

MARKETBEAT BOSTON



CUSHMAN &
WAKEFIELD

Office Q3 2022

12.5%

Vacancy Rate

YoY
Chg



12-Mo.
Forecast



-123K

Net Absorption, sf



\$41.89

Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q3 2022

2.8M

Boston Employment

YoY
Chg



12-Mo.
Forecast



3.1%

Boston
Unemployment Rate



3.5%

U.S.
Unemployment Rate



Source: BLS, Moody's Analytics
2022Q3 data are based on the latest available data

BOSTON ECONOMY WELL POSITIONED FOR POTENTIAL RECESSION

At 3.1%, Boston's unemployment rate has improved 180 basis points (bps) year-over-year (YOY) and is forecasted for further improvement heading into the new year. Boston remains well positioned compared to other national markets as workers return to the office in greater numbers. As of July, Boston recorded the quickest recovery in monthly office visits month-over-month compared to New York City, Los Angeles, Chicago, and Atlanta at 13.6% - 760 bps higher than the second closest market. In total, Boston foot traffic in the Central Business District (CBD) is up roughly 35% from the same point last year and is anticipated to increase as the year closes out

SUBLEASE AVAILABILITY CLIMBS TO PANDEMIC PEAK

Nearly 125,000 square feet (sf) was added back to the market during the third quarter as tenants continued to reassess their current footprint amidst the prominence of hybrid work. However, many suburban submarkets posted quarterly occupancy gains, including all submarkets in the 495 and 128 Belts. Despite posting negative net absorption for the current quarter, year-to-date (YTD) absorption in Boston remained in the black, totaling nearly 263,000 sf. Overall vacancy ticked up 30 bps to 12.5%, driven primarily by subleases, as sublease availability across the market spiked to peak-pandemic levels. Two notable dispositions occurred in the CBD, where both Reebok and Wayfair gave back large blocks of space. Despite the modest uptick, Boston's vacancy rate remains lower than all other gateway markets. Asking rental rates continued trending upward, with Boston's overall average asking rental rate climbing 5.4% YTD to \$41.89 per square foot (psf) for all classes and \$46.17 psf for Class A product.

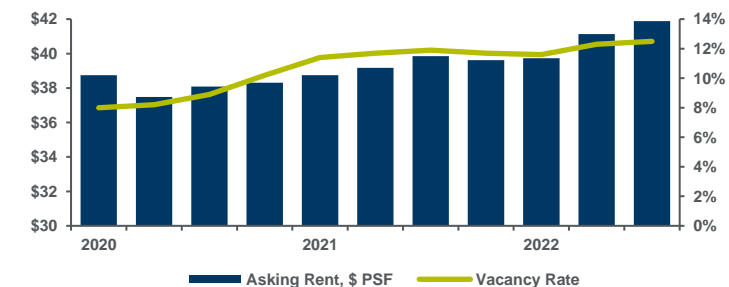
A RALLY OF PIVOTAL LEASES TO CLOSE OUT QUARTER

Tenants with larger requirements continued to pursue brand new, highly-amenitized product in prime locations. Despite muted demand at the start of the quarter, third quarter leasing activity was boosted by a pair of notable transactions signed at the end of September in the Financial District: HarbourVest committed to 250,000 sf at 1 Lincoln Street and McKinsey & Co. signed for 95,000 sf at the under-construction Winthrop Center. More than 8.2 million-square-foot (msf) has been leased across the market since the start of 2022, up nearly 11.9% over the same time last year. Three submarkets – the Financial District, 495 North, and 128 Central – have each recorded more than 1.0 msf of leasing activity YTD.

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)*
Financial District	32,819,444	750,701	3,622,783	13.3%	126,347	-89,691	1,896,976	1,463,730	\$65.64	\$70.52
Fenway/Longwood	2,117,918	16,940	15,440	1.5%	62,700	211,199	74,540	0	\$55.12	\$73.00
Back Bay	14,834,056	646,432	805,103	9.8%	-276,337	-622,549	363,454	607,222	\$60.89	\$62.24
Midtown/N Station	7,743,452	127,692	807,970	12.5%	-136,580	-192,886	773,881	978,800	\$49.87	\$52.30
Seaport	11,028,537	310,964	829,977	10.3%	-51,406	679,525	428,932	1,272,000	\$59.65	\$71.51
BOSTON CBD	68,273,407	1,852,729	6,081,273	11.6%	-275,276	-14,402	3,537,747	4,321,752	\$62.23	\$68.10
East Cambridge	9,239,408	493,104	270,279	8.3%	-326,738	458,151	337,939	0	\$75.83	\$89.94
Mid Cambridge	2,103,241	44,950	89,777	6.4%	-7,800	-26,707	139,595	0	\$76.93	\$84.50
Alewife	1,618,181	42,121	48,957	5.6%	0	6,350	34,068	0	\$55.42	\$65.89
CAMBRIDGE	12,960,830	580,175	409,013	7.6%	-334,538	437,794	511,602	0	\$74.38	\$87.22
Urban North	7,205,631	284,050	691,298	13.5%	-59,277	-125,949	299,398	0	\$38.83	\$36.86
Urban South	3,011,235	0	623,918	20.7%	0	112,853	96,000	0	\$38.00	\$40.00
Urban West	1,107,982	0	34,880	3.1%	0	12,804	0	0	\$50.00	\$50.00
Watertown	1,679,351	10,600	77,477	5.2%	0	-15,532	0	0	\$48.00	\$48.00
URBAN RING	13,004,199	294,650	1,330,570	13.2%	-59,277	-15,824	395,398	0	\$39.85	\$39.85
128 North	12,449,146	188,827	976,939	9.4%	98,814	-67,532	303,818	0	\$25.62	\$28.27
128 Central	27,666,659	988,439	2,445,358	12.4%	29,402	-46,270	1,135,897	0	\$37.20	\$39.47
128 South	16,248,825	264,038	1,814,959	12.8%	37,992	74,555	313,451	0	\$28.75	\$30.33
128 BELT	56,364,630	1,441,304	5,237,256	11.8%	166,208	-39,247	1,753,166	0	\$32.91	\$35.34
495 North	27,967,441	307,350	4,730,039	18.0%	250,526	-277,062	1,367,787	0	\$23.11	\$25.01
495 West	13,281,327	69,528	1,871,178	14.6%	64,554	74,369	366,197	0	\$23.16	\$24.50
Framingham/Natick	5,928,834	2,960	576,894	9.8%	45,838	95,070	107,588	0	\$26.77	\$27.65
495 South	4,679,988	25,637	292,174	6.8%	19,371	-681	170,156	0	\$21.01	\$25.53
495 BELT	51,857,590	405,475	6,893,391	15.2%	380,289	-108,304	2,011,728	0	\$23.37	\$25.24
TOTAL MARKET	202,493,156	4,574,333	20,637,158	12.5%	-122,594	262,917	8,215,469	4,321,752	\$41.89	\$46.17

*Rental rate data reported on a full-service gross basis and is based on published asking lease rates of available space

KEY LEASE TRANSACTIONS Q3 2022

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
1 Lincoln St, Boston	Financial District	HarbourVest	250,000	New
75 Arlington St, Boston	Back Bay	Holland & Knight	105,130	Renewal
115 Federal St, Boston	Financial District	McKinsey & Co.	95,000	New
145 Broadway, Cambridge	East Cambridge	Hyundai/Boston Dynamics	84,000	Sublease
118 Flanders Rd, Westborough	495 West	Bank of New York Mellon	78,968	New
53 State St, Boston	Financial District	SVB	43,974	Sublease

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