



NEWMARK

Boston Office Market Overview

3Q26



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Market Observations: What We Know

Net Absorption

While negative net absorption persisted into the third quarter of 2026, the Cambridge office market showed signs of positive momentum. Comparatively, both the CBD and Suburbs posted negative net absorption.

Tenant Demand

Across the region, the TAMI sector has sustained its spot as the top industry for active office requirements, though Financial Non-Banking requirements have surpassed TAMI in the CBD.

Development

Office construction has fallen to zero square feet for the first time in twenty years. Adaptive reuse projects are also removing obsolescent inventory. Diminishing supply risk will aid in the region's office market recovery.



Adaptive Reuse

Fundamentals in both Urban and Suburban markets have pushed many owners toward residential conversions, while other landlords are instead repositioning assets into industrial, R&D or flex space.

Asking Rents

Overall asking rents have recorded modest declines in recent quarters but remain slightly elevated overall compared to year-ago levels.

Capital Markets

Capital markets have been showing signs of momentum, but rising interest rates are raising some alarm bells. Higher rates could impact real estate values in the near term as a result.

Market Observations: What We Expect

We're still in the early days of AI's impact on the built world. However, implications for labor markets, workplace strategy and office demand are maturing. AI will become an increasingly more important driver of office trends in the coming quarters.



While many key indicators have likely bottomed for this cycle, stabilization will characterize Greater Boston office fundamentals in the near term.

Rising interest rates are raising some alarm bells, leading to more paused pencils and re-trades within the office market. Higher-for-longer rates could impact real estate values and capital markets in the near term.



This cycle's flight-to-quality is being driven by a top-down recovery. As trophy space becomes scarcer, look for fundamental improvements to benefit the wider office market throughout the region.

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01

Economy

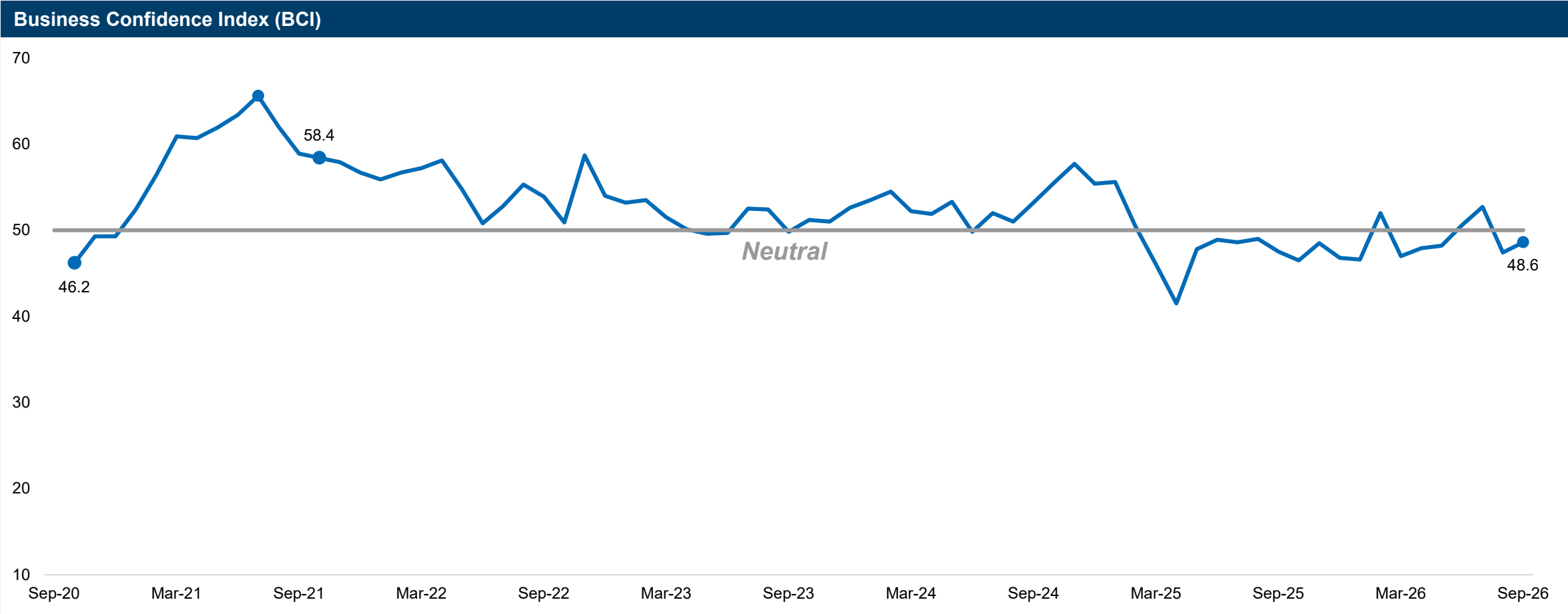
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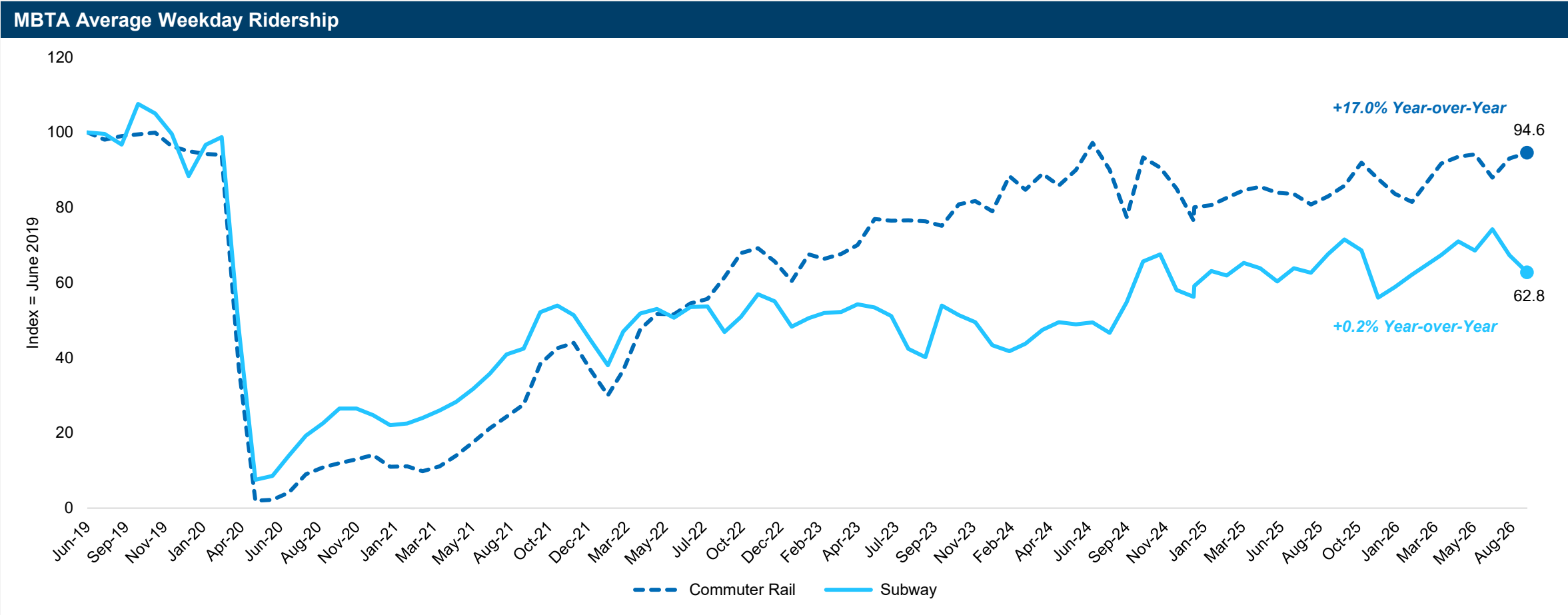
Business Confidence Hovers Near Neutral Territory

The Associated Industries of Massachusetts (AIM) Business Confidence Index ended September below neutral territory, as local sentiment continues to be weighed down by moderate economic growth, rising costs, and inflation. Tariffs and trade uncertainty, geopolitical risk, energy costs, and interest rates are among the other major concerns for local businesses. However, the Index has risen just over 17% from its April 2025 low.



Commuter Rail Ridership Holds at Peak Levels

Commuter rail ridership remains at peak levels, reaching a new high this quarter and growing 17.0% year-over-year. Subway ridership has declined since June 2026, though it remains slightly higher than a year ago, up 0.2% year-over-year. The sustained strength in commuter rail ridership suggests that long-distance commuters are steadily returning to the office.



Boston Employment Edges Lower Following Small Gains

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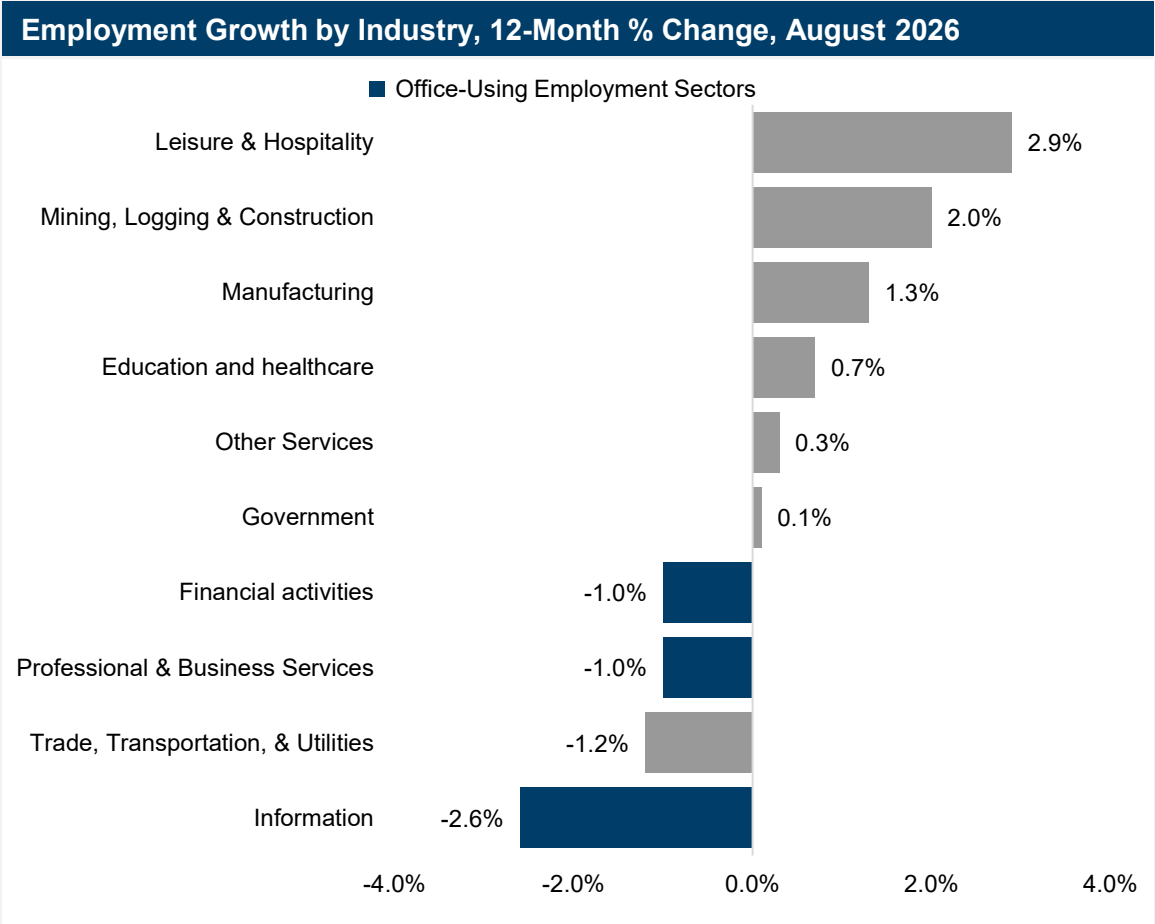
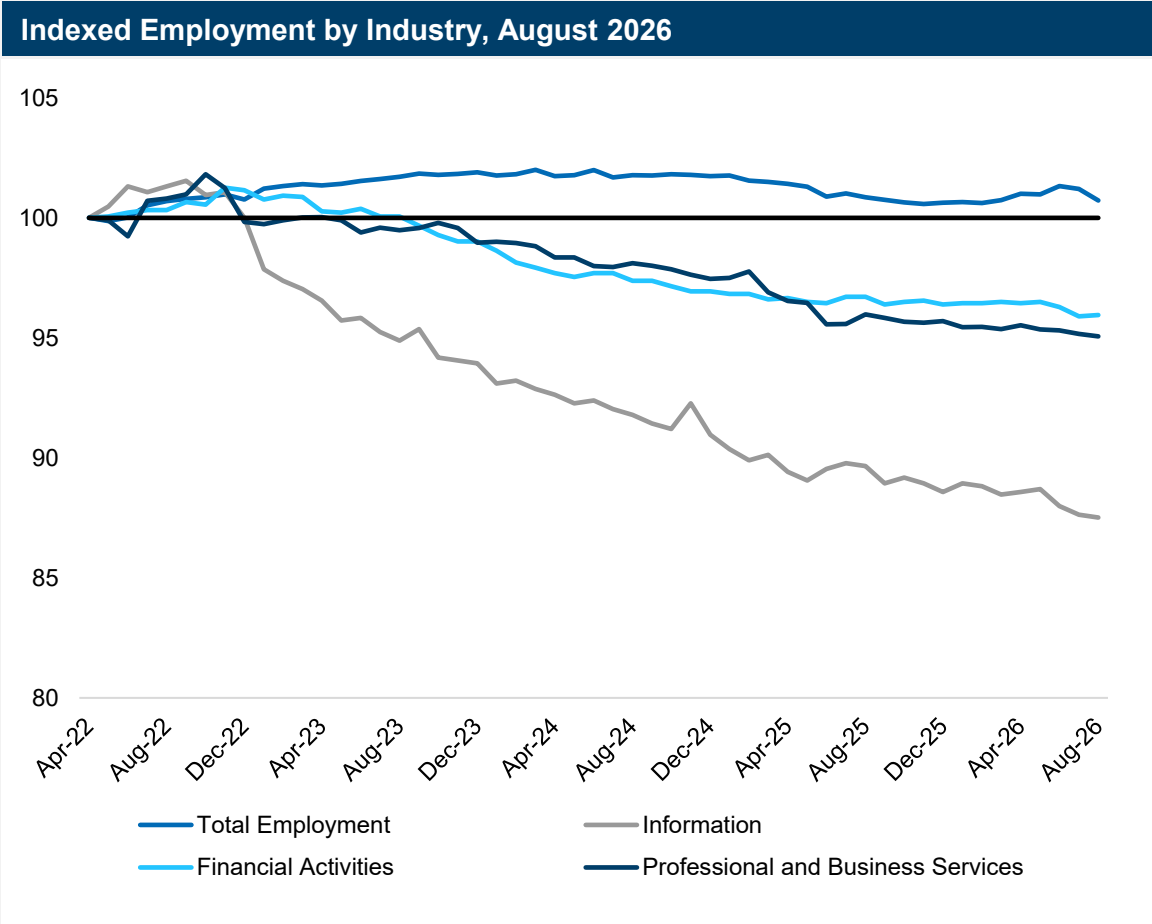
Boston Unemployment Remains in Line With the U.S. Average

Boston's unemployment rate has remained relatively stable, hovering around 4.5% in recent months, which is in line with the U.S. average. This stability is a positive sign for the city's economy, especially given the challenges faced by many other major U.S. cities. The data suggests that Boston's labor market is resilient and able to absorb new entrants, a testament to the city's strong economic foundation and diverse industries.

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Employment Declines Across Office-Using Employment Sectors, Led by Information

Employment declined across office-using industries this quarter, with Information posting the largest decrease, down 2.6% year-over-year. Compared with last year’s figures, all three office-using sectors recorded employment declines, mirroring the trend in the metro’s unemployment data. This continued softness in office-using employment suggests that near-term office demand will likely remain measured.



Source: BLS, FRED, Boston-Cambridge-Newton, MA-NH August 2026
Office-using employment includes employment in the following sectors: Professional & Business Services, Financial Activities and Information

Return-to-Office Slowly Improving in Boston

Source: Newmark Research, Placer.ai. This chart shows the return-to-office rate in Boston, which has been slowly improving since the start of the pandemic. The return-to-office rate is defined as the percentage of employees who are working in the office on a given day. The return-to-office rate in Boston is currently at 65%, which is up from 55% in March 2020. This is a positive sign for the city's economy, as it indicates that more employees are returning to the office and contributing to the local economy.

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Greater Boston Office Market

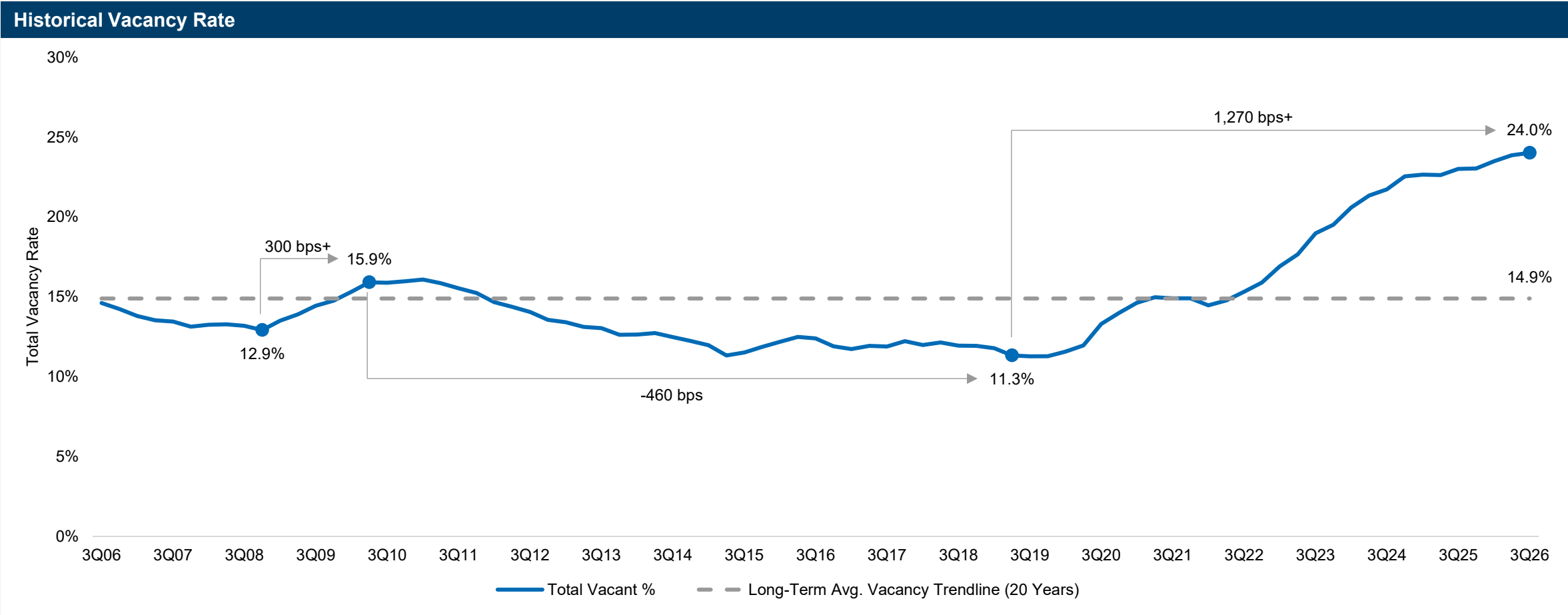
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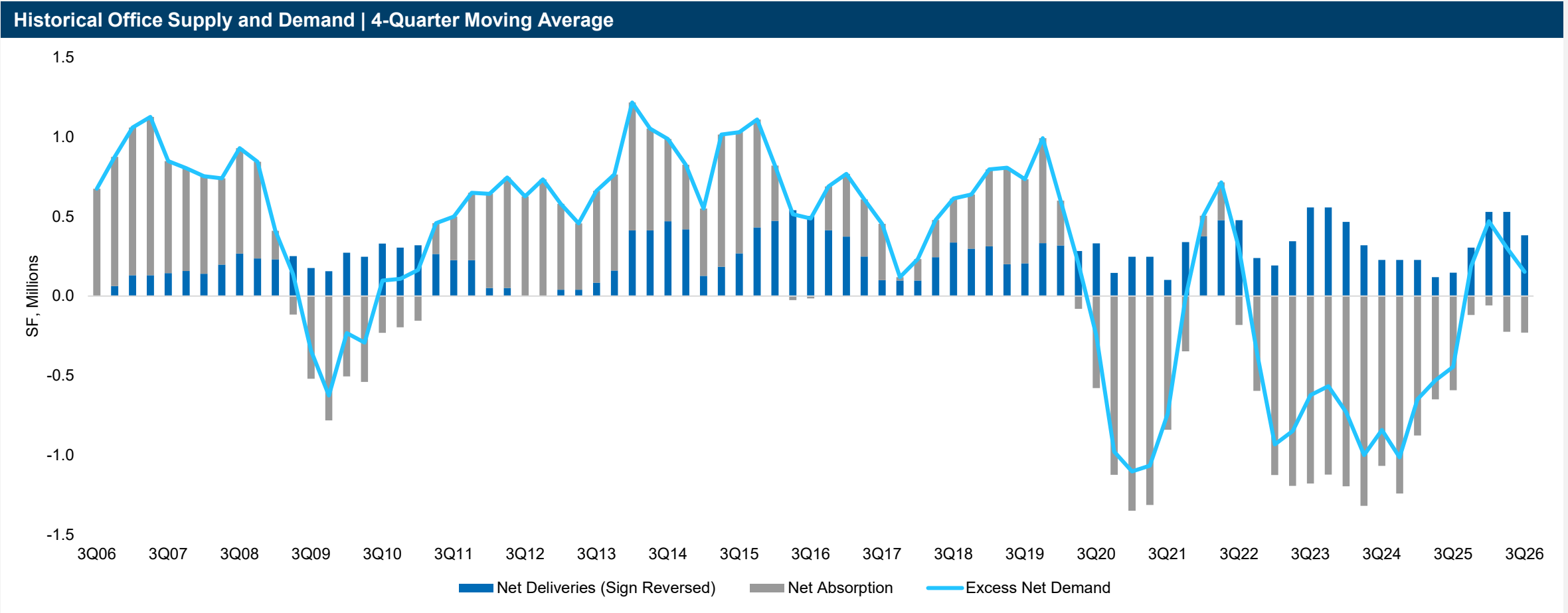
Greater Boston Vacancy Rises as Sublease Overhang Unwinds

Greater Boston office vacancy reached another record high this quarter, though it rose only 10 basis points over the quarter. Sublease vacancy fell, but a rise in direct vacancy pushed the overall rate higher. Much of that shift came from sublease space reverting to landlords through lease expirations and negotiated restructurings, which returned those blocks to the market on a direct basis. The sublease overhang that built up during the pandemic is now steadily unwinding.



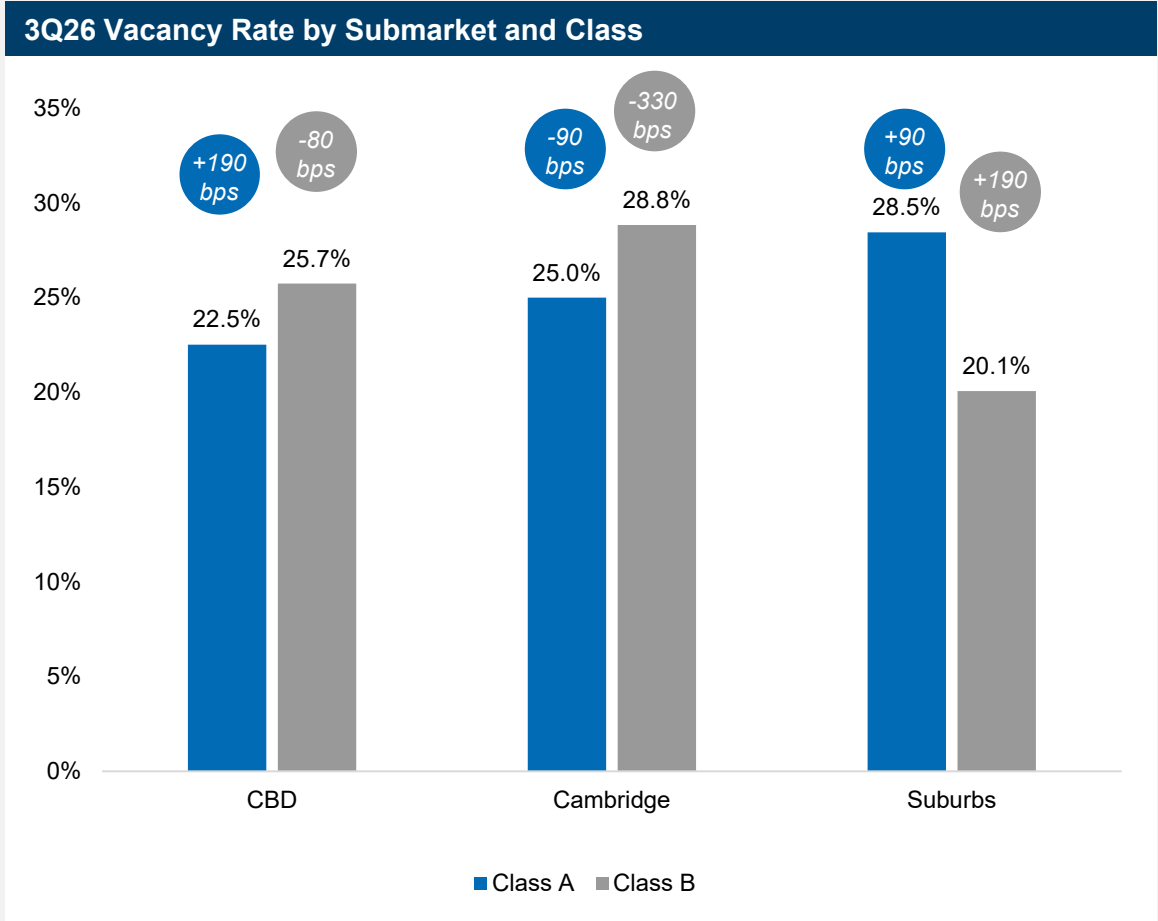
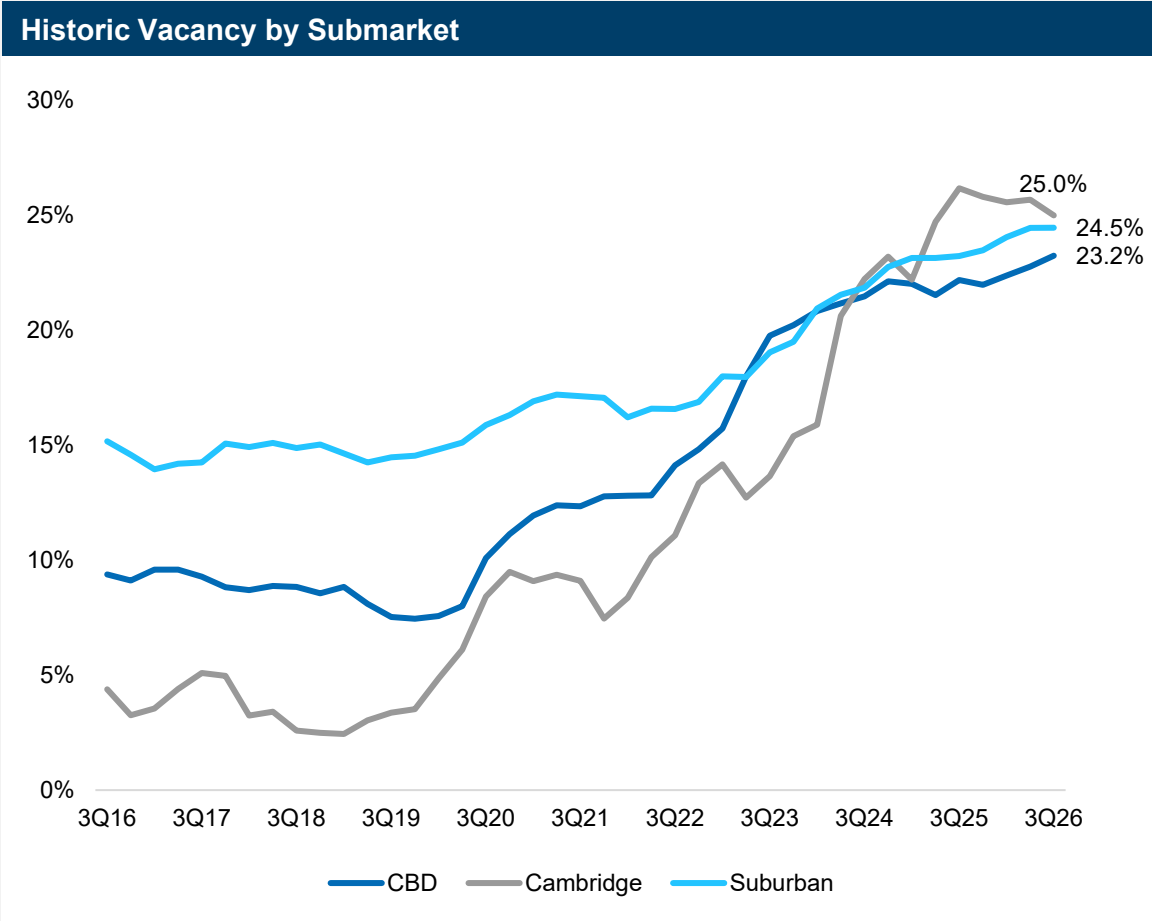
Absorption Remains Negative Despite Solid First-Half Leasing

Greater Boston posted roughly 309,000 SF of negative net absorption this quarter, extending a difficult stretch for the market. Year-to-date net absorption now represents a net occupancy loss of more than negative 1.2 million SF, pushing the vacancy rate to new record highs. Leasing slowed this quarter after a solid first half of 2026 that was driven by steady CBD demand and a pickup in suburban activity. Supply-side pressure continues to weigh on fundamentals, but the steadier leasing in the first half points to a more balanced recovery ahead.



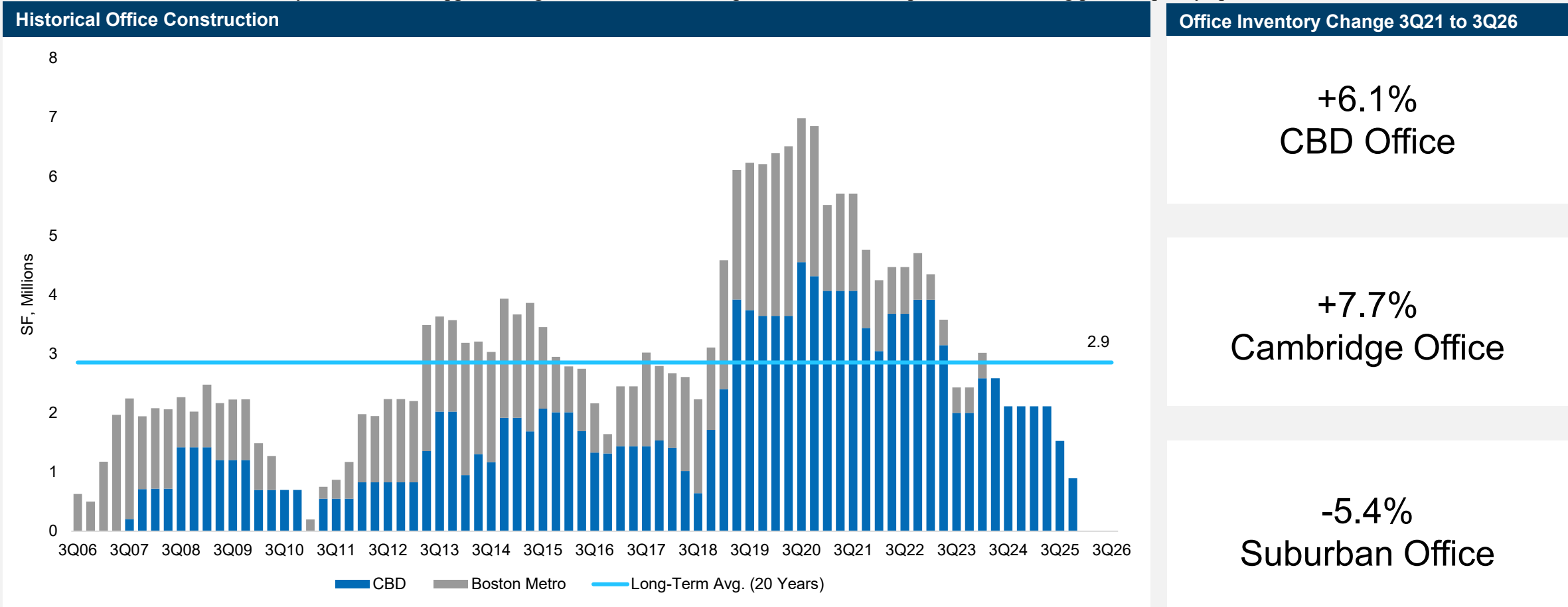
Signs of Recovery Emerge in Cambridge and CBD Class B

CBD Class B, Cambridge Class A, and Cambridge Class B were the only three segments to post year-over-year vacancy declines this quarter. In the CBD, the city of Boston’s office-to-residential conversion program is driving the repositioning of several Class B assets into alternative uses. These conversions are removing underperforming Class B buildings from inventory, and displaced tenants are often relocating to more competitive Class B space, which further tightens vacancy. Cambridge, meanwhile, outperformed the broader market, with vacancy falling in both Class A and Class B, a sign of recovery in the submarket.



Pipeline Empties, Setting the Stage for a Top-Down Recovery

With the completion of Amazon’s building at 1 Boston Wharf Road in the Seaport, Greater Boston’s office construction pipeline is now fully depleted. This closes out a development cycle concentrated in the urban core, with inventory growing 6.1% in the CBD and 7.7% in Cambridge since mid-2021, while suburban inventory contracted 5.4%. With no new supply on the horizon, tenants seeking quality space will increasingly need to backfill existing buildings, accelerating a top-down recovery as demand cascades from premier assets into the next tier. Over time, this dynamic should support rent growth and faster absorption as tenants compete for a shrinking pool of quality space.

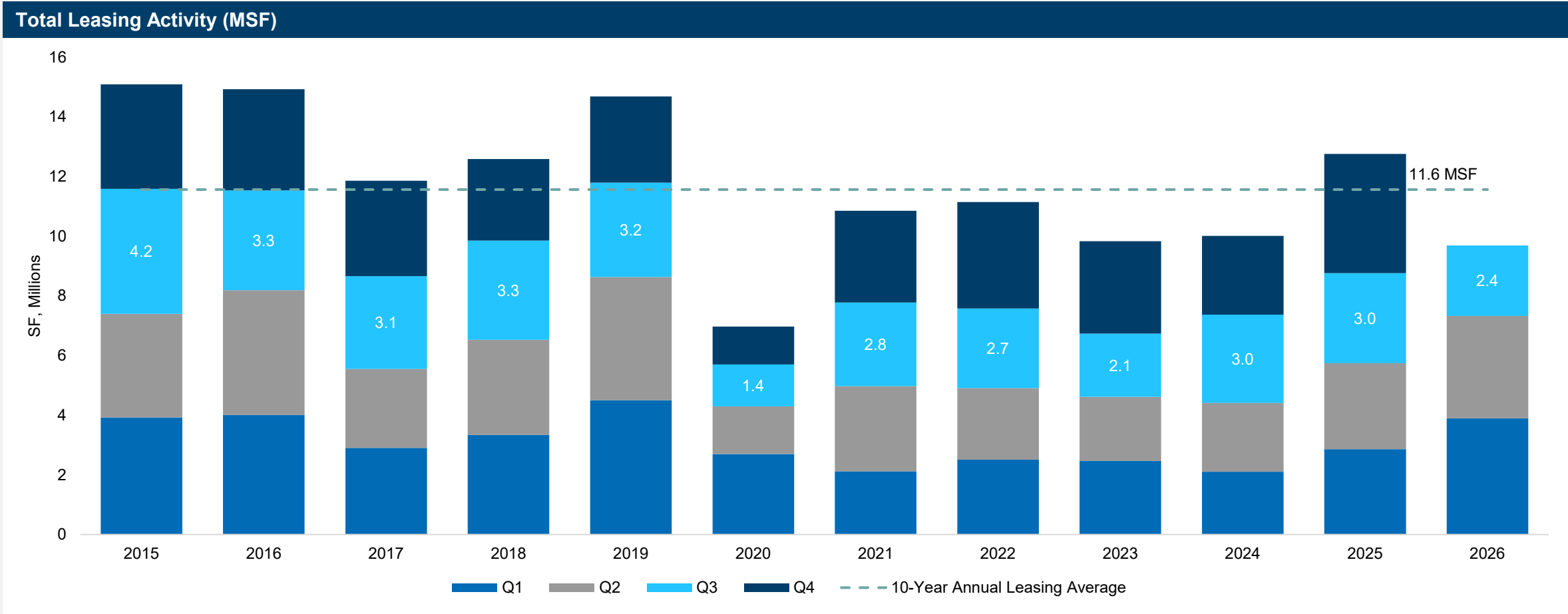


Alternative Development Strategies Gain Traction Outside the CBD

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Leasing Activity Moderates, but Year-to-Date Volume Remains Strong

Leasing activity in the third quarter of 2026 slowed after two very strong quarters in the first half of the year, totaling approximately 2.4 million SF. Despite the quarterly slowdown, year-to-date leasing volume remains strong and above levels recorded at this point last year. Much of the quarter’s notable activity was in the CBD, including HNTB Engineering’s lease at 115 Federal St. and Greenberg Traurig’s at South Station Tower. The largest transaction of the quarter, though, was by Axis Communications, who renewed their 91,994 SF lease at 300 Apollo Dr. in Chelmsford.

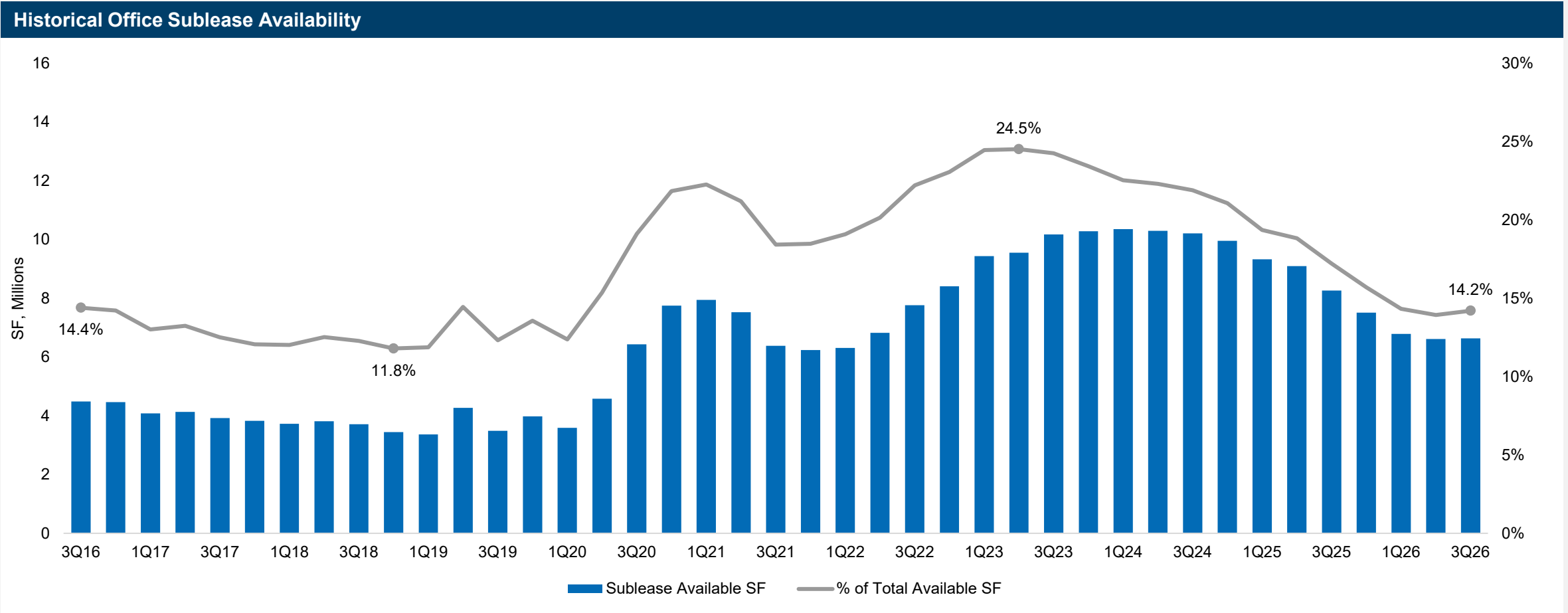


Direct Deals Lead the Quarter's Top Transactions

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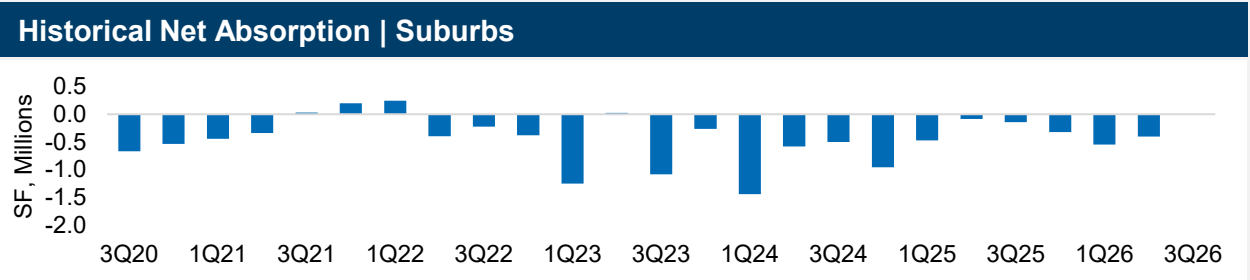
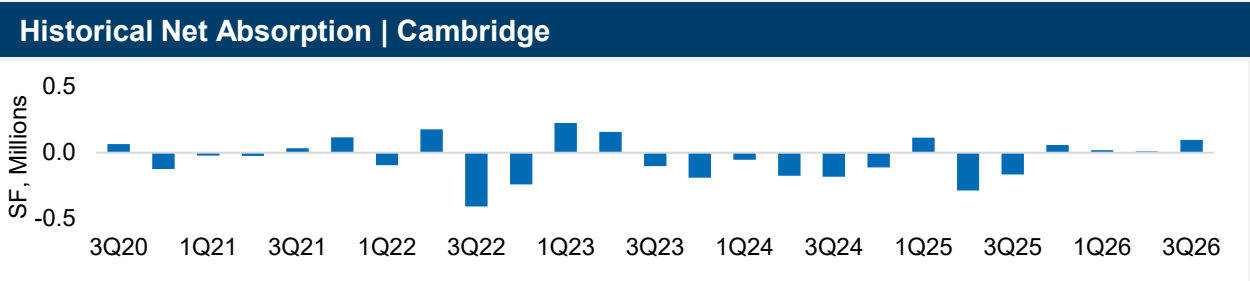
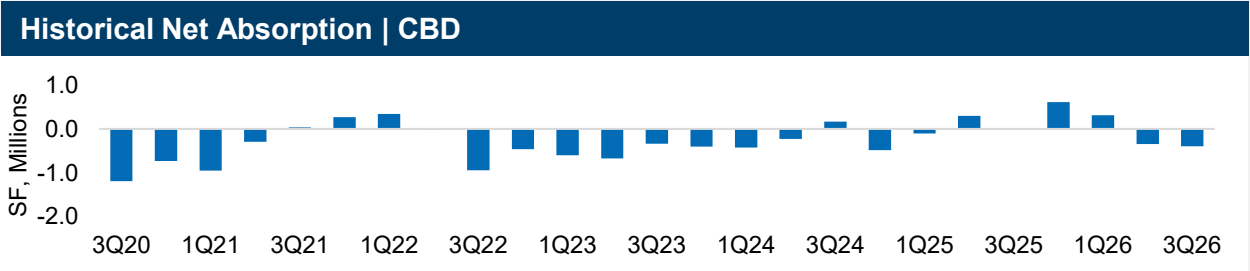
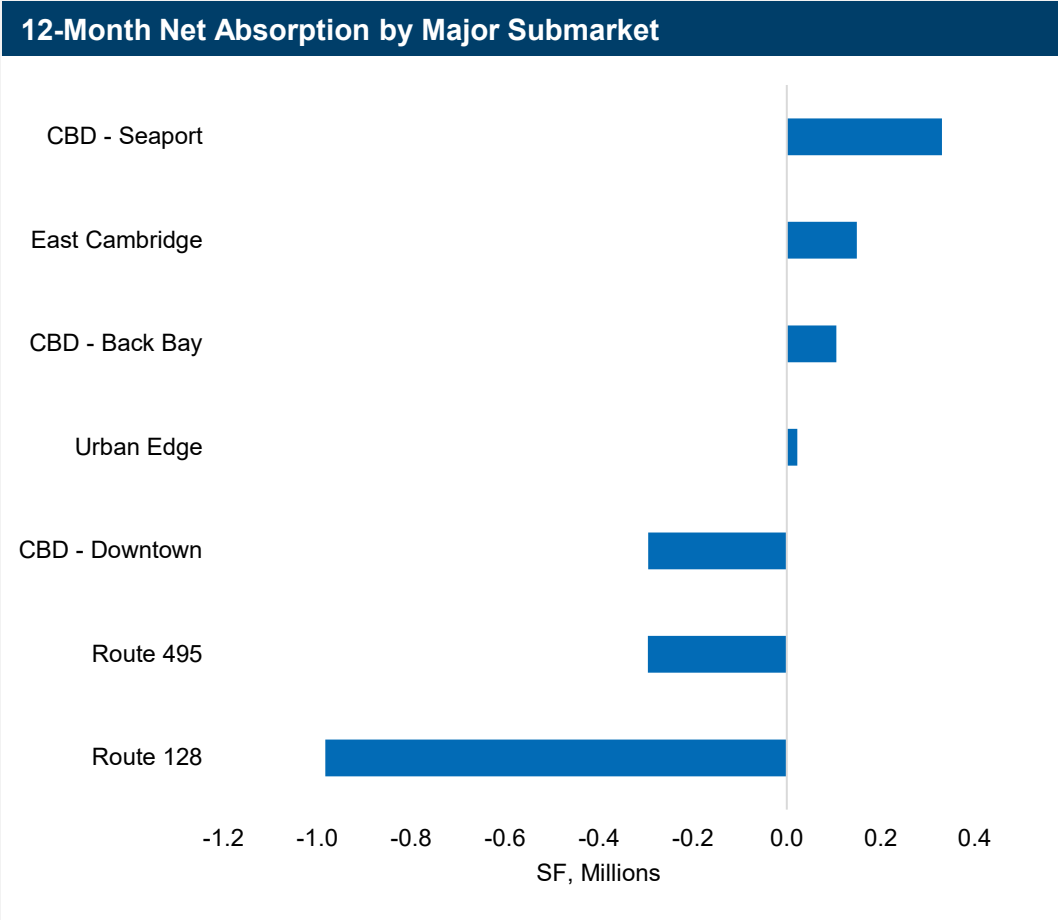
Sublease Overhang Stabilizes Across Greater Boston

The metro’s sublease rate held steady with last quarter, with availability totaling 6.6 million SF. Cambridge has the highest sublease rate at 6.4%, though it has trended down since peaking in 2024, and both the CBD and the suburbs remain below 4.0%. This stability suggests the sublease overhang is no longer expanding, which supports a more balanced outlook for the market as demand recovers.



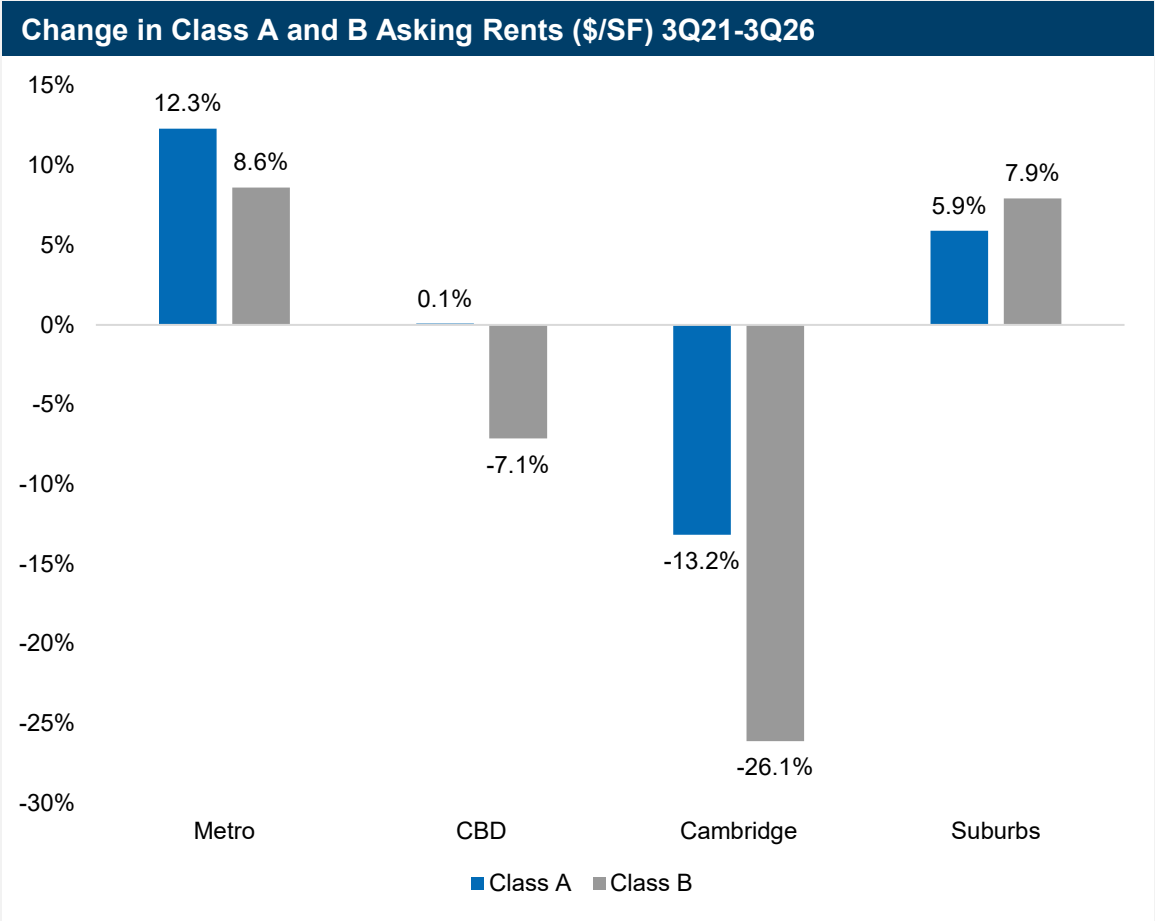
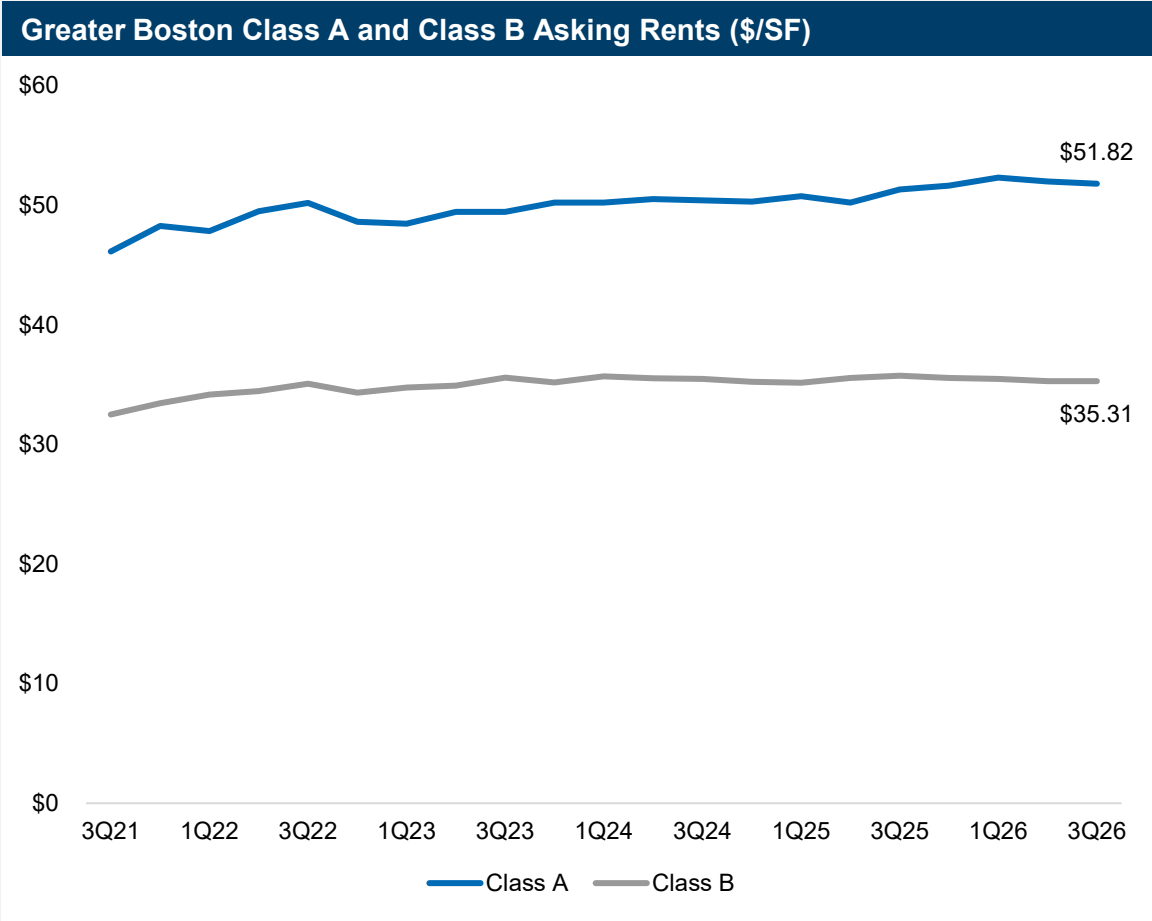
Absorption Varies Across Greater Boston, With Notable Cambridge Gains

Net absorption across the metro remains uneven, with performance varying widely by submarket. Cambridge recorded notable gains this quarter, its fourth consecutive quarter of positive absorption, driven by increased tenant demand. Within the CBD, Seaport and Back Bay have led on a four-quarter moving average basis, reflecting sustained tenant interest in those districts. In the suburbs, Route 128 continues to show a slower recovery, though overall suburban absorption this quarter was modest, an encouraging sign for the broader market.



Rent Trends Remain Mixed Across Greater Boston

Metro asking rents showed diverging trends by asset class this quarter, with Class A rents dipping slightly to \$51.82/SF while Class B rents ticked up to \$35.31/SF. Over a five-year horizon, rents across the metro and the suburbs remain above historical levels in both classes. Cambridge rents remain below their level from five years ago, even as the market begins to show signs of renewed activity and recovery. In the CBD, Class A rents have returned to roughly their level from five years ago, while Class B rents are down 7.1%. Rent trends across the metro remain mixed, with long-term gains holding in most areas and adjustments continuing in Cambridge and the CBD.



Cambridge – West and South Station Lead Metro Rent Growth

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Boston CBD Office Market

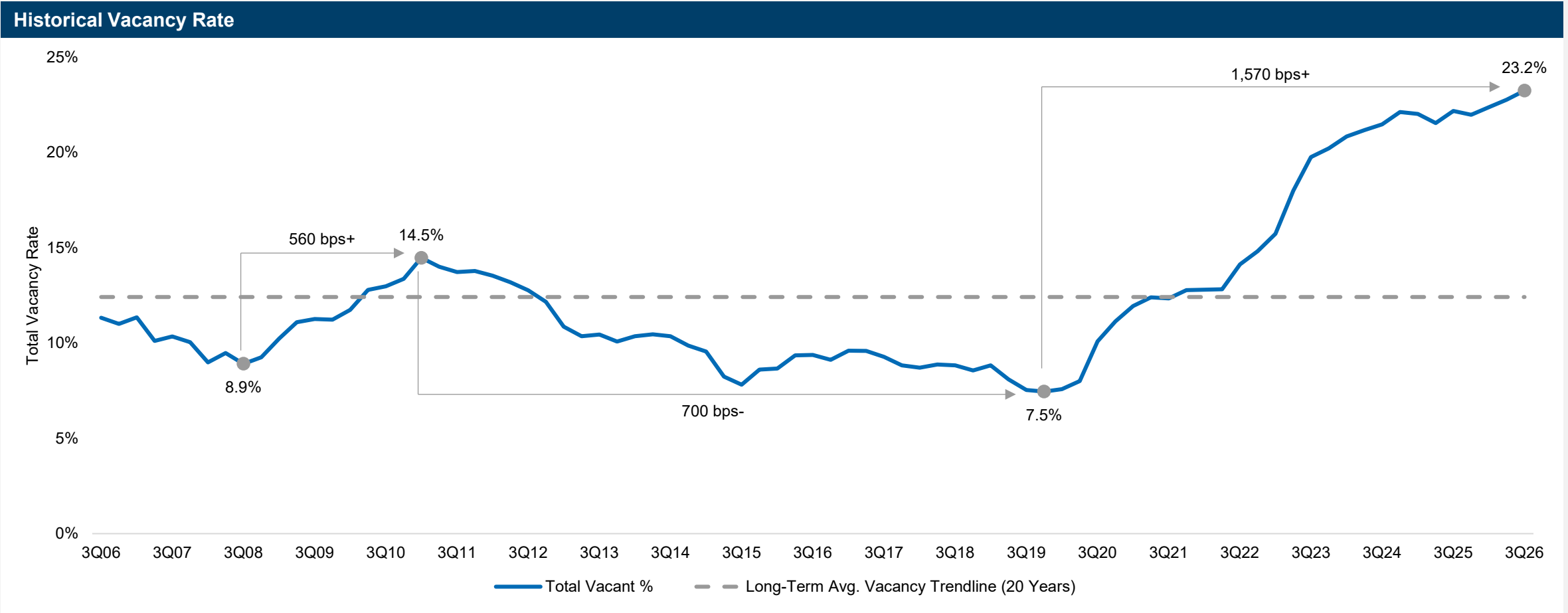
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Givebacks and Downsizing Push CBD Vacancy to New Highs

Boston’s CBD office vacancy climbed roughly 40 basis points this quarter to a record 23.2%. Ongoing space givebacks, tenant downsizing, and the lingering effect of recently delivered, under-leased buildings continue to add vacant space. The CBD vacancy rate now sits roughly 10.8 percentage points above its 20-year average of 12.4% and is likely to stay elevated in the near term.



Negative Net Absorption Persists as the Pipeline Runs Dry

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High-Rise Outperforms as Low-Rise Vacancy Climbs

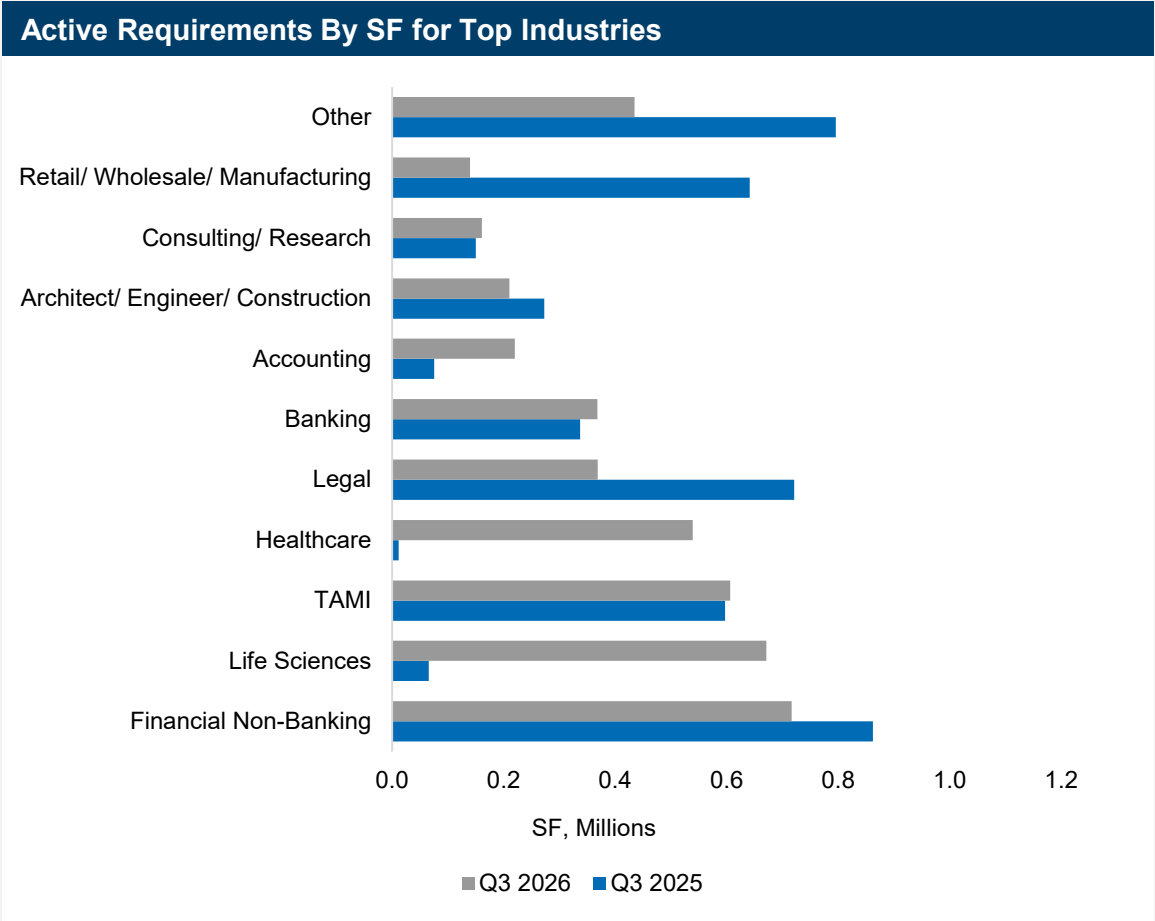
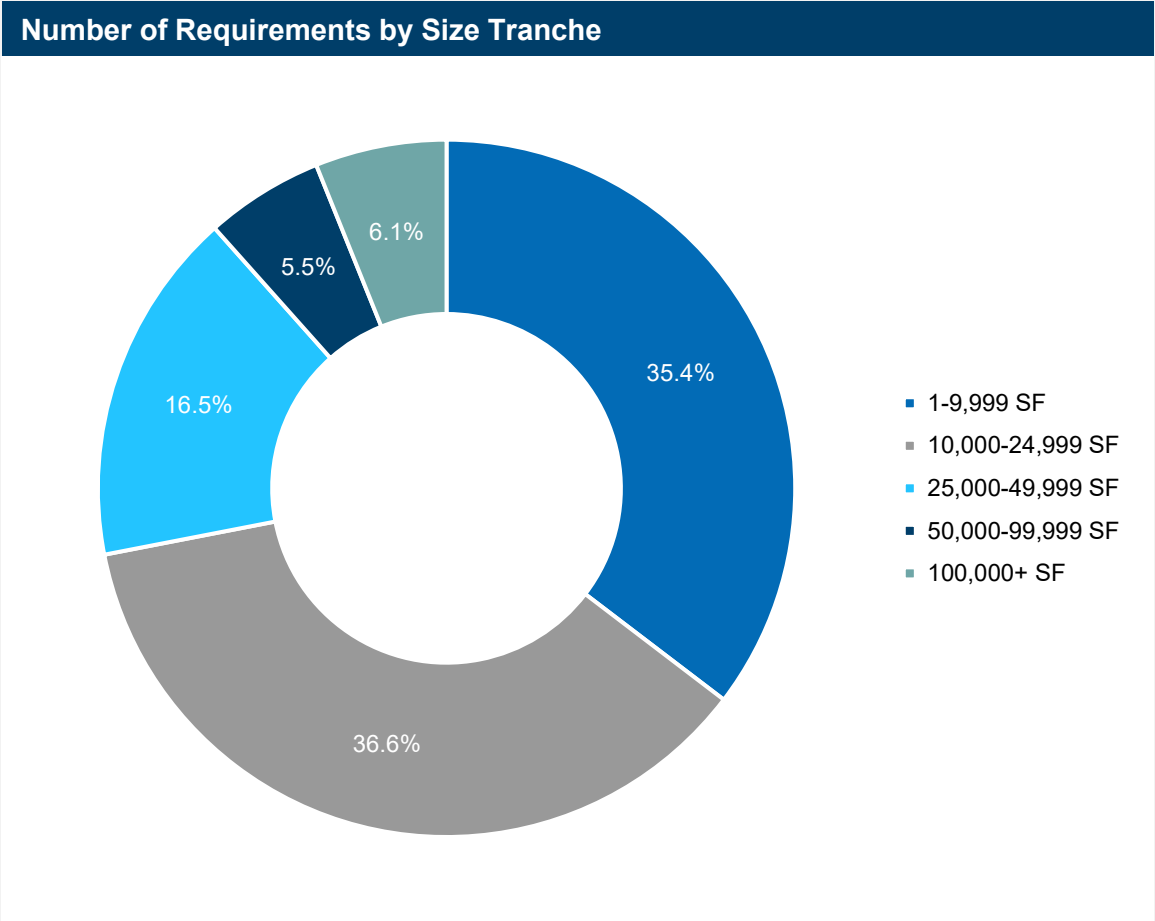
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Amazon Listing Reverses Sublease Decline

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Financial Firms Lead a Small-Tenant Market

During the third quarter of 2026, the Boston CBD had 164 active tenant requirements totaling just over 4.4 million SF. Financial non-banking tenants lead demand with roughly 716,500 SF, or 16.2% of total requirements, down 2.8% from the same period last year. However, industries like Healthcare, TAMI, and Life Sciences all have more active requirements than a year ago. Boston also remains a predominantly small-tenant market, with 72.0% of active requirements targeting spaces under 25,000 SF.

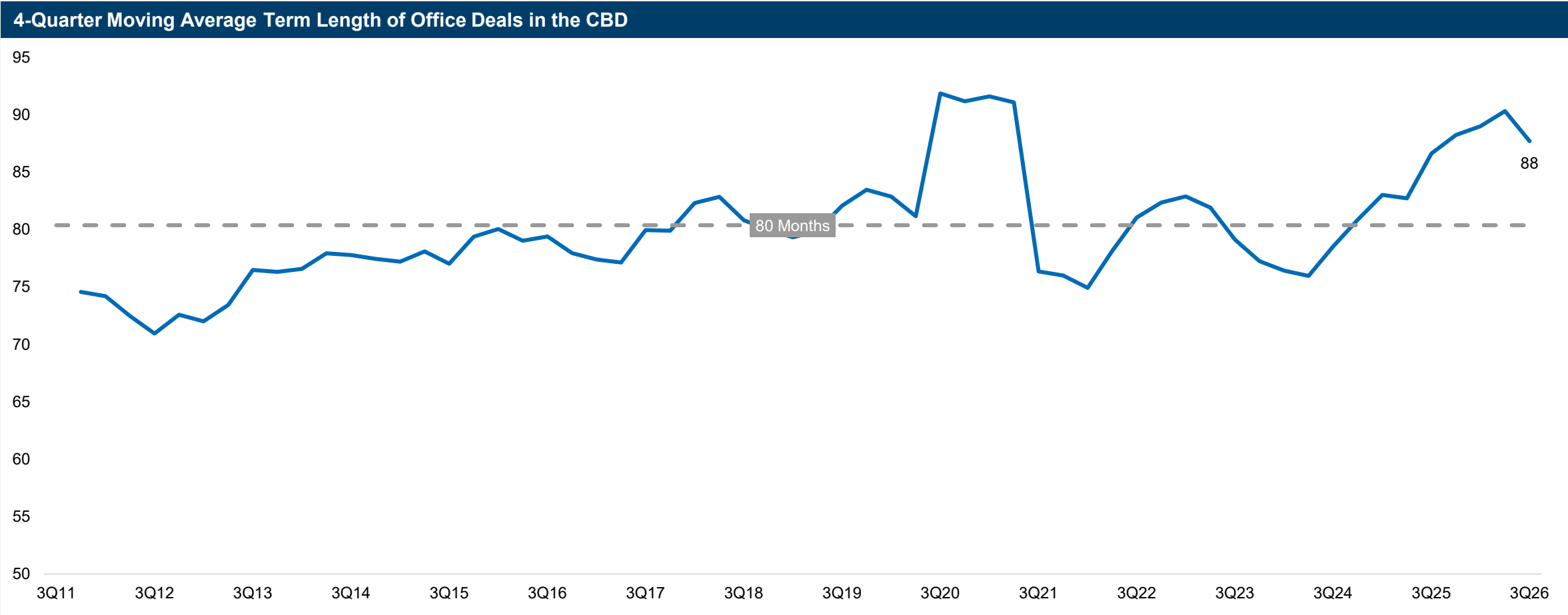


Direct Leasing Holds Its Ground

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Lease Terms Hold Well Above Historical Norms

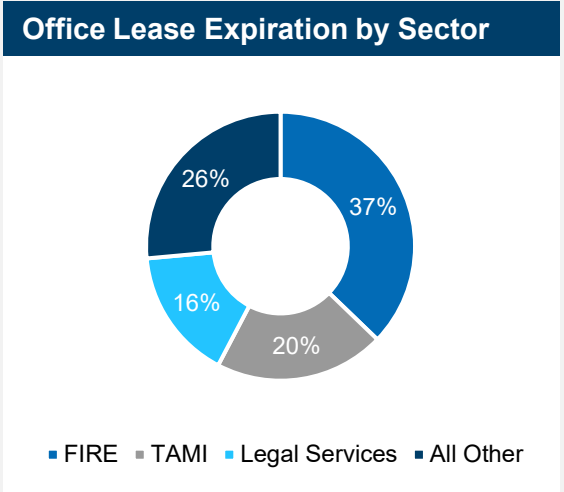
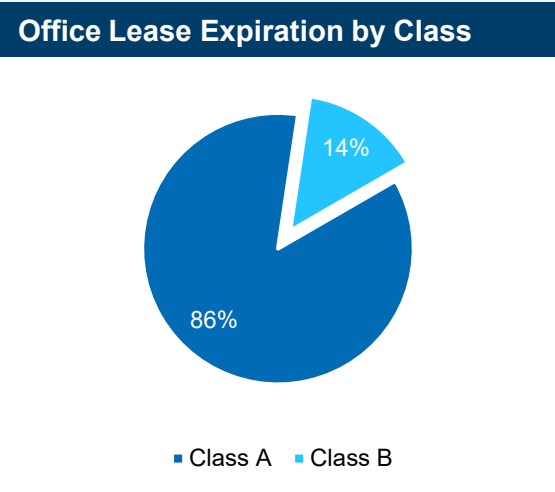
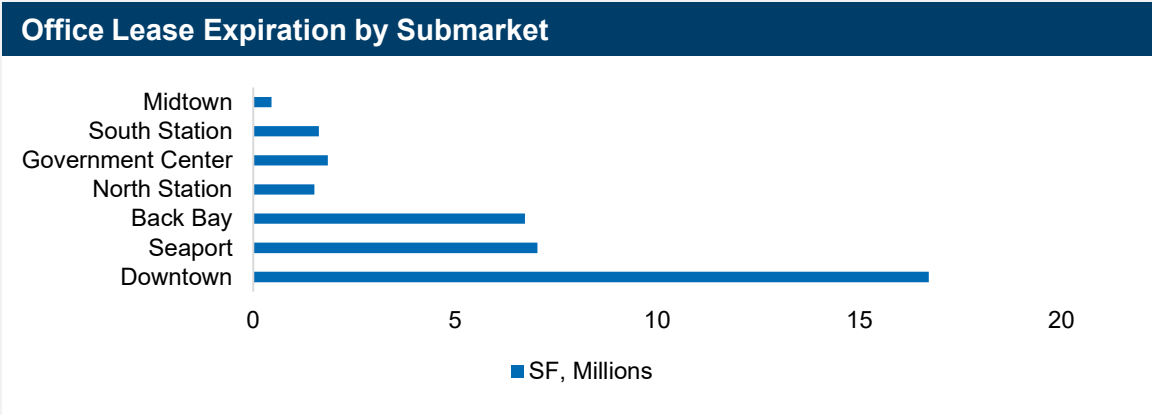
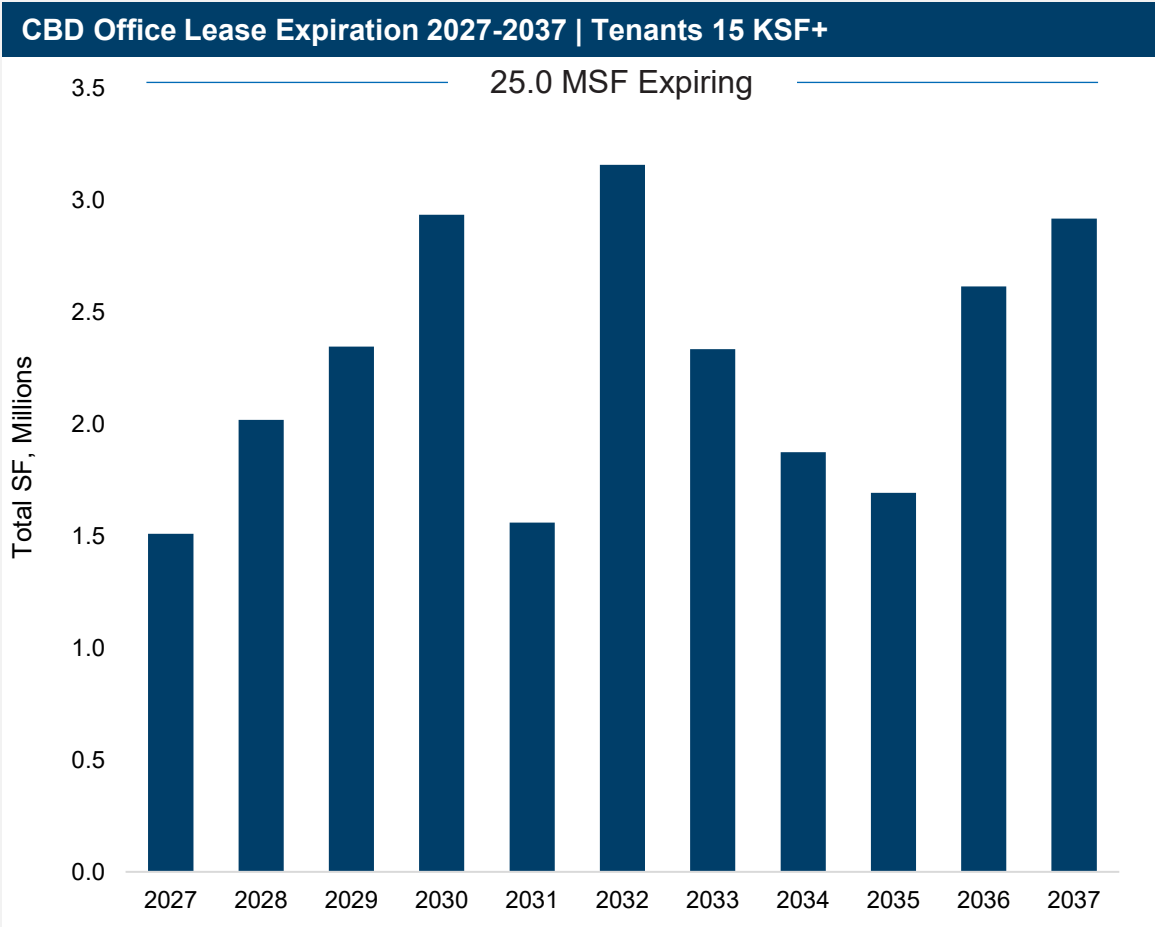
The average lease term in Boston’s CBD fell to 88 months this quarter on a four-quarter moving-average basis, down two months from last quarter but still eight months above the 15-year average of 80 months. Even with the slight pullback, terms remain well above historical norms, a sign that occupiers are willing to commit to longer-term real estate strategies. Rather than a full return to pre-pandemic behavior, this reflects a measured recalibration as select tenants continue to favor short-term deals. Tenants will sign longer leases when a space fits their operational needs and long-range plans, but they continue to weigh those decisions against a cautious outlook shaped by evolving workplace dynamics.



Source: Newmark Research
Note: Includes leases with 36-month+ term lengths.

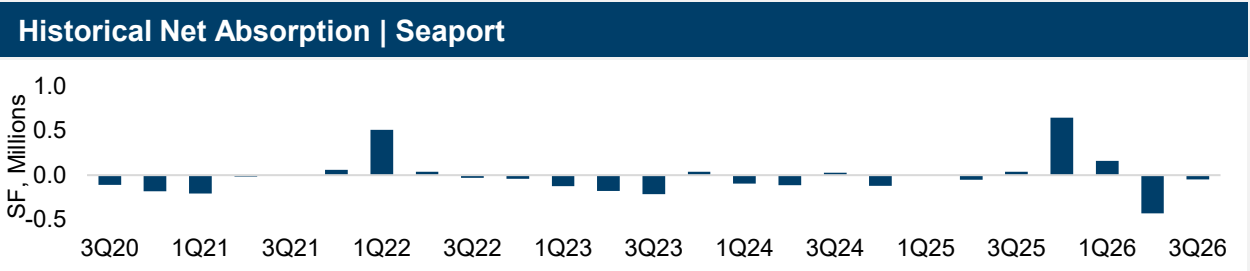
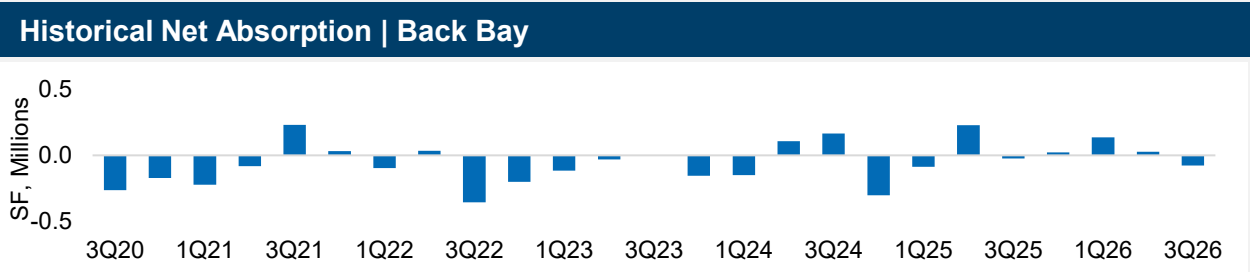
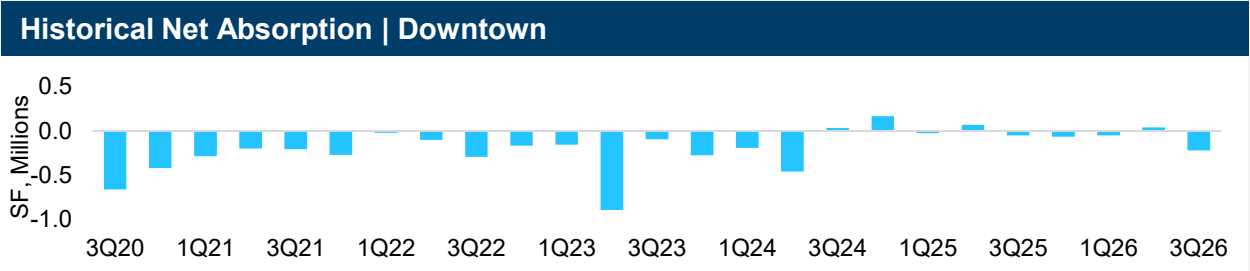
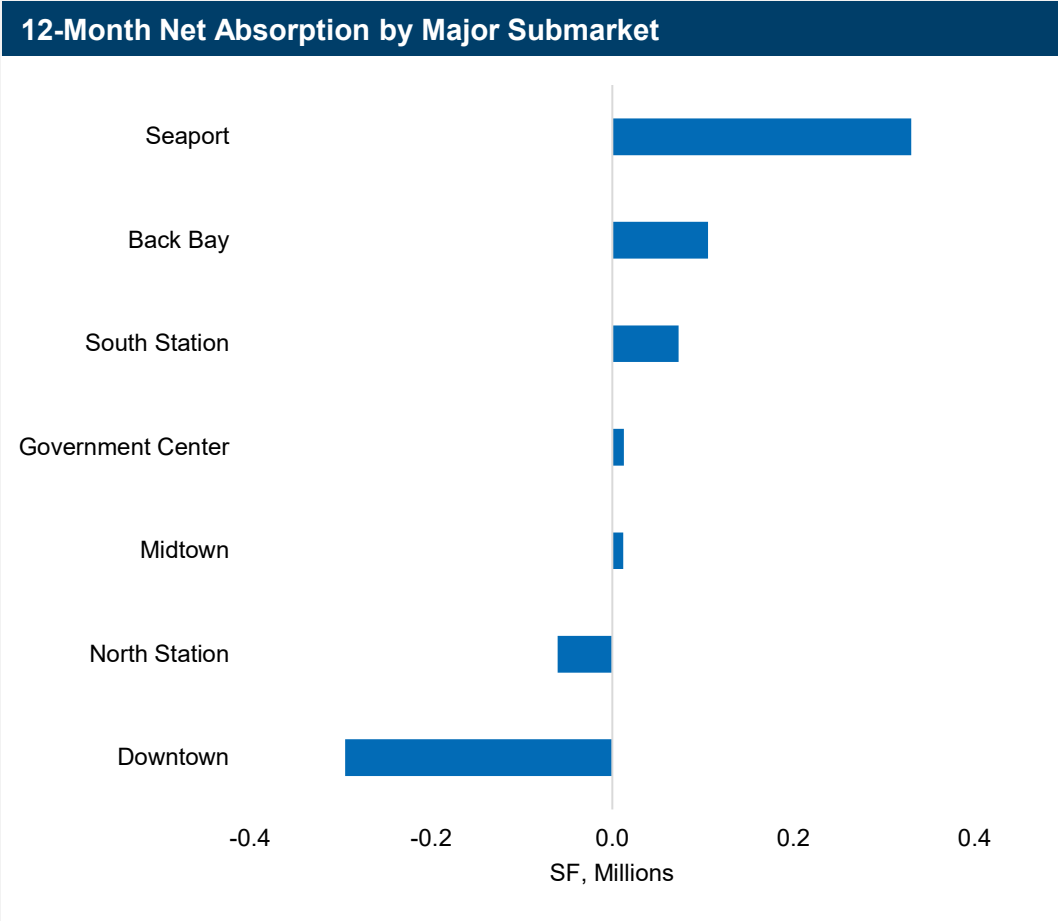
Class A Expirations Set the Stage for Future Leasing

With approximately 25.0 million SF of office leases set to expire between 2027 and 2037, lease rollover is poised to be a major driver of activity in Boston’s CBD. A substantial share of this rollover is concentrated in Class A assets, which account for roughly 86% of expiring space, and the Downtown submarket holds nearly half of the total. Notably, FIRE (finance, insurance, and real estate) tenants make up 37.0% of the space scheduled to expire, positioning financial firms as a key force shaping future leasing.



Positive 12-Month Absorption Emerges Despite Quarterly Losses

The CBD recorded negative net absorption in the third quarter of 2026, but five of its seven submarkets posted positive gains. The Seaport was the standout, adding roughly 330,000 SF of positive absorption, largely from Amazon’s move into its second build-to-suit at 1 Boston Wharf Road, which was delivered two quarters ago. Amazon has since listed half of that building on the sublease market, so the Seaport’s gains may partly reverse as that space is reflected in vacancy in the coming quarters.



Class A Rents Ease as Class B Edges Up

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Boston's Conversion Pipeline Expands as Office Market Challenges Persist

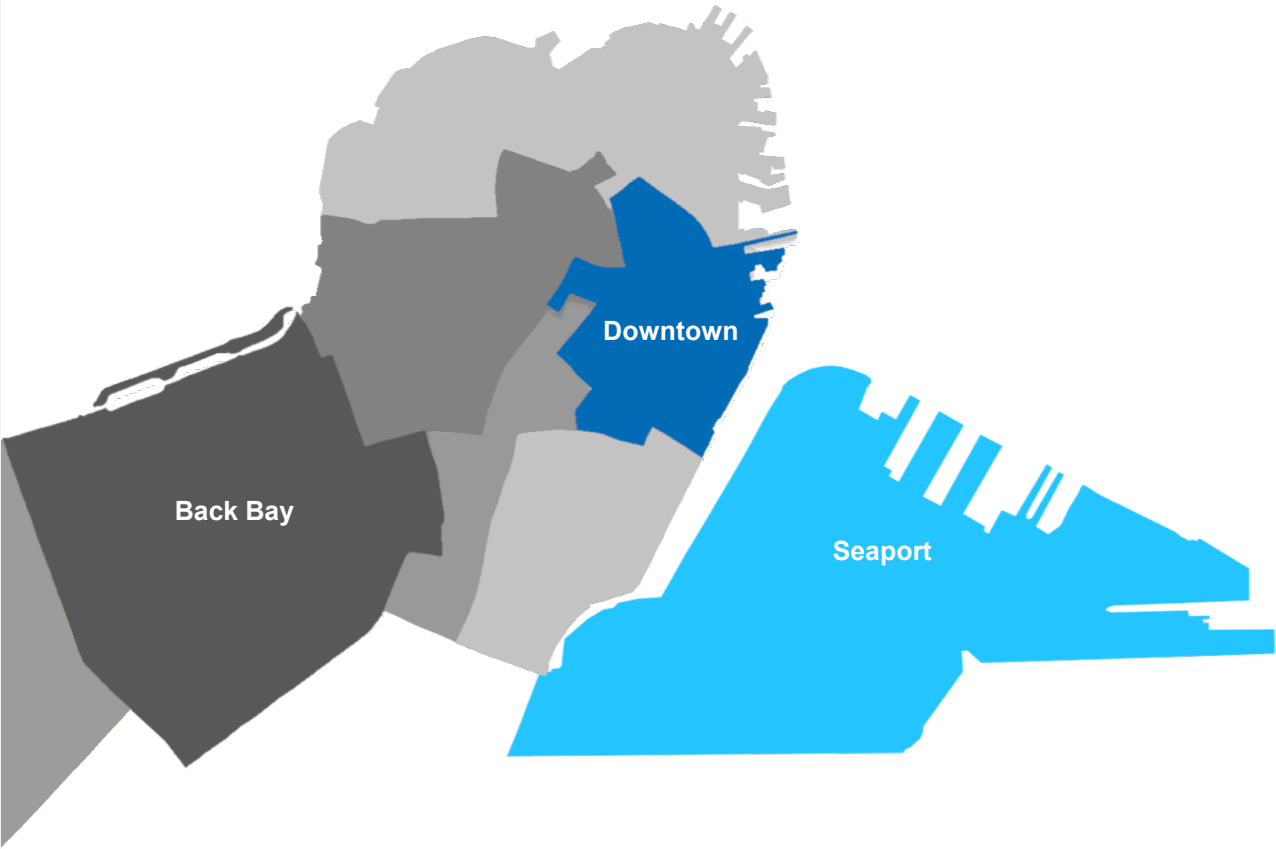
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Conversion Activity Leads to Class B “Squeeze”

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3Q26 CBD Submarket Stats

3Q26 Quick Stats, All Classes



Downtown	
33.4 Inventory (MSF)	24.9% Vacancy Rate
-219,479 Net Absorption (SF)	\$68.31 Asking Rent (\$/SF)
Back Bay	
13.9 Inventory (MSF)	18.3% Vacancy Rate
-77,358 Net Absorption (SF)	\$70.27 Asking Rent (\$/SF)
Seaport	
11.2 Inventory (MSF)	23.5% Vacancy Rate
-47,404 Net Absorption (SF)	\$65.02 Asking Rent (\$/SF)

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Cambridge Office Market

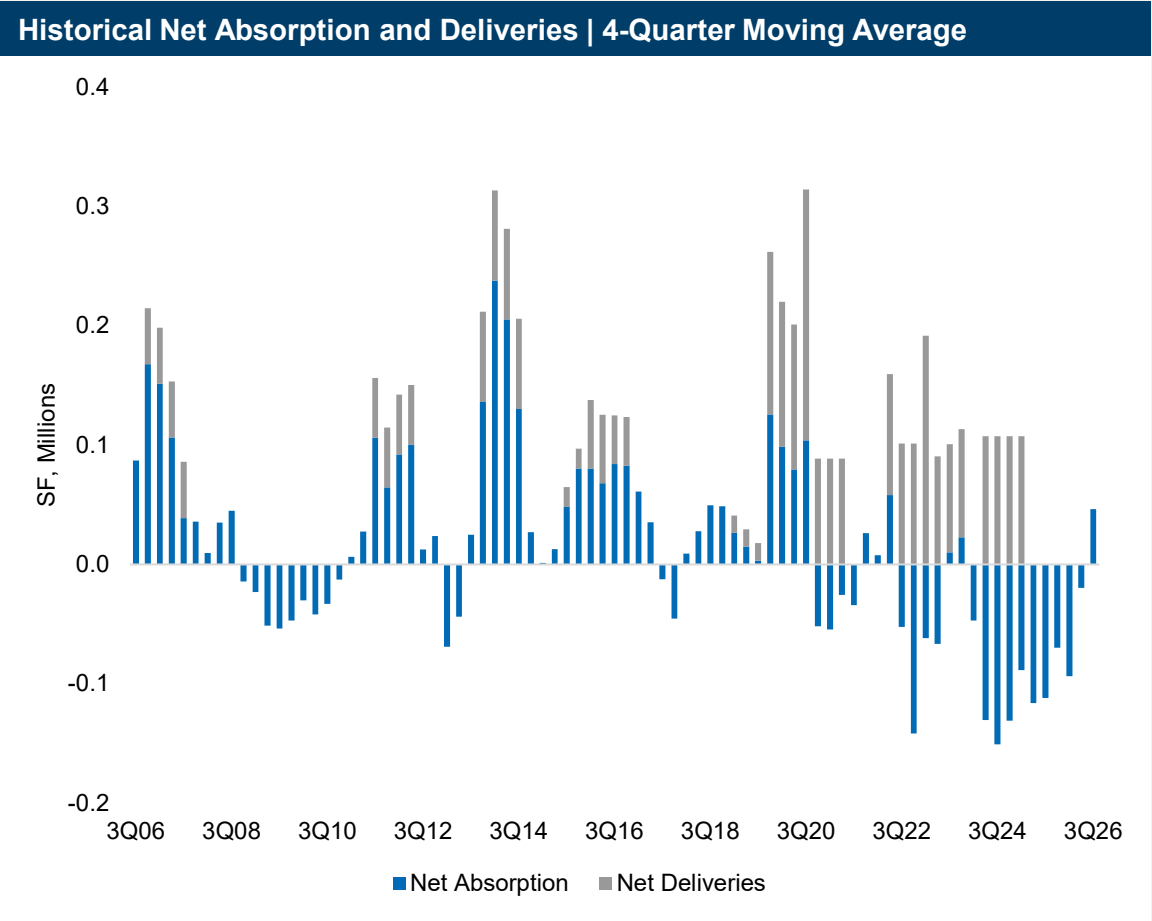
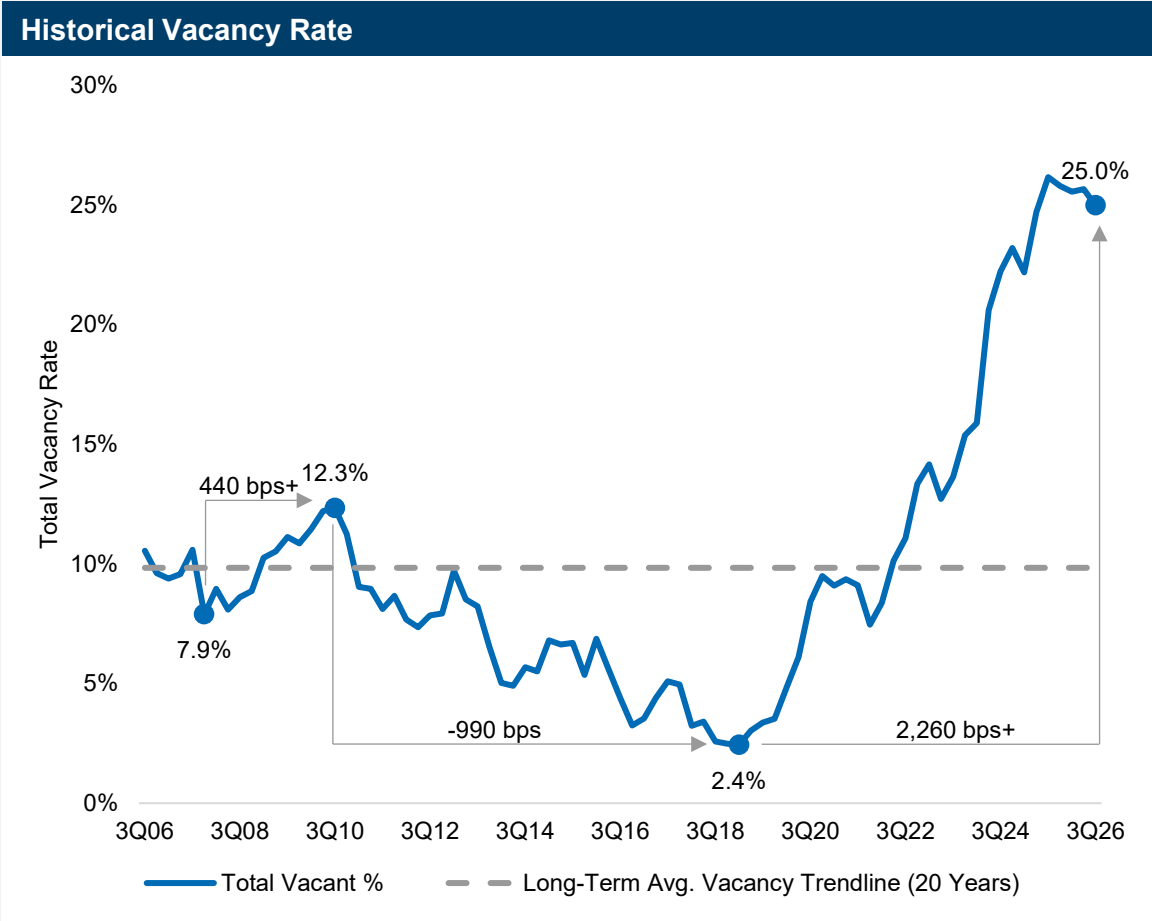
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Cambridge Fundamentals Gaining Momentum

Cambridge office fundamentals have shown positive momentum over the past couple of quarters. Total vacancy has decreased 120 basis points, to 25.0%, since its peak in the third quarter of 2025. Net absorption was positive this quarter, with enough momentum to lift the four-quarter moving average into positive territory for the first time since the fourth quarter of 2023.

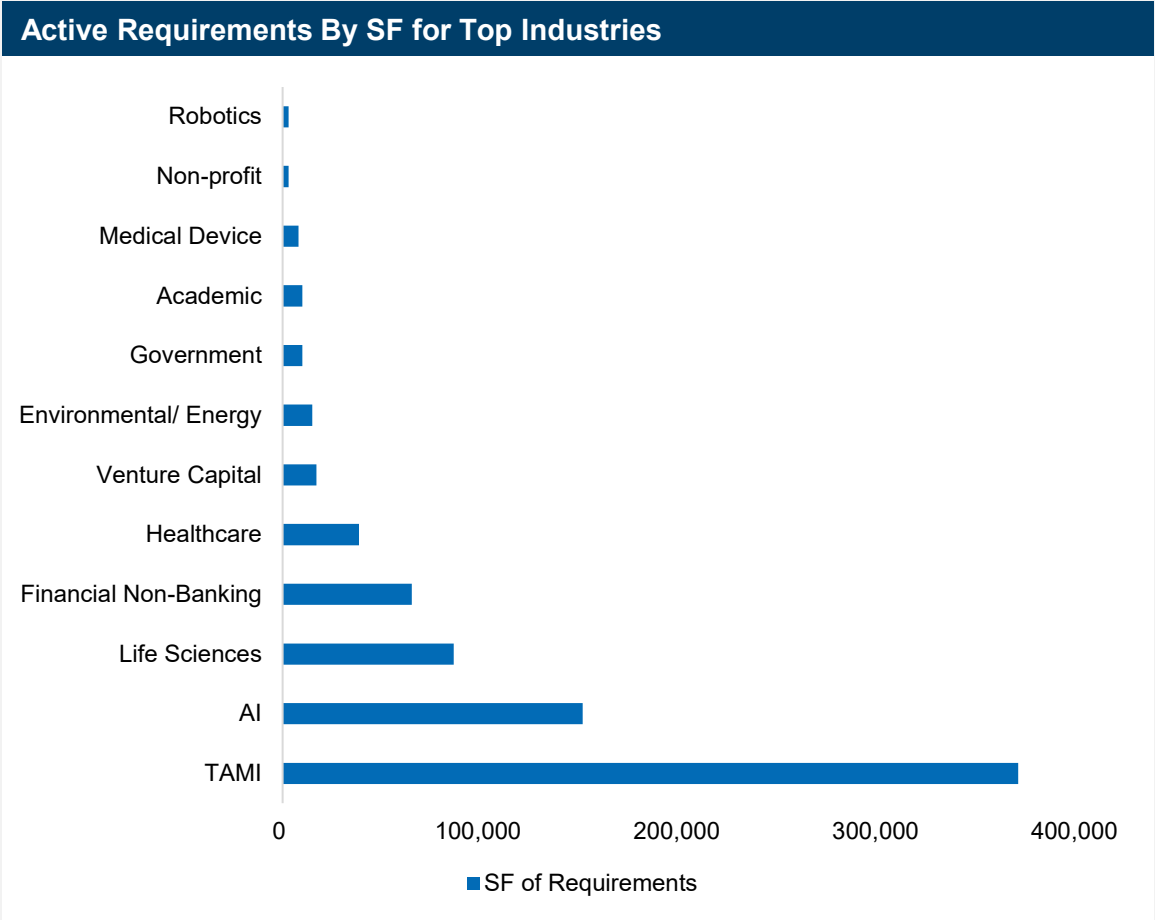
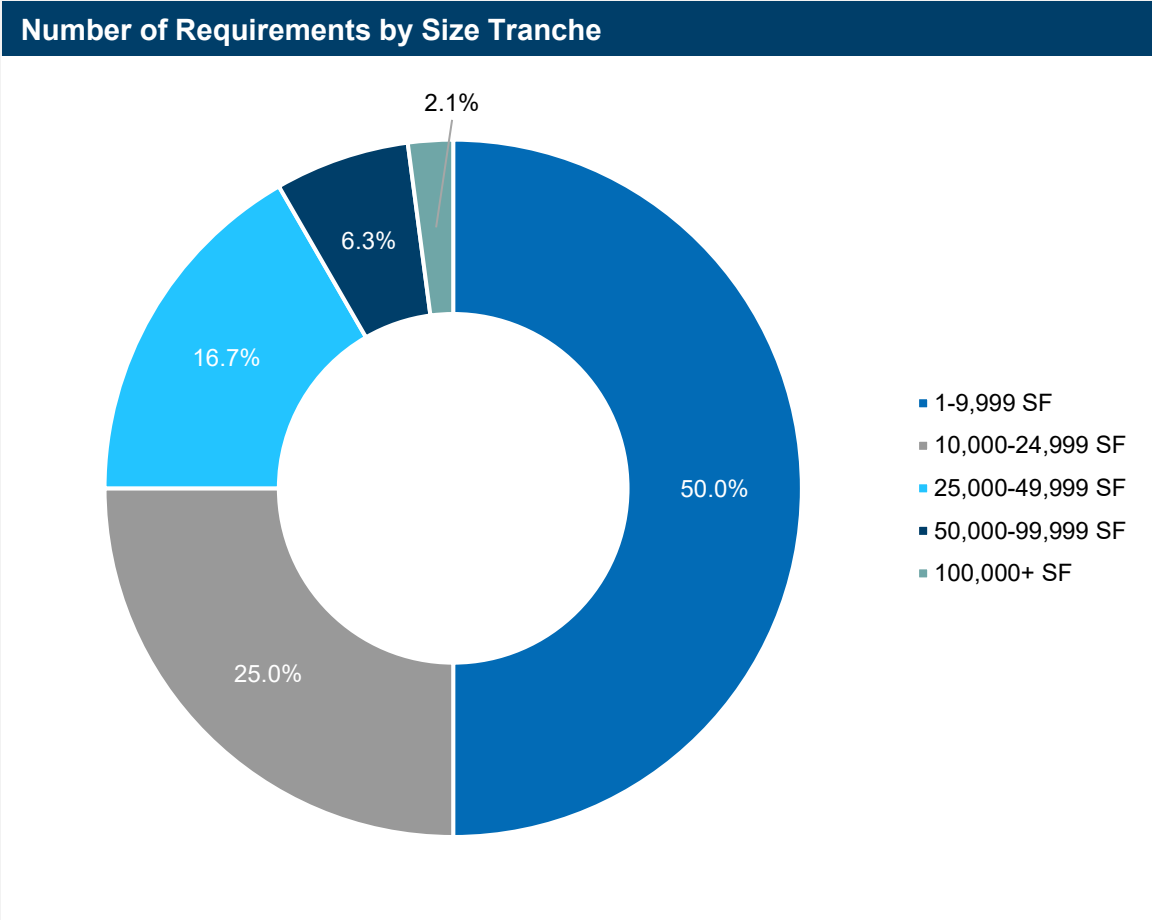


Availability Flattens Out, Though with a Changing Composition

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Office Demand in Cambridge on the Rise

Cambridge office demand remains resilient, with just under 800,000 SF of active requirements tracked in the third quarter of 2026. One notable trend is the rise of AI requirements, which account for about 19.4% of all office requirements in Cambridge this quarter, up 73.0% on a square-foot basis from a year ago. Cambridge remains a small-tenant market, with about 75% of all requirements looking for spaces less than 25,000 SF and select buildings have benefited by filling vacant suites piecemeal.

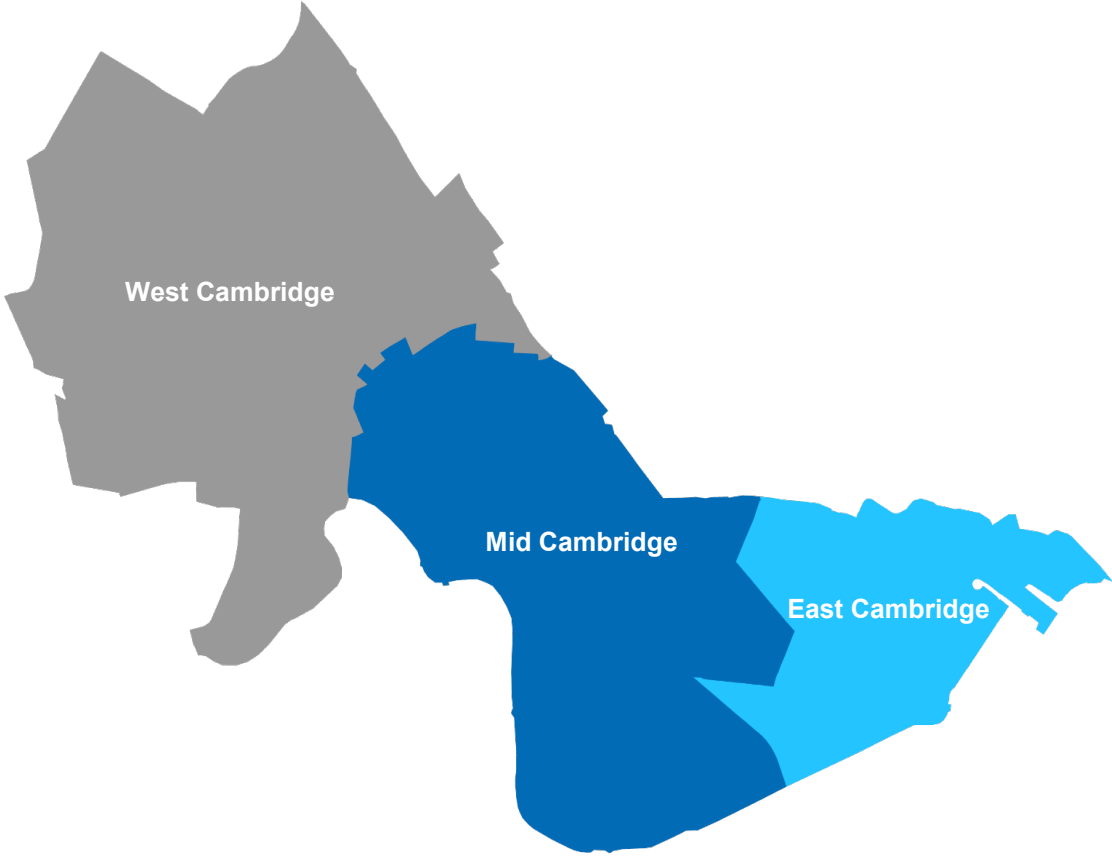


Downward Pressure on Cambridge Rents Persists

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3Q26 Cambridge Submarket Stats

3Q26 Quick Stats, All Classes



East Cambridge	
7.7 Inventory (MSF)	28.1% Vacancy Rate
62,615 Net Absorption (SF)	\$79.85 Asking Rent (\$/SF)
Mid Cambridge	
2.6 Inventory (MSF)	17.3% Vacancy Rate
39,655 Net Absorption (SF)	\$56.60 Asking Rent (\$/SF)
West Cambridge	
1.0 Inventory (MSF)	20.9% Vacancy Rate
-4,219 Net Absorption (SF)	\$47.57 Asking Rent (\$/SF)

05

Suburban Office Market

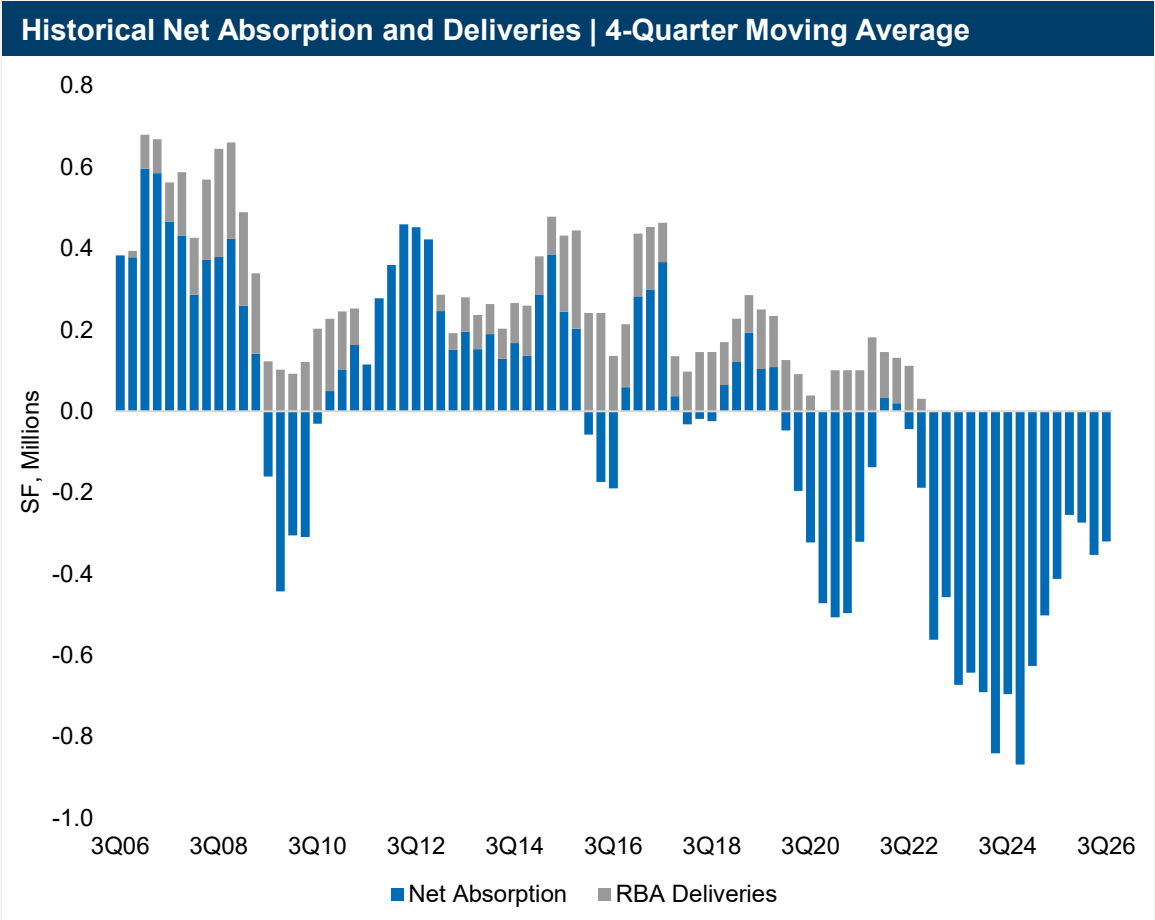
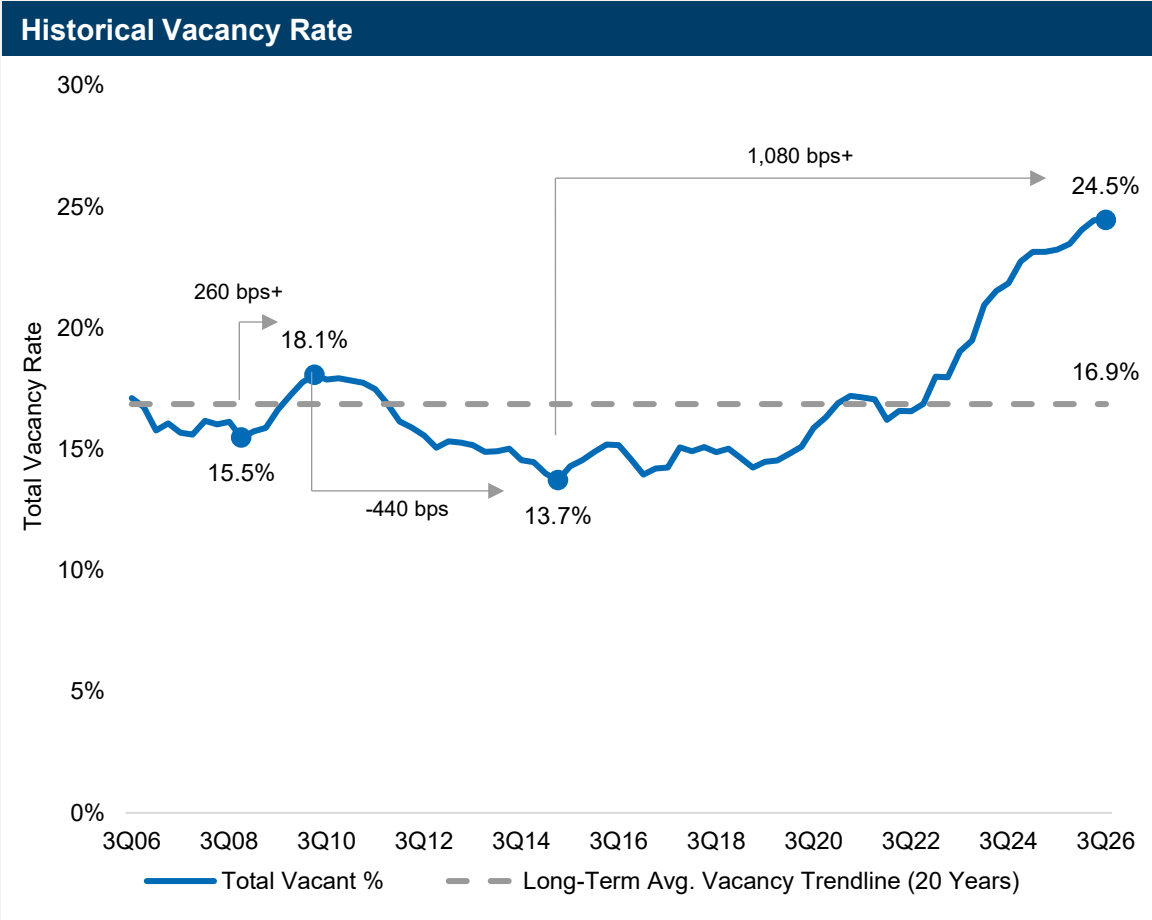
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Suburban Vacancy Edges Up as Fundamentals Begin to Improve

Suburban office vacancy remains elevated, rising only slightly this quarter to a new peak of 24.5%. Net absorption remains negative, but has narrowed from its previous lows, and with no buildings in the pipeline, the market is not adding new supply. Renewals remain strong among suburban office tenants, which has helped temper vacancy increases. The combination of narrowing absorption losses and an empty pipeline suggests the market is moving toward a more balanced footing, though a sustained recovery will depend on new leasing activity.



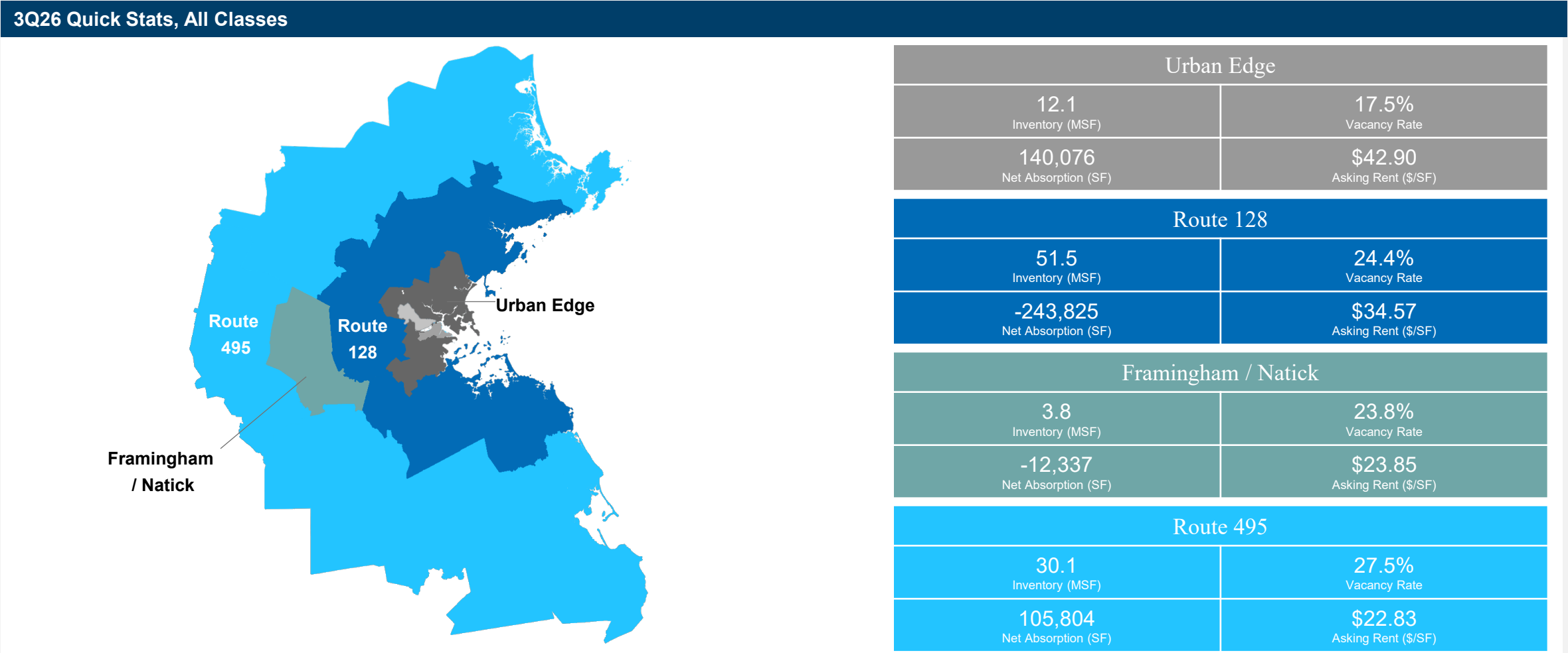
Suburban Office Market Shows Signs of a Mixed Recovery

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Suburban Rents Remain Elevated

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3Q26 Suburban Submarket Stats



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Appendix

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Submarket Overview

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