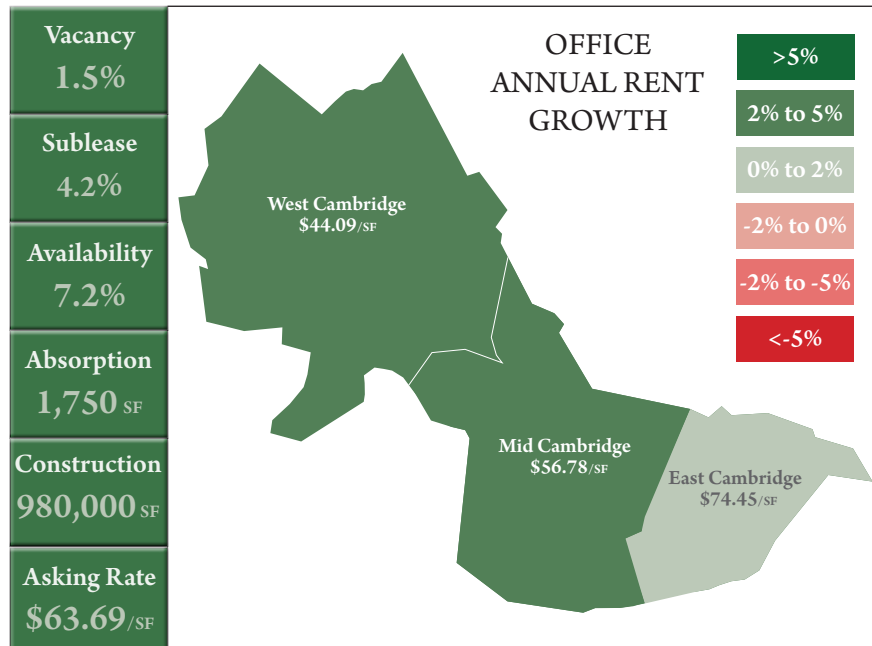


### INCREASING BARRIERS TO ENTRY

Cambridge is approaching record levels in both the office and lab markets. Vacancy rates are becoming difficult to track because available space is quickly absorbed and rates are below 2.0% for both markets. Demand is largely coming from the expansion of existing tenants, inward migration from out-of-market users and the explosive growth of the life science industry.

The life science sector which now constitutes 70% of total demand and has become the most formidable market force. Lab demand currently measures roughly 2x stronger than office which has ignited lab development and conversions. The outlook for Cambridge remains extremely bright with the high concentration of intellectual and investment capital keeping the market fueled for years to come.



**MASSACHUSETTS  
UNEMPLOYMENT**  
3.4% (February)



**NATIONAL  
UNEMPLOYMENT**  
4.7% (February)



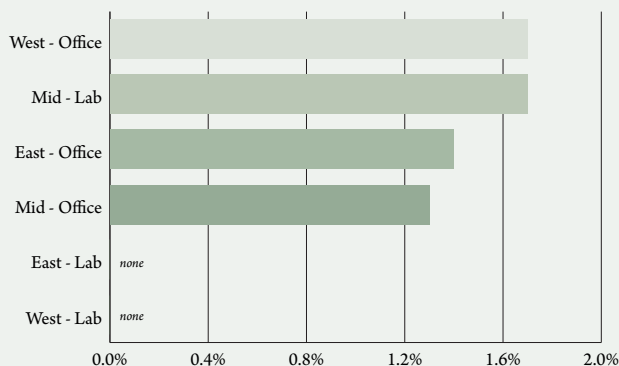
**2016 MASS  
VC INVESTMENT**  
\$4.8 Billion



**2016 NIH  
MASS FUNDING**  
\$2.5 Billion

### MARKET ACTIVITY

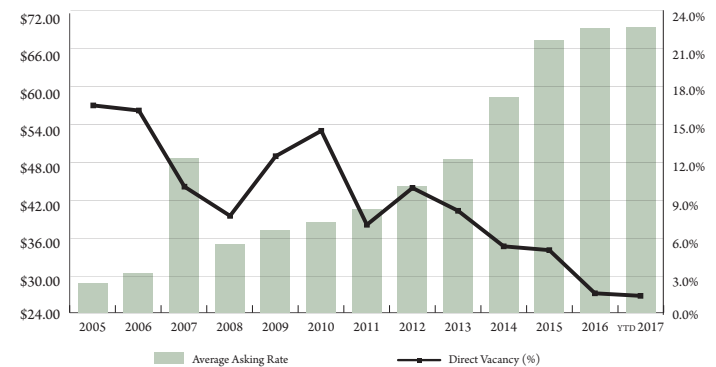
#### DIRECT VACANCY RATE BY SUBMARKET



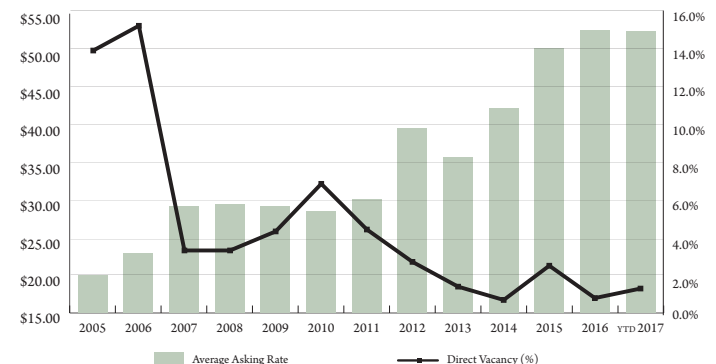
All the office and lab market vacancy rates are below 2.0% which leaves little room for improvement. Perhaps the largest beneficiary, West Cambridge, has established itself as a premier destination with its vacancy dropping from the 8-10% range over the past 36 months and rents popping to the high \$40's.

Across the Cambridge map asking rates are breaking through prior peaks with some rents cresting \$80 PSF for existing construction and experts suggesting that new development rents could approach \$100 PSF. Looking forward, expect sustained rent growth leveraged off high demand and supply scarcity.

#### OFFICE CLASS A - ASKING RATE VS. DIRECT VACANCY



#### OFFICE CLASS B - ASKING RATE VS. DIRECT VACANCY





**DIRECT  
VACANCY**  
1.5%



**SUBLEASE  
AVAILABILITY**  
4.2%



**TOTAL  
AVAILABILITY**  
7.2%



**12-MONTH  
ABSORPTION**  
1,750 SF



**AVERAGE  
ASKING RATE**  
\$63.69/SF

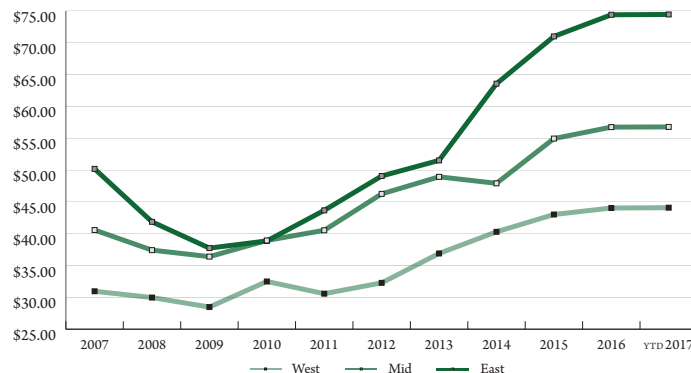
- With rents in the mid to high \$60's on average and vacancy below 2.0% there quite literally is not much room in Cambridge's office market. At these levels, the Kendall Square and Massachusetts Avenue corridor have become increasingly saturated with big life science and pharma tenants who view \$80+ PSF rents as relatively inexpensive from a global perspective. Particularly when that cost includes access to the world's leading intellectual and VC investment capital. On the flip side, many small start-ups and incubators are struggling to maintain Cambridge locations and are frequently pursuing emerging urban technology hubs like Somerville, Watertown and Brighton as lower cost alternatives.

- The East Cambridge office market recorded a quiet first quarter with several tenants renewing including **CSP Associates** at 55 Cambridge Parkway for 8,000 SF. Meanwhile there were few significant expansions observed beyond **HubSpot** and **Facebook** who committed to additional square footage at One Canal and One Broadway respectively.

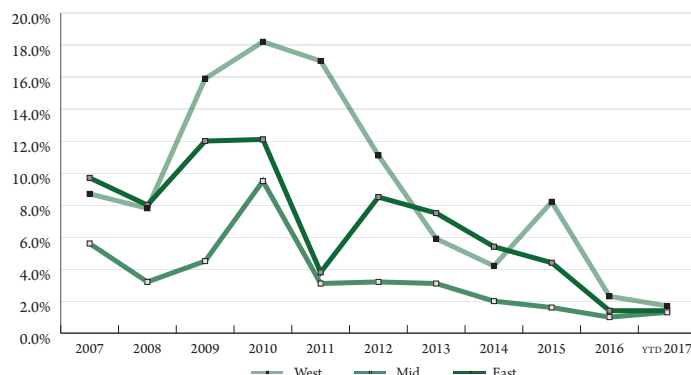
- In the heart of Central Square, **L&B Realty's** property at 625 Massachusetts Avenue remained active following **WeWork Labs'** grand opening by reaching a long term extension with existing tenant **Harvard University** for 35,600 SF. Within this stretch of Massachusetts Avenue between MIT and Harvard Square, the tenant base has become increasingly institutional quality which has attracted the interest of investors and contributed to the flurry of recent sales.

- Over the past 36 months, West Cambridge rents popped, vacancy dropped and investors are looking to cash out. Recently, 100 & 125/150 CambridgePark Drive have been offered for sale with expectations that the assets will receive offers above \$400 PSF, a neighborhood record.

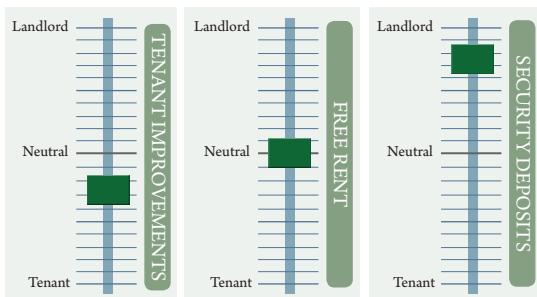
#### AVERAGE OFFICE ASKING RATE BY SUBMARKET



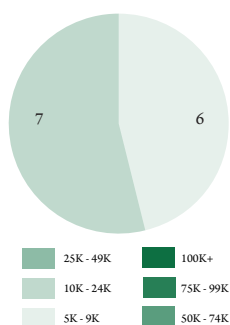
#### AVERAGE OFFICE DIRECT VACANCY BY SUBMARKET



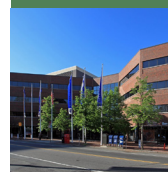
#### LANDLORD CONCESSIONS



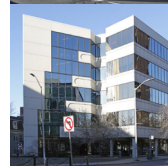
#### DIRECT BLOCKS



#### RECENT INVESTMENT SALES



**1000 Massachusetts Avenue**  
\$69,500,000 (\$644/RSF)  
Buyer: Intercontinental RE



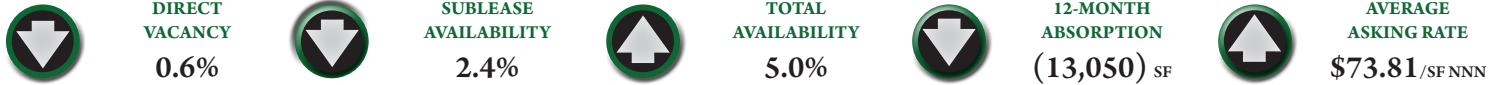
**1100 Massachusetts Avenue**  
\$35,250,000 (\$750/RSF)  
Buyer: Bentall Kennedy

#### NOTABLE RECENT LEASES

Address	Submarket	Tenant	SF
625 Massachusetts Ave.	Mid Cambridge	Harvard University	35,600
One Canal Street	East Cambridge	HubSpot	25,300
125 CambridgePark Dr.	West Cambridge	TriNetx	19,800
100 CambridgePark Dr.	West Cambridge	ICF Incorporated	9,400
55 Cambridge Parkway	East Cambridge	CSP Associates	8,000

#### FORECAST AND PROJECTIONS (A&B)

	2017	2018	2019	2020
Asking Rates	+	+	+	+
Direct Vacancy	+	+	+	=
Net Absorption	+	+	+	=



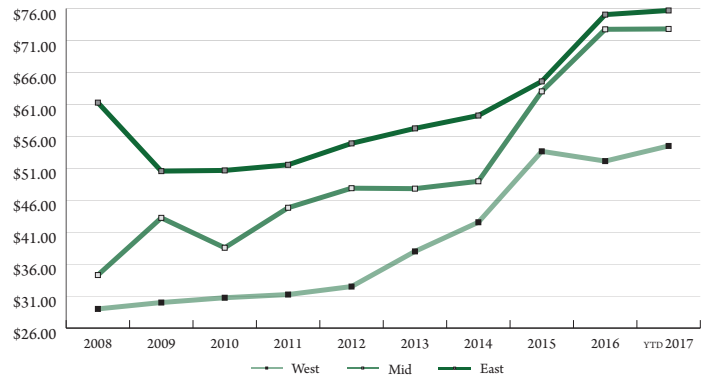
- With a barely measurable vacancy rate, the Cambridge lab market has become some of the most sought global real estate. Market rents and investment sale pricing are pushing historically high. Large pharma users are driving demand by expanding rapidly. Most significantly over the past six months, *Johnson & Johnson*, *AbbVie*, *Shire*, *Lilly & Novartis* have all either committed to large expansions or been actively engaged touring for opportunities.

- Novartis* renewed its leases at 100 & 200 Technology Square in East Cambridge for a combined 302,600 SF which marked the largest transaction of the quarter. Unable to secure direct expansion space, *Momenta Pharmaceuticals* took *Biogen's* 5th floor sublease opportunity at 301 Binney Street for 80,000 SF. While not yet currently available, *Alexandria RE* commenced demolition and site work for its new 180,000 SF life science building at 399 Binney Street.

- At 200 Cambridgepark Drive in West Cambridge, existing tenant *Celgene* expanded into approximately 39,000 SF. The tenant grew into an additional full floor that was previously occupied by *Amgen*. Just down the street, *The Davis Companies* commenced redevelopment of 35 Cambridgepark Drive where the firm will create 220,000 square feet of life science space with a mid 2018 anticipated market delivery.

- Looking forward expect the market to continue performing at an efficient clip, however with several new lab developments scheduled to open over the next 3-5 years, rent growth will be less explosive because the increased supply will offset demand. Additionally, look for the concentrated ownership composition to diversify with large institutions and pension funds actively pursuing life science real estate as investment vehicles.

AVERAGE ASKING RATE BY SUBMARKET (NNN)



AVERAGE DIRECT VACANCY BY SUBMARKET



#### RECENT INVESTMENT SALES

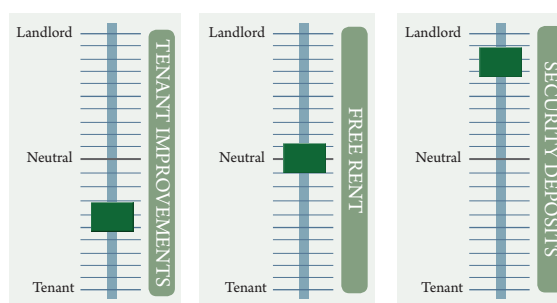


**One Kendall Square**  
\$725,000,000 (\$1,125/RSF)  
Buyer: Alexandria RE

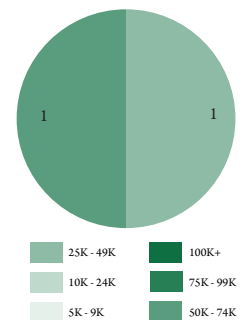


**245 First Street (office & lab)**  
\$311,250,000 (\$1,020/RSF)  
Buyer: Clarion Partners

#### LANDLORD CONCESSIONS



#### DIRECT BLOCKS



#### FORECAST AND PROJECTIONS

	2017	2018	2019	2020
Asking Rates	+	+	+	+
Direct Vacancy	+	+	+	=
Net Absorption	+	+	+	=

source: CoStar

#### NOTABLE RECENT LEASES

Address	Submarket	Tenant	SF
100 Technology Square	East Cambridge	Novartis	255,400
26 Landsdowne	East Cambridge	Takeda Pharmaceuticals	100,000
301 Binney Street (sublease)	East Cambridge	Momenta Pharmaceuticals	80,000
200 Technology Square	East Cambridge	Novartis	47,200
200 Cambridgepark Drive	West Cambridge	Celgene	39,100

OFFICE	Total Inventory(SF)	Direct Vacancy	Sublease Availability	Total Availability	Quarterly Absorption (SF)	12 Month Absorption (SF)	Average Asking Rate
<b>OFFICE A&amp;B</b>							
<b>CAMBRIDGE</b>	<b>10,810,000</b>	<b>1.5%</b>	<b>4.2%</b>	<b>7.2%</b>	<b>13,250</b>	<b>1,750</b>	<b>\$63.69</b>
East Cambridge	5,668,000	1.4%	3.5%	5.1%	13,250	(20,850)	\$74.45
Mid Cambridge	3,136,000	1.3%	1.8%	5.9%	(10,350)	8,100	\$56.78
West Cambridge	2,006,000	1.7%	9.8%	15.0%	10,400	14,450	\$44.09

<b>OFFICE A</b>							
<b>CAMBRIDGE</b>	<b>6,977,500</b>	<b>1.5%</b>	<b>5.2%</b>	<b>8.7%</b>	<b>30,400</b>	<b>(36,850)</b>	<b>\$69.77</b>
East Cambridge	4,649,500	1.5%	4.3%	5.8%	15,850	(28,550)	\$75.47
Mid Cambridge	1,224,500	1.4%	2.0%	9.3%	5,400	(16,850)	\$67.96
West Cambridge	1,103,500	1.9%	12.4%	20.4%	9,150	8,500	\$47.75

<b>OFFICE B</b>							
<b>CAMBRIDGE</b>	<b>3,832,500</b>	<b>1.4%</b>	<b>2.3%</b>	<b>4.4%</b>	<b>(17,150)</b>	<b>38,600</b>	<b>\$52.64</b>
East Cambridge	1,019,000	1.3%	0.0%	2.1%	(2,650)	7,750	\$69.81
Mid Cambridge	1,911,000	1.3%	1.6%	3.8%	(15,750)	24,950	\$49.63
West Cambridge	902,000	1.6%	6.6%	8.3%	1,250	5,900	\$39.63

LAB	Total Inventory(SF)	Direct Vacancy	Sublease Availability	Total Availability	Quarterly Absorption (SF)	12 Month Absorption (SF)	Average Asking Rate
<b>LAB A&amp;B</b>							
<b>CAMBRIDGE</b>	<b>14,109,500</b>	<b>0.6%</b>	<b>2.4%</b>	<b>5.0%</b>	<b>34,800</b>	<b>(13,050)</b>	<b>\$73.81</b>
East Cambridge	9,108,000	0.0%	1.4%	2.4%	34,800	15,800	\$75.70
Mid Cambridge	4,337,000	1.7%	4.9%	10.3%	-	(28,900)	\$72.81
West Cambridge	665,000	0.0%	0.0%	6.2%	-	-	\$54.50

<b>LAB A</b>							
<b>CAMBRIDGE</b>	<b>11,621,500</b>	<b>0.0%</b>	<b>2.7%</b>	<b>4.4%</b>	<b>34,750</b>	<b>15,850</b>	<b>\$76.30</b>
East Cambridge	8,453,000	0.0%	1.5%	2.6%	34,750	15,850	\$75.81
Mid Cambridge	3,039,500	0.0%	6.2%	9.8%	-	-	\$78.25
West Cambridge	129,000	0.0%	0.0%	0.0%	-	-	\$62.00

<b>LAB B</b>							
<b>CAMBRIDGE</b>	<b>2,488,000</b>	<b>3.0%</b>	<b>0.9%</b>	<b>7.7%</b>	<b>-</b>	<b>(28,900)</b>	<b>\$67.81</b>
East Cambridge	655,000	0.0%	0.0%	0.0%	-	-	\$74.86
Mid Cambridge	1,297,000	5.8%	1.8%	11.5%	-	(28,900)	\$71.00
West Cambridge	536,000	0.0%	0.0%	7.7%	-	-	\$52.63

All information provided in LPC's Market Statistics are from sources deemed reliable, but no warranty or representation is made as to its accuracy thereof and same is submitted subject to errors, omissions, or other conditions.

Lincoln Property Company's *Cambridge Office & Lab Report* is produced by the Boston Office's research team in collaboration with our Cambridge Brokerage Group. If you have any questions regarding market conditions and the information found in this report, please contact Ethan Robert at [erobert@lpc.com](mailto:erobert@lpc.com).