UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)
[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.
FOR THE FISCAL YEAR ENDED DECEMBER 31, 1998

OR
[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.
FOR THE TRANSITION PERIOD FROM   TO

COMMISSION FILE NUMBER: 000-21433

FORRESTER RESEARCH, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE	04-2797789
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(I.R.S. EMPLOYER IDENTIFICATION NUMBER)
1033 MASSACHUSETTS AVENUE CAMBRIDGE, MASSACHUSETTS	02138
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)	(ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (617) 497-7090

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT: NONE

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
Common Stock, $.01 par value	Nasdaq National Market System

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X]   No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

The aggregate market value of the voting stock held by non-affiliates of the registrant as of March 5, 1998 (based on the closing price as quoted by the Nasdaq National Market as of such date) was approximately $353 million.

As of March 5, 1999, 8,787,470 shares of the registrant's common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the Company's Annual Meeting of Stockholders for the year ended December 31, 1998 are incorporated by reference into Part III hereof.

PART I

ITEM 1. BUSINESS

GENERAL

Forrester Research, Inc. ("Forrester" or the "Company") is a leading independent research firm offering products and services that help its clients assess the effect of technology on their businesses. The Company provides analysis and insight into a broad range of technology areas such as electronic commerce and the Internet, computing, software, networking, and telecommunications, and projects how technology trends will impact businesses, consumers, and society. Forrester's clients, which include senior management, business strategists, and marketing and information technology ("IT") professionals within large enterprises, use Forrester's prescriptive research to understand and benefit from current developments in technology, and as support for their development and implementation decisions.

Forrester offers its clients annual memberships to core research that is organized into three coverage areas: Internet Commerce, Corporate Technology, and Technographics(R) Data & Analysis ("Coverage Areas"). Each Coverage Area includes research lenses ("Lenses") that each contain focused selections of core research relevant to specific business issues and technology topics. These issues and topics include the impact that the application of technology may have on financial results, investment priorities, organizational effectiveness, and staffing requirements. Forrester also provides advisory services to a limited number of clients to help them explore in greater detail the issues and topics covered by the core research.

Forrester targets its products and services to both large enterprises and technology vendors. As of December 31, 1998, Forrester's research was delivered to 1,271 client companies. No single client company accounted for over 3% of the Company's revenues during the year ended December 31, 1998. Approximately 75% of Forrester's client companies with memberships expiring during the year ended December 31, 1998 renewed one or more memberships for the Company's products and services.

The Company was incorporated in Massachusetts on July 7, 1983 and reincorporated in Delaware on February 21, 1996. In addition to its headquarters in Cambridge, Massachusetts, the Company opened a European Research Center in Amsterdam, Netherlands, in April 1998.

INDUSTRY BACKGROUND

Businesses increasingly depend on technology for competitive advantage and success. Technology is being used as a strategic tool to develop innovative products, services, and distribution channels, as well as to create more efficient internal business processes. Decisions about how to deploy networks, software, and other systems are increasingly participatory, with line-of-business managers, marketing executives, and corporate leaders joining IT professionals in the technology review and decision-making process. Together, these individuals must develop a coherent strategy that leverages innovative systems to reach new markets, gain competitive advantage, and develop high customer service and loyalty levels. Developing such a strategy is difficult, however, as the rate of technology change accelerates. Increased complexity and the proliferation of vendors and solutions have increased the challenges in anticipating and understanding emerging technologies.

The strategic use of technology, the widening scope of decision-making, the speed of change, and the complexity of decisions make it difficult for organizations to efficiently generate research and analysis on their own. Costly incremental resources -- time and expertise -- are required for successful analysis and implementation of technology. Poor decisions can be costly and detrimental to an organization's competitive position. Consequently, demand is growing for external sources of expertise that provide independent, vendor-neutral business advice on how to benefit from technology change. Research firms that provide tactical product assessment or customized consulting are often too narrow in their perspectives to satisfy this demand. Business leaders as well as technology users require comprehensive research that can anticipate, assess, and interpret major trends. Forrester believes there is a growing need for thematic, prescriptive analysis of technology that appeals to senior management, business strategists, and marketing and IT professionals, and helps organizations improve their strategic planning processes, leverage technology change, and gain competitive advantage.

THE FORRESTER SOLUTION

Forrester addresses the growing demand for thematic, prescriptive analysis of technology by providing business-focused research to senior management, business strategists, and marketing and IT professionals. The Company's research methodology analyzes complex technology issues and delivers prescriptive analysis and advice in each of the Coverage Areas and Lenses. This research helps large enterprises make informed decisions that positively affect competitive strategy and business performance, reduce risk, and manage cost. Although Forrester's research is user-focused, IT vendors also use Forrester's research for marketing, product positioning, and market planning.

Forrester differentiates its products and services from those offered by other research firms by:

PROVIDING SOPHISTICATED ELECTRONIC DELIVERY. Forrester's eResearch(TM) helps clients succeed in today's world of real-time information and communication by leveraging the Internet's most sophisticated capabilities. Offering advanced personalization features, downloadable data and graphics, and intuitive navigation, eResearch provides clients with the access and flexibility that are necessary to make the most of the Company's ideas and analysis.

ADDRESSING NEEDS OF BUSINESS EXECUTIVES. Forrester's core research and advisory services blend analysis of technology with related business issues to enable senior management to better use technology for competitive advantage. Unlike narrowly-focused, tactically-based research that assesses products and components, Forrester's research provides a strategic view of the impact of technology on long-term business plans.

DELIVERING VALUABLE, STAND-ALONE WRITTEN RESEARCH. Forrester's research distills the abundance of information, activities, and developments in the technology industry into a concise, easy-to-read guide for decision-making. In contrast to research that requires consulting support, Forrester's research is designed to provide valuable, prescriptive analysis that stands on its own without requiring ongoing analyst interaction.

TAKING A STAND ON DIFFICULT TECHNOLOGY ISSUES. Forrester's research and analysts challenge conventional viewpoints; the Company does not expect clients to agree with every prediction or conclusion presented. However, the Company does believe that strong opinions and recommendations will enable clients to more thoroughly consider the use of technology to gain competitive advantage. Forrester, unlike many other research firms, provides concrete, actionable business advice.

PROVIDING A BROAD VIEW OF TECHNOLOGY CHANGE. Forrester's research approach provides an integrated, cross-disciplinary view of technologies and their impact throughout organizations and industries. The Company's research methodology ensures that a coherent, thematic analysis is consistently delivered to clients. Forrester's broad perspective can be contrasted with narrowly-defined, specifically tailored technology assessments.

FOCUSING ON EMERGING TECHNOLOGIES IN CONSUMER AND BUSINESS MARKETS. Forrester's research methodology is designed to identify fundamental shifts in technology before these changes appear on the horizons of most users, vendors, and other research firms. Forrester's interview-based research approach combines input from early adopters of new technologies, vendors, and consumers to gauge the likelihood of a technology's success and its potential impact on various markets.

STRATEGY

Forrester seeks to capitalize on the growing demand for technology research, analysis, and advice. To achieve this goal, Forrester has adopted the following strategies:

OPTIMIZE NEW TECHNOLOGY. The Company recently re-architected its core research deliverables to capitalize on advanced new electronic and Internet technologies. Forrester's interactive, electronic research, specifically designed for electronic delivery, leverages the full capabilities of the Internet and offers advanced personalization features, downloadable data and graphics, and intuitive navigation. The Company believes that this initiative, known as eResearch, distinguishes Forrester as an innovator in providing electronic research that enables organizations to use technology strategically to gain and sustain competitive advantage.

LEVERAGE CORE RESEARCH. By focusing on sales of its stand-alone core research, the Company can deliver value to its clients and can increase its revenues without having to provide ongoing and direct analyst support. The Company intends to continue to introduce new research Lenses and to provide advisory services that build upon the analysis and recommendations set forth in the research to enhance sales of that research.

EXPAND CLIENT BASE AND PENETRATE EXISTING ACCOUNTS. The Company believes that its current offerings of products and services, and anticipated new products and services, can continue to be successfully marketed and sold to new client companies, as well as to new organizations within existing client companies. Forrester currently targets senior management, business strategists, and marketing and IT professionals within Global 2,500 companies. The Company seeks to expand its international audience by targeting select geographic markets. The Company also aims to increase the number of Lenses that each client purchases through increased marketing of new and current products and services.

IDENTIFY AND DEFINE NEW TECHNOLOGY MARKETS. Forrester seeks to position itself ahead of other research firms by delivering strategic research and analysis on new and emerging technologies. Forrester believes its methodology and culture allow it to focus on areas of technology change and enable it to expand its product and service offerings to address new technology issues.

ATTRACT AND RETAIN HIGH-QUALITY RESEARCH PROFESSIONALS. The knowledge and experience of Forrester's analysts are critical elements of the Company's ability to provide high-quality products and services. The Company seeks to attract, develop, and retain outstanding research professionals by providing a creative corporate environment and culture, a competitive compensation structure, training and mentoring programs for individual development, and recognition and rewards for excellent individual and team performance.

EXPAND AND LEVERAGE SALES FORCE. The Company is expanding its current direct sales force and is seeking to increase the average sales volume per sales representative. The Company believes that this increase can be achieved as the average tenure of the Company's sales representatives lengthens and marketing initiatives shorten the sales cycle. Initiatives include the improvement of existing and the development of new methods for obtaining highly qualified sales leads, targeted use of third-party telemarketing firms, and hosting of regional marketing events around the world.

PRODUCTS AND SERVICES

Forrester's principal products are annually renewable memberships to core research in three main Coverage Areas: Internet Commerce, Corporate Technology, and Technographics Data & Analysis. Internet Commerce addresses the challenges of leveraging the Internet for sales, trade, marketing, and content delivery; Corporate Technology analyzes the strategic and organizational issues related to developing and managing corporate technology infrastructures, products, and applications; Technographics Data & Analysis delivers quantitative research addressing how today's technologies impact consumer attitudes and behavior. Additionally, Forrester provides advisory services through the Partner's Program which provides clients with a proactive relationship with the Company's analysts to develop strategies for meeting specific corporate goals. The Company also hosts the Forrester Forum Series, conferences devoted to leading technology issues. The Forrester Forum, the Company's major event, is a two-day conference held annually in Boston, Massachusetts. In addition, the Company intends to host two Forum events in Amsterdam, the Netherlands and four other Forum events in the United States during 1999. The Company works with each client to design a portfolio ("Forrester Portfolio") of relevant research, advisory services, and Forum seats to address each client's specific business objectives.

COVERAGE AREAS AND LENSES

The Company's Coverage Areas and Lenses provide ongoing research and analysis on the developments, information, and activities in the technology industry. The Company employs a consistent research methodology to analyze technology issues, address related business issues, and offer recommendations and action plans. While each Lens addresses a specific technology area, collectively they present complementary, consistent research themes and provide comprehensive coverage of relevant technology issues faced by the Company's clients. Businesses are able to supplement and extend internal resources with current, thorough, and focused analysis and recommendations. In addition, technology vendors are able to augment and test competitive, new product, marketing, and sales plans against Forrester's independent analysis and advice.

The following table summarizes the Coverage Areas and Lenses:

CORPORATE TECHNOLOGY	SAMPLE TOPICS
LEVEL ONE LENS	
CORPORATE TECHNOLOGY -- analyzes internal computing and communication architectures, technology that connects companies to business partners and customers, and the impact of emerging technologies on software, development, telecommunications, packaged applications, networks, data management, and supply chain technologies	CIO "must read" research Outsourcing strategies IT architecture & planning Corporate telecom strategies Intranets, groupware, & corporate e-mail
LEVEL TWO LENSES	
APPLICATIONS, DEVELOPMENT, & DATA -- analyzes data management, application development, and software architecture in the era of intranets, extranets, and the Internet to guide clients to more informed software decisions	Application development & tools Application integration Data management & analysis Intranets, groupware, & corporate e-mail Software components & middleware
COMPUTING, NETWORKS, & COMMUNICATIONS -- analyzes the future of public carrier networks, IP standardization, extensions of IT infrastructure to business partners, the evolution of computing platforms, and guides IT executives in how to architect and manage their corporation's computing and communications infrastructure	IT architecture & planning Systems & network management Corporate hardware & operating systems Corporate LAN/Intranet infrastructure Corporate WAN/Internet infrastructure
IT LEADERSHIP -- analyzes how senior executives can maximize the business benefits of technology and guides them in making effective decisions about strategic direction, investment priorities, resources management, and outsourcing	CIO "must read" research IT architecture & planning IT's corporate role IT organization IT spending Outsourcing strategies
LEVEL THREE LENSES	
SUPPLY CHAIN TECHNOLOGY -- analyzes supply chain architectures and applications, as well as how to adopt business practices, organizational structures, and a collaborative culture that support the supply chain business model to help companies address the challenges of supply chain implementation	Business-to-business market models Supply chain systems Partner/intermediary technologies Application integration

CORPORATE TECHNOLOGY	SAMPLE TOPICS
FUTURE OF PUBLIC NETWORKS -- analyzes the Internet's impact on telecom, the effects of deregulation, wireless networking, mergers and acquisitions, and public networking on carriers and their service to provide carriers, ISPs, network equipment makers, and software makers	Public network infrastructure Public network services Carrier strategies Consumer network services Web site hosting
TECHNOLOGY SERVICES & OUTSOURCING -- analyzes global sourcing strategies in the era of Internet commerce and helps clients to determine and manage the appropriate combination of internal capabilities, outsourcers, and integrators to gain competitive advantage and cut costs	Outsourcing strategies Traditional systems & applications outsourcing Web site development outsourcing Business practice outsourcing Web site hosting
EUROPEAN CORPORATE TECHNOLOGIES -- analyzes the future of IT in Europe for global and European-based corporations to enable clients to choose technology strategies, infrastructures, vendors, and partners that are appropriate for European operations	European IT management European IT infrastructure IT organization IT's corporate role Corporate telecom strategies
IT ORGANIZATIONS & BUDGETS -- analyzes IT budget projections and organizations to enable clients to align IT organizations more tightly with other business units and to accurately budget, project, and staff for IT initiatives	IT organization IT spending IT staffing European IT management

INTERNET COMMERCE	SAMPLE TOPICS
LEVEL ONE LENS	
INTERNET COMMERCE -- analyzes the selection and management of the consumer and corporate technologies that enable Internet commerce, how to implement the changes in organization, training, and internal collaboration that Internet commerce requires and how to provide strategies for companies that are leveraging the Internet to enhance their business-to-business and/or business-to-consumer sales	On-line retail market & business models On-linefinance market & business models Advertising on-line Commerce integration Site design, search, & analysis tools
LEVEL TWO LENSES	
ON-LINE FINANCIAL SERVICES -- analyzes retail financial services, focusing on interactive and consumer technologies, strategies for effective marketing and customer service, and technology's impact on how consumers spend, save, and invest	On-line finance market & business models On-line retail market & business models Customer service Personalization
NEW MEDIA -- analyzes the development of both on-line media and entertainment and non-Internet media properties to help businesses build on-line business models, plan strategies for marketing and advertising, and to understand the growth and behavior of the global Internet audience	Advertising on-line Portals Personalization Interactive TV New media market & business models

INTERNET COMMERCE	SAMPLE TOPICS
ON-LINE RETAIL -- analyzes the technologies, marketing and promotion strategies, and on-line merchandising that support business-to-consumer eCommerce to help consumer marketing executives understand how to sell goods and services over the Internet	On-line retail market & business models Customer service Sell-side commerce applications Commerce integration
BUSINESS TRADE ON-LINE -- analyzes the impact of electronic markets on how businesses trade goods and services to help clients develop business-to-business strategies to help increase profits, lower costs, and drive greater market share	Partner/intermediary market & business models Customer service Customer management applications Business-to-business market & business models
LEVEL THREE LENSES BRANDING & ADVERTISING ON-LINE -- analyzes the integration of on-line advertising into businesses marketing strategies and helps companies develop and implement effective on-line advertising, promotion, and marketing strategies to drive site traffic and bolster brand awareness	Advertising on-line Portals Personalization Interactive TV
SITE DESIGN & MANAGEMENT -- analyzes server software developments that deliver fast site navigation and multi-media content as well as topics related to personalization, dynamic content, Java, and dynamic HTML	Site design, search, & analysis tools Content creation & management Web site development outsourcing Personalization
FUTURE OF TV & ENTERTAINMENT -- analyzes the impact of technology on consumers' leisure activities and the TV, music, and entertainment industries	Entertainment market & business models New media market & business models Interactive TV Entertainment technologies & digital TV
CONSUMER TECHNOLOGY -- enables companies to understand evolving consumer requirements for communication, information, and entertainment and to create products and services that fit consumer needs	Consumer hardware & operating systems Consumer network services Entertainment technologies & digital TV Interactive TV
EUROPEAN INTERNET COMMERCE -- analyzes the size, pace, and distribution of Internet growth in Europe and its impact on European businesses and consumers	European Internet commerce market & business models Personalization Commerce integration
COMMERCE TECHNOLOGY -- analyzes the vendors and technologies needed to effectively buy and sell products and to serve customers more effectively on-line	Sell-side commerce applications Buy-side commerce applications Commerce integration Buy-side systems Partner/intermediary technologies

TECHNOGRAPHICS DATA & ANALYSIS	SAMPLE TOPICS
LEVEL ONE LENS TECHNOGRAPHICS DATA & ANALYSIS -- provides a combination of continuous quantitative survey data, consumer segmentation, and technology insight to help clients develop effective marketing, media, and product strategies for today's competitive marketplace	Digital TV & related devices On-line brokerage On-line v. traditional retail
LEVEL TWO LENSES TECHNOGRAPHICS: PERSONAL FINANCE -- analyzes the implications of consumer demand for on-line financial services and helps clients to target the most receptive consumer segments for new financial products and services, to understand how on-line financial services change consumers' relationships with providers, and to stay ahead of industry trends	On-line brokerage On-line banking Personal financial services
TECHNOGRAPHICS: RETAIL AND MEDIA -- analyzes the role of the Internet in all stages of the buying process: the way consumers gather information, make decisions, transact, and maintain a post-sale relationship	Travel industry on-line On-line retail models
TECHNOGRAPHICS: CONSUMER TECHNOLOGY -- analyzes consumer demand for technology products and connectivity, the services that link consumer devices such as TVs, PCs, and telephones to networks and other devices	Near PCs Networks and infrastructure Digital TV& related devices
LEVEL THREE LENS	
TECHNOGRAPHICS: BENCHMARK RESEARCH -- provides clients with the basic quantitative survey data drawn from the Company's annual survey of 100,000 North American households	Technographics annual benchmark survey Young adults survey Media '99

Each client that purchases research in the Corporate Technology and Internet Commerce Coverage Areas receives a combination of the following: Forrester Reports that deliver concise, forward-looking, analysis of a significant technology topic, and Forrester Briefs that offer succinct, timely, examinations of current industry developments, written as events demand. Level One Lens clients receive approximately 100 reports and 150 briefs; Level Two Lens clients receive approximately 50 reports and 75 briefs; Level Three Lens clients receive approximately 20 reports and 40 briefs.

Each client that purchases research in the Technographics Data & Analysis Coverage Area receives report sets ("Report Sets") that contain a combination of the following: Forrester Reports, quantitative survey data, Microsoft PowerPoint presentations of the quantitative data, and Forrester Briefs offering timely examinations of the survey data. Level One Lens clients receive approximately 14 Reports Sets; Level Two Lens clients receive approximately four Report Sets, and Level Three Lens clients receive one Report Set.

ADVISORY SERVICES AND EVENTS

Forrester provides advisory services to a limited number of clients through its Partners Program. This program leverages Forrester's research expertise to address clients' long-term planning issues and align Forrester's core research and insight with specific business goals. As of December 31, 1998, 121 client companies were members of the Partners Program and 390 client companies were members of the Strategy

Review Program. In addition to research Lenses, clients purchasing a membership to the Partners Program receive a series of one-day meetings and conference calls with Forrester analysts that address long-range planning, technology decision-making, and strategic management best practices.

The Company also hosts the Forrester Forum in Boston each year. The Forum brings together more than 500 senior executives for a two-day conference to network with their peers and hear major figures from the technology industry and leaders from other business sectors discuss the impact of technology change on business. In addition, the Company intends to host two Forum events in Amsterdam, the Netherlands and four other Forum events in the United States during 1999.

PRICING AND CONTRACT SIZE

The prices for Forrester's core research are a function of the number of Lenses purchased and the number of research recipients within the client organization. The average contract for annual memberships sold to Forrester clients for core research, excluding annual memberships for core research in connection with Forrester's Partners Program and Strategy Review Program, for the year ended December 31, 1998 was approximately $29,500 and for the year ended December 31, 1997 was approximately $22,300. The prices for Forrester's Partners Program are also a function of the number of Lenses purchased, the number of research recipients within the client organization, and the amount and type of advisory services. All Partners Program memberships sold include core research. The average contract for annual memberships sold to Forrester clients for the Partners Program for the year ended December 31, 1998 was approximately $124,200 and for the year ended December 31, 1997 was approximately $107,200. The average contract for annual memberships sold to Forrester clients for the Strategy Review Program for the year ended December 31, 1998 was approximately $53,900 and for the year ended December 31, 1997 was approximately $42,800.

Forrester believes that the agreement value of contracts to purchase core research and advisory services provides a significant measure of the Company's business volume. Forrester calculates agreement value as the total revenues recognizable from all core research and advisory service contracts in force at a given time, without regard to how much revenue has already been recognized. Agreement value grew to $69.1 million at December 31, 1998 from $46.6 million at December 31, 1997.

RESEARCH AND ANALYSIS

Forrester employs a structured and consistent methodology across the Company's research Lenses. Forrester's methodology enables the Company to identify and analyze emerging technology trends, markets, and audiences, and ensures consistent research quality and recommendations across all Lenses. The Company's research is thematic in approach: Forrester Reports are composed around major technology trends, not isolated technology review and assessment. Research themes apply throughout different research Reports, within Lenses, and across Coverage Areas.

Forrester's research process subjects initial ideas to research, analysis, and rigorous validation, and produces conclusions, predictions, and recommendations. In the Corporate Technology and Internet Commerce Coverage Areas, Forrester employs several different primary research methods: confidential interviews with early adopters of new technology, technology vendors, consumers, and users and vendors in related technology areas; regular briefings with vendors to review current positions and future directions; and input from clients and third parties gathered during advisory sessions. In the Technographics Data & Analysis Coverage Area, Forrester combines the Company's qualitative research methodology with traditional survey research methodologies such as correlations, frequencies, cross-tabulations, and multi-variant statistics to produce Reports, quantitative survey data, and Forrester Briefs. The Company retains a third-party data vendor for data collection and tabulation.

Reports begin with discussion sessions with analysts. Analysts test ideas throughout the Report process at informal and weekly research meetings. At the final stage of the research process, senior analysts meet to test the conclusions of each Report. Also, each Report is reviewed by an independent analyst as an additional quality check and to ensure clarity and readability by all clients -- especially those lacking strong technology backgrounds. All research is reviewed and graded by Forrester's senior research management.

The knowledge and experience of Forrester's analysts are critical elements of the Company's ability to provide high-quality research and analysis. Forrester analysts have varied backgrounds mirroring all facets of the industry -- vendor and user marketing and development, entrepreneurs, financial services, and journalism. The Forrester culture and compensation system foster a dedication to high-quality research.

All members of Forrester's research staff participate in the Company's incentive compensation bonus plan. Each employee's performance against individual and team goals determines an eligible bonus that is funded by the Company's overall performance against key business objectives. Individual and team goals include on-time delivery of high-quality research, and advisory services support to clients. Analysts, research directors, and research management are eligible to receive equity awards under the Company's incentive stock plans.

SALES AND MARKETING

Forrester has made a substantial investment in its direct sales force to better serve clients and address additional markets. The Company's direct sales force, comprised of 92 sales representatives as of December 31, 1998, consists of account managers who are responsible for maintaining and leveraging the current client base by renewing and selling additional products and services to existing clients, account executives who develop new business in assigned territories, and regional sales directors who focus on high-level client contact and service.

Forrester sells its products and services through its headquarters in Cambridge, Massachusetts and its European headquarters in Amsterdam, the Netherlands. Forrester also uses seven local independent sales representatives to market and sell its products and services internationally. These independent third-party representatives cover the following territories: Australia, Brazil, France, Italy, Spain, South Africa, and Korea.

The Company has developed and will continue to implement products and programs to support its sales representatives in their effort to differentiate Forrester and define the value derived from the Company's research and analysis. These products and programs include extensive worldwide press relations, direct mail campaigns, telemarketing, and a worldwide events program. In addition, the Company uses its Web site as a strategic tool to increase the quality and speed of lead development for sales. All Forrester direct sales representatives participate in the Company's annual commission plan. Commissions are paid monthly based upon attainment of net bookings against established quotas.

As of December 31, 1998, Forrester's research was delivered to 1,271 client companies. No single client company accounted for over 3% of the Company's revenues for the year ended December 31, 1998.

COMPETITION

Forrester believes that the principal competitive factors in its industry include quality of research and analysis, timely delivery of information, the ability to offer products that meet the changing needs of organizations for research and analysis, independence from vendors, customer service, and price. The Company believes it competes favorably with respect to each of these factors. Additionally, the Company believes that its business-focused review of emerging technologies and high-level, easy-to-read research format distinguish it from its competitors.

The Company competes in the market for technology research products and services with other independent providers of similar services. Forrester's principal direct competitor in IT research is Gartner Group, Inc., which has a substantially longer operating history, is significantly larger, and has considerably greater financial resources and market share than the Company. Numerous other companies, including META Group, Inc., provide IT research and analysis. In addition, the Company's indirect competitors include the internal planning and marketing staffs of the Company's current and prospective clients, as well as other information providers such as electronic and print publishing companies, survey-based general market research firms, and general business consulting firms. The Company's indirect competitors could choose to compete directly against the Company in the future. In addition, there are relatively few barriers to entry into the Company's market and new competitors could readily seek to compete against the Company in one or more market segments addressed by the Company's research. Increased competition could adversely affect the Company's operating results through pricing pressure and loss of market share. There can be no assurance that the Company will be able to continue to compete successfully against existing or new competitors.

EMPLOYEES

As of December 31, 1998, Forrester employed a total of 311 persons, including 98 research staff, 138 sales and marketing personnel, and 75 operations personnel.

EXECUTIVE OFFICERS

Listed below are the executive officers of the Company:

NAME	AGE	POSITION
George F. Colony......................	45	Chairman of the Board, President, and Chief Executive Officer
Richard C. Belanger....................	33	Chief Technology Officer
William M. Bluestein, Ph.D............	41	Vice President, Corporate Strategy and Development
John W. Boynton........................	33	Vice President, Business Development
Emily Nagle Green......................	41	Managing Director, Forrester Research B.V.
Mary A. Modahl.........................	36	Vice President, Research
Timothy M. Riley.......................	47	Vice President, Strategic Growth
Jon D. Schwartz........................	39	Vice President, North American Sales
Susan M. Whirty, Esq...................	41	Chief Financial Officer, Vice President of Operations, and General Counsel
Stuart D. Woodring.....................	38	Vice President, Research

George F. Colony, founder of the Company, has served as President and Chief Executive Officer since its inception in July 1983.

Richard C. Belanger became the Company's Chief Technology Officer in May 1998. Prior to joining the Company, from 1996 to 1998, Mr. Belanger served as Vice President of Interactive Media and Vice President of Technology for Mainspring Communications, an Internet strategy research consulting firm. He was Vice President of Technology at Information Access Company, an on-line information provider, from 1995 to 1996, and Vice President of Information Services at Information Access Center, formerly Ziff-Davis Technical Information Company, from 1992 to 1995.

William M. Bluestein, Ph.D., currently serves as Vice President, Corporate Strategy and Development. He was previously the Company's Group Director, New Media Research from 1995 to 1997, Director and Senior Analyst with the Company's People & Technology Strategies from 1994 to 1995, and Director and Senior Analyst with the Company's Computing Strategies from 1990 to 1993.

John W. Boynton currently serves as Vice President, Business Development. He was Director, Business Development in 1997. Prior to joining the Company, Mr. Boynton was a Senior Associate with Mercer Management Consulting, a global strategy consulting firm from 1995 to 1997, and Co-founder and President of CompTek International, Inc., a networking and telecommunications products and services distributor based in the former Soviet Union, from 1990 to 1995.

Emily Nagle Green became the Company's Managing Director, Forrester Research B.V. in January 1998. She was previously Director, People & Technology Strategies, from 1996 to 1998. Prior to joining the Company, Ms. Green was Vice President of Marketing and Sales at Point of View, Inc., a video technology training firm, from 1994 to 1995, and Vice President of Strategic Marketing for ADC Fibermux, a computer networking hardware manufacturer, from 1991 to 1994.

Mary A. Modahl currently serves as Vice President, Research. She was previously Vice President, New Media Research from 1997 to 1998, Group Director, New Media Research, from 1995 to 1997, Director and

Senior Analyst with the Company's People & Technology Strategies from 1994 to 1995, and Senior Analyst with the Company's Computing Strategies from 1993 to 1994.

Timothy M. Riley became the Company's Vice President, Strategic Growth in 1997. Prior to joining the Company, Mr. Riley served as the Vice President of Human Resources at Renaissance Solutions, a strategy and knowledge management consulting firm, from 1993 to 1997. Mr. Riley served as Director of Human Resources at Bolt Beranek and Newman, a technology research and development company, from 1987 to 1993.

Jon D. Schwartz currently serves as the Company's Vice President, North American Sales. He was previously Director, Worldwide Sales from 1995 to 1997, and Director of the Company's North American Sales from 1993 to 1995.

Susan M. Whirty, Esq. is currently Chief Financial Officer, Vice President of Operations, and General Counsel. Ms. Whirty has served as the Company's Chief Financial Officer since May 1998. She was previously Vice President, Operations and General Counsel from 1997 to 1998, and Director, Operations and General Counsel from 1993 to 1997.

Stuart D. Woodring currently serves as Vice President, Research. He was previously Vice President, Information Technology Research from 1997 to 1998, Group Director, Information Technology Research from 1995 to 1997, Director of the Company's Information Technology Research services from 1994 to 1995 and Director with the Company's Software Strategies from 1990 to 1994.

ITEM 2. PROPERTIES

The Company's headquarters are located in approximately 55,000 square feet of office space in Cambridge, Massachusetts. This facility accommodates research, marketing, sales, IT, and operations personnel. The initial lease term of this facility expires in January 2001. The Company has the option to extend this lease for up to two additional terms of five years each.

The Company's European headquarters are located in approximately 1,385 square meters of office space in Amsterdam, the Netherlands. This facility accommodates research, marketing, sales, IT, and operations personnel. The initial lease term of this facility expires in February 2003.

The Company believes that its existing facilities are adequate for its current needs and that additional facilities are available for lease to meet future needs.

ITEM 3. LEGAL PROCEEDINGS

The Company is not currently a party to any material legal proceedings.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company's common stock has been traded on the Nasdaq National Market under the symbol "FORR" since its initial public offering at $16.00 per share on November 26, 1996. On March 5, 1999, the closing price of the Company's common stock was $40.13 per share.

As of March 5, 1999 there were approximately 34 stockholders of record of the Company's common stock.

The following table represents the ranges of high and low sale prices of the Company's common stock for the fiscal years ended December 31, 1997 and 1998:

	1998 HIGH	1998 LOW	1997 HIGH	1997 LOW
First Quarter	$35.88	$18.50	$29.13	$18.00
Second Quarter	43.75	28.75	32.88	15.50
Third Quarter	42.63	29.50	32.25	26.38
Fourth Quarter	44.00	23.75	27.75	22.75

The Company did not declare or pay any dividends during the fiscal years ended December 31, 1997 and 1998. The Company anticipates that future earnings, if any, will be retained for the development of its business, and the Company does not anticipate paying any cash dividends on its common stock in the foreseeable future.

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

The selected financial data presented below is derived from the consolidated financial statements of the Company and should be read in connection with those statements which are included herein.

	YEAR ENDED DECEMBER 31,				
	1994	1995	1996	1997	1998
	(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)				
CONSOLIDATED STATEMENT OF INCOME DATA:					
Revenues:					
Core research	$ 6,363	$ 10,150	$ 18,206	$ 30,431	$ 46,842
Advisory services and other	3,336	4,439	6,757	9,990	14,725
Total revenues	9,699	14,589	24,963	40,421	61,567
Operating expenses:					
Cost of services and fulfillment	3,424	5,486	8,762	13,698	22,038
Selling and marketing	3,593	5,643	8,992	14,248	20,896
General and administrative	1,045	1,389	2,509	4,500	6,688
Depreciation and amortization	150	287	618	1,209	2,763
Total operating expenses	8,212	12,805	20,881	33,655	52,385
Income from operations	1,487	1,784	4,082	6,766	9,182
Interest income	125	339	634	2,515	2,957
Income before income tax provision	1,612	2,123	4,716	9,281	12,139
Income tax provision	73	96	712	3,683	4,592
Net income	1,539	2,027	4,004	$ 5,598	$ 7,547
Pro forma income tax adjustment	583	739	1,198		
Pro forma net income	$ 956	$ 1,288	$ 2,806		
Basic net income per common share	$ 0.26	$ 0.34	$ 0.65	$ 0.67	$ 0.89
Diluted net income per common share	$ 0.26	$ 0.34	$ 0.62	$ 0.63	$ 0.81
Basic pro forma net income per common share	$ 0.16	$ 0.21	$ 0.45		
Diluted pro forma net income per common share	$ 0.16	$ 0.21	$ 0.44		
Basic weighted average common shares outstanding	6,000,000	6,000,000	6,191,667	8,339,381	8,520,475
Diluted weighted average common shares outstanding	6,000,000	6,000,000	6,425,718	8,851,251	9,371,853
CONSOLIDATED BALANCE SHEET DATA:					
Cash, cash equivalents and marketable securities	$ 4,764	$ 7,518	$ 44,640	$ 54,914	$ 66,483
Working capital	$ 528	$ 991	$ 31,291	$ 36,016	$ 45,720
Total assets	$ 8,784	$ 15,426	$ 56,782	$ 73,536	$ 100,518
Stockholders' equity	$ 1,120	$ 2,047	$ 33,762	$ 40,505	$ 53,533

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

This Annual Report on Form 10-K contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as "expects," "anticipates," "intends," "plans," "estimates," or similar expressions are intended to identify these forward-looking statements. These statements are based on the Company's current plans and expectations and involve risks and uncertainties that could cause actual future activities and results of operations to be materially different from those set forth in the forward-looking statements. The Company undertakes no obligation to update publicly any forward-looking statements, whether as a result of new information, future events, or otherwise. For further information, please refer to "Certain Factors That May Affect Future Results" below.

Forrester Research, Inc. ("Forrester" or the "Company") is a leading independent research firm offering products and services that help its clients assess the effect of technology on their businesses. The Company provides analysis and insight into a broad range of technology areas such as computing, software, networking, the Internet, and telecommunications, and projects how technology trends will impact businesses, consumers, and society. Forrester's clients, which include senior management, business strategists, and information technology ("IT") and marketing professionals within large enterprises, use Forrester's prescriptive research to understand and benefit from current developments in technology and as support for their development and implementation decisions.

Memberships to Forrester's Strategy Research and Quantitative Research are renewable contracts, typically annual and payable in advance. Accordingly, a substantial portion of the Company's billings are initially recorded as deferred revenue. Strategy Research revenues are recognized pro rata on a monthly basis over the term of the contract. Quantitative Research revenue is recognized upon delivery of the research. The Company's other revenues are derived from advisory services rendered pursuant to Forrester's Partners Program and Strategy Review Program and in conjunction with Quantitative Research and from Forrester Forums ("Forums"). The Company's advisory service clients purchase such services together with core research memberships. Billings attributable to advisory services are initially recorded as deferred revenues and recognized as revenue when performed. Similarly, Forum billings are initially recorded as deferred revenue and are recognized upon completion of each event.

The Company's operating expenses consist of cost of services and fulfillment, selling and marketing expenses, general and administrative expenses, and depreciation and amortization. Cost of services and fulfillment represent the costs associated with production and delivery of the Company's products and services, and include the costs of salaries, bonuses, and related benefits for research personnel, and all associated editorial, travel, and support services. Selling and marketing expenses include salaries, employee benefits, travel expenses, promotional costs, sales commissions, and other costs incurred in marketing and selling the Company's products and services. General and administrative expenses include the costs of the finance, operations, and technology groups, and other administrative functions of the Company.

The Company believes that the "agreement value" of contracts to purchase core research and advisory services provides a significant measure of the Company's business volume. Forrester calculates agreement value as the total revenues recognizable from all core research and advisory service contracts in force at a given time, without regard to how much revenue has already been recognized. Agreement value increased 48% to $69.1 million at December 31, 1998 from $46.6 million at December 31, 1997. No single client company accounted for more than 3% of agreement value at December 31, 1998. The Company's experience is that a substantial portion of client companies renew expiring contracts for an equal or higher level of total core research and advisory service fees each year. Approximately 75% of Forrester's client companies with memberships expiring during the year ended December 31, 1998 renewed one or more memberships for the Company's products and services. The renewal rate was 80% for 1997. This renewal rate is not necessarily indicative of the rate of future retention of the Company's revenue base.

RESULTS OF OPERATIONS

The following table sets forth certain financial data as a percentage of total revenues for the periods indicated:

	YEAR ENDED DECEMBER 31,		
	1996	1997	1998
Core research	73%	75%	76%
Advisory services and other	27	25	24
Total revenues	100	100	100
Cost of services and fulfillment	35	34	36
Selling and marketing	36	35	34
General and administrative	10	11	11
Depreciation and amortization	3	3	4
Income from operations	16	17	15
Interest income	3	6	5
Income before income tax provision	19	23	20
Provision for income taxes	3	9	8
Net income	16%	14%	12%
Pro forma income tax adjustment	5		
Pro forma net income	11%		

YEARS ENDED DECEMBER 31, 1998 AND DECEMBER 31, 1997

REVENUES. Total revenues increased 52% to $61.6 million in the year ended December 31, 1998 from $40.4 million in the year ended December 31, 1997. Revenues from core research increased 54% to $46.8 million in the year ended December 31, 1998 from $30.4 million in the year ended December 31, 1997. Increases in total revenues and revenues from core research were primarily attributable to an increase in the number of clients to 1,271 at December 31, 1998 from 1,029 at December 31, 1997, sales of additional Research Services to existing clients, and the introduction of five new Research Services and one new Quantitative Research Service since January 1, 1997.

Advisory services and other revenues increased 47% to $14.7 million in the year ended December 31, 1998 from $10.0 million in the year ended December 31, 1997. This increase was primarily attributable to demand for the Partners and Strategy Review Programs and the addition of three new Forums in 1998.

Revenues attributable to customers outside the United States increased 44% to $12.6 million in the year ended December 31, 1998 from $8.8 million in the year ended December 31, 1997, and decreased as a percentage of total revenues to 21% for the year ended December 31, 1998 from 22% for the year ended December 31, 1997. The increase in international revenues was primarily due to the Company's opening of an office in Amsterdam, Netherlands in April 1998, and the addition of direct international sales personnel. The Company invoices its international clients in U.S. dollars.

Agreement value grew to $69.1 million at December 31, 1998 from $46.6 million at December 31, 1997. No single client company accounted for more than 3% of agreement value at December 31, 1998, or 3% of revenues for the year ended December 31, 1998.

COST OF SERVICES AND FULFILLMENT. Cost of services and fulfillment increased as a percentage of total revenues to 36% in the year ended December 31, 1998 from 34% in the year ended December 31, 1997. These expenses increased 61% to $22.0 million in the year ended December 31, 1998 from $13.7 million in the year ended December 31, 1997. The increase in expense and expense as a percentage of total revenues was principally due to increased analyst staffing for Research Services and related compensation expense and the addition of three new Forum events held in 1998.

SELLING AND MARKETING. Selling and marketing expenses decreased as a percentage of total revenues to 34% in the year ended December 31, 1998 from 35% in the year ended December 31, 1997. These expenses increased 47% to $20.9 million in the year ended December 31, 1998 from $14.2 million in the year ended December 31, 1997. The decrease as a percentage of total revenues resulted principally from the larger revenue base in 1998. The increase in expenses was principally due to the addition of direct salespersons and increased sales commission expense associated with increased revenues.

GENERAL AND ADMINISTRATIVE. General and administrative expenses remained constant as a percentage of total revenues at 11% in the years ended December 31, 1998 and December 31, 1997. These expenses increased 49% to $6.7 million in the year ended December 31, 1998 from $4.5 million in the year ended December 31, 1997. The increase in expenses was principally due to staffing increases and costs associated with the Amsterdam office.

DEPRECIATION AND AMORTIZATION. Depreciation and amortization expense increased 129% to $2.8 million in the year ended December 31, 1998 from $1.2 million in the year ended December 31, 1997. The increase in this expense was principally due to investments in the Company's IT infrastructure, and costs associated with the opening of the Amsterdam office.

INTEREST INCOME. Interest income increased to $3.0 million in the year ended December 31, 1998 from $2.5 million in the year ended December 31, 1997. This increase resulted from the Company's higher cash and marketable securities balances resulting from positive cash flows from operations.

PROVISION FOR INCOME TAXES. During the year ended December 31, 1998, the Company recorded a tax provision of $4.6 million reflecting an effective tax rate of 37.8%. During the year ended December 31, 1997, the Company recorded a tax provision of $3.7 million reflecting an effective tax rate of 39.7%. The decrease in effective tax rate resulted from a reduction in the Company's effective state tax rate, investments in tax-exempt instruments, and the formation of a foreign sales corporation.

YEARS ENDED DECEMBER 31, 1997 AND DECEMBER 31, 1996

REVENUES. Total revenues increased 62% to $40.4 million in the year ended December 31, 1997 from $25.0 million in the year ended December 31, 1996. Revenues from core research increased 67% to $30.4 million in the year ended December 31, 1997 from $18.2 million in the year ended December 31, 1996. Increases in total revenues and revenues from core research were primarily attributable to an increase in the number of clients to 1,029 at December 31, 1997 from 885 at December 31, 1996 and the introduction of six new Strategy Research Services since January 1, 1996. Revenues from the Company's Quantitative Research Service were not material in 1997.

Advisory services and other revenues increased 48% to $10.0 million in the year ended December 31, 1997 from $6.8 million in the year ended December 31, 1996. This increase was primarily attributable to demand for the Partners and Strategy Review Programs and the addition of two new Forums in 1997.

Revenues attributable to customers outside the United States increased 66% to $8.8 million in the year ended December 31, 1997 from $5.3 million in the year ended December 31, 1996, and also increased as a percentage of total revenues to 22% for the year ended December 31, 1997 from 21% for the year ended December 31, 1996. These increases were due primarily to the addition of direct international sales personnel. The Company invoices its international clients in U.S. dollars.

Agreement value grew to $46.6 million at December 31, 1997 from $30.0 million at December 31, 1996. No single client company accounted for more than 2% of agreement value at December 31, 1997 or 3% of revenues for the year ended December 31, 1997.

COST OF SERVICES AND FULFILLMENT. Cost of services and fulfillment decreased as a percentage of total revenues to 34% in the year ended December 31, 1997 from 35% in the year ended December 31, 1996. These expenses increased 56% to $13.7 million in the year ended December 31, 1997 from $8.8 million in the year ended December 31, 1996. The expense increase in this period was principally due to increased analyst staffing for Strategy Research Services and related compensation expense. The decrease as a percentage of total revenues was principally due to the Company's increased leverage of its core research services.

SELLING AND MARKETING. Selling and marketing expenses decreased as a percentage of total revenues to 35% in the year ended December 31, 1997 from 36% in the year ended December 31, 1996. These expenses increased 58% to $14.2 million in the year ended December 31, 1997 from $9.0 million in the year ended December 31, 1996. The increase in expenses was principally due to the addition of direct salespersons and increased sales commission expense associated with increased revenues. The decrease as a percentage of total revenues was principally due to increased productivity of the Company's direct sales force.

GENERAL AND ADMINISTRATIVE. General and administrative expenses increased as a percentage of total revenues to 11% in the year ended December 31, 1997 from 10% in the year ended December 31, 1996. These expenses increased 79% to $4.5 million in the year ended December 31, 1997 from $2.5 million in the year ended December 31, 1996. The increases in expense and expense as a percentage of total revenues were principally due to staffing increases in operations and IT, the addition of a human resources department, and investment in the Company's infrastructure, including new financial systems.

DEPRECIATION AND AMORTIZATION. Depreciation and amortization expense increased 95% to $1.2 million in the year ended December 31, 1997 from $618,000 in the year ended December 31, 1996. The increase in this expense was principally due to purchases of computer equipment, software, office furnishings, and leasehold improvements to support business growth.

INTEREST INCOME. Interest income increased to $2.5 million in the year ended December 31, 1997 from $634,000 in the year ended December 31, 1996. This increase resulted from the Company's higher cash and marketable securities balances resulting from positive cash flows from operations and net proceeds from the Company's initial public offering.

PROVISION FOR INCOME TAXES. During the year ended December 31, 1997, the Company recorded a tax provision of $3.7 million reflecting an effective tax rate of 39.7%. During the year ended December 31, 1996, the Company recorded a pro forma tax provision of $1.9 million reflecting an effective tax rate of 40.5%. The decrease in effective tax rate resulted from a reduction in the Company's effective state tax rate and investments in tax-exempt instruments.

LIQUIDITY AND CAPITAL RESOURCES

The Company has financed its operations to date through funds generated from operations. The Company generated $12.3 million in cash from operating activities during 1998 compared with $11.9 million of cash from operating activities during 1997. In 1998, the positive cash flow effect from an increase in income and depreciation was offset primarily by an increase in accounts receivable.

In 1998, the Company used $14.8 million of cash in investing activities, consisting of $6.1 million for the purchase of property and equipment, and $8.7 million for net purchases of marketable securities. The Company regularly invests excess funds in short- and intermediate-term interest-bearing obligations of investment grade.

In 1998, the Company generated a net $5.2 million in cash from financing activities. This includes proceeds of $2.5 million from stock option exercises, $657,000 of proceeds from the Employee Stock Purchase Plan, and $2.0 million from the tax benefit of stock transactions with employees. In December 1996, the Company received $33.2 million from the sale of 2,300,000 shares of common stock in its initial public offering.

As of December 31, 1998, the Company had cash and cash equivalents of $10.4 million and $56.1 million in marketable securities. The Company does not have a line of credit and does not anticipate the need for one in the foreseeable future. The Company currently plans to introduce new products and services, and to continue to invest in its infrastructure over the next three to 12 months. The Company believes that its current cash balance, marketable securities, and cash flows from operations will satisfy working capital, financing activities, and capital expenditure requirements for at least the next two years.

YEAR 2000 DISCLOSURE

THE COMPANY'S STATE OF READINESS. The Company is implementing a broad-based remediation effort to address the year 2000 problem. This effort consists of the following three stages: (i) survey and assess the Company's operations for year 2000 compliance; (ii) execute the necessary software and hardware remedial changes; and (iii) test the remediation efforts to ensure year 2000 compliance. There can be no assurance that the Company's survey will identify all year 2000 problems in these areas or that the necessary corrective actions will be completed in a timely manner.

The first stage of the effort, a survey and assessment of the Company's operations for year 2000 compliance, has been completed. The Company identified three areas of operations where the year 2000 problem could arise:

External product delivery systems. This includes the Company's three main platforms for electronic product delivery: Forrester's web site, FTP site, and Lotus Notes system.

Internal information technology systems. This includes the Company's MIS functions, customer service applications, and production systems.

Third-party vendors and service providers. This includes a review of the Company's third-party vendor and service providers to establish their readiness for the year 2000 problem and assess any risks to the Company. Material third-party vendor and service providers include: printers, mailing houses, and CD-ROM duplicators.

This survey included a review of the year 2000 compliance of the Company's Amsterdam office. The Company's external product delivery systems, internal information technology systems, and a number of third-party vendors and service providers are also utilized by the Amsterdam office. The Company continues to monitor and review non-IT facilities and third-party vendors that are used exclusively by the European Research Center.

The Company is currently implementing the second stage, executing the software and hardware changes necessary to remediate potential year 2000 problems identified in the survey. The year 2000 compliance of the Company's external product delivery systems and internal information technology systems ultimately depends upon the delivery of year 2000 compliant systems from the Company's vendors. The Company is working closely with these vendors to ensure the timely delivery of year 2000 compliant systems. The Company's Lotus Notes system is fully year 2000 compliant, and the Company has updated its web site and FTP site to bring these external delivery systems into year 2000 compliance. The Company's MIS systems are fully compliant and vendor supplied upgrades for the Company's customer service applications and production systems have been delivered and will be installed during the second quarter of 1999. The Company's survey of non-IT facilities technology, which included a review of the elevator, HVAC, security, and energy management systems, indicated that these systems are currently year 2000 compliant due to the absence of date-sensitive microcontrollers.

During this second stage the Company is also assessing its vulnerability to year 2000 problems of third-party vendors and service providers. The Company relies on third-party suppliers primarily to deliver printing services, mailing services, Internet and web-hosting services, and CD-ROM duplication. The Company intends to continuously identify and prioritize critical service providers and vendors and communicate with them about their plans and progress in addressing the year 2000 problem.

The final stage of the Company's year 2000 efforts, the internal testing of all systems, is also currently underway. In the fourth quarter of 1998 the Company completed a successful test of its internal IT systems and intends to continue to test these systems during 1999. The Company anticipates that all testing for year 2000 compliance will be complete by mid-1999.

THE COMPANY'S YEAR 2000 RISK. Based on the efforts described above, the Company currently believes that its systems will be year 2000 compliant by mid-1999. However, there can be no assurance that all year 2000 problems will be successfully identified, or that the necessary corrective actions will be completed in a timely manner. In addition, the survey has indicated that the Company's compliance will require the delivery of upgrades by various vendors, and any failure to deliver these upgrades in a timely manner will adversely affect the Company's readiness for the year 2000 problem. The Company relies on the Internet for its external distribution systems, and any failure of the Internet due to year 2000 issues could adversely affect the Company.

THE COMPANY'S CONTINGENCY PLANS. The Company is designing a contingency plan for year 2000 problems. This contingency plan will be in place by mid-1999 and will be designed to mitigate the effects of third parties' failures to remediate their year 2000 issues and for unexpected failures in its own systems. Pursuant to the contingency plan, the Company has made arrangements for some alternate suppliers, such as Internet service providers, and will continue to identify potential alternate suppliers. If it becomes necessary for the Company to take these corrective actions, it is uncertain whether this would result in significant interruptions in service or delays in business operations or whether it would have a material adverse effect on the Company's results of operations, financial position, or cash flow.

COSTS OF YEAR 2000 REMEDIATION. As of December 31, 1998, the Company has not incurred material costs related to the year 2000 problem. In the future, the Company may incur small incremental costs in connection with the upgrades of its external delivery systems and internal information technology systems. The Company has not deferred other information technology projects due to year 2000 expenses and does not expect to defer such projects in the future.

CERTAIN FACTORS THAT MAY AFFECT FUTURE RESULTS

The following important factors, among others, could cause actual results to differ materially from those indicated by forward-looking statements made in this Annual Report on Form 10-K and presented elsewhere by management from time to time.

NEED TO ATTRACT AND RETAIN PROFESSIONAL STAFF. The Company's future success will depend in large measure upon the continued contributions of its senior management team, research analysts, and experienced sales personnel. Accordingly, future operating results will be largely dependent upon the Company's ability to retain the services of these individuals and to attract additional qualified personnel from a limited pool of qualified candidates. The Company experiences intense competition in hiring and retaining professional personnel from, among others, producers of information technology products, other research firms, management consulting firms, print and electronic publishing companies, and financial services companies. Many of these firms have substantially greater financial resources than the Company to attract and compensate qualified personnel. The loss of the services of key management and professional personnel or the inability to attract such personnel could have a material adverse effect on the Company's business, financial condition, and results of operations.

MANAGEMENT OF GROWTH. The Company's growth has placed significant demands on its management and other resources. The Company's revenues increased approximately 52% to $61.6 million in 1998 from $40.4 million in 1997. The Company's staff increased from 240 full-time employees on December 31, 1998 to 311 full-time employees on December 31, 1998. The Company's ability to manage growth, if any, effectively will require it to continue to develop and improve its operational, financial, and other internal systems, as well as its business development capabilities, and to train, motivate, and manage its employees. In addition, the Company may acquire complementary businesses, products, or technologies, although it currently has no commitments or agreements to do so. The Company's management has limited experience integrating acquisitions. If the Company is unable to manage its growth effectively, such inability could have a material adverse effect on the quality of the Company's products and services, its ability to retain key personnel and its business, financial condition, and results of operations.

VARIABILITY OF QUARTERLY OPERATING RESULTS; POSSIBLE VOLATILITY OF STOCK PRICE. The Company's revenues and earnings may fluctuate from quarter to quarter based on a variety of factors including the timing and size of new and renewal memberships from clients, the timing of revenue-generating events sponsored by the Company, the utilization of its advisory services, the introduction and marketing of new products and services by the Company and its competitors, the hiring and training of new analysts and sales personnel, changes in demand for the Company's research, and general economic conditions. As a result, the Company's operating results in future quarters may be below the expectations of securities analysts and investors which could have a material adverse effect on the market price for the Company's common stock. Factors such as announcements of new services or offices or strategic alliances by the Company or its competitors, as well as market conditions in the information technology services industry, may have a significant impact on the market price of the common stock. The market price for the Company's common stock may also be affected by movements in prices of stocks in general.

DEPENDENCE ON RENEWALS OF MEMBERSHIP-BASED RESEARCH SERVICES. The Company's success depends in part upon renewals of memberships for its core research products. Approximately 75% and 76% of the Company's revenues in 1997 and 1998, respectively, were derived from the Company's membership-based core research products. A significant decline in renewal rates for the Company's core research products could have a material adverse effect on the Company's business, financial condition, and results of operations.

DEPENDENCE ON KEY PERSONNEL. The Company's future success will depend in large part upon the continued services of a number of key employees. The loss of key personnel, in particular George F. Colony, the Company's founder and Chairman of the Board of Directors, President, and Chief Executive Officer, could have a material adverse effect on the Company's business, financial condition, and results of operations. In October 1996, the Company entered into a registration rights and non-competition agreement with Mr. Colony, which provides that if Mr. Colony's employment with the Company is terminated he will not compete with the Company for the one-year period following his termination.

RISKS ASSOCIATED WITH ANTICIPATING MARKET TRENDS. The Company's success depends in part upon its ability to anticipate rapidly changing technologies and market trends and to adapt its core research to meet the changing information needs of the Company's clients. The technology sectors that the Company analyzes undergo frequent and often dramatic changes, including the introduction of new products and obsolescence of others, shifting strategies and market positions of major industry participants, paradigm shifts with respect to system architectures, and changing objectives and expectations of users of technology. The environment of rapid and continuous change presents significant challenges to the Company's ability to provide its clients with current and timely analysis, strategies, and advice on issues of importance to them. Meeting these challenges requires the commitment of substantial resources, and any failure to continue to provide insightful and timely analysis of developments, technologies, and trends in a manner that meets market needs could have a material adverse effect on the Company's business, financial condition, and results of operations.

NEW PRODUCTS AND SERVICES. The Company's future success will depend in part on its ability to offer new products and services that successfully gain market acceptance by addressing specific industry and business organization sectors, changes in client requirements, and changes in the technology industry. The process of internally researching, developing, launching, and gaining client acceptance of a new product or service, or assimilating and marketing an acquired product or service, is inherently risky and costly. There can be no assurance that the Company's efforts to introduce new, or assimilate acquired, products or services will be successful.

COMPETITION. The Company competes in the market for research products and services with other independent providers of similar services. Several of the Company's competitors have substantially greater financial, information-gathering, and marketing resources than the Company. In addition, the Company's indirect competitors include the internal planning and marketing staffs of the Company's current and prospective clients, as well as other information providers such as electronic and print publishing companies, survey-based general market research firms, and general business consulting firms. The Company's indirect competitors may choose to compete directly against the Company in the future. In addition, there are relatively few barriers to entry into the Company's market and new competitors could readily seek to compete against the Company in one or more market segments addressed by the Company's products and services. Increased competition could adversely affect the Company's operating results through pricing pressure and loss of market share. There can be no assurance that the Company will be able to continue to compete successfully against existing or new competitors.

ITEM 7a. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The following discussion about the Company's market risk disclosures involves forward-looking statements. Actual results could differ materially from those projected in the forward-looking statements. The Company is exposed to market risk related to changes in interest rates and foreign currency exchange rates. The Company does not use derivative financial instruments for speculative or trading purposes.

INTEREST RATE SENSITIVITY. The Company maintains an investment portfolio consisting mainly of corporate obligations, federal agency obligations, state and municipal bonds, and U.S. Treasury notes with a weighted average maturity of less than one year. These held-to-maturity securities are subject to interest rate risk and will fall in value if market interest rates increase. If market interest rates were to increase immediately and uniformly by 10 percent from levels at December 31, 1998, the fair market value of the portfolio would decline by an immaterial amount. The Company has the ability to hold its fixed income investments until maturity, and therefore the Company would not expect its operating results or cash flows to be affected to any significant degree by the effect of a sudden change in market interest rates on its securities portfolio. The following table provides information about the Company's investment portfolio. For investment securities, the table presents principal cash flows and related weighted average interest rates by expected maturity dates.

Principal amounts by expected maturity in U.S. Dollars (in thousands, except interest rates) are:

	FAIR VALUE AT DECEMBER 31, 1998	FY 1999	FY 2000	FY 2001 AND THEREAFTER
Cash equivalents..............................	$ 9,624	$ 9,624	$ --	$ --
Weighted average interest rate................	4.04%	4.04%	--%	--%
Investments...................................	$56,028	$32,846	$23,004	$177
Weighted average interest rate................	5.57%	5.66%	5.44%	6.39%
Total portfolio...............................	$65,652	$42,470	$23,004	$177
Weighted average interest rate................	5.35%	5.29%	5.44%	6.39%

FOREIGN CURRENCY EXCHANGE. As a global concern, the Company faces exposure to adverse movements in foreign currency exchange rates. These exposures may change over time as business practices evolve and could have a material adverse impact on the Company's financial results. Historically, the Company's primary exposures have been related to non-dollar-denominated operating expenses in Europe, Canada, and Asia where the Company sells primarily in U.S. dollars. The introduction of the Euro as a common currency for members of the European Monetary Union has taken place in the Company's fiscal year 1999. The Company has not determined what impact, if any, the Euro will have on foreign exchange exposure. The Company is prepared to hedge against fluctuations in the Euro if this exposure becomes material. As of December 31, 1998, the assets and liabilities related to non-dollar-denominated currencies was approximately $1.5 million.

ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements listed in the following Index to Financial Statements are filed as a part of this 1998 Annual Report on Form 10-K under Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K.

FORRESTER RESEARCH, INC.

INDEX TO FINANCIAL STATEMENTS

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There have been no changes in or disagreements with accountants on accounting or financial disclosure matters.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Certain information regarding Executive Officers of the registrant is included in Item 1 in Part I of this 1998 Annual Report on Form 10-K. The information set forth under the sections captioned "Election of Directors" and "Compliance with Section 16(a) of the Securities Exchange Act of 1934" in the Company's Proxy Statement (the "1999 Proxy Statement") for the Company's Annual Meeting of Stockholders is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information set forth under the caption "Executive Compensation" of the 1999 Proxy Statement, except for the Report of the Compensation Committee and the Performance Graph, is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this item may be found under the section captioned "Security Ownership of Certain Beneficial Owners and Management" in the 1999 Proxy Statement, and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this item may be found under the section captioned "Certain Relationships and Related Transactions" and "Compensation Committee Interlocks and Insider Participation" in the 1999 Proxy Statement, and is incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENTS SCHEDULES, AND REPORTS ON FORM 8-K

(a) 1. Financial Statements. The financial statements filed as part of this report are listed at Page F-1 and indexed on Page 20.

2. Financial Statements Schedules. None.

3. Exhibits. A complete listing of exhibits required is given in the Exhibit Index that precedes the exhibits filed with this report on page E-1 hereof.

(b) Report on Form 8-K. None.

(c) See Item 14(a)(3) of this report.

(d) See Item 14(a)(2) of this report.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Forrester Research, Inc.

By: /s/ GEORGE F. COLONY

George F. Colony
Chairman of the Board, President,
and Chief Executive Officer

Date:

Pursuant to the requirement of the Securities Act of 1934, this report has been signed by the following persons on behalf of the registrant in the capacities and on the dates indicated.

SIGNATURE	CAPACITY IN WHICH SIGNED	DATE
/s/ GEORGE F. COLONY George F. Colony	Chief Executive Officer, President, and Director of the Company (principal executive officer)	March 27, 1999
/s/ SUSAN M. WHIRTY Susan M. Whirty	Chief Financial Officer (principal financial and accounting officer)	March 27, 1999
/s/ ROBERT M. GALFORD Robert M. Galford	Member of the Board of Directors	March 27, 1999
/s/ HENK W. BROEDERS Henk W. Broeders	Member of the Board of Directors	March 27, 1999
/s/ GEORGE R. HORNIG George R. Hornig	Member of the Board of Directors	March 27, 1999
/s/ MICHAEL H. WELLES Michael H. Welles	Member of the Board of Directors	March 27, 1999

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Stockholders of
Forrester Research, Inc.:

We have audited the accompanying consolidated balance sheets of Forrester Research, Inc. (a Delaware corporation) and subsidiaries as of December 31, 1997 and 1998, and the related consolidated statements of income, stockholders' equity and comprehensive income, and cash flows for each of the three years in the period ended December 31, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Forrester Research, Inc. and subsidiaries as of December 31, 1997 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Boston, Massachusetts
January 27, 1999

FORRESTER RESEARCH, INC.

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 1997 AND 1998

	1997	1998
ASSETS		
Current assets:		
Cash and cash equivalents	$ 7,742,094	$ 10,413,986
Marketable securities	47,171,975	56,069,332
Accounts receivable, net of allowance for doubtful accounts of approximately $325,000 and $400,000 in 1997 and 1998, respectively	11,192,887	21,158,040
Deferred commissions	1,368,106	2,124,292
Prepaid income taxes	520,018	334,370
Prepaid expenses and other current assets	1,052,326	2,604,834
Total current assets	69,047,406	92,704,854
Property and equipment, at cost:		
Computers and equipment	3,143,059	5,677,083
Computer software	1,003,558	2,765,754
Furniture and fixtures	778,084	1,249,185
Vehicle	30,098	30,098
Leasehold improvements	1,596,457	2,916,373
Total property and equipment	6,551,256	12,638,493
Less--accumulated depreciation and amortization	2,062,383	4,825,637
Property and equipment, net	4,488,873	7,812,856
Total assets	$73,536,279	$100,517,710
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 1,273,046	$ 1,433,486
Customer deposits	278,726	264,478
Accrued expenses	3,660,726	5,050,991
Accrued income taxes	622,997	932,795
Deferred revenue	27,074,379	38,894,149
Deferred income taxes	121,330	408,811
Total current liabilities	33,031,204	46,984,710
Commitments (Note 4)		
Stockholders' equity:		
Preferred stock, $.01 par value Authorized--500,000 shares Issued and outstanding--none	--	--
Common stock, $.01 par value Authorized--25,000,000 shares Issued and outstanding--8,391,829 shares and 8,654,175 shares in 1997 and 1998, respectively	83,918	86,541
Additional paid-in capital	34,353,268	39,574,939
Retained earnings	6,007,642	13,554,906
Accumulated other comprehensive income	60,247	316,614
Total stockholders' equity	40,505,075	53,533,000
Total liabilities and stockholders' equity	$73,536,279	$100,517,710

The accompanying notes are an integral part of these consolidated financial statements.

FORRESTER RESEARCH, INC.

CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 1996, 1997 AND 1998

	1996	1997	1998
Revenues:			
Core research	$18,205,851	$30,430,972	$46,842,023
Advisory services and other	6,757,270	9,989,965	14,725,111
Total revenues	24,963,121	40,420,937	61,567,134
Operating Expenses:			
Cost of services and fulfillment	8,761,718	13,698,175	22,037,828
Selling and marketing	8,991,794	14,248,287	20,895,597
General and administrative	2,508,845	4,500,102	6,688,368
Depreciation and amortization	618,290	1,208,606	2,763,254
Total operating expenses	20,880,647	33,655,170	52,385,047
Income from operations	4,082,474	6,765,767	9,182,087
Interest income	633,798	2,514,889	2,956,878
Income before income tax provision	4,716,272	9,280,656	12,138,965
Income tax provision (Note 3)	712,000	3,682,616	4,591,701
Net income	4,004,272	$ 5,598,040	$ 7,547,264
Pro forma income tax adjustment (Note 3)	1,198,000		
Pro forma net income	$ 2,806,272		
Basic net income per common share	$ 0.65	$ 0.67	$ 0.89
Diluted net income per common share	$ 0.62	$ 0.63	$ 0.81
Basic pro forma net income per common share	$ 0.45		
Diluted pro forma net income per common share	$ 0.44		
Basic weighted average common shares outstanding	6,191,667	8,339,381	8,520,475
Diluted weighted average common shares outstanding	6,425,718	8,851,251	9,371,853

The accompanying notes are an integral part of these consolidated financial statements.

FORRESTER RESEARCH, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 1996, 1997 AND 1998

	COMMON STOCK NUMBER OF SHARES	COMMON STOCK $.01 PAR VALUE	ADDITIONAL PAID-IN CAPITAL	ACCUMULATED OTHER COMPREHENSIVE INCOME	RETAINED EARNINGS	TOTAL STOCKHOLDERS' EQUITY	COMPREHENSIVE INCOME
Balance, December 31, 1995	6,000,000	$60,000	$ --	$ 21,696	$ 1,965,527	$ 2,047,223	
Issuance of common stock in initial public offering, net of issuance costs of $3,565,947	2,300,000	23,000	33,211,053	--	--	33,234,053	
Distributions (Note 3)	--	--	--	--	(5,560,197)	(5,560,197)	
Net income	--	--	--	--	4,004,272	4,004,272	$4,004,272
Unrealized gain on marketable securities, net of tax provision	--	--	--	36,404	--	36,404	36,404
Total comprehensive income							4,040,676
Balance, December 31, 1996	8,300,000	83,000	33,211,053	58,100	409,602	33,761,755	
Issuance of common stock under stock option plan	70,246	702	446,851	--	--	447,553	
Issuance of common stock under employee stock purchase plan	21,583	216	293,306	--	--	293,522	
Tax benefit on exercise of stock options	--	--	402,058	--	--	402,058	
Net income	--	--	--	--	5,598,040	5,598,040	5,598,040
Unrealized gain on marketable securities, net of tax provision	--	--	--	2,147	--	2,147	2,147
Total comprehensive income							5,600,187
Balance, December 31, 1997	8,391,829	83,918	34,353,268	60,247	6,007,642	40,505,075	
Issuance of common stock under stock option plans	228,648	2,286	2,532,998	--	--	2,535,284	
Issuance of common stock under employee stock purchase plan	33,698	337	657,403	--	--	657,740	
Tax benefit on exercise of stock options	--	--	2,031,270	--	--	2,031,270	
Net income	--	--	--	--	7,547,264	7,547,264	7,547,264
Unrealized gain on marketable securities, net of tax provision	--	--	--	88,749	--	88,749	88,749
Cumulative translation adjustment	--	--	--	167,618	--	167,618	167,618
Total comprehensive income							$7,803,631
Balance, December 31, 1998	8,654,175	$86,541	$39,574,939	$316,614	$13,554,906	$53,533,000	

The accompanying notes are an integral part of these consolidated financial statements.

FORRESTER RESEARCH, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 1996, 1997 AND 1998

	1996	1997	1998
Cash flows from operating activities:			
Net income	$ 4,004,272	$ 5,598,040	$ 7,547,264
Adjustments to reconcile net income to net cash provided by operating activities --			
Depreciation and amortization	618,290	1,208,606	2,763,254
Deferred income taxes	436,714	(315,384)	287,481
Accretion of discount on marketable securities	(193,152)	(473,845)	(54,810)
Cumulative translation adjustment	--	--	157,740
Changes in assets and liabilities --			
Accounts receivable	(2,217,514)	(3,092,392)	(9,965,153)
Deferred commissions	(449,301)	(26,838)	(756,186)
Prepaid income taxes	--	(520,018)	185,648
Prepaid expenses and other current assets	(153,064)	(822,721)	(1,552,508)
Accounts payable	822,787	72,915	160,440
Customer deposits	41,964	139,433	(14,248)
Accrued expenses	1,656,296	459,615	1,390,265
Accrued income taxes	227,037	395,960	309,798
Deferred revenue	6,457,279	9,257,999	11,819,770
Net cash provided by operating activities	11,251,608	11,881,370	12,278,755
Cash flows from investing activities:			
Purchases of property and equipment, net	(2,033,157)	(3,226,337)	(6,087,237)
Purchases of marketable securities	(8,469,888)	(365,870,837)	(313,236,282)
Proceeds from sales and maturities of marketable securities	4,962,208	329,432,571	304,482,484
Net cash used in investing activities	(5,540,837)	(39,664,603)	(14,841,035)
Cash flows from financing activities:			
Proceeds from issuance of common stock under stock option plan and employee stock purchase plan, including tax benefit on exercise of stock options	--	1,143,133	5,224,294
Net proceeds from initial public stock offering	33,234,053	--	--
Distributions to stockholder	(5,560,197)	--	--
Net cash provided by financing activities	27,673,856	1,143,133	5,224,294
Effect of exchange rate changes on cash and cash equivalents	--	--	9,878
Net increase (decrease) in cash and cash equivalents	33,384,627	(26,640,100)	2,671,892
Cash and cash equivalents, beginning of year	997,567	34,382,194	7,742,094
Cash and cash equivalents, end of year	$34,382,194	$ 7,742,094	$ 10,413,986
Supplemental disclosure of cash flow information:			
Cash paid for income taxes	$ 87,053	$ 3,720,000	$ 1,117,000

The accompanying notes are an integral part of these consolidated financial statements.

FORRESTER RESEARCH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Forrester Research, Inc. (the Company) creates, publishes and sells technology research reports and provides advisory services and technology conferences. The Company is incorporated under the laws of the State of Delaware and grants credit to its customers with locations throughout the world.

The preparation of the accompanying consolidated financial statements requires the use of certain estimates by management in determining the Company's assets, liabilities, revenues and expenses. Actual results could differ from these estimates.

The accompanying consolidated financial statements reflect the application of certain significant accounting policies as described below and elsewhere in the accompanying financial statements and notes.

Principles of Consolidation

The accompanying financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany balances have been eliminated in consolidation.

Revenue Recognition

The Company invoices its core research, advisory and other services when an order is received. The gross amount is recorded as accounts receivable and deferred revenue when the client is obligated to pay the invoice. Core research, which represents the monthly distribution of research reports, is recorded as revenue ratably over the term of the agreement as the research is delivered. Advisory and other services are recognized during the period in which the services are performed.

Deferred Commissions

Commissions incurred in acquiring new or renewal contracts are deferred and charged to operations as the related revenue is recognized. The Company evaluates the recoverability of deferred commissions at each balance sheet date based on the status of the related contract.

Net Income and Pro Forma Net Income Per Common Share

Basic net income per common share and basic pro forma net income per common share are computed by dividing net income or pro forma net income by the basic weighted average number of common shares outstanding during the period. Diluted net income per common share and diluted pro forma net income per common share are computed by dividing net income or pro forma net income by the diluted weighted average number of common and common equivalent shares outstanding during the period. The weighted average number of common equivalent shares outstanding has been determined in accordance with the treasury-stock method. Common stock equivalents consist of common stock issuable upon the exercise of outstanding stock options.

Basic and diluted weighted average common shares are as follows:

	1996	1997	1998
Basic weighted average common shares outstanding......	6,191,667	8,339,381	8,520,475
Weighted average common equivalent shares............	234,051	511,870	851,378
Diluted weighted average common shares outstanding....	6,425,718	8,851,251	9,371,853

As of December 31, 1997 and 1998, 111,086 and 439,890 options, respectively, were outstanding but not included in the diluted weighted average common share calculation as the effect would have been anti-dilutive. As of December 31, 1996, there were no anti-dilutive options.

Depreciation

The Company provides for depreciation, computed using the straight-line method, by charges to income in amounts that allocate the costs of these assets over their estimated useful lives as follows:

	ESTIMATED USEFUL LIFE
Computers and equipment	3 to 5 Years
Computer software	3 Years
Furniture and fixtures	7 Years
Vehicles	5 Years
Leasehold improvements	Life of lease

Product Development

All costs associated with the development of new products and services are expensed as incurred.

Concentration of Credit Risk

Statement of Financial Accounting Standards (SFAS) No. 105, Disclosure of Information About Financial Instruments with Off-Balance-Sheet Risk and Financial Instruments with Concentrations of Credit Risk, requires disclosure of any significant off-balance-sheet and credit risk concentrations. The Company has no significant off-balance sheet concentration of credit risk such as foreign exchange contracts, option contracts, or other foreign hedging arrangements. Financial instruments that potentially subject the Company to concentrations of credit risk are principally cash equivalents, marketable securities and accounts receivable. The Company places its investments in highly rated institutions. No single customer accounted for greater than 10% of revenues or accounts receivable in any of the periods presented.

Financial Instruments

SFAS No. 107, Disclosures About Fair Value of Financial Instruments, requires disclosure about the fair value of financial instruments. Financial instruments consist of cash equivalents, marketable securities, accounts receivable and accounts payable. The estimated fair value of these financial instruments approximates their carrying value. The fair market value of marketable securities is based on market quotes. The Company's cash equivalents and marketable securities are generally investment grade corporate bonds and obligations of the federal government or municipal issuers.

Foreign Currency

The functional currency of the Company's wholly owned subsidiary in the Netherlands is the local currency. The financial statements of the subsidiary are translated to United States dollars using period-end exchange rates for assets and liabilities and average exchange rates during the corresponding period for revenues and expenses. Translation gains and losses as a result of this translation are accumulated as a component of accumulated other comprehensive income. Net gains and losses resulting from foreign exchange transactions are included in the consolidated statements of operations and were not significant during the periods presented.

Comprehensive Income

SFAS No. 130, Reporting Comprehensive Income, requires disclosure of comprehensive income and the components of comprehensive income. Comprehensive income is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources. Comprehensive income is disclosed in the accompanying statement of stockholders' equity and comprehensive

FORRESTER RESEARCH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

income. The components of accumulated other comprehensive income as of December 31, 1996, 1997, and 1998 are as follows:

	1996	1997	1998
Unrealized gain on marketable securities, net of taxes	$58,100	$60,247	$148,996
Cumulative translation adjustment	--	--	167,618
Total accumulated other comprehensive income	$58,100	$60,247	$316,614

New Accounting Standards

In March 1998, the American Institute of Certified Public Accountants (AICPA) issued Statement of Position (SOP) No. 98-1, Accounting for the Costs of Computer Software Developed or Obtained for Internal Use. SOP No. 98-1 is effective for all fiscal years beginning after December 15, 1998 and requires certain computer software costs associated with internal-use software to be expensed as incurred until certain capitalization criteria are met. The Company will adopt SOP No. 98-1 prospectively beginning January 1, 1999. Adoption of this statement is not expected to have a material impact on the Company's consolidated financial position or results of operations.

In April 1998, the AICPA issued SOP No. 98-5, Reporting on the Costs of Start-Up Activities which requires that all nongovernmental entities expense the costs of start-up activities, including organizational costs, as those costs are incurred. The Company has historically recorded all such costs as expenses, in the period incurred.

In June 1998, the Financial Accounting Standards Board (FASB) issued SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. SFAS No. 133 is effective for all periods beginning after June 15, 1999 and establishes methods of accounting for derivative financial instruments and hedging activities related to those instruments as well as other hedging activities. Adoption of SFAS No. 133 is not expected to have a material impact on the Company's consolidated financial position or results from operations.

(2) CASH, CASH EQUIVALENTS AND MARKETABLE SECURITIES

The Company considers all short-term, highly liquid investments with maturities of 90 days or less from the original date of purchase to be cash equivalents.

The Company accounts for investments in accordance with SFAS No. 115, Accounting for Certain Investments in Debt and Equity Securities. Under SFAS No. 115, securities that the Company has the positive intent and ability to hold to maturity are reported at amortized cost and are classified as held-to-maturity. There were no held-to-maturity securities at December 31, 1997 and 1998. Securities purchased in order to be held for indefinite periods of time and not intended at the time of purchase to be held until maturity are classified as available-for-sale securities. At December 31, 1997 and 1998, these securities consisted of investments in federal and state government obligations and corporate obligations, which were recorded at fair market value, with any unrealized gains and losses reported as a separate component of other accumulated comprehensive income. There were no trading securities at December 31, 1997 and 1998.

FORRESTER RESEARCH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

At December 31, 1997 and 1998, marketable securities consisted of the following:

	1997	1998
U.S. Treasury notes	$10,025,860	$ 3,560,004
Federal agency obligations	21,772,795	15,125,624
State and municipal bonds	13,131,114	12,335,825
Corporate obligations	2,242,206	25,047,879
	$47,171,975	$56,069,332

The following table summarizes the maturity periods of marketable securities as of December 31, 1998:

	LESS THAN 1 YEAR	1 TO 5 YEARS	5 TO 10 YEARS	TOTAL
U.S. Treasury notes	$ 2,550,164	$ 1,009,840	$ --	$ 3,560,004
Federal agency obligations	8,924,325	6,125,100	76,199	15,125,624
State and municipal bonds	9,451,342	2,884,483	--	12,335,825
Corporate obligations	11,962,138	13,085,741	--	25,047,879
	$32,887,969	$23,105,164	$ 76,199	$56,069,332

Gross realized gains and losses on sales of marketable securities for the years ended December 31, 1997 and 1998, which were calculated based on specific identification, were not material.

(3) INCOME TAXES

The Company accounts for income taxes, including pro forma computations, in accordance with SFAS No. 109, Accounting for Income Taxes. SFAS No. 109 prescribes an asset and liability approach that requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the financial statement carrying amounts and the tax basis of assets and liabilities.

The Company was an S corporation under Section 1362 of the Internal Revenue Code of 1986, as amended (the Code), until prior to the closing of its public offering in December 1996. As an S corporation, the taxable income of the Company was passed through to the sole stockholder and was reported on his individual federal and state income tax returns. Payments to the stockholder to cover the tax liabilities as a result of the Company's taxable income were recorded as distributions in the accompanying statements of stockholders' equity. In December 1996, a distribution was recorded to distribute the cumulative S corporation earnings taxed or taxable to the original stockholder net of the amounts previously distributed. This distribution totaled approximately $5,231,000.

As discussed above, the Company terminated its S corporation election prior to the closing of its initial public offering of common stock and became subject to federal and state income taxes at prevailing corporate rates. Accordingly, the accompanying statement of income for the year ended December 31, 1996 includes a pro forma income tax adjustment for the income taxes that would have been recorded if the Company had been a C corporation for that period.

FORRESTER RESEARCH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The components of the historical and pro forma income tax provisions are approximately as follows:

	1996	1997	1998
Current --			
Federal	$ 67,000	$3,045,000	$3,800,000
State	208,000	953,000	504,000
	275,000	3,998,000	4,304,000
Deferred --			
Federal	354,000	(244,000)	255,000
State	83,000	(71,000)	33,000
	437,000	(315,000)	288,000
Actual provision for income taxes	712,000	$3,683,000	$4,592,000
Pro forma income tax provision	1,910,000		
Pro forma income tax adjustment	$1,198,000		

The Company's income tax provision for the year ended December 31, 1996 consisted primarily of corporate-level state income taxes that were levied against the Company as an S corporation and the cumulative effect of temporary differences between the financial reporting and tax basis of certain assets and liabilities on the date of the S corporation termination as discussed in the following paragraph. The pro forma tax provision does not materially differ from the Company's combined federal and state statutory rate of 40%.

Upon termination of the S corporation election, deferred income taxes were recorded for the tax effect of cumulative temporary differences between the financial reporting and tax basis of certain assets and liabilities, primarily deferred commissions, accrued expenses and cumulative tax depreciation in excess of financial reporting allowances. These temporary differences resulted in a net deferred income tax liability of approximately $510,000. The Company recorded this tax liability as a one-time increase in the actual tax provision during 1996.

A reconciliation of the federal statutory rate to the Company's effective tax rate is as follows:

	1997	1998
Income tax provision at federal statutory rate	34.0%	34.0%
Increase (decrease) in tax resulting from --		
State tax provision, net of federal benefit	4.5	4.4
Non-deductible expenses	0.6	0.8
Tax-exempt interest income	(1.1)	(0.8)
Benefit of foreign sales corporation	--	(0.8)
Other, net	1.7	0.2
Effective income tax rate	39.7%	37.8%

Deferred income taxes as of December 31, 1997 and 1998 related to the following temporary differences:

	1997	1998
Nondeductible reserves and accruals	$ 397,000	$ 360,000
Depreciation and amortization	33,000	38,000
Deferred commissions	(551,000)	(807,000)
	$(121,000)	$(409,000)

The Company and George F. Colony, who was the sole stockholder of the Company prior to its initial public offering, have entered into an indemnification agreement relating to their respective income tax liabilities. Mr. Colony will continue to be liable for personal income taxes on the Company's income for all periods prior to the time the Company ceased to be an S corporation, while the Company will be liable for all income taxes subsequent to the time it ceased to be an S corporation. The agreement generally provides that the Company will indemnify Mr. Colony for any increase in his taxes (including interest and penalties) resulting from adjustments initiated by taxing authorities and from payments to him under the agreement, and Mr. Colony will pay to the Company an amount equal to any decrease in his tax liability resulting from adjustments initiated by taxing authorities. The agreement also provides that, if the Company is determined to have been a C corporation for tax purposes at any time it reported its income as an S corporation, Mr. Colony will make a capital contribution to the Company in an amount necessary to hold the Company harmless from any taxes and interest arising from such determination up to the amount of distributions made by the Company to Mr. Colony prior to the termination of the Company's S corporation election less any taxes and interest attributable to such distributions.

(4) COMMITMENTS

The Company leases its office space under operating leases. At December 31, 1998, approximate future minimum rentals due are as follows:

1999	$1,523,000
2000	1,528,000
2001	825,000
2002	412,000
2003	54,000
Total minimum lease payments	$4,342,000

Rent expense was approximately $664,000, $983,000 and $1,463,000 for the years ended December 31, 1996, 1997 and 1998, respectively.

(5) 401(k) PLAN

The Company has a 401(k) savings plan covering substantially all eligible employees. The plan is a qualified defined contribution plan in accordance with Section 401(k) of the Code. Effective January 1, 1998, the Company elected to match 50% of employee contributions, up to 3% of each employee's annual salary. Company matching contributions will vest ratably over a period of four years. The Company's matching contributions totaled $424,000 for the year ended December 31, 1998.

(6) STOCKHOLDERS' EQUITY

(a) Initial Public Offering

In December 1996, the Company sold, through an underwritten public offering, 2,300,000 shares of its common stock at $16.00 per share. The proceeds to the Company from the Company's initial public offering, net of underwriting discounts and expenses, were $33,234,053.

(b) Preferred Stock

The Company has authorized 500,000 shares of $.01 par value preferred stock. The Board of Directors has full authority to issue this stock and to fix the voting powers, preferences, rights, qualifications, limitations or restrictions thereof, including dividend rights, conversion rights, redemption privileges and liquidation preferences and the number of shares constituting any series or designation of such series.

(7) STOCK OPTION PLANS

In February 1996, the Company adopted the Forrester Research, Inc. 1996 Equity Incentive Plan, which was amended in September 1996 (the Plan). The Plan provides for the issuance of incentive stock options (ISOs) and nonqualified stock options (NSOs) to purchase up to 2,750,000 shares of common stock. Under the terms of the Plan, ISOs may not be granted at less than fair market value on the date of grant (and in no event less than par value). ISO grants to holders of 10% of the combined voting power of all classes of Company stock must be granted at an exercise price not less than 110% of the fair market value at the date of grant. Options generally vest ratably over three years and expire after 10 years. Options granted under the Plan immediately vest upon certain events, as defined.

In September 1996, the Company adopted the 1996 Stock Option Plan for Non-Employee Directors (the Directors' Plan), which provides for the issuance of options to purchase up to 150,000 shares of common stock. Under the Directors' Plan, each non-employee director shall be awarded options to purchase 6,000 shares of common stock, at an exercise price equal to the fair market value of the common stock upon his or her election as a director. These options vest in three equal annual installments commencing on the date of grant. In addition, each non-employee director will also receive an option to purchase 4,000 shares of common stock, at an exercise price equal to the fair market value of the common stock, each year immediately following the Company's annual stockholders' meeting. These options will vest in three equal installments on the first, second and third anniversaries of the date of grant. The Compensation Committee (the Committee) of the Board of Directors also has the authority under the Directors' Plan to grant options to non-employee directors in such amounts and on such terms as set forth in the Directors' Plan as it shall determine at the time of grant.

Stock option activity from the inception of the Plan and of the Directors' Plan to December 31, 1998 was as follows:

	NUMBER OF SHARES	EXERCISE PRICE PER SHARE	WEIGHTED AVERAGE EXERCISE PRICE PER SHARE
Granted	814,046	$ 5.50- 13.00	$ 8.16
Canceled	(30,673)	$ 5.50	$ 5.50
Outstanding at December 31, 1996	783,373	$ 5.50- 13.00	$ 8.28
Granted	334,395	$17.56- 29.19	$22.52
Exercised	(70,246)	$ 5.50- 13.00	$ 6.37
Canceled	(28,387)	$ 5.50- 22.00	$14.18
Outstanding at December 31, 1997	1,019,135	$ 5.50- 29.19	$13.00
Granted	1,481,500	$19.13- 39.75	$25.48
Exercised	(228,648)	$ 5.50- 29.19	$11.08
Canceled	(223,519)	$ 5.50- 39.69	$18.08
Outstanding at December 31, 1998	2,048,468	$ 5.50- 39.75	$21.70
Exercisable at December 31, 1998	427,721	$ 5.50- 29.19	$12.71
Exercisable at December 31, 1997	363,174	$ 5.50- 22.00	$10.56
Exercisable at December 31, 1996	157,376	$ 5.50	$ 5.50

FORRESTER RESEARCH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The following table summarizes information about stock options outstanding and exercisable at December 31, 1998:

Range of exercise prices	NUMBER OUTSTANDING AT DECEMBER 31, 1998	NUMBER EXERCISABLE AT DECEMBER 31, 1998	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE (YEARS)	WEIGHTED AVERAGE EXERCISE PRICE PER SHARE
$ 5.50	221,791	148,982	7.14	$ 5.50
11.00-13.00	265,643	148,896	7.70	$12.03
17.56-21.50	937,126	73,041	8.91	$19.22
22.00-26.69	59,850	30,432	8.55	$23.12
27.00-32.63	123,058	26,370	8.98	$29.44
33.06-39.75	441,000	--	9.48	$38.57
	2,048,468	427,721	8.68	$21.70

The weighted average remaining contractual life of options outstanding at December 31, 1996, 1997 and 1998 was 9.4, 8.6 and 8.7 years, respectively. As of December 31, 1996, 1997 and 1998, options available for future grant under the Plan and the Directors Plan were 2,116,627, 1,810,619 and 552,638, respectively.

SFAS No. 123, Accounting for Stock-Based Compensation, requires the measurement of the fair value of stock options or warrants to be included in the statement of income or disclosed in the notes to financial statements. The Company has determined that it will continue to account for stock-based compensation for employees under Accounting Principles Board Opinion No. 25 and elect the disclosure-only alternative under SFAS No. 123. The Company has computed the value of options granted in 1996, 1997 and 1998 using the Black-Scholes option pricing model prescribed by SFAS No. 123, using the following assumptions:

	1996	1997	1998
Risk-free interest rate	6.21%	6.32%	5.28%
Expected dividend yield	--	--	--
Expected lives	7.5 years	7.5 years	5 years
Expected volatility	0%-64%	59%	40%

The weighted average grant date fair value of options granted under the Plan and the Directors' Plan during the years ended December 31, 1996, 1997 and 1998 were $3.40, $15.16 and $25.48, respectively.

Had compensation cost for the Company's stock option plan been determined consistent with SFAS No. 123, net income would have been approximately as follows:

	1996	1997	1998
As reported --			
Net income	$2,806,000	$5,598,000	$7,547,264
Basic net income per common share	$ 0.45	$ 0.67	$ 0.89
Diluted net income per common share	$ 0.44	$ 0.63	$ 0.81
Pro forma --			
Net income	$2,429,000	$3,833,000	$4,569,000
Basic net income per common share	$ 0.39	$ 0.46	$ 0.54
Diluted net income per common share	$ 0.38	$ 0.43	$ 0.49

FORRESTER RESEARCH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

In January 1998, the Company's founder and principal shareholder granted certain key employees options to purchase one million shares of his common stock. The options have an exercise price of $19.13 and vest as follows: one-thirty-sixth of the total number of options granted monthly through January 28, 1999; and one-third of the total number of options granted on and after each of January 28, 2000 and January 28, 2001. At December 31, 1998, 149,628 options have been exercised and 850,372 options remained outstanding.

(8) EMPLOYEE STOCK PURCHASE PLAN

In September 1996, the Company adopted the 1996 Employee Stock Purchase Plan (the Stock Purchase Plan), which provides for the issuance of up to 200,000 shares of common stock. The Stock Purchase Plan is administered by the Committee. With certain limited exceptions, all employees of the Company who have completed six months or more of continuous service in the employ of the Company and whose customary employment is more than 30 hours per week, including officers and directors who are employees, are eligible to participate in the Stock Purchase Plan. Purchase periods under the Stock Purchase Plan are generally six months in length and commence on each successive July 1 and January 1. During each purchase period under the Stock Purchase Plan, the maximum number of shares of common stock that may be purchased by an employee is limited to the number of shares equal to $12,500 divided by the fair market value of a share of common stock on the first day of the purchase period. An employee may elect to have up to a maximum of 10% deducted from his or her regular salary for the purpose of purchasing shares under the Stock Purchase Plan. The price at which the employee's shares are purchased is the lower of (a) 85% of the closing price of the common stock on the day that the purchase period commences, or (b) 85% of the closing price of the common stock on the day that the purchase period terminates. Employees purchased 21,583 shares of stock at $13.60 for the first purchase period under the Stock Purchase Plan, which ended June 30, 1997. Employees purchased 14,885 shares at $19.34 for the purchase period that ended December 31, 1997 and 18,813 shares at $19.66 for the purchase period that ended June 30, 1998. Subsequent to year-end, employees purchased 12,515 shares at $34.53 for the purchase period that ended December 31, 1998.

(9) SEGMENT AND ENTERPRISE WIDE REPORTING

The Company adopted SFAS No. 131, Disclosures About Segments of an Enterprise and Related Information, in the fiscal year ended December 31, 1998. SFAS No. 131 establishes selected standards for reporting information regarding operating segments in annual financial statements and requires selected information for those segments to be presented in interim financial reports issued to stockholders. SFAS No. 131 also establishes standards for related disclosures about products and services and geographic areas. Operating segments are defined as components of an enterprise about which separate discrete financial information is evaluated regularly by the chief operating decision maker, or decision making group, in deciding how to allocate resources and assess performance. The Company's chief decision making group, as defined under SFAS No. 131, is the Executive Team, consisting of Mr. Colony and the executive officers. To date, the Company has viewed its operations and managed its business as principally one segment, research services. As a result, the financial information disclosed herein, materially represents all of the financial information related to the Company's principal operating segment. Substantially all of the Company's assets are located in the United States.

FORRESTER RESEARCH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Revenues by geographic destination and as a percentage of total revenues are as follows:

	1996	1997	1998
United States	$19,694,363	$31,652,524	$48,922,414
Europe	2,751,858	4,892,523	7,374,138
Other	2,516,900	3,875,890	5,270,582
	$24,963,121	$40,420,937	$61,567,134
United States	79%	78%	79%
Europe	11	12	12
Other	10	10	9
	100%	100%	100%

(10) CERTAIN BALANCE SHEET ACCOUNTS

Accrued Expenses

Accrued expenses consist of the following:

	1997	1998
Payroll and related	$1,702,050	$2,950,984
Other	1,958,676	2,100,007
	$3,660,726	$5,050,991

Allowance for Doubtful Accounts

A summary of the allowance for doubtful accounts at December 31, 1996, 1997, and 1998 is as follows:

	1996	1997	1998
Balance, beginning of period	$119,920	$200,000	$325,000
Provision for doubtful accounts	312,317	398,637	375,483
Write-offs	(232,237)	(273,637)	(300,483)
Balance, end of period	$200,000	$325,000	$400,000

(11) SUMMARY SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

The following is a summary of selected quarterly financial data for the years ended December 31, 1996, 1997 and 1998 (in thousands, except per share data):

	QUARTER ENDED			
	MARCH 31, 1996	JUNE 30, 1996	SEPT. 30, 1996	DEC. 31, 1996
Revenues	$4,746	$5,316	$6,312	$8,589
Income from operations	$ 459	$ 566	$1,129	$1,928
Pro forma net income	$ 339	$ 409	$ 716	$1,314
Basic pro forma net income per common share	$ 0.06	$ 0.07	$ 0.12	$ 0.19
Diluted pro forma net income per common share	$ 0.06	$ 0.07	$ 0.11	$ 0.19

FORRESTER RESEARCH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

	QUARTER ENDED			
	MARCH 31, 1997	JUNE 30, 1997	SEPT. 30, 1997	DEC. 31, 1997
Revenues	$8,171	$9,126	$10,117	$13,007
Income from operations	$1,073	$1,461	$ 1,656	$ 2,576
Net income	$1,019	$1,215	$ 1,332	$ 2,032
Basic net income per common share	$ 0.12	$ 0.15	$ 0.16	$ 0.24
Diluted net income per common share	$ 0.12	$ 0.14	$ 0.15	$ 0.23

	QUARTER ENDED			
	MARCH 31, 1998	JUNE 30, 1998	SEPT. 30, 1998	DEC. 31, 1998
Revenues	$13,131	$15,043	$15,070	$18,322
Income from operations	$ 1,448	$ 1,893	$ 2,257	$ 3,583
Net income	$ 1,342	$ 1,617	$ 1,874	$ 2,714
Basic net income per common share	$ 0.16	$ 0.19	$ 0.22	$ 0.32
Diluted net income per common share	$ 0.15	$ 0.17	$ 0.20	$ 0.29

EXHIBIT INDEX

EXHIBIT NO.	DESCRIPTION
3.1*	Restated Certificate of Incorporation of the Company.
3.2*	Bylaws of the Company, as amended.
4*	Specimen Certificate for shares of Common Stock, $.01 par value, of the Company.
10.1+*	Registration Rights and Non-Competition Agreement.
10.2+*	Tax Indemnification Agreement dated November 25, 1996.
10.3+*	1996 Amended and Restated Equity Incentive Plan as amended.
10.4+*	1996 Employee Stock Purchase Plan.
10.5+*	1996 Director Option Plan for Non-Employee Directors.
10.6*	Lease dated May 1, 1995 between Advent Realty Limited Partnership II and the Company for the premises located at 1033 Massachusetts Avenue, Cambridge, Massachusetts (the "Cambridge Lease").
10.7*	First Amendment to the Cambridge Lease, dated August 28, 1995.
10.8*	Second Amendment to the Cambridge Lease, dated May 21, 1996.
10.9**	Third Amendment to the Cambridge Lease, dated May 5, 1997.
10.10	Fourth Amendment to the Cambridge Lease, Dated January 1, 1998. (transmitted herewith).
21	Subsidiaries of the Registrant (transmitted herewith).
23	Consent of Arthur Andersen LLP (transmitted herewith).
27	Financial Data Schedule.

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+ Denotes management contract or compensation arrangements.

* Filed as an Exhibit to the Company's Registration Statement on Form S-1 filed on September 26, 1997 (File No. 333-12761) and incorporated by reference herein.

** Filed as an exhibit to the Company's Annual Report on Form 10-K for year-ended December 31, 1997.

EXHIBIT 10.10

FOURTH AMENDMENT TO LEASE

This Fourth Amendment of Lease is dated as of January 1, 1998 between ADVENT REALTY LIMITED PARTNERSHIP II, a Delaware limited partnership with an address at 45 Milk Street, Boston, Massachusetts 02110 ("Landlord"), and FORRESTER RESEARCH, INC. a Delaware corporation with an address at 1033 Massachusetts Avenue, Cambridge, Massachusetts 02138 ("Tenant").

WHEREAS, Landlord and Tenant have entered into a Lease dated as of May 1, 1995, a First Amendment to Lease dated as of August 28, 1995, a Second Amendment to Lease dated as of May 21, 1996, and a Third Amendment to Lease dated as of May 6, 1997, all with respect to the Building (as so amended, the "Lease");

WHEREAS, pursuant to the initial Lease Landlord demised to Tenant and Tenant leased from Landlord the entire second floor of the Building consisting of 13,223 rentable square feet of space and 7,425 rentable square feet of space on the third floor of the Building (the "Initial Premises") for a term commencing June 12, 1995 and expiring January 31, 2001;

WHEREAS, pursuant to the First Amendment to Lease, Landlord and Tenant added to the Premises demised under the lease 2,326 rentable square feet of space on the third floor of the Building (the "First Amendment Third Floor Premises") for a term commencing September 1, 1995 through January 31, 2001;

WHEREAS, pursuant to the Second Amendment to Lease, Landlord and Tenant added to the Premises demised under the lease 3,472 rentable square feet of space on the third floor of the Building for a term commencing June 3, 1996 through January 31, 2001 (the "Second Amendment Third Floor Premises");

WHEREAS, also pursuant to the Second Amendment to Lease, Landlord and Tenant added to the Premises demised under the lease the entire fifth floor of the Building consisting of 12,500 rentable square feet of space and the entire sixth floor of the Building consisting of 12,500 rentable square feet of space (the "Fifth and Sixth Floor Premises") for a term commencing May 21, 1996 through June 8, 2001;

WHEREAS, pursuant to the Third Amendment to Lease, Landlord and Tenant added to the Premises demised under the lease the entire fourth floor of the Building consisting of 12,500 rentable square feet of space (the "Fourth Floor Premises") for a term commencing May 6, 1997 through May 5, 2002;

WHEREAS, Tenant exercised its right of first offer to lease the mezzanines space of the Building pursuant to Section 18.1.2 of the Lease; and

WHEREAS, Landlord and Tenant desire to add to the Premises the mezzanine space of the Building consisting of 4,957 rentable square feet (the "Mezzanine Premises") for a term commencing as of January 1, 1998 and expiring December 31, 2002 on the terms contained herein;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and in consideration of the mutual covenants herein contained, Landlord and Tenant hereby agree as follows. Terms not defined herein shall have the same meaning as in the Lease.

1. TERM. Effective January 1, 1998, Section 1.1 of the Lease shall be amended by deleting the defined terms "TERM COMMENCEMENT DATE" and "TERM EXPIRATION DATE" and substituting therefor the following:

"TERM OF LEASE:

(a) The Term of this Lease with respect to the Initial Premises shall commence on June 12, 1995 and expire on January 31, 2001;

(b) The Term of this Lease with respect to the First Amendment Third Floor Premises shall commence on September 1, 1995 and expire on January 31, 2001;

(c) The Term of this Lease with respect to the Second Amendment Third Floor Premises shall commence on June 3, 1996 and expire on January 31, 2001;

(d) The Term of this Lease with respect to the Fifth and Sixth Floor Premises shall commence on May 21, 1996 and expire on June 8, 2001;

(e) The Term of this Lease with respect to the Fourth Floor Premises shall commence on May 6, 1997 and expire on May 5, 2002;

(f) The Term of this Lease with respect to the Mezzanine Premises shall commence on January 1, 1998 and expire on December 31, 2002."

2. MEASUREMENT OF THE PREMISES. Effective January 1, 1998, Section 1.1 of the Lease shall be amended by deleting the defined term "RENTABLE FLOOR AREA OF THE PREMISES" and substituting therefor the following:

"RENTABLE FLOOR AREA OF THE PREMISES:	68,903 Square Feet
Second Floor:	13,223 Square Feet
Third Floor:	13,223 Square Feet
Fourth Floor:	12,500 Square Feet
Fifth Floor:	12,500 Square Feet
Sixth Floor:	12,500 Square Feet
Mezzanine:	4,957 Square Feet"

3. ANNUAL BASIC RENT. Effective January 1, 1998, Section 1.1 of the Lease shall be amended by deleting the defined term "ANNUAL BASIC RENT" and substituting therefor the following:

"ANNUAL BASIC RENT:

TIME PERIOD	ANNUAL RATE	CALCULATION
June 12, 1995 through August 31, 1995	$ 293,019.65	$17.05 X 13,223 rsf + $ 9.10 X 7,425 rsf
September 1, 1995 through December 11, 1995	$ 327,909.65	$17.05 X 13,223 rsf + $ 9.10 X 7,425 rsf + $15.00 X 2,326 rsf
December 12, 1995 through May 20, 1996	$ 386,938.40	$17.05 X 20,648 rsf + $15.00 X 2,326 rsf
May 21, 1996 through June 2, 1996	$ 861,938.40	$17.05 X 20,648 rsf + $15.00 X 2,326 rsf + $19.00 X 25,000 rsf
June 3, 1996 through May 5, 1997	$ 914,018.40	$17.05 X 20,648 rsf + $15.00 X 5,798 rsf + $19.00 X 25,000 rsf
May 6, 1997 through June 11, 1997	$1,170,268.40	$17.05 X 20,648 rsf + $15.00 X 5,798 rsf + $20.50 X 12,500 rsf + $19.00 X 25,000 rsf
June 12, 1997 through June 30, 1997	$1,181,005.36	$17.57 X 20,648 rsf + $15.00 X 5,798 rsf + $20.50 X 12,500 rsf + $19.00 X 25,000 rsf
July 1, 1997 through December 31, 1997	$1,195,906.22	$17.57 X 26,446 rsf + $20.50 X 12,500 rsf + $19.00 X 25,000 rsf
January 1, 1998 through June 11, 1999	$1,312,395.70	$17.57 X 26,446 rsf + $20.50 X 12,500 rsf + $19.00 X 25,000 rsf + $23.50 X 4,957 rsf
June 12, 1999 through January 31, 2001	$1,323,503.04	$17.99 X 26,446 rsf + $20.50 X 12,500 rsf + $19.00 X 25,000 rsf + $23.50 X 4,957 rsf

TIME PERIOD	ANNUAL RATE	CALCULATION
February 1, 2001 through June 8, 2001	$847,739.50	$20.50 X 12,500 rsf + $19.00 X 25,000 rsf + $23.50 X 4,957 rsf
June 9, 2001 through May 5, 2002	$372,739.50	$20.50 X 12,500 rsf + $23.50 X 4,957 rsf
May 6, 2002 through December 31, 2002	$116,489.50	$23.50 X 4,957 rsf

4. PARKING. Effective January 1, 1998, Section 1.1 of the Lease shall be amended by deleting the defined term "PARKING" and substituting therefor the following:

"PARKING: Seventy-eight (78) spaces"

The parking plan attached hereto as Exhibit A shall, as of such effective date, be substituted for the parking plan attached to the Third Amendment to Lease.

Except as expressly modified herein, all the terms and conditions of the Lease shall remain in full force and effect and are hereby ratified and confirmed.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be executed in multiple counterparts under seal as of the date first above written.

Landlord:

ADVENT REALTY LIMITED PARTNERSHIP II

By: Advent Realty GP II Limited Partnership, its General Partner

By: Advent Realty, Inc., its General Partner

By: /s/

Tenant:

FORRESTER RESEARCH, INC.

By: /s/ George F. Colony

George F. Colony, President

EXHIBIT 21

SUBSIDIARIES OF THE REGISTRANT

Whitcomb Investments, Inc., a Massachusetts corporation.
Forrester Research, B.V., a Dutch corporation.
Forrester Research FSC, Inc., a Barbados corporation.

EXHIBIT 23

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our report dated January 27, 1999 included in this Form 10-K, into the Company's previously filed Registration Statements File No. 333-16905, 333-22749, 333-49057.

ARTHUR ANDERSEN LLP

Boston, Massachusetts
March 30, 1999

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM FORRESTER RESEARCH INC.'S DECEMBER 31, 1998 CONSOLIDATED FINANCIAL STATEMENTS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS CONTAINED IN FORM 10-K.

1
U.S. DOLLARS

YEAR
DEC-31-1998
JAN-01-1998
DEC-31-1998
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7,547,264
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