

# Greater Boston

## Quick stats Greater Boston

**251.3 msf**

Total market RBA

**11.7%**

Class A vacancy

**13.9%**

Class B vacancy

**\$46.80 psf**

Class A

Average annual asking rate

**\$35.66 psf**

Class B

Average annual asking rate

**Overall vacancy climbed to over 12% during the first quarter, the highest vacancy has been in Greater Boston since the third quarter of 2013.**

## Sublease space availabilities decrease in Q1 after three quarters of rapid growth.

- A promising trend of declining COVID-19 cases, aided by successful vaccine distribution, led to easing restrictions in Q1, bringing renewed optimism to many companies across Greater Boston. This optimism is beginning to work its way into the office market.
- With jobless claims at a pandemic-era low and a third round of federal government stimulus, the Greater Boston economy is on its way to full recovery, a necessary first step for an office market rebound.
- Every quarter more and more companies are solidifying their future occupancy plans. Despite the short-term successful transition to remote work, many employees are longing to return to corporate workplaces, envisioning a future that includes splitting time between remote and onsite work. Even firms in the nimble technology sector are signaling long-term commitments to office space. Top executives at local tech giants PTC and Pegasystems have expressed coolness toward long-term remote first occupancy models. PTC is embracing a hybrid model post-pandemic while Pegasystems is looking for new headquarters in Cambridge once its current lease expires, as well as a separate space along the 128 Belt, to offer employees the utmost flexibility.
- Driven primarily by growth in life sciences, Boston remains among the most active investment sales markets in the country. Alexandria Real Estate Equities and BioMed Realty made the biggest splash in Q1. Adding to its extensive Greater Boston life sciences portfolio, Alexandria acquired two Fenway properties totaling 1.8 msf from Samuels & Associates for \$1.52 billion. BioMed had a busy quarter as well, officially closing on its \$3.45 billion 12 property East Cambridge life sciences portfolio to establish itself as the largest landlord in Cambridge. BioMed also scooped up assets outside of Cambridge, paying \$362 million for 601 Congress St, in the Seaport, a 14-story fully vacant class A office building BioMed plans on repositioning as laboratory space.



## Trends to watch



### Sublease space

Sublease space availabilities decreased in Q1 due to the combination of more sublease transactions, fewer space additions, and several space withdrawals.



### Asking rates

Typically, vacancy increases go hand in hand with asking rate decreases, but this is not the case in today's class A market, which has yet to see a significant asking rate dip on direct space.



### Concessions

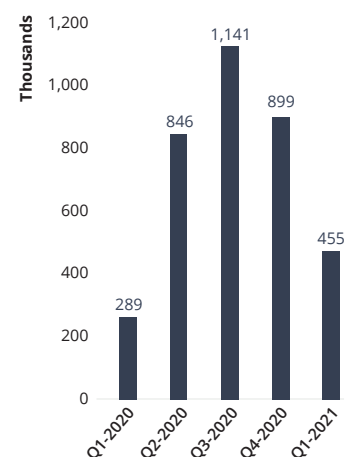
Concessions, however, are another matter. Given the current market conditions, landlords are offering free rent and tenant improvement allowance at or near all-time highs, even as they hold asking rates steady.



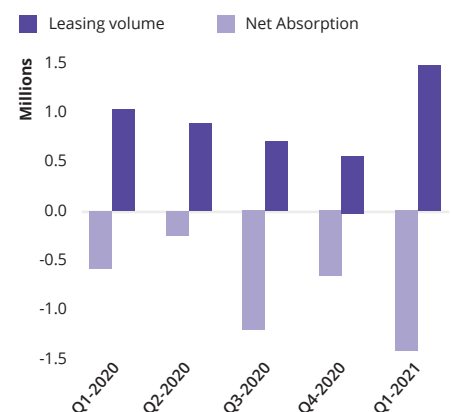
## Urban Boston

- Some companies that originally added sublease space at the start of the pandemic appear to have been testing out the market, but are now removing their listings with feasible return-to-office plans on the horizon. A few large chunks, such as State Street's 200,000+ sf of sublease space, were withdrawn from the market to contribute to Q1's net negative sublease totals.
- Deal flow accounted for additional decreases in sublease availability, as demand surged for spaces in the 10,000-30,000 sf range with expirations in the medium-term. Generally, demand for sublease space exceeded demand for direct space in Q1 due to its discounted rents and flexible term options.
- Coming off historic lows, vacancy across Greater Boston has risen every quarter since the onset of COVID-19, increasing 500 basis points year-over-year. However, given the universally disrupted market fundamentals caused by the pandemic a year ago, vacancy in Boston remains relatively low among gateway markets: the lowest in the country by 260 basis points.
- Amazon, which recently made national headlines by committing to an office-centric model in the future, continues to expand its operations in Boston. WS Development is planning a 630,000 sf built-to-suit expansion for Amazon at One Boston Wharf in the Seaport. This lease, coupled with its 430,000 sf transaction signed in 2018 at adjacent 111 Harbor Way, makes Amazon the largest office tenant in Greater Boston. The ecommerce giant plans on adding more than 5,000 jobs in Boston once construction at both sites is complete in 2024.
- While many companies remain hesitant to decide on long-term occupancy plans, a handful have been eager to take advantage of the current soft market. Notably, QuickBase relocated its operations from Cambridge to 280 Congress St, in the CBD. Karuna Therapeutics, Freeline Therapeutics, and Drizly all signed sublease deals to capitalize on discounted class A space.

## Quarterly additions to sublease inventory



## Leasing vs Absorption

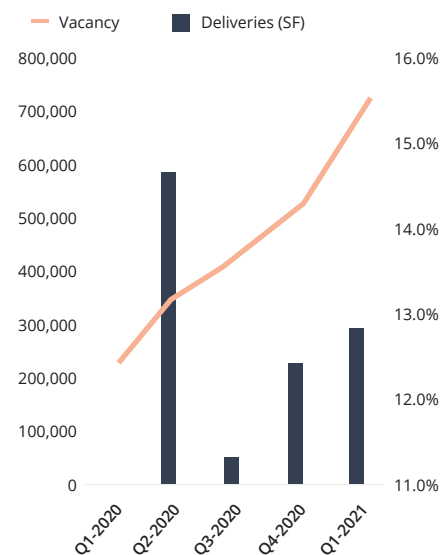




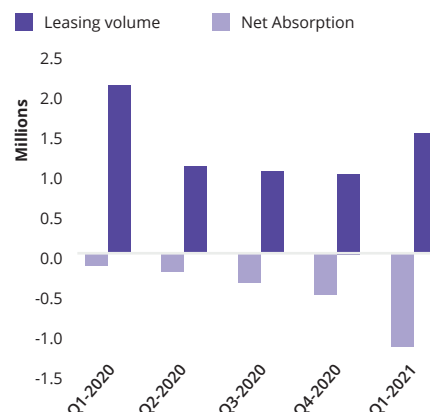
## Suburban Boston

- The overall impact of the pandemic has been comparatively less severe for suburban Boston. Negative absorption in the city of Boston has exceeded all of suburban Boston, contributing to marginally smaller quarter-over-quarter vacancy increases in all suburban submarkets as compared to the CBD.
- Despite this, outside of Pegasystems' plan to establish a satellite office in the suburbs, migration of major downtown tenants to the suburbs has yet to materialize.
- Biotech clusters are continuing to form in the inner suburbs surrounding fully-occupied East Cambridge. Local venture capital powerhouse Flagship Pioneering leased 208,000 sf to occupy 72% of 101 South St, a new speculative laboratory in Somerville. 101 South St is the first property in the future 1.36 msf Boynton Yards campus, an emerging biotech cluster just one mile from Kendall Square.
- Oncorus signed an 88,000 sf 15-year lab deal with generous free rent and TI allowance at 4 Corporate Dr in Andover.
- Suburban office-to-lab conversions keep ramping up every quarter due to the greater volume of shorter buildings with larger floorplates (as opposed to the taller buildings located downtown). Suburban properties also typically have superior accessibility to major highways and internal truck access, two other important characteristics of successful conversions. Most office-to-lab conversions are concentrated in The Ring and 128 West submarkets.
- 128 West, and Waltham specifically, has been an active submarket for both office and lab during the pandemic. Carried by pandemic-induced momentum, Zoominfo is tripling its operations in Waltham, signing a 226,244 sf lease at 275 Wyman St, while medical practice Ophthalmic Consultants of Boston leased 63,500 sf at 195 West St.

## Vacancy vs Deliveries



## Leasing vs Absorption

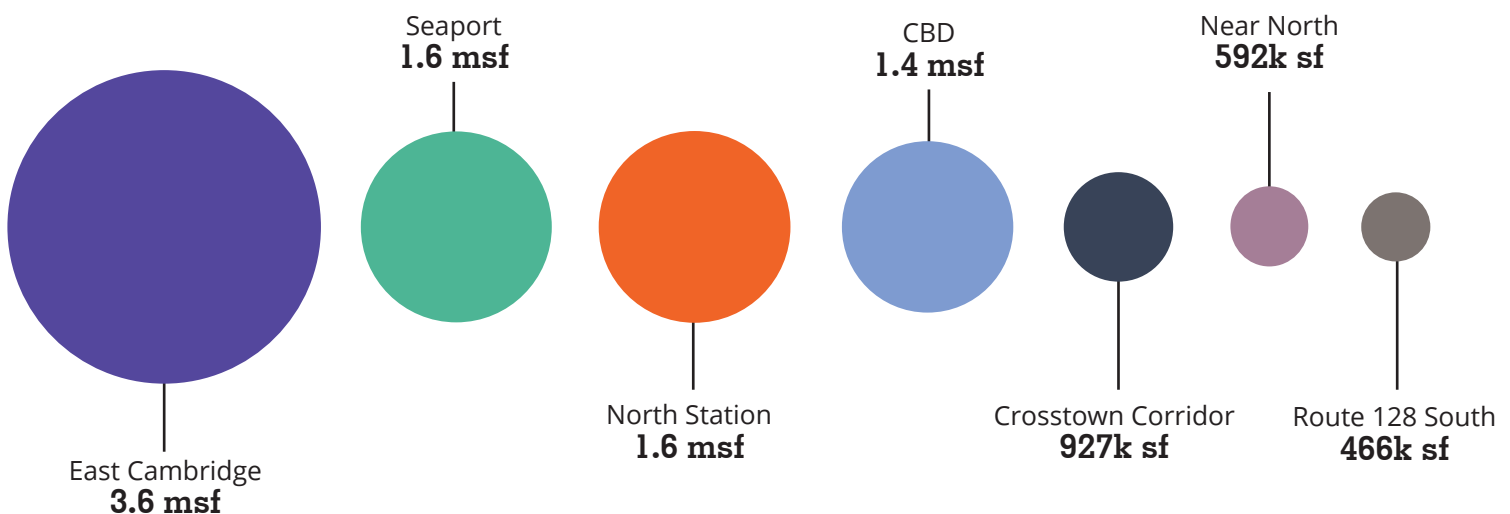


## Looking forward

A broader economic recovery is projected this spring due to the combination of accelerating vaccine distribution, waning COVID-19 cases, and additional federal government stimulus. A general economic recovery is a step in the right direction, but the office market recovery will likely trail.





While many companies remain hesitant, we expect to see a continued uptick in touring activity as companies realize they can take advantage of some of the most favorable concessions the Greater Boston market has ever seen by locking in a long-term deal this year. Very few companies have announced a shift to fully remote working models post-pandemic, meaning there will still be demand for office space. However, many firms will continue to contemplate adjusting their physical footprints as soon as lease events allow. We expect to see a slight drag on demand in the office sector related to remote working. Footprint targets in the range of 10-30% below base case may be commonplace for many occupiers in the future as they relate to hybrid working models. Much of this will be executed organically over the next few years, mitigating its impact. Nevertheless, we expect vacancy rates to ascend through 2021, with effective rents eventually weakening in most submarkets. Like all gateway cities, Boston will be a tenant's market in the near-term.

## Construction totals by submarket



## Construction pipeline

 = includes lab component

Building	Developer	Submarket	Delivery	SF	%Leased	
The Hub on Causeway	Boston Properties	North Station	Q2 2021	651,000	100%	
225 Wyman St	Hobbs Brook Management	128 West	Q2 2021	507,620	36%	
111 Harbor Way	WS Development	Seaport	Q3 2021	511,000	100%	
Cambridge Crossing	DivcoWest	East Cambridge	Q4 2021	1,428,000	100%	
201 Brookline Ave	Alexandria Real Estate Equities	Fenway/Kenmore	Q2 2022	501,200	18%	
Winthrop Center	Millennium Partners	CBD	Q4 2022	812,000	0%	
400 Summer St	WS Development	Seaport	Q1 2023	626,000	100%	
1 Boston Wharf Rd	WS Development	Seaport	Q2 2024	707,000	100%	
650 Atlantic Ave	Hines	CBD	Q3 2024	660,000	0%	
Bullfinch Crossing	Carr Properties	North Station	Q4 2024	1,012,000	50%	

## Market by the numbers

Submarket	Total RBA (SF)	Direct Vacant Space (SF)	Sublet Vacant Space (SF)	Total Vacancy Rate	Vacancy Rate A	Vacancy Rate B	Net Absorption (SF)	Under Construction	Average Ask Total	Average Ask A	Average Ask B
CBD	42,023,662	3,528,315	1,161,243	11.2%	9.7%	15.4%	-645,418	1,916,713	\$59.97	\$65.12	\$47.34
Seaport	13,298,607	1,790,695	482,897	17.1%	11.6%	24.3%	-509,016	1,665,900	\$61.71	\$69.43	\$51.81
Back Bay	14,466,483	720,909	399,529	7.7%	7.2%	11.2%	-157,728	0	\$72.33	\$74.76	\$54.06
North Station	4,465,008	301,353	66,455	8.2%	5.2%	10.0%	-51,961	1,610,800	\$50.69	-	\$50.69
The Core	74,253,760	6,341,272	2,110,124	11.4%	9.2%	16.5%	-1,364,123	5,193,413	\$62.13	\$67.94	\$49.65
East Cambridge/ Kendall	13,326,811	320,640	252,055	4.3%	4.1%	5.2%	-109,098	3,463,875	\$89.68	\$93.69	\$80.40
Mid Cambride/ Harvard Square	7,194,636	169,256	74,507	3.4%	1.5%	6.7%	-8,479	200,000	\$72.14	\$75.30	\$68.98
West Cambridge/ Alewife Square	3,468,050	198,810	128,392	9.4%	13.8%	2.6%	-91,866	0	\$47.92	\$52.74	\$38.02
Cambridge	23,989,497	688,706	454,954	4.8%	4.7%	5.4%	-209,443	3,663,875	\$78.38	\$82.25	\$70.85
Charlestown/ Eastie	2,489,056	268,058	235,989	20.3%	52.6%	20.8%	-78,655	0	\$41.98	-	\$41.98
Near North	5,987,462	672,667	85,728	12.7%	22.3%	6.2%	35,430	592,546	\$26.43	-	\$26.43
Allston/Watertown	5,407,227	280,286	54,209	6.2%	7.9%	5.5%	-36,296	165,496	\$36.09	\$49.91	\$24.02
Fenway/Kenmore	4,996,364	223,971	16,940	4.8%	1.1%	8.0%	0	16,940	-	-	-
Crosstown Corridor	4,737,401	287,012	12,725	6.3%	5.5%	9.0%	9,944	927,822	\$44.54	\$54.30	\$28.25
The Ring	23,617,510	1,731,994	405,591	9.1%	9.1%	9.4%	-69,577	2,323,015	\$35.92	\$51.96	\$28.27
Route 128 North	23,617,215	2,519,166	390,804	12.3%	15.6%	8.7%	265,277	0	\$25.84	\$30.64	\$17.73
Route 128 West	26,525,478	2,836,262	701,631	13.3%	12.5%	15.9%	-691,076	367,491	\$29.75	\$30.44	\$29.06
Route 128 South	14,032,342	1,567,148	209,170	12.7%	13.2%	13.3%	-130,121	466,334	\$22.84	\$23.90	\$21.77
South Shore	8,550,545	799,022	93,113	10.4%	10.5%	10.5%	-107,621	0	\$22.82	\$24.71	\$23.41
128 Belt	72,725,580	7,721,598	1,394,718	12.5%	13.4%	12.5%	-663,541	833,825	\$26.19	\$28.57	\$24.18
Route 495 Northeast	10,786,979	1,884,140	25,716	17.7%	14.2%	23.6%	-198,061	80,000	\$25.22	\$30.22	\$22.09
Route 3 North	14,634,135	2,152,031	388,357	17.4%	23.8%	17.8%	-70,053	186,000	\$19.43	\$19.93	\$18.93
Route 495/Route 2 West	6,072,312	1,139,379	25,327	19.2%	27.4%	16.2%	-109,095	0	\$21.70	\$21.90	\$21.09
Route 495/Mass Pike West	10,946,883	2,314,500	158,879	22.6%	29.9%	16.0%	52,565	0	\$20.43	\$20.58	\$20.28
Framingham/Natick	6,214,662	730,720	84,441	13.1%	13.7%	13.1%	-54,301	0	\$27.94	\$31.44	\$22.00
Route 495 South	8,064,091	421,430	26,535	5.6%	5.4%	7.1%	-26,743	0	\$18.87	\$33.18	\$18.33
495 Belt	56,719,062	8,642,200	709,255	16.5%	21.2%	16.5%	-405,688	266,000	\$21.92	\$25.37	\$20.27
Suburban Boston	153,062,152	18,095,792	2,509,564	13.9%	15.7%	13.5%	-1,138,806	3,422,840	\$26.11	\$30.99	\$23.36
TOTAL	251,305,409	25,125,770	5,074,642	12.3%	11.7%	13.9%	-2,712,372	12,280,128	\$41.74	\$46.80	\$35.66



## 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

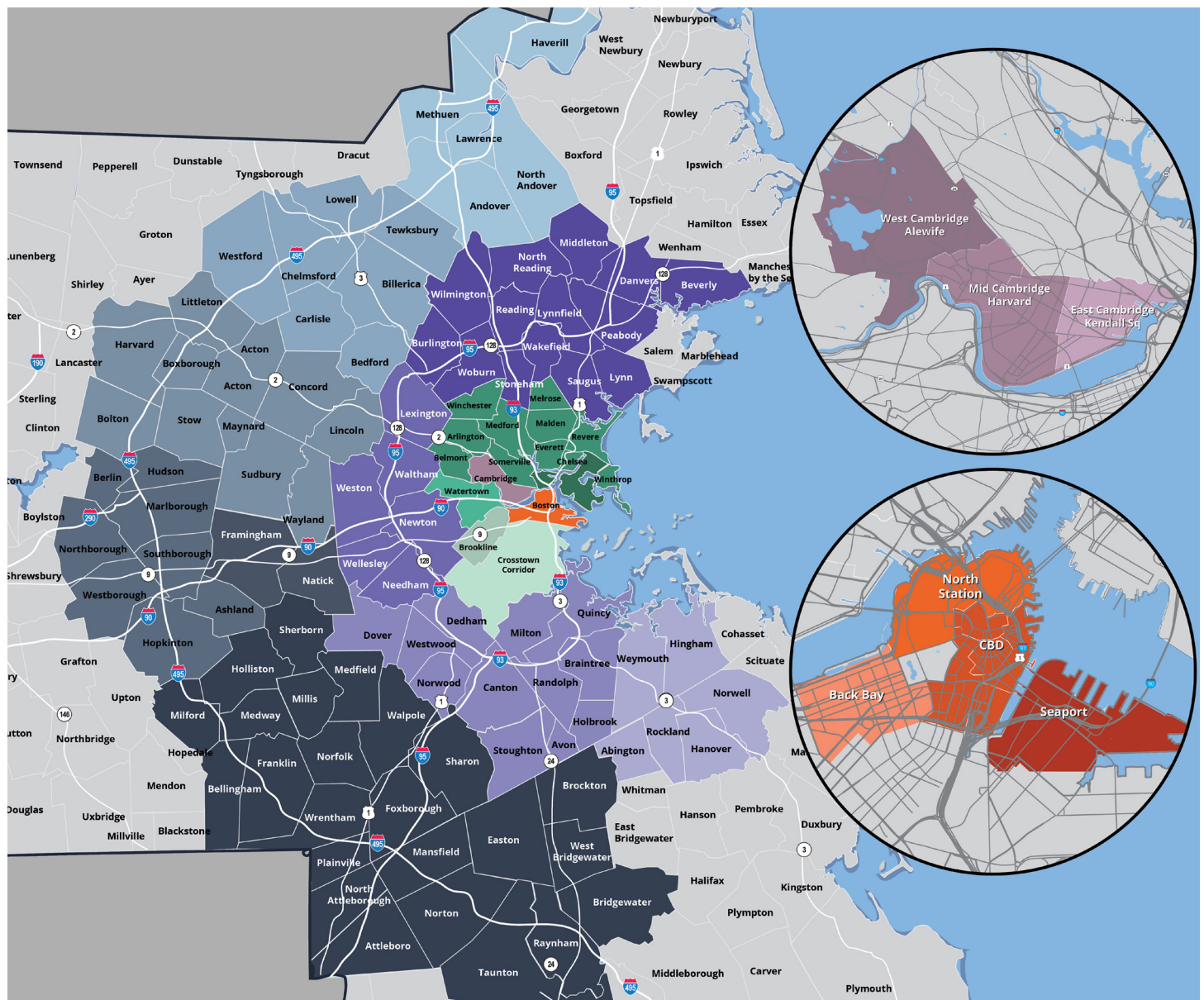
- Charlestown/Eastie
- Near North
- Allston/Watertown
- Fenway/Kenmore
- Crosstown Corridor

#### 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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