The Greater Boston Industrial market saw 751,000 sq. ft. of positive absorption in the third quarter of 2014, its sixteenth consecutive quarter of positive traction. This pushed vacancy down 90 basis points quarter-over-quarter to 14.6%, its lowest point since the fourth quarter of 2007. Likewise, average asking rents increased slightly to $6.83 NNN per sq. ft.

The positive traction in the Industrial market was led by the Metro South market, which posted 557,000 sq. ft. of positive absorption. The Metro West market trailed only slightly, experiencing 201,000 sq. ft. of positive traction. The Metro North market was flat in the third quarter, recording just 18,000 sq. ft. of positive absorption. Vacancy declined across all three markets.

ACTIVITY CONTINUES TO BE STRONG AS THE GREATER BOSTON INDUSTRIAL MARKET TIGHTENS, WITH 16 CONSECUTIVE QUARTERS OF POSITIVE TRACTION

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Hot Topics

- Construction on a new 200,000 sq. ft. build-to-suit warehouse for Sullivan Tire is underway by the Maggiore Companies in Taunton
- Activity picks up in the Metro South Industrial market
- Four years of consecutive positive traction
Metro North

- The Metro North Industrial market saw just 18,000 sq. ft. of positive traction in the third quarter of 2014. Despite this relatively flat absorption, vacancy and availability both declined to 15.9% and 19.2%, respectively. Sacks Exhibits, designer of three-dimensional trade show exhibits, completed the largest new lease and will occupy 90,000 sq. ft. at 44 Lowell Junction Road in Andover. Average asking rents were flat in the third quarter, ending the quarter at $7.90 per sq. ft.
- All submarkets in the Metro North were relatively flat in the third quarter; the Route 3 – North submarket led the way with 76,000 sq. ft. of positive absorption. Eastern Bag & Paper Company completed the largest transaction in the North, renewing 153,000 sq. ft. at 65 Sunnyslope Avenue in Tewksbury. Evoqua Water Technologies will open a new location at 558 Clark Road in Tewksbury, occupying 66,000 sq. ft. Quarter-over-quarter availability is down 60 basis points to 21.1% and average asking rents are up slightly ($0.03 per sq. ft.) to $8.51 NNN per sq. ft., the highest point since the first quarter of 2012.
- Despite OSRAM SYLVANIA vacating 157,000 sq. ft. at 100 Endicott Street in Danvers, activity in the Route 128 North market was steady, as a number of mid- to large-size deals were finalized. U-Haul purchased the 148,000 sq. ft. facility at 31 Olympia Avenue in Woburn for $11.5 million (approximately $77 per sq. ft.). Iron Mountain leased 36,000 sq. ft. at 21 Terry Avenue in Burlington and F3 expanded by 28,000 sq. ft. at 46 Jonsnap Road in Wilmington.

Metro West

- The Metro West Industrial market saw 201,000 sq. ft. of positive absorption in 3Q 2014, the ninth consecutive quarter of positive traction, mainly driven by small- to mid-size requirements. As a result, availability and vacancy decreased by 100 and 70 basis points quarter-over-quarter to 16.9% and 15.1%, respectively.
- The Route 495 – Route 2 West submarket led all submarkets in the Metro West, posting 268,000 sq. ft. of positive absorption. This pushed availability and vacancy down by 360 basis points quarter-over-quarter to 23.6% and 21.3%, respectively. This is a result of a few mid-size deals, with the largest transaction being Curriculum Associates’ lease of 80,000 sq. ft. at 1 Littleton Distribution Center in Littleton. Curriculum Associates will relocate from 52,000 sq. ft. in Billerica.
- Other notable transactions in the West in 3Q 2014 included Launch Trampoline Park’s lease at 20 Seyon Street in Waltham. The trampoline park and family entertainment center will occupy 37,000 sq. ft. of the facility. Partners Pharmacy of Massachusetts leased an additional 18,000 sq. ft. at 165-181 Cedar Hill Street and will now occupy a total of 26,000 sq. ft.

Figure 2: Transactions of Note

<table>
<thead>
<tr>
<th>Tenant</th>
<th>Address</th>
<th>Sq. Ft.</th>
<th>Submarket</th>
<th>Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lagasse Inc.</td>
<td>33 Suffolk Road</td>
<td>159,000</td>
<td>Route 495 – South</td>
<td>Renewal</td>
</tr>
<tr>
<td>Eastern Bag &amp; Paper Company</td>
<td>65 Sunnyslope Avenue</td>
<td>153,000</td>
<td>Route 3 – North</td>
<td>Renewal</td>
</tr>
<tr>
<td>Restoration Hardware</td>
<td>480 Sprague Street</td>
<td>119,000</td>
<td>Route 128 – South</td>
<td>New</td>
</tr>
<tr>
<td>Uni-Select USA</td>
<td>57 Littlefield Street</td>
<td>104,000</td>
<td>Route 128 – South</td>
<td>New</td>
</tr>
<tr>
<td>Sacks Exhibits</td>
<td>44 Lowell Junction Road</td>
<td>90,000</td>
<td>Route 495 – Northeast</td>
<td>New</td>
</tr>
<tr>
<td>Kuehne &amp; Nagel</td>
<td>12 Forge Park Road</td>
<td>83,000</td>
<td>Route 495 – South</td>
<td>Renewal</td>
</tr>
<tr>
<td>Curriculum Associates, Inc.</td>
<td>1 Littleton Distribution Center</td>
<td>80,000</td>
<td>Route 495/Route 2 – West</td>
<td>New</td>
</tr>
</tbody>
</table>

Source: CBRE Research, Q3 2014.
Figure 3: Market Statistics

<table>
<thead>
<tr>
<th>Market</th>
<th>Rentable Area (sq. ft.)</th>
<th>Availability Rate %</th>
<th>Vacancy Rate %</th>
<th>Sublease Rate %</th>
<th>Quarterly Net Absorption (sq. ft.)</th>
<th>Avg. Asking Rent ($/sq. ft./yr)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Urban</td>
<td>4,937,292</td>
<td>26.8%</td>
<td>26.5%</td>
<td>1.9%</td>
<td>(25,980)</td>
<td>$10.22</td>
</tr>
<tr>
<td>Close-In Suburbs North</td>
<td>7,593,437</td>
<td>13.7%</td>
<td>13.4%</td>
<td>2.8%</td>
<td>22,349</td>
<td>$8.23</td>
</tr>
<tr>
<td>Route 128 – North</td>
<td>22,451,599</td>
<td>16.1%</td>
<td>13.8%</td>
<td>0.9%</td>
<td>(845)</td>
<td>$9.19</td>
</tr>
<tr>
<td>Route 495 – Northeast</td>
<td>11,283,469</td>
<td>27.3%</td>
<td>17.9%</td>
<td>0.2%</td>
<td>(78,981)</td>
<td>$5.67</td>
</tr>
<tr>
<td>Route 3 – North</td>
<td>11,415,588</td>
<td>21.1%</td>
<td>19.9%</td>
<td>1.5%</td>
<td>75,858</td>
<td>$8.51</td>
</tr>
<tr>
<td>Metro North</td>
<td>57,681,385</td>
<td>19.9%</td>
<td>16.8%</td>
<td>1.2%</td>
<td>(7,599)</td>
<td>$8.36</td>
</tr>
<tr>
<td>Route 128 – South</td>
<td>28,892,814</td>
<td>15.7%</td>
<td>13.5%</td>
<td>1.1%</td>
<td>308,238</td>
<td>$5.52</td>
</tr>
<tr>
<td>Route 495 – South</td>
<td>28,441,826</td>
<td>14.3%</td>
<td>10.6%</td>
<td>0.6%</td>
<td>249,526</td>
<td>$5.70</td>
</tr>
<tr>
<td>Metro South</td>
<td>57,334,640</td>
<td>15.0%</td>
<td>12.0%</td>
<td>0.8%</td>
<td>557,764</td>
<td>$5.61</td>
</tr>
<tr>
<td>Route 128 – West</td>
<td>2,863,724</td>
<td>9.6%</td>
<td>9.1%</td>
<td>0.0%</td>
<td>51,791</td>
<td>$13.13</td>
</tr>
<tr>
<td>Framingham – Natick</td>
<td>3,327,169</td>
<td>15.8%</td>
<td>11.7%</td>
<td>0.0%</td>
<td>(5,789)</td>
<td>$7.17</td>
</tr>
<tr>
<td>Route 495 – Route 2 West</td>
<td>7,495,059</td>
<td>23.6%</td>
<td>21.3%</td>
<td>1.0%</td>
<td>268,479</td>
<td>$5.08</td>
</tr>
<tr>
<td>Route 495 – Mass Pike West</td>
<td>14,489,111</td>
<td>15.2%</td>
<td>13.8%</td>
<td>3.2%</td>
<td>(113,221)</td>
<td>$6.94</td>
</tr>
<tr>
<td>Metro West</td>
<td>28,175,063</td>
<td>16.9%</td>
<td>15.1%</td>
<td>1.9%</td>
<td>201,260</td>
<td>$6.41</td>
</tr>
<tr>
<td>Overall Total Industrial</td>
<td>143,191,088</td>
<td>17.3%</td>
<td>14.6%</td>
<td>1.2%</td>
<td>751,425</td>
<td>$6.83</td>
</tr>
</tbody>
</table>

Source: CBRE Research, Q3 2014.

Figure 4: Economic Trends – Massachusetts Merchandise Exports

The United States Department of Commerce released new data for 2013 showing exports in the Greater Boston MSA totaled $22.2 billion, a 4.6% increase over 2012. This $978 million growth in exports from 2012 makes Massachusetts the fourteenth largest export market in the U.S. These merchandise exports in Massachusetts were supported by more than 118,000 jobs. The largest export sectors from Greater Boston in 2013 were computer and electronic products ($7.6 billion); miscellaneous manufactured commodities ($2.7 billion); machinery, except electrical ($2.5 billion); chemicals ($2.2 billion); and transportation equipment ($952 million). As more than 95% of the world’s customer base is located outside of the U.S., companies of all sizes continue to explore the benefits of exporting world-class products made by American businesses.

7,231 COMPANIES EXPORTED FROM BOSTON MSA IN 2011 (LATEST AVAILABLE)

THE SMALL-MEDIUM BUSINESS SHARE OF BOSTON MSA EXPORTERS IN 2011 (<500 EMPLOYEES)

Source: U.S. Department of Commerce
Net Absorption

The Greater Boston Industrial market posted 751,000 sq. ft. of positive absorption in the third quarter, the sixteenth consecutive quarter of positive traction. This was led by the Metro South market posting 558,000 sq. ft. of positive absorption. Within the Metro South market, both the Route 128 – South and Route 495 – South submarkets experienced strong positive traction of 308,000 sq. ft. and 250,000 sq. ft., respectively. The Metro West saw 201,000 sq. ft. of positive absorption, its ninth consecutive quarter of positive traction. The Metro North market was relatively flat in the third quarter, posting just 18,000 sq. ft. of positive absorption.

Average Asking Rents

Average asking rents in the Greater Boston Industrial market were relatively flat in the third quarter of 2014, up $0.02 quarter-over-quarter to $6.83 NNN per sq. ft. This represents a $0.28 per sq. ft. increase year-over-year and the highest point achieved since 2009. Leading all other markets, the Metro South saw average asking rents increase $0.05 per sq. ft. to $5.61 NNN per sq. ft. in the third quarter. The Metro North and West saw average asking rents decline by $0.01 per sq. ft. and $0.11 per sq. ft. to $7.90 and $6.41 NNN per sq. ft., respectively.
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 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.
CONTACT

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