

A nighttime photograph of the Boston skyline. The image shows several tall, illuminated skyscrapers and buildings along the waterfront. In the foreground, there is a cobblestone promenade with a street lamp on the left and a body of water on the right. The sky is a deep blue, and the city lights are reflected in the water.

# Greater Boston Office Market Report

Q3 2023

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**AVISON  
YOUNG**

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# Boston office market trends

## -17.5%

### Decrease in leasing velocity

Leasing velocity has dropped 17.5% since Q2 2023. With 937,525 SF signed in Q3, this is almost a 200,000 SF drop since the previous quarter. Moreover, the average term length is also trending downward with most occupiers opting to remain more flexible with a business horizon flush with economic uncertainty.

## 20.6%

### Availability rate posted in Q3

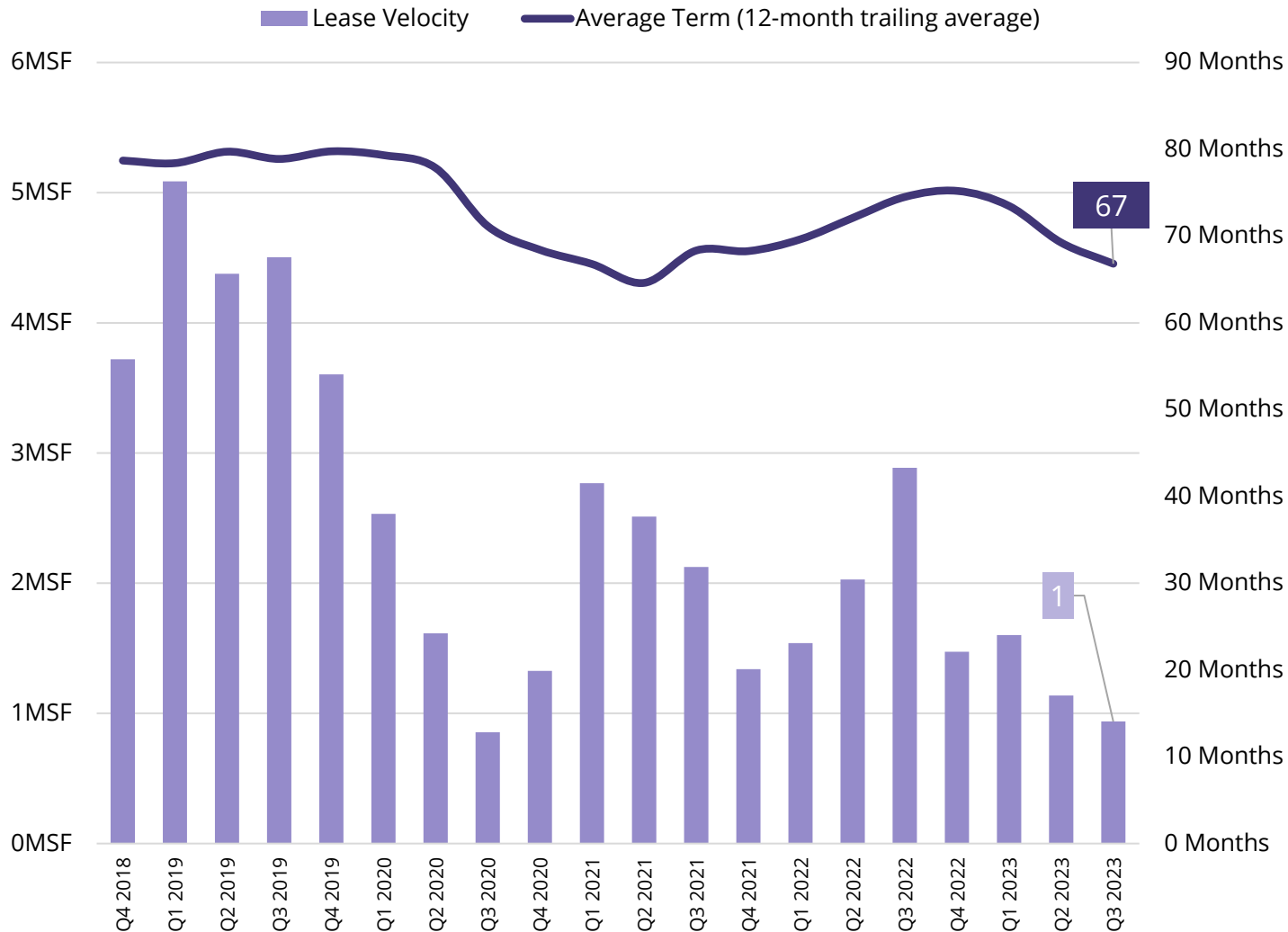
The Greater Boston area has posted its highest availability rate since the Great Recession. Since the onset of the pandemic, upward pressure on availability has mainly been driven by sublease space. Now direct space is influencing the rise in availability. This trend is expected to continue as more sublease listings roll over to direct listings upon sublessor expiration.

## 12 MSF

### Lease expirations in Boston over the next two years

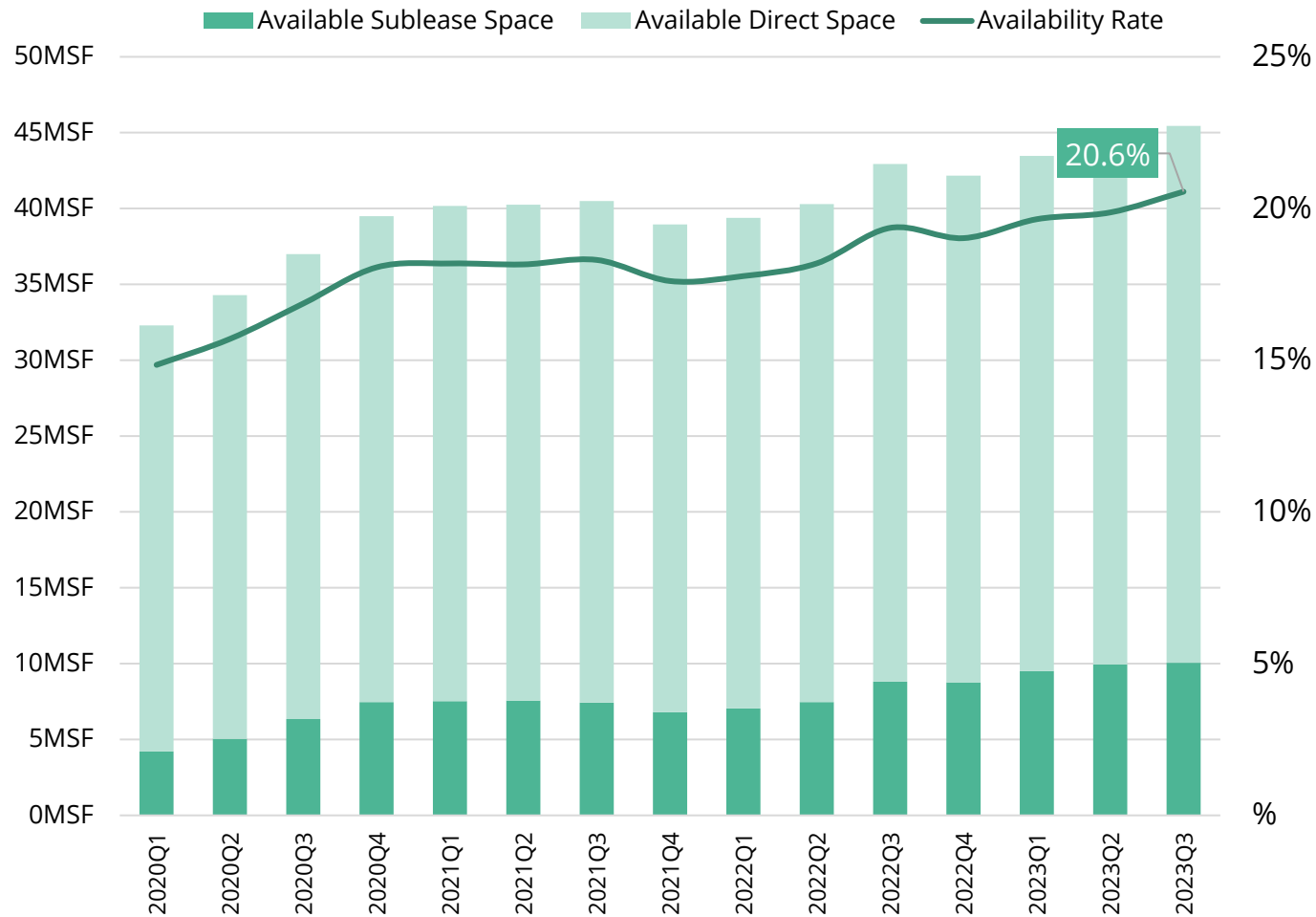
Downtown Boston has approximately 12 million square feet of active leases expiring from 2024 through 2025. With most companies retracting their office footprint upon lease expiration through more efficient workplace strategies, availability is expected to rise further, especially across the class A market where the brunt of expirations are focused.

# Lease velocity vs average term snapshot



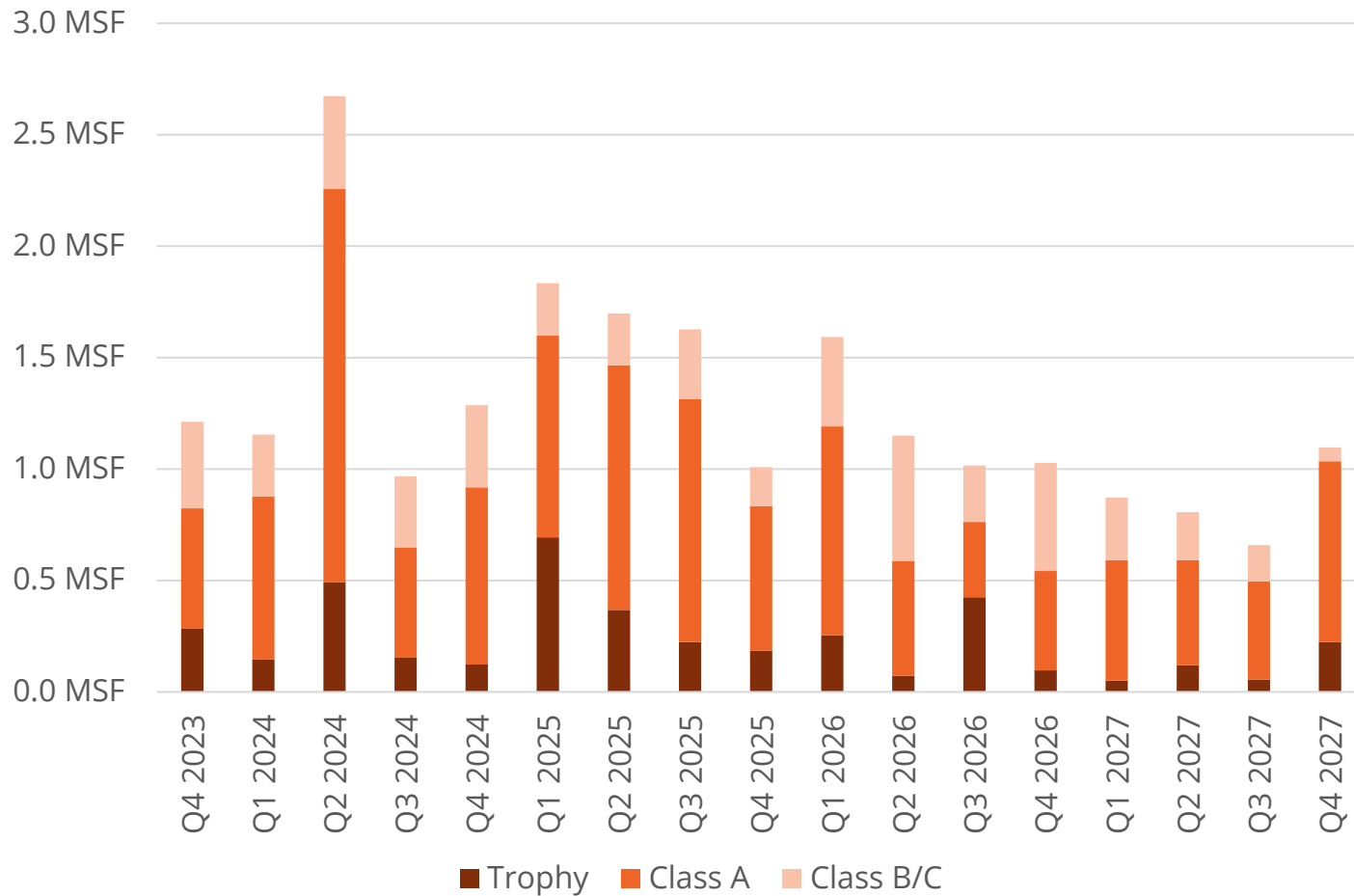
**Leasing velocity has been on a steady decline since the start of 2023 along with the 12-month trailing average lease term.**

# Availability rate continues to surge



**Approximately 45 million SF is available throughout the Greater Boston area, 10 million SF of which is available for sublease.**

# Wave of leases to expire in downtown Boston



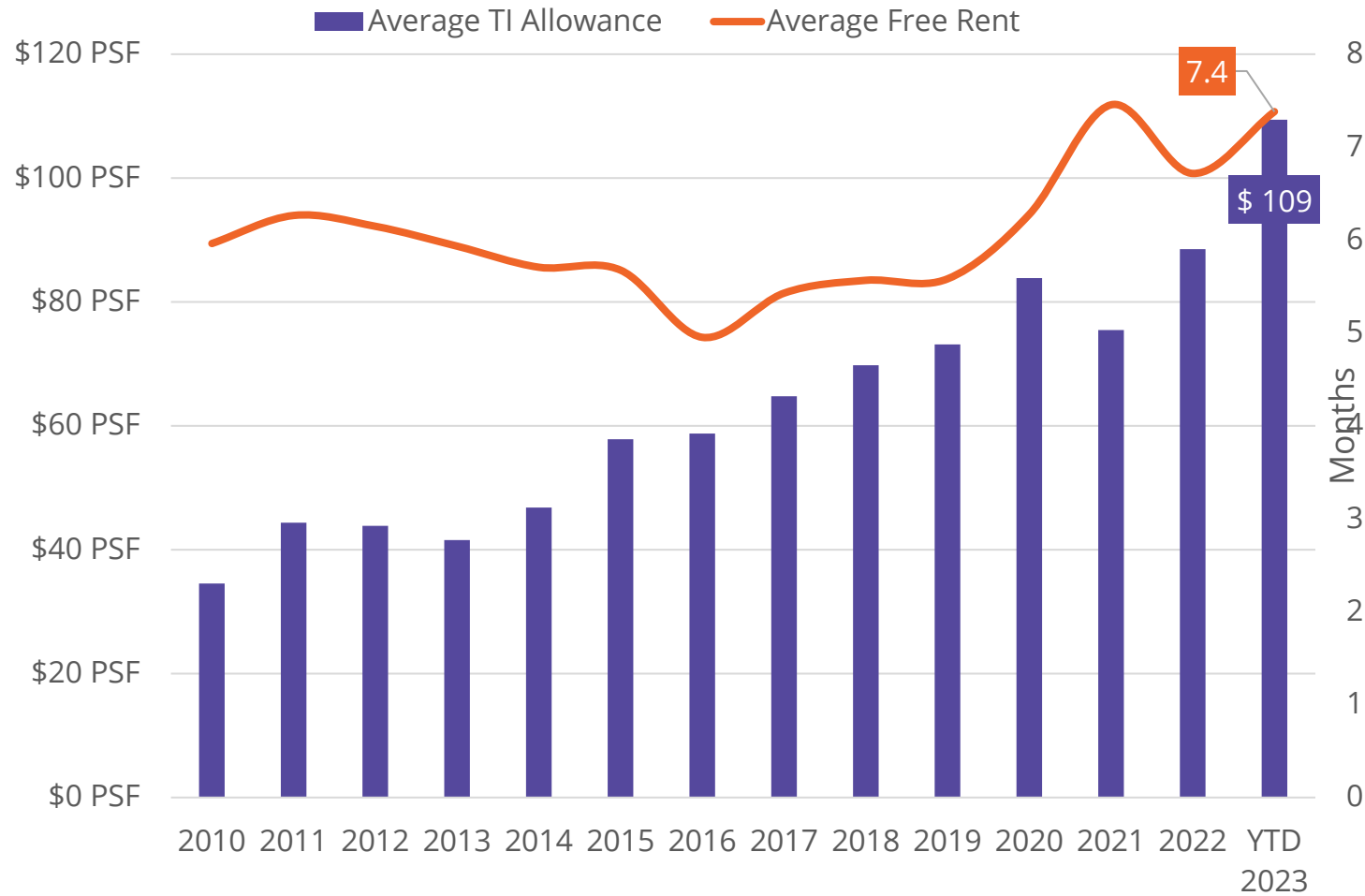
**Over 6 million sf of active leases are set to expire in 2024. 6.1 million sf will expire in 2025. class A properties have the largest amount of exposure.**



# Boston Occupier Trends

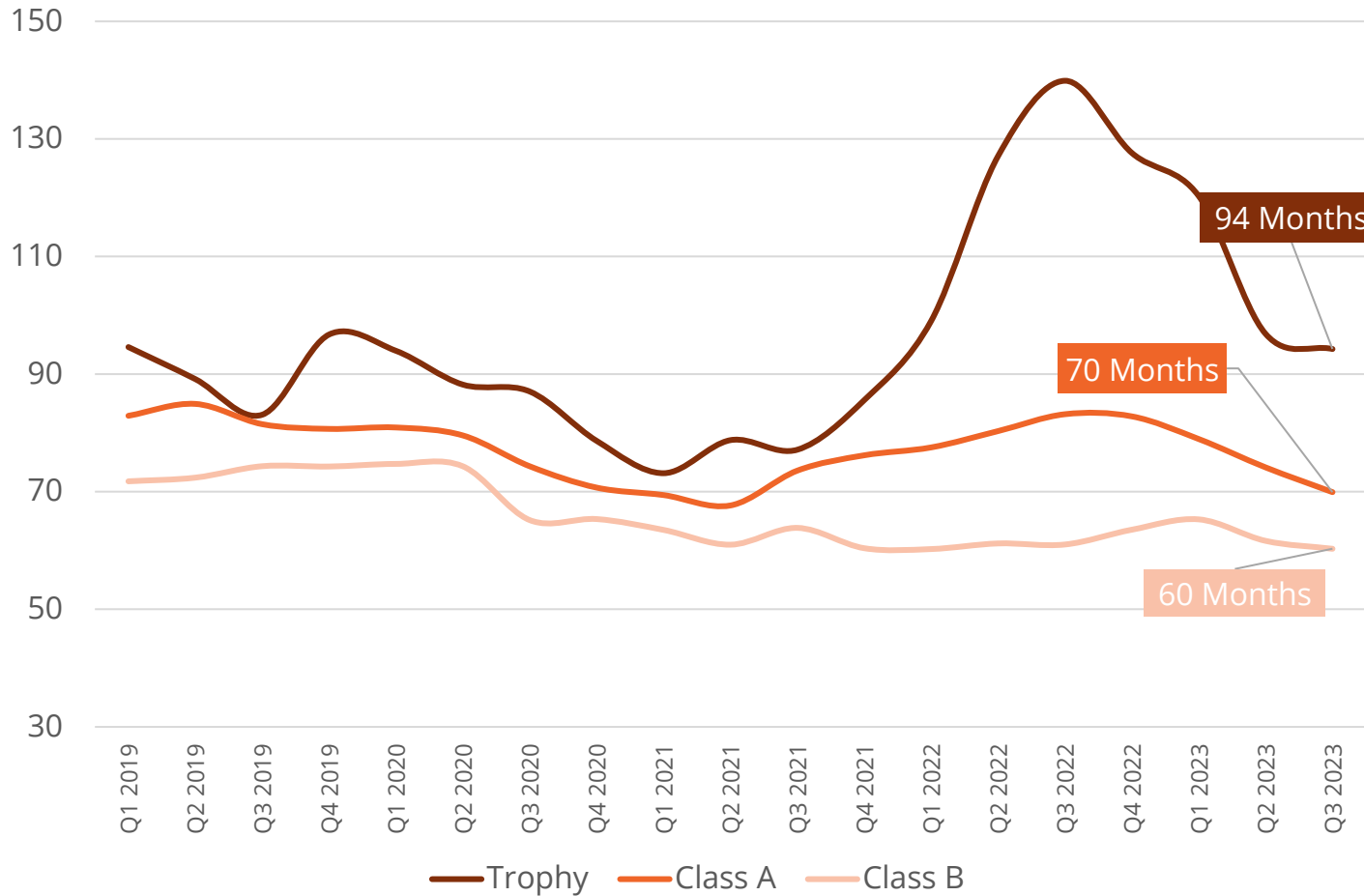


# Urban Boston concessions rise



**Boston's concession packages are on the rise with landlords attempting to mitigate downward pressure on base rents.**

# Average lease term length declines



**Trophy properties continue to post the highest average lease term.**

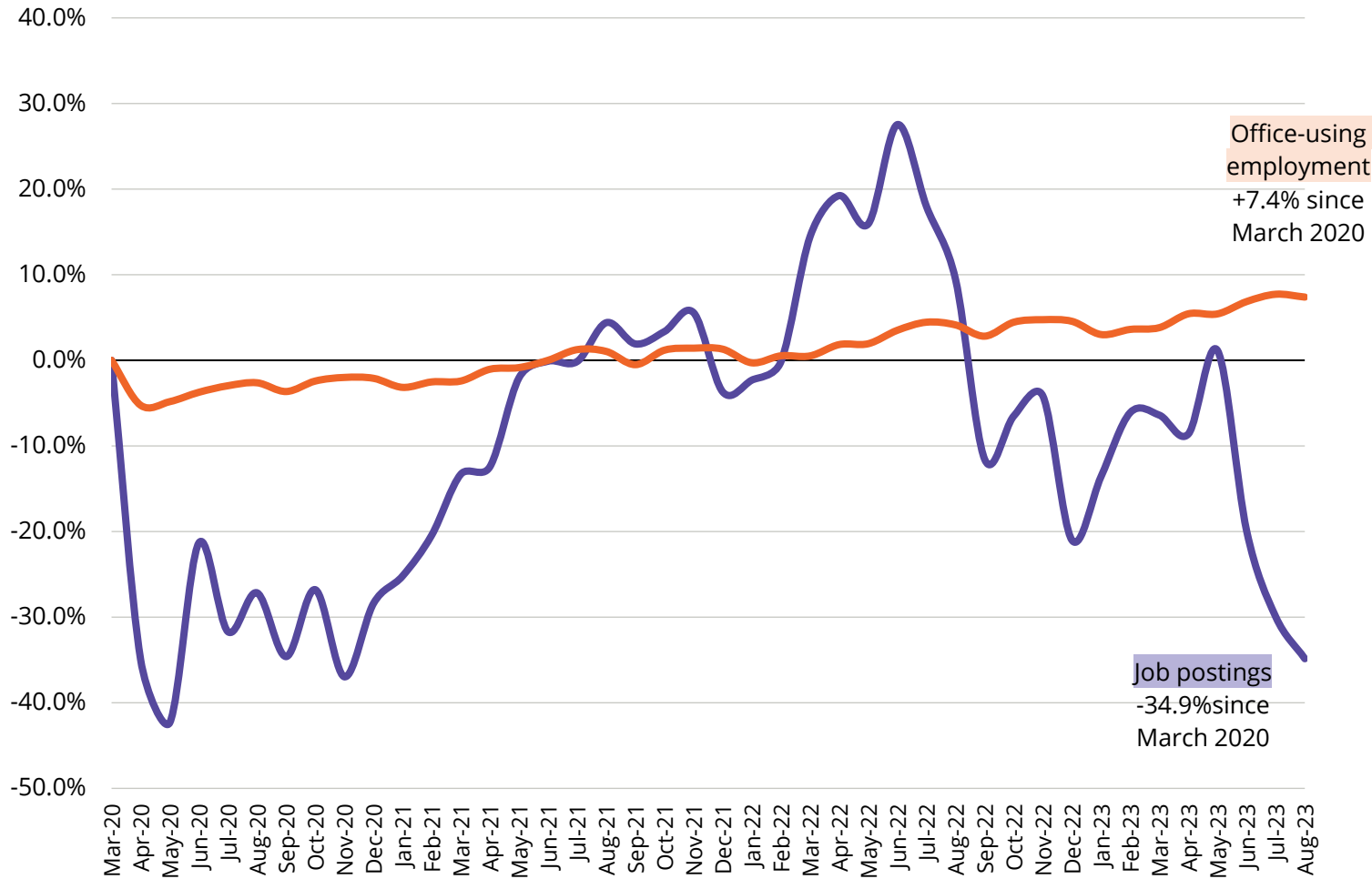


# Portion of class A leasing share declines



**While the class A market remains the largest recipient of leasing activity, it is down compared to the last five years.**

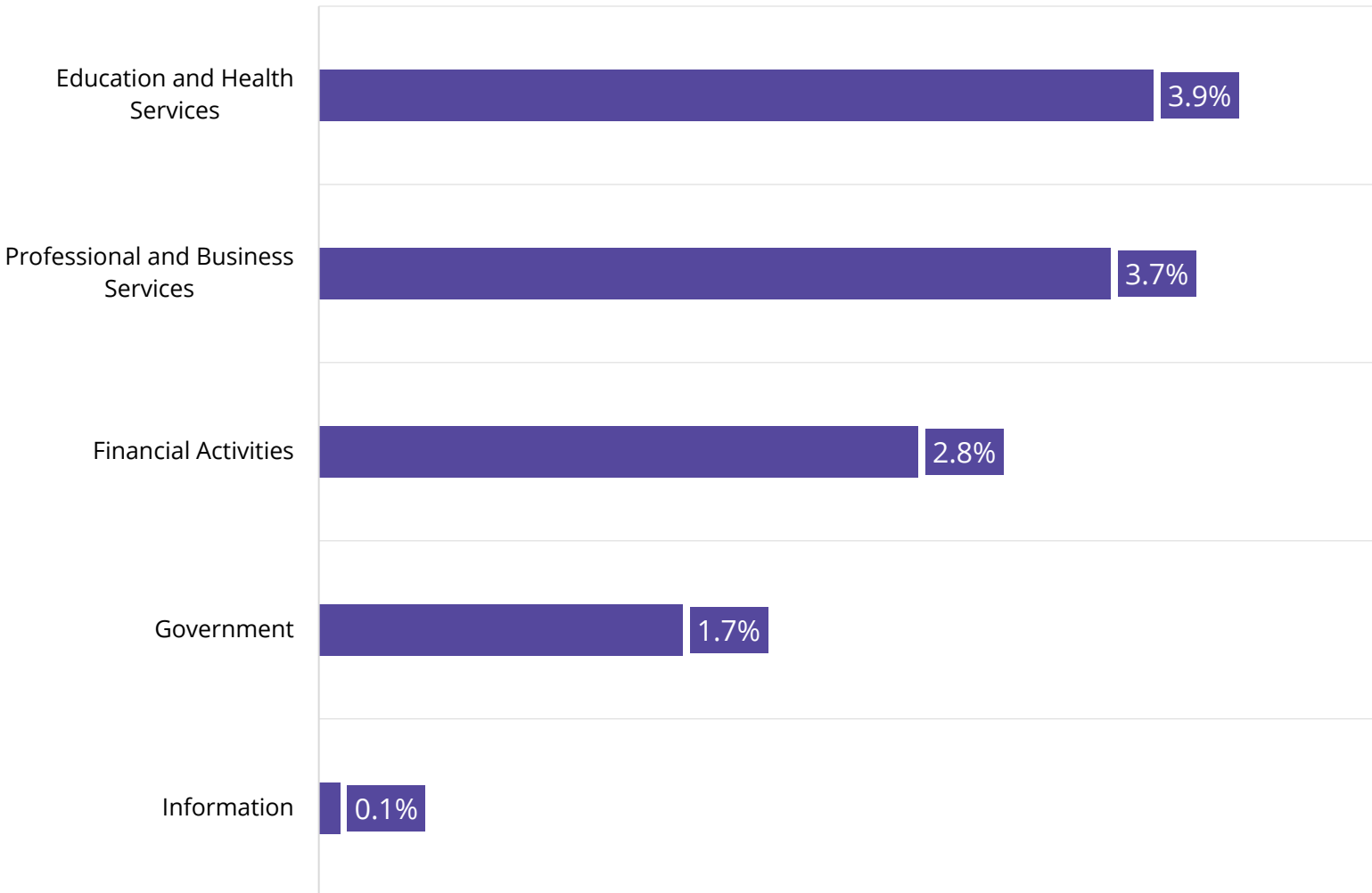
# Office-using employment up, postings down



Employment tied to office usage has steadily rebounded, reaching a historic peak in July 2023 with a notable 7.4% surge since March 2020. In contrast, job postings have undergone a significant reduction over the past two years, declining 34.9% since March 2020.

Source: AVANT by Avison Young, Lightcast, BLS (Boston MSA)  
 Note: information, financial, and profession business sectors are included in office-using employment and job postings

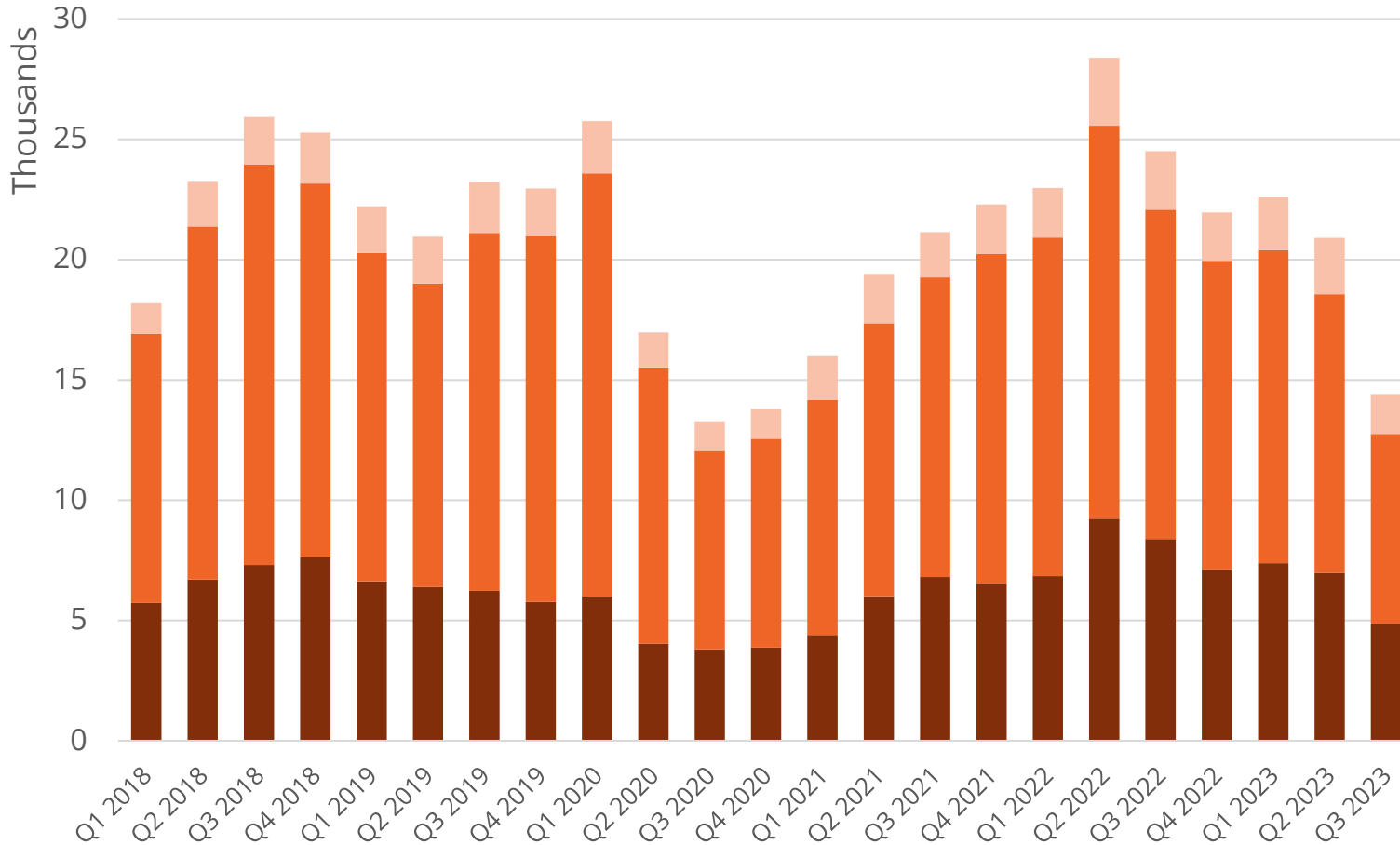
# 12-month change in office-using employment



**Office-using employment increased over the last twelve months across all sectors.**

# Office job postings by occupation

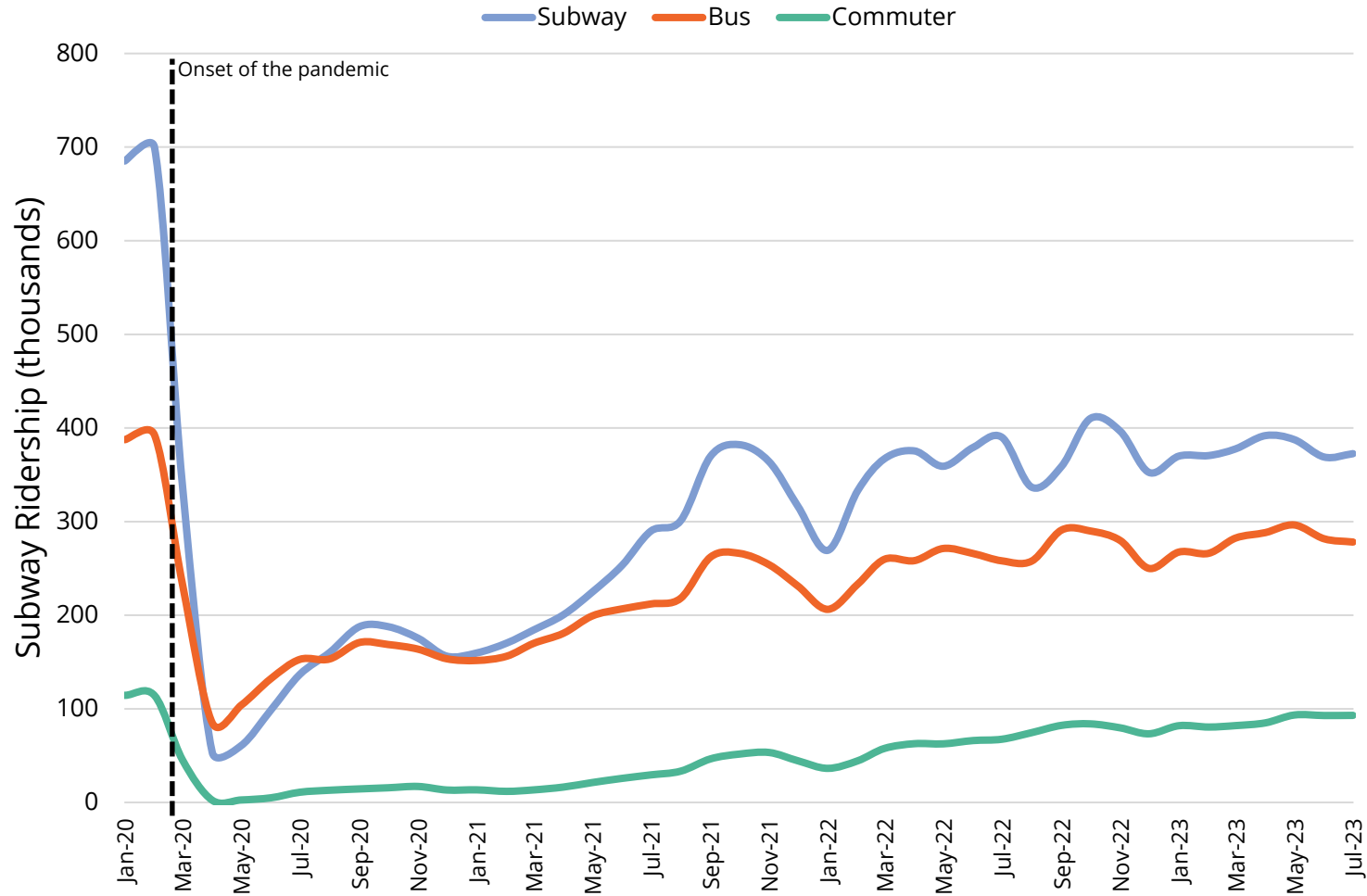
- Engineering, Architecture, Construction & Building Materials
- Consulting, Research, Accounting & Recruiting
- Banking, Finance, Insurance & Real Estate



**Office based job postings have been on the decline throughout 2023. Posting a total of 22.6k jobs throughout Q1, that number shrunk to 14.4k in Q3.**



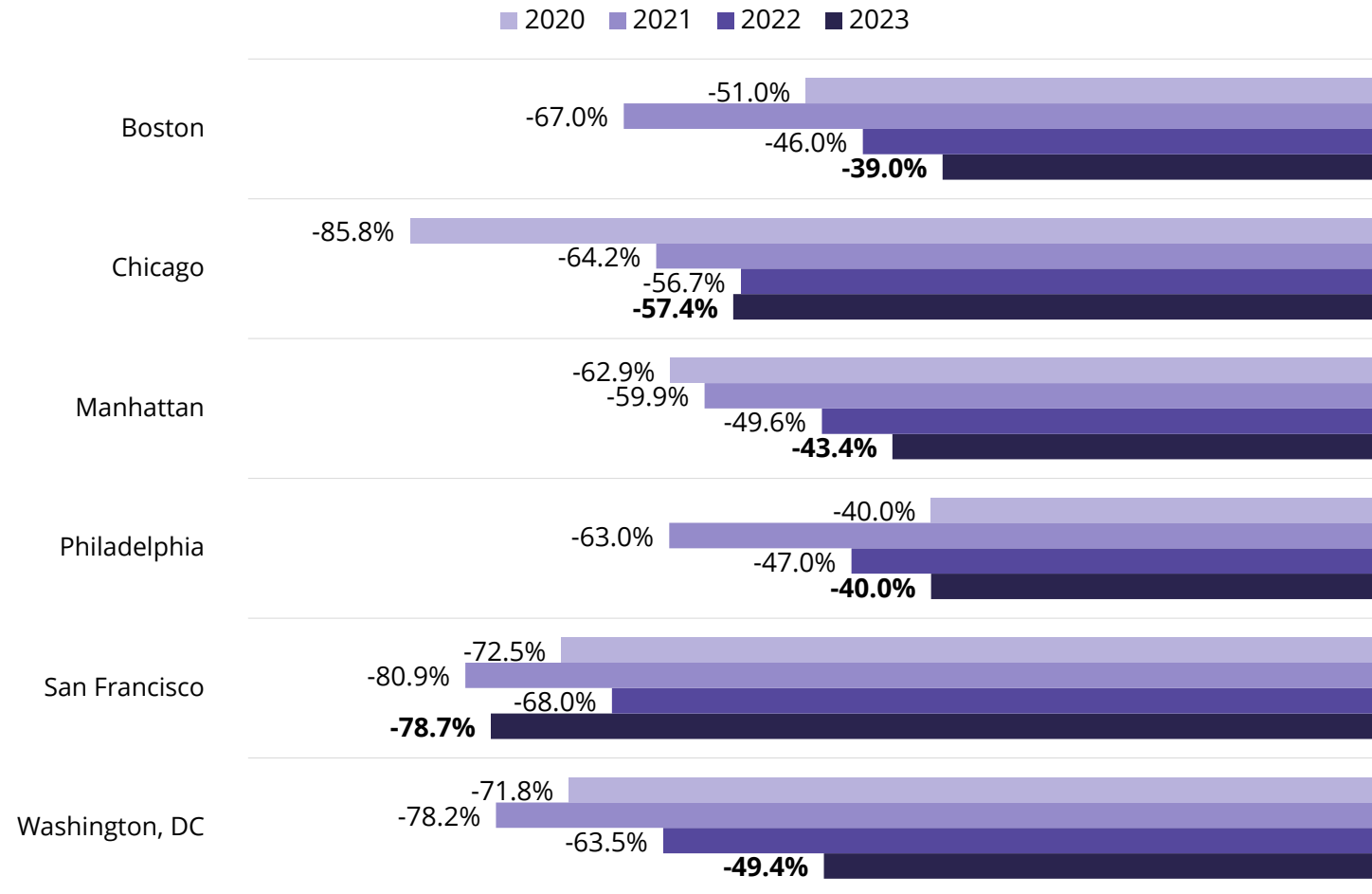
# Public transportation daily ridership



Source: Massachusetts Bay Transportation Authority (MBTA)  
Note: excluded ferry service and The Ride.

As of July 2023, MBTA ridership has recovered by 63% compared to pre-pandemic levels in February 2020. Most notably, the commuter rail and bus ridership levels are 82% and 71%, respectively, of what they were in February 2020. Subway ridership is only 53% of pre-pandemic levels.

# Weekday transit ridership vs. 1H 2019



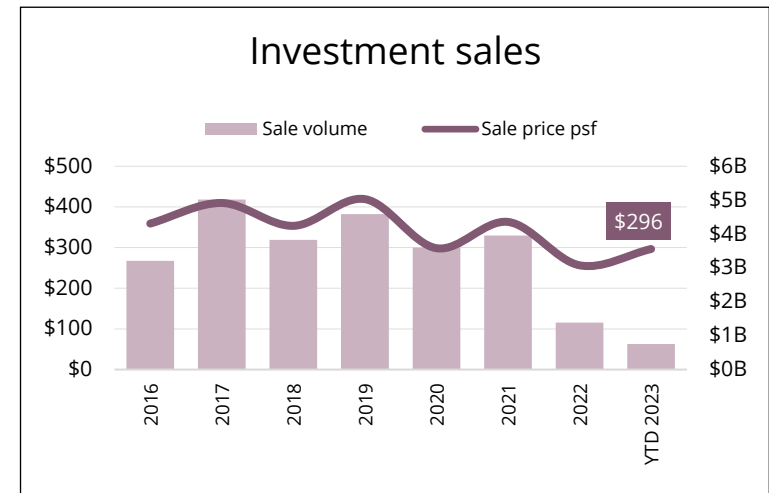
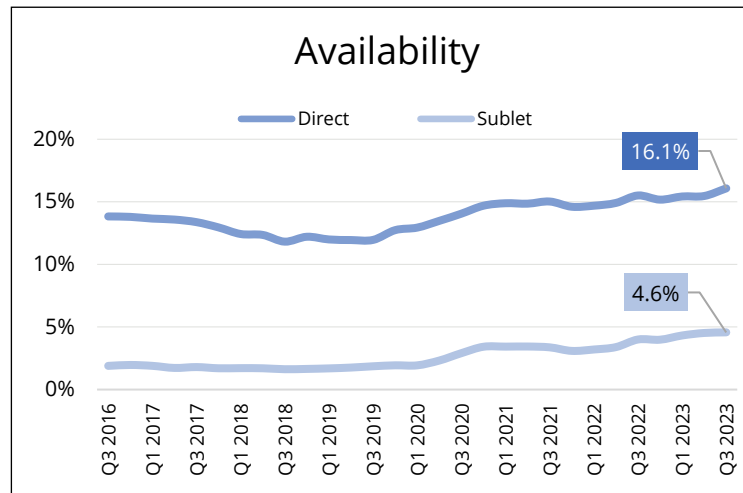
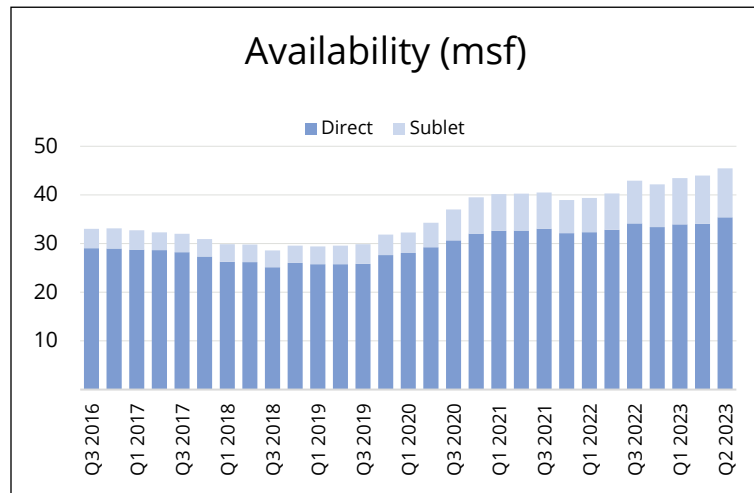
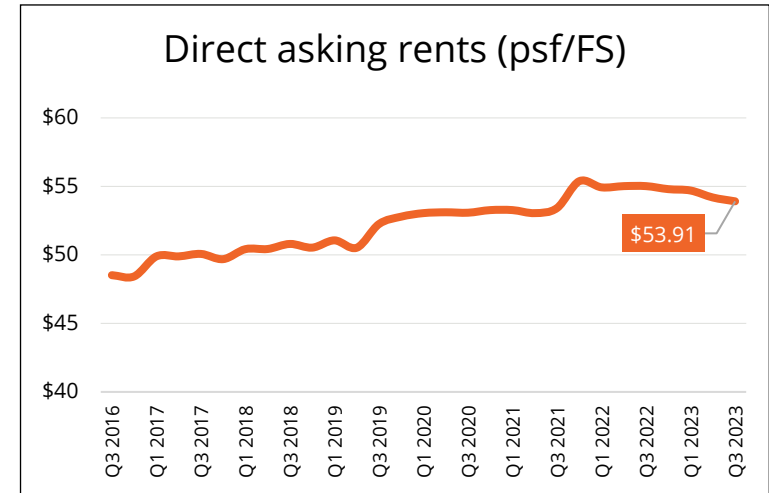
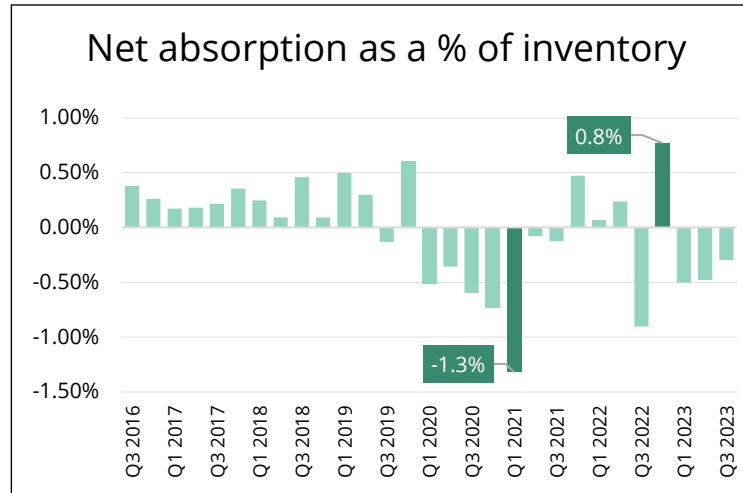
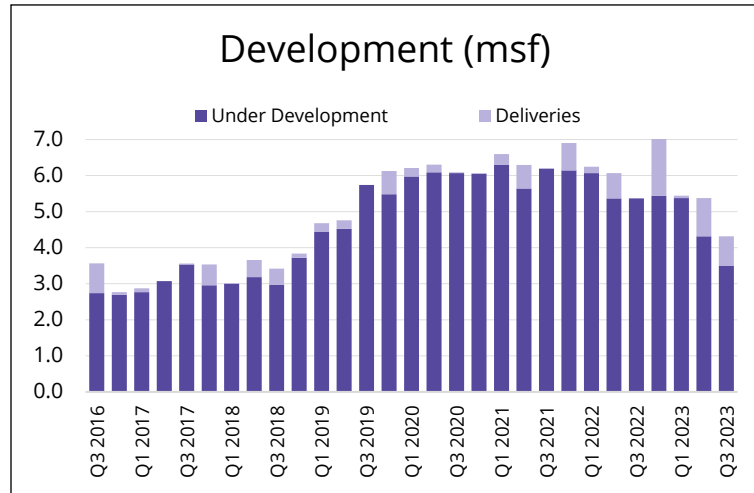
Note: Rail weekday daily ridership only. Chicago data as of Q1 2023.  
Source: MTA, MBTA, CTA, MTC, WMATA, SEPTA

Northeast markets such as Boston, Manhattan, and Philadelphia have seen the largest rebound in mass transit ridership as of 1H 2023 when compared to 1H 2019. San Francisco has been the slowest to recover with ridership down in 2023 compared to 1H 2022.

# Appendix



# Boston office market indicators





# Boston office market activity

## Recent Leasing Activity

Tenant	Address	Submarket	Sign date	Size (sf)	Transaction type	Lease type
MFS Investment Management	111 Huntington Avenue, Boston	Back Bay	09/18/2023	303,000	Renewal	Direct
Lego	1001 Boylston Street, Boston	Back Bay	08/21/2023	134,000	New	Direct
Toast	333 Summer Street, Boston	Seaport	08/07/2023	118,000	New	Sublease
Well Pet	77 S Bedford Street, Burlington	128 North	09/14/2023	27,000	New	Direct

## Recent Sales Activity

Buyer	Address	Sale date	Building size (sf)	Sale price	Sale price psf	Seller
Synergy Boston	1 Liberty Square, Boston	09/11/2023	157,000	\$45,000,000	\$286	Clarion Partners
Radian Group	70 Federal Street, Boston	08/23/2023	157,000	\$41,000,000	\$635	Nuveen
Rhino Capital	50 Minuteman Road, Andover	07/05/2023	173,000	\$34,220,000	\$198	Peakstone Realty Trust

## Notable Development/Deliveries

Name	Address	Submarket	Delivery date	Building size sf	Percent Leased	Developer
Winthrop Center	115 Federal Street, Boston	CBD	Q3 2023	812,000	54%	Millennium Partners
One Congress	1 Congress Street, Boston	CBD	Q2 2023	1,012,000	97%	Carr Properties
South Station Tower	750 Atlantic Avenue	CBD	Q4 2025	1,020,000	0%	Hines
Seaport Square	1 Boston Wharf Road	Seaport	Q4 2024	707,000	100%	WS Development

# 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
<b>Boston Total</b>	<b>77,366,555</b>	<b>3,080,276</b>	<b>16.3%</b>	<b>5.6%</b>	<b>21.9%</b>	<b>1.5%</b>	<b>(1,178,654)</b>	<b>(0.3%)</b>	<b>\$75.10</b>
CBD	46,944,375	1,666,613	18.9%	4.9%	23.8%	0.8%	(184,019)	(0.4%)	\$79.39
BackBay	14,208,536	706,663	11.8%	5.8%	17.5%	0.1%	(144,983)	(1.0%)	\$81.12
Seaport	10,692,374	707,000	12.4%	7.0%	19.3%	2.5%	(570,419)	(5.3%)	\$62.33
North Station	4,093,369	0	17.1%	8.9%	25.9%	9.4%	(213,993)	(5.2%)	\$51.44
Fenway/Kenmore	1,427,901	0	5.2%	5.1%	10.3%	5.6%	(65,240)	(4.6%)	\$37.48
<b>Cambridge Total</b>	<b>12,425,100</b>	<b>422,000</b>	<b>12.2%</b>	<b>5.2%</b>	<b>17.4%</b>	<b>4.1%</b>	<b>(155,032)</b>	<b>(0.3%)</b>	<b>\$76.73</b>
East Cambridge	8,190,733	422,000	13.3%	5.3%	18.6%	3.5%	(132,370)	(1.6%)	\$90.37
Central Cambridge	2,467,958	0	13.3%	3.5%	16.8%	4.7%	(36,335)	(1.5%)	\$58.46
West Cambridge	1,766,409	0	5.3%	7.0%	12.3%	6.2%	13,673	0.8%	\$39.00
<b>Inner Suburbs</b>	<b>16,433,242</b>	<b>0</b>	<b>11.9%</b>	<b>3.6%</b>	<b>15.5%</b>	<b>2.6%</b>	<b>(217,960)</b>	<b>(1.3%)</b>	<b>\$52.56</b>
Near North	8,033,235	0	18.6%	4.3%	22.9%	4.7%	(239,382)	(3.0%)	\$60.92
Brookline/Watertown	4,099,048	0	7.0%	4.0%	11.1%	0.8%	(8,886)	(0.2%)	\$36.18
Crosstown Corridor	3,994,489	0	3.3%	1.9%	5.2%	(0.3%)	31,167	0.8%	**
Southie	306,470	0	12.3%	0.0%	12.3%	4.7%	(859)	(0.3%)	**
<b>128 Belt</b>	<b>56,378,242</b>	<b>0</b>	<b>14.8%</b>	<b>5.5%</b>	<b>20.2%</b>	<b>1.6%</b>	<b>(1,592,390)</b>	<b>(2.8%)</b>	<b>\$24.40</b>
128 North	19,702,886	0	15.8%	4.2%	20.0%	1.8%	(667,895)	(3.4%)	\$27.74
128 West	21,857,986	0	12.3%	7.7%	19.8%	2.7%	(429,337)	(2.0%)	\$20.25
128 South	12,612,503	0	18.5%	4.3%	22.8%	0.9%	(493,564)	(3.9%)	\$25.48
South Shore	2,204,867	0	8.8%	1.9%	10.6%	(1.6%)	(1,594)	(0.1%)	\$29.54
<b>495 Belt</b>	<b>53,741,350</b>	<b>0</b>	<b>19.5%</b>	<b>2.3%</b>	<b>21.5%</b>	<b>(.5%)</b>	<b>376,361</b>	<b>0.7%</b>	<b>\$23.73</b>
495 Northeast	11,087,667	0	17.4%	2.3%	19.7%	(2.3%)	84,455	0.8%	\$23.91
Route 3 North	15,420,170	0	21.4%	4.4%	24.6%	2.4%	337,921	2.2%	\$28.11
Route 2 West	6,402,832	0	21.0%	0.7%	21.6%	(6.7%)	199,709	3.1%	\$24.24
495 Mass Pike West	10,021,305	0	21.2%	2.1%	23.4%	(1.5%)	(285,461)	(2.8%)	\$20.25
Framingham/Natick	4,593,331	0	26.2%	1.2%	27.4%	7.1%	(1,566)	(0.0%)	\$20.77
495 South	6,216,045	0	9.1%	0.1%	9.3%	(2.4%)	41,303	0.7%	\$19.79
<b>Greater Boston Total</b>	<b>216,344,489</b>	<b>3,502,276</b>	<b>16.1%</b>	<b>4.6%</b>	<b>20.6%</b>	<b>1.2%</b>	<b>-2,767,675</b>	<b>(1.3%)</b>	<b>\$53.91</b>

\*Boston office market stats do not include East Boston

# Boston office market stats by class

	Existing inventory sf	Deliveries sf (YTD)	Under development sf	Direct availability	Sublet availability	Total availability	Net absorption sf (YTD)	Net absorption % of inventory (YTD)	Annual direct asking rent psf FS
Trophy	11,583,302	1,824,000	1,020,000	16.4%	4.8%	21.2%	446,229	3.9%	\$105.43
Class A	95,696,880	73,396	2,482,276	17.3%	6.7%	24.0%	(2,142,787)	(2.2%)	\$61.50
Class B	87,879,086	43,500	0	17.0%	3.2%	19.9%	(1,052,172)	(1.2%)	\$31.06
Class C	21,185,221	0	0	6.6%	0.5%	7.1%	(18,945)	(0.1%)	\$30.23
<b>Market total</b>	<b>216,344,489</b>	<b>1,940,896</b>	<b>3,502,276</b>	<b>16.1%</b>	<b>4.6%</b>	<b>20.6%</b>	<b>(2,767,675)</b>	<b>(1.3%)</b>	<b>53.91</b>



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# 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



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