

# Suburban Boston Industrial MarketView

Q2 2014

CBRE Global Research and Consulting



\*Arrows indicate change from previous quarter.

## GREATER BOSTON INDUSTRIAL MARKET FUNDAMENTALS CONTINUE TO STRENGTHEN AND IS POISED TO END 2014 STRONG

### Quick Stats

Q2 2014	Current	Y-o-Y	Q-o-Q
Vacancy	15.4%	↑	↑
Lease Rate (NNN)	\$6.83	↑	↑
Net Absorption	374,312 sq. ft.	↓	↓

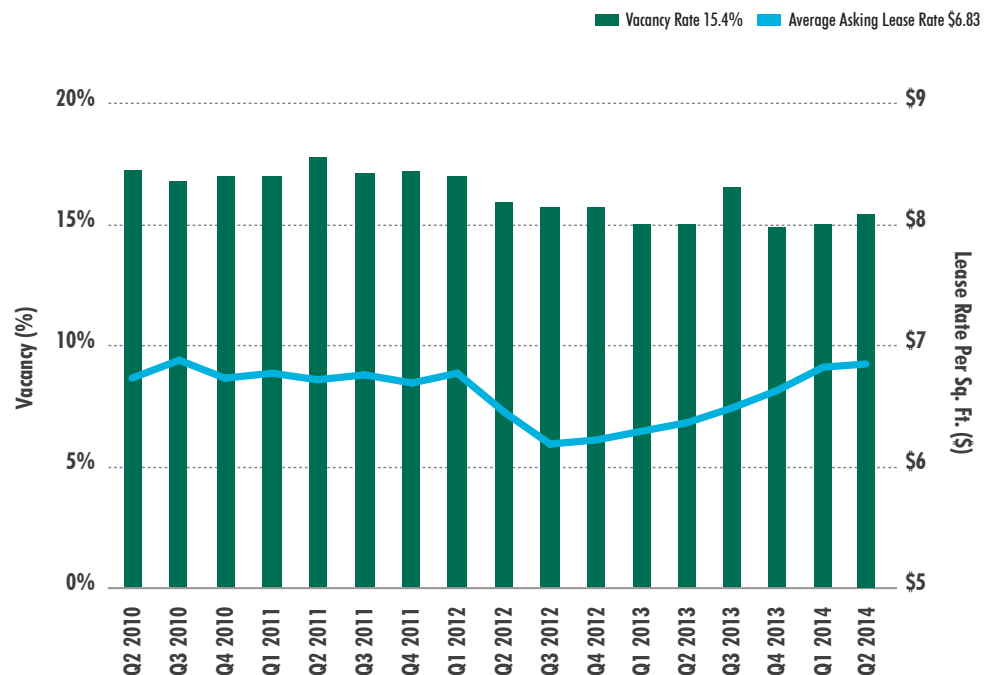
### Hot Topics

- Fifteen consecutive quarters of positive absorption in the Greater Boston Industrial market
- Lagasse, Inc. executed the largest lease of the quarter, renewing in 159,000 sq. ft. at 33 Suffolk Road in Mansfield
- Several large commitments in excess of 100,000 sq. ft. expected to land in the second half of 2014

The Greater Boston Industrial market continues to tighten, posting 374,000 sq. ft. of positive absorption in 2Q14, the fifteenth consecutive quarter of positive traction. As a result, availability declined 40 basis points quarter-over-quarter. As the market continues to tighten, average asking rents continue to rise, ending at \$6.83 NNN per sq. ft. in 2Q14, the seventh consecutive quarter of rent growth. Asking rents have reached their highest point since the beginning of 2009.

All of the Suburban Metros finished 2Q14 on a positive note. Leading the way this quarter was the Metro North. The Metro North posted 108,000 sq. ft. of positive absorption in 2Q14, sending availability rates down 20 basis points quarter-over-quarter to 19.5% and pushing asking rents up for the sixth consecutive quarter to \$7.91 NNN per sq. ft. This represents the highest point since 1Q12, when average asking rents broke the \$8.00 NNN per sq. ft. threshold. The Metro West posted 44,000 sq. ft. of positive growth, the eighth consecutive quarter of positive traction. The Metro South was relatively flat to end the first half of 2014, posting just 14,000 sq. ft. of positive absorption for 2Q14.

Figure 1: Industrial Vacancy vs. Lease Rate



Source: CBRE Research, Q2 2014.

## Metro North

- The Metro North Industrial market led all other submarkets in the second quarter of 2014, posting 108,000 sq. ft. of positive absorption—a major turnaround for the Metro North, which saw 155,000 sq. ft. of negative absorption in the first quarter. This pushed availability in the Metro North down 20 basis points quarter-over-quarter to 19.5%, and pushed rents up to \$7.91 NNN per sq. ft. This represents the sixth consecutive quarter of rent growth in the Metro North, and the highest point since the first quarter of 2012.
- The Route 3 – North submarket led the way in the Metro North Industrial market, posting 210,000 sq. ft. of positive absorption in 2Q14. This pushed availability and vacancy down by 190 and 130 basis points to 21.3% and 20.1%, respectively, and pushed average asking rents up \$1.25 to \$8.48 NNN per sq. ft. This represents the highest point since the first quarter of 2012, when rents in the Route 3 – North submarket broke through the \$9.00 NNN per sq. ft. threshold.
- South Shore Gunitite Pool & Spas completed the largest deal in the Metro North this quarter with the purchase of 12 Esquire Road in Billerica, a 60,000 sq. ft. Class B asset that sold for \$3.6M (\$60 per sq. ft.). They will be relocating from two buildings they currently own in Chelmsford.
- C. R. Bard, Inc. completed the second-largest transaction in the Metro North this quarter with a 51,000 sq. ft. renewal at 160 New Boston Street in Woburn. Other notable Metro North transactions this quarter included Radio Waves' lease of 42,000 sq. ft. at 495 Woburn Street in Tewksbury and Door to Door Storage's lease of 25,000 sq. ft. at 80 Industrial Way in Wilmington.

## Metro West

- The overall Metro West Industrial market posted 44,000 sq. ft. of positive absorption in the second quarter of 2014, its eighth consecutive quarter of positive traction. This pushed availability down 20 basis points quarter-over-quarter to 17.9%, the eighth consecutive quarter that availability has declined. Rents continue to rise steadily for the seventh straight quarter, up \$0.10 to \$6.52 NNN per sq. ft. This represents the tightest this market has been in over a decade. At the end of 2Q14, availability, vacancy and asking rents have all achieved pre-recession lows.
- The Route 495 – Mass Pike West submarket led the way in the Metro West Industrial market, posting 243,000 sq. ft. of positive absorption in the second quarter of 2014. This pushed availability and vacancy down by 170 and 120 basis points quarter-over-

quarter to 14.5% and 12.5%, respectively; and pushed average asking rents in the submarket up by \$0.28 to \$7.13 NNN per sq. ft.

- Wolf Building Supply has signed a lease to occupy all 102,000 sq. ft. at 450 Whitney Street in Northborough, removing a large block of availability from the market.
- Other notable transactions in the Metro West included Comark's lease of 64,000 sq. ft. at 450 Fortune Boulevard in Milford and Sunbelt Rentals' lease of 18,000 sq. ft. at 417 South Street in Marlborough.

## Metro South

- The Metro South Industrial market was relatively flat in 2Q14, posting just 14,000 sq. ft. of positive absorption, the sixth consecutive quarter of positive traction. Average asking rents remained largely unchanged as well, decreasing just \$0.02 to \$5.56 NNN per sq. ft. Availability in the Metro South Industrial market continues to trend downward in the long term, down 110 basis points year-over-year.
- The Route 128 – South submarket led the Metro South, in stark contrast to the last several quarters, posting 129,000 sq. ft. of positive absorption. This pushed availability down by 50 basis points quarter-over-quarter and 100 basis points year-over-year to 17.1%, its lowest point since 2008. Notable transactions in Route 128 – South included Boston Fresh's lease of 41,000 sq. ft. at 1020 West Chestnut Street in Brockton and Phoenix Electric Corporation's purchase of the 40,000 sq. ft. facility at 40 Hudson Road in Canton (user sale).
- The Route 495 – South submarket saw 115,000 sq. ft. of negative absorption in the second quarter of 2014, driving availability up 40 basis points quarter-over-quarter to 14.7%. Despite this, tenant demand was strong in 2Q14 with a number of notable deals occurring. Lagasse completed a renewal of 159,000 sq. ft. at 33 Suffolk Road in Mansfield. Kuehne + Nagel renewed in 84,000 sq. ft. at 12 Forge Park Road in Franklin.
- Strong demand in the South was offset by several large space givebacks totaling almost 475,000 sq. ft. Owens & Minor will not renew 227,000 sq. ft. at 135 Constitution Boulevard in Franklin; Trader Joe's gave back 159,000 sq. ft. at 140 Laurel Street in East Bridgewater; and a combination of tenants gave back 88,000 sq. ft. at 50 Suffolk Road in Mansfield. These three companies' decisions not to renew added 474,000 sq. ft. of availability back to the Metro South in the second quarter; vacancy was not affected.

**Figure 2: Transactions of Note**

Tenant	Address	Sq. Ft.	Submarket	Type
Lagasse	33 Suffolk Road, Mansfield	158,900	Route 495 – South	Renewal
Max Finkelstein, Inc.	100 Meadow Road, Hyde Park	113,945	Dorchester – South Boston	Lease
Wolf Building Supply	450 Whitney Street, Northborough	102,274	Route 495 – Mass Pike West	Lease
Kuehne + Nagel	12 Forge Park Road, Franklin	83,886	Route 495 – South	Renewal
Comark	450 Fortune Boulevard, Milford	64,138	Route 495 – Mass Pike West	Lease
South Shore Gunitite Pool & Spa	12 Esquire Road, Billerica	60,000	Route 3 – North	User Sale

Source: CBRE Research, Q2 2014.

**Figure 3: Market Statistics**

Market	Rentable Area (sq. ft.)	Availability Rate %	Vacancy Rate %	Sublease Rate %	Quarterly Net Absorption (sq. ft.)	Avg. Asking Rent (\$/sq. ft./yr)
Urban	4,932,981	26.3%	26.0%	1.0%	208,070	\$10.36
Close-In Suburbs North	7,593,437	14.0%	13.5%	2.8%	60,625	\$8.27
Route 128 – North	22,451,599	15.9%	14.2%	0.9%	(13,310)	\$8.81
Route 495 – Northeast	11,283,469	28.5%	19.4%	2.4%	(149,136)	\$5.53
Route 3 – North	11,326,715	21.3%	20.1%	2.4%	210,188	\$8.48
<b>Metro North</b>	<b>57,588,201</b>	<b>20.1%</b>	<b>17.3%</b>	<b>1.7%</b>	<b>316,437</b>	<b>\$8.36</b>
Route 128 – South	28,900,069	17.1%	14.6%	1.5%	128,513	\$5.33
Route 495 – South	28,276,734	14.7%	11.9%	0.3%	(114,788)	\$5.86
<b>Metro South</b>	<b>57,176,803</b>	<b>15.9%</b>	<b>13.3%</b>	<b>0.9%</b>	<b>13,725</b>	<b>\$5.56</b>
Route 128 – West	2,863,724	13.5%	12.5%	0.0%	(2,300)	\$11.13
Framingham – Natick	3,327,169	15.6%	12.2%	0.0%	(50,135)	\$6.87
Route 495 – Route 2 West	7,495,059	27.2%	24.9%	1.0%	(146,082)	\$5.30
Route 495 – Mass Pike West	14,489,111	14.5%	12.5%	2.3%	242,667	\$7.13
<b>Metro West</b>	<b>28,175,063</b>	<b>17.9%</b>	<b>15.8%</b>	<b>1.5%</b>	<b>44,150</b>	<b>\$6.52</b>
<b>Overall Total Industrial</b>	<b>142,940,067</b>	<b>18.0%</b>	<b>15.4%</b>	<b>1.3%</b>	<b>374,312</b>	<b>\$6.83</b>

Source: CBRE Research, Q2 2014.

## 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.

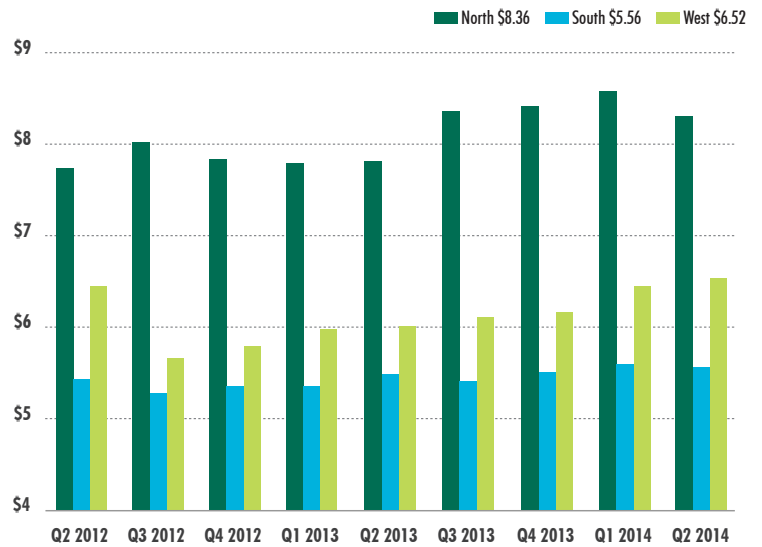
### Normalization

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.

## Average Asking Rents

- Average asking rents in the Greater Boston Industrial market continued to trend positively in the second quarter of 2014, up \$0.01 quarter-over-quarter to \$6.83 per sq. ft., the seventh consecutive quarter with positive rent growth. Strong demand from industrial users purchasing property coupled with a tight supply continues to drive overall asking rents up. Within the Greater Boston Industrial market, the Metro West saw the largest increase in asking rents, rising \$0.10 quarter-over-quarter to \$6.52 NNN per sq. ft. The Metro North Industrial market saw rents increase slightly by \$0.03 quarter-over-quarter to \$7.91 NNN per sq. ft. The Metro South was the only market in the Greater Boston Industrial market to experience a decline in average asking rents, down just \$0.02 quarter-over-quarter to \$5.56 NNN per sq. ft.

Figure 5: Average Asking Lease Rates

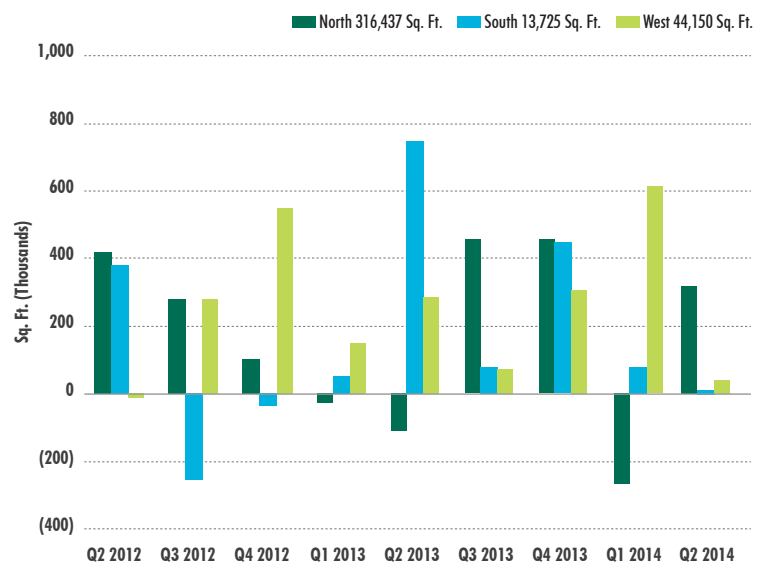


Source: CBRE Research, Q2 2014.

## Net Absorption

- Absorption in the Greater Boston Industrial market was positive across all submarkets in the second quarter of 2014, posting 374,000 sq. ft. of positive absorption overall, the fifteenth consecutive quarter of positive traction. The Metro West Industrial market saw 44,000 sq. ft. of positive absorption in the second quarter, its eighth consecutive quarter of positive traction. This was driven by the Route 495 – Mass Pike West submarket, posting 243,000 sq. ft. of positive absorption in 2Q14. The Metro South Industrial market posted just 14,000 sq. ft. of positive absorption in the 2Q14, the sixth consecutive quarter of positive traction. This was primarily driven by the Route 128 – West submarket posting 129,000 sq. ft. of positive absorption in 2Q14.

Figure 6: Net Absorption



Source: CBRE Research, Q2 2014.



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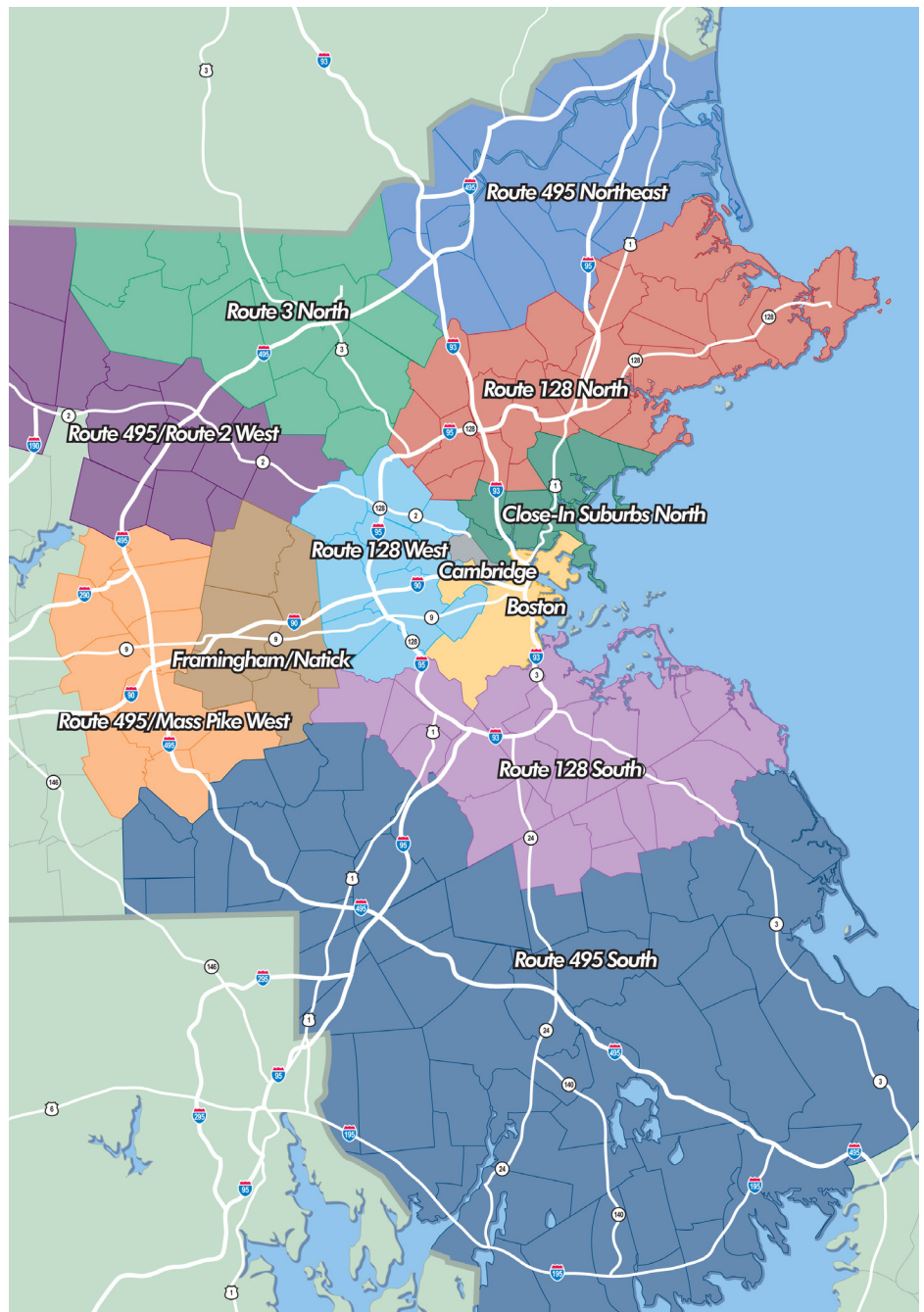
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## GREATER BOSTON SUBMARKETS



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