



Boston Properties Leasing Drops as Economic Concerns Limit Benefits of Return to Work

One of Nation's Largest Office Landlords Also Sees Tenants Seeking Higher Quality Properties



Boston Properties acquired a 20% stake in the office building at 200 Fifth Ave. in New York City that values the property at \$1.05 billion. (Costar)

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One of the nation's largest office landlords reported a drop in leasing as mounting economic challenges limit the benefits of workers returning to the workplace.

Boston Properties said it signed more than 1.4 million square feet of leases across its portfolio in the third quarter, less than the 1.9 million square feet it reported in the

previous three months, calling the demand a sign of a recovering national office market as employees make their way back to physical workspaces.

The Boston-based developer attributed the leasing activity to demand for high-quality office space by companies, but warned that macroeconomic issues could soften demand as tenants hold off on committing to new or larger spaces.

"While tours continue and leasing negotiations are moving forward, there is less urgency from clients to make new commitments," Boston Properties President Doug Linde told investors on the developer's earnings call Tuesday. "There is softened demand across all markets, and we have conversations with potential clients who acknowledge that economic uncertainty is impacting their space decisions."

In the face of inflation, rising capital costs, a tightened financing environment and soaring construction expenses, Boston Properties CEO Owen Thomas said it would continue to pursue its \$2.7 billion development pipeline but would be more selective about what it adds. The developer has about 4.4 million square feet under construction across 13 office, lab, residential and retail projects, all of which Thomas expects to add about \$200 million in value over the next five years to the company's portfolio.

"We have made a strategic shift as a result of the pandemic and current economic slowdown, and will continue to focus on the premier office space portion of the market while pursuing opportunities where we have a track record of success," Thomas said of deals such as the acquisition of a 20% stake in the [200 Fifth Ave.](#) office building in New York City, valuing the property at \$1.05 billion.

"We'll prioritize risk management by investing more extensively with joint venture partners and will be highly selective with investment commitments," he said. "We're confident that strategy is what will continue to create value over the long term."

The company, which touts itself as the largest publicly traded U.S. developer and office owner, reported revenue rose to \$790.5 million for the quarter ended Sept. 30, up 8.3%

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from the same time last year. Net income climbed to \$361 million, more than three times the \$108.3 million Boston Properties reported for the third quarter in 2021.