

BOSTON LAB MARKET

YEAR-END REPORT

Inside...

- » 1.4 million square feet currently under construction in the market.
- » Availability in Boston is 2.5%, down from 6.2% in the first quarter of 2015.
- » Average asking rent in Cambridge reaches a record high of \$72.15.
- » One Kendall Square complex sold for \$725 million (\$1,124/SF).
- » More than \$3.4 billion worth of VC funding in 2016.
- » Suburban market continues to heat up with leasing and sales activity.



Greater Boston Lab Market Remains Steady

Boston and Suburban Markets Begin to Heat Up

The Greater Boston lab market continued its hot streak, as the leader in the life sciences industry closed out 2016 strong. With 20.2 million square feet of inventory, only 1.2 million square feet are currently available in the market. This availability rate of 5.9 percent remains well below the five-year average of 9.9 percent, while the market finishes the year with 262,000 SF of take up. This marks the seventh consecutive year of positive take up for the Greater Boston lab market, amounting 6.4 million square feet over that time.

While East Cambridge continues to lead the charge with an availability rate of 2.3 percent and 153,000 square feet of take up in 2016, the 4.1 million square foot Boston market has also been highly desirable, with an availability rate of 2.5 percent and 49,000 SF taken up in 2016. East Cambridge and West Cambridge remain airtight, while Mid Cambridge experienced some movement from last quarter with the availability rate jumping to 8.4 percent, the highest since 2015.

There is no bigger reason for the lab market's success than the talent that surrounds it. With prestigious universities such as Harvard and MIT, along with a handful of large life science companies in the area, it is only natural for the life sciences industry to flourish. Over the last year, we have seen multiple deals materialize outside the hotbed of Cambridge. Most recently, Moderna Therapeutics began construction at their 185,000 square foot manufacturing facility at 100 Upland Drive in Norwood, while Selecta Biosciences signed at 480 Arsenal Street in Watertown for 27,833 square feet. Many life science companies are in expansion mode, and while there are 973,000 square feet under construction in East Cambridge, that market is vacancy-starved. With room to grow and lower prices to do so, look for the inner suburbs and the Seaport District to reap the benefits of this demand spillover.

As expected, Cambridge was responsible for the largest sales during 2016. The most notable sale during the year came fairly recently, as Alexandria Real Estate Equities acquired One Kendall Square in Cambridge from DivcoWest for \$725 million (645,000 SF, \$1,124/SF). While action in Cambridge was evident, there were also large sales transactions seen in the alternative markets of Lexington and the Seaport. In Lexington, 45, 55, & 65 Hayden Avenue were acquired by The Carlyle Group and King Street Properties from Merck & Co. for \$167 million (388,067 SF, \$430/SF), while 27 Drydock Avenue in the rapidly growing Seaport District was sold by North Star Management to Related Beal for \$146.5 million (\$512/SF).

Overall, the lab market remains hot in Cambridge, however we can expect to see this popularity expand outside its usual borders. As 2017 commences, it will be interesting to keep an eye on these expanding life science companies and their inevitable movement around the state.

TRENDLINES

5-YEAR TREND LAST TWO QUARTERS

AVAILABLE SF (Current)



+1.2 MSF

Available space is extremely limited

TAKE UP



+262k SF

Take-up remained positive for the year

VACANCY RATES (Current)



4.4%

The market continues to tighten

RBA DELIVERED



+523k SF

New inventory delivered this year

VC INVESTMENT



+\$3.5B

Investment activity increased 12%

BIOTECH EMPLOYMENT



+30 jobs

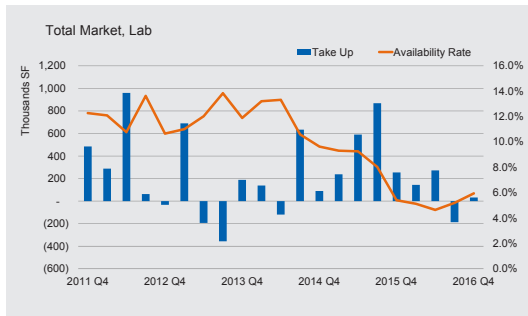
Employment was positive in three of the past four quarters

*pp = Percentage points

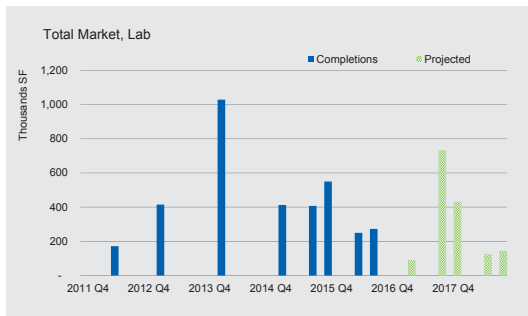
**L2Q = Last two quarters

TOTAL LAB MARKET

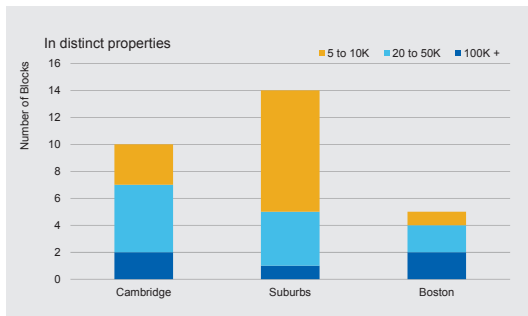
TAKE UP & AVAILABILITY



NEW CONSTRUCTION



CONTIGUOUS BLOCKS



NOTABLE SIGNED LEASES

Recent transactions

TENANT	ADDRESS	CITY	SQFT
Moderna Therapeutics	100 Upland Drive	Norwood	184,868
Bioerativ	225 Second Avenue	Waltham	112,500
Momenta Pharmaceuticals	320 Bent Street	Cambridge	104,678
Seres Therapeutics	200 Sidney Street	Cambridge	83,396
Intellia Therapeutics	40 Erie Street	Cambridge	65,319
Moderna Therapeutics	500 Technology Square	Cambridge	61,618

CONSTRUCTION PIPELINE

Lab properties

ADDRESS	NAME/USER	CITY	RBA	LEASED	DELIVERY
50-60 Binney Street	Alexandria Ctr: Sanofi Genzyme, bluebird	Cambridge	541,000	100%	2017 Q3
100 Binney Street	Alexandria Ctr: Bristol-Myers Squibb	Cambridge	431,500	49%	2017 Q4
828 Winter Street	Speculative	Waltham	144,000	0%	2018 Q3
100 Upland Drive	Bldg N1	Norwood	192,000	100%	2017 Q3
6 Tide Street	Innovation Square	Boston	125,000	0%	2018 Q2
115 Hartwell Avenue	Speculative	Lexington	91,000	64%	2017 Q1

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
6 Tide St, Innovation Square	Boston	120,000	Direct
360 Longwood Ave, Longwood Center	Boston	101,946	Direct
26 Landsdowne St, The Jackson Bldg	Cambridge	100,361	Direct
45 Sidney St	Cambridge	99,833	Sublet

Lab Indicators by Submarket

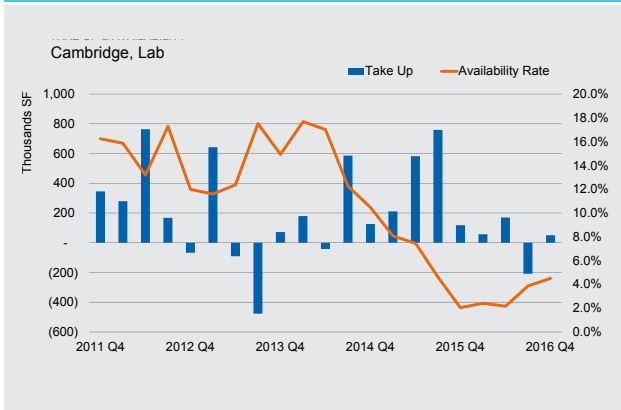
SUBMARKET	INVENTORY	RENTABLE AREA DELIVERED	UNDER CONSTRUCTION	QTRLY TAKE UP*	L2Q* TAKE UP	LTM* TAKE UP	TOTAL AVAILABILITY	TOTAL VACANCY
Boston	4,123	0	125	0	0	49	2.5%	2.5%
Cambridge	10,606	0	973	51	(157)	70	4.5%	3.3%
Suburban Boston	5,494	0	283	(19)	3	143	11.3%	8.1%
Total Market	20,223	0	1,381	32	(154)	262	5.9%	4.4%

ALL AMOUNTS, EXCEPT PERCENTAGES AND DOLLAR FIGURES IN THOUSANDS

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

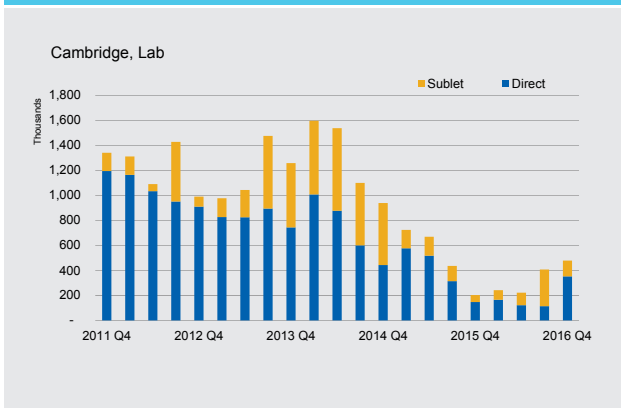
CAMBRIDGE

TAKE UP & AVAILABILITY



- **Inventory in Cambridge has increased** over the last 6 quarters, increasing from 8.9 million sf to 10.6 million sf over that time.
- **East Cambridge led charge** in Cambridge with 153,000 of take up in 2016, with 179,000 sf coming this quarter.
- **For the third quarter in a row**, West Cambridge experienced no availability and no vacancy.
- **There were 546,000 sf delivered** to the East Cambridge market, while an additional 973,000 sf are under construction.
- **There are currently two blocks greater than 100,000 sf** in Cambridge: 100 Binney Street and 26 Landsdowne Street.
- **There were five life science companies headquartered** in Cambridge who announced IPOs during 2016, with the most recent being Ra Pharmaceuticals, which sold 7 million shares at \$13 per share, raising \$92 million.
- **DivcoWest sold One Kendall Square** to Alexandria Real Estate Equities for \$725 million (645,000 sf, \$1,124/sf)
- **In the second largest sale of the year in Cambridge**, 245 First Street was bought by Clarion Partners from Jamestown, L.P. for a price of \$311 million (298,000 sf, \$1,044/sf).
- **50 Hampshire Street in East Cambridge** saw large activity with Surface Oncology signing a lease for 32,0000 sf, Seqirus for 30,000 sf, Anokion for 18,000 sf, and Oncorus for 17,8000 sf, all planning on occupying during the first and second quarter of 2017.

AVAILABLE SPACE



Cambridge Lab Indicators by Submarket

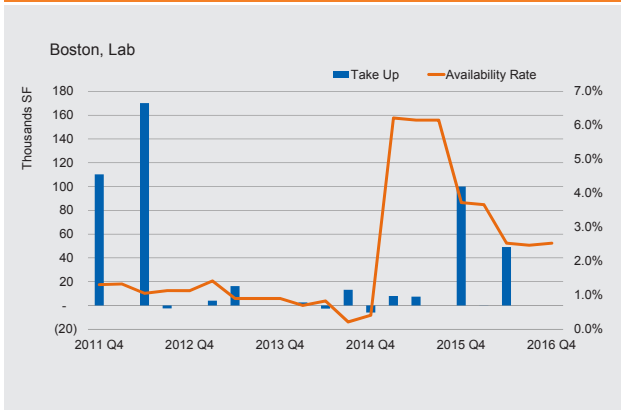
SUBMARKET	INVENTORY	RENTABLE AREA DELIVERED	UNDER CONSTRUCTION	QTRLY TAKE UP*	L2Q* TAKE UP	LTM* TAKE UP	TOTAL AVAILABILITY	TOTAL VACANCY
East Cambridge/Kendall Square	5,849	0	973	179	3	153	2.3%	2.3%
Mid Cambridge/Harvard Square	4,067	0	0	(128)	(161)	(86)	8.4%	5.2%
West Cambridge/Alewife Station	690	0	0	0	0	2	0.0%	0.0%
Cambridge Total	10,606	0	973	51	(157)	70	4.5%	3.3%

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BOSTON

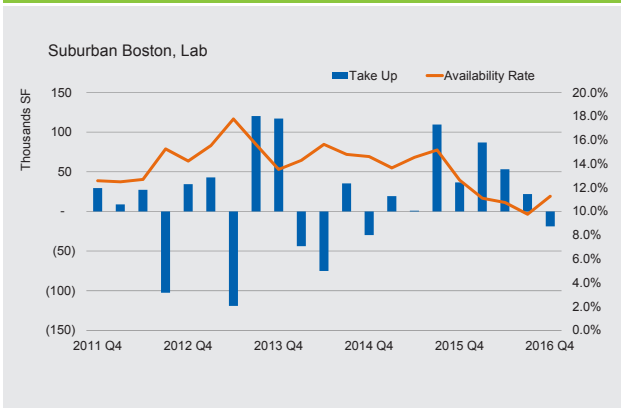
TAKE UP & AVAILABILITY



- While the Boston Lab market inventory has remained at 4.1 million sf since 2015, there is currently 125,000 sf under construction.
- Boston lab tenants took up 49,000 sf during 2016, holding the availability rate constant at 2.5%.
- Boston Children's Hospital was responsible for the take up in Boston, moving into 49,000 sf at 360 Longwood Avenue.
- Related Beal acquired 27 Drydock Avenue in the Seaport District from North Star Management for \$146.5 million (286,160 sf, \$512/sf).
- Dana-Farber Cancer Institute expanded by 51,040 sf at Longwood Center, where it now occupies a total of 254,129 sf.

SUBURBS

TAKE UP & AVAILABILITY



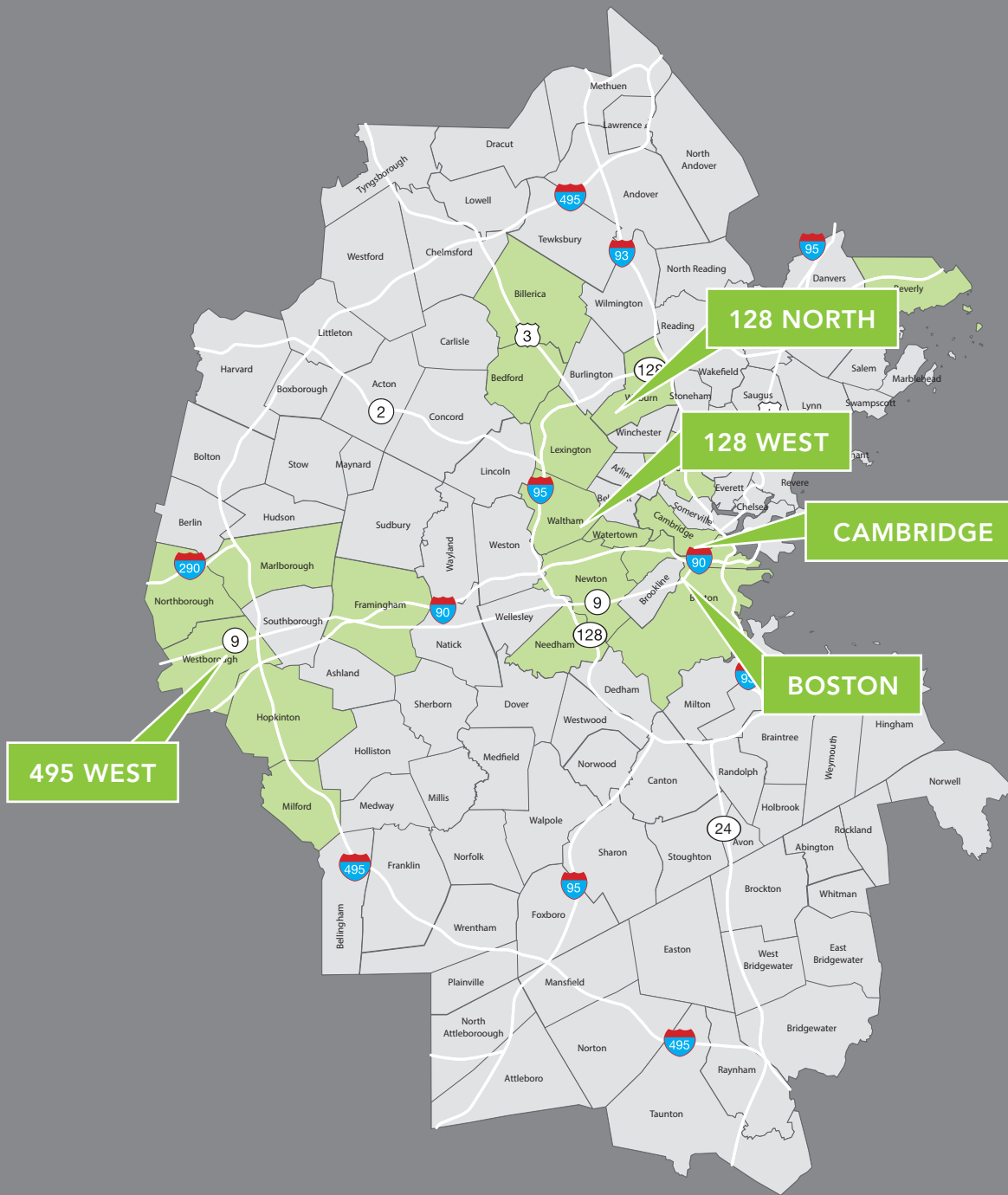
- The inner suburbs continued to heat up as 143,000 sf were taken up in 2016, with 19 Presidential Way in Woburn responsible for 66,000 sf of the total, and 115 Hartwell Avenue in Lexington responsible for 58,000 sf.
- The current availability rate is 11.3%, and of the 5.5 million sf of suburban inventory, Lexington accounts for 1.7 million sf in 19 buildings.
- Momentum in the suburban market is evident, as Bioverativ signed a big lease at 225 Second Avenue in Waltham for 112,500 sf, while Alnylam Pharmaceuticals broke ground on its 200,000 sf state-of-the-art manufacturing facility in Norton, with an expected completion date sometime in 2018.
- Merck & Co. sold 45, 55, 65 Hayden Avenue in Lexington to The Carlyle Group and King Street Properties for \$167 million (388,000, \$430/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	0	49	2.5%	2.5%
Route 128 West	2,763	0	91	(67)	(83)	(53)	9.5%	1.8%
Route 128 North	1,192	0	0	28	61	129	17.1%	20.6%
I-495 West	1,056	0	0	23	25	41	14.5%	13.9%
Streetcar Suburbs	483	0	0	0	0	26	0.0%	0.0%
Suburban Boston Total	5,494	0	283	(19)	3	143	11.3%	8.1%

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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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