

# Boston Industrial Market

## Industrial Market Ends Year on High Note

Greater Boston's industrial market continues to heat up as another quarter closes with impressive fundamentals. Overall asking rents increased 9.7% on a year-over-year basis, and total vacancy dropped 40 basis points to a historic low of 5.6%. Annual industrial investment, totaling \$2.6 billion, was 35.8% higher than 2019's volumes. A flurry of activity took place at the end of 2020, with nearly half of total volumes closing during the fourth quarter. Leasing activity remained strong; even with 2.2 million square feet of deliveries throughout the year, only a handful of large blocks remain available.

### Institutional Shift is Driving the Market

While the pandemic has negatively impacted demand for office and retail properties, the local industrial market continues to outperform. With a potential end in sight for the pandemic, a rebound is expected in these sectors. However, outsized growth has continued to characterize the industrial and life science sectors, and institutional investors remain attracted to these popular asset classes. In fact, institutional-grade investors represent 51.8% of all industrial investment in 2020. Comparatively, this investor type has averaged less than 40% of market activity over the last five years. During the fourth quarter, private

### Current Conditions

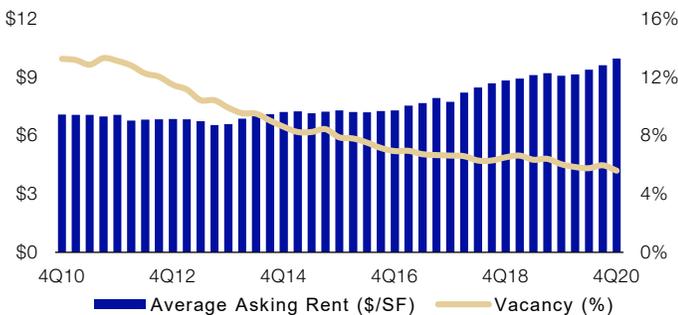
- Greater Boston's industrial asset class remains a bright light amidst uncertainty surrounding the virus outbreak.
- Institutional investment was responsible for record sales during the fourth quarter, pushing average pricing to \$180 per square foot.
- Asking rents increased across the board, with overall rents expanding by 9.7% year-over-year and 3.5% since the third quarter.
- Developers remain active throughout Greater Boston, with 2.2 million square feet in deliveries throughout 2020.

### Market Summary

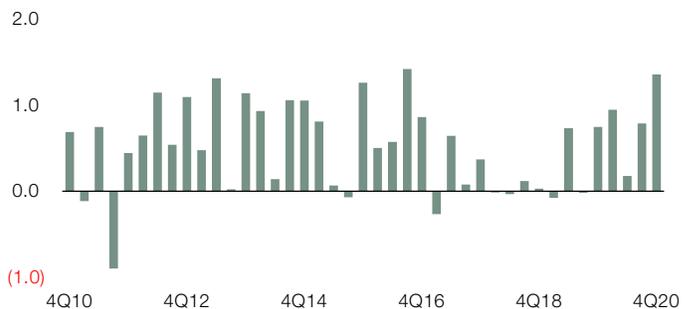
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	217.5M	216.9M	214.3M	↑
Vacancy Rate	5.6%	6.0%	6.0%	↓
Quarterly Net Absorption (SF)	1.4M	788,355	745,857	↔
Average Asking Rent/SF	\$9.94	\$9.60	\$9.06	↑
Under Construction (SF)	649,400	1.0M	2.5M	↑

### Market Analysis

#### ASKING RENT AND VACANCY RATE



#### NET ABSORPTION (SF, MILLIONS)



## RESEARCH Q4 2020

capital accounted for 55.5% total sales, highlighting the maturation of the local industrial market and overall confidence in the asset and marketplace.

### Development to Ramp Back Up

Currently, there are over 24 million square feet of active requirements in Greater Boston's industrial market. While most tenants are in the 100,000 to 200,000-square-foot range, a handful of 1-million-plus square-foot requirements are responsible for about a third of all space needs. With only 18.2 million square feet of current inventory available, developers will likely ramp up construction activity to meet this demand. Of the 649,400 square feet currently under construction, 68.0% is already committed, leaving just over 200,000 square feet available across two assets. For warehouse/distribution tenants in need of 250,000 square feet or more, only five options currently exist. There are even fewer options for very large industrial users.

Fortunately, developers have been responding to market fundamentals and experiencing the same wave of confidence as institutional investors. In the last five years, 45.0% of the 4.5 million square feet of spec development was pre-leased, and 80.0% of this total was leased within the first year of delivery. With dwindling development opportunities, activity continues to expand west towards Worcester, and towns like Boylston, Hopedale, Shrewsbury, Sutton and Uxbridge are receiving an influx of attention. A recent spike in land sales promises relief for large tenants looking for space, as close to 9 million square feet of proposed warehouse/distribution lies just outside the official metro area boundaries.

### Unprecedented Rent Growth Leads Fundamentals

Overall industrial rents have increased to \$9.94/SF, or by 36.5% over the last five years. While obvious factors such as shrinking vacancy is responsible for much of this growth, additional drivers include a wealthy new tenant base and the addition of quality new product. The growth of bio-manufacturing/GMP manufacturing

demand has also continued to push pricing in the general industrial and R&D/flex subtypes, which have rents of \$9.60/SF and \$13.18/SF, respectively. Currently, close to 2.5 million square feet of active GMP requirements dot the market, the majority of which are focused north and west of the city.

The warehouse/distribution subtype remains the most fundamentally sound, as the only subtype to see any real inventory growth. The Class A market, specifically, has witnessed a 16.4% year-over-year rent growth, while experiencing a 100-basis-point drop in vacancy.

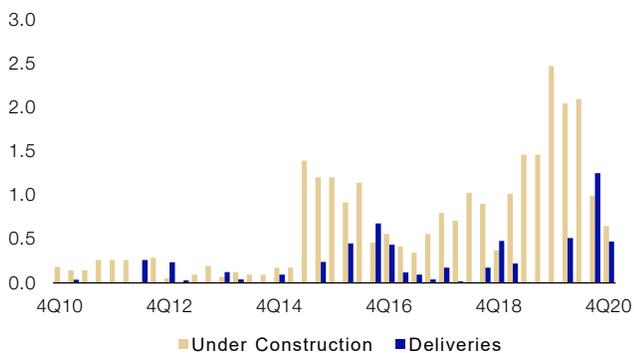
### Market Activity

Leasing activity was consistent through the fourth quarter as well over 1 million square feet of new deals were signed. The largest commitment was made by Home Depot for a 700,000-square-foot built-to-suit with Equity Industrial Partners in Tewksbury. The warehouse/distribution asset is currently under construction, slated to deliver in mid-2022. Amazon made a significant play in Northborough, signing for a total of 600,000 square feet across two buildings at 330 and 350 Bartlett Street. The two warehouse/distributions assets delivered at the end of the third quarter. Amazon also signed a lease for 62,825 square feet at 350 Revolution Way in East Taunton. While rumors are swirling that there still may be a deal or two in the works, the company has combined for over 2.2 million square feet of transactions in 2020 alone.

Additional transactions include WESCO Distribution at 35 Otis Street in Westborough for 121,700 square feet and Screenprint Dow for a 30,492-square-foot extension at 300 Research Drive in Wilmington. Beacon Sales Acquisitions signed a new lease at 185 Commercial Street for 28,195 square feet, while renewing for 32,950 square feet at 197 Commercial Street in Malden. Overall, the West industrial submarket saw the largest volume of fourth-quarter leasing transactions, followed by the South submarket.

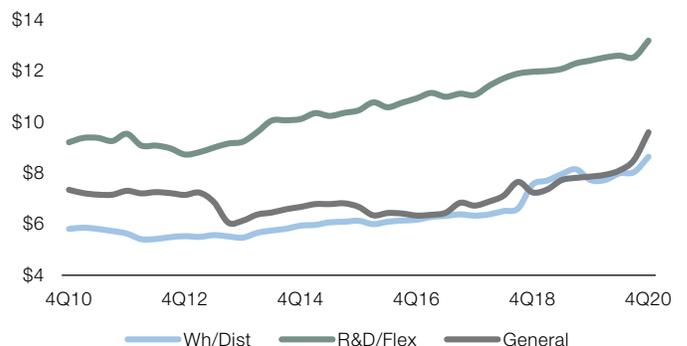
## Construction and Deliveries

SQUARE FEET, MILLIONS



## Asking Rent by Property Type

\$/SF



## Capital Markets

While leasing activity was considered consistent as compared to the rest of the year, investment sales activity shattered totals from the previous quarters of 2020. Total investment in Greater Boston was \$2.6 billion in 2020, 46.0% of which closed in the fourth quarter alone. A handful of large portfolios traded this year, driving these record-breaking totals. In Bellingham, 351 and 353 Maple Street sold in tandem to Manulife Investments from a partnership of Campanelli and Clarion. The two assets total 427,500 square feet and fetched a total price of \$76.1 million, or \$177/SF. Next up, in the largest square foot trade of the year, Wheelock Street Capital sold off its JV share in a 1-million-plus-square-foot portfolio to a well established institutional investor. As part of that sale, a select group of four assets compiled as Shawmut Park in Canton, reached a total price of \$70.7 million, or roughly \$215/SF. The Seyon Group still maintains an interest in the vast portfolio with the new ownership.

Additional sales include a handful of urban assets, which have been highly desirable in recent quarters as the limited remaining parcels are acquired for last-mile distribution or development for higher and best use. In November, Alexandria Real Estate acquired two South Boston warehouse assets and will likely be redeveloping the property for life science use. Griffith Properties also purchased a seven-property portfolio on Sprague Street in Hyde Park from First

Highland management for \$76.0 million, or \$120/SF. Most recently, Westbrook Partners acquired 10 and 100 Dustin Drive in Chelsea in a short-term sale-leaseback from Signature Breads. The assets total 295,000 square feet and fetched \$59.5 million.

## Outlook

Greater Boston's industrial market shows no real signs of slowing down. While job reports and consumer spending have fluctuated throughout the quarter, a recently announced second round of relief funding, coupled with the rollout of vaccines, should benefit the broader economy in the coming year.

Although cap rates continue to compress and the average cap rate for the quarter was 4.75%, there is still room to transact. Interest in cold storage has picked up momentum, as a handful of sites are underway across the metro area. Interest initially peaked as it appeared there was no real distribution network for the COVID-19 vaccine; however, the trend has continued as GMP manufacturing continues to gain steam in the market. Approvals for land sites have picked up across the metro and a wave of new development is poised to combat growing tenant demand. Major retailers continue to flock to the Boston market, likely to contend with Amazon's dominant distribution network. All signs point to a fast start to 2021, and a strong year overall.

## Select Lease Transactions

Tenant	Address	Submarket	Type	Square Feet
Amazon	330 & 350 Bartlett Street, Northborough	West	Direct Lease	600,000
Nestle Water	66 Saratoga Boulevard, Devens	North	Lease Extension	135,017
WESCO	35 Otis Street, Westborough	West	Direct Lease	121,700
Amazon	350 Revolutionary Way, East Taunton	South	Direct Lease	62,825
Beacon Sales Acquisitions	185 & 197 Commercial Street, Malden	Urban	Lease Renewal	61,145

## Select Sale Transactions

Address	Submarket	Property Type	Sale Price	Price/SF	Square Feet
380 & 420 E Street, Boston	Urban	General Industrial	\$168,500,000	\$870	193,528
351 & 353 Maple Street, Bellingham	South	Warehouse/Distribution	\$76,100,000	\$177	427,500
Sprague Street Portfolio, Hyde Park	Urban	Warehouse/Distribution	\$76,000,000	\$120	632,188
Shawmut Park Portfolio, Canton	South	Warehouse/Distribution	\$70,650,000	\$215	328,059
11 Centennial Drive, Peabody	North	Warehouse/Distribution	\$36,635,000	\$154	217,592
1600 Osgood Street, North Andover	North	General Industrial	\$31,500,000	\$28	1,100,000

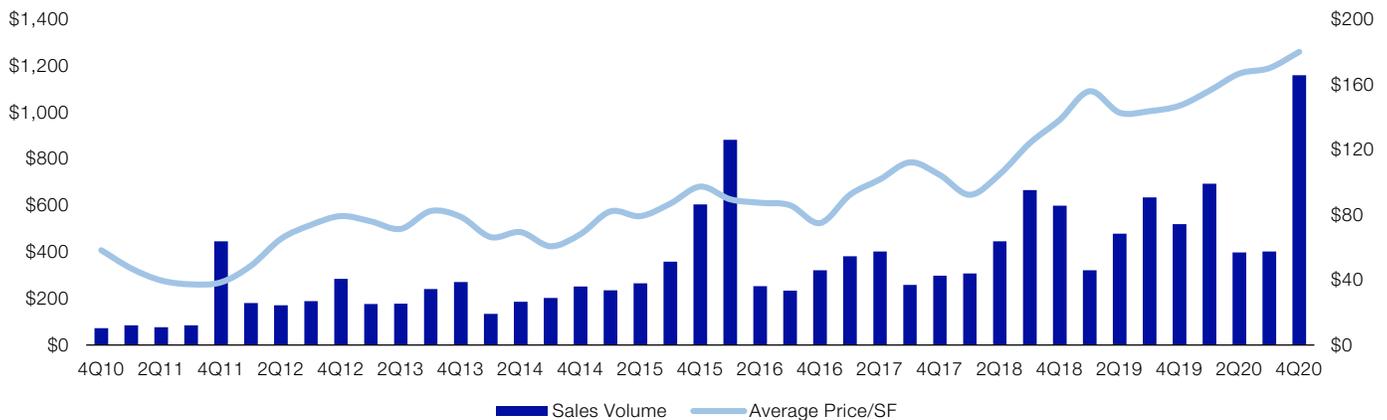
Submarket Statistics								
	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	WH/Dist. Asking Rent (Price/SF)	R&D/Flex Asking Rent (Price/SF)	Total Asking Rent (Price/SF)
Urban	22,885,990	-	5.2%	(16,495)	(40)	\$13.67	\$22.96	\$16.54
North	76,685,071	210,400	4.7%	(84,596)	160,557	\$8.57	\$12.02	\$10.25
South	80,592,468	439,000	6.2%	552,819	2,035,702	\$7.81	\$12.72	\$8.37
West	37,317,831	-	6.3%	903,566	1,066,302	\$7.59	\$12.09	\$9.01
<b>Market</b>	<b>217,481,360</b>	<b>649,400</b>	<b>5.6%</b>	<b>1,355,294</b>	<b>3,262,521</b>	<b>\$8.63</b>	<b>\$13.18</b>	<b>\$9.94</b>

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	59,434,102	-	4.8%	129,023	335,913	\$9.60
R&D/Flex	52,332,467	50,400	7.3%	(30,044)	76,410	\$13.18
Warehouse/Distribution	105,714,791	599,000	5.1%	1,256,315	2,850,198	\$8.63
<b>Market</b>	<b>217,481,360</b>	<b>649,400</b>	<b>5.6%</b>	<b>1,355,294</b>	<b>3,262,521</b>	<b>\$9.94</b>

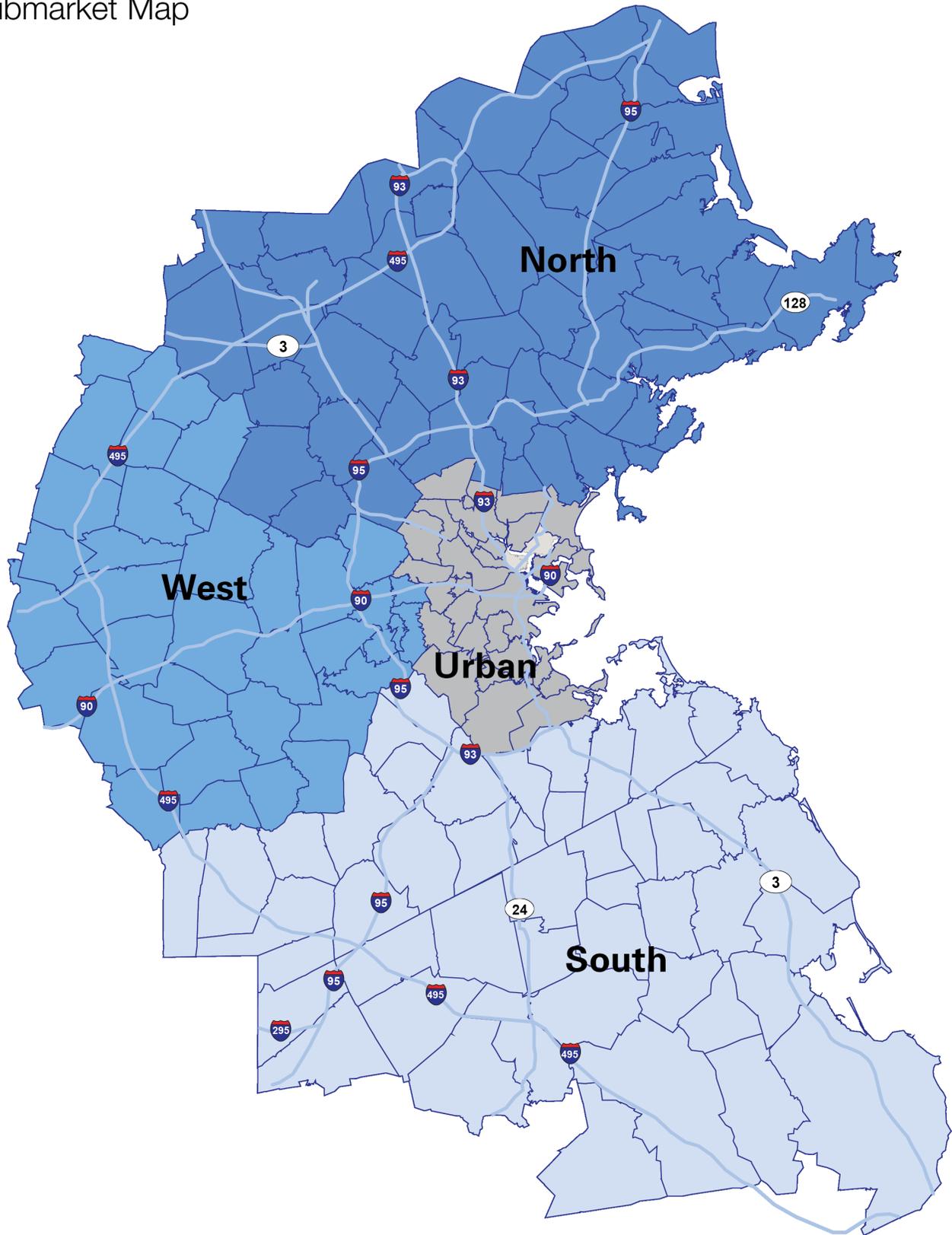
Class A Statistics							
	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	WH/Dist. Asking Rent (Price/SF)	Total Asking Rent (Price/SF)
Market	32,734,348	599,000	3.7%	1,432,220	2,578,394	\$9.01	\$11.26

### Industrial Investment

#### SALES VOLUME (BILLIONS AND AVERAGE PRICE/SF)



# Submarket Map



*For more information:*

**Liz Berthelette**

*Research Director*

617-863-8377

elizabeth.berthelette@ngkf.com

**Erik Van Zijl**

*Research Analyst*

617-863-8425

erik.vanzijl@ngkf.com

**Michael Malinconico**

*Associate*

*Industrial Practice Group*

617.863.8428

michael.malinconico@ngkf.com

[nmrk.com](http://nmrk.com)

**ALABAMA**

Birmingham

**ARIZONA**

Phoenix

**ARKANSAS**

Fayetteville

Little Rock

**CALIFORNIA**

El Segundo

Irvine

Los Angeles

Newport Beach

Pasadena

Sacramento

San Francisco

San Jose

San Mateo

Santa Rosa

**COLORADO**

Denver

**CONNECTICUT**

Stamford

**DELAWARE**

Wilmington

**DISTRICT OF COLUMBIA**

**FLORIDA**

Boca Raton

Jupiter

Miami

Palm Beach

Tampa

**GEORGIA**

Atlanta

**ILLINOIS**

Chicago

**INDIANA**

Indianapolis

**KENTUCKY**

Louisville

**LOUISIANA**

New Orleans

**MARYLAND**

Baltimore

Salisbury

**MASSACHUSETTS**

Boston

**MICHIGAN**

Detroit

**MINNESOTA**

Minneapolis

**MISSOURI**

St. Louis

**NEVADA**

Las Vegas

Reno

**NEW JERSEY**

Rutherford

East Brunswick

Morristown

**NEW YORK**

Buffalo/Amherst

New York

**NORTH CAROLINA**

Charlotte

Raleigh

**OHIO**

Cincinnati

Cleveland

Columbus

**OKLAHOMA**

Oklahoma City

**OREGON**

Portland/Lake

Oswego

**PENNSYLVANIA**

Allentown

Philadelphia

Pittsburgh

**TEXAS**

Austin

Dallas

Houston

**UTAH**

Salt Lake City

**VIRGINIA**

Tysons Corner

**WASHINGTON**

Seattle

**WISCONSIN**

Milwaukee

Newmark has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents. Newmark Research Reports are available at [ngkf.com/research](http://ngkf.com/research).

All information contained in this publication is derived from sources that are deemed to be reliable. However, Newmark has not verified any such information, and the same constitutes the statements and representations only of the source thereof not of Newmark. Any recipient of this publication should independently verify such information and all other information that may be material to any decision the recipient may make in response to this publication and should consult with professionals of the recipient's choice with regard to all aspects of that decision, including its legal, financial and tax aspects and implications. Any recipient of this publication may not, without the prior written approval of Newmark, distribute, disseminate, publish, transmit, copy, broadcast, upload, download or in any other way reproduce this publication or any of the information it contains. This document is intended for informational purposes only, and none of the content is intended to advise or otherwise recommend a specific strategy. It is not to be relied upon in any way to predict market movement, investment in securities, transactions, investment strategies or any other matter.