

FIGURES | BOSTON METRO INDUSTRIAL | Q2 2024

The Greater Boston Metro stabilizes as it transitions to its post-pandemic “new normal”

▲ 6.0%

Vacancy Rate

▲ 8.2%

Availability Rate

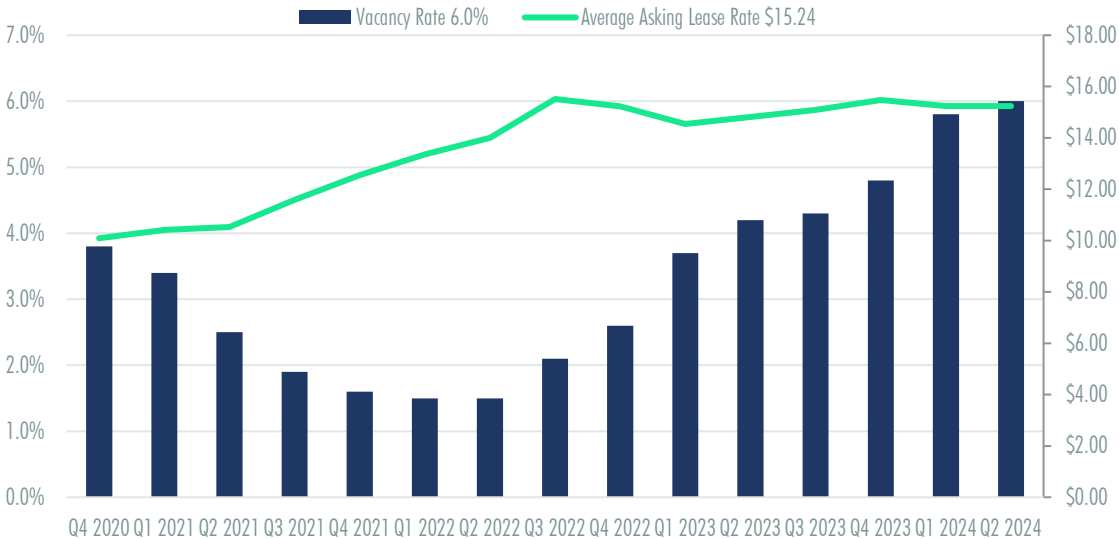
▶ \$15.24

Average Asking Rent (NNN)

Note: Arrows indicate change from previous quarter.

After consecutive years of unprecedented growth fueled by the pandemic, the first half of 2024 proved to be a period of stabilization for the Greater Boston Metro as current supply/demand dynamics returned to equilibrium. Despite signs of economic recovery, including but not limited to the labor market improving and inflation decelerating from its peak in late 2022, the market is in the midst of transitioning to the “new normal”, post-pandemic. Demand for new product has slightly cooled as the trend towards renewals that became evident in the latter half of 2023 gained momentum in the first and second quarters of 2024. Overall quarterly renewal activity summed to approximately 1.17 million sq. ft., or about 45% of the quarter’s total recorded transactions. Even more, year-to-date renewal activity eclipsed 2.08 million sq. ft., or about 51% of total year-to-date transactions. Consequently, heightened renewal activity coupled with some space givebacks and new speculative product delivering to the market prompted slightly elevated overall availability and vacancy rates of 8.2% and 6.0%, respectively. As demand further stabilized, the market’s growth flattened compared to its height in 2021 and 2022, recording quarterly net absorption of 1,682 sq. ft. and year-to-date net absorption of -1,934,149 sq. ft. In addition to the improved net absorption witnessed this quarter, overall average asking rent keeping steady quarter-over-quarter (q-o-q) at \$15.24 per sq. ft. NNN, points toward a stable, soft landing by the industrial market as it adapts to macroeconomic dynamics and reduced demand, post-pandemic.

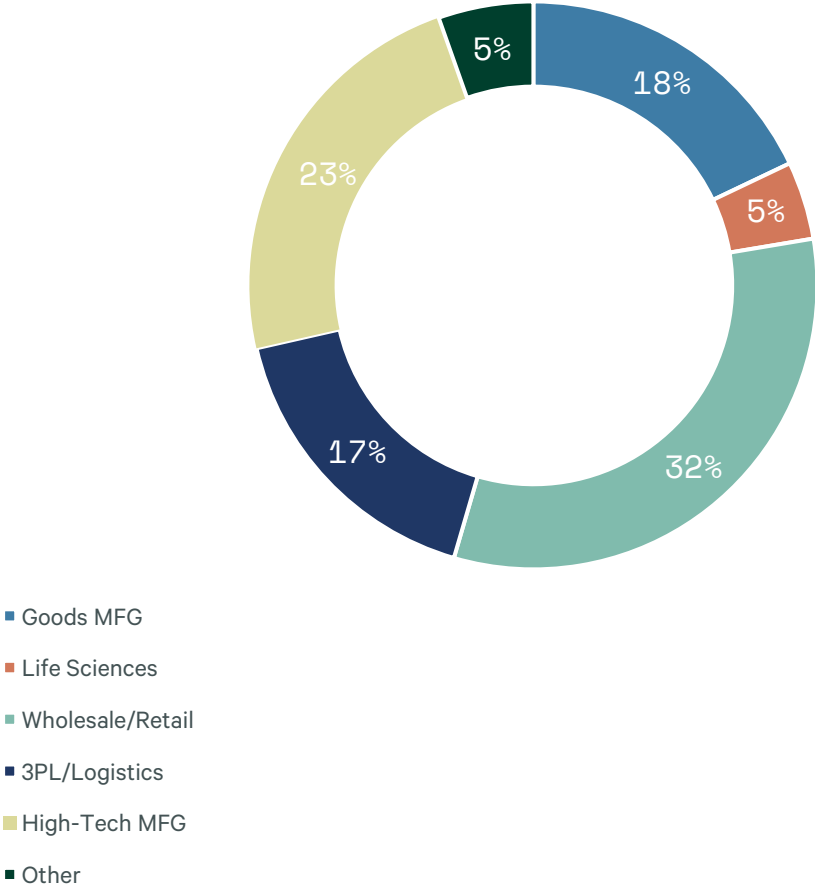
FIGURE 1: Greater Boston Metro Industrial Vacancy vs. Lease Rate



Source: CBRE Research, Q2 2024.

Despite a slightly decelerated tenant pool and softened market fundamentals, industrial assets remain well-positioned and partially insulated from a downturn as a result of the Greater Boston Metro’s continued diversity of demand, as well as core demand under 150,000 sq. ft. The increased presence of life science related, high-technology, and advanced manufacturing industrial users will likely continue to create new leasing avenues further into 2024. Heightened renewal activity is also expected to keep leasing levels stable as tenants exponentially opt to stay in-place, citing cost considerations and a desire to retain employees. Although elevated renewal activity may result in a few quarters of reduced net absorption and slightly higher vacancy rates it will continue to boost leasing levels higher than pre-pandemic records (approximately 1.64 million sq. ft. of total transactions were recorded in Q2 2019). Cushioned by renewals, the rich tenant landscape, and demand under 150,000 sq. ft., overall leasing velocity and average asking rents in the Greater Boston Metro are expected to remain stable throughout 2024, modestly tempering in comparison to the growth experienced in 2021, 2022, and 2023.

FIGURE 2: Greater Boston Metro Leasing Activity By Industry in Square Footage, Q2 2024



Source: CBRE Research, Q2 2024.

Submarkets

The urban market experienced a flat quarter, recording net absorption of -21,549 sq. ft. mostly due to extensive supply constraints and the functional obsolescence of existing, available space. The only transaction recorded this quarter was Ferguson Enterprises’ renewal of approximately 19,430 sq. ft. at 30 Northampton Street in Boston. Unsuccessful at relieving any real supply pressure, availability and vacancy were up by just 20 basis points (bps) q-o-q to 5.8% and 5.0%, respectively. Average asking rents finished the quarter at \$27.34 per sq. ft. NNN. While land constraints have kept availability and vacancy rates low, the urban market’s existing, functionally challenged infrastructure has forced more aggressive rents. With limited viable options for tenants seeking space, asking rents are expected to remain the highest of all the Greater Boston Metro markets, while experiencing stabilizing growth.

In contrast, the Metro North experienced significant market movement as it continued to benefit from the depth of its tenant pool, which includes high-technology companies and advanced manufacturers. Total quarterly leasing activity surpassed 880,000 sq. ft., carried by renewals and new deals executed by emerging industrial users, such as battery-makers and robotics companies. For example, Persimmon Technologies, a robotics manufacturer for the semiconductor industry, executed a new 148,559 sq. ft. lease at 35 Crosby Drive in Bedford. Leading renewal activity in the Metro North, Nuvera Fuel Cells, Inc., a developer of advanced hydrogen technologies, extended its approximately 110,864 sq. ft. lease at 129 Concord Road in Billerica. Further confirming the trend towards renewals, New England Coffee Company at 255 Andover Street in Wilmington and Curriculum Associates, Inc. at 153 Rangeway Road in Billerica, signed extensions for approximately 82,203 sq. ft. and 78,250 sq. ft., respectively. Additionally, Sabic Polymershapes, Inc. extended its 78,000 sq. ft. lease at 65 Middlesex Road in Tyngsborough. Due to heightened renewal activity being recorded coupled with space givebacks, net absorption finished the quarter at -80,706 sq. ft. Availability increased by 30 bps q-o-q to 7.1%, mostly due to Omni Logistics announcing the shutdown of its facility at 90 Salem Road in Billerica and making 115,822 sq. ft. available. Vacancy increased by 60 bps q-o-q to 5.6% mostly due to leases terminating and some new speculative product delivering. Average asking rents stayed constant at \$20.92 per sq. ft. NNN, down by just \$0.02 q-o-q.

FIGURE 3: Greater Boston Metro Top Lease Transactions, Q2 2024

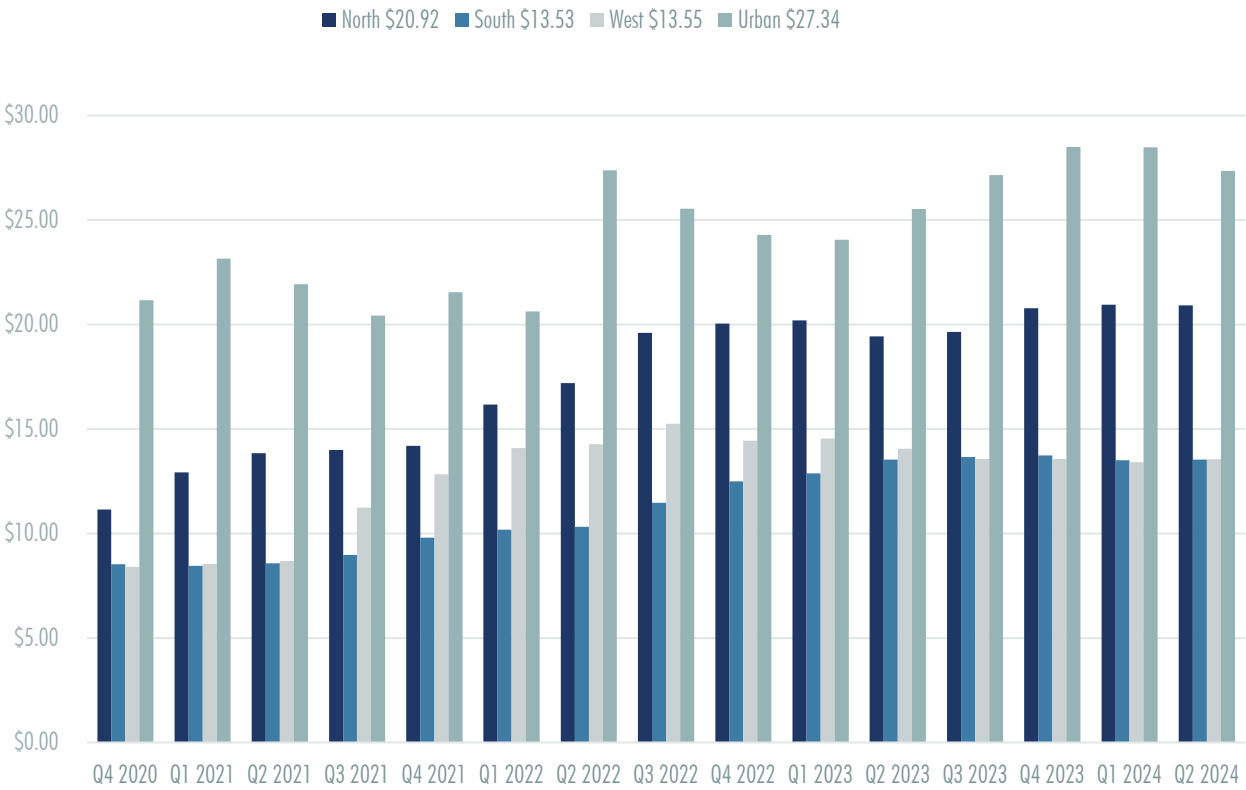
Tenant	Building	Market	Size (SF)	Transaction Type
Sullivan Tire	151 Charles Colton Road, Taunton	MS – Route 495-South	198,720	Renewal
RXO Last Mile	176 Grove Street, Franklin	MS – Route 495–South	169,968	Renewal
Persimmon Technologies	35 Crosby Drive, Bedford	MN – Route 3–North	148,559	New Lease
EquipNet	45 Vineyard Road, Seekonk	MS – Route 495–South	118,100	Sublease
CELLTREAT Scientific Products	3 Nemco Way, Ayer	MW – Route 495-Route 2 West	113,382	New Lease
FedEx	310 Paramount Drive, Raynham	MS – Route 495-South	112,326	Renewal
Nuvera Fuel Cells, Inc.	129 Concord Road, Billerica	MN – Route 3–North	110,864	Renewal
Lineage Logistics	25 Otis Street, Westborough	MW – Route 495-Mass Pike West	106,964	Renewal

Source: CBRE Research, Q2 2024.

A similar trend towards renewals, along with sizable new leases resulted in robust leasing activity and positive quarterly net absorption in the Metro South. Coined the top quarterly transaction of all the Greater Boston Metro markets, Sullivan Tire renewed approximately 198,720 sq. ft. at 151 Charles Colton Road in Taunton. Also contributing to more than 615,000 sq. ft. of extensions signed this quarter, RXO Last Mile at 176 Grove Street in Franklin and FedEx at 310 Paramount Drive in Raynham, renewed approximately 169,968 sq. ft. and 112,326 sq. ft., respectively. Positively affecting net absorption and offsetting space givebacks, EquipNet signed a 118,100 sq. ft. sublease at 45 Vineyard Road in Seekonk. A confidential distribution company also executed a new 91,656 sq. ft. lease at 523-525 Pleasant Street in Attleboro, adding to the approximately 1.24 million sq. ft. of total quarterly transactions recorded in the Metro South. Mainly due to strong leasing activity, 206,287 sq. ft. of quarterly net absorption was recorded. Average asking rents further stabilized, culminating at \$13.53 per sq. ft. NNN, up by just \$0.02 per sq. ft. q-o-q. Availability increased by 30 bps q-o-q to 9.5%, while vacancy increased by 30 bps q-o-q to 6.8% as a result of two new speculative properties delivering to the market.

Moreover, extreme supply constraints in the Metro West have prompted increased renewal activity, keeping vacancy rates low. One of the largest recorded deals in the Metro West was Lineage Logistics’ renewal of approximately 106,964 sq. ft. at 25 Otis Street in Westborough. The market also benefitted from two new deals, resulting in 101,343 sq. ft. of net absorption this quarter. CELLTREAT Scientific Products signed a new, approximately 113,382 sq. ft. lease at 3 Nemco Way in Ayer while Berlin Packaging’s new 81,952 sq. ft. lease at 475 Leominster Shirley Road in Lunenburg brought attention to new speculative product in the Metro West. Isto Biologics, a manufacturer of orthobiologic solutions, also signed a new 53,142 sq. ft. lease at 42 South Street in Hopkinton, rounding the market’s total quarterly transactions to more than 436,000 sq. ft. Availability increased by 30 bps q-o-q to 7.4%, while vacancy remained the lowest of all the Greater Boston Metro markets at 4.2%. Vacancy is expected to remain low throughout 2024 as new speculative product remains scarce and severe supply constraints prevail. Being an extremely tight market, average asking rents held relatively steady at \$13.55 per sq. ft. NNN, representing an increase of just \$0.13 per sq. ft. q-o-q.

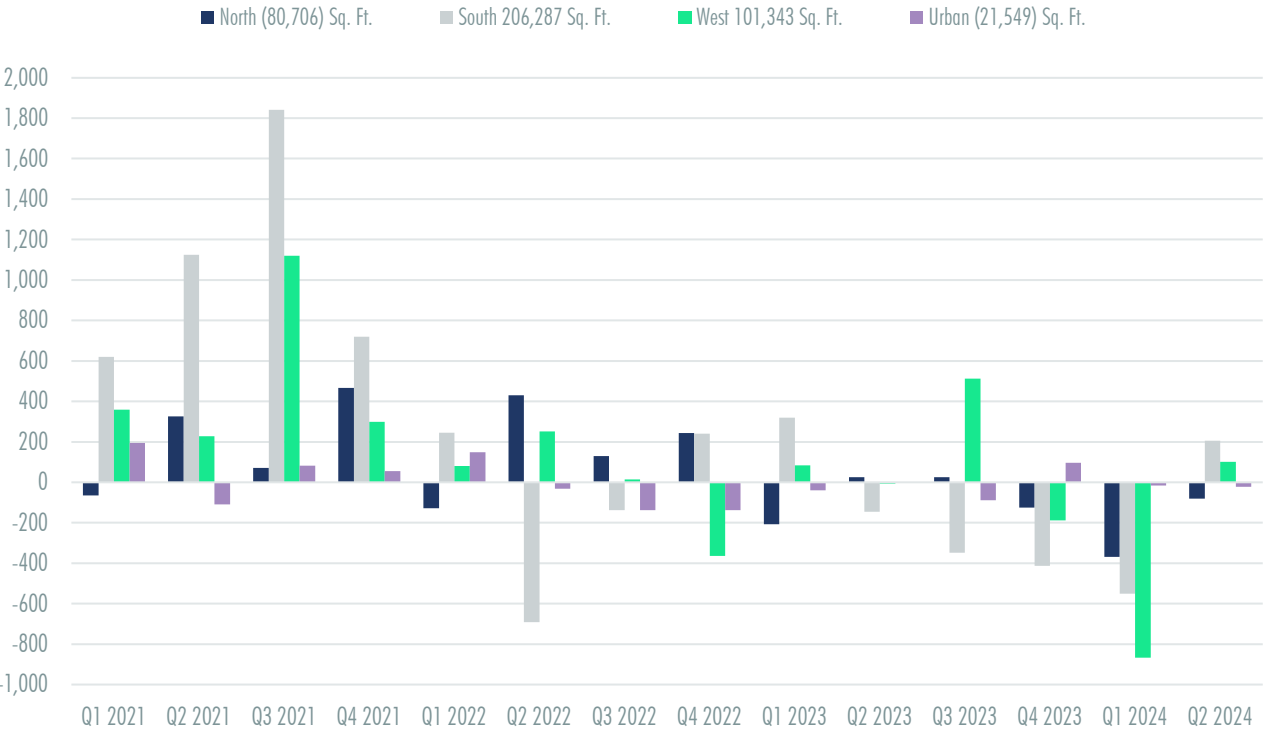
FIGURE 4: Greater Boston Average Asking Lease Rates (PSF/NNN)



Source: CBRE Research, Q2 2024.

While new speculative product in the Worcester Metro has been well-received, existing functional challenges have set back the market’s growth. As a consequence of limited usable space, recorded quarterly leasing activity was restricted to a single 15,120 sq. ft. transaction. Sizable space givebacks such as 80,000 sq. ft. becoming available at 111 Adams Road in Clinton brought quarterly net absorption to -203,693 sq. ft. Availability increased 70 bps q-o-q to 9.1%, while vacancy increased 20 bps q-o-q to 8.6%. Similar to the rest of the Greater Boston Metro, average asking rents held relatively steady, up modestly by \$0.13 per sq. ft. q-o-q to \$10.90 per sq. ft. NNN. With no speculative projects currently under construction, the Worcester Metro will likely stay under-supplied in high-quality options in the most desired size segments. Although CRG’s recently delivered 1.1 million sq. ft. development at 123 Gilboa Street in Douglas will provide some relief to Big Box users, space under 150,000 sq. ft. will remain in short supply.

FIGURE 5: Greater Boston Net Absorption



Source: CBRE Research, Q2 2024.

Construction

The active industrial speculative pipeline continued to taper into the second quarter, as a result of landlords displaying more hesitant behavior while they wait and see how the decelerated demand pool reacts to recently delivered product. Just two new speculative developments, Brookfield Properties’ 192,990 sq. ft. Building 2 and 411,930 sq. ft. Building 3 on Maple Street in Stoughton, broke ground in the Greater Boston Metro this quarter. Slightly tempered demand for new product and higher construction costs have stabilized the active industrial pipeline and returned it to more “normal” supply levels, compared to its peak in 2021. Current active speculative construction sits at approximately 2.41 million sq. ft., compared to 3.76 million sq. ft. in Q4 2023. While a slowdown in active speculative projects has become apparent, the Greater Boston Metro remains under-supplied in sub-150,000 sq. ft. spaces where the market’s core demand lies. For this reason, catering to the most desired size segments will be vital for new industrial product going into 2024 and 2025 amidst a slightly softened market and costly construction environment.

As a result of a more robust active speculative pipeline in 2023, new product continued to deliver this quarter. The Metro South continued to experience new deliveries with the completion of National Development’s approximately 210,600 sq. ft. speculative facility at 586 Manley Street in West Bridgewater. Also delivering to the Route 495-South submarket, Marcus Partners / Howland Development completed construction on its 124,200 sq. ft. speculative property at 206 Mechanic Street in Bellingham. Relieving the supply-constrained Close-In Suburbs, Hines delivered 146,409 sq. ft. of new speculative space at 250 Marginal Street in Chelsea. Rhino Capital also completed its 65,800 sq. ft. speculative property at 40 Commerce Way in Tewksbury, bringing this quarter’s total industrial speculative completions to approximately 547,009 sq. ft. Developers and tenants will be interested in seeing how current demand plays out for the new wave of supply coming to the market in 2024, which will ultimately affect future active speculative pursuits and decisions.

FIGURE 6: Greater Boston Metro 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	5.8	5.0	0.8	(21,549)	(37,506)	27.34
Close-In Suburbs North	238	18,333,136	6.7	6.1	0.8	(53,219)	(45,101)	28.80
Route 128 - North	461	33,595,536	8.7	5.6	0.6	(270,876)	(391,742)	20.13
Route 495 - Northeast	217	24,532,324	4.4	4.3	1.1	41,637	(133,961)	17.20
Route 3 - North	237	18,418,785	8.3	6.7	1.6	201,752	121,552	16.45
Metro North	1,153	94,879,781	7.1	5.6	1.0	(80,706)	(449,252)	20.92
Route 128 - South	704	45,125,201	8.8	6.3	1.8	50,841	(33,013)	15.47
Route 495 - South	848	72,027,351	10.0	7.0	0.8	155,446	(310,308)	12.70
Metro South	1,552	117,152,552	9.5	6.8	1.2	206,287	(343,321)	13.53
Route 128 - West	146	6,312,001	3.4	3.0	0.9	(49,830)	(72,698)	27.63
Framingham - Natick	83	4,528,544	7.9	1.3	0.0	(27,786)	(2,696)	13.12
Route 495 - Route 2 West	236	22,156,212	7.9	4.7	1.3	113,295	(536,748)	12.81
Route 495 - Mass Pike West	345	24,496,835	8.0	4.7	0.5	65,664	(153,691)	13.69
Metro West	810	57,493,592	7.4	4.2	0.8	101,343	(765,833)	13.55

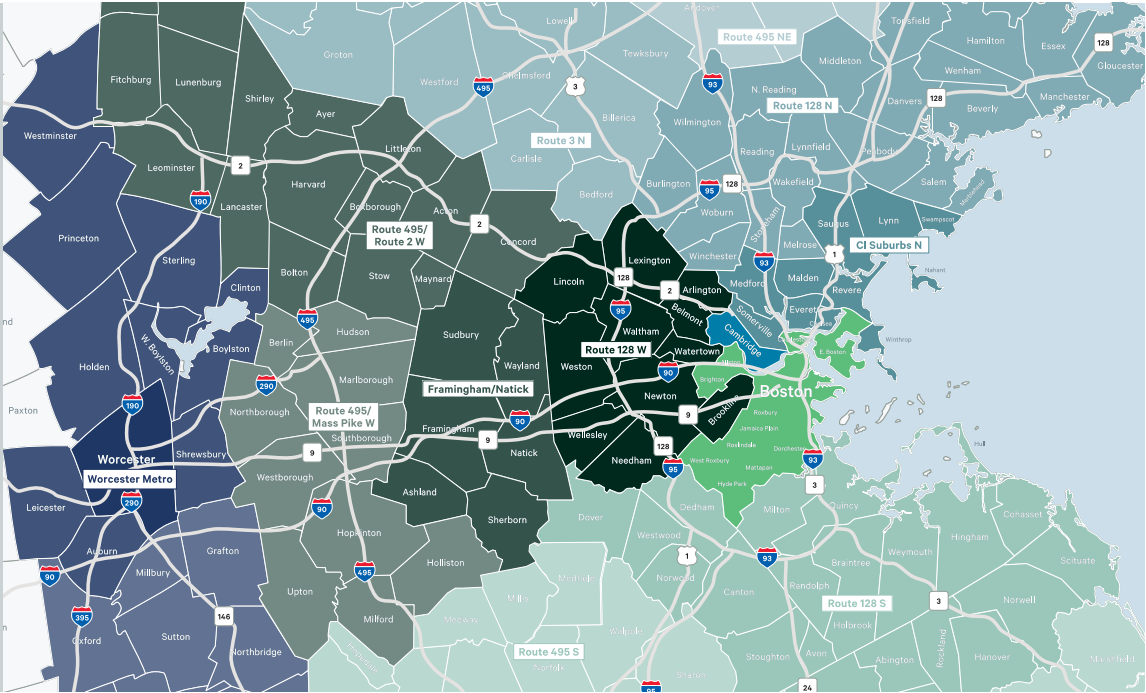
Source: CBRE Research, Q2 2024.

FIGURE 6: Greater Boston Metro Submarket Statistics (Continued)

City of Worcester	113	9,537,102	1.3	1.3	0.0	2,500	(38,506)	10.46
Worcester North	123	11,332,149	6.1	5.4	0.1	(75,024)	(180,562)	11.00
Worcester South	62	9,248,542	20.9	19.9	0.0	(131,169)	(119,169)	10.88
Worcester Metro	298	30,117,793	9.1	8.6	0.0	(203,693)	(338,237)	10.90
Overall Greater Boston Metro Total Industrial	4,036	313,941,183	8.2	6.0	0.9	1,682	(1,934,149)	15.24

Source: CBRE Research, Q2 2024.

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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