

Downtown Boston

# 2019 Market Insight Report



Winter/Spring '19

cresa



# Market Overview



Market Size  
**60,988,552 SF**



Vacancy  
**9.1%**



Sublease  
**2.0%**



Available  
**13.4%**

Arrows Indicate One Year Change



Boston Skyline | Photo Source: Cresa/Duncan Lake

## Market Trends

### Up, Up & Up

Rents increased across the board, in both Class A and Class B buildings. The overall average rent increased from \$57.38 in Q3 2018 to \$61.45 in Q4 2018. That's a 6.6% increase!

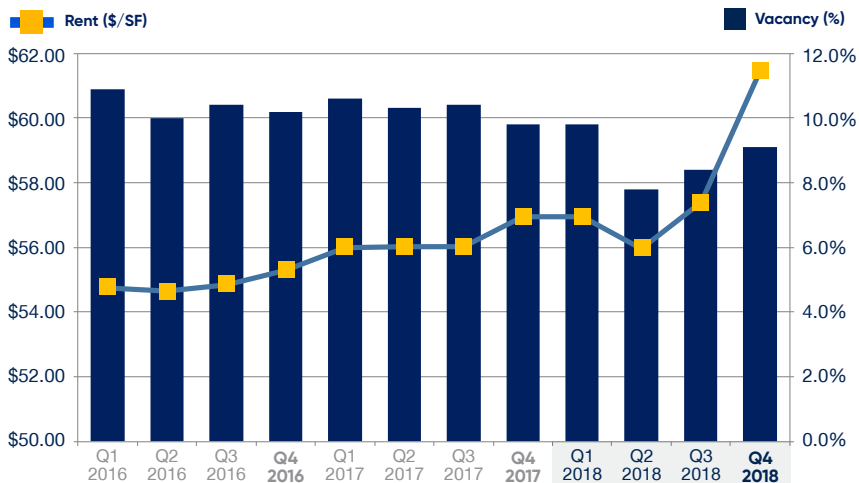
### No Supply

There is no vacancy in new construction through 2019, which exacerbates the supply constraint.

### Is Sharing Caring?

The expansion plans for WeWork and other co-working space providers remains unabated.

## Historical Rent & Vacancy



## V.C. Spotlight

Boston & Cambridge 2018



**552**  
Deals



**\$8.376B**  
Invested

### Largest Deals

1. Kensho Technologies - \$550M
2. Relay Therapeutics - \$400M
3. American Well - \$290M
4. Indigo Agriculture - \$250M
5. Wuxi NextCODE - \$200M

# Market Movement

## Notable Transactions

Tenant	Address	Size (SF)	Type
Wayfair	10 St. James Avenue	302,000	New Location
WeWork	1 Lincoln Street	250,000	New Location
Morrison Mahoney	250 Summer Street	57,352	Renewal
Datarobot	225 Franklin Street	49,860	Relocation
Buildium	Center Plaza	38,000	Relocation

## Investment Sales

Buyer	Address	Size (SF)	Price/SF
Beacon Capital Partners	53 State Street	1,206,173	\$701
American Realty Advisors	121 Seaport Boulevard	420,000	\$1,083
Carr Properties	200 State Street	304,178	\$730
Rockpoint Group	226 Causeway Street	192,890	\$555
Brookfield Properties	51 Sleeper Street	153,000	\$595

## Market Predictions

- 1 With no new inventory coming to the market, rents will continue to rise and demand will remain strong.
- 2 Landlords will continue to push for annual percentage rent increases to enhance their ROI in 2019.
- 3 The Class B market will benefit from positive absorption throughout the city. The lack of available, quality low-rise Class A spaces will push the market's floor upwards.

## Get to Know:

### Fenway



#### Eventide Oyster Co.

Boston's demands for freshly-shucked oysters and craveable brown butter lobster rolls is met.



#### Boston Symphony Hall

The power and passion of live musical performance on a world-renowned stage.



#### 305 Fitness

A non-stop cardio dance party featuring sports drills, conditioning exercises and high intensity interval training.



#### The Fenway Victory Gardens

The oldest continuously operating World War II Victory Garden in the United States, spanning 7.5 acres with over 500 gardens.

Eventide Oyster Co. | Photo Source: Cresa/Duncan Lake



# Project Highlight



## PTC

121 Seaport Boulevard  
Boston, MA

**Industry:**  
Technology/Software

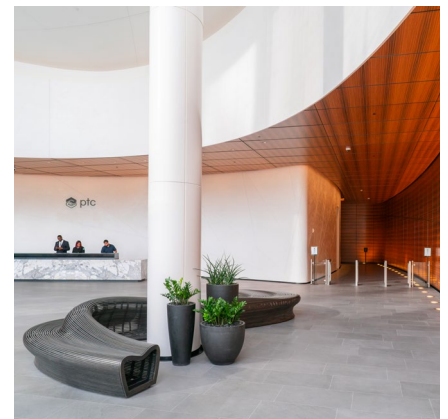
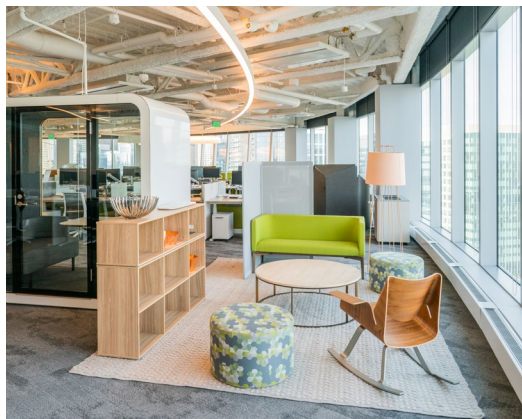
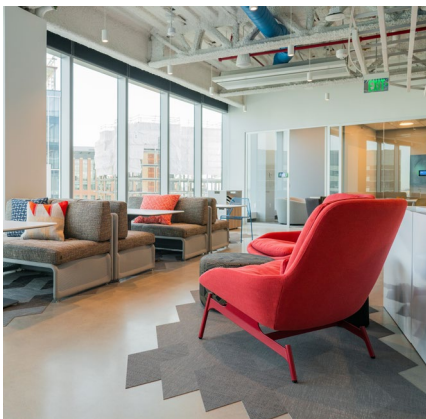
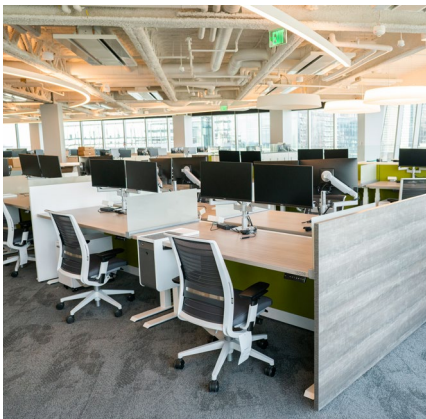
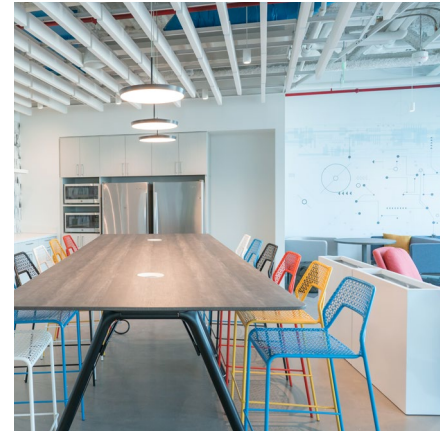
**Size:**  
250,000 SF

**Services:**  
Transaction & Project Management,  
Workplace Strategy

**Architect:**  
Margulies Perruzzi Architects

**Space Features:**  
Activity-based workplace (no assigned  
seats or private offices), unique  
Corporate Experience Center, grand  
staircase to private rooftop deck

**Photography:**  
Cresa/Duncan Lake





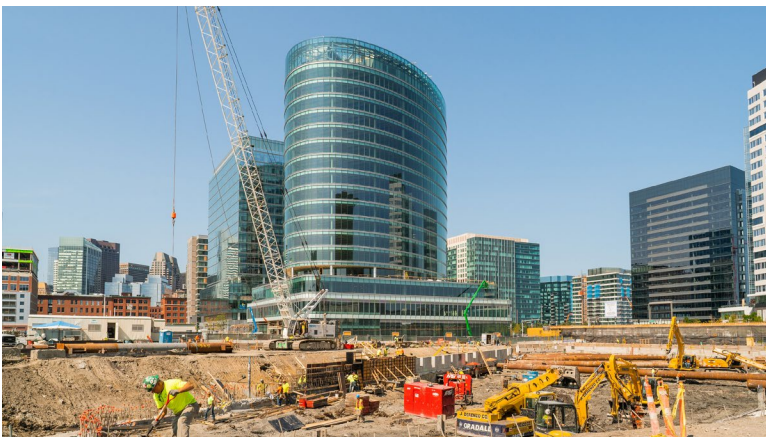
# Development Pipeline

## Largest Development Sites

- Permitted Development
- Under Construction
- Proposed



Development	Owner	Size (SF)	Status
1 Back Bay Station	Boston Properties	600,000	Permitted Development
2 420 Summer Street, Seaport Labs	WS Development	500,000	Permitted Development
3 88 Seaport Boulevard	WS Development	390,000	Permitted Development
4 Parkside on A	CV Properties	248,000	Permitted Development
5 Bulfinch Crossing	HYM Investments	1,150,000	Under Construction
6 Winthrop Square Tower	Millennium Partners	750,000	Under Construction
7 2 Drydock Avenue	Skanska Development	233,000	Under Construction
8 18-22 West Third Street	Anchorline/Alexandria	210,000	Proposed



Seaport Construction | Photo Source: Cresa/Duncan Lake



Back Bay Station Development Rendering | Rendering Source: arrowstreet.com





Photo Source: Cresa/Duncen Lake

## Downtown Boston

# Boston is Bigger and Busier Than Ever

2018 was a banner year for Boston across the board. The city saw the lowest unemployment rate in Massachusetts in 15 years. Massachusetts continued to dominate the national venture capital landscape with both New York City and California. Collectively, Massachusetts companies raised almost \$12 billion dollars, a \$4.2 billion increase from 2017.

The physical size of the city has never been larger and the demand for office space from large users has never been higher. These users include companies with current Boston addresses, companies in the suburbs establishing a Boston office presence or full headquarters relocation, and out-of-state companies planting a flag in Boston.

At the end of 2018, Boston is a supply-constrained market. What does this mean for large companies? First and foremost, it means that a relocation

to a new building may not be feasible. This is due to both the high levels of demand, and the low level of supply of new construction that isn't going to be available until 2022.

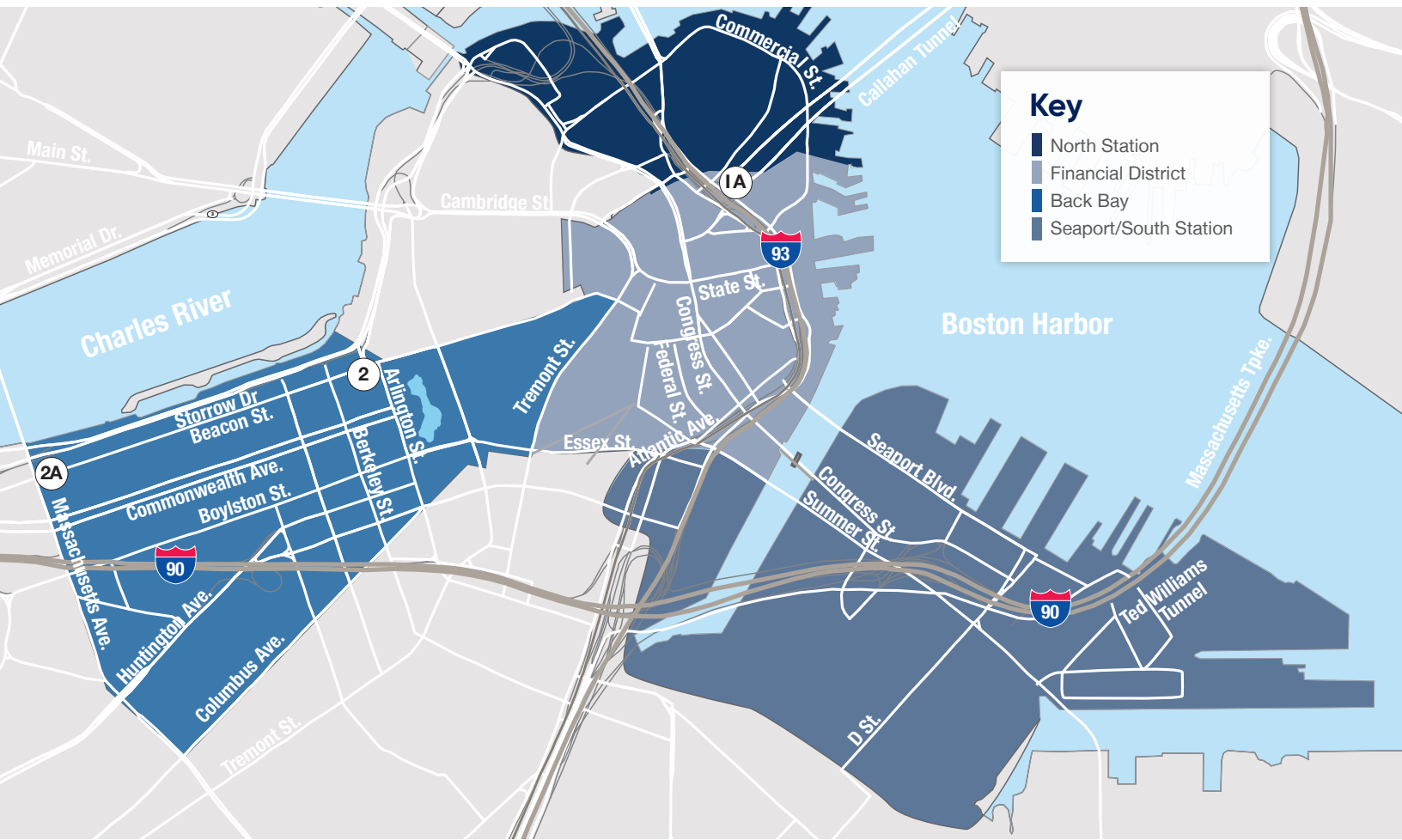
Second, it means that companies have had and will need to continue to keep an open mind about office location and be willing to go wherever the “right” situation is. The boundaries of the downtown submarkets are now blurred. North Station and the Marine Industrial Park in South Boston are no longer considered third-tier, outlier locations.

Finally, the supply-constrained market solidifies that the evaluation of existing office footprints is extremely important in order to identify areas for consolidation (i.e. “right-sizing” exercises). For various reasons, many large companies will choose to stay in their current building versus relocating. As such, they will want

**The physical size of the city has never been larger and the demand for office space from large users has never been higher.**

to downsize and renovate tired, outdated existing space. As a result, landlords will spend money to maintain these tenants, accommodate construction while the tenant is still in the space, and then deal with smaller, remaining blocks of vacancy.

# Boston by the Numbers



Submarket	Market Size (SF)	Vacant	Sublease	Available	Class A Rent/SF	Class B Rent/SF
Financial District	34,746,460	9.5%	2.1%	14.7%	\$64.59	\$52.41
Back Bay	13,170,235	6.9%	1.3%	9.1%	\$70.33	\$47.84
Seaport/South Station	11,087,948	11.4%	2.5%	15.9%	\$71.79	\$53.87
North Station	1,983,909	5.0%	0.3%	5.3%	NA	\$50.13
<b>Total</b>	<b>60,988,552</b>	<b>9.1%</b>	<b>2.0%</b>	<b>13.4%</b>	<b>\$66.48</b>	<b>\$52.45</b>

## Tenants in the Market



600,000 SF

FOUNDATION  
MEDICINE

450,000 SF



350,000 SF



300,000 SF



## About Cresa Boston

Cresa is the world's largest commercial real estate advisory firm that exclusively represents occupiers and specializes in the delivery of fully integrated real estate solutions. We work with our clients to align their business plans and their real estate needs, increase their productivity, and consistently save them money — results that have earned us numerous industry awards along the way. Our team of real estate advisors, project managers, strategic planners, analysts, and space planners listen to tenants' needs, meticulously research market conditions, firmly negotiate terms, and manage the design and construction of projects to customize the best possible occupancy solutions.

### Contact

For more information about Cresa and the Boston Market, please contact:

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