

Boston CBD

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Third quarter leasing activity spikes up after a slow first half of the year

Third quarter Boston CBD office leasing activity bounced back after one of the slowest leasing quarters it has seen in the last 10 years. Leasing activity was 1.1 million square feet (msf) in Q3 2023, up from 0.5 msf in the prior quarter, but down 9.8% from 1.2 msf reported last year. The uptick in leasing activity is a reversal of the downward trend the Boston CBD office market has seen in the last three quarters. Three of the most notable leases during Q3 were the MFS renewal at 111 Huntington Avenue for 313,000 square feet (sf), LEGO's new HQ relocation from Connecticut to Boston at 1001 Boylston Street for 134,000 sf and the Toast sublease from GoTo (formerly LogMeIn) for 102,000 sf at 333 Summer Street. Also worth noting is the newly completed One Congress in the Financial District, which delivered 100% leased this quarter. State Street and InterSystems are this property's two biggest tenants, which together occupy 90.4% of the 1.0 million square foot building.

Record availability reported, even as the pace of growth for sublease space winds down

Despite the uptick in leasing activity, the total availability rate in Q3 continued to increase from last quarter and reached a new high. The record availability rate of 21.6% is up 100 basis points (bps) from last quarter and up 350 bps year-over-year. There is currently 4.2 msf of available sublease space in the Boston CBD office market which is up 32.5% year-over-year. The total pace of growth for sublease space, however, could be winding down as evidenced by only a 1.3% quarterly increase, well below the average quarterly growth rate of 14.1% over the last five quarters. Sublease space accounts for 27.2% of all available space in the Boston office market, which is an increase of 200 bps from 25.2% reported a year ago. Total available space has increased by 2.8 msf from last year, comprised of 64.0% direct space and 36.0% sublet space.

Average asking rental rates continue to drop

Overall average asking rents decreased by 5.1% year-over-year to \$65.65 per square foot (psf). This was driven by the slower leasing activity that occurred in the previous two quarters, as well as the oversupply of available space on the market. Class A rents have held up stronger than Class B and C but are still down 3.0% year-over-year. This is attributed to Class A product being in demand as companies seek higher quality space to attract employees back to the office.

Key Statistics

| | Q3 2022 | Q3 2023 | Y-0-Y |
|----------------------------|----------|----------|----------|
| Inventory | 68.6 msf | 70.5 msf | +1.9 msf |
| Availability Rate | 18.1% | 21.6% | +3.5 bps |
| Asking Rental Rate | \$69.21 | \$65.65 | -5.1% |
| Class A Asking Rental Rate | \$73.81 | \$71.59 | -3.0% |
| Quarterly Leasing Activity | 1.2 msf | 1.1 msf | -0.1 msf |
| Available Sublease Space | 3.1 msf | 4.2 msf | +1.1 msf |

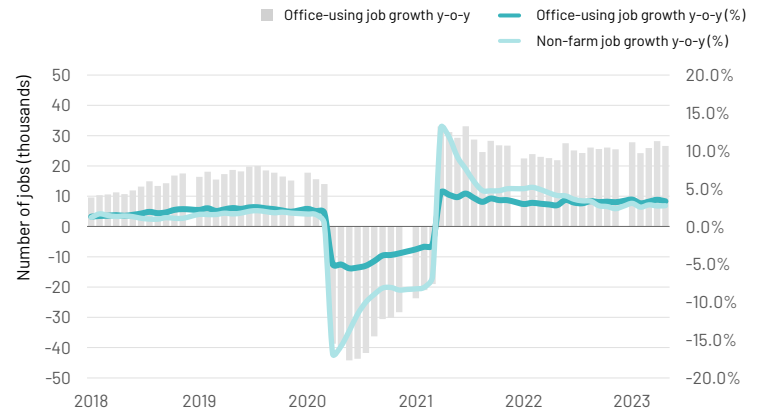
Outlook

01 Leasing activity is expected to continue to increase as companies with finalized return to office strategies take advantage of the oversupply of available space on the market

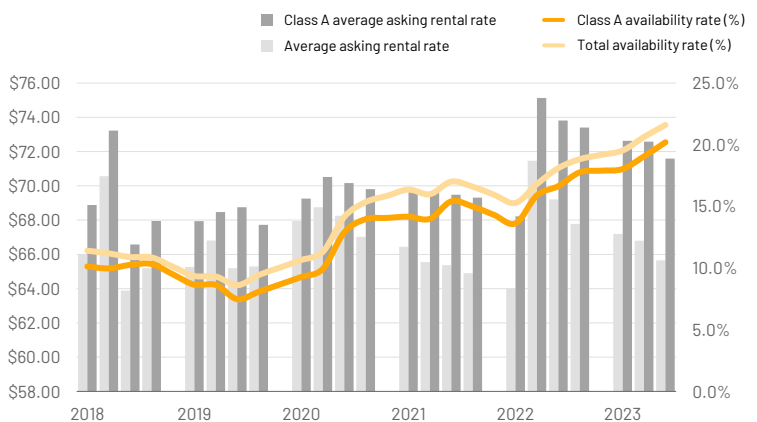
02 Sublease supply is expected to decrease as leasing activity increases and remaining sublease space either is pulled off the market or lease terms expire

03 Rents are expected to decrease as landlords competitively adjust pricing in a market that remains oversupplied with lower-cost sublet space

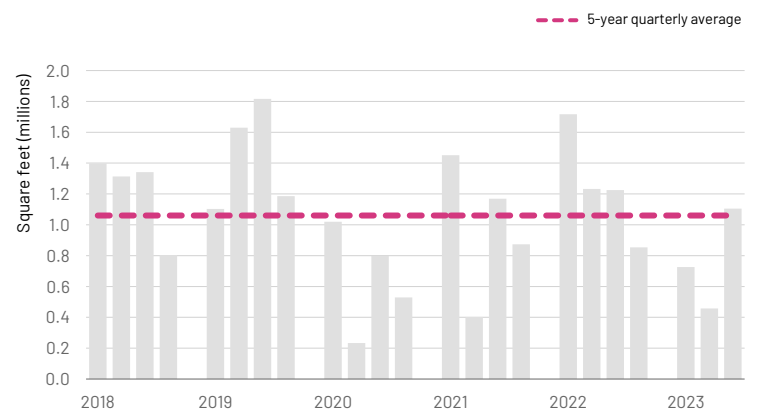
Office-using Employment Growth



Asking Rent and Availability



Leasing Activity



Top Transactions

*Trophy Building

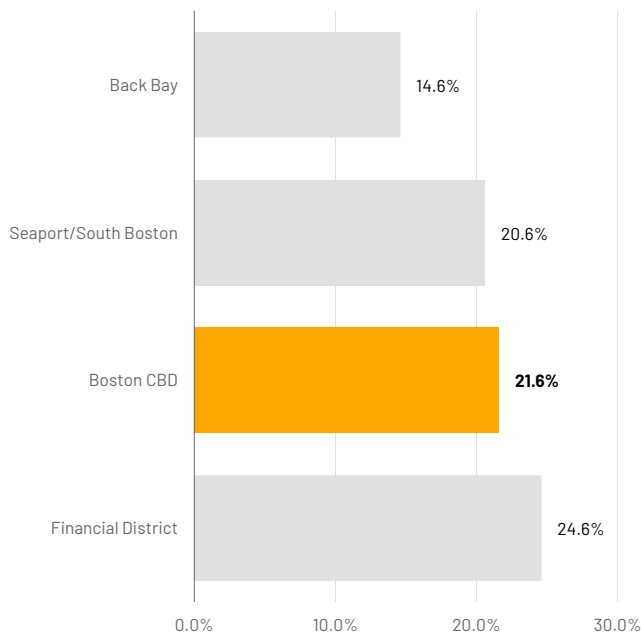
**Sublease

Source: Savills Research

| TENANT | INDUSTRY | SUBMARKET | ADDRESS | SIZE (SF) | TRANSACTION TYPE |
|-------------------|---|----------------------|------------------------|-----------|------------------|
| MFS | Financial Services & Insurance | Back Bay | 111 Huntington Avenue* | 313,000 | Renewal |
| Deloitte | Business, Professional, and Consulting Services | Financial District | 115 Federal Street* | 138,000 | Relocation |
| LEGO | Retail | Back Bay | 1001 Boylston Street | 134,000 | New Location |
| Toast | TAMI | Seaport/South Boston | 333 Summer Street | 102,000 | New Location** |
| EnergySage | Energy & Utilities | Financial District | 3 Center Plaza | 38,034 | New Location** |
| Raymond James | Financial Services & Insurance | Financial District | 225 Franklin Street | 25,000 | New Location |
| Miracle | Business, Professional and Consulting Services | Financial District | 100 Summer Street | 18,998 | New Location** |
| Coviden Medtronic | Pharmaceuticals | Seaport/South Boston | 266 Summer Street | 18,000 | New Location |
| Kura Oncology | Pharmaceuticals | Seaport/South Boston | 2 Seaport Lane | 16,541 | Renewal |
| OpenView Advisors | Financial Services & Insurance | Seaport/South Boston | 303 Congress Street | 15,100 | Renewal |

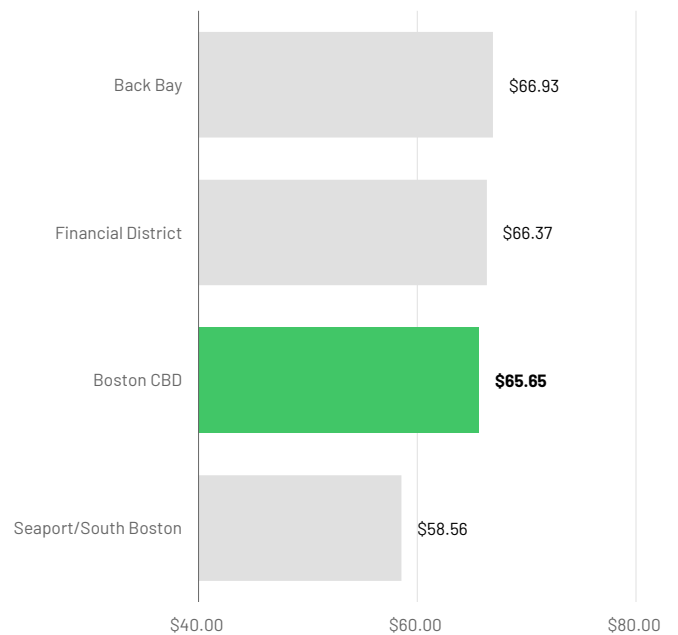
Availability Rate Comparison (%)

BOSTON SUBMARKETS



Rental Rate Comparison (\$/sf)

BOSTON SUBMARKETS



Boston Q3 2023 - Office

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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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