

Q3

2016

M E T R O B O S T O N

MARKET REPORT



OFFICE & INDUSTRIAL ABSORPTION TOP 1 MILLION SF

NAIHunneman

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INSIDE STATISTICS...



OFFICE

(DOWNTOWN, CAMBRIDGE,
SUBURBAN)



INDUSTRIAL

(WAREHOUSE, FLEX/R&D,
MANUFACTURING)



CAPITAL MARKETS



OFFICE STATISTICS OVERVIEW



DIRECT VACANCY



SUBLEASE VACANCY



12-MONTH ABSORPTION



LEASING ACTIVITY



ASKING RENT

The Suburbs Drive **Strong** Office Absorption

The Greater Boston office market posted another positive quarter with more than 1.4 million square feet in positive absorption. Build-to-suit construction, particularly the completion of Partners Healthcare's 850,000-square-foot office in Somerville, was the driving force behind the majority of this demand. Metrowide vacancies declined by 30 basis points compared to the second quarter and remain 60 basis points below year-ago levels with a majority of submarkets seeing fundamental improvements.

After a relatively slow first half of the year, leasing velocity picked up some steam in the third quarter. Expansions dominated activity across markets, which bodes well for near-term office absorption throughout the metro. This growth, coupled with continued strength in the local economy, will help Greater Boston end this year on a positive note.

Landlords have been able to push through more rent gains with lease rates hitting historically high levels in some segments of the marketplace. Average asking rents ended the third quarter at nearly \$33/SF metrowide with a majority of this cycle's run-up occurring in the downtown and Cambridge markets. However, the pace of growth is slowing as some landlords are beginning to ease on asking rents. While it is still too early to call for widespread weakness in the office market, you may see a turning point in the cycle in the coming quarters.

Greater Boston's development pipeline is filled with projects. Following a slew of new completions this quarter, metrowide there is now 3.5 million square feet (nearly 2%) of total office inventory under construction. Roughly 40% of this space is preleased. Several major projects are also on the horizon; DivcoWest is looking to break ground on a speculative office building at the long-delayed NorthPoint in Cambridge, Boston Properties plans to redevelop 145 Broadway, Cambridge into a 454,000-square-foot build-to-suit for Akamai Technologies and athenahealth is adding a 250,000-square-foot expansion to its campus in Watertown. Other major developments on the docket include the Winthrop Square garage redevelopment, the Volpe Transportation Center redevelopment and the South Station tower.

While Greater Boston's near-term outlook remains decidedly positive, there are some macro trends worth noting. Economic uncertainty surrounding the upcoming elections could weigh on near-term growth. According to the most recent Federal Reserve Beige Book, many districts are reporting "modest" expectations for CRE sales and construction as a result of this uncertainty. A slower global economy remains a risk as well. The IMF recently downgraded its forecast again for US economic growth this year due to weak business investment. Finally, it is still unclear as to if and/or when the FED will raise interest rates. Expectations of a rate hike at the end of this year have risen recently, which will have implications for the broader economy and CRE markets.

TOTAL VACANCY RATE	DIRECT VACANCY	Q3 NET ABSORPTION (SF)	ASKING RENT (\$/SF)	UNDER CONSTRUCTION (SF)
11.6%	10.8%	1,454,716	\$32.91	3,509,304

MA Business Confidence Index:

55.9 OUT OF 100
(Sept 2016)

Boston Unemployment Rate:

3.5%
(August 2016)

Boston Office-using Employment:

11,700
Jobs added
1.6% Growth year-over-year

MA Economy Ranked:

NO. 4
by Wallet Hub

MA Patents per Million Residents:

1,000
(2014)

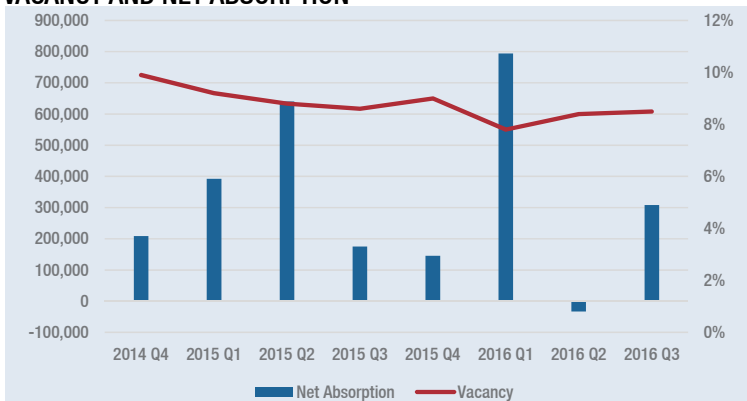


OFFICE STATISTICS

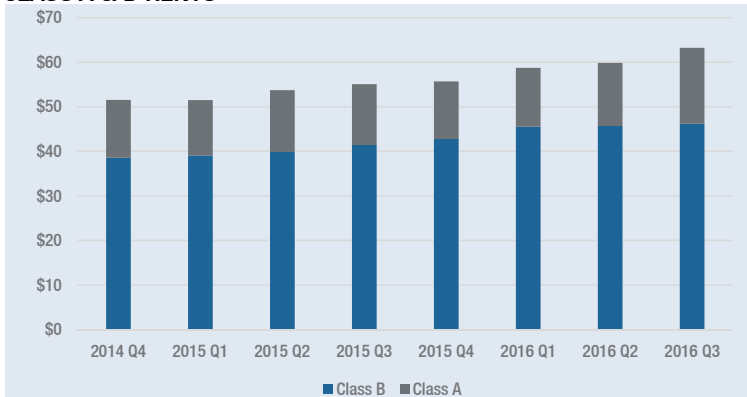
DOWNTOWN

DOWNTOWN	TOTAL INVENTORY (SF)	TOTAL VACANT (SF)	TOTAL VACANCY RATE	Q3 NET ABSORPTION (SF)	YTD NET ABSORPTION (SF)	ASKING RENT (\$/SF)
	Class A	48,495,146	4,185,848	8.6%	426,241	846,990
Class B	20,746,574	1,698,431	8.2%	(117,714)	222,850	\$46.18
CLASS A & B TOTAL	69,241,720	5,884,279	8.5%	308,527	1,069,840	\$58.15

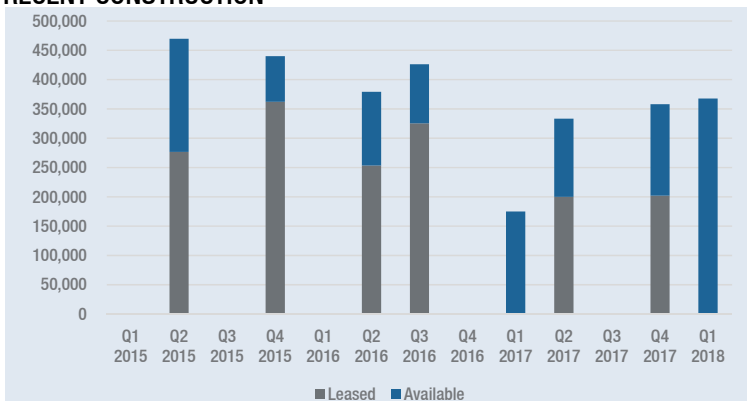
VACANCY AND NET ABSORPTION



CLASS A & B RENTS



RECENT CONSTRUCTION



TRENDS

- Major office users continue their game of musical chairs. Digitas, Wells Fargo, Natixis and the FBI are all relocating within the next year.
- Lease rates in the downtown market are reaching new heights. Quotes for select trophy space in the Financial District and Back Bay are now in the low-\$90/SF range, and continued tenant migration into the Seaport has landlords pushing asking rents into the mid-to-high \$50/SF range. Only time will tell if tenants are willing to pay peak pricing for office space.
- While development has been more subdued compared to previous cycles, projects continue to move through the pipeline. Third-quarter deliveries include 888 Boylston and 9 Channel Center. With more than a million square feet currently underway and a number of major projects in various stages of planning, the downtown market could see another several million square feet of new inventory in the coming years.
- Despite consolidating several downtown and suburban offices into its newly constructed building in Somerville, Partners plans to keep its corporate headquarters in the Prudential Center for now in order to maintain proximity to major area hospitals.
- Wayfair's latest expansion at Copley Place helped to backfill space BMC vacated as it completes a phased move into former Partners' space at the Schrafft's Center.
- Red Hat's 45,000-square-foot expansion into the Seaport is a prime example of Boston's ability to attract new tenants, particularly technology and creative companies, to the market.
- Liberty Mutual is downsizing its Boston real estate holdings. After building a new tower three years ago, Liberty has been renting out the majority of 10 St. James Avenue and 75 Arlington Street. As a result, the insurance giant plans to sell the two Back Bay towers, totaling 825,000 square feet.

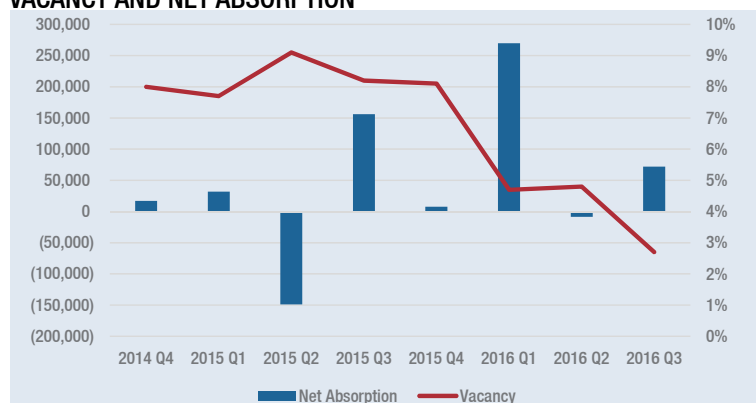
NOTABLE TRANSACTIONS

TENANT	ADDRESS	SIZE	SUBMARKET	TYPE
DigitasLbi	40 Water Street	200,000	Financial District	Relocation
Wayfair	1-3 Copley Place	152,322	Back Bay	Expansion
America's Test Kitchen	21-25 Drydock Avenue	55,000	Seaport	Relocation/Expansion
Red Hat	300 A Street	45,000	Seaport	Expansion
Optum	1325 Boylston Street	25,525	Fenway/Kenmore	Expansion

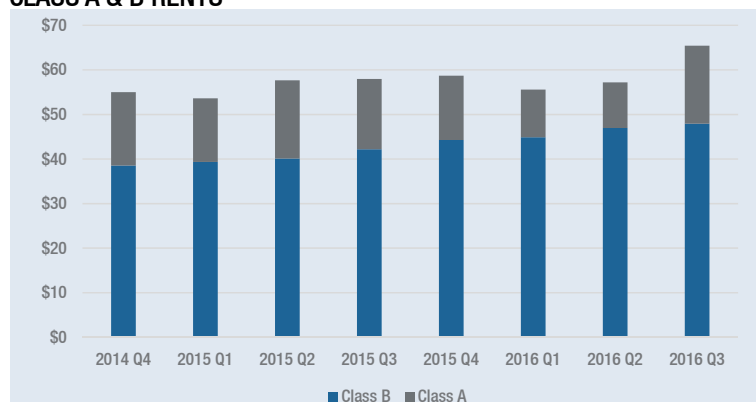


CAMBRIDGE	TOTAL INVENTORY (SF)	TOTAL VACANT (SF)	TOTAL VACANCY RATE	Q3 NET ABSORPTION (SF)	YTD NET ABSORPTION (SF)	ASKING RENT (\$/SF)
	Class A	7,012,837	164,123	2.3%	17,238	194,584
Class B	3,019,310	110,609	3.7%	54,554	138,378	\$47.89
CLASS A & B TOTAL	10,032,147	274,732	2.7%	71,792	332,962	\$59.24

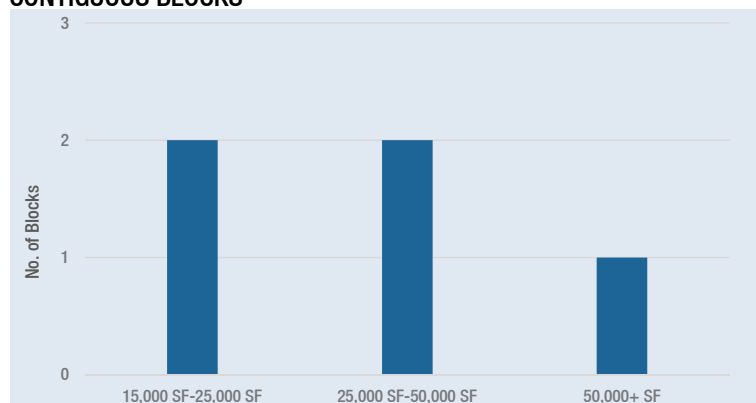
VACANCY AND NET ABSORPTION



CLASS A & B RENTS



CONTIGUOUS BLOCKS



TRENDS

- Fundamentals are nearly as tight in the Cambridge office market as they are in the lab market. Vacancies, at just 2.7%, reached a 10-year low in the third quarter.
- Both Amazon and CarGurus executed expansions this quarter. The online retailer backfilled 30,700 square feet left vacant by Aegerion at 101 Main Street and CarGurus leased another 21,389 square feet at 55 Cambridge Parkway.
- Akamai Technologies is keeping its Cambridge address. The firm has signed an LOI with Boston Properties to lease 454,000 square feet of office space in the yet-to-be-built 145 Broadway. The move will result in a consolidation of Akamai's current locations throughout Cambridge, which total 500,000 square feet. Construction is expected to start in early 2017 with a 2019 completion date.
- In August, Washington D.C.-based cove opened a new coworking space in Kendall Square at 295 Third Street.
- Cambridge College plans to sell its 108,000-square-foot office building at 1000 Massachusetts Ave in Mid Cambridge in anticipation of the institution's relocation to Charlestown. Roughly 65% of the building will become vacant next summer as a result of this move. Given the lack of large blocks of available space in both the Cambridge office and lab markets, this space may get snapped up quickly.
- Whole Foods is also relocating outside of Cambridge — recently leasing 50,000 square feet at 200 Forest Street in Marlborough. With a move slated for the end of this year, the grocer will vacate more than 35,000 square feet at 125 Cambridgepark Drive in West Cambridge.
- Lease rates continue to expand across the board but landlords are really pushing Class A rents in Cambridge. On a year-over-year basis, asking rents in premier office space increased by roughly 13%.
- With a lab conversion on tap for 35 Cambridgepark Drive, the space has come off the market this quarter. Subsequently, vacancies in West Cambridge fell to just 4.5% in the third quarter after hovering in the double-digit range the past few quarters.

NOTABLE TRANSACTIONS

TENANT	ADDRESS	SIZE	SUBMARKET	TYPE
Amazon	101 Main Street	30,700	East Cambridge	Expansion
CarGurus	55 Cambridge Parkway	21,389	East Cambridge	Expansion
Riverbed Technologies	125 Cambridgepark Drive	16,000	West Cambridge	Expansion

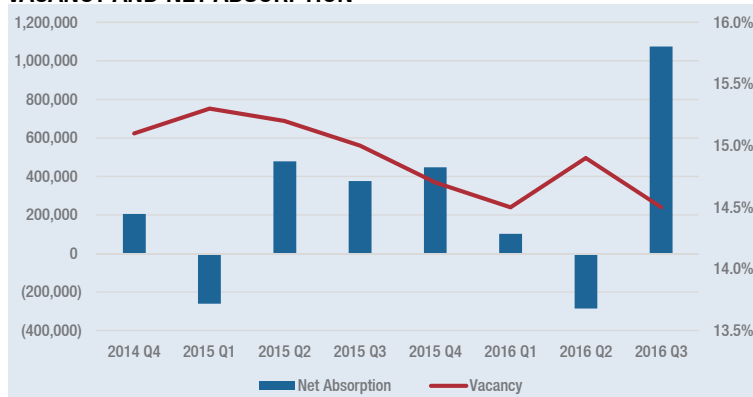


OFFICE STATISTICS

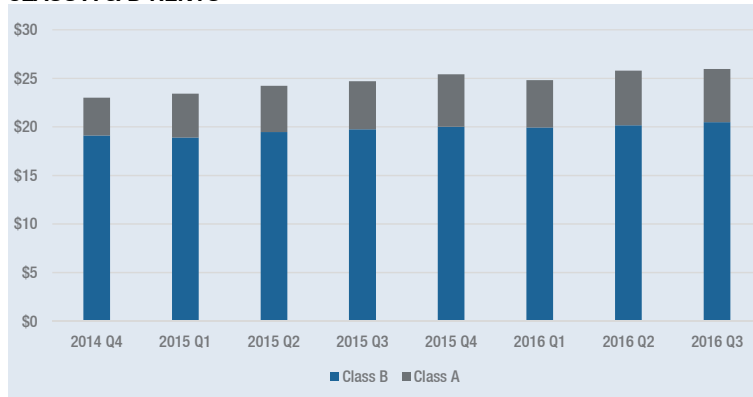
SUBURBAN

SUBURBAN	TOTAL INVENTORY (SF)	TOTAL VACANT (SF)	TOTAL VACANCY RATE	Q3 NET ABSORPTION (SF)	YTD NET ABSORPTION (SF)	ASKING RENT (\$/SF)
	Class A	56,381,757	6,900,282	12.2%	973,760	907,563
Class B	49,795,923	8,538,333	17.1%	100,637	(15,975)	\$20.50
CLASS A & B TOTAL	106,177,680	15,438,615	14.5%	1,074,397	891,588	\$22.84

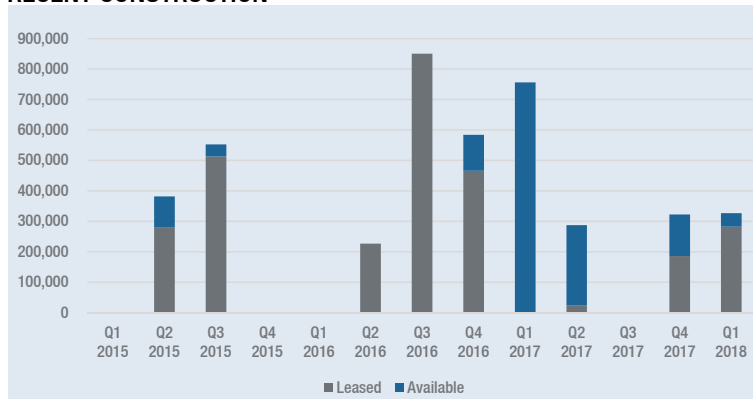
VACANCY AND NET ABSORPTION



CLASS A & B RENTS



RECENT CONSTRUCTION



TRENDS

- The Inner Suburbs was the clear winner this quarter. The completion of the long-awaited Partners Healthcare's 850,000-square-foot headquarters in Somerville accounted for a majority of the more-than-1 million square feet of positive absorption in the Suburban office market.
- Look for more activity in the Inner Suburbs going forward, as projects continue to move forward at Boston Landing in Brighton, Harvard University expands its Allston presence and the FBI relocates into its new Chelsea headquarters.
- Built-to-suit activity remains a major market driver in the suburbs. In addition to the aforementioned Partners and FBI projects, construction recently wrapped up on Thermo Fisher's headquarters in Waltham and Clarks Shoes is expected to move into their new office next quarter. New offices for both SharkNinja and MilliporeSigma are also slated to come on line over the next 18 months.
- Fuze is close to inking a deal at 170 Tracer in Waltham. The Cambridge-based technology firm will relocate from their current headquarters at 10 Wilson Road.
- Tenants remain attracted to newer, more amenitized suburban assets; subsequently landlords continue to upgrade their buildings and business parks. Enel's recent lease at the rebranded Brickstone Landing in Andover and Stratus Technologies' third-quarter move to Mill & Main in Maynard are just two examples of this trend.
- The Union Point redevelopment, formerly Southfield, in Weymouth landed its first major commercial tenant with Prodrive Technologies. The Dutch robotics company has agreed to lease 300,000 square feet for its U.S. headquarters — slated to open at the end of 2017. Prodrive joins Deja Vu Concepts, a software startup that leased 30,000 square feet of office space at the former Naval Air Base earlier this year.

NOTABLE TRANSACTIONS

TENANT	ADDRESS	SIZE	SUBMARKET	TYPE
Tesaro	1000 Winter Street, Waltham	122,000	Route 128 West	Renewal/Expansion
Enel Green Power	100 Brickstone Square, Andover	65,163	Route 495 Northeast	Relocation/Expansion
Globalforce	200 Crossing Blvd, Framingham	52,144	Framingham-Natick	Relocation
Whole Foods	200 Forest Street, Marlborough	50,000	Route 495 West	Relocation/Expansion
Yardi (NAI Hunneman Deal)	400 Fifth Avenue, Waltham	26,020	Route 128 West	Relocation/Expansion



INDUSTRIAL STATISTICS OVERVIEW



DIRECT VACANCY



SUBLEASE VACANCY



12-MONTH ABSORPTION



LEASING ACTIVITY



ASKING RENT

Vacancies Reach New Low

Vacancies in the Greater Boston Industrial market have reached another low, ending the third quarter at just 8.3%. Year-to-date the market has absorbed 3.5 million square feet of industrial space. Large users remain focused on core markets north and south of Boston while redevelopment projects continue to remove infill industrial space from the inventory. Given such positive fundamentals, industrial landlords have been consistently raising rents in Greater Boston. As of the third quarter lease rates expanded by 6.4% on a year-over-year basis, averaging \$8.10/SF. Although leasing momentum has slowed from last year's rapid pace, demand for modern, high-quality industrial space is solid.

Consistent demand for newer, quality space is driving development in the industrial market. There is currently close to 1.2 million square feet underway in the metro area with activity concentrated in the Urban Core and South Markets. Work continues on build-to-suits for New England Ice Cream, Alnylam Pharmaceuticals and Pfizer. Moderna is also throwing its hat in the ring with plans to build a drug manufacturing facility in Norwood. There are several large projects in the planning pipeline as well including up to 900,000 square feet at the Bellingham Business Park, 300,000 square feet on Washington Street in Franklin and 375,000 square feet of high bay warehouse near Readville Station in Hyde Park.

Urban infill locations remain in high demand from multiple different users. However, industrial properties and industrial-zoned land throughout the urban core are being targeted for redevelopment as both commercial and residential real estate prices are near their cyclical peak.

J.C. Cannistraro's planned relocation to the Seaport is the latest example of an industrial user to set up shop in an urban location.

Drug manufacturing remains a boon for the Greater Boston industrial market, while structural changes in the economy have led to a decline in the overall manufacturing sector. Jobs in this industry continue to grow as drug makers expand throughout the state. According to MassBio, the Bay State has added more than 2,600 drug manufacturing jobs since 2006, which represents a 34% increase. This ranks first among the top 15 states for drug manufacturing employment. The industry should continue to expand going forward as several life science firms are building new manufacturing facilities in the Boston metro.

Upgrades at the Port of Boston and the recent Panama Canal expansion could bolster industrial activity in the metro. Although Boston is more of a tertiary port market, the long-awaited completion of the Panama Canal expansion is expected to result in a 10% shift in trade from the West Coast to the East Coast. Boston is already seeing the benefits of the expansion project. China Ocean Shipping Company plans to double the capacity of its ships going from Boston to China. In September the federal government announced \$42 million in funding for the Port of Boston, which will help Conley Terminal accommodate larger vessels. Massport is also undertaking a dredging project in Boston Harbor, where channel depths will surpass 50 feet in some locations. This will allow the port to handle larger ships and increase cargo traffic. Even a modest increase in cargo flows would likely benefit Greater Boston's industrial markets.

TOTAL VACANCY RATE	DIRECT VACANCY	Q3 NET ABSORPTION (SF)	ASKING RENT (\$/SF)	UNDER CONSTRUCTION (SF)
8.3%	8.0%	1,282,115	\$8.10	1,168,923

Containerized Cargo:

183,679 TEUS

(Aug 2016)
5.3% Growth year-over-year

Manufacturing Output:

10.10%

of GSP
(2015)

Housing Permits:

7,583

(YTD Aug 2016)
18% Decline year-over-year

Industrial Employment:

824,700

MA Jobs
0.3% Growth year-over-year

Biopharma MFG Employment:

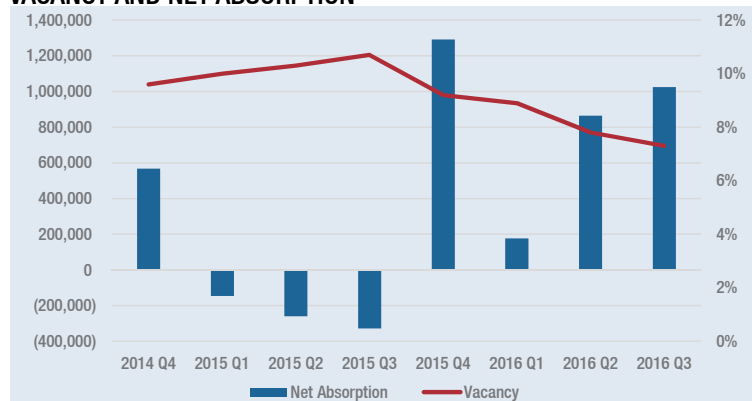
10,616

MA Jobs
6.3% Growth year-over-year

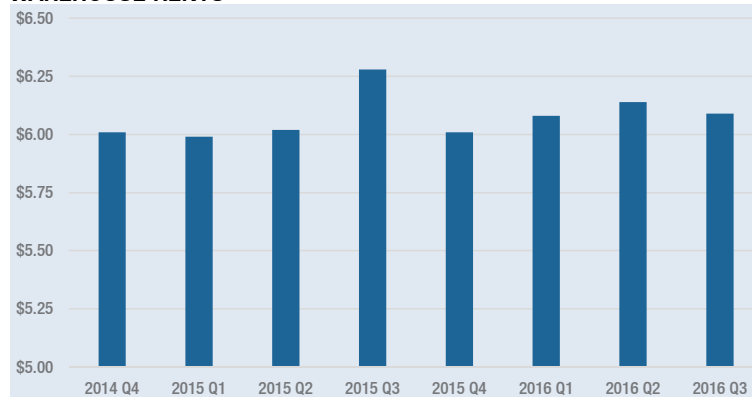


WAREHOUSE	TOTAL INVENTORY (SF)	TOTAL VACANT (SF)	TOTAL VACANCY RATE	Q3 NET ABSORPTION (SF)	YTD NET ABSORPTION (SF)	ASKING RENT (\$/SF)
	TOTAL	84,090,762	6,152,150	7.3%	1,023,880	2,004,321

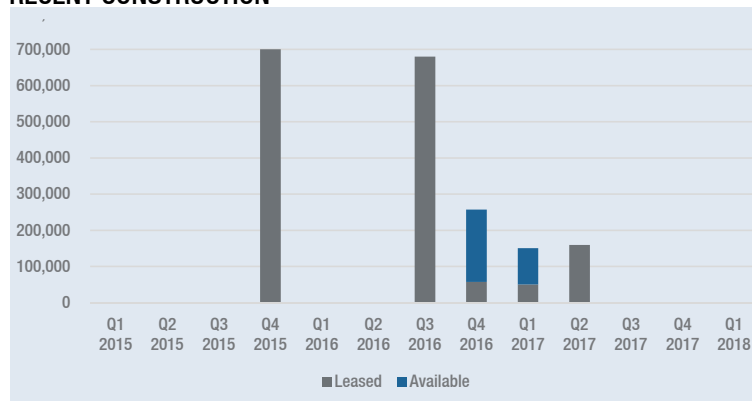
VACANCY AND NET ABSORPTION



WAREHOUSE RENTS



RECENT CONSTRUCTION



TRENDS

- Net absorption for warehouse and distribution space totaled more than one million square feet metrowide in the third quarter — driven largely by the completion of Martignetti's 680,000-square-foot distribution center in Taunton.
- Amazon continues to expand its presence in metro Boston. In August, the online retailing giant inked a deal for 162,499 square feet at 12 Industrial Road in Milford — occupying roughly half of the building.
- Earlier this year, The Abby Group purchased the 5.6-acre Boston Flower Exchange site and plans to redevelop the property into a large tech campus. The flower vendors were given until the end of this year, when their leases expired, to find a new location. A refrigerated warehouse on 2nd Street in Chelsea fit the bill, and The Boston Flower Exchange signed a lease to occupy the entire 67,048-square-foot building.
- Nestle is out in the market with a 135,000-square-foot requirement and is reportedly focused on Devens.
- Given the market's strong fundamentals investors remain active in the Boston industrial market. One of the largest transactions of the quarter was Colony Capital's sale of the 450,000-square-foot 3 Distribution Center Circle in Littleton. Gramercy Property Trust purchased the property, which is fully-leased to Potpourri, for \$88.33/SF at a 6.8% cap rate.
- This quarter, Central Pet & Garden closed its 350,000-square-foot distribution center in Taunton; shifting its operations to a new warehouse in Pennsylvania. General Mills also closed its Methuen facility this quarter which leaves 77,906 square feet of distribution space vacant at 192 Pelham Road in Methuen.

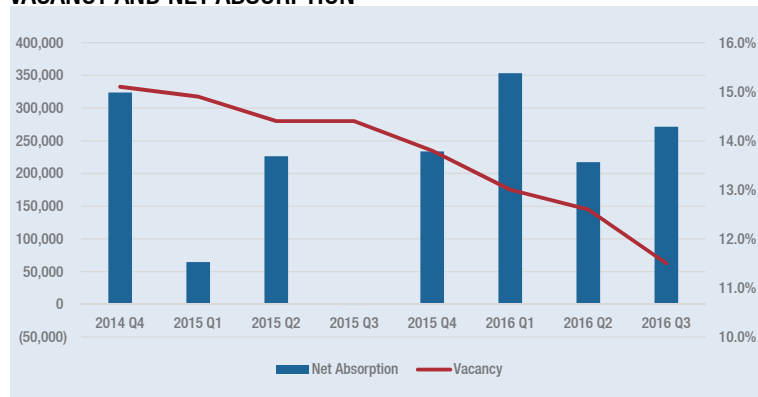
NOTABLE TRANSACTIONS

TENANT	ADDRESS	SIZE	SUBMARKET	TYPE
Home Depot (NAI Hunneman Deal)	625 University Ave, Norwood	218,259	Route 128 South	Renewal
Amazon.com	12 Industrial Drive, Milford	162,499	Route 495 South	Expansion
Boston Flower Exchange	260 2nd Street, Chelsea	67,048	Urban Core	Relocation
Symmons Industries	275 Bodwell Street, Avon	50,000	Route 128 South	Expansion

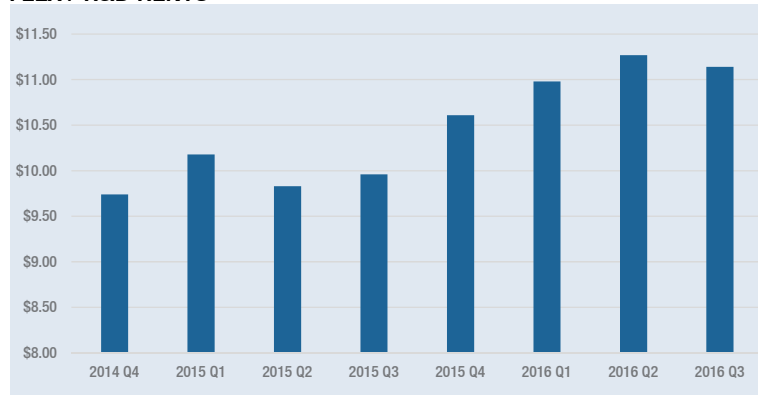


FLEX / R&D	TOTAL INVENTORY (SF)	TOTAL VACANT (SF)	TOTAL VACANCY RATE	Q3 NET ABSORPTION (SF)	YTD NET ABSORPTION (SF)	ASKING RENT NNN (\$/SF)
	TOTAL	46,181,718	5,311,477	11.5%	271,469	841,924

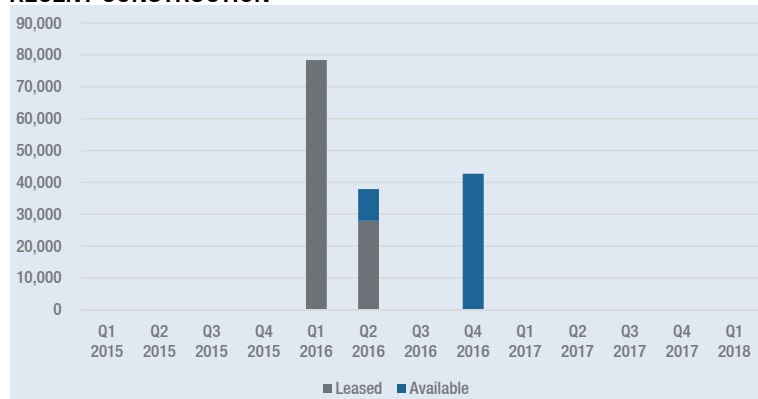
VACANCY AND NET ABSORPTION



FLEX / R&D RENTS



RECENT CONSTRUCTION



TRENDS

- The Greater Boston Flex/R&D market saw positive absorption in 7 out of the last 8 quarters. With more than 800,000 square feet of positive absorption year-to-date, vacancies declined to 11.5% in the third quarter.
- Consolidating office and industrial space from tech, biotech and manufacturing companies continues to drive demand for this product type.
- HighRes Biosolutions' 80,000 square-foot lease for a headquarters build-to-suit in Beverly represents one of the largest deals of the quarter. The lab equipment supplier will be relocating its entire product development, manufacturing and sales departments from 299 Washington Street in Woburn once the project is complete. This transaction more than doubles the firm's current footprint.
- Throughout the metro the Flex/R&D inventory continues to shrink as landlords redevelop older, outdated properties. Most recently, Longfellow Real Estate Partners began renovating 1 Patriots Park in Bedford into a 120,000-square-foot lab building. Nordblom is also set to move forward on another phase of its 4th Avenue development in Burlington, which will include an office component and a Lifetime Fitness.
- Fresenius Medical recently occupied 30,400 square feet at 40 Hartwell Avenue, Lexington.
- With two campuses in Massachusetts, ITT Technical Institute's closure over the summer has impacted the local commercial real estate market. This quarter the for-profit college vacated 26,500 square feet of Flex/R&D space at 321-333 Boston Providence Turnpike as well as almost 20,000 square feet of office space at 200 Ballardvale in Wilmington.
- Market conditions continue to favor landlords with lease rates hovering above \$11/SF metrowide. Flex/R&D properties in premier submarkets like Routes 128 West and Northwest are seeing rents in the low-\$20/SF range. Pricing has been very aggressive with rental rates expanding by almost 12% on a year-over-year basis.

NOTABLE TRANSACTIONS

TENANT / BUYER	ADDRESS	SIZE	SUBMARKET	TYPE
HighRes Biosolutions	102 Cherry Hill, Beverly	80,000	Route 128 North	Relocation/Expansion
Locus Robotics	301 Ballardvale, Wilmington	45,000	Route 128 North	Direct
Desktop Metal (NAI Hunneman Deal)	63 Third Avenue, Burlington	39,500	Route 128 Northwest	Relocation/Expansion
Canopy	12 Tyler Street, Somerville	16,162	Urban Core	Direct

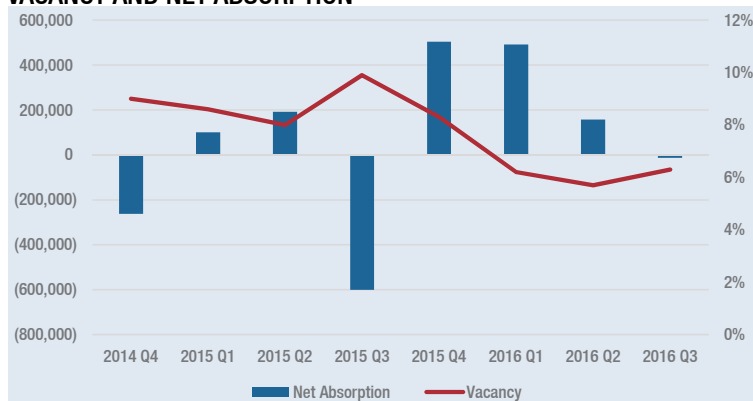


INDUSTRIAL STATISTICS

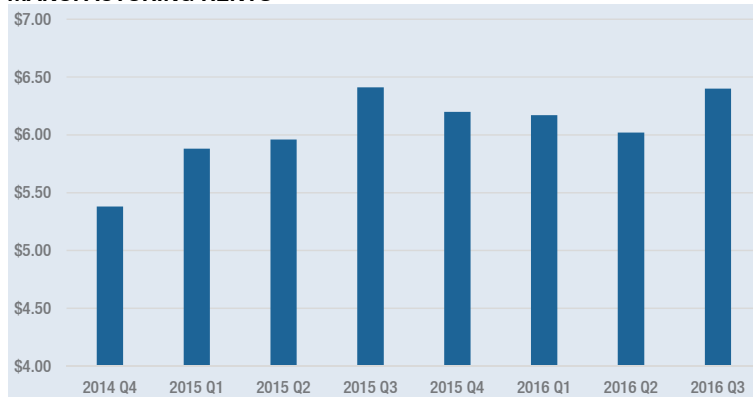
MANUFACTURING

MANUFACTURING	TOTAL INVENTORY (SF)	TOTAL VACANT (SF)	TOTAL VACANCY RATE	Q3 NET ABSORPTION (SF)	YTD NET ABSORPTION (SF)	ASKING RENT NNN (\$/SF)
	TOTAL	31,446,029	1,995,153	6.3%	(13,234)	636,144

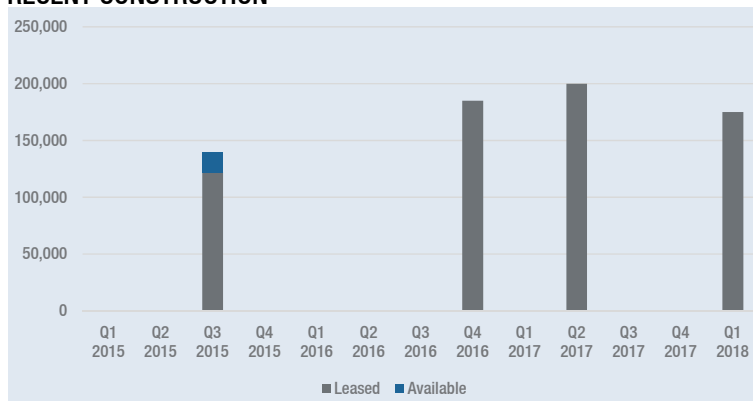
VACANCY AND NET ABSORPTION



MANUFACTURING RENTS



RECENT CONSTRUCTION



TRENDS

- Two major move-outs contributed to this quarter's negative absorption in the manufacturing sector. Clark Cutler McDermott's recent bankruptcy left the entire 59,970-square-foot 130 Constitution Boulevard, Franklin vacant. Within the past year Reed & Barton filed for bankruptcy as well, leaving 140,000 square feet vacant at its former manufacturing facility in Taunton.
- J.C. Cannistraro is moving to the Seaport. The mechanical construction company signed a 50-year land lease for Parcel N at 25 FID Kennedy Ave, which includes a 157,000-square-foot industrial building, with plans to consolidate its manufacturing and warehousing operations. The firm will consolidate operations from Watertown, Wilmington and Stoughton in September 2017 once renovations wrap up at the new building.
- Drug manufacturing remains a bright spot within an industry that has been declining in importance for several decades, and Massachusetts is a leader in biopharma manufacturing employment. Most recently, Sarepta Therapeutics announced plans to establish operations in the former Eisai manufacturing facility at 100 Federal Street in Andover after receiving FDA approval for its DMD drug.
- Moderna Therapeutics is also throwing its hat in the ring. In one of the largest deals of the quarter, the Cambridge-based drug developer signed a 15-year full-building lease at 100 Upland Drive in Norwood. The company is planning to invest \$110 million to build out a clinical manufacturing facility, which is expected to open in early 2018.
- Breweries continue to drive demand in the local manufacturing market as the craft beer trend appears to be here to stay. Most recently, Jack's Abby Brewing executed a 63,000-square-foot expansion at 100 Clinton Street in Framingham — doubling its footprint. Night Shift Brewery expanded in Everett last quarter and Down the Road Brewery is also in the midst of building out 12,000 square feet of space on Bow Street in Everett.

NOTABLE TRANSACTIONS

TENANT / BUYER	ADDRESS	SIZE	SUBMARKET	TYPE
Moderna Therapeutics	100 Upland Drive, Norwood	193,000	Route 128 South	Expansion
J.C. Cannistraro	25 FID Kennedy Ave, Boston	157,000	Urban Core	Relocation
Jack's Abby Brewing	100 Clinton Street, Framingham	63,000	Framingham-Natick	Expansion
Aspen Aerogels	30 Forbes Road, Northborough	51,650	Route 495 West	Renewal



CAPITAL MARKETS OVERVIEW



OFFICE SALES VOLUME (\$)



MULTIFAMILY SALES VOLUME (\$)



RETAIL SALES VOLUME (\$)



INDUSTRIAL SALES VOLUME (\$)

Boston Remains a Target for Capital

This expansion cycle may still have some legs but price appreciation appears to be leveling off at a national level. Three major CPPI (repeat sales) indices reported slight gains during the third quarter. On a month-over-month basis, both Moody's/RCA (2.6% in June) and CoStar (1.3% in June) reported slight increases in their indices over the summer. Green Street Advisors reported gains of 2% in its index over a three-month period ending in July. These single-digit gains, while still positive, are a far-cry from the double-digit increases seen in 2014 and 2015.

Locally transaction volume continues to ease from record-levels seen in late 2015 and early 2016. With that said, investors' appetites are still strong in the Boston market and pricing is holding steady, especially for office product.

Class B assets in the downtown office market remain a darling for investors including institutional capital and foreign buyers. In fact, 3 out of the top 5 largest office transactions (based on sale price) were Class B properties in downtown Boston. Overall, 6 Class B downtown office buildings changed hands this quarter with a median price per square foot of \$477. Given the increased appetite for this product type, pricing remains frenzied with assets trading well above their previous sale price in all instances.

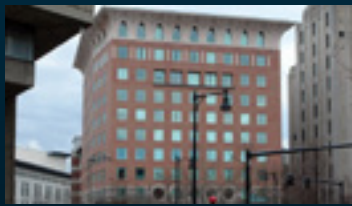
The downtown tower market has been more active as well. Old City Hall recently hit the market with the Architectural Heritage Foundation looking to sell its lease with the former BRA. Investcorp plans to buy 160 Federal Street for roughly \$190 million. Additionally, One Federal Street is being offered for sale.

In one of the largest deals of the quarter, Piedmont Office Realty Trust purchased the 200,605-square-foot 1 Wayside Road in Burlington for more than \$67 million or \$336/SF. This represents a 21% increase from the property's 2010 sale price.

The investor pool is expanding in the life science sector as buyers look to tap into one of the hottest asset classes in the nation. Traditionally lab space has been considered a niche product type with only a handful of players dominating ownership. However, sentiment has changed given the unbridled growth in the life science sector and new buyers are now considering investing in lab space. High-quality assets in key locations such as Kendall Square will garner a premium. The sale of 245 First Street for \$1,020/SF and the planned sale of 1 Kendall Square point to how in-demand lab buildings are in Greater Boston.

TOP Q3 / CLASS B INVESTMENT SALES

OFFICE



1 Bowdoin Square
1 Bowdoin Square
Boston

Buyer	New York Life Insurance Company
Price	\$61,835,000
Total SF	133,353
Price/SF	\$464
Cap Rate	5.00%

MULTIFAMILY



650 Bulfinch Drive
Andover Place
Andover

Buyer	Taymil Partners, LLC
Price	\$40,400,000
Units	220
Price/Unit	\$183,636
Cap Rate	4.45%

RETAIL



442 E Washington Street
Brooks Plaza
North Attleboro

Buyer	Torchlight Investors
Price	\$6,400,000
Total SF	44,072
Price/SF	\$145
Cap Rate	-

INDUSTRIAL



150 Depot Street
Dunkin' Donuts
Bellingham

Buyer	Bentall Kennedy
Price	\$25,500,000
Total SF	252,000
Price/SF	\$101
Cap Rate	-



OFFICE SALES

	Q4 2015	Q1 2016	Q2 2016	Q3 2016	TOTAL
SALES VOLUME (\$)	\$3,336,412,304	\$887,395,695	\$1,664,114,395	\$1,095,577,655	\$6,983,500,049
# OF TRANSACTIONS	95	93	99	78	365
TOTAL SF	7,447,723	3,983,116	4,958,040	3,027,233	19,416,112
MEDIAN \$/SF	\$151	\$135	\$134	\$178	\$146

MULTIFAMILY SALES

	Q4 2015	Q1 2016	Q2 2016	Q3 2016	TOTAL
SALES VOLUME (\$)	\$1,424,831,925	\$556,131,164	\$694,311,046	\$465,551,636	3,140,825,771
# OF TRANSACTIONS	105	92	74	66	337
TOTAL UNITS	6,791	2,608	2,426	2,147	13,972
MEDIAN \$/UNIT	\$167,500	\$171,000	\$156,250	\$154,167	\$166,583

RETAIL SALES

	Q4 2015	Q1 2016	Q2 2016	Q3 2016	TOTAL
SALES VOLUME (\$)	\$310,455,979	\$313,005,745	\$350,557,868	\$494,847,455	\$1,468,867,047
# OF TRANSACTIONS	167	112	153	116	548
TOTAL SF	1,585,737	1,357,885	1,712,633	1,606,095	6,262,350
MEDIAN \$/SF	\$226	\$213	\$212	\$235	\$223

INDUSTRIAL SALES

	Q4 2015	Q1 2016	Q2 2016	Q3 2016	TOTAL
SALES VOLUME (\$)	\$519,545,203	\$451,798,149	\$402,167,400	\$335,055,769	\$1,708,566,521
# OF TRANSACTIONS	114	92	93	68	367
TOTAL SF	6,425,739	6,564,516	5,371,873	3,370,386	21,732,514
MEDIAN \$/SF	\$86	\$74	\$76	\$87	\$78

MARKET RECAP



OFFICE STATISTICS

	TOTAL INVENTORY (SF)	UNDER CONSTRUCTION (SF)	DIRECT VACANT (SF)	SUBLEASE VACANT (SF)	TOTAL VACANCY RATE	Q3 NET ABSORPTION (SF)	YTD NET ABSORPTION (SF)	ASKING RENT (\$/SF)
Back Bay	13,868,476	-	1,122,493	256,984	9.9%	172,582	429,533	\$68.65
Charlestown	2,507,780	-	347,144	-	13.8%	(121,564)	(75,543)	\$35.22
Fenway/Kenmore	1,700,298	-	58,013	-	3.4%	134,589	138,405	\$59.00
Financial District	35,447,821	333,283	2,978,510	121,013	8.7%	77,840	211,360	\$58.20
Midtown	2,099,602	-	76,691	884	3.7%	(9,024)	(9,832)	\$45.24
North Station	2,730,640	175,000	66,575	-	2.4%	32,277	61,101	\$45.94
Seaport	9,727,982	726,006	796,556	36,647	8.6%	21,827	310,605	\$55.85
South Station	1,159,121	-	22,769	-	2.0%	-	4,211	\$41.66
BOSTON TOTAL	69,241,720	1,234,289	5,468,751	415,528	8.5%	308,527	1,069,840	\$58.15
East Cambridge	5,703,635	-	142,562	-	2.5%	80,815	209,467	\$68.89
Mid Cambridge	2,392,526	-	41,720	3,937	1.9%	(10,237)	109,238	\$45.71
West Cambridge	1,935,986	-	47,834	38,679	4.5%	1,214	14,257	\$42.30
CAMBRIDGE TOTAL	10,032,147	-	232,116	42,616	2.7%	71,792	332,962	\$59.24
Framingham-Natick	4,458,051	-	810,223	55,786	19.4%	(61,370)	(96,112)	\$22.76
Inner Suburbs	5,835,966	250,000	391,072	166,052	9.5%	826,026	885,540	\$31.84
Route 128 North	13,711,022	145,000	1,285,025	77,661	9.9%	84,366	182,498	\$22.17
Route 128 Northwest	13,527,659	280,000	1,716,572	124,807	13.6%	64,712	(124,421)	\$32.17
Route 128 South	13,870,355	-	1,572,233	63,361	11.8%	114,010	129,860	\$20.59
Route 128 West	21,504,942	1,390,595	1,544,649	408,086	9.1%	137,810	165,689	\$34.49
ROUTE 128 TOTAL	62,613,978	1,815,595	6,118,479	673,915	10.8%	400,898	353,626	\$27.68
Route 495 North	13,173,367	-	2,994,730	153,640	23.9%	(264,344)	(459,422)	\$18.32
Route 495 Northeast	6,388,715	95,930	1,512,797	40,002	24.3%	75,528	76,654	\$18.00
Route 495 South	2,894,377	-	407,977	17,301	14.7%	36,286	31,423	\$18.81
Route 495 West	10,813,226	113,490	2,081,356	15,285	19.4%	61,373	99,879	\$17.77
ROUTE 495 TOTAL	33,269,685	209,420	6,996,860	226,228	21.7%	(91,157)	(251,466)	\$18.12
SUBURBAN TOTAL	106,177,680	2,275,015	14,316,634	1,121,981	14.5%	1,074,397	891,588	\$22.84
MARKET TOTAL	185,451,547	3,509,304	20,017,501	1,580,125	11.6%	1,454,716	2,294,390	\$32.91

MARKET RECAP



INDUSTRIAL STATISTICS

	TOTAL INVENTORY (SF)	UNDER CONSTRUCTION (SF)	DIRECT VACANT (SF)	SUBLEASE VACANT (SF)	TOTAL VACANCY RATE	Q3 NET ABSORPTION (SF)	YTD NET ABSORPTION (SF)	ASKING RENT NNN (\$/SF)
Urban Core	15,967,420	344,223	766,985	-	4.8%	185,897	401,420	\$8.62
Framingham-Natick	2,792,182	-	235,405	40,000	9.9%	(22,159)	13,486	\$6.98
Route 128 North	24,362,766	-	1,099,179	34,433	4.7%	442,420	875,963	\$8.44
Route 128 Northwest	3,713,221	-	419,049	8,198	11.5%	8,101	70,359	\$13.76
Route 128 South	35,933,206	-	2,751,820	-	7.7%	113,235	1,378,121	\$7.05
Route 128 West	3,876,801	-	214,091	-	5.5%	11,637	119,416	\$16.43
ROUTE 128 TOTAL	67,885,994	-	4,484,139	42,631	6.7%	575,393	2,443,859	\$8.47
Route 495 North	19,250,414	-	2,068,674	263,490	12.1%	162,116	190,821	\$8.91
Route 495 Northeast	11,781,485	175,000	1,689,649	59,600	14.8%	(91,380)	177,055	\$9.66
Route 495 South	29,823,031	649,700	2,921,359	-	9.8%	371,285	57,904	\$5.68
Route 495 West	14,217,983	-	785,234	101,614	6.2%	100,963	257,744	\$9.34
ROUTE 495 TOTAL	75,072,913	824,700	7,464,916	424,704	10.5%	542,984	683,524	\$7.86
MARKET TOTAL	161,718,509	1,168,923	12,951,445	507,335	8.3%	1,282,115	3,542,289	\$8.10

10TH LARGEST METROPOLITAN AREA IN THE US

4,000 Tech Startups (Compass)

537 Big Data Companies in MA

\$3.9 BILLION VC Funding (2015)

9 Accelerators

SMARTEST CITY (Forbes)

INNOVATIVE CITY (Innovation Cities)

3.5% UNEMPLOYMENT RATE US AVERAGE: 4.9%

2,696,941 LABOR FORCE

16 LIFE SCIENCE INCUBATORS

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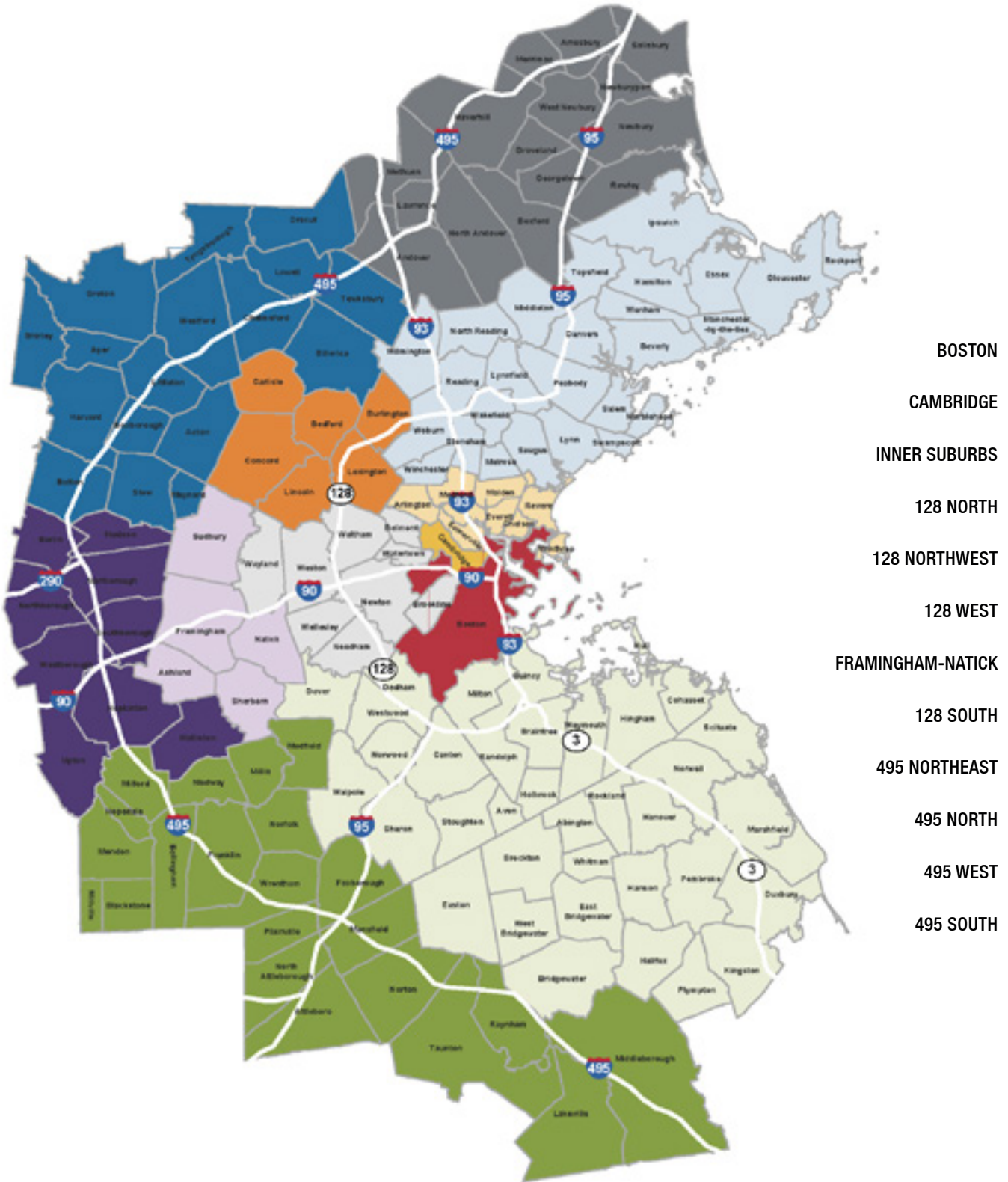
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SUBMARKET MAP



Q3

2016

M E T R O B O S T O N

MARKET REPORT



OFFICE

(DOWNTOWN, CAMBRIDGE,
SUBURBAN)



INDUSTRIAL

(WAREHOUSE, FLEX/R&D,
MANUFACTURING)



CAPITAL MARKETS

METHODOLOGY

SOURCE: Co-Star, NAI Hunneman Commercial Company. **PREPARED:** September, 2016.

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.

Average Rental Rates are asking rents on direct space.

Vacant space includes both direct and sublease space.

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