

**MARKET FUNDAMENTALS**

	YOY Chg	Outlook
<b>17.7%</b> Vacancy Rate	▲	▲
<b>-1.4M</b> YTD Net Absorption, SF	▲	▲
<b>\$47.05</b> Asking Rent, PSF <i>(Overall, All Property Classes)</i>	▼	▬

**ECONOMIC INDICATORS**

	YOY Chg	Outlook
<b>2.8M</b> Boston Employment	▲	▲
<b>4.3%</b> Boston Unemployment Rate	▲	▼
<b>4.2%</b> U.S. Unemployment Rate <i>Source: BLS</i>	▲	▲

**ECONOMY: MASSACHUSETTS ON TOP**

Boston's unemployment rate crept up to 4.3% during Q2, eclipsing the U.S. rate by a modest 10 basis points (bps). However, it remains lower than most of its peer gateway cities including Washington D.C., Chicago, Los Angeles, and New York City. Some office-using sectors of the economy recorded year-over-year (YOY) growth including government and financial activities while others – like professional and business services and the information industry – posted net losses. Notably, WalletHub named Massachusetts the state with the best economy in 2025, citing its high share of jobs in high-tech industries and ranking it number one for innovation potential.

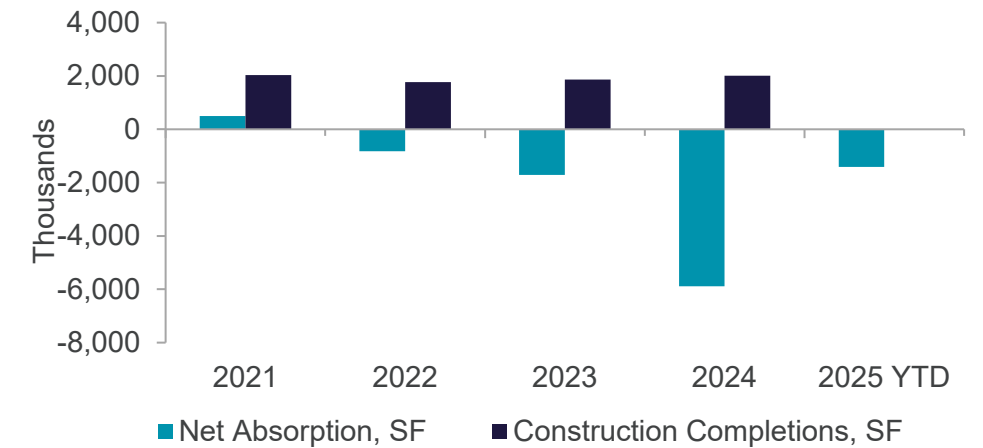
**SUPPLY: VACANCY STABILIZING**

Overall vacancy rose 40 bps quarter-over-quarter (QOQ) to 17.7%, though vacancy improved or remained stable in eight of the market's 19 submarkets. While vacancy rose 50 bps in suburban submarkets, Downtown Boston recorded no change, marking the first time since mid-2023 that the Central Business District (CBD) did not record an increase QOQ. Despite posting the most pronounced quarterly increase, jumping 90 bps to 15.7%, the Urban Ring remained the market's tightest geographic cluster. While Class A assets have outperformed in Downtown Boston and Cambridge, the flight to quality was far less prominent in the Suburbs where vacancy in Class B product ended Q2 significantly lower than in the higher-quality cohort. The gulf was most substantial in the 128 Belt, which recorded a Class B vacancy rate of 11.5%, more than 1,000 bps lower than Class A. While vacancy has begun to show signs of stabilizing, two large speculative developments – South Station Tower and 10 World Trade Center – are scheduled to bring nearly 850,000 square feet (sf) of vacant space to market upon delivery during the second half of 2025, provided no additional commitments are secured.

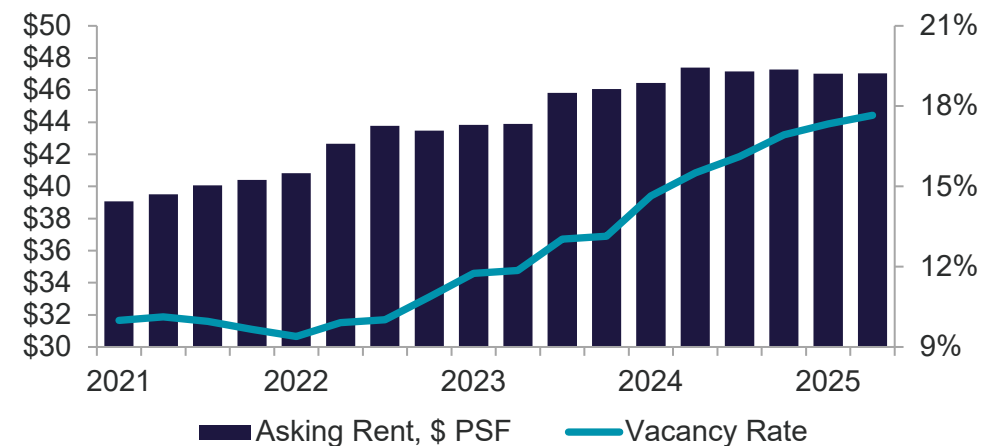
**PRICING: AVERAGE ASKING RENT HOLDS STEADY**

The market's overall weighted average asking rent remained largely unchanged QOQ ending Q2 at \$47.05 psf, though this represents a \$0.35 psf decrease YOY. Average overall asking rents dipped in four of the market's five geographic clusters, with the 128 Belt recording a slight 1.5% climb QOQ to \$34.03 psf. The spread in asking rates between asset classes was significantly wider in the CBD than in the suburbs, with Class A space there commanding a 30.6% premium over Class B.

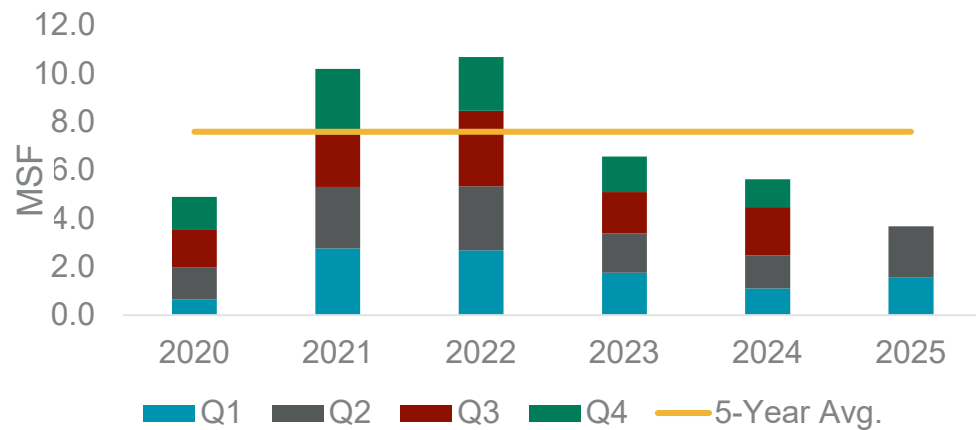
**SPACE DEMAND / DELIVERIES**



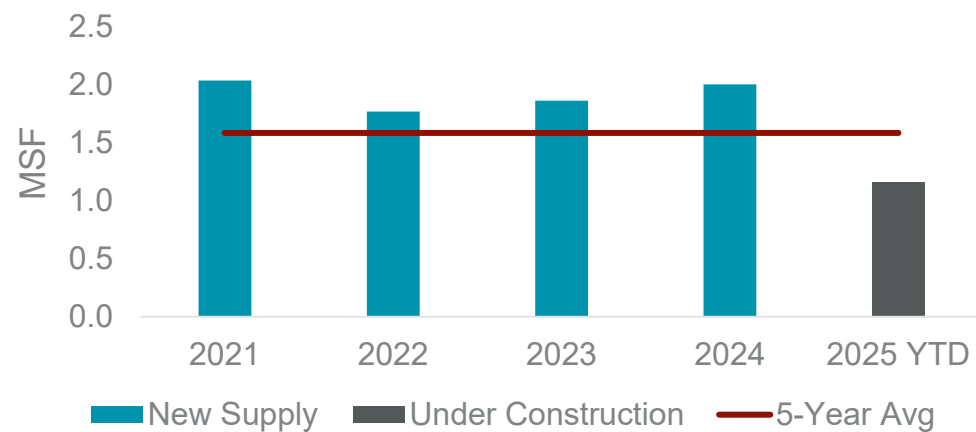
**OVERALL VACANCY & ASKING RENT**



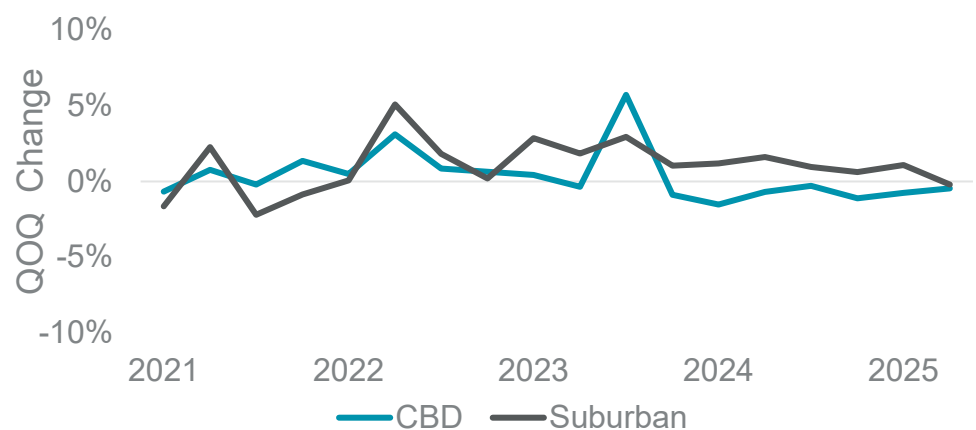
**DEMAND: NEW LEASING ACTIVITY**



**SUPPLY: CONSTRUCTION DELIVERIES**



**PRICING: CLASS A DIRECT ASKING RENT TREND**



**DEMAND: HEALTHY ACTIVITY AMID GROWING FOOTPRINTS**

Greater Boston’s office market demonstrated resilience during the second quarter, posting its highest quarterly leasing total since Q4 2022 with nearly 2.1 million square feet (msf) inked. This boosted year-to-date (YTD) leasing to 3.7 msf – 39.3% higher than during the same period in 2024. The Financial District and 128 Central submarkets alone accounted for 47.5% of the market’s YTD leasing total, each recording more than 750,000 sf of demand during the first half of 2025. While several large transactions bolstered the 128 Central total, activity in the Financial District was instead comprised of a high volume of smaller and mid-sized tenants, only two of which exceeded 30,000 sf. Notably, each of five largest new deals signed YTD were executed in suburban submarkets, though Downtown claims the year’s largest transaction – Klaviyo’s renewal/expansion at 125 Summer Street. Another green shoot for demand emerged during the first half of 2025 as average deal size expanded. While average footprints increased a modest 2.5% for all transaction sizes to 8,300 sf, larger deals (20,000 sf+) demonstrated more robust growth, expanding 11.2% to 43,000 sf. At the midpoint of the year, eight occupiers have inked deals 50,000 sf or larger, already approaching the nine executed during the entirety of 2024.

Downtown Boston posted positive direct net absorption during Q2, recording 40,000 sf of net occupancy gains. Back Bay led, fueled by Lego taking occupancy of its 160,000-sf new headquarters at 1001 Boylston Street.

**SALES: SIGNIFICANT UPTICK YOY**

Momentum in the investment sales market continued as 4.3 msf of product traded across Greater Boston during the first two quarters of the year, already exceeding the entirety of 2024’s volume by 42.5%. This total was comprised of 22 transactions, seven of which were in the CBD, including 99 High Street, the market’s most significant sale of Q2. Synergy Investments acquired the 731,000-sf building from Nuveen for \$227 million (\$310 psf). Following a now-familiar trend, this marked a significant drop from both its assessed value and prior sale price in 2005.

While investment sales accounted for the bulk of YTD transaction activity, suburban Boston was home to a significant owner-user sale as The TJX Cos. Inc. paid \$24.3 million to acquire a 162,000-sf two-building portfolio on Speen Street in Framingham to expand its existing headquarters.

**OUTLOOK**

- Despite potential macroeconomic uncertainty, continued momentum in tenant demand will allow market fundamentals to stabilize further, particularly in suburban submarkets.
- The forthcoming delivery of largely uncommitted speculative developments could cause a spike in Downtown vacancy during the second half of 2025.
- While sales volume will remain elevated over 2024 levels, valuations are predicted to fall further, which would have a ripple effect across the city’s economy.

**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	1,901,381	453,304	16.1%	74,778	52,151	285,005	221,230	\$66.40	\$69.59
Fenway/Longwood	1,397,608	33,453	28,633	4.4%	-32,138	-44,232	0	0	\$78.84	\$79.29
Financial District	34,925,241	6,361,215	738,012	20.3%	-76,513	-88,682	977,062	680,000	\$67.27	\$72.30
Midtown/N Station	8,065,349	1,011,661	433,690	17.9%	25,970	-115,405	107,434	0	\$49.20	\$51.96
Seaport	12,150,949	1,376,692	643,695	16.6%	3,210	-71,208	111,147	258,000	\$56.33	\$69.78
<b>BOSTON CBD TOTAL</b>	<b>71,189,539</b>	<b>10,684,402</b>	<b>2,297,334</b>	<b>18.2%</b>	<b>-4,693</b>	<b>-267,376</b>	<b>1,480,648</b>	<b>1,159,230</b>	<b>\$63.35</b>	<b>\$69.79</b>
Alewife	1,153,069	112,177	128,389	20.9%	-3,055	-27,062	10,569	0	\$58.45	\$69.74
East Cambridge	9,490,065	1,472,473	553,586	21.4%	8,968	-79,834	85,294	0	\$76.08	\$83.55
Mid Cambridge	2,103,241	310,919	46,406	17.0%	-48,802	-50,599	1,535	0	\$65.40	\$86.19
<b>CAMBRIDGE TOTAL</b>	<b>12,746,375</b>	<b>1,895,569</b>	<b>728,381</b>	<b>20.6%</b>	<b>-42,889</b>	<b>-157,495</b>	<b>97,398</b>	<b>0</b>	<b>\$72.45</b>	<b>\$82.48</b>
Urban North	7,013,042	952,721	155,235	15.8%	-115,036	-114,210	65,707	0	\$41.27	\$38.57
Urban South	2,348,809	135,047	23,154	6.7%	8,030	8,030	8,030	0	\$41.38	\$40.00
Urban West	1,364,982	59,688	16,189	5.6%	8,734	32,257	14,343	0	\$41.26	\$43.14
Watertown	1,021,987	490,631	12,300	49.2%	-4,500	-6,700	14,398	0	\$34.25	\$29.00
<b>URBAN RING TOTAL</b>	<b>11,748,820</b>	<b>1,638,087</b>	<b>206,878</b>	<b>15.7%</b>	<b>-102,772</b>	<b>-80,623</b>	<b>102,478</b>	<b>0</b>	<b>\$38.98</b>	<b>\$34.89</b>
128 Central	25,210,093	4,299,857	1,067,829	21.3%	-43,707	-174,229	765,824	0	\$38.01	\$39.49
128 North	11,054,952	1,401,651	84,335	13.4%	-43,317	-37,140	257,365	0	\$27.28	\$28.41
128 South	15,903,909	2,044,501	237,275	14.4%	-11,097	-159,875	395,738	0	\$29.31	\$31.17
<b>128 BELT TOTAL</b>	<b>52,168,954</b>	<b>7,746,009</b>	<b>1,389,439</b>	<b>17.5%</b>	<b>-98,121</b>	<b>-371,244</b>	<b>1,418,927</b>	<b>0</b>	<b>\$34.03</b>	<b>\$35.82</b>
495 North	26,851,058	4,416,510	624,123	18.8%	-226,057	-369,315	319,087	0	\$25.73	\$27.17
495 South	4,578,239	533,310	187,204	15.7%	112	-6,152	15,543	0	\$23.65	\$24.80
495 West	12,867,090	1,683,073	422,380	16.4%	-103,954	-227,744	153,953	0	\$24.22	\$27.55
Framingham/Natick	6,059,674	499,394	47,261	9.0%	-31,838	74,194	80,363	0	\$25.74	\$26.63
<b>495 BELT TOTAL</b>	<b>50,356,061</b>	<b>7,132,287</b>	<b>1,280,968</b>	<b>16.7%</b>	<b>-361,737</b>	<b>-529,017</b>	<b>568,946</b>	<b>0</b>	<b>\$25.22</b>	<b>\$27.10</b>
<b>BOSTON TOTALS</b>	<b>198,209,749</b>	<b>29,096,354</b>	<b>5,903,000</b>	<b>17.7%</b>	<b>-610,212</b>	<b>-1,405,755</b>	<b>3,668,397</b>	<b>1,159,230</b>	<b>\$47.05</b>	<b>\$51.57</b>

\*Rental rates reflect full service asking

**KEY LEASE TRANSACTIONS Q2 2025**

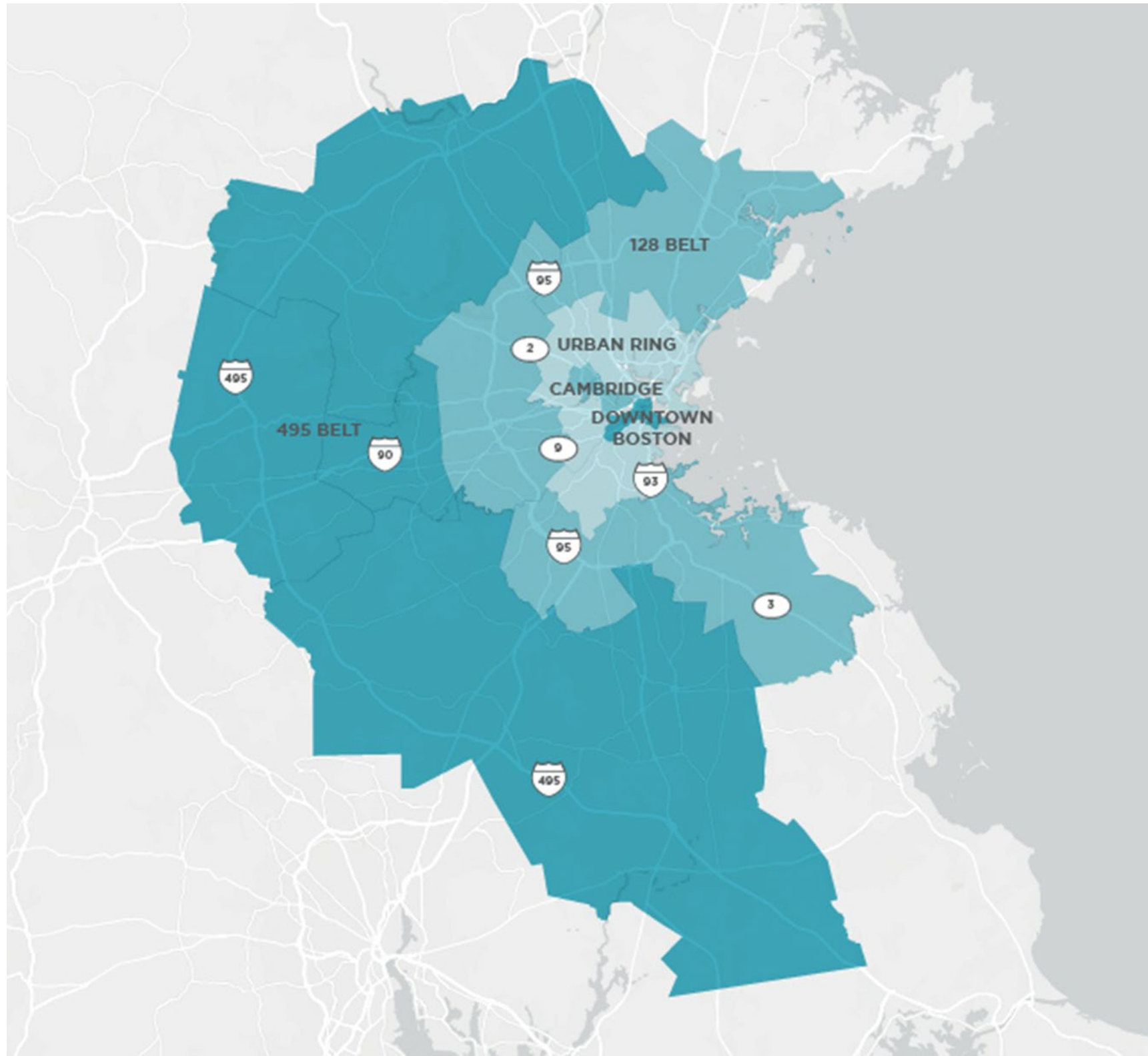
PROPERTY	SUBMARKET	TENANT	SF	TYPE
1050 Winter Street	128 Central	Anduril Industries	162,000	New Lease
880 Technology Park Drive	495 North	Medtronic	151,564	Renewal*/Expansion
1 Technology Place	128 South	Rockland Trust Bank	140,000	New Lease
60 Acorn Park Drive	Alewife	Forrester Research	118,286	Renewal*
400 Crown Colony Drive	128 South	Massachusetts Trial Court	71,483	New Lease

\*Renewals not included in leasing statistics

**KEY SALES TRANSACTIONS Q2 2025**

PROPERTY	SUBMARKET	SELLER/BUYER	SF	PRICE / \$ PSF
99 High Street	Financial District	Nuveen/Synergy Investments	731,204	\$227M/ \$310.45
343 Congress Street	Seaport	Bentall Green Oak/North Colony Asset Mgmt.	114,677	\$48M/ \$416.39
160 Gould Street	128 Central	James Campbell Co./Riverside Properties, Inc.	135,698	\$19M/ \$140.02

OFFICE SUBMARKETS



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