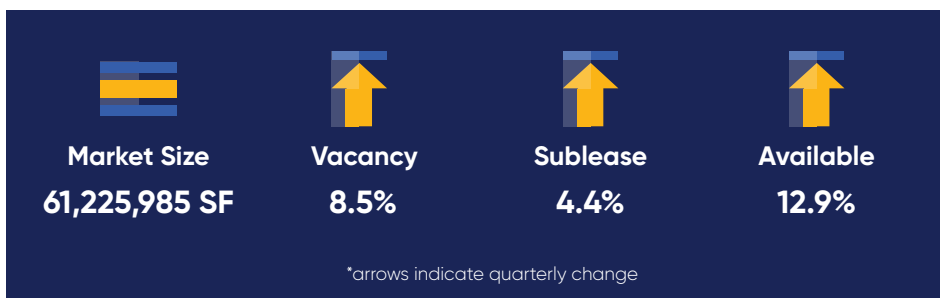


# Market Report

## Downtown CBD

As the unprecedented global health crisis continues into the fall of 2020, **we are starting to get a peek at the long-term effects on the economy and commercial real estate market.** 1.1 million SF of new sublease inventory came available in Q3, as more spaces continue to hit the market daily. Despite these increasing numbers, the overall sublease market is still below the inventory levels seen during the “dot com” crash of the late 1990’s and early 2000’s. Leasing velocity remains slow, but tenant activity in the market has picked up. At this moment, workplace reentry strategies vary. A small number of Boston companies have reentered the workplace in a limited capacity by restricting the number of daily employees, implementing new sanitation protocols and alternating work shifts. Many companies have indefinite work-from-home strategies in place until the further development of a COVID-19 vaccine, while some have decided to employ an entirely virtual workplace for the foreseeable future.

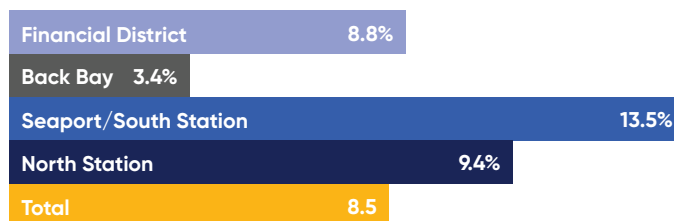


## Rental and Vacancy Rates

### ▶ Asking Rent (\$/SF)

Class A	Class B
\$71.46	\$55.53
\$76.71	\$55.68
\$78.08	\$58.92
N/A	\$49.44
<b>\$73.08</b>	<b>\$56.38</b>

### ▶ Vacancy Rate



## Recent Transactions

Tenant	Size (SF)	Submarket	Type	Sector
CRISPR Therapeutics	263,500	South Boston	Relocation	Lab/Office
State of Massachusetts	36,951	Financial District	Relocation	Office
Scorpion Therapeutics	36,000	Financial District	Relocation	Lab/Office
RBC Capital Markets	16,338	Financial District	Relocation	Office
Frontier Capital	14,636	Financial District	Renewal	Office
BNP Paribas	10,604	Financial District	Relocation	Office

## Market Trends



### Sublease Inventory Grows

66 new subleases over 5,000 SF, totaling 1.1 million SF, came onto the market in Q3. Sublease inventory is now 4.4% of the downtown market.

### Minimal Rent Movement

Average Class A rents are down by \$0.54/SF, while average Class B rents are down by \$0.31/SF.

## Occupier's Perspective

### No Notable Rent Corrections Yet

Landlords are starting to feel slight pressure to reduce asking rents due to continued slow leasing velocity and the significant amount of sublease inventory. The timeline for notable rent corrections remains ambiguous but will provide opportunities for tenants looking to transact a lease in 2021.

### Flexibility is Key

In the face of so much uncertainty, many tenants with impending lease expirations are focusing on short-term lease renewals.

### Reentry to the Workplace

As 2021 approaches, companies are starting to prepare their strategy for workplace reentry.

# Market Report Cambridge Office

Overall, the Cambridge office market is healthy. Vacancy levels remain in the low single digits, and in some cases, rents are eclipsing \$100/SF in East Cambridge. Over the last decade, many of the small- to mid-sized companies in Cambridge relocated to cheaper submarkets, while big tech firms and biotechs absorbed much of the space. East Cambridge became more of a “big tenant” market, with just 10 companies occupying 62% of the inventory. In light of COVID-19, many of these larger users are reevaluating their space needs, and some have already begun to downsize. This space isn’t likely to be absorbed quickly, as **the pool of office occupiers that want to be in Cambridge these days is limited**. Also, Boston is just a few stops away on the Red Line, and rents are 30% lower. As more space comes back, there will be further opportunities for occupiers that find value in a Cambridge address. It’s also likely that expanding biotechs will lease space.

## Market Trends



### Demand Way Down

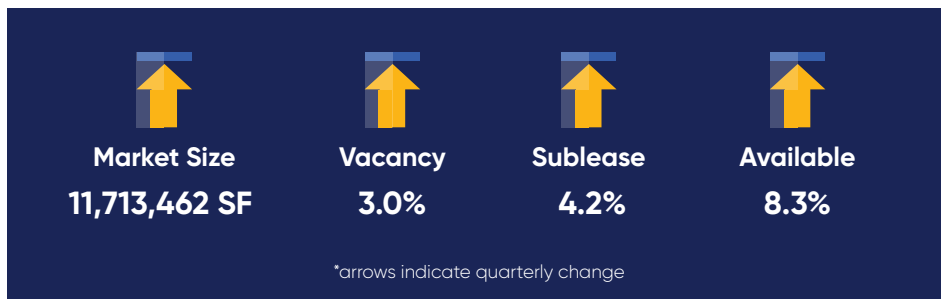
As the majority of office workers are currently working remote, there is less urgency to transact and commit to new space.

### Increase in Sublease Activity

As companies laid off employees and revisited hiring projections, over 500,000 SF of sublease space hit the market. More is expected, including significant “shadow space” that is widely known as available, although not officially on the market.

### Office-to-Lab Conversions

With softening conditions in the office market and sustained demand from biotech users, office buildings with the appropriate infrastructure will be prime candidates for conversion.

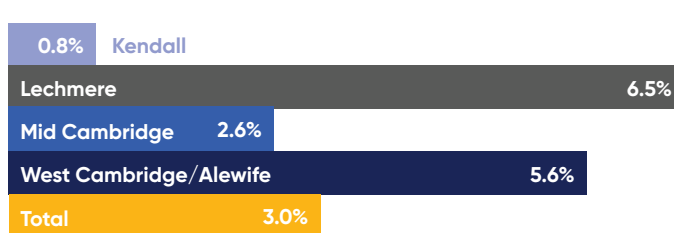


## Rental and Vacancy Rates

### ▶ Asking Rent (\$/SF)

Class A	Class B
\$100.00	\$90.00
\$96.00	\$88.00
\$75.00	\$65.00
\$58.00	\$46.00
<b>\$86.00</b>	<b>\$76.00</b>

### ▶ Vacancy Rate



## Recent Transactions

Tenant	Size (SF)	Submarket	Type
MORSE Corp	50,000	Kendall Square	Relocation
Ono Pharmaceutical	17,000	Kendall	New to Market
Salesforce	12,000	Mid Cambridge	Expansion

## Occupier's Perspective

### Opportunity Knocks

Occupiers with interest in Cambridge will find quality sublease space become available. These are long-term, plug-and-play opportunities that can minimize capital outlay.

### Rethinking the Workplace

As companies prepare for workplace reentry, they will have to develop plans for occupying their space. Many will maintain work-from-home flexibility for employees moving forward.

# Market Report Cambridge Lab

While many sectors have seen a significant reduction in demand in the wake of COVID-19, **the Life Science market in Greater Boston has remained quite active**. Availabilities in East Cambridge continue to be limited, but some large leases this past quarter will create new opportunities in the market. CRISPR Therapeutics signed a lease for 260,000 SF in South Boston, which will bring over 90,000 SF of contiguous lab space to the market in East Cambridge when they move in 2022. Bristol Myers Squibb also signed a lease for 360,000 SF at Cambridge Crossing in East Cambridge to consolidate multiple Cambridge facilities. This move will result in the availability of another 150,000 SF of contiguous lab space in East Cambridge, and likely additional availability in West Cambridge where they occupy additional space. Micro-clusters like West Cambridge, Watertown and Boston's Seaport continue to mature and develop. Alexandria's acquisition of Watertown's Arsenal on the Charles complex and their plans for conversion and development of lab space will provide much needed supply to the inventory. In West Cambridge, IQHQ's acquisition of a 26-acre site adjacent to the Alewife MBTA station will do the same in that submarket. With slowing demand for office space in Cambridge and more office space expected to come back from occupiers whose needs are changing, we expect to see more office-to-lab conversions occur.

## Market Trends



### Movement in the Market

The several large leases signed this quarter will result in relocations and consolidations in Cambridge and beyond. This movement will create new availabilities and opportunities.

### Outward Migration

Cambridge's limited inventory has furthered the push out to the suburbs. Due to public transit safety concerns and recent suburban acquisitions, this trend will continue.

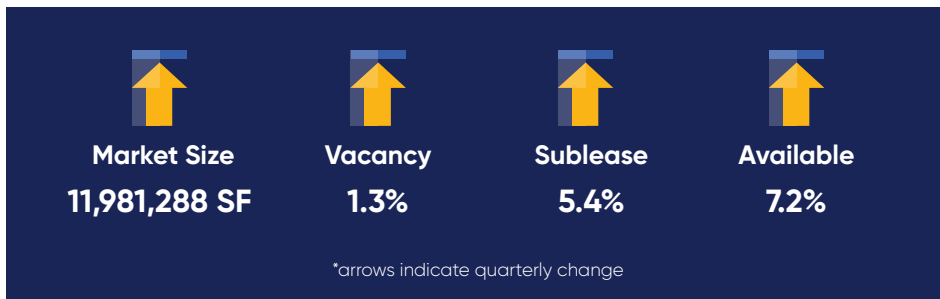
## Occupier's Perspective

### Business as Usual

With no real market correction and continued space constraints, occupiers should plan diligently for their future needs so they can act quickly when opportunities arise.

### Divided Culture

Many life science companies have kept labs operational while office-based employees work remotely. However, maintaining culture and morale with a bifurcated workforce continues to be a challenge.



## Rental and Vacancy Rates

▶ Asking Rent (\$/SF)		▶ Vacancy Rate	
Class A	Class B		
\$105.00 NNN	\$98.00 NNN	0.7%	East Cambridge
102.00 NNN	\$92.00 NNN	0.2%	Mid Cambridge
\$82.00 NNN	\$72.00 NNN	6.2%	West Cambridge/Alewife
<b>\$98.00 NNN</b>	<b>\$88.00 NNN</b>	<b>Total 1.3%</b>	

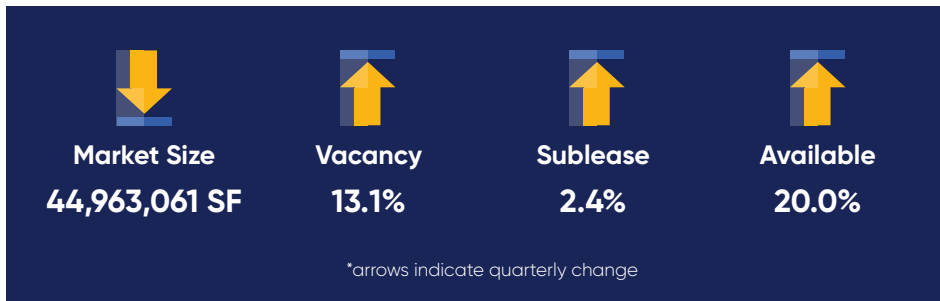
## Recent Transactions

Tenant	Size (SF)	Submarket	Type
Bristol Myers Squibb	360,000	East Cambridge	Relocation
GSK	25,000	East Cambridge	New Site

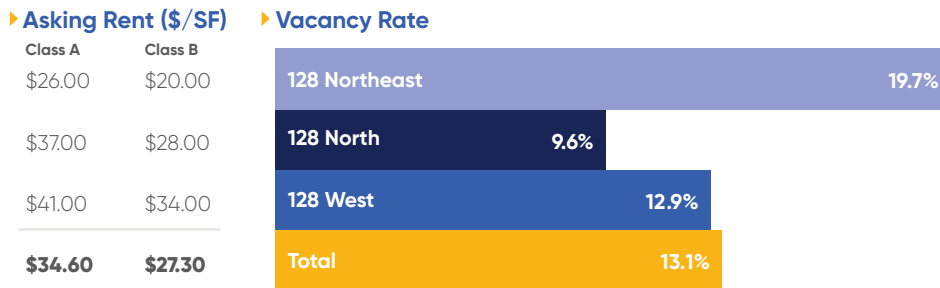
# Market Report

## Suburban Route 128

As we head into the final stretch of 2020, we are left looking into a crystal ball. A pricing adjustment has yet to hit the market, as landlords haven't felt the pressure to compete with sublease space. While some employers are phasing employees back into their space, **there's still an overwhelming sentiment to maintain a "wait and see" approach**, especially with the election on the horizon and an uncertain winter ahead. Anticipate that pricing modifications may come to fruition in the next 6-12 months. In the meantime, if you determine you want to pursue a short-term extension, leverage landlords' openness while the willingness is still there.



### Rental and Vacancy Rates



### Recent Transactions

Tenant	Size (SF)	City/Town	Type	Sector
Markforged	36,291	Watertown	Renewal	Office
Integral Health	29,263	Lexington	New Lease	Lab
Norfolk & Dedham	27,080	Needham	Relocation	Office
Acronis	20,778	Burlington	Renewal	Office
Dragonfly Therapeutics	20,093	Waltham	Relocation	Lab
Fareharbor	11,838	Needham	Renewal	Office

### Market Trends



#### No Stop for Life Science

As Good Manufacturing Practice (GMP) and lab groups forge ahead, suburban markets like Lexington, Waltham and Watertown thrive. With many suburb-based employees, a Kendall Square location isn't necessary.

#### Subleases Trickle In

Unlike Downtown, the 128 Central market hasn't seen a huge dump of subleases. However, more sublease opportunities continue to come on-line each week.

#### Flexibility is King

As they determine their futures, tenants face uncertainty. Conversations about flexible 1- or 2-year extensions, rather than traditional 5+ year leases, are taking place.

### Occupier's Perspective

#### Capitalize on Sublease Inventory

When moving ahead with space requirements, consider a sublease for discounted short-term flexibility, often with cost-saving opportunities like furniture and wiring included.

#### Gather Your Data Now

If you have a lease coming up within the next 2 years or so, start doing your internal homework now regarding your workforce and their preferences. Having this data ahead of kicking-off your lease project will help tremendously in determining space needs and anticipated usage.

#### Over-Communicate

If you foresee obstacles affecting tenancy, approach your landlord sooner rather than later for an in-person conversation. Open lines of communication can create willingness to explore solutions, such as termination or early marketing.

# Market Report

## Suburban Route 495

Unsurprisingly, the 495 market observed a similar period of activity in Q3 as it did in Q2. The office sector, which experienced little velocity and “new” leases, realized an uptick in asking rental rates despite the addition of approximately 300,000 SF in sublease opportunities and a negative 2.3% vacancy. **Landlords, in a reflection of an inert market, have yet to feel pressure to reduce asking rents.** However, the flex and industrial markets are a much different story. Those tenants occupy building profiles that are much easier to safely access in the current environment, inherently making it a more active market. Additionally, the profiles of flex tenants are often more parallel to what the economy considers essential, allowing a more “business as usual” mindset. Without a need to access premises by means of congregating employees (single-story or 2-story buildings vs. elevator access), it is much easier for groups to be active in the market and assess their space needs as they grow or contract throughout 2020 and beyond.

Moreover, **demand in the life science and e-commerce sectors, already strong pre-pandemic, has hit a new velocity**, as relatively little-to-no new supply has been observed along the 495 belt. However, there is a strong push for buildings to enter a lab conversion play, similar to what we see along 128. Despite the high cost of improving base-building infrastructure needs, landlords and developers are looking to cash in on the nearly 3.7MM of future lab space demand the Boston market is experiencing. This development has already proved dividends in the form of strong activity at Cisco’s old Eastern HQ in Boxborough.

### Market Trends



#### Sublease Market

Since the end of June, approximately 300,000 SF of sublease space hit the market in the MetroWest and 495 North, signaling a softening in the market.

#### Suburban Insulation

Purely by building design, suburban markets may fare better than their urban counterparts as employees are more willing to take the stairs than elevators to their offices.

#### Flex Market Remains Strong

As rental rates continue to escalate, demand in the flex market has not slowed down.

## Rental and Vacancy Rates

### Office

#### ▶ Asking Rent (\$/SF)

Class A	Class B
\$23.81	\$19.21
\$19.33	\$16.14
\$21.64	\$18.79

#### ▶ Vacancy Rate

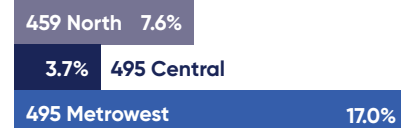


### Flex

#### ▶ Asking Rent (\$/SF)

\$12.08 NNN
\$9.45 NNN
\$10.83 NNN

#### ▶ Vacancy Rate



## Recent Transactions

Tenant	Size (SF)	City/Town	Type	Sector
Homans Associates	208,992	Wilmington	Relocation	Warehouse
Lowes	178,857	Wilmington	New Lease	Warehouse
ThermoFisher	85,000	Chelmsford	Purchase	Flex
Exergen	58,000	Methuen	New Lease	Flex
Malvern Panalytical	24,000	Westborough	Relocation	Office/Lab
Locus Robotics	19,200	Wilmington	Expansion	Flex
Zee Vee Inc.	13,000	Littleton	Renewal	Office

## Occupier's Perspective

#### Balance Concessions

Don't expect a significant buildout allowance from your landlord on your next lease or lease renewal. Instead, focus on free rent concessions.

#### Keep Track of Space Optimization

Keep tabs on pre-pandemic and current space optimization to help bring clarity to short-term real estate planning.

#### Don't Expect a Huge Rent Correction

Secondary office markets like 495 do not experience massive upticks or decreases in rent. Expect some, but not a significant, correction in rents as the market catches up to the economy.