

Downtown Boston

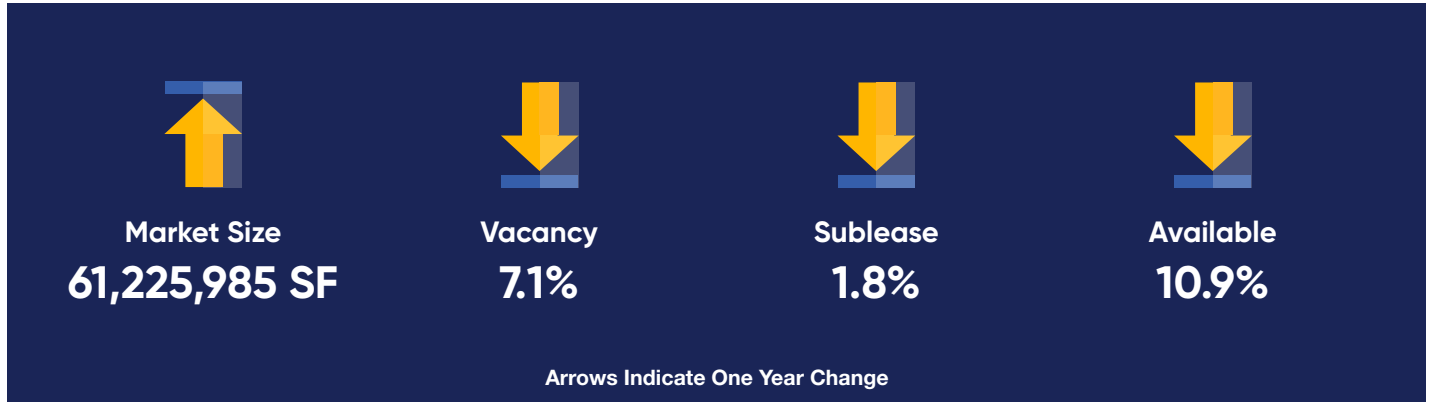
# 2020 Market Insight Report



Winter/Spring '20

cresa 

# Market Overview



Lobby at 100 Federal Street | Photo Source: Cresa/Duncan Lake

## Trends

### The Big Picture

Year over year, overall vacancy in Downtown Boston is down 2%, and overall rents are up 11.2%. Most notably, the Seaport saw a \$7.30/SF rent increase from Q3 2019.

### Static Noise

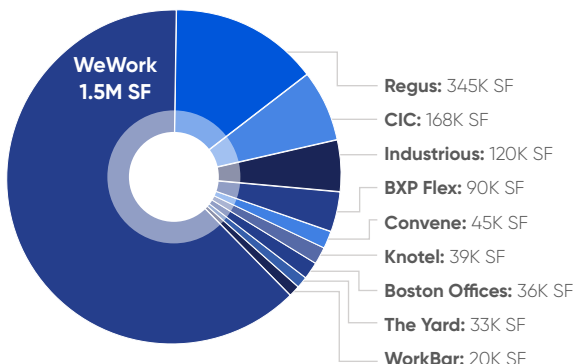
Vacancy rates in all submarkets remained relatively static from Q3 2019.

### Can't Stop, Won't Stop

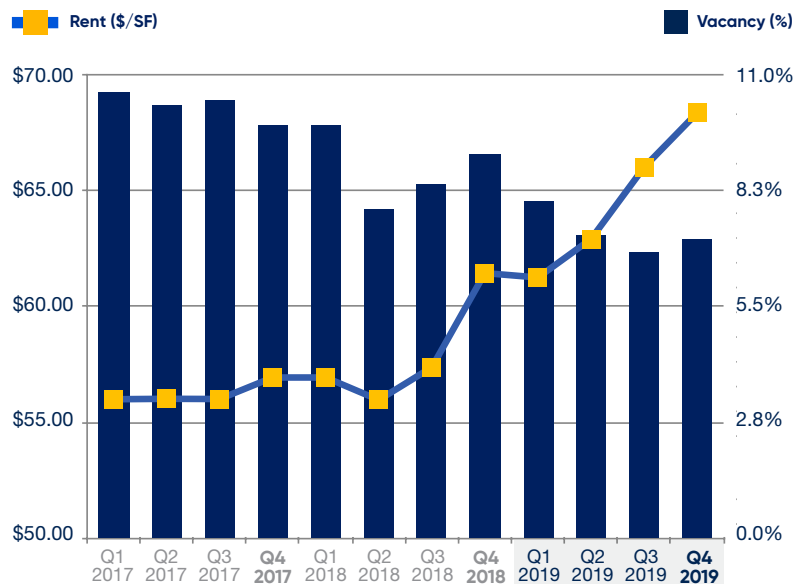
Market supply constraint continues despite the nearly 15 million square feet in the development pipeline.

## Coworking Corner

Approximately 60% of WeWork's Boston portfolio is true coworking space, while the remaining 40% is their HQ/custom product. WeWork is no longer actively seeking to lease any new office space in Boston as a result of their failed IPO and recent subsequent employee layoffs.



## Historical Rent & Vacancy



# Market Movement

## Notable Transactions

Tenant	Address	Size (SF)	Type
CarGurus	1001 Boylston Street	275,000	Relocation
MullenLowe	2 Drydock Avenue	114,000	Relocation
Proskauer Rose	1 International Place	97,000	Renewal
Morgan Stanley	28 State Street	70,000	Relocation

## Investment Sales

Buyer	Address	Size (SF)	Price/SF
Clarion	1 Marina Park Drive	525,000	\$918
Rockpoint Group	100 Summer Street	1,100,000	\$733
Credit Suisse	99 Bedford Street	84,000	\$619
TA Realty	15 Broad Street	76,000	\$607

## 2020 Predictions

- 1 There is no indication that 2020 will see a slow down in the state's economy. High demand from office tenants and the rising office rents will continue.
- 2 Potentially volatile political climates both international and domestic, in conjunction with changing trade policy, could be an outside force that affects economic growth.
- 3 The uncertainty of development projects breaking ground in 2020 will not provide a needed relief valve.

## Get to Know:

### Charlestown



Warren Tavern | Photo Source: warrentavern.com

### Warren Tavern

Said to be the oldest taverns in state, and certainly one of the most historic in the country, Warren Tavern opened its doors in 1780 and welcomed many famous patrons including Paul Revere and George Washington.



### Charlestown on the Silver Screen

Charlestown has been featured in many Hollywood movies, most notably as the setting for *The Town* and *Mystic River*.



### ctowncycle

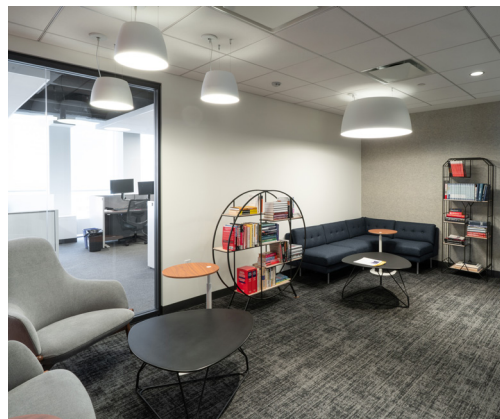
An inclusive spin studio that gives people of all ages and fitness levels a place to come together to escape the stress of life with a fun and challenging workout.



### Inner Harbor Ferry

Tired of the T? Take the 10-minute MBTA Ferry from Downtown to the Charlestown Navy Yard for a breath of fresh air.

# Project Highlight



## Simon Kucher & Partners

One Boston Place  
Boston, MA

**Industry:**  
Consulting

**Size:**  
31,396 SF

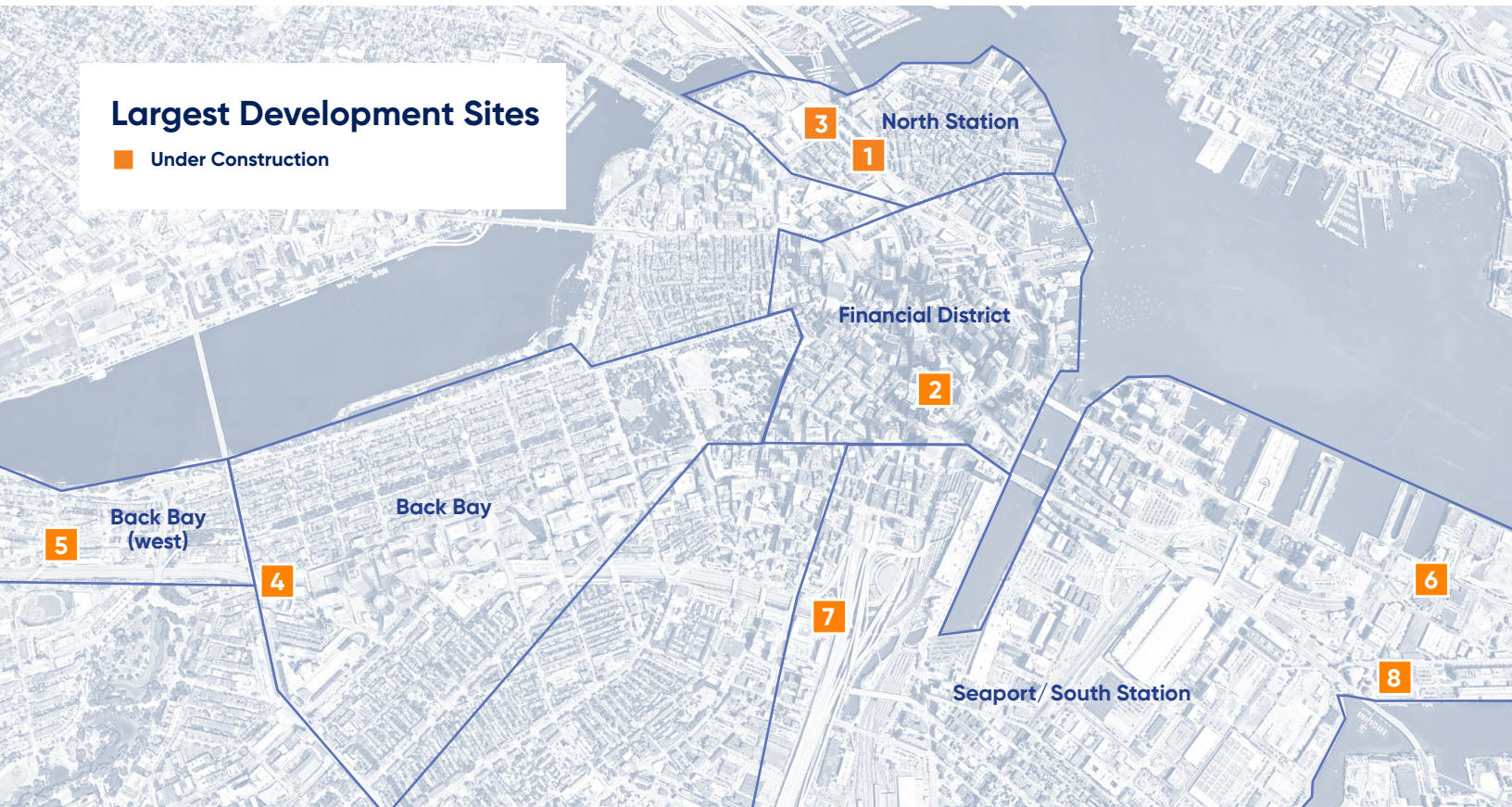
**Services:**  
Transaction & Project Management

**Architect:**  
Fusion Design Consultants

**Space Features:**  
Internal staircase; Custom wall coverings; Custom lit sign over moss wall; DIRTT office fronts; Large pantry with great views of Boston and upgraded finishes

**Photography:**  
Cresa/Duncan Lake

# Development Pipeline



Development	Owner	Size (SF)	Status
1 Bulfinch Crossing/One Congress	HYM Investments	1,150,000	Under Construction
2 Winthrop Square	Millennium Partners	750,000	Under Construction
3 Hub on Causeway	Boston Properties & Delaware North	627,000	Under Construction
4 1001 Boylston Street	Samuels & Associates	450,000	Under Construction
5 1 Kenmore Square	Related Beal	275,000	Under Construction
6 ISQ Phase 2 (316-318 Northern Avenue)	Related Beal	265,000	Under Construction
7 321 Harrison Avenue	Nordblom	234,000	Under Construction
8 2 Drydock Avenue	Skanska Development	225,000	Under Construction

## Tenants in the Market



350,000 SF



300,000 SF



175,000 SF



100,000 SF



Photo Source: Cresa/Duncan Lake

## Downtown Boston

# It's a Bird, It's a Plane – No, It's a Crane!

The demand for office space in Boston is at an all-time high. As a result, Downtown Boston is a supply constrained market at 60 million total square feet. A company looking for 50,000 SF of Class A contiguous space in the Financial District has only nine buildings to choose from. If they're looking for 100,000 SF of Class A space, their options are even more limited with only three buildings to choose from. In the face of such limited options, the natural progression of thought is to consider new construction coming to market.

On a daily walk or drive around the city, you will see a multitude of construction cranes in the sky, while the sounds of work being performed in construction zones is omnipresent. It's a testament that the city of Boston is booming. Currently, there is 5 million SF of office space under construction. This includes One Congress, a 1 million SF tower

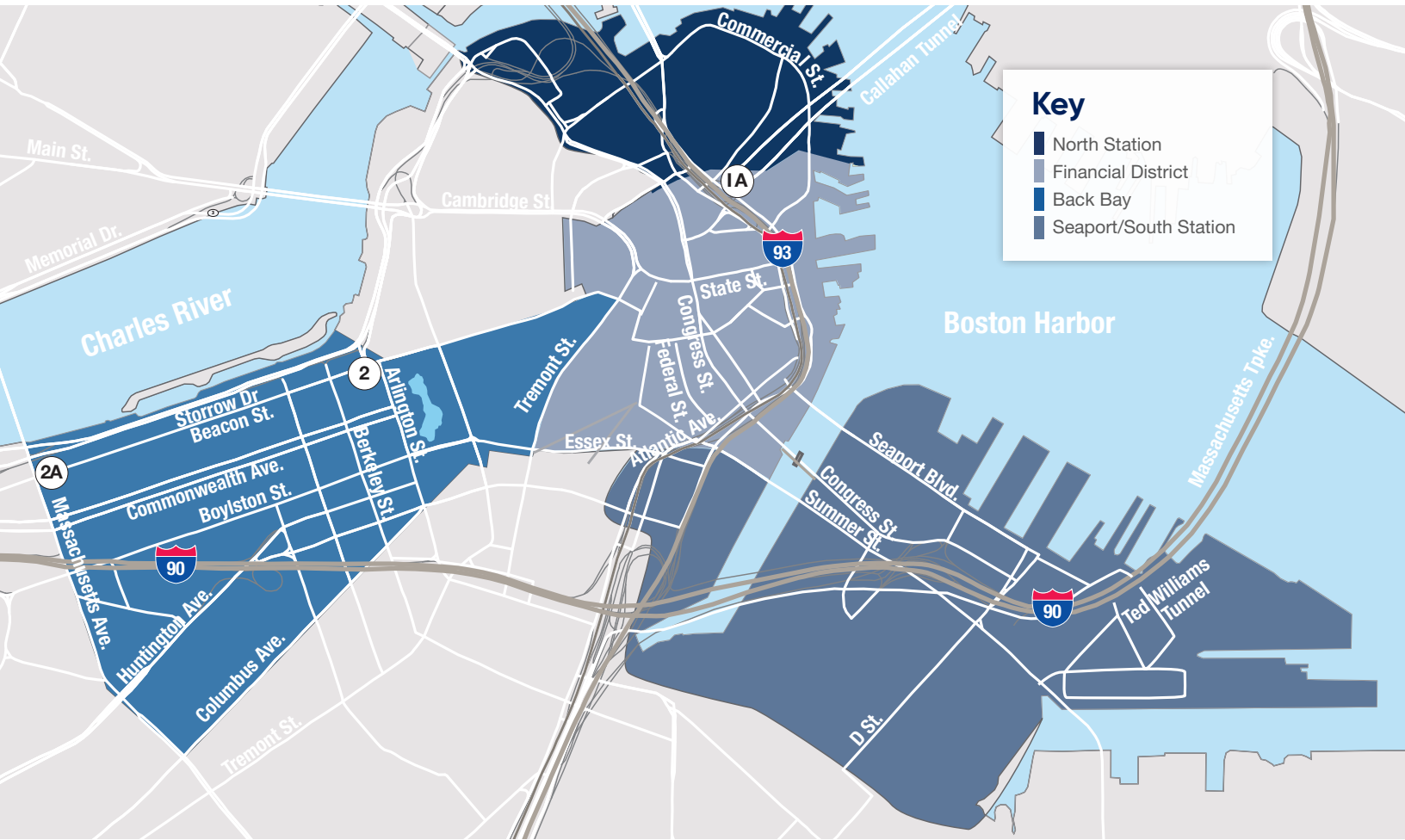
anchoring Bulfinch Crossing, where State Street Corporation will move their global headquarters in 2023. There's also Two Drydock, a 13-story building where advertising agency MullenLowe will relocate, and the popular Lord Hobo Brewing Co. will open a 9,000 SF brewery and restaurant.

However, what most people aren't aware of is that the large majority of that 5 million SF under construction is already leased, and therefore will not provide a relief valve to the supply constraint. There is almost 6 million SF of permitted projects, and 4 million SF of proposed, pre-permitted projects in the pipeline. This includes the 51-story, 1,020,000 SF mixed-use tower at South Station, which will have over 711,000 SF of office space, along with an additional 300,000 SF of condominium units. Another example is the upcoming 630,000 SF building at Back Bay Station, which is expected to

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be delivered for occupancy in late 2024. Despite these massive developments, there is no clarity of the timeline on breaking ground or actual delivery of these projects. That's why any future relief valve they will provide will not happen for several more years.

# Boston by the Numbers



Submarket	Market Size (SF)	Vacant	Sublease	Available	Class A Rent/SF	Class B Rent/SF
Financial District	34,752,529	7.2%	2.1%	12.1%	\$72.43	\$54.86
Back Bay	13,178,219	2.8%	0.6%	4.9%	\$82.75	\$56.55
Seaport/South Station	11,311,328	11.6%	2.0%	14.4%	\$78.09	\$59.24
North Station	1,983,909	7.6%	3.9%	8.1%	N/A	\$51.41
<b>Total</b>	<b>61,225,985</b>	<b>7.1%</b>	<b>1.8%</b>	<b>10.9%</b>	<b>\$74.28</b>	<b>\$56.60</b>

## V.C. Spotlight

Boston 2019



**449**  
Deals



**\$7.21B**  
Invested

### Largest Deals



\$290M



\$250M



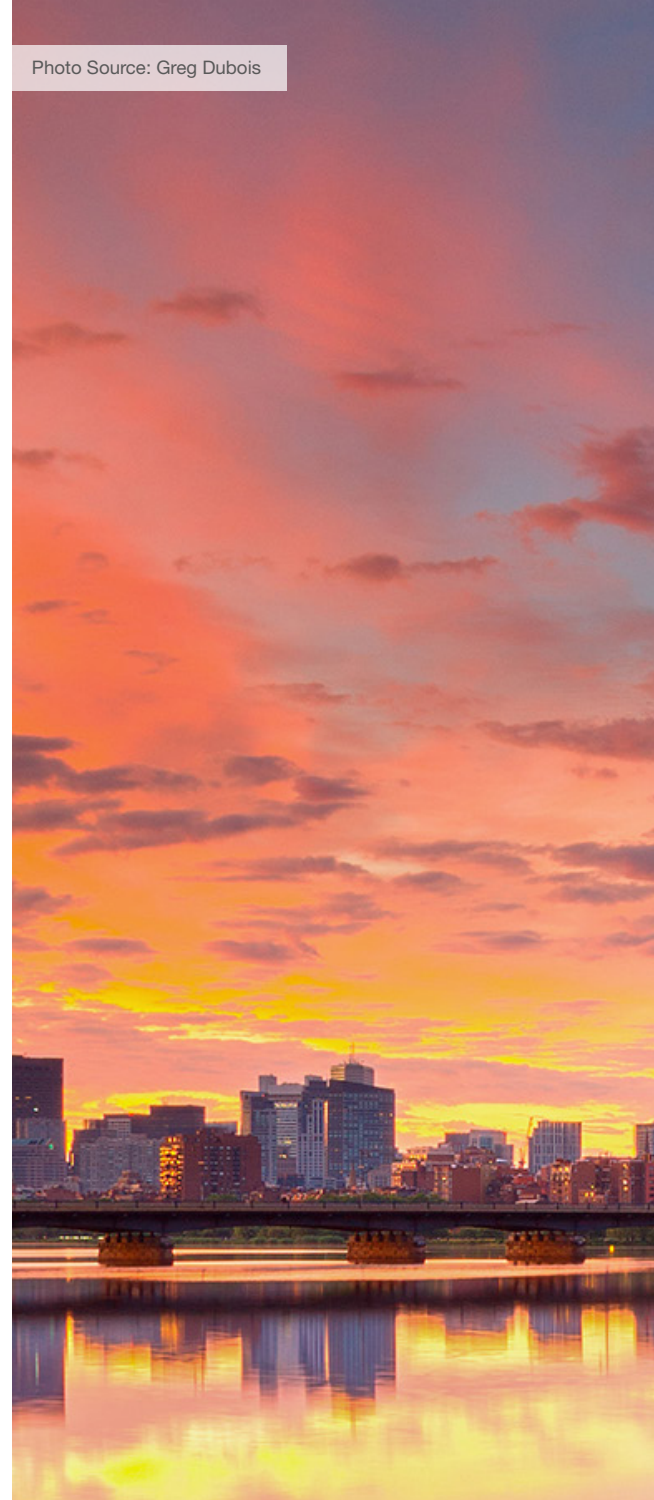
\$206M



\$200M



\$150M



## About Cresa Boston

Cresa is the world's largest commercial real estate advisory firm that exclusively represents occupiers and specializes in the delivery of fully integrated real estate solutions. We work with our clients to align their business plans and their real estate needs, increase their productivity, and consistently save them money — results that have earned us numerous industry awards along the way. Our team of real estate advisors, project managers, strategic planners, analysts, and space planners listen to tenants' needs, meticulously research market conditions, firmly negotiate terms, and manage the design and construction of projects to customize the best possible occupancy solutions.

### Contact

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