

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

 @BOSqFt

**TENANTS** absorbed 161,000 sf, the 23<sup>rd</sup> straight quarter of rising occupancy levels as vacancy remained stable at 1.5 percent

**FOUNDATION MEDICINE** is believed to be close to a lease for 491,000 sf in a Seaport build-to-suit with an option to expand to nearly one million sf.

**SAGE THERAPEUTICS** is believed to be in the market for a material amount of space following the approval of its leading drug candidate Zulresso.

**CAMBRIDGE** vacancy of 0.2 percent depicts critically low selection for tenants of all sizes.

**SQZ BIOTECH** became the latest biotech firm to fuel leasing momentum at Watertown's Arsenal Yards.

**CAMBRIDGE CROSSING** has the city's lone remaining built-to-suit opportunity larger than 200,000 sf.

**HCP** acquired 87 Cambridgepark Drive for \$81 million, or \$1,110 per sf, the group's second major area acquisition in six quarters.

**HALF** the VC deals in the regional biotech industry, larger than \$15 million, occurred outside of Cambridge (See "OTB" feature, page 2).

**GILLETTE'S** South Boston factory and adjacent areas may be emerging as a biotech frontier following a series of acquisitions and other events.

**QUICK**



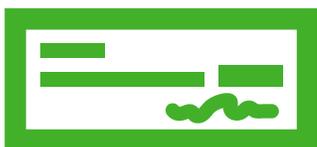
**Absorption**  
**+161,000 sf**  
Absorption was positive for the 23<sup>rd</sup> straight quarter



**Vacancy**  
**1.5% =0.0%**  
Vacancy flattened as supply balanced demand



**Rents (Cam. A)**  
**\$74-100**  
Rents continue to set new milestone high levels



**FOR VC, CAMBRIDGE OR BUST? ...**

*You're a biotech firm and you want to raise venture capital ... it's Cambridge or bust, no? While Cambridge is, by far, the market leader in terms of investment destinations, other areas are scoring capital too; we take a look at geographic VC investment patterns since the beginning of 2018 ...*

**OTB, page 2**



Vacancy of 1.5 percent depicts the extremely supply-constrained conditions for biotechnology-focused laboratory space as of the first quarter of 2019. The quarter may serve effectively as an 'eye of the storm' following Sanofi's 902,000 sf lease at Cambridge Crossing, and two transactions, by Foundation Medicine and Sage Therapeutics, respectively. Both of these are widely thought to be close to final execution and likely to combine for a similar in scale impact on demand. Despite 597,000 sf of completions last twelve months and a construction pipeline of 1.8 million sf, new completions are creating very short-lived opportunities for taking occupancy in spaces vacated by companies moving into their legacy locations. As demand shows no sign of slowing and traditional supply remains at critically low levels, a combination of suburban and urban sites are emerging as leasing successes and potential next frontiers for biotech clustering.

## IS CAMBRIDGE NECESSARY TO ATTRACT VENTURE CAPITAL?

While Cambridge remains the region's leading destination for venture capital, recent trends show a significant market for VC elsewhere in the region, with roughly half the VC deals over \$15 million having gone to Boston, Lexington and other municipalities. Here's a quick snapshot of not only Cambridge's regional dominance, but also the availability of capital regionally.

### CAMBRIDGE STILL DOMINATES IN BIO VC

January 2018 to present VC investment by Greater Boston municipality.

MUNICIPALITY	all \$ in millions		Number of transactions larger than							
	\$ TOTAL	%	Avg size vs years since founding				\$ 15	\$ 50	\$ 100	\$ 200
			\$ AVG	\$ AVG/TIME	\$ 15	\$ 50				
Cambridge	\$ 2,562	59%	\$ 94.9	\$ 32.0	27	16	5	2		
Boston	\$ 575	13%	\$ 57.5	\$ 21.8	10	6	-	-		
Watertown	\$ 297	7%	\$ 74.3	\$ 11.1	4	4	1	-		
Lexington	\$ 273	6%	\$ 68.3	\$ 13.7	4	2	1	-		
Newton	\$ 178	4%	\$ 89.0	\$ 8.1	2	2	-	-		
Waltham	\$ 160	4%	\$ 53.3	\$ 13.6	3	2	-	-		
Bedford	\$ 90	2%	\$ 90.0	\$ 20.6	1	1	-	-		
Wakefield	\$ 65	2%	\$ 65.0	\$ 6.6	1	1	-	-		
Medford	\$ 50	1%	\$ 50.0	\$ 4.8	1	-	-	-		
Woburn	\$ 42	1%	\$ 42.0	\$ 10.0	1	-	-	-		
Needham	\$ 29	1%	\$ 29.0	\$ 0.2	1	-	-	-		

### WHERE IT HAPPENED

January 2018 to present VC investments



### BUT DISTANCE FROM KENDALL ≠ DEALBREAKER

Bio VC deals since January 2018 with distance in miles from Kendall Square



### Flashback to Q4'2018 ...

Vacancy dipped 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 history. Bristol-Myers Squibb moved into 208,000 sf at 100 Binney Street in Cambridge; a newly completed 432,000 sf structure. Facebook moved into 133,000 sf at 100 Binney as office users remain intensive users of laboratory-intended new buildings. Anchor Line Partners proposed a 210,000 sf lab facility it would develop with Alexandria Real Estate Equities in South Boston.



## this quarter

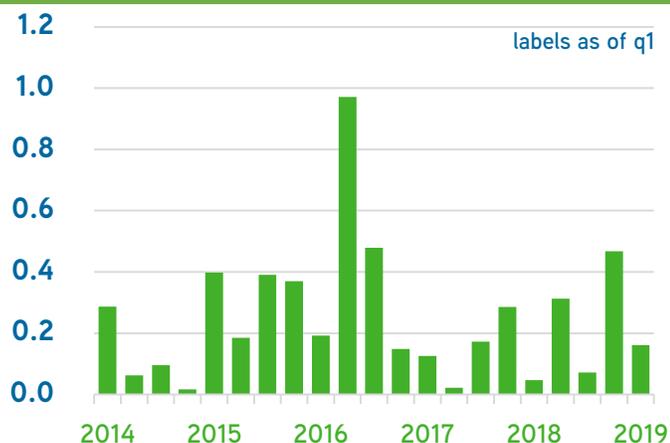
### in cambridge ...

- ◇ Cambridge vacancy is a scant 0.2 percent, dipping 0.2 percent from previous quarter levels as tenants absorbed 187,000 sf.
- ◇ A tenant “spillover” effect is accelerating as businesses with a likely Cambridge preference are heavy consumers of available space in other municipalities and for peripheral space types.
- ◇ Celsius, Relay and Rubius Therapeutics all took occupancy at 399 Binney Street, a 165,000 sf asset completed in the quarter.
- ◇ Sage Therapeutics is believed to be seeking a material amount of space following the March FDA approval of Zulresso, the firm’s leading drug candidate; a new facility would presumably reflect a significant increase in the firm’s marketing efforts.
- ◇ Cambridge Crossing has Cambridge’s only remaining identified potential laboratory build-to-suit site larger than 200,000 sf.
- ◇ Cycleron Therapeutics, an Ironwood Pharmaceuticals spinoff, agreed to lease 114,000 sf at 301 Binney Street, adjacent to Ironwood’s facility.
- ◇ Bulfinch Companies has commenced vertical construction at Cambridge Discovery Park on a 275,000 sf speculative laboratory facility; the site is within a ten minute walk of MBTA rapid transit at Alewife Station.
- ◇ Syros Pharmaceuticals leased 53,000 sf at 35 Cambridgepark Drive, the third and largest lease at the originally speculative 220,000 sf project, set to open this quarter.
- ◇ HCP acquired 87 Cambridgepark Drive from The Carlyle Group (\$71 million, 64,000 sf, \$1,110 per sf).

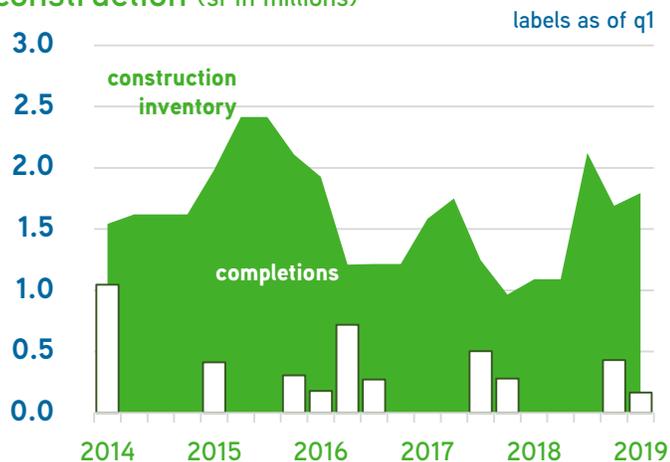
### in boston & the rings ...

- ◇ Streetcar Ring vacancy remained stable at 0.0 percent, 128 Ring vacancy rose 0.2 percent on 7,000 sf of negative absorption, and 495 Ring vacancy increased 1.1 percent on 19,000 sf of negative absorption.
- ◇ Foundation Medicine is believed to be near an agreement to lease most or all of a 491,000 sf facility to be developed by WS Development at Parcel P at Seaport Square with an option to lease a larger adjacent structure; both sites are next to Amazon’s future Seaport facility.
- ◇ Kala Pharma moved into its 66,000 sf facility at 490 Arsenal Street in Watertown as SQZ Biotech leased 63,000 sf at 485 Arsenal Street.
- ◇ A cluster of biotechnology companies may be set to emerge around South Boston’s Gillette manufacturing facility; numerous acquisitions and General Electric’s cancelation of the second phase of its HQ facility may be signaling a next ‘relief valve’ to scant availability in Cambridge.
- ◇ A joint venture of Alexandria Real Estate Equities and National Development acquired a 588-space parking facility on 1.95 acres of land at 10 Necco Street for \$81 million; the acquisition is Alexandria’s second joint venture involvement in South Boston over the last twelve months.

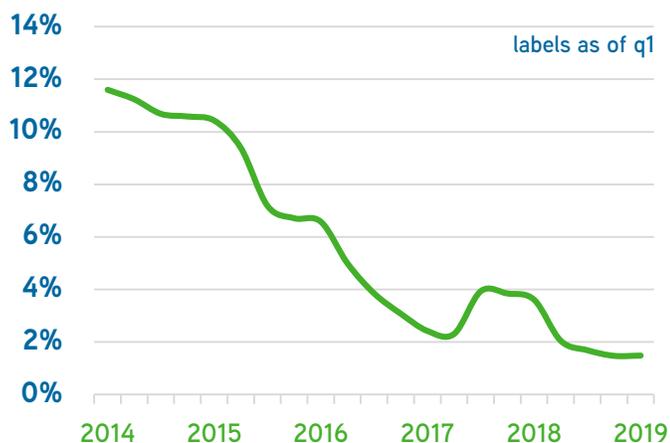
### absorption (sf in millions)



### construction (sf in millions)



### vacancy %





sf in thousands	rba	vac%	absorption		construction**		
			q1'19	ltm	uc	lease%	ltm
<b>total market</b>	<b>20,555</b>	<b>1.5%</b>	<b>161</b>	<b>773</b>	<b>1,795</b>	<b>37%</b>	<b>597</b>
<b>cambridge</b>	<b>11,681</b>	<b>0.2%</b>	<b>187</b>	<b>775</b>	<b>1,305</b>	<b>30%</b>	<b>597</b>
kendall	7,199	0.1%	171	605	812	32%	597
central	3,772	0.2%	16	164	0		0
harvard	84	0.0%	0	0	0		0
alewife	627	0.8%	0	6	224	60%	0
<b>streetcar belt</b>	<b>3,405</b>	<b>0.5%</b>	<b>0</b>	<b>0</b>	<b>125</b>	<b>40%</b>	<b>0</b>
gateway	251	0.0%	0	0	0		0
longwood	1,792	0.9%	0	0	0		0
crosstown	1,362	0.0%	0	0	125	40%	0
<b>128 belt</b>	<b>3,619</b>	<b>4.0%</b>	<b>(7)</b>	<b>(20)</b>	<b>365</b>	<b>60%</b>	<b>0</b>
north shore	307	0.0%	0	13	0		0
128 core	3,267	4.5%	(7)	(32)	365	60%	0
9 west	45	0.0%	0	0	0		0
<b>495 belt</b>	<b>1,849</b>	<b>6.4%</b>	<b>(19)</b>	<b>17</b>	<b>0</b>		<b>0</b>
3 north	603	2.5%	0	0	0		0
the boroughs	404	22.8%	(19)	17	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 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.



**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@perrycre.com

