NEWMARK

Boston Office Market Overview

4Q25

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Market Observations

What We Know

- Greater Boston posted its first quarter of positive net absorption since early 2021, signaling early signs of stabilization.
- Large-block activity remained strong in the fourth quarter of 2025, with the top six transactions each surpassing 115,000 SF.
- Direct leases continued to gain share in the CBD, accompanied by an uptick in average lease terms, an indication of rising tenant confidence in the urban office market.
- Suburban fundamentals have pushed many owners toward residential conversions, while other landlords are instead repositioning assets into industrial, R&D, or flex space.
- The retail/wholesale/manufacturing sector led office demand in the CBD this quarter, accounting for roughly 14.5% of the five million SF of active requirements currently tracked.
- Average asking rents across the metro were flat quarter-over-quarter, but up 2.1% year-over-year.
- Capital markets activity is showing renewed momentum, with a growing number of owner-user acquisitions and lender-facilitated transactions coming to market.

What We Expect

- Investor sentiment for the office sector is expected to improve as capital markets gain greater confidence in current asset valuations.
- As pandemic-era subleases roll off, the sharper economics of direct deals may push tenants toward value-oriented CBD Class A low-rise and Class B space, positioning these segments for potential outperformance.
- Landlords are likely to continue reevaluating their office portfolios—particularly in the Class B and suburban markets—which have seen notable inventory declines since the start of the pandemic.
- As more assets change hands at reduced valuations and lender-facilitated sales gain meaningful momentum, we anticipate a moderation in rental rate pressures and an uptick in leasing activity, as new ownership can justify offering space at more competitive rents.
- Traction in the trophy and high-rise segment have pushed asking rents higher, likely pushing demand to lower-quality assets or lower floors in towers.

Source: Newmark Research

Greater Boston Office Market Overview

Greater Boston's office market showed signs of strengthening in the fourth quarter of 2025. The vacancy rate declined for the first time in 14 quarters, edging down by 10 basis points. Office inventory continued to contract as owners pursued adaptive reuse strategies in response to subdued demand and anticipated future vacancies. Since the start of the pandemic, the region has shed nearly five million SF of office space, about 2.5% of total supply. Asking rents ticked up this quarter, driven largely by the delivery of new construction with significant available space. Landlords are also becoming more aggressive on pricing for trophy office space and high-rise availabilities due continued tenant demand. While a sense of cautious optimism is emerging, market fundamentals still have meaningful ground to recover before approaching pre-pandemic conditions.

Tenant activity in the fourth quarter of 2025 remained anchored by large-block transactions across the region. Dassault Systèmes led the quarter with a 320,000-square-foot renewal of its U.S. headquarters at 175 & 185 Wyman St. in Waltham, supporting more than 1,000 local employees and contractors. Also notable was DraftKings' decision to relocate its headquarters from the Back Bay to Downtown Boston, opting for the low-rise floors of 225 Franklin St. An increase in the share of direct leases and longer average lease terms in the CBD at the end of 2025 may signal rising tenant confidence in long-term real estate strategies. Even with year-to-date leasing volume outpacing 2024, many office users remain focused on reassessing and refining their space needs.

Office development across Greater Boston remains stalled, with no growth in square footage under construction since early 2024. All active projects are concentrated in the CBD, where the lone delivery this year was 10 World Trade Center in the Seaport. The South Station Office Tower, set to officially wrap up in the coming quarters, has generated substantial tenant interest, securing commitments from JP Morgan, Citadel Securities, Jones Day, and FM Global. Additional projects, including 350 Boylston Street in the Back Bay and 1 Boston Wharf Road in the Seaport, are expected to deliver fully leased, anchored by Bain & Company and Amazon, respectively. Greater Boston's total office inventory has contracted by 3.2% from its peak in the third quarter of 2011, now sitting just under 178 million SF. Much of this reduction stems from adaptive reuse and conversion activity as owners reposition obsolete assets. With this quarter marking the first positive net absorption after 14 consecutive quarters of losses, the region will likely need a sustained period of demand recovery before new office groundbreakings begin to re-emerge.

Economic uncertainty continues to weigh on both local and national markets. In Greater Boston, employer sentiment has improved meaningfully from its pandemic-era low of 41.5 reported in April of 2025, climbing to 48.5 by November of 2025, according to the Business Confidence Index compiled by the Associated Industries of Massachusetts. This represents a 16.8% increase over that five-month period. Even with this rebound, the index remains below the neutral benchmark of 50, signaling that business leaders are still navigating significant macroeconomic headwinds. The regional unemployment rate also lost its edge on the national average as slack persists in the local labor markets, underscoring ongoing challenges in job growth.

Measured confidence continues to define the Greater Boston office market, with several key fundamentals appearing to near a cyclical low at the end of 2025. A sustained period of positive momentum would provide much-needed relief as the market works toward a return to more historically normalized conditions.

Source: Newmark Research

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Economy

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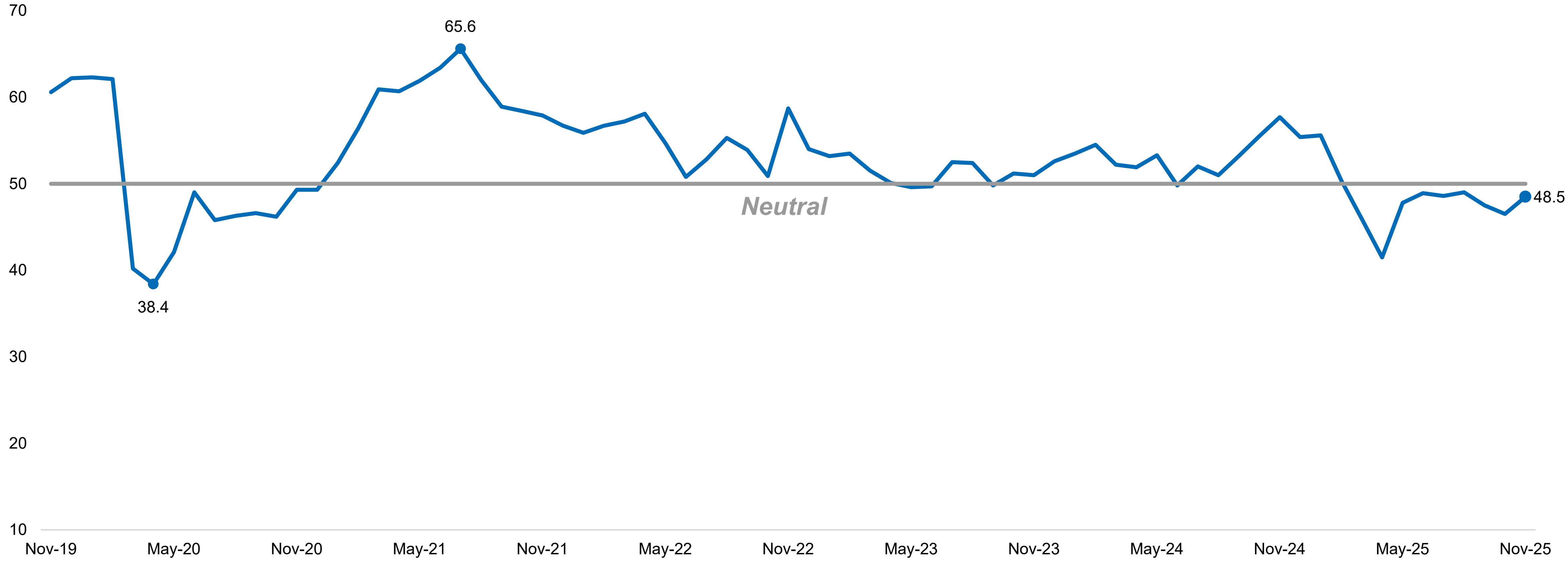
Local Employer Sentiment Rebounds in November

The Associated Industries of Massachusetts (AIM) Business Confidence Index increased in November. Despite this positive movement, manufacturing continues to weigh on overall confidence, and inflation remains a persistent challenge for local businesses. Employment growth in Greater Boston remains slow, limiting broader economic momentum. However, investment in AI and technology stands out as a bright spot, signaling optimism for future productivity gains.

Business Confidence Index (BCI)

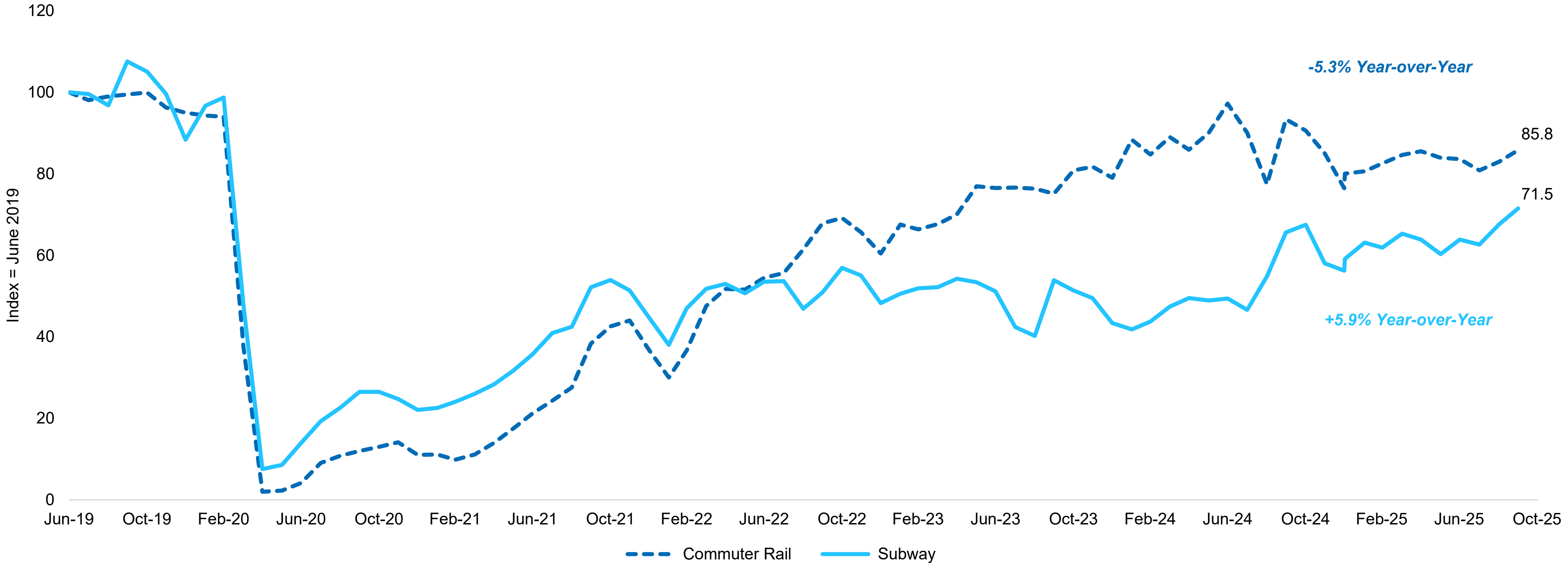


Source: AIM Board of Economic Advisors as of 11.25

Public Transit Ridership Has Stabilized; Subway Ridership Continues to Grow

The MBTA is steadily recovering toward its pre-pandemic ridership levels, with especially strong gains recently. Significant station and track upgrades, though they have caused short-term delays, now appear to be paying off. Subway ridership is up almost 6.0% year-over-year and has risen 46.0% since the first quarter of 2024. In October 2025, average weekday subway ridership surpassed 500,000 passengers, and combined subway and commuter rail ridership exceeded 600,000 passengers, both firsts since the pandemic.

MBTA Average Weekday Ridership



Source: MBTA, Newmark Research as of 10.9.25

Boston Labor Market Sees Minimal Gains, Mixed Office-Sector Performance

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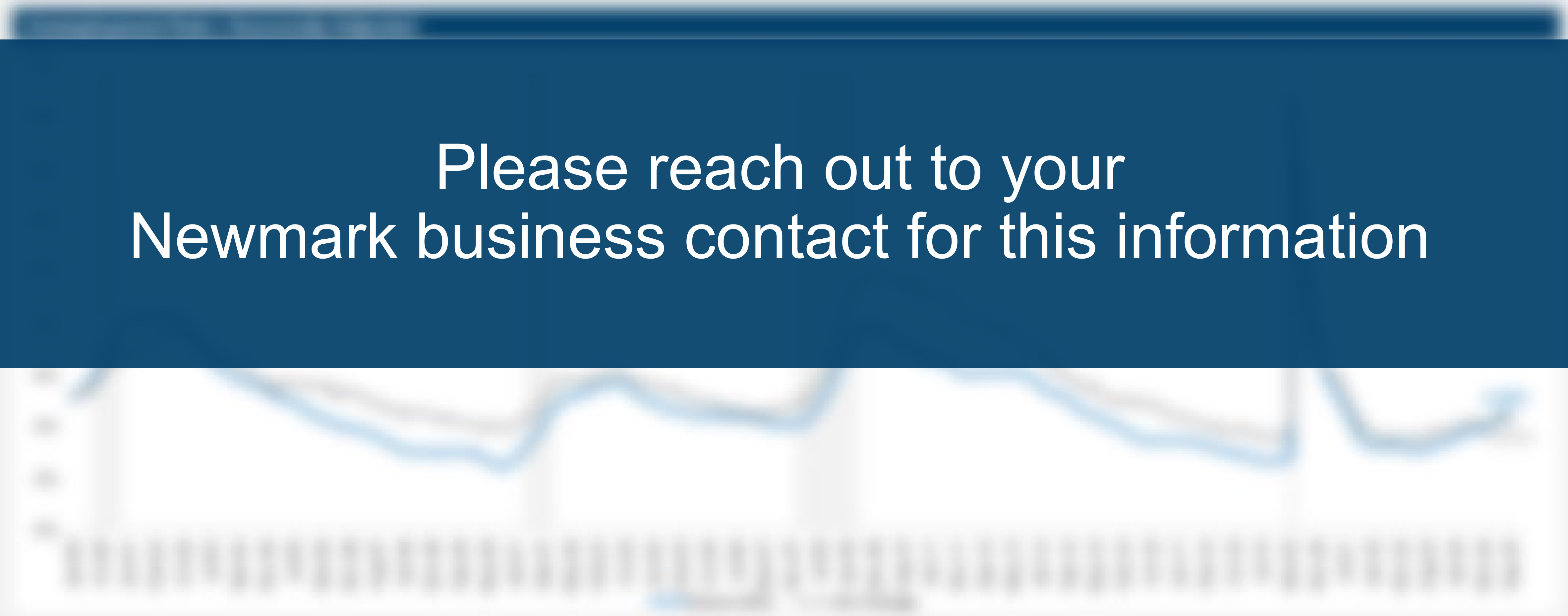
Source: Moody's Analytics, BLS, Newmark Research September 2025

Boston Labor Market Shows Potential Signs of Stabilization



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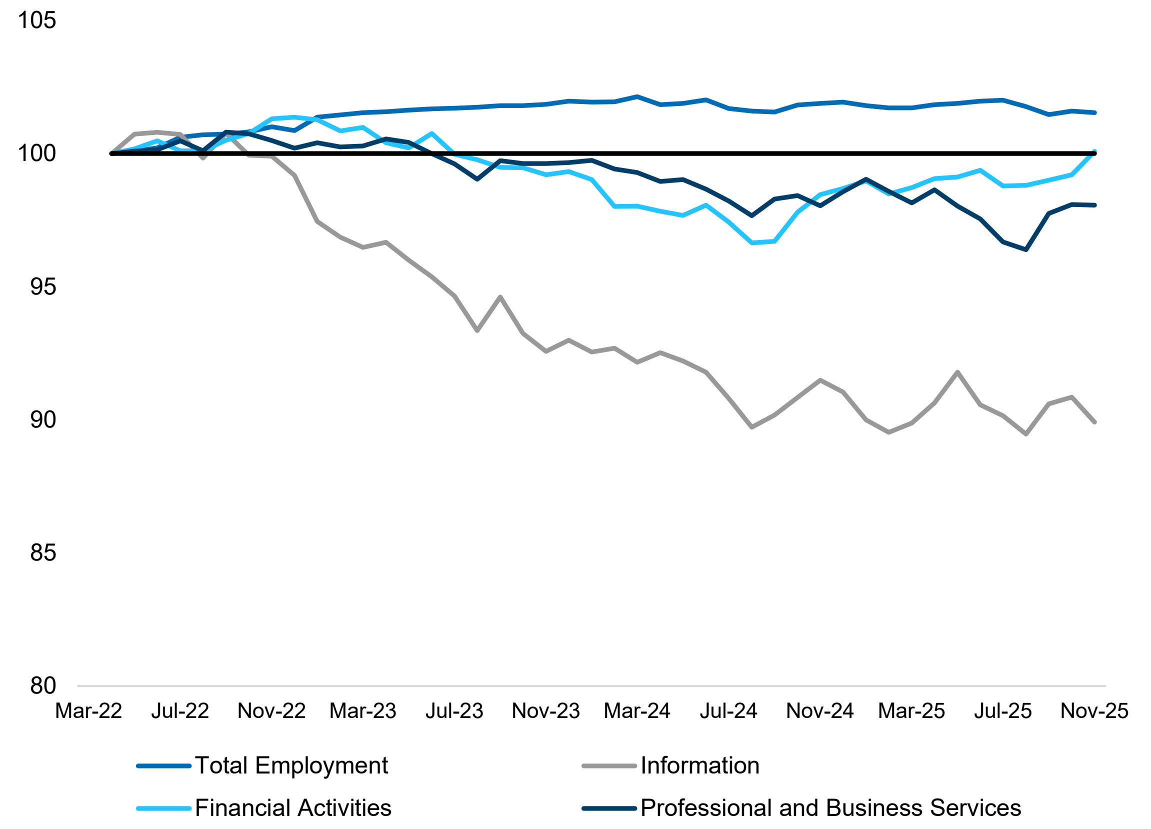
Source: Moody's analytics, BLS, Newmark Research September 2025, Mass Gov Office of Labor and Workforce Development
*Due to the government shutdown, there is no data for October and November 2025

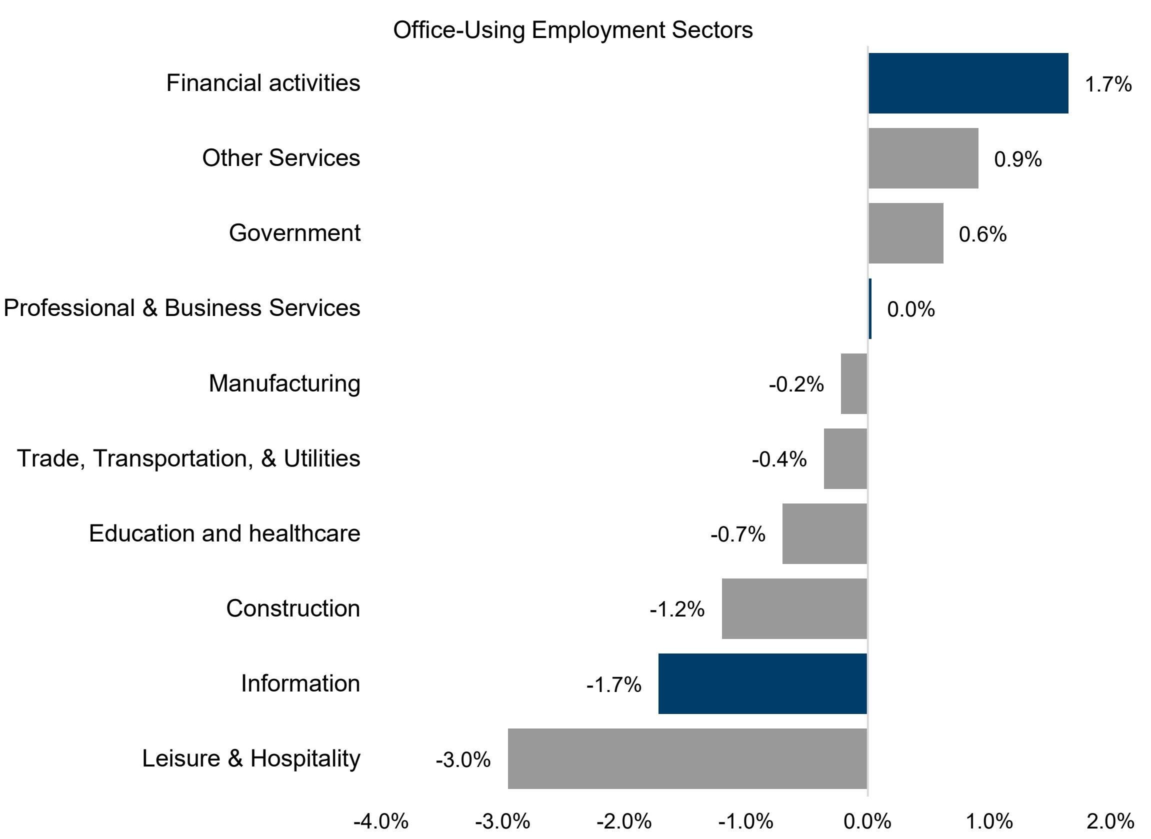
Office-Using Employment Shows Improvement in Financial Activities

The Financial Activities sector has emerged as the leading driver of employment growth in Greater Boston showing continued growth as of September 2025, reversing several years of weakness. This recent growth has brought employment within the finance industry to near 2022 levels. The remaining office-using employment sectors continue to post year-over-year declines due to lingering softness in technology and biotechnology.

Employment by Industry, November 2025



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



Source: Moody's Analytics, Boston-Cambridge-Newton, MA-NH November 2025
Office-using employment includes employment in the following sectors: Professional & Business Services, Financial Activities and Information

02

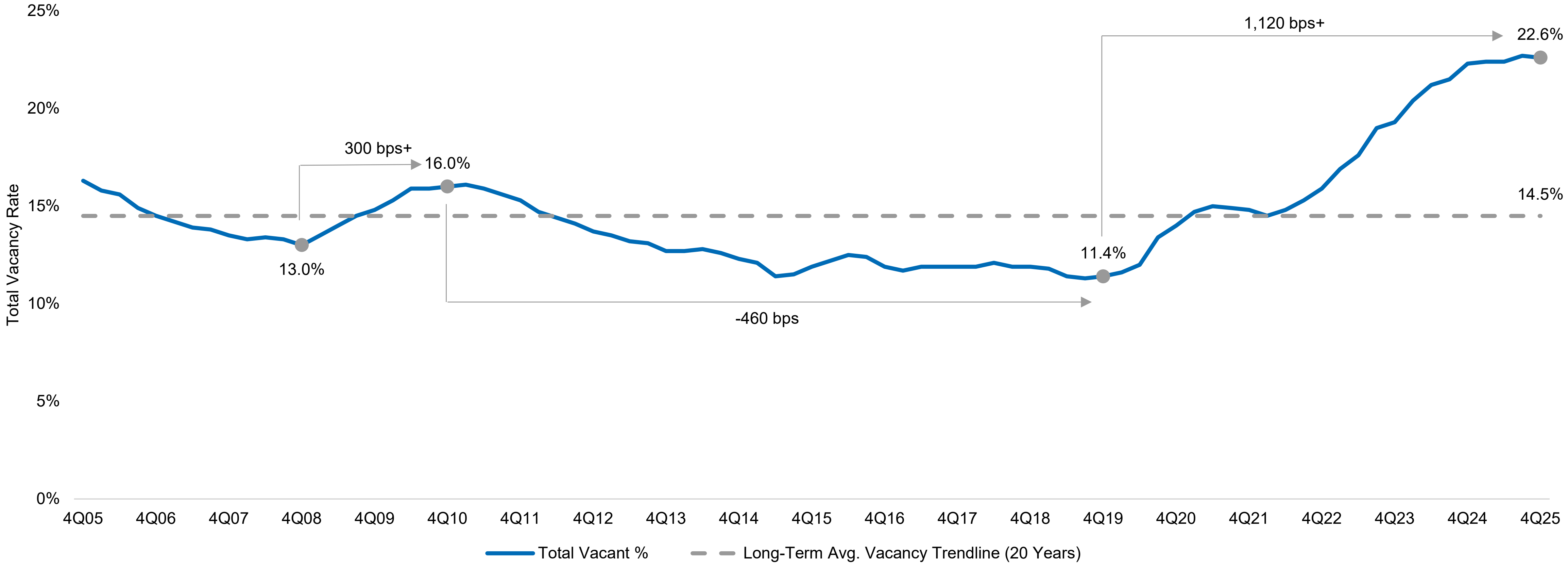
Greater Boston Office Market

4Q25

Vacancy Dips Slightly, Hinting at a Potential Turning Point

Greater Boston posted its first quarter of declining vacancy after 14 consecutive quarters of increases, edging down by 10 basis points. Although vacancy remains near the record high reached last quarter, market conditions are beginning to show early signs of stabilization, supported by steady leasing velocity across the region. Even so, persistent macroeconomic volatility continues to weigh on the outlook, as businesses navigate heightened uncertainty and face greater challenges in making long-term real estate decisions.

Historical Vacancy Rate

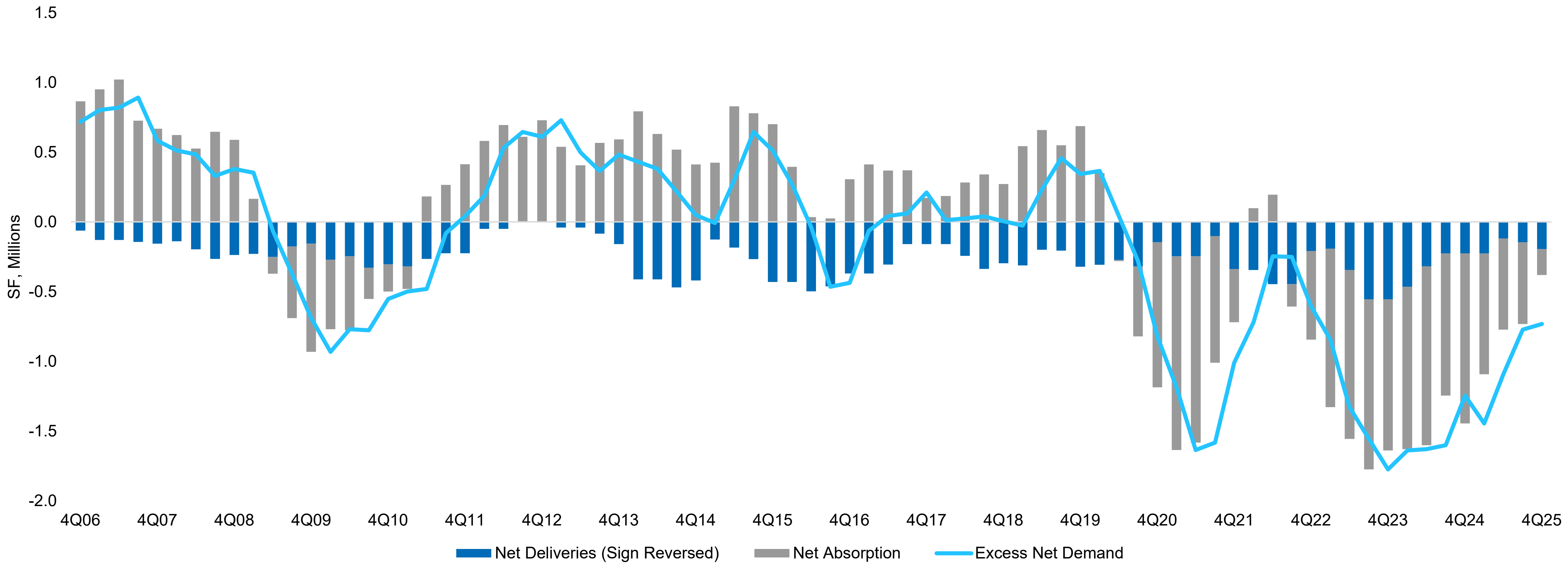


Source: Newmark Research

First Absorption Gain Since 2022 Signals Emerging Momentum

Although year-to-date net absorption remained negative at more than 744,000 SF, the metro this quarter posted its first positive quarter since the first quarter of 2022. Both figures mark a notable shift from the steep occupancy losses that averaged roughly 4.6 million SF annually between 2023 and 2024. With construction activity continuing to moderate, market fundamentals appear to be gradually positioning toward more positive territory in the quarters ahead.

Historical Office Supply and Demand | 4-Quarter Moving Average

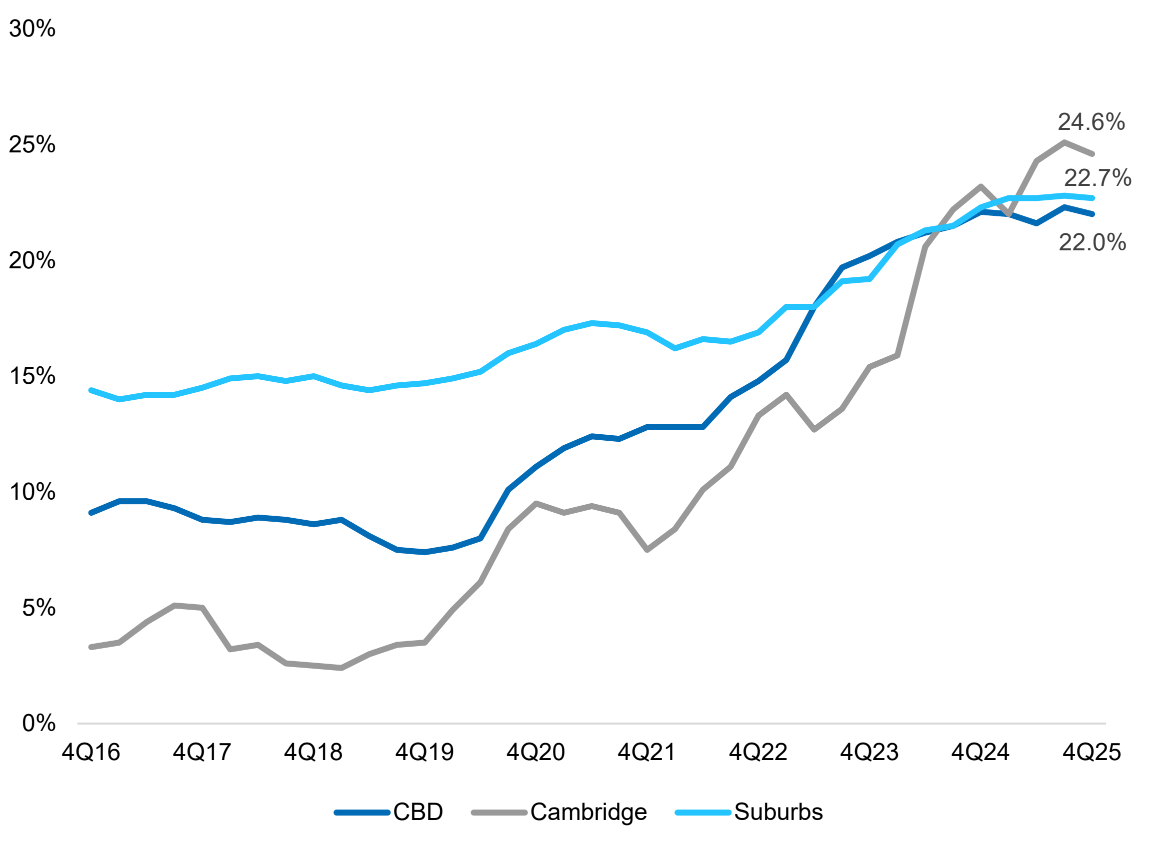


Source: Newmark Research

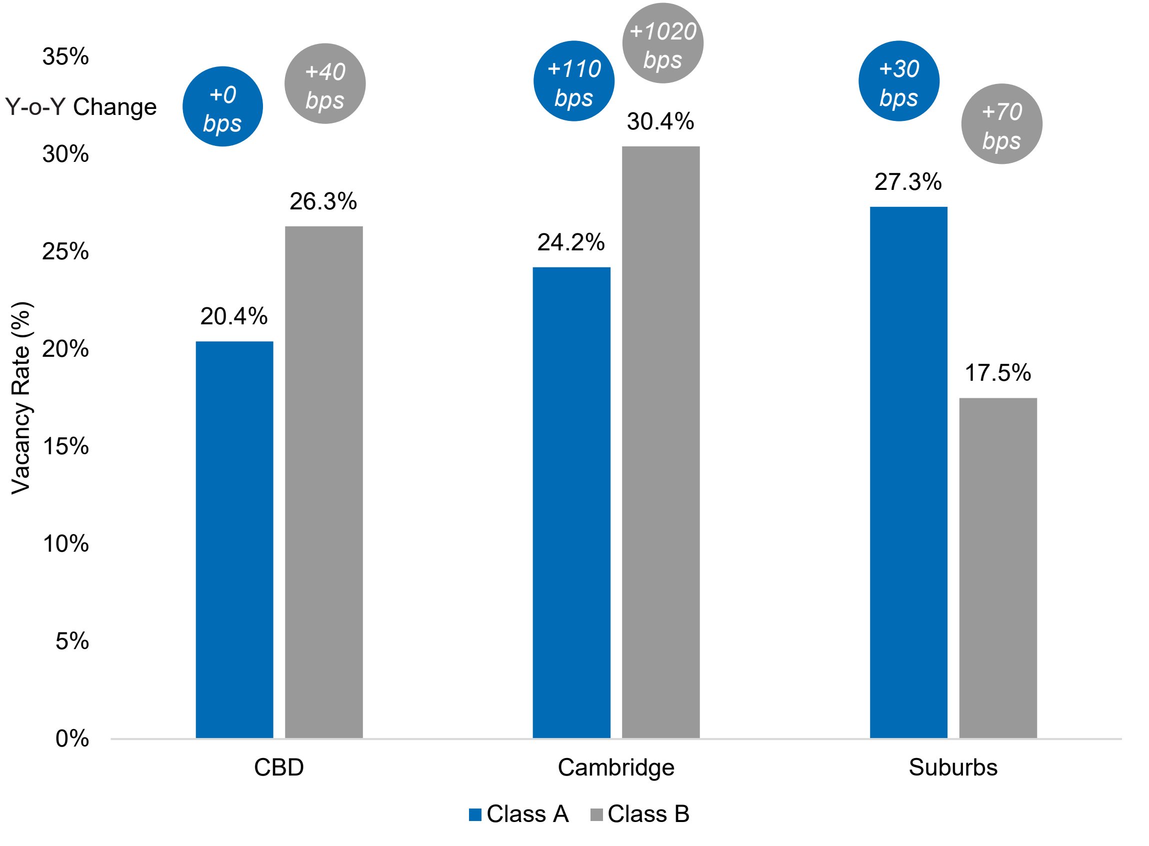
Regionwide Vacancy Eases, but Class B Weakness Persists with Tenant Flight-to-Quality

Vacancy declined across all three major Greater Boston markets in the fourth quarter of 2025, with Cambridge posting the most significant improvement with a 50-basis-point decrease due to tenants re-occupying their space. At the same time, vacancy continues to rise more quickly within Class B assets in both the CBD and Cambridge, reflecting tenants' ongoing flight-to-quality. In contrast, Suburban Class A vacancies remain elevated, trending well above the region's Class B segment.

Historic Vacancy by Submarket



4Q2025 Vacancy Rate by Submarket and Class

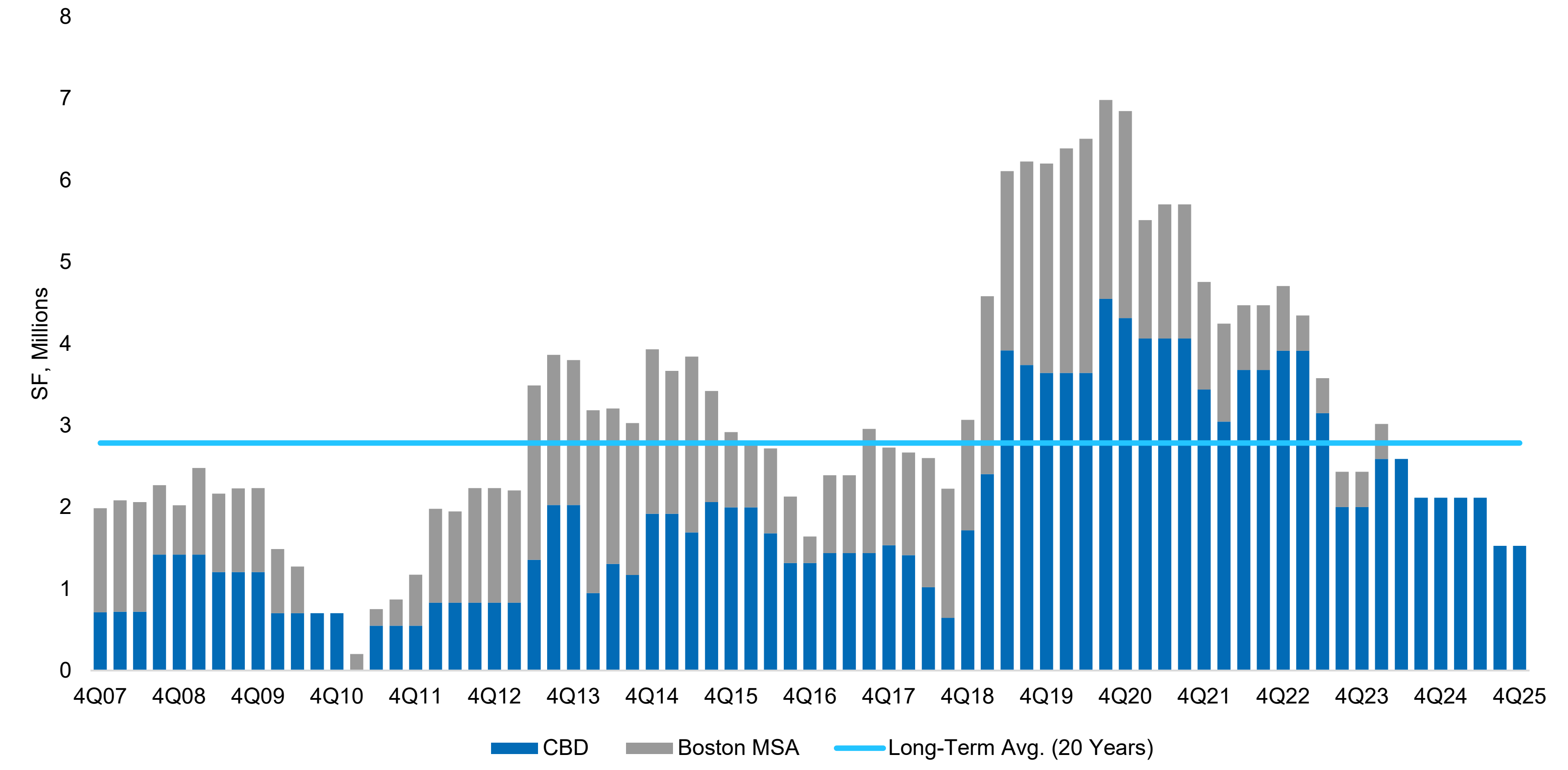


Source: Newmark Research

Only Three Projects Remain as Development Slows Sharply

Elevated vacancy rates continue to prompt developers to delay new office groundbreakings across the region, and the delivery of 10 World Trade Center last quarter in the Seaport pushed the amount of space under construction to its lowest level since 2011. Only three projects, South Station Tower, 350 Boylston Street and 1 Boston Wharf Road, remain underway throughout Greater Boston, all of which are in the CBD. As the flight-to-quality trend continues to guide tenant decision-making, the limited availabilities within premier space is drawing heightened interest from key office users.

Historical Office Construction



Office Inventory Change by Market 4Q20 to 4Q25

+2.7%
CBD Office

-1.4%
Cambridge Office

-6.4%
Suburban Office

Source: Newmark Research

Alternative Development Strategies Expand Across the Suburban Market

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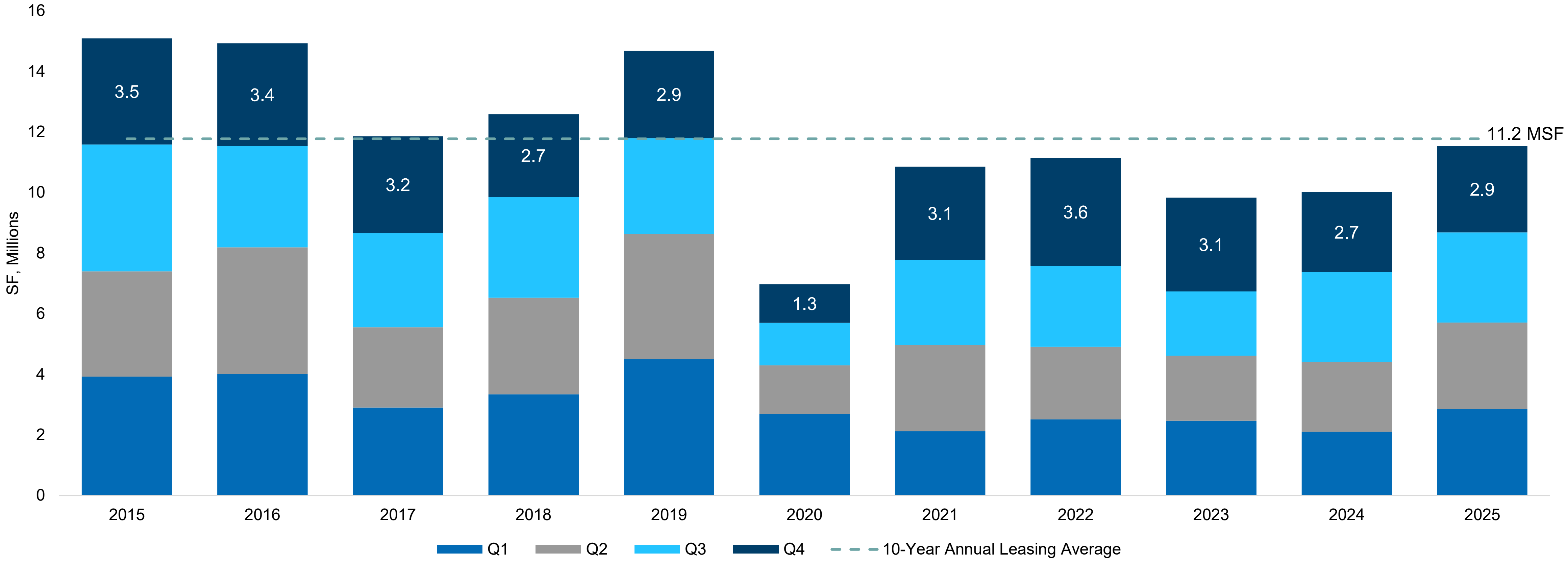
Source: Newmark Research

Strong Fourth Quarter Caps a Breakout Year for Leasing Volume

Leasing momentum in Greater Boston carried into the fourth quarter of 2025, with activity totaling roughly 2.9 million SF. For the year, the metro recorded more than 11.5 million SF of leasing, the highest annual volume since 2019. Notable fourth-quarter transactions spanned both the CBD and the Suburbs, highlighted by major renewals from Dassault Systèmes, WilmerHale and State Street. Renewals and lease extensions, particularly among traditional office-using industries, remain a defining theme, reflecting occupiers' cautious sentiment and their growing preference for flexibility amid ongoing uncertainty and evolving workplace strategies.

Total Leasing Activity (MSF)



Source: Newmark Research, CoStar

Fourth-Quarter Leasing Dominated by Major Renewals

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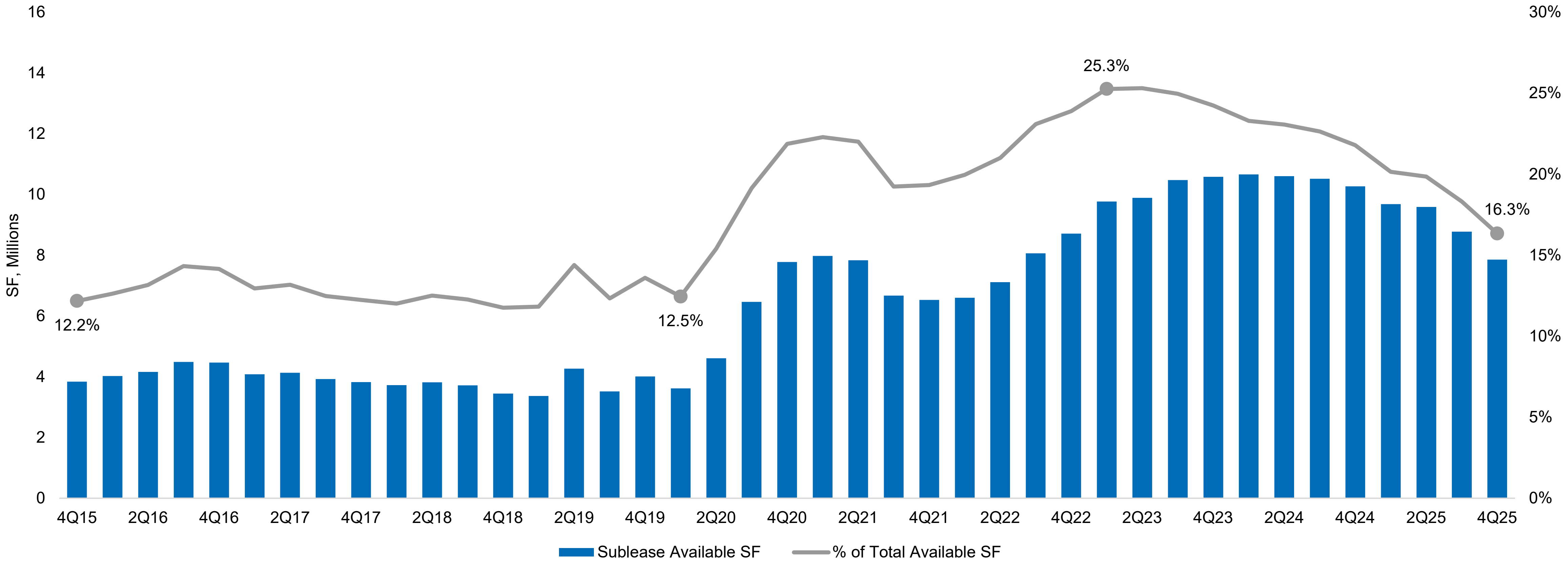
Source: Newmark Research

Sublease Availability Continues Two-Year Decline Across the Metro

Sublease inventories across the metro have been steadily moderating for the past 24 months, totaling just 7.9 million SF as of the fourth quarter of 2025. As a share of total available office space in Greater Boston, sublease offerings have been declining for more than two years. Cambridge continues to post the highest sublease availability rate, with 8.1% of its inventory on the market, while both the CBD and Suburban markets remain below 4.5%.

Historical Office Sublease Availability

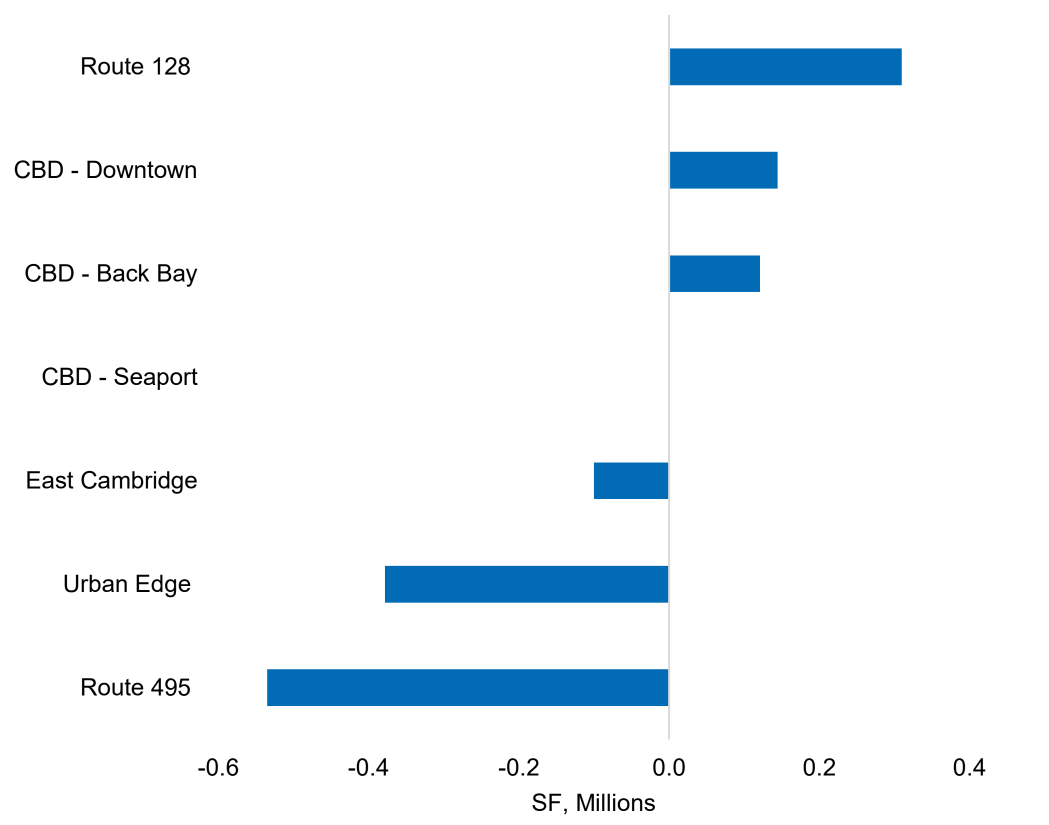


Source: Newmark Research

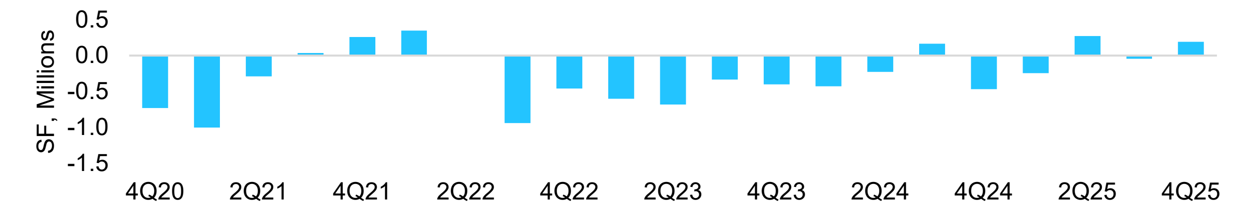
Route 128 Shows Signs of Stabilization Amid Ongoing Suburban Declines

Cambridge and the CBD both posted positive net absorption in the fourth quarter of 2025, while the Suburbs recorded their tenth consecutive quarter of negative absorption. Much of the suburban weakness stems from the Route 495 corridor, which has experienced the most significant losses over the past 12 months. The Urban Edge registered the second-highest level of negative absorption during that period, though its losses were only about 70.0% of those seen along Route 495. Notably, Route 128 delivered the strongest positive absorption this year, hinting at early signs of stabilization.

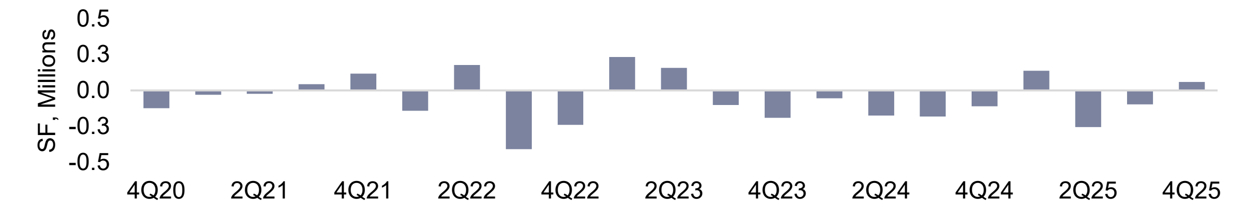
12-Month Net Absorption by Major Submarket



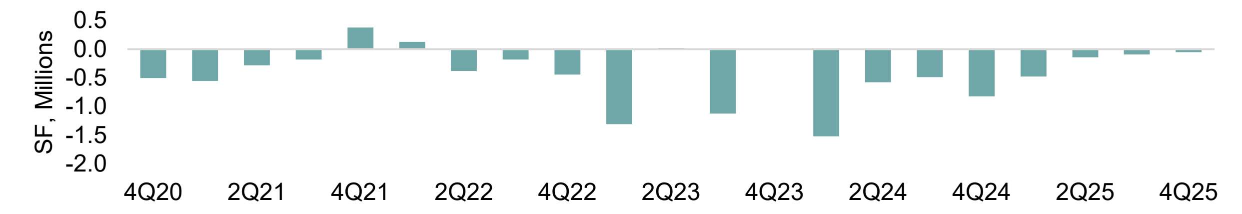
Historical Net Absorption | CBD



Historical Net Absorption | Cambridge



Historical Net Absorption | Suburbs

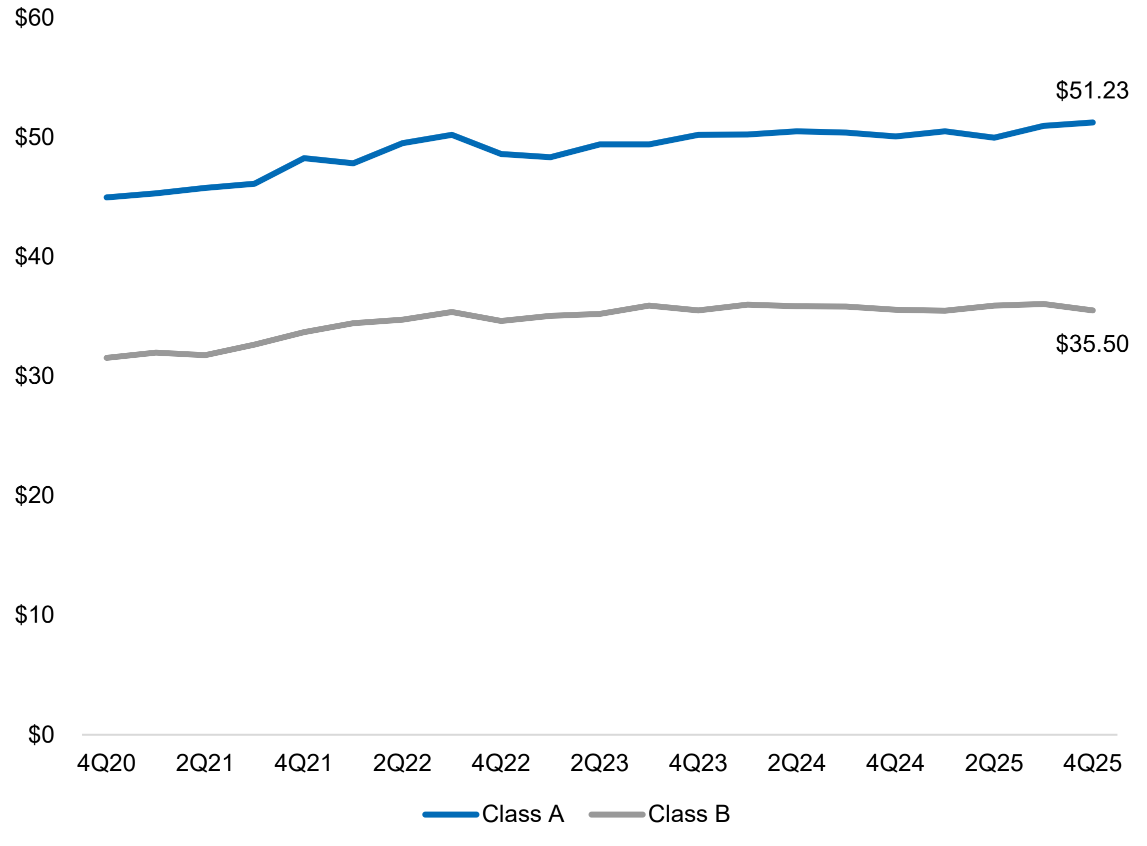


Source: Newmark Research

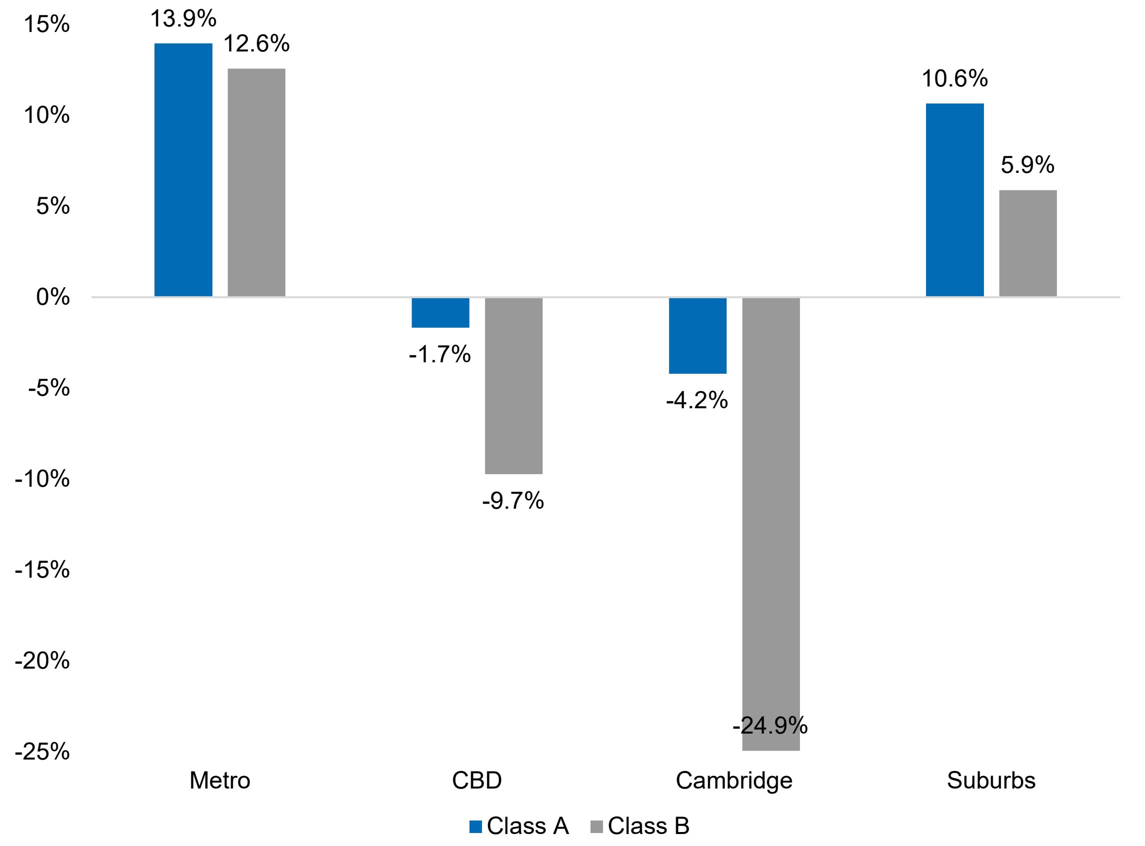
Greater Boston Office Rents Continue Overall Upward Trajectory

Asking rents across Greater Boston's office market increased for a second consecutive quarter, now sitting at $46.24/SF. This was led by a solid increase in Class A asking rents to $51.23/SF, as overall Class B rents fell slightly quarter-over-quarter to $35.50/SF. Looking over the past five years, Boston Metro asking rents have increased, though mostly due to an increase in the proportion of available space in the CBD and Cambridge over that period as opposed to a broad increase in demand. Speculative development in the CBD delivered with top of the market rents is a driver behind the increase in that proportion of available space.

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

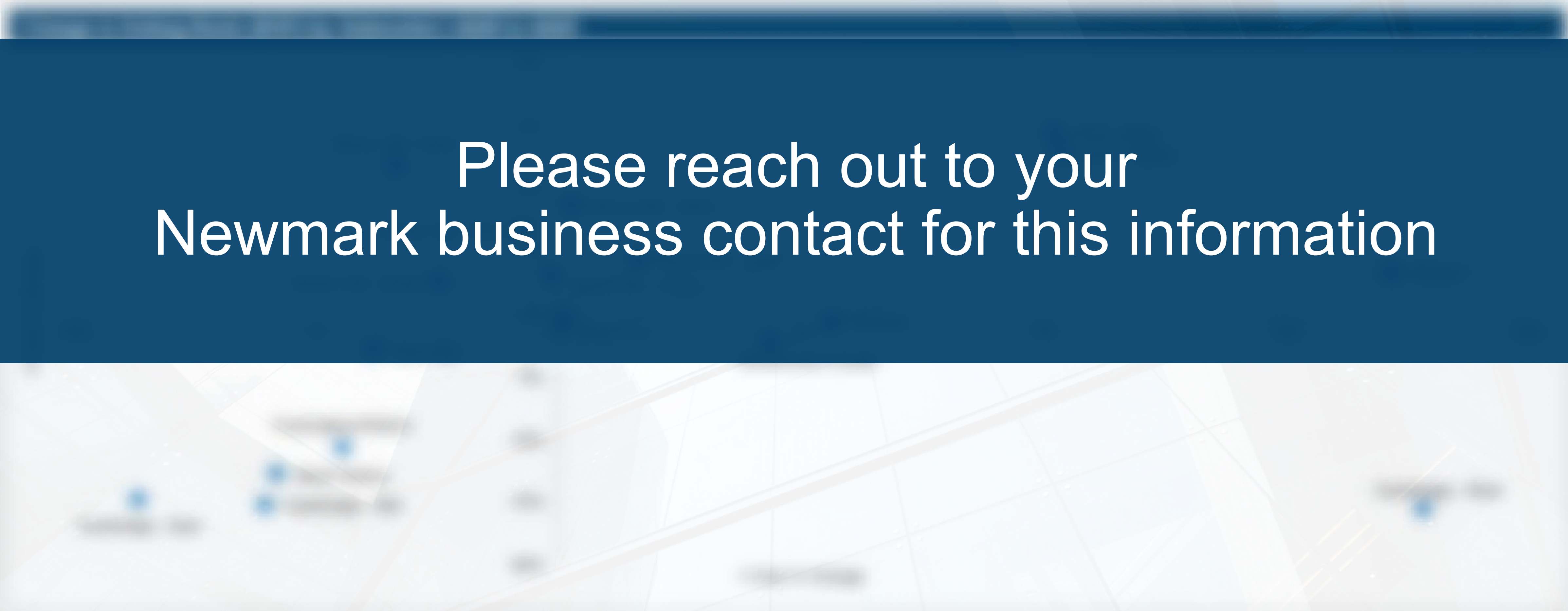


Change in Class A and B Asking Rents ($/SF) 4Q20-4Q25



Source: Newmark Research

Cambridge Leads Region in Rent Declines as Select Submarkets Strengthen



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Source: Newmark Research, CoStar

03

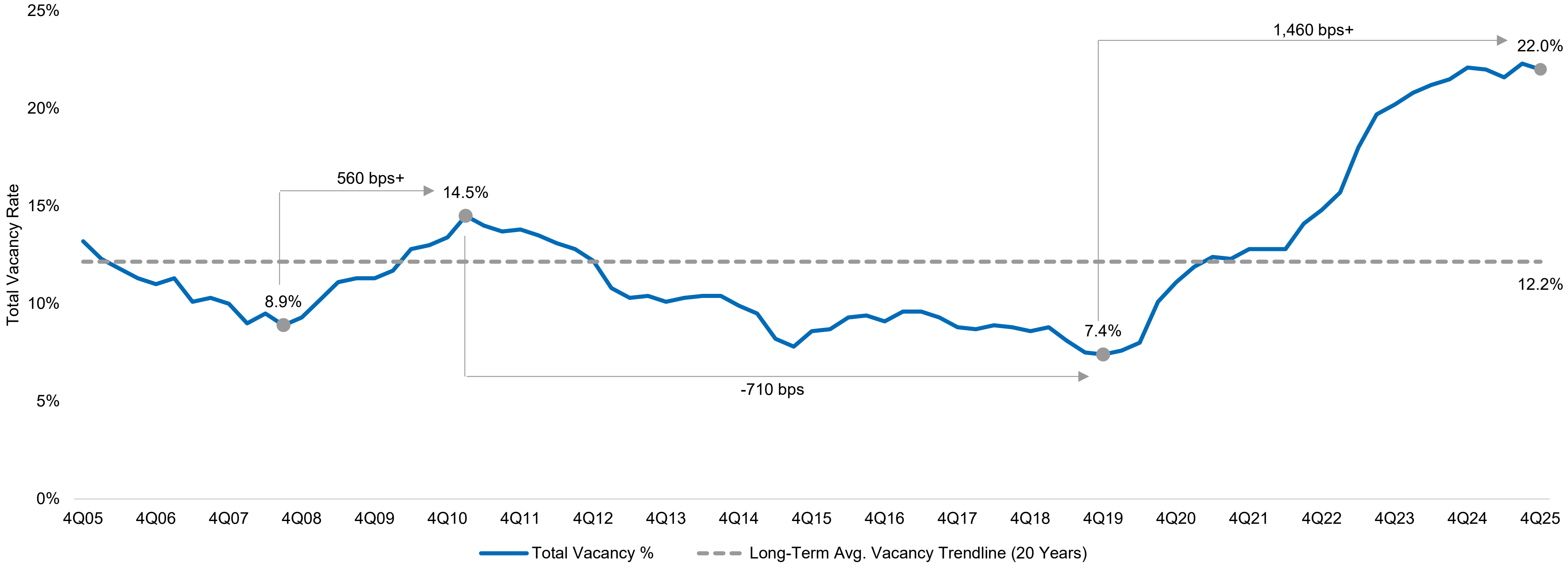
Boston CBD Office Market

4Q25

Vacancy Eases Following Last Quarter’s Historic High

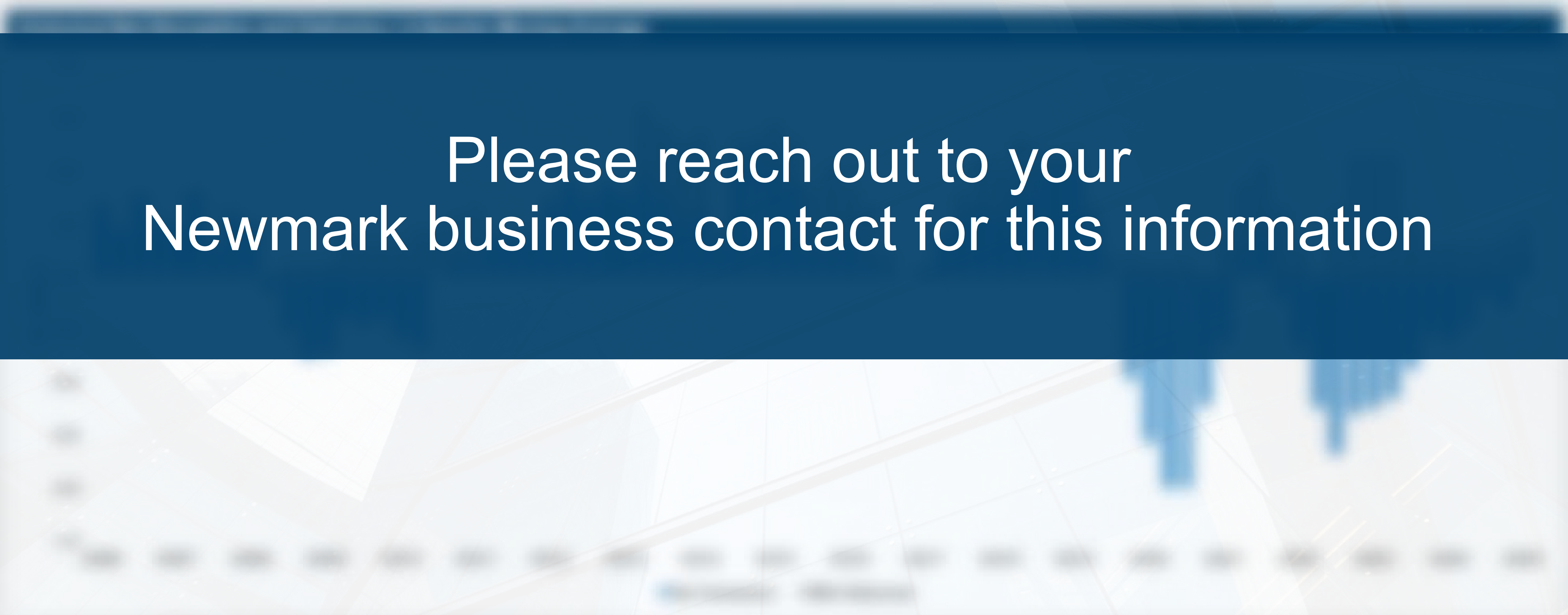
Boston’s CBD office market posted a 30-basis-point decline in vacancy this quarter, following a new historic high in the prior period. This represents only the fifth quarter of vacancy improvement in the past six years. Last quarter’s increase was influenced by the fully vacant delivery of 10 World Trade Center, as well as tenants choosing to relinquish space at lease expiration rather than renew at existing footprints. However, select tenants, like DataDog, are expanding and bringing welcome absorption as most of the market focuses on smaller deals, bringing incremental gains to occupancy and thus reducing the vacancy rate.

Historical Vacancy Rate



Source: Newmark Research

Early Signs of Stabilization in Boston's CBD



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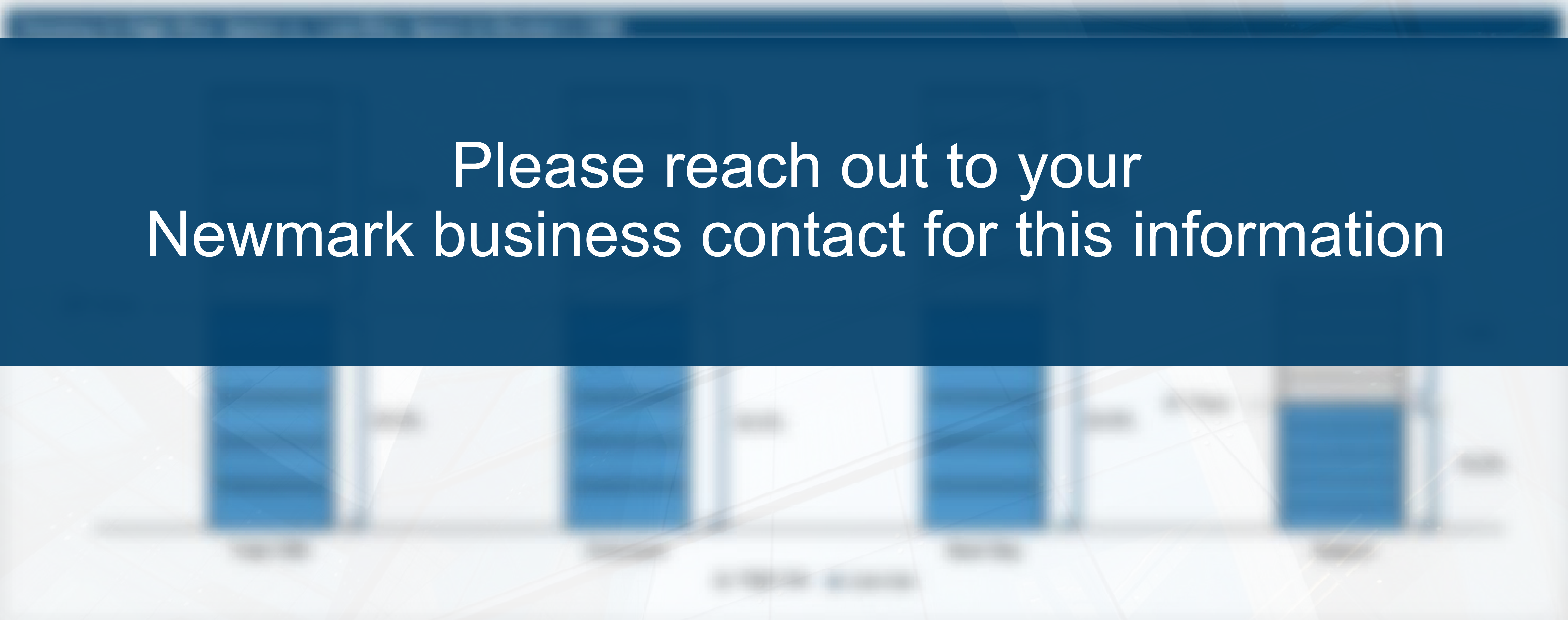
Source: Newmark Research

Limited High-Rise Supply Drives Renewed Interest in Low-Rise Space



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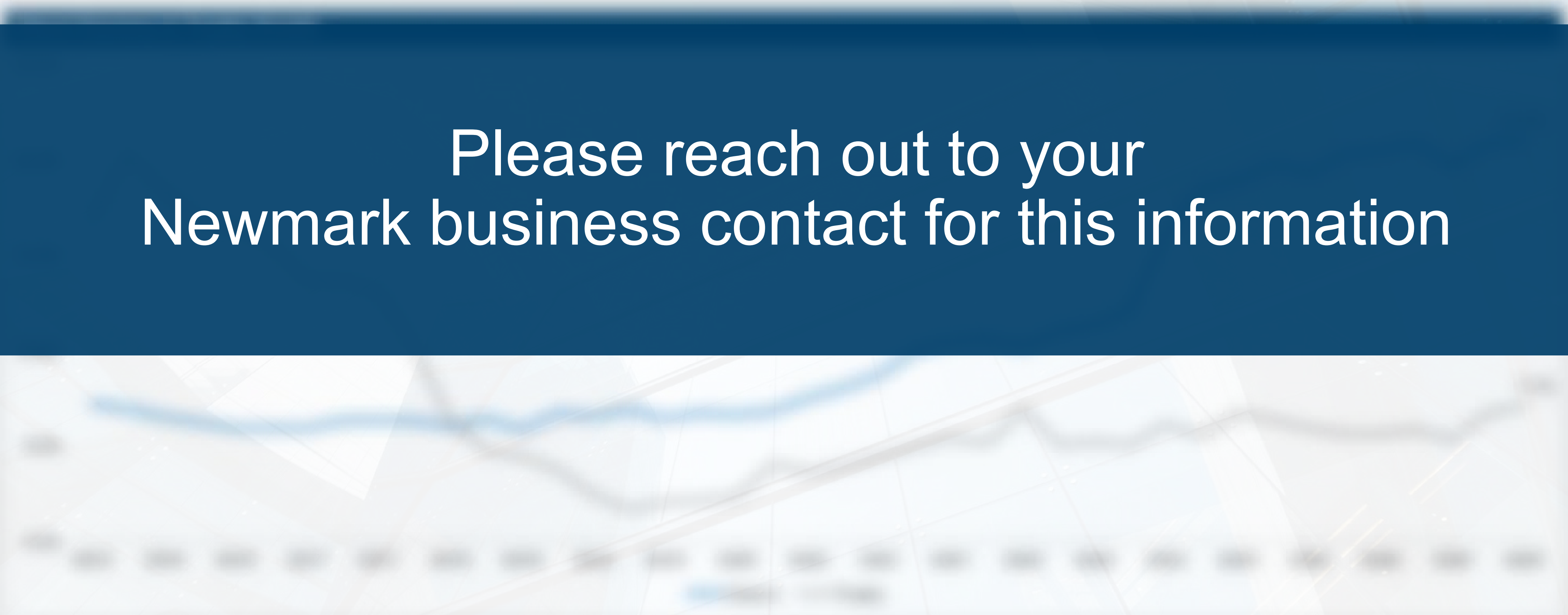
Note: Data is from a select survey of office towers. For every market, except the Seaport, the buildings have a minimum of 20 floors. Due to airspace height restrictions, the premier office buildings in the Seaport have a minimum of 9 floors.
Source: Newmark Research

High-End CBD Assets Outpace the Broader Class A Market



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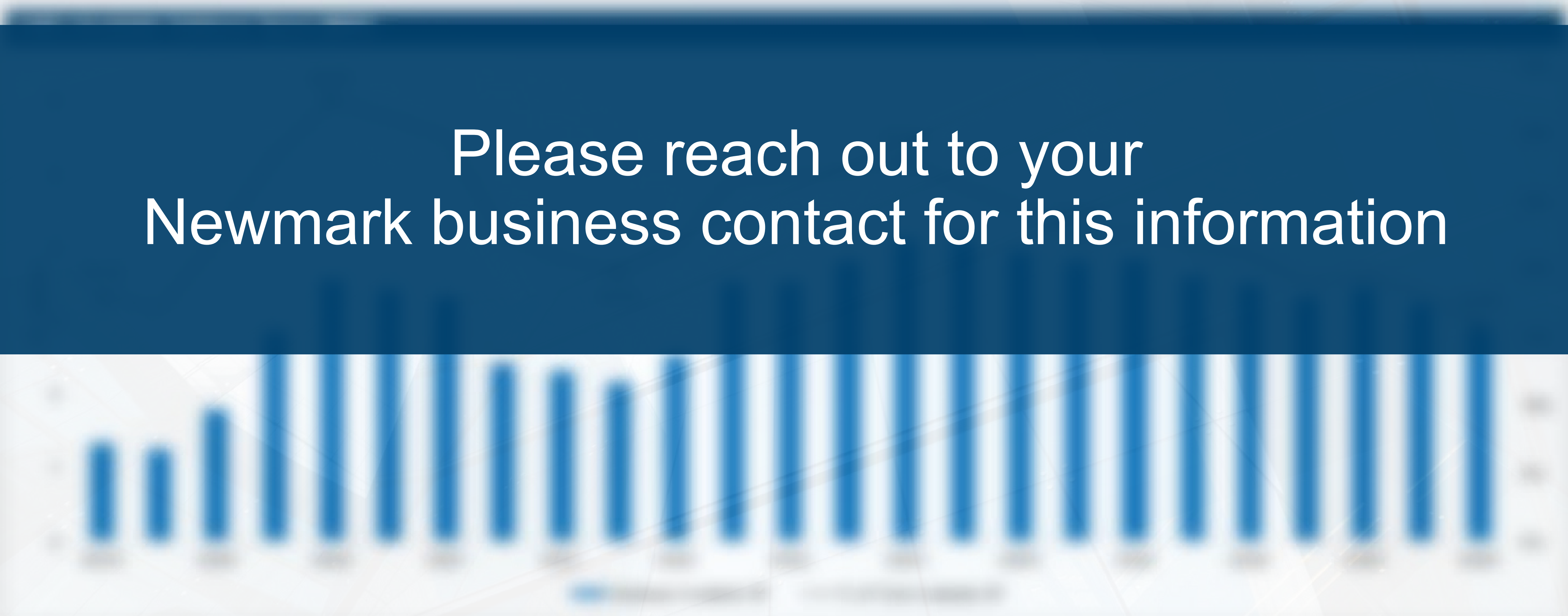
Source: Newmark Research
Note: The Class A data set does not include the properties classified as “Trophy” in this analysis.

Sublease Availability Continues Its Downward Trend



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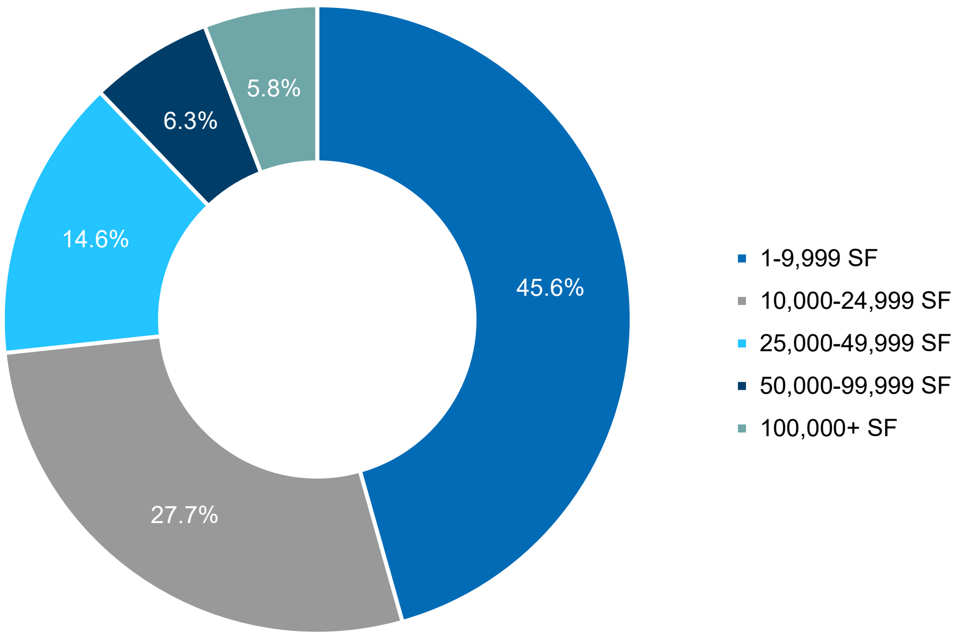
Source: Newmark Research

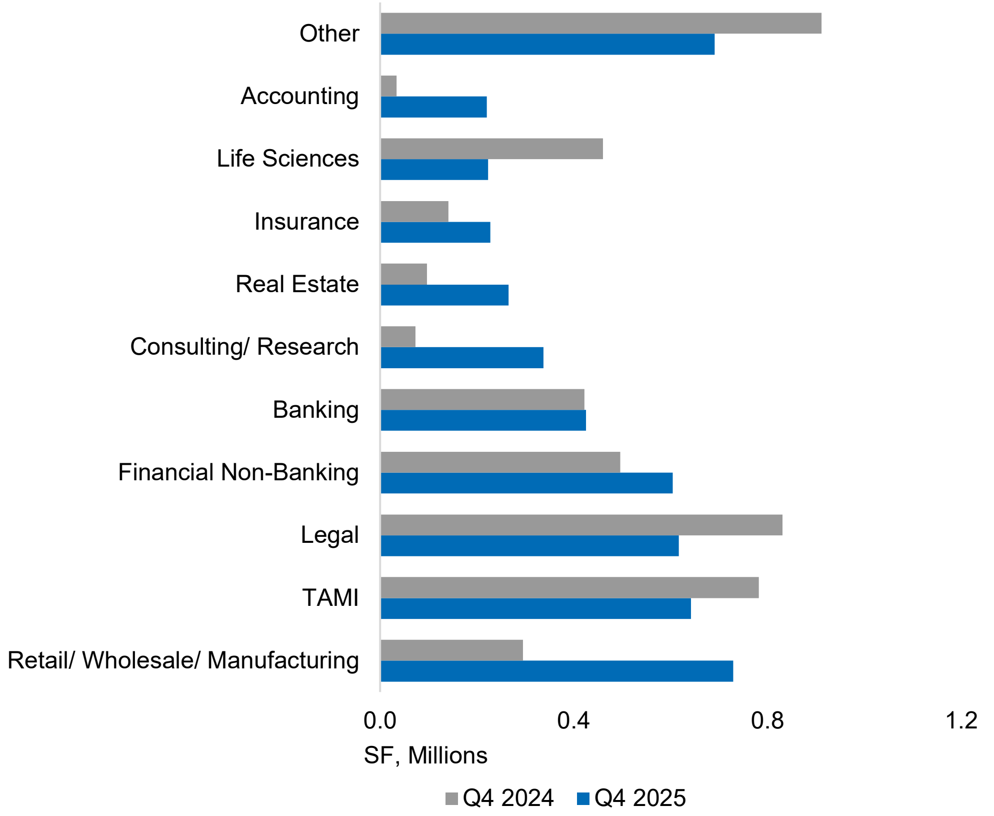
Active Requirements Highlight Boston’s Small-Tenant Market Profile

During the fourth quarter of 2025, the Boston CBD submarket tracked 206 active tenant requirements totaling more than five million SF. Demand was led by the Retail/Wholesale/Manufacturing sector, which accounted for approximately 729,000 SF, or 14.6% of all office requirements. Market activity continues to underscore Boston’s identity as a predominantly “small-tenant” market, with 73.3% of active requirements targeting spaces under 25,000 SF.

Number of Requirements by Size Tranche

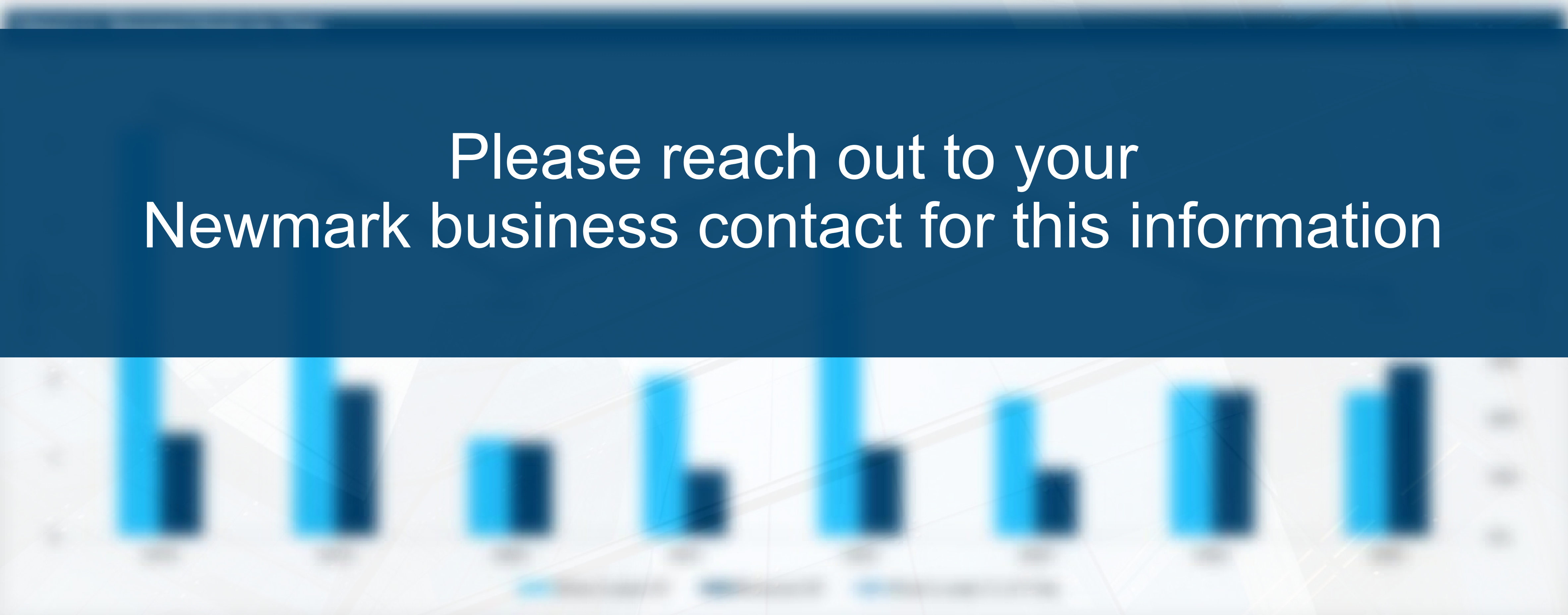


Active Requirements By SF for Top 10 Industries



Source: Newmark Research

Renewals Stay Elevated as Direct Leasing Catches Up



Please reach out to your
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Source: Newmark Research

Average Lease Terms Rise, Marking a Cautious Return to Stability

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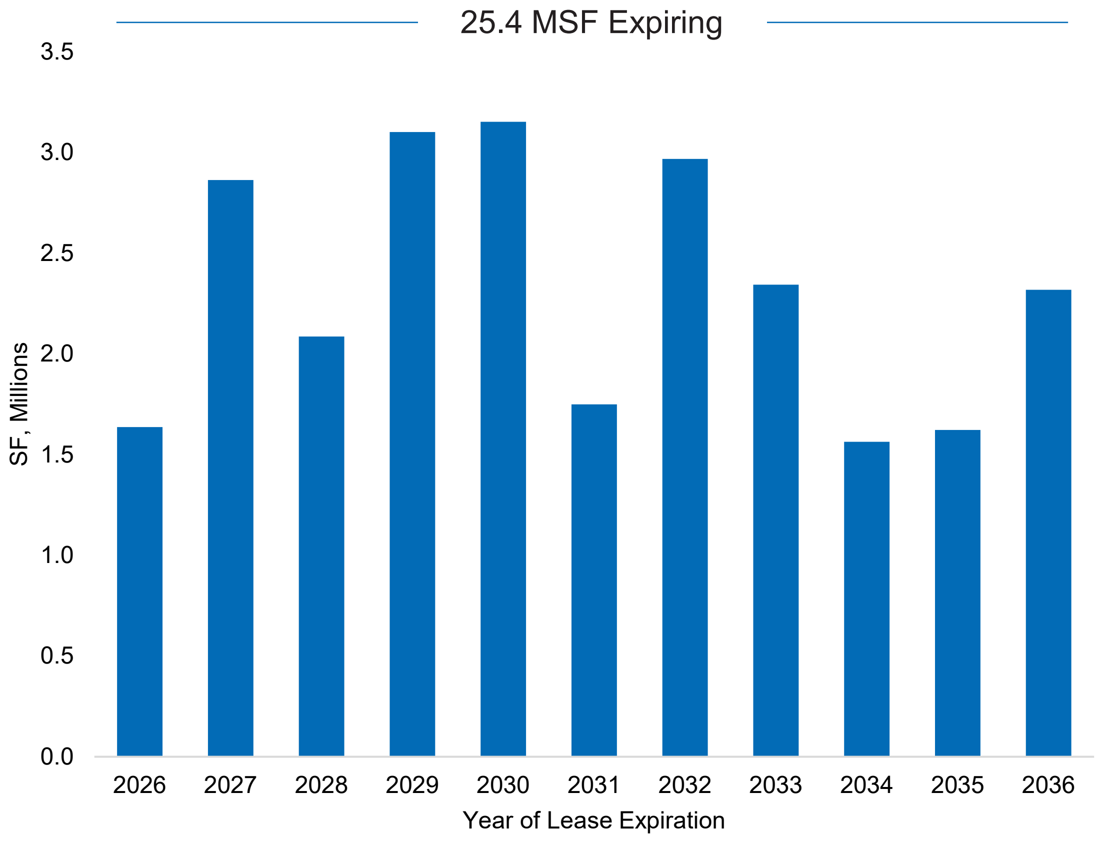
Source: Newmark Research
Note: Includes leases with 36-month+ term lengths.

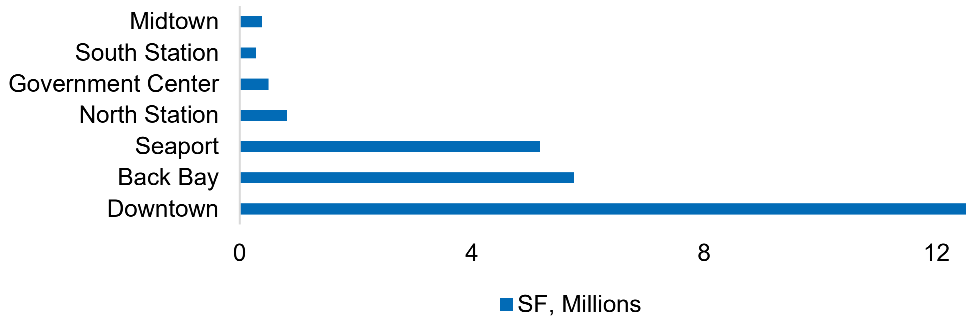
Significant Lease Expirations Signal a Decade of Active Re-Tenanting

With roughly 25.4 million SF of office leases scheduled to roll over in the coming decade, expiration-driven activity is expected to remain a major force in the Boston market. A significant portion of this upcoming rollover is concentrated in Class A assets, particularly within the Downtown submarket. Notably, tenants in the FIRE sectors represent 35% of the space set to expire in the CBD, positioning these firms as a key influence on the market's future leasing dynamics.

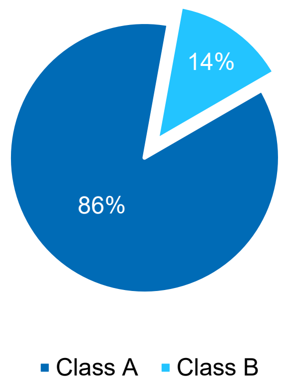
CBD Office Lease Expiration 2026-2036 | Tenants 15 KSF+



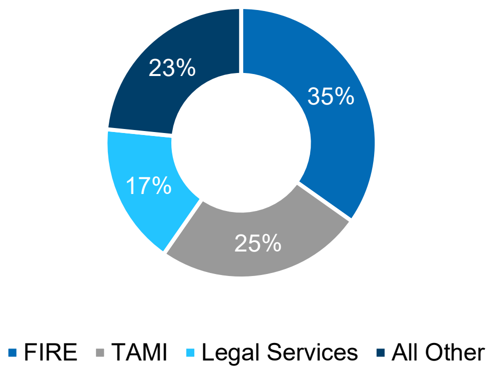
Office Lease Expiration by Submarket



Office Lease Expiration by Class



Office Lease Expiration by Sector

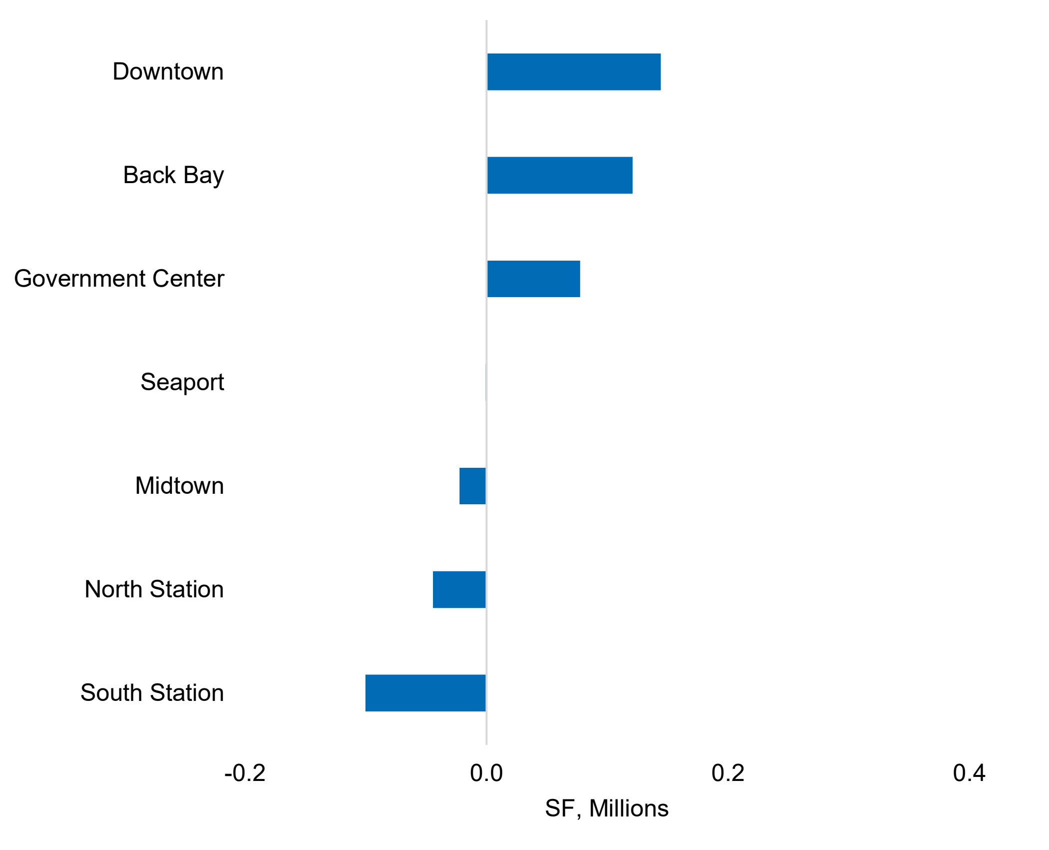


Source: Newmark Research

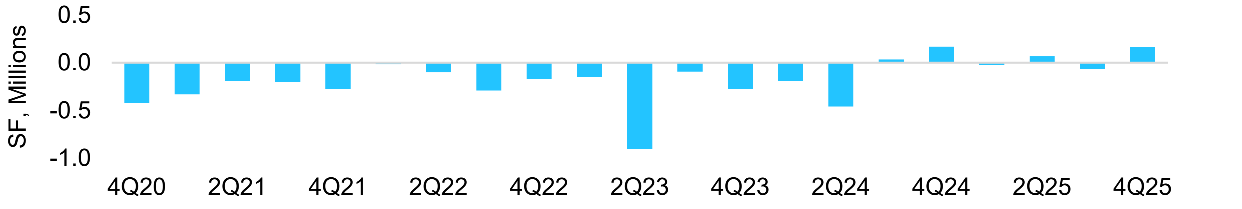
Positive Absorption Emerges Despite Uneven Submarket Performance

Year-to-date, net absorption closed the fourth quarter of 2025 at more than 175,000 SF of positive activity, driven primarily by modest occupancy gains in the Downtown submarket. However, demand remained uneven across the CBD. Over the past 12 months, only three of the seven submarkets posted positive net absorption, as the first quarter of 2025 recorded substantial losses that continue to highlight the persistent softness in urban office demand.

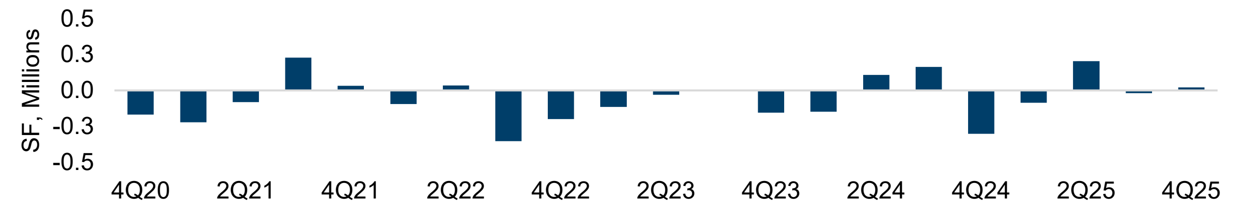
12-Month Net Absorption by Major Submarket



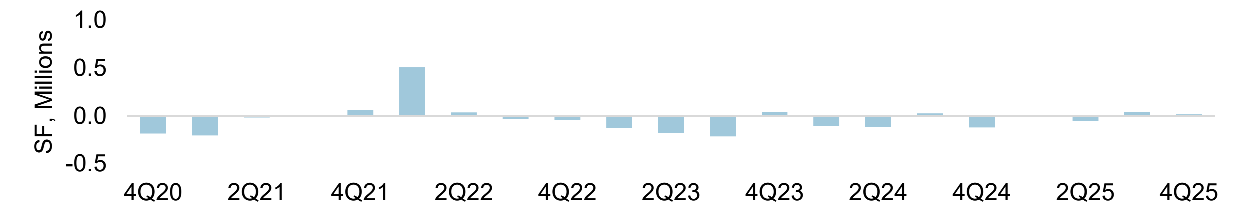
Historical Net Absorption | Downtown



Historical Net Absorption | Back Bay



Historical Net Absorption | Seaport



Source: Newmark Research

Peak-Pricing Boost Fades as CBD Rents Trend Downward

Please reach out to your
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Source: Newmark Research, CoStar

Conversions Gain Momentum as Urban Boston Repositions its Office Stock

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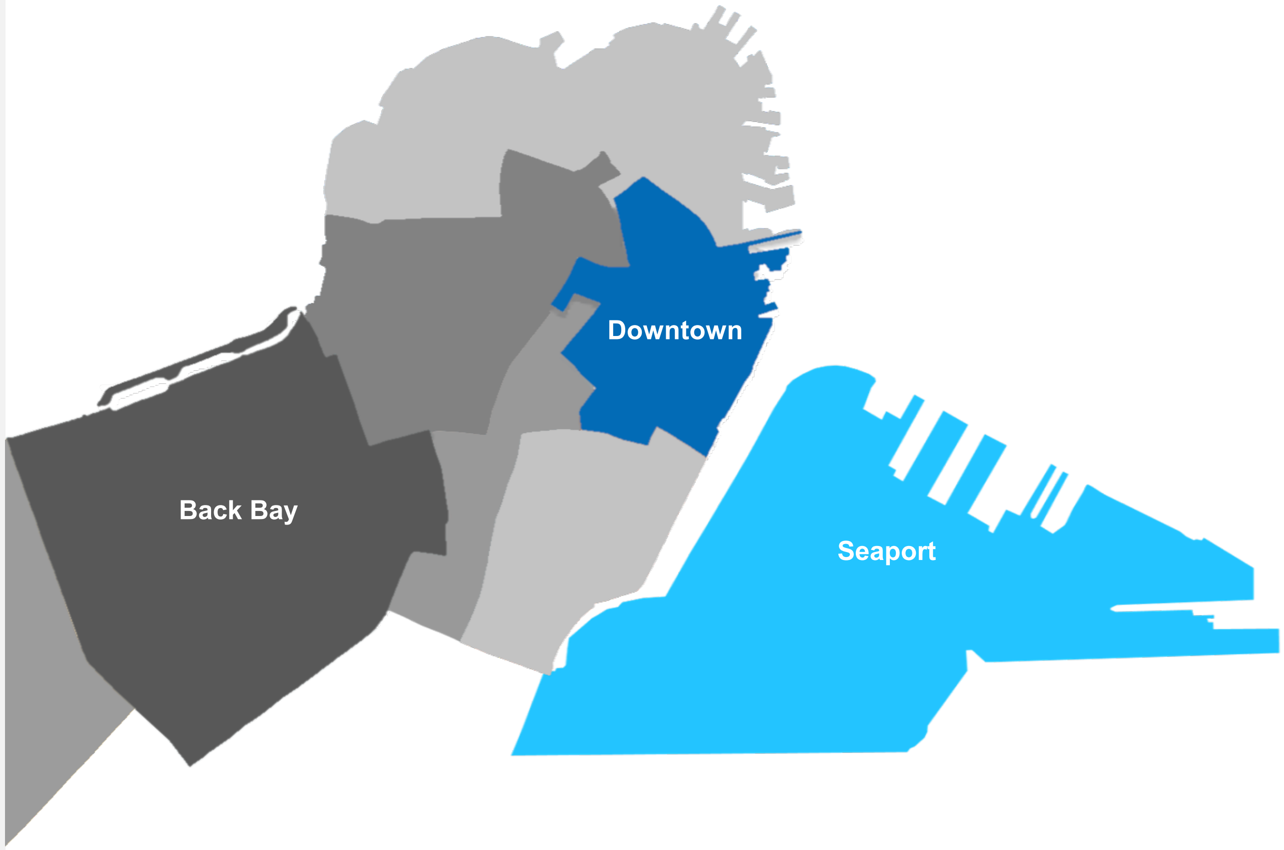
Data: Newmark Research, Boston Planning

4Q25 CBD Submarket Stats

4Q25 Quick Stats, All Classes



Downtown	
33.5 Inventory (MSF)	23.8% Vacancy Rate
165,015 Net Absorption (SF)	$66.96 Asking Rent ($/SF)

Back Bay	
13.8 Inventory (MSF)	18.1% Vacancy Rate
21,354 Net Absorption (SF)	$66.11 Asking Rent ($/SF)

Seaport	
10.7 Inventory (MSF)	21.8% Vacancy Rate
15,764 Net Absorption (SF)	$69.10 Asking Rent ($/SF)

Data: Newmark Research, Boston Planning

04

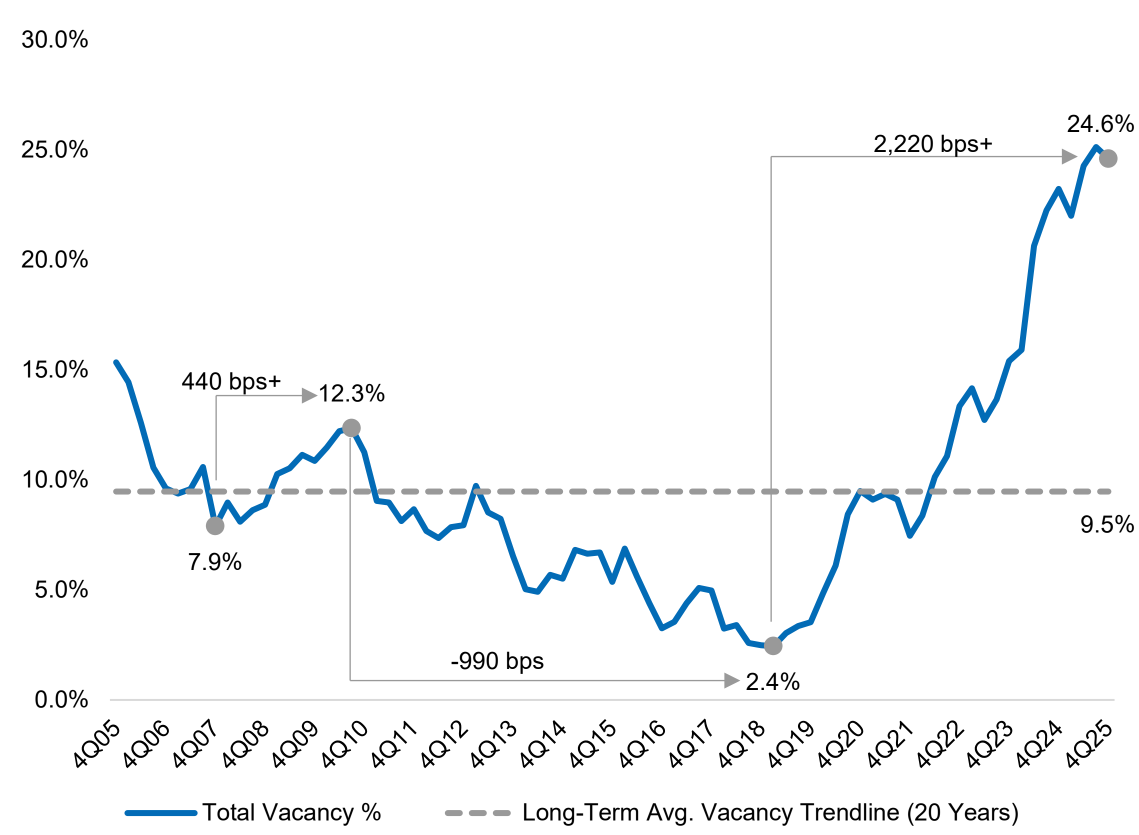
Cambridge Office Market

4Q25

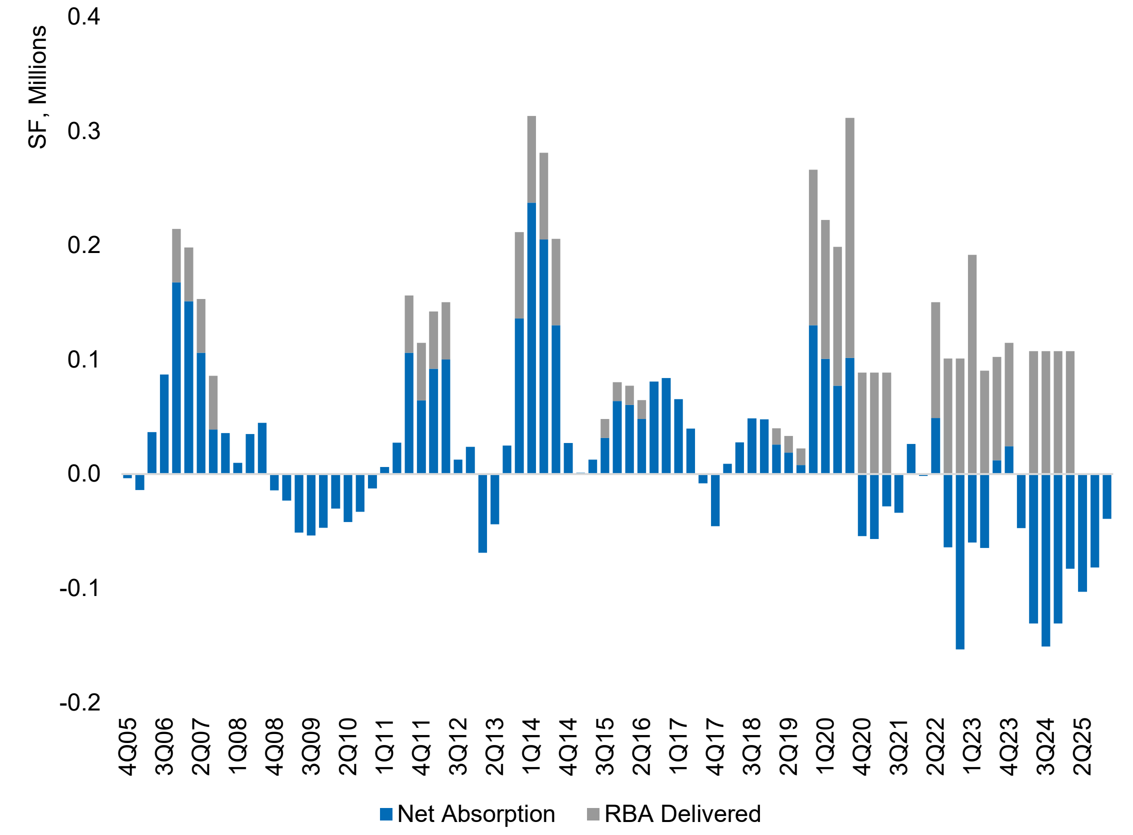
Cambridge Vacancy Rate Ticks Down as Pressure on Fundamentals Eases

While historically elevated, total vacancy in Cambridge fell 50 basis points quarter-over-quarter. This quarter, the main driver was the reduction of vacant sublease space, with re-occupancy and space going direct both contributing. Quarterly net absorption was positive for the first time since the second quarter of 2023, bringing the four-quarter moving average to its highest level since the end of 2023. Several quarters removed from the last delivery, office construction in Cambridge is likely to remain non-existent until overall office fundamentals reverse or a large tenant commits to a build-to-suit project.

Historical Vacancy Rate



Historical Net Absorption and Deliveries | 4-Quarter Moving Average



Source: Newmark Research, CoStar

Overall Availability Up Slightly, Driven by Direct Space Opportunities

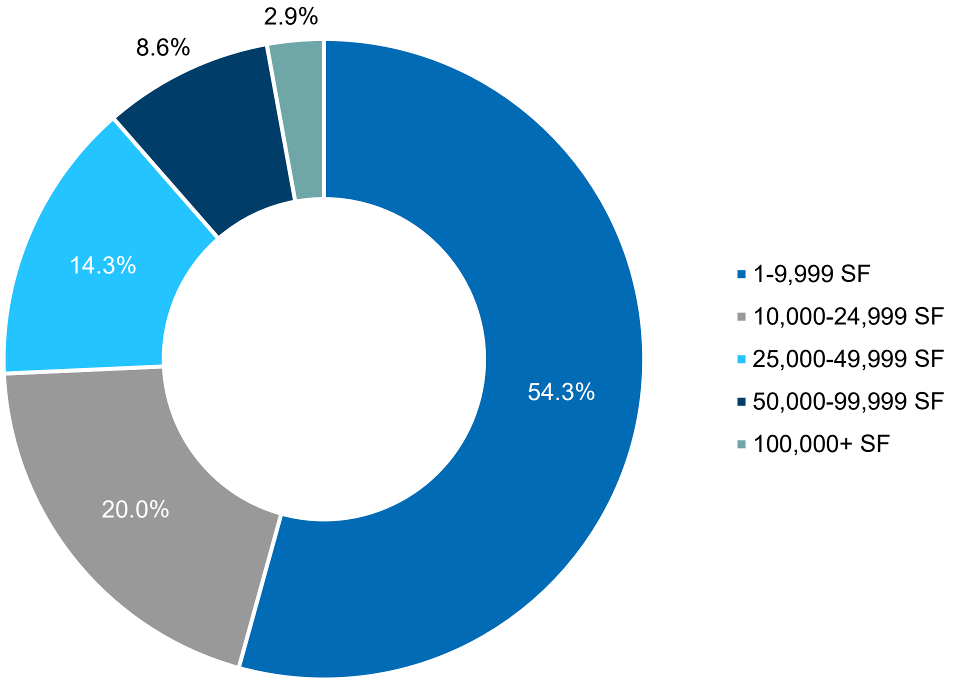
Please reach out to your
Newmark business contact for this information

Source: Newmark Research, CoStar

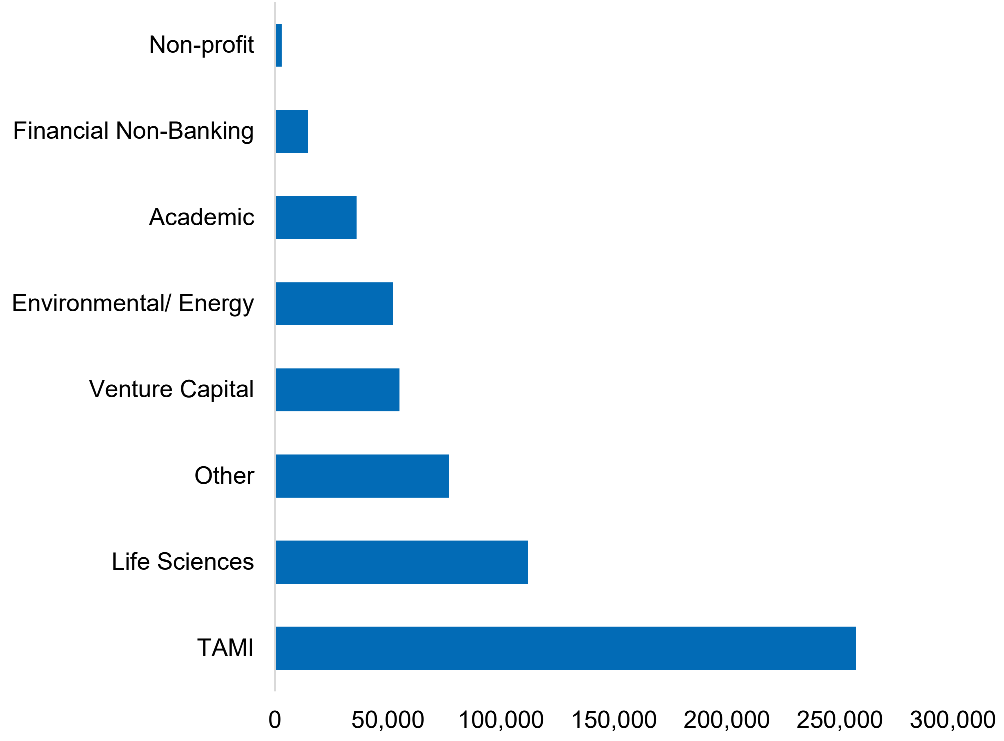
Office Demand Still Limited in Cambridge, but On the Rise

Cambridge office demand closed the year with some good momentum, though it has a fair way to go to resemble pre-pandemic numbers. Tracked tenant requirements in Cambridge have increased by roughly 33.0% from the third quarter of 2025, currently sitting at just over 600,000 SF of tracked demand. The TAMI sector continues to lead the way, with just under half the demand tracked attributed to this industry grouping.

Number of Requirements by Size Tranche



Active Requirements By SF and Industry (SF, Thousands)



Source: Newmark Research

Downward Pressure on Cambridge Rents Persists

Please reach out to your
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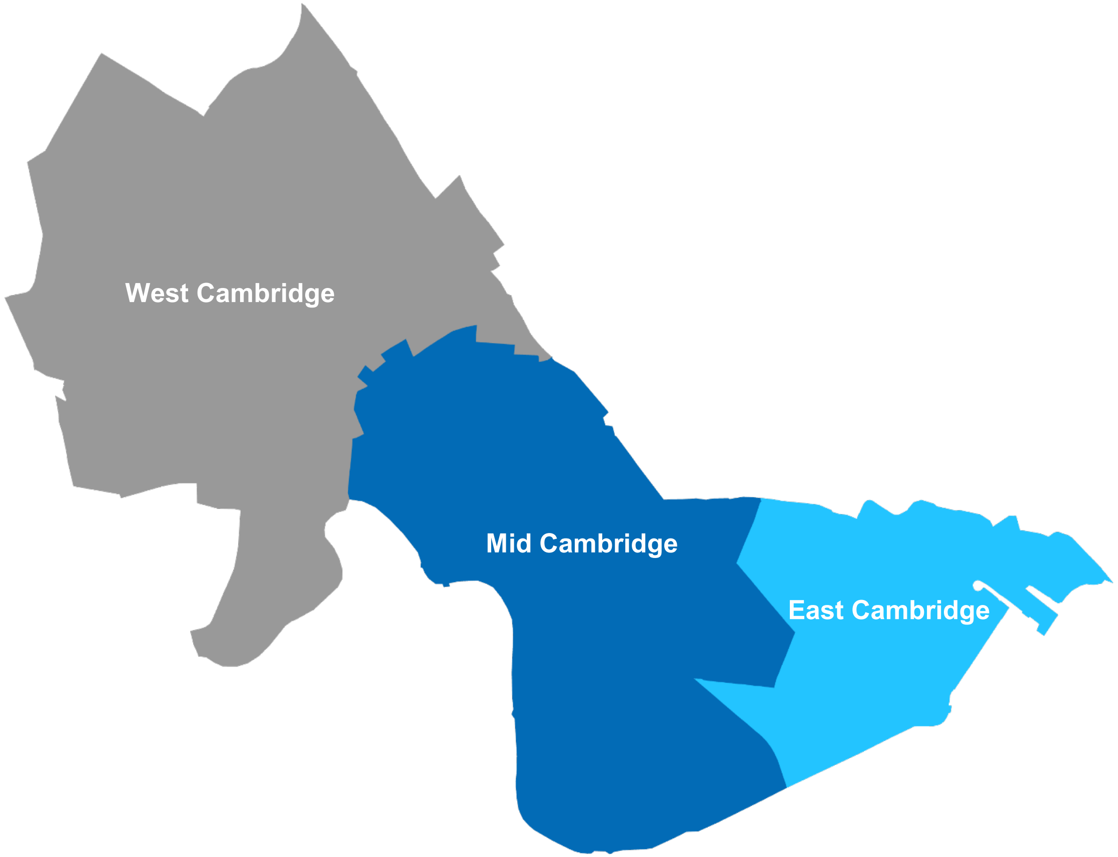
Source: Newmark Research, CoStar

4Q25 Cambridge Submarket Stats

4Q25 Quick Stats, All Classes



East Cambridge	
7.7 Inventory (MSF)	27.2% Vacancy Rate
67,789 Net Absorption (SF)	$77.66 Asking Rent ($/SF)

Mid Cambridge	
2.6 Inventory (MSF)	18.0% Vacancy Rate
-4,054 Net Absorption (SF)	$57.18 Asking Rent ($/SF)

West Cambridge	
1.0 Inventory (MSF)	21.5% Vacancy Rate
-3,840 Net Absorption (SF)	$43.80 Asking Rent ($/SF)

Data: Newmark Research, Boston Planning

05

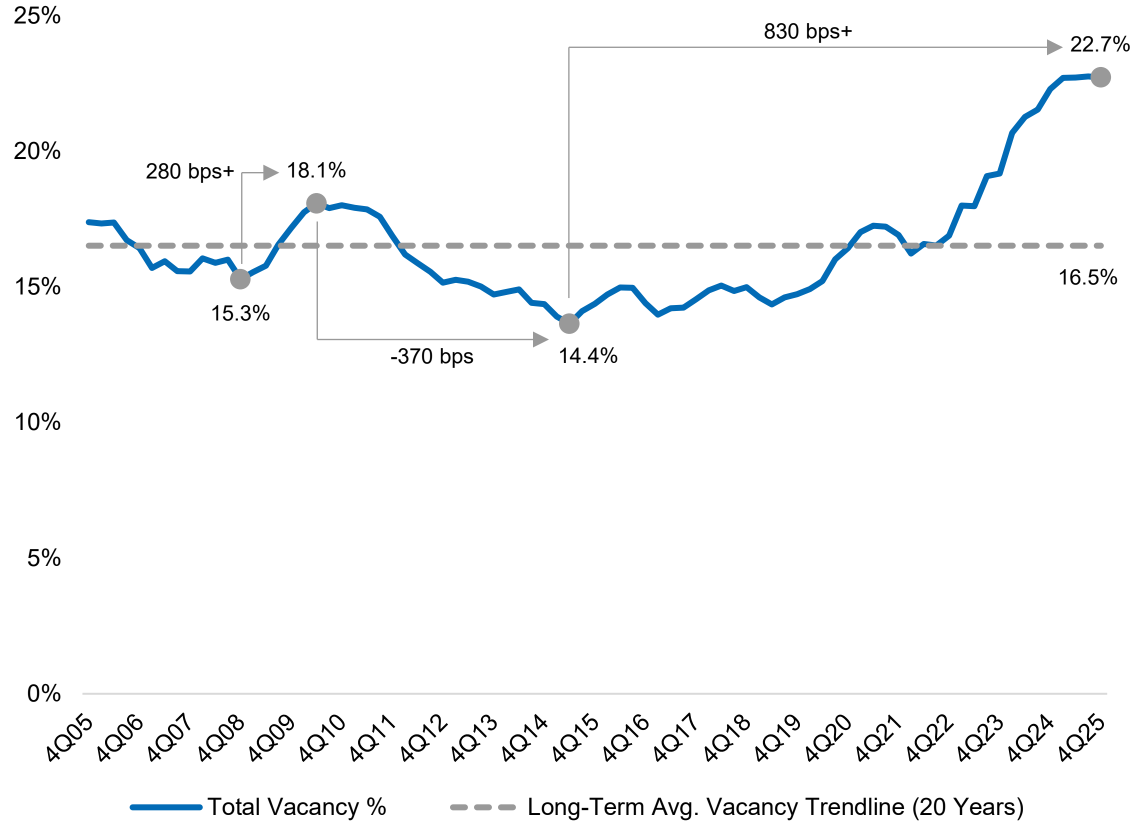
Suburban Office Market

4Q25

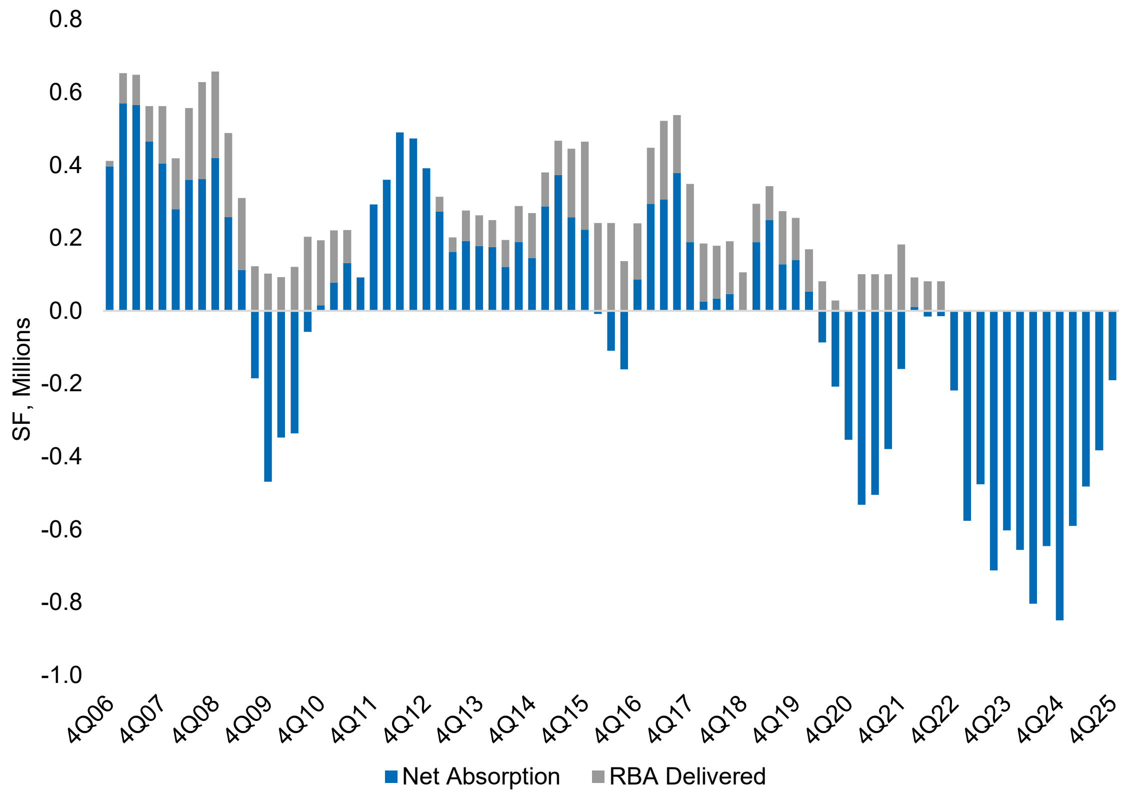
Suburban Vacancy Remains Steady with Limited New Supply

Suburban vacancy rates have remained consistently high since the second quarter of 2025. However, negative net absorption has been decreasing throughout the year, suggesting modest improvement as tenants continue to return space at a slower rate. With no projects currently under construction and no recent building deliveries, market supply remains steady, leading tenants to concentrate on customizing existing spaces.

Historical Vacancy Rate



Historical Net Absorption and Deliveries | 4-Quarter Moving Average

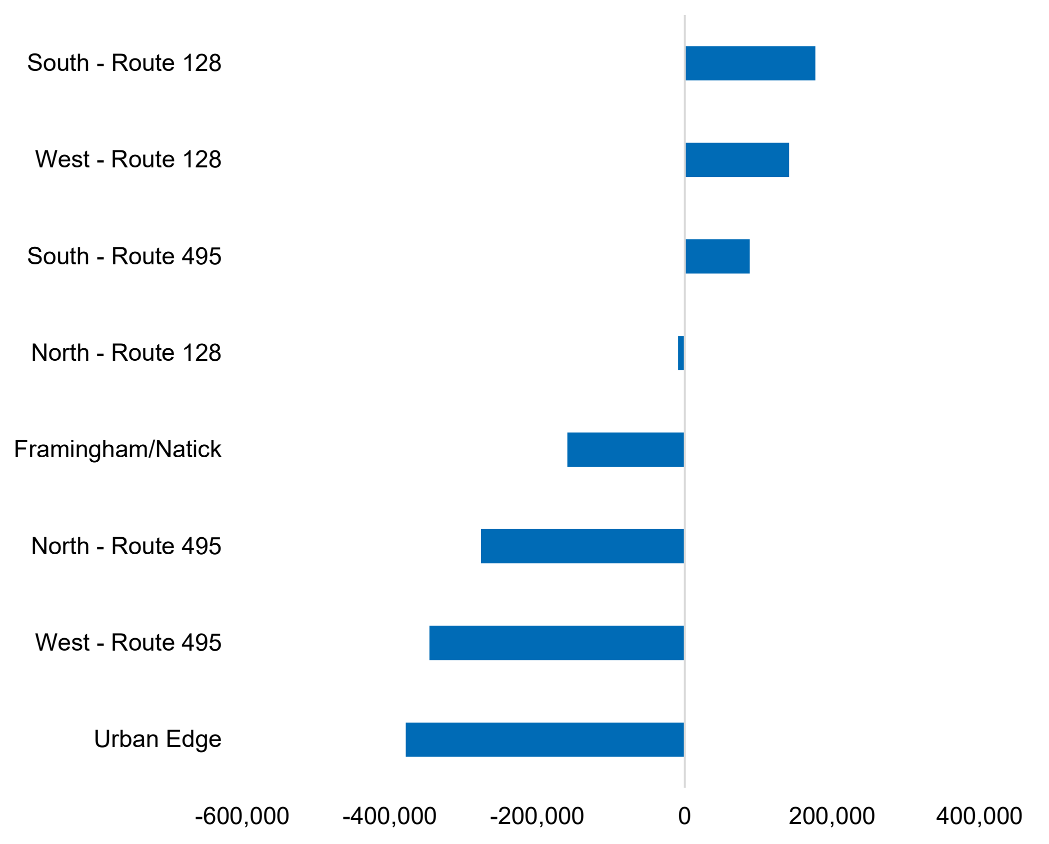


Source: Newmark Research, CoStar

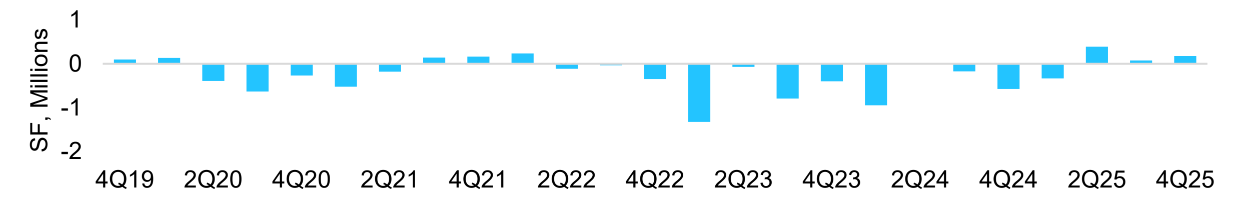
Net Absorption Trends Highlight Uneven Recovery

The Route 128 market continues to post positive net absorption, supported by conversion trends in the West – Route 128 submarket that are reducing office inventory. In contrast, the Urban Edge submarket has struggled throughout the year due to weaker tenant demand, and the Route 495 markets have also faced persistent challenges, with year-to-date net absorption remaining negative. These patterns highlight an uneven recovery, while submarkets along Route 128 benefit from reduced inventory and demand for high-quality space, others continue to face challenges.

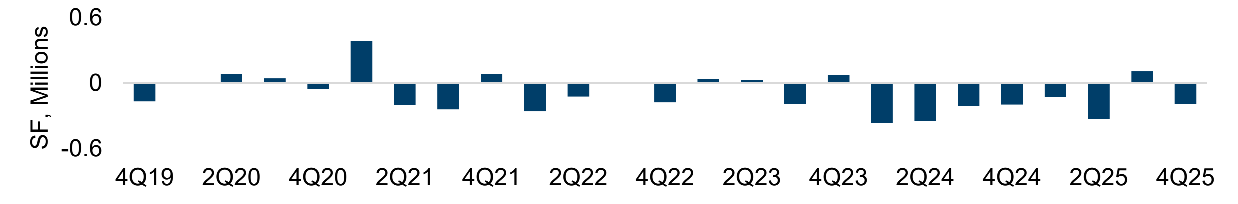
12-Month Net Absorption by Major Submarket, SF



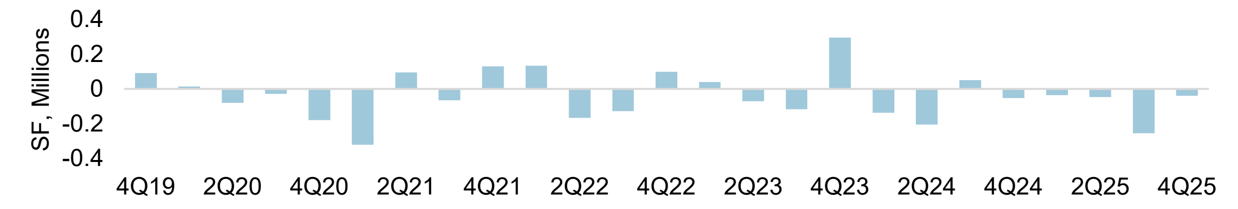
Historical Net Absorption | Route 128



Historical Net Absorption | Route 495



Historical Net Absorption | Urban Edge

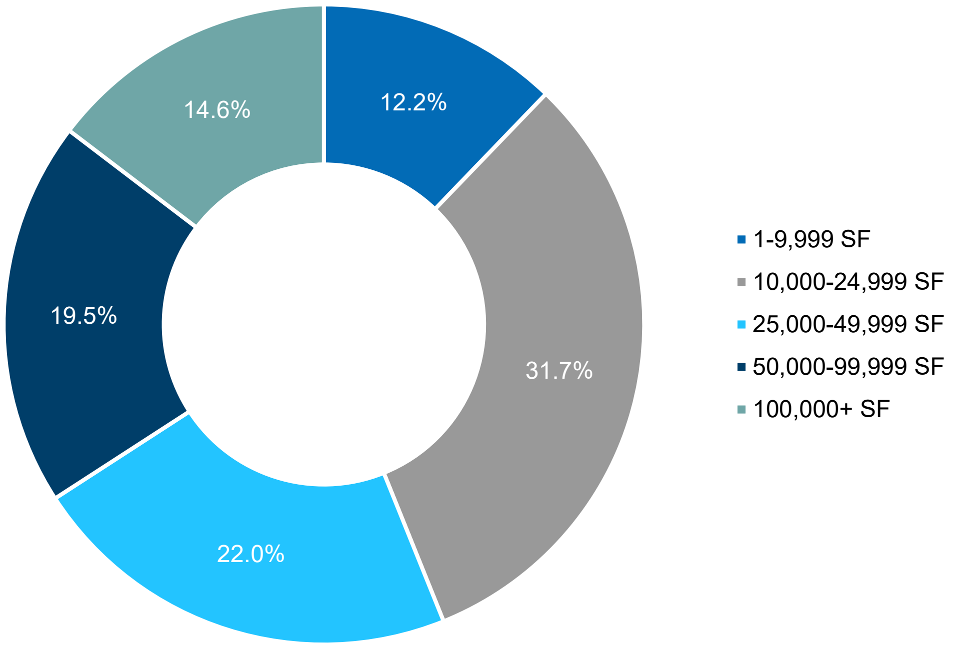


Source: Newmark Research

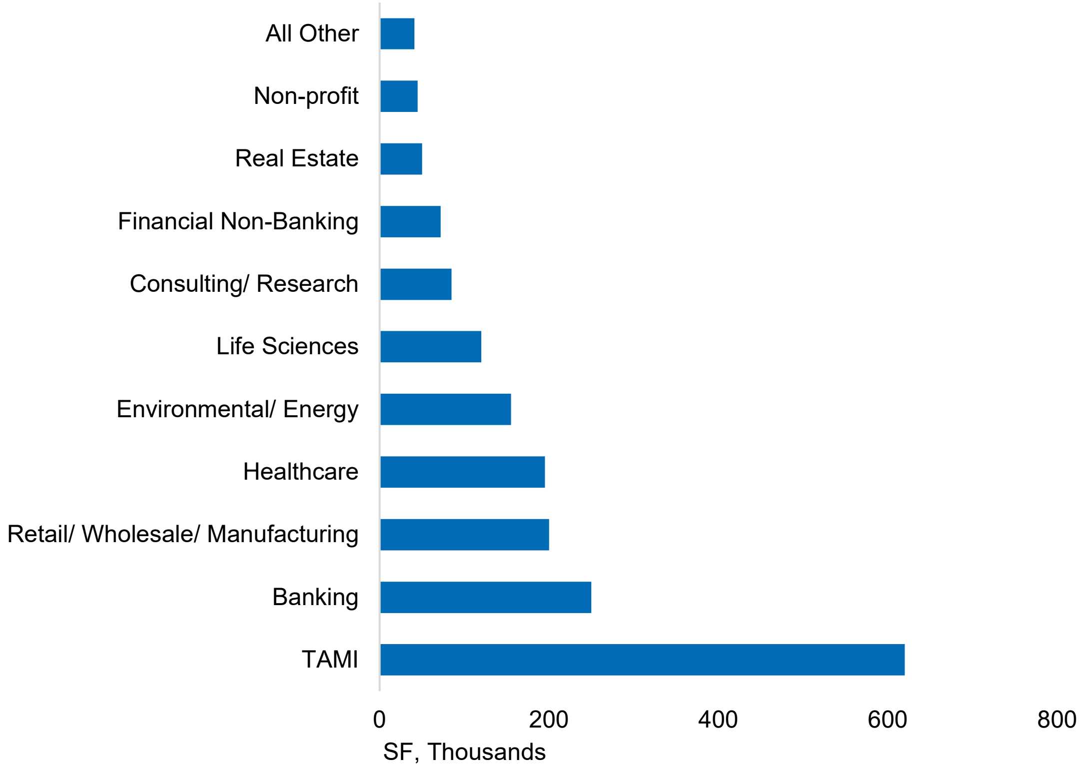
Mid-Sized Tenants Dominate the Suburban Market

In the fourth quarter of 2025, the suburban submarket tracked 41 active tenants seeking just over 1.8 million SF of office space. While total square footage of demand held steady quarter-to-quarter, the number of active tenants declined, signaling a shift toward greater interest in the 10,000–24,000 SF range. The TAMI sector continued to control the market share of demand at 33.8%. Overall demand remains steady, with 44.0% of requirements focused on spaces under 25,000 SF.

Number of Requirements by Size Tranche



Active Requirements By SF for Top 10 Industries



Source: Newmark Research

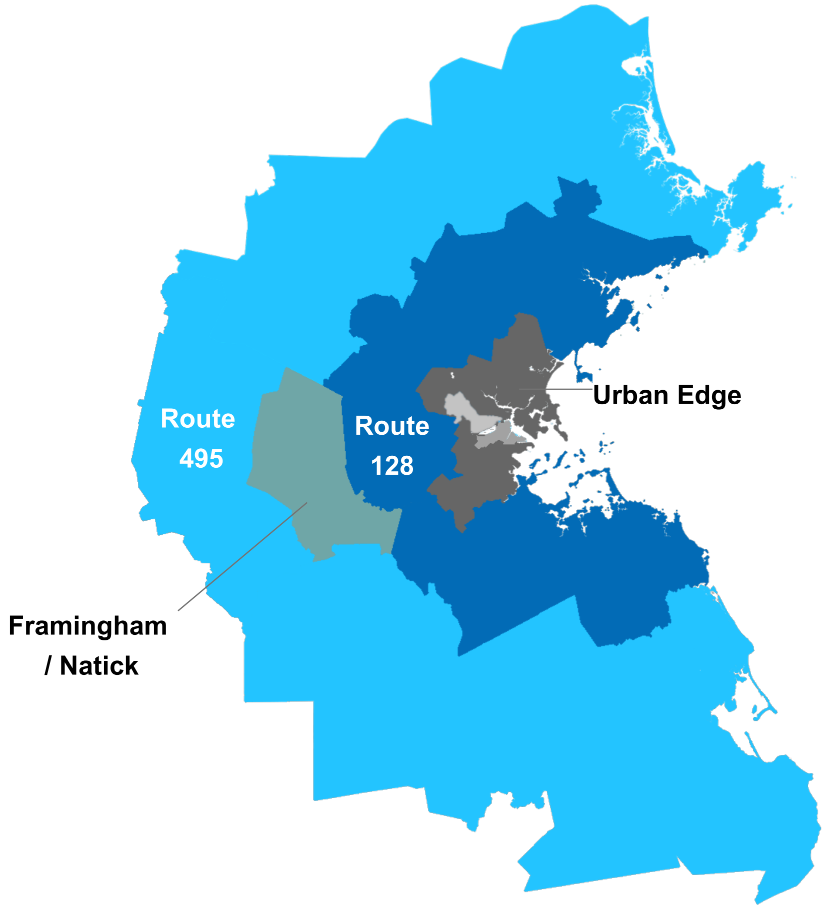
Suburban Rents Continue at Historically Elevated Levels

Please reach out to your
Newmark business contact for this information

Source: Newmark Research, CoStar

4Q25 Suburban Submarket Stats

4Q25 Quick Stats, All Classes



Urban Edge	
12.3 Inventory (MSF)	16.4% Vacancy Rate
-40,110 Net Absorption (SF)	$43.65 Asking Rent ($/SF)

Route 128	
52.1 Inventory (MSF)	21.7% Vacancy Rate
177,027 Net Absorption (SF)	$35.16 Asking Rent ($/SF)

Framingham / Natick	
3.6 Inventory (MSF)	22.9% Vacancy Rate
1,440 Net Absorption (SF)	$23.66 Asking Rent ($/SF)

Route 495	
30.3 Inventory (MSF)	27.0% Vacancy Rate
-189,135 Net Absorption (SF)	$22.62 Asking Rent ($/SF)

Data: Newmark Research, Boston Planning

06

Appendix

4Q25

Boston CBD Market Overview

Please reach out to your
Newmark business contact for this information

Source: Newmark Research

Cambridge Market Overview

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Newmark business contact for this information

Source: Newmark Research

Suburban Market Overview

Please reach out to your
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Source: Newmark Research

Submarket Overview

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Source: Newmark Research

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