

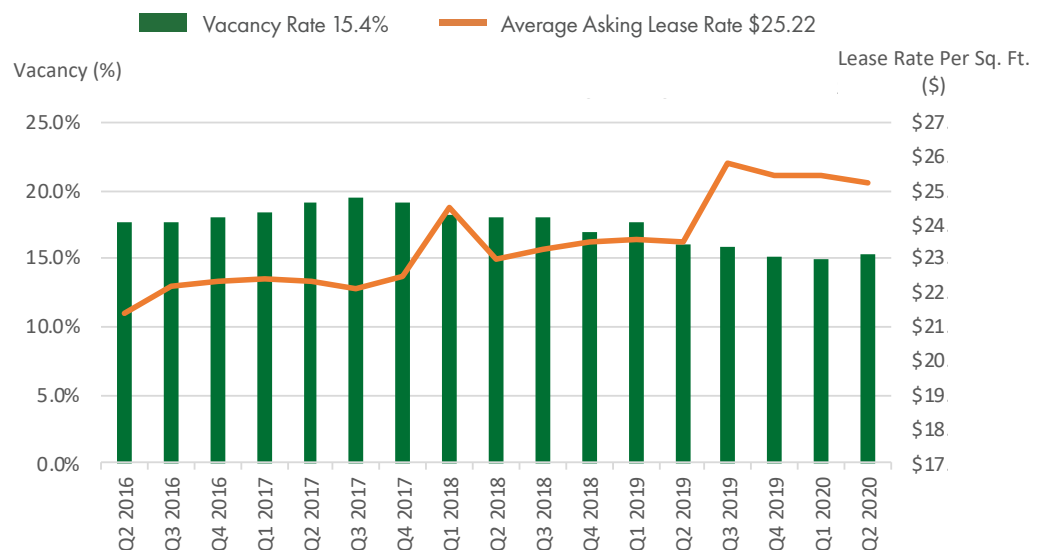
Boston Suburban Office/Lab, Q2 2020

Lab remains active while office growth stalls

▲ Office Availability 19.7%
▶ Lab Availability 13.2%
▼ Office Lease Rate (Gross) \$25.22
▲ Lab Lease Rate (NNN) \$48.57
▲ Under Construction 2.4 MSF

* Arrows indicate change from previous quarter

Figure 1: Office Vacancy vs. Lease Rate



Source: CBRE Research, Q2 2020.

The Greater Boston suburban office market recorded 323,379 sq. ft. of negative absorption in Q2 2020. The vacancy rate increased by 40 basis points (bps) to 15.4% while availability increased nominally by 10 bps to 19.7%. Despite a higher-than-average amount of sublease space coming to the market in Q2, the sublease rate remained flat at 2.4%. This was largely due to significant leasing activity on the sublease spaces that came to market. The suburban office market finished the second quarter of 2020 with an average asking rent of \$25.22 per sq. ft. full-service gross, a \$0.22 per sq. ft. decrease from Q1 2020 but a \$1.75 per sq. ft. increase year-over-year.

COVID-19 IMPACT

COVID-19 forced a nationwide shutdown of most economic activity in March, with the largest economic centers, especially the Northeast and Pacific coast, facing the strictest lockdowns. The economic fallout proved severe, pushing unemployment to over 15% and causing the economy to contract by more than 30% per annum in the second quarter.

These morbid economic conditions inspired many governors to ease lockdowns. These re-openings have energized activity. Several high-frequency indicators, such as hotel occupancies, restaurant traffic and hours worked, suggest the US economy bottomed in April and

has been trending slightly upward since. This has renewed demand for labor as many hard-hit sectors, such as hospitality and healthcare, began to bring back furloughed workers in May.

On the downside, COVID-19 is ramping up in states that were quick to reopen. Although a significant uptick in cases that pummels consumer confidence is a risk, it is quite plausible that a mild escalation of COVID-19 can coincide with pent-up consumer demand that restrains economic losses this year to a fall in GDP of just over 6%.

CAPITAL MARKETS

Towards the end of Q1 2020, the headwinds of COVID-19 truly took hold of the capital markets. With the public markets crashing, debt and equity real estate markets followed suit. Numerous listings were pulled; even when buyers had interest in pursuing offerings, the debt markets were more conservative and terms were uncertain.

As several weeks passed, certain parts of the debt markets began to recover. Many life insurance companies along with local and regional banks reemerged with significant liquidity albeit with more conservative terms. Several larger banks have not yet fully returned to lending and as a result, the majority of larger commercial transactions (over \$50 million) were unable to transact without discounts. Since sellers were not under duress, they generally did not accept many discounts. Smaller and middle market transactions, particularly industrial, moved forward.

Looking forward to Q3, smaller and middle market transactions that have a stable rent roll will be listed and re-listed. As the economy continues to open up from the pandemic shutdown, time and the presence of market activity will allow buyers and sellers to firm up market value.

METRO WEST

- The Metro West market experienced significant givebacks this quarter, finishing Q2 2020 with 308,666 sq. ft. of contraction as three of the four Metro West submarkets experienced negative absorption. As a result, both availability and vacancy increased to 18.8% and 14.0%, respectively. The Metro West market saw average asking rents decreased quarter-over-quarter to \$25.27.
- The Route 128 West submarket ended the second quarter of 2020 with 125,664 sq. ft. of negative

absorption. Vacancy increased to 10.3% while availability remained flat at 14.3%. Average asking rents decreased slightly and ended Q2 at \$36.82 per sq. ft. Despite this decrease, Route 128 West rents still remain the highest in the Boston suburban office market.

- Two of the three Route 495 West submarkets experienced negative absorption in Q2 2020 with only one market experiencing growth. The Framingham-Natick submarket ended with 158,828 sq. ft. of negative absorption, while the Route 495-Route 2 West submarket saw 83,384 sq. ft. of contraction. Meanwhile, the Route 495-Mass Pike West submarket finished Q2 with 59,210 sq. ft. of positive absorption. Rents in the Framingham-Natick submarket decreased while rents in the Route 495-Route 2 West and Route 495-Mass Pike West submarkets both increased slightly. Despite the decrease in Framingham-Natick rents, the submarket still has the highest average asking rent of the Route 495 West submarkets averaging at \$24.33 per sq. ft.
- In Route 128 West, the market's largest deal of the quarter was at 140 Kendrick Street in Needham where IDG signed a lease for 122,797 sq. ft. At 1075 Main Street in Waltham, Magellan Health signed a lease for 40,449 sq. ft. while naviHealth also signed a lease for 22,343 sq. ft.
- Several deals in the Route 495 West submarkets also helped drive Metro West leasing activity. RXAdvance signed a new lease for 83,227 sq. ft. at 136 Turnpike Road, Southborough. Affirmed Networks renewed and expanded for a total footprint of 62,400 sq. ft. at 35 Nagog Park, Acton. Additionally, Mentor Graphics renewed at 300 Nickerson Road, Marlborough, for 19,308 sq. ft.
- The Route 495 West market has seen steady demand from larger corporations over the last few decades. The diversity of tenants in the market allows for continued growth and large transactions on par with deal sizes in urban areas.

METRO SOUTH

- For the fourth consecutive quarter, the Metro South market experienced growth, ending with 29,154 sq. ft. of positive absorption. Availability and vacancy declined to 19.9% and 14.0%, respectively. Average asking rents in the Metro South market remained flat and finished Q2 2020 at \$27.53 per sq. ft.

- The Route 128 South market saw 66,941 sq. ft. of growth in Q2 2020. As a result, availability and vacancy both decreased to 21.7% and 15.1% respectively. The largest deal of the quarter for the Metro South market took place in the Route 128 submarket where Phia Group subleased 63,000 sq. ft. at 40 Pequot Way in Canton.
- The Route 495 South submarket experienced its first negative quarter since Q2 2017, finishing Q2 2020 with 37,787 sq. ft. of contraction. Availability increased to 10.6% while vacancy increased to 8.0%. Rents decreased to \$20.12 per sq. ft. but rents in the submarket still remain historically high.
- The Metro South market has over 1.5 million sq. ft. of potential new space at Quarter Point development in Foxboro near the amenity-rich Patriot Place and Gillette Stadium.

METRO NORTH

- The Metro North market had another quiet quarter, finishing Q2 2020 with 43,867 sq. ft. of contraction. Availability remained flat at 20.7% while vacancy saw a 60 bps increase to 17.5%. Meanwhile, average asking rents in the Metro North increased and ended the quarter at \$24.39 per sq. ft.
- The Close-In Suburbs market had the strongest quarter of the four submarkets that make up Metro North, finishing the quarter with 46,273 sq. ft. of positive absorption. Tenant desire to be close to urban markets keeps rent in this submarket high and the Close-In-Suburbs finished Q2 with an average asking rent of \$30.25 per sq. ft., the highest of all Metro North submarkets.
- The Route 128 North submarket finished the second quarter of 2020 with 94,704 sq. ft. of negative absorption. Availability remained flat at 15.1% while vacancy increased 60 bps to 12.8%. Rents increased to an average asking rate of \$28.64 per sq. ft.
- The Route 495 Northeast submarket finished Q2 2020 with 25,523 sq. ft. of negative absorption for the quarter. Availability and vacancy rates both increased to 21.8% and 19.9% respectively. Metro North's largest deal of the quarter was Injured Workers Pharmacy's renewal for 47,000 sq. ft. at 300 Federal Street in Andover.
- The Route 3 North market finished Q2 with 30,087 sq. ft. of positive absorption. Several leases were signed in the Route 3 North market during the second quarter, keeping availability and vacancy relatively flat. At 201 Burlington Road in Bedford, Instylla signed a 43,442 sq. ft. sublease, while at 200 Ames Pond Drive in Tewksbury, AltioStar signed a 30,297 sq. ft. renewal.

Figure 2: Office Transactions of Note

Tenant	Address	Submarket	Sq. Ft.	Type
IDG	140 Kendrick Street	Route 128 - West	122,797	New
RXAdvance	136 Turnpike Road	Route 495 - Mass Pike West	83,227	New
Phia Group	40 Pequot Way	Route 128 - South	63,000	Sublease
Affirmed Networks	35 Nagog Park	Route 495 - Route 2 West	62,400	Renewal & Expansion
Injured Workers Pharmacy	300 Federal Street	Route 495 - Northeast	47,000	Renewal
Instylla	201 Burlington Road	Route 3 - North	43,442	Sublease
Magellan Health	1075 Main Street	Route 128 - West	40,449	New
AltioStar	200 Ames Pond Drive	Route 3 - North	30,297	Renewal
naviHealth	1075 Main Street	Route 128 - West	22,343	New
Mentor Graphics	300 Nickerson Road	Route 495 - Mass Pike West	19,308	Renewal

Source: CBRE Research, Q2 2020.

Figure 3: Office Market Statistics

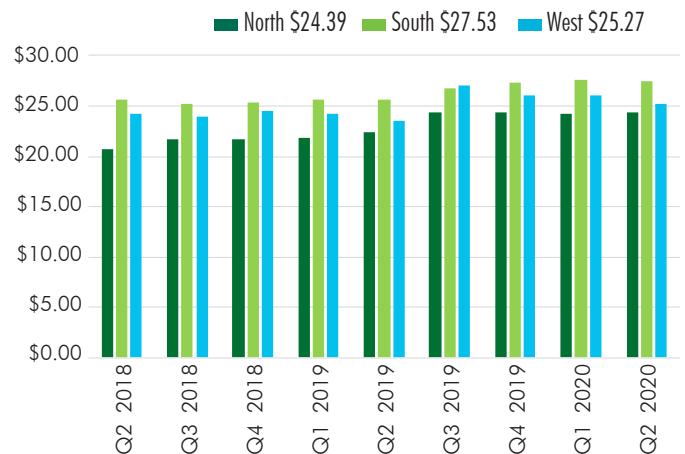
Suburban Boston Office	Bldgs	Total Sq. Ft.	Available (%)	Vacant (%)	Sublease (%)	Quarter Net Absorption	YTD Net Absorption	Avg Asking Rent \$ (Gross)
Close-In Suburbs North	64	5,844,347	14.1	12.2	1.1	46,273	49,664	30.25
Route 128 - North	166	18,950,677	15.1	12.8	2.0	(94,704)	(132,596)	28.64
Route 495 - Northeast	35	5,484,405	21.8	19.9	1.5	(25,523)	6,209	18.09
Route 3 - North	134	13,122,153	31.3	25.5	4.0	30,087	2,558	22.68
Metro North	399	43,401,582	20.7	17.5	2.4	(43,867)	(74,165)	24.39
Route 128 - West	276	24,933,986	14.3	10.3	3.4	(125,664)	(122,502)	36.82
Framingham - Natick	84	7,249,952	15.6	12.5	1.8	(158,828)	(115,466)	24.33
Route 495 - Route 2 West	59	5,272,899	30.2	23.0	1.3	(83,384)	(14,902)	17.84
Route 495 - Mass Pike West	122	12,727,291	24.7	18.2	1.9	59,210	277,813	19.73
Metro West	541	50,184,128	18.8	14.0	2.6	(308,666)	24,943	25.27
Route 128 - South	162	13,467,244	21.7	15.1	2.4	66,941	35,495	28.39
Route 495 - South	35	2,520,674	10.6	8.0	0.1	(37,787)	5,576	20.12
Metro South	197	15,987,918	19.9	14.0	2.0	29,154	41,071	27.53
Overall Suburban Office	1,137	109,573,628	19.7	15.4	2.4	(323,379)	(8,151)	25.22

Source: CBRE Research, Q2 2020.

OFFICE AVERAGE ASKING RENTS

Average asking rents throughout the Greater Boston suburban office market decreased during Q2 2020. The Metro West's average asking rent finished at \$25.27 per sq. ft. for the quarter. Asking rents in the Metro North market ended Q2 2020 at \$24.39 per sq. ft. while the Metro South ended the second quarter of 2020 at \$27.53 per sq. ft.

Figure 4: Office Average Asking Lease Rates

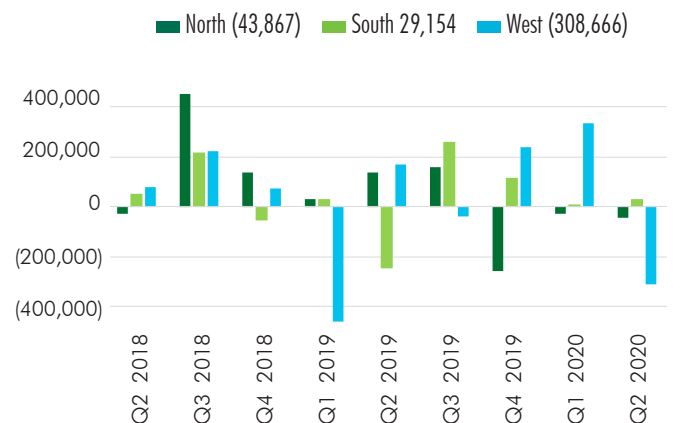


Source: CBRE Research, Q2 2020.

OFFICE NET ABSORPTION

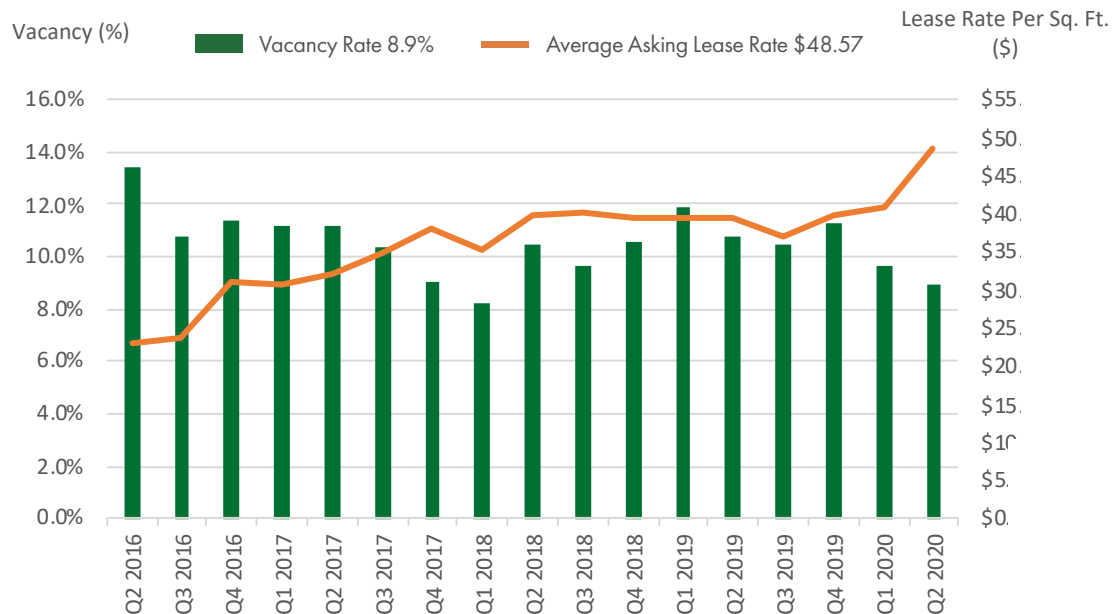
The Boston suburban office market ended Q2 2020 with 323,379 sq. ft. of negative absorption. The Metro West market experienced significant give backs this quarter, finishing Q2 with 308,666 sq. ft. of negative absorption while the Metro North market ended with 43,867 sq. ft. of negative absorption. The Metro South market was the only suburban market to experience more leasing than givebacks, ending the second quarter of 2020 with 29,154 sq. ft. of positive absorption.

Figure 5: Office Net Absorption



Source: CBRE Research, Q2 2020.

Figure 6: Lab Vacancy vs. Lease Rate



Source: CBRE Research, Q2 2020.

LAB MARKET

The Greater Boston suburban lab market recorded 21,654 sq. ft. of positive absorption in the second quarter of 2020. The market was led by Metro West with 31,230 sq. ft. of positive absorption while the Metro North market saw 9,576 sq. ft. of negative absorption. The suburban lab market has seen overall positive absorption the past two quarters, as demand continues for this asset class. Availability remained flat at 13.2% while vacancy decreased 70 basis points to 8.9%. Lab vacancy is now the lowest it has been since Q1 2018. The sublease rate decreased by 40 bps quarter-over-quarter to 0.9% – the lowest rate seen in the market since Q1 2012. Strong demand and low vacancy rates continue to push rents up. The suburban lab market finished the first quarter of 2020 with an average asking rent of \$48.57 per sq. ft. NNN, the highest rent seen in the market since CBRE started tracking suburban lab in 2003.

Demand for quality lab throughout Greater Boston suburban submarkets remains strong, especially in the inner suburbs close to the major life science hubs in Cambridge and the Seaport in Downtown Boston. Prices in both Cambridge and Boston are reaching record highs, causing urban migration to slow and tenants to see value in lower-priced suburban options.

As biotechnology companies are rapidly taking space along the Route 128 and Route 495 corridors, there is now an increasingly severe lack of available suburban life science product. As a result, a significant portion of the office and life science product currently under construction in the Greater Boston suburban markets will have a lab component.

An increase in US-based life science development and manufacturing will also affect demand for space. This demand can be seen already through Thermo Fisher/Brammer Bio's recent purchase of a brand-new speculative warehouse at 5 Commerce Boulevard in Plainville. The building is a 288,600 sq. ft. under construction, class A property and Thermo Fisher/Brammer Bio will invest \$180 million to convert it to a viral vector facility. This purchase doubles the company's manufacturing capacity for viral vectors. Gene therapy and vaccines continue to be fast-growing sectors and biotechnology companies are working keep up with increased demand for development and biomanufacturing. This trend will have a significant impact on both life science and industrial markets and, as manufacturing companies look to shift operations back to the US, the demand for space will outpace the current supply.

METRO WEST

- The Metro West market dominated suburban lab leasing activity in Q2 2020, finishing the quarter with 31,230 sq. ft. of positive absorption. Rents continue to climb, and the Metro West market finished Q2 with an average asking rent of \$54.11 NNN, the highest seen in the market since CBRE started tracking suburban lab in 2003. Vacancy and availability also remain near historical lows, finishing Q1 at 7.7% and 12.9% respectively.
- The Route 128 West submarket had a quieter quarter, recording 16,250 sq. ft. of negative absorption. Vacancy decreased to 7.8% while availability increased to 15.1%. Average asking rents continued to increase to \$61.05 per sq. ft. NNN, a new record high for suburban lab rents since CBRE started tracking suburban lab in 2003.
- The largest suburban life science deal of the quarter took place at 828 Winter Street, a class A lab building in Waltham, where Arrakis Therapeutics took 67,706 sq. ft. At 113 Hartwell Avenue in Lexington, Taris Biomedical renewed for 19,802 sq. ft.
- The Route 128 West submarket continues to demonstrate its strength as a life science cluster. As the vacancy rate stays low, tenant demand is outpacing the current life science supply. As a result, significant class A lab product is under construction in the submarket, which should provide much-needed relief as it delivers.
- The remaining Metro West submarkets remained active this quarter. In the Framingham-Natick submarket, CRISPR Therapeutics signed a new lease for 50,249 sq. ft. at 33 New York Avenue in Framingham. The building is now fully leased.

METRO NORTH

- The Metro North lab market had a slower second quarter of 2020 and saw 9,576 sq. ft. of contraction. Vacancy and availability both increased and finished the quarter at 12.6% and 13.9% respectively. Average asking rents increased to \$37.74 per sq. ft. NNN.
- Traditionally an office market, Route 128 North has recently become a great destination for life science tenants as well. With nearly 400,000 sq. ft. of lab product available and close proximity to major highways, the submarket has begun to attract more life science companies like Ultragenyx which signed a new lease for 7,805 sq. ft. at 19 Presidential Way in Woburn this quarter.
- The Route 3 North submarket offers the most life science product of any Metro North submarket – over 1.7 million sq. ft. Extremely low availability and vacancy rates, 7.3% and 6.0% respectively, in the tight market show demand from tenants remains high.
- The Route 495 Northeast submarket saw 18,267 sq. ft. of positive absorption in Q2 2020. At Innovation Park, located at 4 Corporate Drive in Andover, UMass Lowell signed a new lease for 18,267 sq. ft.

Figure 7: Lab Transactions of Note

Tenant	Address	Submarket	Sq. Ft.	Type
Arrakis Therapeutics	828 Winter Street	Route 128 - West	67,706	New
CRISPR Therapeutics	33 New York Avenue	Framingham - Natick	50,249	New
Taris Biomedical	113 Hartwell Avenue	Route 128 - West	19,802	Renewal
UMass	4 Corporate Drive	Route 495 - Northeast	18,267	New
Ultragenyx	19 Presidential Way	Route 128 - North	7,805	New

Source: CBRE Research, Q2 2020.

Figure 8: Lab Market Statistics

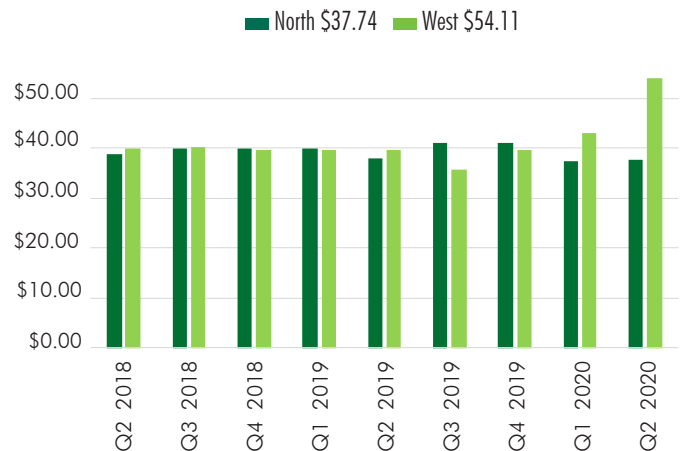
Suburban Boston Lab	Bldgs	Total Sq. Ft.	Available (%)	Vacant (%)	Sublease (%)	Quarter Net Absorption	YTD Net Absorption	Avg Asking Rent \$ (NNN)
Close-In Suburbs North	2	382,602	0.0	0.0	0.0	3,734	3,734	-
Route 128 - North	4	396,049	31.1	26.8	0.0	(8,087)	(25,160)	42.50
Route 495 - Northeast	2	546,524	32.1	32.1	0.0	18,267	18,267	35.00
Route 3 - North	19	1,723,363	7.3	6.0	0.0	(23,490)	(23,490)	38.00
Metro North	27	3,048,538	13.9	12.6	0.0	(9,576)	(26,649)	37.74
Route 128 - West	57	6,101,077	15.1	7.8	1.8	(16,250)	83,984	61.05
Framingham - Natick	9	846,768	3.7	3.7	0.0	43,470	52,040	-
Route 495 - Route 2 West	0	0	-	-	-	0	0	-
Route 495 - Mass Pike West	18	1,699,124	9.8	9.3	0.0	4,010	(1,990)	17.83
Metro West	84	8,646,969	12.9	7.7	1.3	31,230	134,034	54.11
Metro South	0	0	-	-	-	0	0	-
Overall Suburban Lab	111	11,695,507	13.2	8.9	0.9	21,654	107,385	48.57

Source: CBRE Research, Q2 2020.

Figure 9: Lab Average Asking Lease Rates

LAB AVERAGE ASKING RENTS

Overall Greater Boston suburban lab market rents increased quarter-over-quarter to reach \$48.57 per sq. ft. NNN at the end of second quarter of 2020. Asking rents in Metro North and Metro West both increased in Q2 2020, finishing the quarter at \$37.74 per sq. ft. NNN and \$54.11 per sq. ft. NNN, respectively.

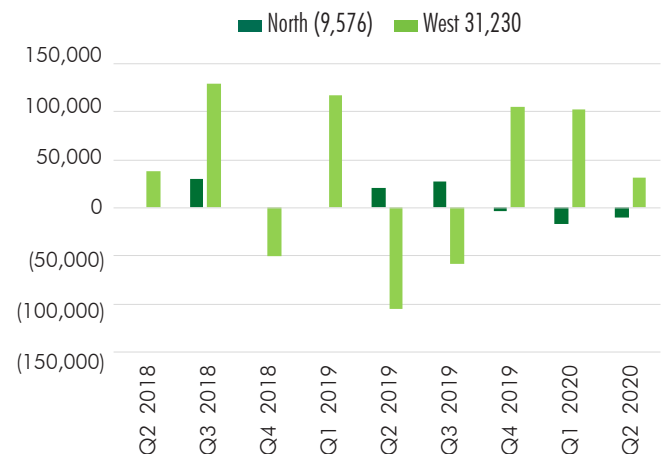


Source: CBRE Research, Q2 2020.

Figure 10: Lab Net Absorption

LAB NET ABSORPTION

The Boston suburban lab market ended Q2 2020 with 21,654 sq. ft. of positive absorption. The Metro North market had a slower quarter, ending with 9,576 sq. ft. of negative absorption while Metro West finished the second quarter of 2020 with 31,230 sq. ft. of positive absorption.



Source: CBRE Research, Q2 2020.

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.

GROSS 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.)

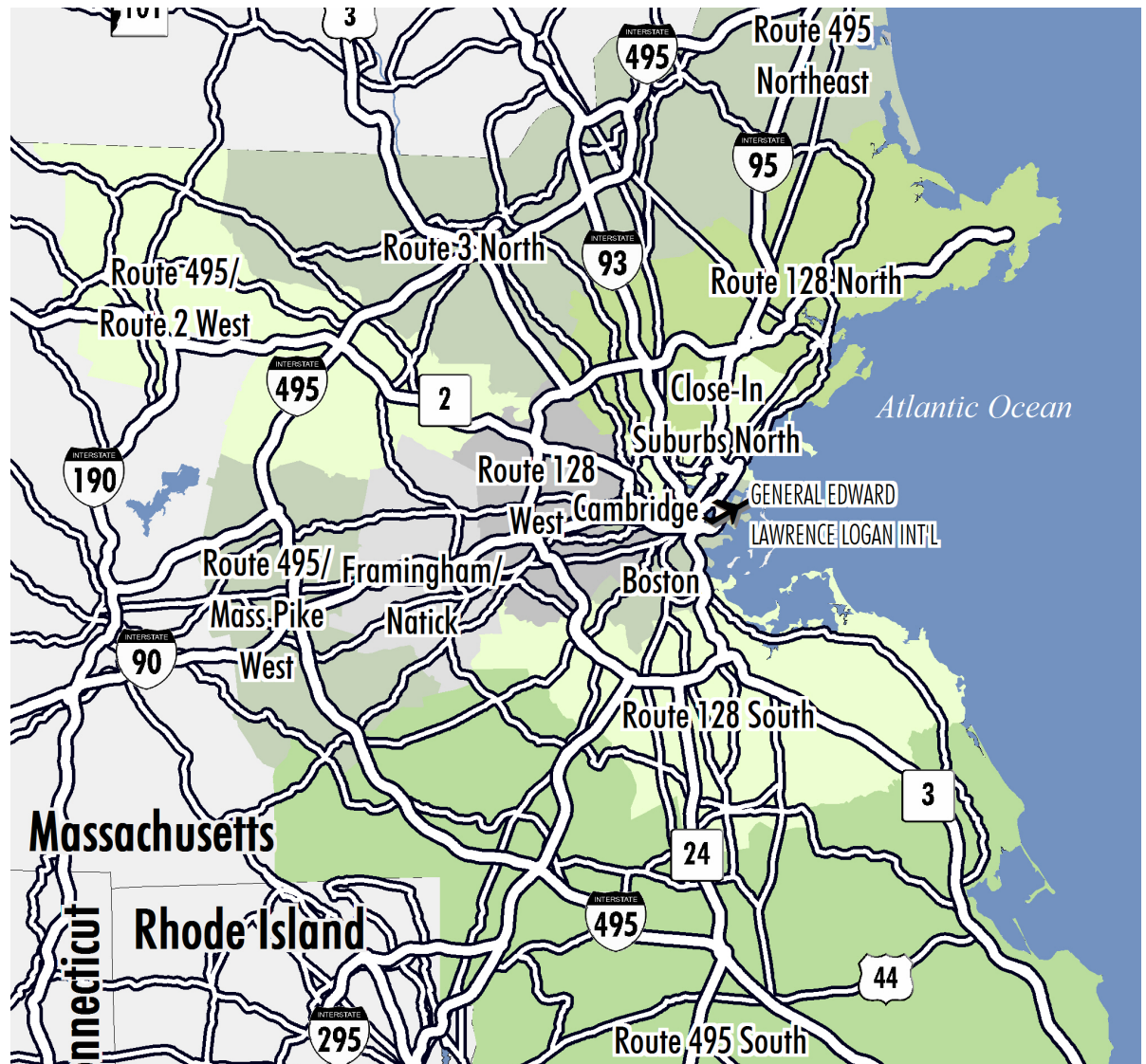
Existing building area that is physically vacant or immediately available.

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.



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