



The USS Constitution, aka "Old Ironsides"

Market Facts

5,741,000 SF

is currently under construction

10.1%

of space is vacant on a direct or sublet basis

698,000 SF

was absorbed on a net basis in Q2' 2019

\$40.66 PSF

is the overall gross average asking rent

2.9%

unemployment rate for Greater Boston

Demand gap begins to close on projected supply deliveries via strong mid-year momentum

A large supply injection in 2022 has yet to show signs of hindering rental growth

The Greater Boston Area (GBA) witnessed yet another quarter of growth, making for the strongest first-half start since 2015. Over the last 6 months alone, the GBA has absorbed over 1.7 MSF in thanks to fully leased building deliveries in Urban Market and a life science industry that has reinvigorated the suburban office market. Asking rents have now increased 6% since this time last year throughout the market with the largest jumps occurring in the Urban Market, specifically, Fort Point, North Station, Kendall, and Near North. However, rent relief is expected to be on the horizon with a substantial amount of supply expected to deliver in 2022 that has yet to be spoken for. While this relief is imminent, it may not come in the form of an overall decrease in rent, rather, a decrease in the acceleration of rental rates. Thanks to the emergence of the "new global economy," The GBA is becoming an global market through advances in technology, life sciences, and

emerging sectors like robotics, artificial intelligence, and alternative energy. While these factors will help close the supply and demand gap in the coming years, The GBA still faces some headwinds related to infrastructure and transportation, which can hinder the likelihood of continued migration to the market. Thankfully, the GBA is prepared and Infrastructure improvements are underway, specifically through upgrading the subway transit system. Together, the Red and Orange will have over 300 new rail cars by 2023 and America's first subway, the Green Line, will be expanded into the Near North submarket. Logan Airport is expected to add over 100 daily departures in the next 3-5 years with JetBlue and Delta now competing heavily for a "Coastal Hub". This, coupled with Boston's 2030 initiative, is expected to mitigate overall living and operation costs for employees and companies alike as the GBA grows into an international city.

Bulfinch Crossing, Boston's Core

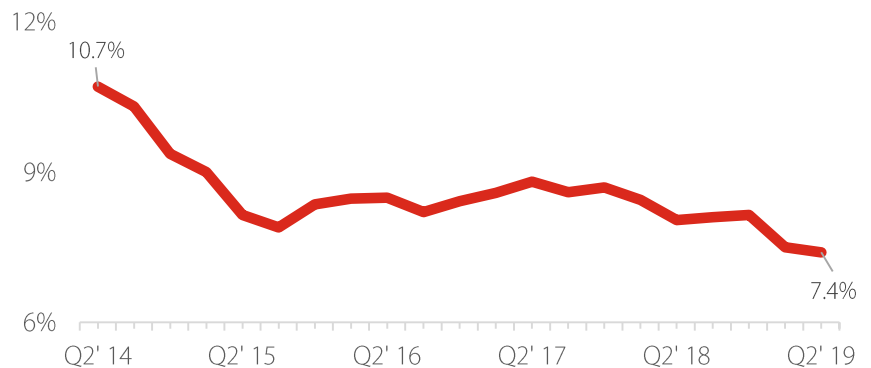


Activity & Trends

- **Bulfinch Crossing** is underway with the first and largest office phase for the project. After State Street Bank announced its anchor tenancy last quarter, Carr Properties, increased its 50% stake in the project to 75%.
- **Foundation Medicine** announced plans to lease upwards of 580,000 SF in the Seaport and consolidate its regional operations which houses approximately 1,100 employees. This makes for the largest lease and consolidation in the Seaport since Vertex vacated Cambridge in 2014.
- **One Post Office Square** kicked-off construction on a major building "face-lift" where Morgan Stanley & Co will add approximately 247,000 SF of inventory by the end of 2021 with upwards of 600,000 SF currently available to lease.
- **Amazon & WeWork** are becoming "two peas in a pod" with Amazon now taking a large block of space at 100 Summer under WeWork. They will now occupy a WeWork in the Core, Seaport, and Back Bay.

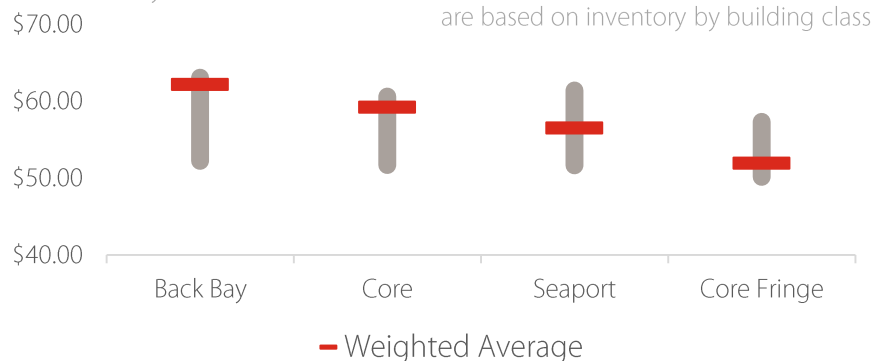
Supply & Demand

Total vacancy



Average Asking Rent

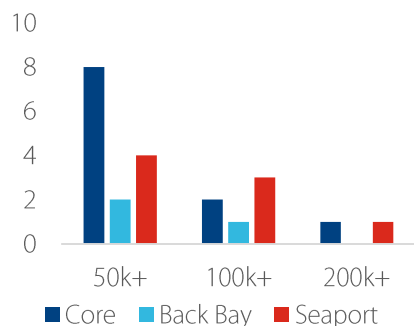
Total vacancy



"It is the beginning of a new building era that will connect downtown Boston to one of the regions fastest emerging submarkets, North Station."

Limited near-term options

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

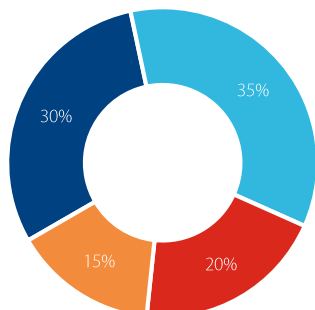


< 2.1 MSF

of office space has kicked-off in the Boston's Core during the first half of 2019

Demand for Office Space

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

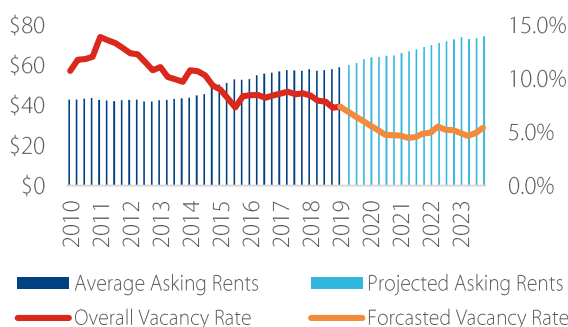


*TAMI = Technology, Advertising, Marketing, Information
*Excludes lab requirements

Ground breaking at One Congress speaks to a new era

Greater Boston's office construction boom finally hits the Core submarket

Ove 2.1 MSF of office space has kicked-off in Boston's Core during the first half of 2019 through projects at the Winthrop Center, One Post Office Square and now the ground breaking of Bulfinch Crossing, a 1 MSF office tower, anchored by State Street Bank. This ground breaking not only signals investor confidence in Boston's Core, it is the beginning of a new building era that will connect the Core to one of the region's fastest emerging micromarkets, North Station.



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.

Cambridge Crossing, Lechmere Submarket

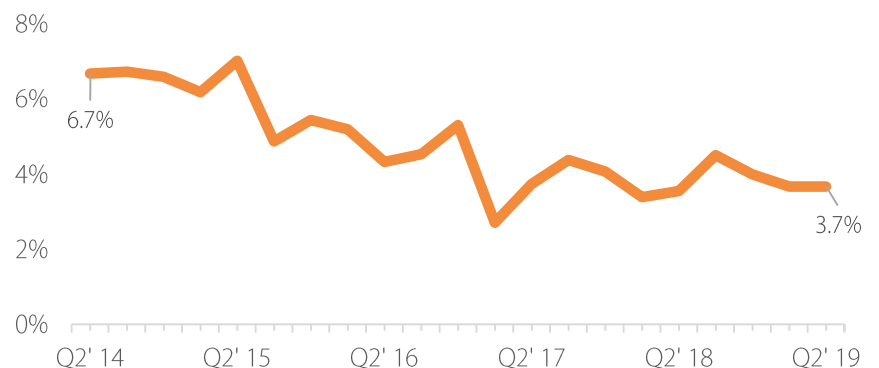


Activity & Trends

- **MIT's** Kendall's Square development at 314 Main Street, an office building, and 238 Main St, a lab building is now over 50% leased. Tenant information is unable to be disclosed.
- **Cambridge Crossing** is ready to break ground on another speculative-build in the second half of 2019 after nearing a 50% lease-up rate through Sanofi's consolidation commitment earlier in the year.
- **Migration to Boston** continues to amplify with a plethora of small and mid-size companies moving across the Charles River this quarter in order to find rent relief after being priced out by deep-pocketed TAMI and life science users.
- **HubSpot**, one of Cambridge's home-grown technology juggernauts, expanded once again in the Lechmere submarket, leasing upwards of 30,000 SF at 2 Canal Park. Initially entering the submarket with a small footprint in 2010, HubSpot now occupies over 300,000 SF amongst three buildings.

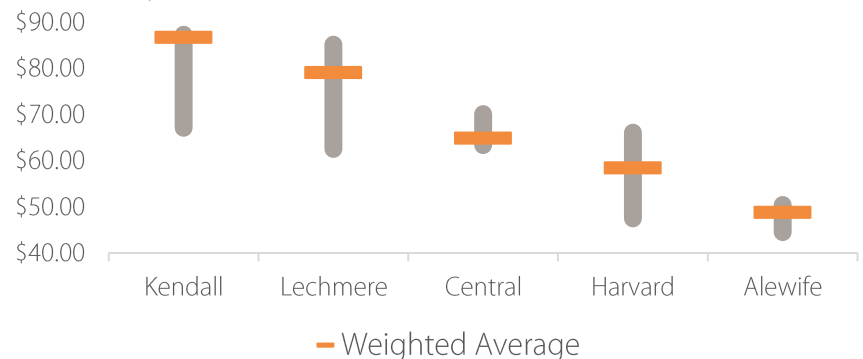
Supply & Demand

Total vacancy



Average Asking Rent

Total vacancy



Biotech: An industry in Infancy

How long will this biotech boom last? As long as the market allows it to....

With endless applications for this emerging industry, the Greater Boston Area has a long runway to build upon, provided the region does not become a victim of its own success through sky rocketing lab and office rents. Other markets like Southern California, New York and Philadelphia are now undercutting the GBA and attracting industry growth through similar intellectual capital and education pools. If the market wants to capture what is yet to come, pricing cannot continue to increase forever. **Despite 17.1 Million SF of inventory being added since 2005,** the GBA needs more and developers are answering the call.



Humans

Most biotech companies in the GBA focus on human based therapies and medicines that are meant to be taken to the market through the FDA.



Agriculture

Companies like Indigo Agriculture are paving the way for this emerging biotech sector that will be vital for future food sources.

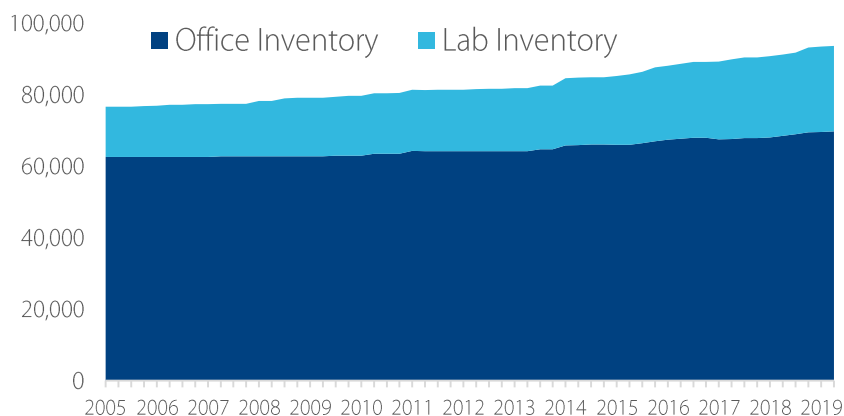


Animals

The surface of this sector has hardly been scratched with assumed applications for food sources, pets, and wildlife management.

17.1 Million Square Feet

of office and lab space has been added since 2005



*only includes buildings over 25,000 SF

*SF is in the thousands



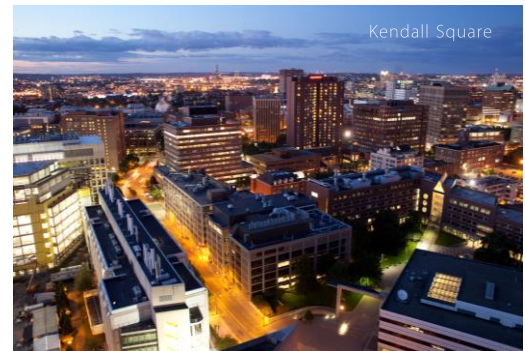
The "Red Coats" are coming!

Cambridge is at war but not with the British, rather, with public transit. Growing pains have been felt by employees and companies alike due to recent Red Line troubles. With 218 cars on the way and an additional 14 if necessary, the capacity, efficiency, and reliability of the rail will improve significantly by 2023 when the last car is delivered.



"Near North" initiates spec construction

The Near North submarket is ripe for the picking thanks to overspill from East Cambridge and Boston. Evidenced by developer confidence through speculative construction activity at Hood Park, Cambridge Crossing, Assembly Row, and now Boynton Yards, large inventory increases for office and lab space are projected over the next five years. Aside from a tight urban market and the general need for more inventory, developers are looking to Near North for two main reasons – The submarket has the largest and densest population cohort in the region and the Green Line Extension will be the first transit system to tap it with site work already underway.



Over \$100 Per Square Foot?!

East Cambridge is now home to some of the most expensive office rents in North America. Arguably one of the worlds most innovative square miles, asking rents breaching \$100 PSF are now being seen at the submarkets nucleus, Kendall Square. Despite a healthy construction pipeline surrounding the area, the "rubbing-elbow" mentality has swooped over the several blocks in East Cambridge where companies like Facebook, Google, and Apple have become gasoline on a flaming hot life science market.

Boston Landing, Brighton

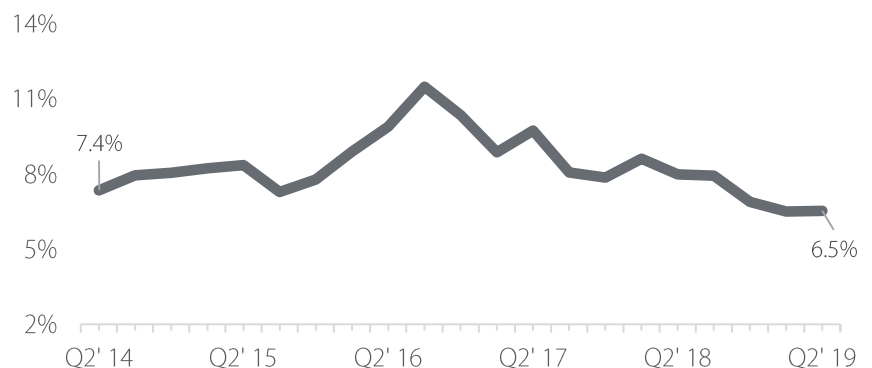


Activity & Trends

- The Harvard-Allston Expansion** project is now in the process of selecting a key development partner or multiple ones for its commercial component, the Enterprise Research Campus. With an RFP sent out in June, the 900,000 SF development is receiving international attention through implications brought on by Harvard's fastest growing school, The School of Engineering and Applied Sciences. (SEAS)
- Encore Casino**, New England's most expensive single development in recent history, is now open. Although the casino provides no new office product, it does add a new and unique amenity base to the emerging Near North submarket.
- Toast**, one of the markets fastest growing tech companies is expanding yet again and revitalizing the Fenway/Kenmore submarket through a 75,000 SF expansion and complimentary amenities. Once a swamp area feeding into Boston's Fens, the neighborhood is quickly turning into a commercial hub.

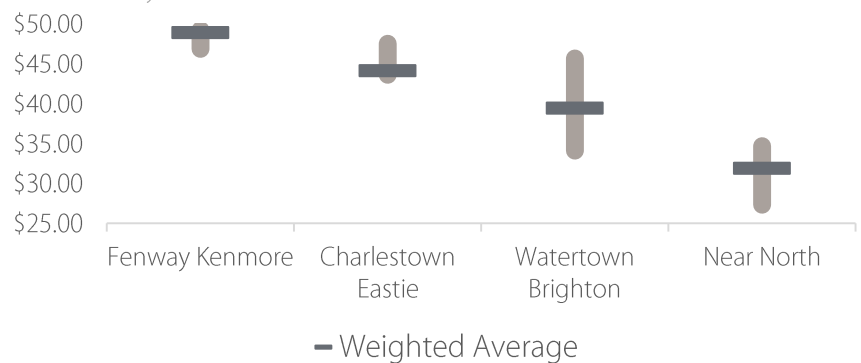
Supply & Demand

Total vacancy



Average Asking Rent

Total vacancy



"In a matter of months, WeWork has become one of the largest lessors of office space in the Urban Market. That being said, they are not the largest occupier by any means. WeWork does not occupy its office space, its members do"

10+

leases by WeWork are in the negotiation stages

5

new Coworking leases were signed this quarter by different operators

3.5 MSF

is the amount of flex and coworking space under lease



WeWork starts to gain significant momentum

The Coworking giant is expected to lease more space in 2019 than all prior years combined.

225 Wyman Street, Waltham

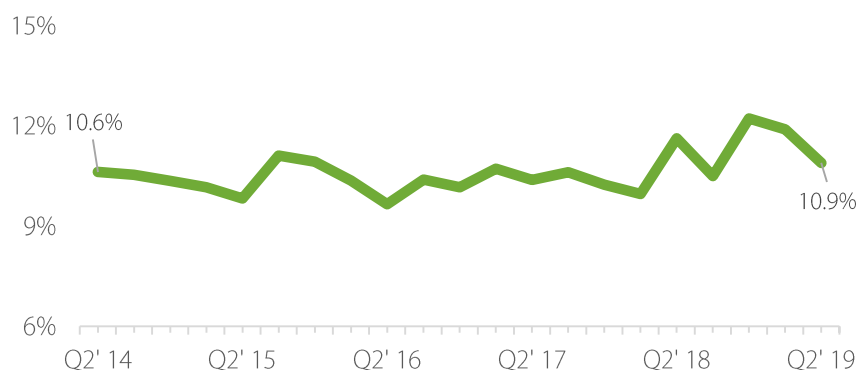


Activity & Trends

- **The Post** at 200 Smith St is now over 90% leased thanks to the life science sector after Deciphera Pharma doubled-down on office and R&D operations at its new headquarters in Waltham with a 44,000 SF lease expansion.
- **Bright Horizons**, the largest provider of employer-sponsored child care, leased approximately 90,000 SF at 2 Wells Ave, a newly built 132,000 SF office building situated at along Route 128 in Newton in effort to expand in line with the GBA's overall employment growth.
- **State Street Bank** is giving two large blocks of space in Quincy at 1200 Crown Colony and 200 Newport Ave through consolidating operations to Boston, and becoming more efficient from automating operations.
- **Parexel** leased 94,000 SF at Riverside Center in Newton, expanding in toe with a bolstering biopharmaceuticals industry in need of third parties like Parexel to assist with clinical trials.

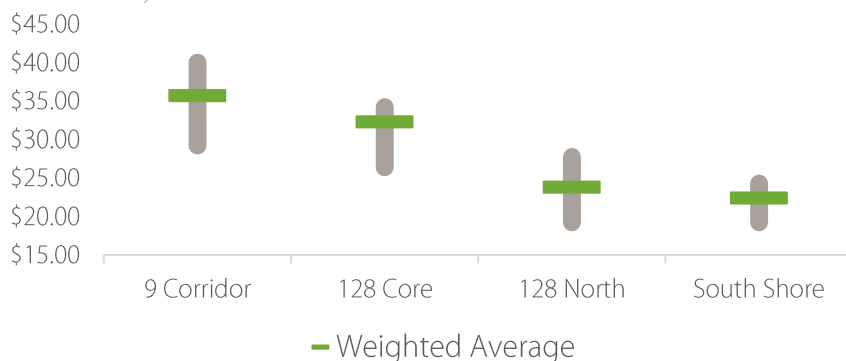
Supply & Demand

Total vacancy



Average Asking Rent

Total vacancy



Patriot Place – Foxboro

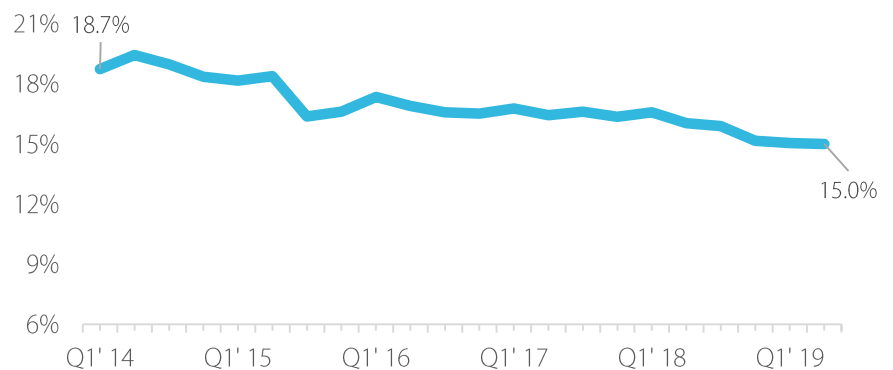


Activity & Trends

- **Raytheon** committed to 134,000 SF at the former Wang Laboratories Campus on Innovation Drive in Tewksbury. The blue-chip defense company plans to house 600 employees with implications that the expansion could relate to the acquisition of United Technology.
- **Draeger Medical** renewed its commitment to Andover through a long term 128,000 SF lease extension at 6 Technology Drive, defining a trend amongst some of its competitors like Philips and GE who have moved large operations to the Urban Market in recent years.
- **King Street Properties**, a life science oriented landlord, plans to reposition 1-5 Mountain Rd in Framingham, diminishing office inventory and increasing the amount of lab product in the Framingham/Natick submarket.
- **Boston Biomedical Associates**, a top consultancy firm for biotech companies, renewed 20,000 SF at 100 Crowley Dr in Marlborough after announcing a merger with Factory CRO.

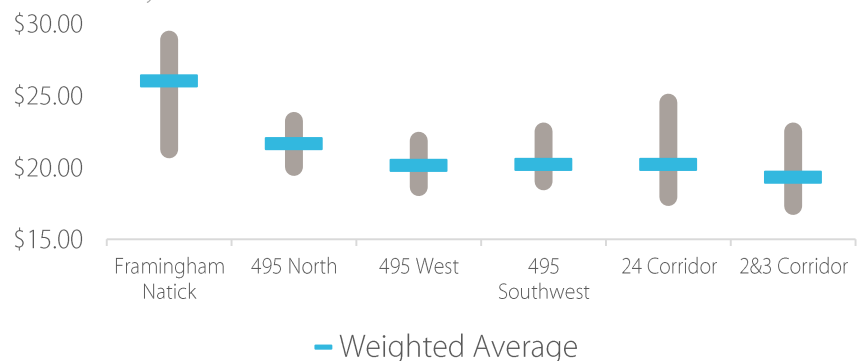
Supply & Demand

Total vacancy



Average Asking Rent

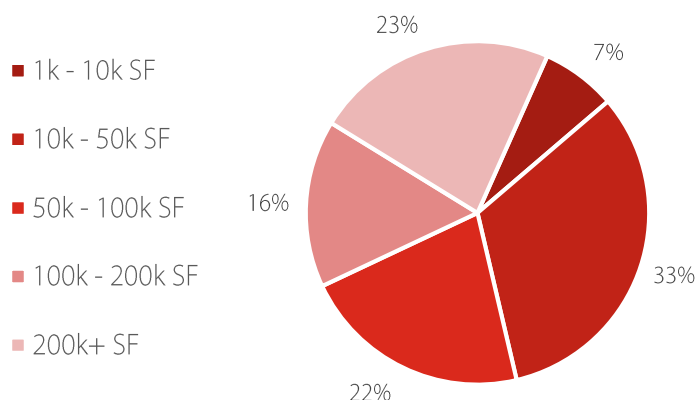
Total vacancy



	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
Total Market	206,792	10.1%	\$40.66	\$44.14	\$35.05	698	2,696	5,741	2,001
Urban Markets	95,485	6.9%	\$51.71	\$56.58	\$48.19	206	1,457	5,091	992
Boston	69,798	7.4%	\$58.84	\$61.01	\$52.76	216	1,301	3,332	918
Core	35,537	8.2%	\$59.65	\$60.95	\$52.58	(62)	287	871	365
Greenway	12,364	5.8%	\$59.63	\$60.13	\$51.50	(27)	144	0	0
PO Square	13,926	9.1%	\$60.23	\$61.80	\$53.11	(30)	(143)	871	0
State Street	9,247	9.9%	\$59.16	\$61.33	\$52.50	(6)	285	0	365
Core Fringe	7,422	7.2%	\$52.42	\$56.85	\$50.82	138	84	1,604	181
North Station	2,870	6.7%	\$51.07	\$57.13	\$49.50	110	80	1,604	181
Midtown	3,102	8.4%	\$53.26	\$56.67	\$52.00	(6)	(47)	0	0
South Station	1,449	5.4%	na	na	\$51.25	33	52	0	0
Back Bay	14,606	4.6%	\$63.49	\$64.43	\$53.53	0	498	0	0
Copley	10,667	5.7%	\$60.40	\$61.25	\$51.40	(12)	383	0	0
Prudential	3,939	1.8%	\$67.65	\$68.67	\$57.08	12	114	0	0
Seaport	12,233	8.7%	\$57.45	\$60.50	\$54.45	140	433	856	372
Fort Point	4,230	6.6%	na	na	\$56.86	86	129	95	0
Waterside	6,217	11.2%	\$58.70	\$60.50	\$47.00	17	274	511	372
Marine	1,785	4.8%	na	na	\$51.33	37	31	250	0
Cambridge	11,074	3.7%	\$66.27	\$68.82	\$56.56	(6)	30	1,340	74
Kendall	5,612	0.8%	na	\$94.67	na	(12)	34	910	0
Lechmere	1,757	1.6%	\$76.68	\$81.00	\$65.00	19	50	430	74
Central	899	8.9%	\$64.90	\$71.75	\$63.00	0	(61)	0	0
Harvard	1,031	2.0%	\$60.11	\$66.00	\$52.00	(6)	22	0	0
Alewife	1,775	13.5%	\$48.93	\$51.33	\$43.00	(7)	(15)	0	0
The Ring	14,613	6.5%	\$39.33	\$43.46	\$35.71	(5)	126	419	0
Charlestown Eastie	2,333	1.9%	\$43.02	\$50.10	\$42.00	(7)	33	0	0
Near North	3,968	12.3%	\$32.67	\$37.00	\$25.71	33	(56)	419	0
Watertown Brighton	3,576	4.4%	\$40.36	\$46.50	\$35.25	(56)	92	0	0
Fenway Kenmore	2,503	3.6%	na	na	na	6	52	0	0
Crosstown Corridor	2,233	7.8%	na	na	\$43.29	19	5	0	0
Suburban Markets	111,307	12.9%	\$25.61	\$28.91	\$21.02	493	1,239	650	1,009
128 Belt	56,547	10.9%	\$29.99	\$33.95	\$22.53	499	718	575	375
128 North	11,642	10.5%	\$23.99	\$27.90	\$19.31	(24)	(66)	364	0
128 Core	23,203	10.0%	\$33.40	\$35.89	\$26.00	439	670	211	210
9 Corridor	11,616	14.9%	\$35.75	\$40.41	\$28.80	36	236	0	165
South Shore	10,087	8.8%	\$22.98	\$25.13	\$19.50	47	(122)	0	0
495 Belt	54,760	15.0%	\$21.18	\$24.52	\$18.63	(6)	521	75	634
495 North	8,417	18.3%	\$21.23	\$23.01	\$19.48	(6)	(41)	0	0
2&3 Corridor	19,802	16.8%	\$19.79	\$22.74	\$17.98	52	351	0	60
495 West	13,994	14.7%	\$20.43	\$22.92	\$18.53	(0)	(122)	75	0
Framingham Natick	6,399	10.6%	\$25.33	\$28.29	\$20.57	(11)	(45)	0	512
495 Southwest	5,038	8.0%	\$20.56	\$23.67	\$19.10	(38)	175	0	0
24 Corridor	1,110	19.5%	\$20.29	\$25.17	\$17.75	(2)	203	0	62

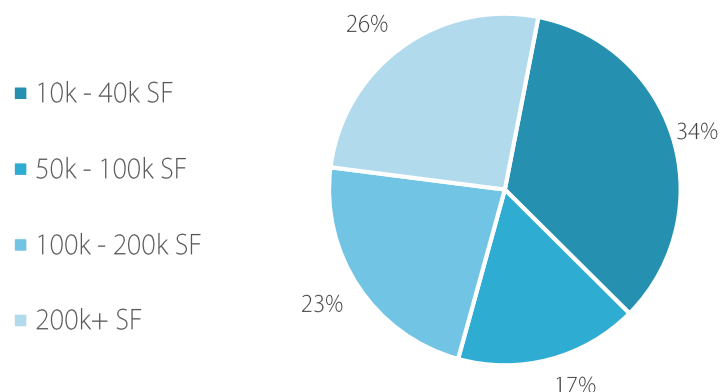
*absorption in the thousands, *na = sample size is too small

Urban Office Requirement Breakdown by Size



Suburban Office Requirement Breakdown by Size

*excludes requirements under 10,000 SF



Buildings Under Construction

Denotes the development has a lab component 

Project Name	Submarket	Developer	Delivery (Est)	RBA	% Leased
1 Congress St	Core Fringe	Carr Properties (majority stake)	Q4 2023	977K	52% (State Street Bank)
115 Federal St	Core	Millennium Partners	Q1 2022	871k	0% ("spec")
100 Causeway St	Core Fringe	Boston Properties	Q2 2021	627k	94% (Verizon)
350 Dawes St	 Lechmere	DivcoWest	Q3 2021	540k	100% (Sanofi)
111 Harbor Way	Seaport	W/S Development	Q3 2021	511k	100% (Amazon)
225 Wyman St	 128 Core	Hobbs Brooks Management	Q2 2021	507k	0% ("spec")
145 Broadway St	Kendall	Boston Properties	Q4 2019	485k	100% (Akamai)
450 Dawes St	 Lechmere	DivcoWest	Q4 2021	450k	100% (Sanofi)
222 Jacob St	Lechmere	DivcoWest	Q4 2019	430k	75% (Phillips)
314 Main St	Kendall	MIT	Q4 2020	425k	40% (multi-tenant)
238 Main St	 Kendall	MIT	Q3 2021	386k	17% (Bayer)
10 Fan Pier Blvd	Seaport	The Fallon Company	Q3 2021	315k	100% (MassMutual)
455 Grand Union Blvd	Near North	Federal Realty Invst. Trust	Q2 2020	304k	59% (Puma)

*only included buildings above 300,000 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". This means, if a tenant knocks on the development door today, construction could start tomorrow.

4.2 MSF

Under Construction

3.2 MSF

"Ready To Go"

3.7 MSF

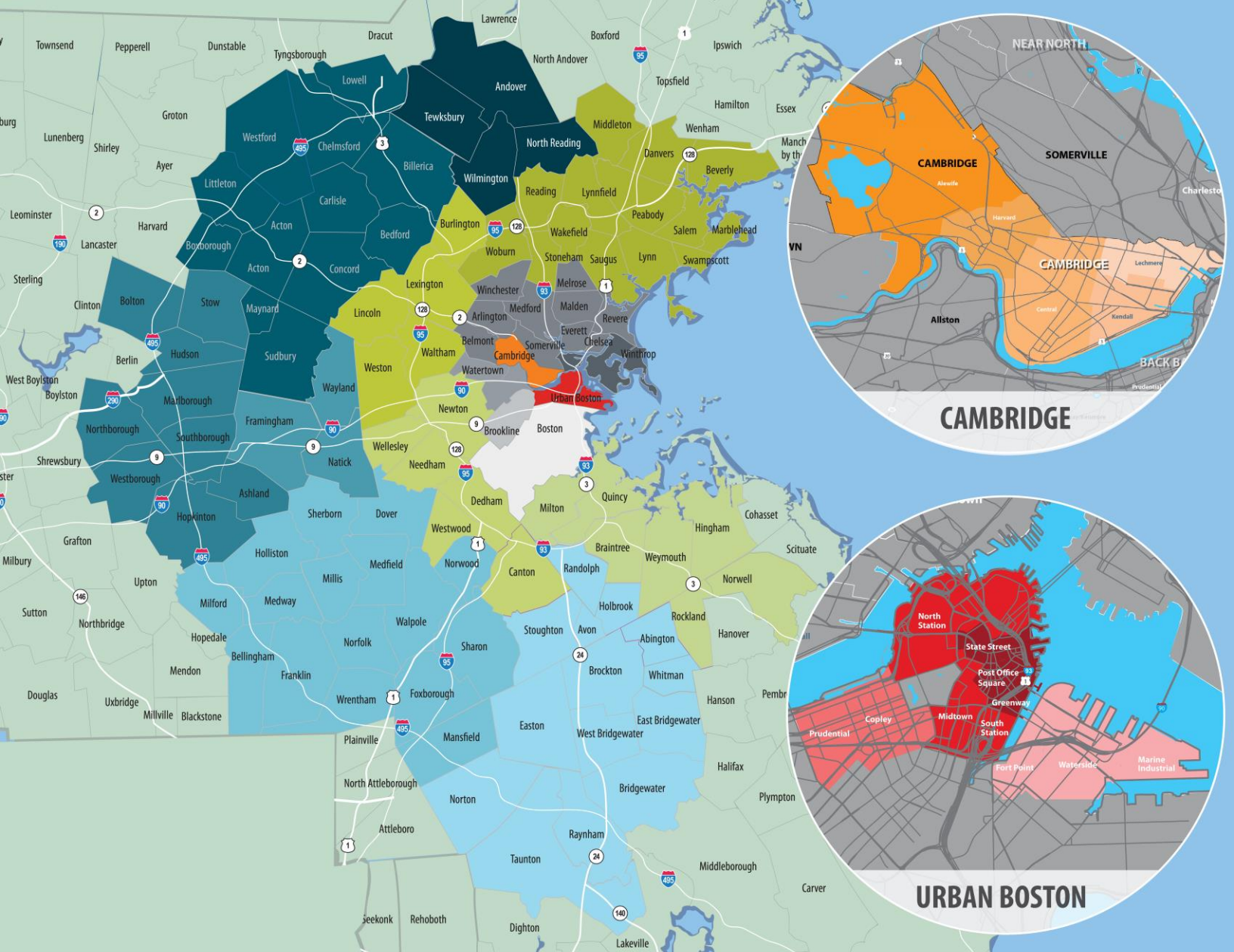
Approved by City

7.5 MSF

Filed/Under Review

Contact AYNE Research for more info.

*does not include strictly life science oriented developments



GREATER BOSTON OFFICE SUBMARKETS



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