



Q4 2023 MARKET REPORT

G R E A T E R B O S T O N

Economic Outlook.

SOLID PAYROLL GROWTH and slight declines in both inflation and the unemployment rate continue to reflect an economy still climbing out of the crater left by the pandemic – and following a tepid growth path. Seven million jobs have been created since January 2022 – a remarkable pace, but just a fraction of the 22 million jobs lost due to COVID. GDP growth averaged 1.8% over the last 4 years – compared to 2.4% average growth between 2014 and 2019. And while inflation has declined nominally, we are still 1.2 percentage points away from the Fed’s target.

AT PERRY CRE, WE BELIEVE THIS ENVIRONMENT INDICATES THE PERSISTENCE OF HIGHER INTEREST RATES AND A TIGHTER FINANCIAL CLIMATE. THESE METRICS ARE NOT A CAUSE FOR EXCITEMENT, BUT THEY MAY BE A CAUSE FOR OPPORTUNITY – PARTICULARLY FOR THOSE WHO CAN ACTIVELY NAVIGATE AROUND THESE SEEMINGLY STRUCTURAL CHANGES AND ADAPT TO A NEW PLAYBOOK.

ECONOMY AT A GLANCE

4.9%

Quarterly GDP growth between Q2 2023 and Q3 2023 (unchanged from Q1-Q2)

216,000

Non-farm payroll growth between November 2023 and December 2023 (up 25% month-over-month)

3.7%

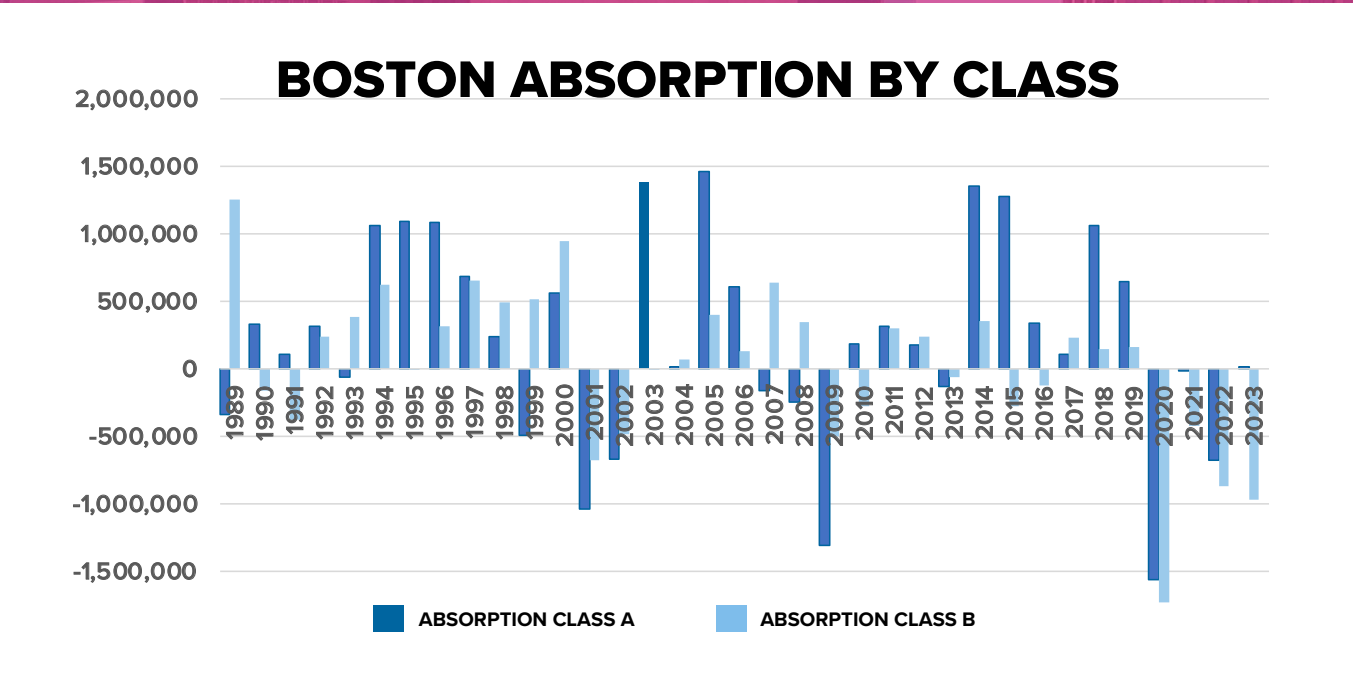
Unemployment Rate (down 10 bps quarter-over-quarter)

3.2%

Increase in the Consumer Price Index over the last 12 months (down 10 bps month-over-month)

Urban Office Market: Beginning of the Beginning.

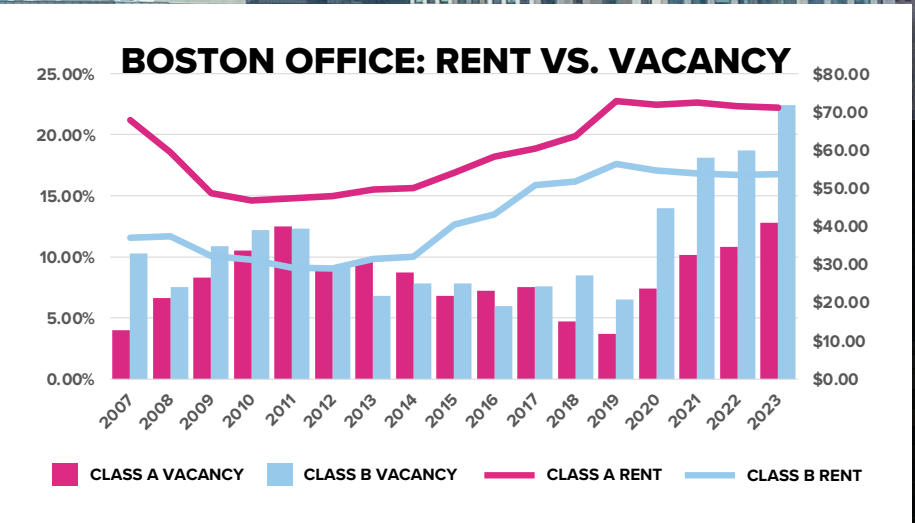
AT JUST OVER 14,000 square feet (SF) year-to-date (YTD) class A absorption in Boston crossed into positive territory for the first time since 2019. This is largely due to the delivery of One Congress Street and Winthrop Center – both trophy towers with strong pre-leasing rates. Absent the delivery of these two properties, class A absorption would have totaled negative 1.4 million square feet (MSF).



Overall average asking rents remain elevated – in the low \$70s per square foot (PSF) for legacy class A space and high \$40s/low \$50s PSF for class B – despite ongoing soft demand for office space. Amid high interest rates and commercial loans coming due, we are starting to see movement in the sales market. While we expected to see increased activity in the distressed class B market, we recently heard of a pending class A sale trading 40% lower than its previous sale price.

While some may see this as the beginning of an urban doom loop, we believe it's the beginning of, well, the beginning. When assets start trading at a discount, it gives new landlords flexibility – with both rent and concession packages – because they are not beholden to the underwriting standards of the previous owner. This is great news for tenants. Post COVID, the term “flight to quality” has been casually thrown around to describe demand for new and trophy class space. But real flight to quality means an exodus of tenants from class B into class A. Or from class A into trophy. Persistently high class A asking rents have prevented this from happening in earnest.

WHILE ONE DISCOUNTED CLASS A SALE IS FAR FROM A TREND, WE EXPECT TO SEE MORE OF IT IN THE COMING YEAR – WHICH MEANS (POTENTIALLY) BETTER DEALS FOR TENANTS IN THE MARKET FOR CLASS A SPACE. AND PERHAPS A FLIGHT TO QUALITY IN ITS TRUEST SENSE.



Boston Office		
	Q4 2023	Q4 2022
VACANCY RATE (%)	15.7%	13.3%
YTD Net Absorption (SF)	(1,034,384)	(1,532,425)
Asking Rent (\$/SF)	\$63.37	\$63.92
Sublease Space (SF)	4,689,121	4,072,589

Cambridge Office		
	Q4 2023	Q4 2022
VACANCY RATE (%)	10.1%	9.5%
YTD Net Absorption (SF)	(375,750)	111,344
Asking Rent (\$/SF)	\$79.51	\$78.48
Sublease Space (SF)	1,220,811	1,112,705

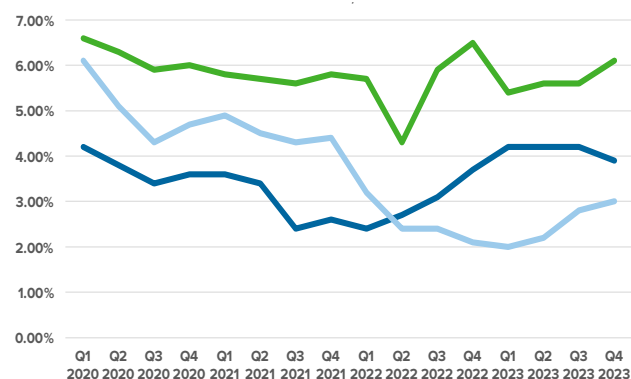
Suburban Office		
	Q4 2023	Q4 2022
VACANCY RATE (%)	16.4%	13.3%
YTD Net Absorption (SF)	(3,921,587)	(809,341)
Asking Rent (\$/SF)	\$26.10	\$25.30
Sublease Space (SF)	5,393,013	3,253,860



Lab and Warehouse Markets.

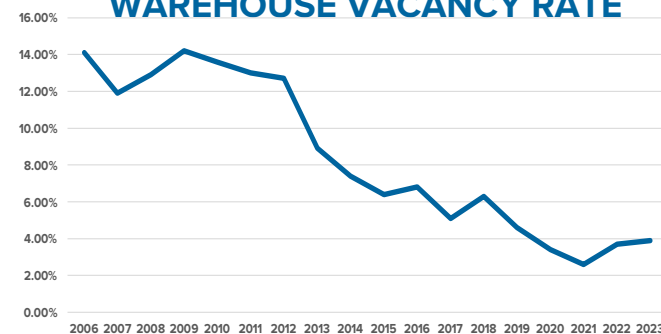
THREE YEARS AGO, as we settled into the acceptance of remote work and its resulting impact on the office market, we touted razor thin vacancies in both the warehouse and lab sectors as insulators from broader economic woes. As we close out 2023, it appears we may have been wrong. At least in part, and at least for now.

INDUSTRIAL VACANCY RATES



FOLLOWING 2020's warehouse leasing spree by Amazon and 3PL providers, the warehouse market experienced a sharp pullback in leasing activity. However, Perry CRE is tracking demand consistent with pre-pandemic levels – which were already at multi-decade highs. In greater Boston, overall warehouse vacancy rates are rising, but remain historically low at 3.9%.

WAREHOUSE VACANCY RATE



Boston Lab

	Q4 2023	Q4 2022
VACANCY RATE (%)	7.4%	2.7%
YTD Net Absorption (SF)	(132,561)	544,825
Asking Rent (\$/SF)	\$54.21	\$55.00
Sublease Space (SF)	347,100	161,021

Cambridge Lab

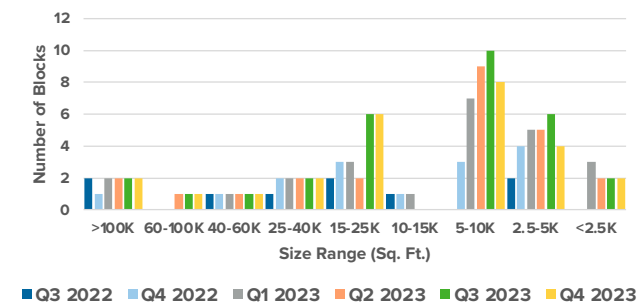
	Q4 2023	Q4 2022
VACANCY RATE (%)	11.6%	4.2%
YTD Net Absorption (SF)	(1,014,490)	(564,168)
Asking Rent (\$/SF)	\$83.52	\$86.23
Sublease Space (SF)	1,537,324	762,755

Suburban Lab

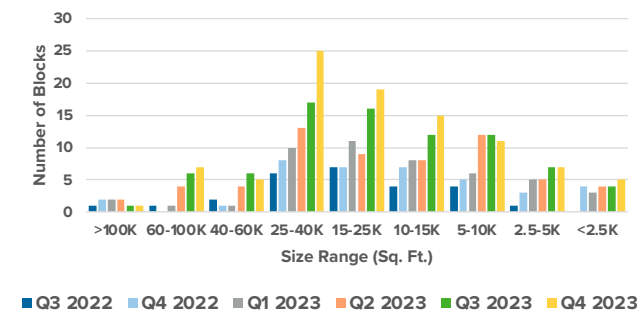
	Q4 2023	Q4 2022
VACANCY RATE (%)	14.2%	7.7%
YTD Net Absorption (SF)	(66,523)	1,041,966
Asking Rent (\$/SF)	\$49.98	\$41.45
Sublease Space (SF)	639,751	236,681

LAB BLOX: AVAILABILITY BY SIZE RANGE

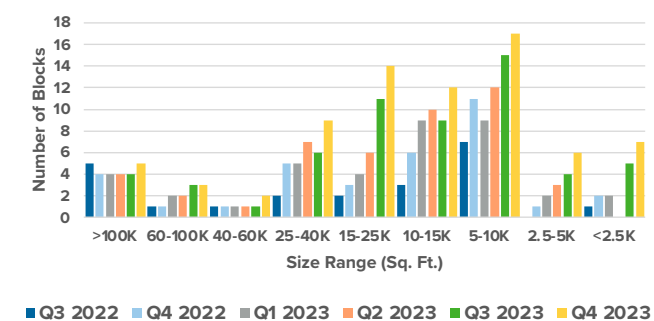
Boston Lab Availability



Cambridge Lab Availability



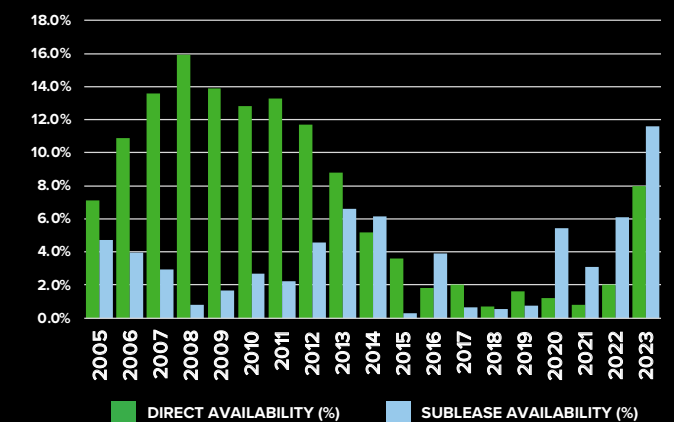
Suburban Lab Availability



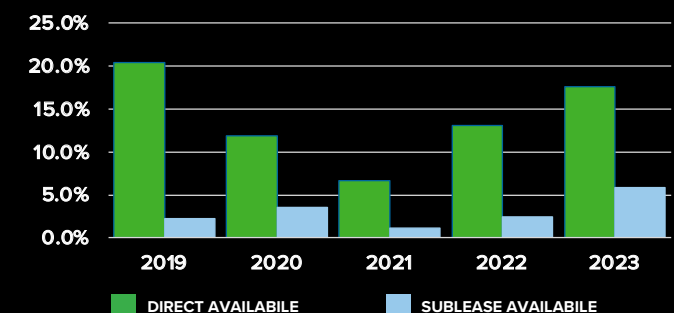
For the second consecutive year, the Cambridge lab sublease availability rate (11.6%) is higher than the Boston office market's (6.8%). The Cambridge figure has doubled in the last 12 months and surpassed 2013's high watermark of 6.6%. And, at 8.8%, direct lab availability reached its highest point in over a decade. The number of Massachusetts-based biotech IPOs dropped sharply over the last two years (to just two in 2023) while total venture capital into life sciences is down nearly 50% in the same time frame.

NOT SURPRISINGLY, this has led to layoffs and a resulting contraction of demand for lab space. Given the fiscal climate, we expect lab availability (both direct and sublease) to remain elevated through 2024.

Cambridge Lab: Direct vs. Sublease Availability



Suburban Lab: Direct vs. Sublease Availability



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	2,560,754	20.3%	1,641,770	13.0%	(339,834)	\$65.04	\$72.61
Charlestown	2,171,000	0	749,163	34.5%	508,981	23.4%	21,899	\$65.20	\$78.62
Fenway/LMA	1,817,000	0	201,999	11.1%	102,607	5.6%	(122,765)	\$45.00	N/A
Financial District	32,136,000	812,000	9,129,406	28.4%	5,681,058	17.7%	(355,346)	\$65.84	\$70.77
Government Center/ North Station	5,056,000	1,006,541	1,446,232	28.6%	919,488	18.2%	511,217	\$53.74	\$59.62
Midtown	2,012,000	0	653,091	32.5%	456,457	22.7%	(228,840)	\$53.61	N/A
Seaport	10,786,000	0	2,063,168	19.1%	1,371,363	12.7%	(482,337)	\$58.62	\$76.12
South Station	2,737,000	0	301,478	11.0%	236,273	8.6%	(38,378)	\$51.62	\$57.00
BOSTON OFFICE TOTALS	69,339,000	1,818,541	17,105,291	24.7%	10,917,997	15.7%	(1,034,384)	\$63.37	\$71.05

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	329,044	20.8%	219,796	13.9%	(75,638)	\$56.71	\$56.84
East Cambridge	9,572,000	504,000	1,791,080	18.7%	985,624	10.3%	(125,106)	\$85.31	\$86.88
Mass Ave Corridor	2,796,000	0	515,069	18.4%	201,374	7.2%	(175,006)	\$72.50	\$72.60
CAMBRIDGE OFFICE TOTALS	13,953,000	504,000	2,635,193	18.9%	1,406,794	10.1%	(375,750)	\$79.51	\$80.42

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	6,833,710	23.7%	4,697,701	16.3%	(2,028,000)	\$33.00	\$38.88
128 North	11,164,000	0	1,850,521	16.6%	1,362,841	12.2%	(138,347)	\$23.74	\$26.26
128 South	11,156,000	0	2,902,725	26.0%	1,625,304	14.6%	(638,822)	\$25.09	\$26.32
3/24 South	1,650,000	0	213,440	12.9%	136,737	8.3%	(38,254)	\$19.56	\$20.04
Metrowest	2,809,000	0	1,020,425	36.3%	472,582	16.8%	(260,161)	\$25.30	\$27.37
495 West	7,661,000	0	2,392,878	31.2%	1,739,469	22.7%	(236,784)	\$20.31	\$21.07
495 North	21,713,000	0	6,357,472	29.3%	4,553,134	21.0%	(556,015)	\$21.48	\$22.56
495 South	1,499,000	0	218,507	14.6%	129,057	8.6%	122,103	\$19.80	\$20.39
Inner Suburbs	6,026,000	0	1,675,609	27.8%	497,725	8.3%	(147,307)	\$39.73	\$40.57
SUBURBAN OFFICE TOTALS	92,538,000	0	23,465,287	25.4%	15,214,550	16.4%	(3,921,587)	\$26.10	\$28.81

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%	4,952	\$54.21	N/A
Fenway/LMA	2,349,000	0	156,696	6.7%	156,696	6.7%	2,496	N/A	N/A
Seaport	1,862,000	0	273,561	14.7%	148,407	8.0%	(126,070)	N/A	N/A
South End	556,000	0	75,741	13.6%	53,860	9.7%	(13,939)	N/A	N/A
BOSTON LAB TOTALS	5,663,000	0	581,774	10.3%	418,854	7.4%	(132,561)	\$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	336,437	25.5%	310,088	23.5%	(210,824)	\$77.97	N/A
East Cambridge	8,449,000	625,000	1,562,456	18.5%	803,257	9.5%	(347,163)	\$77.02	N/A
Mass Ave Corridor	3,506,000	0	705,796	20.1%	422,628	12.1%	(456,503)	\$88.58	N/A
CAMBRIDGE LAB TOTALS	13,274,000	625,000	2,604,689	19.6%	1,535,973	11.6%	(1,014,490)	\$83.52	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	173,700	1,163,799	18.9%	900,521	14.6%	4,663	\$66.67	N/A
128 North	347,000	0	210,031	60.5%	0	0.0%	13,095	\$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	5,000	1.5%	5,000	1.5%	15,141	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	185,815	44.0%	185,815	44.0%	(103,445)	\$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	2,917,000	427,229	984,628	33.8%	449,600	15.4%	4,023	\$63.74	N/A
SUBURBAN LAB TOTALS	10,865,000	600,929	2,549,273	23.5%	1,540,936	14.2%	(66,523)	\$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	316,315	45.5%	316,315	45.5%	(15,669)	\$9.00
Boston North	510,000	0	17,355	3.4%	0	0.0%	27,000	\$13.50
Boston South	808,000	0	261,685	32.4%	184,761	22.9%	9,901	\$16.14
Boston West	2,068,000	0	38,113	1.8%	21,861	1.1%	71,100	N/A
128 North	4,918,000	0	162,071	3.3%	98,095	2.0%	5,557	\$9.93
495 North	10,797,000	0	1,362,499	12.6%	755,649	7.0%	(26,581)	\$9.35
128 West	6,573,000	0	449,486	6.8%	296,887	4.5%	(93,691)	\$17.46
495 West	7,524,000	0	434,565	5.8%	311,370	4.1%	(83,091)	\$9.54
MetroWest	1,012,000	0	94,498	9.3%	94,498	9.3%	(84,248)	N/A
Worcester	196,000	0	4,300	2.2%	4,300	2.2%	(4,300)	N/A
128 South	6,283,000	0	742,065	11.8%	420,070	6.7%	(218,354)	\$9.80
495 South	6,559,000	0	471,761	7.2%	393,448	6.0%	(191,499)	\$10.32
3/24 South	1,276,000	0	123,644	9.7%	116,577	9.1%	(37,833)	\$13.28
Fall River/New Bedford	291,000	0	0	0.0%	0	0.0%	0	N/A
FLEX TOTALS	49,510,000	0	4,478,357	9.0%	3,013,831	6.1%	(641,708)	\$10.66

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	305,681	22.5%	290,681	21.4%	(21,918)	\$11.02
Boston North	1,290,000	0	88,538	6.9%	9,208	0.7%	38,062	\$14.63
Boston South	2,770,000	0	47,925	1.7%	36,675	1.3%	(28,992)	\$10.62
Boston West	980,000	0	0	0.0%	0	0.0%	0	N/A
128 North	1,770,000	0	47,200	2.7%	44,200	2.5%	(34,300)	N/A
495 North	5,520,000	0	231,060	4.2%	176,690	3.2%	(42,970)	\$8.57
128 West	600,000	0	0	0.0%	0	0.0%	2,000	N/A
495 West	2,350,000	0	84,960	3.6%	42,460	1.8%	(8,380)	\$7.75
MetroWest	660,000	0	28,862	4.4%	12,112	1.8%	9,256	\$9.81
Worcester	2,630,000	0	251,000	9.5%	31,000	1.2%	(126,000)	\$12.00
128 South	3,260,000	0	121,702	3.7%	66,902	2.1%	(12,268)	\$6.00
495 South	4,290,000	0	409,165	9.5%	229,945	5.4%	(156,298)	\$6.06
3/24 South	590,000	0	30,818	5.2%	13,318	2.3%	(27,500)	N/A
Fall River/New Bedford	3,450,000	0	0	0.0%	0	0.0%	0	N/A
MANUFACTURING TOTALS	31,500,000	0	1,646,911	5.2%	953,191	3.0%	(409,308)	\$9.92

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%	22,470	\$14.77
Boston North	2,450,000	0	277,176	11.3%	256,176	10.5%	(59,839)	\$17.24
Boston South	2,120,000	0	202,121	9.5%	160,721	7.6%	21,423	\$6.52
Boston West	2,100,000	0	51,334	2.4%	41,334	2.0%	(23,307)	\$25.00
128 North	6,380,000	0	607,459	9.5%	266,879	4.2%	(100,788)	\$11.50
495 North	12,330,000	0	920,602	7.5%	589,972	4.8%	(242,164)	\$7.10
128 West	480,000	0	60,470	12.6%	47,600	9.9%	4,123	N/A
495 West	8,510,000	0	465,846	5.5%	74,523	0.9%	124,210	\$7.75
MetroWest	660,000	0	23,642	3.6%	8,693	1.3%	349	\$6.31
Worcester	7,970,000	0	259,386	3.3%	259,386	3.3%	118,566	\$6.71
128 South	15,210,000	0	1,337,782	8.8%	559,378	3.7%	(274,655)	\$6.81
495 South	24,740,000	130,000	2,176,396	8.8%	778,343	3.1%	(993,303)	\$7.22
3/24 South	3,750,000	0	320,145	8.5%	320,145	8.5%	126,962	N/A
Fall River/New Bedford	6,000,000	0	212,250	3.5%	179,038	3.0%	(10,681)	\$5.94
WAREHOUSE TOTALS	94,900,000	130,000	7,072,590	7.5%	3,662,292	3.9%	(1,286,634)	\$7.89



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