



Winter/Spring 2024

# Downtown Boston

Annual CRE Market Insight Report

Photo: Duncan Lake/Cresa

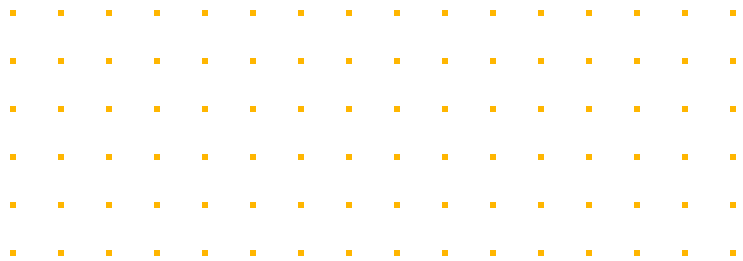




Photo: Duncan Lake/Cresa

## State of the Market

# Downtown Boston

**As demand continues to skew toward Class A spaces, Class B landlords will face tough decisions ahead.**

Although the downtown office activity continues to stall, positive indicators have emerged on the sublease market. After seven consecutive months of increases, Q4 marked a decrease in total sublease availability, with Class A space having dropped more than 200,000 SF from the previous quarter. Whether this is a harbinger of further market improvement or just a one-quarter pause remains to be seen. As we begin the new year, over four million SF of space is still available on the secondary market across downtown Boston. Direct vacancy continues to increase, with just over 11 million SF now on the market (38% increase year-over-year). As has been well publicized, Class A spaces are faring better than their Class B and commodity counterparts. An additional 2.7 million SF of new Class A construction is expected to deliver over the next 18-24 months (over one million of which is uncommitted), which will put additional strain on owners of Class B office product as tenants assess their future needs.



## Capital is King

Landlords are becoming winners and losers depending on their financial health, access to capital, and amenitized buildings.



## Low Rise Class A Opportunity

In addition to offering increased leasing concessions, some landlords are proactively adjusting base rents downward — a strategic response to the intensifying competition for tenant occupancy.



Market Size  
**63,032,677 SF**



Vacancy  
**17.5%**



Sublease  
**6.4%**

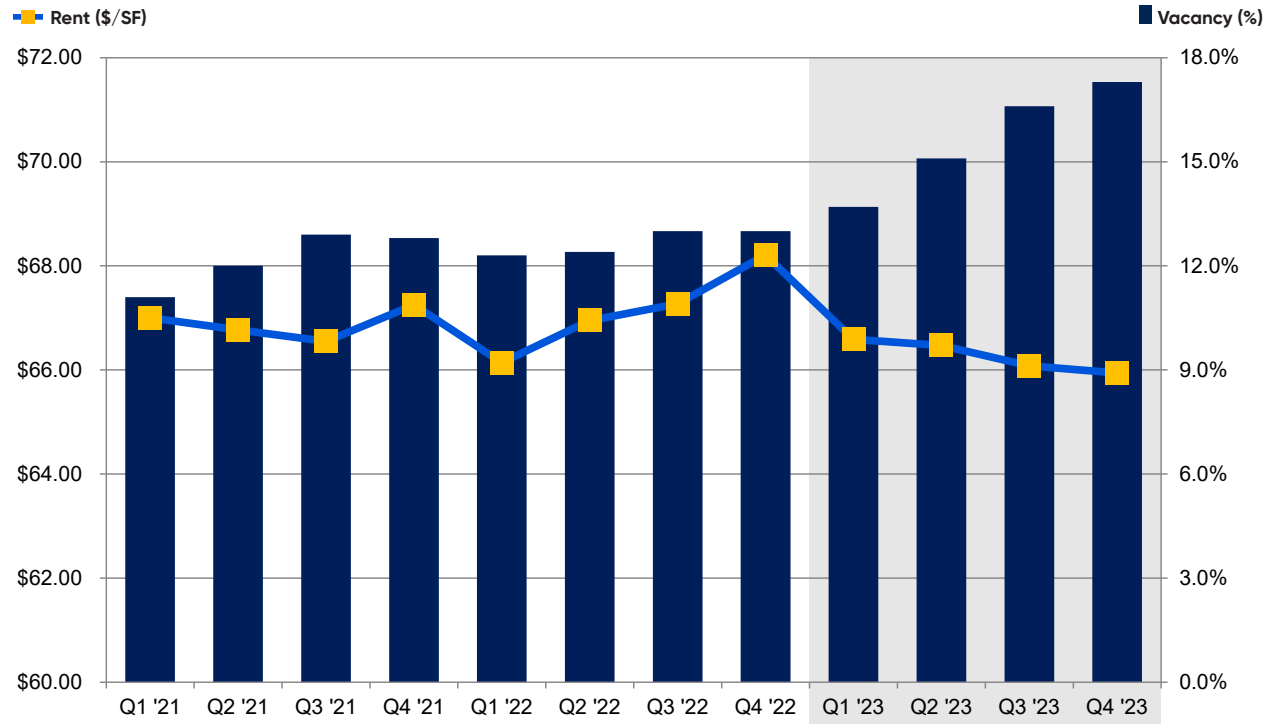


Available  
**26.1%**

*Direct Availability + Sublease Availability*

*Arrows Indicate One Year Change*

# Historical Rent & Vacancy



## Get to Know: Grace by Nia

Hospitality icon Nia Grace has launched Boston's newest live music venue in the heart of the Seaport. Serving up soul-infused menu items in a jazzy cocktail bar atmosphere, Grace by Nia is a vibrant and inspired addition to the bustling neighborhood. [gracebynia.com](http://gracebynia.com)



Photo: Duncan Lake/Cresa

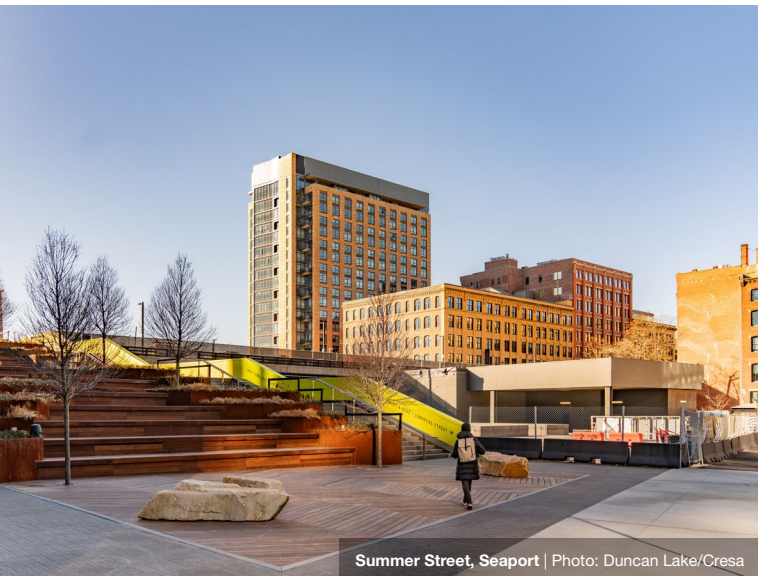
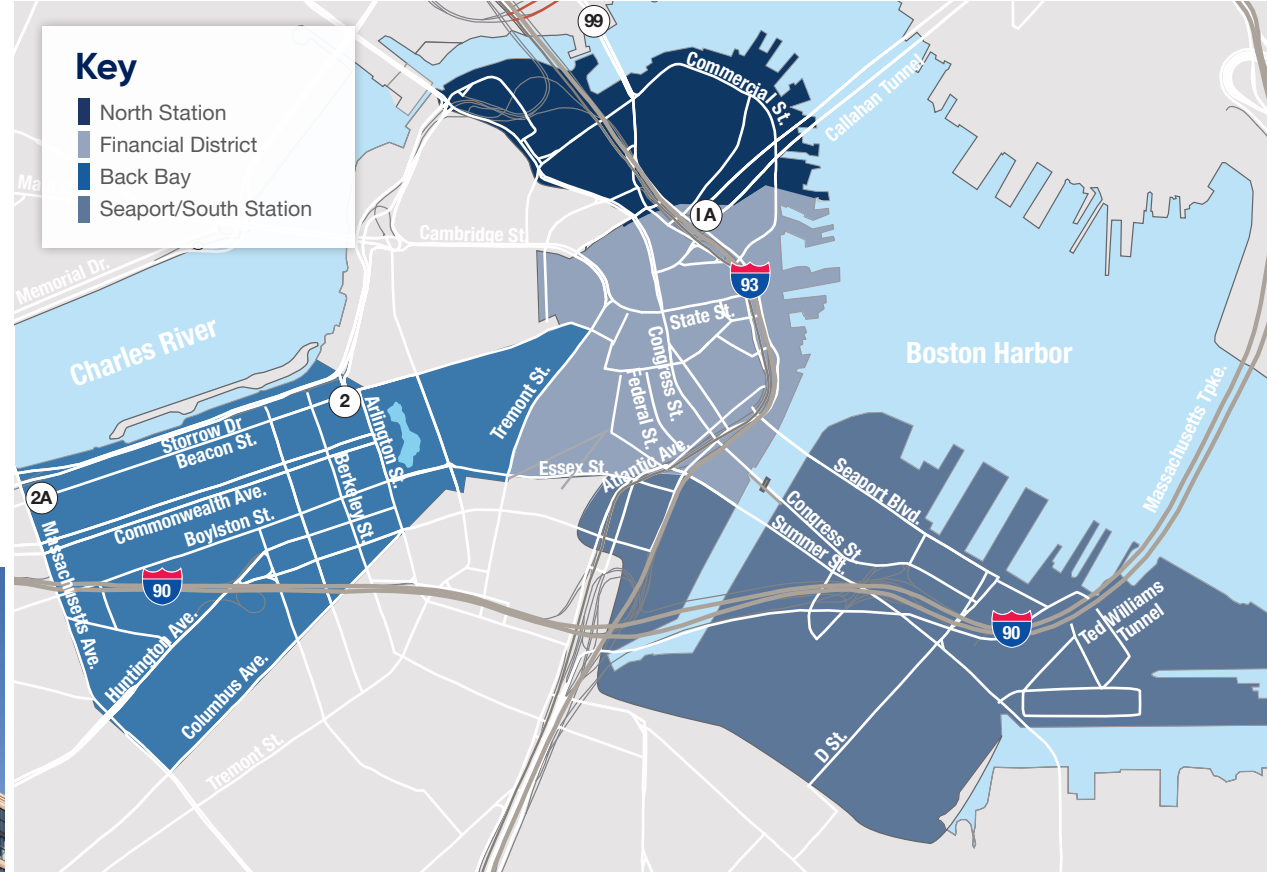


# By the Numbers

Data as of Q4 2023

Submarket	Market Size (SF)	Vacant	Sublease	Available	Class A Rent/SF	Class B Rent/SF
Financial District	36,040,704	19.3%	5.6%	26.5%	\$72.17	\$52.14
Back Bay	13,178,219	10.1%	5.9%	20.4%	\$73.40	\$55.46
Seaport/South Station	11,311,328	18.9%	8.5%	28.5%	\$77.69	\$58.10
North Station	2,502,426	23.9%	11.5%	40.9%	\$92.00	\$50.60
<b>Total</b>	<b>63,032,677</b>	<b>17.5%</b>	<b>6.4%</b>	<b>26.1%</b>	<b>\$73.05</b>	<b>\$54.28</b>

\*The reported North Station Class A rent reflects only one building in the submarket (100 Causeway)



**Sublease availability is leveling off, but direct vacancies continue their steady climb.** The overwhelming majority of vacancies are in the lower levels of buildings in Boston's Financial District (accounting for a third of the total market vacancy).



111 Huntington Avenue | Photo: CoStar

## Tenants in the Market

Bain Capital	350,000 SF
WilmerHale	200,000 SF
Converse	150,000 SF
Arrowstreet Capital	120,000 SF
Havas	60,000 SF

# Notable Market Transactions

Tenant	Address	Submarket	Size (SF)	Type
MFS Investment Management	111 Huntington Avenue	Back Bay	313,000	Renewal/Extension
Deloitte	115 Federal Street	Financial District	138,000	New Lease/Relocation
Goulston & Storrs	1 Post Office Square	Financial District	104,000	New Lease (HQ Relocation)
Toast	333 Summer Street	Seaport	102,000	New Lease
Lego	1001 Boylston Street	Back Bay	100,000	New Lease
Foley & Lardner, LLP	111 Huntington Avenue	Back Bay	100,000	Renewal

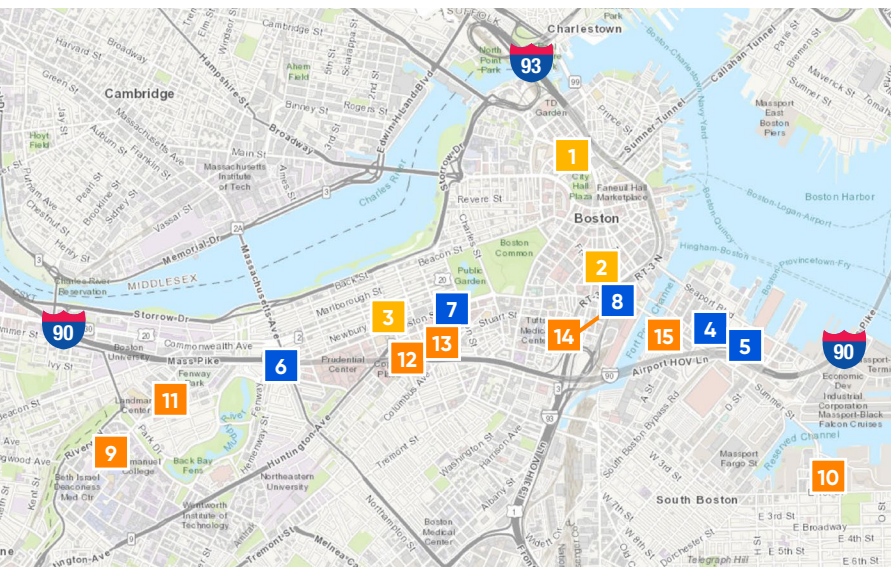
## Investment Sales

Buyer	Address	Submarket	Size (SF)	Price/SF
Ezdan Holding Group	855 Boylston Street	Back Bay	147,000	\$676.87
Azora Exan	70 Federal Street/ 7 Post Office Square	Financial District	64,000	\$640.63
Synergy Investments	One Liberty Square	Financial District	157,000	\$286.62
Rhino Capital Advisors	110 Canal Street	North Station	56,000	\$260.71
City Realty Group	186 Lincoln Street	South Station	73,000	\$150.68





South Station | Photo: Duncan Lake/Cresa



# Development Pipeline

Despite the troubled market, trophy Class A office space has had no trouble downtown. Less than half of the nearly 3 million SF of new space under construction is still up for grabs. This is where today's market demand lies.

■ Delivered in 2023   
 ■ Under Construction   
 ■ Permitted Development

Delivery	Development	Developer/Owner	Size (SF)	Use
2023	<span style="color: yellow;">1</span> 1 Congress Street	HYM Investment Group	1,000,000	Office
	<span style="color: yellow;">2</span> 115 Federal Street (Winthrop Center)	Millennium Partners	775,000	Office/Residential/Retail
	<span style="color: yellow;">3</span> 149-155 Newbury Street	L3 Capital	38,000	Office/Retail
2024	<span style="color: blue;">4</span> 1 Boston Wharf	WS Development	707,000	Office
	<span style="color: blue;">5</span> 10 World Trade	Boston Global Investors	555,000	Office/Lab
	<span style="color: blue;">6</span> 1001 Boylston Street (Parcel 12)	Samuels & Associates	508,000	Office/Lab
	<span style="color: blue;">7</span> 350 Boylston Street	The Druker Company	221,000	Office
2025	<span style="color: orange;">8</span> 650 Atlantic Avenue (South Station Phase 1)	Hines and Gemdale	711,000	Office
	<span style="color: orange;">9</span> 305 Brookline Avenue (Longwood Place)	Skanska	1,750,000	Office/Lab/Residential
	<span style="color: orange;">10</span> 776 Summer Street (Edison Power Plant)	Hilco	1,680,000	Office/Lab/Residential
2026+	<span style="color: orange;">11</span> 70 Van Ness Street (Fenway Corners)	WS Development	1,623,000	Office/Lab/Residential
	<span style="color: orange;">12</span> 145/165 Dartmouth Street (Back Bay Station)	Boston Properties	1,371,000	Office/Residential
	<span style="color: orange;">13</span> 380 Stuart Street	Skanska	625,000	Office
	<span style="color: orange;">14</span> 650 Atlantic Avenue (South Station Phase 3)	Hines and Gemdale	510,000	Office
	<span style="color: orange;">15</span> 125 Necco Street	Related Beal	325,000	Office

# Early Signs of Softening

All parties eagerly await predicted drops in interest rates. As buildings begin to change hands, landlords are under more scrutiny than ever from potential tenants.

While the rise of interest rates over the last six quarters has slowed inflation, it is continuing to take its toll on Boston's commercial office landscape, adding to the challenges facing office landlords in the years since the onset of the pandemic. Though the interest rates are now plateauing – and many experts anticipate relief in the year ahead – the challenging economics of recent years have caused building valuations to drop significantly and have made money hard to come by for landlords in need of a lifeline.

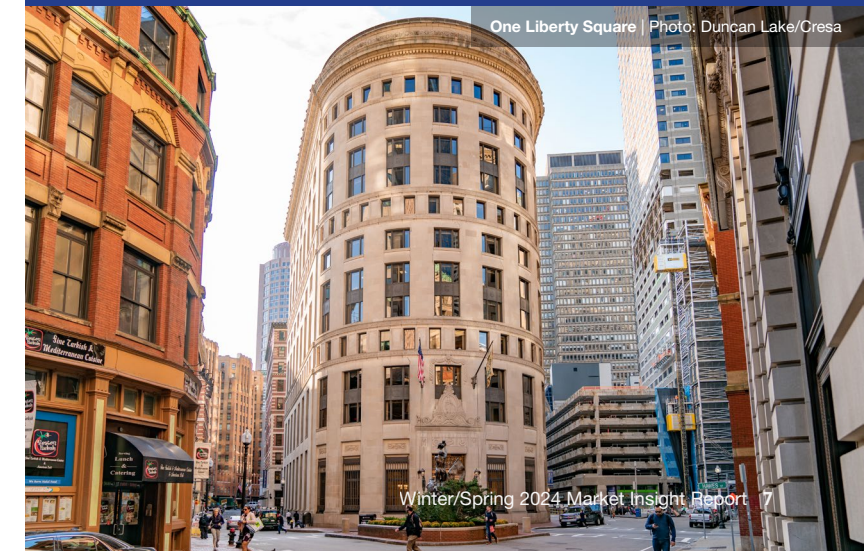
With the cost of capital straining landlords' ability to refinance, owners of vacant or commodity properties have been left with few options. Downtown Boston saw several building sales in the last two quarters of 2023, most of which reflected a steep discount from previous transaction figures. **110 Canal Street**, a seven-story office building in Boston's West End, [recently sold](#) for \$14.6 million after selling for \$24 million in 2021. Similarly,

**186 Lincoln Street** sold at a 47% discount from its previous sale in 2015, **One Liberty Square** at a 17% discount from its 2013 sale, and **33-41 West Street** at a 74% discount from its 2016 sale. These are all Downtown Class B buildings. As a lone outlier, **7 Post Office Square** sold for \$41 million at the end of Q3, \$3 million more than the previous 2016 sale price. A small gain, but it represents a loss after factoring in operating costs during the time of ownership.

While economists predict a drop in interest rates in 2024, financial health and access to capital will continue to be the difference maker for landlords looking to attract tenants. Occupiers considering signing on with a new landlord ought to conduct a thorough financial review to understand the risks and benefits of partnership. Overall, this has created a positive dynamic for tenants in the market, creating leverage through widespread availability and landlords eager to fill vacancies.



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# High-End Financial District Relocation

**Client:** Darmody Merlino

**Location:** 211 Congress Street, Boston

**Project Size:** 7,130 SF

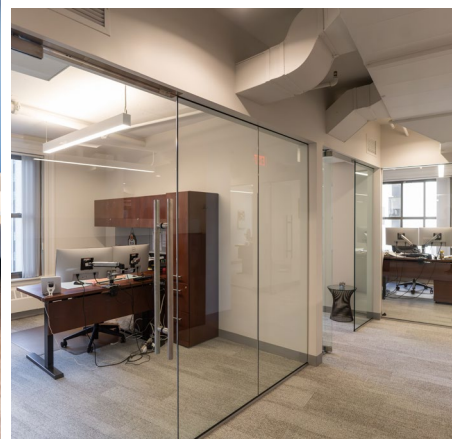
**Cresa Services Provided:** Transaction Management, Project Management



With Cresa's guidance, Darmody Merlino was able to negotiate full turnkey delivery of the full-floor space with Class A finishes.



Photos: Duncan Lake/Cresa



## Objectives

After more than 30 years in their downtown office space, Darmody Merlino was ready to relocate to a newer, more modern workplace. The team wanted to stay in Boston's Financial District to maintain easy public transit access and proximity to their clients, but they set out in search of an updated space to help them attract and retain top talent in a crowded market.

## Strategy & Results

Darmody Merlino engaged the Cresa team to understand their options based on the search criteria. After touring a number of spaces, the client team identified the top floor of 211 Congress Street as the leading candidate. Positioned just one block from Post Office Square and Boston's Greenway, the space boasts abundant natural light and sweeping downtown views. With Cresa's guidance, Darmody Merlino was able to negotiate full turnkey delivery of the full-floor space with Class A finishes.



# Looking Ahead in 2024

## Occupier's Perspective



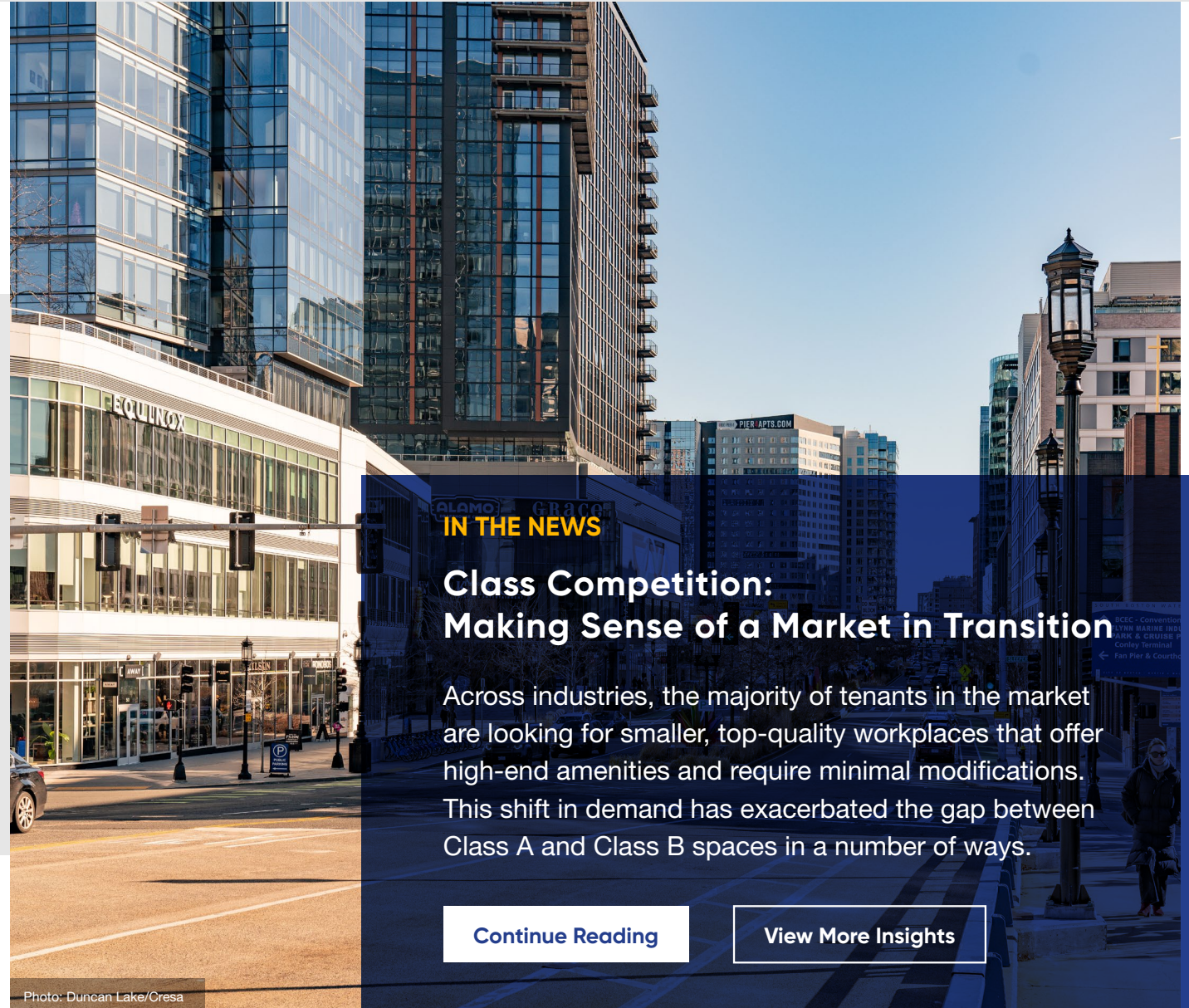
### Kick the Tires

With money harder to come by, financial review is now a two-way street. Tenants are wise to conduct a thorough [landlord analysis](#) before signing a lease.



### Expirations Ahead

Many downtown office spaces are still under lease/sublease through 2026 and beyond. Keep an eye on the market in the year ahead to see if rents or other leverage factors shift as spaces begin to turn over.



### IN THE NEWS

## Class Competition: Making Sense of a Market in Transition

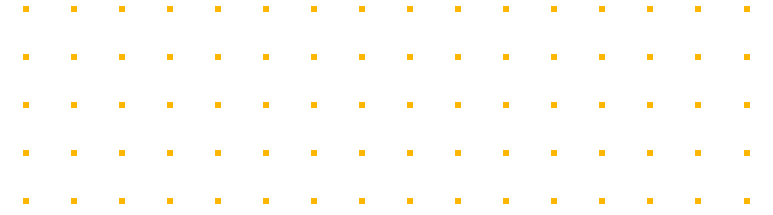
Across industries, the majority of tenants in the market are looking for smaller, top-quality workplaces that offer high-end amenities and require minimal modifications. This shift in demand has exacerbated the gap between Class A and Class B spaces in a number of ways.

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Photo: Duncan Lake/Cresa

# Meet the Team

 Click to learn more about our advisors



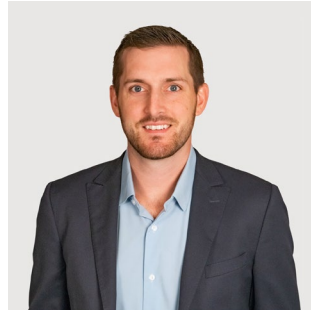
**Rick Lowe**  
Principal



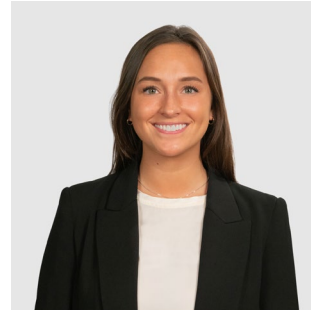
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Principal



**Derek Losi**  
Senior Vice President



**Andrew Orpik**  
Senior Vice President



**Olivia Weckwerth**  
Associate Advisor



**Adam Subber**  
Managing Principal



**Dan Sullivan**  
Managing Principal

## 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.

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