

Q4 2015

M E T R O B O S T O N

BIOTECH BEAT



ANOTHER BANNER YEAR FOR LIFE SCIENCES

NAIHunneman

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INSIDE STATISTICS...



**BOSTON /
SUBURBAN LAB**



CAMBRIDGE LAB





BIOTECH OVERVIEW



DIRECT VACANCY



SUBLEASE VACANCY



12-MONTH ABSORPTION



LEASING ACTIVITY



ASKING RENT

High Demand and Limited Supply is Leading to New Emerging Markets

Greater Boston's biotech and life science sectors continue to drive growth in the metro, bolstering demand for lab space. With more than 2 million square feet of positive absorption, Greater Boston lab vacancies ended 2015 at just 5.0%. The Cambridge lab market accounted for a majority of this net absorption, and conditions are tighter-than-ever here. Recent leasing activity has also led to a scarcity of available space. As this committed space becomes occupied over the next few quarters, look for vacancies to continue tightening in 2016, particularly in the Cambridge markets.

This past year was record-breaking for Venture Capital (VC) funding in Massachusetts—**reaching \$7.4 billion by year end**. Pharmaceutical and Biotech companies accounted for the largest share of the state's funding, with **17 companies (many calling Cambridge home) receiving \$449.5 million**. Although Massachusetts IPO activity receded from 2014's standout year, 11 MA-based biotech companies went public in 2015 and raised \$870 million. This represents the second-highest number for this sector in more than a decade.

As "big pharma" and "big tech" increase their foothold in East Cambridge, smaller, more price-sensitive firms are pushing out toward West Cambridge, Lexington, and Waltham. In addition to Vertex, the Seaport is also attracting smaller lab tenants that are unable to pay the \$65-\$70/SF Cambridge landlords are asking and/or find quality space. Life science clusters are also forming in Bedford, Woburn and Watertown, providing alternatives for growing biotech companies. Look for more activity in the growing lab clusters in the coming year as tenants contend with limited availabilities in Cambridge. Emerging markets that may be the next big life science hub include Somerville, Needham, Charlestown, Medford and Newton.

Across the board, lease rates are on an upward trajectory. Strong fundamentals, increasing leasing activity, and the lack of available premier lab space have given Greater Boston landlords the upper hand. As such, average asking rents have increased 12.4% on a year-over-year basis. The market is showing no signs of slowing and tenants throughout the metro should expect to see higher rents in 2016.

TOTAL VACANCY RATE	DIRECT VACANCY	Q4 NET ABSORPTION (SF)	ASKING RENT NNN (\$/SF)	UNDER CONSTRUCTION (SF)
5.0%	5.0%	1,124,380	\$55.10	1,550,301

IPO:

11

MA-based Biotech Companies
\$870 Million Value

VC Funding:

17

MA-based Biotech Companies
\$449.5 Million Funding

Mass Life Science Index:

33.2%

Average increase
2004-2015

Biotech Unemployment:

74,056 JOBS

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

Bloomberg Innovation Index:

93.3 OUT OF 100

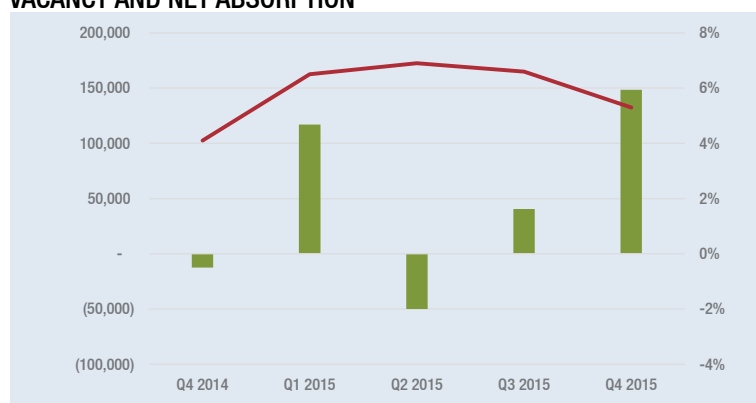
1st among all 50 states



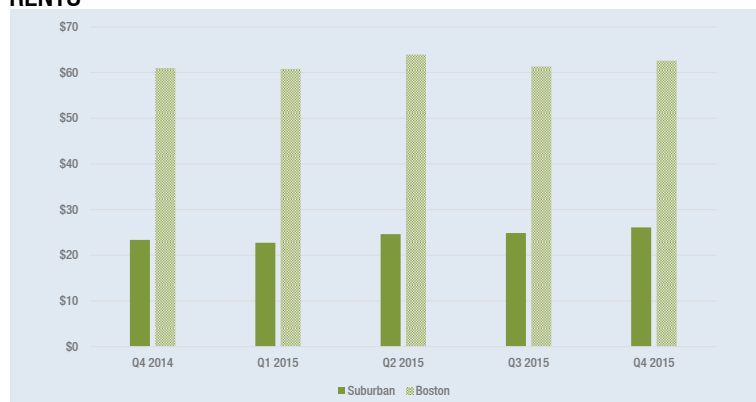
BOSTON / SUBURBAN LAB

	TOTAL INVENTORY (SF)	TOTAL VACANT (SF)	TOTAL VACANCY RATE	Q4 NET ABSORPTION (SF)	YTD NET ABSORPTION (SF)	ASKING RENT NNN (\$/SF)
Boston	5,467,356	340,581	6.2%	21,936	223,015	\$62.60
Suburban	6,360,518	289,351	4.5%	126,553	32,925	\$26.11
TOTAL	11,827,874	629,932	5.3%	148,489	255,940	\$45.84

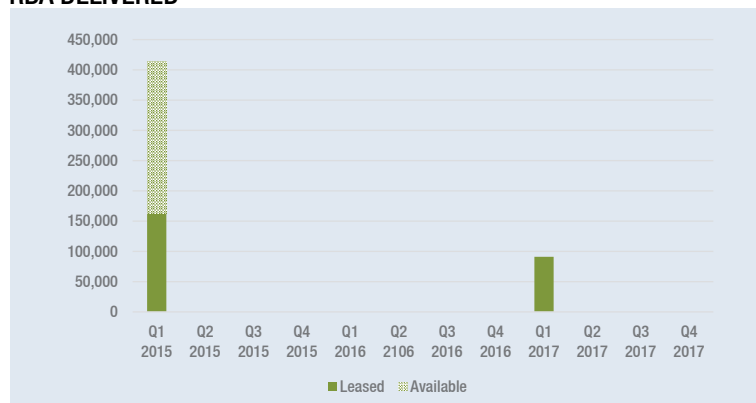
VACANCY AND NET ABSORPTION



RENTS



RBA DELIVERED



TRENDS

- Boston's Seaport District is an emerging lab cluster, particularly the Drydock area, where a handful of firms have received venture capital funding in the past year.
- Life science expansion is driving the Route 128 lab market, where vacancies are sub-5% in prime locations.
- In response to continued growth outside of Cambridge, King Street Partners recently broke ground on a 91,000-square-foot speculative lab building at 115 Hartwell Avenue. Delivery is set for the end of 2016.
- Dimension Therapeutics recently signed a lease for 17,475 square feet at 19 Presidential Way in Billerica. This deal represents a relocation from 14,949 square feet at 840 Memorial Drive in Mid Cambridge. Metamark Genetic's is also leaving the Cambridge lab market; moving from 245 First Street in Kendall Square to 285 Bear Hill Road, Waltham, with occupancy set for mid-2016.
- Of the MA-based biotech companies to receive financing in 2015, Woburn-based Codiak BioSciences earned the top deal, receiving \$83 million in financing. Newton-based Allena Pharmaceuticals also receive a \$53 million investment in 2015.

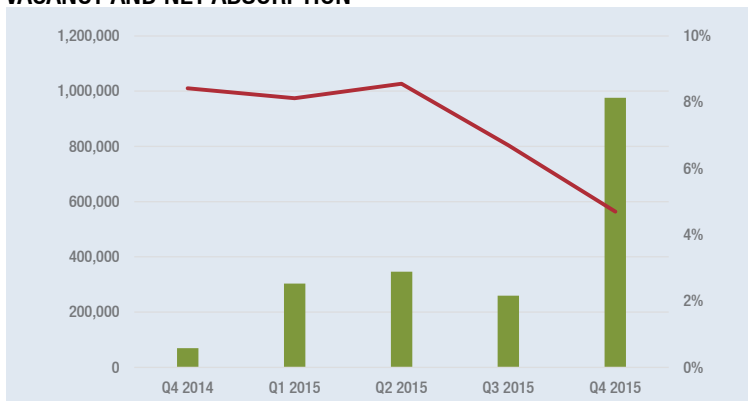
NOTABLE TRANSACTIONS

TENANT	ADDRESS	SIZE	SUBMARKET	TYPE
Fractyl Labs	17 Hartwell Avenue Lexington	30,000	Route 128 Northwest	Relocation
Metamark Genetics (NAIHunneman Deal)	285 Bear Hill Road Waltham	26,545	Route 128 West	Relocation
Dimensions Therapeutics (NAIHunneman Deal)	19 Presidential Way Woburn	17,475	Route 128 North	Relocation/ Expansion
Phosphorex	92-98 South Street Hopkinton	12,000	Route 495 West	Expansion

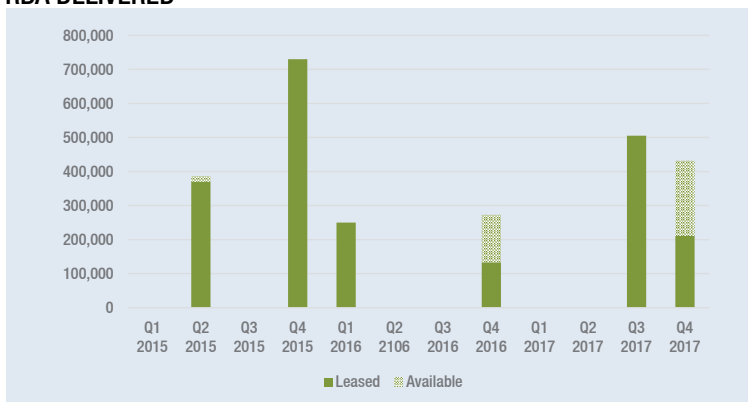


	TOTAL INVENTORY (SF)	TOTAL VACANT (SF)	TOTAL VACANCY RATE	Q4 NET ABSORPTION (SF)	YTD NET ABSORPTION (SF)	ASKING RENT NNN (\$/SF)
East Cambridge	8,606,588	332,439	3.9%	50,467	565,127	\$67.90
Mid Cambridge	4,790,737	246,631	5.1%	813,672	1,106,474	\$64.60
West Cambridge	745,680	88,651	11.9%	111,752	213,140	\$46.50
TOTAL	14,143,005	667,721	4.7%	975,891	1,884,741	\$63.85

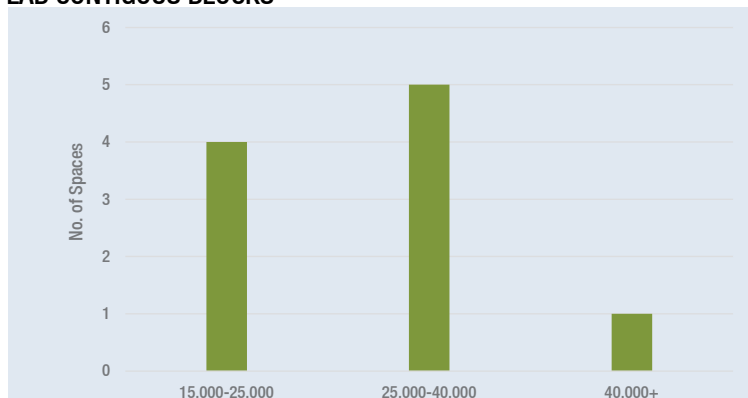
VACANCY AND NET ABSORPTION



RBA DELIVERED



LAB CONTIGUOUS BLOCKS



TRENDS

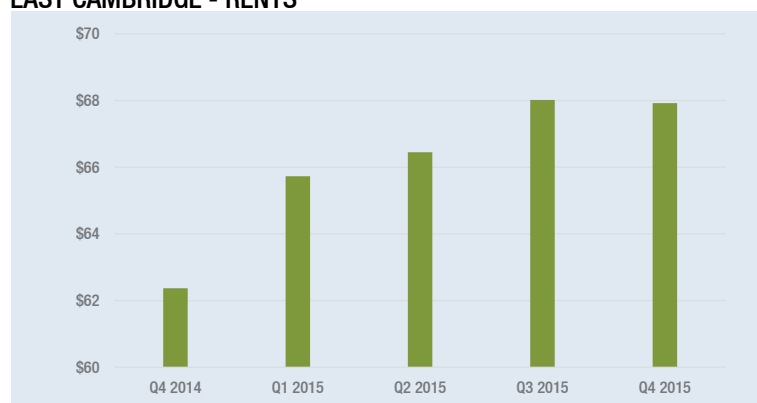
- Fourth-quarter net absorption totaled nearly 1 million square feet in the Cambridge markets. The completion of Novartis' two new lab buildings, encompassing more than 400,000 square feet in Mid Cambridge, was a major driver.
- Lab vacancies ended 2015 below 5%, as biotech and life science companies continue to expand. That said, available space is extremely limited due to strong leasing velocity. This is especially true in East Cambridge, where availabilities declined to a mere 1% in the fourth quarter. This supply-demand imbalance will ultimately minimize transaction activity in the coming year.
- On the heels of a \$133 million IPO in June, Seres Therapeutics signed a lease for 83,000 square feet in former Vertex space at 200 Sidney Street in the new Sidney Research Park. Seres joins AbbVie, CRISPR, Synlogic and RaNA Therapeutics, and plans to relocate their headquarters in early 2016.
- Momenta Pharmaceuticals renewed its lease at 320 Bent Street with landlord BMR-Rogers Street. The firm's lease expiration has now moved from August of 2016 to February of 2027, and includes the right of first offer on all rentable space in the building as well as the fifth floor at 301 Binney Street. Examples of this type of "forward leasing" can be found throughout the Cambridge lab market.
- Quartet Medicines, X4 Pharmaceuticals, Rubius Therapeutics, and Navitor are just a few of the Cambridge-based biotech companies that received VC funding during the past 12 months.
- Of the top 10 performing IPOs in the U.S. for 2015, 3 MA-based biotech companies made the list according to Renaissance capital. Seres Therapeutics, Collegium Pharmaceuticals and Inotek Pharmaceuticals all posted top returns from IPO.



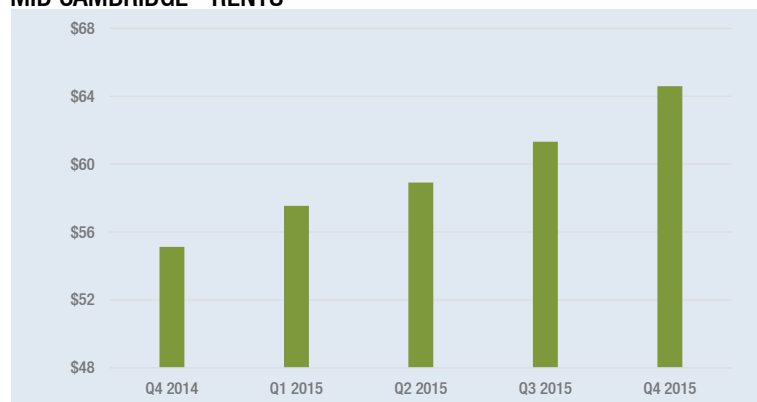
ASKING RENTS

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

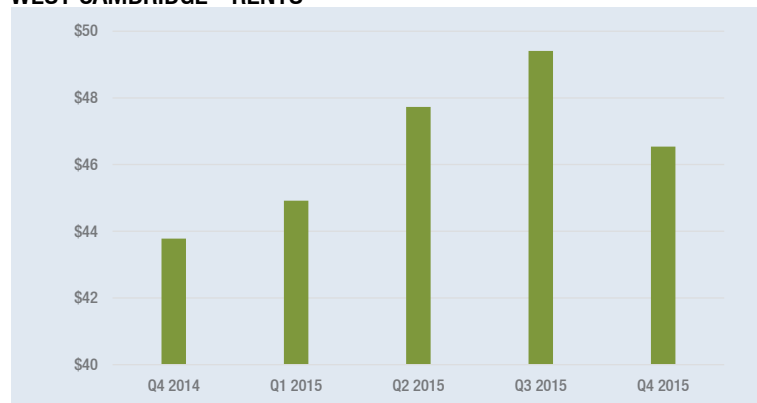
EAST CAMBRIDGE - RENTS



MID CAMBRIDGE - RENTS



WEST CAMBRIDGE - RENTS



TRENDS

- Of the 1.5 million-square-feet of lab space currently underway in Cambridge, 75% is already spoken for. The long-delayed NorthPoint development is set to break ground in 2016 and deliver buildings by early 2018. All told, the project is expected to result in up to 2 million square feet in commercial space. Though still in local permitting phases, the Volpe Transportation redevelopment, MIT's redevelopment on Main Street, and proposed projects by Boston Properties are expected to bring hundreds of thousands of square feet of office and lab space to the market.
- Market fundamentals continue to favor landlords, and lab lease rates show no sign of slowing. Averaging asking rents skyrocketed in the Cambridge lab market over the past year, with Mid Cambridge posting the steepest gains, at more than 17% year-over-year.
- Lease rates in East Cambridge are hovering near \$68/SF — representing a 9% increase from year-ago levels. Rates at Biomed Realty Trust's 450 Kendall Street represent the area's high-water mark, with asking rents expanding to \$88/SF in the fourth quarter.
- As active tenants have pushed further out into West Cambridge, landlords have quickly gained the upper hand. Average asking rents at 200 Cambridgepark Drive are among the highest in this submarket, at \$55/SF in the fourth quarter.

NOTABLE TRANSACTIONS

TENANT	ADDRESS	SIZE	SUBMARKET	TYPE
Momenta Pharmaceuticals	320 Bent Street	104,678	East Cambridge	Renewal
Seres Therapeutics	200 Sidney Street	83,000	East Cambridge	Relocation
RA Pharmaceuticals	87 Cambridgepark	26,623	West Cambridge	Relocation
Akebia Therapeutics	245 First Street	23,189	East Cambridge	Renewal/Expansion

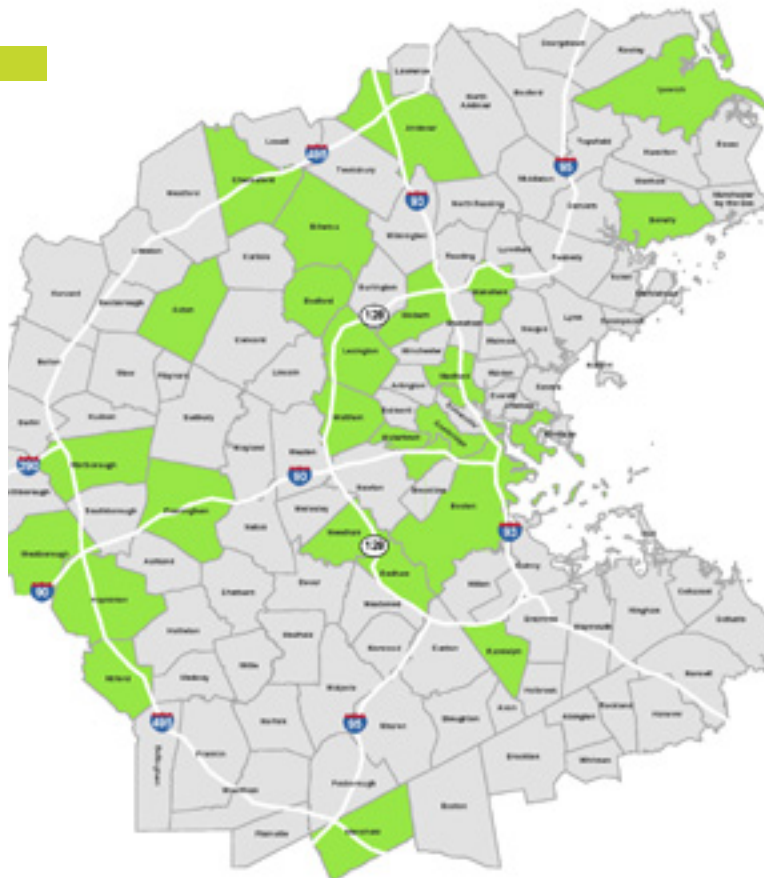
MARKET RECAP



BIOTECH / LAB STATISTICS

	TOTAL INVENTORY (SF)	UNDER CONSTRUCTION (SF)	DIRECT VACANT (SF)	SUBLEASE VACANT (SF)	TOTAL VACANCY RATE	Q4 NET ABSORPTION (SF)	YTD NET ABSORPTION (SF)	ASKING RENT NNN (\$/SF)
BOSTON TOTAL	5,467,356	-	340,581	-	6.2%	21,936	223,015	\$62.60
East Cambridge	8,606,588	936,500	332,439	-	3.9%	50,467	565,127	\$67.90
Mid Cambridge	4,790,737	522,801	242,794	3,837	5.1%	813,672	1,106,474	\$64.60
West Cambridge	745,680	-	88,651	-	11.9%	111,752	213,140	\$46.50
CAMBRIDGE TOTAL	14,143,005	1,459,301	663,884	3,837	4.7%	975,891	1,884,741	\$63.85
Route 128 North	1,070,019	-	26,056	-	2.4%	19,032	44,563	\$23.60
Route 128 Northwest	1,931,306	91,000	85,439	-	4.4%	(17,995)	15,764	\$26.70
Route 128 West	1,608,263	-	80,843	-	5.0%	70,223	(43,615)	\$34.20
Route 495 North	827,329	-	-	-	-	70,000	17,000	\$20.00
South	328,032	-	16,183	-	4.9%	(9,528)	(9,528)	\$24.00
West	595,569	-	80,830	-	13.6%	(5,179)	8,741	\$18.60
SUBURBAN TOTAL	6,360,518	91,000	289,351	-	4.5%	126,553	32,925	\$26.11
MARKET TOTAL	25,970,879	1,550,301	1,293,816	3,837	5.0%	1,124,380	2,140,681	\$55.10

MARKET COVERAGE



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Q4

2015

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BOSTON /
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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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