

COLLABORATIVE CORRIDOR

Life Science Cluster Forms on Arsenal Street

Watertown Lab Market Continues Explosive Growth

By Bill McQuillan | Special to Banker & Tradesman | Sep 27, 2020 | [Reprints](#) | [Unlock Link](#) | [Print](#)



Boylston Properties' 100 Forge, a 9-story, 167,000-square-foot life science building at Arsenal Yards, will be the first purpose-built lab building in Watertown history. Image courtesy of Ayers Saint Gross

There aren't too many things in this world right now that feel like a sure thing. Uncertainty abounds in Boston and beyond. Aside from the foremost importance of the health and safety of our families, friends and colleagues, the real estate industry in particular has felt its share of economic impact in the retail, hospitality, office, and even residential rental sectors. It's ugly for us out there.

Other than the prospect of an early 2021 vaccine, of which the subject of this column plays a central role in achieving, there is one tiny gleam of light breaking through the real estate darkness: Before COVID-19, the biotech industry and subsequent lab asset class in Greater Boston was red hot, and during COVID-19, that industry has demonstrated itself as ever more relevant and increasingly critical to the real estate sector in Greater Boston and the commonwealth.

We cheer on the gains and breakthroughs these scientists and doctors make in the field of science and medicine, and you can bet we rush to support their success and growth with high-quality, class A space that enables them to achieve and solve our most complex challenges and afflictions.

WFH Wave Bypasses Biotech

So, while we watch in horror as some of our most beloved and iconic restaurant, hotel and retail assets buckle and retract under this perfect storm of economic duress, we witness an industry crucial to our eventual recovery, flourish and expand. Most of us are coming to truly understand, even more so through our shared experience, how important this research, treatments, therapies and preventative medicine plays into the functioning of our society.

Now that I've adequately paid respects to the labor of my friends in the biotech space, let's get into the nitty gritty of the real estate matter at hand. What we're witnessing for occupancy in the office sector – where only one-fifth of the workforce expects to be back at their workplace after Labor Day, and 39 percent anticipates to return by January – is just not possible in biotech. The work-from-home wave bringing our biggest office tower occupancies to 20 percent or less just isn't felt as harshly in the labs, where the very specific and physical space for tenants' science is critical to the success of their experiments and research. There is a long-term understanding that full lab occupancy will bounce back after the pandemic, but that is murkier for the tech startups and enterprises in traditional office space for now.

So, as day-to-day occupancy in individual lab spaces is largely unchanged, and regional life science occupancy remains at near 100 percent in Cambridge and Kendall Square, some of the most promising emerging biotech companies are still very much searching for nearby locations that meet the demands of talent recruitment and retention. Call me biased, but Watertown presents that and more, making it the next big lab cluster in Greater Boston.

Why Watertown?

There are many reasons for Watertown's lab growth, but proximity is one of the loudest factors due to the importance these businesses place in the "clustering effect." Watertown boasts easy travel distances to Allston/Brighton (1 mile), Harvard University (2 miles), MIT (4 miles) and downtown Boston (6 miles).

When other life science companies are nearby, combined with such close proximity to our most revered higher ed institutions in Cambridge, the possibility for chance run-ins only increases and greater industry collaboration can occur. There are already more than 25 life science companies based in Watertown, and this number is about to drastically increase. This is the Kendall Square phenomenon, and we're witnessing this effect establish itself in real time in Watertown.

With currently active construction, Watertown lab product will have grown 256 percent over inventory levels at the end of 2016. Lease rate growth has been similarly impressive. While the six completed lease transactions taking place in 2017 averaged \$40.65 per square foot triple-net, the eight transactions taking place since May 2019 have averaged \$75.75 per square foot triple-net, with individual transactions approaching \$80 per square foot triple-net.

For further proof, I won't fault you for missing a Watertown lab deal near and dear to my heart – our redevelopment of a former warehouse facility into LINX, a 185,000-square-foot lab building which we sold for about \$900 per square foot to Clarion Partners. However, I will fault you for not watching the moves of one of the most preeminent lab developers in the country – Alexandria Real Estate Equities.

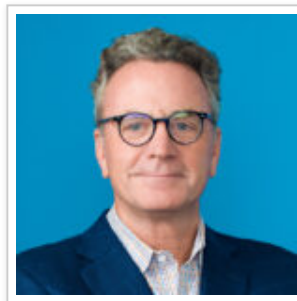
In the last year alone, we've been amazed to see Alexandria snap up the \$525 million purchase of the 29-acre Arsenal on the Charles campus from athenahealth, plus their joint venture purchase with National Development of the 6.3-acre Mount Auburn Club property, to name a few. These are some of the best neighbors we could ask for, because it only further cements Watertown as a top player in the lab market, it

gives our lab tenants more of the clustering they desire, and it sets up our future lab developments for further success.

Not Just Location

While proximity to Cambridge is important, and lab deals typically beget only more lab deals, there's more to Watertown than that. The draw for lab companies is deeper because the town has quite a bit to offer to companies where talent – retention and recruitment – is everything. In addition to a plethora of local staples and significant Greek and Armenian cultural institutions, there is also a balance of life in Watertown.

We are deep into the development of Arsenal Yards, a 1 million–square-foot mixed-use project that will fundamentally change the exploding lab corridor on Arsenal Street in Watertown. From over 50 shops and restaurants, to 300 beautiful apartments, to a Roche Bros. grocery store and a Majestic 7 movie theater, a 146-room Hampton Inn and Suites, and a consistently unique and memorable experience complete with public art and ongoing event series, we are committed to creating a vibrant destination for anyone who visits, works or lives in Watertown.



Bill McQuillan

The founder and chairman of Alexandria Real Estate Equities, Joel Marcus, even made mention of our Arsenal Yards' "retail being very nearby" to his athenahealth campus purchase in January. Mr. Marcus knows the life science real estate business better than anyone, and we're happy to be a neighborhood amenity for this first-class life sciences pioneer.

I might be biased about Watertown, but actions speak louder than words. We're doubling down on Watertown and can't wait to introduce you to 100 Forge, a 9-story, 167,000-square-foot lab building in Arsenal Yards and the first ever purpose-built lab building in Watertown. Stay tuned and don't sleep on the next great biotech cluster in Greater Boston.

Bill McQuillan is founder and president of Boylston Properties.

The Warren Group | 2 Corporation Way, Suite 250 | Peabody, MA 01960 | 617-428-5100 |

www.thewarrengroup.com

Copyright © The Warren Group | All Rights Reserved | [Privacy Policy](#)