

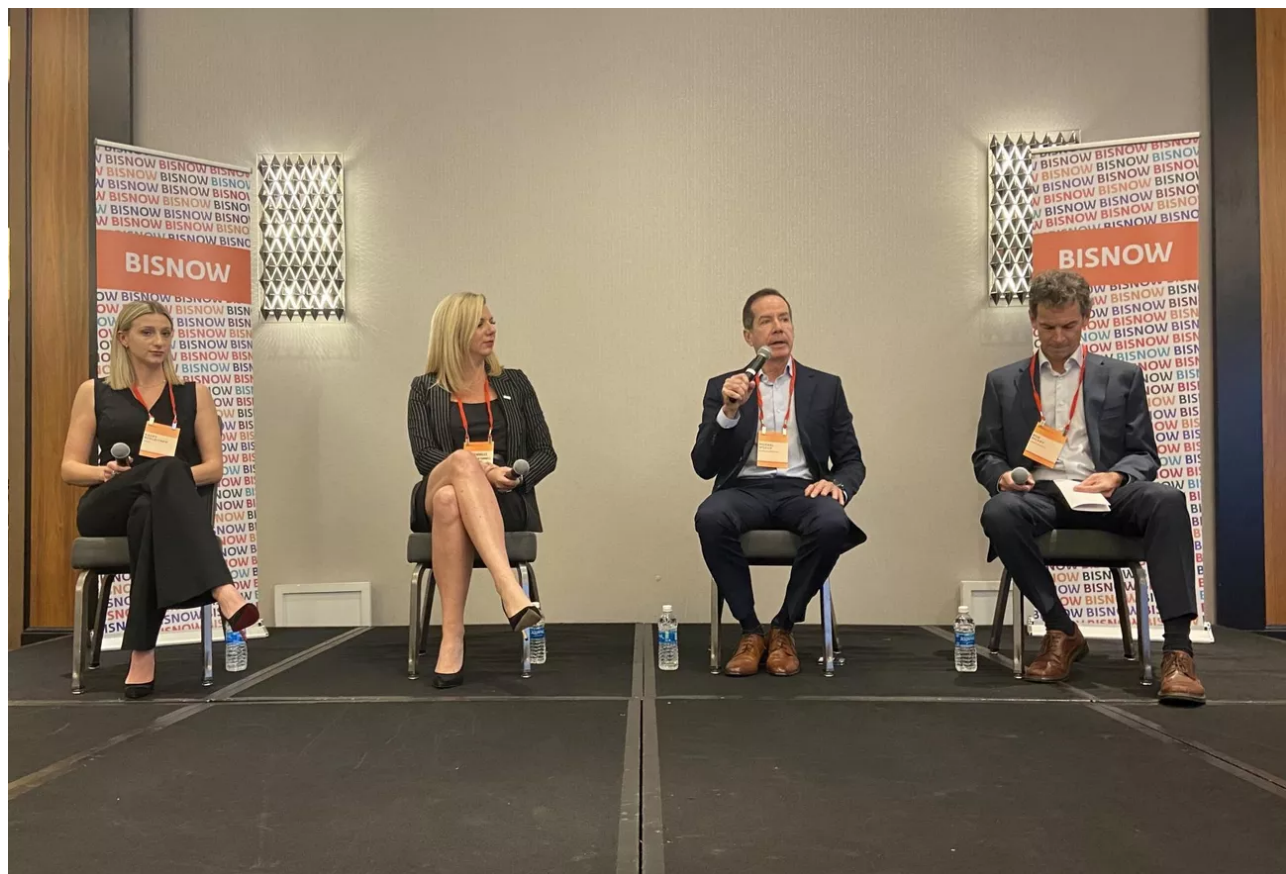
# Lab Vacancy Spikes In Cambridge, Making Room For Smaller Firms

December 6, 2022 | Taylor Driscoll, Bisnow Boston (<https://www.bisnow.com/author/taylor-driscoll-574145>) (<mailto:taylor.driscoll@bisnow.com>)

Cambridge's life sciences cluster has historically had little to no lab vacancy, as big players have gobbled up space as soon as it hits the market.

But this year, companies have begun to give back space as the economy cools down, and lab availability in Cambridge has risen dramatically. From Q2 to Q3, Cambridge's lab vacancy rate rose from 1.4% to 5.2%, the highest level in years, according to Colliers (<https://www.bisnow.com/tags/colliers>)' latest market reports (<https://www.colliers.com/en/research/boston/2022-q3-lab-market-report-boston-colliers>).

While rising vacancy may be bad for landlords, it is also creating new opportunities for mid-sized companies that previously had a hard time expanding in the hottest life sciences cluster in the country, experts said last week at *Bisnow's* Cambridge State of the Market event, hosted at The Royal Sonesta Boston.



"It's providing our companies with more optionality, and for so long, they had none," MassBio (<https://www.bisnow.com/tags/massbio>) President Kendalle Burlin O'Connell said at the event. "If they were lucky enough to get space, it was take it or leave it, and [otherwise], you'll have nothing."

When the market had near-zero vacancies, tenants often signed leases for more space than they needed to allow for expansions.

“Tenants were concerned about securing space for their growth plans,” said Rob Dickey, executive vice president at Leggat McCall (<https://www.bisnow.com/tags/leggat-mccall>). “All of these younger, early stage companies that were very ambitious and had big expectations of growth became concerned about if they were going to take 15K SF they needed today and secure another 15K SF for tomorrow.”

But Dickey said some companies overcommitted and are giving back space, while others are consolidating multiple spaces into one. This has led to a sharp rise in the amount of sublease space on the market.

Sublease availability in Cambridge rose from roughly zero last year to 639K SF at the end of last quarter, according to Colliers. The Cambridge market also recorded a drop in demand in the third quarter, with 200K SF of negative net absorption.

“We’re having a bit of a leasing hangover here in Cambridge as a result of some very frothy times,” said Michael Wilcox, senior vice president of leasing at Bulfinch Cos (<https://www.bisnow.com/tags/bulfinch-cos>). “The market is changing.”



In September, Biogen (<https://www.bisnow.com/tags/biogen>) consolidated its Cambridge footprint by selling its 125 Broadway St. building (<https://www.bisnow.com/boston/news/life-sciences/bxp-buys-kendall-square-life-sciences-property-for-592m-115505>) to BXP (<https://www.bisnow.com/tags/bxp>) in a sale-leaseback deal and terminating its lease with the REIT at 300 Binney St. The moves cut in half the amount of property Biogen owned.

The rise of sublease availability may be healthy for the Cambridge life sciences market, as it creates more opportunities for midsized companies, Wilcox said.



“The phenomenon in the marketplace is that it’s created move-in-ready space for many companies, and that’s a positive for them,” Wilcox said.

Midsized life sciences companies have struggled to find space as they have been priced out of hot areas like Kendall Square (<https://www.bisnow.com/tags/kendall-square>). Average asking rents in the third quarter for Cambridge were \$117.55 per SF, which was \$18 per SF above the Boston-area average, according to CBRE (<https://www.bisnow.com/tags/cbre>)’s Q3 U.S. Life Sciences ([https://www.cbre.com/insights/figures/q3-2022-us-life-sciences-figures?utm\\_source=Press+release&utm\\_medium=email&utm\\_campaign=Q3+2022+U.S.+Life+Sciences&utm\\_id-report](https://www.cbre.com/insights/figures/q3-2022-us-life-sciences-figures?utm_source=Press+release&utm_medium=email&utm_campaign=Q3+2022+U.S.+Life+Sciences&utm_id-report)).

Unlike Big Pharma companies with deep pockets and new startups flush with venture capital money, many of these midsized companies don't have the cash to pay Cambridge's high rents, pushing them to other markets.

“What we have priced out of the market is the midtier company, and that’s not great to lose that,” said Iram Farooq (<https://www.bisnow.com/tags/iram-farooq>), assistant city manager in Cambridge. “In this change of the nature of work and the subleasing opportunities, some of these midtier companies will be able to stay in Cambridge.”



Available space might not be the only factor helping keep these midsized companies in Cambridge. Farooq said some of the recent pushback on larger lab construction projects in the city could help to create an opening for smaller and midsized lab spaces that residents aren't as worried about.

In September, two city councilors proposed a limit on life sciences construction to just active areas like Kendall Square and Alewife (<https://www.bisnow.com/tags/alewife>), the Boston Business Journal reported (<https://www.bizjournals.com/boston/news/2022/09/22/cambridge-proposal->

would-ban-new-labs-in-some-part.html). The proposed restrictions have started conversations between businesses, life sciences trade groups like MassBio and the city about what this could mean for the industry.

Farooq said that these conversations could pave the way for midsized companies to get into markets outside of Kendall Square, where bigger companies might not be able to fit.

“We do have districts that can actually be home to these midsized companies that are not right in the heart of Kendall Square but adjacent or in Alewife, and those could become the place that people move to,” Farooq said.

*Contact Taylor Driscoll at [taylor.driscoll@bisnow.com](mailto:taylor.driscoll@bisnow.com) (<mailto:taylor.driscoll@bisnow.com>)*

See Also: Short Seller Report Alleges \$32B REIT Is Hiding Losses In 'Shell Game'  
([/national/news/senior-housing/report-alleges-senior-housing-reit-welltower-is-hiding-losses-in-shell-game-116710](#))

Related Topics: CBRE (<https://www.bisnow.com/tags/cbre>), Colliers (<https://www.bisnow.com/tags/colliers>), Alewife (<https://www.bisnow.com/tags/alewife>), Biogen (<https://www.bisnow.com/tags/biogen>), Kendall Square (<https://www.bisnow.com/tags/kendall-square>), Leggat McCall (<https://www.bisnow.com/tags/leggat-mccall>), Bulfinch Cos (<https://www.bisnow.com/tags/bulfinch-cos>), Iram Farooq (<https://www.bisnow.com/tags/iram-farooq>), MassBio (<https://www.bisnow.com/tags/massbio>), BXP (<https://www.bisnow.com/tags/bxp>), Kendalle Burlin O'Connell (<https://www.bisnow.com/tags/kendalle-burlin-o'connell>)