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LAB CENTRAL

Life Science Lines Up In Cambridge

Developers Prepare More Big Projects

By [Steve Adams](#) | Banker & Tradesman Staff | Sep 4, 2016

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Alexandria Real Estate Equities' 100 Binney St. scheduled for completion next year is the next large block of lab space available in Cambridge's sought-after Kendall Square life science cluster.

It's an unusually good time to be a commercial developer in Cambridge.

Competition for lab space is tighter than parking on move-in day despite a blistering development climate that's added nearly 1.3 million square feet in the past year. East Cambridge's lab availability rate of 2.7 percent – down from 3.2 percent a year ago, according to Transwestern RBJ – forces life science companies with short-term space requirements to look toward future developments, or a select few suburban markets.

There's only one block of space that's uncommitted in Kendall Square's construction pipeline: 221,000 square feet at Alexandria Real Estate Equities' 100 Binney St., which is scheduled for completion in late 2017.

"Right now, we have almost 1 million square feet of demand from big block (life science) users looking for over 100,000 square feet (in Cambridge and Route 128)," said Matthew Powers, an executive vice president for JLL.

That's prompted talk from developers about going spec on the next generation of major projects.

Boston Properties has indicated it plans to break ground next year on two towers containing over 771,000 square feet of office and lab space at 145 Broadway and 250 Binney St. in its Kendall Center redevelopment. DivcoWest is moving forward with permitting of the 1.8-million-square-foot office and lab component of the long-delayed NorthPoint master-planned site that it acquired last year for \$291 million. And Alexandria Real Estate Equities is

positioned to begin a 172,500-square-foot building at 399 Binney St., part of the One Kendall Square site it has under agreement for \$725 million.

Johnson & Johnson leads the list of major tenant requirements in East Cambridge, seeking 200,000 square feet. Biogen has been in the market for a large block of space and has been mentioned as a potential tenant for Kendall Center. But CEO George Scangos' June retirement announcement and rumors of a potential acquisition by Merck or Allergan could delay decisions on real estate moves.

Global Capital Enters The Picture

The timing is advantageous to be a seller in Kendall Square as well.

The \$725 million sales price at One Kendall Square is 84 percent higher than DivcoWest paid for the seven-building complex two years ago. Alexandria is counting on recouping its investment by lifting rents – currently in the \$47 per foot range – by converting some of the 48 percent office space component into labs.

Heightened investor interest, including that from foreign buyers, could create a new investment sales market for lab buildings including those long owned by life science companies, JLL's Powers predicted.

"You haven't seen a lot of that in the past. It's not that interesting to buy a stabilized leased asset, but now it is because there's so little available," Powers said.

The United Kingdom's vote to leave the European Union could encourage global capital to buy into Greater Boston's life science investment sales market, previously restricted to a handful of niche industry players. A similar foreign investment boom has been a driving force in the sales of trophy office buildings in Boston and Cambridge in recent years.

Cambridge last year surpassed the 10-million-square-foot mark for lab space, a global first. And still, the mismatch between demand and supply continues to grow. Values of leading lab properties in Cambridge have surpassed top-shelf office towers in downtown Boston. Average asking rents for the 8.2-million-square-foot class A lab market in East Cambridge were \$72 per square foot in the second quarter, according to a research report by Lincoln Property Co.

West Cambridge's Alewife submarket has a current availability rate of 0.0 percent. There's also one major build-to-suit opportunity that's been waiting for a lead tenant: Bulfinch Cos.' Cambridge Discovery Park, which has had a fully permitted site for a 245,000-square-foot office/lab building ready to go since 2014.

The lingering tightness of the Cambridge market bodes well for values of lab space in relief valve submarkets such as Boston's Longwood Medical Area and the Seaport District, said Frank Petz, a managing director for JLL capital markets. The Fenway also has started to make its case as an East Cambridge alternative, with Decibel Therapeutics' recent decision to relocate from 215 First St. to Samuels & Assoc.'s Van Ness office tower next year.

"Longwood Medical Area is one of our largest growth engines and it's space-constrained. It's a hotbed of research and technology, and there is a need for that ecosystem to continue to grow," Petz said.

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