

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



**VACANCY** dropped 0.4 percent as tenants absorbed 627,000 sf spread across both warehouse and industrial property types.

**ABSORPTION** has averaged 200,000 sf per quarter in an eight-year run with occupancy rising 6.4 million sf.

**SOUTH SHORE** and adjacent submarkets have attracted a combined 1.8 million sf of positive absorption over the last twelve months.

**AMAZON** announced it will lease a 3.6 million sf warehouse to be built for them on the site of North Andover's former Lucent facility.

**RENTS ARE RISING** dramatically for both urban properties and for scarcely available new product.

**RISING LAND VALUES** are affecting long-held occupancy patterns as demand from higher value uses competes with traditional warehouses.

**CANNIBIS** growing cultivation facilities are set to be delivered in the second half of the year in both Freetown and Holliston.

**URBANIZATION** is creating concern over a disappearance of inner industrial facilities.

**PRIME GROUP** acquired the six-building, 1910s & 1920s developed 1.1 million sf Shetland Park campus in Salem for \$63 per sf.

## QUICK



**Absorption**  
**+627,000 sf**

Tenants absorbed a combined 627,000 sf.



**Vacancy**  
**7.2% -0.4%**

Vacancy dipped on positive absorption.



**Rents**  
**\$7.51**

Average rents rose sharply on urban and new demand.



## ONE DECADE, DIFFERENT PRICE ...

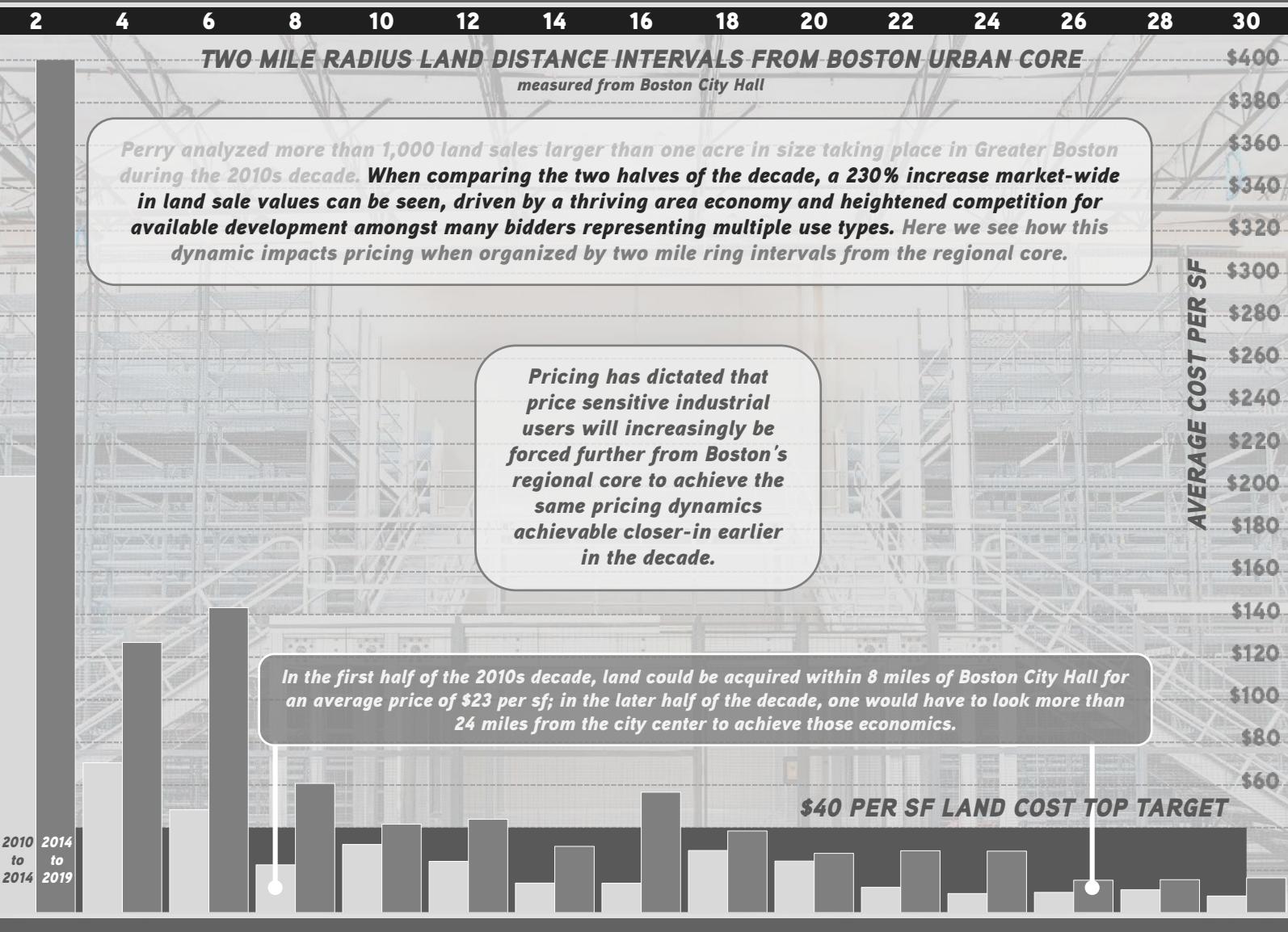
Land values have surged since 2015 when compared with the first half of the decade, a reality which has challenged traditional industrial development economics. Here we take a look at this surge in relation to the regional core ...

**OTB, page 2**



Greater Boston continues to experience a legendary expansion of its occupancy base accompanied by numerous distinct yet simultaneously occurring drivers. The desire of e-commerce retailers to provide instant consumer fulfillment continues to profoundly effect demand for smaller footprint urban commercial spaces, along with massive new distribution centers at the regional periphery. The legalization of recreational marijuana use in Massachusetts has quickly resulted in the entrance of out-of-market cultivators of the product, with nearly 100,000 sf of inventory in development within 40 miles of Boston expected to increase to more than one million sf of high ceiling, warehouse-like space in the near term. As high demand for specific types of industrial space continues, occupants will continue to face significantly higher than inflation rent increases close to the regional core, with the largest requirements moving farther out to achieve economically justifiable development opportunities.

## ONE DECADE, DIFFERENT PRICE ...



## Flashback to Q1'2019 ...

Vacancy edged up 0.1 percent as 225,000 sf of absorption across both property types was balanced with new completions. Pfizer took occupancy of its newly-completed 175,000 sf manufacturing facility adjacent to its existing Andover campus. Dealer Tire shuffled into a new 151,000 sf distribution facility in Franklin. Sun Life acquired a two-building, 688,000 sf warehouse portfolio from The Blackstone Group. The Seyon Group divested 1 Kay Way in Stoughton for \$146 per sf, a 145 percent return to the group's 2017 purchase price.

# this quarter

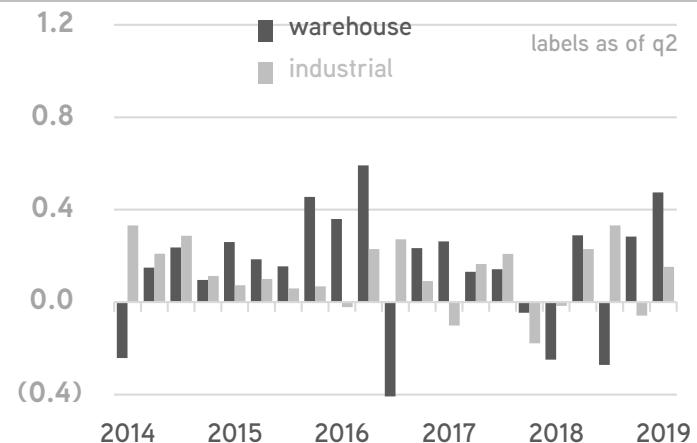
## warehouse ...

- ◊ Vacancy dropped 0.6 percent to 7.1 percent as tenants absorbed 475,000 sf and average asking rents spiked \$0.51 to \$6.95 per sf.
- ◊ Amazon agreed to lease a 3.6 million sf facility at 1600 Osgood Street in North Andover to be developed by Hillwood; the structure will incorporate a portion of a former 1.6 million sf Lucent campus.
- ◊ Rent averages rose aggressively driven by a new view toward urban warehouse importance and increasing economics for new facilities.
- ◊ The adjacent South Shore, 24 Corridor and 95 South submarkets have experienced a combined 1.8 million sf of demand last twelve months.
- ◊ Market-wide absorption has averaged 200,000 sf per quarter for the last eight years with occupancy increasing 6.4 million sf.
- ◊ Amazon moved into its 184,000 sf distribution facility in Braintree as 7-Eleven took occupancy of 128,000 sf in Bellingham and RCN moved into a 41,000 sf facility in Canton.
- ◊ Campanelli is developing two major facilities immediately outside the traditional Greater Boston market; it will deliver a first, 30,000 sf phase of a 987,000 sf marijuana cultivation center in Freetown for Denver-based AmeriCann in the third quarter, and is developing an 800,000 sf facility for Medline in Uxbridge.
- ◊ Innovative Industrial Properties is developing a build-to-suit 58,000 sf cannabis cultivation facility for PharmaCann in Holliston.
- ◊ Construction is underway on a 300,000 sf speculative facility at 100 Financial Park in Franklin.
- ◊ Bentall Kennedy acquired the Fedex-occupied 30 Superior Drive in Natick (\$51 million, 173,000 sf, \$299 per sf) from Link Industrial Properties as Cabot Properties acquired 12 Industrial Road in Milford (\$34 million, 327,000 sf, \$103 per sf).

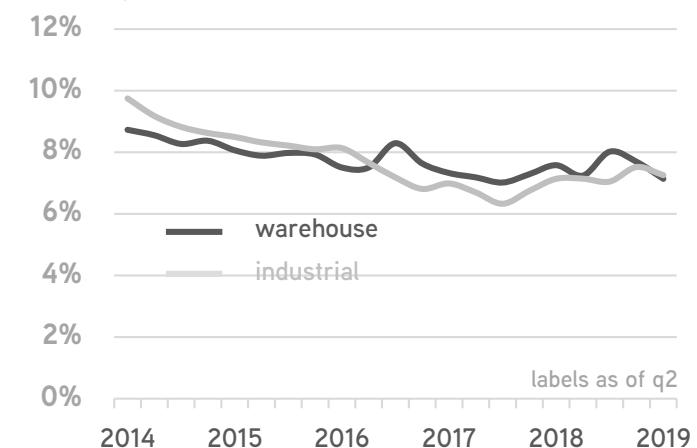
## industrial ...

- ◊ Tenants absorbed 153,000 sf, lowering vacancy 0.2 percent to 7.3 percent as average asking rents rose \$0.10 to \$8.07 per sf.
- ◊ No spaces smaller than 50,000 sf are available in the Streetcar Ring.
- ◊ Spencer Technologies moved into 120,000 sf in Medway as Physical Sciences is set to move into 30,000 sf in Wilmington; Tatte announced it will open a 30,000 sf factory on Old Colony Avenue in Boston.
- ◊ A potential effort to convert two 1910-built industrial facilities in Charlestown to residential use highlights the challenge of balancing immense urban industrial demand with a frequent higher use.
- ◊ Broadstone Real Estate acquired 108 Cherry Hill Drive in Beverly (\$76 million, 394,000 sf, \$193 per sf) as Prime Group Holdings acquired six-building Shetland Park in Salem (\$70 million, 1.1 million sf, \$63 per sf).

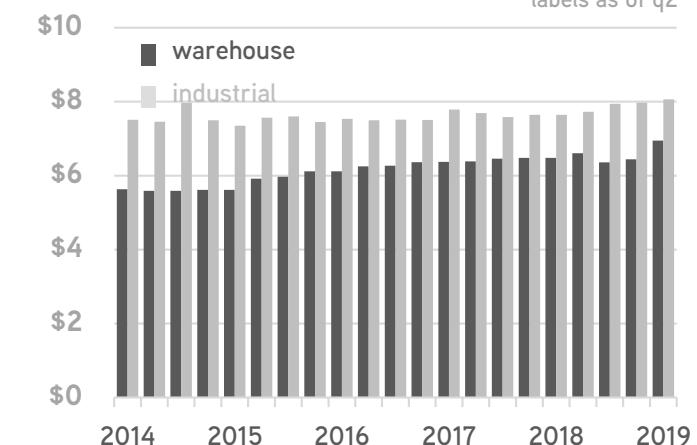
## absorption (sf in millions)



## vacancy %



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



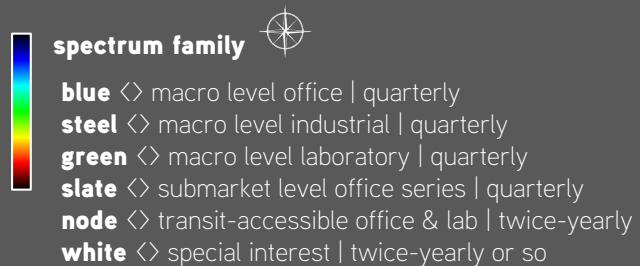


| warehouse           |               |             | absorption |            | construction** |            | rent***    |               |
|---------------------|---------------|-------------|------------|------------|----------------|------------|------------|---------------|
| sf in thousands     | rba           | vac%        | q2'19      | ltm        | uc             | lease%     | ltm        | hilo blend    |
| <b>total market</b> | <b>86,000</b> | <b>7.1%</b> | <b>475</b> | <b>775</b> | <b>358</b>     | <b>16%</b> | <b>428</b> | <b>\$6.95</b> |
| streetcar belt      | 6,096         | 18.0%       | 25         | (704)      | 0              |            | 0          | \$10.22       |
| 128 belt            | 18,628        | 7.2%        | 209        | 597        | 0              |            | 0          | \$7.24        |
| north shore         | 7,442         | 3.7%        | (5)        | 6          | 0              |            | 0          | \$7.94        |
| 128 core            | 453           | 22.9%       | (15)       | (20)       | 0              |            | 0          |               |
| 9 west              | 51            | 0.0%        | 0          | 0          | 0              |            | 0          |               |
| blue hills          | 6,708         | 8.4%        | 44         | 22         | 0              |            | 0          | \$6.97        |
| south shore         | 3,974         | 9.9%        | 185        | 589        | 0              |            | 0          | \$7.34        |
| 495 belt            | 61,277        | 6.0%        | 241        | 883        | 358            | 16%        | 428        | \$6.41        |
| merrimack valley    | 7,222         | 7.7%        | 30         | (376)      | 0              |            | 0          | \$6.86        |
| 3 north             | 3,776         | 6.2%        | 2          | 7          | 0              |            | 0          | \$7.82        |
| 2 west              | 2,120         | 0.0%        | 0          | 0          | 0              |            | 0          |               |
| devens              | 3,483         | 0.1%        | (4)        | 48         | 0              |            | 0          |               |
| the boroughs        | 7,160         | 1.3%        | (46)       | (23)       | 0              |            | 0          | \$6.39        |
| framingham natick   | 1,233         | 2.5%        | 0          | 57         | 0              |            | 0          | \$5.88        |
| patriots            | 14,121        | 9.7%        | 178        | 386        | 358            | 16%        | 428        | \$6.00        |
| 24 corridor         | 22,162        | 6.4%        | 81         | 785        | 0              |            | 0          | \$6.35        |

| industrial          |               | absorption  |            | construction** |          | rent***    |               |
|---------------------|---------------|-------------|------------|----------------|----------|------------|---------------|
| sf in thousands     | rba           | vac%        | q2'19      | ltm            | uc       | alb blend  |               |
| <b>total market</b> | <b>57,789</b> | <b>7.3%</b> | <b>153</b> | <b>656</b>     | <b>0</b> | <b>780</b> | <b>\$8.07</b> |
| streetcar belt      | 3,036         | 6.8%        | 0          | 3              | 0        |            | \$10.18       |
| 128 belt            | 16,298        | 7.3%        | (1)        | 56             | 0        |            | \$8.88        |
| north shore         | 7,828         | 6.5%        | (54)       | (48)           | 0        |            | \$8.99        |
| 128 core            | 1,074         | 10.7%       | 0          | 51             | 0        |            |               |
| 9 west              | 478           | 0.0%        | 0          | 0              | 0        |            |               |
| blue hills          | 4,113         | 7.7%        | 27         | 38             | 0        |            | \$10.10       |
| south shore         | 2,806         | 8.8%        | 25         | 15             | 0        |            | \$8.43        |
| 495 belt            | 38,454        | 7.3%        | 153        | 598            | 0        |            | \$7.58        |
| merrimack valley    | 8,761         | 9.9%        | (5)        | 186            | 0        |            | \$8.39        |
| 3 north             | 7,415         | 4.9%        | 38         | 117            | 0        |            | \$5.95        |
| 2 west              | 1,419         | 21.5%       | (1)        | 10             | 0        |            |               |
| devens              | 1,665         | 4.2%        | 0          | (70)           | 0        |            |               |
| the boroughs        | 7,420         | 8.7%        | 5          | (82)           | 0        |            | \$7.88        |
| framingham natick   | 729           | 12.6%       | 0          | 0              | 0        |            |               |
| patriots            | 6,975         | 0.9%        | 120        | 495            | 0        |            | \$8.31        |
| 24 corridor         | 4,069         | 9.5%        | (5)        | (57)           | 0        |            | \$5.65        |

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

Perry 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.



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

Brendan Carroll ↗ Director of Intelligence ↗ bcarroll@perrycre.com