



Winter/Spring 2024

Cambridge Office

Annual CRE Market Insight Report

Photo: Duncan Lake/Cresa

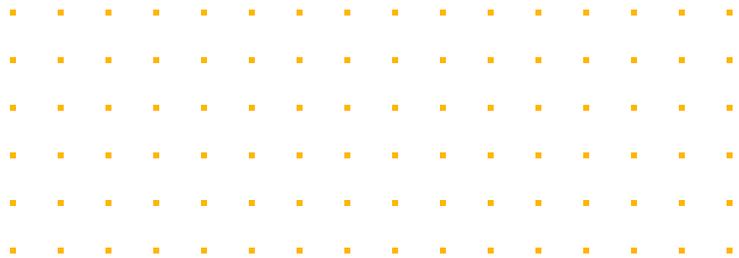


Photo: Duncan Lake/Cresa

State of the Market

Cambridge Office

Office vacancies continue to soar in the renowned tech and talent hub.

Market availability has climbed while rents have slid persistently since Q4 2021. There is now over 1.6 million SF of direct available space and over 1.1 million SF of sublease space on the market. This sits in stark contrast to the Q4 2021 figures of 528,133 SF and 420,350 SF of availability, respectively. In turn, Class A office rents have eased, dropping by 12%. The dynamic East Cambridge submarket, with availability north of 30% and reduced rents, represents a relative value for burgeoning companies seeking space in a prime location with direct access to one of the strongest labor pools in the country and unmatched commuting accessibility.



Kendall Square | Photo: Duncan Lake/Cresa



The Jig is Up

Curtailed appetite for lab space and conversions has revealed the truth about the Cambridge office market, which is struggling with flagging demand.



Few Big Fish

Larger tenants looking for Cambridge office space are hard to come by: in 2023, the submarket saw only three transactions over 20,000 SF that were not downsizes or renewals.



Market Size
11,533,232 SF



Vacancy
14.0%



Sublease
10.1%

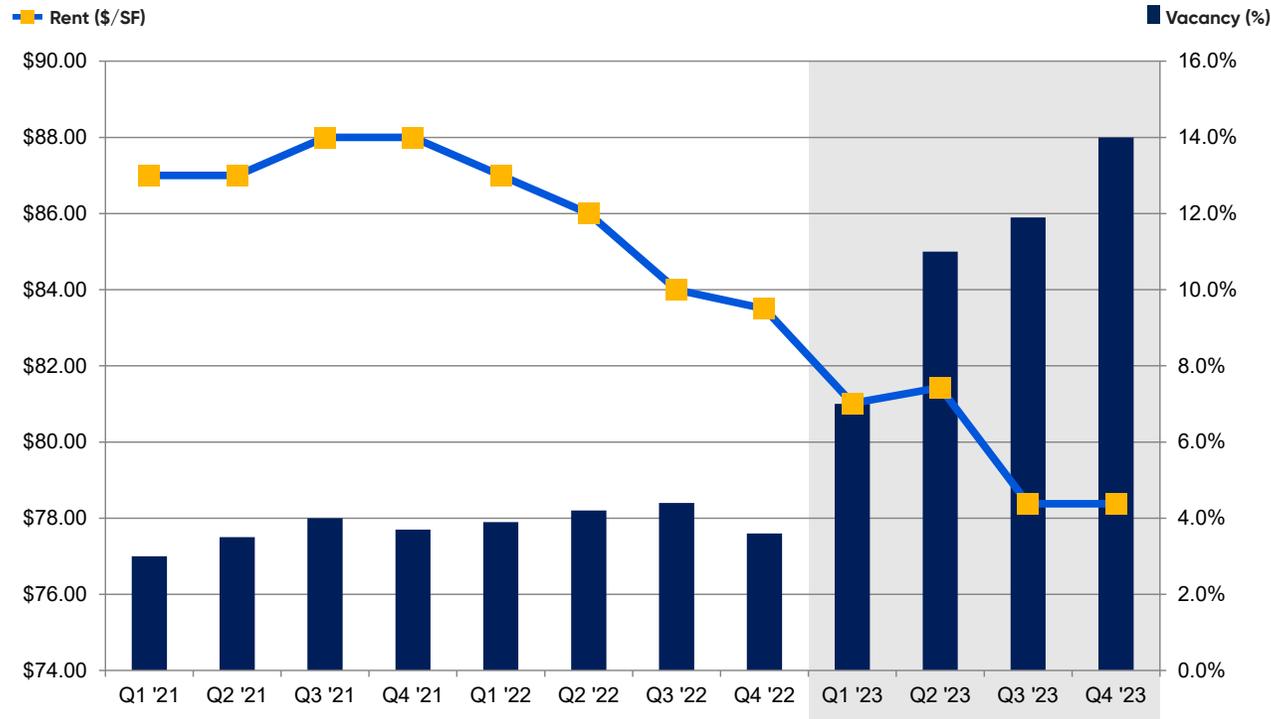


Available
24.1%

Direct Availability + Sublease Availability

Arrows Indicate One Year Change

Historical Rent & Vacancy

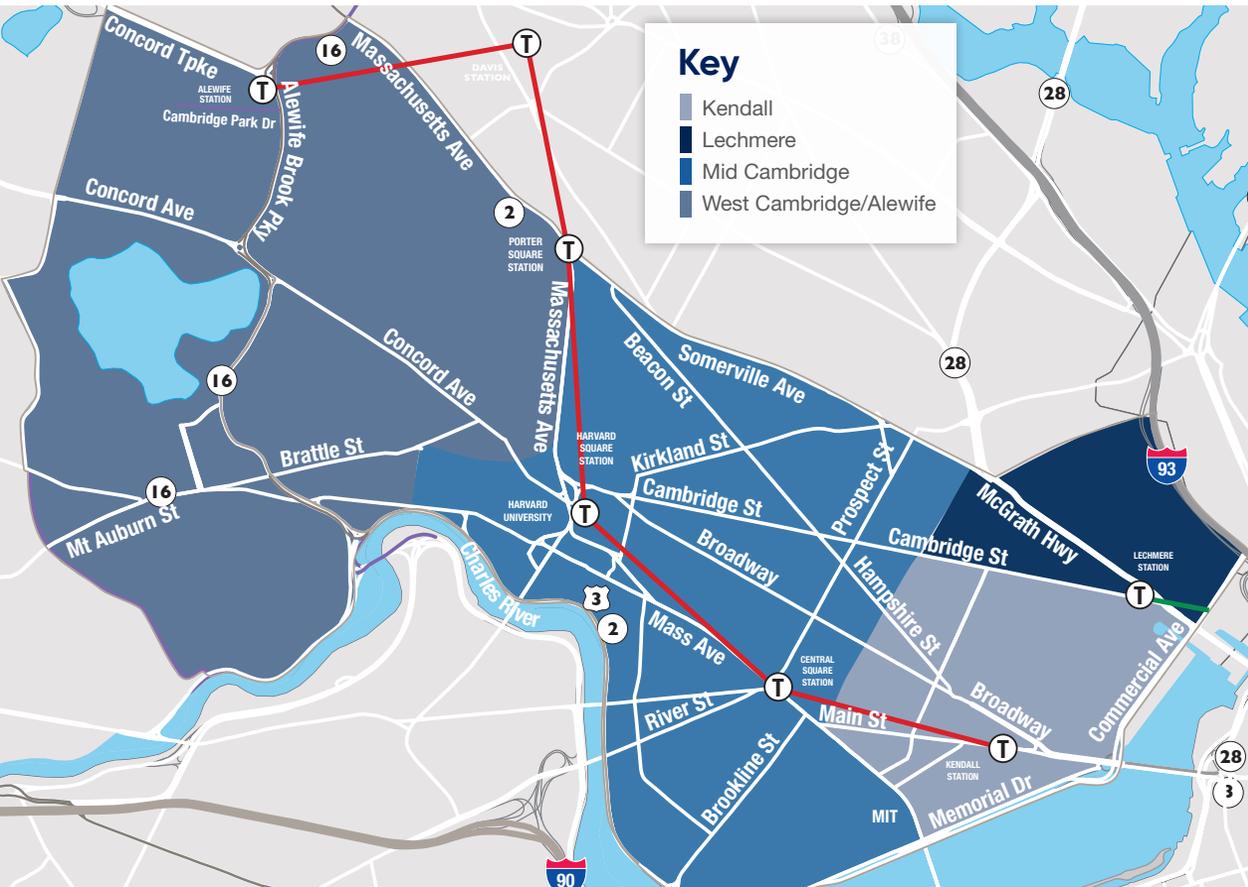


2023's vacancy trend makes this look like a completely different market. After staying below 6% for the past decade, vacancy climbed steadily throughout the year. Rent, meanwhile, continues to slide from its 2021 peak.



By the Numbers

Data as of Q4 2023



Submarket	Market Size (SF)	Vacant	Sublease	Available	Class A Rent/SF	Class B Rent/SF
Kendall	5,006,808	13.7%	14.2%	27.9%	\$90.00	\$85.00
Lechmere	2,314,312	28.4%	8.0%	36.4%	\$90.00	\$85.00
Mid Cambridge	2,774,227	8.8%	5.8%	14.6%	\$65.00	\$60.00
West Cambridge /Alewife	1,437,885	1.9%	7.9%	9.7%	\$45.00	\$40.00
Total	11,533,232	14.0%	10.1%	24.1%	\$78.00	\$73.00

The Kendall and Lechmere submarkets account for over 80% of the city's office vacancy. Collectively, East Cambridge vacancy is now over 18%, up from 6% in Q4 of 2022.



Cambridge Crossing | Photo: Duncan Lake/Cresa



75 Binney Street | Photo: Duncan Lake/Cresa

101 Main Street | Photo: Duncan Lake/Cresa



Notable Market Transactions

Amazon’s extension at 101 Main Street, signed in Q2 2023, represents a significant downsize at the location, which was its first in the Boston area. The tech giant has reconfigured its local office footprint in recent years, shifting attention towards the Seaport.

Tenant	Address	Submarket	Size (SF)	Type
Amazon	101 Main Street	Kendall	93,000	Extension/Downsize
Context Labs	75-125 Binney Street	Kendall	39,000	New Lease
Harvard	1000 Massachusetts Avenue	Mid Cambridge	28,000	Relocation
Hemab	101 Main Street	Kendall	4,000	New Lease

Get to Know: Ripple Cafe

This Caribbean-inspired favorite opened a new location in the heart of Kendall Square. The café is known for delicious coffee and friendly counter service. What’s more: in an area lacking a vibrant live music scene, Ripple Cafe brings a rotating slate of performers to add some warmth to the tech and science hub. rippleboston.com



Photos: Duncan Lake/Cresa



Searching for an Identity

Market corrections have brought to light a more accurate depiction of the Cambridge office market, which is grappling with mounting vacancies and few interested occupiers.

40 Thorndike Street | Photo: Duncan Lake/Cresa

The Cambridge office market has appeared healthy for years. Beneath the surface, the persistent office-to-lab conversion pipeline has kept the city's office inventory in check while deflating vacancy rates. Lab users have long stolen the spotlight across East Cambridge, despite its highly praised start as the area's tech startup capital. With the downshift in lab market demand in 2023 came an end to this inventory driver. Lab conversions are few and far between in present day Cambridge. Couple this with the macroeconomic shift impacting the tech industry nationwide and the numerous other factors that are plaguing the office world to bring us to where we are today. The statistics now reflect a more accurate state of the market, with nothing to mask the struggle. Vacancy rates have nearly tripled in the past year, from 5.4% in Q4 2022 to 14.0% in Q4 2023, the highest rate since our team began tracking the market. The city's only active office development, **40 Thorndike Street**, delivered this year with zero commitments, bringing 422,000 SF of additional space to market.

We don't expect conversions to pick back up anytime soon as the life sciences market has expanded dramatically throughout the region while the industry has grown and the physical real estate needs of its users have diversified. Unlike in past decades, Cambridge will not need to bear the full weight of the demand for the region, as evidenced by the new construction deliveries in 2023. Just 20% of newly built lab space that delivered this past year was in Cambridge. Looking ahead 15% of the existing lab pipeline (under construction or permitted with plans to begin construction soon) is in Cambridge. As a result, the Cambridge office market can no longer lean on this adaptive re-use as a crutch and will have to find its new identity moving forward.

The tech and startup struggles of 2023 add to its troubles, along with the geographic dispersion of the tech tenants into Boston and the surrounding suburbs.

The tech and startup struggles of 2023 add to the area's troubles, along with the geographic dispersion of the tech tenants into Boston and the surrounding suburbs. With a more challenging fundraising environment, layoffs and bankruptcies have risen. According to Carta, a cap-table management platform for startups, Q3 2023 marked the highest number of startup shutdowns since its service launched in 2012. And sources indicate that nearly 1,200 tech companies laid off 262,000 employees in 2023. Locally, roughly 700 positions were eliminated in Q4 2023 alone. We do not expect inventory to change much going forward, as the development pipeline should remain quiet until the market finds its footing.





Class A Expansion for Growing Data Analytics Firm

Client: Context Labs

Location: 75 Binney Street, Cambridge

Project Size: 39,006 SF

Cresa Services Provided: Transaction Management



The high-quality space will convey the company's strength and success, both to investors and potential new employees.



Objectives

Following sustained company growth, Context Labs sought a new “graduation” space that would reflect their success and evolution. In their first relocation since being founded in a smaller, brick-and-beam office building, the Context Labs team wanted a built-out workplace that would accommodate forecast growth while still allowing for maximum flexibility in lease terms.

Strategy & Results

With this knowledge in mind, the Cresa team identified a short-term sublease in a Class A Kendall Square building. The office and lab spaces were fully furnished and move-in ready, providing a seamless transition with minimal operational delays.

Amid a market slowdown, Cresa was able to facilitate a deal that generated true value for Context Labs: the team negotiated sublease terms well below current market rents in the building and immediate area and achieved flexibility in the lease terms. In addition to the financial benefits, the high-quality space will convey the company's strength and success, both to investors and potential new employees.

Looking Ahead in 2024

Occupier's Perspective



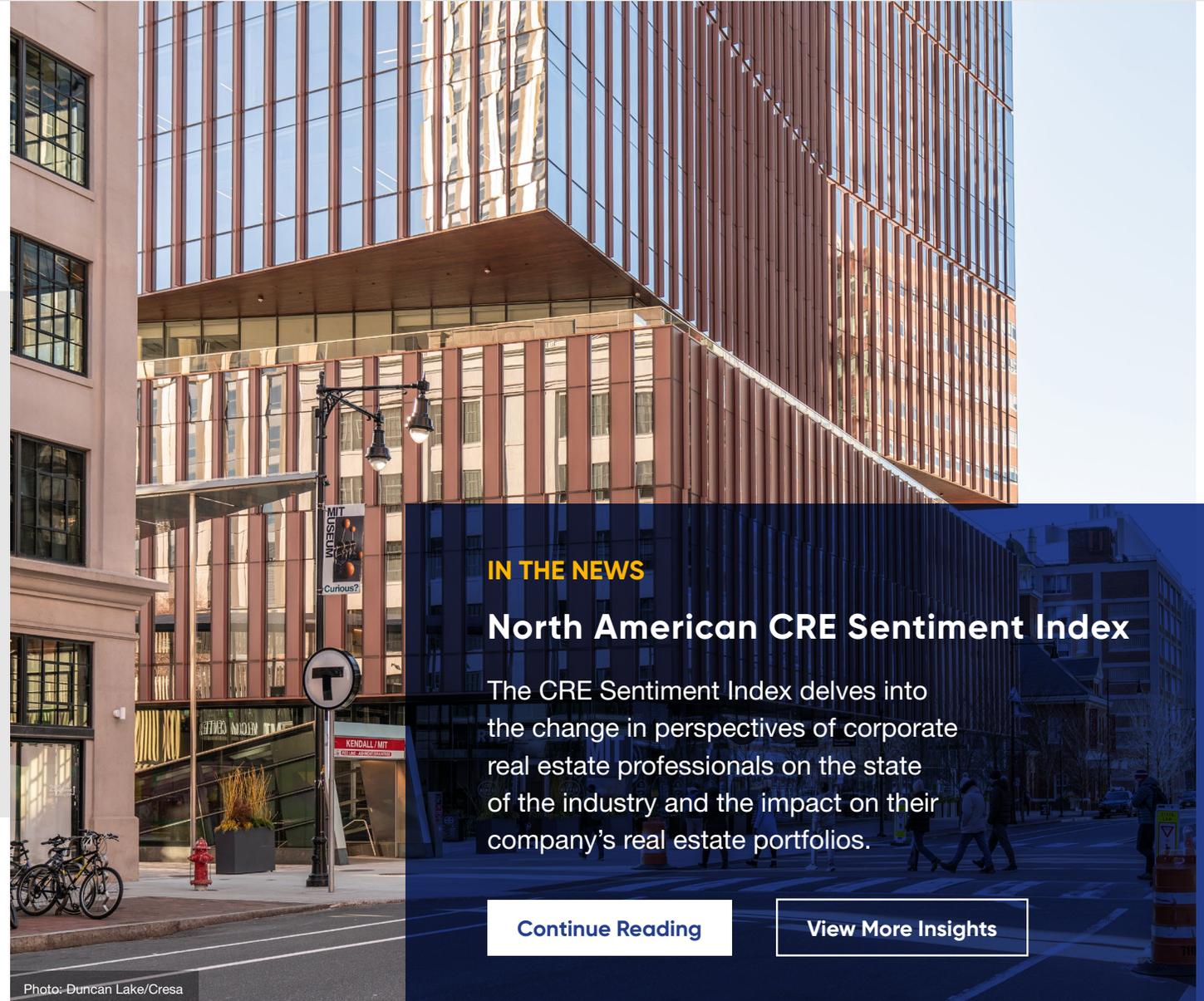
Quality for the Taking

Top-tier, amenitized office space is up for grabs, though much of it is tied up in large blocks. 40 Thorndike, the Class A courthouse conversion project, delivered in late 2023 with no commitments.



What You See is What You Get

With no activity in the development pipeline, office occupiers have a clear picture of inventory for years to come.



IN THE NEWS

North American CRE Sentiment Index

The CRE Sentiment Index delves into the change in perspectives of corporate real estate professionals on the state of the industry and the impact on their company's real estate portfolios.

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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.

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