

Boston area office rents spiked sharply over the year but flattened over the quarter

In the third quarter of 2020, Boston's overall average asking rent stood at \$35.38 per square foot (psf), reflecting a sharp annual increase of 10.6% and a modest quarterly decrease of 1.2%. Third-quarter submarket rents ranged from \$15.90 psf in Southern New Hampshire and \$17.21 psf along Route 495/Route 2 West, to \$71.35 psf in Back Bay and \$66.48 psf in the Financial District. Class A rents in the region increased by 10.8% year over year but decreased by 2.6% over the quarter, to \$43.30 psf. Central Business District (CBD) rents fell by 2.0% in the third quarter of 2020, while suburban rents gained about 1.6% over the same period.

Availability rates have grown for four consecutive quarters

The overall availability rate increased by 270 basis points (bps) over the trailing four quarters and rose by 120 bps during the third quarter of 2020, to 15.5%. In comparison, the average Class A availability rate increased by 280 bps year-over-year and 190 bps over the quarter, to 16.7%. The CBD and suburban market availability rates in the third quarter were 12.2% and 17.9%, respectively. Submarket availability rates ranged from 7.7% along Route 495 South and 11.5% in Southern New Hampshire, to 28.9% on Route 495/Mass Pike West and 24.3% along Route 3 North.

Q3 2020 showed a significant recovery in leasing activity

Third-quarter 2020 leasing activity totaled 2.6 million square feet (msf), reflecting a steep recovery of 62.7% from last quarter but is still down 17.6% over the last year. In 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. In the third quarter of 2020, 261 leases were signed, averaging about 10,200 sf per lease. The two largest leases of the quarter were signed in the Cambridge submarket, Bristol Meyers Squib (360,000 sf) at 50 Water Street and GCP Applied Technologies (287,444 sf) at 36-64 Wittemore Avenue and CRISPR Therapeutics (263,500 sf) at 105 W. First Street in the Seaport/South Boston submarket.

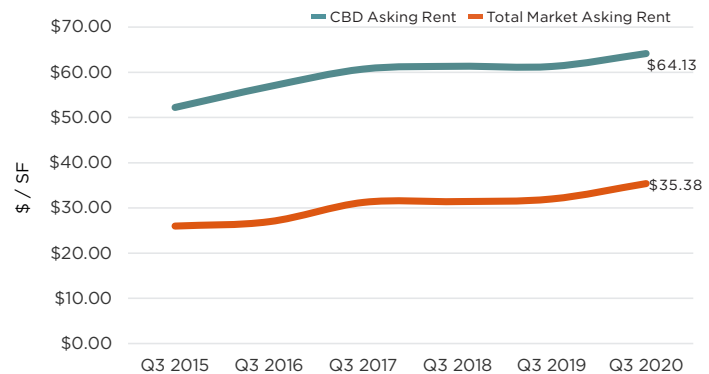
Outlook

- More workers will return to the office, but it will be a bumpy next two years for the sector
- Pre-COVID, Boston office market fundamentals were strong, but the CBD is showing signs of weakening, a trend that will continue in the coming quarters
- Around 8.5 msf are currently under construction, accounting for 3.4% of total office inventory; employment in the Boston MSA is projected to grow by 4.7% per year over the next five years, resulting in an aggregate of 591,000 new jobs through mid-2025

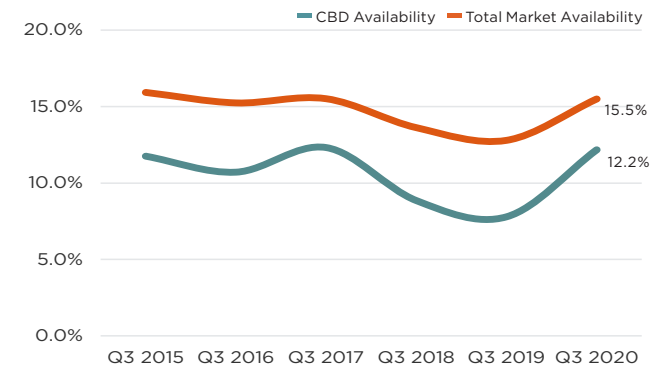
KEY STATISTICS

	Q3 2019	Q3 2020	y-o-y Change
Inventory	250.0 MSF	250.6 MSF	▲
Availability Rate	12.8%	15.5%	▲
Asking Rental Rate	\$31.98	\$35.38	▲
Central Business District Asking Rental Rate	\$61.28	\$64.13	▲
Quarterly Leasing Activity	3.2 MSF	2.6 MSF	▼

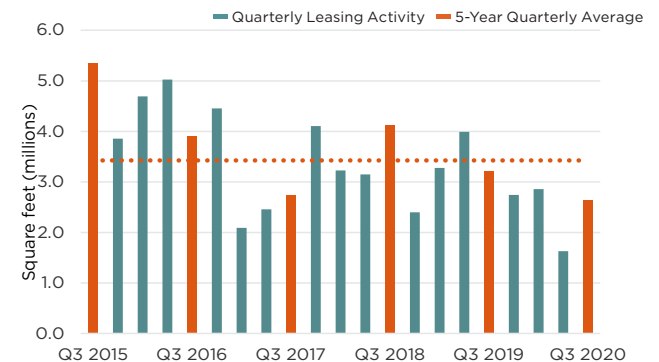
ASKING RENT TRENDS



AVAILABILITY TRENDS



LEASING ACTIVITY



MAJOR TRANSACTIONS

31.8%

of major transactions were **relocations** by square footage

44.9%

of large transactions occurred in the **Cambridge** submarket by square footage

55.7%

Pharmaceuticals tenants represented 55.7% of major transactions by square footage

Tenant	Square feet	Address	Transaction type	Submarket	Industry
Bristol Myers Squibb	360,000	250 Water Street	New Location	Cambridge	Pharmaceuticals
GCP Applied Technologies	287,442	36-64 Whittemore Avenue	Renewal	Cambridge	Manufacturing
CRISPR Therapeutics	263,500	105 W First Street	Relocation	Seaport/South Boston	Pharmaceuticals
Alkermes	180,039	850-852 Winter Street	Renewal and Expansion	Route 128 West	Pharmaceuticals
IDG	114,000	140 Kendrick Street	Relocation	Route 128 West	TAMI
Willis Towers Watson	77,807	800 Boylston Street	Extension	Back Bay	Financial Services
ERT	41,090	1 Cabot Road	Relocation	Close-in Suburbs North	TAMI
Magellan Health Inc	40,449	1075 Main Street	Relocation	Route 128 West	Professional Services
Reads Collaborative School	40,000	44 Bedford Street	New Location	Route 495 South	Education
SNYK	37,384	100 Summer Street	New Location	Financial District	TAMI

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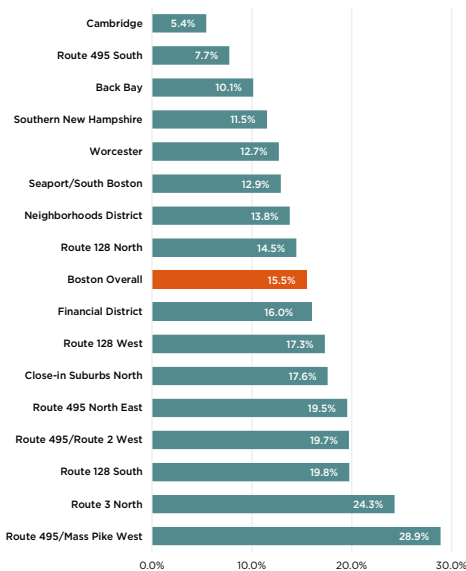
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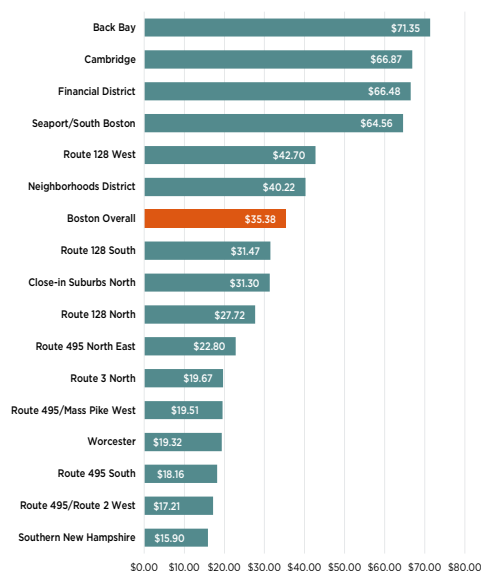
AVAILABILITY RATE COMPARISON

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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