



Greater Boston Office Market Report

Q4 2023

**AVISON
YOUNG**

Boston office market trends

17.1%

2023 vacancy rate

As Greater Boston sustains a trend of negative net absorption, the vacancy rate demonstrates an inverse correlation, resulting in a noteworthy increase. Currently standing at 17.1%, this marks a 10-year high for Greater Boston.

10.1 msf

2023 available sublease space

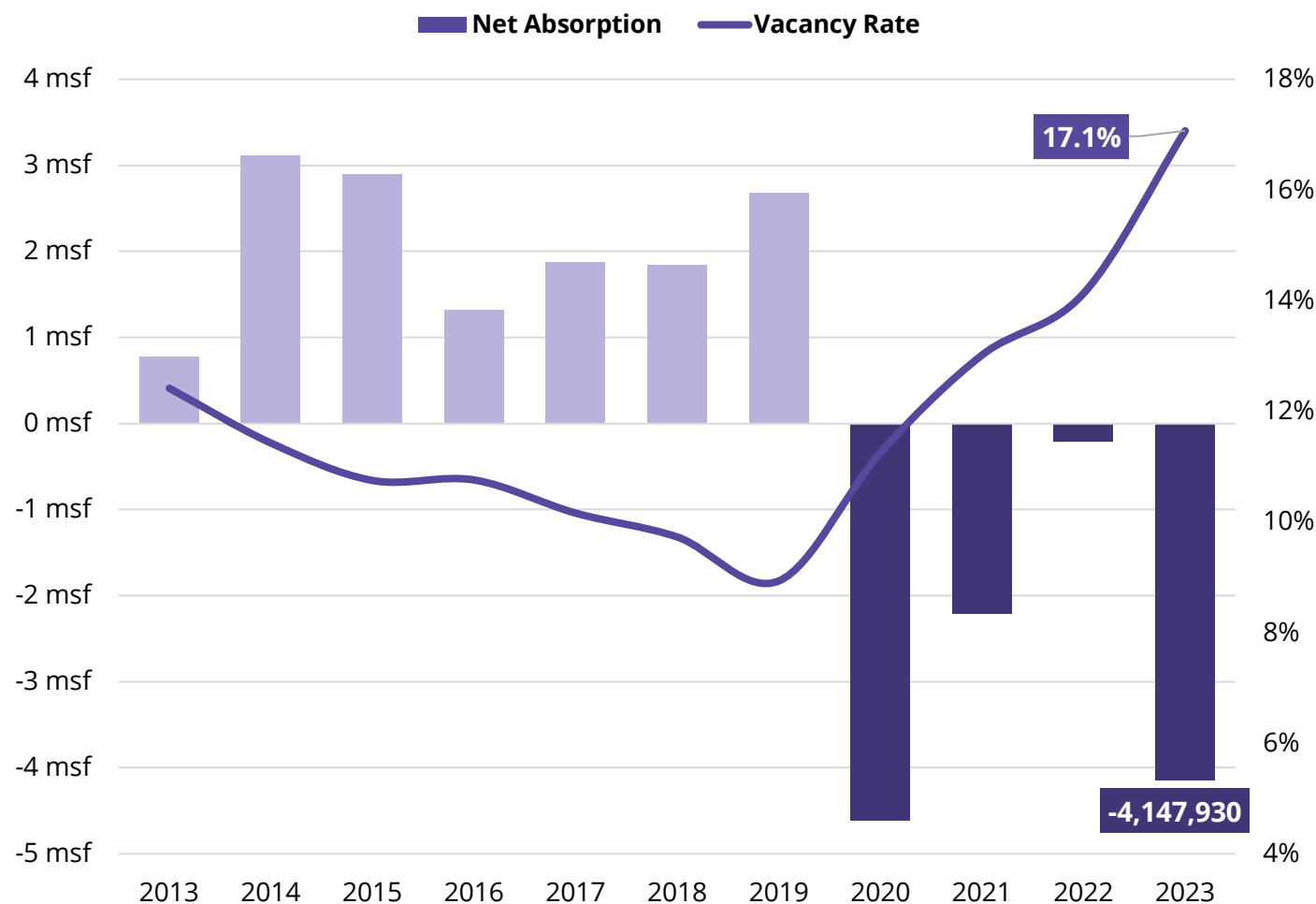
Throughout 2023, available sublease space has grown rapidly. Posting a year-end total of 10.1 msf, it is evident that occupiers are no longer in need of as much space. With hybrid workplace models seemingly here to stay, we expect available sublease space to remain elevated in 2024.

\$1.2B

2023 investment sale volume

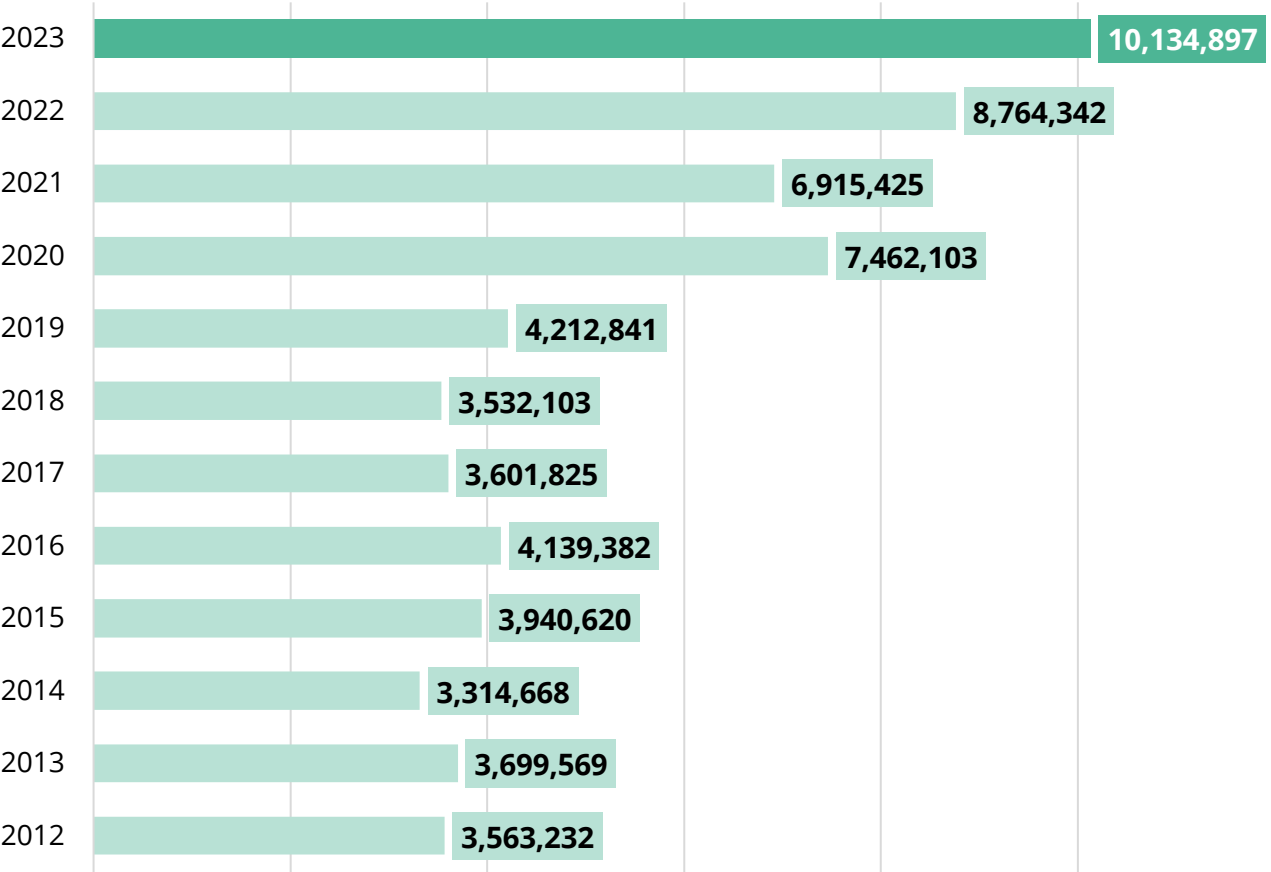
Greater Boston posted \$1.2 billion in investment sale volume in 2023. Despite the low total, transaction volume as well as sale volume began to see an increase in activity in Q4 2023. In the urban submarkets specifically, Greater Boston posted seven total transactions in Q4, compared to four in Q3.

Negative absorption drives vacancy



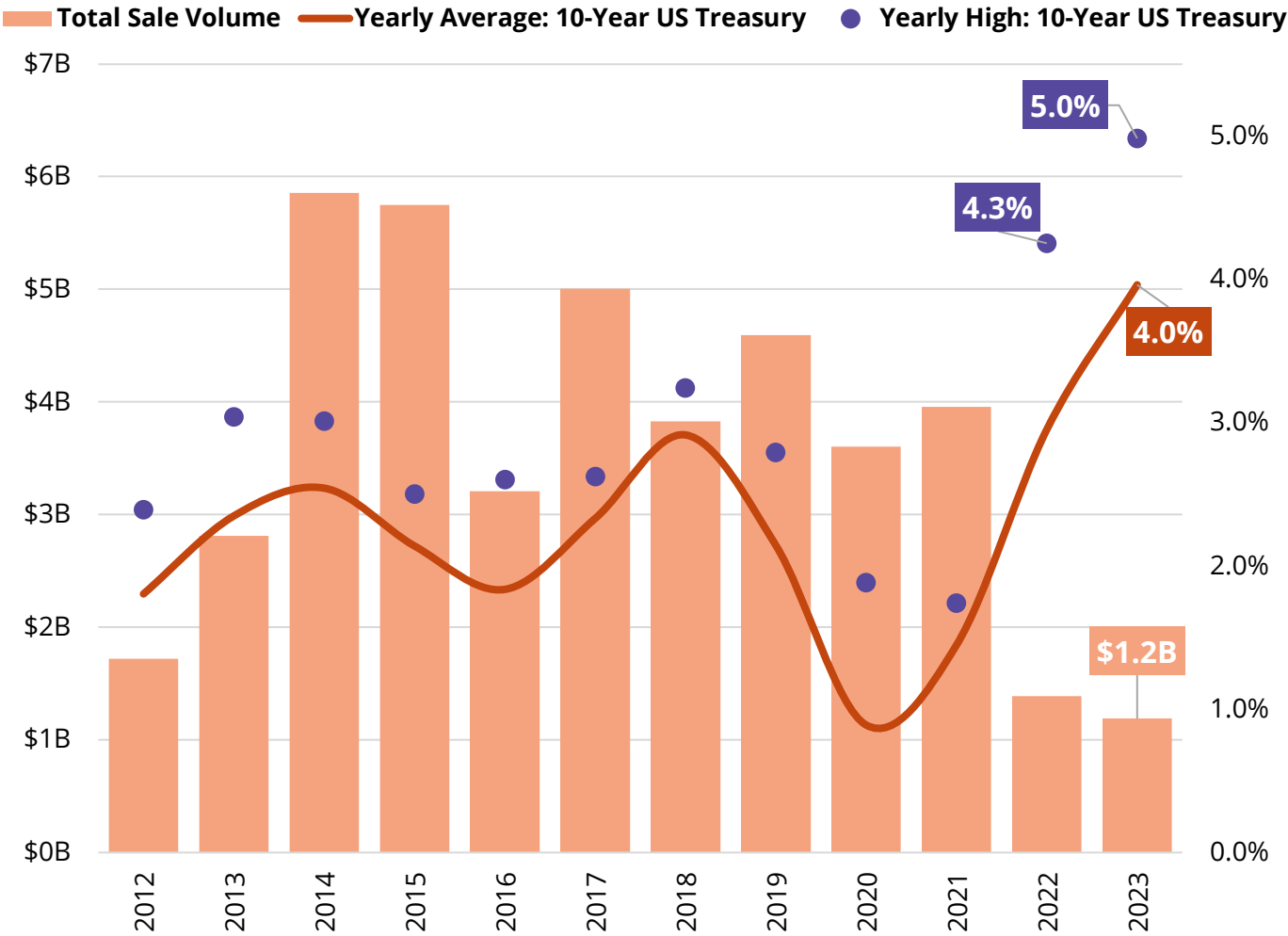
In 2023, Greater Boston posted a net absorption of -4.1 msf. As a result, vacancy continues to climb upwards, posting a year end vacancy rate of 17.1%.

Sublease availability continues to climb



Greater Boston has posted a sublease availability of 10.1 msf, reflecting a substantial increase of almost 1.5 MSF since 2022.

Office investment dollar volume



In 2022, the 10-Year US Treasury Yield peaked at 4.3%. In 2023, it reached an apex of 5%. These elevated rates precipitated a reduction in sales volume, as investors dealt with heightened borrowing costs.

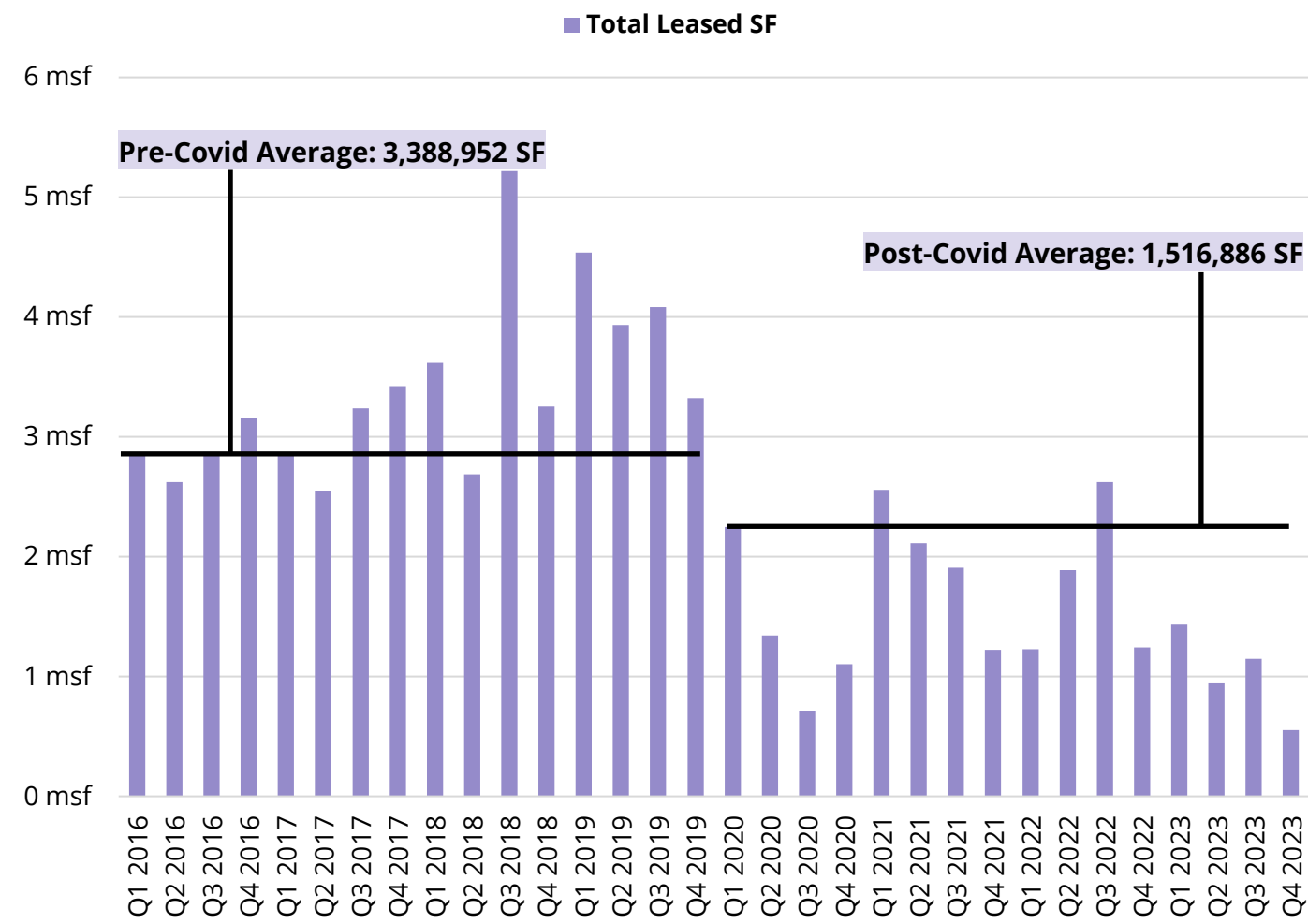
Source: AVANT by Avison Young, CoStar
Note: Market Yield on U.S. Treasury Securities at 10-Year Constant Maturity, Quoted on an Investment Basis, Percent, Daily, Not Seasonally Adjusted

Boston Occupier Trends

Let's examine more
prevailing office trends



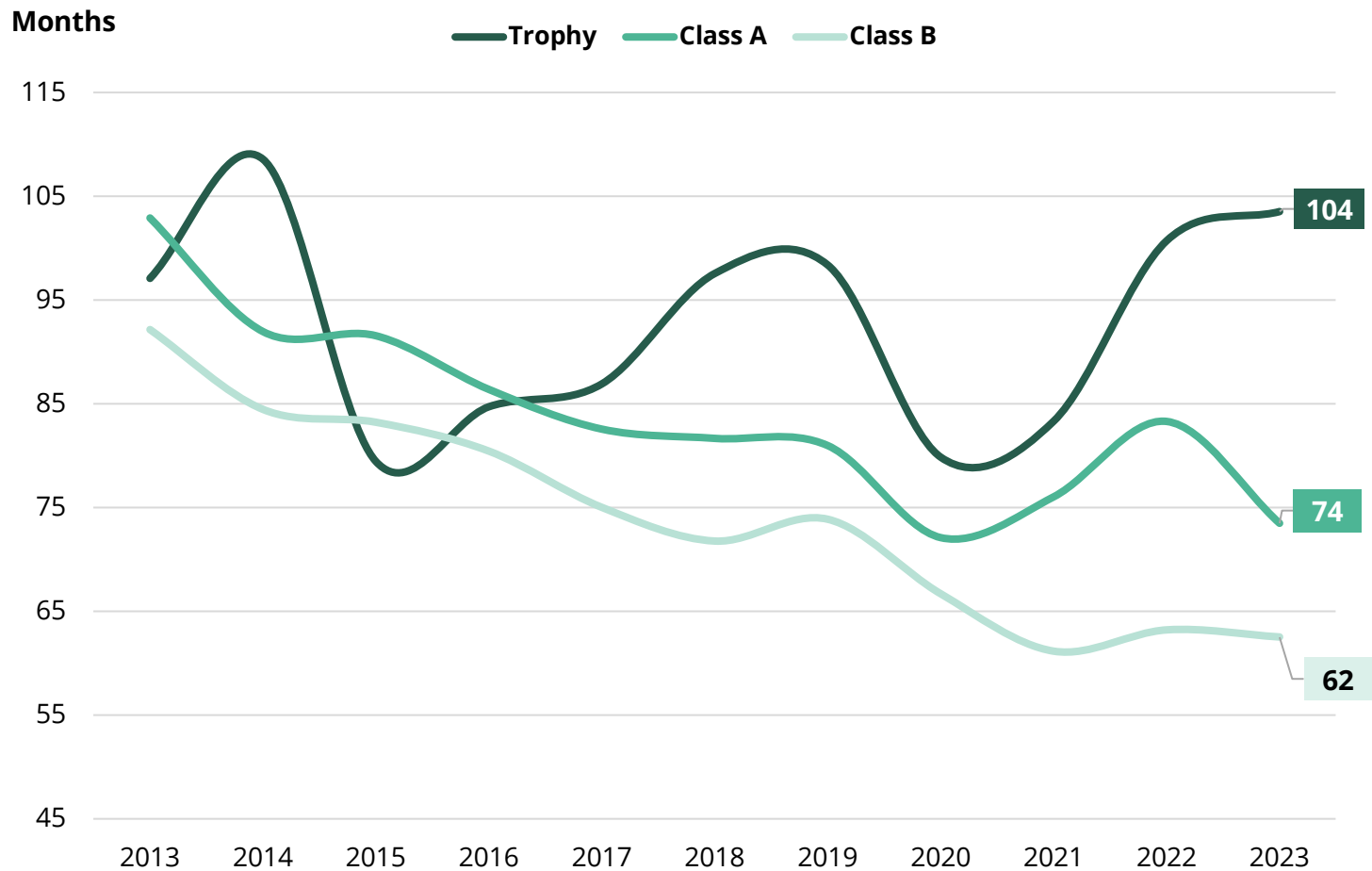
Office leasing activity (Leases >10k SF)



During and Post-Covid, office leasing activity experienced a sharp decline. The average quarterly leasing activity in square footage demonstrated a decrease of 1.9 msf compared to Pre-Covid levels.

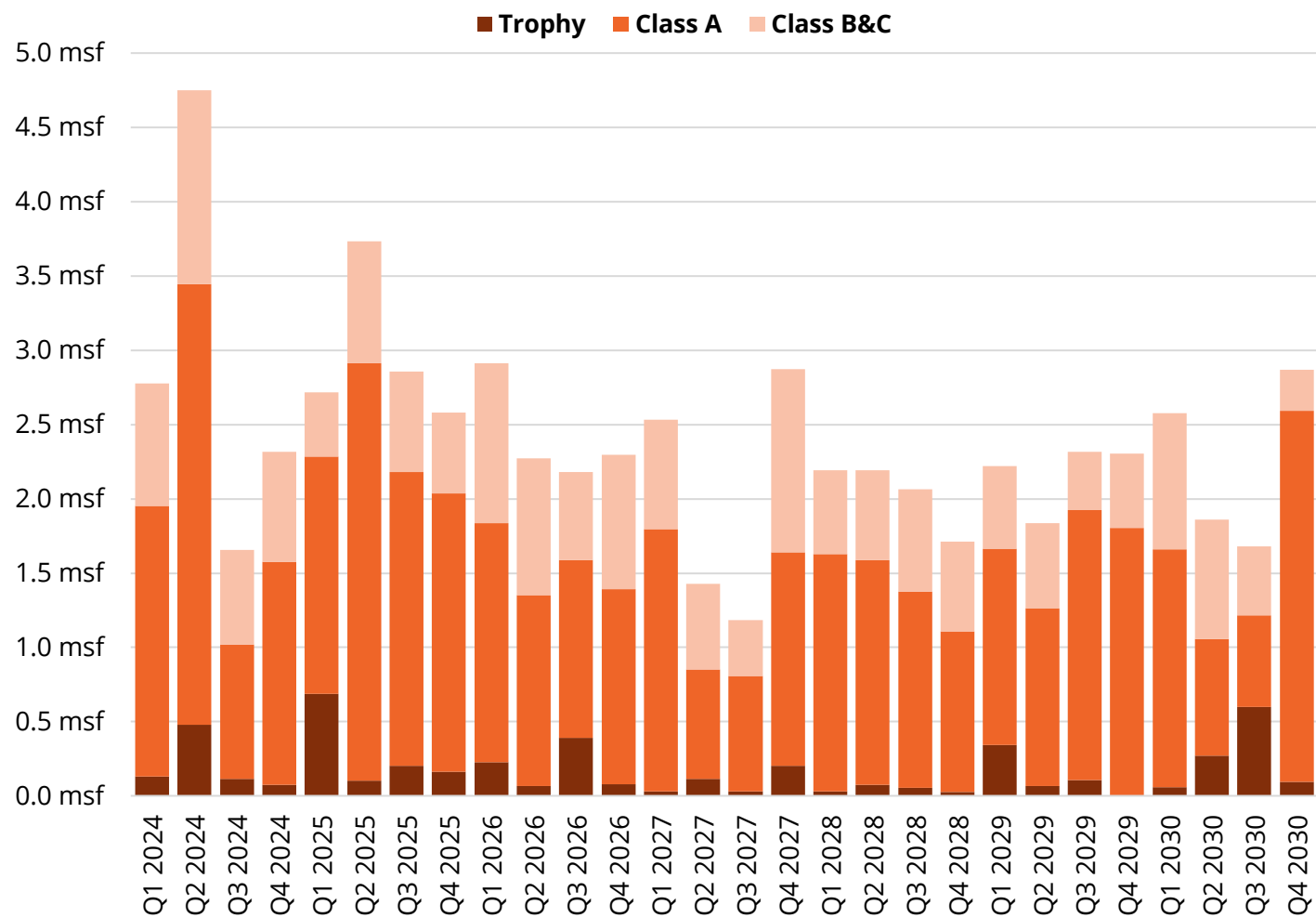
Source: AVANT by Avison Young, CoStar, Leasing activity only includes leases over 10,000 SF and compares the four years before the onset of the pandemic with the four year after the pandemic.

Average lease term length by class



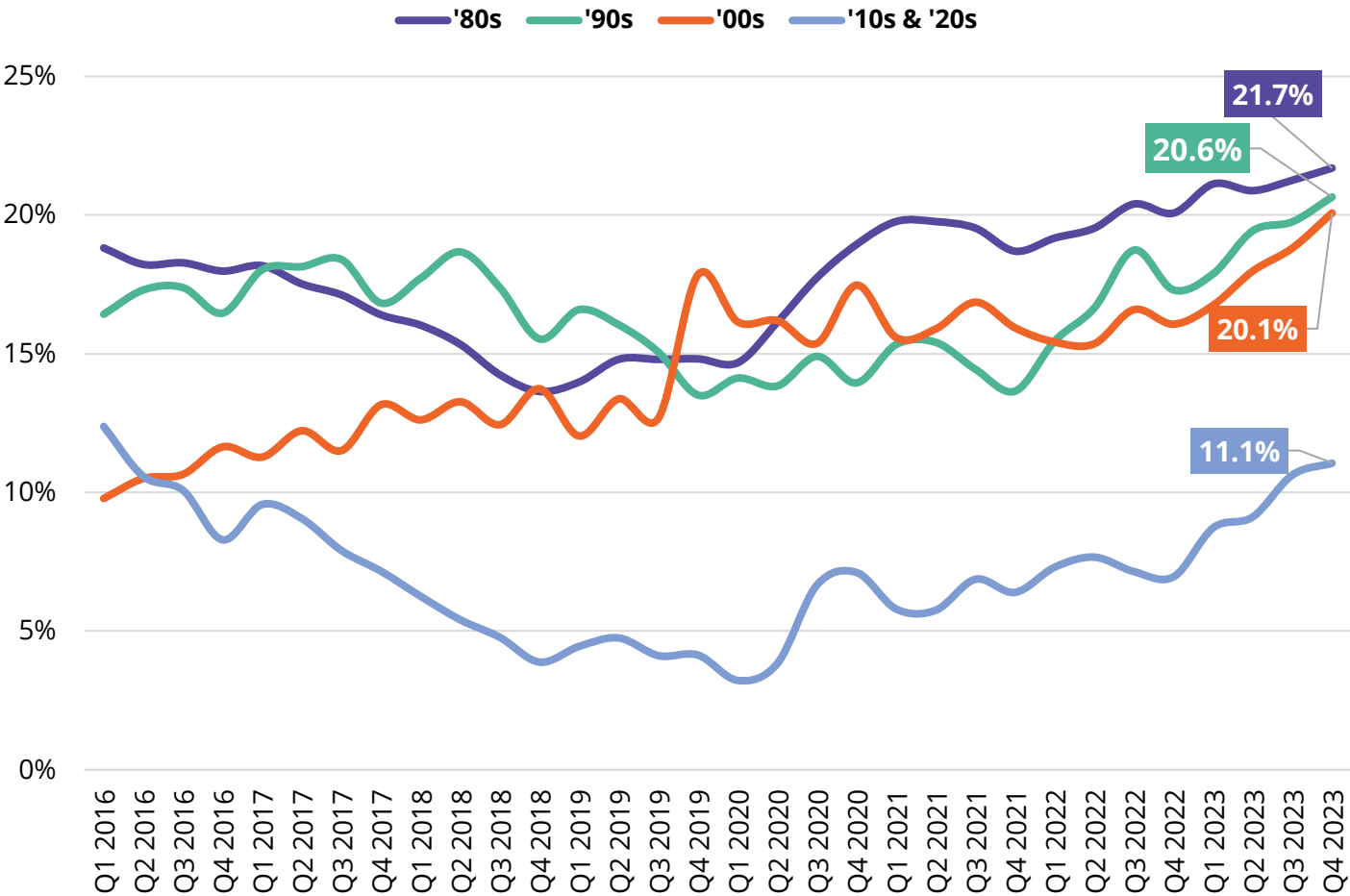
Trophy properties continue to post the highest average term length – indicating occupiers want to lock in long term leases at top tier space.

Leases set to expire in Greater Boston



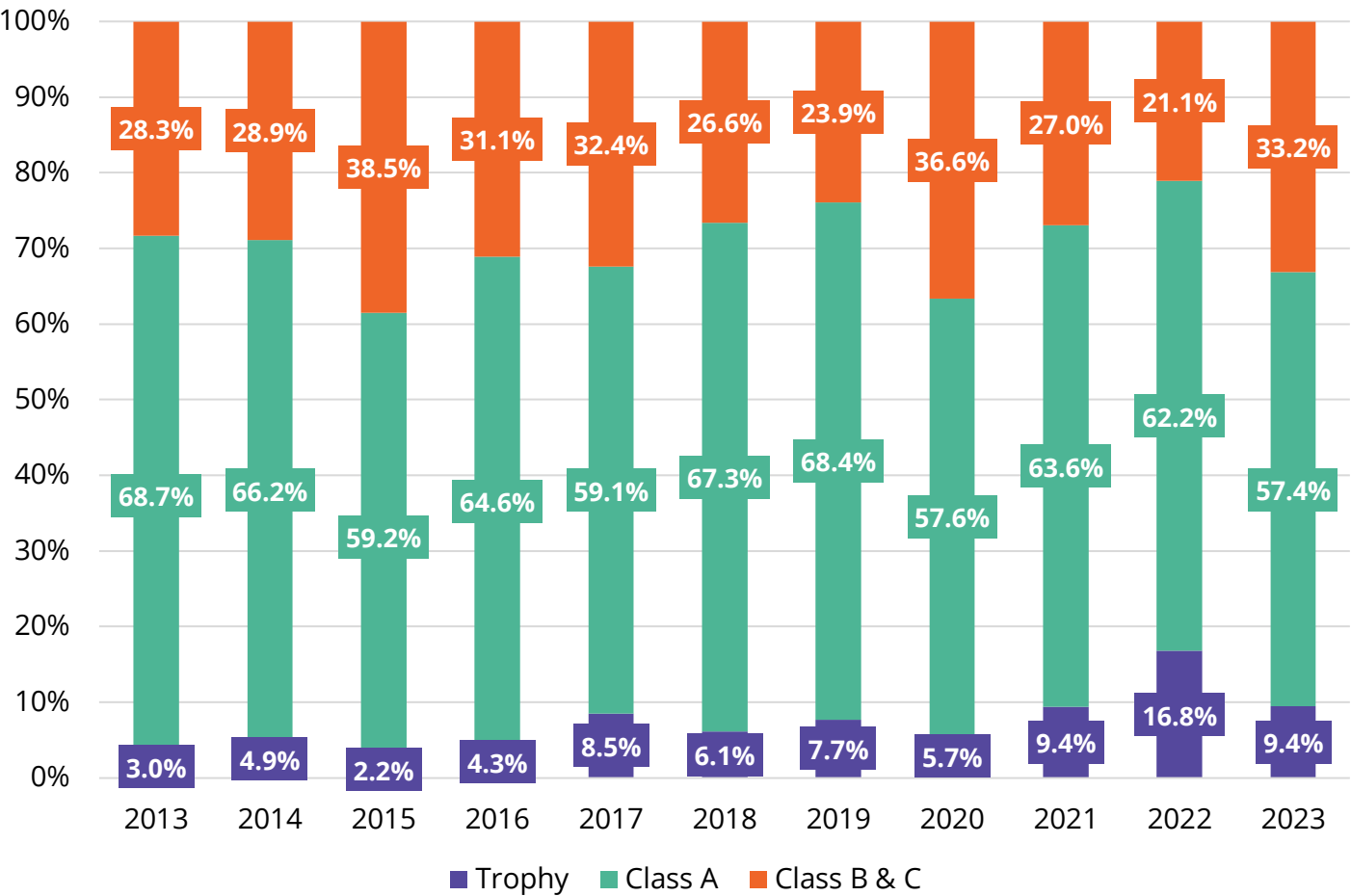
Approximately 11.5 msf of leases are expiring in 2024, placing upward pressure on availability with many companies retracting their footprint.

Total availability by building age group



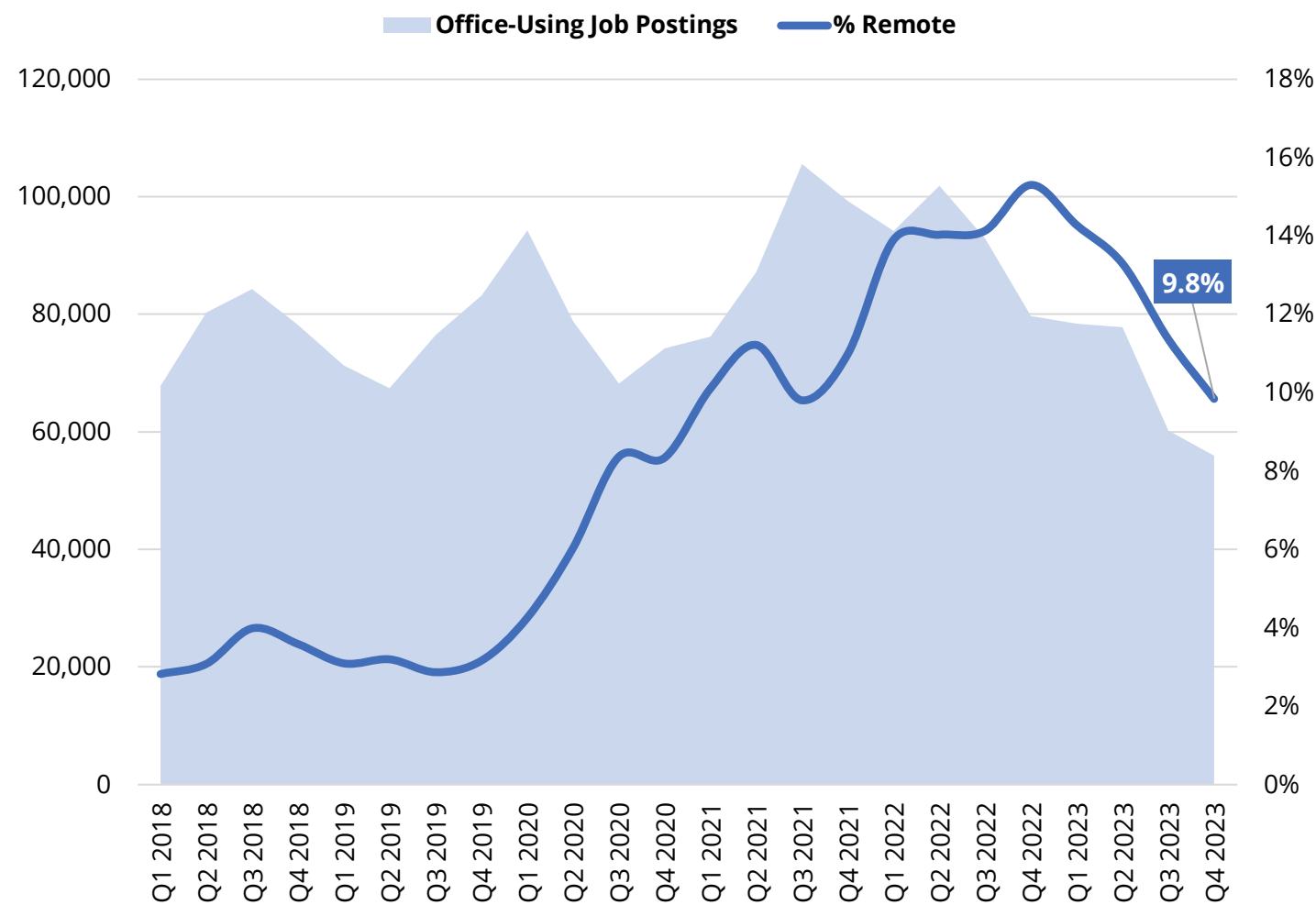
Consistent with the flight to quality trend, properties delivered from 2010 onward prove to have the strongest level of leasing.

Transaction activity by asset class



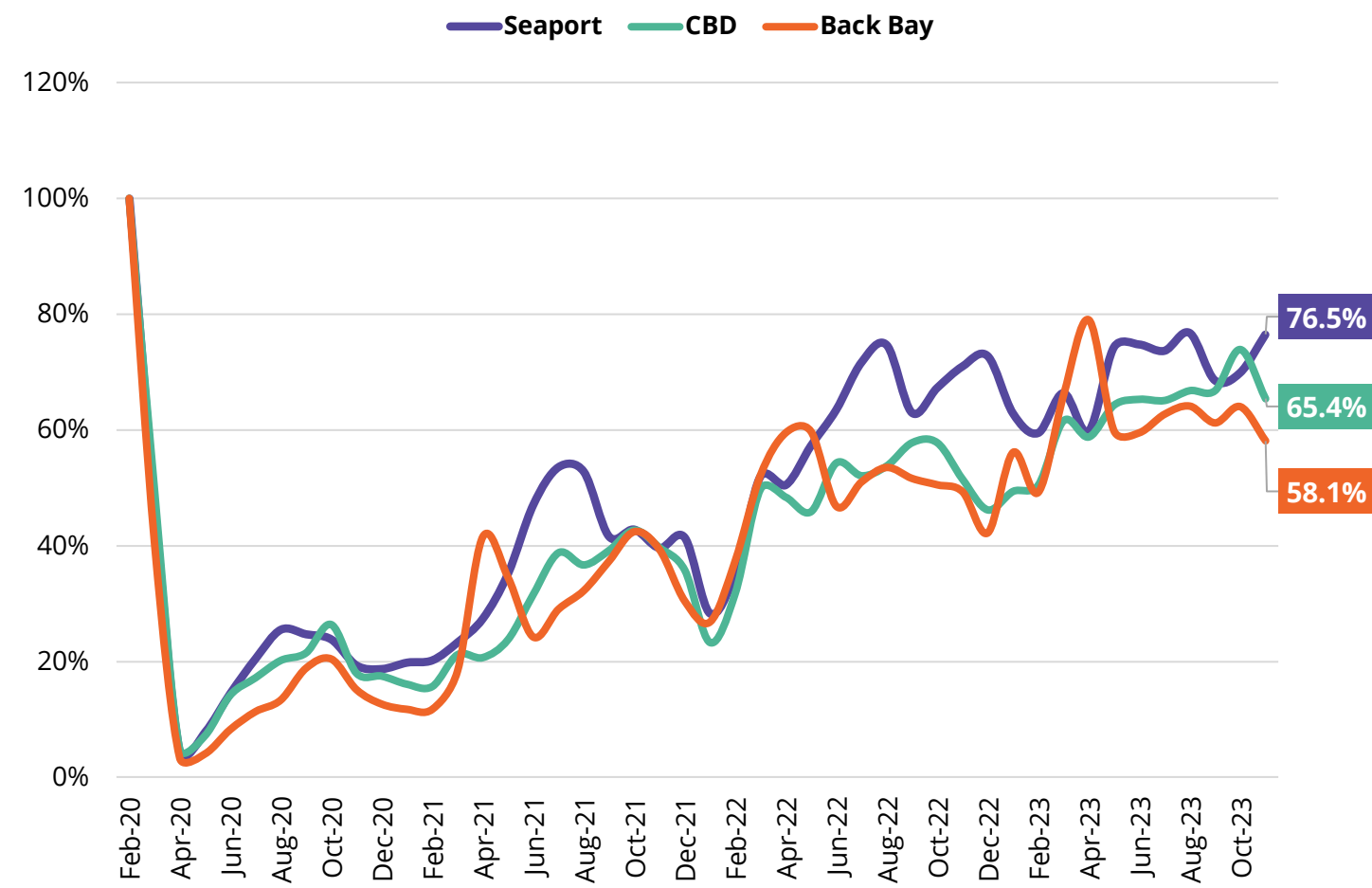
Class A leasing share decreased by 4.8% compared to 2022, while trophy properties leasing share dropped by 7.8% during the same period.

Office-Using job postings



Office-Using job postings are declining quarter over quarter, leading to a decrease in remote job postings – a trend aligning with the return-to-office movement.

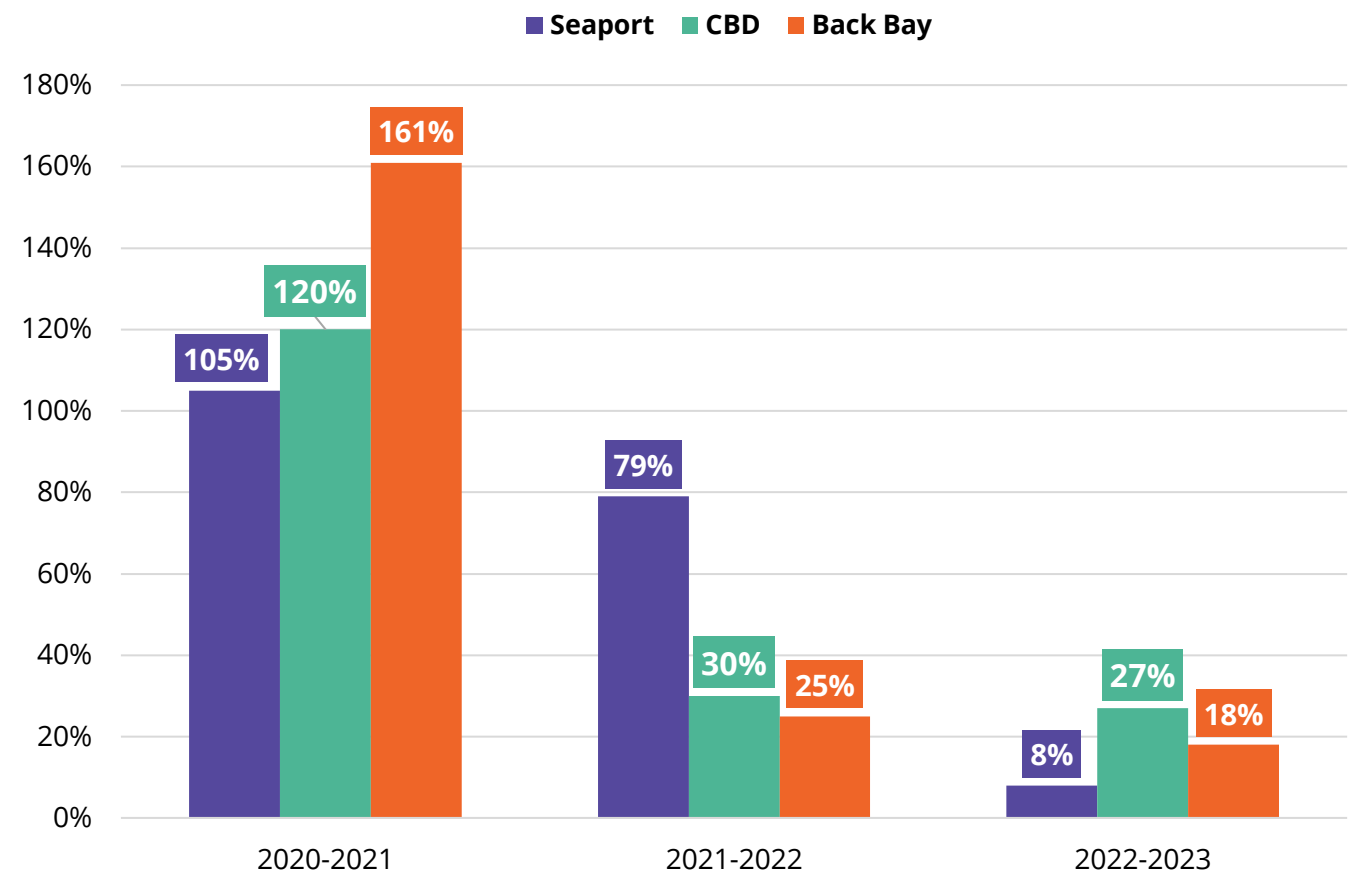
Office visitation recovery by submarket



The Seaport and CBD have consistently led Boston in office visitation recovery over the last six months.

Source: AVANT by Avison Young, Placer.ai
Note: one office visitation requires a mobile device to be within the building for two hours or more. Avison Young only tracks office buildings that have been 75% leased or more over the last five years.

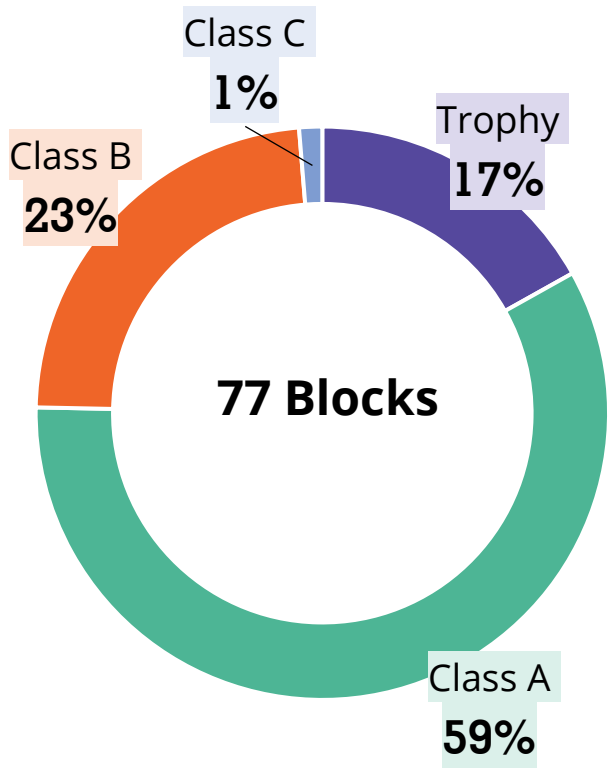
12-Month recovery breakdown



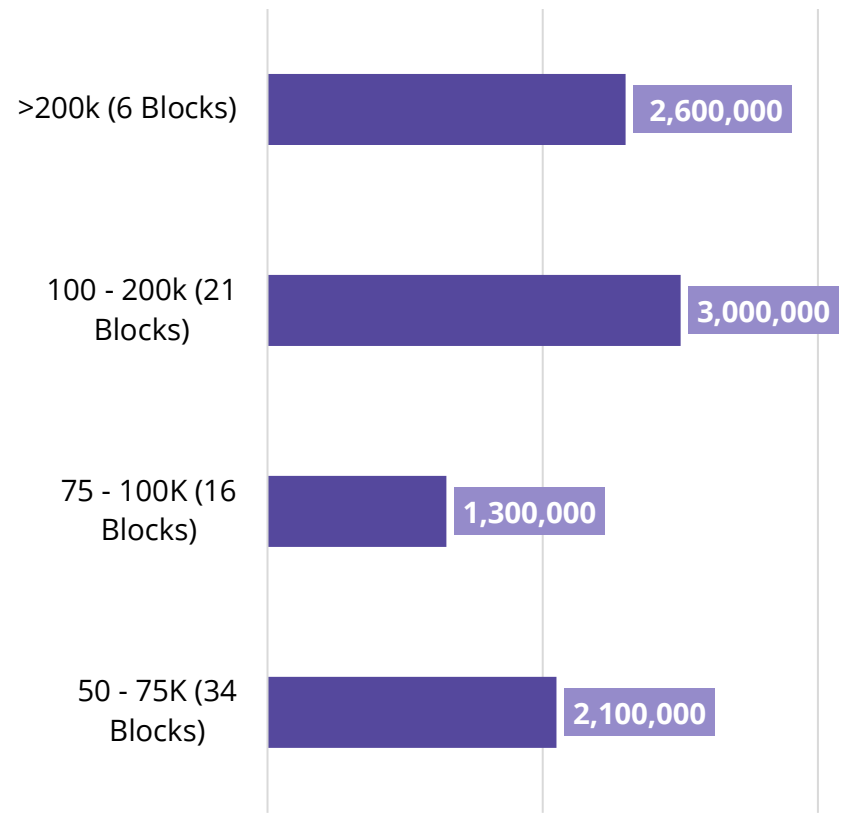
Year-over-year increase of people returning to the office has decelerated since 2020, indicating the return-to-office trend has taken shape.

Source: AVANT by Avison Young, Placer.ai
Note: one office visitation requires a mobile device to be within the building for two hours or more. Avison Young only tracks office buildings that have been 75% leased or more over the last five years.

Urban Boston large block space – 50,000+ SF

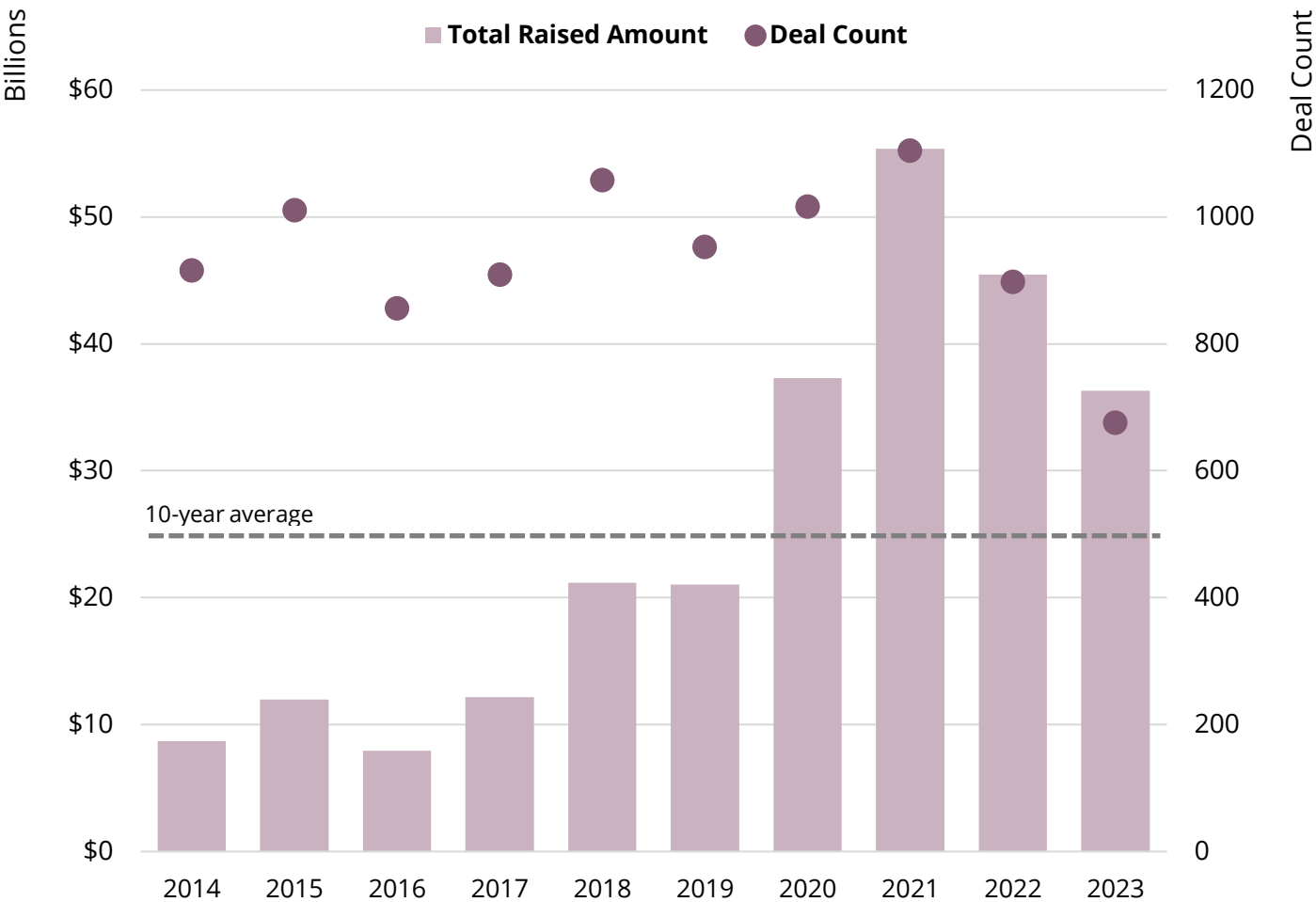


Large Block Available Square Footage



One-third of available, contiguous large block space falls within the 100-200k SF range.

VC/PE funding and deal frequency



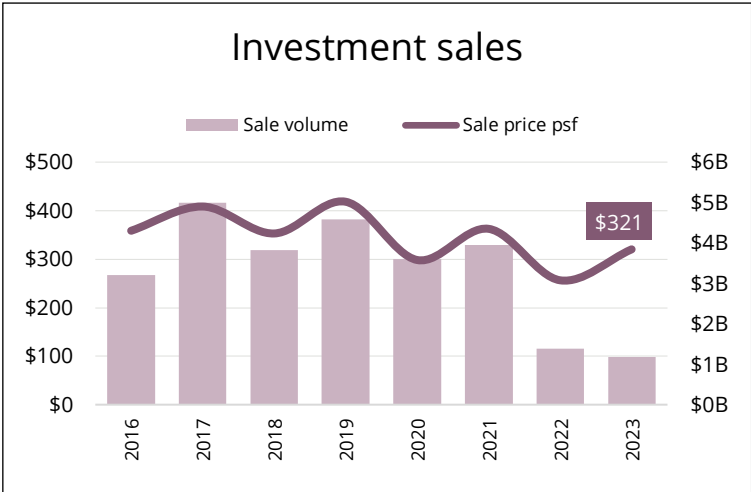
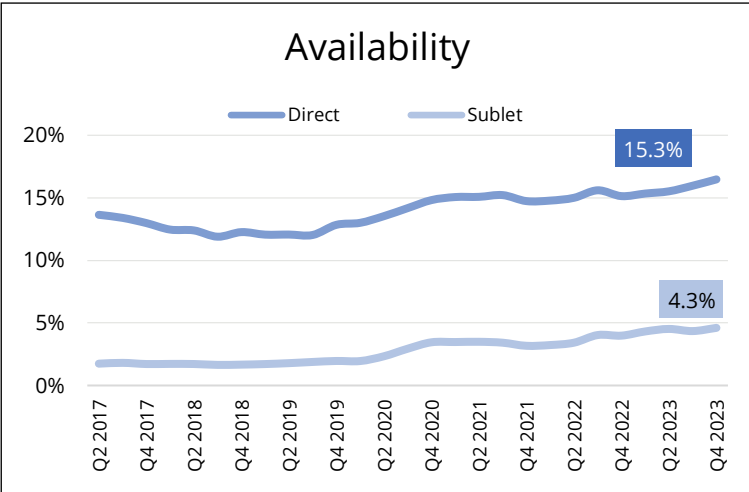
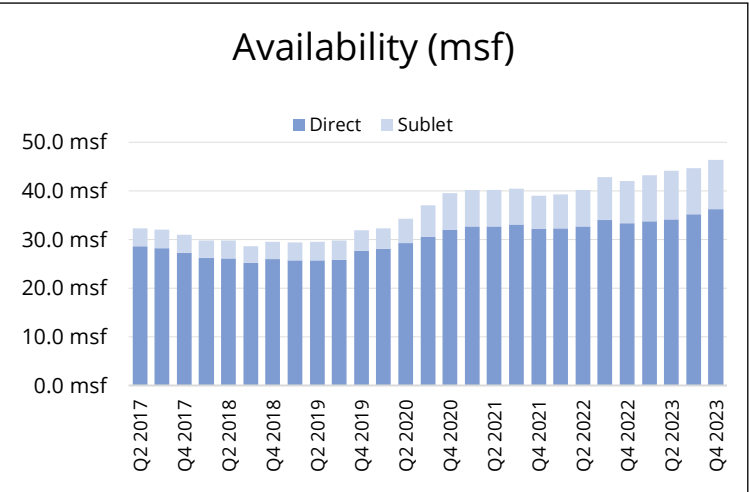
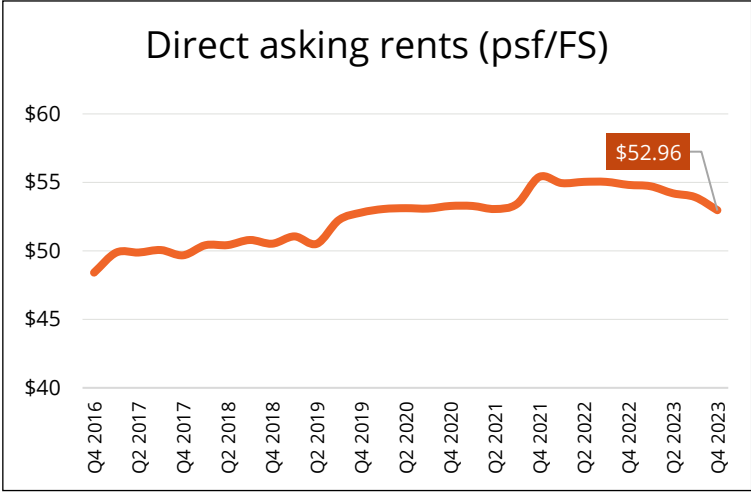
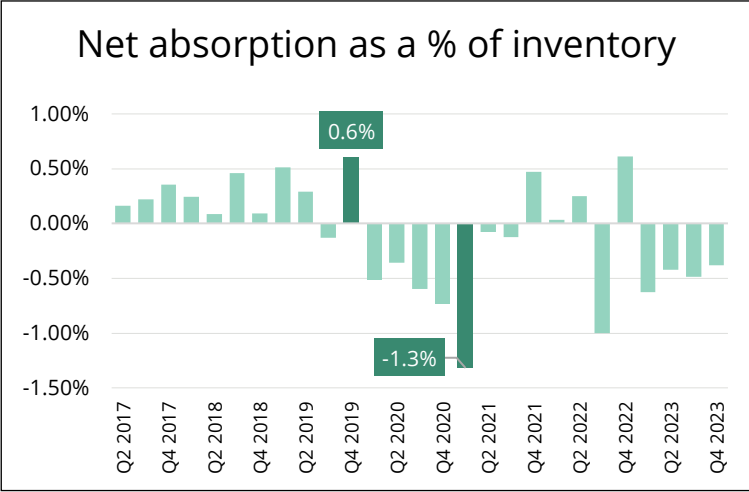
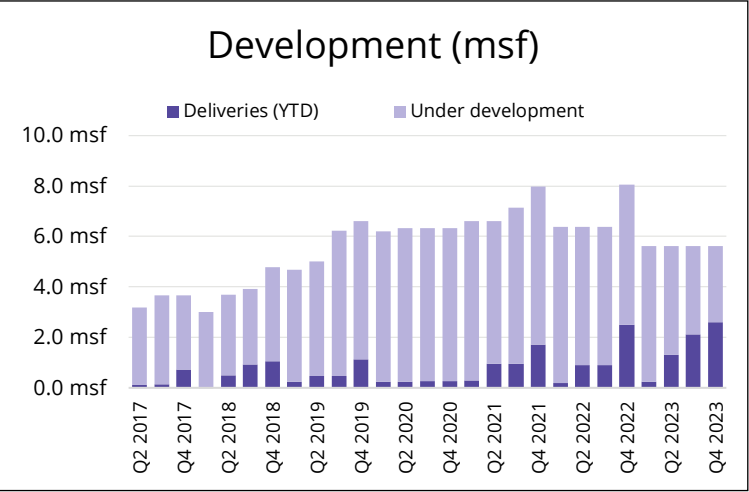
VC/PE funding has declined since its 10-year peak in 2021. As we expect interest rates to lower in 2024, VC and PE firms will likely be more aggressive when deploying capital.

Source: AVANT by Avison Young, CoStar, Crunchbase
Note: funding includes grants, seed, series A-H, angel, equity crowdfunding, corporate round, private equity, product crowdfunding

Appendix



Boston office market indicators



Boston office market activity

Recent leasing activity

Tenant	Address	Submarket	Sign date	Size (sf)	Transaction type	Lease type
New York Life	201 Jones Rd	128 West	12/01/2023	79,000	Renewal	Direct
EMD Serono	200 Pier Four Blvd	Seaport	11/15/2023	60,528	New	Direct
Cornerstone Research	699 Boylston St	Back Bay	11/01/2023	37,000	Renewal	Direct
Activision Blizzard	100 Causeway St	North Station	12/21/2023	28,000	New	Sublease

Recent sales activity

Buyer	Address	Sale date	Building size (sf)	Sale price	Sale price psf	Seller
Norges Bank Investment Management	300 Binney St*	11/16/2023	195,191	\$213,000,000	\$1,091	Boston Properties
Ezdan Holding Group	855 Boylston St	10/15/2023	145,493	\$99,500,000	\$684	LA County Employee Retirement
City Realty Group	186 Lincoln St	10/01/2023	72,782	\$11,000,000	\$151	Brickman

*Denotes a partial interest sale.

Top projects under development

Address	Submarket	Delivery date	Building size sf	% Preleased	Developer
750 Atlantic Avenue	CBD	Q4 2025	1,020,000	0%	Hines
1 Boston Wharf Road	Seaport	Q4 2024	707,000	100%	WS Development
350 Boylston Street	Back Bay	Q2 2024	231,663	94%	Druker Company

Boston office market stats

By Submarket	Existing Inventory	Under development sf	Direct availability	Sublet availability	Total availability	Total availability change (YoY)	Net absorption sf (YTD)	Net absorption % of inventory (YTD)	Annual direct asking rent psf FS
Boston Total	77,861,755	2,605,276	16.8%	5.2%	22.0%	1.9%	(1,061,925)	(1.4%)	\$74.50
CBD	46,944,375	1,666,613	18.7%	4.8%	23.5%	0.7%	(301,412)	(0.6%)	\$78.60
BackBay	14,683,536	231,663	14.4%	5.2%	19.7%	2.8%	(24,109)	(0.2%)	\$80.55
Seaport	10,692,374	707,000	13.3%	5.9%	19.2%	3.4%	(572,679)	(5.4%)	\$62.01
North Station	4,093,369	0	17.6%	7.2%	24.8%	7.6%	(128,163)	(3.1%)	\$51.05
Fenway/Kenmore	1,448,101	0	5.2%	5.1%	10.2%	4.4%	(35,562)	(2.5%)	\$40.12
Cambridge Total	12,403,812	422,000	13.5%	6.4%	19.9%	2.8%	(305,310)	(2.5%)	\$77.13
East Cambridge	8,190,733	422,000	16.2%	6.2%	22.4%	3.3%	(153,649)	(1.9%)	\$90.30
Central Cambridge	2,446,670	0	10.6%	6.2%	16.9%	0.1%	(110,404)	(4.5%)	\$58.37
West Cambridge	1,766,409	0	4.4%	7.7%	12.1%	3.4%	(41,257)	(2.3%)	\$42.30
Inner Suburbs	16,433,242	0	11.0%	3.8%	14.8%	2.1%	(367,027)	(2.2%)	\$39.54
Near North	8,033,235	0	16.5%	4.0%	20.5%	2.9%	(191,225)	(2.4%)	\$40.25
Brookline/Watertown	4,099,048	0	6.7%	4.6%	11.3%	0.8%	(87,439)	(2.1%)	\$38.14
Crossing Corridor	3,994,489	0	4.6%	2.5%	7.2%	2.0%	(92,764)	(2.3%)	**
Southie	306,470	0	9.6%	0.0%	9.6%	(1.4%)	4,401	1.4%	**
128 Belt	56,404,197	0	15.5%	5.7%	21.2%	3.8%	(2,591,349)	(4.6%)	\$27.67
128 North	19,668,151	0	16.1%	4.1%	20.2%	1.7%	(1,008,905)	(5.1%)	\$27.55
128 West	21,978,667	0	12.9%	8.4%	21.1%	4.1%	(1,037,134)	(4.7%)	\$29.68
128 South	12,612,503	0	20.1%	3.9%	24.0%	6.8%	(512,225)	(4.1%)	\$25.48
South Shore	2,144,876	0	10.3%	3.3%	12.8%	(0.2%)	(33,085)	(1.5%)	\$21.24
495 Belt	53,741,350	0	19.4%	2.5%	21.5%	0.2%	177,681	0.3%	\$23.59
495 Northeast	11,087,667	0	16.2%	2.4%	18.5%	(1.9%)	121,435	1.1%	\$23.75
Route 3 North	15,420,170	0	21.5%	4.7%	25.0%	0.3%	139,844	0.9%	\$27.80
Route 2 West	6,402,832	0	21.6%	0.7%	22.3%	(2.8%)	151,711	2.4%	\$24.10
495 Mass Pike West	10,021,305	0	21.8%	2.2%	24.0%	2.1%	(242,684)	(2.4%)	\$20.23
Framingham/Natick	4,593,331	0	26.3%	1.7%	28.0%	5.8%	(66,391)	(1.4%)	\$20.80
495 South	6,216,045	0	8.3%	0.1%	8.5%	(0.2%)	73,766	1.2%	\$19.81
Greater Boston Total	216,844,356	3,027,276	16.5%	4.6%	21.0%	2.0%	-4,147,930	(1.9%)	\$52.96

Source: AVANT by Avison Young, CoStar
 *Boston office market stats exclude East Boston

Boston office market stats by class

	Existing inventory sf	Deliveries sf (YTD)	Under development sf	Direct vacancy	Sublet vacancy	Total vacancy	Net absorption sf (YTD)	Net absorption % of inventory (YTD)	Annual direct asking rent psf FS
Trophy	10,479,891	1,824,000	1,020,000	9.8%	4.7%	14.5%	1,033,570	9.9%	\$106.11
Class A	97,395,972	669,077	2,007,276	12.1%	6.9%	19.0%	(3,459,371)	(3.6%)	\$61.25
Class B	87,763,072	97,500	0	14.7%	3.2%	17.9%	(1,538,629)	(1.8%)	\$30.58
Class C	21,205,421	0	0	5.6%	0.6%	6.2%	(183,500)	(0.9%)	\$29.91
Market total	216,844,356	2,590,577	3,027,276	12.4%	4.7%	17.1%	(4,147,930)	(1.9%)	\$52.96



Source: AVANT by Avison Young, CoStar
 *Boston office market stats exclude East Boston

Greater Boston submarkets map

MAP KEY

Boston

- Seaport
- CBD
- North Station
- Back Bay
- Fenway/Kemore

Cambridge

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

Inner Suburbs

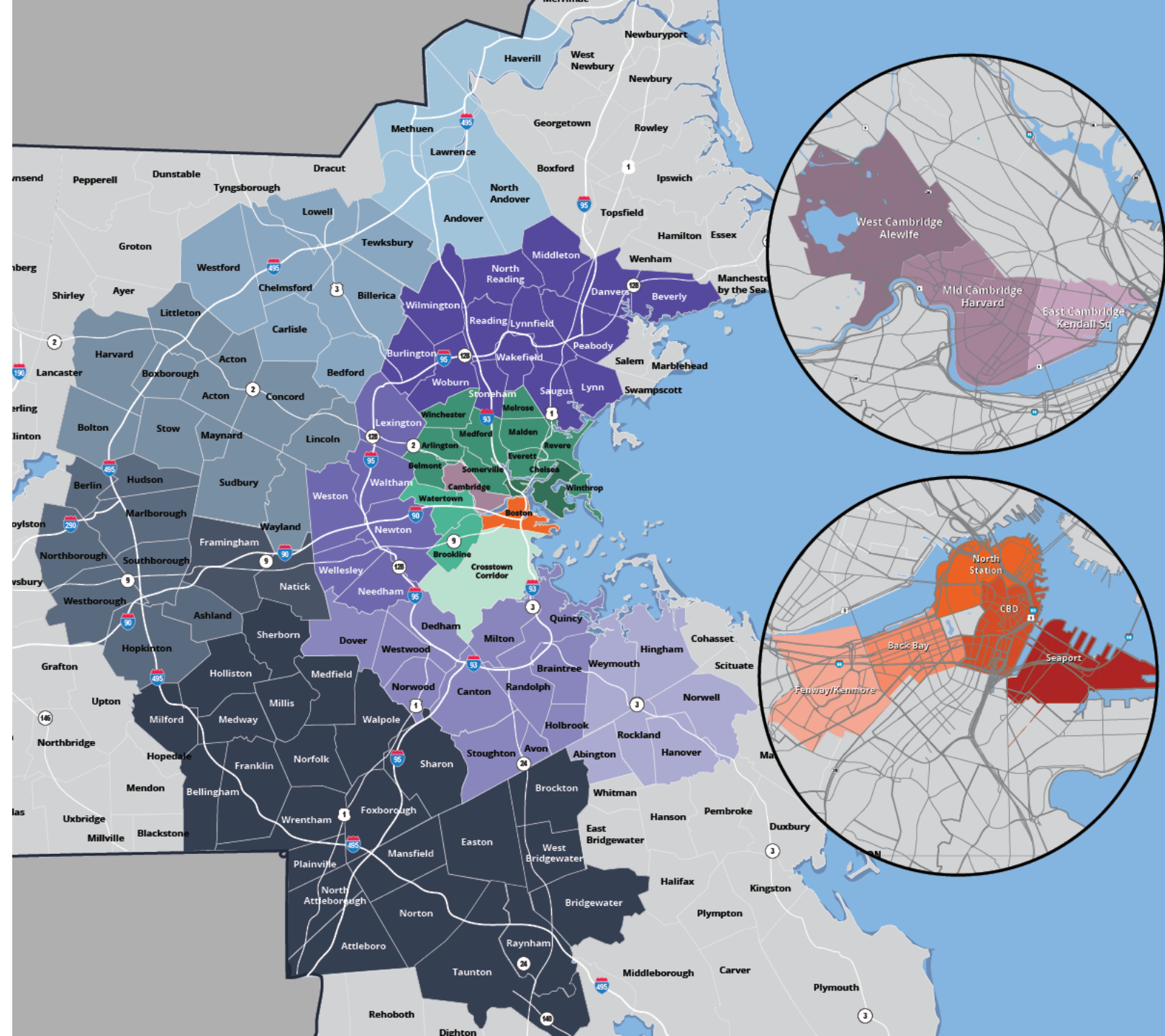
- Near North
- Brookline/Watertown
- Crosstown Corridor

128 Belt

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

495 Belt

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



Office insights glossary of terms

Demand

- **Leasing activity:** total square footage of relocations, renewals, expansions and subleases expressed when the leases are signed, not when tenants take physical occupancy of the space
- **Absorption:** period-over-period change in occupied square footage

Supply

- **Direct vacancy rate:** space operated by landlords that is ready for immediate occupancy
- **Sublease vacancy rate:** space operated by sublandlords that is ready for immediate occupancy
- **Total vacancy rate:** sum of direct vacancy rate and sublease vacancy rate
- **Availability rate:** space that is vacant plus space that will become vacant over an indefinite time horizon, including spaces that are occupied by vacating tenants and under-construction properties

Office rents and concessions

- **Asking rents:** pricing guidance provided by landlords to tenants for available space expressed as full service (FS)
- **Base rents:** fair market value of market-level lease pricing based on representative executed leases, expressed as full service (FS)
- **Free rent period:** months of free rent that are typically provided upfront by landlords to tenants as a concession to offset the total cost of a lease and/or the construction timeline of an office suite
- **Tenant improvement allowance:** an allowance expressed in dollars per square foot provided from landlords to tenants to offset build-out, engineering, space planning and related permit costs
- **Net effective rent:** base rents discounted by the dollar values of tenant improvement allowance and free rent concessions expressed as full service (FS)

Capital markets

- **Investment volume:** office sales dollars expressed when the transactions close and based on inventory thresholds; partial-interest sale dollar amounts are not grossed-up to reflect the 100% value of the sale
- **Asset pricing:** unweighted average per-square-foot asset pricing of market-level closed sales
- **Cap rate:** net operating income divided by sale price; this measurement of market-level investment returns is calculated as an unweighted average based on closed investment sales

For more market insights and
information visit **avisonyoung.com**

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