

4Q24

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# Boston Life Science Market Overview



# Market Observations

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Market indicators are still muddled, suggesting Greater Boston's life science market continues to search for a bottom.

The reopening of the IPO window led six local biotech companies to go public in 2024. Post initial offering performance has struggled though.

Over the past year, "Big Pharma" invested more in mergers and acquisitions than in 2022 and 2023 combined.

Greater Boston venture capital funding increased by nearly 47.0% during the second half of 2024, bringing annual volumes to \$7.5 billion.



While tenant demand appears to have stabilized, underlying weakness persists as several users require additional funding to transact.

Tenants seeking built-out space have their pick from available spec suites, subleases and second-generation spaces.

Pricing is correcting, with asking rents declining by 2.2% over the quarter across the metro, lease rates are down 10.7% from the peak.

With more than 9.0 million SF of new supply coming online in the past 12 months, 2024 represents a historic high for deliveries.

Liquidity is slowly returning to the laboratory market, but values are off significantly from the peak and investors remain cautious.

1. Economy
2. Leasing Market Fundamentals
3. Submarket Overviews

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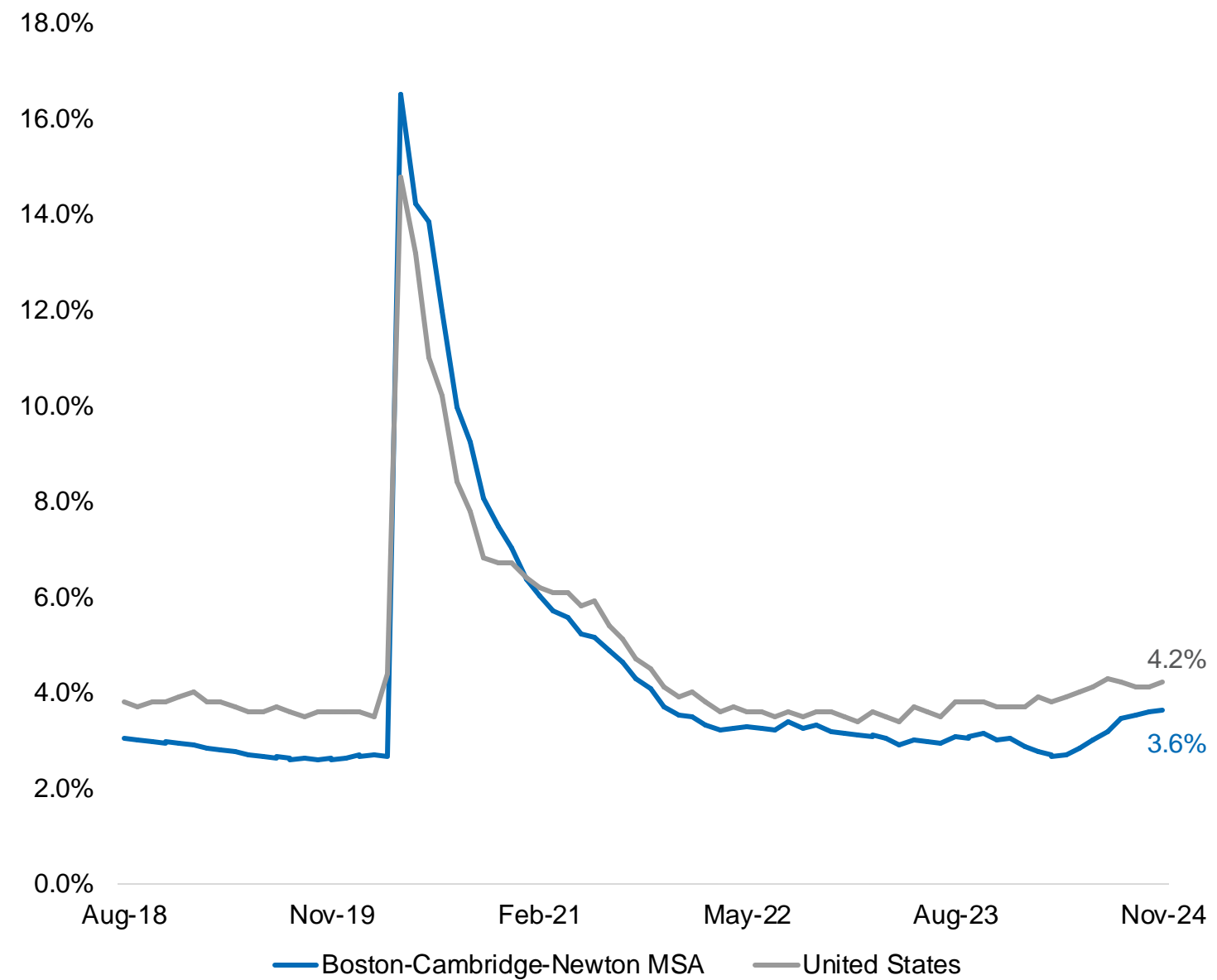
# Economy



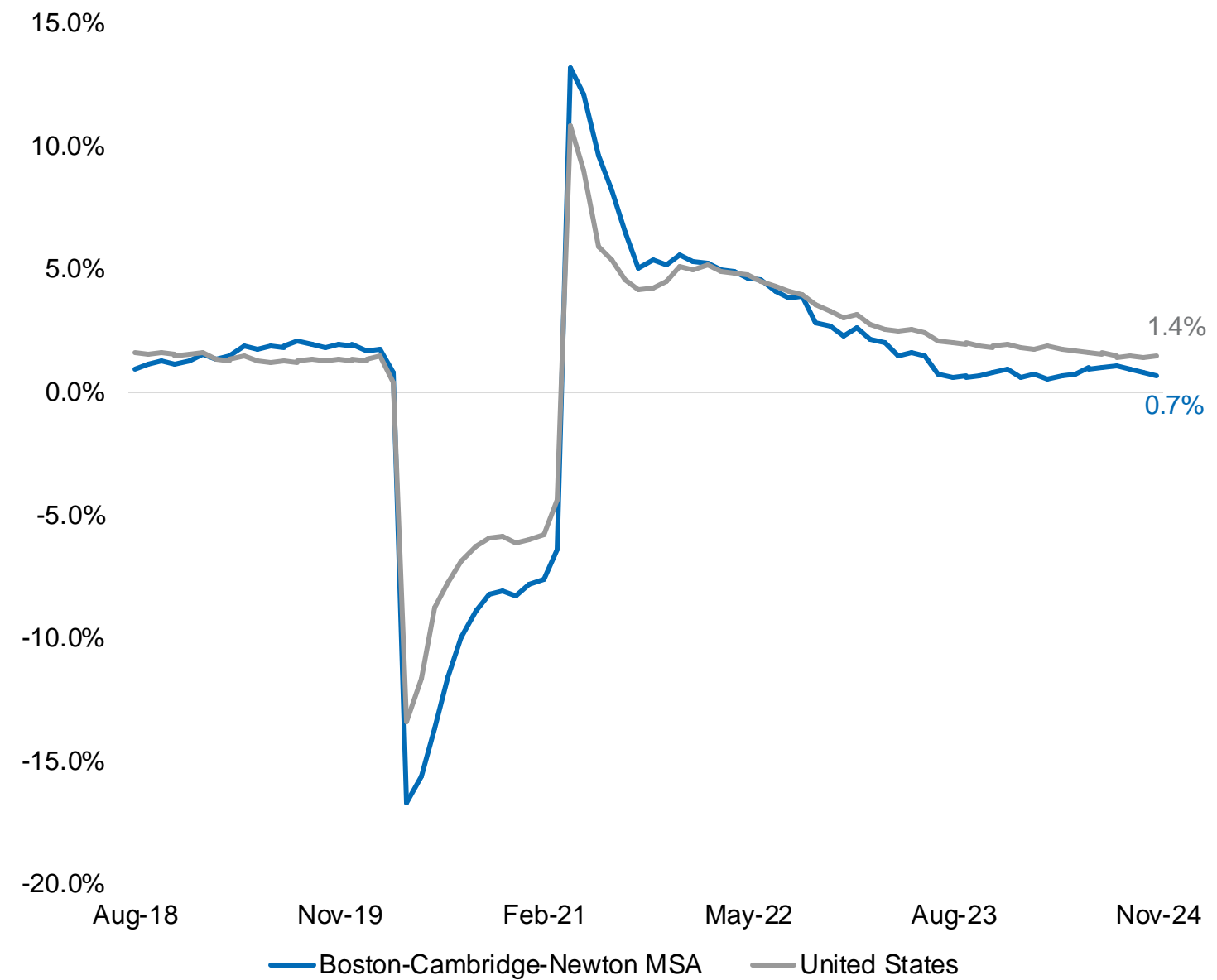
# Impacts of Layoffs and Future Workforce Development

Greater Boston's unemployment rate is rising, reaching 3.6% in November, the highest level since 2022. Despite ongoing layoffs, the region's unemployment rate remains below the national average, suggesting a degree of resilience within the local economy, as businesses continue to adapt and seek talent in emerging sectors like AI, clean tech, etc.

Unemployment Rate, Seasonally Adjusted



Nonfarm Payroll Employment, Seasonally Adjusted, 12-Month % Change

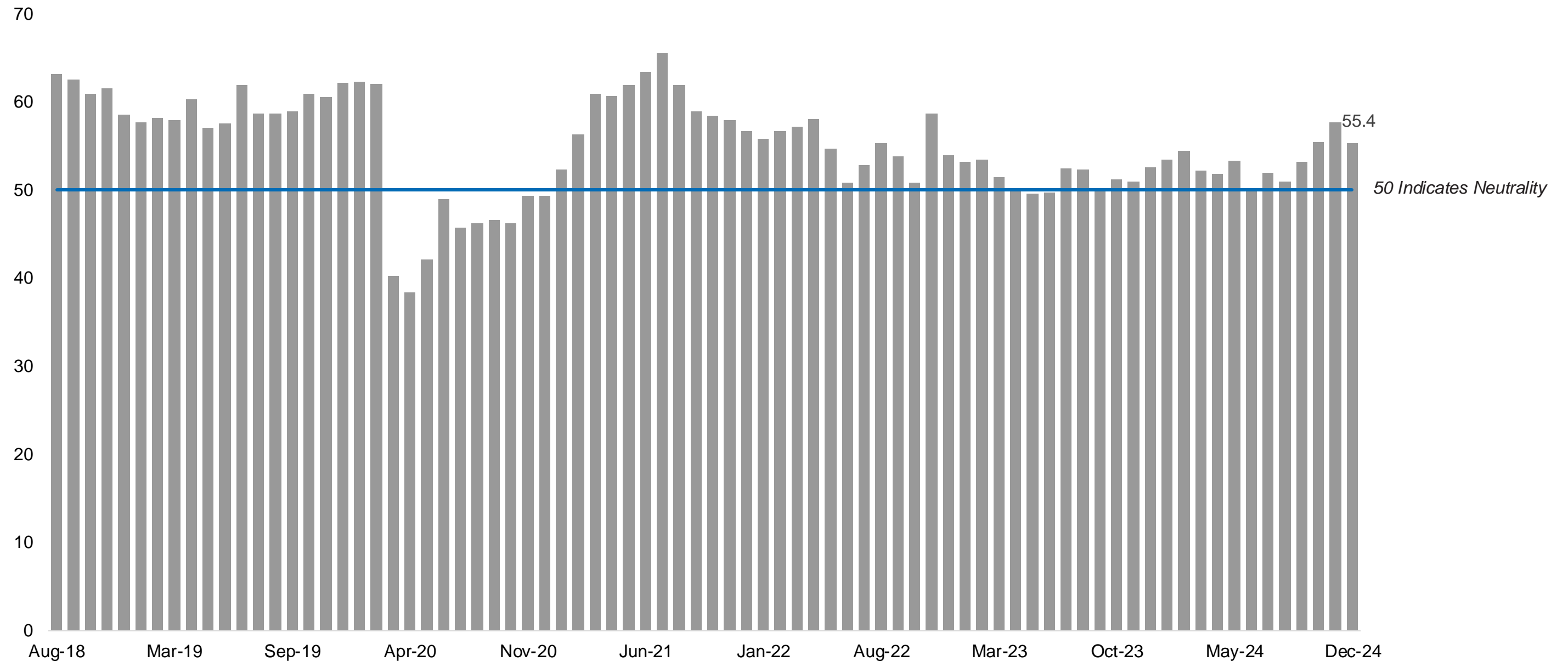


Source: Moody's Analytics, Boston-Cambridge-Newton, MA-NH MSA

# Local Employers Maintain A More Bullish Outlook

Sentiment among Massachusetts business leaders reached a two-year high during the fourth quarter of 2024. Continued economic expansion and expectations for investment support following the U.S. federal election were two key reasons for improving optimism late in the year. A potential softening in the labor markets could dampen this recent improvement in business confidence.

## Business Confidence Index (BCI)

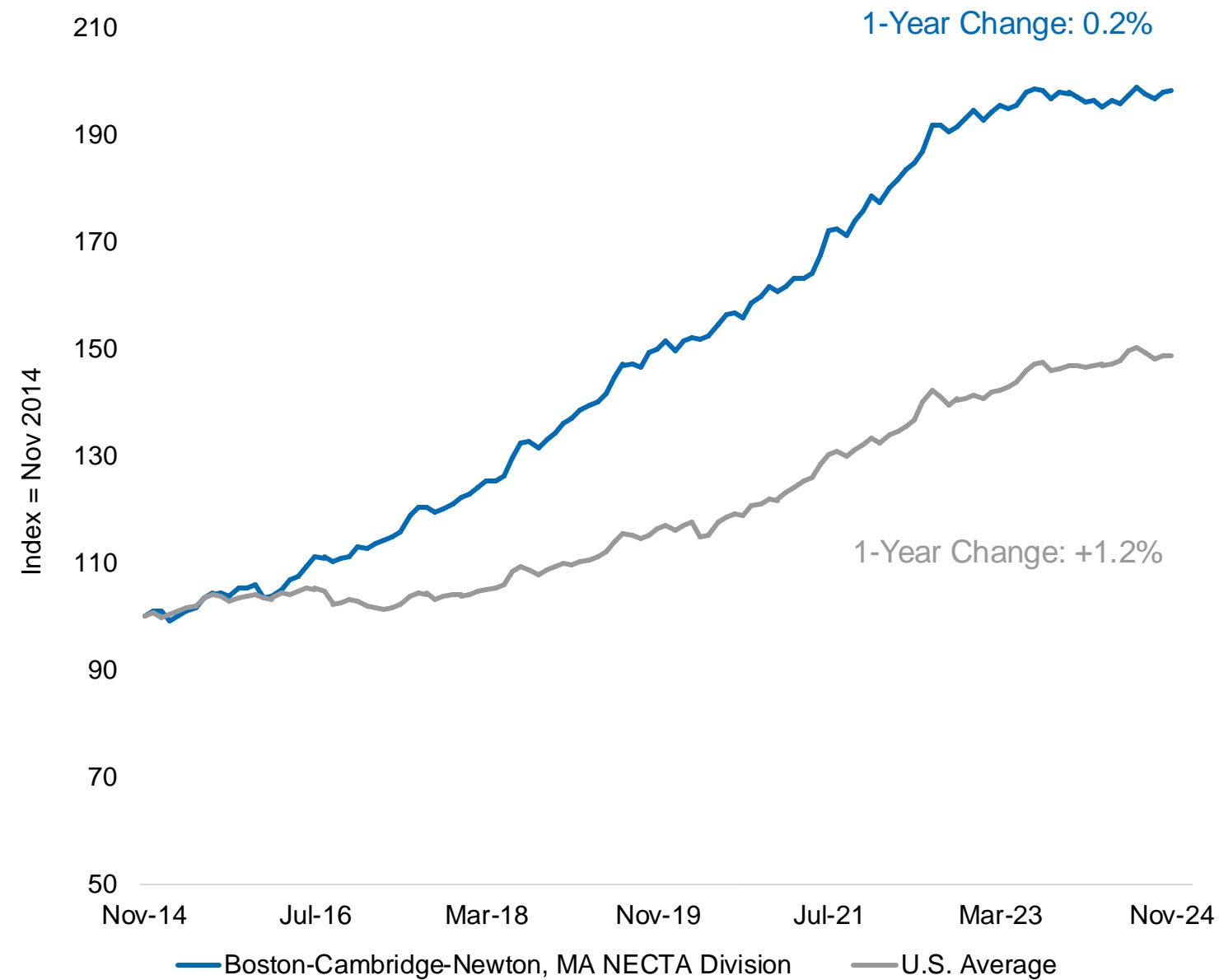


Source: AIM Board of Economic Advisors

# Local Labor Market Conditions Remain Sluggish

Openings for life science-related occupations in the Boston metro area are still below peak levels and employment within the local research and development segment continues to trail the U.S. average.

Scientific Research & Development Employment, NSA



Life Science Industry Active Job Postings | Boston MSA



Source: Moody's Analytics, JobsEQ, Newmark Research



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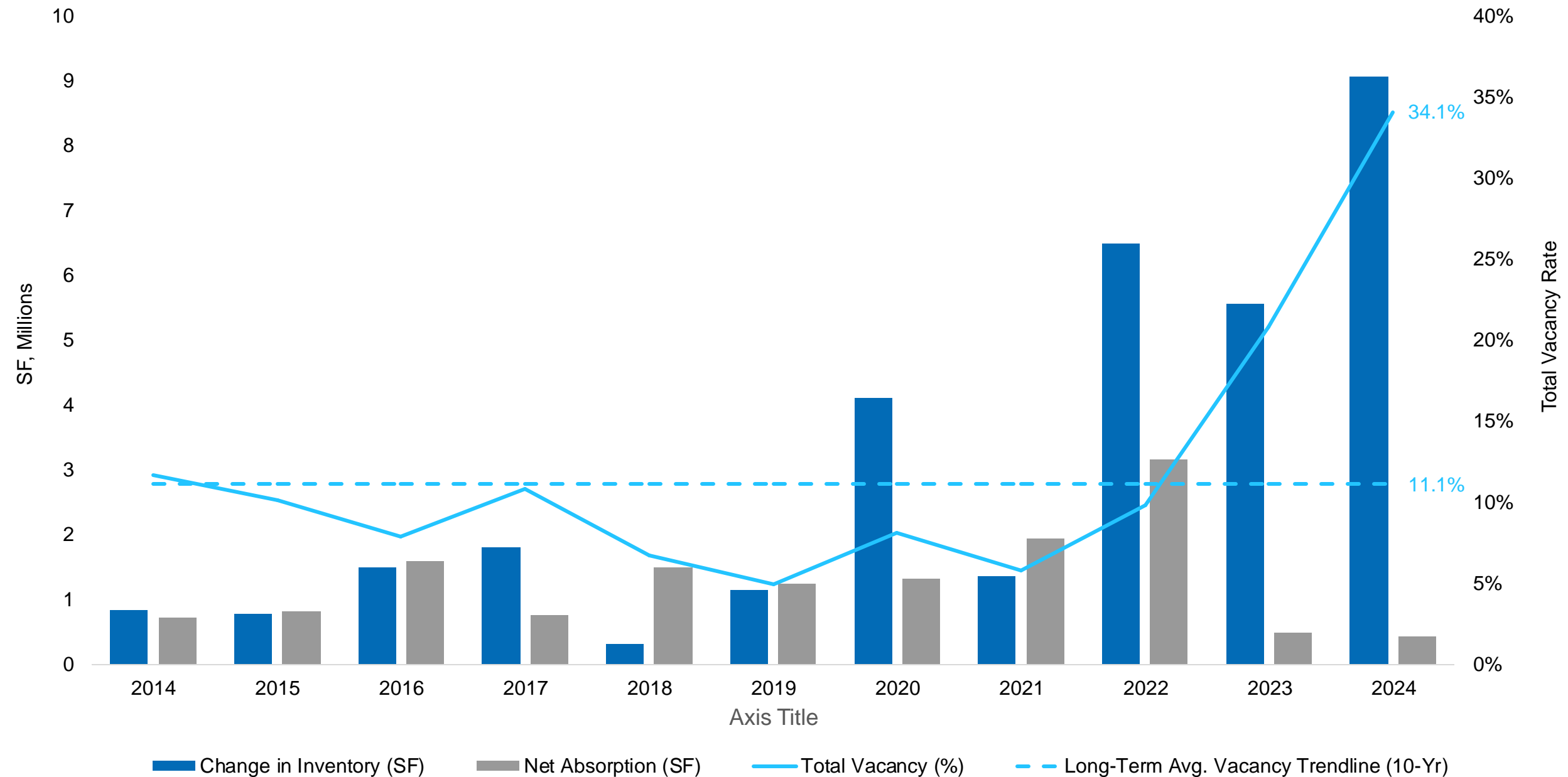
# Leasing Market Fundamentals



# Laboratory Fundamentals Are Still Searching For A Bottom

As record levels of new supply delivers throughout Greater Boston, laboratory users now have more options available to them than ever before. This is especially true for “built-out” space, which includes spec suites, sublease offerings and second-generation space. Despite year-over-year growth in leasing velocity and diminishing supply risk, fundamentals will remain challenged as the market works through an immense supply-demand imbalance.

## Historical Construction Deliveries, Net Absorption, and Vacancy



Source: Newmark Research

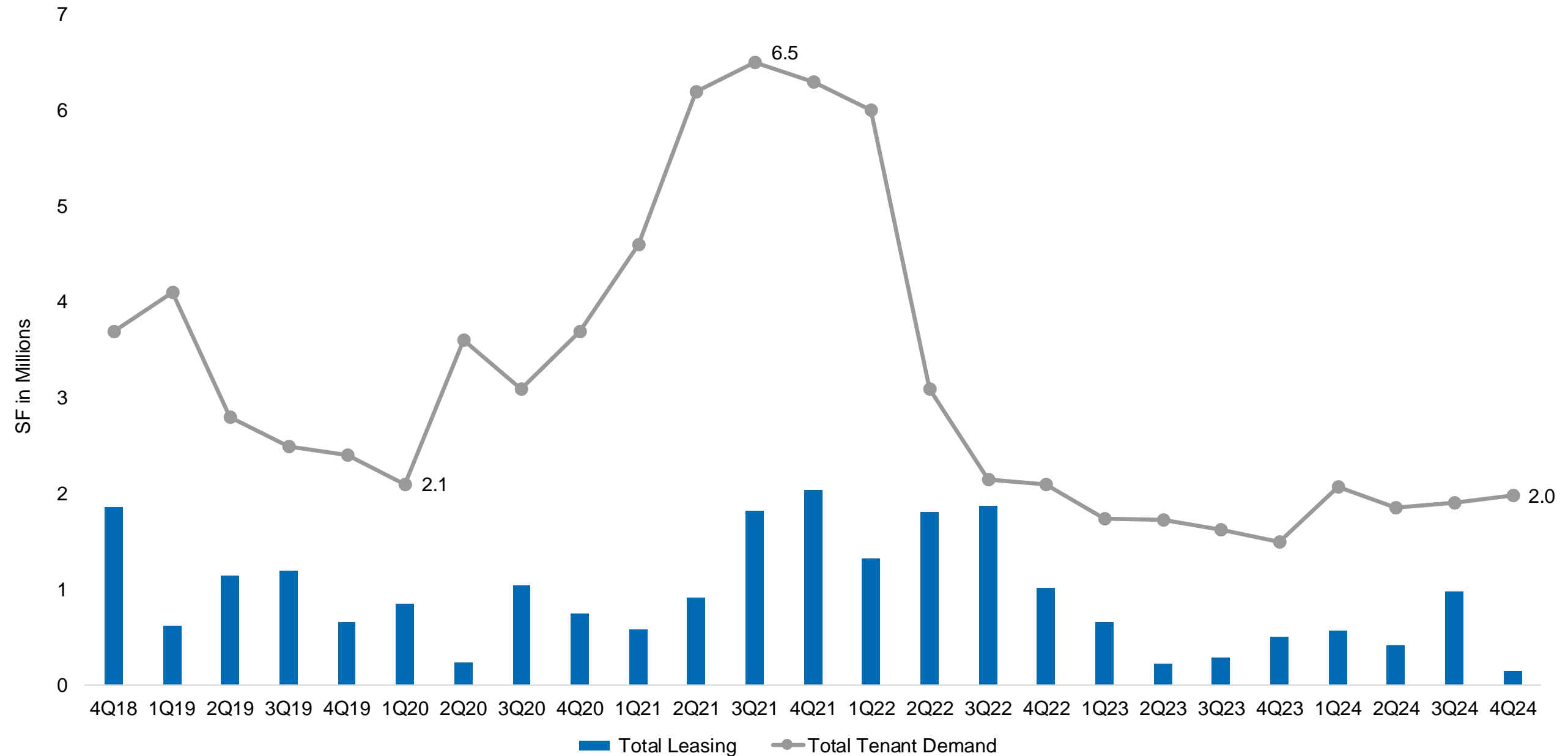


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# Underlying Laboratory Demand Remains Challenged

Leasing velocity slowed considerably during the fourth quarter of 2024, with roughly 2.1 million SF of leases executed during the past 12 months. While this represents a 26.1% increase from 2023, much of this activity was driven by key renewals and extensions, which accounted for more than half of the total square feet transacted in 2024. Tenant demand appears to have stabilized around 2.0 million SF; however, many requirements are waiting for on funding to move forward and true demand is much lower.

## Historical Active Tenants in the Market and Leasing Activity



Source: Newmark Research

# Leasing Activity is Improving, but Renewals Are Still Prevalent

Following a sluggish first half of 2024, leasing velocity improved during the third quarter of 2024. Vertex Pharmaceuticals executed the largest transaction of the year—a renewal of its office and laboratory operations in Boston’s Seaport. Newly-constructed 66 Galen St. in Watertown landed two anchor tenants during the third quarter of 2024, which brings the building’s occupancy up to roughly 50%. Tenants’ continued hesitancy to make real estate commitments will weigh on the market’s leasing recovery, however.

## Notable 4Q24 Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
Ultragenyx Pharmaceutical, Inc.	19 Presidential Way, Woburn	Route 128 - North	Lease Extension	40,060
<i>The large pharma company extended their lease in Woburn.</i>				
Verastem, Inc.	117 Kendrick Street, Needham	Route 128 - West	Lease Extension	27,810
<i>The biopharma company executed an extension on their Needham location.</i>				
Flare Therapeutics, Inc.	400 Technology Square, Cambridge	East Cambridge	Direct Lease	21,621
<i>The early-stage biotech company secures a sizeable presence in Cambridge.</i>				
Rubix Life Sciences	4 Kingsbury, Watertown	Urban Edge – West	Direct Lease	16,000
<i>The biotech R&amp;D company moves into new space in Watertown, coming in from Lawrence.</i>				
TreeFrog Therapeutics, Inc.	99 Erie Street, Cambridge	Mid Cambridge	Direct Lease	13,488
<i>This biotech company secures its US Headquarters in Mid Cambridge.</i>				
TriNetX	100 CambridgePark Drive, Cambridge	West Cambridge	Direct Lease	9,119
<i>The life science data company moves into a new Cambridge location.</i>				



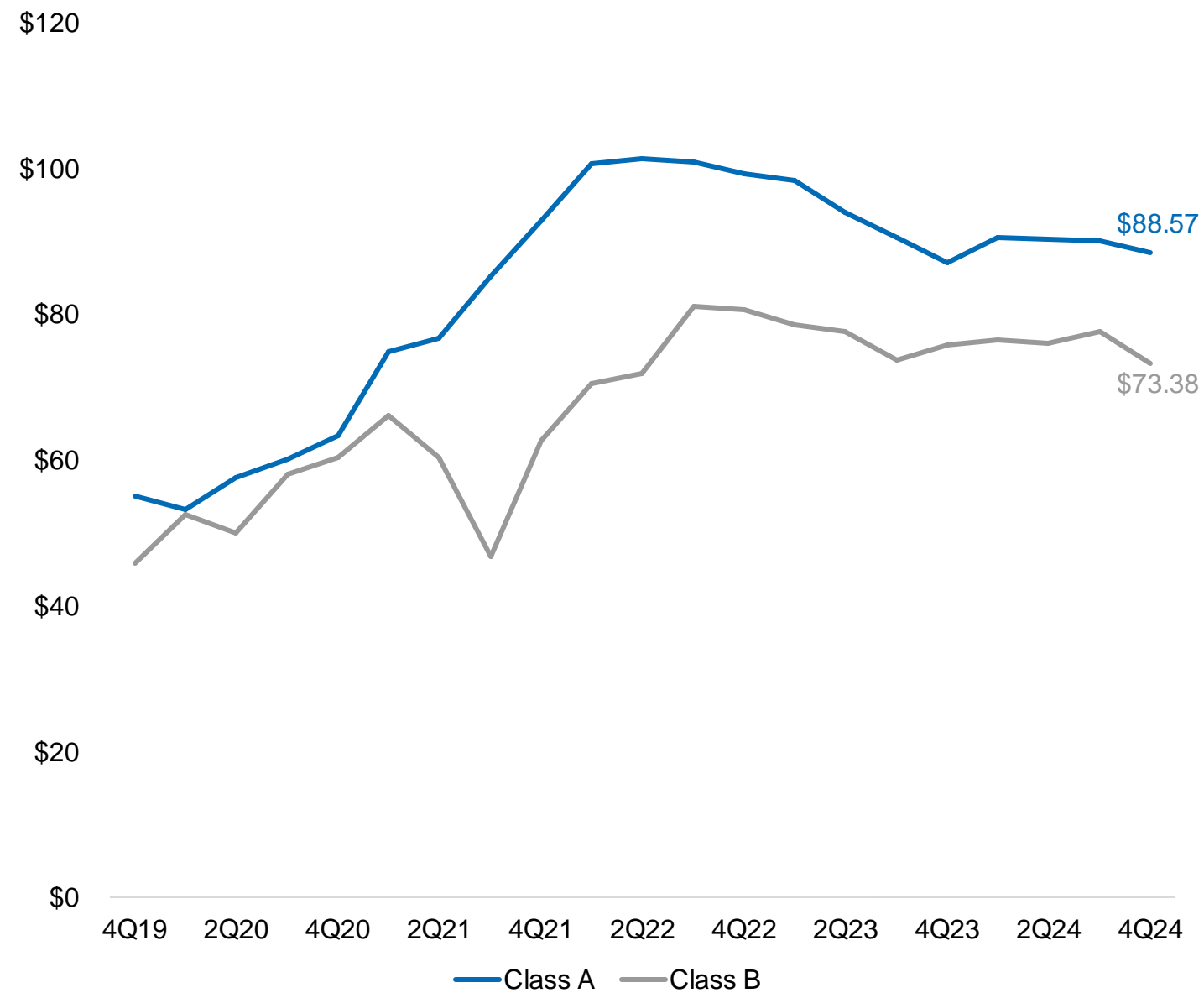
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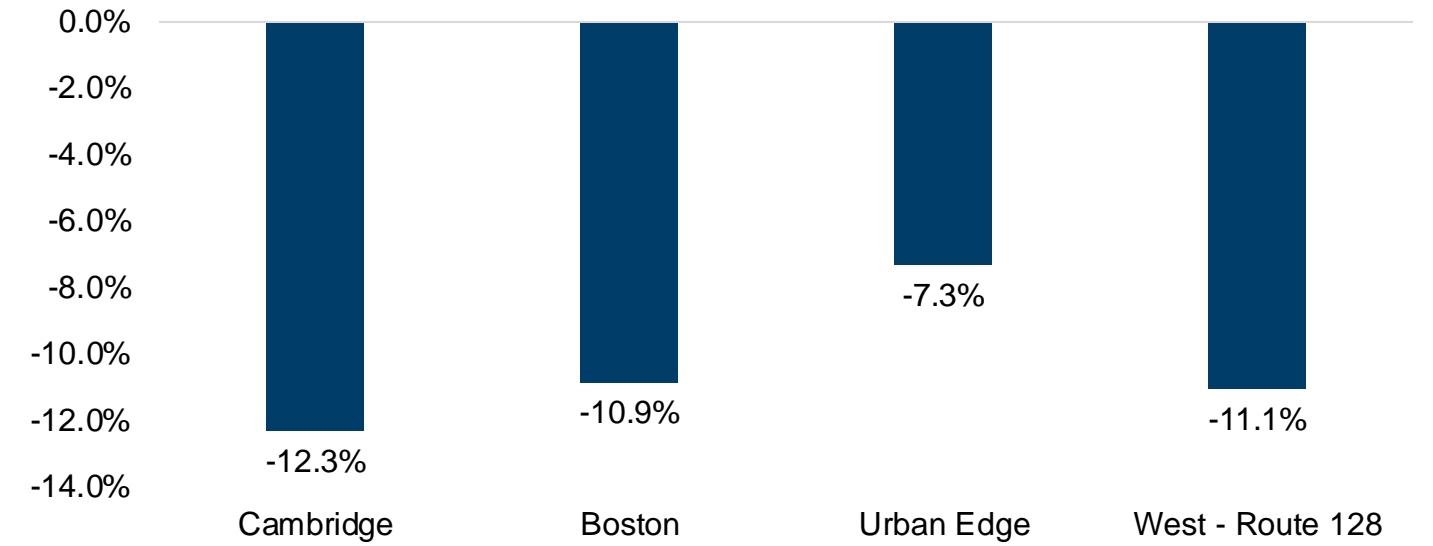
# Laboratory Rents Continued to Slide Through Year-End

Pricing for laboratory space in Greater Boston is off 10.7% from the peak due to weaker market fundamentals. User-centric market conditions will persist due to supply-side pressures, and tenants will maintain negotiating power. New construction may keep lease rates elevated, but expectations are for further price reductions in the coming quarters.

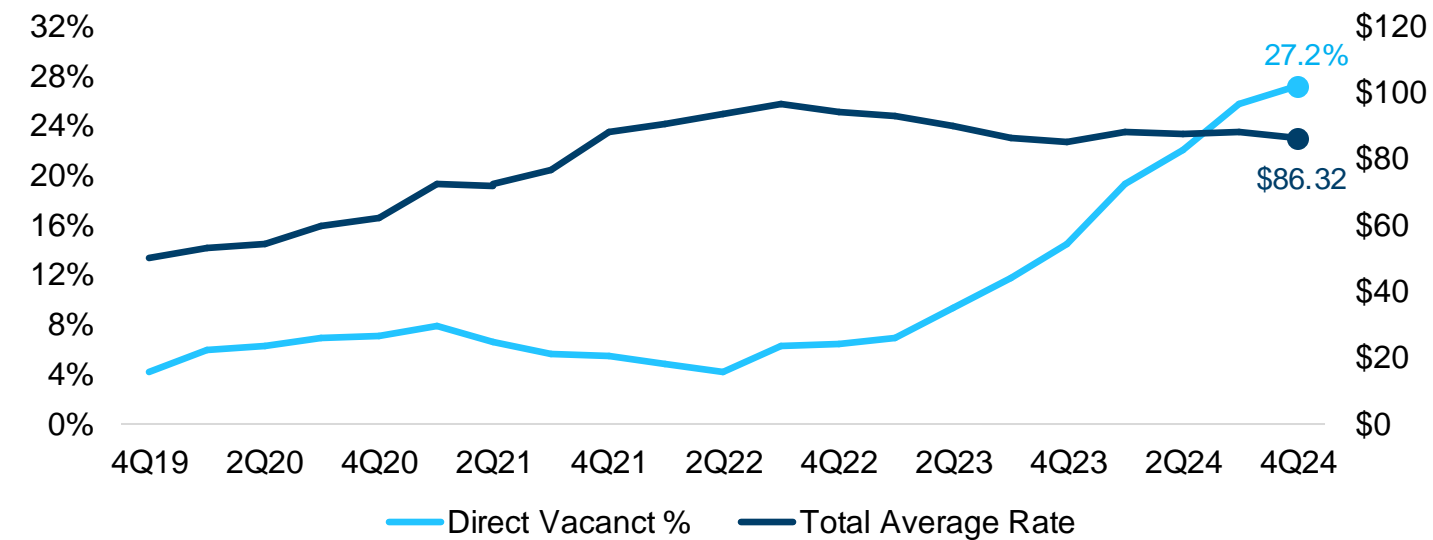
Average Asking Rent (\$/SF) by Class



Change in Average Asking Rent (\$/SF) Peak to 4Q24



Direct Vacancy vs. Average Asking Rent (\$/SF)



Source: Newmark Research



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# Submarket Overviews





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