

Industrial Market Report

Greater Boston

Q4 2023

Lincoln

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Overview

Vacancies expanded for the fourth consecutive quarter in the Boston Industrial Market in Q4 2023 and increased by nearly 200 basis points last year. Net absorption was negative by more than 700,000 SF last quarter and more than 300,000 SF for all of 2023, a sharp decline from the nearly positive 2 million SF reached in 2022. The sublet rate held steady throughout the year, at about 1%. Rent growth also maintained its hot pace, with 12-month increases reaching 9% and 7% in the warehouse and flex segments, respectively. Macroeconomic factors continued to weigh on the investment scene and sales volume declined to its lowest total of the 2020s last year. Several notable deals still closed in Q4, mainly involving fully leased warehouse properties.

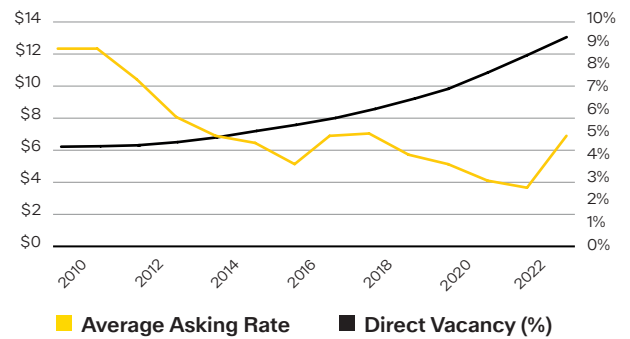
Most vacancy expansion occurred in the warehouse segment, where decelerating demand met a record supply wave. New buildings are still driving most of the largest leases in the metro, but speculative projects are also increasingly delivering with open space. Warehouse net absorption last year was negative by more than 300,000 SF, despite more than 3 million SF of new space delivered. Most warehouse demand losses occurred in the western suburbs. Supply pressures will continue in the near term, with roughly 6 million SF of warehouse space under construction in eastern Massachusetts. Several of the largest projects underway are build-to-suits, but about 25% of under construction space is still available for lease.

Looking Forward

The industrial sector cooled in 2023 due to inflation, high interest rates, and pandemic after-effects. Inflation and high interest rates stunted growth by reducing consumer spending and home sales, which is a key demand driver for furniture, appliances, and other goods likely to pass through warehouses. Retailers have downsized their inventory stockpiles and logistics space requirements, as demand cools from the surge felt across the first few years of the pandemic. Biotech VC funding has also fallen from pandemic-era highs, which has impacted the growth of life sciences companies in their search for both lab and GMP/biomanufacturing space. Fortunately, inflation has moderated and the Fed signaled it will likely start cutting rates in 2024. Lower interest rates should support increases in consumer spending, home sales, and biotech VC funding. The federal government also earmarked more than \$2 billion across several departments to support domestic biotechnology and biomanufacturing and selected Massachusetts as one of eight regional hubs for microelectronics production, receiving \$19.7 million through the Federal CHIPS and Science Act.

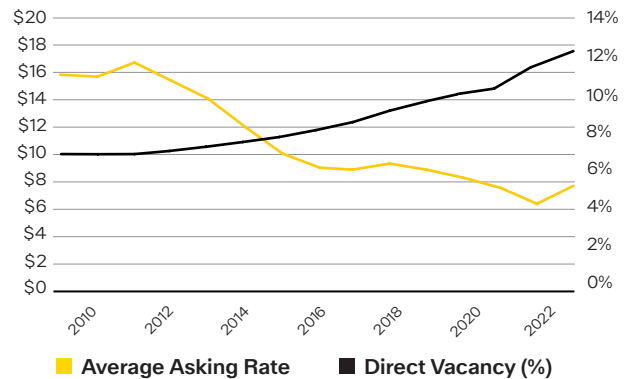
Industrial

Average Asking Rate & Direct Vacancy

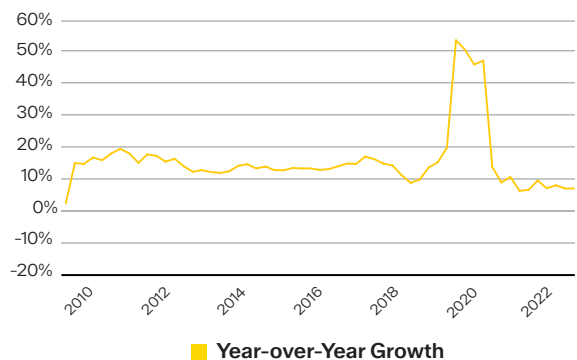


Flex

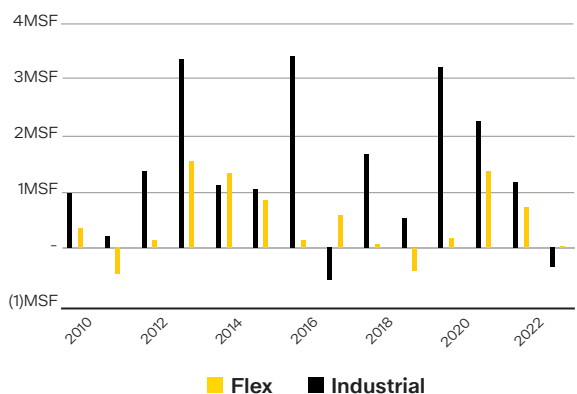
Average Asking Rate & Direct Vacancy



Annual Growth in E-Commerce Sales



Net Absorption (SF)



Leasing Trends

New warehouse construction continues to be a major driver of leasing activity. In the largest deal signed in the Boston metro last quarter, Air Energy Group leased 149,680 SF at 105 Industrial Blvd. in Brockton. The company, which specializes in air and vacuum systems for the life sciences industry, signed a 7-year lease at a starting rent of \$14 PSF NNN. Other notable deals for first-generation space last quarter included Repligen for 138,969 SF at 384-386 South St. in Shrewsbury and Zoll Medical for 110,000 SF at 38 Upton Dr. in Wilmington. Repligen signed a 10-year deal with a starting rent of \$14.25 PSF NNN, while rents on Zoll Medical's 10-year lease start at \$20 PSF NNN. 105 Industrial Blvd. and 38 Upton Dr. delivered last year, while 384-386 South St. opened in 2022.

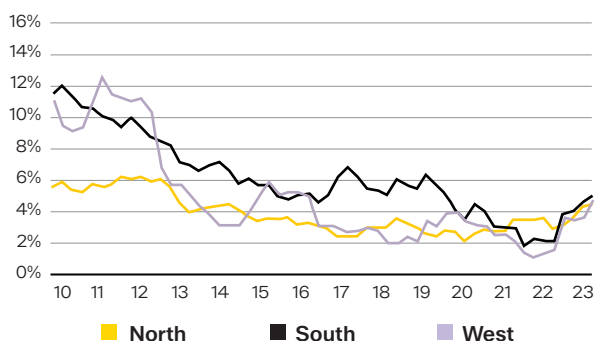
A couple large renewal deals were also among last quarter's top deals. Curriculum Associates re-upped its 140,000 SF space at 1 Distribution Center Circle in Littleton. The company signed a 7-year deal with a starting rent of \$13 PSF NNN, having previously signed a 5-year lease at the property in February 2020. Williams Sonoma also renewed its roughly 140,000 SF space at 150 Charles F Colton Rd. in Taunton, where it has been since shortly after the property opened in 2016. The retailer signed a 5-year deal last quarter with a starting rent of \$12.50 PSF NNN.

Several notable deals were also signed in Worcester County, in both older properties and new construction. McKesson Medical Surgical signed a 444,413-SF lease at 40 Lackey Dam Rd. in Uxbridge, which was the largest industrial deal closed in Massachusetts last quarter. The property opened in 2023 and McKesson Medical Surgical signed a 15-year term. Old Dominion Freight Line signed a 92,622-SF lease at 6 Pioneer Dr. in North Oxford, which opened in 1998.

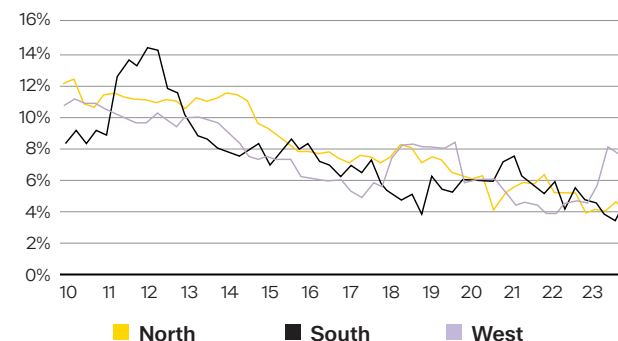
Top Leases

Company	Address	Size (SF)
McKesson Medical Surgical	40 Lackey Dam Rd. Uxbridge: Worcester County	444,413 SF
Warehouse		
Air Energy Group	105 Industrial Blvd. Brockton: 128 South	149,680 SF
Warehouse		
Curriculum Associates	1 Distribution Center Circle Littleton: 495 Route 2	140,000 SF
Warehouse		
Williams Sonoma	150 Charles F Colton Rd. Taunton: 495 South	139,558 SF
Warehouse		
Repligen	384-386 South St. Shrewsbury: 495 Mass Pike	138,969 SF
Warehouse		
Zoll Medical	38 Upton Dr. Wilmington: 128 North	110,000 SF
Flex		
Eversource Energy	200 Meadow Rd. Boston: South Suffolk County	99,185 SF
Warehouse		
Old Dominion Freight Line	6 Pioneer Dr. North Oxford: Worcester County	92,622 SF
Warehouse		
Commonwealth Fusion Systems	11 Westford Rd. Ayer: 492 Route 2	70,000 SF
Warehouse		
Amazon Robotics	180 New Boston St. Woburn: 128	66,219 SF
Warehouse		

Industrial Direct Vacancies



Flex Direct Vacancies



Development

The development pipeline remains near a record level, with more than 7 million SF under construction across Greater Boston, and about 12 million SF underway across Eastern and Central Massachusetts. Most projects are warehouses and distribution centers and roughly 75% of this space is preleased. Two large Amazon projects dominate the pipeline, accounting for more than 50% of the industrial space underway across the state. Hillwood Development's 3.8 million-SF, 5-story Amazon Fulfillment Center at Osgood Landing in North Andover broke ground in Q3 2021 and is expected to open in early 2024. A 2.8 million-SF Amazon development is in the works in Charlton that is also expected to open this year.

Roughly a dozen 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 SF in Norwood), Locus Robotics (200,000 SF in Wilmington), and Intellia Therapeutics (140,000 SF in Waltham). Although life science markets have cooled over the last couple years, they are still engines of growth for the local economy. Biotech companies often require GMP space for production capacity and are increasingly looking to keep these operations domestic, 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 selected last year 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.



Osgood Landing | North Andover
3.8 MSF



Amazon | Charlton
2.8 MSF



Intellia Therapeutics | Waltham
140,000 sq. ft.

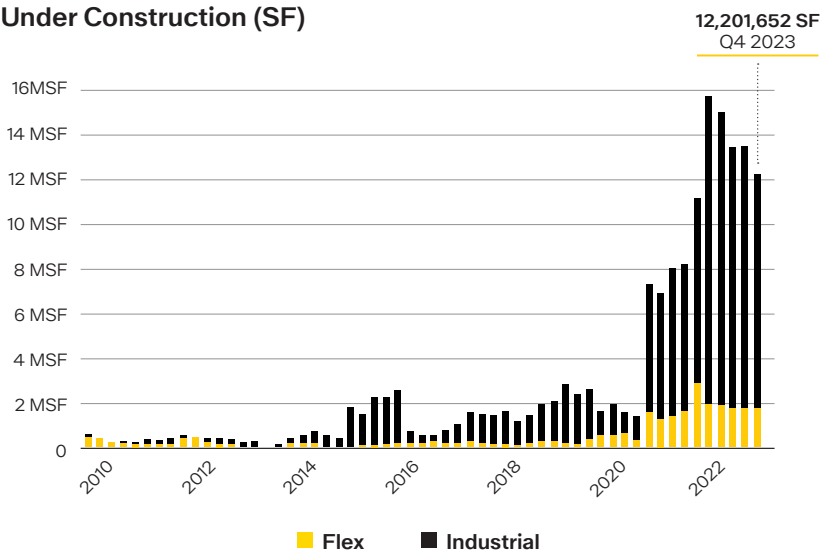


Moderna | Norwood
350,000 sq. ft.



Locus Robotics | Wilmington
200,000 sq. ft.

Under Construction (SF)







Investment Sales

Industrial sales volume fell to its lowest total of the 2020s last year, as high borrowing costs and a restrictive lending environment continued to limit investment activity. Sales volume increased for the second consecutive quarter in Q4 2023, however, following four prior consecutive quarters of declines. Single-asset warehouse trades in the suburbs led the list of top deals last quarter. Oliver Street Capital purchased the 265,000 SF warehouse at 139 Shuman Ave. in Stoughton from Mana Group for \$54.1 million (\$204 PSF). The property was 100% leased at the time of sale and previously sold in June 2012 for \$10.6 million. In another repeat sale that reflected strong price appreciation, LaSalle Investment Management bought the 186,000 SF

cold storage facility at 1 Technology Dr. in Peabody for \$53.1 million. MEPT Fund was the seller, having previously acquired the property in August 2019 for \$34.15 million. Oliver Street Capital and Bain Capital Real Estate acquired a 2-property portfolio at 326 Ballardvale St. in Wilmington for \$49.5 million (\$264 PSF). Both properties were fully leased at the time of the sale.

Top Sales

		Price	PSF	Buyer	Seller
	139 Shuman Ave. Stoughton Warehouse	\$54.1 million	\$204	Oliver Street Capital	Mana Group
	1 Technology Drive Peabody Warehouse	\$53.1 million	\$285	LaSalle Investment Management	MEPT Fund
	236 Ballardvale Street Wilmington Warehouse	\$49.5 million	\$263	Oliver Street Capital & Bain Capital Realty	Marcus Partners
	6 Pioneer Drive North Oxford Warehouse	\$19 million	\$205	R+L Carriers	Old Dominion Freight Line

Office Stats Q4 2023

Warehouse/Industrial

	Inventory SF	% Vacant	% Sublet	% Available	Quarterly Absorption	Annual Absorption	Asking Rate (NNN)
West	25,499,530	4.8%	0.3%	8.5%	(416,473)	(383,624)	\$12.23
North	40,933,320	4.5%	0.6%	6.9%	(31,927)	(84,571)	\$13.60
South	67,239,211	5.1%	1.6%	9.7%	(141,363)	(24,304)	\$11.22
Suburbs	133,672,061	4.9%	1.0%	8.6%	(589,763)	(492,499)	\$12.14
Inner	14,948,671	6.4%	1.6%	9.1%	5,792	160,189	\$18.44
Total	148,620,732	5.0%	1.1%	8.7%	(583,971)	(332,310)	\$12.77

Flex/R&D

	Inventory SF	% Vacant	% Sublet	% Available	Quarterly Absorption	Annual Absorption	Asking Rate (NNN)
West	20,556,076	7.5%	1.4%	10.8%	(37,260)	(446,598)	\$18.20
North	28,236,541	3.9%	2.0%	7.8%	(7,030)	84,660	\$16.42
South	18,272,645	4.5%	1.3%	8.7%	(136,867)	306,456	\$15.25
Suburbs	67,065,262	5.2%	1.6%	9.0%	(181,157)	(55,482)	\$16.65
Inner	5,341,104	11.1%	0.3%	14.1%	33,798	63,654	\$28.39
Total	72,406,366	5.6%	1.5%	9.4%	(147,359)	8,172	\$17.51

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