



Greater Boston office market report

Q1 2023

**AVISON
YOUNG**

Greater Boston office market trends

-900k sf

in net absorption registered this quarter

Greater Boston started the year with a loss in occupancy on a net basis, equating to 0.36% of existing inventory. Notable subleases from tech companies like Verizon, Akamai, Salesforce, and Bose were the leading contributors towards negative absorption. However, tech companies such as Intel and Workhuman also accounted for some of the largest drivers of positive absorption.

5.4 msf

in construction projects are currently underway

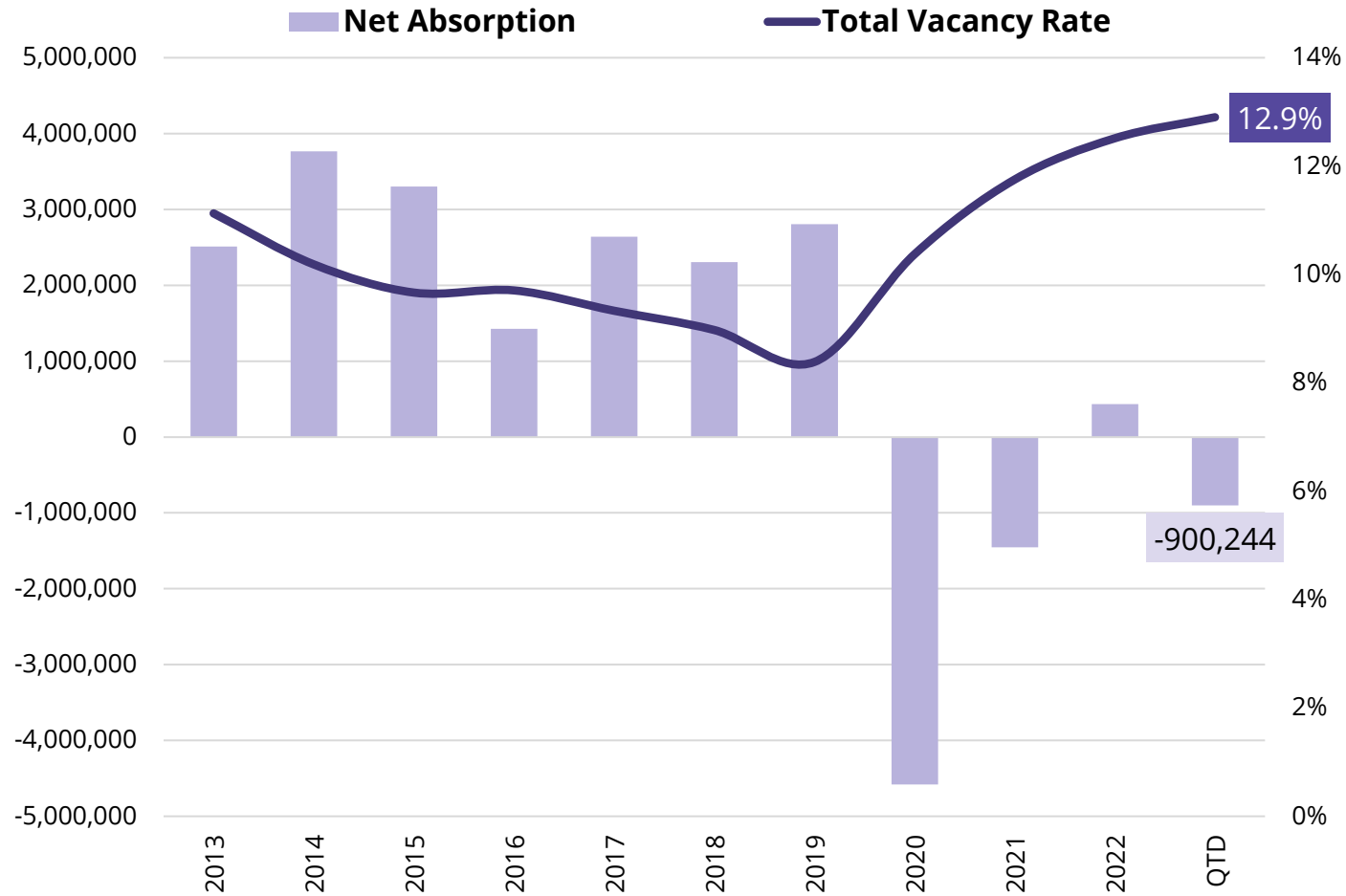
Approximately 5.4 msf of ground-up construction is underway, of which 45% is preleased. Most of the new supply is concentrated in Boston's CBD across several new office towers – Winthrop Center, One Congress, and the South Station Tower components. Across Fort Point, Amazon's second Seaport office is underway. While over in the Back Bay and Fenway, two mid-rise buildings are underway which will host Bain & Co, and CarGurus respectively.

\$50 psf

Average asking rents start to slide, driven by suburbs.

Average asking rents fell slightly to \$49.85 psf which was mainly driven by further softening in Class B asking rents across Greater Boston. While the suburbs witnessed a larger decrease in asking rents, dropping 350 basis points from last quarter to \$27.40, the urban markets held relatively steady. Boston and Cambridge rents only decreased by 120 basis points to \$64.90 in thanks to urban-based Trophy and Class A assets seeing the brunt of demand this quarter.

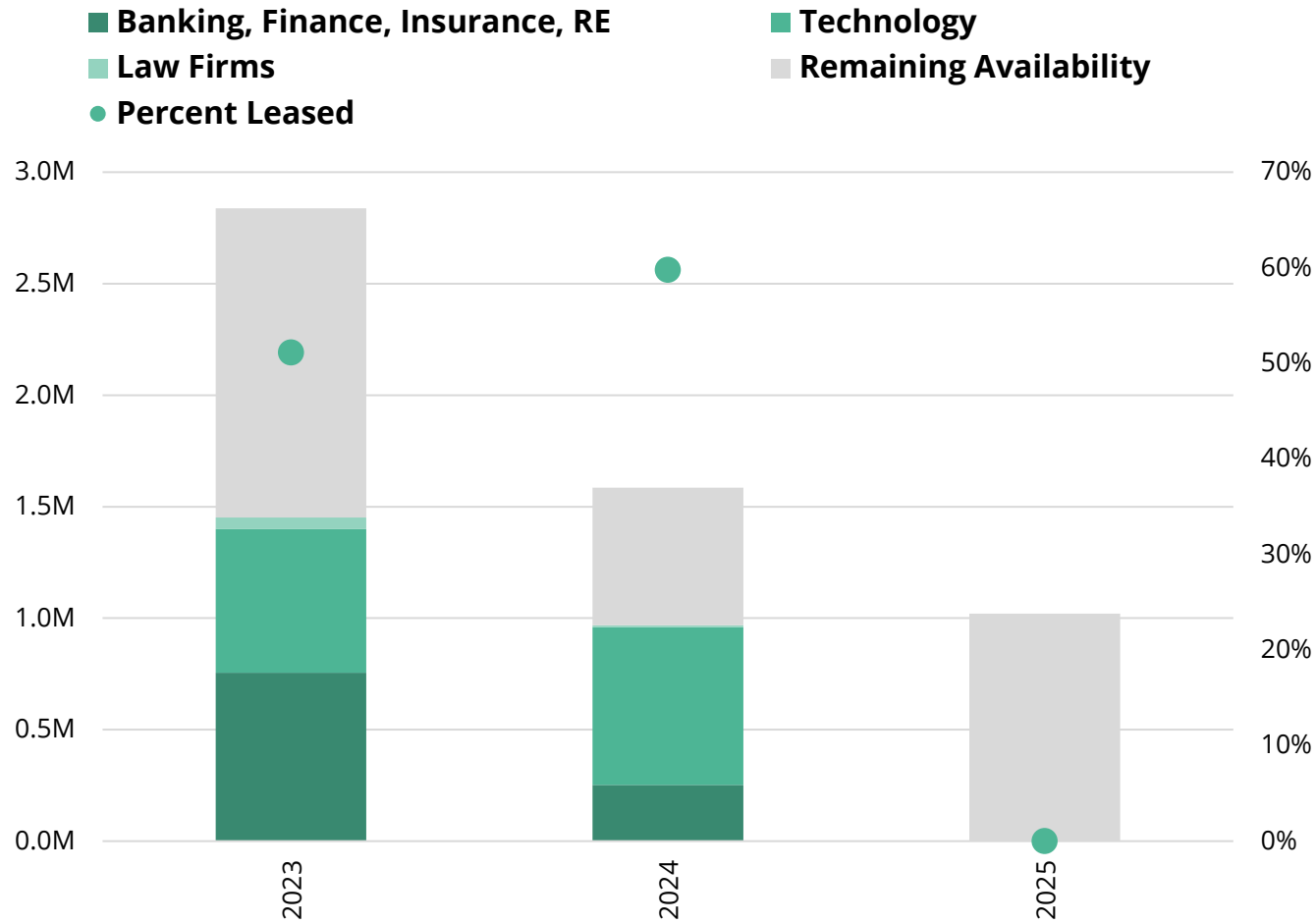
Greater Boston occupancy performance



Source: AVANT by Avison Young, CoStar

Vacancy continues to trend upwards from a market-low in 2019 with fully-leased building deliveries expected to help offset negative net absorption next quarter.

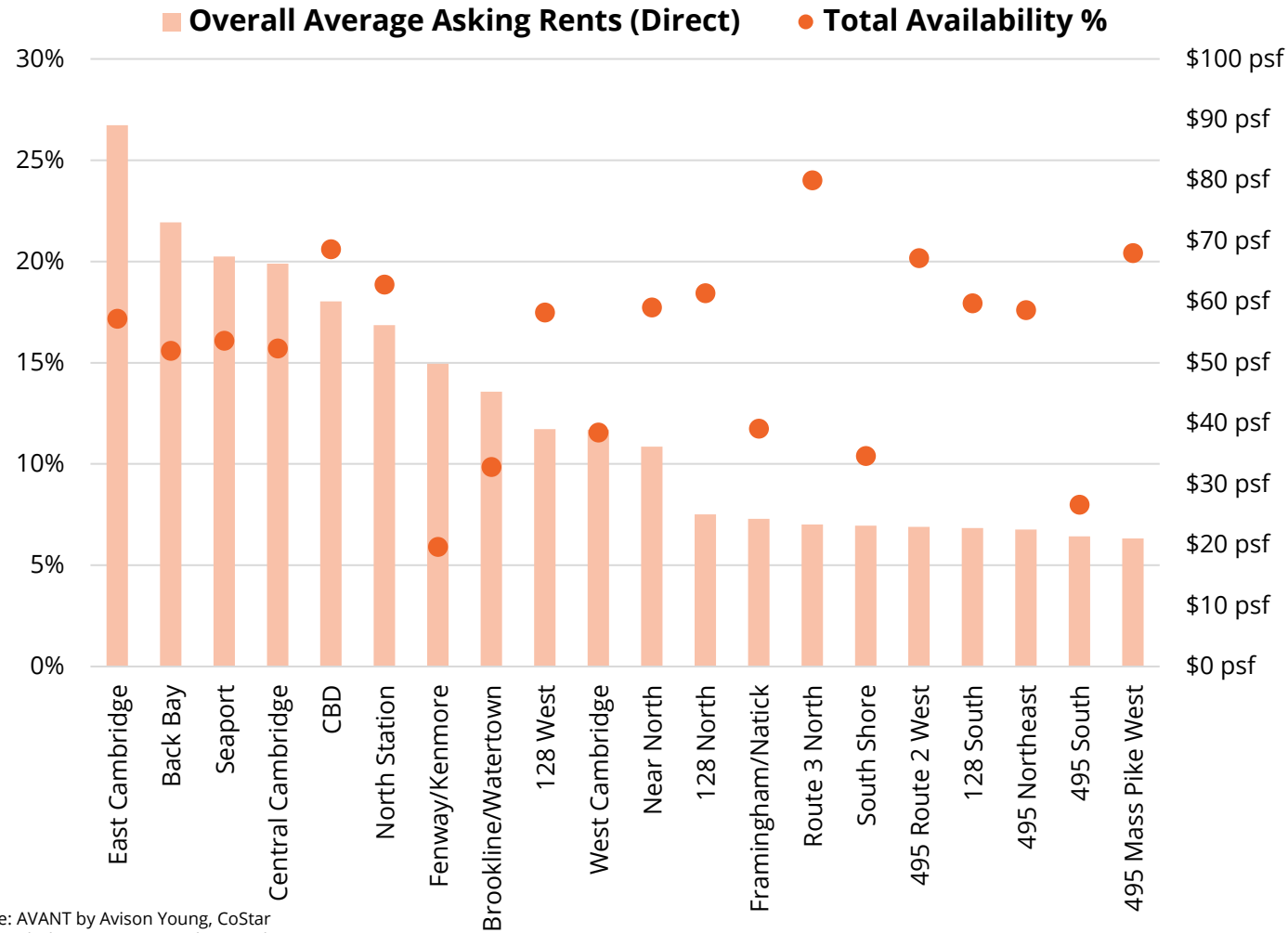
Ground up construction preleasing



Source: AVANT by Avison Young, CoStar
Note: only includes projects under construction. 1 PO square is excluded

Technology and finance-based occupiers have driven preleasing activity across 5.4 msf of ground up office construction.

Average Asking Rent by Submarket



Source: AVANT by Avison Young, CoStar
 Note: excludes Crossing Corridor, Southie, East Boston

East Cambridge remains one of the most expensive submarkets in the U.S. with average asking rents for Class A space breaching \$95 psf.

Greater Boston office market report

Adjacent Market Metrics

Employment
Funding
Job Postings



Greater Boston office market trends

3.6%

Boston metro unemployment rate increased in January

Latest numbers from the Bureau of Labor Statistics show an increase in the unemployment rate from 2.9% in December with a preliminary report for February registering at 3.7%. Information, manufacturing, and government-based employment saw the largest decreases in total employment.

\$5 billion

in private equity and venture capital was raised this quarter

Companies headquartered throughout Greater Boston, only received \$4.9 billion in capital injections this quarter across 150 deals, a precipitous drop from Q1 of last year. Despite being on pace to meet the 10-year annual average, this is a significant drop from previous years where funding exceeded \$40 billion in 2021 and 2022.

14.2%

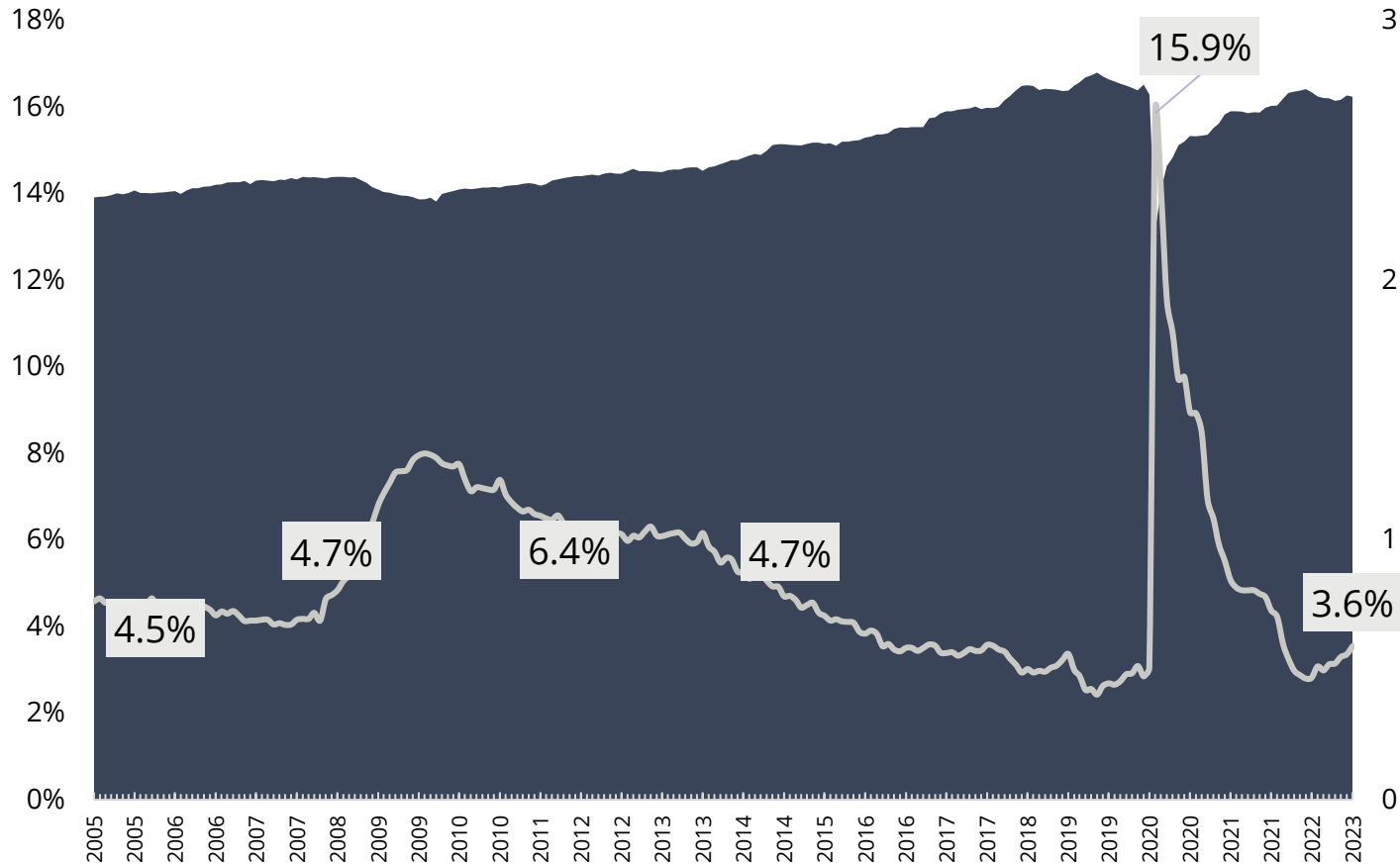
of job positions in office using sectors are remote roles

Down from a high of 16% in 2021, job postings for remote roles as a share of total job postings, has decreased to 14.2% this quarter. While it is still early in the year, first quarter data suggests job postings in office using sectors will decline along with advertised remote roles.

Employment Trends

Unemployment %

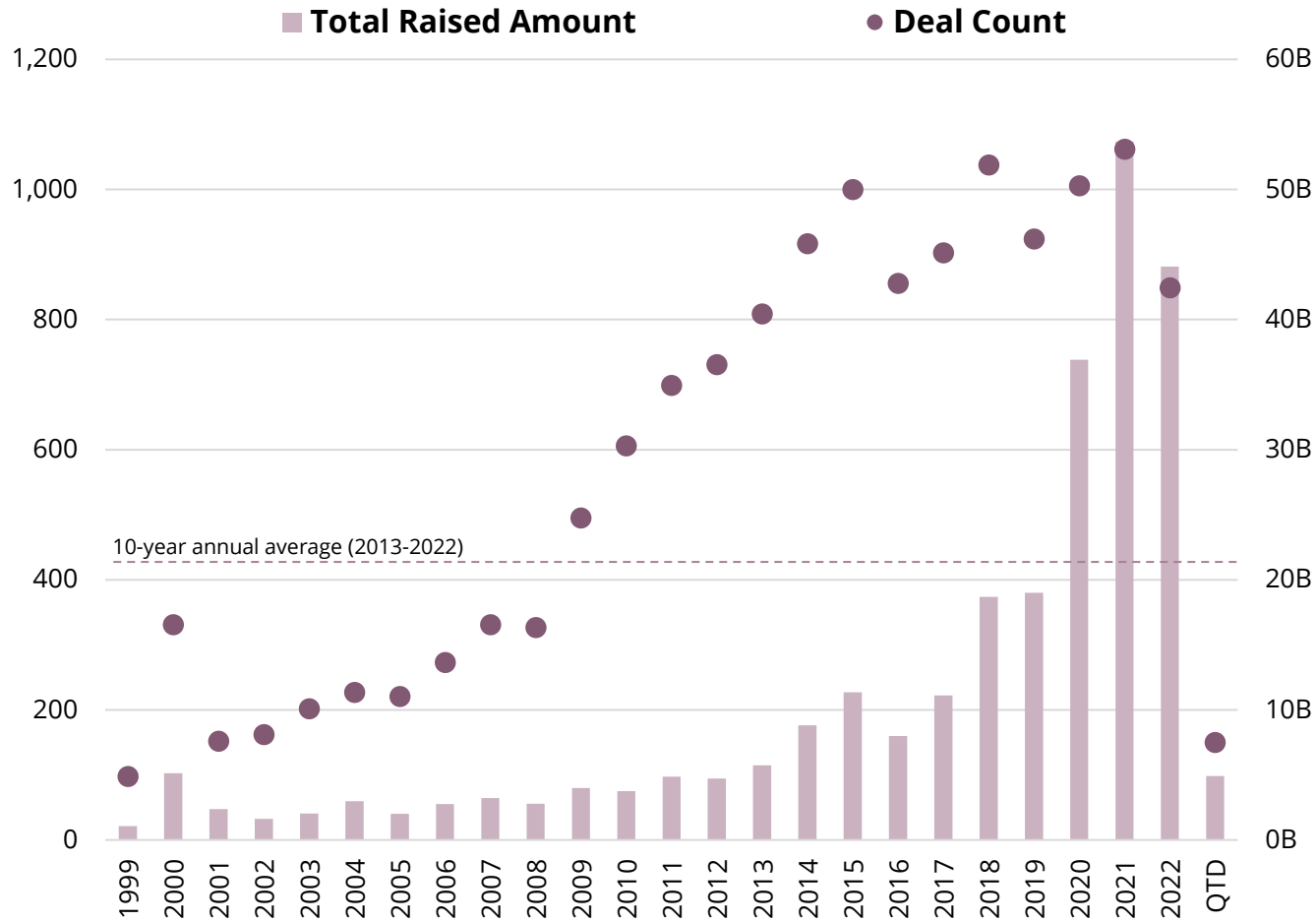
Employment (millions)



Source: AVANT by Avison Young, Bureau of Labor Statistics
MSA: Boston-Cambridge-Quincy, MA-NH

Despite a slight rise in total employment, the unemployment rate rose to 3.6% in January 2023. Preliminary reports for February suggest unemployment is expected to grow.

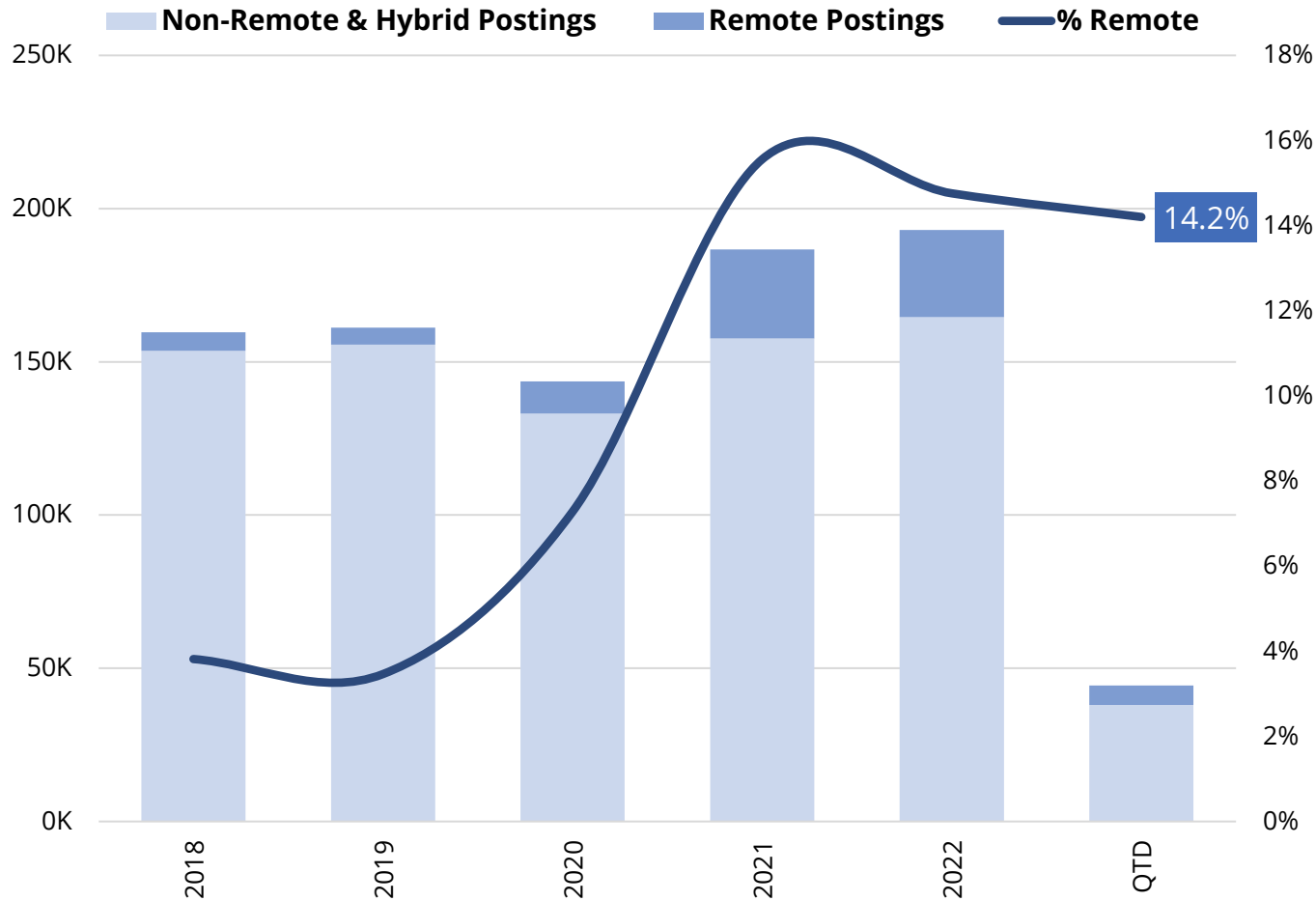
VC/PE funding and deal frequency slows



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

Funding has mainly been concentrated into the technology and life science sectors with a noticeable increase into AI-based platforms for both sectors.

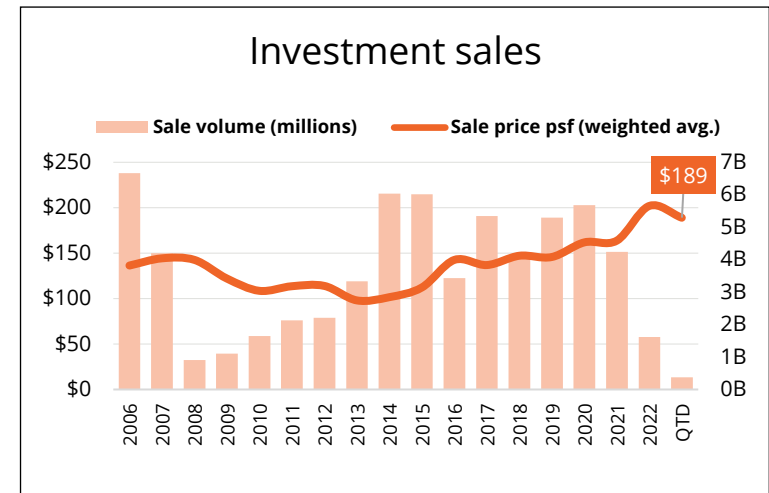
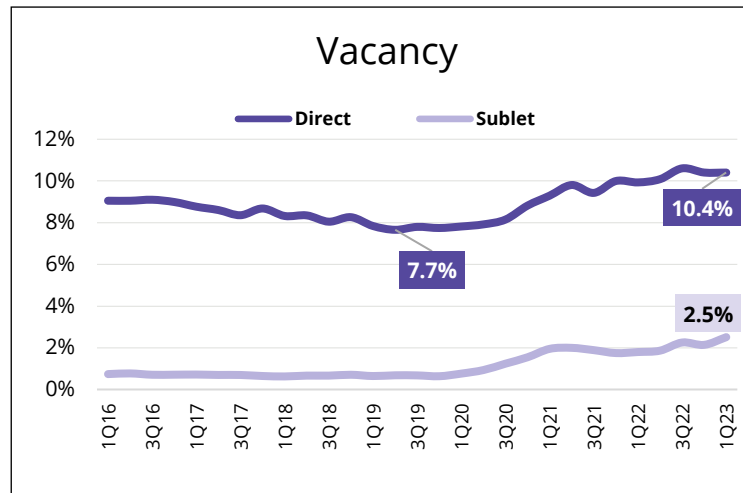
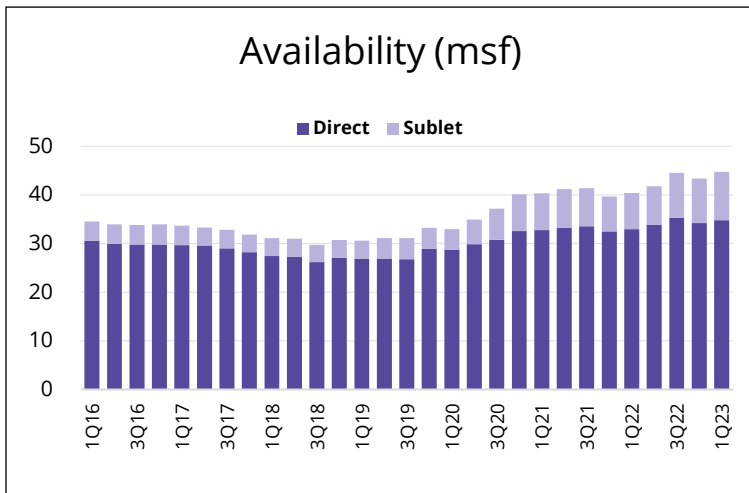
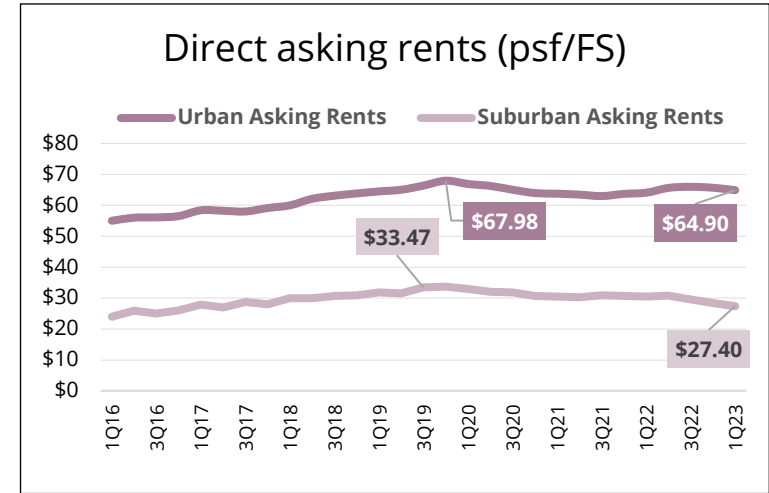
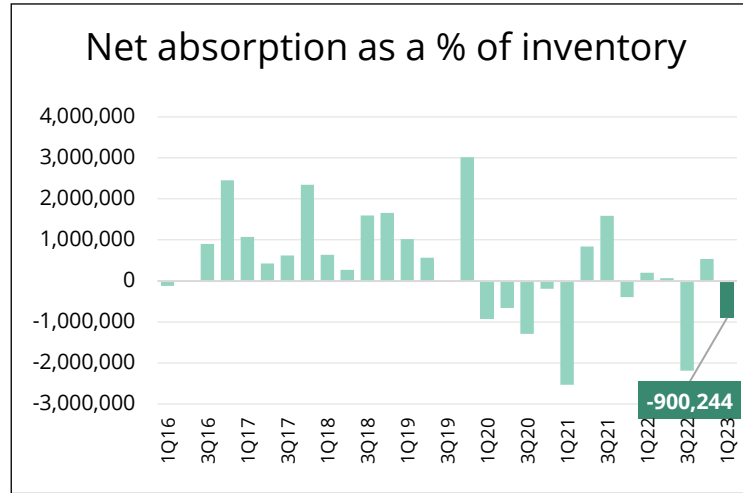
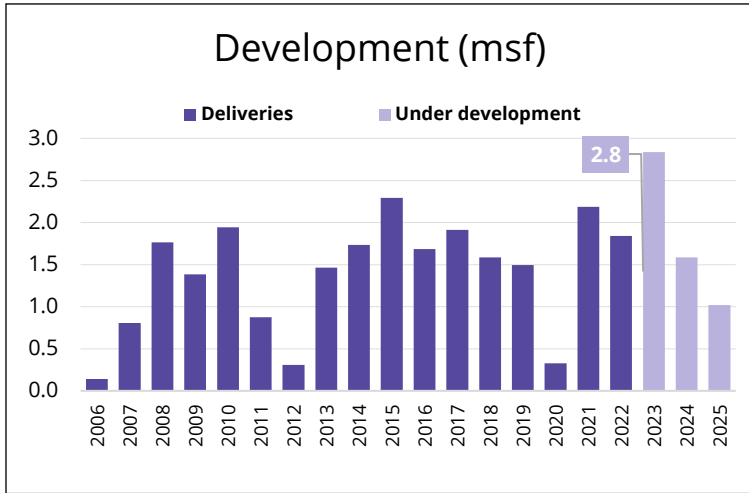
Share of remote job postings declines



Source: AVANT by Avison Young, EMSI
Note: full-time employment only (32+ hours), sectors include finance, insurance, information, professional, scientific, and technical services

Remote job postings continue to decrease due to right-sizing efforts and increasing workplace utilization with more companies returning to the office quarter-over-quarter.

Greater Boston office market indicators



Greater Boston Office Activity

Recent lease activity

Occupier Name	Industry	Address	Submarket	Size (sf) *	Deal Type	Lease Type
Goulston & Storrs	Banking, Finance, Insurance, Real Estate	One Post Office Sq, Boston	CBD	104,000	New	Direct
Berkshire Hathaway	Banking, Finance, Insurance, Real Estate	100 Federal St, Boston	CBD	81,000	New	Direct
University of Massachusetts	Education	50 Washington St, Westborough	495 Mass Pike West	70,000	New	Direct
White & Case	Law Firms	75 State St, Boston	CBD	45,000	Renewal	Direct
MassPRIM	Banking, Finance, Insurance, Real Estate	53 State St, Boston	CBD	33,000	New	Direct
RSA Security	Technology	25 Industrial Ave, Chelmsford	Route 3 North	29,000	New	Direct

*sf rounded to the nearest thousandth

Notable sales activity

Buyer(s)	Address	Sale date	Sale price*	Sale psf	Leased at Sale	Buyer Type	Seller(s)
Trustees of Boston University	11-19 Deerfield St, Boston	Feb-23	\$56,000,000	\$798	100%	Local User	The Related Companies
Samuels & Associates	25 Research Dr, Westborough	Jan-23	\$32,000,000	\$114	0%	Private	Broadstone Real Estate

*sale price is rounded to the nearest thousandth

Notable development

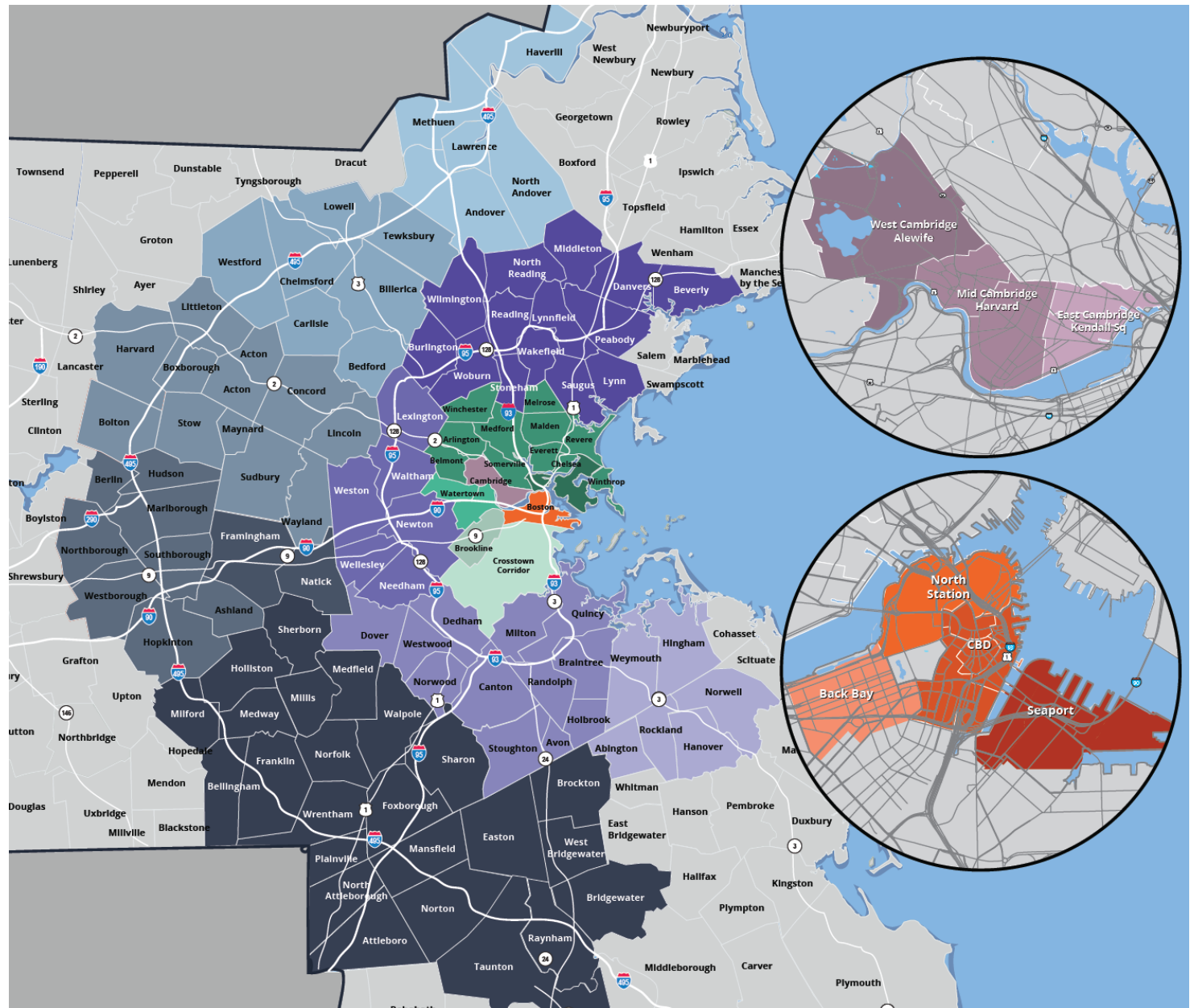
Name	Address	Delivery	Size (sf)	Stories	Available sf	Lead Developer	Submarket
South Station Tower	750 Atlantic Ave, Boston	Q4 2025	1,020,000	51	458,000	Hines	CBD
Bulfinch Crossing West	1 Congress St, Boston	Q2 2023	1,012,000	48	0	Carr Properties, National Real Estate Advisors	CBD
Winthrop Center	115 Federal St, Boston	Q2 2024	707,000	53	532,370	Millennium Partners	CBD
Amazon Seaport (Bldg 2)	1 Boston Wharf Rd, Boston	Q1 2024	707,000	17	0	W/S Development	Seaport

*denotes development delivers in multiple phases

Greater Boston Office Submarket Map

MAP KEY

495 Belt	128 Belt	The Ring	Boston
495 Northeast	128 North	Charlestown/Eastie	Seaport
Route 3 North	128 West	Near North	CBD
495 Route 2 West	128 South	Allston/Watertown	North Station
495 Mass Pike West	South Shore	Fenway/Kenmore	Back Bay
Framingham/Natick		Crosstown Corridor	Cambridge
495 South			West Cambridge/Alewife
			Mid Cambridge/Harvard
			East Cambridge/Kendall Sq



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

Industrial insights glossary of terms

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Industrial rents and concessions

- **Triple net rents:** tenant is responsible for paying rent, utilities, taxes, operating expenses and common area maintenance
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For more market insights and
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