

Q2 2017

M E T R O B O S T O N

BIOTECH BEAT



SUBURBAN LAB MARKET GROWTH CONTINUES

INSIDE STATISTICS...



BOSTON /
SUBURBAN LAB



CAMBRIDGE LAB

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BIOTECH OVERVIEW



DIRECT VACANCY



SUBLEASE VACANCY



12-MONTH ABSORPTION



LEASING ACTIVITY



ASKING RENT

Spec Construction Pipeline is Expanding

The Greater Boston lab market marked another quarter of positive absorption, with the completion of the bluebird bio and Sanofi Genzyme-anchored 50-60 Binney Street accounting for the bulk of activity. Overall, however, vacancies inched up in the second quarter amidst negative absorption in Mid Cambridge and the suburbs. A handful of factors have weighed on demand-side fundamentals this quarter. Uncertainty surrounding current federal legislation and a deceleration in venture capital funding (compared to a couple of years ago) are causing some tenants to hesitate while recent M&A activity has led to the consolidation of space in Cambridge. The market may see availabilities rise again in the near term, as permanent and temporary space being occupied by tenants relocating to new construction projects will need to be backfilled. While this trend may seem concerning, the available space will provide more options for firms looking to grow and/or establish a presence in the nation's top life science cluster.

Cambridge lab tenants are increasingly executing lease renewals as market conditions remain tight. While availabilities have increased over the last year and a number of new developments will provide more options for users, large blocks of lab space are still somewhat scarce. Those looking to

remain in Cambridge, including Novartis, Ironwood Pharmaceuticals, Epizyme and Vericel, have been doubling down on their current space.

Users are continuing to migrate from Cambridge to the Core Suburban lab market, which includes Bedford, Lexington, Waltham, and Watertown. Competitive pricing and new construction have been key factors contributing to this trend. WAVE Life Sciences, RaNA Therapeutics, C4 Therapeutics and Exosome Diagnostics represent just a few of the companies making this move. Solid Biosciences is rumored to be close to leasing 100,000 square feet in the suburbs as well. With several new developments in the pipeline and lease rates roughly half of those in nearby Cambridge, Greater Boston's suburban lab cluster will continue to grow in importance and draw more tenants in the future.

The Massachusetts life science industry, anchored by one of the world's preeminent biotech clusters, hit a new milestone recently: life science jobs in the Bay State reached an all-time high in 2016. According to research from the MassBioEd Foundation, there were roughly 68,000 jobs in life sciences last year. Prospects for future growth remain optimistic as well. By mid-2022 the organization is forecasting the industry will create another 11,600 jobs in

Massachusetts. This growth represents a 17% increase over the next six years, which bodes well for future lab demand throughout the state.

The growing development pipeline will bring new product to several key lab markets. In West Cambridge, The Davis Companies is underway on the conversion of 35 Cambridgepark Drive into a 220,000-square-foot lab building, which will deliver in mid-2018. King Street Properties has proposed a 120,000-square-foot facility adjacent to 87 Cambridgepark Drive in West Cambridge as well. Alexandria Real Estate recently broke ground on a 165,000-square-foot lab building at 399 Binney Street in Kendall Square and sitework has begun on Northpoint's first phase; a 430,000-square-foot office and lab building as well as MIT's South of Main campus. Projects are also moving forward in Boston and the suburbs. King Street Properties is underway on another speculative lab building at 828 Winter Street in Waltham and is planning a 200,000-square-foot addition to the Hayden Research Campus in Lexington. Finally, Related Beal and Kavanagh Advisory Group will bring up to 375,000 square feet of lab and office space to the Seaport at its Innovation Square development.

TOTAL VACANCY RATE	DIRECT VACANCY	Q2 NET ABSORPTION (SF)	ASKING RENT NNN (\$/SF)	UNDER CONSTRUCTION (SF)
3.6%	3.1%	320,786	\$50.25	961,259

IPO Filings:

3

MA-Based Biotech Companies
\$276 Million Value

VC Funding:

16

MA-Based Biotech Companies
\$589 M Funding

Mass Life Science Index:

32%

Increase from June 2016

Biopharma Job Postings:

3.4%

Year-Over-Year Decline
(March 2017)

NIH Funding:

\$500

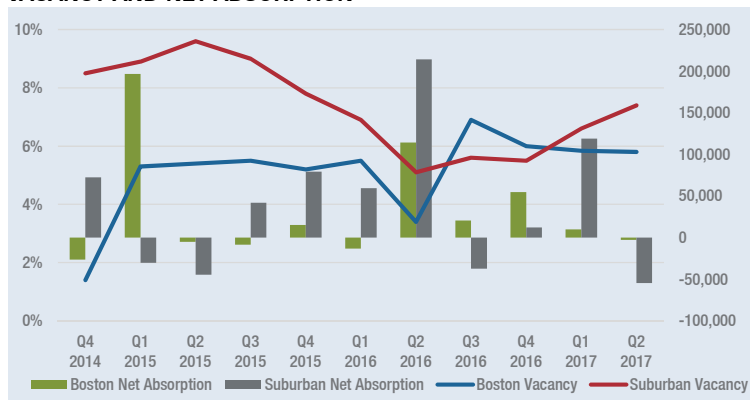
Per Capita
FY 2016



BOSTON / SUBURBAN LAB

	TOTAL INVENTORY (SF)	TOTAL VACANT (SF)	TOTAL VACANCY RATE	Q2 NET ABSORPTION (SF)	YTD NET ABSORPTION (SF)	ASKING RENT NNN (\$/SF)
Boston	5,752,447	335,625	5.8%	(2,653)	7,146	\$58.86
Suburban	6,950,841	515,425	7.4%	(54,500)	64,521	\$29.01
TOTAL	12,703,288	851,050	6.7%	(57,153)	71,667	\$42.77

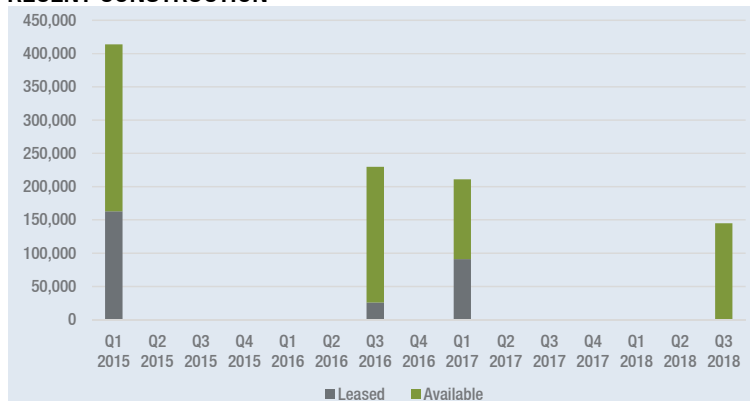
VACANCY AND NET ABSORPTION



RENTS



RECENT CONSTRUCTION



TRENDS

- Though negative absorption pushed vacancies up in Boston's suburban lab market during the second quarter, tenants looking for respite from Cambridge's frothy rents continue to drive demand here.
- On the heels of its success in Lexington, King Street Properties broke ground on another speculative suburban lab building. Construction on the 144,910-square-foot property at 828 Winter Street in Waltham is slated to wrap up in the summer of 2018.
- The Route 128 West/Northwest markets remain a relief valve for Cambridge, with RaNA Therapeutics, C4 Therapeutics and Dragonfly Therapeutics inking recent deals in the suburbs.
- Reportedly Solid Biosciences, who is in the market for 100,000 square feet of lab space, is also eyeing a relocation to the suburbs as the firm's current headquarters at 161 First Street in Cambridge is set for redevelopment.
- As Shire PLC continues to shuffle operations in Cambridge and Lexington, the pharmaceutical giant is planning to relocate drug production from a small site in Alewife to a larger facility in Lexington within the next few years.
- Nearly 50% of the \$589 million in VC funding raised by MA-based life sciences companies occurred outside of Cambridge. Waltham-based Deciphera Pharmaceuticals and Arsanis raised a combined \$97.5 million in recent late-stage funding rounds.

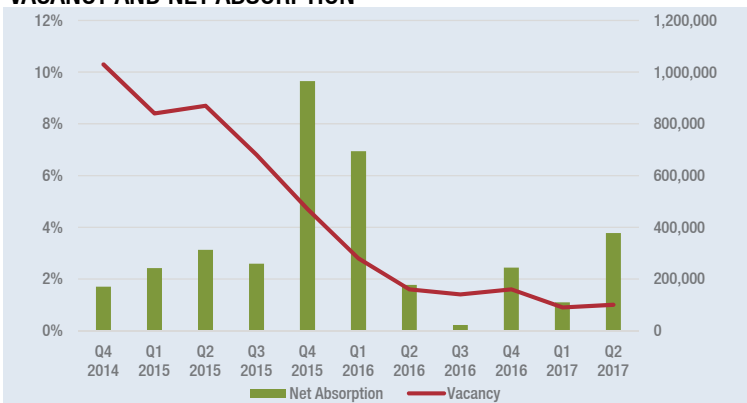
NOTABLE TRANSACTIONS

TENANT	ADDRESS	SIZE	SUBMARKET	TYPE
RaNA Therapeutics (Translate Bio)	29 Hartwell Avenue, Lexington	57,942	Route 128 Northwest	Relocation/Expansion
C4 Therapeutics	490 Arsenal Way, Watertown	45,000	Route 128 West	Relocation/Expansion
Arrakis Therapeutics	35 Gatehouse Drive, Waltham	12,014	Route 128 West	Relocation
Dragonfly Therapeutics	35 Gatehouse Drive, Waltham	5,625	Route 128 West	Relocation

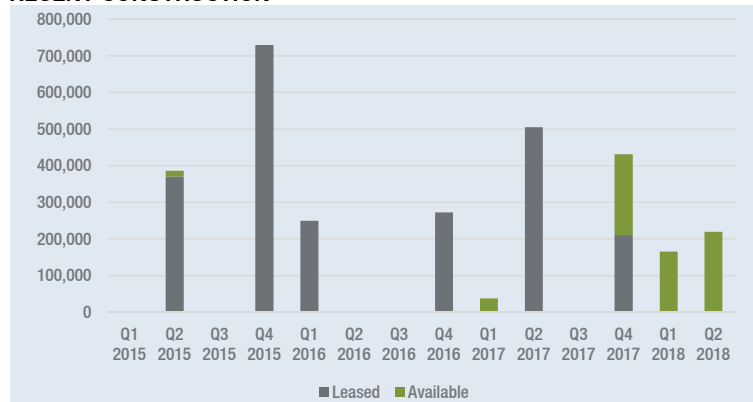


	TOTAL INVENTORY (SF)	TOTAL VACANT (SF)	TOTAL VACANCY RATE	Q2 NET ABSORPTION (SF)	YTD NET ABSORPTION (SF)	ASKING RENT NNN (\$/SF)
East Cambridge	9,309,192	10,505	0.1%	514,272	566,042	\$76.00
Mid Cambridge	5,129,177	109,607	2.1%	(136,333)	(78,350)	\$76.44
West Cambridge	783,180	37,500	4.8%	-	-	\$58.00
TOTAL	15,221,549	157,612	1.0%	377,939	487,692	\$73.44

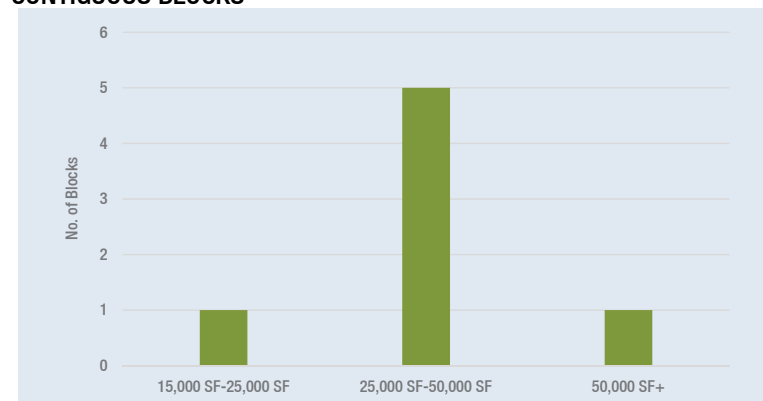
VACANCY AND NET ABSORPTION



RECENT CONSTRUCTION



CONTIGUOUS BLOCKS



TRENDS

- The second quarter marked the 11th-straight quarter of positive absorption in the Cambridge lab market. East Cambridge has led the way this year, with roughly 566,000 square feet of lab space absorbed year-to-date.
- The delivery of 50-60 Binney Street, fully leased by Sanofi Genzyme and bluebird bio, propped up absorption numbers this quarter while two large spaces hit the market in Mid Cambridge.
- Pfizer vacated 51,000 square feet of former BIND Therapeutics space at 325 Vassar Street and Takeda's acquisition of ARIAD Pharmaceuticals has resulted in roughly 100,000 square feet coming back on the market at 26 Landsdowne Street.
- Bristol-Myers Squibb will take occupancy of more than 200,000 square feet at the soon-to-be completed 100 Binney Street later this year.
- Several large renewals were signed recently, with Novartis (302,600 square feet) and Ironwood Pharmaceuticals (222,562 square feet) inking deals in Kendall Square.
- Blueprint Medicines finalized its lease at 45 Sidney Street, resulting in roughly 100,000 square feet of sublease space coming off the market. The firm is relocating from 38,500 square feet at nearby 38 Sidney Street.
- The WeWork of lab space, Lab Central, is adding more shared work space to the Cambridge market with its 42,000-square-foot lease at 700 Main Street.
- Momenta also expanded its footprint in the second quarter; leasing another 51,000 square feet at 301 Binney Street. They now occupy 130,000 square feet in the building.
- The state's second-largest biotech employer, Shire PLC, continues to make waves as the firm plans to consolidate its U.S. footprint entirely in Cambridge and Lexington. The firm is set to backfill Sanofi Genzyme's Kendall Square space next year and is rumored to be leasing another 233,000 square feet at 125 Binney Street as well.



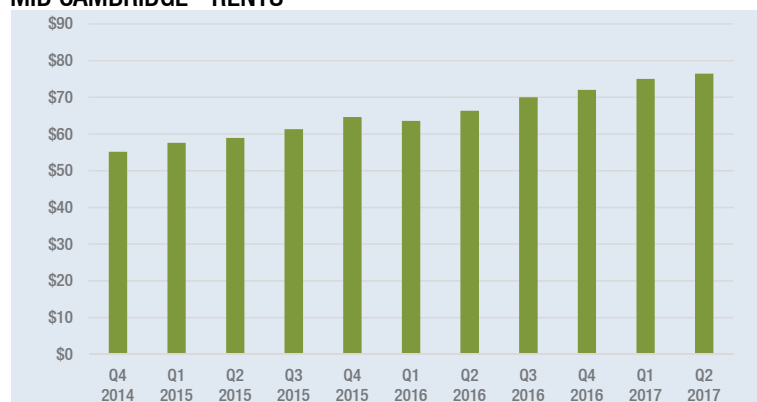
ASKING RENTS

CLASS A	ASKING RENT (\$/SF)	CLASS B	ASKING RENT (\$/SF)
East Cambridge	High \$80's NNN	East Cambridge	High \$60's NNN
Mid Cambridge	High \$70's NNN	Mid Cambridge	High \$60's NNN
West Cambridge	Low \$60's NNN	West Cambridge	Mid \$50's NNN

EAST CAMBRIDGE - RENTS



MID CAMBRIDGE - RENTS



WEST CAMBRIDGE - RENTS



TRENDS

- Asking rents for Cambridge lab space are averaging more than \$73 per square foot, with rates in Mid Cambridge surpassing East Cambridge by a slight margin in the second quarter. In West Cambridge, space on Cambridgepark Drive is nearing the mid-\$60 per-square-foot range. Overall rents continue to push northward, though at a less-frenzied pace than in recent years, leaving many tenants to look outside of Cambridge for lab space.
- Alexandria has been an active buyer here, and is now helping expand the growing construction pipeline in Cambridge's lab market. Earlier this year, the firm acquired 303 Binney Street, which currently houses 60,000 square feet of industrial space, from Metropolitan Pipe & Supply Co. Plans are to construct a 163,399-square-foot lab building on the site. Alexandria recently demolished two smaller buildings at One Kendall Square to make way for a 165,000-square-foot facility at 399 Binney Street as well.
- Cambridge's construction pipeline is shoring up. In addition to Alexandria's Binney Street project, The Davis Companies began its redevelopment of 35 Cambridgepark Drive recently as well. Upon completion the building will add another 220,000 square feet of lab space to the West Cambridge market. Sitework has also begun on Northpoint's first phase; a 430,000-square-foot speculative office and lab building as well as MIT's South of Main campus.

NOTABLE TRANSACTIONS

TENANT	ADDRESS	SIZE	SUBMARKET	TYPE
Ironwood Pharmaceuticals	301 Binney Street	222,562	East Cambridge	Renewal
Foundation Medicine	150 2nd Street	123,210	East Cambridge	Expansion
Blueprint Medicines	45 Sidney Street	99,833	Mid Cambridge	Relocation/Expansion
Momenta	301 Binney Street	51,000	East Cambridge	Expansion
Epizyme	400 Technology Square	43,006	East Cambridge	Renewal

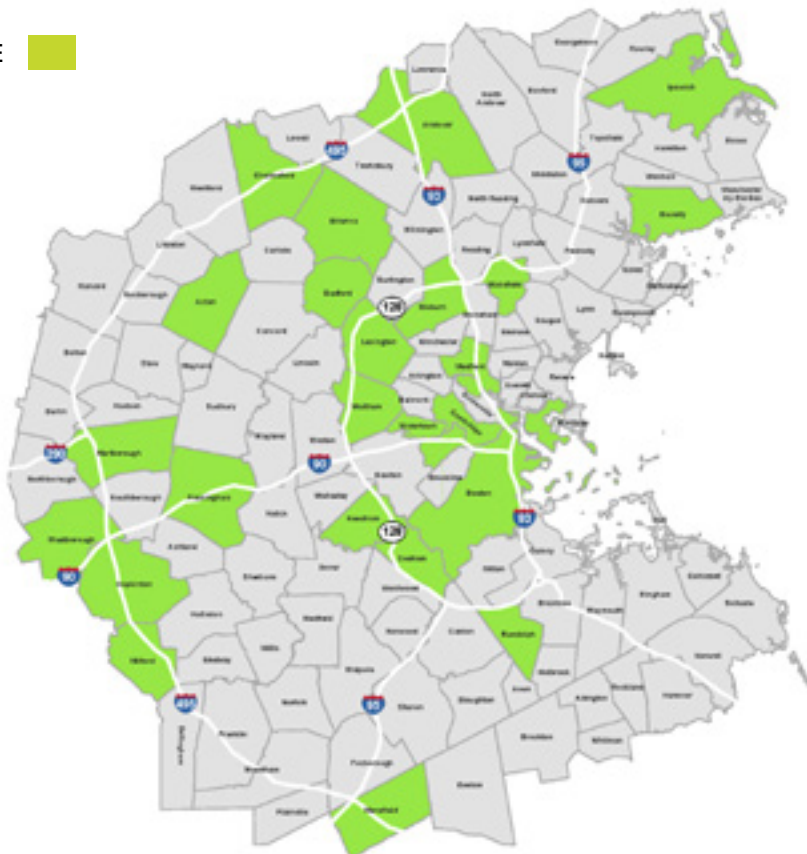
MARKET RECAP



BIOTECH / LAB STATISTICS

	TOTAL INVENTORY (SF)	UNDER CONSTRUCTION (SF)	DIRECT VACANT (SF)	SUBLEASE VACANT (SF)	TOTAL VACANCY RATE	Q2 NET ABSORPTION (SF)	YTD NET ABSORPTION (SF)	ASKING RENT NNN (\$/SF)
BOSTON TOTAL	5,752,447	-	330,795	4,830	5.8%	(2,653)	7,146	\$58.86
East Cambridge	9,309,192	596,875	5,272	5,233	0.1%	514,272	566,042	\$76.00
Mid Cambridge	5,129,177	-	97,807	11,800	2.1%	(136,333)	(78,350)	\$76.44
West Cambridge	783,180	219,474	37,500	-	4.8%	-	-	\$58.00
CAMBRIDGE TOTAL	15,221,549	816,349	140,579	17,033	1.0%	377,939	487,692	\$73.44
Route 128 North	1,134,676	-	66,254	-	5.8%	(21,343)	(879)	\$26.89
Route 128 Northwest	2,250,763	-	162,082	-	7.2%	(8,617)	105,463	\$34.82
Route 128 West	1,817,458	144,910	49,185	11,540	3.3%	(24,540)	3,546	\$33.25
Route 495 North	757,329	-	28,609	55,000	11.0%	-	(28,609)	\$24.00
South	278,032	-	-	-	0.0%	-	-	\$24.00
West	712,583	-	80,741	62,014	20.0%	-	(15,000)	\$18.28
SUBURBAN TOTAL	6,950,841	144,910	386,871	128,554	7.4%	(54,500)	64,521	\$29.01
MARKET TOTAL	27,924,837	961,259	858,245	150,417	3.6%	320,786	559,359	\$50.25

MARKET COVERAGE



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Q2

2017

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BIOTECH BEAT



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METHODOLOGY

SOURCE: Co-Star, NAI Hunneman Commercial Company. **PREPARED:** June 2017.

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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