

Q1 2018

## Office Insight

# Fundamentals remain steady as Downtown continues to modernize

- Class B direct asking rents are now \$52.21 per square foot gross, up 10 percent since the end of 2016.
- The sublease market has remained stable representing just 1.6 percent of total supply.
- There is currently 325,000 square feet under construction, of which 67.7 percent is preleased.

Downtown posted a relatively flat first quarter with only 27,000 square feet of absorption, however most of the leasing velocity came in the form of renewals. Most notably, GMO signed a 135,000-square-foot renewal at 40 Rows Wharf, and Marsh Mercer renewed 103,000 square feet at 99 High Street. Also, not reflected in the statistics is WeWork signed a 100,000 square foot lease at 33 Arch Street in space that is currently occupied by Digitas. Digitas is slated to relocate to Congress Square, a Related Beal development slated to deliver later this year.

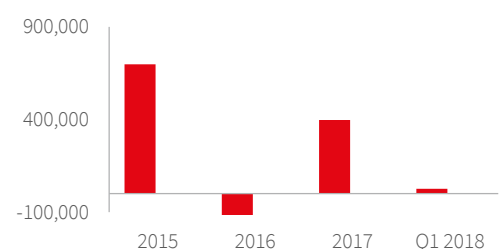
Congress Square isn't the only expansion and redevelopment happening downtown as Morgan Stanley's One Post Office Square is approved to undergo a full scale renovation in the coming years. Following Putnam Investment's relocation next April (2019) to 100 Federal Street, One Post Office Square will undergo a complete recladding of the exterior and add an additional 268,000 square feet of office, a fully automated and future-proof parking garage, and a full floor amenity center on the third floor. This type of project may be a glimpse into the future of Boston's downtown submarket.

## Outlook

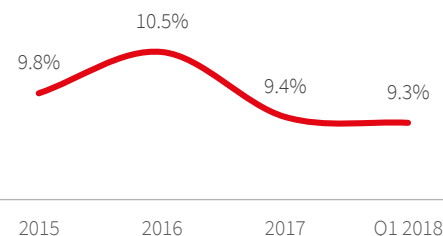
As Downtown continues to reap the benefits of high rents in Cambridge coupled with limited Class A space available in the Seaport, stable market conditions are expected to continue through 2018. Currently we are tracking over two million square feet of tenants specifically focused on downtown which should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

Fundamentals	Forecast
Total Supply	34,855,352 s.f.
YTD net absorption	27,041 s.f. ▲
Under construction	325,000 s.f. ▲
Total vacancy	9.3% ▼
Average asking rent (gross)	\$57.57 p.s.f. ▲
Concessions	Growing ▲

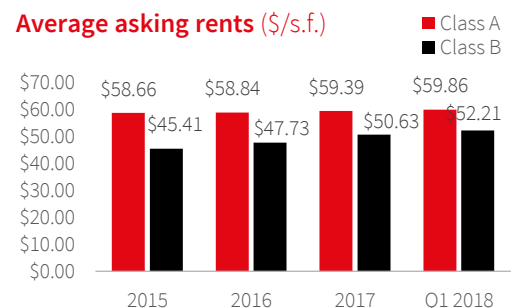
## Supply and demand (s.f.)



## Total vacancy



## Average asking rents (\$/s.f.)



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