

**BARRON  
& CO. - REALTORS**

Commercial and Industrial Real Estate

859 Massachusetts Avenue

Cambridge, Massachusetts 02139

617-492-6600

MAR 13 1982

COMMERCIAL REAL ESTATE  
DEVELOPMENT DEPT.

THE BARRON REPORT

ON THE CAMBRIDGE

OFFICE SPACE MARKET

As of February 1, 1982



# **BARRON & CO. - REALTORS**

Commercial and Industrial Real Estate

859 Massachusetts Avenue

Cambridge, Massachusetts 02139

617-492-6600

## CAMBRIDGE OFFICE SPACE SURVEY

As of February 1, 1982

The following is an update of activity in the office space market in Cambridge in the six-month period since the last Barron Report in August.

The City of Cambridge is a good example of the old maxim that nothing succeeds like success. A maze of office construction activity is visible in all areas of the city, and all signs point to its continuation and acceleration throughout the eighties according to Lynne M. Barron, author of this report. Five office buildings are presently under construction which will add 950,000 square feet to the market - an increase of 32% over existing first class inventory. An additional 324,000 square feet in older buildings is presently under rehab to office space, with only 61,000 square feet available for tenancy. The vacancy rate in Cambridge continues to hover at 2%.

New construction is spread throughout the city. In Kendall Square two buildings now under construction will add 519,000 square feet to that market in late 1982. 1000 Massachusetts Avenue will bring 218,000 square feet to the Mass. Ave. corridor and the Alewife area will increase its office space by 221,000 square feet in two separate projects.

In November a second office tower broke ground in Kendall Square. The 330,000 square foot Riverfront Office Park will be ready for occupancy in late 1982. Leases have been signed with Saddlebrook Corporation, IBM and Gulf & Western for 44% of the building.

Although several leases were finalized in new projects in the past few months no additional firm commitments have been made for space in the new towers and leasing activity generally has slowed for large users. A dramatic increase is expected however as the new buildings near completion. Of the almost one million square feet under construction leases have been signed for 38% of the space.

Despite continuing high interest rates and a murky economy developers are proceeding with plans for projects in Cambridge with no postponements contemplated. A total of 1,000,000 square feet of new space is scheduled to begin construction in 1982. CC&F has announced Riverside Place, a 273,000 square foot office building to be constructed on Cambridge Parkway. In the new Cambridge Research Park in Kendall Square construction will start in the Spring on the first building in the complex. It will provide 200,000 square feet of office and r&d space. The Park will eventually encompass over 800,000 square feet.

Lechmere Square should see its first new office building under construction this year also. One Canal Park, adjacent to the new Lechmere Canal, will provide 231,000 square feet of space. Originally scheduled to start construction in Spring of 1980, the Kennedy Square project in Harvard Square is now planning to get underway sometime in 1982. The office component of that project will be 103,000 square feet. Although in the planning stage for a shorter period University Place is projecting a Spring 1982 start on construction of 200,000 square feet of office space for Harvard Square.



Rates for new office buildings slated for construction in 1982 are in the \$24 per square foot range. The vacancy rate in first class buildings is 2% with 52,000 square feet of first class space available.

Rehabbing of older buildings is continuing. Over 183,000 square feet is presently under rehab, the bulk of the space in Kendall Square. Over a million square feet of rehab space is in the planning stage with rates ranging from \$12.50 per square foot to \$17 per square foot depending on location and extent of rehab.

Kendall Square shows a 0% vacancy rate in first class space. Rates for the final 5000 square feet available at 5 Cambridge Center are \$19.50 per square foot. Rates for Class B space are in the \$10 per square foot range.

Central Square shows a 2% vacancy in first class space with rates in the \$16.50 range. Class B space has a 4% vacancy with rates in the \$10 per square foot range. A building rehab will bring 28,000 square feet of additional space to Central Square in 1982.

The Mass. Ave. corridor continues its long-maintained 0% vacancy for first class space. Rates in new construction at 1000 Massachusetts Avenue are \$19.50 per square foot with 25% of the space leased. Class B space shows an 11% vacancy with rates in the \$13 per square foot range.

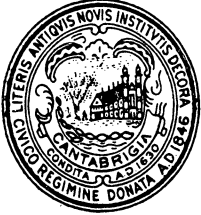
In Harvard Square space continues tight with a 0% vacancy rate in both first class and Class B space and no new construction underway. The Kennedy Square project and University Place are long overdue and are vital to overcoming a real space crunch in Harvard Square. Until these projects are completed large space users in Harvard Square are out of luck.

The Alewife area will be the first location to have new space available, with 133,000 square feet coming on the market for occupancy in June. The space at One Alewife Place is 39% leased at this time with rates in the \$17.50 per square foot range. Construction is continuing on the 88,000 square foot building at 725 Concord Avenue where 45% is committed. Rates in that project are in the \$20 per square foot range. The Alewife area shows a 6% vacancy in first class space and a 7% vacancy in Class B space - the highest in the city. Most of this space is represented by 33,000 square feet of recently rehabbed space available on short term.

Leasing and construction decisions are increasingly hard to make as developers and businessmen are buffeted by fluctuating interest rates and a drying up of mortgage funds. They are puzzled by the lack of agreement among the experts as to which direction the economy will take and they are uneasy about the effect of Reaganomics on the economy. One is reminded of the ancient Chinese curse, "May you live in interesting times."

With new office buildings more than doubling the present inventory of office space in Cambridge the end of a severe space shortage looms ahead. When the construction dust settles the commercial face of Cambridge will be permanently changed, its mass transportation system vastly improved and a new era for the city will begin as the emphasis shifts from an older manufacturing and warehouse area to a center for sophisticated research and technology and the production and application of knowledge in new disciplines.

\* \* \* \* \*



## CITY OF CAMBRIDGE

CAMBRIDGE, MASSACHUSETTS 02139  
Tel. 498-9011

EXECUTIVE DEPARTMENT  
ROBERT W. HEALY  
City Manager

March 22, 1982

To the Honorable, the City Council:

I transmit herewith for your information a copy  
of The Barron Report on the Cambridge Office Space Market.

Very truly yours,

Robert W. Healy  
City Manager

RWH/b

Agenda Item Number Five

Re: transmitting a copy of The Barron Report  
on the Cambridge Office Space Market.

In City Council,

March 22, 1982

3/22/82

Placed on File