

Q4 2017

Office Insight

Downtown closes out year of strong leasing velocity

- Class B direct asking rents are now \$50.63 per square foot gross, up 6.1 percent in the last year.
- The sublease market has remained stable representing just 1.9 percent of total supply.
- There is currently 325,000 square feet under construction, of which 67.7 percent is preleased.

The Downtown (FiDi) submarket closed out an active year with all four quarters showing positive total net absorption. Total vacancy dipped down to 9.4 percent, the lowest since 2008, as the submarket recorded seven deals larger than 20,000 square feet. The three most notable deals were renewals in the fourth quarter. JP Morgan Chase signed an 80,233 square renewal and expansion at Rowes Wharf, Safety Insurance inked a 75,411-square-foot renewal at 20 Custom House Street, and law firm Hinckley Allen renewed 52,665 square feet at 28 State Street. Positive absorption this quarter was boosted by coworking giant WeWork, which took two floors totaling 59,852 square feet at One Beacon Street. This will be WeWork's sixth location in Boston.

Asking rents continued to climb in 2017 with the overall submarket now averaging \$57.21 per square foot gross, up 1.8 percent on the year. No new supply delivered in 2017 and at the moment there are no concerns of oversupply. We expect landlords will continue to moderately raise asking rents. Early in 2018, we will see the delivery of Congress Square, where lead tenant Publicis will relocate into 220,000 square feet. In terms of Capital Markets activity there were no noteworthy transactions in the fourth quarter, but TA Realty is expected to bring 28 State Street to market for sale in the new year.

Outlook

As Downtown continues to reap the benefits of high rents in Cambridge coupled with limited Class A space available in the Seaport, stable and tightening market conditions are expected to continue into 2018. Currently we are tracking over two million square feet of tenants specifically focused on downtown which should drive leasing activity forward. Downtown's access to major public transportation and a growing retail amenity base, allows companies to retain and attract employees of nearly all industry types.

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Fundamentals	Forecast
YTD net absorption	397,855 s.f. ▲
Under construction	325,000 s.f. ▼
Total vacancy	9.4% ▼
Average asking rent (gross)	\$57.21 p.s.f. ▲
Concessions	Rising ▲

