

# Q1

2017

M E T R O B O S T O N

# BIOTECH BEAT



## LAB MARKET CONTINUES TO IMPRESS

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INSIDE STATISTICS...



**BOSTON /  
SUBURBAN LAB**



**CAMBRIDGE LAB**





## BIOTECH OVERVIEW



DIRECT VACANCY



SUBLEASE VACANCY



12-MONTH ABSORPTION



LEASING ACTIVITY



ASKING RENT

# Lab Market Roars into 2017

The Greater Boston lab market remains hot. Net absorption totaled 219,492 square feet metrowide in the first quarter, with the Cambridge markets accounting for roughly half of this space. Metrowide vacancies are nearing 3% and East Cambridge vacancies are a mere 0.2% as demand for space remains heated. With little new product on the immediate horizon and strong demand for space, look for market conditions to remain favorable in the coming quarters.

Sky-high rents and a lack of inventory in Cambridge have led both tenants and landlords to look for lab space and lab-capable buildings (properties where feasibility studies have proven the ability to build-out lab) outside of the core Cambridge markets; moving into some previously uncharted territories. Activity is strong in established suburban nodes such as Waltham, Lexington and Watertown. Lab users are also considering Charlestown and Brighton. For example, developers of the 425,000-square-foot Post @ 200 Smith in Waltham and the 186,000-square-foot LINX project in Watertown are actively marketing to lab users. The Davis Companies continues to add lab space to the up-and-coming lab cluster in West Cambridge

while Related Beal and Kavanagh Advisory Group are planning a speculative office and lab complex on Tide Street in the Seaport's Marine Industrial Park. Conversion projects will likely continue to provide some respite from the market's outsized supply-demand imbalance as well, however, constructing lab space is expensive with TI allowances north of \$100 per square foot.

The planning pipeline is beginning to shore up, but the bulk of new projects are still several years away. The first lab building at DivcoWest/HYM's NorthPoint development is close to moving forward, MIT has revealed its initial plans for the Volpe Transportation Center redevelopment and both King Street Properties and The Davis Companies are currently underway on new product in the marketplace. Redevelopments at 1 Patriots Park and 75 Moulton Street recently completed as well; adding lab space to Bedford and West Cambridge.

The boom and bust cyclicity of drug trials, FDA approvals, etc. has left more space available on the sublease market, with Ariad Pharmaceuticals space at 75-125 Binney Street representing one of the largest chunks. M&A activity seems to

be picking up throughout Greater Boston's life science industry as well. Some of the larger deals that took place during the first quarter include Takeda's acquisition of Ariad, Gingko Bioworks' purchase of Gen9 and Celgene's merger with Delinia. Bristol-Meyers Squibb also has an option to buy collaborator Galecto Biotech. While many of the deals have resulted in layoffs and the possibility of vacant lab space coming back on the market, overall demand for space and talent remains strong in this market.

Looking ahead, a potential risk on the horizon is the proposed budget cuts for the National Institutes of Health (NIH) funding under the new administration, which have been dominating both local and national headlines. With a 20% haircut planned for the \$32 billion annual budget, Massachusetts stands to lose in a big way. Each year the Bay State receives the highest NIH funding on a per capita basis, with Boston alone procuring an average of \$1.7 billion. Industry experts warn of job losses and fewer medical innovations with less funding, and the impact of such losses could adversely impact the local life science industry in Greater Boston.

TOTAL VACANCY RATE	DIRECT VACANCY	Q1 NET ABSORPTION (SF)	ASKING RENT NNN (\$/SF)	UNDER CONSTRUCTION (SF)
3.5%	2.9%	219,492	\$52.85	1,300,884

IPO Filings:

1

MA-Based Biotech Companies  
YTD \$100 Million Value

VC Funding:

7

MA-Based Biotech Companies  
\$217 M Funding

Mass Life Science Index:

27%

Increase from March 2016  
Year-Over-Year

Biopharma Job Postings:

14.1%

Year-Over-Year Decline  
(Dec 2016)

NIH Funding:

\$500

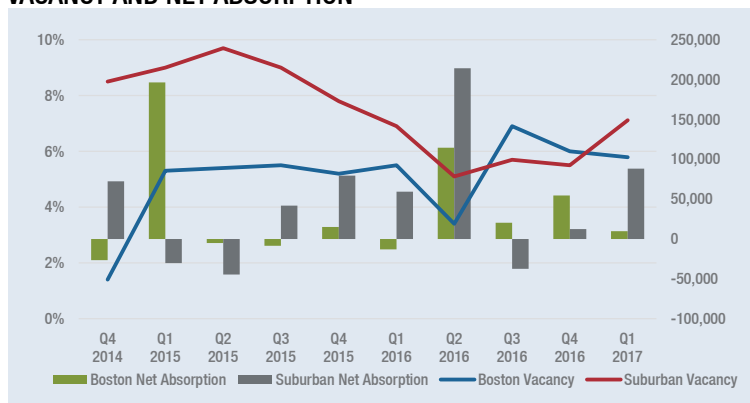
Per Capita  
FY 2016



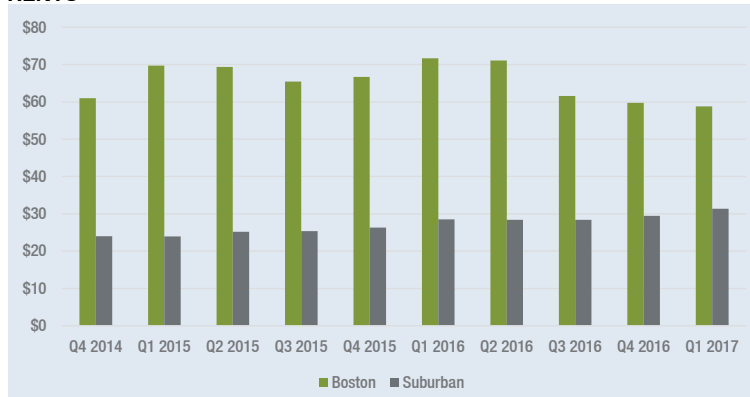
# BOSTON / SUBURBAN LAB

	TOTAL INVENTORY (SF)	TOTAL VACANT (SF)	TOTAL VACANCY RATE	Q1 NET ABSORPTION (SF)	YTD NET ABSORPTION (SF)	ASKING RENT NNN (\$/SF)
Boston	5,752,447	332,972	5.8%	9,799	9,799	\$58.79
Suburban	6,910,062	491,806	7.1%	88,140	88,140	\$31.36
<b>TOTAL</b>	<b>12,662,509</b>	<b>824,778</b>	<b>6.5%</b>	<b>97,939</b>	<b>97,939</b>	<b>\$44.26</b>

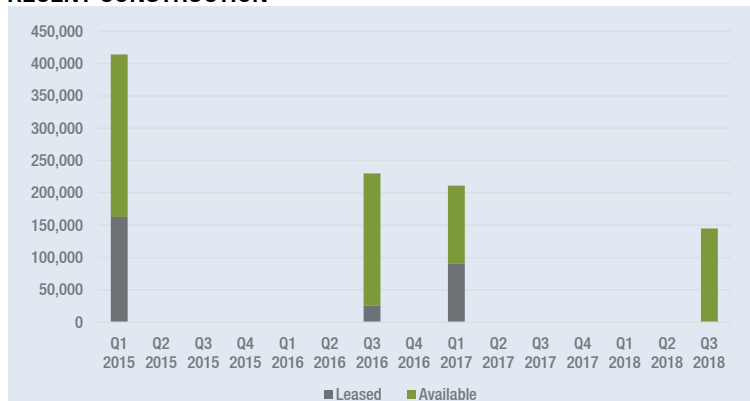
## VACANCY AND NET ABSORPTION



## RENTS



## RECENT CONSTRUCTION



## TRENDS

- Related Beal and Kavanagh Advisory Group are planning a 125,000-square foot lab and office complex on Tide Street in the Seaport's Marine Industrial Park.
- Acorda Therapeutics opened a second facility in Massachusetts during the first quarter — a 22,000 square foot office and lab in Waltham. Acorda signed the 10-year lease at 283 Bear Hill Road late last year.
- King Street Properties' speculative lab building at 115 Hartwell Avenue in Lexington (delivered this quarter) is now fully occupied by WAVE Life Sciences, who recently signed a lease for the balance of the building; bringing the firm's total foot print to 94,000 SF. In addition, King Street recently broke ground on a speculative lab project in Waltham, at 828 Winter Street.
- In the wake of a failed drug trial, Waltham-based Cerulean Pharma announced plans to lay off more than half of its employees, sell its lead cancer drug and combine with California-based Dare Biosciences in a reverse merger. The firm occupies 30,000 square feet at 35 Gatehouse Drive and some of this space may come back on the market in the coming quarters.
- Waltham-based X-Chem recently signed a drug discovery collaboration with Astellas Pharma Inc. The deal will give X-Chem \$16 million upfront with milestone payments amounting to over \$100 million per target.

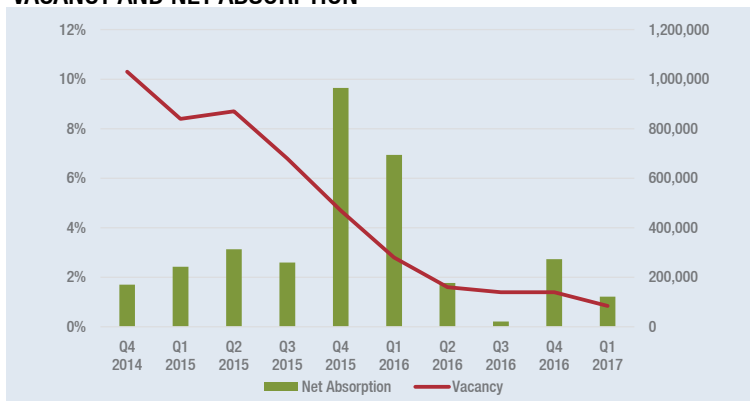
## NOTABLE TRANSACTIONS

TENANT	ADDRESS	SIZE	SUBMARKET	TYPE
T2 Biosystems, Inc.	101 Hartwell Avenue, Lexington	41,335	Route 128 Northwest	Extension/Expansion
RainDance Technologies Inc. (NAI Hunneman Deal)	749 Middlesex Turnpike, Billerica	40,000	Route 495 North	Renewal
WAVE Life Sciences	115 Hartwell Avenue, Lexington	33,000	Route 128 Northwest	Expansion
Shandong Luye Pharmaceuticals	19 Presidential Way, Woburn	13,095	Route 128 North	Expansion

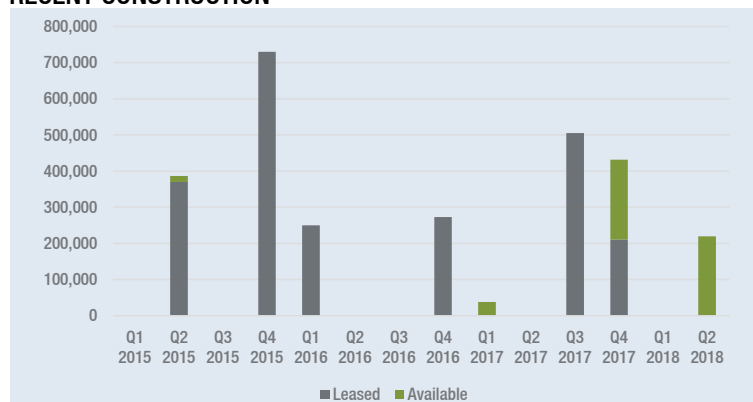


	TOTAL INVENTORY (SF)	TOTAL VACANT (SF)	TOTAL VACANCY RATE	Q1 NET ABSORPTION (SF)	YTD NET ABSORPTION (SF)	ASKING RENT NNN (\$/SF)
East Cambridge	8,863,150	19,777	0.2%	51,770	51,770	\$78.00
Mid Cambridge	5,236,147	68,444	1.3%	69,783	69,783	\$72.31
West Cambridge	783,180	37,500	4.8%	-	-	\$59.72
<b>TOTAL</b>	<b>14,882,477</b>	<b>125,721</b>	<b>0.8%</b>	<b>121,553</b>	<b>121,553</b>	<b>\$71.26</b>

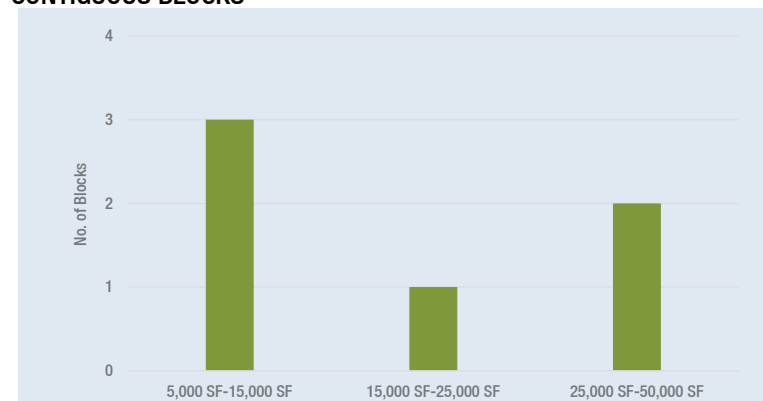
### VACANCY AND NET ABSORPTION



### RECENT CONSTRUCTION



### CONTIGUOUS BLOCKS



### TRENDS

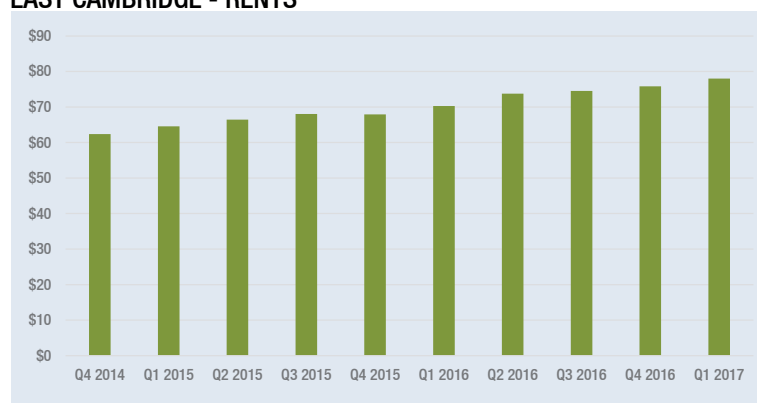
- Demand for lab space continues to outpace availabilities in Cambridge, subsequently market conditions are as tight-as-ever. Vacancies ended the first quarter below 1%, with East Cambridge boasting a mere 0.2% vacancy rate.
- Tenants, especially large users, are struggling to expand in the Cambridge market. Eli Lilly, AbbVie, and Johnson & Johnson have all been looking to grow their footprint.
- Takeda Pharmaceutical Co. acquired the long-beleaguered Ariad Pharmaceuticals this quarter, resulting in steep layoffs and the closure of Ariad's facility at 75-125 Binney Street. Takeda is now subleasing the more-than 200,000 square feet of lab space the firm had recently occupied.
- Blueprint Medicines is reportedly negotiating a lease for roughly 99,000 square feet (the entirety of former GlaxoSmithKline space) at 45 Sidney Street.
- Merrimack Pharmaceuticals recently sold two cancer drugs to the French pharmaceutical giant Ipsen for \$575 million. The Cambridge company is also reducing its headcount amid slower growth expectations. Last year Merrimack was in the market for 200,000 square feet of space. Given these recent developments this expansion may be on the backburner.
- Roughly half of Amgen's former space at 200 Cambridgepark Drive is already committed. Celgene executed a 42,581-square-foot expansion on the fifth floor in the first quarter; leaving only 41,446 square feet available. This deal comes on the heels of Celgene's recent \$300 million-acquisition of startup Delinia.
- Major pharmaceutical companies continue to drive R&D and innovation via joint ventures and incubating startups. Editas Medicines agreed to sublease 9,654 square feet to a new Third Rock-backed company called Tango Therapeutics beginning in February. This trend could provide some relief for growing early and mid-stage life science companies in need of Cambridge lab space.



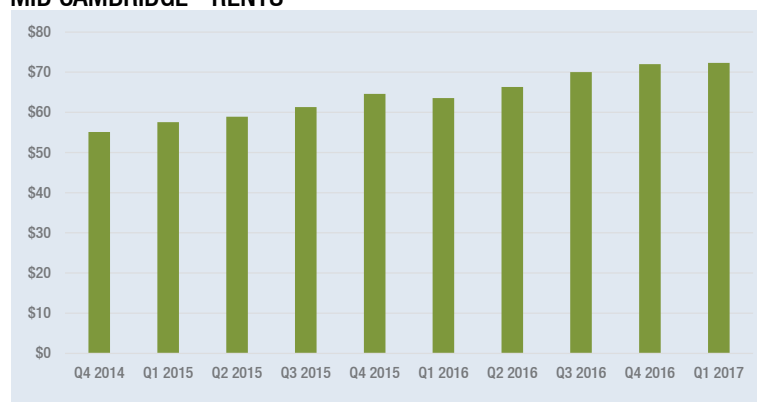
## ASKING RENTS

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

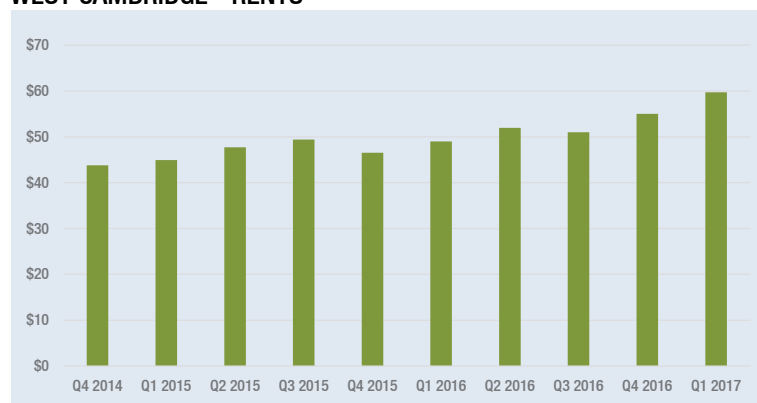
### EAST CAMBRIDGE - RENTS



### MID CAMBRIDGE - RENTS



### WEST CAMBRIDGE - RENTS



## TRENDS

- Average asking rents for Cambridge lab space are in the low-\$70 per square foot range, with East Cambridge rates surpassing \$75 per square foot. Lease rates have gotten especially frothy in the West Cambridge submarket, with space on Cambridgepark Drive nearing the mid-\$60 per square foot range. With little relief in sight, many tenants will likely consider locations outside of Cambridge or have to negotiate creative deals to find space.
- On the construction front, The Davis Companies' redevelopment of 75 Moulton Street has brought 37,500 square feet of new space to the market in West Cambridge. The same developer recently began construction on another redevelopment in the area. 35 Cambridgepark Drive is being redeveloped into a 219,463-square-foot lab building and is expected to come on line in the second quarter of 2018.
- In January MIT signed an agreement with the GSA to redevelop the Volpe Transportation site and has recently revealed its initial concept for the 14-acre parcel. The developer's latest plans include 1,400 housing units and 1.7 million square feet of office and lab space. With Cambridge office and lab vacancies sub-3% and sub-1%, respectively, this infusion will bring much needed space to the market.

## NOTABLE TRANSACTIONS

TENANT	ADDRESS	SIZE	SUBMARKET	TYPE
Momenta*	301 Binney Street	80,000	East Cambridge	Relocation
Celgene	200 Cambridgepark Drive	42,581	West Cambridge	Expansion
Anokion	50 Hampshire Street	18,744	East Cambridge	Relocation
Navitor Pharmaceuticals*	1030 Massachusetts Avenue	6,746	Mid Cambridge	Relocation

\* Sublease



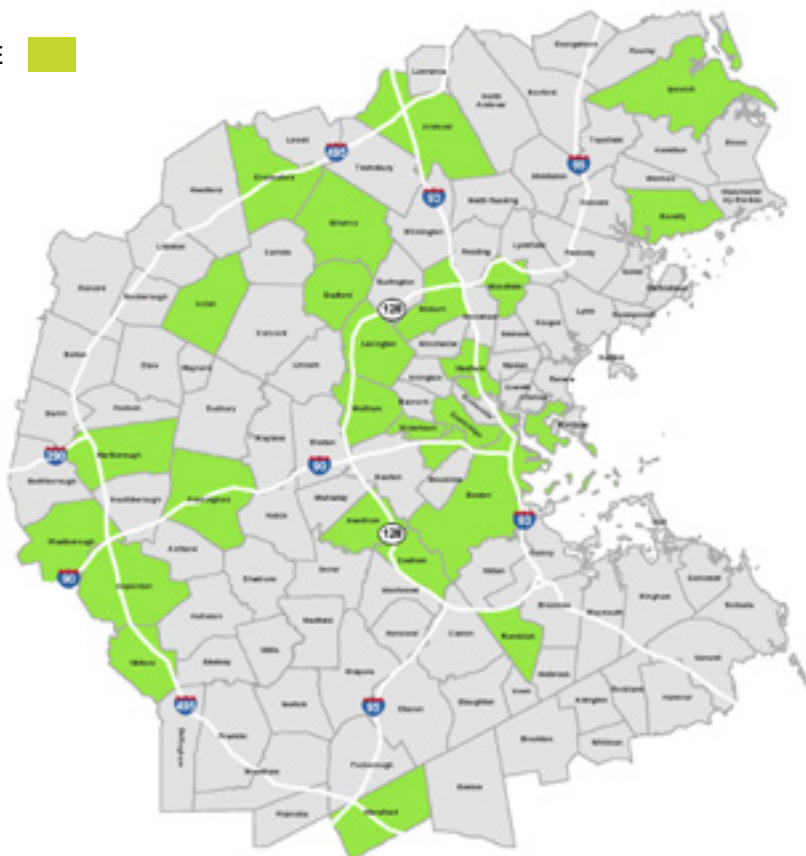
# MARKET RECAP



## 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>	5,752,447	-	332,972	-	5.8%	9,799	9,799	\$58.79
East Cambridge	8,863,150	936,500	14,544	5,233	0.2%	51,770	51,770	\$78.00
Mid Cambridge	5,236,147	-	48,627	19,817	1.3%	69,783	69,783	\$72.31
West Cambridge	783,180	219,474	37,500	-	4.8%	-	-	\$59.72
<b>CAMBRIDGE TOTAL</b>	14,882,477	1,155,974	100,671	25,050	0.8%	121,553	121,553	\$71.26
Route 128 North	1,093,897	-	42,792	-	3.9%	22,583	22,583	\$30.03
Route 128 Northwest	2,250,763	-	186,465	-	8.3%	81,080	81,080	\$38.07
Route 128 West	1,817,458	144,910	36,185	-	2.0%	28,086	28,086	\$33.34
Route 495 North	757,329	-	28,609	55,000	11.0%	(28,609)	(28,609)	\$24.00
South	278,032	-	-	-	0.0%	-	-	\$24.00
West	712,583	-	80,741	62,014	20.0%	(15,000)	(15,000)	\$18.28
<b>SUBURBAN TOTAL</b>	6,910,062	144,910	374,792	117,014	7.1%	88,140	88,140	\$31.36
<b>MARKET TOTAL</b>	27,544,986	1,300,884	808,435	142,064	3.5%	219,492	219,492	\$52.85

### MARKET COVERAGE



# CONTACTS

## Corporate

### DAVID M. SLYE

President & CEO  
617.457.3401  
dslye@naihunneman.com

### STEPHEN M. PROZINSKI

COO  
617.457.3370  
sprozinski@naihunneman.com

### STUART PRATT, SIOR, CCIM

Chairman  
617.457.3333  
spratt@naihunneman.com

### DAVID E. FINNEGAN

Vice President, Marketing Services  
617.457.3238  
dfinnegan@naihunneman.com

### AMY STEWART

Graphics Manager  
617.457.3335  
astewart@naihunneman.com

### LIZ BERTHELETTE

Director of Research  
617.457.3306  
lberthelette@naihunneman.com

## Urban Advisory Group

### PETER EVANS

617.457.3402  
pevans@naihunneman.com

### COLIN GORDON

617.457.3265  
cgordon@naihunneman.com

### MATTHEW DAVIS

617.457.3305  
mdavis@naihunneman.com

### BROOKE BLUE

617.457.3403  
bblue@naihunneman.com

### MAX PAWK

617.457.3345  
mpawk@naihunneman.com

## Suburban Leasing & Sales

### TREY AGNEW

Executive Vice President  
617.457.3363  
tagnew@naihunneman.com

### JAMES BOUDROT, CCIM, SIOR

Executive Vice President  
617.457.3328  
jboudrot@naihunneman.com

### F. MICHAEL DIGIANO

Executive Vice President  
617.457.3410  
mdigiano@naihunneman.com

### STEVE JAMES

Executive Vice President  
617.457.3263  
sjames@naihunneman.com

### CATHY MINNERLY

Executive Vice President  
617.457.3334  
cminnerly@naihunneman.com

### DAVID GILKIE, CCIM, SIOR

Senior Vice President  
617.457.3202  
dgilkie@naihunneman.com

### NED HALLORAN

Senior Vice President  
617.457.3372  
nhalloran@naihunneman.com

### LEEANNE RIZZO

Senior Vice President  
617.457.3371  
lizzo@naihunneman.com

### OVAR OSVOLD

Vice President  
617.457.3222  
oosvold@naihunneman.com

### MICHAEL ALLEN

Assistant Vice President  
617.457.3276  
mallen@naihunneman.com

### SEAN HANNIGAN

Associate  
617.457.3252  
shannigan@naihunneman.com

### PATRICK GRADY

Associate  
617.457.3278  
pgrady@naihunneman.com

### CORMAC SULLIVAN

Associate  
617.457.3319  
csullivan@naihunneman.com

## Capital Markets

### DAVID N. ROSS

Executive Vice President  
617.457.3392  
dross@naihunneman.com

### CARL CHRISTIE

Executive Vice President  
617.457.3394  
cchristie@naihunneman.com

### ROBERT TITO

Executive Vice President  
617.457.3231  
rtito@naihunneman.com

### MARK HALL

Executive Vice President  
617.457.3412  
mhall@naihunneman.com

### ANDREW KAEYER

Executive Vice President  
617.457.3207  
akaeyer@naihunneman.com

### DAN MCGEE

Assistant Vice President  
617.457.3266  
dmcgee@naihunneman.com

### GINA BARROSO

Assistant Vice President  
617.457.3261  
gbarroso@naihunneman.com

### HENRY LIEBER

Assistant Vice President  
617.457.3383  
hlieber@naihunneman.com

### ELLIOTT WHITE

Assistant Vice President  
617.457.3355  
ewhite@naihunneman.com

### IAN S. MCKINLEY

Senior Associate  
617.457.3404  
imckinley@naihunneman.com

# Q1

2017

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:** March, 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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