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Boston Realty Advisors reports, Seaport/Fort Point class B office leasing leads as 2021 ends

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Robert LeClair

Boston, MA Class B office leasing properties in the Seaport and Fort Point outperformed all other markets at the end of 2021, as lab conversions removed inventory and subleases were absorbed by new tenants or filled as employees returned to their offices following pandemic responses that kept them away, Boston Realty Advisors' Boston/Cambridge Office Overview for Class B space reported.

New deal activity overall was healthy in the second half of 2021, but asking rents continued to decline, stabilizing going into this year. "Rent concessions, free rent, and tenant improvements were up significantly from 2019 as landlords competed to fill vacancy," the report said. Net effective rents were as much as 10% below face rents.

However, with availability stabilized, a market recovery beginning was predicted. "The market has stabilized, but total availability is still high," said Robert LeClair, managing director and partner at Boston Realty Advisors. "Ready-to-go quality spaces and spec suites have and will continue to be the best recipe for success, as tenants look for better quality space and value flexibility and more immediate occupancy."

"The recovery is now beginning," LeClair said. "However, landlords will have to compete for tenants in the near term."

Class B average asking rents were \$54.79 in Boston and Cambridge, down \$5.39 since the pre-pandemic 2019. The space availability rate including sublease space was 16% in the office market, up about half a percent since 2020.

East Cambridge had the highest office rents among six submarkets, at \$78.35 average per s/f. The Financial District the highest availability rate, with 25%.

Boston Realty Advisors announced numbers for the class A office leasing market, saying the market experienced a significant increase in availability among all six submarkets: North Station, Financial District, Back Bay, Seaport District, East Cambridge, and Mid-Cambridge. "New construction outperformed the existing inventory," the report said, with "pre-leasing or by securing larger tenants seeking flight to quality."

"Acquisitions of existing class A buildings for lab conversion was the biggest story of 2021," the report said. Boston Realty Advisors predict that lab conversions will continue to impact the market, displacing office tenants and removing existing inventory.

"High construction costs and labor shortages are expected to persist in 2022," the report said, keeping deal concessions and tenant improvement allowance higher to entice tenants to relocate.

The class A office report said average rents were \$74.75, down almost \$3 since 2019. Availability, including sublease space, was 12.9%, up 1.5% over 2020.

Healthier East Cambridge had the highest average per s/f rents, at \$93.17, with only 5.6% availability.

The Financial District's availability, on the other hand, zoomed to 20.9%, a direct result of the pandemic.

Demand continued to be hindered by the pandemic in Class A buildings, the report said, but "an uptick in Q3/A4 leasing activity has provided momentum headed into 2022."

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