

Q4 2018

Office Insight

Greater Boston closes 2018 with highest annual absorption gains in three years

- Metro area unemployment dipped to 2.4 percent in November, nearing dot-com levels
- Nearly 20 leases of 100,000 square feet or more were signed during the year across Boston and its suburbs
- Developers eye new opportunities throughout the market as large blocks constrict further

Demand for talent, growing life sciences and technology companies, and businesses looking to the metro area for expansion opportunities has driven significant job gains in the labor market. Employment grew by approximately 150,000 new jobs in 2018, with year-over-year employment growing at a rate higher than New York City, Los Angeles, San Francisco, and Washington, DC. The biggest gains in employment came from the professional and business services sector, which captures the vast majority office-using employment, including tech and life sciences. As a result, unemployment is the lowest it's been since the dot-com days when unemployment fell to just 2 percent.

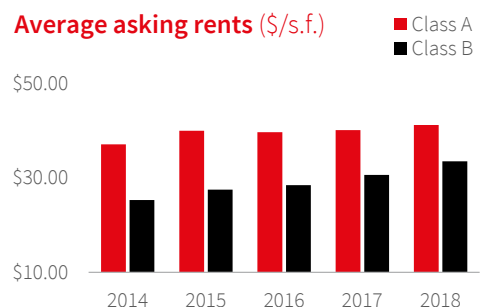
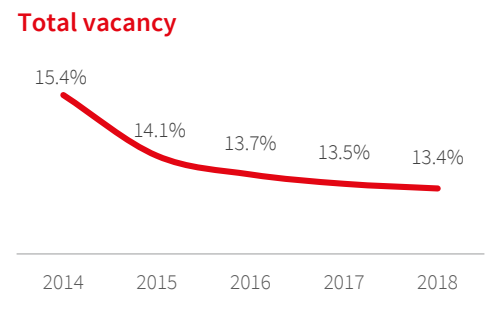
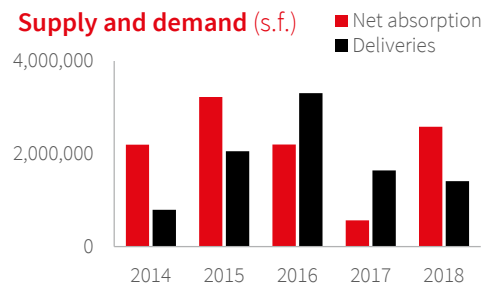
The market has been moving at a rapid pace to keep up, with the number of viable large blocks that can be pointed to in any given submarket dwindling to just a handful. Two of the biggest deals to take place in the market were both signed in the second half of the year. In December it was finally announced that Sanofi would lease 900,000 square feet at DivcoWest's Cambridge Crossing. And in July Boston Properties, Delaware North, and Verizon announced its long-awaited lease at Hub on Causeway. With new supply across the market demonstrating impressive success, more and more projects are pushing to move forward.

Outlook

The pace of demand does not appear to be slowing, and even more interesting is the additional market pressure by life sciences tenants. With no lab vacancy in Cambridge and strikingly low rates overall, many more traditional office developers are contemplating opportunities within the lab sector and clusters will continue to grow across the market, further densifying traditional office markets, like Seaport, Watertown, Waltham, and others. Tight market fundamentals and a highly leased development pipeline means that the market will be able to welcome ground-breakings without eroding vacancy.

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Fundamentals	Forecast
YTD net absorption	2,583,480 s.f. ▲
Under construction	2,863,323 s.f. ►
Total vacancy	13.4% ▼
Average asking rent (gross)	\$37.99 p.s.f. ▲
Concessions	Rising ▲



JLL Research Report

Office Statistics

	Class	Inventory (s.f.)	Total net absorption (s.f.)	YTD total net absorption (s.f.)	YTD total net absorption (%) of stock	Direct vacancy (%)	Total vacancy (%)	Average direct asking rent (\$ p.s.f.)	YTD Completions (s.f.)	Under Development (s.f.)
South End	Totals	242,228	0	5,908	2.4%	6.3%	6.3%	\$0.00	0	0
Back Bay	Totals	12,658,490	35,246	442,971	3.5%	6.9%	8.2%	\$68.41	0	0
Charlestown	Totals	1,872,206	-26,783	11,677	0.6%	3.0%	3.1%	\$45.00	0	0
Fenway	Totals	1,728,564	43,200	5,490	0.3%	4.4%	4.4%	\$61.00	0	0
Downtown	Totals	37,451,889	158,011	260,844	0.7%	6.9%	8.0%	\$61.78	0	325,000
North Station	Totals	1,529,256	-40,723	-18,245	-1.2%	4.5%	5.0%	\$55.00	0	175,000
Seaport District	Totals	9,873,537	91,630	790,722	8.0%	7.5%	9.6%	\$57.25	917,669	330,000
Boston	Totals	65,356,170	260,581	1,499,367	2.3%	6.8%	8.0%	\$62.11	917,669	830,000
East Cambridge	Totals	7,057,659	-11,859	200,819	2.8%	0.6%	1.6%	\$97.00	73,937	1,438,650
Mid Cambridge	Totals	1,917,993	16,097	5,354	0.3%	0.8%	1.7%	\$78.71	0	0
West Cambridge	Totals	1,461,267	-1,289	-126,064	-8.6%	6.6%	20.8%	\$51.26	0	0
Cambridge	Totals	10,421,383	2,949	80,109	0.8%	1.5%	4.3%	\$85.92	73,937	1,438,650
128/Mass Pike	Totals	19,191,539	248,501	442,496	2.3%	11.6%	14.2%	\$39.44	263,520	394,442
495/Mass Pike	Totals	10,966,238	54,014	-247,865	-2.3%	25.6%	26.9%	\$21.60	0	0
495/North	Totals	14,848,176	159,340	79,386	0.5%	23.3%	24.2%	\$20.17	0	0
495/South	Totals	1,761,166	32,476	-1,409	-0.1%	23.2%	23.9%	\$20.80	0	0
North	Totals	11,443,788	44,761	175,619	1.5%	10.5%	11.1%	\$25.93	157,078	200,231
Northwest	Totals	13,665,363	73,719	430,521	3.2%	16.7%	19.3%	\$29.29	0	0
South	Totals	12,816,277	80,562	121,367	0.9%	15.8%	17.0%	\$27.02	0	0
Suburbs	Totals	84,771,083	694,781	1,012,605	1.2%	17.0%	18.6%	\$25.97	420,598	594,673
Boston	Totals	160,703,636	949,710	2,583,480	1.6%	11.8%	13.4%	\$37.99	1,412,204	2,863,323
Back Bay	A	9,616,705	-33,981	340,164	3.5%	6.2%	7.7%	\$72.01	0	0
Fenway	A	237,935	0	0	0.0%	0.0%	0.0%	\$0.00	0	0
Downtown	A	25,510,031	132,852	315,201	1.2%	6.6%	7.7%	\$65.90	0	325,000
North Station	A	0	0	0	0.0%	0.0%	0.0%	\$67.50	0	175,000
Seaport District	A	3,913,311	44,746	663,544	17.0%	8.0%	10.2%	\$63.00	917,669	330,000
Boston	A	39,277,982	143,617	1,318,909	3.4%	6.6%	7.9%	\$67.10	917,669	830,000
East Cambridge	A	6,411,969	-5,975	137,215	2.1%	0.5%	1.6%	\$96.66	0	1,401,048
Mid Cambridge	A	858,266	10,097	-7,732	-0.9%	1.2%	2.4%	\$80.00	0	0
West Cambridge	A	1,194,780	-1,294	-57,809	-4.8%	7.0%	23.4%	\$51.26	0	0
Cambridge	A	8,465,015	2,828	71,674	0.8%	1.5%	4.8%	\$85.31	0	1,401,048
128/Mass Pike	A	11,727,704	149,524	278,983	2.4%	11.1%	14.1%	\$42.60	134,010	318,442
495/Mass Pike	A	6,907,775	147,870	-120,527	-1.7%	26.7%	27.9%	\$22.62	0	0
495/North	A	7,506,274	10,222	22,354	0.3%	19.6%	20.7%	\$21.41	0	0
495/South	A	610,260	19,870	63,081	10.3%	24.2%	25.4%	\$22.60	0	0
North	A	7,275,433	42,671	220,951	3.0%	11.4%	11.9%	\$26.68	157,078	145,000
Northwest	A	9,519,356	11,372	230,078	2.4%	16.4%	19.4%	\$31.09	0	0
South	A	8,417,455	122,348	179,436	2.1%	15.3%	16.4%	\$28.43	0	0
Suburbs	A	51,964,257	503,877	874,356	1.7%	16.3%	18.1%	\$28.11	291,088	463,442
Boston	A	99,707,254	650,322	2,264,939	2.3%	11.2%	12.9%	\$41.19	1,208,757	2,694,490
South End	B	242,228	0	5,908	2.4%	6.3%	6.3%	\$0.00	0	0
Back Bay	B	2,630,283	56,144	98,983	3.8%	10.3%	11.2%	\$61.79	0	0
Charlestown	B	1,712,206	-26,783	11,677	0.7%	3.3%	3.4%	\$45.00	0	0
Fenway	B	1,452,507	43,200	5,490	0.4%	5.2%	5.2%	\$61.00	0	0
Downtown	B	9,864,140	-28,005	-118,572	-1.2%	8.4%	9.6%	\$53.24	0	0
North Station	B	1,264,185	-42,681	-38,392	-3.0%	4.5%	4.9%	\$50.93	0	0
Seaport District	B	5,763,376	47,292	131,392	2.3%	7.1%	9.1%	\$57.16	0	0
Boston	B	22,928,925	49,167	96,486	0.4%	7.4%	8.6%	\$55.79	0	0
East Cambridge	B	620,740	-5,884	63,604	10.2%	1.4%	1.8%	\$100.06	73,937	37,602
Mid Cambridge	B	983,377	6,000	13,086	1.3%	0.6%	1.3%	\$78.56	0	0
West Cambridge	B	245,619	2,117	-66,365	-27.0%	1.4%	6.4%	\$0.00	0	0
Cambridge	B	1,834,200	2,233	10,325	0.6%	1.0%	2.2%	\$89.80	73,937	37,602
128/Mass Pike	B	6,664,370	95,526	160,747	2.4%	13.3%	15.5%	\$34.53	129,510	76,000
495/Mass Pike	B	3,985,673	-92,186	-126,518	-3.2%	24.1%	25.5%	\$19.80	0	0
495/North	B	6,167,301	139,794	66,731	1.1%	28.1%	28.7%	\$19.67	0	0
495/South	B	1,150,906	12,606	-64,490	-5.6%	22.7%	23.1%	\$20.26	0	0
North	B	4,078,618	33,381	-15,549	-0.4%	8.6%	9.2%	\$24.26	0	55,231
Northwest	B	3,859,491	-58,172	87,737	2.3%	17.9%	19.6%	\$25.34	0	0
South	B	4,298,372	-43,097	-72,972	-1.7%	16.8%	18.3%	\$23.24	0	0
Suburbs	B	30,283,267	89,260	48,176	0.2%	18.5%	19.8%	\$23.17	129,510	131,231
Boston	B	55,201,392	132,059	146,386	0.3%	13.3%	14.6%	\$33.51	203,447	168,833
Back Bay	C	411,502	13,083	3,824	0.9%	1.4%	2.1%	\$50.48	0	0
Charlestown	C	160,000	0	0	0.0%	0.0%	0.0%	\$0.00	0	0
Fenway	C	38,122	0	0	0.0%	0.0%	0.0%	\$0.00	0	0
Downtown	C	2,077,718	53,164	64,215	3.1%	4.7%	5.2%	\$49.30	0	0
North Station	C	265,071	1,958	20,147	7.6%	4.7%	5.5%	\$47.00	0	0
Seaport District	C	196,850	-408	-4,214	-2.1%	9.4%	11.2%	\$0.00	0	0
Boston	C	3,149,263	67,797	83,972	2.7%	4.2%	4.9%	\$49.29	0	0
East Cambridge	C	24,950	0	0	0.0%	0.0%	0.0%	\$0.00	0	0
Mid Cambridge	C	76,350	0	0	0.0%	0.0%	0.0%	\$0.00	0	0
West Cambridge	C	20,868	-2,112	-1,890	-9.1%	42.7%	42.7%	\$0.00	0	0
Cambridge	C	122,168	-2,112	-1,890	-1.5%	7.3%	7.3%	\$0.00	0	0
128/Mass Pike	C	799,465	3,451	2,766	0.3%	3.9%	4.7%	\$0.00	0	0
495/Mass Pike	C	72,790	-1,670	-820	-1.1%	8.7%	8.7%	\$0.00	0	0
495/North	C	1,174,601	9,324	-9,699	-0.8%	22.3%	22.3%	\$17.26	0	0
North	C	89,737	-31,291	-29,783	-33.2%	29.3%	29.3%	\$20.29	0	0
Northwest	C	286,516	120,519	112,706	39.3%	9.6%	9.6%	\$18.25	0	0
South	C	100,450	1,311	14,903	14.8%	9.3%	9.3%	\$0.00	0	0
Suburbs	C	2,523,559	101,644	90,073	3.6%	14.4%	14.6%	\$17.51	0	0
Boston	C	5,794,990	167,329	172,155	3.0%	8.7%	9.2%	\$29.10	0	0