

BOSTON LAB MARKET

MID-YEAR REPORT

Inside...

- » Only 2.2% of the Cambridge market is available for lease.
- » Harvard set to open new research and science center by 2020.
- » \$1.3 billion worth of VC funding in 2016 thus far.
- » Dana-Farber Cancer Institute expands in Longwood.
- » A number of leases were signed and executed in the suburban marketplace.

Cambridge Lab Market Conditions Tighten

Boston and Suburban Lab Markets Feel Positive Spillover Effect

The Boston area lab market continues to be one of the hottest real estate markets nationally. The 20 million square foot inventory has seen the lowest recorded availability rate for the market at 4.7 percent with 354,000 square feet taken up in 2016. Due to supply constraints, Cambridge-based tenants have been strategically leasing space with a plan for long-term growth. With just about two percent of space available for lease in Cambridge, the Boston and suburban lab markets have seen a positive spillover effect. Decibel Therapeutics' lease of 30,000 square feet at the Van Ness building in Fenway marks the first lab tenant to move to that area. Other firms, such as Metabolix, are relocating from Cambridge to nearby suburbs, which have quality and more affordable laboratory alternatives. Harvard University will be constructing a new research and science campus in Allston that is set to open in 2020. The campus will host more than 900 undergrads and 400 graduate students. The western expansion by the university, which is ranked second globally for life sciences by *Times Higher Education's* World University Rankings, opens up the prospect for that area's lab market to benefit greatly in the near future.

The Cambridge lab market has seen explosive growth over the last decade due to an abundance of highly skilled talent coming from two of the top life science universities in the world (Harvard and MIT). Eight of the top ten life science firms, ranked by market capitalization, now have a major presence in the Boston area, with Roche and Novo Nordisk being the two firms that have yet to establish a Boston area location. Seven of these firms will have a Cambridge location by 2018. The first quarter of 2016 saw the second highest amount of venture capital investment recorded in the state of Massachusetts, with \$853 million spent on the biotechnology industry. Through the last day of June, there had been \$1.3 billion worth of private funding. Five Massachusetts life science firms sought public funding through an IPO, three of which are headquartered in Cambridge. The largest IPO through June was Cambridge-based Intellia Therapeutics, which sold six million shares at \$18 a share, raising \$108 million. Looking ahead to the year's end, a deal to keep an eye on is Cambridge-based Biogen, which is reported to be shopping a buyout that could be worth nearly \$75 billion. Rivals Merck and Allergan are said to be interested in purchasing the firm, which is currently developing a drug that it hopes can counteract effects of Alzheimer's, for roughly \$300-\$400 per share.

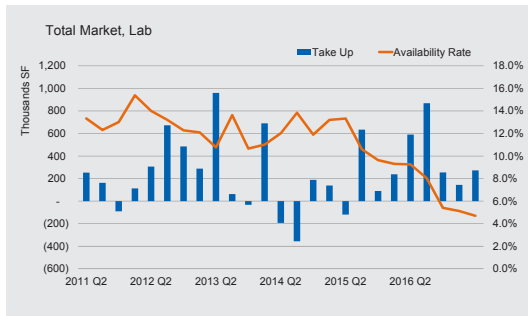
TRENDLINES	
5-YEAR TREND	LAST TWO QUARTERS
AVAILABLE SF (Current)	
	926k SF Available space is limited
TAKE UP	
	+354k SF Take up was positive in the L2Q and on an 8 quarter streak
VACANCY RATES (Current)	
	4.7% The market continues to tighten
RBA DELIVERED	
	+250k SF New inventory delivered in the L2Q
VC INVESTMENT	
	\$1.3B Investment activity increased 24%
BIOTECH EMPLOYMENT	
	-99 jobs Employment was positive in 2Q but down year-to-date

*pp = Percentage points

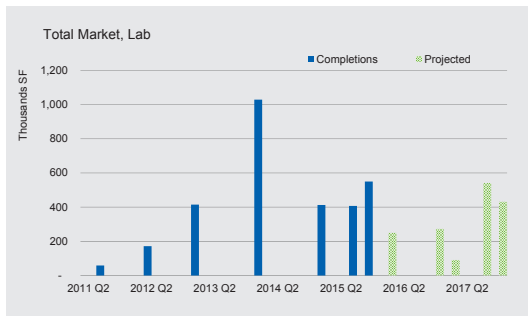
**L2Q = Last two quarters

TOTAL LAB MARKET

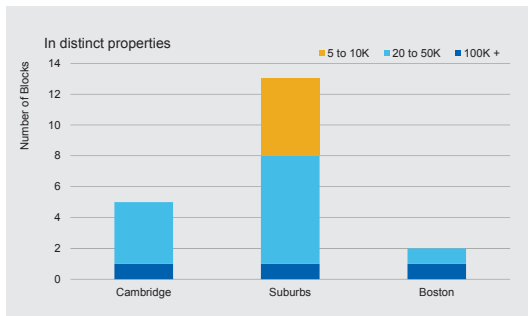
TAKE UP & AVAILABILITY



NEW CONSTRUCTION



CONTIGUOUS BLOCKS



NOTABLE SIGNED LEASES

Recent transactions

TENANT	ADDRESS	CITY	SQFT
Momenta Pharmaceuticals	320 Bent Street	Cambridge	104,678
Intellia Therapeutics	40 Erie Street	Cambridge	65,319
Moderna Therapeutics	500 Technology Square	Cambridge	61,618
Celgene	200 Cambridgepark Drive	Cambridge	59,433
AbbVie	200 Sidney Street	Cambridge	43,090
Surface Oncology	50 Hampshire Street	Cambridge	32,018

CONSTRUCTION PIPELINE

Lab properties

ADDRESS	NAME/USER	CITY	RBA	LEASED	DELIVERY
610 Main St	North Building, Pfizer	Cambridge	272,801	100%	2016 Q4
115 Hartwell Ave	Speculative	Lexington	91,000	0%	2017 Q1
50-60 Binney St	Alexandria Ctr: Sanofi Genzyme, bluebird	Cambridge	541,000	100%	2017 Q3
100 Binney St	Alexandria Ctr: Bristol-Myers Squibb	Cambridge	431,500	49%	2017 Q4

LARGEST CONTIGUOUS BLOCKS

Total Market, Lab

BUILDING ADDRESS	CITY	AVAILABLE SF	TYPE
100 Binney St, Alexandria Center at Kendall Square	Cambridge	221,060	Direct
1 Patriots Park	Bedford	120,000	Direct
360 Longwood Ave, Longwood Center	Boston	101,946	Direct
115 Hartwell Ave	Lexington	91,000	Direct
75-125 Binney St, Alexandria Center at Kendall Square	Cambridge	90,000	Sublet
35 South St, Tambone Bldg #1	Hopkinton	69,009	Direct

Lab Indicators by Submarket

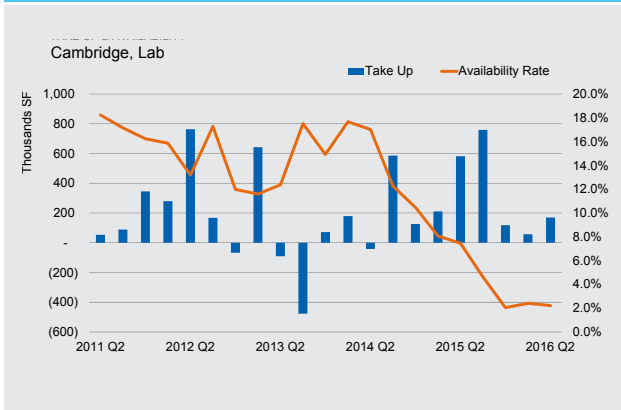
SUBMARKET	INVENTORY	RENTABLE AREA DELIVERED	UNDER CONSTRUCTION	QTRLY TAKE UP*	L2Q* TAKE UP	LTM* TAKE UP	TOTAL AVAILABILITY	TOTAL VACANCY
Boston	4,123	0	0	49	49	149	2.5%	3.7%
Cambridge	10,244	250	1,245	142	199	1,077	2.2%	3.4%
Suburban Boston	5,582	0	91	18	105	251	10.7%	7.6%
Total Market	19,950	250	1,336	209	354	1,478	4.6%	4.7%

ALL AMOUNTS, EXCEPT PERCENTAGES AND DOLLAR FIGURES IN THOUSANDS

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

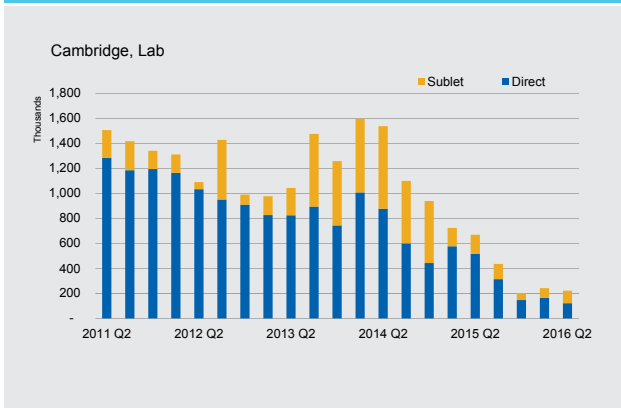
CAMBRIDGE

TAKE UP & AVAILABILITY



- The first two quarters of 2016 produced 199,000 sf of take up in the Cambridge lab market as availability fell 0.2 percentage points to 2.2 percent.
- There is currently 1.2 million sf under construction in East Cambridge, 80 percent of which is preleased, and all of which will be delivered by late 2017.
- Availability in East Cambridge is currently 2.7 percent, marking the sixth consecutive quarter of availability less than five percent.
- There has been 75,000 sf taken up in Mid Cambridge YTD.
- Mid Cambridge saw availability drop below two percent for the first time on record, with 1.9 percent of the lab market available for lease.
- The West Cambridge lab market does not have any vacant or available space.
- Moderna Therapeutics signed a lease for 62,000 sf at 500 Technology Square.
- IBM Watson moved into 160,000 sf at 75-125 Binney Street and Celgene moved into 59,000 sf at 200 Cambridgepark Drive.
- Alexandria Real Estate Equities is under agreement to purchase One Kendall Square from DivcoWest (\$725 million, 644,771 sf, \$1,124.43 per sf).

AVAILABLE SPACE



Cambridge Lab Indicators by Submarket

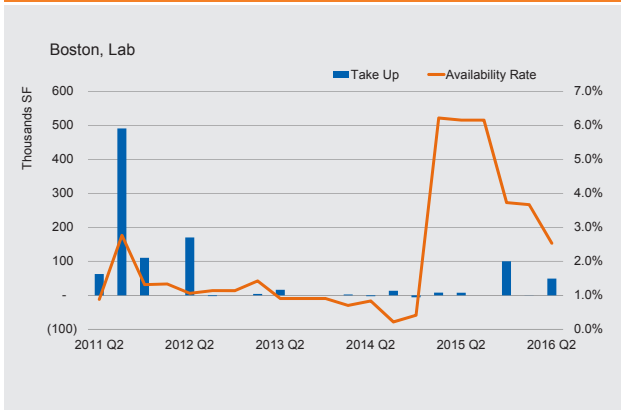
SUBMARKET	INVENTORY	RENTABLE AREA DELIVERED	UNDER CONSTRUCTION	QTRLY TAKE UP*	L2Q* TAKE UP	LTM* TAKE UP	TOTAL AVAILABILITY	TOTAL VACANCY
East Cambridge/Kendall Square	5,576	0	1,245	168	122	655	2.7%	5.9%
Mid Cambridge/Harvard Square	3,979	250	0	(28)	75	319	1.8%	0.5%
West Cambridge/Alewife Station	690	0	0	3	2	103	0.0%	0.0%
Cambridge Total	10,244	250	1,245	142	199	1,077	2.2%	3.4%

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BOSTON

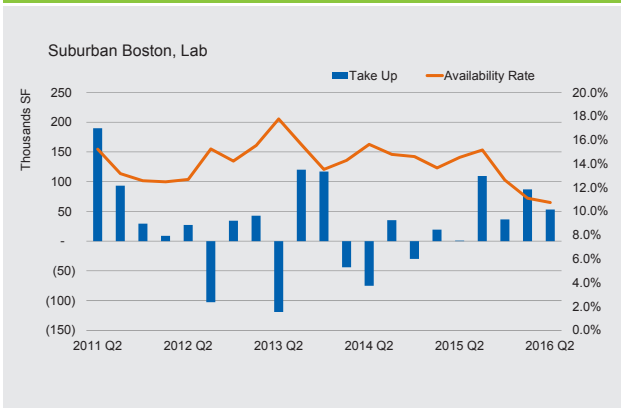
TAKE UP & AVAILABILITY



- The Boston lab market saw **49,000 sf** of take up since the start of 2016, resulting in a 4.4 percentage point drop in availability to the current rate of 2.5 percent.
- **Decibel Therapeutics committed** to 32,000 sf of office and lab space at the Van Ness building at 1325 Boylston Street in Fenway, where it is set to move by early 2017.
- **Dana-Farber Cancer Institute expanded** by 51,040 sf at Longwood Center, where it now occupies a total of 254,129 sf.
- There is one medium-sized block between 20,000 and 50,000 sf of contiguous availability remaining in Boston.

SUBURBS

TAKE UP & AVAILABILITY



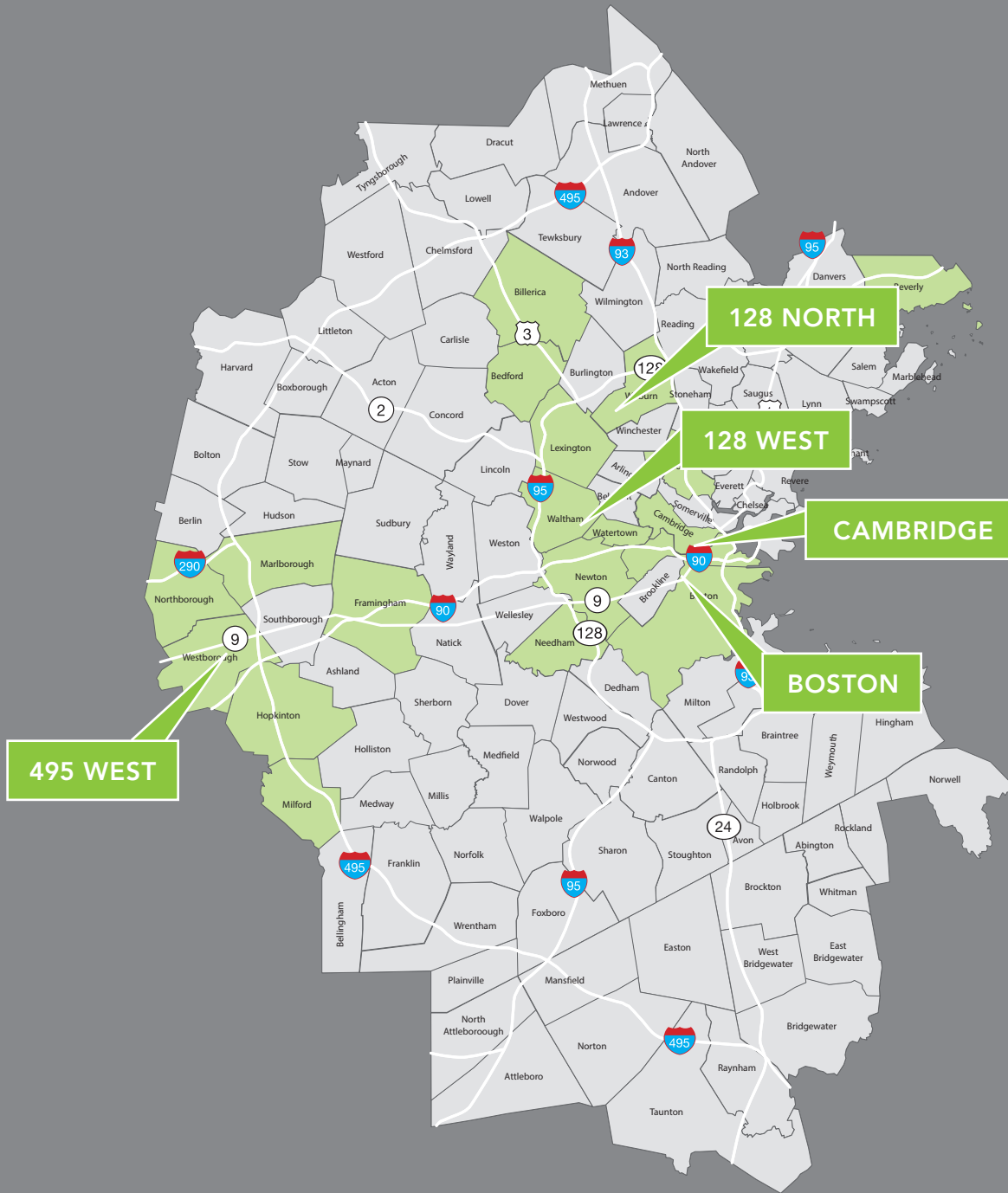
- There has been **105,000 sf** taken up in the Suburban lab market in 2016, dropping availability to 10.7 percent, which is the lowest rate since 2008.
- **Concert Pharmaceuticals signed a renewal for 45,000 sf** at 128 Spring Street in Lexington, Qiagen signed a lease for 36,000 sf at 35 Gatehouse Drive in Waltham, and SQZ Biotech signed a lease for 21,000 sf at 134 Coolidge Avenue in Watertown.
- **Metabolix and Dimension Therapeutics moved** into 30,000 sf and 18,000 sf, respectively, both at 19 Presidential Way in Woburn.
- With supply constraints in Cambridge, the suburban lab market is expected to continue experiencing a positive spillover effect, particularly in Route 128 West.

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	0	49	49	149	2.5%	3.7%
Route 128 West	2,763	0	91	50	30	166	4.4%	2.2%
Route 128 North	1,192	0	0	(34)	33	33	25.2%	16.2%
I-495 West	1,144	0	0	4	15	31	15.6%	15.1%
Streetcar Suburbs	483	0	0	0	26	21	0.0%	0.0%
Suburban Boston Total	5,582	0	91	18	105	251	10.7%	7.6%

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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.

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