



# Boston Life Science Market

## The Laboratory Market Continues Its Torrid Pace

Greater Boston's laboratory market continued its strong trajectory into the second quarter. Demand-side fundamentals were particularly robust, with 475,094 square feet of positive net absorption. Leasing activity expanded across the metro as well and laboratory requirements climbed to more than 6.0 million square feet. With 20 tenants in need of 100,000 square feet or more, large users are dominating current laboratory demand. Vacancies declined significantly over the quarter with overall rates reaching 7.0%. Available space remains extremely limited within the Cambridge markets and conditions are also getting tight in key suburban markets, such as Waltham and Watertown. Capital continues to flow into Greater Boston, with record-breaking venture funding and several upsized initial public offerings characterizing the first half of 2021. Such dynamism has encouraged a greater number of office landlords and developers to shift their focus to laboratory construction. However, "speed-to-market" is still crucial. The construction pipeline has swelled further, with total square feet underway surpassing 7.0 million square feet across the metro area in the second quarter. Several laboratory conversions are moving forward as well. Looking ahead, projected strength in the region's life science sector will further drive capital to Greater Boston and continue to blur the lines between space uses and geographic boundaries.

### Current Conditions

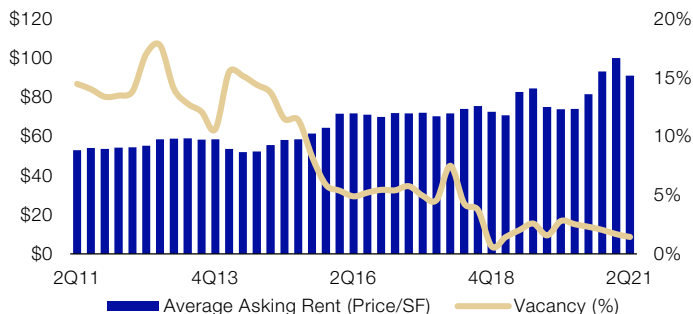
- Robust net absorption pushed metrowide vacancies down by 130 basis points over the second quarter.
- Asking rents on new laboratory product in East Cambridge are topping out above \$120/SF NNN.
- Square feet underway surpassed 7.0 million square feet across the metro as developers remain very active.
- 10 Massachusetts-based biotech companies went public during the first half of 2021, raising roughly \$1.8 billion.

### Market Summary – Cambridge Lab

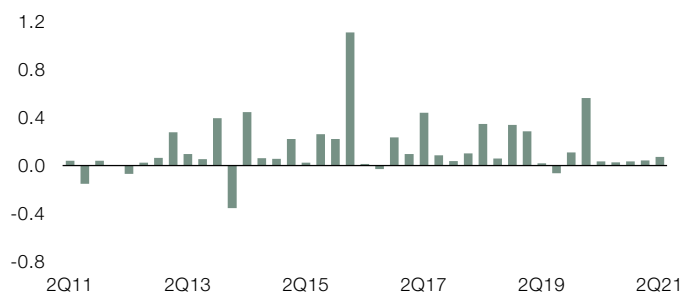
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	12.3M	12.3M	12.3M	↑
Vacancy Rate	1.4%	1.7%	2.5%	↓
Quarterly Net Absorption (SF)	29,117	43,692	34,453	↑
Average Asking Rent/SF	\$90.95	\$99.96	\$73.91	↑
Under Construction (SF)	2.4M	2.0M	1.3M	↑

### Market Analysis

#### CAMBRIDGE LAB ASKING RENT (NNN) AND VACANCY



#### CAMBRIDGE LAB NET ABSORPTION (SF, THOUSANDS)



## RESEARCH Q2 2021

### Cambridge

The region's surging life science sector continues to benefit Cambridge's laboratory market. Leasing velocity gained momentum in the second quarter and vacancy rates inched down to just 1.4%. Laboratory space is moving quickly here, with existing availabilities ending the quarter at just 0.8% across Cambridge. Several tenants, including Johnson & Johnson and Bristol Myers Squibb, executed sizeable leases during the second quarter – ultimately removing a number of large blocks of availability from the market's future inventory. While new ground up product and conversion projects are breaking ground here, the next 12-24 months present very limited options for tenants. Speed-to-occupancy remains paramount among new life science companies and VC-backed portfolio firms in their prime growth phase and the scarcity of space in Cambridge is forcing users to consider surrounding markets. Many are looking toward 2023 for supply relief, especially as tenants relocate to new construction and free up existing second-generation laboratory space. However, users are locking down a number of these options well in advance of occupancy. Demand for laboratory space across Cambridge has only intensified over the last 18 months and continued strength in venture funding and the public markets provide significant upside for future growth.

The ground-breaking of the next phase of DivcoWest's Cambridge Crossing development (441 Morgan Avenue) pushed purpose-built laboratory space under construction above 2.3 million square feet. Other new laboratory developments permitted in Cambridge include the 550,000-square-foot 585 Third Street and the 355,000-square-foot 20 CambridgeSide, but most projects in the planning pipeline won't be ready for occupancy until 2024 or 2025. Planned conversions are also moving forward at Longfellow Real Estate Partners and Morgan Stanley's 150 CambridgePark Drive (272,000 square feet) and BioMed Realty's 60 Hampshire Street (41,474 square feet) with strong commitments from firms like Relay Therapeutics and Intergalactic Therapeutics. Charles Park, which is under agreement to Alexandria Real Estate Equities, is also slated for conversion to laboratory use. As the number of asset owners exploring potential laboratory conversions grows, experienced life science developers that can move quickly will benefit the most.

### Boston and Suburbs

Both the urban and suburban laboratory markets in Greater Boston remain bright spots amidst the supply-demand challenges of Cambridge. Leasing activity is strong, with Ginkgo Bioworks committing to 150,000 square feet at Marcus Partners' proposed laboratory development in the Seaport and Werewolf Therapeutics leasing more than 26,000 square feet at 200 Talcott Avenue in Watertown. Investors have also been quite active in Boston and the suburbs and during the second quarter several existing and future laboratory assets changed hands. Laboratory clusters are forming in previously uncharted territories within Greater Boston. As the viability of emerging markets like Somerville and the Fenway solidifies, investors and developers are beginning to establish new life science nodes. Greatland Realty Partners is moving forward on converting the former Liberty Mutual campus in Weston. The project would ultimately expand the two-building property by 25.0%, to 300,000 square feet. Alexandria Real Estate Equities plans to move forward on new laboratory space at Riverside Center in Newton as well. While only a small portion of the 510,000-square-foot complex is slated for laboratory conversion, Alexandria and Mark Development are planning to add several hundred thousand square feet of purpose-built laboratory space at their mixed-use development adjacent to Riverside Center.

Momentum behind office-to-lab conversions continues to strengthen, with more than 6.0 million square feet of projects in various states of progress throughout Boston and the suburbs. More recent additions to the list of proposed conversions include 10 Maguire Road in Lexington, the former Liberty Mutual campus in Weston, and 21 Hickory Drive in Waltham. New, ground-up construction is impacting supply-side fundamentals as well – nearing 5.0 million square feet in the second quarter. The Davis Companies and Boston Development Group recently broke ground on the first phase of their Galen Street (224,106 square feet) development in Watertown and construction on Boston Properties' 320,000-square-foot 180 Third Avenue in Waltham also moved forward recently. Boston and the suburbs account for the majority of new planned or permitted laboratory product in the metro area. With that said, much of this new supply is still several years away from delivery and not all of these projects are expected to move forward this cycle.

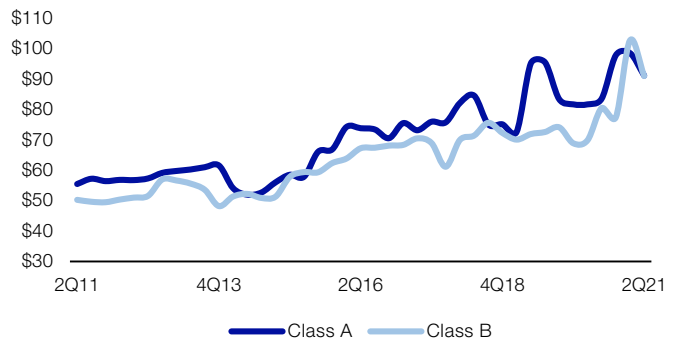
### Total Availability Rates – Cambridge Laboratory

#### AVAILABILITY RATES BY CLASS



### Asking Rent by Class – Cambridge Laboratory

#### AVERAGE ASKING RENT (\$/SF NNN)



## RESEARCH Q2 2021

Though GMP requirements peaked at 2.9 million square feet earlier this year, the number of local life science companies looking to establish manufacturing facilities in Greater Boston remains robust. Roughly 2.3 million square feet of tenants are in need of manufacturing space. Users continue to pursue opportunities along the I-95 and I-495 corridors, with several GMP leases transacting in recent months. Most recently, Moderna leased an additional 240,000 square feet at One Investors Way in Norwood – more than doubling their manufacturing operations. CDMOs (contract development and manufacturing organizations) or third-party manufacturers are especially active within Greater Boston’s suburban markets.

### Capital Markets

Greater Boston is among the most liquid commercial property markets in the world and investment in the life science sector is clearly a driving force. Capital continues to flow into the metro, as asset owners and investors continue to examine nearly every office building for potential laboratory conversion. Year-to-date, nearly \$6.5 billion in office and laboratory assets changed hands. In May, BioMed Realty finalized its acquisition of the laboratory development site at 321 Harrison Avenue and the adjacent 242,000-square-foot office building at 1000 Washington Street for \$314.2 million. Alexandria Real Estate Equities also expanded its local footprint with the acquisition of One Investors Way in Norwood, which will house expansion space for Moderna’s manufacturing operations. Montana Avenue Corp. divested 153-211 Second Avenue in Waltham

recently as well. Boston Properties purchased the existing laboratory assets for \$100.0 million. Early in the second quarter, Phase 3 purchased 21 Hickory Drive in Waltham with plans to convert the office property for laboratory use. Finally, CPP Investments in a joint venture with Greystar acquired the 74M development site in Somerville, which will encompass 468,000 square feet of office and lab space. Life science real estate investors show no signs of slowing in Greater Boston as evidenced by Alexandria Real Estate Equities planned acquisition of Charles Park in East Cambridge just six months after it sold to the Davis Companies.

### Outlook

Greater Boston’s laboratory market is expected to maintain its current growth trajectory – bolstered by record venture capital funding, strength in the public markets, and a greater emphasis on the life science industry. While Cambridge will remain the preferred destination for many life science firms, a lack of availability looks to remain a concern and growth will continue outside of established nodes. As emerging markets mature, landlords and asset owners will likely shift their focus to more pioneering locations. With 79.0% of expected deliveries from 2021-2022 already pre-leased, many tenants are looking toward 2023 for much-needed supply relief. Office landlords sitting on vacancy will continue to evaluate the prospect of conversion as well. As laboratory development accelerates, however, sponsorship will become even more important. The metro’s preeminence as a global biotech hub has left Greater Boston well-positioned for future growth in both the near and long-term outlook.

### Select Lease Transactions

Tenant	Building / Address	Submarket	Type	Square Feet
Johnson & Johnson	100 Binney Street, Cambridge	East Cambridge	Sublease	166,000
Ginkgo Bioworks	19 Fid Kennedy Avenue, Boston	Boston – Seaport	Lease Expansion	150,000
Bristol Myers Squibb	250 Water Street, Cambridge	East Cambridge	Direct Lease	112,000
Affinivax	301 Binney Street, Cambridge	East Cambridge	Lease Expansion	56,849
Relay Therapeutics	60 Hampshire Street, Cambridge	East Cambridge	Direct Lease	41,474
Werewolf Therapeutics	200 Talcott Avenue, Watertown	Urban Edge	Direct Lease	26,219

### Select Sale Transactions

Building / Address	Submarket	Sale Price	Price/SF	Square Feet
321 Harrison Ave/1000 Washington St, Boston	Boston Lab	\$314.2M	\$672	467,500
One Investors Way, Norwood	South – Route 128	\$105.0M	\$444	242,189
153-211 Second Avenue, Waltham	West – Route 128	\$100.0M	\$714	139,984
10 Maguire Road, Lexington	West – Route 128	\$66.5M	\$215	308,826
21 Hickory Drive, Waltham	West – Route 128	\$52.2M	\$432	120,866
74M, Somerville*	Urban Edge	\$35.7M		

\* Development Site

**RESEARCH Q2 2021**

<b>Submarket Statistics</b>								
	<b>Total Inventory (SF)</b>	<b>Under Construction (SF)</b>	<b>Total Vacancy Rate</b>	<b>Qtr Absorption (SF)</b>	<b>YTD Absorption (SF)</b>	<b>Class A NNN Asking Rent (Price/SF)</b>	<b>Class B NNN Asking Rent (Price/SF)</b>	<b>Total NNN Asking Rent (Price/SF)</b>
<b>Cambridge Total</b>	<b>12,258,723</b>	<b>2,365,600</b>	<b>1.4%</b>	<b>29,117</b>	<b>72,809</b>	<b>\$91.00</b>	<b>\$90.84</b>	<b>\$90.95</b>
East Cambridge	7,772,400	2,200,600	0.6%	-13,708	-13,708	\$115.00*	\$95.00	\$95.00
Mid Cambridge	2,951,620	-	0.0%	-	13,034	-	-	-
West Cambridge	1,534,703	165,000	8.3%	42,825	73,483	\$91.00	\$55.00	\$89.34
<b>Boston Total**</b>	<b>3,466,045</b>	<b>2,539,948</b>	<b>18.4%</b>	<b>148,263</b>	<b>244,918</b>	<b>\$95.00</b>	<b>\$95.00</b>	<b>\$95.00</b>
Boston – Seaport	2,234,702	1,358,600	27.6%	77,574	147,001	\$95.00	\$95.00	\$95.00
Boston – Fenway/LMA	1,117,000	697,447	-	70,689	70,689	\$95.00*	\$95.00	\$95.00
<b>Inner Suburbs/Urban Edge</b>	<b>2,463,964</b>	<b>1,125,858</b>	<b>8.6%</b>	<b>12,948</b>	<b>40,753</b>	<b>\$77.82</b>	<b>\$69.20</b>	<b>\$74.88</b>
<b>Route 128 Total**</b>	<b>7,452,531</b>	<b>1,327,320</b>	<b>8.5%</b>	<b>188,812</b>	<b>263,076</b>	<b>\$57.56</b>	<b>\$45.42</b>	<b>\$56.21</b>
North – Route 128	1,781,275	186,000	10.3%	3,463	3,687	\$53.30	\$26.58	\$50.88
West – Route 128	5,603,886	1,141,320	8.6%	185,349	259,389	\$62.72	\$59.79	\$62.32
<b>Route 495</b>	<b>1,146,323</b>	<b>-</b>	<b>17.4%</b>	<b>95,954</b>	<b>101,243</b>	<b>\$47.00</b>	<b>\$25.32</b>	<b>\$34.75</b>
<b>Market</b>	<b>26,787,586</b>	<b>7,358,726</b>	<b>7.0%</b>	<b>475,094</b>	<b>722,799</b>	<b>\$72.50</b>	<b>\$60.09</b>	<b>\$69.64</b>

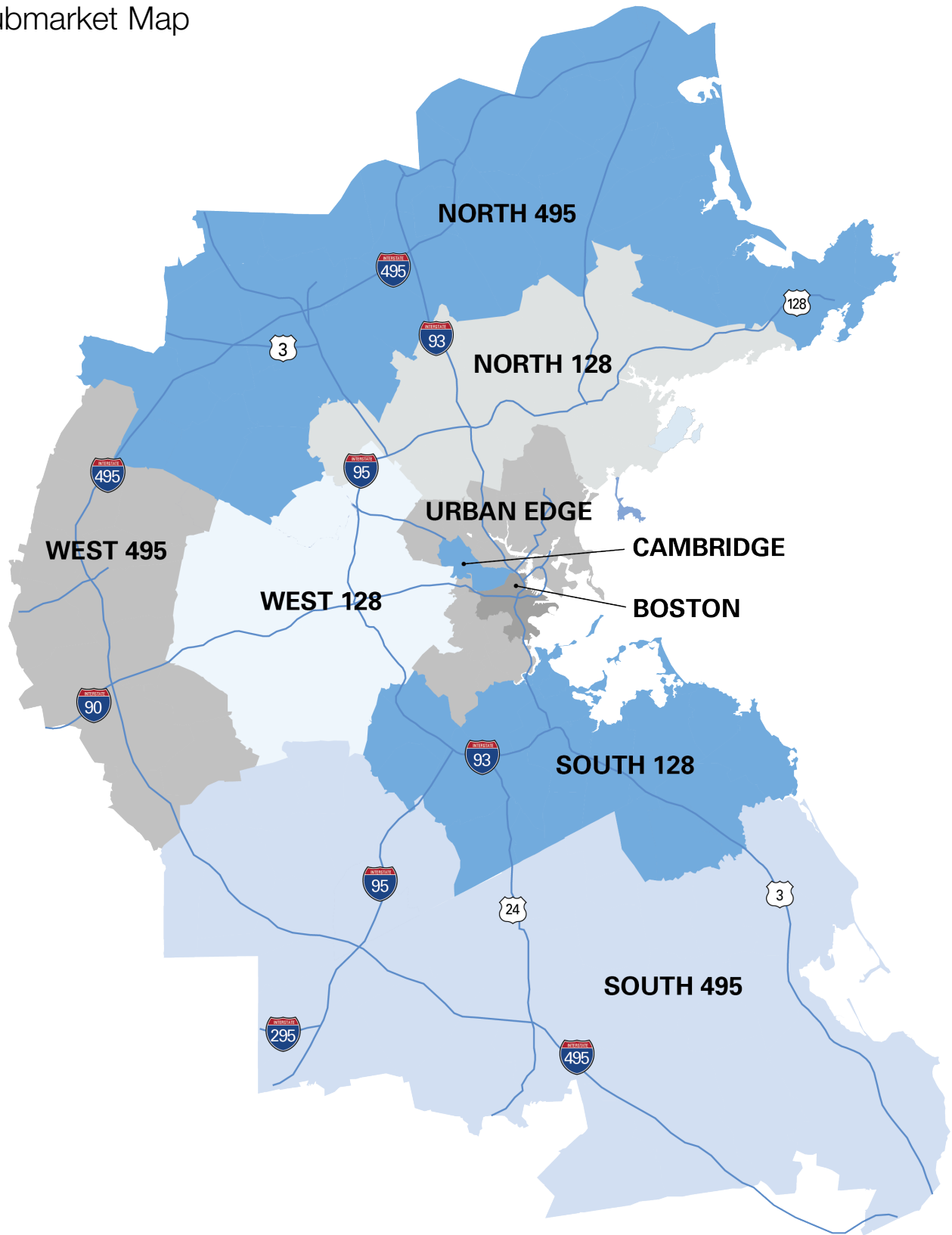
\* No direct space available for lease within these submarkets. These figures represent the highest achievable rents in these submarkets assuming direct availability, and are not factored into the submarket and market average calculations.

\*\* 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

<b>Cambridge Laboratory Statistics – Class A</b>						
	<b>Total Inventory (SF)</b>	<b>Under Construction (SF)</b>	<b>Total Vacancy Rate</b>	<b>Qtr Absorption (SF)</b>	<b>YTD Absorption (SF)</b>	<b>Class A NNN Asking Rent (Price/SF)</b>
East Cambridge	6,553,560	2,200,600	0.4%	21,529	21,529	\$115.00
Mid Cambridge	2,151,818	-	0.0%	-	6,437	-
West Cambridge	1,170,025	165,000	5.6%	64,036	62,511	\$91.00

<b>Cambridge Laboratory Statistics – Class B</b>						
	<b>Total Inventory (SF)</b>	<b>Under Construction (SF)</b>	<b>Total Vacancy Rate</b>	<b>Qtr Absorption (SF)</b>	<b>YTD Absorption (SF)</b>	<b>Class B NNN Asking Rent (Price/SF)</b>
East Cambridge	1,218,840	-	1.9%	(13,708)	(13,708)	\$95.00
Mid Cambridge	799,802	-	0.0%	-	6,597	-
West Cambridge	364,678	-	16.8%	-	32,183	\$55.00

# Submarket Map



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