

Greater Boston



Market Facts

3,241,000 SF

is currently under construction throughout all of the GBA

11%

of office space is currently vacant on a direct and sublet basis in the GBA

403,000 SF

was absorbed on a net basis throughout Greater Boston in Q1' 2018

\$36.69 psf

is the overall average asking rent for the GBA

Heavy demand for office space remains as the market prepares for the delivery of a substantial amount of unleased construction

The opening quarter of 2018 can best be characterized as healthy. The market absorbed just over 400,000 SF, slightly above last quarter, and the construction pipeline continued to grow, allowing for the expansion of the overall market while keeping pressure on rising rental rates. Average asking rents increased slightly in Boston and Cambridge, while the Ring, 128 Belt, and 495 Belt remained fairly static with small increases occurring in 495 West, 128 North, and Watertown/Brighton.

Looking ahead, occupancy growth is expected to increase throughout the rest of 2018 although the vacancy rate is projected to remain static over the next two quarters. This is due to several speculative construction and renovations projects that are ahead of the demand curve in select submarkets such as the 128 core, 9 Corridor, and Near North.

After several years of heavy absorption, many Greater Boston developers have been thinking: "If you built it, they will come". However, additional development

will put this thought process to the test in 2018. While the first quarter of the year certainly had the "wow" factor, with companies like Amazon, Philips, Mass Mutual, and Verizon all making headlines in relation to new construction in the Urban Markets, over 500,000 SF of space still remains unleased for deliveries projected to occur over the next six months. Primarily located in the suburbs, this would result in a substantial influx of vacant space should leasing prior to completion not occur.

While this may have been cause for alarm several years ago; the amount of office demand now being tracked for the market still eclipses the construction pipeline. Currently, AYNE Research is following over 5.3 MSF of office requirements compared to approximately 4.2 MSF at the start of 2016. If the local economy remains stable and national headwinds, such as rising construction costs and interest rates, do not get out of hand, supply and demand fundamentals are expected to stay strong throughout 2018.

In The News

"Philips will move North American **HQ to Cambridge** – along with **2,000 Workers**"

- *Boston Business Journal*

"Amazon set to bring at least **2,000** more jobs to the **Seaport**"

- *Boston Globe*

"Nixon Peabody shrinking downtown footprint with move to **53 State St.**"

- *Bisnow*

"Verizon on the hunt for **300K-SF Office** in Boston"

- *Boston Magazine*

"MassMutual plans **\$240M** Boston office building with room for **1,000 Workers**"

- *Boston Business Journal*

"Apple 'likely' to pick **Mass.** or other Northeast state for **new campus**, Bloomberg says"

- *Boston Business Journal*

"Cross Point towers sold again for **\$227M**"

- *Lowell Sun*

"John Hancock is prepping for a **Back Bay Homecoming**, but not to the iconic tower"

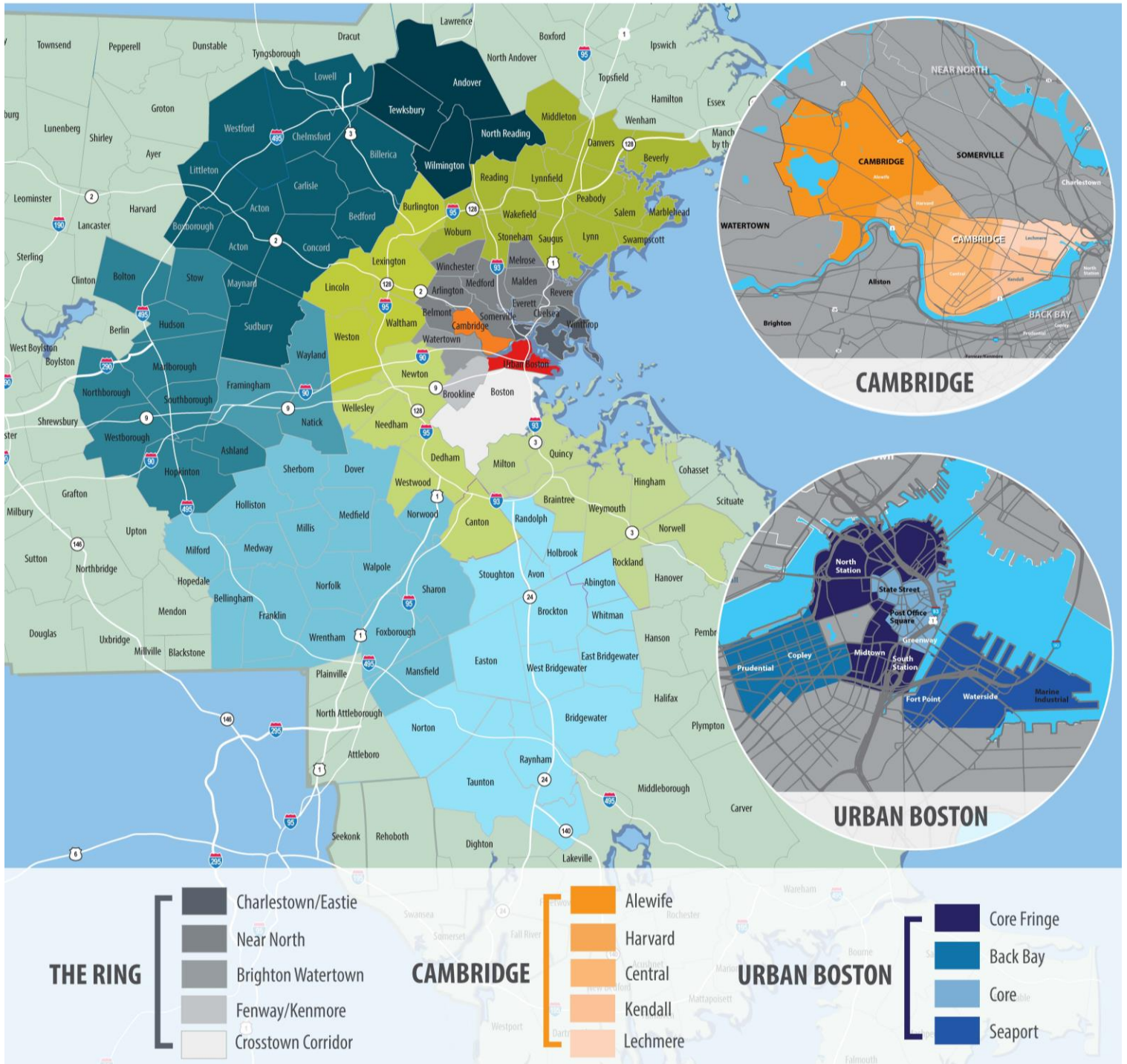
- *Boston Magazine*

"Drugmaker Alkermes confirms **expansion**, hiring plans in **Waltham**"

- *Boston Business Journal*

"Mighty Squirrel Brewing opening taproom in **Waltham Office Park**"

- *Banker & Tradesman*



Boston



68 MILLION
SQUARE FEET OF OFFICE

8.3%
VACANCY

579,000
NET ABSORPTION
IN THE LAST 12 MONTHS

ASKING RENTS

.....
CLASS A CLASS B
\$55-\$80 \$45-\$55

Cambridge



11 MILLION
SQUARE FEET OF OFFICE

3.4%
VACANCY

(62,000)
NET ABSORPTION
IN THE LAST 12 MONTHS

ASKING RENTS

.....
CLASS A CLASS B
\$60-\$70 \$50-\$55

The Ring



15 MILLION
SQUARE FEET OF OFFICE

8.8%
VACANCY

(2,000)
NET ABSORPTION
IN THE LAST 12 MONTHS

ASKING RENTS

.....
CLASS A CLASS B
\$35-\$45 \$30-\$40

128 Belt



56 MILLION
SQUARE FEET OF OFFICE

10.9%
VACANCY

613,000
NET ABSORPTION
IN THE LAST 12 MONTHS

ASKING RENTS

.....
CLASS A CLASS B
\$30-\$40 \$20-\$30

495 Belt



54 MILLION
SQUARE FEET OF OFFICE

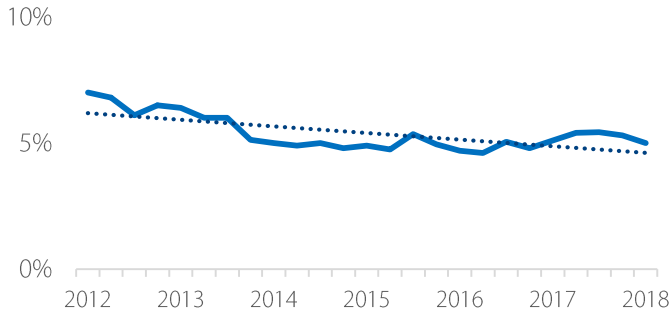
16.6%
VACANCY

405,000
NET ABSORPTION
IN THE LAST 12 MONTHS

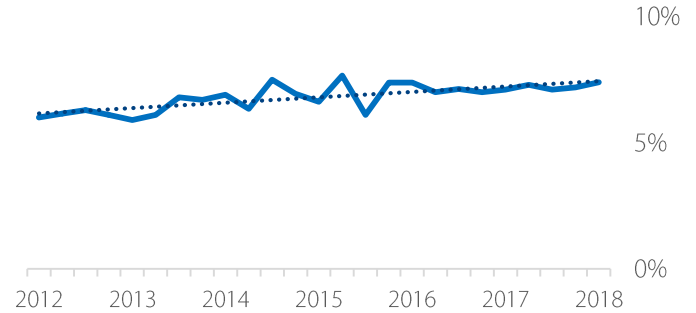
ASKING RENTS

.....
CLASS A CLASS B
\$20-\$25 \$15-\$20

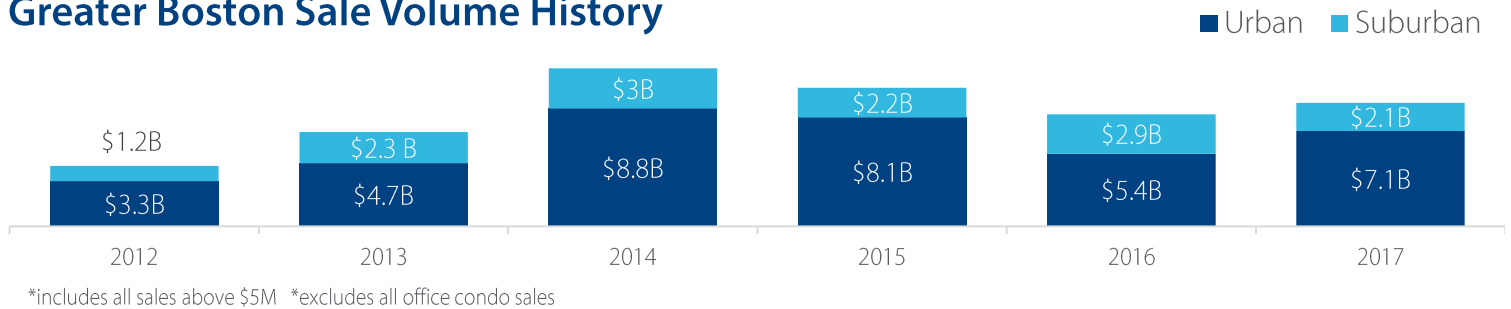
Urban Market Cap Rate Trends



Suburban Market Cap Rate Trends



Greater Boston Sale Volume History



Quarterly Investment Sale Transactions

	Building	Class	Sale Price	Price/SF	SF	Submarket
Boston	40 Court St	B	\$54,000,000	\$492	109,705	Core
	125 Broad St	B	\$14,000,000	\$523	26,752	Core
Cambridge	1-8 and 17-41 Brattle St	B	\$108,000,000	\$1,745	61,585	Harvard
	1280-1288 Mass Ave	B	\$45,150,000	\$1,045	43,210	Harvard
The Ring	135 William T Morrissey Blvd	B	\$81,000,000	\$115	703,000	Crossing Corridor
	5 Middlesex Ave	B	\$35,000,000	\$161	216,972	Near North
128 Belt	1895 J W Foster Blvd	A	\$88,000,000	\$129	680,000	9 Corridor
	101 Station Dr	A	\$53,100,000	\$255	208,134	9 Corridor
495 Belt	Cross Point Towers	A	\$227,200,000	\$177	1,282,212	2 & 3 Corridor
	150 Minuteman Rd	A	\$32,000,000	\$285	112,150	495 North

*highest price for each market



- ✓ The City **absorbed** approximately **209,000 SF** of space in **Q1' 2018**
- ✓ **Overall Asking Rents** rose, although at a **slower rate**, rising **1.7%** over the **LTM**
- ✓ **Overall Vacancy** remained between **8-9%** for the **10th** straight quarter, with **Q1' 2018** sitting at **8.3%**
- ✓ Over **1.4 MSF** of competitive office space is currently **under construction**, with **86%** currently preleased
- ✓ The **Back Bay** remained on top for most expensive **Class A** space, with an average overall asking rent of **\$67.40**

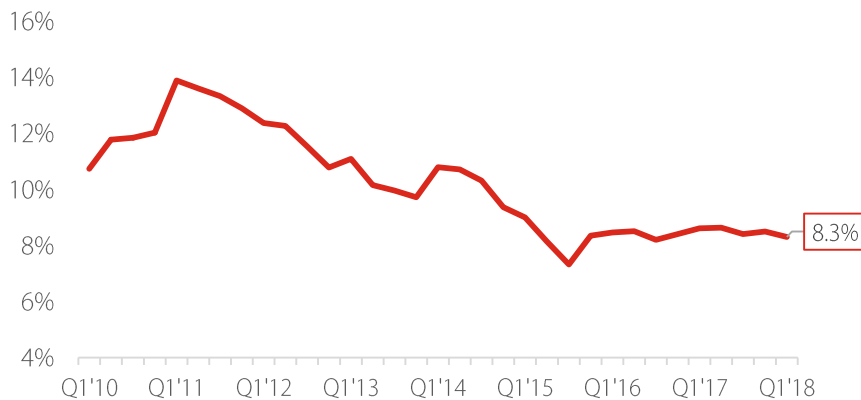
Notable Activity

- **Nixon Peabody** announced that its roughly 300 Boston employees will be relocating to 105,000 SF at **53 State Street**, downsizing from its longtime post at 100 Summer Street.
- **Amazon** keeps its foot on the gas pedal, as the tech giant plans to lease 430,000 SF in Boston's **Seaport Square**, (Block L4) with the option to build an additional 610,000 SF building right next door. (Block L5)
- **MassMutual** is fully invested in Boston, as they are aiming to build a \$240M campus at **10 Fan Pier Boulevard** for nearly 1,000 new workers.
- **Wayfair** is in advanced negotiations for a 400,000 SF expansion at **500 Boylston Street/222 Berkeley Street** where they will join **Draft Kings** who recently leased 105,000 SF there.
- **Verizon's Oath** is expected to lease roughly **300,000 SF**, making them the anchor tenant for **Phase III** of **Hub on Causeway**,
- **Spotify** is leasing around **75,000 SF** at the former FBI Boston Division headquarters at **Center Plaza**.

Supply & Demand

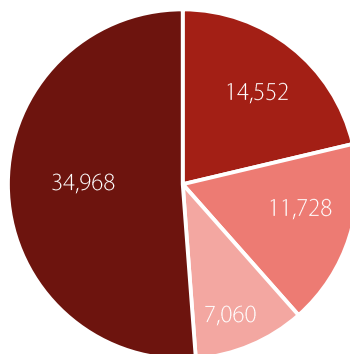
total vacancy

Q1' 2018 includes sublet space



Inventory

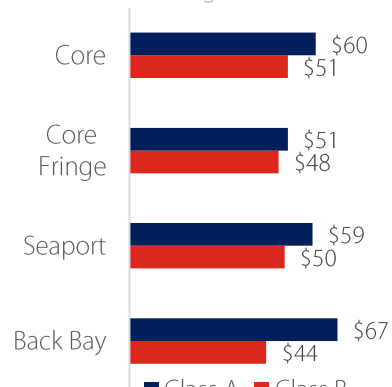
SF in the thousands



■ Back Bay ■ Seaport ■ Core Fringe ■ Core

Average Asking Rent

gross, net electric



*select submarkets only

NOTABLE DEVELOPMENTS

40 WATER ST | CONGRESS SQUARE

Delivery Date:	Q2' 2018
Total Office Size:	365,000 SF
SF Available:	143,000 SF
Developer:	Related Beal
Status:	Under Construction
Notable Commitments:	Publicis.Sapient WeWork

321 HARRISON AVE

Delivery Date:	Q4' 2019
Total Office Size:	235,000 SF
SF Available:	235,000 SF
Developer:	Nordblom & CIM
Status:	Under Construction
Notable Commitments:	-

2 DRYDOCK | PARCEL Q-1

Delivery Date:	2020
Total Office Size:	214,000 SF
SF Available:	214,000 SF
Developer:	Skanska
Status:	Board Approved
Notable Commitments:	-

88 SEAPORT BLVD | PARCEL D

Delivery Date:	2020
Total Office Size:	425,100 SF
SF Available:	425,100 SF
Developer:	WS Development
Status:	Board Approved
Notable Commitments:	-

140 NORTHERN AVE | PIER 4 (Phase 2)

Delivery Date:	Q2' 2018
Total Office Size:	375,000 SF
SF Available:	32,000 SF
Developer:	Tishman Speyer
Status:	Under Construction
Notable Commitments:	BCG Cengage Numeric

6 TIDE ST | INNOVATION SQUARE

Delivery Date:	Q1' 2019
Total Office Size:	125,000 SF
SF Available:	70,000 SF
Developer:	Related Beal
Status:	Under Construction
Notable Commitments:	MI Labs

* Assets are subject to taking lab tenants

* Delivery dates are based on AYNE Research projections

- ✓ The market **absorbed** approximately **75,000 SF** of space in **Q1' 2018**
- ✓ Total **vacancy decreased** 80 basis points to **3.4%** after lease-ups in Kendall and Harvard
- ✓ **Overall Asking rents** averaged at **\$60.59 psf**, increasing **3.5%** from the previous quarter
- ✓ **981,000 SF** is currently under construction throughout **Kendall & Lechmere** submarkets, with **41%** preleased
- ✓ **Kendall** remained the most expensive office submarket in **New England**



Cambridge, MA

Notable Activity

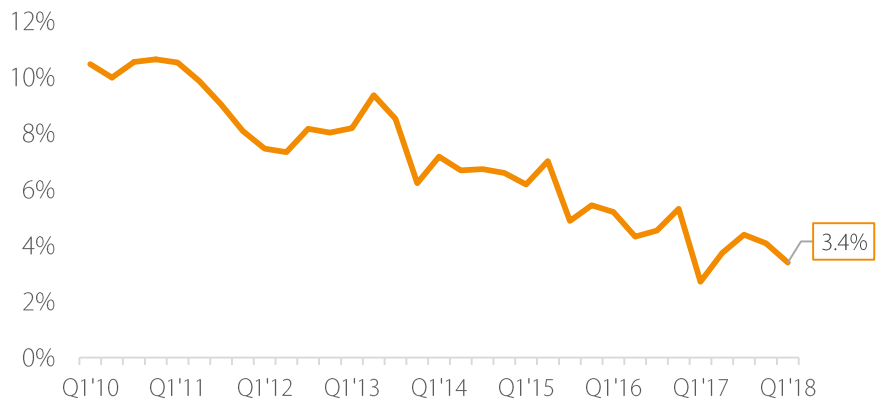
- **Cambridge Innovation Center** is expanding its already massive presence in **Kendall** by leasing an additional **92,500 SF** at **255 Main**.
- **Synlogic** completed its move, growing into **42,000 SF** at **301 Binney St**, relocating from **14,000 SF** at **200 Sidney St**.
- At **105 Broadway**, three new tenants, **Draper Labs**, **MIT**, and the **Broad Institute**, took over **95,000 SF** of sublet space off Biogens hands.
- **AIR** vacated its roughly 20,000 SF space at **1100 Massachusetts Ave**, relocating to **19,000 SF** at **675 Massachusetts Ave**
- **Cambridge Crossing** reeled in its first major tenant with **Philips** committing to **over half of the 430,000 SF** of speculative construction at 250 North St.
- According to Niche.com, **Cambridge** regained the top spot as **"2018 Best Cities for Millennials in America"**.
- **Cambridgepark Drive** will be giving back **over 100,000 SF** to the market over the next year, mainly due to the impending departure of **Bitsight Technologies** and **Quickbase**.

Supply & Demand

total vacancy

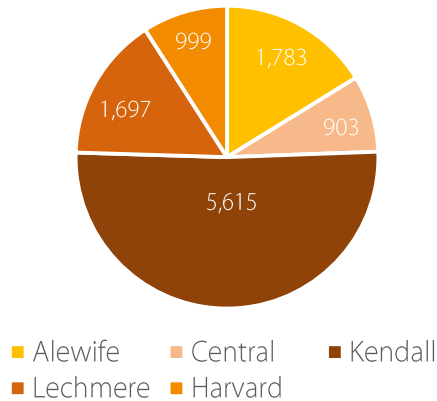
Q1' 2018

includes sublet space



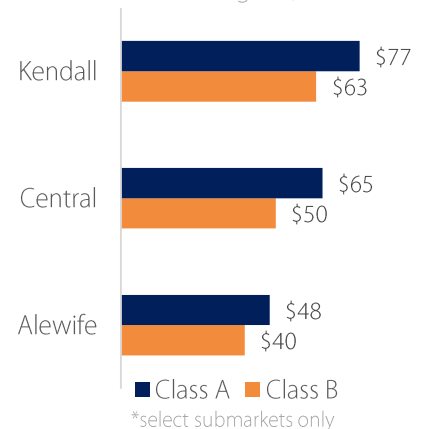
Inventory

SF in the thousands



Average Asking Rent

gross, net electric



NOTABLE DEVELOPMENTS

250 NORTHERN ST | CAMBRIDGE CROSSING

Delivery Date:	Q3' 2019
Total Office Size:	430,000 SF
SF Available:	191,000 SF
Developer:	DivcoWest
Status:	Under Construction
Notable Commitments:	Philips North America

314 MAIN ST

Delivery Date:	2020
Total Office Size:	345,000 SF
SF Available:	345,000 SF
Developer:	MIT
Status:	Under Construction
Notable Commitments:	-

35 CAMBRIDGEPARK DR

Delivery Date:	Q2' 2018
Total Office Size:	220,000 SF
SF Available:	220,000 SF
Developer:	The Davis Companies
Status:	Under Construction
Notable Commitments:	-

121 1st ST

Delivery Date:	Q3' 2018
Total Office Size:	49,000 SF
SF Available:	49,000 SF
Developer:	Bent Associates
Status:	Under Construction
Notable Commitments:	-



- ✓ Over the **LTM**, The Ring has delivered roughly **186,000 SF** of new construction
- ✓ **Overall asking rents** sit at **\$36.63 psf**, with **Charlestown/Eastie** registering the highest on average
- ✓ **Overall vacancy** increased 100 basis points to **8.8%**
- ✓ **162,000 SF** is currently under construction, primarily in the **Fenway/Kenmore** submarket, with only **6%** preleased
- ✓ The market saw negative **absorption** in **Q1' 2018**, giving back roughly **154,000 SF**

Notable Activity

- Large **developments** including **40 Guest St** and **295 Canal St** will delivered over **115,000 SF** by the end of **2018**.
- **Blue Cross-Blue Shield** gave back nearly **52,000 SF** of office space at **401 Park Dr** as the building continues to reposition itself
- **Agero** signed a **115,000 SF**, 17-year lease for a new HQ at **400 Rivers Edge** in **Medford**, an upcoming development near MBTA's Wellington Station.
- **Athenahealth's** Class A office building at **100 Talcott Ave** signed **Bright Horizons Child Care** for **15,045 SF**.
- With anticipation building around **Amazon's HQ2** selection, **HYM Investment Group** has moved forward with proposals for **Suffolk Downs** in East Boston & Revere, **with or without Amazon**.
- **Steward Health Care** is now occupying its new **40,000 SF** office space at **9 Galen St** in Watertown, where they plan to be for the next 10 years.

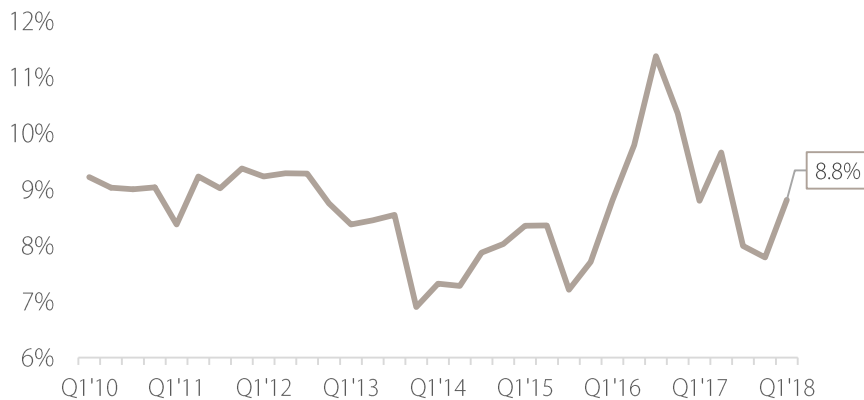


= Avison Young Deal

Supply & Demand

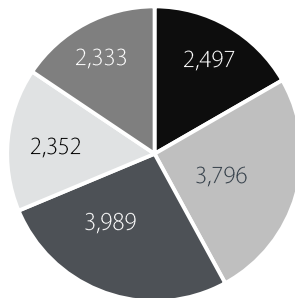
total vacancy

Q1' 2018 includes sublet space



Inventory

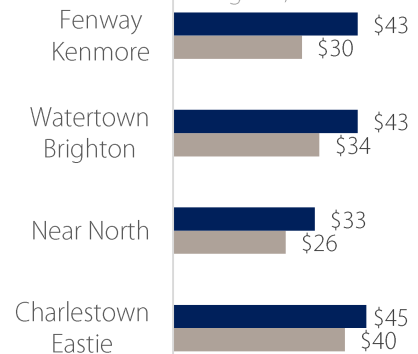
SF in the thousands



- Fenway Kenmore
- Near North
- Crosstown Corridor
- Watertown Brighton
- Charlestown Eastie

Average Asking Rent

gross, net electric



■ Class A ■ Class B
*select submarkets only

THE RING



NOTABLE DEVELOPMENTS

485 ARSENAL ST | ARSENAL YARDS OFFICE

Delivery Date:	Q3' 2019
Total Office Size:	106,000 SF
SF Available:	106,000 SF
Developer:	The Wilder Companies
Status:	Under Construction
Notable Commitments:	-

40 GUEST ST | BOSTON LANDING

Delivery Date:	Q2' 2018
Total Office Size:	160,000 SF
SF Available:	0 SF
Developer:	New Balance Dev.
Status:	Under Construction
Notable Commitments:	Boston Celtics MI Labs

65 GROVE ST | 65 GROVE

Delivery Date:	2016
Total Office Size:	120,000 SF
SF Available:	87,000 SF
Developer:	Cresset Group
Status:	Delivered
Notable Commitments:	New Bosch Thermotechnologies

455 GRAND UNION AVE | ASSEMBLY ROW

Delivery Date:	Speculative
Total Office Size:	233,000 SF
SF Available:	233,000 SF
Developer:	Federal Realty
Status:	Board Approved
Notable Commitments:	-

295 CANAL ST

Delivery Date:	Q2' 2018
Total Office Size:	55,000 SF
SF Available:	45,000 SF
Developer:	Combined Properties
Status:	Under Construction
Notable Commitments:	Combined Properties

60 GUEST ST | BOSTON LANDING

Delivery Date:	2021
Total Office Size:	325,000 SF
SF Available:	325,000 SF
Developer:	New Balance Dev.
Status:	Board Approved
Notable Commitments:	-

* Assets are subject to taking lab tenants

* Delivery dates are based on AYNE Research projections

- ✓ The market **absorbed** approximately **303,000 SF** of space in **Q1' 2018**
- ✓ Overall **asking rents** are at **\$27.22**, mirroring the previous quarter.
- ✓ Total **vacancy** is down 50 basis points, currently sitting at **10.9%**
- ✓ Roughly **486,000 SF** of office space is **currently under construction**, with nearly **1MSF** of new construction being delivered over the LTM
- ✓ **9 Corridor & 128 Core** saw the most leasing activity, **absorbing 169,000 SF** and **132,000 SF** respectively



Waltham, MA

Notable Activity

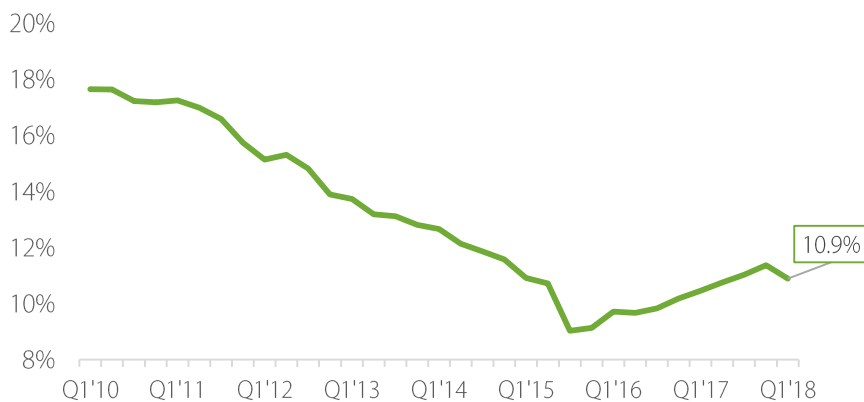
- **Aetna** committed to a large expansion at **93 Worcester St** in Wellesley, taking down just over **80,000 Sf** of office space.
- At **275 Wyman St**, **Cimpress** subleased a chunk of its **77,000 SF** to **Digital Guardian**, who took **44,000 SF**.
- **Sophos** has committed to a renewal and expansion at **3 Van De Graaf Dr**, bringing the company's total footprint to roughly **25,000 SF**.
- After moving to the white hot Seaport District last year, **Reebok** sold its former 518,000 SF HQ in Canton to **Spear Street Capital** for **\$88M**. As of now its unclear what the future holds for the 65-acre site.
- **Rocket Software** is renewing its current sublet space on a direct basis for **92,000 SF** at **City Point**, 77 Fourth Ave in Waltham.
- At **25 Corporation Drive**, aka Burlington Center, **Everbridge** has signed a renewal/expansion where the company's total footprint will now be just over **73,000 SF**.

Supply & Demand

total vacancy

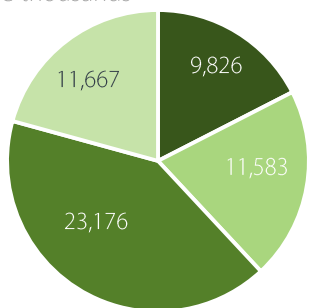
Q1' 2018

includes sublet space



Inventory

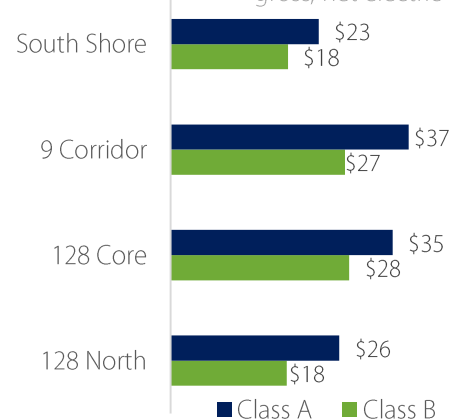
SF in the thousands



- South Shore
- 9 Corridor
- 128 Core
- 128 North

Average Asking Rent

gross, net electric



NOTABLE DEVELOPMENTS

48-52 DUNHAM RD | DUNHAM RIDGE

Delivery Date:	Q3' 2018
Total Office Size:	145,000 SF
SF Available:	145,000 SF
Developer:	Cummings Properties
Status:	Under Construction
Notable Commitments:	-

152 GROVE ST | THE GAUGE

Delivery Date:	2017
Total Office Size:	130,000 SF
SF Available:	130,000 SF
Developer:	Hilco Real Estate
Status:	Delivered
Notable Commitments:	-

200 SMITH ST | POST

Delivery Date:	2017
Total Office Size:	430,000 SF
SF Available:	430,000 SF
Developer:	Northwood
Status:	Delivered
Notable Commitments:	-

10 SYLVAN RD | RESERVOIR WOODS

Delivery Date:	2020
Total Office Size:	440,000 SF
SF Available:	440,000 SF
Developer:	Davis Marcus Partners
Status:	Proposed
Notable Commitments:	-

* Assets are subject to taking lab tenants

* Delivery dates are based on AYNE Research projections



- ✓ The market **absorbed** approximately **405,000 SF** of space over the **LTM**, with this quarter giving back **28,000 SF**
- ✓ **Overall asking rents** for Class A space are up from last quarter, sitting at **\$22.69 psf**
- ✓ Total **vacancy** increased 10 basis points from the previous quarter to **16.6%**
- ✓ **180,000 SF** is currently under construction, with **100% preleased**
- ✓ **495 North** posted the strongest quarter, **absorbing 76,000 SF**

Notable Activity

- **Astellas Institute** officially committed to a long term lease occupying over 250,000 SF at **Westborough Technology Park**
- In Andover, **Ratheon** purchased and moved into **150,000 SF** of Class A competitive office space at **60 Frontage Rd.**
- **Optos** moved into its new office, taking down **29,000 SF** at **500 Nickerson Rd.**, relocating from **67 Forest St.**
- **Millipore Sigma** contributed to the negative absorption seen this quarter, as the company vacated **92,000 SF** at **900 Middlesex Tpke.**
- **Emerson Hospital Health Center** renewed its **64,000 SF** lease at Westford Technology Park, **133 Littleton Rd** in Westford.
- **Cross Point**, the 1.2 MSF three-tower complex in Lowell, sold for **\$227M** to **CrossHarborCapital Partners**, more than double what it sold for just 4 years ago in thanks to the new anchor tenants, Kronos.
- **Liberty Mutual** renewed its lease and will be downsizing from its current space at **Westborough Executive Park.**

Supply & Demand

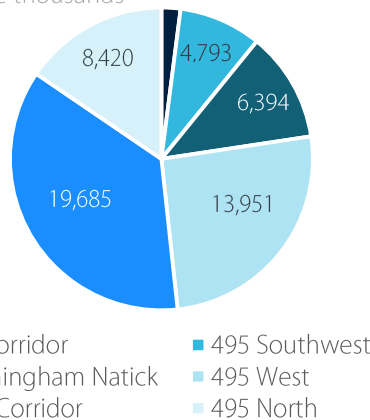
total vacancy

Q1' 2018
includes sublet space



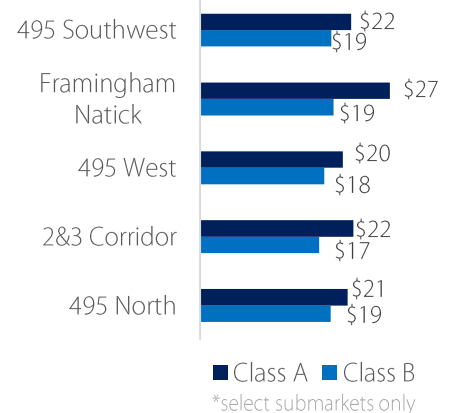
Inventory

SF in the thousands



Average Asking Rent

gross, net electric



NOTABLE DEVELOPMENTS

11 APEX DR | APEX OFFICES (Phase 1)

Delivery Date:	2017
Total Office Size:	45,000 SF
SF Available:	39,000 SF
Developer:	Ryan Development
Status:	Delivered
Notable Commitments:	-

19 SUPERIOR DR (Phase 1&2)

Delivery Date:	Q2' 2018
Total Office Size:	180,000 SF
SF Available:	0 SF
Developer:	MathWorks
Status:	Under Construction
Notable Commitments:	MathWorks

11 APEX DR | APEX OFFICES (Phase 2)

Delivery Date:	Speculative
Total Office Size:	75,000 SF
SF Available:	75,000 SF
Developer:	Ryan Development
Status:	Proposed
Notable Commitments:	-

33 NEW YORK AVE

Delivery Date:	Q2' 2019
Total Office Size:	105,000 SF
SF Available:	105,000 SF
Developer:	King Street Properties
Status:	Board Approved
Notable Commitments:	-

* Assets are subject to taking lab tenants

* Delivery dates are based on AYNE Research projections

ltm → last twelve months
square footage → in the thousands
comp → ltm construction completions
vacancy → includes direct and sublet space
net absorption → net sf change in occupied space
leasing activity → sum total of sf of space committed to



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CHOWDAH
HAHVAHD

CAH

SAWX

NAWTH STATION

HAYMAHKET

DOT AV

EASTIE

PAHKWAY

MAHBLEHEAD

KEGGAH

PACKIE

SOUTHIE

REGULAH

THE GAHDEN

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