

FIGURES | BOSTON METRO INDUSTRIAL | Q3 2024

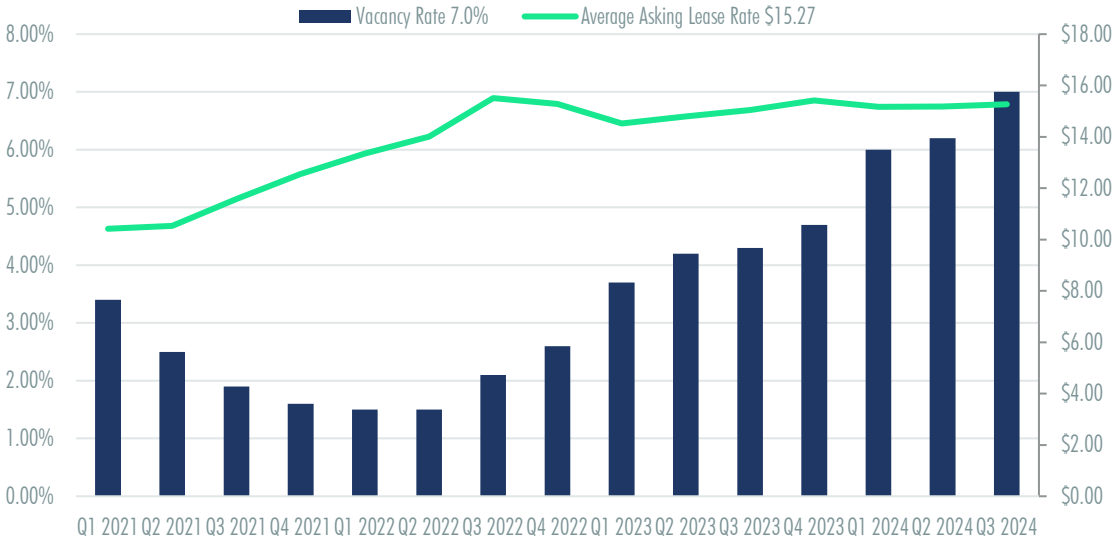
The Greater Boston Metro’s core market continues to perform



Note: Arrows indicate change from previous quarter.

Despite experiencing slightly softened market fundamentals amidst a stabilization period in the post-pandemic era, the Greater Boston Metro continued to benefit from core demand under 150,000 sq. ft. Coined as the “bread-and-butter” of the market, this highly desired size range has kept the overall market insulated from a downturn as supply/demand reaches equilibrium and the market’s growth returns to more “normalized” pre-pandemic levels. In fact, approximately 93% of the overall market’s 2.82 million sq. ft. of recorded quarterly transactions were under the 150,000 sq. ft. threshold. In addition to keeping leasing levels relatively steady throughout the year, 469,709 sq. ft. of quarterly net absorption was recorded for the overall market as a direct result of core demand under 150,000 sq. ft. In turn, year-to-date net absorption was improved to -1,451,240 sq. ft. Expectedly, overall availability and vacancy levels continued to experience slight upticks quarter-over-quarter (q-o-q) to 8.6% and 7.0%, respectively, as macroeconomic issues prevailed, demand neutralized, and new product continued to deliver prior to securing tenants. The Greater Boston Metro is expected to remain on par, or slightly elevated, compared to pre-pandemic levels of growth as market fundamentals balance out after an unprecedented explosion and core demand continues to perform.

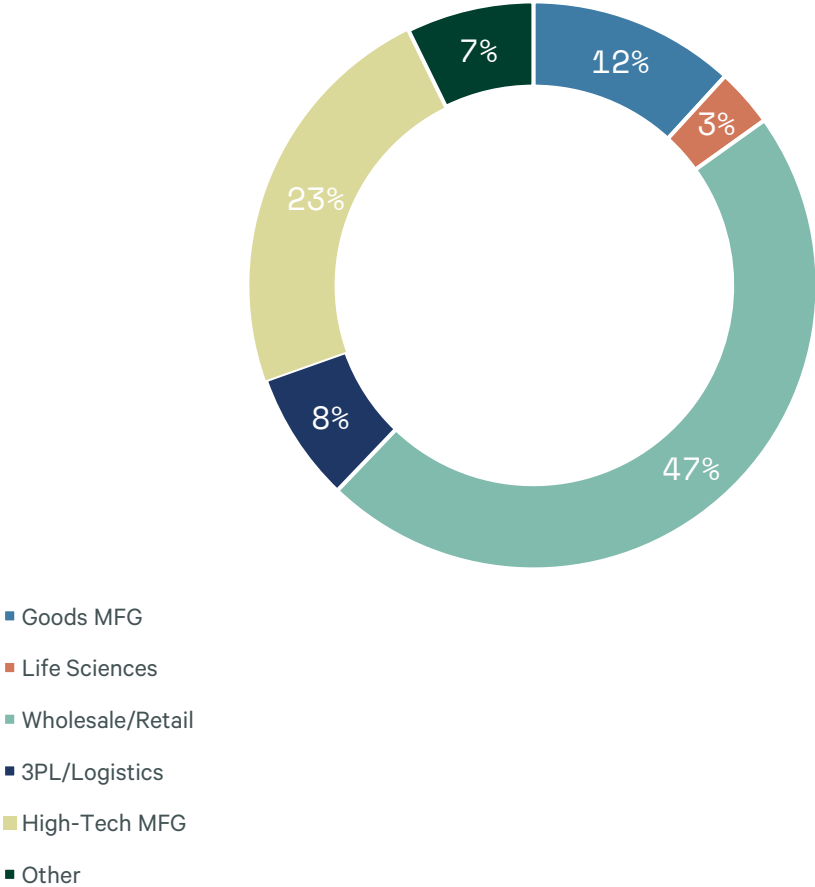
FIGURE 1: Greater Boston Metro Industrial Vacancy vs. Lease Rate



Source: CBRE Research, Q3 2024.

Although we are reapproaching levels witnessed before the pandemic, the market is still well-positioned as tenant diversity continued to be witnessed, as well as higher overall asking rent. Although stable, overall average asking rent experienced positive growth q-o-q, increasing by \$0.09 per sq. ft. to \$15.27 per sq. ft. NNN. Being a sign of a healthy market, this quarter’s posted rent represents overall growth of almost 55% compared to pre-pandemic records. Even more, the core market under 150,000 sq. ft. experienced rental growth of more than 81% compared to Q3 2019. Moreover, the continued diversity of demand (which has increasingly included high-technology users and advanced manufacturers) has kept the market healthy. Non-traditional industrial users have emerged, such as battery-makers, bringing positive momentum to the market. The Greater Boston Metro is expected to remain healthy, although tempered through the end of 2024, with stable leasing activity, moderate rental rate growth, and strong, diversified core demand.

FIGURE 2: Greater Boston Metro Leasing Activity By Industry in Square Footage, Q3 2024



Source: CBRE Research, Q3 2024.

Submarkets

The urban market experienced another flat quarter as it continued to combat functional challenges in its existing infrastructure and extensive supply/land constraints. Quarterly net absorption was capped at -28,694 sq. ft., mostly as a result of limited available functional space and tenants’ tendency to renew in place. In fact, the largest lease recorded in the urban market this quarter was an approximately 85,539 sq. ft. renewal by a confidential tenant in East Boston. As existing functional challenges prevail, further renewal activity and more aggressive average asking rents are expected. Decreasing \$0.27 q-o-q, average asking rents finished the quarter at \$27.07 per sq. ft. NNN. Nonetheless, scarce existing options for tenants seeking urban space coupled with the lack of buildable land will keep rents the highest out of all the Greater Boston Metro markets, in addition to keeping availability and vacancy low. Availability increased minimally by 30 basis points (bps) q-o-q to 6.1%, while vacancy increased 50 bps q-o-q to 5.5%.

The Metro North also posted a flat quarter despite recording healthy leasing activity under 150,000 sq. ft. driven by a diversified pool of emerging industrial tenants. Moderate overall leasing activity along with limited space givebacks resulted in flat quarterly net absorption of -7,951 sq. ft. Year-to-date net absorption culminated at -457,203 sq. ft. as renewal activity and space givebacks were prevalent in the first half of the year. New leasing activity has since gained some momentum in the Metro North with Dunkin’ Donuts signing a 93,400 sq. ft. build-to-suit industrial lease on Creek Brook Drive in Haverhill and a few other large requirements rumored to be close to signing new leases. Attesting to the depth of the market’s tenant pool, Alsym Energy, a battery manufacturer, also signed a new 57,154 sq. ft. lease at 200 Exchange Street in Malden. Driving renewal activity in the market this quarter, the robotics warehouse automation company, Symbotic, extended its approximately 65,500 sq. ft. lease at 200 Research Drive in Wilmington. Mygrant Glass also renewed its lease at 14 Aegean Drive in Methuen for 47,910 sq. ft. It is expected that the Metro North, in particular, will continue to benefit from diversity of demand and the heightened presence of non-traditional industrial users. As a result of new speculative product breaking ground to meet new demand, availability was up by 30 bps q-o-q to 7.4%. Vacancy was up minimally as well, increasing by 40 bps q-o-q to 6.0%. Average asking rents were up by \$0.12 q-o-q to \$21.04 per sq. ft. NNN.

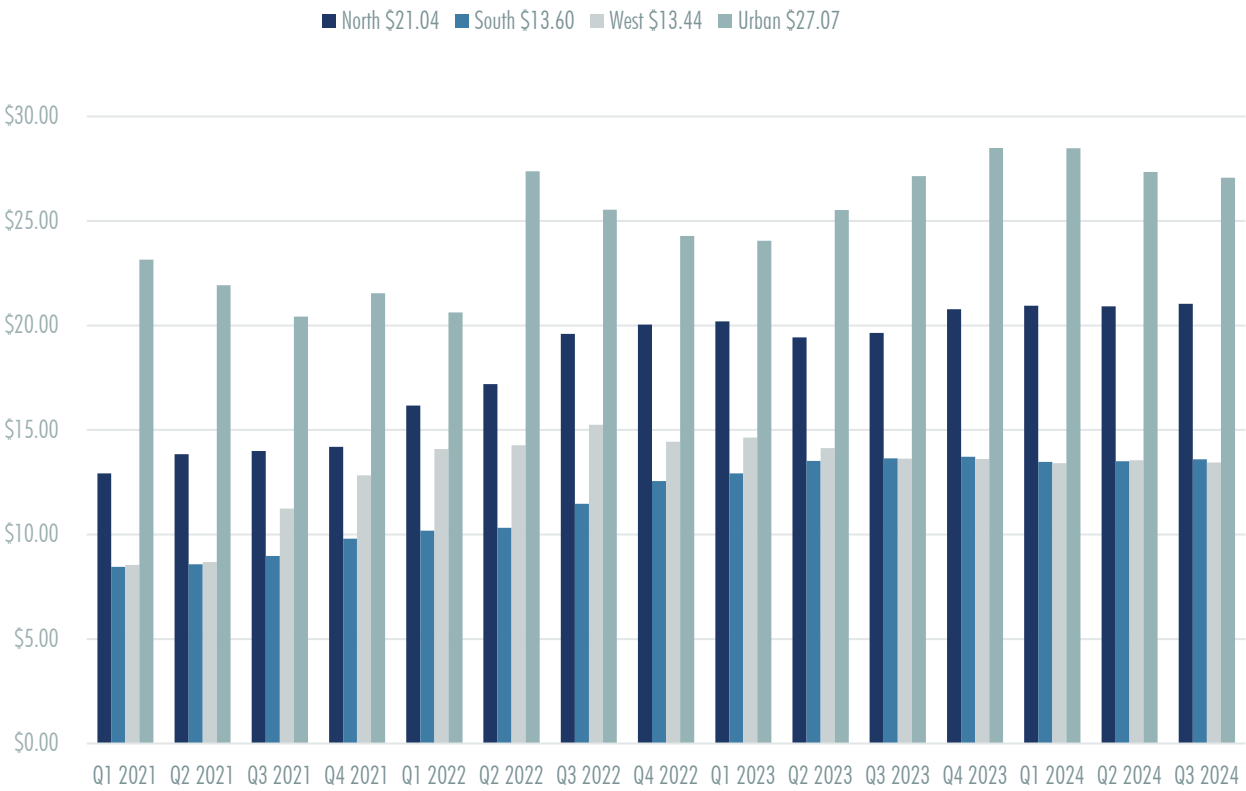
FIGURE 3: Greater Boston Metro Top Lease Transactions, Q3 2024

Tenant	Building	Market	Size (SF)	Transaction Type
Home Depot	65 Theodore Drive, Westminster	WM – Worcester North	604,800	BTS
Kidde Fenwal	400 Main Street, Ashland	MW – Framingham/Natick	221,408	Renewal
Dealer Tire	12 Forge Park Road, Franklin	MS – Route 495–South	151,652	Renewal
Confidential	150 Rustcraft Road, Dedham	MS – Route 128–South	133,203	Renewal
NYE Lubricants	645 Myles Standish Boulevard, Taunton	MS – Route 495-South	123,716	New Lease
Gold Star Foods	135 Will Drive, Canton	MS – Route 128-South	102,000	New Lease
Dunkin’ Donuts	30 Creek Brook Drive, Haverhill	MN – Route 495–Northeast	93,400	BTS
Champagne Logistics	15 Liberty Way, Franklin	MS – Route 495-South	92,490	New Lease

Source: CBRE Research, Q3 2024.

In contrast, robust leasing activity was witnessed in the Metro South, contributing to significant market movement and quarterly net absorption of 347,073 sq. ft. As a result of more than 1.10 million sq. ft. of leasing activity being recorded this quarter, year-to-date net absorption leveled off to -8,248 sq. ft. Particularly in the Metro South, leasing activity was marked by renewals and deals under 150,000 sq. ft. The market’s two largest transactions were Dealer Tire’s approximately 151,652 sq. ft. extension at 12 Forge Park Road in Franklin and a confidential tenant’s 133,203 sq. ft. extension in Dedham. Continuing the renewal trend, Synder’s-Lance and Teleflex Medical extended their 76,750 sq. ft. and 57,367 sq. ft. leases at 353 Maple Street in Bellingham and 375 Forbes Boulevard in Mansfield, respectively. Positively affecting net absorption, NYE Lubricants, signed a new 123,716 sq. ft. lease at 645 Myles Standish Boulevard in Taunton. Also this quarter, Gold Star Foods signed a new 102,000 sq. ft. lease at 135 Will Drive in Canton and Champagne Logistics signed a new 92,490 sq. ft. lease at 15 Liberty Way in Franklin. Availability was up 10 bps q-o-q to 10.1%, while vacancy was up 70 bps q-o-q to 7.9% due to new speculative supply continuing to deliver vacant. With more active projects in the pipeline as well as more than 1.70 million sq. ft. of new speculative construction delivering to the south market since Q4 2023 (much of which has not been leased), the abundance of supply is a growing concern and is pressuring landlords to lower asking rents. Increasing subtly by \$0.10 q-o-q, average asking rent in the south finished at \$13.60 per sq. ft. NNN with the caveat that rents will continue to stabilize in the coming quarters.

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

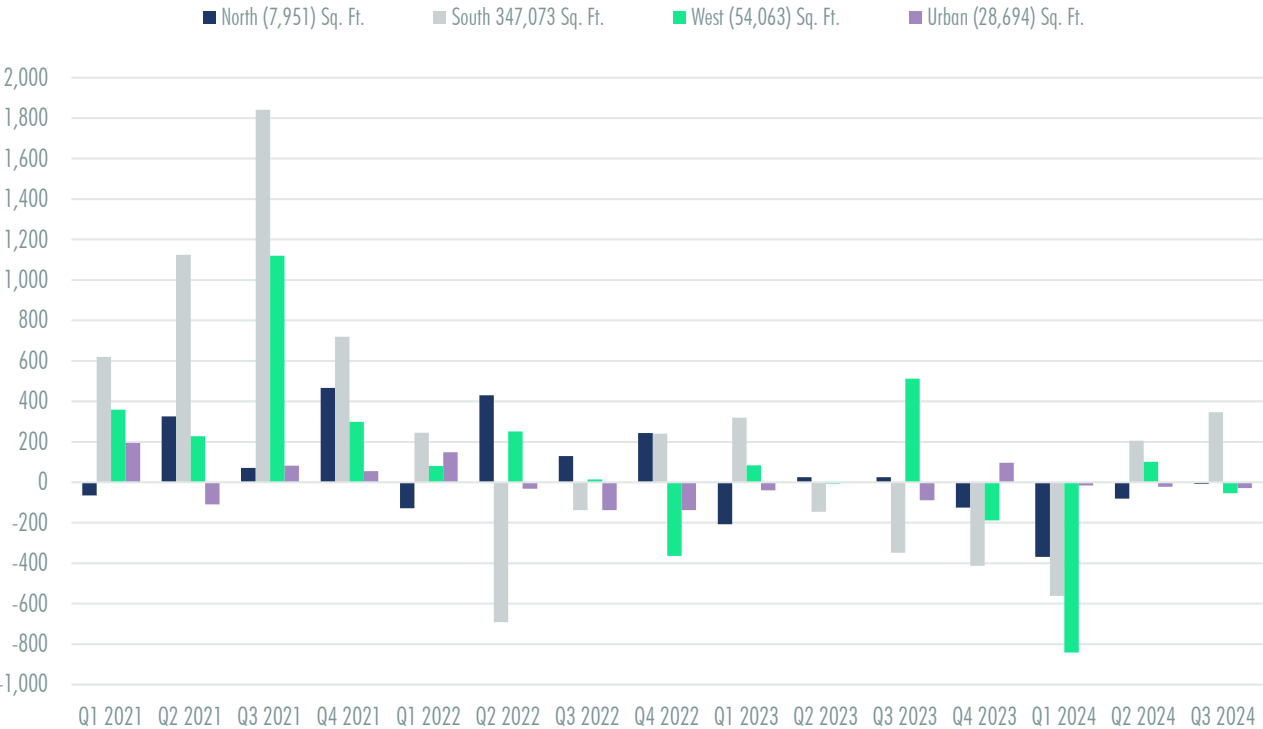


Source: CBRE Research, Q3 2024.

Renewal activity continued in the Metro West amidst supply shortages, ultimately leading to a flat quarter. Kidde Fenwal’s extension of its approximately 221,408 sq. ft. lease at 400 Main Street in Ashland was the largest recorded transaction in the market this quarter. Rinchem Company, Inc. also renewed 60,000 sq. ft. at 111 Hayes Memorial Drive in Marlborough. Limited space givebacks and stable leasing activity of just over 462,000 sq. ft. ultimately led to flat quarterly net absorption of -54,063 sq. ft. Helping net absorption, Hiper Global signed a new 72,500 sq. ft. lease at 550 King Street in Littleton. Jacobs Engineering Group also executed a new 46,275 sq. ft. lease at 425 Whitney Street in Northborough. Year-to-date net absorption now sits at -794,696 sq. ft. largely due to extreme supply constraints and heightened renewal activity being observed throughout the year. Alleviating some of the pressure in the prolonged supply bottleneck, new speculative product delivered in the Metro West this quarter, contributing to vacancy increasing 140 bps q-o-q to 5.6%. In contrast, availability was up marginally by 20 bps q-o-q to 7.6% as a result of few space givebacks and no new groundbreakings. As options remained scarce for tenants seeking space, average asking rents remained consistent at \$13.44, down by just \$0.11 per sq. ft. NNN q-o-q.

Also in need of more options for tenants seeking space in the market (especially those of which are functionally superior), the Worcester Metro has initiated several new developments that have been well-received throughout the year, elevating leasing activity. This quarter, Home Depot signed a 604,800 sq. ft. build-to-suit lease on Theodore Drive in Westminster with the goal of establishing a brand-new rail-served distribution hub. Largely due to this single transaction, quarterly net absorption reached 213,344 sq. ft. and year-to-date net absorption subsequently improved to -124,893 sq. ft. A single large space giveback at 100 Simplex Drive in Westminster for approximately 125,721 sq. ft. resulted in availability increasing 110 bps q-o-q to 10.2%. Additionally, vacancy increased 70 bps q-o-q to 9.3% as leases rolled over. Average asking rents were flat, minutely decreasing by \$0.10 per sq. ft. q-o-q to \$10.80 per sq. ft. NNN. With consistent rents and shortages in high-quality space under 150,000 sq. ft., there is continued opportunity for new developments to prevail in the Worcester Metro, especially with no current speculative product under construction.

FIGURE 5: Greater Boston Net Absorption



Source: CBRE Research, Q3 2024.

Construction

The overall active speculative construction pipeline gained some momentum this quarter with almost 865,000 sq. ft. of new groundbreakings, most of which are in the market’s more desirable size range. With tenants favoring spaces under 150,000 sq. ft., landlords are trending towards smaller developments, or those that can subdivide. For example, GFI Partners broke ground on 113,987 sq. ft. at 295 Eastern Avenue in Chelsea and Rhino Capital broke ground on 177,922 sq. ft. at 55 Dever Drive in Taunton. Just shy of the core market’s parameters, Bluewater Property Group broke ground on 205,577 sq. ft. at 23 Cape Road in Mendon. Moreover, Link Logistics / Saracen Properties broke ground on 367,400 sq. ft. at 101 Lee Burbank Highway in Revere.

New speculative product continued to deliver this quarter, bringing almost 1.10 million sq. ft. of new supply to the Greater Boston Metro market. The largest recorded delivery was in the Metro West at GFI Partners / Northwestern Mutual’s 616,875 sq. ft. new speculative property at 75 Plain Street in Hopedale. A wave of new speculative construction also delivered in the Metro South with Portman Industrial completing approximately 248,000 sq. ft. at Building 3 of its new development at Silver City in Taunton and NorthBridge Partners topping off its 234,260 sq. ft. property at 150 Revolutionary Drive in Taunton. In order to serve the highly desired 150,000 sq. ft. and under size segment, subdivision plans remain a critical consideration. It will be important to monitor demand for these newly delivered properties closely as it will ultimately impact future active speculative pursuits and decisions in the market, as well as highlight the most desired size segments.

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	14,285,885	6.1	5.5	0.8	(28,694)	(66,200)	27.07
Close-In Suburbs North	239	18,461,307	7.5	6.7	0.8	(50,840)	(95,941)	28.77
Route 128 - North	461	33,687,141	8.9	6.7	1.0	(69,073)	(460,815)	20.19
Route 495 - Northeast	217	24,293,724	4.0	3.9	0.7	205,356	71,395	17.22
Route 3 - North	236	18,341,948	8.8	6.7	1.3	(93,394)	28,158	15.86
Metro North	1,153	94,784,120	7.4	6.0	0.9	(7,951)	(457,203)	21.04
Route 128 - South	705	45,182,851	8.6	6.6	1.5	137,997	92,984	15.20
Route 495 - South	851	72,492,767	11.0	8.8	0.9	209,076	(101,232)	12.99
Metro South	1,556	117,675,618	10.1	7.9	1.1	347,073	(8,248)	13.60
Route 128 - West	146	6,312,001	4.1	2.4	2.2	(45,175)	(117,873)	27.17
Framingham - Natick	83	4,528,544	3.8	1.5	0.0	186,748	184,052	13.00
Route 495 - Route 2 West	236	22,156,212	8.4	5.0	1.3	(112,348)	(649,096)	12.78
Route 495 - Mass Pike West	347	24,502,231	8.4	7.7	0.7	(83,288)	(211,779)	13.73
Metro West	812	57,498,988	7.6	5.6	1.0	(54,063)	(794,696)	13.44

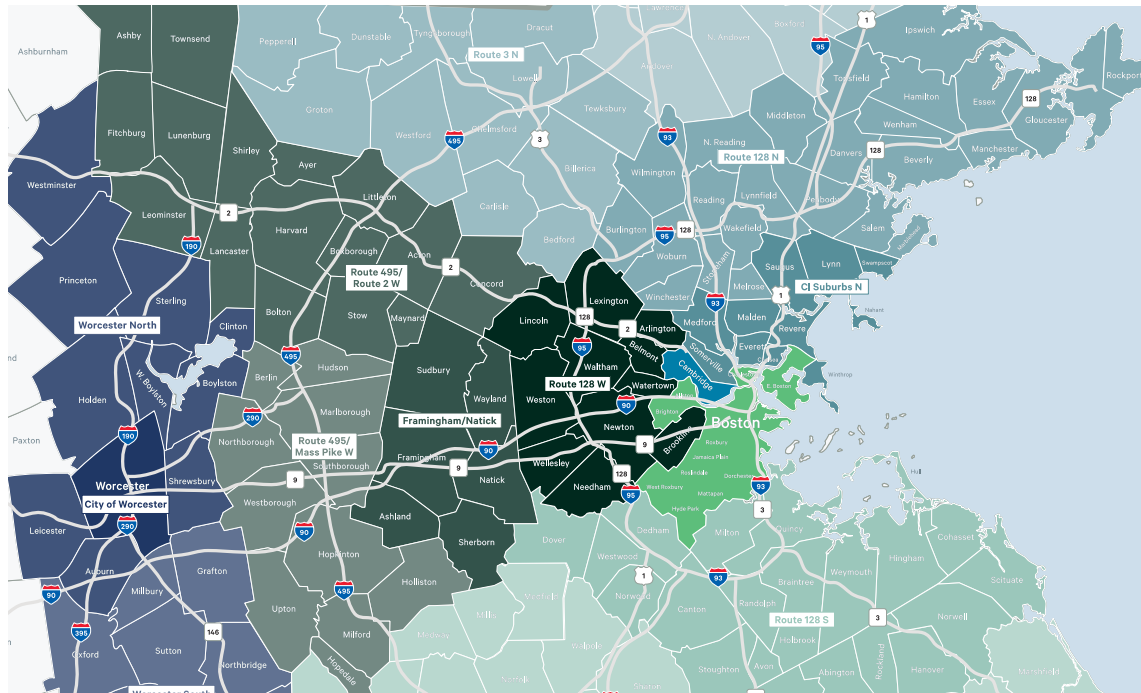
Source: CBRE Research, Q3 2024.

FIGURE 6: Greater Boston Metro Submarket Statistics (Continued)

City of Worcester	113	9,537,102	3.6	1.6	1.8	(218,595)	(257,101)	9.73
Worcester North	124	11,930,650	7.2	6.6	0.1	431,939	251,377	10.79
Worcester South	62	9,248,542	20.9	20.9	0.0	0	(119,169)	10.88
Worcester Metro	299	30,716,294	10.2	9.3	0.6	213,344	(124,893)	10.80
Overall Greater Boston Metro Total Industrial	4,043	314,960,905	8.6	7.0	1.0	469,709	(1,451,240)	15.27

Source: CBRE Research, Q3 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.

Contact

Suzanne Duca

Director of Research, New England
suzanne.duca@cbre.com

Jacqueline Smith

Research Analyst, New England
jacqueline.smith1@cbre.com

CBRE Offices

33 Arch Street, 28th Floor
Boston, MA 02110