Office Report

Boston | Cambridge | Suburbs

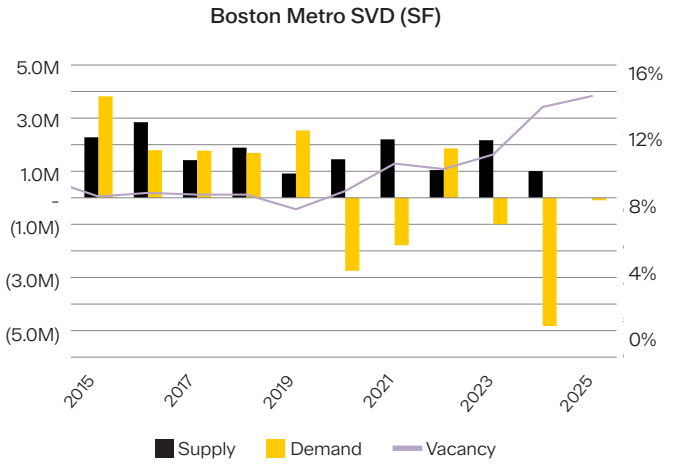
Q3 2025

Lincoln

Contents

Overview

Boston's Office Market continues its streak of elevated activity compared to previous years, indicating a consistent rise to pre-pandemic levels. While vacancy continues to rise, leasing velocity and net absorption show promising signs of recovery. The vacancy rate for Boston is now at 15.2%, a full one percent higher than the previous quarter. This is consistent with the Boston Metro vacancy, which sat at 15.4% by the end of Q3. There is still demand for Boston office space, however, with leasing velocity at 1,070,041 square feet. Significant Downtown leases help drive this metric, with large leases signed by Hasbro, KKR, and Datadog. Of all Greater Boston submarkets, Cambridge has the lowest vacancy at 13.9%, and the Suburbs has the highest at 15.9%. Boston net absorption returned into positive territory, taking 243,178 square feet off the market. Sublease availability declined for the seventh quarter in a row, now sitting at 4.1%. Capital market activity has been limited and a Class C Office building in Harvard Square was the largest sale of the quarter.



Top Leases

	SF
Hasbro 400 Summer Street, Boston | Seaport	265,000
BNY Mellon One Boston Place, Boston | Financial District	205,000
Arbella Insurance 1200 Crown Colony Drive, Quincy | 128 South	178,000
KKR 2 International Place, Boston | Financial District	132,000
Datadog 225 Franklin Street, Boston | Financial District	125,000
MassHousing One Beacon Street, Boston | Financial District	102,000

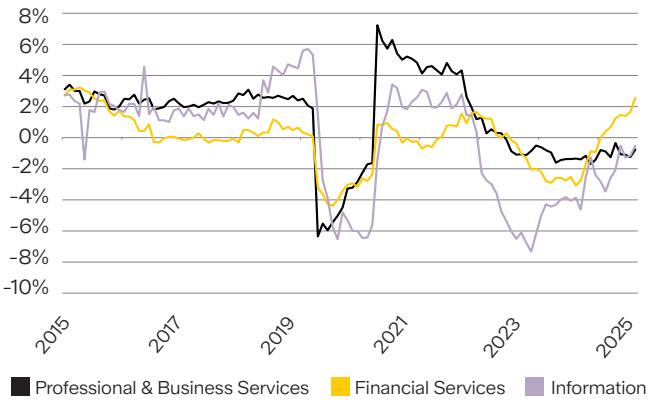
Looking Forward

Employee growth increased in 2025, largely due to the 2.6% increase in employment in the Financial Services sector. However, office-using employee growth decreased, with the Professional & Business Services sector at negative 0.8% and the Information sector at negative 0.5%.

The increase in overall employee growth—coupled with an increase in companies returning to the office and utilizing a hybrid work model—provides a positive outlook for future office trends. This can be seen in the overall stabilization of the office market. To incentivize tenants, landlords have been leaning heavily into amenity-rich, flexible office environments.

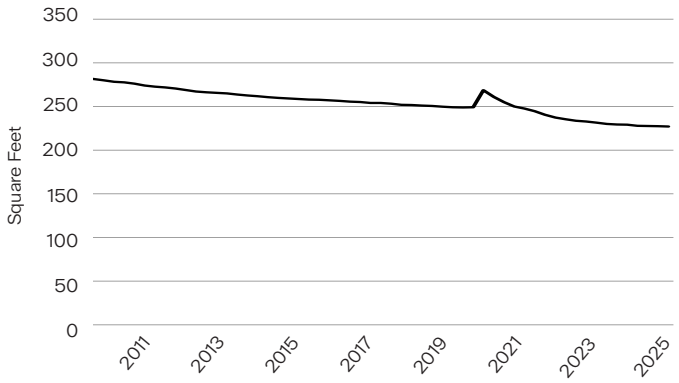
The Boston market seems positioned for a quality-led recovery, and while Class A assets are expected to thrive, Class B and Class C assets are likely to underperform or be repurposed or upgraded.

Office-Using Employee Growth



Source: BLS

SF Per US Office Employee



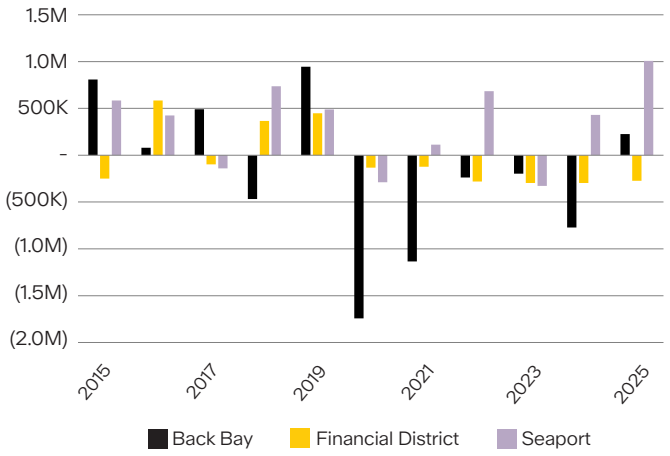
Source: BLS

Boston Office Trends

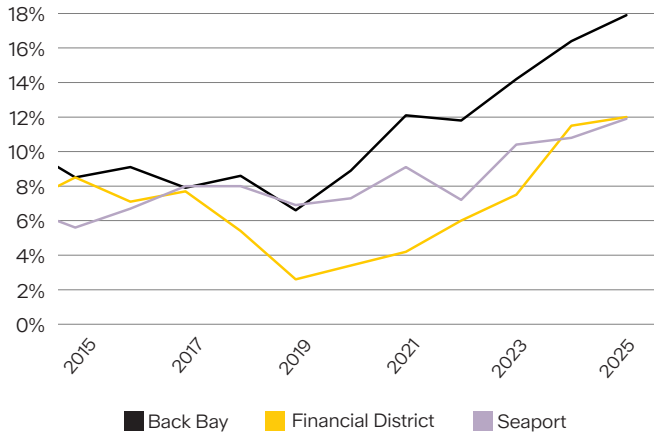
While Boston leasing volume has decreased slightly quarter-over-quarter by 140,000 square feet, year-to-date leasing volume is up 16.8% compared to this time last year. Net absorption brought itself back into positive territory and now sits at 243,178 square feet. Class A absorption has significantly outperformed Class B with 356,766 square feet and negative 42,332 square feet, respectively. This contributes to the continuously widening gap between Class A and Class B space. Seaport led Boston neighborhoods in net absorption, while Fenway shed the most occupied space. Vacancy increased to 15.2%, while total availability decreased 20 basis points to 23.2%.

Relocations were responsible for the top leases in Boston for Q3. Hasbro is subleasing 265,000 square feet of Foundation Medicine's office space at 400 Summer Street in Seaport. Additionally, KKR is leasing 132,500 square feet at 2 International Place in the Financial District. Also notable in leasing activity for Q3 was BNY Mellon's renewal of 205,000 square feet at One Boston Place. Website data firm Datadog renewed and expanded their footprint at 225 Franklin Street for a total of 125,000 square and MassHousing renewed its 102,000-square foot space at One Beacon

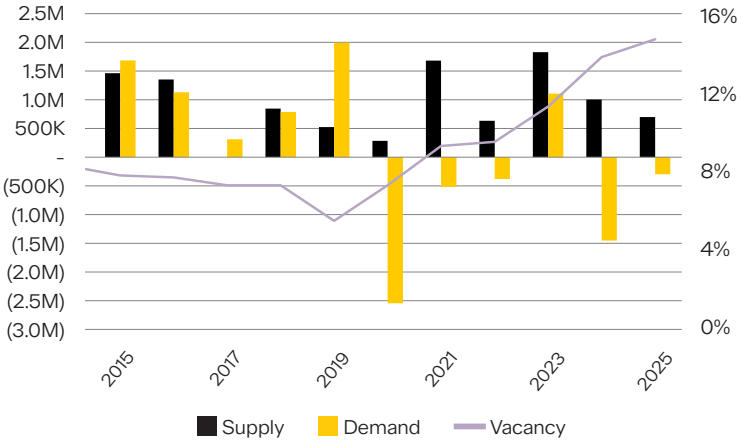
Boston Absorption (SF)



Boston Vacancies



Boston SVD (SF)



Boston Leasing by Class (SF)

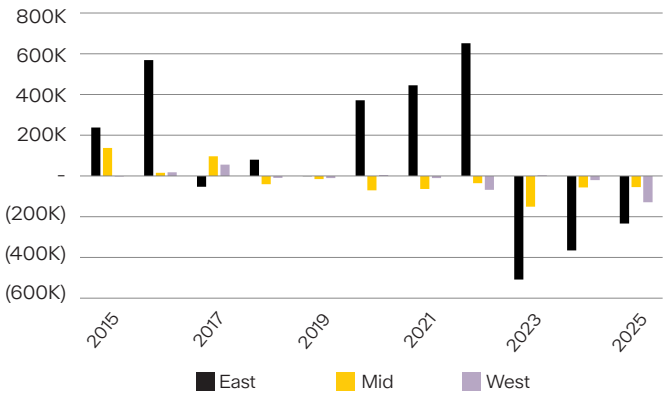
Cambridge Office Trends

The Cambridge Office market continues to struggle, with vacancy rates climbing to 13.9%–marking the 21st increase in the past 23 quarters. Twelve-month leasing volume has climbed steadily to 321,493 square feet since its 20-year low of 126,683 square feet in Q4 2024. Leasing volume for this quarter totaled 61,900 square feet, with no notable leases signed.

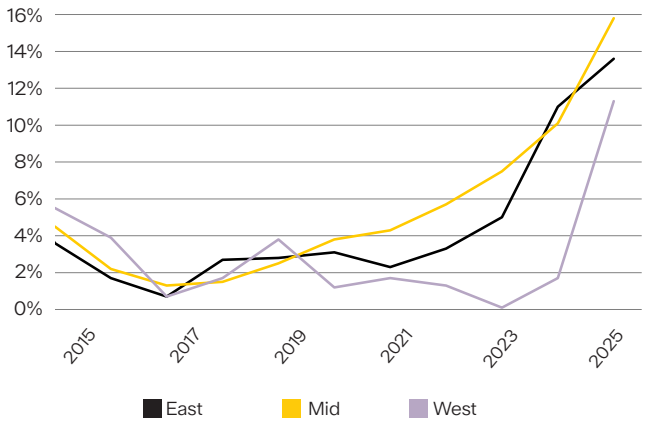
Cambridge currently has the highest sublease availability percentage in the metro, which is up to 6.6%. Availability is steadily increasing with absorption ending in the negatives every quarter since the start of 2023. Q3 2025 net absorption finished at negative 224,915 square feet and availability is at 22%.

Tech and biotech industry challenges persist as VC funding continues to dwindle, and workers face significant layoffs. As a result, tenants are more hesitant to commit to leasing space and expanding their footprint. Class A net absorption in East Cambridge ended Q3 at negative 105,976 square feet–among the lowest out of the last 5 years.

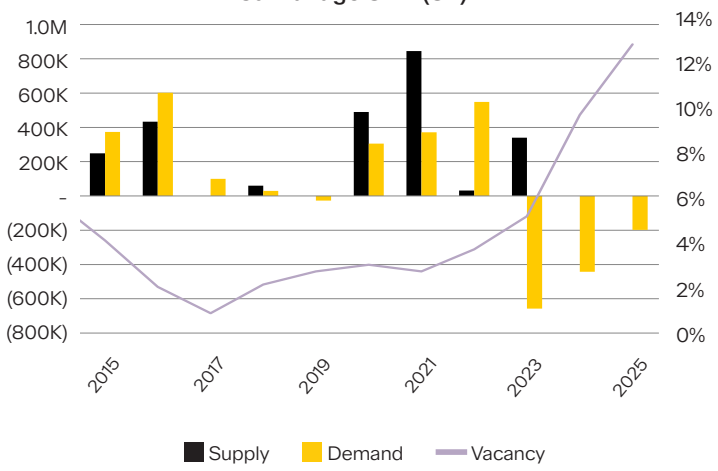
Cambridge Absorption (SF)



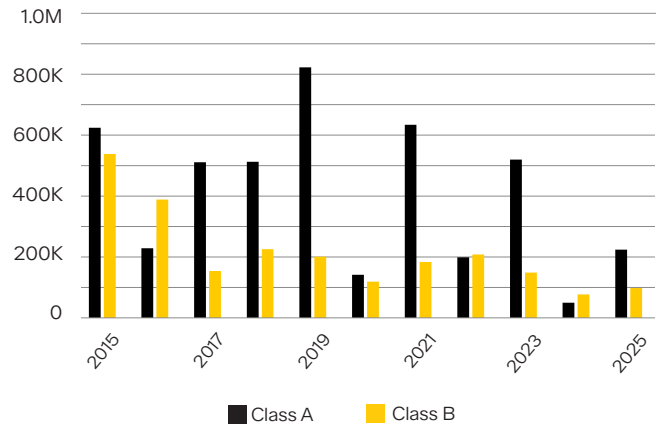
Cambridge Vacancies



Cambridge SVD (SF)



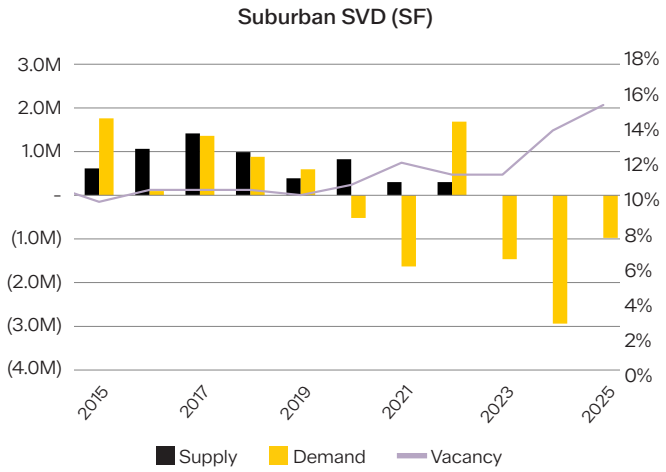
Cambridge Leasing by Class (SF)



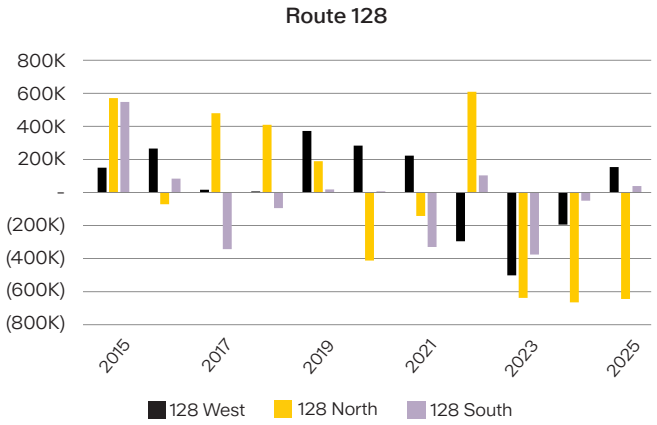
Suburban Office Trends

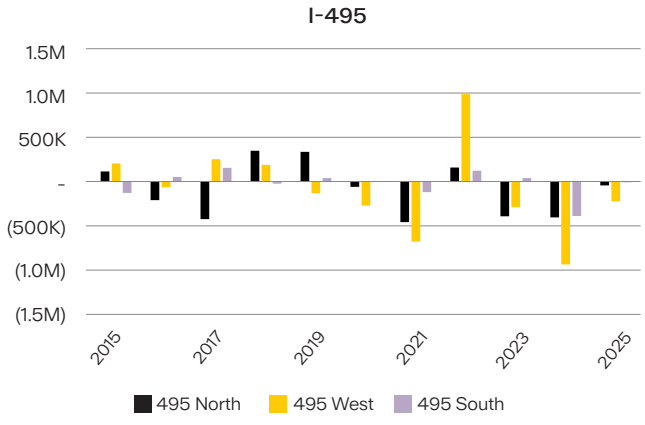
Net absorption was positive by approximately 46,000 square feet in the Suburbs, while 12-month absorption continues to sit in the negatives at negative 701,026 square feet. However, this is considerably lower than 12-month absorption from 2024, which ranged from negative 3,604,795 square feet to negative 1,838,093 square feet. Net move-ins were recorded in every suburban market except for 128 West, which had negative 435,681 square feet of space vacated–the lowest since Q2 2024.

Leasing was strongest within the 128 West and 495 West submarkets, with 368,894 square feet and 214,100 square feet leased, respectively. The sublet rate ticked up by 20 basis points from the previous quarter, where it now sits at 4.1%. The only significant lease signed was by Arbella Insurance for 178,000 square feet at 1200 Crown Colony Drive in Quincy.

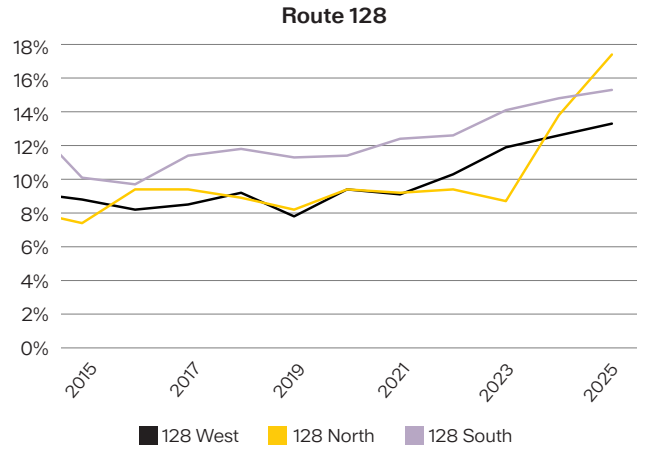


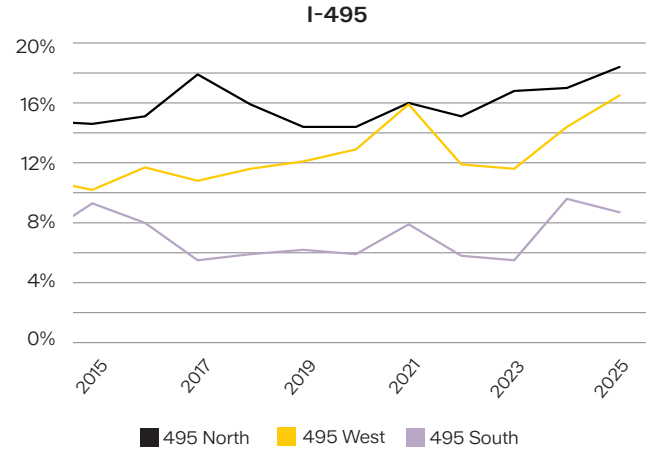
Absorption (SF)





Vacancy (%)



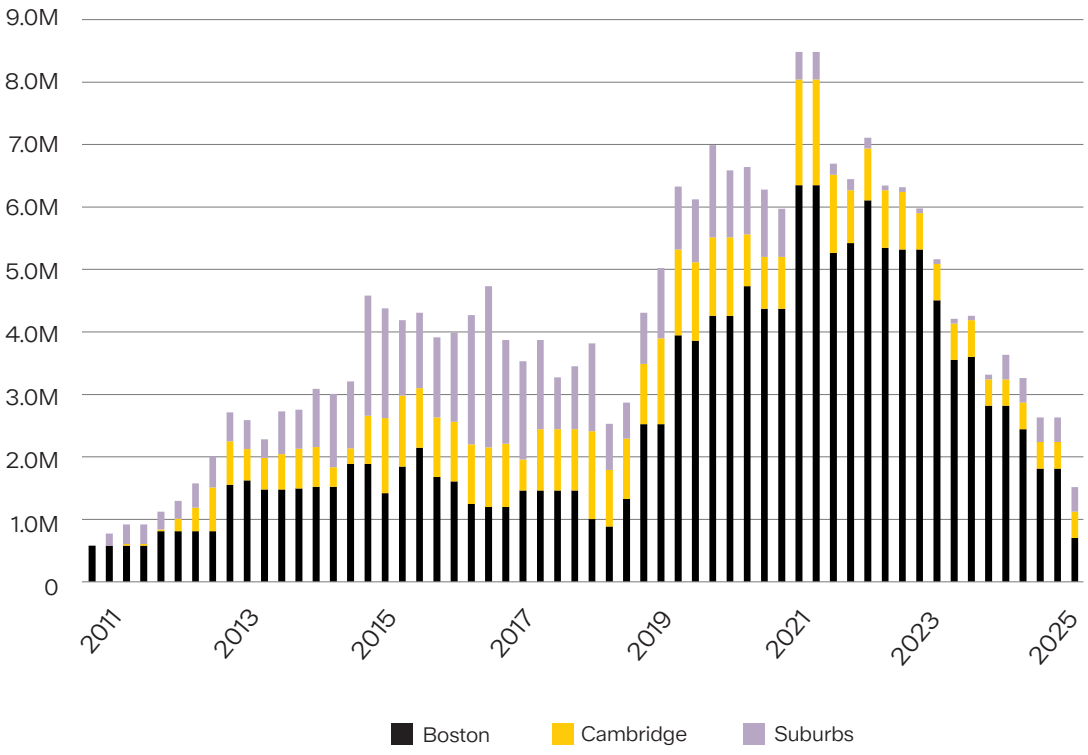


Development

The supply wave continues to decline, along with projects under construction. Phase I of the South Station Tower development has been completed, which adds roughly 600,000 square feet of office vacancy. So far, Jones Day, FM Global, and Citadel Enterprises have committed to space in the 680,000-square foot office building. Law firm Jones Day leased 43,724 square feet for 15 years and will relocate from 100 High Street. The South Station Tower development follows the Hub on Causeway, Winthrop Center, One Congress, and One Post Office Square as large speculative downtown projects in the 2020s. While attracting significant leasing volume, these buildings have mostly drawn relocations from elsewhere in the market, rather than generating new demand. Still under construction is 350 Boylston Street in Back Bay. The 221,000-square foot property is owned by The Druker Company and leased to Bain & Co, and is expected to open in Q4 2025.

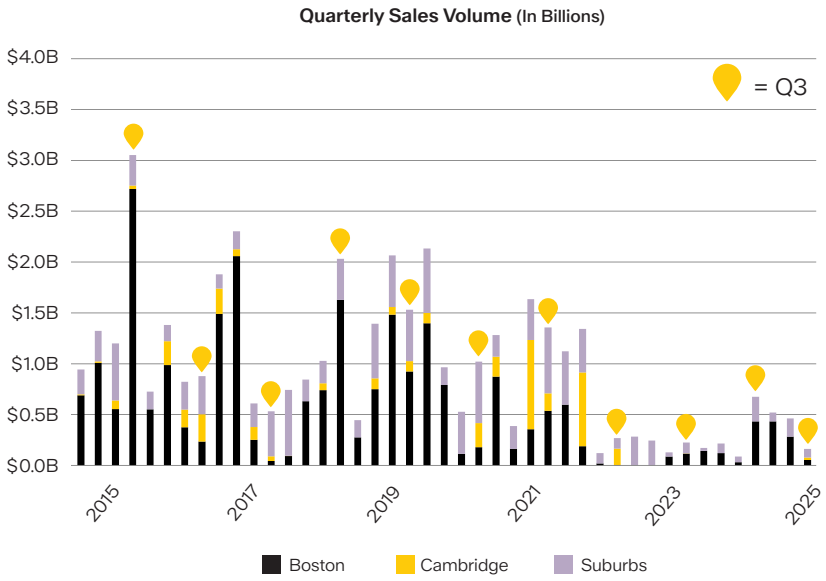
Given Boston's high office vacancies and continued need for housing, city leaders have been working to incentivize office-to-residential conversions, with results coming into fruition. In late 2023, the Boston Planning & Development Agency launched the Downtown Residential Conversion Incentive Pilot Program, which offers tax incentives for conversions. To continue momentum, Mayor Wu extended the application period through the end of 2025. So far, 19 applications have been received, which could create 1,149 units across 24 buildings, and convert over 920,000 square feet of older, vacant office space. Four projects are currently under construction, which will deliver 141 units.

Cambridge, Boston & Suburban Office Space Under Construction (SF)
(Excluding Conversions)

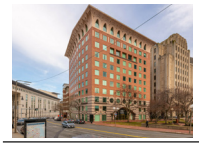
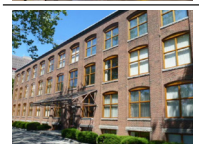
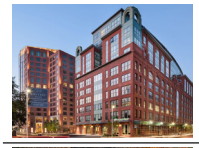


Investment Sales

Despite relatively low capital market activity throughout Q3, $1.8 billion was traded over the last 12 months. While transactions have been plentiful, none have exceeded $100 million. Two notable sales in Boston include Tritower Financial Group's purchase of One Bowdoin Square from New York Life for $28 million, or $116 per square foot. Additionally, R.J. Kelley purchased 226 Causeway Street in the West End from Rockpoint for $24 million. Just outside the city in Wellesley, 93 Worcester Street was acquired by its lender, Liberty Mutual, for $65 million. The 284,000-square foot mixed-use building was previously owned by Beacon Capital and has office and lab space available for lease. In Chelmsford, One Executive Drive was sold to Rhino Capital for $11.5 million by the previous owner, Foxfield.



Top Sales

		Price	PSF	Buyer	Seller
	**93 Worcester Street** Wellesley | 128 West	$65 Million	$1,565.00	Delaware Life Insurance Co.	1834 Realty Inc.
	**1390 Massachusetts Avenue** Cambridge | Mid Cambridge	$55 Million	$235.51	Liberty Mutual	Beacon Capital
	**1 Bowdoin Square** Boston | North Station/Beacon Hill	$28 Million	$197.41	Tritower Financial Group	New York Life
	**222 Third Street** Cambridge | East Cambridge	$24 Million	$198.89	North Colony Asset Management	Rockpoint
	**226 Causeway Street** Boston | West End	$24 Million	$116.55	R.J. Kelly Co.	Rockpoint
	**1 Executive Drive** Chelmsford | Route 3 North	$11.5 Million	$102.28	Rhino Capital	Foxfield

Office Stats Q3 2025

Submarket	RSF	% Vacant	% Sublease	% Avail	Net Absorption	12-Month Absorption	Leasing Activity	12-Month Leasing	Asking Rents
Back Bay	15,837,814	12.0%	4.1%	19.2%	(129,158)	(271,982)	41,318	870,362	$60.00
Financial District	41,173,897	17.9%	3.2%	27.4%	186,040	226,090	648,436	2,291,226	$58.60
Fenway	2,690,201	18.4%	4.7%	21.6%	(195,323)	(335,967)	36,729	50,725	$54.50
Midtown	2,093,193	16.5%	2.8%	21.1%	27,125	19,127	20,619	99,770	$40.90
North Station/End	4,848,907	10.2%	6.7%	17.4%	24,701	53,660	63,661	116,465	$55.59
Seaport	10,755,660	11.9%	6.0%	19.3%	350,168	1,007,801	289,441	1,394,058	$55.35
South Boston/End	492,187	62.3%	0.0%	62.3%	19,160	(183,464)	-	8,580	$41.05
Downtown Boston Total	**76,882,334**	**15.4%**	**4.0%**	**23.7%**	**219,849**	**512,312**	**1,047,055**	**4,532,180**	**$57.10**
Allston/Brighton	935,363	3.4%	1.2%	5.2%	2,470	70,195	14,789	41,437	$44.55
South Suffolk County	2,066,161	4.0%	0.0%	5.3%	1,699	(36,662)	8,197	13,271	$36.00
Boston Total	**80,362,624**	**15.2%**	**3.8%**	**23.2%**	**243,178**	**532,757**	**1,070,041**	**4,543,586**	**$56.55**
East Cambridge	7,500,030	13.6%	7.0%	22.0%	(74,017)	(233,324)	23,307	131,978	$79.70
Mid-Cambridge	3,173,896	15.8%	3.9%	21.5%	(50,469)	(54,357)	27,933	47,132	$61.64
West Cambridge	1,261,954	11.3%	11.4%	23.4%	(100,429)	(129,383)	10,660	142,383	$53.40
Cambridge Total	**11,935,880**	**13.9%**	**6.6%**	**22.0%**	**(224,915)**	**(417,064)**	**61,900**	**321,493**	**$69.60**
128 West	23,252,099	17.4%	6.1%	28.1%	(435,681)	(643,793)	368,894	1,403,751	$38.55
128 North	21,333,478	13.3%	4.1%	20.1%	149,646	153,423	199,270	916,765	$28.51
128 South	17,966,464	15.3%	2.9%	19.5%	17,471	39,381	439,620	732,255	$27.80
128 Total	**62,577,978**	**15.4%**	**4.5%**	**22.9%**	**(268,564)**	**(451,989)**	**1,007,784**	**3,052,771**	**$32.19**
495 West	27,534,980	16.5%	2.9%	22.0%	148,746	(221,923)	214,100	918,697	$25.71
495 North	17,245,273	18.4%	4.3%	25.9%	57,511	(43,190)	106,845	387,999	$25.00
495 South	6,086,946	8.7%	3.3%	15.0%	33,206	(7,360)	42,132	136,562	$25.61
495 Total	**50,867,199**	**16.2%**	**3.4%**	**22.5%**	**238,976**	**(272,960)**	**363,077**	**1,402,462**	**$25.45**
Inner Suburbs North	**6,155,545**	**14.6%**	**5.3%**	**21.2%**	**75,702**	**(200,692)**	**23,852**	**90,812**	**$39.38**
Suburban Total	**117,807,022**	**15.7%**	**4.1%**	**22.6%**	**46,114**	**(701,026)**	**1,394,713**	**4,484,481**	**$29.59**
All Office	**216,500,583**	**15.4%**	**4.1%**	**22.7%**	**58,448**	**(786,269)**	**2,523,132**	**9,762,215**	**$42.45**

Boston Research
research.boston@lpc.com

One Beacon Street, Suite 2400
Boston, MA 02108

www.lpc.com

Lincoln