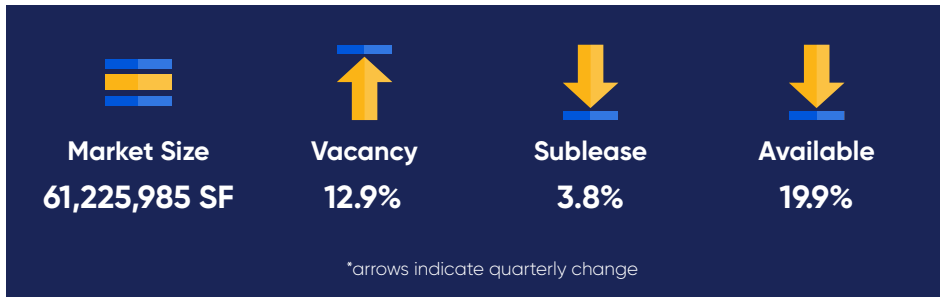


Market Report

Boston CBD

After 15 months of uncertainty caused by the pandemic, Boston's high vaccination rate and sustained low case count have given office occupiers the confidence to plan for a return to the workplace. In turn, the office market recovery is starting to take shape. Although the Delta variant gave many occupiers reason to pause their space search, the increase in touring and leasing activity bodes well. Still, this market will face significant headwinds in the coming months. The 2 million square foot increase in sublease space in 2020 was a major setback for landlords. Additionally, occupiers across industries are reevaluating their workplace strategy, including hybrid work, space use, and needed footprint – most of which are shrinking. However, strong leasing activity occurred in Q3 as many tenants returned to the market and signed leases. **As we move past this period of pent-up demand, asking rents will further correct in favor of occupiers** as landlords 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)

Class A	Class B
\$70.69	\$53.20
\$76.12	\$57.43
\$78.01	\$62.31
N/A	\$47.83
\$72.21	\$56.66

▶ Vacancy Rate

Financial District	13.8%
Back Bay	6.1%
Seaport/South Station	18.1%
North Station	14.0%
Total	12.9%

Recent Transactions

Tenant	Size (SF)	Submarket	Type	Sector
Wellington Management	524,000	Financial District	Renewal/Expansion	Office
GMO	95,000	Financial District	Relocation	Office
Demiurge Studios	37,649	North Station	Relocation	Office
Gunderson Dettmer	54,780 (16,780 expansion)	Seaport	Renewal/Expansion	Office
Validity	25,724	Financial District	Relocation	Office
Kantar	23,397	Back Bay	Relocation	Office

Market Trends

Sublease Availability Declines

After peaking at over 3 million square feet in Q4 2020, sublease availability has fallen to 2.3 million in Q3 2021 as tenants return to the market seeking short-term flexibility.

Life Science Conversions

Record demand for lab space has caused landlords to reposition approximately 2 million square feet of existing office inventory to life sciences use.

Rise of Hybrid Work

As part of their workplace strategy, occupiers continue to reevaluate how and where they work and what size footprint is needed.

Occupier's Perspective

Construction Challenges

Occupier fit-up projects continue to be adversely affected by rising construction costs and supply chain issues.

Richer Concessions

Occupiers have a renewed ability to negotiate for richer concessions and the flexibility to apply improvement allowances toward soft costs and rent payment.

Sublease Competition

With quality sublease space in high demand, occupiers seeking furnished, well-appointed space may encounter competition from other perspective subtenants.

Market Report

Cambridge Office

As many office occupiers work through their space needs moving forward, demand for office space in Cambridge continues to be limited. In many cases, plans to return to the workplace were delayed, as were the feedback and clarity many companies anticipated. **Hopefully, overall needs will become more evident through 2022 as there is an expectation that more decisions and commitments will be made.** In the meantime, demand in the life science market remains at a feverish pace. A growing number of office buildings in Cambridge with appropriate infrastructure and some vacancies are being considered for lab conversion, which has helped remove significant inventory and vacancy from the market. However, large blocks of space available for sublease from occupiers like Sanofi and Akamai push overall availability up over 10% for the entire Cambridge market. and the inventory of office space in Cambridge to continue to decrease.

Market Trends



Subleasing Continues

Some large office occupiers have decided to market a portion of their space for sublease as they've determined their overall space needs have changed for the near-term.

Life Science Impact

Much of the 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 Office Market

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

Occupier's Perspective

Opportunity Knocks

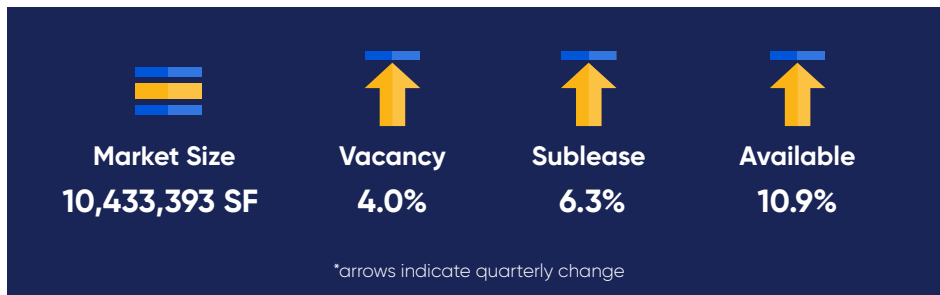
As larger blocks of quality office space hit the sublease market, occupiers considering their own needs now have a variety of higher-quality opportunities to consider.

The Boston Alternative

Alewife and Watertown are focused on lab development, and so these areas are no longer cost-effective rent relief valves. With comparable access to transit and more space availability, Boston is a viable alternative.

Conversion Caution

When looking for a new office, be aware that many buildings in Cambridge are candidates for lab conversion. These conversions can be disruptive to existing occupiers and should be avoided when possible.



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	2.6%
Lechmere	9.0%
Mid Cambridge	5.3%
West Cambridge/Alewife	1.6%
Total	4.0%

Recent Transaction

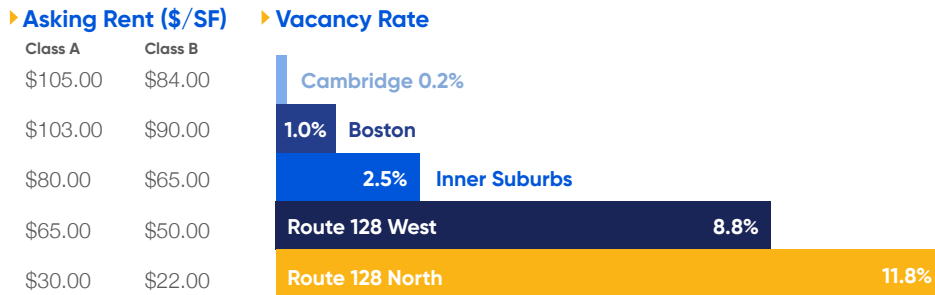
Tenant	Size (SF)	Submarket	Type
HubSpot	200,000	Lechmere	Expansion/Renewal

Market Report

Life Sciences

Demand for space in the Greater Boston life science market is at an all-time high. A significant increase in funding in the sector has propelled the growth of both existing and new ventures. **With limited supply, landlords are scrambling to develop new buildings and convert office buildings to accommodate lab users.** Some projects can meet a 2022 timeline, but many are 2023 and beyond, forcing many growing companies to secure short-term solutions in the interim. Adding to these supply-related challenges are delays in target occupancy dates due to a variety of factors, including power upgrades via the utility providers and issues with construction materials within the supply chain. As occupiers struggle to find the right solution, many are taking on more space than initially needed in order to secure some expansion.

Rental and Vacancy Rates



Recent Transactions

Tenant	Size (SF)	Submarket	Type	Sector
Moderna TX	466,000	Cambridge	New Facility	Lab
Flagship Pioneering	341,767	Cambridge	New Facility	Lab
Elevate Bio	160,000	Route 128 West (Waltham)	New Facility	Lab
Generation Bio	104,000	Route 128 West (Waltham)	New Facility	Lab
Verve TX	104,000	Boston	New Facility	Lab
Resilience TX	74,000	Route 128 West (Bedford)	New Facility	Lab
Gritstone Oncology	70,000	Boston	Relocation	Lab
KSQ TX	54,000	Route 128 West (Lexington)	Relocation	Lab
Keros TX	35,000	Route 128 West (Lexington)	Relocation	Lab

Market Trends



Office-to-Lab Conversions

With the uncertainty around returning to the office, buildings within mature life science clusters that have vacancy and appropriate infrastructure are strong candidates for lab conversion.

Planning for Growth

There is heavy competition for a limited supply and concern around future availability, leading occupiers to take on more space with a plan to sublease a portion until there's a need.

Occupier's Perspective

A Power Struggle

Utility providers are struggling to keep up with demand and stay on schedule. Occupancy may be directly tied to power upgrades, resulting in move-in delays.

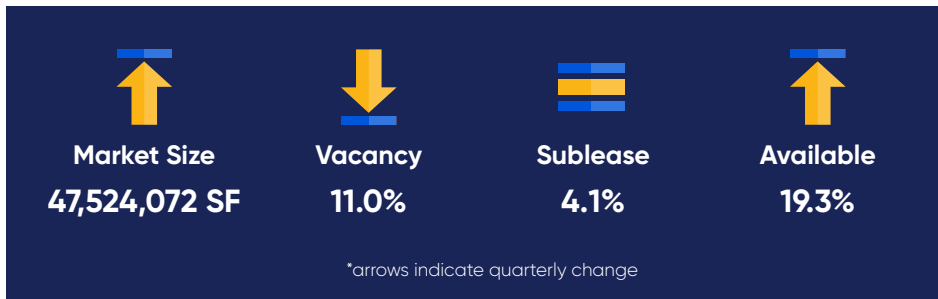
Growth Strategies

Lab relocation can be costly and disruptive. Ideally, occupiers can expand on existing footprints, otherwise leasing future growth space and securing a short-term subtenant can help to ensure available expansion space.

Market Report

Suburban Route 128

Closing the books on the third quarter of 2021, we continue to see life science players dominate market activity in the Route 128 corridor. The demand has a stronghold on much of the planned construction in the pipeline. **With landlords seeking to capitalize on lab, R&D, and flex requirements in light of the uncertain office environment, existing office inventory is forecasted to shrink** – up to 20% in Lexington, as a prime example. In addition, the sublease market appears to have peaked, as the number of new blocks hitting the market by office occupiers has notably cooled. In Q3, an average of four to five new subleases came to the market each month, while an average of eight were added this time last year and in the earlier quarters of the pandemic. These various factors will continue to push rents for quality spaces in buildings with desired amenities, despite the murky future of office space.



Rental and Vacancy Rates

▶ Asking Rent (\$/SF)		▶ Vacancy Rate	
Class A	Class B		
\$26.00	\$20.00	128 Northeast	17.0%
\$38.00	\$28.00	128 North	11.6%
\$44.00	\$35.00	128 West	9.1%
\$36.00	\$28.00	Total	11.0%

Recent Transactions

Tenant	Size (SF)	City/Town	Type	Sector
PegaSystems	130,835	Waltham	Relocation	Office
Allovir	78,541	Waltham	Relocation	Office
KSQ	60,000	Lexington	Relocation	Lab
Keros Therapeutics	38,500	Lexington	Relocation	Lab
NetBrain	38,000	Burlington	Renewal	Office
Walker & Dunlop	30,160	Needham	Relocation	Office
Seres Therapeutics	25,200	Waltham	Relocation	Lab
MediaTek	25,000	Woburn	Renewal	Office
BK Medical	16,277	Burlington	New Lease	Office

Market Trends

Speed Wins

Unrelenting demand for lab/R&D space from the life science sector is driving a speed-to-market approach, where landlords who can either convert existing product or build lab the fastest will continue to win more significant deals.

Rent Appreciates

Despite widespread remote work, office rents – namely for Class A product – continue to appreciate due to shrinking supply and low availability for quality, finished spaces.

Life Science & Industrial Focused Pipeline

Gone are the days of 100% pure office developments, as the majority of new product in the pipeline is either lab/R&D with an office component, or big blocks for industrial users looking for high-bay, high-loading capabilities.

Occupier's Perspective

Existing Quality is Scarce

Occupiers focused on securing move-in ready space should be prepared for a slim inventory due to most having been gobbled up on the sublease market. Therefore, be prepared to face a buildout to get a second-generation space up to today's top-of-the-line standards. Additionally, if a space with good conditions can be found, be ready to mobilize and commit quickly.

Mounting Construction Costs

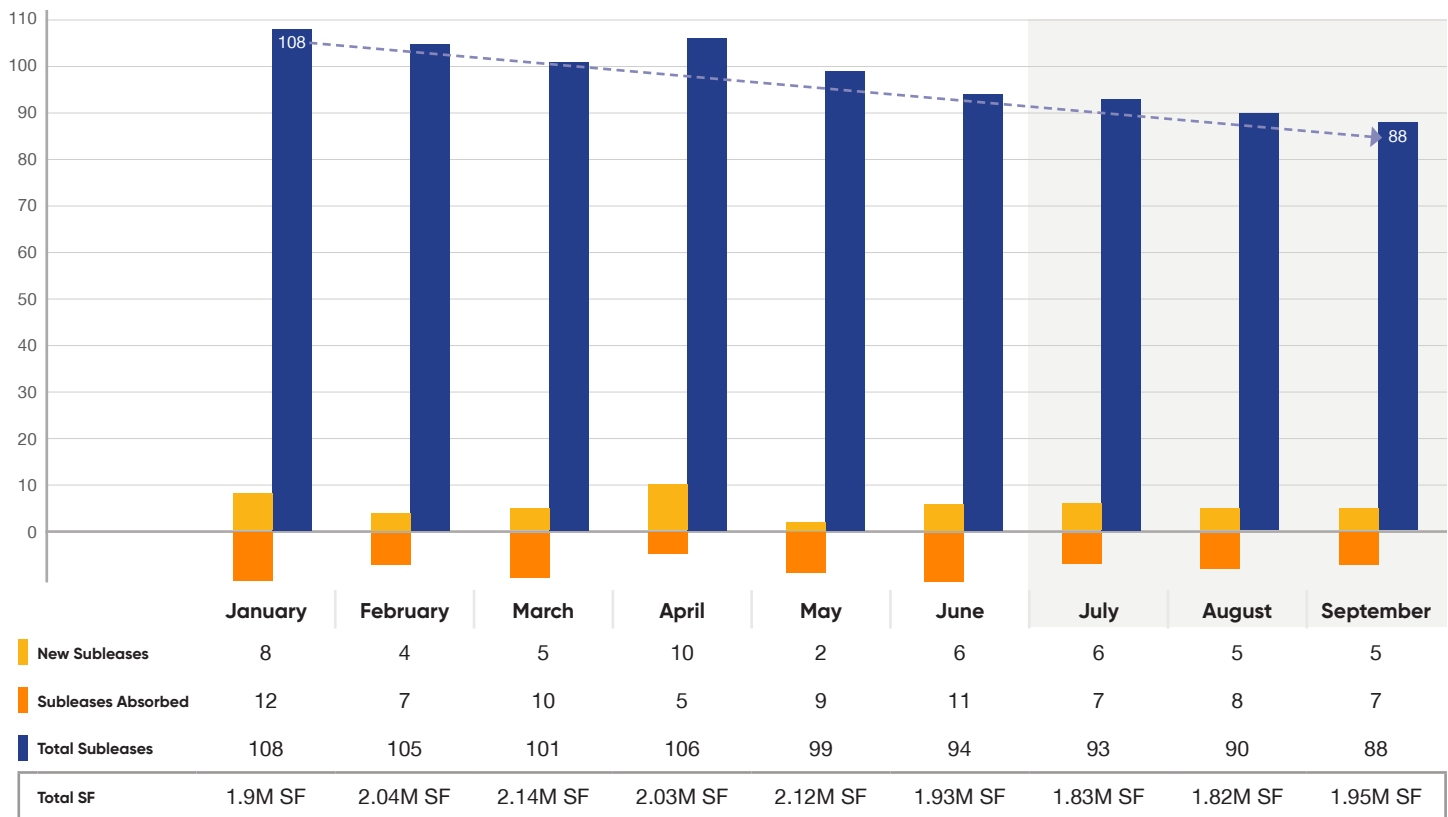
Construction costs continue to climb and buildout numbers are essentially driving deal terms. Occupiers could commit most of their own capital into their space; however, landlords are asking for a longer lease term (7 years vs. the common 5-year lease standard) to amortize necessary TIA dollars.

Sublease Observations

Suburban Route 128

While a sizeable chunk of space remains available on the sublease market, just about one million SF over what the sublease product pipeline was at the beginning of March 2020, most of the high-quality, desirable spaces with tech-style finishes have been quickly absorbed or removed from the market amidst potential re-entry plans. If you hone in on the details of what is currently in the pipeline, many subleases have limited lease term left or have been sitting on the market since before the pandemic. However, we appear to be over the peak in terms of the overall number of subleases on the market. Additionally, monthly absorption is on an upward trajectory, whether that be due to signed subleases, terminations with the landlord, or withdrawals if tenants decide to take back their space. These are encouraging signs for the Route 128 market as we head into the final quarter of the year.

Subleases by Month



Behind the Numbers

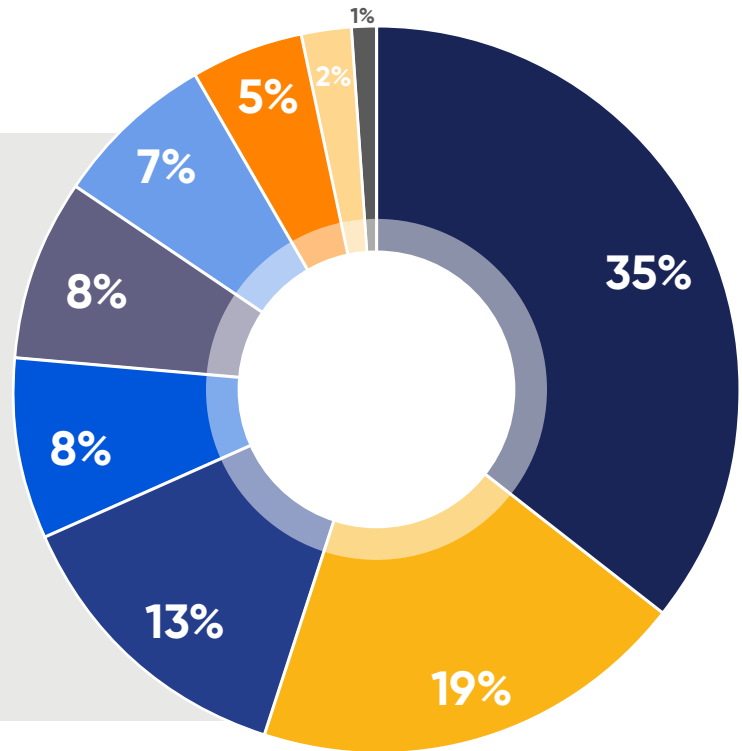
- Of the 88 subleases actively on the market, 32 of them **expire by the end of 2022** (36% of the current available sublease inventory), which accounts for over half a million SF that will return to Landlords
- 20 of the available subleases (nearly 23% of the current available sublease inventory) are **“legacy”/pre-pandemic subleases**, meaning they’ve been on the market since before March 2020 and haven’t moved off the shelf
- Less than a 1/3 of the available subleases are considered to be of **Class A product**
- The total number of subleases is declining month-by-month, however, the overall sublease inventory square footage remains high, meaning **fewer but more sizable subleases are coming to the market**

Sublease Observations

Suburban Route 128

Subleases By Industry

Technology	778,929 SF
Healthcare/Medical Device	431,300 SF
Professional Services	299,606 SF
Life Sciences	169,385 SF
Manufacturing	186,545 SF
Consumer Goods	144,500 SF
Financial Services	103,360 SF
Energy	47,882 SF
Other (Real Estate, Nonprofit, Legal)	25,286 SF



Big Name Subleases that Remain on the Market



188,220 SF
174 Middlesex Turnpike
Bedford



87,639 SF
950 Winter Street
Waltham



73,862 SF
133 Boston Post Road
Weston



55,642 SF (Combined)
275 Wyman Street and
170 Tracer Lane
Waltham



56,473 SF
130 Turner Street
Waltham

New & Notable Subleases that Hit the Market in Q3 2021

Tenant	Address	City/Town	Size (SF)
GSK	1000 Winter Street	Waltham	152,748
QinetiQ	350 & 358 Second Avenue	Waltham	148,000
Monster.com	133 Boston Post Road	Weston	44,842
Lionbridge	1050 Winter Street	Waltham	25,000

Market Report

Suburban Route 495

Like many quarter-to-quarter observations in the Route 495 market, we observed similar market behavior from the two previous quarters of 2021 – a strong flex/industrial asset class and a weakened office market. The Delta variant did little to aid the paralysis facing office occupiers, who are still working to understand the balance of in-office versus remote work functionality, and how it affects worker retention, productivity, and general morale. The fact remains that the world is not out of the woods with COVID, and we are only in the initial stages of what this new era of workplace strategy holds for the state of the office market. Given an extraordinarily agile and competitive talent market, changes in workplace strategy, such as remote work, are even more challenging to navigate for businesses. The exact makeup of how and where people work is a moving target and workplace behavior will continue to shift in the coming quarters. **The trend of capital flowing towards flex/R&D/industrial buildings has continued well into Q3.** However, and as a function of how competitive sale processes have become for this asset class, landlords and developers have increasingly focused on purchasing and repositioning older office buildings as flex or distribution vacancies. Office-to-lab, or like-kind conversions, a trend observed early on in the pandemic in the Route 128 West market, will aid the already soft 495 office market.

Rental and Vacancy Rates

Office

▶ Asking Rent (\$/SF)		▶ Vacancy Rate	
Class A	Class B		
\$23.42	\$18.31	459 North	22.1%
\$18.29	\$15.72	495 Central	19.5%
\$22.98	\$18.25	495 Metrowest	28.3%

Flex and Industrial

▶ Asking Rent (\$/SF)	▶ Vacancy Rate
\$13.57 NNN	5.8% 459 North
\$10.81 NNN	5.0% 495 Central
\$11.91 NNN	7.1% 495 Metrowest

Recent Transactions

Tenant	Size (SF)	City/Town	Type	Sector
GCP Applied Technology	38,615	Wilmington	Relocation	Flex
MKS Instruments	30,000	Haverhill	New Lease	Industrial
KEA Technologies	20,000	Littleton	Relocation	Office/R&D
Pure Honey Technologies	18,565	Billerica	Relocation	Flex
Pathways Real Estate	17,881	Chelmsford	Relocation	Office
Acosta	15,000	Marlborough	Relocation	Office

Market Trends



Landlords Flex Muscles

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

Flex Helps Office

Landlords are considering office to lab/flex conversions or complete re-builds to assist the weakened office market artificially. One example is Lupoli Co's purchase of IBM's former campus in Littleton.

Office Market Mostly Flat

With few significant lease commitments, the office market remains relatively inert. As a result, landlords continue to be patient, with most still quoting pre-pandemic asking rents.

Occupier's Perspective

Free Rent, Not Face Rent

Since March 2020, the market has consistently observed landlords working to maintain asking rents, albeit bending on free rent or TIA concessions.

Flex Users Be Flexible

Facing significant rent appreciation and limited options, consider extending timelines and geographic flexibility to maintain leverage.

Workplace Changes

As businesses focus on a return to the office, it is critical to recognize the changing dynamics of the workplace and develop a strategy to improve employee retention and productivity.