

2Q25

NEWMARK

# Boston Office Market Overview





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# Market Observations

## What We Know

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Despite remaining well above historic norms, office vacancies in Greater Boston have only increased by 20 basis points since the end of 2024, marking the lowest two quarter-increase since late-2021.

While leasing velocity slowed down in the second quarter of 2025, demand was more robust during the first half of 2025 when compared to year-ago levels.

Direct leases continue to gain share of overall leasing, and the average lease term is up over the quarter in the CBD, signaling more conviction from urban office tenants.

The Suburban office market recorded four of the largest leases executed during the second quarter of 2025, with the Route 128 markets capturing three of those transactions.

The legal sector anchors office demand in the CBD, representing roughly 16% of active requirements, or about 733,000 SF of the 4.6 million SF currently tracked.

Average asking rents across the metro area fell 0.7% from last quarter, however, they remain flat compared to a year ago.

Greater Boston’s capital markets continue to thaw, with a growing number of owner-user and lender-facilitated transactions emerging.

## What We Expect

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Investor interest in the office sector is expected to improve as capital becomes more comfortable with current asset valuations.

There is potential for outperformance in the CBD low-rise and Class B space as pandemic-era subleases are expiring and the sticker shock of direct deal economics could push subtenants into value space.

Landlords will continue to evaluate their office portfolios, especially in the Class B and Suburban markets, as both segments have seen their inventory decrease since the onset of the pandemic.

Source: Newmark Research



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# Market Overview

## GREATER BOSTON OFFICE MARKET

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Conditions have stabilized in Greater Boston's office market during the first half of 2025 as fundamentals search for a bottom. The vacancy rate rose again, reaching another historic high at 22.3%; however, it has only increased by 20 basis points over the first half of the year. Office inventory continues to trend downward, with many owners considering adaptive reuse in the face of muted demand and upcoming vacancies. Greater Boston's office inventory has declined by nearly five million SF since the onset of the pandemic, representing a 2.5% reduction in total market supply. Asking rents declined further during the second quarter of 2025, although they remain flat compared to year-ago levels. While there is cautious optimism in the market, fundamentals still have a long way to go to return to pre-pandemic levels.

Second-quarter tenant activity was driven by LEGO's relocation to Boston from Connecticut. The toy maker moved into its new space at 1001 Boylston Street in the Back Bay, driving positive net absorption in the CBD office market this quarter. Also notable were Anduril Technologies' and Rockland Trust's suburban lease transactions, which both exceeded 100,000 SF. An increase in the share of direct deals and longer average lease terms in the CBD this quarter could signal greater tenant conviction in their real estate decisions. While overall leasing improved in the first half of the year compared to 2024, office users continue to evaluate their space needs. In Cambridge, HubSpot is consolidating their real estate footprint adding over 200,000 SF to the vacant and available inventory. Fundamentals continue to weaken in this submarket—albeit at a slower pace.

Office development remains stagnant, with no increase in square footage under construction since the beginning of 2024. All currently active office

construction is located in Boston's CBD. The South Station Office Tower development, which is slated to deliver in the next few quarters, has garnered interest from a number of office tenants, with Jones Day and FM Global already committed to the building. Projects like 350 Boylston Street in the Back Bay and 1 Boston Wharf Road in the Seaport will deliver fully occupied as well, with Bain & Company and Amazon anchoring those new offices, respectively. Greater Boston's office inventory is down 4.3% from its historic peak in the first quarter of 2012, now sitting just under 178 million SF largely due to adaptive reuse and conversion projects. With thirteen consecutive quarters of negative net absorption, the market will likely need a sustained period of positive absorption before new office groundbreakings resume across the region.

Economic uncertainty persists both locally and nationally. After posting its lowest level since the onset of the pandemic in April 2025 at 41.5, local employer sentiment has rebounded significantly, according to the Business Confidence Index compiled by the Associated Industries of Massachusetts. Now sitting at 48.9 as of June 2025, this marks an impressive 17.8% increase over two months. However, since a level of 50 is considered neutral, local business leaders are still facing significant macroeconomics headwinds. The local unemployment rate now sits 20 basis points above the national average as job growth remains limited.

As mentioned, cautious optimism persists in the Greater Boston office market, with fundamentals seemingly close to bottoming out. Sustained positive momentum would be a welcome relief as the market begins its journey back to more historic norms.



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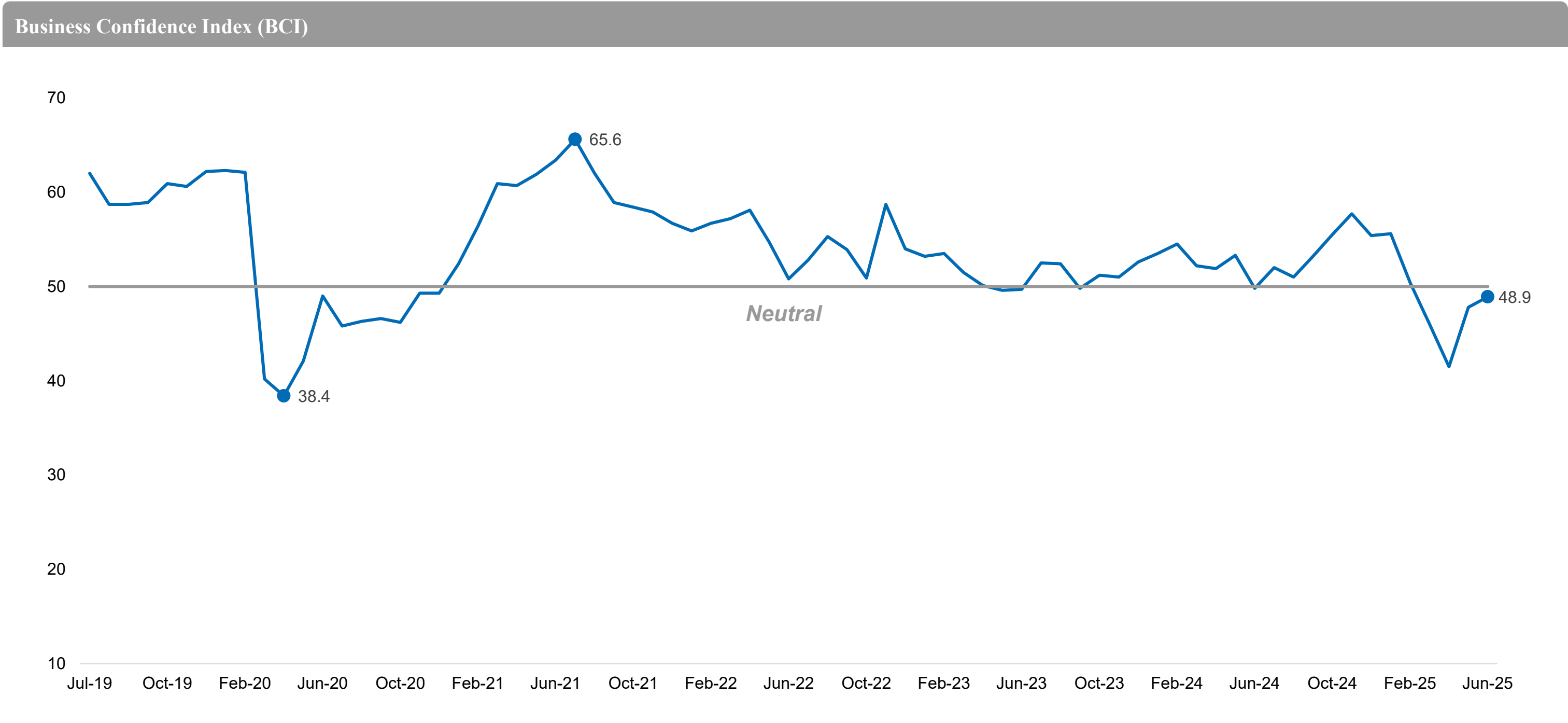
# Economy





# Local Employer Sentiment Rebounds after Sharp Decline

The Business Confidence Index has rebounded in the months following the lowest reading since April of 2020, which represents the initial onset of the pandemic and accompanying policies, due to strength in the national economy and labor markets registered early in the second quarter of 2025. Despite recent improvements, the index remains below the neutral level as local employers point to apprehension over tariff and tax policies and global geopolitical conflicts.



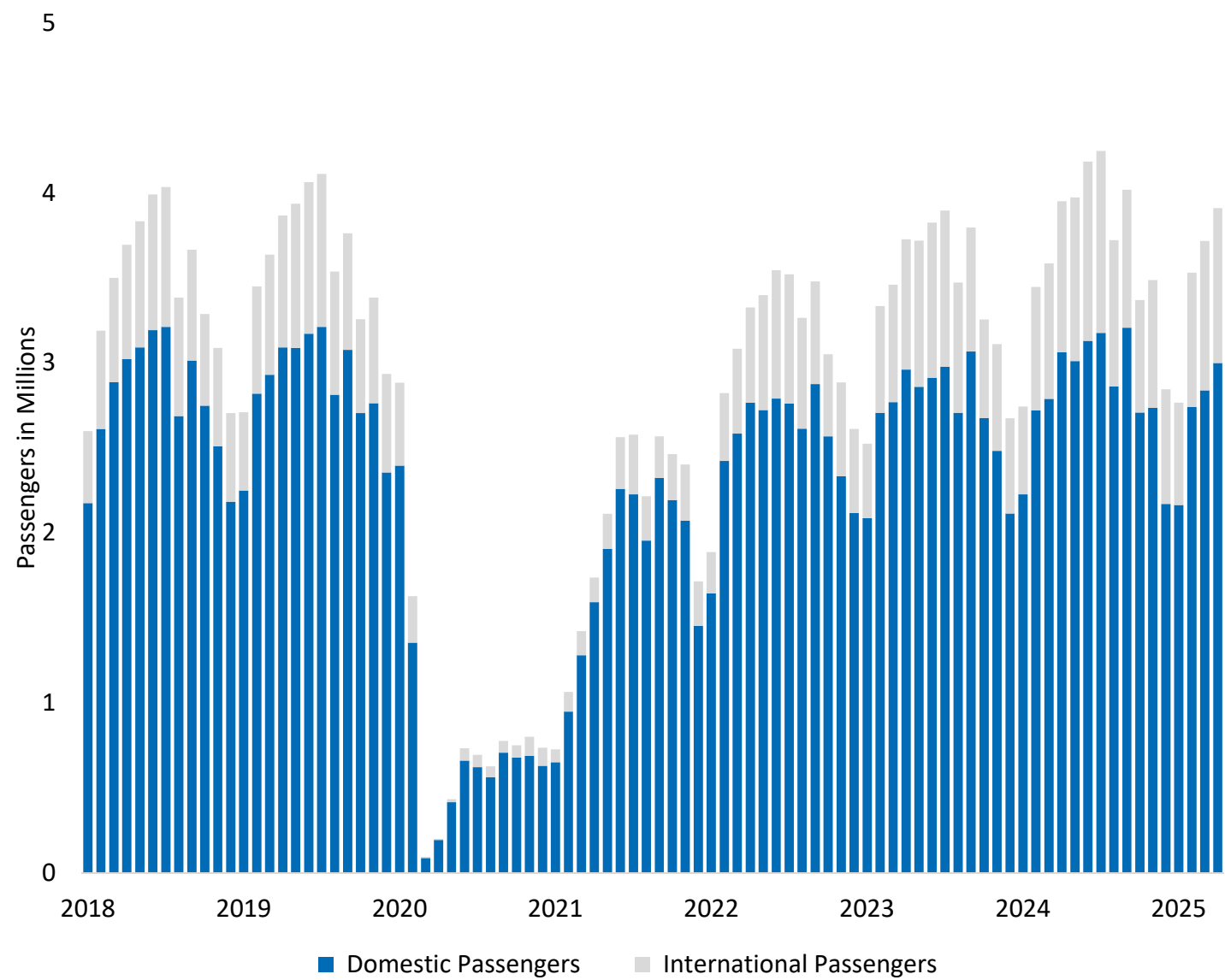
Source: AIM Board of Economic Advisors as of 6.1.25



# Passenger Traffic at Logan Airport Holds Steady

The second quarter of 2025 has started out strong, as through May domestic and international passenger counts have increased for a third consecutive month and are up 39% and 51% respectively since the cyclical lows observed in February. It is worth noting that total passenger counts are slightly down year-over-year due to a decrease in domestic passengers. Moreover, Meet Boston is predicting the city will face a 10% decline in international tourism compared to 2024 due to shifting global sentiments.

Historical Airport Passenger Traffic



2024 Was a Banner Year for Travelers



Logan Served 43 M Passengers in 2024



International Travelers Surpassed 1.0 M in Both July and August of 2024



Logan Now Has 80+ Nonstop Domestic Destinations

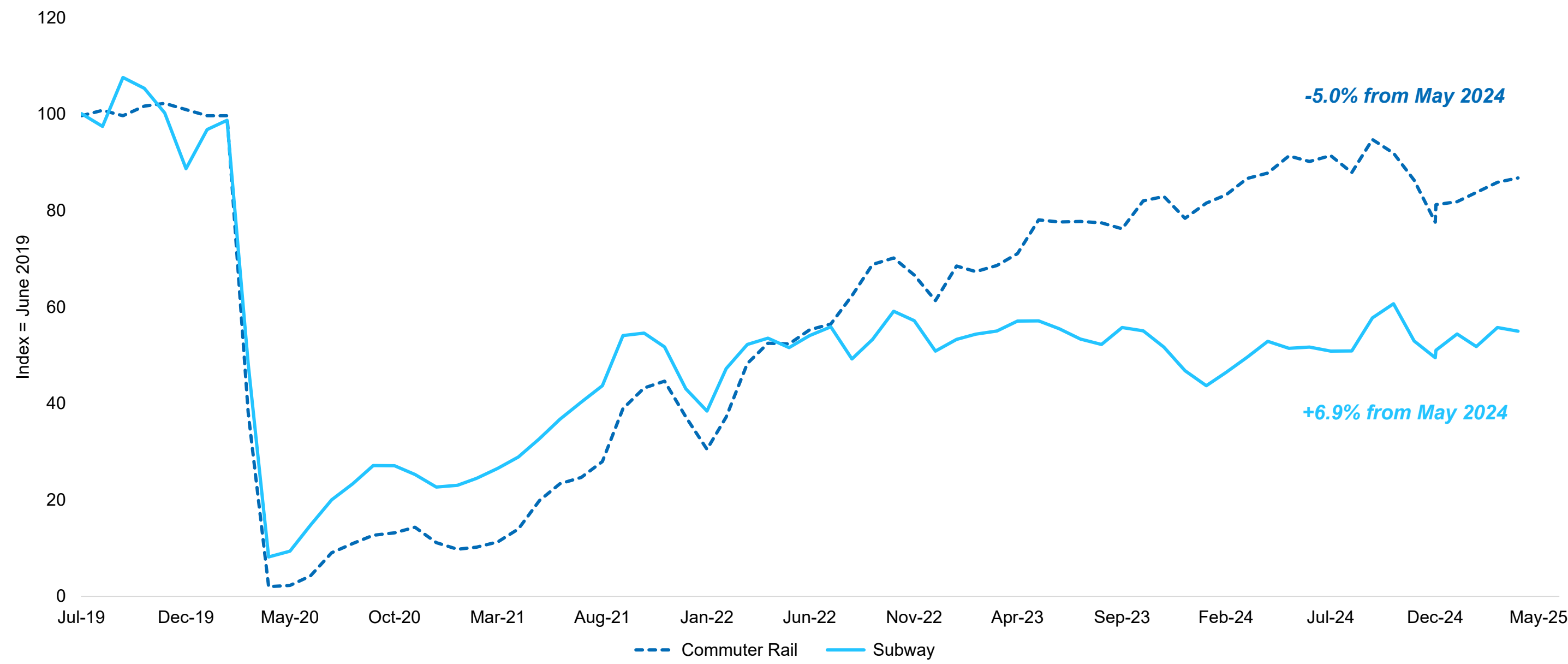
Source: Massport as of 6.1.25



# Public Transit Ridership Has Stabilized

Ridership on both the commuter rail and subway have rebounded in the second quarter due in part to seasonality. While the commuter rail has outperformed in recent history, rapid transit has fared better over the past year having gained almost 7% in ridership. Recent track work and station upgrades appear to be benefitting subway usage over the past 12 months.

MBTA Average Weekday Ridership



Source: MBTA, Newmark Research as of 7.9.25



# How Can Boston Be *Less* Congested in 2024?

Once slated the most congested city in the world, Boston’s traffic scorecard has improved according to Inrix. Ranking 4<sup>th</sup> nationally and 12<sup>th</sup> globally, Boston is also one of just a few urban areas with a lower commute delay in 2024. Increased commuter rail usage and continued work-from-home schemes are likely contributing factors to this trend.

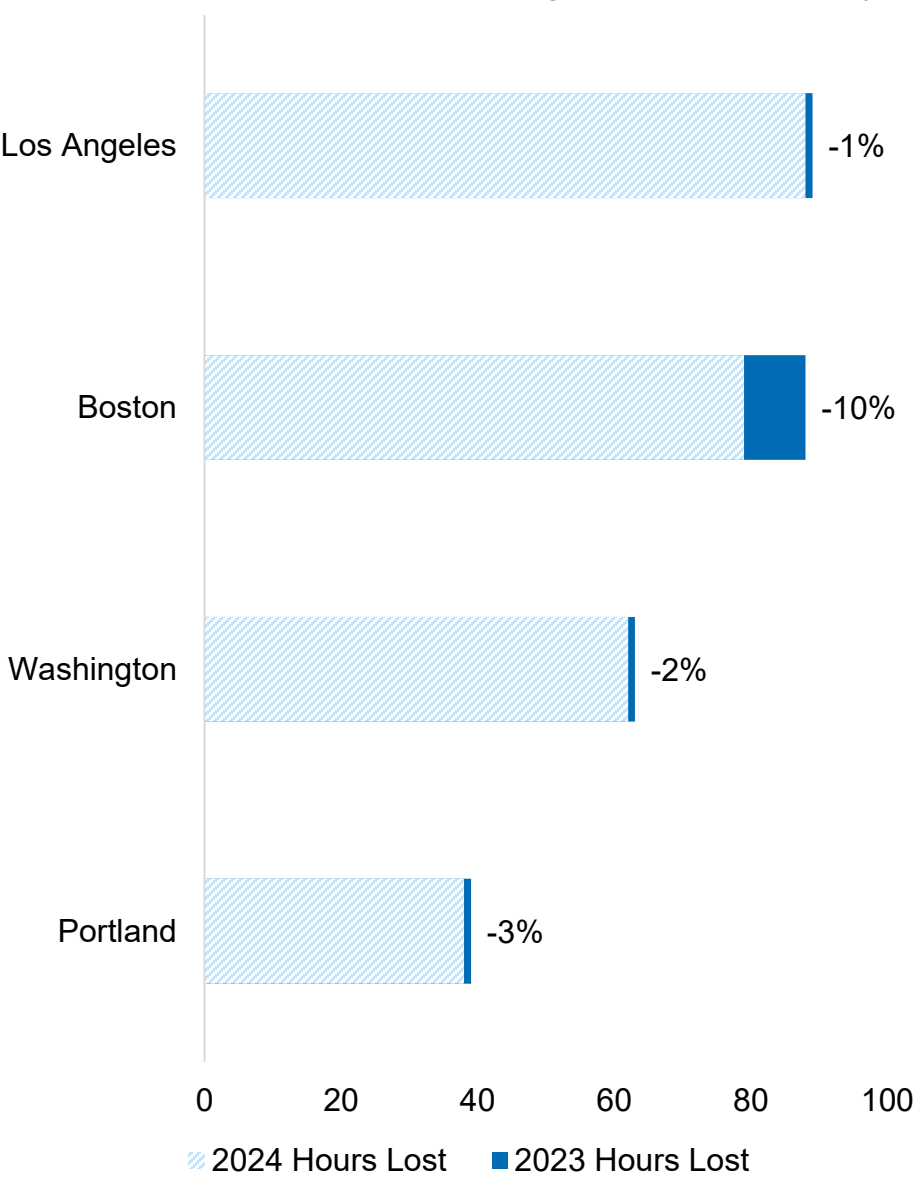
## 2024 Traffic Scorecard Report

**12** Global  
Congestion  
Rank

**4** U.S.  
Congestion  
Rank

**10** Last  
Mile  
Speeds  
MPH

Urban Areas With Declining Commute Delay



| 2024 Rank | Urban Area    | 2024 Hours Lost |
|-----------|---------------|-----------------|
| 1         | NYC           | 102             |
| 2         | Chicago       | 102             |
| 3         | Los Angeles   | 88              |
| 4         | Boston        | 79              |
| 5         | Philadelphia  | 77              |
| 6         | Miami         | 74              |
| 7         | Houston       | 66              |
| 8         | Atlanta       | 65              |
| 9         | Washington    | 62              |
| 10        | Seattle       | 63              |
| 11        | Nashville     | 63              |
| 12        | San Juan      | 58              |
| 13        | Baltimore     | 48              |
| 14        | San Francisco | 46              |
| 15        | Denver        | 44              |
| 16        | Dallas        | 41              |
| 17        | Stamford      | 47              |
| 18        | Pittsburgh    | 43              |
| 19        | Honolulu      | 45              |
| 20        | Charlotte     | 41              |

Source: Inrix, Newmark Research



# Post-Pandemic Job Growth Has Stalled In Greater Boston

Employment growth across the Greater Boston area has largely stagnated, with annual increases averaging less than the rate seen in 2019. While employment in the region rose by 0.2% over the past year, among the office-using sectors, Financial Institutions posted the strongest growth, rising 1.2% over the past 12 months. In contrast, the Government sector experienced the strongest decline, contracting by 1.2% during the same period.



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Source: Moody's Analytics, BLS, Newmark Research May 2025



# Greater Boston Employment Growth Trails National Average

Greater Boston employment growth has consistently lagged behind the national average during periods of recovery. Over the past year, Greater Boston employment declined by 0.2%, in contrast to a 0.8% year-over-year increase at the national level. This divergence highlights the significant economic challenges faced by the region.

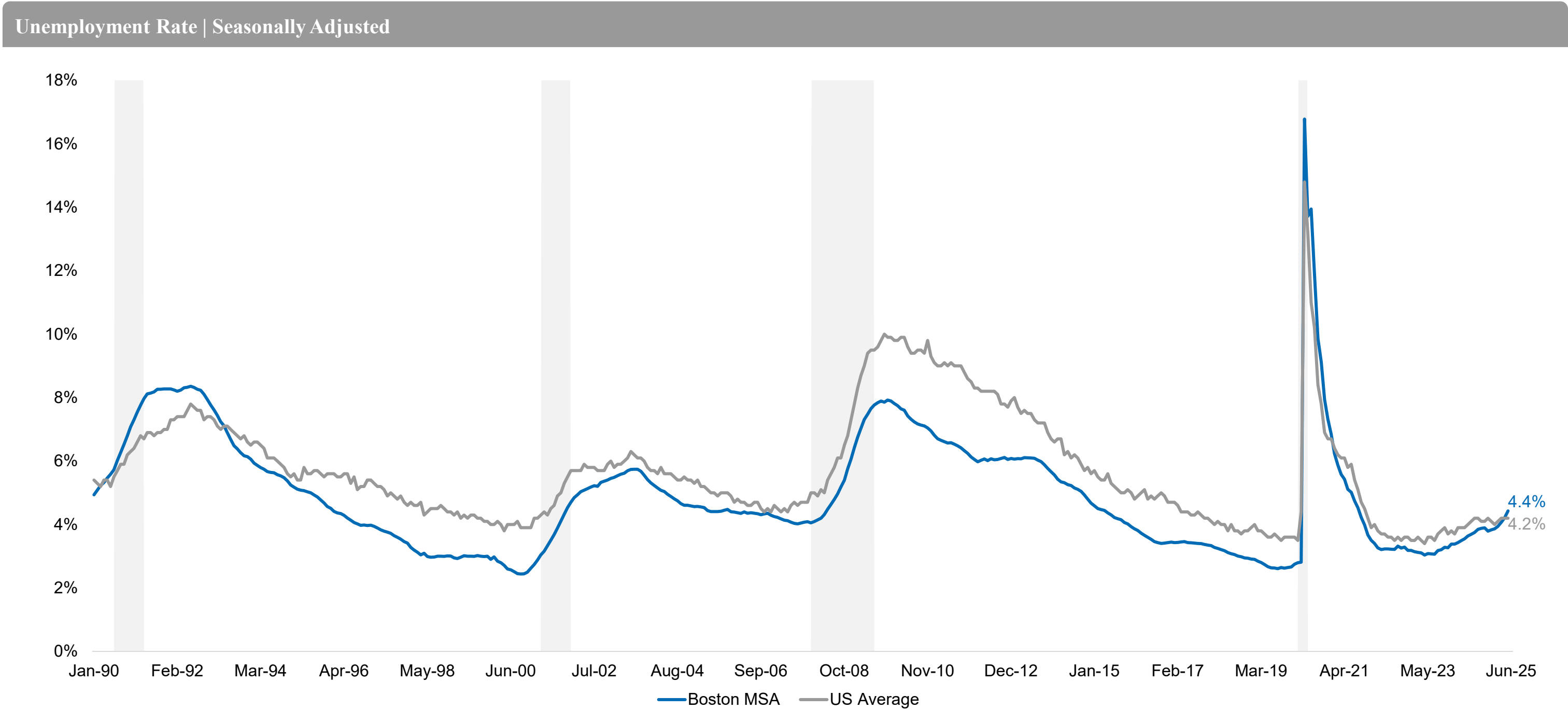


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# Unemployment Is Rising, But Labor Markets Are Relatively Tight

Since mid-2023, Greater Boston’s unemployment rate has increased by roughly 140 basis points, reaching 4.4% in May 2025. This marks the first time the metro area has exceeded the national average since December 2020. Softness in key sectors—particularly technology and biotechnology—appears to be a primary driver of the region’s recent labor market challenges.



Source: Moody's Analytics, BLS, Newmark Research May 2025



# Labor Force Growth Weaker Select Gateway Markets

Recent employment growth is concentrated in areas such as health care and long-term care, which are expected to continue to grow over the next 10 years. This report suggests that the job market is facing challenges in achieving substantial employment growth, reflecting a slow recovery relative to the economic conditions in other metropolitan areas. The continued sluggish growth emphasizes the need for strategic initiatives aimed at increasing employment and driving economic development.

Overall, the labor market is showing signs of improvement, but the pace of growth remains slower than in previous periods. Continued efforts to attract investment and foster innovation will be crucial for sustained economic growth.



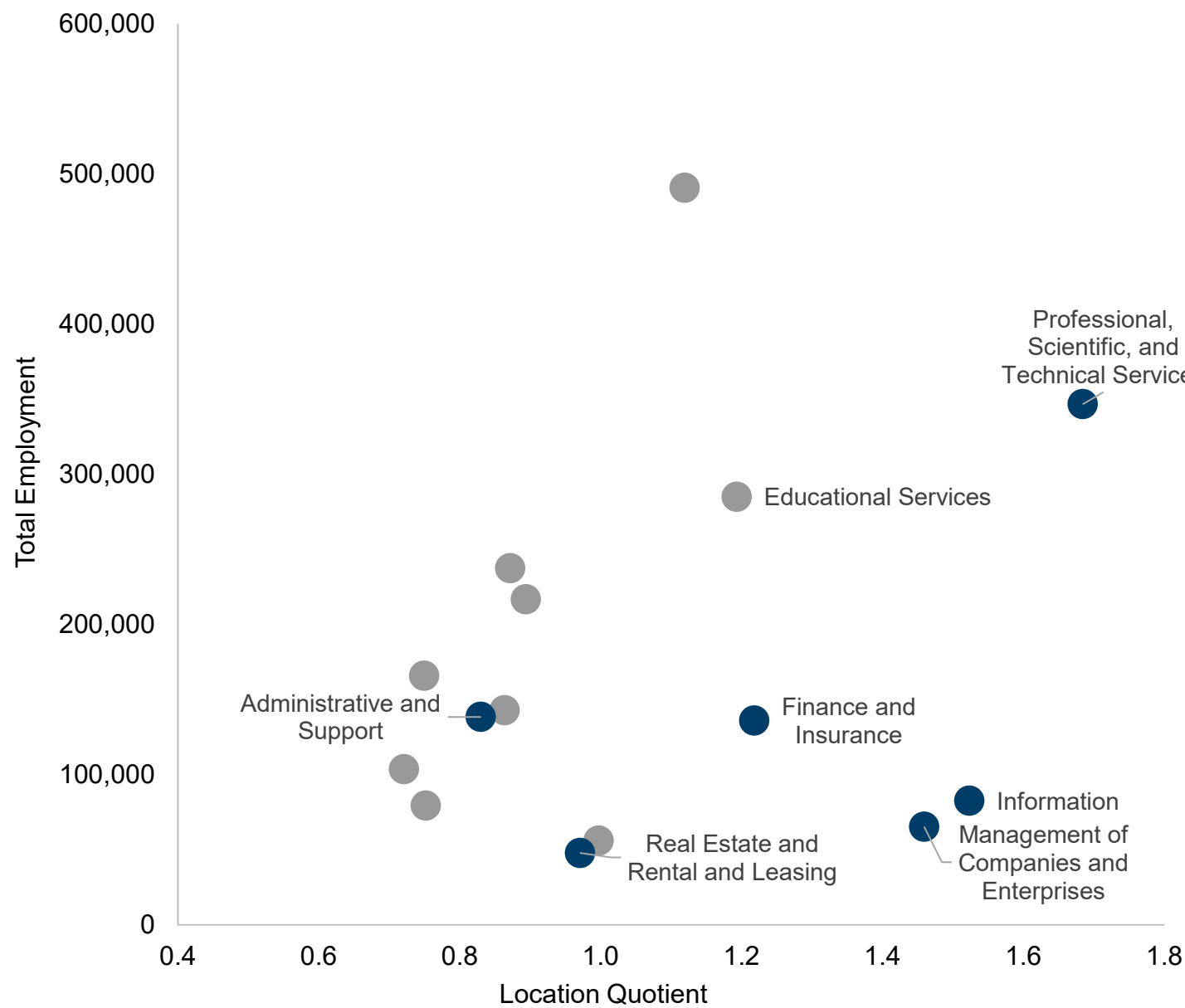
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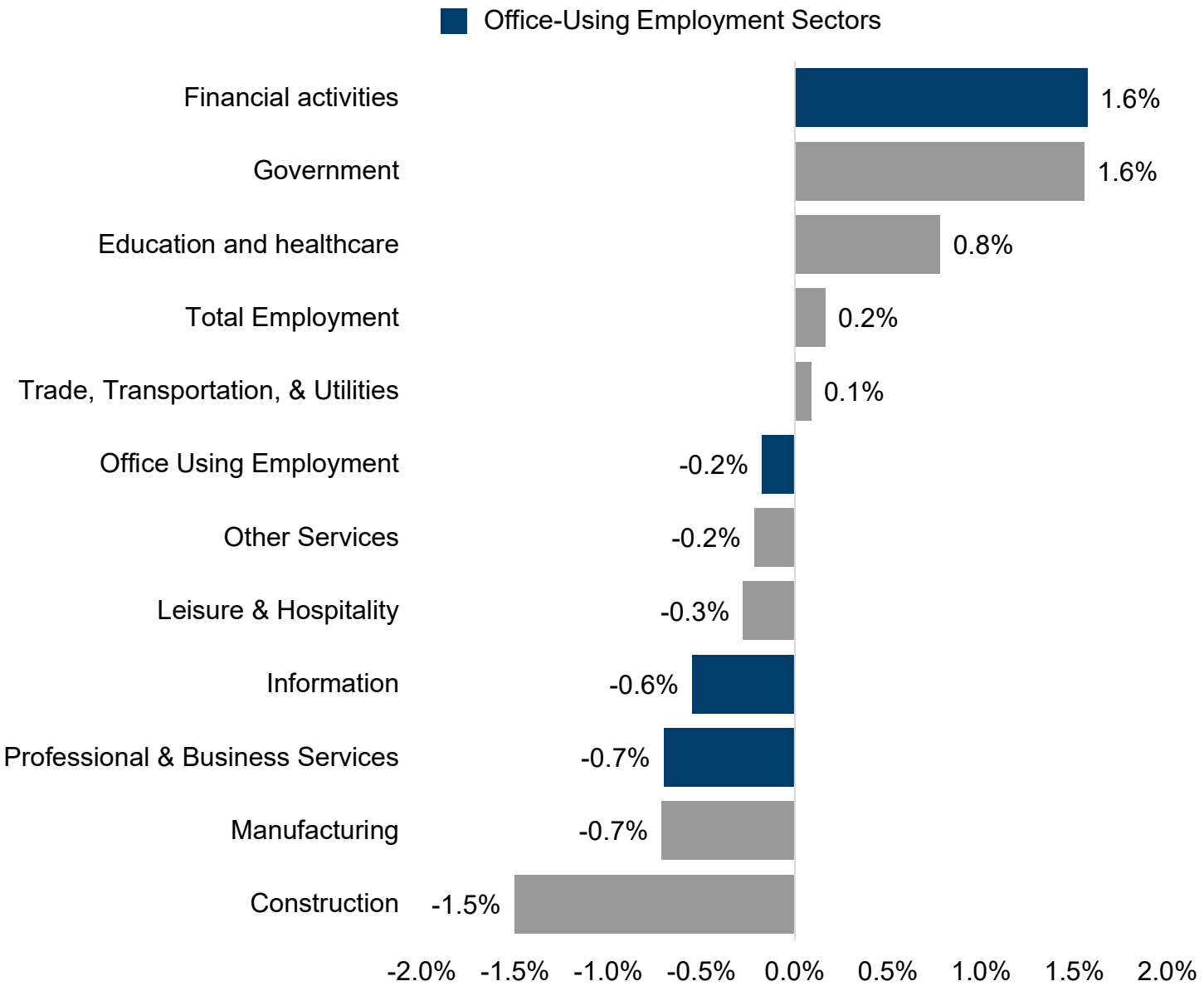
# Most Employment Sector Posted Losses Over the Past Year

Financial Activities have emerged as the leading driver of employment growth, surpassing the Construction and Education & Healthcare sectors. In contrast, the remaining office-using employment sectors have recorded year-over-year declines as of May 2025 as weakness persists in the local tech and biotech industries.

Industry Concentrations (as of Q1 2025)



Employment Growth by Industry, 12-Month % Change, May 2025



Source: Moody's Analytics, JobsEQ, Boston-Cambridge-Newton, MA-NH MSA  
Office-using employment includes employment in the following sectors: Professional & Business Services, Financial Activities and Information



# Reevaluating the Drivers of Office Space Demand

The continued uncertainty between office employment growth and increased space demand has continued through the end of the pandemic. However, in early 2023, with office employment and leasing demand declined to historic, signaling a potential shift in more traditional patterns of demand.



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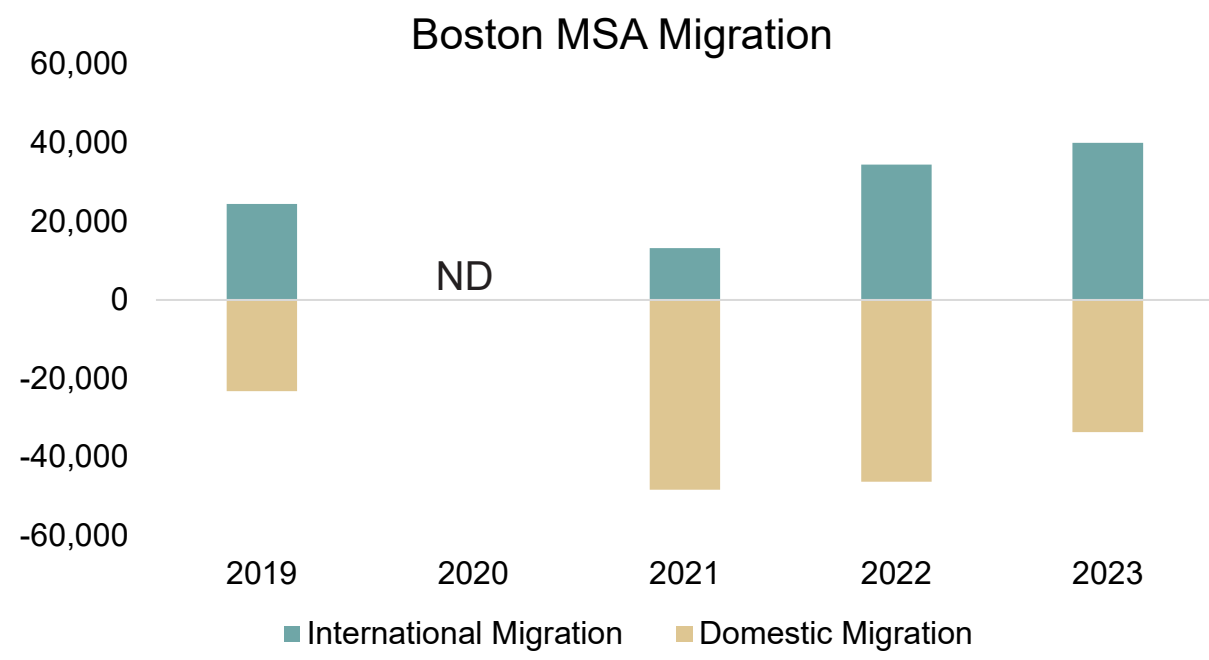
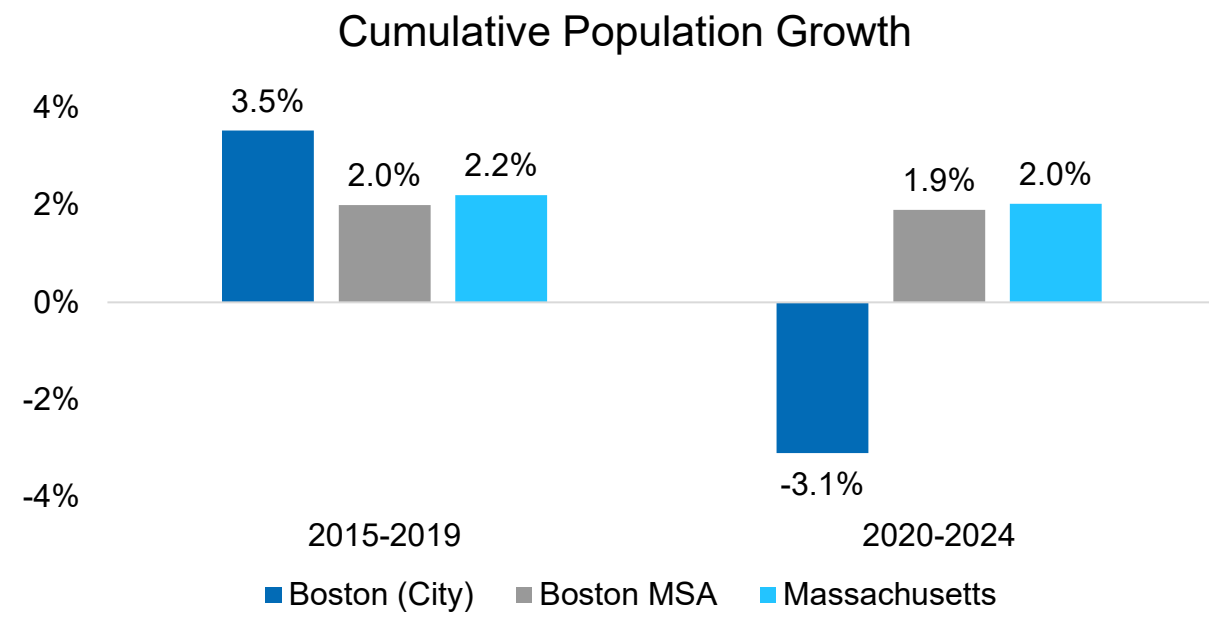
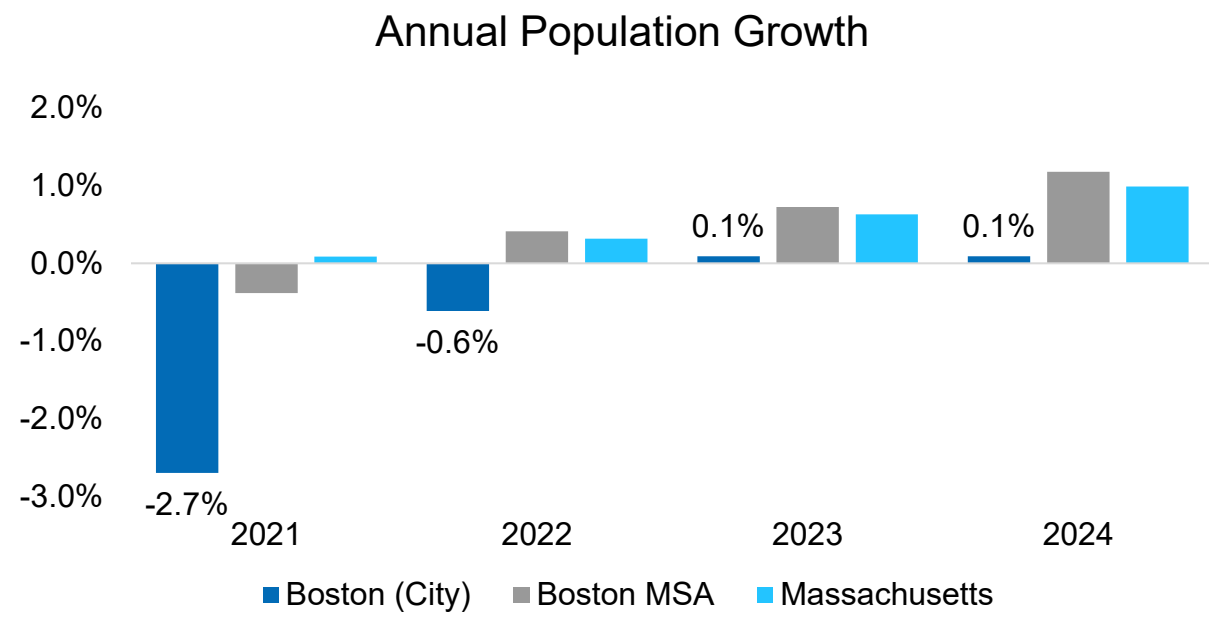


Source: Moody's Analytics, Boston-Cambridge-Newton, MA-NH MSA



# Urban Demographics Trail The Larger Region

## Local Demographic Trends



International migration buoys weak demographic trends in Greater Boston. From 2010-2019, international migration was 2.5 times higher than domestic entrants into the metro area.

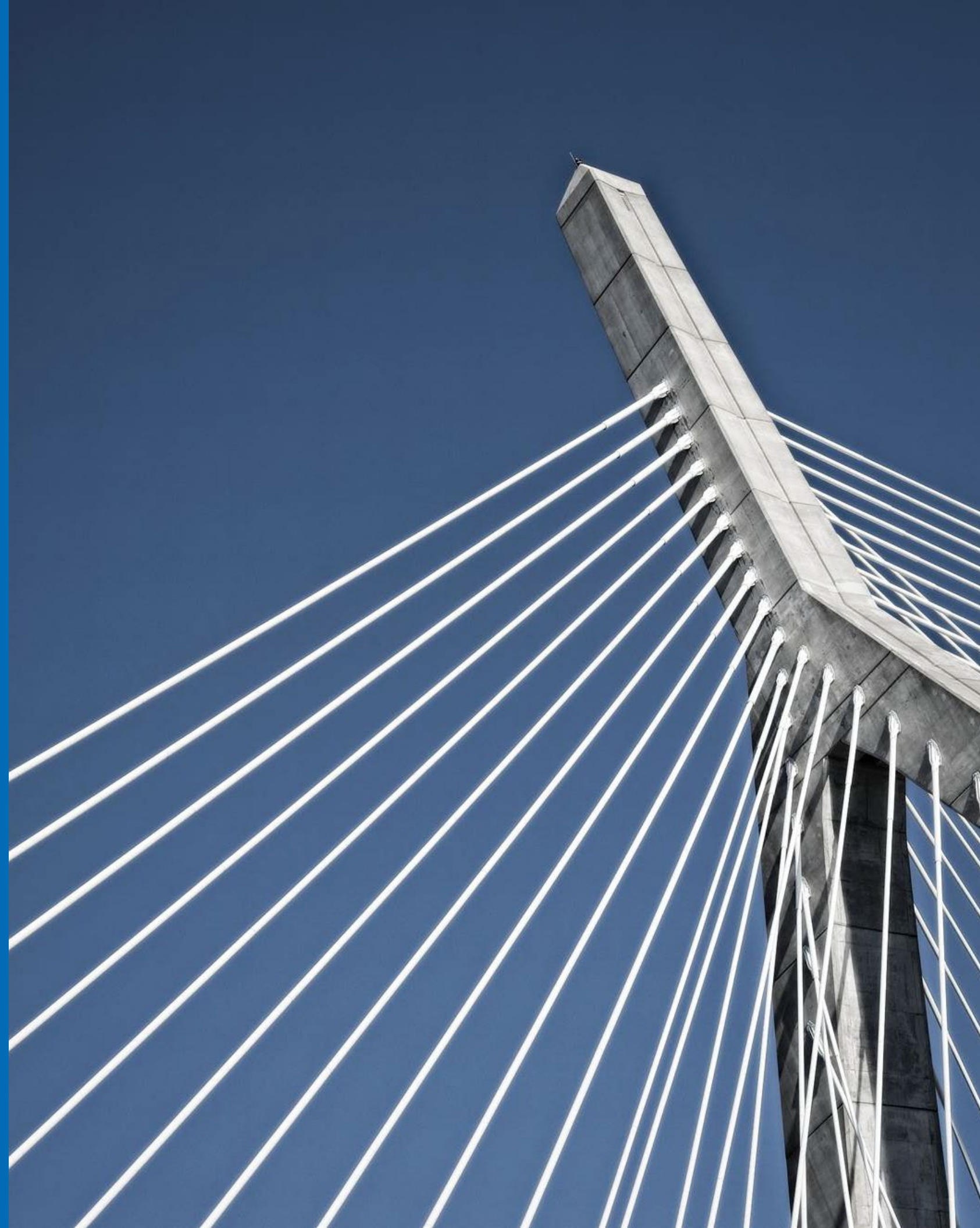
Source: US Census Bureau Population Estimates, Brookings Institute, NHCStats, Newmark Research as of 4.1.25



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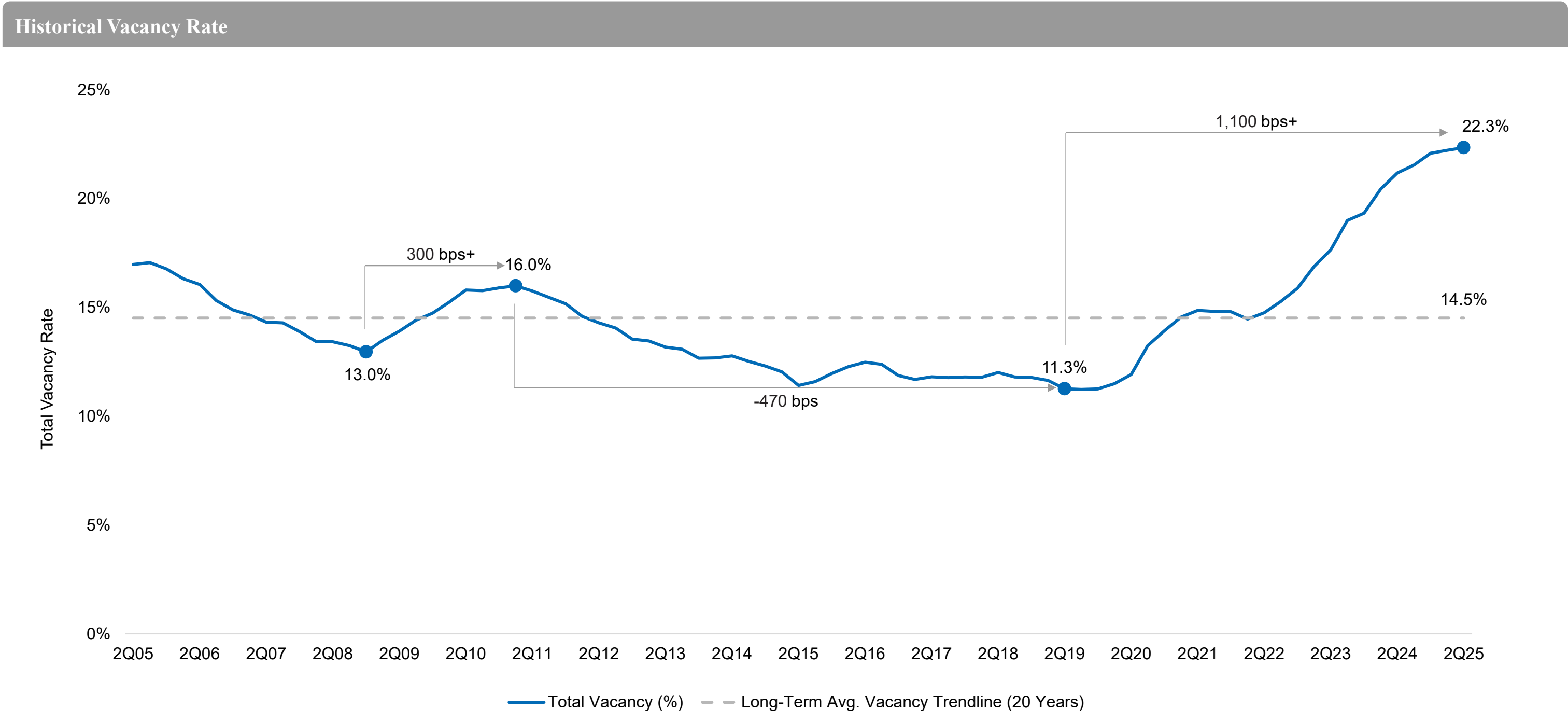
# Greater Boston Office Market





# Early Signs of Stabilization Emerge in Greater Boston Office Market

Although Greater Boston recorded its thirteenth consecutive quarter of rising office vacancy, market dynamics are beginning to show signs of a reversal. The rate of vacancy growth has decelerated, and a notable uptick in leasing activity occurred in early 2025. Nonetheless, ongoing macroeconomic volatility continues to cloud the outlook, as businesses face heightened challenges in decision-making amid persistent uncertainty.



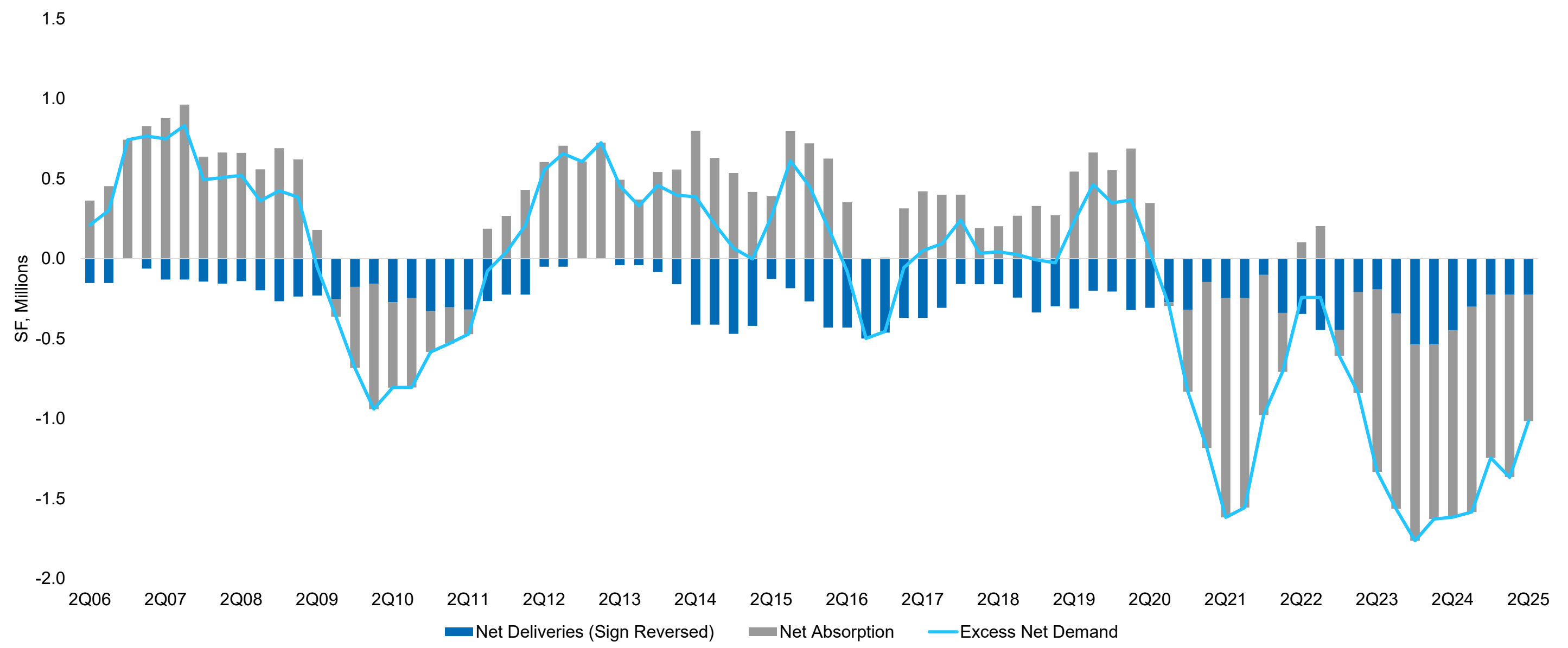
Source: Newmark Research



# Vacancy Rises Slightly While Leasing Activity Shows Mixed Signals

Greater Boston has observed persistent negative net absorption which has affected the vacancy rate, reaching a record high of 22.3% this quarter. However, direct lease executions have increased in terms of square footage committed this quarter, and in the CBD, the average lease term rose quarter-over-quarter. Both could be early indicators of tenants having more conviction in the market and subsequent real estate decisions.

Historical Office Supply and Demand | 4-Quarter Moving Average

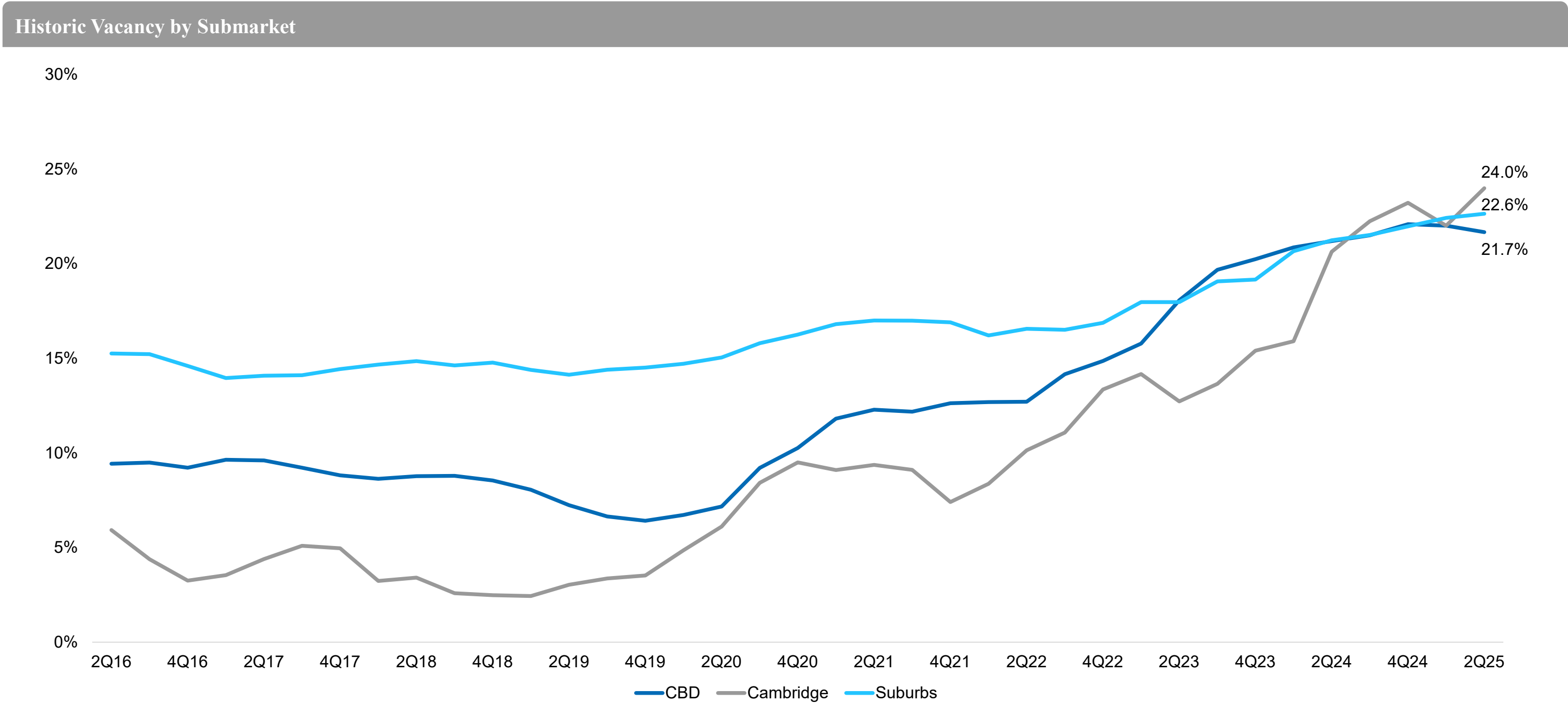


Source: Newmark Research



# Boston’s CBD Office Market Boasts Below-Average Vacancy

Office vacancies in the CBD market declined for a second consecutive quarter, ending this quarter well below Cambridge and the Suburbs. Continued weakness in the technology and biotechnology sectors is weighing on fundamentals in Cambridge, where tenants like HubSpot are downsizing. However, expected deliveries of still uncommitted space in projects like 10 World Trade and South Station Tower could put upward pressure on CBD office vacancies in the short term.

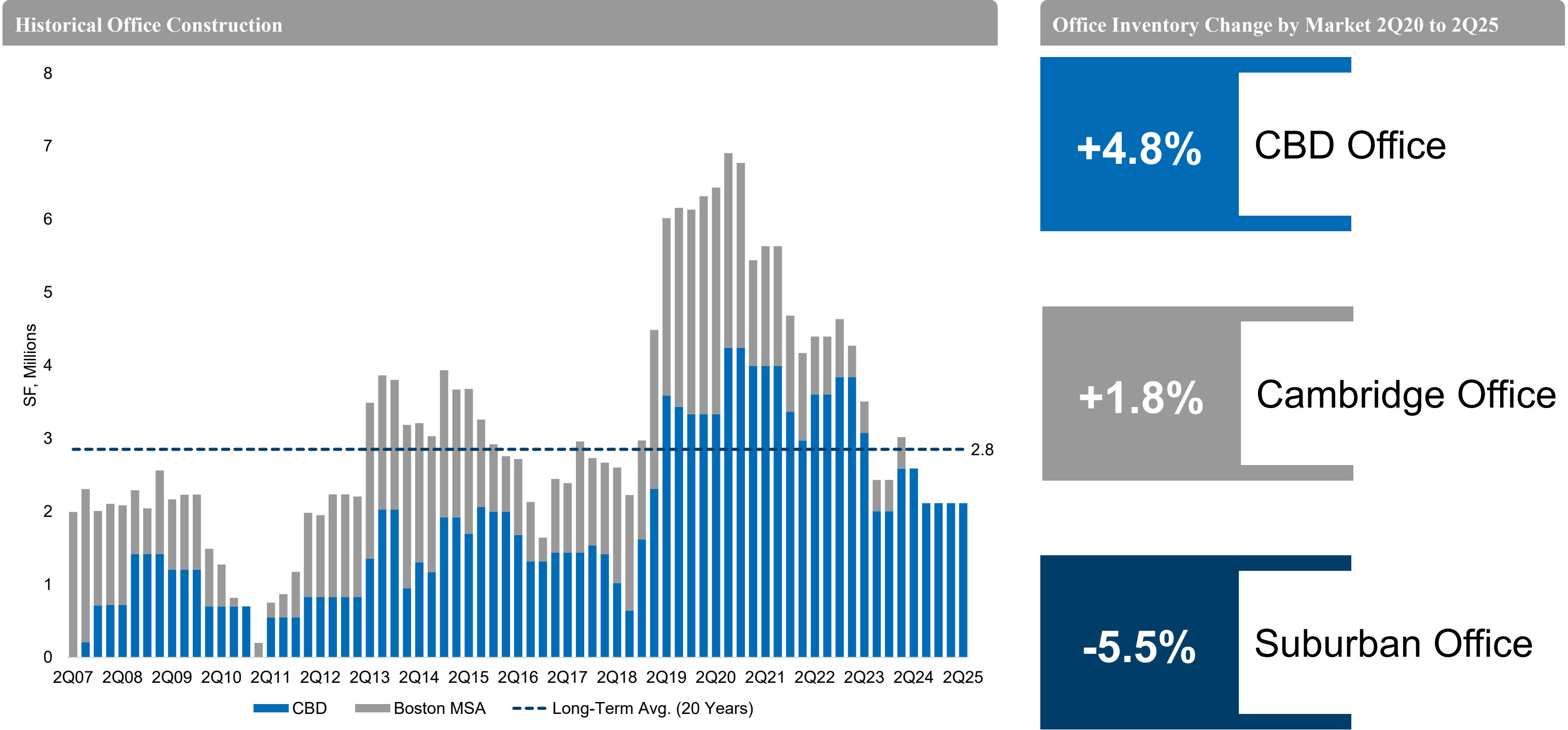


Source: Newmark Research



# Boston's CBD Continues to Dominate This Development Cycle

Elevated vacancies have developers stalling on new office groundbreakings throughout the region, with all currently underway projects in Boston's CBD. As the flight-to-quality trend continues to evolve, remaining availabilities in these new developments have garnered interest from users looking for high-quality space and extensive amenities. Life science landlords are increasingly considering marketing core and shell lab space to office users, which could reverse the trend of declining inventory in select submarkets.

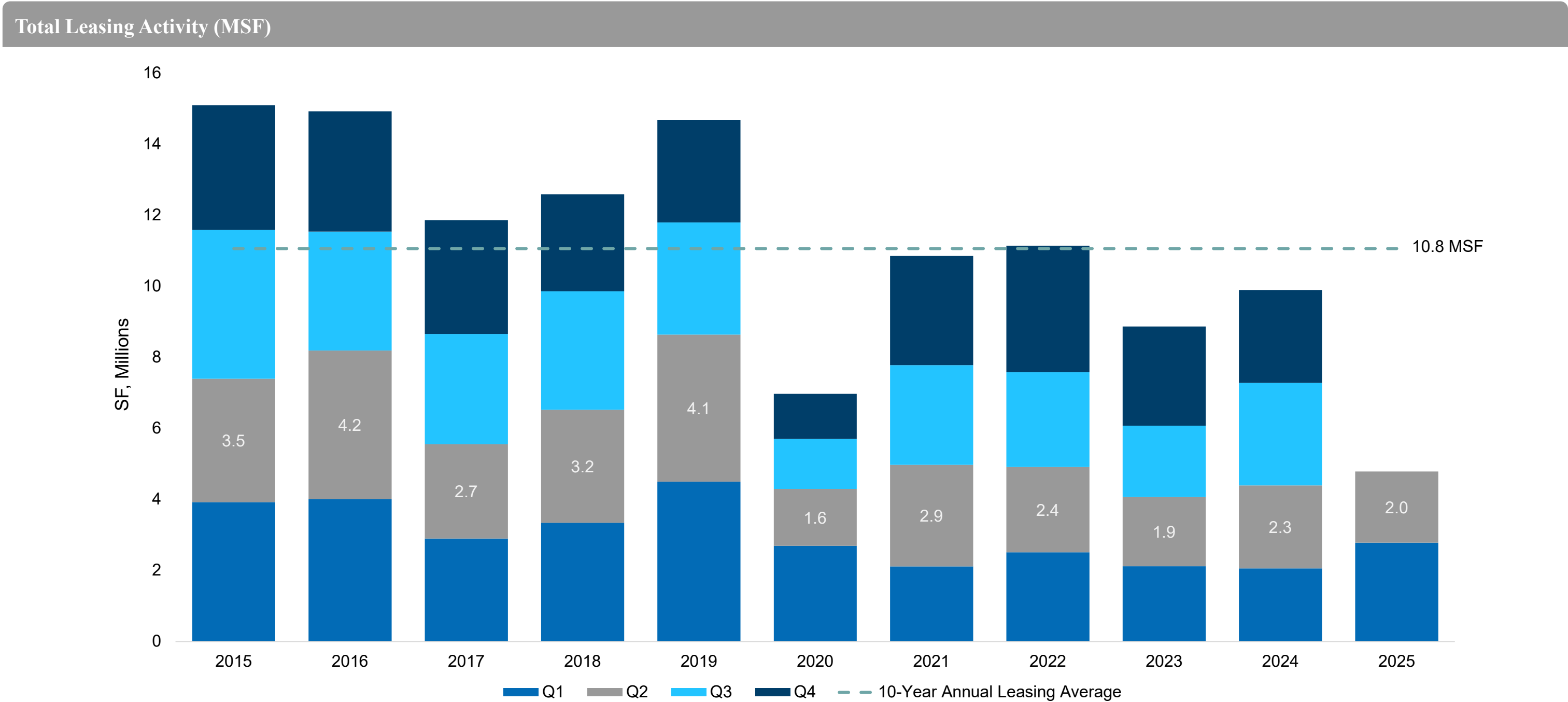


Source: Newmark Research



# Suburban Activity and Renewals Sustain Leasing

After a stronger start to the year, office leasing activity in Greater Boston moderated in the second quarter of 2025, totaling approximately two million square feet. Suburban tenants, including Rockland Trust and Anduril Technologies, were key contributors to new leasing volume. Additionally, renewals and lease extensions—particularly within traditional office-using industries—remain prevalent, reflecting occupiers' cautious sentiment and increasing preference for flexibility amid ongoing uncertainty and evolving workplace strategies.



Source: Newmark Research, CoStar



# Route 128 Leads Second-Quarter Leasing Activity in Greater Boston

Greater Boston's leading commercial real estate leasing activity during the second quarter of 2025. Top of the report summarizes, categorized by **Market Segment** and **Market Type**, additional report categories within the Route 128 corridor, both including their details. In contrast, the CTR segment is split by quarter, with the most recent quarter being Q2/25 and Q1/25 being the previous quarter.

| Greater Boston Commercial Real Estate Leasing Activity - Q2/25 |         |           |            |             |
|--|---------|-----------|------------|-------------|
| Tenant   | Address | Submarket | Lease Type | Square Feet |
|  |         |           |            |             |

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| Market Segment | Market Type | Market Name | Market Address | Market Size |
|----------------|-------------|-------------|----------------|-------------|
| Office         | Office      | Office      | Office         | Office      |
| Office         | Office      | Office      | Office         | Office      |



# Leasing Velocity Slows Across Core Markets—Except the Suburbs

Average monthly leasing velocity for office space continued to increase across Greater Boston's core submarkets in the second quarter of 2025, with the suburbs as the only office leasing market to show growth. The ongoing tightness in the market, as Class A space in the CBD and nearby areas is being rapidly absorbed, is the primary driver of this growth. In the suburbs, average office space is leasing at a rate of 1.5 months, faster than the Class A space in the CBD, suggesting that the market may be reflecting demand for Class A space in the suburbs.



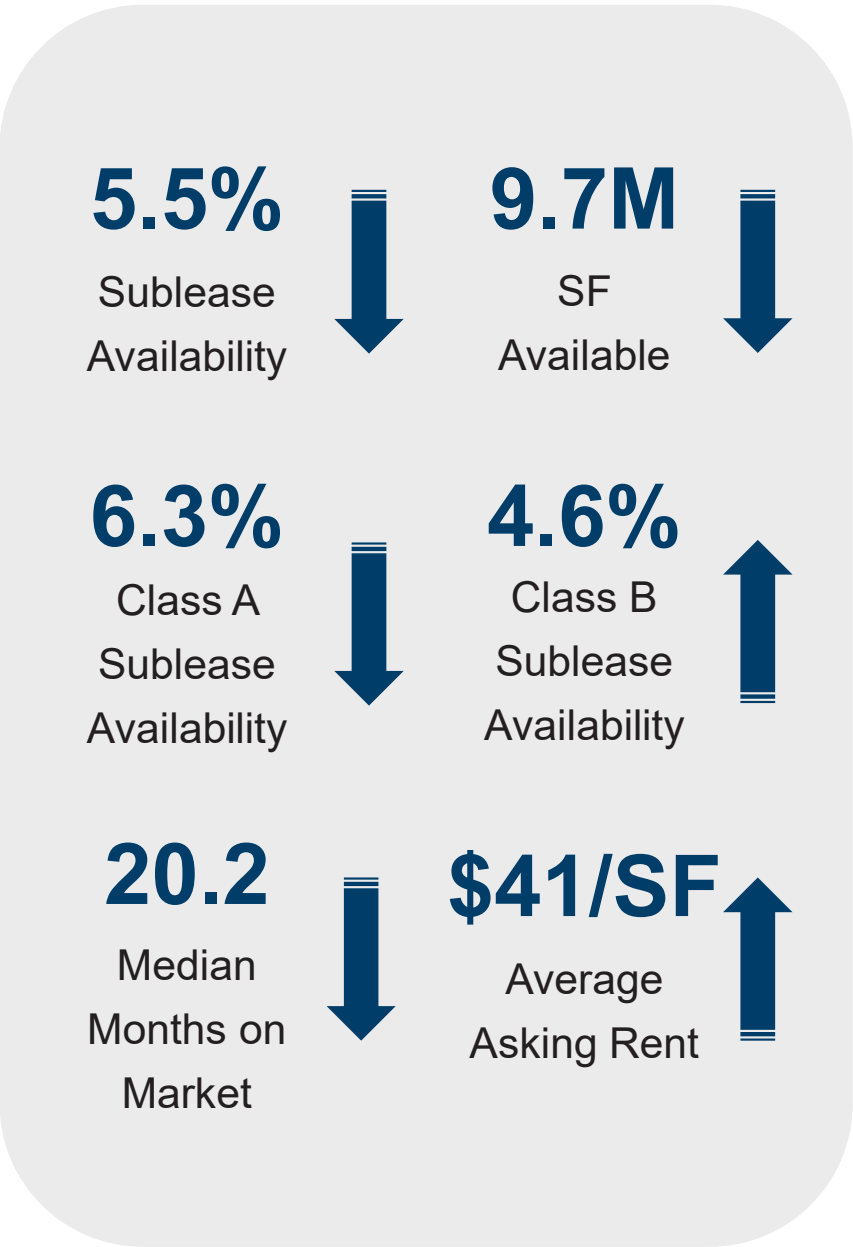
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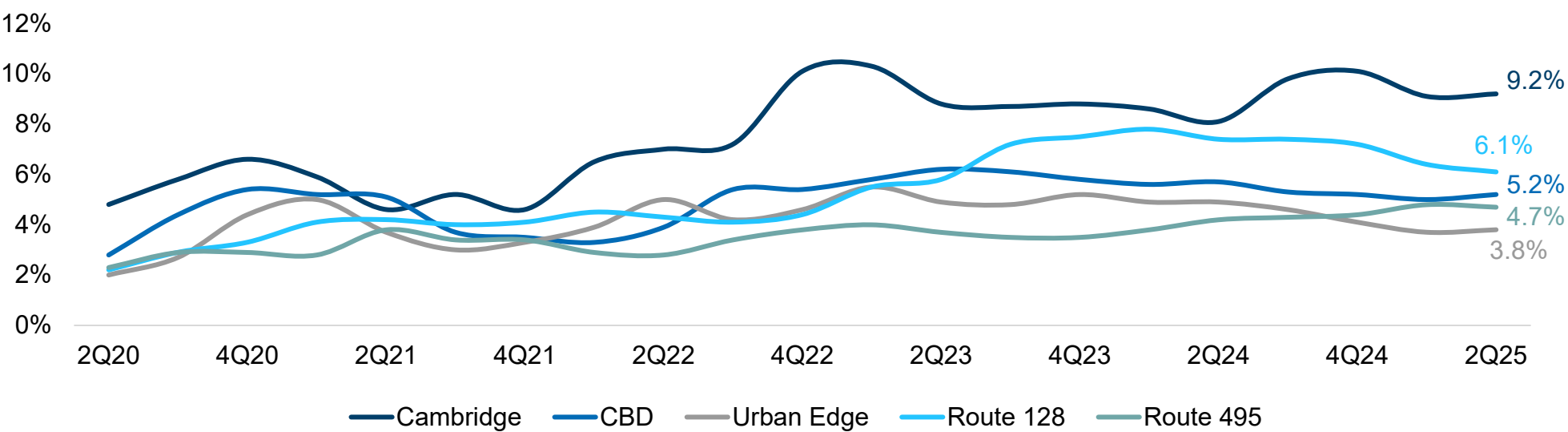
# Sublease Trends Diverge Across Submarkets as Expirations Loom

Sublease availabilities saw slight increases this quarter in the Cambridge, CBD and Urban Edge submarkets, while Route 128 and Route 495 recorded modest declines. As some of these subleases near expiration, direct availabilities are facing continued upward pressure. Cambridge continues to hold the highest sublease availability rate, with 9.2% of its inventory on the market as of the second quarter of 2025, while the Urban Edge submarket remains the tightest, with just 3.8% of existing inventory available for sublease.

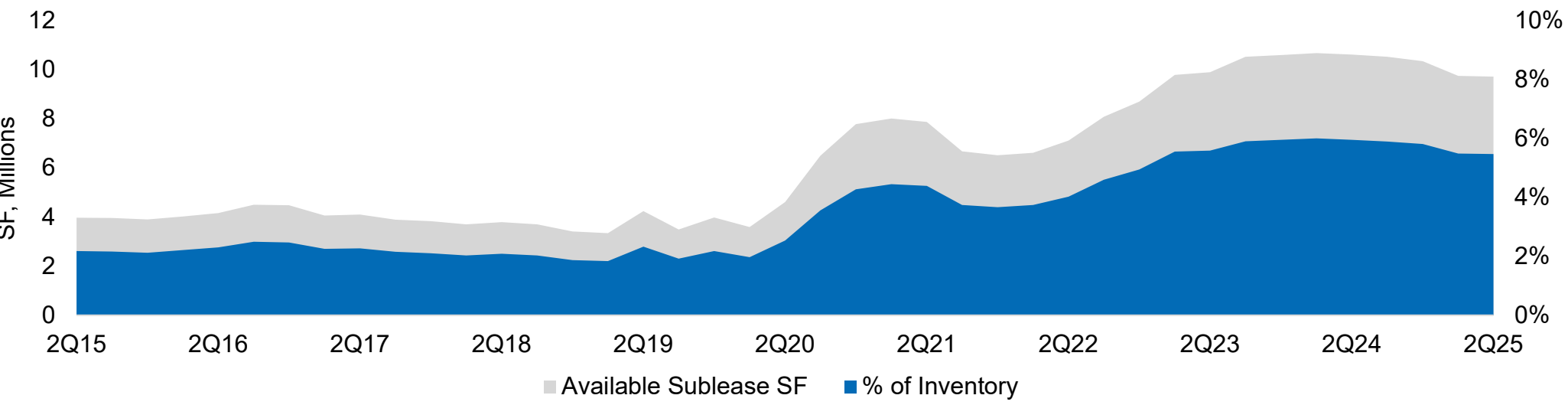
Greater Boston Sublease Statistics, 2Q 2025



Historical Office Sublease Availability (%) by Submarket



Historical Office Sublease Availability



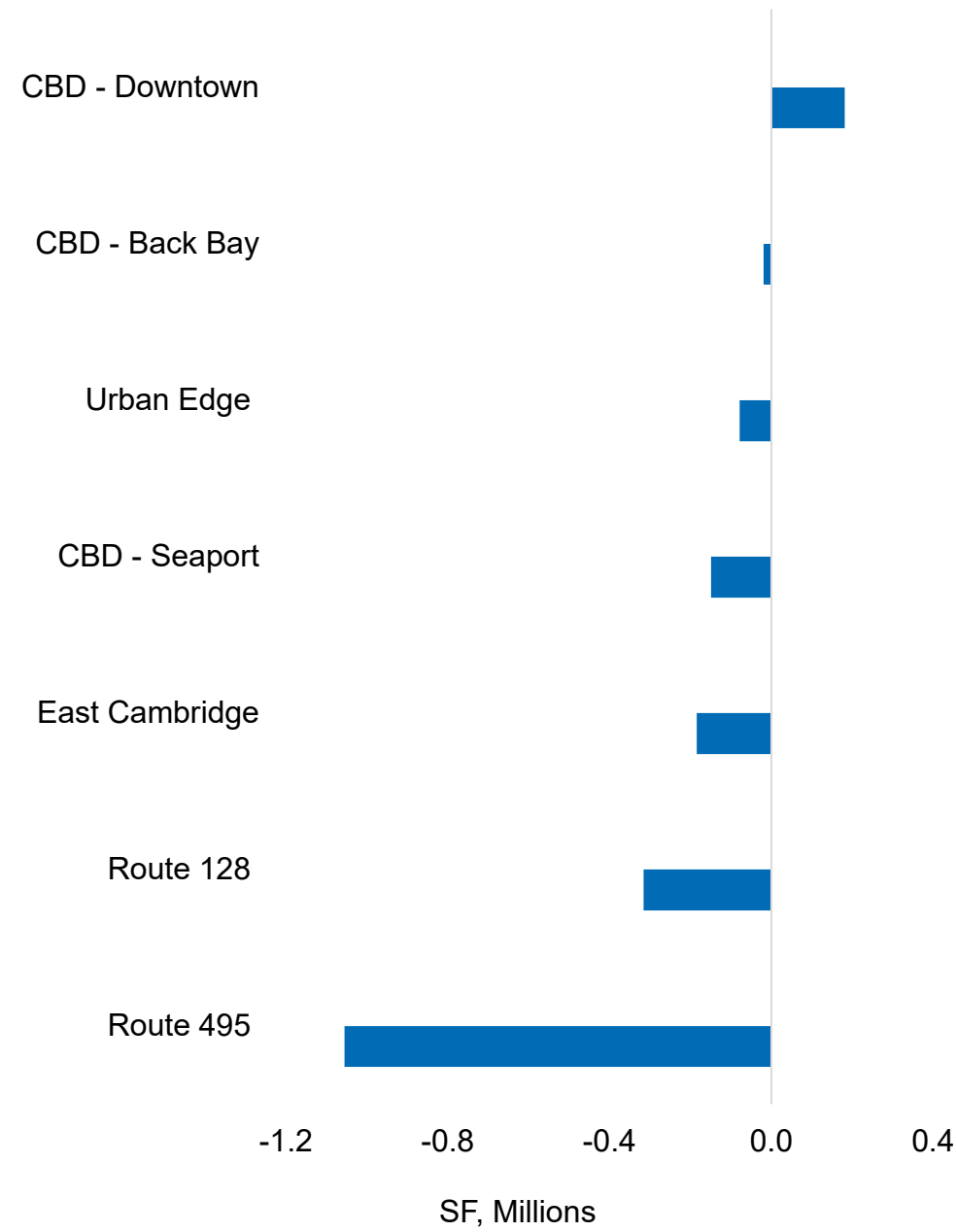
Source: Newmark Research, CoStar



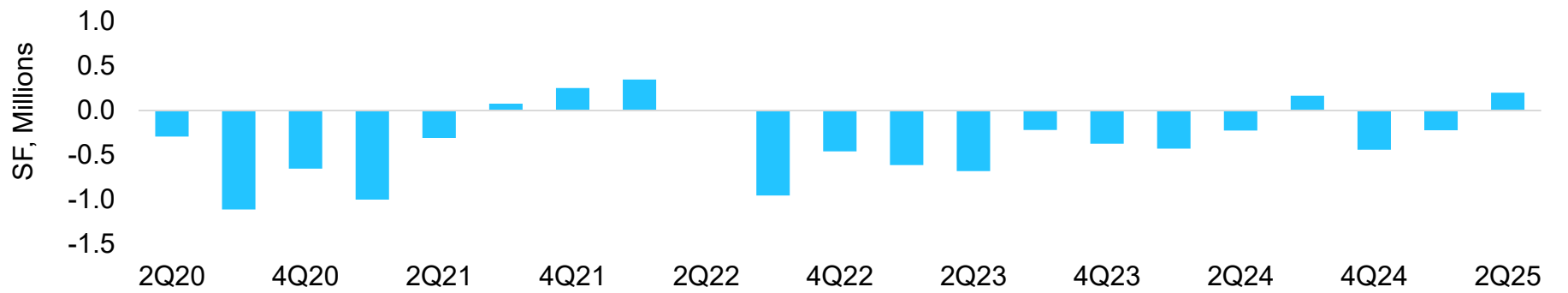
# Positive Momentum Returns to CBD as Suburban Markets Struggle

The CBD was the only core submarket in Greater Boston to record positive net absorption this quarter—marking its first gain since the third quarter of 2024. In contrast, the Route 495 market experienced the most significant negative net absorption over the past 12 months, largely due to the closure of Red Hat’s facilities in Westford. Route 128 markets posted the second-highest level of negative net absorption over the past 12 months, though it was only one-third of that of Route 495, and saw significant positive net absorption this quarter.

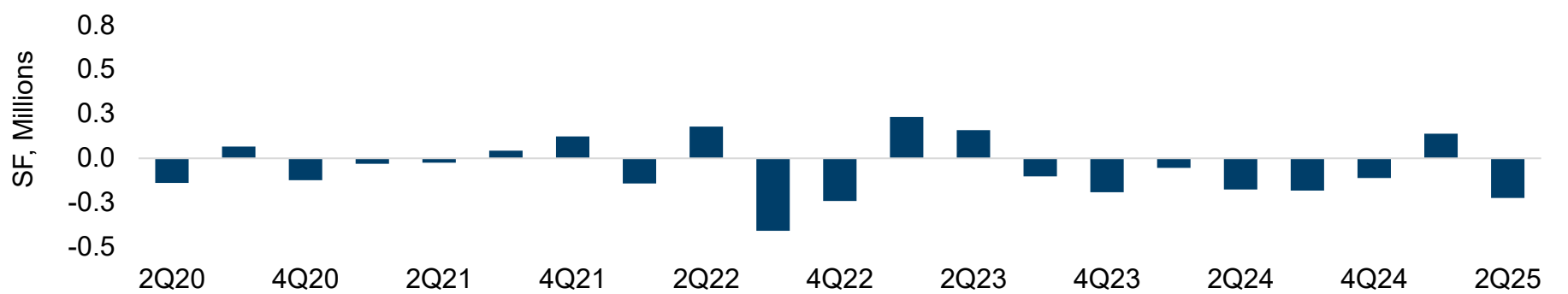
12-Month Net Absorption by Major Submarket



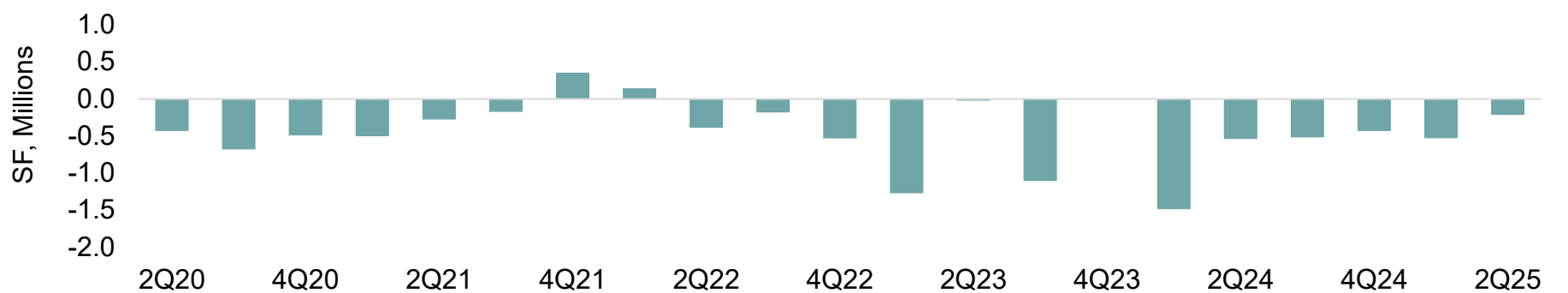
Historical Net Absorption | CBD



Historical Net Absorption | Cambridge



Historical Net Absorption | Suburbs



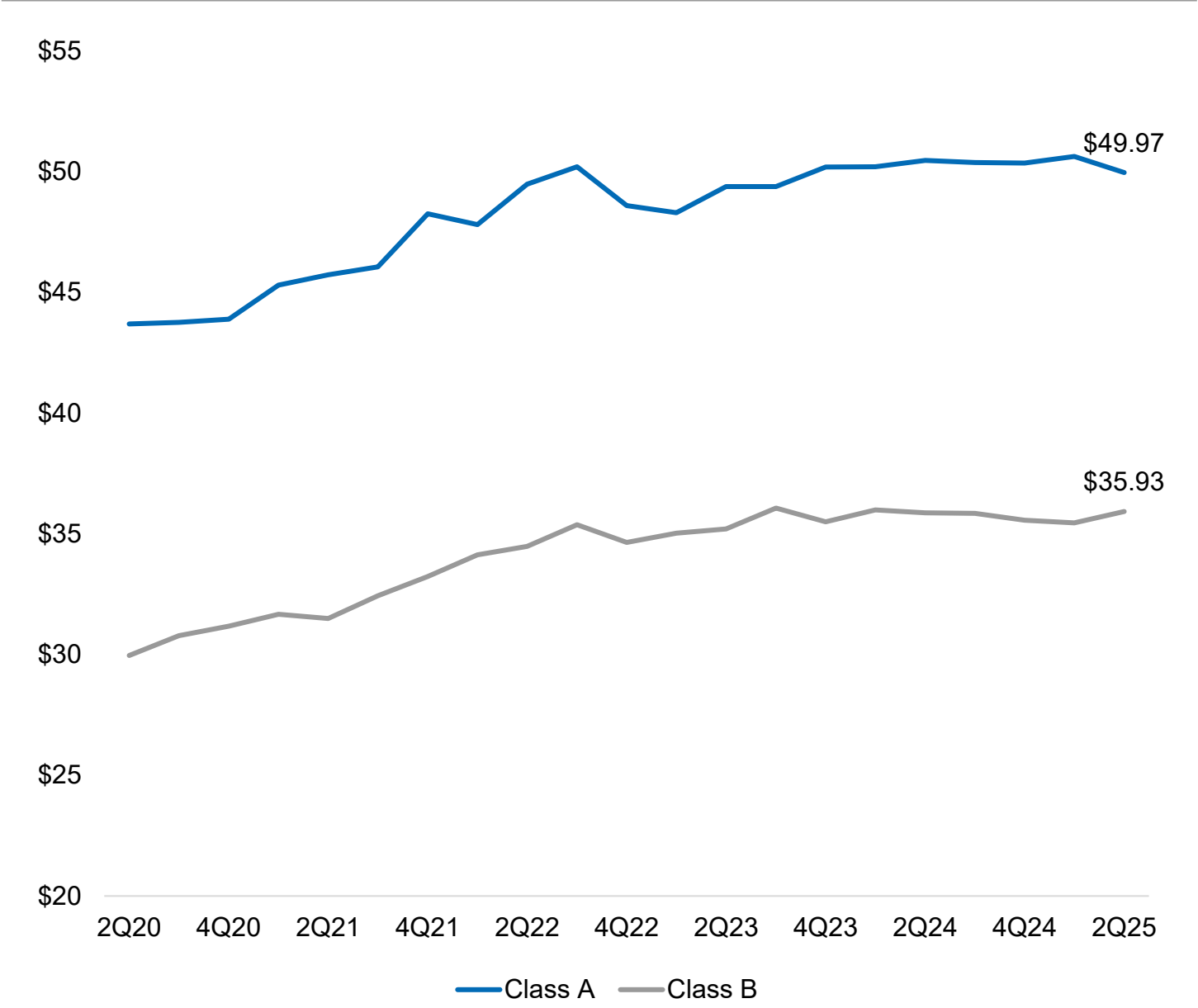
Source: Newmark Research



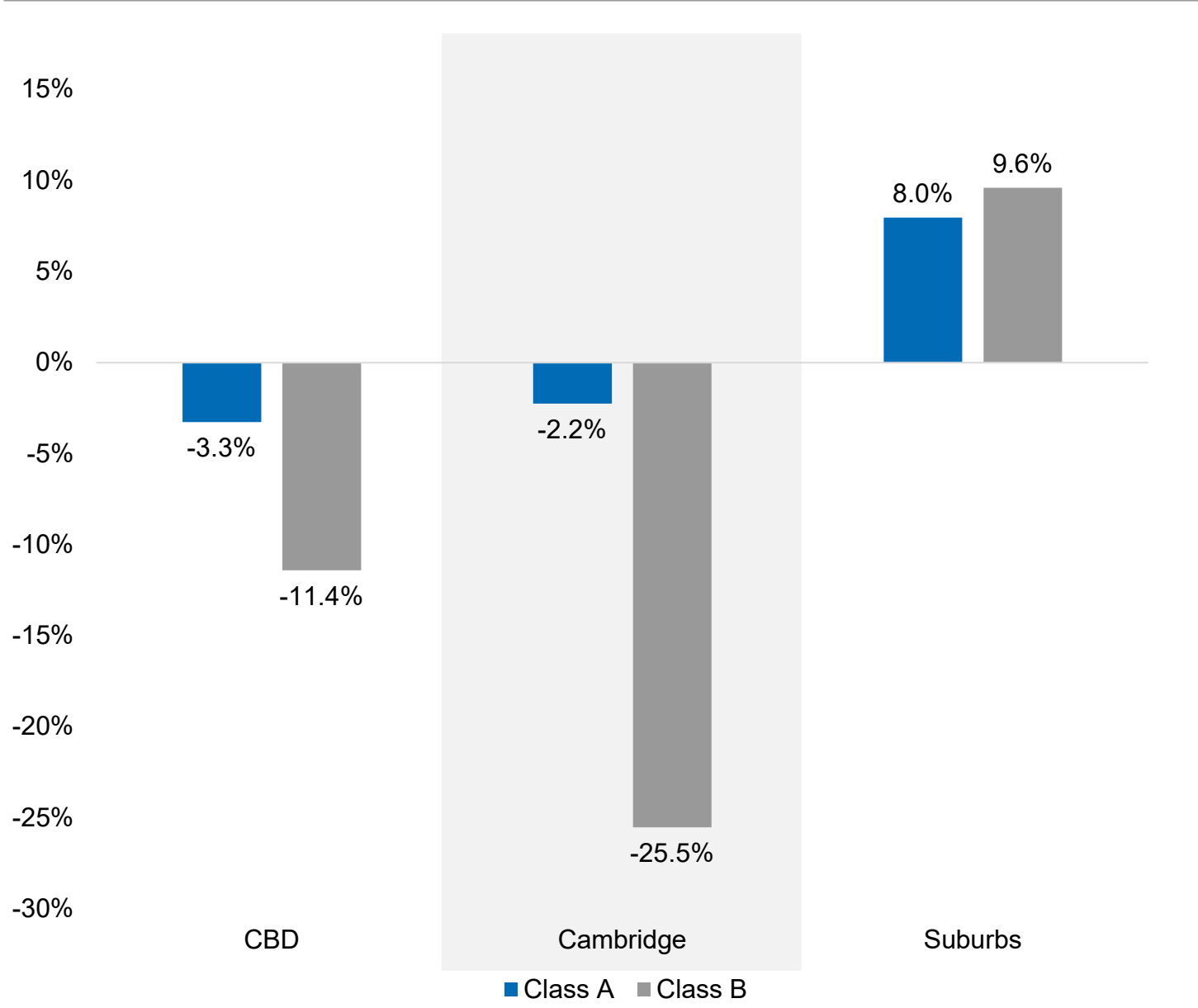
# Overall Asking Rents Remain Flat Across Greater Boston

Greater Boston Class A asking rents remained relatively stable during the first quarter of 2025, with rents declining 1.3%. Conversely, the Class B market experienced an increase of 1.3%. At the submarket level, the Suburban Class A market recorded a third consecutive quarter of growth in asking rent, increasing by 2.4% over that time-period. However, overall effective rents have seen more substantial reductions, even as concession packages appear to have peaked, reflecting the impact of the current economic conditions.

Greater Boston Class A and Class B Asking Rents (\$/SF)



Change in Class A and B Asking Rents (\$/SF) 2Q20-2Q25



Source: Newmark Research, CoStar



# Rent Change Since the Onset of the Pandemic in 2020

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# Market Sees a Slight Increase in Vacancy Rates, But Slight Decrease in Rents



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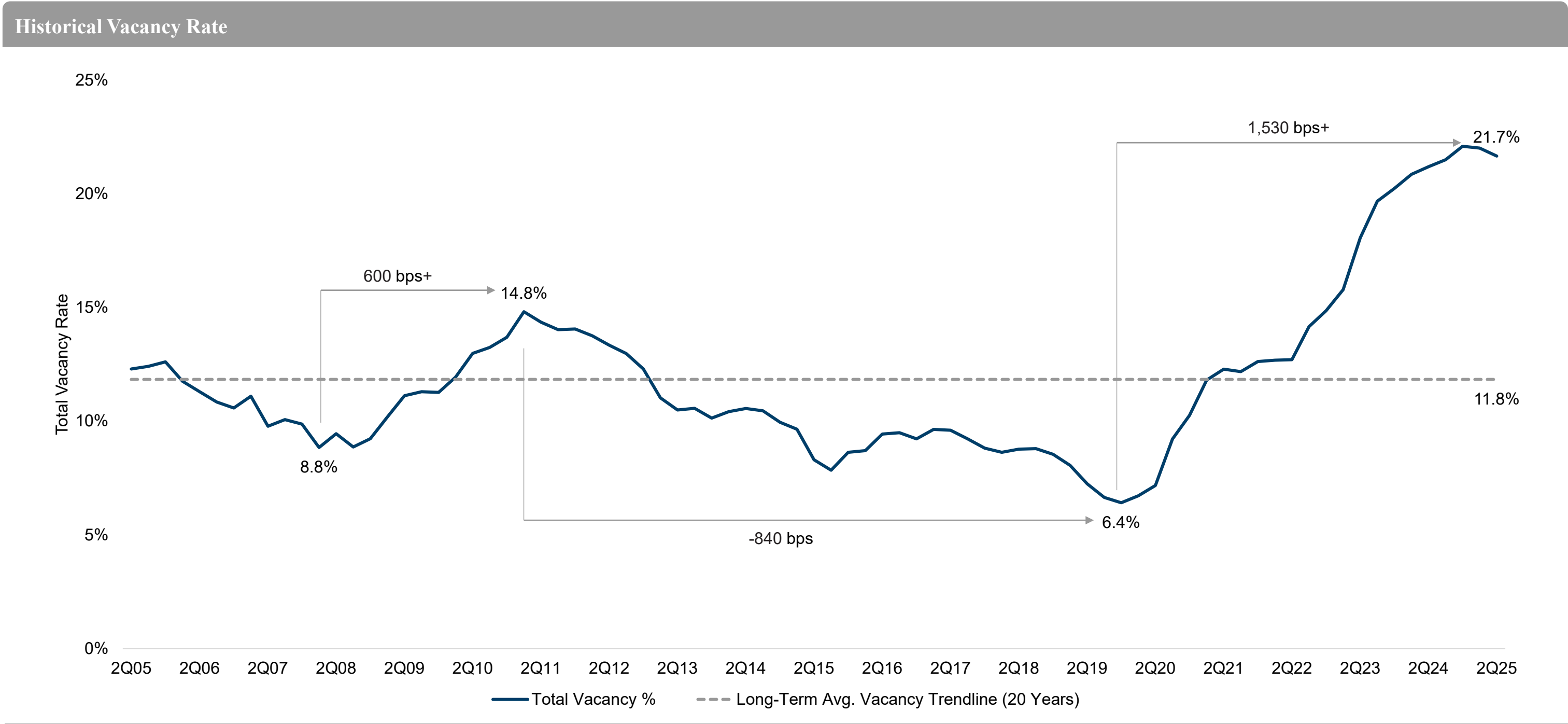
# Boston CBD Office Market





# Boston’s CBD Observes Second Straight Quarter of Declining Vacancy Rates

Boston’s CBD office market experienced a decline in vacancy rates, dropping by 30 basis points from last quarter. This marks the second consecutive quarter of decreasing vacancies—a welcome shift following 19 out of 20 quarters of rising vacancy rates that preceded this downtick. The most significant contributor to this improvement was LEGO’s relocation to Massachusetts and subsequent move into its new headquarters at 1001 Boylston Street in the Back Bay.



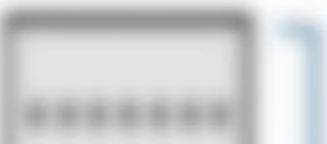
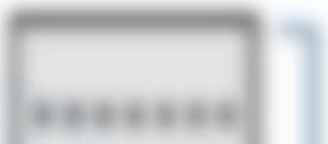
Source: Newmark Research



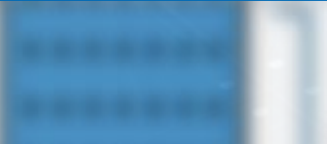
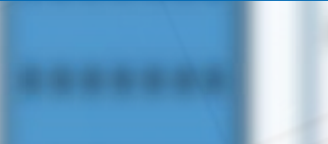
# “View Space” Preference Continues to Drive Shifts in CBD Vacancy Trends

High-rise office space in major markets within the CBD continues to experience high vacancy rates, but the high-rise space is increasingly being converted to other uses, such as residential, which is driving the vacancy rates down. In the CBD, the high-rise space is increasingly being converted to other uses, such as residential, which is driving the vacancy rates down. In the CBD, the high-rise space is increasingly being converted to other uses, such as residential, which is driving the vacancy rates down.

However, office space in other markets, such as the Seaport, is still experiencing high vacancy rates, which is driving the vacancy rates up. In the Seaport, the high-rise space is increasingly being converted to other uses, such as residential, which is driving the vacancy rates up.



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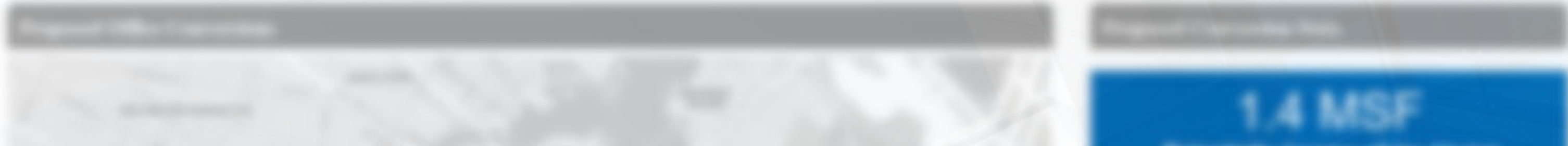


Note: Data is from a select survey of office towers. For every market, except the Seaport, the buildings have a minimum of 20 floors. Due to airspace height restrictions, the premier office buildings in the Seaport have a minimum of 9 floors.  
Source: Newmark Research



# Office Conversions Gain Momentum in Response to Market Pressures

Office buildings in urban centers are increasingly converting alternative development strategies in response to elevated vacancy rates and building asset values. Supported by local government initiatives and redevelopment incentives, the market has seen a growing number of proposed and approved conversion projects. These include office-to-residential conversions, which development the space includes the BPOA Board's approval of conversion plans for 12 Park Office Towers and 12 Liberty Square, marking a significant step in the city's recent residential upturning in the urban core.



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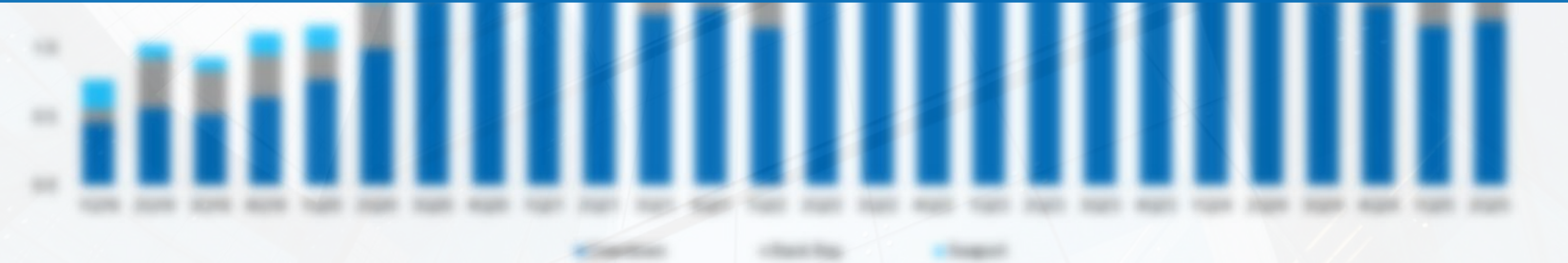


# CBD Sublease Inventory Grows as Large Blocks Remain on Market

The Commercial Real Estate Research Center (CRERC) is pleased to announce the results of the 2023 CBD Sublease Inventory Report. The report shows that the total CBD sublease inventory in the United States has grown by 15% since the end of 2022, with a total of 1.1 million square feet of space available. The report also shows that the average lease term for CBD subleases has increased from 3.5 years to 4.2 years, and the average rent has increased from \$18.50 per square foot to \$20.00 per square foot. The report also shows that the average lease term for CBD subleases has increased from 3.5 years to 4.2 years, and the average rent has increased from \$18.50 per square foot to \$20.00 per square foot.



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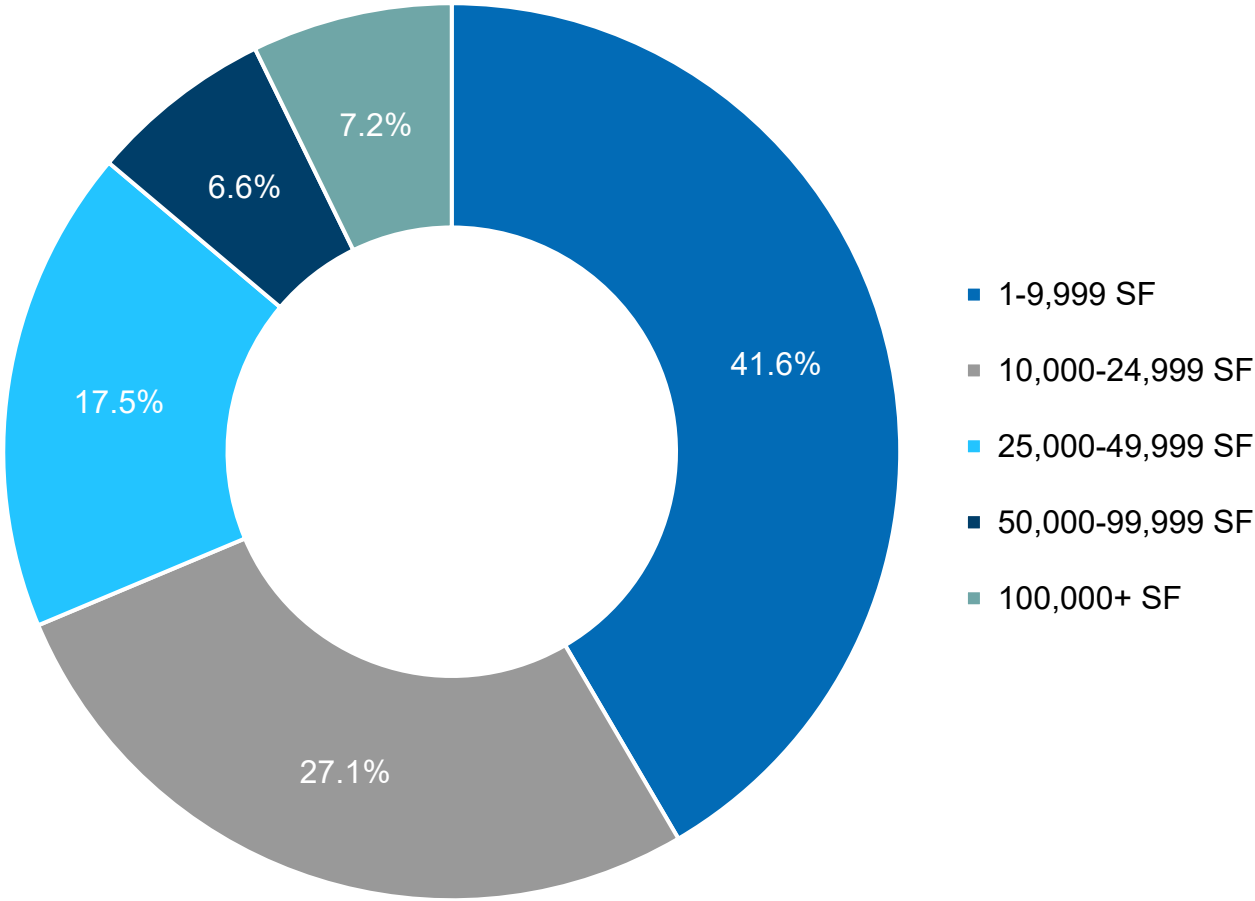
Source: Newmark Research



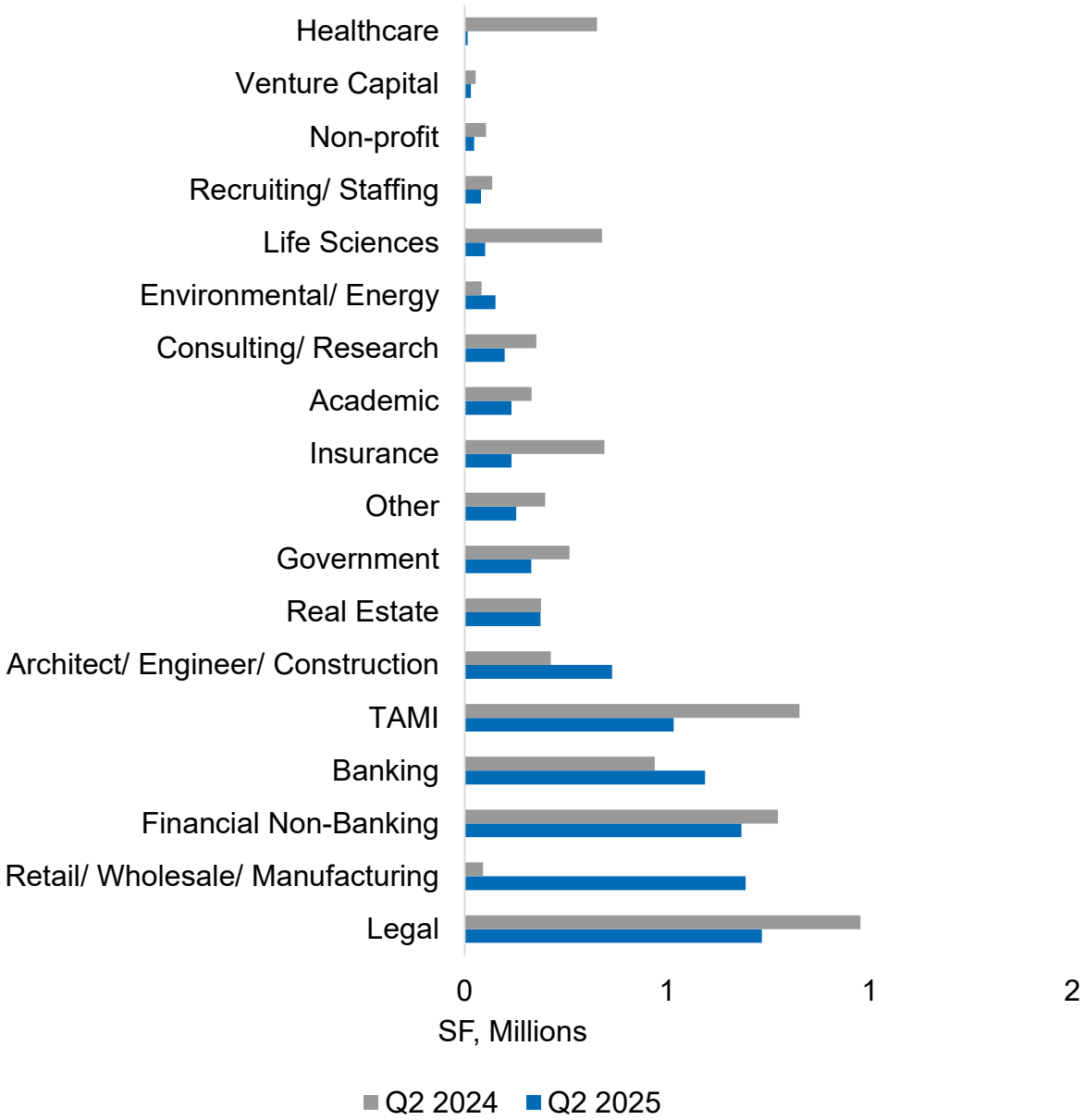
# Legal Sector Leads Tenant Demand in Boston CBD

During the second quarter of 2025, the Boston CBD submarket recorded 166 active tenant requirements totaling nearly 4.6 million square feet. The legal sector accounted for the largest share of the diversified market, representing over 733,000 SF—or 15.9% of total demand. Current market dynamics continue to reinforce Boston’s identity as a “small-tenant” market, with 68.7% of active requirements targeting spaces under 25,000 SF.

Number of Requirements by Size Tranche



Active Requirements By SF and Industry



Source: Newmark Research

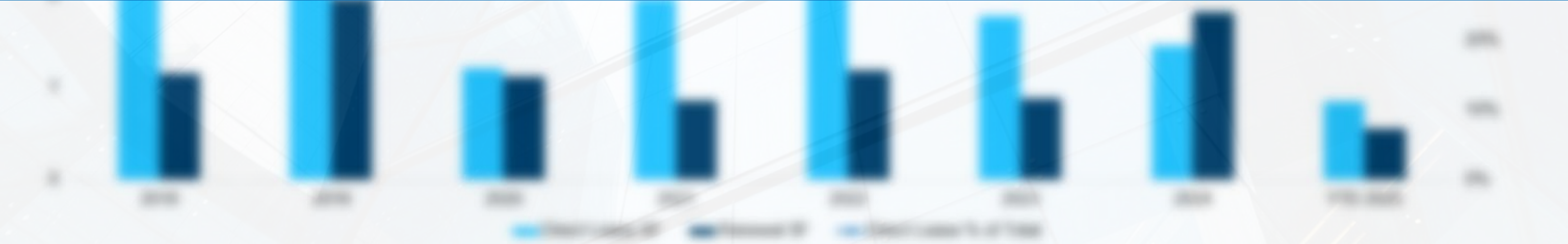


# Direct Leases on the Rise in the CBD Amid Cautious but Stabilizing Demand

The second quarter of 2020 saw the gap between direct leases and secondary contracts in the CBD. As many companies implemented a combination of flexible and rigid measures to manage their operations, direct leases became a more viable option for companies to secure a more stable and predictable supply of space. This was particularly true for companies that were unable to secure space through secondary contracts, as they were often unable to negotiate favorable terms. As a result, direct leases became a more attractive option for companies looking to secure space in the CBD.



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# Signs of Optimism Emerge in CBD Lease Durations

The average lease term in the second quarter of 2020 was three months longer than the 2019 average, signaling a continuing shift in tenant sentiment. However, as time unfolds before the 2020 year of 12 months, lease terms remain relatively conservative. This suggests that while occupancy in Boston's CBD are showing signs of renewed confidence, a renewed level of caution still shapes long-term leasing decisions.



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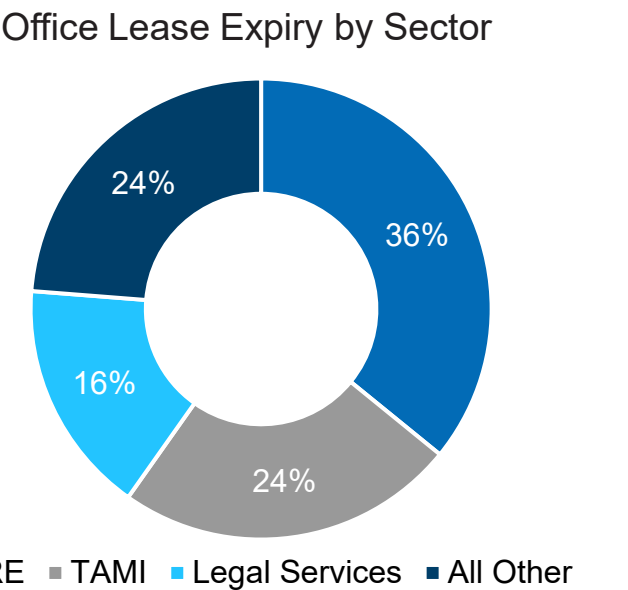
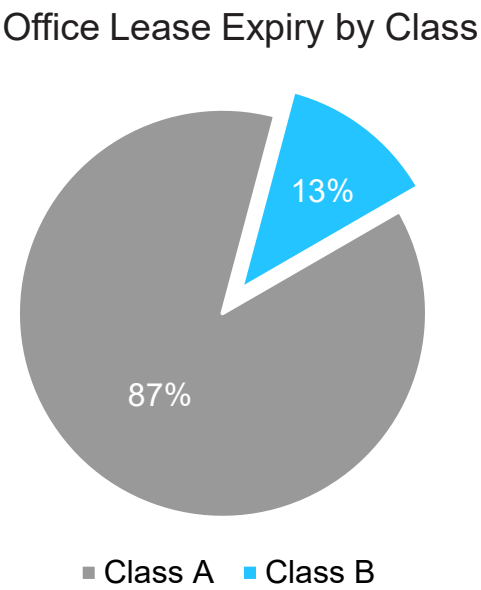
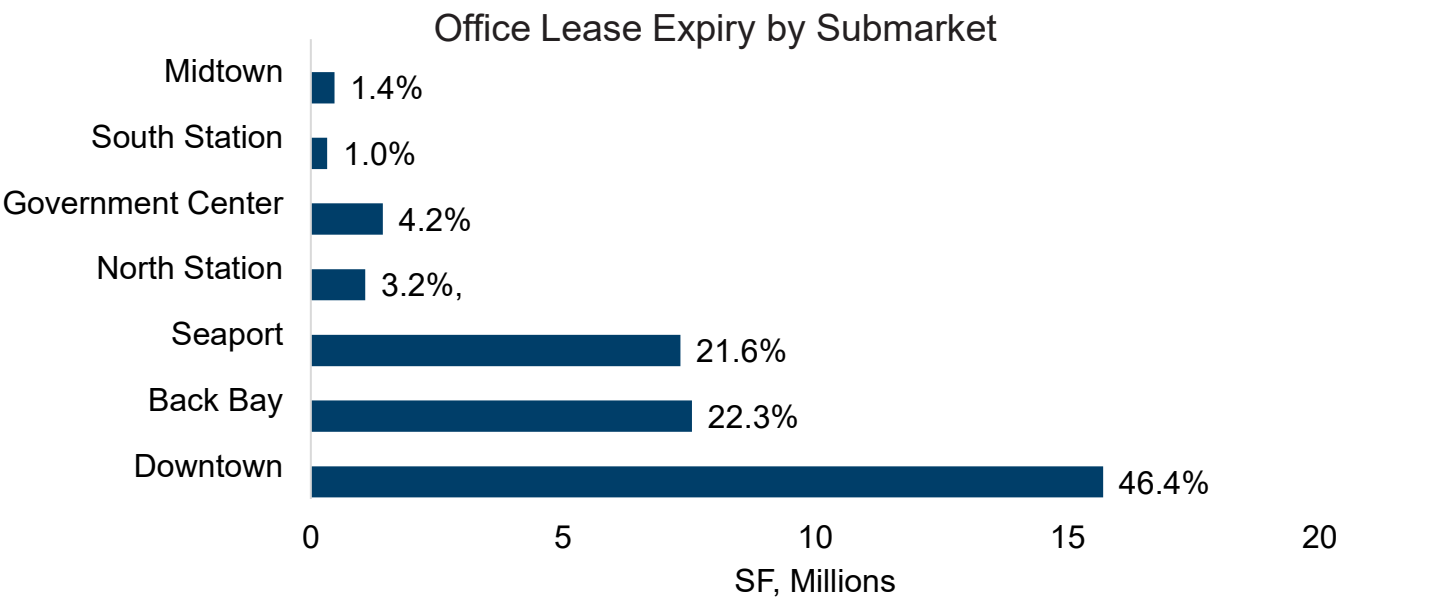
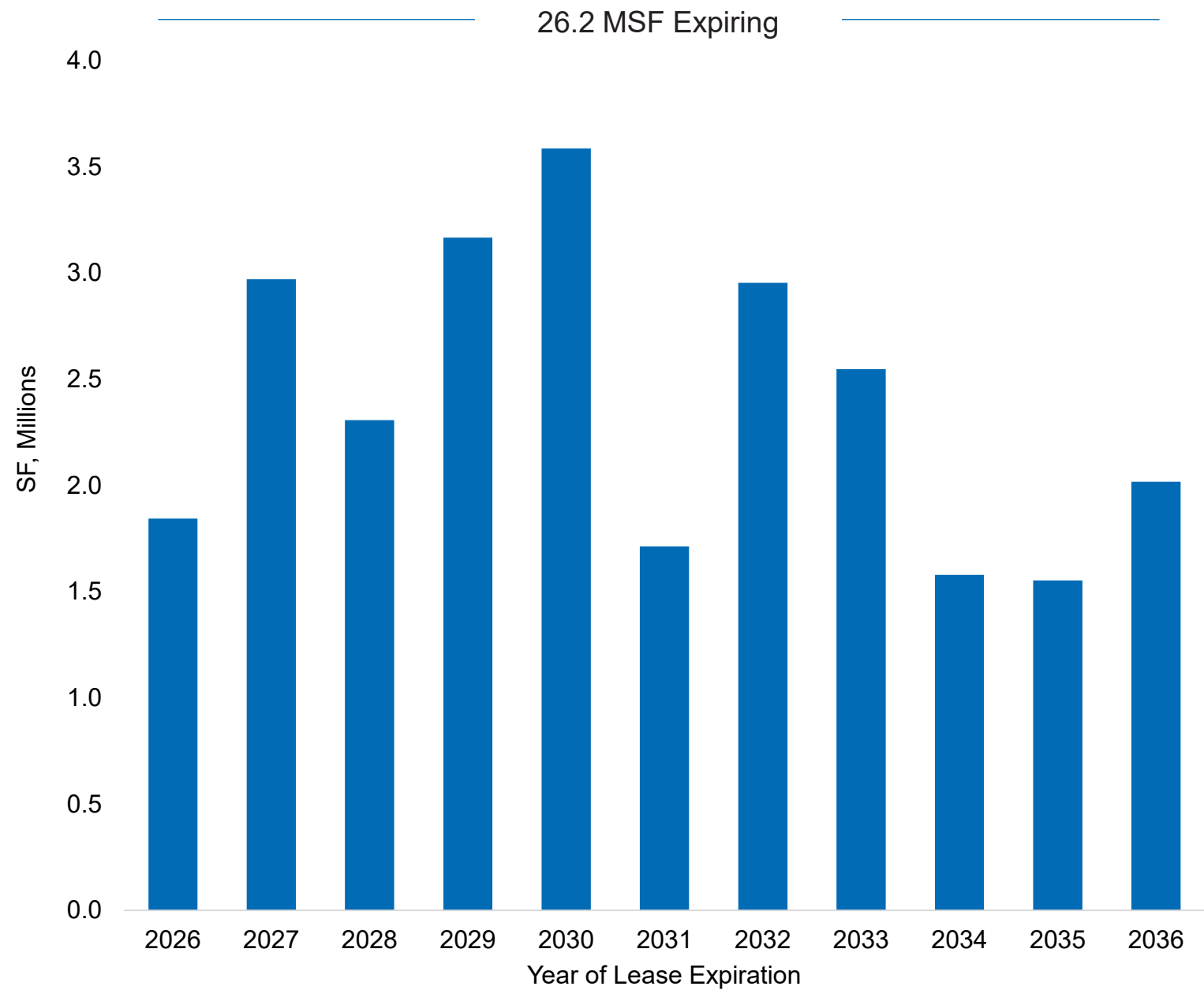
Source: Newmark Research  
Note: Includes leases with 36-month+ term lengths. Excludes subleases and extensions.



# Downtown Boston Faces Significant Lease Rollover in Coming Decade

With roughly 26 million SF of office leases set to roll over the next decade, expiration-driven leasing is expected to remain a key driver of activity in the Boston market. A significant portion of this rollover space is concentrated in Class A properties, particularly within the Downtown submarket. Notably, tenants in the FIRE sectors—among the more active in recent years—account for 36.0% of the space projected to roll by 2036.

CBD Office Lease Expiry 2026-2036 | Tenants 15 KSF+



Source: Newmark Research



# “Sticker Shock” Sets In as Post-COVID Subleases Roll



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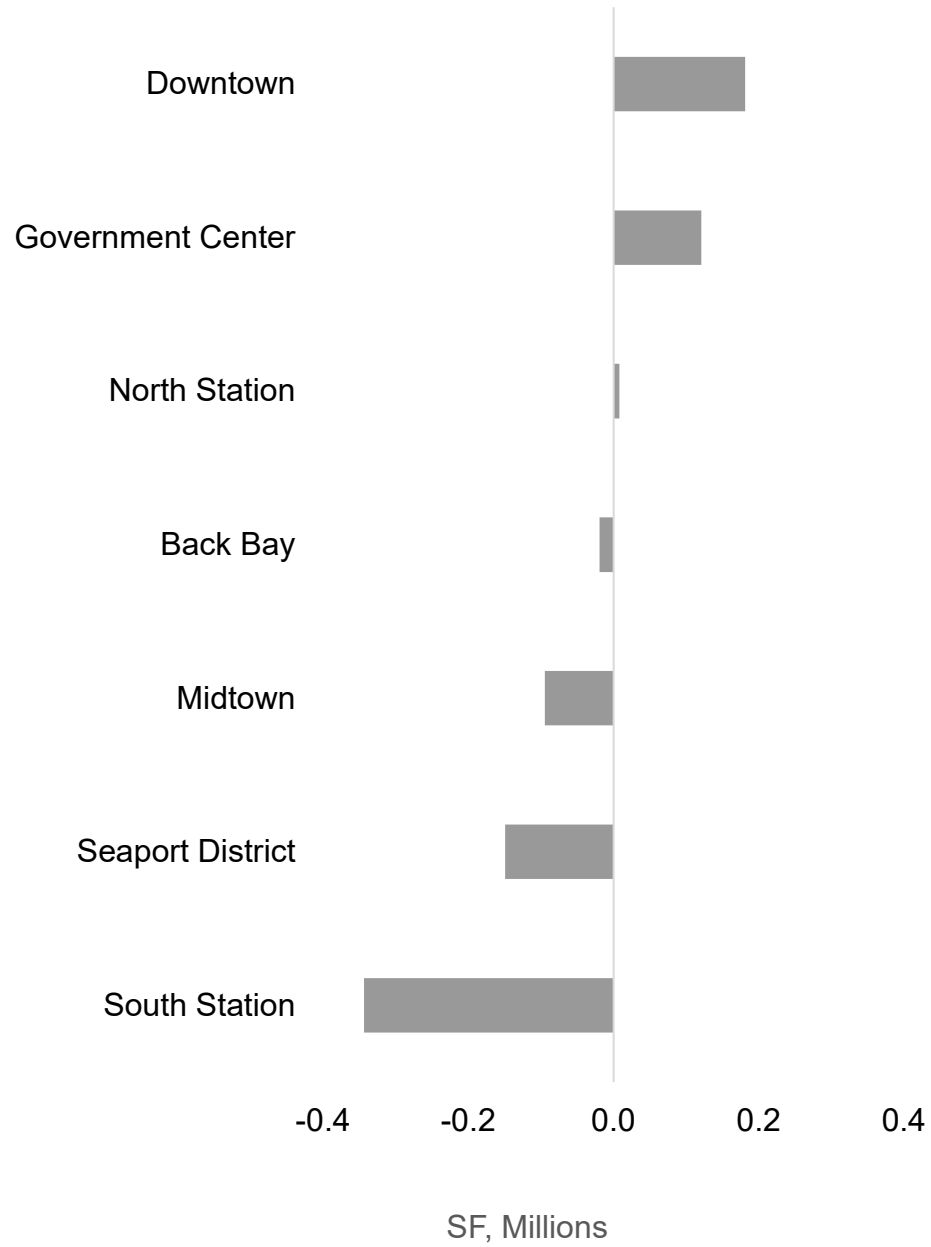
Source: Newmark Research



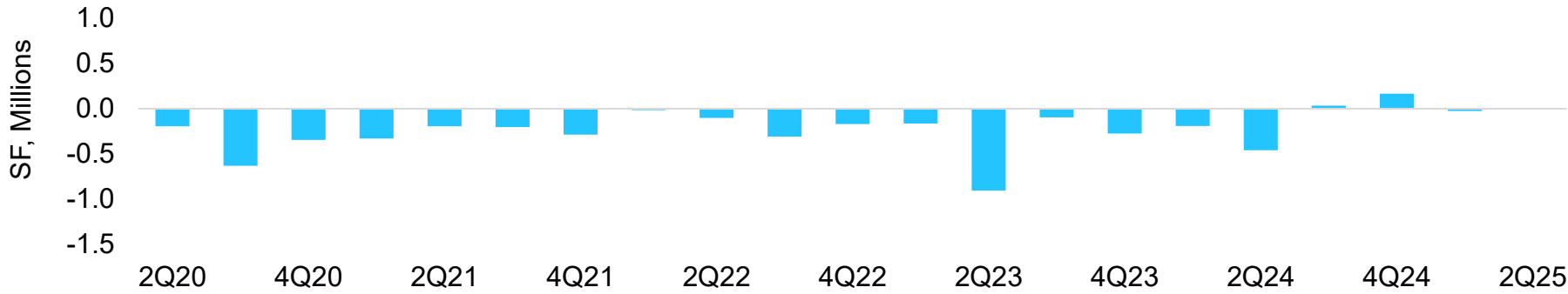
# Selective Growth in CBD Highlights Uneven Office Demand

The Back Bay recorded the largest positive net absorption in the second quarter of 2025, driven primarily by LEGO’s relocation from Connecticut and subsequent occupancy at 1001 Boylston Street. Over the past 12 months, only three of the seven CBD submarkets posted positive net absorption, underscoring the continued softness in demand for downtown office space. This limited growth highlights the ongoing challenges landlords face in attracting and retaining tenants in Boston’s urban core.

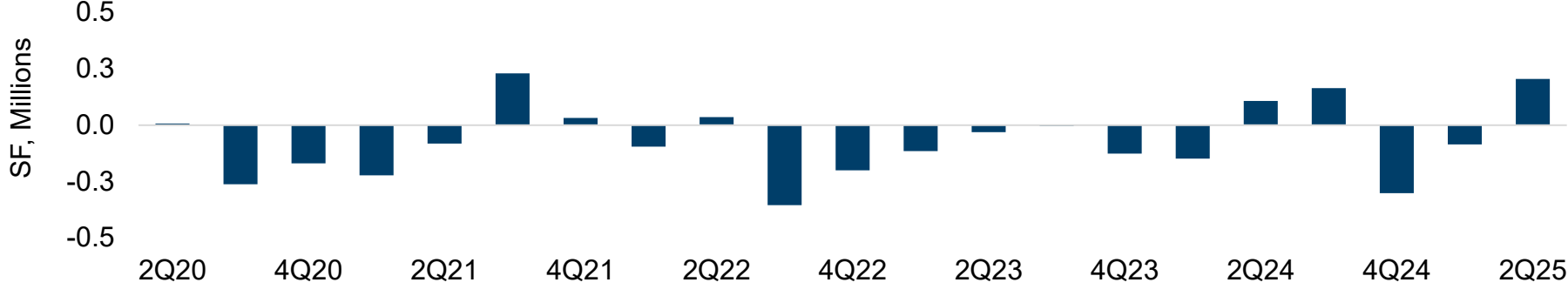
12-Month Net Absorption by Major Submarket



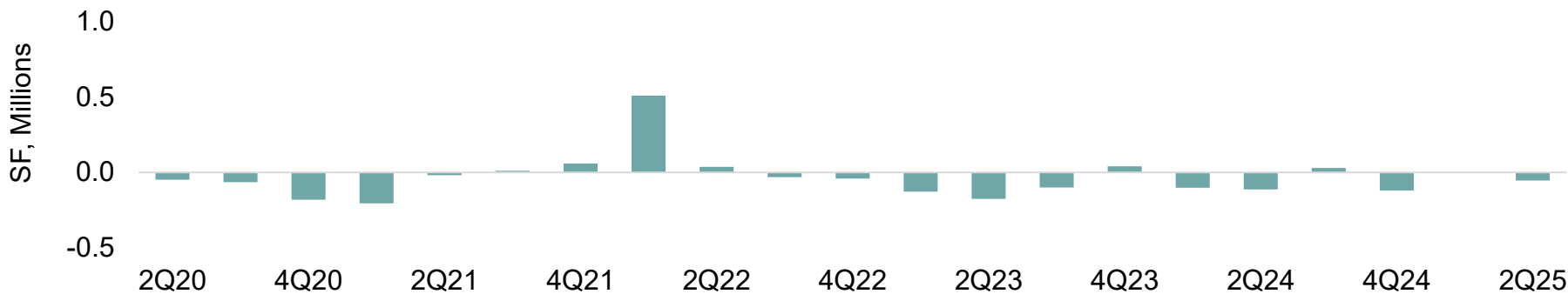
Historical Net Absorption | Downtown



Historical Net Absorption | Back Bay



Historical Net Absorption | Seaport

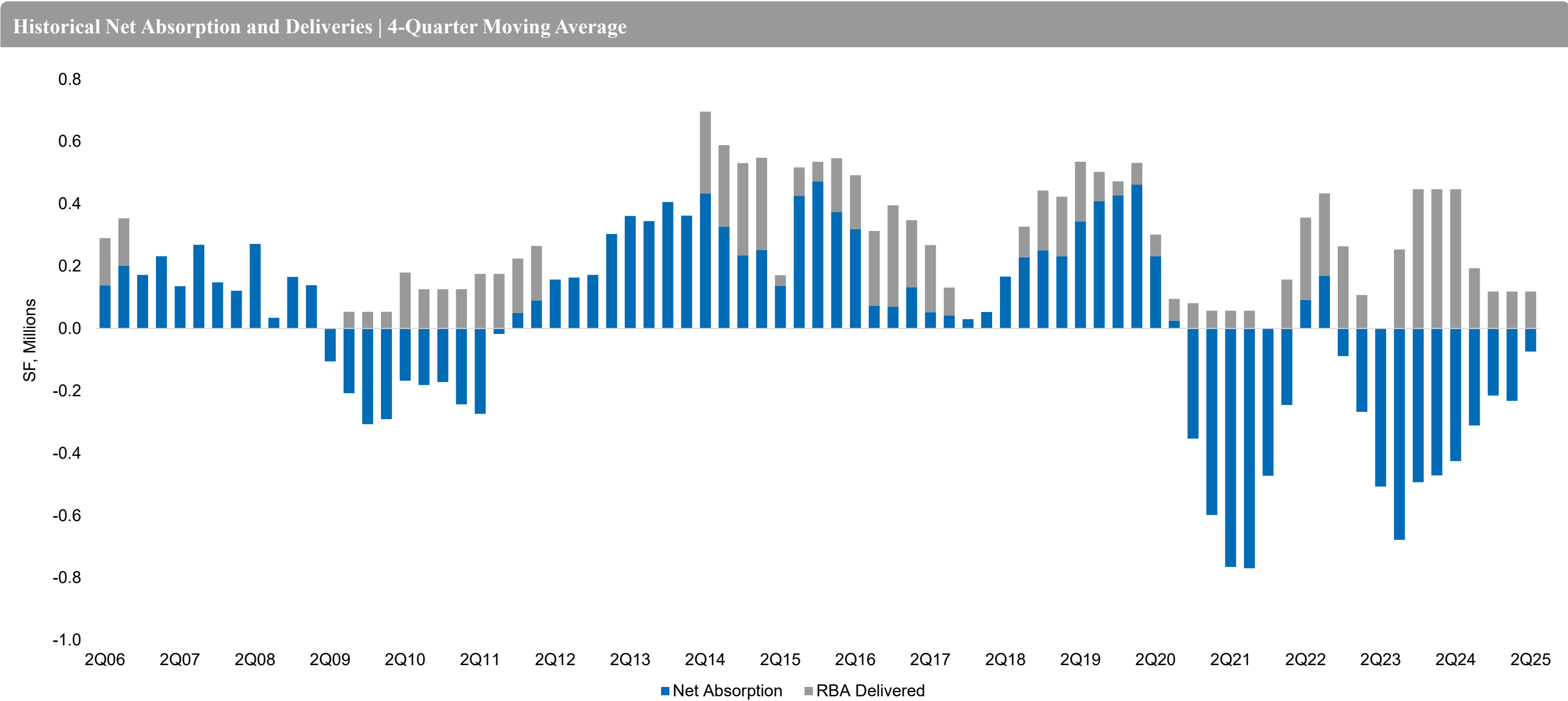


Source: Newmark Research



# Second-Quarter Occupancy Losses Reach Lowest Level Since Late-2022

While Boston’s CBD office market continues to post a negative four-quarter average in net absorption, occupancy losses have slowed consistently over the last three years. New office supply has been limited in recent quarters, but expectant deliveries will push square feet delivered higher over the next 12 to 18 months.



Source: Newmark Research



# Class B Rents Show Slight Increase as Class A Declines Persist

While Class A properties in the U.S. have continued to see declines in asking rents since 2020, Class B assets experienced their second consecutive quarter of rent growth, although modest. In the submarket level, Class B buildings in the Southeast continued to see their quarterly rent increases, although asking rents remain 15.1% lower than seen in the second quarter of 2020.



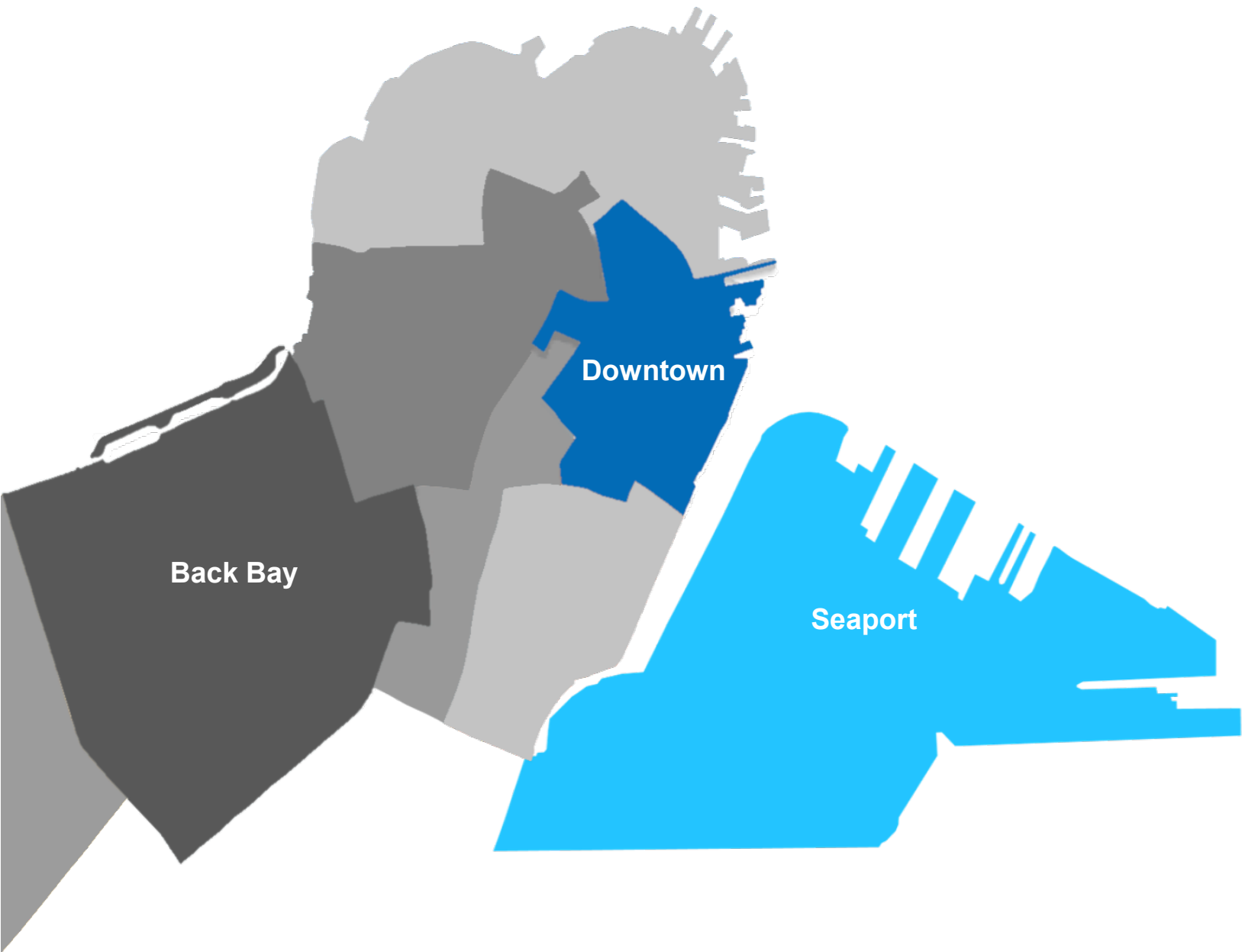
Please reach out to your Newmark business contact for this information

Source: Newmark Research, CoStar



# 2Q25 CBD Submarket Stats

2Q25 Quick Stats, All Classes



| Downtown                            |                                       |
|-------------------------------------|---------------------------------------|
| 33.5<br><i>Inventory (MSF)</i>      | 24.4%<br><i>Vacancy Rate</i>          |
| 6,560<br><i>Net Absorption (SF)</i> | \$66.35<br><i>Asking Rent (\$/SF)</i> |

| Back Bay                              |                                       |
|---------------------------------------|---------------------------------------|
| 13.7<br><i>Inventory (MSF)</i>        | 18.2%<br><i>Vacancy Rate</i>          |
| 204,403<br><i>Net Absorption (SF)</i> | \$69.05<br><i>Asking Rent (\$/SF)</i> |

| Seaport                               |                                       |
|---------------------------------------|---------------------------------------|
| 10.1<br><i>Inventory (MSF)</i>        | 18.1%<br><i>Vacancy Rate</i>          |
| -54,476<br><i>Net Absorption (SF)</i> | \$57.69<br><i>Asking Rent (\$/SF)</i> |

Data: Newmark Research, Boston Planning



2Q25

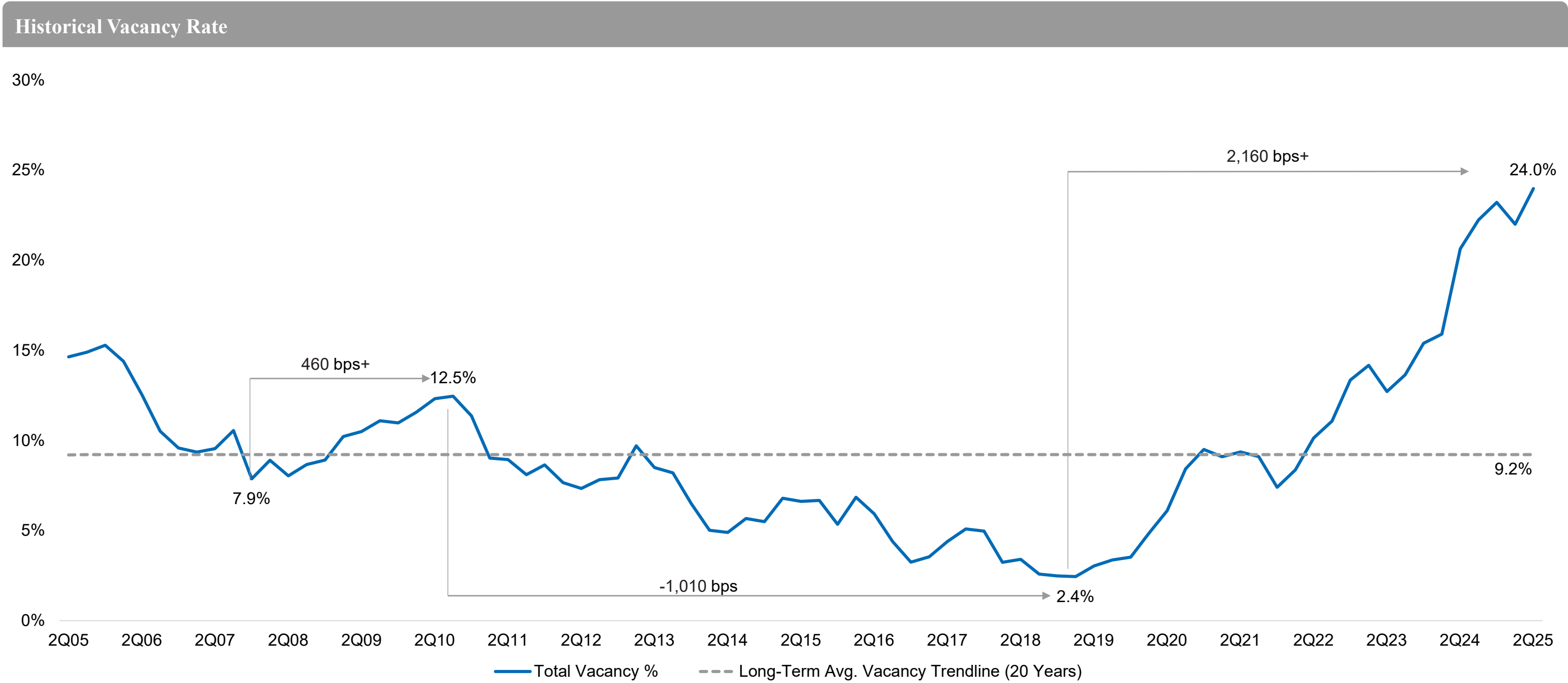
# Cambridge Office Market





# A Major Move Heavily Affects Cambridge Vacancy Rates Ease

The Cambridge office vacancy rate rose to a historic high in the second quarter of 2025, led by the vacating of HubSpot’s building at 25 First Street in the East Cambridge submarket. This negative absorption was impactful, as it alone accounted for just over 220,000 SF of vacated space. With inventory coming in at just over 11 million SF, this moved the needle to a record high vacancy rate, approaching levels that are nearly triple the 20-year average.

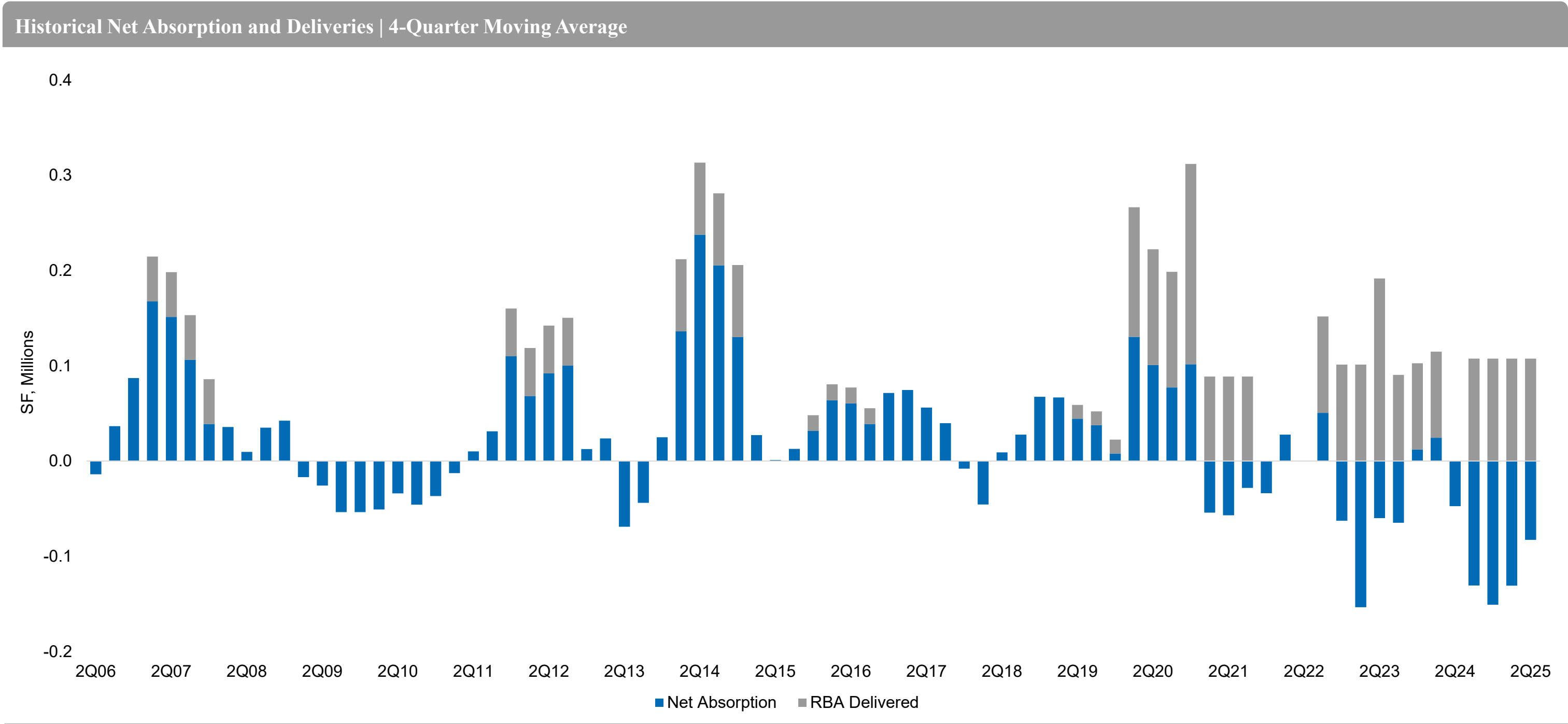


Source: Newmark Research



# Net Absorption Turns Negative in Cambridge, Straining Fundamentals

The Cambridge office market recorded significant negative net absorption this quarter—marking the seventh time in the last eight quarters this trend has occurred, with the first quarter of 2025 being the sole exception. Notably, there are no office buildings currently under construction, which may support future absorption levels, especially as recently delivered buildings have often come to market fully vacant. Despite ongoing challenges, the market's strong institutional presence is expected to play a key role in driving a return to sustained positive absorption—a trend that characterized Cambridge prior to the pandemic, aside from a few brief interruptions.



Source: Newmark Research



# Subleases Continue to Offer Value to Cambridge Office Occupiers

Leasing trends for both office and residential spaces have shifted over the past three years, with sublease activity now showing a significant dip. The office sublease rate has declined from 15% in 2019 to 10% in 2022, while the residential sublease rate has increased from 5% to 10% over the same period. This shift is largely due to the impact of the COVID-19 pandemic, which has led to a significant increase in the number of office spaces being subleased. The residential market, on the other hand, has seen a steady increase in sublease activity, with the rate rising from 5% to 10% over the same period. This increase is largely due to the growing demand for flexible housing options, particularly in urban areas. The office market, however, remains largely unchanged, with the sublease rate remaining at 10% in 2022. This suggests that the office market is still largely dominated by long-term leases, with subleases continuing to offer value to Cambridge office occupiers.



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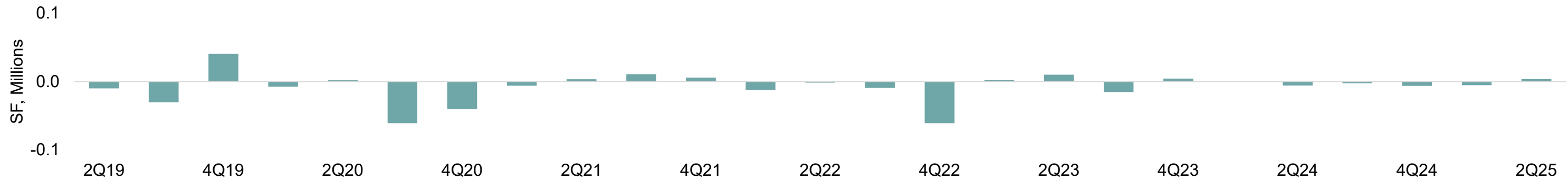
Source: Newmark Research, CoStar



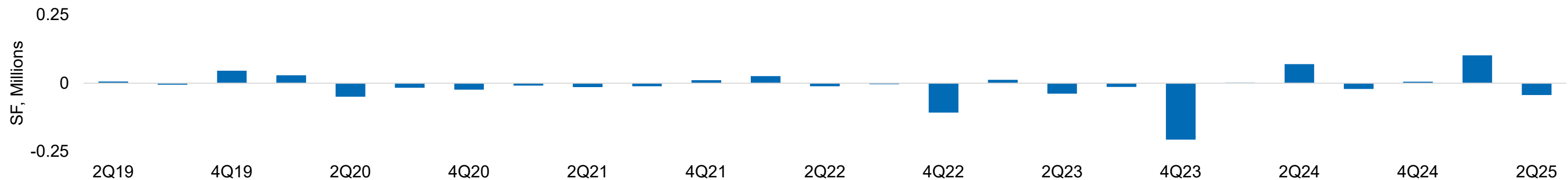
# Demand Weakness Persists Across All Cambridge Submarkets

The Cambridge office market saw net absorption fall significantly negative this quarter, though, West Cambridge did end up marginally positive. With limited leasing demand, large move outs increasingly sway these figures, with HubSpot being the main example this quarter. The tech company’s now vacant and available 220,750-SF space is dragging both East Cambridge and overall Cambridge into negative territory.

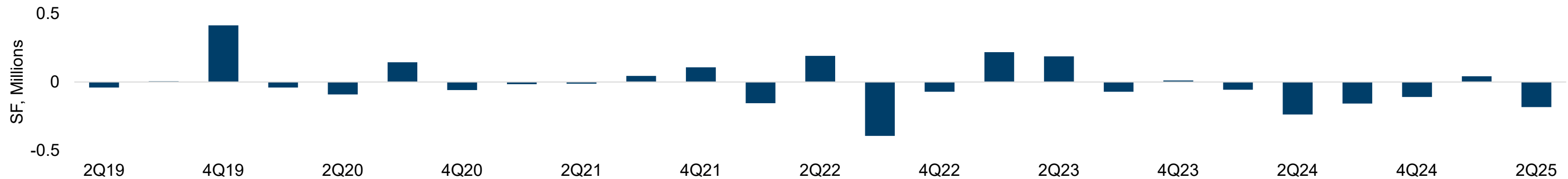
Historical Net Absorption | West Cambridge



Historical Net Absorption | Mid Cambridge



Historical Net Absorption | East Cambridge



Source: Newmark Research



# Asking Rents Decline Across Cambridge Submarkets and Building Classes

Asking rents in the Cambridge submarkets continued to decline during the second quarter of 2020, however, the decline is expected to be limited as supply remains tight and demand is strong. The New Cambridge submarket has seen the most significant decline in rents, with rents falling by 1.5% over the last three months. This decline is expected to continue as the market remains tight and demand is strong. The New Cambridge submarket has seen the most significant decline in rents, with rents falling by 1.5% over the last three months. This decline is expected to continue as the market remains tight and demand is strong.

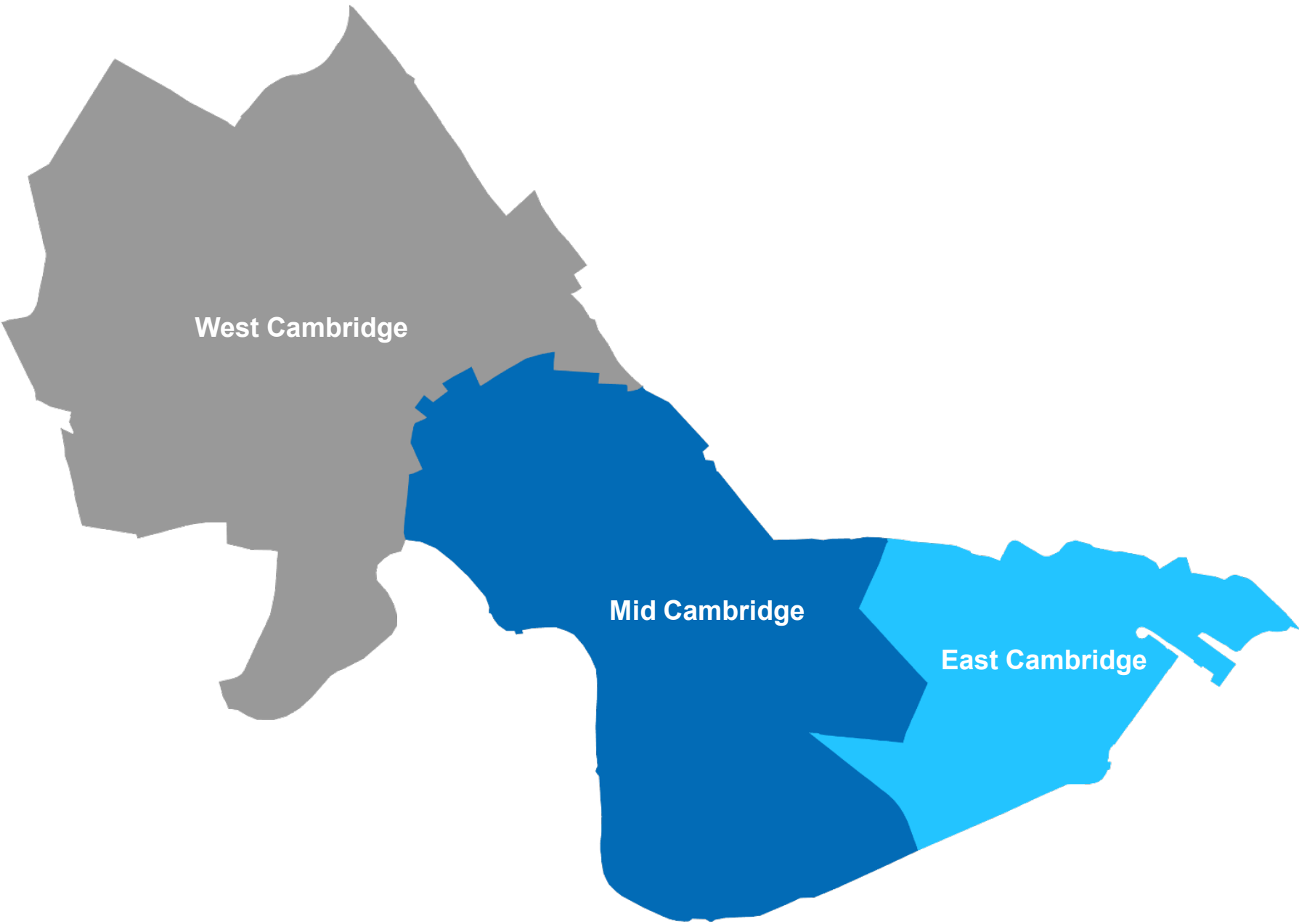


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# 2Q25 Cambridge Submarket Stats

2Q25 Quick Stats, All Classes



| East Cambridge                         |                                       |
|--|---------------------------------------|
| 7.7<br><i>Inventory (MSF)</i>          | 27.8%<br><i>Vacancy Rate</i>          |
| -184,628<br><i>Net Absorption (SF)</i> | \$78.26<br><i>Asking Rent (\$/SF)</i> |

| Mid Cambridge                         |                                       |
|---------------------------------------|---------------------------------------|
| 2.6<br><i>Inventory (MSF)</i>         | 17.2%<br><i>Vacancy Rate</i>          |
| -43,464<br><i>Net Absorption (SF)</i> | \$59.49<br><i>Asking Rent (\$/SF)</i> |

| West Cambridge                      |                                       |
|-------------------------------------|---------------------------------------|
| 1.0<br><i>Inventory (MSF)</i>       | 12.5%<br><i>Vacancy Rate</i>          |
| 3,527<br><i>Net Absorption (SF)</i> | \$38.65<br><i>Asking Rent (\$/SF)</i> |

Data: Newmark Research, Boston Planning



2Q25

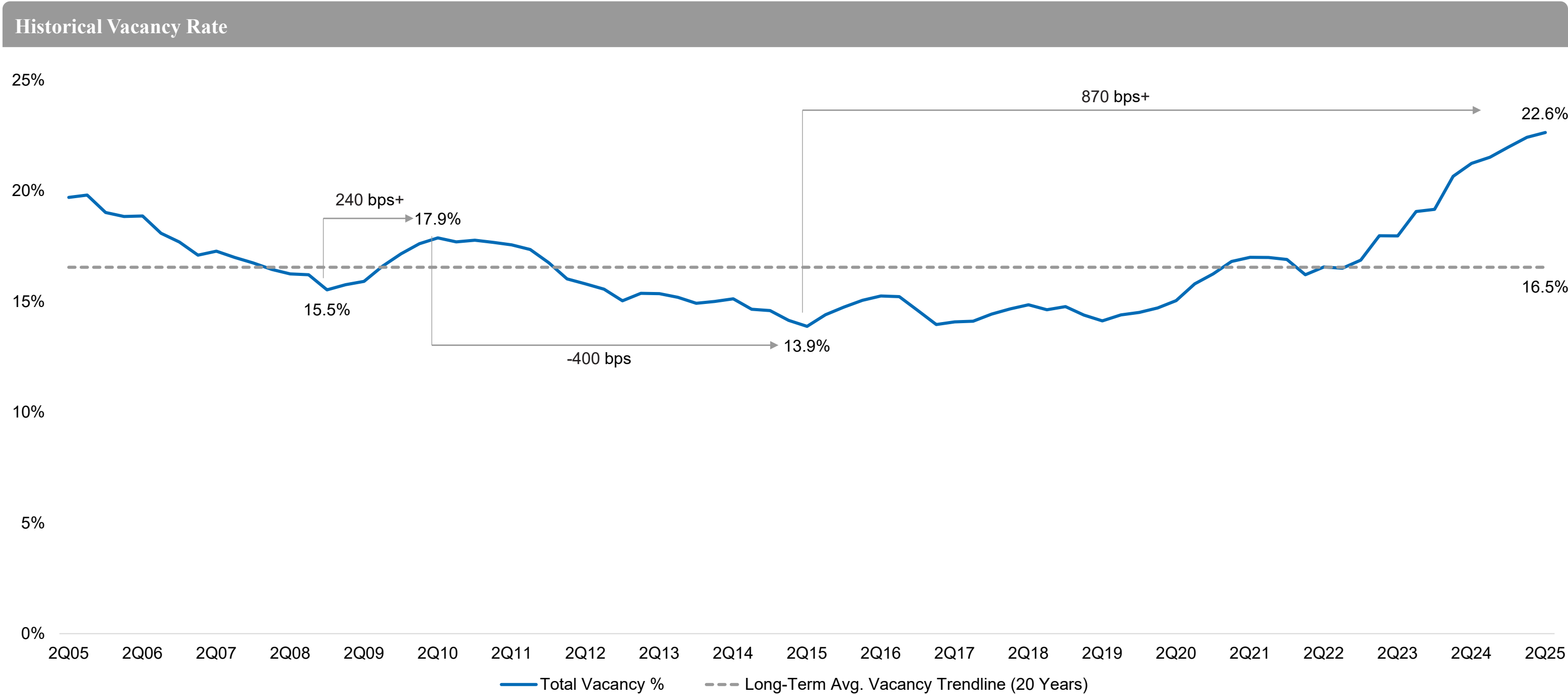
# Suburban Office Market





# Suburban Vacancy Hits Record High Amid Slowing Leasing Activity

Vacancy rates in Greater Boston’s suburban submarkets continued their upward trajectory in the second quarter of 2025, reaching a new historic high of 22.6%. This marks the eleventh consecutive quarter of rising vacancy, with the rate now sitting well above the 20-year historical average. Meaningful momentum will be needed to reverse the trend and bring vacancy levels back in line with long-term norms. Apart from modest activity along Route 128, limited leasing across the suburbs continues to place downward pressure on market fundamentals.



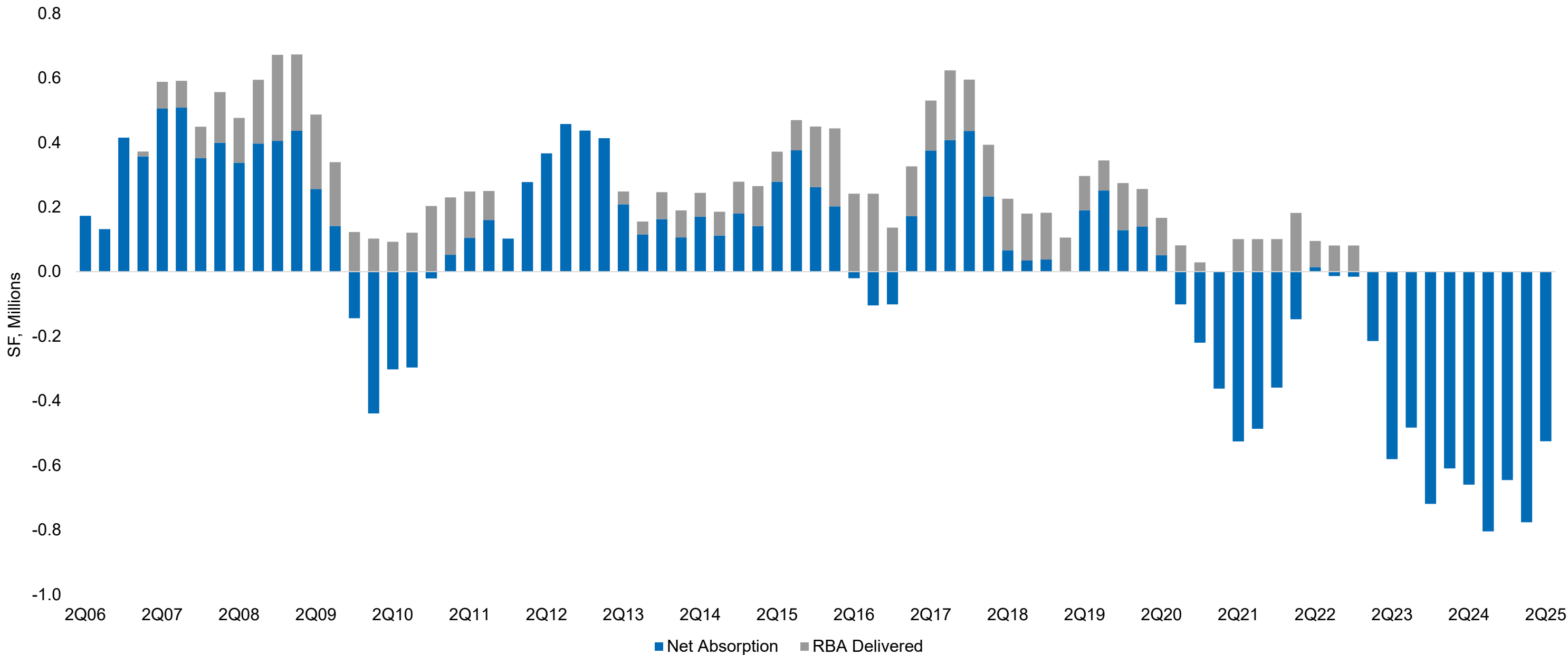
Source: Newmark Research



# Persistent Imbalance Continues, Suburban Development Activity Stalled

The suburban office market continues its trend of negative net absorption, having not posted a quarterly figure that is noticeably positive since the first quarter of 2022. On the other hand, we have not tracked a building delivery since the fourth quarter of 2021, and do not track any suburban office buildings under construction. The driver of both these trends is the lack of demand and overall leasing activity.

Historical Net Absorption and Deliveries | 4-Quarter Moving Average

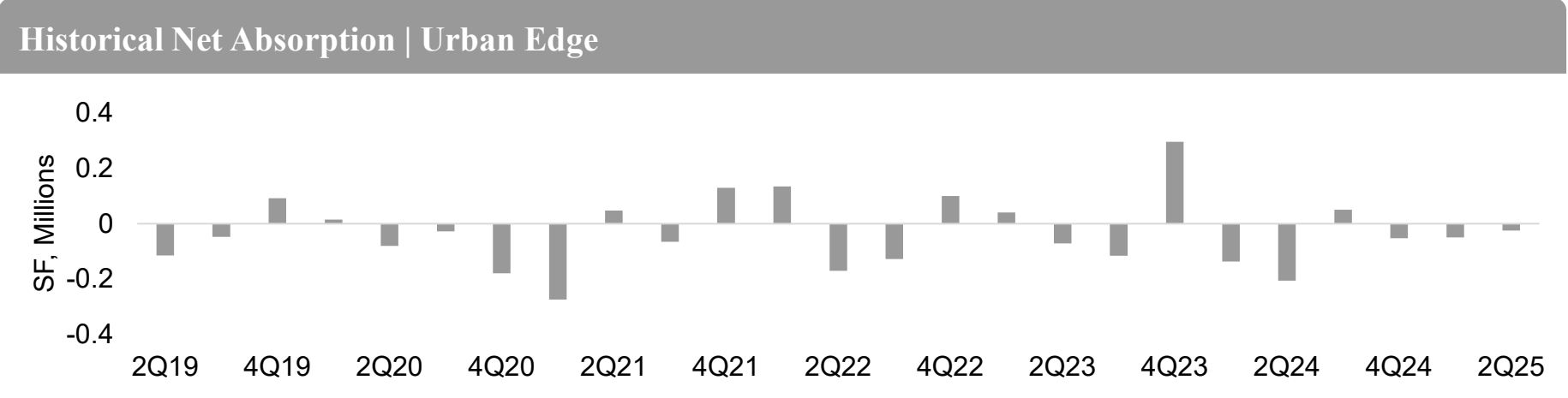
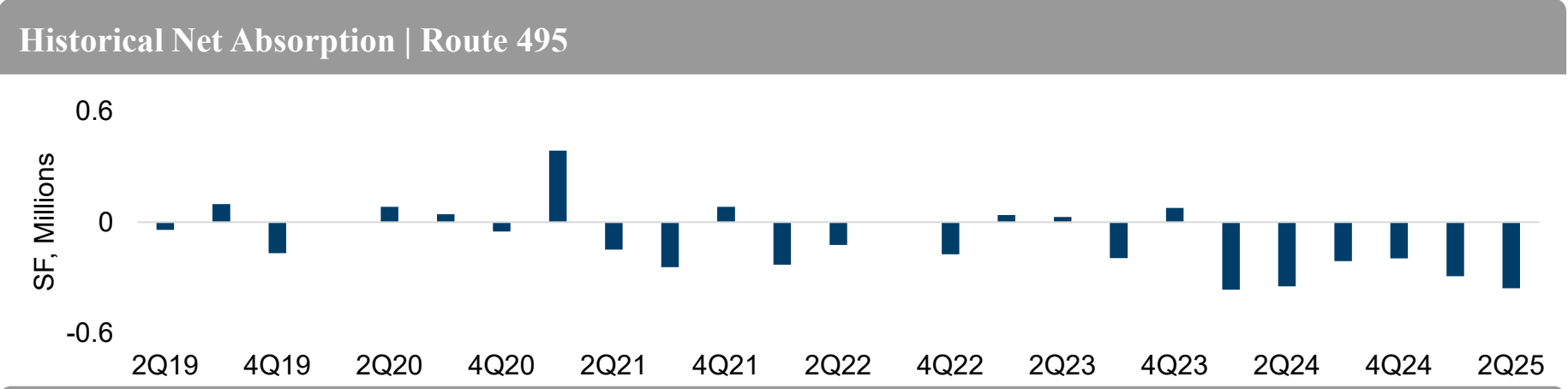
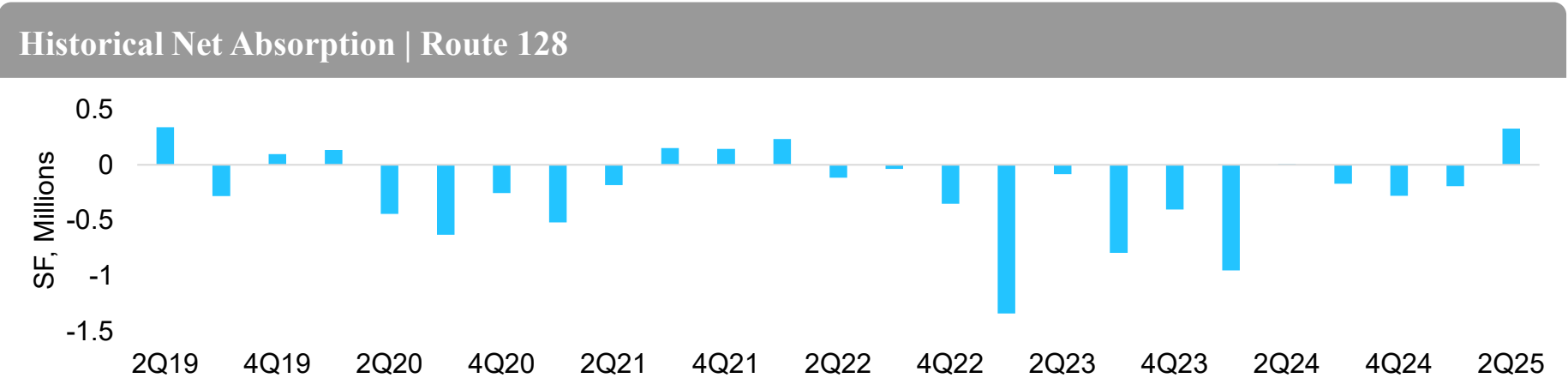
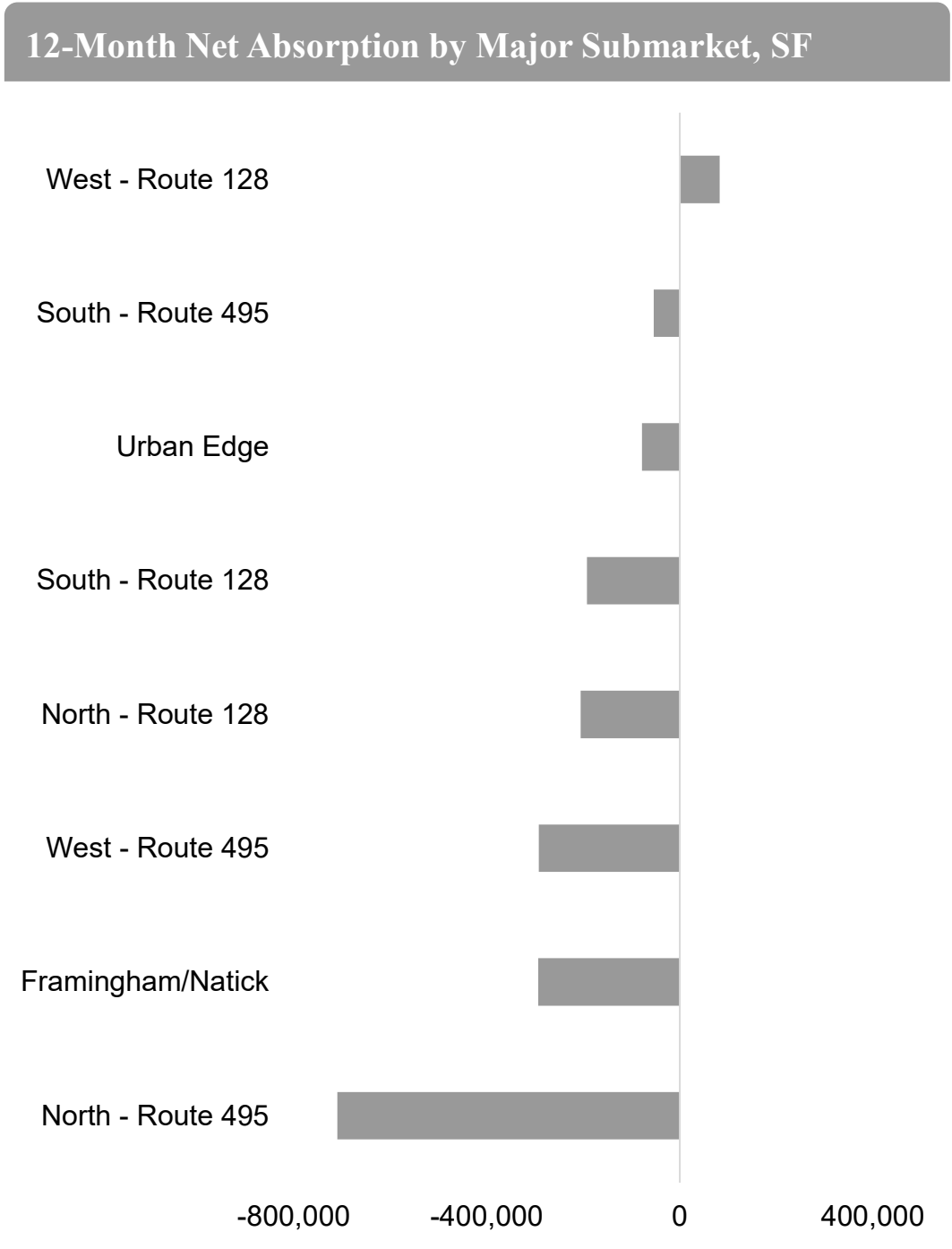


Source: Newmark Research



# Negative Net Absorption Persists Across the Suburbs, with One Bright Spot

Negative net absorption was recorded across all core suburban submarkets in the first quarter of 2025 except for West – Route 128, which registered significant positive absorption, keeping its 12-month net absorption in positive territory. It remains the only suburban market to do so. The North – Route 495 submarket continues to struggle, posting large negative net absorption both for the quarter and over the past 12 months.



Source: Newmark Research



# Suburban Office Rents Show Mixed Performance Post-2020

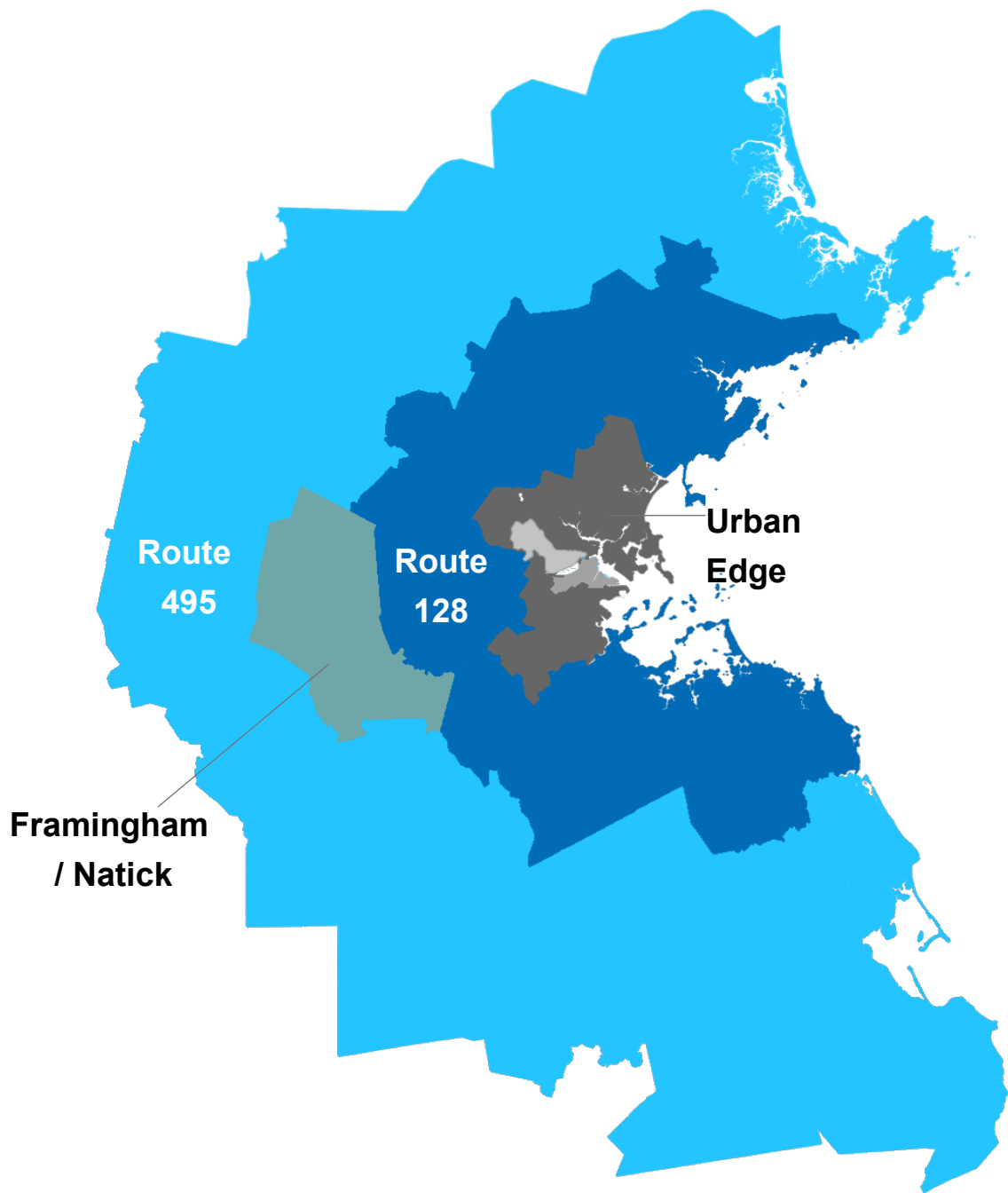
Please reach out to your Newmark business contact for this information

Source: Newmark Research, CoStar



# 2Q25 Suburban Submarket Stats

2Q25 Quick Stats, All Classes



| Route 128                        |                                       |
|----------------------------------|---------------------------------------|
| 52.3<br><i>Inventory (MSF)</i>   | 21.6%<br><i>Vacancy Rate</i>          |
| 325,399<br><i>Net Absorption</i> | \$35.78<br><i>Asking Rent (\$/SF)</i> |

| Urban Edge                       |                                       |
|----------------------------------|---------------------------------------|
| 12.3<br><i>Inventory (MSF)</i>   | 14.0%<br><i>Vacancy Rate</i>          |
| -25,469<br><i>Net Absorption</i> | \$40.23<br><i>Asking Rent (\$/SF)</i> |

| Route 495                         |                                       |
|-----------------------------------|---------------------------------------|
| 30.5<br><i>Inventory (MSF)</i>    | 27.9%<br><i>Vacancy Rate</i>          |
| -358,089<br><i>Net Absorption</i> | \$22.25<br><i>Asking Rent (\$/SF)</i> |

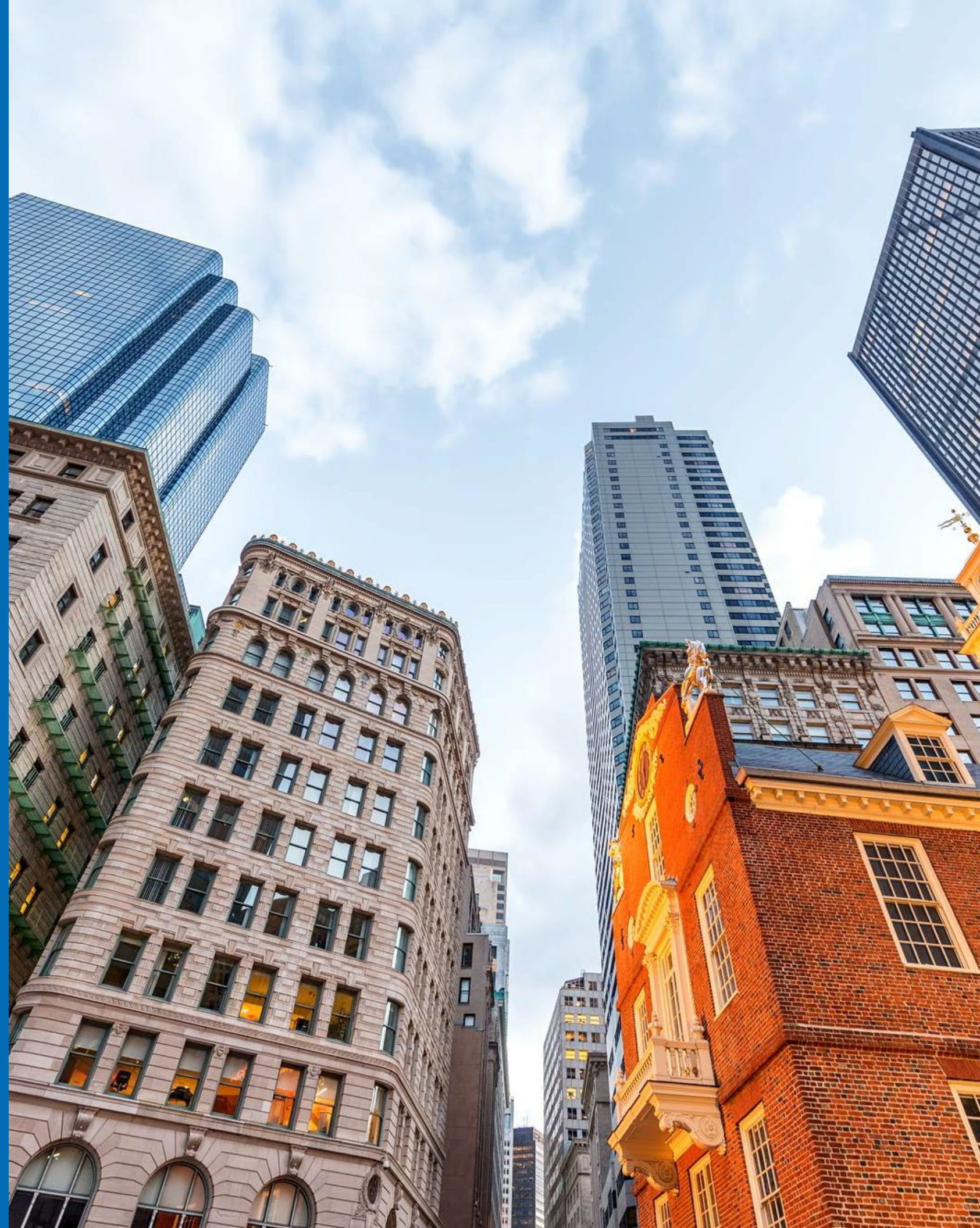
| Framingham / Natick               |                                       |
|-----------------------------------|---------------------------------------|
| 3.6<br><i>Inventory (MSF)</i>     | 22.3%<br><i>Vacancy Rate</i>          |
| -157,285<br><i>Net Absorption</i> | \$23.91<br><i>Asking Rent (\$/SF)</i> |

Data: Newmark Research, Boston Planning



2Q25

# Appendix





# Boston CBD Market Overview



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Source: Newmark Research



# Cambridge Market Overview



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# Suburban Market Overview



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Source: Newmark Research



# Submarket Overview

| Submarket Overview |             |             |             |             |             |             |             |             |
|--------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
|                    | Market      | 2020        | 2021        | 2022        | 2023        | 2024        | 2025        | 2026        |
| Market             | \$1,000,000 | \$1,000,000 | \$1,000,000 | \$1,000,000 | \$1,000,000 | \$1,000,000 | \$1,000,000 | \$1,000,000 |
| 2020               | \$1,000,000 | \$1,000,000 | \$1,000,000 | \$1,000,000 | \$1,000,000 | \$1,000,000 | \$1,000,000 | \$1,000,000 |
| 2021               | \$1,000,000 | \$1,000,000 | \$1,000,000 | \$1,000,000 | \$1,000,000 | \$1,000,000 | \$1,000,000 | \$1,000,000 |
| 2022               | \$1,000,000 | \$1,000,000 | \$1,000,000 | \$1,000,000 | \$1,000,000 | \$1,000,000 | \$1,000,000 | \$1,000,000 |
| 2023               | \$1,000,000 | \$1,000,000 | \$1,000,000 | \$1,000,000 | \$1,000,000 | \$1,000,000 | \$1,000,000 | \$1,000,000 |
| 2024               | \$1,000,000 | \$1,000,000 | \$1,000,000 | \$1,000,000 | \$1,000,000 | \$1,000,000 | \$1,000,000 | \$1,000,000 |
| 2025               | \$1,000,000 | \$1,000,000 | \$1,000,000 | \$1,000,000 | \$1,000,000 | \$1,000,000 | \$1,000,000 | \$1,000,000 |
| 2026               | \$1,000,000 | \$1,000,000 | \$1,000,000 | \$1,000,000 | \$1,000,000 | \$1,000,000 | \$1,000,000 | \$1,000,000 |

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