

FIGURES | BOSTON SUBURBAN OFFICE | Q4 2022

# Suburban office growth stabilizes as economic uncertainty remains

▼ 20.4%

Office Availability

▲ \$27.94

Office Lease Rate (Gross)

▲ 727,609 SF

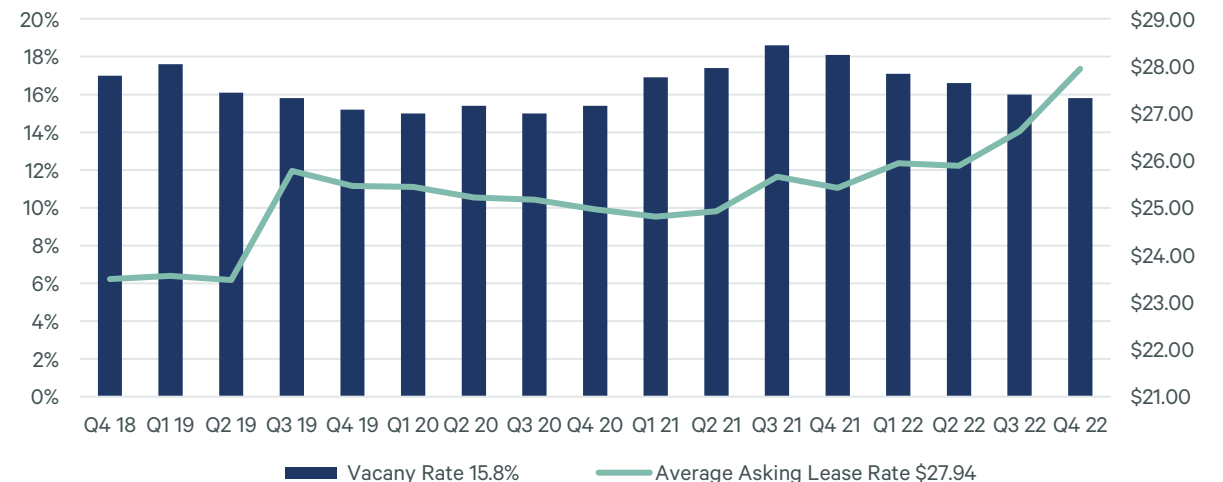
Leasing Activity

Note: Arrows indicate change from previous quarter.

The suburban office market of Greater Boston experienced steady growth throughout the first half of the year. The first two quarters of 2022 posted 633,141 sq. ft. of positive absorption with asking gross rents increasing quarter-over-quarter (q-o-q). High leasing activity proved the market to be on the path to recovery. As economic uncertainty continued to rise throughout the second half of the year, the market began to stabilize. Employees are working remotely at higher rates than pre-pandemic as companies continue using the hybrid work model. With a recession looming, large amounts of sublease space were listed across all markets in Q3. This trend carried into Q4 as sublease space continued to hit the market with excess office space still prevalent. The Q4 results show leasing activity remaining stable as economic uncertainty is a driving factor for both tenants and landlords going into 2023.

The suburban office market experienced 39,857 sq. ft. of negative net absorption in Q4. A leading factor of negative absorption this quarter can be attributed to more sublease space additions. Over 589,108 sq. ft. of sublease space came on across all three markets this quarter.

FIGURE 1: Vacancy vs. Lease Rate



Source: CBRE Research, Q4 2022

Despite negative absorption in Q4, the market finished 2022 with 209,475 sq. ft. of positive net absorption. The flight-to-quality trend continued this quarter with Class A transactions accounting for 65% of deals. Tenants were drawn to Class A office space as employers implemented back to office protocols into the new year.

Overall leasing activity finished at 727,609 sq. ft. of transactions in Q4 resulting in a 171,230 sq. ft. decrease from the previous quarter. Although leasing activity slowed, over half of the total transactions this quarter came from new deals while 30% were renewals. Despite a decline in leasing activity, key metrics such as average asking gross rents remained consistent increasing q-o-q. Asking gross rents were \$27.94 per sq. ft. gross. Overall availability decreased slightly by 10 basis points (bps) to 20.4%. In addition, overall vacancy dropped consecutively q-o-q to 15.8%. The suburban office market continues to be affected by current economic conditions but remains steady in an uncertain market.

**Metro North**

The Metro North market experienced 324,078 sq. ft. of negative net absorption in Q4. The market continues to be impacted by sublease space additions with over 386,118 sq. ft. added this quarter increasing sublease availability to 3.4%. Leasing activity surpassed the previous quarter increasing to 221,817 sq. ft. of transactions. New deals signed this quarter made up half of all transactions in the Metro North in Q4. Average rents increased to \$26.04 per sq. ft. gross from Q3. Availability rates also increased 10 bps to 23.4% and vacancy decreased 20 bps to 17.9% from the previous quarter.

Route 128 - North experienced the most activity in the Metro North market this quarter with 78,461 sq. ft. of transactions making up 58% of deals in this submarket. Demand remained steady in this market for both renewals and new deals. Everbridge, formally known as CloudFloor, renewed 36,710 sq. ft. at 25 Corporate Drive. Route 128 - North also saw new transactions this quarter including a new lease signed by Linear Retail properties for 11,926 sq. ft. at 77 South Bedford Street. Acuity Brand Lights signed a new lease for 11,183 sq. ft. at 200 Ballardvale in Wilmington. Additionally, asking rents increased to \$29.41 per sq. ft. gross. Both availability and vacancy slightly decreased from Q3 with availability dropping to 19.0% and vacancy to 14.8%.

FIGURE 2: Transactions of Note

Tenant/Investor	Address	Sq. Ft.	Submarket	Type
Workhuman	100 Staples Drive, Framingham	157,133	Framingham – Natick	New
NECI	325 Foxborough Blvd, Foxborough	80,000	Route 495 – South	New
Medtronic	880 Technology Park Drive, Billerica	37,000	Route 3 – North	New
Everbridge	25 Corporate Drive, Burlington	36,710	Route 128 – North	Renewal
Delaware Life Insurance	230 CityPoint, Waltham	31,722	Route 128 – West	New
Nybolt	4 Crosby Drive, Bedford	27,927	Route 3 - North	Sublease
Motorola Solutions	450 Artisan Way, Somerville	23,098	Close – In Suburbs North	Renewal
Actnano Inc.	200 Exchange Street, Malden	21,893	Close – In Suburbs North	Relocation

The Close in Suburbs North witnessed slightly negative absorption in Q4 of 14,057 sq. ft. Despite this, leasing activity finished the quarter at 44,991 sq. ft. with both a renewal and relocation transaction. Motorola Solutions renewed 23,098 sq. ft. at 450 Artisan Way in Somerville. Another notable transaction was Act Nano relocating to 200 Exchange St. leasing 21,893 sq. ft. Asking rents were once again the highest in the Metro North at \$30.77. Vacancy decreased to 13.3% and availability rates slightly increased 20 bps to 20.9% from Q3.

Both Route 3 -North and Route 495 – Northeast experienced negative absorption in Q4. Route 3-North witnessed 171,776 sq. ft. of negative net absorption due to large blocks of space coming onto the market such as the entire building at 900 Chelmsford St. Crosspoint 2 in Lowell because of Verizon vacating. Comparatively, over 178,066 sq. ft. of sublease space came on in Route 3 – North in Q4. Nevertheless, the largest transaction for the Metro North in Q4 occurred in Route 3-North in which Nybolt took over 50,000 sq. ft. that included both direct and sublease-space. In addition, Medtronic signed a 37,000 sq. ft. new lease at 880 Technology Park Drive in Billerica. Route 495 – Northeast experienced 48,183 sq. ft. of negative net absorption with few transactions occurring in Q4. Asking rents remained the lowest in the Metro North market at \$22.86 per sq. ft. gross.

**Metro South**

The Metro South market saw 186,388 sq. ft. of positive net absorption in Q4. Several new leases and renewals contributed to the positive absorption and stable leasing activity during the final quarter of the year. Availability decreased by 80 bps q-o-q to 18.2% and vacancy rates dropped 90 bps q-o-q to 12.7%. The submarket witnessed an increase in overall asking rents to \$26.52 per sq. ft. gross.

Route 495 - South experienced 94,322 sq. ft. of positive net absorption in Q4. The second largest transaction of the quarter occurred in Route 495-South where New England Controls leased 80,000 sq. ft. at 325 Foxborough Boulevard. General Electric Company also leased 19,580 sq. ft. at 200 Foxborough Boulevard adding to the strong leasing activity in this market. Asking rents remained steady at \$22.12 per sq. ft. gross.

Comparatively, Route 128-South saw a more active quarter than Q3 with over 25,000 sq. ft. of leasing activity. A notable sublease transaction this quarter was Murphy, Hesse, Toomey, & Lehane taking 18,243 sq. ft. at 50 Braintree Hill Park. Asking rents in Route 128-South increased to \$27.15 per sq. ft. gross. Overall, the Metro South market experienced an active Q4 with over 137,178 sq. ft. of leasing activity.

FIGURE 3: Submarket Stats

<b>Boston Office</b>	<b>Bldgs</b>	<b>Total SqFt</b>	<b>Available (%)</b>	<b>Vacant (%)</b>	<b>Sublease (%)</b>	<b>Quarter Absorption</b>	<b>YTD Absorption</b>	<b>Avg Asking Rent \$ (Gross)</b>
Close-In Suburbs North	63	5,647,270	20.9	13.3	4.1	(14,057)	(349,155)	30.77
Route 128 - North	160	17,899,657	19.0	14.8	2.9	(103,778)	(199,226)	29.41
Route 495 - Northeast	36	5,959,277	25.6	21.1	3.6	(55,068)	(3,483)	22.86
Route 3 - North	133	12,782,234	28.7	22.4	3.3	5,861	77,663	23.69
<b>Metro North</b>	<b>392</b>	<b>42,288,438</b>	<b>23.5</b>	<b>17.9</b>	<b>3.4</b>	<b>(324,078)</b>	<b>(740,222)</b>	<b>26.04</b>
Route 128 - West	267	23,297,515	15.6	13.0	4.1	55,899	284,265	41.67
Framingham - Natick	82	7,033,859	12.1	8.1	1.0	3,197	70,355	22.37
Route 495 - Route 2 West	58	5,100,754	34.5	31.6	0.9	(31,583)	161,408	19.79
Route 495 - Mass Pike West	115	11,503,099	20.2	15.3	1.9	70,320	99,871	21.90
<b>Metro West</b>	<b>522</b>	<b>46,935,227</b>	<b>18.4</b>	<b>15.1</b>	<b>2.9</b>	<b>97,833</b>	<b>615,899</b>	<b>30.76</b>
Route 128 - South	164	13,731,520	20.0	13.8	2.8	92,066	190,494	25.63
Route 495 - South	35	2,504,999	16.1	12.5	0.6	94,322	143,304	22.14
<b>Metro South</b>	<b>199</b>	<b>16,236,519</b>	<b>18.2</b>	<b>12.7</b>	<b>1.7</b>	<b>186,388</b>	<b>333,798</b>	<b>26.52</b>
<b>Overall Suburban Office</b>	<b>1,113</b>	<b>105,460,184</b>	<b>20.4</b>	<b>15.8</b>	<b>2.9</b>	<b>(39,857)</b>	<b>209,475</b>	<b>27.94</b>

Source: CBRE Research Q4 2022

**Metro West**

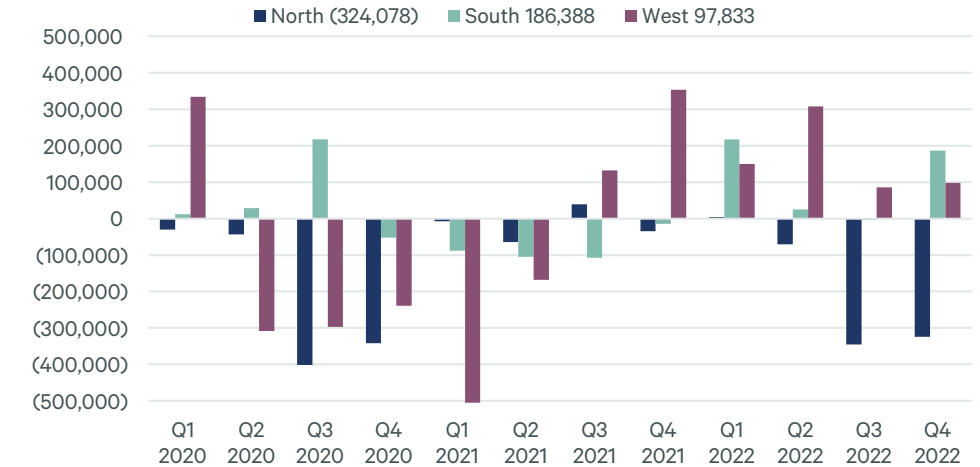
Metro West carried the bulk of leasing activity for the suburban office market throughout 2022. With the highest leasing activity in Q4, Metro West saw 97,833 sq. ft. of positive net absorption this quarter. Contributing to the positive absorption in Q4 were more than ten new transactions and four renewals. Asking rents continued to increase q-o-q in Metro West rising to \$30.76 per sq. ft. gross. Aside from asking rents, vacancy rates increased slightly by 10 bps q-o-q to 15.1% and availability increased 40 bps q-o-q to 18.4%.

The largest deal of the quarter occurred when WorkHuman leased the entire building at 100 Staples Drive in Framingham totaling approximately 157,133 sq. ft. Despite the large transaction, the Framingham-Natick submarket saw only slightly positive absorption at 3,197 sq. ft. Due to large blocks of direct and sublease space totaling over 183,226 sq. ft. put on the market.

Similar to the Framingham - Natick submarket Route 128 - West saw steady leasing activity in Q4. Notable transactions included Delaware Life Insurance signing a seven-year deal for 31,722 sq. ft. at 230 Citypoint and 9,942 sq. ft. at 10 Citypoint in Waltham. Additionally, Massachusetts General Physicians Organization renewed 13,834 sq. ft. at 2 Wells Avenue in Newton. Unique also signed a 12,175 sq. ft lease at 91 Hartwell Avenue. Average asking rents in this submarket increased to \$41.67 per sq. ft. gross., the highest asking rents across the suburban office market.

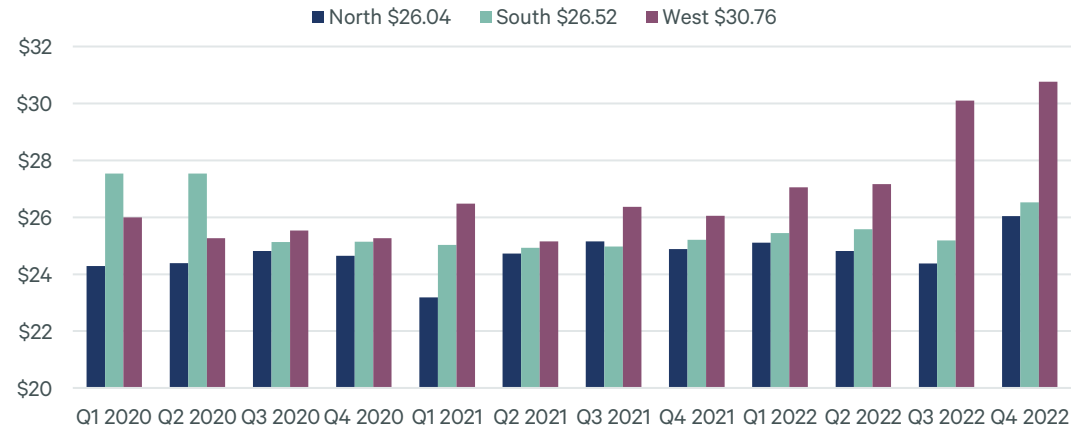
Both Route 495-Route 2 West and Route 495-Mass Pike West saw leasing activity in Q4. Cardinal Health renewed 19,994 sq. ft. at 300 Baker Avenue in Concord. Comparatively in Route 495 – Mass Pike West, Eversource expanded 33,968 sq. ft. at 4 Technology Park Drive in Westborough. Asking rents slightly decreased in both submarkets. In Route 495- Route 2 West rents decreased to \$19.79 per sq. ft. gross and dropped to \$21.90 per sq. ft. gross in Route 495-Mass Pike West.

FIGURE 5: Net Absorption



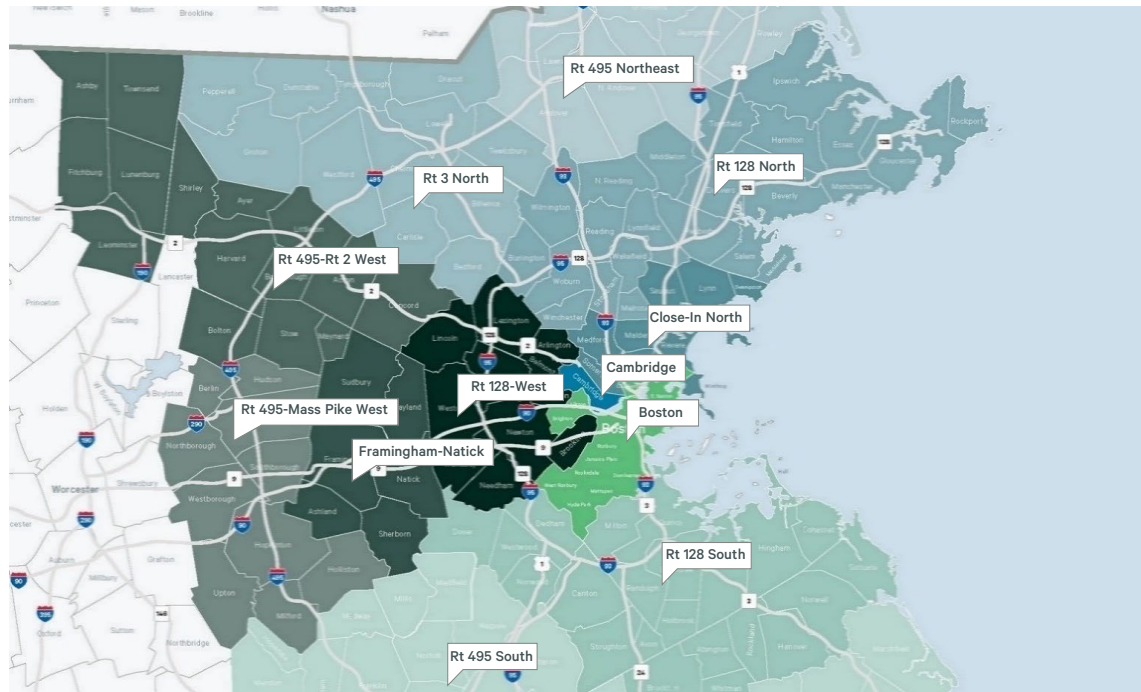
Source: CBRE Research, Q4 2022

FIGURE 6: Average Asking Leasing Rate



Source: CBRE Research, Q4 2022

## Market Area Overview



## 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. **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.

## Survey Criteria

Includes all competitive buildings in CBRE's survey set for the Suburban Boston Office.

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