



Boston Life Science Market

Laboratory Market Ends 2020 on High Note

Conditions remain fevered as Greater Boston's laboratory market posted another banner year. With annual net absorption totaling 1.3 million square feet, 2020 marks the third-consecutive year the market has absorbed more than one million square feet. Single-digit vacancies and record pricing can still be found throughout the metro area while the impacts of COVID-19 continue to drive changes in workplace strategy and research trends. Though the supply pipeline is swelling, limited near-term availabilities will provide little relief for laboratory users with more immediate space needs. Conversion projects that can deliver within the next 12-24 months will benefit from such tight market fundamentals – particularly in Cambridge where laboratory demand still outstrips supply by a wide margin. Capital flows into the region's life science sector have reached new heights as well, with both venture capital and IPO activity hitting record highs in 2020. Combined with NIH funding and investment from Big Pharma, the region's prospects for growth are decidedly positive. Greater Boston ended 2020 as the most active investment sales market in the U.S. due to outsized investor interest in this asset class. Urban and suburban laboratory redevelopment opportunities have been especially appealing to buyers. 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

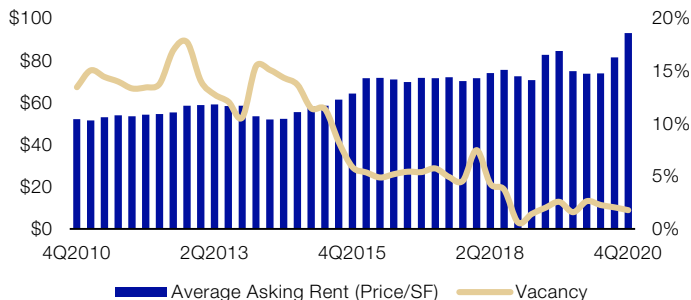
- With another 1.3 million square feet of space absorbed in 2020, laboratory fundamentals continue to outperform.
- Average asking rents ended 2020 at an all-time – reaching \$62.11/SF metrowide.
- Supply-side pressures are mounting with upwards of 7.0 million square feet of potential office-to-lab conversions in the pipeline.
- 28 MA-based life science companies went public in 2020 raising an average of \$175 million.

Market Summary – Cambridge Lab

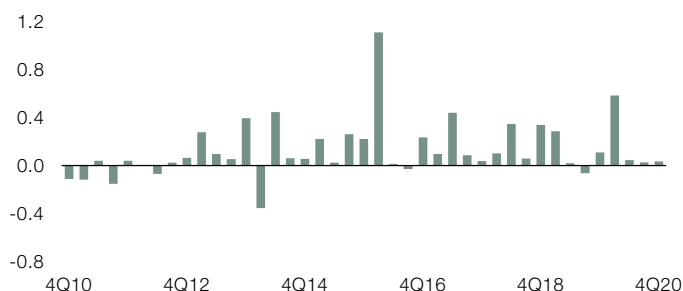
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	12.1M	12.1M	11.3M	↑
Vacancy Rate	1.8%	2.1%	1.6%	↓
Quarterly Net Absorption (SF)	33,804	26,594	110,867	↑
Average Asking Rent/SF	\$93.06	\$81.53	\$74.97	↑
Under Construction (SF)	1.4M	1.3M	2.0M	↑

Market Analysis

CAMBRIDGE LAB ASKING RENT (NNN) AND VACANCY



CAMBRIDGE LAB NET ABSORPTION (SF, THOUSANDS)



Cambridge

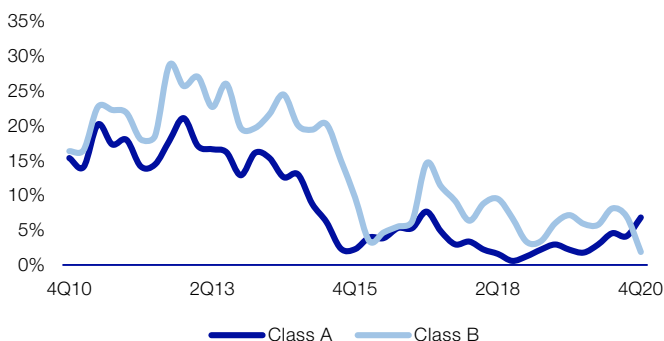
Laboratory space remains extremely difficult to find in Cambridge, with overall vacancies ending 2020 below 2.0%. East and Mid Cambridge continue to contend with sub-1.0% vacancies, which have characterized these markets for the better part of the last two years. The scarcity of space within the Cambridge markets has forced many tenants to remain geographically agnostic. Three-quarters of the 4.0 million square feet of active laboratory requirements within Greater Boston are Cambridge-focused; however, most users need to consider key urban and suburban clusters as well. Despite increasing competition from emerging markets like Somerville, Allston, Fenway, the Seaport and Watertown, demand for laboratory space in Cambridge is expected to remain strong for the foreseeable future. Positive trends in venture funding ultimately support growth among early-and-mid-stage biotech firms – providing upside potential for future demand here.

The dearth in availabilities has pushed average asking rents to a historic high of more than \$93/SF NNN, with Class A space in East Cambridge averaging \$110/SF NNN. Comparatively, in Mid Cambridge, average lease rates have surpassed \$90/SF NNN for the first time, with Class A rents ending 2020 in the mid-\$90s/SF NNN. Over the last five years, rents for Cambridge laboratory space have escalated by 33.3%, and lease renewals are rolling into rate increases of 30.0% to 40.0% compared to just three or four years ago. While rents appear to have reached a pinnacle, Cambridge's persistent supply-demand imbalance will likely keep upward pressure on rates at least in the near term.

While the COVID-19 outbreak has had little negative effects on Cambridge's laboratory market, owners and users are making adjustments as a result of the pandemic. In addition to the race for a vaccine, the outbreak has also accelerated research trends and brought a global spotlight onto the industry. Unlike in the office market, where tenants continue to extend remote work timelines, laboratory users are actively trying to return to work. As a result, the ratio of office-to-laboratory use within many spaces is shifting. Tenants are now beginning to allocate a larger portion of their space for research and development functions to allow for social distancing.

Direct Availability Rates – Cambridge Laboratory

AVAILABILITY RATES BY CLASS



Boston and Suburbs

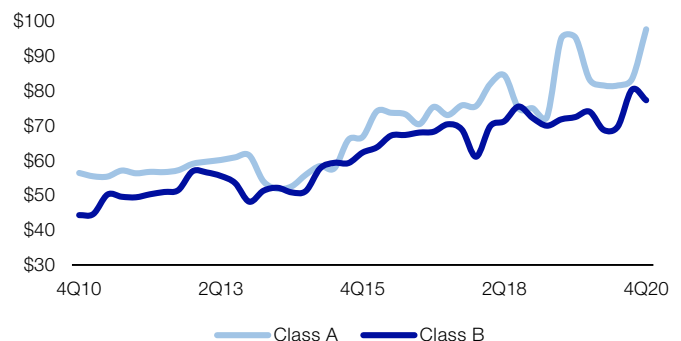
Greater Boston's urban and suburban laboratory markets are more active than ever as growth within the life science industry continues to benefit the entire region. Demand-side fundamentals are especially strong in the suburbs, which led net absorption for the quarter. Several major leases were executed in key suburban clusters during the fourth quarter of 2020, including Translate Bio's 138,444-square-foot lease at The Post in Waltham and Constellation Pharmaceuticals' 79,115-square-foot lease at 100 Talcott Avenue in Watertown. Dyne Therapeutics, Kiniksa Pharmaceuticals and CABIM also signed significant leases during the quarter. Urban Boston – largely the Seaport submarket – has garnered more attention from life science users recently as well, with leases or LOIs signed at 451 D Street and 51 Sleeper Street.

Upward momentum in the life science sector has shifted more development activity to laboratory and lab-ready space. Existing ownership and new entrants are expanding with acquisitions, covered land plays, ground-up construction and conversions. Recent or planned conversions of urban office assets like 601 Congress, 5 Channel Center, 88 Black Falcon and Landmark Center promise to bring hundreds of thousands of square feet of new laboratory space to the market. The redevelopment of sites like Au Bon Pain's former headquarters in the Seaport and the Mt. Auburn Tennis Center in Watertown is also growing the supply pipeline throughout Boston and the suburbs. Additionally, several projects originally planned for office use, including 125 Lincoln, 401 Congress Street and 321 Harrison Avenue, have also pivoted to accommodate lab use. With multiple announcements occurring almost daily, sustained inventory growth outside of Cambridge is expected in the coming years.

GMP requirements, which total roughly 2.0 million square feet, continue to drive market activity as well. Ultragenix, Thermo Fisher, and Vibalogics all recently announced plans for new biomanufacturing facilities in various locations throughout Boston's suburban markets. With very few existing facilities in the region, users

Asking Rent by Class – Cambridge Laboratory

AVERAGE ASKING RENT (\$/SF NNN)



looking for more control over their supply chain are pursuing opportunities along the I-95 and I-495 corridors. Developers are beginning to respond with new product as well. In fact, King Street Properties is planning a 45-acre biomanufacturing campus in Devens, which will encompass five buildings and 700,000 square feet. As the need for biomanufacturing sites grows here, expect increased leasing and development within this asset class.

Capital Markets

Greater Boston's investment landscape was extremely dynamic in 2020, with life science activity propelling Boston to the most active market in the U.S. Several major transactions involving laboratory assets occurred during the fourth quarter. Healthpeak Properties acquired a stake in West Cambridge's Discovery Park for \$663.8 million or \$1,094/SF while Hilco Real Estate sold CenterPoint and The Gauge in Waltham to TPG Global for \$344.0 million or \$559/SF. Other life science assets to change hands during the fourth quarter include One Patriots Park in Bedford and 33 New York Avenue in Framingham. BioMed Realty is also set to acquire Brookfield's Cambridge portfolio for \$3.5 billion – making Blackstone the largest life science property owner in Cambridge.

Investors throughout Greater Boston also remained laser-focused on urban and suburban lab redevelopment opportunities. BioMed Realty acquired 601 Congress Street in Boston, with plans to convert the property to laboratory use and has agreed to purchase

the Xmbly site in Somerville from Novaya Real Estate and Cresset Development. Related Beal also acquired a 50% stake in the Innovation and Design Building in Boston from Jamestown and plans to begin work on new laboratory and office spaces in 2021. Recently sold 1040 and 1050 Waltham Street in Lexington and Au Bon Pain's former Seaport headquarters are also being repositioned for laboratory use. Finally, Westbrook sold two properties – 85 Walnut Street in Watertown and 5 Channel Center in Boston – to Phase 3 Real Estate Partners. The assets will be redeveloped for life science users as well.

Outlook

Despite a brief slowdown after the beginning of the COVID-19 outbreak, activity in Greater Boston's life science market has been anything but pedestrian. In fact, 2020 was arguably the strongest year on record for the local laboratory market. Going forward, expect a greater emphasis on life science as a result of COVID-19, which will benefit Greater Boston, seen as one of the pre-eminent biotech clusters in the world. Look for an increasing number of new players seeking opportunities and office owners considering repositioning their assets to laboratory. Institutional ownership will continue to invest in emerging markets as strong tenant demand, limited building availabilities, and high rents continue to characterize Cambridge.

Select Lease Transactions

Tenant	Building / Address	Submarket	Type	Square Feet
Translate Bio	200 West Street, Waltham	West – Route 128	Direct Lease	138,444
Constellation Pharmaceuticals	100 Talcott Avenue, Watertown	Inner Suburbs/Urban Edge	Direct Lease	79,155
Dyne Therapeutics	1560 Trapelo Road, Waltham	West – Route 128	Direct Lease	68,187
Gingko Bioworks	10 Wilson Road, Cambridge	West Cambridge	Direct Lease	50,264
GlaxoSmithKline	300 Technology Square, Cambridge	East Cambridge	Direct Lease	24,573
Zymergen	100 Cambridge Discovery Park, Cambridge	West Cambridge	Sublease	22,442

Select Sale Transactions

Building / Address	Submarket	Sale Price	Price/SF	Square Feet
Cambridge Discovery Park, Cambridge	West Cambridge	\$663.8M	\$1,094	607,000
CenterPoint/The Gauge, Waltham	West – Route 128	\$344.0M	\$559	615,000
400-600 Summit Drive, Burlington	North – Route 128	\$252.7M	\$722	350,000
33 New York Avenue and 1 & 5 Mountain Road, Framingham	West – Route 128	\$151.0M	\$566	267,000
One Patriots Park, Bedford	West – Route 128	\$72.5M	\$505	143,616

RESEARCH Q4 2020

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	12,130,112	1,397,800	1.8%	33,804	690,464	\$97.71	\$77.30	\$93.06
East Cambridge	7,772,400	1,297,800	0.5%	-2,474	412,204	\$110.00	*\$98.00	\$110.00
Mid Cambridge	2,951,620	-	0.4%	3,407	-10,673	\$95.00	\$91.00	\$91.94
West Cambridge	1,406,092	100,000	11.9%	32,871	288,933	\$84.49	\$55.00	\$78.58
Boston – Seaport	1,585,500	513,500	14.2%	39,796	33,349	*\$90.00	\$81.46	\$81.46
Boston – Fenway/LMA	1,404,946	263,994	5.0%	-70,689	-43,858	*\$92.00	*\$80.00	-
Inner Suburbs/Urban Edge	2,063,054	275,090	10.3%	-38,818	21,417	\$74.81	\$30.00	\$74.81
North – Route 128	1,519,275	-	12.3%	80,158	-20,616	\$51.00	\$21.85	\$39.67
West – Route 128	5,036,343	140,000	12.1%	257,210	615,643	\$59.16	\$57.27	\$58.93
Route 128 Total**	6,982,463	140,000	11.4%	337,368	595,027	\$57.13	\$35.89	\$52.73
Route 495	1,146,323	-	26.3%	34,728	72,300	\$42.00	\$22.59	\$33.92
Market	25,578,843	2,824,285	7.5%	339,170	1,349,463	\$63.41	\$59.78	\$62.11

* 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.

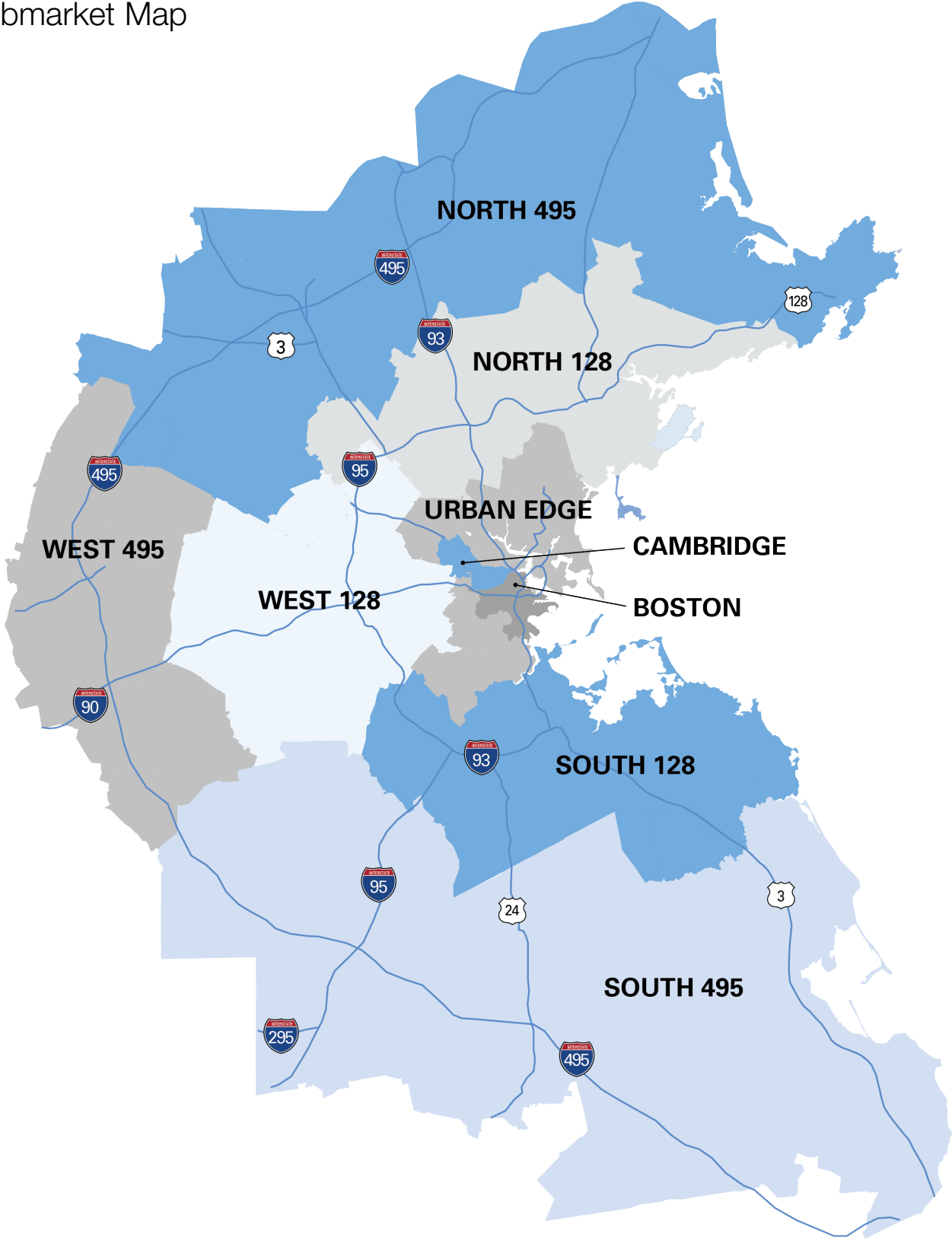
** Route 128 Total statistics include several laboratory buildings located in the South - Route 128 market.

***There are a handful of buildings in the Boston – Lab market that are located outside of Boston – Seaport or Boston – Fenway/LMA submarkets.

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	6,553,560	1,297,800	0.4%	-	417,278	\$110.00
Mid Cambridge	2,151,818	-	0.3%	3,407	-6,437	\$95.00
West Cambridge	1,041,424	100,000	7.1%	20,758	278,112	\$84.49

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	-	0.8%	-2,474	-5,074	*\$98.00
Mid Cambridge	799,802	-	0.8%	-	-4,236	\$91.00
West Cambridge	364,668	-	25.6%	12,113	10,821	\$55.00

Submarket Map



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