



Greater Boston industrial/flex market report

Q3 2024

**AVISON
YOUNG**

Greater Boston industrial/flex market trends

1.3 msf

Industrial and flex leasing activity in Q3 2024

Greater Boston's aggregate leasing activity has normalized since the end of 2022. Occupier demand has softened following the COVID boom, leading to a period of stabilization in the industrial/flex leasing market.

16%

Of industrial/flex space delivered in Q3 2024 has been leased

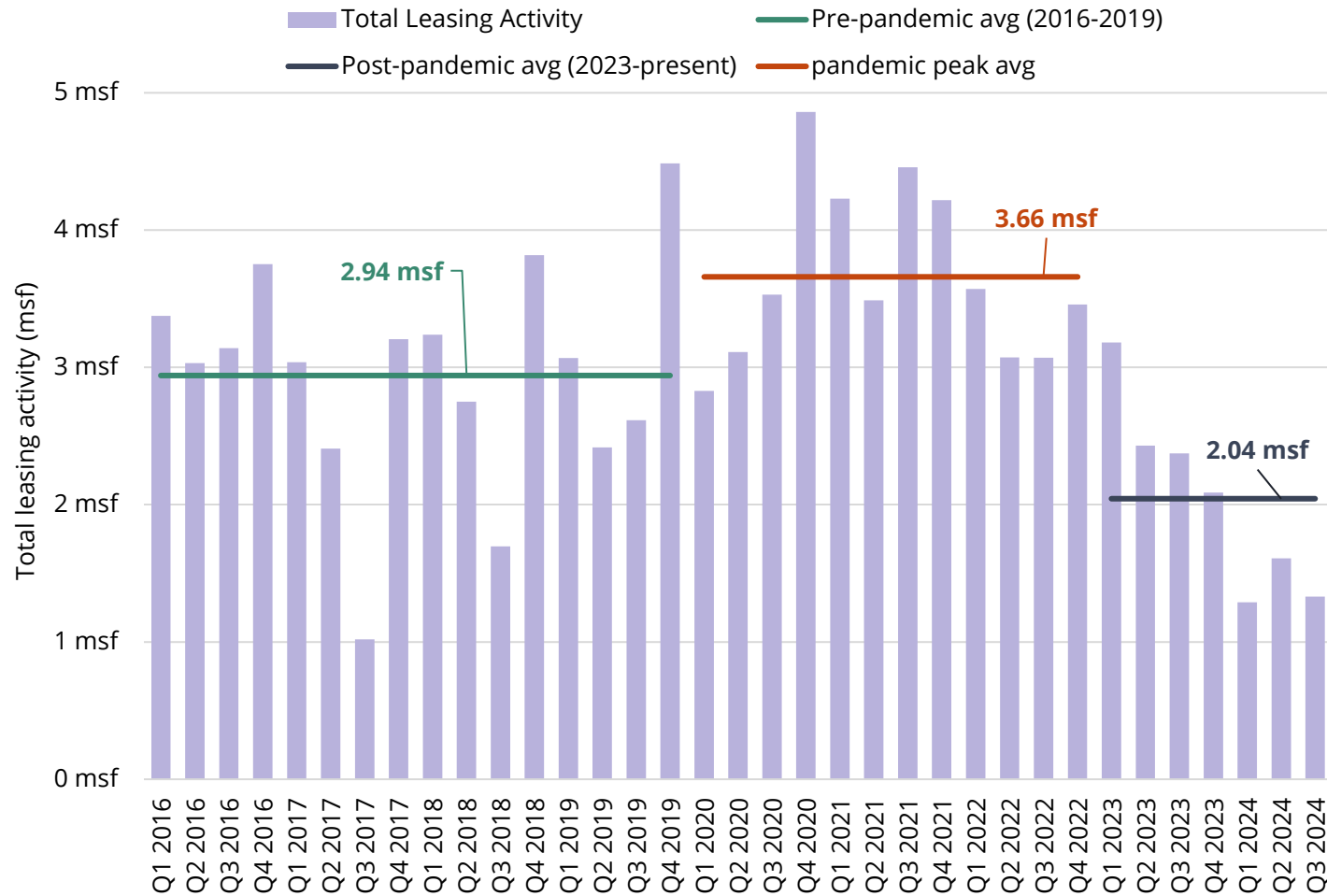
In Q3 2024, Greater Boston saw the delivery of six industrial/flex properties, one of which was fully leased, equating to 16% of the total space delivered that quarter. A growing trend in Greater Boston is that recently delivered space is taking more time to lease up, as a high concentration of availability lies in space delivered from 2020 onward.

6.7%

Availability rate in facilities sized between 20-99k sf

Industrial and flex facilities in Greater Boston between 20-99k sf remain in high demand, posting the only single-digit availability rate across all size tranches. These properties continue to prove themselves as the lifeblood of the market, with availability seeing only a slight increase since the end of 2023.

Demand softening following Covid boom



Greater Boston's industrial and flex leasing activity totaled 1.3 msf in Q3 2024, indicating the market has normalized following significant occupier demand from late 2020 to 2022.

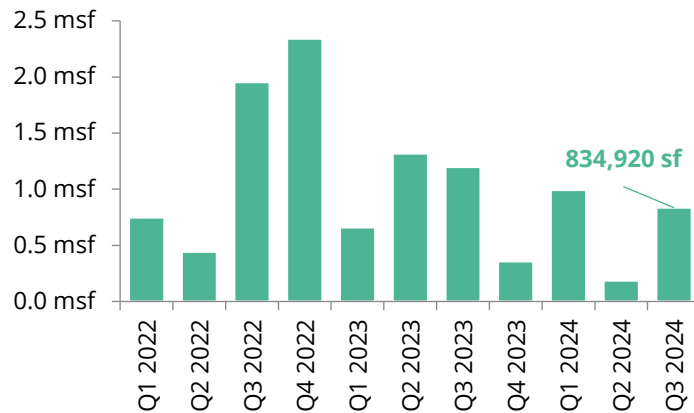
Greater Boston industrial/flex pipeline snapshot

16% leased

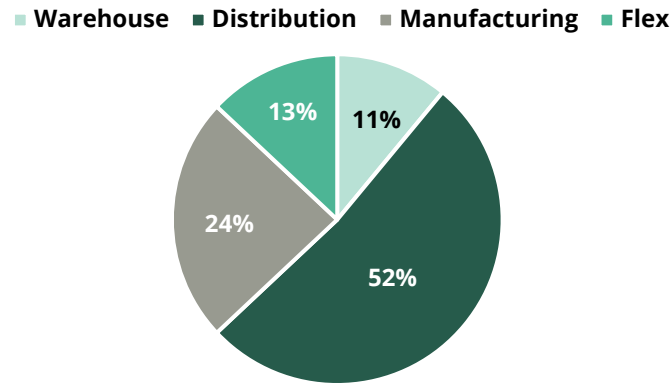
16% of Q3 2024 delivered industrial/flex sf has been leased. Despite this, construction starts have noted a strong quarter-over-quarter increase, indicating developers may possess a renewed sense of confidence looking ahead into 2025.

Following a record low in sf of groundbreakings in Q2 2024, Q3 saw the Stoughton Logistics Park move forward with development, accounting for 72% of total construction starts this quarter, or 605,000 sf. Aside from this groundbreaking, quarterly construction starts are on par with the prior quarter. More than half of the inventory currently under construction is positioned in Greater Worcester and 128 South – two of Greater Boston’s strongest industrial/flex markets. Distribution facilities account for 52% of inventory under construction, while representing only 14% of the total industrial & flex existing inventory.

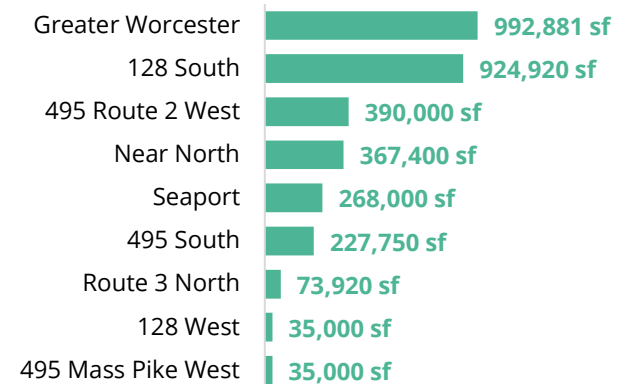
Quarterly ground breakings



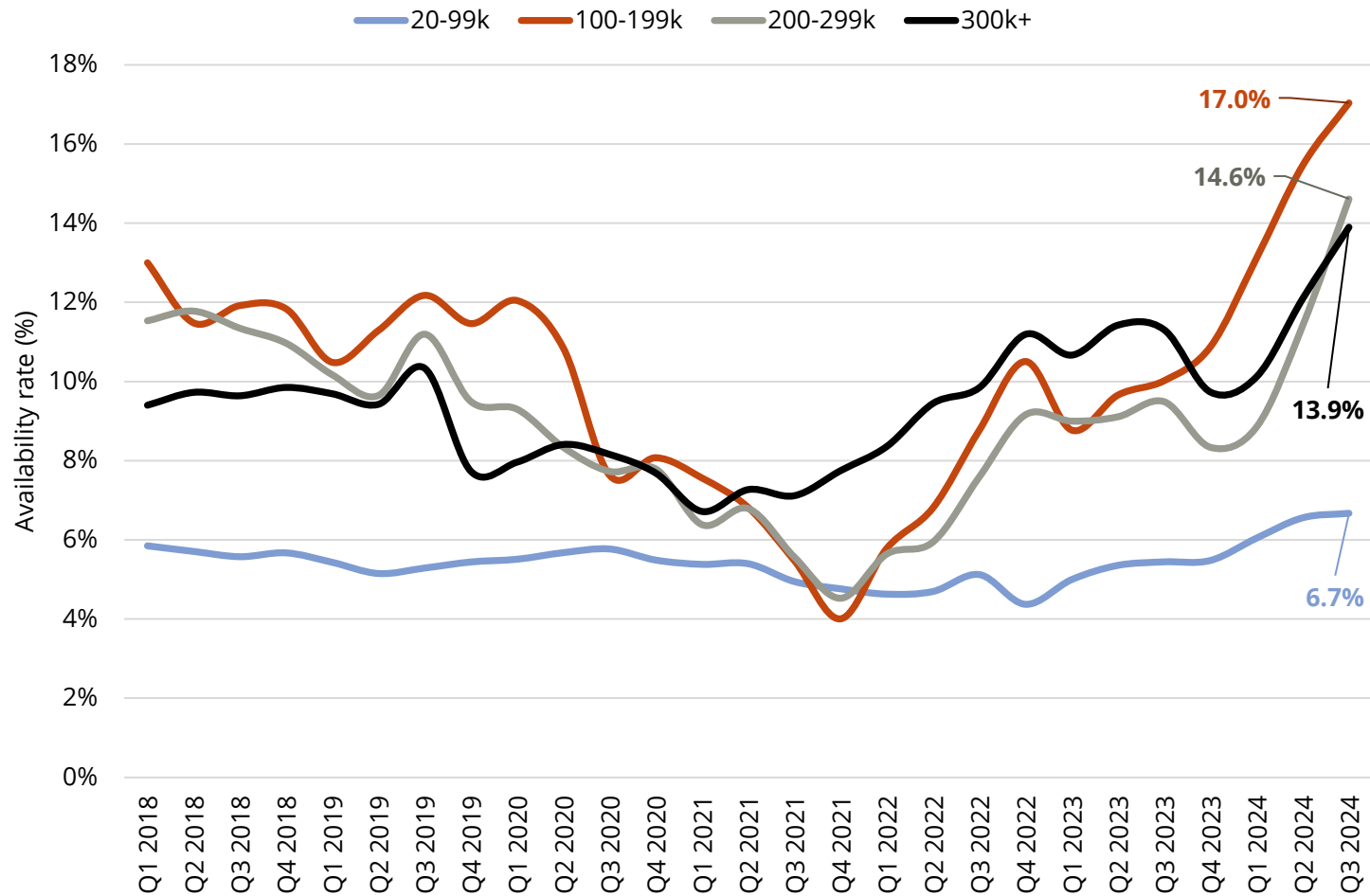
Under construction by subtype



Under construction by submarket



Demand is highest in 20-99k sf facilities

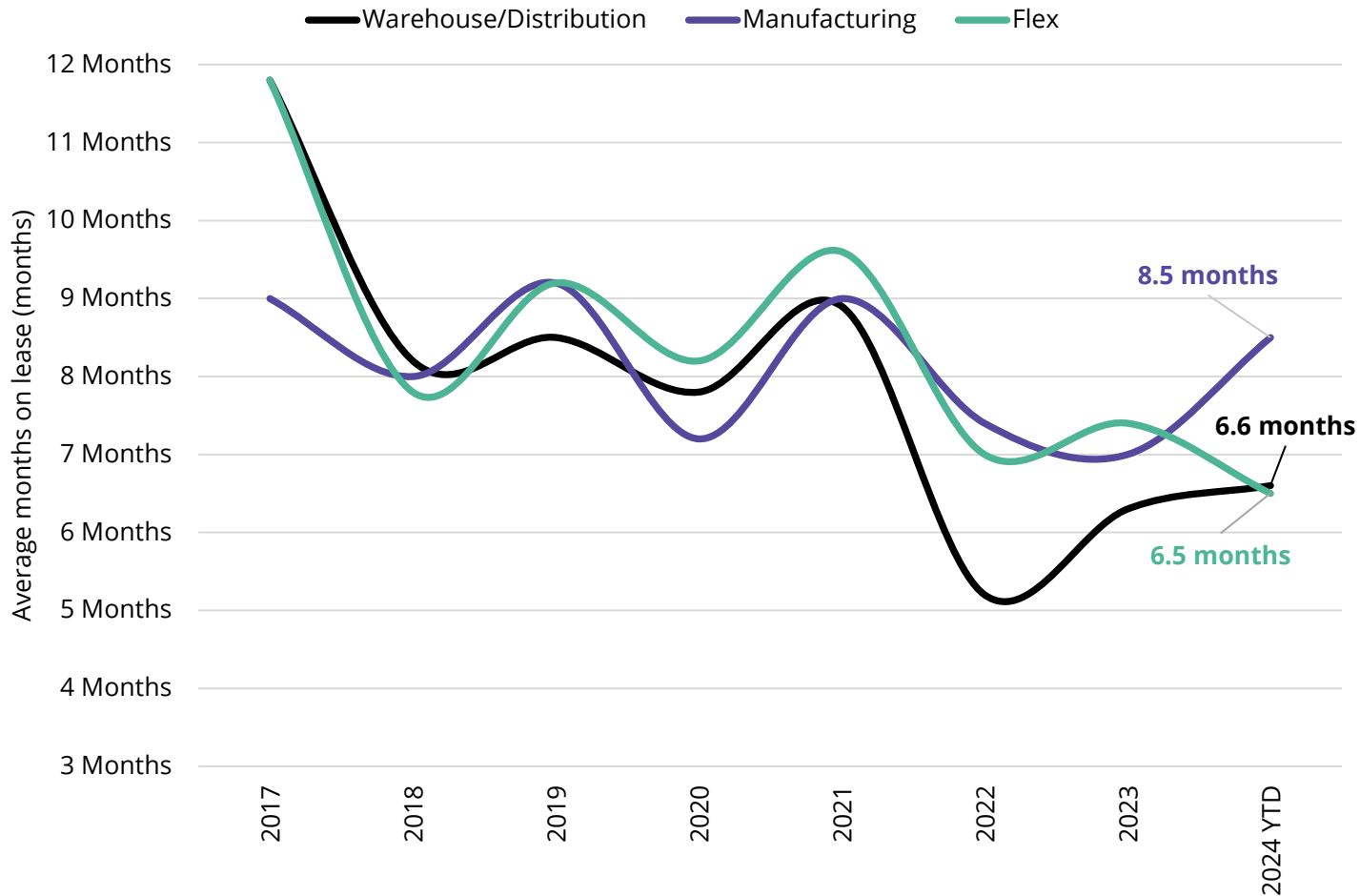


For the 11th straight quarter, 20-99k sf industrial and flex facilities recorded the lowest availability. Demand remains high as small scale occupiers favor spaces within this size tranche when evaluating their real estate needs.

Market drivers

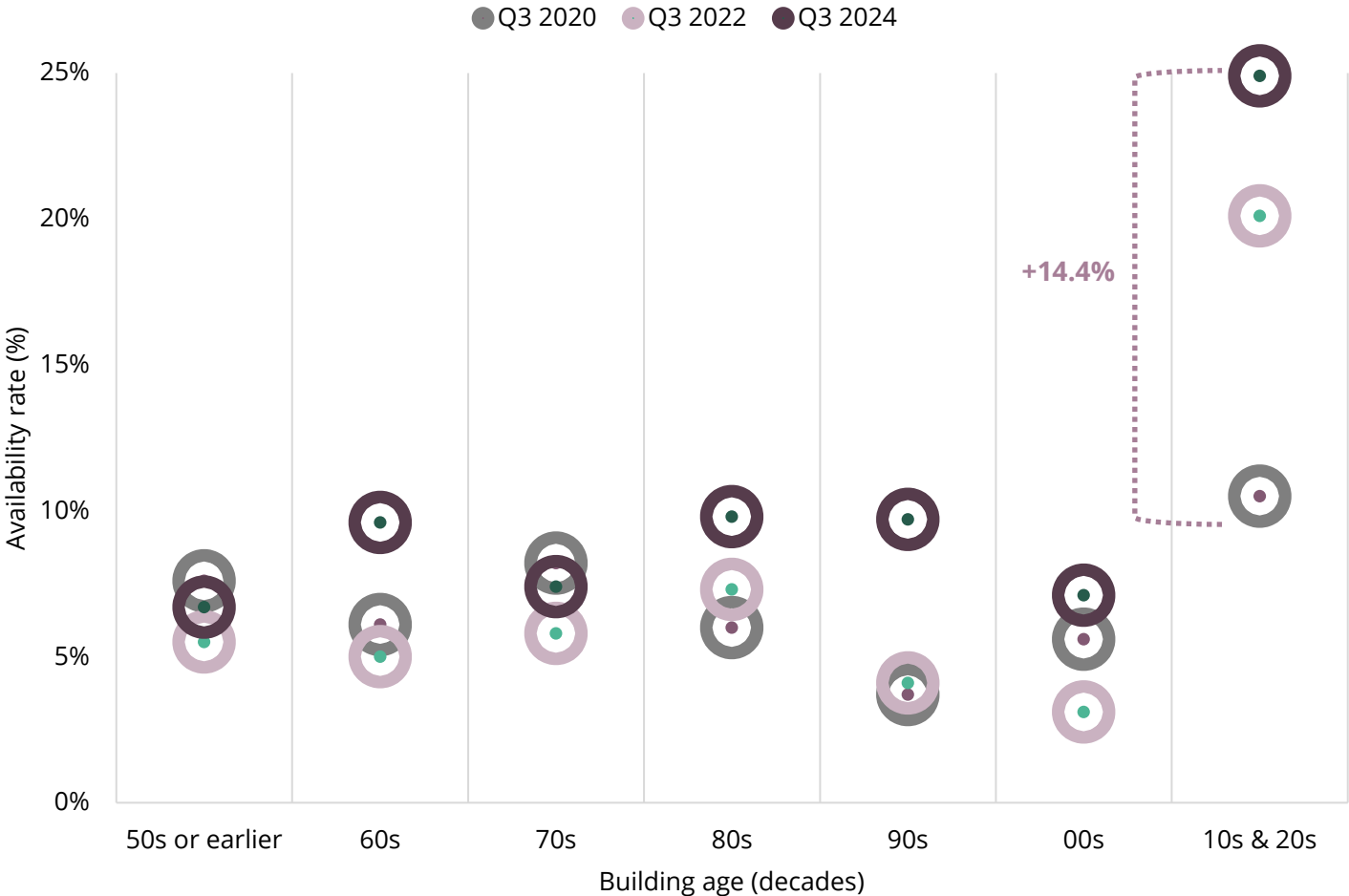


Flex space leads all subtypes in time to lease



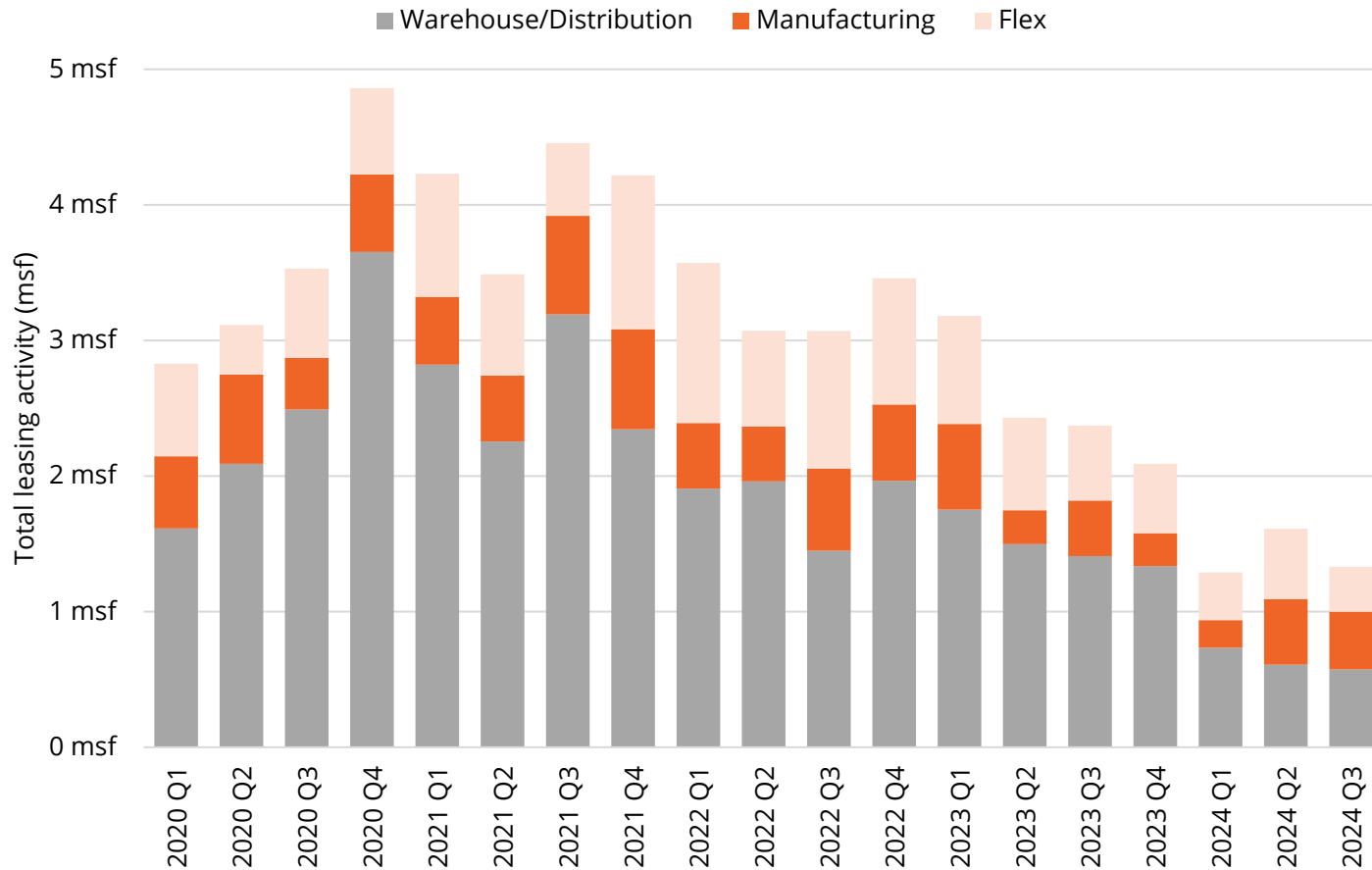
Flex space has seen its time on the market decrease since 2021. Throughout 2024, flex facilities posted a median months to lease value of 6.5, the lowest amongst any industrial property subtype.

Availability concentrated in newer facilities



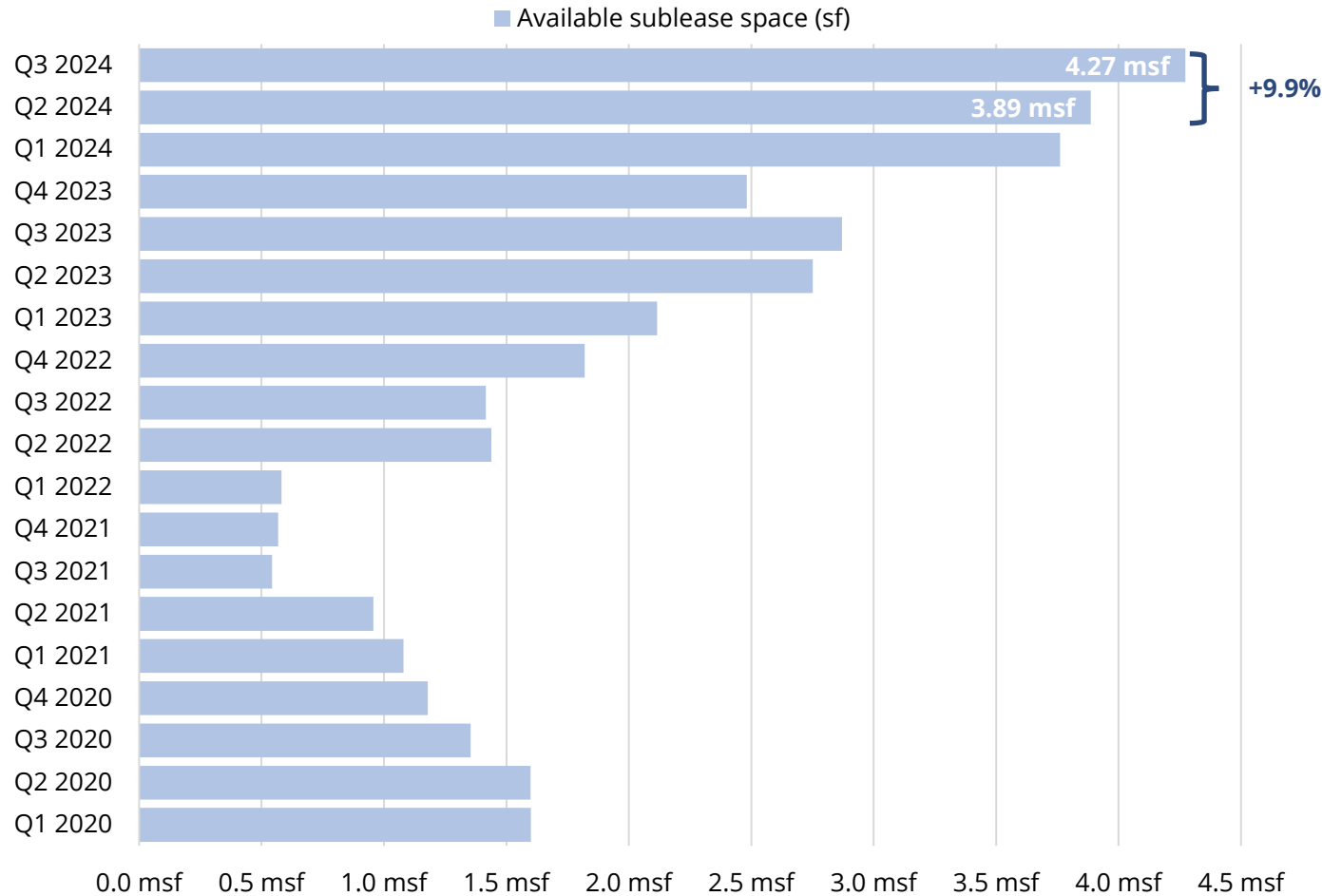
Facilities delivered since the 2010's post the highest availability rate and see the largest increase from Q3 2020 to Q3 2024. As the market shifts towards a tenant-centric dynamic, occupiers have many options when evaluating their industrial space needs.

Manufacturing space accounts for 32% of quarterly leasing activity



Despite posting a lower aggregate leasing activity figure, manufacturing space accounted for its second-largest share of leasing in the last six quarters, highlighting heightened demand for these facilities.

Industrial/flex sublease availability sees minor increase



Although available sublease space has increased slightly, it remains just a small portion of Greater Boston's total industrial and flex space.

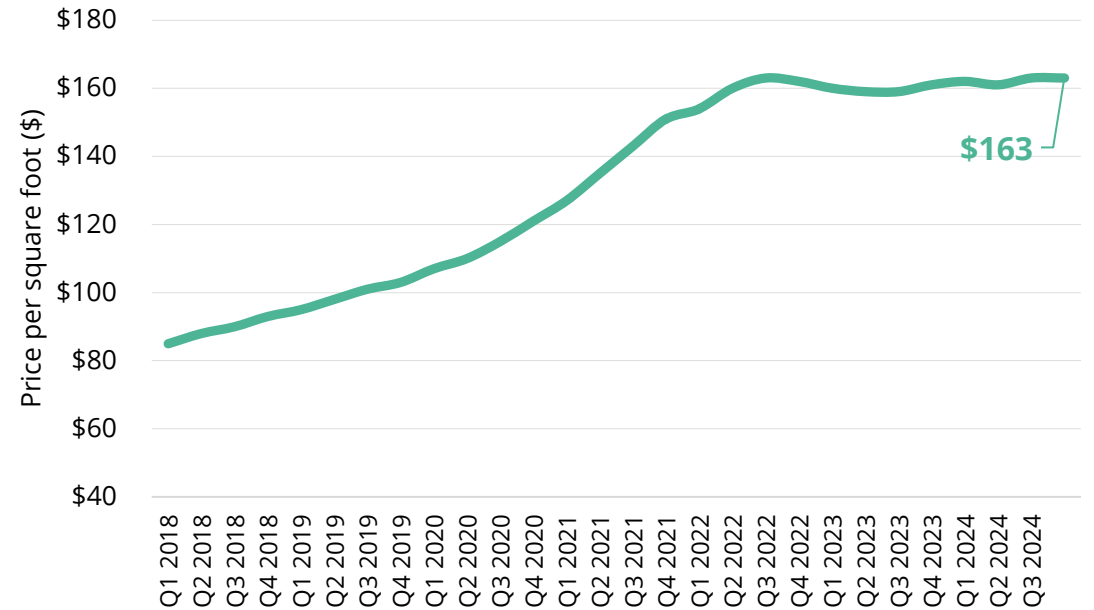
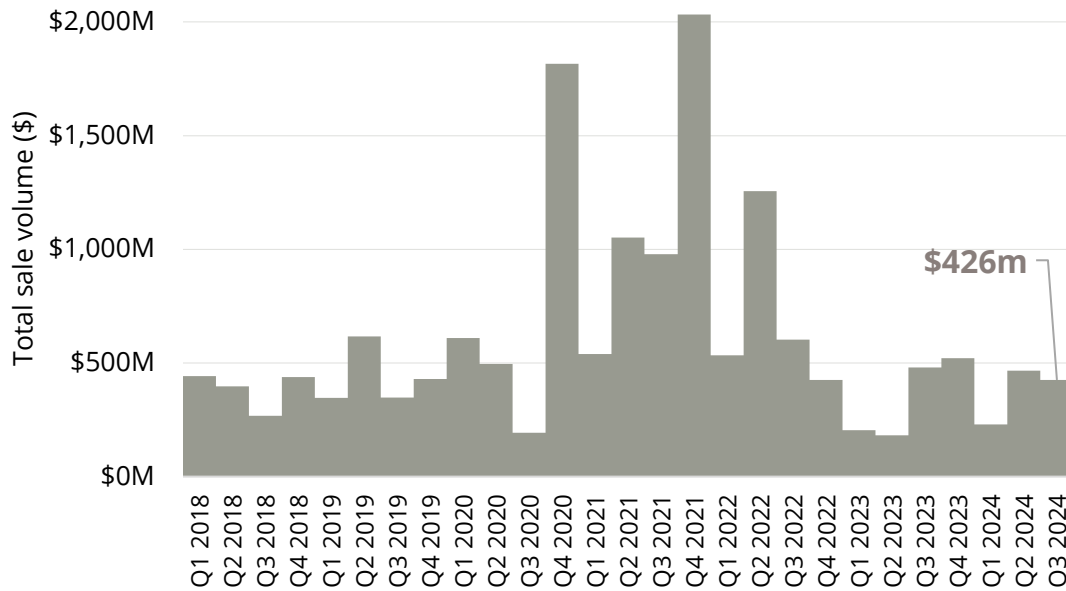
Q3 2024 industrial and flex aggregate sale volume & psf remains on par with totals recorded in prior quarter.

\$426mm

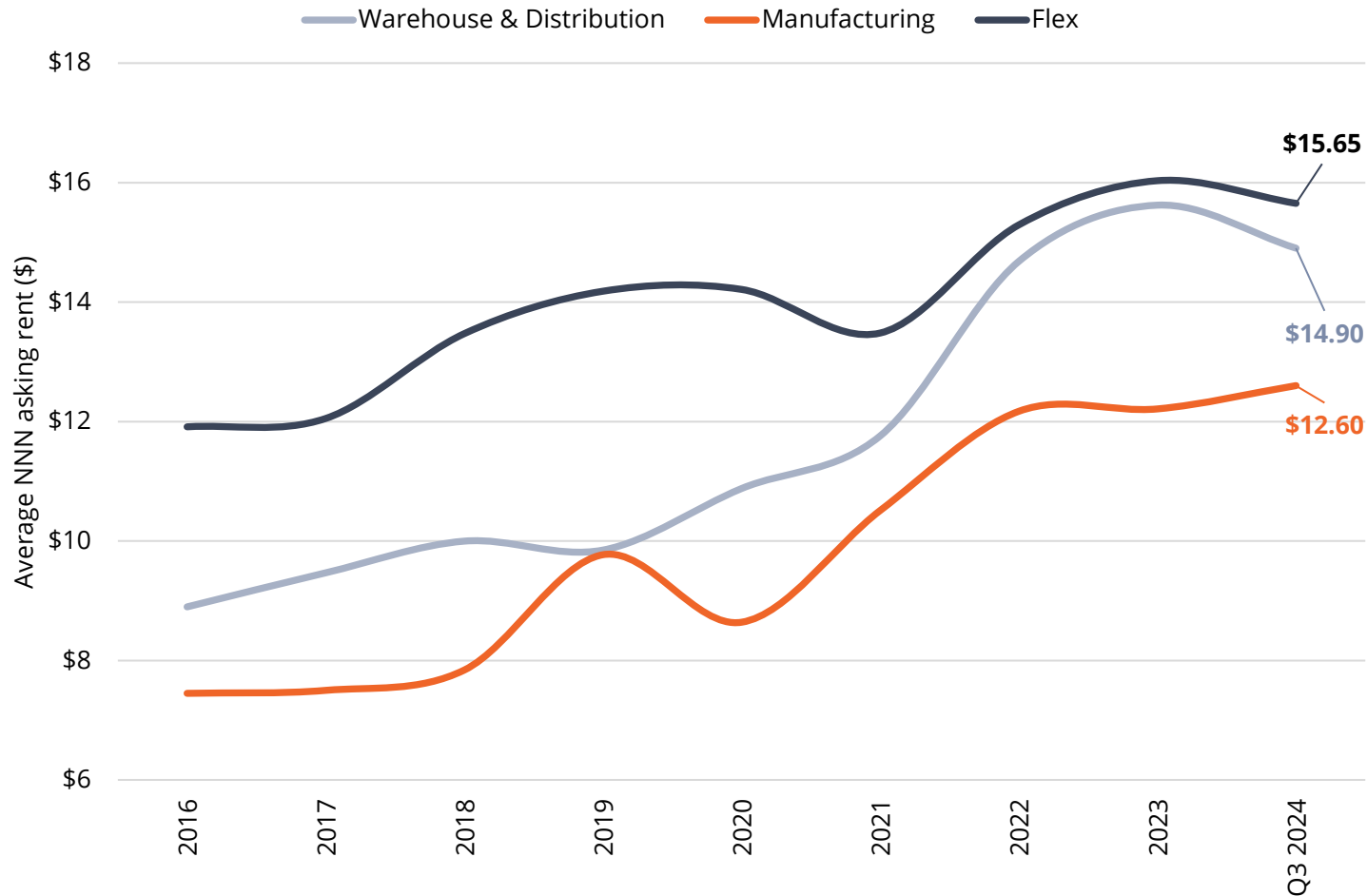
Greater Boston recorded \$426m of industrial and flex sale activity in Q3 2024.

\$163 psf

On average, industrial and flex trades in Q3 2024 recorded a price per square foot value of \$163.



Manufacturing space sees growth in average NNN asking rents

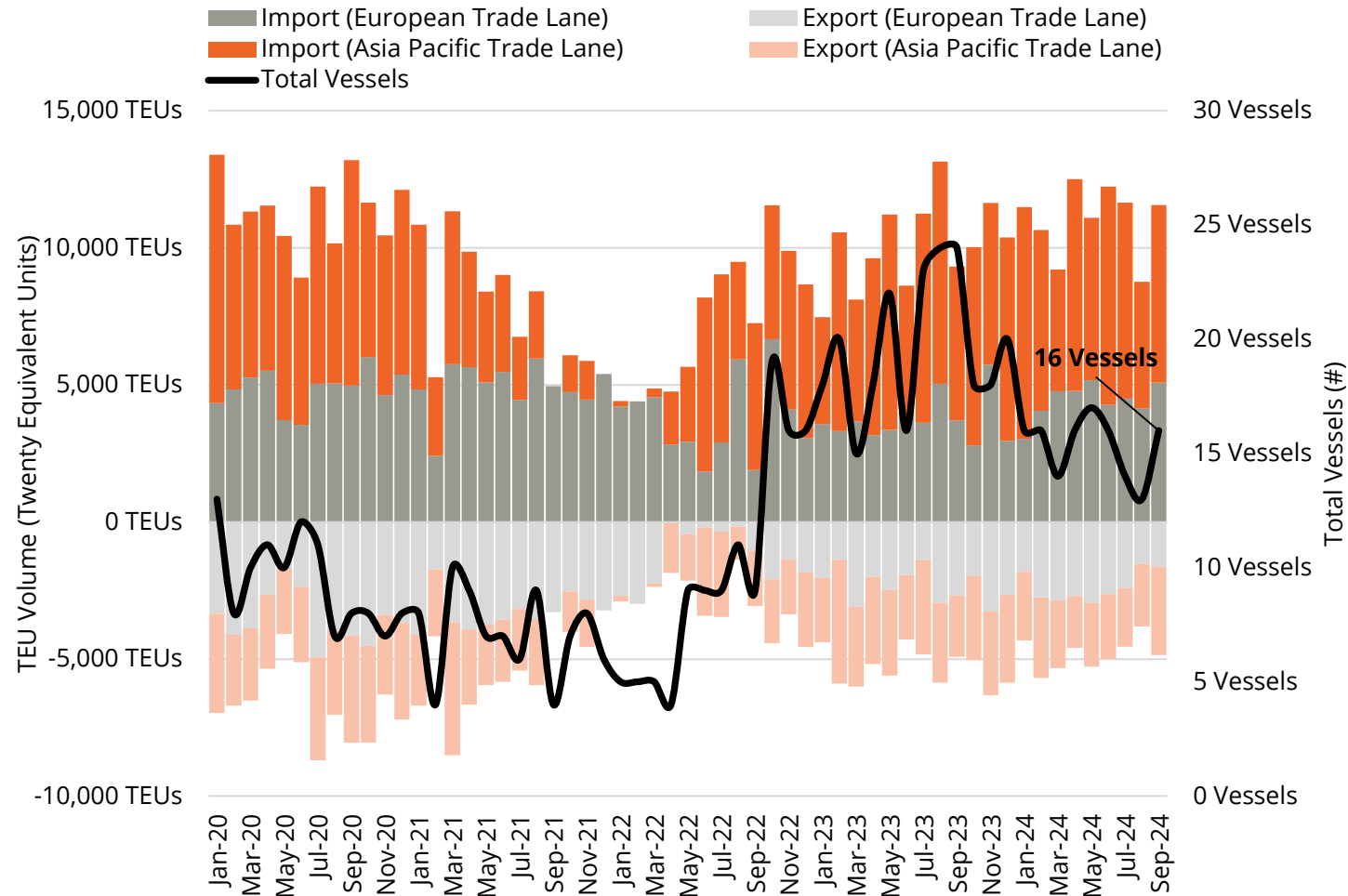


Warehouse/distribution and flex facilities saw their average NNN asking rent decline since year-end 2023. Manufacturing space proved to be the only asset type that exhibited an increase.

Adjacent market metrics

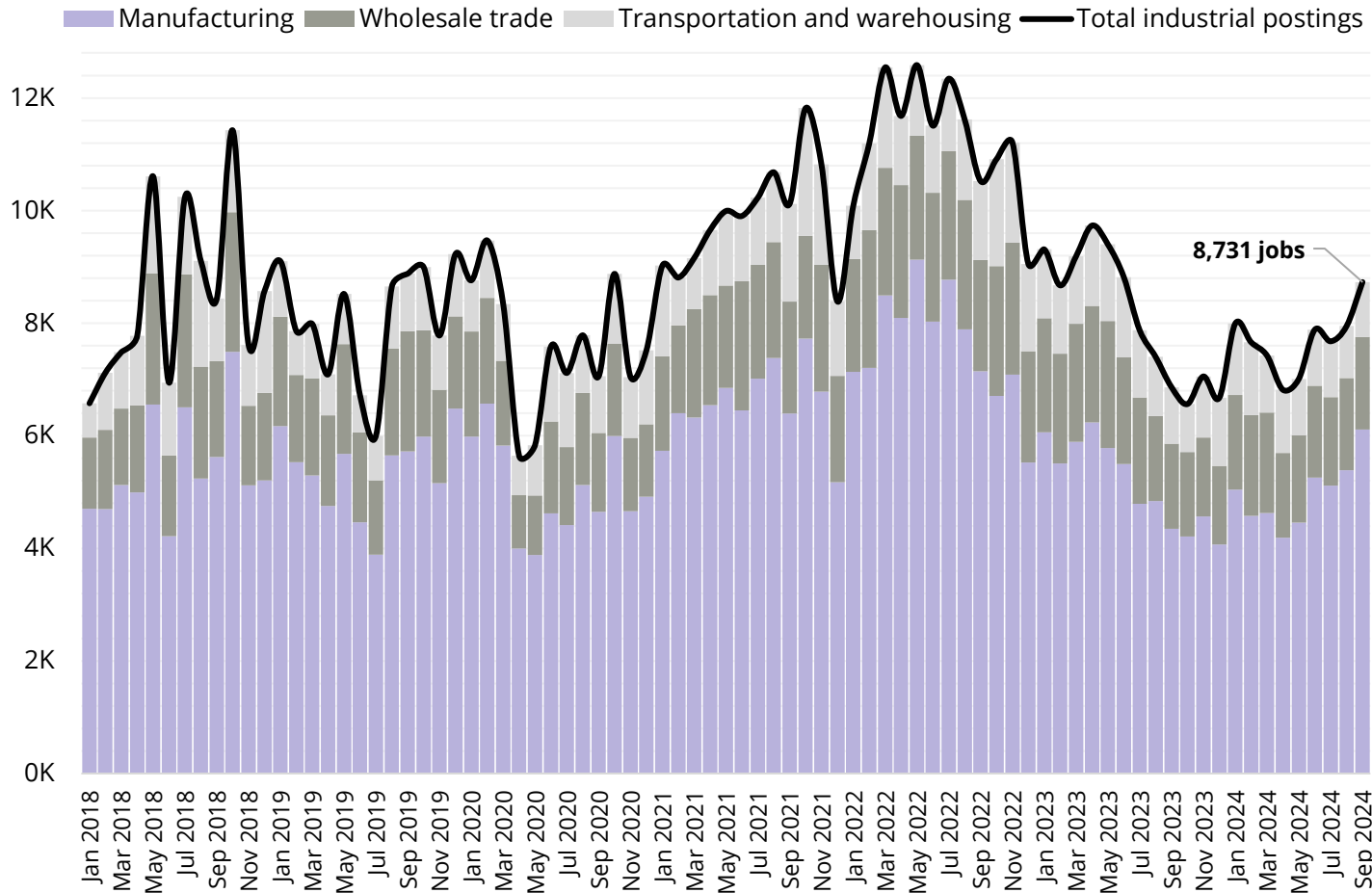


Imports see increase despite labor strike



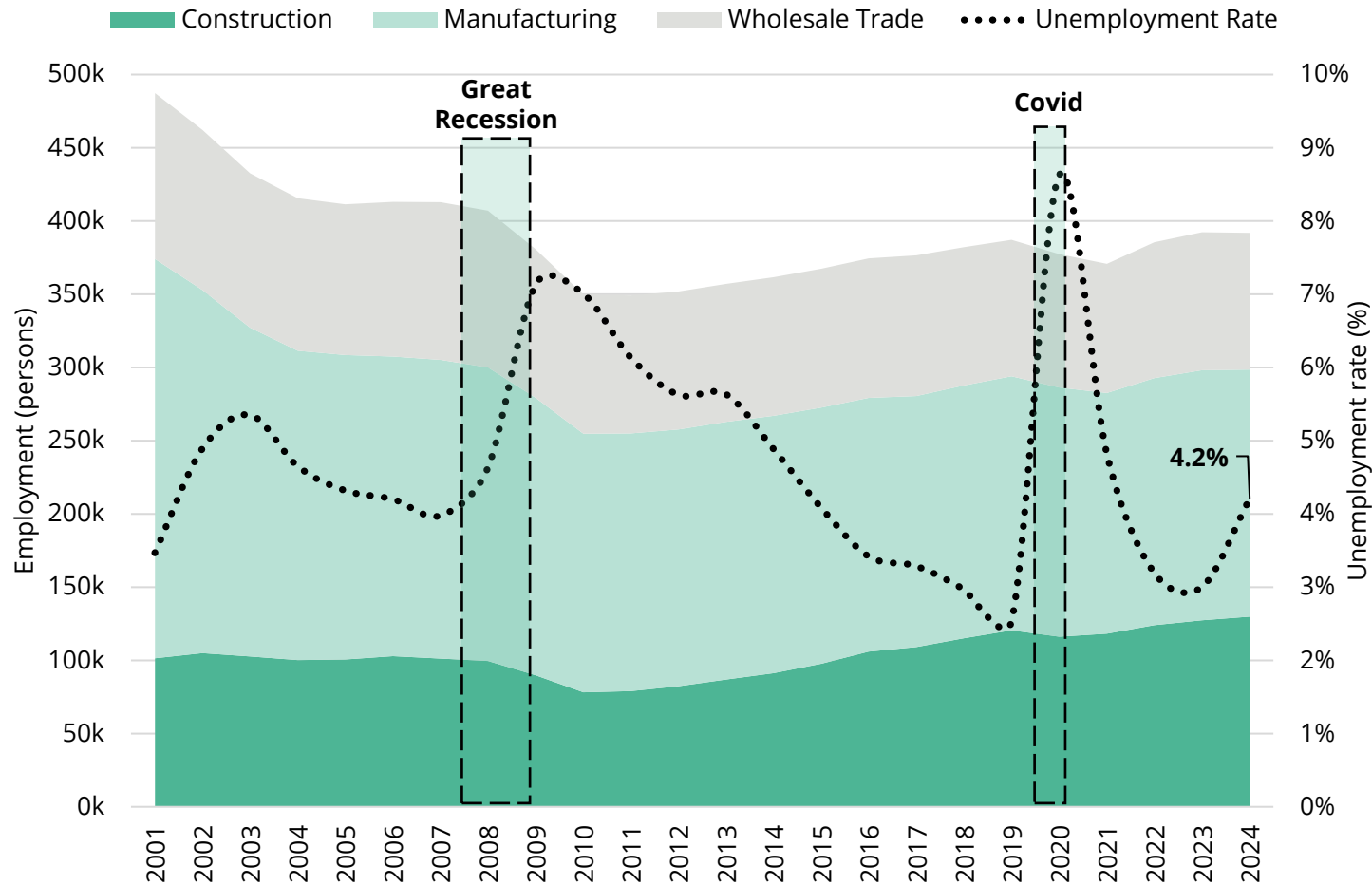
Despite the increased tensions and three-day strike at Conley port terminal, Boston’s trade activity exhibited an increase in both imports and exports, as well as total vessels. According to CBS news, both sides issued a joint statement saying they’ve reached a tentative agreement on pay raises.

Industrial job postings continue their incline



Industrial job postings have maintained a steady increase since March 2024, with the most significant increase coming from manufacturing occupations.

Greater Boston industrial employment



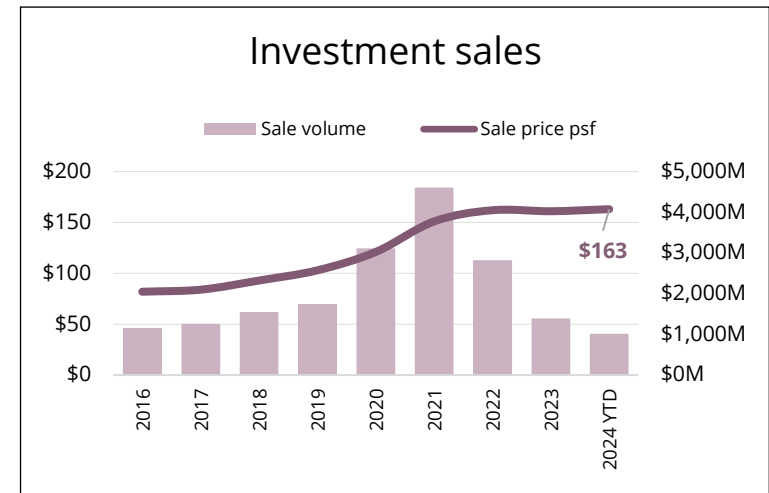
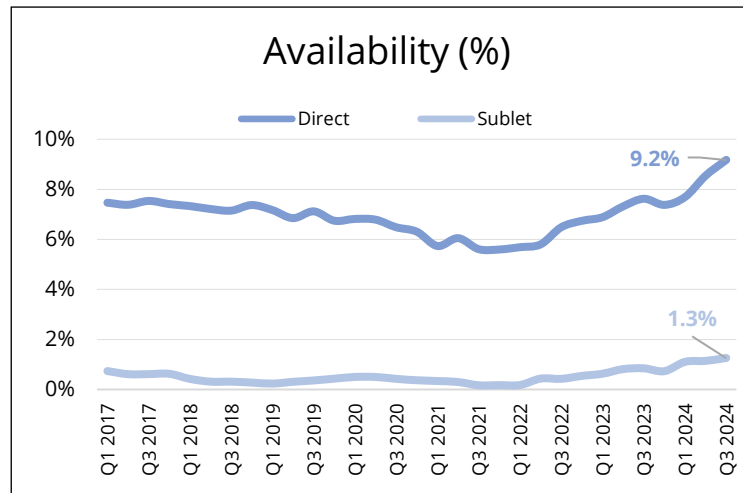
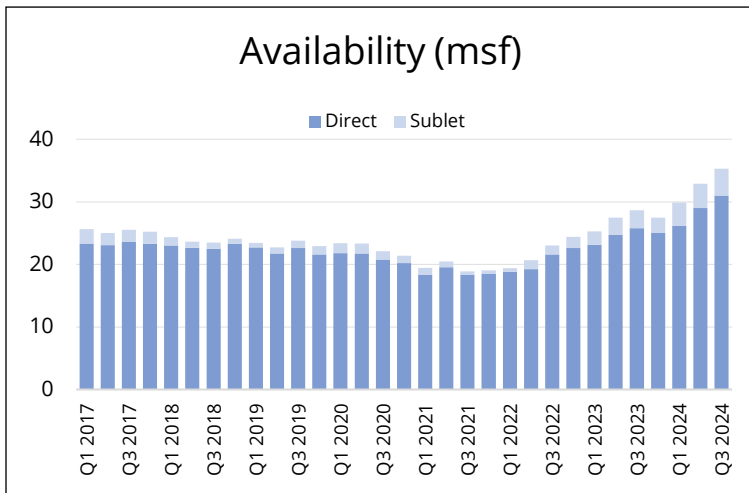
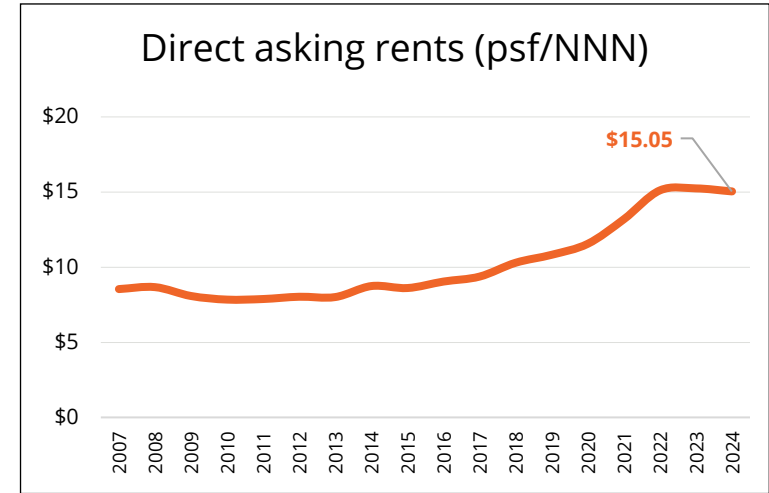
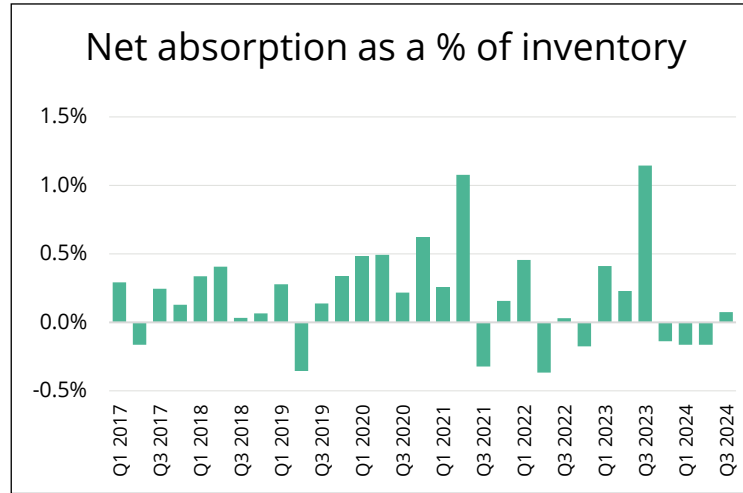
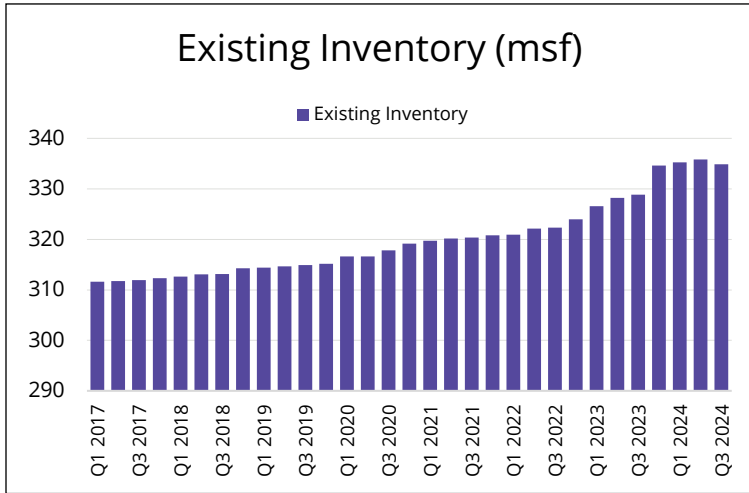
The Boston-Cambridge-Newton MSAs industrial unemployment rate stands at 4.2%. As job postings and employment levels continue to rise, this rate is expected to decline.

Source: Oxford Economics, BLS
 Note: Employment figures reflect Boston-Cambridge-Newton MSA.
 Note: Annual unemployment rates are averaged over 12-month period.

Appendix



Greater Boston industrial/flex market indicators



Greater Boston industrial/flex market activity

Recent leasing activity

Tenant	Address	Submarket	Sign date	Size (sf)	Transaction type	Lease type
Dealer Tire	12 Forge Pky, Franklin	495 South	Jul 2024	151,700	Renewal	Direct
Dunkin' Coop	30 Creek Brook Dr, Haverhill	495 Northeast	Sep 2024	93,400	New	Direct
Mygrant Glass	14 Aegean Dr, Methuen	495 Northeast	Jul 2024	47,900	Renewal	Direct
Utz Quality Foods	38 Upton Dr, Wilmington	128 North	Aug 2024	32,400	New	Direct
Nippon Express	1 First Ave, Peabody	128 North	Jul 2024	33,000	New	Direct
Boston Dynamics	44 Dunham Rd, Billerica	128 North	Jul 2024	33,000	New	Direct

Recent sales activity

Buyer	Address	Sale date	Building size (sf)	Sale price	Sale price psf	Seller
Rockwood	40 Lackey Dam Road	Sep 2024	607,500	\$120,000,000	\$198	Scannell Properties
STAG Industrial	5 property portfolio: 91-101 Glenn St, 180 New Boston St, 41 Atlantic Ave, 7 Connector Rd, 353 Middlesex Ave	Sep 2024	295,000	\$78,100,000	\$265	Oliver Street Capital
NorthBridge	2 property portfolio: 10 Dan Rd, 20 Dan Rd	Aug 2024	212,500	\$50,000,000	\$235	Wheelock Street Capital/Seyon Group

Top projects under development

Address	Submarket	Delivery date	Building size sf	% Preleased	Developer
75 Plain St, Hopedale	Greater Worcester	Q4 2024	617,000	0%	GFI Partners
101 Lee Burbank Hghwy, Revere	Near North	Q4 2025	367,400	0%	Link Logistics
23 Fid Kennedy Ave, Boston	Seaport	Q4 2024	268,000	0%	Marcus Partners

Greater Boston industrial/flex market stats

By Submarket	Existing Inventory	Under development sf	Direct availability	Sublet availability	Total availability	Total availability change (YoY)	YTD total net absorption (sf)	Net absorption % of inventory	Annual direct asking rent psf NNN
Urban Industrial	32,100,656	635,400	9.7%	0.5%	10.2%	(0.7%)	60,499	0.2%	\$25.05
128 Belt	83,711,942	959,920	8.7%	1.5%	10.2%	2.4%	273,884	0.3%	\$19.20
128 North	38,404,642	0	7.9%	1.0%	8.9%	0.6%	531,859	1.4%	\$21.15
128 West	5,062,629	35,000	4.5%	1.2%	5.7%	3.5%	(68,044)	(1.3%)	\$26.40
128 South	34,470,121	924,920	10.9%	1.8%	12.7%	4.7%	(175,005)	(0.5%)	\$15.35
South Shore	5,774,550	0	4.5%	2.6%	7.1%	0.0%	(14,926)	(0.3%)	\$16.50
495 Belt	158,781,450	726,670	9.1%	1.6%	10.7%	1.5%	(1,966,328)	(1.2%)	\$14.20
495 Northeast	26,105,008	0	4.7%	1.7%	6.4%	1.6%	(390,813)	(1.5%)	\$16.80
495 Route 2 West	9,738,978	390,000	10.8%	5.9%	16.7%	13.3%	(480,567)	(4.9%)	\$12.85
Route 3 North	21,687,896	73,920	9.1%	2.4%	11.5%	1.6%	(10,114)	(0.0%)	\$15.75
495 Mass Pike West	19,760,677	35,000	7.4%	0.6%	8.0%	1.3%	(115,874)	(0.6%)	\$14.05
Framingham/Natick	5,939,323	0	3.9%	0.0%	3.9%	1.7%	(5,301)	(0.1%)	\$13.70
495 South	75,504,568	227,750	11.2%	1.2%	12.4%	0.4%	(963,659)	(1.3%)	\$12.85
Greater Worcester	60,272,319	992,881	9.7%	0.4%	10.1%	(2.7%)	54,965	0.1%	\$10.65
Greater Boston Total	334,866,367	3,314,871	9.2%	1.3%	10.5%	1.0%	(1,576,980)	(0.5%)	\$15.05

Greater Boston industrial/flex market stats by property subtype

	Existing inventory sf	Deliveries sf (YTD)	Under development sf	Direct availability	Sublet availability	Total Availability	YTD Total Net Absorption	Net absorption % of inventory (YTD)	Q3 2024 Average asking rent (NNN)
Distribution	45,903,041	1,310,889	1,722,945	18.2%	2.0%	20.2%	3,775	0.0%	\$14.50
General Warehouse	147,648,699	1,115,260	371,176	7.3%	0.7%	8.0%	535,487	0.4%	\$15.15
Manufacturing	75,599,988	20,000	800,750	7.2%	1.5%	8.7%	(1,400,392)	(1.9%)	\$12.60
Flex	65,714,639	147,000	420,000	9.2%	1.8%	11.0%	(715,850)	(1.1%)	\$15.65
Market total	334,866,367	2,593,149	3,314,871	9.2%	1.3%	10.5%	(1,576,980)	(0.5%)	\$15.05



Industrial insights glossary of terms

Demand

- **Leasing activity:** total square footage of relocations, renewals, expansions and subleases expressed when the leases are signed, not when tenants take physical occupancy of the space
- **Absorption:** period-over-period change in occupied square footage

Supply

- **Direct vacancy rate:** space operated by landlords that is ready for immediate occupancy
- **Sublease vacancy rate:** space operated by sublandlords that is ready for immediate occupancy
- **Total vacancy rate:** sum of direct vacancy rate and sublease vacancy rate
- **Availability rate:** space that is vacant plus space that will become vacant over an indefinite time horizon, including spaces that are occupied by vacating tenants and under-construction properties

Industrial rents and concessions

- **Triple net rents:** tenant is responsible for paying rent, utilities, taxes, operating expenses and common area maintenance
- **Asking rents:** pricing guidance provided by landlords to tenants for available space expressed as triple net (NNN)
- **Base rents:** fair market value of market-level lease pricing based on representative executed leases, expressed as triple net (NNN)
- **Free rent period:** months of free rent that are typically provided upfront by landlords to tenants as a concession to offset the total cost of a lease and/or the construction timeline of an industrial suite
- **Tenant improvement allowance:** an allowance expressed in dollars per square foot provided from landlords to tenants to offset build-out, engineering, space planning and related permit costs
- **Net effective rent:** base rents discounted by the dollar values of tenant improvement allowance and free rent concessions expressed as full service (FS)

Property subtypes

- **Distribution:** properties used primarily to ship goods with higher proportions of dock doors and taller clear heights
- **General Warehouse:** properties used to store goods and materials
- **Manufacturing:** properties where goods are produced and assembled with heavier power and stronger floor loads for equipment

Capital markets

- **Investment volume:** industrial sales dollars expressed when the transactions close and based on inventory thresholds; partial-interest sale dollar amounts are not grossed-up to reflect the 100% value of the sale
- **Asset pricing:** unweighted average per-square-foot asset pricing of market-level closed sales
- **Cap rate:** net operating income divided by sale price; this measurement of market-level investment returns is calculated as an unweighted average based on closed investment sales

For more market insights and
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