

## Boston Industrial, Q2 2021

# Supply/demand imbalance driving market to record levels



Availability  
4.7%



Vacancy  
2.5%

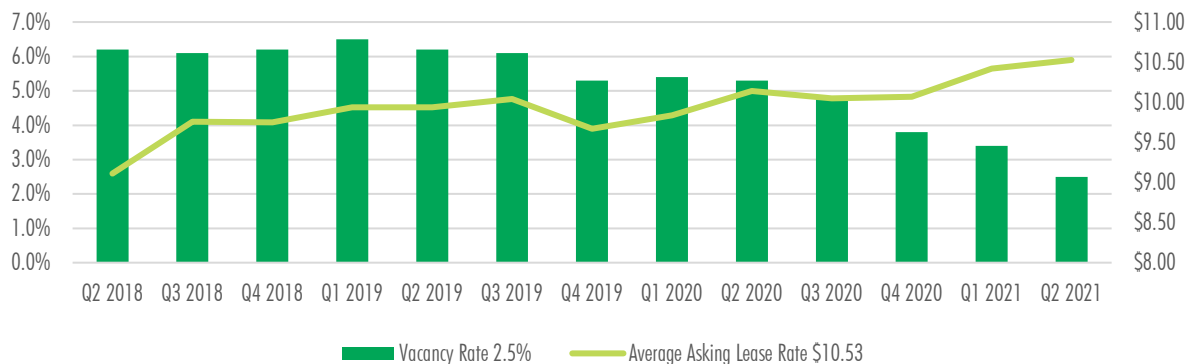


Occupied SF  
266.7 MSF



Under Construction (Spec)  
801,530 SF

Figure 1: Industrial Vacancy vs. Lease Rate



Source: CBRE Research, Q2 2021

The Greater Boston Industrial market is quickly becoming one of the strongest in the nation and continued to build momentum at a record-setting pace in the second quarter of 2021. Almost 1.5 million sq. ft. of positive absorption was recorded in the second quarter and 2.7 million sq. ft. year-to-date, highlighting the explosive growth in the region. Asking rents continued to rise quickly, finishing the quarter at \$10.53 per sq. ft. NNN. Boston has earned a seat at the table with the country's most historically dominant industrial markets after clocking an unprecedented year-over-year rent growth of 14.8%, the sixth-largest

amount of growth in the nation for taking rents. The overall availability and vacancy rates reached new historic lows in the second quarter of 2021. The availability rate declined by 120 basis points (bps) quarter-over-quarter to 4.7%, while the vacancy rate dropped by 90 bps quarter-over-quarter to 2.5%.

The flurry of demand that intensified in early 2020 remains as strong as ever with approximately 35 million sq. ft. of tenants actively seeking space. More than 2.5 million sq. ft. of leasing activity in the second quarter was driven by wholesale/retailers, 3PLs, life science and e-commerce companies.

This level of demand will continue to outpace existing supply for the next 18 to 24 months. With only 801,000 sq. ft. of speculative development under construction, and potential future development sites dwindling, a supply crisis is on the horizon for the Greater Boston Industrial market. This expected supply imbalance will put further pressure on rents and will ultimately drive them to new historic highs. Additionally, the sublease rate in the Greater Boston Industrial market has remained flat since Q4 2019, further demonstrating high demand for space and the overall strength of the market.

Because of Boston's top-tier leasing fundamentals, capital markets' liquidity is at an all-time high. Some of the largest capital sources in the country are prioritizing Boston industrial product within their allocations. The diversity and depth within the capital markets includes industrial REITs, institutional pension fund advisors, private equity capital, life insurance companies, foreign capital allocators, and ultra-high net worth investors, among others. As year-over-year market rents soar and investors now underwrite market rent growth in the 7 to 10% range for 2022, it is no surprise that cap rates have plummeted by 100 to 150 bps in Boston over the course of the last 12 to 18 months, resulting in record pricing on a per-sq.-ft. basis. Boston's significant barriers to entry and overall supply/demand imbalance will drive growth and maintain strong market fundamentals, fueling capital flows to Boston in the years to come.

#### URBAN

- The Urban market finished Q2 with negative absorption of 85,337 sq. ft. Both vacancy and availability decreased to 5.4% and 3.6%, respectively. Rents increased to \$23.93 per sq. ft. NNN.

- In Hyde Park, Yard 5's 77,150 sq. ft. Building B is one of only eight speculative projects currently under construction in Greater Boston.

#### NORTH

- The Metro North Industrial market was relatively active in Q2 2021, posting 317,358 sq. ft. of positive absorption. Vacancy decreased by 90 bps to 2.4%. Average asking rates in the Metro North market increased to \$13.84 per sq. ft. NNN in Q2 and remained the highest of the suburban industrial submarkets. The Route 495 North submarket holds the distinction of being the tightest market in the Greater Boston region, with a vacancy rate of just 1.1%.
- The most notable deal in the Metro North market in Q2 was Altro USA's 61,300 sq. ft. renewal and expansion at 80 Industrial Way in Wilmington. Other activity included Thermo Fisher signing a new 55,000 sq. ft. lease at 80 R Industrial Way in Wilmington and Protom signing a new lease at 54 Concord Street in North Reading for 29,500 sq. ft.

#### SOUTH

- The Metro South Industrial market recorded the strongest growth in the region with 998,948 sq. ft. of positive absorption in the second quarter of 2021. As a result, vacancy decreased 90 bps to 2.6% while availability decreased 80 bps to 5.0%. Rents increased slightly to \$8.57 per sq. ft. NNN.
- The largest cluster of leasing activity occurred in the Route 495 South submarket. Owens & Minor signed the largest lease of the quarter, renewing its lease for 235,000 sq. ft. at 20 Freedom Way in Franklin.
- In Norton, Tosca Services leases 60,400 sq. ft. in Building 5 at Condyne's Bluestar Business Park, bringing the 220,000 sq. ft. speculative construction building to 77% leased.

- Amazon kicked off leasing 160,000 sq. ft. of the recently completed 350,000 SF high-bay spec warehouse at 1025 Elm Street in Bridgewater and will utilize the facility for last-mile distribution in the region. Amazon also signed a new 146,000 sq. ft. lease at Scannell Properties development at Prestige Way in Plymouth, further expanding their Greater Boston presence to more than 10.5 million sq. ft. Mansfield saw a pair of renewals signed in Q2, with Rexel USA renewing at 145 Plymouth Street for 105,000 sq. ft., and Radford Transportation for 94,000 sq. ft. at 31 Plymouth Street.
- The largest transaction in the Route 128 South submarket was TJX leasing 228,000 sq. ft. at 175 Campanelli Drive in Braintree.
- Intense levels of demand continue in the Metro South market with very few quality options available to satisfy multiple tenant requirements. While a few new speculative construction projects have broken ground in Mansfield and Taunton, only 398,000 sq. ft. is under construction, putting further pressure on rents and competition for any available space.

#### WEST

- The Metro West Industrial market recorded another strong quarter with 227,699 sq. ft. of positive absorption in Q2. The availability rate decreased by 110 bps to 4.8%, while vacancy decreased by 130 bps to 2.1%.
- The Route 495 – Mass Pike West submarket posted the strongest quarter of the four Metro West submarkets, with 163,663 sq. ft. of positive absorption. Both availability and vacancy decreased in Q2, to 5.1% and 1.7% respectively.
- In the boroughs, Unicorr Packaging Group signed a new 61,000 sq. ft. lease at 150 Hayes Memorial Drive, bringing TA Realty's new spec construction building in Northborough to 100% leased. Additionally, DHL signed a 61,000 sq. ft. renewal at 1-5 Sassacus Drive in Westborough and Brenntag took 52,000 sq. ft. in a new lease at 360 Cedar Hill Street in Marlborough.

Figure 2: Transactions of Note

Tenant/Investor	Submarket	Address	Size	Type
Owens & Minor	Route 495 - South	20 Freedom Way, Franklin	234,700	Renewal
TJX	Route 128 - South	175 Campanelli Drive, Braintree	228,000	New
Amazon	Route 495 - South	1025 Elm Street, Bridgewater	160,000	New
Amazon	Route 495 - South	Prestige Way, Plymouth	145,700	New
Rexel USA	Route 495 - South	145 Plymouth Street, Mansfield	104,600	Renewal
Radford Transportation	Route 495 - South	31 Plymouth Street, Mansfield	94,400	Renewal
TricorBraun	Route 495 - South	71 Hampden Road, Mansfield	86,300	Renewal
Altro USA	Route 128 - North	80 Industrial Way, Wilmington	61,300	Renewal/ Expansion
Unicorr Packaging Group	Route 495 - Mass Pike West	150 Hayes Memorial Drive, Northborough	61,000	New
Tosca Services	Route 495 - South	19 Leonard Street, Norton	60,400	New

Source: CBRE Research, Q2 2021

Figure 3: Market Statistics

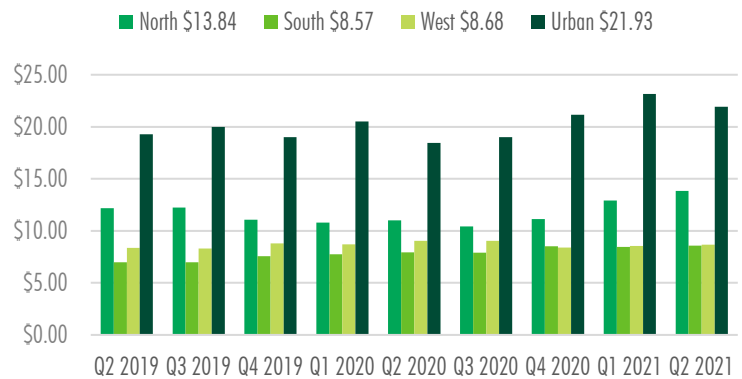
Total Industrial	Bldgs.	Total Sq. Ft.	Available (%)	Vacant (%)	Sublease (%)	Quarter Net Absorption	YTD Net Absorption	Avg. Average Rents (\$) NNN
Urban	222	14,512,313	5.4	3.6	0.2	(85,337)	108,682	21.93
Close-In Suburbs North	237	17,910,543	4.1	1.9	0.1	(2,600)	(2,600)	17.68
Route 128 - North	447	32,260,569	4.4	2.4	0.3	286,431	73,488	14.21
Route 495 - Northeast	200	19,244,348	2.6	1.1	0.1	(3,205)	83,766	11.66
Route 3 - North	228	17,726,435	5.7	4.2	1.6	36,732	126,102	11.87
Metro North	1,112	87,141,895	4.2	2.4	0.5	317,358	280,756	13.84
Route 128 - South	699	44,321,607	4.6	3.4	0.3	611,546	772,837	9.97
Route 495 - South	808	65,990,890	5.3	2.1	0.1	387,402	941,380	7.94
Metro South	1,507	110,312,497	5.0	2.6	0.2	998,948	1,714,217	8.57
Route 128 - West	154	6,707,335	5.1	4.7	0.7	(2,266)	55,622	-
Framingham - Natick	85	4,691,376	3.9	1.6	0.2	(9,168)	(28,734)	10.43
Route 495 - Route 2 West	221	20,152,727	4.6	1.8	0.0	75,470	391,070	-
Route 495 - Mass Pike West	338	23,230,009	5.1	1.7	1.3	163,663	168,978	9.27
Metro West	798	54,781,447	4.8	2.1	0.7	227,699	586,936	8.68
Overall Total Industrial	3,639	266,748,152	4.7	2.5	0.4	1,458,668	2,690,591	10.53

Source: CBRE Research, Q2 2021

### AVERAGE ASKING RENTS

The average asking rent in the Greater Boston Industrial market finished Q2 2021 at \$10.53 per sq. ft. NNN., an increase of 4.4% since year end 2020.

Figure 4: Average Asking Lease Rates

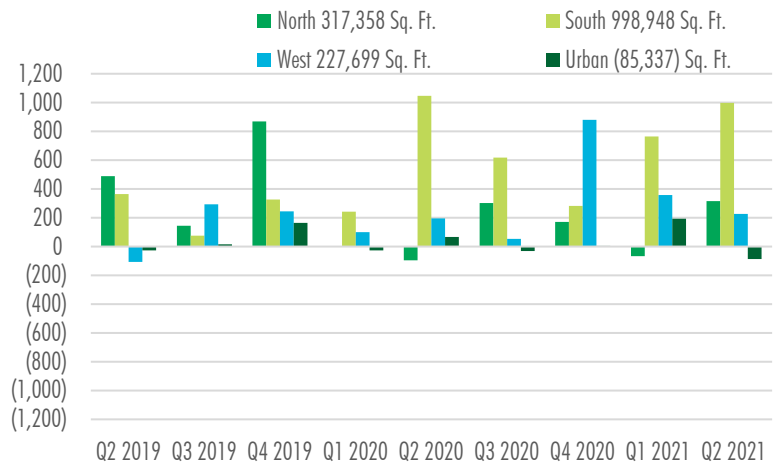


Source: CBRE Research, Q2 2021

### NET ABSORPTION

Overall absorption was positive in Q2 2021 with 1,458,668 sq. ft. of growth. Metro South experienced the largest amount of growth during the quarter, finishing Q2 with 998,948 sq. ft. of positive absorption. Metro North saw 317,358 sq. ft. of positive absorption in Q2 while Metro West finished the quarter with 227,669 sq. ft. of positive absorption. The Urban market was the only submarket to finish the quarter with negative absorption posting 85,337 sq. ft. of negative growth.

Figure 5: Net Absorption



Source: CBRE Research, Q2 2021

## DEFINITIONS

**AVERAGE ASKING LEASE RATE**

Rate determined by multiplying the asking gross lease rate for each building by its available space, summing the products, then dividing by the sum of the available space with net leases for all buildings in the summary.

**GROSS LEASES**

Includes all lease types whereby the tenant pays an agreed rent plus estimated average monthly costs of the operating expenses and taxes for the property, including utilities, insurance and/or maintenance expenses.

**MARKET COVERAGE**

Includes all competitive buildings in CBRE's survey set.

**NET ABSORPTION**

The change in occupied sq. ft. from one period to the next, as measured by available sq. ft.

**NET RENTABLE AREA**

The gross building square footage minus the elevator core, flues, pipe shafts, vertical ducts, balconies and stairwell areas.

**OCCUPIED AREA (SQ. FT.)**

Building area not considered vacant.

**UNDER CONSTRUCTION**

Buildings that have begun construction as evidenced by site excavation or foundation work.

**AVAILABLE AREA (SQ. FT.)**

Available building area that is either physically vacant or occupied.

**AVAILABILITY RATE**

Available sq. ft. divided by the net rentable area.

**VACANT AREA (SQ. FT.)**

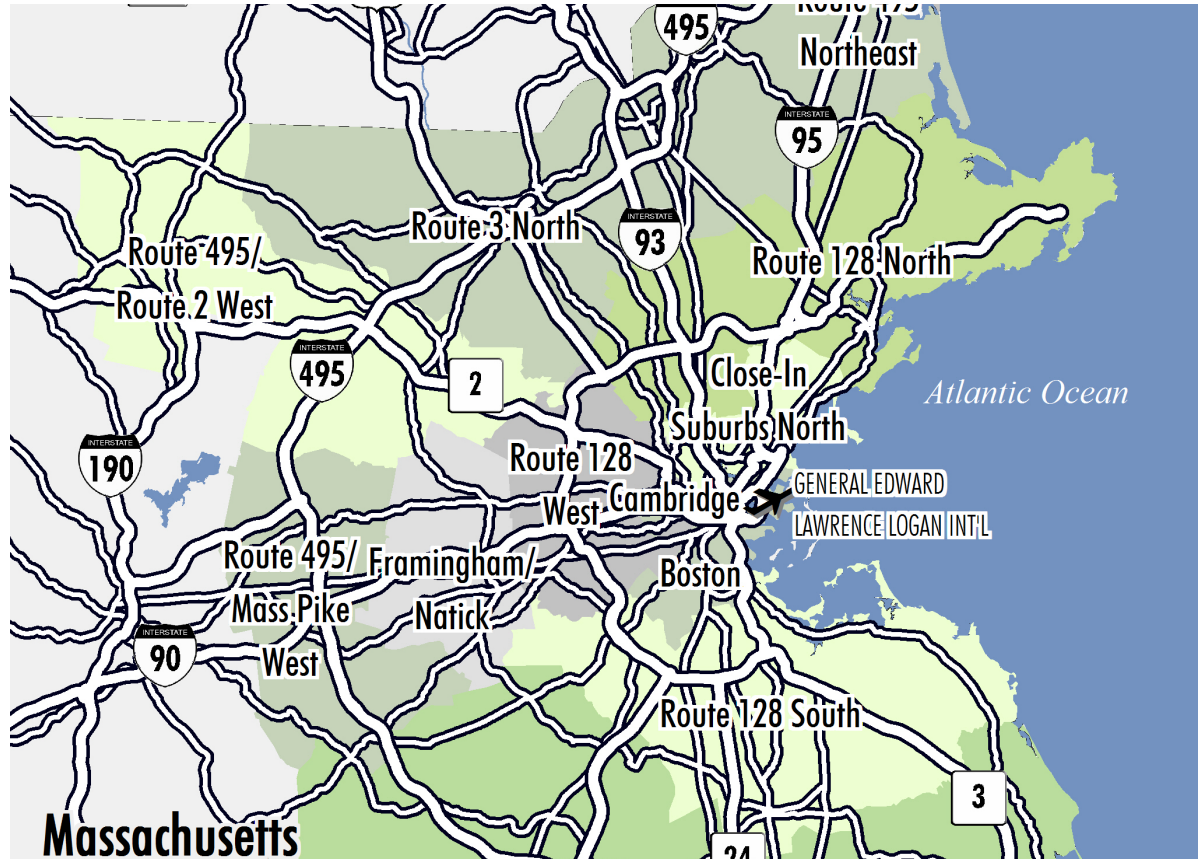
Existing building area that is physically vacant or immediately available.

**VACANCY RATE**

Vacant building feet divided by the net rentable area.

**NORMALIZATION**

Due to a reclassification of the market, the base, number and square footage of buildings of previous quarters have been adjusted to match the current base. Availability and vacancy figures for those buildings have been adjusted in previous quarters.



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