

# Q1

2016

M E T R O B O S T O N

# BIOTECH BEAT



## CAMBRIDGE STILL LEADS THRIVING BIOTECH MARKET

INSIDE STATISTICS...



BOSTON /  
SUBURBAN LAB



CAMBRIDGE LAB

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## BIOTECH OVERVIEW



DIRECT VACANCY



SUBLEASE VACANCY



12-MONTH ABSORPTION



LEASING ACTIVITY



ASKING RENT

# Limited Cambridge Supply Leads to Suburban Opportunities

The Greater Boston lab market posted another strong quarter with net absorption surpassing 600,000 square feet and vacancies reaching record lows, at just 3.3%. Cambridge is leading the charge as demand for space is outstripping supply by a wide margin and vacancies declined to just 2%. This scarcity of space has lead tenants to execute forward lease commitments, look to more emerging lab markets for lab space and consider build-to-suit construction. Fundamentals are expected to remain positive in the coming quarters, but 2016 will be a pivotal year as macro headwinds may be on the horizon.

The first quarter of 2016 proved to be a mixed-bag in terms of market indicators, but overall, conditions are positive. Nationally, IPO activity has been extremely limited with only 8 initial offerings occurring during the first three months of the year. Four of these IPOs were Massachusetts-based life science companies, with a combined value of \$355 million. Though positive, this pales in comparison to last year's trends. The depressed activity may be correlated to lingering weakness in the stock market. Since bottoming in early February the Massachusetts Life Science Index has expanded by more than 10%, but still remains 11% below year-end 2015 levels. Venture capital funding on the other hand, continues to flow into the biotech sector at a steady clip. In the first quarter, 15 companies raised nearly \$500 million in funding, which is only slightly below 2015's quarterly average.

Strategic partnerships between large-cap firms and local development stage companies are also bolstering the local life science sector. Most recently, Cambridge bases Nimbus Therapeutics sold its lead drug program to Gilead Sciences. The former stands to gain \$400 million upfront and another \$800 million at milestones. The partnership is Nimbus' third; previously forging deals with Genentech and Monsanto. In December of last year, CRISPR Therapeutics, also based in Cambridge, completed a gene-editing partnership with Bayer, where the German drug maker will pay \$353 million for the joint venture's research over the next five years and buy a majority stake in the company for \$35 million. CRISPR made a \$105 million deal with Vertex Pharmaceuticals to license technology in October of last year as well. Other Massachusetts-based firms to engage in partnerships with major pharmaceutical companies within the past year include Editas Medicine, Dimension Therapeutics, Bluebird Bio and Intellia Therapeutics.

On the whole, lease rates are on still on an upward trajectory. Greater Boston landlords continue to push rents in the face of strong fundamentals and a lack of available premier lab space. Average asking rents have increased 14.0% on a year-over-year basis. Looking ahead, rates should continue trending up through the end of this year; however, growth may be more measured than in recent quarters.

TOTAL VACANCY RATE	DIRECT VACANCY	Q1 NET ABSORPTION (SF)	ASKING RENT NNN (\$/SF)	UNDER CONSTRUCTION (SF)
3.3%	3.2%	654,810	\$57.52	1,300,301

IPO:

**4**

MA-based Biotech Companies  
\$355 Million Value

VC Funding:

**15**

MA-based Biotech Companies  
\$493 Million Funding

Mass Life Science Index:

**10.7%**

Decrease from  
December 2015

Biotech Employment:

**73,848**  
JOBS

(September 2015)  
1.7% Growth year-over-year

Bloomberg Innovation Index:

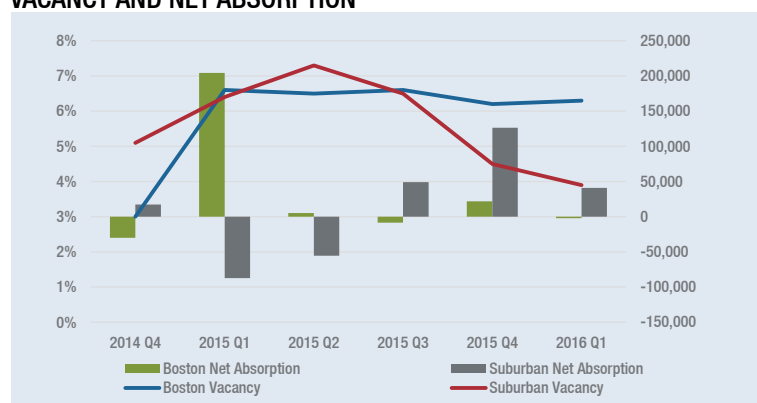
**93.3**  
OUT OF 100

1st among all 50 states

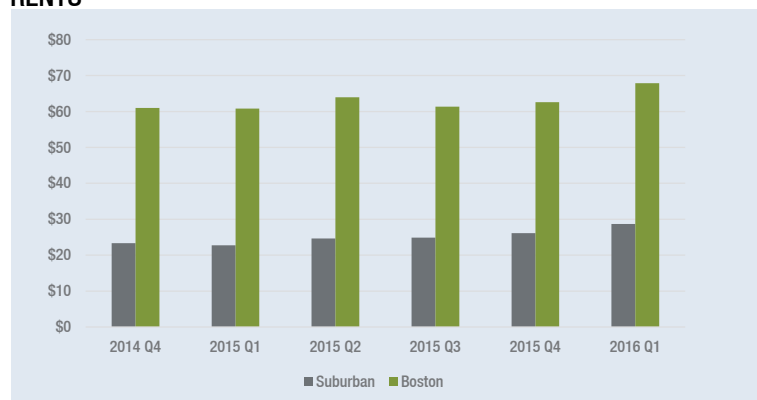


	TOTAL INVENTORY (SF)	TOTAL VACANT (SF)	TOTAL VACANCY RATE	Q1 NET ABSORPTION (SF)	YTD NET ABSORPTION (SF)	ASKING RENT NNN (\$/SF)
Boston	5,467,356	342,891	6.3%	(2,310)	(2,310)	\$67.84
Suburban	6,360,518	248,255	3.9%	41,096	41,096	\$28.71
<b>TOTAL</b>	<b>11,827,874</b>	<b>591,146</b>	<b>5.0%</b>	<b>38,786</b>	<b>38,786</b>	<b>\$52.81</b>

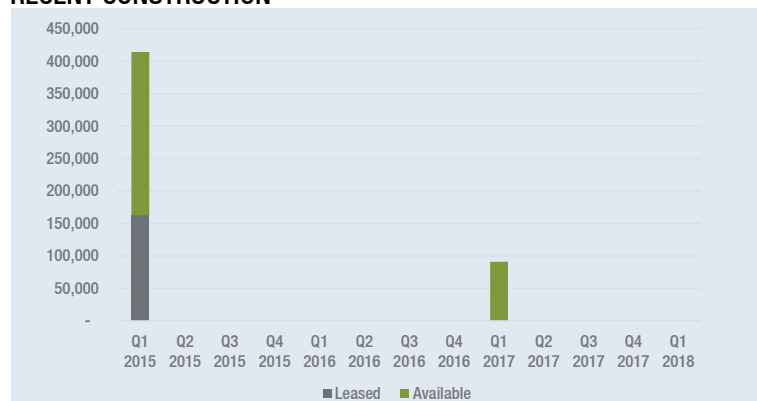
## VACANCY AND NET ABSORPTION



## RENTS



## RECENT CONSTRUCTION



## TRENDS

- Established nodes in Lexington, Waltham and Woburn remain top choice for firms being priced out or sized out of Cambridge. That said, given the constraints on the market, biotech clusters are growing outside of the market's traditional nodes. Major pharmaceuticals firms such as Merrimack and Momenta, with requirements of more than 100,000 square feet, are looking in emerging markets like the Rt. 3 Corridor for space.
- Shire Pharmaceuticals continues to expand in the metro's premier suburban life science market; Lexington. The firm signed a lease for 177,000 square feet of office and lab space at 45-55 Hayden Avenue — increasing its headquarters by another 20%. Cubist left this space vacant in the wake of its acquisition by Merck in 2014.
- Metabolix's 29,622-square-foot lease at 19 Presidential Way in Woburn represents another relocation from the brimming Cambridge lab market. The firm will also be consolidating its Lowell office into their new headquarters later next year.
- The Mayo Clinic plans to close its New England lab at 160 Dascomb Road, Andover by the end of the year — vacating up to half of the 124,000-square-foot building. This move will provide some relief to the tight Route 495 North lab market.

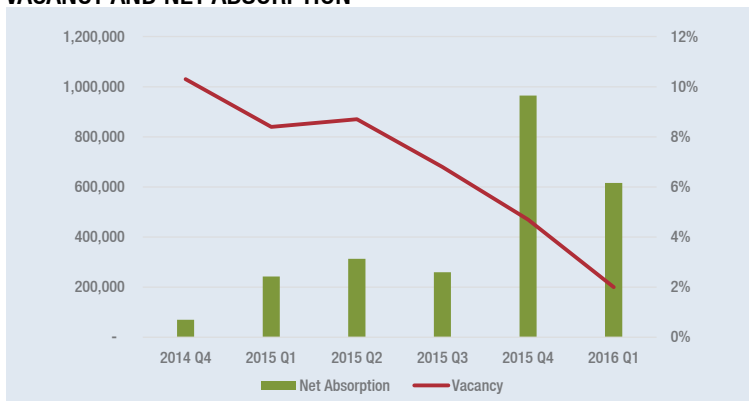
## NOTABLE TRANSACTIONS

TENANT	ADDRESS	SIZE	SUBMARKET	TYPE
Shire Pharmaceuticals	45-55 Hayden Avenue	177,000	Route 128 Northwest	Expansion
Boston Children's Hospital	360 Longwood Avenue	50,973	Boston	Expansion
Dana-Farber Cancer Institute	360 Longwood Avenue	49,182	Boston	Expansion
Metabolix	19 Presidential Way, Woburn	30,000	Route 128 North	Relocation/Expansion
SQZ Bio	134 Coolidge Avenue, Watertown	21,225	Route 128 West	Relocation/Expansion



	TOTAL INVENTORY (SF)	TOTAL VACANT (SF)	TOTAL VACANCY RATE	Q1 NET ABSORPTION (SF)	YTD NET ABSORPTION (SF)	ASKING RENT NNN (\$/SF)
East Cambridge	8,612,150	210,289	2.4%	115,221	115,221	\$68.11
Mid Cambridge	5,024,346	76,088	1.5%	412,152	412,152	\$62.98
West Cambridge	745,680	-	0.0%	88,651	88,651	\$49.00
<b>TOTAL</b>	<b>14,382,176</b>	<b>286,377</b>	<b>2.0%</b>	<b>616,024</b>	<b>616,024</b>	<b>\$66.80</b>

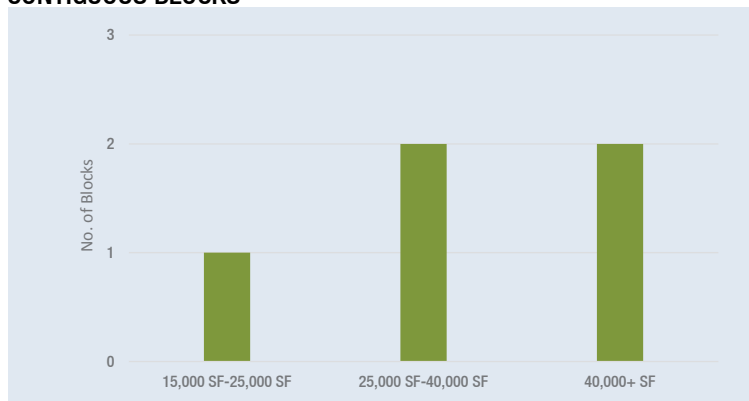
### VACANCY AND NET ABSORPTION



### RECENT CONSTRUCTION



### CONTIGUOUS BLOCKS



### TRENDS

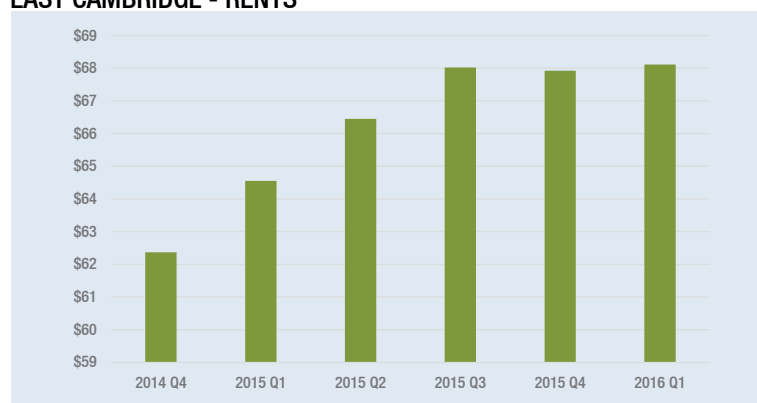
- First quarter net absorption totaled over 600,000 square feet in the Cambridge markets. The completion of Millennium/Takeda's new 250,000-square-foot lab building at 300 Massachusetts Avenue was a major driver.
- Cambridge lab vacancies ended the first quarter at a mere 2.0%, with improvements seen across all submarkets. Traditionally a relief valve for Kendall Square and Mid Cambridge, the West Cambridge lab market is now the tightest in the metro due to 200 and 87 Cambridgepark Drive reaching full occupancy and a handful of other smaller deals.
- According to Renaissance Capital, the first quarter of 2016 represented the lowest level of IPO activity since the Great Recession, with only eight initial public offerings. That said, life science firms accounted for all of the recent activity, and four of the eight IPOs were located in Massachusetts: Syndax Pharmaceuticals, Proteostasis Therapeutics, Editas Medicine and BeiGene.
- Coming off its recent IPO, Editas signed a lease for 59,783 SF at 11 Hurley Street and 33-39 Hurley Street. The firm is relocating its corporate headquarters from 18,000 square feet at 300 Third Street later this year.
- Sidney Research Campus landed another major tenant in the first quarter. With the creation of its new division, eXtella Therapeutics, Intellia leased 65,000 square feet of former Vertex space at 40 Erie Street. The firm currently occupies 15,000 square feet at 130 Brookline Street in Mid Cambridge, which they may retain.
- Cambridge life science companies continue to boast large Series A rounds, with C4 Therapeutics and Yumanity Therapeutics raising \$73 million and \$45 million, respectively, in the first quarter. Overall in Massachusetts, VC funding in the life science arena is holding steady while funding for tech companies has been slowly abating.
- Bayer is planning to open a regional life science center in Cambridge, titled the East Coast Innovation Center, in order to build upon existing partnerships with the Broad Institute, Harvard, CRISPR and Dimension as well as expand its R&D presence in the area.



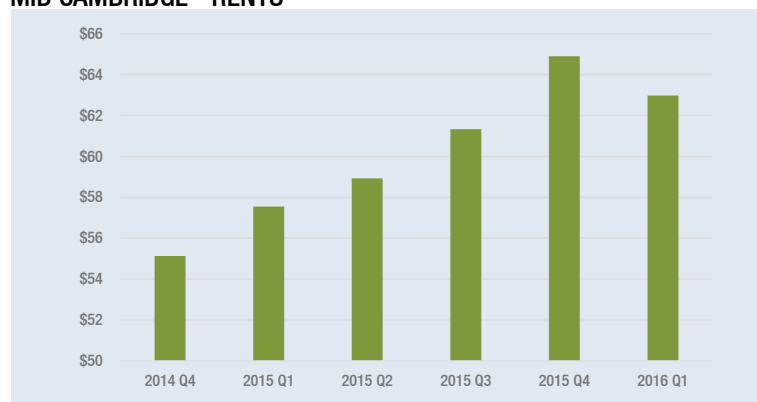
## ASKING RENTS

CLASS A	ASKING RENT (\$/SF)	CLASS B	ASKING RENT (\$/SF)
East Cambridge	High \$70's NNN	East Cambridge	Mid \$60's NNN
Mid Cambridge	Mid \$60's NNN	Mid Cambridge	Mid \$50's NNN
West Cambridge	Mid \$50's NNN	West Cambridge	Mid \$30's NNN

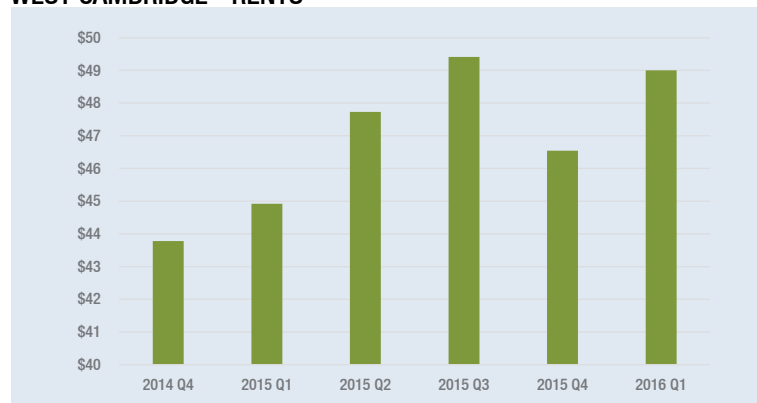
## EAST CAMBRIDGE - RENTS



## MID CAMBRIDGE - RENTS



## WEST CAMBRIDGE - RENTS



## TRENDS

- Of the 1.2 million-square-feet of lab space underway in Cambridge, 70% is already spoken for. The long-delayed NorthPoint development is set to break ground this year, with buildings delivering by early 2018. All told, the project is expected to result in up to 2 million square feet of space. The Volpe Transportation Center redevelopment, MIT's redevelopment on Main Street, and the 600,000 square feet of commercial space Boston Properties is planning in Kendall Square could offer some relief to lab users unable to find space.
- Buyers are willing to pay top dollar for well-leased, high-quality lab properties. After leasing up the building, King Street Properties sold the 221,691-square-foot 200 Cambridgepark Drive to Morgan Stanley for \$165.5 million or \$747/SF. King Street purchased the building in 2014, which was vacant at the time, as part of a portfolio with 87 Cambridgepark Drive for \$179/SF. Draper Labs recently sold One Hampshire Street to Schlumberger from for \$89.5 million or \$869/SF. Pricing is getting frothy outside of Cambridge as well.
- Landlords have retained their upper hand in Cambridge, and lab lease rates continue to expand at a double-digit pace. On a year-over-year basis, asking rents increased by approximately 16.0%. Look for more rent gains in the near future, but with rates hovering near cyclical peaks across all submarkets, the pace of growth could wane.

## NOTABLE TRANSACTIONS

TENANT	ADDRESS	SIZE	SUBMARKET	TYPE
Intellia Therapeutics	40 Erie Street	65,000	Mid Cambridge	Relocation/Expansion
Editas Medicine	33-39 Hurley Street	35,933	East Cambridge	Relocation/Expansion
Editas Medicine	11 Hurley Street	23,850	East Cambridge	Relocation/Expansion
Vericel Corporation	64 Sidney Street	11,692	Mid Cambridge	Renewal



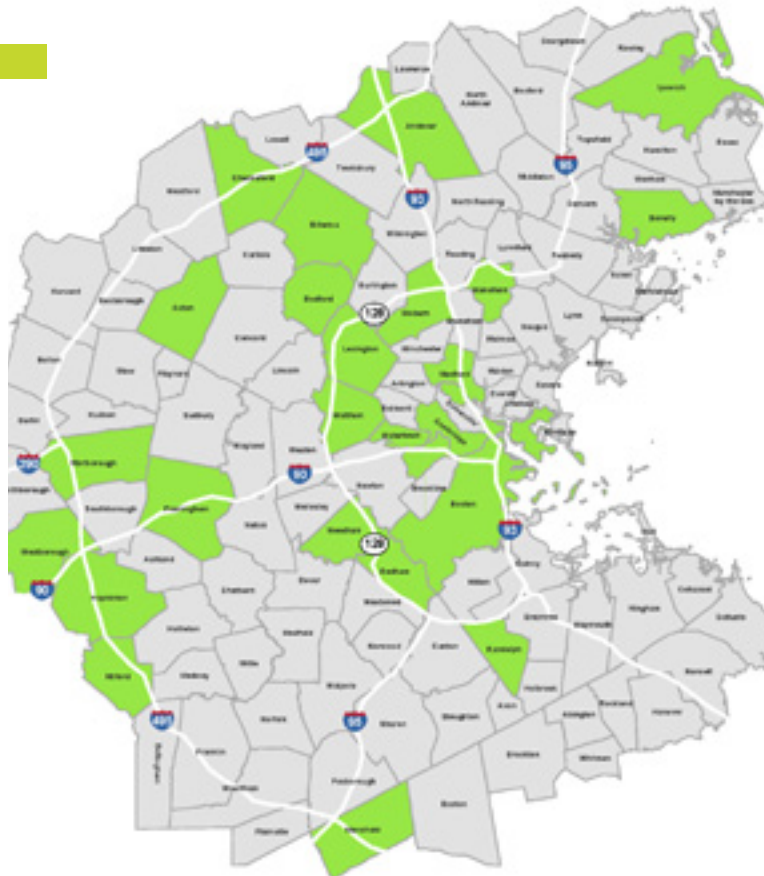
# MARKET RECAP



## BIOTECH / LAB STATISTICS

	TOTAL INVENTORY (SF)	UNDER CONSTRUCTION (SF)	DIRECT VACANT (SF)	SUBLEASE VACANT (SF)	TOTAL VACANCY RATE	Q1 NET ABSORPTION (SF)	YTD NET ABSORPTION (SF)	ASKING RENT NNN (\$/SF)
<b>BOSTON TOTAL</b>	5,467,356	-	342,891	-	6.3%	(2,310)	(2,310)	\$67.84
East Cambridge	8,612,150	936,500	210,289	-	2.4%	115,221	115,221	\$68.11
Mid Cambridge	5,024,346	272,801	72,251	3,837	1.5%	412,152	412,152	\$62.98
West Cambridge	745,680	-	-	-	0.0%	88,651	88,651	\$49.00
<b>CAMBRIDGE TOTAL</b>	14,382,176	1,209,301	282,540	3,837	2.0%	616,024	616,024	\$66.80
Route 128 North	1,070,019	-	30,723	-	2.9%	(4,667)	(4,667)	\$25.72
Route 128 Northwest	1,931,306	91,000	68,951	34,500	5.4%	(18,012)	(18,012)	\$32.45
Route 128 West	1,608,263	-	44,676	-	2.8%	36,167	36,167	\$38.18
Route 495 North	827,329	-	-	-	0.0%	-	-	\$20.00
South	328,032	-	6,655	-	2.0%	9,528	9,528	\$24.00
West	595,569	-	62,750	-	10.5%	18,080	18,080	\$19.81
<b>SUBURBAN TOTAL</b>	6,360,518	91,000	213,755	34,500	3.9%	41,096	41,096	\$28.71
<b>MARKET TOTAL</b>	26,210,050	1,300,301	839,186	38,337	3.3%	654,810	654,810	\$57.52

### MARKET COVERAGE



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# Q1

2016

M E T R O B O S T O N

# BIOTECH BEAT



BOSTON /  
SUBURBAN LAB



CAMBRIDGE LAB

## METHODOLOGY

**SOURCE:** Co-Star, NAI Hunneman Commercial Company. **PREPARED:** December, 2015.

**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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