

Cambridge Office

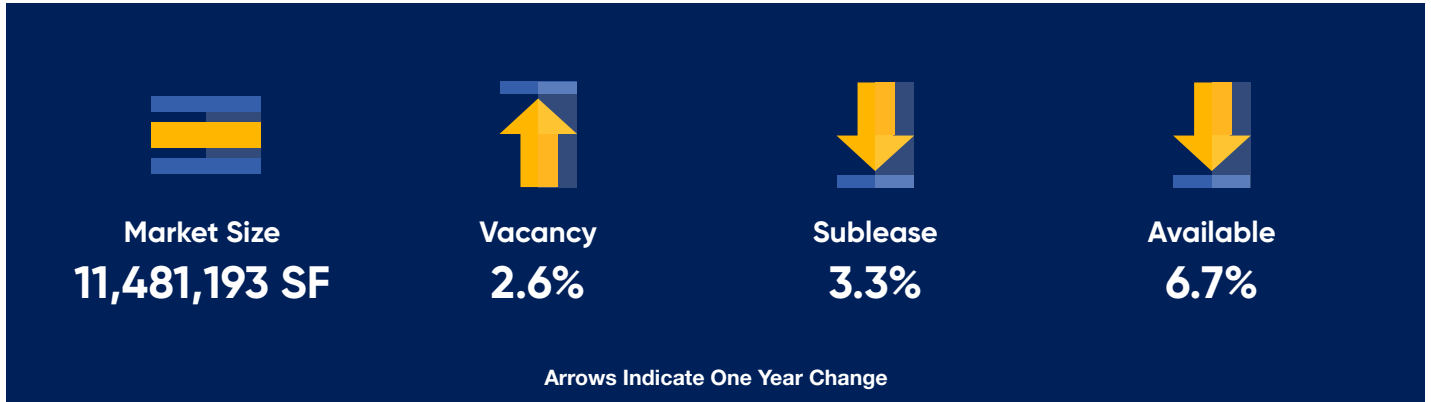
# 2019 Market Insight Report



Winter/Spring '19

cresa 

# Market Overview



Kendall Square MBTA | Photo Source: Cresa/Duncan Lake

## Market Trends

### Big Tenant Market

In recent years, much of the growth in East Cambridge has come from large, publicly traded technology companies. As rents have soared, younger, less established companies have found it increasingly challenging to pay the premium for office space.

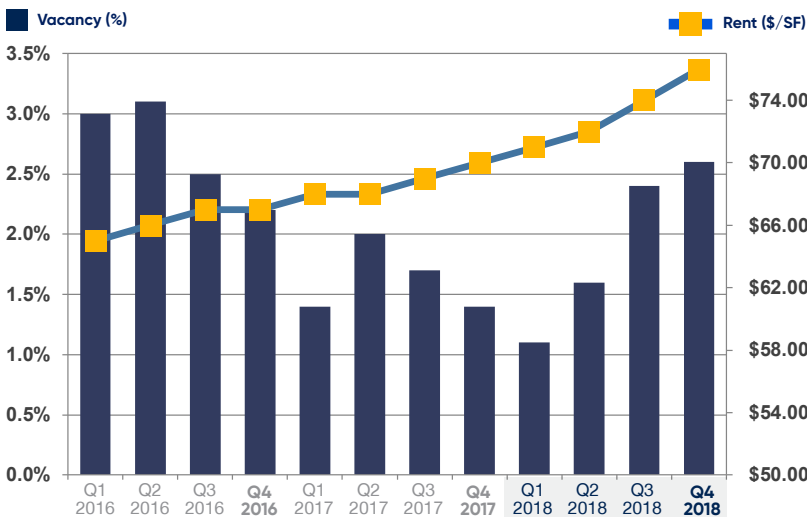
### Sublease Opportunities

There is very little office space availability in East Cambridge. However, with some larger tenants making moves, several large sublease availabilities are creating the opportunity to facilitate movement within the market.

### Outward Migration

With some rents for Class A space in Kendall Square now eclipsing \$90/SF, smaller tenants will continue to move out of Cambridge. This will create greater opportunity for the larger tenants to expand even more.

## Historical Rent & Vacancy



## V.C. Spotlight

Boston & Cambridge 2018



552 Deals



\$8.376B Invested

### Largest Deals

1. Kensho Technologies - \$550M
2. Relay Therapeutics - \$400M
3. American Well - \$290M
4. Indigo Agriculture - \$250M
5. Wuxi NextCODE - \$200M

# Market Movement

## Notable Transactions

Tenant	Address	Size (SF)	Type
Sanofi	Cambridge Crossing	900,000	Consolidation
Boeing	314 Main Street	100,000	Relocation
CarGurus	121 1st Street	50,000	Expansion
Oracle	1 Main Street	30,000	Renewal
Ipsen	1 Main Street	30,000	Relocation

## Investment Sales

Buyer	Address	Size (SF)	Price/SF
Brookfield Asset Management	University Park Portfolio (12 bldgs.)	1,750,000	\$543 Part of a larger portfolio sale
Invesco Advisors, Inc.	The Quad Portfolio (4 bldgs.)	200,000	\$363
Invesco Advisors, Inc.	10 Fawcett Street	142,000	\$420
Renmore, LLC	52 Brattle Street	18,000	\$1,331

## Market

### Predictions

- 1 As rents continue to rise, smaller office tenants will continue to leave East Cambridge for less expensive submarkets.
- 2 While the need for office space in East Cambridge is high, the demand in lab space will likely result in additional conversions of office space to lab in less desirable locations.
- 3 Co-working spaces will continue to look for opportunities in Cambridge to either establish a presence or expand an existing one.

## Get to Know:

### Cambridge Crossing



Cambridge Crossing Construction | Photo Source: Cresa/Duncan Lake



#### Food

Over 30,000 SF of retail space including restaurants, breweries and other supporting retail.



#### Entertainment

Activated and programmed open spaces, with outdoor seating and grilling areas.



#### Fitness

Access to state-of-the-art wellness facilities within EF Education's new building.



#### Outdoors

11 acres of parks and open space, dedicated bike lanes and variety of seating options.

# Project Highlight



## Addgene 490 Arsenal Street Watertown, MA

**Industry:**  
Life Science

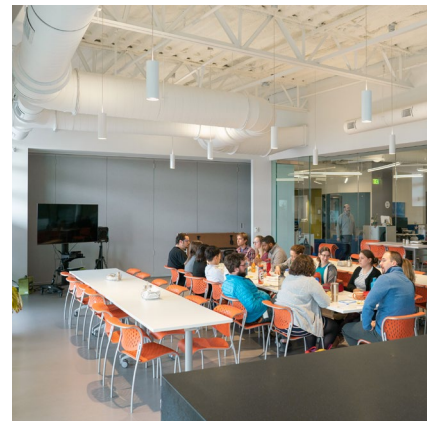
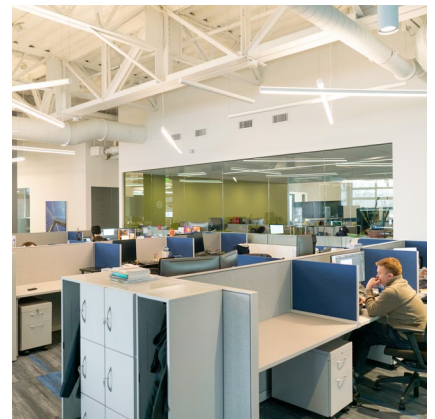
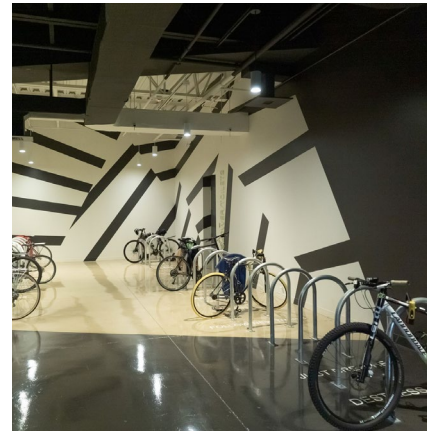
**Size:**  
40,000 SF

**Services:**  
Transaction Management

**Architect:**  
RE Dineen

**Space Features:**  
Multiple garage doors from café to the outside, open ceiling in portions, strategically took additional/future growth space and secured subtenant in the interim

**Photography:**  
Cresa/Duncan Lake



# Development Pipeline



**Development Sites**

- Permitted and/or Under Construction
- Non-Permitted Development

Development	Owner	Size (SF)	Status
1 Cambridge Crossing	Divco West	1,000,000	Permitted and Under Construction
2 314 Main Street	MITIMCo	350,000	Permitted and Under Construction
3 238 Main Street	MITIMCo	350,000	Permitted and Under Construction
4 400-500 Acorn Park Drive	Bulfinch	250,000	Permitted and Under Construction
5 35 Cambridgepark Drive	The Davis Companies	220,000	Permitted and Under Construction
6 40 Thorndike Street	Leggatt McCall	445,000	Permitted
7 55 Broadway (Volpe)	MITIMCo	1,700,000	Non-Permitted Development
8 303 Binney Street (Met Pipe)	Alexandria	400,000	Non-Permitted Development



## Sites Under Development

**4.72M**  
Total SF

---

Permitted and/or Under Construction

**2.62M SF**

Non-Permitted Development

**2.1M SF**



314 Main Street | Photo Source: wbur.org



Akamai Headquarters, Cambridge | Photo Source: Cresa/Duncan Lake



Google, Cambridge | Photo Source: Cresa/Duncan Lake

## Cambridge Office

# In East Cambridge, a Hive of Innovation

Over the last several years, big tenants have taken over the East Cambridge submarket, causing available space to be limited and rents to soar. This began more than a decade ago, when Google and Microsoft established a strong presence in the area with plans to grow significantly. Since then, Microsoft has both expanded and contracted, and eventually settled around 200,000 SF. Google, on the other hand, has grown steadily and will soon occupy around a million SF in Kendall Square. Others that have followed suit include Facebook, Twitter, IBM, HubSpot and Philips Research. Akamai Technologies was ahead of the trend, never venturing far from its strong MIT roots, but still growing to 500,000 SF in Kendall Square over the past couple decades.

Life science companies have also had a big impact on the East Cambridge office market. With clinical and research space at a premium, many lab users maximize their footprints by placing clerical functions within office buildings.

In other cases, life science tenants that are no longer in development may only have a need for office space as they enter the commercialization phase. In any of these cases, those that have made the commitment to maintain and grow a presence in East Cambridge are typically larger, well-established and somewhat price-insensitive organizations.

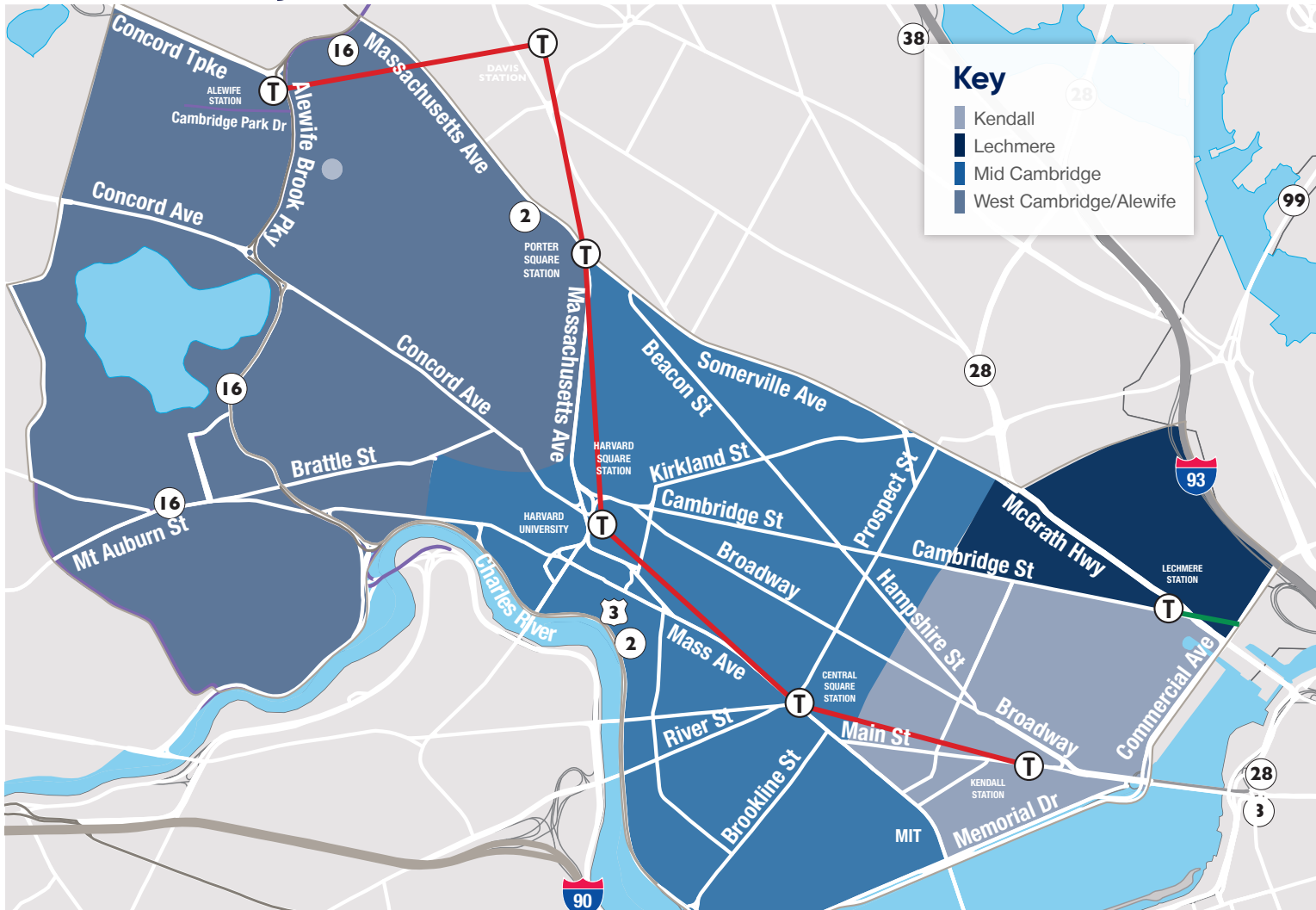
In the present day, Kendall Square is a buzzing hive of innovation. But not that long ago, its typical tenants were early-stage startups that had grown out of MIT. Now, the landscape is dominated by larger companies, with the 10 largest office tenants in East Cambridge making up more than 50 percent of that market. The trend of rising rents is expected to continue, with consistent demand from groups that seem unfazed by the cost. While available space continues to be limited, a big tenant market can also create significant opportunities.

As Akamai moves into their new headquarters, their current building,

**“The landscape is dominated by larger companies, with the 10 largest office tenants in East Cambridge making up more than 50 percent of that market.”**

which totals 177,000 SF, is available for sublease. Sanofi's consolidation to Cambridge Crossing will yield mostly lab space opportunities, but when they vacate their 250,000 SF at 50 Binney Street in late 2021, it will be a great sublease opportunity for a large office tenant.

# Office by the Numbers



Submarket	Market Size (SF)	Vacant	Sublease	Available	Class A Rent/SF	Class B Rent/SF
Kendall	4,504,491	1.0%	4.4%	6.1%	\$92.00	\$86.00
Lechmere	1,797,747	1.2%	0.1%	1.3%	\$90.00	\$82.00
Mid Cambridge	2,845,686	1.7%	1.2%	4.3%	\$78.00	\$66.00
West Cambridge/Alewife	2,333,269	8.0%	6.3%	15.2%	\$48.00	\$42.00
<b>Total</b>	<b>11,481,193</b>	<b>2.6%</b>	<b>3.3%</b>	<b>6.7%</b>	<b>\$78.00</b>	<b>\$72.00</b>

## Tenants in the Market



400,000 SF



300,000 SF



200,000 SF



100,000 SF

## About Cresa Boston

Cresa is the world's largest commercial real estate advisory firm that exclusively represents occupiers and specializes in the delivery of fully integrated real estate solutions. We work with our clients to align their business plans and their real estate needs, increase their productivity, and consistently save them money — results that have earned us numerous industry awards along the way. Our team of real estate advisors, project managers, strategic planners, analysts, and space planners listen to tenants' needs, meticulously research market conditions, firmly negotiate terms, and manage the design and construction of projects to customize the best possible occupancy solutions.

### Contact

For more information about Cresa and the Cambridge Market, please contact:

**Cresa Boston**  
280 Congress Street  
Boston, MA 02210  
617.758.6000  
[cresa.com/boston](http://cresa.com/boston)

### + Follow Us



Check out our social media channels to stay up on current market trends and availability.

**cresa**

