

Cambridge Office

# 2021 Market Insight Report



Photo: Duncan Lake/Cresa

Winter/Spring 2021

cresa

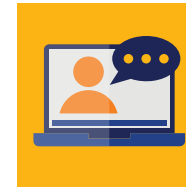
Cambridge Office



Photo: Duncan Lake/Cresa

# Cambridge Overview

In Q1 2020 before COVID-19, the Cambridge office space vacancy rate was under 2%. A year later, it has doubled to just under 4%, still indicative of a healthy market. A majority of the inventory is in East Cambridge, which boasts some of the higher rents in Greater Boston, some eclipsing \$100/SF. Because rents are at this level, **the tenant base is composed of well-heeled tech and pharma organizations.** Therefore, while 2020 saw downtown Boston space hitting the sublease market at 500,000 SF per month, the effect in Cambridge wasn't as drastic. It's likely that blocks of Cambridge space will become available in 2021 as tenants reevaluate their needs. With demand down and significant opportunity in Boston, it's unlikely space returning to the Cambridge market will be quickly absorbed. Buildings with suitable ceiling heights and infrastructure will be considered for lab conversion, while others will compete for existing office demand.



## Demand Remains Low

With many office tenants still working remotely, the number of companies actively looking for space in Cambridge is significantly down since the pandemic began.



## Office-to-Lab Conversions

With sustained demand for life sciences space, some office space is being converted to lab, which helps absorb some of the vacancy in the market.



## Sublease Space

As organizations reevaluate their space needs, we continue to see space come onto the sublease market and expect that to go on well into 2021.



Market Size  
11,446,007 SF



Vacancy  
3.7%



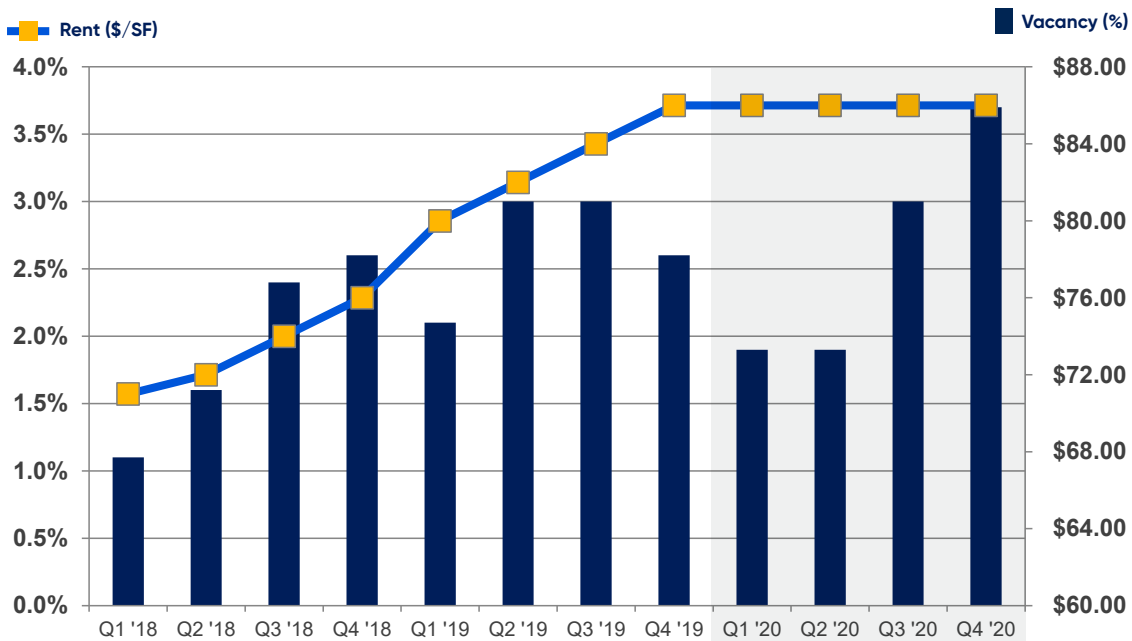
Sublease  
5.2%



Available  
10.2%

Arrows Indicate One Year Change

### Historical Rent & Vacancy



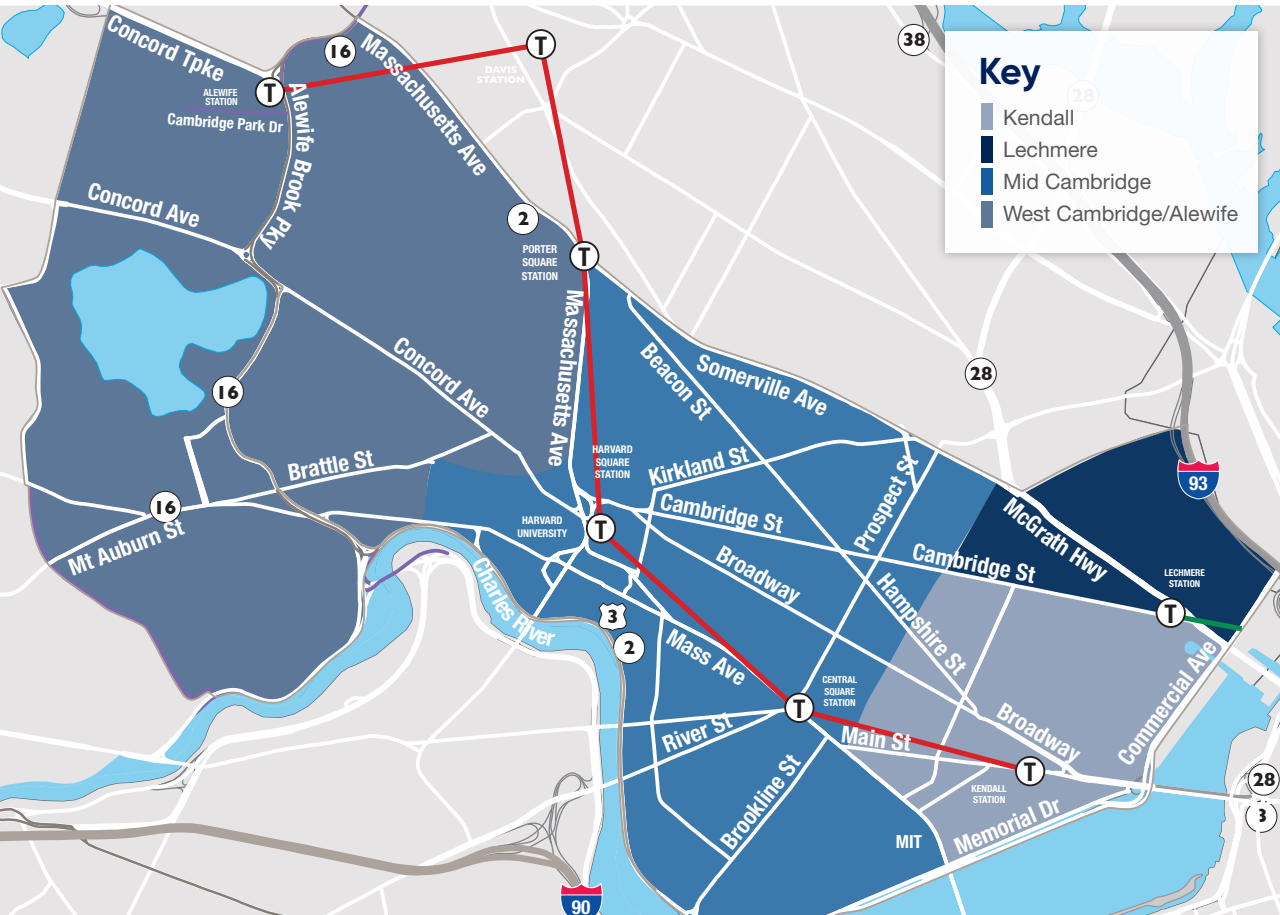
### Small Business Spotlight

Local businesses that have transformed their offerings as a result of the pandemic



Toast Drop, sponsored by Google Cambridge, allows employers the opportunity to safely feed their on-site staff with local food they love and the flexibility they need. This platform minimizes the risk of contamination by leveraging aggregated, free deliveries and offers employees benefits they haven't been able to access since the start of the COVID-19 pandemic while supporting local restaurants.

# By the Numbers



Submarket	Market Size (SF)	Vacant	Sublease	Available	Class A Rent/SF	Class B Rent/SF
<b>Kendall</b>	4,929,328	0.9%	4.8%	6.3%	\$100.00	\$90.00
<b>Lechmere</b>	1,792,792	7.7%	9.5%	18.6%	\$96.00	\$88.00
<b>Mid Cambridge</b>	2,727,279	3.0%	3.4%	7.6%	\$75.00	\$65.00
<b>West Cambridge/Alewife</b>	1,996,445	7.8%	5.1%	15.8%	\$58.00	\$46.00
<b>Total</b>	<b>11,446,007</b>	<b>3.7%</b>	<b>5.2%</b>	<b>10.2%</b>	<b>\$86.00</b>	<b>\$76.00</b>



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# Notable Transactions

Tenant	Address	Submarket	Sector	Size (SF)	Type
Alnylam	101 Main Street	Kendall	Office	61,000	Renewal
Novo Nordisk	255 Main Street	Kendall	Office	10,000	New Site

## Investment Sales

Buyer	Address	Submarket	Size (SF)	Price/SF
IQHQ	1 Alewife Center	West Cambridge/Alewife	89,875	\$600.83



1 Alewife Center | Photo: Duncan Lake/Cresa

## Tenants in the Market

**Blackstone** 50,000 SF

**BOEING** 40,000 SF

**REPAIR THERAPEUTICS** 15,000 SF

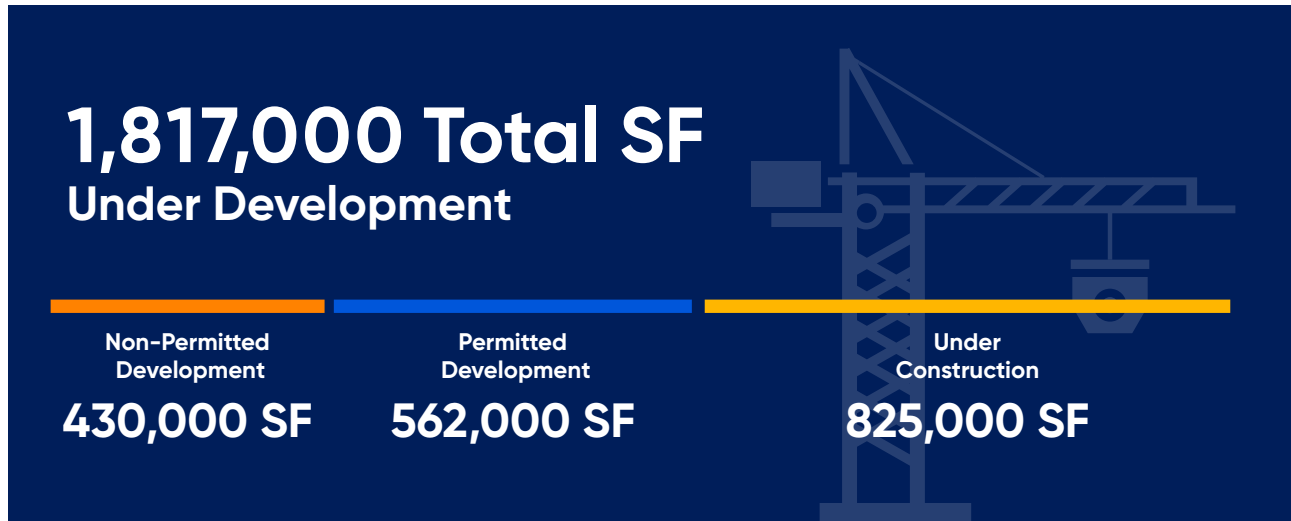
**DEVO** 10,000 SF



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# Development Pipeline

Development	Developer/Owner	Size (SF)	▼ Delivery Timeline
1 450 Water Street	DivcoWest	405,000	Q4 2021
2 325 Main Street	Boston Properties	420,000	Q4 2022
3 Cambridgeside 2.0	New England Development	350,000	Q1 2023
4 Sears Site	Anchor Line	200,000	Q1 2023
5 40 Thorndike Street	Leggatt McCall Properties	430,000	Q2 2023



# The Impact of Life Sciences

The life sciences sector has played an important role in the Cambridge real estate market for decades. In the early days, there were companies like Biogen, TKT and Millennium that established roots and evolved from there. While only one of those three remains in its original form, countless other new companies and careers have grown out of them.

In recent years, there's been significant growth in Cambridge from both life sciences and technology tenants. **However, the runway of growth for life sciences seems unlimited, while we are starting to see a plateau in the appetite for office space, particularly in the midst of the pandemic.** As most office tenants have adjusted to their employees working remotely, many are reconsidering their space needs as they plan to eventually transition back into the workplace. Feedback from employee surveys suggests that some remote work (i.e. 2-3 days/week) would be a welcome change.

Once a hotbed for venture-backed, early-stage tech firms, East Cambridge rents are so high (over \$100/SF in some cases) that younger tech firms tend to favor Boston, where rents are significantly lower and access to transit and amenities are comparable. **Today, 60% of the office space in East Cambridge is occupied by ten companies, like Google and Microsoft, which tend to be less sensitive to price.** Because of their size and financial position, these firms likely haven't felt much urgency to make rash decisions regarding their office footprint in Cambridge.

In 2021 and 2022, it's likely we will see more space come back to the market as these large tenants rethink their needs. As office buildings in Cambridge face potential vacancy, some landlords

will consider the expensive, but possibly lucrative, route of lab conversion. With sustained demand for lab space and availability quite scarce, this move has proven successful in the current market. For example, 1 Rogers Street is an office building in East Cambridge leased mainly to IBM and Pegasystems for many years. IBM recently vacated their portion and Pegasystems is considering a relocation to the suburbs. Currently for sale, the building will likely be converted to lab space. In the Alewife submarket, there are a number of office-to-lab conversions underway as well. This trend is great for the Cambridge market overall, as it provides much-needed lab inventory and absorbs office space that otherwise may sit vacant.

In contrast, some of the largest blocks of office space on the sublease market are through life sciences tenants like Bluebird Bio and Sage Therapeutics, both of which committed to space for growth but have reconsidered due to COVID-19. As the life sciences sector continues to expand its presence in the Cambridge market, the impact will be significant.



1 Rogers Street | Photo: Duncan Lake/Cresa

“As office buildings in Cambridge face potential vacancy, some landlords will consider the expensive, but possibly lucrative, route of lab conversion.”



# Looking Ahead to 2021

## Workplace Realty Reimagined

In March of 2020, millions of people shifted to working from home almost overnight and found that, more often than not, their work could be performed successfully without leaving the house. “This will inform corporate decision-making regarding the use of offices for years to come,” says Cresa Boston Managing Principal Adam Subber. Does the rise of work-from-home mean the end of offices? We predict major industry real estate shifts – including extraordinary office space opportunities – in a post-pandemic world.

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## Occupier's Perspective



### The Changing Workplace

Most companies are rethinking their space needs and how their space will change upon their official return to the workplace.



### Remote Work is Here to Stay

Many organizations have adjusted well to remote working and will maintain some level of remote work as an option for their employees.

## Things to Consider

1. When is the right time to officially bring employees back to the workplace?
2. What can be done now in preparation for re-entering the workplace to ensure a smooth transition?
3. What new challenges will there be as employees begin to return to the workplace after a year or longer of working remotely?



# Meet the Team



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