

3Q23

# Boston Life Science Market Overview

NEWMARK

# Market Observations

## Economy

- While the region’s labor market remains on relatively solid footing, with Boston unemployment sitting well below the national average, the technology and life science sectors are experiencing sustained layoffs.
- Over the last 10 years, the Greater Boston region has added more than 60,000 life science jobs to local payrolls. This represents cumulative growth of 76.0%, which far outpaced job growth in office-using employment. Since 2013, office-related jobs have only expanded by 19.2%.
- Life science venture capital funding has slowed from the heady days surrounding the pandemic, with \$5.3 billion raised throughout Greater Boston through the third quarter of 2023. That said, funding levels are on a par with 2019 volumes.

## Major Transactions

- Leasing velocity improved slightly during the third quarter of 2023 in Greater Boston’s life science market. That said, transactions over 75,000 SF were limited.
- Astellas Pharma agreed to lease two floors at 441 Morgan Ave. in DivcoWest’s Cambridge Crossing development. This represents one of the largest transactions of the quarter as well as the first tenant to lease space in the project.
- Voyager Therapeutics executed a lease to expand by roughly 61,000 SF at 75 Hayden Ave. in Lexington, while SalioGen Therapeutics is relocating to 10 Maguire Rd., a laboratory conversion also in Lexington.

## Leasing Market Fundamentals

- Leasing activity gained some momentum during the third quarter of 2023. Tenant requirements have also fallen to 1.6 million SF as the market continues to stabilize from pandemic-era hyper-growth.
- Seven new laboratory developments, mostly converted product, delivered during the third quarter of 2023. As a result, Greater Boston’s inventory increased by another 1.3 million SF. While the pipeline remains robust, construction starts are normalizing.
- New supply, coupled with negative net absorption, resulted in a 380-basis-point increase in metrowide laboratory vacancies over the quarter. Asking rents have fallen in concert with rising vacancy, declining by 9.7% from the 2022 peak.

## Outlook

- Both tenants and investors are going to be more risk averse, to the benefit of established operators and life science nodes. Continued interest in assets located in core submarkets will drive the narrative over the next several quarters.
- With record levels of new supply expected to deliver in the next 12 to 24 months, Greater Boston’s laboratory fundamentals will remain challenged in the near term.
- The long-term outlook for Greater Boston’s life science sector remains bullish given the region’s preeminence as a global technology and biotechnology hub.

1. Economy
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# Economy

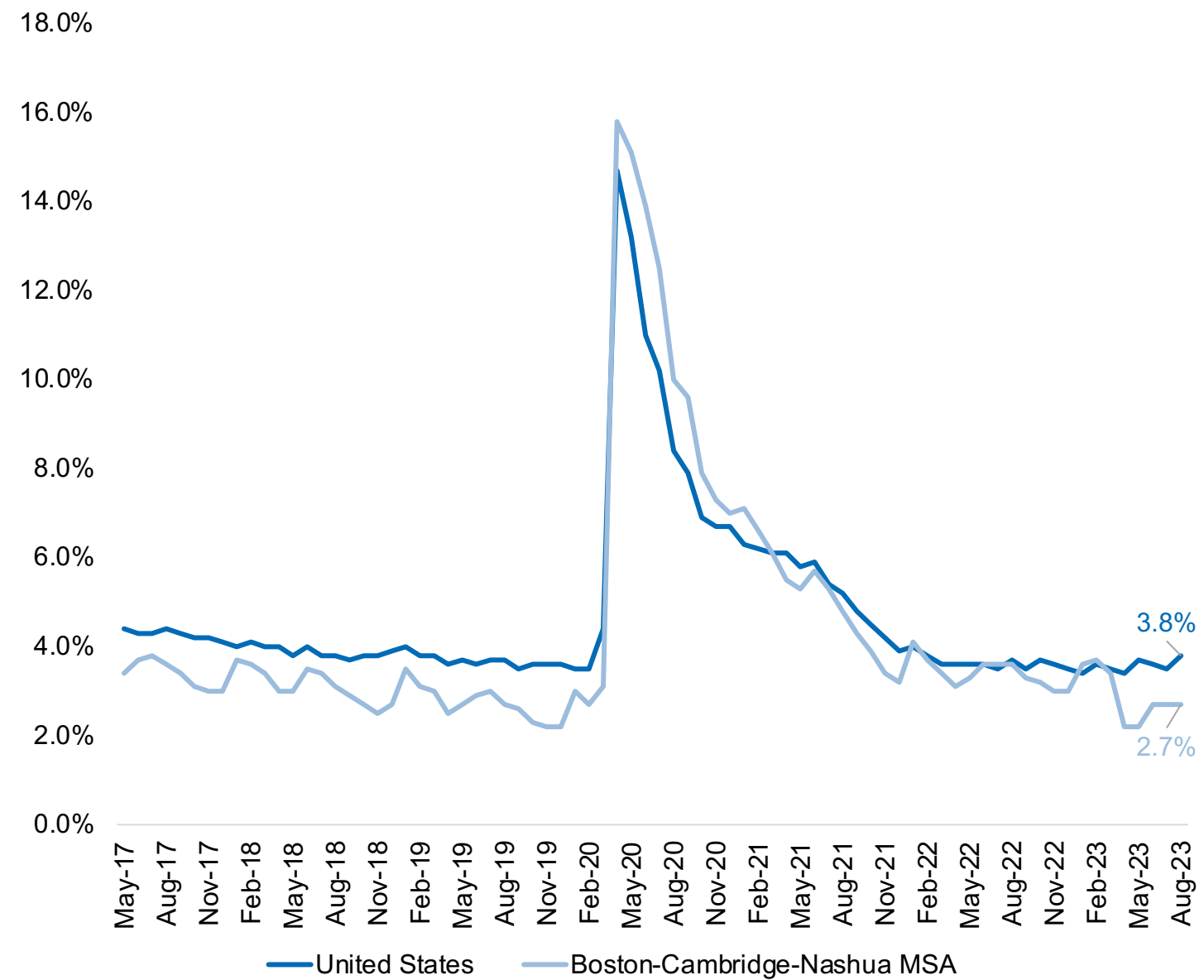




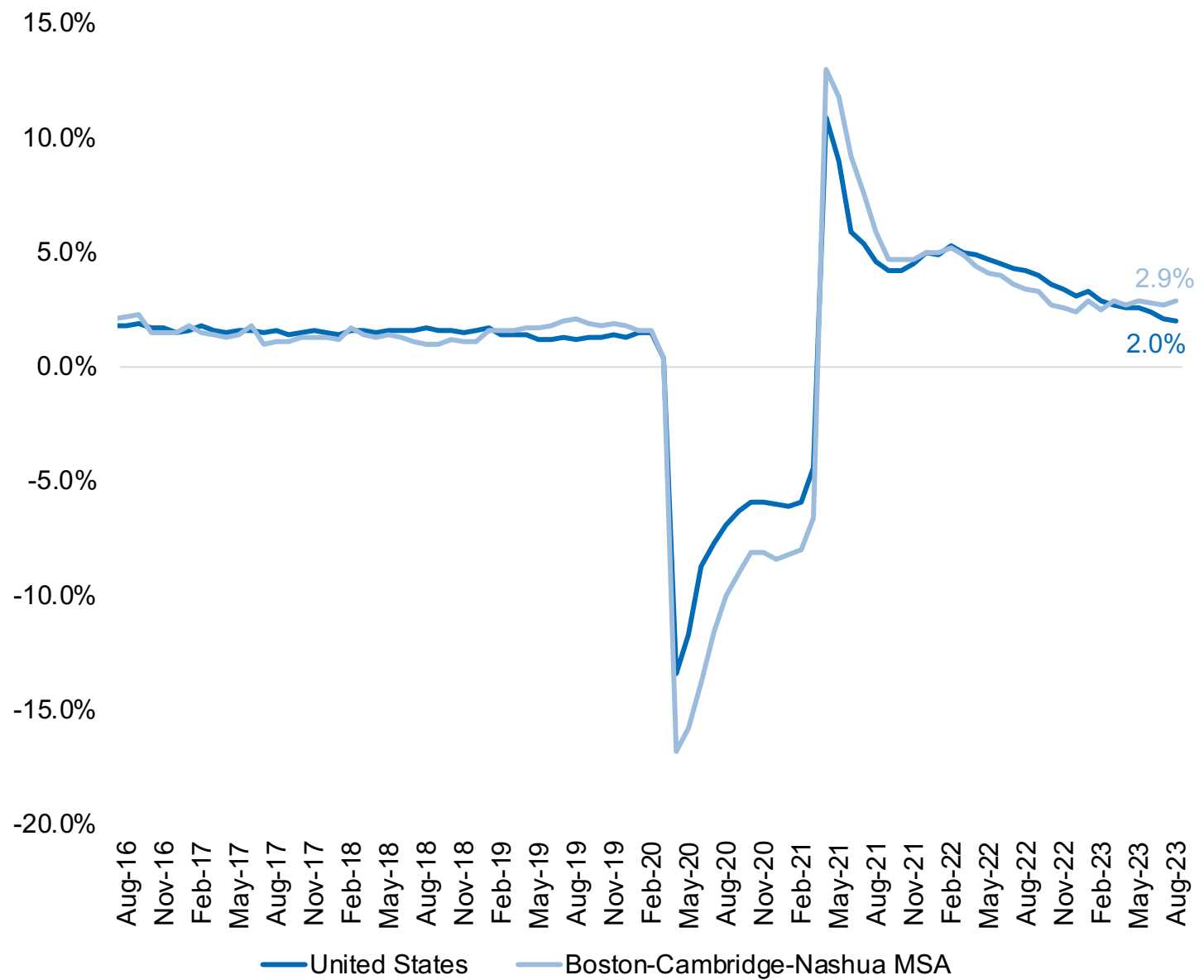
# Metro Employment Trends Are Performing above the National Average

While the region’s labor market remains on relatively solid footing and the annual job growth rate has exceeded the national average, cracks are beginning to show amid persistently high inflation and increasing interest rates. Unemployment in Boston remains below the national average, but the tech and biotech sectors are experiencing sustained layoffs.

Unemployment Rate, Seasonally Adjusted



Nonfarm Payroll Employment, Non-Seasonally Adjusted, 12-Month % Change

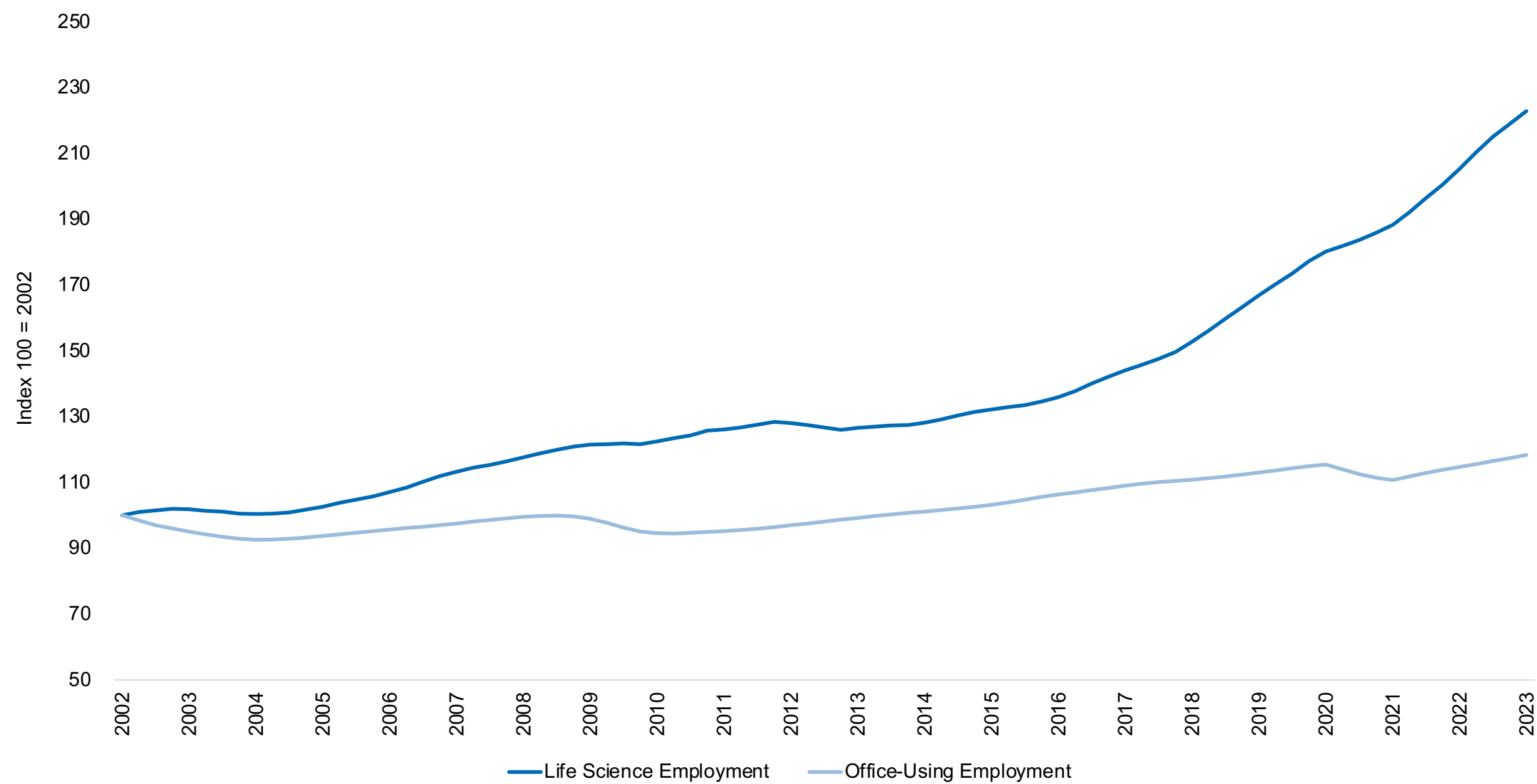


Source: U.S. Bureau of Labor Statistics, Boston-Cambridge-Nashua MSA

# Life Science Employment Growth Outpaces Office-Related Gains

Despite persistent layoffs within this sector, life science employment has expanded exponentially through the first quarter of 2023 within Greater Boston. Comparatively, gains in office-using jobs have been rather mild during the same time period.

Life Science Employment and Office-Using Employment\*

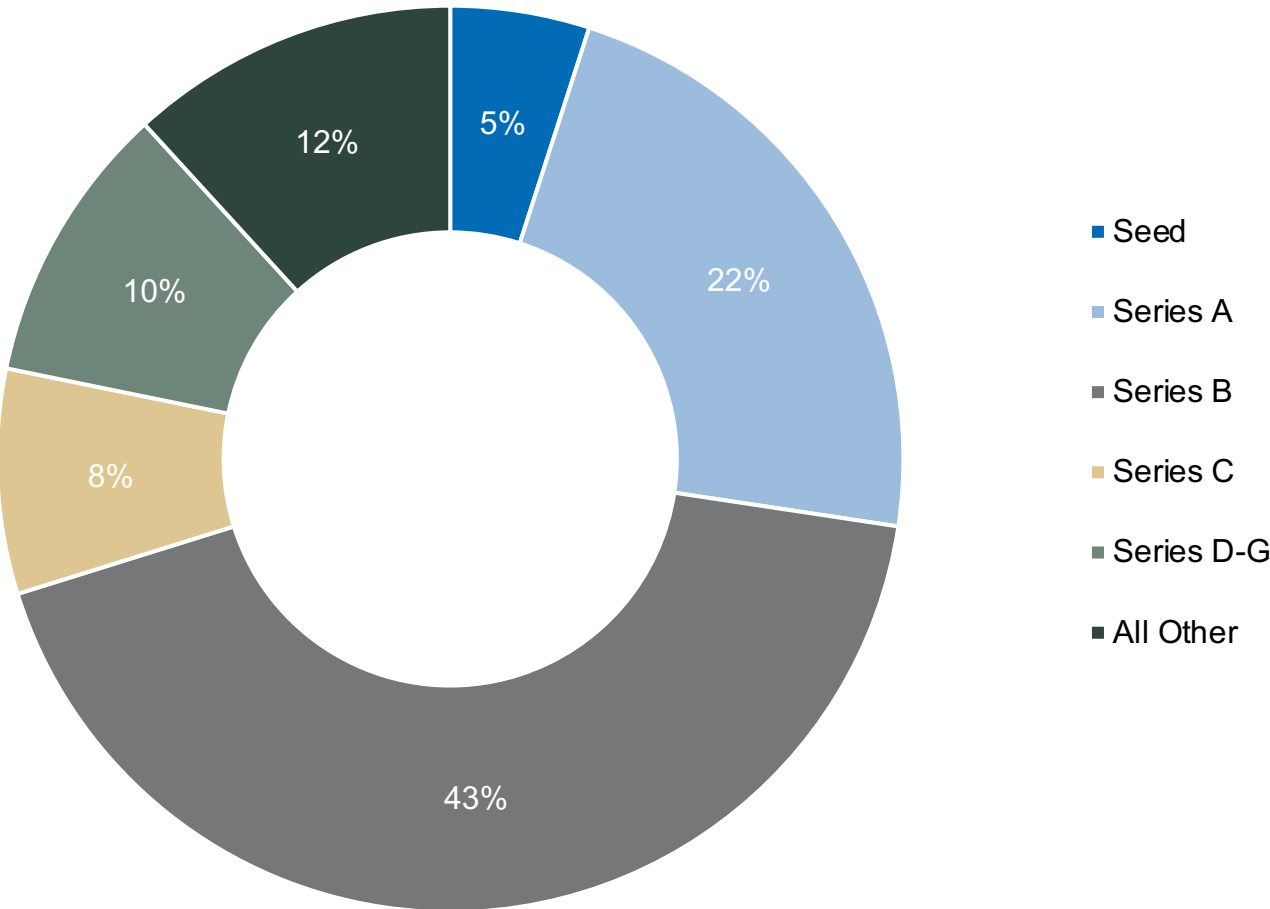


Source: U.S. Bureau of Labor Statistics, JobsEQ, Boston-Cambridge-Nashua MSA  
\*Office-using employment includes employment in the following industry sectors: Professional & Business Services, Financial Activities and Information.

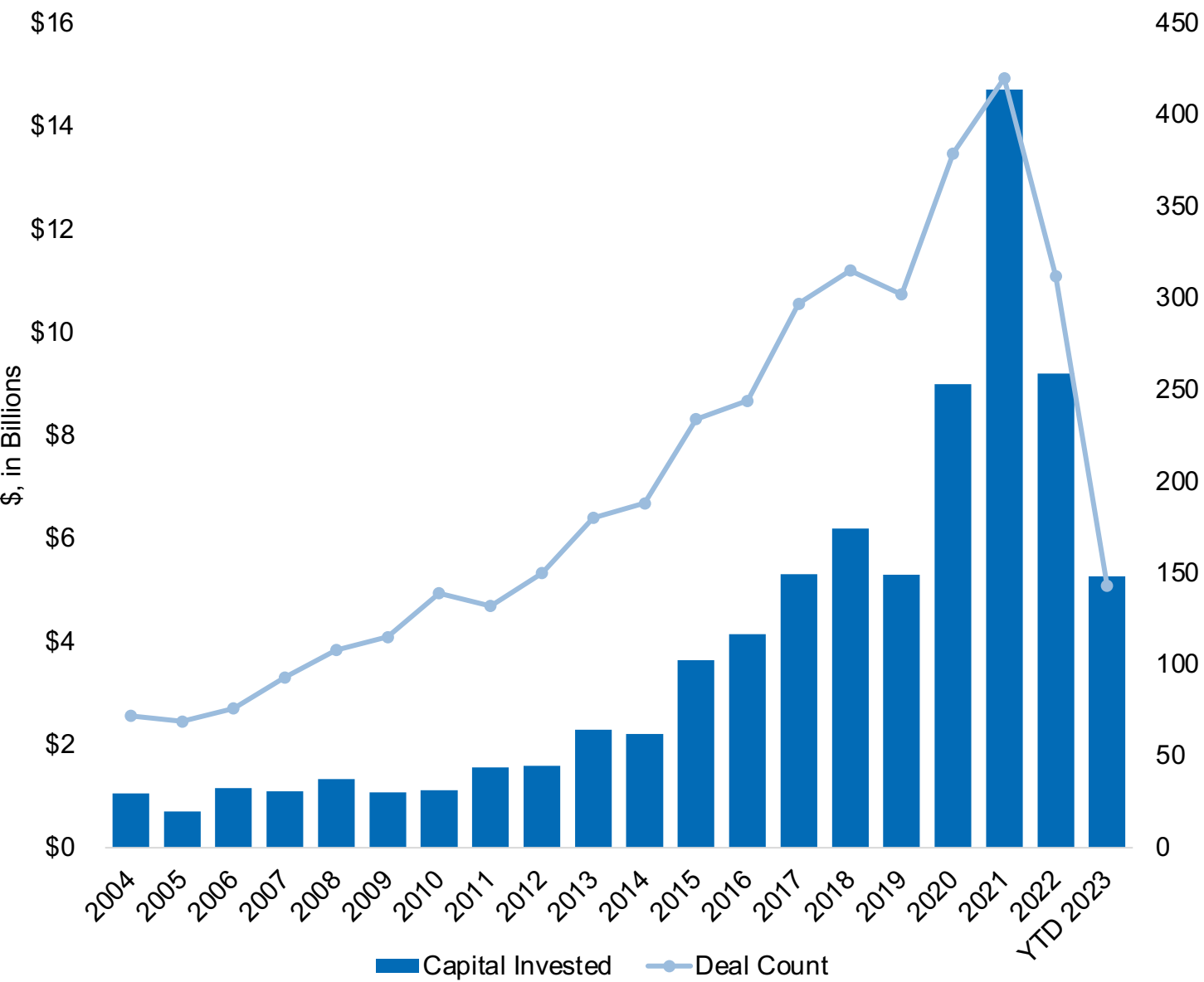
# Venture Capital Funding Is Still Comparable to Long-Term Historic Averages

Year-to-date 2023, Greater Boston life science companies raised roughly \$5.3 billion in venture capital funding. While this represents more than half of all capital raised in the previous year, annual funding from 2004 to 2022 averaged \$3.8 billion. Series A and Series B rounds continue to dominate funding, accounting for 65.0% of all capital raised through the third quarter of 2023.

Year-to-Date Greater Boston VC Funding by Series



Greater Boston Historical VC Funding

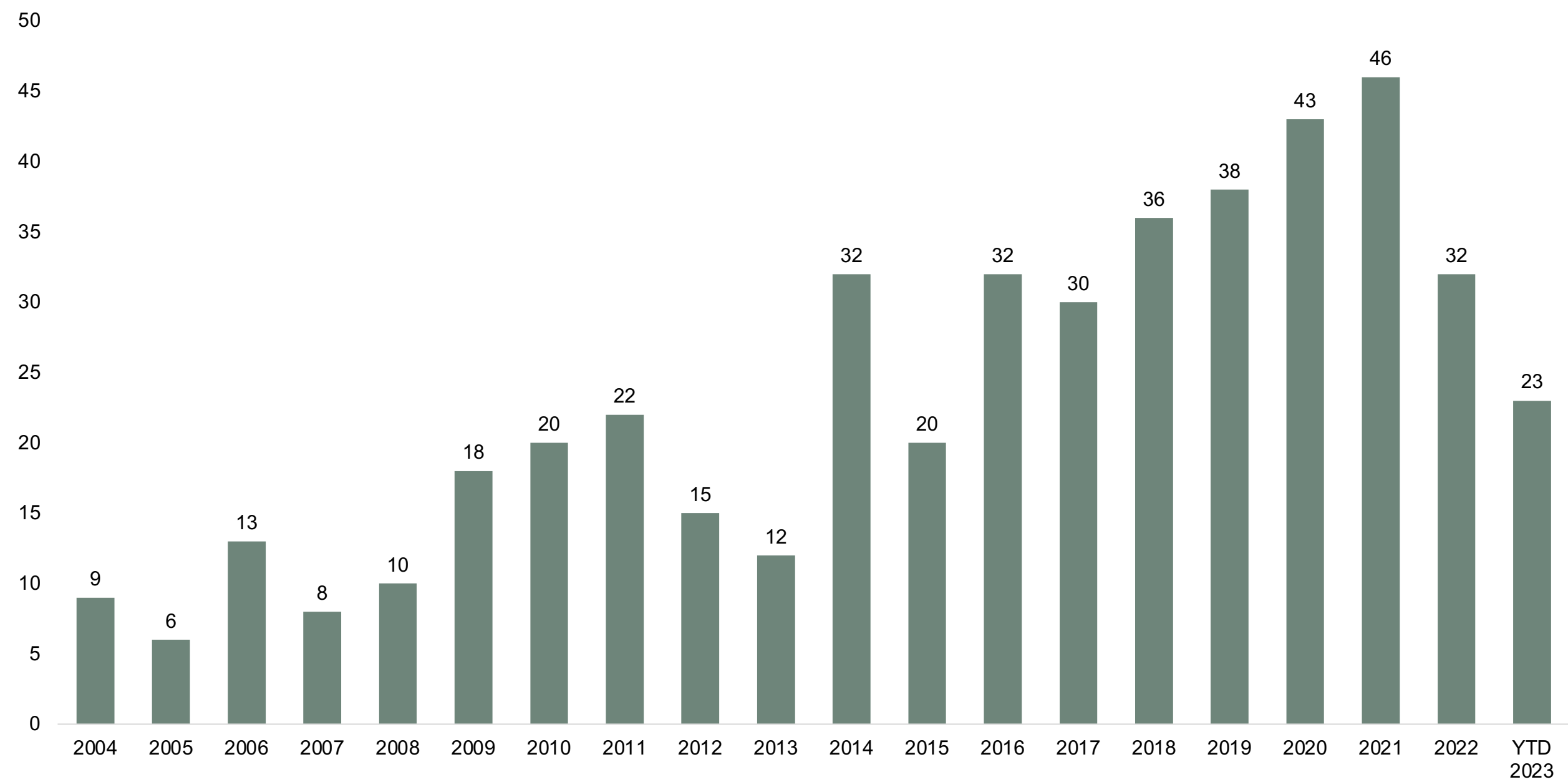


Source: Pitchbook, Newmark Research

# M&A Activity is Trending in Line with VC Funding

Greater Boston life science-related M&A activity peaked in 2021 with 46 deals. Through the third quarter of 2023, more than 20 mergers or acquisitions took place across the metro. Revolution Medicine’s agreement to acquire EQRx in August represents one of the largest transactions of the year. Deal volume could increase late in 2023, but uncertainty around interest rates will likely lead to more cautiousness among buyers.

Annual Life Science M&A Activity



Source: Pitchbook, Newmark Research



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# Leasing Market Fundamentals

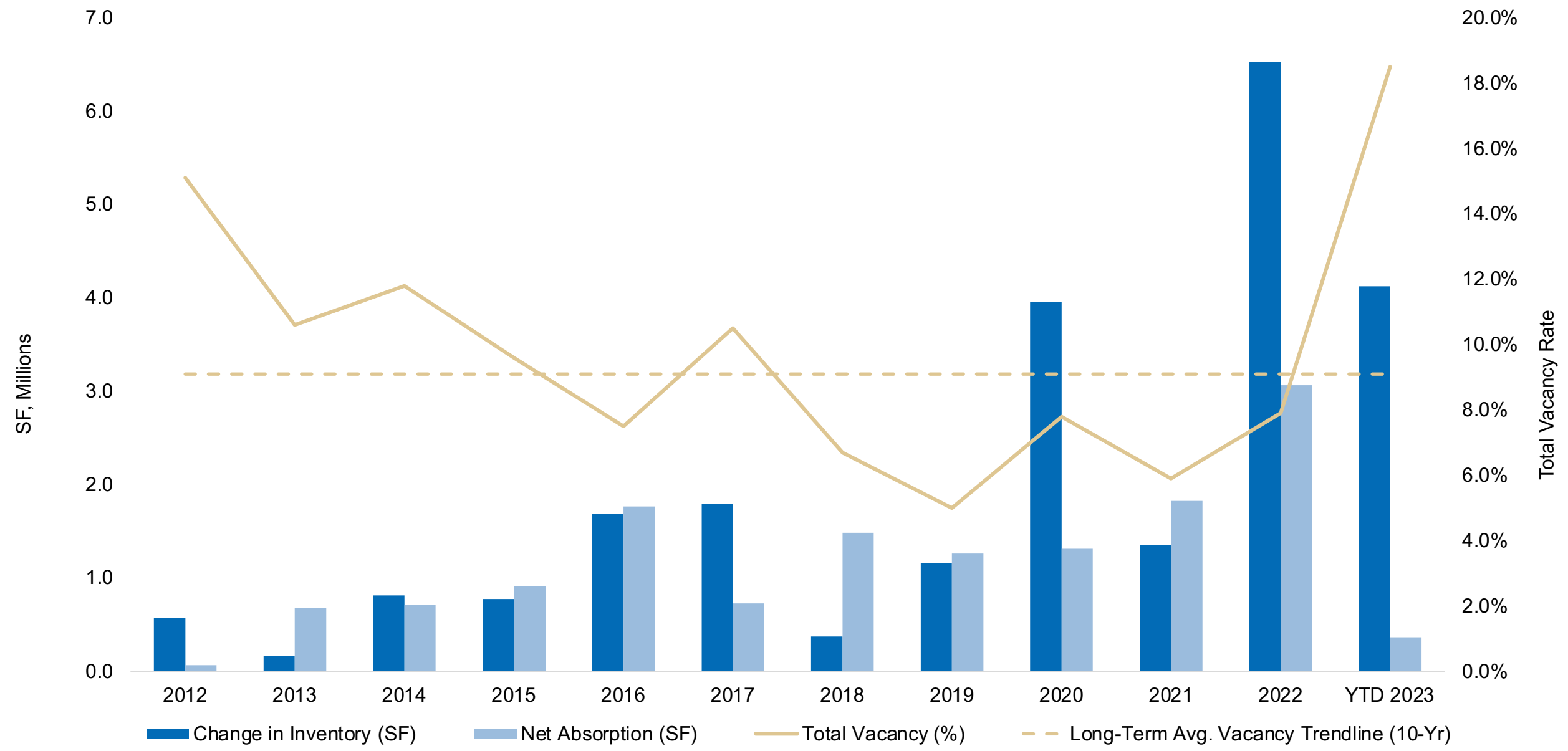




# Supply-Side Pressures Are Driving Vacancies Higher

Negative net absorption, coupled with the delivery of seven new laboratory properties, drove vacancies up by hundreds of basis points during the third quarter of 2023. In fact, the percentage change in Greater Boston laboratory vacancies represents the greatest on record. With another 3.5 million SF of space slated to deliver by year's end, 2023 will likely boast the largest annual increase in inventory as well. While more than half of this space is pre-leased, fundamentals will remain pressured by new supply.

Historical Construction Deliveries, Net Absorption, and Vacancy

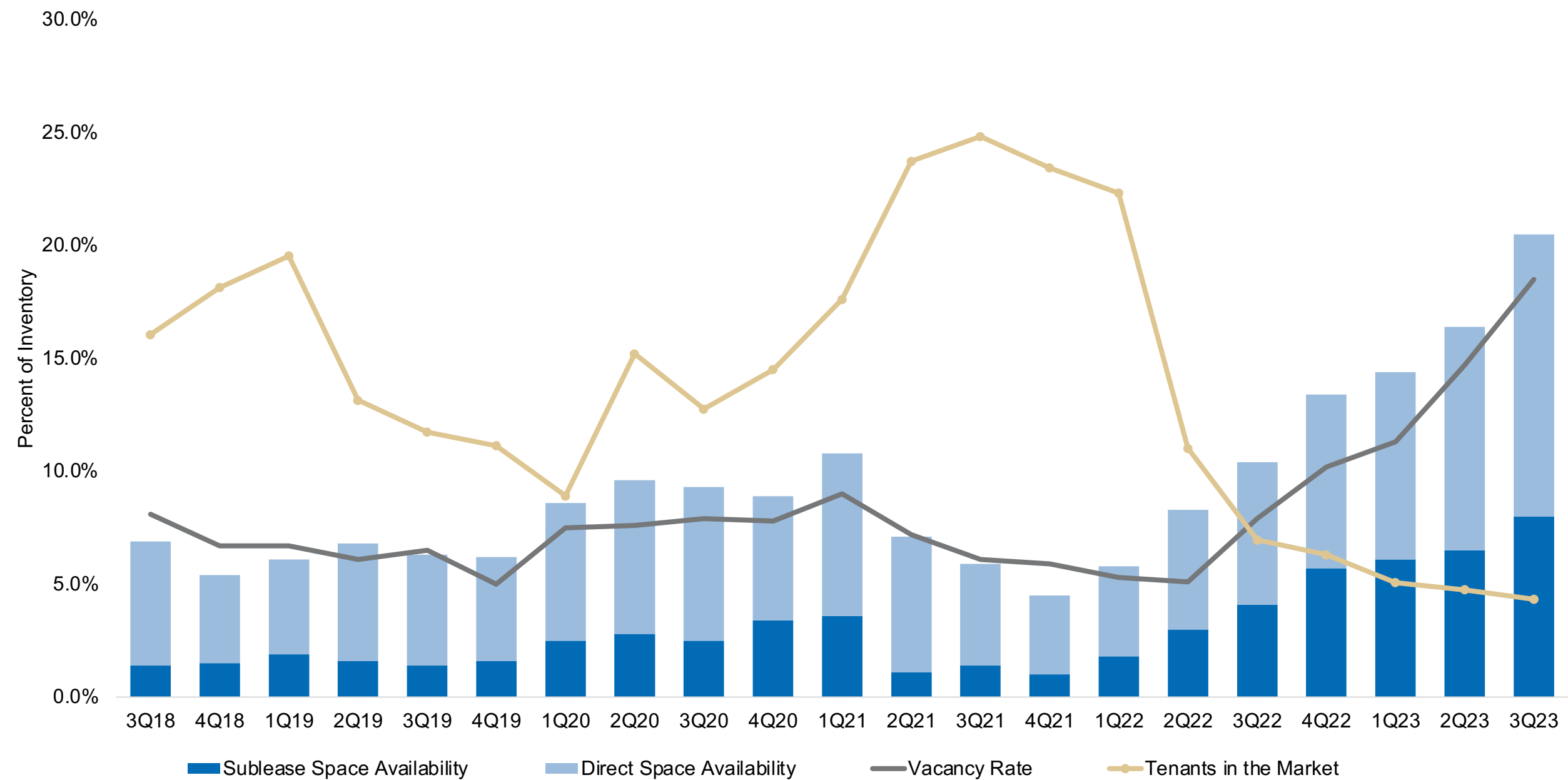


Source: Newmark Research

# Availability and Tenant Demand Are Diverging in the Laboratory Market

While sublet offerings continue to rise throughout Greater Boston, the direct availability rate recorded a 260-basis-point increase during the third quarter of 2023. Tenant demand for laboratory space remains muted, declining slightly to roughly 1.6 million SF in September. Smaller laboratory users are most active, and the average requirement declined to about 31,000 SF. Many users are focused on Cambridge, West – Route 128 and the Urban Edge.

Available Space and Tenant Demand as Percent of Overall Market



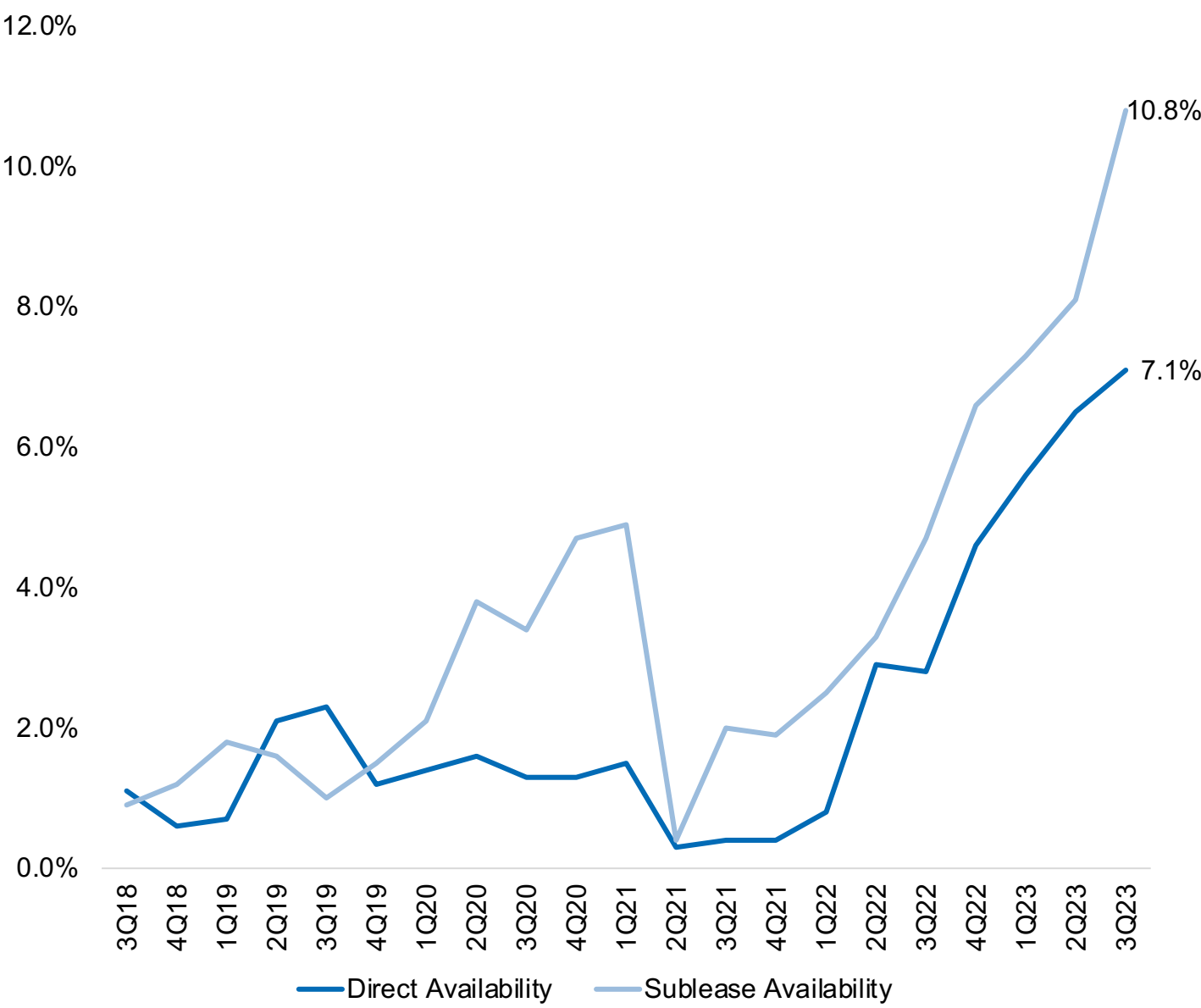
Source: Newmark Research



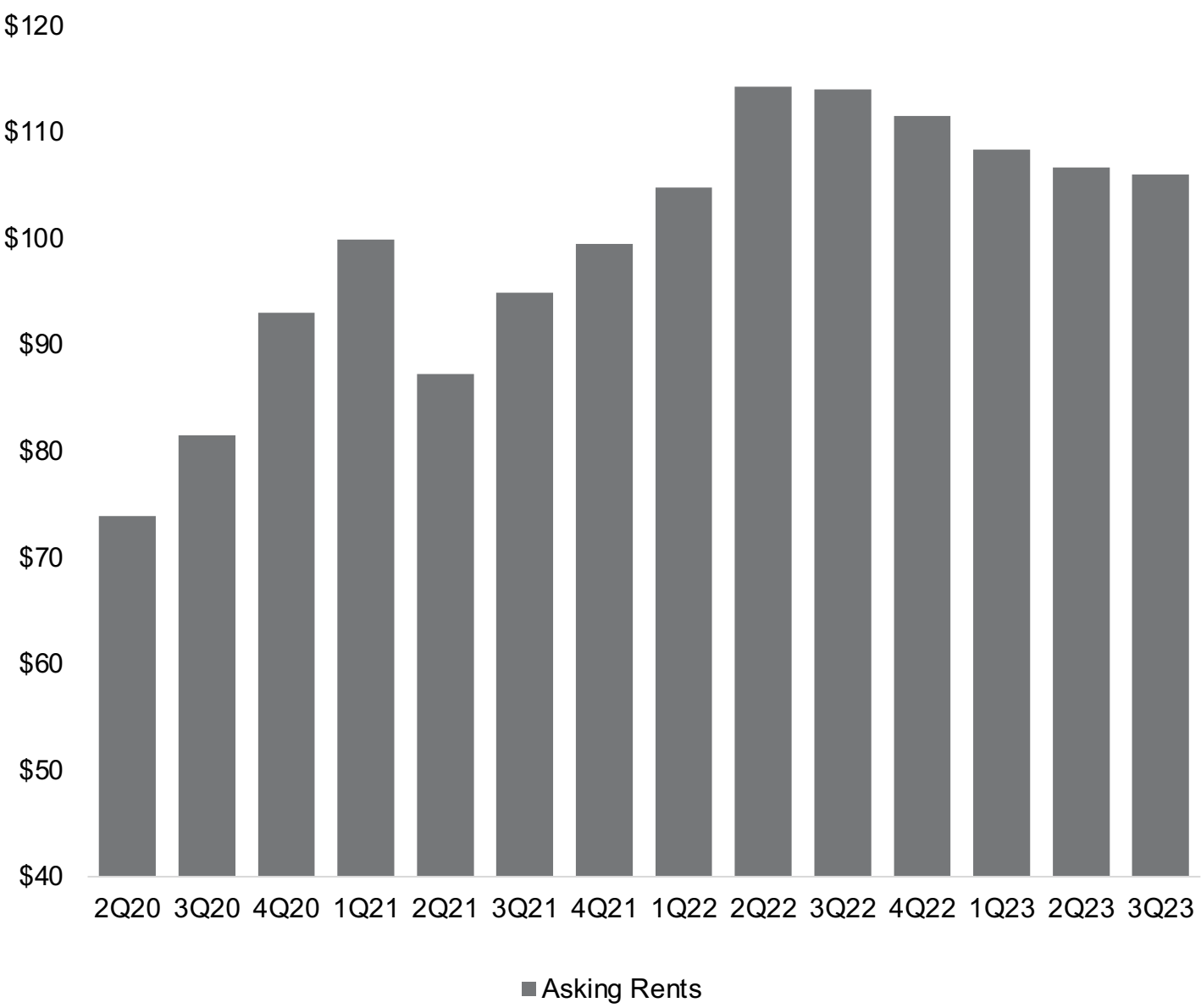
# Sublease Space Far Outpaces Direct Availabilities in Cambridge

Both direct and sublease available space have been on the rise in the Cambridge laboratory market, with the latter ending the third quarter of 2023 at 10.8%. 2seventy bio, Synlogic and Ragon Institute listed space on Cambridge’s sublet market in recent months. Following the mid-year 2022 peak, asking rents for Cambridge laboratory space have posted moderate declines. That said, lease rates are still more than 40.0% above pre-pandemic levels.

Cambridge Availability Rates



Cambridge Asking Rents, \$/SF, NNN

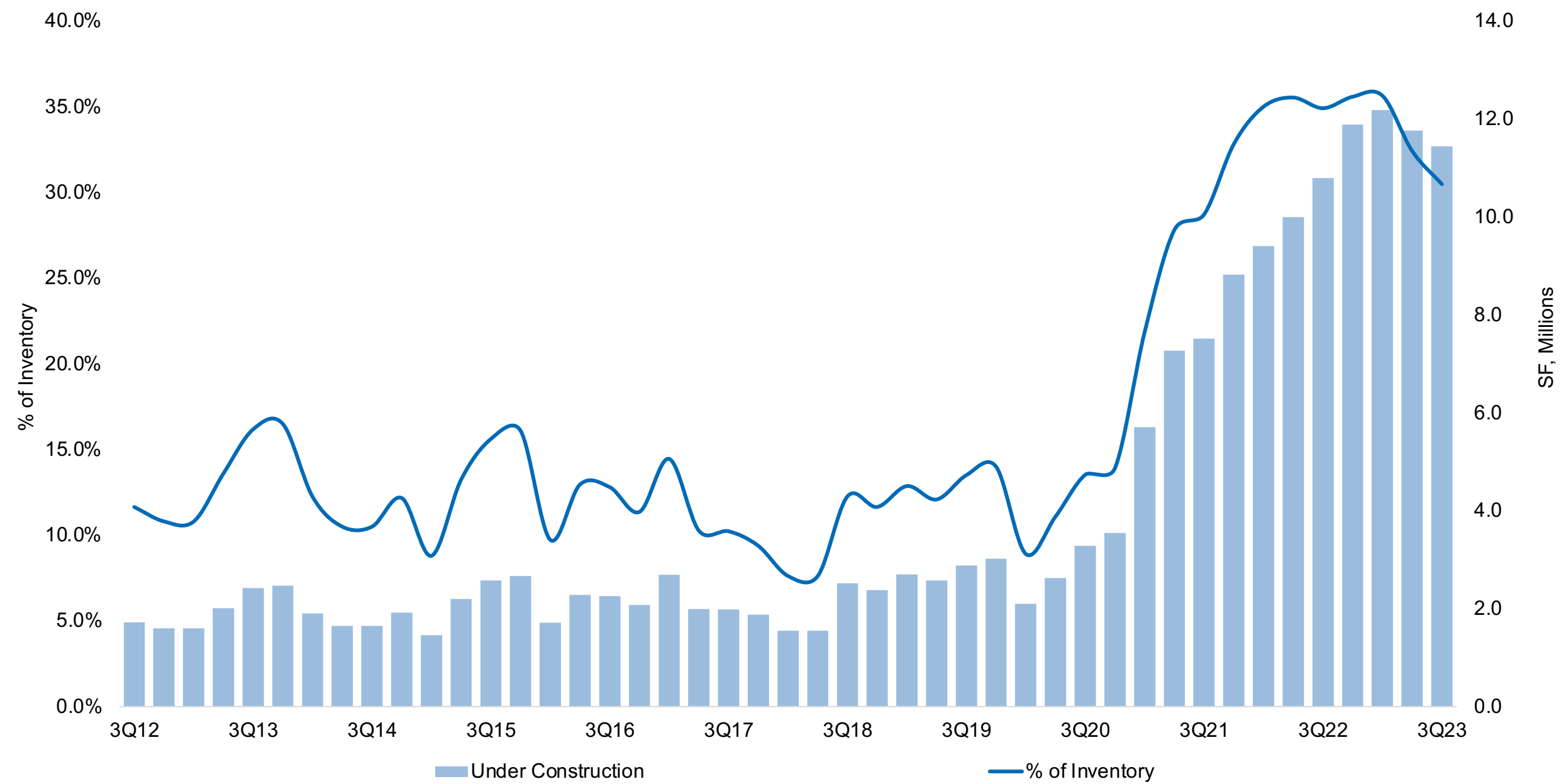


Source: Newmark Research

# Purpose-Built Projects Continue to Dominate Laboratory Developments

While new construction starts have slowed considerably throughout Greater Boston’s laboratory market, ground-up development remains elevated above 11.0 million SF or 30.5% of current inventory as of the third quarter of 2023. Deliveries will remain robust in the near term; however, new starts are beginning to wane due to the higher interest rate environment, elevated construction costs and lower demand.

Purpose-Built Laboratory Under Construction and % of Inventory

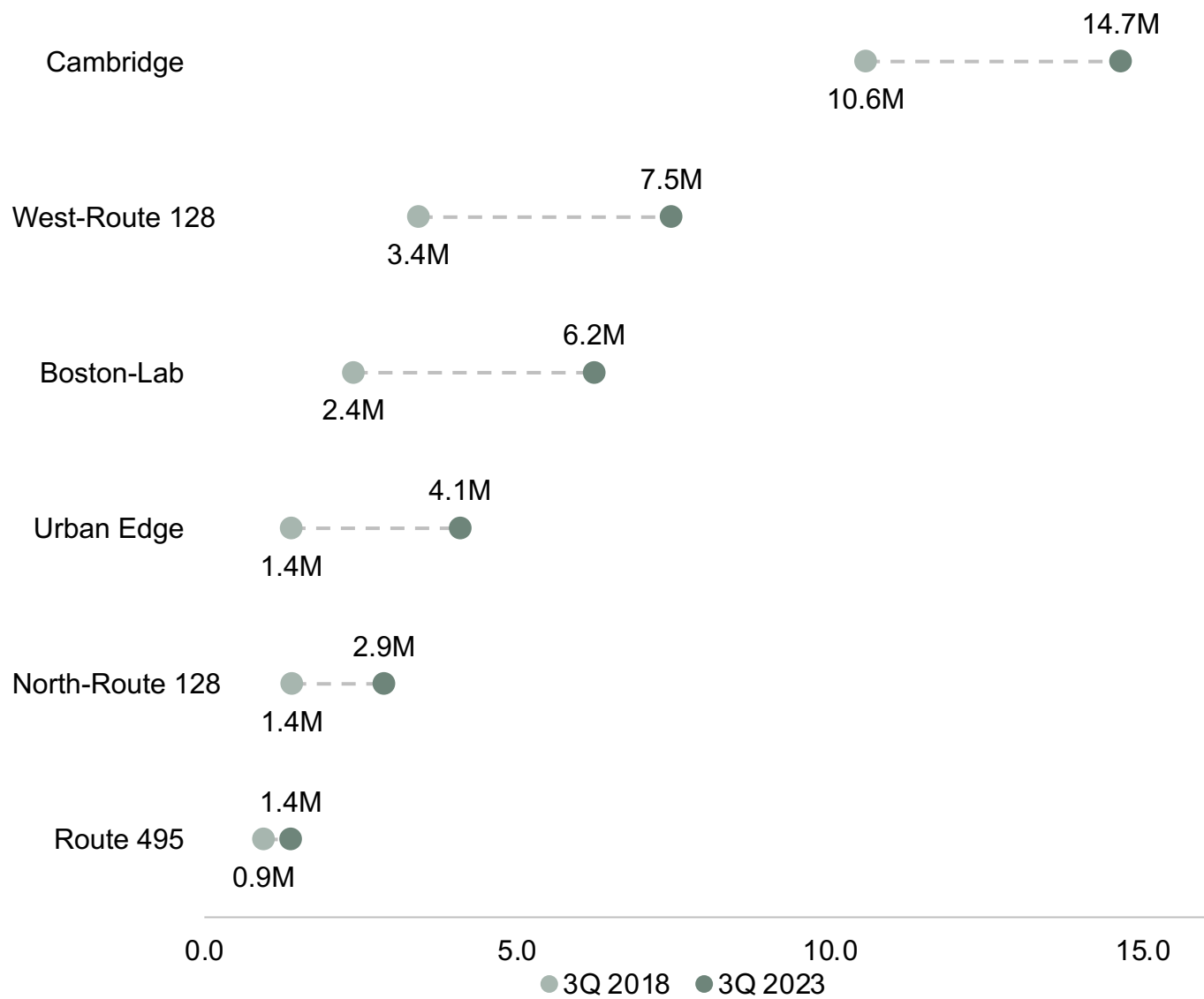


Source: Newmark Research

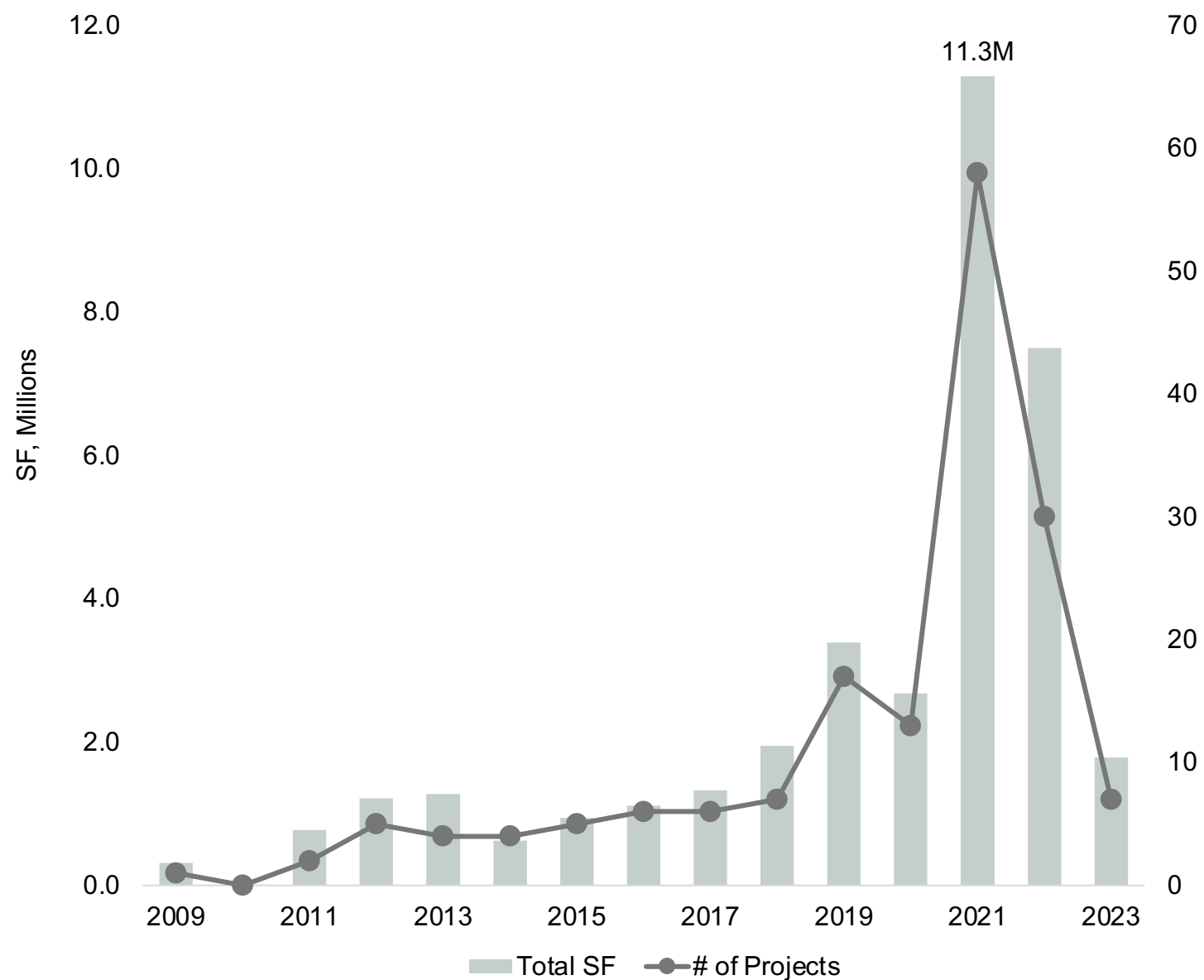
# Recent Deliveries Have Been Robust, but Starts Are Normalizing

Over the last five years, inventories have more than doubled in most major life science submarkets in Greater Boston. While the pipeline remains robust, fewer projects are moving forward in this sector. Prior to 2019, developers broke ground on an average of 950,000 SF, or four projects per year. From 2019 to 2022, nearly 25.0 million SF in new laboratory space began across the metro. Current market conditions have led starts to normalize and by year's end, between 2.0 and 2.5 million SF will have moved forward.

5-Year Change in Laboratory Inventory, SF in Millions



Laboratory Construction Starts



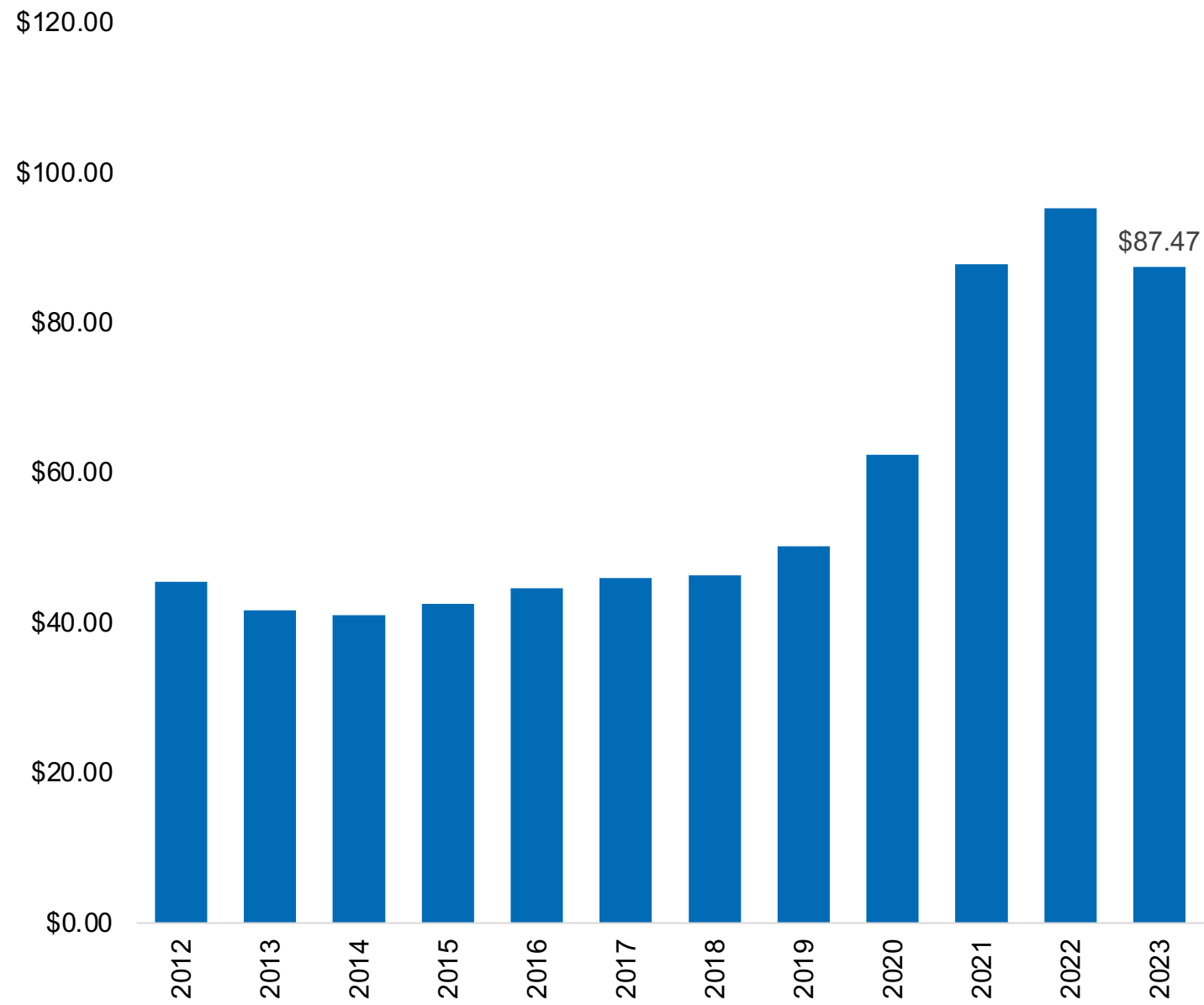
Source: Newmark Research



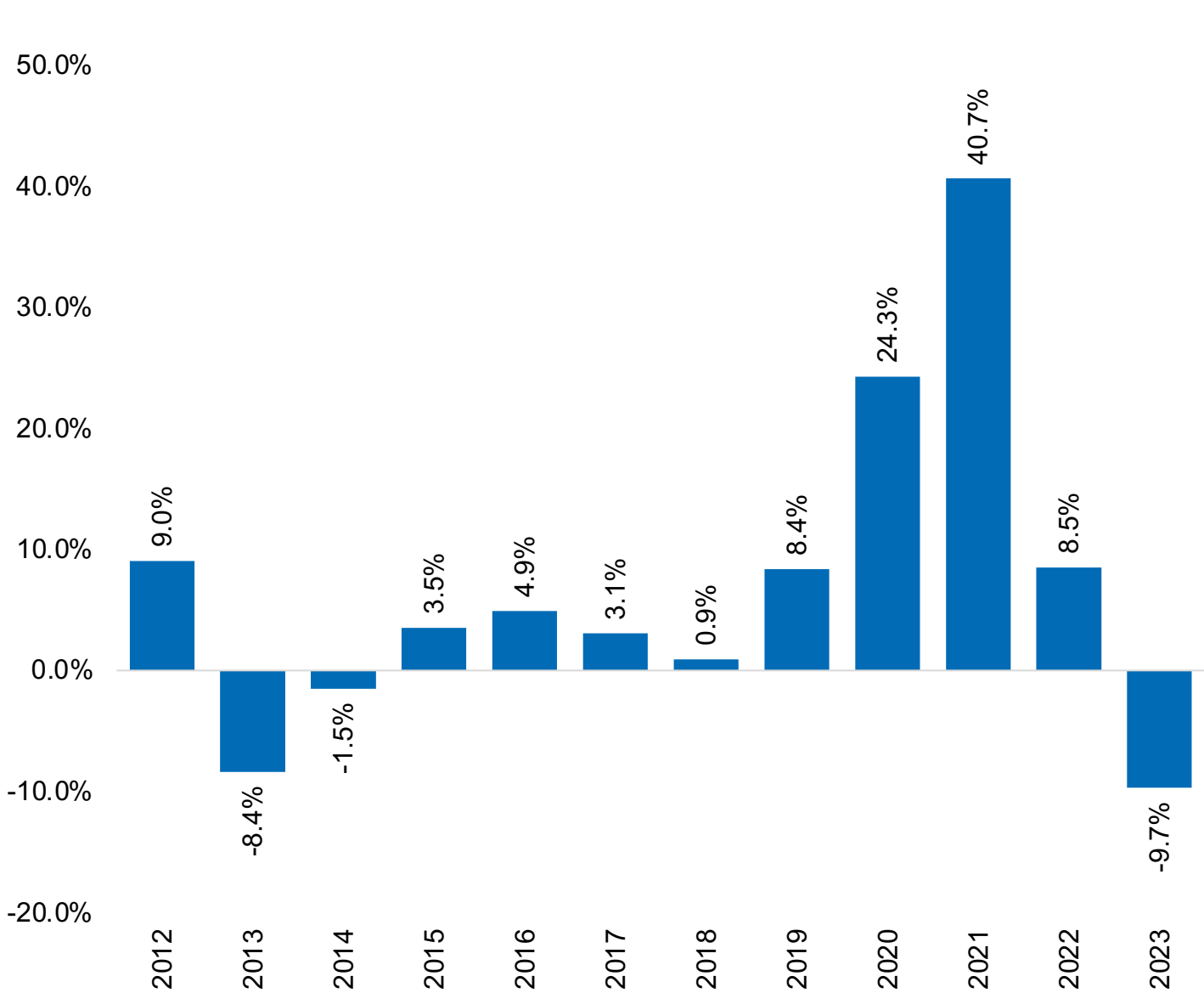
# Laboratory Rents Continue to Decline in Greater Boston

Outside of the heady days of 2020 and 2021, annual rent growth for laboratory space has been less than 10.0% throughout much of the last decade. In the third quarter of 2023, asking rents have reached their lowest level since year-end 2021, with year-over-year losses totaling 9.7%. Comparatively, Cambridge laboratory rents have decreased by 7.0% from year-ago levels.

Laboratory Average Asking Rent, \$/SF, NNN



Year-over-Year Asking Rent Growth Rate

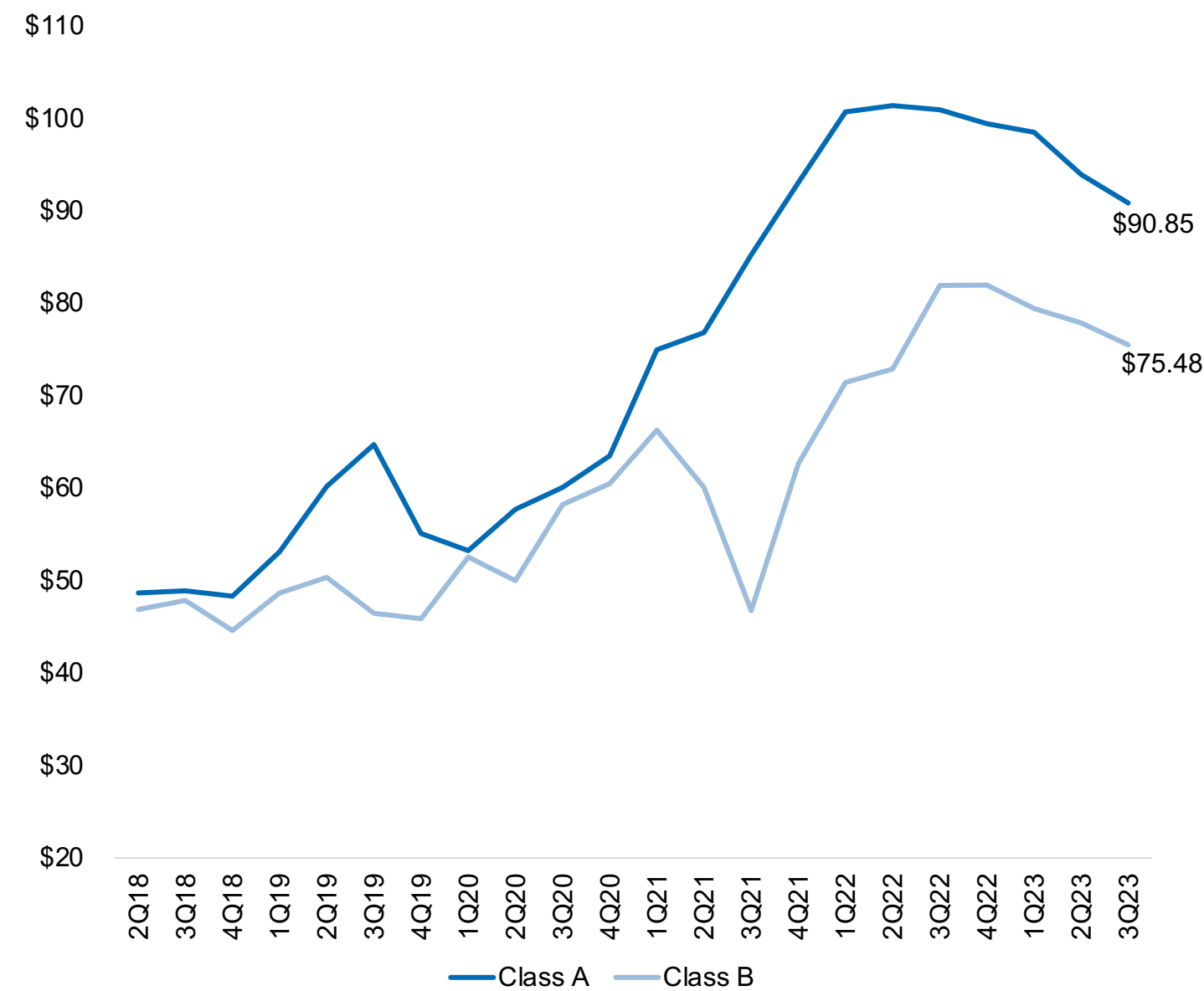


Source: Newmark Research

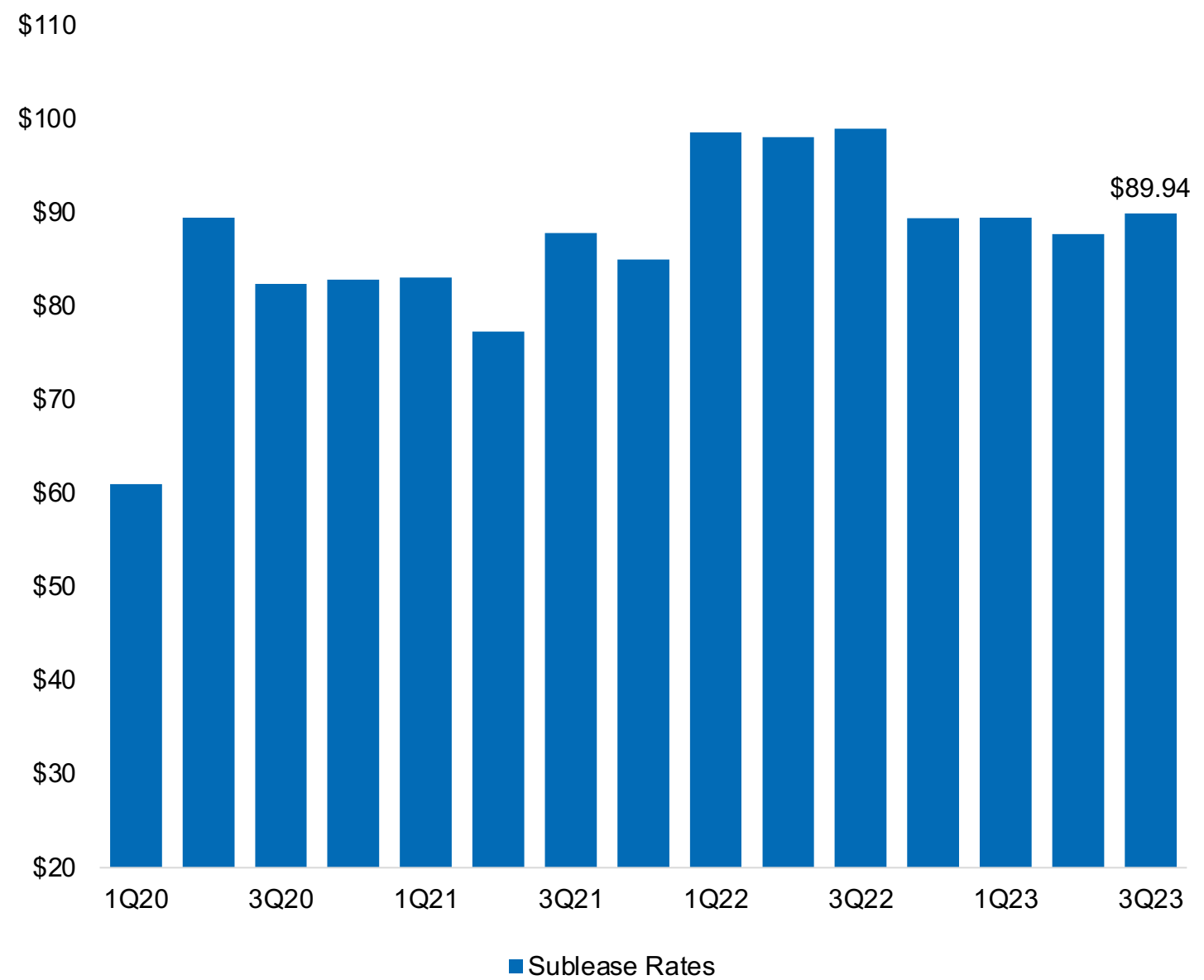
# Asking Rents for Laboratory Space Have Eased across All Asset Classes

Following four consecutive quarters of declines, asking rents are down nearly 10.0% from the peak reported a year ago. Overall lease rates have fallen below \$90/SF for the first time since early 2022. Rent losses in the Cambridge submarket appear to be moderating, with lease rates down just 0.6% over the third quarter of 2023. Pricing for sublease and direct space is comparable, pointing to the competitiveness of move-in ready space among active tenants.

Class A and Class B Asking Rents, \$/SF, NNN



Sublease Rates, \$/SF, NNN



Source: Newmark Research

# Leasing Activity Remains Subdued

Overall leasing activity in Greater Boston’s laboratory market gained some traction during the third quarter of 2023, with several mid-sized leases and expansions executed in recent months.

## Notable 2Q23 Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
Astellas Pharma	441 Morgan Avenue	East Cambridge	Direct Lease	63,000
Astellas plans to open a new life science facility at DivcoWest’s Cambridge Crossing development. The transaction marks the first for the fifth building in the park, which is slated to deliver in 2024.				
Voyager Therapeutics	75 Hayden Avenue	West – Route 128	Lease Expansion	61,307
Voyager Therapeutics is expanding its presence at 75 Hayden by 61,000 SF, with plans to relocate some of its operations from Cambridge.				
SalioGen Therapeutics	10 Maguire Road	West – Route 128	Direct Lease	42,000
Following a \$150 million Series B round in 2022, SalioGen will relocate to Revolution Labs in early 2024.				
GlaxoSmithKline	200 CambridgePark Drive	West Cambridge	Lease Expansion	24,542
The global biopharma company expanded its presence in West Cambridge by roughly 25,000 SF, bringing the firm’s footprint above 200,000 SF in the building.				

Source: Newmark Research



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# Submarket Overviews





# Cambridge Market Overview

## Statistical Summary

	Current Quarter	Prior Quarter	Prior Year
Total Inventory (SF)	14.7M	14.4M	13.1M
Vacancy Rate	12.5%	10.6%	2.7%
Quarterly Net Absorption (SF)	(260,126)	333,989	(18,229)
Average Asking Rent/SF	\$106.07	\$106.72	\$114.05
Under Construction (SF)	2,546,616	2,546,616	2,585,616
Deliveries (SF)	0	479,000	0

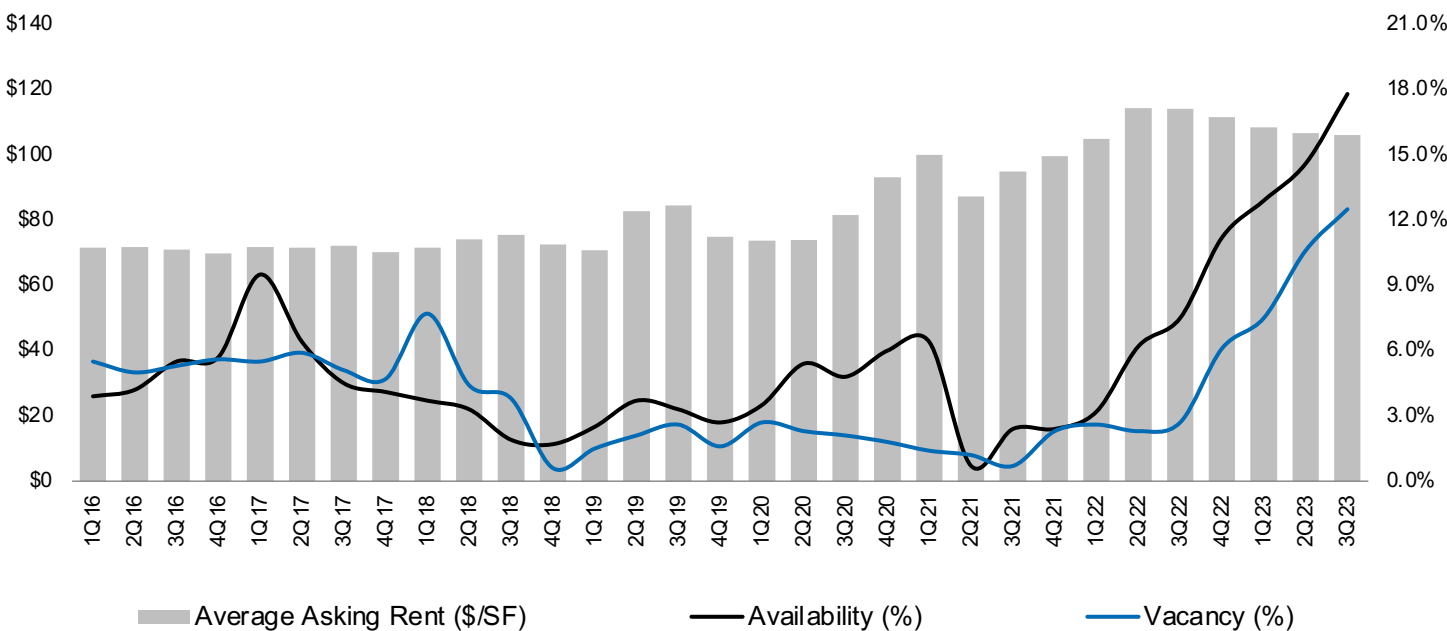
## Current Market Trends

- At 8.7%, the East Cambridge laboratory market is the only major submarket with single-digit vacancy as of the third quarter of 2023. Direct vacancies are still just 1.5%, pointing to the rise in sublet offerings.
- In one of the largest transactions of the quarter, Astellas Pharma agreed to lease two floors at DivcoWest's latest laboratory development at Cambridge Crossing.
- Nearly 48.0% of the 1.6 million SF in active tenant demand is focused on Cambridge as tenants seek built-out options in core laboratory markets.
- Office sublease inventories are also rising among life science users within Cambridge as hybrid work schedules continue to impact non-laboratory uses.

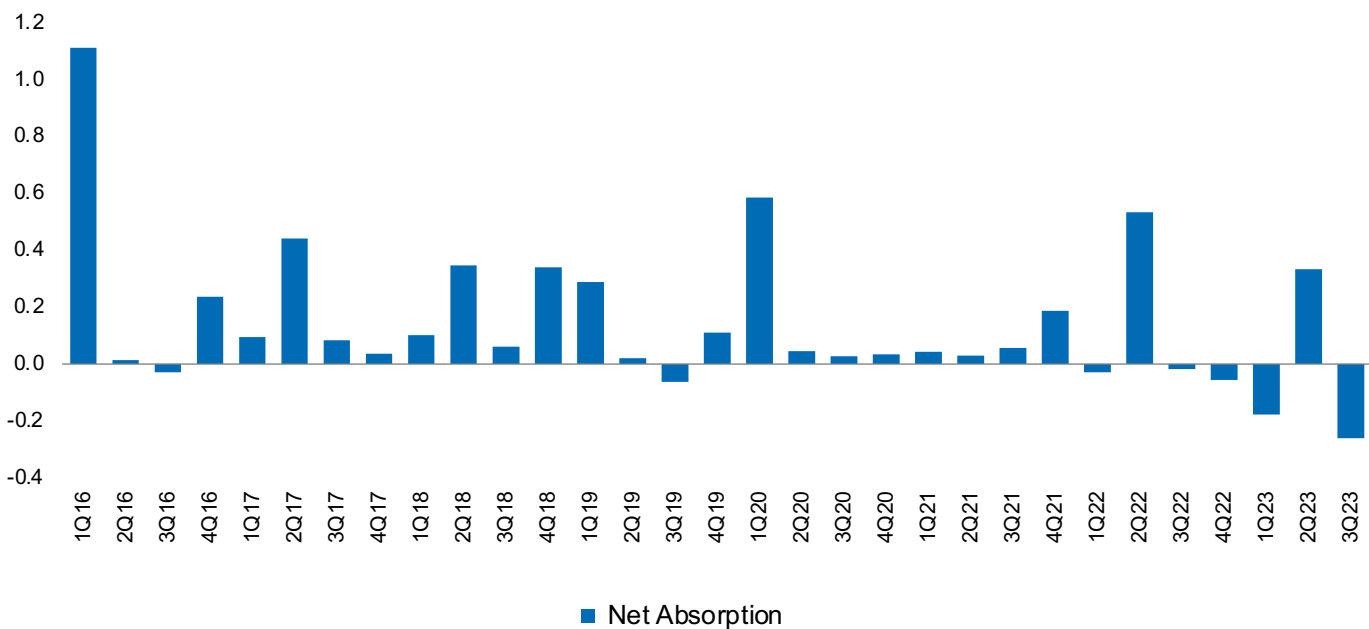
## Top Transactions

Tenant	Building	Type	SF
Astellas Pharma	441 Morgan Avenue	Direct Lease	63,000
GlaxoSmithKline	200 CambridgePark Drive	Lease Expansion	24,542

## Weighted Average Asking Rent, Availability and Vacancy



## Net Absorption (Square Feet, Millions)



# Boston Market Overview

## Statistical Summary

	Current Quarter	Prior Quarter	Prior Year
Total Inventory (SF)	6.4M	6.3M	5.5M
Vacancy Rate	25.7%	23.5%	23.0%
Quarterly Net Absorption (SF)	(15,838)	(45,386)	752,179
Average Asking Rent/SF	\$100.16	\$100.61	\$99.87
Under Construction (SF)	2,986,469	2,986,469	2,658,574
Deliveries (SF)	0	197,105	1,457,765

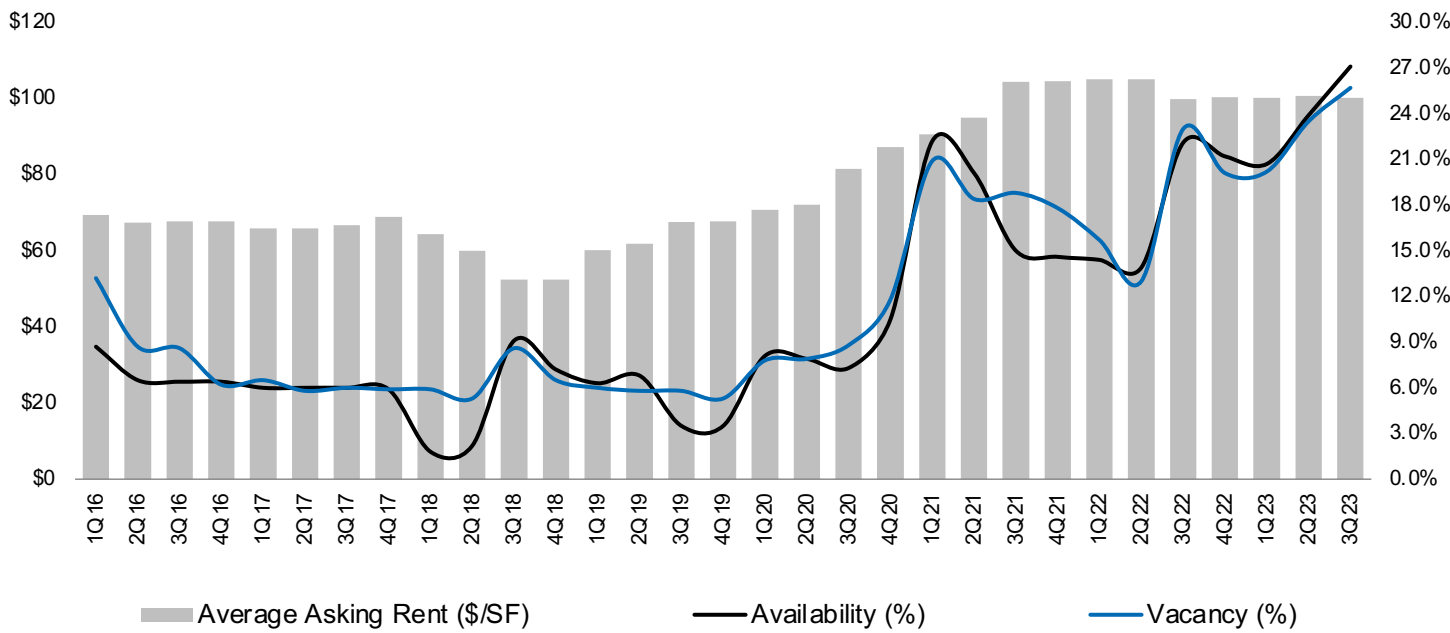
## Current Market Trends

- The Boston laboratory market posted three consecutive quarters of negative net absorption, totaling 71,746 SF year to date.
- Given the challenging macroeconomic environment, average asking rents have started to fall, closing the quarter at \$100.16/SF.
- Boston Children’s Hospital is planning an expansion in the Fenway/LMA submarket, with the purchase of 268,000 SF within the Alexandria Center for Life Science-Fenway Campus.
- The Bioversity training center is opening its 4,000-SF facility at the Southline project in Dorchester early next year in order to meet the growing labor need in the region.

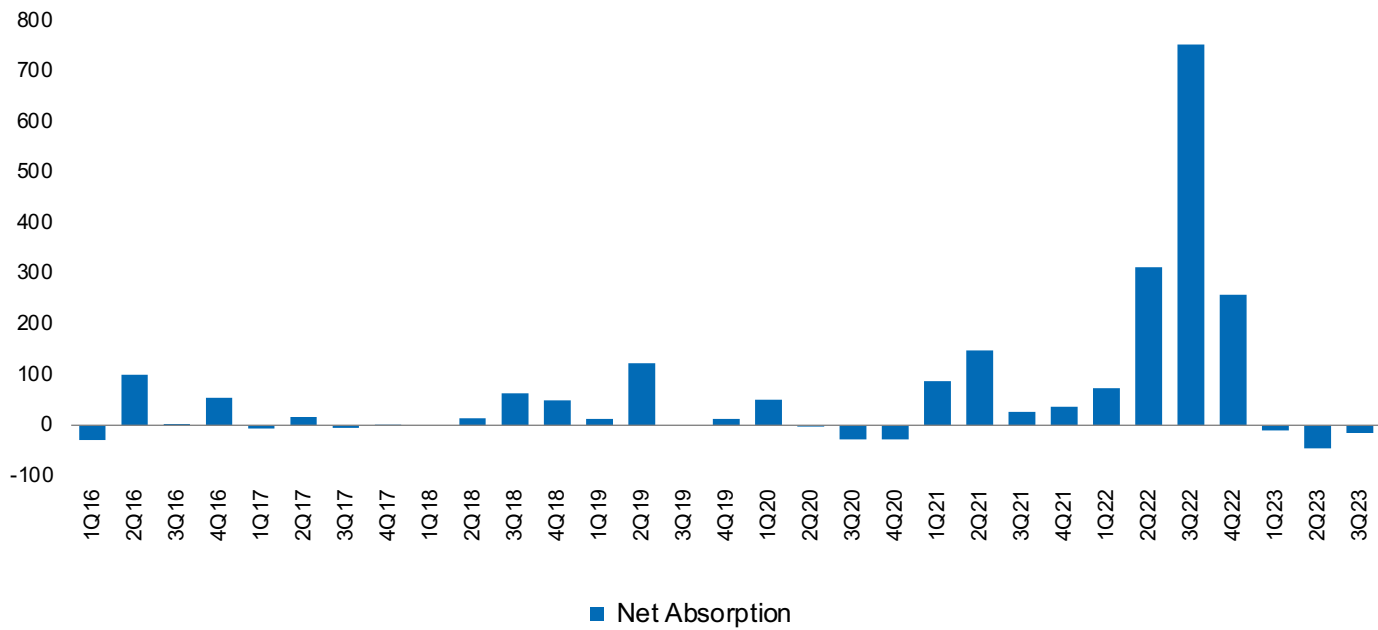
## Top Transactions

Tenant	Building	Type	SF
NaniteBio	451 D Street	Sublease	4,500

## Weighted Average Asking Rent, Availability and Vacancy



## Net Absorption (Square Feet, Thousands)





# Suburban Market Overview

## Statistical Summary

	Current Quarter	Prior Quarter	Prior Year
Total Inventory (SF)	16.2M	15.3M	12.3M
Vacancy Rate	20.9%	15.0%	6.8%
Quarterly Net Absorption (SF)	(207,926)	291,811	268,361
Average Asking Rent/SF	\$71.17	\$71.86	\$78.48
Under Construction (SF)	5,904,756	6,224,756	5,310,767
Deliveries (SF)	320,000	140,000	0

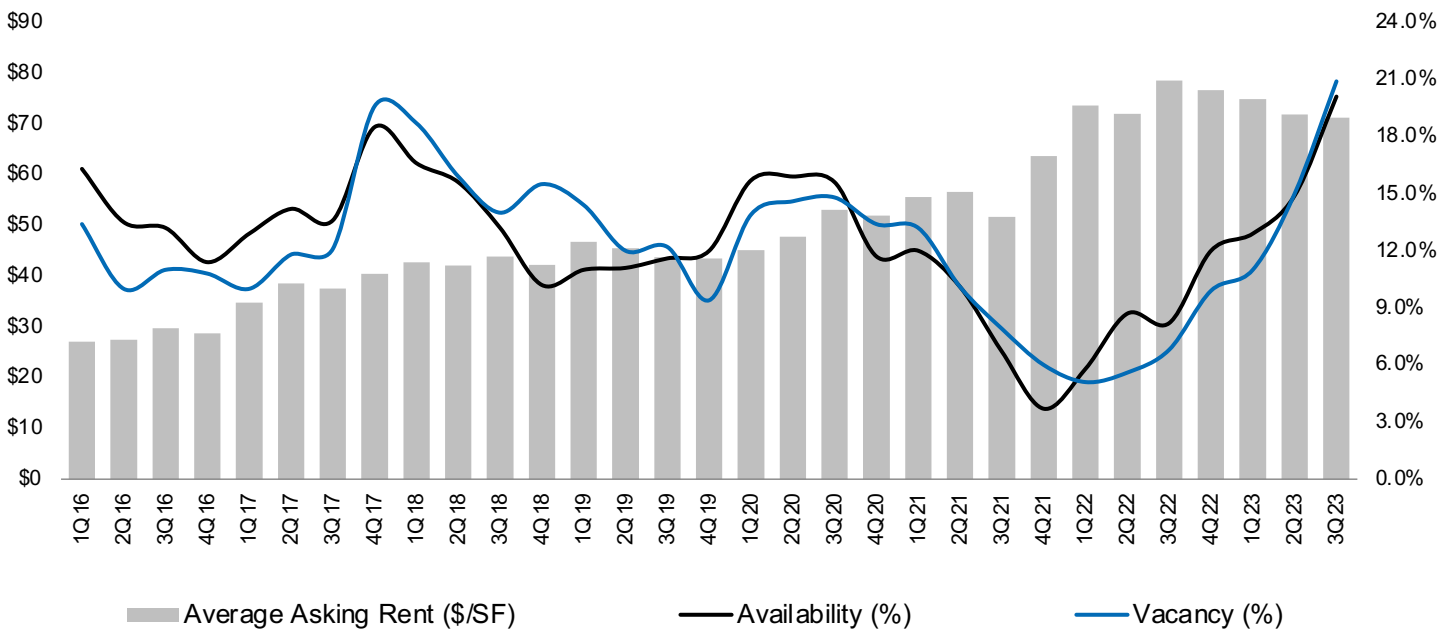
## Current Market Trends

- The Suburban laboratory market posted its first quarter of negative net absorption since mid-2020, which helped push vacancies to 20.9% in the third quarter of 2023.
- Boston Properties' purpose-built laboratory development at 190 CityPoint delivered 320,000 SF of new space in Waltham. Dragonfly Therapeutics and Skyhawk Therapeutics are anchoring the project.
- Suburban asking rents peaked 12 months ago and have declined by 9.3% since the third quarter of 2022.
- Life science users continue to expand in the suburbs, with a greater focus on the core markets within West – Route 128. Voyager Therapeutics and SalioGen Therapeutics inked two of the largest lease transactions of the quarter, both occurring in Lexington.

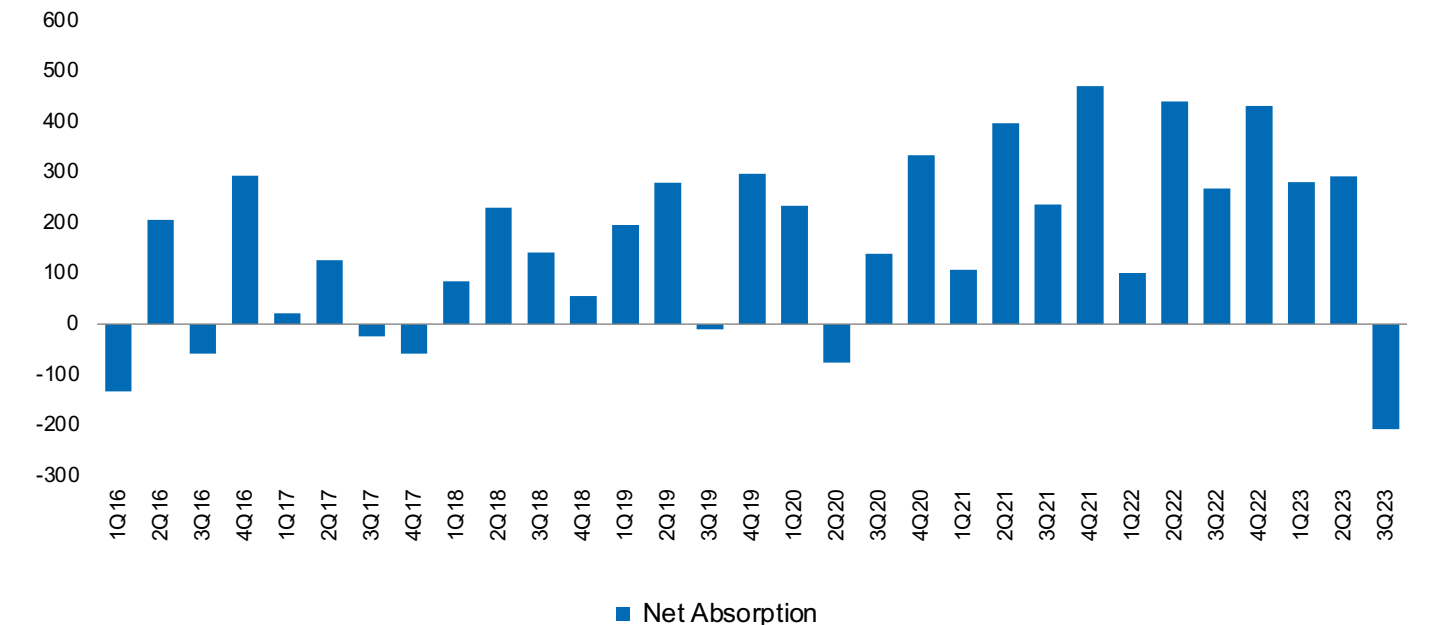
## Top Transactions

Tenant	Building	Type	SF
Voyager Therapeutics	75 Hayden Ave., Lexington	Lease Expansion	61,307
SalioGen Therapeutics	10 Maguire Rd., Lexington	Direct Lease	42,000
GlycoEra AG	Chapel Bridge Park, Newton	Direct Lease	4,000

## Weighted Average Asking Rent, Availability and Vacancy



## Net Absorption (Square Feet, Thousands)



# Submarket Overview

Submarket Statistics – All Classes

	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Class A Asking Rent (Price/SF)	Class B Asking Rent (Price/SF)	Total Asking Rent (Price/SF)
Cambridge Total	14,651,195	2,546,616	12.5%	-260,126	-104,021	\$107.97	\$99.31	\$106.07
East Cambridge	9,576,281	2,385,000	8.7%	-105,142	388,575	\$114.95	\$114.93	\$114.95
Mid Cambridge	3,006,890	0	19.9%	-77,739	-352,184	\$111.58	\$101.53	\$108.32
West Cambridge	2,068,024	161,616	19.3%	-77,245	-140,412	\$100.53	\$61.50	\$98.20
Boston Total	6,433,177	2,986,469	25.7%	-15,838	-71,746	\$100.05	\$103.54	\$100.16
Boston - Seaport	3,352,212	2,161,469	22.7%	-15,838	-122,849	\$108.00	\$105.00	\$107.83
Boston – Fenway/LMA	2,102,393	825,000	7.5%	0	51,103	\$95.00	-	\$95.00
Inner Suburbs/Urban Edge	3,892,527	4,974,756	19.2%	26,598	55,422	\$86.28	\$77.92	\$81.65
Route 128 Total*	10,933,336	930,000	22.0%	-129,413	437,169	\$70.50	\$66.99	\$69.54
North – Route 128	2,875,188	270,000	32.8%	1,088	345,197	\$67.79	\$58.15	\$64.55
West – Route 128	7,469,460	660,000	17.4%	-130,501	91,972	\$77.65	\$75.63	\$77.09
Route 495	1,381,895	0	16.6%	-105,111	-128,156	\$72.00	\$51.40	\$61.67
Market	37,526,031	11,437,841	18.5%	-483,890	367,639	\$90.85	\$75.48	\$87.47

Source: Newmark Research

\* Route 128 Total statistics include several laboratory buildings located in the South - Route 128 market. Boston Total statistics include several laboratory buildings located outside of the Seaport and Fenway/LMA

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