

BOSTON OFFICE MARKET

Yardi® Matrix

Market Analysis

First Quarter 2019

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Strong Momentum Drives Expansion



Boston's diverse economic base and solid fundamentals are pointing toward what seems to be another banner year for the office sector. Rooted in education, life sciences and technology, Boston is drawing in major companies with tax incentives, leading universities and an educated workforce. Furthermore, the metro leads in technological advancement and medical innovation. As of September, Boston had 605,000 office-using jobs, with the most significant growth coming from professional and business services (25,900, up 4.4%).

Strong demand for quality office and large blocks of space is driving Boston's robust development pipeline, prompting developers to break ground even on speculative projects in the current phase of the real estate cycle. Almost 5.3 million square feet was underway as of October—representing 5.1% of total stock—1.2 million of which was slated for completion by the end of 2018. The Central Business District is highly sought-after, with companies looking for new and amenity-laden space in core submarkets. Verizon's digital publishing subsidiary, Oath, already signed on as anchor tenant at Phase 3 of The Hub on Causeway, expected to deliver in 2021.

Investment activity has cooled down compared to previous years, largely in line with national trends. Investor interest remains healthy, as more than \$2.9 million in office assets traded in the metro through October. With acquisition yields for highly rated office properties in the 4.8% to 5.5% range, Boston is in step with other top-tier cities, such as Seattle and Washington, D.C.