



Greater Boston office market report

Q1 2024

**AVISON
YOUNG**

Boston office market trends

1.3 msf

Aggregate office leasing activity in Q1 2024

In Q1 2024, Greater Boston logged 1.3 msf of aggregate leasing activity, signifying one of its weakest quarters in recent history. Nonetheless, within this downturn, optimism for improvement persists as this quarter revealed a noteworthy change in leasing dynamics. Whereas Trophy and Class A properties have historically dominated leasing shares, Q1 2024 witnessed a reversal, with Class B and C properties claiming a larger share of leasing activity.

+2.50%

Increase in total available space from year-end 2023

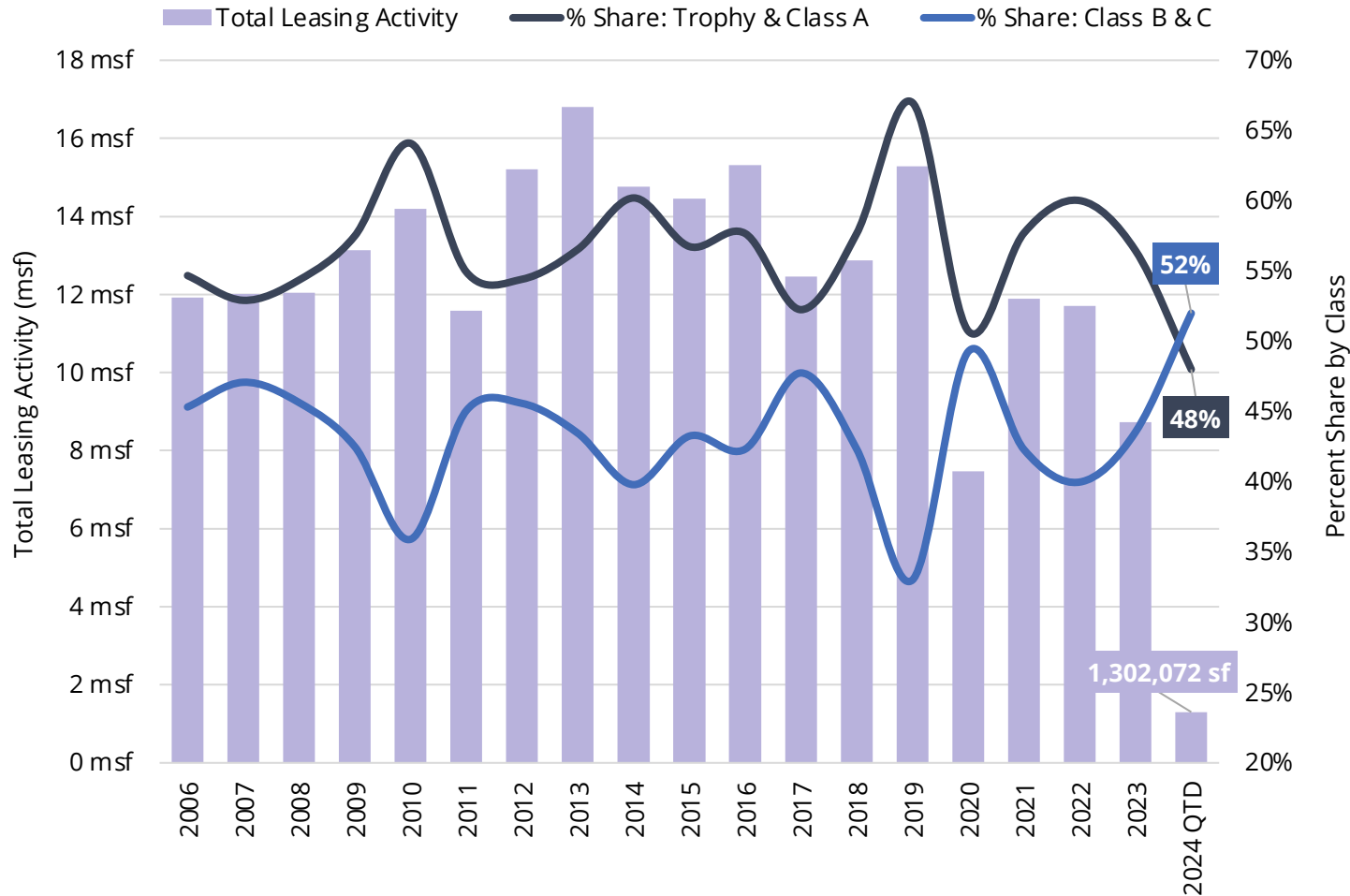
The Greater Boston market recorded 48 msf of available space in Q1 2024, reflecting a 2.50% increase compared to year-end 2023. In the current market, tenants benefit from a diverse range of options to suit their real estate requirements. However, we foresee this surge in availability to gradually taper off, especially with the implementation of return-to-work policies in 2024, requiring more employees back in the office.

\$51.63

Average (FS) asking rent for Q1 2024

Throughout Greater Boston, the average FS asking rent in Q1 2024 stood at \$51.63, marking a decrease from \$52.96 in Q4 2023. With leasing activity remaining subdued, indicating minimal demand for office space, landlords have felt compelled to adapt their pricing strategies to entice tenants and fill vacancies. We anticipate this trend to persist as landlords prioritize occupancy rates amidst the prevailing tenant-centric market conditions.

Leasing activity & flight to quality

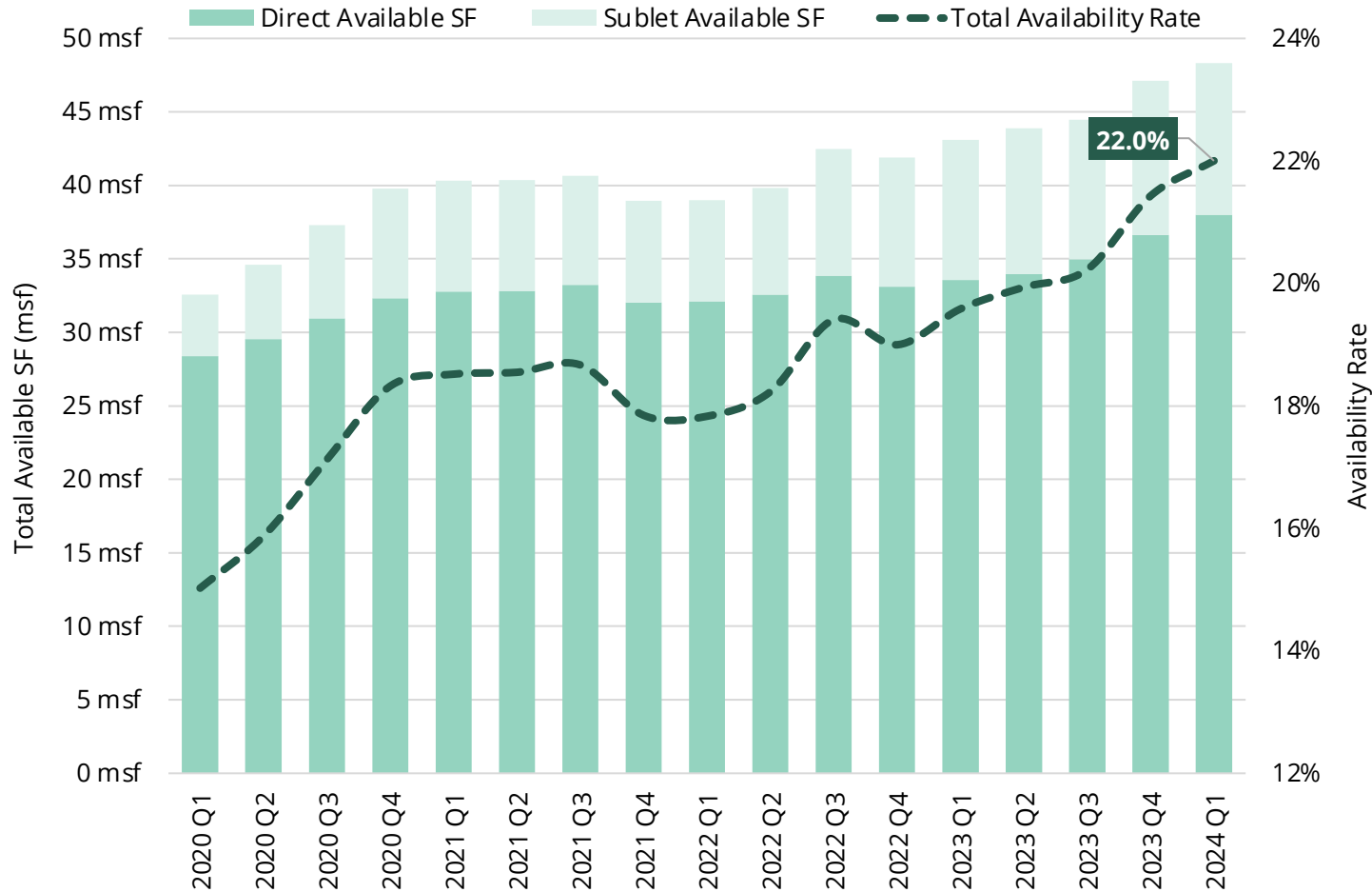


In Q1 2024, Greater Boston recorded 1.3 msf of leasing activity.

As demand for office space wanes compared to previous years, tenants are increasingly inclined to explore lower-classed spaces offered at discount pricing.

As tenants occupy these B & C class facilities, we anticipate asking rents to continue to fall throughout the remainder of 2024.

Direct vs. sublet availability

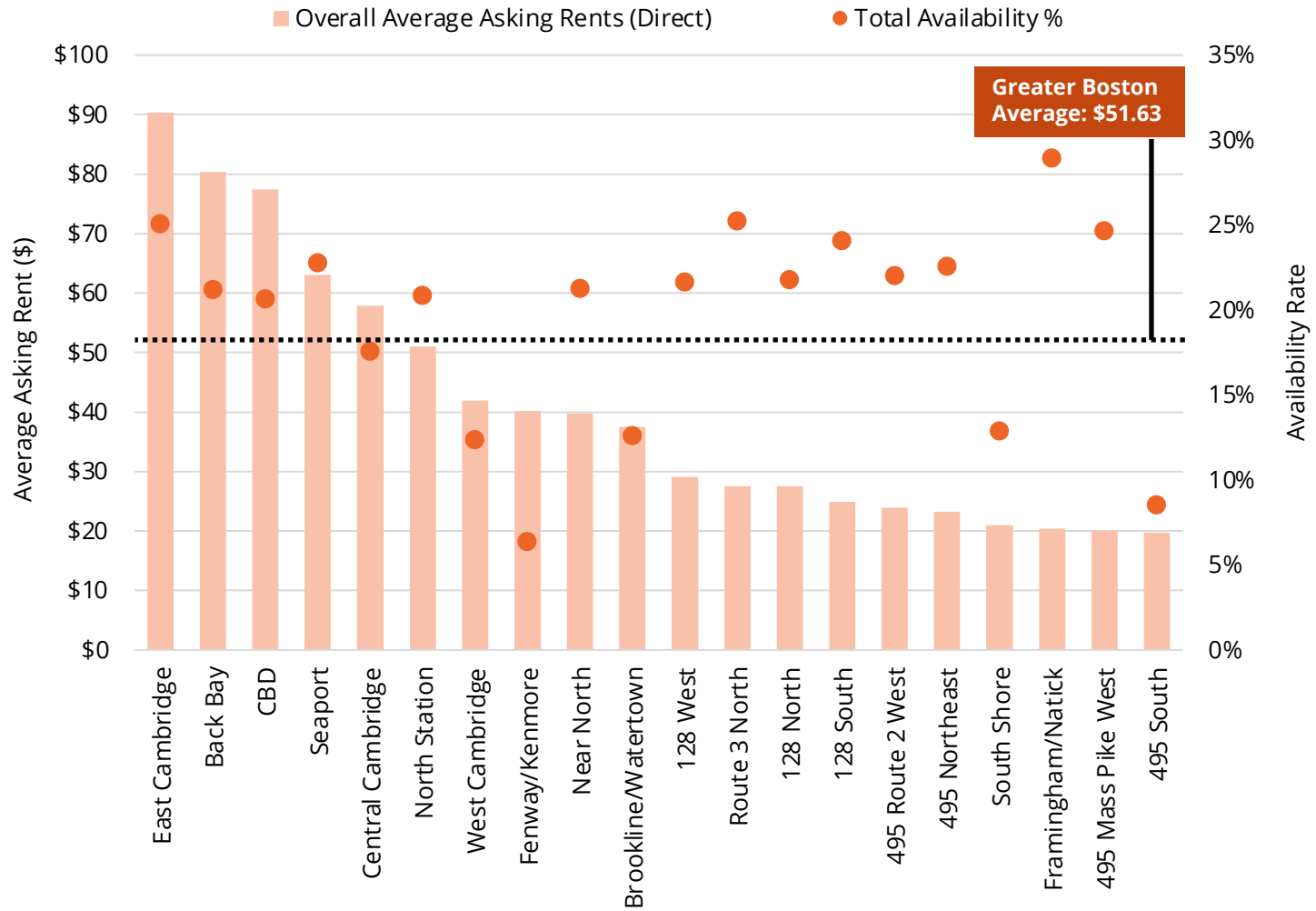


Greater Boston's availability rate has experienced a continuous increase since Q4 2022.

As large occupiers continue to seek out subleasing strategies, we observed a corresponding increase in availability.

Given the surplus of available space in the market, tenants have ample options to meet their real estate needs.

Average asking rent by submarket



East Cambridge maintains its position as the most expensive submarket in the Greater Boston area, with a rent of \$90.33 psf.

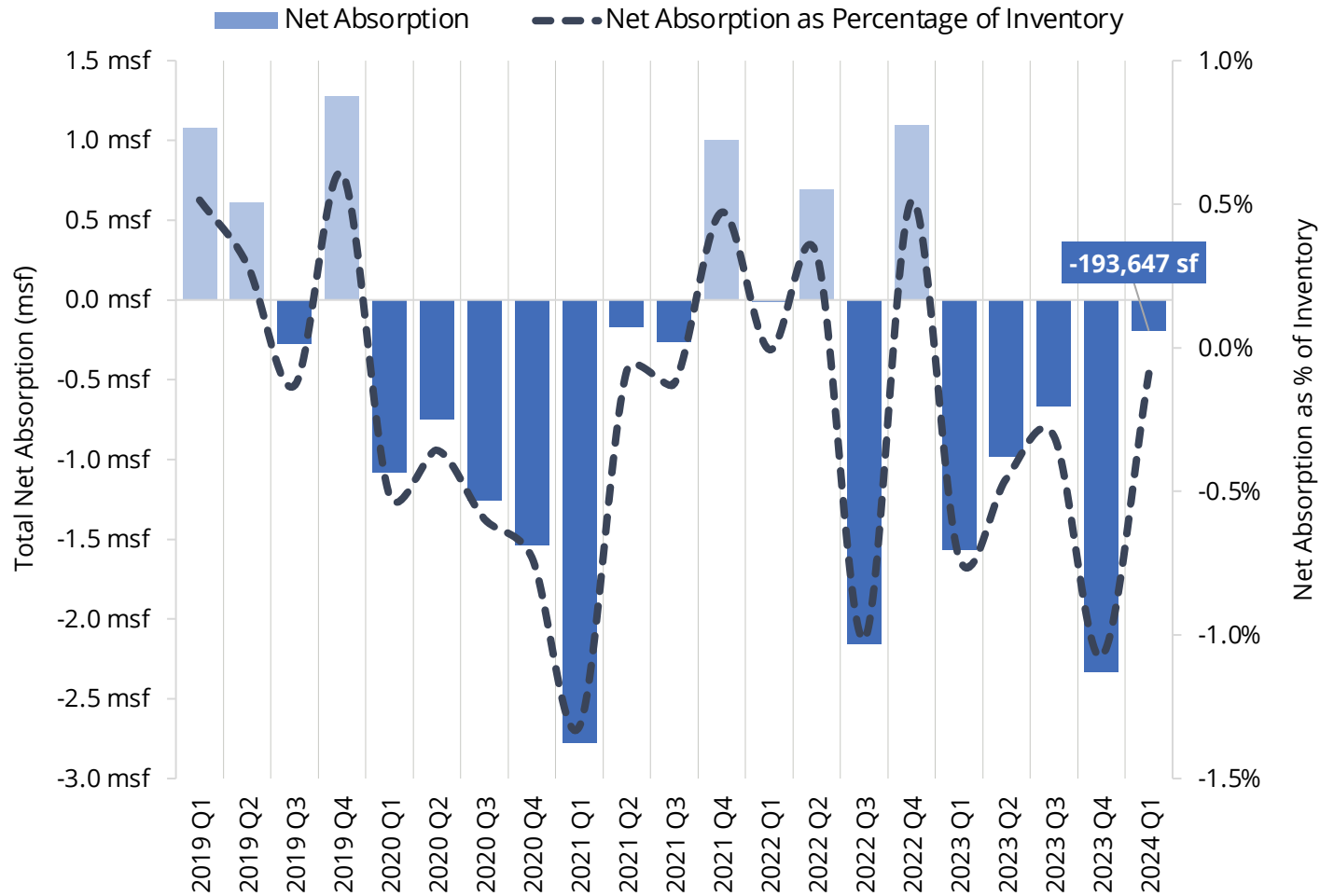
In the Greater Boston area, this submarket has proved to be minimally impacted despite high availability, demonstrating its resilience to market fluctuations.

Greater Boston occupier trends

Let's examine more prevailing office trends



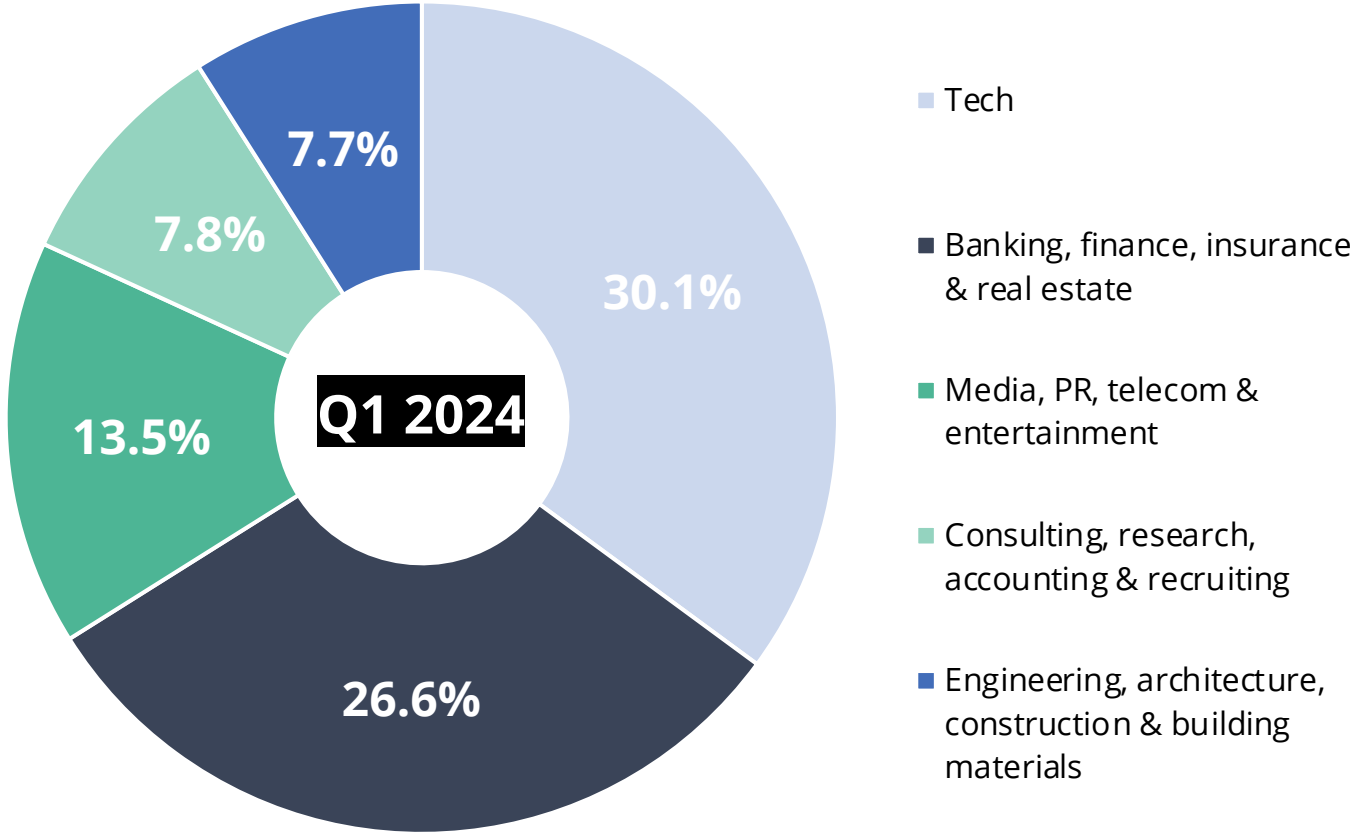
Quarterly total net absorption



For the 5th straight quarter, Greater Boston has posted a negative net absorption.

These absorption figures continue to drive availability upwards, resulting in more space sitting vacant on the market.

Share of leasing activity by industry

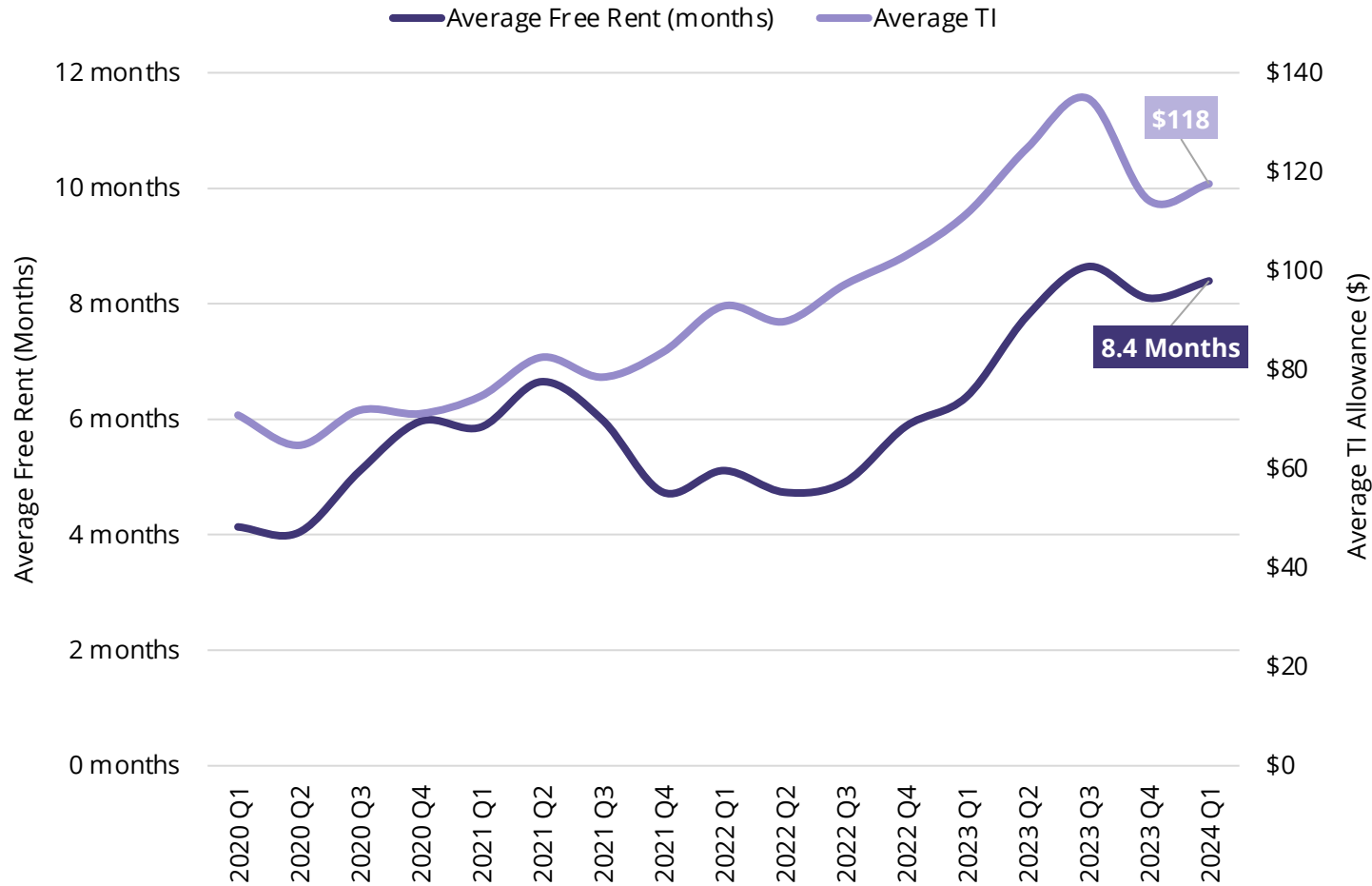


In Q1 2024, tech and FIRE sectors accounted for more than 50% of leasing activity for leases exceeding 10,000 SF.

As a result of Havas Media signing a 70,000 square foot lease in Seaport, we see media, PR, telecom, & entertainment occupations account for a greater share of leasing activity than in previous quarters.

Source: AVANT by Avison Young, CoStar
Note: Leasing activity to include leases greater than or equal to 10,000 SF
Note: Values will not sum to 100% due to other industries not pictured accounting for leased SF.

Concession packages for significant leases



Since 2020 Q4, there has been a gradual rise in office concession packages for leases with a term of 10 years or more and a size of 10,000 sf or greater.

After reaching a peak in concessions offered in Q3 2023, Greater Boston has seen an increase compared to the previous quarter.

This rise in concession packages can be attributed to the record-breaking availability of office space, compelling landlords to increase their spaces' appeal to tenants.

Source: AVANT by Avison Young, CoStar
 Note: Concessions packages reflect deals signed greater than or equal to 10,000 SF, with a term of 10 years or more.
 Note: Data pulled using a 4Q rolling average.

Concessions as a share of lease term



In Greater Boston, concessions as a share of lease term have seen a gradual increase each year since 2021.

When comparing 2019 to 2024 QTD, Greater Boston demonstrated an increase of 7.0%.

As space continues to sit vacant, landlords are forced to incentivize tenants by providing significant concessions packages.

Note: Concessions include the value of tenant improvement allowances and free rent periods. Central business districts only. Direct relocations only with 7+ year lease terms.

Upcoming significant lease expirations



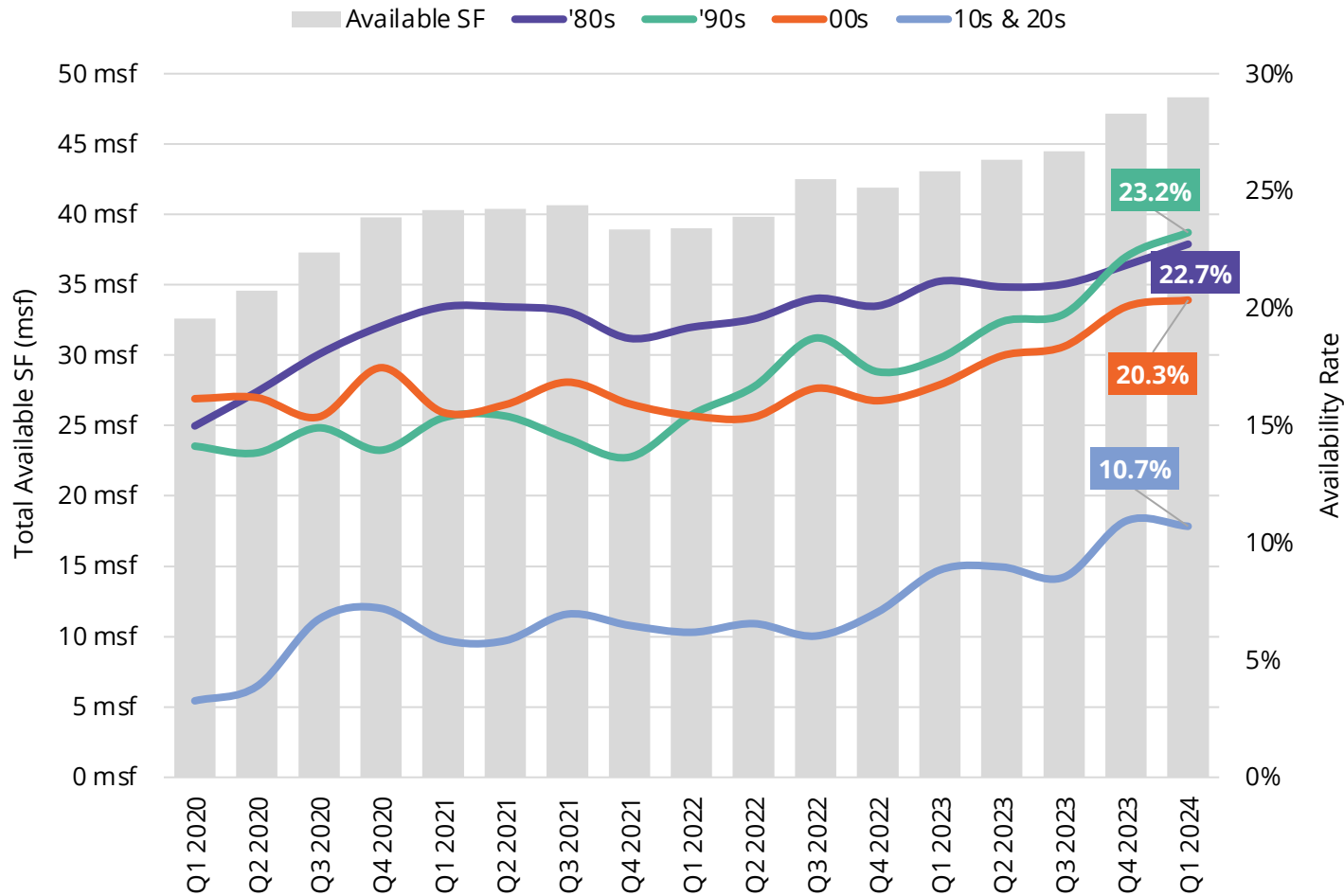
Approximately 4.7 msf of leases exceeding 10,000 sf are due to expire in the upcoming quarter.

Given the considerable number of expirations, we expect leasing activity to accelerate in the following quarter.

With ample space available in the market, tenants will have a wide range of options to choose from to meet their real estate requirements.

Source: AVANT by Avison Young, CoStar
 Note: Lease expirations to include leases signed greater than or equal to 10,000 sf.

Total availability by building age group



With a reported 10.7% availability rate in Q1 2024, properties that delivered from 2010 onwards have maintained their position as the most sought-after for leasing.

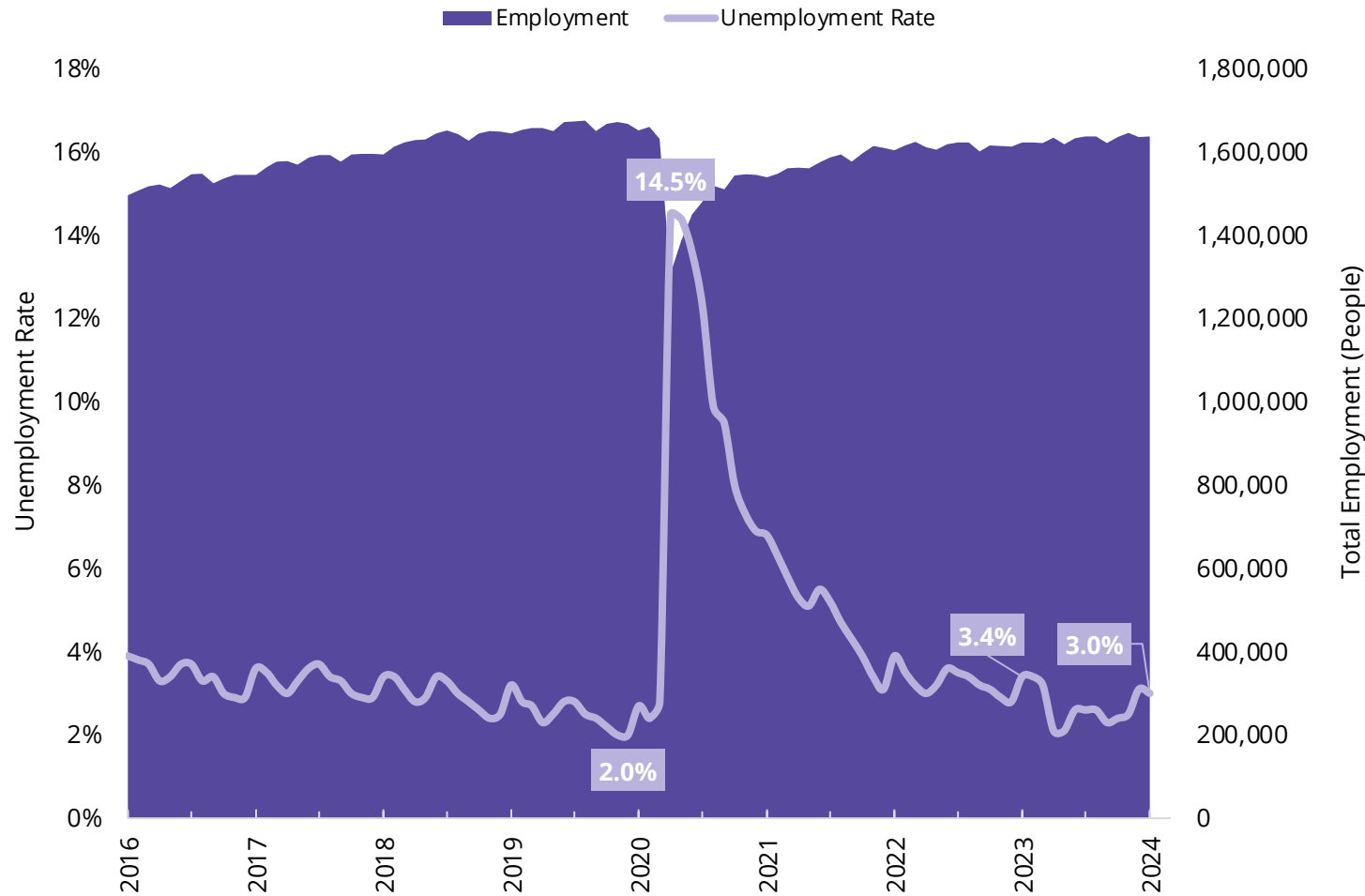
This trend has been evident in the Greater Boston market, where newer facilities consistently outshine their older counterparts in terms of demand.

Greater Boston employment trends

Let's examine the economic trends impacting the office sector



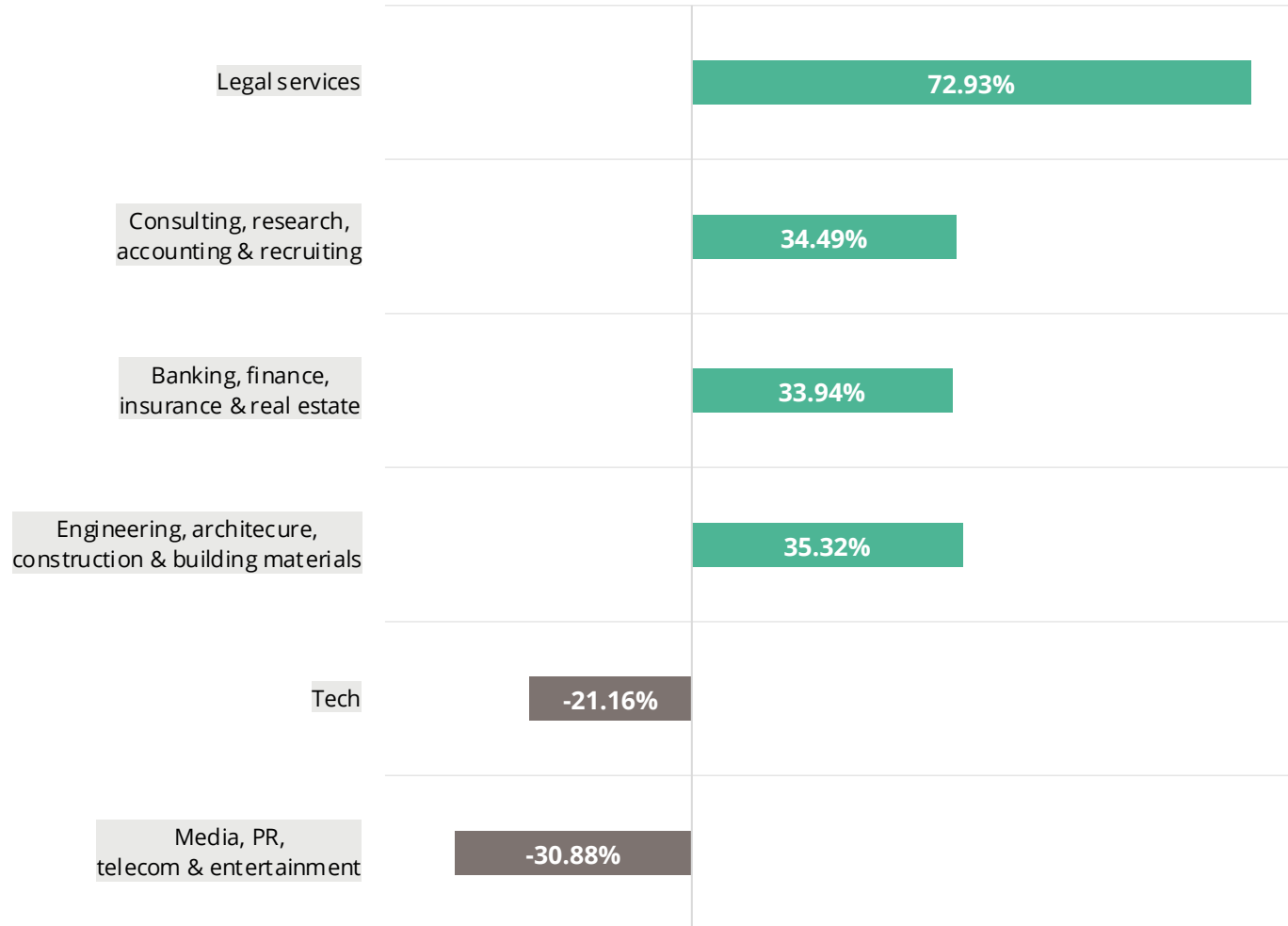
Boston-Cambridge-Newton employment



When comparing January 2023 to January 2024, the unemployment rate in the Boston-Cambridge-Newton MSA decreased by 0.4%.

Despite a notable pattern of layoffs in the Greater Boston region, employment has remained stable.

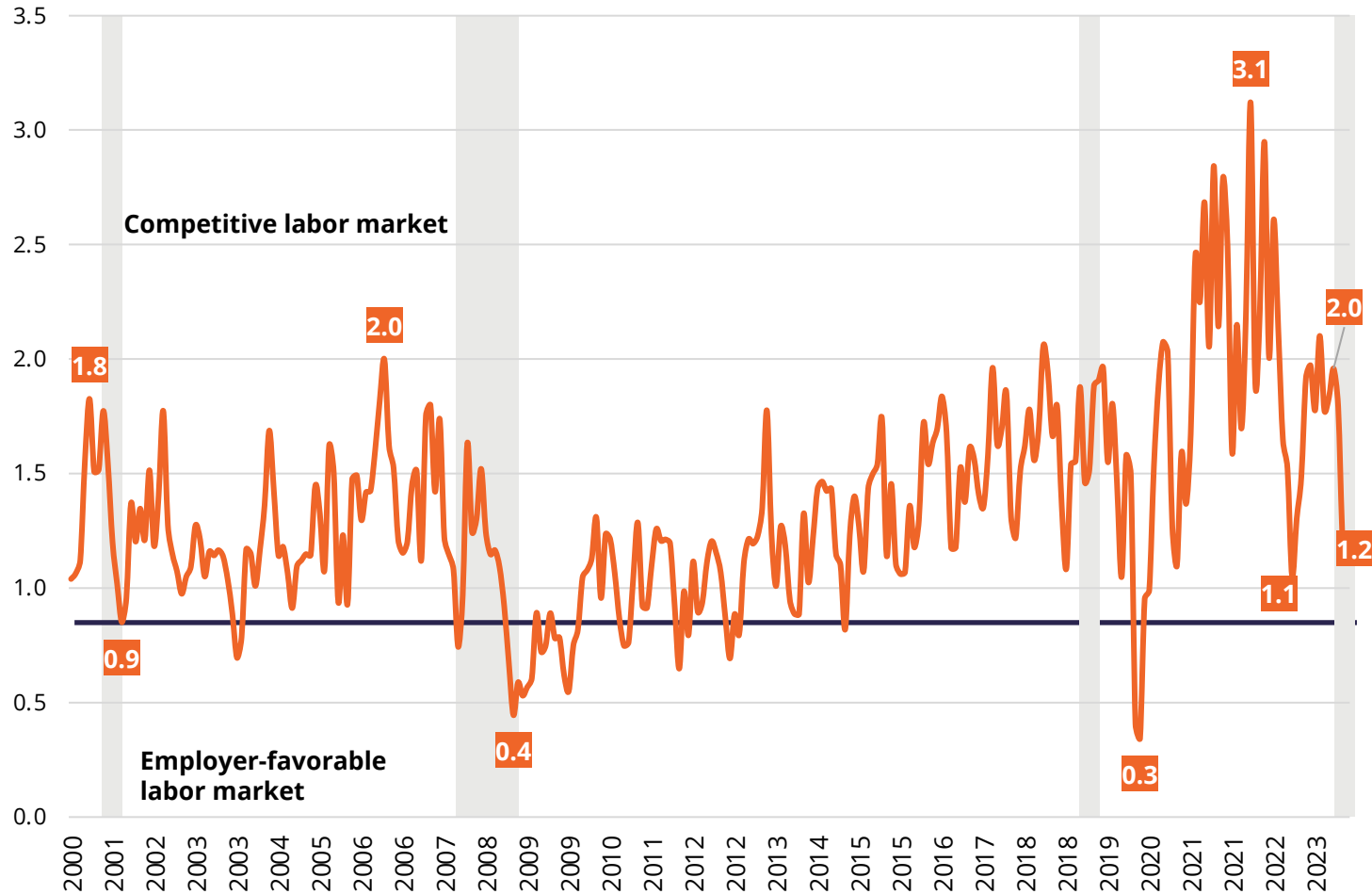
Change in office job postings, 2023 Q4 – 2024 Q1



When comparing Q4 2023 to Q1 2024, there is a notable increase in job postings across four major office-based fields throughout Greater Boston.

Conversely, media, PR, telecom & entertainment as well as tech industries exhibited a decline in job postings during the same period.

US office quits-to-layoffs and discharges ratio



The “quits-to-layoffs” ratio measures the tightness of the office labor market.

Due to widespread layoffs, the labor market has tilted in favor of employers, reaching its lowest point since January 2023.

Consequently, employees are now required to adhere to newly established RTO policies to maintain employment.

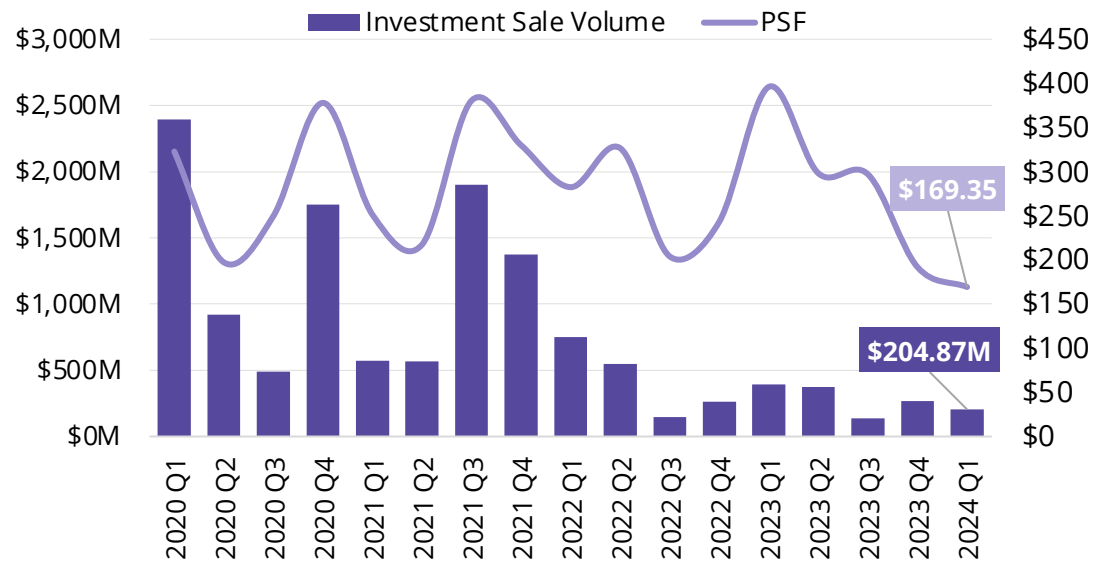
Appendix



Office sale dollar volume, sale count & sale price PSF

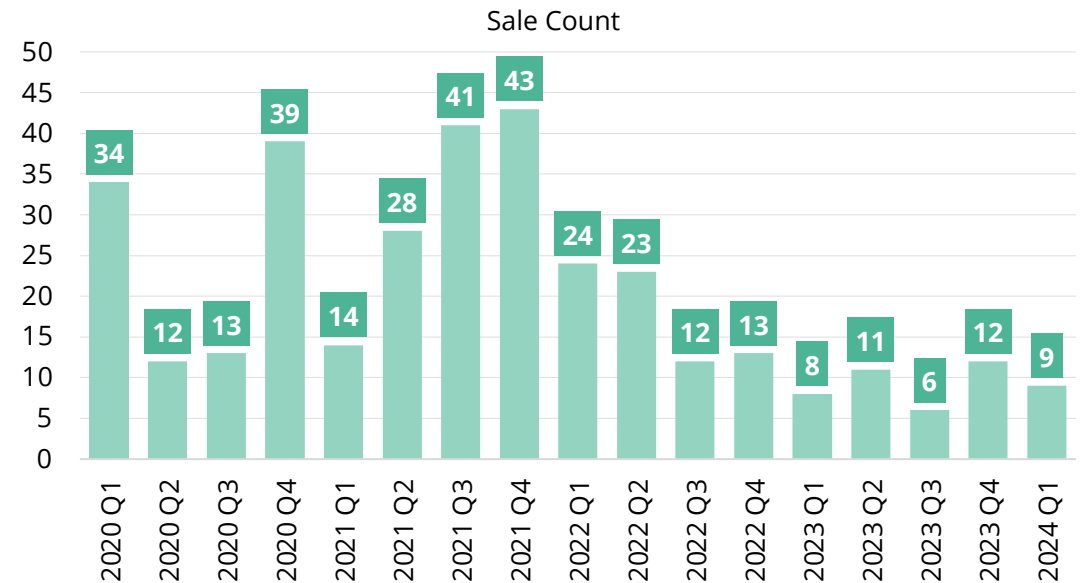
\$204.87M

Aggregate office sale dollar volume in Q1 2024

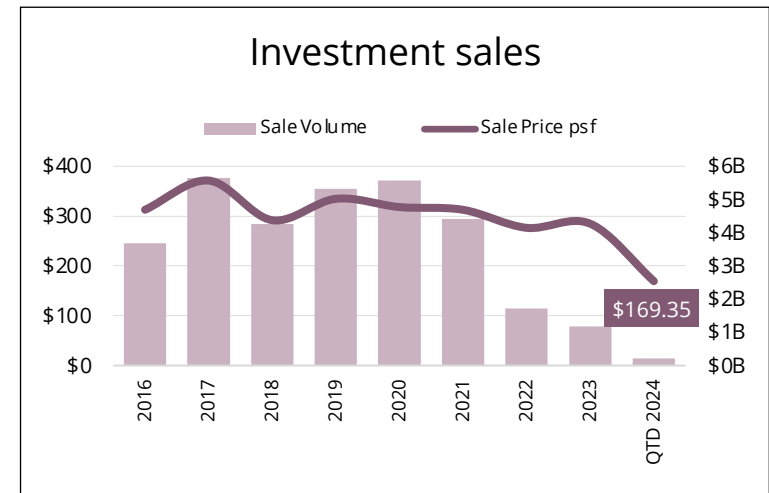
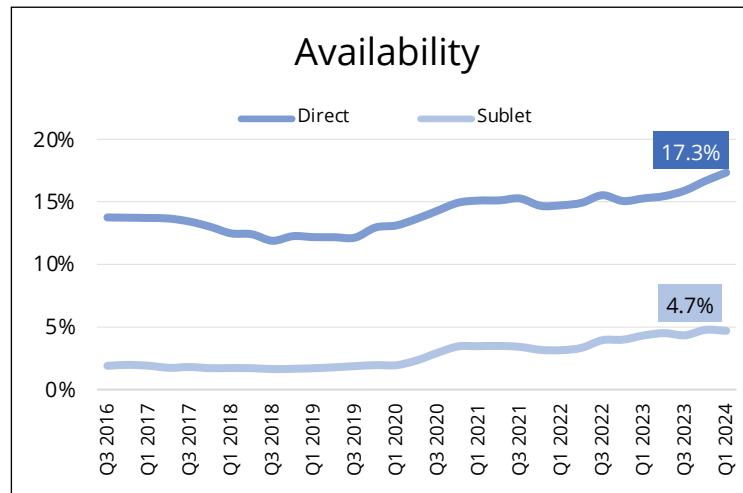
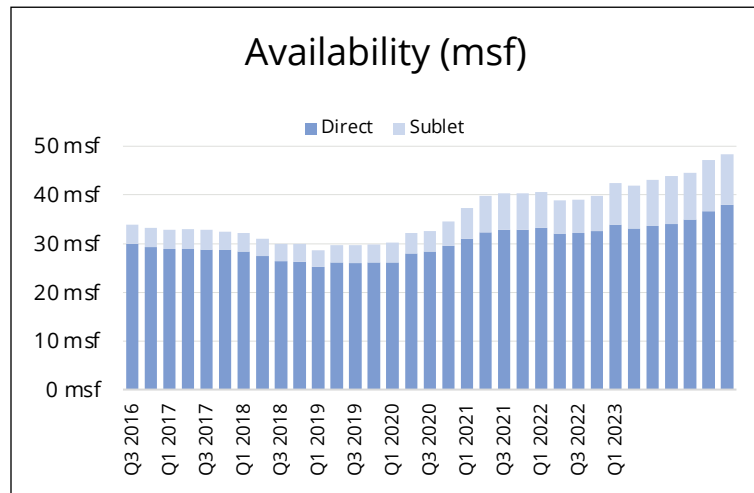
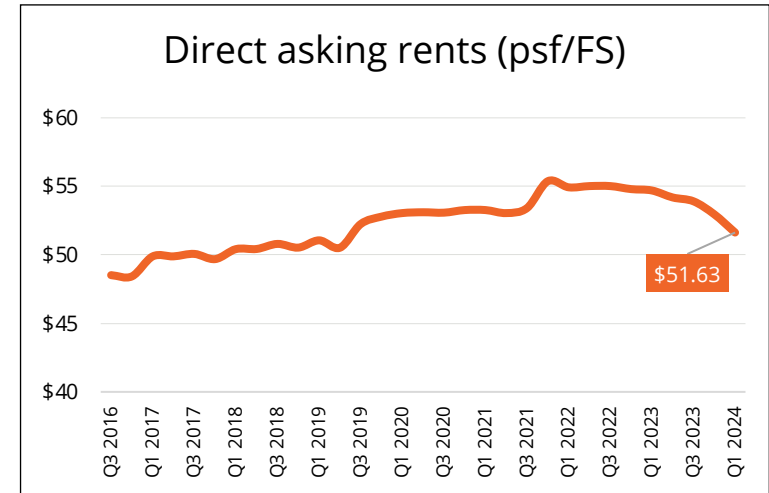
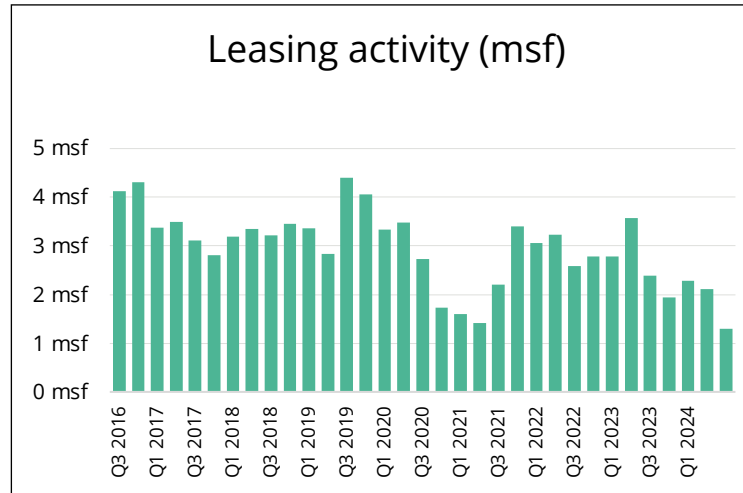
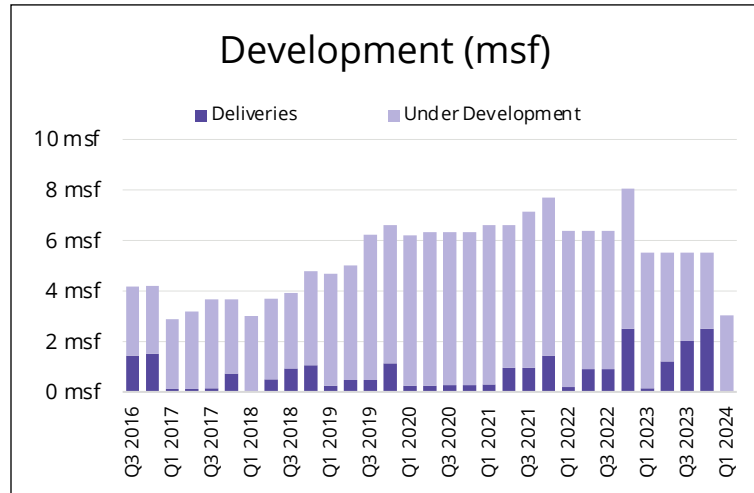


9 transactions

9 office buildings traded hands in Q1 2024



Boston office market indicators



Notable Boston office market activity

Recent leasing activity

Tenant	Address	Submarket	Sign date	Size (sf)*	Transaction type	Lease type
Havas	5 Necco Ct, Boston	Seaport	Jan 2024	70,000	New	Direct
SICK Inc.	150 Royall St, Canton	128 South	Feb 2024	32,000	New	Direct
Grant Thornton LLP	53 State St, Boston	CBD	Feb 2024	27,000	New	Direct
BayPine	800 Boylston St, Boston	Back Bay	Feb 2024	17,000	New	Direct

*rounded to the nearest thousandth

Recent sales activity

Buyer	Address	Sale date	Building size (sf)	Sale price	Sale price psf	Seller
Synergy Boston	101 Arch St, Boston	Mar 2024	406,928	\$78,000,000	\$192	Clarion Partners
Synergy Boston	179 Lincoln St, Boston	Mar 2024	221,474	\$76,500,000	\$345	Blackstone
Rhino Capital Advisors	110-112 Canal St, Boston	Jan 2024	55,040	\$14,600,000	\$265	Alcion Ventures

Top projects under development

Address	Submarket	Delivery date	Building size sf	% Preleased	Developer
750 Atlantic Avenue	CBD	Q4 2025	1,020,000	0%	Hines
1 Boston Wharf Road	Seaport	Q4 2024	707,000	100%	WS Development
350 Boylston Street	Back Bay	Q2 2024	231,663	94%	Druker Company

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
Boston Total	77,540,289	2,605,276	17.7%	5.5%	23.2%	2.8%	(11,505)	(1.4%)	\$71.09
CBD	46,718,309	1,666,613	19.6%	4.9%	24.6%	2.4%	(20,422)	(0.0%)	\$77.43
BackBay	14,588,136	231,663	16.0%	5.2%	21.2%	3.7%	37,802	0.3%	\$80.36
Seaport	10,692,374	707,000	15.3%	7.6%	22.8%	5.4%	(127,376)	(1.2%)	\$61.31
North Station	4,093,369	0	13.6%	7.2%	20.8%	(1.3%)	53,161	1.3%	\$50.43
Fenway/Kenmore	1,448,101	0	2.3%	5.1%	10.2%	(1.4%)	45,330	3.1%	\$39.79
Cambridge Total	12,092,727	422,000	16.5%	5.3%	21.8%	3.3%	(93,252)	(2.5%)	\$75.87
East Cambridge	7,956,398	422,000	20.2%	4.8%	25.0%	4.1%	(85,933)	(1.1%)	\$90.33
Central Cambridge	2,369,920	0	12.5%	6.2%	16.9%	2.5%	42	0.0%	\$57.86
West Cambridge	1,766,409	0	4.6%	7.7%	12.1%	(0.1%)	(7,361)	(0.4%)	\$41.92
Inner Suburbs	16,374,046	0	11.1%	4.3%	15.3%	1.4%	(89,988)	(2.2%)	\$38.88
Near North	8,033,235	0	15.9%	5.3%	21.3%	1.6%	(141,983)	(1.8%)	\$39.78
Brookline/Watertown	4,076,512	0	8.0%	4.6%	12.6%	0.9%	15,308	0.4%	\$37.49
Crosstown Corridor	3,957,829	0	4.7%	2.1%	6.8%	2.3%	31,897	0.8%	**
Southie	306,470	0	7.1%	0.0%	7.1%	(4.3%)	4,790	1.6%	**
128 Belt	56,406,190	0	15.9%	6.1%	21.9%	3.5%	69,962	(4.6%)	\$27.32
128 North	19,668,151	0	17.0%	4.8%	21.8%	2.2%	(67,716)	(0.3%)	\$27.49
128 West	21,978,667	0	12.9%	8.8%	21.6%	4.2%	79,451	0.4%	\$29.10
128 South	12,614,496	0	20.3%	3.8%	24.0%	4.8%	42,106	0.3%	\$24.85
South Shore	2,144,876	0	10.3%	3.3%	12.8%	(0.5%)	16,121	0.8%	\$21.02
495 Belt	53,689,042	0	20.4%	2.1%	22.5%	1.8%	(68,864)	0.3%	\$23.13
495 Northeast	11,105,410	0	20.5%	2.1%	22.5%	2.5%	18,611	0.2%	\$23.27
Route 3 North	15,420,170	0	21.5%	3.7%	25.2%	(1.5%)	(16,218)	(0.1%)	\$27.55
Route 2 West	6,372,781	0	21.4%	0.7%	22.0%	(2.3%)	3,905	0.1%	\$23.94
495 Mass Pike West	10,021,305	0	22.5%	2.2%	24.6%	2.1%	(77,677)	(0.8%)	\$20.06
Framingham/Natick	4,553,331	0	27.4%	1.5%	28.9%	9.0%	34,510	0.8%	\$20.44
495 South	6,216,045	0	8.3%	0.1%	8.5%	(1.1%)	(31,995)	(0.5%)	\$19.67
Greater Boston Total	216,102,294	3,027,276	17.3%	4.7%	22.0%	2.4%	(193,647)	(0.09%)	\$51.63

Boston office market stats by class

	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	10,479,891	0	1,020,000	12.2%	4.3%	16.6%	(105,431)	(1.01%)	\$105.73
Class A	97,187,566	0	2,007,276	19.9%	7.2%	27.1%	(138,051)	(0.14%)	\$62.14
Class B	87,260,816	0	0	17.6%	2.9%	20.5%	28,908	0.03%	\$31.24
Class C	21,174,021	0	0	7.0%	0.7%	7.7%	20,927	0.10%	\$29.45
Market Total	216,102,294	0	3,027,276	17.3%	4.7%	22.0%	(193,647)	(0.09%)	\$51.63



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

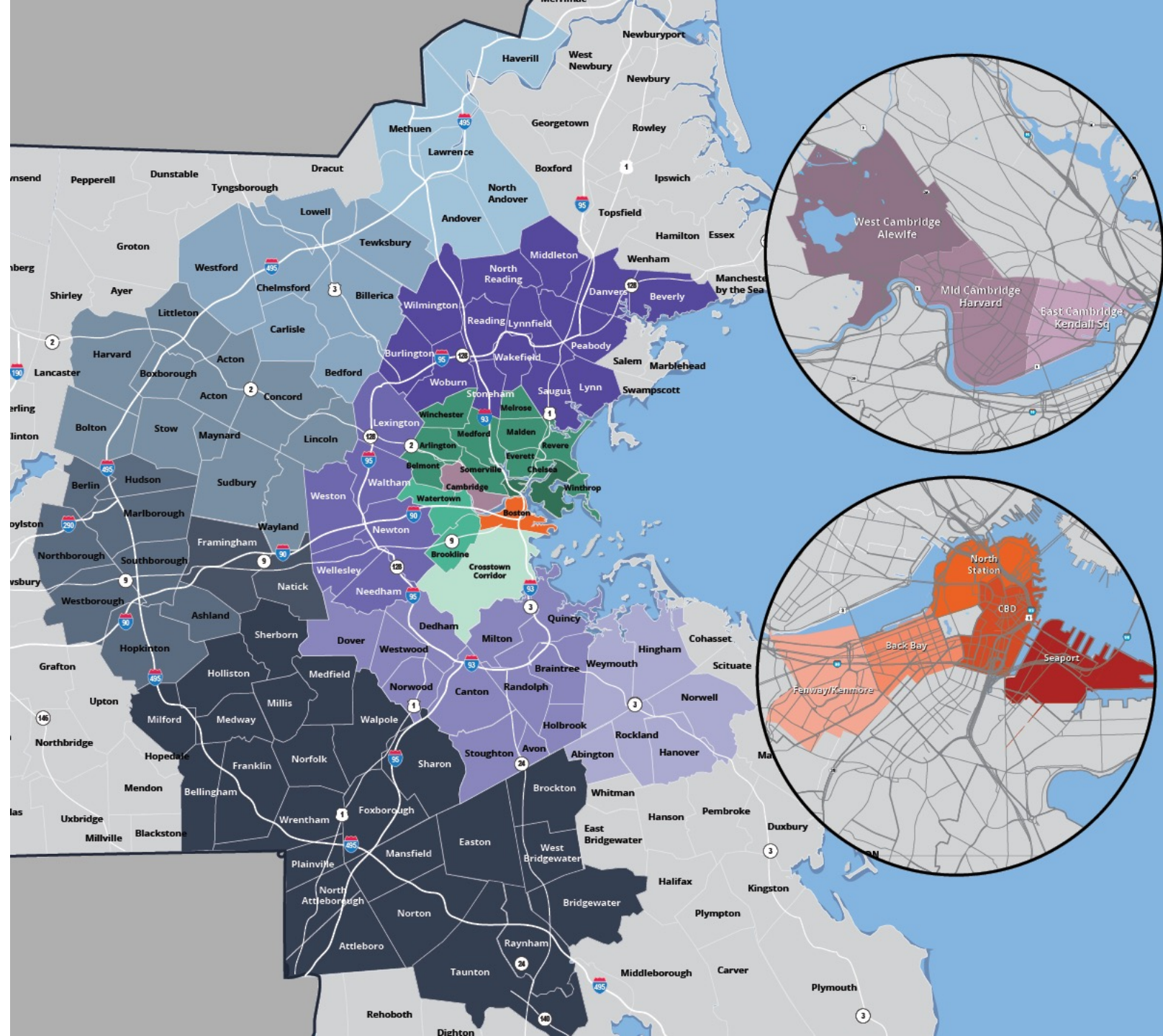
- Near North
- Brookline/Watertown
- Crosstown Corridor

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



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

For more market insights and
information visit **avisonyoung.com**

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