

Downtown Boston

# 2021 Market Insight Report



Photo: Duncan Lake/Cresa

Winter/Spring 2021

cresa

## Downtown Boston



Photo: Duncan Lake/Cresa

# Boston Overview

There is a light at the end of the proverbial COVID-19 tunnel. 2020 is over, infections and hospitalizations are decreasing, the initial vaccine rollout is underway and the nation's administration has changed. **Activity in the market remains limited, but the life sciences sector is the engine driving significant activity in all Downtown Boston submarkets.** The other activity driver is current office lease expirations, the majority of which have resulted in short-term lease extensions. Asking rents are starting to soften for Class B buildings and subleases. There is 3.1 million square feet of sublease inventory available, 1.5 million of which comes from technology companies and 275,000 SF from professional services firms. Additionally, the majority of the sublease space falls in the under-25,000-SF category. In 2021 and 2022, lab conversion will continue to fuel construction and development in Boston.



## Flexible Lease Terms

Average asking rents for direct space have not fallen in a broad, significant way. However, some landlords have agreed to more tenant-favorable terms for completed leases.



## Sublease Inventory Grows Then Slows

Available sublease inventory skyrocketed 200% between April and November 2020, and has since leveled off as we enter 2021.



## Downward Pressure on Asking Rents

Class B landlords and sublandlords have been the first to reduce their asking rents. Class A landlords will likely follow this trend in 2021 due to high sublease inventory, shrinking office space requirements, and the arrival of new development inventory.

## Downtown Boston



Market Size  
**61,225,985 SF**



Vacancy  
**9.8%**



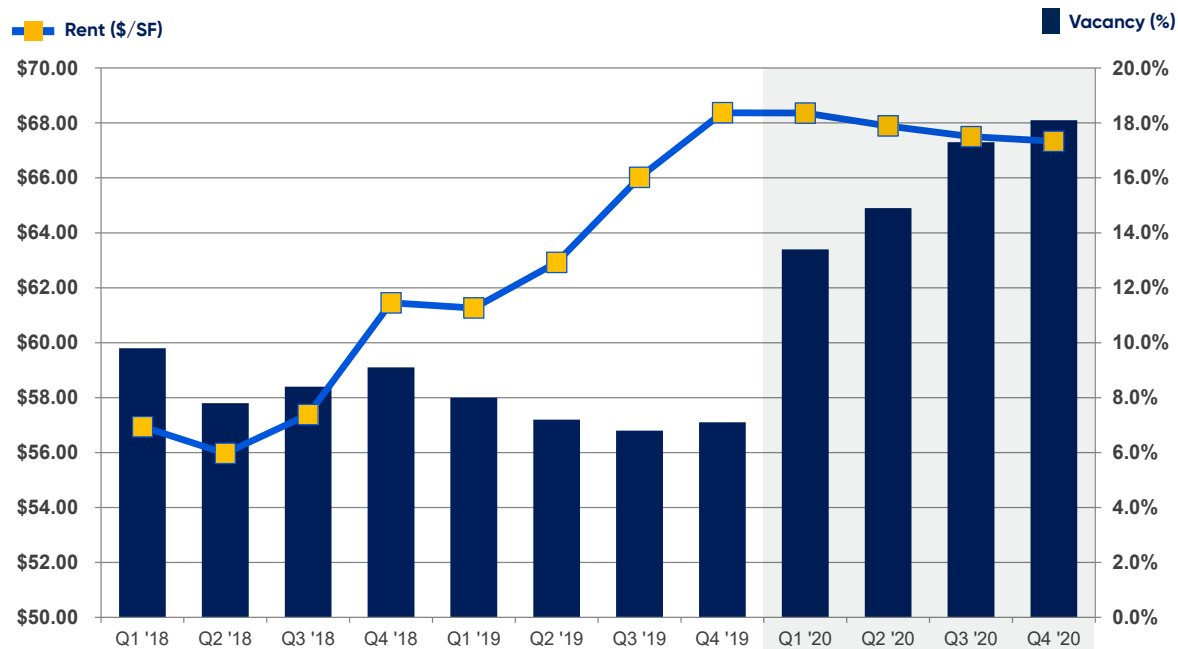
Sublease  
**4.9%**



Available  
**13.2%**

Arrows Indicate One Year Change

## Historical Rent &amp; Vacancy



## Small Business Spotlight

Local businesses that have transformed their offerings as a result of the pandemic



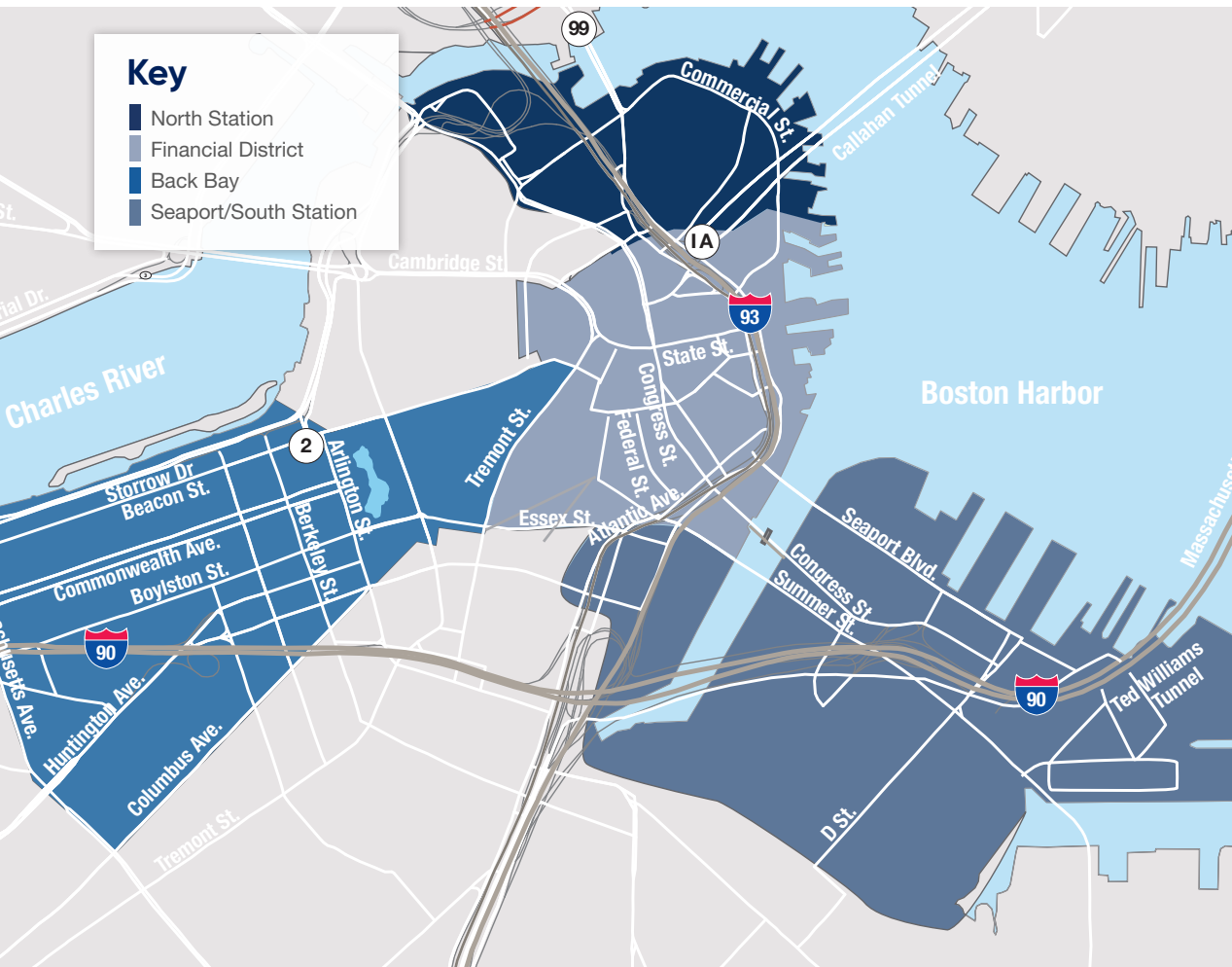
**B/Spoke Studios**



B/Spoke Studios leased 20,000 SF of new warehouse space in South Boston in order to continue offering group spin classes during the pandemic. The space was designed specifically for COVID safety and includes separate entrances and exits for zero two-way traffic.

Photo: BSpokeStudios.com

# By the Numbers



Submarket	Market Size (SF)	Vacant	Sublease	Available	Class A Rent/SF	Class B Rent/SF
<b>Financial District</b>	34,752,529	10.0%	4.7%	14.3%	\$71.42	\$54.85
<b>Back Bay</b>	13,178,219	5.2%	5.5%	7.6%	\$75.64	\$54.83
<b>Seaport/South Station</b>	11,311,328	14.4%	4.2%	16.3%	\$78.11	\$59.97
<b>North Station</b>	1,983,909	11.2%	8.8%	11.6%	N/A	\$49.84
<b>Total</b>	<b>61,225,985</b>	<b>9.8%</b>	<b>4.9%</b>	<b>13.2%</b>	<b>\$72.92</b>	<b>\$56.46</b>

## Coworking Corner

1. Servcorp and Breather closed all Boston locations, and Knotel faces a multitude of lawsuits and evictions due to unpaid rent. Additionally, Cambridge Innovation Center put 60,000 SF of space on the sublease market.
2. In addition to pandemic-induced vacancy, WeWork and Industrious face additional headwinds when major occupants like Haven, Google, and Amazon vacate large blocks of coworking space.
3. In order to find success in downtown Boston in 2021, flexible co-working office space will need to compete with the large amount of sublease inventory.

## Downtown Boston

# Notable Transactions

Tenant	Address	Submarket	Sector	Size (SF)	Type
Ameriprise	280 Congress Street	Financial District	Office	82,000	Relocation
Datadog	225 Franklin Street	Financial District	Office	63,000	Expansion & Extension
Pearson Education	1 Federal Street	Financial District	Office	43,000	Relocation/Sublease
Costar	33 Arch Street	Financial District	Office	25,000	Renewal
Oppenheimer	255 State Street	Financial District	Office	19,000	Relocation

## Investment Sales

Buyer	Address	Size (SF)	Price/SF
Skanska	380 Stuart Street	140,000	\$1,264.00
BioMed Realty	601 Congress Street	482,000	\$751.00
Related Companies	Boston Innovation & Design Center	1,378,200	\$515.00

## Tenants in the Market

 Eaton Vance **300,000 SF**

 **100,000 SF**

K&L GATES **75,000 SF**

 **70,000 SF**

 brightcove **50,000 SF**

## Downtown Boston

## Development Pipeline

Development	Developer/Owner	Size (SF)	Available (SF)	Status	Use
1 776 Summer Street	Hilco	860,000	860,000	Permitted Development	Office/Lab
2 380 Stuart Street	Manulife Investment Mgmt.	625,000	625,000	Permitted Development	Office
3 145/165 Dartmouth Street	Boston Properties	582,500	582,500	Permitted Development	Office
4 Boston Flower Exchange	The Abbey Group	1,638,725	1,638,725	Under Construction	Office/Lab
5 650 Atlantic Avenue	Hines and Gemdale	1,203,000	1,203,000	Under Construction	Office
6 1 Post Office Square	Anchor Line/Morgan Stanley	1,130,038	775,000	Under Construction	Office
7 1 Congress Street	HYM Investment Group	1,000,000	500,000	Under Construction	Office
8 115 Federal Street	Millennium Partners	750,000	750,000	Under Construction	Office
9 1 Boston Wharf Road	WS Development	707,000	0	Under Construction	Office
10 1001 Boylston Street	Samuels & Associates	540,000	265,000	Under Construction	Office/Lab
11 201 Brookline Avenue	Samuels & Associates	506,000	416,000	Under Construction	Office/Lab
12 111 Harbor Way	WS Development	429,990	0	Under Construction	Office
13 10 Fan Pier Boulevard	Mass Mutual	310,000	0	Under Construction	Office
14 105 W First Street	Tishman Speyer & Bellco Capital	266,000	0	Under Construction	Office/Lab

**10.5 Million SF**  
Under Development

Permitted Development  
**2,067,500 SF**

Under Construction  
**8,480,753 SF**



## Downtown Boston

## Sublease Highlight

## 28 State Street

Boston, Massachusetts

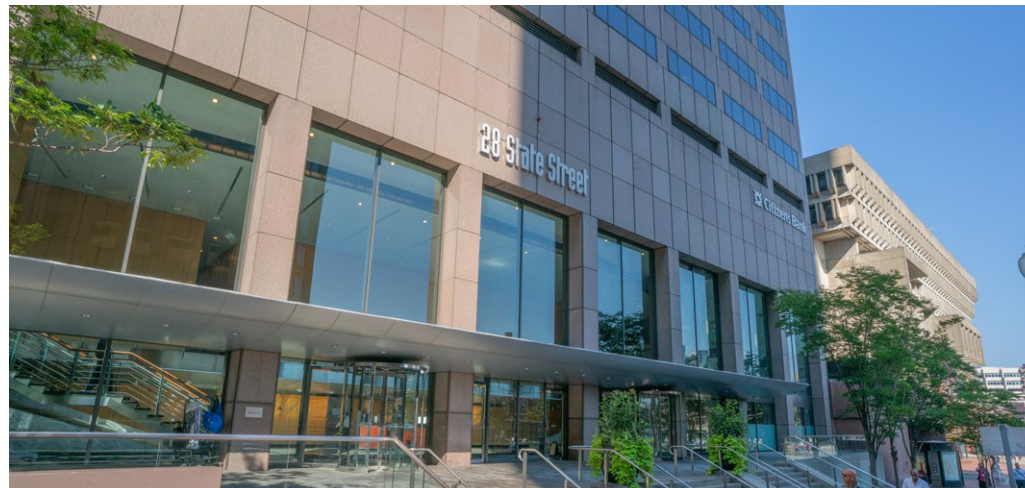
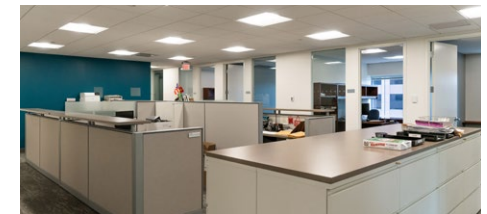
## Space Profile

Premises	17,555 SF
Floor	31st
Availability	Immediate
Term	3-5 years
Rental Rate	Negotiable
Building Class	A



## Features

- Full floor identity
- Newly built out space
- Private office build out
- Furniture included
- 51 offices, 14 workstations, 1 medium conference room, 2 copy areas, 2 coffee/break areas, 1 open breakout area, 1 file room and 1 library



Photos: Duncan Lake/Cresa

[View Available Subleases](#)

## Downtown Boston

# It's a Life Sciences World

**At the start of 2021, 10 months into the COVID-19 pandemic, one thing is distinctly clear – life science companies are thriving and continue to solidify Boston's title as the world's premier hub of the life science industry.**

As a result of this booming industry, the downtown Boston commercial real estate market is responding to the growing demand for lab/office space. This transition is occurring through both redevelopments and entirely new developments. At the moment, 51 Sleeper Street (152,000 SF), 601 Congress Street (482,000 SF), 1 Winthrop Square (110,000 SF) and 648 Beacon Street (58,000 SF) are [all undergoing conversion from office to lab space on a speculative basis, bringing a total of over 800,000 SF to the market in 2021 and 2022](#). Additionally, 321 Harrison Avenue in the South End recently delivered 233,000 SF of new lab space. On a piece by piece basis, 451 D Street in the Seaport continues to convert the building to lab space (498,000 SF).

In addition to these current conversions, there are significantly more on the horizon. In 2022/2023, Samuels & Associates will bring 1.1 million SF of new office and lab space to the Fenway submarket with the 1001 Boylston Street development over the Massachusetts Turnpike on the edge of Back Bay, as well as the redevelopment of the famed Landmark Center property at 201 Brookline Avenue in

the heart of the Fenway. Related Beal has slated the former Gillette headquarters site in South Boston for lab space, mirroring the plan of Alexandria Real Estate Equities to do the same at their Necco Street acquisition from General Electric in Fort Point. And finally, Lincoln Properties was recently approved by the Massport Board to develop Parcel H, one of the last available parcels in the Seaport, with 730,000 SF of lab space.

2020 was an extremely tumultuous year for commercial real estate in downtown Boston, and on a much larger scale, the entire nation and world. This is a time when the success and advancement of life sciences is more important than ever, and the state of the Downtown Boston commercial real estate market reflects these needs. The future of both office and lab space remains bright as companies and employees contemplate and strategize how to make the best, safest and most efficient use of their current and future workplaces.



601 Congress Street | Rendering: BioMed Realty

“This is a time when the success and advancement of life sciences is more important than ever”

321 Harrison Avenue | Rendering: bostonplans.org



## Downtown Boston

# Looking Ahead to 2021

Photo: Duncan Lake/Cresa

## Workplace Realty Reimagined

In March of 2020, millions of people shifted to working from home almost overnight and found that, more often than not, their work could be performed successfully without leaving the house. “This will inform corporate decision-making regarding the use of offices for years to come,” says Cresa Boston Managing Principal Adam Subber. Does the rise of work-from-home mean the end of offices? We predict major industry real estate shifts – including extraordinary office space opportunities – in a post-pandemic world.

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## Occupier's Perspective



### Short Term Vision

For 2021 and 2022, uncertainty remains. Tenants with 2020/2021 lease expirations have focused on short-term extensions as long-term decisions are difficult to make in the current environment.



### Feedback is Key

Companies should engage employees in order to gather feedback about re-entry to the workplace and the potential future success or detriment of a hybrid work model.



### Spec Suites and Subleases

Companies continue to be in cash preservation mode and want to avoid paying out-of-pocket to build out office space as much as possible. Utilizing space built-out on a speculative basis by landlords, as well as sublease space, diminishes these out-of-pocket costs.

# Meet the Team

 Click to learn more about our advisors



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## 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.

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