

## COVID-19 disruptions shut down Boston office market

Governor Charlie Baker enacted a stay-at-home order for Massachusetts on Monday March 23rd to help prevent the spread of COVID-19. Office occupiers swiftly implemented remote-work policies as all non-essential businesses were forced to close. But with many industries unable to operate remotely, local and nationwide unemployment started to see an unprecedented uptick. U.S. Congress reacted by passing The CARES Act to provide emergency assistance and health care response for individuals, families, and businesses affected by the pandemic. While this stimulus package may partially offset the immediate economic impact of the shutdown, it remains too early to predict the long-term effect, particularly on the office market.

### Availability rates have risen for two consecutive quarters after hitting a 5-year low

Boston's overall availability rate increased by 130 basis points over the year and 100 basis points in the first quarter of 2020, to 14.2%. In comparison, the average Class A availability rate increased by 130 basis points year over year and 90 basis points over the quarter, to 14.7%. Central Business District and suburban market availability rates in the first quarter were at 9.5% and 17.7%, respectively. Submarket availability rates ranged from a low of 5.4% in Cambridge and 6.6% in Route 495 South, to 24.7% in Route 3 North and 27.1% along Route 495/Mass Pike West. Availability is likely to continue to increase until there is more economic and business clarity.

### Q1 2020 leasing is down over the year, likely to slow more in coming quarters

Leasing activity in the region totaled 2.9 million square feet (msf) in the first quarter, up by 4.2% over the quarter, but still down by 13.0% over the year. This total is also 22.8% below the five-year average of 3.7 msf. Pharmaceutical sector tenants were particularly active in the quarter. The largest leases of the quarter were signed by Vertex Pharmaceuticals (250,000 sf) at 316-318 Northern Avenue in the Seaport/South Boston submarket, Acadian Asset Management (108,185 sf) at 260 Franklin Street in the Financial District submarket, and Abcam Inc. (100,838 sf) at 152 Grove Street in Waltham, in the Route 128 West submarket.

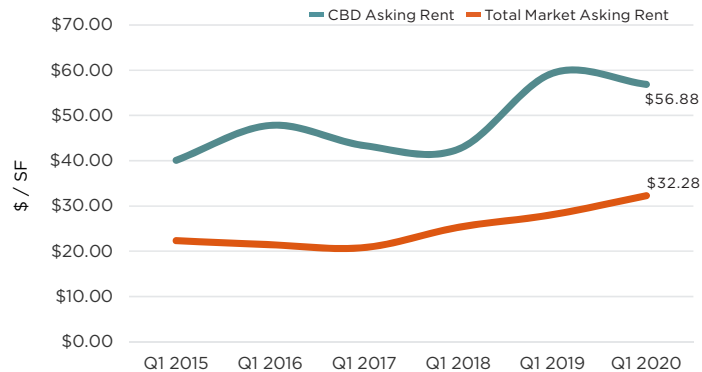
### Outlook

- The Boston office market was already showing signs of a slowdown over the last two quarters, which is likely to continue now facing disruption from COVID-19
- Over 8.1 msf are currently under construction, accounting for 3.3% of total office inventory in the market
- Boston regional employment was projected to grow by 1.5% per year over the next five years prior to the shutdown; revised projections, which assume a 20% net decline in U.S. employment in 2020, imply a 29.1% job loss over the same period

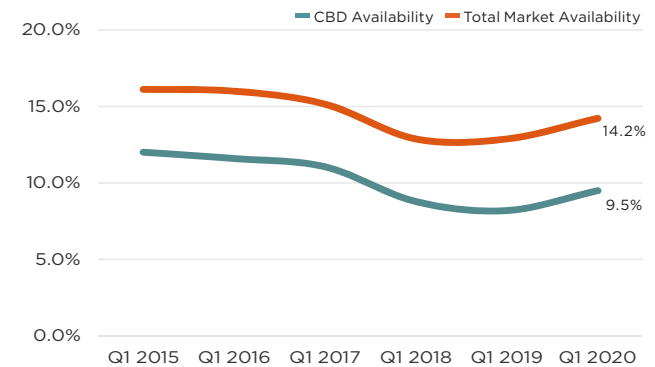
### KEY STATISTICS

	Q1 2019	Q1 2020	y-o-y Change
Inventory	249.5 MSF	<b>249.6 MSF</b>	▲
Availability Rate	12.9%	<b>14.2%</b>	▲
Asking Rental Rate	\$28.08	<b>\$32.28</b>	▲
Central Business District Asking Rental Rate	\$59.33	<b>\$56.88</b>	▼
Quarterly Leasing Activity	3.3 MSF	<b>2.9 MSF</b>	▼

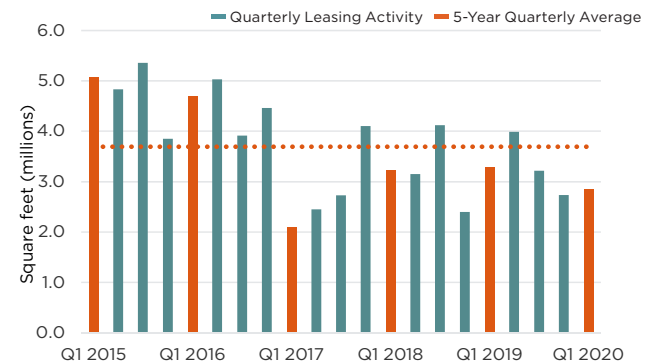
### ASKING RENT TRENDS



### AVAILABILITY TRENDS



### LEASING ACTIVITY



MAJOR TRANSACTIONS

**65.9%**

of major transactions were **relocations** or **new locations**

**27.0%**

of large transactions occurred in the **Seaport/South Boston** submarket

**67.7%**

**Pharmaceutical industry tenants** represented 67.7% of major transactions

Tenant	Square feet	Address	Transaction type	Submarket	Industry
Vertex Pharmaceuticals	250,000	316-318 Northern Avenue	New Location	Seaport/South Boston	Pharmaceuticals
Acadian Asset Management	108,185	260 Franklin Street	Renewal	Financial District	Financial Services
Abcam Inc	100,838	152 Grove Street	New Location	Route 128 West	Pharmaceuticals
RxAdvance	80,000	136 Turnpike Road	Relocation	Route 495/Mass Pike West	Pharmaceuticals
Converge	76,771	4 Technology Drive	Renewal and Expansion	Route 128 North	TAMI
AMAG Pharmaceuticals, Inc	69,191	1100 Winter Street	Renewal and Expansion	Route 128 West	Pharmaceuticals
Tango Therapeutics	65,000	201 Brookline	Relocation	Back Bay	Pharmaceuticals
Frequency Therapeutics, Inc	61,307	75 Hayden Avenue	New Location	Route 128 West	Pharmaceuticals
L.E.K. Consulting	61,145	75 State Street	Renewal	Financial District	Professional Services
Boston Celtics	52,611	100 Causeway Street	Relocation	Neighborhoods District	Personal Services

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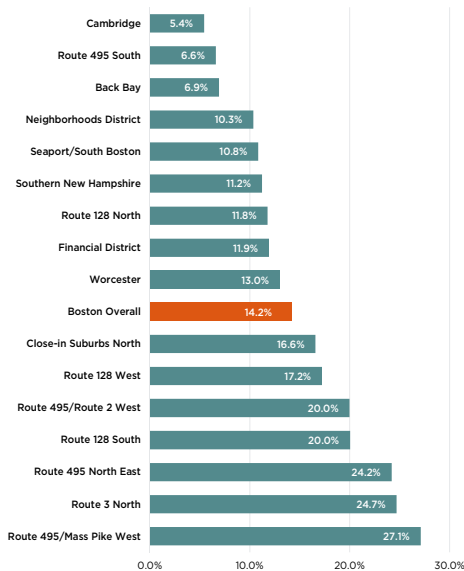
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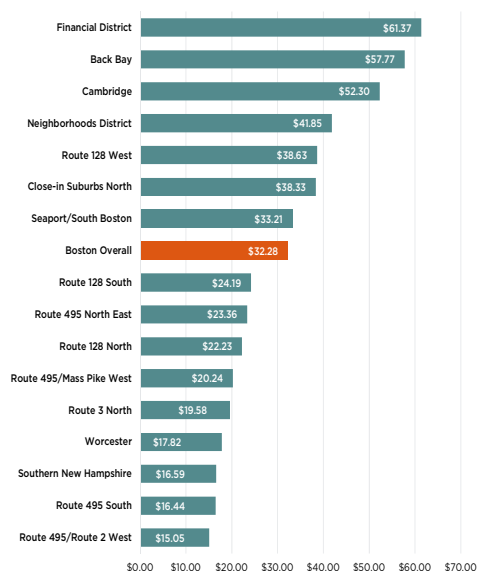
AVAILABILITY RATE COMPARISON

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 research.

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