

RECORD ABSORPTION of 973,000 sf was 93 percent concentrated in Cambridge as all major area groups saw increasing occupancy.

CAMBRIDGE became the world's first city with at least ten million sf of lab space; the City accounts for 55 percent of the region's inventory.

ALEWIFE, long heralded as a haven of lab availability and lower pricing, has been effectively leased to capacity.

VACANCY plummeted to 1.6 percent in Cambridge; a record and critically low level.

BRAMMER BIO moved into what will ultimately be a 51,000 sf bio-manufacturing facility in Lexington.

A REMAINING 1.2 million sf construction pipeline will be mostly delivered by end of year.

ARIAD, GENZYME and Millennium were among new occupants of a total of 718,000 sf of new product delivered in the quarter.

IBM WATSON's new 163,000 sf facility on Binney Street highlights the extent to which lab demand could come from nontraditional users.

HARVARD will begin construction on its Science and Engineering School in Allston this year; the area could be a potential future biotech hotspot.

QUICK



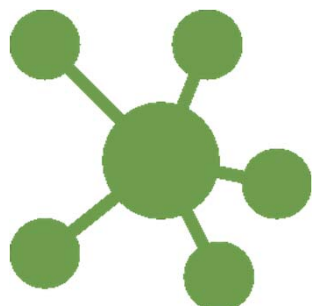
Absorption
+971,000 sf
Absorption driven by new completion occupancy



Vacancy
5.0% -1.6%
Vacancy dips to a new 15-year low



Rents (Class A)
\$65-75
Rent growth paced by new product economics



What a Cluster!

A full 64 percent of the region's biotech jobs are located right near the region's biotech hub of Kendall ... here's a similar metric and otherwise comparison of the nation's other leading bio "clusters."
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an eye on the clusters

San Francisco
 Cluster: South San Francisco
 Cos: Amgen, Genentech
The view from Boston:
 The Bay Area's most dense bio environment grew around the Genentech campus in the 1980s; the area may soon be superseded locally by a more dense cluster around University of California SF.

Washington DC
 Cluster: Bethesda
 Cos: AstraZeneca, Merck, Shire
The view from Boston:
 This cluster, also not dense as in Kendall, has decidedly more a government-facing outpost slant to it than other areas, though wealth of expertise supports some general biotech operations.

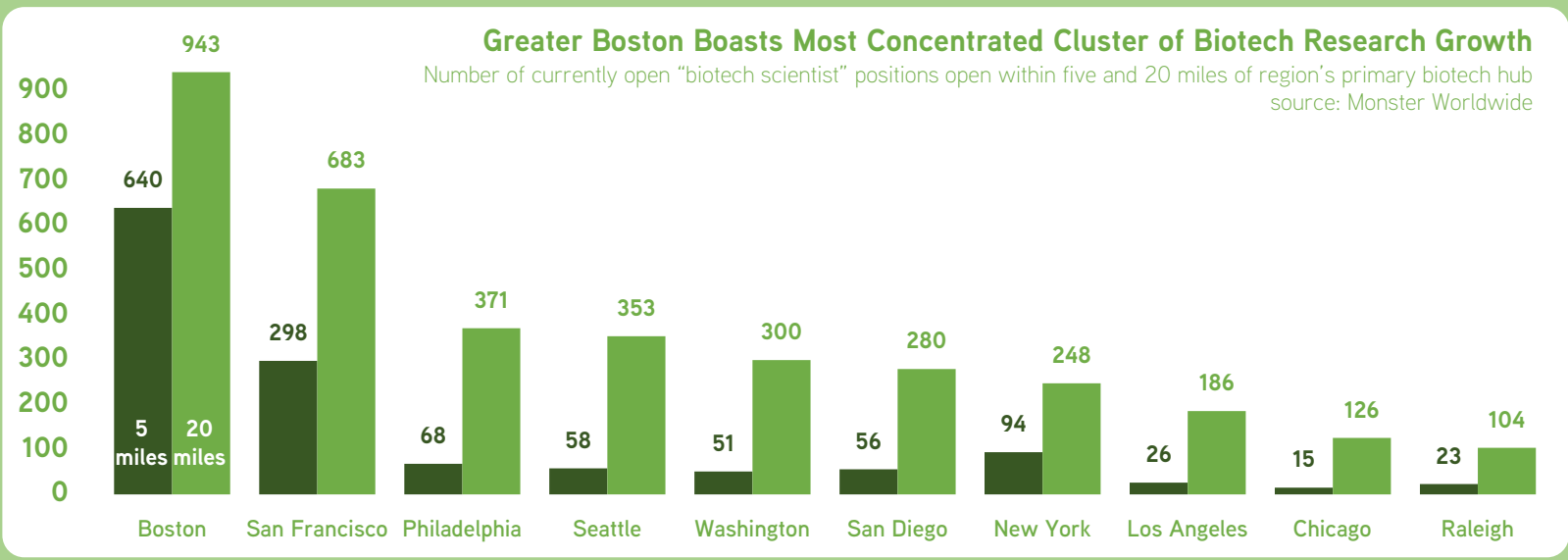
New York City
 Cluster: East Side Life Sciences Corridor
 Cos: Eli Lilly, Nestle, Roche
The view from Boston:
 This high profile corridor is now dominated by some of the world's deep pocketed chemical and pharma firms with some bio involvement; a true bio concentration may be restricted by high costs.

Seattle
 Cluster: Eastlake
 Cos: Gilead Sciences, Juno Therapeutics
The view from Boston:
 Seattle's long-established tech scene is now balanced by a rapidly growing bio cluster, though groups may have to compete with some of the world's most aggressive tech land-grabbers.

San Diego
 Cluster: University City
 Cos: Celgene, Scripps Research Institute
The view from Boston:
 A temperate climate, relaxed lifestyle and university environment spur growth in many services sectors, including bio; operations here are more commonly offices of larger biopharmas.

Philadelphia
 Cluster: King of Prussia
 Cos: AdaptImmune, ICON, Teva
The view from Boston:
 Among the country's first bio clusters, the area has seen heavy competition from other areas, including Boston, where some local operations, most notably Shire, have relocated to.

Chicago
 Cluster: Rosemont
 Cos: Abbott Laboratories, Baxter Healthcare
The view from Boston:
 A lack of substantial VC availability may be the top challenge for this area, otherwise offering a top mix of education and medical competencies and among the lowest cost structures on the list.



Flashback to Q1'2016 ...

Absorption had been positive for five consecutive quarters during which new occupancy had surged 1.3 million sf market-wide. Vacancy dipped from 6.7 percent to 6.6 percent, reaching the lowest levels observed since at least 2000.

Novartis opened its 180,000 sf facility at 22 Windsor Street, bringing the group's Cambridge presence to 1.2 million sf.

Boston Properties divested a building it built in 2006 for the Broad Institute, in a sale to MIT.

King Street Properties divested 200 CambridgePark Drive in Cambridge for nearly four times their 2014 purchase price.



this quarter

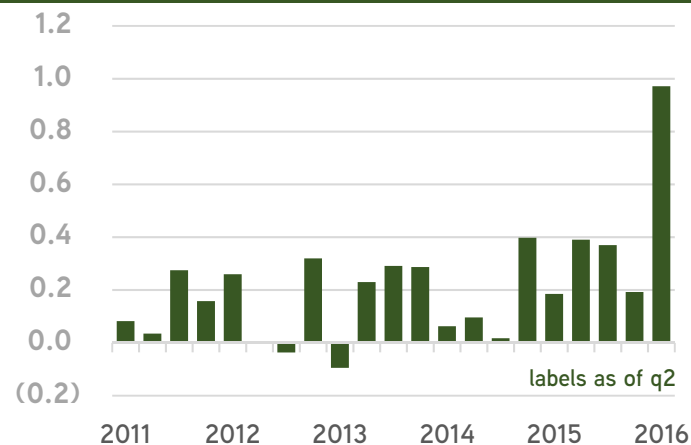
in cambridge ...

- ◇ Buoyed on by both new construction occupancy and depletion of little available space, Cambridge vacancy dropped to 1.6 percent from 4.5 percent last quarter, and 9.7 percent as of the quarter ended a year ago.
- ◇ Cambridge absorption of 902,000 sf was an all-time record; the city also became the world's first to eclipse ten million sf of lab inventory.
- ◇ Alexandria's 390,000 sf new development at 75-125 Binney Street opened, welcoming IBM Watson into 163,000 sf and ARIAD Pharmaceuticals into the remaining 227,000 sf; Millennium took occupancy of its new 250,000 sf facility at 300 Massachusetts Avenue.
- ◇ IBM's presence on Binney Street underscores the extent to which space once intended for traditional lab users will likely find utility by an expanding set of constituents.
- ◇ Shuffling occurred as Seres moved into 83,000 sf at 200 Sidney Street in a move from 215 First Street and Dimension Therapeutics and Intellia each completed expansions of 15,000 sf in place; Celegene move into 60,000 sf at 200 Cambridgeport Drive, in a move from Lexington.
- ◇ Alewife vacancy has dropped from 52.6 percent from year-end 2014 to 0.5 percent today; the area had been viewed as a haven of availability.
- ◇ The Davis Companies intends to upgrade its newly acquired 137,000 sf 35 Cambridgepark Drive to an expanded Lab facility.
- ◇ An additional 937,000 sf remains under construction at Alexandria Center on Binney Street; Pfizer's new 273,000 sf research facility at 610 Main Street is expected to be delivered later this year.

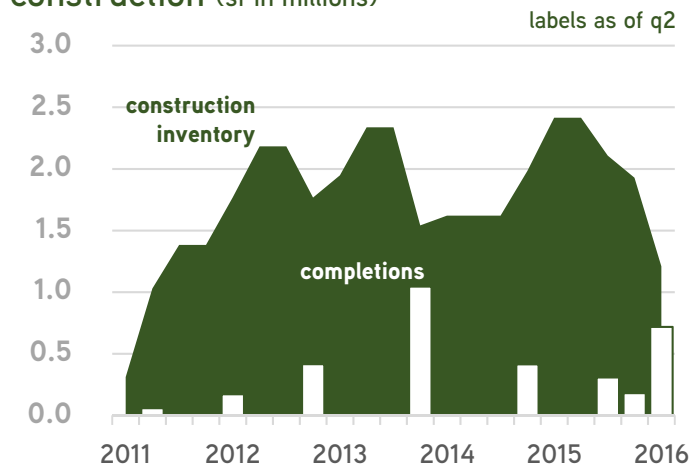
in boston & the rings ...

- ◇ Vacancy in the 128 ring dropped from 11.6 percent to 10.7 percent on 29,000 sf of positive absorption.
- ◇ Brammer Bio moved into its new 51,000 sf facility at 45 Hartwell Avenue in Lexington; the group intends to invest nearly \$1,000 per sf to build out a biomanufacturing plant on site.
- ◇ Choices in the high-demand 128 Core submarket are being rapidly depleted for small- and mid-sized users.
- ◇ The 495 ring experienced 40,000 sf of positive absorption, though vacancy increased from 5.9 percent to 7.7 percent as the completion of a 78,000 sf facility at Genzyme's Framingham site expanded inventory.
- ◇ Streetcar ring vacancy was flat in the quarter, leaving vacancy at 8.0 percent; just one of the submarket's 15 buildings has space available.
- ◇ Harvard University received approval for and is expected to begin work this summer on development of its 557,000 sf Science and Engineering facility in Allston; located adjacent to the University's Business School, the complex is expected to spur a considerable amount of bio and generally technology growth in coming decades.

absorption (sf in millions)



construction (sf in millions)



vacancy %





sf in thousands	rba	vac%	absorption		construction**		
			q2'16	ltm	uc	lease%	ltm
total market	18,900	5.0%	971	1,924	1,209	81%	1,206
cambridge	10,307	1.6%	902	1,853	1,209	81%	1,127
kendall	5,824	0.3%	374	615	1,209	81%	390
cambridgeport	3,772	3.9%	415	1,043	0		737
harvard	84	0.0%	0	12	0		0
alewife	627	0.5%	113	182	0		0
streetcar belt	3,405	8.0%	0	(19)	0		0
gateway	251	8.5%	0	(21)	0		0
longwood	1,792	14.0%	0	0	0		0
crosstown	1,362	0.0%	0	2	0		0
128 belt	3,339	10.7%	29	37	0		0
north shore	307	31.9%	0	0	0		0
128 prime	2,987	7.2%	29	48	0		0
9 west	45	100.0%	0	(11)	0		0
495 belt	1,849	7.7%	40	53	0		78
3 north	603	6.3%	(38)	(38)	0		0
the boroughs	404	23.6%	0	21	0		0
framingham natick	805	1.1%	78	70	0		78
patriots	36	0.0%	0	0	0		0

rba = rentable building area ltm = last twelve months ** preleased % & last twelve months completions

Encompass strives for complete accuracy in all aspects of its information and analysis, though no guarantee to that effect is made. Sources include Bureau of Economic Analysis, Bureau of Labor Statistics, Encompass Real Estate Strategy, Federal Reserve Bank, Google Analytics, Maptitude.



spectrum family



- blue** <> macro level office | quarterly
- steel** <> macro level industrial | quarterly
- green** <> macro level laboratory | quarterly
- slate** <> submarket level office series | quarterly
- node** <> transit-accessible office & lab | twice-yearly
- white** <> special interest | twice-yearly or so

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