



FOR IMMEDIATE RELEASE

CONTACT: Linda McDonough
617-279-4571
lmcdonough@fhopartners.com

FHO PARTNERS RELEASES FIRST QUARTER MARKET RESEARCH ON STATE OF MASSACHUSETTS' COMMERCIAL REAL ESTATE INDUSTRY

CAMBRIDGE MARKET, SELECT R&D SUBMARKETS CONTINUE TO LEAD CRE RECOVERY

BOSTON – APRIL 5, 2010 – FHO Partners, a leader in commercial real estate services with extensive experience in the greater Boston office market, today released its quarterly MarketWatch Research that tracks the performance of the commercial real estate market in Boston, Cambridge and the suburbs. Figures from the first quarter of 2010 illustrate that commercial real estate market conditions continue to stabilize and, in some industry sectors and submarkets, are even beginning to improve. While it is premature to label one quarter's statistics a trend, it appears that the protracted downturn of the past two years may be over.

A strong quarter for the Cambridge lab and office market, which each experienced a reduction in availability rates, as well as for suburban R&D space indicates that technology-based businesses will likely drive the region's commercial real estate recovery. The Boston submarkets were hardest hit, experiencing an increase in available space due in part to the large number of financial and business services firms that did not weather the recession as well as technology companies. The majority of negative absorption experienced across all markets was concentrated in Class B and Class C space, due to tenant "flight to quality" as users previously priced out of the Class A sector move to higher quality space at the current market's lower rental rates.

"While the fourth quarter of 2009 brought an end to the dramatic downward movement in key indicators like available space, net absorption and rental rates, the regional CRE markets continued to experience a level of unsettling volatility," said FHO Partners Managing Partner Joe Fallon. "These fluctuations have stabilized dramatically during the first quarter of 2010, and we are even seeing signs of recovery in the form of decreasing availability rates in the entire Cambridge submarket, high-tech R&D space, and select suburban and downtown Boston office submarkets."

Highlights of the FHO Partners MarketWatch Research:

City of Boston:

- Availability rates continued to rise, increasing from 16.7 percent at year-end 2009 to 17.7 percent currently.
- Asking rents continued to fall during the quarter, albeit modestly, as the average asking rent for the overall Boston market declined from \$40.83 per square foot at year-end 2009 to \$39.87 per square foot currently.

- Given Boston's reliance on the financial and business services sectors, some of the hardest-hit areas of the economy, the decline in conditions is not unexpected.

City of Cambridge:

- Both the office and lab sectors in Cambridge experienced improvement in conditions with availability declining to 16.1 percent and 16.7 percent respectively (down from 18.2 percent and 17.4 percent at year-end 2009).
- The Cambridge office market reversed its negative performance for 2009 to post 130,077 square feet of positive net absorption during the first quarter of 2010; the lab sector also continued to improve with 25,136 square feet of positive net absorption.
- Asking rents in Cambridge fared better than those in Boston and the suburbs and appear to have stabilized. Office rents declined marginally during the first quarter of 2010 to \$36.10 per square foot, down from \$36.58 per square foot at year-end 2009 of. Lab rents increased slightly during the first quarter of 2010 from \$47.39 per square foot at year end 2009 to \$48.88 currently.
- Cambridge's concentration of biopharmaceutical and technology tenants, which have weathered the economic storm better than the general economy, continue to demand space. During the past quarter Ironwood Pharmaceuticals leased 60,000 square feet of lab space at 301 Binney Street; Merrimack Pharmaceuticals expanded by 11,000 square feet at One Kendall Square; Google completed an 81,000 square feet extension and expansion at 5 Cambridge Center adding 21,000 square feet; and The Cambridge Innovation Center took an additional 57,000 square feet of office space at One Broadway.

Suburban Markets:

- Availability rates in the suburban market did not change during the first quarter of 2010, remaining steady at 25.2 percent.
- Availability rates for the office sector increased slightly from 22.7 percent at year-end 2009 to 23.1 percent currently; while the availability rate for R&D space declined from 28.5 percent at year-end 2009 to 28.2 percent.
- Declines in suburban rental rates have abated. Current average asking rents for the overall suburban market fell to \$22.58 per square foot for office space during the first quarter, down from \$22.62 per square foot. Rental rates for R&D space fell slightly to \$10.67 per square foot, down from \$10.69 at year-end 2009.
- The 495-North market, which totals 31.8 million square feet (22.2 million R&D and 9.6 million office), experienced an increase in availability rates from 20.3 percent to 22.6 percent with 225,677 square feet of negative absorption, while the availability rate for R&D space dropped from 35.9 percent to 34.6 percent with 306,462 square feet of positive absorption.
- Significant tenant activity for R&D space occurred in Chelmsford including: Hittite Microwave's purchase of the 105,934 square foot Two Elizabeth Drive; MRV Communications leasing 30,000 square feet at 300 Apollo Drive; and Harris International taking 79,873 square feet at 150 Apollo Drive.

FHO Partners is a commercial real estate firm providing brokerage and transaction management services to multi-market, national and international corporate real estate portfolios, both owned and leased. In the world of commercial real estate, FHO Partners' people-powered approach stands out. The senior partners of the firm have worked together for more than 20 years providing customized advisory consulting and brokerage services to a range

of corporate and institutional clients locally, nationally and overseas. For more information, visit www.fhopartners.com or call 617-279-4555.