

BOSTON INDUSTRIAL MARKET

FUNDAMENTALS STRONGER THAN EVER

While the success of Boston's booming industrial market pre-dates the COVID-19 pandemic, the last few months have given way to a stronger market that has garnered the attention of all investor profiles. Demand is surging, as the 15-plus million square feet of active requirements is close to surpassing the 18.0 million square feet of existing available inventory across Greater Boston. Developers are doing their best to stay ahead of demand, as almost every remaining usable parcel within the market has been considered. GMP manufacturing, a relatively new source of demand, remains a significant driver of market growth. Demand by very large users (500,000 SF+), are pushing the boundaries of the metro into Worcester County and Southern New Hampshire; and as more urban industrial continues to be converted for higher and best use, inventory in South Boston, Cambridge, and the like, is close to extinct. Rents have continued to increase with significant pace and year-to-date absorption has reached nearly 2.1 million square feet as all industrial fundamentals continue to improve.

HIGH DEMAND DRIVES DEVELOPMENT PIPELINE

Over 1.1 million square feet of Class A warehouse/distribution space was delivered during the third quarter, 70.0% of which is already under agreement with leases commencing next quarter. Year-to-date absorption of 2,092,212 square feet is the third highest three-quarter start in the last twenty years, and leasing activity suggests annual absorption will be close to 3.0 million square feet in 2020. The 15.3 million square feet of active requirements includes 1.6 million square feet of GMP manufacturing requirements. Uniquely, many GMP tenants are also in a position to acquire assets, depending on the amount of improvements any given asset may need. This trend has caused rents in the general industrial subtype to soar, up 8.6% year-over-year. General industrial vacancies have also reached historic lows, at 4.9%, followed by warehouse/distribution at 5.7% and R&D/Flex at 7.1%. The industrial market has still yet to see any influx of sublease space as new companies have emerged and many existing tenants have grown as a result of the COVID-19 outbreak.

Amazon continues to be at the forefront of market growth, however many other national firms have also contributed to Greater Boston's recent industrial boom. US Cabinet Depot signed one of the largest leases of the quarter, for 209,643 square feet at 176 South Washington Street in Norton. Homans also committed to a 200,000 plus square-foot lease at 613 Main Street in Wilmington, joining Lowes, and bringing the building to full occupancy. VulcanForms committed to 155,189 square feet at 112 Barnum Road in Devens and Kuehne + Nagel, a transportation and logistics company based in Switzerland, signed for 100,000 square feet at 139 Shuman Avenue in Stoughton.

CURRENT CONDITIONS

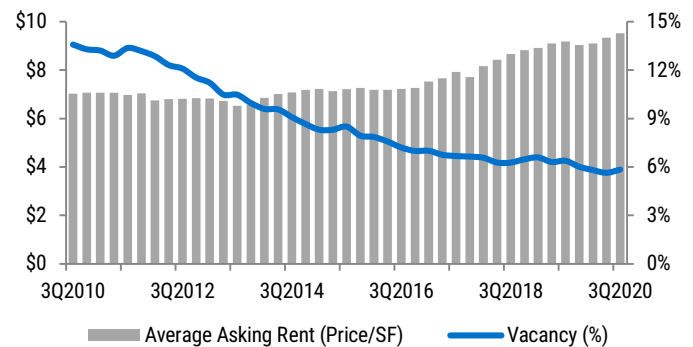
Of the 1.1 million square feet of spec development that delivered this quarter, 75.0% will be absorbed by year end.

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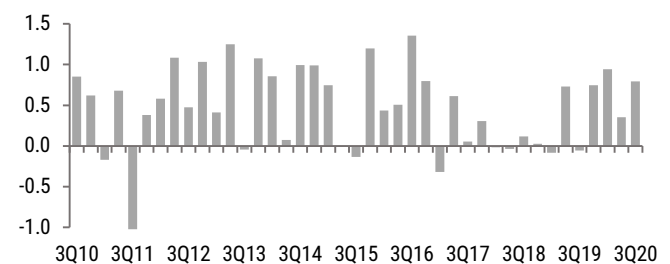
For the first time, the General Industrial subtype had higher rent growth and lower vacancy than both warehouse/distribution and R&D/Flex.

MARKET ANALYSIS

Asking Rent (NNN) and Vacancy



Net Absorption (SF, Millions)



MARKET SUMMARY

	Current Quarter	Prior Quarter	Year Ago Period	12 Month Forecast
Total Inventory (MSF)	215.5	213.5	212.9	↑
Vacancy Rate	5.8%	5.6%	6.4%	↓
Quarterly Net Absorption	788,355	354,621	(54,218)	↑
Average Asking Rent	\$9.53	\$9.34	\$9.18	↑
Under Construction (SF)	1,124,400	2,144,400	1,417,000	↑
Deliveries (SF)	1,170,000	0	0	↑

CAPITAL MARKETS

Capital Flows Into All Industrial Sectors

While the broader economy has struggled, significant dollars continue to flow into Boston's commercial real estate, still viewed as a dependable investment given the quality of tenants and overall durability of the market. With the only real competition being the life science market, Boston's industrial sector has garnered plenty of attention from investors across all walks of the commercial real estate industry looking for a piece of the booming asset. Intuitive investment in Boston industrial has been rather significant, accounting for 53.5% of all investment dollars flowing into assets in 2020; as compared to 37.4% the prior year. On the other hand, private investors have taken a step back, spending 10.8% less than in 2019, up to the same three quarter period.*

One of the larger sales this quarter, a pure warehouse/distribution asset located at 3 Technology Drive in Peabody sold to a partnership of The Seyon Group and Wheelock Street Capital. The 159,500-square-foot high-bay facility is fully leased and offers 22 loading docks. In the South, 214 Samuel Barnett Boulevard sold to owner/user Eastern Fisheries for \$69.00/SF. The 116,047-square-foot asset includes 24,000 square feet of freezer space and a 12,000-square-foot cooler. Additionally, a handful of small assets and development sites traded this quarter in Boston, Watertown and Malden, continuing an existing trend of urban sales for conversion into housing and mixed-use development.

*Based on data from RCA

LOOKING FORWARD

Emerging Trends Unlock Market Potential

Cold storage is ready for its turn in the limelight as Boston's most sought after industrial sub-type. Made clear by The Seyon Group's \$26.8 million dollar acquisition of two neighboring assets on Wood Street in Middleboro, from owner-user North East Refrigerated Terminals. The play into cold storage comes as GMP manufacturing is also on the rise in suburban Boston. As biotech manufacturers produce vaccines and various medicines, they are subsequently looking for space to house final products. Boston's cold storage inventory consists of 6.4 million square feet, of which 4.3% is vacant, and on average 45 years old. While spec development is risky and costly in terms of cold storage, newer product is needed to meet trends and projected demand. The CDC recently predicted close to 20.0% of future potential vaccines could "spoil" during distribution if required temperature standards are not met.

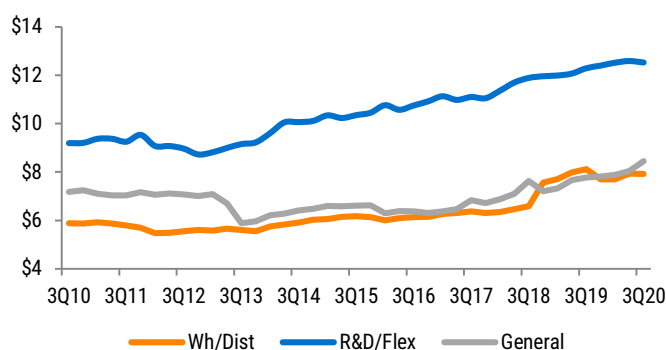
Greater Boston's industrial landscape remains quite healthy. Out of the top 50 US industrial markets, Boston's vacancy dropped 60 basis points, tied for the most drastic year-over-year change with Columbia, South Carolina. Close to 1.0 million square feet of new leases are already slated to close and absorb next quarter. Vacancies will tick back down and rents will continue to trend up as they have consistently over the last four and a half years. If economic conditions continue, expect additional attention to be turned to the industrial market which has proven able to thwart the unforeseen turbulence.

SELECT LEASE TRANSACTIONS

Tenant	Building	Submarket	Lease Type	Square Feet
US Cabinet Depot	176 South Washington Street, Norton	South	Direct	209,643
Homans	613 Main Street, Wilmington	North	Direct	202,435
Lowes	613 Main Street, Wilmington	North	Direct	178,757
Ryder Logistics	150 Charles Colton Road, Taunton	South	Direct	60,442

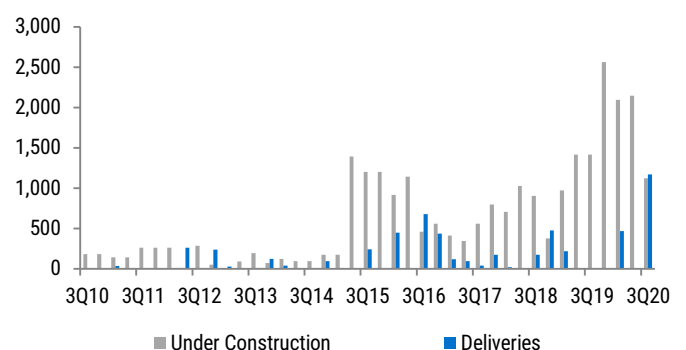
AVERAGE ASKING RENT BY PROPERTY TYPE

Average Asking Rent (\$/SF)



CONSTRUCTION AND DELIVERIES

Square Feet, Thousands



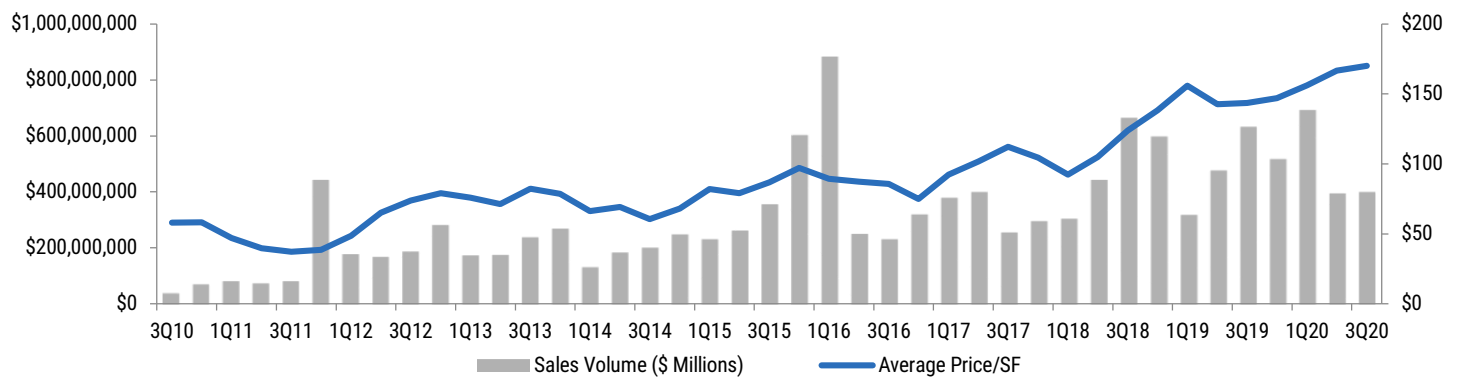
SUBMARKET STATISTICS

	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	WH/Dist Asking Rent (Price/SF)	R&D/Flex Asking Rent (Price/SF)	Total Asking Rent (Price/SF)
Urban	22,989,230	0	5.1%	(55,027)	16,455	\$12.42	\$23.77	\$15.20
North	76,152,027	210,400	4.5%	402,800	275,153	\$8.33	\$11.07	\$9.75
South	79,095,294	764,000	6.1%	524,505	1,527,754	\$7.08	\$13.21	\$7.84
West	37,284,527	0	8.4%	(83,923)	267,736	\$7.64	\$11.98	\$9.26
Market	215,521,078	1,124,400	5.8%	788,355	2,087,098	\$7.92	\$12.53	\$9.53

SUBMARKET STATISTICS BY SUBTYPE

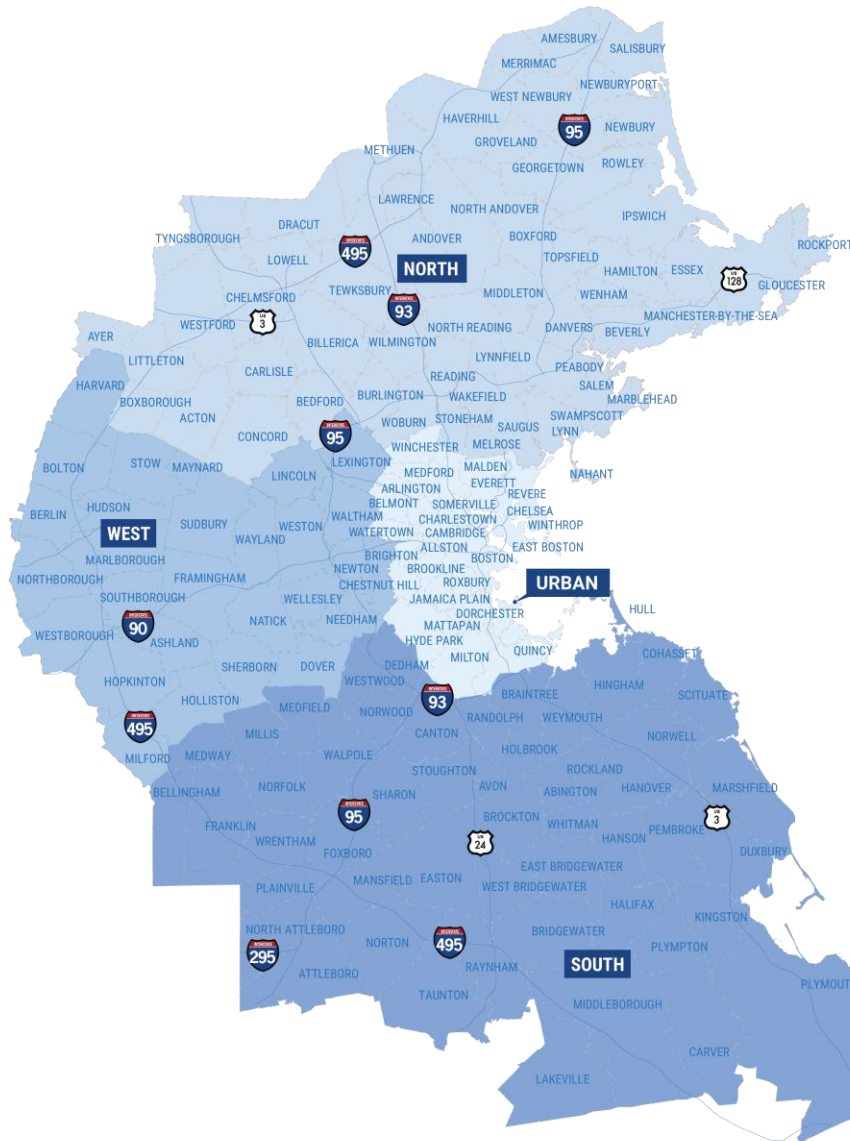
	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Total Asking Rent (Price/SF)
General Industrial	59,884,522	0	4.9%	385,158	396,375	\$8.45
R&D/Flex	52,553,501	50,400	7.1%	(90,250)	106,454	\$12.53
Warehouse/Distribution	103,083,055	1,074,000	5.7%	498,561	1,589,383	\$7.92
Market	215,521,078	1,124,400	5.8%	788,355	2,087,098	\$9.53

INDUSTRIAL INVESTMENT



SELECT SALE TRANSACTIONS

Address	Submarket	Property Type	Sale Price	Price/SF	Square Feet
3 Technology Drive, Peabody	North	General Industrial	\$30,100,000	\$188	159,500
97 & 107 Wood Street, Middleboro	South	General Industrial	\$26,835,000	\$115	232,740
25 Computer Drive, Haverhill	North	General Industrial	\$14,000,000	\$98	143,375
214 Samuel Barnet Boulevard, New Bedford	South	General Industrial	\$8,000,000	\$69	116,047



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