

Life Sciences Industry Insight



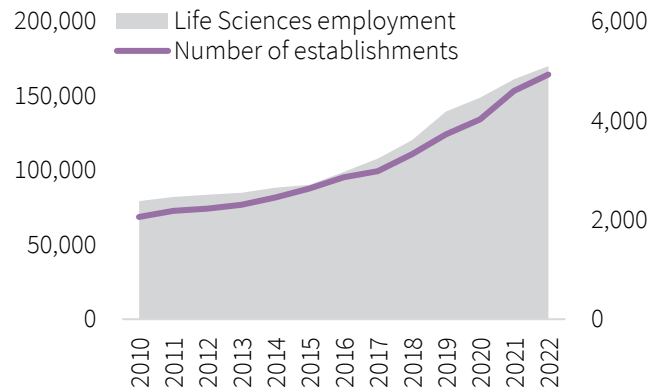
Boston, MA

Early signs emerge of a market recovery, but leasing activity was historically low

September best month for VC in 18 months

Demand fundamentals showed long-awaited signs of life in Q3. \$1.3 billion was raised in September alone, the best month since Spring 2022. Demand surpassed 2 million s.f. to end Q3 for the first time in 13 months. Three companies – Apogee Tx, Curiox Biosystems and Neumora – made their public debuts, representing the first wave in 2023. Lastly, Cambridge was selected as the ARPA-H investment hub. These hopeful items do give way to the reality in the market today. Vacancy increased again as 1.5 million s.f. delivered vacant, and more large subleases were added. Rents fell -1.6% and are now 7% below peak. It is likely this holds into 2024.

Life sciences employment and establishments



Source: Lightcast

Recent funding recipients in the market

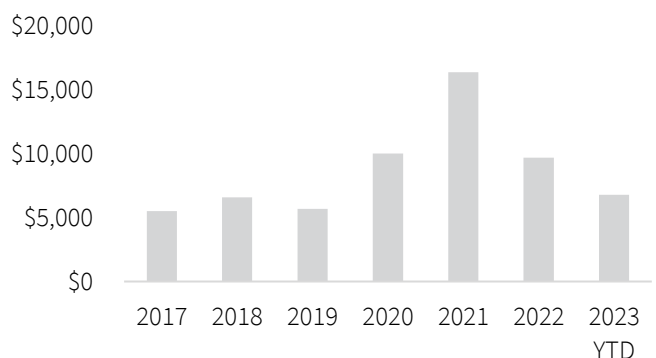
\$273 M
Generate Biomedicines (Series C)

\$250 M
Indigo (Series I)

\$210 M
Nimbus Tx (Series E)

\$200 M
Mariana Oncology (Series B)

Life sciences venture capital investment activity



Source: Pitchbook

Less than 400,000 s.f. of deals in past 6 months

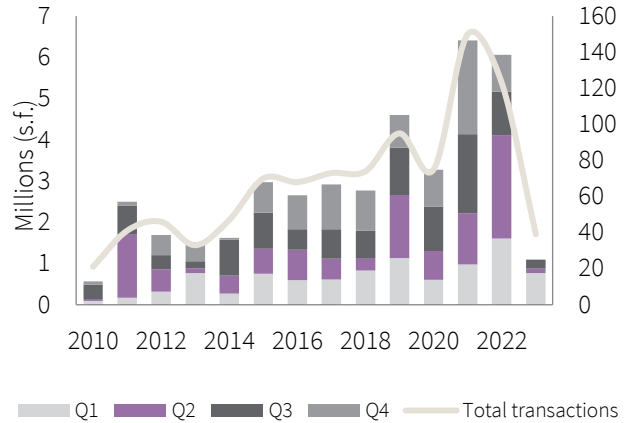
Slowest leasing market in a decade

Demand surpassed 2 million s.f. in September after 12 months below that mark. The increase in tenant requirements has not yet translated into more leases signed. 214,000 s.f. of deals were finalized in Q3, and 2023 is now on track for the lowest number of deals signed in a decade. Rumored commitments in Waltham and East Cambridge could soon add nearly 200,000 s.f. to Q4's totals, however. While over 80% of deals signed YTD have been by early-stage companies needing less than 30,000 s.f., midsize requirements are starting to grow across the region. And with so much optionality in the market, much of the activity that is out there is concentrated in East Cambridge and/or in low capex options like subleases and spec suites.

Availabilities inch higher to 17.6 million s.f.

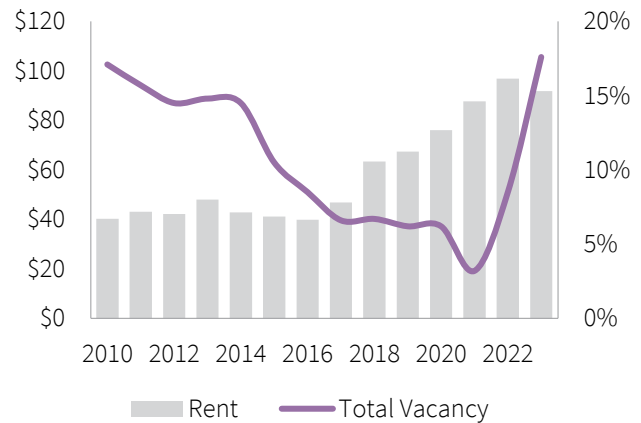
While the pipeline appears to be maxed out for the foreseeable future, subleases saw a resurgence over the summer. Over 400,000 s.f. of net new subleases were added in Q3 to get to a cumulative 2.6 million s.f. today. The metro's availability rate is now a record of 32%, double the rate seen in the 2010s. Even if the recent growth in demand sustains, the abundance of space on the market will continue to exert downward pressure on rental rates through most of 2024. Rates have declined 1.5%-2% quarterly for a year now, to a point where asking rates are in line with YE 2021 figures. Vacancies are expected to rise in line with unleased deliveries scheduled in the next year, from the 17.6% rate in Q3. It is likely to crest over 20% in the next 3-6 months barring a sudden and dramatic increase in tenant demand.

Completed lease transactions and leases signed



Source: JLL

Vacancy and NNN rent trends



Source: JLL

Recent lease transactions

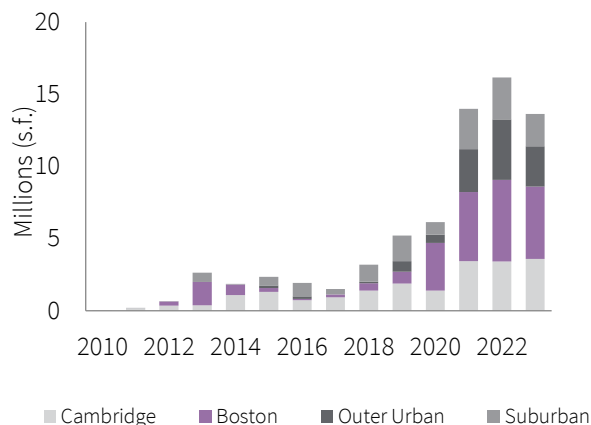
Company	Address or Property	Submarket	Size (s.f.)	Date signed
SalioGen	10 Maguire	Core Suburbs	42,000	8/2023
24M Technologies	130 Brookline	East Cambridge	36,315	8/2023
Nvelop Therapeutics	100 Tech Square	East Cambridge	34,600	9/2023
Lyra Therapeutics	480 Arsenal St	Watertown	22,343	7/2023
FluidForm	285 Bear Hill Rd	Core Suburbs	12,853	7/2023

Pipeline shrinks again to 13.6 million s.f.

1.7 million s.f. delivered in Q3, 80% unleased

Boston’s lab pipeline shrunk again, from a peak of 17.2 million s.f. one year ago to 13.6 million s.f. today. Capital costs and a weak appetite to build speculatively have all but frozen out any new developments. The total prelease rate sits at 30%. Just under 90% of the pipeline is in urban markets, meaning core suburban markets without large forthcoming supply may prove to be resilient in this market cycle. Looking forward, it is likely that the market will only see 2 million s.f. of yet-unleased new supply come to market in 2025 and 2026, contrasted with the 7.9 million s.f. slated for delivery in the next 5 quarters. And if the current macro conditions prevail, it is unlikely further new supply will hit the market before mid-to-late 2026, giving the market the potential for a well-balanced supply-demand dynamic during that time frame.

Development pipeline

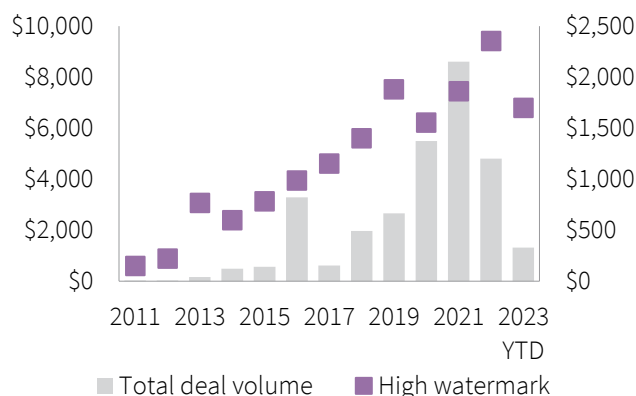


Source: JLL Research

One sale amid broader capital markets slowdown

With markets in a period of “price discovery,” the volume of buildings traded in Boston has fallen precipitously in the past year across all asset classes. Lab is no exception. Only one life science firm was active in Q3. Phase 3 officially acquired 7 Channel Center for \$23.5 million from Westbrook in Seaport’s Fort Point neighborhood. The site is adjacent to their 5 Channel Center project and was finally processed in Q3 as it was contingent on entitlements when it was agreed to far more than a year ago. Otherwise, no buildings traded. There are murmurings of a few buildings that may come to market in the coming quarters, but 2023 will likely finish as the slowest year for Boston lab sales since 2017.

Investment sales activity



Source: JLL Research, MSCI

Recent Sales Transactions

Date	Buyer	Seller	Address	Price	Size (s.f.)
07/2023	Phase 3	Westbrook Partners	7 Channel Center	\$23.5M	31,000

Q3 2023 Statistics

	Class	Inventory (s.f.)	Net absorption (s.f.)	YTD Net absorption (s.f.)	Direct vacancy (%)	Total vacancy (%)	Average direct asking rent (\$ p.s.f.)	YTD Completions (s.f.)	Under Development (s.f.)
Allston/Brighton	Totals	350,000	0	-2,900	0.0%	0.8%	\$101.94	0	1,320,000
Fenway/Longwood	Totals	2,059,288	0	48,450	5.1%	7.3%	\$117.91	179,000	1,416,000
South End	Totals	574,901	-18	13,982	3.1%	6.9%	\$110.00	0	0
Downtown	Totals	603,996	0	0	27.7%	27.7%	\$99.00	155,000	97,739
Seaport District	Totals	4,250,510	-22,031	700,802	12.2%	17.6%	\$102.76	955,363	2,164,462
Boston	Totals	7,838,695	-22,049	760,334	10.3%	14.1%	\$107.03	1,289,363	4,998,201
East Cambridge	Totals	11,283,662	-322,806	-584,648	2.4%	9.2%	\$113.54	175,000	3,132,974
Mid Cambridge	Totals	384,963	-67,061	-82,381	22.4%	23.2%	\$109.86	0	0
West Cambridge	Totals	1,871,556	-43,749	-5,685	17.5%	27.5%	\$98.58	475,194	464,000
Cambridge	Totals	13,540,181	-433,616	-672,714	5.0%	12.1%	\$108.43	650,194	3,596,974
Core Suburbs	Totals	7,095,058	-25,093	-106,199	14.4%	22.1%	\$72.17	687,632	1,449,033
North	Totals	3,066,872	-29,307	91,918	18.0%	20.1%	\$63.15	594,319	492,085
South	Totals	1,474,663	0	57,193	1.4%	1.4%	\$51.29	0	299,495
West	Totals	2,758,855	10,455	14,378	6.6%	7.6%	\$52.08	0	0
Suburbs	Totals	14,395,448	-43,945	57,290	12.3%	16.8%	\$67.41	1,281,951	2,240,613
Somerville	Totals	664,033	66,405	66,405	49.3%	49.3%	\$95.99	394,033	1,916,000
Urban North	Totals	1,076,062	-11,900	32,156	41.9%	47.6%	\$69.25	0	285,630
Watertown	Totals	2,625,214	52,237	88,356	40.1%	45.4%	\$93.04	1,148,985	609,134
Urban	Totals	4,365,309	106,742	186,917	41.9%	46.5%	\$90.87	1,543,018	2,810,764
Worcester	Totals	1,669,795	-5,116	-11,616	10.2%	10.2%	\$15.00	0	0
Worcester	Totals	1,669,795	-5,116	-11,616	10.2%	10.2%	\$15.00	0	0
Boston	Totals	41,809,428	-397,984	320,211	12.6%	17.6%	\$91.85	4,764,526	13,646,552
Allston/Brighton	A	350,000	0	-2,900	0.0%	0.8%	\$101.94	0	1,320,000
Fenway/Longwood	A	1,805,940	0	35,087	5.8%	8.3%	\$117.91	179,000	1,416,000
South End	A	574,901	-18	13,982	3.1%	6.9%	\$110.00	0	0
Seaport District	A	2,373,417	-40,000	523,595	0.0%	4.9%	\$106.26	585,000	1,560,712
Boston	A	5,104,258	-40,018	569,764	2.4%	6.0%	\$110.63	764,000	4,296,712
East Cambridge	A	8,797,637	-265,553	-546,398	2.5%	10.0%	\$115.73	175,000	2,998,039
West Cambridge	A	893,000	-76,902	-19,216	4.7%	22.7%	\$96.57	160,000	142,000
Cambridge	A	9,690,637	-342,455	-565,614	2.7%	11.2%	\$112.54	335,000	3,140,039
Core Suburbs	A	3,538,775	-29,908	-64,908	15.6%	21.6%	\$70.73	443,000	1,021,000
North	A	795,518	69,689	187,999	11.7%	16.8%	\$68.00	261,215	145,705
South	A	540,566	0	0	0.0%	0.0%	\$0.00	0	0
West	A	1,156,608	0	0	0.0%	0.0%	\$0.00	0	0
Suburbs	A	6,031,467	39,781	123,091	10.7%	14.9%	\$70.63	704,215	1,166,705
Somerville	A	664,033	66,405	66,405	49.3%	49.3%	\$95.99	394,033	1,916,000
Watertown	A	787,402	56,000	145,982	37.1%	42.2%	\$94.33	478,405	609,134
Urban	A	1,451,435	122,405	212,387	42.7%	45.5%	\$95.62	872,438	2,525,134
Worcester	A	401,602	-5,116	-5,116	1.3%	1.3%	\$0.00	0	0
Worcester	A	401,602	-5,116	-5,116	1.3%	1.3%	\$0.00	0	0
Boston	A	22,679,399	-225,403	334,512	7.3%	13.0%	\$98.13	2,675,653	11,128,590



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