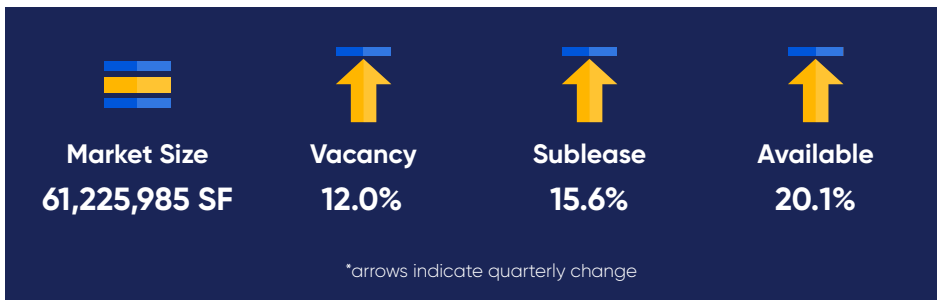


Market Report Boston CBD

After 15 months of great uncertainty caused by the COVID-19 pandemic, **Boston's high vaccination rate and sustained low case count have given office occupiers the confidence to plan for a return to the physical workplace, and in turn, the office market recovery is starting to take shape.** Relative to the stagnant market activity of 2020, the increase in touring and leasing activity bodes well, yet this market will face significant headwinds in the coming months. The two million square foot increase in sublease space in 2020 was a major setback for landlords. Additionally, tenants of all sizes across industries are reevaluating their workplace policies, use of space, and footprint size – most of which are shrinking. Many tenants are reluctant to commit to a long lease term or high capital outlay without knowing how their workplace should support their workforce in the future. As we move past this period of pent-up demand, look for asking rents to further correct in favor of tenants as landlords start to view the market recovery as a long, sustained effort marked by shrinking tenant requirements and an influx of new supply.



Rental and Vacancy Rates

▶ Asking Rent (\$/SF) ▶ Vacancy Rate

Class A	Class B
\$71.23	\$53.28
\$75.97	\$55.62
\$78.01	\$62.30
N/A	\$47.65
\$72.68	\$56.61

Financial District	12.4%
Back Bay	5.7%
Seaport/South Station	17.9%
North Station	14.1%
Total	12.0%

Recent Transactions

Tenant	Size (SF)	Submarket	Type	Sector
Whoop	121,000	Fenway	Relocation	Office
Hydrow	33,125	Financial District	Relocation	Office
Leyton	29,645	Financial District	Relocation	Office
Validity	25,724	Financial District	Relocation	Office
Praxis Precision Medicine	25,445	Financial District	Relocation	Office
Kantar	23,397	Back Bay	Relocation	Office

Market Trends



Demand Returns

Long-dormant demand has returned to the marketplace as occupiers plan to return to the workplace in the second half of the year.

Downsizing Carries On

As occupiers continued to downsize in the first half of 2021, the Boston office market experienced over one million square feet of negative absorption.

Hybrid Work

Boston's tenant base is undergoing a widespread reevaluation of how and where they work, and what size space is needed to support their business.

Occupier's Perspective

Concessions on the Table

Occupiers have a renewed ability to negotiate for richer concessions such as free rent and improvement allowances, as well as the flexibility to apply improvement allowances to soft costs and rent.

Proceed with Caution

Subleases can come with risks, and tenants should understand the credit risk their potential sub-landlord may have, as well as the hidden costs of "plug and play" subleases.

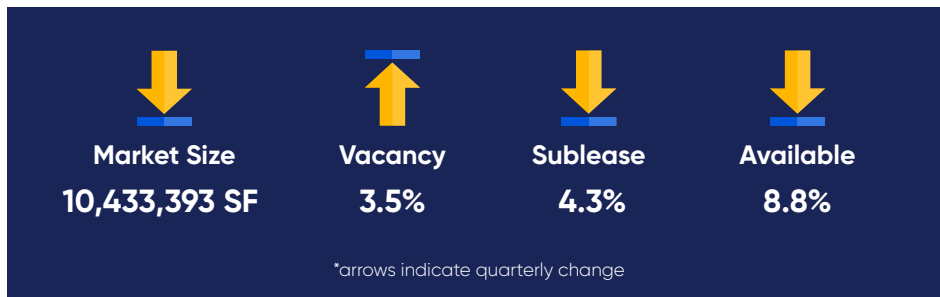
Seeking Security

Following a year of rent deferment and occasional default discussions with tenants, many landlords are seeking higher security deposits than in the past.

Market Report

Cambridge Office

The Cambridge office market remains healthy, with continued low single-digit vacancy. While some of the sublease space that hit the market during the height of the COVID-19 pandemic is still available, much has been committed. **The life science market has played a big part in driving recent office activity.** Earlier in the year, Blackstone/Biomed sublet 2 floors, totaling 50,000 SF, from Boeing at 314 Main Street. Moderna continued their growth and sublet 16,000 SF at 141 Portland Street, and 46,000 SF at nearby 1 Hampshire Street. Office-to-lab conversions have also played a significant role in keeping office vacancies low. The majority of Class A office inventory in Alewife has been recently converted or is currently underway. Alexandria has acquired 1 Rogers Street and 1 Charles Park from The Davis Companies, who began the conversion process before selling. The large vacancy created in these buildings by IBM vacating and Pegasystems relocating early, is already fully committed. **The office tenant profile in East Cambridge is increasingly a mix of large, well-established tech companies and big pharma. As demand for lab space remains high, we expect office-to-lab conversions to continue and the inventory of office space in Cambridge to continue to decrease.**



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
\$86.00	\$76.00

▶ Vacancy Rate

Kendall	2.1%
Lechmere	6.2%
Mid Cambridge	4.8%
West Cambridge/Alewife	2.9%
Total	3.5%

Recent Transactions

Tenant	Size (SF)	Submarket	Type
Facebook	250,000	Kendall Square	Expansion
Moderna	46,000	Kendall Square	Expansion
Morse Corporation	30,000	Kendall Square	Expansion
Moderna	16,000	Kendall Square	Expansion

Market Trends



Return to Office

Market activity increased in the last quarter, as companies plan their return to the workplace, many with changes in mind about how and where they work.

Life Science Impact

Much of the current activity in the Cambridge office market is from life science companies looking to solve additional space needs that cannot be accommodated in existing facilities.

Shrinking Market

With continued office-to-lab conversions, the size of the Cambridge office market is decreasing, particularly in Alewife. Historically a lower cost alternative for office space, Alewife is now one of the fastest developing life science clusters in the region.

Occupier's Perspective

Sublease Vigilance

Many companies are marketing their space for sublease with plans to find space that better fits their (post-COVID) needs. Be cautious when engaging on a sublease to ensure all parties are aligned on timing and expectations.

The Boston Alternative

With much of Alewife and Watertown focused on lab development, these areas are not the cost-effective relief valve they once were for tenants coming out of East Cambridge. With comparable access to public transit and more space availability, Boston is a viable alternative.

Still a Tight Market

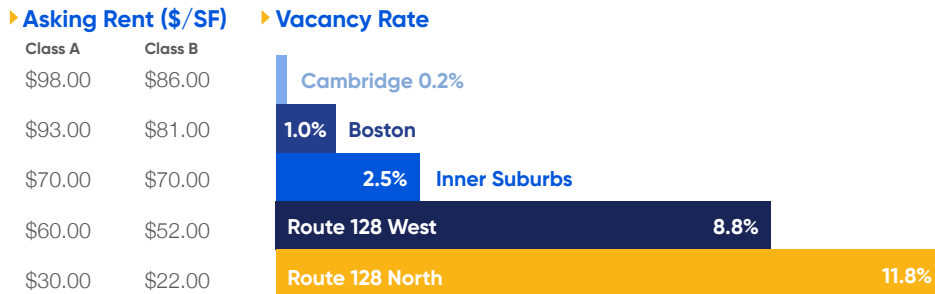
Despite a temporary reduction in demand through COVID, vacancy in the Cambridge office market is low. Continued conversion of office buildings to lab only helps remove some of the vacancy, tightening the market even further.

Market Report

Life Sciences

The Greater Boston life science market is stronger than ever. Coming off an active second half of 2020, bucking trends in most other office centric markets, Greater Boston has only seen an increase in demand and leasing velocity in 2021. **Space constraints continue to push tenants to consider wider geographies to the benefit and growth of clusters outside of Cambridge.** Major life science landlords such as Alexandria and Biomed have made multiple, large acquisitions – both acquiring assets outside of Cambridge, where until recently they had remained laser focused. In addition, more landlords are getting involved with the development of new sites and conversion of existing buildings, helping to bring sorely needed inventory to the market. There are a number of projects with delivery timing of 2023 and beyond – availabilities in 2021 and 2022, however, are quite limited, which has created a frenzy of activity for tenants with more immediate needs.

Rental and Vacancy Rates



Recent Transactions

Tenant	Size (SF)	Submarket	Type	Sector
Accelaron Pharma	250,000	Boston (Seaport)	Relocation	Lab
Bristol Myers Squibb	112,000	East Cambridge	Expansion	Lab
Strand Therapeutics	60,000	Boston (Fenway)	Relocation	Lab
Affinivax	56,000	East Cambridge	Expansion	Lab
Solid Bio	50,000	Inner Suburbs	Relocation	Lab
Vor Bio	35,000	Alewife	Expansion	Lab

Market Trends



Space is Scarce

With so much recent growth from existing and new companies, any space that had been readily available is now committed. There are several developments with a delivery timing of 2023 and beyond, but occupiers that need space in 2021-2022 have limited options.

Future Market Growth

Life science-focused landlords continue to push to acquire new sites with the potential for lab conversion, given the demand for space and limited availability.

Occupier's Perspective

Lab Users Beware

As some less-experienced landlords advertise their buildings as accommodating lab users, occupiers should ensure any space they consider has the necessary base building upgrades in place.

Security Deposit Negotiations

Security deposits can be a significant deal term that is sometimes overlooked in early stages of negotiations. With lab rents and construction costs on the rise, landlords seem to be digging deeper into occupiers' financials to ensure they are comfortable making their own financial commitments.

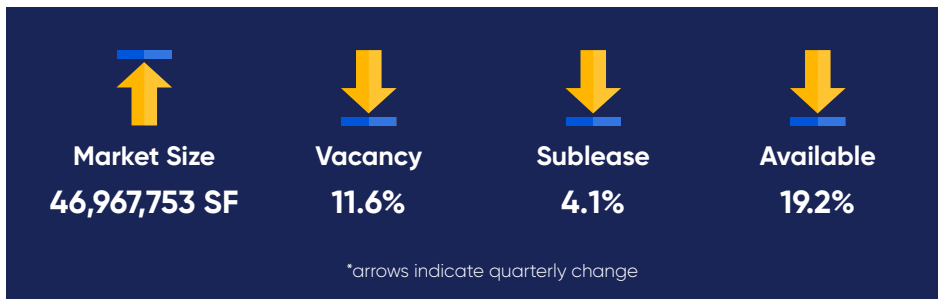
Proper Turnkey Solutions

Early-stage biotech companies prefer not to spend their funding on building out facilities. Fortunately, many landlords understand this, and true turnkey solutions are becoming increasingly common.

Market Report

Suburban Route 128

The Route 128 corridor continues to establish itself as a life science cluster beyond Kendall Square. In the last quarter, significant lab/R&D commitments have been made, including 225 Wyman Street, 828 Winter Street and 41 Seyon Street in Waltham, along with 4 Maguire and 20 Maguire Road in Lexington, totaling nearly 900,000 SF. Suburban owners continue to capitalize on office-to-lab conversions, either full asset or portions of space, and lab rents continue to grow in line with the increased activity. While office market activity slowly shows signs of improvement, rents have not changed much. **After a few quiet quarters, sizable office relocations have added a much-needed confidence boost to the suburban office market.** Activity for sublease space has increased, although much of the product that came on the market at the pandemic's onset has less than three years left on the lease. These sublease occupiers should prepare to evaluate their options – one of which is being ready to negotiate a new direct deal at a market rate (prepped with the knowledge that these rates that have not come down over the last 18 months). In the second half of the year, we expect to see a continued evolving tenant base and tenant requirements, as the market diversifies, and VC dollars continue to flood the life science market. As remaining subleases start to burn off, we will also see whether landlords face giving additional concessions to lease-up whatever product returns to them.



Rental and Vacancy Rates

▶ Asking Rent (\$/SF)		▶ Vacancy Rate	
Class A	Class B		
\$26.00	\$20.00	128 Northeast	17.0%
\$38.00	\$29.00	128 North	12.0%
\$42.00	\$35.00	128 West	9.9%
\$39.00	\$29.50	Total	11.6%

Recent Transactions

Tenant	Size (SF)	City/Town	Type	Sector
Butterfly Networks	62,328	Burlington	Relocation	Office
Panera Bread	39,000	Newton	Relocation	Office
Invicro	36,224	Needham	Relocation	Lab
Rapid Micro	33,000	Lexington	Relocation	Office/Flex
Olink	21,180	Waltham	Relocation	Office/Light Lab
Quickbase	17,084	Waltham	Relocation	Office
Ardelyx	10,030	Waltham	Relocation	Office

Market Trends



Lab Conversions Continue

Office-to-lab conversions persist where feasible as a large amount space is under construction with full lab components and accommodations for light lab users.

The Rent Correction that Never Happened

The predicted rent correction never fully materialized. Instead, corrections briefly came in the form of a few extra months of free rent, but base rates held firm across the majority of the suburban market and continue to do so as we head into the post-COVID, return-to-office phase.

Lack of Industrial Space

Available flex and industrial product along Route 128 are virtually non-existent. Like life sciences, demand for high-bay, multi-dock space is crushing existing supply, and single-digit vacancies persist despite the relatively flat office market.

Occupier's Perspective

Turnkey Sticker Shock

Skyrocketing construction pricing is impacting TI allowances and full turnkey construction jobs. Occupiers looking for landlords to provide a complete turnkey package should prepare to add additional lease terms, pay cash out of pocket, or increase base rent.

Return of Amenities

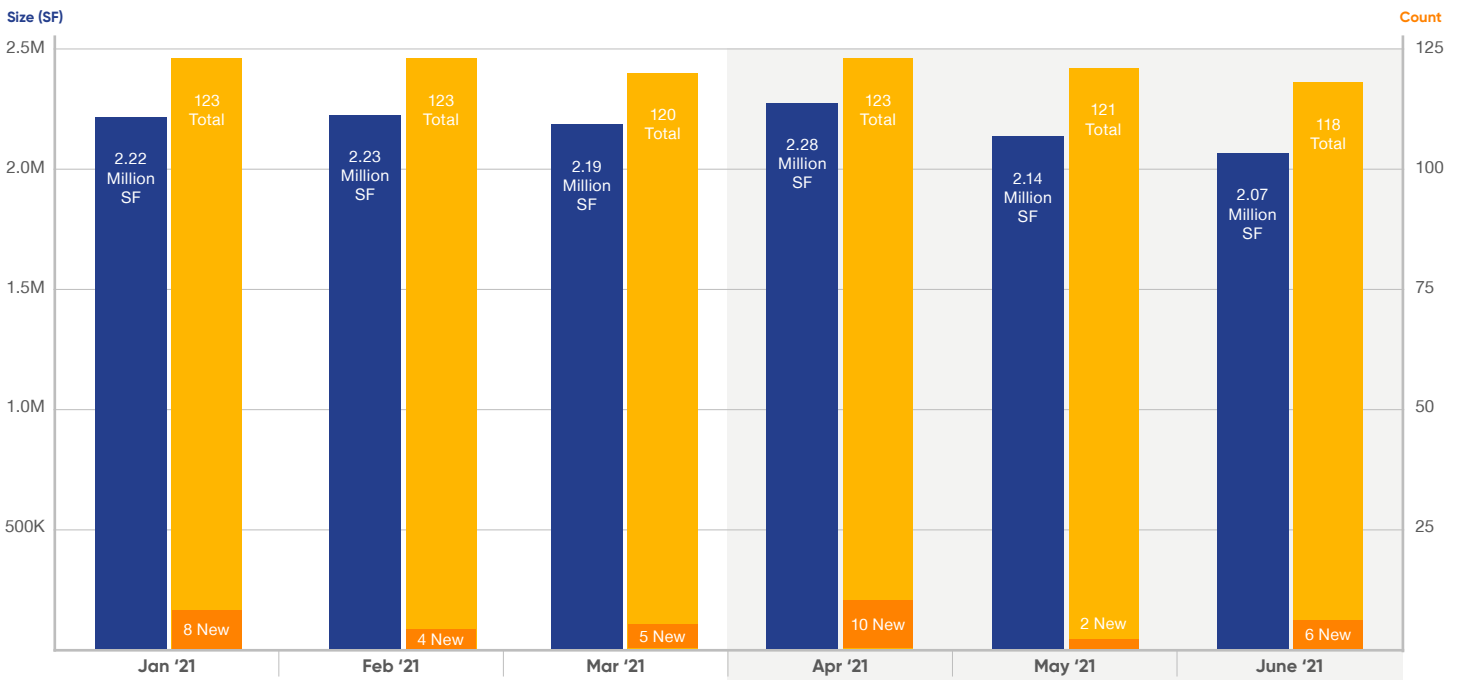
Workplace amenities, including cafés, fitness centers and conference rooms, have mainly remained closed for the last 16 months. Anticipate these amenities to be up and running after Labor Day when landlords expect enough employee foot traffic to make services worthwhile.

Sublease Observations

Suburban Route 128

While the pipeline of new subleases hitting the market has begun to slowly thin out compared to this quarter last year (192,000 SF came to market in Q2 2021 vs. 389,000 SF in Q2 2020), just under 2.1 million square feet of sublease product remains available today. However, **34% of this available inventory is set to expire within the next 18 months**. As a result, we'll likely see a combination of early terminations to make way for direct deals and an uptick in direct availability, as any expiring subleases that remain unleased come back to Landlords.

Sublease Space by Month



New and Notable Subleases in Q2 2021

Tenant	Address	City/Town	Size (SF)
Panera Bread	63 Kendrick Street	Needham	30,575
VistaPrint	170 Tracer Lane	Waltham	23,000
Arrowstreet Capital	1000 Winter Street	Waltham	11,588
InfoGroup	20 Mall Road	Burlington	20,661
Ophthalmic Consultants of Boston	195 West Street	Waltham	22,457

An estimated 221,000 SF of the available sublease product on the market is anticipated to be leased by the end of the third quarter.

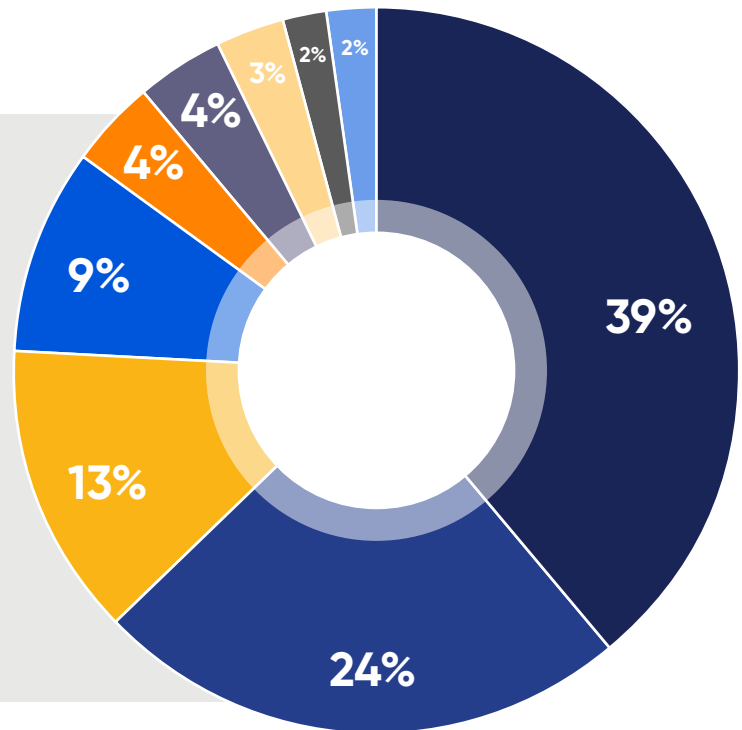


Sublease Observations

Suburban Route 128

Subleases By Industry

Technology	808,680 SF
Professional Services	492,507 SF
Healthcare/Medical Device	262,793 SF
Life Sciences	169,138 SF
Financial Services	98,151 SF
Manufacturing	95,953 SF
Energy	57,040 SF
Other (Real Estate, Nonprofit, Legal)	37,675 SF
Consumer Goods	35,678 SF



Big Name Subleases that Remain on the Market



188,220 SF

174 Middlesex Turnpike, Bedford



115,038 SF

940 Winter Street, Waltham



87,639 SF

950 Winter Street, Waltham



47,882 SF

80 William Street, Wellesley



30,642 SF

275 Wyman Street, Waltham



29,020 SF

133 Boston Post Road, Weston



23,839 SF

95 Network Drive, Burlington

Market Report

Suburban Route 495

Over the last quarter, the Route 495 office market got a jolt of energy with the announcement of a few key leases. Among them, BJ's Wholesale Club committed to a 190,000 SF lease at the Campus in Marlborough, and IBM signed a 150,000 SF lease at the Crosspoint Towers in Lowell. **These significant commitments from blue-chip companies are a sign that, slowly but surely, the office market is beginning to reemerge after a period of immobility.** However, the conversation is nuanced. These two leases alone represent negative absorption of roughly 390,000 SF, skewing some of the already-high vacancy rates in these submarkets. As companies focus their attention on creating new workplace strategies, anticipate that the office market will continue to observe negative absorption. **Flex and industrial property transactions remain the darling of all activity in the 495 market.** Ground-up industrial developments in Haverhill, Wilmington, Northborough, and Chelmsford will alleviate some of the effects of Amazon's fanatical growth in the region, although demand remains substantial enough to support further rent growth. In some instances, we've observed a 20-25% rent appreciation since Labor Day 2020, especially in those properties or complexes with new ownership groups. Pricing is at a considerable difference compared to where most tenants were executing lease deals 5-10 years ago.

Rental and Vacancy Rates

Office

▶ Asking Rent (\$/SF)

Class A	Class B
\$23.08	\$18.23
\$18.28	\$15.69
\$20.94	\$17.93

▶ Vacancy Rate

459 North	25.5%
495 Central	21.0%
495 Metrowest	28.8%

Flex

▶ Asking Rent (\$/SF)

\$13.07 NNN
\$10.68 NNN
\$11.26 NNN

▶ Vacancy Rate

5.1%	459 North
2.3%	495 Central
14.1%	495 Metrowest

Recent Transactions

Tenant	Size (SF)	City/Town	Type	Sector
BJ's	190,000	Marlborough	Relocation	Office
IBM	150,000	Lowell	Relocation	Office
T2 Biosystems	70,000	Billerica	Relocation	Office/Manufacturing
Woho Systems	45,000	Littleton	Renewal	Industrial
6K	33,000	North Andover	Expansion	Flex
Acosta	15,000	Marlborough	Relocation	Office

Market Trends



Landlords Flex Muscles

Landlords remain incredibly bullish on the flex and industrial asset classes, catering to the significant demand of e-commerce, R&D, manufacturing, and life sciences occupiers.

Capital Conversion

With a shortage of quality flex and industrial inventory, landlords are looking to convert or entirely raze office properties suitable for ground-up industrial development or office-to-flex conversion.

Office Market Remains Flat

The office market remains relatively inert with few significant lease commitments, as many companies grapple with new hybrid work models.

Occupier's Perspective

Flex Users Timeline Shift

A renewal date option should be a critical timeline marker for occupiers in flex and industrial spaces in order to protect their existing space.

Focus on Concessions

Office occupiers may be surprised to learn that asking rental rates have not shifted considerably. However, tenant improvement allowances and free rent concessions have increased to attract users.

Stay Connected with Employees

This paradigm shift into how and where employees work is a feeling-out period for everyone. Maintain check-ins with your employees to ensure a strong formula for both the employee and employer.