

# Boston Industrial Market

## Industrial Market Remains Hot as Most Active Asset Class in the New Year

Following a flurry of activity at the end of 2020, conditions in Greater Boston's industrial market continued to improve throughout the first quarter. Total vacancy decreased slightly as another 331,000 square feet of industrial space was absorbed in the first quarter. At just 5.5%, rates have reached a new historic low. The General Industrial subtype experienced an above-average decline in vacancies during the first quarter while rates in the Warehouse/Distribution subtype reached just 5.0%. While leasing velocity is still favorable, the lack of existing availabilities could impact net absorption gains in the near-term and drive tenants to new construction or build-to-suit developments. Overall asking rents ended the first quarter at \$10.86/SF NNN, a 14.1% increase compared to year ago levels. Strong investor interest persists within Greater Boston's industrial market, with more than \$730 million in assets changing hands during the first quarter. This represents the third-largest quarterly sales volume recorded in the last 10 years.

### Development Continues to Make Headlines

The metro's supply-demand imbalance is driving developers to bring new product on line here. There currently exists more than 20 million square feet of active requirements throughout the Greater Boston industrial market. Amazon and other e-commerce-related

### Current Conditions

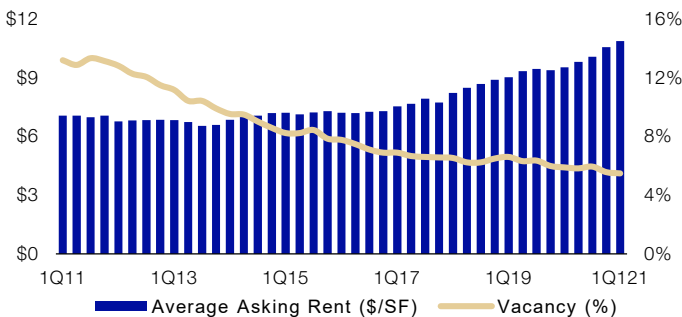
- Greater Boston's industrial asset class continues to be the most active as the COVID-19 pandemic lingers.
- Institutional investment was slower than last quarter, but experienced volume nearly as large as the 2<sup>nd</sup> and 3<sup>rd</sup> quarters of 2020 combined.
- Asking rents continue to reach new heights, expanding by another 3.0% over the quarter.
- Biomanufacturing/GMP subtype demand remains robust, with 2.3 million square feet in active requirements.

### Market Summary

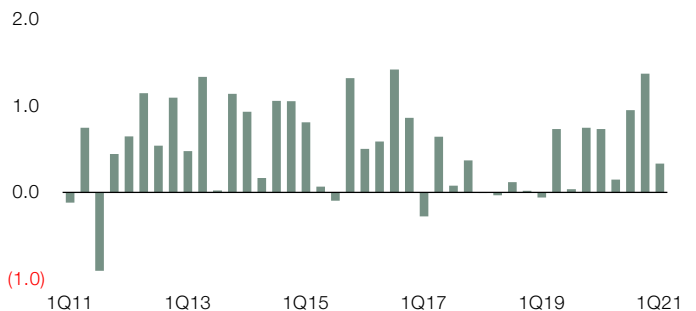
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	217.1M	216.9M	214.2M	↑
Vacancy Rate	5.5%	5.6%	5.9%	↓
Quarterly Net Absorption (SF)	331,299	1.4M	730,849	↑
Average Asking Rent/SF	\$10.86	\$10.54	\$9.52	↑
Under Construction (SF)	986,750	948,550	2.2M	↑

### Market Analysis

#### ASKING RENT AND VACANCY RATE



#### NET ABSORPTION (SF, MILLIONS)



## RESEARCH Q1 2021

firms have been primary drivers of recent demand growth. The former represents roughly 60% of industrial leasing velocity in 2020 and plans to expand its existing footprint beyond 12 million square feet across 34 facilities by the end of this year. The region's rapidly growing life science sector is also driving demand for industrial space as the on-shoring of biomanufacturing operations has led to a greater need for GMP manufacturing facilities.

As a result, developers have been responding to current outsized demand with new industrial developments. Build-to-suits for Home Depot (715,000 square feet) in Tewksbury, Commonwealth Fusion (165,000 square feet) in Devens and Edwards Vacuum (121,800 square feet) in Haverhill are moving forward. King Street Properties is also planning two GMP manufacturing facilities in Devens as work continues on last mile delivery facilities for Amazon in both Randolph and Littleton. Greater Boston's supply constraints are only being compounded by the fervor in the life science sector. Industrial assets, particularly R&D/Flex properties, are being purchased for lab conversion, which ultimately removes competitive industrial space from the metro's inventory. Sasaki's sale of its former headquarters – a R&D/Flex and office building at 64 Pleasant Street in Watertown – and ChemGenes' acquisition of a 75,000-square-foot building at 900 Middlesex Turnpike in Billerica are two of the recent examples of this trend.

The cost of building materials has been a growing issue as the demand for new development continues to gain momentum. Steel prices have experienced unprecedented growth during the pandemic, growing by over 20.0% since the start of 2021 and almost 190.0% over the past year. The price of lumber has also seen immense growth, with value increasing by over 170.0% in the past year. This growth in building costs poses difficult decisions for developers as they ride the demand wave.

### Market Activity

Although not as active as last quarter, industrial leasing activity remained solid during the first quarter of 2021. Several hundred thousand square feet of lease transactions closed during the first quarter, with activity concentrated in the South and North industrial

submarkets. Amazon continues to take down industrial space, inking the largest commitment of the quarter. The e-commerce giant executed a lease for 144,000 square feet at 25 Computer Drive in Haverhill. This transaction swiftly follows Amazon's addition of 600,000 square feet in Northborough at 330 and 350 Bartlett Street, boosting their signed transactions to almost 2.4 million square feet in just over a year.

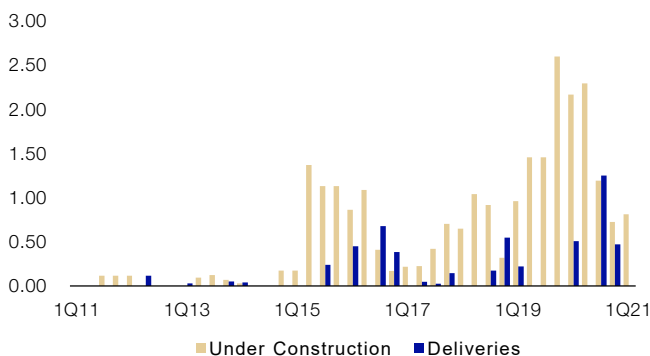
Other notable transactions of the first quarter include Robert Reiser & Company's 120,434-square-foot lease at 675 Canton Street in Norwood and Supreme Industrial Products expanding its footprint at 11 Norfolk Street in Mansfield by 93,592 square feet. Additionally, Peloton executed a 75,000-square-foot lease at 61 Leona Drive in Middleborough and expects to occupy the space in the second quarter. Tenants have also been active outside of the Greater Boston metro. In Chicopee, a couple of leases were recently executed, with Kevron Realty, LLC and Humphrey Company taking down 56,643 square feet and 15,652 square feet at 77 Champion Drive, respectively. Trugreen LP signed a lease for 18,000 square feet at 2160 Chicopee Road as well.

### Rent Growth is Setting Records

Metrowide industrial asking rents ended the first quarter at \$10.86/SF NNN, which represents a historical high as well as a nearly 51% increase from just five years ago. With such limited vacancy, it's no surprise landlords have been able to maintain a clear upper hand within Greater Boston. Lease rates for Warehouse/Distribution space are hovering near \$9.00/SF NNN in the first quarter or 44.6% above this subtype's 15-year historical average. Average asking rents for R&D/Flex space across metro is nearing \$15.00/SF NNN as well. Greater Boston's urban markets continue to garner the highest rents – averaging \$25.00-\$30.00/SF NNN while rents along the Route 128 loop are now \$13.00-\$15.00/SF NNN. Along the Route 495 belt industrial rents range from \$7.00-\$9.00/SF NNN. Looking ahead, market constraints and new construction will likely keep upward pressure on asking rents in Greater Boston's industrial market.

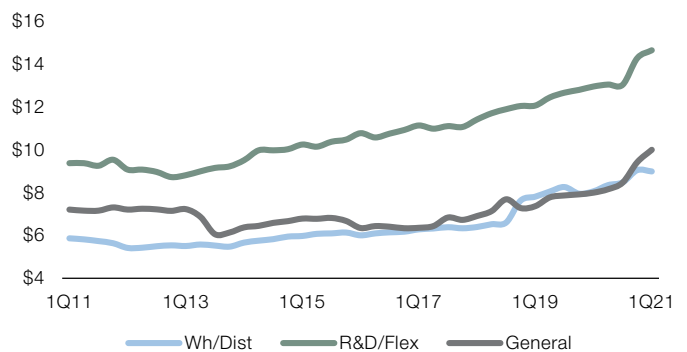
### Construction and Deliveries

SQUARE FEET, MILLIONS



### Asking Rent by Property Type

\$/SF



## RESEARCH Q1 2021

### Capital Markets

Following a record-breaking quarter of investment sales activity during the fourth quarter, more than \$730.0 million and 8.0 million square feet in industrial assets changed hands throughout the Greater Boston market in the first quarter of 2021. Portfolio sales have been helping to drive activity here. In March, BentallGreenOak acquired a nine-property portfolio from AIG Global Asset Management and Novaya Real Estate Ventures, which included R&D/Flex and industrial assets in Billerica, Wilmington and Southern New Hampshire. The roughly \$152.0 million (\$219/SF) price tag represents one of the largest sale transactions of the quarter. BentallGreenOak and The Seyon Group also purchased a seven-property portfolio from James Campbell Company for \$43.1 million. The sale included R&D/Flex properties in Mansfield and Foxborough. Early in the year, the 435,442-square-foot 613 Main Street in Wilmington was recapitalized, with Morgan Stanley acquiring partial interest in the asset from Wheelock Street Capital for \$61.4 million. The 189,600-square-foot 146 Dascomb in Andover also changed hands during the first quarter, trading for \$37 million or \$140/SF to NorthBridge.

The region's ever-growing life science sector continues to drive capital to the industrial market as well. Alexandria Real Estate Equities recently purchased a R&D/Flex-fitness facility at 840 Winter Street in Waltham for \$58.1 million or \$430/SF. The new ownership plans to convert the property for life science use. In January, Griffith Properties and DRA Advisors finalized its acquisition of 580 Pleasant

Street in Watertown from Fluid Management Systems – paying \$21.5 million or roughly \$148/SF. This property is also slated for redevelopment and will be converted to lab use. Finally, Wheelock Street Capital and Camber Development purchased a Sanofi manufacturing facility at 11 Forbes Road in Northborough from Capri Investment Group for \$33.0 million or \$156/SF.

### Outlook

While it will be hard to top 2020's banner year, fundamentals in Greater Boston's industrial market remain decidedly positive – characterized by historically low vacancy rates and record rental rates. Both leasing and investment activity remain robust and with continued strength in demand-side fundamentals, developers and investors are keen on expanding their portfolios throughout the Greater Boston region. However, getting new product out of the ground over the next 12-24 months may prove to be more difficult due to the scarcity of building materials and their rising cost as well as increases in interest rates.

Amazon has remained the golden goose throughout the pandemic, eating up more and more space every quarter as the most dominant tenant in the market. Amazon currently has nearly two dozen facilities from the 495 belt inward. Overall, there doesn't appear to be any significant slowdown in sight for the asset class, and we expect to see continued growth and success throughout the remainder of the year.

### Select Lease Transactions

Tenant	Address	Submarket	Type	Square Feet
Amazon	25 Computer Drive, Haverhill	North	Direct Lease	144,000
Arranta Bio	1414 Massachusetts Avenue, Boxborough	North	Direct Lease	129,181
Robert Reiser & Co	675 Canton Street, Norwood	South	Direct Lease	120,434
Peloton	61 Leona Drive, Middleborough	South	Direct Lease	75,000
Metropolitan Warehouse & Delivery	295 Constitution Drive, Taunton	South	Direct Lease	42,500
Top Notch Distributors	11 Norfolk Street, Mansfield	South	Direct Lease	33,893

### Select Sale Transactions

Address	Submarket	Property Type	Sale Price	Price/SF	Square Feet
MA-NH Portfolio	North	R&D/Flex	\$151,800,000	\$219	694,408
613 Main Street, Wilmington	North	Warehouse/Distribution	\$61,350,000	\$140	435,442
840 Winter Street, Waltham	West	R&D/Flex	\$58,126,000	\$430	135,332
Mansfield-Foxborough Portfolio	South	R&D/Flex	\$43,100,000	\$178	242,800
146 Dascomb Road, Andover	North	Warehouse/Distribution	\$37,005,613	\$140	265,000
11 Forbes Road, Northborough	West	Warehouse/Distribution	\$33,000,000	\$156	211,600

Submarket Statistics								
	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	WH/Dist. Asking Rent (Price/SF)	R&D/Flex Asking Rent (Price/SF)	Total Asking Rent (Price/SF)
Urban	22,638,623	125,150	5.13%	74,916	74,916	\$17.18	\$23.80	\$20.40
North	76,762,352	160,000	5.31%	(402,743)	(402,743)	\$9.37	\$13.36	\$11.07
South	80,418,546	701,600	5.52%	695,792	695,792	\$8.37	\$14.47	\$9.22
West	37,232,432	-	5.98%	(36,666)	(36,666)	\$7.24	\$12.81	\$9.65
<b>Market</b>	<b>217,051,953</b>	<b>986,750</b>	<b>5.48%</b>	<b>331,299</b>	<b>331,299</b>	<b>\$8.99</b>	<b>\$14.64</b>	<b>\$10.86</b>

Submarket Statistics by Subtype						
	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Total Asking Rent (Price/SF)
General Industrial	59,238,119	-	3.77%	522,783	522,783	\$9.99
R&D/Flex	52,370,362	174,000	8.33%	(302,117)	(302,117)	\$14.64
Warehouse/Distribution	105,443,472	812,750	5.03%	107,633	107,633	\$8.99
<b>Market</b>	<b>217,051,953</b>	<b>986,750</b>	<b>5.48%</b>	<b>331,299</b>	<b>331,299</b>	<b>\$10.86</b>

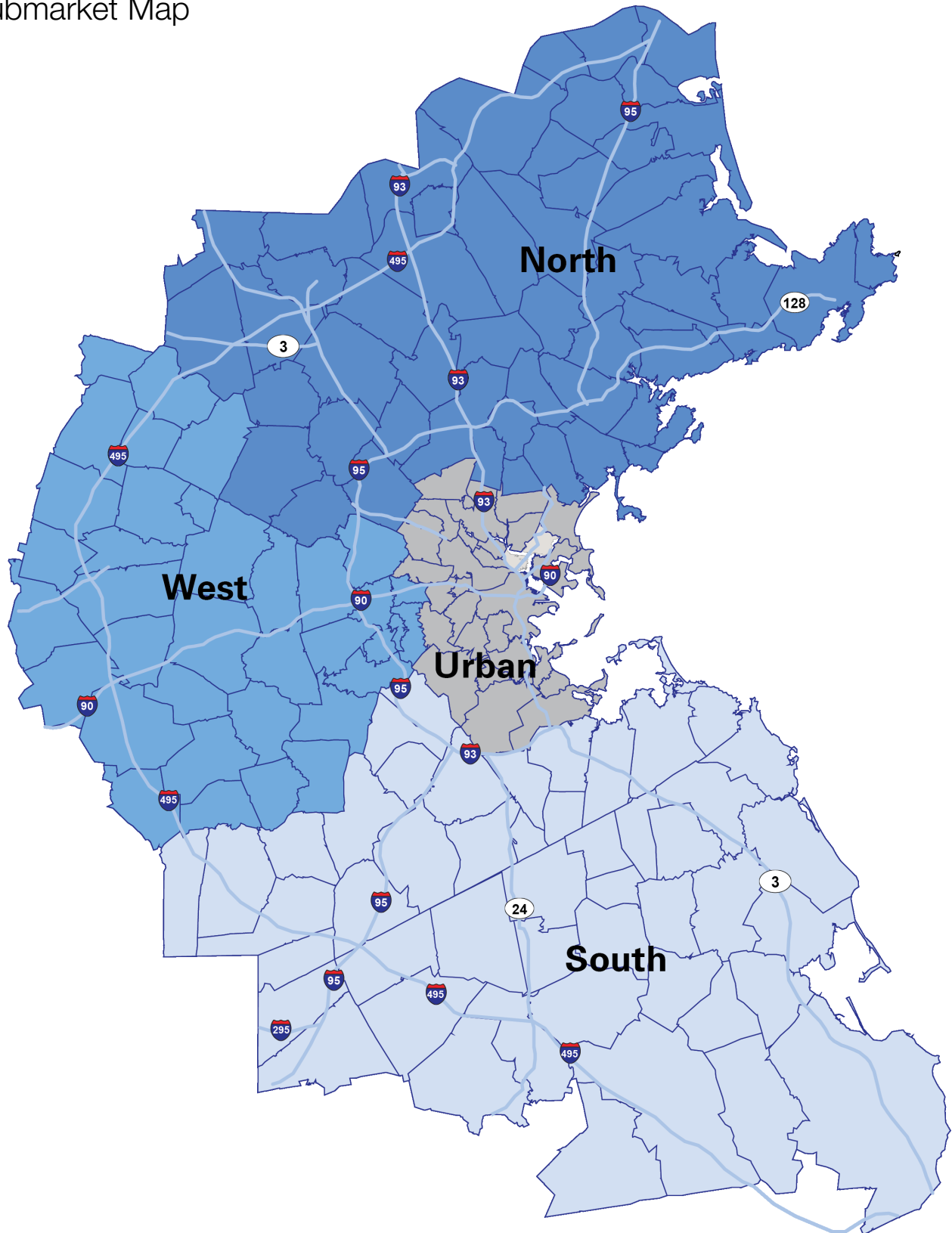
Class A Statistics							
	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	WH/Dist. Asking Rent (Price/SF)	Total Asking Rent (Price/SF)
Market	33,267,790	812,750	4.4%	1,346	1,346	\$9.15	\$11.42

### Industrial Investment

#### SALES VOLUME (BILLIONS AND AVERAGE PRICE/SF)



# Submarket Map



*For more information:*

**Liz Berthelette**

*Research Director*

617-863-8377

elizabeth.berthelette@ngkf.com

**Mike Laccavole**

*Senior Data Analyst*

617.863.8109

mike.laccavole@nrmk.com

**Erik Van Zijl**

*Research Analyst*

617-863-8425

erik.vanzijl@ngkf.com

[nrmk.com](http://nrmk.com)

**ALABAMA**

Birmingham

**ARIZONA**

Phoenix

**ARKANSAS**

Fayetteville

Little Rock

**CALIFORNIA**

El Segundo

Irvine

Los Angeles

Newport Beach

Pasadena

Sacramento

San Francisco

San Jose

San Mateo

Santa Rosa

**COLORADO**

Denver

**CONNECTICUT**

Stamford

**DELAWARE**

Wilmington

**DISTRICT OF COLUMBIA**

**FLORIDA**

Boca Raton

Jupiter

Miami

Palm Beach

Tampa

**GEORGIA**

Atlanta

**ILLINOIS**

Chicago

**INDIANA**

Indianapolis

**KENTUCKY**

Louisville

**LOUISIANA**

New Orleans

**MARYLAND**

Baltimore

Salisbury

**MASSACHUSETTS**

Boston

**MICHIGAN**

Detroit

**MINNESOTA**

Minneapolis

**MISSOURI**

St. Louis

**NEVADA**

Las Vegas

Reno

**NEW JERSEY**

Rutherford

East Brunswick

Morristown

**NEW YORK**

Buffalo/Amherst

New York

**NORTH CAROLINA**

Charlotte

Raleigh

**OHIO**

Cincinnati

Cleveland

Columbus

**OKLAHOMA**

Oklahoma City

**OREGON**

Portland/Lake

Oswego

**PENNSYLVANIA**

Allentown

Philadelphia

Pittsburgh

**TEXAS**

Austin

Dallas

Houston

**UTAH**

Salt Lake City

**VIRGINIA**

Tysons Corner

**WASHINGTON**

Seattle

**WISCONSIN**

Milwaukee

Newmark has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents. Newmark Research Reports are available at [ngkf.com/research](http://ngkf.com/research).

All information contained in this publication is derived from sources that are deemed to be reliable. However, Newmark has not verified any such information, and the same constitutes the statements and representations only of the source thereof not of Newmark. Any recipient of this publication should independently verify such information and all other information that may be material to any decision the recipient may make in response to this publication and should consult with professionals of the recipient's choice with regard to all aspects of that decision, including its legal, financial and tax aspects and implications. Any recipient of this publication may not, without the prior written approval of Newmark, distribute, disseminate, publish, transmit, copy, broadcast, upload, download or in any other way reproduce this publication or any of the information it contains. This document is intended for informational purposes only, and none of the content is intended to advise or otherwise recommend a specific strategy. It is not to be relied upon in any way to predict market movement, investment in securities, transactions, investment strategies or any other matter.