

Boston

Despite signs of resiliency, 1.7 million square feet was vacated in Q3 across Metro Boston

- Subleases continued to hit the market, notably in the CBD where today there is an additional 1.5-million square feet of subleases on the market than there was in March.
- Rents declined further in Q3, falling 2.4% after first falling by 1.1% in Q2. Total vacancy climbed 110 bps to 13.8%.
- Leasing volume remained historically low across the market. Year-to-date leasing volumes are 40% of recent levels, across the metro.

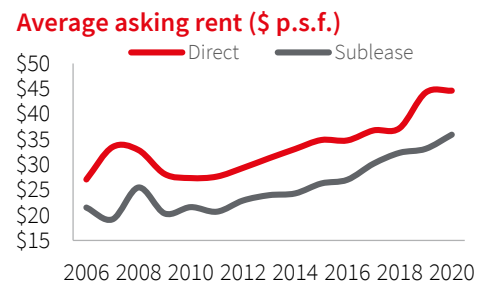
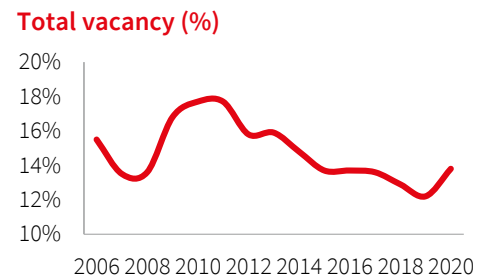
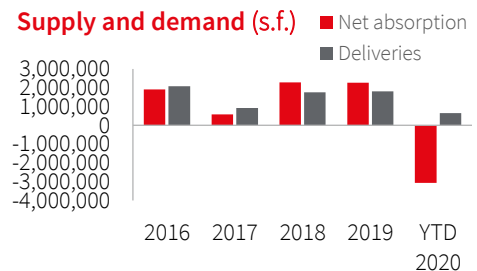
Rents fell again in Q3, by 2.4%. The two main drivers for the drop in rents in the city was a glut of sublease options and the 40% of tenant demand with pre-2022 timing that remains on hold. Class A rents fell by 2.2% and Class B by 3.4% in Q3. Subleases continue to be the most visible byproduct of COVID-19 in the market. It is especially acute in Boston CBD, where over 3-million square feet is on the market. The spaces skew small, tech, creative, short-term (an average of three years of term remaining) and is priced at a 20% discount to direct availabilities.

In the capital markets, all investment sales in Q3 were in the suburbs, led by the acquisition of Reservoir Woods East in Waltham by Alexandria for \$330 million, or \$600 per square foot. Additionally, life sciences demand has held fast amid the pandemic, with over 90% of pre-COVID tenant demand for lab continuing to move ahead. This has led to office owners and developers to explore pivoting from office to lab to capture this demand, including Reservoir Woods East, 1001 Boylston, and the hybridization of Ten World Trade, BGI's forthcoming Seaport project.

Outlook

Despite the current crisis and shifting landscape, Boston has reason for hope. Only 5% of total job losses have been in office-using sectors, compared to 24 and 51% in the last two downturns. Boston is home to fully one-third of life sciences companies working on COVID-19 vaccines or therapies. However, uncertainty surrounding re-entry timetables, anticipated headcounts, and future space needs have frozen office deals for the better part of six months. 40% of the CBD's workforce relied on public transit while Boston has the 2nd-highest rate of dual-income married couples in the US, sowing doubts about a quick re-entry during widespread remote learning. Further rent declines are anticipated ahead, the result of likely increases in sublease space and diminished demand, which will force landlords to increase the competitiveness of their direct listings.

Fundamentals	Forecast
YTD net absorption	-3,023,250 s.f. ▼
Under construction	7,724,951 s.f. ►
Total vacancy	13.7% ▲
Sublease vacancy	3,493,169 s.f. ▲
Direct asking rent	\$44.88 p.s.f. ▼
Sublease asking rent	\$35.90 p.s.f. ▼
Concessions	Increasing ▲



Office Statistics

	Class	Inventory (s.f.)	Total net absorption (s.f.)	YTD total net absorption (s.f.)	YTD total net absorption (%) of stock	Direct vacancy (%)	Total vacancy (%)	Average direct asking rent (\$ p.s.f.)	YTD Completions (s.f.)	Under Development (s.f.)
South End	Totals	1,203,716	-25,982	-21,768	-1.8%	17.8%	17.8%	\$61.89	0	233,901
Back Bay	Totals	12,469,737	-125,313	-186,723	-1.5%	2.1%	5.3%	\$70.72	0	225,000
Charlestown	Totals	1,961,144	-4,386	-66,108	-3.4%	6.7%	7.0%	\$44.29	40,748	0
Fenway	Totals	1,738,388	-58,275	-149,759	-8.6%	0.0%	5.3%	\$85.64	0	366,348
Downtown	Totals	37,696,983	-556,351	-834,857	-2.2%	7.5%	9.4%	\$75.74	0	3,589,550
North Station	Totals	1,743,828	-78,410	-83,391	-4.8%	7.1%	10.6%	\$57.39	0	627,228
Seaport District	Totals	10,633,812	-115,565	-229,806	-2.2%	11.9%	14.8%	\$68.39	233,000	744,000
Boston	Totals	67,447,608	-964,282	-1,572,412	-2.3%	7.1%	9.5%	\$72.78	273,748	5,786,027
East Cambridge	Totals	8,041,277	-83,728	-206,536	-2.6%	3.9%	7.1%	\$95.46	368,000	875,000
Mid Cambridge	Totals	1,996,644	-59,469	-79,459	-4.0%	4.7%	7.9%	\$73.05	0	0
West Cambridge	Totals	1,424,863	-63,455	-27,217	-1.9%	6.9%	14.8%	\$57.52	0	0
Cambridge	Totals	11,462,784	-206,652	-313,212	-2.7%	4.4%	8.2%	\$83.03	368,000	875,000
128/Mass Pike	Totals	19,912,524	-102,138	-94,396	-0.6%	10.1%	12.4%	\$40.40	0	250,000
495/Mass Pike	Totals	11,558,913	-238,451	-342,087	-3.0%	27.3%	30.0%	\$23.05	0	150,000
495/North	Totals	16,518,943	-12,660	-548,390	-3.3%	23.5%	24.8%	\$21.86	0	0
495/South	Totals	2,697,861	42,523	44,894	1.7%	8.8%	9.0%	\$20.53	0	0
North	Totals	12,641,597	-95,155	-29,234	-0.2%	10.0%	11.2%	\$29.91	0	523,924
Northwest	Totals	13,439,797	-56,773	-96,786	-0.7%	14.7%	16.8%	\$32.42	0	0
South	Totals	14,413,232	-73,411	-71,627	-0.5%	14.0%	14.5%	\$26.13	0	140,000
Suburbs	Totals	91,182,867	-536,065	-1,137,626	-1.3%	16.0%	17.6%	\$27.46	0	1,063,924
Boston	Totals	170,093,259	-1,706,999	-3,023,250	-1.8%	11.7%	13.7%	\$44.88	641,748	7,724,951
South End	A	0	0	0	0.0%	0.0%	0.0%	\$68.00	0	233,901
Back Bay	A	9,772,400	-70,401	-158,350	-1.6%	1.0%	4.6%	\$78.91	0	225,000
Fenway	A	237,935	0	-16,940	-7.1%	0.0%	7.1%	\$85.64	0	366,348
Downtown	A	25,519,003	-215,080	-461,941	-1.8%	6.3%	8.0%	\$79.93	0	3,522,897
North Station	A	175,000	0	0	0.0%	0.0%	\$93.00	0	627,228	
Seaport District	A	4,714,046	1,109	-32,480	-0.7%	12.9%	16.0%	\$75.58	233,000	744,000
Boston	A	40,418,384	-284,372	-669,711	-1.7%	5.7%	8.1%	\$79.36	233,000	5,719,374
East Cambridge	A	7,530,624	-84,658	-144,765	-1.9%	3.8%	7.2%	\$95.32	368,000	875,000
Mid Cambridge	A	858,266	-41,725	-68,275	-8.0%	3.7%	9.4%	\$90.00	0	0
West Cambridge	A	1,194,780	-63,455	-20,990	-1.8%	7.5%	15.9%	\$57.52	0	0
Cambridge	A	9,583,670	-189,838	-234,030	-2.4%	4.2%	8.5%	\$84.36	368,000	875,000
128/Mass Pike	A	11,778,848	-30,159	-104,084	-0.9%	8.9%	11.7%	\$44.78	0	250,000
495/Mass Pike	A	7,538,425	-96,634	-149,839	-2.0%	28.0%	30.3%	\$23.36	0	150,000
495/North	A	7,676,979	-35,558	-44,461	-0.6%	19.3%	20.2%	\$22.38	0	0
495/South	A	780,260	2,307	5,777	0.7%	4.3%	4.3%	\$23.02	0	0
North	A	7,426,349	-88,856	-24,939	-0.3%	12.2%	13.4%	\$31.63	0	523,924
Northwest	A	9,233,840	-45,211	-81,565	-0.9%	15.5%	18.2%	\$34.67	0	0
South	A	8,222,801	-34,001	-23,920	-0.3%	13.9%	14.7%	\$28.96	0	140,000
Suburbs	A	52,657,502	-328,112	-423,031	-0.8%	15.5%	17.3%	\$29.70	0	1,063,924
Boston	A	102,659,556	-802,322	-1,326,772	-1.3%	10.6%	12.9%	\$50.48	601,000	7,658,298
South End	B	971,254	-22,708	-15,955	-1.6%	20.2%	20.2%	\$55.48	0	0
Back Bay	B	2,285,835	-38,172	-20,573	-0.9%	6.0%	7.8%	\$58.14	0	0
Charlestown	B	1,701,072	-2,854	-13,499	-0.8%	4.7%	5.0%	\$45.03	40,748	0
Fenway	B	1,500,453	-58,275	-132,819	-8.9%	0.0%	5.0%	\$0.00	0	0
Downtown	B	10,308,808	-314,277	-320,222	-3.1%	10.8%	13.1%	\$58.38	0	66,653
North Station	B	1,443,757	-75,644	-74,602	-5.2%	7.0%	11.2%	\$51.13	0	0
Seaport District	B	5,610,540	-113,891	-200,611	-3.6%	11.3%	14.1%	\$61.22	0	0
Boston	B	23,821,719	-625,821	-778,281	-3.3%	9.5%	11.9%	\$57.31	40,748	66,653
East Cambridge	B	485,703	930	-55,430	-11.4%	3.6%	4.3%	\$97.00	0	0
Mid Cambridge	B	1,062,028	-17,744	-11,184	-1.1%	5.8%	7.2%	\$62.51	0	0
West Cambridge	B	230,083	0	-6,227	-2.7%	3.8%	9.1%	\$0.00	0	0
Cambridge	B	1,777,814	-16,814	-72,841	-4.1%	4.9%	6.6%	\$74.87	0	0
128/Mass Pike	B	7,156,969	-67,199	6,957	-0.2%	12.9%	14.6%	\$33.76	0	0
495/Mass Pike	B	3,947,698	-141,817	-192,248	-4.9%	26.3%	29.9%	\$22.42	0	0
495/North	B	7,460,032	27,255	-504,326	-6.8%	28.2%	29.9%	\$22.03	0	0
495/South	B	1,917,601	40,216	39,117	2.0%	10.7%	10.9%	\$19.25	0	0
North	B	4,855,454	187	4,233	0.1%	6.8%	7.4%	\$22.69	0	0
Northwest	B	3,971,619	-12,378	12,548	0.3%	13.6%	13.8%	\$25.91	0	0
South	B	5,947,202	-29,163	-39,310	-0.7%	13.8%	14.0%	\$21.89	0	0
Suburbs	B	35,256,575	-182,899	-673,029	-2.0%	16.9%	18.2%	\$24.24	0	0
Boston	B	60,856,108	-825,534	-1,524,151	-2.5%	13.7%	15.4%	\$34.71	40,748	66,653
South End	C	232,462	-3,274	-5,813	-2.5%	7.9%	7.9%	\$37.00	0	0
Back Bay	C	411,502	-16,740	-7,800	-1.9%	6.2%	8.7%	\$53.00	0	0
Charlestown	C	260,072	-1,532	-52,609	-20.2%	20.2%	20.2%	\$40.64	0	0
Fenway	C	0	0	0	0.0%	0.0%	\$0.00	0	0	
Downtown	C	1,869,172	-26,994	-52,694	-2.8%	5.2%	7.8%	\$53.93	0	0

North Station	C	125,071	-2,766	-8,789	-7.0%	18.8%	18.8%	\$45.00	0	0
Seaport District	C	309,226	-2,783	3,285	1.1%	5.6%	7.9%	\$62.00	0	0
Boston	C	3,207,505	-54,089	-124,420	-3.9%	7.3%	9.4%	\$48.88	0	0
East Cambridge	C	24,950	0	-6,341	-25.4%	25.4%	25.4%	\$0.00	0	0
Mid Cambridge	C	76,350	0	0	0.0%	0.0%	0.0%	\$0.00	0	0
Cambridge	C	101,300	0	-6,341	-6.3%	6.3%	6.3%	\$0.00	0	0
128/Mass Pike	C	976,707	-4,780	2,731	0.3%	3.3%	3.9%	\$34.00	0	0
495/Mass Pike	C	72,790	0	0	0.0%	8.7%	8.7%	\$18.00	0	0
495/North	C	1,381,932	-4,357	397	0.0%	22.2%	22.5%	\$17.43	0	0
North	C	359,794	-6,486	-8,528	-2.4%	9.4%	16.5%	\$0.00	0	0
Northwest	C	234,338	816	-27,769	-11.9%	0.0%	12.2%	\$0.00	0	0
South	C	243,229	-10,247	-8,397	-3.5%	21.9%	21.9%	\$20.91	0	0
Suburbs	C	3,268,790	-25,054	-41,566	-1.3%	13.2%	15.2%	\$18.08	0	0
Boston	C	6,577,595	-79,143	-172,327	-2.6%	10.2%	12.2%	\$27.62	0	0