



Life Sciences Industry Insight

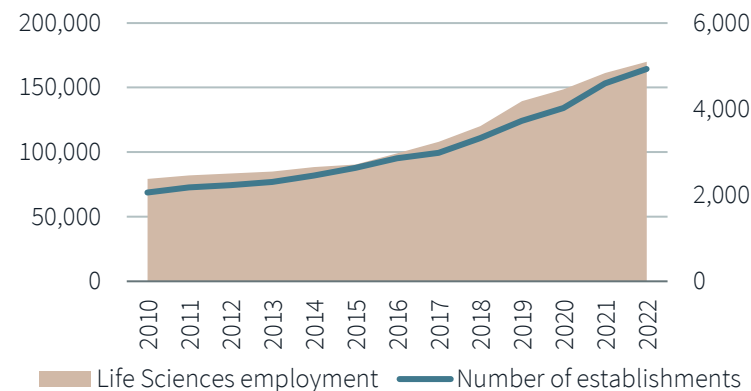
Boston, MA

Vacancy surpasses 20% for first time in two decades, while demand fundamentals show signs of growth

Demand rises to pre-COVID levels to end 2023

Demand for lab space has steadily climbed since the spring, from 1.35 million to 2.63 million s.f., including one large 1 million s.f. requirement in the Seaport. VC funding was nearly \$9 billion in 2023, but was -14% below 2022, with -27% less deal volume. Subleases continue to pile up in the market. 2.6 million s.f. was available in Q4, more than double the amount from last December. Available space today totals 17 million s.f., as asking rents continued to mostly decline. The oversupply is not uniformly spread across the market. Lexington, Kendall, and Seaport are all faring relatively well with a less robust supply of competitive spaces than other nodes.

Life sciences employment and establishments



Source: Lightcast

Recent funding recipients in the market



\$245 M

Aiolos Bio
(Series A)



\$225 M

MapLight
(Series C)



\$135 M

Bicara Tx
(Series C)

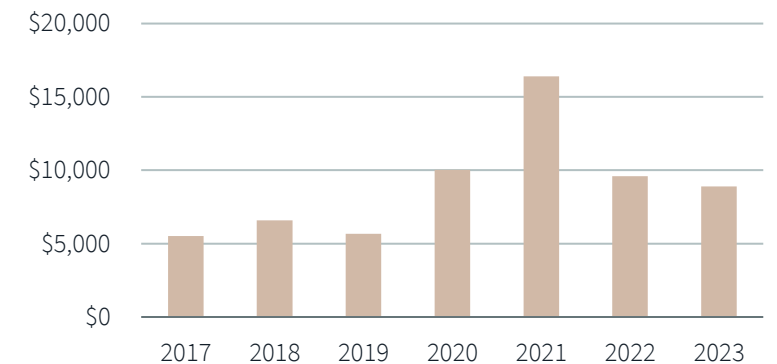


\$129 M

Cognito Tx
(Series B)

Life sciences venture capital investment activity

USD, millions



Source: Pitchbook



Despite rise in demand, Q4 saw little deal volume

Big Pharma active in an otherwise slow market

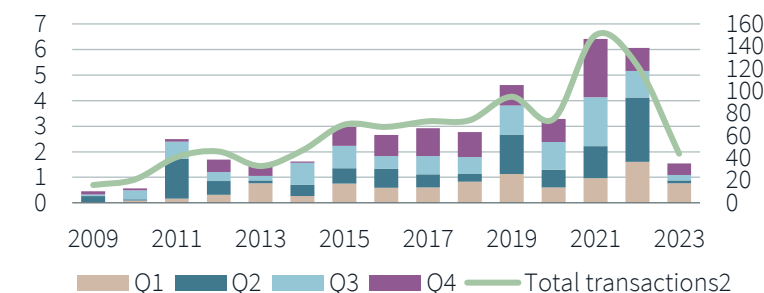
After consecutive years of over 6 million s.f. of leases, just over 1.5 million s.f. were signed in 2023. Although demand in the market is up noticeably since its nadir in mid-summer, leasing numbers were still stubbornly low in H2 2023. The year's 2nd largest deal was signed in December in Novo Nordisk 165,000 s.f. relocation deal at Alexandria's Reservoir Woods complex in Waltham. AstraZeneca's Alexion Pharmaceuticals subleased 60,000 s.f. from Orbital Therapeutics in Kendall Square. Johnson & Johnson extended at BioMed's 301 Binney, solidifying their Kendall Square presence. And Takeda also quietly renewed at two of their Kendall buildings.

Vacancy jumps from 8% to 21% year-over-year

1.9 million s.f. of vacant space within new deliveries was added to the market in Q4, pushing vacancy up to a two-decade high. The availability rate contracted slightly to 31% and appears to have plateaued, indicating that this cycle's peak availability was likely reached in the fall. Still, available space is double the historical average, exerting downward pressures on rents and occupancy. The region is no monolith, however. The submarkets of Somerville, Allston/Brighton, and Watertown all have availability rates north of 50%. While East Cambridge and most of the suburbs are in the mid-teens to upper-twenties, where competitive supply is less abundant due to less development activity in the last cycle.

Completed lease transactions and leases signed

s.f. (millions)

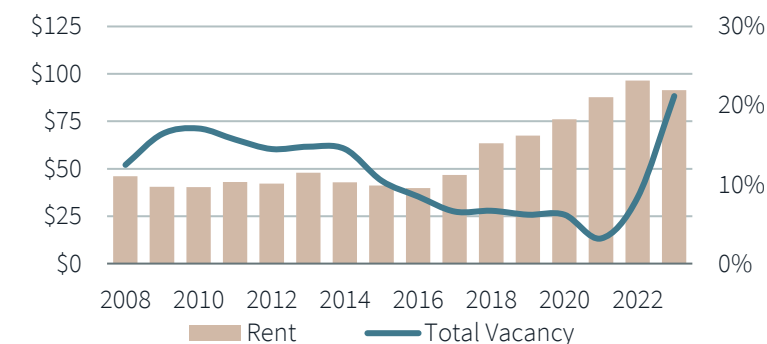


Source: JLL

Recent transaction activity

Company	Address or Property	Submarket	Size (s.f.)	Date signed	Type
Novo Nordisk	50-60 Sylvan Road	Waltham	165,000	12/2023	New
Johnson & Johnson	301 Binney Street	East Cambridge	80,000	12/2023	Extension
Alexion Pharmaceuticals	100 Binney Street	East Cambridge	60,000	11/2023	Sublease
City Therapeutics	399 Binney Street	East Cambridge	30,000	12/2023	New
Lyra Therapeutics	880 Winter Street	Waltham	23,700	12/2023	Expansion

Vacancy and NNN rent trends



Source: JLL



3 million s.f. delivers in Q4, 38% of which is preleased

Lab pipeline falls to lowest point since early 2021

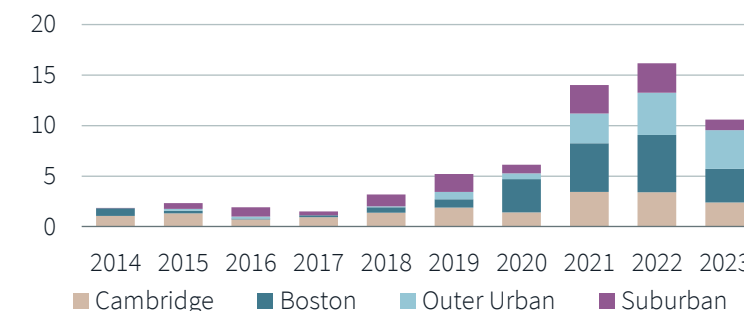
After reaching 17.2 million s.f. in mid-2022, the lab development pipeline has since subsided to 10.6 million s.f. to end 2023. The only project to break ground in Q4 was Breakthrough Properties' Harvard Enterprise Research building, which was part of a broader mixed-use development. 7 million s.f. is scheduled to deliver in 2024, effectively ending the supply wave that has flooded the region with new space in the last few years. Only 1.03 million s.f. of lab is under development across Boston's suburbs (current size - 17.3 million s.f.). Urban markets are much more saturated with new supply with 9.5 million s.f. under development in a market that is 27.6 million s.f. Overall, it is widely expected that 2025 and 2026 will see limited project deliveries, giving the market additional time to return to a more normalized state.

Norges' recapitalization is only deal struck in Q4

It was yet another quiet sales quarter for Boston lab to end 2023. Phase 3 bought an ARE multi-market portfolio which included 100 Beaver in Waltham and 640 Memorial in Cambridgeport for a combined value of north of \$300 million. The only other deal to close was Norges' deal to purchase a 45% stake in two East Cambridge lab buildings fully leased to both the Broad Institute and AstraZeneca on 15-year deals. In what amounts to a forward sale, Norges paid \$746 million, or just over \$2,000 per s.f. across the two deals for a cap rate in the low-mid six range. This is easily one of the largest life sciences real estate transaction in the US in 2023 in an otherwise subdued market.

Development pipeline

s.f. (millions)



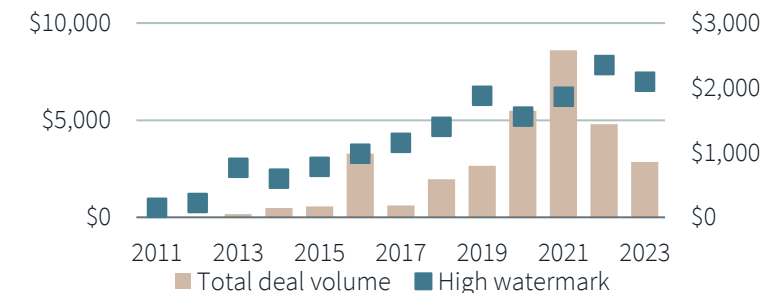
Source: JLL Research

Recent transaction activity

Date	Buyer	Seller	Address	Price	Size (s.f.)
11/2023	Norges	Boston Properties	290-300 Binney (recap)	\$746.4M	810,000
12/2023	Phase 3	Alexandria Real Estate	100 Beaver & 640 Memorial	\$305.5M	307,000

Investment sales activity

USD, millions



Source: JLL Research, RCA

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