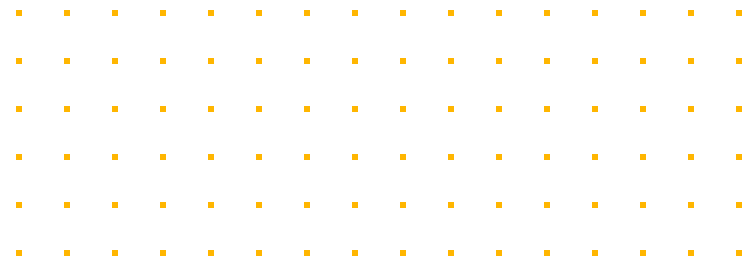




Winter/Spring 2024

Greater Boston Life Sciences

Annual CRE Market Insight Report



cresa 

State of the Market

Greater Boston Life Sciences

As the local market expands and availabilities climb, life sciences tenants have no shortage of options.

The Greater Boston life sciences market enters 2024 with record amounts of available lab space on both the secondary and direct markets. Deliveries from the development pipeline boosted the area's total inventory by 32% year-over-year. The bulk of this new inventory came to the inner suburbs and Route 128 west markets, signaling the continued expansion of the local market. Meanwhile, the sublease market continues to set new records. These unprecedented vacancy levels are expected to climb further in the next year, as an estimated 4M of the remaining 12M SF of lab space under active development is anticipated to come to market in 2024. With demand down and supply up, pricing pressure has eased significantly, dropping by nearly 8% year-over-year across the market and by nearly 12% in Cambridge alone. It is, without question, a tenant's market through and through.



Speed to Science

Tenants are gravitating toward built spaces that require minimal modifications to reduce runways and expedite occupancy and production.



Window Shopping

Despite reports of several life sciences tenants in the market, many that claim to be searching for new space have no sense of urgency and are not serious buyers in the near term.

Cambridge Crossing
Photo: Duncan Lake/Cresa



Market Size
48,181,594 SF



Vacancy
25.5%



Sublease
5.6%

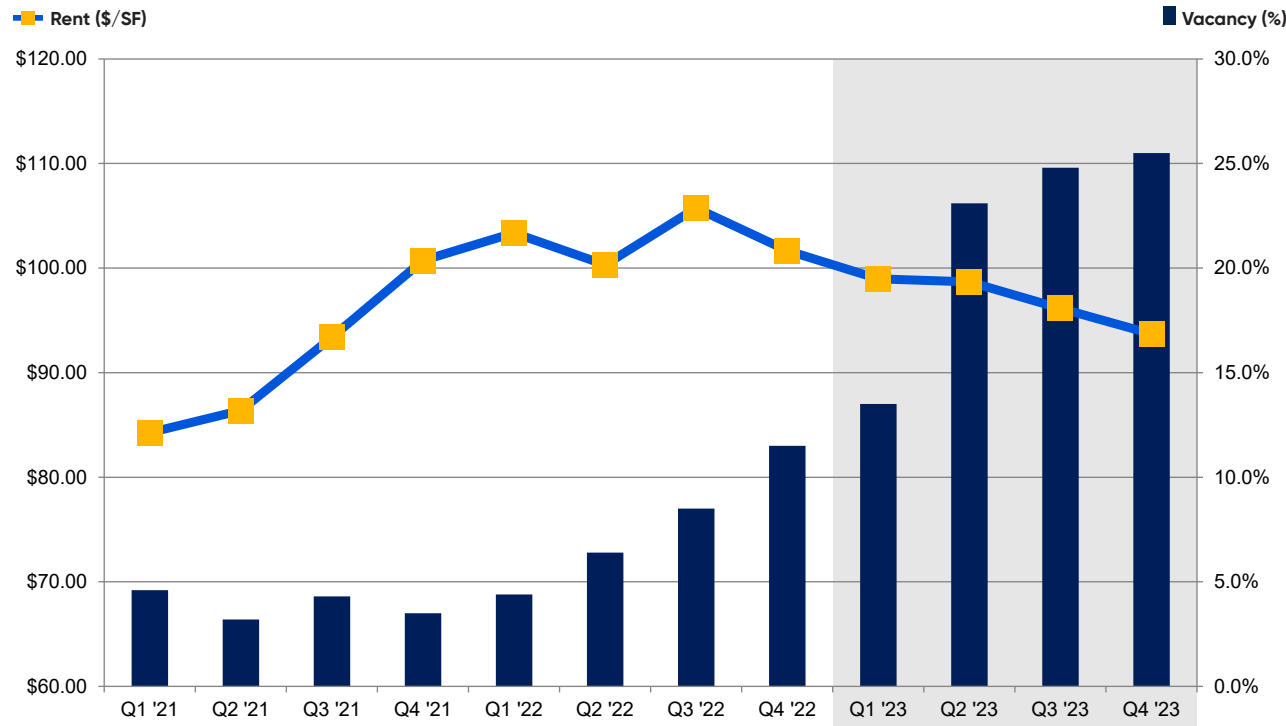


Available
31.1%

Direct Availability + Sublease Availability

Arrows Indicate One Year Change

Historical Rent & Vacancy



Get to Know: Row 34

This local favorite has crossed the river to stake its claim in Kendall Square. The rotating beer lineup is a treat, but it's the oysters that really draw the crowds. Picked up daily from Boston's Fish Pier, the extensive raw bar offerings are sure to impress out of town guests and New Englanders alike. row34.com

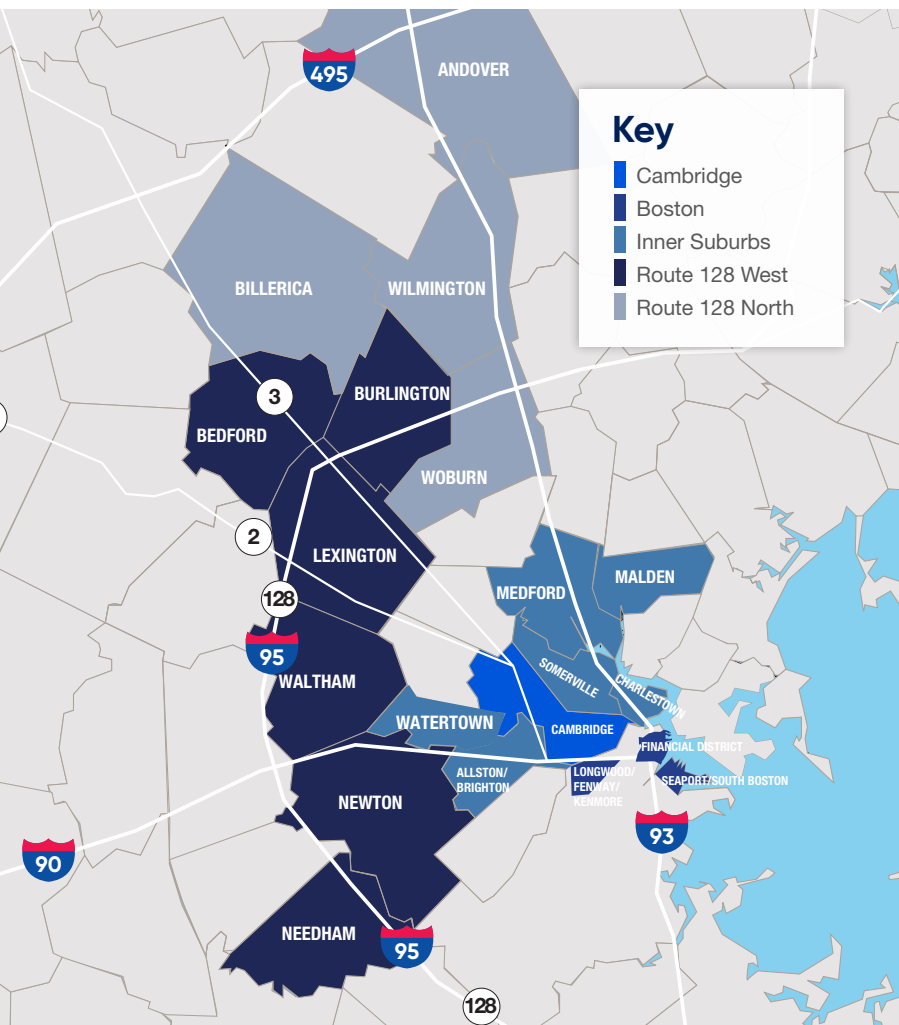


Photos: Row34.com



By the Numbers

Data as of Q4 2023



	Market Size (SF)	Vacant	Sublease	Available	Class A Rent/SF	Class B Rent/SF	
Cambridge	East Cambridge	10,693,054	9.0%	7.5%	16.5%	\$112.00	\$105.00
	Mid Cambridge	3,474,618	16.9%	8.1%	25.0%	\$105.00	\$90.00
	West Cambridge /Alewife	2,605,024	33.0%	9.2%	42.2%	\$95.00	\$85.00
	Total	16,772,696	14.4%	7.9%	22.3%	\$108.00	\$99.00
Boston	Seaport/South Boston	5,316,538	20.5%	5.8%	26.4%	\$105.00	\$100.00
	Financial District	288,132	64.0%	0.0%	64.0%	\$100.00	\$95.00
	Back Bay/Fenway	2,061,545	13.6%	2.7%	16.4%	\$115.00	\$100.00
	South End/Dorchester	929,000	56.6%	5.2%	61.8%	\$90.00	\$85.00
	Total	8,912,642	24.2%	4.8%	29.0%	\$106.00	\$98.00
Inner Suburbs	Charlestown	814,410	37.2%	3.6%	35.4%	\$85.00	\$80.00
	Medford/Malden	790,618	58.4%	0.0%	61.3%	\$67.00	\$55.00
	Somerville	2,471,603	76.5%	0.0%	76.5%	\$95.00	\$90.00
	Watertown	3,372,350	45.0%	5.6%	48.5%	\$95.00	\$85.00
	Allston/Brighton	1,463,661	57.8%	0.9%	36.7%	\$95.00	\$90.00
	Total	8,912,642	56.3%	2.6%	58.9%	\$92.00	\$84.00
Route 128 West	Bedford/Burlington	3,038,295	37.9%	9.2%	47.2%	\$68.00	\$58.00
	Lexington/Waltham	7,913,587	14.6%	5.0%	19.6%	\$78.00	\$65.00
	Newton/Needham	500,436	14.6%	0.0%	14.6%	\$65.00	\$60.00
	Total	11,452,318	20.8%	5.9%	26.7%	\$75.00	\$63.00
Route 128 North	Wilmington	128,370	0.0%	0.0%	0.0%	\$30.00	\$25.00
	Woburn	1,268,381	6.3%	2.0%	8.4%	\$58.00	\$40.00
	Billerica	385,763	14.8%	0.0%	14.8%	\$28.00	\$26.00
	Andover	666,209	40.7%	2.2%	43.0%	\$55.00	\$45.00
	Total	2,448,723	16.7%	1.6%	18.3%	\$51.00	\$38.00



Notable Market Transactions

Tenant	Address	City/Town	Size (SF)	Type
Novo Nordisk	50-60 Sylvan Road	Waltham	185,000	New Lease
Astellas Pharma	441 Morgan Avenue	Cambridge	63,000	New Lease
Voyager Therapeutics	75 Hayden Avenue	Lexington	61,000	Expansion
Charles River Laboratories	401 Park Drive	Boston	25,000	New Lease

Investment Sales

Buyer	Address	City/Town	Size (SF)	Price/SF
Oxford Properties Group	92 Crowley Drive	Marlborough	120,000	\$1,041.67
Phase3 Real Estate Partners	640 Memorial Drive 100 Beaver Street	Cambridge Waltham	308,000	\$994.04
CS Capital Management	43 Foundry Avenue, 41 Seyon Street, and 152 Grove Street (3 buildings)	Waltham	615,000	\$939.84
Cabot, Cabot & Forbes/Normandy Opportunity Zone Fund	65-75 Mystic Avenue	Somerville	159,000	\$893.08
Alloy Properties/Anchor Line Partners	780 and 790 Memorial Drive 225, 266, and 275 Second Avenue (5 buildings)	Cambridge Waltham	425,000	\$858.82
Phase3 Real Estate Partners	7 Channel Center	Boston	31,000	\$760.81
Premier Storage Investors and Oliver Street Capital	380 E Street and 420 E Street	Boston	160,000	\$543.99
Greatland Realty Partners	Riverside Center, Grove Street (3 buildings)	Newton	510,000	\$230.39

Alexandria Real Estate (ARE) drove much of the life sciences market activity in 2023, selling several non-core assets, including two incubator-type buildings. The ARE team is reading the tea leaves on where the market is heading and investing heavily in their 'mega campus' approach to meet demand.

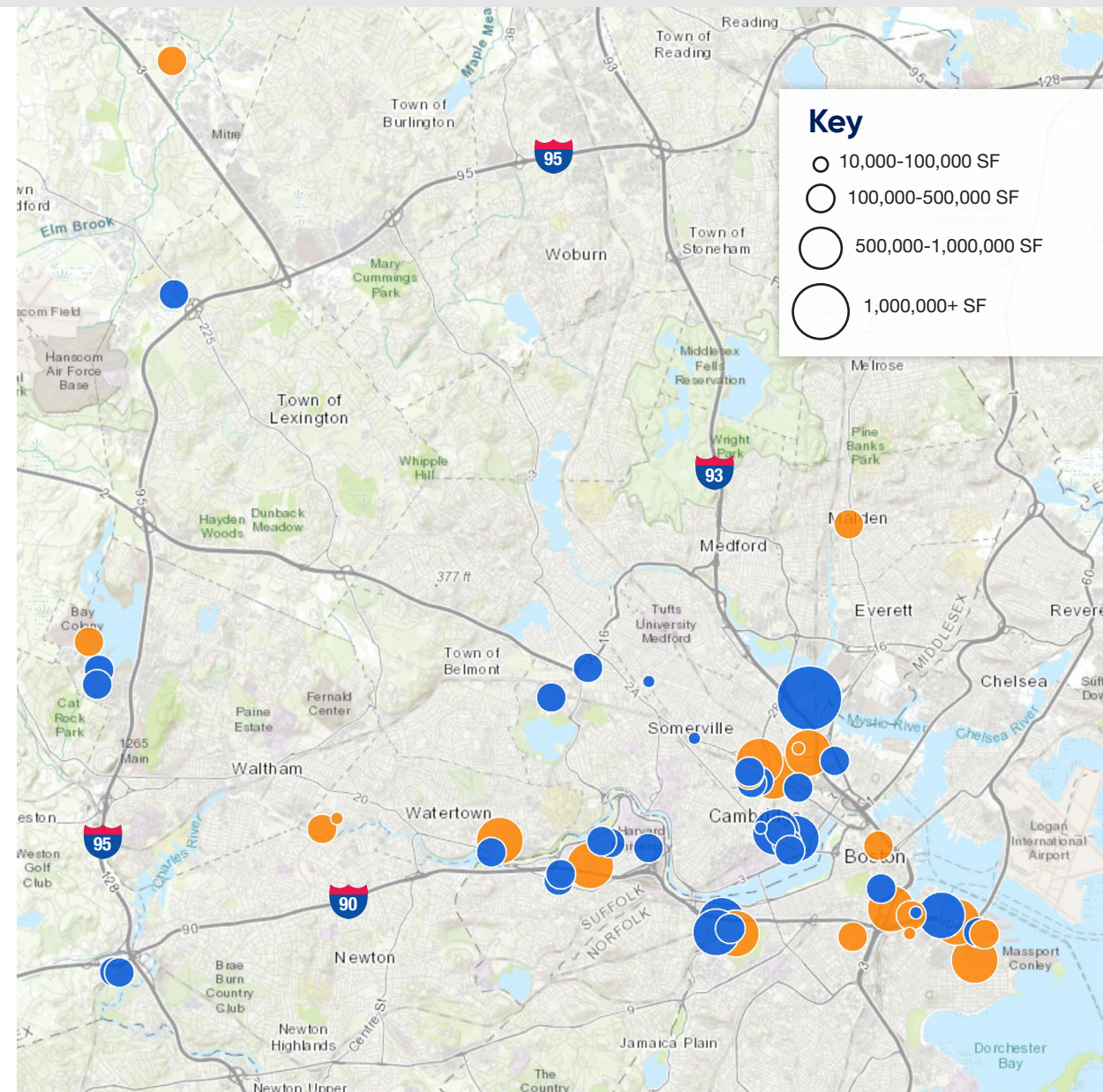
Arrows indicate ARE's 2023 full investment sales.

Development Pipeline

The pipeline is shrinking dramatically.

This past year, over 9 million SF delivered and over 11 million SF of permitted lab projects were put on hold, no longer expected to go into construction anytime soon. As a result, today's pipeline is 54% the size of last year's. With significant macroeconomic barriers at play, developers seem to be taking a 'wait and see' approach to evaluate the market's reaction to the 2023 surge in available inventory. Projects coming to market today will face a much different leasing environment than what existed during the permitting process.

	Under Construction	Permitted Development	Total
Cambridge	3,145,000 SF	0 SF	3,145,000 SF
Boston	2,702,000 SF	4,442,000 SF	7,144,000 SF
Inner Suburbs	4,870,000 SF	3,755,000 SF	8,625,000 SF
Route 128 West	1,208,000 SF	522,000 SF	1,730,000 SF



20.6 Million SF in the Pipeline

Compared to 37.9 Million SF in the pipeline at the beginning of 2023

Under Construction
11.9 Million SF
 20.5 Million SF Last Year



Permitted Development
8.7 Million SF
 17.4 Million SF Last Year



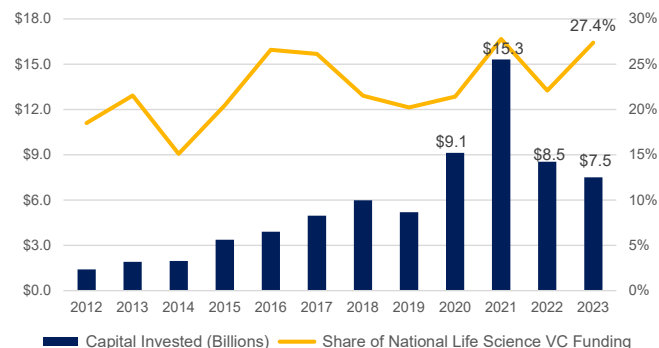
Arrows Indicate One Year Change

Venture Capital Spotlight

Macroeconomic conditions continued to impact the VC funding landscape throughout 2023. Greater Boston Life Sciences companies received 12% fewer funding dollars collectively this past year but funding levels are healthy, remaining well above pre-2020 annual totals.

Venture Capital Invested (\$ Billions)

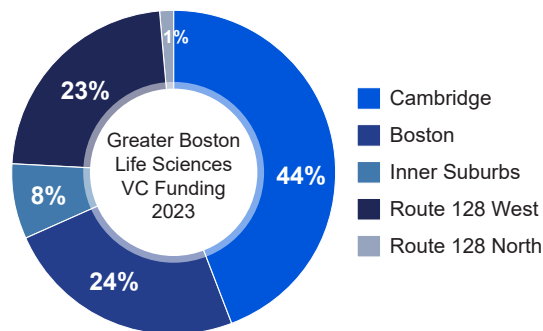
in Greater Boston Life Sciences Companies



The region is faring much better than other markets across the country, as local companies captured 27% of all national Life Science VC investments in 2023, the highest share recorded over the past decade. This doesn't come as much of a surprise, as core markets are typically more resilient during downturns.

Geographic Breakdown

Local VC investments continue to funnel mainly towards Cambridge and Boston, but indicators point to a continued geographic diversification of the local life sciences ecosystem. The two largest rounds of 2023 went to companies headquartered in Waltham and Burlington, both in the Route 128 West submarket.



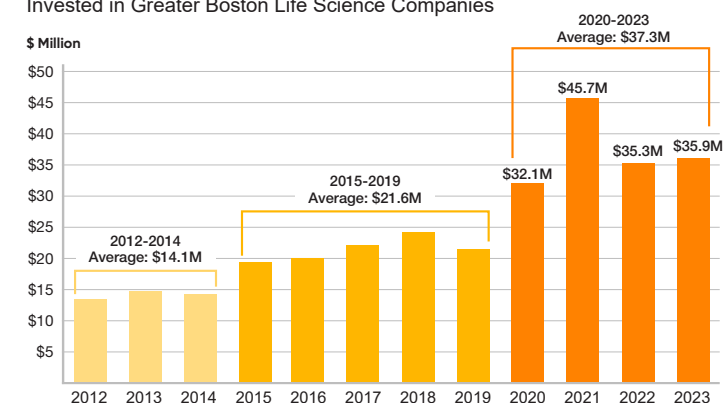
Largest Deals of 2023

Company	Deal Amount (\$ Millions)	Company HQ
1 ElevateBio	\$401.0	Waltham
2 Cardurion Pharma	\$300.0	Burlington
3 Generate Biomedicines	\$273.0	Cambridge
4 Orbital Therapeutics	\$270.0	Cambridge
5 Aiolos Bio	\$245.0	Boston
6 MapLight	\$225.0	Burlington
7 Nimbus Therapeutics	\$210.0	Boston
8 Upstream Bio	\$200.0	Waltham
9 Aera Therapeutics	\$193.0	Cambridge
10 Mariana Oncology	\$173.9	Watertown
11 Bicara Therapeutics	\$165.0	Cambridge
12 Abcuro	\$155.0	Newton
13 Alkeus Pharmaceuticals	\$150.0	Cambridge
14 Rapport Therapeutics	\$150.0	Boston
15 ROME Therapeutics	\$149.0	Boston
16 Chroma Medicine	\$135.0	Boston
17 Ensoma	\$135.0	Boston
18 Cognito Therapeutics	\$129.1	Cambridge
19 Flare Therapeutics	\$123.0	Cambridge
20 Seismic Therapeutic	\$121.0	Cambridge

The average size of a VC round directed towards local companies remains elevated from pre-2020 values. As VC firms adjust their capital allocation strategies, early stage financings are down while later stage rounds and mega rounds of \$100+ million remain stable, holding the average round size steady.

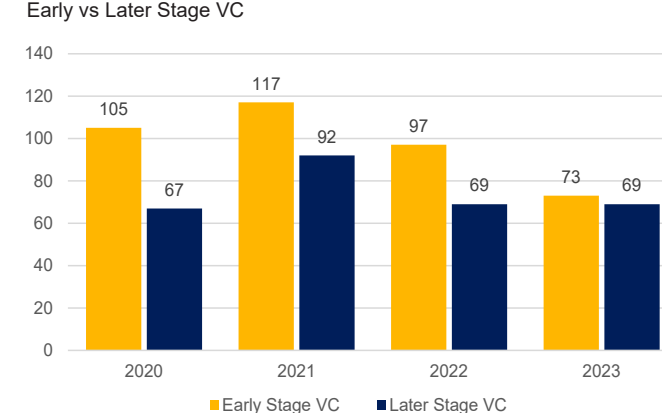
Average Size of VC Round (\$ Million)

Invested in Greater Boston Life Science Companies



Count of Rounds

Early vs Later Stage VC












Sublease Observations

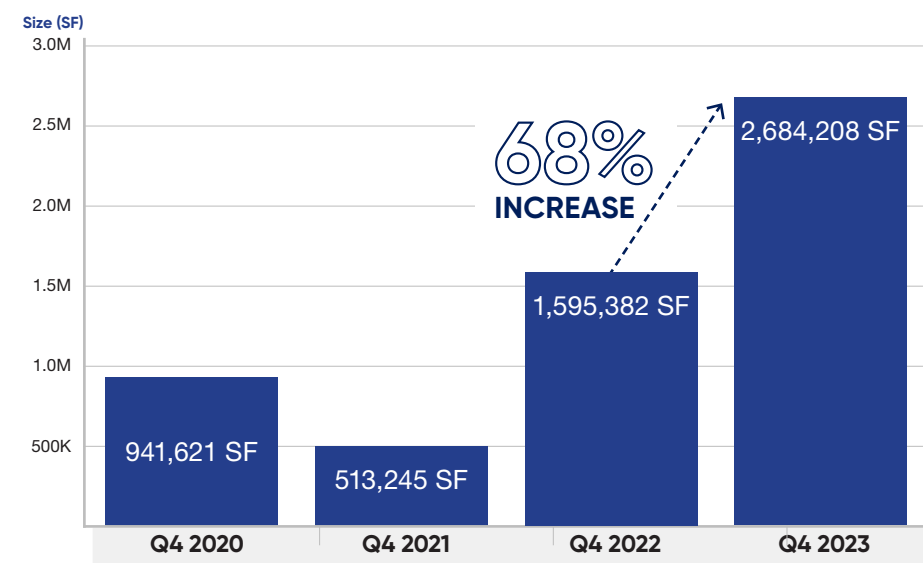
Available sublease space nearly doubled across the market year-over-year, jumping from 1.6 to 2.7 million SF.

Over half of the current sublease market falls within ten buildings, eight of which are in Cambridge. Two of the largest subleases, which combine for over 400,000 SF, come from Agios and 2seventy bio, both public companies that have seen massive dips in valuation in recent years and are now attempting to offload their full spaces at 60 Binney and 88 Sidney in Cambridge. Agios’ market cap is now 37% of its 2019 level while 2seventy bio’s is 26% of its initial level at the time of its 2021 IPO leading to a recent announcement of strategic restructuring plans including a significant workforce reduction and asset sale. The economic shift is also challenging private companies as the funding environment is not as robust as in years past, forcing some companies to extend their runway longer than initially anticipated. These struggles are raising the area’s sublease inventory in large chunks.

Sizeable Subleases on the Market

 246,503 SF 60 Binney Street Cambridge	 154,823 SF 88 Sidney Street Cambridge	 104,000 SF 41 Seyon Street Waltham	 87,683 SF 400 Technology Square Cambridge	 80,000 SF 105 First Street Boston
 73,920 SF 28 Crosby Drive Bedford	 73,538 SF 27 Drydock Avenue Boston	 59,000 SF 29 Hartwell Avenue Lexington	 52,859 SF 35 Cambridgepark Drive Cambridge	

Sublease Space Year-End Comparison



Location	Q4 2020	Q4 2021	Q4 2022	Q4 2023
Cambridge	658,338 SF	388,312 SF	629,931 SF	1,325,043 SF
Boston	3,986 SF	0 SF	272,049 SF	412,570 SF
Inner Suburbs	70,351 SF	26,085 SF	182,133 SF	231,729 SF
Route 128 West	175,729 SF	35,097 SF	469,649 SF	675,687 SF
Route 128 North	33,216 SF	63,751 SF	41,620 SF	39,180 SF

The Great Correction



2023 marked a year of recalibration and readjustment for the national and local life sciences markets. As the new reality of 2024 takes shape, expectations are resetting.

Teetering economic conditions brought upon the continued downward slide of venture capital investments directed towards the industry. It's not all bad news, however, as it appears the US may end up avoiding the recession that many were predicting at the start of last year. Locally, our market also remains somewhat sheltered from a financing perspective, not suffering nearly as much as other markets across the country. Venture capital investments in Greater Boston life science companies fell by 12.1%, from \$8.5B in 2022 to \$7.5B in 2023. This compares to a 29.1% fall nationwide during this time. Historically, we are still seeing robust levels of financing in the Boston area, with 2023 funding at least 18% higher than any other year leading up to 2020. Startups and smaller companies are bearing the brunt of the adjustment. Total funds directed towards a company's first round dropped by over 25% from last year

while accounting for a significantly smaller share of total VC rounds. Meanwhile, follow-up second round investments stayed relatively equal to last year's totals and share. Also worth mentioning, there has not been a noticeable drop in mega deals this past year (with 29 deals over \$100M in 2023 compared to 31 in 2022). All told, despite not being anywhere near the frenzied level we saw in 2021, venture investments appear healthy as investors continue to adjust their strategies with careful capital allocation.

All of this has led to many publicized company shutdowns, as the science doesn't pan out and the funding environment doesn't support a strategic pivot that previous years would have allowed, and layoffs, as many companies attempt to extend their viability. From a real estate perspective, demand for lab space is substantially down across the region. For

perspective, there were 136 active requirements totaling just short of 6M SF in Q4 of 2021 while today's total falls well short of 1M. This drastic drop in demand coincides with record amounts of both secondary and direct supply coming onto the market. The sublease market is now north of 2.6M SF, up over 1M SF year-over-year and over 2M SF over the past 2 years. Direct availabilities are also at their highest levels ever, north of 12M SF. Direct availability has climbed sharply over the past year, from 11.5% of the market in Q4 2022 to today's 25.5%, in large part because of the 9.4M SF of newly built space that delivered in 2023. Vacancies are expected to increase further as the development pipeline continues to churn out new space. Another 11.9M SF is actively being built right now, with around 4M expected to deliver by the end of 2024. All of these numbers add up to tell a story that many would have thought was impossible just two years ago.

Development, Downsized

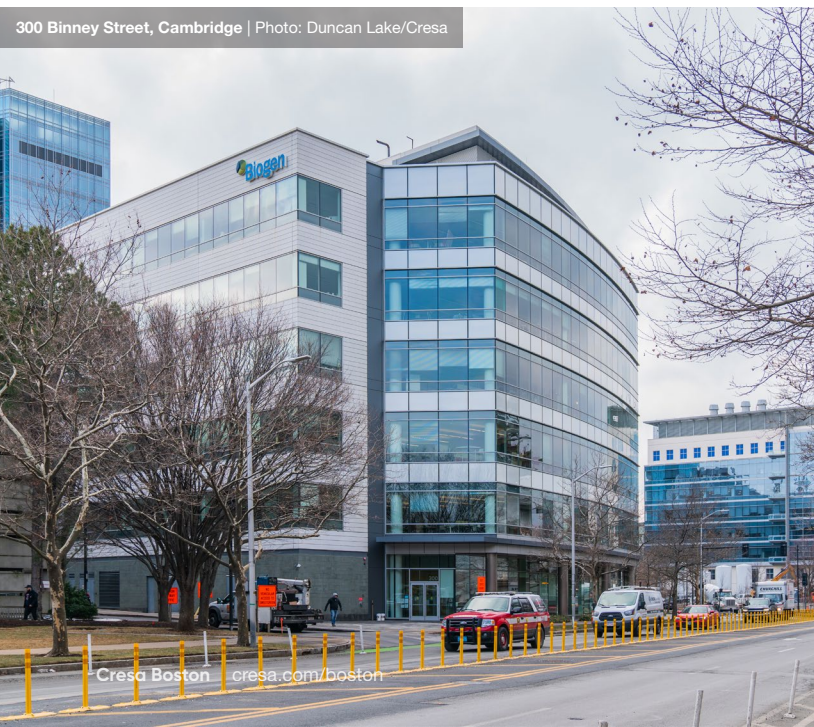
With this dramatic shift in market dynamics comes a shift in developer behavior. The lab pipeline is cooling fast. There remains an additional 9M SF of space that is permitted and still expected to move forward towards active development, but this past year saw 11.3M SF of anticipated projects pulled, leaving 20.6M SF of projects under construction or permitted and anticipated for development compared to 37.9M at this time last year. Most notably, Alexandria Real Estate (ARE), one of the industry's leading developers and owners of lab space, substantially scaled back their lofty development goals in 2023. The life sciences giant sold more than \$1B in property across the region (\$1.5B nationwide) this past year. The company took massive losses on several properties once slated for lab development while citing the change in macroeconomic conditions as a motivation to increase capital in an effort to avoid the need to issue stock.

“As internal financials loosen, and real estate decisions return to the top of mind, occupiers will face an entirely new market.”



266 Second Avenue, Waltham | Photo: Duncan Lake/Cresa

300 Binney Street, Cambridge | Photo: Duncan Lake/Cresa



Resilience in a Tenant's Market

While these actions are indicators that the pace of the market has certainly slowed, the music hasn't stopped. The area remains the epicenter of drug development and innovation. It's hard to imagine venture capital investments or new lab construction matching peak levels anytime soon, but the industry should continue to thrive. Despite ARE's very public pullback, they are still moving forward on several notable projects, including the redevelopment of the Watertown mall, which just received approval from city officials. International investor interest also remains strong for the area's lab assets, as evidenced by Norges, the world's largest sovereign wealth fund, investing \$746.4M in a pair of Kendall Square buildings in Cambridge this past quarter. The public sector is investing in this ecosystem as well, as Cambridge looks forward to hosting one of three national hubs for the new \$2.5B federal health research agency, ARPA-H. All of this is indicative of the strength of the local life sciences market. The shift in the market was inevitable — the market has settled and our stats clearly show this. We are now faced with a surplus of space for lab users in all markets that we track. As internal financials loosen, and real estate decisions return to the top of mind, occupiers will face an entirely new market. Supply is no longer the slightest issue. Occupiers can rejoice, taking their time to move their company forward at the pace and in the direction of their choosing.



Photos: Duncan Lake/Cresa

Integrated Delivery of New U.S. Headquarters

Client: Alchemab

Location: 1050 Waltham Street, Lexington

Project Size: 27,060 SF

Cresa Services Provided: Transaction Management, Project Management

Well positioned along a burgeoning life sciences corridor, this location served to both appeal to talent across demographics and express prominence and proficiency to Alchemab's board and potential investors.

Objectives

This biotechnology company sought to establish a new national headquarters that could accommodate projected headcount growth. The Alchemab team was targeting highly amenitized, Class A lab and office spaces to attract a diverse pool of employees and reflect their polished but colorful brand image.

Strategy & Results

With these requirements in mind, Cresa's transaction advisors identified a brand new, Class A building in Lexington. Well positioned along a burgeoning life sciences corridor, this location served to both appeal to talent across demographics and express prominence and proficiency to Alchemab's board and potential investors.

Alchemab also engaged Cresa's Project Management team to coordinate the design and construction of the new facility, including design modifications and budget reduction exercises. Notably, Alchemab's programming requirements changed during the design process after updates to their business model and drivers. Despite having to revisit and redesign several phases of the project, the PM team was able to deliver the project **13% under budget** within a 20-month timeframe.



Looking Ahead in 2024

Occupier's Perspective



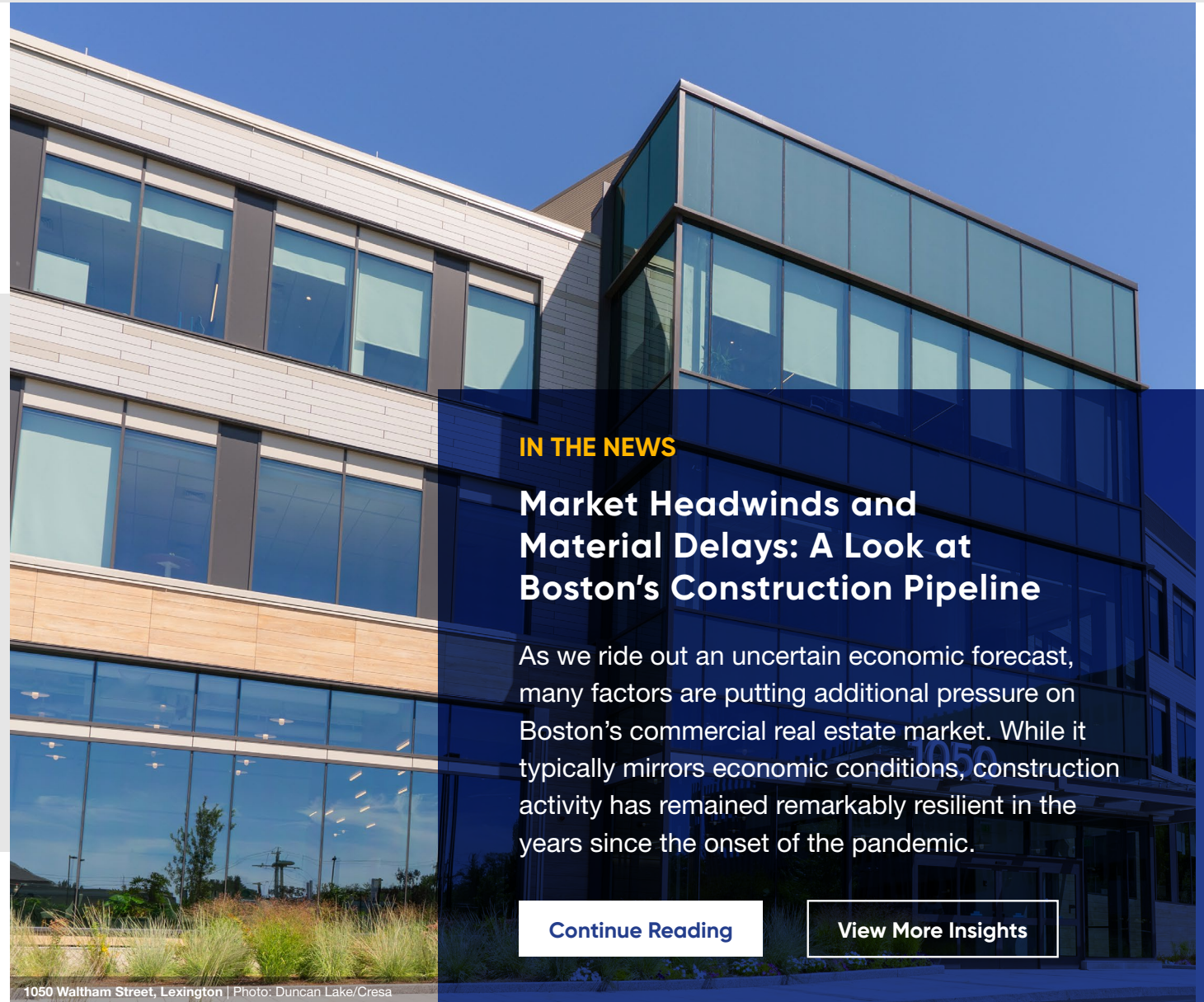
Success of the Spec

In response to persistent demand for smaller, high-quality spaces, landlords are creating more small spec suites (10,000-15,000 SF) that are occupancy-ready.



Inner Suburbs

Life sciences construction has taken off in Somerville, Watertown, and other inner suburbs, putting added pressure on East Cambridge to fill vacancy in the renowned life sciences hub.



IN THE NEWS

Market Headwinds and Material Delays: A Look at Boston's Construction Pipeline

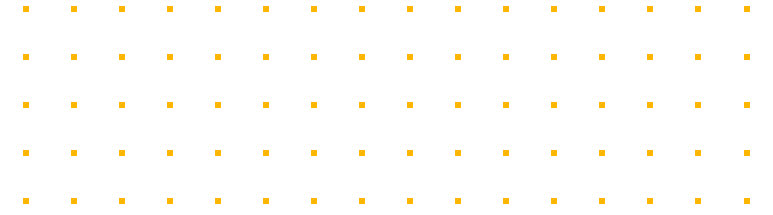
As we ride out an uncertain economic forecast, many factors are putting additional pressure on Boston's commercial real estate market. While it typically mirrors economic conditions, construction activity has remained remarkably resilient in the years since the onset of the pandemic.

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1050 Waltham Street, Lexington | Photo: Duncan Lake/Cresa

Meet the Team

 Click to learn more about our advisors



John Cookley
Managing Principal



Paul Delaney
Managing Principal



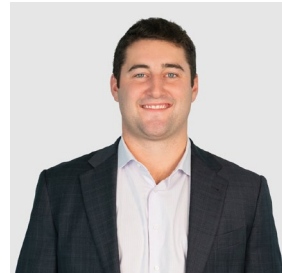
Vicki Keenan
Managing Principal



Julia Ryan
Vice President



Mitch Perez
Vice President



Carter Swaebe
Advisor



Greg Lewis
Principal



Rachel Stilling
Advisor

Strategic Lab Planning & Operations

About Cresa Boston

Cresa is the world's largest commercial real estate advisory firm that exclusively represents occupiers and specializes in the delivery of fully integrated real estate solutions. We work with our clients to align their business plans and their real estate needs, increase their productivity, and consistently save them money — results that have earned us numerous industry awards along the way. Our team of real estate advisors, project managers, strategic planners, analysts, and space planners listen to tenants' needs, meticulously research market conditions, firmly negotiate terms, and manage the design and construction of projects to customize the best possible occupancy solutions.

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