

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



ABSORPTION turned negative across property types, as 133,000 sf of net negative absorption lifted overall vacancy 0.2 percent to 7.1 percent.

DEMAND IS SET TO SURGE for high quality, well-located logistical facilities as Amazon, and advanced logistics facilitators increase footprint.

THE SEYON GROUP acquired the 350,000 sf 560 West Street in Mansfield for \$110 per sf; the group's 15th purchase since its 2017 founding.

AVERAGE RENTS remain steady on average, though well-located, high quality assets continue to see gains.

XPO LOGISTICS took occupancy of 170,000 sf of warehouse space at 176 Grove Street in Franklin.

JUST TWO OPTIONS market-wide await the region's largest, 400,000 sf and larger, users.

NEW ENGLAND CONFECTIONARY Company is vacating a significant portion of its 829,000 sf Revere facility amid fiscal difficulties.

NON-RECURRING EVENTS adversely affecting occupancy included Cisco pulling out of a 294,000 sf facility in Boxborough.

AT 0.7 PERCENT vacant, the 9.3 million sf inventory shared between 2 West and The Boroughs is severely constrained with warehouse options.

QUICK



Absorption
-133,000 sf

Demand turned negative after a four-quarter positive streak



Vacancy
7.1% +0.2%

Vacancy rose on negative absorption activity



Rents
\$7.06

Average rents remained near prior quarter levels



IS THERE A PATTERN HERE?

More than 18 million sf of total industrial and warehouse property has traded hands since the beginning of 2016 for a total consideration exceeding \$1.4 billion; we know high quality product is getting top investment dollar, but is there a geographic or time-series trend otherwise? Lets see here ...

OTB, page 2



Sustained strong fundamental demand, a severe lack of quality available choices, an increasing preference for centrally-located facilities and multiple competing uses for current and potential product continue to suggest long-term optimism for Greater Boston industrial and warehouse facilities. Nullifying the effects of one-time, singular events, overall demand remains robust, and investment activity accelerated as many buyers interpret the current supply/demand imbalance as a precursor to selective rental increase bursts. As a delivery of 200,000 sf in Taunton and a further construction pipeline of 528,000 sf is set to complement the region's state-of-the-art warehouse inventory, older, outmoded facilities better suited for other uses are likely to not be redeveloped as warehouses, a trend expected to perpetuate long-term space shortages. Unlike warehouse, speculative develop of pure industrial facilities is unlikely, as a one million sf construction pipeline is fully preleased.

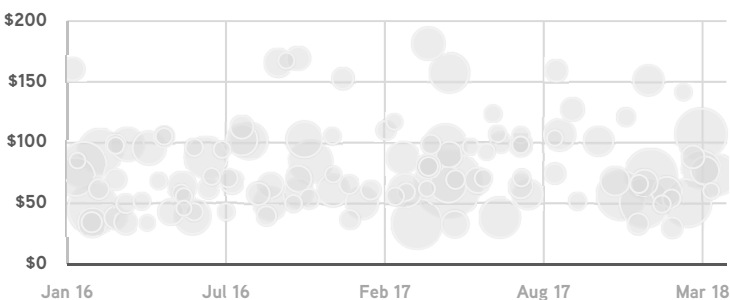
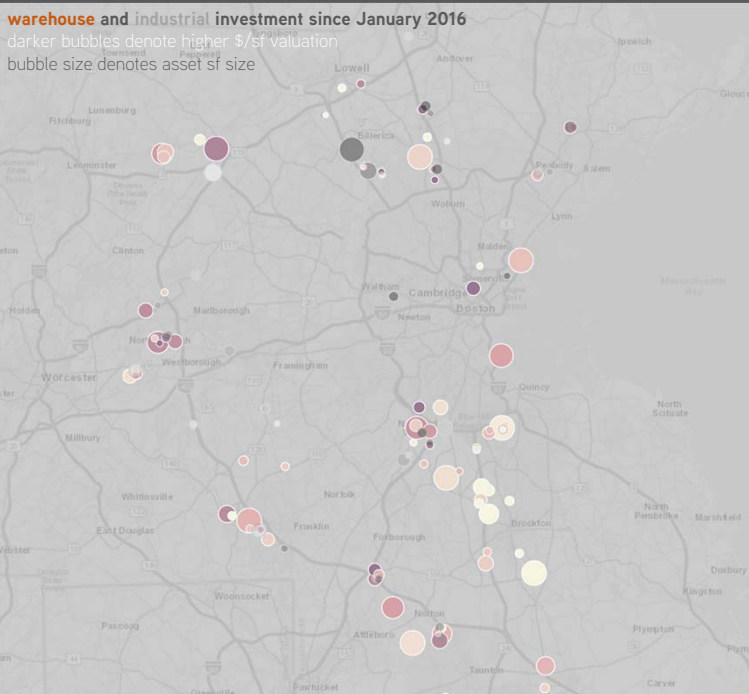
IS THIS A PATTERN ...

Well, we tried, but in fact cannot find neither a visual (just look at the graphs) or a statistical (correlation coefficient) trend for sales in what has been one of the heaviest two-year periods of industrial investment. Nevertheless, here's how the charts look when we investigate, and 40 of the largest transactions since January of 2016.

all data reflects transaction activity from Jan 2016 through April 2018
table: grey shade = warehouse, white shade = industrial/flex

warehouse and industrial investment since January 2016

darkier bubbles denote higher \$/sf valuation
bubble size denotes asset sf size



address	mth yr	size sf	\$/sf buyer
135 American Leg Hwy, Revere	Apr 2017	829,000	\$66 Atlantic Management
1 Distribution Ctr Cir, Littleton	Mar 2018	480,000	\$107 L&B Realty Advisors
129 Concord Rd, Billerica	Apr 2017	286,000	\$157 Jumbo Capital Mgmt
560 West St, Mansfield	Apr 2018	350,000	\$110 The Seyon Group
419 Maple St, Bellingham	Jan 2018	490,000	\$73 Brennan Investment
30 Innerbelt Rd, Somerville	Mar 2017	197,000	\$181 Met Pipe & Supply
975 University Ave, Norwood	Feb 2016	363,000	\$93 Charles River Realty
1 Beeman Rd, Northborough	Apr 2017	343,000	\$97 TIAA-CREF Inv Mgmt
500 Comm. Shea Blvd, Quincy	Jan 2016	378,000	\$82 Scannell Properties
192 Mansfield Ave, Norton	Nov 2016	348,000	\$84 NorthBridge Partners
18 Independence Dr, Devens	Jun 2016	325,000	\$88 SMC
150 Depot St, Bellingham	Aug 2016	252,000	\$101 Bental Kennedy
210 Rustcraft Rd, Dedham	Sep 2016	150,000	\$166 R.J. Kelly Company
613 Main St, Wilmington	Nov 2017	435,000	\$57 The Seyon Group
275 John Hancock Rd, Taunton	Oct 2016	238,000	\$102 Colony Northstar
380 S Worcester St, Norton	Dec 2017	452,000	\$51 Home Market Foods
175 Campanelli Dr, Braintree	Feb 2016	484,000	\$45 Equity Industrial
154 Campanelli Dr, Middleboro	Mar 2018	275,000	\$78 L&B Realty Advisors
135 Will Dr, Canton	Feb 2018	416,000	\$51 Equity Industrial
11 Forbes Rd, Northborough	Mar 2016	212,000	\$99 Capri EGM
829 Middlesex Tpke, Billerica	Sep 2017	186,000	\$107 OSI Systems
154 Campanelli Dr, Middleboro	Jan 2016	275,000	\$72 L&B Realty Advisors
34 St. Martin Dr, Marlborough	Apr 2016	204,000	\$96 Lincoln Property Co
145 Plymouth St, Mansfield	Aug 2016	186,000	\$102 Stockbridge Capital
326 Ballardvale St, Wilmington	Oct 2016	106,000	\$169 Investcorp Intl
26 Dartmouth St, Westwood	Feb 2017	200,000	\$88 The Seyon Group
100 Research Dr, Wilmington	Jan 2016	103,000	\$161 Avenue Management
20 Cherry Hill Dr, Danvers	Oct 2017	163,000	\$101 Abiomed
140 Laurel St, East Bridgewater	Mar 2017	469,000	\$33 Twins Enterprises Inc.
50 Independence Dr, Ayer	Apr 2017	234,000	\$65 Atlantic Management
20 Seyon St, Watertown	Sep 2017	94,000	\$159 The Seyon Group
575 University Ave, Norwood	Dec 2016	88,000	\$153 Jumbo Capital Mgmt
8 Presidential Way, Woburn	Sep 2017	104,000	\$127 Mawn & Mawn
400 Manley St, W. Bridgewater	Mar 2017	216,000	\$61 Turtle Bay Partners
1400 Providence Hwy, Norwood	Apr 2017	133,000	\$90 Jumbo Capital Mgmt
360 Cedar Hill St, Marlborough	Aug 2016	105,000	\$113 Stockbridge Capital
525 Campanelli Ind Dr, Brockton	Jun 2017	300,000	\$38 NorthBridge Partners
67 Pacella Park Dr, Randolph	Nov 2017	162,000	\$68 Winstanley Enterprises
36 Saratoga Blvd, Devens	May 2016	162,000	\$64 Cabot Properties
100 Meadow Rd, Boston	Sep 2016	205,000	\$50 Wallace Property Co

Flashback to Q4'2017 ...

Absorption was positive across both property types as occupancy increased by 351,000 sf and vacancy dipped to 6.6 percent. Khombu Brand Group acquired an 82,000 sf industrial building in Hudson for its own use. Integra LifeSciences took occupancy of 106,000 sf in Mansfield as bio users increase as consumers of industrial real estate. Campanelli and Clarion Partners broke ground on a pair of speculative warehouse assets in Bellingham totaling 428,000 sf. The Seyon Group made acquisitions in Stoughton and Wilmington for a total of 548,000 sf.

this quarter

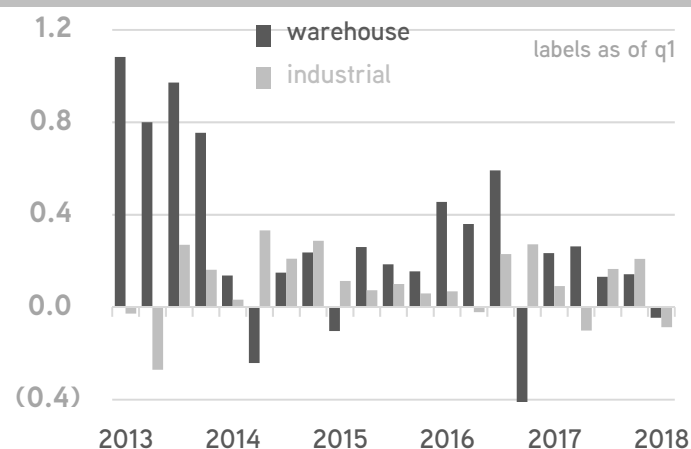
warehouse ...

- ◇ Slight negative absorption of 46,000 sf lifted vacancy 0.2 percent to 7.5 percent; lease rates remained near prior quarter levels, at \$6.48 per sf.
- ◇ Absorption activity was heavily impacted by increasing vacancy at the 829,000 sf New England Confectionary Company facility in Revere, though Atlantic Management Company, who acquired the facility in 2017 for \$54.6 million, is unlikely to retain the facility in its current form.
- ◇ The Boroughs and 2 West submarkets comprise a vast geographical swath where a 9.3 million sf inventory is 0.7 percent vacant; absorption of 442,000 sf over the last four quarters prevailed despite few choices.
- ◇ Five straight quarters of positive absorption in Merrimack Valley have lifted occupancy levels 362,000 sf as vacancy has fallen from 7.2 percent to 2.2 percent.
- ◇ XPO Logistics took occupancy of 170,000 sf in Franklin as Zippy Shell absorbed 87,000 sf in Boston; Accutest moved into 16,000 sf in Marlborough and B&G Restaurant Supply took occupancy of 16,000 sf in Westwood; Fetco Home Décor consolidated out of 67,000 sf in Randolph as Samsonite pulled out of 52,000 sf in Mansfield.
- ◇ The Seyon Group acquired 560 West Street in Mansfield (\$38.5 million, 350,000 sf, \$110 per sf); the purchase brings the 2017-founded operation's Boston area industrial holdings to 1.8 million sf.
- ◇ L&B Realty Advisors acquired a two-property portfolio consisting of 1 Distribution Center in Littleton (\$51.3 million, 480,000 sf, \$107 per sf) and 154 Campanelli Drive in Middleboro (\$21.4 million, 275,000 sf, \$78 per sf) as Equity Industrial Partners acquired 135 Will Drive in Canton (\$21.0 million, 416,000 sf, \$51 per sf).
- ◇ Williams-Sonoma will take occupancy of 139,000 sf this year at 150 Charles Colton Road in Taunton, the facility was delivered this quarter.

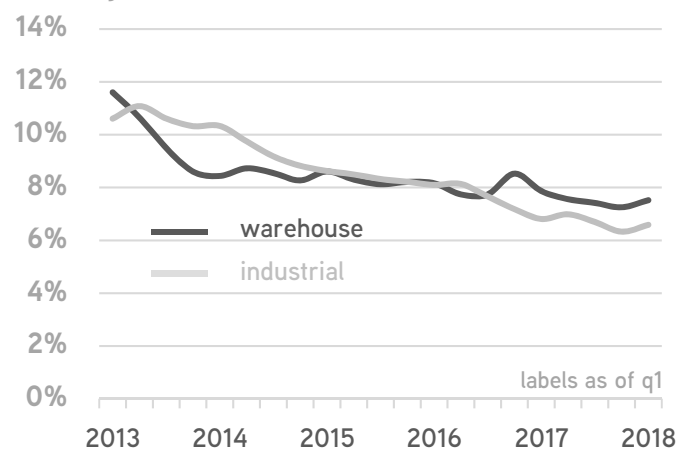
industrial ...

- ◇ Tenants vacated a net 87,000 sf, lifted vacancy 0.3 percent to 6.6 percent as asking lease rates edged up 0.9 percent, to \$7.65 per sf.
- ◇ One-time events negative impacting occupancy included the bankruptcy of Zoots, leaving 46,000 sf vacant in Brockton; Cisco pulled out of a 294,000 sf facility in Foxborough.
- ◇ The 7.4 million sf 3 North submarket is 6.8 percent vacant, following a three-quarter absorption surge of 124,000 sf.
- ◇ Ho Toy Noodle Company moved into 94,000 sf in Stoughton as LakePharma acquired 35 South Street in Hopkinton for its own use; LFB took occupancy of 65,000 sf in Marlborough.
- ◇ Hilco Real Estate acquired 825 University Avenue in Norwood (\$30.5 million, 166,000 sf, \$183 per sf) as King Street Properties bought 104 Royall Street in Canton (\$12.0 million, 156,000 sf, \$77 per sf).

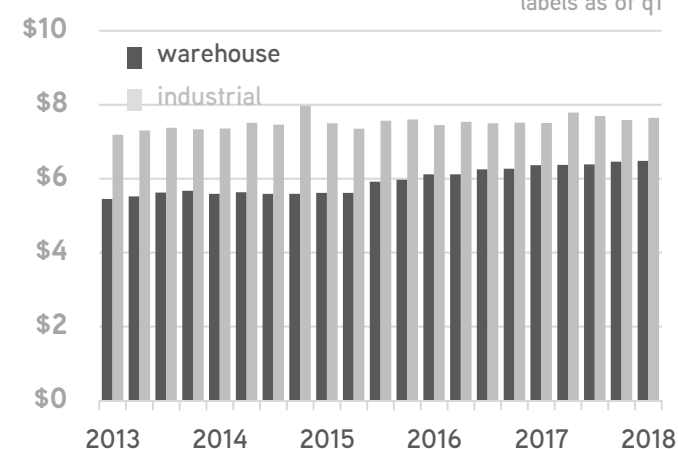
absorption (sf in millions)



vacancy %



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





warehouse			absorption		construction**		rent***
<i>sf in thousands</i>	rba	vac%	q1'18	ltm	uc	lease%	hillo blend
total market	85,573	7.5%	(46)	490	528	0%	\$6.48
streetcar belt	6,096	6.8%	(96)	(224)	0		\$9.18
128 belt	18,628	10.2%	(11)	12	0		\$6.55
north shore	7,442	4.4%	(42)	(37)	0		\$6.36
128 core	453	0.0%	0	0	0		
9 west	51	0.0%	0	0	0		
blue hills	6,708	8.8%	(3)	(31)	0		\$6.40
south shore	3,974	25.0%	34	80	0		\$6.76
495 belt	60,849	6.8%	61	703	528	0%	\$6.23
merrimack valley	7,222	2.2%	52	297	0		\$6.00
3 north	3,776	6.8%	21	25	0		\$6.94
2 west	2,120	0.1%	60	405	0		
devens	3,483	1.5%	0	54	0		\$6.82
the boroughs	7,160	1.1%	10	37	0		\$6.42
framingham natick	1,233	6.4%	0	16	0		\$5.50
patriots	13,693	9.8%	(18)	(180)	428	0%	\$6.01
24 corridor	22,162	9.7%	(64)	50	100	0%	\$6.17

industrial			absorption		construction**		rent***
<i>sf in thousands</i>	rba	vac%	q1'18	ltm	uc	lease%	alb blend
total market	56,788	6.6%	(87)	186	1,001	100%	\$7.65
streetcar belt	3,036	6.8%	3	(18)	0		\$7.36
128 belt	16,078	6.4%	33	27	221	100%	\$8.66
north shore	7,653	6.1%	72	52	176	100%	\$8.07
128 core	1,074	8.0%	(22)	(38)	0		\$11.25
9 west	478	0.0%	0	46	0		
blue hills	4,113	5.7%	4	30	0		\$9.44
south shore	2,761	9.0%	(22)	(63)	45	100%	\$7.81
495 belt	37,674	6.6%	(122)	178	780	100%	\$7.11
merrimack valley	8,536	9.0%	(35)	(41)	225	100%	\$8.29
3 north	7,415	6.8%	43	124	0		\$5.65
2 west	1,419	24.0%	(294)	(327)	0		\$6.50
devens	1,665	0.0%	0	0	0		
the boroughs	7,420	9.2%	132	209	0		\$8.00
framingham natick	729	0.0%	0	0	0		
patriots	6,675	1.6%	(8)	217	300	100%	\$7.03
24 corridor	3,814	2.4%	39	(4)	255	100%	\$5.40

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.



@BOSqFt



spectrum family

- 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

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

Brendan Carroll <> Director of Intelligence <> bcarroll@perrybrokerage.com