



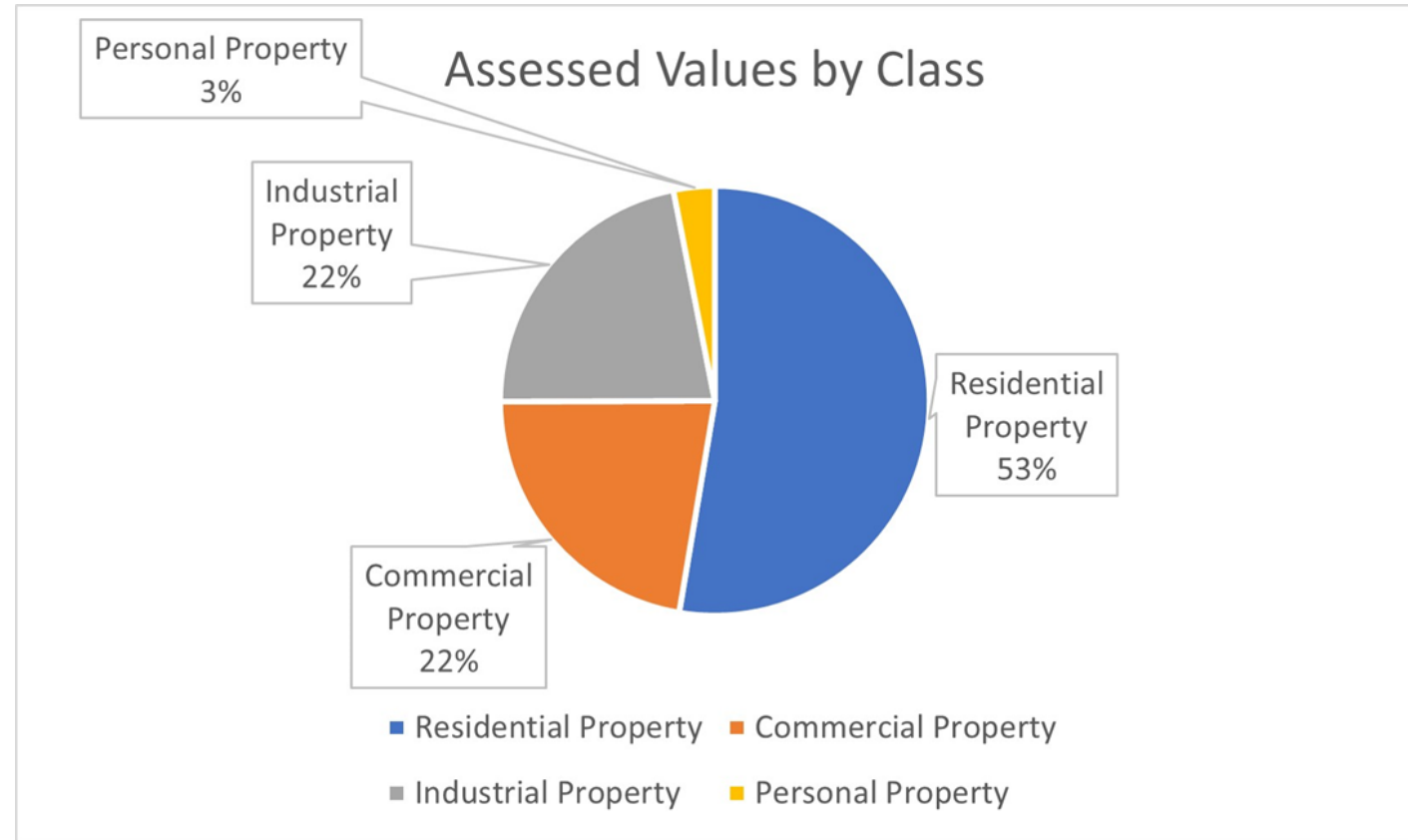
Lab Discussion

Finance & Assessing

December 7, 2022

Assessed Values by Class

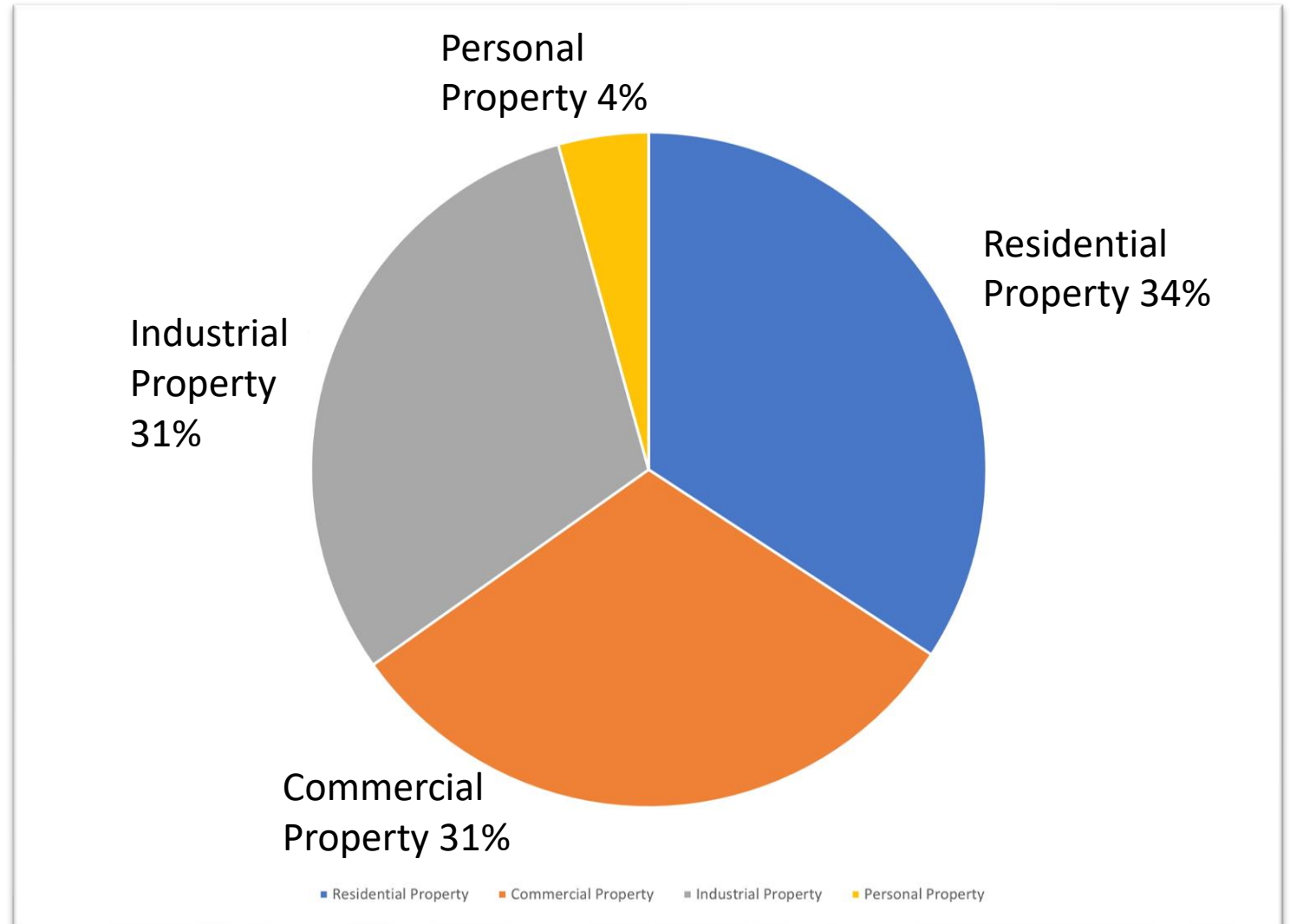
- FY 23:
 - Total assessed value \$71.1 billion
 - \$7.2 billion increase over prior year
 - 11.2% increase over FY 22



Assessed Values by Class	
Property Type	FY 23
Residential Property	\$ 37,466,551,809
Commercial Property	\$ 15,848,563,995
Industrial Property	\$ 15,615,981,117
Personal Property	\$ 2,208,815,600
Total	\$ 71,139,912,521

FY2023 Taxes by Property Class

- **Residential Rate: \$5.86**
- **Commercial/Industrial Rate: \$10.38**



What is in Commercial and Industrial classes?

Commercial Class

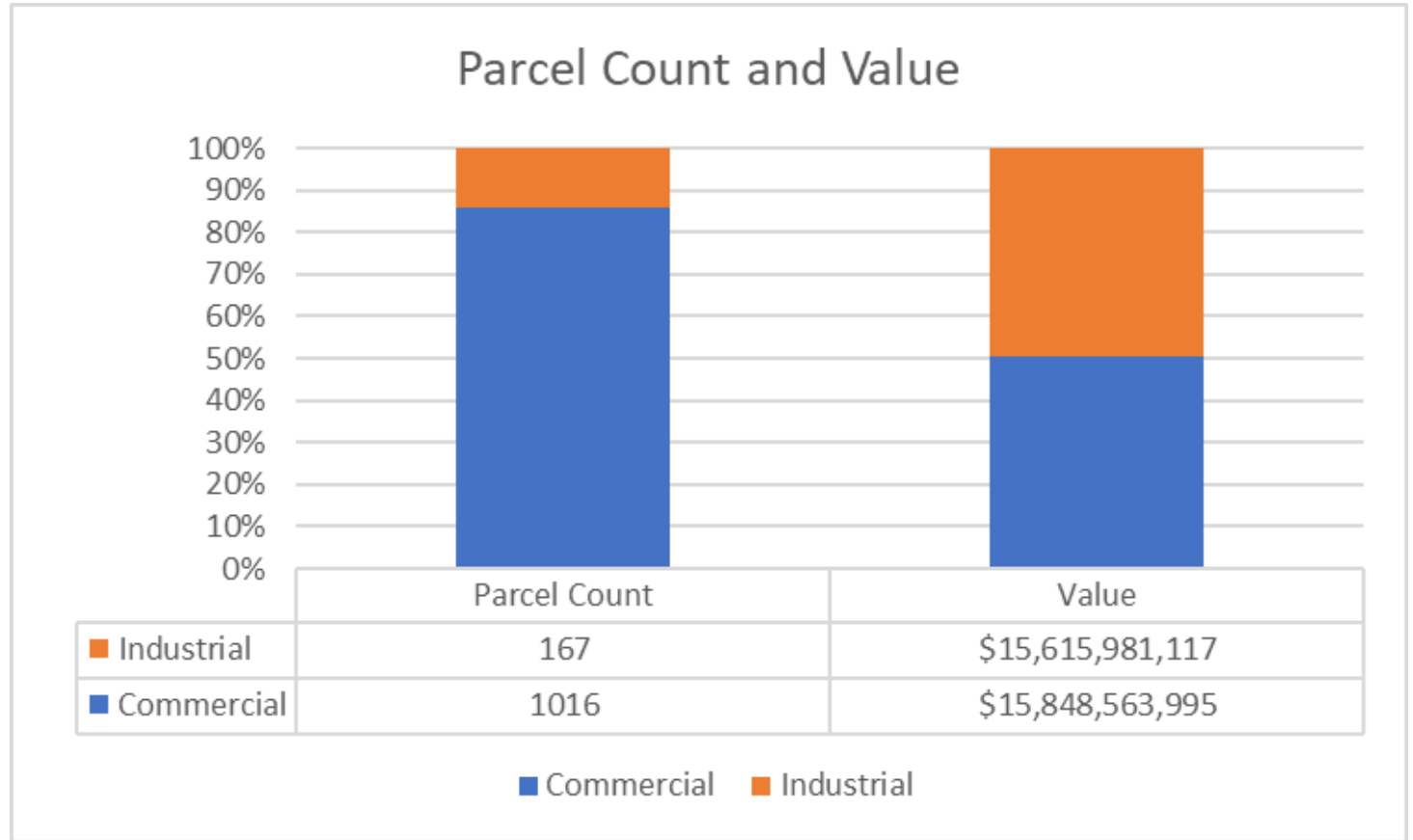
- Office
- Retail
- Hotels
- Restaurant
- Parking Garage

Industrial Class

- Research and Development Space
- Light Manufacturing
- Office-Industrial use
- Machine shop

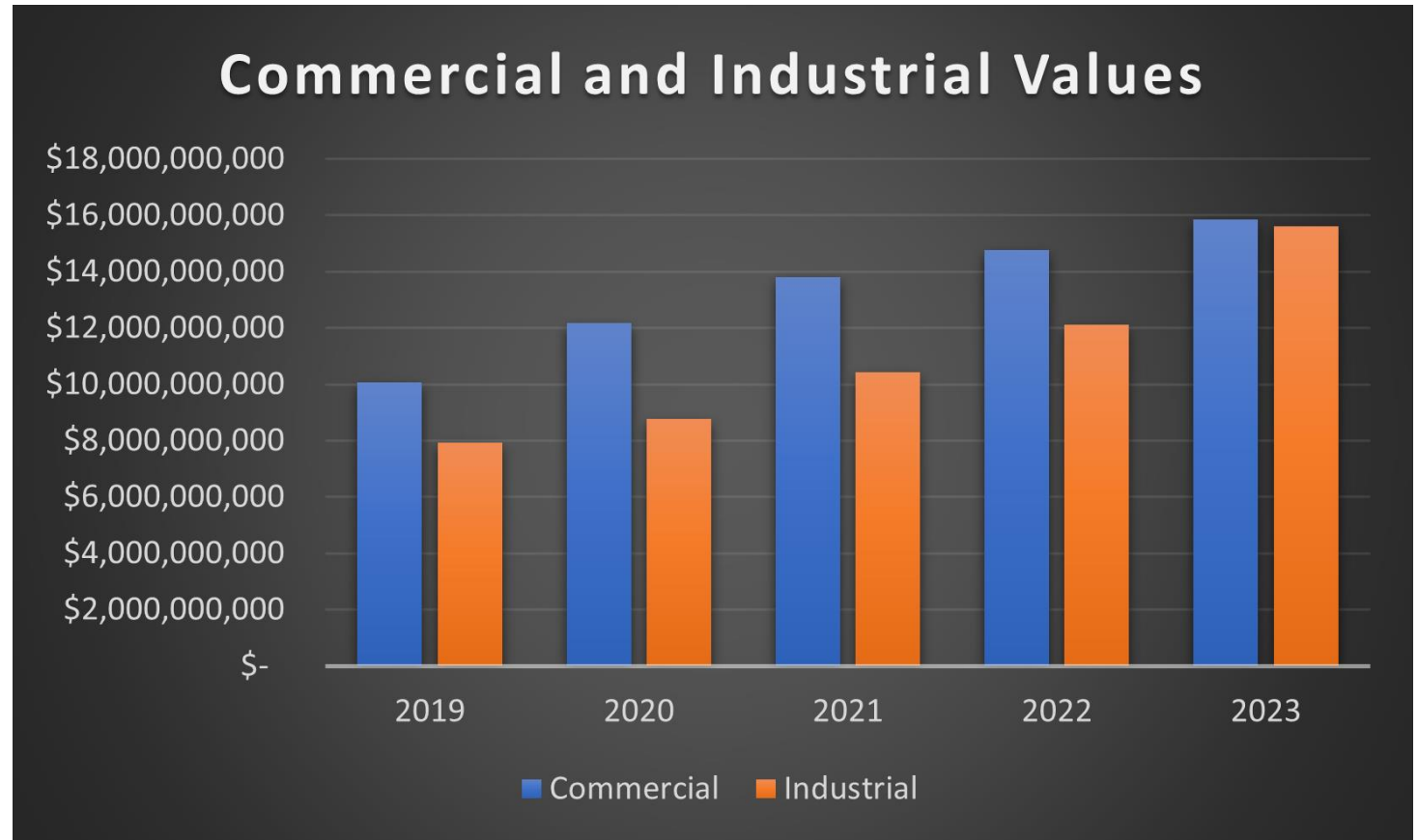
Fiscal Year 2023 Commercial and Industrial parcel counts and value

- **Industrial Parcel Count-167**
- **Industrial Value-\$15.6 billion**
- **Commercial parcel count-1,016**
- **Commercial value-\$15.8 billion**



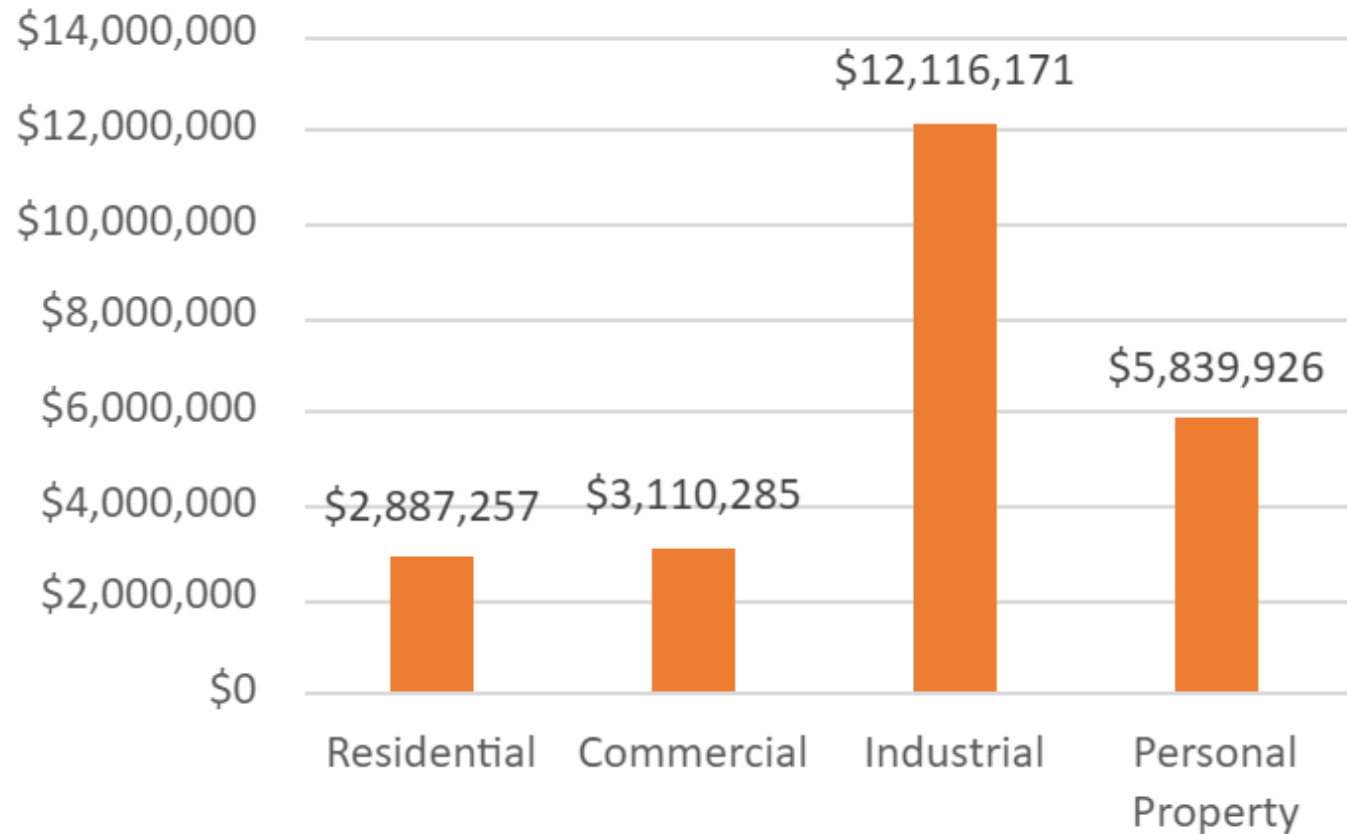
Commercial and Industrial Values

- Over the last 5 years both Commercial and Industrial values have increased
- 5 Year Commercial value increase-58%
- 5 Year Industrial Value increase-97%



FY23-Industrial New Growth

- over \$1 billion dollars in new growth value from the Industrial class
- Equals more than \$12 million dollars in tax levy growth
- Positive impact by lowering both residential (-1%) and commercial tax rates (-7.6%)



Lab Trends-Q3 2022

- “Occupancies in Cambridge have trended near full for several consecutive quarters
- Cambridge has little vacancy and remains the top choice for tenants
- Developers continue to build in Cambridge, but Boston and the suburbs are set for much larger percentage increases to their inventories
- The Seaport has emerged as Greater Boston’s top lab node, outside of East Cambridge”

Lab Under Construction
(Excluding Conversions)

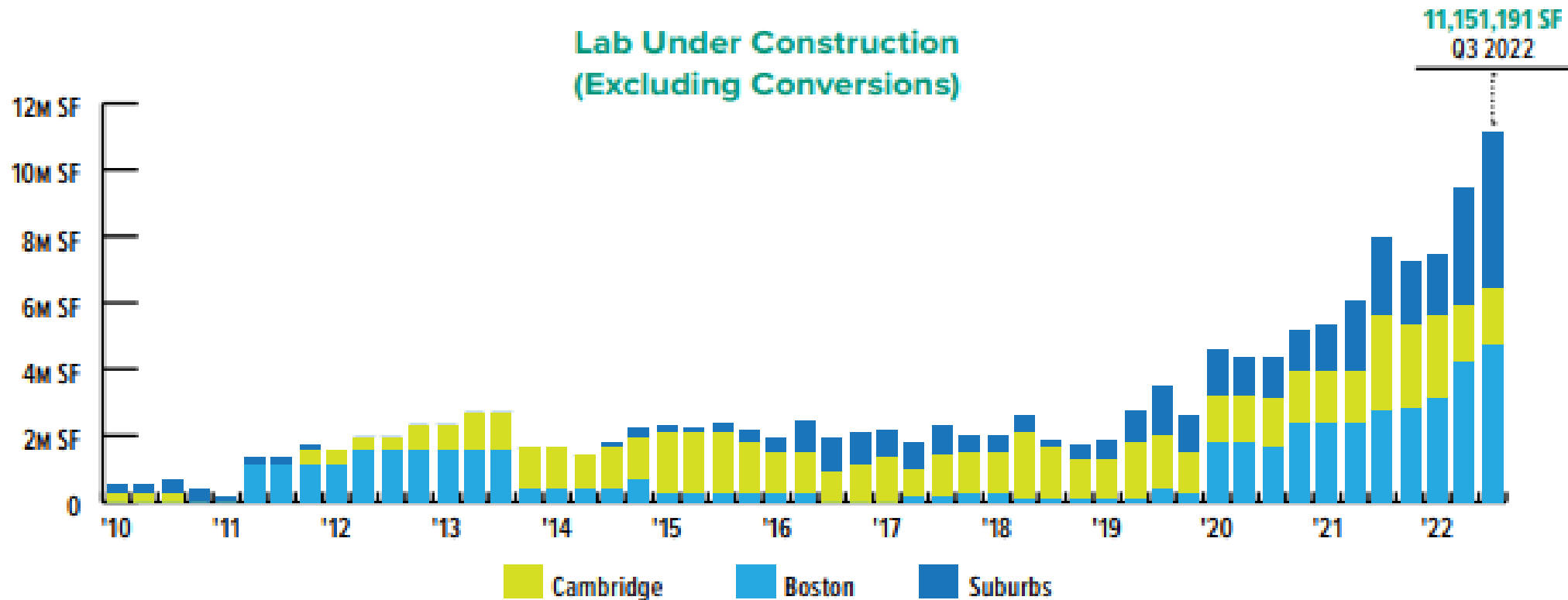
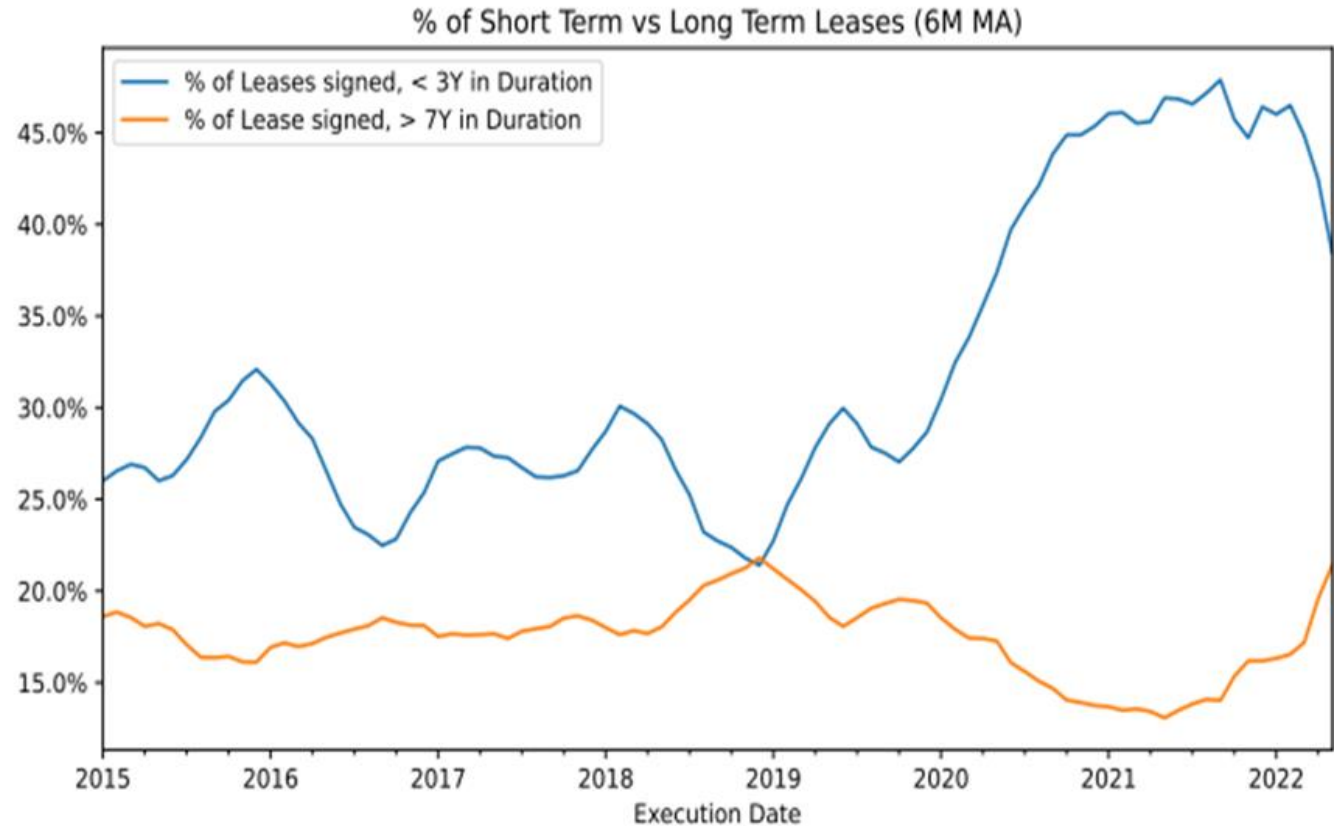


Figure 7: Lease Duration Changes

Office Trends

- **Much uncertainty in office markets coming out of Covid**
- Expected lease turnovers:
 - pre-scheduled expiration of long-term leases signed prior to Covid
 - the expiration of short-term leases signed during the pandemic
- **Flight to quality/amenity rich buildings**



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Class B-Smaller Scale Office Buildings

Typically, under 8 stories



Supports retail on 1st floor



The Engine

501 Massachusetts Avenue

- 30,000 sq/ft of lab, office, and industrial space for Tough Tech companies
- Provides specialized labs, equipment, tools, space, and infrastructure necessary to build transformative technologies as economically and efficiently as possible



Concerns for the future of office

- Uncertainty in office market
- Impact of work from home/hybrid on office leases and sqft required
- Flight to quality A+ buildings with amenities
- Increase in Vacancy Rate with many leases coming up for renewal
- Lab work typically required to be in person, not from home

Overview

Mid-Cambridge/Harvard Sq Office

12 Mo Deliveries in SF

200K

12 Mo Net Absorption in SF

69.4K

Vacancy Rate

5.1%

12 Mo Rent Growth

0.9%

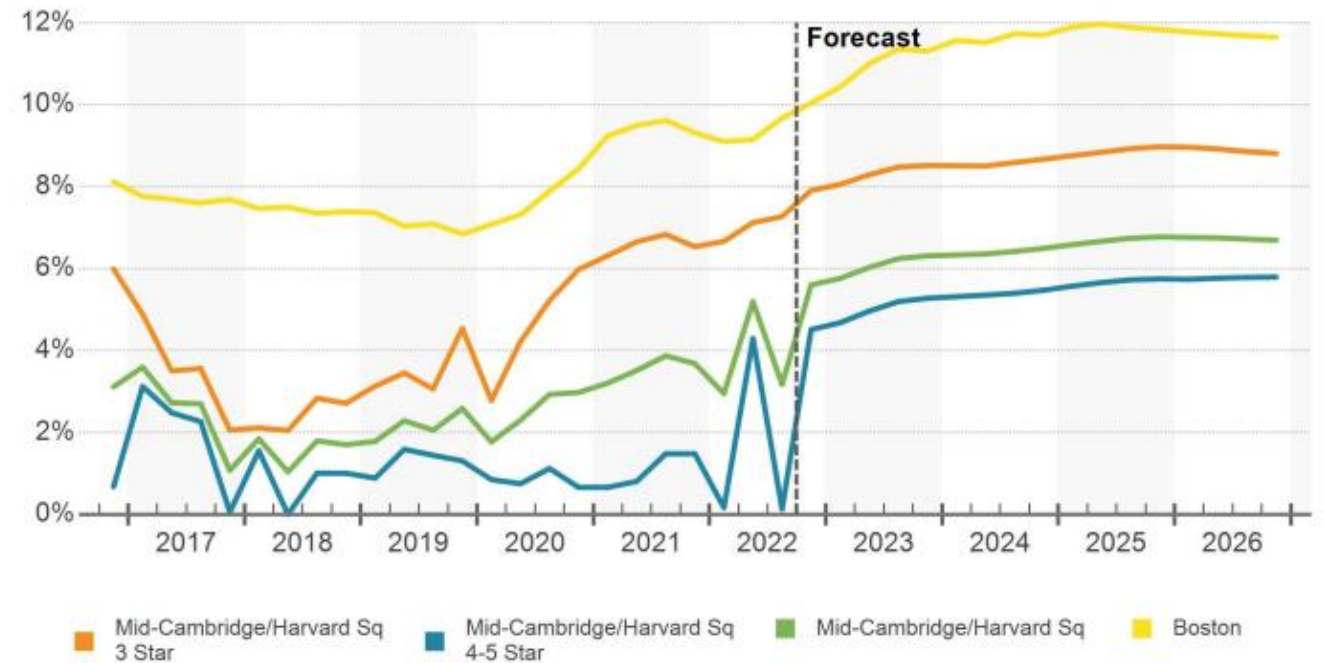
The goal of forecasting is not to predict the future but to tell you what you need to know to take meaningful action in the present-Paul Saffo

- **Many different types of labs**

- Food Incubators
- Medical Device
- Clean Energy
- Artificial Intelligence
- Robotics
- Fabrication/Production
- Tough Tech

- Leaving avenues open for future uses of office space

Vacancy Rate-Harvard Square and Mid-Cambridge



Lab Summary- Finance Concerns

- Lab properties represent 22% of the total value and 31% of all taxes paid
- There are many types of lab space that are compatible with office conversions
- Lab construction increasing outside of Cambridge-Boston and suburbs; keep competitive edge
- In person work requirements of lab staff support local, small businesses
- Thoughtful, measured approach to lab zoning changes based on analysis and adaptability for a transforming future

