

Tightening seen in the CBD while overall market fundamentals hold flat

Overall Availability in Boston is holding fairly flat increasing 10 basis points year-over-year to 13.1%, yet is still down 300 basis points compared to two years ago. The CBD, however, saw continued tightening with availability decreasing by 60 basis points year-over-year to 8.1% - a 390-basis-point decline in two years' time. Availabilities range from 5.1% in the Back Bay submarket to 28.3% along the Route 495/Mass Pike West submarket, with a wider gap for class A space. Class A availability rates are below 10.0% - a rough benchmark for a balanced market - in Cambridge and Boston-proper, while some suburban markets are battling class A availabilities above 25.0%. Just two properties delivered in the first quarter, bringing 250,000 sf of new inventory to market, of which approximately 60.0% has already been pre-leased.

Rental rate trends present two very different stories

Overall asking rents averaged \$31.36 per square foot (psf) in the first quarter, reflecting a 0.9% decline over the last year, while the average CBD asking rent rose 9.4% over the same period, to \$55.41 psf. Year-over-year class A rent spikes were seen in Route 495/North East (32.8%), Neighborhood Districts (52.5%), and Cambridge (64.9%) submarkets due to higher-quality product deliveries. At the other end of the spectrum, Southern New Hampshire, Route 128 North, and Route 495/Route 3 West experienced sharp year-over-year class A rent declines of 19.3%, 14.8%, and 12.5%, respectively.

Demand is driven by tech tenants

Total first-quarter leasing activity stood at nearly 3.3 million sf, up just 1.7% year-over-year. The technology, advertising, media and information (TAMI) sector dominated major transactions, driving demand and accounting for more than two-thirds of the largest leases signed. Google expanded its presence in Boston, taking 336,500 sf at Boston Properties' to-be-built 325 Main Street at Kendall Square in Cambridge. Over the past 15 years, Google has grown to over 1,500 employees in Cambridge and its new space reflects that growth and the company's commitment to the region. Also notable, Progress Software Corporation renewed its 165,000-sf location at 14 Oak Park Drive in the Route 3 North submarket and Dicerna Pharmaceuticals relocated 80,872 sf from Cambridge to 33 Hayden Avenue in the Route 128 West submarket.

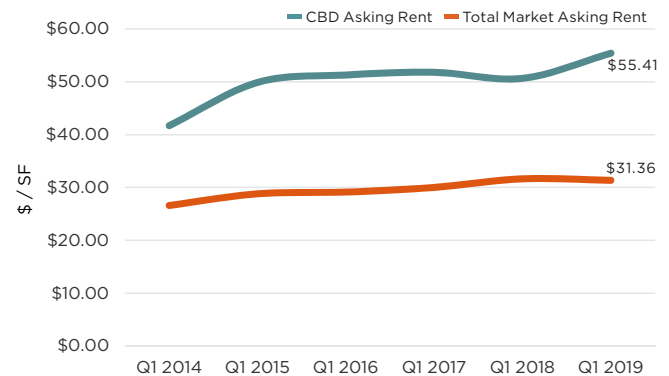
Outlook

- Tech and life science tenants are pushing rents up to near-prohibitive levels, especially in Cambridge
- Elevated availability in more suburban markets provides the greatest negotiating leverage for tenants
- Boston MSA employment is expected to grow by 220,000 jobs in aggregate (1.6% per year) over the next five years; tenants may be prompted to consider locking in long

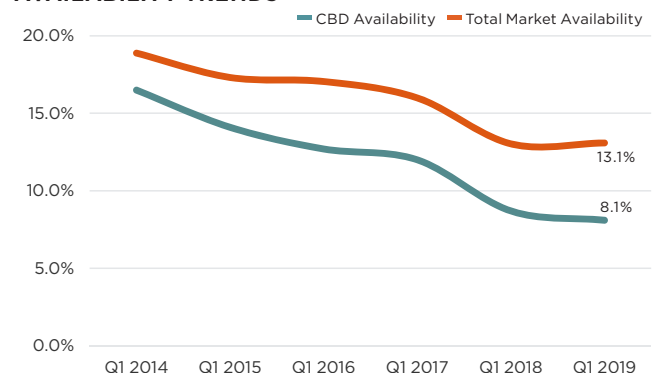
KEY STATISTICS

	Q1 2018	Q1 2019	y-o-y Change
Inventory	255.1 MSF	256.8 MSF	▲
Availability Rate	13.0%	13.1%	◀▶
Asking Rental Rate	\$31.64	\$31.36	◀▶
CBD Asking Rental Rate	\$50.65	\$55.41	▲
Quarterly Leasing Activity	3.2 MSF	3.3 MSF	▲

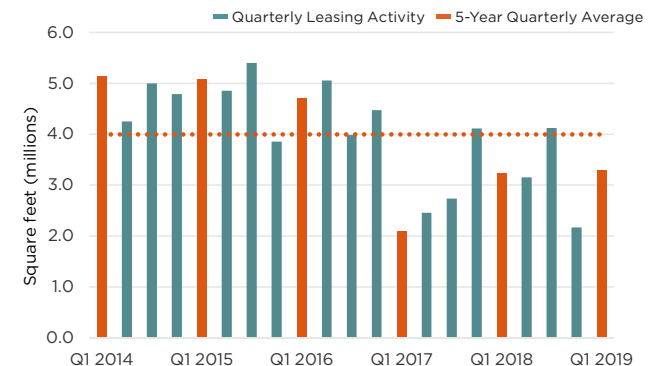
ASKING RENT TRENDS



AVAILABILITY TRENDS



LEASING ACTIVITY



MAJOR TRANSACTIONS

63.0%

of major transactions were **new market entrants or relocations**

37.6%

of large transactions occurred in the **Cambridge** submarket

68.2%

TAMI represented 68.2% of major transactions

Tenant	Square feet	Address	Transaction type	Submarket	Industry
Google	336,500	325 Main Street	New Location	Cambridge	TAMI
Progress Software Corporation	165,000	14 Oak Park Drive	Renewal	Route 3 North	TAMI
KPMG International	118,183	2 Financial Center	Renewal	Financial District	Professional Services
Avid Technology, Inc.	99,765	75 Network Drive	Renewal	Route 128 North	TAMI
Dicerna Pharmaceuticals, Inc.	80,872	33 Hayden Avenue	Relocation	Route 128 West	Pharmaceuticals & Life Sciences
Computershare	55,688	150 Royall Street	Relocation	Route 128 South	TAMI
Syros Pharmaceuticals, Inc.	52,859	35 Cambridgepark Drive	Relocation	Cambridge	Pharmaceuticals & Life Sciences
DataRobot	49,860	225 Franklin Street	Relocation	Financial District	TAMI
Stantec	46,668	65 Network Drive	New Location	Route 128 North	Professional Services
National Indemnity	30,893	125 High Street	New Location	Financial District	Financial Services & Insurance

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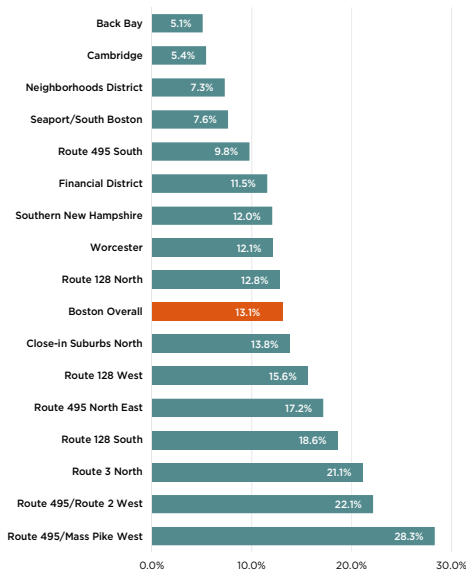
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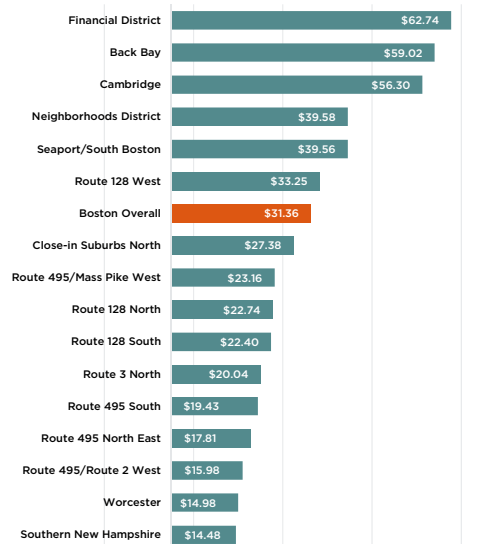
AVAILABILITY RATE COMPARISON

Boston Submarkets



RENTAL RATE COMPARISON (\$/SF)

Boston Submarkets



Unless otherwise noted, all rents quoted throughout this report are average asking gross (full service) rents psf. 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 compiled with the support of The CoStar Group.

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