

BOSTON INDUSTRIAL MARKET

INDUSTRIAL SHINES AS COMMERCIAL REAL ESTATE INDUSTRY WAIVERS

As other asset classes struggled to navigate the second quarter, the Greater Boston Industrial market held true to predictions, and soared through an otherwise turbulent market. New demand drivers emerged such as GMP manufacturing, and major players with the likes of Amazon continued to make waves, increasing leasing activity throughout the market. Institutional level investment sales continued, and a number of proposed speculative developments were added to an already robust pipeline. As fundamentals improved across all industrial subtypes, the Greater Boston Industrial market remains a bright spot, along with the medical and life sciences market, and is one of Boston's strongest performing assets.

CONSISTENT TENANT ACTIVITY STRENGTHENS BALANCED INDUSTRIAL MARKET

Rents increased across the board, as overall asking rents rose 2.4% year-over-year, continuing a three-and-a-half-year period of consistently positive rent growth. The warehouse/distribution subtype witnessed the most significant growth, up 3.0% on the quarter, holding constant after a period of dramatic rent growth beginning two years ago. Year-over-year vacancies declined 110 basis points, bolstering the strong rent growth within this property subtype. The general industrial subtype followed with a 5.5% vacancy for the quarter, and R&D/flex trailed with a 7.3% total vacancy. One factor that enabled the industrial market to post declining vacancy rates, and the differentiator between the industrial and office markets, was the lack of new sublease space put back on the market as a result of ill-performing companies. The industrial market, which has a meager 0.1% sublease vacancy, is eclipsed by the Boston Metro office market, in which sublease vacancy increased 50 basis points this quarter to 1.4%.

In the largest direct lease transaction of the quarter, Amazon committed to 350,300 square feet at 800 John Quincy Adams Road in Taunton, continuing the company's leasing spree across Greater Boston. Sager Electronics followed with a 108,000-square-foot lease renewal at 19 Leona Drive in Middleborough where the company has been located for over 20 years. The South Industrial submarket, which is the metro's logistics hub, continues to garner the bulk of tenant demand. Leasing volume has begun to add up, as the submarket posted over one million square feet of year-to-date net absorption. The West Industrial submarket was in a not-so-close second, posting 331,659 square feet of positive absorption for the year, with a mere 62,863 square feet on the quarter. Year-to-date absorption across all submarkets was 1,249,682 square feet, the best two-quarter start to a year since 2013.

CURRENT CONDITIONS

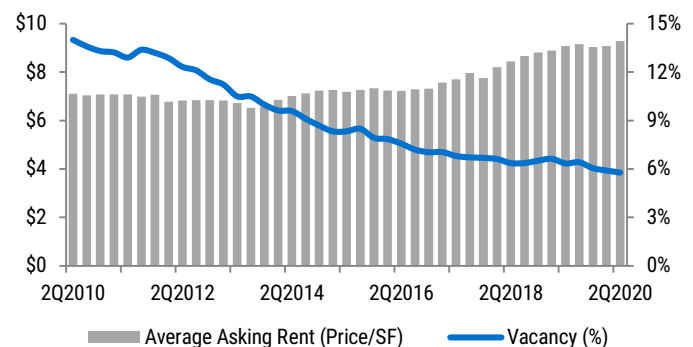
With more than 1.2 million square feet absorbed, year-to-date absorption is off to the best two-quarter start since 2013.

GMP manufacturing has emerged as trend in the suburban Industrial market accounting for one-fifth of all tenant demand.

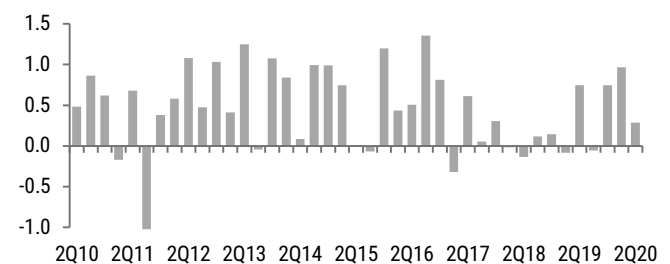
Per-square-foot sales pricing increased 6.7% quarter-over-quarter reaching a historical high for the Boston industrial market.

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)	214.2	214.2	213.5	↑
Vacancy Rate	5.8%	5.8%	6.3%	↓
Quarterly Net Absorption	285,635	964,047	744,190	↑
Average Asking Rent	\$9.29	\$9.07	\$9.07	↑
Under Construction (SF)	2,094,000	2,094,000	1,417,000	↑
Deliveries (SF)	0	467,000	0	↑

CAPITAL MARKETS

Safe Investment Increases Investor Confidence

The Greater Boston Industrial market made significant strides this quarter given the boarder market skepticism and slighted investor confidence. While total volume was about half of what was expected, the industrial sector outperformed other asset classes by a significant margin. Furthermore, the average price-per-square-foot was up 6.7% for the quarter, exceeding any historical figure and signaling the value of the assets which did trade.

The Urban Industrial submarket witnessed significant deal volume, headlined by the recent sale of 100 Widett Circle. In similar urban transactions per-square-foot pricing reached record numbers; including Calare Properties \$620/SF acquisition of 95 Maple Street in Stoneham and 201 Crescent Avenue in Chelsea for \$328/SF. Both assets provide ideal access for last mile distribution while maintaining a flex-feel and modern design capable of accommodating a number of different tenants. 555 Turnpike Road in Canton, which serves as a distribution facility for Destination XL, sold for \$51.0 million from Service Properties Trust to Westbrook Partners. 5 Commerce Boulevard in Plainville sold to Brammer Bio, a subsidiary of Thermo Fisher Scientific, with the intention of converting the proposed warehouse into an owner-user life science facility. A four-building industrial portfolio totaling 286,000 square feet also sold in North Reading; Brookfield Properties purchased the assets for \$40.0 million. A handful of additional transactions are still in the works and expect to close in the middle of the third quarter.

LOOKING FORWARD

Quality Options Eclipsed by Demand

When considering all metrics, the Greater Boston Industrial market started with one of its best performances of the decade. Across all fundamentals including leasing and investment sales activity, the market demonstrated very limited signs of dealing with setbacks from COVID-19. In fact, the industrial market may come out in a better position than it entered the new year, as the asset has positioned itself as a safe investment amid the pandemic. Additionally, new industrial subtypes have emerged, specifically GMP manufacturing, which is a result of the successful life science companies in Cambridge desire to mass-manufacture drugs within an hour's drive of labs in Kendall Square. Currently over 1.4 million square feet of requirements are touring the market for space consisting of state-of-the-art HVAC and lighting, with significant clear heights and loading.

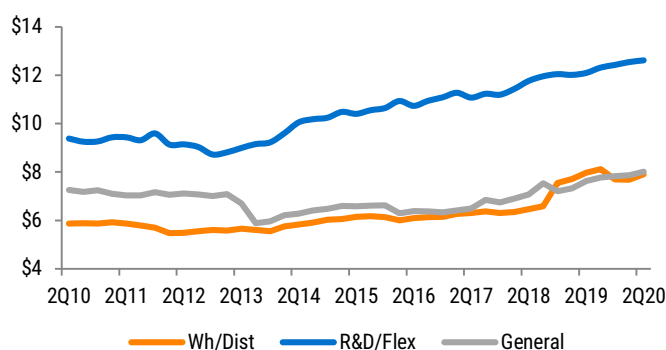
In addition to GMP manufacturing requirements, over 8.0 million square feet of demand is being tracked across the Greater Boston Industrial market. While 2,094,000 square feet is currently under construction to deliver into early 2021, the new product can only satisfy one-quarter of the market's demand. The proposed pipeline is strong, and while developers may be taking a slight step back due to the virus outbreak, the demand speaks for itself. Expect the market to continue to grow in all aspects ranging from RBA to price-per-square-foot in upcoming transactions. The result will be a very busy second half of the year as industry confidence continues to rise.

SELECT LEASE TRANSACTIONS

Tenant	Building	Submarket	Lease Type	Square Feet
Amazon	800 John Quincy Adams Road	South	Direct	350,300
Sager Electrical Supply	19 Leona Drive	South	Renewal	108,400
Sullivan & McLaughlin Communication	18 Campanelli Parkway	South	Direct	40,250
Piaggio Fast Forward	100 Cambridge Street	Central	Direct	26,300

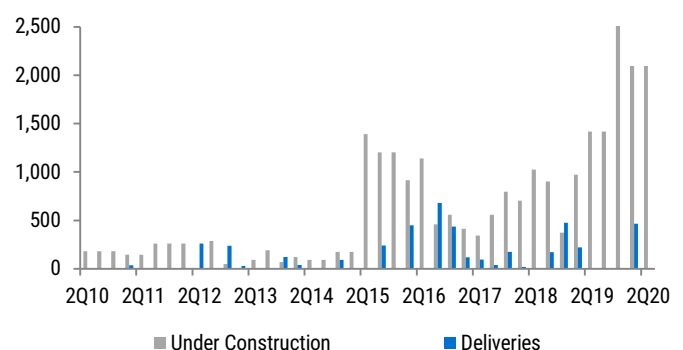
AVERAGE ASKING RENT BY PROPERTY TYPE

Average Asking Rent (\$/SF)



CONSTRUCTION AND DELIVERIES

Square Feet, Thousands



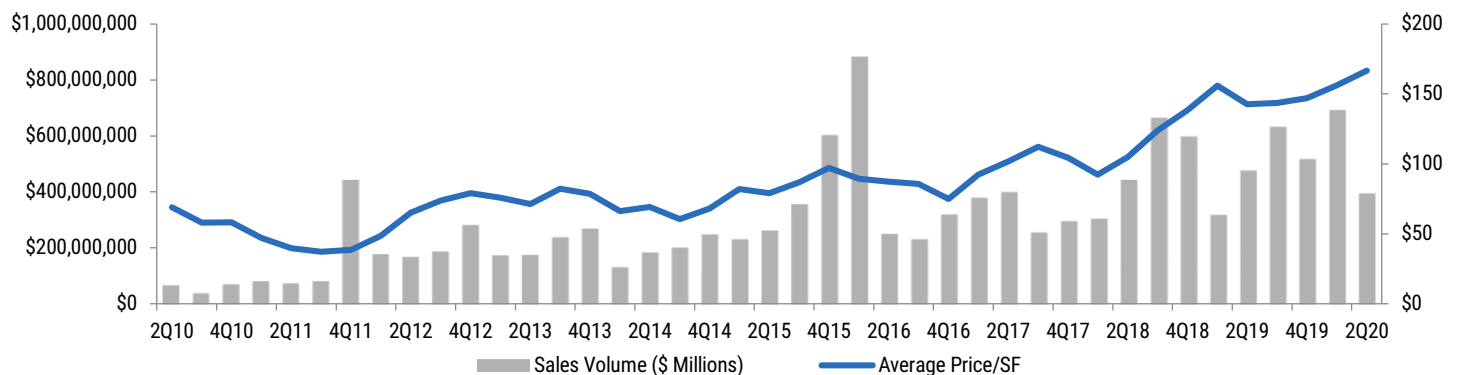
SUBMARKET STATISTICS

	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	23,105,277	0	5.5%	41,403	71,482	\$11.94	\$24.31	\$14.21
North	76,321,545	160,000	5.2%	38,567	(156,708)	\$8.76	\$11.14	\$9.50
South	78,365,270	1,334,000	6.1%	142,802	1,003,249	\$6.69	\$13.37	\$7.60
West	36,464,618	600,000	6.3%	62,863	331,659	\$7.64	\$11.88	\$9.41
Market	214,256,710	2,094,000	5.8%	285,635	1,249,682	\$7.91	\$12.61	\$9.29

SUBMARKET STATISTICS BY SUBTYPE

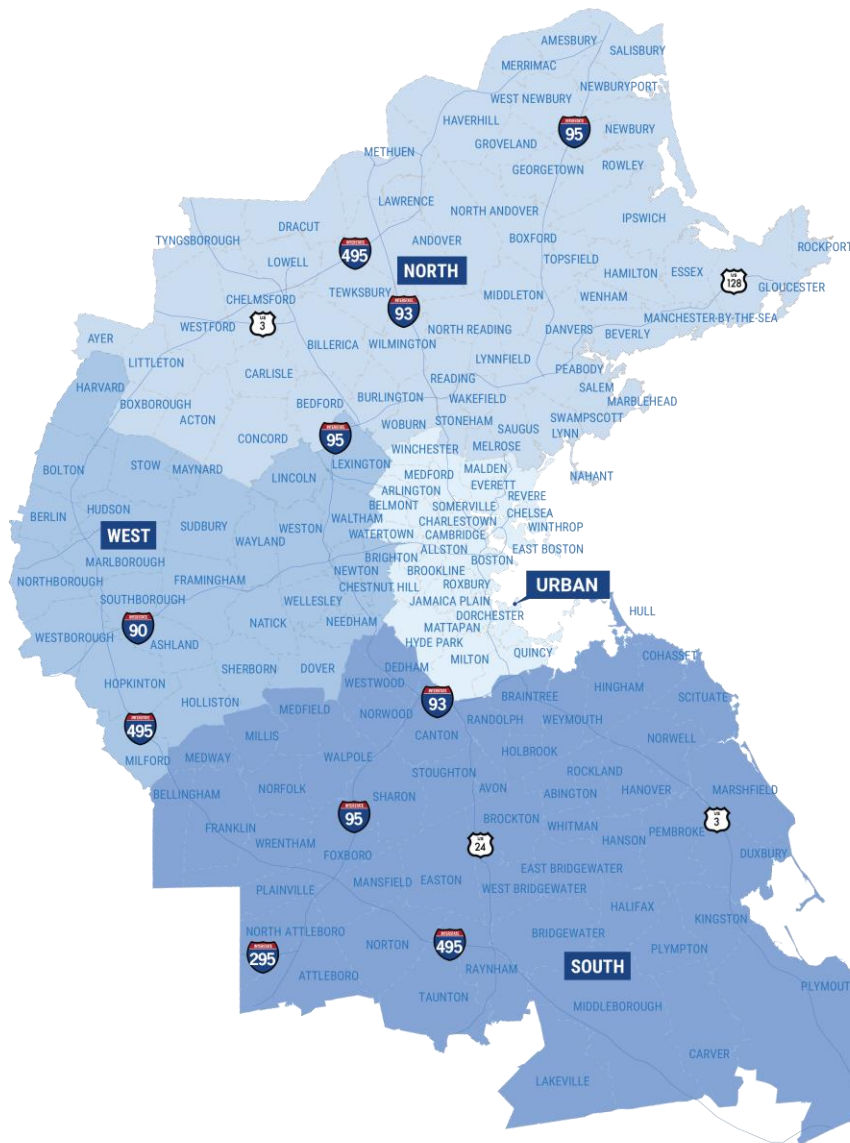
	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Total Asking Rent (Price/SF)
General Industrial	59,778,496	0	5.5%	(27,830)	(8,783)	\$8.01
R&D/Flex	53,035,921	0	7.3%	48,920	167,643	\$12.61
Warehouse/Distribution	101,442,293	2,094,000	5.2%	264,545	1,090,822	\$7.91
Market	214,256,710	2,094,000	5.8%	285,635	1,249,682	\$9.29

INDUSTRIAL INVESTMENT



SELECT SALE TRANSACTIONS

Address	Submarket	Property Type	Sale Price	Price/SF	Square Feet
555 Turnpike Street, Canton	South	General Industrial	\$51,000,000	\$76	674,143
35-45 Concord Street, North Reading	North	General Industrial	\$39,999,900	\$140	286,000
5 Commerce Boulevard, Plainville	South	Warehouse/Distribution	\$33,200,000	\$115	288,600
16 Forge Park, Franklin	South	Warehouse/Distribution	\$16,400,000	\$137	120,000



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