Greater Boston Office Market Report

Q4 2024

AVISON YOUNG

Greater Boston office market trends

$708mm

Q4 2024 Office Sale Volume

Greater Boston's office sale volume surged in Q4 2024, hitting $708mm, the highest since Q1 2022. Falling valuations have spurred increased transaction activity reflecting growing confidence among opportunistic investors and users eager to acquire discounted assets.

$52.10

Year-end average FS asking rent

Asking rents at trophy and class A space has remained steady throughout 2024, as submarkets with a high concentration of these assets proved to post the highest rates. As of year end, East Cambridge posted the highest asking rent, followed by the Back Bay. Given the Back Bay's strong class A market, pricing is expected to rise in the upcoming quarters.

+10.9%

Increase in Y-o-Y share of renewal activity

Renewal activity saw a significant year-over-year increase, while both new/relocations along with expansion deals declined in comparison to 2023. Major renewals by Bain Capital, PwC, and Ropes & Gray contributed over 1 msf of strictly renewal activity throughout 2024.

Source: AVANT by Avison Young, CoStar

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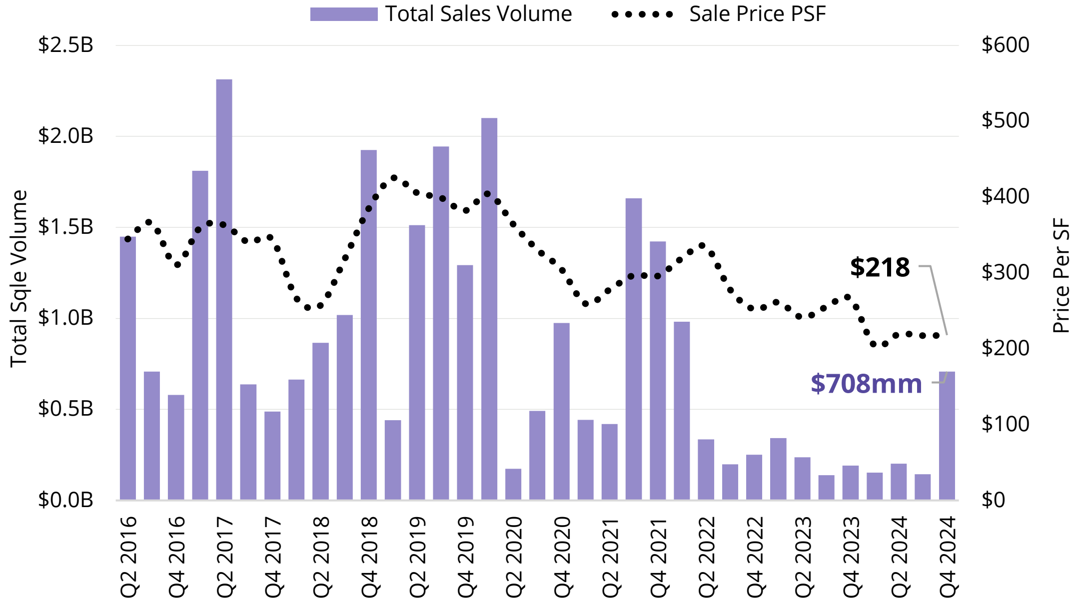
2024 Office Sale Volume exceeds that of 2023 carried by year-end trades.

Q4 2024 office sale dollar volume:

$708mm

Office sale volume throughout Greater Boston noticed a sharp increase in Q4 2024 in comparison to prior quarters. With a total dollar amount posted of $708mm, this accounts for the largest total transaction volume since Q1 2022. As office building valuations continue to fall, PSF figures follow suit. The increase in volume is indicative of heightened confidence from both investors and users as they look to acquire new assets at a discount.

Total Sale Dollar Volume & PSF

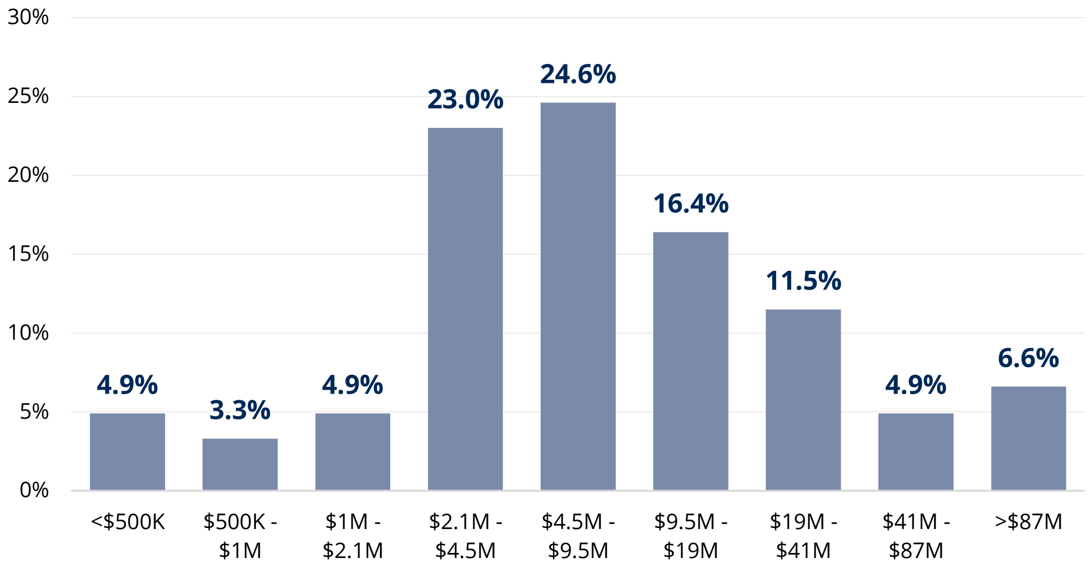


2024 total office sale count:

60 Sales

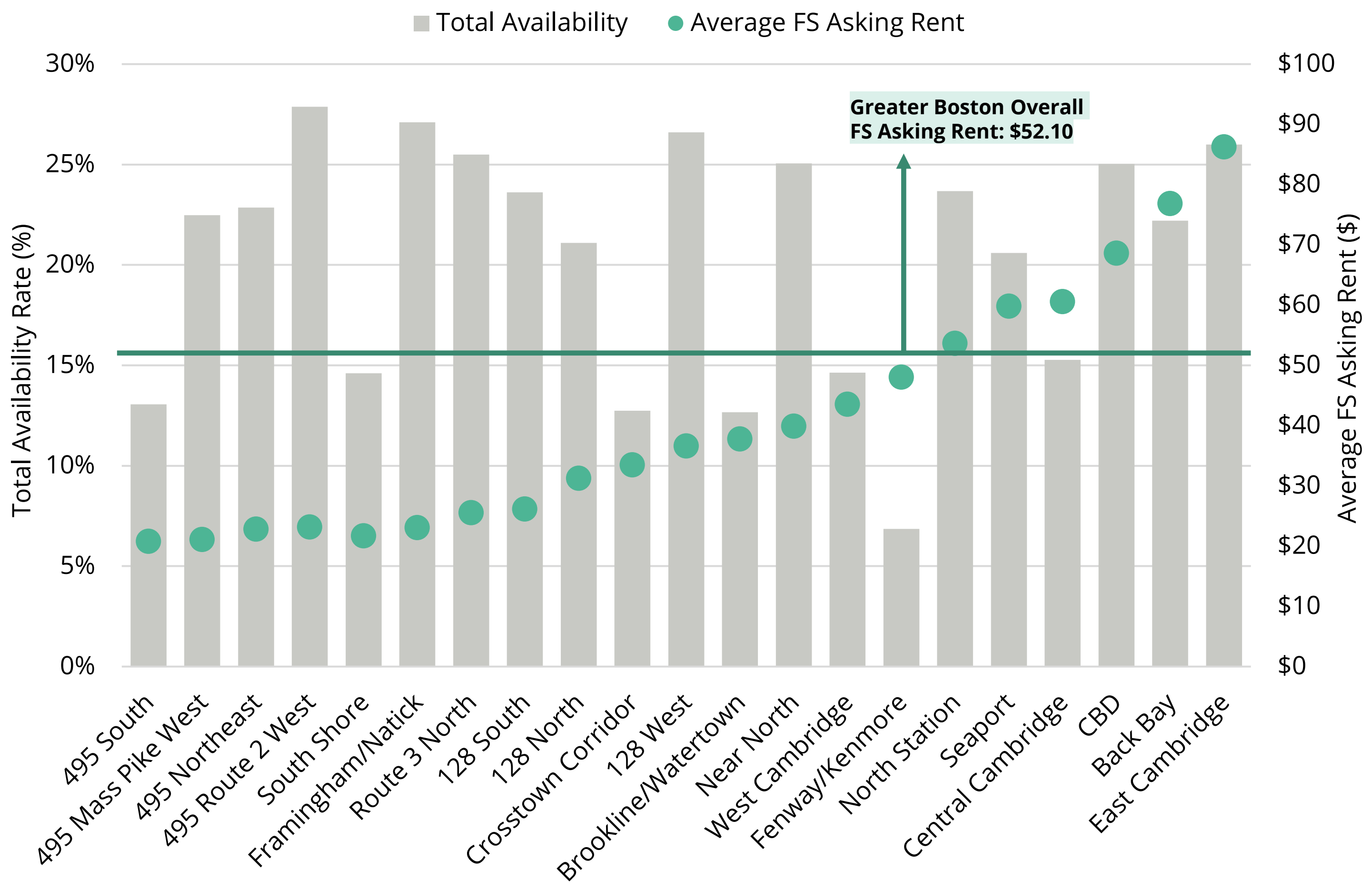
In 2024, a total of 60 confirmed office trades transacted. Most of these deals fell within two price ranges: $1.0 - $2.1 million and $4.5 – $9.5 million. A significant driver of this activity was the sale of high-vacancy office buildings in the northern suburbs, including properties like 199 & 201 Riverneck Rd (Chelmsford), 75 Pleasant St. (Malden), 10 Technology Dr. (Lowell), and 4 Federal St. (Billerica). Investors and users seem eager to acquire these properties which are trading at an apparent trough.

2024 Sale Price Distribution



Source: AVANT by Avison Young. CoStar
Note: Sale PSF normalized using a 12-month rolling average.
Note: Sales without confirmed pricing are not included.

East Cambridge continues as most expensive submarket.



Asking rents for highly-classed space have remained relatively stagnant over the past few quarters. As such, submarkets with a surplus of Class A and Trophy space post the highest average asking rents.

East Cambridge posted an asking rent of $86.25 at year end 2024, despite posting an availability rate of 26%. Back Bay followed as the second-most expensive submarket with an asking rent of $76.85 coupled with 22.2% availability. However, the Back Bay class A market is significantly tighter, posting an availability rate of 18.9% compared to a Class A availability rate in Cambridge of 28.6%.

Source: AVANT by Avison Young, CoStar

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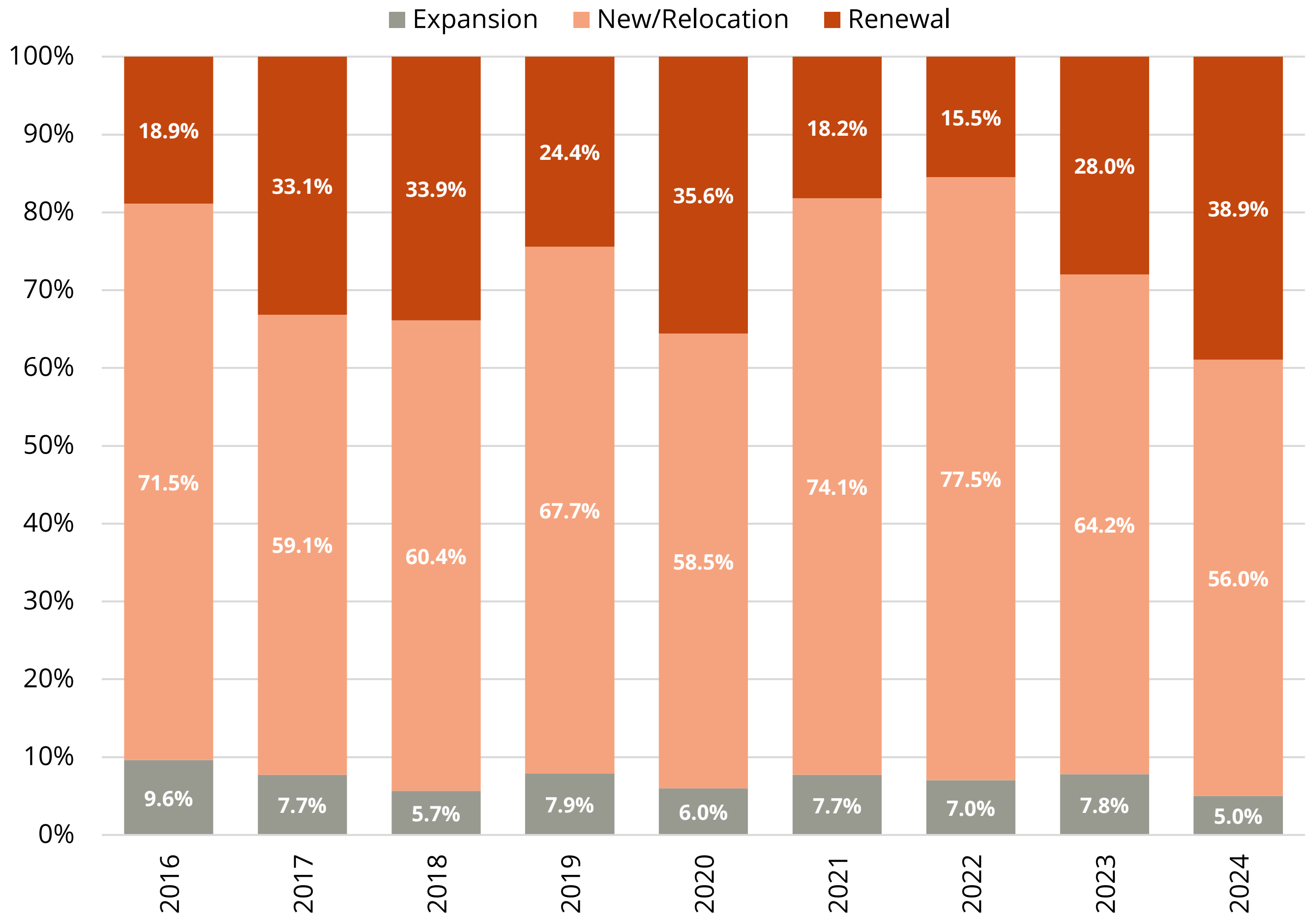
Renewal activity sees significant Y-o-Y increase.



Source: AVANT by Avison Young, CoStar

2024 saw a strong increase in year-over-year renewal activity, with several major occupiers shying away from relocating, sighting increased moving costs. In some cases, tenants renewed earlier than usual to capitalize on an occupier-friendly market environment.

For new deals and relocation activity to increase, landlords will have to continue to invest in their building's amenities, adjust their base pricing, or provide more competitive concession packages that outweigh costs associated with moving and space buildouts.

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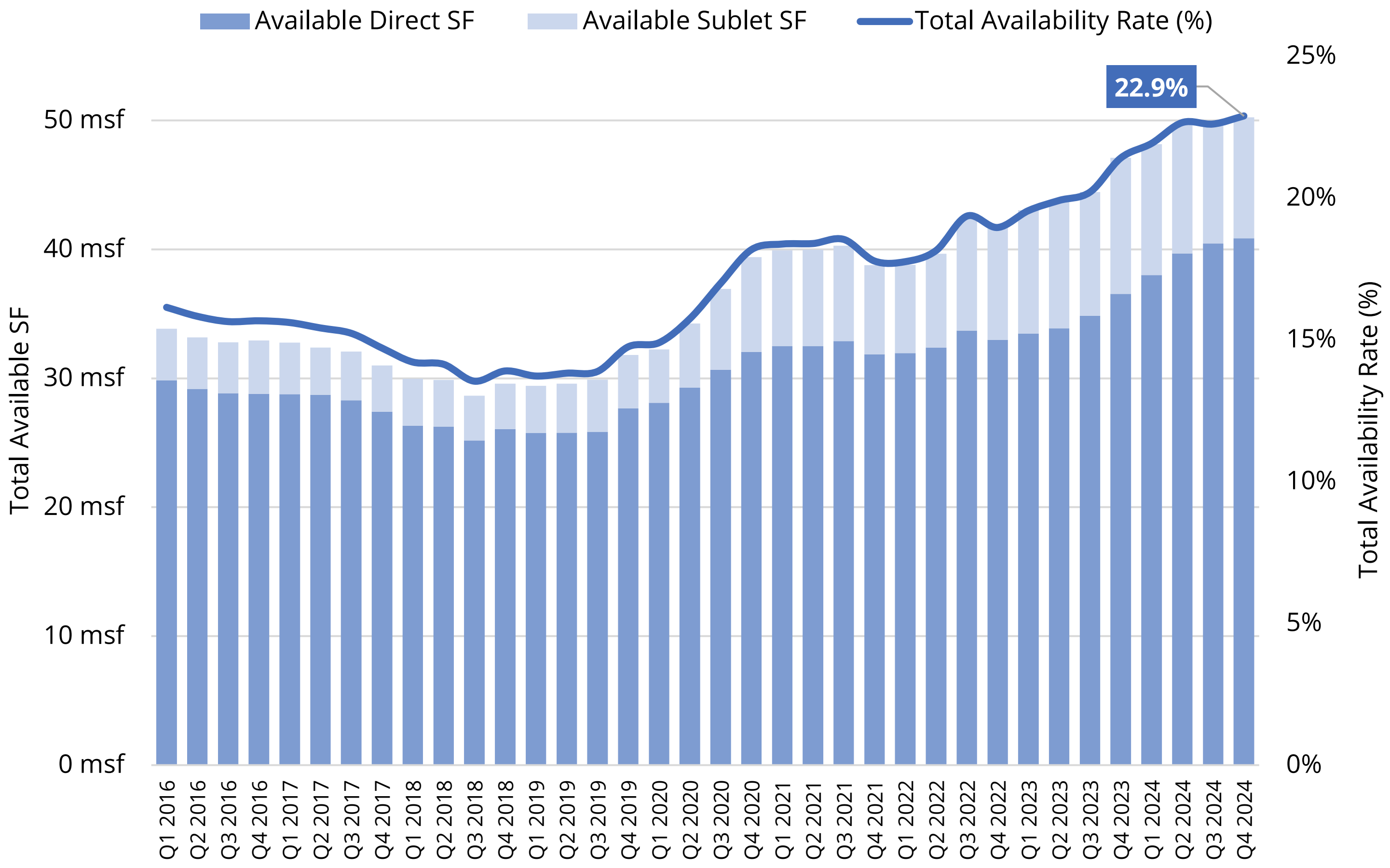
Supply Overview

Availability rate increase has slowed in past three quarters.



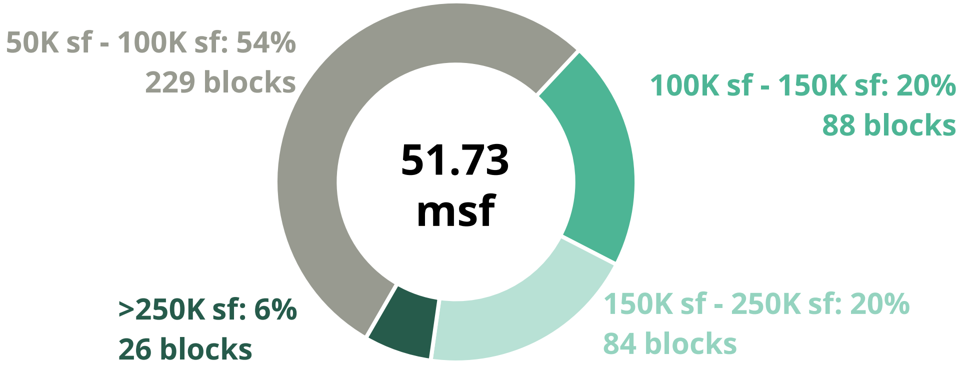
Despite availability increasing year-over-year, the rate at which available space has come on the market has slowed over the past two quarters, increasing by only 0.2% since Q2 2024.

Given the lack of new construction in the pipeline, available space is expected to taper off in the following years.

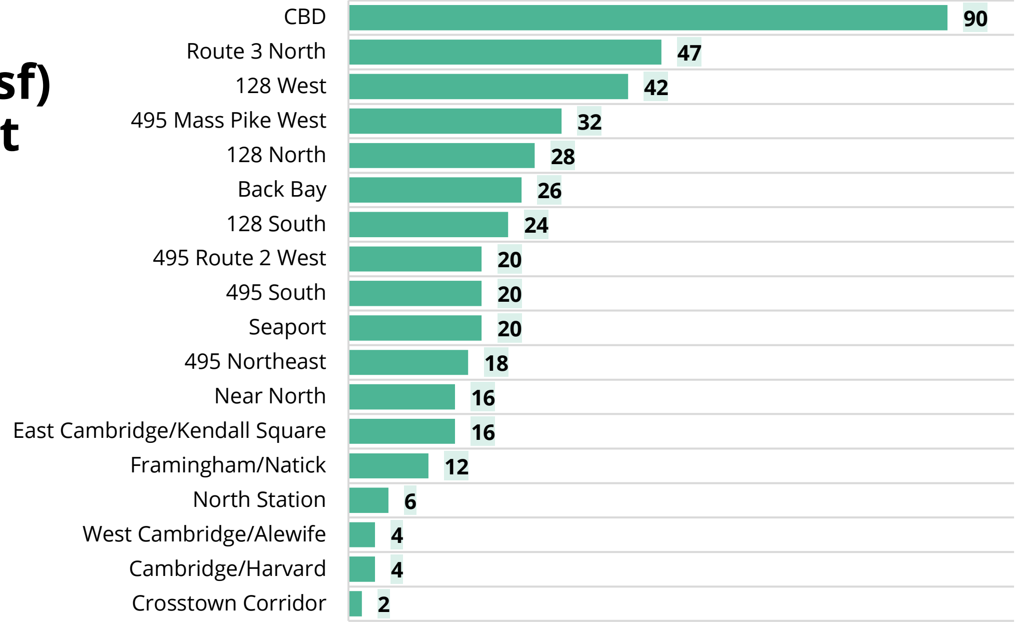
Source: AVANT by Avison Young, CoStar

Greater Boston Large Block Availability

Number of blocks by size



Number of blocks (>50k sf) by submarket



Source: AVANT by Avison Young, CoStar
Note: Large block space to include total contiguous space greater than or equal to 50k sf.

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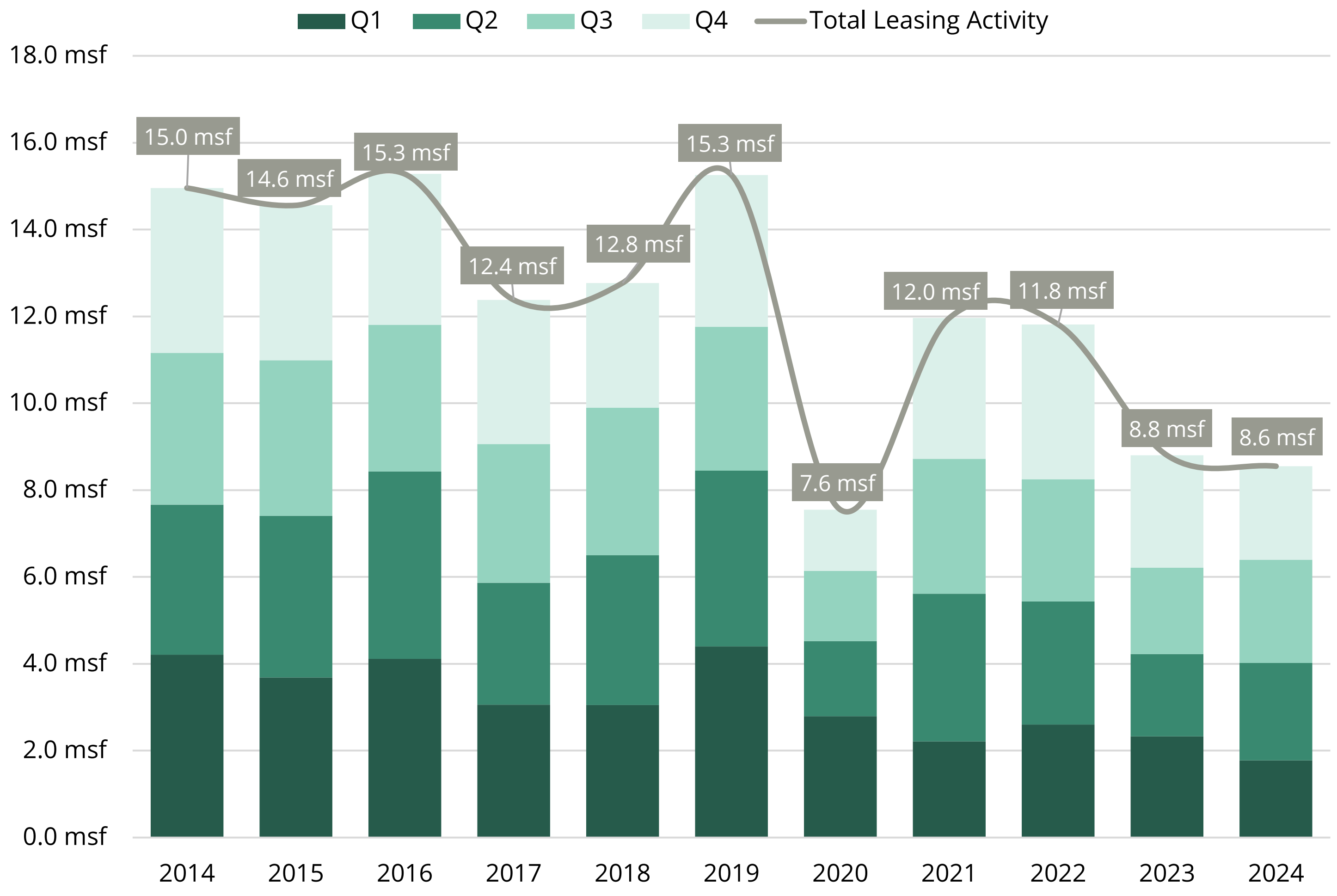
Demand Drivers

Leasing activity bottoms out in 2024.



Total leasing activity has appeared to reach a trough in 2024. Occupiers have opted to renew at their existing space vs. relocate and expand.

Throughout 2024, landlords opted to offer stronger concession packages whilst keeping rents on par with pricing in prior quarters. For heightened new and expansion deals to transact, rents will have to fall, primarily at class A space.

Source: AVANT by Avison Young, CoStar.

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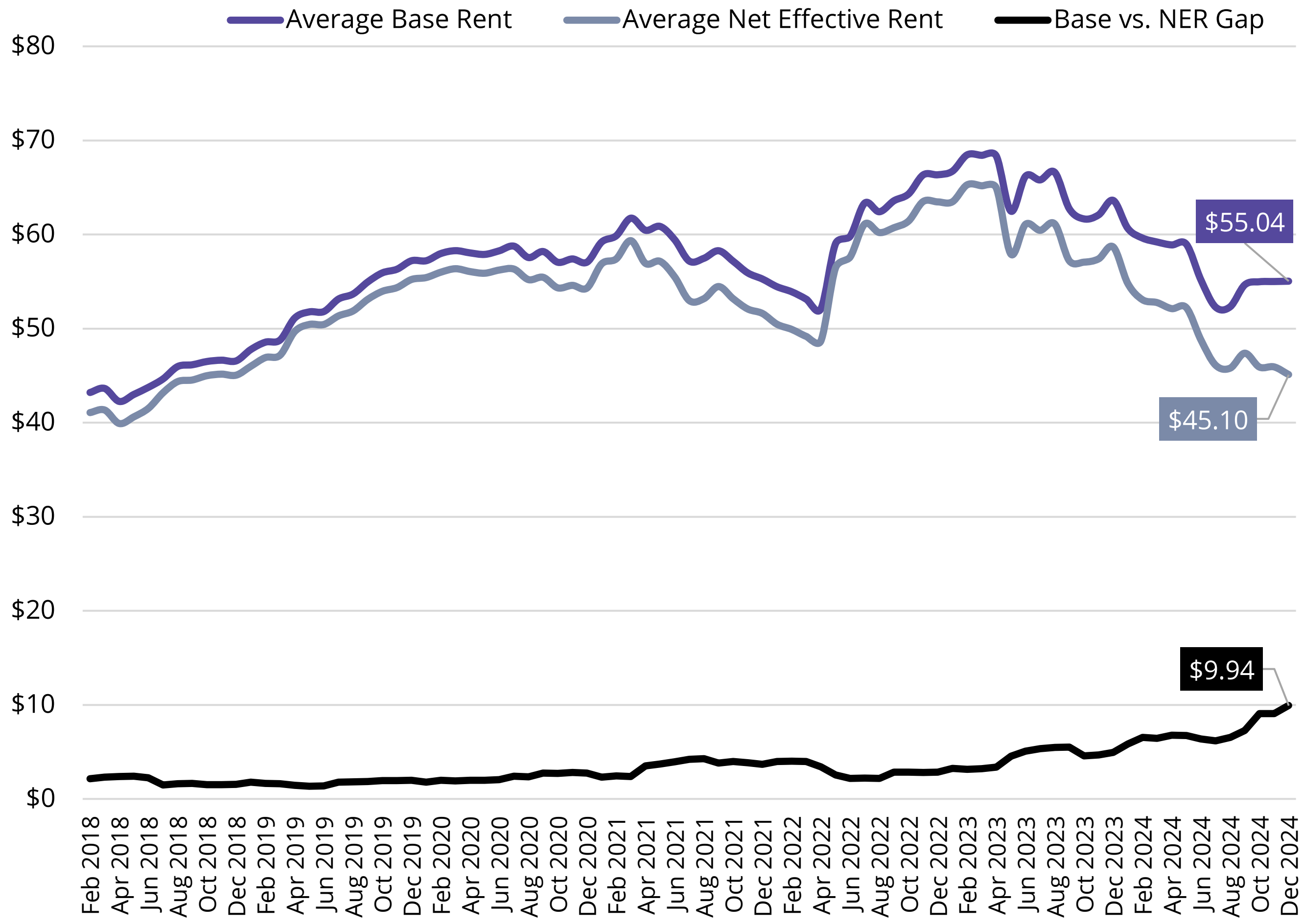
Gap between base and NER continues to increase.



Source: AVANT by Avison Young, CoStar
Note: Rental Rates normalized using a 12-month rolling average
Note: Rents to include only direct, new, expansions

Net effective rent reflects the true rental figure after accounting for concession packages and applying over the lease term. In Greater Boston, the gap between the base or starting rent and net effective rent has seen a steady increase throughout 2024.

This signals that landlords are hesitant to drop base pricing, but willing to increase concession offerings to incentivize tenants into their space.

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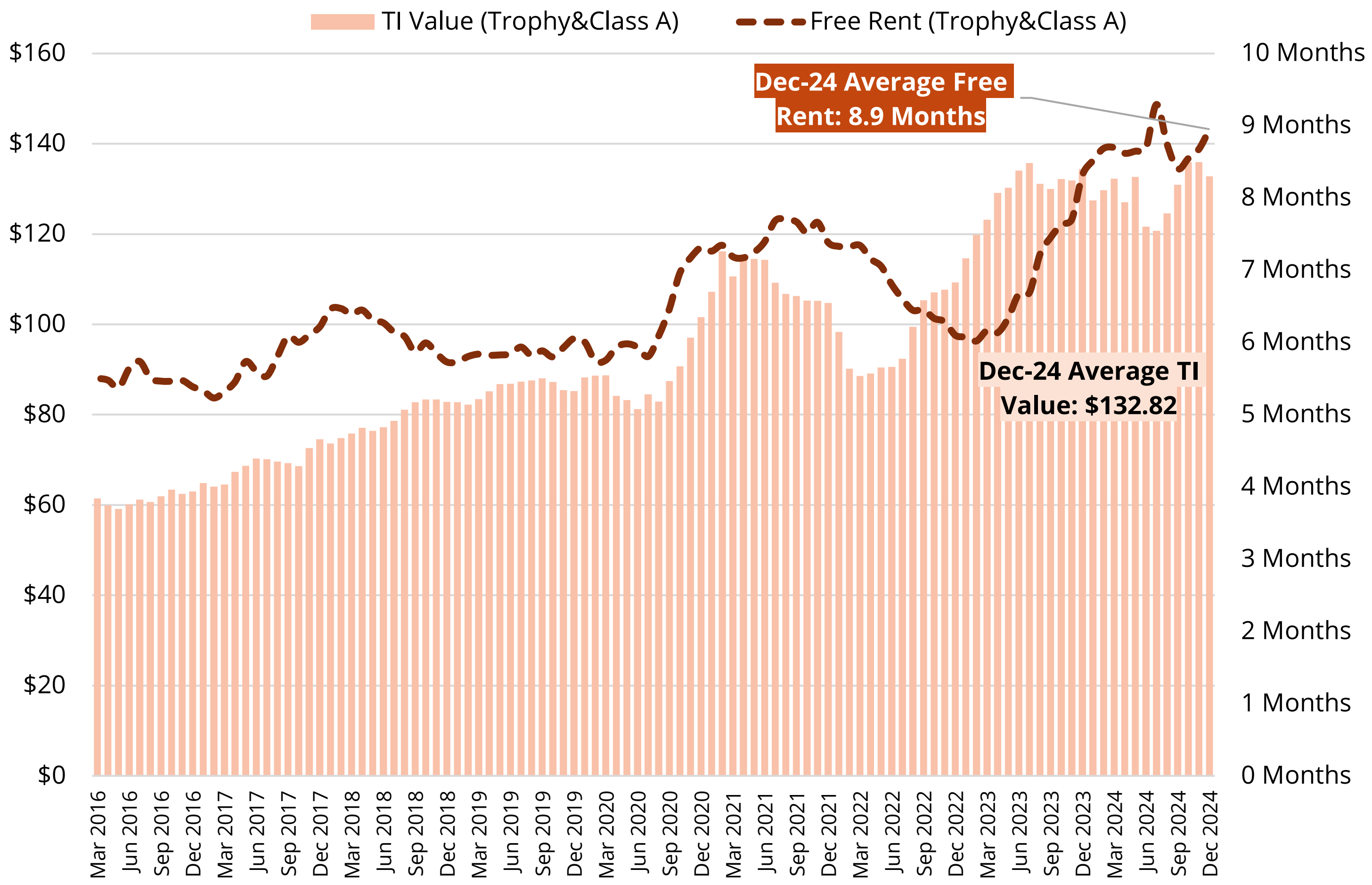
Concession offerings for high-class space continues upward trajectory.



Source: AVANT by Avison Young, CoStar
Note: Data normalized for a 10-year deal, using a 12-month rolling average.
Note: Concessions reflect only new, relocation and expansion deals.

Following suit with the NER and base rent differential increasing, Greater Boston has seen concession packages continue to heighten over the past year. Over the past 6 months, average TI packages have jumped by more than $10.

Likely due to an end-of-year push from landlords to fill space before the start of 2025, these heightened figures should decrease in the following quarter. Nonetheless, concession offerings are at an all time high.

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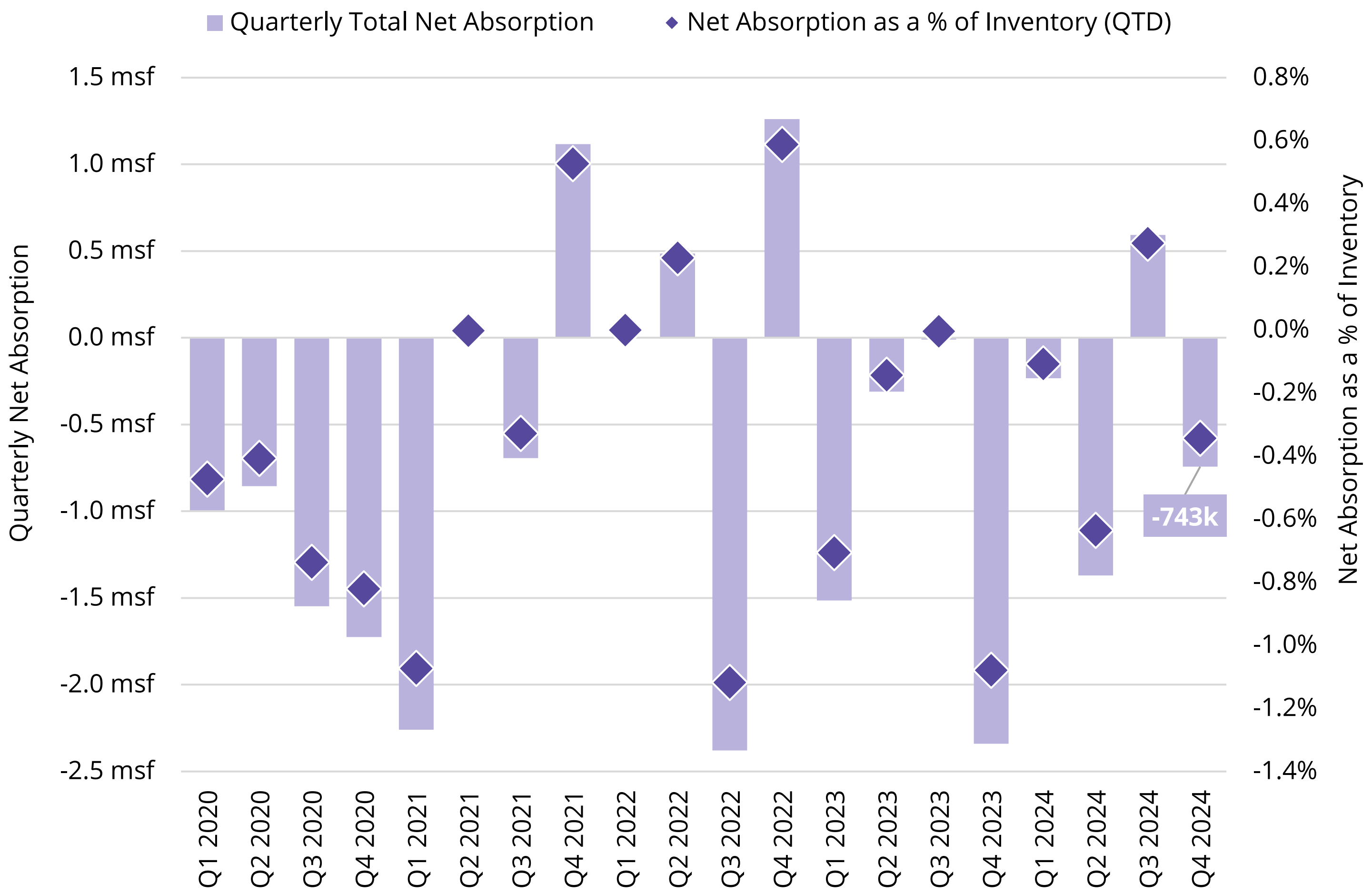
Net absorption falls into the negatives following a positive Q3 2024.



Following positive absorption in Q3 2024, Q4 has seen the opposite occur, posting -743k in negative absorption equating to -0.3% as a share of total inventory.

Contractions have driven this figure, as office users have opted to downsize amidst current market conditions.

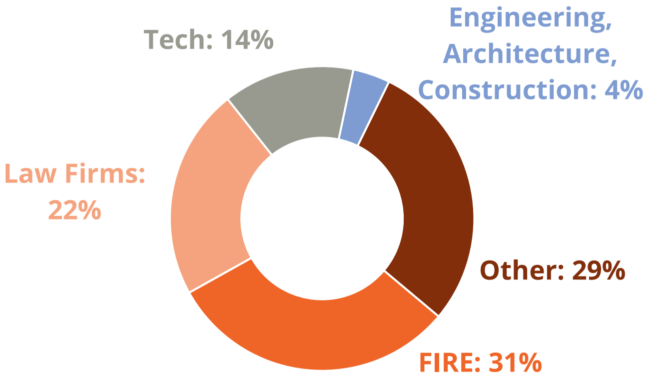
Downtown Boston Active Space Requirements

2.86 msf

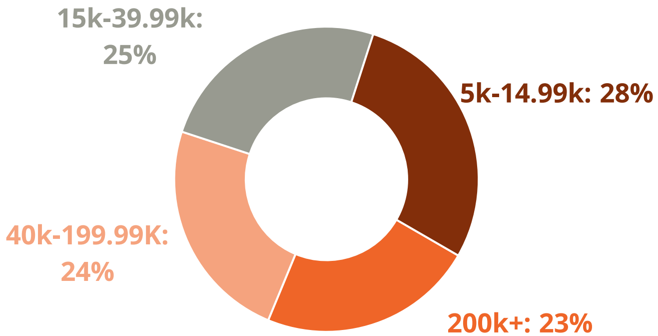
Of active downtown space requirements.

At year-end 2024, Downtown Boston has seen nearly 3 msf of active space requirements spread across over 150 tenants. Most of these occupiers fall under the FIRE (finance, insurance, and real estate) and law firm industries, with most of them looking for under 15,000 sf of space. As a result of large occupiers renewing, the number of tenants in the market looking for large blocks of space has diminished. However, given the substantial number of expirations set to occur in the coming years, the number of occupiers in need of these large blocks is expected to increase.

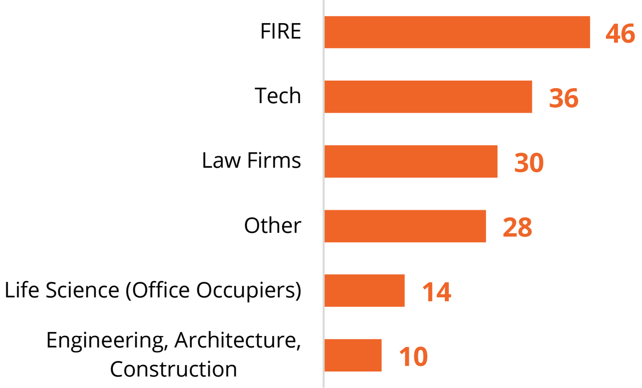
Active Requirements by Industry (% Share)



Active Requirements by Size Tranche (% Share)



Count of requirements by industry



Source: AVANT By Avison Young, CoStar.
Note: Other industries to include: Consulting, research, accounting and recruiting, education, Government, Media, PR, telecom & entertainment, and Non-Profits.
Note: Space requirement data reflects only tenants in need of 5k+.

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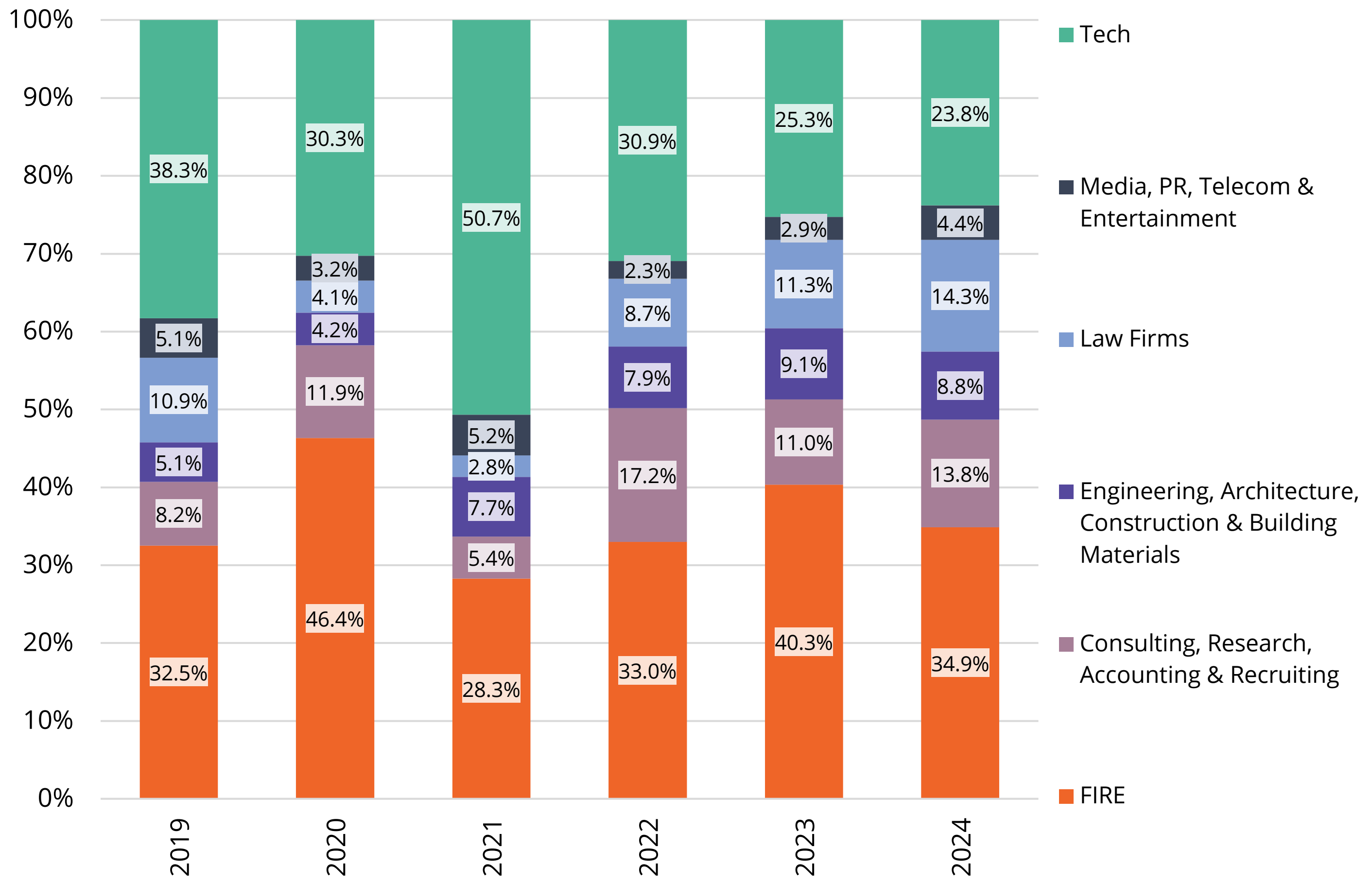
Law firms increase their share of Y-O-Y leasing activity.

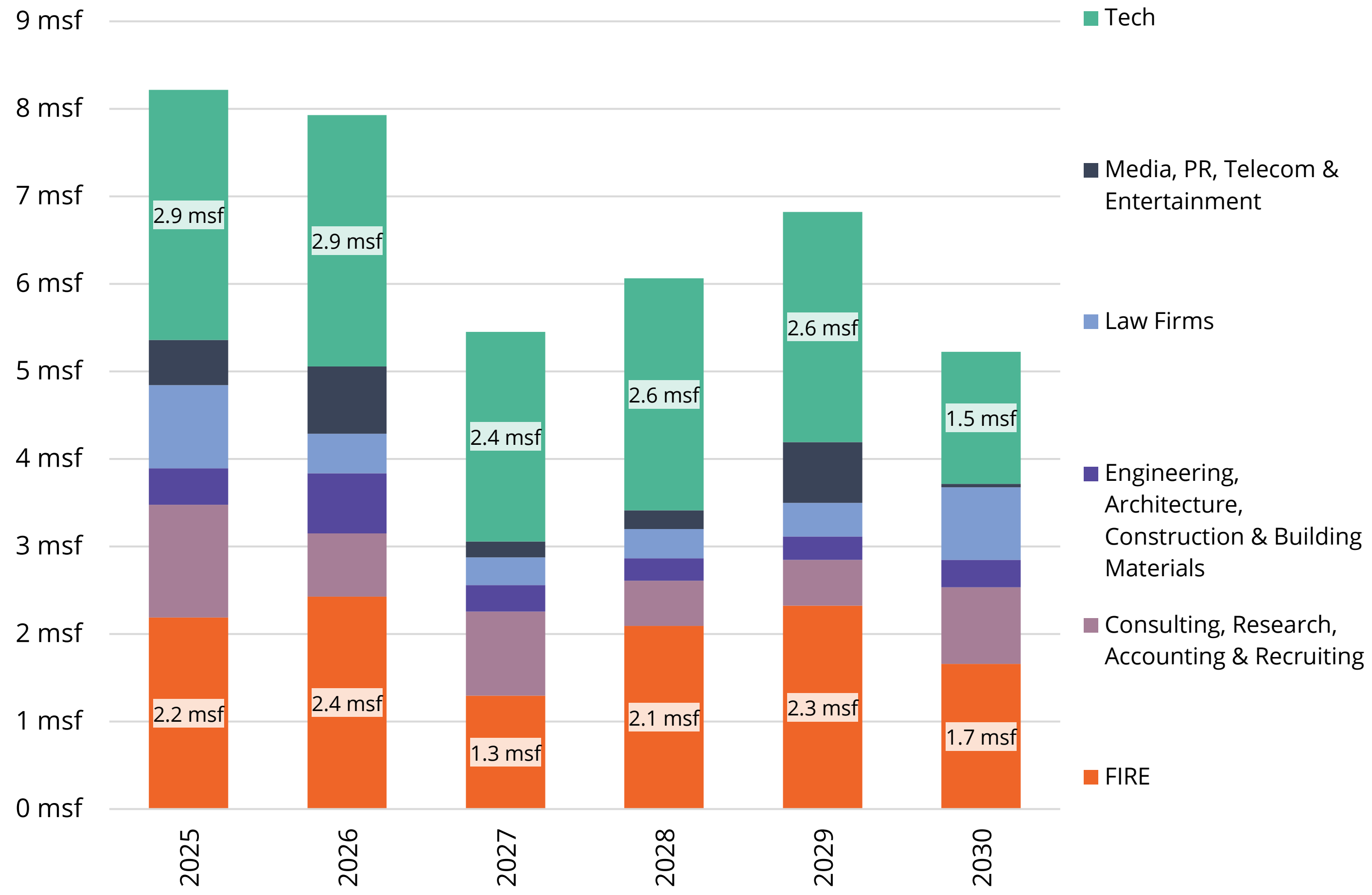


Leasing activity in Greater Boston has witnessed law firms as well as consulting, research, accounting and recruiting tenants increase their share of Y-o-Y leasing activity.

Likely bolstered by two significant renewals, Ropes and Gray along with PwC have opted to stay in their existing space, signing deals for 413k and 335k, respectively.

Source: AVANT by Avison Young, CoStar

Tech and FIRE industries see over 5msf expiring in 2025.



Source: AVANT by Avison Young, CoStar

In the coming years, Tech and FIRE industries account for the largest sum of lease expirations, seeing over 5 msf expire in 2025.

While these industries saw a decrease in their share of year-over-year leasing activity, with the significant expirations set to take place in the coming years both industries will likely see their share increase.

Introducing

The Office Busyness Index

Access the most accurate view of office utilization in the industry today. Explore our interactive dashboard to uncover how busy office buildings truly are across U.S. markets.

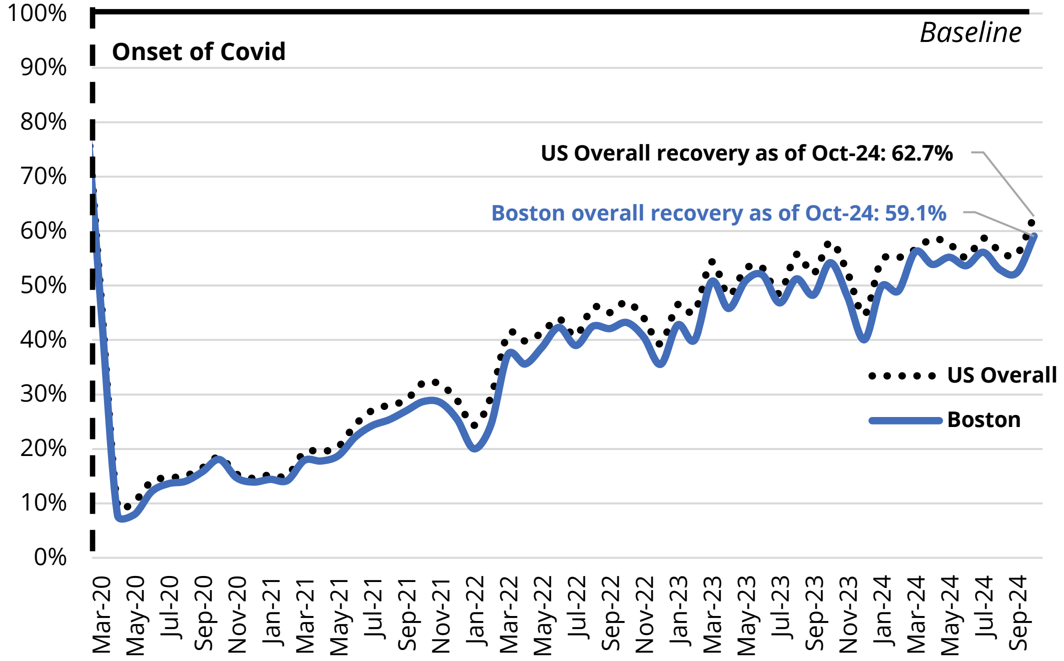
Learn more

Month-over-month office visitation recovery saw strong growth in October 2024.

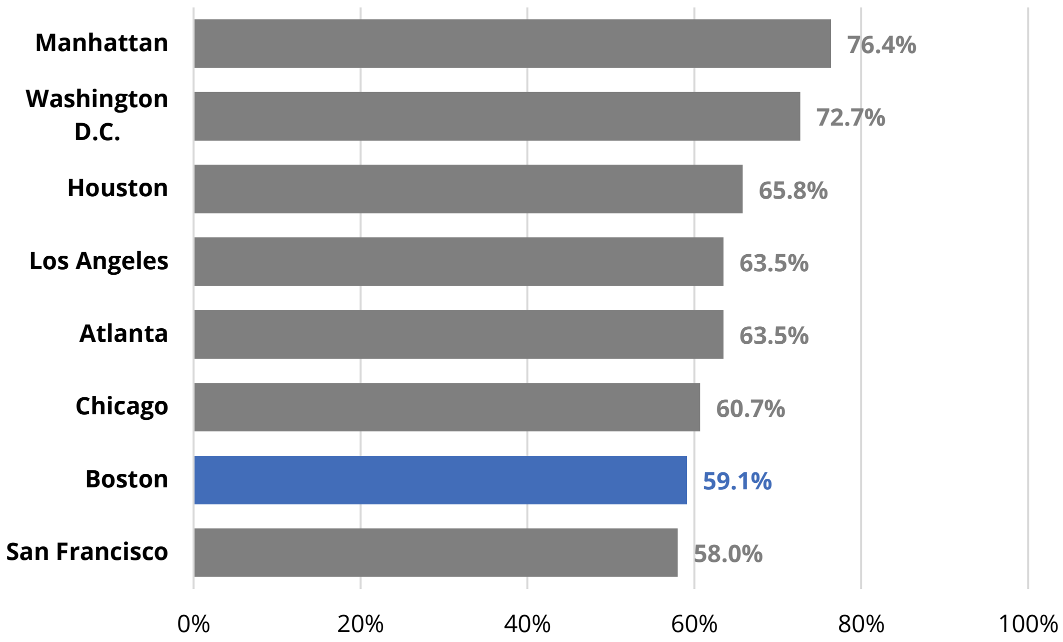
As of October 2024 (using October 2019 as a base month) Greater Boston posted an overall office visitation recovery volume of 59.1%, proving slightly below the US Overall metric, recording 62.7%. The month of October saw a sharp incline when comparing the prior month (September 2024). While month-to-month visitation recovery is volatile, the positive trendline is indicative of employers continuing to bring employees back into the office.

When comparing additional Tier 1 office markets, Greater Boston proved to fall behind powerhouses such as Manhattan and D.C. but posted a stronger October 2024 recovery rate than San Francisco. The start of the new year will see companies who enforced January 2025 RTO mandates take affect, ultimately, having a positive impact on the overall recovery metric.

Boston vs US recovery



Tier 1 Office market recovery



Source: Busyness index by Avison Young, Placer.ai
Note: Base month used: October 2019.

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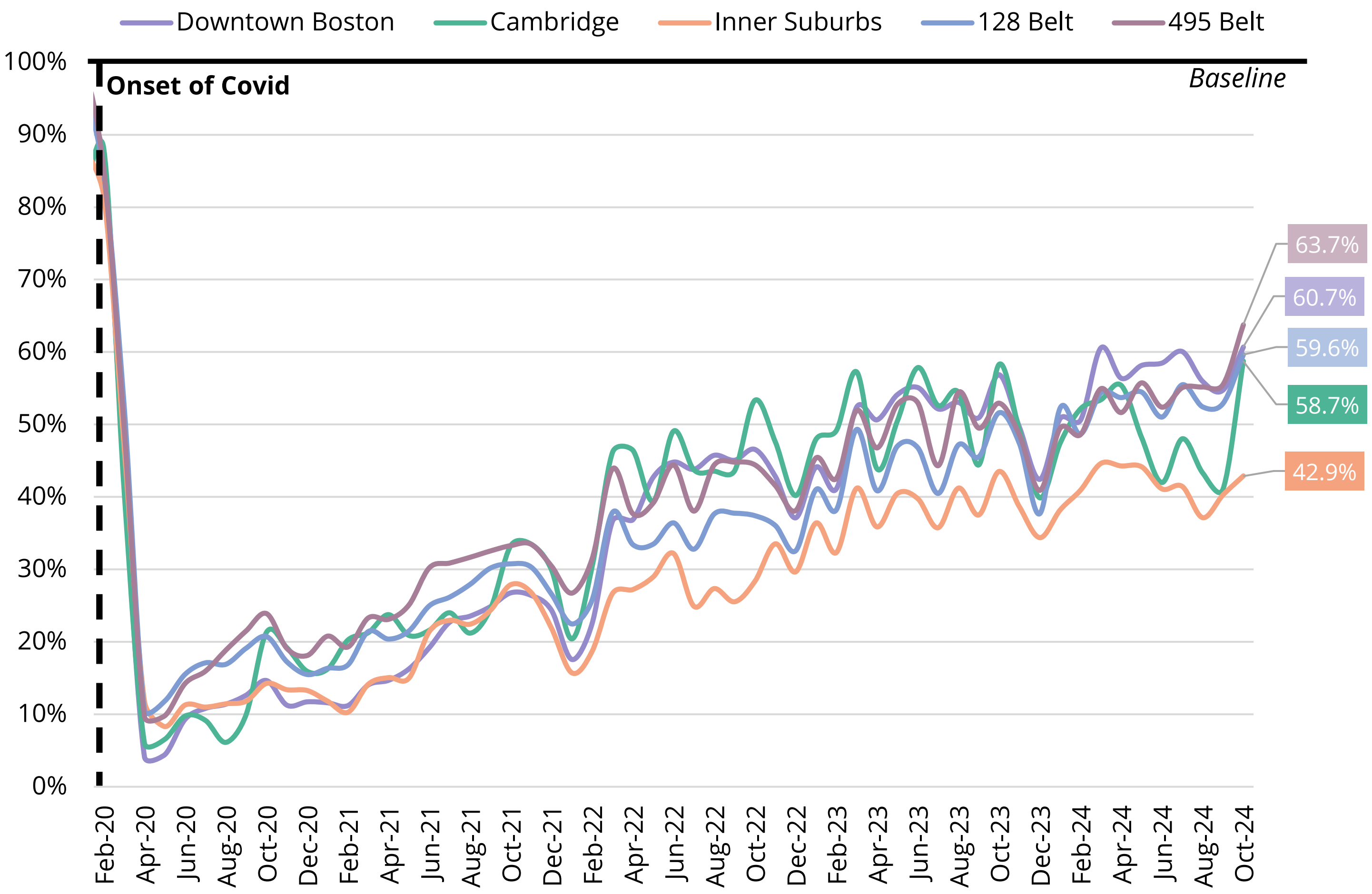
495 Belt posts highest office visitation recovery in October 2024.



All submarkets posted a strong month-over-month visitation recovery increase comparing September 2024 to October 2024. The 495 Belt posted the strongest visitation in Oct 2024, due to its proximity to highways allowing for increased commutability.

In prior years, due to new RTO strategies being implemented, recovery has seen strong increases in early-year months. This trend is anticipated to continue, proving office visitation recovery is slowly, but surely returning to near normal levels.

Source: Busyness index by Avison Young, Placer.ai
Note: Base month used: October 2019.

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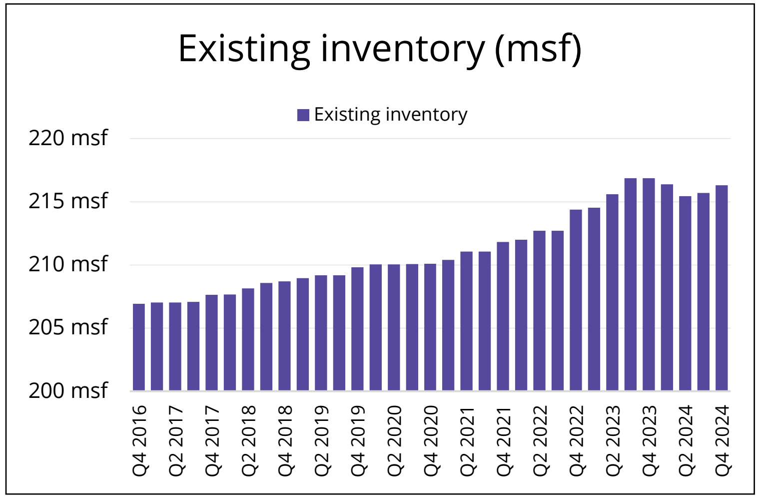
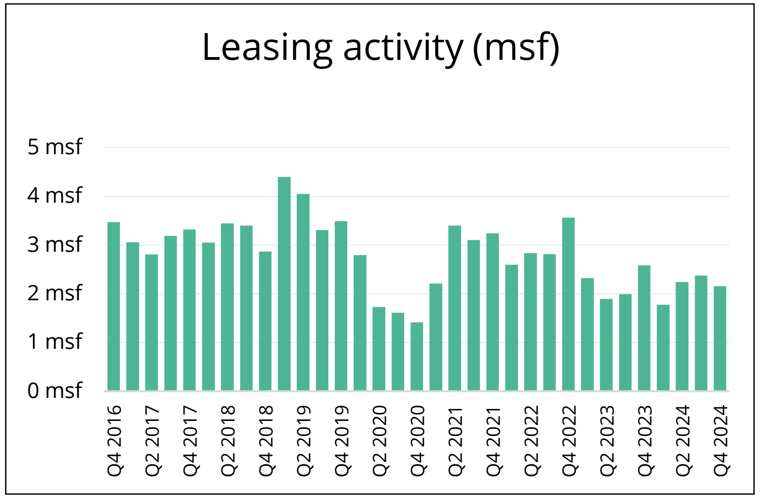
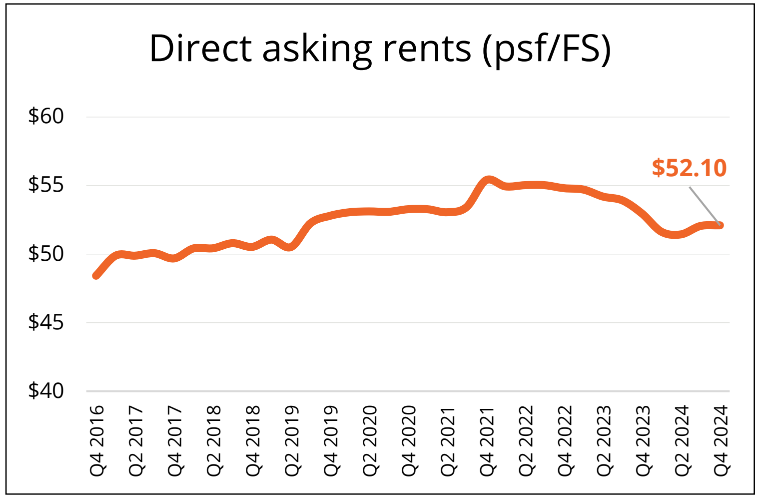
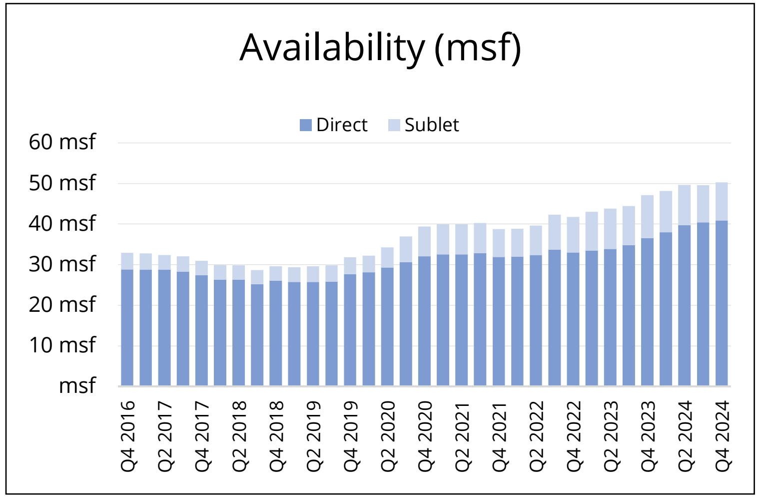
Appendix

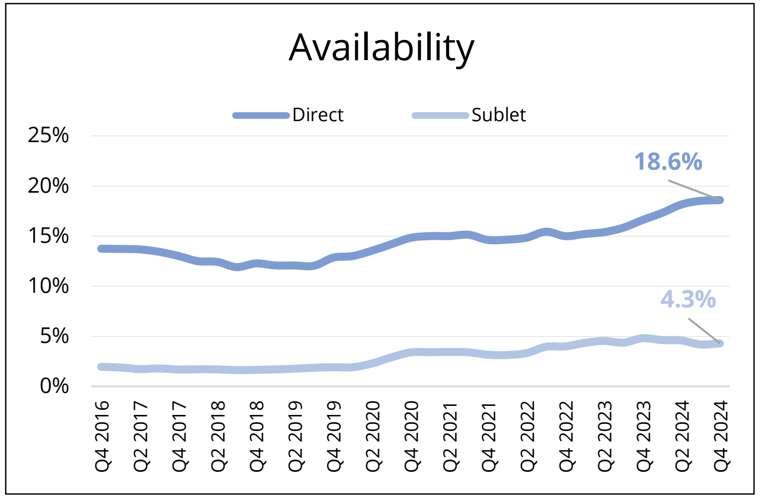
Boston office market indicators

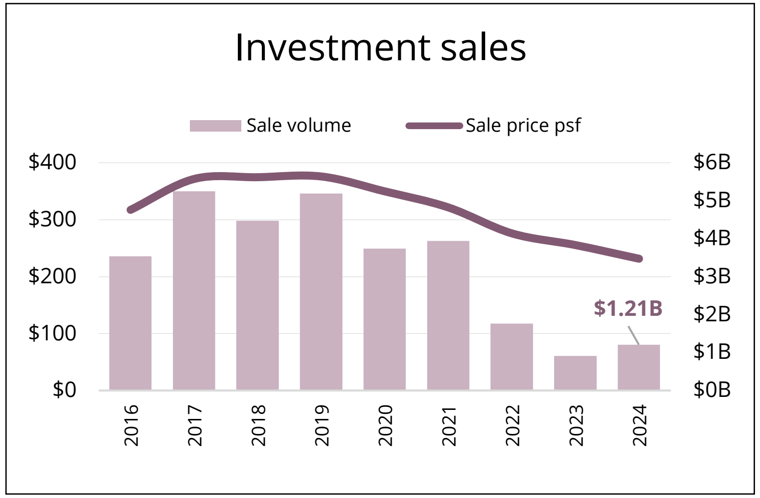












Source: AVANT by Avison Young, CoStar, RCA

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Greater Boston office market activity

Recent leasing activity

Tenant	Address	Submarket	Sign date	Size (sf)	Transaction type	Lease type
Ropes & Gray	800 Boylston St, Boston	Back Bay	Dec 2024	413,000	Renewal	Direct
PWC	101 Seaport Blvd, Boston	Seaport	Dec 2024	335,000	Renewal	Direct
Cisco Systems	3 Clock Tower Pl, Maynard	495 Route 2 West	Nov 2024	121,000	Renewal	Direct
Jones Day	750 Atlantic Ave, Boston	CBD	Dec 2024	43,700	New	Direct

Recent sales activity

Buyer	Address	Sale date	Building size (sf)	Sale price	Sale price psf	Seller
Norges Bank Investment Management*	33 Arch St, Boston	Dec 2024	603,290	$149,882,000	$248	Nuveen
Norges Bank Investment Management*	501 Boylston St, Boston	Dec 2024	610,000	$142,284,000	$233	Nuveen
Davis Companies	60-100 Minuteman Rd, Andover	Nov 2024	319,060	$67,300,000	$211	Alexandria Real Estate Equities
Rhino Capital	2 Executive Dr, Chelmsford	Nov 2024	113,880	$14,500,000	$127	Foxfield Real Estate
Spectrum Health	10 Technology Drive, Lowell	Dec 2024	57,000	$9,400,000	$165	Rhino Capital

Top projects under development

Address	Submarket	Delivery date	Building size sf	% Preleased	Developer
750 Atlantic Avenue	CBD	Q4 2025	1,020,000	4%	Hines
350 Boylston Street	Back Bay	Q1 2025	231,663	94%	The Druker Company

Source: AVANT by Avison Young, CoStar
*Note: Denotes partial interest sale

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Greater Boston office market stats

By Submarket	Existing Inventory	Under development sf	Direct availability	Sublet availability	Total availability	Total availability change (YoY)	Net absorption sf (Quarterly)	Net absorption % of inventory (Quarterly)	Annual direct asking rent psf FS
Boston Total	**77,870,799**	**1,898,276**	**18.8%**	**4.7%**	**23.5%**	**1.5%**	**(181,936)**	**(0.2%)**	**$72.50**
CBD	46,540,840	1,666,613	20.9%	4.1%	25.0%	1.5%	(64,217)	(0.1%)	$68.60
Back Bay	14,550,323	231,663	17.6%	4.6%	22.2%	2.5%	(260,248)	(1.8%)	$76.85
Seaport	11,280,750	0	13.9%	6.7%	20.6%	1.4%	103,581	0.9%	$59.80
North Station	4,050,785	0	16.7%	7.0%	23.7%	(1.1%)	30,948	0.8%	$53.65
Fenway/Kenmore	1,448,101	0	1.3%	5.5%	6.9%	(3.3%)	8,000	0.6%	$48.05
Cambridge Total	**12,446,866**	**0**	**16.2%**	**6.0%**	**22.2%**	**2.3%**	**(118,488)**	**(1.0%)**	**$75.50**
East Cambridge	8,266,398	0	19.9%	6.1%	26.0%	3.6%	(116,433)	(1.4%)	$86.25
Central Cambridge	2,341,939	0	11.1%	4.1%	15.3%	(1.6%)	20,075	0.9%	$60.55
West Cambridge	1,838,529	0	6.2%	8.4%	14.6%	2.5%	(22,130)	(1.2%)	$43.55
Inner Suburbs	**16,438,426**	**0**	**14.9%**	**3.9%**	**18.8%**	**4.0%**	**(134,565)**	**(0.8%)**	**$38.71**
Near North	8,012,235	0	19.4%	5.6%	25.1%	4.6%	(118,013)	(1.5%)	$39.90
Brookline/Watertown	4,076,512	0	10.5%	2.2%	12.7%	1.4%	5,772	0.1%	$37.75
Crosstown Corridor	4,043,209	0	10.3%	2.4%	12.7%	5.5%	(23,877)	(0.6%)	$33.45
Southie	306,470	0	13.0%	0.0%	13.0%	3.4%	1,553	0.5%	$33.00
128 Belt	**55,961,525**	**0**	**18.6%**	**5.0%**	**23.1%**	**1.9%**	**(179,067)**	**(0.3%)**	**$27.50**
128 North	19,519,882	0	17.0%	4.1%	21.1%	0.9%	5,514	0.0%	$31.25
128 West	21,849,599	0	19.9%	6.7%	26.6%	5.5%	(184,371)	(0.8%)	$36.60
128 South	12,447,168	0	20.0%	3.7%	23.6%	(-0.4%)	(66,557)	(0.5%)	$26.15
South Shore	2,144,876	0	11.3%	3.3%	14.6%	1.8%	66,347	3.1%	$21.70
495 Belt	**53,430,976**	**0**	**20.6%**	**2.7%**	**23.2%**	**1.7%**	**(129,022)**	**(0.2%)**	**$24.50**
495 Northeast	10,677,238	0	21.5%	1.4%	22.9%	4.4%	(26,430)	(0.2%)	$22.80
Route 3 North	15,567,739	0	20.6%	4.9%	25.5%	0.5%	(3,157)	(0.0%)	$25.55
Route 2 West	6,328,318	0	27.6%	0.3%	27.9%	5.6%	16,011	0.3%	$23.15
495 Mass Pike West	10,021,305	0	19.4%	3.1%	22.5%	(1.5%)	(20,499)	(0.2%)	$21.10
Framingham/Natick	4,590,331	0	26.0%	1.1%	27.1%	(-0.9%)	15,336	0.3%	$23.05
495 South	6,246,045	0	10.3%	2.7%	13.1%	4.6%	(110,283)	(1.8%)	$20.75
Greater Boston Total	**216,148,592**	**1,898,276**	**18.6%**	**4.3%**	**22.9%**	**1.9%**	**(743,078)**	**(0.3%)**	**$52.10**

Source: AVANT by Avison Young, CoStar
Note: Stats do not include East Boston

Greater Boston office market stats by class

	Inventory (sf)	Deliveries sf (YTD)	Under Development sf	Direct availability	Sublet availability	Total avaialbility	Net absorption sf (Quarterly)	Net absorption % of inventory (Quarterly)	Annual direct asking rent psf FS
Trophy	10,479,891	0	1,020,000	14.5%	4.8%	19.3%	(14,068)	(0.1%)	$103.30
Class A	98,128,486	1,129,000	878,276	23.2%	6.3%	29.5%	(889,609)	(0.9%)	$63.75
Class B	86,732,611	30,000	0	17.5%	2.9%	20.4%	65,835	0.1%	$34.80
Class C	20,807,604	0	0	6.9%	0.7%	7.6%	94,764	0.5%	$29.65
Market Total	**216,148,592**	**1,159,000**	**1,898,4276**	**18.6%**	**4.3%**	**22.9%**	**(743,078)**	**(0.3%)**	**$52.10**

Source: AVANT by Avison Young, CoStar
Note: Stats do not include East Boston.

AVANT by AVISON YOUNG

Greater Boston submarkets map

MAP KEY

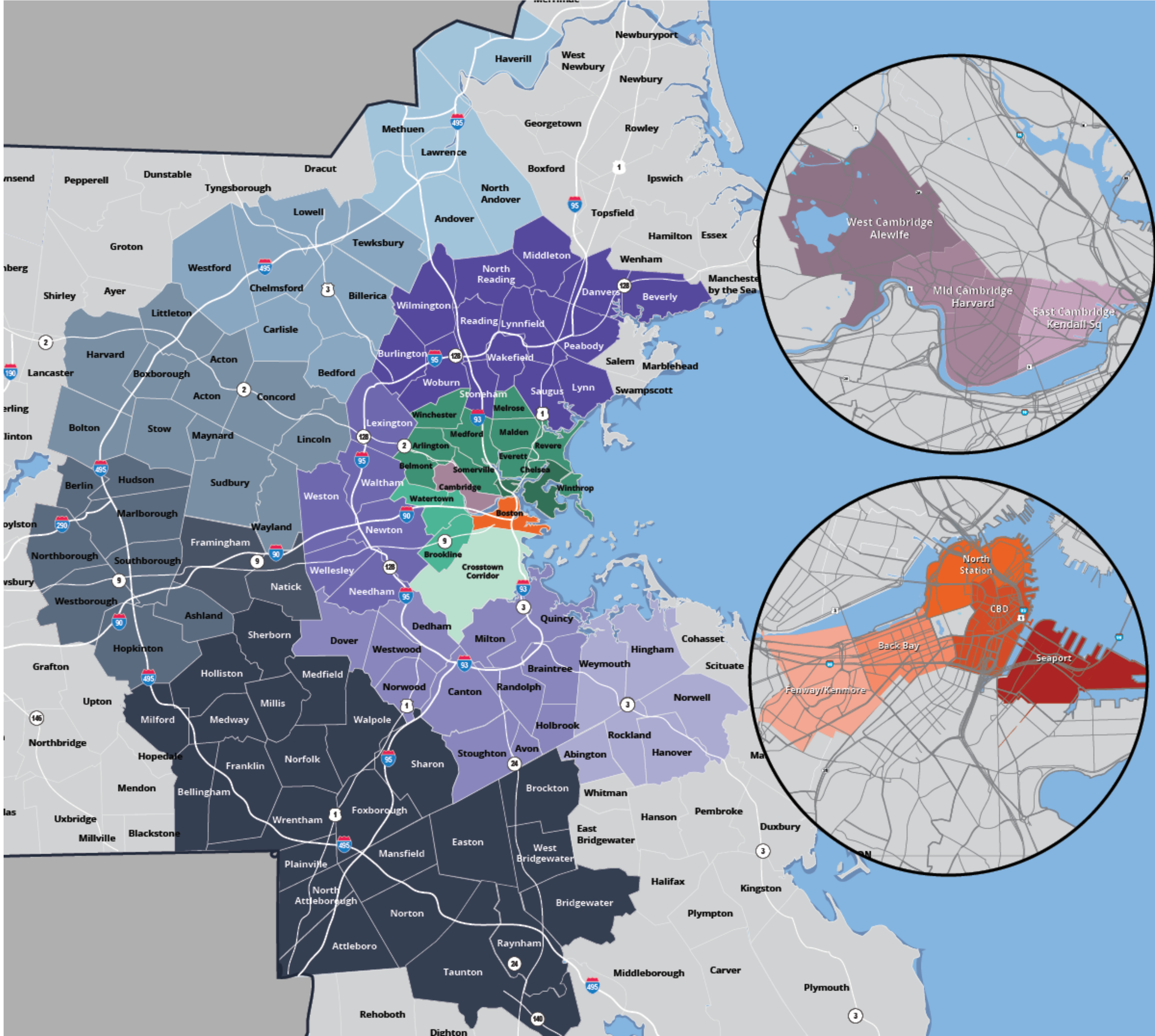
Boston
- Seaport
- CBD
- North Station
- Back Bay
- Fenway/Kemore

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



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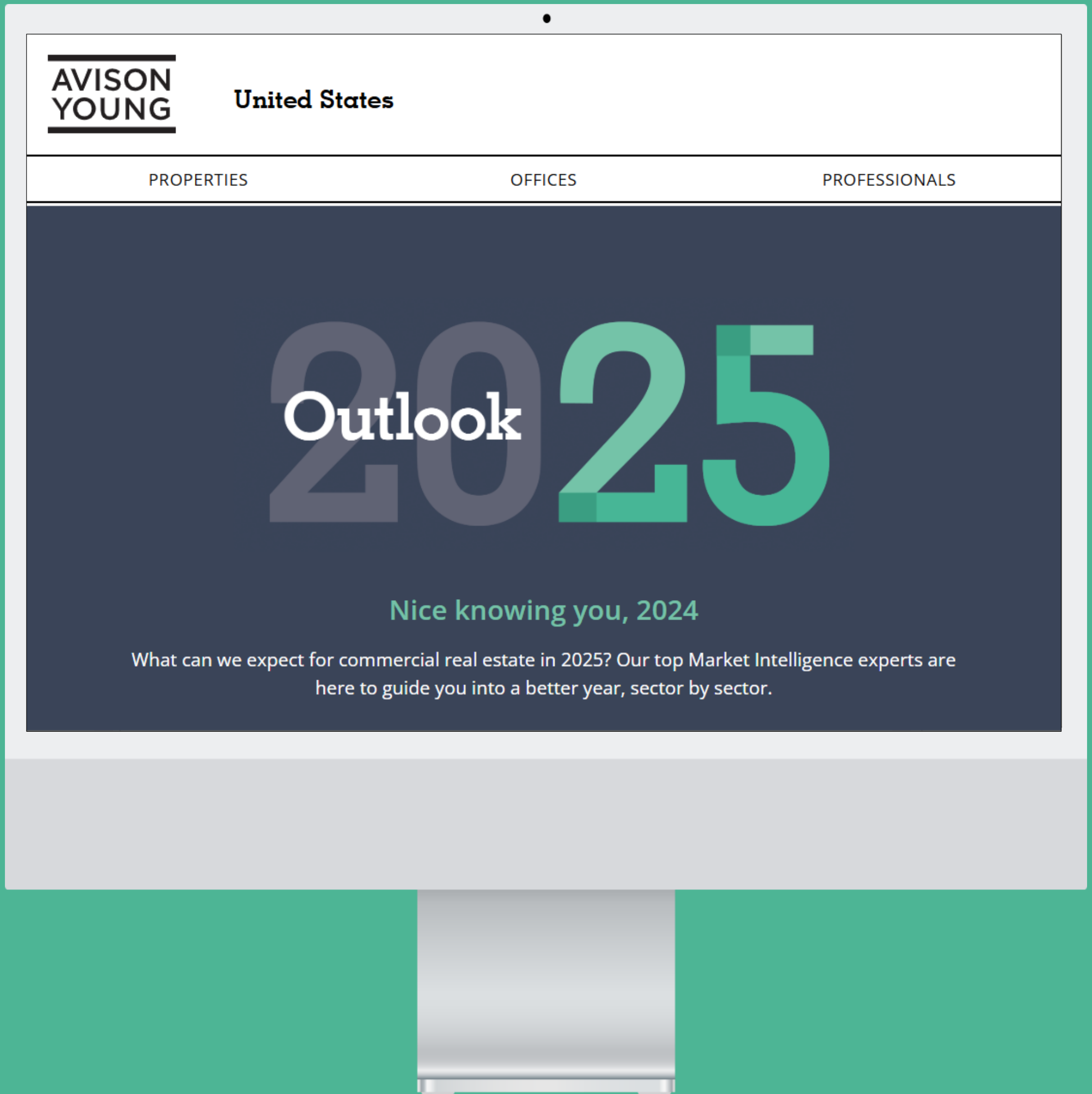
Outlook 2025

Nice to meet you, 2025!
What can we expect for commercial real estate this year? Our top Market Intelligence experts are here to guide you into a better year, sector by sector.

See the intel for yourself



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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