

Yardi® Matrix

OFFICE MARKET REPORT

Boston Proves Its Strength

Winter 2020

Suburban Vacancy
Contracts

Development
Takes Off

Asking Rates
Decline

BOSTON OFFICE MARKET

Yardi® Matrix

Startups Drive Growth Amid Constraints

Boston's office market is thriving, despite future economic uncertainty at both the local and national level. Despite some concerns over labor shortages as unemployment nears record lows, companies continue to expand. The metro added 18,600 office-using jobs in the 12 months ending in November, for a mild year-over-year growth rate of 2%. Venture capital-propelled biotech and robotics startups grew rapidly, while the city's largest office-using employers—including State Street Corp. and Liberty Mutual—held steady.

The metro's office vacancy rate was 9.8% in December, significantly below the national average of 13.4%. Vacancy was especially evident in Boston's traditionally high-demand submarkets—Cambridge, the CBD and the Back Bay. While developers had an unprecedented 9 million square feet under construction as of December, vacancies across Class A properties will likely hold steady due to tenants' flight-to-quality trend. The average asking rate across all asset classes was \$34 per square foot, giving Boston a pricing advantage relative to most other gateway cities.

Office investment was strong in 2019, with transactions totaling \$5 billion. Class A properties comprised nearly 60% of total investment activity—though investor focus is shifting toward value-add acquisitions, given the wide gap in sales prices between Class A (\$739 per square foot) and Class B (\$211 per square foot) properties.

Market Analysis

Winter 2020

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