

Industrial Report

Greater Boston

Q2 2024

Lincoln

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Overview

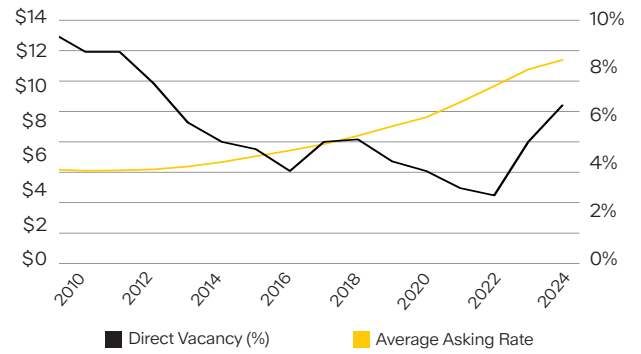
Vacancies expanded for the sixth consecutive quarter in the Boston Industrial Market and finished Q2 2024 at 6.7%. Warehouse net absorption exceeded 3 million square feet, but trailed supply additions as new projects continue to struggle with leaseup. The flex market took on fewer deliveries, but dealt with negative net absorption. Sublet rates stayed level, at about 1.6%. The southern submarkets have the highest overall warehouse availability rate, at 12.5%, while the western and inner submarkets have the highest flex availability rates, at 13% and 16%, respectively. Despite vacancy expansion, rents continue to grow at an excellent clip. Rents increased by about 5% in the first half of the year in the warehouse segment and by about 8% in the flex segment. This places warehouse rent growth on its pace from the last three years, while flex rent growth is on a record pace. Investment activity also picked up last quarter, more than doubling its total from Q1 2024.

Nearly 10 million square feet delivered over the last 12 months, which is one of the highest totals in the market's history. With industrial demand cooling compared with a couple years ago, many new projects have opened with vacant space. Just over half of the space opened over the last four quarters has been leased, and the 4.4 million square feet that is still availability counts for more than 25% of the overall industrial market's vacancy. The leaseup rate of recent deliveries also declines significantly without Amazon's 3.8 million-square foot fulfillment center at Osgood Landing in North Andover, which opened last quarter. Outside of this project, more than 75% of the space delivered over the last 12 months is still vacant.

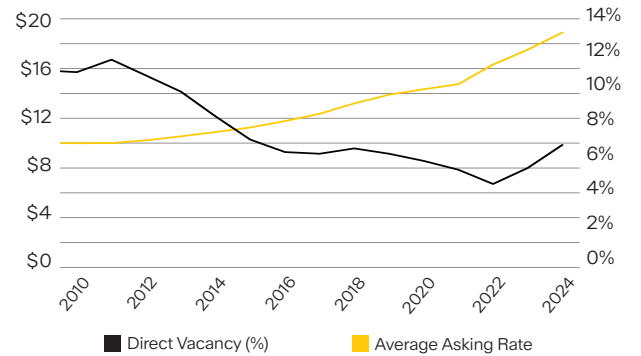
Looking Forward

Inflation, high interest rates, and normalization following unsustainable pandemic-era growth trends have cooled industrial demand, but the market is still healthier and more stable than many other commercial real estate sectors. Over the long-term, industrial can count on the continued steady growth of e-commerce supporting an increased need for logistics facilities. United States online retail sales increased by 9% over the last year, and as a percentage of overall retail sales still trails that of other developed countries, suggesting potential for further growth. The local biotech market should also support growth in the GMP sector. Businesses and the government have worked to increase domestic biomanufacturing, and the federal government earmarked more than \$2 billion across several departments to support this initiative. The Massachusetts GMP market will have tons of opportunity due to the nearly 2,000 drugs in the local development pipeline, which easily leads all states on a per capita basis. Per the BLS's latest estimate, Massachusetts ranked near the top of all states in biomanufacturing employment growth over the last year.

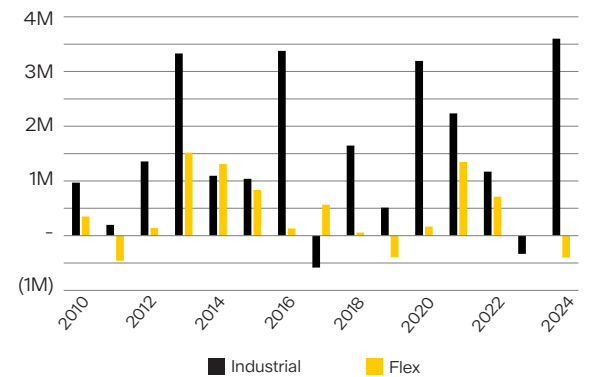
Industrial
Average Asking Rate & Direct Vacancy



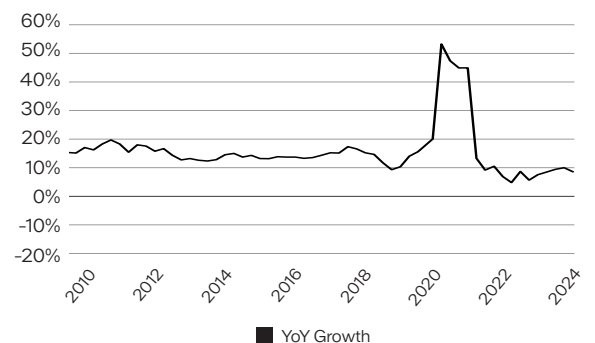
Flex
Average Asking Rate & Direct Vacancy



Net Absorption (SF)



Annual Growth in E-Commerce Sales - US



Leasing Trends

Leasing volume in Q2 2024 roughly equaled its Q1 total, and the market is on pace for its lowest total of the 2020s. Deals were heavily concentrated in the 495 submarkets last quarter, with several renewal deals leading the list of largest transactions. Kidde-Fenwal renewed its 218,316-square foot space at 400 Main Street in Ashland for ten years. The fire protection company has operated in the property for several decades. Sullivan Tire executed its 5-year renewal option at its 199,600-square foot space at 151 Charles Colton Road in Taunton. The facility opened in 2015 and was sold to Brookfield Properties in May 2021 for \$29 million. RXO Last Mile and FedEx also signed large renewals in the 495 South submarket, with the logistics companies re-upping 169,968 square feet in Franklin and 112,326 square feet in Raynham, respectively, both on 5-year terms.

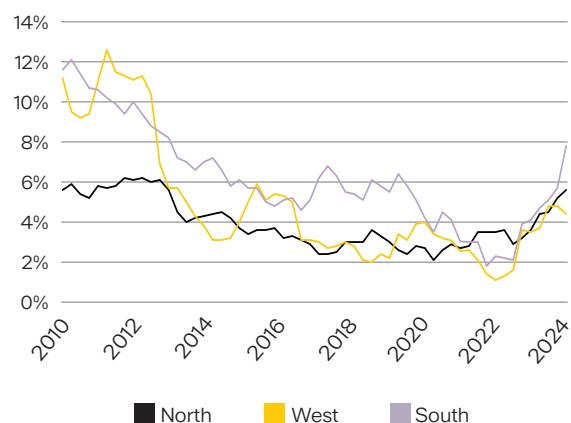
Although nearly 10 million square feet delivered over the last year, leasing for new warehouse space has slowed. The largest new warehouse deals signed last quarter were both for second generation space. EquipNet subleased 118,110 square feet at 45 Vineyard Road in Seekonk from Boston Warehouse. CELLTREAT Scientific Products leased 113,382 square feet at 3 Nemco Way in Ayer. The laboratory plastics manufacturer now occupies the full building, after it was previously subdivided for multiple tenants.

Several large flex leases were also finalized last quarter. Persimmon Technologies signed for 145,559 square feet at 35 Crosby Drive in Bedford. The robotics company signed a 15-year term with a starting rent of \$34 per square foot. Nuvera Fuel Cells renewed its 110,684-square foot space at 129 Concord Road in Billerica. The hydrogen technology company re-upped for 10 years at a starting rent of \$29 per square foot.

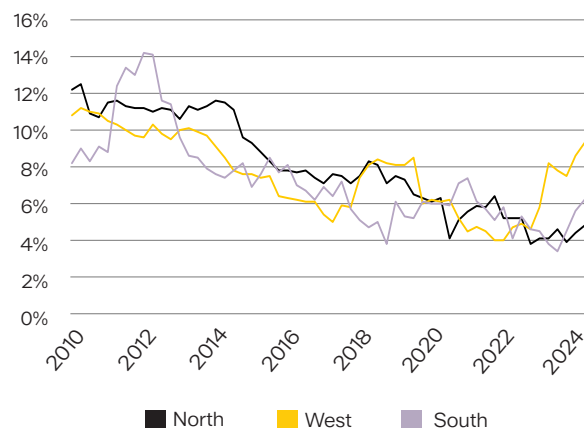
Top Leases

	SF
Kidde-Fenwal 400 Main Street, Ashland 495 Mass Pike Warehouse	218,316
Sullivan Tire 151 Charles Colton Road, Taunton 495 South Warehouse	199,600
RXO Last Mile 176 Grove Street, Franklin 495 South Warehouse	169,968
Persimmon Technologies 35 Crosby Drive, Bedford 495 Route 2 Flex	86,000
EquipNet 45 Vineyard Road, Seekonk 495 South Warehouse	118,100
CELLTREAT Scientific Products 3 Nemco Way, Ayer 495 Route 2 Warehouse	113,382
FedEx Corporation 310 Paramount Drive, Raynham 495 South Warehouse	112,326
Nuvera Fuel Cells 129 Concord Road, Billerica Route 3 North Flex	110,684
Extra Space Storage 150 Old Church Street, Pembroke 495 South Flex	104,200
H.T. Berry Co 50 North Street, Canton 128 South Warehouse	97,524

Industrial Direct Vacancies



Flex Direct Vacancies

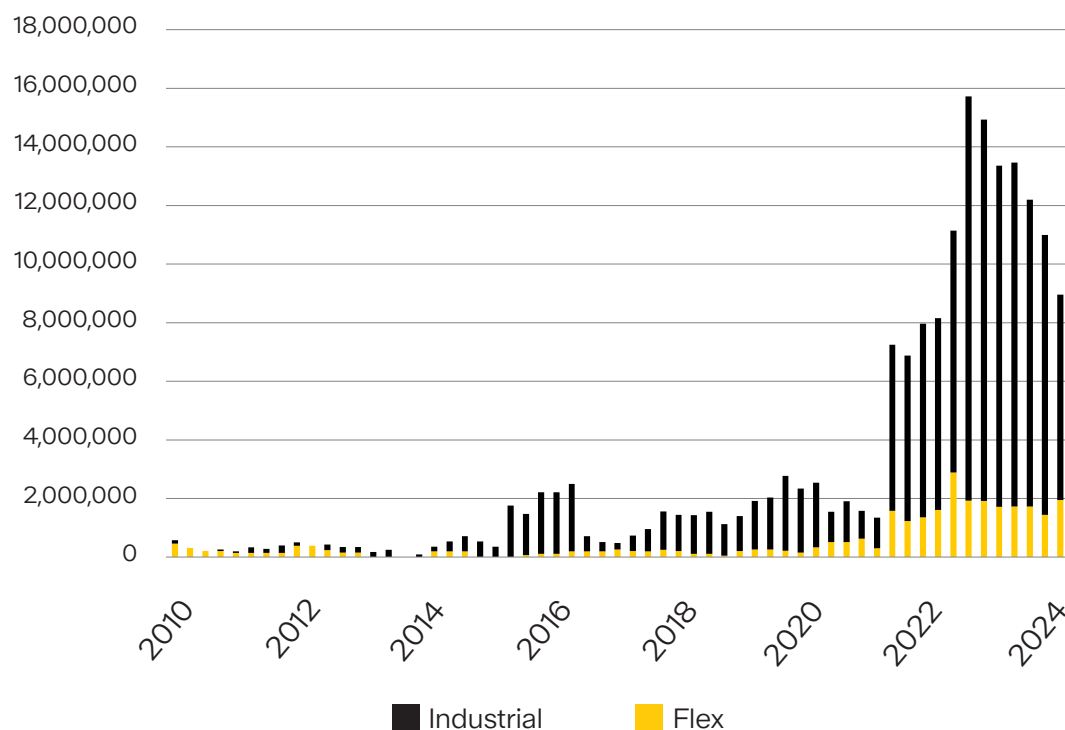


Development

The Boston Industrial Market is in the middle of a large supply wave, with roughly 10 million square feet delivered over the last year and a similar amount of space under construction. The development pipeline primarily consists of warehouses and distribution centers, and about 55% of the under-construction logistics space has preleased. Among the recent and upcoming deliveries are two large Amazon fulfillment centers. Hillwood Development's 3.8 million-square foot Osgood Landing in North Andover delivered in Q2 2024, about three years after it broke ground. Still underway is Bluewater Property Group's 2.8 million-square foot project in Charlton that is expected to open in the second half of 2024. Outside Amazon's Charlton development, about 75% of the warehouse pipeline is still available for lease. Speculative warehouses have an average of about 200,000 square feet available, and clear heights in the range of 36'-40' are common in new developments to accommodate higher capacities for storing products. Speculative developments with clear heights of at least 36 feet include GFI Partners' 75 Plain Street in Hopedale and NorthBridge's 150 Revolutionary Drive in Taunton.

About 2 million square feet of flex and GMP facilities is also under construction, roughly half of which is preleased. Biotech companies often require GMP space for production capacity and are increasingly looking to base these operations domestically due to government incentives and global supply chain issues. 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. 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). The flex/GMP market received bad news last quarter, however, when WuXi Biologics put its planned biomanufacturing space at The Reactory in Worcester on hold due to a congressional investigation of its data security. The Chinese-based company had planned to open a 189,500-square foot facility in 2025.

Under Construction (SF)



Investment Sales

Investment activity rebounded last quarter, with sales volume more than doubling Q1 2024's total and exceeding the total from Q2 2023. As has been common in recent years, the largest sale involved a newly constructed warehouse. Dogwood Industrial Properties purchased 175 Lowell Street in Wilmington from National Development for \$90 million, or \$301 per square foot. The 298,895 square foot building delivered earlier this year and still does not have a tenant. Another notable transaction was Tishman Speyer and Mitsui Fudosan America's purchase of 8 Centennial Drive in Peabody from Analogic Corporation

for \$77 million. The site includes a 520,792 square foot light manufacturing property, but was sold for its land value, with the buyers planning to develop 700,000 square feet of warehouse space on the site across four buildings. In another large trade, Ares Industrial Real Estate Income Trust purchased 14 Aegean Drive in Methuen from New York Life Investments for \$54.4 million, or \$232 per square foot. The multi-tenant light manufacturing property was fully leased at the time of sale and previously traded in December 2014 for \$21 million.

Top Sales

	Price	PSF	Buyer	Seller
175 Lowell Street Wilmington Warehouse	\$90 Million	\$301	Dogwood Industrial Properties	National Development
8 Centennial Drive Peabody Manufacturing	\$77 Million	\$148	Tishman Speyer & Mitsui Fudosan America, Inc.	Analogic Corporation
14 Aegean Drive Methuen Manufacturing	\$54.4 Million	\$232	Ares Industrial Real Estate Income Trust	New York Life Investments
76 Ashford Street Allston Manufacturing	\$19.75 Million	\$1,052	Boston University	City Realty Group

Industrial Stats Q2 2024

Warehouse/Industrial

Submarket	Inventory SF	% Vacant	% Sublet	% Available	Quarterly Absorption	Annual Absorption	Asking Rate (NNN)
West	25,796,098	4.4%	1.8%	8.8%	130,828	(185,729)	\$12.46
North	45,029,044	5.6%	0.8%	8.4%	3,525,071	3,535,602	\$14.32
South	67,868,435	7.8%	1.8%	12.5%	(101,919)	(1,431,130)	\$11.78
Suburbs Total	138,693,577	6.5%	1.5%	10.4%	3,553,980	1,918,743	\$12.73
Inner Total	14,929,878	7.4%	1.5%	10.2%	(82,036)	(5,502)	\$19.54
Warehouse/ Industrial Total	153,623,455	6.5%	1.5%	10.4%	3,471,944	1,913,241	\$13.39

Flex/R&D

Submarket	Inventory SF	% Vacant	% Sublet	% Available	Quarterly Absorption	Annual Absorption	Asking Rate (NNN)
West	20,868,305	9.3%	1.6%	13.0%	(193,781)	275,922	\$19.14
North	28,534,247	4.8%	2.7%	10.1%	(207,691)	23,918	\$18.26
South	18,143,233	6.2%	0.8%	11.8%	(50,914)	(413,788)	\$16.24
Suburbs Total	67,545,785	6.6%	1.8%	11.5%	(452,386)	(113,948)	\$17.99
Inner Total	5,356,379	11.0%	0.3%	16.0%	(14,207)	(65,502)	\$30.34
Flex/ R&D Total	72,902,164	6.9%	1.7%	11.8%	(466,593)	(179,450)	\$18.90

Totals

Submarket	Inventory SF	% Vacant	% Sublet	% Available	Quarterly Absorption	Annual Absorption	Asking Rate (NNN)
All Industrial	226,525,619	6.7%	1.6%	10.9%	3,005,351	1,733,791	\$15.16

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