

bioSTATus

MID-YEAR 2017



BOSTON LAB MARKET

MID-YEAR REPORT

Inside...

- » Governor Baker reveals exciting life science initiative.
- » New speculative development in Waltham.
- » DivcoWest breaks ground at NorthPoint.
- » Cambridge becoming a lab dominant market.
- » Average asking rent in the suburbs jumps.
- » More than 1.7 million sf now under construction in the overall market.

Life Sciences Market Strong as Ever

Governor Baker Unveils \$500 Million Life Sciences Initiative

The Greater Boston lab market picked up where it left off in 2016, continuing its dominance in the industry while maintaining a vision for the future. Most exciting, Governor Charlie Baker recently announced a \$500 million life sciences initiative for the state, a move that stresses the importance of sustaining and growing the bio and medical technology industry. The proposed initiative plans to fund \$500 million over five years, including up to \$300 million in capital improvements and an additional \$150 million for job-creating tax incentives. This initiative will look to create abundant opportunities for the many aspects of the industry, including jobs, internships, tax breaks, ongoing research, drug development, and of course, the patients. Overall, this proposed plan exemplifies the state's commitment to continue to lead, but also build the industry in a place where it is already thriving.

From a real estate standpoint, the Greater Boston lab market remains tight. Despite a slight increase in the vacancy and availability rates, limited space exists in the overall 21-million-square-foot market. As of the midpoint of 2017, there are 1.5 million square feet available, yielding a rate of 7.4 percent. While Cambridge continues to dominate the lab market, the suburbs have begun to pick up speed. Over the last two years, the 5.7-million-square-foot lab market in the suburbs has seen 526,000 square feet of positive take up, while the availability rate has dropped from 15.2 percent to 11.8 percent. In conjunction with the take up in availability, space absorption has also been positive, with 273,000 square feet absorbed in the last two years, and a decrease in vacancy from 9.6 percent to 7.2 percent. As lab space in Cambridge becomes less available and more expensive, anticipate a trend in outward movement by tenants looking to get a piece of the Boston market at a discounted rate.

Commercial real estate development in Cambridge continues to be lab-centric and by 2018 there will be more lab space (12.1 million square feet) than office space (11 million square feet). As the lab market continues to grow, it also continues to prosper. With East/Mid Cambridge average asking rents in the mid \$70's, and only 7.1 percent available in the entire market, Cambridge continues to demonstrate strong leasing fundamentals. Notable construction activity in the market includes the delivery of 50-60 Binney St., adding more than 500,000 square feet to the lab market in Cambridge, as well as the beginning of construction at 250 North St., where 435,000 square feet of office/lab is expected to deliver in Q1 2019. Overall, the leader in the life sciences remains hot and shows no signs of slowing down.

TRENDLINES

5-YEAR TREND LAST TWO QUARTERS

AVAILABLE SF (Current)



+1.5m SF

Available space increases slightly

TAKE UP



-72k SF

Take up negative through first two quarters

VACANCY RATES (Current)



4.3%

Vacancy down from Q4 2016

RBA DELIVERED



+632k SF

New inventory delivered in the L2Q

VC INVESTMENT



\$1.4B

Investment activity decreased 5% compared to the first two quarters of last year

BIOTECH EMPLOYMENT



+102 jobs

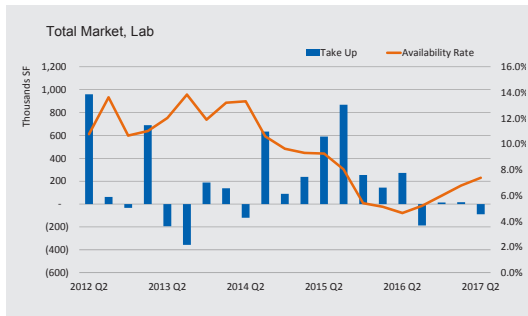
Employment was positive in first two quarters of 2017

*pp = Percentage points

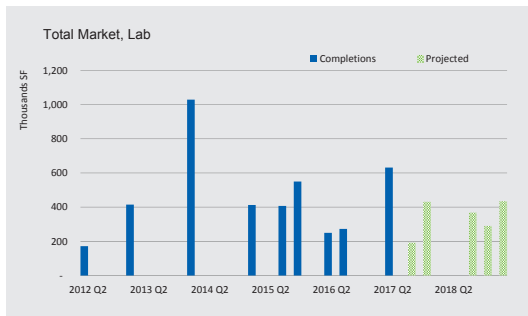
**L2Q = Last two quarters

TOTAL LAB MARKET

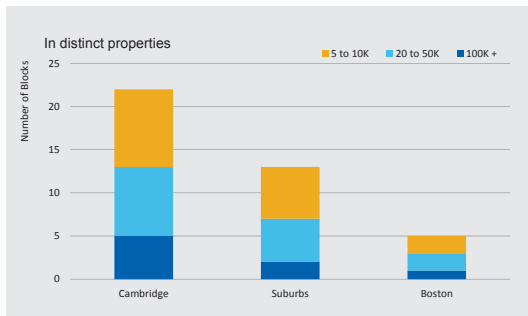
TAKE UP & AVAILABILITY



NEW CONSTRUCTION



CONTIGUOUS BLOCKS



NOTABLE SIGNED LEASES

Recent transactions

TENANT	ADDRESS	CITY	SQFT
Novartis Institutes for BioMedical Research	100 Technology Square	Cambridge	225,441
Ironwood Pharmaceuticals	301 Binney Street	Cambridge	222,562
Blueprint Medicines	45 Sidney Street	Cambridge	99,833
Translate Bio	29 Hartwell Avenue	Lexington	59,000
Celgene	200 Cambridgepark Drive	Cambridge	42,000
Merck	320 Bent Street	Cambridge	40,882

CONSTRUCTION PIPELINE

Lab properties

ADDRESS	NAME/USER	CITY	RBA	LEASED	DELIVERY
250 North Street	NorthPoint	Cambridge	435,000	0%	2019 Q1
100 Binney Street	Alexandria Center at Kendall Square	Cambridge	431,500	49%	2017 Q4
35 CambridgePark Drive		Cambridge	223,668	0%	2018 Q3
100 Upland Drive	Bldg N1	Norwood	192,000	100%	2017 Q3
399 Binney Street		Cambridge	165,375	0%	2018 Q4
828 Winter Street		Waltham	144,910	0%	2018 Q3

LARGEST CONTIGUOUS BLOCKS

Total Market, Lab

BUILDING ADDRESS	CITY	AVAILABLE SF	TYPE
250 North Street	Cambridge	435,000	Direct
35 CambridgePark Drive	Cambridge	223,000	Direct
399 Binney Street	Cambridge	165,375	Direct
828 Winter Street	Waltham	144,910	Direct
6 Tide Street	Boston	125,000	Direct
1 Patriots Park	Bedford	120,000	Direct

Lab Indicators by Submarket

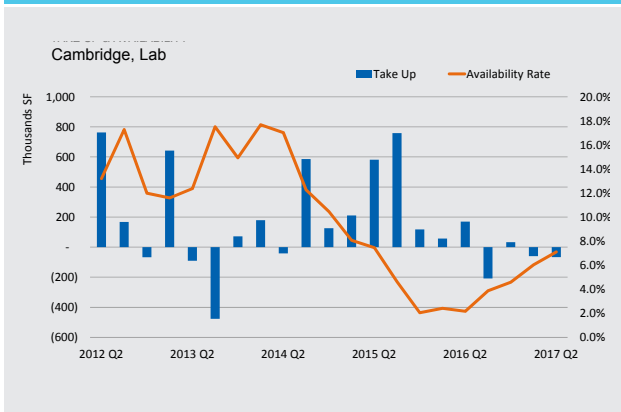
SUBMARKET	INVENTORY	RENTABLE AREA DELIVERED	UNDER CONSTRUCTION	QTRLY TAKE UP*	L2Q* TAKE UP	LTM* TAKE UP	TOTAL AVAILABILITY	TOTAL VACANCY
Boston	4,123	0	125	0	18	18	2.0%	2.0%
Cambridge	11,154	541	1,263	(66)	(126)	(302)	7.1%	3.6%
Suburban Boston	5,690	91	337	(22)	36	39	11.8%	7.2%
Total Market	20,967	632	1,725	(89)	(72)	(244)	7.4%	4.3%

ALL AMOUNTS, EXCEPT PERCENTAGES AND DOLLAR FIGURES IN THOUSANDS

*LTM = Last Twelve Months // L2Q = Last Two Quarters // Take Up = Change in space available

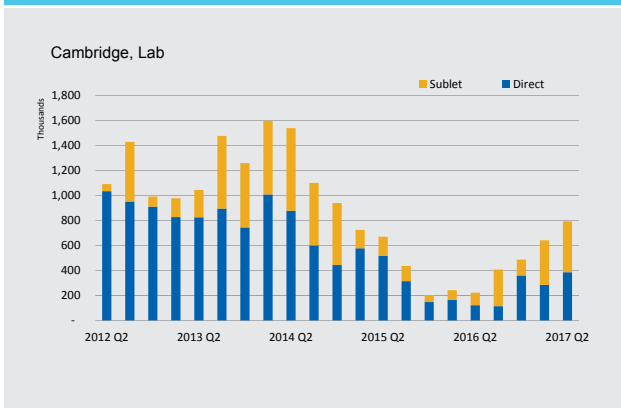
CAMBRIDGE

TAKE UP & AVAILABILITY



- **Lab space in Cambridge is becoming more dominant**, accounting for 10.6 million existing sf and 1.5 million sf under construction, in comparison to 11 million sf of office space.
- **Average asking rents in East/Mid Cambridge continue to rise**, with prices jumping into the \$75 range, currently \$75.48 per sf.
- **Of the 792,000 sf currently available in the market**, two buildings account for 40 percent of the availability, 75-125 Binney St. in East Cambridge, where Takeda Pharmaceuticals is marketing 220,000 sf, and 26 Landsdowne St. in Mid Cambridge, where ARIAD Pharmaceuticals recently vacated.
- **New to the construction pipeline is 250 North Street at NorthPoint**, where DivcoWest officially broke ground on their 435,000 sf office/lab building, expected to deliver in the beginning of 2019.
- **Since the beginning of 2017**, there have been several leases signed, including a Novartis Institutes for BioMedical Research renewal at 100 Technology Sq., a 222,000 sf extension for Ironwood Pharmaceuticals at 301 Binney St., and an expansion for Blueprint Medicines at 45 Sidney St.
- **Jounce Therapeutics moved** from 1030 Massachusetts Ave. into 51,000 sf at 780 Memorial Dr., while Inari Agriculture occupied nearly 20,000 sf at 200 Sidney St.
- **There are currently three blocks greater than 200,000 sf in Cambridge**: 250 North St., 35 CambridgePark Dr., and 75-125 Binney St.
- **Bristol-Myers Squibb plans to move** into their 208,500 sf footprint at 100 Binney St. in Q1 of 2018.

AVAILABLE SPACE



Cambridge Lab Indicators by Submarket

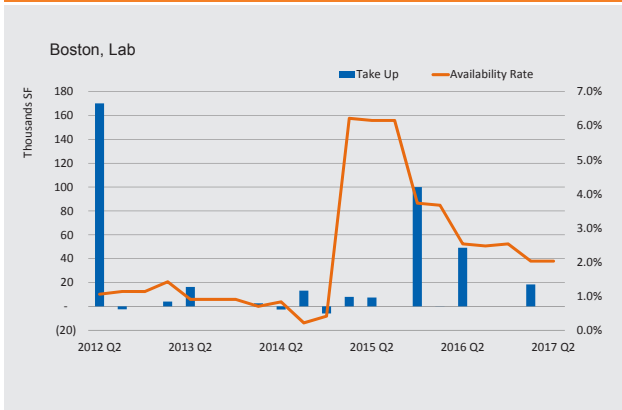
SUBMARKET	INVENTORY	RENTABLE AREA DELIVERED	UNDER CONSTRUCTION	QTRLY TAKE UP*	L2Q* TAKE UP	LTM* TAKE UP	TOTAL AVAILABILITY	TOTAL VACANCY
East Cambridge/Kendall Square	6,390	541	1,039	(104)	(136)	0	7.1%	1.4%
Mid Cambridge/Harvard Square	4,075	0	0	38	51	0	7.3%	7.6%
West Cambridge/Alewife Station	690	0	224	0	(41)	0	6.0%	0.0%
Cambridge Total	11,154	541	1,263	(66)	(126)	(302)	7.1%	3.6%

ALL AMOUNTS, EXCEPT PERCENTAGES AND DOLLAR FIGURES IN THOUSANDS

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BOSTON

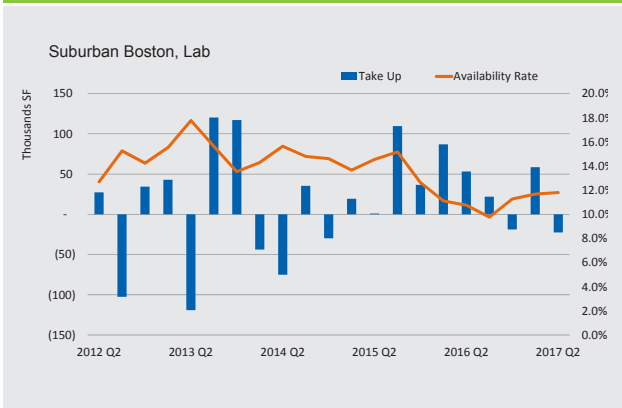
TAKE UP & AVAILABILITY



- **The 14 building, 4.1-million-sf, lab market in Boston** has seen 18,000 sf of positive take up in the first half of the year.
- **With only 84,000 sf currently available and vacant**, the availability and vacancy rate continues to drop, now both at 2 percent, which is its lowest on record since 2014.
- **The 125,000 sf development at 6 Tide St.** in the Seaport District is slated to break ground, with an anticipated delivery date in Q4 2018.
- **Senior Housing Properties Trust formed a joint venture** with a sovereign institutional investor to own Vertex's 1.1 million sf, two-building facility in the Seaport District, where the investor will contribute approximately \$261 million for 45% equity.

SUBURBS

TAKE UP & AVAILABILITY



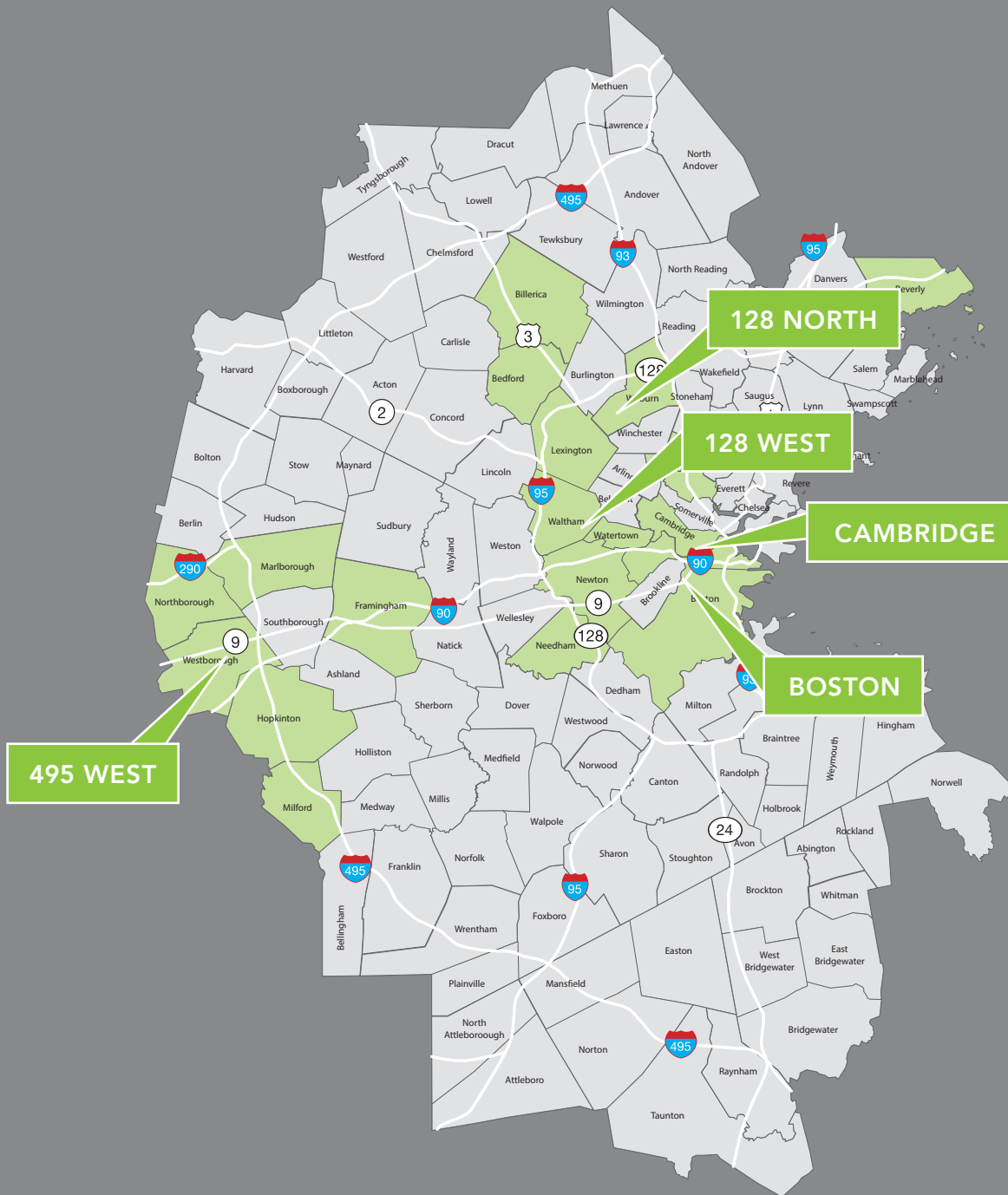
- **Through the first two quarters of the year**, the suburban lab market has experienced 36,000 sf of positive take up.
- **Of the 5.6 million sf of lab space in the suburban market**, only 12 percent is available for lease, compared to a rate of 15.6 percent three years prior.
- **King Street Properties recently broke ground** on a 145,000 sf facility at 828 Winter St. in Waltham (the suburbs' largest spec lab development in history).
- **The most notable lease signed this year was in Lexington**, where Translate Bio signed a new deal at 29 Hartwell Ave. for 59,000 sf.
- **Griffith Properties and Rockwood Capital sold Waltham Place** (266 & 275 Second Ave.) to Alexandria Real Estate for \$70.7 million (204,000 sf, \$340 per sf).

Boston & Suburban Lab Indicators by Submarket

SUBMARKET	INVENTORY	RENTABLE AREA DELIVERED	UNDER CONSTRUCTION	QTRLY TAKE UP*	L2Q* TAKE UP	LTM* TAKE UP	TOTAL AVAILABILITY	TOTAL VACANCY
Boston Total	4,123	0	125	0	18	18	2.0%	2.0%
Route 128 West	2,959	91	145	(7)	52	(31)	10.2%	2.6%
Route 128 North	1,192	0	0	18	7	68	16.5%	16.5%
I-495 West	1,056	0	0	(30)	(14)	11	15.8%	13.0%
Streetcar Suburbs	483	0	0	1	(7)	(7)	1.4%	0.4%
Suburban Boston Total	5,690	91	337	(22)	36	39	11.8%	7.2%

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METHODOLOGY

The information in this report is the result of a compilation of information on laboratory properties located in the Boston metropolitan area. This report includes single-tenant and multi-tenant laboratory properties.

CONTACT

Chase Bourdelaise
 Director of Research, Northeast Region
 617.439.9313
 Chase.Bourdelaise@transwestern.com

Thomas Hovey
 Research Analyst
 617.778.7163
 Thomas.Hovey@transwestern.com



99 High Street, 30th Floor
 Boston, MA 02110

T 617.439.6000 F 617.439.9707
 www.transwestern.com/boston