

Cambridge Office/Lab MarketView

Q1 2014

CBRE Global Research and Consulting



*Arrows indicate change from previous quarter.

STRONG ECONOMICS INDICATES CAMBRIDGE EXPANSION

Quick Stats (Office)

Q1 2014	Current	Y-o-Y	Q-o-Q
Office			
Vacancy	7.1%	↓	↑
Lease Rate (Gross)	\$42.62	↑	↓
Net Absorption	44,438 sq. ft.	↓	↑

Hot Topics (Office)

- Only three large block options are available for tenants in the market seeking office space 30,000 sq. ft. and above.
- Rockwood Capital and The Beal Companies sold One Kendall Square to DivcoWest for \$395 million (\$589 per sq. ft.).

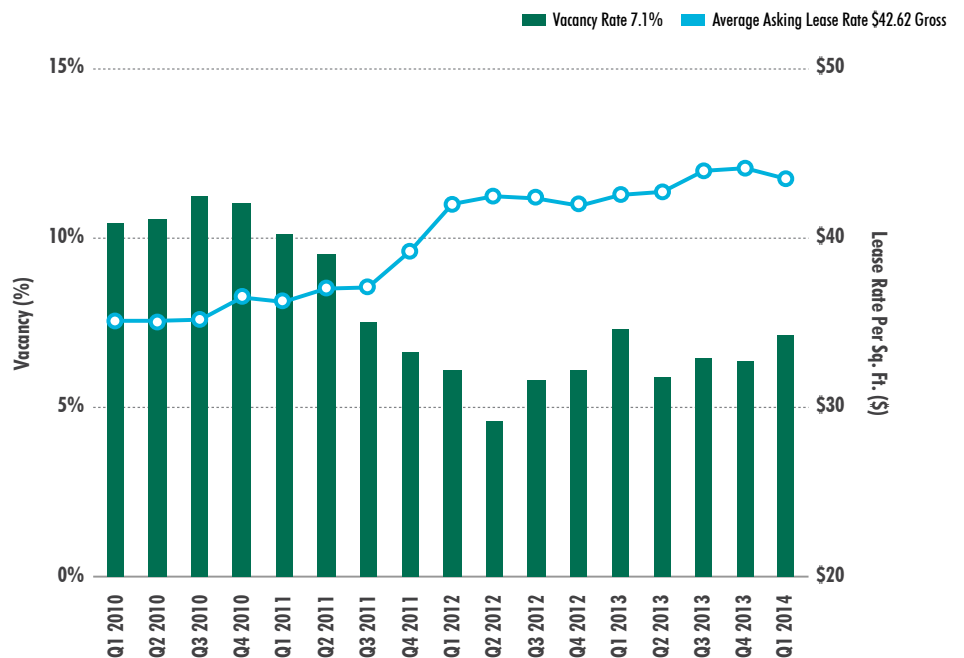
Office Market

The Cambridge Office market experienced 44,000 sq. ft. of positive net absorption in the first quarter. The vacancy rate increased by 80 basis points (bps) to 7.1% with the availability rate decreasing by 30 bps to 10%, a statistic that emphasizes limited movement in an extremely tight market. Average asking rents are down \$0.70 per sq. ft. from last quarter as more of the top-tier availabilities in the market have been absorbed.

Due to limited availability, the Cambridge Office market managed only moderate leasing activity in the first quarter of 2014 with a mix of both renewals and expansions. Leading the way was VMware's renewal at 5 Cambridge Center for 70,000 sq. ft. Existing tenants expanded their current Cambridge footprints in a significant way in the first quarter including InsightSquared, a developer of business analytics software, which grew its footprint by 10,000 sq. ft. by signing a lease at 160 Second Street for 15,000 sq. ft. Leaf, a developer of mobile POS solutions, also expanded by 10,000 sq. ft., signing a sublease at 215 First Street for a total occupancy of 15,000 sq. ft. GoDaddy.com expanded through acquisition by buying local startup Locu, and subsequently signed a 10,000 sq. ft. lease at One Main Street.

New demand from technology start-up companies was spread evenly through all Cambridge submarkets in the first quarter. Kensho, a cloud-based technology with funding for an intelligent research assistant, leased 6,000 sq. ft. in mid-Cambridge at 17 Dunster Street. RapidMiner, a maker of predictable analytics software, took 5,000 sq. ft. at 10 Fawcett Street in West

Figure 1: Office Vacancy Rate vs. Lease Rate



Source: CBRE Research, Q1 2014.

Quick Stats (Lab)

Q1 2014	Current	Y-o-Y	Q-o-Q
Lab			
Vacancy	8.0%	↓	↑
Lease Rate (NNN)	\$48.86	↓	↓
Net Absorption	114,979 sq. ft.	↑	↑

Hot Topics (Lab)

- 750,000 sq. ft. of lab space has been delivered this quarter, including Biogen's buildings (17 Cambridge Center and 225 Binney Street) and Pfizer's building at 610 Main Street.
- Given active tenant requirements, a relatively modest first quarter of leasing should pick up momentum heading into the second quarter and the rest of 2014.

Cambridge, while Vee24, a developer of ecommerce video chat services, took 3,000 sq. ft. at 700 Tech Square in East Cambridge. As was evident with all the small market activity, early-stage companies continue to seek value throughout the Cambridge Office market and are continuing to be forced to explore peripheral markets as rents in the East Cambridge office market hover around the \$50 per sq. ft. asking rate.

Lab Market

The Cambridge Lab market started off 2014 with a number of small to mid-sized transactions. Overall fundamentals remained strong as the vacancy rate decreased slightly by 20 bps, rounding out at 8% for the quarter, while availability decreased by 120 bps to 18.4%. Asking rents have also decreased by \$1.09 per sq. ft. in the lab market, averaging \$48.86 per sq. ft. NNN for the quarter as a direct result of the quality space being absorbed by growing companies.

The lab market was driven by the organic growth of local biotech companies and the expansion of major pharmaceutical companies throughout 2013, a trend that has only continued into the first quarter of 2014. The largest transactions of the quarter represented strong economic signs that Cambridge companies are continuing to experience organic growth. Aegerion Pharmaceuticals finalized an expansion and renewal at 101 Main Street for 54,000 sq. ft., of which 30,000 sq. ft. of it represented growth. Boston Biomedical also expanded their presence at 640 Memorial Drive by 43,000 sq. ft., while ModeRNA, one of the fastest growing companies in the market, took an additional 43,000 sq. ft. of expansion space at 320 Bent Street, quickly bringing their total Cambridge footprint north of 100,000 sq. ft.

Three of the market's biggest construction projects were delivered this quarter, including the new Pfizer facility at 610 Main Street that will house their Cardiovascular, Metabolic and Endocrine Diseases and Neuroscience research units. Pfizer took additional space as well, signing a 12,000 sq. ft. lease at 300 Tech Square, indicating that they may already be outgrowing their new 230,000 sq. ft. building. Construction was also completed on Biogen's two new buildings, 17 Cambridge Center and 225 Binney Street, which total over 500,000 sq. ft. The new Biogen beachhead will be fully occupied with significant internal growth coupled with Biogen employees relocating from their former suburban campus in Weston.

Figure 2: Market Statistics

Market	Rentable Area (Sq. Ft.)	Availability Rate %	Vacancy Rate %	Sublease Rate %	Quarterly Net Absorption (Sq. Ft.)	Avg. Asking Rent (\$/Sq. Ft./YR)
Cambridge – East	7,198,789	8.9%	6.0%	1.6%	43,352	\$48.70
Cambridge – Mid	1,870,936	6.6%	6.5%	3.9%	(15,856)	\$35.12
Cambridge – West	1,927,834	17.4%	12.0%	11.2%	16,942	\$32.48
Cambridge Office	10,997,559	10.0%	7.1%	3.6%	44,438	(Gross) \$42.62
Cambridge – East	8,633,061	15.2%	6.9%	9.8%	116,027	\$51.11
Cambridge – Mid	593,817	28.0%	25.6%	1.7%	(1,048)	\$46.41
Cambridge – West	812,480	46.3%	6.9%	0.4%	0	\$41.60
Cambridge Lab	10,039,358	18.4%	8.0%	8.6%	114,979	(NNN) \$48.86

Source: CBRE Research, Q1 2014.

Lab Vacancy/Availability & Rent

Cambridge lab availability decreased to 18.4% for the quarter, down 120 bps from last quarter, but still up year-over-year by 60%. Vacancy is up 40 bps quarter-over-quarter, but still remains at a low 8%. The East Cambridge market continues to be tight with a 6.9% vacancy rate for the quarter as large block options are limited. Average asking rents for the quarter were \$48.86 per sq. ft.

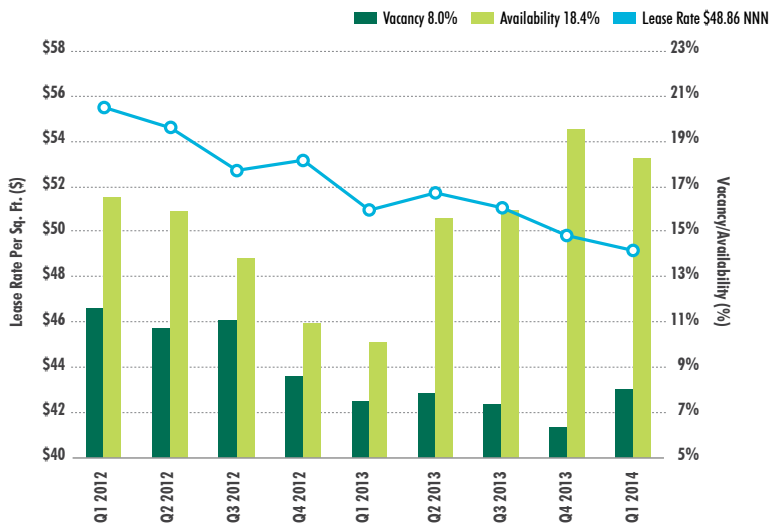
Office Vacancy/Availability & Rent

The Cambridge Office market still remains one of the tightest markets nationally, however vacancy this quarter increased marginally by 80 bps to 7.1%. Availability remained relatively flat at 10%, with a lack of viable options for large office tenants continuing to be a trend. As a result, rents have slightly decreased to \$42.62 per sq. ft., as the only space vacant is not desirable for tenants looking in the market.

Figure 5: Transactions of Note

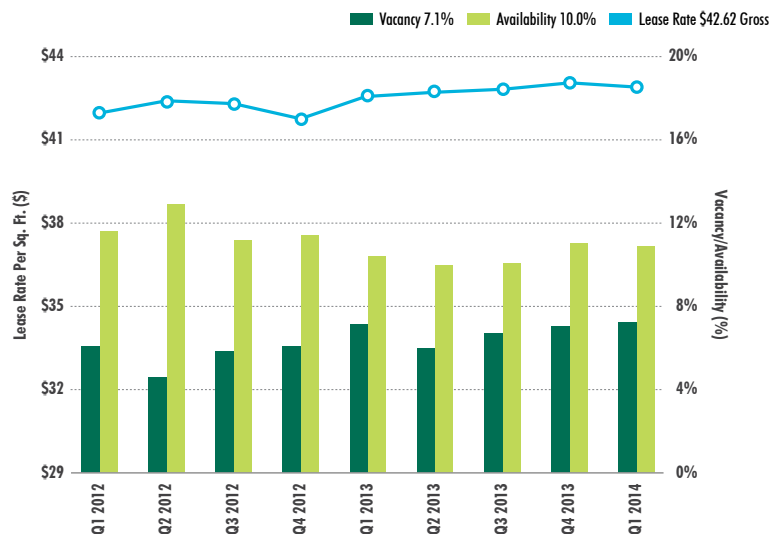
Tenant	Address	Sq. Ft.	Submarket	Type
Office				
VMware	5 Cambridge Center	69,552	East Cambridge	Renewal
Aegerion Pharmaceuticals	101 Main Street	53,818	East Cambridge	Expansion/Extension
InsightSquared	160 Second Street	15,371	East Cambridge	New
Leaf	215 First Street	15,077	East Cambridge	New
BBN/Raytheon	10 Fawcett Street	12,173	West Cambridge	Renewal
Lab				
Boston Biomedical	640 Memorial Drive	42,989	East Cambridge	Expansion
Moderna	320 Bent Street	42,638	East Cambridge	Expansion
Idera Pharmaceuticals	167 Sidney Street	26,589	East Cambridge	Renewal
BioAnalytix	790 Memorial Drive	3,788	East Cambridge	New

Figure 3: Lab Vacancy/Availability & Rent



Source: CBRE Research, Q1 2014.

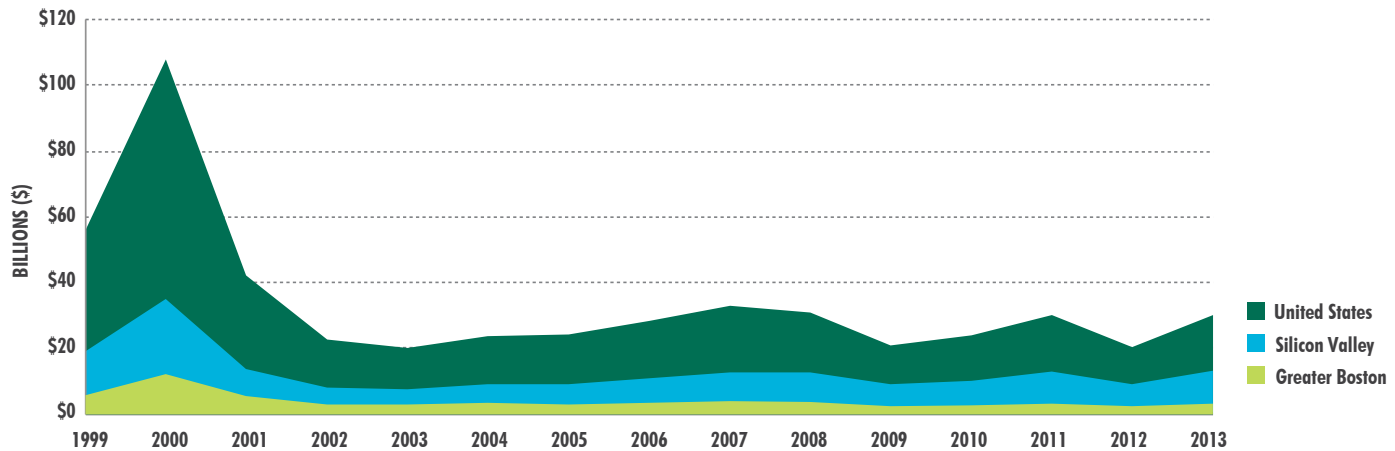
Figure 4: Office Vacancy/Availability & Rent



Source: CBRE Research, Q1 2014.

Figure 6: Economic Conditions – Venture Capital Funding

- In the first quarter of 2014 Massachusetts companies raised \$899 million in venture capital funding—an increase of nearly 50% compared to the same period last year. While health care has consistently dominated Massachusetts' share of VC funding, the Internet sector topped health care for the first time in five quarters as reported by CB Insights.
- Greater Boston is second only to Silicon Valley in receiving VC funds in the United States. Boston and Silicon Valley attract the most VC funding of any region in the U.S., accounting for 52% of the nation's investments.
- In 2013, companies in Greater Boston received \$3.3 billion in VC funding. This is \$92 million more than all the companies in the NY Metro area combined.
- Software and biotechnology continue to be the largest sectors for dollars invested in the U.S. in 2013.



Source: PWC MoneyTree and CB Insights.

DEFINITIONS

Average Asking Lease Rate

Rate determined by multiplying the asking gross lease rate for each building by its available space, summing the products, then dividing by the sum of the available space with net leases for all buildings in the summary.

Net Leases

Includes all lease types whereby the tenant pays an agreed rent plus estimated average monthly costs of the operating expenses and taxes for the property, including utilities, insurance and/or maintenance expenses.

Market Coverage

Includes all competitive buildings in CBRE's survey set.

Net Absorption

The change in occupied sq. ft. from one period to the next, as measured by available sq. ft..

Net Rentable Area

The gross building square footage minus the elevator core, flues, pipe shafts, vertical ducts, balconies and stairwell areas.

Occupied Area (Sq. Ft.)

Building area not considered vacant.

Under Construction

Buildings that have begun construction as evidenced by site excavation or foundation work.

Available Area (Sq. Ft.)

Available building area that is either physically vacant or occupied.

Availability Rate

Available sq. ft. divided by the net rentable area.

Vacant Area (Sq. Ft.)

Existing building area that is physically vacant or immediately available.

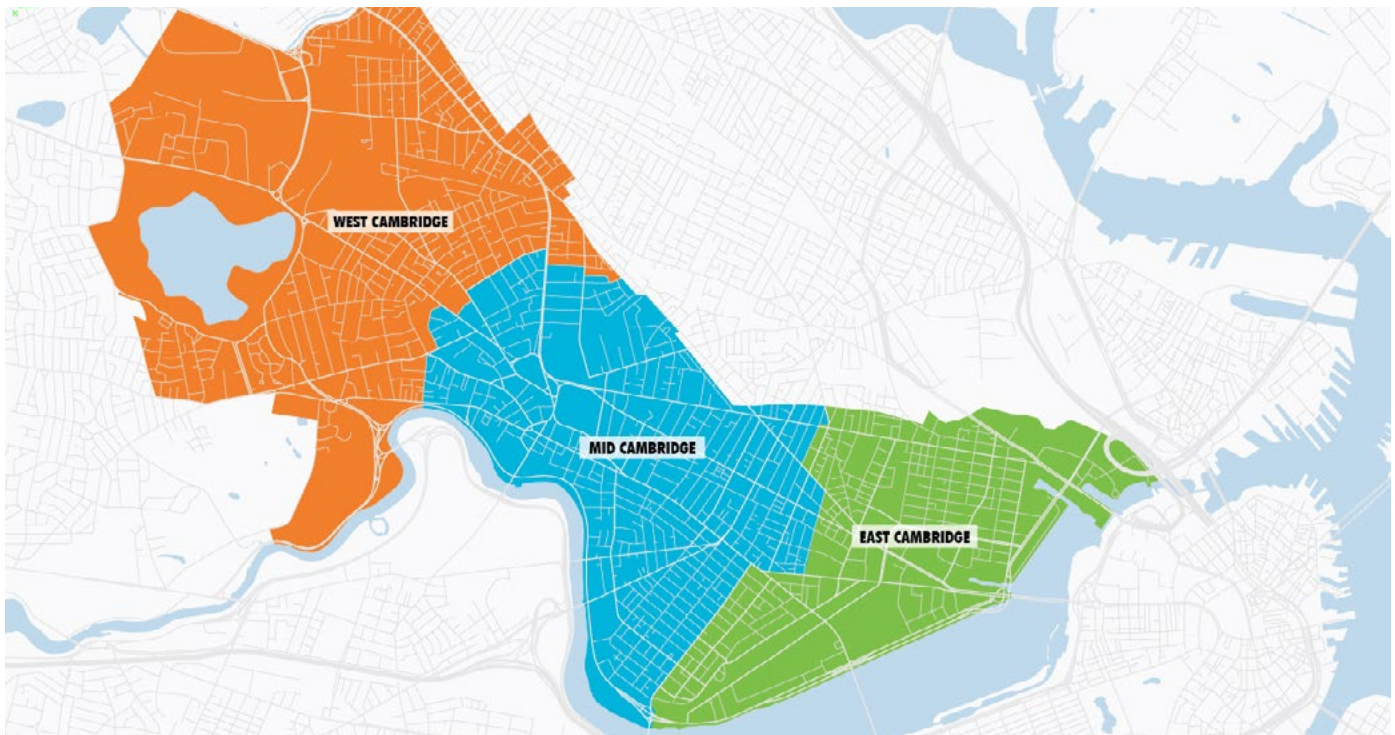
Vacancy Rate

Vacant building feet divided by the net rentable area.

Normalization

Due to a reclassification of the market, the base, number and square footage of buildings of previous quarters have been adjusted to match the current base. Availability and vacancy figures for those buildings have been adjusted in previous quarters.

CAMBRIDGE SUBMARKETS



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