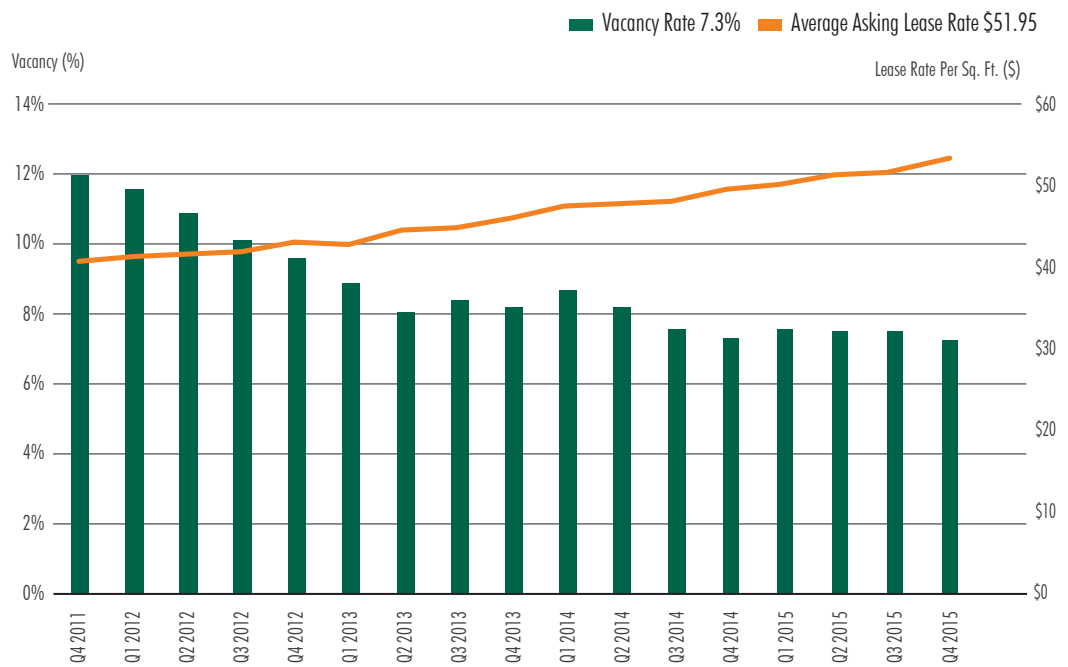


Boston Downtown Office, Q4 2015

Banner Year for the Downtown Office Market

- ▼ **Vacancy**
7.3%
- ▼ **Availability**
13.5%
- ▲ **Quarterly Absorption**
311,899 SF
- ▲ **Sublease**
1.1%
- ▼ **Under Construction**
1.9 MSF

Figure 1: Office Vacancy vs. Lease Rate



Source: CBRE Research, Q4 2015.

2015 was another banner year for the Downtown Boston Office market, marketing the third consecutive year the overall market ended at over 1 million sq. ft. of positive absorption, with 312,000 sq. ft. of growth in Q4 2015. With the Massachusetts unemployment rate at an eight-year

low of 4.7%, competition for talent has become a top priority for employers, including the need for office space that can best accommodate the evolving professional and cultural trends of today's workforce. This environment has redefined the requirements of high-performing real estate

in downtown Boston. Conventional and unconventional amenities are critical, including access to the most desirable forms of transit, most notably the MBTA Red Line and bicycle accommodations.

This shift in tenant priorities over the past few years has resulted in the progression of low-rise vacancy falling below that of the high-rise, as well as Class B rent premiums recovering and surpassing the peak of the last cycle at a much faster rate than the Class A market. For the majority of tenants, so-called 'value' space has become more desirable than premium—generating a 'value-plus' class that has surpassed the typical commodity meaning of value.

CBD

- The CBD recorded 224,000 sq. ft. of absorption in Q4 2015, the most significant submarket contribution to overall absorption for both the quarter and year as a whole. Steady leasing activity drove vacancy down 60 basis points to 7.3% and average asking rents up by nearly \$1 to \$53.47 per sq. ft.
- Bullhorn, having outgrown its space at 33-41 Farnsworth Street in the Seaport, announced plans to relocate to 78,000 sq. ft. at 100 Summer Street, expanding its overall footprint by almost 35,000 sq. ft.
- AECOM leased 55,000 sq. ft. at One Federal Street, creating an upcoming full-building opportunity at its current North Station location, 66 Long Wharf.
- At year-end, BNY Mellon renewed its 250,000 sq. ft. lease at One Boston Place, yet another illustration of the health of the CBD and of Downtown Crossing in particular.

BACK BAY

- As was the case last quarter, large sublease offerings continued to linger, with 73,000 sq. ft. of negative absorption from sublease activity recorded in Q4 2015.
- Although the quarter ended with negative absorption, the Back Bay did experience a fair amount of leasing activity. Wayfair expanded for the third time since its original lease, taking an additional 94,000 sq. ft. at Copley Place. Regus and Compass Real Estate signed new leases on Newbury Street for 33,000 sq. ft. and 21,000 sq. ft., respectively.
- In one of the highest price per sq. ft. sales ever seen in Boston, Equity Office sold trophy assets 222 Berkeley Street/500 Boylston Street to a joint venture between Oxford Properties and JPMorgan Asset Management for \$1.29 billion, or \$1,004 per sq. ft.

SEAPORT

- The Seaport continued to exhibit a great deal of sublease activity, but unlike the Back Bay, most Seaport subleases have been leased in a matter of months. In Q4 2015, Bullhorn put its 43,000 sq. ft. at 33-41 Farnsworth Street on the sublease market, however, the space was reported to have a commitment already by the end of the quarter.
- Brick-and-beam space is still scarce, with select spaces starting to exhibit average asking rents over \$50 per sq. ft. WS Development purchased the remaining 12.5 acres of land in the Seaport Square development for \$359 million, one of the largest sales in Boston for an unbuilt site, and another example of the strong investor confidence in Boston and especially in the Seaport District

Figure 2: Transactions of Note

Tenant	Address	Sq. Ft.	Submarket	Type
BNY Mellon	One Boston Place	250,000	CBD	Renewal
Boston Medical Center	529 Main Street	172,000	Charlestown	New
Confidential	1325 Boylston Street	125,000	Fenway	New
Wayfair	1 Copley Place	94,000	Back Bay	Expansion
Bullhorn	100 Summer Street	78,000	CBD	New
AECOM	One Federal Street	55,000	CBD	New
Houghton Mifflin	125 High Street	35,000	CBD	Expansion
Regus	361 Newbury Street	33,000	Back Bay	New
DataRobot	1 International Place	31,000	CBD	New (Sublease)
Placester	100 High Street	31,000	CBD	New

Source: CBRE Research, Q4 2015.

Figure 3: Market Statistics

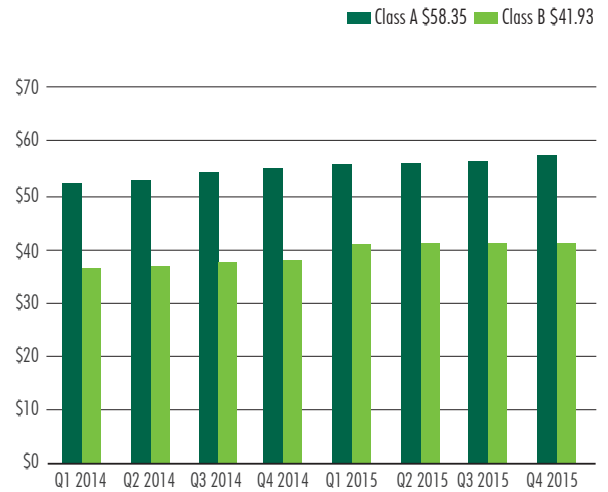
Boston Office	Bldgs	Total Sq. Ft.	Available (%)	Vacant (%)	Sublease (%)	Quarter Net Absorption	YTD Net Absorption	Avg Asking Rent \$ (Gross)
Central Business District	185	36,854,778	12.8	7.3	0.9	223,824	844,149	53.47
Class A	43	26,870,269	13.1	8.0	0.8	201,620	885,791	56.45
Class B/C	142	9,984,509	12.1	5.4	0.9	22,204	(41,642)	43.44
Back Bay	78	15,058,485	18.0	8.4	2.1	(72,825)	(369,807)	61.05
Class A	21	10,192,552	21.8	8.5	2.3	(79,118)	(481,552)	64.02
Class B/C	57	4,865,933	10.1	8.1	1.6	6,293	111,745	46.45
Charlestown/East Boston	21	2,922,083	14.5	11.0	0.4	135,812	145,769	32.65
Seaport	65	11,365,968	10.3	6.1	1.5	14,270	50,506	50.37
Class A	10	4,592,928	6.1	2.4	0.8	1,153	168,399	64.20
Class B/C	55	6,773,040	13.2	8.6	1.9	13,117	(117,893)	45.78
Mid-Town	27	2,559,445	13.7	12.4	0.6	(3,858)	55,280	41.22
North Station/Waterfront	38	2,611,250	7.3	1.8	0.2	(75,880)	(46,395)	39.50
South Station	22	1,332,259	8.8	3.6	1.3	(8,094)	(34,555)	42.85
Dorchester/South Boston	25	2,193,029	10.1	7.6	0.0	(19,571)	(8,698)	31.58
Allston/Brighton/Longwood	24	2,006,081	20.9	6.3	3.2	3,245	215,749	42.19
Fenway/Kenmore Square	22	2,172,967	16.2	3.3	0.0	114,976	257,528	55.06
Overall Boston Office	507	79,076,345	13.5	7.3	1.1	311,899	1,109,526	52.69

Source: CBRE Research, Q4 2015.

AVERAGE ASKING RENTS

Overall average asking rents in Downtown Boston increased for the 12th consecutive quarter in Q4 2015, finishing the quarter at \$52.69 per sq. ft.. Scarcity of Class B options has pushed many tenants typically exclusive to Class B buildings to lease space in the low-rise of Class A towers; space formerly viewed as commodity now commonly exhibits average asking rents over \$40-50 per sq. ft. In all core submarkets, Class B rents have surpassed the peak of the last cycle, while Class A rents still have significant room for growth.

Figure 4: Average Asking Lease Rates

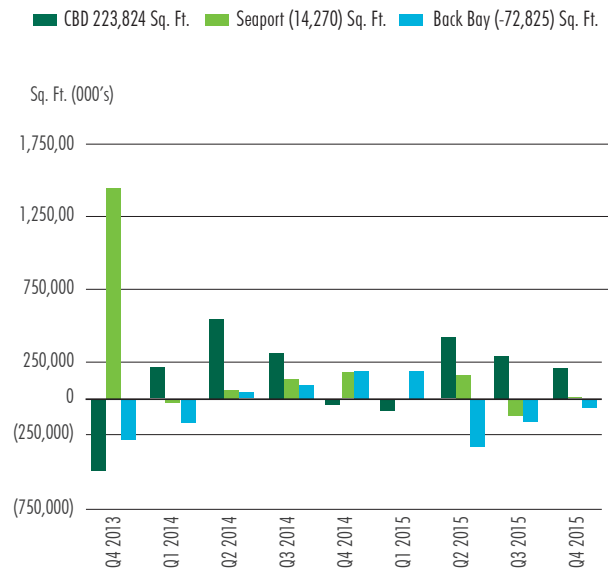


Source: CBRE Research, Q4 2015.

NET ABSORPTION

Downtown Boston absorption ended the year strong, breaking the 1 million sq. ft. mark for the third consecutive year. Although there is still a trend to right-size real estate footprints, there are also multiple examples of companies exhibiting organic growth.

Figure 5: Net Absorption



Source: CBRE Research, Q4 2015.

Definitions

AVERAGE ASKING LEASE RATE

Rate determined by multiplying the asking gross lease rate for each building by its available space, summing the products, then dividing by the sum of the available space with net leases for all buildings in the summary.

GROSS LEASES

Includes all lease types whereby the tenant pays an agreed rent plus estimated average monthly costs of the operating expenses and taxes for the property, including utilities, insurance and/or maintenance expenses.

MARKET COVERAGE

Includes all competitive buildings in CBRE's survey set.

NET ABSORPTION

The change in occupied sq. ft. from one period to the next, as measured by available sq. ft.

NET RENTABLE AREA

The gross building square footage minus the elevator core, flues, pipe shafts, vertical ducts, balconies and stairwell areas.

OCCUPIED AREA (SQ. FT.)

Building area not considered vacant.

UNDER CONSTRUCTION

Buildings that have begun construction as evidenced by site excavation or foundation work.

AVAILABLE AREA (SQ. FT.)

Available building area that is either physically vacant or occupied.

AVAILABILITY RATE

Available sq. ft. divided by the net rentable area.

VACANT AREA (SQ. FT.)

Existing building area that is physically vacant or immediately available.

VACANCY RATE

Vacant building feet divided by the net rentable area.

NORMALIZATION

Due to a reclassification of the market, the base, number and square footage of buildings of previous quarters have been adjusted to match the current base. Availability and vacancy figures for those buildings have been adjusted in previous quarters.



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