

MARKETBEAT BOSTON

Office Q3 2020



CUSHMAN &
WAKEFIELD

YoY
Chg

12-Mo.
Forecast

10.6%

Vacancy Rate



-2.0M

Net Absorption, sf



\$39.55

Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q3 2020

YoY
Chg

12-Mo.
Forecast

2.5M

Boston Employment



10.8%

Boston
Unemployment Rate



8.8%

U.S.
Unemployment Rate



Source: BLS, Moody's Analytics
2020Q3 data are based on the latest available data

ECONOMY

Upon the arrival of COVID-19 in the U.S., the economy entered a recession in March 2020, recording the worst decline in post-war history in Q2 2020. Mounting evidence indicates that the recovery began in May or June with Q3 2020 data likely reflecting that. But, until there is a public health resolution to the pandemic, the recovery is likely to remain uncertain and gradual. Only then can households and businesses become more confident. Access the most recent research on CRE and the state of economy [here](#).

SUBLEASES BALLOON, HISTORIC PIPELINE LOOMS; LEASING AT PRE-COVID RENTS

The 9.8 million square feet (msf) under construction market-wide is historically high, while the 5.3 msf under construction in the Central Business District (CBD) is an all-time record, adding to a likelihood of near-term tenant-friendly market conditions. While 42 percent of the CBD pipeline is pre-leased, just eight percent of that figure is likely to reflect true growth, as new asset occupants are likely to vacate spaces occupied elsewhere when occupying their new locations.

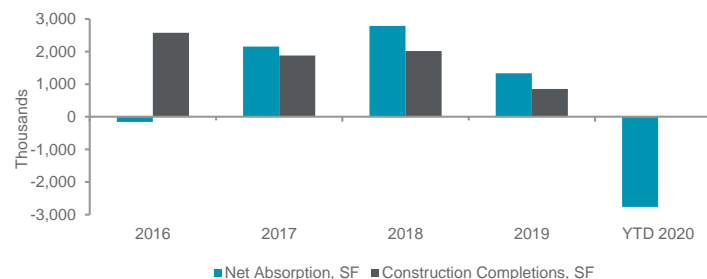
The Greater Boston office market experienced a significant surge in sublease availability in Q3 2020 as 6.2 msf of space offered compares with 4.5 msf available at the end of Q2, and just 3.4 msf available at year-end 2020. Boston's CBD and Cambridge have together accounted for 88 percent of the net increase in sublease availability.

Following a period of very limited lease transaction completions in the second quarter, the third quarter marked a return to a limited amount of finalized lease transactions, while transactions of all sizes trended toward shorter-term commitments. Landlords effectively remained firm at rent levels from the start of 2020 despite an increasing inventory of competitive sublease availabilities, many at deeply discounted rates to comparable, nearby direct offerings.

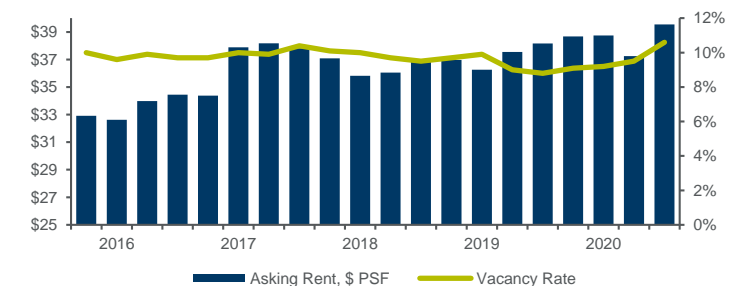
EXPECTATIONS BOUNCE FROM WORST-CASE; IN-OFFICE BOSTON EXPECTATIONS RISE

Greater Boston's high share of knowledge-workers, in addition to large shares of virtual workers prior to 2020, are believed to bode well for a higher share of in-office future workforce shares, as the collaborative functions performed in the market will likely be a priority for occupying organizations in future periods.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION	YTD OVERALL ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
Back Bay	12,756,585	393,954	375,714	6.0%	-178,229	-192,531	64,499	0	\$63.33	\$67.10
Charlestown	1,673,387	11,632	71,444	5.0%	-43,707	-48,325	2,919	320,128	\$36.34	\$45.00
Fenway	2,008,152	91,484	50,286	7.1%	-15,744	-15,744	0	280,500	\$40.62	N/A
Financial District	31,745,028	701,071	2,190,241	9.1%	-631,941	-634,218	492,331	774,610	\$63.14	\$66.74
Govt. Center/North Station	4,809,961	111,509	223,783	7.0%	-56,866	-125,170	37,829	1,795,550	\$52.27	\$62.72
Midtown	2,139,026	32,955	114,639	6.9%	-15,335	-12,762	9,081	0	\$52.59	N/A
Seaport	10,252,862	167,295	1,225,402	13.6%	-171,863	-200,939	345,967	2,133,904	\$56.63	\$60.84
South Station	2,949,533	7,596	62,566	2.4%	-11,739	-3,592	8,690	0	\$51.37	N/A
CBD TOTALS	68,334,534	1,517,496	4,314,075	8.5%	-1,125,424	-1,233,281	961,316	5,304,692	\$60.09	\$65.96
128 Central	30,900,795	711,634	2,714,305	11.1%	-249,666	-897,519	310,913	1,171,510	\$32.66	\$35.73
128 North	12,084,966	147,214	1,055,639	10.0%	-73,481	-559,905	65,509	0	\$24.77	\$26.76
128 South	11,911,561	126,097	985,294	9.3%	-8,698	-132,755	145,406	0	\$23.77	\$25.16
495 North	23,147,166	215,531	3,612,902	16.5%	-130,235	-531,045	110,271	0	\$20.46	\$21.74
495 South	2,389,040	3,743	164,758	7.1%	1,693	1,271	15,205	0	\$21.03	\$22.80
495 West	8,903,568	185,286	1,669,919	20.8%	-269,863	-409,283	111,325	0	\$20.99	\$21.45
Alewife/West Cambridge	1,770,915	94,053	44,105	7.8%	-21,662	28,579	14,689	270,000	\$53.28	\$53.42
Inner Suburbs	5,545,940	32,592	316,586	6.3%	-6,603	45,242	27,577	1,648,346	\$30.73	\$33.84
Kendall Square/EastCambridge	7,153,841	135,762	90,595	3.2%	-35,772	-102,948	36,798	1,429,000	\$80.85	\$84.13
Mass. Ave Corridor	2,197,215	62,597	84,650	6.7%	-15,733	-84,541	5,300	0	\$66.99	\$78.59
MetroWest	3,720,581	34,980	597,476	17.0%	-43,251	-105,913	33,005	0	\$23.45	\$24.60
Route 3 / 24 South	2,200,785	7,733	112,574	5.5%	-2,915	-12,921	11,856	0	\$23.99	\$21.30
NON-CBD TOTALS	111,926,373	1,757,222	11,448,803	11.8%	-856,186	-2,761,738	887,854	4,518,856	\$28.68	\$31.27
BOSTON TOTALS	180,260,907	3,274,718	15,762,878	10.6%	-1,981,610	-3,995,019	1,849,170	9,823,548	\$39.55	\$42.14

*Rental rate data reported on a full service gross basis

KEY LEASE TRANSACTIONS Q3 2020

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
343 Congress St, Boston	Seaport	Chewy	75,000	Expansion
2400 Computer Dr, Westborough	495 West	Malvern	24,000	New
28 State St, Boston	Financial District	Citadel	17,000	Renewal
53 State St, Boston	Financial District	RBC Capital Markets	16,000	Relocation
24 Farnsworth St, Boston	Seaport	Dimella Shaffer	14,000	New

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