MARKET IN MINUTES
Savills Research

Q3 2022 - Office

Boston

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Total availability down from last quarter but sublease space continues to increase

With a slight increase in demand and less space coming on the market, overall availability for Q3 2022 decreased 20 basis points (bps) from last quarter to 16.4%. This was also slightly lower by 10 basis points (bps) year-over-year. Even with total available space decreasing, Boston saw an 11.1% increase in available sublease space which is now 99.6% higher than pre-pandemic levels. This is the biggest increase in sublease space availability since the beginning of the pandemic when sublease availability increased by 25.1% in Q3 2020 and 13.3% in Q4 2020. Sublease space now accounts for 23.2% of all available space in the Boston market, which grew 2.6% on quarter and 4.2% from a year ago. The increase in total sublease space availability has been fueled by the technology sector as more companies put space on the market to reduce their real estate footprints as they adapt to the hybrid workplace environment sparked by the pandemic.

Leasing activity bounces back after a big decrease in Q2

After a 30.0% decrease in leasing activity last quarter, volume increased 20.0% this quarter but is still 15.0% lower than a year ago when Q3 2021 leasing activity was the most active quarter of last year. This also marks the biggest positive increase in leasing activity quarter-to-quarter since Q1 2021 when it jumped 93.0%. There several significant transactions this quarter with the five largest leases being over 95,000 sf. For a second quarter in a row, four of the top 10 were deals in the suburbs. The most notable transaction of Q3 2022 was HarbourVest Partners leasing eleven floors and replacing State Street as the main tenant at the iconic 1 Lincoln building in the Financial District.

Average asking rents slightly increase in the second half of 2022

Overall average asking rents increased by 0.5% since last quarter and are now at $43.65 per square foot (psf). A continued increase in flight to quality for Class A buildings, as well as new development projects has prompted landlords to keep their face rents high for now despite a continued decrease in occupier demand for non-Class A buildings.

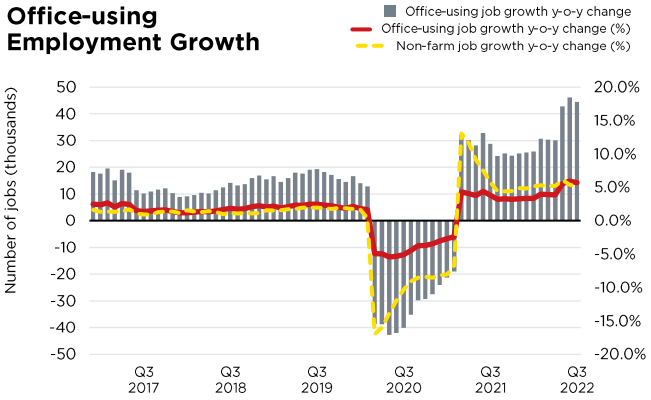
Outlook

- Office availability is expected to slightly increase as more companies continue to put sublease space on the market and the new supply pipeline remains robust
- Rents are expected to increase in future quarters as new Class A development projects get completed and the overall tenant flight to quality continues
- Leasing activity is expected to increase as more companies solidify their workplace strategies heading into year-end

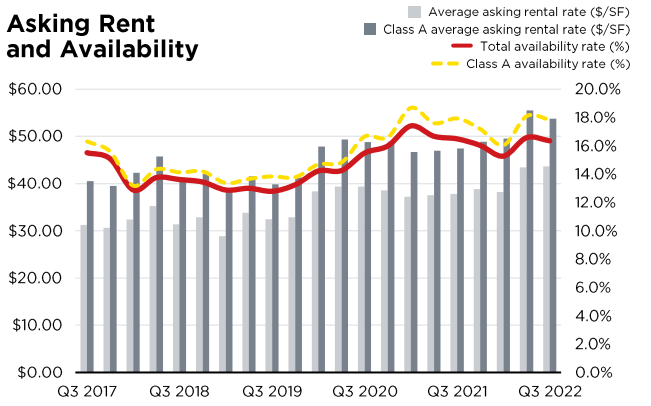
Key Statistics

	Q3 2021	Q3 2022	y-o-y Change
Inventory	258.3 MSF	261.6 MSF	▲
Availability Rate	16.5%	16.4%	▼
Asking Rental Rate	$37.84	$43.65	▲
Class A Asking Rental Rate	$47.40	$53.71	▲
Quarterly Leasing Activity	3.3 MSF	2.8 MSF	▼
Available Sublease Space	8.0 MSF	9.9 MSF	▲

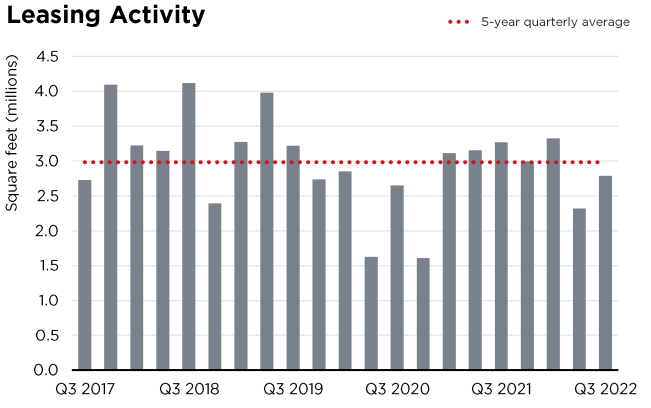
Office-using Employment Growth



Asking Rent and Availability



Leasing Activity



By the Numbers

3.2%
Boston unemployment rate (as of August 2022)

5.7%
Office-using employment growth year-over-year (as of August 2022)

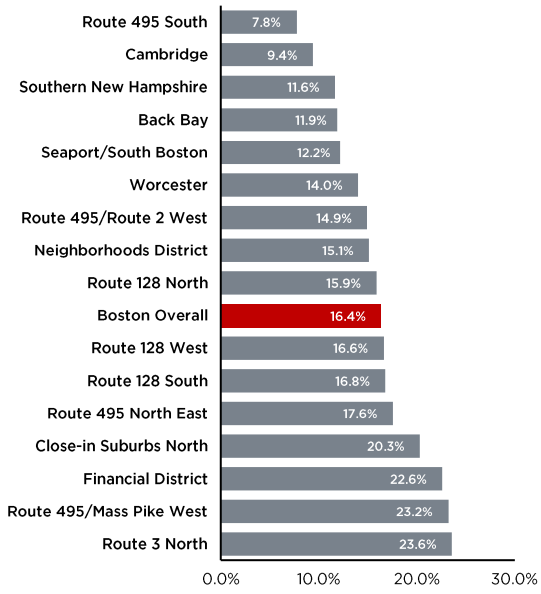
8.7 msf
Office space currently under construction

Top Transactions

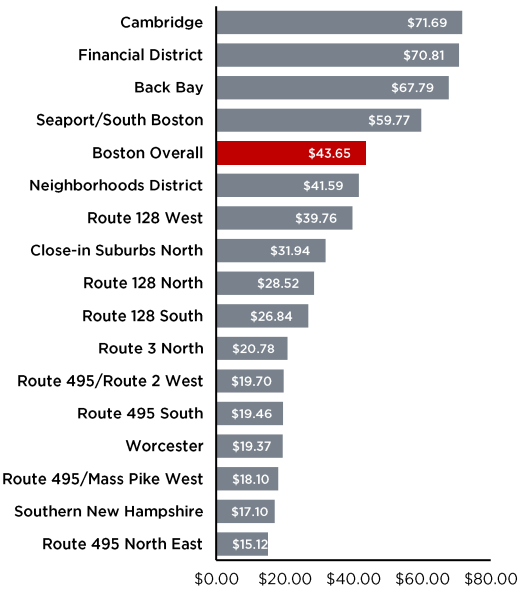
Tenant	Square Feet	Address	Transaction Type	Submarket	Industry
HarbourVest Partners	250,000	1 Lincoln Street	Relocation	Financial District	Financial Services and Insurance
Foley & Lardner	112,494	111 Huntington Avenue	Renewal	Back Bay	Legal Services
Medtronic	107,000	15 Hampshire Street	Renewal	Route 495 South	Pharmaceuticals
Berkshire Hathaway	100,000	100 Federal Street	Expansion	Financial District	Financial Services and Insurance
McKinsey & Company	95,000	115 Federal Street	Expansion	Financial District	Business & Professional Services
General Services Administration	79,873	150 Apollo Drive	Renewal	Route 3 North	Government
3Step Sports	64,000	300 Brickstone Square	New Location	Route 495 North East	Personal Services & Recreation
Broadcom	60,000	100 Brickstone Square	Renewal	Route 495 North East	TAMI
Department of Public Utilities	51,000	1 South Station	New Location	Financial District	Government
Silicon Valley Bank	43,973	53 State Street	Expansion (Sublet)	Financial District	Financial Services and Insurance

Source: Savills Research

Availability Rate Comparison (%)
Boston Submarkets



Rental Rate Comparison ($/SF)
Boston Submarkets



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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