

Boston area office rents spike sharply, despite pandemic impact

In the second quarter of 2020, Boston's overall average rent spiked to \$35.82 per square foot (psf), reflecting a sharp annual increase of 7.7% and a quarterly increase of 2.0%. Second-quarter submarket rents ranged from \$15.91 psf along Southern New Hampshire and \$16.82 psf along Route 495/Route 2 West, to \$67.20 psf in the Financial District and \$72.66 psf in Back Bay. Similarly, Class A rents throughout the market increased by 9.3% year-over-year and 2.8% over the quarter, to \$44.46 psf. CBD rents rose by 3.7% over the past year, while suburban rents gained about 8.4% over the same period.

Availability flattens, likely to increase in coming quarters

Overall availability throughout the region increased by 130 bps over the trailing four quarters to 14.3%, however it increased by just 10 basis points (bps) during the second quarter of 2020. In comparison, the average Class A availability rate increased by 110 bps year over year and 10 bps over the quarter, to 14.8%. Central Business District (CBD) and suburban market availability rates in the second quarter were 10.0% and 17.4%, respectively. Submarket availability rates ranged from 5.4% in Cambridge and 6.7% in Route 495 South, to 24.4% on Route 3 North and 26.9% along Route 495/Mass Pike West.

Q2 2020 leasing down substantially as tenants put real estate decisions on pause

Total second-quarter 2020 leasing activity hit a 5-year low of 1.6 million square feet (msf), down by 42.9% and 59.2% over the last quarter and year, respectively. It is also well below the five-year average of 3.5 msf. By comparison, quarterly leasing peaked at nearly 5.4 msf in the third quarter of 2015 and hit a previous low of 2.1 msf in the first quarter of 2017. The largest leases in the quarter were signed by Massachusetts Institute of Technology (98,921 sf) at 600 Technology Square in Cambridge, Park Place Technologies (84,103 sf) at 1 Research Dr. in Westborough in the Route 495/Mass Pike West submarket, and The Phia Group LLC (61,787 sf) at 40 Pequot Way in Canton in the Route 128 West submarket. With such a significant pullback in demand it is likely the market will soften more in coming quarters and occupiers can expect more tenant-favorable leasing conditions.

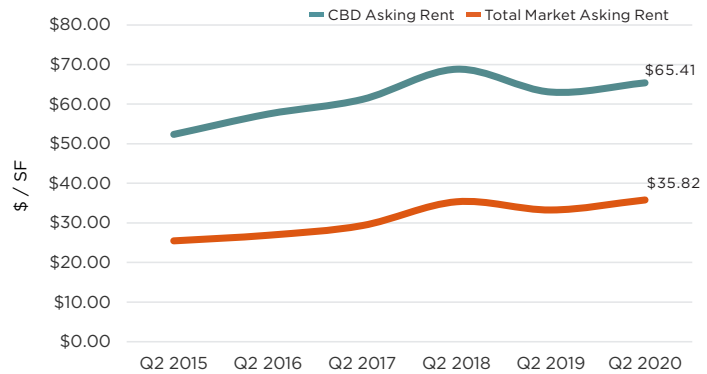
Outlook

- Pre-COVID, market fundamentals were strong, however after a brief period of inaction, all submarkets are showing signs of weakening, a trend expected to continue in the coming quarters
- Over 7.7 msf are under construction, accounting for 3.1% of total office inventory in the market
- Prior to COVID-19, Boston area employment was projected to grow by 1.5% per year over the next five years; revised projections, which assume a 20% net decline in U.S. employment in 2020, imply a substantial job loss over the same period

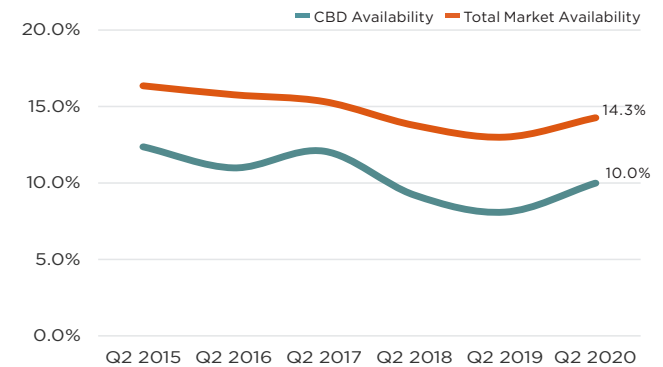
KEY STATISTICS

	Q2 2019	Q2 2020	y-o-y Change
Inventory	249.7 MSF	249.5 MSF	▼
Availability Rate	13.0%	14.3%	▲
Asking Rental Rate	\$33.26	\$35.82	▲
Central Business District Asking Rental Rate	\$63.05	\$65.41	▲
Quarterly Leasing Activity	4.0 MSF	1.6 MSF	▼

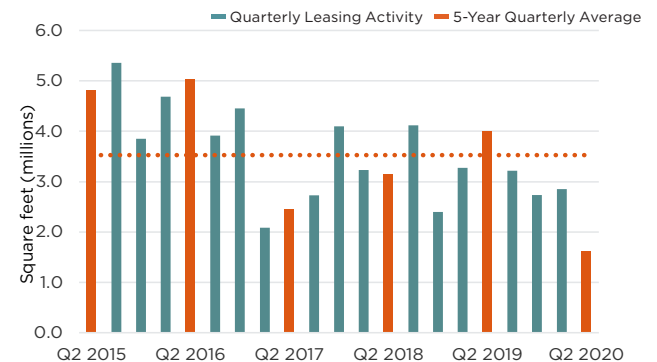
ASKING RENT TRENDS



AVAILABILITY TRENDS



LEASING ACTIVITY



MAJOR TRANSACTIONS

46.1%

of major transactions were new locations

32.7%

of large transactions occurred in the Cambridge submarket

35.7%

TAMI industry tenants represented 35.7% of major transactions

Tenant	Square feet	Address	Transaction type	Submarket	Industry
Massachusetts Institute of Technology	98,921	600 Technology Square	Renewal	Cambridge	Education
Park Place Technologies	84,103	1 Research Drive	New Location	Route 495/Mass Pike West	TAMI
The Phia Group LLC	61,787	40 Pequot Way	Relocation	Route 128 South	Professional Services
Triton Systems	49,024	330 Billerica Road	New Location	Route 3 North	TAMI
Affirmed Networks Inc.	45,855	35 Nagog Park	Renewal	Route 495/Route 2 West	TAMI
Affinivax	38,000	301 Binney Street	New Location	Cambridge	Pharmaceuticals
Jones Day	36,919	100 High Street	Renewal	Financial District	Legal Services
Voyager Therapeutic	32,142	75 Hayden Avenue	New Location	Route 128 West	Pharmaceuticals
Citizens Disability	27,500	1050 Winter Street	New Location	Route 128 West	Professional Services
Ra Pharmaceuticals	26,757	87 Cambridgepark Drive	Renewal	Cambridge	Pharmaceuticals

Source Savills Research

For more information, please contact us:

Savills
Exchange Place
53 State Street
13th Floor
Boston, MA 02109
+1 617 925 6300

James Halepis
Senior Vice President
JHalepis@savills.us

James Topper
Senior Managing Director
JTopper@savills.us

Steve Woodworth
Managing Director
SWoodworth@savills.us

Corey Paquette
Associate Director
CPaquette@savills.us

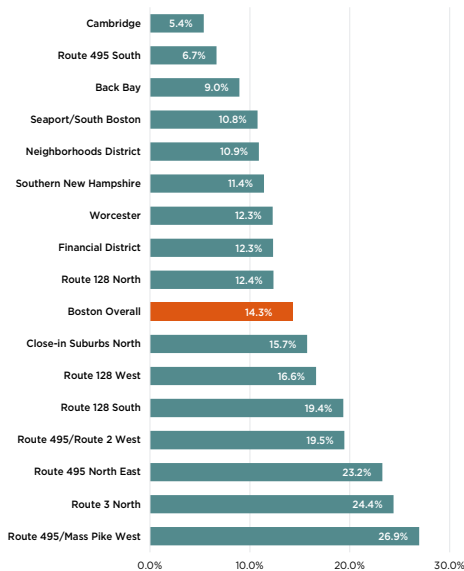
Danny Mangru
Research Director
DMangru@savills.us

About Savills Inc.
Savills helps organizations find the right solutions that ensure employee success. Sharply skilled and fiercely dedicated, the firm's integrated teams of consultants and brokers are experts in better real estate. With services in tenant representation, workforce and incentives strategy, workplace strategy and occupant experience, project management, and capital markets, Savills has elevated the potential of workplaces around the corner, and around the world, for 160 years and counting.

For more information, please visit Savills.us and follow us on LinkedIn, Twitter, Instagram and Facebook.

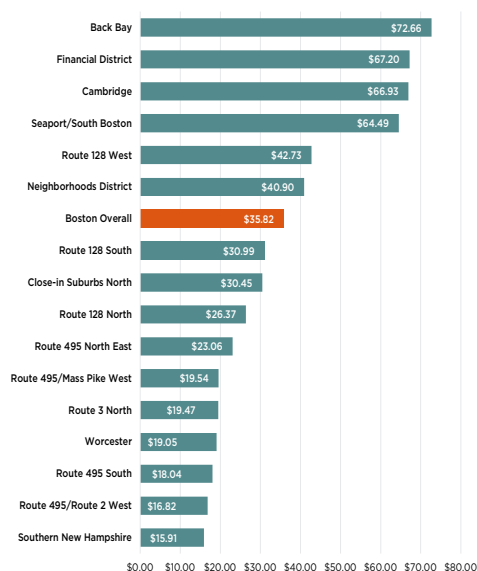
AVAILABILITY RATE COMPARISON

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.

Copyright © 2020 Savills

