

# Lab Report

**Boston | Cambridge | Suburbs**

Q4 2023

**Lincoln**

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# Overview

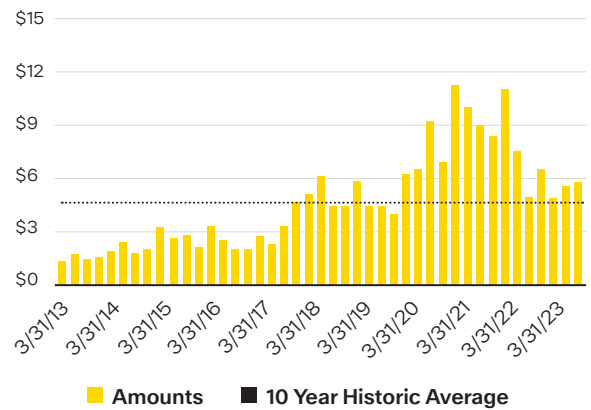
Fundamentals in the Greater Boston Lab Market softened throughout last year, as high interest rates stifled funding, leading to a downturn in demand. The biotech industry is highly dependent on VC investment to drive innovation and growth, and in its absence many startups were forced to lay off employees or shutter altogether. Despite these headwinds, net absorption nearly reached 2 million SF, which exceeded any year in the market's history except for the 3 million SF reached in 2022 and the 2.1 million SF totaled in 2021. While strong at face value, demand was only about half of supply additions and several of the largest move-ins were from leases signed before the VC funding downturn. Vacancies increased from 3.4% to 6.2% and sublet rates also roughly doubled. Absorption improved from Q3 to Q4, but vacancies still increased due to more than 500,000 SF of vacant space in properties delivered last quarter.

More than 10 million SF has delivered since 2021 and the supply wave is just getting started, with another 17 million SF under construction and 50 million SF permitted or proposed. The abundance of new space on the market is a major contributing factor to the rise in vacancies, with more than 33% of inventory delivered since Q4 2022 still without tenants. Many of the market's largest leases in the covid-era have been for space in new inventory, but these deals were less common last year. Just five of the 15 largest lab leases in 2023 were for space in new inventory, compared with 12 of the top 15 in 2022. As lab demand tightens, ground-up projects have found more leasing success than have office-to-lab conversions.

## Looking Forward

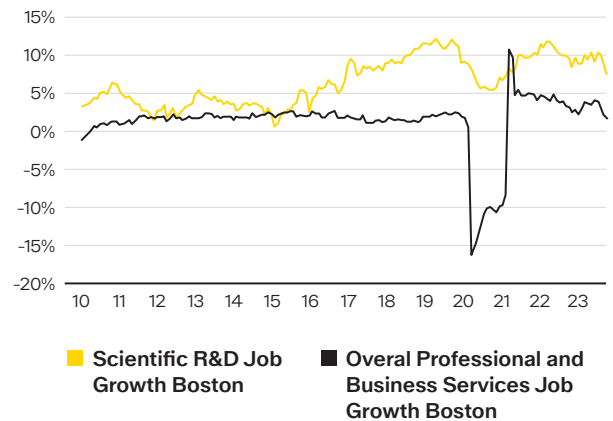
With supply pressures set to continue, the return of VC investment and IPOs will be critical to supporting the health of the market in 2024. Big Pharma has stepped up amid the funding slowdown, with M&A activity surging last year to its highest level of the decade, but startups remain an essential component of the Boston biotech ecosystem. Leasing trends have closely mirrored VC funding and IPO activity during the 2020s, which fell as interest rates increased. With cash flow tight, startups are holding off on expansion plans or staying put in incubators for longer. Per a January 2024 Boston Globe article, vacancy rates in Cambridge's LabCentral incubator fell below 10%, compared with its typical 15%-20% vacancy rate. Fortunately, near the end of last year the Fed signaled it will likely start cutting rates in 2024. A more favorable investment climate may especially boost startups and medium-sized companies, but should spur growth for companies of all sizes.

## National Life Sciences VC Funding (\$Billions)

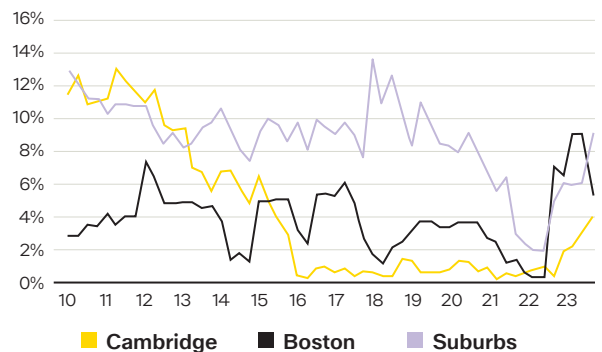


Source: Pitchbook

## Scientific Research and Development Job Growth



## Cambridge, Boston & Suburban Direct Vacancy



# Cambridge

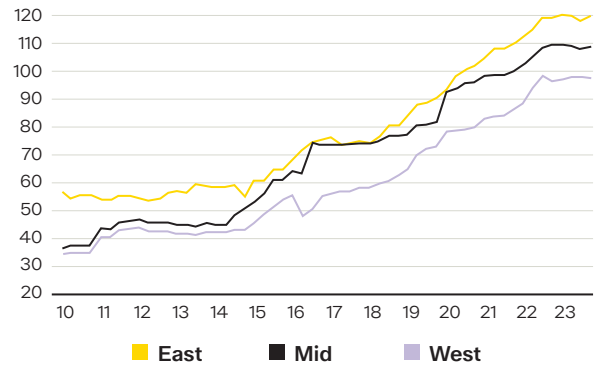
Vacancies in Cambridge have increased for four consecutive quarters and finished last year at 3.9%, their highest level since 2015. Cambridge also has the highest sublet rate in Greater Boston, at 9.3%, more than double those of Boston or the suburbs and its own rate at the start of last year. Cambridge’s vacancies, however, are still significantly lower than those of Boston or the suburbs. The city landed two of the metro’s largest lab leases in Q4 2023, with Alexion leasing 60,000 SF at 100 Binney St. and Envelop signing for almost 35,000 SF at 100 Technology Sq.

Net absorption exceeded 500,000 SF in Q4 2023, up from negative 150,000 SF in Q3, and total year net absorption increased from 2022 to 2023. Most of the positive absorption recorded was at new deliveries and demand at existing properties did not fare as well. Several properties delivered fully leased last year. These included 250 Water St. in Cambridge Crossing, where Bristol Myers Squibb occupies 483,000 SF, 60 First St., where Korro Bio and Prime Medicines lease a combined 200,000 SF, and 325 Binney St., a 462,000 SF project that wrapped construction ahead of schedule and is fully leased to Moderna.

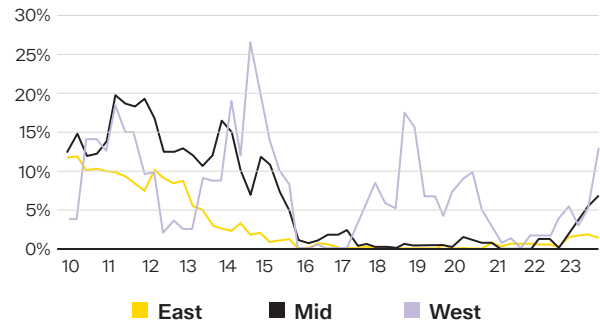
## Top Leases

	SF
<b>Novo Nordisk</b> 50-60 Sylvan Rd., Waltham   128 West	185,000
<b>Alexion</b> 100 Binney St., Cambridge   East Cambridge	60,000
<b>Envelop</b> 100 Technology Sq., Cambridge   East Cambridge	34,697
<b>Vaisala</b> 3 Van de Graaff, Burlington   128 North	28,000
<b>Tscan Therapeutics</b> 830 Winter St., Waltham   128 West	25,472

## Cambridge, Average Asking Rate



## Cambridge Direct Vacancy Rate

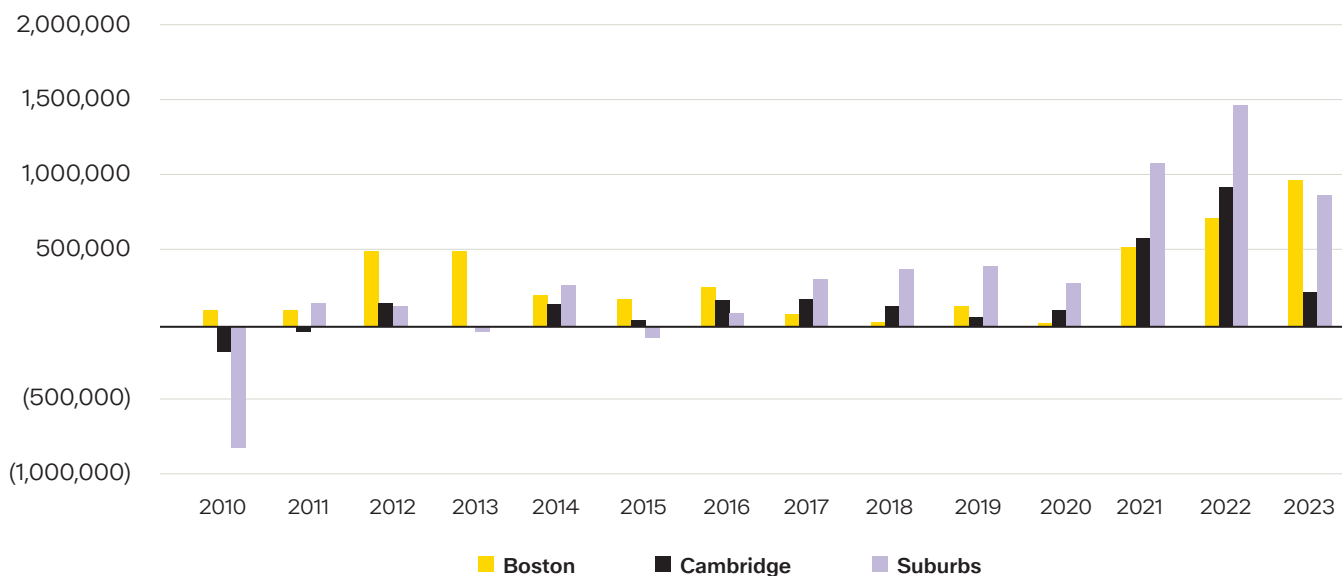


# Boston

Lab vacancies increased by about 300 basis points in Boston last year due to supply additions and underwhelming leasing activity. More than 50% of space delivered last year is vacant as of Q1 2024. Boston's lab supply wave unfortunately hit just as VC funding began to dry up. Altogether roughly 2.3 million SF has delivered since the midway point of 2022, of which nearly 700,000 SF is vacant. This accounts for about 70% of the city's total vacancy rate. Supply pressures will continue, with more than 6 million SF under construction, and another 17 million SF permitted. Roughly 75% of the under-construction space is still available for lease.

No notable lab leases were signed in Boston in the fourth quarter of 2023, a disappointing finish to a largely underwhelming year of leasing. Just a handful of deals were signed throughout the year. Charles River Laboratories leased 21,000 SF in Q3 at 5 Necco St., a Seaport property acquired by Alexandria Real Estate Equities in 2019. In Q2 2023 Portal Innovations leased 58,000 SF at Southline, the redevelopment of the former Boston Globe HQ in Dorchester, previously known as The BEAT.

## Annual Net Absorption (SF)



# Suburbs

Suburban lab vacancies increased from 6% to 9% in Q4 2023 and roughly doubled throughout last year. Net absorption was positive last quarter and in 2023, but vacant space in new supply contributed to vacancy expansion. About 40% of the roughly 2 million SF delivered across the suburbs in 2023 is still available for lease. Supply pressures will continue, with nearly 8 million SF under construction. Leasing activity was limited last quarter, but the Greater Boston Lab Market's largest deal of the quarter was in the suburbs. Novo Nordisk leased 185,000 SF at 50-60 Sylvan Rd. in Waltham, which represented more than 50% of the entire market's leasing volume in Q4 2023. The Danish pharmaceutical company signed a 15-year deal at the property, with rents starting at \$72.50 NNN. Other notable lab leases signed in the suburbs last quarter included Vaisala for 28,000 SF at 3 Van de Graaff in Burlington, and Tscan Therapeutics for 25,472 SF at 830 Winter St. in Waltham.

# Development

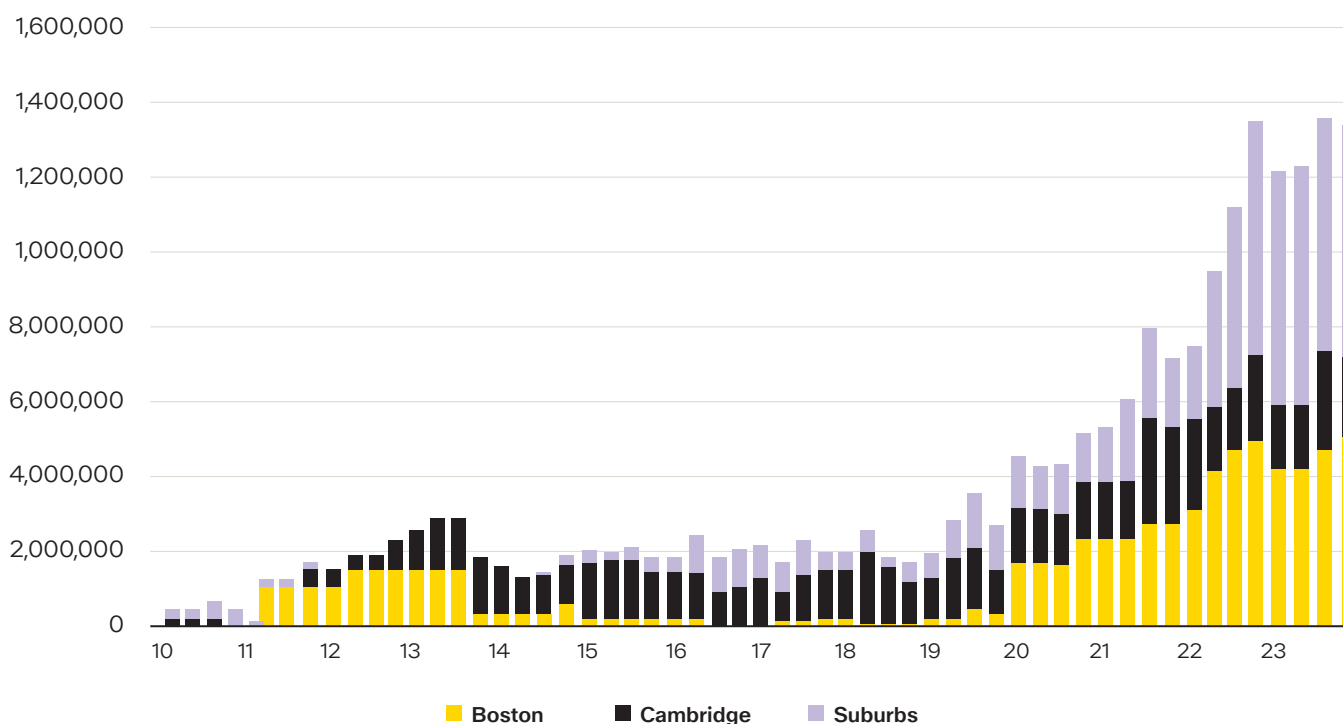
Greater Boston's lab development pipeline remains near a record high. Roughly 17 million SF is under construction, and another 50 million SF is permitted or proposed. In Boston, the Seaport and Fenway have emerged as the primary targets for new development. Roughly 3 million SF and 1.2 million SF are under construction in the Seaport and Fenway, respectively, while each have total pipelines of about 6-7 million SF. Notable Seaport projects include WS Development's new headquarters for Foundation Medicine, which is expected to deliver in early 2024, and Lincoln Property Company's Seaport Circle, which is permitted. Major Fenway projects include Skanska's permitted Longwood Place redevelopment and IQHQ's under construction Fenway Center.

Developers are also targeting the suburbs, where construction costs are lower and space is less constrained. The 128 West submarket is the primary hub for suburban development, with nearly 9 million SF under construction, permitted, or proposed. Prominent ground-up projects include Boston Properties' 330,000-SF 180 CityPoint in Waltham and Trammell Crow's 335,000-SF 440

Bedford St. in Lexington. The inventory in 128 West is concentrated in Waltham, Watertown, and Lexington, but projects have popped up in new locations like Wellesley and Needham.

New lab proposals continue to pop up, but several projects were also cancelled or put on hold. The Bullfinch Companies reversed course on its redevelopment of the former Nieman Marcus Store at the Natick Mall, changing its proposed use from lab to pickleball courts. Alexandria backtracked several projects, including a couple sites in Newton. The REIT sold Riverside Center in Q2 2023 shortly after announcing plans to pause its conversion from office-to-lab, and put construction on hold of a mixed-use project featuring 247,000 SF of lab space at Riverside Station in Newton that it is developing with Mark Development. In the Seaport, Alexandria sold two parcels it had previously acquired for a future life sciences development. The new owner of the development site will likely use it for self-storage facilities.

**Cambridge, Boston & Cambridge Lab Under Construction (Excluding Conversions)**



# Investment Sales

Lab investment dried up in the second half of 2023, with just one institutional trade recorded. The lone sale involved two properties under development. Norges Bank Investment Management acquired 45% of 290 Binney St. and 300 Binney St. from Boston Properties for \$746.4 million, or \$2,179 PSF. The 570,000 SF 290 Binney St. is a ground-up development that is expected to open in 2026 and was leased to AstraZeneca/Alexion. The 195,000 SF 300 Binney St. is in the process of being converted from office to life sciences use and is leased to the Broad Institute.

Alexandria Real Estate Equities was an active seller last year, offloading several non-core assets in the first half of 2023. The prominent REIT has kept up this activity early in 2024. In the first week of the year, it sold 640 Memorial Dr. in Cambridge and 100 Beaver St. in Waltham to Phase 3 Real Estate Partners for \$306 million.

## Top Sales

	Price	PSF	Buyer	Seller
290 Binney St: Cambridge   East Cambridge	\$746.4 Million	\$2,179 PSF	Norges Bank Investment Management	Boston Properties



# Lab Stats Q4 2023

Submarket	RSF	Direct Vacant	% Vacant	% Sublease	% Available	Net Absorption - Direct Space	12 Month Absorption	(NNN) Asking Rate
<b>Boston Total</b>	<b>10,244,708</b>	<b>954,142</b>	<b>9.3%</b>	<b>4.2%</b>	<b>13.5%</b>	<b>(18,977)</b>	<b>227,604</b>	<b>\$107.19</b>
East Cambridge	11,225,721	141,529	1.3%	8.5%	10.4%	718,351	1,019,160	\$119.20
Mid-Cambridge	4,348,738	295,091	6.8%	8.6%	20.4%	(59,196)	(295,091)	\$108.28
West Cambridge	1,869,358	238,448	12.8%	15.7%	30.1%	(142,774)	238,013	\$97.02
<b>Cambridge Total</b>	<b>17,443,817</b>	<b>675,068</b>	<b>3.9%</b>	<b>9.3%</b>	<b>15.0%</b>	<b>516,381</b>	<b>962,082</b>	<b>\$114.10</b>
128 West	9,303,690	688,344	7.4%	5.7%	13.4%	224,595	588,423	\$77.33
495 Mass Pike	2,899,250	50,110	1.7%	0.6%	9.1%	(14,846)	(29,075)	\$44.92
128 North	1,775,771	214,705	12.1%	5.0%	17.3%	148	32,628	\$49.57
495 Northeast	452,568	106,277	23.5%	3.3%	26.8%	-	(106,277)	\$54.00
Inner Suburbs North	1,551,366	500,196	32.2%	2.5%	40.5%	58,653	17,966	\$54.00
Route 3 North	1,845,552	64,252	3.5%	6.1%	9.6%	257,458	292,598	\$45.85
Northern Suburbs	5,625,257	885,430	15.7%	4.5%	21.9%	316,259	236,915	\$49.93
128 South	309,082	-	0.0%	0.0%	0.0%	-	-	\$36.00
495 South	30,882	9,354	30.3%	0.0%	30.3%	-	(5,354)	\$-
Southern Suburbs	339,964	9,354	2.8%	0.0%	2.8%	-	(5,354)	\$32.73
<b>Suburban Total</b>	<b>18,168,161</b>	<b>1,633,238</b>	<b>9.0%</b>	<b>4.4%</b>	<b>15.2%</b>	<b>526,008</b>	<b>790,909</b>	<b>\$62.84</b>
<b>All Lab</b>	<b>45,856,686</b>	<b>3,262,448</b>	<b>7.1%</b>	<b>6.2%</b>	<b>14.7%</b>	<b>1,023,412</b>	<b>1,980,595</b>	<b>\$92.25</b>

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**Lincoln**