

MARKET FUNDAMENTALS

	YOY Chg	Outlook
17.5% Vacancy Rate	▲	▲
-819.5K YTD Net Absorption, SF	▲	▲
\$47.68 Asking Rent, PSF <i>(Overall, All Property Classes)</i>	▲	▬

ECONOMIC INDICATORS

	YOY Chg	Outlook
2.8M Boston Employment	▼	▲
3.9% Boston Unemployment Rate	▲	▼
4.1% U.S. Unemployment Rate	▲	▲

Source: BLS

ECONOMY: POPULATION GROWTH

Boston's unemployment rate ticked up 40 basis points (bps) year-over-year (YOY) to 3.9%, though it remained below the U.S. average of 4.1%. Most office-using sectors posted job losses, save for financial activities, which recorded a slight annual uptick. Despite its relatively high cost of living, the region has remained attractive, posting population growth of by 1.9% since 2020, outperforming many of its peer gateway cities including New York and San Francisco, both of which lost population over the same period. Though economic uncertainty abounds, Greater Boston's diversified economy is likely to keep the region insulated from the worst effects of a slowdown.

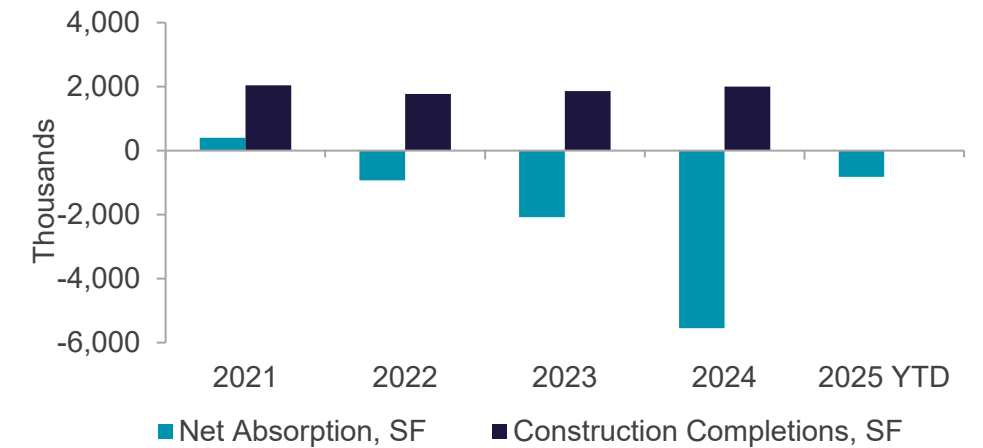
DEMAND: GREEN SHOOTS EMERGE

The dominance of renewals began to recede, as the market posted a significant spike in new demand. Quarterly leasing activity totaled 1.4 million-square-foot (msf), marking a robust 25.9% increase over Q4 2024's total, while the YOY jump was even sharper at 29.8%. Nine users inked deals 50,000 square feet (sf) or larger during the first quarter, six of which were new leases or significant expansions. Conversely, only 10 new transactions of that size were signed during the entirety of 2024 when renewals comprised the bulk of large deals. The quarter's largest transaction occurred at 125 Summer Street in the Financial District where Klaviyo renewed and expanded its current 160,000-sf lease by 90,000 sf, followed by Global Partners LP's deal for 100,000 sf in 128 Central. Boston's suburban office market started the year strong as three of the four submarkets recording more than 100,000-sf of new demand – the Financial District, 128 Central, 495 North, and 128 North – are situated outside the urban core.

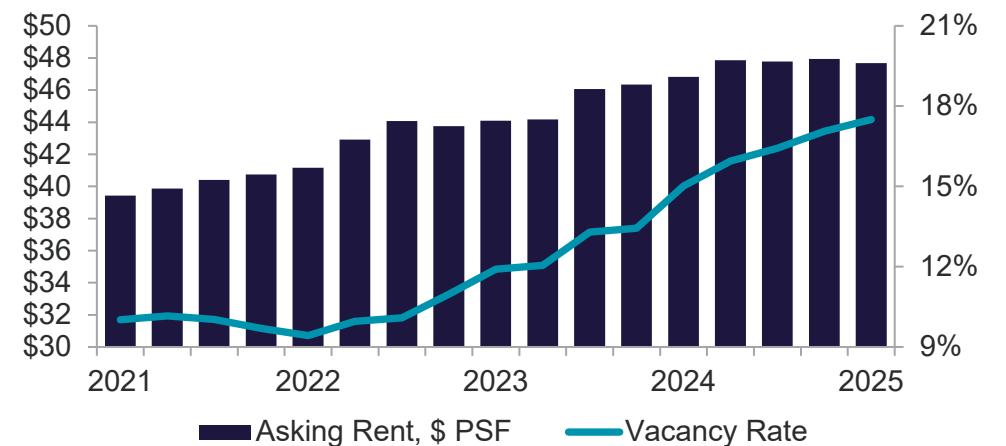
PRICING: AVERAGE ASKING RENT DIPS

The market's direct average asking rent declined for the third consecutive quarter to \$47.62 per square foot (psf), though Downtown and suburban rental trends continued to diverge with the latter posting a slight uptick to \$35.14 psf. Suburban rent growth was driven by Class A assets, which posted a 1.4% QOQ increase, while Class B asking rent dipped 0.3%. Meanwhile, asking rent in the Downtown cluster fell by a similar magnitude for both Class A and Class B product, dropping 1.1% and 1.3%, respectively.

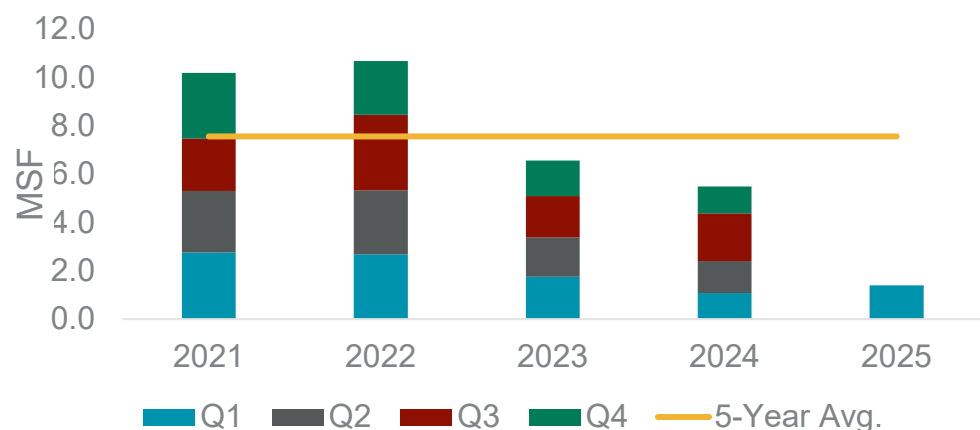
SPACE DEMAND / DELIVERIES



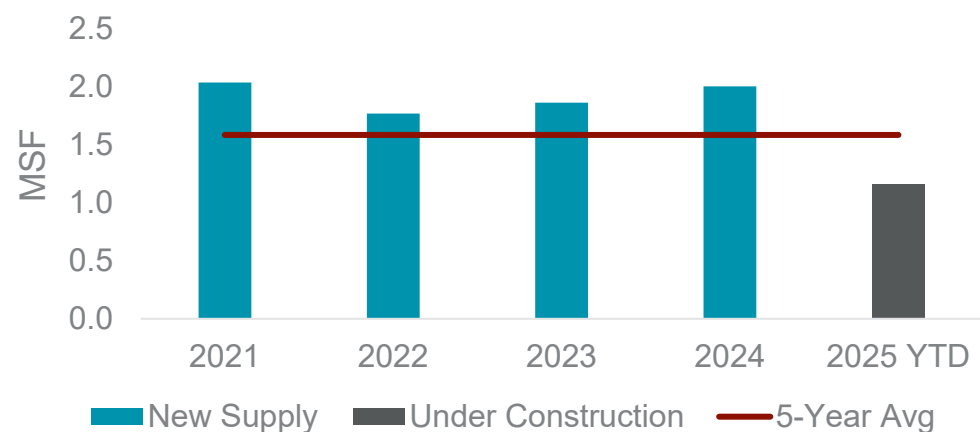
OVERALL VACANCY & ASKING RENT



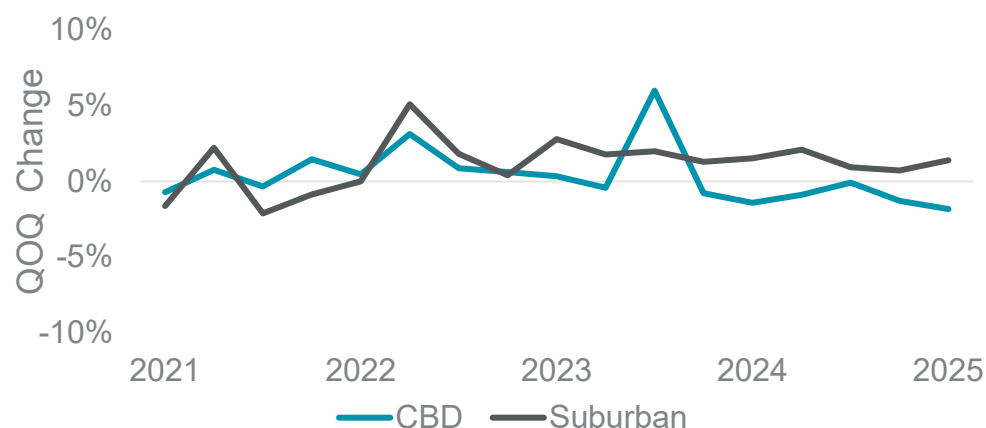
DEMAND: NEW LEASING ACTIVITY



SUPPLY: CONSTRUCTION DELIVERIES



PRICING: CLASS A DIRECT ASKING RENT TREND



SUPPLY: VACANCY UP BUT STABILIZING

Overall vacancy in Greater Boston’s office market ended the quarter 40 bps higher than where it began, climbing to 17.5%. Despite the increase, this represents a modest uptick compared with the 70-bp jump posted during the prior quarter, a positive signal for market fundamentals. Further, Boston remains one of the nation’s tightest gateway markets, and was one of only two to post a sub-20.0% vacancy rate this quarter. Geographically, increases were most pronounced in Cambridge and the 128 Belt, each of which recorded a 90-bp rise, pushing Cambridge to a record-high 20.3%. Downtown Boston and the Urban Ring posted modest increases of 30 bps and 10 bps, respectively, while vacancy in the 495 Belt was unchanged. Notably, vacancy in the Financial District, the market’s largest and frequently most active submarket, remained flat at 20.9%.

Sublease availability declined for the third consecutive quarter, falling to 9.2 msf, its lowest point since Q4 2023, though still 33.3% above the five-year average. While available sublease inventory eclipsed 500,000 sf in nine of Boston’s 19 submarkets, the three exceeding 1.0 msf – 128 Central, Financial District, and Seaport – accounted for nearly half of the market’s total. The average time on market has stretched, extending to 1.2 years in Downtown Boston, home to an outsize share of space. Spaces in the 50,000-sf and larger cohort have sat even longer, with an average of 1.9 years.

CONSTRUCTION: PIPELINE DWINDLES

Over the past five years, Greater Boston emerged as a nationwide leader in new construction deliveries, with 4.0% of current inventory delivered since the start of 2020. However, the pipeline has shrunk considerably in recent quarters as record-high vacancy, softened demand, and economic volatility have caused new groundbreakings to halt. While there was an absence of construction deliveries during the first quarter, all three buildings currently under construction are scheduled to be completed before the end of 2025. The largest, the 680,000-sf South Station Tower in the Financial District, secured its second tenant this quarter as FM inked a deal for 50,000 sf to complement its existing suburban campus.

OUTLOOK

- The forthcoming occupancy of large spaces leased during the first quarter, coupled with a slowdown in the pace of vacant product coming to market, should allow vacancy to stabilize after a sustained period of steady increases, provided the momentum in tenant demand continues.
- Asking rents are likely to continue to soften, potentially even more steeply, as the tenant-favorable environment remains sticky.

MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	DIRECT VACANT (SF)	SUBLET VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
Back Bay	14,650,392	2,140,611	440,163	17.6%	-75,752	-75,752	55,690	221,230	\$66.92	\$68.39
Fenway/Longwood	1,397,608	1,315	30,854	2.3%	-1,315	-1,315	0	0	\$90.29	\$91.50
Financial District	34,824,919	6,503,222	770,930	20.9%	-10,921	-10,921	482,356	680,000	\$67.97	\$72.26
Midtown/N Station	8,065,349	1,074,941	338,422	17.5%	-52,286	-52,286	48,096	0	\$50.30	\$54.72
Seaport	12,096,472	1,405,340	750,138	17.8%	-101,402	-101,402	43,405	258,000	\$57.24	\$70.12
BOSTON CBD TOTAL	71,034,740	11,125,429	2,330,507	18.9%	-241,676	-241,676	629,547	1,159,230	\$64.23	\$70.28
Alewife	1,153,069	111,122	126,389	20.6%	-24,007	-24,007	1,404	0	\$57.97	\$69.74
East Cambridge	9,472,557	1,485,743	553,586	21.5%	-88,802	-88,802	40,749	0	\$76.31	\$83.72
Mid Cambridge	2,103,241	292,923	15,600	14.7%	-1,797	-1,797	1,535	0	\$66.49	\$86.19
CAMBRIDGE TOTAL	12,728,867	1,889,788	695,575	20.3%	-114,606	-114,606	43,688	0	\$72.82	\$82.64
Urban North	7,013,042	857,060	176,922	14.7%	-20,324	-20,324	10,648	0	\$43.67	\$41.64
Urban South	2,348,809	135,047	31,184	7.1%	0	0	8,030	0	\$41.38	\$40.00
Urban West	1,364,982	88,707	28,712	8.6%	23,523	23,523	5,609	0	\$43.51	\$46.07
Watertown	992,599	436,131	32,685	47.2%	-2,200	-2,200	0	0	\$35.03	\$29.00
URBAN RING TOTAL	11,719,432	1,516,945	269,503	15.2%	999	999	24,287	0	\$40.73	\$36.94
128 Central	25,437,618	4,001,709	1,439,886	21.4%	-298,354	-298,354	352,100	0	\$37.75	\$39.27
128 North	11,054,952	1,392,104	83,083	13.3%	9,918	9,918	100,243	0	\$26.36	\$27.80
128 South	15,887,867	1,836,968	282,808	13.3%	-156,190	-156,190	32,147	0	\$29.42	\$31.02
128 BELT TOTAL	52,380,437	7,230,781	1,805,777	17.3%	-444,626	-444,626	484,490	0	\$34.04	\$35.74
495 North	26,454,245	4,165,197	439,284	17.4%	-67,308	-67,308	103,907	0	\$26.25	\$27.41
495 South	4,578,239	502,189	187,204	15.1%	-6,264	-6,264	14,443	0	\$23.53	\$24.76
495 West	12,867,090	1,524,870	405,278	15.0%	-68,055	-68,055	84,292	0	\$24.34	\$27.73
Framingham/Natick	6,059,674	467,975	30,833	8.2%	122,041	122,041	15,099	0	\$25.88	\$26.66
495 BELT TOTAL	49,959,248	6,660,231	1,062,599	15.5%	-19,586	-19,586	217,741	0	\$25.59	\$27.27
BOSTON TOTALS	197,822,724	28,423,174	6,163,961	17.5%	-819,495	-819,495	1,399,753	1,159,230	\$47.68	\$51.51

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q1 2025

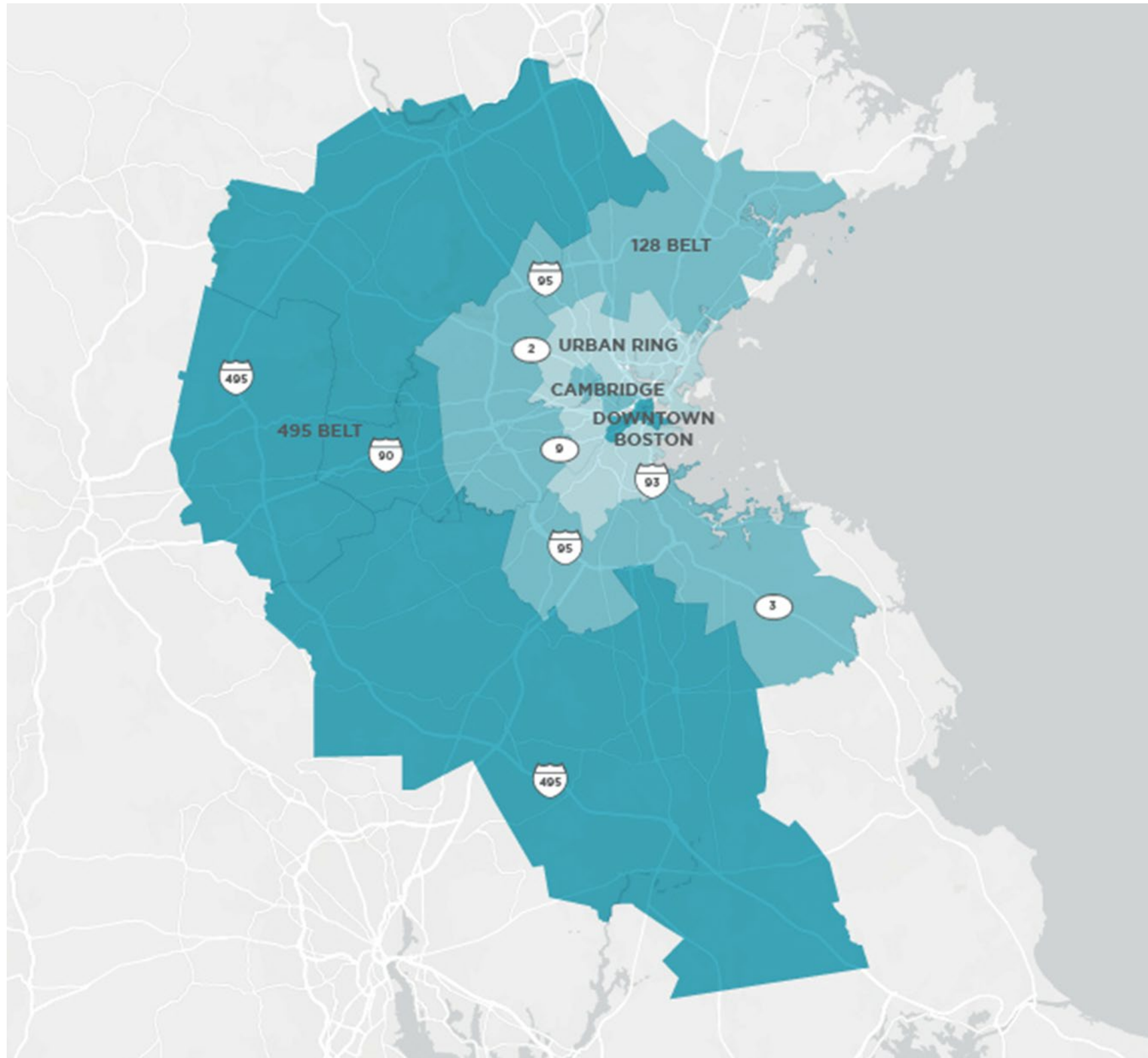
PROPERTY	SUBMARKET	TENANT	SF	TYPE
125 Summer Street	Financial District	Klaviyo	256,604	Renewal*/Expansion
155 Seaport Boulevard	Seaport	Nutter	131,408	Renewal*
275 Grove Street	128 Central	Global Partners, LP	100,419	New Lease
400 First Avenue	128 Central	Advisor360	83,516	Sublease
1 International Place	Financial District	Proskauer Rose LLP	70,590	Renewal*

*Renewals not included in leasing statistics

KEY PROJECTS UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
South Station Tower	Financial District	Jones Day, FM	680,000	Hines
10 World Trade Center	Seaport	-	258,000	Boston Global Investors LLC
350 Boylston Street	Back Bay	Bain & Company	221,000	The Druker Co. Ltd.

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