

Millennium's new downtown tower lands largest office lease this year

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The professional services giant Deloitte will move its Boston office to Millennium Partners' new Winthrop Center tower downtown from its current location on Berkeley Street in Back Bay.

The firm has agreed to take about 138,000 square feet, or three full floors and most of a fourth. The lease is the largest to date at Winthrop Center. It's also the largest office agreement to be signed in Boston this year, according to Newmark research, at a time when demand has fallen sharply.

Deloitte will move from 200 Berkeley St., where it has 137,500 square feet, according to CoStar data. It has been in that building for almost 25 years. The firm expects to move into Winthrop in the fall of 2024.

The agreement is a much-needed win for the Financial District. Of the so-called Big Four accounting firms, two (Deloitte and Ernst & Young) are in Back Bay, one (PricewaterhouseCoopers) is in the Seaport District, and the other (KPMG) is on the outskirts of the Financial District, near South Station.

Millennium is seeking to lease up the building at a time when many office users are looking to downsize, given the economy and the entrenchment of remote work. Sublease space has flooded the market. The vacancy rate in Boston's central business district stands at 18%, according to Newmark.

Deloitte is joining Cambridge Associates, McKinsey & Co., Income Research and Management, and ECG Management Consultants as a tenant in the mixed-use building. Cambridge Associates is set to move into its offices next week, the first of the businesses to do so.

Joe Larkin, a principal at Millennium's Boston affiliate, said that the real estate developer expects to have about 60% of Winthrop's 812,000 square feet of office space leased by the end of the summer, between those five firms and yet-to-be-announced deals.

The \$1.3 billion tower's sustainability was a draw for Deloitte, said the firm's New England managing partner, Kevin McGovern. Winthrop Center is one of the biggest buildings in the world to use a passive house design, which dramatically cuts down on a property's energy usage. As a firm, Deloitte has net-zero goals that make such a space advantageous, McGovern said.

Larkin said that when Millennium was scouting out other office buildings worldwide for inspiration for what would become Winthrop's sustainable design, it repeatedly found Deloitte was a tenant in such facilities.

"If I could say who this building was built for, before the tenants were here, it's the guys just like Deloitte," he said.

Deloitte has more than 3,000 employees in Massachusetts, but a quarter or fewer of them might be in the office on a given day, according to McGovern. That's about the same level as pre-pandemic, he said. In addition to remote work, the firm's accountants and consultants often meet with clients in their offices, even if not to the same extent as before Covid, or otherwise travel for work.

Winthrop Center's layout enables more efficient use of space, compared with Deloitte's current office, McGovern said. As with many other office users, the firm is in more need of collaborative space these days. Its leaders were also attracted to the tower's communal space for office tenants, including the first-floor "Connector."

“It’s a real leap forward into what we think the future of work design needs to be,” McGovern said.

Deloitte is taking floors in the middle of the office portion of the tower. Of Winthrop’s other tenants, Cambridge Associates is taking about 115,000 square feet, McKinsey 95,000 square feet, Income Research about 39,000 square feet, and ECG 8,000 square feet.

The developer welcomed the tower’s first residents in April. Close to 30% of the building’s 317 residential units have commitments, according to Millennium. The first penthouse unit closed last month for \$14.1 million.