

Northeast Real Estate Business

Market Highlights – Boston Biotech Focus

Richards Barry Joyce & Partners article submission



Demand in Greater Boston's Biotech Market

By Brendan Carroll

Developers and owners of biotechnology research-focused (“Laboratory”) real estate in Greater Boston have enjoyed a remarkably consistent growth in demand for their space over the past decade. Biotechnology research will enter its fifth decade in Massachusetts in 2010, though the growth and scale of the industry over the past ten years has been particularly notable. Developers have responded by filling in a much needed demand for increased inventory. In fact, with the completion of the Center for Life Sciences Boston and Cambridge’s 200 Technology Square and 301 Binney Street, the 15.0 million sf of existing Laboratory space in Greater Boston will be more than twice the 7.2 million sf that existed in the first quarter of 1998. East Cambridge, the birthplace of the local industry and an internationally recognized hub of biotech research activity, will have grown from a 1.2 million sf submarket of space into a 4 million sf submarket of space.

The biotechnology industry has morphed from a small number of mid-sized players into a dynamic marketplace of diverse competencies and a full array of business model types. A tight geographic concentration of the industry in East Cambridge remains the regional epicenter, though Laboratory space exists in a full variety of Cambridge, Boston and suburban settings. As mentioned above, the amount of Laboratory space in existence has expanded dramatically. The demand for space, however, despite all these changes, has averaged 178,000 sf per quarter over the past 38 quarters, when omitting a three quarter “correction” in 2002/03. While the trend has been extremely constant, it is also interesting to quantify the limited nature of this correction. There were a mere three quarters when 916,000 sf of biotech space was vacated, compared to the correction in the office market – eleven consecutive quarters of negative absorption during which 14.6 million sf was vacated. Additionally, the number of quarters of positive absorption of Laboratory space during the past 38 quarters is 31, far outpacing the number experienced during the same period in the office market – 22.

As the interdependence between the Greater Boston economy and biotechnology research grows, so does the imperative to identify the correct geographic areas for biotech development. With the highly desirable geographic clusters of East Cambridge and Longwood near its full development potential, Cambridge’s NorthPoint, Boston’s Seaport District, West Cambridge and suburban locations will emerge as the likely locations for the majority of development as space is depleted, at its current pace, some time in 2010.

Brendan Carroll is the vice president of research for Richards Barry Joyce & Partners, a full-service commercial real estate firm based in Boston. The firm counsels many high tech and biotechnology companies on how proper real estate management can further their corporate goals.