

Industrial Report

Greater Boston

Q1 2024

Lincoln

Contents

02

Overview

05

Investment Sales

03

Leasing Trends

06

Industrial Stats

04

Development

Overview

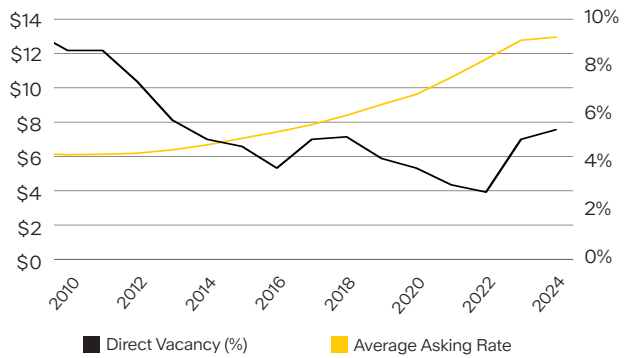
Vacancies expanded for the fifth consecutive quarter in the Boston Industrial Market in Q1 2024 and finished at 5.7%. Net absorption rebounded to about 200,000 square feet, but trailed supply additions. Roughly 800,000 square feet was added to the sublet market, however, bringing the total sublet rate to 1.6%. Although both experienced similar rates of vacancy expansion, rent growth was much stronger in the flex segment than in warehouse last quarter. Flex rents increased by 4.5%, which would be a record pace if held throughout the rest of the year. Warehouse rents increased by 1.5%, which is still an impressive pace compared with the long-term historical average, but trailed the 2.5% averaged across the previous 12 quarters. High interest rates continue to weigh on investment, and Q1 2024 sales volume was the lowest first quarter total in a decade.

Almost 2.8 million square feet delivered last quarter, which exceeded the total for the entire second half of last year and was the highest quarterly total since Q1 2023. Several projects were build-to-suits, including warehouses for UPS (125,000 square feet in Saugus) and F.W. Webb (91,000 square feet in Boston) and a 200,000-square foot flex building for Locus Robotics in Wilmington. But speculative supply has picked up and about 80% of space delivered last quarter is still available, compared with about 50% of Q1 2023 supply being occupied at delivery. Absorption occurred at new properties due to leases signed in previous quarters, but most deals signed in Q1 2024 were for older properties. Supply pressures will continue, with more than 7 million square feet under construction across Greater Boston and about 11 million square feet underway across Eastern and Central Massachusetts. Roughly one-third of the under-construction space in Eastern Massachusetts is still available, including openings in about 15 properties.

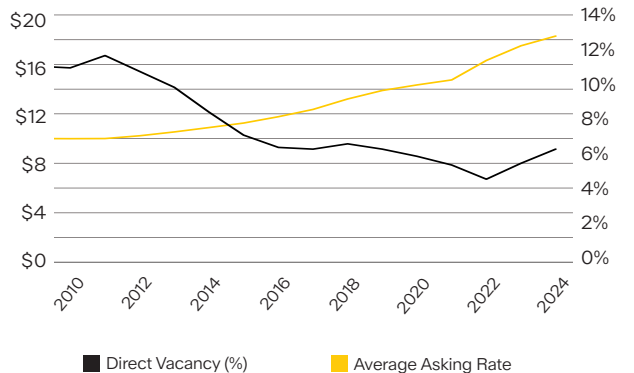
Looking Forward

The industrial sector cooled in recent quarters due to inflation, high interest rates, and pandemic after-effects, but still has many demand drivers in its favor. E-commerce growth has decelerated from its peak in the early years of the pandemic, but still increased by 8% over the last year. E-commerce retail sales as a percentage of total sales reached 15.6% in Q4 2023, the highest-ever total except for Q2 2020, and this figure still trails that of other developed nations, suggesting room for further growth. The local biotech market should also support growth in the GMP sector. Per the BLS's latest estimate, Massachusetts ranked second among all states in biomanufacturing employment growth. Businesses and the government have worked to reduce offshored biomanufacturing and the federal government earmarked more than \$2 billion across several departments to support domestic biotechnology and biomanufacturing. This presents a lot of opportunity for the Massachusetts GMP market, with nearly 2,000 drugs in the local development pipeline. This ranks second to California nationally and easily leads all states on a per capita basis.

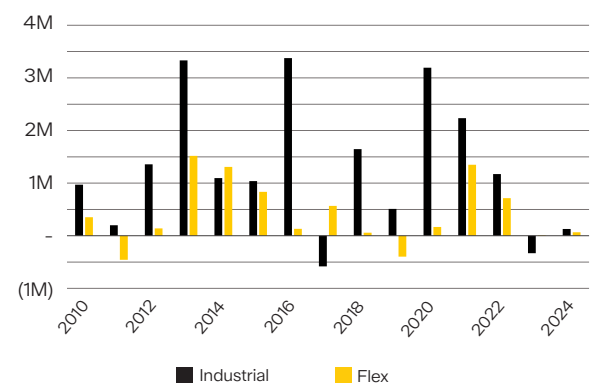
Industrial
Average Asking Rate & Direct Vacancy



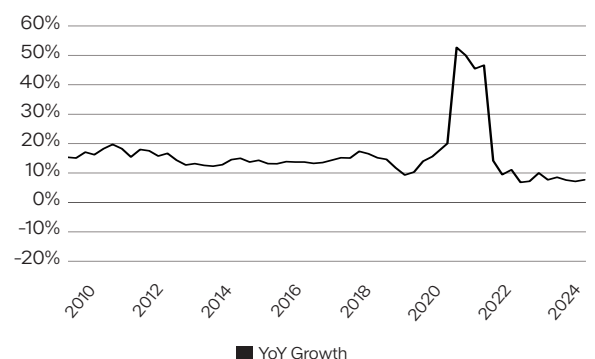
Flex
Average Asking Rate & Direct Vacancy



Net Absorption (SF)



Annual Growth in E-Commerce Sales - US



Leasing Trends

The three largest leases of the quarter involved tenants remaining in warehouse space in the western and northern 495 submarkets. Kidde-Fenwal renewed its 200,000-square foot space at 400 Main Street in Ashland for three years at a starting rent of \$11.25 per square foot triple net. The fire protection company has operated in the property for several decades and filed for bankruptcy in the first half of 2023. Office furniture company Colonial Systems renewed for 150,000 square feet at 1 Distribution Center. The firm's rent at the multitenant facility in Littleton will start at \$13.25 per square foot triple net. Bradford & Bigelow leased its 3 Perkins Way facility in Newburyport for 15 years as part of a sale leaseback transaction. The printing company purchased the property in 2006 for \$3.75 million in an owner/user deal before selling it for \$25 million last quarter. Bradford & Bigelow was represented by Lincoln Property Company in this transaction.

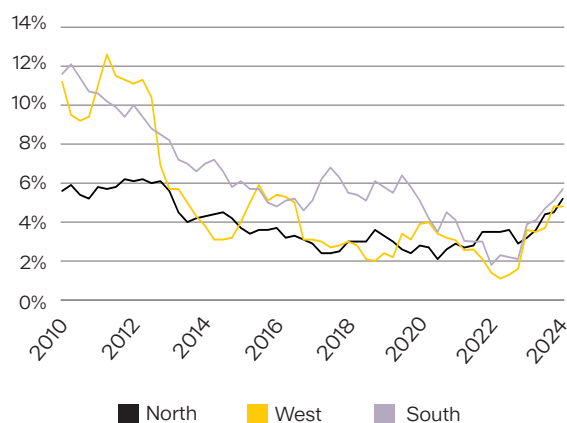
Several large renewals also closed in the southern submarkets. Stalwart Productions, a film company, renewed for 86,000 square feet at 84 Teed Drive in Randolph. Staples re-upped its 64,200-square foot warehouse space at 31 Commercial Street in Sharon. Needham Electric signed on for another five years at 670 Canton Street in Norwood. In Franklin, Eastern Acoustic Works signed the market's largest new lease of the quarter. The speaker company signed for 56,725 square feet at 19 National Drive.

Flex leases were less prevalent, but a couple notable deals closed in the western suburbs. Global defense and security firm QinetiQ extended its 68,356-square foot lease at 358 Second Avenue in Waltham. BWT Pharma & Biotech renewed its 37,500-square foot space at 417 South Street in Marlborough for seven years. The biopharma water supplier's rent will start at \$13.75 per square foot triple net.

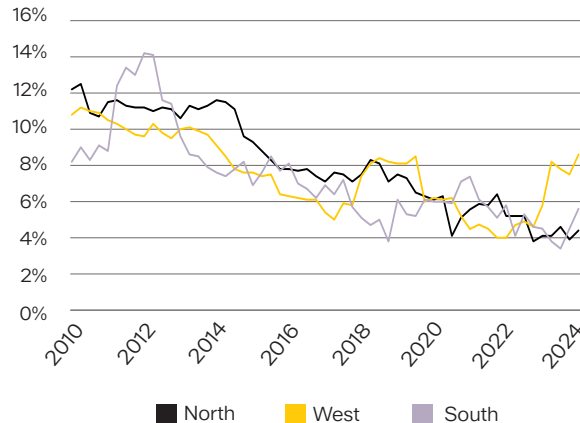
Top Leases

	SF
Kidde-Fenwal 400 Main Street, Ashland 495 Mass Pike Warehouse	200,000
Colonial Systems 1 Distribution Center, Littleton 495 Route 2 Warehouse	150,000
Bradford & Bigelow 3 Perkins Way, Newburyport 495 Northeast Warehouse	130,000
Stalwart Productions 84 Teed Drive, Randolph 128 South Warehouse	86,000
QinetiQ 358 Second Ave, Waltham 128 West Flex	68,356
Staples 31 Commercial Street, Sharon 495 South Warehouse	64,200
Needham Electric 670 Canton Street, Norwood 128 South Warehouse	63,000
Eastern Acoustic Works 19 National Drive, Franklin 495 South Warehouse	56,725
WilsonArt 29 Concord Street, North Reading 128 North Warehouse	55,000
Northeast Electrical 65 Green Street, Foxborough 495 South Warehouse	50,000

Industrial Direct Vacancies



Flex Direct Vacancies

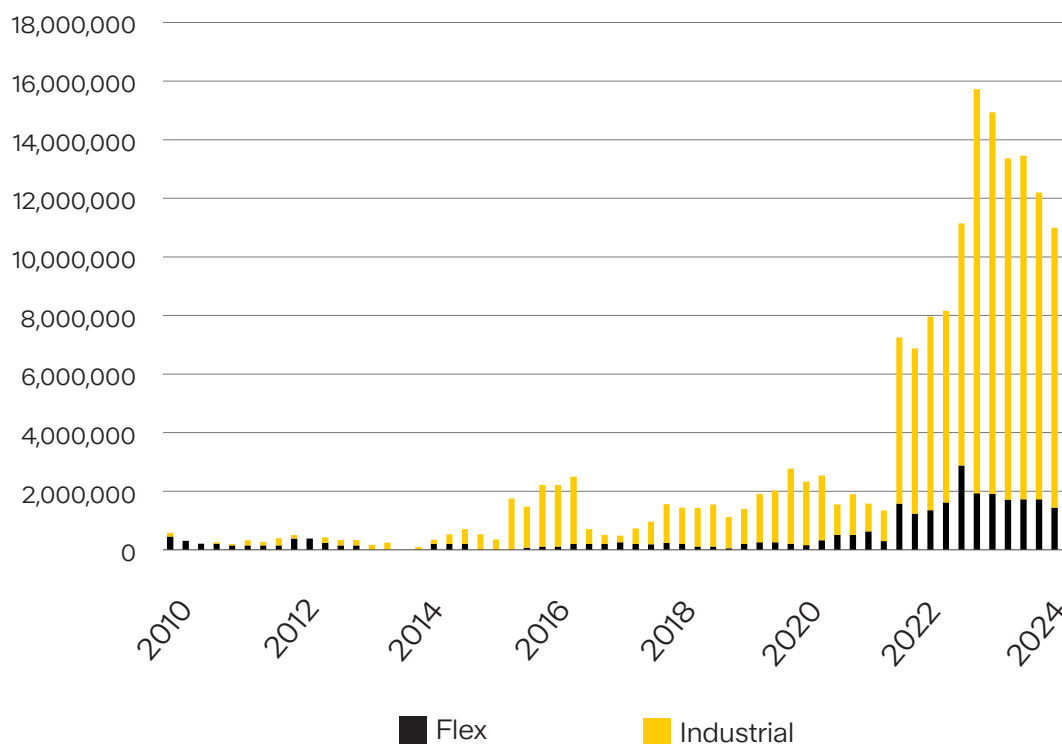


Development

Most of the development pipeline are warehouses and distribution centers, including two large fulfillment centers being developed for Amazon that combine for more than half the industrial space underway across the state. Hillwood Development's 3.8 million-square foot, 5-story Amazon Fulfillment Center at Osgood Landing in North Andover broke ground in Q3 2021 and is expected to open in the first half of 2024. Bluewater Property Group is building a 2.8 million-square foot center for Amazon in Charlton that is also expected to open in 2024. Outside these projects, about 75% of the warehouse pipeline is still available for lease. Speculative warehouses have an average of about 200,000 square feet available. Higher clear heights in the range of 36'-40' are common in new developments to accommodate the holding of more goods. Speculative developments with clear heights of at least 36 feet include GFI Partners' 75 Plain Street in Hopedale, NorthBridge's 150 Revolutionary Drive in Taunton, and Howland Development Corporation's 4 Executive Drive in Andover.

About 10 flex and GMP facilities are also under construction, in which about two-thirds of space is preleased. Build-to-suits are underway for Moderna (350,000 square feet in Norwood), Commonwealth Fusion Systems (160,000 square feet in Devens), and Intellia Therapeutics (140,000 square feet in Waltham). Biotech companies often require GMP space for production capacity and are increasingly looking to base these operations domestically, due in part to the recent struggles of the global supply chain and government incentives. GMP properties are typically located farther from the urban core than labs, with Middlesex County home to more than 70% of the Massachusetts' R&D jobs, but just 45% of the state's biomanufacturing jobs. Massachusetts was also recently selected as one of eight regional hubs for microelectronics production, receiving \$19.7 million through the Federal CHIPS and Science Act, boding well for future flex/high tech R&D demand.

Under Construction (SF)



Investment Sales

High interest rates continued to limit industrial investment activity. After falling to its lowest number since 2018 last year, sales volume in Q1 2024 reached its lowest first quarter total in a decade. The triple net sales involving properties leased long-term to credit tenants that characterized the top trades of the early 2020s have made way for a broader range of transaction types. The largest sale last quarter was an owner/user deal. Yale Appliance and Lighting opted to buy the 220,000-square foot warehouse at 42 Leonard Street in Norton, which was purpose-built for them and delivered in October 2023, from Condyne Capital Partners for \$45 million.

The next largest deal was Alexandria's redevelopment purchase of the industrial showroom at 307 Dorchester Avenue in Boston for \$43 million. F.W. Webb sold the property shortly after vacating it for its new home at 101 Hampden Street in Newburyport, Bradford & Bigelow executed a sale leaseback for its property at 3 Perkins Way. The printing supplier sold the 140,000-square foot warehouse for \$25 million to Rhino Capital Advisors and leased it back for 15 years in the transaction. Lincoln Property Company repped Bradford & Bigelow in the sale.

Top Sales

	Price	PSF	Buyer	Seller
42 Leonard Street Norton Warehouse	\$45 Million	\$205	Yale Appliance and Lighting	Condyne Capital Partners
307 Dorchester Ave Boston Redevelopment	\$43 Million	\$879	Alexandria Real Estate Equities	F.W. Webb Company
3 Perkins Way Newburyport Warehouse	\$25 Million	\$192	Rhino Capital Advisors	Bradford & Bigelow
16 Bulge Road Devens Flex	\$24.01 Million	\$173	NorthBridge	Scannell Properties

Industrial Stats Q1 2024

Warehouse/Industrial

Submarket	Inventory SF	% Vacant	% Sublet	% Available	Quarterly Absorption	Annual Absorption	Asking Rate (NNN)
West	25,837,092	4.8%	2.0%	9.8%	113,791	(273,794)	\$12.27
North	41,141,010	5.2%	1.1%	8.8%	36,384	(95,641)	\$13.79
South	67,550,503	5.7%	1.6%	11.0%	(61,322)	(113,967)	\$11.42
Suburbs Total	134,528,605	5.3%	1.6%	10.1%	88,853	(483,402)	\$12.31
Inner Total	14,920,287	6.1%	1.6%	8.8%	40,913	176,115	\$18.80
Warehouse/ Industrial Total	149,448,892	5.4%	1.6%	10.0%	129,766	(307,287)	\$12.96

Flex/R&D

Submarket	Inventory SF	% Vacant	% Sublet	% Available	Quarterly Absorption	Annual Absorption	Asking Rate (NNN)
West	20,872,835	8.6%	1.2%	12.1%	58,249	(50,568)	\$18.67
North	28,567,871	4.4%	2.3%	9.4%	205,187	305,058	\$17.58
South	18,125,481	5.6%	1.7%	12.0%	(211,853)	80,188	\$15.69
Suburbs Total	67,566,187	6.0%	1.8%	10.9%	51,583	334,678	\$17.41
Inner Total	5,341,104	10.8%	0.3%	13.9%	14,000	28,555	\$29.44
Flex/ R&D Total	72,907,291	6.4%	1.7%	11.1%	65,583	363,233	\$18.29

Totals

Submarket	Inventory SF	% Vacant	% Sublet	% Available	Quarterly Absorption	Annual Absorption	Asking Rate (NNN)
All Industrial	222,356,183	5.7%	1.6%	10.4%	195,349	55,946	\$14.71

Adin Perera
Research Director
53 State Street, 8th Floor
Boston, MA 02109

www.lpc.com

Lincoln