

Boston's lab boom is hitting the brakes

A report projects that 80 percent of proposed lab projects in region may be "curtailed" amid rising interest rates and a shaky economy.

By [Catherine Carlock](#) Globe Staff, Updated November 15, 2022, 5:43 a.m.



The new headquarters of Moderna in Kendall Square is one of dozens of new lab and life science projects under construction in the region. DAVID L. RYAN/GLOBE STAFF

Amid a bumpy few years for development in Boston, the business of building lab space has been a gleaming bright spot, with billions upon billions of dollars pouring in to house the region's booming life science industry.

Now, though, even the lab boom is slowing amid a rocky economy, rising interest rates, and soaring construction costs.

And the latest evidence came in a recent report by real estate brokerage Newmark, which predicted that of the 40 million square feet of life science lab space that has been proposed but not yet started construction in Greater Boston, some *Bo* percent - 32 million square feet - could be "curtailed" and put on hold.

That's not to say Greater Boston is losing its shine as a global life sciences hub. It's more that as demand tempers, lab development may consolidate into established life science districts - or clusters - with Cambridge, as usual, leading the way.

1/21/23, 9:18 AM

Boston's lab boom is hitting the brakes - The Boston Globe

Where life-science lab development is at risk of a slowdown

Some 32 million square feet of planned lab space in Greater Boston could be put on hold.

As the COVID-19 pandemic surged, demand from biotech tenants ratcheted up to more than three times its usual rate, after venture capital financing and other investment sources such as the National Institutes of Health poured billions of dollars into the industry. Meantime, global real estate investors, looking for places to park their money as office towers and hotels became less appealing, pumped it into what appeared to be a solid, stable slice of the commercial real estate market.

Together, that demand and supply sparked a boom, with proposals popping up in [seemingly every corner of the region](#). Greater Boston's supply of lab space - which Newmark pegs at 31 million square feet, though estimates vary - has more than doubled in the last decade.

But now, demand has cooled. At the end of last year, Newmark was tracking 6 million square feet in life science demand. Today, it's tracking 2 million square feet, which is in line with normal pre-pandemic trends.

That means biotech companies will have less competition, and more options, when it comes to finding space in the year ahead. That allows them to be a little choosier about their new homes, sticking to core locations and experienced developers, and avoiding, for instance, leasing a converted office building that comes with its own operational challenges.

"Now people are saying: If I can be in a core market, in a new building or a purpose-built building with a really strong operator, I'll do that all day long," Winters said.

But, he noted, tenants are also considering other macroeconomic factors, such as rising federal interest rates and [hugely expensive construction costs](#), along with the key aspect of any real estate deal: location, location, location.

Some are debating whether they feel strongly enough about moving forward with real estate plans, given the unsteady economy and construction costs, or whether they want to wait for another day.

There are still major deals and developments getting done, including multiple large-scale projects in Cambridge's Kendall Square: the future Moderna headquarters; a research and development center for AstraZeneca with accompanying headquarters for Alexion Pharmaceuticals; and a new 16-story research and development building for Takeda. Each of those projects is planned and developed by well-established developers: Alexandria Real Estate Equities, Boston Properties, and BioMed Realty (which is owned by global investment giant Blackstone), respectively.

But even those deep-pocketed life science developers are noting a pullback. Alexandria, which developed substantial swaths of Kendall Square and has been [actively reshaping much of eastern Watertown](#), recently took a \$38 million

hit when it backed out of a joint venture lab development in South San Francisco.

While Alexandria executives said that decision was "very specific" to that particular project, CEO Peter Moglia acknowledged that [construction cost escalations](#) continue to "wreak havoc," on certain developments, which is "sobering up a lot of people that were ready to jump in."

"We have been receiving some anecdotes of projects that were on the radar that are not going to happen," Moglia said.

But even, or especially, in hard times, real estate still boils down to location, said Alexandria executive chairman Joel Marcus.

"What goes on in Cambridge is going to be far different than what goes on in Somerville," he said on the earnings call.

Boston Properties, a Boston-based office developer and owner that has gradually been expanding into lab development, is also noting "a significant slowdown" in the life science market, president Doug Linde told analysts recently.

The company has been "aggressively marketing" space at labs it has underway in Waltham and Lexington, with no takers this quarter. But Boston Properties is still intentionally emptying out some offices "to be in a position to redevelop them as lab buildings," Linde said. That's been a valuable play for the company, which recorded a more than 250 percent markup when comparing a 2011 office lease to a 2024 lab lease at 300 Binney St. in Kendall Square.

While the industry is seeing some short-term rebalancing, there's still a lot of potential for long-term growth from both the investment and research side, CEO Owen Thomas said on the call.

"Kendall Center, where we're making most of our investments today ... it's one of the best locations for life science in the world," Thomas said.

And as long as that's the case, the region's lab boom is unlikely to wane entirely.

Catherine Carlock can be reached at catherine.carlock@globe.com. Follow her on Twitter [@bycathcarlock](https://twitter.com/bycathcarlock).