

Q2 2019

Office Insight

Leasing throughout Greater Boston was muted in Q2, as land and lab deals grab the spotlight

- Q2 leasing volume was down considerably from a peak last quarter, at 1.8 million square feet.
- Alexandria Real Estate and National Development made one of the biggest land plays in the city's history, paying \$252 million for 2.7 acres in the Seaport containing GE's future HQ and a fully entitled building.
- Currently across Boston and Cambridge there are 37 tenants battling over just 23 blocks of space over 50,000 square feet.

Fresh off acquiring the adjacent Necco Street Garage for \$81 million in March, ARE – in a joint venture with National Development – acquired what was once slated to become the multi-building headquarters for General Electric for \$252 million. The site consists of 2.7 acres of shovel-ready land that's been permitted for 293,000 square-foot office/lab building, as well as two renovated brick warehouses totaling 95,000 square feet, the latter of which GE will lease.

Boston office sales volume has roughly halved since 2015, while lab has opened up as a desirable alternative for institutional dollars to flow into the Boston market. Recent land deals in the Seaport, for instance, are planned to be predominantly lab even as the office markets reaches new highs.

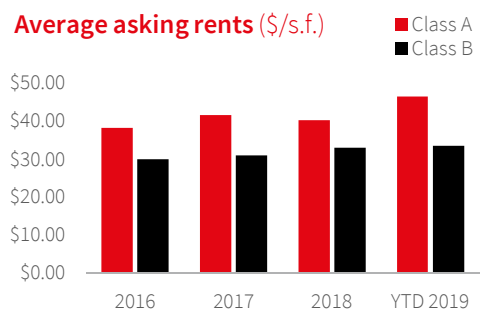
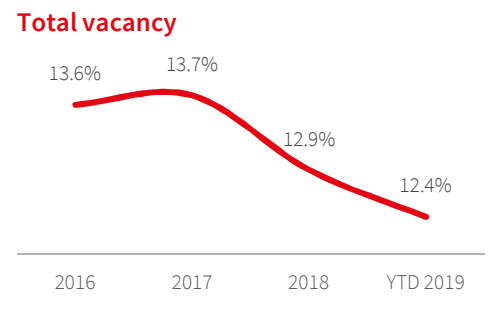
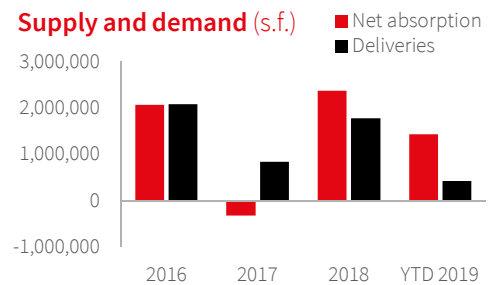
In Boston and Cambridge, there are more tenants in the market for 50,000 square feet than there are spaces available. For 100,000 square feet and over, the demand-to-supply ratio is 2:1. All the while, there is a lull in the development cycle into 2021, setting up a ferocious battle for space.

In the suburbs, Raytheon announced plans to lease over 200,000 square feet of expansion space across Tewksbury's Innovation Drive Campus ahead of its acquisition of United Technologies. The new \$74-billion company is one of the state's largest, yet is not adding a significant amount of jobs in the suburbs.

Outlook

Boston and Cambridge are poised to continue to reap the benefits of increasing urbanization of both the coveted talent base and the companies chasing them. Both are well-positioned and solidly diversified heading into perhaps the final stretch of a record-long expansionary cycle.

Fundamentals	Forecast
YTD net absorption	778,673 s.f. ▶
Under construction	4,759,475 ▶
Total vacancy	12.4% ▼
Average asking rent (gross)	\$41.68 p.s.f. ▲
Concessions	Rising ▶



For more information, contact: Mark Bruso | Mark.Bruso@am.jll.com

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	-2,523	-9,322	-0.8%	4.4%	5.0%	\$61.82	0	233,901
Back Bay	Totals	12,620,342	303,171	339,178	2.7%	4.6%	6.0%	\$69.62	0	0
Charlestown	Totals	1,919,778	-56,323	-43,223	-2.3%	2.7%	2.9%	\$43.09	0	0
Fenway	Totals	1,728,564	0	0	0.0%	4.4%	4.4%	\$0.00	0	0
Downtown	Totals	38,033,225	219,501	277,802	0.7%	7.2%	8.0%	\$70.14	325,000	1,792,000
North Station	Totals	1,529,256	11,532	-6,345	-0.4%	3.9%	4.8%	\$56.80	0	175,000
Seaport District	Totals	10,477,434	654	187,143	1.8%	9.6%	11.0%	\$66.36	0	630,000
Boston	Totals	67,519,560	476,012	745,233	1.1%	6.8%	7.7%	\$68.48	325,000	2,830,901
East Cambridge	Totals	7,072,838	34,440	35,386	0.5%	0.8%	1.4%	\$96.49	37,602	1,768,948
Mid Cambridge	Totals	2,127,264	-4,172	105,861	5.0%	3.6%	4.0%	\$78.85	0	0
West Cambridge	Totals	1,424,863	-3,529	15,491	1.1%	5.4%	14.0%	\$51.22	0	0
Cambridge	Totals	10,624,965	26,739	156,738	1.5%	2.0%	3.6%	\$88.94	37,602	1,768,948
128/Mass Pike	Totals	19,649,365	118,454	119,547	-0.4%	10.5%	14.0%	\$38.22	0	211,000
495/Mass Pike	Totals	11,489,179	71,450	105,559	0.9%	24.2%	26.2%	\$22.02	0	64,000
495/North	Totals	15,746,985	13,921	92,261	0.6%	20.8%	21.3%	\$20.27	0	0
495/South	Totals	2,241,435	79,500	127,073	5.7%	16.0%	16.2%	\$20.24	0	0
North	Totals	11,870,146	-66,245	40,985	0.3%	9.8%	11.2%	\$29.46	55,231	638,924
Northwest	Totals	13,532,482	36,202	189,804	1.4%	13.8%	15.8%	\$30.45	0	0
South	Totals	13,533,162	22,640	75,486	0.6%	13.9%	15.5%	\$26.96	0	61,702
Suburbs	Totals	88,062,754	275,922	551,621	0.6%	15.2%	17.1%	\$26.72	55,231	975,626
Boston	Totals	166,207,279	778,673	1,453,592	0.9%	10.9%	12.4%	\$41.68	417,833	5,575,475
South End	A	0	0	0	0.0%	0.0%	0.0%	\$67.00	0	233,901
Back Bay	A	9,616,705	275,758	322,050	3.3%	2.9%	4.3%	\$73.48	0	0
Fenway	A	237,935	0	0	0.0%	0.0%	0.0%	\$0.00	0	0
Downtown	A	26,139,006	134,316	215,422	0.8%	7.4%	8.0%	\$74.96	325,000	1,792,000
North Station	A	0	0	0	0.0%	0.0%	0.0%	\$68.00	0	175,000
Seaport District	A	4,390,311	123,401	353,325	8.0%	11.1%	12.9%	\$75.16	0	630,000
Boston	A	40,383,957	533,475	890,797	2.2%	6.7%	7.6%	\$74.44	325,000	2,830,901
East Cambridge	A	6,422,085	33,298	38,946	0.6%	0.8%	1.4%	\$97.04	37,602	1,768,948
Mid Cambridge	A	858,266	-350	10,219	1.2%	1.2%	1.2%	\$81.00	0	0
West Cambridge	A	1,194,780	-4,433	14,587	1.2%	6.2%	15.5%	\$51.22	0	0
Cambridge	A	8,475,131	28,515	63,752	0.8%	1.6%	3.3%	\$89.93	37,602	1,768,948
128/Mass Pike	A	11,564,879	57,725	-217,605	-1.9%	10.1%	14.1%	\$41.15	0	211,000
495/Mass Pike	A	7,097,179	23,137	27,096	0.4%	26.5%	28.5%	\$22.30	0	64,000
495/North	A	7,676,979	39,383	139,441	1.8%	18.2%	18.9%	\$21.52	0	0
495/South	A	610,260	15,103	68,708	11.3%	9.6%	9.6%	\$22.77	0	0
North	A	7,274,140	-34,266	29,892	0.4%	10.3%	12.0%	\$31.33	55,231	638,924
Northwest	A	9,375,708	3,234	120,212	1.3%	13.4%	16.3%	\$32.34	0	0
South	A	8,417,455	35,425	39,647	0.5%	14.1%	15.4%	\$28.92	0	61,702
Suburbs	A	52,016,600	139,741	207,391	0.4%	14.8%	17.0%	\$28.81	55,231	975,626
Boston	A	100,875,688	701,731	1,161,940	1.2%	10.4%	12.1%	\$46.51	417,833	5,575,475
South End	B	978,499	-2,523	-9,322	-1.0%	5.2%	5.9%	\$55.55	0	0
Back Bay	B	2,592,135	28,857	34,455	1.3%	11.2%	12.2%	\$62.04	0	0
Charlestown	B	1,659,706	-49,636	-36,536	-2.2%	2.6%	2.8%	\$0.00	0	0
Fenway	B	1,452,507	0	0	0.0%	5.2%	5.2%	\$0.00	0	0
Downtown	B	9,951,205	70,837	62,674	0.6%	7.7%	8.7%	\$54.75	0	0
North Station	B	1,374,185	7,969	-12,144	-0.9%	3.5%	4.5%	\$49.39	0	0
Seaport District	B	5,795,273	-116,147	-163,750	-2.8%	8.6%	9.6%	\$57.06	0	0
Boston	B	23,803,510	-60,643	-124,623	-0.5%	7.5%	8.3%	\$56.20	0	0
East Cambridge	B	625,803	1,142	-3,560	-0.6%	1.0%	1.3%	\$80.00	0	0
Mid Cambridge	B	1,084,428	-3,822	3,082	0.3%	4.7%	5.5%	\$78.64	0	0
West Cambridge	B	230,083	904	904	0.4%	1.1%	6.4%	\$0.00	0	0
Cambridge	B	1,940,314	-1,776	426	0.0%	3.1%	4.3%	\$79.02	0	0
128/Mass Pike	B	7,134,980	55,709	131,233	1.8%	12.2%	15.1%	\$34.78	0	0
495/Mass Pike	B	4,271,060	48,313	78,463	1.8%	20.9%	22.9%	\$21.35	0	0
495/North	B	6,753,074	-25,462	-47,180	-0.7%	23.9%	24.3%	\$19.86	0	0
495/South	B	1,631,175	64,397	58,365	3.6%	18.3%	18.6%	\$19.61	0	0
North	B	4,431,669	-40,262	2,810	0.1%	8.5%	9.6%	\$22.37	0	0
Northwest	B	3,909,619	31,148	67,772	1.7%	15.7%	15.7%	\$25.66	0	0
South	B	4,878,857	-12,785	62,962	1.3%	13.3%	15.5%	\$22.18	0	0
Suburbs	B	33,010,434	121,058	354,425	1.1%	16.1%	17.6%	\$23.76	0	0
Boston	B	58,754,258	58,639	230,228	0.4%	12.2%	13.4%	\$33.41	0	0
South End	C	232,462	0	0	0.0%	1.3%	1.3%	\$0.00	0	0
Back Bay	C	411,502	-1,444	-17,327	-4.2%	3.3%	6.3%	\$31.00	0	0
Charlestown	C	260,072	-6,687	-6,687	-2.6%	3.3%	3.3%	\$43.09	0	0
Fenway	C	38,122	0	0	0.0%	0.0%	0.0%	\$0.00	0	0
Downtown	C	1,943,014	14,348	-294	0.0%	2.7%	3.5%	\$52.12	0	0
North Station	C	155,071	3,563	5,799	3.7%	7.4%	7.4%	\$47.00	0	0
Seaport District	C	291,850	-6,600	-2,432	-0.8%	6.1%	9.3%	\$0.00	0	0
Boston	C	3,332,093	3,180	-20,941	-0.6%	3.2%	4.3%	\$48.45	0	0
East Cambridge	C	24,950	0	0	0.0%	0.0%	0.0%	\$0.00	0	0
Mid Cambridge	C	184,570	0	92,560	50.1%	8.5%	8.5%	\$0.00	0	0
West Cambridge	C	0	0	0	0.0%	0.0%	0.0%	\$0.00	0	0
Cambridge	C	209,520	0	92,560	44.2%	7.5%	7.5%	\$0.00	0	0
128/Mass Pike	C	949,506	5,020	6,825	0.7%	2.8%	3.5%	\$28.95	0	0
495/Mass Pike	C	120,940	0	0	0.0%	5.4%	5.4%	\$20.00	0	0
495/North	C	1,316,932	0	0	0.0%	19.9%	19.9%	\$17.26	0	0
495/South	C	0	0	0	0.0%	0.0%	0.0%	\$0.00	0	0
North	C	164,337	8,283	8,283	5.0%	18.3%	18.3%	\$19.00	0	0
Northwest	C	247,155	1,820	1,820	0.7%	0.3%	0.3%	\$0.00	0	0
South	C	236,850	0	-27,123	-11.5%	20.9%	20.9%	\$0.00	0	0
Suburbs	C	3,035,720	15,123	-10,195	-0.3%	12.4%	12.6%	\$17.85	0	0
Boston	C	6,577,333	18,303	61,424	0.9%	7.6%	8.2%	\$25.69	0	0