

Q4 2019

Office Insight

# Boston caps its strongest decade in impressive fashion

- Market-wide year-over-year rent growth of 18 percent is surpassed only by Silicon Valley among top-tier US markets.
- 1.1 million square feet of quarterly net absorption drove metro-wide vacancy rate to its lowest point since 2001.
- Annual rate of job growth accelerated in Q4 to approximately 40,000, pushing metro unemployment to 2.3 percent, the lowest rate of all large US markets.

The top of Boston’s market – Class A urban product – is in the midst of a boom. Boston’s 22.4 percent year-over-year rent growth in CBD Class A is unrivaled across US gateway markets, 15 percentage points ahead of the next closest city. Across the US this decade only San Francisco in 2011-2012 had sustained levels of growth that matched Boston’s CBD Class A rent growth rates in 2019. The rise is chiefly driven by demand for large blocks exceeding supply by 50 percent and scores of developments with \$90 per square foot rents.

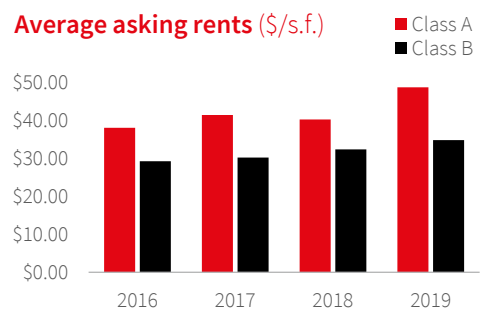
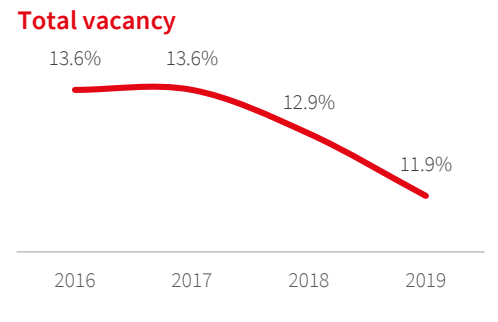
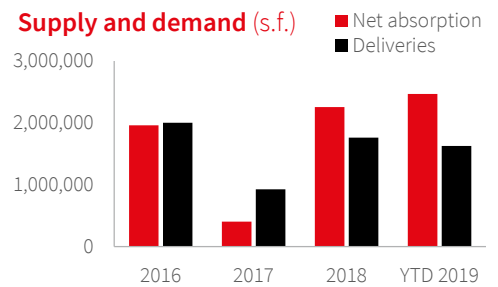
Boston’s success is not confined to city limits. The suburban submarkets inside of I-95 all experienced annual asking rent increases of six percent or greater with vacancy rates besting top-tier CBDs like Los Angeles, Atlanta, and Dallas. With lab conversions and developments crowding out much new office, we expect top-tier existing office product to continue sustained levels of rent growth to match the increased appetite for well-situated suburban locations.

Boston remains a safe haven for capital; its fundamentals render it a bankable landing spot for investment dollars. Formidable investors Blackstone, Credit Suisse, and TA all acquired CBD Class B product priced in the \$600s per square foot, with cap rates averaging 5 percent. Alexandria’s acquisition of the Arsenal complex in Watertown for \$629 per square foot signifies the degree to which lab is valued outside of Cambridge in the top life sciences metro in the US.

Like other major markets, we are watching WeWork, which accounted for 275,000 square feet of the city’s net absorption in Q4. All other market movement amounted to -13,000 square feet, revealing the degree to which the firm helped buoy the market during its boom years. Across the market tech companies continue to be the biggest market movers as Akamai (Cambridge), Boston Dynamics (Waltham), Raytheon (Tewksbury), and GE / Haemonetics (Boston) all moved into significant new spaces in Q4. Boston is as well-positioned as any market in the country for success in an uncertain 2020.

For more information, contact: Mark Bruso | [Mark.Bruso@am.jll.com](mailto:Mark.Bruso@am.jll.com)

Fundamentals	Forecast
YTD net absorption	2,468,478 s.f. ►
Under development	7,344,272 ►
Total vacancy	11.9% ►
Average asking rent (gross)	\$43.89 p.s.f. ▲
Concessions	Stable ▲



## 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	1,210,961	-21,923	-141,236	-11.7%	15.9%	15.9%	\$63.80	0	233,901
Back Bay	Totals	12,599,643	230,229	612,402	4.9%	2.8%	3.8%	\$75.93	0	0
Charlestown	Totals	1,920,396	-9,396	18,202	0.9%	2.1%	2.2%	\$49.02	0	40,748
Fenway	Totals	1,786,839	-32,000	43,995	2.5%	1.8%	1.8%	\$82.84	0	276,574
Downtown	Totals	37,984,814	201,073	244,854	0.6%	6.4%	7.1%	\$78.02	325,000	2,881,897
North Station	Totals	1,710,633	22,416	144,720	8.5%	3.8%	5.9%	\$60.55	175,000	627,228
Seaport District	Totals	10,428,354	-127,797	273,346	2.6%	9.9%	10.9%	\$69.95	97,000	977,000
<b>Boston</b>	<b>Totals</b>	<b>67,641,640</b>	<b>262,602</b>	<b>1,196,283</b>	<b>1.8%</b>	<b>6.1%</b>	<b>6.9%</b>	<b>\$75.39</b>	<b>597,000</b>	<b>5,037,348</b>
East Cambridge	Totals	7,674,551	485,123	490,327	6.4%	1.5%	1.6%	\$98.92	522,602	1,383,000
Mid Cambridge	Totals	1,996,644	-18,776	-32,056	-1.6%	2.8%	3.8%	\$74.69	0	0
West Cambridge	Totals	1,424,863	8,979	31,827	2.2%	3.9%	12.9%	\$55.69	0	0
<b>Cambridge</b>	<b>Totals</b>	<b>11,096,058</b>	<b>475,326</b>	<b>490,098</b>	<b>4.4%</b>	<b>2.0%</b>	<b>3.5%</b>	<b>\$82.79</b>	<b>522,602</b>	<b>1,383,000</b>
128/Mass Pike	Totals	19,993,481	114,537	58,077	0.3%	11.3%	13.3%	\$40.45	211,000	250,000
495/Mass Pike	Totals	11,129,068	81,520	116,969	0.9%	25.3%	27.1%	\$22.57	64,000	150,000
495/North	Totals	16,554,278	-39,256	-99,793	-0.6%	20.4%	21.6%	\$21.63	0	0
495/South	Totals	2,241,435	78,325	201,428	9.0%	11.9%	12.1%	\$20.11	0	0
North	Totals	12,214,319	183,036	45,309	0.4%	10.8%	11.6%	\$30.63	170,231	523,924
Northwest	Totals	13,452,614	85,697	299,866	2.2%	12.4%	14.2%	\$31.79	0	0
South	Totals	13,725,789	-124,935	160,241	1.2%	13.8%	15.7%	\$27.71	61,702	0
<b>Suburbs</b>	<b>Totals</b>	<b>89,310,984</b>	<b>378,924</b>	<b>782,097</b>	<b>0.9%</b>	<b>15.2%</b>	<b>16.8%</b>	<b>\$27.68</b>	<b>506,933</b>	<b>923,924</b>
<b>Boston</b>	<b>Totals</b>	<b>168,048,682</b>	<b>1,116,852</b>	<b>2,468,478</b>	<b>1.5%</b>	<b>10.7%</b>	<b>11.9%</b>	<b>\$43.89</b>	<b>1,626,535</b>	<b>7,344,272</b>
South End	A	0	0	0	0.0%	0.0%	0.0%	\$68.00	0	233,901
Back Bay	A	9,772,400	138,574	546,821	5.6%	1.8%	3.0%	\$83.44	0	0
Fenway	A	237,935	0	0	0.0%	0.0%	0.0%	\$85.47	0	276,574
Downtown	A	25,822,978	259,023	337,950	1.3%	5.7%	6.2%	\$82.42	325,000	2,881,897
North Station	A	175,000	0	175,000	100.0%	0.0%	0.0%	\$95.00	175,000	627,228
Seaport District	A	4,355,631	91,384	519,843	11.9%	7.9%	8.2%	\$80.56	97,000	977,000
<b>Boston</b>	<b>A</b>	<b>40,363,944</b>	<b>488,981</b>	<b>1,579,614</b>	<b>3.9%</b>	<b>4.9%</b>	<b>5.6%</b>	<b>\$81.87</b>	<b>597,000</b>	<b>4,996,600</b>
East Cambridge	A	7,115,985	485,123	499,406	7.0%	1.4%	1.6%	\$99.27	522,602	1,383,000
Mid Cambridge	A	858,266	0	8,089	0.9%	0.0%	1.5%	\$81.00	0	0
West Cambridge	A	1,194,780	8,979	30,923	2.6%	4.4%	14.1%	\$55.69	0	0
<b>Cambridge</b>	<b>A</b>	<b>9,169,031</b>	<b>494,102</b>	<b>538,418</b>	<b>5.9%</b>	<b>1.7%</b>	<b>3.2%</b>	<b>\$82.77</b>	<b>522,602</b>	<b>1,383,000</b>
128/Mass Pike	A	11,644,397	91,109	176,319	1.5%	10.5%	12.2%	\$44.38	211,000	250,000
495/Mass Pike	A	6,928,230	77,604	-35,891	-0.5%	28.3%	30.6%	\$22.63	64,000	150,000
495/North	A	7,676,979	-27,313	68,043	0.9%	18.8%	19.6%	\$22.03	0	0
495/South	A	610,260	27,573	87,941	14.4%	6.4%	6.4%	\$24.56	0	0
North	A	7,389,140	188,652	14,526	0.2%	12.5%	13.4%	\$32.75	170,231	523,924
Northwest	A	9,233,840	4,852	146,820	1.6%	12.1%	14.7%	\$33.85	0	0
South	A	8,505,257	-151,581	-23,178	-0.3%	15.4%	17.3%	\$29.58	61,702	0
<b>Suburbs</b>	<b>A</b>	<b>51,988,103</b>	<b>210,896</b>	<b>434,580</b>	<b>0.8%</b>	<b>15.4%</b>	<b>17.1%</b>	<b>\$30.04</b>	<b>506,933</b>	<b>923,924</b>
<b>Boston</b>	<b>A</b>	<b>101,521,078</b>	<b>1,193,979</b>	<b>2,552,612</b>	<b>2.5%</b>	<b>10.0%</b>	<b>11.3%</b>	<b>\$48.95</b>	<b>1,626,535</b>	<b>7,303,524</b>
South End	B	978,499	-9,458	-131,713	-13.5%	18.4%	18.4%	\$59.66	0	0
Back Bay	B	2,379,741	89,906	90,139	3.8%	6.3%	6.7%	\$59.84	0	0
Charlestown	B	1,660,324	-9,396	25,661	1.5%	1.8%	2.0%	\$50.95	0	40,748
Fenway	B	1,510,782	-32,000	43,995	2.9%	2.1%	2.1%	\$62.00	0	0
Downtown	B	10,058,822	-53,523	-62,920	-0.6%	8.8%	9.9%	\$60.82	0	0
North Station	B	1,410,562	25,564	-32,931	-2.3%	3.6%	6.1%	\$50.70	0	0
Seaport District	B	5,763,497	-217,381	-238,520	-4.1%	11.6%	12.9%	\$62.95	0	0
<b>Boston</b>	<b>B</b>	<b>23,762,227</b>	<b>-206,288</b>	<b>-306,289</b>	<b>-1.3%</b>	<b>8.4%</b>	<b>9.4%</b>	<b>\$60.87</b>	<b>0</b>	<b>40,748</b>
East Cambridge	B	533,616	0	-9,079	-1.7%	2.2%	2.5%	\$97.00	0	0
Mid Cambridge	B	1,062,028	-18,776	-40,145	-3.8%	5.3%	6.0%	\$74.13	0	0
West Cambridge	B	230,083	0	904	0.4%	1.1%	6.4%	\$0.00	0	0
<b>Cambridge</b>	<b>B</b>	<b>1,825,727</b>	<b>-18,776</b>	<b>-48,320</b>	<b>-2.6%</b>	<b>3.9%</b>	<b>5.0%</b>	<b>\$82.86</b>	<b>0</b>	<b>0</b>
128/Mass Pike	B	7,372,377	23,428	-116,777	-1.6%	13.5%	16.3%	\$33.48	0	0
495/Mass Pike	B	4,128,048	3,916	152,860	3.7%	20.5%	21.7%	\$22.40	0	0
495/North	B	7,495,367	-18,459	-176,392	-2.4%	21.7%	23.4%	\$21.96	0	0
495/South	B	1,631,175	50,752	113,487	7.0%	13.9%	14.2%	\$19.28	0	0
North	B	4,502,719	-1,866	26,309	0.6%	8.1%	8.6%	\$23.10	0	0
Northwest	B	3,971,619	80,845	151,226	3.8%	13.9%	13.9%	\$25.77	0	0
South	B	4,983,682	24,190	205,986	4.1%	10.8%	12.7%	\$22.72	0	0
<b>Suburbs</b>	<b>B</b>	<b>34,084,987</b>	<b>162,806</b>	<b>356,699</b>	<b>1.0%</b>	<b>15.1%</b>	<b>16.6%</b>	<b>\$24.20</b>	<b>0</b>	<b>0</b>
<b>Boston</b>	<b>B</b>	<b>59,672,941</b>	<b>-62,258</b>	<b>2,090</b>	<b>0.0%</b>	<b>12.1%</b>	<b>13.4%</b>	<b>\$34.99</b>	<b>0</b>	<b>40,748</b>

South End	C	232,462	-12,465	-9,523	-4.1%	5.4%	5.4%	\$42.00	0	0
Back Bay	C	447,502	1,749	-24,558	-5.5%	5.1%	7.4%	\$55.00	0	0
Charlestown	C	260,072	0	-7,459	-2.9%	3.6%	3.6%	\$45.74	0	0
Fenway	C	38,122	0	0	0.0%	0.0%	0.0%	\$0.00	0	0
Downtown	C	2,103,014	-4,427	-30,176	-1.4%	4.2%	4.7%	\$57.40	0	0
North Station	C	125,071	-3,148	2,651	2.1%	11.7%	11.7%	\$51.00	0	0
Seaport District	C	309,226	-1,800	-7,977	-2.6%	6.3%	10.6%	\$62.00	0	0
<b>Boston</b>	<b>C</b>	<b>3,515,469</b>	<b>-20,091</b>	<b>-77,042</b>	<b>-2.2%</b>	<b>4.8%</b>	<b>5.7%</b>	<b>\$52.52</b>	<b>0</b>	<b>0</b>
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	0	0	0	0.0%	0.0%	0.0%	\$0.00	0	0
<b>Cambridge</b>	<b>C</b>	<b>101,300</b>	<b>0</b>	<b>0</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>\$0.00</b>	<b>0</b>	<b>0</b>
128/Mass Pike	C	976,707	0	-1,465	-0.2%	3.3%	4.2%	\$37.00	0	0
495/Mass Pike	C	72,790	0	0	-17.1%	8.7%	8.7%	\$0.00	0	0
495/North	C	1,381,932	6,516	8,556	0.6%	22.5%	22.5%	\$17.48	0	0
North	C	322,460	-3,750	4,474	1.4%	10.5%	10.5%	\$19.00	0	0
Northwest	C	247,155	0	1,820	0.7%	0.3%	0.3%	\$0.00	0	0
South	C	236,850	2,456	-22,567	-9.5%	18.9%	18.9%	\$21.00	0	0
<b>Suburbs</b>	<b>C</b>	<b>3,237,894</b>	<b>5,222</b>	<b>-9,182</b>	<b>-0.7%</b>	<b>13.3%</b>	<b>13.5%</b>	<b>\$18.02</b>	<b>0</b>	<b>0</b>
<b>Boston</b>	<b>C</b>	<b>6,854,663</b>	<b>-14,869</b>	<b>-86,224</b>	<b>-1.4%</b>	<b>8.7%</b>	<b>9.3%</b>	<b>\$27.31</b>	<b>0</b>	<b>0</b>