

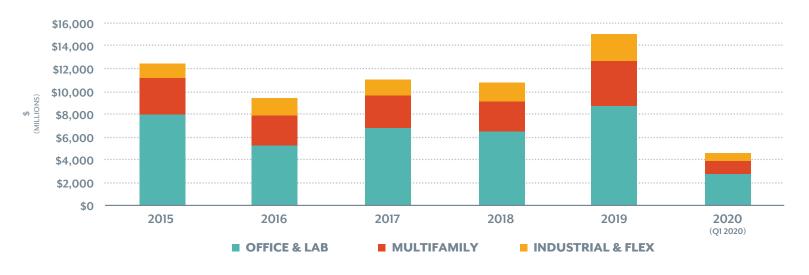
METRO BOSTON CAPITAL MARKETS REPORT

SPRING | 2020

BOSTON CAPITAL MARKETS OVERVIEW

In a time of uncertainty, Greater Boston is proving its long-term worth through activity in the capital markets. Despite a slowdown in leasing activity, influenced by the global pandemic, for the most part, investors are looking past the short-term horizon and remaining active in the market through the first quarter of 2020. Yes, investors are finding it difficult to achieve immediate gains and holding patterns are becoming more popular, but optimism still persists for those who understand these circumstances are temporary, and compared to other markets, Greater Boston is being looked at as a safe place to park capital through its diverse industry base and its economic backbones of healthcare and education.

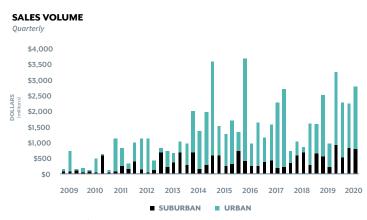
While the investment dynamic for all asset classes may change, sellers and buyers alike are still finding opportunity in what is becoming a more volatile market for the next year. Evidenced by only a small decrease in capital markets activity compared to last quarter, trades are still taking place and traditionally dormant asset classes are becoming more popular through a change in macro trends. For example, industrial assets are being looked at harder now than ever before, in a market that is traditionally dominated by office and multifamily activity. Warehousing is becoming ever more important to assist with social distancing efforts through e-commerce services. The manufacturing sector is being brought further into the light with assumptions that the nation will conduct more of these operations in our own back yard instead of being dependent on foreign production. Particularly, drug manufacturing in the region, which has historically piggy-backed off the metro's robust life science industry is becoming a hot commodity as companies prepare to ramp up production to combat COVID in a variety of ways. Furthermore, untraditional investment vehicles such as urban parking garages are being capitalized on due to the assumption that more people will be less inclined to take public transit in the near future and a dwindling hospitality industry has investors curious about how these assets can be repurposed. While the landscape has changed, it is still being navigated and Greater Boston is being considered a comparatively safer place to do so than most major US markets.



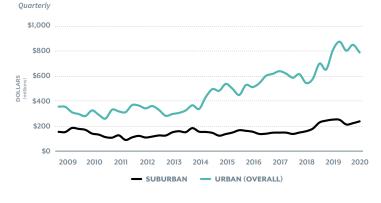
SALES VOLUME BREAKDOWN



OFFICE & LAB



AVERAGE PRICE/SF



- Keeping in line with historical trends, office and lab space lead the pack in terms of commercial real estate investment in the Greater Boston Area (GBA) in the first quarter. In thanks to some large trades in the Urban Market such as 60 State Street, 245 Summer Street (Fidelity Investment's Building) and 109 Brookline Street, sales volume is up from last quarter.
- Despite the current economic uncertainty brought on by the COVID-19 outbreak, many of the deals that were executed had already been taken well down the road in the deal process prior to the pandemic coming to fruition in the middle of the quarter, which allowed them to close near initial pricing. However, with the shortterm effects of COVID-19 now being realized by buyer, both trade frequency and volume is expected to drop in the second quarter.
- The short-term horizon is not all doom and gloom. Long-term oriented investors are expected to capitalize on this market disruption through the remainder of year, as pressure mounts on sellers who need the capital relief sooner rather than later. While initial gains may be limited for these investors, the outlook for office and lab space in Boston over the next decade remains positive with the life science market expected to come into greater focus and importance as we emerge from this health crisis.

As more schools announces contingency plans over the next year to combat the spread of COVID-19, it is becoming clear that the GBA's educational backbone is here to stay, providing the office and lab market with one of the most robust labor pools in the world, which in turn supports strong investment fundamentals on the far horizon. Unless an unexpected paradigm shift occurs over the next couple years which hinders Boston's education base more so than other markets, investors can expect the GBA to keep a competitive edge in drawing more companies to the region and allowing existing ones to expand.

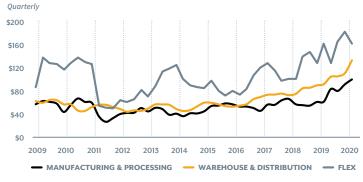
Buyer Starwood Real Estate Buyer Alexandria Real Estate Buyer Alexandria Real Estate Sale Price Sd1,000,000 Sale Price S7,000,000 Sale Price S23,000,000 Sale Price S23,000,000 Total SF 911,394 Total SF 285,556 Total SF 509,702 Total SF 91,600 Sold For 916 Sold Sold <th>6</th> <th>0 STATE STREET BOSTON</th> <th>109 BI</th> <th>ROOKLINE AVENUE BOSTON</th> <th></th> <th>5 GROVE STREET VERSIDE CENTER NEWTON</th> <th>900 MI</th> <th>IDDLESEX TURNPIKE BUILDING 1 BILLERICA</th>	6	0 STATE STREET BOSTON	109 BI	ROOKLINE AVENUE BOSTON		5 GROVE STREET VERSIDE CENTER NEWTON	900 MI	IDDLESEX TURNPIKE BUILDING 1 BILLERICA
BuyerStarwood Real EstateBuyerIQHQBuyerEquitiesBuyerBuyerPartnersSale Price\$614,000,000Sale Price\$27,000,000Sale Price\$235,000,000Sale Price\$42,500,000Total SF911,394Total SF285,556Total SF509,702Total SF91,600								
Total SF 911,394 Total SF 285,556 Total SF 509,702 Total SF 91,600	Buyer	Starwood Real Estate	Buyer	IQHQ	Buyer		Buyer	
	Sale Price	\$614,000,000	Sale Price	\$27,000,000	Sale Price	\$235,000,000	Sale Price	\$42,500,000
PSF \$674 PSF \$461 PSF \$464	Total SF	911,394	Total SF	285,556	Total SF	509,702	Total SF	91,600
	PSF	\$674	PSF	\$945	PSF	\$461	PSF	\$464
Sub-Type Office Tower Sub-Type Medical Office Sub-Type Sub-Type Office & Lab	Sub-Type	Office Tower	Sub-Type	Medical Office	Sub-Type	Office & Lab	Sub-Type	Office & Lab

YTD SALES VOLUME **\$2.78B** average \$/sf **\$464** AVERAGE CAP RATE (WEIGHTED) 6-4% NUMBER OF TRANSACTIONS 49 TOTAL SF SOLD 5.96M

INDUSTRIAL

SALES VOLUME Quarterly \$800 \$700 \$600 \$500 \$400 \$300 \$200 \$100 \$0 2009 2010 2011 2012 2013 2014 2015 2017 2020 MANUFACTURING & PROCESSING WAREHOUSE & DISTRIBUTION FLEX

AVERAGE PRICE/SF



The industrial sector is expected to have the best capital market performance through the remainder of the year with warehousing and distribution expected to take center stage through the growing importance of supply-chain operations to help support social distancing efforts.

Manufacturing assets and particularly buildings with GMP (Goods Manufacturing Practices) operations are also expected to fare well in the short-term but the long-term horizon seems to be more promising with the influence of the GBA life science industry creating a greater need for controlled manufacturing through the development of drugs and medical devices. These assets tend to have heavy capital fixtures that keep tenants in place and provide high barriers of entry for new supply trying to enter the GMP market. As more remedies and supportive technologies come to light that need to be in close proximity to the R&D practices that created them, the GBA can expect this unique industrial type to remain stable for the foreseeable future.

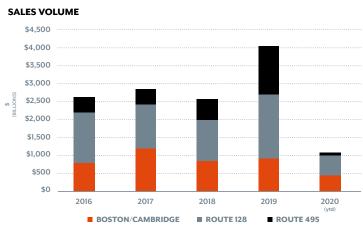
Flex operations are also expected to remain relatively stable through the remainder of the year due to the business operations they serve. With a mix of office, warehouse space, light manufacturing, and/or distribution components these buildings tend to provide companies with a unique set of capabilities that businesses rely on more heavily and typically cater to the exact operational needs of the company. This creates a dynamic where the tenant has a stronger marriage to the space due to the limited supply in the market that would allow them to conduct the same operations elsewhere.

Amazon continued to gobble up warehouse and distribution space on the leasing front while also buying assets that they know will be of long-term use, that are located within striking distances of large population cohorts. Evidenced by the purchase of 135 American Legion Highway in Revere, formally the Necco Candy headquarters, Amazon showed it is willing to pay top dollar for existing locations that allow them to expand within the market quickly and do not want to wait for new construction.

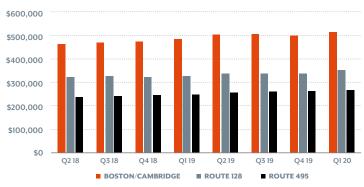
	CAN LEGION HIGHWAY DISTRIBUTION CENTER REVERE		FINANCIAL PARK FRIAL BAG & PAPER FRANKLIN		CHNOLOGY DRIVE AEGER MEDICAL ANDOVER		HOLTON STREET E LOGISTICS GROUP WINCHESTER
Buyer	Amazon	Buyer	Barings Real Estate Advisers	Buyer	Wheelock Street Capital	Buyer	Oliver Street Capital
Sale Price	\$355,000,000	Sale Price	\$34,000,000	Sale Price	\$26,000,000	Sale Price	\$19,000,000
Total SF	829,000	Total SF	300,000	Total SF	128,400	Total SF	180000
PSF	\$428	PSF	\$115	PSF	\$202	PSF	\$107
	Warehouse/Distribution	Sub-Type	Warehouse/Distribution	Sub-Type	Manufacturing	Sub-Type	Warehouse/Distribution

YTD SALES VOLUME **\$747.75M** average \$/sf **\$158** AVERAGE CAP RATE (WEIGHTED) 8.2% NUMBER OF TRANSACTIONS 60 total se sold **4.92M**

MULTIFAMILY



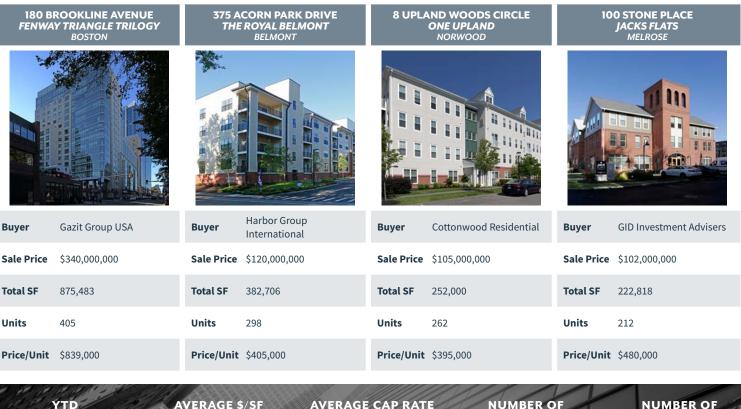
AVERAGE PRICE



- Despite a substantial decrease in sales frequency in the first quarter of 2020, multifamily trade volume remained in line with 2019 levels due to large purchases in the suburbs. The urban market also saw a fair amount of investment but most of this can be attributed toward pre-COVID-19 activity.
- An increase in suburban sales activity has mostly been influence by the growing sentiment that urban living will become less popular due to concerns related to COVID-19 and potential future outbreaks. With a solid portion of the residential urban migration seen over the last decade coming from empty-nest baby boomers, this trend may be put in reverse with the later age bracket seemingly more vulnerable to infectious outbreaks which are more common in the "petri dishes" within the 128 Belt.

In the short-term, the Urban Market is also being hindered through a lack of college students returning for the first semester of school this upcoming fall, particularly in neighborhoods and cities such as Allston, Brighton, Cambridge, Somerville, and Fenway, where a substantial amount of multifamily housing is dependent on collegiate demand and high pricing is able to be achieved through a competitive September 1st move-in date.

While the current pandemic is expected to affect the overall multifamily market negatively in the near future, it has also put a hold on a large supply injection expected to take place throughout 2020. With construction halts taking place in Boston, Cambridge, Somerville and select suburban municipalities, a large number of new units have been pushed off for a minimum of one quarter, providing existing units with more leverage in pricing for a brief period.



SALES VOLUME \$1.08B AVERAGE \$/SF (weighted) \$403,483 AVERAGE CAP RATE (WEIGHTED) 4.5% NUMBER OF TRANSACTIONS 164 NUMBER OF UNITS SOLD 4,357

HUNNEMAN

TUCKER WHITE

Director of Research 978.828.5141 twhite@hunnemanre.com JAMES FIFTAL Senior Research Analyst 617.457.3385 jfiftal@hunnemanre.com

HEATHER CHAPMAN

Graphics Manager 617.457.3256 hchapman@hunnemanre.com

METHODOLOGY

Source: Co-Star, Hunneman. Prepared: March 2020.

Disclaimer: The above data is from sources deemed to be generally reliable, but no warranty is made as to the accuracy of the data nor its usefulness for any particular purpose. Average Rental Rates are asking rents on direct space. Vacant space includes both direct and sublease space.