Cambridge sees increase in sublease inventory as tenant demand is limited.

▲ 19.0%
Office Availability

▲ 11.2%
Office Vacancy

▼ $79.19
Office Lease Rate (Gross)

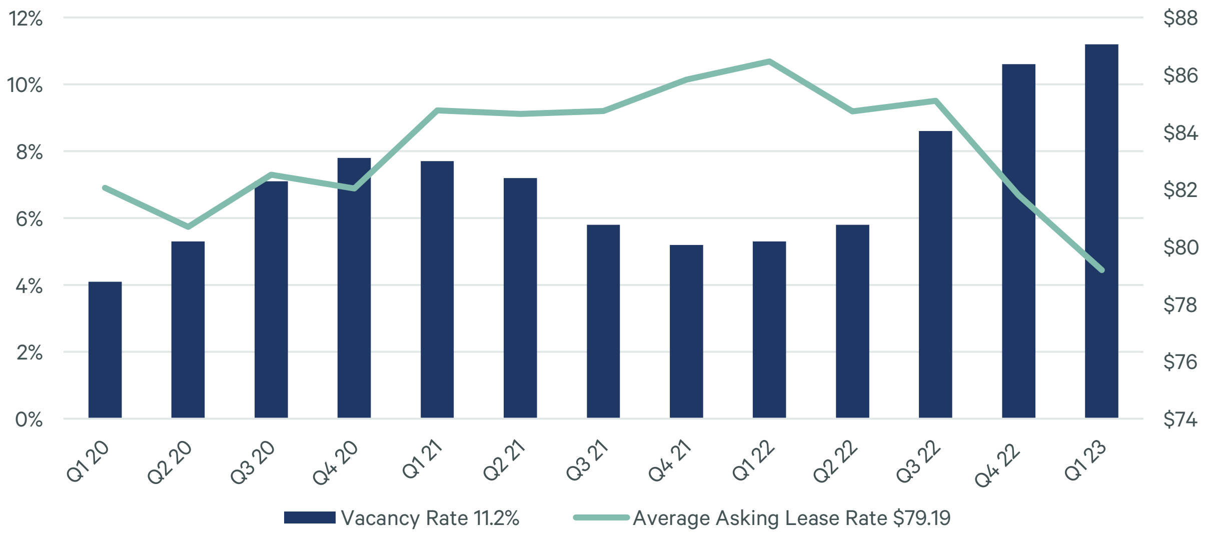
Note: Arrows indicate change from previous quarter.

Conditions have softened across the Cambridge office market, a trend that started in 2021. An increase in sublease space across the city drove absorption negative by 212,000 sq. ft. and the sublease rate has reached a 20-year high. The return to office for tech centric firms hasn't materialized which is causing tenants to reevaluate their office needs as they attempt to figure out what their office presence should look like moving forward. Current economic headwinds haven't helped the weakened fundaments in Cambridge.

Sublease space in Cambridge reached a new high of 9.9% or 1.2 million sq. ft. During the first quarter, 14 spaces totaling 180,000 sq. ft. of new subleases came onto the market. The largest was Merative's sublease at 75 Binney, a Class A property with three full floors of office space already on the sublease market through IBM. Class A properties across Cambridge carry a disproportional amount of the sublease space when compared to Class B properties. The Class A office market makes up 75% of the market, but holds over 86% of the available sublease space. The life science and tech industry account for 83% of the sublease space on the market as both sectors struggle with layoffs and funding challenges.

Over the last eight years, East Cambridge held the lowest office vacancy rate compared to the

FIGURE 1: Office Vacancy vs. Lease Rate



Source: CBRE Research, Q1 2023

core downtown markets of Back Bay, Seaport and CBD. Over the last two years, East Cambridge office vacancy has seen a sharp increase and now sits in line with the other major office markets in downtown Boston, all of which are now above 10%. Asking rents in East Cambridge remain the highest in Greater Boston, ending the first quarter at $87.47 per sq. ft. gross which is flat from last quarter but down 4.4% since this time last year.

Leasing activity was very quiet in Cambridge during the first quarter and did not hold up against the negative absorption pouring into the market. Through the first three months of 2023, four office deals were signed totaling more than 53,000 sq. ft. Over the past three years, the Cambridge office market has largely been defined by volatile leasing activity highlighted by a few large leases. Unfortunately, with very little leasing activity in Q1 2023, the vacancy and availability rates rose.

FIGURE 2: Office Market Statistics

Cambridge Office	Bldgs	Total Sq.Ft.	Available (%)	Vacant (%)	Sublease (%)	Quarter Absorption	YTD Absorption	Avg Asking Rent $ (Gross)
Cambridge - East	57	9,245,233	20.1	11.1	10.9	(145,531)	(145,531)	87.47
Cambridge – Mid	38	2,172,286	16.8	12.4	5.2	(61,238)	(61,238)	65.01
Cambridge – West	13	1,032,621	13.2	10.4	11.3	(5,551)	(5,551)	40.69
Overall Cambridge Office	108	12,450,140	19.0	11.2	9.9	(212,320)	(212,320)	79.19

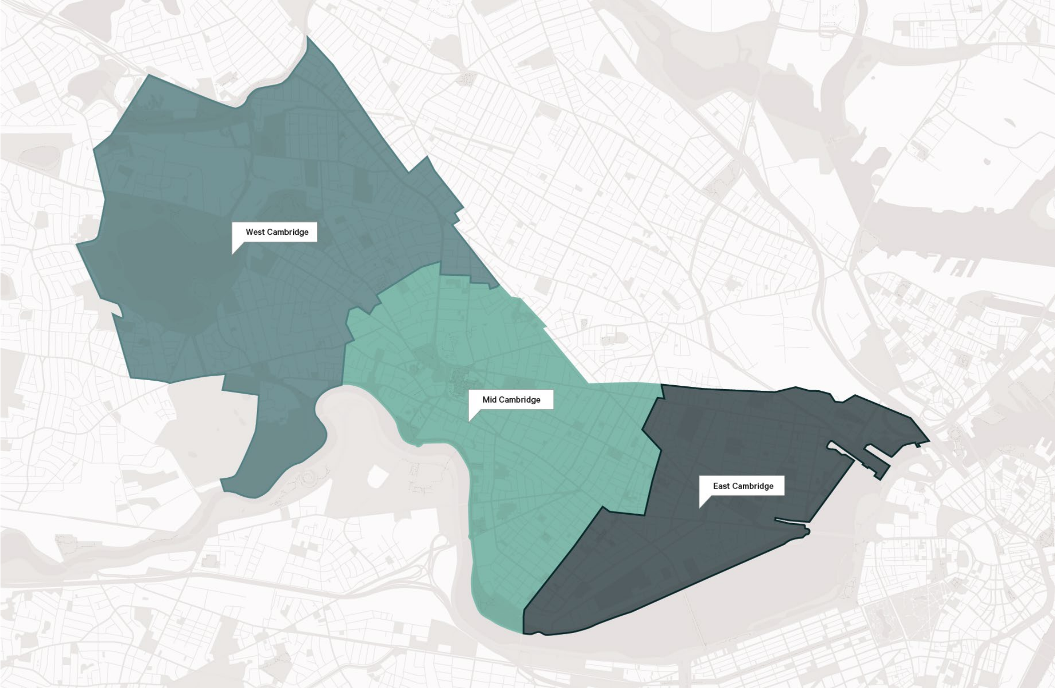
Source: CBRE Research, Q1 2023

FIGURE 3: Transactions of Note

Tenant/Investor	Address	Sq. Ft.	Submarket	Type
Toyota Research Center	One Kendall Square #600/700	40,000	East Cambridge	Renewal/Expansion
Science for America	139 Main Street	5,800	East Cambridge	Sublease
Bessimer Venture Partners	196 Broadway	4,600	East Cambridge	Renewal

Source: CBRE Research, Q1 2023

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 avilable 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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