

MARKET FUNDAMENTALS

	YOY Chg	Outlook
18.4% Vacancy Rate	▲	▲
-2.7M YTD Net Absorption, SF	▲	▲
\$48.60 Asking Rent, PSF <i>(Overall, All Property Classes)</i>	▲	▬

ECONOMIC INDICATORS

	YOY Chg	Outlook
2.8M Boston Employment	▲	▼
4.5% Boston Unemployment Rate	▲	▼
4.3% U.S. Unemployment Rate	▲	▲

Source: BLS

ECONOMY:

After a sustained period of outperforming the national average, Boston's unemployment rate ticked up to 4.5%, exceeding the U.S. rate for the second consecutive quarter. Job growth was sluggish across most sectors year-over-year (YOY), though financial activities and government reported modest gains. Despite uncertainty in the macroeconomy, recent headquarters relocation announcements from firms elsewhere in New England underscore Boston's continued attractiveness for large office-using occupiers.

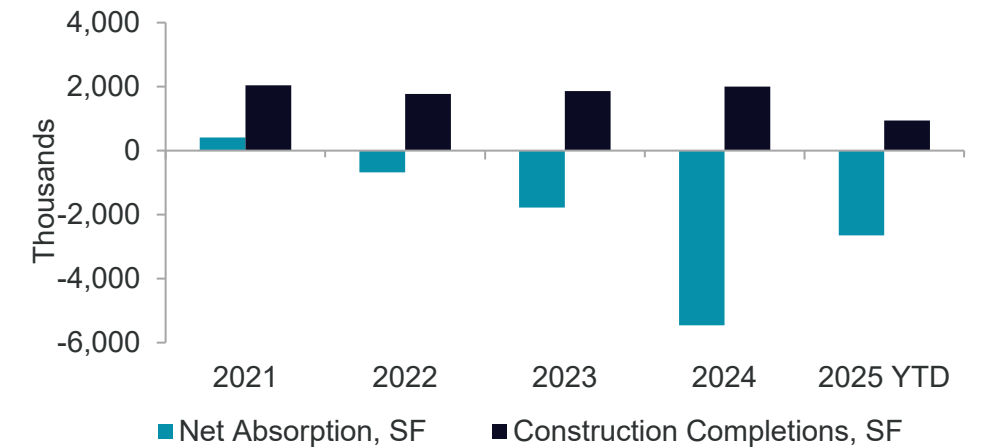
SUPPLY:

Net occupancy losses continued to plague Greater Boston's office market, as all five geographic clusters posted vacancy increases, yielding an overall market climb of 100 basis points (bps) to 18.4%. Fueled by the delivery of South Station Tower in the Financial District and 10 World Trade in the Seaport, both of which remain largely uncommitted, vacancy continued to increase at a quicker pace in Downtown Boston than in the rest of the market, rising 160 bps compared with 60 bps in the suburbs. Despite record-high vacancy rates, Boston remained tighter than all but one of its peer gateway markets and ended the quarter 200 bps lower than the overall Northeast average.

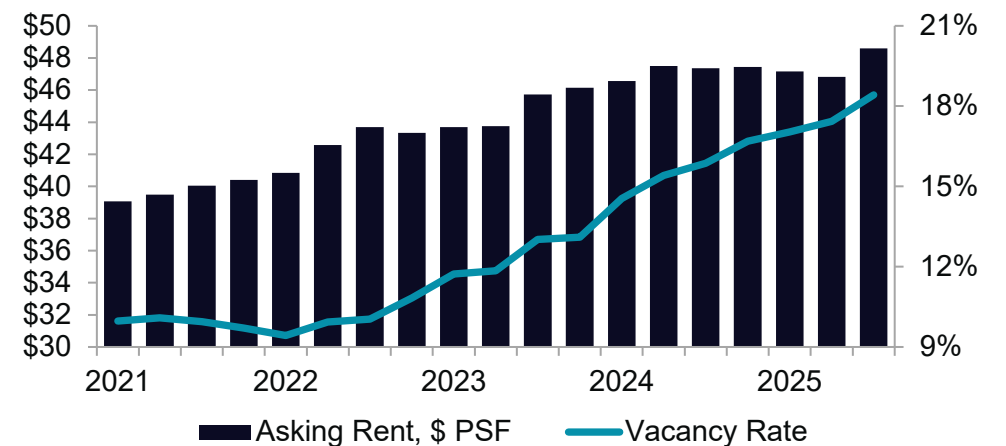
PRICING:

The market's overall weighted average asking rent ticked up 3.8% quarter-over-quarter (QOQ) to \$48.60 per square foot (psf), with 11 of 19 submarkets and all five geographic clusters posting quarterly rent growth. Bolstered by significant blocks of high-quality vacant space coming to market in the aforementioned recently delivered assets, which command a substantial premium over the market average, Downtown's overall average asking rent climbed an even steeper 4.1% over the same period to \$65.82 psf. After averaging a \$10.84 psf divide over the past five years, the gulf between asset classes expanded to its highest point in recent market history, with average asking rates for vacant Class A space exceeding Class B by nearly \$14.00 psf.

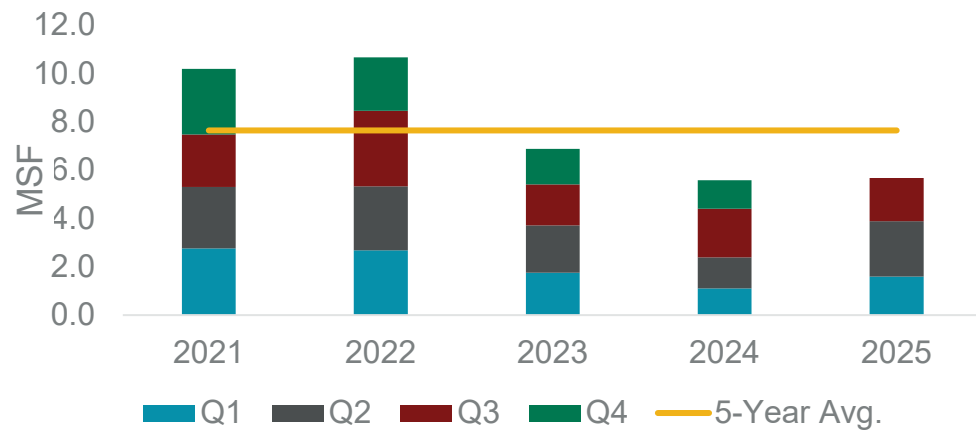
SPACE DEMAND / DELIVERIES



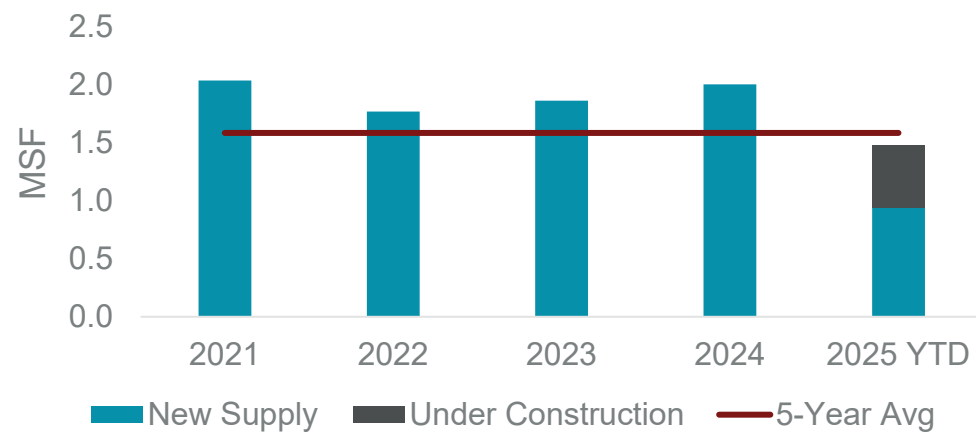
OVERALL VACANCY & ASKING RENT



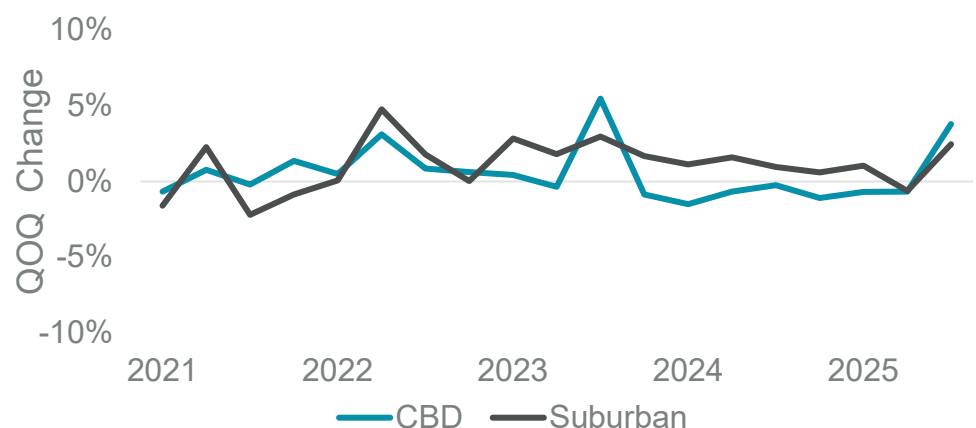
DEMAND: NEW LEASING ACTIVITY



SUPPLY: CONSTRUCTION DELIVERIES



PRICING: CLASS A DIRECT ASKING RENT TREND



DEMAND

Notable bright spots emerged on the demand side as the market continued to trend toward a gradual rebound. Most significantly, the 5.7 million square feet (msf) of new leasing activity recorded during the first three quarters of the year has already surpassed 2024's entire annual total by more than 90,000 square feet (sf). Eight transactions 50,000 sf or larger were inked across Greater Boston during the third quarter, all of which occurred in Class A assets and only two of which were renewals. The bifurcation between Class A and Class B continued to widen as higher-tiered assets captured a disproportionate three-quarters of all leases signed in Q3 across the market. The gap was most pronounced in Downtown Boston where 89.3% of the 956,000 sf of demand occurred in Class A buildings, including the largest transaction of the year. In a much-anticipated announcement, Hasbro inked a deal to sublease 265,000 sf from Foundation Medicine in the Seaport for its new headquarters in a relocation from Rhode Island. The quarter's largest suburban deal was signed in the 128 South submarket as Arbella Insurance committed to a 178,000-sf footprint. This boosted the 128 Belt's year-to-date total to 2.1 msf, exceeding 2023 and 2024's yearly totals and putting the cluster on pace to record its most robust annual leasing volume since 2021.

Despite the overall market posting net occupancy losses, quarterly net absorption was in the black in five submarkets, all but one of which are in the suburbs. Reflecting shifting occupier preferences and a recalibration of space needs, tenant footprints continued to trend downward with the average deal size in Q3 falling to 10,400 sf, contracting by more than one-third YOY. As these spaces are absorbed throughout the coming quarters and larger footprints are vacated elsewhere in the market, negative net absorption is likely to persist.

CONSTRUCTION

With the third quarter delivery of Greater Boston's most recent developments – South Station Tower and 10 World Trade – speculative office construction has ground to a halt, reflecting the shifting market dynamics at play since the outbreak of the pandemic. Just 10.4% of inventory across the two developments has been leased, providing ample opportunity for large-block users in search of highly-amenitized and well-located space. Two build-to-suit projects comprise the market's remaining pipeline: a 221,000-sf headquarters for Bain & Company in Back Bay, and an expansion of FM Global's Norwood campus by 320,000 sf.

Boston's office to residential conversion program continued to gain traction as its first development opened to tenants during the third quarter. Construction is scheduled to begin on an additional 100 units before the end of the year.

OUTLOOK

- Greater Boston's office market is on pace to record its strongest annual demand total since 2022, providing leasing momentum continues on its current trajectory.
- Further investment in the office-residential conversion program could help stabilize market fundamentals as underperforming or obsolete properties are repurposed and removed from inventory over the coming years.

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	1,798,885	447,707	15.3%	29,073	87,397	382,269	221,230	\$66.03	\$69.04
Fenway/Longwood	1,397,608	33,453	28,633	4.4%	0	-44,232	0	0	\$77.74	\$78.08
Financial District	35,562,895	7,194,058	748,182	22.3%	-370,509	-319,490	1,426,078	0	\$70.12	\$74.85
Midtown/N Station	8,065,349	1,044,800	444,316	18.5%	-32,234	-147,639	187,728	0	\$47.69	\$50.21
Seaport	12,408,949	1,665,338	624,847	18.5%	-9,469	-99,077	475,025	0	\$62.02	\$83.46
BOSTON CBD TOTAL	72,085,193	11,736,534	2,293,685	19.5%	-383,139	-523,041	2,471,100	221,230	\$65.82	\$72.49
Alewife	1,153,069	181,265	128,389	26.9%	-70,280	-97,342	20,699	0	\$58.55	\$69.74
East Cambridge	9,060,065	1,528,775	456,046	21.9%	-78,636	-77,946	102,886	0	\$78.97	\$86.68
Mid Cambridge	2,103,241	310,919	48,357	17.1%	-1,951	-52,550	26,032	0	\$65.81	\$86.19
CAMBRIDGE TOTAL	12,316,375	2,020,959	632,792	21.6%	-150,867	-227,838	149,617	0	\$74.86	\$85.15
Urban North	6,963,042	967,035	169,230	16.3%	-35,049	-155,759	57,338	0	\$40.97	\$38.36
Urban South	2,348,809	135,047	0	5.8%	0	8,030	12,176	0	\$41.50	\$40.00
Urban West	1,364,982	34,980	16,189	3.8%	24,708	56,965	32,732	0	\$37.02	\$37.02
Watertown	1,021,987	498,431	4,500	49.2%	0	-6,700	14,398	0	\$34.40	\$29.00
URBAN RING TOTAL	11,698,820	1,635,493	189,919	15.6%	-10,341	-97,464	116,644	0	\$38.82	\$34.62
128 Central	25,210,093	4,846,716	1,013,970	23.3%	-513,679	-801,878	1,027,524	0	\$38.00	\$39.26
128 North	11,054,954	1,383,466	79,182	13.2%	85,987	25,733	339,871	0	\$27.21	\$28.71
128 South	15,903,909	1,951,125	214,771	13.6%	21,830	-224,877	753,967	320,000	\$28.99	\$30.98
128 BELT TOTAL	52,168,956	8,181,307	1,307,923	18.2%	-405,862	-1,001,022	2,121,362	320,000	\$34.22	\$36.09
495 North	26,780,565	4,561,340	596,724	19.3%	-204,952	-646,813	412,548	0	\$25.82	\$27.23
495 South	4,578,239	521,974	183,242	15.4%	-11,192	-18,074	63,046	0	\$23.60	\$25.18
495 West	13,022,526	1,847,585	385,198	17.2%	-40,352	-234,919	222,252	0	\$24.86	\$28.56
Framingham/Natick	6,059,674	459,900	47,261	8.4%	21,652	95,846	115,850	0	\$25.50	\$26.43
495 BELT TOTAL	50,441,004	7,390,799	1,212,425	17.1%	-235,574	-803,960	813,696	0	\$25.42	\$27.37
BOSTON TOTALS	198,710,348	30,965,092	5,636,744	18.4%	-1,185,783	-2,653,325	5,672,419	541,230	\$48.60	\$53.36

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q3 2025

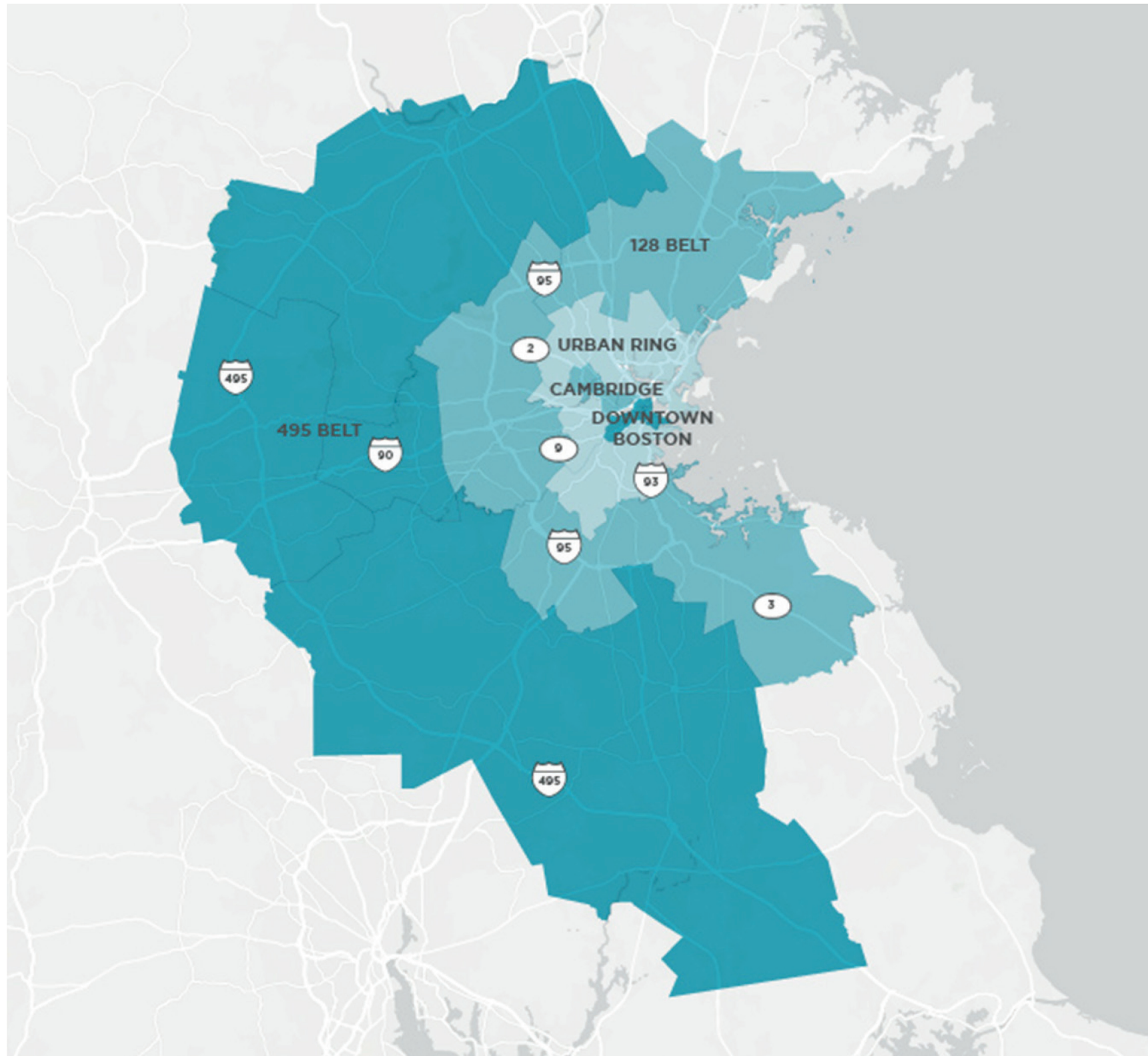
PROPERTY	SUBMARKET	TENANT	SF	TYPE
400 Summer Street	Seaport	Hasbro	265,000	Sublease
1200 Crown Colony Drive	128 South	Arbella Insurance Company	178,224	New Lease
2 International Place	Financial District	KKR	140,000	New Lease
225 Franklin Street	Financial District	DataDog	125,000	Renewal*/Expansion
1 Enterprise Drive	128 South	DCAMM	98,688	New Lease

*Renewals not included in leasing statistics

KEY CONSTRUCTION DELIVERIES Q3 2025

PROPERTY	SUBMARKET	MAJOR TENANTS	SF	OWNER DEVELOPER
680 Atlantic Avenue	Financial District	FM Global, Jones Day, Citadel Enterprises	680,000	Hines
10 World Trade Center – Office Portion	Seaport	-	258,000	Boston Global Investors

OFFICE SUBMARKETS



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