

FIGURES | BOSTON METRO INDUSTRIAL | Q3 2023

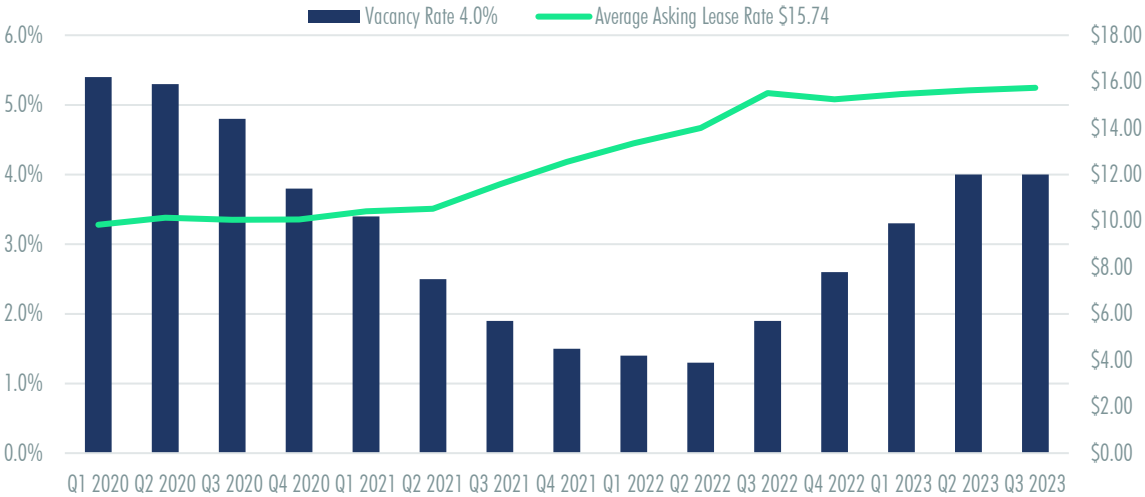
Outlook remains positive for Greater Boston industrial market as it continues to absorb economic headwinds



Note: Arrows indicate change from previous quarter.

With the continued popularity of e-commerce and “next day” shipping, core demand under 150,000 sq. ft., and significant diversity of users, the Greater Boston industrial market has managed to withstand today’s economic and financial pressures. Industrial product continued to prove its resilience in the third quarter, as overall vacancy maintained a historical low of 4.0% (prior to 2015, industrial vacancy in the Greater Boston region hovered above 10% for more than a decade) and year-to-date overall leasing activity continued pace with 2022. Quarterly leasing activity of 2.31 million sq. ft. and 7.70 million sq. ft. year-to-date attests to the continued strength of the Greater Boston industrial market (all-time high leasing velocity was 13 million sq. ft. leased in 2021). An increase in renewal activity throughout 2023 (up 12% since 2021) additionally corroborates the demand for industrial product and tenants’ desire to stay and press the ‘easy’ button to avoid moving costs and disruption to supply chains and retain employees.

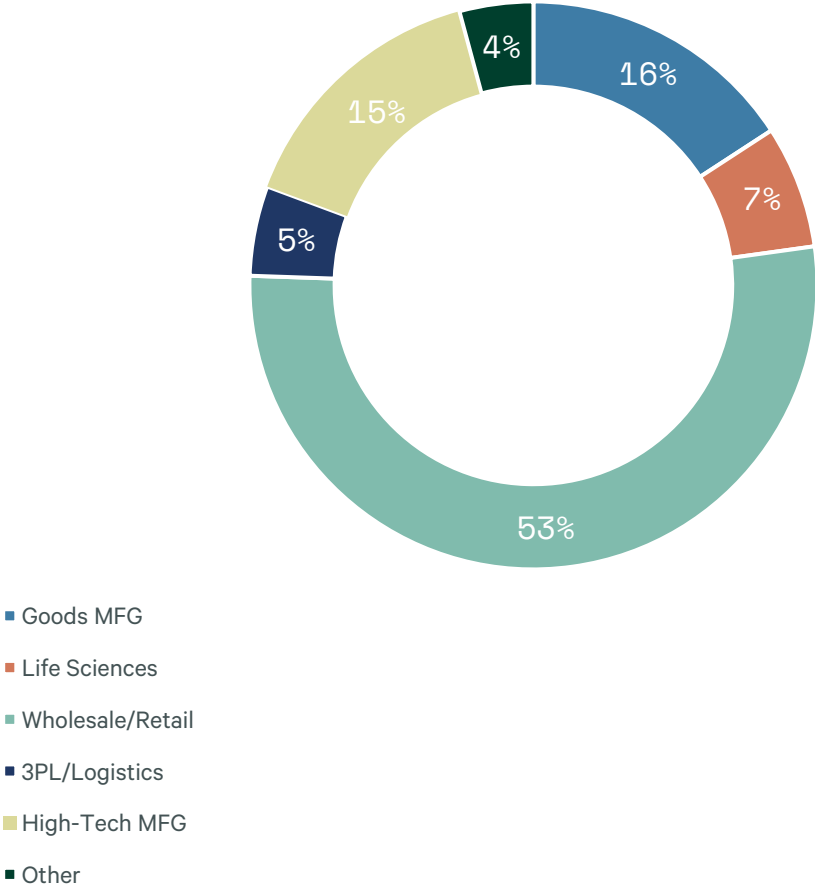
FIGURE 1: Greater Boston Industrial Vacancy vs. Lease Rate



Source: CBRE Research, Q3 2023.

The third quarter of 2023 proved to be generally flat for Greater Boston, posting 68,970 sq. ft. of positive net absorption, after two quarters of slightly reduced net absorption. As a result, year-to-date net absorption improved to -57,011 sq. ft. for the overall market. Overall availability increased by 40 basis points (bps) quarter-over-quarter (q-o-q) to 6.8%, mostly due to new speculative properties breaking ground and coming to market, such as GFI Partners’ 616,875 sq. ft. development at 75 Plain Street in Hopedale. Overall average asking rents increased by \$0.11 per sq. ft. q-o-q to \$15.74 per sq. ft. NNN, indicating landlords’ desire to push rates given the supply-constrained environment. Rent growth is anticipated to level off in the next twelve months, with the past six months’ growth stabilizing at 0.70% compared with the 20.4% rent growth that occurred in 2021. The overall market is expected to remain healthy, although tempered in comparison to the record-breaking year of 2021, with steady leasing activity, slightly positive rental rate growth, and extremely low vacancy.

FIGURE 2: Greater Boston Leasing Activity by Industry in Square Footage, Q3 2023



Source: CBRE Research, Q3 2023.

Submarkets

Mostly due to increased renewal activity coupled with space givebacks, the Urban industrial market posted 88,428 sq. ft. of negative net absorption this quarter, bringing year-to-date net absorption to -131,895 sq. ft. Overall average asking rents in the Urban market culminated at \$27.14 per sq. ft. NNN, an increase of \$1.62 per sq. ft. NNN q-o-q. Tenants vacating 40 Smith Place in Cambridge and 20-50 Old Colony Avenue in South Boston contributed to slightly heightened availability and vacancy rates q-o-q, ending at 6.2% and 5.2%, respectively. Approximately 90,101 sq. ft. of leasing activity occurred in the Urban market, the largest recorded deal being New England Gypsum Floors’ 23,760 sq. ft. renewal at 480 E First Street in South Boston. Also executing a renewal, White Cap, a distributor of power tools and construction materials, extended their 21,675 sq. ft. lease at 420 E Street in Boston this quarter.

The Metro North industrial market also recorded substantial renewal activity, in addition to sizable new deals allowing for 25,605 sq. ft. of positive net absorption this quarter. As a result, year-to-date net absorption improved to negative 242,859 sq. ft. Overall average asking rents in the Metro North market finished the quarter at \$19.50 per sq. ft. NNN, an increase of \$0.07 per sq. ft. NNN q-o-q. Similar to rental rate growth, both availability and vacancy remained stable q-o-q at 6.3% and 3.7%, respectively. While availability increased q-o-q by 10 bps, vacancy decreased by 20 bps q-o-q. The very moderate decrease in vacancy can be tied to the previously vacant 69,293 sq. ft. space at 1 Second Street in Peabody being newly leased by Abiomed, Inc. Gemline also signed a new lease for 91,333 sq. ft. at 91 Glenn Street in Lawrence. Boosting leasing activity to approximately 861,408 sq. ft. in the Metro North market, almost 277,000 sq. ft. of renewals were additionally recorded, with Synventive Molding Solutions’ extension of its 86,000 sq. ft. lease at 10 Centennial Drive in Peabody being the largest.

FIGURE 3: Greater Boston Top Lease Transactions, Q3 2023

Tenant	Building	Market	Size (SF)	Transaction Type
Anixter	12 Industrial Road Milford, MA	MW – Route 495–Mass Pike West	306,662	Renewal/Expansion
Catania-Spagna Corporation	90 Nemco Way Ayer, MA	MW – Route 495–Route 2 West	216,010	New Lease
Electrical Wholesalers, Inc.	100 Campanelli Parkway Stoughton, MA	MS – Route 128–South	208,200	Renewal
Factory Motor Parts	57 Littlefield Street Avon, MA	MS – Route 128–South	154,799	Expansion
Gemline	91 Glenn Street Lawrence, MA	MN – Route 495-Northeast	91,333	New Lease
Synventive Molding Solutions	10 Centennial Drive Peabody, MA	MN – Route 128–North	86,000	Renewal
Abiomed, Inc.	1 Second Street Peabody, MA	MN – Route 128–North	69,293	New Lease

Source: CBRE Research, Q3 2023.

Significant renewal activity continued in the Metro South industrial market, partly leading to 380,533 sq. ft. of negative net absorption this quarter, in conjunction with larger spaces coming onto the direct and sublease market. Year-to-date net absorption now stands at -206,453 sq. ft. Unfavorably affecting net absorption, Essendant put their 158,900 sq. ft. space onto the sublease market at 33 Suffolk Road in Mansfield. The full building at 31 Commercial Street in Sharon also became available on the direct market this quarter. Consequently, availability increased by 60 bps q-o-q to 8.0%, while vacancy increased by 10 bps q-o-q to 4.9%. Electrical Wholesalers, Inc.'s renewal at 100 Campanelli Parkway in Stoughton was the largest recorded deal in the Metro South at 208,200 sq. ft. Benefitting net absorption and leasing activity, Factory Motor Parts signed a 154,799 sq. ft. expansion at 57 Littlefield Street in Avon, bringing total leasing activity to 661,313 sq. ft. for the quarter. Overall average asking rents were marked at \$13.64 per sq. ft. NNN, indicating a very moderate increase of \$0.11 per sq. ft. NNN q-o-q.

Due to the Metro West's extreme supply constraints, the market experienced considerable renewal activity as well, coupled with a single large lease. Looking to avoid moving costs, Anixter executed an approximately 100,000 sq. ft. renewal and 206,662 sq. ft. expansion at 12 Industrial Road in Milford. Catania-Spagna Corporation also signed a new 216,010 sq. ft. lease at 90 Nemco Way in Ayer, contributing to the 512,326 sq. ft. of positive net absorption and 693,235 sq. ft. of total leasing activity recorded in the Metro West this quarter. As a result, year-to-date net absorption was elevated to 524,196 sq. ft. Availability increased by 60 bps q-o-q to 5.4%, mostly due to new speculative construction breaking ground. Moreover, vacancy increased minimally by 20 bps q-o-q to 2.5%. Finally, overall average asking rents were capped at \$13.56 per sq. ft. NNN, representing a decrease of \$0.50 per sq. ft. NNN q-o-q.

FIGURE 4: Greater Boston Average Asking Lease Rates (PSF/NNN)

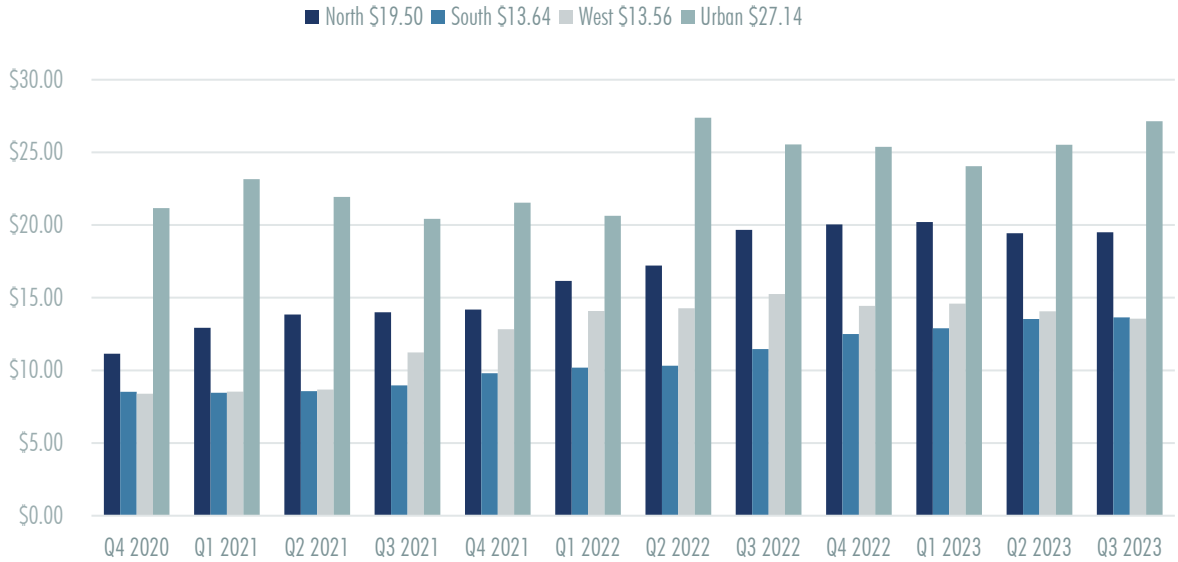
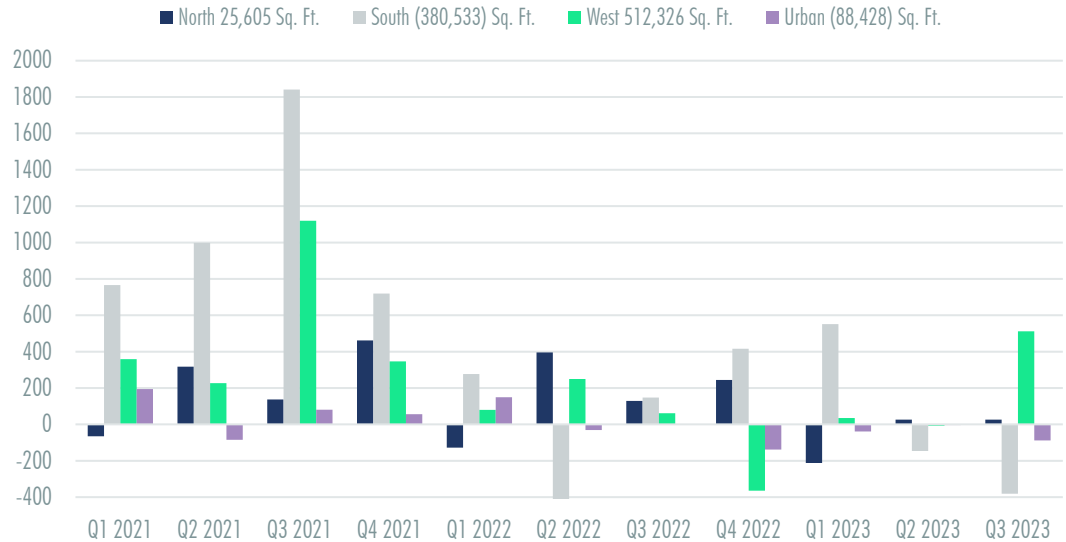


FIGURE 5: Greater Boston Net Absorption



Source: CBRE Research, Q3 2023.

Construction

New industrial speculative construction accelerated in the third quarter, with more than 1.06 million sq. ft. breaking ground. Namely, GFI Partners began construction on their 616,875 sq. ft. property at 75 Plain Street in Hopedale in the Route 495-Mass Pike West submarket. As for the Metro South, particularly the Route 495-South submarket, new construction remained prevalent with approximately 358,260 sq. ft. breaking ground in the third quarter. Construction commenced on NorthBridge Partners' new 234,060 sq. ft. speculative site at 150 Revolutionary Drive in Taunton, while Marcus Partners/Howland Development broke ground on 124,200 sq. ft. at their speculative development at 206 Mechanic Street in Bellingham. Lastly, Rhino Capital celebrated its groundbreaking of 87,000 sq. ft. of new industrial speculative construction at 40 Commerce Way in Tewksbury. As a result of these groundbreakings, total active speculative construction in the overall Greater Boston market sits around 3.84 million sq. ft.

While the majority of industrial speculative construction efforts are still underway, a new wave of supply delivered to the market in the third quarter. Approximately 640,000 sq. ft. of new industrial speculative completions were recorded in the overall market this quarter, much of which was in Greater Boston's Traditional Core market, defined as properties in the 150,000 to 300,000 sq. ft. range. Specifically, Calare Properties announced the completion of its new 219,000 sq. ft. speculative development at 900 Bedford Street in Bridgewater. Additionally supplying the Route 495-South submarket, Lincoln Property Company delivered its 176,800 sq. ft. speculative property at 315 Green Street in Wrentham. Moreover, GFI Partners' 105 Industrial Boulevard in Brockton and DH Property Trust's 735 Broadway in Malden contributed 150,000 sq. ft. and 94,095 sq. ft., respectively, to new industrial speculative completions this quarter. It is anticipated that these new deliveries will be well received by the market as 68% of overall tenant demand in the Greater Boston area is composed of requirements less than 100,000 sq. ft. As a result of current tenant demographics, it is predicted that the ability to subdivide will remain an important attribute of new industrial speculative construction delivering to the market further into 2023 and 2024.

Worcester

Mostly due to another large lease execution in the third quarter, the Worcester Metro industrial market experienced 190,002 sq. ft. of positive net absorption, yielding 626,827 sq. ft. of positive net absorption year-to-date. Karl Storz Endoscopy’s execution of a new 210,001 sq. ft. lease at 28 Millbury Street in Auburn was what largely benefited net absorption and leasing activity in the Worcester Metro this quarter. The market’s quarterly leasing activity was maintained q-o-q at 315,081 sq. ft., with Utz Quality Foods’ renewal of 60,000 sq. ft. at 13 Chocksett Road in Sterling being the second largest recorded transaction. Overall availability remained flat q-o-q at 10.6%, while overall vacancy increased just 10 bps q-o-q to 6.3%. Overall asking rents increased \$0.29 per sq. ft. q-o-q to \$11.41 per sq. ft. NNN.

Although no new industrial speculative construction properties broke ground in the Worcester Metro this quarter, two prominent development sites are expected to deliver in the final quarter of 2023. CRG Capital Partners’ highly anticipated 1.10 million sq. ft. speculative property at 123 Gilboa Street in Douglas is set to deliver next quarter, along with Eastland Partners’ 102,256 sq. ft. speculative property at 190 Washington Street in Auburn. It is predicted that these industrial speculative deliveries will be well received, as most new product has been quickly leased in the Worcester Metro market. Specifically, Cardinal Health and Un1f1ed Global Packaging Group’s respective leases at new speculative construction properties, 80 Pine Hill Drive in Boylston and 160 Shrewsbury Street in Boylston, have created momentum for new product in the Worcester area, which will likely continue as functional space is limited.

FIGURE 6: Worcester Top Lease Transactions, Q3 2023

Tenant	Building	Market	Size (SF)	Transaction Type
Karl Storz Endoscopy	28 Millbury Street Auburn, MA	WM – Worcester North	210,001	New Lease
Utz Quality Foods	13 Chocksett Road Sterling, MA	WM – Worcester North	60,000	Renewal
Tricab, Inc.	29 Gilmore Drive Sutton, MA	WM – Worcester South	30,000	New Lease

Source: CBRE Research, Q3 2023.

FIGURE 7: Greater Boston Submarket Statistics

Total Industrial	Bldgs.	Total Sq. Ft.	Available (%)	Vacant (%)	Sublease (%)	Quarter Net Absorption	YTD Net Absorption	Avg. Asking Rent NNN (\$)
Urban	223	14,297,465	6.2	5.2	0.6	(88,428)	(131,895)	27.14
Close-In Suburbs North	237	18,138,330	7.0	5.3	1.0	(22,227)	(126,735)	24.60
Route 128 - North	457	33,641,838	7.2	3.6	0.5	208,381	(90,173)	19.92
Route 495 - Northeast	210	24,173,472	3.4	1.5	0.4	86,835	235,035	14.63
Route 3 - North	235	18,178,700	7.8	5.5	1.7	(247,384)	(260,986)	16.35
Metro North	1,139	94,132,340	6.3	3.7	0.8	25,605	(242,859)	19.50
Route 128 - South	699	44,157,179	6.2	5.0	1.5	15,826	(211,340)	14.88
Route 495 - South	844	71,422,088	9.1	4.9	1.1	(396,359)	4,887	13.20
Metro South	1,543	115,579,267	8.0	4.9	1.3	(380,533)	(206,453)	13.64
Route 128 - West	147	6,372,001	2.0	2.0	0.4	16,368	97,879	26.82
Framingham - Natick	83	4,528,544	3.3	1.5	0.0	25,128	67,159	13.11
Route 495 - Route 2 West	232	21,631,763	4.9	3.4	0.2	222,930	401,697	13.43
Route 495 - Mass Pike West	342	24,281,422	7.1	2.0	0.1	247,900	(42,539)	12.97
Metro West	804	56,813,730	5.4	2.5	0.2	512,326	524,196	13.56
Overall Greater Boston Total Industrial	3,709	280,822,802	6.8	4.0	0.8	68,970	(57,011)	15.74

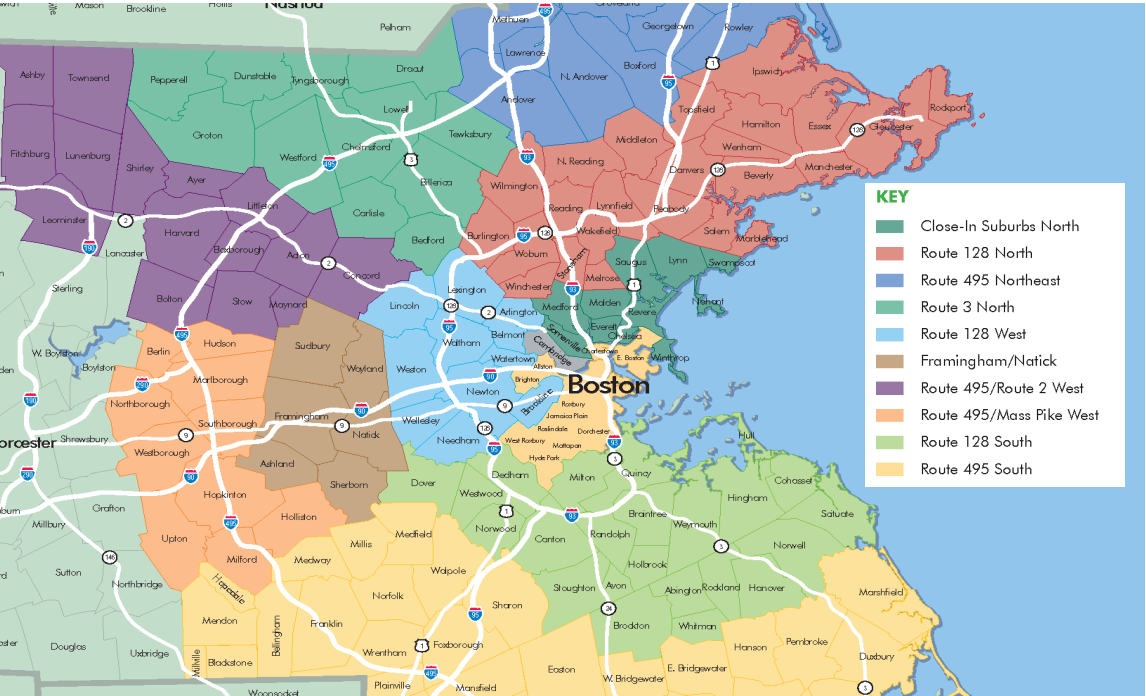
Source: CBRE Research, Q3 2023.

FIGURE 8: Worcester Submarket Statistics

Total Industrial	Bldgs.	Total Sq. Ft.	Available (%)	Vacant (%)	Sublease (%)	Quarter Net Absorption	YTD Net Absorption	Avg. Asking Rent NNN (\$)
City of Worcester	113	9,537,102	0.8	0.8	0.0	(24,999)	(7,545)	9.00
Worcester North	124	11,365,925	8.4	6.6	1.3	185,001	623,972	12.83
Worcester South	62	9,248,542	23.5	11.6	0.0	30,000	10,400	10.98
Overall Worcester Total Industrial	299	30,151,569	10.6	6.3	0.5	190,002	626,827	11.41

Source: CBRE Research, Q3 2023.

Market Area Overview



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. **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.

Survey Criteria

Includes all competitive buildings in CBRE’s survey set for the Downtown Boston Office and Lab Markets.

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