

BARRON & CO. - REALTORS

Commercial and Industrial Real Estate

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Cambridge, Massachusetts 02139

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CAMBRIDGE OFFICE SPACE SURVEY

As of August 1, 1981

The Cambridge building boom that was confidently predicted six months ago in The Barron Report is now a reality. When the Report was published in Spring of this year development in the city bore a strong resemblance to the season - a lot of activity was going on beneath the surface but no evidence of it showed above ground. However in the last six months construction has begun on four new office buildings that will add over 600,000 square feet to the market in the next eighteen months - an increase of 22% in first class office space. As Cambridge enters a new era of development vast changes are occurring in all areas of the city.

Six months ago high interest rates caused postponement of several projects. Despite little improvement in the interest rate or in the availability of capital, developers have perceived the need for office space in Cambridge and proceeded to fill it. The new space will help alleviate an acute shortage when it comes on the market starting in mid-1982. In the meantime the space crunch will continue - particularly in the Kendall Square and Harvard Square areas.

New construction is going up in several areas of the city. In Kendall Square Building #2 at 4 Cambridge Center will bring 200,000 square feet to that market in late 1982. 1000 Massachusetts Avenue broke ground in July on a 218,000 square foot project. In the Alewife area two new office buildings are under way totaling 221,000 square feet - One Alewife Place will contain 133,000 square feet and a building on Concord Avenue has 88,000 square feet under construction. One Alewife Place will be the first large project to reach the market in mid-1982 with the remainder of the buildings scheduled for completion by late 1982.

Rehabilitation to office use of older industrial buildings continues with 253,000 square feet under construction at this time. The major portion of this space is being renovated for owner/users, with only 11% available to the market.

Overall Cambridge has a vacancy rate of 2% in both Class A and Class B space. First class space has a 0% vacancy with only 29,000 square feet available at this time.

The face of Kendall Square has changed in a dramatic way as the new hi-rise at 5 Cambridge Center has broken up the vast wasteland that for years greeted visitors crossing the bridge from Boston. This 16-story building is now occupied and 98% leased. As soon as tenants started moving into the first building in July, construction began on the 12-story Building #2 at 4 Cambridge Center. Tenants will take occupancy in this tower in late 1982 and the building is already 42% leased.

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The Barron Report

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As of August 1, 1981

With a lease from a prime tenant in hand, developers of Riverfront Office Park (1 Main Street) have scheduled construction for September. The 19-story tower of 341,000 square feet will be situated just across the river from Boston. Rates in new construction in Kendall Square are in the \$19 - \$23 per square foot range.

Kendall Square enjoys a 0% vacancy in first class building and a 4% vacancy in Class B space. Rehabbing on 125,000 square feet of warehouse buildings to first class office space is under way with almost 300,000 square feet of additional rehabs scheduled for update within the next few months. Two-thirds of the space will be available to the market and could substantially ease the space shortage in Kendall Square.

Central Square sustains a 7% vacancy rate in first class office space - down from 17% six months ago, with rates averaging \$16 per square foot in first class buildings. Class B space shows a 2% vacancy. In Central Square an auto showroom was recently converted to 15,000 square feet of first class office space and a rehab of an existing building will add 28,000 square feet of office space to this market in the next six months.

Along the Mass. Ave. corridor the 218,000 square foot project at 1000 Mass. Ave. will be constructed in two phases. The project is 25% leased with rates at \$19 per square foot. The corridor continues to enjoy 100% occupancy as it has for the past three years. Class B space shows a 2% vacancy with rates in the \$13 per square foot range.

Harvard Square continues to be the tightest place in town - and again, no relief is in sight for at least two years. Developers of Kennedy Square are planning for construction to start in December. The office component now stands at 103,000 square feet with a 702-car garage. A hotel will add convenience, conviviality and 24-hour activity to the site. Rates will be in the \$18 - \$20 per square foot range triple net. The Harvard University - Gerald B. Hines apartment complex will include 150,000 to 200,000 square feet of office space. No date has been announced for start of construction.

The Alewife area continues its growth with 221,000 square feet of new office buildings and 100,000 square feet of rehabbed space under construction. The area enjoys a 0% vacancy for Class A buildings. Rates in new construction are in the \$18 - \$19 per square foot range. 2% of Class B space is available.

Confidence prevails in the future of Cambridge as an office space market. Projects in the ground and planned for construction in 1981 comprise over one million square feet of new office buildings with an additional two million square feet in the planning stage. Rehabbing of older buildings in 1981 will increase the total by 344,000 square feet with over a million square feet in the planning stage. Developers don't have to say they're bullish on Cambridge. Bricks and mortar are making the statement for them.

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CITY OF CAMBRIDGE

CAMBRIDGE, MASSACHUSETTS 02139

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EXECUTIVE DEPARTMENT

ROBERT W. HEALY

City Manager

October 5, 1981

To the Honorable, the City Council:

Enclosed for your information is a copy of The Barron
Report on the Cambridge Office Space Market, as of August 1, 1981.

Very truly yours,

Robert W. Healy
City Manager

RWH/mbf
Enc.

Agenda Item # 17

S-519

Re: copy of Barron Report on Cambridge
Office Space Market for informational purpose

In City Council,

October 5, 1981

10/5/81

Placed on File