

Q4 2017

Office Insight

Large leasing momentum continues to diminish blocks of space throughout Cambridge

- Rents held steady quarter over quarter at \$63.60 per square foot gross, but have grown 4.6 percent since the end of 2016.
- With renovations underway at 139 Main Street, developer MIT added 37,900 square feet of new space to the pipeline.
- Availability dropped over 200,000 square feet, reaching 7.3 percent, the lowest point for 2017.

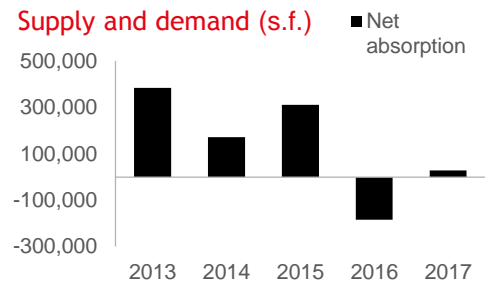
After two quarters of negative absorption, 2017 ended with a strong quarter of 157,459 square feet of positive absorption. There were multiple significant leases signed this quarter. In East Cambridge, after over a year on the market, Biogen's office sublease at 105 Broadway is almost entirely leased or committed. Leased to institutional tenants, MIT and Broad have both expanded their footprint in the central East Cambridge location. Following this momentum from high caliber tenants, the remaining two floors will lease up quickly in the new year.

In Mid Cambridge, strong leasing activity has pushed rents up 11.3 percent year-over-year. With a total availability of less than 50,000 square feet, it is a difficult location to find space in. At the start of 2017, Cambridge College's migration to Charlestown opened up a window of opportunity with a 66,000 square foot block at 1000 Massachusetts Avenue. This quarter, international tenant Zpark scooped up the block of space. The emergence of this Chinese-based high-tech tenant enforces the stiff competition for Cambridge occupancy that can span globally.

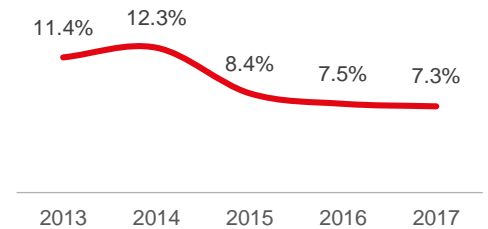
Outlook

The diverse mix of tenant velocity this year, from homegrown Cambridge companies, blue chip tech tenants, and unforeseen global giants, exemplifies how the Cambridge ecosystem is able to persist and thrive. The main challenges remain the same they have been for the past couple of years – space constraints and high premium rents. New class A space at 139 Main Street and 121 First Street will generate new opportunities for an East Cambridge location, but only to a sliver of the 1.2 million square feet of current tenant demand.

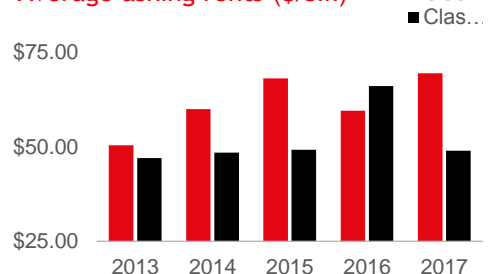
Fundamentals	Forecast
YTD net absorption	28,543 s.f. ▲
Under construction	547,668 s.f. ▲
Total vacancy	5.7% ►
Average asking rent (gross)	\$63.60 p.s.f. ▲
TI	Rising ▲



Total availability



Average asking rents (\$/s.f.)



For more information, contact: John Nasca | john.nascaiii@am.jll.com