

Cambridge Office/Lab MarketView

Q2 2014

CBRE Global Research and Consulting

▼ U.S. UNEMPLOYMENT 6.1%
▼ MA UNEMPLOYMENT 5.5%
▼ OCCUPIED SQ. FT. 19.4M
▼ OFFICE AVAIL. 8.7%
▼ LAB AVAIL. 16.8%
▶ UNDER CONSTRUCTION 1.8MSF

*Arrows indicate change from previous quarter.

ORGANIC GROWTH AND START-UPS DRIVE CONTINUED MOMENTUM IN CAMBRIDGE OFFICE AND LAB MARKETS

Quick Stats (Office)

Q2 2014	Current	Y-o-Y	Q-o-Q
Office			
Vacancy	6.8%	↑	↓
Lease Rate (Gross)	\$47.87	↑	↑
Net Absorption	139,211 sq. ft.	↑	↑

Hot Topics (Office)

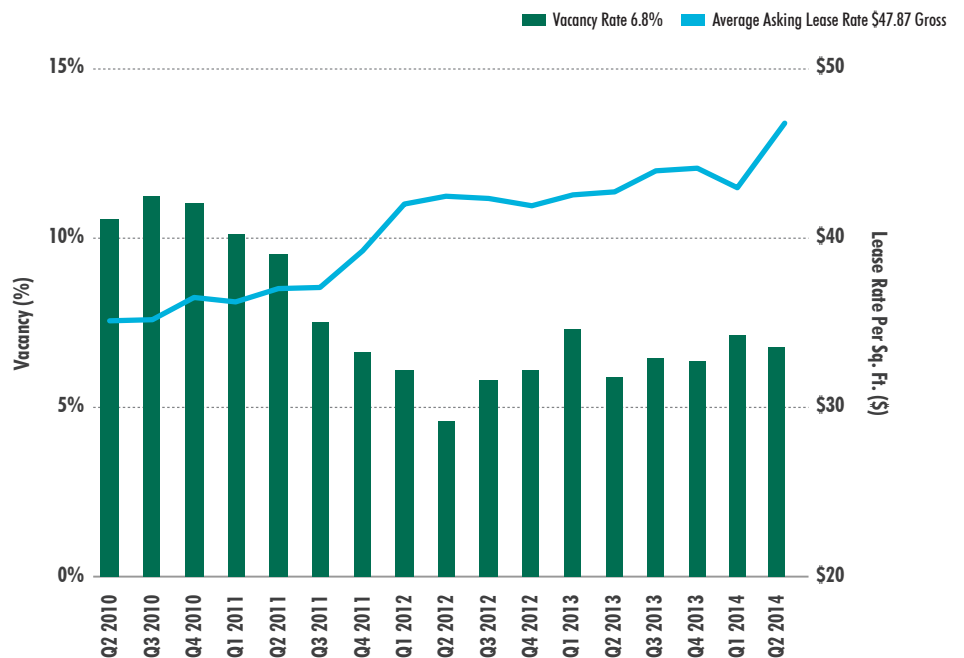
- Blackstone Group has brought 125/150 Cambridgepark Drive to market as they look to further reduce their greater Boston portfolio
- Tech titans like Kayak (Priceline), Facebook and Apple all engaged the office market this quarter.
- Early-stage activity continued to flurry in the second quarter, with eight deals done in the 4,000-9,000 sq. ft. range.

Office Market

The second quarter continued the momentum of positive absorption in 2014 for the Cambridge Office market, marking almost 140,000 sq. ft. of positive absorption for the quarter for a total of 184,000 sq. ft. of positive absorption for the year. The vacancy rate dropped quarter-over-quarter, averaging a low 6.8%. As available options dwindled, landlords quickly reacted and caused average asking rents to accelerate, jumping nearly \$6 per sq. ft. to average at \$47.87 per sq. ft. for the quarter. The soar in rents can be mainly attributed to both organic and out-of-market demand for office space in all parts of Cambridge. Further, this continuing demand is not only inflating rents, but also causing heated competition between tenants looking to secure the best blocks of space.

Office activity was robust this quarter and, with fundamentals strengthening, large tech titans began to make their presence felt throughout East Cambridge. KAYAK Software, an online travel booking site acquired by Priceline in 2012, committed to an East Cambridge address, taking 42,000 sq. ft. at 10 Canal Park. This notable transaction, an urban relocation from Concord, was the latest in a continuing pattern of inward migration. Another blue chip technology company, Facebook, expanded and renewed its lease at One Broadway, increasing its footprint to 10,000 sq. ft. Apple Inc., a new arrival to the Cambridge market this quarter, has been shopping around for a 10,000 sq. ft. requirement in East Cambridge.

Figure 1: Office Vacancy Rate vs. Lease Rate



Source: CBRE Research, Q2 2014.

Quick Stats (Lab)

Q2 2014	Current	Y-o-Y	Q-o-Q
Lab			
Vacancy	13.8%	↑	↑
Lease Rate (NNN)	\$48.77	↓	↓
Net Absorption	159,749 sq. ft.	↑	↑

Hot Topics (Lab)

- Following another expansion, Pfizer will now occupy more than one million sq. ft. in Cambridge
- The Broad Institute opened a newly constructed 375,000 sq. ft. research facility at 75 Ames Street in the heart of Kendall Square

Start-up and new-economy tenant activity also flourished during 2Q14, with a number of early-stage companies planting a flag or expanding in the 4,000–9,000 sq. ft. range. Notable transactions include Luminoso’s 8,100 sq. ft. commitment at 675 Massachusetts Avenue; CarGurus expansion by 7,200 sq. ft. at 486 Green Street; and NuoDB expansion into 7,000 sq. ft. at 215 First Street. On the whole, activity in the second quarter proved that the Cambridge market is highly valued by the tech community and companies will continue to invest capital and recruit in the area.

Lab Market

The Cambridge Lab market continued its positive momentum in 2Q14. Overall, the lab market experienced 160,000 sq. ft. of positive absorption for the quarter, which brings the year-to-date total to approximately 275,000 sq. ft. The vacancy rate grew to 13.8% for the quarter as a result of the available Vertex and Pfizer space finally registering as vacant. Lab rents remained flat, averaging \$48.77 per sq. ft. NNN, down slightly year-over-year and quarter-over-quarter.

The second quarter saw existing Cambridge lab tenants expand their current footprint in the market. Pfizer, one of the largest users in Cambridge, expanded by 140,000 sq. ft. into 610 Main Street (North). This expansion follows the recent completion of 610 Main Street (South) in which Pfizer will occupy the entire 230,000 sq. ft. lab building, bringing their total occupancy to nearly one million sq. ft. in the Cambridge market alone. Alnylam Pharmaceuticals renewed its lease at 300 Third Street for 129,000 sq. ft. BIND Biosciences continues to expand financially and physically, taking on an additional 18,000 sq. ft. of lab space at 325 Vassar Street. Moderna also has expanded by 17,000 sq. ft. at 200 Technology Square. The continued expansion and organic growth of life science companies continues to positively impact lab market fundamentals; these fundamentals are poised to remain strong into 2015.

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	7,204,204	8.1%	6.0%	1.0%	61,941	\$56.11
Cambridge – Mid	1,870,936	6.1%	4.9%	3.0%	10,031	\$47.49
Cambridge – West	1,927,834	13.9%	11.7%	7.2%	67,239	\$30.22
Cambridge Office	11,002,974	8.7%	6.8%	2.5%	139,211	\$47.87
Cambridge – East	8,633,061	14.1%	10.7%	9.5%	90,946	\$51.06
Cambridge – Mid	593,817	16.4%	15.8%	0.0%	68,803	\$47.02
Cambridge – West	812,480	46.3%	44.7%	0.4%	0	\$41.60
Cambridge Lab	10,039,358	16.8%	13.8%	8.2%	159,749	\$48.77

Source: CBRE Research, Q2 2014.

Lab Vacancy/Availability & Rent

Cambridge lab availability decreased to 16.8% for the quarter, down 160 basis points from last quarter, but still up marginally year-over-year. Vacancy is up significantly quarter-over-quarter, from 8.0% to 13.8% as several large availabilities have gone dark specifically in West Cambridge. Average asking rents for the quarter were down slightly quarter-over-quarter to \$48.77 per sq. ft.

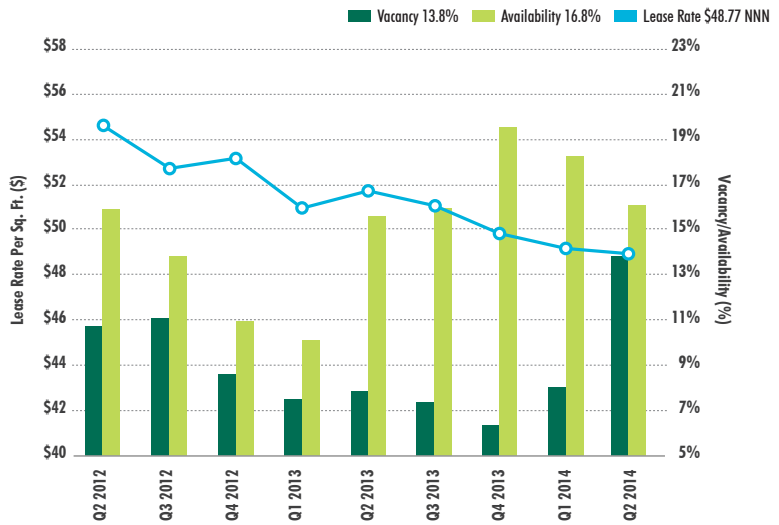
Office Vacancy/Availability & Rent

The Cambridge Office market still remains one of the tightest markets nationally as vacancy decreased by 30 basis points quarter-over-quarter to 6.8%. Availability decreased by 130 basis points to 8.7% as a lack of viable options for large office tenants continuing to be a trend. As available options dwindled, landlords quickly reacted and caused average asking rents to accelerate, jumping nearly \$6 per sq. ft. to average at \$47.87 per sq. ft. for the quarter. The most notable increase was in East Cambridge where asking rents soared nearly \$7.50 per sq. ft. to average at \$56.11 per sq. ft.

Figure 5: Transactions of Note

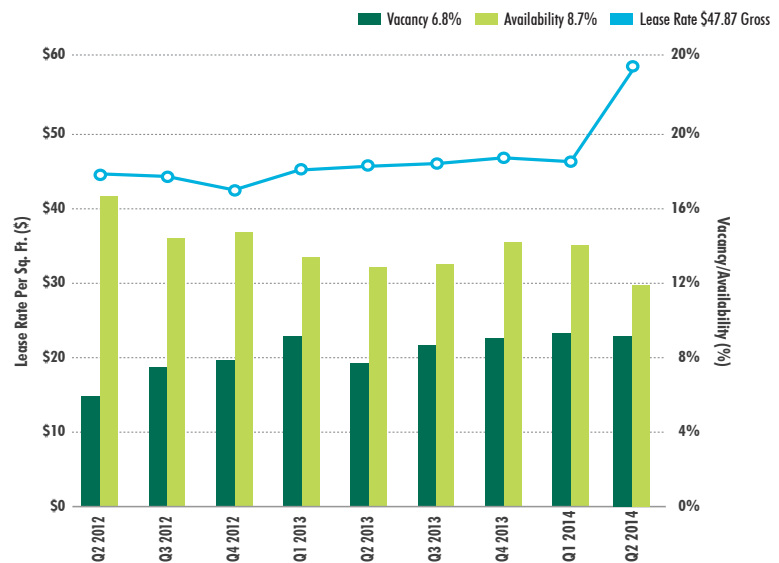
Tenant	Address	Sq. Ft.	Submarket	Type
Office				
KAYAK Software	10 Canal Park	41,739	East Cambridge	New
Kleinfelder/SEA	215 First Street	29,532	East Cambridge	Renewal
Thinking Phone Networks	10 Wilson Road	25,500	West Cambridge	Sublease
Vecna	35 CambridgePark Drive	20,500	West Cambridge	Expansion
Lab				
Pfizer	610 Main Street (North)	140,000	East Cambridge	Expansion
Alnylam	300 Third Street	129,000	East Cambridge	Renewal
BIND Biosciences	325 Vassar Street	18,396	East Cambridge	Extension
Moderna	200 Tech Square	17,357	East Cambridge	Expansion

Figure 3: Lab Vacancy/Availability & Rent



Source: CBRE Research, Q2 2014.

Figure 4: Office Vacancy/Availability & Rent



Source: CBRE Research, Q2 2014.

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.

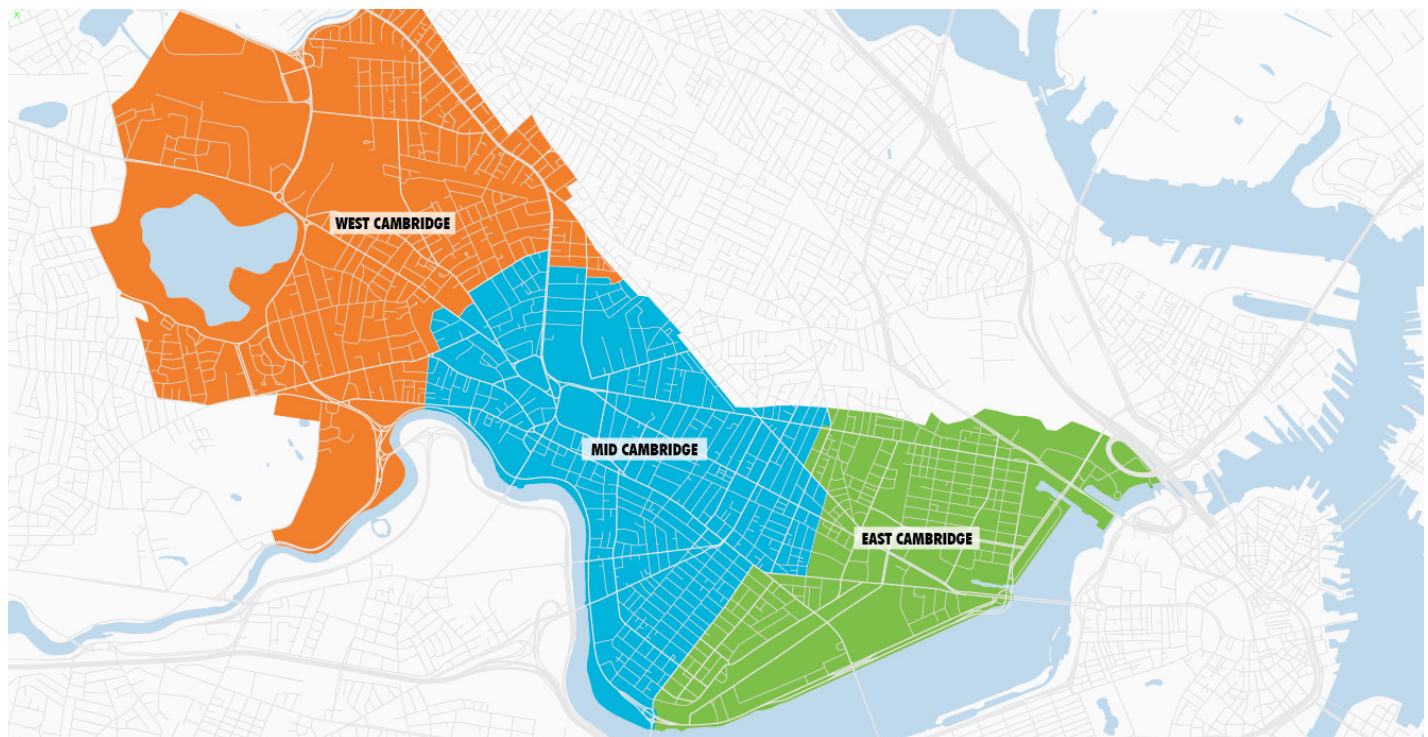
Normalization

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, Massachusetts
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CAMBRIDGE SUBMARKETS



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