

BOSTON LIFE SCIENCE MARKET

STRONG FUNDAMENTALS PERSIST DESPITE COVID-19

Understandably, second-quarter market activity waned due to the effects of COVID-19 with several key trends emerging in markets throughout the United States. Laboratory productivity, tenant expansion plans, construction, the funding ecosystem, and changes in regulatory processes were among the top considerations for decision makers amid the virus outbreak. However, if there is a bright spot within Greater Boston, this asset class is one of them. With more than 100 local companies working on various treatments and vaccines for the virus and 17.3% of active COVID-19-related NIH funding going to Massachusetts-based institutions, this market is at the forefront of the fight against the coronavirus. Fundamentals remain decidedly positive with chronically low vacancies and peak-level rents continuing to characterize the Cambridge market. A significant amount of new capital is also interested in the life science sector as investors, lenders, developers and private equity are all looking for a piece of the pie.

CAMBRIDGE

Despite slower leasing velocity, moderate positive net absorption brought Cambridge laboratory vacancies down by 30 basis points over the second quarter. Tenants are trying to resume normal activity as reopening efforts continue and laboratory productivity has rebounded from COVID-19's initial shock. Those focused on virus-related research are pushing their science forward while implementing measures such as shift work to address density and other safety concerns. While the Cambridge office market is contending with rising sublease inventories, the laboratory market has yet to see a single sublease availability as a result of COVID-19. Moreover, a supply-demand imbalance persists here with the majority of new laboratory developments delivering through 2022 already pre-leased. Given the construction moratorium implemented during the height of the pandemic, a handful of projects have been delayed as well. Any considerable availability is still several years away as a result.

Funding remains critical for growth within Cambridge's life science ecosystem, particularly among early-stage startups. Per *MassInvestor*, Cambridge-based biotech firms raised more than \$1.1 billion during the second quarter, with Series B rounds accounting for the lion's share to this total. While venture capitalists continue to raise funds and invest, many firms are looking to preserve capital amidst uncertainty in the marketplace. Consequently, laboratory tenants are seeking short-term leases and "turn-key" spaces. The public markets remain very strong with record follow-on financings and public offerings, providing an exit strategy for ventured-back companies and their investors.

CURRENT CONDITIONS

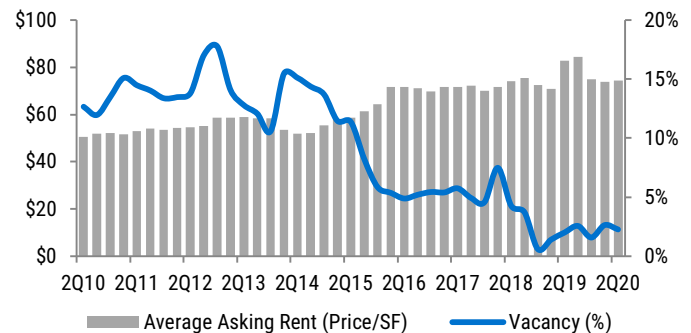
Despite COVID-19's impact on local space markets, laboratory fundamentals were still positive during the second quarter.

Net absorption totaled roughly 58,000 square feet in the second quarter as tenant movement was restricted due to the virus outbreak.

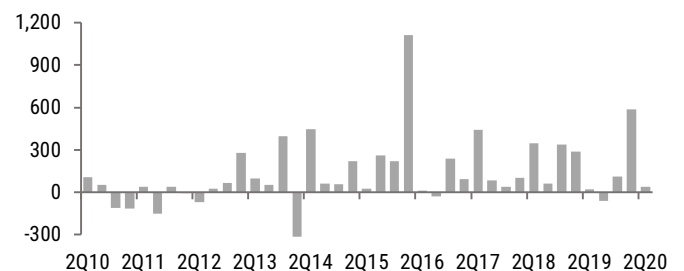
While there has been some rent erosion in the Cambridge office market, peak pricing has held firm in the laboratory markets.

MARKET ANALYSIS

Cambridge Lab Asking Rent (NNN) and Vacancy



Cambridge Lab Net Absorption (SF, Thousands)



MARKET SUMMARY – CAMBRIDGE LAB

	Current Quarter	Prior Quarter	Year Ago Period	12 Month Forecast
Total Inventory	12.1 MSF	12.1 MSF	11.3 MSF	↑
Vacancy Rate	2.3%	2.6%	2.0%	→
Quarterly Net Absorption	39,962 SF	585,104 SF	19,887 SF	→
Average Asking Rent	\$74.36	\$73.78	\$82.66	→
Under Construction	1.3 MSF	1.3 MSF	1.9 MSF	→
Deliveries	0	627,000	0	↓

BOSTON AND SUBURBS

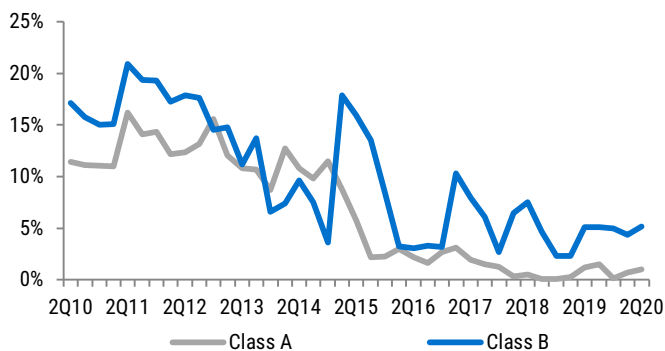
Life science companies remain attracted to key suburban laboratory markets, mainly Waltham and Lexington, while laboratory conversions continue to drive new construction. In fact, 4 and 20 Maguire Road in Lexington and 200 West Street and 1560 Trapelo Road in Waltham are in various stages of renovation. IQHQ's acquisition of Innovation Park in Andover, formerly owned and occupied by Eisai, earlier in the year brought another large availability to the market, despite landing both UMass Lowell and Ora Medical as tenants. In the urban markets, developers continue to move forward on new laboratory product with 201 Brookline in the Fenway and The 105 by Breakthrough Properties in the Seaport well underway. Somerville is also repositioning itself as a life science hub within Boston. BioMed Realty's planned acquisition and expansion of the XMBLY site in Assembly Square is just the latest example of significant recent investment in this emerging market.

Biomanufacturing operations have grown in importance as well as concerns over COVID-19-related supply chain disruptions linger. With more than one million square feet of requirements in the market, locations within an hour of Cambridge are in high demand for production facilities. CRISPR Therapeutics' 50,249-square-foot lease with King Street Properties at 33 New York Avenue in Framingham and Thermo Fisher's planned 290,000-square-foot facility in Plainville are two recent examples of this trend.

CAPITAL MARKETS

DIRECT AVAILABILITY RATES – CAMBRIDGE LAB

Availability Rates by Class



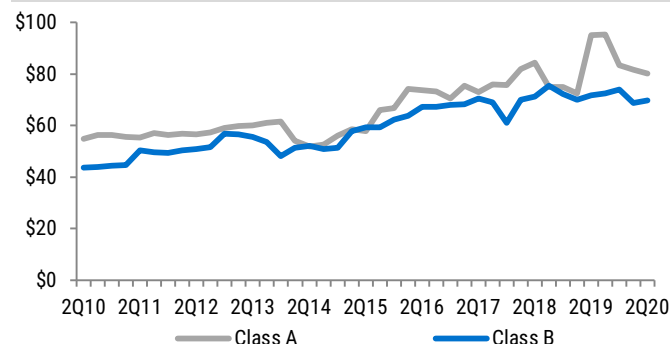
Though investment activity also decelerated during the second quarter, there is plenty of institutional capital chasing the life science market due to this asset class' strong performance, relative lack of available product, and prospects for future growth post-COVID-19. Two office and laboratory assets recently changed hands – representing two of the largest transactions of the second quarter. Healthpeak Properties continued to expand its Greater Boston portfolio with the purchase of The Post in Waltham for \$320 million or \$744/SF. Beacon Capital Partners also acquired the ground lease for 27 Drydock in the Seaport from Related Beal for \$270 million or \$932/SF. Development sites, especially in emerging life science markets also remain highly sought-after opportunities. Most recently, Alexandria Real Estate Equities and National Development acquired the long-standing Mount Auburn Club in Watertown with plans for a new office and laboratory development.

LOOKING FORWARD

Though Greater Boston's life science market is not immune to the impacts of the virus outbreak, fundamentals remain very strong. Expect a greater emphasis on life sciences as a result of COVID-19, which will undoubtedly benefit this region, seen as one of the pre-eminent life science 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 like Watertown, Somerville, Fenway, and the Seaport, as strong tenant demand, limited building availabilities, and high rents continue to characterize Cambridge.

ASKING RENT BY CLASS – CAMBRIDGE LAB

Average Asking Rent (\$/SF NNN)



GREATER BOSTON LAB – SELECT LEASE TRANSACTIONS

Tenant	Building	Submarket	Type	Square Feet
CRISPR Therapeutics	33 New York Avenue, Framingham	West – Route 128	Direct	50,249
Tepha, Inc.	99 Hayden Avenue, Lexington	West – Route 128	Expansion	37,334
Apic Bio, Inc.	35 CambridgePark Drive, Cambridge	West Cambridge	Sublease	23,280
Ora Medical	4 Corporate Drive, Andover	North – Route 495	Direct	17,000
TScan Therapeutics	830 Winter Street, Waltham	West – Route 128	Sublease	14,447
Inzen Therapeutics	790 Memorial Drive, Cambridge	Mid Cambridge	Direct	8,843

LABORATORY 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)
East Cambridge	7,745,400	1,268,800	1.1%	34,712	361,385	*\$98.00	*\$87.00	-
Mid Cambridge	2,936,620	0	0.5%	-16,945	-16,945	\$89.79	\$75.00	\$79.56
West Cambridge	1,405,247	0	12.5%	22,195	280,626	\$78.48	\$68.01	\$73.04
Cambridge Total	12,087,267	1,268,800	2.3%	39,962	625,066	\$80.07	\$69.77	\$74.36
Boston - Seaport	1,585,500	250,000	14.9%	-2,467	21,779	*\$85.00	\$72.12	\$72.12
Boston - Fenway/LMA	1,404,946	263,994	0.0%	0	26,831	*\$85.00	*\$75.00	-
Inner Suburbs / Urban Edge	1,747,348	325,090	8.4%	7,589	33,437	\$77.52	\$42.00	\$75.32
North - Route 128	1,469,275	0	11.5%	2,383	-3,068	\$48.71	\$23.00	\$38.72
West - Route 128	3,620,000	213,890	12.5%	47,663	260,809	\$51.03	\$52.00	\$51.09
Route 128 Total**	5,516,120	213,890	11.3%	50,046	257,741	\$50.39	\$29.01	\$46.54
Route 495	1,143,601	0	35.6%	-37,000	-37,000	\$42.00	\$21.58	\$31.56
Market Total	23,484,782	2,321,774	7.2%	58,130	927,854	\$55.42	\$50.14	\$53.11

* 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.

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	6,526,560	1,268,800	1.3%	29,828	356,501	\$98.00
Mid Cambridge	2,136,818	0	0.5%	-11,209	-11,209	\$89.79
West Cambridge	1,041,424	0	8.5%	22,195	264,118	\$78.48

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	0.0%	4,884	4,884	\$87.00
Mid Cambridge	799,802	0	0.4%	-5,736	-5,736	\$75.00
West Cambridge	363,823	0	23.9%	0	16,508	\$68.01

