

# Market Review

Metro Boston Real Estate Market Review | 2nd Quarter 2011



# Boston Office Market



## HIGHLIGHTS

- Class A office vacancy has been rebounding since 2010, reflecting brisk demand for Class A office space in the prime Back Bay and Financial District. Class A office rates range from \$38.00 – \$55.00/SF gross with landlord build-out allowances of \$25.00 – \$50.00/SF. Class B office rates range from \$28.00 – \$36.00/SF gross with \$15.00 – \$25.00/SF allowances.
- **Once again Back Bay leads the way on low vacancy.** The super-hot Back Bay market eclipses the other Boston submarkets with its low single-digit vacancy, high rents, positive absorption and unbeatable amenities for tenants who want to attract top-quality office professionals. But there is little running room there for growing firms, so the Financial District and Seaport are poised to benefit as next-best choices with contrasting vacancy and affordable rents for plenty of improved rehab space in the \$30s/SF.
- **Vertex Pharmaceuticals has underlined the migration trend from Cambridge to Boston.** There has been a noticeable flow of high tech tenants from Cambridge even before the Vertex signing for 1 million SF at Fan Pier. Lured by more supply, lower rents and in some cases financial assistance from the BRA and other public agencies, some Cambridge tenants are finding new homes in the Seaport and other sections of Boston.
- **Total existing Boston lab space is now 3.3 million SF, or 6.5% of the total Boston Class A&B and flex space inventory.** At the end of Q2, 2011, Boston's lab vacancy was 3.2%. Boston lab rates have an even wider range than Cambridge due to the peak rates in the Longwood Medical Area (LMA). The total spectrum is \$25.00 – \$90.00/SF NNN with landlord build-out allowances ranging from zero on some existing suites all the way up to complete \$150.00 – \$175.00/SF lab build-outs on Class A shell space. The typical mid-range retrofit deal on second generation lab space is a \$50.00 – \$80.00/SF build-out allowance with mid to high \$40's NNN rents.

\*Vacant space, vacancy rate values include direct and sublease space.

## CLASS A OFFICE SPACE

Office Submarket	Space Inventory	Direct Vacant Space	Sublease Vacant Space	Total Vacant Space	Average Rental Rates	Direct Vacancy (%)	Total Vacancy (%)
Financial District	30,753,339	4,878,995	149,015	5,028,010	\$42	15.9%	16.3%
North Station/North End	1,633,531	185,017	0	185,017	\$29	11.3%	11.3%
Seaport	2,086,334	415,464	0	415,464	\$60	19.9%	19.9%
Charlestown	903,771	25,910	10,089	35,999	\$33	2.9%	4.0%
Back Bay	11,483,293	674,088	146,437	820,525	\$46	5.9%	7.1%
<b>Downtown Boston</b>	<b>46,860,268</b>	<b>6,179,474</b>	<b>305,541</b>	<b>6,485,015</b>	<b>\$43</b>	<b>13.2%</b>	<b>13.8%</b>

## CLASS B OFFICE SPACE

Office Submarket	Space Inventory	Direct Vacant Space	Sublease Vacant Space	Total Vacant Space	Average Rental Rates	Direct Vacancy (%)	Total Vacancy (%)
Financial District	9,706,961	900,483	17,555	918,038	\$28	9.3%	9.5%
North Station/North End	5,853,629	219,579	11,209	230,788	\$26	3.8%	3.9%
Seaport	5,038,594	818,321	74,400	892,721	\$25	16.2%	17.7%
Charlestown	1,879,055	66,374	33,775	100,149	\$25	3.5%	5.3%
Back Bay	2,417,356	265,144	0	265,144	\$34	11.0%	11.0%
<b>Downtown Boston</b>	<b>24,895,595</b>	<b>2,269,901</b>	<b>136,939</b>	<b>2,406,840</b>	<b>\$27</b>	<b>9.1%</b>	<b>9.7%</b>

Source: CoStar, NAI Hunneman Commercial Company. Prepared: July, 2011. Rental Rates are asking rents on direct space as reported by CoStar  
Disclaimer: The above data is from sources deemed to be generally reliable, but no warranty is made as to the accuracy of the data nor its usefulness for any particular purpose.

- Looking forward, all eyes are on tech start-ups as we await the next wave of the Boston economy.

## NOTEWORTHY TRANSACTIONS

- NAI Hunneman represented Fraunhofer Center for Sustainable Energy Systems in a 50,000 SF lease with an option to buy at 5 Channel Center, to be fully rehabbed and upgraded to a new cleantech office/R&D headquarters.
- LPL Financial – 69,000 SF and LEK Consulting – 61,000 SF and New Boston Fund – 25,000 SF expansion/relocations to 75 State Street.
- Two 80,000 SF deals each with Bright Cove and Communispace at Atlantic Wharf and 15,000 SF there with the Boston Society of Architects.
- Oppenheimer – 25,000 SF at One Federal Street.

# Metro Boston Real Estate Market Review Q2/11

## Cambridge Office/Lab Market



### HIGHLIGHTS

- Class A office vacancy has been gradually lowering in percentages from the mid-teens, reflecting slower demand for office space compared to the lab market. Class B also continues to dip downward – it's getting harder to find quality low-cost office space in Cambridge. Class A office rates range from \$35.00 – \$50.00/SF gross with landlord build-out allowances of \$27.00 – \$50.00/SF. Class B office rates are \$20.00 – \$35.00/SF gross with a \$15.00 – \$25.00/SF allowances. Total existing Cambridge lab space is now 8.6 million SF, or 37.3% of the total Cambridge Class A&B and flex space inventory. End of Q2, 2011 lab vacancy 17.7%: but only 4.5% when existing vacant blocks over 100,000 SF are subtracted. That explains why the Cambridge lab market is so tight for small and medium tenants.
- Lab rates range from \$25.00 – \$75.00/SF NNN with landlord build-out allowances ranging from zero to complete \$150.00 – \$175.00/SF lab build-outs on Class A shell space. Mid-range retrofit deals on second generation lab space offers \$50.00 – \$80.00/SF build-out allowance with mid to high \$40's NNN rents.
- The most active Cambridge lab locations in Cambridge continue to be The Athenaeum House at 215 First Street, One Kendall Square (OKS) and 840 Memorial Drive, offering upgraded second-generation 5 – 50,000 SF lab suites at mid-high \$40s/SF NNN to a new generation of startups
- **Lab incubator suites are hot!** Alexandria, Biomed, MIT and Beal Companies have seen great activity in their incubator lab suites from VC-backed startups as small as 4,000 SF at 215 First Street, 325 and 345 Vassar Street and OKS. Third Rock Ventures has been particularly active and continues to roll out multiple lab startups in Cambridge. West Cambridge Science Park, the lowest cost incubator in Cambridge, has been full, so 85 Bolton Street leased most of its 30,000 SF of existing lab space in the first half of 2011 after deciding to offer small suites from 2,000 SF up.

### CLASS A OFFICE SPACE

Office Submarket	Space Inventory	Direct Vacant Space	Sublease Vacant Space	Total Vacant Space	Average Rental Rates	Direct Vacancy (%)	Total Vacancy (%)
East Cambridge	9,863,487	1,145,586	18,919	1,164,505	\$49	11.6%	11.8%
Central Cambridge	3,516,830	401,452	0	401,452	\$33	11.4%	11.4%
West Cambridge	1,398,754	295,661	0	295,661	\$27	21.1%	21.1%
<b>Cambridge</b>	<b>14,779,071</b>	<b>1,842,699</b>	<b>18,919</b>	<b>1,861,618</b>	<b>\$43</b>	<b>12.5%</b>	

### CLASS B OFFICE SPACE

Office Submarket	Space Inventory	Direct Vacant Space	Sublease Vacant Space	Total Vacant Space	Average Rental Rates	Direct Vacancy (%)	Total Vacancy (%)
East Cambridge	1,993,562	98,442	0	98,442	\$30	4.9%	4.9%
Central Cambridge	2,333,010	179,770	1,052	180,822	\$33	7.7%	7.8%
West Cambridge	789,888	146,620	0	146,620	\$20	18.6%	18.6%
<b>Cambridge</b>	<b>5,116,460</b>	<b>424,832</b>	<b>1,052</b>	<b>425,884</b>	<b>\$30</b>	<b>8.3%</b>	<b>8.3%</b>

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- **The East Cambridge lab market for large blocks of shell space is not so tight.** There are now three blocks of existing lab-capable space available to a user of 100,000 SF or more and much more available for build-to-suit candidates. Clearly the major development players for high-priced anchor lab tenants have lined up to swing for the fences.

### NOTEWORTHY TRANSACTIONS

- NAI Hunneman recently represented both VMware on its 70,000 SF lease extension and the Broad Institute on its 17,705 SF sublease from VMware at 5 Cambridge Center.
- Millennium (Takeda) Pharmaceuticals expansion into 38,000 SF at 350 Mass Ave.
- Blueprint Medicines – 15,000 SF and Verastem – 8,000 SF at 215 First Street, both financed by Third Rock Ventures
- H3 Biomedicine – 50,000 SF at 300 Tech Square
- Catabasis – 9,000 SF, Visterra 11,000 SF and Nine Point 17,000 SF at OKS
- Epizyme – 18,000 SF at 325 Vassar Street
- Good Start Genetics – 15,000 SF at 19 Blackstone Street

# Metro Boston Real Estate Market Review Q2/11

## Suburban Office/Lab Market



### HIGHLIGHTS

- Class A office rates range from \$24.00 – \$35.00 SF gross in the Route 128 loop while Class B office rates are \$18.00 – \$25.00 SF gross. Class A office vacancy has been leading the recovery for the last year, with high quality space in the prime markets still attracting the most leasing activity and a drop of 2% vacancy over mid-2010. We expect Class A rates to inch upward as little new construction adds to the inventory. Class B continues with higher vacancies as plenty of inventory remains and demand is spotty.
- On the lab front, the end of Q2, 2011 saw a lab vacancy of 16.7% in the most active submarket, 128 West, where lab space is now over 10% of the total office/flex inventory. As in its feeder market of Cambridge, the 128 West vacancy is highest for big blocks: under 50,000 SF the vacancy falls to 11.5%, and under 20,000 SF the vacancy is only 7.6%. Suburban lab rates generally range from \$25.00 – \$35.00/SF NNN with landlord build-out allowances ranging from \$15.00 – \$20.00/SF on some existing suites up to \$80.00 – \$100.00/SF lab build-outs on Class A shell space.
- **The near-suburban exodus continues from the Cambridge lab market.** As more lab product is developed on Hartwell Avenue and Waltham and offered at \$15.00 – \$30.00/SF less than Cambridge rates, the lab migration trend from Cambridge to the Route 2/128 corridor continues at an impressive clip. Three major leases of 20,000 – 25,000 SF were recorded in Lexington alone during the first half of 2011. More are coming right behind them with tenants such as Dyax and Joule both trolling for around 40,000 SF and Seaside Therapeutics searching in the 25,000 SF range.
- Boston Properties has embarked on a major upgrade program on the 1 million SF Bay Colony Corporate Center complex it acquired in February, 2011. The high profile development sites like Sam Park's redevelopment of the former Polaroid headquarters in Waltham

### CLASS A OFFICE SPACE

Office Submarket	Space Inventory	Direct Vacant Space	Sublease Vacant Space	Total Vacant Space	Average Rental Rates	Direct Vacancy (%)	Total Vacancy (%)
Route 128 North	9,336,806	1,754,932	31,168	1,786,100	\$23	18.8%	19.1%
Route 128 Northwest	8,422,047	926,321	165,527	1,091,848	\$25	11.0%	13.0%
Route 128 West	14,767,395	1,827,774	156,375	1,984,149	\$28	12.4%	13.4%
Route 128 Southwest	1,878,561	314,809	16,791	331,600	\$24	16.8%	17.7%
Route 128 South	4,791,662	887,107	169,786	1,056,893	\$22	18.5%	22.1%
<b>Route 128 Loop</b>	<b>39,196,471</b>	<b>5,710,943</b>	<b>539,647</b>	<b>6,250,590</b>	<b>\$26</b>	<b>14.6%</b>	<b>15.9%</b>
I-495 North	3,416,392	669,988	28,509	698,497	\$20	19.6%	20.4%
I-495 Northwest	3,970,043	322,263	34,326	356,589	\$19	8.1%	9.0%
I-495 West	5,549,036	748,028	179,744	927,772	\$19	13.5%	16.7%
I-495 Southwest	788,441	283,937	0	283,937	\$21	36.0%	36.0%
I-495 South	137,000	27,110	0	27,110	\$21	19.8%	19.8%
<b>I-495 Loop</b>	<b>13,860,912</b>	<b>2,051,326</b>	<b>242,579</b>	<b>2,293,905</b>	<b>\$19</b>	<b>14.8%</b>	<b>16.5%</b>

### CLASS B OFFICE SPACE

Office Submarket	Space Inventory	Direct Vacant Space	Sublease Vacant Space	Total Vacant Space	Average Rental Rates	Direct Vacancy (%)	Total Vacancy (%)
Route 128 North	8,276,364	1,060,048	23,500	1,083,548	\$18	12.8%	13.1%
Route 128 Northwest	5,727,111	946,628	228,165	1,174,793	\$17	16.5%	20.5%
Route 128 West	14,893,633	1,894,458	63,928	1,958,386	\$21	12.7%	13.1%
Route 128 Southwest	3,432,310	482,686	18,000	500,686	\$18	14.1%	14.6%
Route 128 South	5,716,196	851,288	3,700	854,988	\$17	14.9%	15.0%
<b>Route 128 Loop</b>	<b>38,045,614</b>	<b>5,235,108</b>	<b>337,293</b>	<b>5,572,401</b>	<b>\$19</b>	<b>13.8%</b>	<b>14.6%</b>
I-495 North	3,281,892	569,538	0	569,538	\$17	17.4%	17.4%
I-495 Northwest	5,343,709	1,031,939	174,607	1,206,546	\$17	19.3%	22.6%
I-495 West	6,391,687	990,803	133,905	1,124,708	\$17	15.5%	17.6%
I-495 Southwest	1,214,424	234,904	0	234,904	\$20	19.3%	19.3%
I-495 South	1,385,505	202,500	0	202,500	\$19	14.6%	14.6%
<b>I-495 Loop</b>	<b>17,617,217</b>	<b>3,029,684</b>	<b>308,512</b>	<b>3,338,196</b>	<b>\$17</b>	<b>17.2%</b>	<b>18.9%</b>

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and Nordic Properties' Northwest Park in Burlington have retooled their plans by scaling down some office components in favor of residential and retail uses.

### NOTEWORTHY TRANSACTIONS

- NAI Hunneman represented inVentiv Health in a 58,000 SF expansion/renewal at One Van de Graaf Drive, Burlington following the acquisition of Adheris Health.
- Acme Packet completed a 110,000 SF

expansion at 100 Crosby Drive, Bedford

- AstraZeneca – 47,000 SF at 266 Second Avenue, Waltham conversion to lab space in this location near their local headquarters off Winter Street.
- T2Biosystems – 20,000 SF move from Cambridge to 110 Hartwell Avenue, Lexington. Other Cambridge tenant moves include: Curis & Bioscale each for 25,000 SF at 4 Maguire Road, Lexington.

# Investment Sales



## HIGHLIGHTS

- The investment sales market in Metropolitan Boston has improved and is positioned to continue trending upward for the remainder of 2011. The first half has seen an increase in sales transactions compared to the last few years. A survey of commercial and investment sales (> \$5mm) in 2011 recorded 73 sales worth \$1.92 billion. The survey includes office, multifamily, retail, and industrial properties. 2011 will surpass 2009–2010 volume that saw \$2.03 and \$2.26 billion recorded respectively.
- Overall sales are improving, but remain far off the pace recorded at the height of the market in 2007. Prices remain closely tied to location, asset quality, occupancy, and tenant roster. Opposite ends of the spectrum in the aforementioned categories will produce widely ranging cap rates and values.

## MARKET FOCUS – OFFICE

- Demand for office buildings is coming from a variety of investment groups looking for stabilized assets in top locations like Boston. This demand, along with low interest rates, is colliding with a lack of supply in core markets – resulting in frenzied bidding and cap rate compression.
- If the already improved leasing market takes off with upward rent growth, we will see more investors underwriting based on projected rents. Those already doing that could be ahead of the curve.
- 2011 has seen increased activity, but there were only a handful of large transactions (listed above right) and no office tower sales. However, with the pending sale of 33 Arch Street and 53 State Street and One Lincoln Street set to test the market we should see an increase in large transactions in the 2nd half.
- Cap rates for office buildings range depending on credit quality of the tenants, length of the leases, and asset class. Synergy's purchase of 200 Newport Avenue, at a 7% cap rate, was driven by the long term net lease

## Metro Boston Totals

Year	2007	2008	2009	2010	2011 YTD
Sales Volume	\$14,236,689,502	\$3,469,917,149	\$2,036,326,122	\$2,267,096,549	\$1,923,101,864
# of Sales	444	174	75	117	73

## Large Transactions 2011

Building	Location	Buyer/Seller	Size (SF)	Price	\$/SF
Landmark Center	Boston	JP Morgan & Samuels & Assoc. / Abbey Group	950,000	\$530,532,000	\$558
125 & 150 Cambridge Park Drive	Cambridge	Blackstone Group / Barclays Capital	436,100	\$81,500,000	\$187
45–55 Hayden Avenue	Lexington	Cubist Pharmaceuticals / TA Associates	190,080	\$53,550,000	\$282
690 Canton Street	Westwood	L&B Realty Advisors / Colony Realty Partners	161,843	\$34,500,000	\$213
200 Newport Avenue	Quincy	Synergy Investment / ING Clarion	146,000	\$25,000,000	\$171

## Cap Rates 2011

Building	Location	Buyer/Seller	Price	Cap	\$/SF
31 Milk Street, Unit #2	Boston	Lincoln Properties / LNR Partners	\$12,650,000	6.2%	\$136
121 High Street	Boston	Glanz Properties Blackrock	\$9,250,000	6.0%	\$247
101 Summer Street	Boston	Independencia Synergy Investment	\$11,500,000	8.0%	\$226
200 Newport Avenue	Quincy	Synergy / Clarion Partners	\$25,000,000	7.0%	\$171

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to State Street Bank. Cap rates for multi-tenant buildings can range from 6-8% in Boston's CBD or 7-9% for suburban assets. Cap rates of 10% + can be found in tertiary markets with high levels of vacancy and other associated risk.

- The prediction of increasing interest rates has yet to occur as the first 2 quarters witnessed the steady descent of the 10-year treasury. The 10-year treasury rate peaked at 3.725 in early February and then hit a 6 month low of 2.871 in late June. However, the Federal Reserve's QE2 Program to buy U.S. bonds ended in June and some predict the Fed's exit from the market will push

rates higher. However, rates remain low and are likely to stay there while the economy continues to experience slow growth.

- Distressed asset sales were another prediction that did not arrive on time. The anticipated wave of distressed real estate was limited in the last few years as lenders opted to restructure trouble loans. However, with the market improving, banks have begun to sell more holdings. The much anticipated loan sale of Anglo Irish's entire US portfolio, estimated to be worth \$7–8 billion, could trigger more activity from U.S. and foreign banks.

# Industrial/Flex Market



## INDUSTRIAL

- The metropolitan Boston Industrial Market includes 177 million SF.
- The vacancy for Q2 was 10.1%.
- The average asking rent was \$5.80.

## R&D

- The Flex/R&D Market in Metropolitan Boston includes roughly 80 million SF.
- The vacancy rate for Q2 was 13%.
- The average rental rate is \$9.22.

## INDUSTRIAL SUBMARKET

### Focus – South Shore

- Activity continues to be brisk with almost 1 million SF of lease activity that is currently out for signature.
- The only spec warehouse construction for 2011 broke ground at Walpole Park South adding a 117,000 SF building scheduled to be completed in by the end of the year.
- Large space users are on the rise with many out in the market looking for 100,000 – 600,000 SF space options.

## NOTEWORTHY TRANSACTIONS

- 45 Commerce Way in Norton, MA – Sold for \$50.87 PSF on June 16th 2011. 404,960 SF bldg.
- Mohawk Industries leased 40,540 SF from John D Murphy at Walpole Park South
- It is expected that LoJack has leased the entire building at 40 Pequot Way in Canton, MA

## INDUSTRIAL MARKET

Industrial Submarket	Space Inventory	Vacant Space*	Vacancy Rate*	Rental Rate (NNN)
<b>Boston Central Core</b>	<b>22,839,218</b>	<b>2,297,790</b>	<b>10.1%</b>	<b>\$8.01</b>
Route 128 North	27,595,357	1,725,690	6.3%	\$5.98
Route 128 Northwest	4,762,526	236,075	5.0%	\$5.98
Route 128 West	12,109,067	434,235	3.6%	\$9.04
Route 128 Southwest	12,063,728	955,190	7.9%	\$5.00
Route 128 South	25,250,807	3,159,264	12.5%	\$5.21
<b>Route 128 Loop</b>	<b>81,781,485</b>	<b>6,510,454</b>	<b>8.0%</b>	<b>\$6.05</b>
I-495 North	15,729,474	1,210,756	7.7%	\$4.76
I-495 Northwest	10,981,945	1,712,418	15.6%	\$4.62
I-495 West	16,966,149	2,132,679	12.6%	\$5.21
I-495 Southwest	15,490,146	2,142,754	13.8%	\$4.92
I-495 South	13,912,608	1,862,781	13.4%	\$4.56
<b>I-495 Loop</b>	<b>73,080,322</b>	<b>9,061,388</b>	<b>12.4%</b>	<b>\$4.84</b>
<b>Metropolitan Boston</b>	<b>177,701,025</b>	<b>17,869,632</b>	<b>10.1%</b>	<b>\$5.80</b>

## FLEX/R&D MARKET

Industrial Submarket	Space Inventory	Vacant Space*	Vacancy Rate*	Rental Rate (NNN)
<b>Boston Central Core</b>	<b>7,689,412</b>	<b>643,665</b>	<b>8.4%</b>	<b>\$16.74</b>
Route 128 North	14,038,342	1,640,302	11.7%	\$8.22
Route 128 Northwest	9,895,748	1,832,415	18.5%	\$8.54
Route 128 West	8,195,014	495,572	6.0%	\$10.21
Route 128 Southwest	6,027,894	629,328	10.4%	\$8.36
Route 128 South	3,720,974	383,605	10.3%	\$8.77
<b>Route 128 Loop</b>	<b>41,877,972</b>	<b>4,981,222</b>	<b>11.9%</b>	<b>\$8.75</b>
I-495 North	8,698,876	2,059,203	23.7%	\$7.31
I-495 Northwest	5,975,842	682,750	11.4%	\$8.45
I-495 West	10,176,921	1,887,817	18.5%	\$7.00
I-495 Southwest	3,733,715	123,258	3.3%	\$10.98
I-495 South	2,175,791	79,485	3.7%	\$8.65
<b>I-495 Loop</b>	<b>30,761,145</b>	<b>4,832,513</b>	<b>15.7%</b>	<b>\$7.97</b>
<b>Metropolitan Boston</b>	<b>80,328,529</b>	<b>10,457,400</b>	<b>13.0%</b>	<b>\$9.22</b>

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# Office Market Conditions

## CLASS A & B OFFICE MARKET

Office Submarket	Space Inventory	Direct Vacant Space	Sublease Vacant Space	Total Vacant Space	Average Rental Rates	Direct Vacancy %	Total Vacancy %
Financial District	40,460,300	5,779,478	166,570	5,946,048	\$39	14.3%	14.7%
North Station/North End	7,487,160	404,596	11,209	415,805	\$26	5.4%	5.6%
South Station/Ft. Point	7,124,928	1,233,785	74,400	1,308,185	\$35	17.3%	18.4%
Charlestown	2,782,826	92,284	43,864	136,148	\$28	3.3%	4.9%
Back Bay	13,900,649	939,232	146,437	1,085,669	\$44	6.8%	7.8%
<b>Downtown Boston</b>	<b>71,755,863</b>	<b>8,449,375</b>	<b>442,480</b>	<b>8,891,855</b>	<b>\$38</b>	<b>11.8%</b>	<b>12.4%</b>
East Cambridge	11,857,049	1,244,028	18,919	1,262,947	\$45	10.5%	10.7%
Central Cambridge	5,849,840	581,222	1,052	582,274	\$33	9.9%	10.0%
West Cambridge	2,188,642	442,281	0	442,281	\$24	20.2%	20.2%
<b>Cambridge</b>	<b>19,895,531</b>	<b>2,267,531</b>	<b>19,971</b>	<b>2,287,502</b>	<b>\$39</b>	<b>11.4%</b>	<b>11.5%</b>
Route 128 North	17,613,170	2,814,980	54,668	2,869,648	\$21	16.0%	16.3%
Route 128 Northwest	14,149,158	1,872,949	393,692	2,266,641	\$22	13.2%	16.0%
Route 128 West	29,661,028	3,722,232	220,303	3,942,535	\$25	12.5%	13.3%
Route 128 Southwest	5,310,871	797,495	34,791	832,286	\$20	15.0%	15.7%
Route 128 South	10,507,858	1,738,395	173,486	1,911,881	\$19	16.5%	18.2%
<b>Route 128 Loop</b>	<b>77,242,085</b>	<b>10,946,051</b>	<b>876,940</b>	<b>11,822,991</b>	<b>\$22</b>	<b>14.2%</b>	<b>15.3%</b>
I-495 North	6,698,284	1,239,526	28,509	1,268,035	\$18	18.5%	18.9%
I-495 Northwest	9,313,752	1,354,202	208,933	1,563,135	\$18	14.5%	16.8%
I-495 West	11,940,723	1,738,831	313,649	2,052,480	\$18	14.6%	17.2%
I-495 Southwest	2,002,865	518,841	0	518,841	\$21	25.9%	25.9%
I-495 South	1,522,505	229,610	0	229,610	\$20	15.1%	15.1%
<b>I-495 Loop</b>	<b>31,478,129</b>	<b>5,081,010</b>	<b>551,091</b>	<b>5,632,101</b>	<b>\$18</b>	<b>16.1%</b>	<b>17.9%</b>
<b>Metropolitan Boston</b>	<b>200,371,608</b>	<b>26,743,967</b>	<b>1,890,482</b>	<b>28,634,449</b>	<b>\$28.87</b>	<b>13.3%</b>	<b>14.3%</b>

## CLASS A & B OFFICE - AVAILABLE SUBLEASE SPACE & RENTS

Office Submarket	AVAILABLE SUBLEASE SPACE				SUBLEASE ASKING RENTS			
	2011 Q2	2011 Q1	2010 Q4	2010 Q3	2011 Q2	2011 Q1	2010 Q4	2010 Q3
Downtown Boston	1,079,853	1,146,971	1,219,963	1,369,828	\$27.72	\$27.62	\$29.38	\$30.17
Cambridge	399,309	164,487	247,160	332,897	\$35.58	\$30.73	\$32.56	\$26.63
Route 128 Loop	2,036,832	1,947,118	2,022,532	2,172,301	\$18.05	\$17.99	\$17.48	\$18.01
I-495 Loop	1,082,225	1,006,185	1,185,617	1,241,427	\$13.84	\$14.13	\$14.93	\$13.97
<b>Metropolitan Boston</b>	<b>4,598,219</b>	<b>4,264,761</b>	<b>4,675,272</b>	<b>5,116,453</b>	<b>\$19.41</b>	<b>\$19.60</b>	<b>\$20.50</b>	<b>\$19.43</b>

## CLASS A & B OFFICE - CHANGES FROM PREVIOUS QUARTER & YEAR

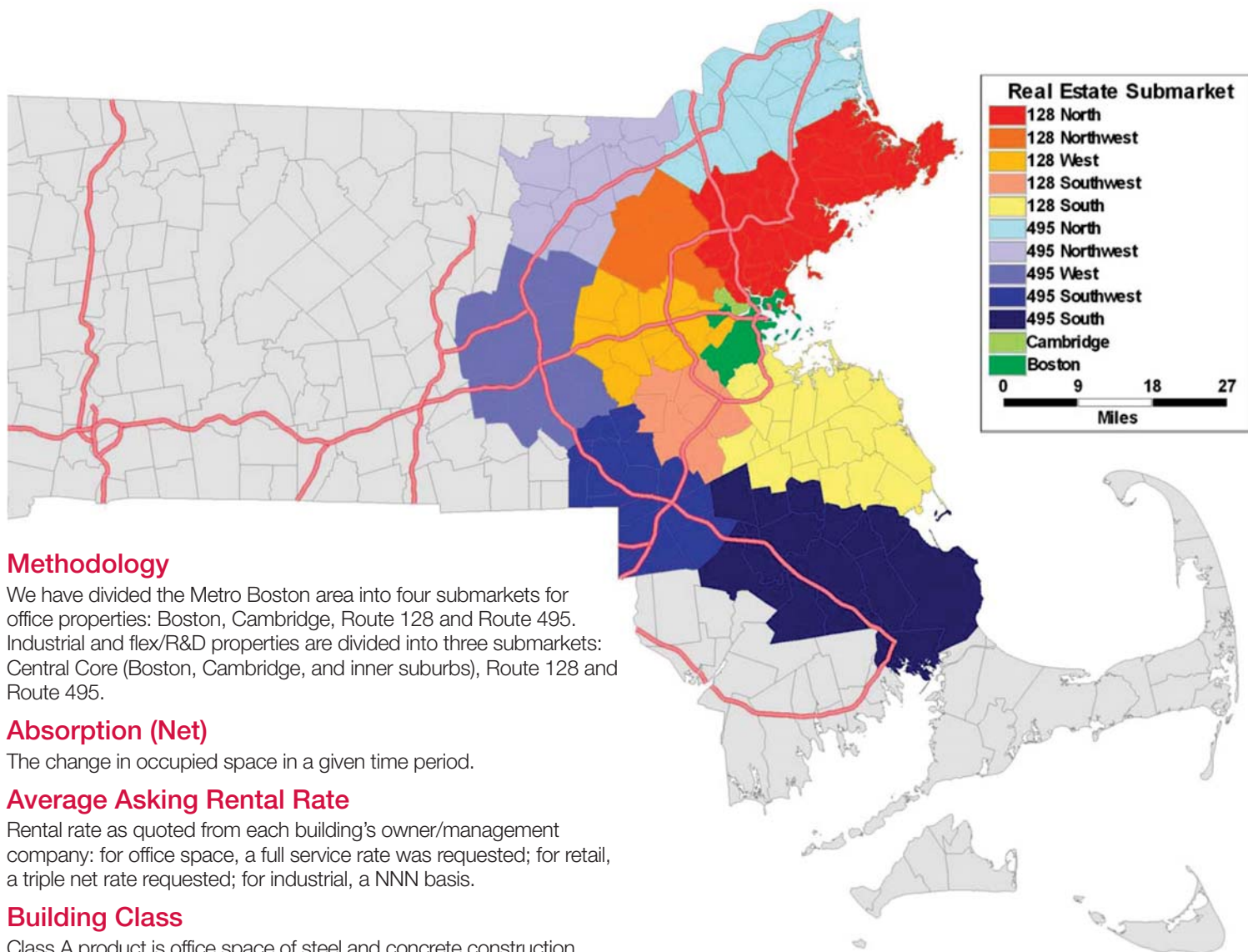
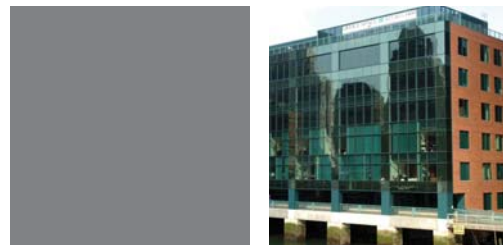
Office Submarket	ASKING RENTS			VACANCY RATES			ABSORPTION		
	2011 Q2	2011 Q1	2010 Q2	2011 Q2	2011 Q1	2010 Q2	2011 Q2	2011 Q1	2010 Q2
Downtown Boston	\$37.73	\$36.75	\$36.97	12.39%	11.81%	10.84%	(336,874)	(155,396)	(251,998)
Cambridge	\$39.36	\$39.34	\$37.15	11.50%	9.91%	13.27%	(230,467)	5,925	(203,095)
Route 128 Loop	\$22.30	\$22.40	\$21.82	15.31%	15.67%	15.94%	413,540	230,033	(165,342)
I-495 Loop	\$18.16	\$18.44	\$17.08	17.89%	18.23%	19.33%	(117,730)	206,152	(67,594)
<b>Metropolitan Boston</b>	<b>\$28.87</b>	<b>\$28.74</b>	<b>\$27.92</b>	<b>14.29%</b>	<b>14.07%</b>	<b>14.40%</b>	<b>(271,531)</b>	<b>286,714</b>	<b>(688,029)</b>

Source: CoStar, NAI Hunneman Commercial Company Prepared: July, 2011

Disclaimer: The above data is from sources deemed to be generally reliable, but no warranty is made as to the accuracy of the data nor its usefulness for any particular purpose.

# NAI HUNNEMAN

Methodology / Definitions / Submarket Map



## Methodology

We have divided the Metro Boston area into four submarkets for office properties: Boston, Cambridge, Route 128 and Route 495. Industrial and flex/R&D properties are divided into three submarkets: Central Core (Boston, Cambridge, and inner suburbs), Route 128 and Route 495.

## Absorption (Net)

The change in occupied space in a given time period.

## Average Asking Rental Rate

Rental rate as quoted from each building's owner/management company: for office space, a full service rate was requested; for retail, a triple net rate requested; for industrial, a NNN basis.

## Building Class

Class A product is office space of steel and concrete construction, quality tenants, excellent amenities & premium rates. Class B product is office space with fair to good finishes and a wide range of tenants.

## Cap Rate

The net operating income divided by the sales price or value of a property expressed as a percentage.

## CBD

Central business district

## Direct Vacancy

Space currently available for lease directly with the landlord or building owner.

## Overall Vacancy

All unoccupied lease space, either direct or sublease.

## Sublease

Arrangement in which a tenant leases rental property to another, and the tenant becomes the landlord to the subtenant.

## Total Square Footage

Net rentable area considered available for lease; includes sublease space.