

# MARKETBEAT

## Office Snapshot Q3 2015

### Boston



#### BOSTON MARKET

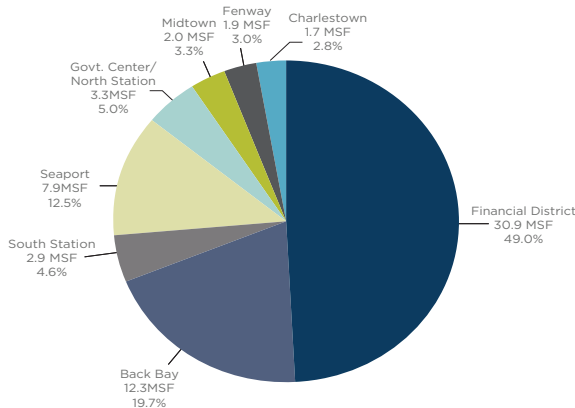
##### Market Indicators

	Q3 14	Q3 15	12-Month Forecast
MA Employment	3.41 M	3.50 M	▲
MA Unemployment	5.6%	4.7%	▼
US Unemployment	6.1%	5.1%	▼

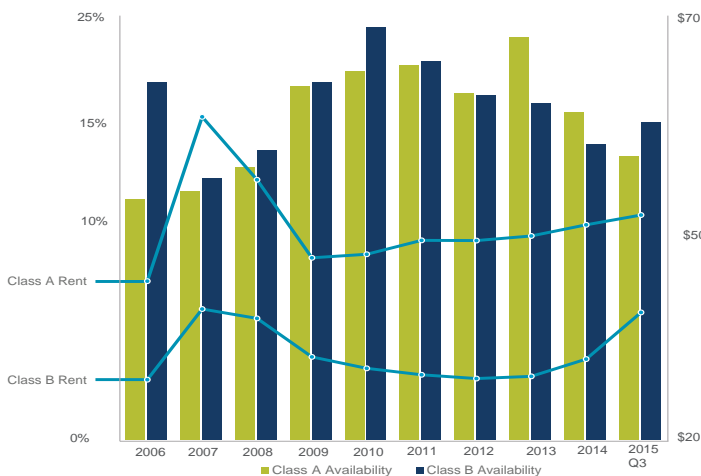
##### Market Indicators

	Q3 14	Q3 15	12-Month Forecast
Overall Vacancy	9.1%	7.1%	▼
Net Absorption	1,531,357	532,840	▼
Avg Asking Rent (FS)	\$44.05	\$46.44	▲

##### Inventory Breakdown



##### Class A&B Historical Availabilities and Rents



### Market Overview

It was a quiet quarter on paper in downtown Boston. At just over 500,000 square feet YTD, absorption was down by over a million square feet compared to the same time last year. Out of context, this could lead one to believe the market is cooling. But this couldn't be further from reality.

As we've seen since the beginning of the year, the spike in class B rents shows no sign of abating. With the exception of the Seaport (where class B rents were already over \$40 PSF), class B asking rents have jumped an average of 30% in the past 9 months. And deals are being executed at these rates - which means that as long as demand remains consistent, rents will remain high.

And as long as sale prices remain high, so will rents. The most critical sale thus far this year (and in recent memory) is Ontario-based Oxford Properties' pending purchase of 500 Boylston Street and 222 Berkeley Street in the Back Bay. With a total sale value of \$1.3 billion - an average price of over \$1,000 PSF - this is the highest price per square foot ever paid for a Boston building.

When the market heats up, speculative development is usually not far behind. And in the Seaport, it has begun. Skanska broke ground on the 415,000 SF 121 Seaport Boulevard in July while Tishman Speyer is scheduled to start on the 375,000 SF Pier 4 redevelopment this month.

### The Rise of Government Center

One of the submarkets we've paid less attention to in the past year is Gov't Center/North Station. While the North Station half of the equation has benefitted from the arrival of Converse's new headquarters at Lovejoy Wharf, the Gov't Center half has gone largely ignored. Until now.

Replacing Scollay Square in the early-1960s, Gov't Center is renowned for its Brutalist (yes, really) architecture and the government agencies that love it. But at the beginning of the year, the FBI vacated 125,000 SF at Center Plaza - leaving behind an opportunity for new owner Shorestein to attract growing technology companies to the neighborhood. In July, marketing app analytics firm Localytics committed to 55,000 SF on the third floor of 2 and 3 Center Plaza. While the the architecture may be decidedly unhip, we expect this part of town to become anything but in the coming months.

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SUBMARKET	TOTAL BLDGS	INVENTORY	TOTAL AVAILABLE	AVAILABILITY RATE	TOTAL VACANT	VACANCY RATE	YTD NET ABSORPTION	CNSTR DELIVERIES	AVERAGE ASKING RENT (OFFICE)	AVERAGE ASKING RENT (CLASS A)
Back Bay	52	12,332,624	1,876,971	15.2%	1,098,051	8.9%	(362,899)	0	\$55.48	\$59.92
Charlestown	14	1,748,336	481,884	27.6%	168,319	9.6%	18,035	0	\$30.01	\$34.00
Fenway	23	1,898,192	123,917	6.5%	30,085	1.6%	8,314	0	\$33.61	N/A
Financial District	125	30,921,319	4,504,270	14.6%	2,403,287	7.8%	799,327	0	\$48.10	\$49.56
Government Center/North Station	34	3,278,104	503,948	15.4%	129,500	4.0%	40,740	155,600	\$40.47	\$48.75
Midtown	21	2,012,109	175,861	8.7%	62,022	3.1%	95,798	0	\$38.89	N/A
Seaport	51	7,851,087	1,035,134	13.2%	542,761	6.9%	(26,371)	0	\$40.50	\$57.53
South Station	11	2,891,775	121,436	4.2%	45,416	1.6%	(40,104)	0	\$34.52	\$57.00
<b>Totals</b>	<b>331</b>	<b>62,933,546</b>	<b>8,823,421</b>	<b>14.0%</b>	<b>4,479,441</b>	<b>7.1%</b>	<b>532,840</b>	<b>155,600</b>	<b>\$46.44</b>	<b>\$51.89</b>

### Key Lease Transactions Q3 2015

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
125 High Street	150,000	Wells Fargo	Relocation/Expansion	Financial District
2-3 Center Plaza	55,000	Localytics	Relocation	Government Center/North Station
50 Milk Street	56,000	Cambridge Innovation Center (CIC)	Expansion	Financial District

### Key Sales Transactions Q3 2015

PROPERTY	SF	SELLER/BUYER	PRICE	SUBMARKET
75-101 Federal Street	813,195	Pearlmark RE Prtnrs/Rockpoint Group	\$326,500,000	Financial District
10-20 Channel Center Street	247,427	Beacon Capital/Ivanhoe Cambridge	\$100,000,000	Seaport
2 Oliver Street	223,445	Synergy/NTT Urban Development	\$79,000,000	Financial District

### About Cushman & Wakefield

Cushman & Wakefield is a global leader in commercial real estate services, helping clients transform the way people work, shop, and live. The firm's 43,000 employees in more than 60 countries provide deep local and global insights that create significant value for occupiers and investors around the world. Cushman & Wakefield is among the largest commercial real estate services firms in the world with revenues of \$5 billion across core services of agency leasing, asset services, capital markets, facilities services (branded C&W Services), global occupier services, investment management (branded DTZ Investors), tenant representation and valuations & advisory. To learn more, visit [www.cushmanwakefield.com](http://www.cushmanwakefield.com) or follow @Cushwake on Twitter.

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