

Q3 2017

Office Insight

Strong momentum Downtown continues through three quarters of 2017

- Class B direct asking rents are now \$50.83 per square foot gross, up 2.3 percent quarter over quarter and 5.3 percent in the last year.
- The sublease market has remained stable representing just 1.6 percent of total supply.
- There is currently 372,000 square feet under construction, of which 54 percent is preleased.

The Downtown (FiDi) submarket continued its momentum with another strong quarter of positive net absorption and rent growth. With 168,950 square feet of absorption in Q3, direct vacancy is under 8 percent for the first time since Q4 2008. A large share of the leasing activity came from 53 State Street which is leasing up a large block of space left behind by Goodwin Procter. The building signed four deals totaling 103,000 square feet. Most notably, Aon leased roughly 40,000 square feet and Experian Marketing Solutions took 27,000 square feet. Elsewhere in the market American Well Systems renewed their 55,182 square feet lease at 75 State Street and law firm Hinckley Allen & Snyder also renewed 52,665 square feet at 28 State Street.

Class A asking rents downtown ticked up 80 basis points to \$59.67 per foot gross and average Class B rents have crossed the \$50 per square foot threshold for the first time ever. With no new supply set to deliver in 2017 there are no concerns of oversupply and 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 capital markets, two Class B trades took place as 14 Beacon St was acquired by Faros Properties, and 45 School Street was acquired by 45 School Street.

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 healthy 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 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	379,273 s.f. ▲
Under construction	372,000 s.f. ▼
Total vacancy	9.4% ▼
Average asking rent (gross)	\$57.24 p.s.f. ▲
Concessions	Rising ▲

