



**Q1 2024**

# MARKET REPORT

# ECONOMY AT A GLANCE

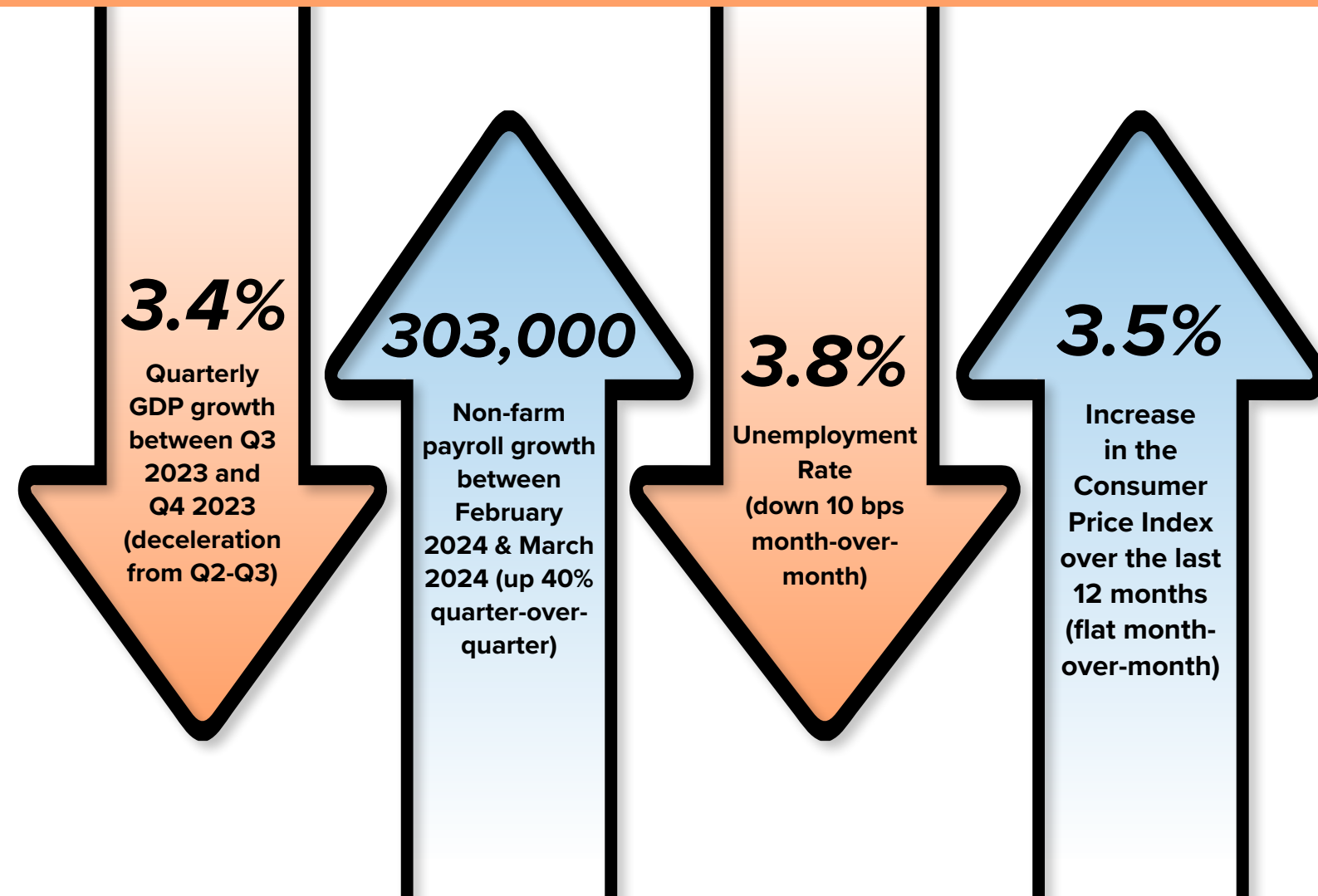
**IF THE FED IS LOOKING** for reasons to justify interest rate cuts this year, economic data isn't helping. Non-farm payroll jumped by 303,000 – beating estimates by more than 50%, while unemployment ticked down to 3.8% from February to March. Inflation remains stubbornly high – especially in the service sector, which is more immune (though not impervious) to interest rates.



**WHILE THIS WAS TRUE** even before the pandemic, it's significant because the US is a service-heavy economy. Continual price increases on everything from insurance to car repairs could prolong the time required for inflation to decline to the Fed's 2% target.

Notwithstanding the obvious impact on financing, the effect of the rate climate is also influencing tenants - from the cost of running a business to the venture capital fundraising environment (except for artificial intelligence).

*At Perry CRE, we believe rate cuts are off the table for the foreseeable future.*



## Boston Office

	Q1 2024	Q1 2023
VACANCY RATE (%)	16.7%	13.6%
YTD Net Absorption (SF)	(529,774)	(578,592)
Asking Rent (\$/SF)	\$63.52	\$63.72
Sublease Space (SF)	4,272,329	4,272,463

## Cambridge Office

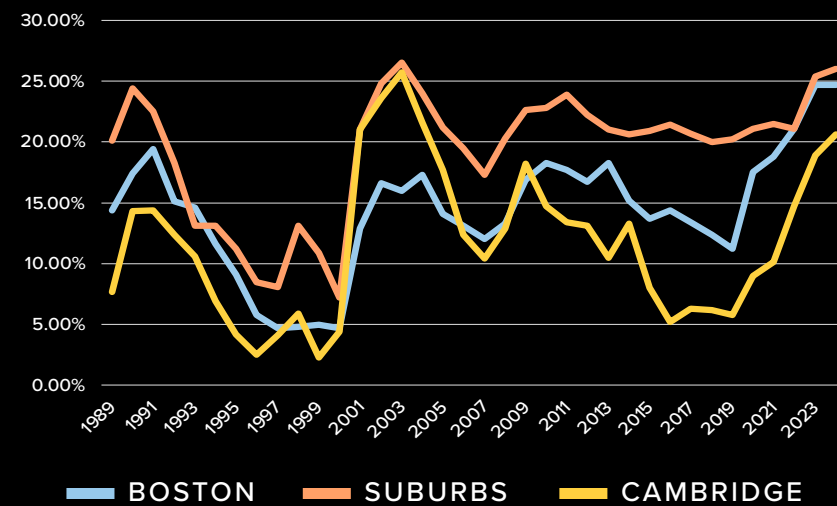
	Q1 2024	Q1 2023
VACANCY RATE (%)	13.8%	8.3%
YTD Net Absorption (SF)	(244,272)	(170,381)
Asking Rent (\$/SF)	\$77.58	\$76.29
Sublease Space (SF)	1,106,873	976,885

## Suburban Office

	Q1 2024	Q1 2023
VACANCY RATE (%)	17.8%	15.2%
YTD Net Absorption (SF)	(516,730)	(1,354,659)
Asking Rent (\$/SF)	\$26.01	\$25.63
Sublease Space (SF)	5,781,034	4,365,516

**AT 24.7%, OVERALL AVAILABILITY** in the Boston office market continues to rise – increasing 2.6 percentage points in the last twelve months, and nearly doubling since year-end 2019. First quarter leasing activity is consistent with Q1 2023 numbers – averaging 750,000 SF. However, it is still down nearly 60% from pre-pandemic figures when first quarter leasing activity averaged 1.7 MSF.

### Overall Office Availability By Market.



**ON THE ABSORPTION FRONT,** the Boston office market closed the first quarter at just shy of negative 530,000 SF – a figure also on par with post-pandemic first quarters (which have averaged in the

negative 500,000 SF range). While we would like to claim that we've reached the bottom of the market, continued and compounded negative fundamentals claim otherwise.

# MARKET OVERVIEW

## Boston Lab

	Q1 2024	Q1 2023
VACANCY RATE (%)	8.4%	5.2%
YTD Net Absorption (SF)	416,012	22,114
Asking Rent (\$/SF)	\$54.21	\$55.00
Sublease Space (SF)	557,155	142,907

## Cambridge Lab

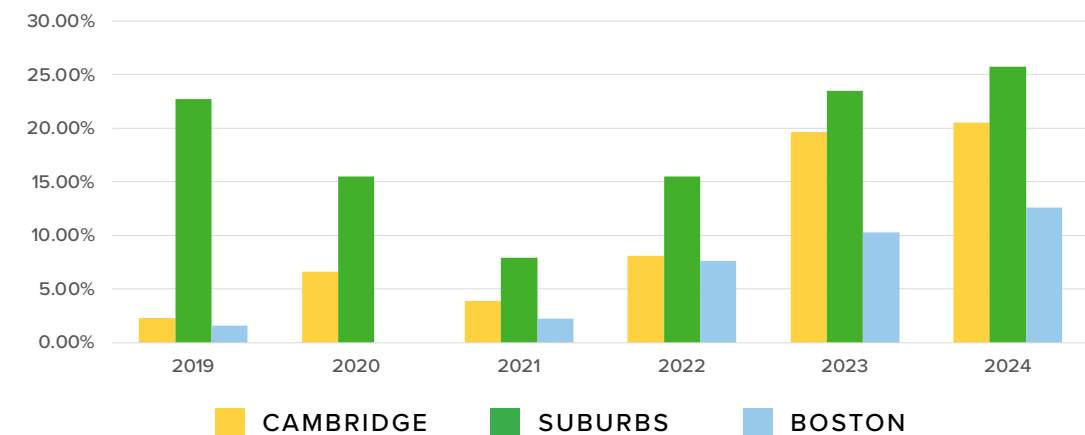
	Q1 2024	Q1 2023
VACANCY RATE (%)	13.9%	6.0%
YTD Net Absorption (SF)	(338,303)	(298,511)
Asking Rent (\$/SF)	\$84.26	\$82.44
Sublease Space (SF)	1,655,014	922,574

## Suburban Lab

	Q1 2024	Q1 2023
VACANCY RATE (%)	19.6%	10.6%
YTD Net Absorption (SF)	(178,388)	197,689
Asking Rent (\$/SF)	\$49.98	\$56.43
Sublease Space (SF)	646,746	268,199

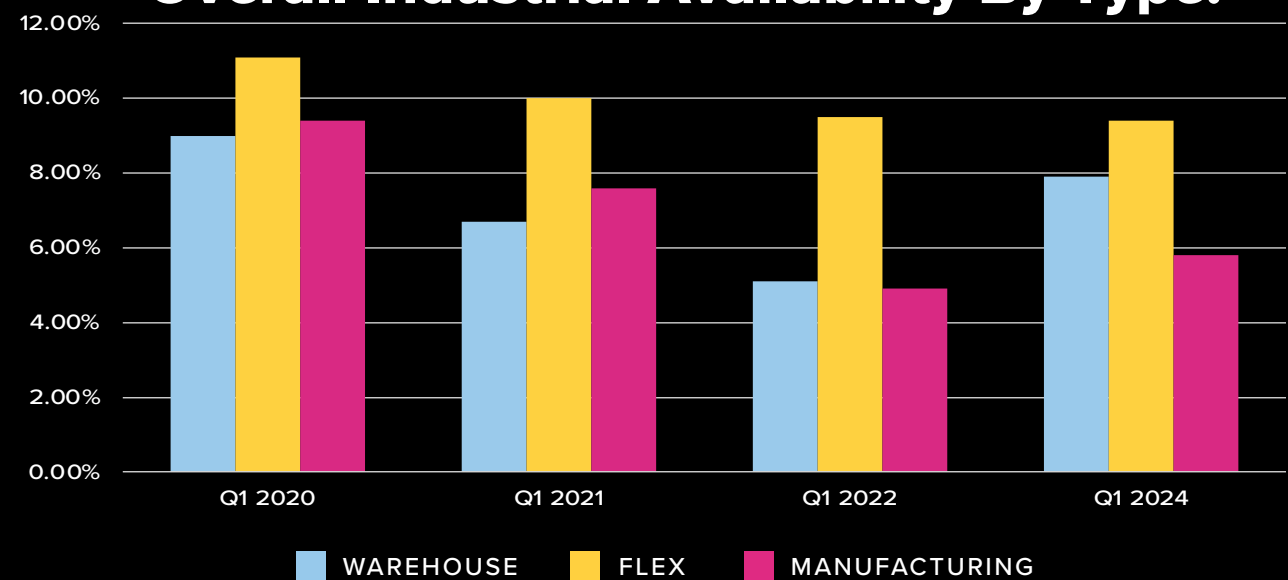
**ACROSS THE LAB MARKET,** availability also continues to increase – most notably in Cambridge and Boston where pre-COVID (Q4 2019) availability totaled 2.3% and 1.6%, respectively. Additionally, Perry CRE is currently tracking nearly 3.0 MSF of lab construction that has either stalled or been delivered completely vacant.

### Overall Lab Availability By Market.



# SPOTLIGHT ON SUBLEASE: *SUPPLY*

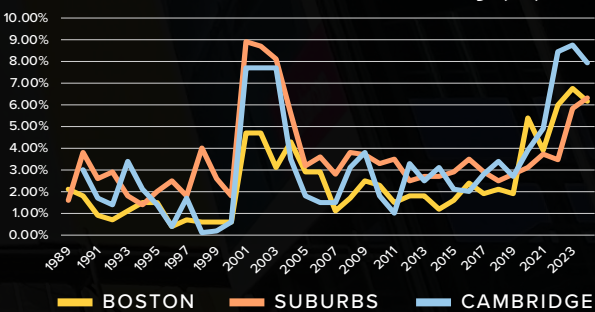
## Overall Industrial Availability By Type.



**AND IN THE INDUSTRIAL MARKET,** manufacturing and warehouse space continues to outperform all other asset types in greater Boston – with availability remaining under 10.0% since Q1 2020.

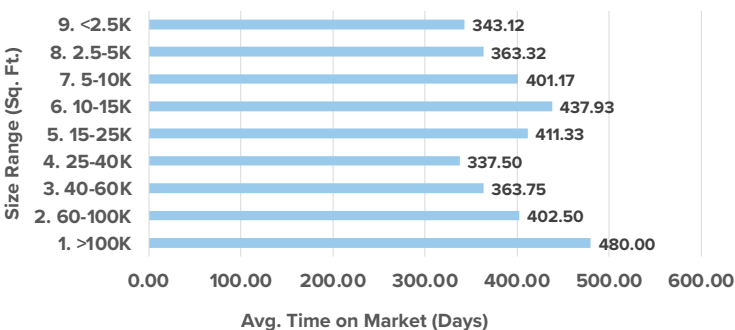
**DESPITE** peaking at 6.8% (4.7 MSF) in the third quarter of 2023, available sublease space in Boston has remained level year-over-year at 6.2% (4.2 MSF). Four years into the incremental adoption of hybrid work, it appears that the deluge may have finally subsided.

## Office Sublease Availability (%)



## Average Time on Market (Days)

### Boston Sublease Space



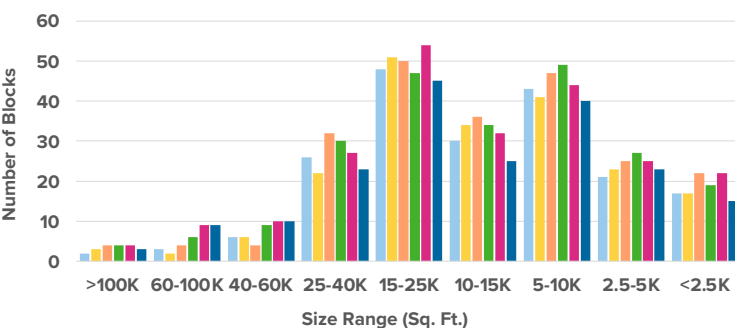
We say *may* because it is important to note the sublease market is a moving target. It is not just a matter of tracking a core set of sublease blocks. These availabilities come on and off the market with regularity – evidenced by an average

**TIME ON MARKET OF 389 DAYS**

– significantly shorter than the four years this has been a topic of conversation.

## Sublease Availability by Size

### Boston Office



From an availability perspective, sublease blocks in the 15,000 to 25,000 SF range are most abundant (45 blocks) followed by blocks 5,000 to 10,000 SF (40). As a percentage of overall office inventory, 5.4% of the Financial District is available for sublease. In Back Bay, 6.3% of inventory is available while 7.5% of the Seaport is available for sublease. These figures are historically high, but not necessarily alarming.

## Warehouse

	Q1 2024	Q1 2023
VACANCY RATE (%)	4.3%	4.2%
YTD Net Absorption (SF)	(843,351)	(326,587)
Asking Rent (\$/SF)	\$8.17	\$7.95
Sublease Space (SF)	1,217,613	986,738

## Flex Space

	Q1 2024	Q1 2023
VACANCY RATE (%)	6.3%	5.4%
YTD Net Absorption (SF)	(231,005)	(194,446)
Asking Rent (\$/SF)	\$10.77	\$11.21
Sublease Space (SF)	865,740	838,688

## Manufacturing

	Q1 2024	Q1 2023
VACANCY RATE (%)	3.2%	2.0%
YTD Net Absorption (SF)	(115,234)	(32,514)
Asking Rent (\$/SF)	\$9.07	\$9.96
Sublease Space (SF)	100,276	144,347

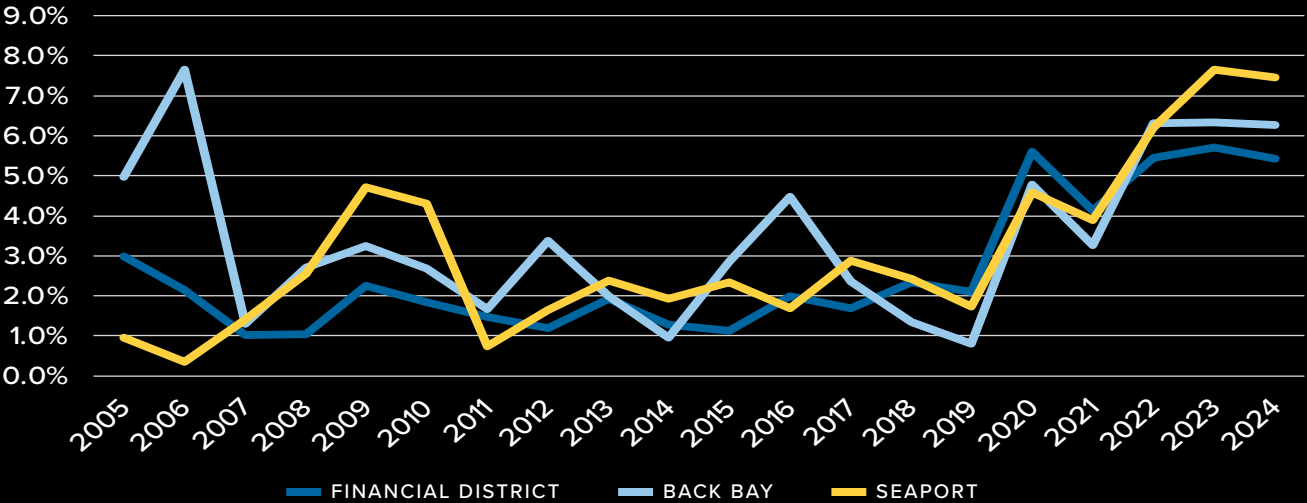


**HOWEVER**, a focused look at overall availability reveals more startling figures: 19.0% of *all available space* in the Financial District is sublease, followed by the Seaport (36.5%) and Back Bay (30.1%).

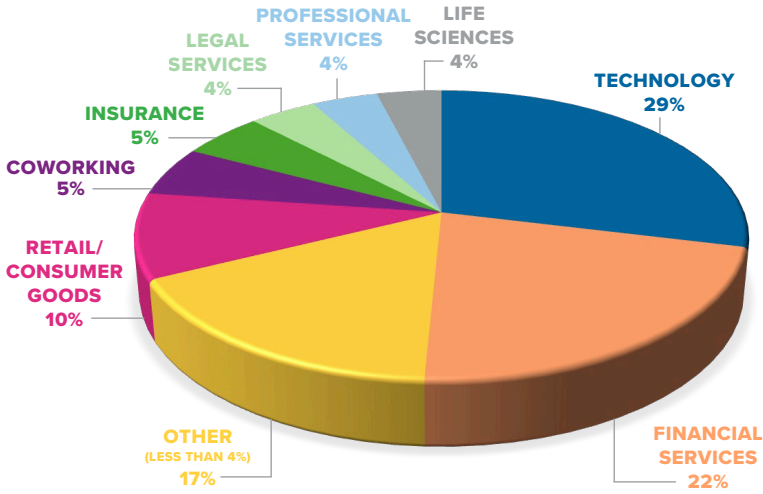


# SPOTLIGHT ON SUBLEASE: *DEMAND*

**Sublease Available By Submarket (%)**



**Boston Sublandlords  
By Industry Type.**



**CONSISTENT WITH** the analysis we did three quarters ago, technology companies still account for nearly 30% of all sublandlords. However, there has been a notable uptick in financial services sublandlords – jumping from 9% of overall sublease inventory in Q2 2023 to 22% at the end of Q1 2024. This is largely attributable to the addition of nearly 200,000 SF of State Street space in the Seaport.

**DESPITE ONGOING** elevated availability, leasing activity in the sublease market has not slowed. Over the last 4 quarters, Boston has averaged just over 300,000 SF of quarterly subleasing activity – an uptick over 2022 when the average was around 200,000 SF per quarter.

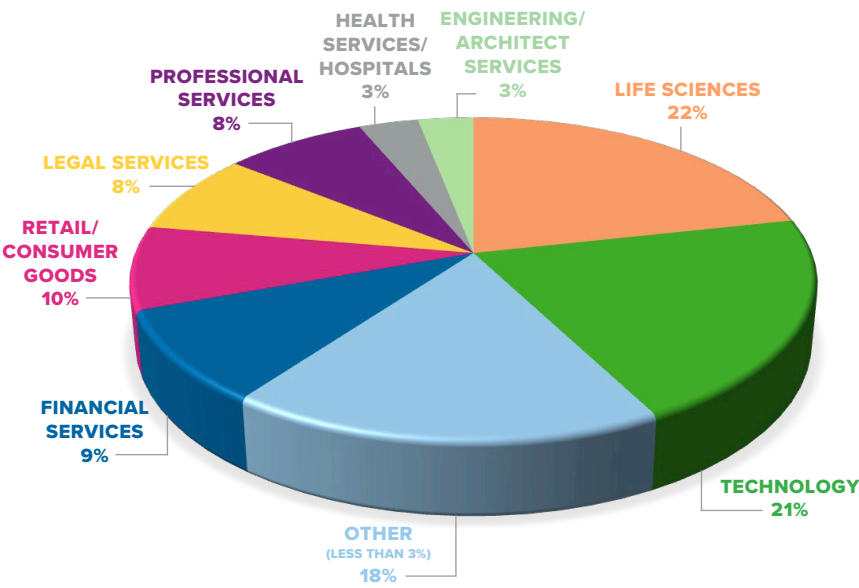
Also on par with last year's sublease evaluation, life science office requirements still account for a significant portion of subleasing activity (22%) followed by technology firms (21%).

**Boston Sublease BLOX:**  
*Average Term Length*

Size Range	Avg. Remaining Term (yrs)
1. >100K	6.5
2. 60-100K	6
3. 40-60K	4.75
4. 25-40K	4
5. 15-25K	3.75
6. 10-15K	2.5
7. 5-10K	2.4
8. 2.5-5K	2.75
9. <2.5K	2.5
OVERALL	4.0



**Boston Subtenants  
By Industry Type.**



**A LOOK AT REMAINING TERM** left on these sublease spaces revealed a correlation between size and term. The larger the space, the more term length remains; the smaller the space, the shorter.



# THE NUMBERS.

BOSTON	INVENTORY (SF)	CONSTRUCTION COMPLETIONS (SF)	TOTAL AVAILABLE (SF)	AVAILABILITY RATE	TOTAL VACANT (SF)	VACANCY RATE	YTD NET ABSORPTION (SF)	AVG ASKING RENT (OFFICE)	AVG ASKING RENT (CLASS A)*
Back Bay	12,624,000	0	2,624,052	20.8%	1,966,428	15.6%	(108,894)	\$64.83	\$72.63
Charlestown	2,171,000	0	582,918	26.9%	449,418	20.7%	1,120	\$64.65	\$78.45
Fenway/LMA	1,817,000	0	209,930	11.6%	85,679	4.7%	(7,931)	\$45.00	N/A
Financial District	32,136,000	0	9,190,921	28.6%	5,906,964	18.4%	(300,102)	\$66.12	\$70.83
Government Center/ North Station	5,056,000	0	1,288,030	25.5%	920,136	18.2%	73,672	\$53.59	\$59.62
Midtown	2,012,000	0	733,080	36.4%	471,243	23.4%	(79,989)	\$54.99	N/A
Seaport	10,786,000	0	2,199,267	20.4%	1,580,119	14.6%	(112,303)	\$58.51	\$76.29
South Station	2,737,000	0	296,825	10.8%	229,210	8.4%	4,653	\$51.81	\$57.00
BOSTON OFFICE TOTALS	69,339,000	0	17,125,023	24.7%	11,609,197	16.7%	(529,774)	\$63.52	\$71.09

CAMBRIDGE OFFICE	INVENTORY (SF)	CONSTRUCTION COMPLETIONS (SF)	TOTAL AVAILABLE (SF)	AVAILABILITY RATE	TOTAL VACANT (SF)	VACANCY RATE	YTD NET ABSORPTION (SF)	AVG ASKING RENT (OFFICE)	AVG ASKING RENT (CLASS A)*
West Cambridge	1,585,000	0	421,835	26.6%	415,983	26.2%	(95,894)	\$57.58	\$57.70
East Cambridge	9,572,000	0	1,845,067	19.3%	1,095,606	11.4%	(53,987)	\$86.24	\$87.99
Mass Ave Corridor	2,796,000	0	609,460	21.8%	412,456	14.8%	(94,391)	\$68.95	\$65.42
CAMBRIDGE OFFICE TOTALS	13,953,000	0	2,876,362	20.6%	1,924,045	13.8%	(244,272)	\$77.58	\$77.59

SUBURBS	INVENTORY (SF)	CONSTRUCTION COMPLETIONS (SF)	TOTAL AVAILABLE (SF)	AVAILABILITY RATE	TOTAL VACANT (SF)	VACANCY RATE	YTD NET ABSORPTION (SF)	AVG ASKING RENT (OFFICE)	AVG ASKING RENT (CLASS A)*
128 West	28,862,000	0	7,045,512	24.4%	5,213,084	18.1%	(350,488)	\$32.87	\$38.84
128 North	11,164,000	0	1,901,621	17.0%	1,476,883	13.2%	(98,270)	\$23.85	\$26.46
128 South	10,406,000	0	2,727,602	26.2%	1,683,771	16.2%	67,963	\$24.97	\$26.16
3/24 South	1,589,000	0	280,317	17.6%	208,693	13.1%	(9,641)	\$18.91	\$20.04
Metrowest	2,809,000	0	1,033,449	36.8%	522,691	18.6%	(13,024)	\$25.33	\$27.45
495 West	7,661,000	0	2,394,169	31.3%	1,848,311	24.1%	(21,291)	\$20.32	\$21.10
495 North	21,713,000	0	6,304,696	29.0%	4,487,251	20.7%	1,418	\$21.47	\$22.44
495 South	1,499,000	0	263,158	17.6%	173,708	11.6%	(44,651)	\$19.97	\$19.83
Inner Suburbs	6,026,000	0	1,855,529	30.8%	700,095	11.6%	(48,746)	\$38.42	\$41.06
SUBURBAN OFFICE TOTALS	91,729,000	0	23,806,053	26.0%	16,314,487	17.8%	(516,730)	\$26.01	\$28.77

BOSTON LAB	INVENTORY (SF)	CONSTRUCTION COMPLETIONS (SF)	TOTAL AVAILABLE (SF)	AVAILABILITY RATE	TOTAL VACANT (SF)	VACANCY RATE	YTD NET ABSORPTION (SF)	AVG ASKING RENT (NNN)	AVG ASKING RENT (CLASS A)*
Charlestown	896,000	0	75,776	8.5%	59,891	6.7%	0	\$54.21	N/A
Fenway/LMA	2,349,000	0	211,236	9.0%	211,236	9.0%	(54,540)	N/A	N/A
Seaport	2,488,000	626,400	419,290	16.9%	168,528	6.8%	480,671	N/A	N/A
South End	556,000	0	85,860	15.4%	85,860	15.4%	(10,119)	N/A	N/A
BOSTON LAB TOTALS	6,289,000	626,400	792,162	12.6%	525,515	8.4%	416,012	\$54.21	N/A

CAMBRIDGE LAB	INVENTORY (SF)	CONSTRUCTION COMPLETIONS (SF)	TOTAL AVAILABLE (SF)	AVAILABILITY RATE	TOTAL VACANT (SF)	VACANCY RATE	YTD NET ABSORPTION (SF)	AVG ASKING RENT (NNN)	AVG ASKING RENT (CLASS A)*
West Cambridge	1,320,000	0	310,343	23.5%	280,884	21.3%	10,571	\$75.50	N/A
East Cambridge	8,449,000	0	1,682,136	19.9%	956,538	11.3%	(302,680)	\$83.36	N/A
Mass Ave Corridor	3,506,000	0	731,432	20.9%	609,213	17.4%	(46,194)	\$87.53	N/A
CAMBRIDGE LAB TOTALS	13,274,000	0	2,723,911	20.5%	1,846,635	13.9%	(338,303)	\$84.26	N/A

SUBURBAN LAB	INVENTORY (SF)	CONSTRUCTION COMPLETIONS (SF)	TOTAL AVAILABLE (SF)	AVAILABILITY RATE	TOTAL VACANT (SF)	VACANCY RATE	YTD NET ABSORPTION (SF)	AVG ASKING RENT (NNN)	AVG ASKING RENT (CLASS A)*
128 West	6,172,000	0	1,187,836	19.2%	894,262	14.5%	(50,887)	\$64.49	N/A
128 North	347,000	0	228,274	65.8%	0	0.0%	(18,243)	\$45.00	N/A
128 South	N/A	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A
3/24 South	N/A	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Metrowest	335,000	0	2,244	0.7%	2,244	0.7%	2,756	N/A	N/A
495 West	672,000	0	0	0.0%	0	0.0%	0	N/A	N/A
495 North	422,000	0	234,817	55.6%	210,257	49.8%	(49,002)	\$25.00	N/A
495 South	N/A	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Inner Suburbs	3,092,000	175,000	1,187,116	38.4%	1,060,442	34.3%	(63,012)	\$68.75	N/A
SUBURBAN LAB TOTALS	11,040,000	175,000	2,840,287	25.7%	2,167,205	19.6%	(178,388)	\$49.98	N/A

# THE NUMBERS.

Flex	INVENTORY (SF)	CONSTRUCTION COMPLETIONS (SF)	TOTAL AVAILABLE (SF)	AVAILABILITY RATE	TOTAL VACANT (SF)	VACANCY RATE	YTD NET ABSORPTION (SF)	AVG ASKING RENT (NNN)
Boston	695,000	0	357,349	51.4%	357,349	51.4%	(41,034)	\$9.00
Boston North	510,000	0	8,677	1.7%	0	0.0%	8,678	\$13.50
Boston South	808,000	0	263,308	32.6%	179,861	22.3%	(1,623)	\$16.09
Boston West	2,068,000	0	55,335	2.7%	24,061	1.2%	(17,222)	N/A
128 North	4,918,000	0	206,185	4.2%	111,660	2.3%	(44,114)	\$11.04
495 North	10,797,000	0	1,383,966	12.8%	733,378	6.8%	(21,467)	\$9.40
128 West	6,573,000	0	549,215	8.4%	345,336	5.3%	(28,271)	\$16.14
495 West	7,524,000	0	482,566	6.4%	342,008	4.5%	(48,001)	\$9.43
MetroWest	1,012,000	0	103,498	10.2%	94,498	9.3%	(9,000)	N/A
Worcester	196,000	0	4,300	2.2%	4,300	2.2%	0	N/A
128 South	5,317,000	0	536,527	10.1%	355,594	6.7%	12,800	\$9.67
495 South	6,559,000	0	512,199	7.8%	434,495	6.6%	(15,438)	\$10.00
3/24 South	1,161,000	0	99,715	8.6%	77,215	6.7%	(14,313)	\$7.63
Fall River/New Bedford	291,000	0	12,000	4.1%	12,000	4.1%	(12,000)	N/A
FLEX TOTALS	48,429,000	0	4,574,840	9.4%	3,071,755	6.3%	(231,005)	\$10.77

MANUFACTURING	INVENTORY (SF)	CONSTRUCTION COMPLETIONS (SF)	TOTAL AVAILABLE (SF)	AVAILABILITY RATE	TOTAL VACANT (SF)	VACANCY RATE	YTD NET ABSORPTION (SF)	AVG ASKING RENT (NNN)
Boston	1,360,000	0	320,686	23.6%	317,921	23.4%	(15,005)	\$11.02
Boston North	1,290,000	0	88,538	6.9%	9,208	0.7%	0	\$14.63
Boston South	2,770,000	0	37,925	1.4%	26,675	1.0%	10,000	\$10.62
Boston West	980,000	0	0	0.0%	0	0.0%	0	N/A
128 North	1,770,000	0	39,000	2.2%	39,000	2.2%	8,200	N/A
495 North	5,520,000	0	265,569	4.8%	193,629	3.5%	(34,509)	\$8.57
128 West	600,000	0	0	0.0%	0	0.0%	0	N/A
495 West	2,350,000	0	56,460	2.4%	48,460	2.1%	28,500	\$7.21
MetroWest	660,000	0	0	0.0%	0	0.0%	28,862	N/A
Worcester	2,630,000	0	434,900	16.5%	31,000	1.2%	(183,900)	\$8.43
128 South	3,080,000	0	140,550	4.6%	85,350	2.8%	(223)	\$6.00
495 South	4,290,000	0	357,142	8.3%	233,678	5.4%	52,023	\$6.07
3/24 South	570,000	0	60,340	10.6%	30,340	5.3%	(9,182)	N/A
Fall River/New Bedford	3,450,000	0	0	0.0%	0	0.0%	0	N/A
MANUFACTURING TOTALS	31,300,000	0	1,801,110	5.8%	1,015,261	3.2%	(115,234)	\$9.07

WAREHOUSE	INVENTORY (SF)	CONSTRUCTION COMPLETIONS (SF)	TOTAL AVAILABLE (SF)	AVAILABILITY RATE	TOTAL VACANT (SF)	VACANCY RATE	YTD NET ABSORPTION (SF)	AVG ASKING RENT (NNN)
Boston	2,200,000	0	157,981	7.2%	120,104	5.5%	0	\$14.77
Boston North	2,450,000	0	277,176	11.3%	256,176	10.5%	0	\$17.24
Boston South	2,120,000	0	155,460	7.3%	126,874	6.0%	(10,339)	\$7.11
Boston West	2,100,000	0	37,334	1.8%	27,334	1.3%	14,000	\$25.00
128 North	6,380,000	0	690,372	10.8%	515,826	8.1%	(78,720)	\$11.67
495 North	12,330,000	0	979,709	7.9%	663,193	5.4%	(94,596)	\$7.10
128 West	480,000	0	55,470	11.6%	50,600	10.5%	5,000	N/A
495 West	8,550,000	0	572,452	6.7%	63,773	0.7%	(149,057)	\$7.08
MetroWest	660,000	0	8,693	1.3%	3,700	0.6%	14,949	\$6.85
Worcester	7,970,000	0	464,430	5.8%	399,386	5.0%	(205,044)	\$5.00
128 South	14,410,000	0	1,404,794	9.7%	671,413	4.7%	(47,878)	\$6.80
495 South	24,740,000	0	2,121,934	8.6%	657,030	2.7%	(271,097)	\$6.91
3/24 South	4,030,000	0	356,736	8.9%	329,236	8.2%	(20,569)	\$7.68
Fall River/New Bedford	6,000,000	0	212,250	3.5%	179,038	3.0%	0	\$5.94
WAREHOUSE TOTALS	94,420,000	0	7,494,791	7.9%	4,063,683	4.3%	(843,351)	\$8.17



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