

Green is Greater Boston's definitive resource for commercial laboratory real estate discussion & analysis.

@BOSqFt

VACANCY DROPPED 0.2 percent to 1.5 percent on positive demand of 468,000 sf, the 22nd straight quarter of positive absorption.

SANOFI agreed to lease 900,000 sf from DivcoWest at Cambridge Crossing; the lease is the largest in Cambridge commercial history.

BRISTOL-MYERS SQUIBB moved into 208,000 sf at 100 Binney Street in Cambridge, a newly completed 432,000 sf structure.

SEVEN OF 13 tenant choices in the 10,000 sf to 20,000 sf size group are in the 128 Ring.

ALNYLAM PHARMACEUTICALS will more than double its footprint in 2019, to nearly 500,000 sf.

BULLFINCH COMPANIES acquired the 173,000 sf 10 Brookline Place West in Brookline for \$882 per sf.

FACEBOOK took occupancy of 133,000 sf at 100 Binney Street as office users remain intensive users of laboratory-intended new buildings.

ONLY FORTY percent of a 1.2 million sf Cambridge pipeline is leased, though landlords are asking historic rents and nixing smaller deals.

ANCHOR LINE PARTNERS proposed a 210,000 sf lab facility it would develop with Alexandria Real Estate Equities in South Boston.

QUICK



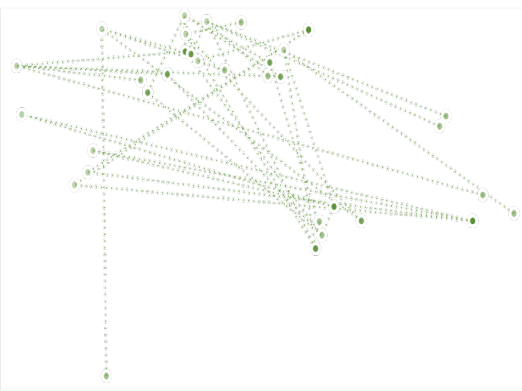
Absorption
+468,000 sf
Absorption was positive for the 22nd straight quarter



Vacancy
1.5% -0.2%
Vacancy dropped on positive absorption



Rents (Cam. A)
\$72-98
Rents rose on persistent absorption and little supply



THE GEOGRAPHY OF BIO EQUITY ...

The biotech "cluster" of East Cambridge has long been credited with supporting an industry collaboration and knowledge sharing environment not seen on this scale anywhere else; but what about the money? Here we see how the funding sources have become just as clustered as the biotechs ...

OTB, page 2



A historic year of expansions, funding activity and regulatory successes closed finished with a 900,000 sf commitment by Sanofi to occupy space in buildings at Cambridge Crossing DivcoWest will develop for them. Tenants absorbed 468,000 sf of biotechnology-focused laboratory real estate in Greater Boston in the fourth quarter of 2018, with much of that growth occurring at the last of the Alexandria Center at Kendall Square buildings to be delivered. Bristol-Myers Squibb took occupancy of 208,000 sf, while Facebook's move into 133,000 sf furthered a trend of traditional office users paying significant premiums for Kendall space, even when that space was developed for lab use. As a market vacancy of 1.5 percent, down from 1.7 percent, reflects even higher space constrictions in areas most widely preferred by biotechs. As space shortages remain acute and critical, developers are moving to create viable new clusters of bio activity.

ABOUT THIS IPO BACKING ...

Infamously known a lab cluster, potentially one of the most effective concentration of activity and enablers of this ecosystem is the funding environment. Here's a brief analysis of the IPOs of 2017 and 2018, and their global, but also incredibly close roster of capital sources.

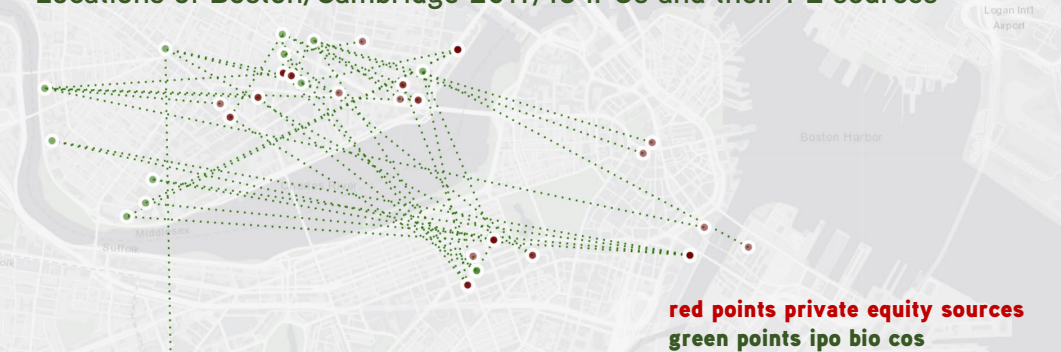
leading private equity investors in Boston area IPOs, green shading denotes relative position on given IPO, 11 to 79th blocks miniaturized.

	# IPOs	\$ Owned	distance in miles from Kendall Square, Cambridge	MRNA	LOGC	ETTX	REPL	CNST	RUBY	TBIO	NTGN	MGTA	AVRO	SRRK	EVLO	SURF	UMRX	FIXX	SLDB	TORC	QTRX	ASNS	SPRO	RYTM	DGPH	KALA	MRSN	ALRN	JNCE
Flagship Pioneering	4	2,553	0.5	0.4	0.6	10.2	10.3	0.3	1.2	1.1	1.2		0.4	1.3	1.3	0.6	4.1		0.5	1.0	1.5	10.4	1.1	1.0	9.2	6.5	1.6	3.8	1.6
Third Rock Ventures	6	622	0.9																										
AstraZeneca	2	615	10.2																										
Atlas Venture	7	416	0.4																										
Viking Global Investors	2	409	186.1																										
FMR	6	290	1.7																										
Brightstar Associates LLC	1	282	186.1																										
New Enterprise Associates	3	239	0.5																										
OrbiMed Private Investments	5	202	185.8																										
ARCH Venture Fund	3	189	857.2																										

79 venture capitalists / private equity firms participated in the market's **26** initial public offerings in 2017 and 2018, realizing an aggregate **\$8.4** billion in proceeds.

IN CAMBRIDGE, CAPITAL NEED NOT TRAVEL FAR

Locations of Boston/Cambridge 2017/18 IPOs and their PE sources



47% of pre-IPO capital was sourced from within two miles of the company

77% of pre-IPO capital source from a firm with a primary Boston-area office

\$8bln value of shares owned by private capital at IPO prices

Flashback to Q3'2018 ...

Demand of 72,000 sf extended a positive absorption streak to 21 quarters as vacancy dipped from 2.0 percent to 1.7 percent. Rents edged up moderately, though a lack of available supply has shifted some demand to newer lab frontiers. MIT commenced construction on a 812,000 sf commercial project at Kendall Square following the lease of 100,000 sf to Boeing. BioMed acquired a 36,000 sf likely development site adjacent to its at Kendall campus in Cambridge for \$50.5 million. DivcoWest moved forward with construction on a second, 500,000 sf commercial building at Cambridge Crossing.



this quarter

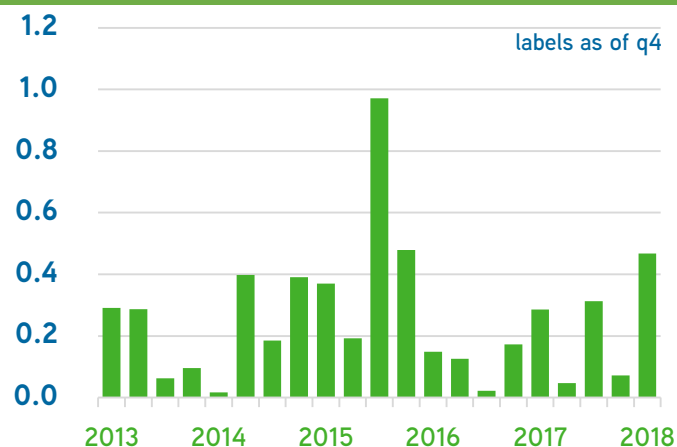
in cambridge ...

- Cambridge tenants absorbed 517,000 sf as vacancy dipped 0.8 percent to 0.4 percent.
- Sanofi agreed to lease 900,000 sf in adjacent buildings to be developed for them by DivcoWest at Cambridge Crossing; the transaction is the largest lease agreement in the history of Cambridge.
- Explicitly available choice in existing facilities has become essentially nonexistent as a limited amount of proactive space management on the part of landlords with larger portfolios.
- The completion of the 433,000 sf 100 Binney Street marked the completion of the 1.3 million sf Alexandria Center at Kendall Square; Bristol-Myers Squibb moved into 209,000 sf at the facility while Facebook, took occupancy of 133,000 sf.
- Beam Therapeutics and Cogen Therapeutics took occupancy of 38,000 sf and 36,000 sf at 26 Landsdowne Street, an asset which had been undergoing a redevelopment to a Class A facility.
- An active construction pipeline of 1.2 million sf is just 40 percent preleased; though available blocks are envisioned by developers for mid- to -large-size users for premium rental rates.
- Having been commenced two quarters ago on a fully speculative basis, the 425,000 sf 314 Main Street has since been 47 percent leased to Boeing, Capital One and Apple; highlighting both the area's industry diversity as well as absorption by non-life sciences space users.
- Alnylam Pharmaceuticals announced it will maintain its current footprint when it takes occupancy of its new HQ facility at 675 West Kendall Street in the first half of 2019; the move will effectively expand the bio's Cambridge presence from 201,000 sf to 496,000 sf.

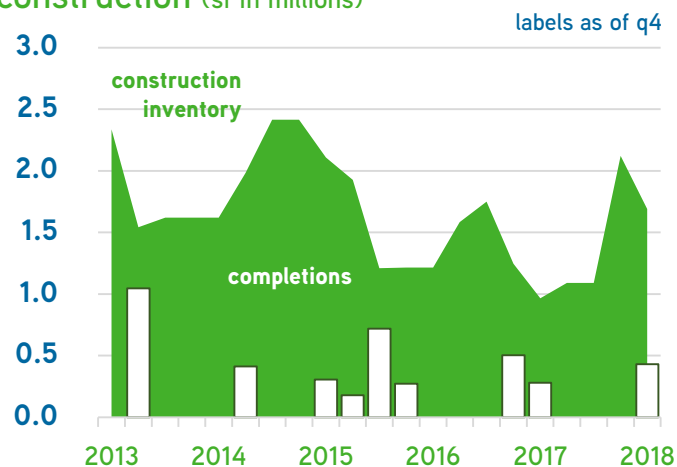
in boston & the rings ...

- Streetcar Ring vacancy remained stable at 0.5 percent as 128 Ring vacancy increased 1.7 percent to 3.8 percent on 62,000 sf of negative absorption and 495 Ring positive absorption of 12,000 sf dipped vacancy 0.7 percent to 5.3 percent.
- Anchor Line Partners announced it has partnered with Alexandria Real Estate Equities to develop a 210,000 sf laboratory facility on a South Boston parcel it acquired from Gillette earlier in 2018.
- Seven of the market's 13 choices of 10,000 sf to 20,000 sf are located in the 128 Ring.
- The Bulfinch Companies acquired 10 Brookline Place West in Brookline (\$153 million, 173,000 sf, \$882 per sf) as Biomed Realty bought 65 Grove Street in Watertown (\$63 million, 120,000 sf, \$521 per sf) and Brammer Bio acquired 45 Hartwell Avenue in Lexington (\$18 million, 51,000 sf, \$354 per sf).

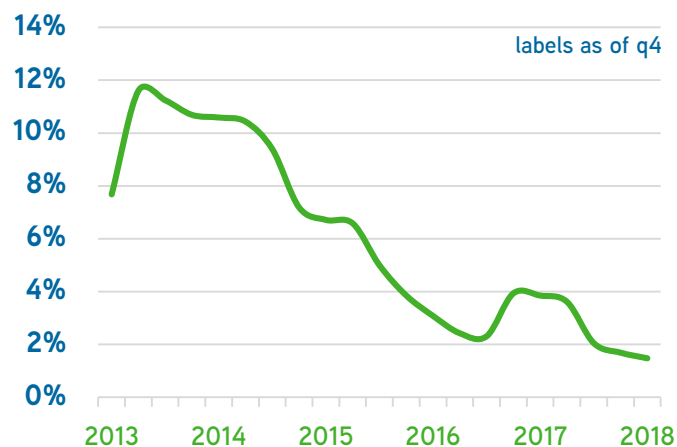
absorption (sf in millions)



construction (sf in millions)



vacancy %





sf in thousands	rba	vac%	absorption		construction**		
			q4'18	ltm	uc	lease%	ltm
total market	20,389	1.5%	468	659	1,691	44%	432
cambridge	11,516	0.4%	517	567	1,201	40%	432
kendall	7,034	0.2%	426	434	977	41%	432
central	3,772	0.7%	91	127	0		0
harvard	84	0.0%	0	0	0		0
alewife	627	0.8%	0	6	224	37%	0
streetcar belt	3,405	0.5%	0	67	125	40%	0
gateway	251	0.0%	0	0	0		0
longwood	1,792	0.9%	0	67	0		0
crosstown	1,362	0.0%	0	0	125	40%	0
128 belt	3,619	3.8%	(62)	(11)	365	60%	0
north shore	307	0.0%	0	13	0		0
128 core	3,267	4.2%	(62)	(24)	365	60%	0
9 west	45	0.0%	0	0	0		0
495 belt	1,849	5.3%	12	36	0		0
3 north	603	2.5%	0	0	0		0
the boroughs	404	18.1%	12	36	0		0
framingham natick	805	1.3%	0	0	0		0
95 south	36	0.0%	0	0	0		0

rba = rentable building area ltm = last twelve months ** preleased % & last twelve months completions

Perry Brokerage strives for complete accuracy in all aspects of its information and analysis, though no guarantee to that effect is made. Sources include Bureau of Economic Analysis, Bureau of Labor Statistics, Esri, Federal Reserve Bank, Google Analytics, Institute for Supply Management, Perry Brokerage Associates.



spectrum family

- blue** <> macro level office | quarterly
- steel** <> macro level industrial | quarterly
- green** <> macro level laboratory | quarterly
- slate** <> submarket level office series | quarterly
- node** <> transit-accessible office & lab | twice-yearly
- white** <> special interest | twice-yearly or so

Subscribe to Spectrum by texting "pbaresearch" to 228-28

Brendan Carroll <> Director of Intelligence <> bcarroll@perrybrokerage.com

