

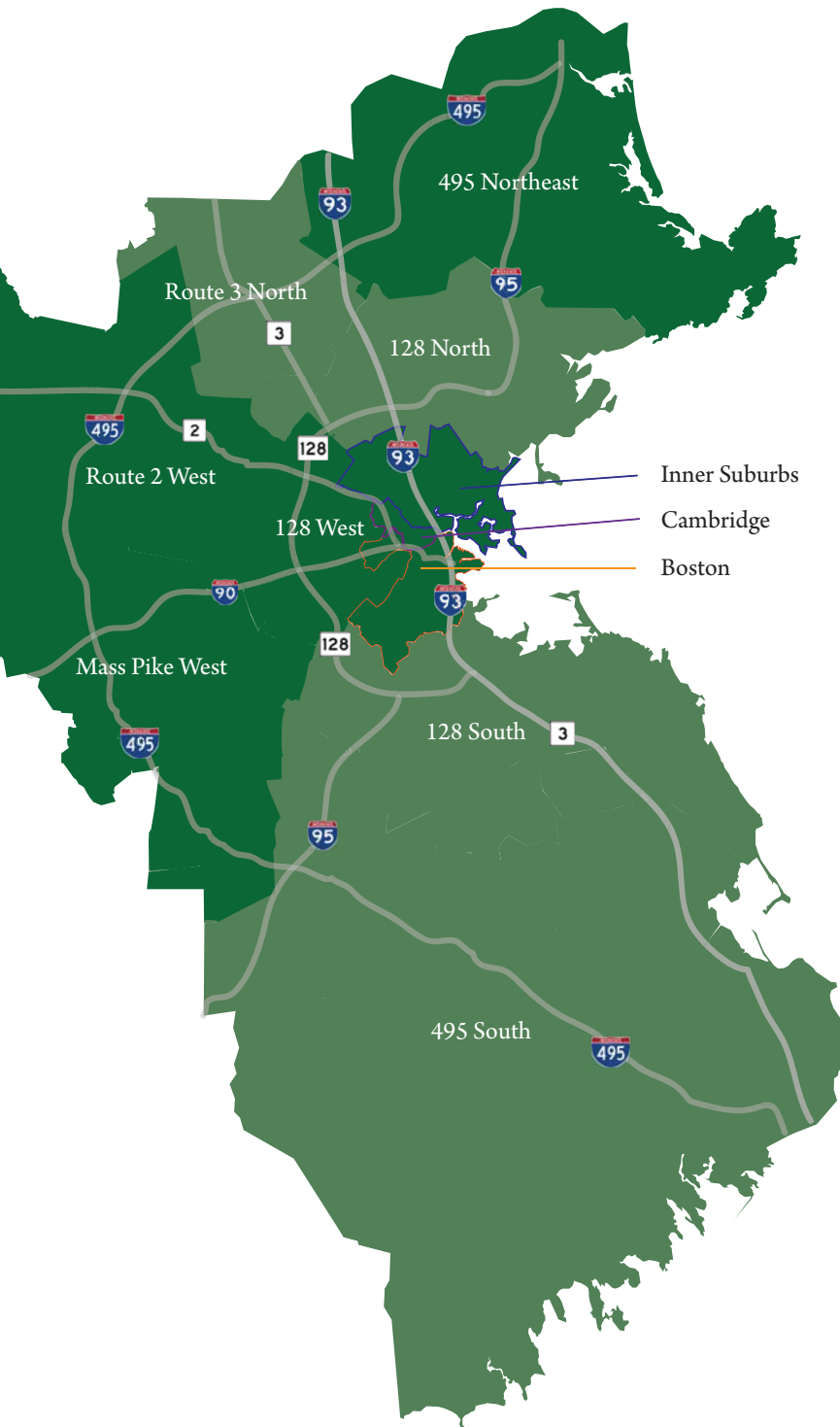
BOSTON

Average Rents

Fourth Quarter 2015

AVERAGE RENTS

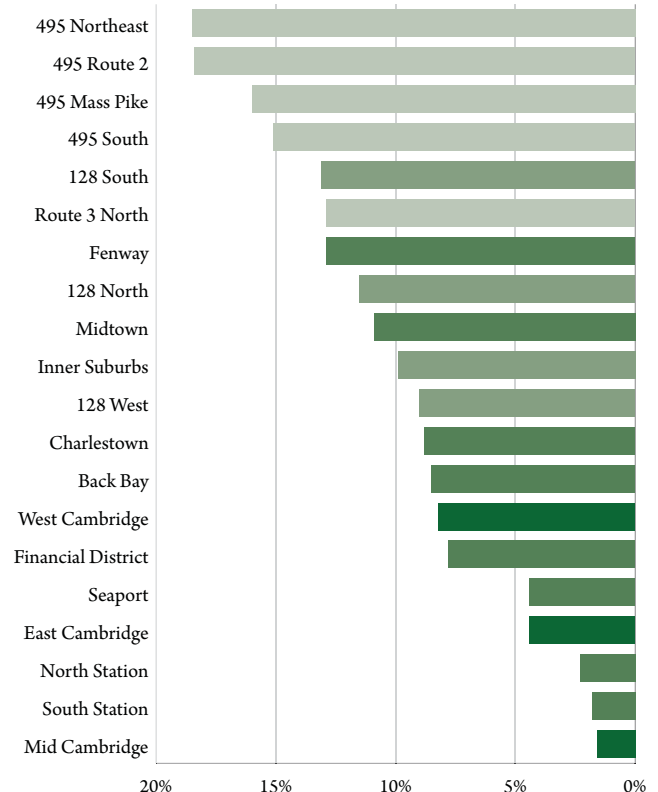
SUBMARKET ANNUAL RENT GROWTH



The Greater Boston market concluded 2015 the same way it began, on a high note. Market fundamentals improved across all sectors and submarkets as strong population and employment growth fueled demand. The market has become saturated with growing global brands as well as organically harvested firms which have been incubated in the area's leading academic and research institutions.

Now the 10th largest metro area in the country, and with population growth on par with San Francisco, New York and Los Angeles, Boston has become one of America's top destination cities. The Hub's unique, highly educated and specialized labor pool commands the attention of global corporations. Not surprisingly, vacancy rates are falling despite consistently rising asking rates which have jumped 7.0% over the past year alone.

SUBMARKET DIRECT VACANCY



BOSTON

Average Rents

Fourth Quarter 2015

Boston

Submarket	Price/RSF	Year-Over-Year Change
Boston	\$52.29	7.6%
Back Bay	\$56.65	9.3%
Financial District	\$53.44	6.4%
Seaport	\$52.83	12.0%
Fenway	\$51.90	24.6%
North Station	\$45.54	20.8%
South Station	\$44.33	19.0%
Midtown	\$41.08	14.5%
Charlestown	\$38.37	5.2%

Currently across the Boston office market there are two significant forces driving asking rate growth. First, the rise of build-to-suit development which requires rents around \$70.00 per square foot range has exerted a *trickle down effect* that pushes rents across all comparable towers. Secondly, Boston's emergence as an international gateway location has captured significant tenant demand in an extremely supply constrained market. The big three submarkets: the Back Bay, Financial District and Seaport, have achieved significant rent growth and will continue leading the city moving forward. Over the past year, brick & beam alternative neighborhoods such as North Station and South Station have seen asking rates surge nearly 20% each. Expect rents to consistently increase as market fundamentals favor landlords and the active investment sale market pushes ownership basis and aggressive rents are pushed.

Six Month Projection: **Strong Increase**

Cambridge

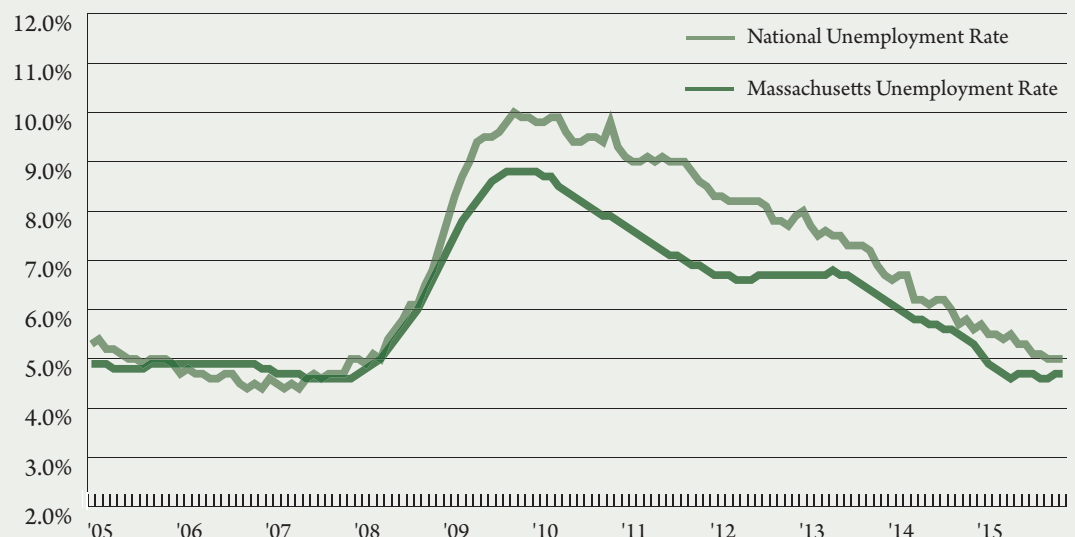
Cambridge	\$61.91	8.9%
East Cambridge	\$73.22	15.2%
Mid Cambridge	\$54.95	14.7%
West Cambridge	\$43.02	6.7%

Cambridge is the BioTech and Life Science hub behind the Greater Boston office market. The overall vacancy rate recorded 4.2% at the conclusion of 2015 and rents have increased 8.9% annually. The East Cambridge submarket, noted for its concentration of global headquarters and renowned R&D facilities, propelled the market again. Premium spaces are now approaching \$90/SF with the market average reaching \$73.22/SF, still relatively inexpensive from a global perspective. Mid Cambridge leveraged its critical location between MIT and Harvard Square into 14.7% annual asking rate growth. Although the most removed market, West Cambridge appeals to suburban tenants weary of making the Downtown transition as well as firms looking to establish Cambridge roots on a leaner budget. With its severe supply constraints, and big corporate tenants gobbling up large chunks of space, the competition for space among emerging, incubator tenants has become increasingly intense. As a result, some tenants are relocating into periphery markets for significant cost savings.

Six Month Projection: **Moderate Increase**

Economic Outlook

Over the past year Massachusetts added just under 75,000 jobs, the highest recorded amount since 2000. The state's unemployment rate dropped to 4.7% at the end of 2015. Looking forward, expect the state to lean on its sturdy economic base of health care and technology companies as employment growth within the sectors is forecasted to expand significantly over the next several years. Massachusetts has fared better than the national average, however the local economy has tracked similarly with the nation but over the past 24 months the national average has measured 50-100 basis points higher.



ROUTE 128

Average Rents

Fourth Quarter 2015

128 West

Town	Price/RSF	Year-Over-Year Change
128 West	\$31.21	6.8%
Wellesley	\$38.82	5.6%
Brookline	\$35.02	9.9%
Waltham	\$31.49	10.1%
Newton	\$29.72	3.7%
Needham	\$29.25	6.8%
Lexington	\$28.55	8.7%
Watertown	\$27.27	7.8%

Over the past year, the Route 128 West vacancy rate dropped to 9.0% which positions it lower than several Downtown submarkets. As a result, annual rent growth averaged 6.8% across the market spiked by accelerated growth in Waltham and Watertown where many new wave *T.A.M.I.* tenants are finding new homes. Yet again, Wellesley led the submarket at \$38.82 per square foot followed by Brookline which marked strong 9.9% annual rent growth. With an eye towards the future, expect downtown Boston tenants to shift into Route 128 locations as both price and availability push them out of the city. However, the majority of suburban demand will derive from existing tenants who will relocate, expand or upgrade within the Inner Suburban pockets amongst Route 128 West's amenity rich landscape.

Six Month Projection:

Moderate Increase

128 North

128 North	\$25.29	3.7%
Burlington	\$27.15	3.3%
Woburn	\$24.90	6.0%
Wilmington	\$22.90	6.0%
Wakefield	\$22.85	6.5%
Beverly	\$21.78	8.5%
Danvers	\$21.75	9.9%
Peabody	\$20.67	7.7%
Stoneham	\$20.18	2.3%

Route 128 North experienced strong annual leasing velocity which brought total vacancy down to 11.5% and generated 3.7% annual asking rate growth. Suburban supply and demand have evolved. The new environment promotes cultural and business vibrancy through *live/work/play* elements which resonates with millennial demand. Burlington, the submarket anchor, remained above the market average, however still below the 128 West average. Watch for the pricing delta between the north and west to slowly narrow as free market fundamentals equilibrate rents. Woburn saw rents increase 6.0% while Wakefield and Danvers measured approximately 6.5% and 9.9% rent growth, respectively. Looking forward, expect significant demand across the submarket, particularly with the emergence of *Assembly Row* in Somerville and *Hood Park* in Charlestown which are vastly improving the linkage between Downtown, Cambridge and the outlying northern suburbs.

Six Month Projection:

Moderate Increase

128 South

128 South	\$21.10	4.7%
Westwood	\$23.84	3.4%
Dedham	\$23.47	5.1%
Hingham	\$22.75	8.6%
Quincy	\$22.29	3.9%
Norwood	\$21.54	7.8%
Canton	\$20.92	5.6%
Norwell	\$20.47	3.9%
Braintree	\$19.75	0.2%

Route 128 South finished a strong year-long stretch with over 562,700 square feet of positive net absorption. Rent growth has slowly extended down the MBTA's red line, however large blocks of vacancy across Braintree and Quincy have prohibited landlords from leveraging significant growth. As the market tightens and landlords chip away at these large vacancies, rent growth has accelerated across the southern submarket. Dedham and Westwood, arguably the most amenity rich locations, both experienced solid rent growth and remained well above the market average. With total availability now at 15.1%, which is often an approximate inflection point, the Route 128 South submarket should be able to steadily push rents by remaining the low cost, highly accessible alternative to its north and west counterparts.

Six Month Projection:

Slight Increase

495 Mass Pike

Town	Price/RSF	Year-Over-Year Change
495 Mass Pike	\$20.51	5.6%
Natick	\$24.21	9.0%
Framingham	\$23.14	2.9%
Southborough	\$20.25	10.1%
Westborough	\$19.82	10.3%
Marlborough	\$18.65	2.8%
Hopkinton	\$18.53	9.2%
Milford	\$18.00	5.8%

Interstate 495 Mass Pike's average asking rate rose 5.6% to \$20.51 per square foot over the past year. The more centrally located suburbs throughout Route 128 West have become more occupied and expensive, thereby initiating a *migration west* which has bolstered the Mass Pike submarket. Backed by large retail conveniences and amenities, Natick and Framingham, with their premier positions along Route 9 and accessibility to the Mass Pike have emerged as legitimate competition to Newton and Wellesley. Farther west, the three Boroughs each recorded positive rent growth which brought their average rent to \$19.57 per square foot. Looking forward, the submarket's location along the Mass Pike which offers relatively easy access to Downtown and the surrounding bedroom communities will continue to draw tenants and keep the market strong for years to come.

Six Month Projection: **Slight Increase**

495 Route 2 West

495 Route 2 West	\$20.60	9.6%
Concord	\$23.33	9.8%
Acton	\$17.99	9.9%
Boxborough	\$17.95	0.6%
Littleton	\$17.85	8.5%
Maynard	\$17.56	8.7%
Hudson	\$16.50	4.6%

After posting positive annual absorption of 96,350 square feet, the Route 2 West submarket achieved 9.6% rent growth. Increased demand for medical office space in Concord drove rents up across the submarket's most expensive town to \$23.33/SF. Acton and Boxborough, supported by an abundance of surrounding amenities and residential housing also measured positive asking rate growth. Maynard recorded its first successful quarter in years, following the sale and subsequent leasing momentum at the oft beleaguered mixed-use *Clocktower Place*. As the Route 2 West submarket adjusts to its competition, expect slight asking rate growth, however the market's inability to lure large users will likely temper rapid expansion.

Six Month Projection: **Slight Increase**

Route 3 North

Route 3 North	\$20.02	4.2%
Bedford	\$23.33	5.3%
Westford	\$20.15	6.1%
Chelmsford	\$20.14	7.5%
Lowell	\$19.85	1.3%
Tewksbury	\$19.75	6.9%
Billerica	\$18.07	3.0%

The Route 3 North submarket, which formerly housed a significant portion of suburban technology tenants has struggled to recapture emerging tech tenants with many incubating firms clustering closer towards Boston and its talented labor pool, however many large corporations retain large campuses in the market. While competing to retain and attract tenants, the Route 3 North market nonetheless managed to achieve 4.2% annual asking rate growth, led by Chelmsford and Westford, both of which achieved over 6% increases. Looking forward, expect slight rent growth across the submarket as the northern suburbs adjust to more concentrated expansion within the Route 128 belt and only secondary demand extending into the less densely occupied markets.

Six Month Projection: **Slight Increase**

495 South

Town	Price/RSF	Year-Over-Year Change
495 South	\$19.46	3.3%
Raynham	\$22.45	1.6%
Bridgewater	\$20.83	6.7%
Foxborough	\$19.91	3.6%
Taunton	\$18.75	1.0%
Franklin	\$18.15	0.2%
Mansfield	\$17.92	3.6%

The Interstate 495 South market recorded 3.3% annual rent growth which raised the average asking rate to \$19.46 per square foot. Foxborough and Franklin, which constitute more than fifty percent of the total submarket, saw rents increase by a combined 3.8%. Raynham remained the most expensive town with the average rent starting at \$22.45/SF. Largely dominated by industrial space, the 495 South office market will experience slight rent growth as its booming industrial market solidifies the southern region and rents increase accordingly. In addition, improved fundamentals across the Greater Boston office market will likely generate demand and promote asking rate growth throughout the southern I-495 office sector.

Six Month Projection: **Slight Increase**

495 Northeast

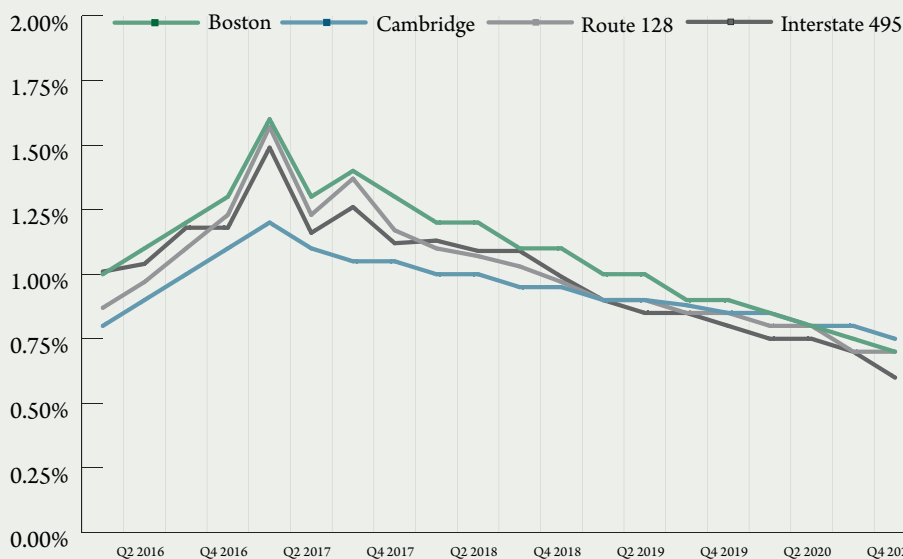
495 Northeast	Price/RSF	Year-Over-Year Change
495 Northeast	\$19.33	6.0%
Andover	\$20.20	9.4%
North Andover	\$18.75	7.6%
Methuen	\$17.50	0.4%

Following the sale of Minuteman Park and the marketing of New England Business Center, the Andover office market posted a busy 2015. As evidenced by its 207,950 square feet of annual net absorption, the northern submarket has begun to experience strong post recession recovery. With Andover and North Andover constituting over 85% of total supply, rents generally adjust more slowly than other suburban areas. In Andover, the average asking rate increased by 9.4% to \$20.20/SF over the past twelve months. Looking forward, improving eastern Massachusetts market fundamentals will promote slight asking rate growth.

Six Month Projection: **Slight Increase**

Quarter-Over-Quarter Projected Rent Growth

Sources: CoStar, LPC



Year	Boston	Cambridge	Rt. 128	I-495
2016	4.6%	3.8%	4.2%	4.4%
2017	5.6%	4.4%	5.3%	5.0%
2018	4.6%	3.9%	4.2%	4.3%
2019	3.8%	3.5%	3.5%	3.4%
2020	3.1%	3.2%	3.0%	2.8%
5 Year	23.6%	20.3%	21.9%	21.6%

Following 2.11 million square feet of annual net absorption, the Greater Boston commercial real estate market recorded solid growth. Looking forward, as the market continues improving, particularly suburban locations, expect strong overall asking rate growth.

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Fourth Quarter 2015

City	Submarket	Q4 2014	Q4 2015	% Change
Acton	495 Route 2	\$16.37	\$17.99	9.9%
Andover	495 Northeast	\$18.46	\$20.20	9.4%
Bedford	Route 3 North	\$22.16	\$23.33	5.3%
Beverly	128 North	\$20.08	\$21.78	8.5%
Billerica	Route 3 North	\$17.54	\$18.07	3.0%
Boxborough	495 Route 2	\$17.85	\$17.95	0.6%
Braintree	128 South	\$19.71	\$19.75	0.2%
Bridgewater	495 South	\$19.53	\$20.83	6.7%
Brookline	128 West	\$31.86	\$35.02	9.9%
Burlington	128 North	\$26.28	\$27.15	3.3%
Canton	128 South	\$19.81	\$20.92	5.6%
Chelmsford	Route 3 North	\$18.73	\$20.14	7.5%
Concord	495 Route 2	\$21.25	\$23.33	9.8%
Danvers	128 North	\$19.79	\$21.75	9.9%
Dedham	128 South	\$22.34	\$23.47	5.1%
Foxboro	495 South	\$19.21	\$19.91	3.6%
Framingham	495 Mass Pike	\$22.49	\$23.14	2.9%
Franklin	495 Mass Pike	\$18.11	\$18.15	0.2%
Hingham	128 South	\$20.95	\$22.75	8.6%
Hopkinton	495 Mass Pike	\$16.97	\$18.53	9.2%
Hudson	495 Route 2	\$15.77	\$16.50	4.6%
Lexington	128 West	\$26.26	\$28.55	8.7%
Littleton	495 Route 2	\$16.45	\$17.85	8.5%
Lowell	Route 3 North	\$19.59	\$19.85	1.3%
Mansfield	495 South	\$17.29	\$17.92	3.6%
Marlborough	495 Mass Pike	\$18.14	\$18.65	2.8%
Maynard	495 Route 2	\$16.15	\$17.56	8.7%
Methuen	495 Northeast	\$17.43	\$17.50	0.4%
Milford	495 Mass Pike	\$17.01	\$18.00	5.8%
Natick	495 Mass Pike	\$22.22	\$24.21	9.0%
Needham	128 West	\$27.40	\$29.25	6.8%
Newton	128 West	\$28.67	\$29.72	3.7%
North Andover	495 Northeast	\$17.43	\$18.75	7.6%
Norwell	128 South	\$19.71	\$20.47	3.9%
Norwood	128 South	\$19.98	\$21.54	7.8%
Peabody	128 North	\$19.20	\$20.67	7.7%
Quincy	128 South	\$21.46	\$22.29	3.9%

City	Submarket	Q4 2014	Q4 2015	% Change
Raynham	495 South	\$22.09	\$22.45	1.6%
Southborough	495 Mass Pike	\$18.40	\$20.25	10.1%
Stoneham	128 North	\$19.73	\$20.18	2.3%
Taunton	495 South	\$18.56	\$18.75	1.0%
Tewksbury	Route 3 North	\$18.48	\$19.75	6.9%
Wakefield	128 North	\$21.45	\$22.85	6.5%
Waltham	128 West	\$28.59	\$31.49	10.1%
Watertown	128 West	\$25.30	\$27.27	7.8%
Wellesley	128 West	\$36.75	\$38.82	5.6%
Westborough	495 Mass Pike	\$17.97	\$19.82	10.3%
Westford	Route 3 North	\$19.00	\$20.15	6.1%
Westwood	128 South	\$23.05	\$23.84	3.4%
Wilmington	128 North	\$21.61	\$22.90	6.0%
Woburn	128 North	\$23.50	\$24.90	6.0%

Submarket	Market	Q4 2014	Q4 2015	% Change
Boston	Boston	\$48.60	\$52.29	7.6%
Cambridge	Cambridge	\$56.83	\$61.91	8.9%
Inner Suburbs	Inner Suburbs	\$28.56	\$31.56	10.5%
Route 128 West	Route 128	\$29.21	\$31.21	6.8%
Route 128 North	Route 128	\$24.39	\$25.29	3.7%
Route 128 South	Route 128	\$20.15	\$21.10	4.7%
495 Mass Pike	Interstate 495	\$19.42	\$20.51	5.6%
495 Route 2	Interstate 495	\$18.79	\$20.60	9.6%
495 Northeast	Interstate 495	\$18.23	\$19.33	6.0%
Route 3 North	Interstate 495	\$19.21	\$20.02	4.2%
495 South	Interstate 495	\$18.83	\$19.46	3.3%
All Office		\$31.51	\$33.71	7.0%

All of the above weighted average rental rates are derived from quoted rates provided by the leasing entity on the assets Lincoln Property Company tracks
All rates are gross (excluding tenant electricity) and the weighted averages exclude sublease asking rates