

Steel is Greater Boston's definitive resource for commercial industrial real estate discussion & analysis.



Spectrum Series
2 years
100 reports

ABSORPTION was resoundingly positive across both property types as occupancy increased by 351,000 sf and vacancy dipped to 6.6 percent.

AVERAGE RENTS mutes landlord pricing power for quality product and challenges for obsolete assets.

THE SEYON GROUP bought assets in Stoughton and Wilmington for a total of 548,000 sf, bringing the firm's area portfolio to 1.3 million sf.

INTEGRA LIFESCIENCES took occupancy of 106,000 sf in Mansfield as bio users increase as consumers of industrial and warehouse real estate.

KHOMBU Brand Group acquired an 82,000 sf industrial building in Hudson for its own use.

DEMAND FOR QUALITY persists despite rapidly dwindling supply; Class A industrial product is 2.1 percent vacant and warehouse, 4.3 percent.

CAMPANELLI and Clarion Partners broke ground on a pair of speculative assets in Bellingham totaling 428,000 sf set to be delivered later this year.

INDUSTRIAL CONSTRUCTION pipeline of 1.1 million sf is the most seen in more than 15 years.

REDEVELOPERS are assembling urban industrial assets for valuations suggesting near term redevelopment into housing or office use.

Q UICK



Absorption
+351,000 sf

Absorption was positive for across property types



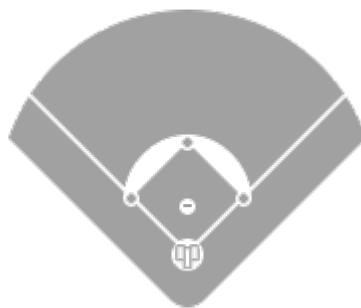
Vacancy
6.6% -0.2%

Vacancy set another successive 15-year low



Rents
\$7.02

Rents remained stable on consistent demand



IF YOU BUILD IT ...

With 528,000 sf at three locations, today's warehouse pipeline is the largest fully spec building spree since the 1990s; with heavy demand for new product and an average market vintage of 1973, these facilities are poised for a hearty welcome; here's a quick at product built since 2005 ...

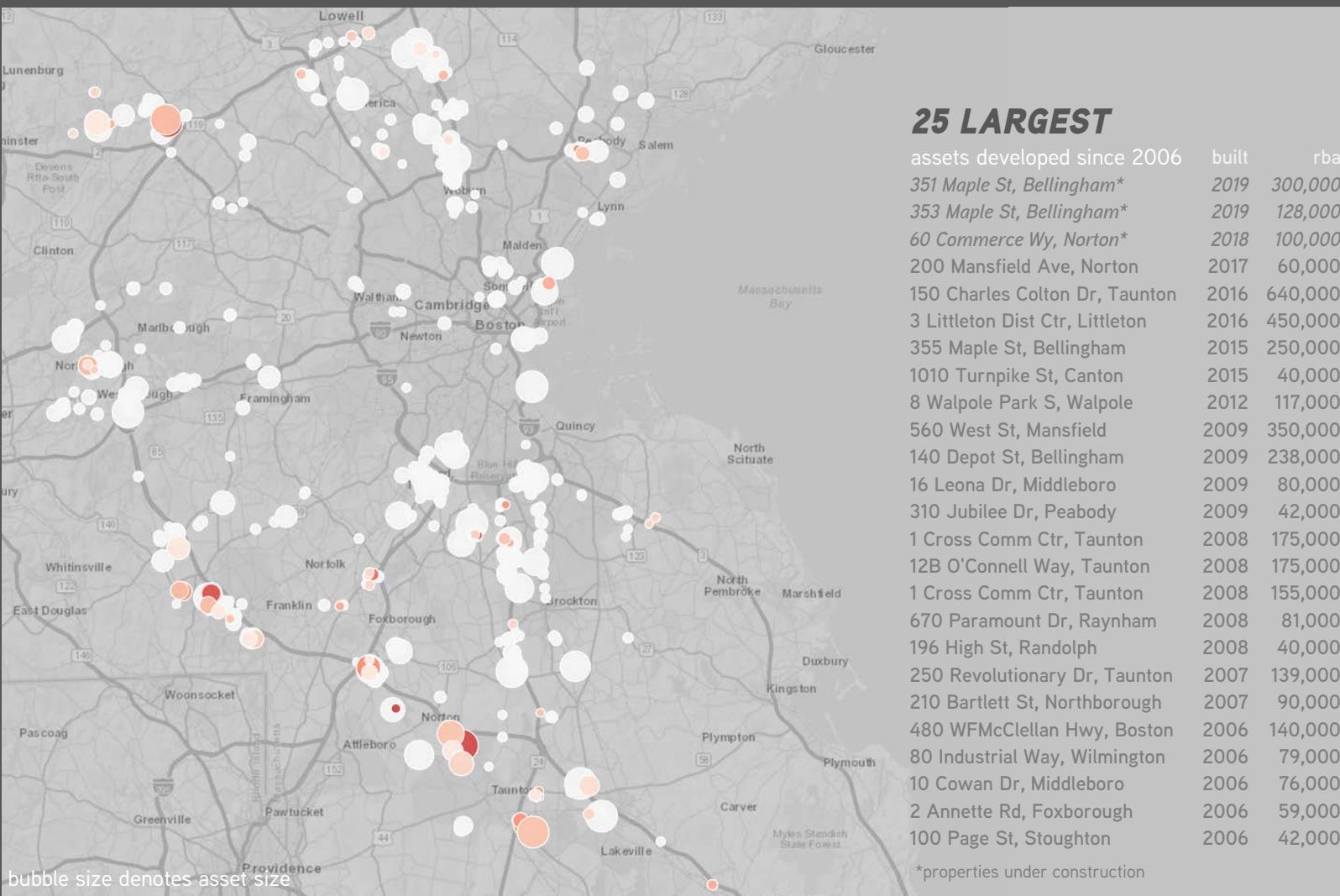
OTB, page 2



Strong regional demand for consumer goods and growth in the region's high end manufacturing sector combine to continue a trend that has resulted in nine million sf of increased occupancy across both property types since mid-2012. Logistics-intensive e-commerce retailers with expeditious delivery standards have escalated demand for high-quality warehouse space near population centers, at the same time that many urban areas are undergoing value-increasing gentrification. The relatively price indiscriminate nature of these groups and the high end nature of their requirements has given confidence to developers, who now have 528,000 sf of speculative Class A warehouse space under construction market-wide. For industrial properties, the region's biotechnology sector remains a primary driver of demand, while a 1.1 million sf construction pipeline consists of full pre-commitments, mostly by biopharmaceutical companies with research operations in the Greater Boston region.

IF YOU BUILD IT ...

With warehouse vacancy bottoming out and an insatiable appetite for new product, spec construction is gearing back up. Here's a look at today's existing and under construction inventory; white bubbles pre-2000s; red bubbles built 2000 to present, darkest bubbles newest.



Flashback to Q3'2017 ...

Absorption was substantially positive across both industrial and warehouse properties; positive for the third straight quarter.

Vacancy of 6.7 percent is at a 15-year low; vacancy first dipped below ten percent in 2013.

Patriot Beverages moved into the 305,000 sf facility at 20 Harvard Road in Littleton it acquired in the fourth quarter of 2016.

Large warehouse choices in the 200,000 sf to 400,000 sf range have dropped from 15 to nine over the last four quarters.

Boston Andes Capital acquired the two buildings at 129 Concord Avenue in Billerica (\$45 million, 286,000 sf, \$157 per sf).



this quarter

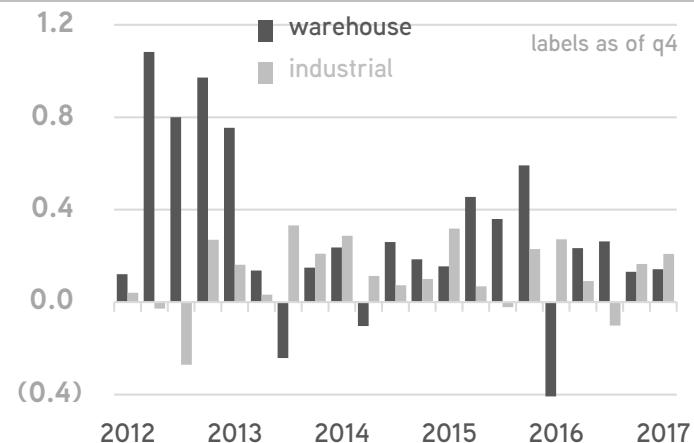
warehouse ...

- ◊ Vacancy dipped 0.2 percent to 7.0 percent as tenants absorbed 142,000 sf and average asking rents increased \$0.07 to \$6.46 per sf.
- ◊ A demand surge of 983,000 sf in the North submarkets of Merrimack Valley, North Shore, 2 Corridor and 3 Corridor over the last three quarters has dropped vacancy from 7.9 percent to 3.8 percent.
- ◊ Despite low vacancy of 7.8 percent, 24 Corridor has, by far, the region's most robust available choice; the submarket has half the market's eight choices larger than 200,000 sf.
- ◊ Class A and Class B inventory is 4.3 percent and 8.0 percent vacant, respectively.
- ◊ Integra LifeSciences moved into 106,000 sf in Mansfield as California Paint expanded by 50,000 sf in Andover and DN Van Lines moved into 45,000 sf in Northborough; MS Walker consolidated by 156,000 sf in Norwood as the Mayo Clinic pulled out of 29,000 sf in Andover.
- ◊ The 528,000 sf currently under construction is the largest fully speculative pipeline in more than 15 years.
- ◊ Metropolitan Pipe & Supply acquired 180 New Boston Street in Woburn (\$8.0 million, 66,000 sf, \$121 per sf) which it will occupy in 2018 in a move from its facility in Cambridge which it sold to Alexandria Real Estate Equities in the first quarter for redevelopment.
- ◊ The Seyon Group acquired 613 Main Street in Wilmington (\$24.7 million, 430,000 sf, \$57 per sf) and 1 Kay Way in Stoughton (\$7.1 million, 118,000 sf, \$60 per sf) as Abiomed bought 20 Cherry Hill Drive in Danvers (\$16.5 million, 163,000 sf, \$101 per sf).

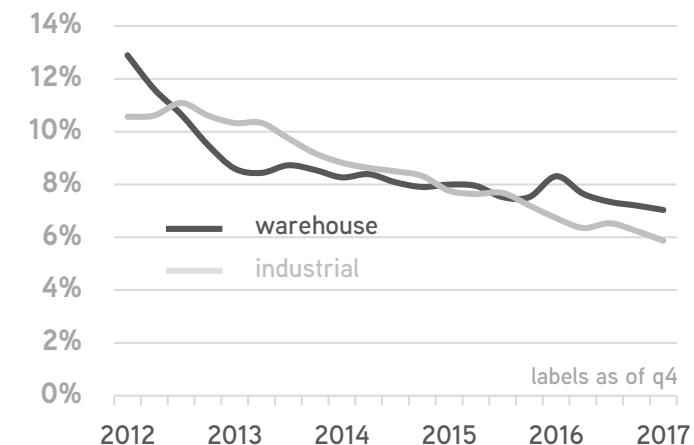
industrial ...

- ◊ Vacancy dipped 0.3 percent to 5.9 percent on 209,000 sf of positive absorption as average asking rents dipped \$0.11 to \$7.58 per sf.
- ◊ Tenants have absorbed 2.8 million sf since mid-2013 as vacancy has fallen from 11.1 percent to 5.9 percent.
- ◊ Thyssenkrupp moved into 32,000 sf in Holliston as Compass Group took occupancy of 10,000 sf in Southborough.
- ◊ Krohne will move from Peabody into its new, 176,000 sf facility at 55 Cherry Hill Drive in Beverly upon its completion this year; the market's eight-building, 1.1 million sf construction pipeline is fully preleased.
- ◊ Khombu Brand Group acquired 428 Main Street in Hudson (\$6.1 million, 81,000 sf, \$74 per sf) for its own use.
- ◊ Lincoln Property Company acquired 300 Riverpark Drive in North Reading (\$45.1 million, 229,000 sf, \$197 per sf) as Mawn & Mawn bought 8 Presidential Way in Woburn (\$13.3 million, 104,000 sf, \$127 per sf) and LakePharma acquired 35 South Street in Hopkinton (\$4.6 million, 69,000 sf, \$66 per sf).

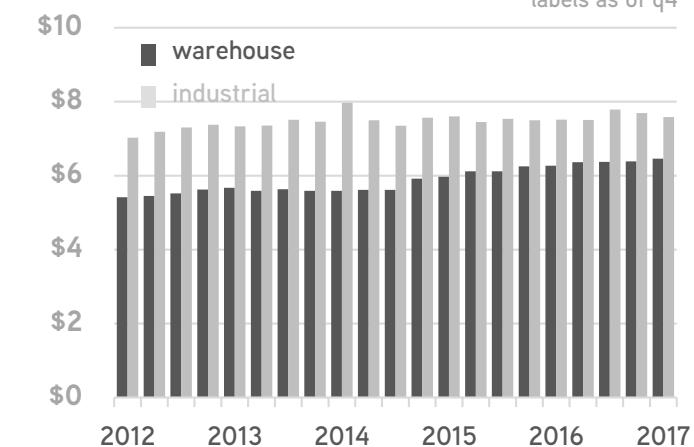
absorption (sf in millions)



vacancy %



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



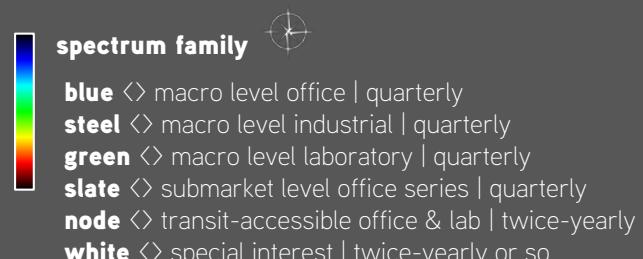


warehouse			absorption		construction**		rent***	
sf in thousands	rba	vac%	q4'17	ltm	uc	lease%	ltm	hilo blend
total market	85,173	7.0%	142	771	528	0%	60	\$6.46
streetcar belt	6,096	5.2%	0	(33)	0		0	\$8.54
128 belt	18,628	10.2%	(35)	55	0		0	\$6.67
north shore	7,442	3.8%	(3)	53	0		0	\$6.77
128 core	453	0.0%	0	0	0		0	
9 west	51	0.0%	0	0	0		0	
blue hills	6,708	8.7%	(41)	(50)	0		0	\$6.40
south shore	3,974	25.8%	9	52	0		0	\$6.74
495 belt	60,449	6.3%	178	748	528	0%	60	\$6.21
merrimack valley	7,222	2.9%	108	310	0		0	\$5.75
3 north	3,776	7.3%	(13)	72	0		0	\$6.94
2 west	2,120	2.9%	38	340	0		0	
devens	3,483	1.5%	20	54	0		0	\$5.95
the boroughs	7,160	1.3%	46	25	0		0	\$6.45
framingham natick	1,233	6.4%	20	49	0		0	\$5.50
patriots	13,693	9.6%	0	(212)	428	0%	0	\$6.19
24 corridor	21,762	7.8%	(41)	109	100	0%	60	\$6.07

industrial		absorption		construction**		rent***
sf in thousands	rba	vac%	q4'17	ltm	uc	alb blend
total market	56,723	5.9%	209	364	1,066	100%
streetcar belt	3,036	6.9%	(3)	(13)	0	
128 belt	16,078	6.6%	(11)	73	221	100%
north shore	7,653	7.0%	(12)	(12)	176	100%
128 core	1,074	6.0%	21	30	0	
9 west	478	0.0%	10	46	0	
blue hills	4,113	5.8%	2	46	0	
south shore	2,761	8.2%	(31)	(35)	45	100%
495 belt	37,609	5.5%	222	304	845	100%
merrimack valley	8,536	8.6%	35	10	225	100%
3 north	7,415	7.4%	18	139	0	
2 west	1,419	3.3%	(43)	(35)	0	
devens	1,665	0.0%	0	0	0	
the boroughs	7,355	6.7%	171	47	65	100%
framingham natick	729	0.0%	0	30	0	
patriots	6,675	1.5%	36	162	300	100%
24 corridor	3,814	3.4%	7	(49)	255	100%

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

Perry Brokerage strives for complete accuracy in all aspects of its information and analysis, though no guarantee to that effect is made. Sources include Bureau of Economic Analysis, Bureau of Labor Statistics, Esri, Federal Reserve Bank, Google Analytics, Institute for Supply Management, Perry Brokerage Associates.



Subscribe to Spectrum by texting "pbaresearch" to 228-28



Brendan Carroll ◇ Director of Intelligence ◇ bcarroll@perrybrokerage.com