



Market Review

Metro Boston Real Estate | 4th Quarter 2012

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Office Market Conditions

CLASS A & B OFFICE MARKET

Office Submarket	Space Inventory	Direct Vacant Space	Sublease Vacant Space	Total Vacant Space	Average Rental Rates	Direct Vacancy %	Total Vacancy %
Financial District	41,580,798	4,690,882	127,404	4,818,286	\$38	11.3%	11.6%
North Station/North End	7,835,134	236,930	12,938	249,868	\$31	3.0%	3.2%
South Station/Ft. Point	7,622,171	1,210,942	8,913	1,219,855	\$31	15.9%	16.0%
Charlestown	3,074,864	117,546	33,464	151,010	\$30	3.8%	4.9%
Back Bay	14,258,893	619,952	153,186	773,138	\$49	4.3%	5.4%
Downtown Boston	74,371,860	6,876,252	335,905	7,212,157	\$39	9.2%	9.7%
East Cambridge	12,500,020	1,380,028	70,506	1,450,534	\$58	11.0%	11.6%
Central Cambridge	5,584,125	489,164	14,343	503,507	\$33	8.8%	9.0%
West Cambridge	2,074,288	256,774	25,000	281,774	\$32	12.4%	13.6%
Cambridge	20,158,433	2,125,966	109,849	2,235,815	\$48	10.5%	11.1%
Route 128 North	17,607,388	2,258,489	59,840	2,318,329	\$21	12.8%	13.2%
Route 128 Northwest	14,064,425	2,037,415	146,049	2,183,464	\$21	14.5%	15.5%
Route 128 West	27,832,764	3,098,173	329,597	3,427,770	\$26	11.1%	12.3%
Route 128 Southwest	5,337,339	627,487	53,841	681,328	\$18	11.8%	12.8%
Route 128 South	10,123,484	1,940,838	65,193	2,006,031	\$20	19.2%	19.8%
Route 128 Loop	74,965,400	9,962,402	654,520	10,616,922	\$22	13.3%	14.2%
I-495 North	6,788,324	1,343,070	30,448	1,373,518	\$18	19.8%	20.2%
I-495 Northwest	8,887,734	1,395,821	94,495	1,490,316	\$17	15.7%	16.8%
I-495 West	10,669,027	2,284,304	194,282	2,478,586	\$17	21.4%	23.2%
I-495 Southwest	1,833,105	406,811	2,365	409,176	\$20	22.2%	22.3%
I-495 South	1,511,354	201,304	0	201,304	\$20	13.3%	13.3%
I-495 Loop	29,689,544	5,631,310	321,590	5,952,900	\$18	19.0%	20.1%
Metropolitan Boston	199,185,237	24,595,930	1,421,864	26,017,794	\$30.31	12.3%	13.1%

CLASS A & B OFFICE - AVAILABLE SUBLEASE SPACE & RENTS

Office Submarket	AVAILABLE SUBLEASE SPACE				SUBLEASE ASKING RENTS			
	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2012	Q3 2012	Q2 2012	Q1 2012
Downtown Boston	794,953	1,044,080	1,114,541	895,883	\$25.03	\$25.57	\$24.35	\$21.92
Cambridge	711,712	823,566	348,404	175,687	\$29.78	\$29.33	\$28.53	\$26.35
Route 128 Loop	1,989,716	2,044,466	1,769,201	1,988,543	\$18.00	\$18.47	\$18.22	\$18.95
I-495 Loop	829,479	787,247	884,462	941,182	\$16.82	\$16.90	\$15.76	\$15.58
Metropolitan Boston	4,325,860	4,699,359	4,116,608	4,001,295	\$18.88	\$19.10	\$18.22	\$17.84

CLASS A & B OFFICE - CHANGES FROM PREVIOUS QUARTER & YEAR

Office Submarket	ASKING RENTS			VACANCY RATES			ABSORPTION		
	Q4 2012	Q3 2012	Q4 2011	Q4 2012	Q3 2012	Q4 2011	Q4 2012	Q3 2012	Q4 2011
Downtown Boston	\$38.56	\$38.77	\$37.24	9.25%	10.84%	11.50%	692,668	187,561	154,111
Cambridge	\$47.95	\$47.92	\$44.42	10.55%	10.42%	9.79%	(88,712)	(66,803)	166,982
Route 128 Loop	\$22.41	\$22.38	\$22.20	13.29%	14.55%	15.49%	226,481	354,758	91,474
I-495 Loop	\$17.61	\$17.36	\$17.45	18.97%	21.00%	20.61%	44,813	49,884	(314,639)
Metropolitan Boston	\$30.31	\$30.24	\$29.17	12.35%	13.76%	14.27%	875,250	525,400	97,928

Source: CoStar, NAI Hunneman Commercial Company. Prepared: December 2012. Rental Rates are asking rents on direct space as reported by Costar. 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.

Boston Office Market

FEATURED PROPERTY



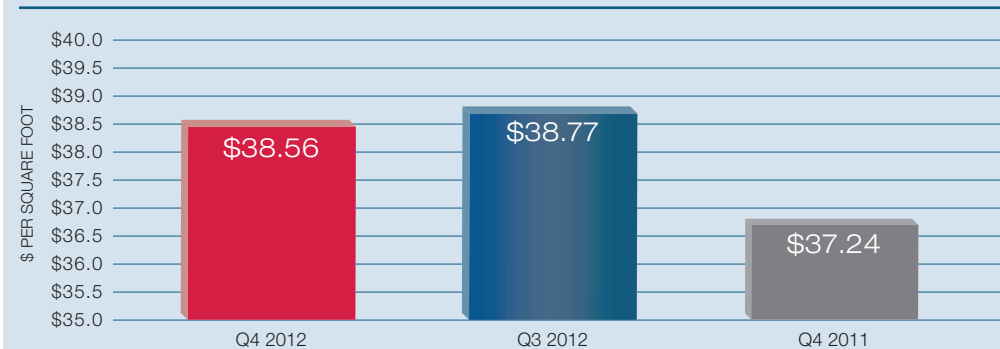
330 Congress Street, Boston, MA
 6,250 SF of brick-and-beam space in Boston's Innovation District

Contact
David Cooney at 617.457.3305
 or **Jeff Becker** at 617.457.3424

CLASS A OFFICE SPACE

Office Submarket	Space Inventory	Direct Vacant Space	Sublease Vacant Space	Total Vacant Space	Average Rental Rates	Direct Vacancy (%)	Total Vacancy (%)
Financial District	31,696,976	3,895,678	60,312	3,955,990	\$41	12.3%	12.5%
North Station/North End	1,346,531	16,164	0	16,164	\$46	1.2%	1.2%
Seaport	2,005,565	256,142	5,313	261,455	\$60	12.8%	13.0%
Charlestown	903,771	63,210	10,639	73,849	\$33	7.0%	8.2%
Back Bay	11,627,922	490,710	153,186	643,896	\$50	4.2%	5.5%
Downtown Boston	47,580,765	4,721,904	229,450	4,951,354	\$44	9.9%	10.4%

CLASS A & B AVERAGE ASKING RENTS



CLASS B OFFICE SPACE

Office Submarket	Space Inventory	Direct Vacant Space	Sublease Vacant Space	Total Vacant Space	Average Rental Rates	Direct Vacancy (%)	Total Vacancy (%)
Financial District	9,883,822	795,204	67,092	862,296	\$29	8.0%	8.7%
North Station/North End	6,488,603	220,766	12,938	233,704	\$27	3.4%	3.6%
Seaport	5,616,606	954,800	3,600	958,400	\$21	17.0%	17.1%
Charlestown	2,171,093	54,336	22,825	77,161	\$29	2.5%	3.6%
Back Bay	2,630,971	129,242	0	129,242	\$44	4.9%	4.9%
Downtown Boston	26,791,095	2,154,348	106,455	2,260,803	\$28	8.0%	8.4%

Source: CoStar, NAI Hunneman Commercial Company. Prepared: December 2012. Rental Rates are asking rents on direct space as reported by Costar. 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.

- SAW IT ON THE STREET**
- New construction is finally visible and more permits are being issued for residential and commercial throughout Downtown Boston.
 - Suburban tech firms continue migration to Downtown and Seaport markets.
 - Low-rise vacancy in Class A towers quickly becoming a non-issue.
 - Tenants are scrambling for blocks of office space due to recent absorption uptick.

- NOTABLE TRANSACTIONS**
- Brown Brothers Harriman leases 350,000 SF at 50 Franklin Street.
 - PayPal leases 150,000 SF at One International Place.
 - Iron Mountain leases 130,000 SF at One Federal Street.
 - Converse leases 150,000 SF at Lovejoy Wharf.
 - Partners HealthCare leases 135,000 SF at Lafayette Corporate Center.

Cambridge Office Market

SAW IT ON THE STREET

- Demand:** Class A lab/office combined vacancy is holding steady in the low teens (12.7% at year end) as new supply is added to balance absorption. Class B office space is obviously very desirable at 6.1% vacancy as tenants that decide to remain in Cambridge get used to rates that spiked some \$10/SF this past year.
- Rental rates:** East Cambridge Class A asking rates are now \$47-\$57.00/SF gross. The jump of the better Class B buildings from the low-mid \$30s into the low to mid \$40s/SF is probably more shocking to those tenants than the Class A rate hikes, which at the moment top out in the high \$50s. We will likely hear of an over \$60/SF deal this year as the Kendall Square brand value for high tech hiring continues to gain momentum. It will be very difficult to find office product in East and Mid-Cambridge in the \$30s/SF gross or lower. Rates for existing lab units range from the high \$20s to high \$30s/SF NNN for existing lab suites in Alewife to \$55-\$60/SF NNN for Class A labs in East Cambridge built from shell with \$120-\$150/SF landlord build-out allowances.
- Vacancy rates:** Total combined lab and office vacancy at the turn of the year came in at 11.1%, slightly lower than last quarter. A dramatic change is occurring in Alewife, as the 12.6% mid-year 2012 between East and West Cambridge is now down to a spread of only 2.0% due to the progress of CambridgePark. Cambridge lab vacancy has dipped two points since mid-year to 9.8%, reflecting large deals by Dainippon Sumitomo (63,000 SF) at 640 Memorial and Ironwood at 301 Binney (303,000 SF renewal/expansion) and the rapid lease-up at 400 Tech Square.
- And more:** With the sale of the Quest Diagnostics locations in Central Square to the Normandy/Twining joint venture for \$31.6 million, it appears that Central Square is poised to more firmly establish its identity as an extension of Kendall Square's MIT-driven technology market. MIT is already well aware of the potential of greater Central Square to emerge as a major technology node, as demonstrated by their latest developments

CLASS A OFFICE SPACE

Office Submarket	Space Inventory	Direct Vacant Space	Sublease Vacant Space	Total Vacant Space	Average Rental Rates	Direct Vacancy (%)	Total Vacancy (%)
East Cambridge	10,461,296	1,245,154	31,492	1,276,646	\$59	11.9%	12.2%
Central Cambridge	3,184,582	416,968	7,407	424,375	\$33	13.1%	13.3%
West Cambridge	1,404,765	222,540	0	222,540	\$34	15.8%	15.8%
Cambridge	15,050,643	1,884,662	38,899	1,923,561	\$51	12.5%	12.8%

CLASS A & B AVERAGE ASKING RENTS



CLASS B OFFICE SPACE

Office Submarket	Space Inventory	Direct Vacant Space	Sublease Vacant Space	Total Vacant Space	Average Rental Rates	Direct Vacancy (%)	Total Vacancy (%)
East Cambridge	2,038,724	134,874	39,014	173,888	\$50	6.6%	8.5%
Central Cambridge	2,399,543	72,196	6,936	79,132	\$33	3.0%	3.3%
West Cambridge	669,523	34,234	25,000	59,234	\$26	5.1%	8.8%
Cambridge	5,107,790	241,304	70,950	312,254	\$38	4.7%	6.1%

Source: CoStar, NAI Hunneman Commercial Company. Prepared: December 2012. Rental Rates are asking rents on direct space as reported by Costar. 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.

- of 17 Tudor Street and 130 Brookline into stunning new office and lab space.
- 18-28 JFK Street, a retail/residential building in the center of Harvard Square, traded for \$32 million, a figure that represents a sub-4% cap rate and indicates the willingness of overseas investors to place their money in recession-proof American locations.
- And we have a winner for the Middlesex Courthouse tower (or do we?): Leggat McCall Properties won the bid from the Commonwealth over community favorite HYM to redevelop the empty Sullivan Courthouse Tower, but like almost every new development in Cambridge there is opposition that needs to be resolved.

- NOTABLE TRANSACTIONS**
- The big news at the end of 2012 was Amazon's commitment to get in the mix with Microsoft and Google in Kendall Square with a new 105,000 SF lease along with expansion options. Other leases at 1/101 Main Street include Monster Worldwide for 23,350 SF (NAI Hunneman transaction) Rapid 7 for 11,139 SF and Fidelity Bioscience for 5,700 SF.
 - Another breakthrough deal was the 244,000 SF lease of 75-125 Sidney Street by 20-year local player Ariad Pharmaceuticals, anchoring the second build-to-suit in Alexandria Center at Kendall Square.

Metro Boston Real Estate Market Review Q4/12

Suburban Office Market

FEATURED PROPERTY



80-82 Cambridge Street Burlington, MA

69,050 SF Office/R&D

Contact Brendan Daly at 617.457.3281

CLASS A OFFICE SPACE

Office Submarket	Space Inventory	Direct Vacant Space	Sublease Vacant Space	Total Vacant Space	Average Rental Rates	Direct Vacancy (%)	Total Vacancy (%)
Route 128 North	9,168,817	1,128,238	22,997	1,151,235	\$23	12.3%	12.6%
Route 128 Northwest	8,318,333	1,110,797	101,175	1,211,972	\$24	13.4%	14.6%
Route 128 West	14,886,244	1,658,457	245,790	1,904,247	\$29	11.1%	12.8%
Route 128 Southwest	1,478,886	80,972	25,841	106,813	\$24	5.5%	7.2%
Route 128 South	4,745,654	1,066,442	62,446	1,128,888	\$23	22.5%	23.8%
Route 128 Loop	38,597,934	5,044,906	458,249	5,503,155	\$26	13.1%	14.3%
I-495 North	3,007,236	571,184	30,198	601,382	\$17	19.0%	20.0%
I-495 Northwest	3,540,824	287,109	14,495	301,604	\$17	8.1%	8.5%
I-495 West	5,273,403	984,984	156,441	1,141,425	\$18	18.7%	21.6%
I-495 Southwest	788,793	269,917	0	269,917	\$21	34.2%	34.2%
I-495 South	137,000	1,632	0	1,632	\$21	1.2%	1.2%
I-495 Loop	12,747,256	2,114,826	201,134	2,315,960	\$18	16.6%	18.2%

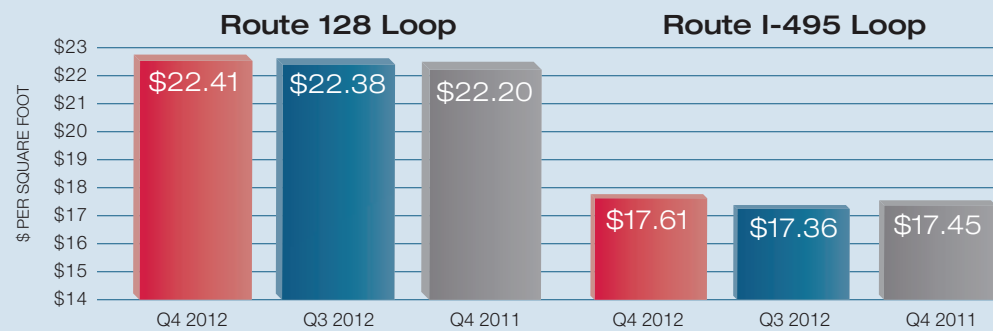
SAW IT ON THE STREET

- Overlooking Route 128, steel is erected at Blanchard Woods in Burlington. 78 Blanchard Woods is a 120,000 SF office building constructed on speculation of demand and will be available for tenant occupancy in late 2013.
- Boston Properties has expanded 1100 Winter Street at Bay Colony by enlarging the floor plates towards the Waltham Reservoir.
- The first phase of development is nearly completed on Keurig's new master-planned Burlington Campus. The ground has been cleared for phase 2.

NOTABLE TRANSACTIONS

- Athena Health: Acquired the Arsenal (Watertown) from Harvard (750,000 RSF).
- Schneider Electric: 250,000 SF at 800 Federal Street in Andover.
- TripAdvisor: 240,000 RSF in Needham.
- Got Books: 130,000 warehouse at 40 Fordham in Wilmington.
- Teleflex Medical: Leased 94,000 RSF from Brooks Automation at 16 Elizabeth Drive Chelmsford (NAI Hunneman transaction).
- RISO: 30,000 SF office/R&D in Burlington (office) and Woburn (R&D) (NAI Hunneman transaction).

CLASS A & B AVERAGE ASKING RENTS



CLASS B OFFICE SPACE

Office Submarket	Space Inventory	Direct Vacant Space	Sublease Vacant Space	Total Vacant Space	Average Rental Rates	Direct Vacancy (%)	Total Vacancy (%)
Route 128 North	8,438,571	1,130,251	36,843	1,167,094	\$18	13.4%	13.8%
Route 128 Northwest	5,746,092	926,618	44,874	971,492	\$17	16.1%	16.9%
Route 128 West	12,946,520	1,439,716	83,807	1,523,523	\$22	11.1%	11.8%
Route 128 Southwest	3,858,453	546,515	28,000	574,515	\$15	14.2%	14.9%
Route 128 South	5,377,830	874,396	2,747	877,143	\$17	16.3%	16.3%
Route 128 Loop	36,367,466	4,917,496	196,271	5,113,767	\$19	13.5%	14.1%
I-495 North	3,781,088	771,886	250	772,136	\$18	20.4%	20.4%
I-495 Northwest	5,346,910	1,108,712	80,000	1,188,712	\$17	20.7%	22.2%
I-495 West	5,395,624	1,299,320	37,841	1,337,161	\$16	24.1%	24.8%
I-495 Southwest	1,044,312	136,894	2,365	139,259	\$19	13.1%	13.3%
I-495 South	1,374,354	199,672	0	199,672	\$19	14.5%	14.5%
I-495 Loop	16,942,288	3,516,484	120,456	3,636,940	\$18	20.8%	21.5%

Source: CoStar, NAI Hunneman Commercial Company. Prepared: December 2012. Rental Rates are asking rents on direct space as reported by Costar. 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.

Metro Boston Real Estate Market Review Q4/12

Industrial/Flex Market

FEATURED PROPERTY



80 Stockwell Drive Avon, MA

248,000 SF subdividable space for lease

Contact Cathy Minnerly at 617.457.3334

SAW IT ON THE STREET

- Activity picked up steam very quickly at the tail end of Q4 2012. Many of the larger tenants in the market signed deals that were being negotiated since Q1-Q2 2012.
- Financing continues to be point of emphasis for companies looking for a new location and expansion. Due to the extremely aggressive rate being offered by banks, many user sales have occurred and closed in Q4. We expect this activity to continue into 2013.
- Built-to-suit projects are starting to surface again showing high demand for space and a lack of existing product due to the high volume of absorption in 2012. Taunton, especially, will be a hot spot for new construction as 2013 progresses.

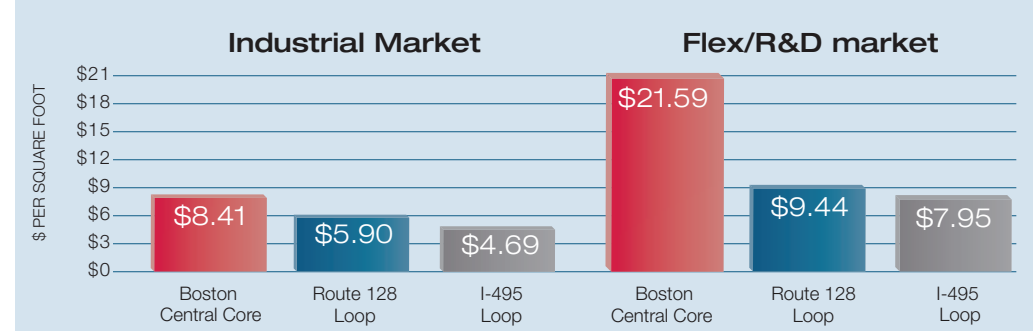
NOTABLE TRANSACTIONS

- Freeman Decorating Services leased 160,000 SF at 275 Bodwell Street, Avon.
- Chep USA renewed their lease for 95,868 SF at 675 Canton Street, Norwood MA.
- Lacerta, Inc. acquired 75,000 SF at 240 Forbes Boulevard, Mansfield MA (NAI Hunneman transaction).
- Yale Appliance acquired 65,000 SF at 75 Campanelli Parkway, Stoughton MA (NAI Hunneman transaction).
- Williams Sonoma leased 112,000 SF at 176 Grove Street, Franklin MA.

INDUSTRIAL MARKET

Industrial Submarket	Space Inventory	Vacant Space*	Vacancy Rate*	Rental Rate (NNN)
Boston Central Core	20,950,240	1,534,723	7.3%	\$8.41
Route 128 North	26,867,330	1,822,627	6.8%	\$6.29
Route 128 Northwest	4,719,877	261,950	5.5%	\$6.04
Route 128 West	11,246,400	233,401	2.1%	\$7.19
Route 128 Southwest	11,826,647	694,244	5.9%	\$5.38
Route 128 South	23,281,521	2,735,102	11.7%	\$5.06
Route 128 Loop	77,941,775	5,747,324	7.4%	\$5.90
I-495 North	16,144,798	1,272,704	7.9%	\$4.75
I-495 Northwest	10,490,268	1,422,539	13.6%	\$4.43
I-495 West	15,266,937	1,648,341	10.8%	\$5.08
I-495 Southwest	15,404,454	1,777,379	11.5%	\$4.33
I-495 South	13,341,206	2,464,924	18.5%	\$4.78
I-495 Loop	70,647,663	8,585,887	12.2%	\$4.69
Metropolitan Boston	169,539,678	15,867,934	9.4%	\$5.70

CLASS A & B AVERAGE ASKING RENTS



FLEX/R&D MARKET

Industrial Submarket	Space Inventory	Vacant Space*	Vacancy Rate*	Rental Rate (NNN)
Boston Central Core	6,753,090	562,306	8.3%	\$21.59
Route 128 North	13,769,839	1,617,701	11.7%	\$8.62
Route 128 Northwest	9,693,575	1,490,643	15.4%	\$8.96
Route 128 West	7,228,792	523,927	7.2%	\$12.09
Route 128 Southwest	5,001,281	727,754	14.6%	\$9.38
Route 128 South	3,474,430	501,612	14.4%	\$8.58
Route 128 Loop	39,167,917	4,861,637	12.4%	\$9.44
I-495 North	7,753,031	1,514,869	19.5%	\$8.07
I-495 Northwest	5,402,604	328,871	6.1%	\$8.13
I-495 West	10,813,072	2,418,613	22.4%	\$6.63
I-495 Southwest	3,935,557	194,961	5.0%	\$10.98
I-495 South	2,286,035	120,589	5.3%	\$8.17
I-495 Loop	30,190,299	4,577,903	15.2%	\$7.95
Metropolitan Boston	76,111,306	10,001,846	13.1%	\$9.93

Source: CoStar, NAI Hunneman Commercial Company. Prepared: December 2012. Rental Rates are asking rents on direct space as reported by Costar. 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.

NAI Hunneman Contacts

Corporate

Stuart Pratt

CEO
617.457.4333
spratt@naihunneman.com

Mike DiGiano

Executive Vice President/COO
617.457.3410
mdigiano@naihunneman.com

David Finnegan

Director of Marketing
617.457.3238
dfinnegan@naihunneman.com

Downtown-Cambridge Leasing

Jeff Becker

Senior Vice President
617.457.3424
jbecker@naihunneman.com

Chris Gotfredson

Senior Vice President
617.457.3255
cgotfredson@naihunneman.com

Greg Larsen

Senior Vice President
617.457.3321
glarsen@naihunneman.com

David Cooney

Vice President
617.457.3305
dcooney@naihunneman.com

Bonny Doorakian

Vice President
617.457.3317
bdoorakian@naihunneman.com

Ben Sutton

Senior Associate
617.457.3424
bsutton@naihunneman.com

Suburban Leasing

Steve James

Executive Vice President
617.457.3263
sjames@naihunneman.com

James Boudrot

Senior Vice President
617.457.3328
jboudrot@naihunneman.com

Brendan Daly

Vice President
617.457.3281
bdaly@naihunneman.com

Michael McCarthy

Vice President
617.457.3224
mmccarthy@naihunneman.com

Evan Gallagher

Vice President
617.457.3350
egallagher@naihunneman.com

Industrial Leasing

Trey Agnew

Executive Vice President
617.457.3363
tagnew@naihunneman.com

J.P. Plunkett

Executive Vice President
617.457.3230
jplunkett@naihunneman.com

Cathy Minnerly

Executive Vice President
617.457.3334
cminnerly@naihunneman.com

David Gilkie

Senior Vice President
617.457.3202
dgilkie@naihunneman.com

Dan Collins

Vice President
617.457.3252
dcollins@naihunneman.com

Stephen Cusano

Associate
617.457.3325
scusano@naihunneman.com

Tom Egan

Associate
617.457.3326
tegan@naihunneman.com

Ovar Osvold

Associate
617.457.3222
oosvold@naihunneman.com

Investment Sales

David Ross

Executive Vice President
617.457.3392
dross@naihunneman.com

Robert Tito

Executive Vice President
617.457.3231
rtito@naihunneman.com

Carl Christie

Executive Vice President
617.457.3394
cchristie@naihunneman.com

Doug Jacoby

Senior Vice President
617.457.3237
djacoby@naihunneman.com

Scott Dragos

Senior Vice President
617.457.3248
sdragos@naihunneman.com

Sean Ryan

Associate
617.457.3357
sryan@naihunneman.com

Dan McGee

Associate
617.457.3266
dmcgee@naihunneman.com

Henry Lieber

Associate
617.457.3383
hlieber@naihunneman.com

Gina Barroso

Associate
617.457.3261
gbarroso@naihunneman.com

Robert Tito, Jr.

Associate
617.457.3355
btito@naihunneman.com

Mitchell Levey

Associate
617.457.3227
mlevey@naihunneman.com