

FIGURES | BOSTON METRO LAB | Q1 2024

# Supply demand imbalance continues to weigh on vacancy across Greater Boston

▲ 13.7%  
Lab Vacancy

▲ \$94.32  
Lab Lease Rate (NNN)

▼ 9.7MSF  
R&D Space Under Construction

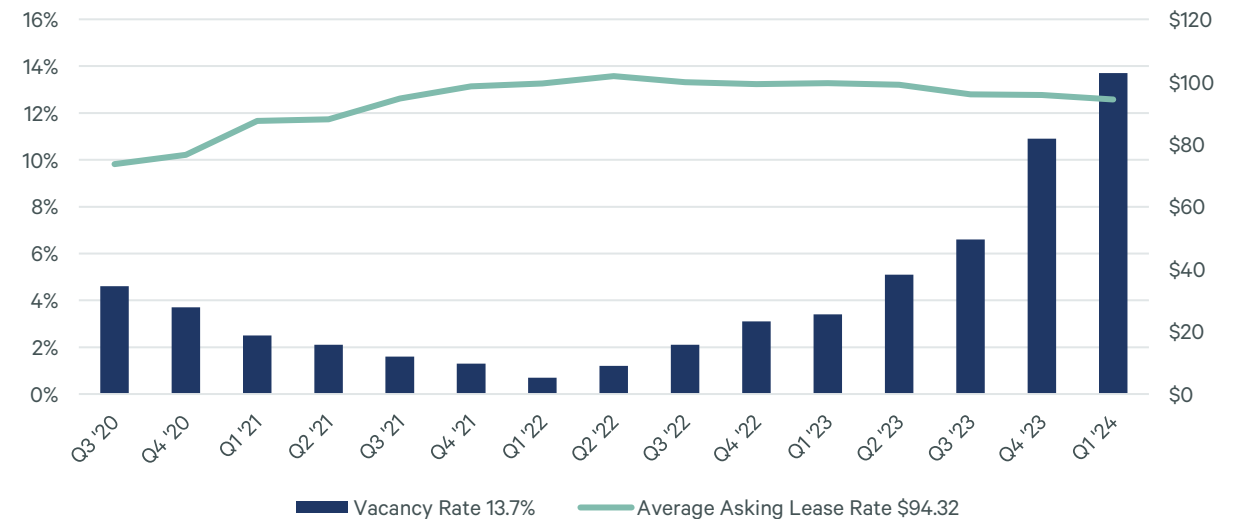
▲ 806,000 SF  
Quarterly Leasing Activity

Note: Arrows indicate change from previous quarter.

The first quarter of 2024 saw a continuation of 2023 trends and themes for the Greater Boston Lab market. As economic uncertainty lingers, many companies, both public and private, remain cautious in their approach to real estate decisions. This conservative approach has resulted in an increase in renewals and an elevated amount of sublease space availabilities at the end of the first quarter. Takeda, TIAX, LLC, and ANDE finalized renewals in the first quarter, to name a few. Venture capital funding remains selective for private companies as VC firms prioritize data and results over concepts. As a result, private companies are conserving as much capital as they can which has influenced leasing behavior to favor second generation space (both sublease and direct) and spec labs, to limit the capital required to begin operations.

Greater Boston recorded 183,000 sq. ft. of negative absorption in the first quarter, with the urban markets of Boston and Cambridge seeing 69,000 and 349,000 sq. ft. of negative absorption respectively. The suburban markets recorded positive absorption due to new leases being signed. Sublease space decreased from 5.3% at the end of 2023 to 5.0% at the end of the first quarter. This is the first reduction in sublease availability since the third quarter of 2021. Unfortunately, this was largely due to landlords recapturing space and listing on a direct basis, a reaction to company insolvencies, as opposed to sublease deals closing. Vacancy increased for the eighth consecutive quarter to 13.6%, largely due to the new construction completions.

FIGURE 1: Lab Vacancy vs. Lease Rate



Source: CBRE Research, Q1 2024

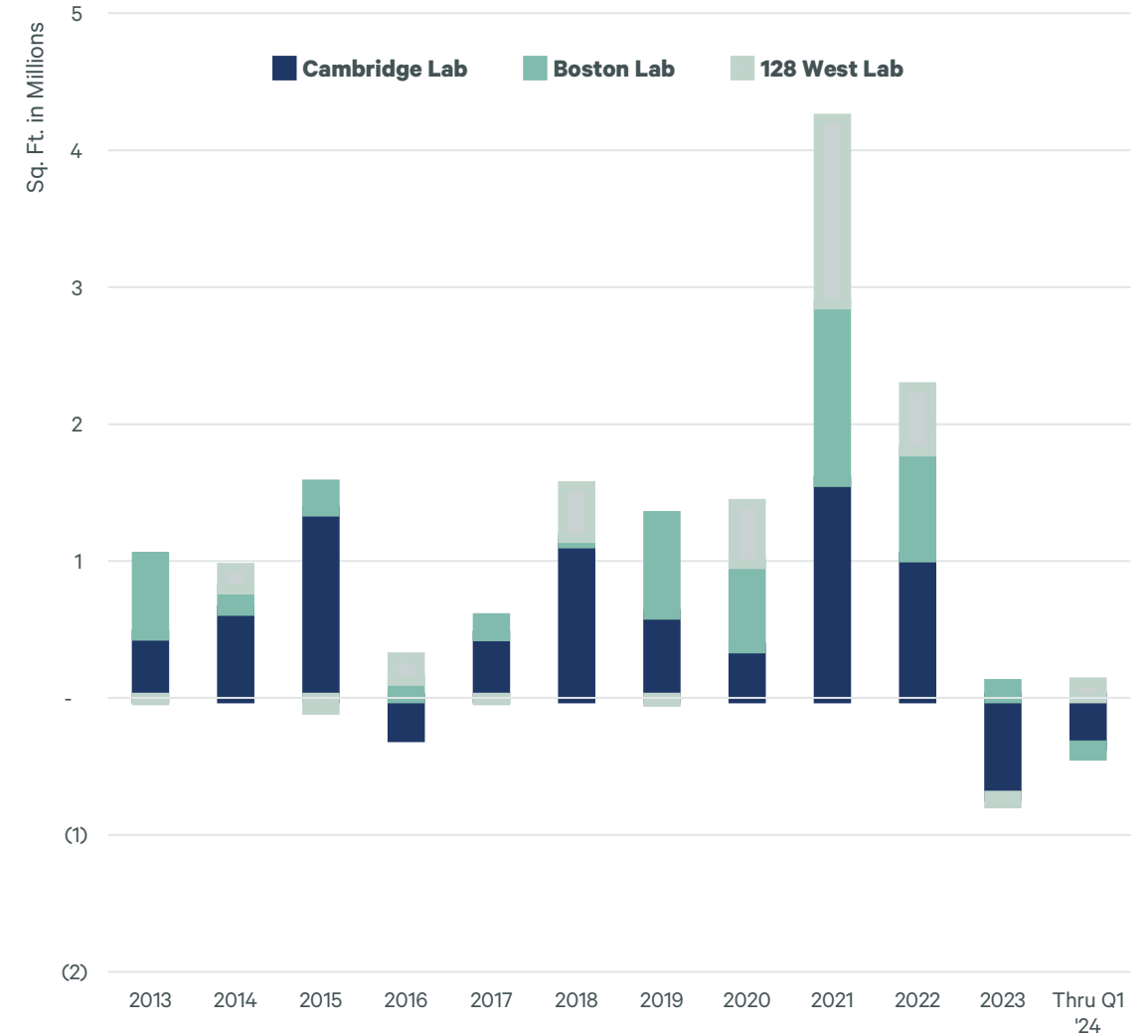
Asking rents fell slightly, dropping 150 basis points (bps) to end the quarter at \$94.32 per sq. ft. NNN.

Leasing activity increased since the end of 2023, surpassing 800,000 sq. ft. and is about 15% higher than the averages of 2017 to 2019 when Greater Boston averaged 685,000 sq. ft. of leasing per quarter. This Q1 2024 increase was largely due to the 223,000 sq. ft. Takeda extension. The peak years of 2019 to 2022 saw an average of over 1.3 million sq. ft. of leasing per quarter. The aggregate of new deals signed across the region is half of the 2019 to 2022 average, accounting for 37% of leasing activity. On the other hand, renewals made up over half of deals in the first quarter of 2024, yet during the peak years, renewals were only 12% based on square footage. Desire for second generation space and flexible term duration, whether for direct or sublet space, has remained a top priority as tenants of all sizes are looking to conserve capital on real estate to focus on extending their financial runway and progress the science.

Like leasing activity, demand has seen a slight uptick since the beginning of the year. Tenants in the market for space under 25,000 sq. ft. made up 26% of demand by square footage, and over 67% of the demand based on number of tenants in the market. Tenants in the market for over 100,000 sq. ft. are limited and make up only 5% of the demand based on number of tenants in the market.

Consistent with past quarters, the supply made up of the construction pipeline heavily outweighed tenant demand across Greater Boston. The first quarter saw over 2.0 million sq. ft. of new product deliver, with 65% of completions being conversions, primarily in the urban market of Boston and Watertown. Of the 717,000 sq. ft. of new, ground up projects that delivered in Q1 2024, 65% of the space was already pre-leased including Eli Lilly's building at 15 Necco, Seaport. New construction breaking ground has come to a halt as demand remains subdued. About 9.7 million sq. ft. is actively under construction with over 50% expected to deliver by year-end. In 2025 and 2026, a significant decrease in deliveries will be seen and an even steeper decrease in vacancy delivered to the market since nearly half of the 4.2 million sq. ft. anticipated to deliver during that timeframe is already preleased.

FIGURE 2: Historical Absorption



Source: CBRE Research, Q1 2024

### Capital Markets

The macro headwinds that have been challenging the sector weighed on life science real estate through the first quarter of 2024. Transaction volume remained muted, with no stabilized deals trading thus far in 2024.

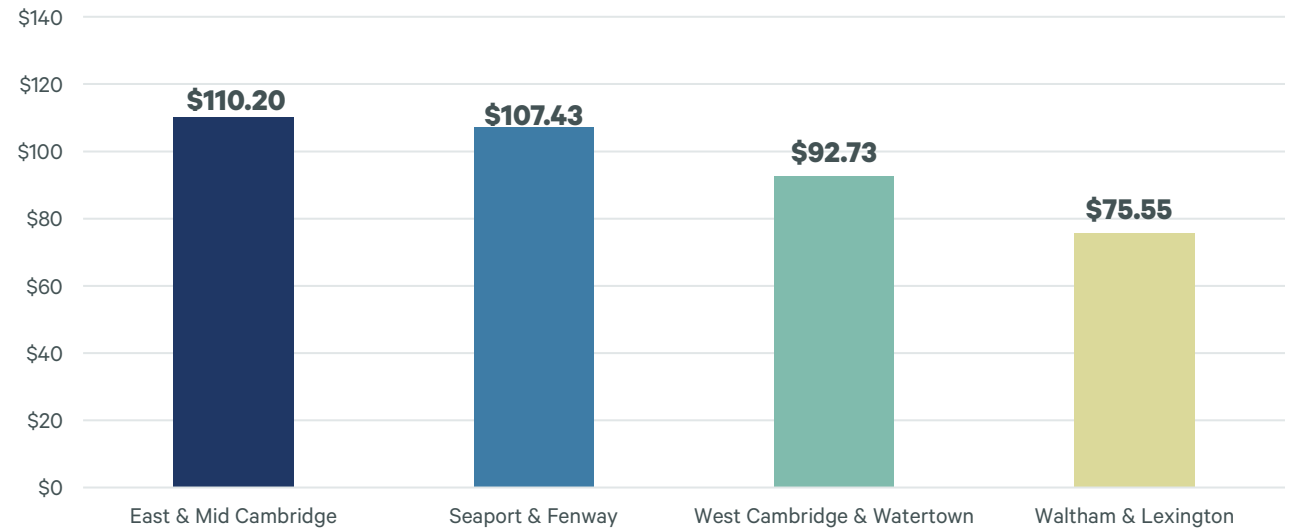
Despite the pause in transaction volume, we remain confident that transaction volume will tick up through the year, particularly as the market gains more visibility into the trajectory of the Federal Reserve and the interest rate environment. As the unrelenting progression of science continues, solving current supply/demand imbalances over the long-term should further bolster life science as a core investable asset class.

### Cambridge

The Cambridge lab market saw 349,000 sq. ft. of negative absorption to start the year, the fourth quarter in a row of negative absorption. The negative absorption caused availability to increase bps to 22.7% while the effect on vacancy was less, increasing 90 bps to 10.7%. Sublease availability in Cambridge remained steady, ending the quarter at 7.2%, down just 10 bps from the end of 2023. A few sublease spaces across Cambridge were leased, while others were recaptured by their respective landlords.

East Cambridge secured the largest transaction of the quarter in which Takeda renewed on 223,000 sq. ft.; however the sub-market also saw nearly 309,000 sq. ft. of negative absorption. Key contributors to this negative absorption figure were ADA Forysth Institute’s relocation from East Cambridge to Somerville, Moderna’s former space at 200 Technology Square and Amgen’s sublease of two floors at their 360 Binney Street location. Availability increased 190 bps to 16.7% and vacancy grew 40 bps to 8.6%. Sublease availability climbed once again, reaching 7.2%, up 30 bps since last quarter. Asking rents remained flat at \$111.02 per sq. ft. NNN. East Cambridge in some ways is shielded from the construction pipeline when compared to the rest of the market due to the limited number of developable parcels. Even though over 1.8 million sq. ft. is actively under construction in and around Kendall Square, all of this space is preleased (Astrazeneca, The Broad Institute, Takeda, etc.).

FIGURE 3: Direct Average Asking Rents by Submarket



Source: CBRE Research, Q1 2024

FIGURE 4: Cambridge Lab Market Statistics

Cambridge Lab	Bldgs	Total SqFt	Available (%)	Vacant (%)	Sublease (%)	Quarter Absorption	YTD	
							Absorption	Avg Asking Rent (\$ NNN)
Cambridge - East	88	16,789,407	16.7	8.6	7.2	(308,607)	(308,607)	111.02
Cambridge - Mid	7	413,423	44.7	34.9	4.9	(28,051)	(28,051)	103.29
Cambridge - West	29	2,930,767	54.0	19.1	7.5	(12,222)	(12,222)	94.86
<b>Overall Cambridge Lab</b>	<b>124</b>	<b>20,133,597</b>	<b>22.7</b>	<b>10.7</b>	<b>7.2</b>	<b>(348,880)</b>	<b>(348,880)</b>	<b>103.02</b>

Source: CBRE Research, Q1 2024

### Boston

Similar to Cambridge, the Boston life science market recorded negative absorption in the first quarter. The city started the year with nearly 69,000 sq. ft. of negative absorption which was driven largely by new subleases coming to the market in select submarkets. In Fenway, Gritstone Bio added additional space at One Kenmore Square, where they had previously been marketing a single floor. Sublease availability across Boston increased 60 bps to end the first quarter at 3.4%. Availability saw a slight increase of only 30 bps to 33.0% while vacancy had its largest quarterly increase of 4.4% to 12.0%. The Boston market is still home to nearly 4.0 million sq. ft. of active construction spread across a number of submarkets from the Seaport to Allston/Brighton and over to Charlestown. One million sq. ft. of it delivered during the quarter, much of which was located in the Seaport.

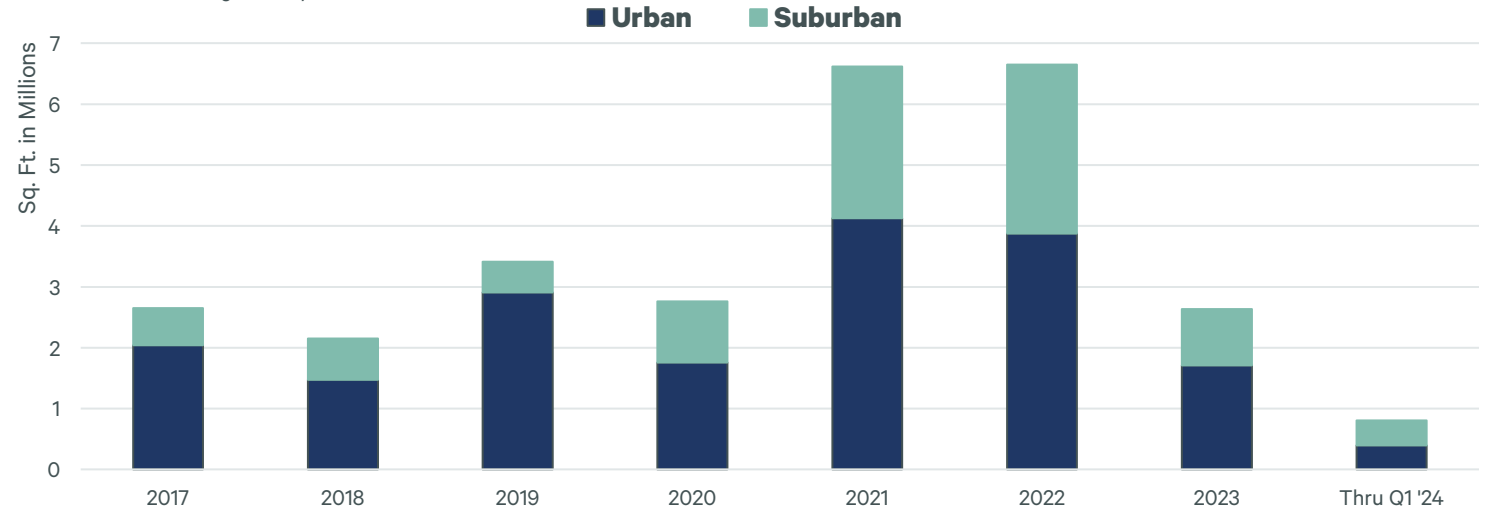
The Seaport submarket saw very little movement in leasable space during the quarter but did witness vacancy increase drastically due to the completion of a couple of conversions at 12 Farnsworth and 33-41 Farnsworth, as well as speculative suites delivering at 601 Congress. Vacancy increased 650 bps to 19.1% while availability held steady at 37.0%. Asking rents in Seaport fell slightly to \$105.35 per sq. ft. NNN after ending 2023 at \$105.80 per sq. ft. NNN.

FIGURE 5: Boston Lab Market Statistics

Boston Lab	Bldgs	Total SqFt	Available (%)	Vacant (%)	Sublease (%)	Quarter Absorption	YTD Absorption	Avg Asking Rent (\$ NNN)
Seaport	20	5,207,784	37.0	19.1	6.5	0	0	105.35
Fenway/Kenmore Square	6	1,825,588	44.8	10.8	5.2	(68,982)	(68,982)	112.01
North Station/Waterfront	2	579,090	0.0	0.0	0.0	0	0	—
Charlestown/East Boston	7	1,481,894	20.8	0.7	0.7	0	0	81.25
Dorchester/South Boston	7	1,552,364	28.6	28.6	3.7	20,204	20,204	85.93
Allston/Brighton/Longwood	12	4,136,993	33.6	0.1	0.1	0	0	105.51
Others	4	644,688	31.7	31.7	3.1	(19,985)	(19,985)	—
<b>Overall Boston Lab</b>	<b>58</b>	<b>15,428,401</b>	<b>33.0</b>	<b>12.0</b>	<b>3.4</b>	<b>(68,763)</b>	<b>(68,763)</b>	<b>102.87</b>

Source: CBRE Research, Q1 2024

FIGURE 6: Lab Leasing Activity



Source: CBRE Research, Q1 2024

## Suburban

The suburban life science market recorded over 230,000 sq. ft. of positive absorption in the first quarter, buoyed by the three largest new deals taking place outside of the urban markets. Somerville was home to two of these three new deals, all at North River Leerink’s 100 Chestnut Street development which delivered last year. ADA Forsyth and the incubator Nest.Bio signed deals at the building totaling 116,000 sq. ft., bringing the property to 90% leased. Somerville is still home too close to 2 million sq. ft. of under-construction product, all of which is expected to deliver by year-end.

Asking rents in suburban Boston decreased 230 bps from \$85.70 per sq. ft. NNN last quarter to \$83.73 per sq. ft. NNN at the end of the first quarter. Availability fell 140 bps but vacancy continued to increase, going up 320 bps to 17.6%. Available sublease space did see a significant decrease due to several former sublease spaces being recaptured and listed as direct space.

The 128 West submarket recorded 110,000 sq. ft. of positive absorption and was home to three of the five largest deals during the quarter. BPG Bio’s new deal at Lincoln Property Company’s 300 Third Avenue in Waltham was the largest new deal of the quarter as BPG Bio relocates their headquarters from Framingham. 128 West also saw three renewals, all of which were over 35,000 sq. ft., highlighting tenants’ desire to weather the current storm by kicking the can down the road. Availability in the core suburban submarket fell 100 bps to 32.5%, but vacancy increased from 17.1% to 23.5%. The increase in vacancy was once again driven by new construction projects completing. In 128 West, four projects delivered totaling 963,000 sq. ft. with only 12% preleased. Asking rents fell slightly by 100 bps to end the quarter at \$83.48 per sq. ft. NNN.

FIGURE 7: Suburban Lab Market Statistics

Suburban Lab	Bldgs	Total SqFt	Available (%)	Vacant (%)	Sublease (%)	Quarter Absorption	YTD Absorption	Avg Asking Rent (\$ NNN)
Close-In Suburbs North	11	3,023,702	73.1	7.2	0.0	118,856	118,856	93.15
Route 128 - North	9	1,117,384	42.2	29.2	8.0	(21,052)	(21,052)	65.27
Route 495 - Northeast	2	248,538	85.1	30.7	0.0	0	0	58.00
Route 3 - North	24	2,354,960	25.5	16.7	3.3	26,850	26,850	64.66
Metro North	46	6,744,584	51.8	15.0	2.5	124,654	124,654	84.61
Route 128 - West	85	11,074,137	32.5	23.5	5.6	110,002	110,002	83.48
Framingham - Natick	11	845,640	2.1	0.0	0.0	0	0	60.00
Route 495 - Mass Pike West	14	1,465,228	3.3	2.4	0.0	0	0	—
Metro West	110	13,385,005	27.3	19.7	4.6	110,002	110,002	82.83
<b>Overall Suburban Lab</b>	<b>156</b>	<b>20,129,589</b>	<b>35.5</b>	<b>18.1</b>	<b>3.9</b>	<b>234,656</b>	<b>234,656</b>	<b>83.73</b>

Source: CBRE Research, Q1 2024

FIGURE 8: Transactions of Note

Tenant/Investor	Address	Sq. Ft.	Submarket	Type
Takeda	125 Binney Street, Cambridge	223,000	East Cambridge	Renewal
ADA Forsyth Institute	100 Chestnut Street, Somerville	76,000	Close-In Suburbs North	New
BPG Bio	300 Third Avenue, Waltham	70,000	Route 128 West	New
TIAX, LLC	35 Hartwell Avenue, Lexington	46,700	Route 128 West	Renewal
ANDE	266 Second Avenue, Waltham	46,000	Route 128 West	Renewal

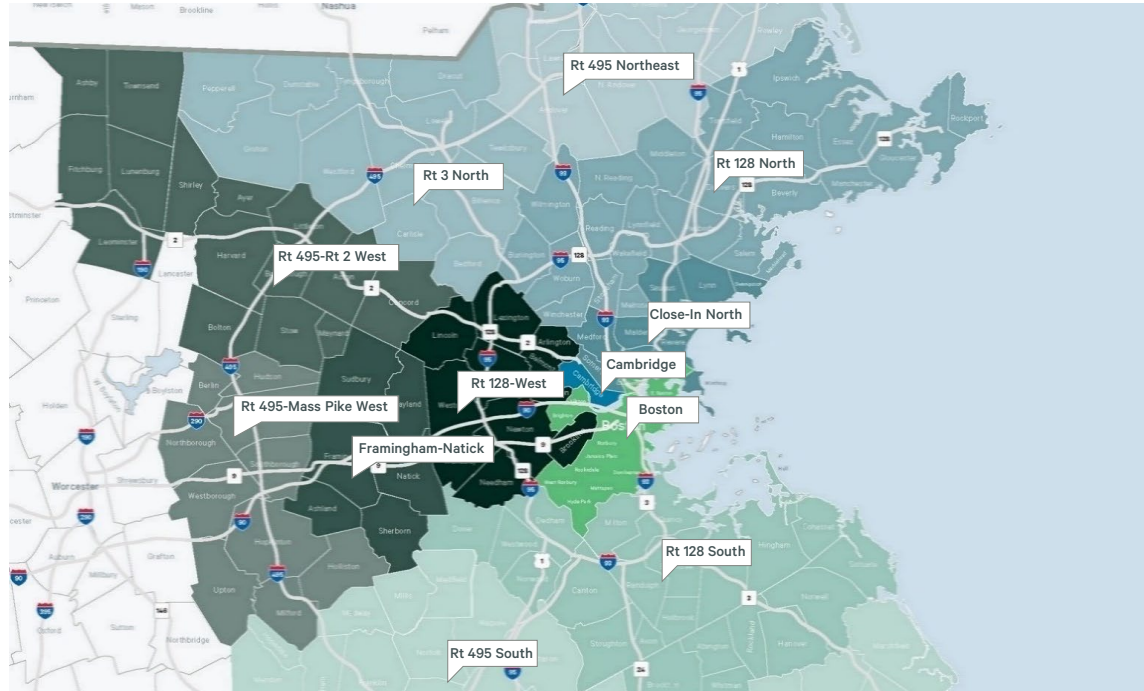
Source: CBRE Research, Q1 2024

FIGURE 9: Boston Metro Life Science Venture Capital Funding



Source: CB Insights

## Market Area Overview



## Definitions

**AVERAGE ASKING LEASE RATE:** Rate determined by multiplying the asking NNN lease rate for each building by its available space, summing the products, then dividing by the sum of the available space with net leases for all buildings in the summary. **GROSS LEASES:** Includes all lease types whereby the tenant pays an agreed rent plus estimated average monthly costs of the operating expenses and taxes for the property, including utilities, insurance and/or maintenance expenses. **NET ABSORPTION:** The change in available sq. ft. from one period to the next, as measured by available sq. ft. **NET RENTABLE AREA:** The gross building square footage minus the elevator core, flues, pipe shafts, vertical ducts, balconies and stairwell areas. **OCCUPIED AREA (SQ. FT.):** Building area not considered vacant. **UNDER CONSTRUCTION:** Buildings that have begun construction as evidenced by site excavation or foundation work. **AVAILABLE AREA (SQ. FT.):** Available building area that is either physically vacant or occupied. This does include actively under construction properties that still contain future availability. **AVAILABILITY RATE:** Available sq. ft. divided by the net rentable area. **VACANT AREA (SQ. FT.):** Existing building area that is physically vacant or immediately available. **VACANCY RATE:** Vacant building feet divided by the net rentable area. **NORMALIZATION:** Due to a reclassification of the market, the base, number and square footage of buildings of previous quarters have been adjusted to match the current base. Availability and vacancy figures for those buildings have been adjusted in previous quarters.

## Survey Criteria

Includes all competitive buildings in CBRE's survey set for the Boston Lab Markets but excludes properties that CBRE deems to be GMP/biomanufacturing.

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