

# BOSTON LIFE SCIENCE MARKET

## LABORATORY MARKET CONTINUES TO THRIVE IN 3Q

Greater Boston's laboratory market – a true bright spot amidst the pandemic-induced disruption characterizing 2020 – posted another quarter of positive fundamentals, as market activity roared back over the summer. Year-to-date net absorption, at nearly 1.1 million SF, is on pace to surpass last year's totals. Single-digit vacancies and record pricing can still be found throughout the metro area as well. The maturation of laboratory markets outside of Cambridge is driving inventories up as landlords and developers focus on both ground up construction and conversion projects to meet the region's growing demand. With such limited availabilities, particularly in Cambridge, tenants looking to expand will need to remain geographically agnostic. From NIH funding to venture capital, an incredible amount of investment is currently flowing into life sciences. As the epicenter of global biotech R&D, Boston will undoubtedly see strong future demand for laboratory space as a result of this increased funding.

### CAMBRIDGE

The global health crisis has had little negative impact on the Cambridge laboratory market. Moderate positive net absorption pulled vacancies down another 20 basis points over the quarter, with rates in both East and Mid-Cambridge hovering well below 1.0%. A dearth in availabilities has pushed average asking rents above \$80.00/SF NNN again. Moreover, lease renewals are rolling into rate increases of 35.0% to 55.0% compared to just four or five years ago and several transactions have reached the \$100.00 per SF NNN mark. With 40 companies now in the market looking for 2.0 million SF across Cambridge, demand for laboratory space continues to outstrip available supply by a very wide margin. Much of the remaining space currently on the market is already committed – leaving tenants with almost no options.

The area's supply-demand imbalance has been at the forefront of the Cambridge narrative for several years and continues to drive pre-leasing in new development. Bristol Myers Squibb recently agreed to anchor 250 Water Street in DivcoWest's Cambridge Crossing. The firm plans consolidate its two existing Cambridge locations into this new building upon completion in late-2021. BlueRock Therapeutics' 73,830 SF lease at MIT's 238 Main Street in Kendall Square brings the building to near full-occupancy as well. Though Bristol Meyers Squibb and CRISPR have both added their existing space to the sublease inventory in anticipation of relocating, neither space will be available to occupy until at least early 2022. Consequently, tenants will struggle to find viable space options in Cambridge for the next 24 months.

## CURRENT CONDITIONS

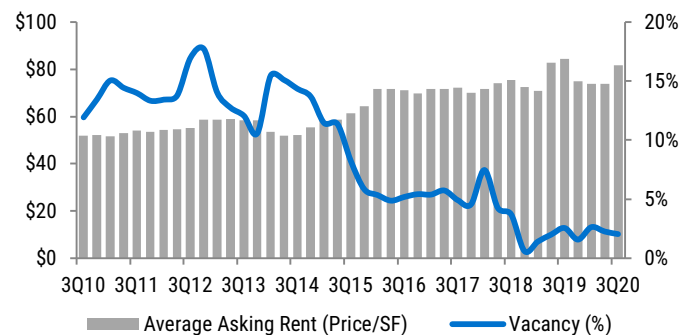
Focus turns to Greater Boston's life science market as office fundamentals falter due to COVID-19.

At nearly 1.1 million square feet year-to-date, net absorption is on pace to surpass last year's totals.

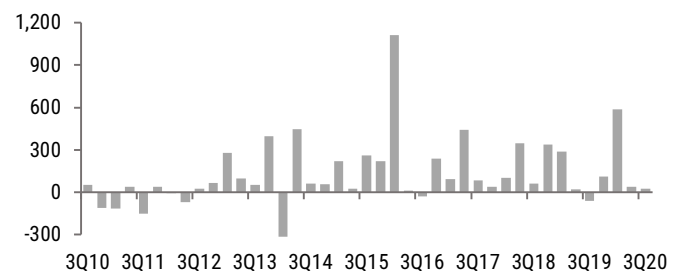
Local life science firms have received \$4.5 billion in venture capital funding and 18 MA-based biotech companies went public thus far in 2020.

## 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	2.1%	2.3%	2.6%	↓
Quarterly Net Absorption	26,594 SF	39,962 SF	-62,691 SF	↑
Average Asking Rent	\$81.60	\$73.91	\$84.48	↑
Under Construction	1.3 MSF	1.3 MSF	1.9 MSF	→
Deliveries	0	0	0	↑

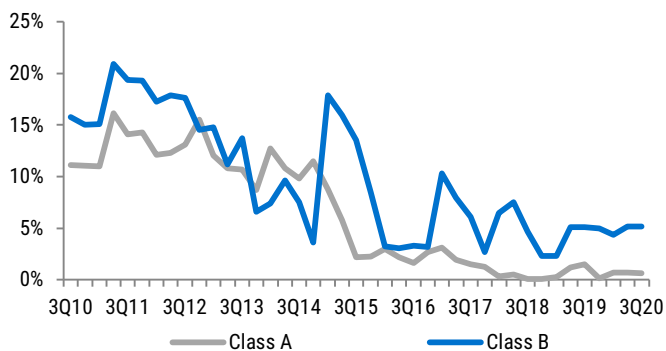
## BOSTON AND SUBURBS

Due to high rents and a lack of high-quality, readily occupiable laboratory space in Cambridge, Boston and suburban leasing has proven to be a critical relief valve for the region. Key clusters continue to develop in markets like Seaport, Fenway, Watertown, Waltham and Lexington as new tenant demand pushes out from Cambridge. Breakthrough Properties recently executed a full-building lease with Cambridge-based CRISPR Therapeutics at its 263,500 SF Seaport development, The 105. Other developments set to move forward in the Seaport include Alexandria Real Estate's 316,750 SF building at 15 Necco Street, the former GE site, and a 375,000 SF laboratory development at Related Beal's Channelside. Activity is also increasing in emerging life science markets including Somerville, Allston and Boston's CBD.

The impact of COVID-19 on office demand has nearly every landlord evaluating their portfolio for potential laboratory conversions. Robust leasing, from firms such as Forma Therapeutics, Azzur Cleanrooms, Affinia Therapeutics and Scorpion Therapeutics, led to the repositioning of several office and industrial assets throughout Boston and the suburbs during the third quarter. The entirety of Greater Boston's inventory growth, totaling more than 900,000 SF, over the third quarter can be attributed to this trend. As the list of properties slated for conversion expands and developers continue to break ground on new laboratory construction, sustained inventory growth outside of Cambridge is expected in the coming years.

### DIRECT AVAILABILITY RATES – CAMBRIDGE LAB

#### Availability Rates by Class



## CAPITAL MARKETS

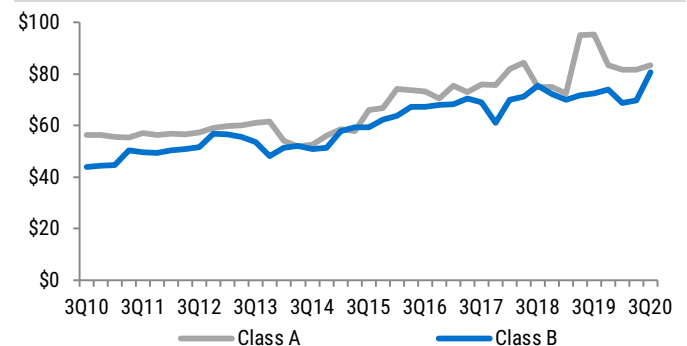
Life sciences is arguably the hottest asset class in the U.S., and there is plenty of institutional capital chasing the laboratory market. Alexandria Real Estate is rapidly expanding its suburban portfolio – most recently acquiring Reservoir Woods East in Waltham and One Upland Road in Norwood. IQHQ expanded its footprint as well, purchasing Alewife Park in West Cambridge from owner-user GCP Applied Technologies with the intent to reposition the site. In Devens, King Street Properties bought two sites on Jackson Road that have a potential for 550,000 SF of GMP manufacturing development. Principal owner of 371,000 SF Charles Park in East Cambridge is looking for a new partner to help reposition these office assets to laboratory. A two-property portfolio in Framingham, owned by King Street Properties and anchored by Sanofi, Replimune and CRISPR Therapeutics, came to market recently as well.

## LOOKING FORWARD

Though Greater Boston's life science market is not immune to the impacts of the pandemic, fundamentals remain very strong. Expect a greater emphasis on life sciences as a result of COVID-19, which will 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 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
Bristol Myers Squibb	250 Water Street, Cambridge	East Cambridge	Direct	360,000
CRISPR Therapeutics	The 105 by Breakthrough, Boston	Boston – Seaport	Direct	263,500
BlueRock Therapeutics	238 Main Street, Cambridge	East Cambridge	Direct	73,830
Forma Therapeutics	300 North Beacon Street, Watertown	Inner Suburbs	Direct	53,000
Azzur Cleanrooms	60 Blanchard Road, Burlington	North – Route 128	Direct	50,300
Affinia Therapeutics	43 Foundry Avenue, Waltham	West – Route 128	Direct	31,590

## 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	0.4%	53,293	414,678	*\$110.00	*\$98.00	-
Mid Cambridge	2,951,620	0	0.6%	-2,135	-19,080	\$90.92	\$88.00	\$88.70
West Cambridge	1,405,247	0	14.2%	-24,564	256,062	\$82.00	\$78.21	\$79.57
<b>Cambridge Total</b>	<b>12,102,267</b>	<b>1,268,800</b>	<b>2.1%</b>	<b>26,594</b>	<b>651,660</b>	<b>\$83.43</b>	<b>\$80.68</b>	<b>\$81.60</b>
Boston - Seaport	1,585,500	513,500	16.7%	-28,226	-6,447	*\$90.00	\$81.58	\$81.58
Boston - Fenway/LMA	1,404,946	263,994	0.0%	0	26,831	*\$85.00	*\$75.00	-
Inner Suburbs / Urban Edge	1,913,848	275,090	9.1%	26,798	60,235	\$76.62	\$42.00	\$74.69
North - Route 128	1,519,275	0	14.2%	-47,706	-50,774	\$48.71	\$21.65	\$38.95
West - Route 128	4,259,395	213,890	12.9%	97,624	358,433	\$48.75	\$40.97	\$48.07
<b>Route 128 Total**</b>	<b>6,205,515</b>	<b>213,890</b>	<b>12.3%</b>	<b>49,918</b>	<b>307,659</b>	<b>\$48.75</b>	<b>\$29.30</b>	<b>\$45.59</b>
Route 495	1,143,601	0	25.9%	110,864	73,864	\$42.00	\$21.42	\$34.74
<b>Market Total</b>	<b>24,470,020</b>	<b>2,535,274</b>	<b>7.3%</b>	<b>163,731</b>	<b>1,091,585</b>	<b>\$53.03</b>	<b>\$59.47</b>	<b>\$55.41</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.

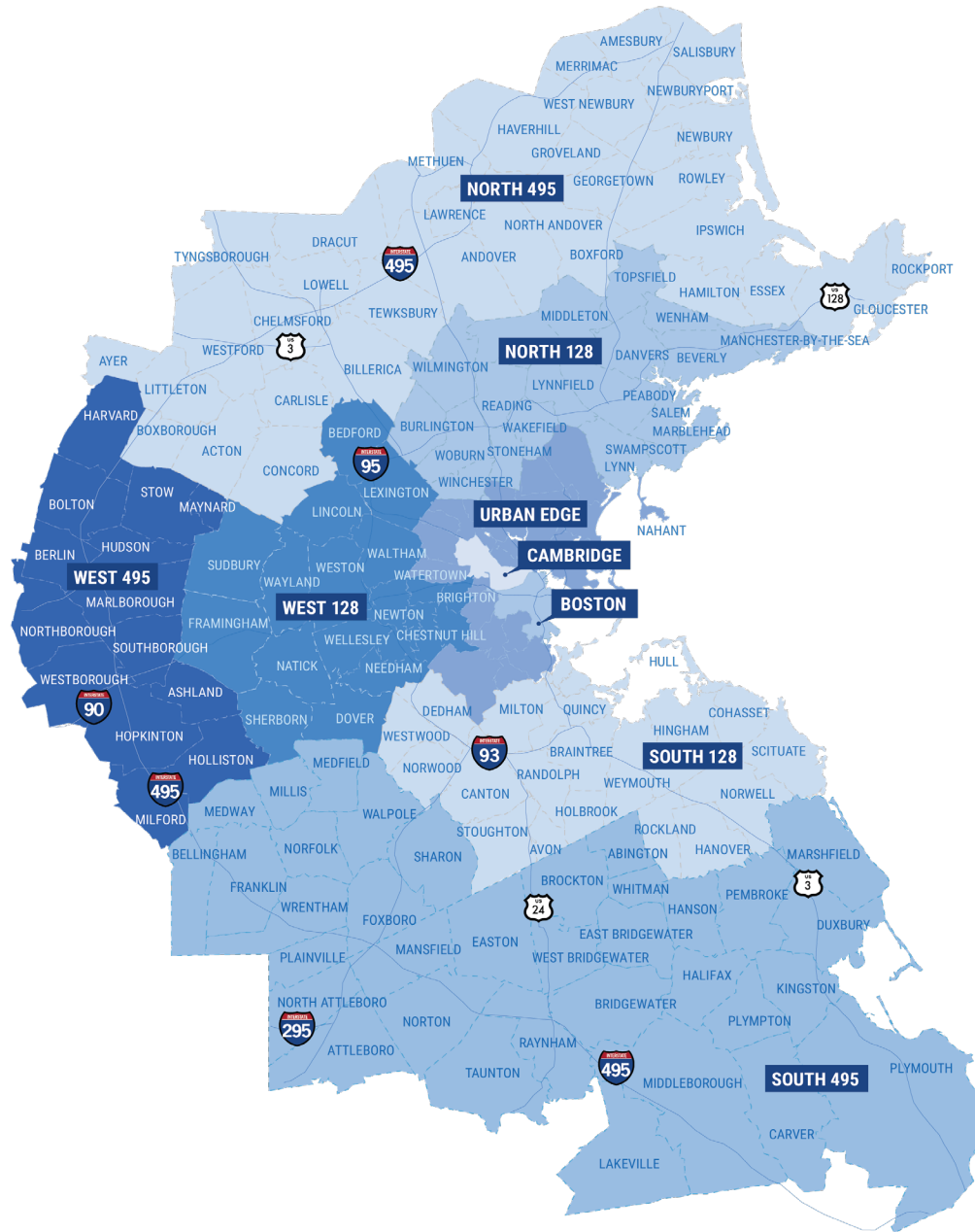
\*\* Route 128 Total statistics include several laboratory buildings located in the South - Route 128 market.

## 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	0.4%	60,777	417,278	\$110.00
Mid Cambridge	2,151,818	0	0.5%	1,365	-9,844	\$90.92
West Cambridge	1,041,424	0	9.1%	-6,764	257,364	\$82.00

## 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	0.6%	-7,484	-2,600	\$98.00
Mid Cambridge	799,802	0	0.8%	-3,500	-9,236	\$88.00
West Cambridge	363,823	0	28.7%	-17,800	-1,292	\$78.21



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