



# Boston Life Science Market

## Despite Positive Fundamentals Potential Headwinds are on the Horizon

Positive momentum in Greater Boston's life science sector carried into the first quarter of 2022. Vacancies ended the quarter 100 basis points lower, following another 250,000 square feet of positive absorption. Asking rents marched toward another historic high, increasing by another 5.6% over the quarter. Average lease rates on existing Class A laboratory space have surpassed \$100.00/SF NNN, and existing Class B rates are nearing \$77.00/SF NNN. Cambridge laboratory vacancies are just above 2.0%; most new availabilities are being committed quickly. While the life science sector will continue to drive growth throughout Greater Boston, unfettered optimism is dissipating due to the current financial climate. Following robust year-end leasing, velocity slowed considerably during the first quarter of 2022, with new biomanufacturing operations accounting for several of the largest lease transactions. New stock offerings reached their slowest quarter in three years, and several local biotech companies have announced layoffs recently. Several firms are also looking to sublet excess space in order to preserve capital and extend their "runways." Accordingly, sublease availabilities throughout the Metro area increased 90 basis points over the quarter. No new laboratory developments delivered in early 2022, but inventories are expected to increase by the end of the year and the construction pipeline remains robust. Although the next 12 months will present some challenges, Greater Boston will maintain its eminence as a global life science hub, and capital will likely consolidate into the top markets.

### Current Conditions

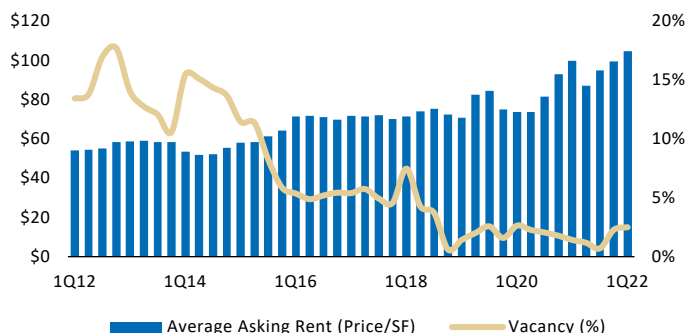
- Greater Boston reported nearly 250,000 square feet of positive net absorption in the first quarter of 2022.
- Both asking and achieved rents have been surging throughout the marketplace.
- Square feet underway surpassed 10 million square feet with another three projects breaking ground in the first quarter of 2022.
- VC funding is holding steady, while the public markets and IPO activity began 2022 on softer footing.

### Market Summary – Cambridge Lab

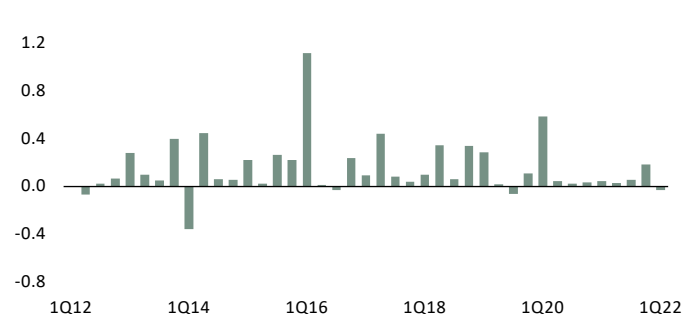
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	12.5M	12.5M	12.1M	↑
Vacancy Rate	2.5%	2.3%	1.4%	↓
Quarterly Net Absorption (SF)	-27,973	186,819	43,692	↑
Average Asking Rent/SF	\$104.81	\$99.52	\$99.96	↑
Under Construction (SF)	2.5M	2.5M	2.0M	↑

### Market Analysis

CAMBRIDGE LAB ASKING RENT (NNN) AND VACANCY



CAMBRIDGE LAB NET ABSORPTION (SF, MILLIONS)



## RESEARCH Q1 2022

### Cambridge

Following a banner year of activity, the first quarter of 2022 was more subdued in the Cambridge market. Intellia Therapeutics's 37,605-square-foot lease at MIT's 730 Main St. redevelopment represents one of the largest leases recently executed. Casma Therapeutics also inked a deal for more than 21,000 square feet at 400 Technology Square in Kendall Square. Meta, which currently occupies three floors in the building, is committed to expanding its presence at 100 Binney St. in Kendall Square. The tech giant will take down a large block of availability from Bristol Myers Squibb totaling 166,000 square feet once the transaction is finalized. More laboratory users are attempting to sublet excess space, given weaker public markets and shifting sentiment. That said, tenant demand is stable for now. Many of the recent Cambridge availabilities already have commitments, including Voyager's 29,562-square-foot sublet at 75 Sidney St. in Mid Cambridge. There are still several active requirements for 100,000 square feet or larger targeting Cambridge, which also bodes well for projected demand. Of the roughly 4 million square feet of new space under construction or renovation throughout Cambridge, more than 70.0% is pre-leased or committed. Uncertainty has crept into the larger life science sector and could potentially weigh on the region's near-term outlook. Cambridge's laboratory supply forecast should be monitored closely as a result, given the expectations for inventory growth over the next couple of years.

Pricing for existing Cambridge laboratory space continues to reach record-high lease rates. As of the first quarter of 2022, average asking rents are nearing \$105.00/SF NNN as landlords capitalize on chronically-low availabilities. Asking rents for existing Class A laboratory space are nearly \$109.00/SF NNN, while Class B rates are roughly \$97.00/SF NNN. Pricing on future development and conversion space remains just as frothy, with achieved rents reaching \$130.00/SF NNN and \$115.00/SF NNN in East Cambridge and West Cambridge, respectively. Cambridge's competitive leasing environment should continue to drive rent growth, but more modest gains may be on the horizon. Shifting sentiments and instability within the public markets will likely lead to some softening in market fundamentals in the coming quarters.

### Boston and Suburbs

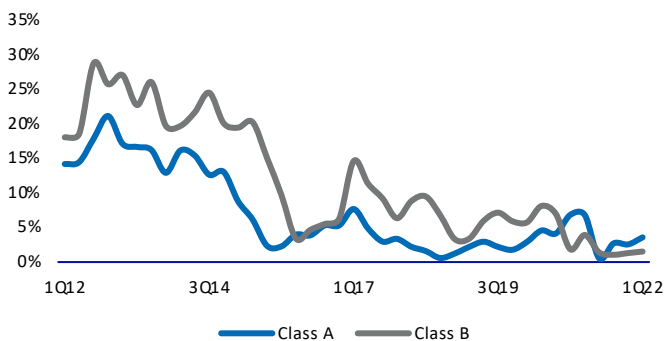
Conditions in Boston's life science market were positive during the first quarter of 2022. Net absorption posted its fifth consecutive quarter of

positive growth, and vacancies declined by another 210 basis points. Leasing activity within Boston ended the year on positive footing. In fact, roughly 204,000 square feet in laboratory leases were executed in the first quarter of 2022, with tenant demand focused on new construction and conversions in the Seaport and South End submarkets. Entrada Therapeutics leased 81,442 square feet at the Innovation and Design Building in the Seaport for its new headquarters and will relocate from 6 Tide St. Nido Biosciences is taking down nearly 32,000 square feet at the 321 Harrison development in the South End. Relatively low vacancy has kept space competitive; however, supply-side fundamentals remain heated. Square feet of purpose-built space underway jumped to 4.4 million in the first quarter of 2022. Combined with conversion activity, Boston's laboratory inventory is expected to double over the next couple of years. After reaching triple digits last quarter, asking rents increased further and ended the year at \$105.00/SF NNN. Proposals on select developments are upwards of \$108.00/SF NNN to \$110.00/SF NNN. Investors are still somewhat active in the Boston market, with Phase 3 acquiring 55 Summer St. in the Financial District for potential conversion to laboratory. Despite such positive fundamentals, Boston is not immune to the potential headwinds facing the large life science sector.

Greater Boston's Suburban laboratory markets have become increasingly competitive as tenants search for space outside of traditional life science clusters. The suburbs reported a seventh consecutive quarter of positive net absorption, led primarily by strength in the Urban Edge, which accounted for nearly 200,000 square feet of positive net absorption. Urban Edge towns, like Watertown, Charlestown and Somerville, have become strong performers within the region, as well as towns in the Route 128 belt, like Waltham and Lexington. Rapidly rising rents and limited availabilities have pushed more companies out of Cambridge and Boston. Vacancies continue to decline and set historic records, ending the first quarter of 2022 at just 4.0%. Rents increased considerably from last quarter, climbing by 21.3% and reaching a historic high of \$76.10/SF NNN. While there were no new deliveries in the first quarter of 2022, there are 39 projects, totaling 7 million square feet, under construction or renovation throughout the suburbs. Investors continue to target office assets for repositioning to life science use; however, shifting sentiments and a softening in the public markets could weigh on demand for laboratory space in the near term.

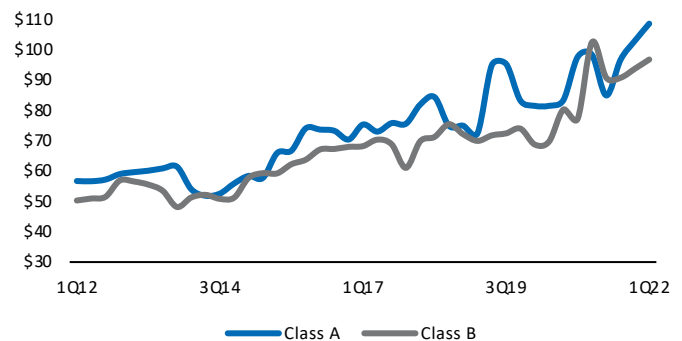
### Total Availability Rates – Cambridge Laboratory

AVAILABILITY RATES BY CLASS



### Asking Rent by Class – Cambridge Laboratory

AVERAGE ASKING RENT (\$/SF NNN)



## RESEARCH Q1 2022

The region's burgeoning Good Manufacturing Practice and biomanufacturing sector remains a key narrative in the suburban life science market. With innumerable R&D facilities throughout Greater Boston, proximity to research hubs has been driving increased demand for this product type. The region's biomanufacturing requirements continue to hover between 2.0 and 3.0 million square feet, and several hundred thousand square feet in leases are in the works. Users continue to pursue opportunities along the I-95 and I-495 Corridors. With that said, the overall GMP sector is still in its infancy and existing available stock with necessary infrastructure remains limited. Developers are planning to bring upwards of 5 million square feet of additional GMP space to the market in the coming years, which should help drive maturation in the marketplace.

### Capital Markets

Following a banner year, investment volumes decreased during the first quarter of 2022, with less than \$2 billion in office and laboratory assets changing hands throughout the Metro area. Macroeconomic headwinds, the Russo-Ukraine conflict and the lingering global pandemic have led to more hesitancy in the marketplace, which could impact near-term capital flows. Life science-related investment is still driving capital to the region. Greater Boston's capital sources have diversified in recent years as more traditional core investors seek portfolio exposure to life science assets; however, in early 2022, experienced operators dominated acquisitions. Minuteman Office Park in Andover and Raytheon's Presidential Way Campus in Woburn represent two suburban office parks recently sold to Alexandria for laboratory repositioning. GI Partners also closed on 3 Burlington Woods

during the first quarter of 2022 and plans to implement a laboratory conversion on the property. Phase 3 recently acquired 55 Summer St. in the Financial District, with plans to convert the office building to laboratory use. The tenuous financial climate will likely impact near-term capital flows. Over the longer-term outlook, the region is expected to remain desirable for investment activity due to favorable demographics, world-renowned hospitals and universities and maturing tech and biotech sectors.

### Outlook

The local laboratory market led growth in Greater Boston throughout the pandemic. Last year ended with the strongest fundamentals the Metro had ever experienced as record levels of funding resulted in more frenzied market activity. However, the public health crisis continues to ebb and flow, and other macroeconomic and global risks have since emerged. Rising interest rates, inflation concerns and labor market shortages are weighing on sentiment in the public markets. The ongoing Russo-Ukraine conflict and renewed COVID-related shutdowns in Asia are also stressing the markets. With several layoffs reported by local biotech companies, limited IPO activity and more calculated leasing decisions among tenants, the next 12 months will likely trail recent growth trends. Growth could consolidate within more established nodes as landlords, tenants, and investors become more risk averse in the coming quarters. Strong pre-leasing and commitments within expected near-term deliveries bodes well for market fundamentals, and the Metro's long-term outlook for recovery remains encouraging as Boston's preeminence as a global tech and biotech hub is only expected to strengthen.

### Select Lease Transactions

Tenant	Building / Address	Submarket	Type	Square Feet
Eli Lilly	15 Necco Street, Boston	Boston – Seaport	Direct Lease	357,000
Intellia Therapeutics	840 Winter Street, Waltham	West – Route 128	Direct Lease	139,984
Vericel	25 Network Drive, Burlington	North – Route 128	Direct Lease	125,749
Entrada Therapeutics	17-19 Drydock Avenue, Boston	Boston – Seaport	Direct Lease	81,442
Ultivue	4 Burlington Woods, Burlington	North – Route 128	Direct Lease	56,000
Jnana Therapeutics	17-19 Drydock Avenue, Boston	Boston – Seaport	Direct Lease	36,489

### Select Sale Transactions

Building / Address	Submarket	Sale Price	Price/SF	Square Feet
Minuteman Office Park, Andover	North – Route 495	\$151.0M	\$254	595,399
Raytheon Campus, Woburn	North – Route 128	\$129.0M	\$293	440,130
55 Summer Street, Boston	CBD – Downtown	\$106.7M	\$860	124,001
Wells Park Portfolio, Newton	West – Route 128	\$92.0M	\$233	394,878
3 Burlington Woods, Burlington	North – Route 128	\$58.1M	\$354	164,000
690 Canton Street, Westwood	South – Route 128	\$32.0M	\$213	164,169

## RESEARCH Q1 2022

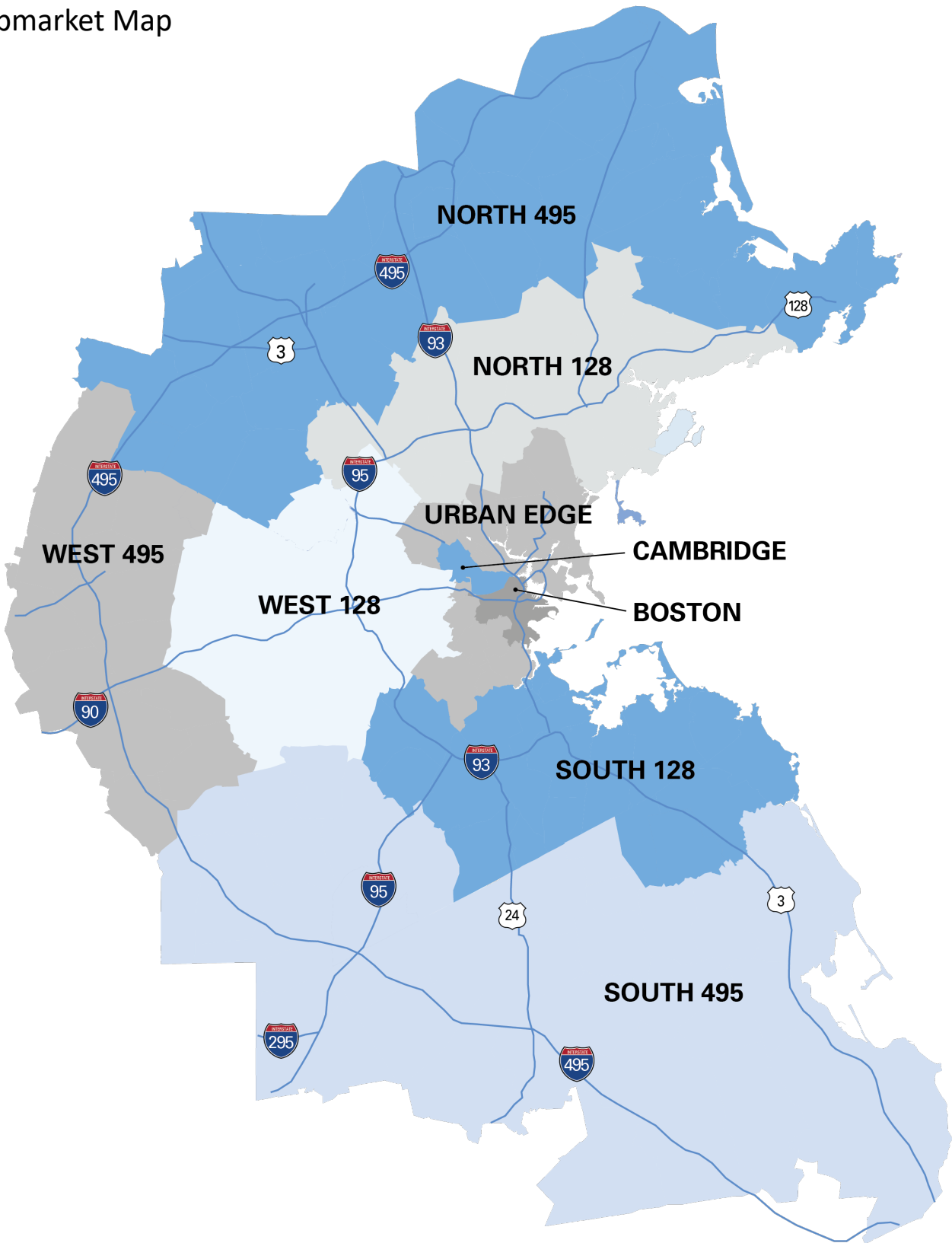
Submarket Statistics								
	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Class A NNN Asking Rent (Price/SF)	Class B NNN Asking Rent (Price/SF)	Total NNN Asking Rent (Price/SF)
<b>Cambridge Total</b>	<b>12,516,722</b>	<b>2,495,616</b>	<b>2.5%</b>	<b>-27,973</b>	<b>-27,973</b>	<b>\$108.69</b>	<b>\$96.86</b>	<b>\$104.81</b>
East Cambridge	8,159,000	2,169,000	3.5%	-	-	\$110.00	\$100.14	\$102.78
Mid Cambridge	2,951,620	-	1.0%	-29,562	-29,562	\$115.00	-	\$115.00
West Cambridge	1,406,102	326,616	0.0%	1,589	1,589	\$100.00	\$68.00	\$96.18
<b>Boston Total**</b>	<b>3,516,055</b>	<b>4,347,018</b>	<b>15.7%</b>	<b>73,821</b>	<b>73,821</b>	<b>\$105.00</b>	<b>-</b>	<b>\$105.00</b>
Boston – Seaport	2,284,712	1,904,638	24.1%	73,821	73,821	\$105.00	-	\$105.00
Boston – Fenway/LMA	1,117,000	697,477	0.0%	-	-	-	-	-
<b>Inner Suburbs/Urban Edge</b>	<b>2,659,193</b>	<b>2,095,545</b>	<b>0.4%</b>	<b>194,522</b>	<b>194,522</b>	<b>-</b>	<b>\$88.11</b>	<b>\$88.11</b>
<b>Route 128 Total**</b>	<b>7,021,325</b>	<b>1,577,320</b>	<b>5.5%</b>	<b>-9,953</b>	<b>-9,953</b>	<b>\$81.05</b>	<b>\$84.80</b>	<b>\$83.56</b>
North – Route 128	1,519,275	186,000	13.2%	-53,062	-53,062	-	\$73.52	\$73.52
West – Route 128	5,075,205	1,391,320	3.6%	43,109	43,109	\$81.05	\$91.00	\$86.70
<b>Route 495</b>	<b>1,146,323</b>	<b>-</b>	<b>3.5%</b>	<b>17,150</b>	<b>17,150</b>	<b>-</b>	<b>\$30.48</b>	<b>\$30.48</b>
<b>Market</b>	<b>26,859,618</b>	<b>10,515,499</b>	<b>4.8%</b>	<b>247,567</b>	<b>247,567</b>	<b>\$101.56</b>	<b>\$76.48</b>	<b>\$92.76</b>

\* No direct space available for lease within these submarkets. These figures represent the highest achievable rents in these submarkets assuming direct availability, and are not factored into the submarket and market average calculations.

\*\* Route 128 Total statistics include several laboratory buildings located in the South - Route 128 market. Boston Total statistics include several laboratory buildings located outside of the Seaport and Fenway/LMA

Cambridge Laboratory Statistics – Class A						
	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Class A NNN Asking Rent (Price/SF)
East Cambridge	6,940,160	2,169,000	3.8%	-	-	\$110.00
Mid Cambridge	2,151,818	-	1.4%	-29,562	-29,562	\$115.00
West Cambridge	1,041,424	326,616	0.0%	-	-	\$100.00
Cambridge Laboratory Statistics – Class B						
	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Class B NNN Asking Rent (Price/SF)
East Cambridge	1,218,840	-	1.9%	-	-	\$100.14
Mid Cambridge	799,802	-	0.0%	-	-	-
West Cambridge	364,678	-	0.0%	1,589	1,589	\$68.00

Submarket Map



*For more information:*

**Liz Berthelette**

*Director, Research*

[elizabeth.berthelette@nmrk.com](mailto:elizabeth.berthelette@nmrk.com)

**Mike Laccavole**

*Senior Data Analyst*

[Mike.Laccavole@nmrk.com](mailto:Mike.Laccavole@nmrk.com)

**Erik van Zijl**

*Research Analyst*

[erik.vanzijl@nmrk.com](mailto:erik.vanzijl@nmrk.com)

**Connall Chamberlain**

*Research Analyst*

[connall.chamberlain@nmrk.com](mailto:connall.chamberlain@nmrk.com)

[nmrk.com](http://nmrk.com)

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