

1Q24

NEWMARK

Boston Life Science Market Overview



Market Observations

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M&A activity is gaining momentum, with \$15.5 billion in investments in early 2024. Big Pharma will likely remain active buyers this year.

Venture capital funding for life science companies decreased by 30.0% during the first quarter of 2024, but later-stage financings dominated.

Layoffs continue to impact hiring in the local life science sector, and job growth will likely remain subdued throughout much of the next year.

Metro-wide vacancies surpassed 25.0% in the first quarter of 2024, and expectations are for vacancy rates to notch higher in the coming quarters due to new supply.



While tenant demand has surpassed 2.0 million SF, roughly half of these requirements are subject to additional funding.

Tenants remain cautious and are hesitant to expand or commit to long-term leases. Funding limitations continue to sideline many users.

New construction drove rents higher in the first quarter of 2024, but pricing continues to correct across many markets in Greater Boston.

With the delivery of roughly 4.0 million SF of new construction, the region's laboratory inventory is now close to 43.0 million SF.

Dispositions and recapitalizations have been focused on development sites and assets in key submarkets such as Kendall Square and the Seaport.

1. Economy
2. Leasing Market Fundamentals
3. Submarket Overviews

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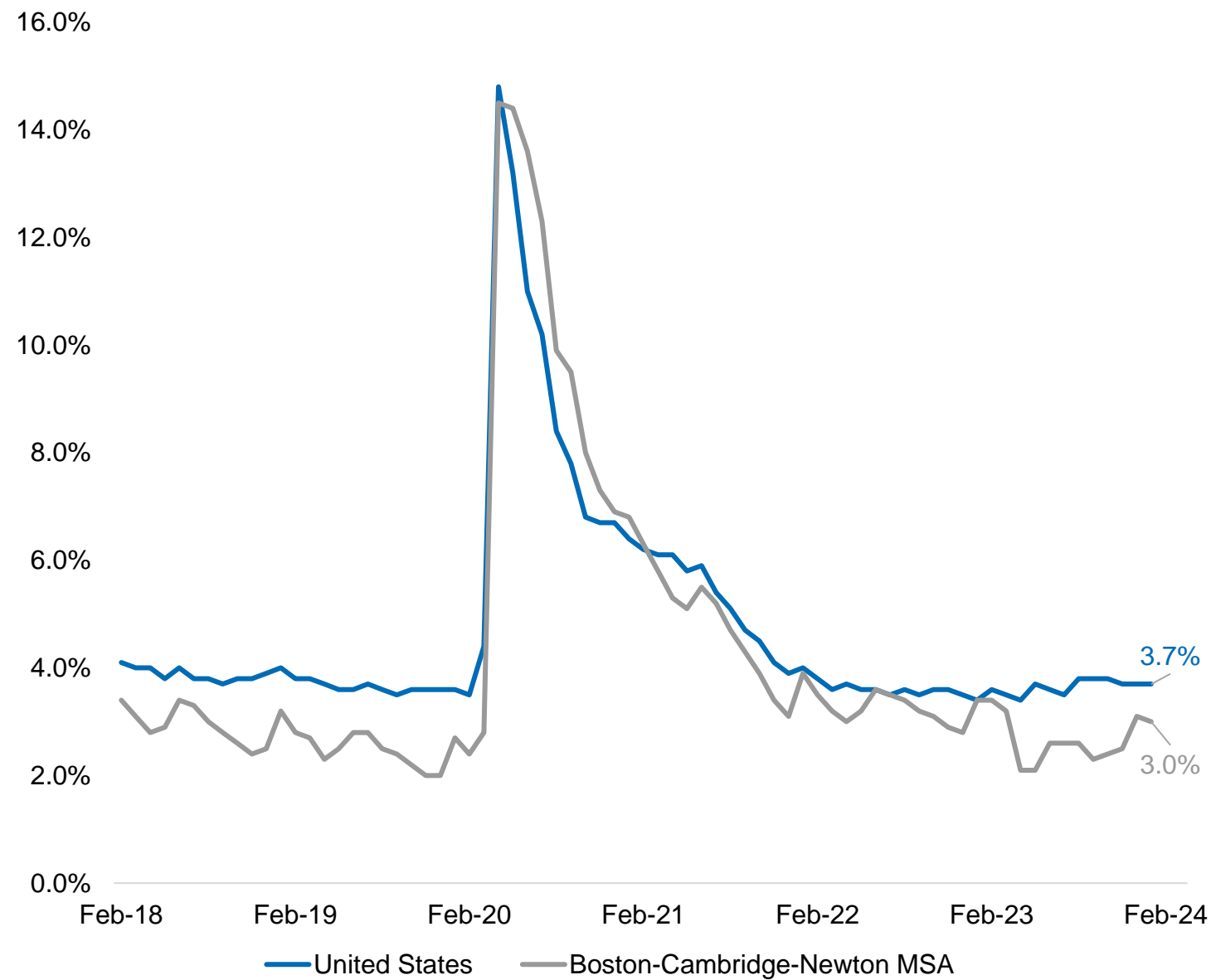
Economy



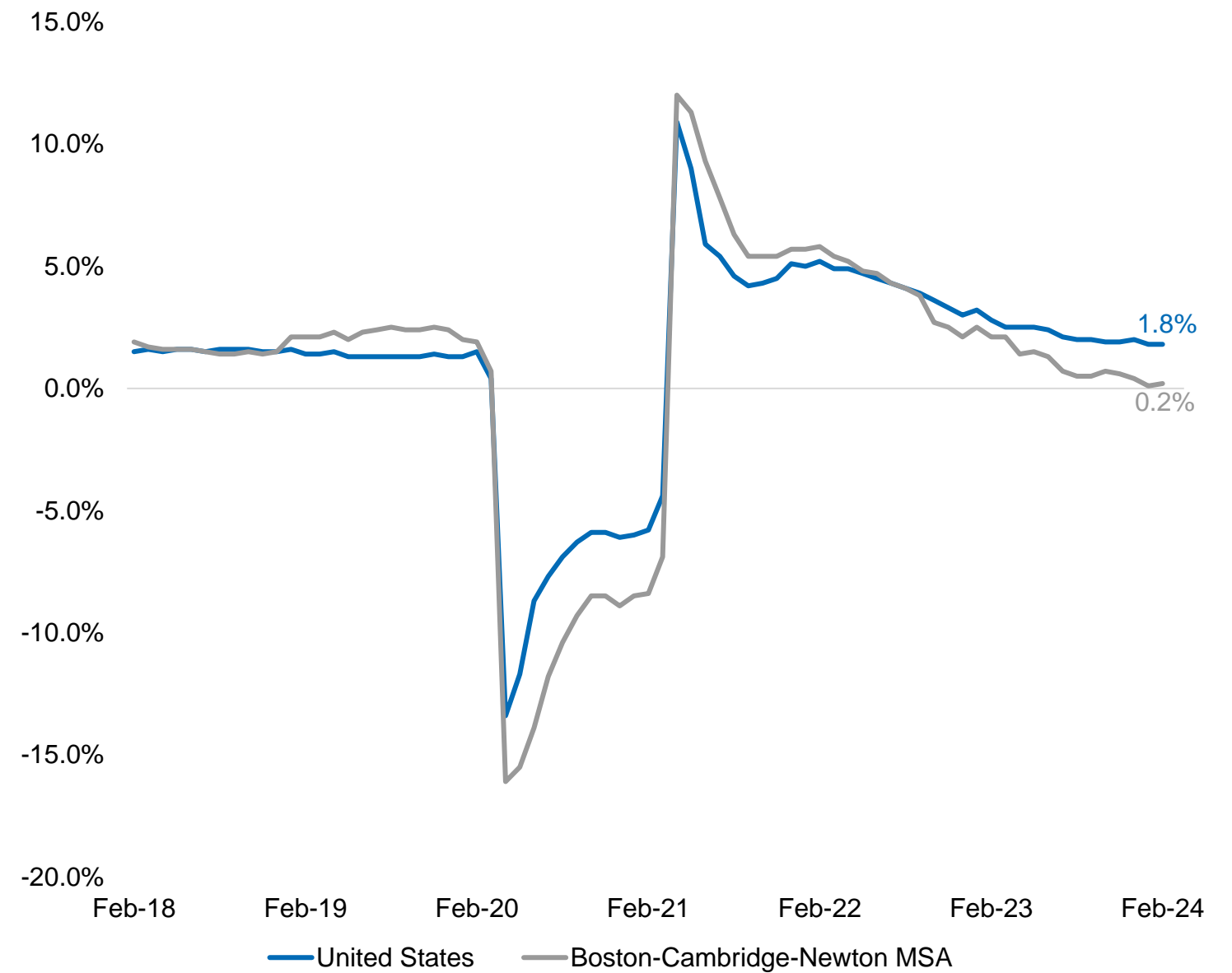
Recent Revisions Indicate Slower Metro Employment Growth

Despite maintaining a below-average unemployment rate, local payroll expansions over the last year were weaker than expected. In fact, total employment growth in Greater Boston has trailed the national average for the last 18 months. Softness in the tech and biotech sectors is likely driving these pedestrian growth trends.

Unemployment Rate, Seasonally Adjusted



Nonfarm Payroll Employment, Non-Seasonally Adjusted, 12-Month % Change

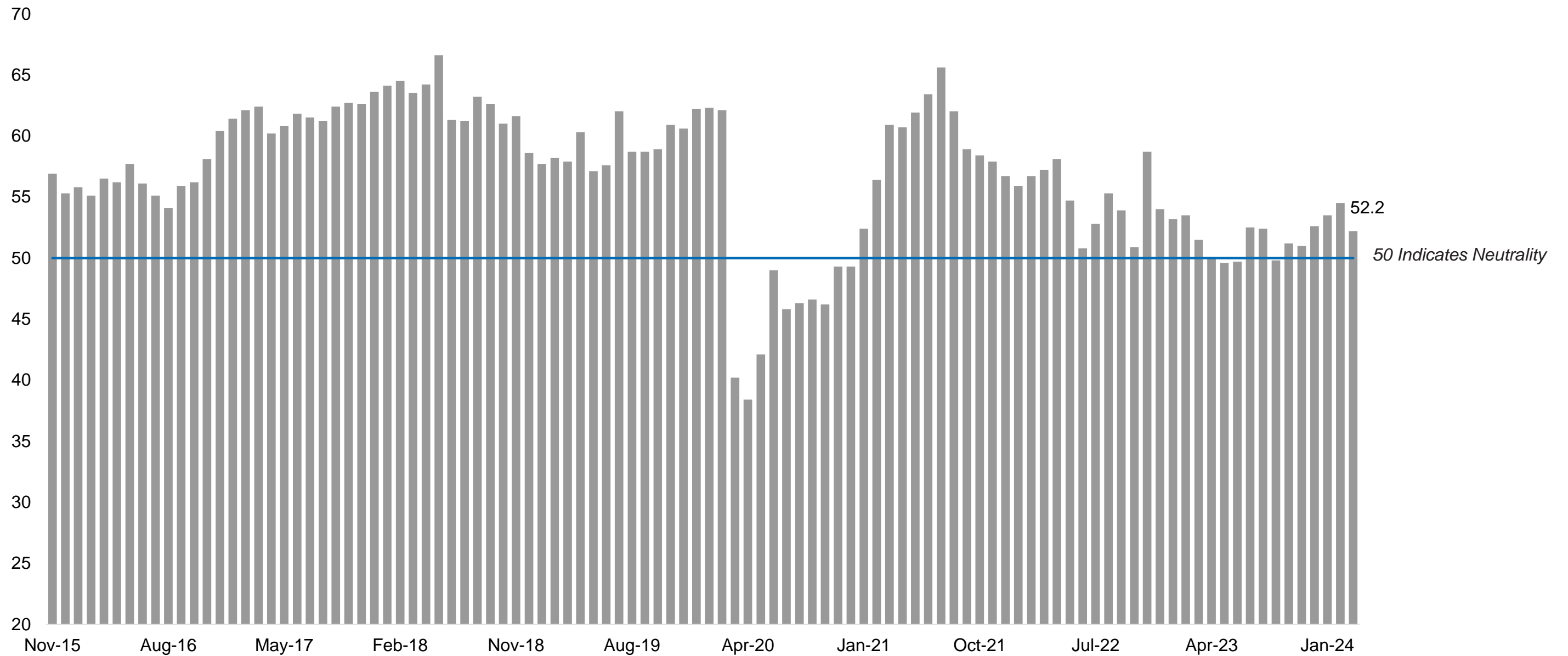


Source: Moody's Analytics, Boston-Cambridge-Newton, MA-NH MSA

Following Three Months of Gains, Business Confidence Wavers in March

Local employers started the year feeling more confident about the economy. At 54.5, the AIM Business Confidence Index reached a 14-month high in February 2024. Optimism among Massachusetts employers slipped in March due to concerns over high interest rates, inflation, labor costs and slower economic conditions.

Business Confidence Index (BCI)

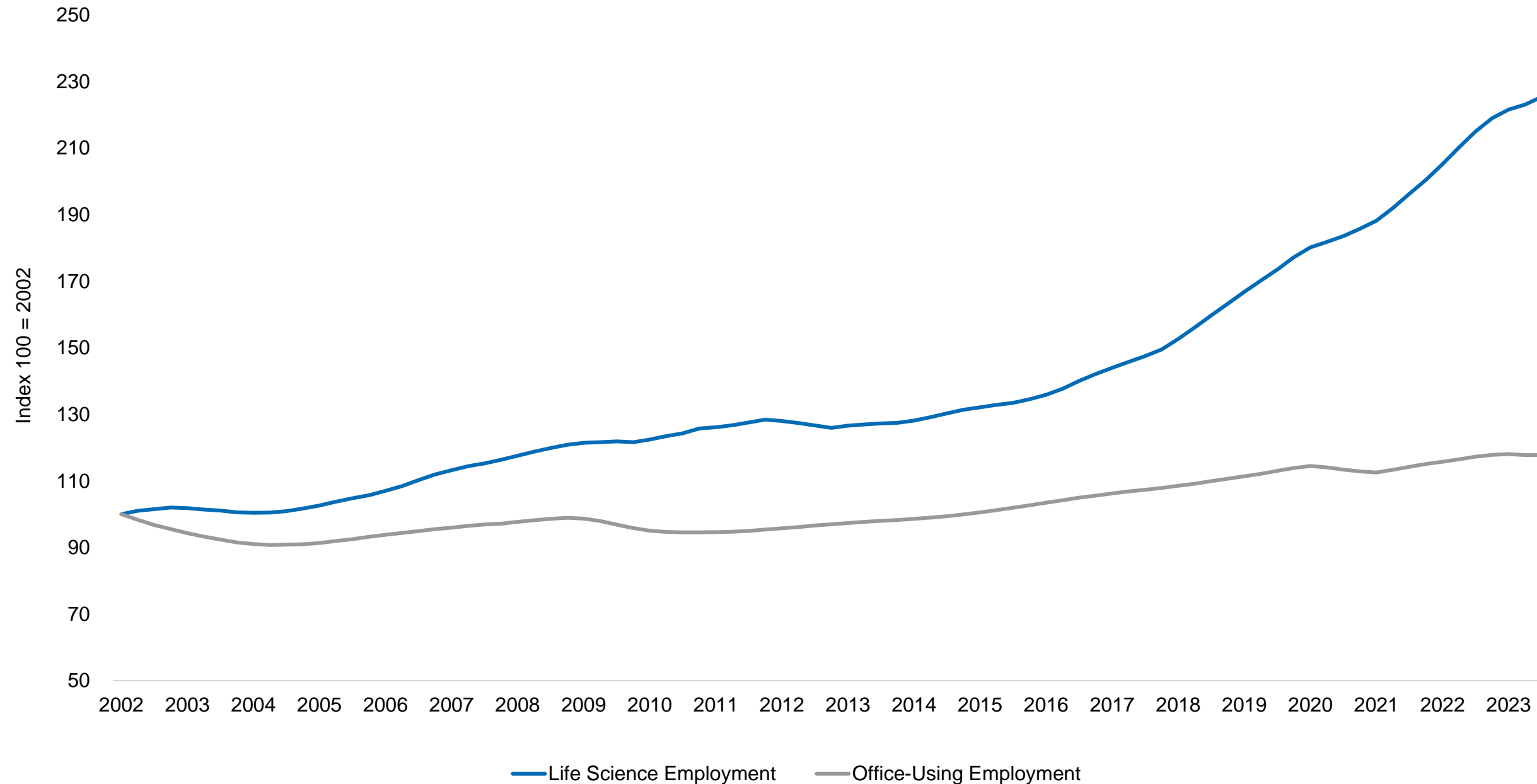


Source: AIM Board of Economic Advisors

Long-Term Trends Highlight Immense Growth in Life Science Industry

Over the last 20 years, employment gains within Greater Boston's life science sector have far outpaced growth within traditional office-using industries. Current headwinds will limit near-term expansion in life science employment, and local payrolls are expected to end 2024 only slightly above current levels.

Life Science Employment and Office-Using Employment*



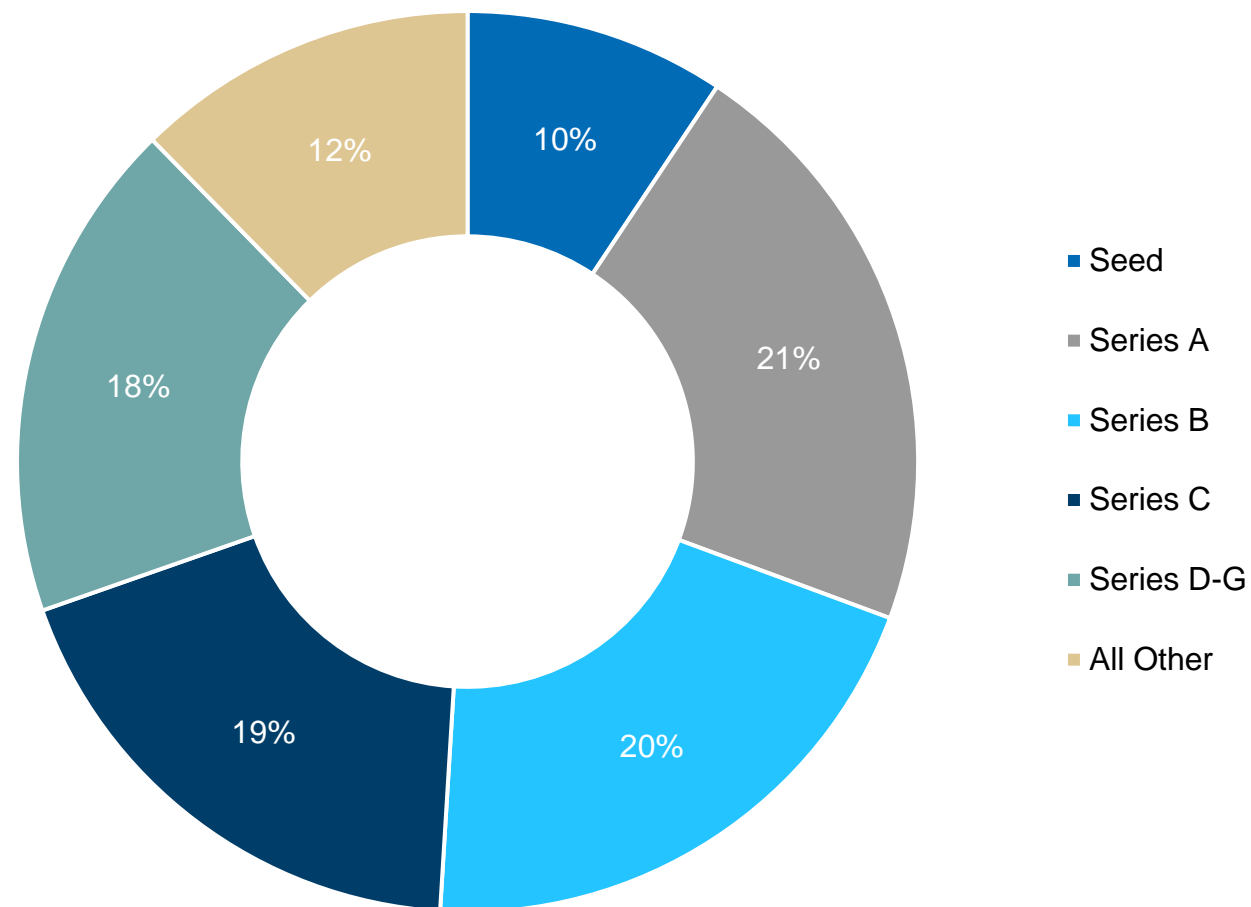
Source: Moody's Analytics, JobsEQ, Boston-Cambridge-Newton, MA-NH MSA

*Office-using employment includes employment in the following industry sectors: Professional & Business Services, Financial Activities and Information.

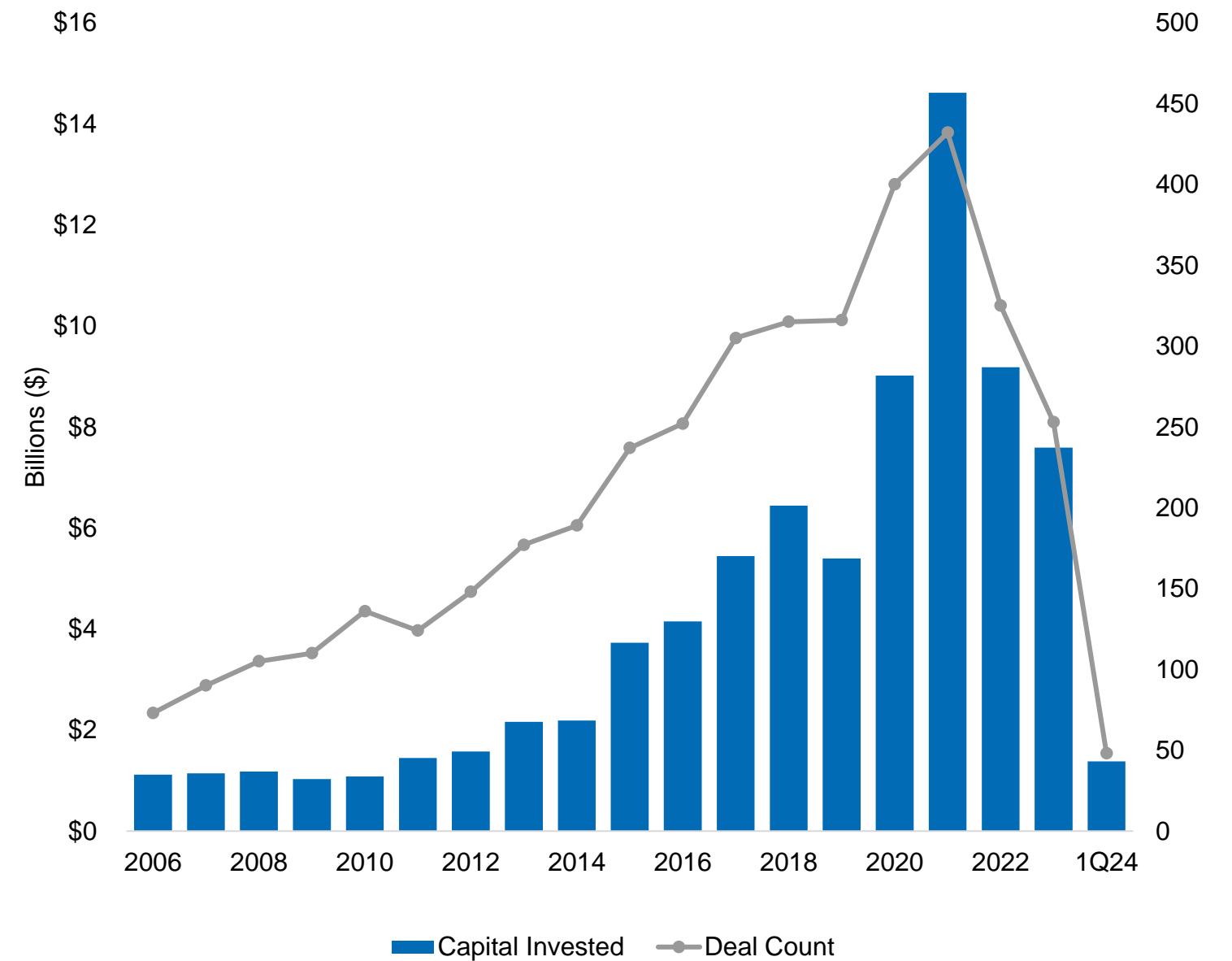
Later-Stage Venture Capital Funding Is Outpacing Early-Stage Deals

Cautious optimism is rising among stakeholders in the life science sector. Boston area biotech companies raised \$1.4 billion in venture capital funding during the first quarter of 2024. Large follow-on financings from FogPharma (\$145 million), Sionna (\$182 million) and Accent Therapeutics (\$75 million), as well as the reopening of the IPO window, bode well for future life science funding.

Year-to-Date Greater Boston VC Funding by Series



Greater Boston Historical VC Funding



Source: Pitchbook, Newmark Research



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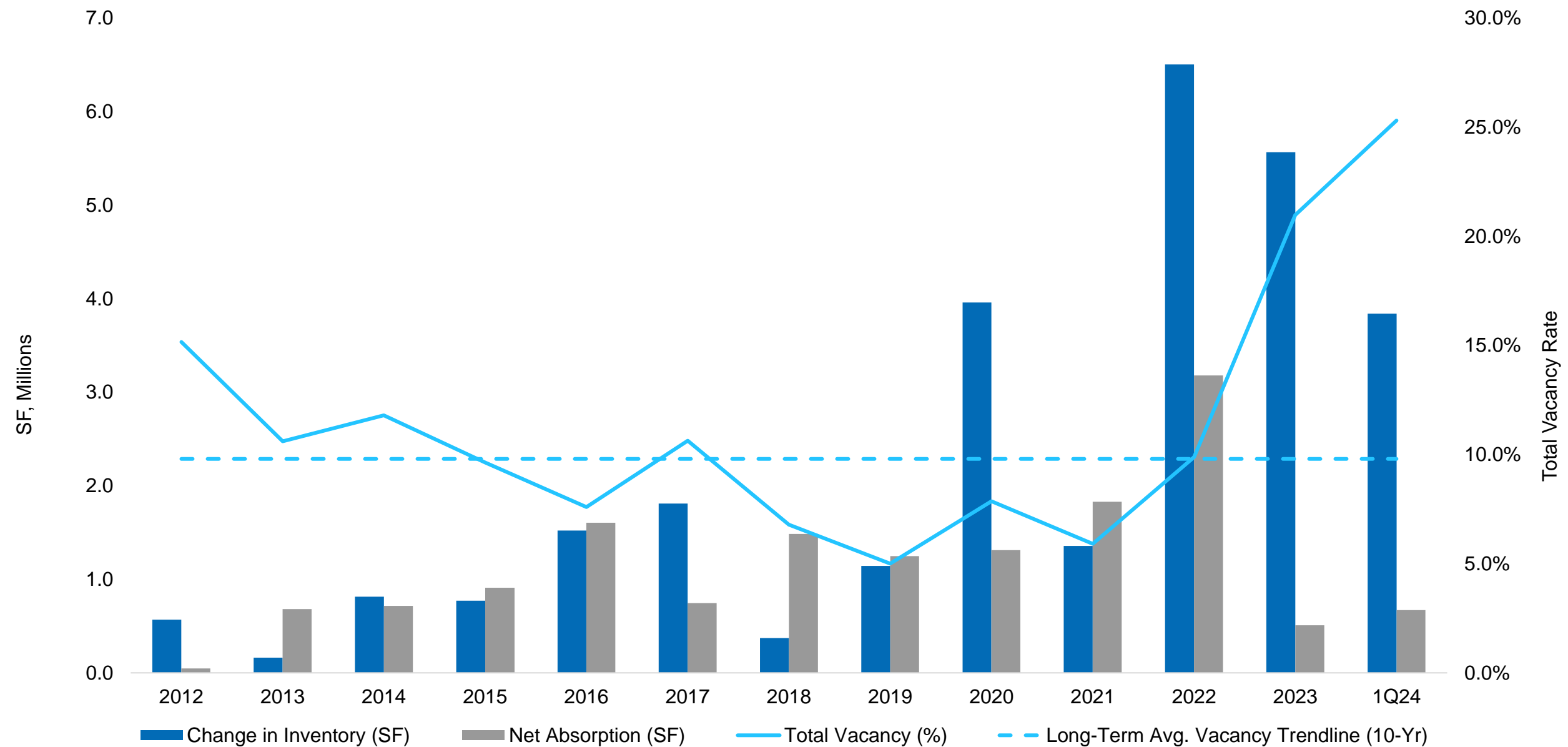
Leasing Market Fundamentals



Record Levels of New Deliveries Weigh on Laboratory Fundamentals

While many preleased new deliveries in the first quarter of 2024 contributed to positive net absorption, several development projects remain challenged and are putting upward pressure on vacancies in the Greater Boston laboratory market. Vacancy rates now exceed 25.0% and are expected to unwind further over the next year. Cambridge maintains healthier market fundamentals, but second-generation space is at risk for significant vacancy as users have numerous options.

Historical Construction Deliveries, Net Absorption, and Vacancy



Source: Newmark Research

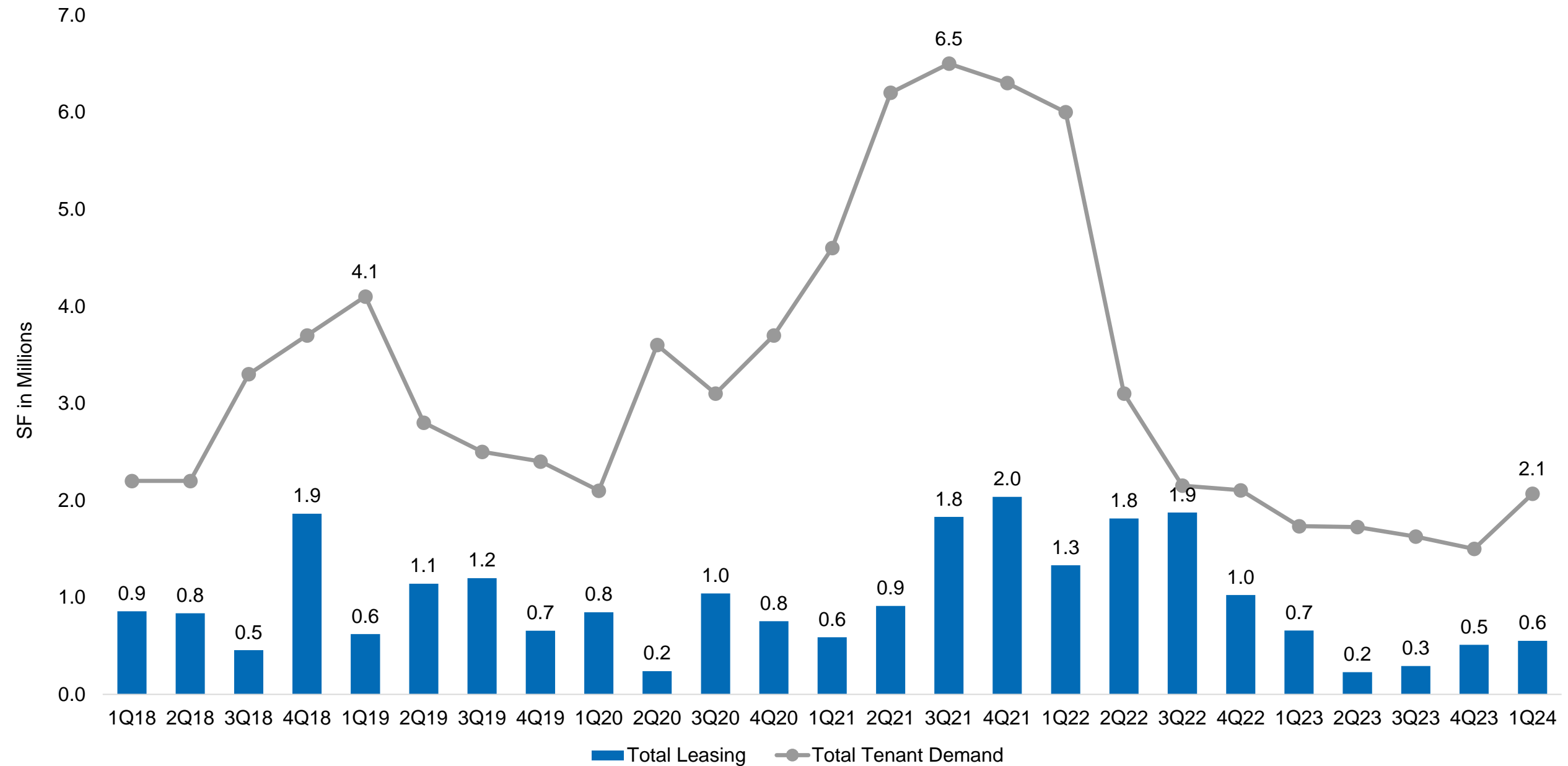


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Life Science Demand Reaches Pre-Pandemic Levels

Tenant demand improved during the first quarter of 2024, with requirements climbing above 2.0 million SF again. There are now a handful of firms in need of more than 100,000 SF of laboratory space. The leasing recovery will likely lag, however, as users remain cautious and focused on extending their runways. Roughly half of the 2.0 million SF of active requirements are subject to additional funding. Takeda Pharmaceuticals' lease renewal in Kendall Square accounted for a large share of leasing totals in the first quarter of 2024.

Historical Active Tenants in the Market and Leasing Activity



Source: Newmark Research

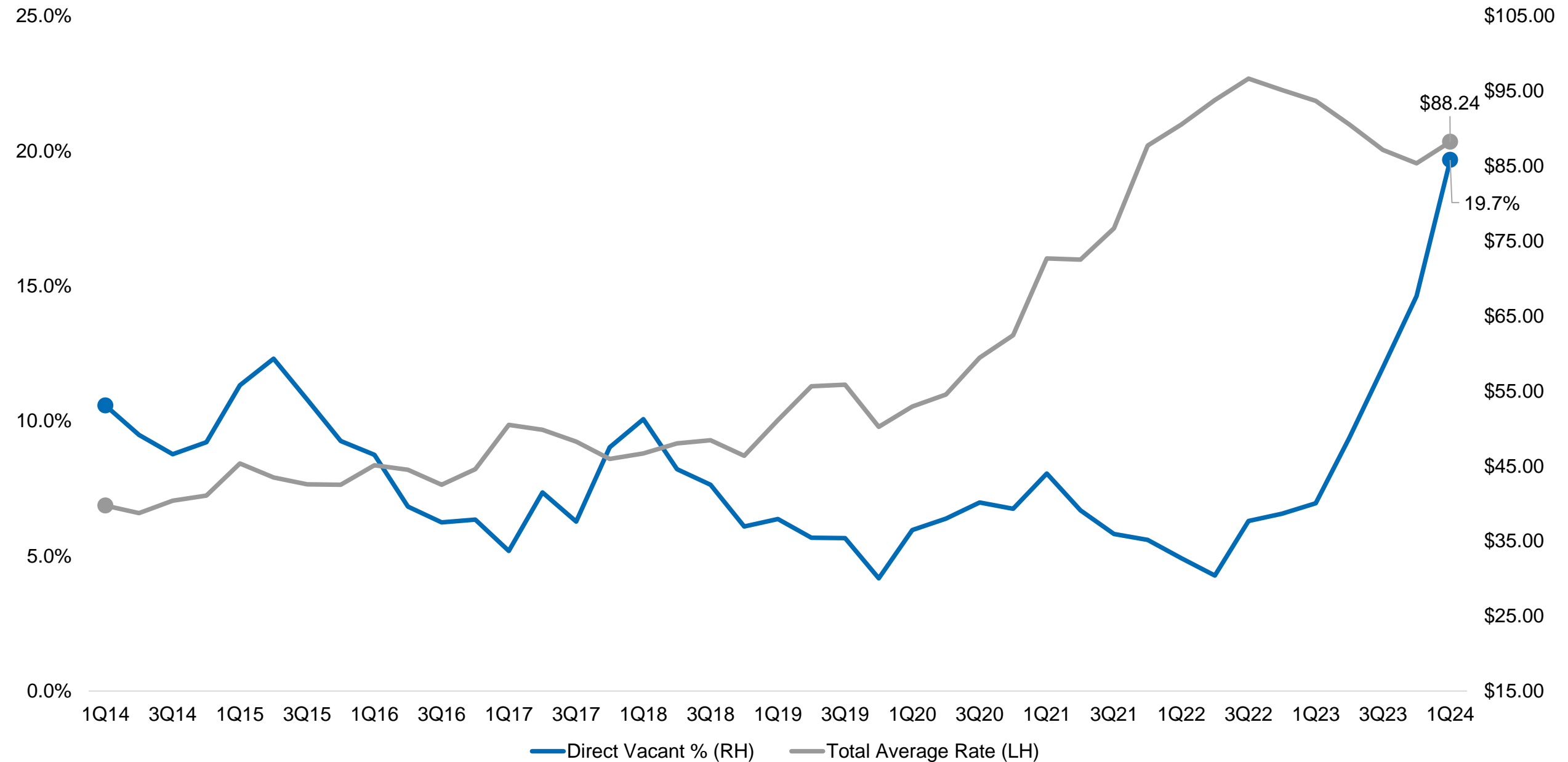


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Laboratory Rents Continue to Correct as Vacancies Rise

Pricing for laboratory space in Greater Boston is off 8.7% from the peak due to weaker market fundamentals. User-centric market conditions will persist due to supply-side pressures, and tenants will maintain negotiating power. New construction may keep lease rates elevated, but expectations are for further price reductions in the coming quarters.

Direct Vacancy vs. Average Asking Rent (\$/SF)

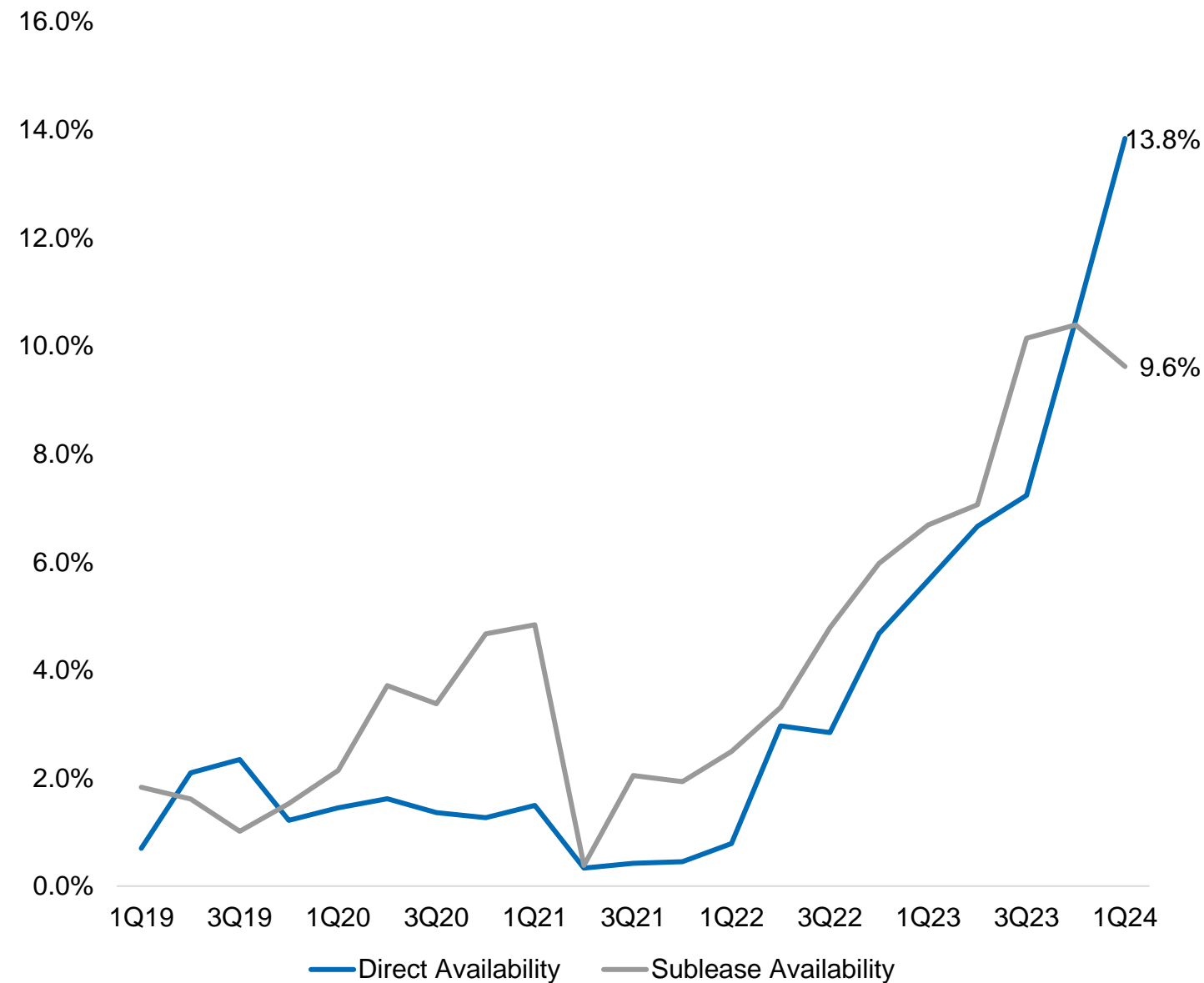


Source: Newmark Research

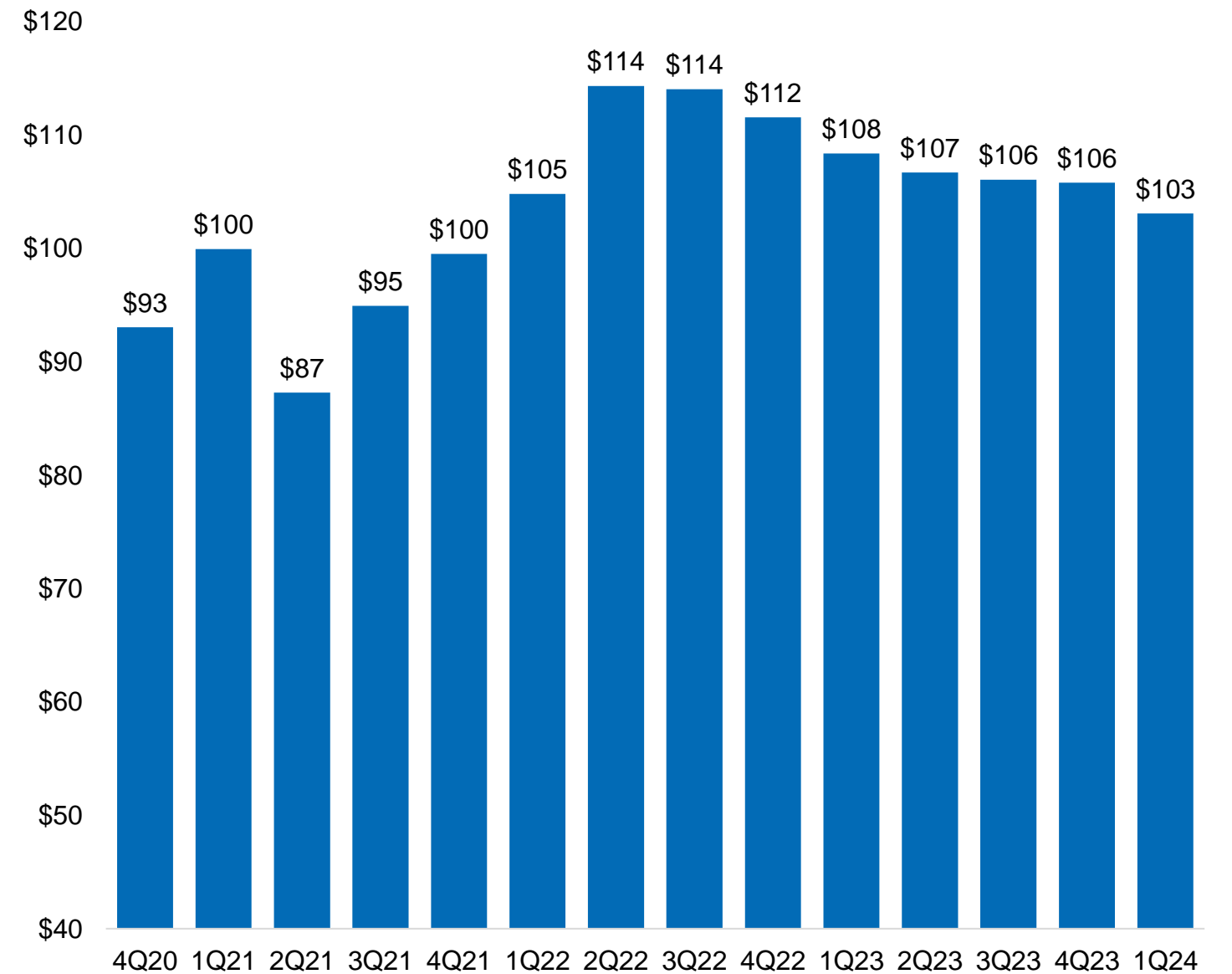
Tenants Are Turning to Subleases for Built-Out Space and Flexibility

Limited preleasing at recently delivered 30 Hampshire St. and 441 Morgan Ave. helped push direct laboratory availabilities in Cambridge to 13.8% in the first quarter of 2024. Sublets continue to compete with direct options, offering tenants flexibility and move-in ready space at comparable or lower pricing. Pricing for both direct and sublease space declined modestly during the first quarter of 2024. Users will pay similar rents for both types of availabilities, but downward pressure on rents continues.

Cambridge Availability Rates



Cambridge Asking Rents, \$/SF, NNN



Source: Newmark Research

Leasing Activity Remains Subdued

While leasing velocity in Greater Boston’s laboratory market continues to improve slowly, a full recovery will likely lag other industry demand drivers. Lease renewals dominated activity in the first quarter of 2024, with Takeda Pharmaceuticals’ extension in Kendall Square representing the largest transaction during the first three months of the year. ADA Forsyth Institute and Nest.Bio will join Ultragenyx at the newly built 100 Chestnut St. in Somerville, bringing occupancy to nearly 90% in the building.

Notable 1Q24 Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
Takeda Pharmaceuticals	75-125 Binney St., Cambridge	East Cambridge	Lease Renewal	222,925
<i>The global healthcare company executed a long-term early renewal with Alexandria Real Estate Equities in Kendall Square, with the lease term now extending through 2040.</i>				
ADA Forsyth Institute	100 Chestnut St., Somerville	Inner Suburbs/Urban Edge	Direct Lease	76,000
<i>The NIH-funded research institute is relocating in early 2025 from Cambridge to new construction in Somerville.</i>				
Thermo Fisher Scientific	250 Binney St., Cambridge	East Cambridge	Lease Renewal	60,000
<i>The global healthcare company executed a five-year lease renewal at 250 Binney St. in Cambridge’s Kendall Square.</i>				
ANDE Corporation	266 Second Ave., Waltham	West – Route 128	Lease Renewal	46,040
<i>The rapid DNA technology firm renewed its lease with Alexandria Real Estate Equities in Waltham.</i>				
Nest.Bio	100 Chestnut St., Somerville	Inner Suburbs/Urban Edge	Direct Lease	41,983
<i>The shared lab operator leased nearly 42,000 SF at the newly-built 100 Chestnut St. in Somerville.</i>				

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Submarket Overviews





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