

Boston

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Third quarter leasing activity hits two-year high

Boston's overall office leasing market showed significant gains in Q3 2024, with leasing activity totaling 3.4 million square feet (msf), up from 1.7 msf in the prior quarter and up from 2.6 msf a year ago. The third quarter leasing volume is also the highest level since the 3.5 msf reached in Q1 2022. The two separate renewals by Vertex Pharmaceuticals totaling 1.1 msf, and Bain Capital's 378,000-square-foot renewal/expansion were large contributors to this quarter's uptick. After 16 consecutive months of negative office-using employment growth for Boston, the pace of declines has slowed since the end of Q1 2024 and sits at a 14-month low as of the last read. The advancements made on the leasing and employment front could be the first signs pointing to a more positive trajectory in future quarters.

Availability hits record high despite increased leasing activity

Despite stronger leasing, the Q3 2024 availability rate for the overall Boston office market increased 260 basis points (bps) year over year to a record high of 21.3%. Available sublease space also increased to 13.3 msf in Q3, up just slightly by 0.1 msf from Q2. This is a reversal of the 0.6 msf decline in the prior quarter. Attributing to this quarter's increase are the largest blocks of available sublet space that remain within the Financial District, Route 128 West, and Cambridge submarkets, respectively. If leasing activity and office-using employment extend the positive momentum seen in Q3, direct and sublet availability increases are likely to reverse course sooner rather than later as year-end approaches.

Average asking rents reach a new peak for Q3

The overall average asking rent for the overall Boston market stood at \$49.07 per square foot (psf) in the third quarter. This marks an increase of 2.3% over the previous quarter, as well as an 8.6% rise year over year for a new peak. For Class A space, the average asking rent of \$56.79psf is up for the second consecutive quarter and up 8.9% year over year. With 79.8% of recent leasing activity being concentrated in the Class A part of the market this quarter, Boston is seeing closer alignment with national "flight-to-quality" trends.

Key Statistics

	Q3 2023	Q3 2024	Y-0-Y
Inventory	263.9 msf	266.8 msf	+2.9 msf
Availability Rate	18.7%	21.3%	+260 bps
Asking Rental Rate	\$45.18	\$49.07	+8.6%
Class A Asking Rental Rate	\$52.13	\$56.79	+8.9%
Quarterly Leasing Activity	2.6 msf	3.4 msf	+0.8 msf
Available Sublease Space	13.2 msf	13.3 msf	+0.1 msf

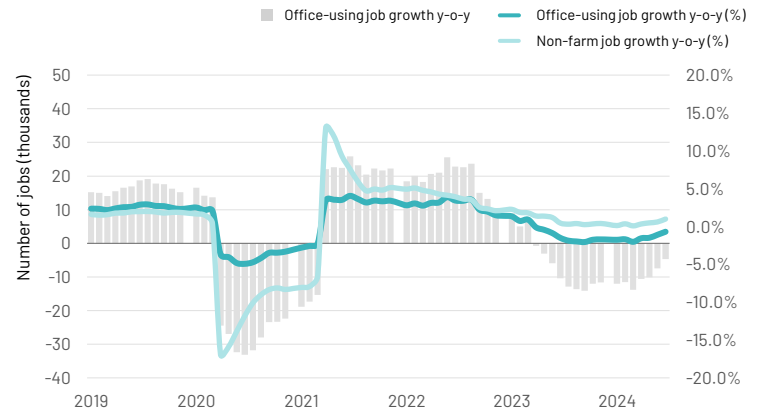
Outlook

01 Given the positive trends emerging on the leasing and employment fronts, Q4 has the strong potential to serve as an inflection point for availability rates

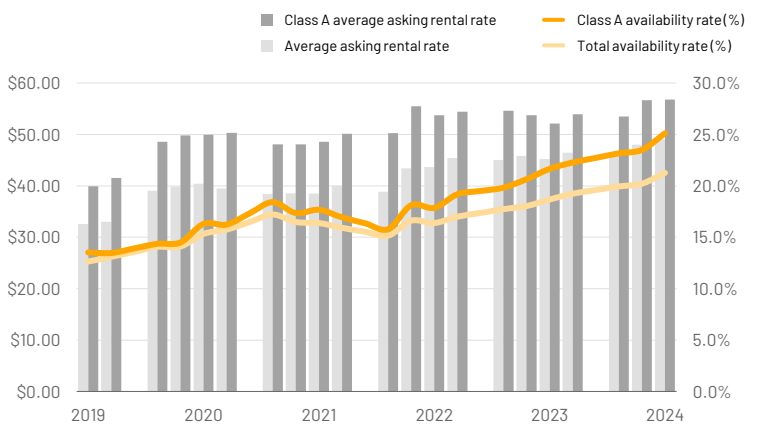
02 With a bevy of upcoming lease expirations, and few notable deliveries, the landscape to secure occupancy may become more competitive with larger concession packages being offered

03 Expect the demand for premier Class A space to continue to improve, as evidenced by recent leasing activity and average asking rent growth

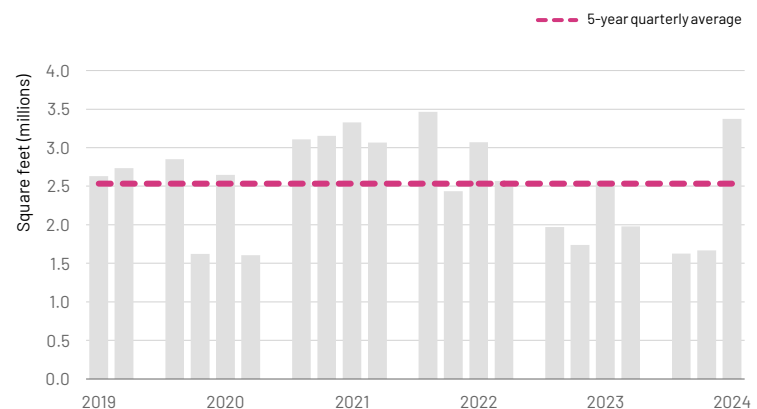
Office-using Employment Growth



Asking Rent and Availability



Leasing Activity



Top Transactions

*Trophy Building

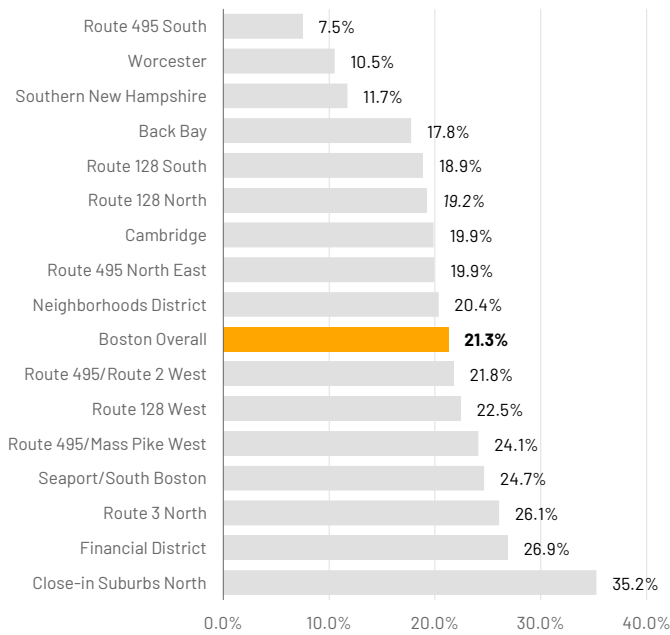
**Sublease

Source: Savills Research

TENANT	INDUSTRY	SUBMARKET	ADDRESS	SIZE (SF)	TRANSACTION TYPE
Vertex Pharmaceuticals	● Pharmaceuticals	Seaport/South Boston	50 Northern Avenue	556,100	Renewal
Vertex Pharmaceuticals	● Pharmaceuticals	Seaport/South Boston	11 Fan Pier Boulevard	526,300	Renewal
Bain Capital	● Financial Services and Insurance	Back Bay	200 Clarendon Street*	378,000	Renewal & Expansion
Commonwealth Equity	● Financial Services and Insurance	Route 128 West	275 Wyman Street	152,000	New Location**
DCAMM	● Government	Financial District	1 Federal Street	106,000	New Location
Evolv Technology	● TAMI	Route 128 West	500 Totten Pond	90,000	Renewal & Expansion
Arrowstreet Capital	● Financial Services and Insurance	Back Bay	200 Clarendon Street*	75,000	Renewal
HIPER Global	● TAMI	Route 495/Route 2 West	550 King Street	72,500	New Location
American Tower Corp.	● Real Estate	Back Bay	222 Berkeley Street	60,000	Relocation
Tokio Marine HCC	● Financial Services and Insurance	Route 128 North	701 Edgewater Drive	45,300	New Location

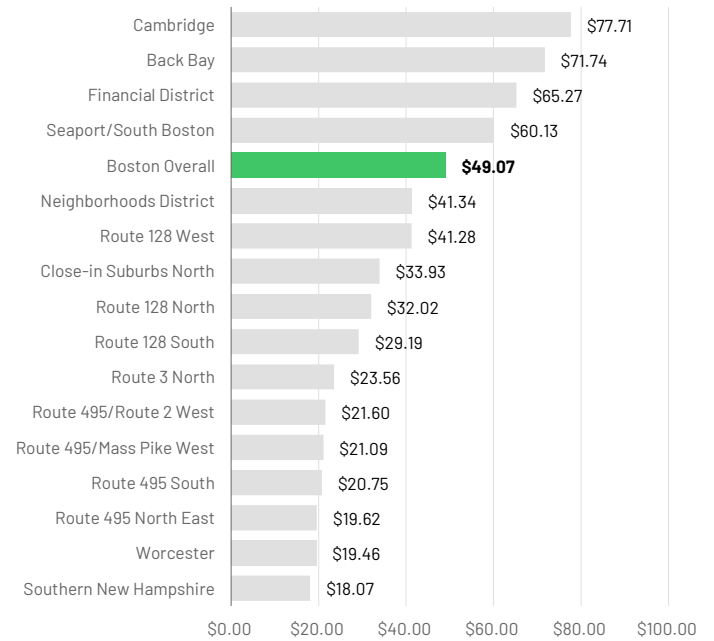
Availability Rate Comparison (%)

BOSTON SUBMARKETS



Rental Rate Comparison (\$/sf)

BOSTON SUBMARKETS



Boston Q3 2024 - Office

For more information, please contact us:

savills.us

Savills Boston
800 Boylston Street
Suite 1510
Boston, MA 02199
+1 617 925 6300

Roy Hirshland
Vice Chairman
rhirshland@savills.us

Marisha Clinton
Vice President,
Research East
+1 212 588 3480
mclinton@savills.us

Michael Rabinovich
Research Associate
mrabinovich@savills.us

Unless otherwise noted, all rents quoted throughout this report are average asking gross (full service) rents per square foot. Statistics are calculated using both direct and sublease information. Current and historical availability and rent data are subject to change due to changes in inventory.

The information in this report is obtained from sources deemed reliable, but no representation is made as to the accuracy thereof. Unless otherwise noted, source for data is Savills Research.

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