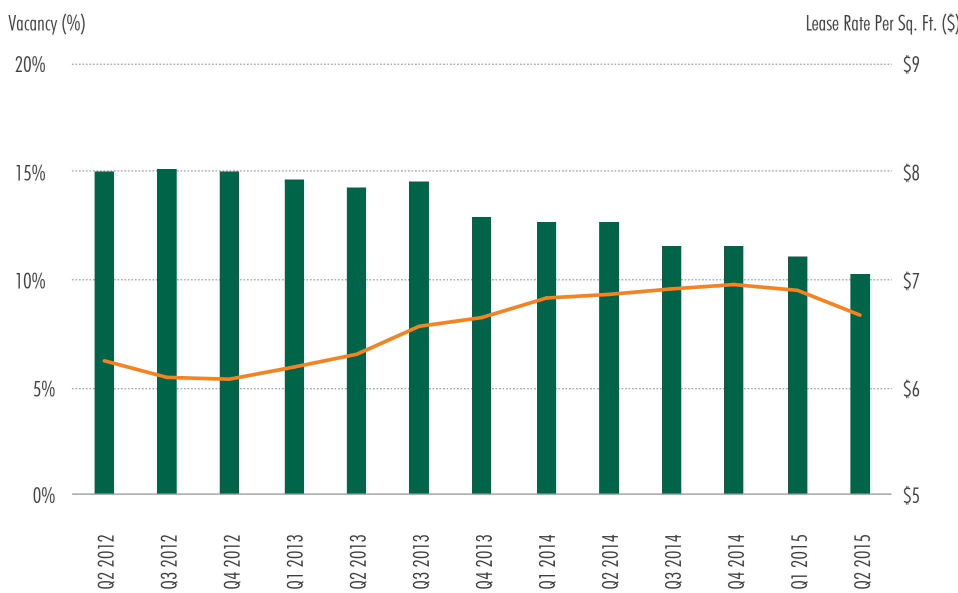
## Boston Suburban Industrial, Q2 2015

# Boston Industrial market reaches new lows—tightest in over a decade.

| | | | |
|---|---|---|---|
| ▼ Vacancy 10.2% | ▼ Availability 14.7% | ▲ Occupied Sq. Ft. 64 MSF | ▲ Sublease 1.6 MSF |

**Figure 1: Industrial Vacancy vs. Lease Rate**




Source: CBRE Research, Q2 2015.

The Greater Boston Industrial Market saw 1.24 million sq. ft. of positive absorption in Q2 2015. This marks the fourth consecutive quarter with an excess of 400,000 sq. ft. of positive absorption in the market. For the first time in ten years, vacancy rates hit 10.2%, while availability rates also hit an historic low of 14.7%. The Metro North submarket was the strongest submarket in terms of overall leasing activity for the first time in four quarters, with 520,975 sq. ft. of positive absorption. With high market activity in the North, the vacancy rate also dropped 120 basis points quarter-over-quarter, hitting 10.0% for the first time since Q3 2002. The low availability and vacancy levels kept average asking rents at the edge of the $8.00 per sq. ft. NNN mark in the Metro North submarket. The 128-West submarket recorded the highest asking rents, finishing the quarter at $15.54 per sq. ft. NNN. The overall Greater Boston Industrial Market remains bullish.

**NORTH**

Metro North posted strong leasing activity in Q2 2015 with nearly 521,000 sq. ft. of positive absorption. Activity in Metro North was led by Electric Supply Company leasing 113,000 sq. ft. at 205 Wildwood Avenue in Woburn and Prospero's lease of 90,000 sq. ft. at 200 Ward Hill Avenue in Haverhill. Metro North vacancy rates in Q2 2015 hit a 14-year low of 10.3%.

The availability rates in the Metro North submarket dropped to 15.8% in Q2 2015, and dropped 170 basis points year-over-year. The vacancy rate in the North reached a 10-year low in Q2 2015, dropping 120 basis points quarter-over-quarter to 10.3%.

The highest asking rents seen in Metro North for Q2 2015 were in the Route 128 North submarket, where they reached $9.12 per sq. ft. NNN.  Asking rents in Route 128 North have been above $9.00 for four consecutive quarters.

**WEST**

In Q2 2015, the Metro West submarket posted close to 290,000 sq. ft. of positive absorption, as there were a number of big transactions and expansions in the market. One notable transaction was the 185,274-sq.-ft. expansion by Affordable Interior Systems (AIS) at 25 Tucker Drive in Leominster.  AIS will now occupy the entirety of the 588,000-sq.-ft. building.

Another notable transaction in Q2 2015 was AllCare Plus Pharmaceuticals' acquisition of 50 Bearfoot Road in Northborough, Massachusetts.  The 62,000-sq.-ft. building traded for $2.5 million or $40.32 per sq. ft. AllCare Plus will occupy the entire facility.

The strongest Metro West submarket in Q2 2015 was Route 495 – Route 2 West, which saw over 193,684 sq. ft. of positive absorption. This leasing activity drove availability down 270 basis points quarter-over-quarter to 16.3%.  Vacancy decreased 10 basis points quarter-over-quarter to 8.4%, but this figure still represents the second consecutive quarter where vacancy remained below 9.0%, a level not seen since the extremely low vacancies posted in 2002-2003.

**Figure 2: Transactions of Note**

| Tenant | Address | Sq. Ft. | Submarket | Type |
|---|---|---|---|---|
| Boston Globe | 300 Constitution Drive, Taunton | 328,104 | Route 495 South | Sale |
| Universal Wilde | 675 Canton Street, Norwood | 120,434 | Route 128 South | Lease |
| CTW Transport Inc. | 10 Creek Brook, Haverhill | 108,689 | Route 495 North | Sale |
| Electric Supply Center | 205 Wildwood, Woburn | 113,666 | Route 128 North | Lease |
| Imperial Bag & Paper | 111 Constitution Blvd, Franklin | 96,126 | Metro 495 South | Sublease |
| Prospero | 200 Ward Hill Ave, Haverhill | 90,000 | Route 495 North | Lease |
| Rydemore Trucks | 150 Benson Street, Fitchburg | 64,322 | Route 128 North | Sale |

Source: CBRE Research, Q2 205

### SOUTH

Route 495 South was the strongest submarket in the South, recording 395,562 sq. ft. of positive absorption. The Boston Globe made headlines in the second quarter by acquiring 300 Constitution Boulevard from Chambers Street Properties for $20.3 million, or $61.95 per sq. ft., to house its new headquarters. A portion of the building, 46,000 sq. ft., will be used for office space. The remainder of the facility will be used for the printing operation of the Boston Globe, New York Times, the Boston Herald and other newspapers.

Additionally, Imperial Bag & Paper, Inc. subleased 96,000 sq. ft. from American Tire Distributors at 111 Constitution Boulevard in Franklin. Another notable transaction was Universal Wilde's lease of 120,434 sq. ft. at 675 Canton Street in Norwood.

Availability dropped in Route 495 South by 170 basis points quarter-over-quarter to 11.5%. Vacancy levels remained very low in Route 495 South as well and finished the quarter at 7.7%. This marks the first time vacancy in Route 495 South has hit the 7.0% range since Q2 2002.

The highest asking rents in Metro South were seen in the Route 495 South submarket, where rents increased for the third consecutive quarter, to $5.97 per sq. ft. NNN. This figure marks the highest average asking rents since Q4 2008.

**Figure 3: Market Statistics**

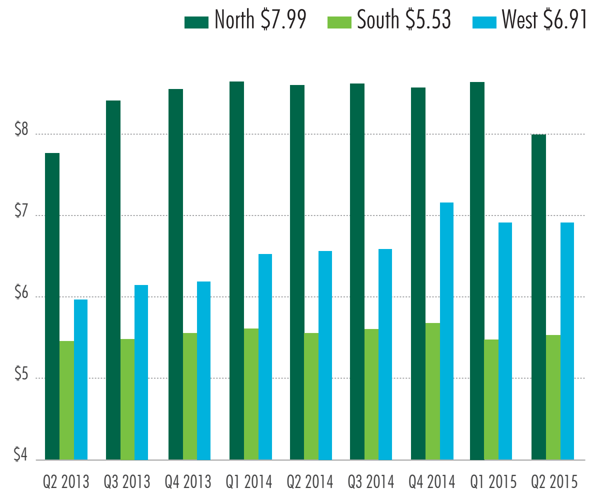
| Total Industrial | Bldgs | Total Sq. Ft. | Available (%) | Vacant (%) | Sublease (%) | Quarter Net Absorption | YTD Net Absorption | Avg Asking Rent $ (NNN) |
|---|---|---|---|---|---|---|---|---|
| Urban | 25 | 4,488,939 | 22.0 | 21.3 | 1.0 | 48,289 | 139,480 | 8.59 |
| Close-In Suburbs North | 83 | 7,544,417 | 5.9 | 4.0 | 0.6 | 8,173 | 102,180 | 11.55 |
| Route 128 - North | 266 | 22,107,266 | 10.9 | 7.8 | 0.2 | 315,273 | 389,696 | 9.12 |
| Route 495 - Northeast | 88 | 11,309,304 | 23.3 | 10.6 | 2.9 | 60,962 | 176,787 | 5.89 |
| Route 3 - North | 106 | 10,674,153 | 22.6 | 14.9 | 4.8 | 88,278 | (409,225) | 7.60 |
| Metro North | 568 | 56,124,079 | 15.8 | 10.3 | 1.7 | 520,975 | 398,918 | 7.99 |
| Route 128 - South | 301 | 28,444,125 | 14.2 | 9.1 | 0.8 | 29,562 | 425,197 | 5.10 |
| Route 495 - South | 242 | 29,038,577 | 11.5 | 7.7 | 0.4 | 395,562 | 711,061 | 5.97 |
| Metro South | 543 | 57,482,702 | 12.8 | 8.4 | 0.6 | 425,124 | 1,136,258 | 5.53 |
| Route 128 - West | 31 | 2,424,720 | 12.7 | 11.6 | 0.0 | 15,836 | 36,458 | 15.54 |
| Framingham - Natick | 39 | 3,530,143 | 12.1 | 11.0 | 0.0 | 19,223 | 47,480 | 6.85 |
| Route 495 - Route 2 West | 58 | 8,018,729 | 16.3 | 8.4 | 1.1 | 193,684 | 170,659 | 6.34 |
| Route 495 - Mass Pike West | 159 | 15,071,315 | 17.6 | 16.8 | 1.6 | 60,883 | (108,274) | 6.74 |
| Metro West | 287 | 29,044,907 | 16.2 | 13.4 | 1.2 | 289,626 | 146,323 | 6.91 |
| Overall Total Industrial | 1,398 | 142,651,688 | 14.7 | 10.2 | 1.2 | 1,235,725 | 1,681,499 | 6.67 |

Source: CBRE Research, Q2 2015.
* The reported numbers for the previous quarter and year have changed due to updated data.

## AVERAGE ASKING RENTS

Average asking rents in the Boston Industrial market decreased slightly ($0.30 per sq. ft. quarter-over-quarter) to $6.67 per sq. ft. NNN. This is the seventh consecutive quarter where rents have remained over $6.50 per sq. ft. NNN. Once again, the Route 128 West submarket had the highest average asking rents, which finished Q2 2015 at $15.54 per sq. ft. NNN. The Metro North average rents remained stable by slightly increasing $0.05 per sq. ft. NNN, while Route 495 South finished with increased rents of $0.51 per sq. ft. NNN quarter-over-quarter. Despite average rents slightly decreasing quarter-over-quarter, the average availability rate dropped 120 basis points while the average vacancy rate decreased 90 basis points quarter-over-quarter. The Boston Industrial market remains strong and stable despite the small dip in average rents.

**Figure 4: Average Asking Lease Rates**

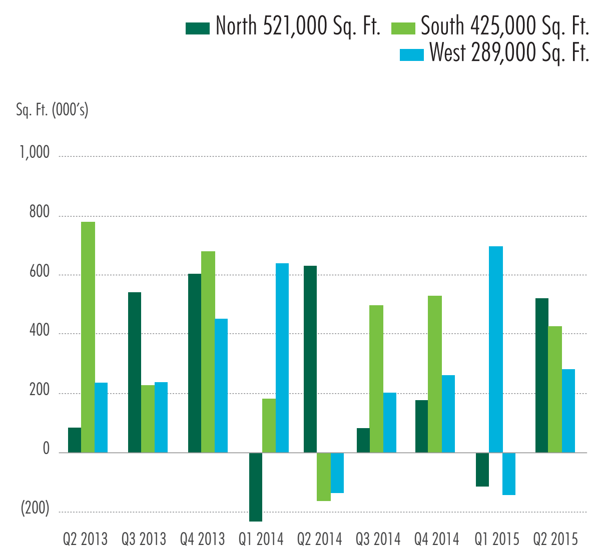



Source: CBRE Research, Q2 2015.

## NET ABSORPTION

Q2 2015 marked the ninth consecutive quarter of positive absorption above 400,000 sq. ft. in the Boston Industrial market. The positive momentum drove availability to 14.7%, hitting the lowest availability rate since Q4 2002. Metro North showed the strongest leasing activity in the Boston Industrial market with over 1,136,258 sq. ft. of positive absorption. The Metro South market maintained strong leasing activity with over 420,000 sq. ft. of positive absorption, marking the second consecutive quarter with positive absorption rates above 400,000 sq. ft. Route 3 North posted 83,278 sq. ft. of positive absorption bouncing back after last quarter where several large blocks of space returned to the market.

**Figure 5: Net Absorption**




Source: CBRE Research, Q2 2015.

# Definitions

**AVERAGE ASKING LEASE RATE**
Rate determined by multiplying the asking gross lease rate for each building by its available space, summing the products, then dividing by the sum of the available space with net leases for all buildings in the summary.

**GROSS LEASES**
Includes all lease types whereby the tenant pays an agreed rent plus estimated average monthly costs of the operating expenses and taxes for the property, including utilities, insurance and/or maintenance expenses.

**MARKET COVERAGE**
Includes all competitive buildings in CBRE's survey set.

**NET ABSORPTION**
The change in occupied sq. ft. from one period to the next, as measured by available sq. ft.

**NET RENTABLE AREA**
The gross building square footage minus the elevator core, flues, pipe shafts, vertical ducts, balconies and stairwell areas.

**OCCUPIED AREA (SQ. FT.)**
Building area not considered vacant.

**UNDER CONSTRUCTION**
Buildings that have begun construction as evidenced by site excavation or foundation work.

**AVAILABLE AREA (SQ. FT.)**
Available building area that is either physically vacant or occupied.

**AVAILABILITY RATE**
Available sq. ft. divided by the net rentable area.

**VACANT AREA (SQ. FT.)**
Existing building area that is physically vacant or immediately available.

**VACANCY RATE**
Vacant building feet divided by the net rentable area.

**NORMALIZATION**
Due to a reclassification of the market, the base, number and square footage of buildings of previous quarters have been adjusted to match the current base. Availability and vacancy figures for those buildings have been adjusted in previous quarters.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