

FIGURES | BOSTON METRO INDUSTRIAL | Q1 2024

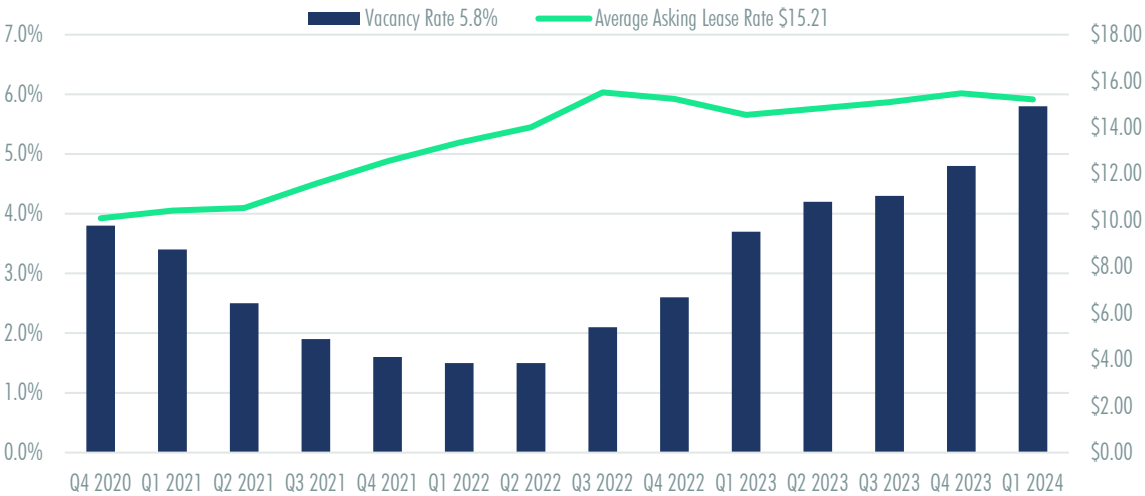
# Heightened renewal activity results in reduced net absorption being observed in the Greater Boston Metro



Note: Arrows indicate change from previous quarter.

While the Greater Boston Metro benefitted from an unprecedented explosion in industrial demand in 2021 and 2022 as a direct result of pandemic-era e-commerce sales and supply chain concerns, the market witnessed a slight softening throughout 2023 and into the first quarter of 2024 as demand returned to equilibrium. The overall market recorded -1,935,831 sq. ft. of net absorption this quarter, mostly due to a slightly decelerated demand pool for new product and a trend towards renewals. Despite tempering in comparison to the record-breaking years of 2021 and 2022, continued diversity of demand (including medical device manufacturers, robotics and 3D printing companies, battery makers, etc.) has kept the Greater Boston Metro partially insulated from a downturn as current supply/demand dynamics return to equilibrium and the market’s growth reaches “normalized” levels. The market is still well positioned with current overall vacancy and availability rates remaining below pre-covid levels at 5.8% and 7.9%, respectively. Additionally, overall average asking rents finished the quarter at \$15.21 per sq. ft. NNN, representing a 54% increase from pre-pandemic records. As supply and demand continue to balance out after unprecedented, pandemic-induced expansion, the market is expected to remain above pre-pandemic rates, while experiencing slight quarter-over-quarter (q-o-q) upticks in vacancy and stabilizing rent growth throughout 2024.

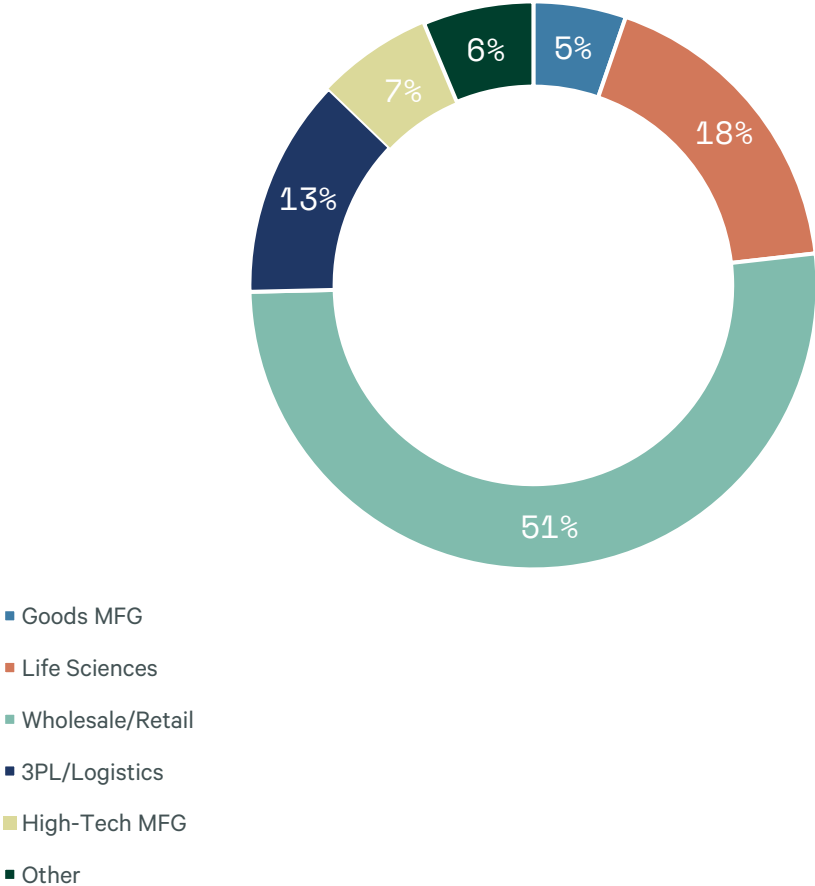
FIGURE 1: Greater Boston Metro Industrial Vacancy vs. Lease Rate



Source: CBRE Research, Q1 2024.

Heightened renewal activity was partially responsible for slightly higher vacancy rates this quarter as fewer new spaces were absorbed in the market and new construction continued to deliver. The trend of renewing in-place became evident during the latter half of 2023, as tenants demonstrated more cautious, cost-cutting behavior amidst economic uncertainty. Increasingly, tenants have opted to extend their existing leases, rather than incur the costs associated with moving, employee turnover, and supply chain disruptions. Although not reflected in the market’s net absorption, renewal activity comprised more than 884,000 sq. ft., or 61%, of the quarter’s overall leasing activity of 1.44 million sq. ft. While leasing levels should remain steady throughout 2024, cushioned by e-commerce and third-party logistics demand, further renewal activity is anticipated, which may result in a few quarters of reduced net absorption and slightly higher vacancy rates. On the other hand, if the Federal Reserve continues to cut interest rates this year, the Greater Boston Metro could benefit exponentially in an economy more accommodating to investments, re-activating demand that fell off amidst rising interest rates in early 2022.

FIGURE 2: Greater Boston Metro Leasing Activity By Industry in Square Footage, Q1 2024



Source: CBRE Research, Q1 2024.

## Submarkets

Limited functional space resulted in few leases being executed in the urban market, leading to a flat quarter. One of the only major market movements recorded was an approximately 19,863 sq. ft. sublease becoming available at 88 Black Falcon Avenue in Boston. Net absorption was capped at -15,957 sq. ft. and availability and vacancy increased very minimally by just 10 basis points (bps) and 20 bps q-o-q, to 5.6% and 4.8%, respectively. Conveniently located in the coveted center of an urban population, average asking rents underwent little change, decreasing by just \$0.02 per sq. ft. NNN q-o-q to \$28.48 per sq. ft. NNN.

In contrast, the Metro North experienced substantial market movement, resulting in -368,546 sq. ft. of net absorption. While leasing activity in the Metro North remained relatively steady q-o-q, large-scale space givebacks and elevated renewal activity ultimately led to negative net absorption being observed. Notably, Zoll Medical, a medical device manufacturer, leased The Davis Companies’ new 111,000 sq. ft. speculative property at 38 Upton Drive in Wilmington. Christian Book Distributors also began building its new 83,000 sq. ft. expansion at 140 Summit Street in Peabody this quarter. Renewal activity in the Metro North was led by Wilsonart’s extension of its 54,600 sq. ft. lease at 29 Concord Street in North Reading, followed by CF Cold Storage’s 40,000 sq. ft. renewal at 10 Creek Brook Drive in Haverhill. Offsetting positive absorption this quarter, Essendant put its approximately 241,600 sq. ft. space at 415 Wildwood Avenue in Woburn on the market as its lease approaches termination, with plans to shut down the business entirely. Crane Worldwide Logistics also put its 104,380 sq. ft. space at 64 Research Drive in Haverhill on the sublease market. Partially as a result of these spaces coming on-line, availability increased by 50 bps q-o-q to 6.9%, while vacancy increased by 70 bps q-o-q to 5.1%. Average asking rents increased by \$0.17 per sq. ft. q-o-q to \$20.94 per sq. ft. NNN.

FIGURE 3: Greater Boston Metro Top Lease Transactions, Q1 2024

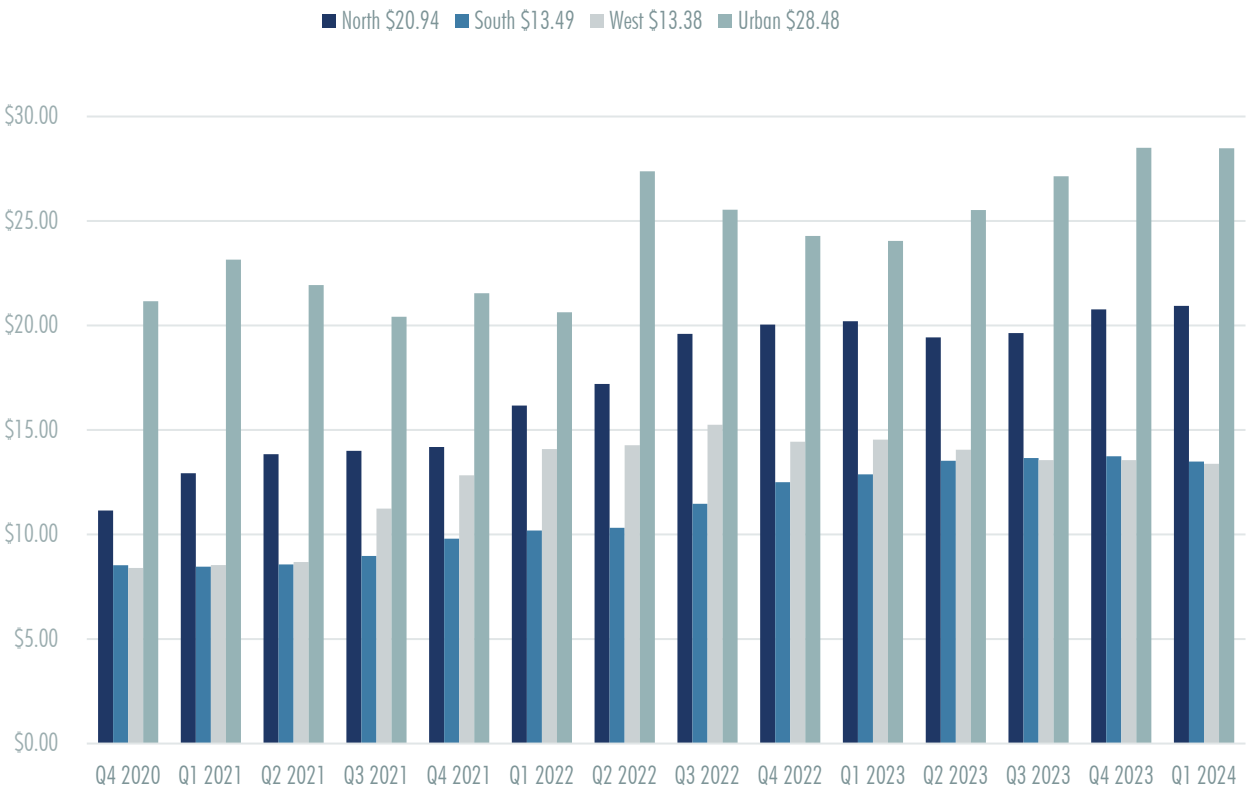
Tenant	Building	Market	Size (SF)	Transaction Type
Confidential E-Commerce Company	1000 Technology Center Drive, Stoughton	MS – Route 128-South	332,676	Renewal
Milton’s Distributing	305 Forbes Boulevard, Mansfield	MS – Route 495–South	127,025	Renewal
Zoll Medical	38 Upton Drive, Wilmington	MN – Route 128–North	111,000	New Lease
Christian Book Distributors	140 Summit Street, Peabody	MN – Route 128–North	83,000	Expansion
Staples, Inc.	31 Commercial Street, Sharon	MS – Route 495-South	64,200	Renewal
WESCO Distribution, Inc.	670 Canton Street, Norwood	MS – Route 128-South	63,000	Renewal
Wilsonart	29 Concord Street, North Reading	MN – Route 128–North	54,600	Renewal
CF Cold Storage	10 Creek Brook Drive, Haverhill	MN – Route 495-Northeast	40,000	Renewal

Source: CBRE Research, Q1 2024.

Renewal activity continued in the Metro South, causing little new space to be absorbed this quarter. A large confidential e-commerce company’s 332,676 sq. ft. renewal at 1000 Technology Center Drive in Stoughton represented the largest transaction of the quarter out of all the markets. Another substantial renewal executed in the Metro South was Milton’s Distributing’s extension of its approximately 127,025 sq. ft. lease at 305 Forbes Boulevard in Mansfield. Additionally, Staples, Inc. renewed its 64,200 sq. ft. lease at 31 Commercial Street in Sharon. In combination with the increased renewal environment, a few larger space givebacks led to -549,608 sq. ft. of quarterly net absorption. As an example, Stellantis put its 222,357 sq. ft. space at 550 Forbes Boulevard in Mansfield on the market this quarter. Approximately 170,775 sq. ft. at 190 Mechanic Street in Bellingham also hit the market as Lindenmeyr Munroe’s lease nears termination and the company explores a renewal versus relocation. Consequently, availability increased by 80 bps q-o-q to 9.3%. Vacancy was up by about the same amount q-o-q, increasing by 70 bps to 6.6%, as a result of fewer new spaces being absorbed. Average asking rents finished the quarter at \$13.49 per sq. ft. NNN, representing a decrease of \$0.25 per sq. ft. q-o-q.

Also affected by larger-scale space givebacks this quarter as tenants’ leases roll over, the Metro West market recorded -867,176 sq. ft. of net absorption. Approaching lease termination, Sappi Fine Paper made available its approximately 343,617 sq. ft. space at 66 Saratoga Boulevard in Devens. Quiet Logistics also vacated its 183,900 sq. ft. space at 235 Barnum Road in Devens. Insufficient in offsetting these spaces coming to market, total leasing activity in the Metro West was capped at 66,349 sq. ft. Being particularly supply-constrained, the largest recorded deal in the market this quarter was BWT Pharma & Biotech Inc.’s 26,700 sq. ft. renewal and 10,800 sq. ft. expansion at 417 South Street in Marlborough. As a result of limited leasing activity and space givebacks, availability increased by 160 bps q-o-q to 7.2%, while vacancy increased by 110 bps q-o-q to 4.4%. Average asking rents were down by \$0.18 per sq. ft. q-o-q to \$13.38 per sq. ft. NNN.

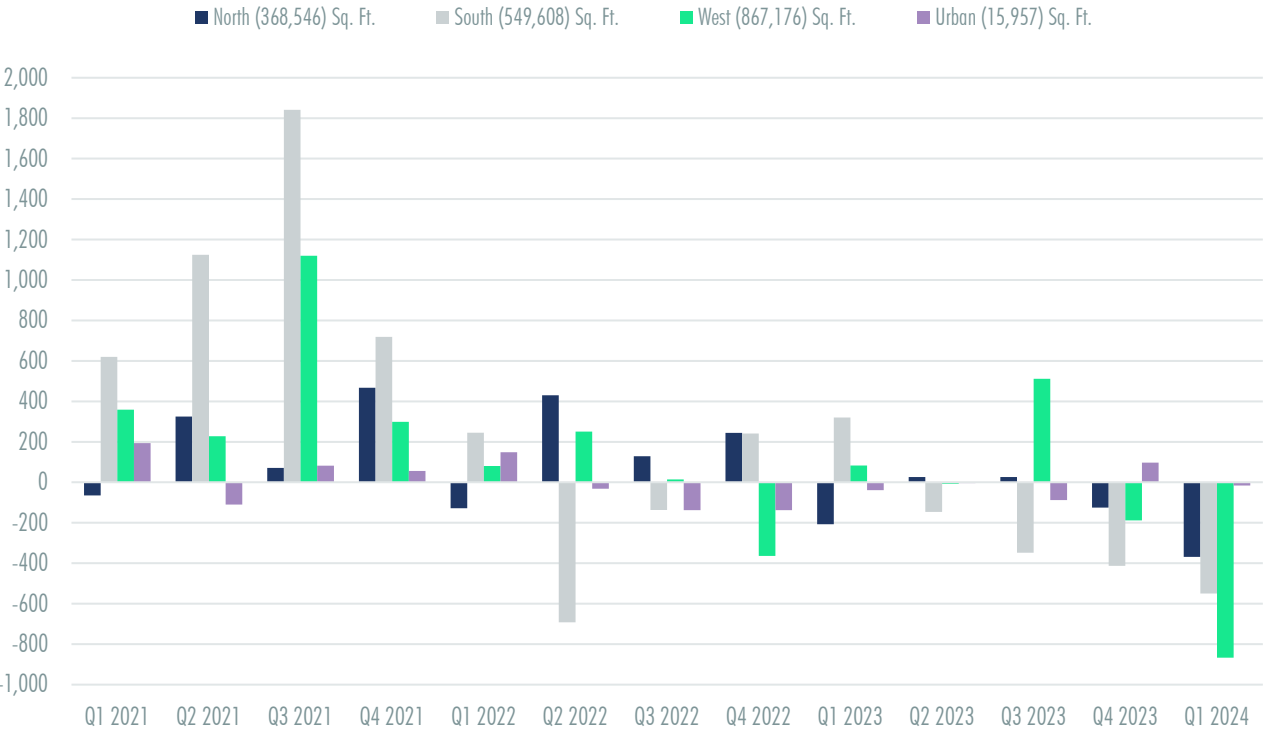
FIGURE 4: Greater Boston Average Asking Lease Rates (PSF/NNN)



Source: CBRE Research, Q1 2024.

Being supply-constrained as well in the Worcester Metro, leasing activity was limited, contributing to a relatively flat quarter. With a majority of the existing supply being functionally challenged in the market, most of the leasing activity in prior quarters has stemmed from new speculative product, such as McKesson Corporation’s 450,000 sq. ft. lease at 40 Lackey Dam Road in Douglas, executed last quarter. In comparison to the high leasing velocity of prior quarters characterized by new speculative construction, this quarter witnessed just under 66,000 sq. ft. of total transactions, the largest being a 60,500 sq. ft. renewal. The market recorded -134,544 sq. ft. of net absorption due to subdued leasing volume and a few space givebacks. Availability was up 50 bps q-o-q to 8.4%, while vacancy was up 410 bps q-o-q to 8.4%, chiefly due to CRG’s 123 Gilboa Street in Douglas delivering 1.1 million sq. ft. vacant this quarter. Average asking rents finished at \$10.77 per sq. ft. NNN, down just \$0.04 per sq. ft. q-o-q.

FIGURE 5: Greater Boston Net Absorption



Source: CBRE Research, Q1 2024.

## Construction

During the pandemic e-commerce boom, heightened tenant demand catalyzed an abundance of new industrial construction in 2020 and 2021. Some of those new developments that delivered in 2022 and 2023 have been subjected to interest rate hikes and slightly tapered demand compared to the record-setting years of 2020 and 2021. As a result, a slowdown in new construction has appeared evident in the Greater Boston Metro, as landlords wait to see how current demand at recently delivered industrial product plays out. Additionally, higher construction costs have contributed to fewer groundbreakings as post-pandemic supply disruptions have been fully realized. Just two speculative developments broke ground this quarter, one being Portman Industrial's 248,000 sq. ft. property at 0 Galleria Mall Drive / Silver City in Taunton and the other being Bluewater Property Group's 120,000 sq. ft. product at 11 Randolph Road in Randolph. Fortunately for these projects breaking ground (especially in these size ranges), the Greater Boston Metro remains under-supplied as a result of being land-constrained and part of a smaller distribution hub that primarily caters to New England. Catering to the most desired size segments and submarkets will be vital for new industrial product going into 2024 and 2025, amidst a slightly softening market and costly construction environment.

Breaking ground in 2022 where slightly heightened demand was observed, CRG's approximately 1.1 million sq. ft. speculative development at 123 Gilboa Street in Douglas delivered this quarter. Also breaking ground in 2022 and delivering this quarter was Marcus Partners / Howland Development's 167,610 sq. ft. speculative property at 4 Executive Place in Andover. Part of the wave of new construction that broke ground in early 2023 delivered this quarter as well, including Patriot Holdings' 147,480 sq. ft. property at 46 Old Ferry Road in Methuen; Carlisle Capital's 158,000 sq. ft. property at 100 Fordham Road in Wilmington; and Rhino Capital Advisors' 101,200 sq. ft. property at 530 Turnpike Street in South Easton. Both 100 Fordham and 530 Turnpike are fully leased to Locus Robotics and Beacon Roofing, respectively. Further speculative deliveries are anticipated throughout 2024, as developments that broke ground in early 2023 are completed. In fact, more than 950,000 sq. ft. of new industrial speculative construction is estimated to deliver next quarter, most of which are in the market's highly demanded 150,000 sq. ft. to 300,000 sq. ft. size range. Developers and tenants alike will be eager to see how demand plays out for this new wave of supply in the coming quarters, ultimately deciding the future of active speculative pursuits.

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	5.6	4.8	0.9	(15,957)	(15,957)	28.48
Close-In Suburbs North	238	18,333,136	6.4	5.3	1.0	8,118	8,118	29.79
Route 128 - North	460	33,694,675	8.1	5.3	0.5	(120,866)	(120,866)	20.29
Route 495 - Northeast	211	24,266,726	4.6	3.5	1.3	(175,598)	(175,598)	16.41
Route 3 - North	234	18,069,400	8.3	6.6	1.8	(80,200)	(80,200)	15.73
Metro North	1,143	94,363,937	6.9	5.1	1.0	(368,546)	(368,546)	20.94
Route 128 - South	701	44,328,116	7.8	6.3	2.0	(83,854)	(83,854)	15.20
Route 495 - South	846	71,901,540	10.3	6.8	1.3	(465,754)	(465,754)	12.91
Metro South	1,547	116,229,656	9.3	6.6	1.5	(549,608)	(549,608)	13.49
Route 128 - West	146	6,312,001	2.6	2.5	1.1	(22,868)	(22,868)	27.63
Framingham - Natick	83	4,528,544	7.3	1.1	0.2	25,090	25,090	13.24
Route 495 - Route 2 West	233	21,651,108	7.5	5.2	1.1	(650,043)	(650,043)	13.13
Route 495 - Mass Pike West	343	24,319,606	8.1	4.7	0.2	(219,355)	(219,355)	13.09
Metro West	805	56,811,259	7.2	4.4	0.6	(867,176)	(867,176)	13.38

Source: CBRE Research, Q1 2024.

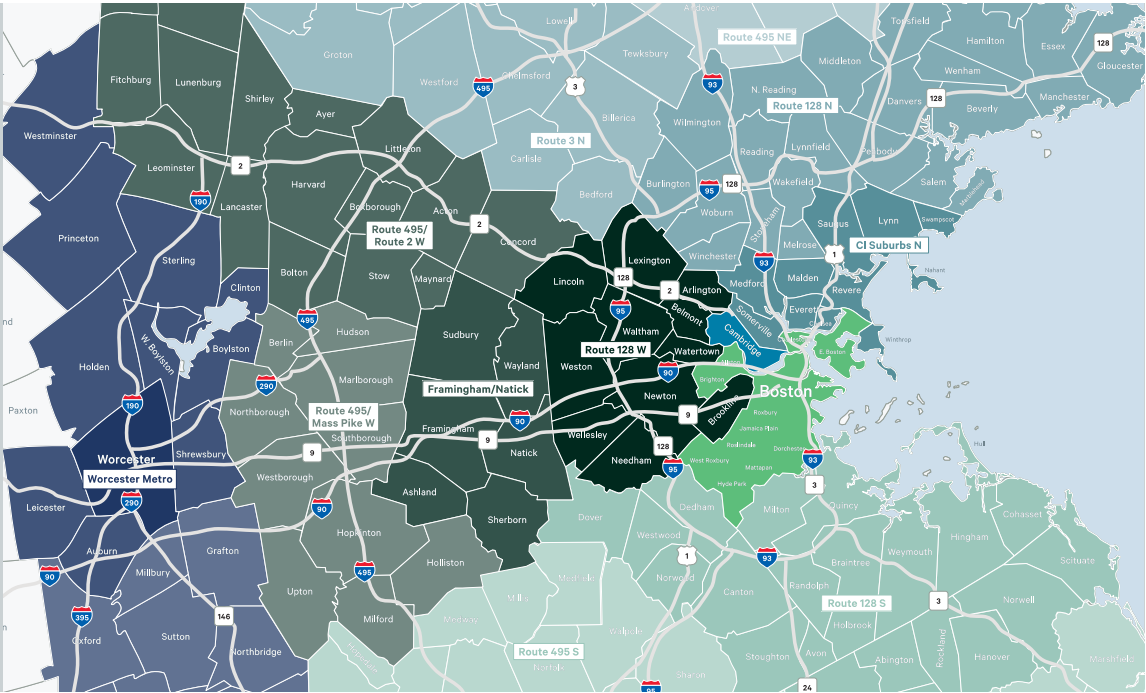
FIGURE 6: Greater Boston Metro Submarket Statistics (Continued)

City of Worcester	113	9,537,102	1.3	1.3	0.0	(41,006)	(41,006)	10.48
Worcester North	123	11,332,149	5.3	5.3	0.0	(105,538)	(105,538)	10.77
Worcester South	62	9,248,542	19.4	19.4	0.0	12,000	12,000	10.79
Worcester Metro	298	30,117,793	8.4	8.4	0.0	(134,544)	(134,544)	10.77
Overall Greater Boston Metro Total Industrial	4,016	311,820,110	7.9	5.8	1.0	(1,935,831)	(1,935,831)	15.21

Source: CBRE Research, Q1 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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