

Office Report

Boston | Cambridge | Suburbs

Q1 2025

Lincoln

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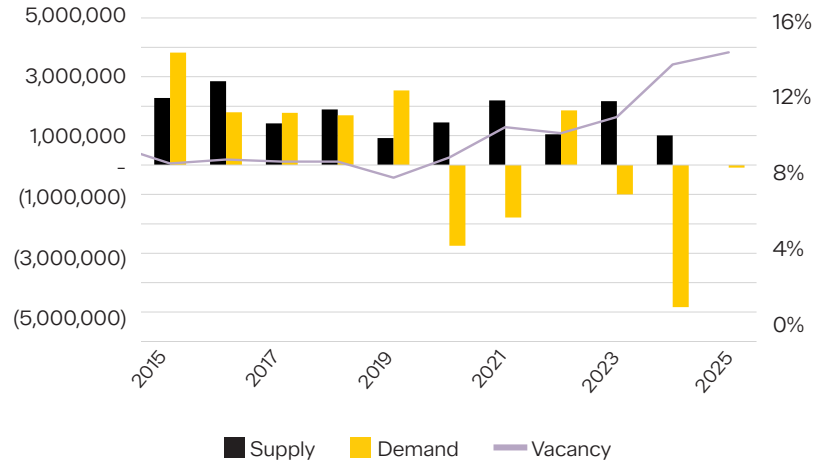
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Office Stats

Overview

The Boston Office Market continues to struggle to generate demand, although the rate of move-outs appears to be declining. Net absorption was only slightly negative in Q1 2025, after being negative by about 5 million square feet last year. Nearly 2 million square feet was leased in Q1, which was slightly below its average from last year. Vacancies increased by 60 basis points to 14.3%, with vacancy expansion roughly equal between Class A and Class B. Vacancies were essentially flat in Boston, while they expanded by about 100 basis points in the suburbs and 200 basis points in Cambridge. Sublet rates declined slightly, although they remain above historical averages and much of the decline is due to sublet listings rolling into direct vacancy. Low occupancies continue to pressure rents and large concession packages are often needed to lure tenants. Capital markets activity remains limited, and the largest sale of the quarter was for a distressed asset.

Boston Metro Supply vs. Demand (SF)



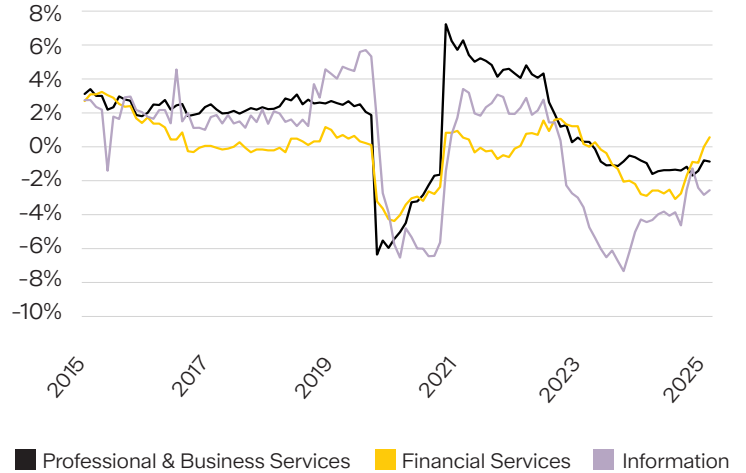
Top Leases

	SF
Klaviyo 125 Summer Street, Boston Financial District	256,000
Commonwealth Financial Network 275 Wyman Street, Waltham 128 West	151,765
Nutter 155 Seaport Boulevard, Boston Seaport	125,260
Global Partners 275 Grove Street, Newton 128 West	100,419
Advisor360 400 First Avenue, Needham 128 West	83,516
RA Capital Management 200 Berkeley Street, Boston Back Bay	53,127
Amazon 100 Riverpark Drive, North Reading 128 North	50,002
FM Global 650 Atlantic Avenue, Boston Financial District	50,000
Mass General Brigham 50 Staniford Street, Boston North Station	40,848
Lockton Insurance 225 Franklin Street, Boston Financial District	25,240

Looking Forward

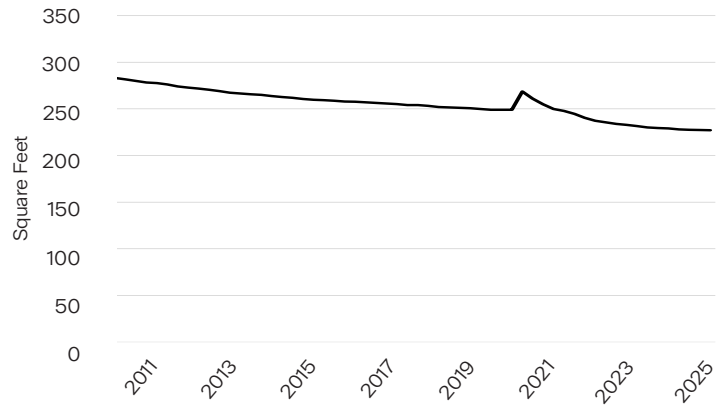
A rebound for the Boston Office Market will depend on improved employment growth and office utilization rates. Largely driven by the Tech downturn, the Professional and Business Services sector averaged a nearly 1% drop in employment over the last two years, compared with a nearly 4% increase averaged across 2021-22. If employment growth can get back on track, the success of the office market will depend on the degree to which companies align footprint growth with headcount growth. A trend toward less office space per employee has been steadily occurring nationally since about 2010, which was accelerated by the work-from-home revolution of the early 2020s. On the bright side, this trend has decelerated and stabilized over the last two years. After office space per employee declined by an average of more than 4% per year nationally across 2021 and 2022, it declined by less than 2% in 2023 and less than 1% last year. The 0.9% decline in 2024 was less than the 1.3% drop averaged from 2010-19.

Office-Using Employee Growth



Source: BLS

SF Per US Office Employee



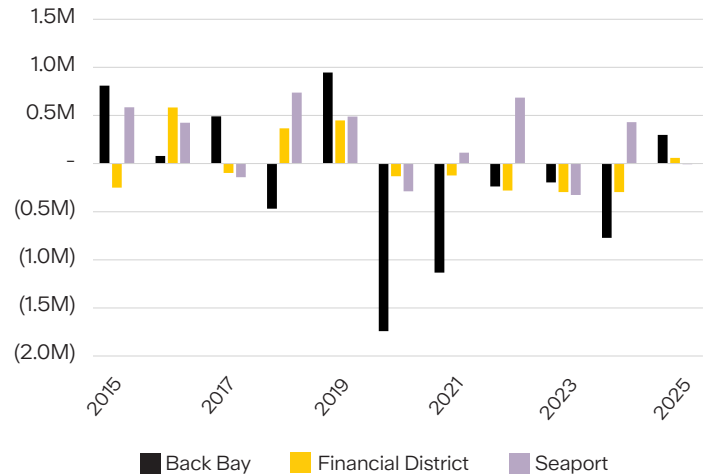
Source: BLS

Boston Office Trends

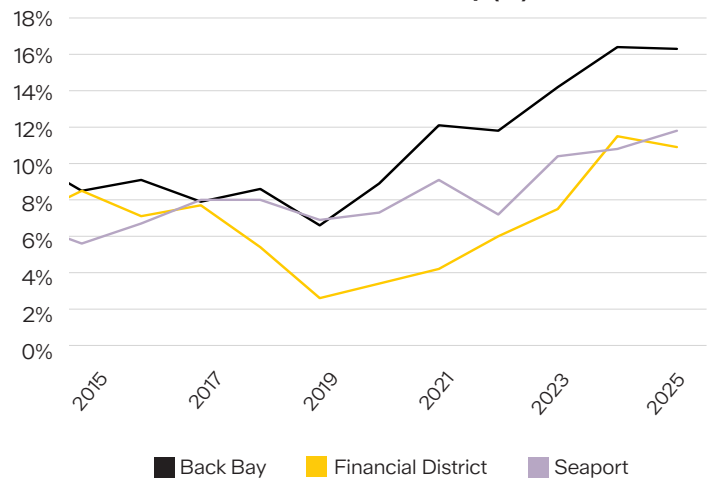
Boston leasing volume in Q1 2025 nearly matched its total from the previous quarter, with more than 1 million square feet leased. Net absorption exceeded 300,000 square feet and was positive for the third consecutive quarter. After Class B outperformed Class A in net absorption last year, Class A had a stronger Q1 2025, which has been typical for most of the 2020s. The Financial District led Boston neighborhoods in net absorption, while the North Station submarket shed the most occupied space. Vacancies stayed level at 13.8%, while total availabilities increased from 22.7% to 23.1%, and both are at their highest levels of the last 20 years. The sublet rate declined, however, with much of this space leased or rolled into the direct market.

Renewals led the list of top leases in Boston last quarter, with a couple notable expansions in the mix. Klaviyo renewed its headquarters at 125 Summer Street in a major expansion. The marketing technology company is increasing its footprint from 160,000 square feet to 256,000 square feet. In another renewal/expansion, RA Capital more than doubled its footprint at 200 Berkeley Street to 53,127 square feet. Other notable deals included Nutter's renewal of 125,260 square feet at 155 Seaport Boulevard and FM Global's lease for 50,000 square feet at Hines' 650 Atlantic Avenue, which is expected to open this year.

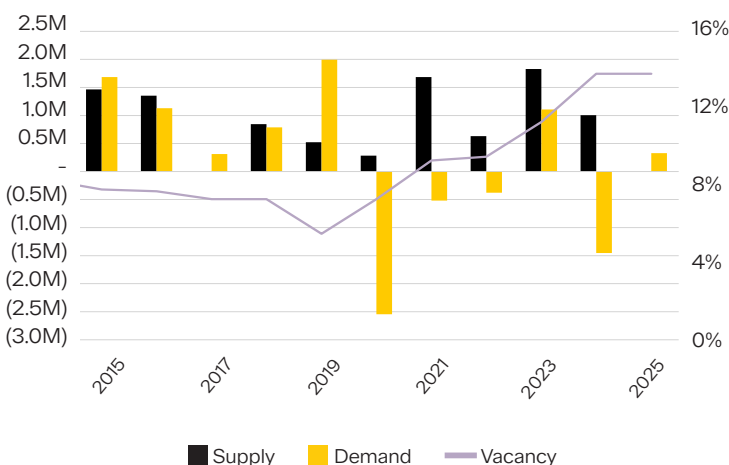
Boston Absorption (SF)



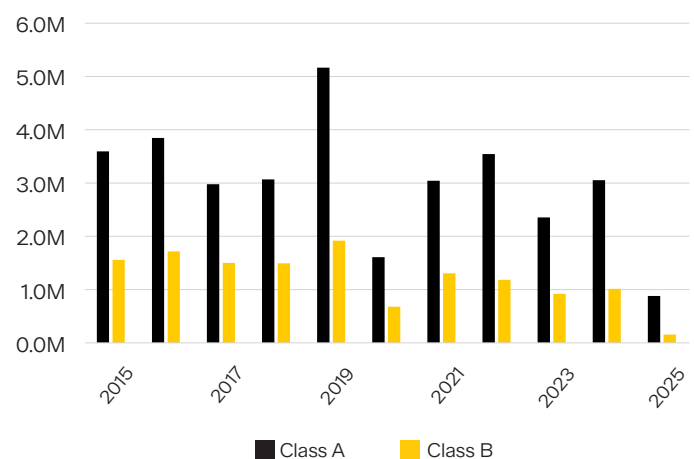
Boston Vacancy (%)



Boston Supply vs. Demand (SF)



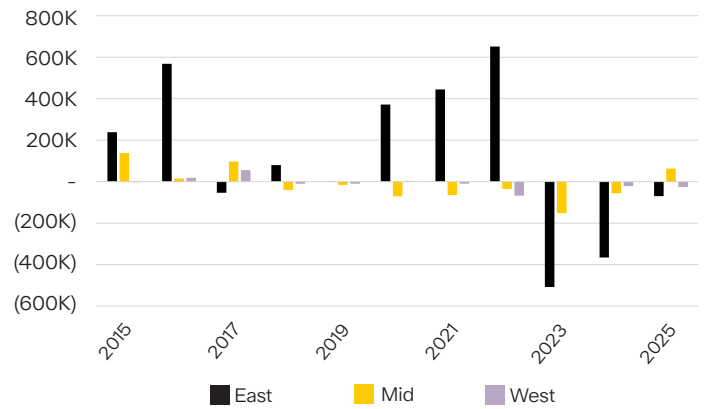
Boston Leasing by Class (SF)



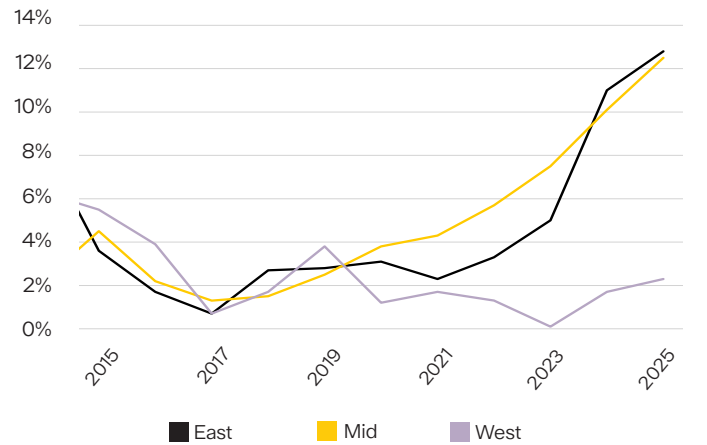
Cambridge Office Trends

Leasing is off to another slow start in 2025, with few deals of note signed in Q1. This follows last year's disappointing total, which was the lowest leasing volume in more than 20 years. Cambridge's vacancy rate has steadily climbed in recent quarters and finished Q1 2025 at roughly 12%, which is more than double its rate at the start of 2023. Cambridge also has the highest sublet rate in the metro, at 5.3%, although this number declined last quarter. While a comparatively tight office market just a few years ago, Cambridge's total availability rate is now within a few hundred basis points of those of Boston and the suburbs. Cambridge is highly exposed to the tech and biotech industries, which have dealt with declining venture capital funding due to interest rate hikes and significant layoffs over the last few years. These factors have caused tenants to pull back on leasing and downsize footprints, which has especially impacted the Class A segment and the East Cambridge submarket. Net absorption was negative in each of the last nine quarters, including by more than 900,000 square feet in East Cambridge and nearly 700,000 square feet in the Class A segment.

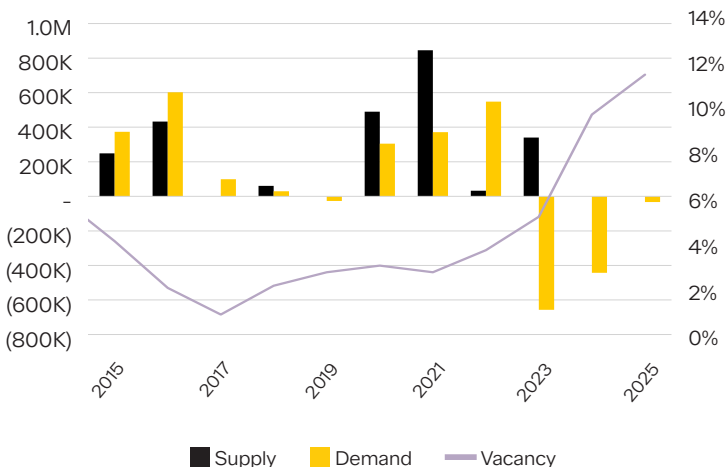
Cambridge Absorption (SF)



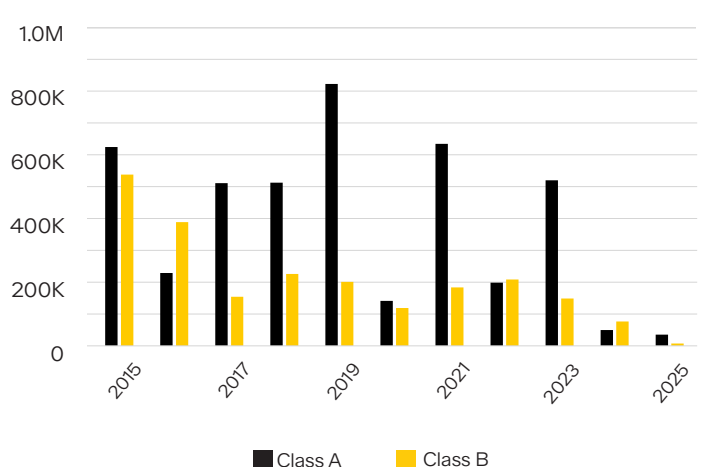
Cambridge Vacancy



Cambridge Supply vs. Demand (SF)



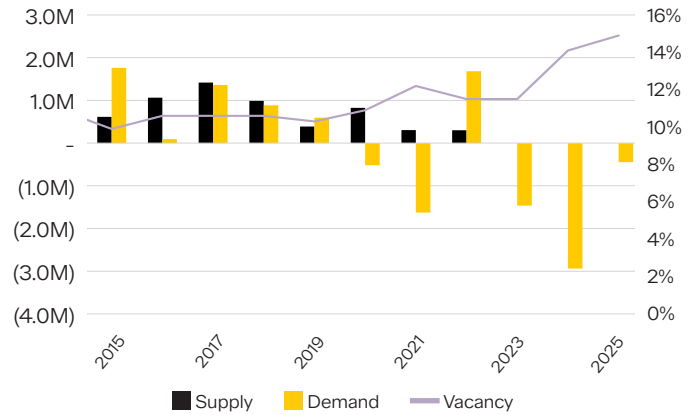
Cambridge Leasing by Class (SF)



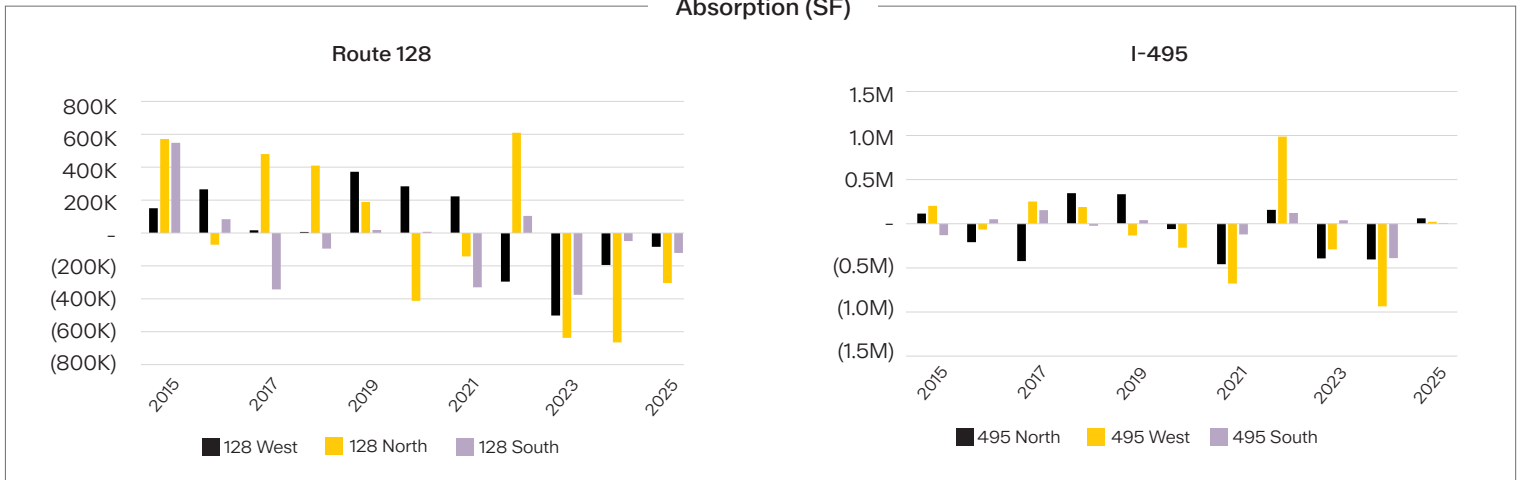
Suburban Office Trends

Net absorption was negative by about 500,000 square feet in Q1 2025 and vacancies expanded nearly 100 basis points in the suburban office market. Net move-outs were recorded in the 128 and Inner Suburbs North submarkets, while the 495 submarket recorded positive net absorption. Leasing was strongest in the 128 West and 128 North submarkets, however, with more than 600,000 square feet signed between both locations. The sublet rate stayed flat at 4.4% and is much higher in the Class A segment than in Class B.

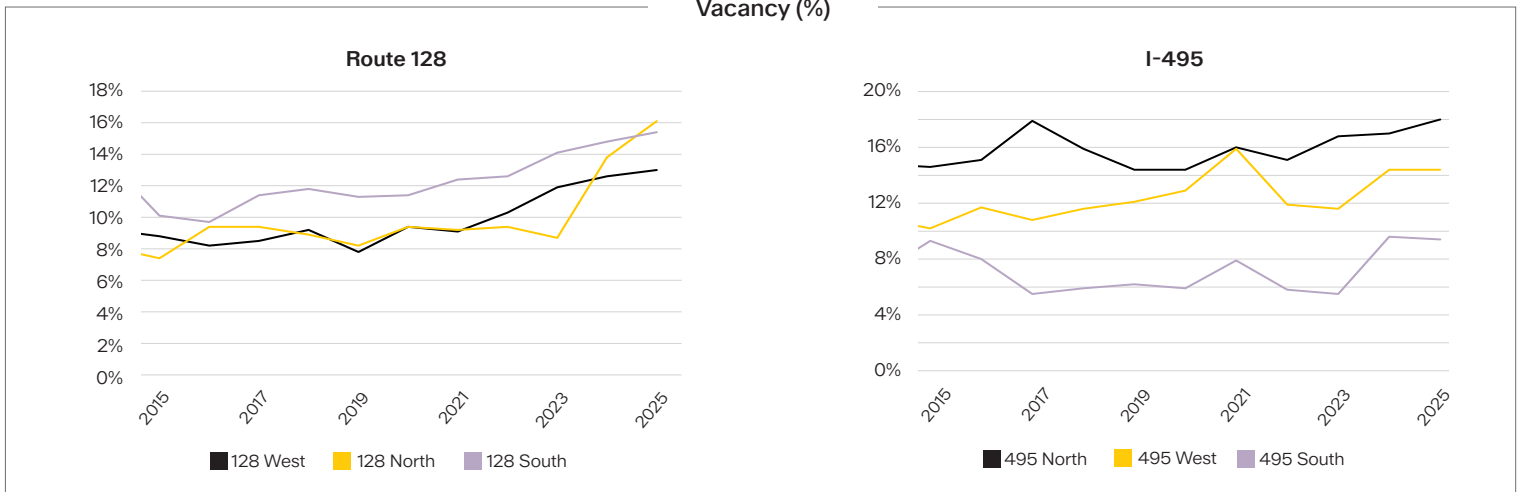
Suburban Supply vs. Demand (SF)



Absorption (SF)



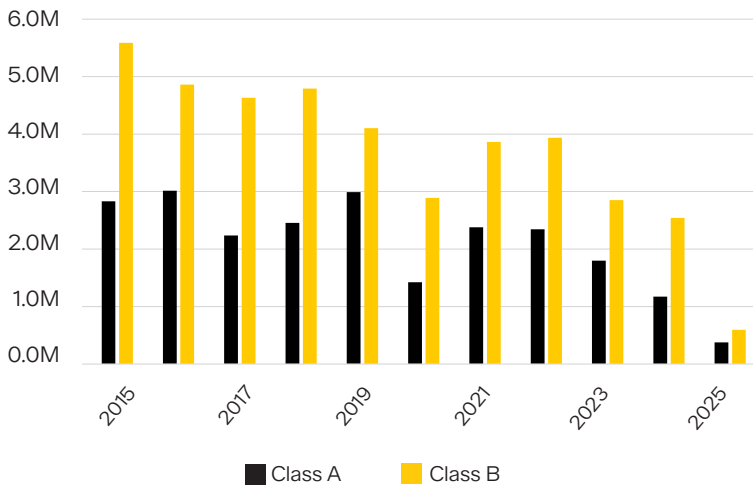
Vacancy (%)



Suburban Office Trends

Suburban leasing in Q1 2025 was concentrated in the 128 market, with several of the largest deals signed in 128 West. Commonwealth Financial network signed a new deal for 151,765 square feet at 275 Wyman Street in Waltham. The lease was a major expansion for the financial services company, which previously leased 99,000 square feet at 29 Sawyer Road in Waltham. In another relocation, Global Partners will move its headquarters from Waltham to Newton, after leasing 100,419 square feet at 275 Grove Street. In Needham, Advisor360 signed an 83,516-square foot sublease at 400 First Avenue.

Suburban Leasing by Class (SF)



Development

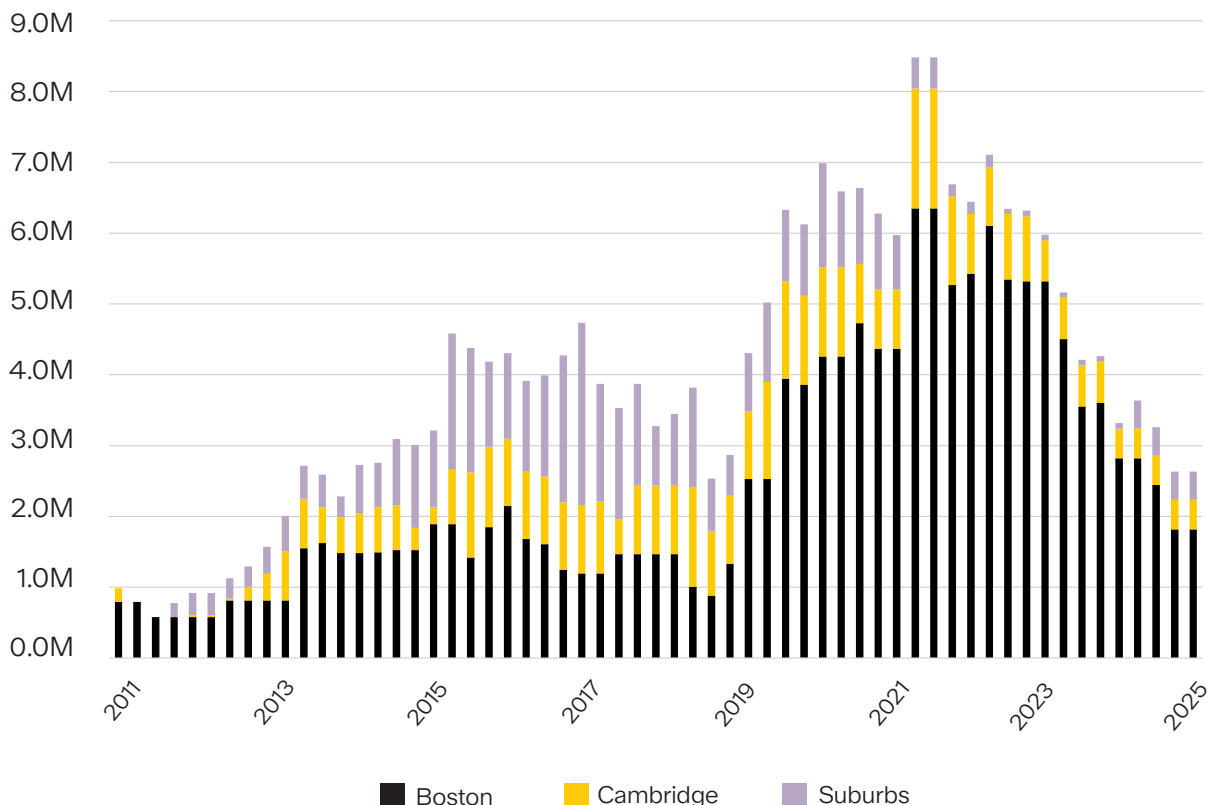
The supply wave of the last few years is on the downswing, with less than 3 million square feet remaining under construction. The largest speculative project is Hines' 700,000-square foot tower at South Station, which is expected to deliver in 2025. The high-rise development has landed commitments from Jones Day and FM Global for roughly a combined 100,000 square feet, but the remainder of the building is still available. The South Station tower follows The Hub on Causeway, Winthrop Center, One Congress, and One Post Office Square as large speculative downtown projects in the 2020s. These developments total roughly 4 million square feet combined, representing Boston's largest supply wave in decades. While attracting significant leasing volume, these buildings have mostly drawn relocations from elsewhere in the market, rather than generating new demand.

Several large build-to-suits delivered recently, the latest of which was 1 Boston Wharf Road, which opened in the Seaport in Q4 2024. The property is fully leased to Amazon, which isn't expected to

start moving in employees until 2027. Samuels & Associates' office/lab project at 1001 Boylston Street opened in Q3 2024, with its office-portion fully leased to CarGurus and The Lego Group. Still under construction is The Druker Company's 350 Boylston Street in Back Bay, a 221,000-square foot property leased to Bain & Co. that is expected to open in 2025.

Given Boston's high office vacancies and need for housing, local leaders are working to incentivize office-to-residential conversions, to mixed results. The Boston Planning & Development Agency launched the Downtown Residential Conversion Incentive Pilot Program, which offers tax incentives for conversions, in late 2023 and Mayor Wu later extended the application period through the end of 2025. So far, the city has received more than a dozen applications for conversions that could remove more than 600,000 square feet from the office stock. Five of these applications have been approved by the planning department, but just two have subsequently received the necessary financing to proceed as borrowing costs remain prohibitively high.

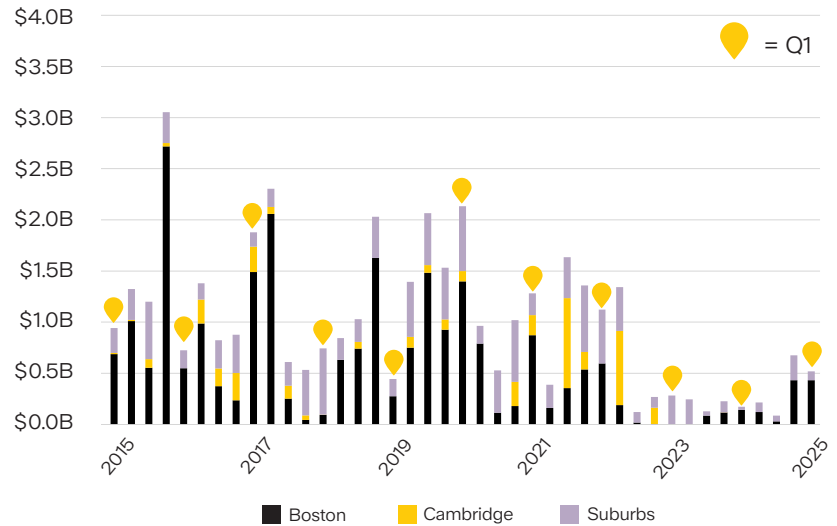
Cambridge, Boston & Suburban Office Space Under Construction (SF)
(Excluding Conversions)



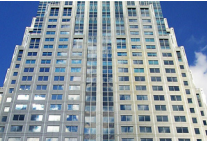



Investment Sales

Roughly \$500 million traded last quarter and about \$1.5 billion traded over the last 12 months. Most investment activity in the first quarter was driven by the sale of 1 Lincoln Street in a foreclosure auction. The downtown property has struggled with high vacancy since losing State Street, WeWork, and K&L Gates as tenants, and was roughly 50% vacant at the time of its March sale. The property's selling price of \$400 million was a more than 50% drop from the \$889 million it last traded for in December 2006. Suburban trades accounted for most of the other top deals. Optimum Asset Management USA purchased 150 Minutemen Road in Andover from Global Securitization Services for \$26.4 million. The TJX Companies bought a portion of the Point West Office Center in Framingham from Carruth Capital for \$24.26 million.

Quarterly Sales Volume (In Billions)



Top Sales

	Price	PSF	Buyer	Seller
 <p>1 Lincoln Street Boston Financial District</p>	\$400 Million	\$363	BDT & MSD Partners & Divco West Services	Fortis Property Group
 <p>The Xchange at Bedford Bedford 495 Route 2</p>	\$96 Million	\$200	Shorenstein Properties & Tritower Financial Group	Jumbo Capital Management & Sound Mark Partners
 <p>150 Minuteman Road Andover 495 Northeast</p>	\$26.4 Million	\$230	Optimum Asset Management USA	Global Securitization Services
 <p>Point West Office Center Framingham 495 Mass Pike</p>	\$24.26 Million	\$150	The TJX Companies	Carruth Capital

Office Stats Q1 2025

Submarket	RSF	% Vacant	% Sublease	% Avail	Net Absorption	12-Month Absorption	Leasing Activity	12-Month Leasing	Asking Rents
Back Bay	15,854,668	10.9%	4.1%	18.4%	58,245	31,451	141,723	1,414,632	\$60.51
Financial District	41,300,540	16.3%	3.9%	28.5%	298,697	(109,937)	759,965	2,032,011	\$58.32
Fenway	2,683,278	5.7%	2.0%	7.8%	6,494	(74,960)	10,000	10,000	\$54.54
Midtown	2,126,081	15.5%	4.4%	20.4%	(7,276)	(62,272)	2,542	37,243	\$41.02
North Station/End	4,855,060	14.3%	5.5%	20.0%	(35,748)	(231,147)	43,117	320,707	\$55.53
Seaport	10,724,799	11.8%	5.7%	18.3%	(7,231)	489,542	39,672	582,229	\$55.17
South Boston/End	492,187	41.3%	0.0%	66.1%	8,580	(98,949)	8,580	18,528	\$41.02
Downtown Boston Total	78,036,613	14.2%	4.2%	23.9%	321,761	51,257	1,005,599	4,262,859	\$57.34
Allston/Brighton	930,403	4.1%	0.0%	5.8%	7,254	50,638	26,648	30,674	\$44.69
South Suffolk County	2,149,361	2.9%	1.0%	4.2%	(2,258)	(14,982)	2,967	101,617	\$36.17
Boston Total	81,116,377	13.8%	4.1%	23.1%	326,757	(20,516)	1,035,214	4,405,098	\$56.64
East Cambridge	7,935,532	12.8%	5.7%	20.6%	(69,890)	(439,280)	35,105	81,040	\$74.88
Mid-Cambridge	3,152,750	12.5%	2.0%	17.6%	63,014	6,644	4,751	45,173	\$61.25
West Cambridge	1,102,340	2.3%	12.5%	15.8%	(26,053)	(39,926)	2,421	2,421	\$53.42
Cambridge Total	12,190,622	11.7%	5.3%	19.4%	(32,929)	(472,562)	42,277	128,634	\$69.41
128 West	23,339,298	16.1%	6.9%	27.4%	(303,664)	(903,144)	347,712	1,010,972	\$38.57
128 North	21,563,434	13.0%	4.4%	20.9%	(84,081)	(2,080)	266,973	926,254	\$28.52
128 South	18,015,087	15.4%	3.3%	20.5%	(121,161)	(190,986)	92,568	477,226	\$27.73
128 Total	62,917,819	14.9%	5.0%	23.2%	(508,906)	(1,053,210)	707,253	2,414,452	\$32.24
495 West	27,539,363	14.4%	3.1%	21.4%	23,047	(650,255)	150,697	935,016	\$25.68
495 North	17,234,551	18.0%	4.5%	26.2%	61,899	(131,636)	73,678	381,018	\$25.06
495 South	6,011,119	9.4%	3.1%	14.9%	8,848	(105,150)	35,422	90,447	\$25.79
495 Total	50,785,033	15.0%	3.6%	22.3%	93,794	(877,041)	259,797	1,409,112	\$25.49
Inner Suburbs North	6,125,178	13.3%	5.2%	22.9%	(32,548)	(378,323)	6,000	115,394	\$39.45
Suburban Total	119,828,030	14.9%	4.4%	22.8%	(447,660)	(2,322,283)	973,050	3,690,226	\$29.63
All Office	215,874,539	14.3%	4.4%	22.7%	(90,746)	(2,749,636)	1,726,609	8,297,345	\$42.60

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