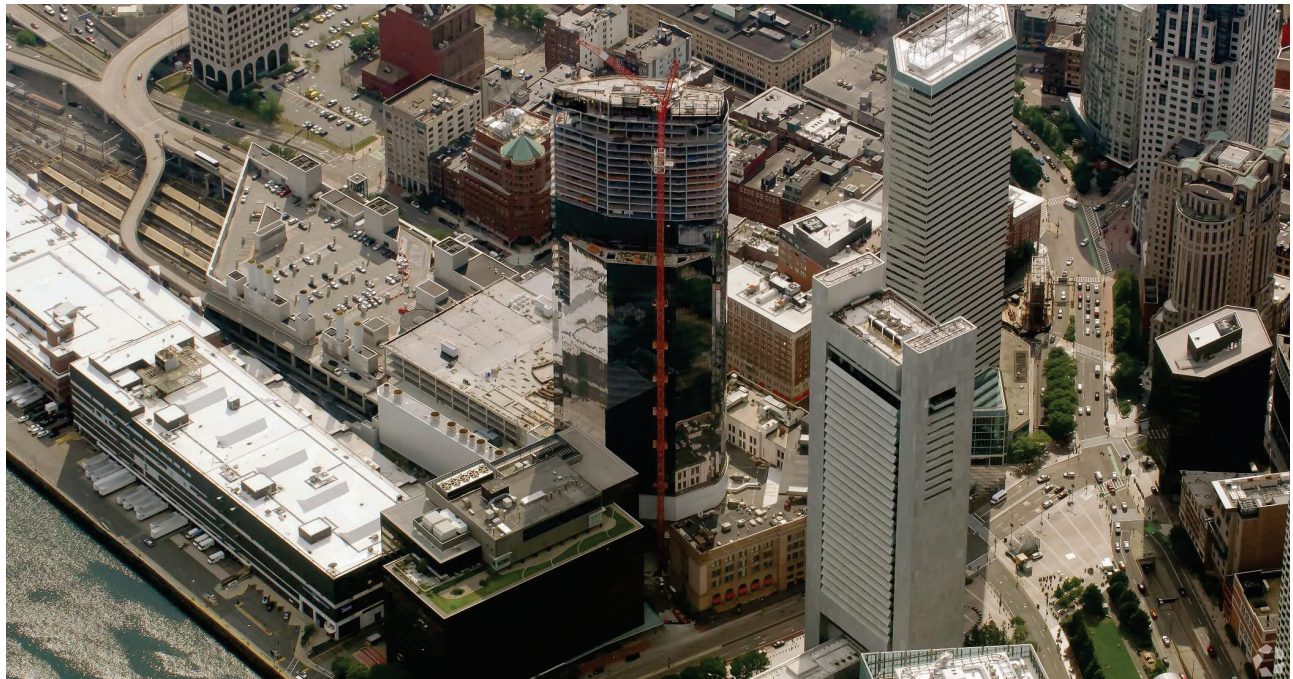




Hines lands second tenant ahead of completing Boston office skyscraper

Majority of South Station Tower space is still available



The South Station Tower development in downtown Boston will include more than 700,000 square feet of office space once completed in late 2025. (CoStar)

By **Katie Burke**

CoStar News

January 22, 2025 | 6:40 P.M.



It may have landed its second tenant, but the South Station Tower skyscraper under construction in downtown Boston has a long road ahead in filling up hundreds of thousands of square feet slated to hit the market upon its completion later this year.

Commercial property insurer **FM Global** is looking to expand its Boston-area footprint with a prelease deal for about 50,000 square feet in the future mixed-use tower at **650 Atlantic Ave.**, making it the

second company so far to sign on for space at the skyline defining project. [Hines](#), its Houston-based developer, broke ground in early 2020 on the mixed-use tower, which is slated to include more than 700,000 square feet of office and 165 Ritz-Carlton condominiums.

The deal with FM follows closely behind the prelease agreement Hines landed with law firm [Jones Day](#). The 15-year deal was signed last month and includes about 41,000 square feet, meaning that combined with FM's recent commitment, the tower still has more than 600,000 square feet left to fill.

Across the country, new or soon-to-be-completed office developments are hitting the market at a point when vacancies are at a record high and tenant demand remains stubbornly stuck below pre-pandemic levels.

A spectrum of U.S. property owners are contending with this new leasing reality in which many are scrambling to balance tepid, but positive, demand among companies with deal sizes that have shrunk by an average of up to 20%, [according to CoStar data](#). New developments in cities such as Denver; Charlotte, North Carolina; Atlanta; and Austin, Texas, have had to compete with record amounts of available space, and with tenants signing on for fewer amounts, the lease-up process has been especially difficult and far longer than in the years leading up to the pandemic.

That sluggish demand has helped push the vacancy rate in Boston's Financial District past 18%, according to CoStar data, far beyond its decade-long average of about 11%. Tenants in the greater Boston area signed just shy of 12.5 million square feet worth of deals throughout 2023, about 30% below annual averages reported in the years leading up to the pandemic.

A burst of new construction in the city is further compounding its vacancy challenges, resulting in a power dynamic that is favoring tenants as landlords scramble to compete for what little demand is floating around the area.

With more than 11.3 million square feet of new office space underway, the Boston area has one of the most active construction pipelines in the country, according to CoStar analysis, and that's on top of the more than 17 million square feet that has already been completed in recent years.

A bright spot for some of the new projects and the landlords behind them is that, even among tenants planning to consolidate or downsize their space in the coming months, many have homed in on higher-quality options and have proved willing to invest in the newest and best-located office properties available.

As a result, new developments have landed most of the leasing activity — even if they are for fewer and smaller deals — and projects such as South Tower Station have been able to command some of the highest rates in the market. Space at the tower goes for nearly \$76 per square foot, according to CoStar data, almost double the roughly \$42 a square foot reported across the rest of the Boston office market.

For FM, its future office at the 51-story tower will be in addition to the corporate campus it has underway in Norwood, Massachusetts, where it is building a four-story, 320,000-square-foot complex scheduled to open sometime next year.

The South Station Tower "lease will provide additional modern office space for our existing Boston-based employees and complement FM's broader strategy to increase our presence in key cities around the globe," FM said in a statement.