

Greater Boston

Quick Stats Greater Boston

242.1 msf

Total Market RBA

10.4%

Class A Vacancy

11.9%

Class B Vacancy

\$42.40 psf

Class A
Average Annual Asking Rate

\$33.15 psf

Class B
Average Annual Asking Rate

Overall vacancy climbed to over 10% during the third quarter, the highest vacancy has been in Greater Boston since the third quarter of 2014

Negative Absorption Persists Despite Employment Growth in Greater Boston

- Market fundamentals in the Greater Boston office market remain foggy following the onset of COVID-19 in March 2020. Although many cities and towns have begun to reopen in phases, continued restrictions and health concerns have put downward pressure on economic growth throughout Greater Boston.
- Along with many other northeast states, Massachusetts currently has one of the highest unemployment rates in the country sitting at 11.3%. However, every month since April has shown a decrease in the state's unemployment rate fueled by the education, health care, and hospitality sectors. The Commonwealth has now recovered around 40% of the 690,000 jobs lost in March and April. Most expect more jobs to be added in future months, but the extent is still unclear due to the uncertainty of the pandemic and a potential second wave.
- Leasing activity across the Greater Boston market experienced a slight uptick during the third quarter as some businesses reopened and employees began to head back to the office. Totalling 2.3 million square feet (msf), up 55% from the 1.4 million square feet (sf) measured in the second quarter, however down 45% from the 4.2 msf of tenant activity measured one year earlier in Q3 2019.
- Despite an increase in leasing activity quarter over quarter, total vacancy in Greater Boston continues to climb as tenant demand remains slower than in recent years. Total available space in the Greater Boston office market now totals 25.4 msf, up 6.7% from the second quarter and 20.6% from one year earlier.
- As a result of softening demand in the market, Greater Boston experienced its third consecutive quarter of negative net absorption. The overall loss of occupancy totaled 1.4 msf, bringing the year to date total to an occupancy loss of 2.9 msf.
- Construction has returned at a steady pace and many projects that were put on hold during the shelter in place orders have resumed. Currently, more than 11.9 msf of office space development is underway in the Boston area and demand for new space is likely to return as the economy regains momentum.

Trends to Watch

Asking Rates



A spike in the availability of sublease space is providing tenants with attractive alternatives to higher priced direct space from landlords

Sublease Space



Expect to see pre-pandemic asking rates soften as tenant demand adjusts from recent highs and additional sublease space hits the market

Construction



With a surge in new construction throughout Greater Boston, many projects will open to weaker demand than anticipated, especially in elevator dependent towers, as 40% of new construction remains available for lease



Urban Boston

For the second straight quarter sublease space availability has driven the market, 2.1 million square feet has been added since the pandemic began, totaling 3.3 million square feet currently on the market. The current sublease inventory has surpassed the high from 2010 during the Great Financial Crisis and is closing in on the market's all-time high during the recession of the early 2000s. State Street and Wayfair are the two largest sublandlords.

The Boston office market recorded another decline in occupancy during the third quarter, producing 1.2 million square feet of negative absorption. The absorption loss in 2020 year to date has outpaced other recessions, primarily due to the rise of sublease space and diminishing tenant demand.

Vacancy rates continue to climb in downtown Boston, with the CBD and Back Bay submarkets measuring the largest spike. Overall, total vacancy in Boston increased 164 basis points quarter over quarter and 340 basis points since the

beginning of the year to rest at 9.6% at the close of the third quarter.

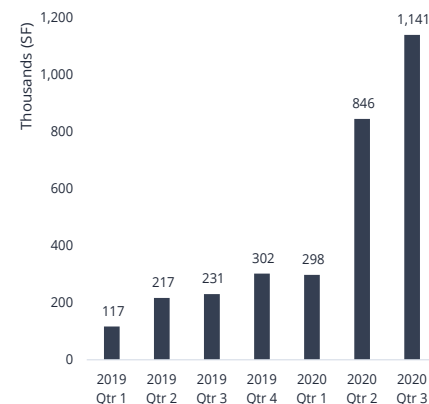
Leasing velocity was slow during the third quarter of the year with many tenants either signing short-term extension/renewal agreements or simply waiting to see the ultimate outcomes of the pandemic before they assess their real estate needs.

Class A asking rates are seeing a slight downtick while class B asking rates are falling faster and landlords are more open to negotiations. At the close of the quarter, average asking rates for class A space held at \$69.55 per square foot, full service, while class B asking rates dropped to \$54.62 per square foot, full service.

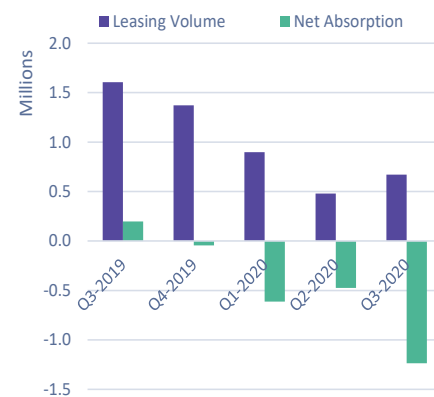
The one segment of the market that continues to grow in Boston is life science, which was evident in CRISPR Therapeutics' departure from East Cambridge and relocation to 105 First Street in the Seaport. Given the strength of the sector, landlords with large blocks of office vacancy are evaluating possible lab conversions to tap into this demand.

Available Sublease Space

new space added per quarter



Leasing vs Absorption





Suburban Boston

Similar to downtown, vacancy rates in the suburban office market are climbing with the Ring and 128 Belt seeing sharper increases of 139 and 155 basis points respectively since the pandemic began. At the close of the third quarter, total suburban vacant space measured just over 17.4 million square feet, a 12.2% vacancy rate.

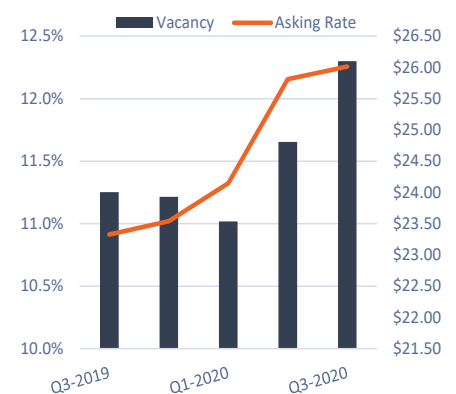
The 495 Belt enjoyed positive absorption due to activity along Northern and Western I-495. However, the suburbs as a whole registered negative absorption. Despite an occupancy gain of 118,555 square feet in the 495 Belt, year to date net absorption in the submarket remains negative to the tune of 282,743 square feet.

While we have yet to see any substantial changes in the data, there has been speculation of a “return to the suburbs” trend after decades of tenants migrating to the Boston/Cambridge urban market. The Boston suburbs offer a potentially attractive

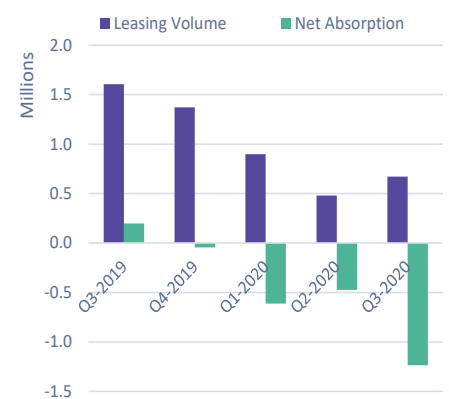
“return to the office” strategy for companies since suburban offices present more affordable rents, less density, and free employee parking. Inventory in the suburban market tends to be less reliant on elevators and public transit as well, which impact the logistics of getting employees in and out of the workplace.

Life science has been a bright spot during the pandemic, as sustained demand from biotech, life sciences, and healthcare tenants has resulted in positive absorption levels throughout the suburbs. The epicenter of life science occupancy, Cambridge has reached full occupancy and demand for lab space is spilling out into the inner suburbs and other less traditional submarkets. Opportunity for future development is immense given the strength of the Boston talent pool and the sector’s growth over the last few years.

Vacancy vs Asking Rates



Leasing vs Absorption



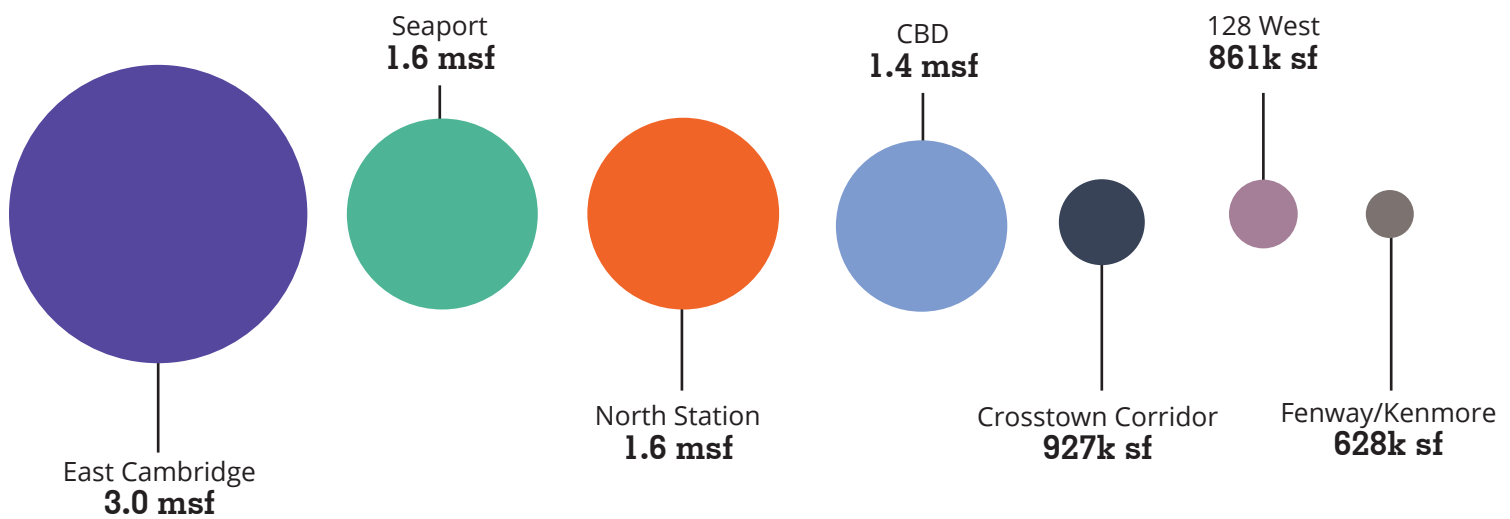
Looking Forward

Depending on vaccine development and distribution coupled with local reopening regulations, the short-term outlook for Greater Boston's office market remains uncertain. Some economists are projecting it may take multiple years to fully recover from damages the pandemic has caused to the overall economy. After a decade of record growth, the Greater Boston office market is witnessing the quick reversal of historically low vacancy and soaring tenant demand.

Tenants will continue to reevaluate their needs for space and landlords may be forced to adapt. Many large office occupiers remain committed to traditional office space whereas other firms are looking for alternative occupancy models such as the "hub-and-spoke" model where smaller suburban offices and flexible space providers are utilized to complement a potentially smaller downtown presence. Some companies are offering employees flexibility to work from home through 2021 and some indefinitely as employers realize that not all productivity is dependent on being in the office.

Despite the impact of the pandemic over the past six months, there is reason to be optimistic about the future. Greater Boston is poised for a much faster economic recovery due to the large employment base from medical and educational sectors as well as its robust technology and life science sectors together with one of the nation's strongest talent pools. This has proven true in past recessions and while the timeframe is obscure, we believe Greater Boston will bounce back as strong as ever.

Construction totals by submarket



Construction Pipeline

Building	Developer	Submarket	SF	%Leased	Delivery
Bullfinch Crossing	Carr Properties	North Station	1,012,000	50%	Q4 2024
Cambridge Crossing	DivcoWest	East Cambridge	1,428,000	100%	Q4 2021
Winthrop Center	Millennium Partners	Financial District	812,000	0%	Q4 2022
650 Atlantic Ave	Hines	Financial District	660,000	0%	Q3 2024
The Hub on Causeway	Boston Properties	North Station	651,000	100%	Q2 2021
400 Summer St	WS Development	Seaport	626,000	100%	Q1 2023
111 Harbor Way	WS Development	Seaport	511,000	100%	Q3 2021
225 Wyman St	Hobbs Brook Management	128 West	507,620	0%	Q2 2021

Market by the numbers

Submarket	Total RBA (SF)	Vacancy Rate Overall	Vacancy Rate Class A	Vacancy Rate Class B	Net Absorption Q3 (SF)	Net Absorption YTD (SF)	Under Construction	Avg. Asking	Avg. Ask Class A	Avg. Ask Class B
CBD	43,072,242	10.2%	9.8%	11.5%	-791,494	-1,643,230	1,458,613	\$63.10	\$66.45	\$54.67
Seaport	13,260,402	12.9%	9.9%	17.4%	-194,677	-138,195	1,665,900	\$63.43	\$68.77	\$56.44
Back Bay	14,240,066	5.9%	5.2%	11.4%	-188,183	-472,442	0	\$74.40	\$77.13	\$54.06
North Station	4,689,122	5.9%	5.5%	6.6%	-62,731	-69,760	1,609,249	\$50.69	-	\$50.69
Boston	75,261,832	9.6%	8.6%	12.3%	-1,237,085	-2,323,627	4,733,762	\$64.53	\$69.55	\$54.62
East Cambridge	13,326,812	2.7%	2.7%	3.0%	-100,194	-138,982	3,063,875	\$91.98	\$93.10	\$82.87
Mid Cambride	7,169,500	2.9%	1.5%	5.4%	-12,345	-11,432	200,000	\$75.18	-	\$75.18
West Cambridge	3,565,729	7.0%	7.6%	7.0%	19,704	273,265	0	\$84.46	\$89.30	\$28.18
Cambridge	24,062,041	3.4%	3.0%	5.1%	-92,835	122,851	3,263,875	\$85.86	\$90.39	\$72.47
Charlestown/Eastie	2,791,664	6.6%	1.5%	8.1%	-46,758	-86,114	126,703	\$40.07	-	\$40.07
Near North	5,721,574	7.6%	13.3%	4.4%	-15,758	103,474	592,546	\$32.59	\$38.03	\$27.79
Allston/Watertown	4,901,441	4.5%	6.3%	2.9%	-30,454	-29,671	0	\$35.49	\$48.51	\$26.90
Fenway/Kenmore	4,859,241	3.5%	1.1%	5.5%	0	-85,386	16,940	-	-	-
Crosstown Corridor	4,716,869	6.1%	5.5%	8.4%	77,402	52,316	927,822	\$28.89	-	\$27.72
The Ring	22,990,789	5.6%	5.6%	5.9%	-28,868	-45,381	2,275,306	\$33.56	\$42.87	\$29.42
Route 128 North	20,917,728	13.1%	16.5%	9.2%	-260,199	-794,202	154,000	\$25.42	\$28.76	\$18.56
Route 128 West	25,686,707	11.4%	11.0%	13.0%	-371,325	-216,009	861,510	\$38.50	\$41.09	\$30.34
Route 128 South	14,318,957	10.5%	9.2%	12.8%	466,239	629,996	466,334	\$22.22	\$25.42	\$22.05
South Shore	2,865,876	9.0%	5.6%	10.5%	-35,939	-42,371	0	\$26.02	-	\$23.12
128 Belt	63,789,268	11.6%	12.4%	11.6%	-201,224	-422,586	1,481,844	\$29.95	\$33.17	\$24.78
Route 495 North-east	11,091,917	15.7%	15.6%	19.1%	190,234	-330,826	45,000	\$25.03	\$28.46	\$21.60
Route 3 North	14,801,244	16.3%	24.2%	15.8%	108,895	-8,879	0	\$21.56	\$23.24	\$19.87
Route 495/Route 2 West	5,648,879	19.9%	26.5%	19.3%	38,902	34,668	0	\$20.95	\$22.43	\$19.46
Route 495/Mass Pike West	10,885,731	20.9%	24.9%	17.6%	-127,912	-49,385	150,000	\$20.63	\$21.93	\$19.32
Framingham/Natick	6,158,044	12.5%	13.0%	12.4%	-70,427	-90,771	0	\$24.01	\$27.89	\$20.13
Route 495 South	7,430,829	5.5%	5.4%	7.0%	-21,137	162,450	0	\$20.53	\$21.34	\$19.71
495 Belt	56,016,644	15.6%	19.9%	15.6%	118,555	-282,743	195,000	\$22.13	\$24.20	\$20.07
Suburban Boston	142,796,701	7.0%	14.1%	12.4%	-111,537	-750,710	3,952,150	\$25.61	\$30.19	\$24.22
Greater Boston Total	242,120,574	10.5%	10.4%	11.9%	-1,441,457	-2,951,486	11,949,787	\$37.78	\$42.40	\$33.15

Greater Boston Submarket Map

MAP KEY

495 Belt

- 495 Northeast
- Route 3 North
- 495 Route 2 West
- 495 Mass Pike West
- Framingham/Natick
- 495 South

128 Belt

- 128 North
- 128 West
- 128 South
- South Shore

The Ring

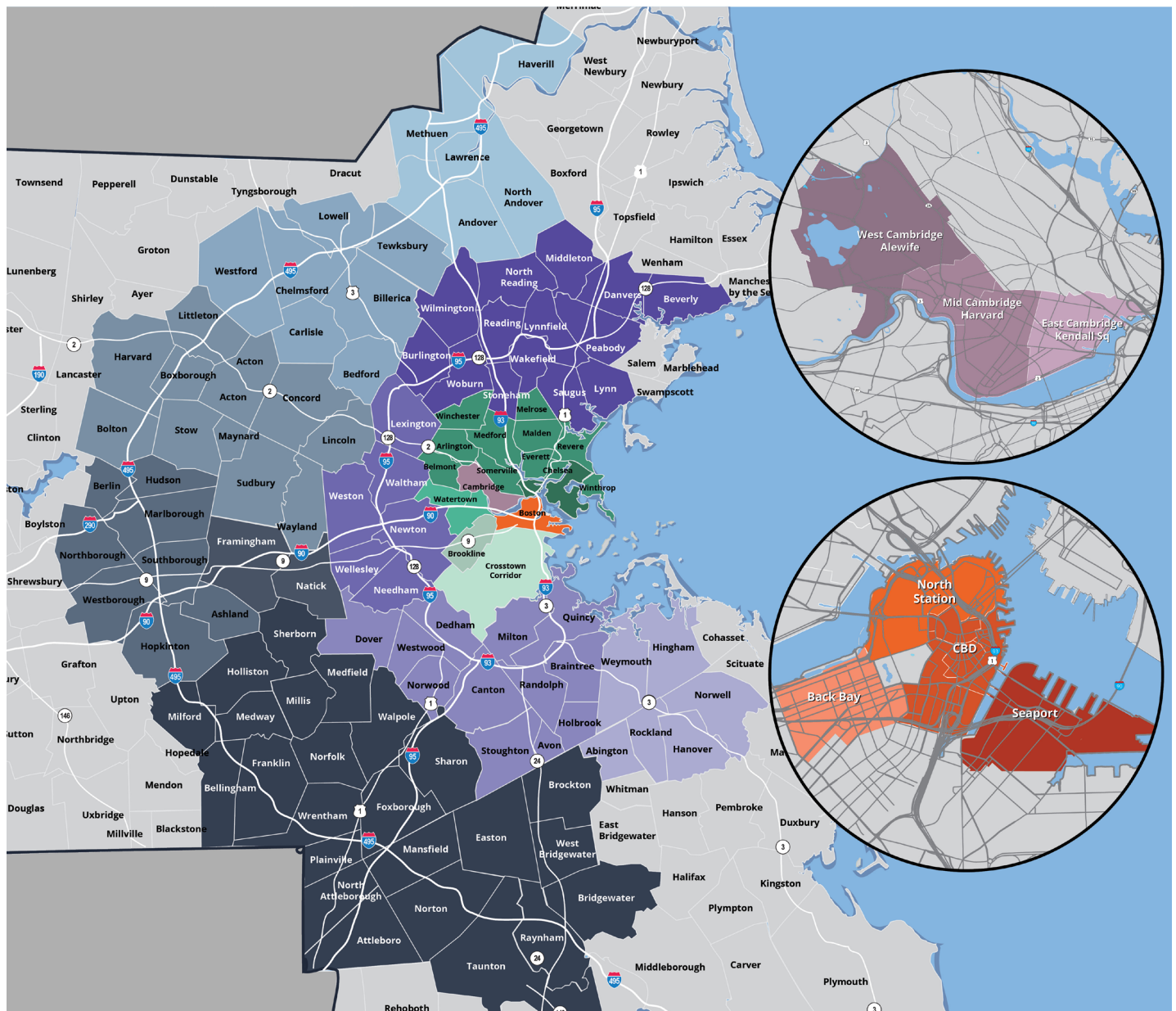
- Charlestown/Eastie
- Near North
- Allston/Watertown
- Fenway/Kenmore
- Crosstown Corridor

Boston

- Seaport
- CBD
- North Station
- Back Bay

Cambridge

- West Cambridge/Alewife
- Mid Cambridge/Harvard
- East Cambridge/Kendall Sq



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market
information**

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