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# Boston is faring better than much of the rest of the nation, where CBD rates are well above 10%

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The Boston office market vacancy rate rose to 13.3% at the end of the second quarter of 2009 due to a combination of an increase in direct space and vacant sublease space, according to the company's Boston Office Market Trends report. The market added approximately 12% more sublease space in the quarter, bringing total sublease space to 6 million s/f for 2009.

With 2 million s/f of negative absorption so far this year in both direct and sublease space, landlords are under intense pressure to fill vacant space or retain tenants. At the same time, Boston is faring better than much of the rest of the nation, where CBD vacancy rates are well above 10% and suburban vacancy numbers are even higher.

The region's diversified industry base and concentrations in high-tech, bio-life sciences, healthcare, wealth management and education as factors that will help the local market recover faster than many other areas when the economy begins to recover.

The report attributed the increased vacancy rates to job cuts and tenants' strategy to reduce overhead costs by executing, downsizing renewals and or consolidations. The CBD, a traditionally stable market, posted a negative absorption of 577,169 s/f, increasing the office vacancy rate to 9.5% from 9.4% in the first quarter.

The suburbs saw 186,663 s/f of negative absorption, a modest amount compared with the nearly 1 million s/f added in the first quarter. The suburban vacancy rate stood at 14.9% at the end of the second quarter.

The report noted that the investment sales market continues to be stagnant with just three buildings above $5 million changing hands at a combined sales price of $36.9 million. In comparison, investment sales for buildings above $5 million totaled $1.2 billion in the fourth quarter of 2007.

The report concluded that the Boston office market will continue to struggle in the coming quarters as tenants consolidate and the 1.4 million s/f of space currently under construction comes online. On the investment side, Grubb & Ellis researchers expect to see some over-leveraged assets go back to the lenders, providing increased choices for opportunistic investors.

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