

Suburban Boston Industrial MarketView

Q4 2013

CBRE Global Research and Consulting



*Arrows indicate change from previous quarter.

DEMAND FOR INDUSTRIAL SPACE IN GREATER BOSTON REMAINS STRONG, QUALITY OPTIONS LIMITED

Quick Stats

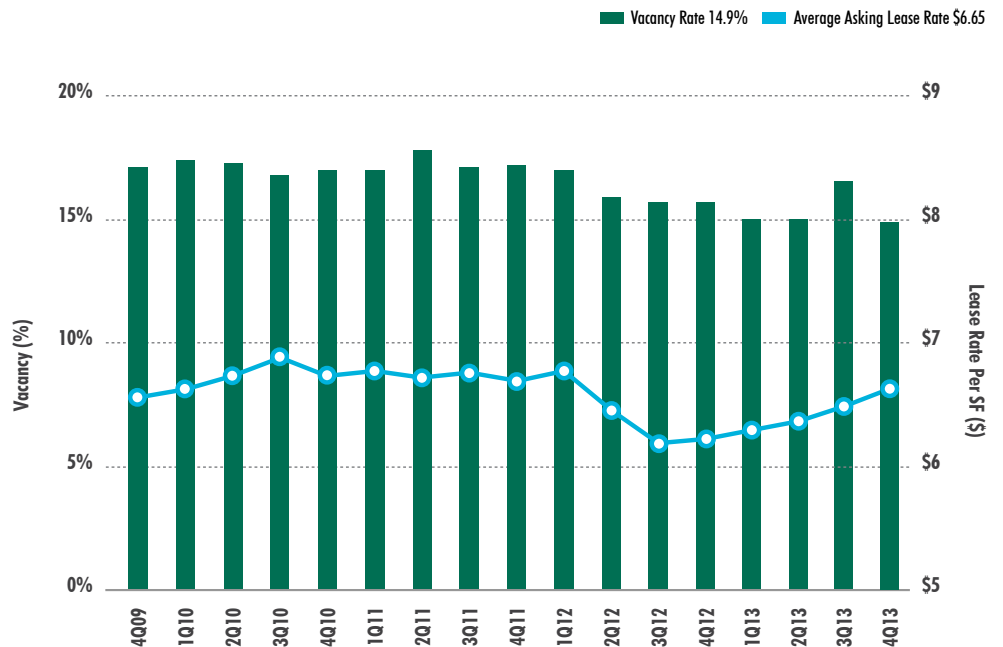
Q4 2013	Current	YoY	QoQ
Vacancy	14.9%	↓	↓
Lease Rate (NNN)	\$6.65	↑	↑
Net Absorption	1,163,215 SF	↑	↓

Hot Topics

- Vacancy and availability decreased 110 and 80 basis points, respectively, quarter-over-quarter.
- Supply continues to tighten and rates continue to increase, driven by decreasing availability.
- Restaurant Depot purchased 146 Dascomb Road in Andover for \$10.5 million in December.
- Quiet Logistics took 184,000 square feet at the Anheuser Busch facility at 235 Barnum Road in Devens.

Demand for industrial space in Greater Boston continued to strengthen through the end of 2013, with decreases in overall vacancy and availability, and an increase in average asking rates. Completed deals led to almost 1.2 million square feet of positive absorption—the thirteenth consecutive quarter of positive traction. This continued positive absorption has resulted in a lack of availability of quality industrial space in the Greater Boston market, driving down vacancy and availability 110 and 80 basis points, respectively, quarter-over-quarter. This is the fourteenth consecutive quarter in which overall availability has decreased in the Greater Boston Industrial market. Moreover, supply continues to tighten and rates continue to increase, driven by decreasing availability.

Industrial Vacancy vs. Lease Rate



Source: CBRE/New England, Q4 2013

Metro North

- Continued interest from industrial users purchasing property in the Metro North submarket resulted in a strong finish to 2013, with 372,000 square feet of positive absorption in the fourth quarter. The Route 495 – Northeast submarket, which posted 330,000 square feet of positive absorption in the fourth quarter, led absorption.
- Restaurant Depot purchased 146 Dascomb Road in Andover for \$10.5 million in December. Old Neighborhood Foods purchased 18 Electronics Avenue in Danvers for \$4.25 million in November. The facilities were 128,000 and 270,000 square feet, respectively.
- This pushed overall vacancy and availability in the Metro West submarket down by 40 and 70 basis points, respectively, quarter-over-quarter. Additionally, rents increased quarter-over-quarter by \$0.14, to \$7.66. This is the highest rent that the submarket has seen since the first quarter of 2012, and it represents four consecutive quarters of positive rent growth.
- Increased demand and no added supply resulted in a tighter Metro North Industrial submarket in 2013, and will continue to push absorption and rents in 2014.

Metro South

- The Metro South submarket posted 450,000 square feet of positive absorption in the fourth quarter of 2013, the fourth consecutive quarter of positive absorption.
- Vacancy declined by 210 basis points quarter-over-quarter to 12%, the lowest point in over 10 years. Further, availability in the Metro South continued to decline for the fifth consecutive quarter by 90 basis points to 15.9%, the lowest it has been since the third quarter of 2008.

- Overall asking rents in the Metro South continued on their upward trend, increasing by \$0.07 quarter-over-quarter to \$5.53.
- The Metro South Industrial market continues to tighten, as more of the larger, quality options are removed from the market. Spears leased 94,000 square feet at 11 Norfolk Street at Cabot Business Park in Mansfield, MA, and will occupy the last available space at one of the highest-quality industrial parks in Massachusetts. As a result, users' options are becoming limited, and they are being forced to consider new construction or older, lower-quality options.

Metro West

- The Metro West Industrial submarket continued with positive momentum throughout the end of the year, posting 251,000 square feet of positive absorption in the fourth quarter of 2013—the sixth consecutive quarter of positive growth.
- Availability continued its downward trend for the sixth consecutive quarter, down 90 basis points quarter-over-quarter to 20.1%. This is the lowest point since the fourth quarter of 2007.
- Average asking rents in the Metro West were up \$0.14 quarter-over-quarter to \$6.14—the fifth consecutive quarter of positive rent growth. This represents the highest average asking rate in this submarket since the third quarter of 2011.
- The Metro West Industrial market continued to experience above average tenant velocity in the fourth quarter. Quiet Logistics took 184,000 square feet at the Anheuser Busch facility at 235 Barnum Road in Devens, MA. 235 Barnum was very well maintained and represented one of the larger, higher-quality options available in the Metro West. Quality inventory has been absorbed and fewer large flex opportunities are available for active tenants.

Transactions of Note

Tenant	Address	SF	Submarket	Type
Restaurant Depot	146 Dascomb Road, Andover	274,430	Route 495 - Northeast	User Sale
Quiet Logistics	235 Barnum Road, Devens	184,000	Route 495 – Route 2 West	New Lease
Preferred Freezer Services	380 South Worcester Street, Norton	183,000	Route 495 - South	New Lease
MHQ Inc.	401 Elm Street, Malborough	133,000	Route 495 - Mass Pike West	Renewal
Old Neighborhood Foods	18 Electronics Avenue, Danvers	128,000	Route 128 - North	User Sale
Catania Spagna	3 Nemco Way, Ayer	113,382	Route 495 - Route 2 West	User Sale
Horizon Logistics	90 Salem Road, Billerica	105,232	Route 3 - North	Renewal

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	30.9%	30.4%	0.8%	90,963	\$11.02
Close-In Suburbs North	7,589,437	14.8%	13.2%	2.8%	0	\$7.56
Route 128 – North	22,491,599	14.1%	11.8%	0.8%	58,310	\$8.67
Route 495 – Northeast	11,291,505	28.5%	16.4%	2.4%	330,266	\$6.34
Route 3 – North	11,007,971	22.9%	21.4%	2.4%	(16,784)	\$7.74
Metro North	57,783,493	20.2%	16.5%	1.7%	462,755	\$8.44
Route 128 – South	28,942,223	17.1%	13.2%	2.0%	320,153	\$5.27
Route 495 – South	28,320,294	14.6%	10.8%	0.5%	129,510	\$5.87
Metro South	57,262,517	15.9%	12.0%	1.3%	449,663	\$5.53
Route 128 – West	2,771,434	10.1%	8.9%	0.0%	(30,594)	\$10.93
Framingham – Natick	3,327,169	14.9%	12.9%	0.0%	6,137	\$6.31
Route 495 – Route 2 West	7,483,482	33.9%	30.2%	1.0%	220,770	\$4.93
Route 495 – Mass Pike West	14,475,236	16.1%	13.5%	1.9%	54,484	\$7.06
Metro West	28,057,321	20.1%	17.4%	1.3%	250,797	\$6.14
Overall Total Industrial	143,103,331	18.5%	14.9%	1.4%	1,163,215	(NNN) \$6.65

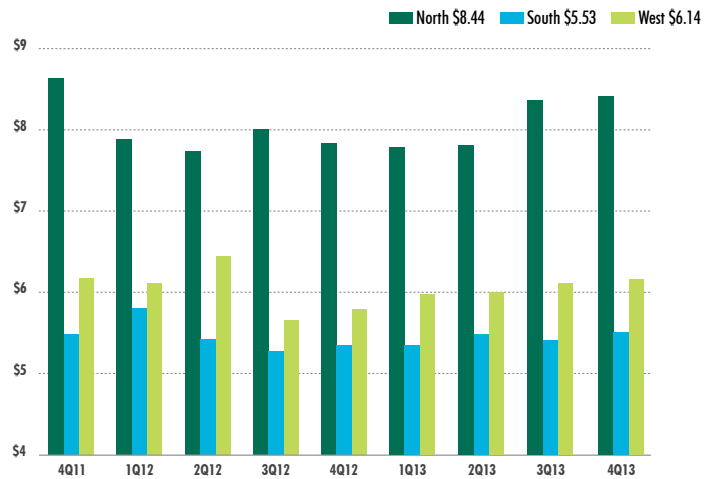
Average Asking Rents

Continued interest from industrial users purchasing property, coupled with continued absorption from increased demand and a lack of new supply, resulted in upward pressure on asking rents in the fourth quarter of 2013. Overall Industrial average asking rents rose \$0.09 quarter-over-quarter to \$6.29, the fifth consecutive quarter of positive overall rent growth. \$6.29 represents the highest average asking rents in the submarket since the third quarter of 2011. Consistent with continued rent growth, the Greater Boston Industrial market saw one million square feet of positive absorption in the fourth quarter—the thirteenth consecutive quarter of positive absorption. This was driven mainly by the Route 495 – Northeast and the Route 128 – South submarkets, which posted 330,000 and 320,000 square feet of positive absorption, respectively, in the fourth quarter. Given the continued interest from industrial users purchasing property, and moreover the increasing demand coupled with a very limited supply of quality options, rates are expected to continue to rise throughout 2014.

Net Absorption

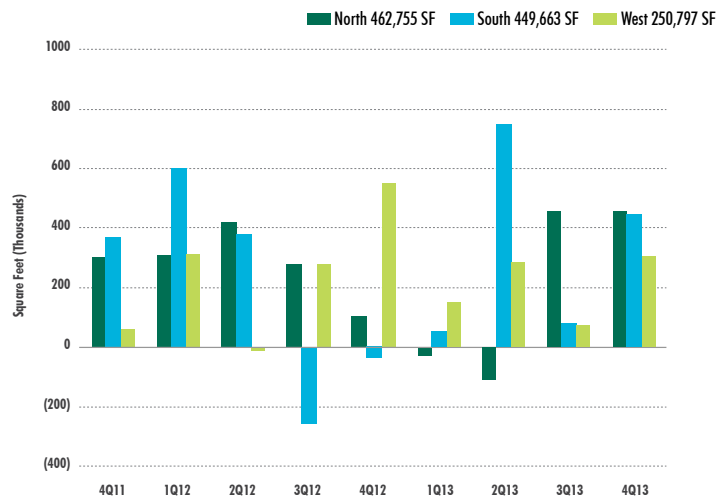
Overall absorption was down slightly from the second quarter, but still maintained a healthy 685,000 square feet of positive absorption in the third quarter of 2013, the twelfth consecutive quarter of positive traction. The Metro North led all industrial markets in Greater Boston in the third quarter with a total of 419,000 square feet of absorption. The major contributors to the strong absorption this quarter were O'Reilly Auto Parts purchase and occupancy of 370,000 square feet at 15 Independence Drive in Ayer and L. Knife's decision to occupy 182,000 square feet at 201 Beacham Street in Everett to accommodate their growth needs. The Metro South and West Industrial markets both posted approximately 130,000 square feet of positive absorption this quarter.

Average Asking Lease Rates



Source: CBRE/New England, Q4 2013

Net Absorption



Source: CBRE/New England, Q4 2013

SPOTLIGHT INDUSTRIAL SEGMENTATION



GENERAL
(Includes warehouse and manufacturing space)

AVERAGE ASKING RENT

\$5.98/SF

VACANCY

13.3%



HIGH BAY
(Spaces with 28'+ clear height)

\$5.27/SF

13.8%



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

\$10.20/SF

20.0%

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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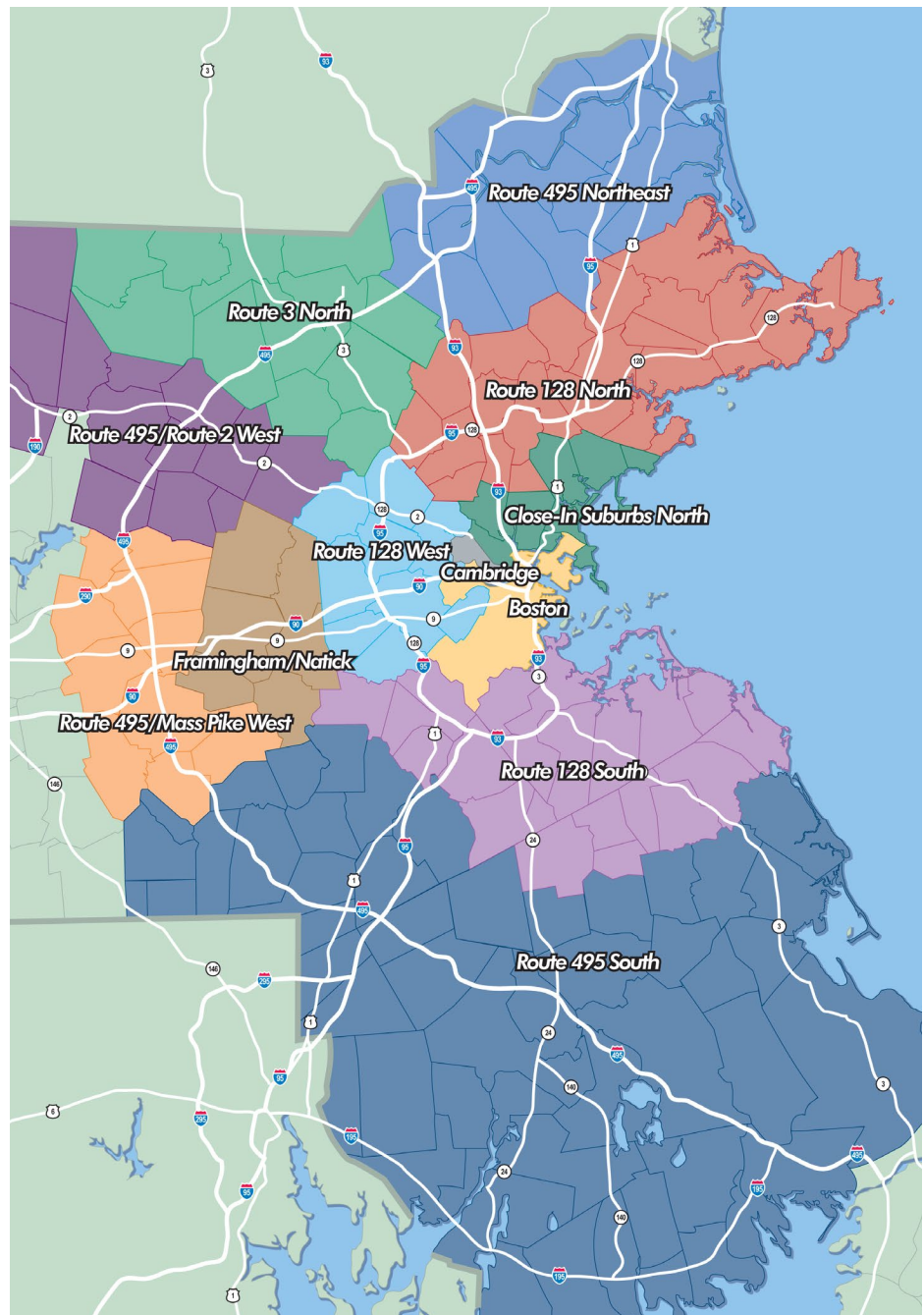
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GREATER BOSTON SUBMARKETS



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