
1Q24

Boston Industrial Market Overview

NEWMARK

Market Observations

Despite below-average unemployment, local job growth has been anemic, with losses impacting most industrial-using sectors.

Vacancies increased by 30 basis points to 6.2% during the first quarter of 2024, as new deliveries outpaced net absorption.

Due to a slowdown in new speculative construction, the development pipeline now stands at just over 1.1 million SF.

Locus Robotics' headquarters at 100 Fordham Rd. in Wilmington has completed construction. The robotics company is planning to centralize its operations within the new facility.



Industrial users 50,000 SF and below continue to dominate leasing velocity.

Some sizeable deals were executed in recent months, led by printing company Bradford & Bigelow conducting a \$25.0-million sale leaseback.

Asking rents have remained relatively stable and continue to hover near historic highs of over \$16.00/SF.

A continued national effort to strengthen domestic manufacturing capacity should help bolster local industrial market fundamentals.

As broader market conditions normalize, the industrial asset type continues to outperform many others in the Boston metro.

1. Economy
2. Leasing Market Fundamentals
3. Submarket Overview

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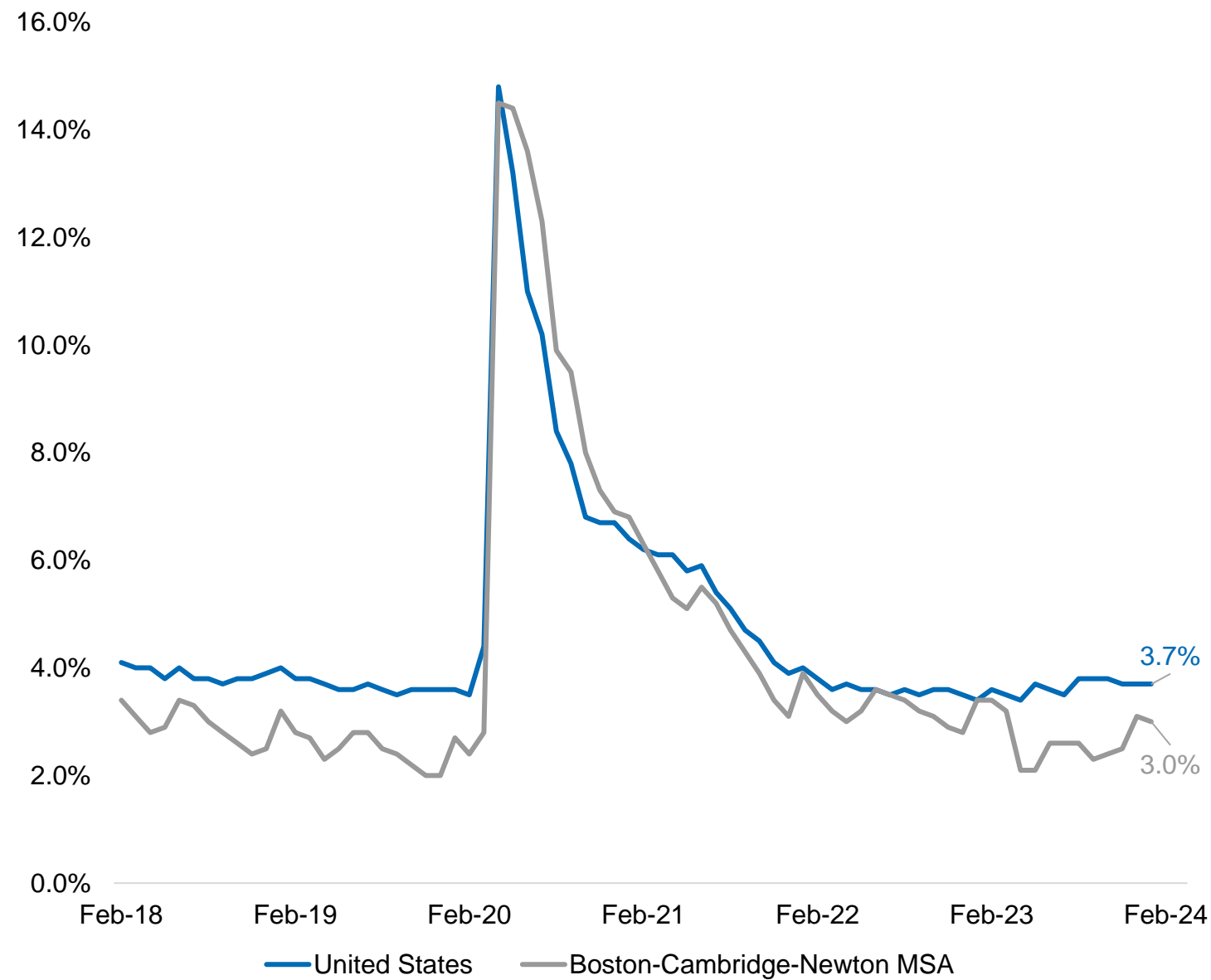
Economy



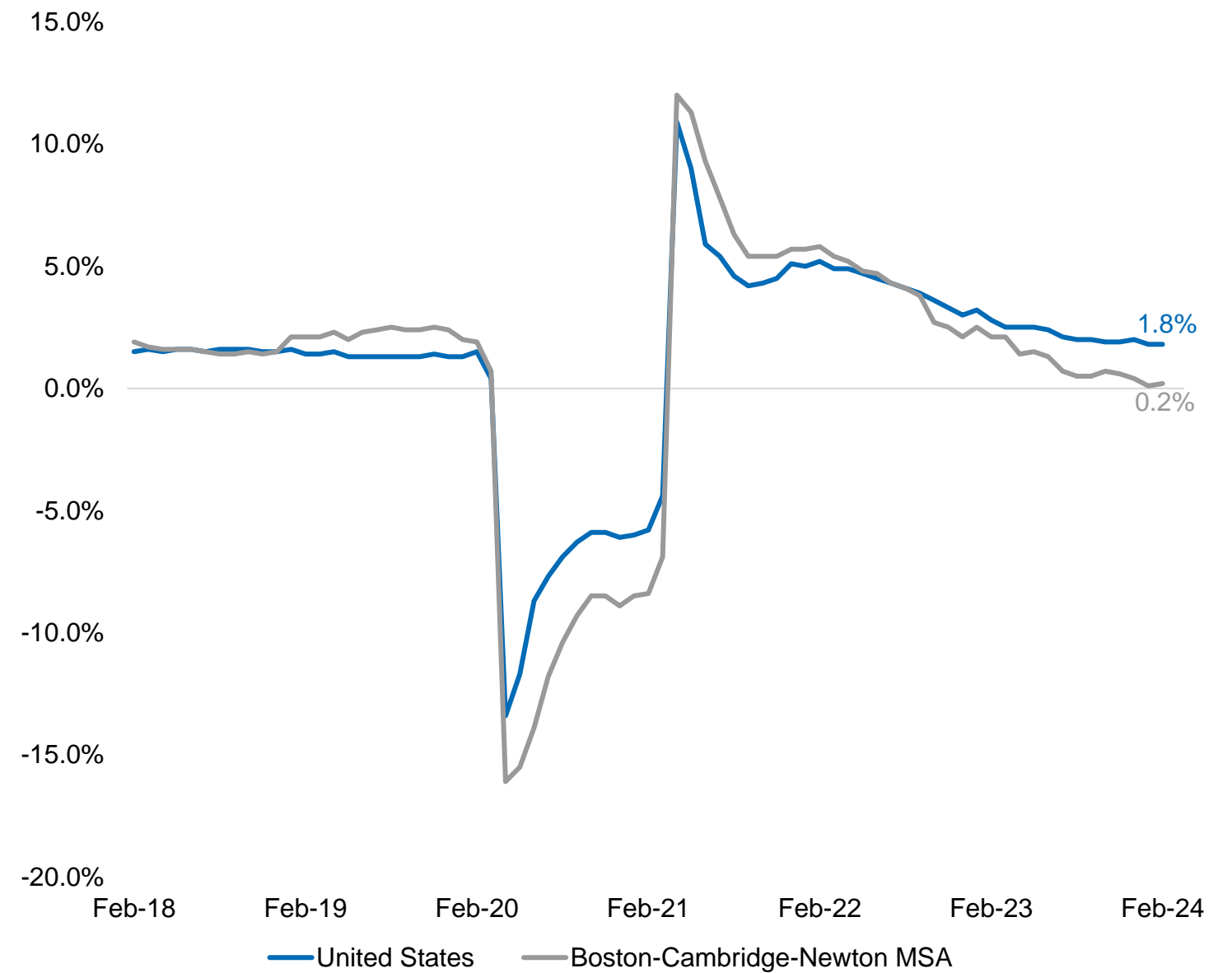
Recent Revisions Indicate Slower Metro Employment Growth

Despite maintaining a below-average unemployment rate, local payroll expansions over the last year were weaker than expected. In fact, total employment growth in Greater Boston has trailed the national average for the last 18 months. Softness in the tech and biotech sectors is likely driving these pedestrian growth trends.

Unemployment Rate, Seasonally Adjusted



Nonfarm Payroll Employment, Non-Seasonally Adjusted, 12-Month % Change

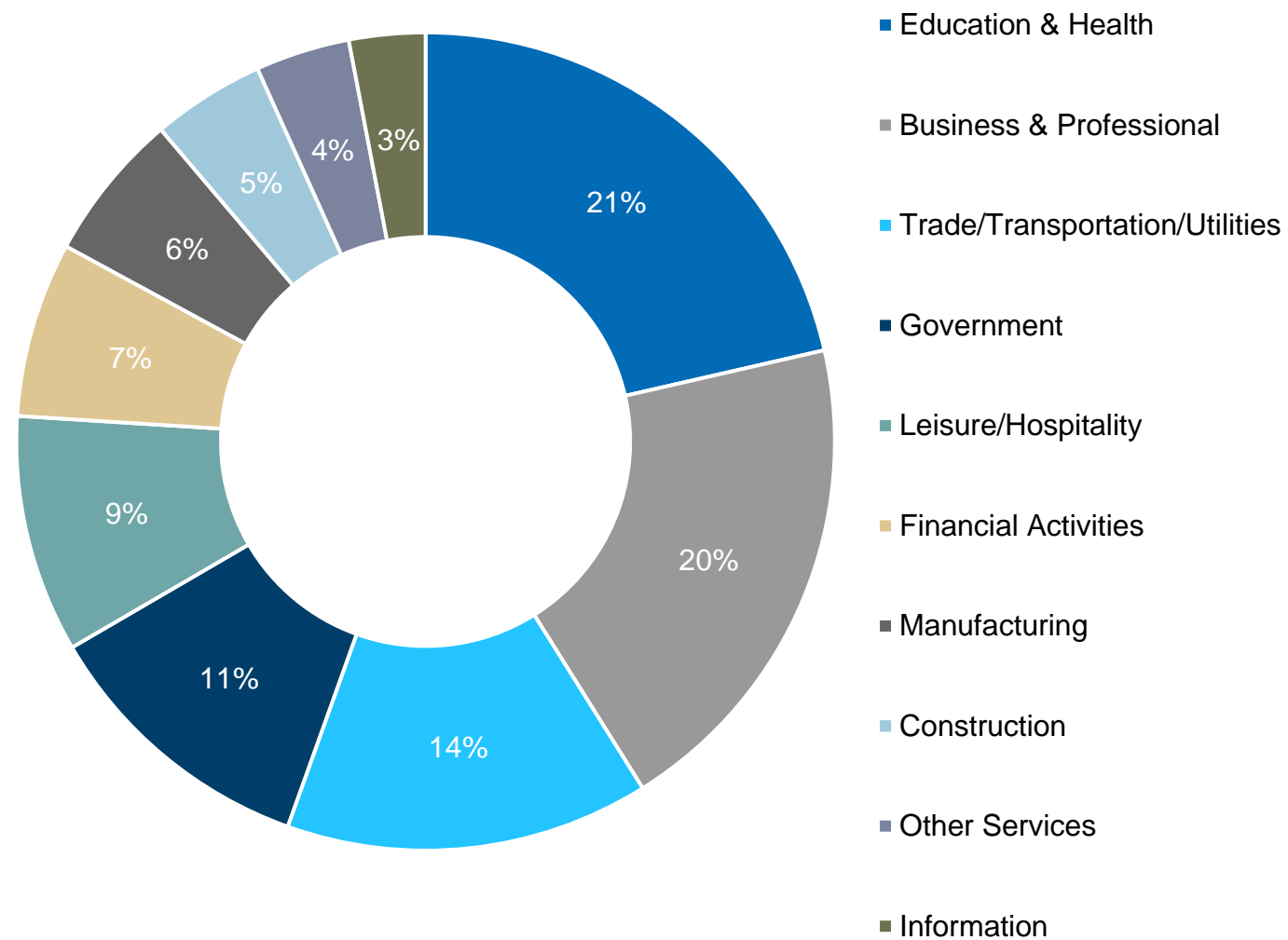


Source: Moody's Analytics, Boston-Cambridge-Newton, MA-NH MSA
 Note: February 2024 data is preliminary.

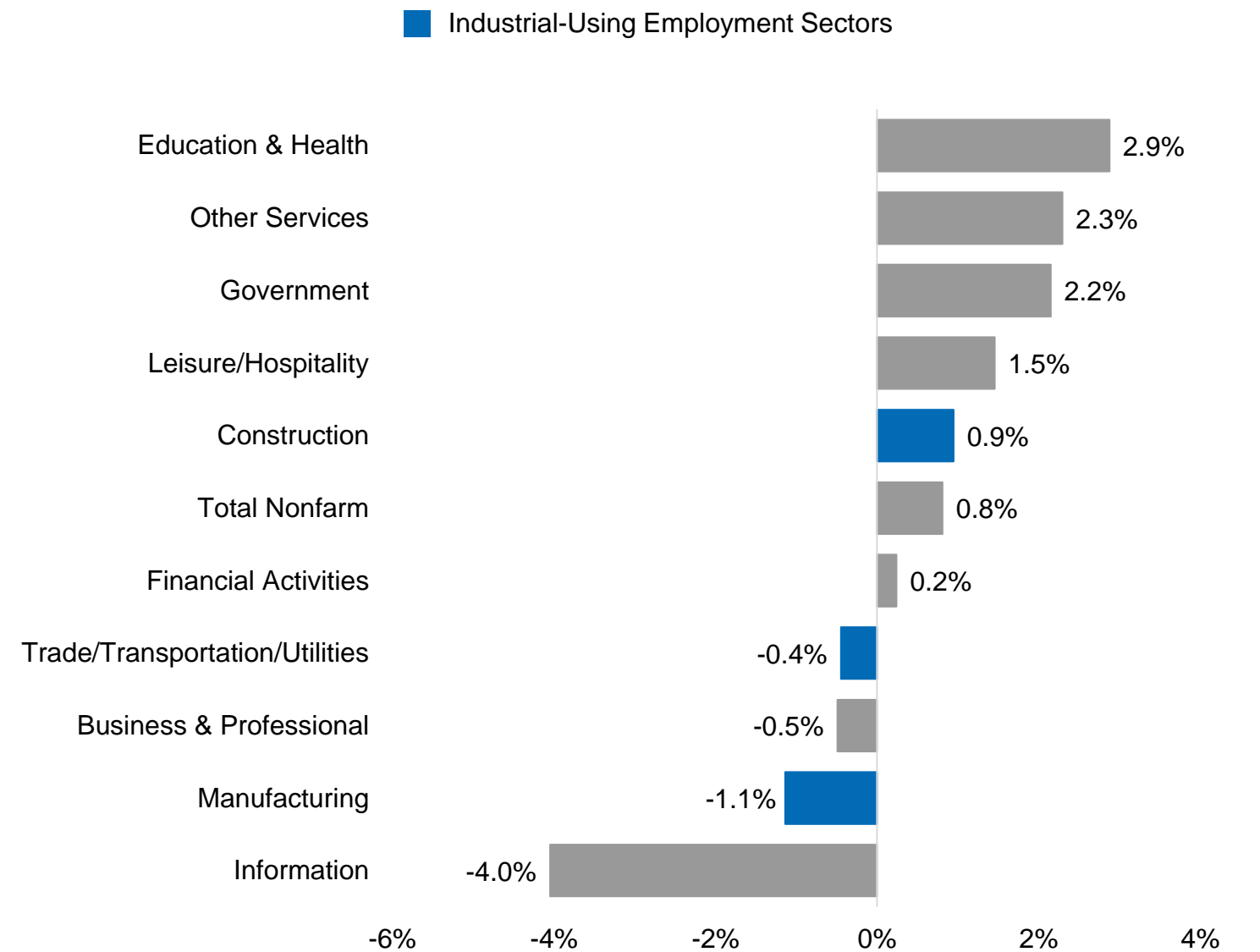
Local Employment Posts Modest Gains in Most Industries

The education and health sector is now leading annual job gains in the Boston metro area, followed by other services and the government. While employment growth in most industrial-related industries has stagnated in recent months, the local construction industry continues to experience positive gains in employment. This falls in line with the Associated Builders and Contractors' Construction Confidence Index, which indicates that a large share of contractors intend to increase their staffing levels over the next six months.

Employment by Industry, February 2024



Employment Growth by Industry, 12-Month % Change, February 2024

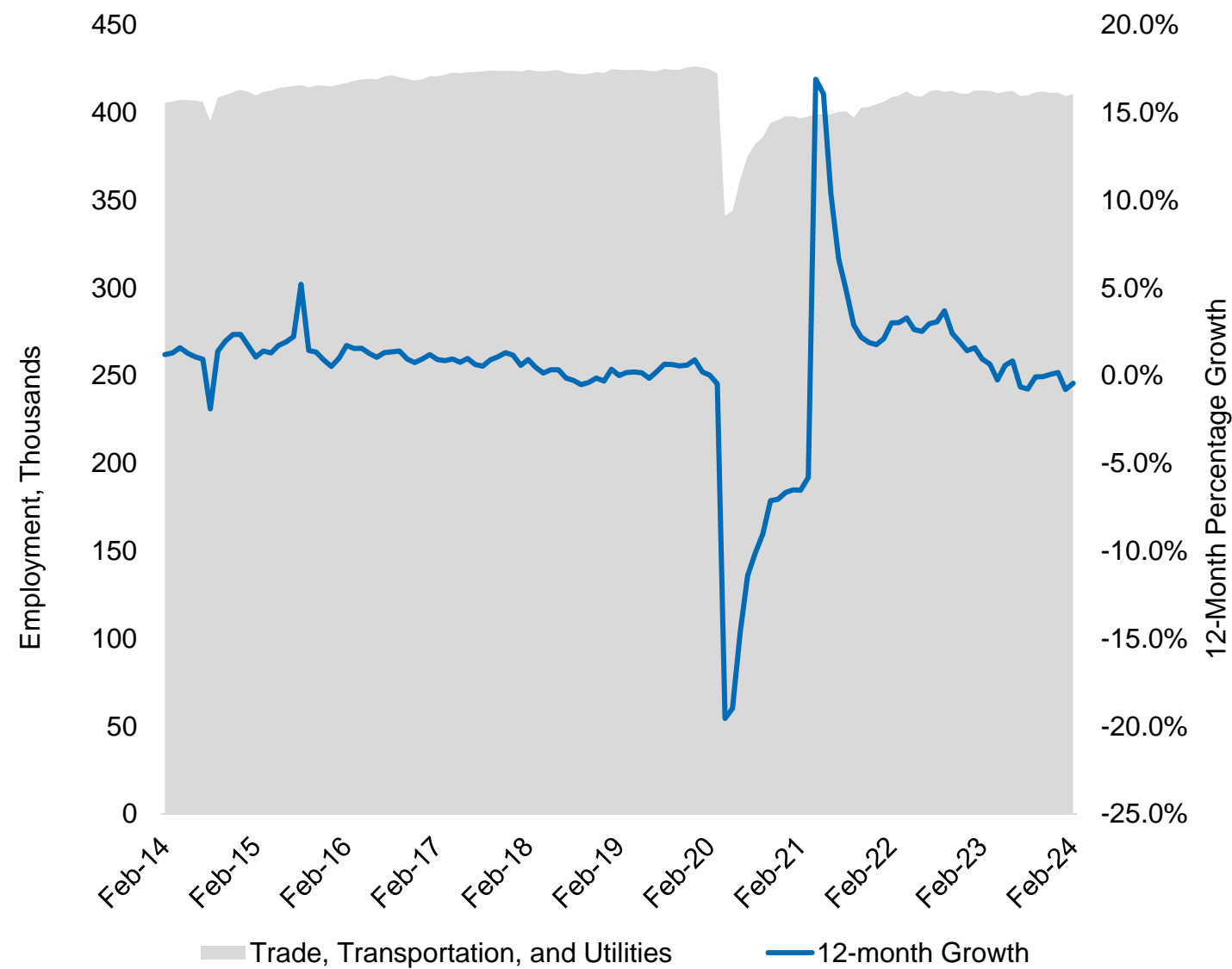


Source: Moody's Analytics, Boston-Cambridge-Newton, MA-NH MSA
 Note: February 2024 data is preliminary.

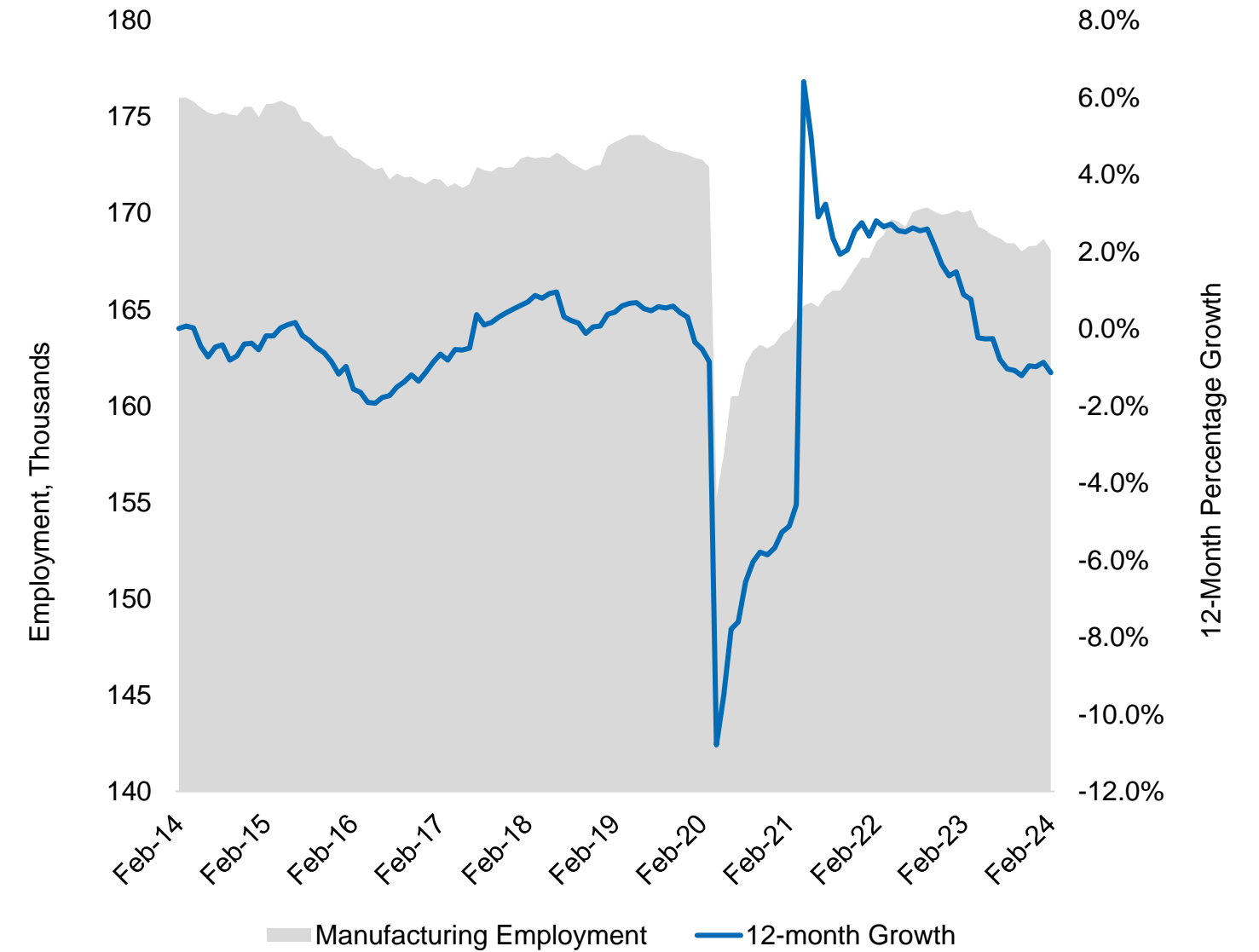
Industrial Employment Growth Remains Nearly Flat

The trade/transportation/utilities and manufacturing sectors have still yet to regain all of the jobs lost since the pandemic. Though employment growth in the manufacturing industry over the past decade has been limited, increased demand and investment in advanced manufacturing should help benefit domestic production, as well as regional manufacturing employment.

Total Employment and 12-Month Growth Rate, Trade/Transportation/Utilities



Total Employment and 12-Month Growth Rate, Manufacturing



Source: Moody's Analytics, Boston-Cambridge-Newton, MA-NH MSA
 Note: February 2024 data is preliminary.

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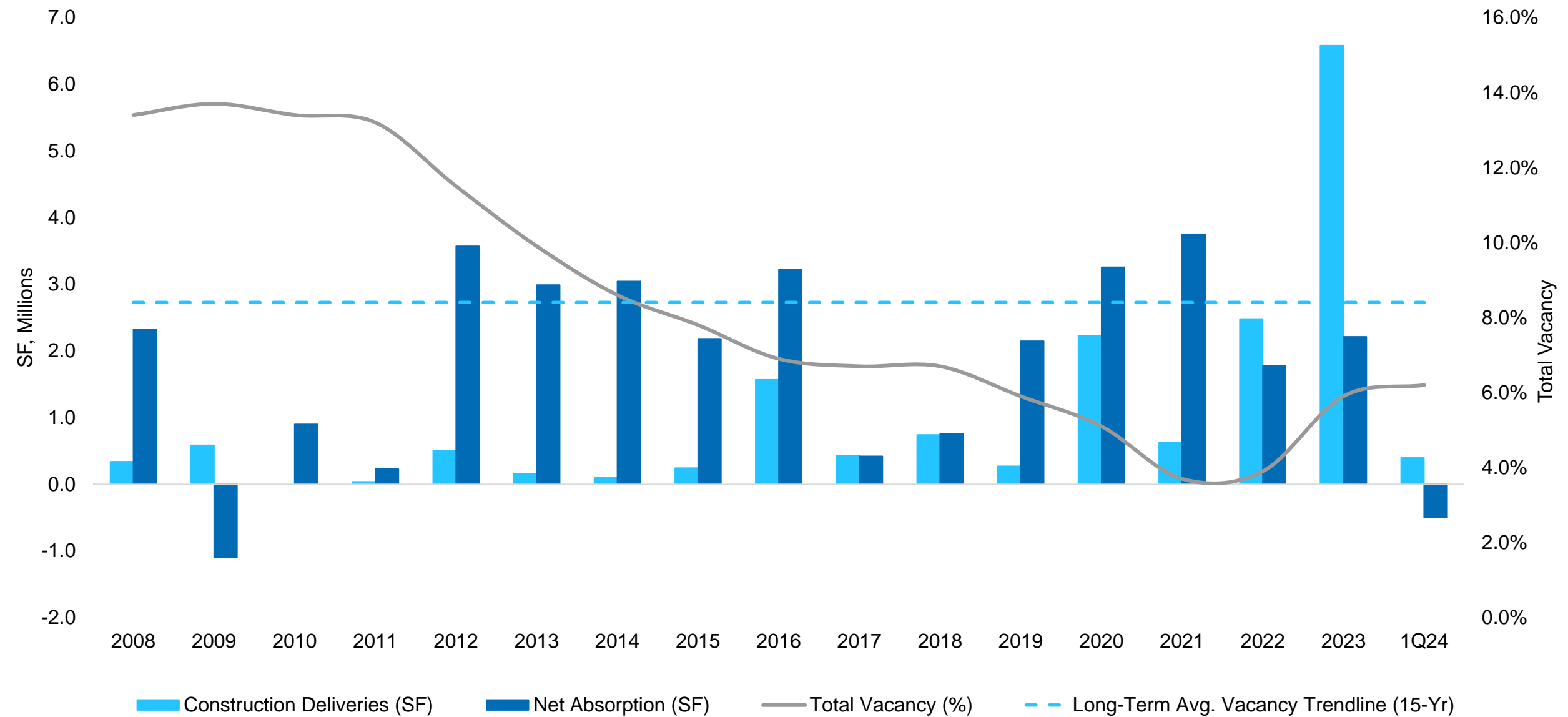
Leasing Market Fundamentals



Vacancies Rise amid Stabilizing Industrial Fundamentals

The vacancy rate increased slightly by 30 basis points to end the first quarter of 2024 at 6.2%, which remains well below the long-term average rate. With just over 1.1 million SF remaining in the construction pipeline, the majority of which is slated to deliver by the end of the year, vacancies are expected to experience some further upward pressure in the near term.

Historical Construction Deliveries, Net Absorption, and Vacancy

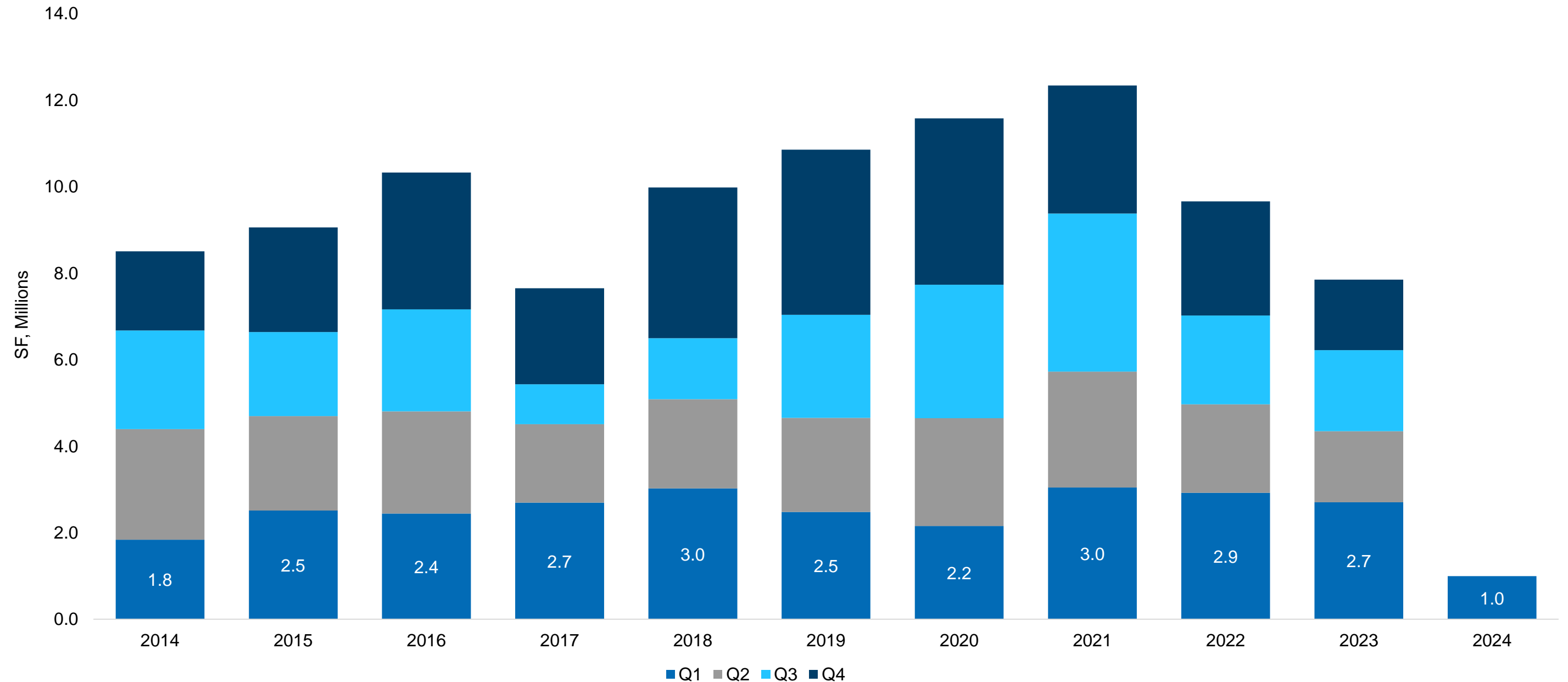


Source: Newmark Research

First-Quarter Leasing Activity Falls Below Pre-Pandemic Levels

First-quarter leasing activity has fallen to its lowest level in over 10 years due to normalizing market fundamentals and prolonged macroeconomic headwinds. Some large requirements have returned to the market, and leasing velocity has been most active among smaller users under 50,000 SF. A slight uptick in demand from third-party logistics users may help bolster demand for warehouse and distribution space, as some companies have outsourced these functions to focus on their core operations. With better leverage and more space available, tenants are taking longer to transact, which may result in an increase in leasing activity later this year.

Total Leasing Activity (SF)

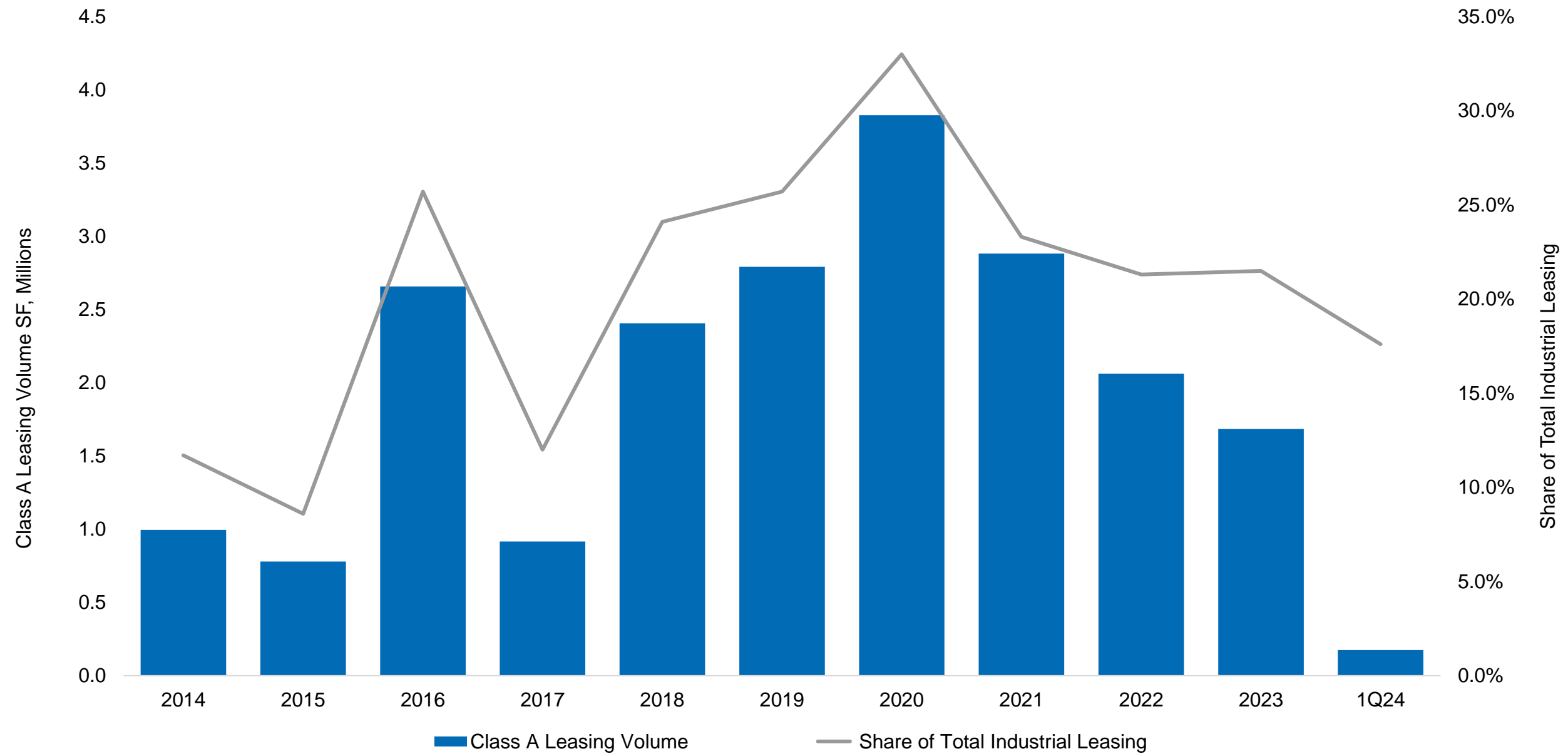


Source: Newmark Research, CoStar

Class A Warehouse Leasing Decelerates in Early 2024

Following a similar trend within Greater Boston's broader industrial market, leasing activity for Class A warehouse and distribution space has fallen to some of its lowest levels in recent years. Some of the metro's largest leases in the first quarter of 2024 were executed within this Class A product, with Zoll Medical taking 111,000 SF at a newly constructed facility in Wilmington. In addition, three new buildings delivered in early 2024, one of which was fully preleased by warehouse robotics manufacturer Locus Robotics. Despite this recent slowdown, demand for high-quality space within this premier subtype will continue to be evident throughout the metro.

Industrial Class A Leasing Volume and Percentage of Total Industrial Leasing Volume



Source: Newmark Research, CoStar

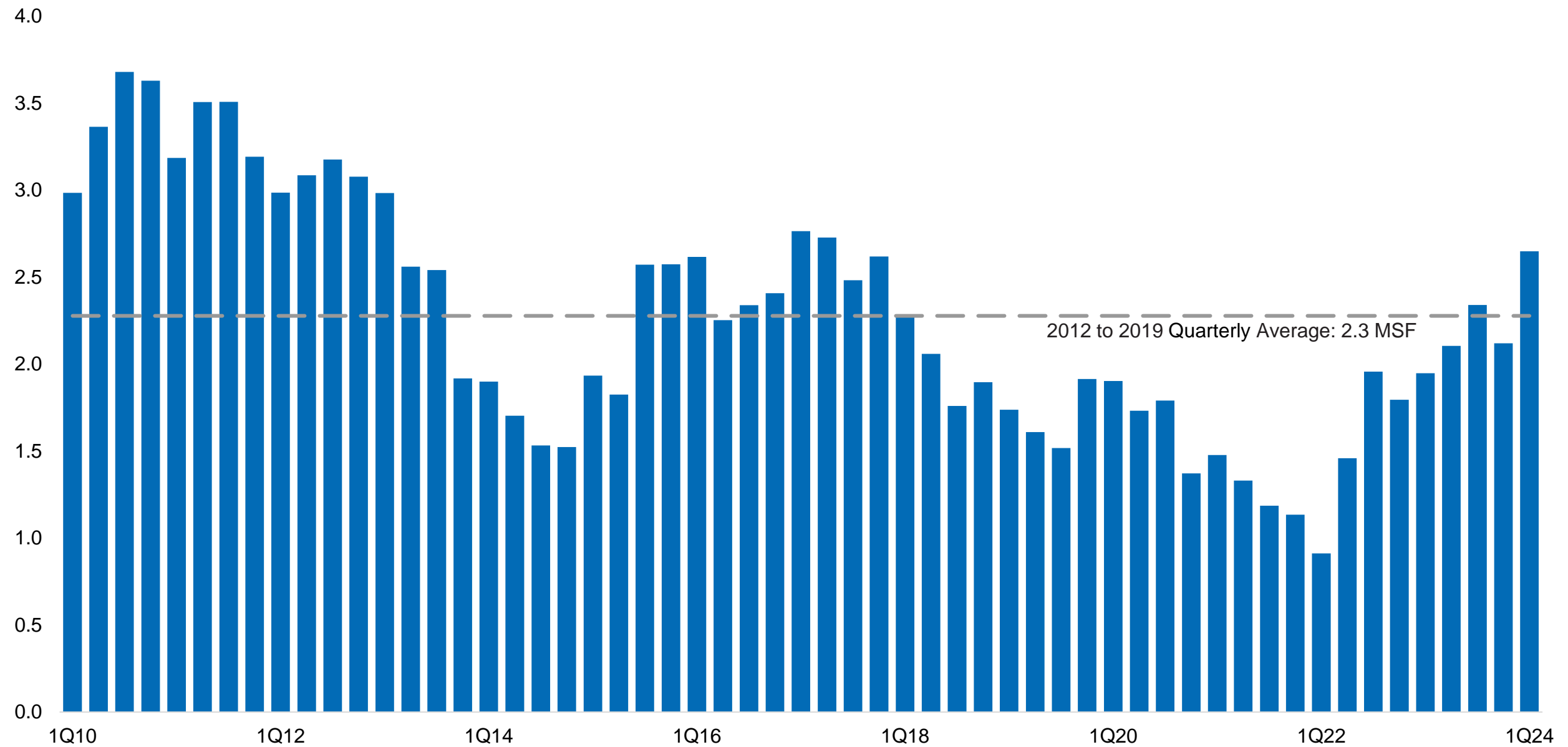


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Sublease Space above Historical Average but Remains a Small Share of Inventory

Current sublease availabilities reached its highest levels since 2017 during the first quarter of 2024. Some large tenants, including Crane Worldwide Logistics and PODS, have given back big blocks of space in recent months as many tenants continue to reevaluate their space needs. The sublease volume now represents approximately 1.2% of the metro's total industrial inventory.

Available Industrial Sublease Volume (msf)



Source: Newmark Research, CoStar

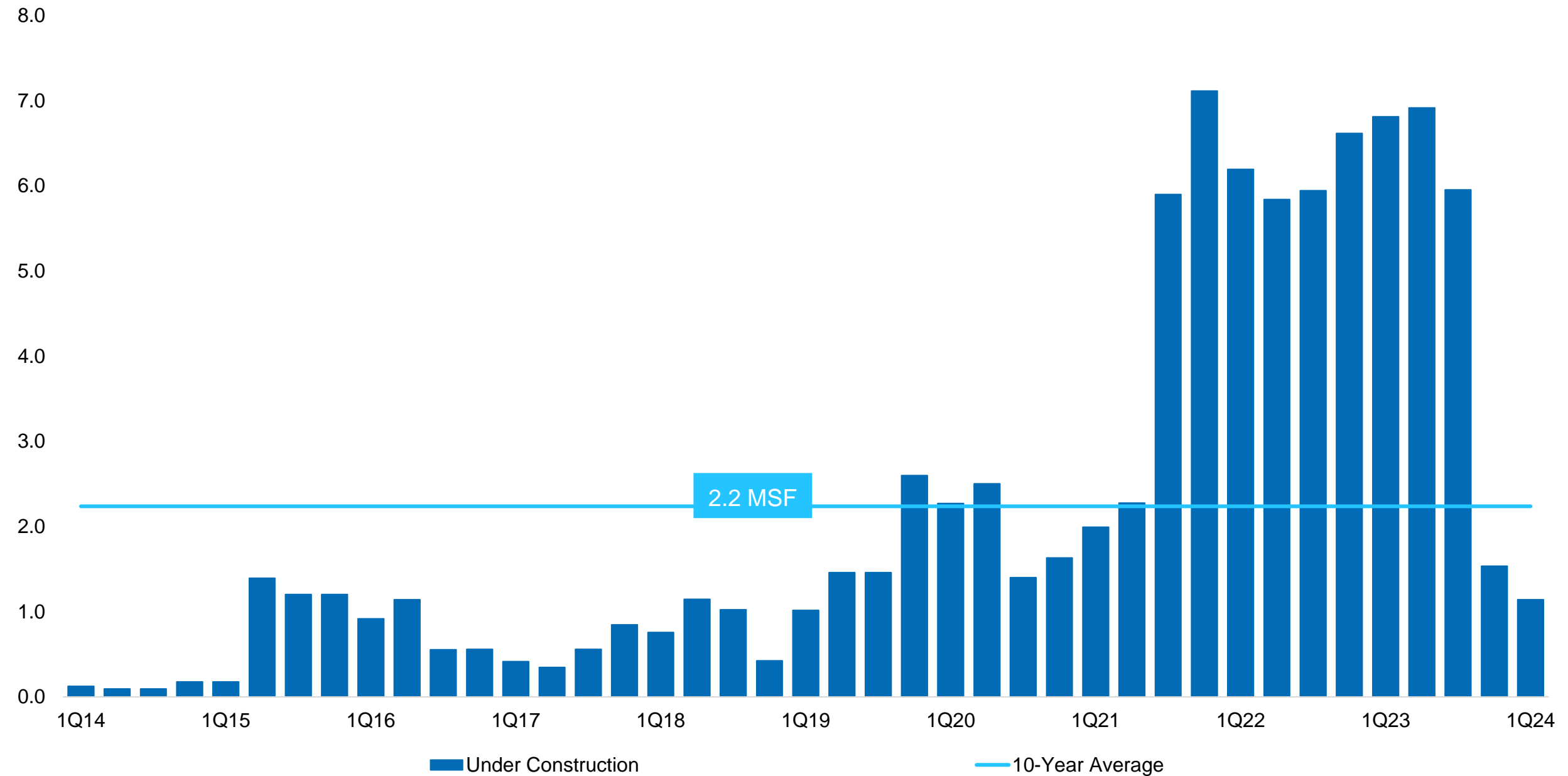


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Supply Pipeline Falls to Lowest Level in the Last Five Years

Following a record-high year of deliveries in 2023 and a slowdown in groundbreakings at the start of 2024, there has been a significant reduction in the construction pipeline. New space underway as of the first quarter of 2024 now stands at 1.1 million SF, representing an 83% decline since the same period last year. Much of the new product coming on line does not have any committed tenants, which provides users looking for new or additional space with many options to suit their needs.

Industrial Space Under Construction (msf)

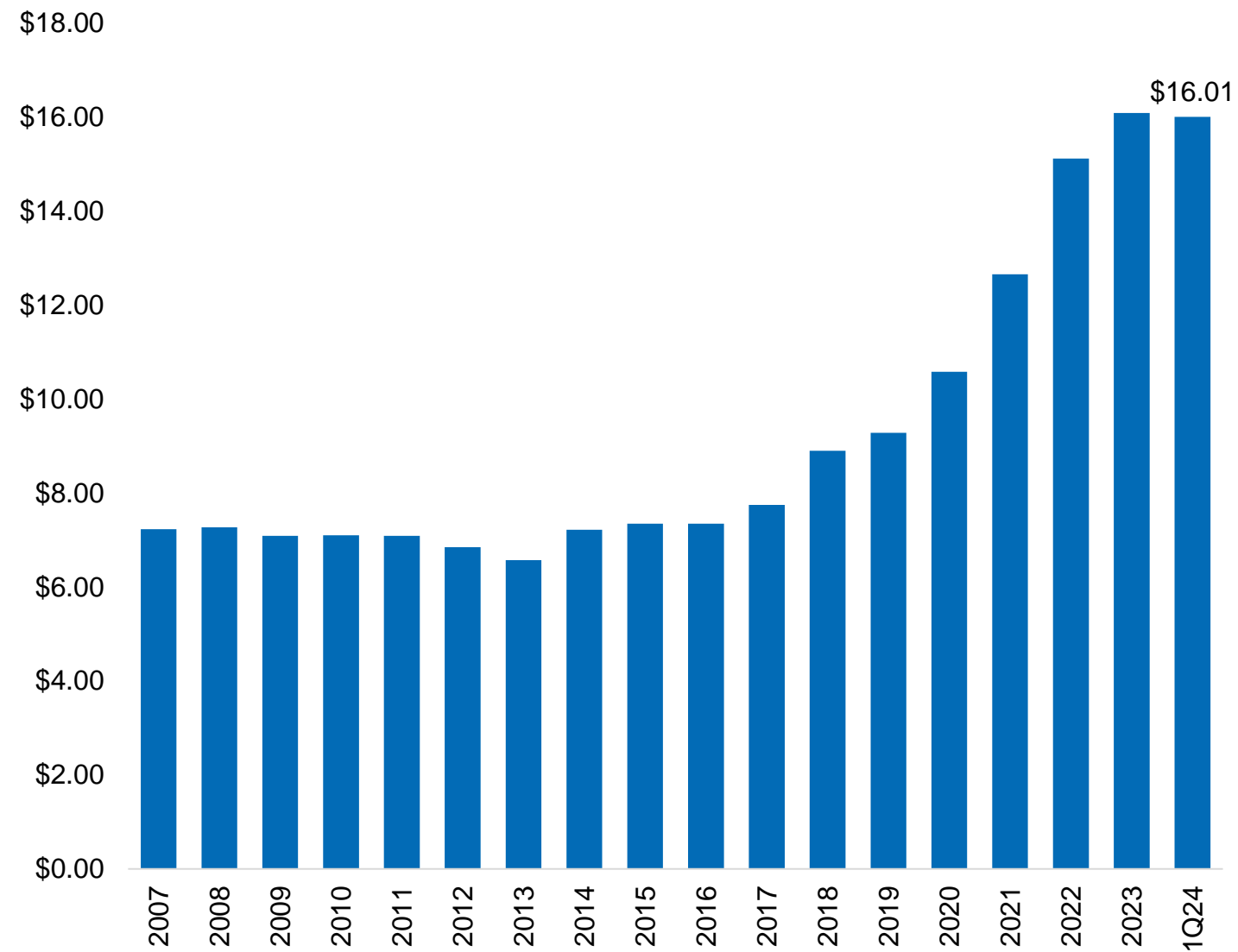


Source: Newmark Research, CoStar

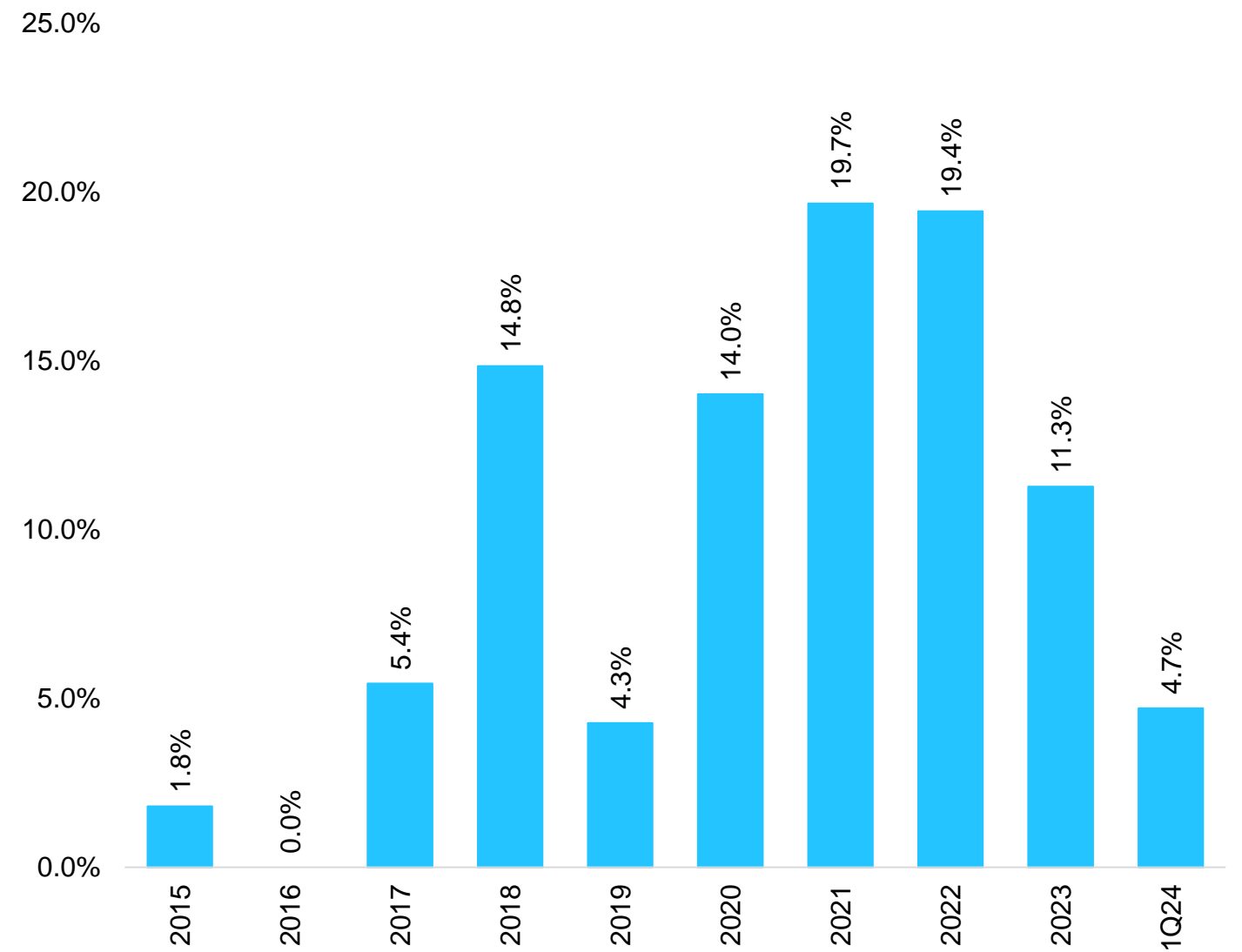
Average Asking Rents Remain Stable

Overall average asking rents in Greater Boston's industrial market continue to experience positive, albeit slower, rent growth. Since year-end 2023, rates have only slightly fallen from an all-time high and remain above \$16.00/SF. Due to the high volume of new, speculatively-built product, this large quantity of higher-priced, premium quality space is likely a main contributor to this sustained rent growth.

Industrial Average Asking Rent, \$/SF, NNN



Year-over-Year Asking Rent Growth Rate % Change



Source: Newmark Research, CoStar



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Select Lease Transactions

Though leasing volume has been lighter in comparison to some recent years, some sizeable deals were still executed in the Greater Boston industrial market during the first quarter of 2024. Deals in the smaller size ranges continue to be the dominant trend, and many users are still waiting for market conditions to settle before finalizing their decisions.

Select Lease Transactions

Tenant	Building	Submarket	Type	Square Feet
Bradford & Bigelow <i>In a sale leaseback, printing company Bradford & Bigelow sold its manufacturing facility in Newburyport to Rhino Capital Advisors for \$25 million, or \$192/SF.</i>	3 Perkins Way, Newburyport	North	Sale Leaseback	130,000
ZOLL Medical <i>The medical device company leased the entire newly-constructed warehouse/distribution facility in a plan to consolidate its operations.</i>	38 Upton Dr., Wilmington	North	Direct Lease	111,000
Christianbook Fulfillment <i>The book retailer expanded its existing premises at 140 Summit St. in Peabody.</i>	140 Summit St., Peabody	North	Lease Expansion	82,790
Staples <i>The office supply retailer will continue to occupy 64,000 SF after renewing its lease at the warehouse/distribution facility in Sharon.</i>	31 Commercial St., Sharon	South	Lease Renewal	64,000
Sublime Systems <i>The clean-tech cement company will be expanding upon its existing footprint in Somerville.</i>	28 Park St., Somerville	Urban	Lease Expansion	23,650

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Submarket Overview





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