

“The economy is stabilized. You can see signs of growth here and around the world...It’s going to be very hard going forward still...Recovery’s going to have to be led by the private sector and it’s going to have to be driven by private companies...”

- Timothy Geithner, Secretary of the Treasury, October 2009

## OVERALL MARKET STATISTICS 3Q 2009 SUMMARY

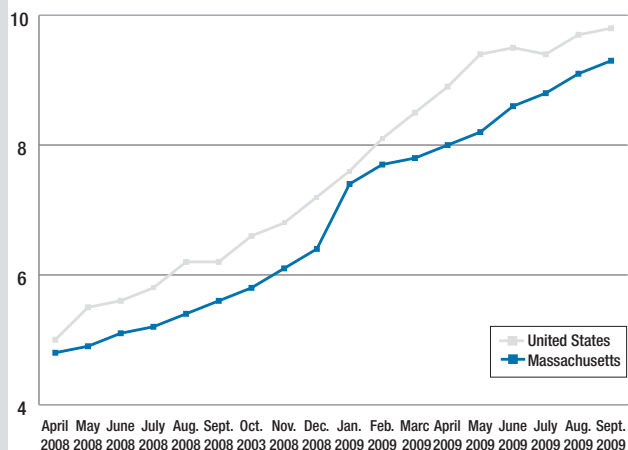
	Asking Rent	Vacancy	Absorption
Boston	⇓	⇓	⇑
Cambridge	⇓	⇑	⇓
Suburbs	⇓	⇑	⇓

## THE STATE OF THE ECONOMY BY THE NUMBERS

	3Q 2008	3Q 2009
DJIA	10,831.07	9,509.28
US Unemployment	6.6%	9.8%
MA Unemployment	5.8%	9.3%
US Employment Payroll (Jan-Sept.)	(1,420,000)	(4,127,000)
MA Employment Payroll (Jan-Sept.)	(11,300)	(48,700)

Sources: Yahoo Finance, Bureau of Labor & Statistics

## UNEMPLOYMENT RATE



## GREATER BOSTON MARKET SNAPSHOT

Overall Availability	19.5%
Average Rent	\$32.05
Absorption	(5,685,889)

## EXECUTIVE OVERVIEW

After being hammered by the consequences of multiple calamities in the financial system for much of 2009, the global economy is beginning to show signs of improvement amid the turmoil. Regardless of these early indications that things are getting better, through the first three quarters of 2009 the commercial real estate market in greater Boston continues to feel the negative effects of the downturn in the national and local economies.

The United States and Massachusetts economies are finally experiencing modest growth, indicating that the recession is likely coming to an end. In the third quarter the stock market was on an upward trajectory and levels of residential real estate sales increased. Unfortunately, the damage done to the economy continues to have a severe negative impact on both the employment picture and consumer confidence. The venture capital and IPO markets are beginning to come back to life, but relative to recent years, they continue to be hampered by the current economic conditions. Despite the potential of an imminent economic recovery, it is likely that the greater Boston office market will remain significantly challenged in the near term as businesses work to regain their strength and confidence.

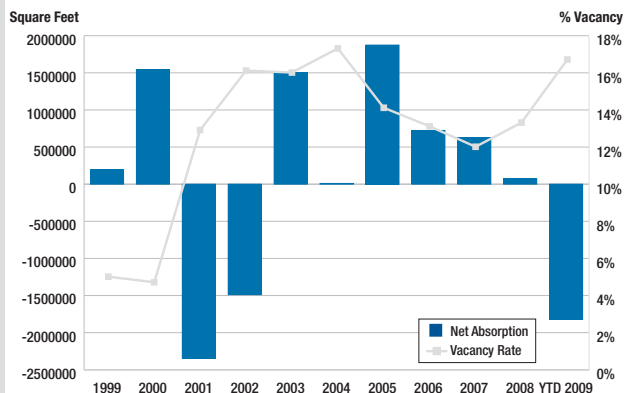
The employment picture remains grim across the United States and in Massachusetts with unemployment nearing 10%, levels not seen since the early 1980's. The staggering job losses observed in Massachusetts and across the country are the greatest indication of the distress being felt by businesses in the face of this recession. Given that more than four million jobs have been lost across the United States this year, the best case scenario is that those jobs will be regenerated over the next several years. The negative impact that high unemployment continues to have on the demand for office space in greater Boston and beyond is unlikely to subside until late 2010.

Due to the diversity of industries impacting the Massachusetts economy, predictions are that Massachusetts is in a better position for recovery and growth. The biotechnology, education and financial services industries in Massachusetts are among those outperforming the national average. In more positive news for the greater Boston commercial real estate market, after nearly two years of steady increases, the swift pace at which office space has been becoming available slowed to a near stop in the third quarter. Until businesses begin to grow and add new employees and the commercial real estate market in the Boston area begins to recover in earnest, the overall amount of space available for lease will remain high, rents will continue to decline, and new development will be scarce.

## OUTLOOK

While news that the recession may be coming to an end is certainly welcome, the greater Boston office market will remain soft for the foreseeable future with elevated levels of office space on the market, a paucity of tenant demand and depressed rental rates. Until businesses are able to recoup their confidence, demand for office, R&D and lab space throughout greater Boston is unlikely to increase and spur a full commercial real estate market recovery.

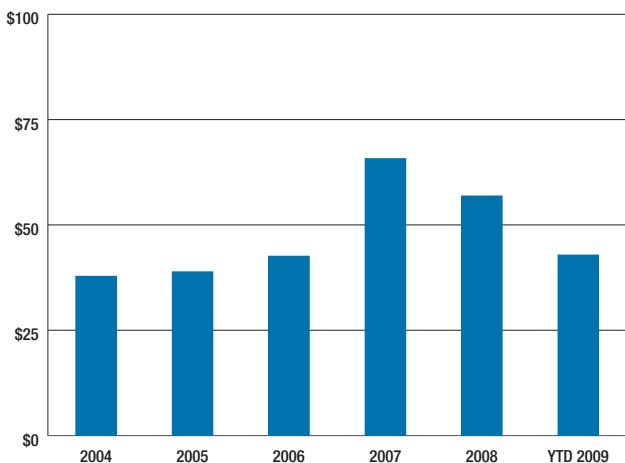
ABSORPTION / VACANCY 1999-YTD 2009



MARKET HIGHLIGHTS

Inventory	58,261,767 SF
Availability Rate	16.4%
Net Absorption YTD 2009	(1,819,878) SF
Average Asking Rent	\$17.00-\$65.00/SF

RENTAL RATES



DEVELOPMENT PROJECTS

One Marina Park Drive - Fan Pier	504,000 SF
Russia Wharf	550,000 SF

BOSTON OVERVIEW

Thus far in 2009, the office market in downtown Boston continues to be impacted by the challenges in the national and global economies. The downtown Boston office market is struggling in the face of stagnant demand for office space as businesses attempt to rebound from a difficult year. With little new growth happening in any sector, the deal activity that is occurring downtown is mainly being driven by looming lease expirations. Landlord concessions and “blend and extend” lease restructures are more prevalent as tenants capitalize on the soft market to maximize value. Despite improvement in the stock market and the positive impact that is having on Boston’s financial service heavy business community, the prospect for job creation is unlikely to materialize until late 2010 at the earliest.

- Though the percentage of available space decreased slightly this quarter from 16.7% to 16.4%, it still is a nearly 3.5% increase since the beginning of 2009. This slight decline in available space reflects a considerable slowing of the pace at which space is being made available for lease.
- The amount of space available for sublease remains high with more than 1.5 million square feet available, nearly double the amount available at this time in 2008. There was a 10,737 square foot decline in the amount of space available for sublease in the third quarter, an indication that the sublease space supply may be leveling off.
- Given the scarcity of financing, the dearth of demand, high levels of available space and declining rents, several construction projects have stalled and new development in Boston is unlikely in the short term.
- There was 158,371 square feet of net absorption in downtown Boston in the third quarter and 1,819,878 square feet of negative absorption observed so far in 2009.
- While average asking rental rates in downtown Boston decreased nearly 15% this year, average rents remained flat at \$42.84 per square foot in the third quarter.

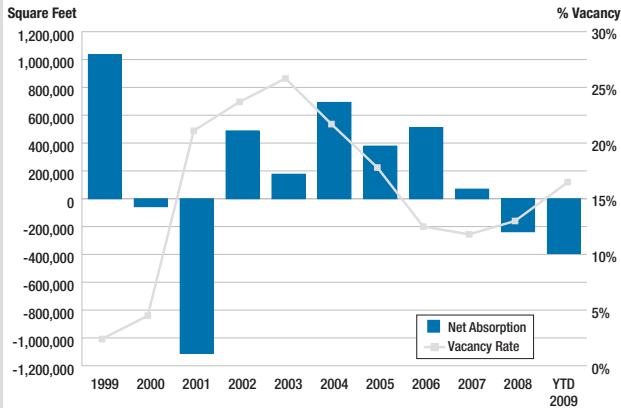
MARKET MAKERS

- BNY Mellon** renewed its lease of 369,000 square feet at One Boston Place.
- Fish & Richardson** will move into 124,000 square feet at One Marina Park Drive.
- Verizon** will lease 202,000 square feet at 185 Franklin Street in the Financial District.
- Interactive Technology Group** will relocate and expand into 70,000 square feet at 100 High Street.

HISTORICAL PERSPECTIVE

The percentage of office space currently available in downtown Boston is 16.4%, the highest point since 2004 when the availability rate peaked at 17.1%. This marks a steep increase over the 12.0% available at the end of 2007, the low point in the last market recovery.

OFFICE ABSORPTION / VACANCY 1999-YTD 2009



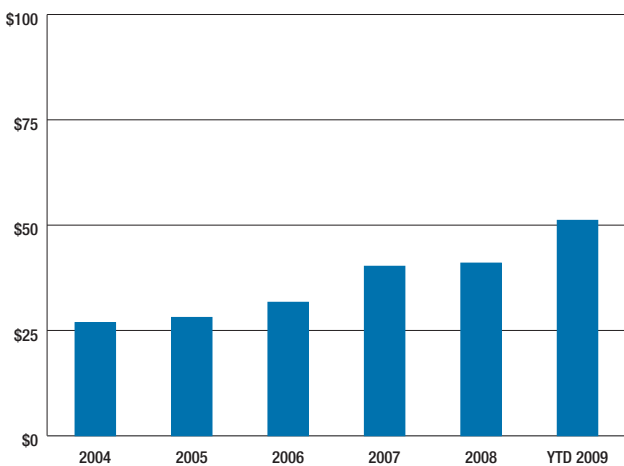
OFFICE MARKET HIGHLIGHTS

Inventory	9,769,186 SF
Availability Rate	16.8%
Net Absorption YTD 2009	(393,731) SF
Average Asking Rent	\$15.00-\$55.00/SF

LAB MARKET HIGHLIGHTS

Inventory	7,833,232 SF
Availability Rate	16.6%
Net Absorption YTD 2009	11,089 SF
Average Asking Rent	\$25.00-\$65.00/SF NNN

OFFICE RENTAL RATES



DEVELOPMENT PROJECTS

650 East Kendall Street	277,671 SF
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CAMBRIDGE OVERVIEW

Through the first three quarters of 2009, the Cambridge lab market continues to outperform the greater Boston commercial real estate market despite the challenges in the larger economy. Due to the relative health of the biotechnology industry and the strength of institutional tenants, the Cambridge lab market has experienced higher levels of demand than the office market. In spite of the stability in the lab market, like Boston and the suburbs the Cambridge office market is struggling under the weight of sluggish demand. Compared to recent years, the lab and office markets in Cambridge are facing increases in available space, declining rental rates, and little new construction.

Office Market

- The Cambridge office market continued to see an increase in available space with the availability rate rising from 12.9% at the beginning of 2009 to 16.8% currently.
- There has been 393,731 square feet of negative absorption experienced this year, a number surpassed only by the 1.1 million square feet of negative absorption recorded during the internet bust of 2001.
- The amount of sublease space on the market increased in the third quarter from 366,365 square feet at the end of the second quarter to the current 409,947 square feet.
- Average asking rental rates for office space in Cambridge continued to decrease in the third quarter to \$38.42 per square foot, a decline of approximately 15% in the past year.

Lab Market

- The Cambridge lab market stumbled a bit this quarter, with 58,110 square feet of negative absorption and an availability rate that increased from 15.8% in July to 16.6% currently.
- Average asking rental rates have declined this year from \$53.91 per square foot in October 2008, to \$51.14 per square foot currently.
- The amount of sublease lab space on the market shrank further this quarter; the 82,891 square feet on the market for sublease this quarter is about half what was on the market at this time in 2008.
- Speculative construction of 300,000 square feet at 650 East Kendall Street continues to progress without a tenant committed to the project. Although Alexandria Properties recently received approval for a massive 1.9 million square foot lab building project in East Cambridge, given market conditions it is unlikely that any further new development will commence in the foreseeable future.

MARKET MAKERS

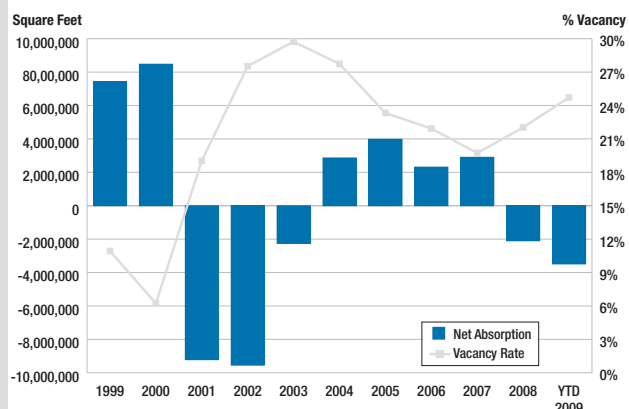
**The Broad Institute** continues to grow and will expand into an additional 18,000 square feet at 5 Cambridge Center.

**ITA Software** renewed and expanded into approximately 85,000 square feet at 141 Portland Street.

HISTORICAL PERSPECTIVE

At the present rate of 16.8%, the percentage of available office space in Cambridge is significantly less than 25.7% in January 2004, the high reached during the last downturn. The 16.6% of lab space currently available is a dramatic increase over the low of 10.4% at the end of 2007.

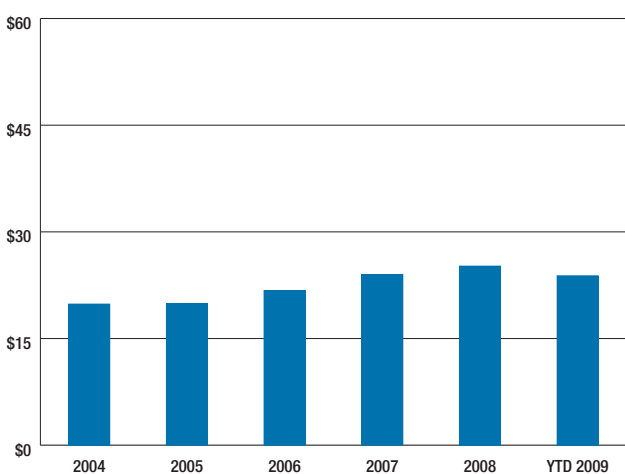
OFFICE/R&D ABSORPTION / VACANCY 1999-YTD 2009



OFFICE MARKET HIGHLIGHTS

Inventory	126,691,870 SF
Availability Rate	24.6%
Net Absorption YTD 2009	(3,483,369) SF
Average Asking Rent	\$12.00-\$38.00/SF

OFFICE/R&D RENTAL RATES



DEVELOPMENT PROJECTS

175-185 Wyman Street, Waltham	320,000 SF
10 Corporate Drive, Burlington	107,000 SF

SUBURBAN OVERVIEW

The challenges in the economy are impacting the greater Boston suburban office and R&D, though this downturn has been much less severe than the bursting of the technology and internet bubble in 2001 and 2002. Given the turmoil in the economy, the amount of available suburban office and R&D space, while high, has remained relatively stable during 2009. Leasing activity is largely being fueled by tenants seeking to renew or capitalize on reduced rental rates by relocating to a more desirable location. Recently completed new development has provided a high quality option for tenants seeking large blocks of space or newer building, though further construction is unlikely to occur in the short term.

- The suburbs experienced an increase in the overall amount of office and R&D space available in the third quarter, pushing the availability rate up slightly to 24.6%. The amount of sublease space on the market decreased in the third quarter by 128,486 square feet.
- The suburbs experienced 630,477 square feet of negative absorption this quarter, of which 564,792 square feet was R&D space.
- The biggest increase in available space in the second quarter was in the 495 North submarket, pushing the availability rate to a suburbs high 30.4%, resulting in 605,851 square feet of negative absorption this quarter.
- One of the largest blocks of space made available in the suburbs in the third quarter was 140,000 square feet at One Park West in Tewksbury.
- The average asking rental rate for office space in the suburbs overall continued to decrease from \$24.18 per square foot in July to \$23.82 per square foot; for R&D space average asking rental rates remained flat at \$10.70 square foot.
- Development projects in the suburbs such as the Polaroid redevelopment in Waltham and Westwood Station have come to a standstill as the inability to obtain funding, large amount of available space and declining rental rates negatively impact project feasibility.

MARKET MAKERS

- Alkermes** leased 100,235 square feet at 850 Winter Street in Waltham.
- Covidien** leased 71,000 square feet of office space at 15 Crosby Drive in Bedford.
- TechTarget** leased 88,000 square feet at 275 Grove Street in Newton.

HISTORICAL PERSPECTIVE

From 2000 to 2001, the percentage of office space available for lease skyrocketed from 7.2% to 21.0%, peaking in 2003 at 26.3%. Currently, the amount of office space available in the suburbs is 22.3%, a far less dramatic increase from the low point of 17.1% at the end of 2007.

MARKET SUMMARY

MARKET	TOTAL INVENTORY	TOTAL AVAILABLE	AVAILABILITY RATE	TOTAL VACANT	VACANCY RATE	YTD 2009 NET ABSORPTION	DIRECT WEIGHTED AVG. RENT
<b>BOSTON OFFICE</b>	58,261,767	9,559,660	16.4%	5,593,241	9.6%	(1,819,878)	\$42.84
Back Bay	12,182,324	1,832,580	15.0%	1,103,692	9.1%	(423,697)	\$46.04
Charlestown	1,539,942	189,971	12.3%	121,321	7.9%	14,557	\$24.32
Fenway	1,911,890	49,130	2.6%	42,630	2.2%	8,309	\$22.87
Financial District	27,884,165	5,240,862	18.8%	2,995,898	10.7%	(1,012,410)	\$45.90
Government Center	1,878,278	426,604	22.7%	118,095	6.3%	(312,379)	\$35.55
Midtown	1,872,209	183,346	9.8%	154,476	8.3%	(15,817)	\$27.86
North Station	1,633,118	233,355	14.3%	154,562	9.5%	(33,839)	\$32.72
South Boston Waterfront	5,275,761	1,107,135	21.0%	712,325	13.5%	(247,889)	\$31.25
South Station	3,878,694	264,298	6.8%	157,863	4.1%	36,616	\$36.39
<b>CAMBRIDGE OFFICE</b>	9,769,186	1,643,994	16.8%	1,063,703	10.9%	(393,731)	\$38.42
Alewife/West Cambridge	1,714,404	320,142	18.7%	300,172	17.5%	(10,954)	\$35.56
East Cambridge	6,160,198	1,106,511	18.0%	672,756	10.9%	(250,594)	\$40.15
Mass Avenue Corridor	1,894,584	217,341	11.5%	90,775	4.8%	(132,183)	\$38.42
<b>CAMBRIDGE LAB</b>	7,833,232	1,296,741	16.6%	1,296,741	14.7%	11,089	\$51.14
Alewife/West Cambridge	677,311	210,571	31.1%	205,411	30.3%	(1,309)	\$33.04
East Cambridge	4,534,266	749,298	16.5%	626,022	13.8%	(32,470)	\$54.60
Mass Avenue Corridor	2,621,655	336,872	12.8%	323,723	12.3%	44,868	\$56.74
<b>SUBURBS OFFICE/R&amp;D</b>	126,691,870	31,204,972	24.6%	21,648,789	17.0%	(3,483,369)	\$23.82
128 Central	40,735,920	9,317,396	22.9%	5,868,154	14.4%	(991,809)	\$27.21
128 North	9,332,139	2,411,091	25.8%	2,051,543	22.0%	25,700	\$19.69
128 South	14,493,301	3,367,423	23.2%	2,365,209	16.3%	(492,839)	\$21.93
3/24 South	1,932,663	463,504	24.0%	421,147	21.8%	(113,826)	\$21.44
495 Central	17,746,164	4,410,650	24.9%	3,105,670	17.5%	(211,026)	\$21.23
495 North	31,692,713	9,620,311	30.4%	6,639,953	21.0%	(1,318,251)	\$18.12
495 South	4,285,045	951,285	22.2%	688,358	16.1%	(128,152)	\$20.13
Inner Suburbs	6,473,925	663,312	10.2%	508,755	7.9%	(253,166)	\$24.66
<b>TOTAL</b>	<b>202,556,055</b>	<b>43,705,367</b>	<b>21.6%</b>	<b>29,602,474</b>	<b>14.6%</b>	<b>(5,685,889)</b>	<b>\$32.05</b>

## GLOSSARY OF TERMS

### METHODOLOGY

The information included in this report is the result of a compilation of information on Class A, B and C office, R&D and investment properties located in the Boston area. The information was obtained by FHO Partners from representatives of each property.

All of the information gathered is stored in a FHO Partners database which is updated quarterly. From this database, total inventory, vacancy rate, rental rate and absorption figures may be calculated and presented.

Total inventory may change from year to year as a result of newly constructed or newly renovated buildings, recently remeasured properties, or significant change or deletion of a particular building status. The database is thoroughly checked and balanced from year to year. The appropriate adjustments are made in order to balance the figures and calculate the most accurate vacancy and absorption figures.

### DEFINITIONS

#### Inventory:

Includes all existing competitive office and R&D buildings over 20,000 sq. ft. as well as significant buildings less than that size. Under construction, government, medical, educational and 100% owner-occupied buildings are not included.

#### Direct Space:

Space available directly from the building owner. Includes space available for occupancy within the next 24 months. Does not include space in under construction buildings.

#### Sublease Space:

Space available through a lessee to a third party for the remainder of the original lease term and/or beyond. Includes space being actively marketed.

#### Vacancy Rate:

Space, available both directly and by sublease, that is currently vacant and being marketed for immediate occupancy. Does not include space under construction.

#### Availability Rate:

Available space is generally defined as space that is being actively marketed and/or available for occupancy within the next 24 months.

#### Construction Completions:

Buildings which have received their certificate of occupancy in the stated time period.

#### Under Construction:

Buildings which have had excavation work commence, but have not yet received their certificate of occupancy.

#### Office:

Space designed for general office use. Buildings are generally two or more stories and offer tenants a higher-level of finish than R&D space.

#### R&D:

Space designed for high technology, office or light industrial use. Buildings are generally one or two stories.

#### Net Absorption:

The net change in occupied space over a given period of time. Calculations are based on available space.

#### Rental Rates:

Gross: Rents which include tax and operating expenses, but generally not electricity.

#### Triple Net:

Rents where the tenant is directly responsible for all tax, operating and utility expenses.

#### Weighted Average Rent:

An average rental rate that is weighted by the amount of square footage available at each respective rental rate.

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