

Boston Suburban Industrial, Q4 2015

# Greater Boston Industrial Finishes 2015 with a Bang

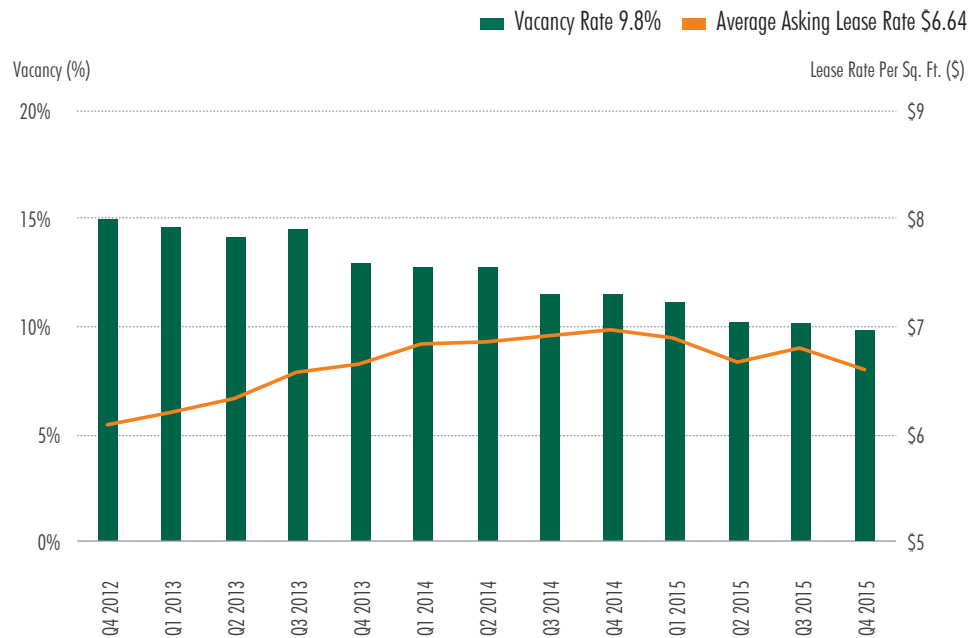
▼ Vacancy  
9.8%

▼ Availability  
13.4%

▲ Occupied Sq. Ft.  
128.7 MSF

▼ Sublease  
0.9 MSF

Figure 1: Industrial Vacancy vs. Lease Rate



Source: CBRE Research, Q4 2015.

With a steady stream of activity throughout 2015, the Greater Boston Industrial market has made a complete recovery from the Great Recession. Single-digit vacancy rates are the norm in most submarkets and there has been rent growth throughout the year. Both lease rates

and sale prices are approaching (and often passing) the 2008 highs. The Greater Boston Industrial market recorded a strong 1 million sq. ft. of positive absorption bringing year-to-date absorption for 2015 to 3.4 million sq. ft. In spite of recent new construction adding to the

overall size of the Greater Boston Industrial market, vacancy rates continue to decline. With heightened demand across all product types, many industrial buildings located in infill markets are being converted to retail, multifamily or office use, which, in turn, is tightening the industrial market, particularly inside of Route 128.

**NORTH**

- Metro North posted 139,600 sq. ft. of positive absorption in Q4 2015, totaling over 1 million sq. ft. for all of 2015. Much of this activity occurred in the Route 128/I-93 corridor due to the demand for high-bay warehouse space in proximity to Boston and the inner suburbs.
- Route 3 North saw over 100,000 sq. ft. of negative absorption as Beacon Power placed 103,000 sq. ft. on the market at 65 Middlesex Turnpike in Tyngsboro.
- Notable transactions in the Metro North included Red Thread’s renewal of 122,000 sq. ft. at 100-110 Fordham Road in Wilmington and MS Walker’s plans to lease 132,000 sq. ft. of high bay-space at 100 Meadow Road in Hyde Park.
- Overall average asking rents increased from \$7.27 per sq. ft. in 3Q15 to \$8.14 per sq. ft. NNN in Q4 2015. This can be directly attributed to Route 3 North,

which saw a significant increase in average asking rents for R&D flex space, ending the year at \$9.04 per sq. ft. NNN.

**WEST**

- 2015 was a big year for this relatively small industrial market, with 3% of the entire market inventory (742,000 sq. ft.) being absorbed in one year. The Metro West submarket recorded growth for the third quarter in a row, posting 539,500 sq. ft. of positive absorption. Availability and vacancy dramatically declined, ending Q4 2015 at 13.8% and 12%, respectively.
- The Route 495/Route 2 West submarket saw strong activity as National Distribution Centers executed one of the largest leases in Q4 2015, renewing 135,000 sq. ft. at 66 Saratoga Boulevard in Devens. Instrumentation Laboratories, a market leader in diagnostic instruments, executed a lease for 128,900 sq. ft. at 18 Independence Drive in Ayer. 1A Auto will occupy 90,000 sq. ft. at 1 Littleton Distribution Center in Littleton.
- The I-495/Mass Pike West submarket also had an impressive Q4 2015, with Wayfair taking 103,000 sq. ft. at 1-5 Sassacus Road in Westborough and WESCO expanding into a total of 122,000 sq. ft. at 35 Otis Street in Westborough.

Figure 2: Transactions of Note

Tenant	Address	Sq. Ft.	Submarket	Type
National Distribution Center	66 Saratoga Boulevard, Devens	166,000	Route 495/Route 2 West	Renewal
MS Walker	100 Meadow Road, Hyde Park	132,500	Urban	New
Instrumentation Laboratories	18 Independence Drive, Ayer	128,900	Route 495/Route 2 West	New
Red Thread	100-110 Fordham Road, Wilmington	122,000	Route 128 North	Renewal
Wesco International	35 Otis Street, Westborough	122,000	Route 495/Mass Pike	New
Wayfair	1-5 Sassacus Road, Westborough	103,000	Route 495/Mass Pike	New
Beacon Roofing	393 Manely Street, West Bridgewater	91,000	Route 495 South	New
1A Auto	1 Littleton Distribution Center, Littleton	90,000	Route 495/Route 2 West	New
Olympia Moving and Storage	290 Forbes Boulevard, Mansfield	76,000	Route 495 South	New

Source: CBRE Research, Q4 2015.

**SOUTH**

- 2015 was again the South’s biggest year to date with 1.7 million sq. ft. of positive absorption, of which 329,000 sq. ft. was recorded in Q4 2015. Availability decreased from 12.9% to 12.3% and vacancy continued its 10-year low, posting 8.0% for the quarter.
- New construction is abundant in Metro South, both speculatively with Condyne’s Norton building and on a build-to-suit basis with Martignetti, Amazon and Victory Packaging. There are still a number of large build-to-suit tenants in the market, without any decent existing options to consider.
- In November, the Wampanoag Tribe finalized its purchase of 115 acres in East Taunton, where it will begin constructing a \$500-million casino complex mid-2016. This displaces nearly 300,000 sq. ft. of tenants occupying several existing multi-tenant flex/industrial buildings on the site and has led to an increase in demand for similar space in the Taunton/Raynham area and beyond.
- Leasing activity was strong in 4Q15 with a number of significant deals. Metro South was led by Beacon Roofing Supply, Inc. who will occupy 91,000 sq. ft. at 393 Manley Street in West Bridgewater. Shaw Industries leased 70,300 sq. ft. at 275 John Hancock Road in Taunton.
- Average asking rents in Metro South continued to rise during 4Q 2015 and posted an average of \$5.80 per sq. ft. NNN.
- Asking rents in Metro South significantly rose in Q3 2015 to \$5.75 per sq. ft. NNN, which was the first time since 2011 where asking rents exceeded \$5.70 per sq. ft. NNN. The highest asking rents within the Metro South were seen in the I-495 South submarket, where they hit \$6.05 per sq. ft. NNN.

**Figure 3: Market Statistics**

Total Industrial	Bldgs	Total Sq. Ft.	Available (%)	Vacant (%)	Sublease (%)	Quarter Net Absorption	YTD Net Absorption	Avg Asking Rent \$ (NNN)
Urban	24	3,978,939	17.1	16.2	1.1	140,952	249,558	7.12
Close-In Suburbs North	83	7,540,701	6.0	4.1	0.4	(29,082)	95,232	10.88
Route 128 - North	267	22,321,121	9.6	8.3	0.2	66,707	811,030	9.73
Route 495 - Northeast	88	11,604,939	21.5	11.5	2.8	62,283	320,933	5.83
Route 3 - North	105	10,529,302	21.0	16.6	2.7	(101,229)	(437,325)	6.09
<b>Metro North</b>	<b>567</b>	<b>55,975,002</b>	<b>14.2</b>	<b>10.5</b>	<b>1.3</b>	<b>139,631</b>	<b>1,039,428</b>	<b>7.27</b>
Route 128 - South	302	28,459,369	13.8	8.8	0.6	102,412	620,905	5.43
Route 495 - South	245	29,405,603	10.7	7.3	0.1	226,884	1,042,986	6.15
<b>Metro South</b>	<b>547</b>	<b>57,864,972</b>	<b>12.3</b>	<b>8.0</b>	<b>0.3</b>	<b>329,296</b>	<b>1,663,891</b>	<b>5.80</b>
Route 128 - West	31	2,428,720	8.5	7.8	0.0	12,518	75,930	16.36
Framingham - Natick	39	3,542,858	12.4	12.4	0.3	(13,078)	43,901	7.17
Route 495 - Route 2 West	58	8,018,729	14.0	8.8	1.7	227,419	398,078	6.29
Route 495 - Mass Pike West	159	15,052,713	14.9	14.4	1.5	312,690	223,654	7.29
<b>Metro West</b>	<b>287</b>	<b>29,043,020</b>	<b>13.8</b>	<b>12.0</b>	<b>1.3</b>	<b>539,549</b>	<b>741,563</b>	<b>7.19</b>
<b>Overall Total Industrial</b>	<b>1,401</b>	<b>142,882,994</b>	<b>13.4</b>	<b>9.8</b>	<b>0.9</b>	<b>1,008,476</b>	<b>3,444,882</b>	<b>6.64</b>

Source: CBRE Research, Q4 2015.

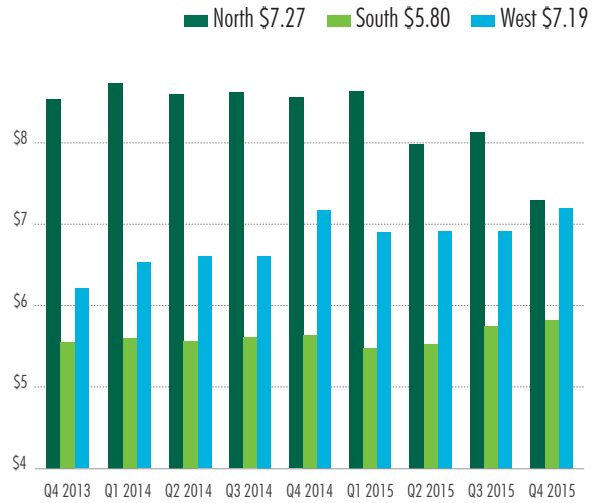
**AVERAGE ASKING RENTS**

Average asking rents in the Boston Industrial market decreased slightly (\$0.16 per sq. ft. quarter-over-quarter) to \$6.64 per sq. ft. NNN, a result of larger blocks of quality space being removed. Once again, the Route 128 West submarket had the highest average asking rents, which finished Q4 2015 at \$16.36 per sq. ft. NNN. In the Metro North, average asking rents increased \$0.87 per sq. ft. NNN quarter-over-quarter. Metro South average asking rents reached \$5.80 per sq. ft. NNN, which was an increase of \$0.05 per sq. ft. quarter-over-quarter. It was a very healthy fourth quarter for the Greater Boston Industrial market with availability rates decreasing by 100 basis points and vacancy rates also dropping 30 basis points.

**NET ABSORPTION**

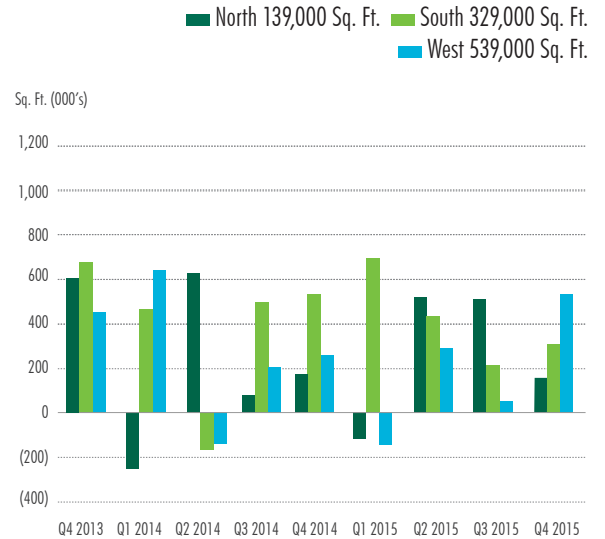
The overall Greater Boston Industrial market recorded over 1 million sq. ft. of positive absorption in Q4 2015. The Metro West showed the strongest leasing activity in the Boston Industrial market with 540,000 sq. ft. of positive absorption and over 740,000 sq. ft. in 2015. The Metro South market maintained strong leasing activity with over 329,000 sq. ft. of positive absorption. Q4 2015 marked the sixth consecutive quarter of positive absorption above 400,000 sq. ft. in the overall Greater Boston Industrial market. The positive momentum drove overall availability to 13.4%, hitting the lowest

**Figure 4: Average Asking Lease Rates**



Source: CBRE Research, Q4 2015.

**Figure 5: Net Absorption**



Source: CBRE Research, Q4 2015.

## Definitions

**AVERAGE ASKING LEASE RATE**

Rate determined by multiplying the asking gross lease rate for each building by its available space, summing the products, then dividing by the sum of the available space with net leases for all buildings in the summary.

**GROSS LEASES**

Includes all lease types whereby the tenant pays an agreed rent plus estimated average monthly costs of the operating expenses and taxes for the property, including utilities, insurance and/or maintenance expenses.

**MARKET COVERAGE**

Includes all competitive buildings in CBRE's survey set.

**NET ABSORPTION**

The change in occupied sq. ft. from one period to the next, as measured by available sq. ft.

**NET RENTABLE AREA**

The gross building square footage minus the elevator core, flues, pipe shafts, vertical ducts, balconies and stairwell areas.

**OCCUPIED AREA (SQ. FT.)**

Building area not considered vacant.

**UNDER CONSTRUCTION**

Buildings that have begun construction as evidenced by site excavation or foundation work.

**AVAILABLE AREA (SQ. FT.)**

Available building area that is either physically vacant or occupied.

**AVAILABILITY RATE**

Available sq. ft. divided by the net rentable area.

**VACANT AREA (SQ. FT.)**

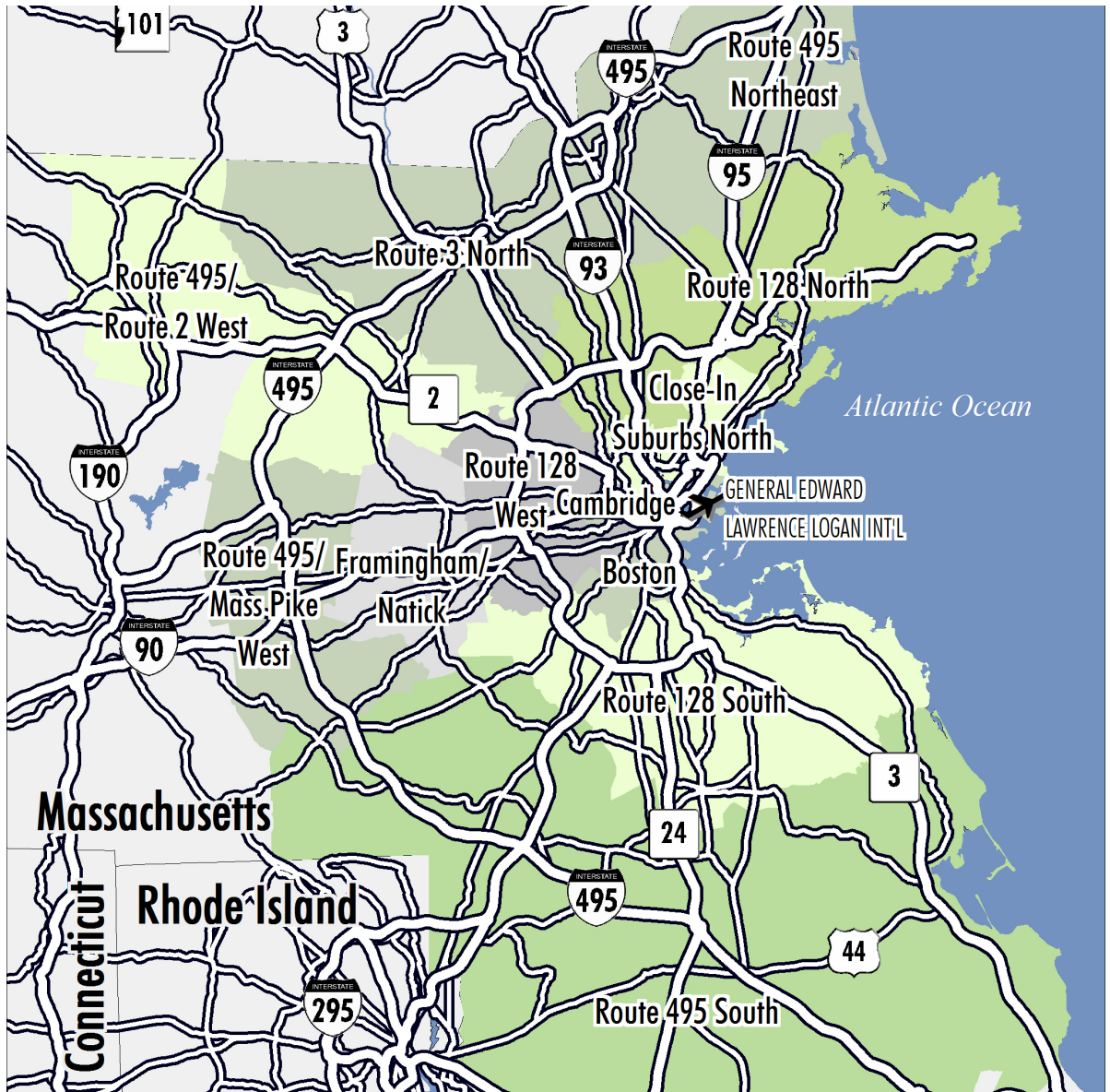
Existing building area that is physically vacant or immediately available.

**VACANCY RATE**

Vacant building feet divided by the net rentable area.

**NORMALIZATION**

Due to a reclassification of the market, the base, number and square footage of buildings of previous quarters have been adjusted to match the current base. Availability and vacancy figures for those buildings have been adjusted in previous quarters.



**CONTACTS**

**Suzanne Duca**  
 Director of Research  
 +1 617 912 7041  
 suzanne.duca@cbre-ne.com

**CBRE OFFICES**

**CBRE/New England**  
 33 Arch Street, 28th Floor  
 Boston, MA 02110

To learn more about CBRE Research, or to access additional research reports, please visit the Global Research Gateway at [www.cbre.com/researchgateway](http://www.cbre.com/researchgateway).