Turnpike in Billerica, where the automotive tech company will be called home by roughly 300 employees.
- **ExaGrid** is consolidating six separate facilities under one roof in Marlborough to its new home at 350 Campus Drive, where the company will occupy just over 40,000 SF.
- **Allegro Micro Systems** has officially moved into its new 51,000 SF headquarter at 100 Crowley Drive in Marlborough, downsizing from its previous headquarters in Worcester.
- **VentureX** will be opening its newest facility in Massachusetts at the Apex Center in Marlborough, where they will be occupying the entire top floor of the building.
- **MathWorks** officially completed their expansion in Natick at the new Lakeside campus, the old headquarters of Boston Scientific. This new 513,000 SF campus plans to be home to nearly 5,000 employees.

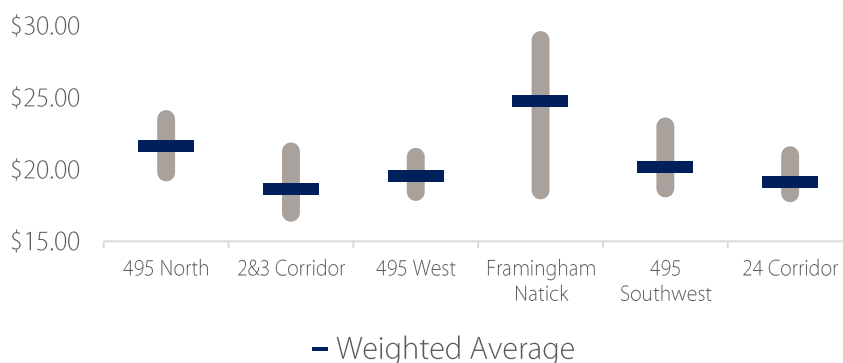
Supply & Demand

Total vacancy



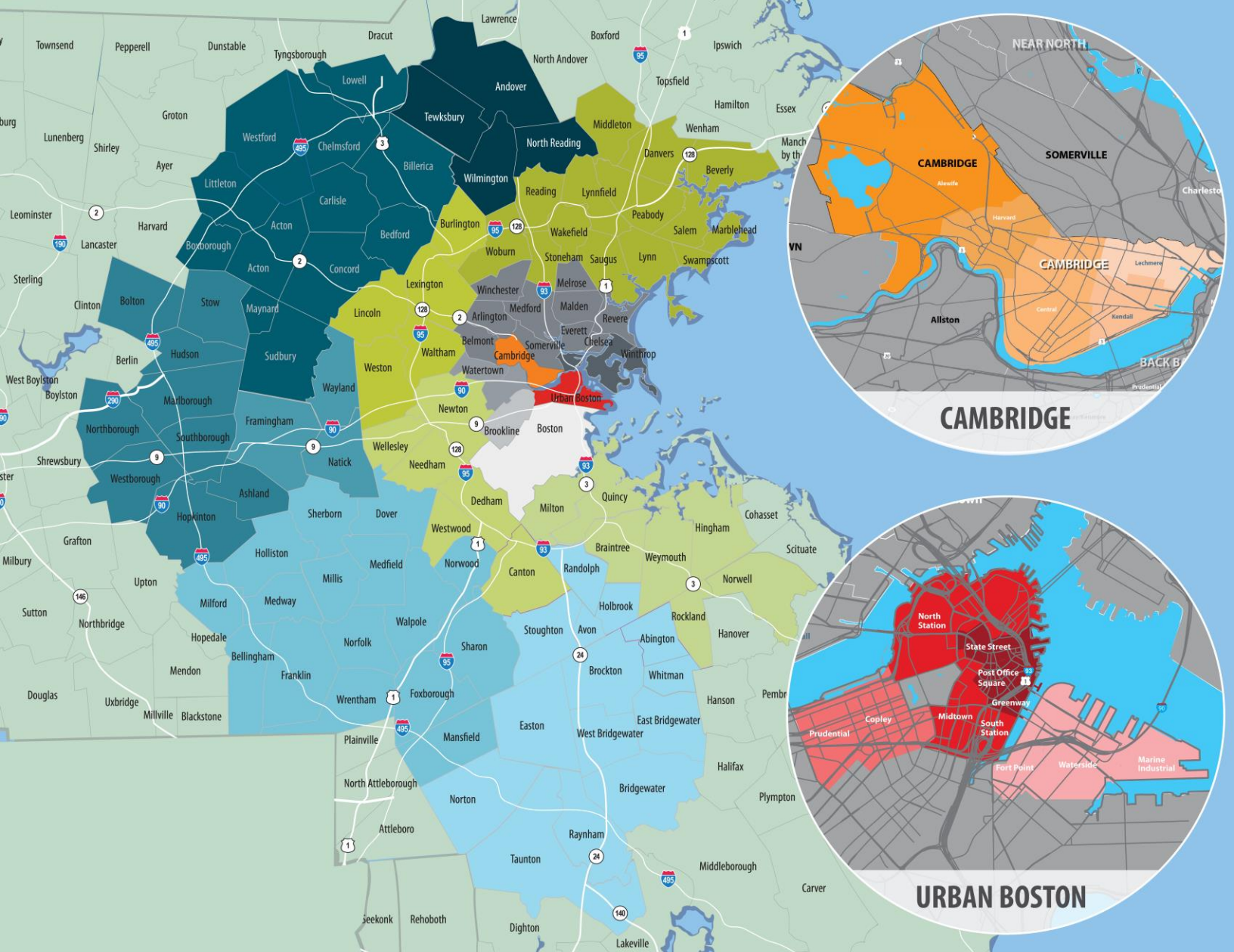
Average Asking Rent

Gross, net electric



Market by the Numbers *SF 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	12 Month Completions
Total Market	206,522	10.9%	\$38.96	\$42.98	\$32.45	808	1,772	2,399	2,139
Urban Markets	95,429	7.6%	\$53.55	\$56.34	\$48.39	535	1,522	1,961	1,288
Boston	69,607	8.1%	\$57.39	\$59.99	\$50.27	321	1,357	505	1,159
Core	35,302	8.4%	\$58.16	\$59.41	\$51.48	356	144	0	365
Greenway	12,472	6.1%	\$58.83	\$59.50	\$49.40	62	26	0	0
PO Square	13,616	9.2%	\$58.73	\$60.20	\$52.29	123	(258)	0	0
State Street	9,213	10.5%	\$56.73	\$58.25	\$52.00	170	376	0	365
Core Fringe	7,235	6.6%	\$50.24	\$55.17	\$48.63	(25)	11	175	0
North Station	2,669	4.0%	\$49.56	\$54.00	\$48.78	(29)	34	175	0
Midtown	3,113	8.1%		na	\$48.67	(15)	42	0	0
South Station	1,453	8.2%	\$51.67	\$57.50	\$48.25	18	(65)	0	0
Back Bay	14,659	6.2%	\$61.41	\$62.42	\$50.63	(6)	648	0	0
Copley	10,657	7.7%	\$59.28	\$60.13	\$50.20	(62)	417	0	0
Prudential	4,002	2.3%	\$65.65	\$67.00	\$51.33	56	232	0	0
Seaport	12,411	10.5%	\$54.60	\$58.75	\$50.55	(2)	554	330	794
Fort Point	4,352	13.3%	\$53.46	\$57.00	\$52.80	(16)	(122)	97	0
Waterside	6,274	9.4%	\$57.59	\$59.33	\$46.00	(23)	653	0	794
Marine	1,785	7.5%		na	\$49.83	37	22	233	0
Cambridge	11,078	4.0%	\$66.35	\$69.39	\$54.58	103	56	1,341	74
Kendall	5,615	0.5%	\$83.27	\$83.88	\$65.00	44	153	911	0
Lechmere	1,771	2.0%	\$74.53	\$81.67	\$55.00	53	43	430	74
Central	903	9.8%	\$61.83	\$70.00	\$59.50	(8)	(55)	0	0
Harvard	999	2.2%	\$57.15	\$65.00	\$45.60	0	14	0	0
Alewife	1,790	15.0%	\$48.57	\$51.20	\$42.00	14	(102)	0	0
The Ring	14,743	7.8%	\$38.60	\$42.33	\$35.27	110	109	115	55
Charlestown Eastie	2,332	3.7%	\$43.19	\$48.00	\$42.50	(27)	(13)	0	0
Near North	3,988	12.0%	\$31.66	\$34.50	\$26.99	17	(22)	115	55
Watertown/Brighton	3,695	4.3%	\$38.99	\$44.00	\$34.63	104	247	0	0
Fenway Kenmore	2,497	11.4%		\$46.50	na	5	(92)	0	0
Crosstown Corridor	2,233	6.6%		na	\$42.33	13	(11)	0	0
Suburban Markets	111,093	13.7%	\$24.85	\$27.76	\$20.74	273	252	438	851
128 Belt	56,554	12.6%	\$28.63	\$32.26	\$21.91	(126)	(565)	376	279
128 North	12,006	12.2%	\$23.43	\$27.09	\$19.24	(212)	(110)	0	145
128 Core	23,087	13.5%	\$31.92	\$34.01	\$25.65	(114)	(70)	211	134
9 Corridor	11,398	15.1%	\$34.06	\$39.55	\$26.00	182	(276)	165	0
South Shore	10,062	7.9%	\$23.11	\$24.64	\$20.64	17	(110)	0	0
495 Belt	54,539	15.0%	\$20.74	\$23.52	\$18.54	399	817	62	572
495 North	8,404	17.4%	\$22.17	\$23.50	\$20.85	(1)	128	0	0
2&3 Corridor	19,826	17.3%	\$19.32	\$21.57	\$17.92	23	345	0	60
495 West	13,914	14.9%	\$19.73	\$21.44	\$18.29	(53)	(70)	0	0
Framingham Natick	6,488	9.9%	\$25.90	\$29.00	\$20.80	101	111	0	512
495 Southwest	4,800	7.5%	\$20.66	\$23.67	\$19.15	165	171	0	0
24 Corridor	1,107	16.9%	\$18.95	\$24.75	\$16.58	164	133	62	0



GREATER BOSTON OFFICE SUBMARKETS

URBAN BOSTON

- Core
- Core Fringe
- Back bay
- Seaport

CAMBRIDGE

- Alewife
- Harvard
- Central
- Kendall
- Lechmere

THE RING

- Charlestown/Eastie
- Near North
- Brighton Watertown
- Fenway/Kenmore
- Crosstown Corridor

128 BELT

- 128 North
- 128 Core
- 9 Corridor
- South Shore

495 BELT

- 495 North
- 2&3 Corridor
- 495 West
- Framingham/Natick
- 495 Southwest
- 24 Corridor



**AVISON
YOUNG**

Intelligent
Real Estate
Solutions

MICHAEL SMITH

Principal & Managing Director
617.575.2830
michael.smith@avisonyoung.com

TUCKER WHITE

Senior Research Analyst
617.993.0721
tucker.white@avisonyoung.com

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