

3Q24

NEWMARK

Boston Life Science Market Overview



Market Observations

The IPO window appears to be opening for the life science sector, with four local firms slated to go public by the end of 2024.

Venture capital flows turned a corner during the third quarter of 2024, as “mega” rounds (\$100M+) are driving activity in key life science markets.

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 a ninth 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 seeking built-out space have their pick from available spec suites, subleases and second-generation spaces.

New construction has kept asking rents elevated throughout 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 47.0 million SF.

Recent interest rate cuts bode well for demand drivers, but have yet to improve investor interest in laboratory assets.

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

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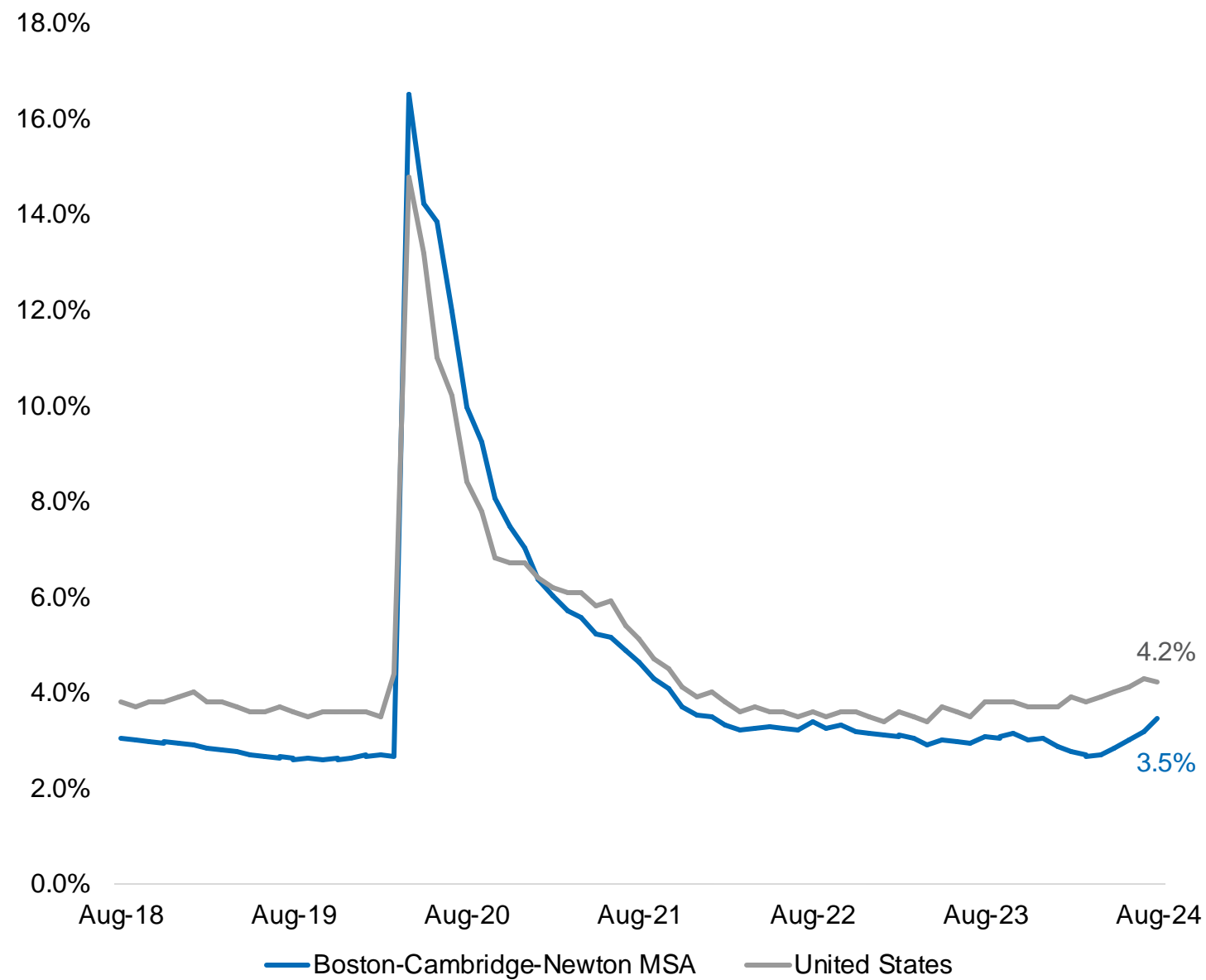
Economy



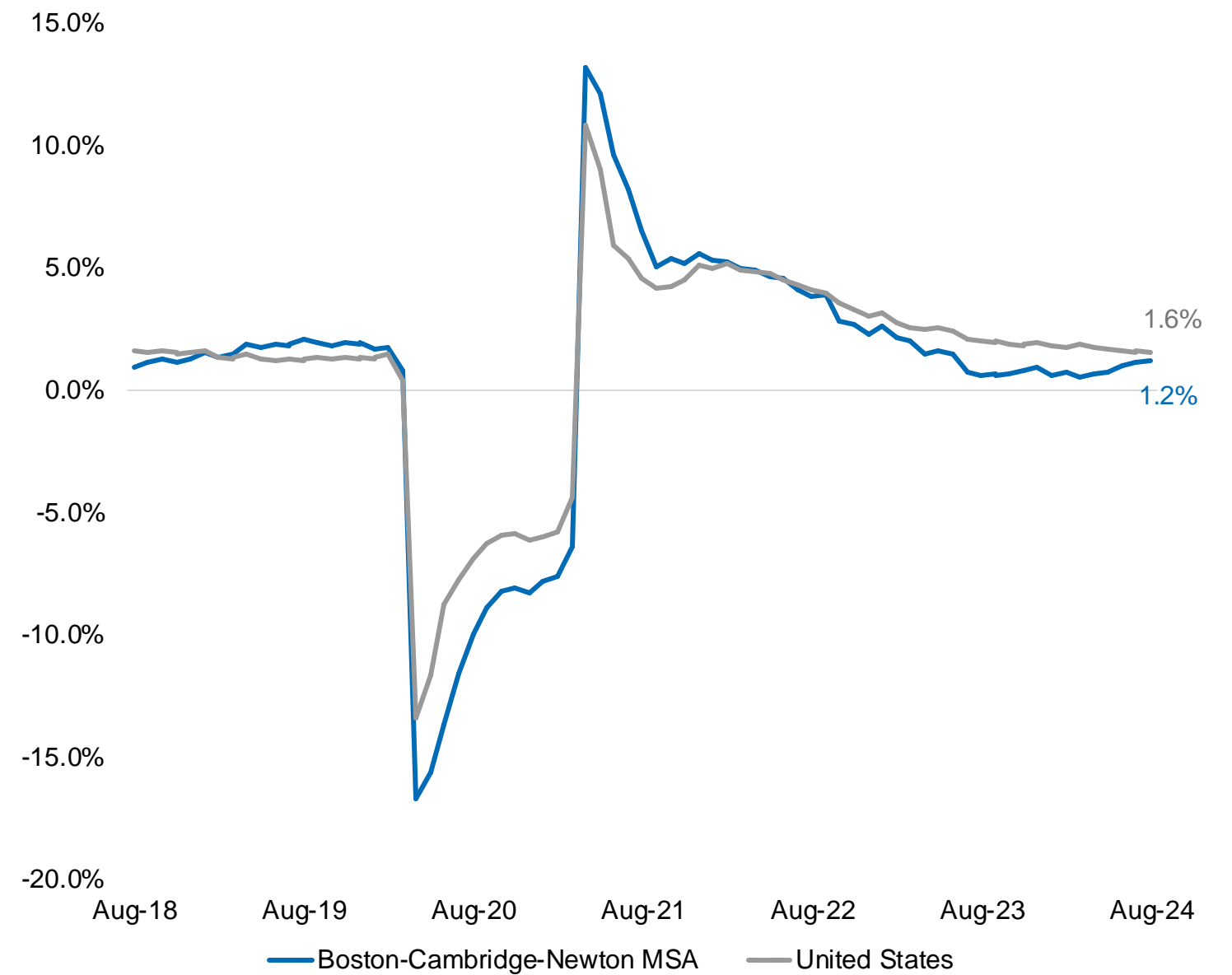
Impacts of Layoffs and Future Workforce Development

Greater Boston's unemployment rate is rising, reaching 3.5% in August, the highest level since 2022. Despite ongoing layoffs, the region's unemployment rate remains below the national average, suggesting a degree of resilience within the local economy, as businesses continue to adapt and seek talent in emerging sectors like AI, clean tech, etc.

Unemployment Rate, Seasonally Adjusted



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

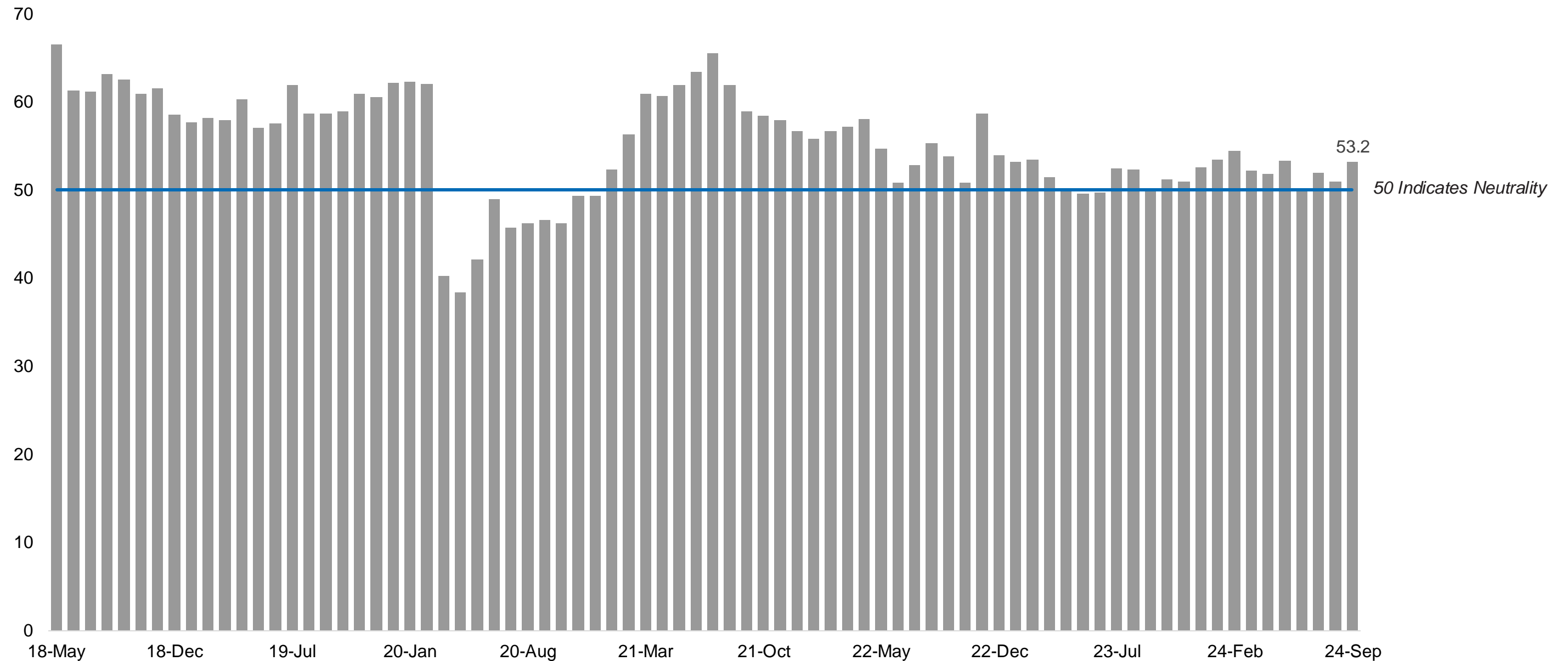


Source: Moody's Analytics, Boston-Cambridge-Newton, MA-NH MSA
 Note: August 2024 data is preliminary.

Massachusetts Business Confidence Improved Late in the Third Quarter

A stabilized U.S. economy led the Federal Reserve to lower interest rates in September, which drove local business sentiment higher in September of 2024. The cooling labor market, characterized by rising unemployment, will likely remain a concern in the coming months, however.

Business Confidence Index (BCI)

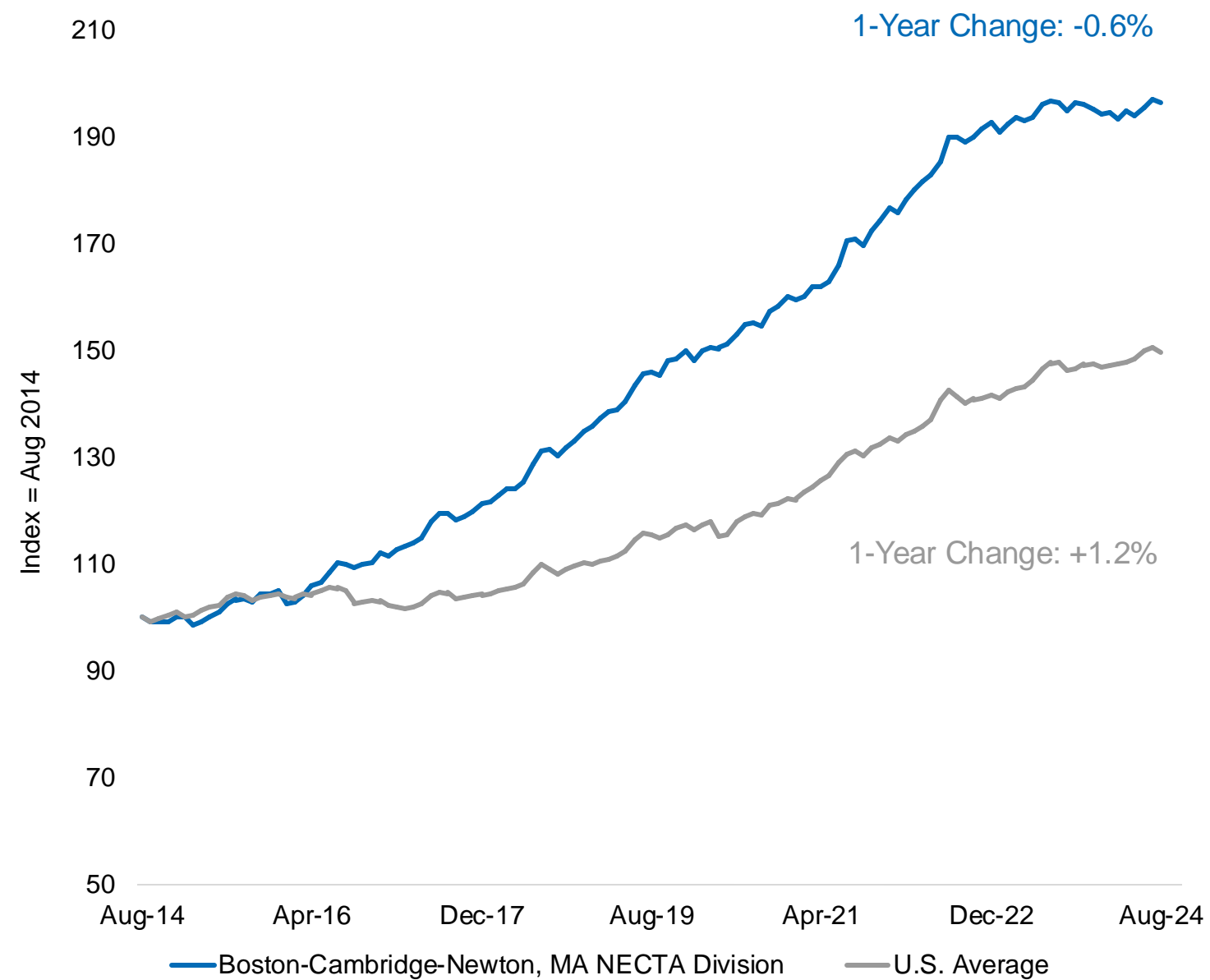


Source: AIM Board of Economic Advisors

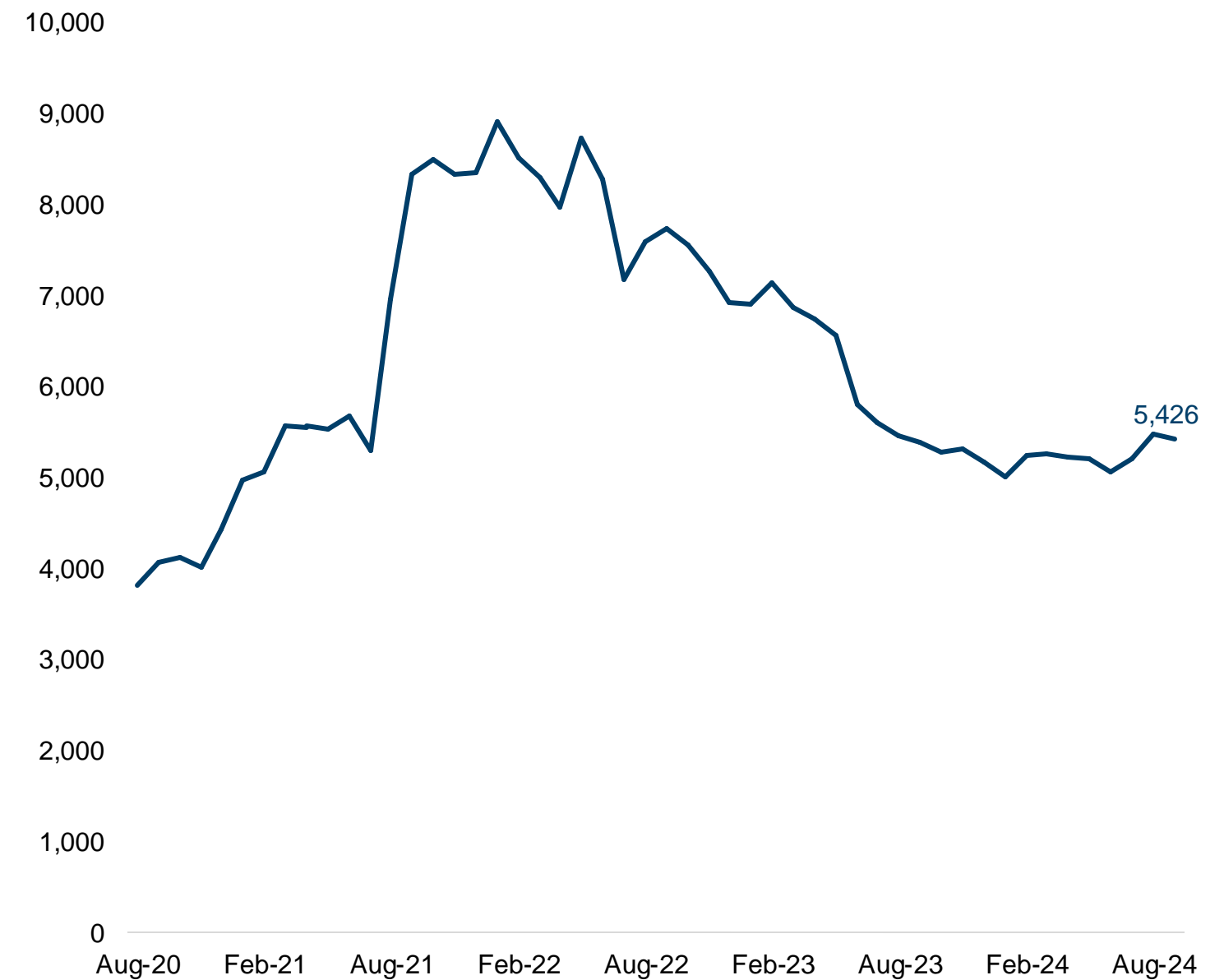
Local Labor Markets are Sluggish

Active job postings in the Boston metro area for life science-related occupations has improved modestly over the last 12 months as hiring remains cautious in this sector. Employment growth in the Scientific R&D subsector has also slowed, with Boston trailing the U.S. average slightly.

Scientific Research & Development Employment, NSA



Life Science Industry Active Job Postings | Boston MSA

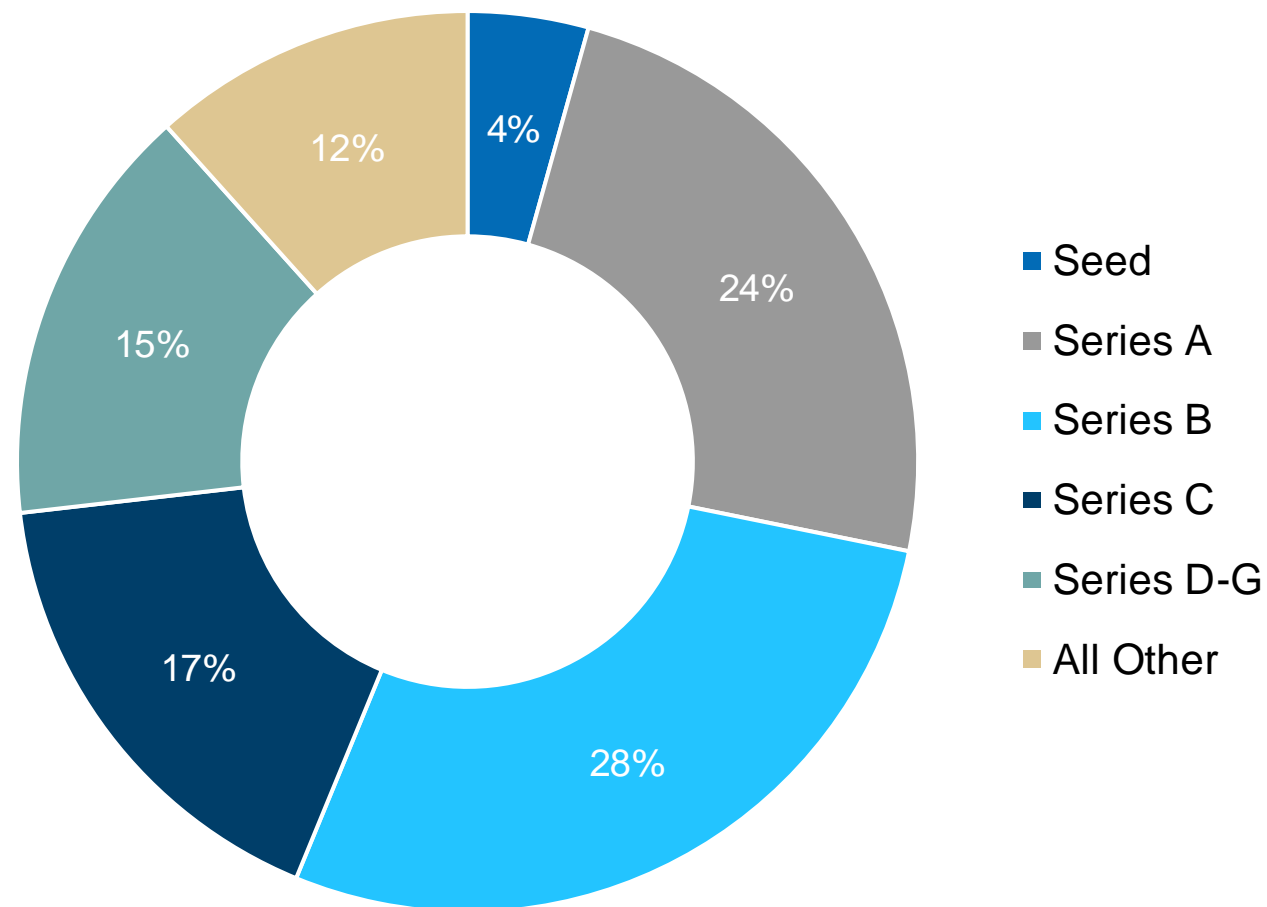


Source: Moody's Analytics, JobsEQ, Newmark Research

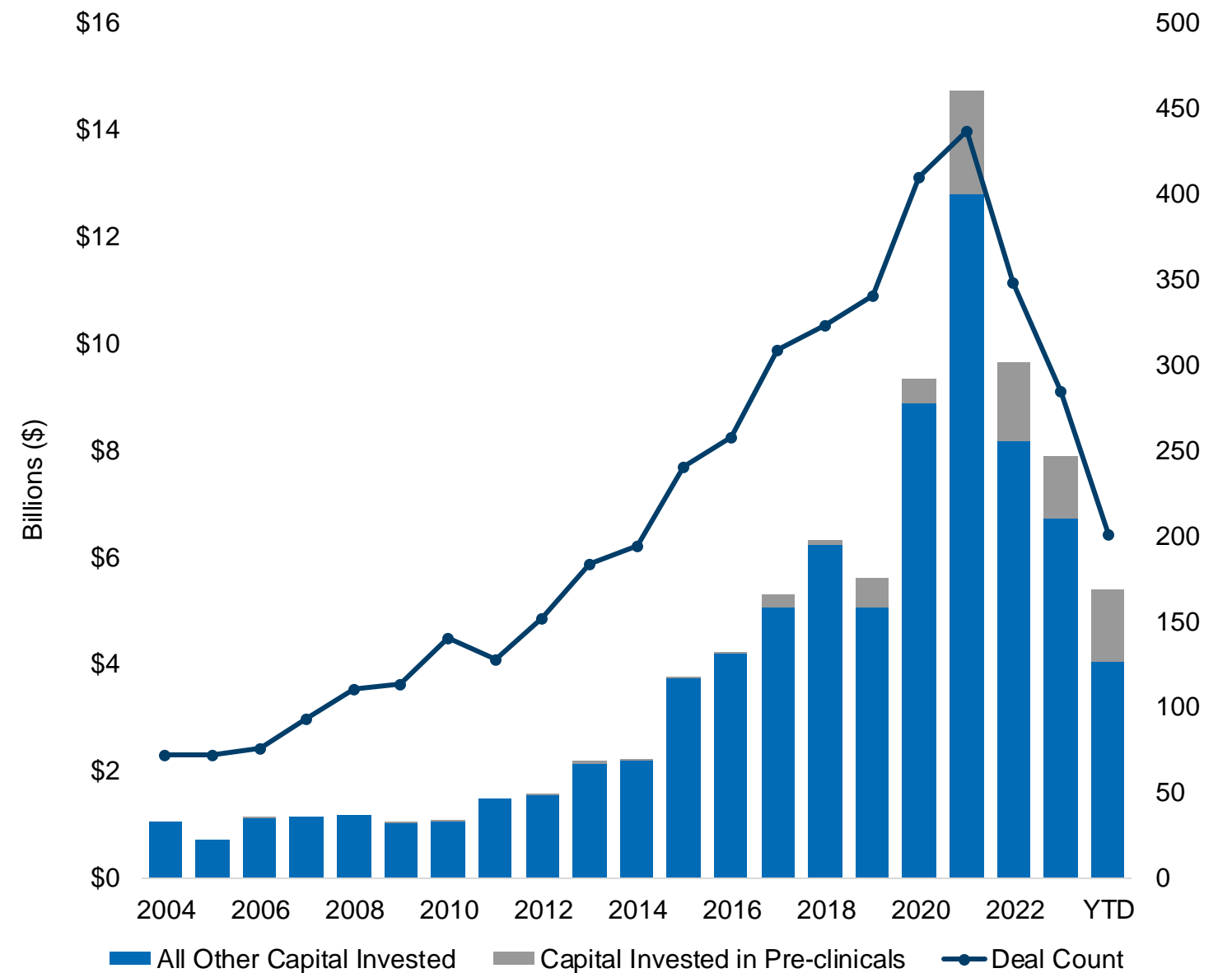
Are Brighter Days on the Horizon for Venture Capital?

A third-quarter resurgence in life science venture capital funding bodes well for the Greater Boston market. At \$5.4 billion year-to-date, volumes are set to surpass average annual pre-pandemic totals reported from 2015 to 2019. Larger deals (\$100M+) are driving activity, with pre-clinicals representing roughly 25.0% of 2024 funding totals. AI-related firms are also attracting significant investor interest.

Year-to-Date Greater Boston VC Funding by Series



Greater Boston Historical VC Funding



Source: Pitchbook, Newmark Research



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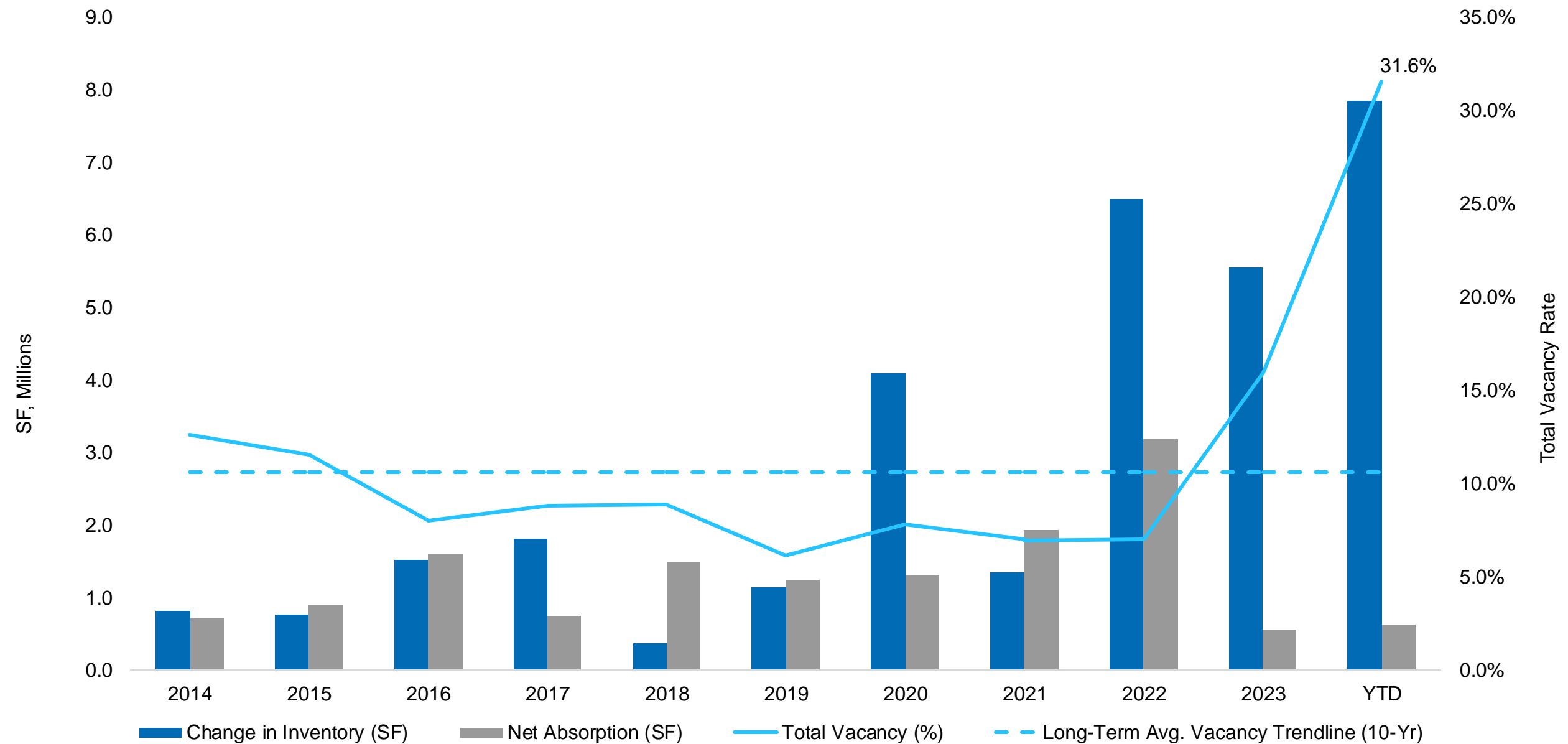
Leasing Market Fundamentals



Laboratory Vacancies Have Yet to Reach Their Peak

As record levels of new supply delivers throughout Greater Boston, laboratory users now have more options available to them than ever before. This is especially true for “built-out” space, which includes spec suites, sublease offerings and second-generation space. Despite a recent uptick in leasing velocity and diminishing supply risk, fundamentals will remain challenged as the market works through an immense supply-demand imbalance.

Historical Construction Deliveries, Net Absorption, and Vacancy



Source: Newmark Research

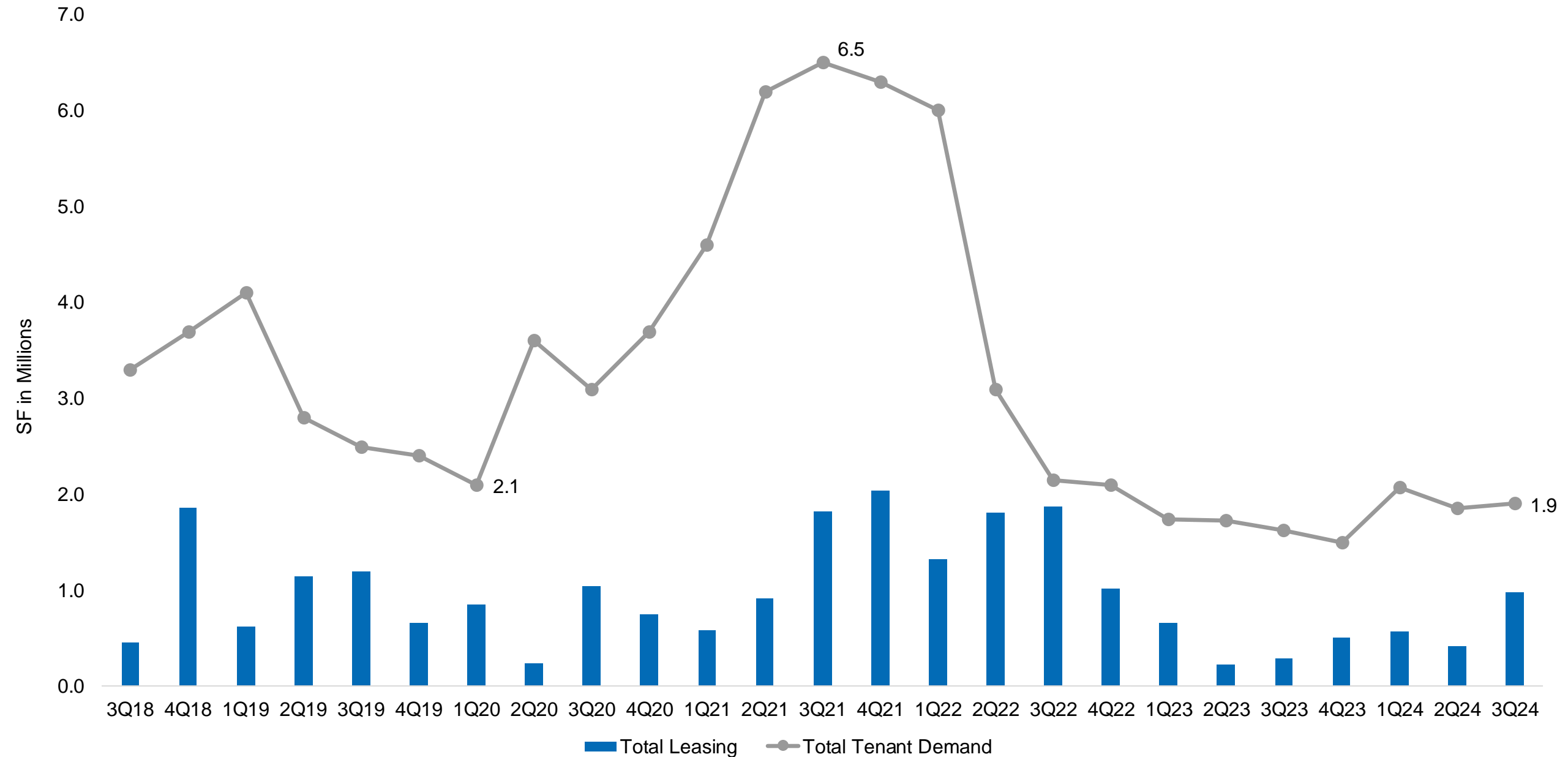


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Key Renewals Helped Drive Leasing Growth in the Third Quarter

Tenant demand held steady over the quarter while leasing velocity improved noticeably. Driven by Vertex Pharmaceuticals' renewal in the Seaport submarket, roughly 1.0 million SF of leases were executed during the third quarter of 2024 throughout Greater Boston. However, users continue to opt for shorter, more flexible options in subleases and spec suites that reduce their need to come out of pocket of space fit-outs and tenants landing major funding rounds are still hesitant to expand their real estate footprints.

Historical Active Tenants in the Market and Leasing Activity



Source: Newmark Research

Leasing Activity is Improving, but Renewals Are Still Prevalent

Following a sluggish first half of 2024, leasing velocity improved during the third quarter of 2024. Vertex Pharmaceuticals executed the largest transactions of the year—a renewal of its office and laboratory operations in Boston’s Seaport. Newly-constructed 66 Galen St. in Watertown landed two anchor tenants during the third quarter of 2024, which brings the buildings’ occupancy up to roughly 50%. Tenants’ continued hesitancy to make real estate commitments will weigh on the market’s leasing recovery, however.

Notable 2Q24 Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
Vertex Pharmaceuticals	50 Northern Ave., Boston	Boston – Seaport	Lease Renewal	556,096
<i>The large pharma company renewed a substantial office and laboratory lease at its longtime home in Boston’s Seaport submarket.</i>				
Vida	66 Galen St., Watertown	Inner Suburbs/Urban Edge	Direct Lease	61,189
<i>Vida executed a lease in a newly-constructed laboratory in Watertown, representing one of two anchor tenants at the project.</i>				
LifeMine Therapeutics	66 Galen St., Watertown	Inner Suburbs/Urban Edge	Direct Lease	56,000
<i>Along with Vida, LifeMine Therapeutics agreed to lease one floor in the new laboratory development and plans to relocate operations from Cambridge.</i>				
GC Therapeutics	610 Main St. – North, Cambridge	East Cambridge	Sublease	32,688
<i>The early-stage biotech company subleased a sizeable footprint from Pfizer in Kendall Square.</i>				
Compass Therapeutics	80 Guest St., Brighton	Inner Suburbs/Urban Edge	Direct Lease	29,836
<i>The clinical stage biopharmaceutical company leased space on a direct basis in Brighton.</i>				
Vedanta Bioscience	19-23 Blackstone St., Cambridge	Mid Cambridge	Lease Renewal	26,343
<i>The clinical biopharmaceutical company renewed its lease in Mid Cambridge.</i>				

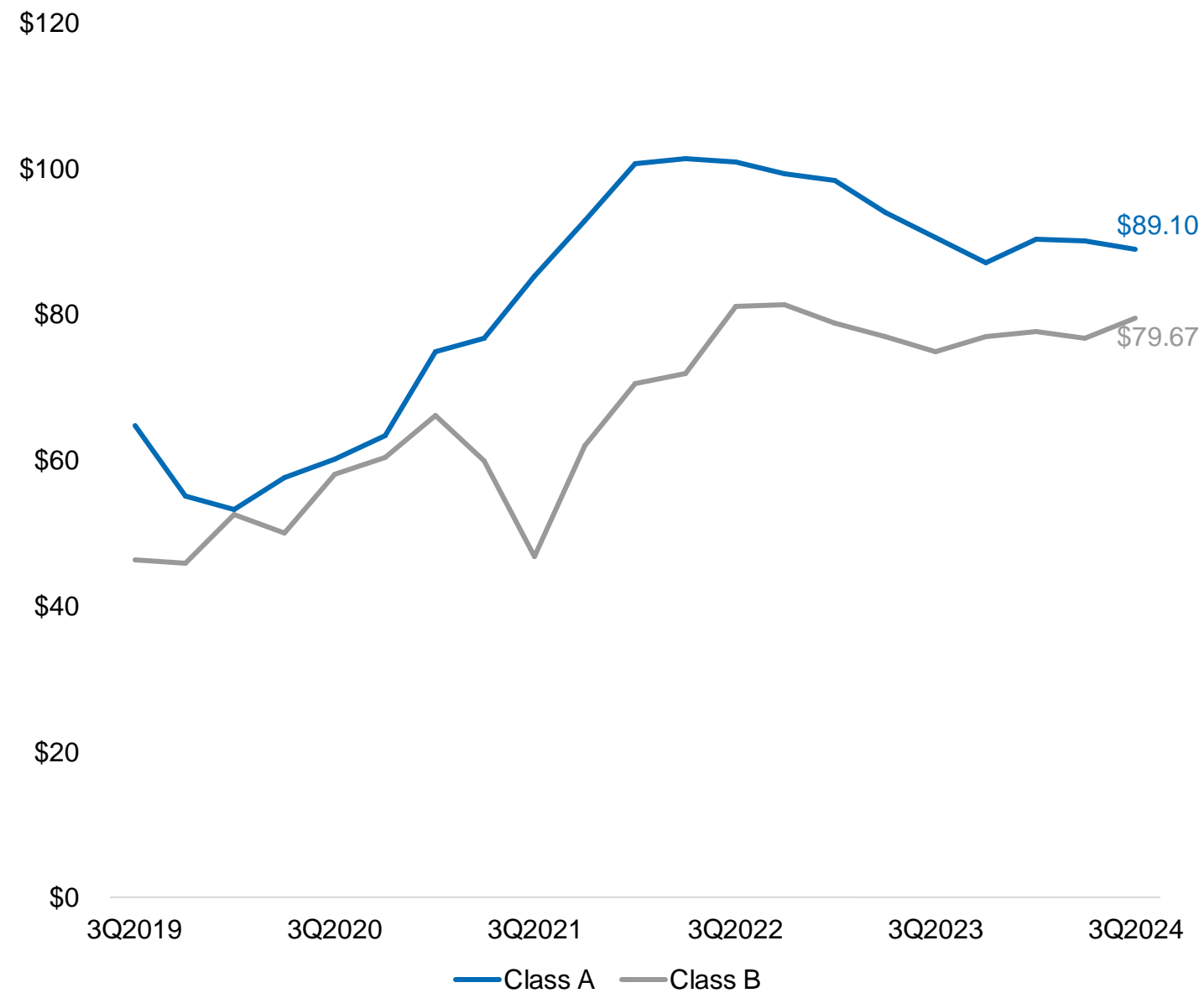


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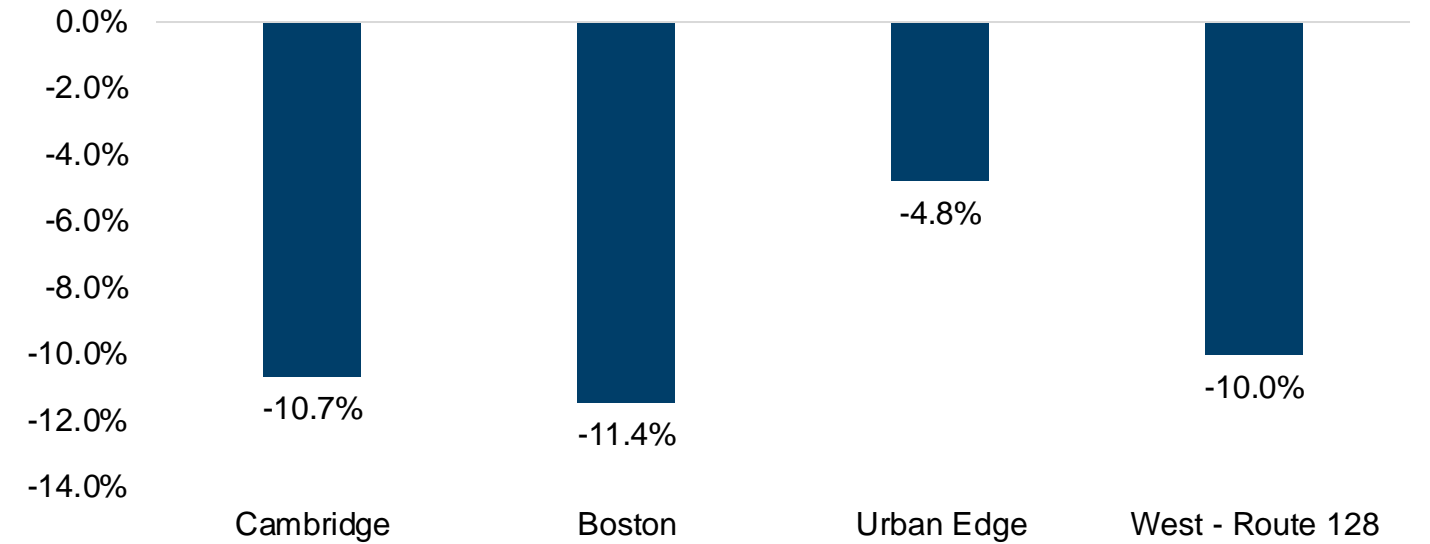
Laboratory Rents Are off Materially from the Peak

Pricing for laboratory space in Greater Boston is off 11.5% 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.

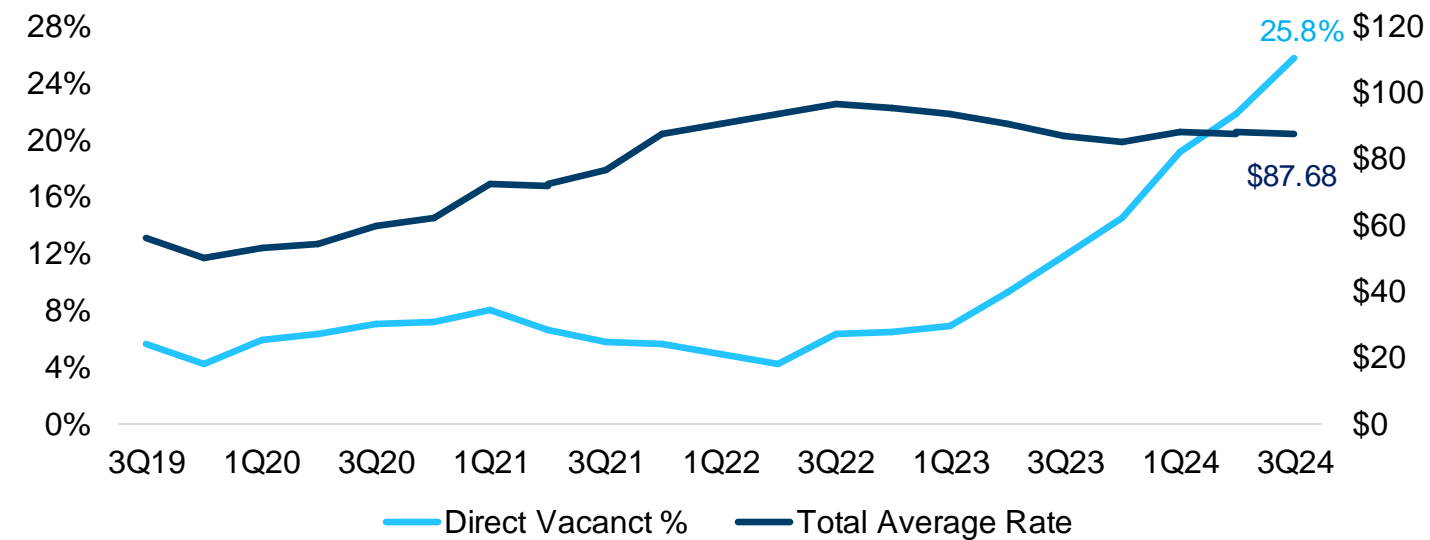
Average Asking Rent (\$/SF) by Class



Change in Average Asking Rent (\$/SF) Peak to 3Q24



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



Source: Newmark Research



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Submarket Overviews





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