

FIGURES | CAMBRIDGE OFFICE | Q3 2021

# Strong quarter for Cambridge office market as subleases drop steeply

▼ 8.9%

Office Availability

▼ 5.8%

Office Vacancy

▲ \$84.74

Office Lease Rate (Gross)

Note: Arrows indicate change from previous quarter.

As the delta variant wanes across the state, many office occupiers are again planning for a return to their office in the coming months. Massachusetts has outpaced the national average in vaccination rates, and new cases have begun to slow across the Bay State. While the Labor Day return date has come and gone, many are eyeing the beginning of 2022 as a projected return-date goal, especially in a tech centric office market like Cambridge.

As the Cambridge office market recovers from pandemic related effects, occupancy remains well below pre-pandemic norms, but there are signs of recovery. The market ended the third quarter with 448,500 sq. ft. of positive absorption, due to the absorption of some large subleases, spaces being pulled off the sublease market for reoccupancy, and a couple buildings removing office availability in preparation for future office to lab conversions.

The second consecutive quarter of positive absorption for the market resulted in availability decreasing to 8.9%. This was the first time availability has fallen below 10% since the beginning of the pandemic at the start of 2020. Vacancy also decreased to 5.8%. Available sublease space saw the largest decrease by more than 50% and ending the

FIGURE 1: Office Vacancy vs. Lease Rate



Source: CBRE Research, Q3 2021

quarter at 3.4%. Asking rents remained relatively flat across Cambridge at \$84.74 per sq. ft. (gross), including East Cambridge, where it reached \$90.14 per sq. ft. (gross), up only 5 basis points (bps).

As the pandemic set in, the Cambridge office market saw nearly 700,000 sq. ft. of office sublease space flood the market in mid-2020. Sublease availability remained elevated through the remainder of 2020 and into the first half of 2021. During the third quarter of 2021, several large subleases were leased in East Cambridge, which helped the market absorb over 300,000 sq. ft., and brought sublease availability levels back in line with pre-pandemic norms. Facebook is planning to take 260,000 sq. ft. on Binney Street to nearly triple their presence in East Cambridge. An investment firm signed for 50,000 sq. ft. of Class A office space for a relocation. Several tenants removed sublease space from the market as their plans shifted to reoccupying in the near future.

HubSpot signed one of the largest office deals in the metro area during the third quarter, renewing and expanding at Two Canal Park. They will be vacating the equivalent amount of space at One Canal Park, that they are expanding into at Two Canal Park. HubSpot’s commitment to their offices in East Cambridge is another example of a company maintaining its presence long term, another bright spot for the office sector.

As life science demand drives asking rents and property values across the metro area, several properties in Cambridge have begun preparing for office to lab conversions. Breakthrough Properties, a joint venture of Tishman Speyer and Bellco Capital, closed on One Canal Park in East Cambridge, with plans to deliver 120,000 sq. ft. of lab space. Longfellow Real Estate Partners and Morgan Stanley are also working through the conversion to lab of 125 CambridgePark Drive in West Cambridge. The JV entity is in the midst of an office to lab conversion elsewhere within the complex at 150 CambridgePark Drive, and they have seen strong interest from several life science companies, and a handful of leases signed and commitments moving forward.

FIGURE 3: Office Market Statistics

Cambridge Office	Bldgs	Total SqFt	Available (%)	Vacant (%)	Sublease (%)	Quarter Absorption	YTD Absorption	Avg Asking Rent \$ (Gross)
Cambridge - East	59	9,523,751	9.1	5.5	3.4	476,991	454,037	90.14
Cambridge – Mid	38	2,245,004	10.5	8.2	3.3	11,266	(1,136)	72.61
Cambridge – West	15	1,318,121	4.9	3.7	3.9	71,033	105,061	43.11
<b>Overall Cambridge Office</b>	<b>112</b>	<b>13,086,876</b>	<b>8.9</b>	<b>5.8</b>	<b>3.4</b>	<b>559,290</b>	<b>557,962</b>	<b>84.74</b>

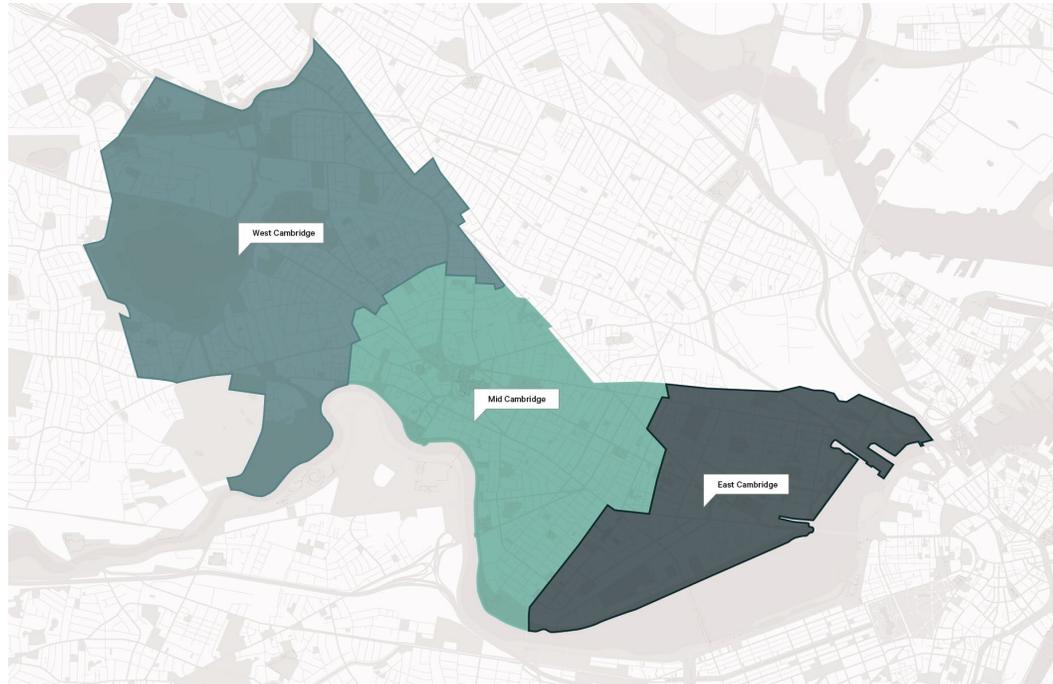
Source: CBRE Research, Q3 2021

FIGURE 4: Transactions of Note

Tenant/Investor	Address	Sq. Ft.	Submarket	Type
HubSpot	Two Canal Street	205,000	East Cambridge	Renewal/Expansion
Blackstone Life Sciences/BioMed Realty	314 Main Street	50,000	East Cambridge	Sublease
Prime Medicine	38 Sidney Street	13,000	East Cambridge	Sublease
MIT Technology Review	141 Portland Street	10,000	East Cambridge	New

Source: CBRE Research, Q3 2021

## Market Area Overview



## Definitions

**AVERAGE ASKING LEASE RATE:** Rate determined by multiplying the asking gross lease rate for each building by its available space, summing the products, then dividing by the sum of the available space with net leases for all buildings in the summary. **GROSS LEASES:** Includes all lease types whereby the tenant pays an agreed rent plus estimated average monthly costs of the operating expenses and taxes for the property, including utilities, insurance and/or maintenance expenses. **NET ABSORPTION:** The change in occupied sq. ft. from one period to the next, as measured by available sq. ft. **NET RENTABLE AREA:** The gross building square footage minus the elevator core, flues, pipe shafts, vertical ducts, balconies and stairwell areas. **OCCUPIED AREA (SQ. FT.):** Building area not considered vacant. **UNDER CONSTRUCTION:** Buildings that have begun construction as evidenced by site excavation or foundation work. **AVAILABLE AREA (SQ. FT.):** Available building area that is either physically vacant or occupied. **AVAILABILITY RATE:** Available sq. ft. divided by the net rentable area. **VACANT AREA (SQ. FT.):** Existing building area that is physically vacant or immediately available. **VACANCY RATE:** Vacant building feet divided by the net rentable area. **NORMALIZATION:** Due to a reclassification of the market, the base, number and square footage of buildings of previous quarters have been adjusted to match the current base. Availability and vacancy figures for those buildings have been adjusted in previous quarters.

## Survey Criteria

Includes all competitive buildings in CBRE's survey set for the Cambridge Office Market.

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