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BIO WATCH

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EXECUTIVE OVERVIEW

Rapid advances in R&D and technology, in conjunction with an aging population, are leading to remarkable increases in spending on health-care and prescription drugs. As a national life sciences “supercluster,” greater Boston benefits from the breakthrough developments of both established pharmaceutical companies and the cutting-edge, venture capital-funded biotechnology sector. Due to its symbiotic relationship with world-class universities, teaching hospitals and the pool of talent educated within Massachusetts, the industry has continued to thrive despite the current state of the national economy. As a result, the Commonwealth of Massachusetts has committed to a long-term promotion of the industry with a 10-year, \$1 billion Life Science Initiative.

In addition to grants, the Initiative includes nine provisions for tax incentives provided a qualifying company commits to creating local jobs. Additionally, selection criteria are predominantly based on a company’s pledge to generate revenue and subsequent jobs, as well as an overall commitment to economic development. The first round of funding was awarded in December 2009 - \$24.5 million was granted to 28 companies who committed to creating 918 new jobs in the state in 2010.

The local life sciences industry has also been a propitious beneficiary of federal stimulus money from the American Recovery and Reinvestment Act (ARRA). Through the National Institutes of Health (NIH), ARRA has funded \$6.48B in grants since its inception in 2009, with approximately \$662M (or 10% of total funding) designated solely for Massachusetts organizations. With a focus on supporting innovative medical products, encouraging economic growth and creating jobs, approximately 90% of the local grants were awarded to Massachusetts hospitals and research universities. Accordingly, education and health services have been the only sectors in the state to consistently post job growth since the beginning of the recession in late 2007 – up 5.65% (3.3% since ARRA funding was disbursed in mid- 2009).

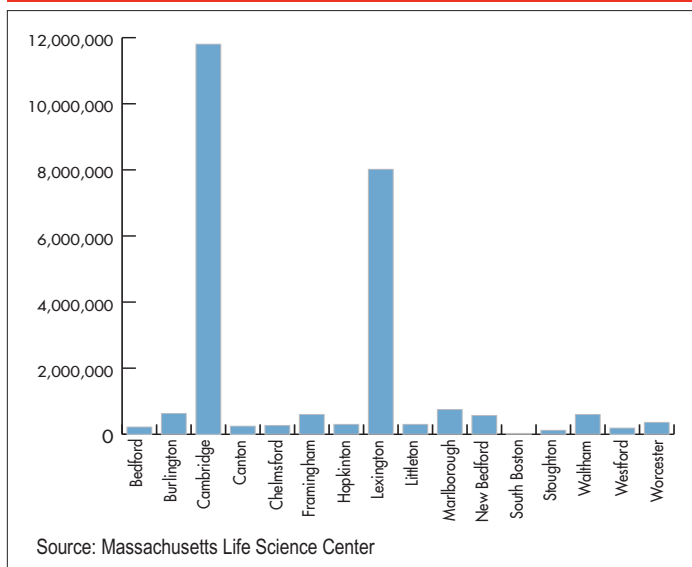
MARKET SUMMARY

Despite increased federal funding and local incentives, Merck will be closing its Cambridge-based research facility on the heels of its November 2009 acquisition of Schering-Plough. As part of a corporate-wide initiative to reduce redundant facilities and positions, Merck anticipates closing a total of eight research facilities (including the one in Cambridge), eight manufacturing plants and reducing its worldwide headcount by 15%.

While still unclear how many jobs will be lost from Merck’s Cambridge departure (they are retaining their Boston facility at 33 Louis Pasteur Avenue), many other life science companies in the greater Boston area have committed to job growth. For example, Genzyme has filed a master plan with environmental officials laying out the expansion of its Framingham facility by adding 757,000 sf of manufacturing, office and research space in the next 10 years. Officials estimate that once completed, the facility will create over 1,000 new jobs in Framingham. Currently the firm has more than 500 job openings in Massachusetts – 200 of which are located in Framingham.

In addition to Genzyme, other life science firms have also committed to local job creation. Shire Human Genetic Therapies recently purchased the Lexington Technology Park Campus for \$165 million. Due to its expansion (and the delivery of 200 Patriot Way in the fourth quarter of 2011), Shire expects to hire an additional 100 people for its support facility and manufacturing plant. Spurred in part by funding from the Life Science Initiative and a subsequent commitment to job creation, other firms such as Vertex Pharmaceuticals and Cubist Pharmaceuticals are expanding their employment base – Vertex is growing in Cambridge and Cubist is expanding in Lexington.

2009 Life Science Initiative Awards by City



Massachusetts by the Numbers

- 430 biotechnology companies located in Massachusetts
- \$807 million in venture capital funding received by Massachusetts biotechnology companies in 2009
- 49,905 biotechnology employees in Massachusetts in 2008
- 2,364 drugs are currently being developed in Massachusetts
- \$662 million in NIH grants funded by the American Recovery and Reinvestment Act of 2009 (ARRA) awarded to Massachusetts institutions

Source: Massachusetts Biotechnology Council and National Institutes of Health

In addition to direct job creation, the expansion of greater Boston's life sciences industry is also establishing growth opportunities for ancillary "feeder" businesses such as manufacturers of medical device parts, regulatory and government affairs consultants and marketing and public relations professionals. Given that both the federal and state governments have made long-term commitments to incenting growth, we anticipate that demand for laboratory space will continue for the foreseeable future.

GREATER BOSTON LABORATORY MARKET

Boston

- Of the 1.5 msf of laboratory space located within Boston, only 321,000 sf is located outside of the Longwood Medical Area.
- The Longwood Medical Area continues to boast high occupancy levels. Delivered in 2008, the 704,000 sf Center for Life Sciences Boston is more than 90% leased.
- Boston's proposed lab construction pipeline is currently at a standstill until market conditions improve.
- Aside from hospitals, major tenants in Boston's Longwood Medical Area include pharmaceutical giant Merck & Co.

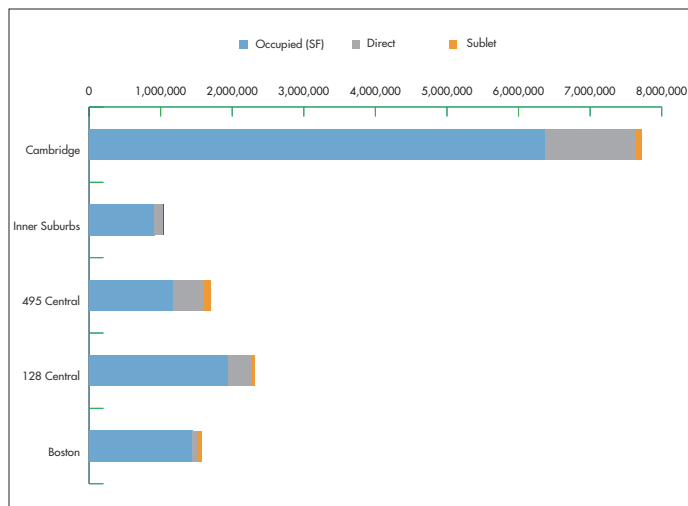
Cambridge

- Alexandria Real Estate Equities, Inc. recently secured zoning approval for its 11.3 acre, 1.72 msf Life Science Square development. Plans for the project boast five LEED certified buildings.
- Overall availability in Cambridge has remained relatively flat, ticking up a nominal 10 basis points since year-end 2009 to 17.5%
- Asking rents for lab space, while declining 7.0% year-over-year, have actually increased 2.0% in the first half of 2010 to \$48.29 psf.
- The Cambridge Lab market continued to post negative absorption through the first half of the year, totaling (36,046) sf year-to-date. This marks a decline over mid-year 2009 when lab absorption totaled 69,199 sf.

Suburbs

- At 5.06 msf, lab inventory in the suburbs accounts for just over 4.0% of the total suburban office and R&D inventory.
- As traditional Cambridge lab tenants have experienced growth, they have become increasingly more attracted to the suburbs due to the lack of supply constraints and lower asking rents.
- Genzyme, which maintains a presence in Cambridge, has filed a master plan to expand its Framingham campus by 757,000 sf over the next ten years.
- Bristol-Myers Squibb recently completed a new \$1 billion, LEED-certified facility in Devens. It is the largest biologics manufacturing facility in the world.
- 128 Central had the strongest fundamentals year-to-date with 57,700 sf of absorption. This is largely attributable to TIAX, LLC taking 46,700 sf at 35 Hartwell Street in Lexington.

Lab Inventory vs. Availability by Submarket



Market Summary

Market	Total Inventory	# of Buildings	Direct Available	Sublease Available	Total Available	Total % Available	Average Asking Rent*	YTD 2010 Overall Net Absorption
CAMBRIDGE								
Alewife / W. Cambridge	533,311	11	64,287	0	64,287	12.1%	\$33.79	7,007
East Cambridge	4,872,719	41	920,328	50,014	970,342	19.9%	\$49.46	(15,762)
Mass Avenue Corridor	2,317,655	17	286,151	30,737	316,888	13.7%	\$54.13	(27,291)
TOTAL	7,723,685	69	1,270,766	80,751	1,351,517	17.5%	\$48.29	(36,046)
BOSTON AND SUBURBS								
128 Central	2,311,607	35	312,099	50,700	362,799	15.7%	\$25.29	57,700
495 Central	1,702,514	21	429,016	97,789	526,805	30.9%	\$13.72	(17,696)
Boston	1,570,455	4	61,378	62,462	123,840	7.9%	N/A	22,462
Inner Suburbs	1,044,549	12	128,549	1,358	129,907	12.4%	\$17.36	19,758
TOTAL	6,629,125	72	931,042	212,309	1,143,351	17.2%	\$17.71	82,224

*Rents quoted on NNN basis



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