



REAL *insights*

THIRD QUARTER 2021 // INDUSTRIAL MARKET

presented by the Hunneman Research Department

The Greater Boston industrial market continues its streak of strong absorption for the tenth quarter in a row facing only one headwind, a shortage of supply.

The total vacancy rate decreased from 4.7% to 4.1% due to approximately 1.3 million square feet of absorption, which was primarily driven by the warehouse sector. Asking rents continued to climb, but at a modest rate this quarter compared to the first half of 2021, increasing 1% since last quarter and up 8% the last twelve months.

Similar to the last two quarters, the warehouse market experienced the most leasing activity and the heaviest amount of absorption compared to flex and manufacturing product. Although Amazon has been the usual suspect to drive leasing velocity, this quarter UPS and USPS accounted for just under a half million square feet combined, attributing to nearly half of the total leasing activity.

Manufacturing product also assisted with this quarter's strong performance with just over 100,000 square feet in net absorption, which drove the vacancy rate down to 2.4%, the lowest amongst all industrial asset types. Biomanufacturing, 3D printing and medical device manufacturing continue

to account for most of the demand, with only half a dozen existing availabilities remaining above 100,000 square feet. As these industries continue to grow throughout the region, more supply is warranted.

The flex/R&D industrial market had a relatively flat quarter despite the ample amount of room for growth. At 7.9% the total flex/R&D vacancy is almost three times as high as manufacturing and warehouse space providing users with a variety of options across the market.

Looking ahead, observers of the industrial landscape can expect a significant and more balanced amount of new supply to be injected into the market in the coming quarters. Over the last five years, industrial construction has been dominated by warehouse product. However, a tight manufacturing market and a growing number of biomanufacturing needs is expected to activate more industrial projects aside from just big box developments, which is already being exemplified this quarter. Out of the 750,000 square feet across seven new construction projects to kick off this quarter, 77% of the new supply is either manufacturing or flex/R&D space.

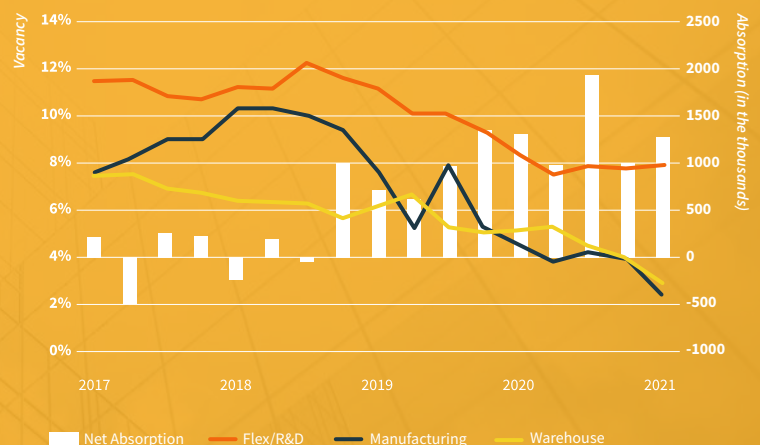
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Greater Boston Market Fundamentals

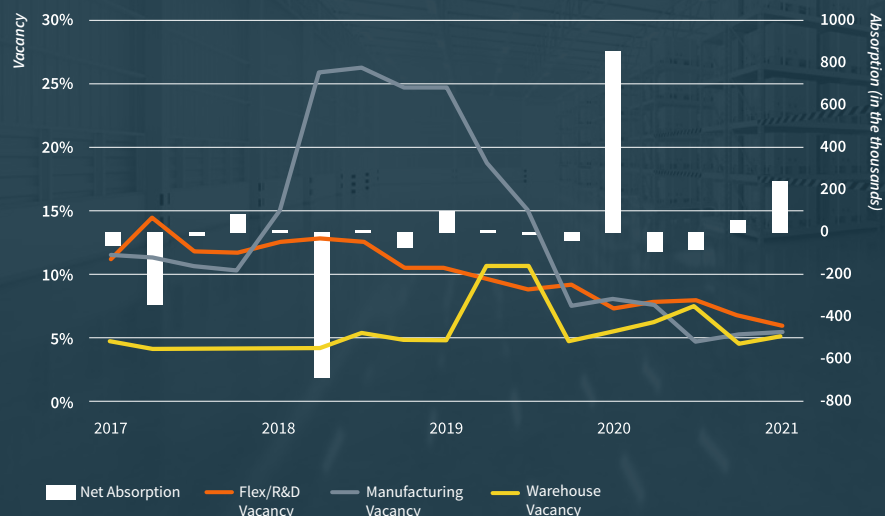
Numbers are represented in the thousands

↓	MARKET INVENTORY	182,445 SF
↓	TOTAL VACANCY RATE	4.1%
↑	Q3 NET ABSORPTION	1,276 SF
↑	ASKING RENT	\$11.94/SF
↑	UNDER CONSTRUCTION	3,153 SF

*arrows denote change from last quarter's performance



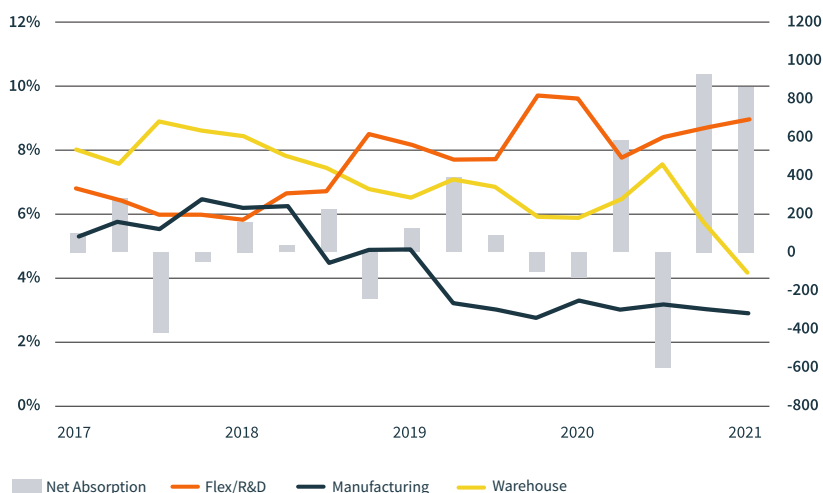
CENTRAL INDUSTRIAL



CENTRAL INDUSTRIAL RENTAL RANGES

- \$17-\$23** | Warehouse
- \$27-\$34** | Flex/R&D
- \$17-\$25** | Manufacturing

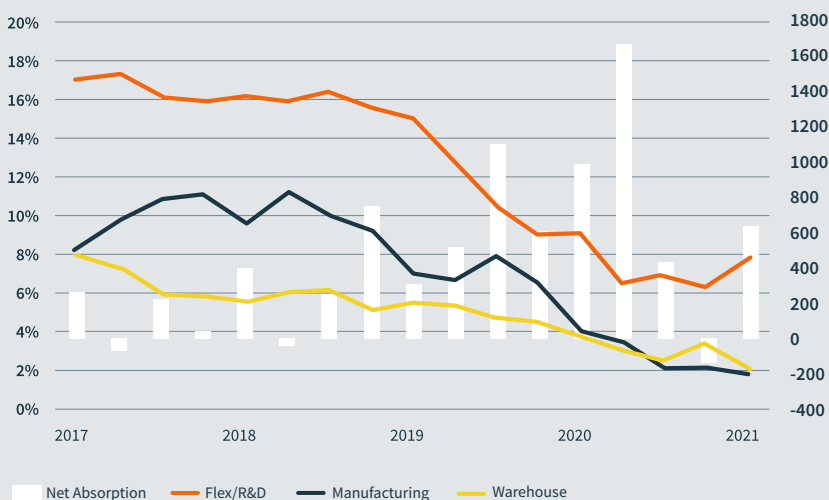
ROUTE 128 BELT



ROUTE 128 BELT RENTAL RANGES

- \$10-\$13** | Warehouse
- \$12-\$16** | Flex/R&D
- \$10-\$15** | Manufacturing

ROUTE 495 BELT



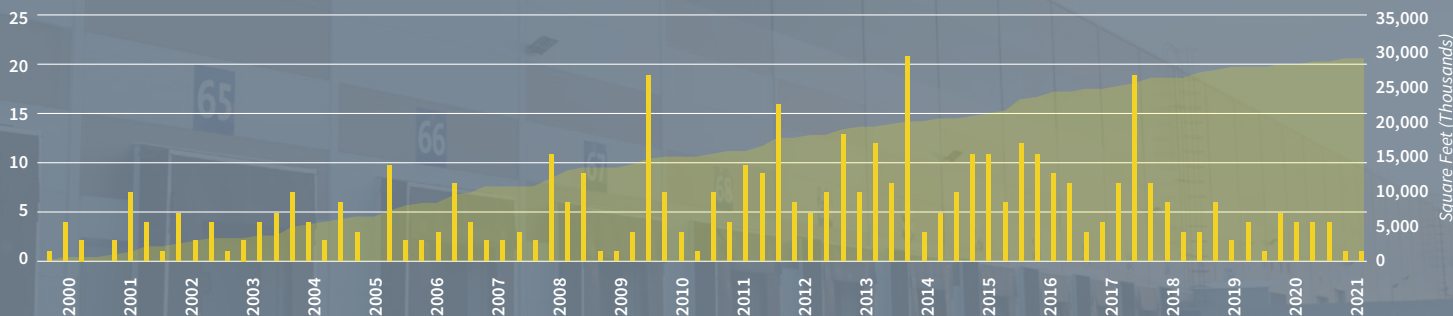
ROUTE 495 BELT RENTAL RANGES

- \$9-\$12** | Warehouse
- \$10-\$15** | Flex/R&D
- \$8-\$12** | Manufacturing

URBAN MARKET CLUSTERS PRESSURED BY OFFICE, LAB, AND MULTIFAMILY OVERSPILL

Industrial Space Depletion Along and Inside Route 128 | 2000-Present

Approximately 29 million square feet of industrial inventory along and inside the 128 belt has been demolished since the turn of the century.



Inner Belt/Boynton Yards

The Inner Belt area coupled with the Boynton Yards industrial cluster is on the cusp of a significant transformation with added developer incentives through the area's federal designation as an Opportunity Zone. In lieu of new development at Cambridge Crossing and the former Hood milk plant, the Inner Belt is being out flanked by the other product types. In Boynton Yards, lab companies are already leasing new space with Flagship Pioneering, a venture capital company, and its portfolio of life science companies already committing to the area.

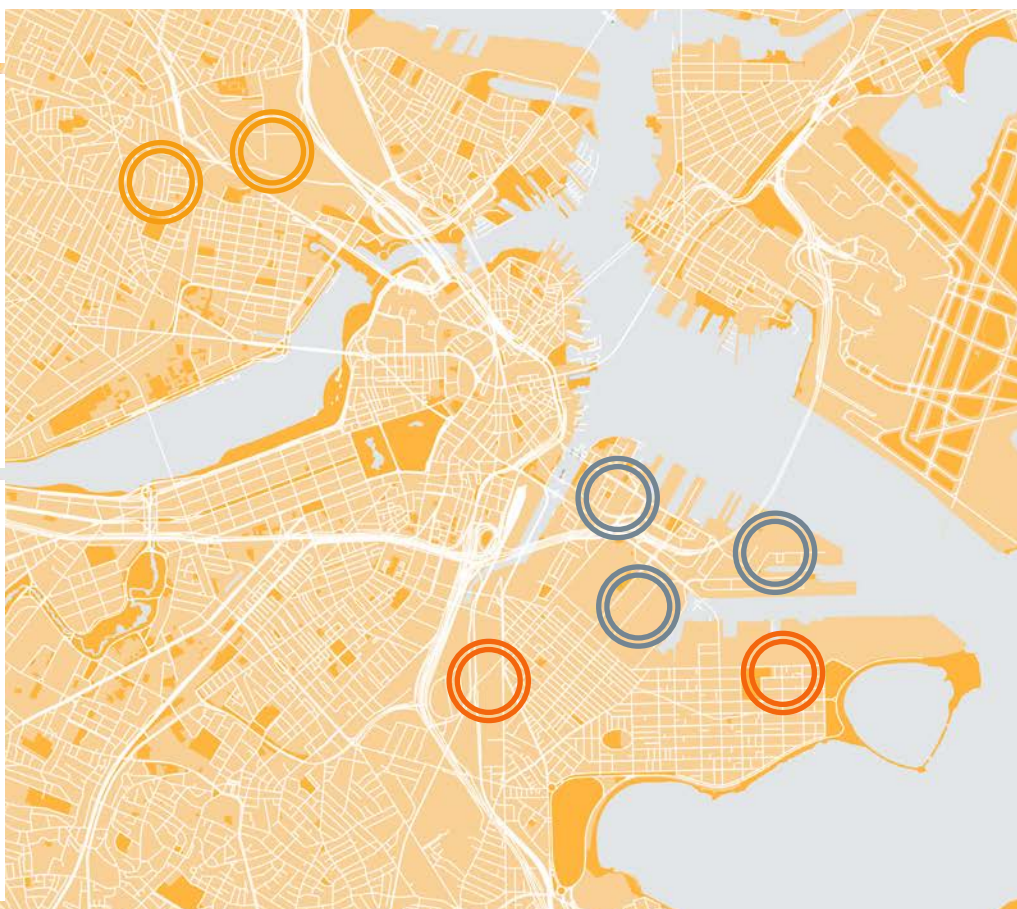
The shifting of industrial inventory is nothing new to Boston, dating as far back to early 1900's when the produce and fish markets of Faneuil Hall (Quincy Market) were moved to places like Everett and the Seaport. As Boston expands, these operations have been pushed further away from the city to make way for residential and office space. Now, there is another driver — lab space. The demand for lab space has resulted in an immense amount of pressure being placed on three industrial strongholds in and around Boston. Tenants are questioning if they should stay or go due to high rents, while landlords and developers alike are contemplating selling or buying parcels to develop multifamily, office or lab.

South Boston

The fringe areas of South Boston (aka "Southie") are changing as well and squeezing the residential market in between. Adjacent to the Seaport, on the Reserved Channel of the Harbor, developers are already planning developments to replace mix-use industrial space in anticipation of commercial overspill from the Seaport. On the western edge along Dorchester Avenue, several developments are coming to fruition in replacement of industrial inventory. Most notable, after a failed attempt to attract Amazon's distribution operations, the western side of Dorchester Ave now has over 1.1 million square feet of office, residential and lab space under review across four buildings.

Seaport

What is considered the largest and most notable industrial shift, is taking place in the Seaport. The brick and beam buildings of Fort Point have, for the most part, completely shifted away from industrial uses. The Marine Industrial Park continues to see an uptick in office and lab inventory through new construction at places like Innovation Square and a vast pipeline of projects either approved or under review, such as the new lab space slated to replace Au Bon Pain's industrial operations. Furthermore, the southern portion of the Seaport is also feeling pressure with the Pappas Commerce Center repositioning and now leasing to lab tenants, and Alexandria Real Estate Equities buying the Seaport Self Storage for an eventual lab repositioning.

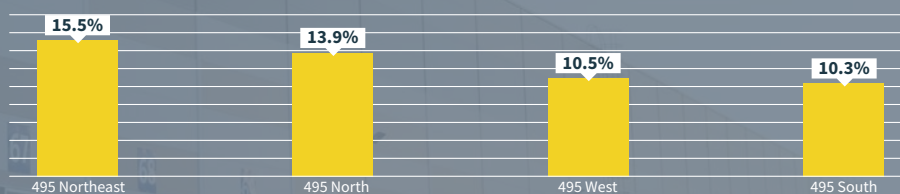


RAPID RENTAL INCREASES ARE OCCURRING ALONG ROUTE 495 AND SOME TENANTS ARE UNABLE TO “PAY THE PRICE”

Historically, the 495 belt has been a safe haven for industrial users by providing rent-relief to those moving further away from the urban market, plenty of space options, and having no surprises when it comes to rental increase. However, over the last year, asking rents have increased approximately 10% on average with the northern market exceeding 13%. The results have been an immense increase in competition for space and developable land to help satisfy the robust demand side of the equation. While the demand has assisted with the performance of the Southern New Hampshire and Worcester County markets through tenants seeking lower rent, not all tenants can afford to branch that far away from Greater Boston. This has left tenants unable to “pay the price”—pun intended. While big box retailers and suppliers with deep pockets can justify a significant price delta, smaller occupiers and developers alike have looked to new construction on smaller parcels of land that larger tenants are unable to compete for. This has resulted in over 25 new construction projects since the start of 2020, all of which are under 50,000 square feet.

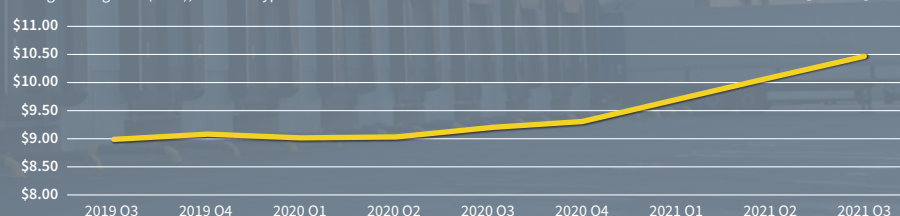
“This has resulted in over 27 new construction projects since the start of 2020, all of which are under 50,000 square feet.”

12-Month Average Asking Rent Increases
495 Belt Submarkets



Route 495 Industrial Market

Average Asking Rent (NNN), All Asset Types



WATCH OUT WAREHOUSE SPACE, “THERE’S A NEW SHERIFF IN TOWN”

Over the last decade, the industrial demand has been dominated by warehouse and distribution space evidenced by a consistently tight vacancy rate and robust construction pipeline. However, a newer and niche product type is starting to gain traction; enough traction to now account for over one third of a construction pipeline. Biomanufacturing space, also referred to as GMP space is nothing new, but its marriage to the Greater Boston market is. As it becomes increasingly important for biomanufacturing operations to be closer to R&D hubs, the market’s status as the top life science cluster in the world is now benefiting and growing the industrial market. As pharmaceuticals and biotechnologies become more complex, it becomes more important for the manufacturing operations of those drugs to be in closer proximity to the people who created them. As a result, industrial buildings are pivoting to a biomanufacturing use across the Greater Boston Market, with an unprecedented amount of demand being fueled by R&D operations in the market.

What is GMP facility?

“Good Manufacturing Practice (GMP) is a system for ensuring that products are consistently produced and controlled according to quality standards. It is designed to minimize the risks involved in any pharmaceutical production that cannot be eliminated through testing the final product. GMP covers all aspects of production from the starting materials, premises, and equipment to the training and personal hygiene of staff. Detailed written procedures are essential for each process that could affect the quality of the finished product. There must be systems to provide documented proof that correct procedures are consistently followed at each step in the manufacturing process - every time a product is made.”

—International Society of Pharmaceutical Engineering

Notable GMP Projects in Massachusetts

Tenant	Landlord/Developer	Address	SF	Completion
Moderna	Moderna	1 Upland Road, Norwood (Expansion)	300,000	2022
Ultragenyx	Ultragenyx	170 Middlesex Turnpike, Bedford	100,000	2022
WuXi Biologics	WuXi Biologics	305 Belmont Street, Worcester	107,000	2022
C.A.B.I.M.	Alexandria RE Equities	300 North Beacon Street, Watertown	40,000	2021
ThermoFisher Scientific	King Street Properties	5 Commerce Boulevard, Plainville	289,000	2021
Siemens	Siemens	333 Coney Street, Walpole	300,000	2021
VIVALOGICS	Lincoln Property Co.	1414 Massachusetts Avenue, Boxborough	129,000	2021
ARRANTABIO	Lincoln Property Co.	1414 Massachusetts Avenue, Boxborough	118,000	2021
generation bio	TPG Global	41 Seyon Street, Waltham	104,000	2022
Oncorus	Oncorus	4 Corporate Drive, Andover	88,000	2021

*SF is rounded to the nearest thousand

IN THE PIPELINE



Flex, R&D, & Manufacturing

UNDER CONSTRUCTION

Property Address	City	SF	Percent Leased
50 Nagog Park	Acton	119,000	100%
400 Wood Rd	Braintree	180,000	16%
65 E Cottage St	Dorchester	20,000	15%
44 Cabot Blvd	Mansfield	60,000	0%
870-876 Donald Lynch Blvd	Marlborough	60,000	100%
111 Hospital Rd	Devens	160,000	100%
1 Royson Dr	Kingston	87,600	0%
Creek Brook Drive	Haverhill	135,000	100%
149 Hayes Memorial Dr	Marlborough	140,000	0%
333 Coney St	Walpole	300,000	100%
20 Commerce Way	Norton	200,000	100%
177 Robert Treat Paine Dr	Taunton	135,000	100%
295 Constitution Dr	Taunton	42,500	100%
44 Dunham Rd	Beverly	50,400	100%
10 Codfish Way	Boston	50,000	100%
2 Commerce Blvd	Plainville	29,600	11%
56 Boynton Rd	Holliston	25,000	100%

RECENTLY COMPLETED



Warehouse & Distribution

UNDER CONSTRUCTION

495 Woburn St	Tewksbury	700,000	100%
500 John Hancock Rd	Taunton	584,640	100%
206 Grove St	Franklin	150,000	100%
4 MacArthur Ave	Devens	64,540	100%
100 Mazzeo Dr	Randolph	88,600	100%
75 Fruit St	Bridgewater	100,000	50%
50 Ryan Dr	Raynham	66,300	0%
64 Research Dr	Haverhill	104,380	0%
1025 Elm St	Bridgewater	350,000	46%
160 Mechanic St	Bellingham	345,000	100%
330 Bartlett St	Northborough	300,000	100%
350 Bartlett St	Northborough	300,000	100%
100 Financial Park	Franklin	300,000	100%
19 Leonard St	Norton	220,000	100%
151 Taylor Street	Littleton	160,000	100%
150 Hayes Memorial Dr	Northborough	167,438	1000%
15 Leonard St	Norton	125,000	100%
1225 Providence Hwy	Sharon	100,000	100%

RECENTLY COMPLETED

	TOTAL INVENTORY SF	UNDER CONSTRUCTION	TOTAL VACANCY	CLASS A VACANCY	CLASS B VACANCY	Q3 NET ABSORPTION	12-MONTH NET ABSORPTION	AVERAGE ASKING RENTS
Total Market	182,445	3,153	4.1%	4.7%	4.1%	1,276	9,388	\$11.94
Central Industrial	17,976	101	5.3%	12.3%	5.1%	30	972	\$20.19
Route 128	78,866	269	4.8%	8.6%	4.4%	563	2,046	\$11.81
Route 128 North	29,085	0	4.0%	0.4%	4.2%	128	392	\$11.82
Route 128 Northwest	3,602	0	7.7%	100.0%	2.1%	24	59	\$13.58
Framingham-Natick	3,003	0	1.8%	0.0%	2.0%	51	58	\$12.75
Route 128 West	4,007	0	11.3%	0.0%	11.9%	(72)	(85)	\$20.63
Route 128 South	39,334	456	4.6%	7.2%	4.2%	472	1,797	\$10.37
Route 495	85,438	1,930	3.3%	2.2%	3.5%	643	6,196	\$10.48
Route 495 Northeast	12,715	239	1.9%	18.0%	1.3%	31	844	\$10.75
Route 495 North	21,143	907	7.0%	5.3%	7.2%	(224)	744	\$11.14
Route 495 West	16,448	200	2.9%	0.9%	3.1%	212	1,419	\$9.93
Route 495 South	35,132	1,250	1.8%	0.1%	2.2%	624	3,189	\$10.01

*Numbers in the thousands

**Construction number include space that can also be built out as labs

*** Asking rents are quoted on a gross basis

RECENT DEALS



160 MECHANIC STREET
BELLINGHAM
345,000 SF



41 SEYON STREET
WALTHAM
104,000 SF



21 PARKER DRIVE
AVON
68,000 SF



275 BODWELL STREET
AVON
210,000 SF



12 FORGE PARKWAY
FRANKLIN
86,000 SF



115 MYLES STANDISH BLVD
TAUNTON
68,000 SF



206 GROVE STREET
FRANKLIN
150,00 SF



111 CONSTITUTION BLVD
FRANKLIN
96,000 SF



150 HAYES MEMORIAL DR.
NORTHBOROUGH
61,000 SF



301 BARTLETT STREET
NORTHBOROUGH
122,000 SF



10 INDUSTRIAL WAY
AMESBURY
73,200 SF



7 CONNECTOR ROAD
ANDOVER
60,000 SF

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METHODOLOGY

Source: Co-Star, Hunneman, Bldup. Prepared: October 2021.

Disclaimer: The above data is from sources deemed to be generally reliable, but no warranty is made as to the accuracy of the data nor its usefulness for any particular purpose.

Average Rental Rates are asking rents on direct space. Vacant space includes both direct and sublease space.



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