



Boston Industrial Market

Leasing and Investment Activity Remain Solid Despite Market Uncertainty

Greater Boston's industrial market fundamentals remained healthy throughout the second quarter of 2022. Overall asking rates consistently reach historic highs, ending the quarter at \$13.21/SF NNN. The General Industrial and Warehouse/Distribution asset classes led the trend, with average asking rents achieving \$11.56/SF NNN and \$13.07/SF NNN, respectively. Strong leasing activity caused net absorption to remain positive for the 17th straight quarter, closing the second quarter of 2022 at 753,952 square feet. Demand continues to keep pace with supply in the industrial market, as vacancy rates matched a previous low of 3.0%. The flight-to-quality warehouse space is a recurring market trend, with overall Warehouse/Distribution vacancies and Class A Warehouse/Distribution vacancies also dropping to historic lows of 2.1% and 1.4%, respectively. Despite macroeconomic headwinds and overall market uncertainty, investment in industrial properties yielded \$823.4 million with an average sales price of \$245/SF. While supply chain disruptions and construction delays persist, some developers have started to demise space to meet the demand of smaller users.

Industrial Development Remains Healthy

Demand for quality industrial space in Greater Boston has proven to be resilient throughout the second quarter of 2022. Net absorption was driven by build-to-suit and preleasing, with roughly 1 million square feet of space delivered to the market.

Current Conditions

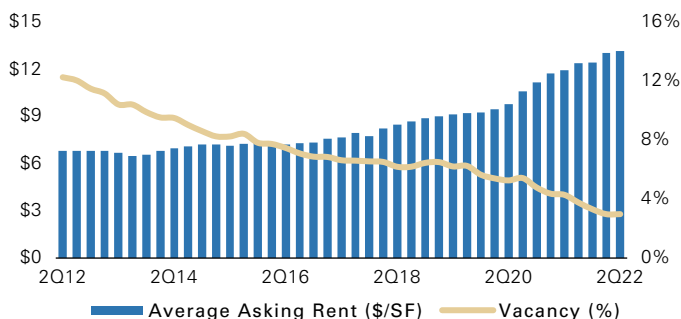
- Investment volume in industrial assets bounced back, but average per-square-foot sales figures remained level.
- Market fundamentals remain tight, with Warehouse/Distribution vacancies dipping 10 basis points further to 2.1%.
- Asking rents grew further, finishing at \$13.21/SF NNN, 10.4% higher than year-ago levels.
- Demand for quality space continues to push larger requirements to markets such as Worcester and Southern NH.

Market Summary

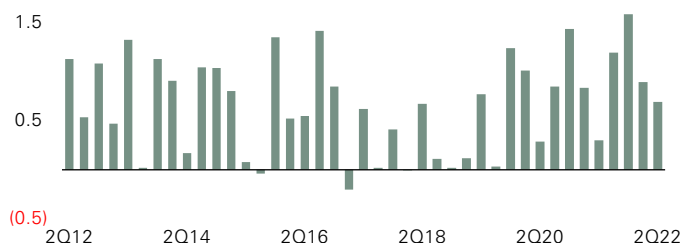
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	217.8M	217.1M	216.3M	↑
Vacancy Rate	3.0%	3.0%	4.3%	↔
Quarterly Net Absorption (SF)	723,952	936,143	352,356	↑
Average Asking Rent/SF	\$13.21	\$13.07	\$11.97	↑
Under Construction (SF)	5.0M	6.1M	2.3M	↑

Market Analysis

ASKING RENT AND VACANCY RATE



NET ABSORPTION (SF, MILLIONS)



RESEARCH Q2 2022

Home Depot's new 700,000-square-foot operations facility recently opened in Tewksbury, and Monogram Foods's 135,000-square-foot production facility came on-line in Haverhill. Marcus Partners completed construction on its 88,000-square-foot warehouse at 20 Constitution Dr. in Taunton, with the entirety of the facility being fully leased to Wayfair. Claremont Companies also delivered a 100,000-square-foot warehouse at 75 Fruit St. in Bridgewater, with PCI Pharma anchoring half of the building. TA Realty acquired the property upon completion in one of the highest price per-square-foot industrial transactions of the second quarter of 2022 at \$300/SF.

Despite such positive momentum, developers have still been challenged. Supply chain disruptions, rising construction costs and inflationary conditions have forced developers to adapt to market corrections. Preleasing has remained strong in new speculative developments, but larger users willing to commit to speculative leases are harder to come by. With requirements of 150,000 square feet and below dominating the market, developers have begun exploring options for demising space and creating facilities capable of multi-tenant scenarios. There are 5.1 million square feet of industrial space under construction and approximately 29.6 million square feet of projects proposed or permitted in the Boston metro pipeline, but successful delivery will be dependent on current recessionary pressures.

Market Activity

Industrial leasing activity dipped slightly but remained robust during the second quarter of 2022. Although leasing activity was down slightly compared to previous quarters, net absorption remained strong, exhibiting largely positive numbers across the Boston metro area, driven primarily by the occupation of pre-leased space. Deal volume in the second quarter of 2022 included mostly medium-sized transactions with average deal size falling between 50,000 to 60,000 square feet. Leasing transactions this quarter were spread fairly evenly between subtypes. The three largest deals executed were new leases, all located in the North industrial submarket. Warehouse/Distribution leasing activity continues to dominate the market, but R&D/Flex displayed strength this quarter, as well. Notable transactions that occurred in the second quarter of 2022 include Axcelis Technologies' 95,800-square-foot lease located at 105 Sam Fonzo Dr. in Beverly, a build-to suit for the company, set for completion in early 2023. Sacks Exhibits inked a 76,055-square-foot direct lease at 76 Holton St. in Woburn. Factorial closed on a

67,400-square-foot lease at 501 Griffin Brook Dr. in Methuen, the former Microtouch corporate headquarters. Additionally, Iron Mountain Information Management executed a 67,288-square-foot direct lease at 1515 Washington St. in Braintree, an R&D/Flex facility.

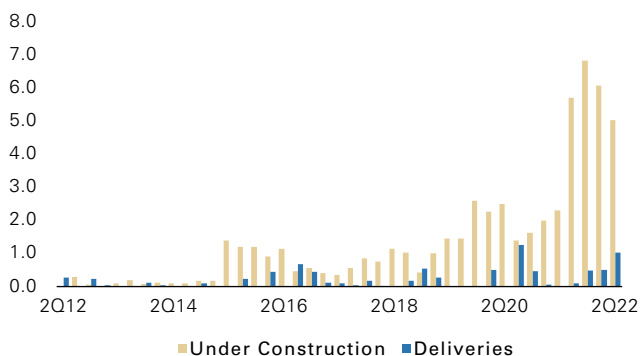
Due to the scarcity of available Warehouse/Distribution space in the immediate Boston metro area, Southern New Hampshire and the Worcester metro area have rapidly grown in popularity as a reliable source for quality square footage. There are limited big blocks of existing Class A Warehouse/Distribution space in the Boston metro area, prompting concerns for tenants with larger requirements. Overall availability rates for Class A warehouse in the overall Boston metro have fallen for the fifth straight quarter, and direct availability has dropped below 1% for the first time, to 0.8%. Leasing activity will likely suffer in the near term as tenants await the delivery of just under 5.0 million square feet of Class A warehouse currently under construction.

Record-Setting Rent Growth

Industrial asking rents for the overall Boston metro persisted in an upward trend to another all-time high, finishing out the second quarter of 2022 at \$13.21/SF NNN. This represents a 10.4% increase compared to year-ago levels, and a 39.3% increase since before the pandemic. Vacancy remained at last-quarter levels, at 3.0%. The West Industrial submarket experienced the largest decline in vacancy this quarter, dropping 50 basis points to 2.6%, while the South submarket, typically generating the largest declines throughout the pandemic era, witnessed no change in vacancy. The Central submarket followed closely with the West, dropping 40 basis points to 2.6%. In an attempt to alleviate demand, there currently exists 5.0 million square feet of Warehouse/Distribution space under construction split across all submarkets, with the lion's share being in the former. Although a recession appears imminent, landlords have continued to maintain unprecedented rent growth. Lease rates for Warehouse/Distribution space finished the quarter at \$13.07/SF NNN, a small increase of just half a percentage point compared to numbers from the first quarter of 2022, but up dramatically from year-ago levels. Average asking rents for R&D/Flex space also experienced a slight increase, to \$14.66/SF NNN. This marked a 0.2% quarter-over-quarter decrease, positioning rates at 6.0% below year-ago levels. Greater Boston's Urban industrial submarket has remained on top from an asking

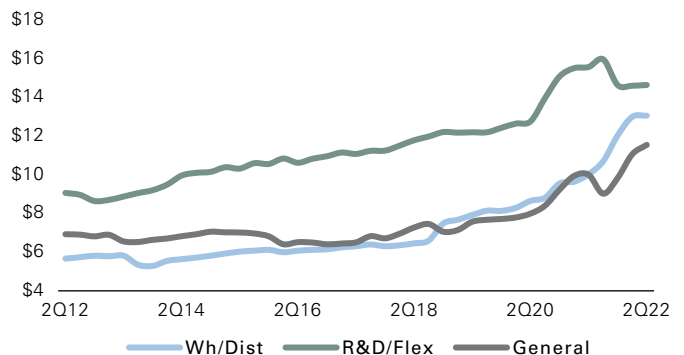
Construction and Deliveries

SQUARE FEET, MILLIONS



Asking Rent by Property Type

\$/SF



RESEARCH Q2 2022

rent perspective, garnering the highest asking rents in the metro, typically ranging from \$25.00/SF to \$35.00/SF NNN. Rents within the Route 128 Loop are now collecting \$15.00/SF to \$20.00/SF NNN and rents along the Route 495 Belt generally range from \$10.00/SF to \$14.00/SF NNN.

Capital Markets

Industrial investment in Greater Boston gained some ground after a relatively relaxed start to 2022. Approximately \$823.4 million across 3.6 million square feet of industrial product changed hands throughout the metro area during the second quarter of 2022.

The average per-square-foot sale price remained in line with levels observed in the first quarter of 2022, finishing at \$245/SF.

Larger sales transactions this quarter were split fairly evenly between individual property and portfolio sales. LaSalle Investment Management purchased the 345,000-square-foot Warehouse/Distribution facility at 160 Mechanic St in Bellingham for \$96.7 million, or \$280/SF; the facility is 100% occupied by Trimark. Other notable individual property transactions include 300 Financial Park in Franklin, which sold for \$73.6 million, or \$245/SF, to Intercontinental Real Estate. Additionally, 1 Second Street in Peabody, another Warehouse/Distribution asset, sold to Oliver Street Capital for \$35.8 million, or \$229/SF. Lastly, the 90,470-square-foot warehouse property at 220 Hopping Brook Rd. in Holliston, a future GMP/biomanufacturing facility, sold to a joint venture between Lincoln Property Co. and Stockbridge for \$31.4 million, or \$347/SF in a sale-leaseback transaction with Web Industries.

A handful of notable portfolio transactions materialized during the second quarter of 2022, the largest of which occurred in the South. The Southeast Massachusetts Industrial Portfolio, an eight-property portfolio spread across six towns, consisting of five Warehouse/Distribution and three R&D/Flex properties, sold

to Arden Logistics Parks for \$160.0 million, or \$113/SF. Another notable portfolio sale occurred in Dedham, where Invesco purchased a two-property portfolio consisting of R&D/Flex & General Industrial assets. The portfolio sold for \$135.0 million, or \$320/SF, and included 100-180 and 210-240 Rustcraft Rd. Lastly, the RSF Portfolio, consisting of five properties in the South submarket, sold to Ares for \$75.2 million, or \$254/SF, including the sale of 111-128 York Ave. in Randolph that sold for \$47.5 million, or \$277/SF, nearly triple what it sold for 19 months prior. Expect to see continued interest, as owners remain motivated to expand their portfolios into the realm of industrial assets.

Outlook

Both leasing and investment activity remain robust with continued strength in demand-side fundamentals. While there has been a slight stagnation in activity, fundamentals in Greater Boston's industrial market remain decidedly positive, characterized by historically low vacancy rates and record rental rates. Developers and investors alike are keen on expanding their portfolios throughout the Greater Boston region. However, getting new product out of the ground has proven to be a lasting issue, as tenants with larger requirements await the delivery of much-needed supply. This scarcity has established the industrial asset class as one of the most desirable in the Boston metro for investors and developers alike.

With the likelihood of a recession looming, consumers face ever-growing inflation prompting a shift in consumer habits. Nevertheless, e-commerce tenants are remaining positive among market uncertainty, commanding quality industrial space to accommodate existing demand. This demand continues to drive tenants further outside of the immediate Boston metro, a trend expected to remain prevalent moving forward.

Select Lease Transactions

Tenant	Address	Submarket	Type	Square Feet
Axcelis Technologies	105 Sam Fonzo Drive, Beverly	North	Direct Lease	95,800
Sacks Exhibits	76 Holton Street, Woburn	North	Direct Lease	76,055
Factorial	501 Griffin Brook Drive, Methuen	North	Direct Lease	67,400
Iron Mountain Information Management	1515 Washington Street, Braintree	South	Lease Extension	67,288
Aspen Aerogels	870 Donald Lynch Boulevard, Marlborough	West	Lease Extension	58,965

Select Sale Transactions

Address	Submarket	Property Type	Sale Price	Price/SF	Square Feet
Southeast MA Industrial Portfolio	South	Warehouse/Distribution R&D/Flex	\$160,000,000	\$113	1,422,473
100-180 & 210-240 Rustcraft Road, Dedham	West	General Industrial R&D/Flex	\$135,000,000	\$320	421,924
160 Mechanic Street, Bellingham	South	Warehouse/Distribution	\$96,700,000	\$281	345,000
RSF Portfolio	South	Warehouse/Distribution	\$75,150,000	\$254	295,602
300 Financial Park, Franklin	South	Warehouse/Distribution	\$73,600,000	\$246	300,000
1 Second Street, Peabody	North	Warehouse/Distribution	\$35,800,000	\$229	157,293

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	22,620,142	299,540	3.5%	86,535	233,242	\$20.80	\$23.52	\$19.85
North	76,780,315	3,395,800	3.9%	397,983	487,528	\$14.72	\$14.76	\$13.72
South	81,572,203	1,443,440	2.2%	36,195	631,236	\$10.16	\$14.17	\$11.31
West	36,856,076	-	2.6%	203,259	308,089	\$12.18	\$12.32	\$11.37
Market	217,828,736	5,138,780	3.0%	723,952	1,660,095	\$13.07	\$14.66	\$13.21

Submarket Statistics by Subtype

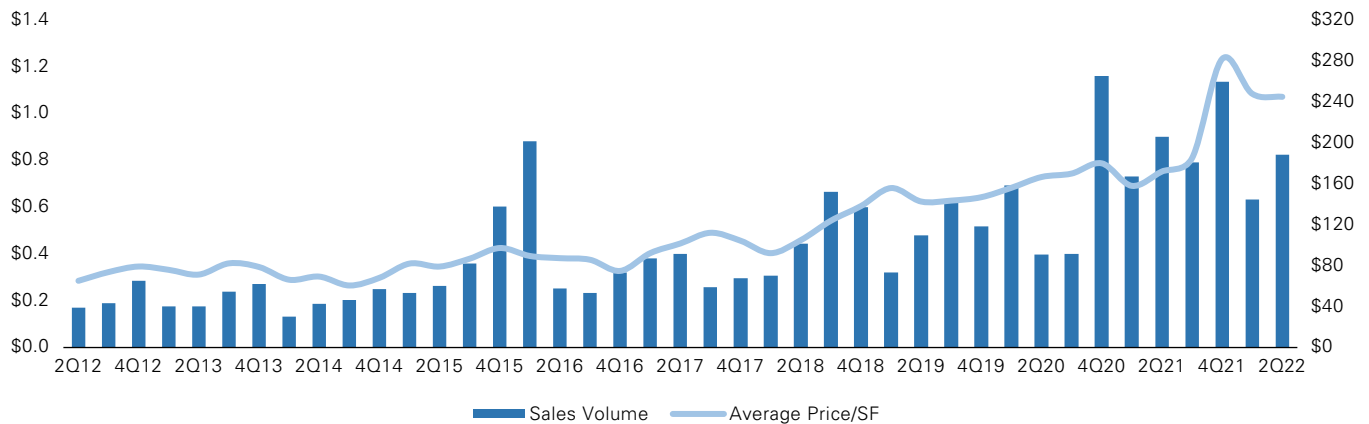
	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Total Asking Rent (Price/SF)
General Industrial	57,898,514	155,800	3.2%	(248,391)	(56,159)	\$11.56
R&D/Flex	52,389,683	-	4.6%	101,113	177,536	\$14.66
Warehouse/Distribution	107,540,539	4,982,980	2.1%	871,230	1,538,718	\$13.07
Market	217,828,736	5,138,780	3.0%	723,952	1,660,095	\$13.21

Class A Statistics

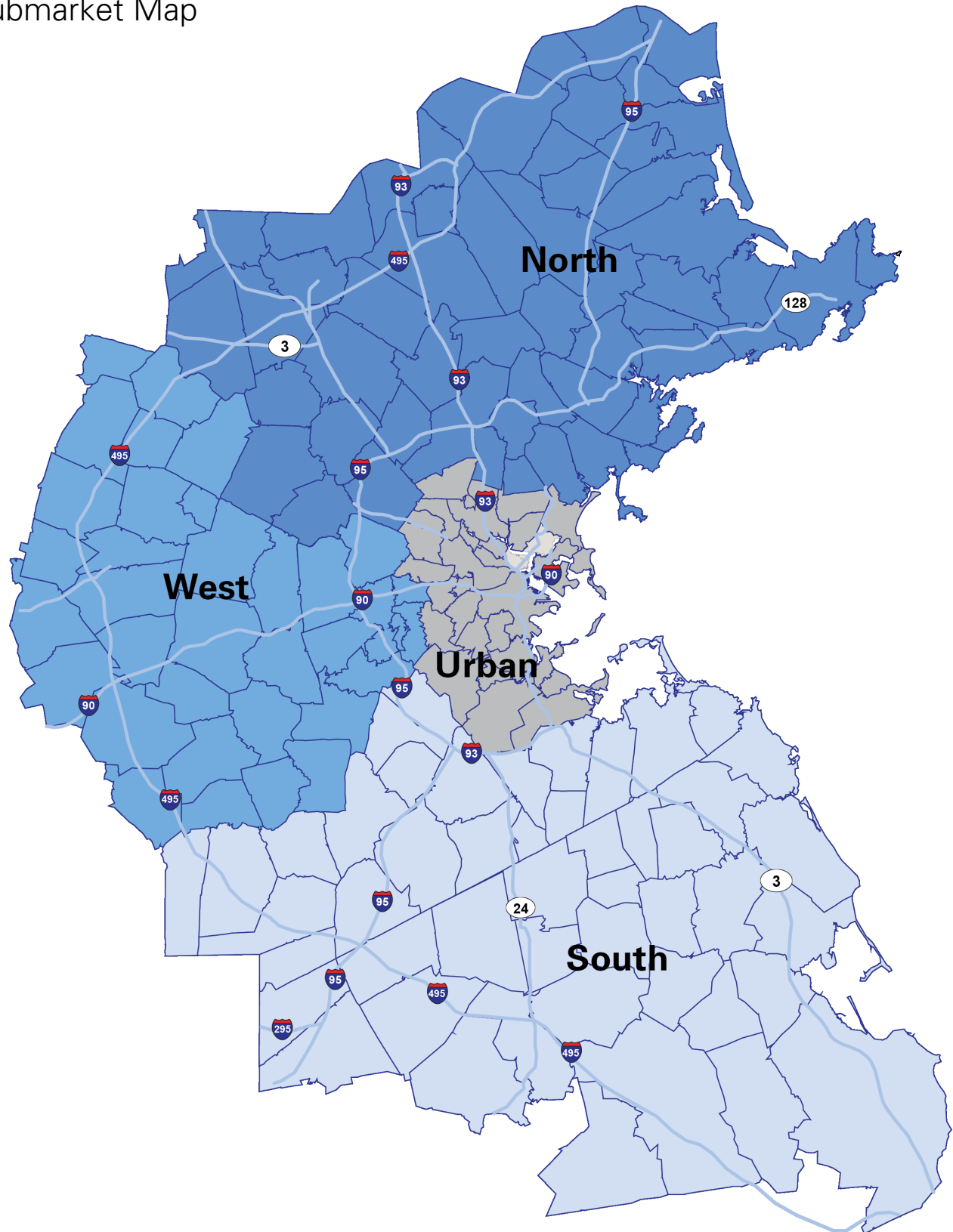
	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	WH/Dist. Asking Rent (Price/SF)	Total Asking Rent (Price/SF)
Market	34,600,199	4,677,140	1.2%	768,000	1,267,165	\$15.40	\$14.66

Industrial Investment

SALES VOLUME (BILLIONS AND AVERAGE PRICE/SF)



Submarket Map



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