

2Q24

NEWMARK

Boston Life Science Market Overview



Market Observations

The pace of M&A activity, with Big Pharma driving transactions, should remain on pace during the latter half of 2024, despite any headwinds.

Venture capital funding for life science companies is on the decline, but volumes are still in line with quarterly averages reported from 2015 to 2019.

Layoffs persist in the local life science sector, and employment growth will likely remain subdued throughout much of the next year.

The supply-imbalance continues to weigh on laboratory vacancy across Greater Boston, which has increased for an eighth consecutive quarter.



While tenant demand remains elevated at roughly 1.9 million SF, several of these requirements are subject to additional funding or are on hold.

Tenants are leasing less space for shorter terms. Average direct deal length is down by 41.0% from the peak, and transaction sizes are off by more than 50.0%.

New construction drove rents higher in the first half of 2024, but pricing continues to correct across many markets in Greater Boston.

The region's laboratory inventory has more than doubled since the fourth quarter of 2019 and now stands at nearly 45.0 million SF.

The higher interest rate environment, challenging market fundamentals, and wider bid-ask spread is limiting capital markets activity.

1. Economy
2. Leasing Market Fundamentals
3. Submarket Overviews

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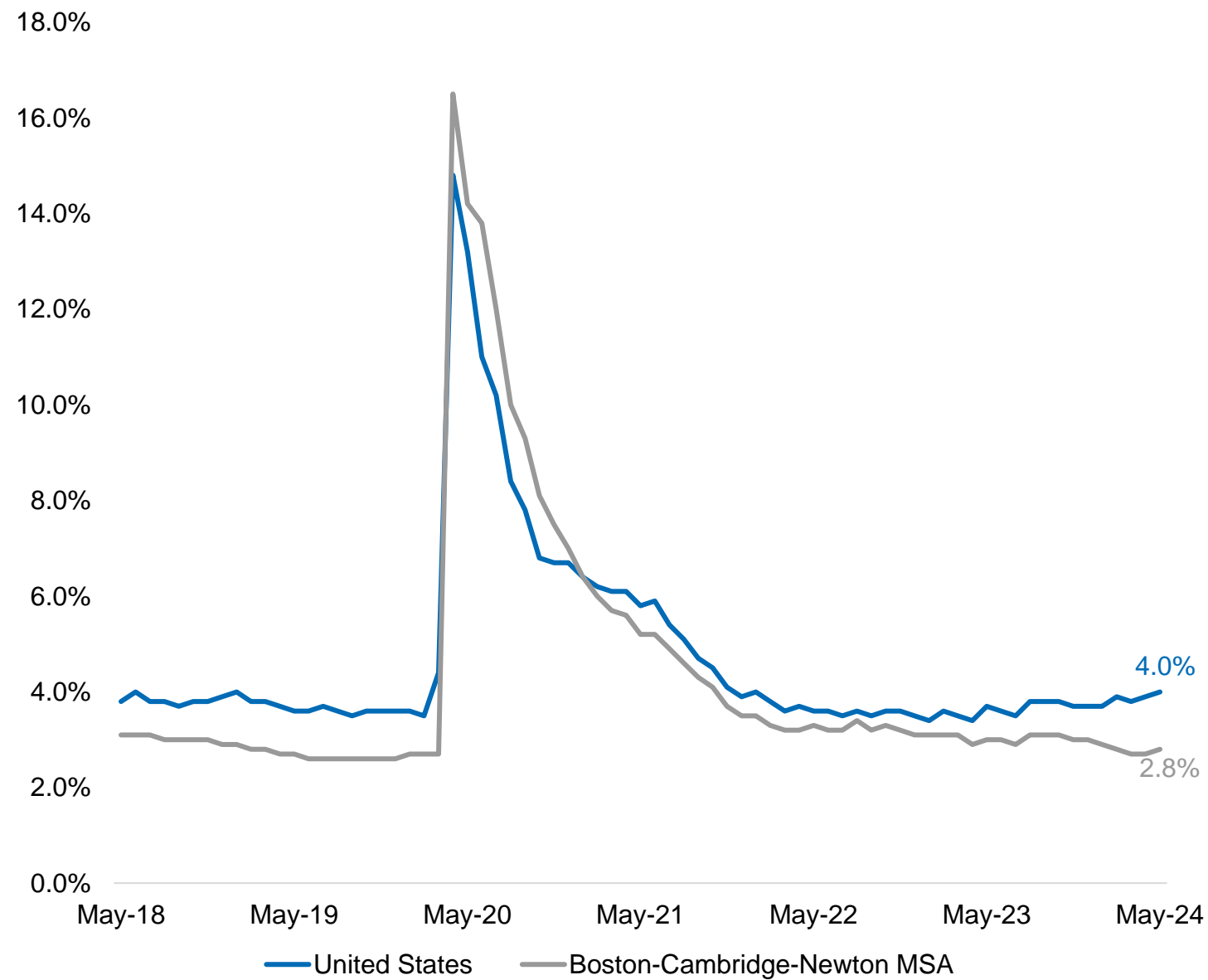
Economy



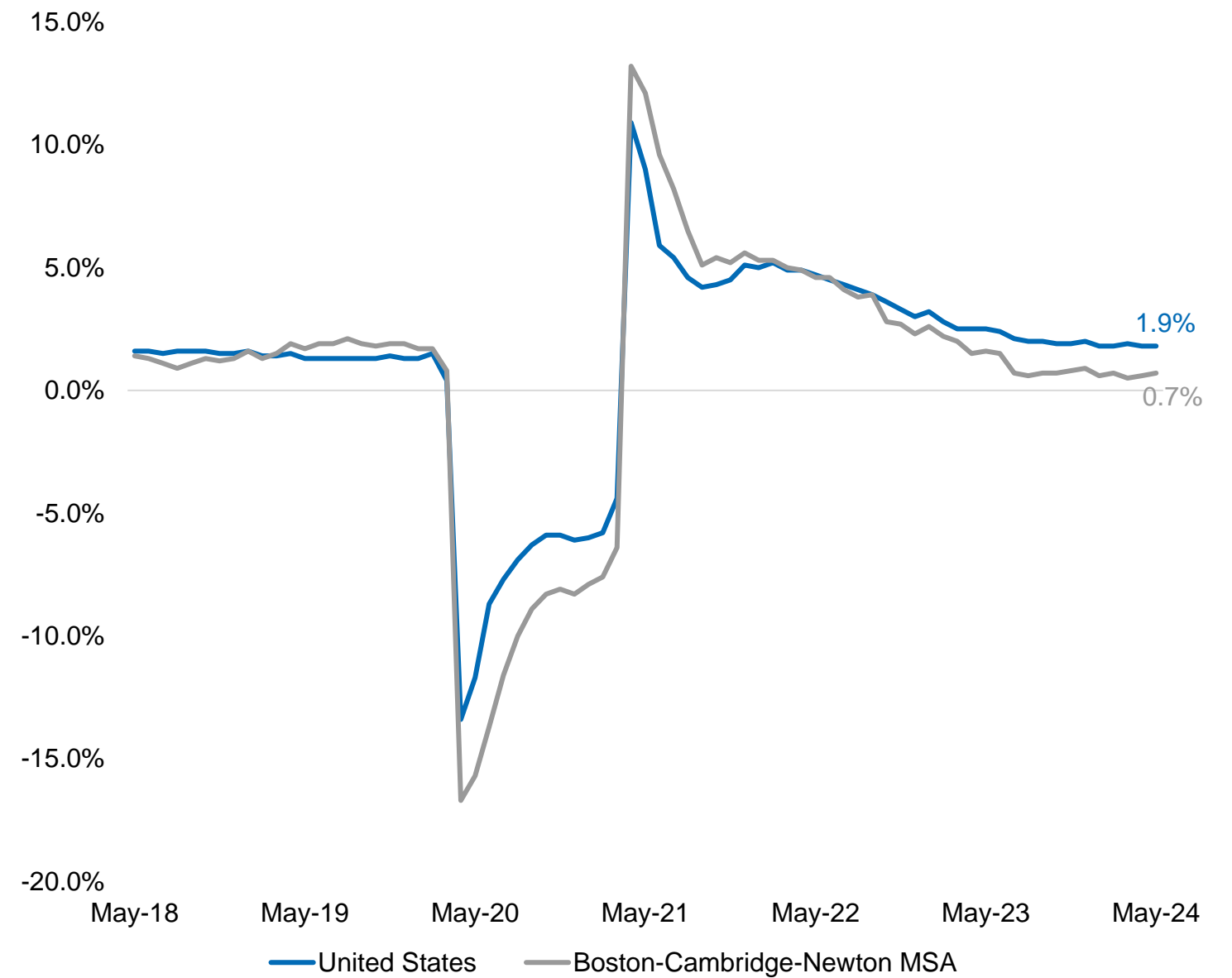
Tight Labor Conditions Are Hampering Employment Growth

Greater Boston's unemployment rate dipped below 3.0% for the first time in nearly five years. At 2.8% in May of 2024, local unemployment is well below the national average of 4.0%. While layoffs persist in select industries, including TAMI and biotechnology, limitations on labor availability are also impacting job gains at the metro level. Year-over-year growth in Greater Boston total employment continues to trail the national average as a result.

Unemployment Rate, Seasonally Adjusted



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

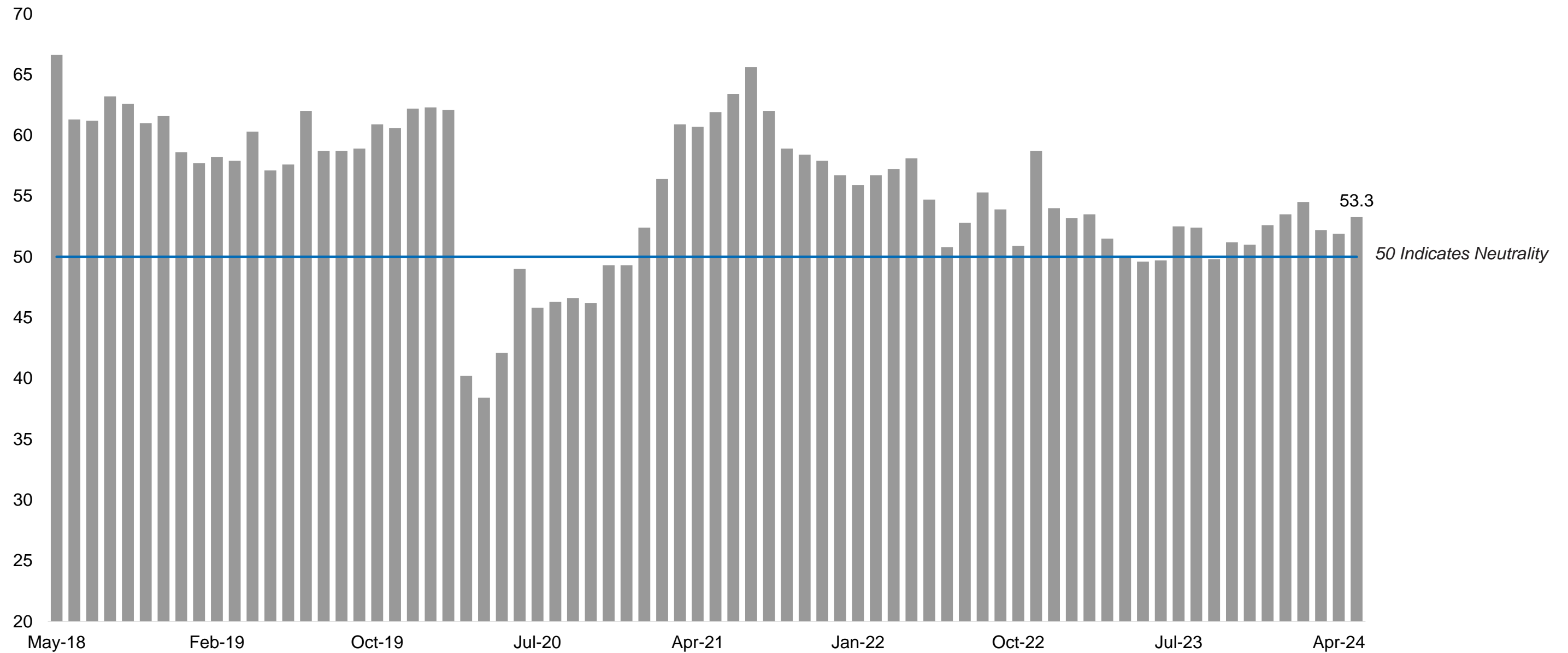


Source: Moody's Analytics, Boston-Cambridge-Newton, MA-NH MSA
 Note: May 2024 data is preliminary.

Massachusetts Business Confidence Appears to Be Improving

Local employers are starting to feel more confident about the economy. Ending a two-month slide, the AIM Business Confidence Index improved markedly in May 2024. Optimism among Massachusetts business leaders is due to stable economic conditions at a macro level and more predictable inflation trends.

Business Confidence Index (BCI)

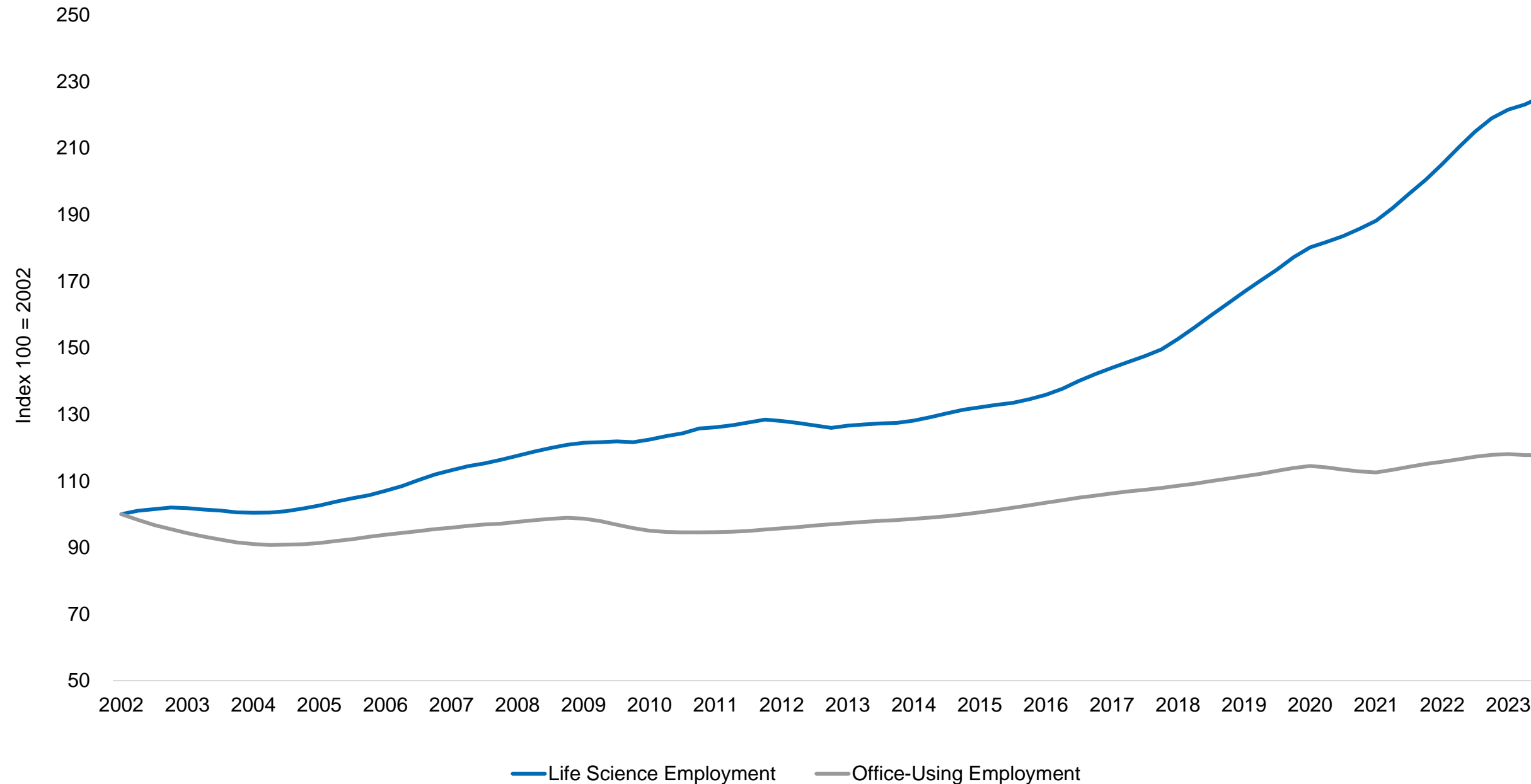


Source: AIM Board of Economic Advisors

Long-Term Trends Highlight Immense Growth in Life Science Industry

Over the last 20 years, employment gains within Greater Boston's life science sector have far outpaced growth within traditional office-using industries. Current headwinds will limit near-term expansion in life science employment, and layoffs will continue to impact local payrolls through the end of 2024.

Life Science Employment and Office-Using Employment*



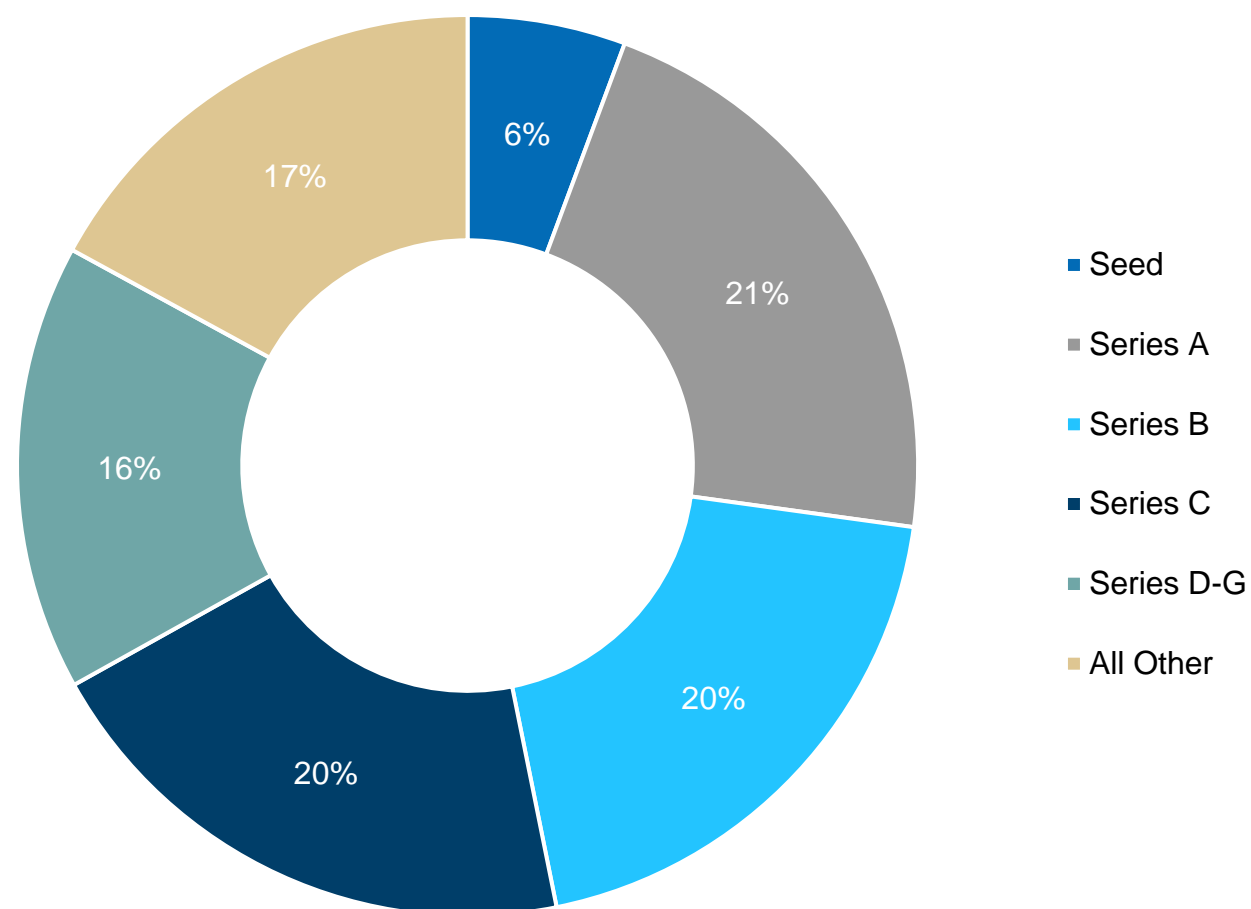
Source: Moody's Analytics, JobsEQ, Boston-Cambridge-Newton, MA-NH MSA

*Office-using employment includes employment in the following industry sectors: Professional & Business Services, Financial Activities and Information.

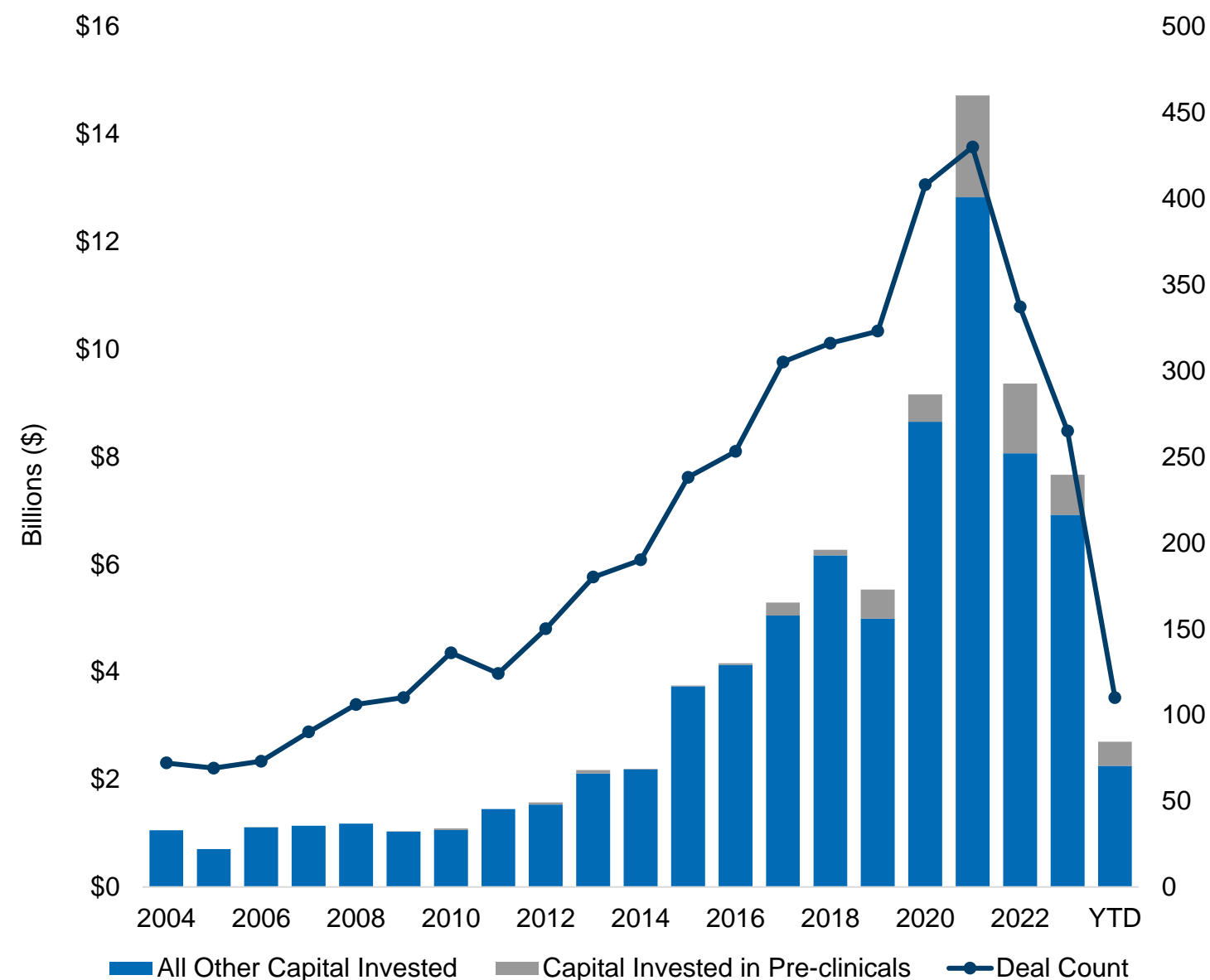
Private Capital Remains Selective, but Investors Are Preparing for New Investments

The \$2.7 billion raised during the first half of 2024 is well below recent volumes, with life science venture capital funding from 2020 to 2023 nearly doubling that. Funding is on pace to match the region's pre-pandemic averages. New and experienced investors, including Goldman Sachs, JP Morgan, and Foresight Capital, are raising millions of dollars aimed at this industry. Greater Boston's preeminence in the life science space will help attract more of this capital.

Year-to-Date Greater Boston VC Funding by Series



Greater Boston Historical VC Funding



Source: Pitchbook, Newmark Research



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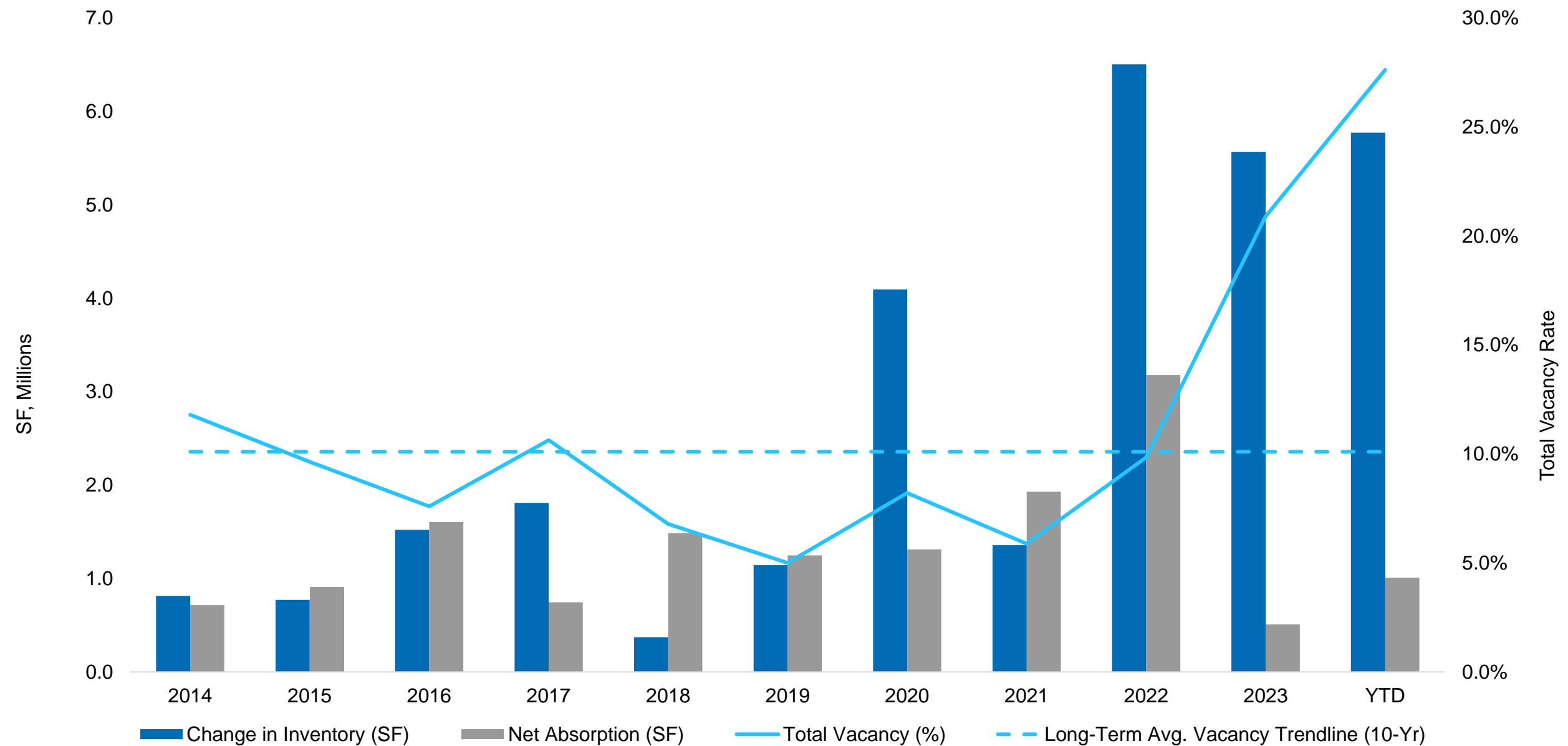
Leasing Market Fundamentals



Laboratory Vacancies Have Yet to Reach Their Peak

More new supply delivered in the first half of 2024 than during all of 2023. With another 3.2 million SF slated to come on line by year's end, 2024 will represent a historic high for completions. Vacancy for laboratory space in Greater Boston is now more than five times higher than the 5.1% trough reported just two years ago. East Cambridge maintains healthier market fundamentals, but second-generation space is at risk for significant vacancy, as users now have numerous options.

Historical Construction Deliveries, Net Absorption, and Vacancy



Source: Newmark Research

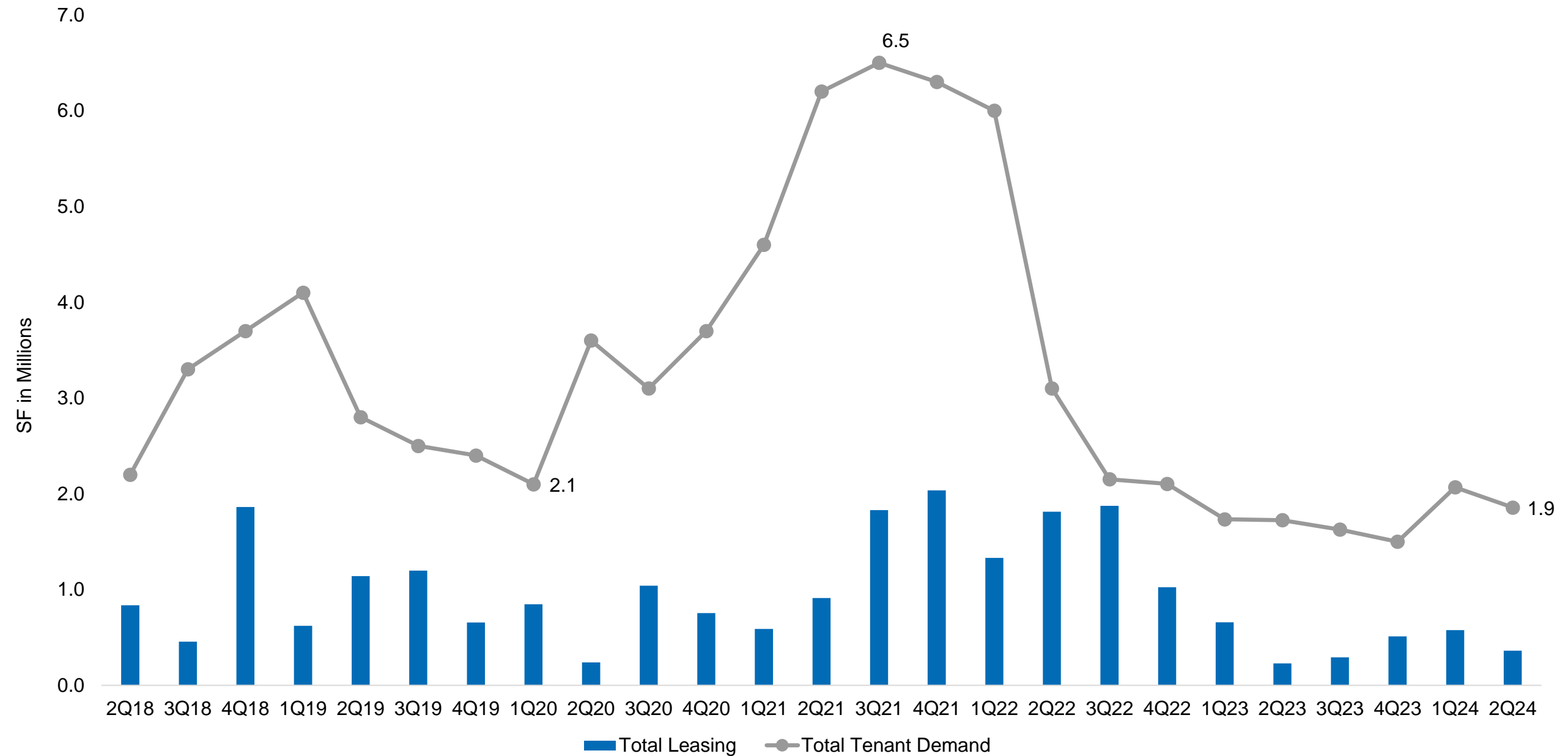


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Large Leases Remain Elusive and Tenants Remain Focused on Built-Out Space

Tenant demand ended the second quarter of 2024 close to 1.9 million SF, and 10 users are actively looking for 50,000 SF or more of laboratory space. Transactions are taking longer to execute as several requirements are contingent on additional financing. During the first half of 2024, leases averaged roughly 21,000 SF, which represents a significant decline from the height of activity in 2022. Users are opting for shorter, more flexible options in subleases and spec suites that reduce their need to come out of pocket for space fit-outs.

Historical Active Tenants in the Market and Leasing Activity



Source: Newmark Research

Second-Quarter Leasing Volumes Were Comparatively Low

Recent improvements in leasing velocity gave way to fewer transactions in the second quarter of 2024. On the heels of a recent acquisition announcement, AbbVie agreed to lease 72,000 SF of space at Cambridge Crossing in East Cambridge. Pace Analytical and LFB USA both executed lease extensions during the second quarter of 2024, while Treeline Biosciences nearly doubled its footprint in Watertown. A full leasing recovery will likely lag other industry demand drivers.

Notable 2Q24 Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
AbbVie	222 Jacobs St., Cambridge	East Cambridge	Sublease	72,000
<i>The pharmaceutical company has executed a sublease for 72,000 SF at 222 Jacobs St. in Cambridge Crossing.</i>				
Treeline Biosciences	500 Arsenal St., Watertown	Urban Edge	Lease Expansion	45,000
<i>The Watertown-based life science company expanded its footprint at 500 Arsenal St. in Watertown to 45,000 SF. The company previously occupied roughly 22,000 SF.</i>				
Pace Analytical Services	19 Presidential Way, Watertown	Urban Edge	Lease Extension	23,777
<i>The firm recently extended its lease at 19 Presidential Way in Watertown.</i>				
LFB USA	175 Crossing Blvd., Framingham	West – Route 128	Lease Extension	16,367
<i>LFB recently executed a short-term renewal at 175 Crossing Blvd. in Framingham.</i>				
Larkspur Biosciences	1 Canal Park, Cambridge	East Cambridge	Direct Lease	12,650
<i>The tenant leased a 12,650-square-foot spec suite within the newly-converted 1 Canal Park.</i>				

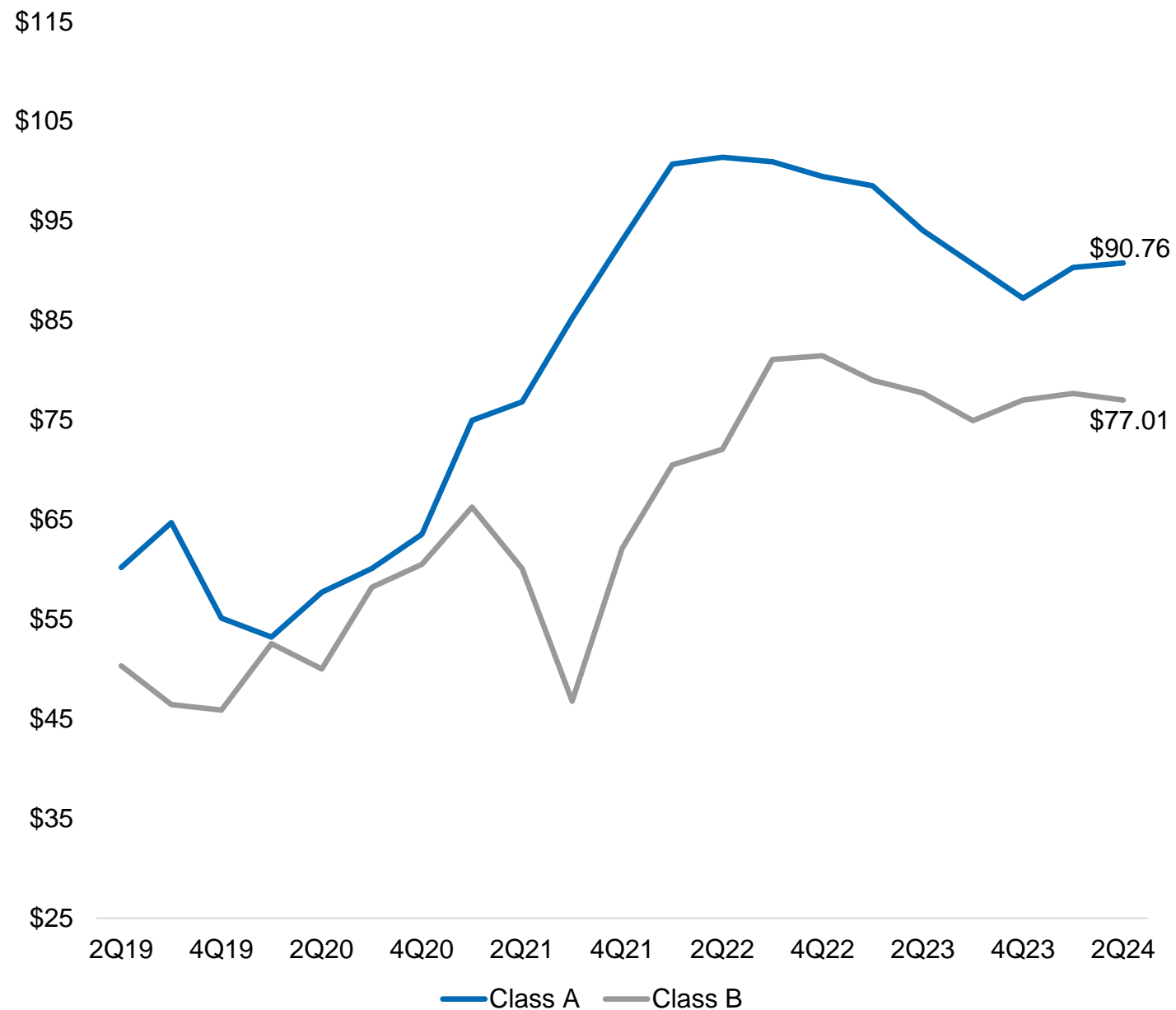


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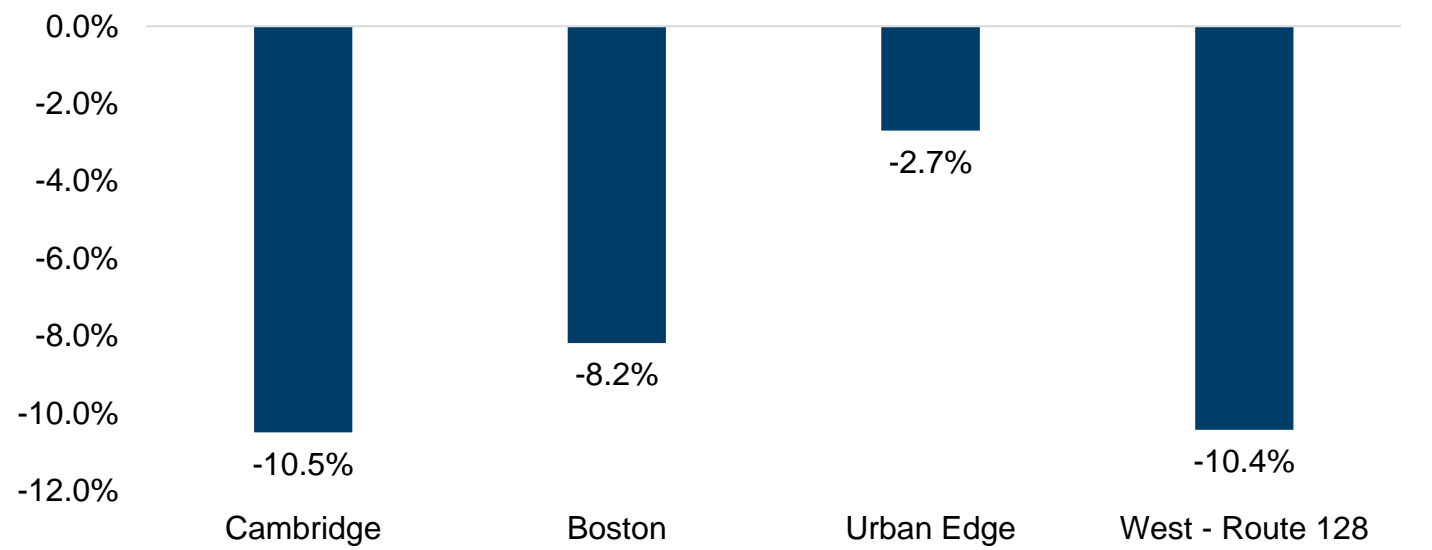
Laboratory Rents Are off Materially from the Peak

Pricing for laboratory space in Greater Boston is off 8.6% from the peak due to weaker market fundamentals. User-centric market conditions will persist due to supply-side pressures, and tenants will maintain negotiating power. New construction may keep lease rates elevated, but expectations are for further price reductions in the coming quarters.

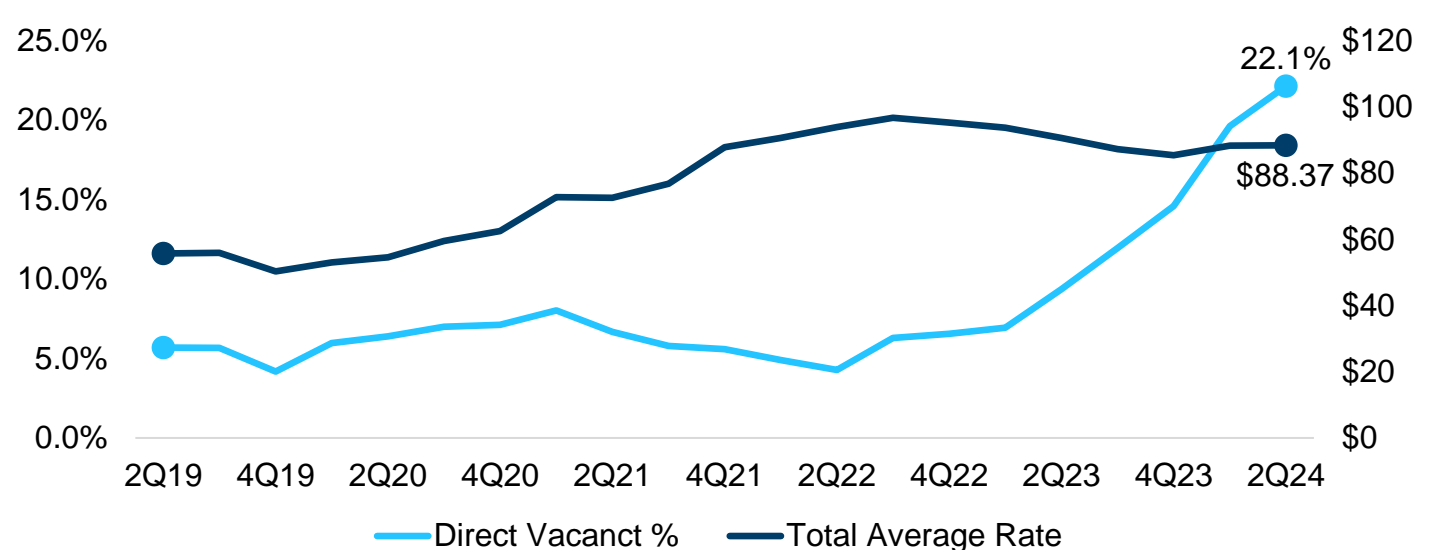
Average Asking Rent (\$/SF) by Class



Change in Average Asking Rent (\$/SF) Peak to 2Q24



Direct Vacancy vs. Average Asking Rent (\$/SF)



Source: Newmark Research



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Submarket Overviews





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Newmark has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents. Newmark Research Reports are available at nmrk.com/insights.

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