Another solid quarter for the industrial market as its reputation grows

After ending 2016 with record-breaking absorption of over 3.4 million sq. ft., the Greater Boston Industrial market set its bar high. While it would have been difficult to replicate that sort of showing two quarters in a row, Q1 2017 was still a solid three months, with positive absorption in all three markets for a cumulative 425,000 sq. ft. Vacancy remained low, with single-digit numbers across the board, and asking rents stayed elevated year-over-year.

Two distinct themes shaped and bolstered the market in the first quarter, the first being organic growth by local companies. Occupiers that expanded in Q1 2017 included HTI Medical, which moved from a 14,000 sq. ft.
space in Walpole to a 45,000 sq. ft. space in North Attleboro; Daltile, which took 36,000 sq. ft. on University Avenue in Westwood; and Boston Mutual, which added 24,000 sq. ft. of warehouse space, also on University Avenue. Additionally, sportswear retailer '47 Brand purchased 140 Laurel Street in East Bridgewater, a 470,000 sq. ft. warehouse property, which will allow the homegrown company to continue expanding.

New entrants to the Greater Boston market have also been making waves and are indicative of the area's increasing visibility and appeal on the national stage. Brooklyn-based European Granite & Marble Group opened its first Massachusetts location, taking 40,000 sq. ft. in Norwood, and New Jersey-based Hirsch Glass leased 24,000 sq. ft. in Westwood. Out-of-state companies that already have a Massachusetts presence have also been expanding. California-based electronics and medical device manufacturer NeoTech purchased 125 Fisher Street in Westborough—the 198,000 sq. ft. property will be the company's third location in the state.

**NORTH**

- The Metro North saw the highest absorption of all the industrial markets, with almost 320,000 sq. ft. of space taken. The bulk of this came from the Urban and Route 128 North submarkets, which saw approximately 128,000 sq. ft. of positive absorption each.

- Within Metro North, the Route 128 North submarket was responsible for most of the largest deals, including two of the top five for the quarter. The largest new deal in the Route 128 North submarket was CNE Direct's lease of 66,000 sq. ft. at 1 Technology Drive in Peabody.

- The Urban submarket was home to the largest new industrial deal of the quarter, where produce wholesaler Katsiroubas Bros. leased 84,000 sq. ft. at 100 Meadow Road in Hyde Park.

- The North market boasts the highest asking rents of all three markets. After steady growth beginning in early 2016, rents topped $8.13 per sq. ft. NNN in Q1 2017. Vacancy remained healthy at 8.5%.

**SOUTH**

- Although the Metro South market has lower asking rents than the other two industrial markets, in recent years those rents have seen slow but consistent growth. At the close of Q1 2017, rents had reached $5.93 per sq. ft. NNN.

- Many tenants in the South market have elected to stay in place and take advantage of the comparatively affordable rents and, as such, the South saw two of the three largest renewals of the quarter—both in the Route 495 South submarket. Dorel Juvenile Group will remain in their 53,000 sq. ft. space at 25 Forbes Boulevard in Foxboro and, in neighboring Walpole, Mohawk Industries renewed for 34,000 sq. ft. at 15 Walpole Park South.

- The South market boasts the lowest vacancy rate of all three submarkets, with just 5.6% of space empty. The availability rate is correspondingly the lowest at 9.7%.

- Although major deals in Q4 2016 gave the Metro South its highest absorption number ever, with over 2.4 million sq. ft. taken, this quarter the market saw the lowest absorption of the three markets at just 7,000 sq. ft.

**WEST**

- After growing steadily throughout 2016, and faster than any of the other markets, asking rents in the Metro West market took a dip in Q1 2017. Ending the quarter at $7.30 per sq. ft. NNN, they fell 4.6% since Q4 2016, and are slightly down year-over-year, but are still following a general trajectory of upward growth that began in 2012.

- The Metro West market saw just under 100,000 sq. ft. of positive absorption in Q1 2017, which was fairly evenly spread among all its submarkets except Route 495 – Route 2 West, which was modestly negative.

- The West market claimed the fewest of the major deals this quarter, with the largest transaction being RMP's 32,000 sq. ft. renewal at 444 Whitney Street in Northborough. The auto parts company has had a location in Northborough for over a decade.
MARKETVIEW BOSTON INDUSTRIAL

Figure 2: Market Statistics

<table>
<thead>
<tr>
<th>Total Industrial</th>
<th>Bldgs</th>
<th>Total Sq. Ft.</th>
<th>Available (%)</th>
<th>Vacant (%)</th>
<th>Sublease (%)</th>
<th>Quarter Net Absorption</th>
<th>YTD Net Absorption</th>
<th>Avg Asking Rent $ (NNN)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Urban</td>
<td>107</td>
<td>8,823,360</td>
<td>13.0</td>
<td>12.0</td>
<td>1.2</td>
<td>128,930</td>
<td>128,930</td>
<td>8.84</td>
</tr>
<tr>
<td>Close-In Suburbs North</td>
<td>209</td>
<td>17,232,269</td>
<td>3.5</td>
<td>3.3</td>
<td>0.2</td>
<td>14,500</td>
<td>14,500</td>
<td>9.86</td>
</tr>
<tr>
<td>Route 128 - North</td>
<td>271</td>
<td>22,649,666</td>
<td>8.7</td>
<td>7.3</td>
<td>0.6</td>
<td>127,496</td>
<td>127,496</td>
<td>9.49</td>
</tr>
<tr>
<td>Route 495 - Northeast</td>
<td>87</td>
<td>11,493,603</td>
<td>20.9</td>
<td>11.1</td>
<td>2.0</td>
<td>(16,650)</td>
<td>(16,650)</td>
<td>6.21</td>
</tr>
<tr>
<td>Route 3 - North</td>
<td>108</td>
<td>10,637,214</td>
<td>18.2</td>
<td>14.1</td>
<td>2.7</td>
<td>65,068</td>
<td>65,068</td>
<td>7.86</td>
</tr>
<tr>
<td>Metro North</td>
<td>762</td>
<td>70,836,112</td>
<td>11.4</td>
<td>8.5</td>
<td>1.1</td>
<td>319,344</td>
<td>319,344</td>
<td>8.13</td>
</tr>
<tr>
<td>Route 128 - South</td>
<td>303</td>
<td>28,491,859</td>
<td>10.0</td>
<td>6.3</td>
<td>1.1</td>
<td>(76,894)</td>
<td>(76,894)</td>
<td>5.57</td>
</tr>
<tr>
<td>Route 495 - South</td>
<td>255</td>
<td>32,347,217</td>
<td>9.4</td>
<td>5.0</td>
<td>1.4</td>
<td>83,464</td>
<td>83,464</td>
<td>6.24</td>
</tr>
<tr>
<td>Metro South</td>
<td>558</td>
<td>60,839,076</td>
<td>9.7</td>
<td>5.6</td>
<td>1.3</td>
<td>6,570</td>
<td>6,570</td>
<td>5.93</td>
</tr>
<tr>
<td>Route 128 - West</td>
<td>28</td>
<td>2,129,597</td>
<td>3.0</td>
<td>2.2</td>
<td>0.0</td>
<td>29,410</td>
<td>29,410</td>
<td>9.89</td>
</tr>
<tr>
<td>Framingham - Natick</td>
<td>37</td>
<td>3,391,242</td>
<td>10.4</td>
<td>8.5</td>
<td>0.0</td>
<td>42,071</td>
<td>42,071</td>
<td>6.75</td>
</tr>
<tr>
<td>Route 495 - Route 2 West</td>
<td>60</td>
<td>8,612,502</td>
<td>10.7</td>
<td>7.3</td>
<td>1.4</td>
<td>(36,413)</td>
<td>(36,413)</td>
<td>7.35</td>
</tr>
<tr>
<td>Route 495 - Mass Pike West</td>
<td>158</td>
<td>15,045,365</td>
<td>13.2</td>
<td>12.7</td>
<td>0.3</td>
<td>63,599</td>
<td>63,599</td>
<td>7.39</td>
</tr>
<tr>
<td>Metro West</td>
<td>283</td>
<td>29,178,706</td>
<td>11.4</td>
<td>9.9</td>
<td>0.6</td>
<td>98,667</td>
<td>98,667</td>
<td>7.30</td>
</tr>
<tr>
<td>Overall Total Industrial</td>
<td>1,623</td>
<td>160,853,894</td>
<td>10.7</td>
<td>7.7</td>
<td>1.1</td>
<td>424,581</td>
<td>424,581</td>
<td>7.18</td>
</tr>
</tbody>
</table>

Source: CBRE Research, Q1 2017.

Figure 3: Industrial Market Transactions of Note

<table>
<thead>
<tr>
<th>Tenant</th>
<th>Sub-Market</th>
<th>Address</th>
<th>Size</th>
<th>Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Katsiroubas Bros.</td>
<td>Dorchester/South Boston</td>
<td>100 Meadow Road, Hyde Park</td>
<td>84,000</td>
<td>New</td>
</tr>
<tr>
<td>CNE Direct</td>
<td>Route 128 North</td>
<td>1 Technology Drive, Peabody</td>
<td>66,000</td>
<td>New</td>
</tr>
<tr>
<td>Dorel Juvenile Group</td>
<td>Route 495 South</td>
<td>25 Forbes Boulevard, Foxboro</td>
<td>53,000</td>
<td>Renewal</td>
</tr>
<tr>
<td>Nippon Express</td>
<td>Route 128 North</td>
<td>1 Technology Drive, Peabody</td>
<td>43,000</td>
<td>New</td>
</tr>
<tr>
<td>Mohawk Industries</td>
<td>Route 495 South</td>
<td>15 Welpole Park South, Walpole</td>
<td>34,000</td>
<td>Renewal</td>
</tr>
<tr>
<td>RMP</td>
<td>Route 495/Mass Pike West</td>
<td>444 Whitney Street, Northborough</td>
<td>32,000</td>
<td>Renewal</td>
</tr>
</tbody>
</table>

Source: CBRE Research, Q1 2017.
MARKETVIEW BOSTON INDUSTRIAL

AVERAGE ASKING RENTS

Average asking rents in the Greater Boston Industrial market remained stable in the first quarter, finishing at $7.18 per sq. ft. NNN. Metro North and Metro South both saw rental growth, reaching $8.13 per sq. ft. and $5.93 per sq. ft. NNN, respectively. By contrast, rents in the West dipped after trending upwards for the last six quarters.

NET ABSORPTION

While not matching last quarter’s chart-topping absorption numbers, absorption was positive across the board in Q1 2017. The North market saw the bulk of it, with almost 320,000 sq. ft., while the Metro South was considerably lower but still in the black. Historically, the North market has seen the most consistency on the absorption front, while the South has had the widest fluctuation, particularly from last quarter’s banner showing of 2.4 million sq. ft. to this quarter’s 7,000 sq. ft.
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.
MARKETVIEW BOSTON INDUSTRIAL

Disclaimer: Information contained herein, including projections, has been obtained from sources believed to be reliable. While we do not doubt its accuracy, we have not verified it and make no guarantee, warranty or representation about it. It is your responsibility to confirm independently its accuracy and completeness. This information is presented exclusively for use by CBRE clients and professionals and all rights to the material are reserved and cannot be reproduced without prior written permission of CBRE.

CONTACTS

Suzanne Duca
Director of Research
+1 617 912 7041
suzanne.duca@cbre-ne.com

CBRE OFFICES

CBRE/New England
33 Arch Street, 28th Floor
Boston, MA 02110

To learn more about CBRE Research, or to access additional research reports, please visit the Global Research Gateway at www.cbre.com/researchgateway.