Cresa Boston - Q4 2020

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Market Report
Downtown CBD

There is a light at the end of the proverbial COVID-19 tunnel. 2020 is over, infections and hospitalizations are decreasing, the initial vaccine rollout is underway and the nation's administration has changed. **Activity in the market remains limited, but the life sciences sector is the engine driving significant activity in all Downtown Boston submarkets.** The other activity driver is current office lease expirations, the majority of which have resulted in short-term lease extensions. Asking rents are starting to soften for Class B buildings and subleases. There is 3.1 million square feet of sublease inventory available, 1.5 million of which comes from technology companies and 275,000 SF from professional services firms. Additionally, the majority of the sublease space falls in the under-25,000-SF category. In 2021 and 2022, lab conversion will continue to fuel construction and development in Boston.

Market Size	Vacancy	Sublease	Available
61,225,985 SF	9.8%	4.9%	13.2%

*arrows indicate quarterly change

Rental and Vacancy Rates

Asking Rent ($/SF) Class A	Asking Rent ($/SF) Class B	Vacancy Rate	
$71.42	$54.85	Financial District	10.0%
$75.64	$54.83	Back Bay	5.2%
$78.11	$59.97	Seaport/South Station	14.4%
N/A	$49.84	North Station	11.2%
$72.92	**$56.46**	Total	9.8%

Recent Transactions

Tenant	Size (SF)	Submarket	Type	Sector
Ameriprise	82,000	Financial District	Relocation	Office
Datadog	63,000	Financial District	Expansion/Extension	Office
Pearson Education	43,000	Financial District	Relocation/Sublease	Office
Costar	25,000	Financial District	Renewal	Office
Oppenheimer	19,000	Financial District	Relocation	Office
BNP Paribas	10,604	Financial District	Relocation	Office

Market Trends

Flexible Lease Term
Average asking rents for direct space have not fallen in a broad, significant way. However, some landlords have agreed to more tenant-favorable terms for completed leases.

Sublease Inventory Grows Then Slows
Available sublease inventory skyrocketed 200% between April and November 2020, and has since leveled off as we enter 2021.

Downward Pressure on Asking Rents
Class B landlords and sublandlords have been the first to reduce their asking rents. Class A landlords will likely follow this trend in 2021 due to high sublease inventory, shrinking office space requirements, and the arrival of new development inventory.

Occupier's Perspective

Short-Term Vision
For 2021 and 2022, uncertainty remains. Tenants with 2020/2021 lease expirations have focused on short-term extensions as long-term decisions are difficult to make in the current environment.

Feedback is Key
Companies should engage employees in order to gather feedback about re-entry to the workplace and the potential future success or detriment of a hybrid work model.

Spec Suites and Subleases
Companies continue to be in cash preservation mode and want to avoid paying out-of-pocket to build out office space as much as possible. Utilizing space built-out on a speculative basis by landlords, as well as sublease space, diminishes these out-of-pocket costs.