

Boston

A surge of new development is set to hit Boston's industrial market as 2023 begins

- Market-wide rents leveled off this quarter at \$14.51, showing minimal different from last quarter's average rent of \$14.68.
- Vacancy increased 40 bps to 3.6%, with many new spaces hitting the market as they near their delivery date.
- Demand remains relatively stable; however, more tenants are now targeting the West, which saw a 2 million s.f. rise in demand since Q3.
- New development surged this quarter, with 500,000 s.f. being delivered and eight new constructions breaking ground.

After hitting a record high asking rent of \$14.68 p.s.f. last quarter, Boston's industrial market leveled off this quarter at \$14.50 p.s.f. The market also experienced over 300,000 s.f. of positive absorption in Q4. Most of this can be attributed to many warehousing tenants, such as Peak at 36 Cabot in Woburn, Lasership at 200 Fallon in Stoneham, and the MBTA at 35 United Dr in West Bridgewater. The South and West make up all the negative absorption this quarter, as logistics and last-mile delivery companies, such as Milestone Delivery and IGPS, have vacated their space or subleased it.

Boston's demand levels remain relatively stable from the previous quarter and is projected to stay that way going into the next year. Due to the spike in demand for warehousing & distribution facilities over the last two years, new construction has rocketed with 1.7 million s.f. of completions YTD. Three major deliveries occurred this quarter: 139 Campanelli, a 450,000 s.f. distribution facility in Uxbridge, 384-386 South, a distribution facility as a part of Centech Park Shrewsbury, and 146 Pond in Billerica that was built and fully leased to Independent Electrical Supply. Despite the land constraints, new industrial development does not show signs of slowing down as eight new constructions broke ground within Q4 2022.

Over 70% of ground-up development in Boston has been speculative development as more and more owners remain bullish on the level of demand sustaining. There are numerous case studies proving the market's appetite for new construction. For example, 300 Charles F. Colton in Taunton was delivered to the market and leased, in part, by Ferguson Plumbing, leaving only half the building. Similarly, on the capital markets front, JLL has recently sold land to Greystar for a 425,000 s.f. facility likely going spec.

Outlook

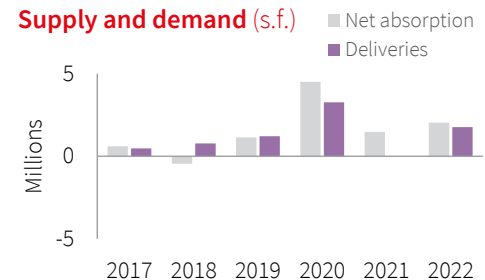
Rapid rent growth in Boston has slightly subsided as availabilities were added to the market and new development attempts to meet the current market demand. The beginning of 2023 will be a crucial time to watch. How will the recessionary environment impact end-user consumption? Will demand maintain its stability as new supply hits the market?

Fundamentals

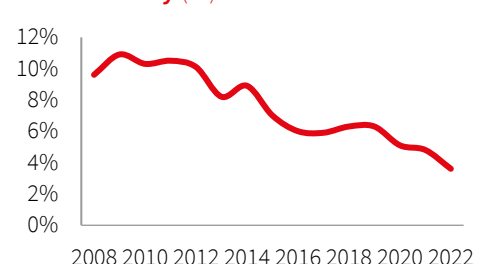
Forecast

YTD net absorption	2,029,445 s.f.	▼
Under construction	10,464,507 s.f.	▲
Total vacancy	3.6%	▲
Sublease vacancy	1,345,865 s.f.	▲
Direct asking rent	\$14.50 p.s.f.	▲
Sublease asking rent	\$10.92 p.s.f.	►
Concessions	Stable	►

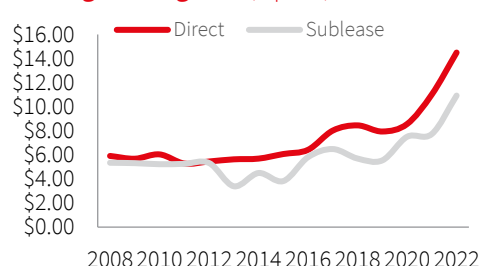
Supply and demand (s.f.)



Total vacancy (%)



Average asking rent (\$ p.s.f.)



Industrial Statistics

	Inventory (s.f.)	Quarterly total net absorption (s.f.)	YTD total net absorption (s.f.)	YTD total net absorption (% of stock)	Total vacancy (%)	Total availability (%)	Average total asking rent (\$ p.s.f.)	Quarterly Completions (s.f.)	YTD Completions (s.f.)	Under construction (s.f.)
Boston total										
Warehouse & Distribution	112,134,635	332,343	1,467,267	1.3%	3.9%	9.5%	\$13.87	992,521	1,641,901	9,867,707
Manufacturing	36,426,405	25,973	651,378	1.8%	2.8%	3.7%	\$19.86	0	124,128	420,000
Special Purpose	0	0	0	0.0%	0.0%	100.0%	\$16.00	0	0	176,800
Overall Total	148,561,040	358,316	2,118,645	1.4%	3.7%	8.3%	\$14.51	992,521	1,766,029	10,464,507
Urban										
Warehouse & Distribution	11,967,415	106,855	-25,886	-0.2%	2.0%	3.3%	\$24.50	0	0	458,641
Manufacturing	4,735,678	17,073	-48,038	-1.0%	11.0%	11.8%	\$24.35	0	0	0
Overall Total	16,703,093	123,928	-73,924	-0.4%	4.5%	5.6%	\$24.40	0	0	458,641
Suburbs total										
Warehouse & Distribution	100,167,220	225,488	1,493,153	1.5%	4.2%	10.2%	\$13.49	992,521	1,641,901	9,409,066
Manufacturing	31,690,727	8,900	699,416	2.2%	1.6%	2.5%	\$15.47	0	124,128	420,000
Special Purpose	0	0	0	0.0%	0.0%	100.0%	\$16.00	0	0	176,800
Overall Total	131,857,947	234,388	2,192,569	1.7%	3.5%	8.6%	\$13.64	992,521	1,766,029	10,005,866
North										
Warehouse & Distribution	26,372,773	355,233	1,122,569	4.3%	3.2%	5.4%	\$17.62	241,721	891,101	4,432,195
Manufacturing	11,123,140	8,900	273,457	2.5%	1.7%	4.5%	\$17.44	0	0	320,000
Overall Total	37,495,913	364,133	1,396,026	3.7%	2.7%	5.1%	\$17.59	241,721	891,101	4,752,195
South										
Warehouse & Distribution	56,282,863	-251,420	-131,184	-0.2%	4.6%	9.9%	\$12.50	0	0	2,321,140
Manufacturing	15,017,526	0	291,831	1.9%	1.6%	1.8%	\$10.70	0	0	100,000
Special Purpose	0	0	0	0.0%	0.0%	100.0%	\$16.00	0	0	176,800
Overall Total	71,300,389	-251,420	160,647	0.2%	4.0%	8.5%	\$12.57	0	0	2,597,940
West										
Warehouse & Distribution	17,511,584	121,675	501,768	2.9%	4.2%	18.5%	\$12.78	750,800	750,800	2,655,731
Manufacturing	5,550,061	0	134,128	2.4%	1.5%	0.6%	\$20.00	0	124,128	0
Overall Total	23,061,645	121,675	635,896	2.8%	3.6%	14.6%	\$12.84	750,800	874,928	2,655,731