

# NAI Hunneman Medical Device Real Estate Index

## Massachusetts Medical Devices: A national leader in a world-class cluster

MassMedic's 2007 profile of the medical devices industry in Massachusetts, completed by the University of Massachusetts Donahue Institute and underwritten by NAI Hunneman and Ernst & Young, describes a critical component of the state's world class life science cluster and an economic sector that is a national leader in its own right. Massachusetts ranks among the top three states in the US in both per capita and absolute numbers of medical device employment. For Massachusetts, the medical device industry continues to be a stable manufacturing employer that attracts investment capital and drives export growth.



144 Middlesex Turnpike, Burlington  
Tenant: Keystone Dental Inc.

As a global real estate advisory firm based in Boston, NAI Hunneman has worked extensively with medical device companies. We have developed an index which tracks the real estate portfolios of 200 of the top medical device companies in the Metro Boston market. The following profile of medical device real estate in Massachusetts is taken from our Index.

### Profile of Medical Device Occupied Real Estate in Massachusetts



205 Burlington Road, Bedford  
Tenant: NovaBiomedical Corporation

21% is owner occupied; the balance is leased or subleased.

The 200 companies in the NAI Hunneman Medical Device Real Estate Index occupy over 10,000,000 SF at an average 282 SF per employee.

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### Adaptability appeals to landlords and communities



100 Minuteman Drive, Andover  
Tenant: Straumann

Medical device companies occupy a variety of space types: 42% office, 38% Flex/R&D, and 20% Industrial. These companies easily adapt to space created for other users. As such, medical device companies are highly desirable recruitment targets for both landlords and local economic development entities.

### Modest but steady growth



30 Upton Drive, Wilmington  
Tenant: ATC Technologies

Between Q1 2005 and Q1 2007, real estate occupied by the 200 companies in NAI Hunneman's Index increased by 4.9% reflecting the modest but steady employment growth in the medical device sector.

### Location trends: the 128/495 West and Northwest concentration

In 2004, 74% of the square footage of medical device occupied real estate was found in the suburbs west and north of Boston. In 2007 this concentration of occupied square footage increased to 90% with over 50% found in the 128 submarkets. The 128 West and Northwest submarkets are hot with the 495 West and Northwest submarkets not far behind in terms of concentration of demand.

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## Moves: Employee retention and recruitment concerns keep companies close to home

20 medical device companies in the NAI Hunneman Index moved between Q1 2005 and Q1 2007. Of the eight in the 128 submarkets, four stayed in the same submarket and two moved to other 128 submarkets. Only two jumped from 128 to 495 despite lower rents in the 495 submarkets.

The move picture was similar on 495. Of the eight 495 company moves, only two moved to other markets; one to 128 North and the other to New Hampshire.

Of the four Boston/Cambridge moves, three went to 128 Northwest and one to 128 North. Many of these were strategic in nature in contrast to expansion requirements

## Space availability and pricing

For the hot medical device submarkets west and north of Boston, Q1 2007 vacancies among office, flex R&D, and industrial space are still sufficient to accommodate medical device demand but availabilities are tightening and rents are rising particularly in the office sector in the 128 West and 495 West submarkets.

In addition, as these markets tighten, the quality and size of available space may not always meet medical device needs, forcing more companies to look in the 495 markets where larger blocks of high-quality space are generally more available.

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## SHIFTS IN CONCENTRATION OF MEDICAL DEVICE REAL ESTATE

(FOR THE 200 COMPANIES IN THE NAI HUNNEMAN MEDICAL DEVICE REAL ESTATE INDEX)

Submarket	Q1'05 SF occupied	Q1'07 SF occupied	% of total 2007	Q1'05-Q1'07 % change
128 N & NW	1,939,491	2,326,612	26.8%	20.0%
128 W	2,030,753	1,881,136	21.7%	-7.4%
128 S & SW	811,257	802,851	9.2%	-1.0%
495 N & NW	1,528,044	1,535,342	17.7%	0.5%
495 W	1,618,296	1,732,437	19.9%	7.1%
495 S & SW	930,108	916,787	10.6%	-1.4%
Boston & Cambridge	694,095	823,222	9.5%	18.6%
<b>TOTAL</b>	<b>9,552,044</b>	<b>10,018,387</b>		<b>4.9%</b>

## MARKET CONDITIONS FOR MEDICAL DEVICE COMPANIES SEEKING SPACE

Submarket	Q1'07 Submarket Vacancies and Average Asking Rent					
	Class A & B Office		Flex/R&D		Industrial	
	Vacancy	Rent	Vacancy	Rent	Vacancy	Rent
128 N & NW	18.7%	\$22.00	21.0%	\$8.80	9.7%	\$6.41
128 W	11.5%	\$27.00	12.2%	\$13.86	3.9%	\$8.62
128 S & SW	14.1%	\$21.00	13.4%	\$8.83	10.2%	\$5.55
495 N & NW	23.4%	\$17.00	13.7%	\$7.25	12.4%	\$5.56
495 W	17.0%	\$20.00	20.5%	\$9.74	10.4%	\$5.94
495 S & SW	12.6%	\$18.00	7.8%	\$8.89	14.5%	\$5.50
Boston & Cambridge	9.9%	\$40.00	9.7%	\$20.10	6.7%	\$8.00

