

Suburban Boston Industrial MarketView

Q2 2013

CBRE Global Research and Consulting



*Arrows indicate change from previous quarter.

STRENGTHENING MARKET FUNDAMENTALS CONTINUE TO DRIVE GREATER BOSTON INDUSTRIAL MARKET

Quick Stats

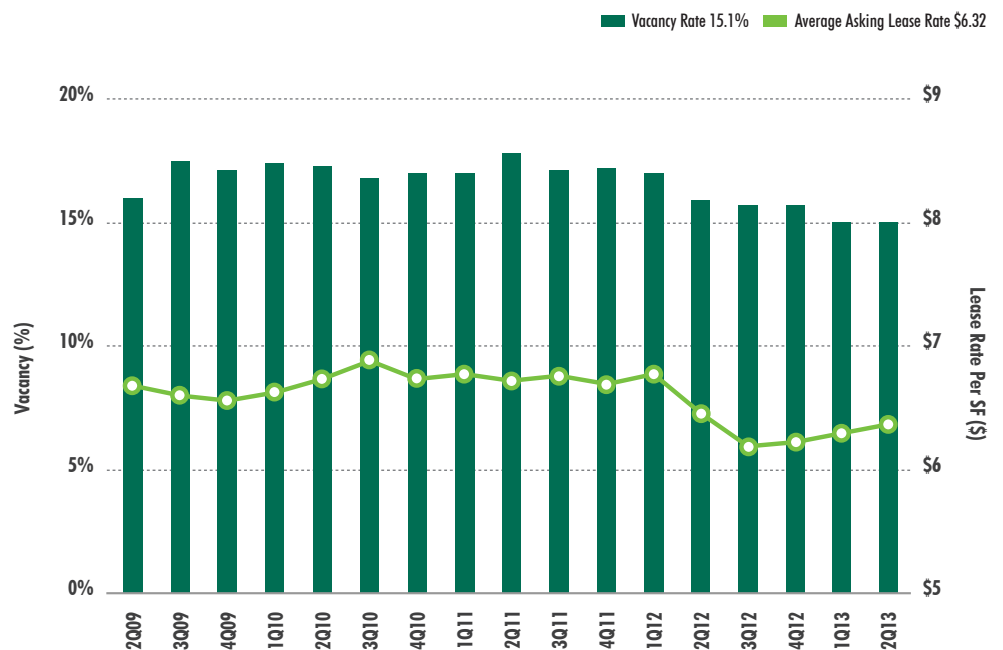
Q2 2013	Current	YoY	QoQ
Vacancy	15.1%	↓	↑
Lease Rate (NNN)	\$6.32	↓	↑
Net Absorption	810,672 SF	↑	↑

Hot Topics

- The Greater Boston Industrial market continued to trend in a positive direction for the eleventh consecutive quarter, with 811,000 square feet of absorption
- Sales activity is on the rise in all submarkets by both investors and users
- Average asking rents continue their trend upwards as large vacancies continue to diminish
- Availability in the Metro South is the lowest it has been since 2008

The Greater Boston Industrial market continued to trend in a positive direction with 811,000 square feet of absorption in the second quarter of 2013, the eleventh consecutive quarter of positive traction. Overall absorption was up significantly from previous quarters, as several large pending deals from the first quarter of 2013 officially closed in the second quarter. The Metro South submarket led the way with 738,000 square feet of positive absorption, pushing vacancy in the South down 90 basis points quarter-over-quarter. Momentum in the I-495 South Submarket was the driving force behind this, with 693,000 square feet absorbed in the second quarter. Average asking rents increased slightly in the second quarter to an average of \$6.32 per square foot, and availability declined 40 basis points to 19.7% quarter-over-quarter. Continual tightening in the market and a general lack of new supply are responsible for these strengthening market fundamentals. Overall, the first half of 2013 has proven to be a transitional time as the market continues on its path to recovery. Landlords are still willing to drop rates to attract tenants because there is still significant vacancy in the marketplace, but the frequency of the rock bottom priced deal is diminishing as the market continues to recover from the recession.

Industrial Vacancy vs. Lease Rate



Source: CBRE/New England, Q2 2013

Metro North

- The Metro North Industrial market posted 147,000 square feet of negative absorption this quarter as several large blocks of space were returned to the market. This marks the second consecutive quarter of negative absorption for the submarket.
- Despite the negative overall absorption this quarter for the Metro North, the market saw significant positive activity in the Route 128 – North submarket, with 118,000 square feet of absorption. Additionally, the Route 128 – North submarket saw a decrease in availability and vacancy of 240 basis points and 290 basis points to 15% and 11.3%, respectively. Consistent with this quarter's trend of small transactions, there was only one deal inked in the Metro North for more than 50,000 square feet—Tighe Warehouse took 70,160 square feet at 485 Wildwood Avenue in Woburn.
- 300 RiverPark Drive in North Reading traded hands this quarter, representing one of the Metro North market's noteworthy sales. Tritower Financial Group purchased the property, a 209,000 square foot Class B industrial manufacturing facility, from Taurus Investments/DivcoWest for \$32.2 million (\$154 per square foot). The building is fully leased by Kiva Systems.

Metro West

- The Metro West market posted another strong quarter with 271,000 square feet of positive absorption, marking four consecutive quarters of growth. Availability and vacancy decreased by 410 basis points and 260 basis points year-over-year to 21.2% and 16.5%, respectively.
- The largest transactions of the quarter were focused in the I-495 – Mass Pike West submarket. Rand Whitney leased 73,710 square feet at 10 Otis Street in Westborough, and CLC Packaging took 50,000 square feet at 57 Brigham Street, also in Westborough. As a result, the I-495 – Mass Pike West submarket led the Metro West region this quarter with 330,000 square feet of positive absorption. Both availability and vacancy are down 510 basis points and 550 basis points year-over-year to 16.1% and 12.3%, respectively.

- Construction on a new 171,858 square foot facility in the Framingham/Natick submarket is nearing completion. The industrial property, located at 30 Superior Drive in Natick, was previously a 316,116 square foot warehouse that was demolished and replaced with a new 171,858 square foot facility. 30 Superior Drive will be fully leased by FedEx.

Metro South

- The Metro South led all industrial markets in Greater Boston in the first quarter with a total of 738,000 square feet of absorption. This rise in tenant interest and activity pushed availability down 90 basis points to just 17%, the lowest it has been since the third quarter of 2008. Additionally, vacancy in the Metro South decreased 20 basis points to 13.1% quarter-over-quarter, the lowest vacancy rate among all industrial markets in Greater Boston.
- Overall asking rents in the South are up \$0.06 to \$5.40 per square foot quarter-over-quarter, where three of the four largest industrial deals in the Greater Boston area this quarter took place. Double E leased 115,418 square feet of space at 231 Manley Street in West Bridgewater; KWL purchased 92,420 square feet at 15 Liberty Way in Franklin; and Advanced Warehouses took 72,000 square feet off the market at 241 Francis Avenue in Mansfield for new contract requirements.
- Demand is being driven by tenants that are new to the market as well as large renewals, which do little to change the overall landscape in the market. Metro South remains the tightest and one of the most competitive markets overall in Greater Boston.
- Sales activity continues to rise in the Metro South on both the investment and user fronts. 175 Kenneth Welch Drive in Lakeville was sold to AR Capital, a New York City-based REIT. The 933,000 square foot building is fully leased to Talbots and traded for \$36.7 million (\$40 per square foot). 170 Oak Hill Way in Brockton and 200 Millennium Circle in Lakeville both sold this quarter to users after sitting vacant on the market for years.

Transactions of Note

Tenant	Address	SF	Submarket	Type
McKesson	55 Lyman Street, Northborough	205,000	Route 495 - Mass Pike West	Renewal/Expansion
Double E	321 Manley Street, West Bridgewater	115,000	Route 495 - South	New
KWL	15 Liberty Way, Franklin	92,000	Route 495 - South	User Sale
Able Restoration	170 Oak Hill Road, Brockton	74,000	Route 495 - South	User Sale
Rand Whitney	10 Otis Street, Westborough	74,000	Route 495 - Mass Pike West	Renewal
Tighe Warehouse	485 Wildwood Avenue, Woburn	70,000	Route 495 - North	New/Unknown
Guardian Fall Protection	60 Maple Street, Mansfield	69,000	Route 495 - South	Renewal/Expansion
Chef's Equipment Emporium	200 Millenium Circle, Lakeville	68,000	Route 495 - South	User Sale/Stable

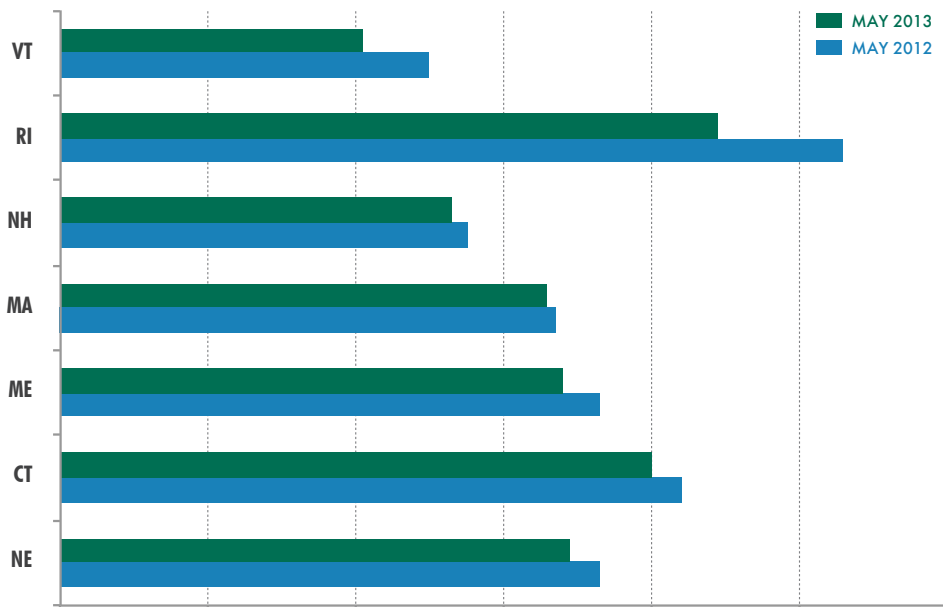
Market Statistics

Market	Rentable Area (SF)	Availability Rate %	Vacancy Rate %	Sublease Rate %	Quarterly Net Absorption (SF)	Avg. Asking Rent (\$/SF/YR)
Urban	5,402,981	32.3%	31.5%	0.9%	(31,545)	\$8.92
Close-In Suburbs North	7,589,437	15.1%	15.0%	2.8%	8,572	\$7.78
Route 128 – North	22,523,599	15.0%	11.3%	0.8%	70,863	\$8.11
Route 495 – Northeast	11,291,505	32.0%	16.0%	4.0%	(17,874)	\$6.14
Route 3 – North	11,142,471	24.2%	21.1%	1.9%	(177,354)	\$7.76
Metro North	57,949,993	21.7%	16.5%	1.9%	(147,338)	\$7.79
Route 128 – South	29,477,034	18.0%	12.6%	1.5%	179,909	\$5.46
Route 495 – South	28,359,020	16.0%	13.5%	1.0%	506,625	\$5.32
Metro South	57,836,054	17.0%	13.1%	1.2%	686,534	\$5.40
Route 128 – West	2,771,434	8.9%	6.9%	0.0%	(34,200)	\$10.82
Framingham – Natick	3,727,169	13.4%	10.3%	0.0%	212,358	\$6.14
Route 495 – Route 2 West	7,483,482	39.7%	31.3%	5.9%	(65,043)	\$4.94
Route 495 – Mass Pike West	14,539,236	16.1%	12.3%	2.6%	158,361	\$6.92
Metro West	28,521,321	21.2%	16.5%	2.9%	271,476	\$6.00
Overall Total Industrial	144,307,368	19.7%	15.1%	1.8%	810,672	(NNN) \$6.32

Greater Boston Employment Growth

The overall New England economy grew at a modest rate in the first half of 2013, with Massachusetts outperforming the other New England states on many economic indicators. However, the pace of recovery in the region continues to lag behind that of the United States. Despite continuous year-over-year job gains for almost three years, May 2013 marks the 27th straight month of lagging employment growth in New England relative to the nation. As of May 2013, the United States has recovered 72.3% of the jobs lost during the Great Recession, while New England has recovered 70% of its job losses. Massachusetts is the only New England state to have gained back all the jobs lost in the Great Recession as of May 2013, recovering 106.5% of the employment lost in the recession. After reaching a post-recession low of 6.8% in April 2013, New England's unemployment rate increased slightly to 6.9% in May, down from 7.3% in May 2012 and well below the national rate of 7.6%. Across the region, the unemployment rate in every New England state declined year-over-year to reach a post-recession low in either April or May of 2013.

Employment by State



Source: Federal Reserve Bank of Boston

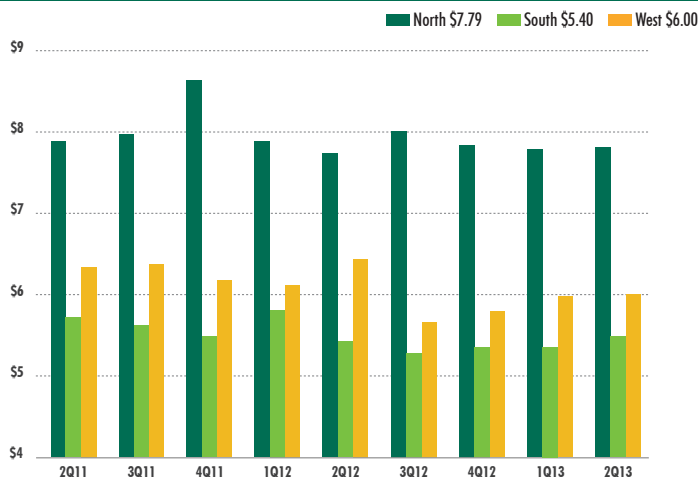
Average Asking Rents

Average asking rates continued to inch upward in the second quarter rising \$0.06 overall, to \$6.32 NNN an indicator of the steadily improving fundamentals of the Greater Boston Industrial market. Overall availability declined 40 basis points to 19.7% quarter-over-quarter as continual tightening in the market and a general lack of new supply are responsible for these strengthening market fundamentals. Although growth was seen in all submarkets the Metro North showed the strongest rental growth with rents rising \$0.08 over the past quarter to \$7.79 per square foot., The Metro North saw rents rise \$0.06 to \$5.40 per square foot. Moving forward, achieved rents should continue to rise as options for high-quality, modern space become more limited.

Net Absorption

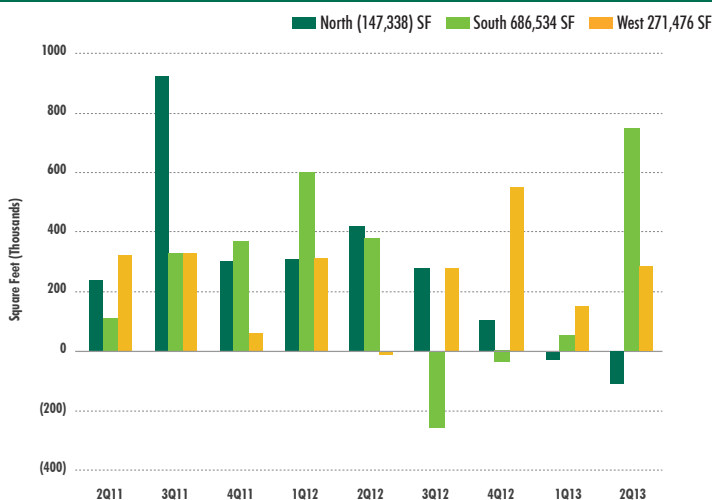
Overall absorption was up significantly from previous quarters as the Greater Boston Industrial market recorded 811,000 square feet of absorption in the second quarter of 2013, the eleventh consecutive quarter of positive traction. The Metro South led all industrial markets in Greater Boston in the first quarter with a total of 738,000 square feet of absorption. The major contributors to the strong absorption this quarter were Double E's lease of 115,418 square feet of space at 231 Manley Street in West Bridgewater; KWL's purchase of 92,420 square feet at 15 Liberty Way in Franklin; and Advanced Warehouses removed 72,000 square feet off the market at 241 Francis Avenue in Mansfield for new contract requirements. The Metro North Industrial market posted 171,000 square feet of negative absorption this quarter as several large blocks of space were returned to the market.

Average Asking Lease Rates



Source: CBRE/New England, Q2 2013

Net Absorption



Source: CBRE/New England, Q2 2013

SPOTLIGHT INDUSTRIAL SEGMENTATION



GENERAL
(Includes warehouse and manufacturing space)

AVERAGE ASKING RENT

\$5.84/SF

VACANCY

12.7%



HIGH BAY
(Spaces with 28'+ clear height)

\$5.30/SF

15.9%



R&D FLEX
(Hybrid of uses – office/warehouse/manufacturing)

\$9.04/SF

19.7%

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.

Net 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 square feet from one period to the next, as measured by available square feet.

Net Rentable Area

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

Occupied Area (Square Feet)

Building area not considered vacant.

Under Construction

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

Available Area (Square Feet)

Available building area that is either physically vacant or occupied.

Availability Rate

Available square feet divided by the net rentable area.

Vacant Area (Square Feet)

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.



CONTACT

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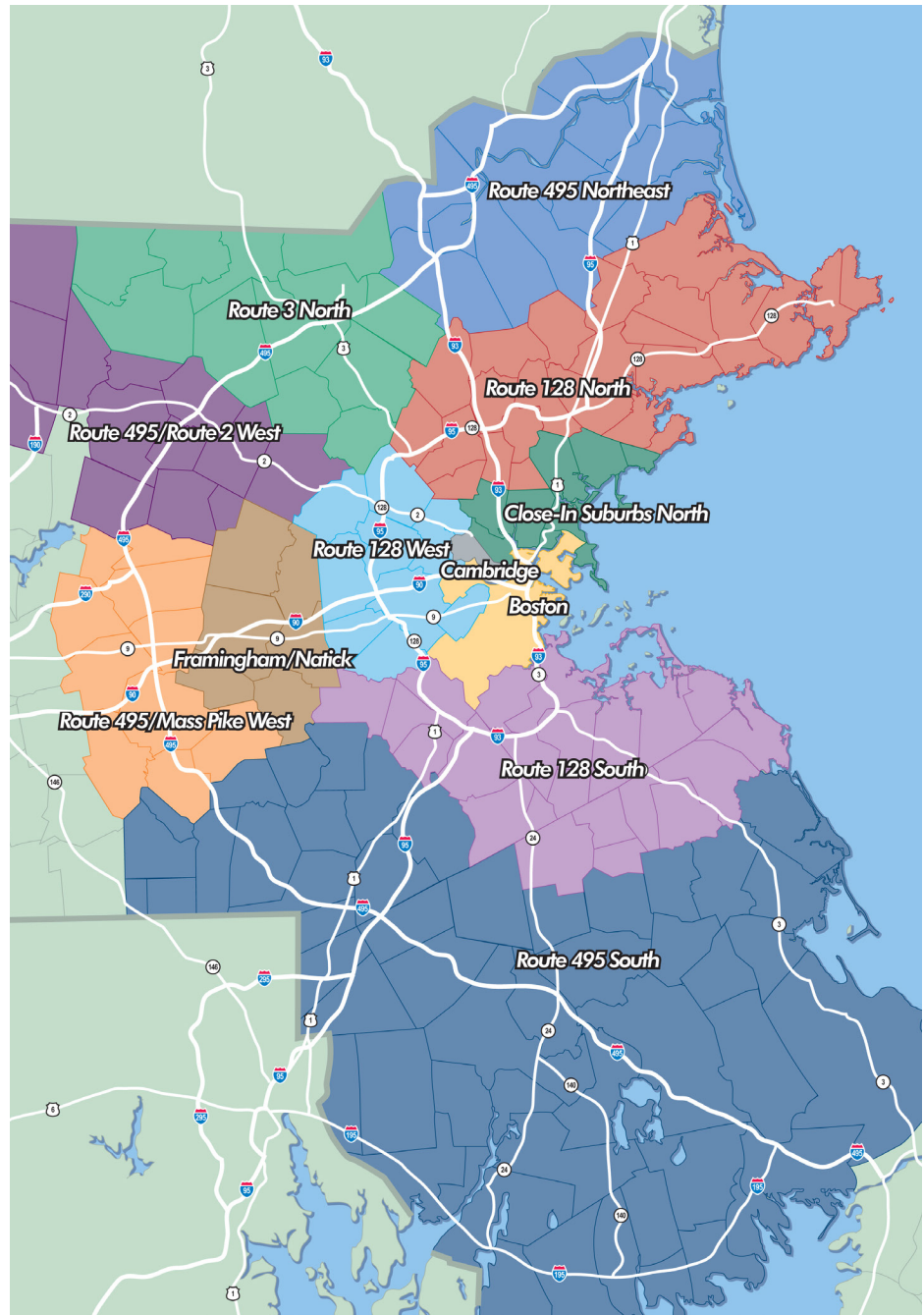
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GREATER BOSTON SUBMARKETS



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