

FIGURES | BOSTON METRO INDUSTRIAL | Q4 2023

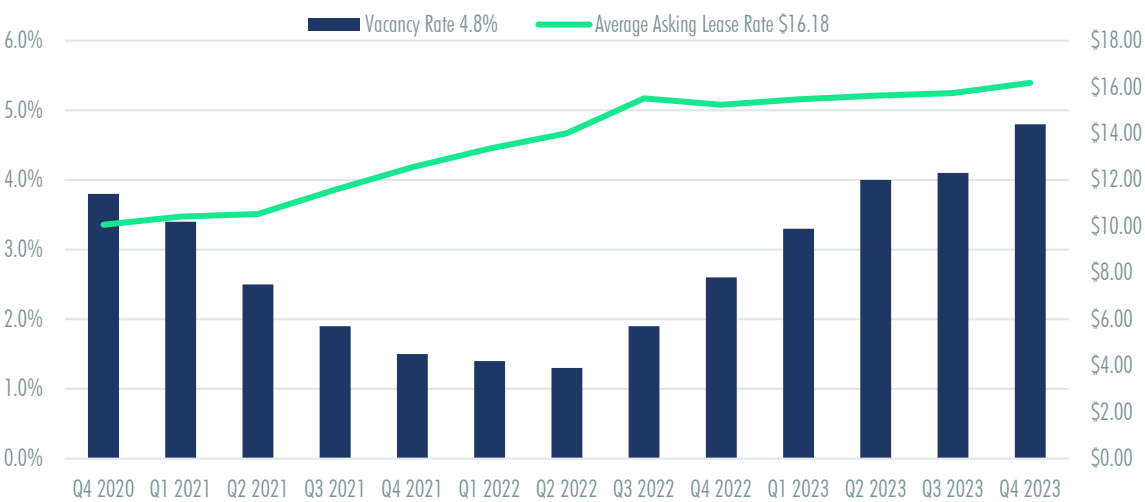
Strong market dynamics continue in Greater Boston, carried by record high leasing activity outside of Interstate 495



Note: Arrows indicate change from previous quarter.

Amidst global and domestic unrest, the Greater Boston industrial market, including the Worcester Metro, continued to demonstrate strong fundamentals in the final quarter of 2023. Robust leasing activity at new speculative construction properties especially confirmed the resilience of the industrial market, with several creditworthy tenants executing leases at delivered industrial product. Year-to-date leasing activity in Greater Boston and Worcester culminated at more than 11.84 million sq. ft., which is on par with the record-breaking transaction volume witnessed in 2021 and 2022 (all-time high leasing velocity was 13.49 million sq. ft. leased in 2021 and 11.91 million sq. ft. leased in 2022). Partly due to the emergence of industrial demand by life science related users, robotics groups, and other high-technology companies, leasing activity is expected to hold steady into 2024 as the Greater Boston region continues to benefit from a diverse tenant landscape and core demand under 150,000 sq. ft. Additionally, renewals constituted over 50% of transactions year-to-date, a notable shift from the 28% observed in 2021. Contrary to expectations during the onset of COVID, a considerable number of tenants have opted to renew existing leases at rates comparable to or exceeding those of new construction, citing cost considerations and a desire to retain existing labor and employees as reasons for staying in-place.

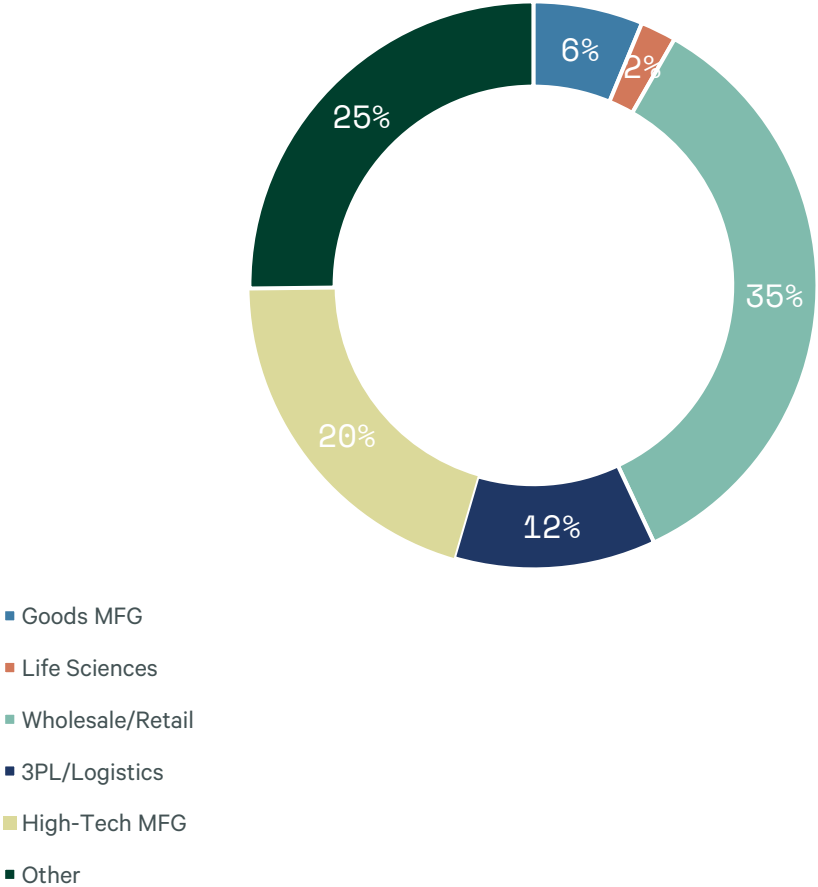
FIGURE 1: Greater Boston Industrial Vacancy vs. Lease Rate



Source: CBRE Research, Q4 2023.

Stable but positive growth in overall average asking rents also points toward a healthy industrial market in 2024. Overall asking rents increased by \$0.36 per sq. ft. NNN quarter-over-quarter (q-o-q), finishing at \$16.18 per sq. ft. NNN. Additionally demonstrating the strength of the market, overall availability increased by just 20 basis points (bps) q-o-q to 7.1%. Overall vacancy remained at a historical low of 4.8%, despite increasing by 70 bps q-o-q mostly because of sizable, new speculative construction properties delivering. The Greater Boston market recorded -628,168 sq. ft. of quarterly net absorption, although offset by a particularly prosperous quarter for the Worcester Metro market (which consists of the Greater Boston market just outside of Interstate 495 to the north, south, and west). Due to accelerated demand for new speculative construction, the Worcester Metro market experienced 796,131 sq. ft. of positive net absorption this quarter. In combination with the budding Worcester market, the Greater Boston market is expected to remain healthy, although tempered in comparison to the record-breaking year of 2021, with stable leasing activity, moderate rental rate growth, and historically low vacancy.

FIGURE 2: Greater Boston Leasing Activity by Industry in Square Footage, Q4 2023



Source: CBRE Research, Q4 2023.

Submarkets

Mostly due to a single large lease execution and limited availability, the urban industrial submarket experienced 96,983 sq. ft. of positive net absorption in Q4 2023, causing year-to-date net absorption to be generally flat at -34,912 sq. ft. Overall asking rents were capped at \$28.50 per sq. ft. NNN, denoting an increase of \$1.36 per sq. ft. NNN q-o-q. Availability decreased by 70 bps q-o-q, culminating at 5.5%, while vacancy decreased by 60 bps q-o-q to 4.6%. Leasing activity was steady with just over 121,000 sq. ft. of quarterly transactions being recorded. Boosting transaction volume and net absorption, Eversource executed the largest deal in the urban market at 200 Meadow Road in Hyde Park for 87,185 sq. ft.

Leasing velocity in the Metro North submarket also remained relatively stable q-o-q, as it continued to benefit from a diverse pool of tenants, including a variety of robotics and other high-technology manufacturers. The warehouse robotics maker, Locus Robotics, renewed its 56,000 sq. ft. lease at 301 Ballardvale Street in Wilmington. Moreover, Advanced Energy, a high-technology manufacturer of power systems, signed a new 30,233 sq. ft. lease at 200 Ballardvale Street in Wilmington. Additionally contributing to the Metro North’s 532,000 sq. ft. of diverse leasing activity recorded in Q4, Eversource signed a new lease for approximately 146,492 sq. ft. at 250 Ballardvale Street in Wilmington. Bradford & Bigelow also executed a 140,000 sq. ft. sale-leaseback from Rhino Capital at 3 Perkins Way in Newburyport. Due to heightened renewal activity and space givebacks, the Metro North submarket underwent -124,884 sq. ft. of quarterly net absorption, bringing year-to-date net absorption to -279,743 sq. ft. In fact, almost 50% of recorded transactions in the Metro North were executed renewals. Overall asking rents completed the quarter at \$20.77 per sq. ft. NNN, representing an increase of \$1.13 per sq. ft. NNN q-o-q. Also demonstrating the tightness of the Metro North submarket, overall availability increased by just 20 bps q-o-q to 6.4%. Overall vacancy increased 80 bps q-o-q to 4.4%, chiefly due to new speculative construction delivering this quarter.

FIGURE 3: Greater Boston and Worcester Top Lease Transactions, Q4 2023

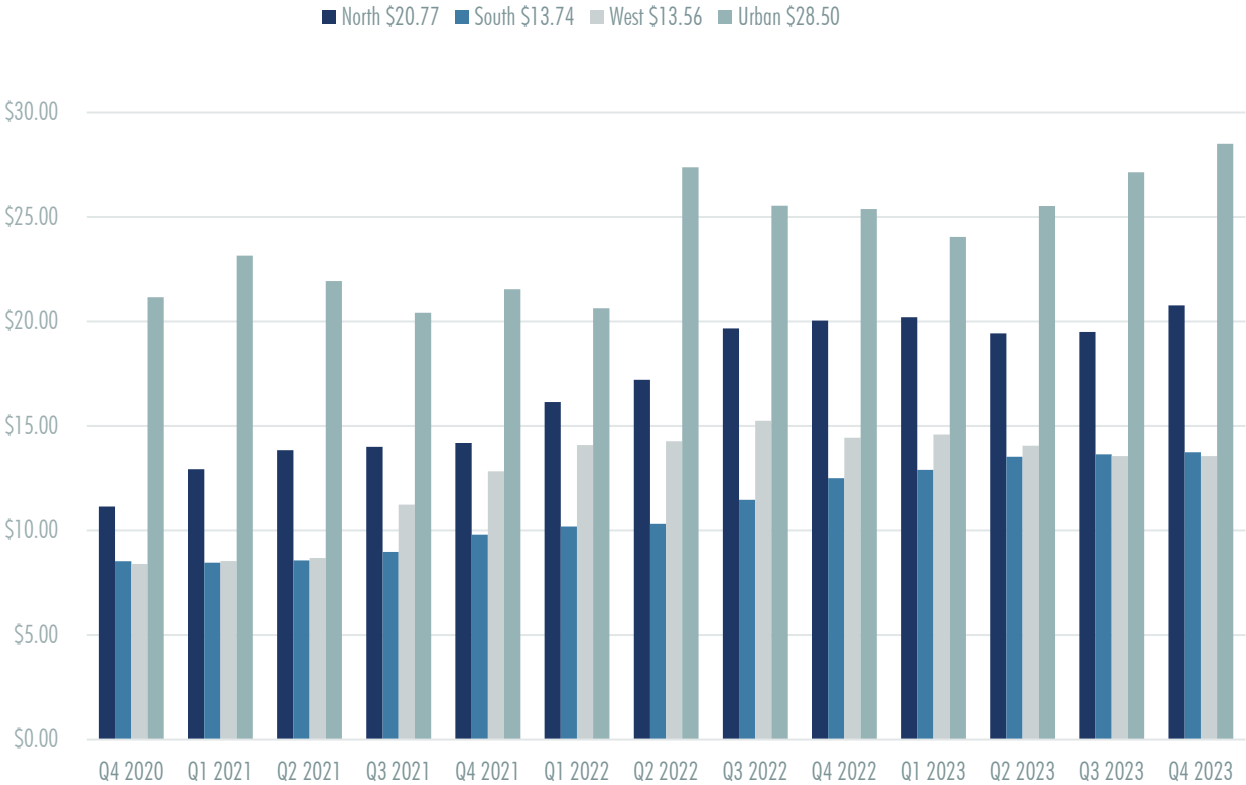
Tenant	Building	Market	Size (SF)	Transaction Type
McKesson Corporation	40 Lackey Dam Road, Douglas	WM – Worcester South	450,000	New Lease
Eversource	250 Ballardvale Street Bldg 1, Wilmington	MN – Route 128–North	146,492	New Lease
Curriculum Associates, Inc.	1 Distribution Center, Littleton	MW – Route 495–Route 2 West	140,000	Renewal
Bradford & Bigelow	3 Perkins Way, Newburyport	MN – Route 495–Northeast	140,000	Sale-Leaseback
Williams Sonoma	150 Charles Colton Road, Taunton	MS – Route 495–South	139,558	Renewal
Repligen Corporation	384-386 South Street, Shrewsbury	WM – Worcester North	138,969	New Lease
Quality Custom Distribution Services, Inc.	300 Charles Colton Road, Taunton	MS – Route 495–South	135,731	New Lease
Physik Instrumente	440 Hartford Turnpike, Shrewsbury	WM – Worcester North	121,200	New Lease

Source: CBRE Research, Q4 2023.

Renewal activity continued in the Metro South, with about 52% of the market’s overall recorded transactions stemming from renewals. Partly as a result, quarterly net absorption in the Metro South submarket rounded off at -412,770 sq. ft. Consequently, year-to-date net absorption fell to -629,223 sq. ft. Although quarterly leasing activity remained flat q-o-q with more than 792,000 sq. ft. of transactions being recorded in the Metro South, the increased renewal activity failed to offset space givebacks. Of note, Williams Sonoma renewed its approximately 139,558 sq. ft. lease at 150 Charles Colton Road in Taunton. Stalwart Productions also executed a renewal of its 86,996 sq. ft. lease at 84 Teed Drive in Randolph. Another significant renewal was signed by the defense technology company, QinetiQ, for 59,970 sq. ft. at 130 Constitution Boulevard in Franklin. Drawing attention to new speculative construction in the Metro South, Air Energy signed a new 74,680 sq. ft. lease at GFI Partners’ freshly delivered 105 Industrial Boulevard in Brockton. Mostly due to the effects of new speculative construction delivering in the fourth quarter, overall vacancy was up 70 bps q-o-q to 5.9%. Overall availability was up 30 bps q-o-q to 8.5%. Asking rents held steady in the Metro South at \$13.74 per sq. ft. NNN, up only by \$0.08 per sq. ft. NNN q-o-q.

Similar tenant behavior was witnessed in the supply-constrained Metro West submarket, with a number of tenants renewing their existing leases in hopes of avoiding moving costs and supply chain disruptions. Two of the largest recorded deals in the Metro West were renewals, one of them being Curriculum Associates’ extension of its 140,000 sq. ft. lease at 1 Distribution Center in Littleton. The second largest renewal was Columbia Tech’s continuation of its approximately 73,710 sq. ft. lease at 10 Otis Street in Westborough. The Metro West experienced just over 423,000 sq. ft. of quarterly leasing activity, with Ascend Elements’ 70,000 sq. ft. lease at 78 Barnum Road in Devens being the largest new deal of the quarter. Essentially because of increased renewal activity and larger spaces coming to market, quarterly net absorption turned negative in the Metro West at -187,497 sq. ft. Nonetheless, year-to-date net absorption remained positive at 400,699 sq. ft. Overall availability increased nominally by 20 bps q-o-q to 5.6%, while overall vacancy was up 80 bps q-o-q to 3.3%. Asking rents stayed completely flat q-o-q at \$13.56 per sq. ft. NNN.

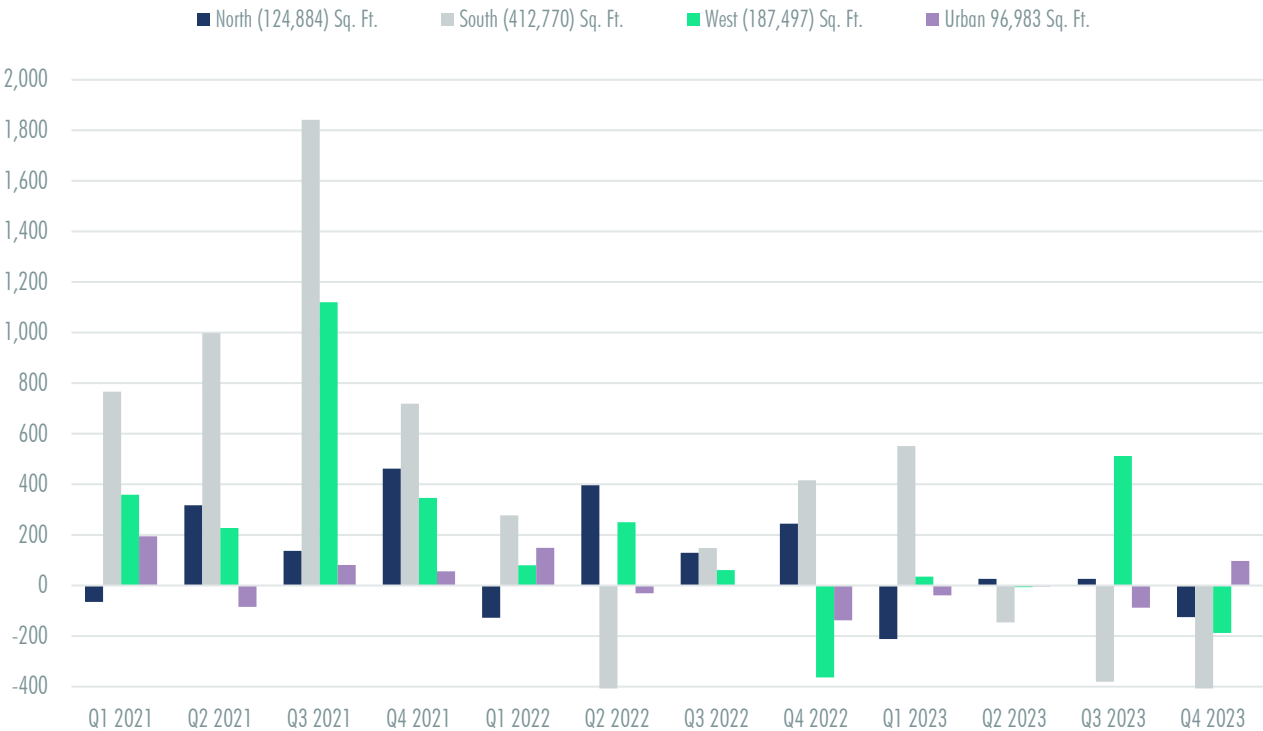
FIGURE 4: Greater Boston Average Asking Lease Rates (PSF/NNN)



Source: CBRE Research, Q4 2023.

Out of all the industrial markets, the Worcester Metro posted the most positive results in Q4, with renewal activity being secondary to newly executed leases at recently delivered speculative properties. Just under 984,000 sq. ft. of quarterly leasing activity was recorded, dominated by McKesson Corporation’s 450,000 sq. ft. lease at Scannell Properties / Crow Holdings’ new industrial speculative property at 40 Lackey Dam Road in Douglas. Also at a new speculative site, the biotechnology company, Repligen, signed a 138,969 sq. ft. lease at NorthBridge Partners’ 384-386 South Street in Shrewsbury. At the same speculative park developed by NorthBridge Partners, WuXi Biologics leased 54,576 sq. ft. this quarter. These recent new speculative construction leases in the Worcester Metro point towards an increase in industrial demand by life science related users, which is a trend that will likely continue in 2024. As for new build-to-suit construction, Physik Instrumente secured GFI Partners’ entire 121,200 sq. ft. property at 440 Hartford Turnpike in Shrewsbury. Due to these significant new leases, the Worcester Metro experienced 796,131 sq. ft. of positive net absorption, boosting year-to-date net absorption to 1,522,958 sq. ft. Overall availability decreased by 210 bps q-o-q to 7.9%, while overall vacancy decreased 170 bps q-o-q to 4.3%. Asking rents decreased by \$0.47 per sq. ft. NNN q-o-q to \$10.81 per sq. ft. NNN.

FIGURE 5: Greater Boston Net Absorption



Source: CBRE Research, Q4 2023.

Construction

The new industrial speculative construction pipeline in the Greater Boston market, including the Worcester Metro, continued to taper into the final quarter of 2023, with no new groundbreakings being recorded and approximately 3.76 million sq. ft. of projects actively under construction. Compared to Q3 2023's 4.95 million sq. ft., active construction is down by about 1.19 million sq. ft. q-o-q as new properties delivered and developers wait to see how current demand plays out amidst uncertain macroeconomic conditions. In some cases, the importance of subdividable plans has prolonged some speculative new construction starts as developers re-evaluate Big Box projects (properties greater than 300,000 sq. ft.). As demonstrated by a majority of this quarter's leases, the Greater Boston's Traditional Core market, defined as properties in the 150,000 sq. ft. to 300,000 sq. ft. size range, is expected to remain the more highly demanded size segment in the region in 2024. Catering to the most desired size segment will be essential for new industrial product, especially in the Worcester Metro, where tenants are increasingly looking for functional space.

Adding necessary supply to Greater Boston and Worcester, approximately 1.08 million sq. ft. of new industrial speculative construction delivered in Q4. The largest quarterly completion was Greystar's 412,500 sq. ft. new speculative property at 211 Highland Street in East Bridgewater. National Development also finished its new 312,195 sq. ft. speculative property at 175 Lowell Street in Wilmington. Relieving Greater Boston's particularly supply-constrained Traditional Core market, 20/20 Acquisitions' 152 Depot Street in Bellingham delivered 201,563 sq. ft. Moreover, TA Realty completed its 100,000 sq. ft. speculative property at 196 Mansfield Avenue in Norton. Also in Norton, Condyne delivered a 60,000 sq. ft. speculative facility within Bluestar Business Park. Most of the larger new deliveries this quarter and in recent quarters are subdividable, which will make them more attractive to tenants seeking space in Greater Boston and Worcester. Better yet, most new speculative projects set to deliver in the first half of 2024 are in the highly demanded 150,000 sq. ft. to 300,000 sq. ft. size range. Developers are eager to see how demand plays out for this new wave of supply that will alleviate the most supply-constrained size segments and submarkets.

Capital Markets

The headwinds in the Greater Boston Industrial Capital Markets, which emerged in 2022, gained significant momentum through the course of 2023. The unprecedented monetary tightening and resulting rising cost of capital, coupled with geopolitical conflict, and turmoil in the banking sector, caused both buyers and sellers to significantly reassess their underwriting, be more stringent on property quality and location, and ultimately enter a new period of price discovery.

To no surprise, Q4 2023 saw a significant drop in investment sales volume compared to Q4 2022, with year-over-year volume dropping 32.9%. However, unlike many of the other real estate asset classes, the core fundamentals in industrial real estate remained very strong. Robust rent growth continued to spare several transactions, especially those with the ability to “mark-to-market” below market rents in the near-term. This was reflected in many of the high-profile transactions that closed in Q4, including the New England Logistics Portfolio to Westbrook for \$227,750,000; One Technology Drive, Peabody to LaSalle Investment Management for \$53,100,000; and 326 Ballardvale Street, Wilmington to Oliver Street Capital/Bain Capital for \$49,500,000.

As we look ahead into 2024, with the Federal Reserve now likely to have reached the end of its rate-hiking cycle and rate cuts looming, we expect the near-record amount of uninvested dry powder that was on the sidelines throughout 2023, to start deploying; and industrial real estate, particularly in top tier, sought after markets like Greater Boston, is ideally positioned to capitalize. The era of ultra-low interest rates is likely over and investors will have to adapt to an environment where money is no longer essentially free, but with rents continuing to outperform underwriting expectations and vacancy remaining sub-5.0%, the Greater Boston Industrial Capital Markets could emerge from the potential downturn with limited friction, and more nimble investors may benefit from taking advantage of opportunities now before the flood of institutional capital re-enters the market.

FIGURE 6: High Profile Industrial Investment Sales, Q4 2023

Building Address	Market	Size (SF)	Sale Date	Sale Price (\$)	Price/SF (\$)	Buyer
The New England Logistics Portfolio	MS – Route 128–South & MN – Route 495–Northeast	1,623,002	12/4/2023	227,750,000	140.33	Westbrook Partners
139 Shuman Avenue, Stoughton	MS – Route 495–South	265,167	10/16/2023	54,100,000	204.02	Oliver Street Capital
326 Ballardvale Street, Wilmington	MN – Route 128–North	187,589	12/28/2023	49,500,000	263.87	Oliver Street Capital/Bain Capital
1 Technology Drive, Peabody	MN – Route 128–North	186,591	10/4/2023	53,100,000	284.58	LaSalle Investment Management

Source: CBRE Research, Q4 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	5.5	4.6	0.7	96,983	(34,912)	28.50
Close-In Suburbs North	237	18,138,330	6.4	5.3	1.0	58,935	(67,800)	28.70
Route 128 - North	459	33,847,038	7.3	5.4	0.3	(45,682)	(47,855)	20.24
Route 495 - Northeast	211	24,345,472	3.9	1.5	0.6	(134,836)	100,199	16.59
Route 3 - North	235	18,157,500	8.0	5.8	2.0	(3,301)	(264,287)	16.10
Metro North	1,142	94,488,340	6.4	4.4	0.9	(124,884)	(279,743)	20.77
Route 128 - South	699	44,166,357	7.3	5.7	1.8	(486,307)	(707,647)	15.48
Route 495 - South	844	71,616,199	9.3	6.1	1.2	73,537	78,424	13.03
Metro South	1,543	115,782,556	8.5	5.9	1.4	(412,770)	(629,223)	13.74
Route 128 - West	147	6,372,001	2.2	1.8	0.4	(11,993)	85,886	27.95
Framingham - Natick	83	4,528,544	7.8	1.5	0.0	(206,653)	(139,494)	13.20
Route 495 - Route 2 West	233	21,651,108	4.5	3.8	0.6	35,836	501,533	13.53
Route 495 - Mass Pike West	342	24,281,422	7.1	3.5	0.1	(4,687)	(47,226)	12.96
Metro West	805	56,833,075	5.6	3.3	0.3	(187,497)	400,699	13.56
Overall Greater Boston Total Industrial	3,713	281,401,436	7.1	4.8	1.0	(628,168)	(543,179)	16.18

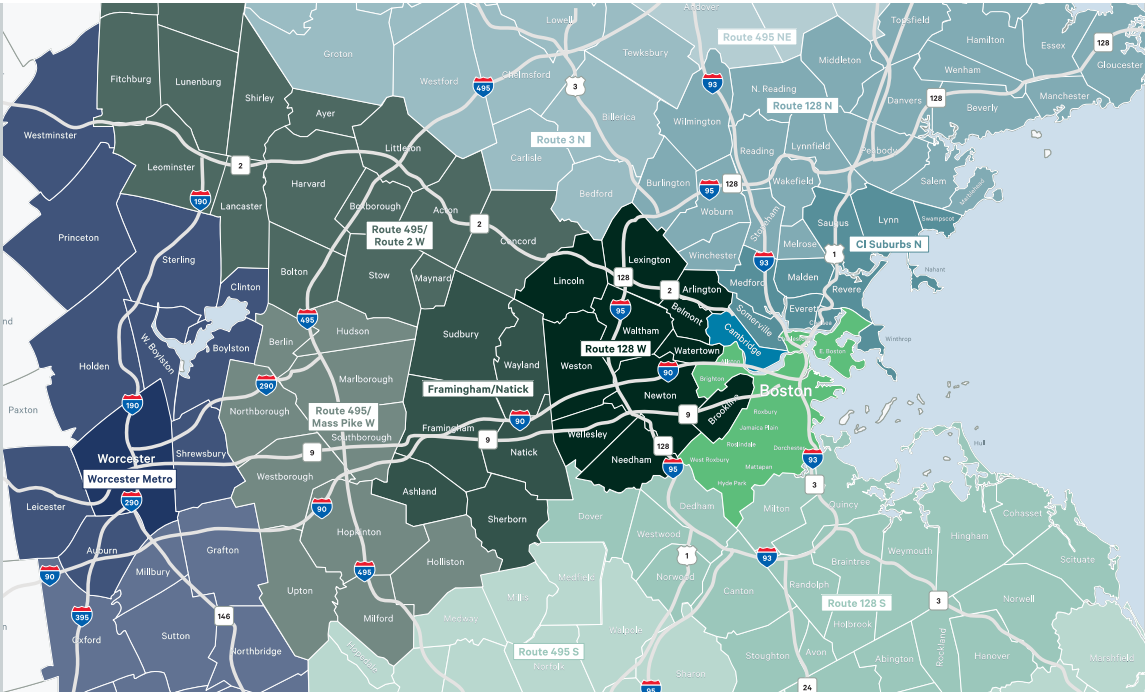
Source: CBRE Research, Q4 2023.

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	0.9	0.9	0.0	3,062	(4,483)	9.00
Worcester North	124	11,384,869	4.3	4.3	0.0	430,069	1,154,041	11.09
Worcester South	62	9,248,542	19.6	7.6	0.0	363,000	373,400	10.77
Overall Worcester Total Industrial	299	30,170,513	7.9	4.3	0.0	796,131	1,522,958	10.81

Source: CBRE Research, Q4 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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