



Q2 2024

Greater Boston

CRE Market Insight Reports

MARKET INSIGHTS PROVIDED FOR:

Downtown Boston

Life Sciences

Industrial **NEW!**

Suburban Office

Cambridge Office

Photo: Duncan Lake/Cresa

Downtown Office

Q2 2024

It's the story of the submarket in Boston's downtown office landscape, where context is critical to understand how buildings are performing.

Back Bay and Seaport buildings are boasting little vacancy, while the Financial District paints a starkly different picture. From a quality perspective, trophy Class A assets are continuing to perform well while Class B low-rise and commodity spaces face a bleak outlook. Occupiers have reason to be optimistic, as there is plenty of opportunity in the market depending on location.

Back Bay got a particularly strong boost in Q1, as two major financial services firms committed to renewals totaling nearly 500,000 SF. While this caused even further tightening in a submarket with limited supply, it was a notable deviation from a pattern of large tenants relocating to new construction.



Subleasing Plateau

While it remains north of four million square feet, total sublease space has held relatively flat since peaking in Q3 of last year.



Low Tech

After the decade-long tech boom, tech companies are no longer the biggest show in town. Banking, insurance, public entity, private equity, and legal groups now represent the largest tenants in the market.

Arrows indicate quarterly change




Market Size

64,464,337 SF



Vacancy

19.3%



Sublease

6.4%



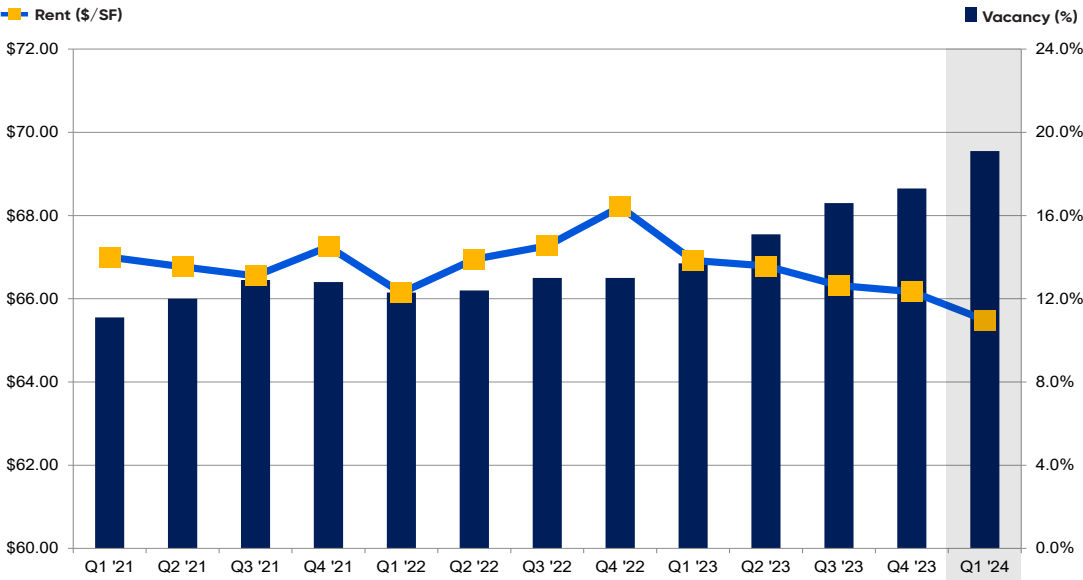
Available

27.3%

Historical Rent and Vacancy

Downtown availability soars, and lower quality buildings continue to bear the brunt. Class B vacancy has risen from 10% in Q2 2020 to nearly 22%. As for total availability, a third of the downtown Class B market is up for grabs.

The city’s office-to-residential conversion tax incentive program (set to expire in June 2024) was extended another 18 months, giving owners of these struggling non-prime assets more time to consider their options. This program has received nine proposals across 13 buildings in Boston since October.



Notable Market Transactions

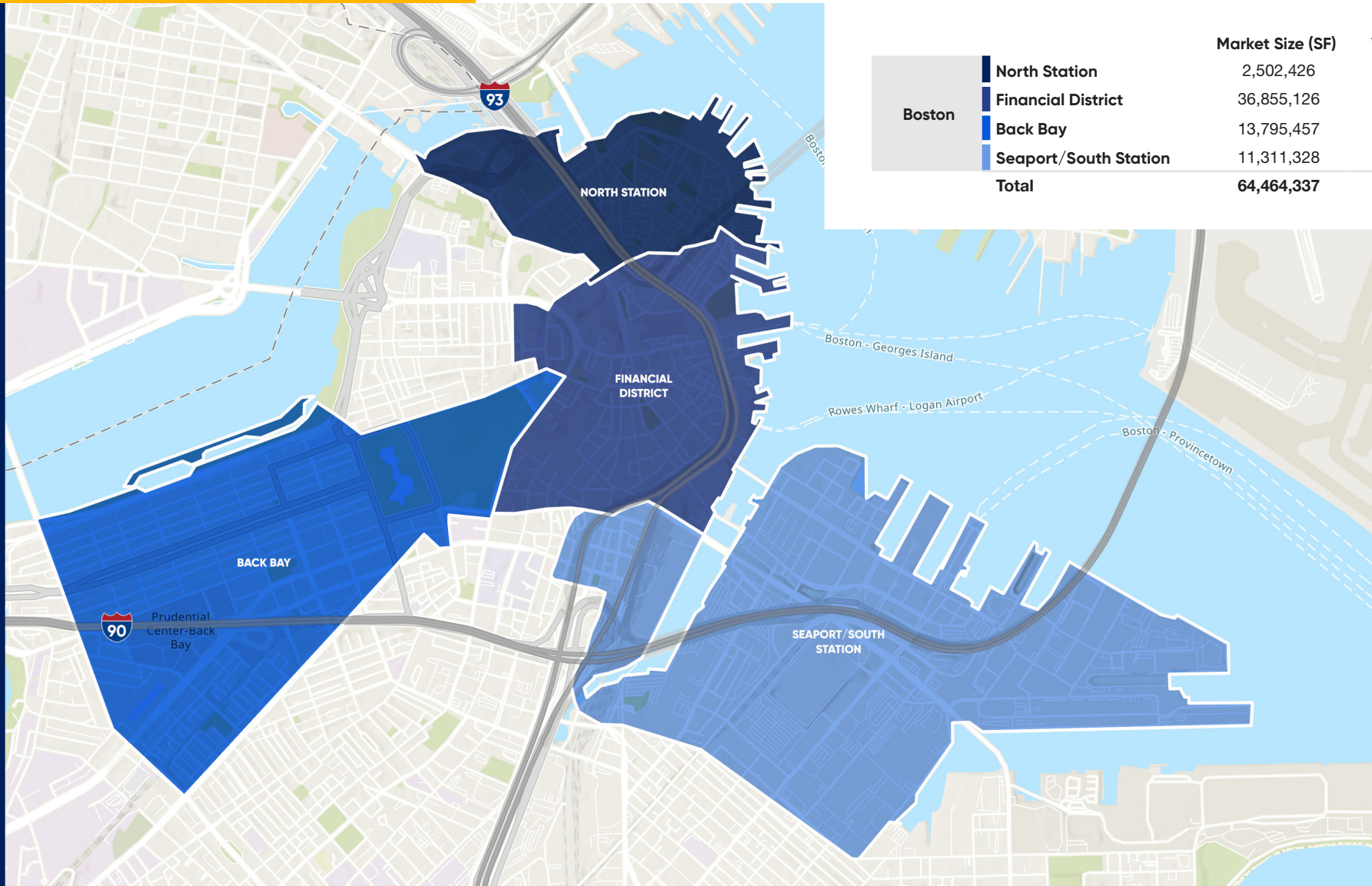
Tenant	Size (SF)	Submarket	Type
Converse	190,000	North Station	Renewal
Commonwealth of MA	100,000	Financial District	New Lease
Havas	72,000	Seaport	New Lease
Prince Lobel Tye LLP	45,500	Financial District	Renewal
Harvard Management Company	45,000	Financial District	Renewal



Echoing market dynamics across the region, big moves are less frequent as occupiers are avoiding expensive relocations.

Investment sales activity has picked up in the downtown market after a quiet stretch. Five sales were recorded in Q2, following four in Q1. While the majority of the assets trading hands are Class B, Class A buildings are beginning to come to market at a higher rate.

Downtown Office Q2 2024



		Market Size (SF)	Vacant	Sublease	Available	Rent/SF	
Boston	North Station					Class A	Class B
	Financial District	2,502,426	27.5%	11.2%	39.7%	\$92.00	\$50.61
	Back Bay	36,855,126	21.0%	6.0%	28.2%	\$71.00	\$51.47
	Seaport/South Station	13,795,457	12.5%	4.1%	20.1%	\$69.36	\$54.84
	Seaport/South Station	11,311,328	20.4%	9.7%	30.7%	\$77.62	\$58.20
Total		64,464,337	19.3%	6.4%	27.3%	\$72.63	\$53.34



Meet the Team



Rick Lowe
Principal



Matt Harvey
Principal



Derek Losi
Principal



Andrew Orpik
Principal



Olivia Weckwerth
Advisor



Adam Subber
Managing Principal



Dan Sullivan
Managing Principal

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Brian Gridley, Research Manager
bgridley@cresa.com

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Life Sciences

Q2 2024

Boston | Cambridge | Inner Suburbs | Route 128



A 'wait and see' approach continues to extend the market correction as uncertainty lingers.

Persistent economic and market uncertainty is causing both occupiers and developers to pause, taking a more conservative financial approach in hopes that the future will bring more clarity. Smaller groups are extending their time in incubators to avoid overcommitments. Larger groups are seeking shorter lease terms to take pressure off in the near term. And developers across the region are halting the start of approved lab projects as supply continues to far outpace demand amid a higher cost to build environment.

The emerging Somerville submarket is struggling to find its footing. While developments in Brickbottom have seen recent leasing success, other buildings near Assembly Row and Union Square have struggled, with some buildings nearing completion without tenant commitments. Developers fear oversaturation as widespread availability persists across the Greater Boston lab market, climbing to nearly 13 million SF this quarter (27%). As such, occupiers can expect to hold the upper hand in negotiations well into the future.



Diminished Demand

A confluence of factors is constraining market activity, as groups across the board seek to take pressure off near term financials by pushing major real estate decisions into the future. Today's limited market demand focuses on spec suites, keeping occupier risks to a minimum.



Looming Business Disruption

Life science leaders are keeping their eyes on the BIOSECURE Act, a piece of federal legislation expected to pass in the near future that would effectively prohibit Chinese biotech companies from doing business in the U.S. This could lead to a renewed push for companies to onshore their biomanufacturing process. The biggest impact locally would come from WuXi, who manufactures 19 approved drugs in the U.S. and has a large presence in Massachusetts.



Market Size
47,975,097 SF



Vacancy
27.0%



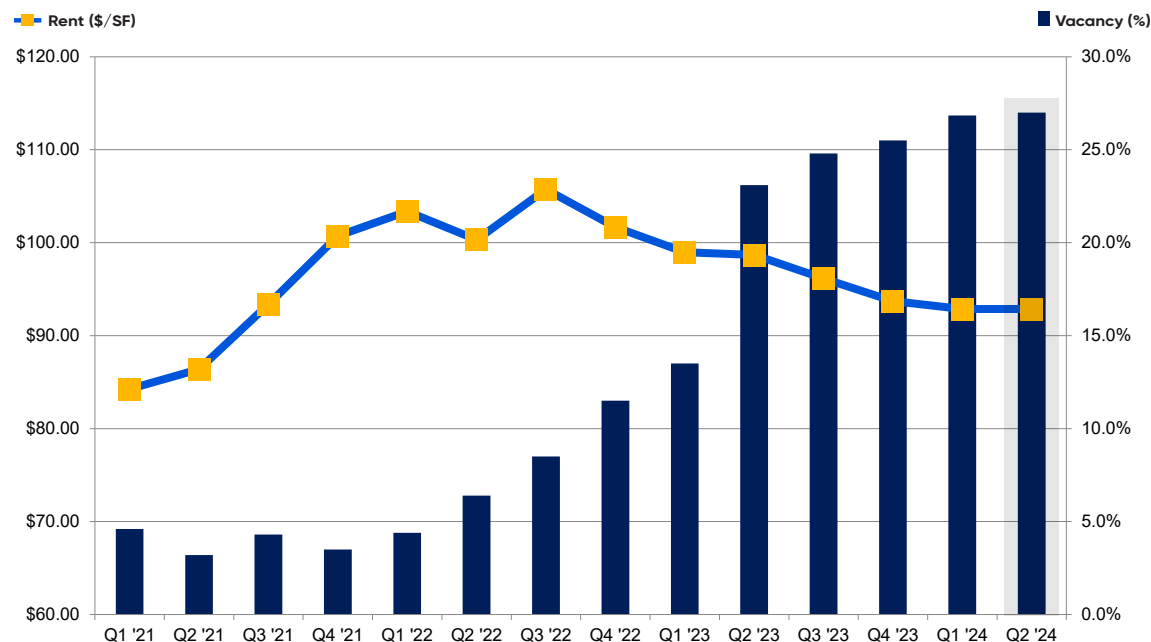
Sublease
6.0%



Available
33.0%

Historical Rent and Vacancy

A slight uptick in vacancy marks the tenth consecutive quarter with an increase. Moving forward, we expect to see continued downward pressure on rents, in both the direct and sublease markets.



Notable Market Transactions

Tenant	Size (SF)	Submarket	Type
CubicPV	21,098	Bedford	Sublease Relocation
Samsung Biologics	13,604	West Cambridge	New Direct
Larkspur Biosciences	12,650	East Cambridge	New Direct
Palleon Pharmaceuticals	11,311	Waltham	Direct Renewal



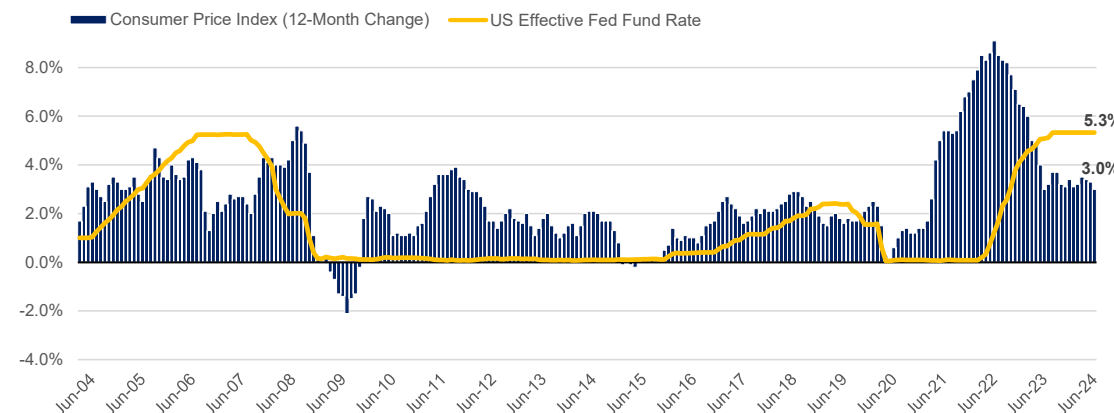
Photo: Duncan Lake/Cresa

Key Takeaway

Market activity will remain light as many groups double down on the “wait and see” approach.

Economic Snapshot

With higher than desired inflation lingering, the Fed continues to delay action, frustrating those waiting patiently on the sidelines. The ongoing uncertainty has halted real estate decision making across the board, but optimism for future rate cuts remains while the economy appears to be holding its own. Locally, an uptick in VC activity this quarter bodes well for the biotech industry.



VC Rounds

Company	Funding	Series
Zenas BioPharma	\$200.2M	Series C
Cerevance	\$163.0M	Series B
Diagonal Tx	\$128.0M	Series A
Seaport Tx	\$100.0M	Series A
Exsilio	\$82.0M	Series A

IPOs

Company	Date	Funding	\$/Share	Trading
*Alumis (CA)	6/28/2024	\$210.0M	\$16.0	▼
Rapport Tx	6/7/2024	\$136.0M	\$17.0	▲
*Contineum Tx (CA)	4/5/2024	\$110.0M	\$16.0	▲

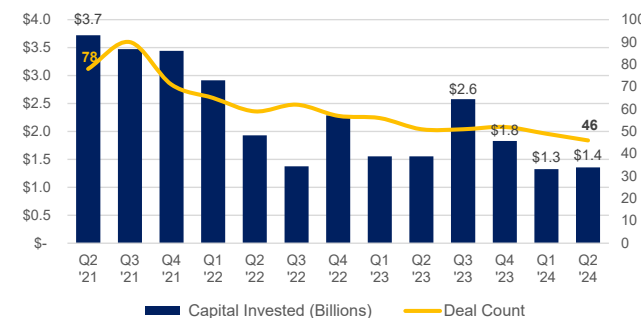
*Out of Market

M&A

Company	Acquired By	Price	Date
Deciphera Pharma	ONO Pharma	\$2.4B	6/11/2024
Mariana Oncology	Novartis	\$1.0B	5/2/2024
Celsius Bio	AbbVie	\$250.0M	6/27/2024
Clade Tx	Century Tx	\$45.0M	4/11/2024

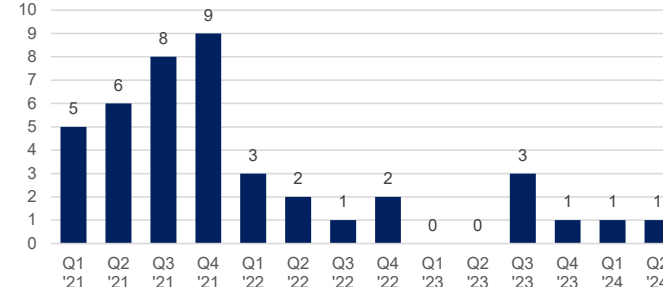
Venture Capital Invested (\$ Billions)

Greater Boston Life Sciences Companies



Number of IPOs

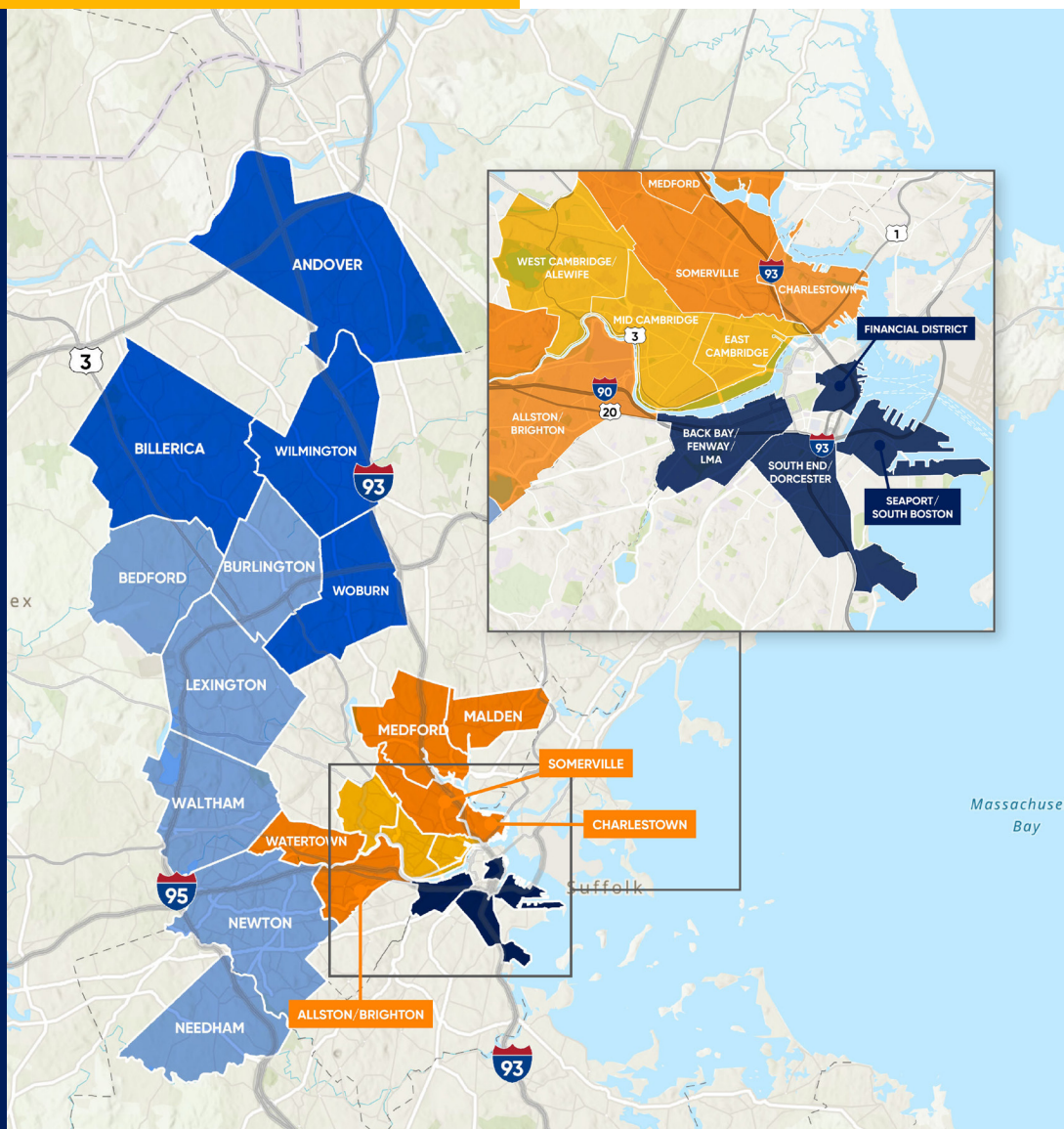
Greater Boston Life Sciences Companies



Key Takeaway

Keep an eye on M&A activity in the future. Many anticipate this to pick up as key patents expire in the years ahead, spurring increased competition in the market.

Life Sciences Q2 2024



						Rent/SF	
		Market Size (SF)	Vacant	Sublease	Available	Class A	Class B
Cambridge	East Cambridge	10,764,398	10.9%	7.6%	18.5%	\$112.00	\$105.00
	Mid Cambridge	3,474,416	17.3%	9.4%	26.7%	\$105.00	\$90.00
	West Cambridge/Alewife	2,605,024	35.2%	8.0%	43.2%	\$95.00	\$85.00
	Total	16,843,838	16.0%	8.0%	24.0%	\$108.00	\$99.00
Boston	Seaport/South Boston	5,316,538	22.5%	6.4%	28.9%	\$105.00	\$100.00
	Financial District	288,132	62.4%	6.9%	69.3%	\$100.00	\$95.00
	Back Bay/Fenway/LMA	1,629,249	13.6%	6.1%	19.7%	\$115.00	\$100.00
	South End/Dorchester	929,000	53.8%	6.2%	60.0%	\$90.00	\$85.00
	Total	8,162,919	25.7%	6.4%	32.1%	\$105.00	\$98.00
Inner Suburbs	Charlestown	814,410	40.5%	1.3%	41.8%	\$85.00	\$80.00
	Medford/Malden	790,618	59.8%	4.8%	64.6%	\$55.00	\$50.00
	Somerville	2,471,603	74.3%	0.0%	74.3%	\$95.00	\$90.00
	Watertown	3,439,350	46.0%	5.4%	51.4%	\$90.00	\$85.00
	Allston/Brighton	1,501,412	59.2%	0.9%	60.0%	\$95.00	\$90.00
	Total	9,017,393	56.7%	2.8%	59.4%	\$89.00	\$84.00
Route 128 West	Bedford/Burlington	3,038,295	37.9%	9.1%	47.0%	\$68.00	\$58.00
	Lexington/Waltham	7,913,587	16.4%	5.4%	21.9%	\$78.00	\$65.00
	Newton/Needham	540,342	13.5%	0.0%	13.5%	\$65.00	\$60.00
	Total	11,492,224	22.0%	6.1%	28.1%	\$75.00	\$63.00
Route 128 North	Wilmington	128,370	4.4%	0.0%	4.4%	\$30.00	\$25.00
	Woburn	1,278,381	8.6%	2.1%	10.6%	\$54.00	\$40.00
	Billerica	385,763	14.8%	0.0%	14.8%	\$28.00	\$26.00
	Andover	666,209	53.0%	2.2%	55.2%	\$55.00	\$45.00
	Total	2,458,723	21.4%	1.7%	23.0%	\$49.00	\$38.00

Meet the Team



John Coakley
Managing Principal



Paul Delaney
Managing Principal



Vicki Keenan
Managing Principal



Julia Ryan
Vice President



Mitch Perez
Vice President



Carter Swaebe
Advisor



Greg Lewis
Managing Principal



Rachel Stilling
Advisor

Strategic Lab Planning & Operations

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Brian Gridley, Research Manager
bgridley@cresa.com

Contact

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Industrial/Flex

Q2 2024

Route 128 | Route 495 | Southern NH

Greater Boston's industrial market varies drastically by submarket. Many submarkets are constrained by little product. If development activity picks up in those areas, we expect rents to spike in response.

The industrial/flex market remains tight, particularly for smaller blocks of space, but softening has begun with concessions in TI packages and free rent. Where industrial/flex demand has dipped, touch tech and clean tech groups have stepped in to fill the void. As with the suburban office market, industrial renewals are more appealing than relocations given the high construction costs, persistent interest rates, and shortage of new construction.

Large users requiring 100k+ SF have several available spaces on the market. While landlords are still holding out to avoid subdividing large floor plates, we may begin to see some give in to meet demand for smaller spaces.



Spec Space No More

Reversing the trend of speculative development, landlords are now more likely to wait for a tenant commitment than to undergo spec buildouts — a shift that signals a more conservative approach.



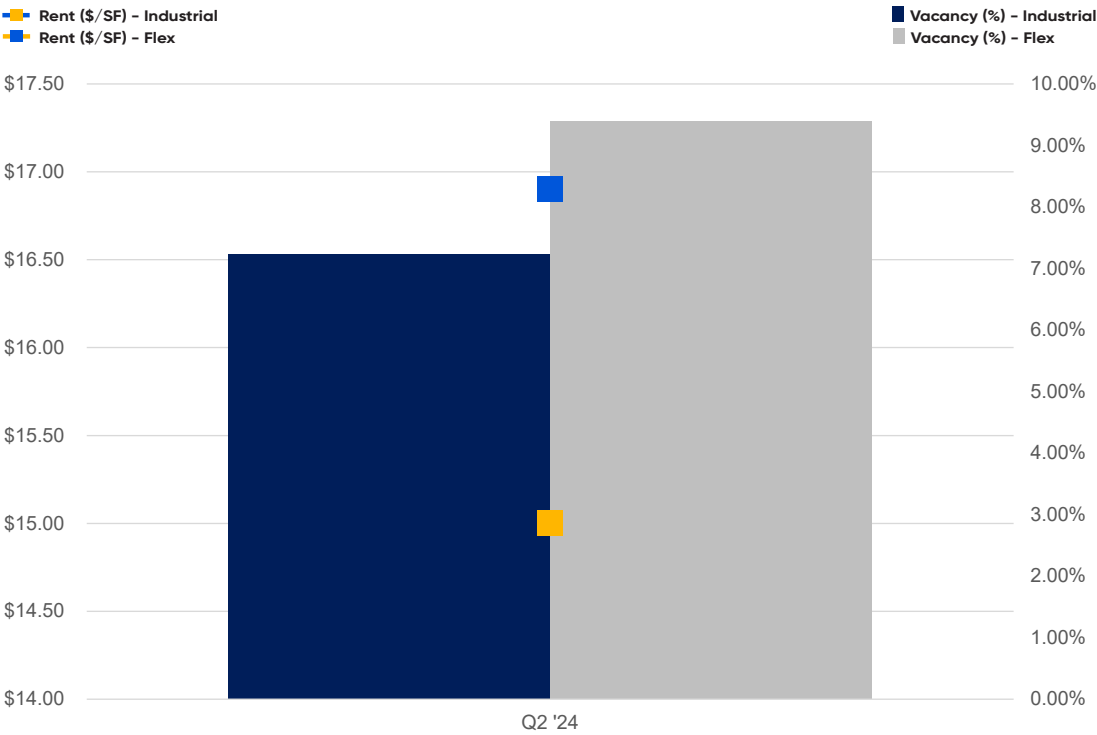
Make It Make Sense

It's difficult for many occupiers to financially justify a relocation under current economic conditions and with sticky rents. Renewals are increasingly becoming the best business decision.

	Market Size	Vacancy	Sublease	Available
Industrial	141,884,416 SF	7.2%	1.5%	11.6%
Flex	56,247,809 SF	9.4%	2.1%	13.4%

Historical Rent and Vacancy

Note: Q2 2024 is the first quarter that Cresa Boston has tracked this market.

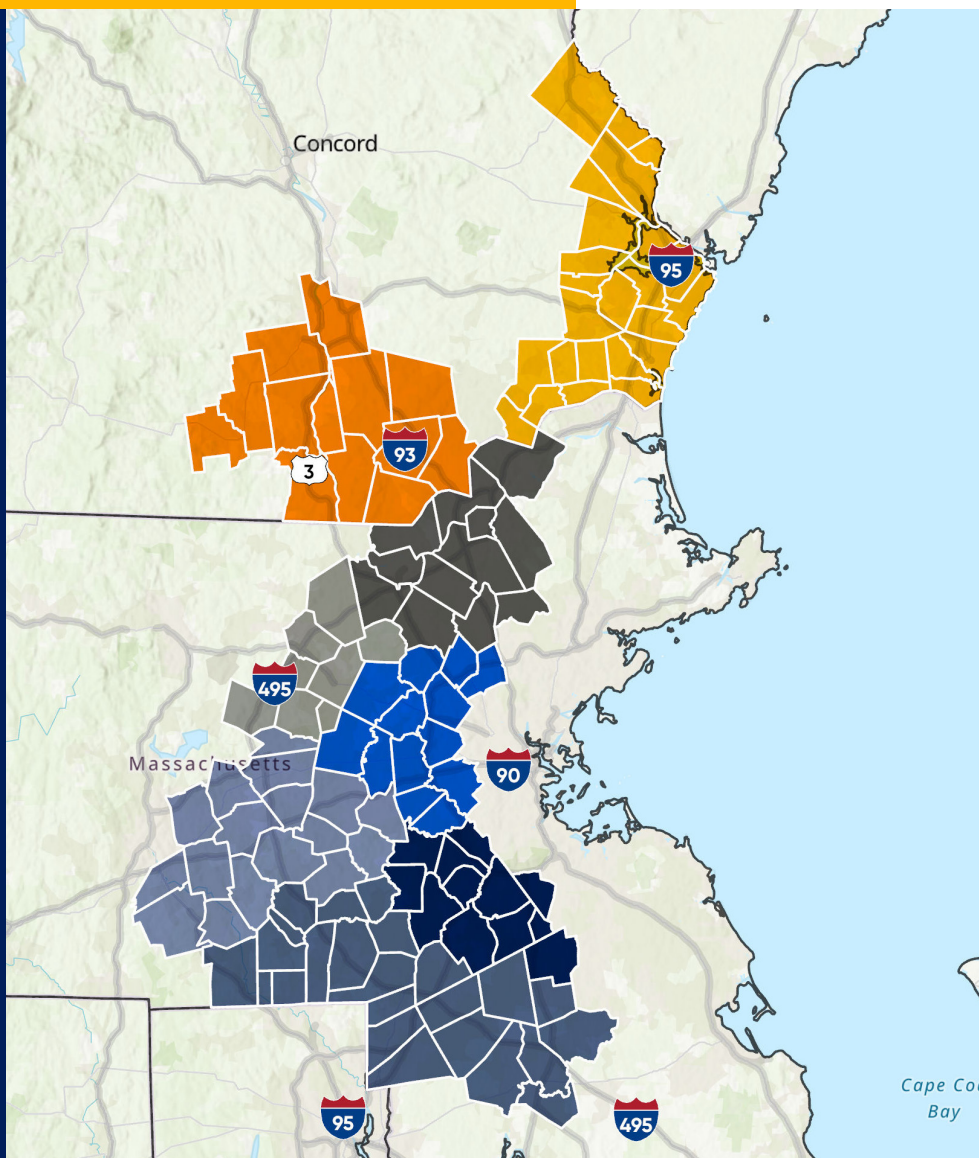


Notable Market Transactions

Tenant	Size (SF)	Submarket	Type
Sullivan Tire	198,000	495 South (Industrial)	New Lease
Persimmon Technologies	142,000	128 Northwest (Flex)	Relocation
FedEx	112,000	495 South (Industrial)	New Lease
Nuvera Fuel Cells	111,000	495 North (Flex)	Renewal
Staples	64,200	128 South (Industrial)	New Lease



Photo: Duncan Lake/Cresa



Industrial

		Market Size (SF)	Vacant	Sublease	Available	Average NNN Rent/SF
Route 495	North	20,537,263	6.2%	1.0%	9.2%	\$17.25
	Central	2,154,303	0.0%	4.5%	9.2%	\$15.00
	Metrowest	10,403,472	7.5%	0.6%	13.4%	\$15.75
	South	39,052,560	9.7%	1.7%	15.8%	\$13.50
	Total	72,147,598	8.1%	1.4%	13.4%	\$14.94
Route 128	Northwest	9,244,515	4.1%	0.3%	9.2%	\$20.50
	South	13,991,564	8.5%	4.9%	17.9%	\$16.50
	Total	23,236,079	6.8%	3.1%	14.5%	\$18.09
Southern NH	Seacoast	11,432,452	4.8%	0.7%	7.1%	\$13.00
	Route 3/Route 93	35,068,287	6.5%	0.8%	7.7%	\$13.75
	Total	46,500,739	6.1%	0.7%	7.6%	\$13.57

Flex

Route 495	North	17,523,149	11.1%	3.8%	15.7%	\$19.50
	Central	2,526,031	6.7%	0.0%	10.2%	\$16.50
	Metrowest	6,321,803	5.3%	2.1%	10.3%	\$17.00
	South	6,971,334	9.7%	1.7%	14.9%	\$12.96
	Total	33,342,317	9.4%	2.7%	14.1%	\$17.43
Route 128	Northwest	7,389,007	5.5%	2.2%	9.5%	\$23.50
	South	4,634,022	9.3%	0.6%	15.0%	\$9.72
	Total	12,023,029	7.0%	1.6%	11.6%	\$18.19
Southern NH	Seacoast	2,815,962	8.8%	2.0%	10.9%	\$13.50
	Route 3/Route 93	8,066,501	13.3%	0.1%	13.9%	\$14.00
	Total	10,882,463	12.1%	0.6%	13.1%	\$13.87

Meet the Team



Mark Mulvey
Managing Principal



Joe Doyle
Managing Principal



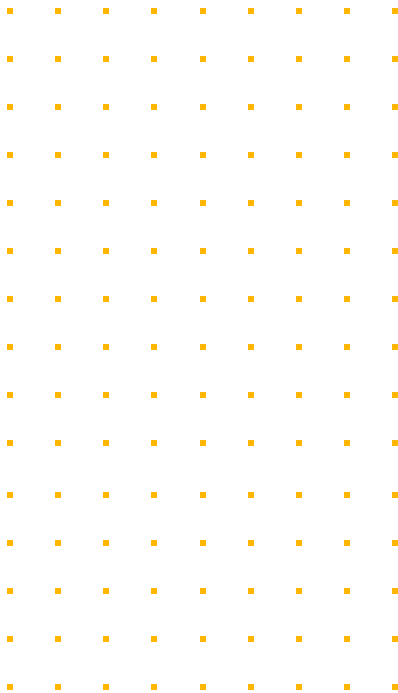
Dave Ross
Principal



Mark Coelho
Principal



Nate Heilbron
Senior Advisor



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Brian Gridley, Research Manager
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Greater Boston Market Insight

Suburban Office

Q2 2024

Route 128 | Route 495

With space occupiers in Boston's suburban office market exercising caution, renewals continue to dominate the market.

Companies are staying conservative with their money facing sustained high interest rates and construction costs, and many are opting to renew and wait out the next wave of market corrections. This trend is compounded by the shortage of relocation options: the pipeline of Class A office deliveries is stagnant, and landlords of existing buildings remain hesitant to subdivide large floor plans to meet demand.



Landlords Hold the Line

Despite market pressures, landlords are not yet budging on rents. Some have even allowed buildings to sit vacant rather than dropping rents, anticipating that this will position them for better returns after a market bounceback.



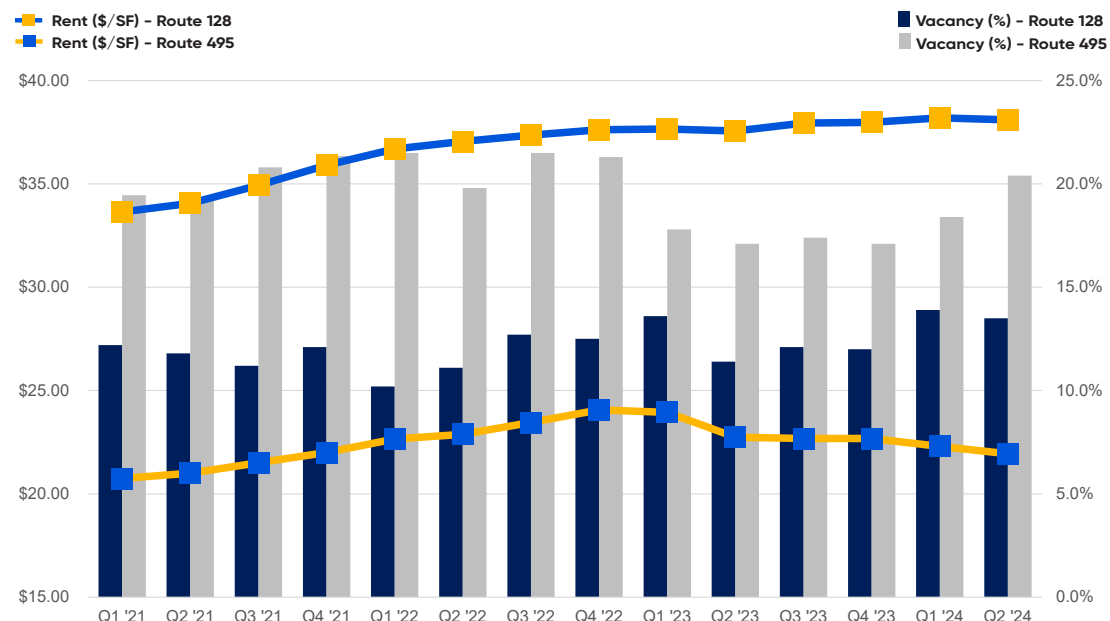
Living Large

For some tenants with excess space, the cost to downsize and relocate outweighs the benefits of a right-sized space. As such, some occupiers are electing to see out their lease terms in outsize space.

		Market Size		Vacancy		Sublease		Available
Route 128	≡	46,781,803 SF	↓	13.5%	↑	7.8%	↑	25.4%
Route 495	≡	27,447,970 SF	↑	20.4%	↓	4.2%	↑	29.0%

Historical Rent and Vacancy

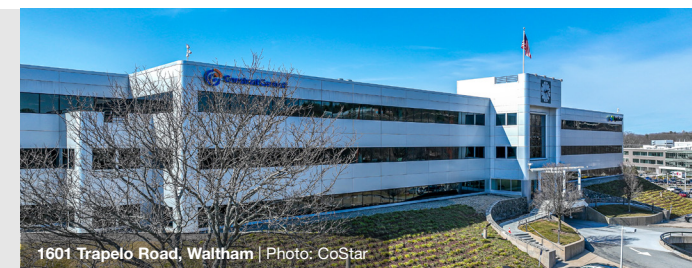
R&D and Flex conversions are limiting office inventory and holding rents higher in the 495 North submarket. Everywhere else is holding on as pressure mounts for landlords to move it or lose it.

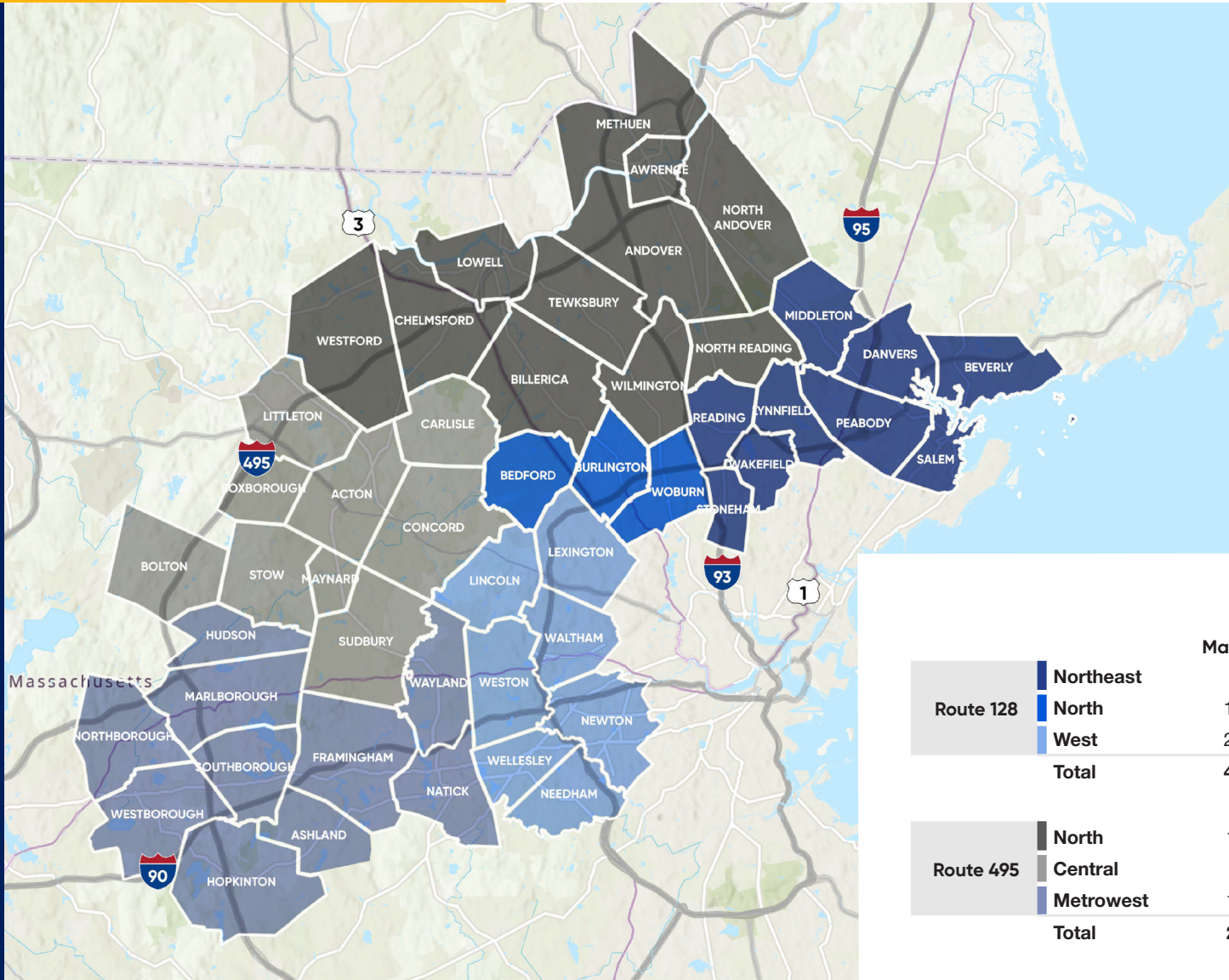


Notable Market Transactions

Tenant	Size (SF)	Submarket	Type
Persimmon Technologies	140,000	128 North	Relocation
Welch's	60,000	128 West	Relocation
IWP	46,000	495 North	Renewal
Revvity	46,000	128 West	New Lease
Carrier Corporation	24,000	495 Metrowest	New Lease
Whole Foods	18,000	128 West	Relocation

Transactions for new space are few and far between in today's market. Current landlord offerings are not moving the needle for suburban office occupiers.





						Rent/SF	
		Market Size (SF)	Vacant	Sublease	Available	Class A	Class B
Route 128	Northeast	6,792,104	16.7%	1.9%	18.5%	\$29.00	\$24.00
	North	13,600,009	13.9%	6.7%	28.6%	\$41.00	\$31.00
	West	26,389,690	12.5%	9.9%	25.6%	\$47.00	\$37.00
	Total	46,781,803	13.5%	7.8%	25.4%	\$42.64	\$33.37
Route 495	North	13,974,702	14.8%	4.0%	22.0%	\$22.90	\$19.47
	Central	3,289,554	30.1%	1.3%	36.0%	\$20.00	\$16.00
	Metrowest	10,183,714	25.1%	5.3%	36.4%	\$21.25	\$18.06
	Total	27,447,970	20.4%	4.2%	29.0%	\$21.94	\$18.53

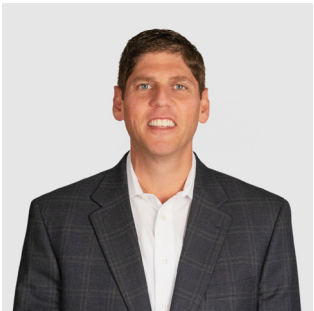
Meet the Team



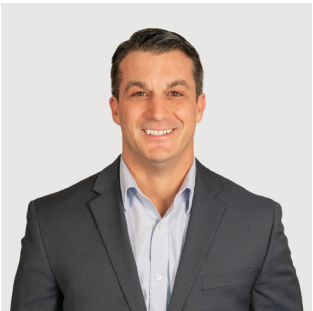
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Senior Advisor



Allison Hoffman
Senior Advisor

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Cambridge Office

Q2 2024

The Cambridge office market continues to sputter. As subleases expire, further market corrections may be in store.

Repeating trends from quarters passed, the tech industry's post-pandemic reconfiguration paired with the freeze in office-to-lab conversions has left us with sparse market activity in recent quarters. Total availability climbed over two percentage points in the first half of 2024, reaching 26.3%. Direct space is driving these increases, as the sublease market has leveled off. Expect this trend to continue as stale subleases expire and turn direct.

Despite market struggles, Cambridge's dual specialties in technology and life sciences could present unique opportunities ahead.



Same Old Story

A market previously driven by large tech users, the Cambridge office landscape continues to see corrections as tech companies fine-tune their office presence and workforce numbers.



Who Wants In?

Over 2.25 million SF of space is available in East Cambridge alone, including the new development at 40 Thorndike, still entirely unclaimed.

Arrows indicate quarterly change



Market Size
11,137,638 SF



Vacancy
16.9%



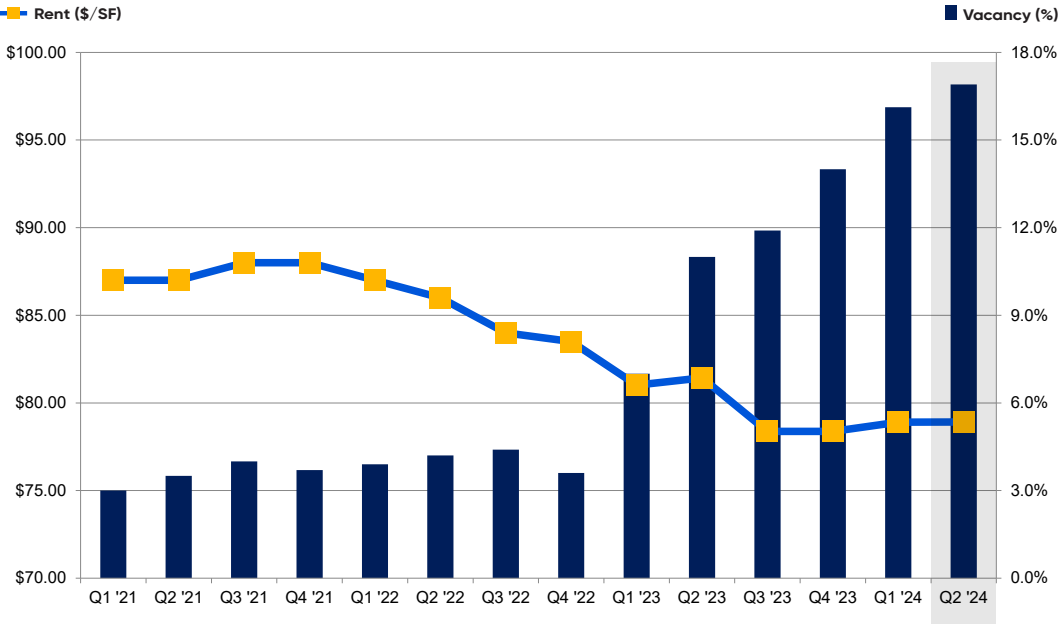
Sublease
9.4%



Available
26.3%

Historical Rent and Vacancy

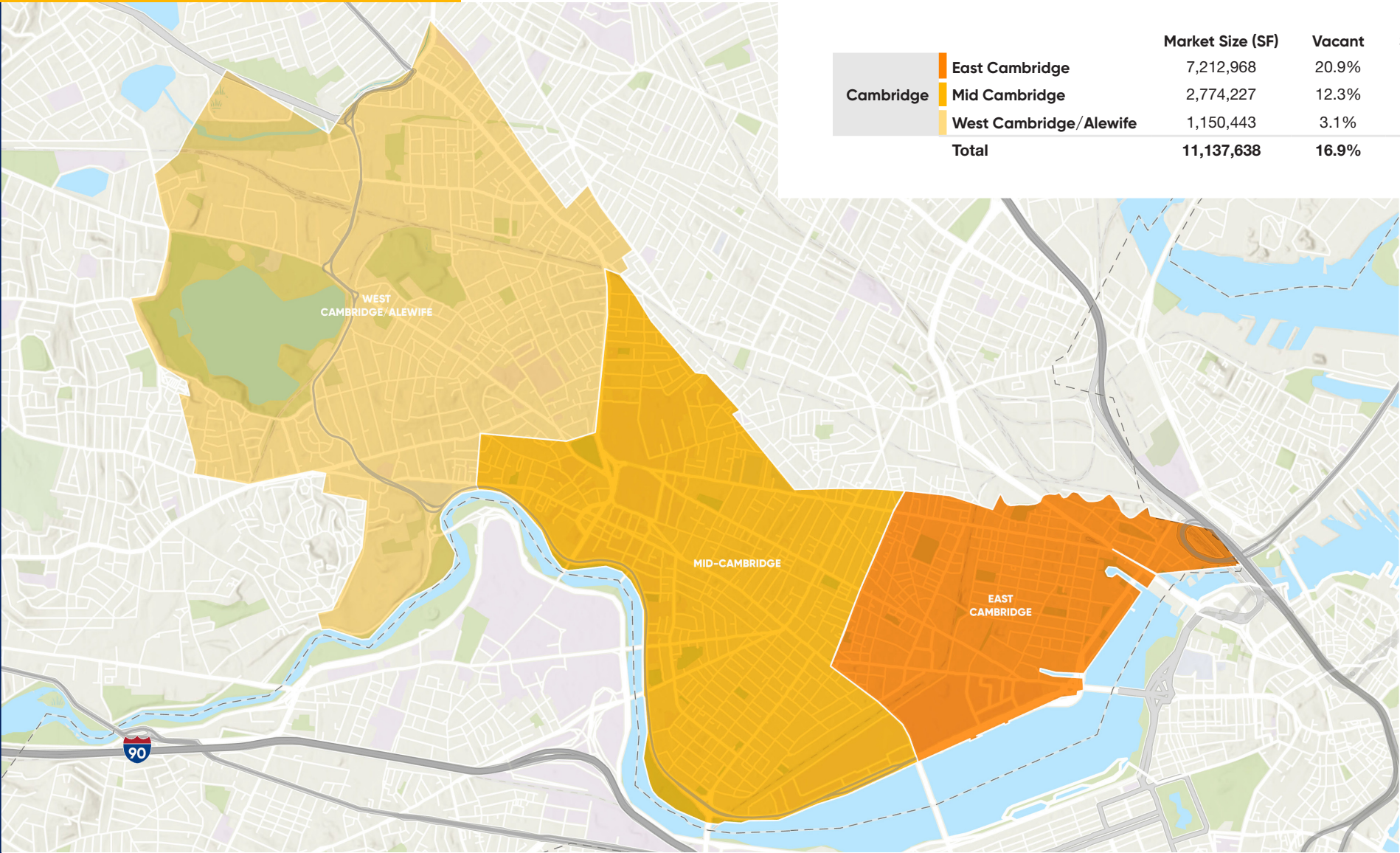
Vacancy is still climbing, up 10 percentage points since the start of 2023. While the historical chart is eye catching, the Cambridge office market continues to fare better than downtown Boston and the surrounding suburbs.



Notable Market Transactions

Tenant	Size (SF)	Submarket	Type
Cerevel Therapeutics	49,000	East Cambridge	Expansion (Sublease)
Everquote	16,000	East Cambridge	New Lease (Sublease)
Insilico Medicine	3,000	Mid Cambridge	New Lease





					Rent/SF	
Cambridge	East Cambridge	7,212,968	20.9%	10.5%	31.4%	\$90.00
	Mid Cambridge	2,774,227	12.3%	5.4%	17.7%	\$60.00
	West Cambridge/Alewife	1,150,443	3.1%	11.8%	14.9%	\$55.00
	Total	11,137,638	16.9%	9.4%	26.3%	\$78.91
		Class A	Class B			
		\$90.00	\$60.00			
		\$60.00	\$50.00			
		\$55.00	\$50.00			



Meet the Team



John Coakley
Managing Principal



Paul Delaney
Managing Principal



Carter Swaebe
Advisor



Adam Subber
Managing Principal



Dan Sullivan
Managing Principal

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.

Brian Gridley, Research Manager
bgridley@cresa.com

Contact

For more information about Cresa and the Boston CRE Market, please contact:

Cresa Boston
280 Congress Street
Boston, MA 02210
617.758.6000
cresa.com/boston

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