



Boston Life Science Market

Supply-Side Pressures Weigh on Market Fundamentals

Greater Boston's laboratory fundamentals continued to unwind leading into 2023. New supply and mounting sublet offerings pushed vacancies into the double-digit range during the first quarter of the year. The completion of purpose-built and converted laboratory product throughout the region drove life science inventory to 34.5 million square feet, which represents a 67.3% increase in just five years. Most new space has come on line in the last two years, as developers sought to meet the explosive post-pandemic demand growth from local life science companies. Greater Boston's development pipeline remains dynamic. Several planned projects, totaling roughly 1.9 million square feet, have been re-evaluated in recent months and operators are considering a number of uses outside of traditional research and development space. Despite current market conditions, developers continue to announce plans for new laboratory space, seek entitlements and initiate ground breakings. Square feet underway or being converted is still elevated above 17 million square feet as a result. Net absorption ended the first quarter of 2023 in positive territory due to steady pre-leasing in many of the newly delivered laboratory buildings. Tenant demand, close to 2.0 million square feet across 60 requirements, is in line with pre-pandemic historical averages. However, the collapse of Silicon Valley Bank, a major source of funding for early-stage biotech companies, and the lack of IPO activity will likely weigh on near-term laboratory demand. Fundamentals will remain challenged over the next 12 to 15 months. As capital looks for stability, Boston should be one of the first markets to recover, given its eminence as a global life science hub.

Current Conditions

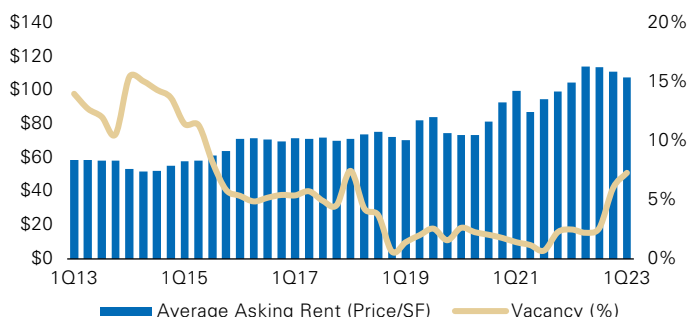
- New supply and rising sublease inventories led laboratory vacancies to rise for a third consecutive quarter.
- Laboratory inventory is expected to increase by 23% by the end of 2023, as developers are set to deliver nearly 8 million square feet.
- Asking rents for both direct and sublet space recorded modest declines during the first quarter of 2023.
- VC funding reached \$1.9 billion during the first quarter of 2023, which is 37% below the metro's 5-year quarterly average.

Market Summary – Cambridge Lab

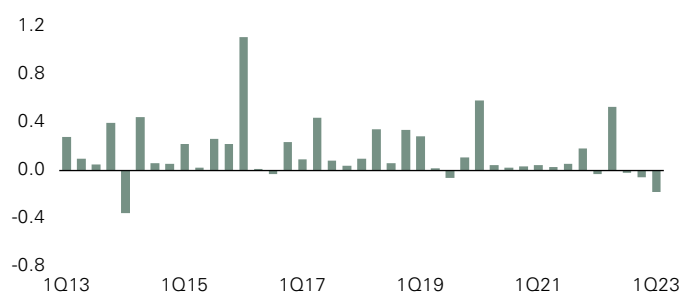
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	13.9M	13.9M	12.5M	↑
Vacancy Rate	7.3%	6.0%	2.5%	↑
Quarterly Net Absorption (SF)	-177,884	-56,849	-27,973	↔
Average Asking Rent/SF	\$107.87	\$111.57	\$104.81	↓
Under Construction (SF)	3.0M	3.0M	2.5M	↔

Market Analysis

CAMBRIDGE LAB ASKING RENT (NNN) AND VACANCY



CAMBRIDGE LAB NET ABSORPTION (SF, MILLIONS)



RESEARCH Q1 2023

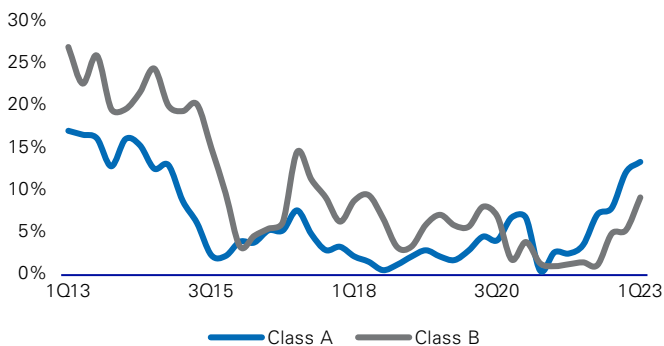
Cambridge

Cambridge laboratory vacancies continued to climb during the first quarter of 2023, with sublets outpacing direct space. At 7.3%, overall vacancy rates are at the highest level in five years and more than 600 basis points above the pandemic trough of 0.7%. Vacant sublets from Magenta Therapeutics, Seqirus, Surface Oncology and Glympse Bio contributed to the nearly 178,000 square feet in negative net absorption reported in Cambridge in early 2023. That said, plug-and-play options in the historically tight Kendall Square submarket are seeing good tenant activity and commitments. Accordingly, East Cambridge still boasts the lowest vacancy rate within the region at 6.1%, and one of the largest laboratory leases executed in recent months occurred in this submarket. Orbital Therapeutics subleased 166,000 square feet from Bristol Myers Squibb at 100 Binney St. However, the biotech firm immediately listed one of the four floors for sub-sublease. Laboratory co-working operator SmartLabs signed a sizeable lease as well, inking a deal for 140,000 square feet of converted laboratory space at 20 and 100 CambridgeSide. Pricing for existing space is easing, ending the first quarter of 2023 at 5.7% below the mid-2020 peak lease rate. Asking rents for laboratory space in Cambridge are now similar for both direct and sublet space.

With Cambridge's laboratory inventory expected to increase by more than 30% over the next three years, the region's supply wave bears watching. On a more positive note, most of the 4.3 million square feet of purpose-built and conversion space currently underway has commitments and favorable preleasing. Inflationary pressures and recent upheaval in the banking sector could also curtail new supply from moving forward as laboratory projects are harder to finance. Local legislation aimed at limiting new supply or imposing size restrictions on new developments in specific Cambridge neighborhoods could also reduce supply-side risks in this market. The near-term outlook for Cambridge remains challenging. The continued softening of fundamentals, especially tenant demand, will shift some leverage back to tenants. Given that Cambridge is the epicenter of the region's life science industry, any market shifts will be less pronounced here. Both tenant demand and development investment will seek less risky, core locations, like Cambridge, which will further bolster this market.

Total Availability Rates – Cambridge Laboratory

AVAILABILITY RATES BY CLASS



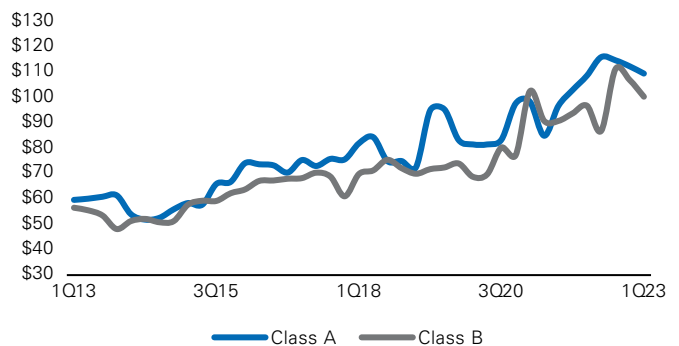
Boston and Suburbs

Boston laboratory fundamentals continue to benefit from healthy pre-leasing in new developments. While direct vacancies declined by 50 basis points since the end of 2022, vacant sublet space increased by 80 basis points during the same period. Accordingly, Boston's vacancy rate remained elevated above 20% in the first quarter of 2023. BioMed Realty's 233,900-square-foot laboratory project at 321 Harrison Ave. in the South End represents one of this market's newest deliveries. Existing laboratory inventory in the Boston market has reached 6.3 million square feet as a result. With another 4.2 million square feet of purpose-built and conversion projects currently underway, this market will see inventories surpass 10 million square feet by 2025, which represents a 67% expansion from current levels. Projects are continuing to move through Boston's development pipeline. Beacon Capital recently proposed a new 305,000-square-foot building at Southline in Dorchester, and Breakthrough Properties is planning to construct a 455,000-square-foot laboratory on A Street in South Boston. Developers are re-evaluating proposed projects due to significant headwinds in the larger life science sector. Tenant activity has moderated outside of a handful of recent transactions. Portal Innovations is expanding into the Boston market, with the Chicago-based venture capital firm leasing 58,000 square feet of office and laboratory space at Southline. Stablix Therapeutics and Mediar Therapeutics also executed subleases in early 2023.

Most of the metro area's new laboratory developments were concentrated in Boston's suburban laboratory markets. In total, six developments of more than 550,000 square feet came on line in the suburbs during the first quarter of 2023, and inventories are now 14.4 million square feet. Office-to-laboratory conversions accounted for most of the new space in early 2023, with 600 Federal St. in Andover representing one of the larger projects. Two new laboratory buildings – Revolutions Labs in Lexington and 500 Forge St. in Watertown – also delivered during the first quarter. While leasing activity remains concentrated in the suburbs, velocity is slowing due to current market conditions. Exosome Diagnostics' extension at 266 Second Ave. in Waltham with Alexandria Real Estate Equities and ModeX Therapeutics' 33,056-square-foot lease at 20 Riverside in Weston with Greatland Realty

Asking Rent by Class – Cambridge Laboratory

AVERAGE ASKING RENT (\$/SF NNN)



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Partners represent two of the largest transactions executed in recent months. Vacancies ended the first quarter of 2023 at 10.5%, which represents the third consecutive quarter of increase. Suburban laboratory vacancies are more than 2.5 times the cyclical trough reported a year ago. Overall vacancies are still well below historical norms, and near-term net absorption will likely be bolstered by tenants taking occupancy in new buildings. With another 3.4 million square feet of new supply slated to deliver this year alone, Greater Boston's suburban laboratory inventory will reach 17.8 million square feet by the end of 2023. Conversely, several office buildings slated for conversion are pausing, given the uncertainty in the marketplace, removing more than 1.0 million square feet of future laboratory inventory from the pipeline. Developments lacking entitlements and/or significant pre-leasing are most at risk of being shelved and non-lab users with similar infrastructure requirements are taking down space in a handful of converted developments. Declining asking rents are indicative of broader market trends. In the suburbs, average lease rates for laboratory space ended the first quarter of 2023 below \$75.00/SF NNN, which represents a 4.3% decline from the historic peak reported in 2022.

Capital Markets

Capital flows into Greater Boston's laboratory market have been limited. The investment landscape tends to be less active during the first quarter; however, the normal year-end rush to close transactions failed to materialize in 2022. Due to the rising cost of capital, turmoil in the banking sector and challenging market fundamentals, investment in local life science-related assets were relegated to a few trades. In one of the largest transactions of the quarter, TPG Real Estate sold the CenterPoint

campus, a recent redevelopment project, in Waltham to CS Capital Management for \$578 million. Alexandria Real Estate Equities and Samuels & Associates also closed on BJ's former headquarters in Westborough as well as an adjacent property during the first quarter of 2023, with plans to redevelop the site into a 715,000-square-foot life science campus. A handful of life science assets, including 250 Water St. in Cambridge and 700 Nickerson Rd. in Marlborough, were refinanced recently as well. Investors should expect limited deal volume and slower transactions in the near term. Despite current conditions, there is still a sizeable amount of dry powder on the sidelines, waiting for investment opportunities. Greater Boston will continue to be a top destination for capital as investors remain more risk averse.

Outlook

Continued headwinds are on the horizon for Greater Boston's laboratory market. Growth trends are already trailing the heady days of the last five to eight years. Deteriorating macroeconomic conditions, additional layoffs by life science companies, limited IPO activity and instability in the banking sector will likely characterize the market over the next 12 months. With record levels of new supply expected to deliver in the next 24 to 36 months, supply-side pressures will certainly impact market fundamentals as well. Tenants are going to be more risk-averse, to the benefit of established operators and life science nodes. Speculative development will likely slow, as well, due to the more difficult financing climate, elevated construction costs and reduced tenant demand. Greater Boston's long-term outlook for recovery is encouraging and only expected to strengthen given the region's preeminence as a global technology and life science hub.

Select Lease Transactions

Tenant	Building / Address	Submarket	Type	Square Feet
Orbital Therapeutics	100 Binney Street, Cambridge	East Cambridge	Sublease	166,000
SmartLabs	100 CambridgeSide Place, Cambridge	East Cambridge	Direct Lease	140,000
Portal Innovations	Southline, Dorchester	Boston – Lab	Direct Lease	58,000
Exosome Diagnostics	266 Second Avenue, Waltham	West – Route 128	Lease Extension	38,409
ModeX Therapeutics	20 Riverside Road, Weston	West – Route 128	Direct Lease	33,056
Cyprotex	200 Staples Drive, Framingham	West – Route 128	Direct Lease	30,000
Mobius Biomedical	900 Middlesex Turnpike, Billerica	North – Route 495	Direct Lease	23,315

Select Sale Transactions

Building / Address	Submarket	Sale Price	Price/SF	Square Feet
CenterPoint Portfolio, Waltham	West – Route 128	\$578.0M	\$940	615,000
25 Research Drive, Westborough	West – Route 495	\$32.0M	\$124	258,375
29 Research Drive, Westborough	West – Route 495	\$13.3M	\$1,175	11,280

RESEARCH Q1 2023

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)
Cambridge Total	13,851,486	3,025,616	7.3%	-177,884	-177,884	\$109.53	\$100.40	\$107.87
East Cambridge	9,031,474	2,864,000	6.1%	-176,017	-176,017	\$99.41	\$116.63	\$101.71
Mid Cambridge	2,953,910	-	10.3%	-55,921	-55,921	\$115.64	\$105.29	\$113.17
West Cambridge	1,866,102	161,616	8.7%	54,054	54,054	\$104.73	\$62.00	\$100.68
Boston Total*	6,299,667	3,236,469	20.4%	163,379	163,379	\$100.04	\$112.80	\$100.51
Boston – Seaport	3,352,212	1,524,346	19.5%	-14,182	-14,182	\$108.00	\$115.00	\$108.39
Boston – Fenway/LMA	1,905,288	825,000	0.4%	3,660	3,600	-	-	-
Inner Suburbs/Urban Edge	3,787,833	4,781,861	17.3%	42,811	42,811	\$82.83	\$83.21	\$83.01
Route 128 Total**	9,191,862	1,390,000	8.0%	157,705	157,705	\$74.00	\$75.00	\$74.52
North – Route 128	1,848,381	270,000	15.4%	283	283	-	\$69.15	\$69.15
West – Route 128	6,806,273	1,120,000	6.6%	159,458	159,458	\$74.52	\$78.00	\$76.01
Route 495	1,381,895	-	8.2%	-11,144	-11,144	-	\$50.14	\$50.14
Market	34,512,743	12,433,946	11.0%	174,867	174,867	\$98.87	\$79.44	\$93.96

* 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

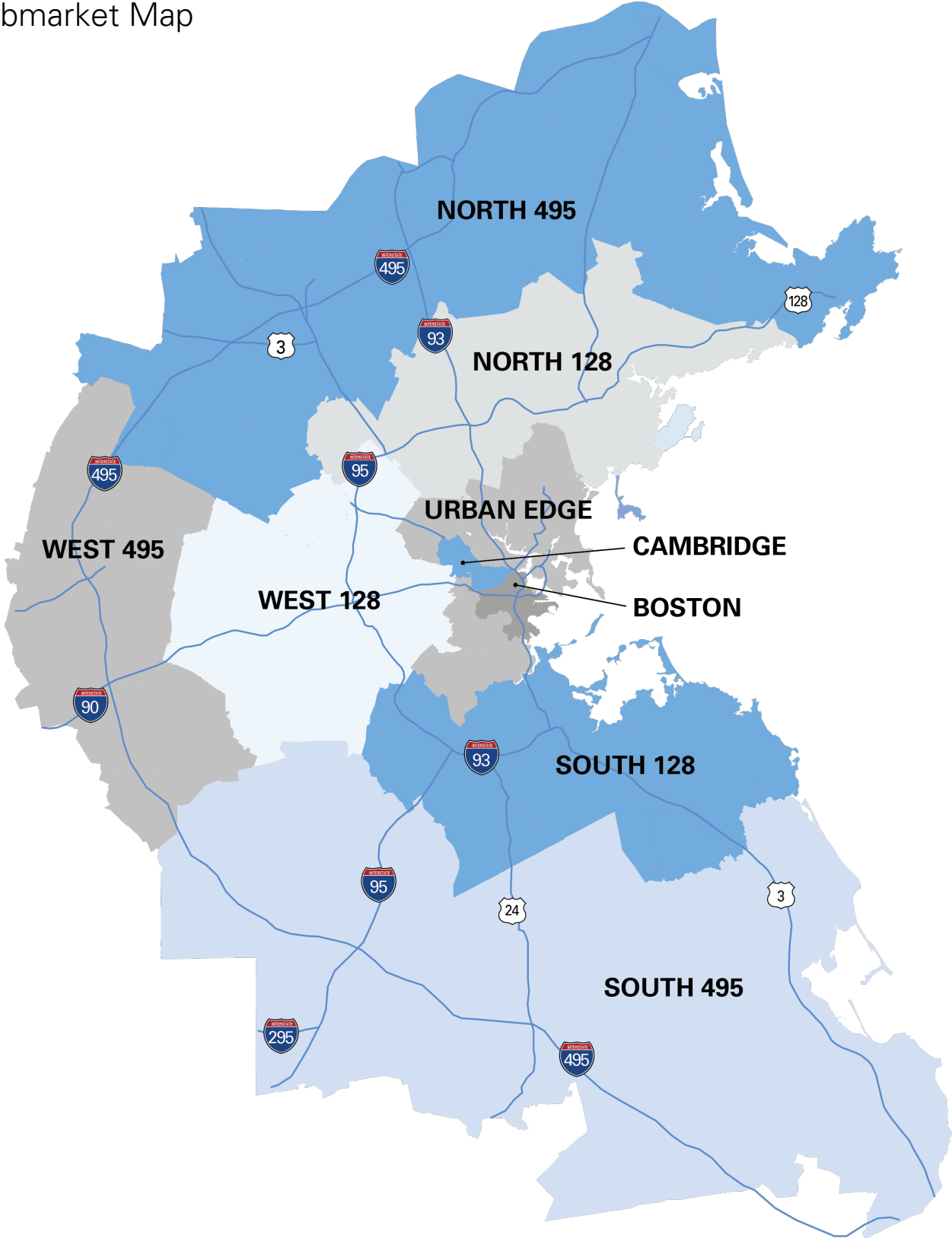
Cambridge Laboratory Statistics – Class A

	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Class A NNN Asking Rent (Price/SF)
East Cambridge	7,812,634	2,864,000	6.5%	-164,138	-164,138	\$99.41
Mid Cambridge	2,154,108	-	13.7%	-55,445	-55,445	\$115.64
West Cambridge	1,478,424	161,616	9.6%	65,019	65,019	\$104.73

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	-	3.3%	-11,879	-11,879	\$116.63
Mid Cambridge	799,802	-	0.9%	-476	-476	\$105.29
West Cambridge	387,678	-	5.1%	-10,965	-10,965	\$62.00

Submarket Map



For more information:

Liz Berthelette

Director, Research

elizabeth.berthelette@nmrk.com

Jacinto Lemarroy

Senior Data Analyst

jacinto.lemarroy@nmrk.com

Connell Chamberlain

Research Analyst

connall.chamberlain@nmrk.com

Leslie Ruddy

Research Analyst

leslie.ruddy@nmrk.com

nmrk.com

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