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ABSORPTION was split with positive demand for warehouse yielding increased occupancy of 162,000 sf across both property types.

FASTER promised delivery times by online retailers could be a boon to the 6.1 million sf Streetcar Ring warehouse submarket.

FIVE warehouse move-in's larger than 70,000 sf was highlighted by MBTA contractor Mancon's move into 88,000 sf in Stoughton.

INDUSTRIAL rents may be driven by a scarcity of high quality space; rates are 3.4 percent above year-ago levels.

WAREHOUSE inventory with ceiling heights of at least 30 feet are 4.4 percent vacant.

DEVENS warehouse is a scant 0.6 percent; it was 29.6 percent at year-end 2012.

JUST 535,000 sf is currently under construction across property types as tenants demonstrate a decided preference for newer space.

PROPERTIES experiencing at least 5,000 sf of positive demand outnumbered those experiencing negative absorption 40 to 32.

FRENETIC investment included The Davis Companies acquisition of 88 Black Falcon Avenue, which includes a 191,000 sf industrial facility.

QUICK



Absorption
+162,000 sf
Absorption was positive though mixed by type



Vacancy
7.0% -0.2%
Vacancy decreased to a new 15-year low



Rents
\$7.08
Rents rose, powered by high end warehouses



SEEING DOLLARSIGNS

The last twelve months have been some of the busiest ever for regional investment across industrial property types; here's some perspective on where the deals are happening, with a deeper look at some of the largest ...

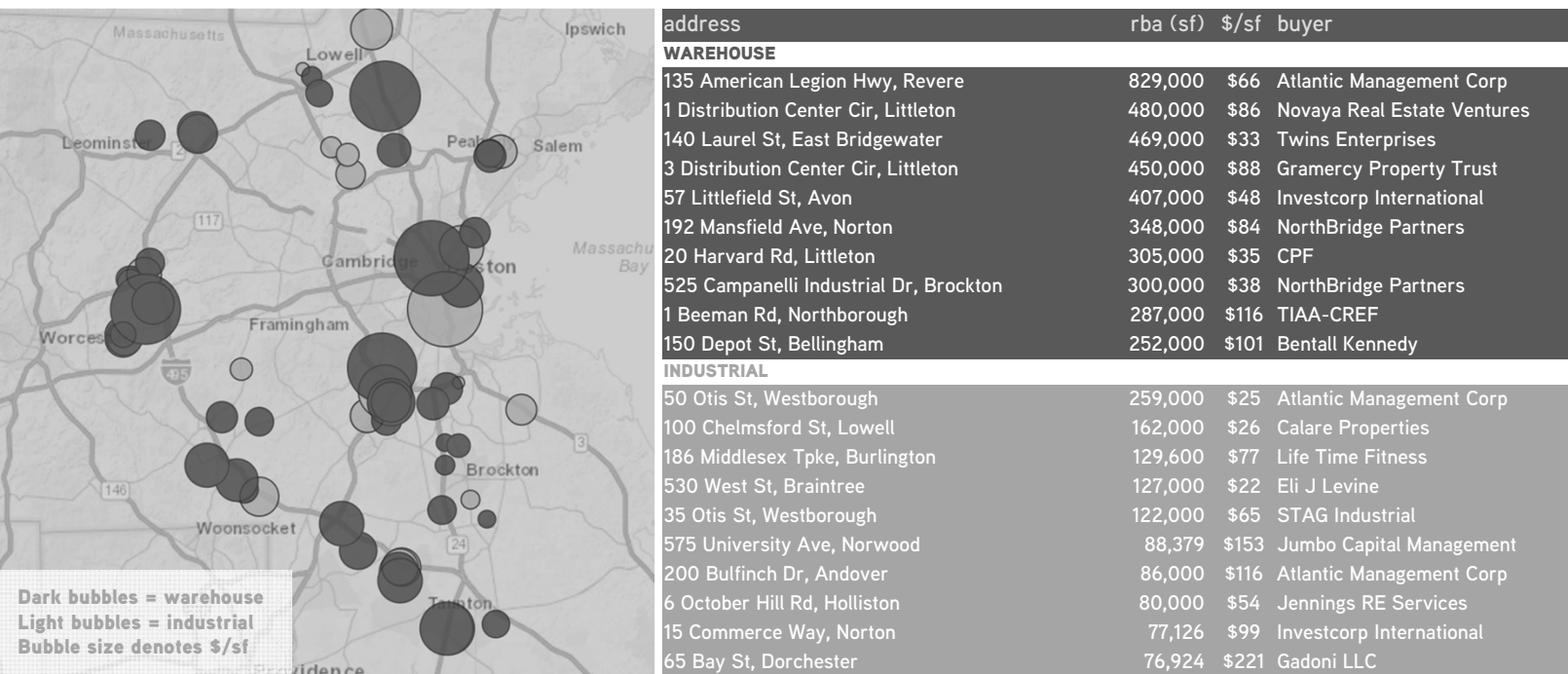
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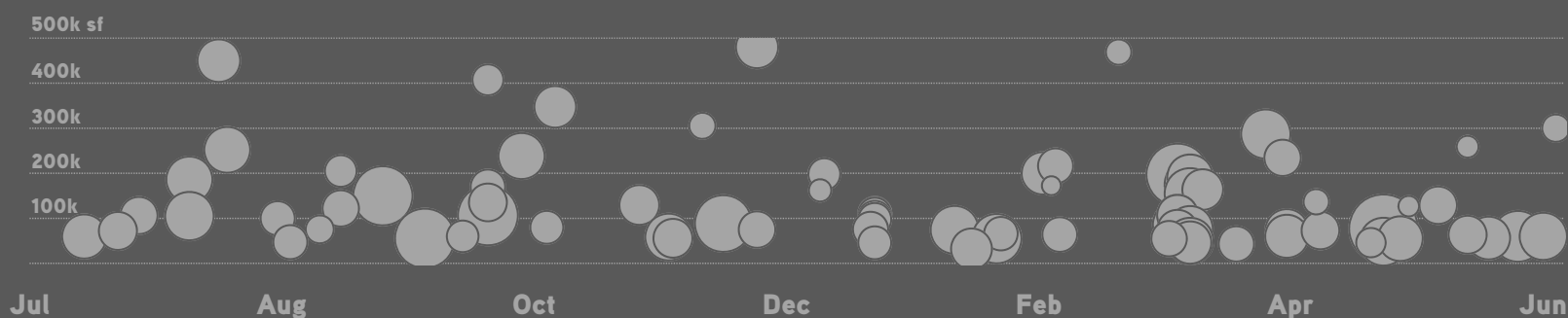
Positive aggregate absorption again lowered vacancy to notably low levels as of the mid-year 2017. Supply constraints are intensifying as a rapidly changing logistical environment has escalated demand for state-of-the-art warehouses and structures approaching obsolescence are being demolished in favor of other, higher-uses. A mostly committed new construction pipeline will offer a minimal level of increased choice as rental rates are already showing some signs of increase, particularly for newer and more functional real estate. Multiple quarters of sustained absorption has lowered vacancy to critically low levels in high demand areas to the west and in Devens, as Streetcar Ring warehouse properties prepare to experience rising demand from retailers looking to provide rapid fulfillment to urban consumers. With many area sites envisioned for higher value office, lab and residential uses, rising lease rates appear a likely substitute for meaningfully increased supply.

INTENSE INVESTMENT IN INDUSTRIAL

Eleven percent of total industrial inventory has changed hands between the second half of 2016 and 2017 in a flurry of individual asset and portfolio transactions – here is a quick summary of notable transactions, and the geography and time scale involved.



Asset sales 2h'16 & 1h'17 Asset size left axis Bubble size = \$/sf 135 American Legion not pictured – April '17



Flashback to Q1'2017 ...

Absorption was positive across both industrial and warehouse types as vacancy, at 7.2 percent, is at a new 15-year low. More than two million sf of warehouse sold over the preceding two quarters, a particularly active period. North Shore warehouse vacancy of 3.9 percent plummeted from more than 20 percent in 2013. Just 585,000 sf of construction was underway at four sites market wide despite a decided tenant preference for newer product. Industrial rents remain stagnant, though data suggested rent growth for newer, state-of-the-art facilities.

this quarter

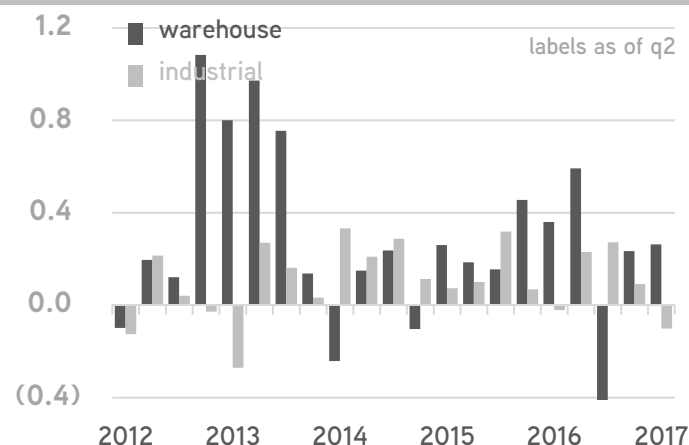
warehouse ...

- ◊ Vacancy decreased 0.4 percent to 7.3 percent on 263,000 sf of positive absorption and average asking lease rates stabilized, edging up \$0.01 to \$6.37 per sf.
- ◊ Absorption has been positive for all but three of the last 20 quarters during which tenants have increased occupancy levels by 5.9 million sf.
- ◊ Properties with ceiling heights above 30 feet are 4.8 percent vacant and have seen 915,000 sf of positive absorption last twelve months; lower-ceiling properties are 8.2 percent vacant and have seen negative absorption of 501,000 sf over the same period.
- ◊ Persistent demand has lowered vacancy in the Boroughs and Devens submarkets to 1.8 percent and 0.6 percent, respectively.
- ◊ Just one property of 160,000 sf is under construction market-wide despite a substantial tenant preference for state-of-the-art supply and near dearth of available space thereof.
- ◊ Mancon took occupancy of 88,000 sf in Stoughton in connection with an MBTA contract as The Paper Store leased 86,000 sf in Ayer, Sonepar took 78,000 sf in Brockton, the United Parcel Service took occupancy of 76,000 sf in Wilmington and Consumer Auto Parts moved into 65,000 sf in Milford; DHL left 72,000 sf in Franklin as part of a consolidation.
- ◊ A 6.1 million sf Streetcar Ring, already 4.4 percent vacant, could see increased demand as online retailers move to facilitate urban strategies.
- ◊ TIAA-CREF acquired 1 Beeman Road in Northborough (\$34 million, 287,000 sf, \$116 per sf) as The Davis Companies acquired 88 Black Falcon Avenue in Boston (warehouse bldg: \$19 million, 191,000 sf, \$101 per sf) and Twins Enterprises bought 140 Laurel Street in East Bridgewater (\$16 million, 469,000 sf, \$33 per sf).

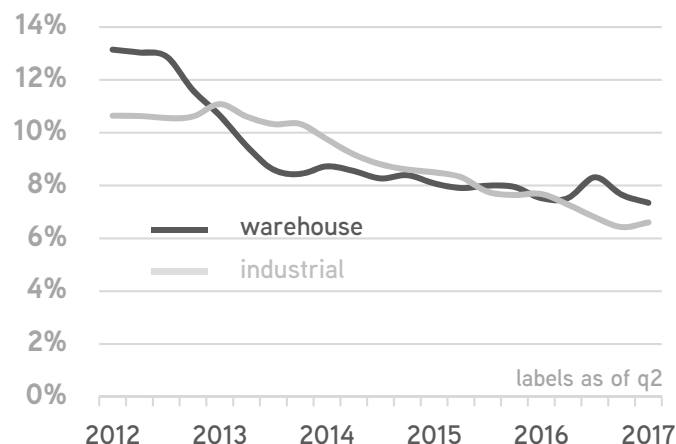
industrial ...

- ◊ Absorption of negative 101,000 sf increased vacancy 0.2 percent to 6.6 percent as average asking lease rates jumped \$0.24 to \$7.79 per sf.
- ◊ Absorption turned negative for just the second time in 16 quarters, a stretch during which absorption has totaled 2.4 million sf.
- ◊ Asking rents are 3.4 percent above year-ago levels, an increase driven by strong demand for Class A facilities, where vacancy is 3.3 percent.
- ◊ Waters Corporation moved into 56,000 sf in Franklin as Fresenius Kabi took occupancy of 48,000 sf in Canton and Bald Hill Builders took occupancy of 13,000 sf in a move from Sharon to Walpole; Christian Book Distributors pulled out of 56,000 sf in Peabody in a consolidation.
- ◊ Jumbo Capital Management bought a three-building portfolio at 1400 Providence Highway in Norwood (\$14 million, 156,000 sf, \$90 per sf) as Atlantic Management acquired a portfolio including 200 Bulfinch Drive in Andover (\$10 million, 86,000 sf, \$116 per sf).

absorption (sf in millions)



vacancy %



rents \$ class a/b blend, per sf nnn





warehouse <i>sf in thousands</i>			absorption		construction**			rent***
	rba	vac%	q2'17	ltm	uc	lease%	ltm	hillo blend
total market	85,162	7.3%	263	414	160	38%	640	\$6.37
streetcar belt	6,145	4.4%	(34)	73	0		0	\$8.54
128 belt	18,628	10.1%	31	(433)	0		0	\$6.48
north shore	7,442	3.7%	14	75	0		0	\$6.81
128 core	453	0.0%	0	2	0		0	
9 west	51	0.0%	0	0	0		0	
blue hills	6,708	8.4%	(7)	(73)	0		0	\$6.22
south shore	3,974	26.4%	24	(436)	0		0	\$6.47
495 belt	60,389	6.8%	267	774	160	38%	640	\$6.12
merrimack valley	7,222	5.3%	68	137	0		0	\$5.98
3 north	3,776	8.6%	(43)	(15)	0		0	\$7.08
2 west	2,120	19.0%	5	(317)	0		0	\$6.50
devens	3,483	0.6%	86	86	0		0	\$5.95
the boroughs	7,160	1.8%	(10)	147	0		0	\$7.21
framingham natick	1,233	6.2%	18	57	0		0	\$5.80
patriots	13,693	8.4%	1	144	0		0	\$6.15
24 corridor	21,702	7.4%	140	535	160	38%	640	\$5.61

industrial <i>sf in thousands</i>			absorption		construction**			rent***
	rba	vac%	q2'17	ltm	uc	lease%	ltm	a/b blend
total market	56,767	6.6%	(101)	491	375	100%	0	\$7.79
streetcar belt	3,036	6.3%	(4)	83	0		0	\$8.84
128 belt	16,122	7.4%	(84)	226	0		0	\$8.72
north shore	7,653	7.7%	(73)	5	0		0	\$8.13
128 core	1,118	11.6%	(37)	9	0		0	\$13.17
9 west	478	9.5%	0	0	0		0	
blue hills	4,113	5.8%	25	198	0		0	\$8.23
south shore	2,761	6.7%	0	14	0		0	\$7.26
495 belt	37,609	6.3%	(13)	182	375	100%	0	\$7.29
merrimack valley	8,536	8.6%	(5)	(17)	175	100%	0	\$7.96
3 north	7,415	8.1%	34	173	0		0	\$6.83
2 west	1,419	0.2%	10	5	0		0	
devens	1,665	0.0%	0	0	0		0	
the boroughs	7,355	9.2%	(103)	(78)	0		0	\$7.87
framingham natick	729	0.0%	0	60	0		0	
patriots	6,675	3.8%	69	(2)	0		0	\$6.22
24 corridor	3,814	2.8%	(17)	41	200	100%	0	\$6.10

rba = rentable building area ltm = last twelve months ** preleased % & last twelve months completions ***rent = \$ per sf per year nnn

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blue <> macro level office | quarterly
steel <> macro level industrial | quarterly
green <> macro level laboratory | quarterly
slate <> submarket level office series | quarterly
node <> transit-accessible office & lab | twice-yearly
white <> special interest | twice-yearly or so

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