

The background of the slide features a silhouette of construction workers on a building site. The workers are positioned on various levels of a steel framework, with some standing and others working. The scene is set against a bright, hazy sky, likely during sunset or sunrise, which creates a warm, golden glow. The silhouettes of the workers and the structural elements of the building are dark and prominent against the lighter sky.

Greater Boston industrial market report

Q1 2024

**AVISON
YOUNG**

Greater Boston industrial market trends

+7.9%

Increase in flex space share of aggregate leasing activity

In Q1 2024, Greater Boston's industrial market witnessed a rise in the share of leasing activity accounted for by flex facilities. In Q4 2023, flex spaces represented 23% of aggregate industrial leasing activity. At the end of Q1 2024, the figure rose to 30.9%. This is indicative of a strong ongoing demand for flex space, as we anticipate these facilities to continue to make up a significant portion of leasing activity throughout the remainder of 2024.

8.0 months

Average months on the market for manufacturing facilities

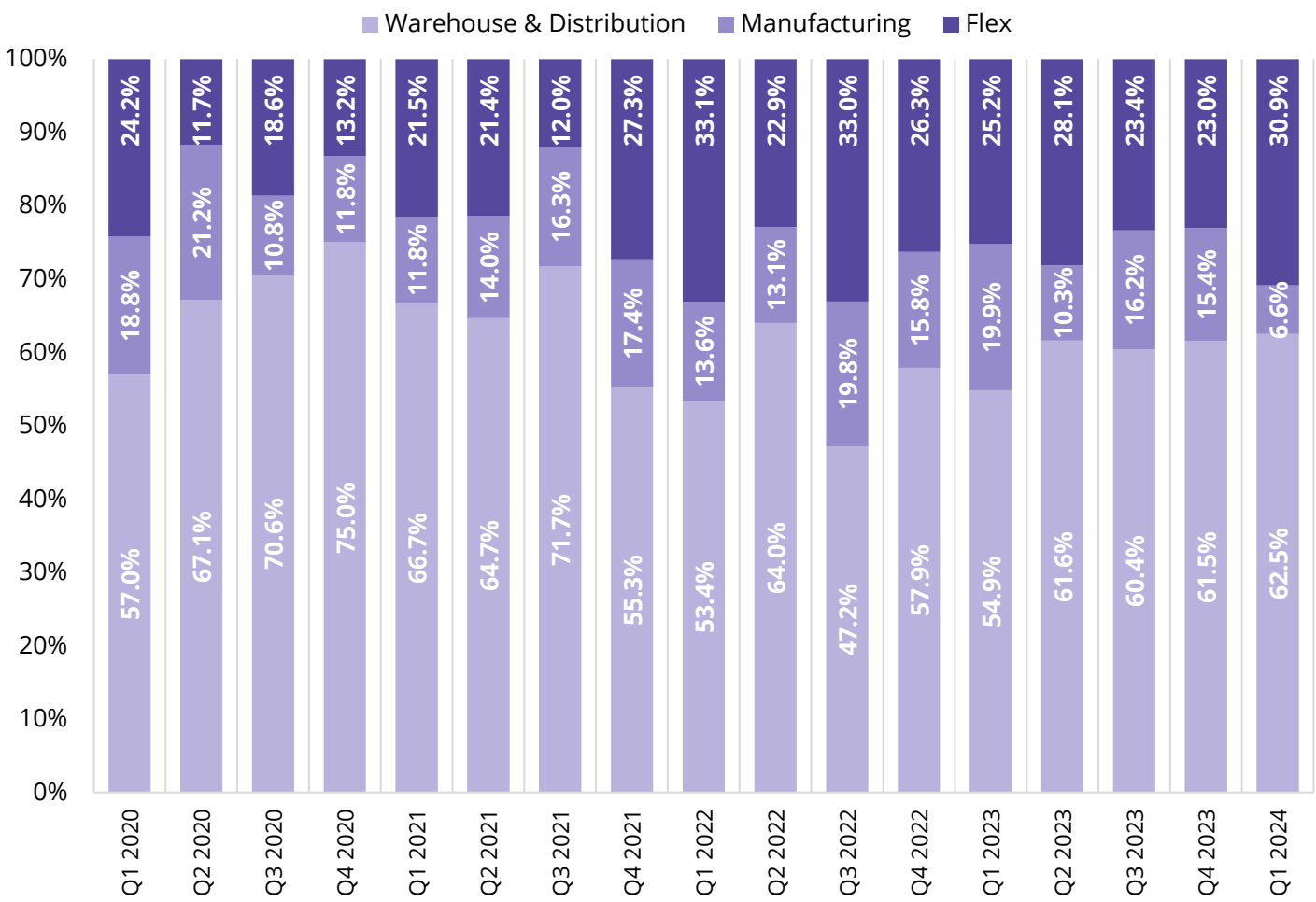
The "months on the market" metric tracks how long a space remains available before being leased. In Q1 2024, Greater Boston's industrial market had an average time of 9.2 months. Manufacturing facilities, however, posted an average time of 8.0 months, indicating they are leased up more than one month faster than the overall average and are being occupied 5.7 months quicker than they were in Q1 2022.

41.3%

Q1 deliveries took place in the 495 South submarket

In Q1 2024, Greater Boston saw nearly 900,000 sf of industrial space delivered, with the 495 South submarket accounting for 41.3% of these new additions. With 3.38 msf of industrial inventory currently under construction, the 495 South submarket comprises just over half of this total, amounting to 1.7 msf of inventory under construction. The continued development and demand in the 495 South submarket highlights its popularity among industrial occupiers' quarter after quarter.

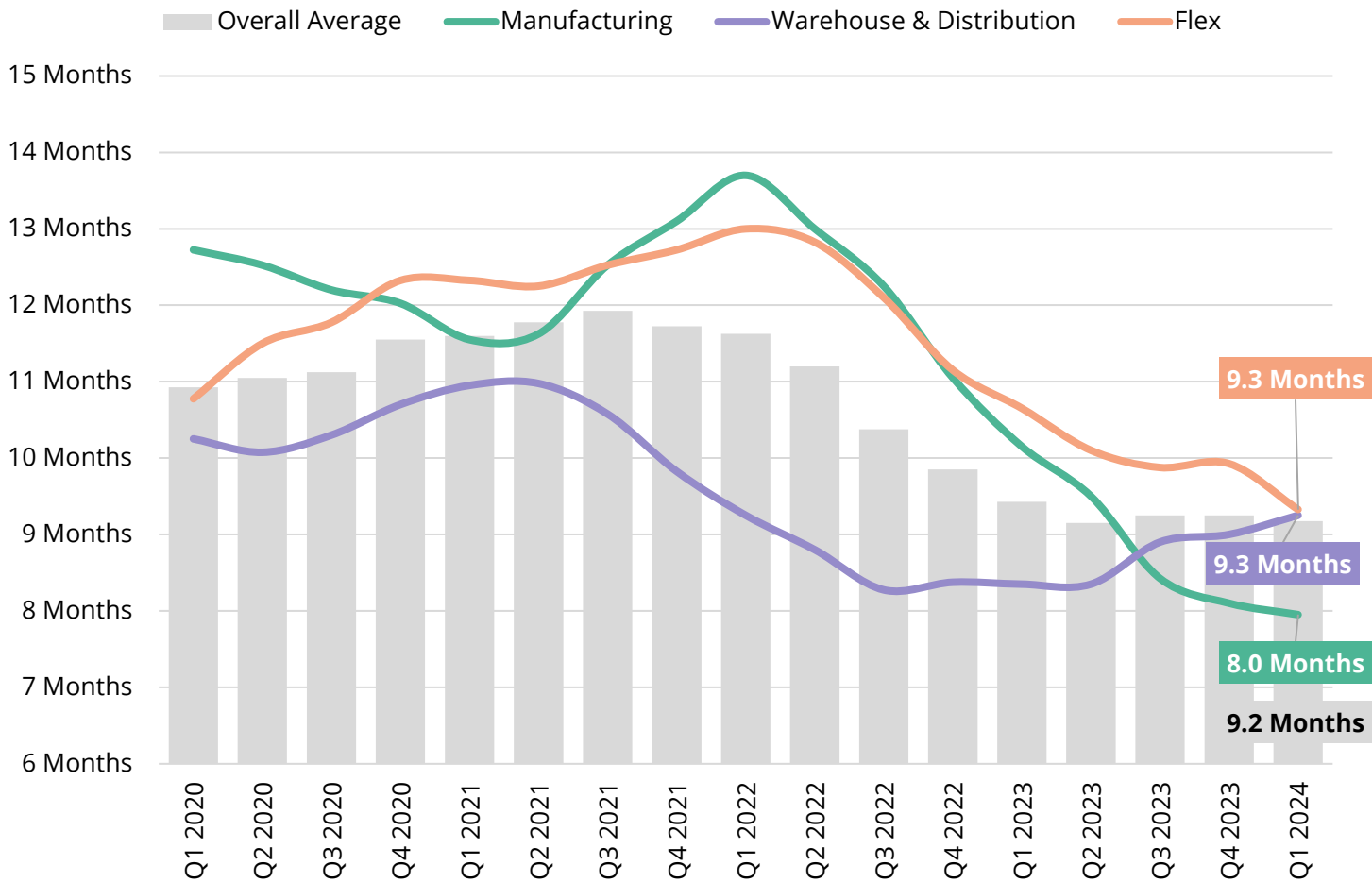
% share of leasing activity by subtype



When comparing Q4 2023 to Q1 2024, Greater Boston witnessed flex space account for a 7.9% greater share of leasing activity.

On the contrary, manufacturing space experienced a decrease in leasing share. As significant manufacturing occupiers' leases are set to expire in 2024, we anticipate an increase in leasing activity from these facilities moving forward.

Average months on the market by subtype



Since Q1 2022, both manufacturing and flex facilities have experienced a sharp decline in average months on the market.

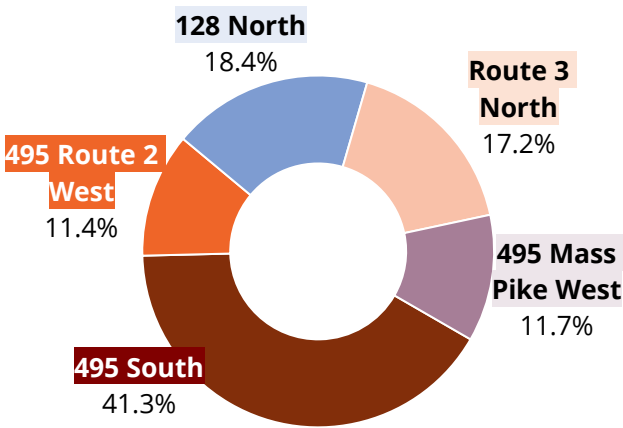
Throughout the remainder of 2024, we expect average time on the market for manufacturing and flex spaces to continue to decrease. In contrast, warehouse & distribution facilities are likely to see an increase in their average time on the market.

Greater Boston industrial pipeline snapshot

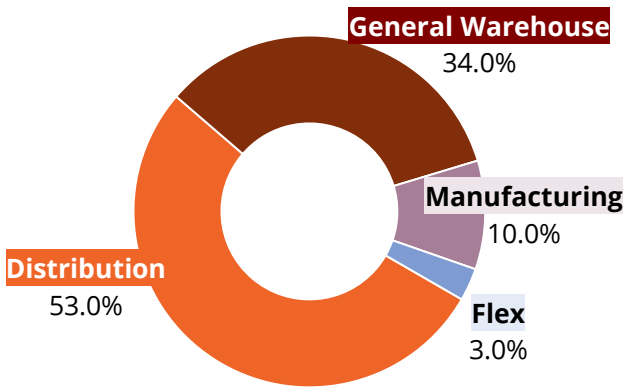
41.3% Of Q1 2024 industrial deliveries occurred in the 495 South submarket

With 3.38 million square feet of inventory under construction in Greater Boston, we see the 495 South submarket account for both the largest amount of square feet under construction, as well as the greatest share of quarterly industrial deliveries in Q1 2024. Quarter over quarter, this submarket remains the most in-demand industrial region within Greater Boston, driven largely by its strategic location and competitive pricing.

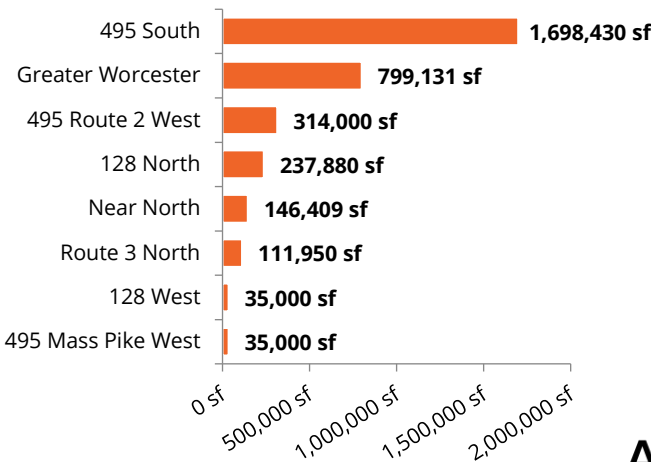
Submarket % share of Q1 2024 deliveries



Under construction inventory by subtype



Under construction inventory by submarket

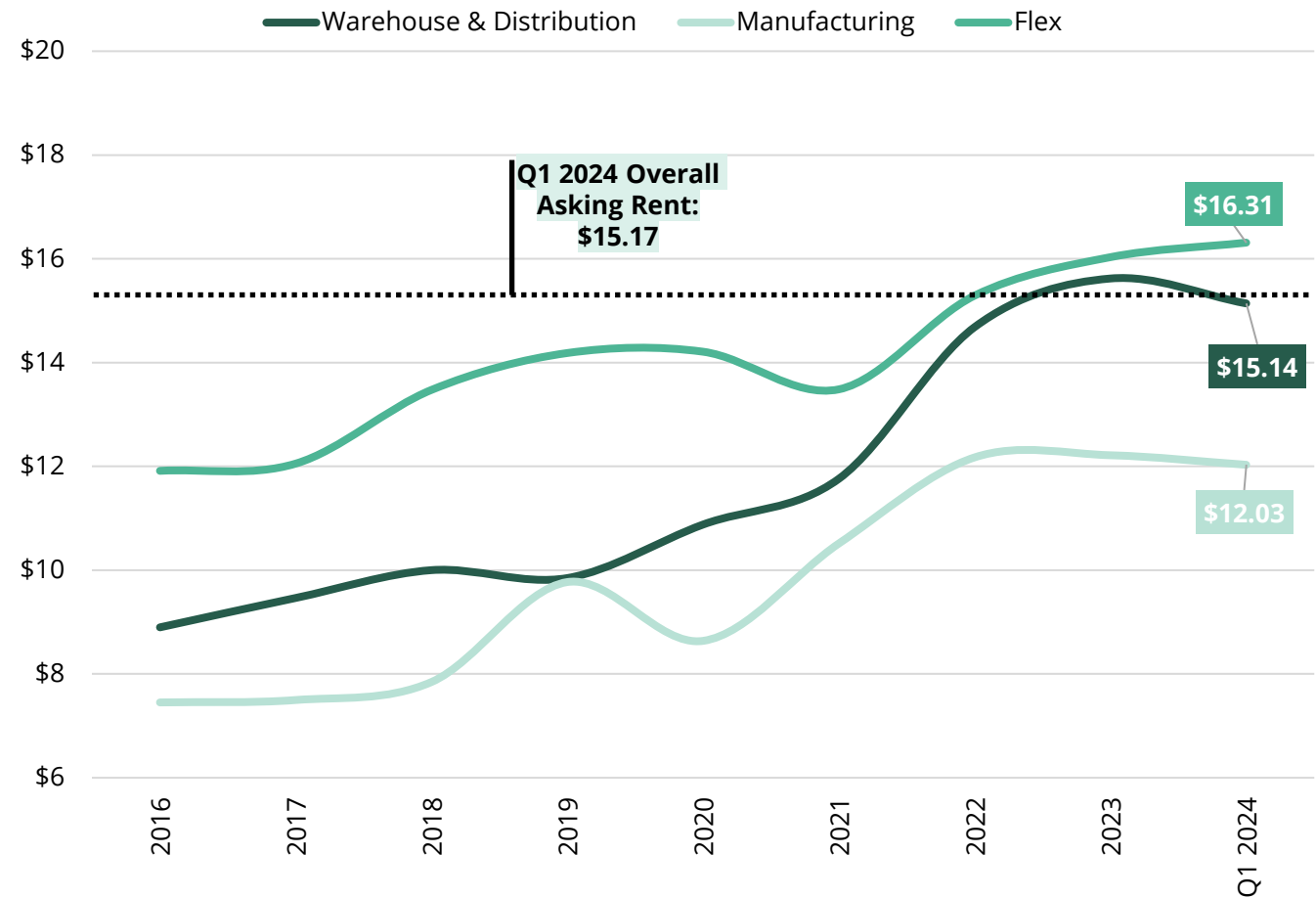


Greater Boston occupier trends

Let's examine more prevailing
industrial trends



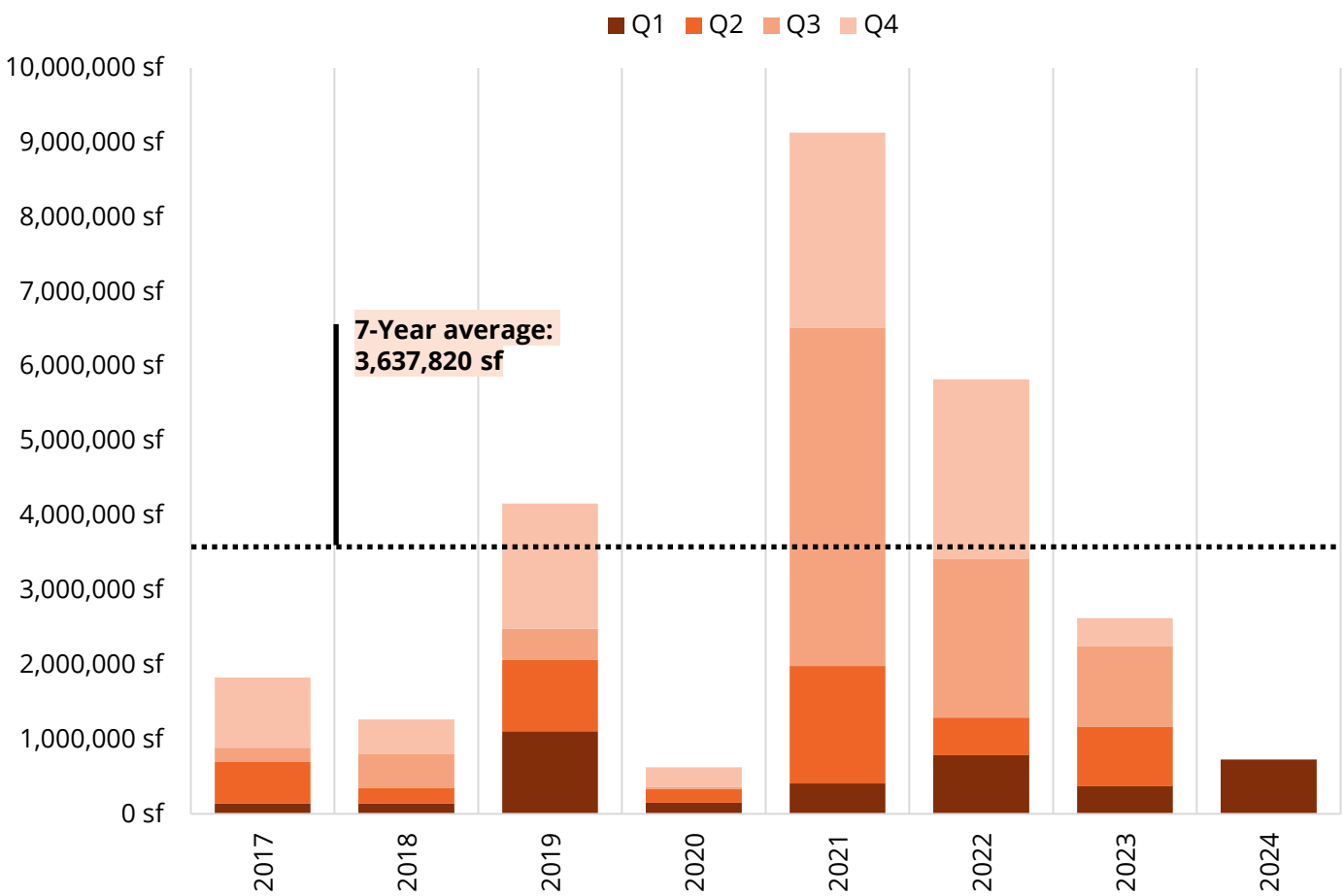
Average asking (NNN) rents by subtype



In Q1 2024, Greater Boston posted an average (NNN) asking rent of \$15.17.

With a significant amount of inventory being attributed to warehouse & distribution facilities, this subtype posted a Q1 rental rate nearly identical to the market average. In contrast, flex space outperformed the market average in Q1, while manufacturing facilities underperformed.

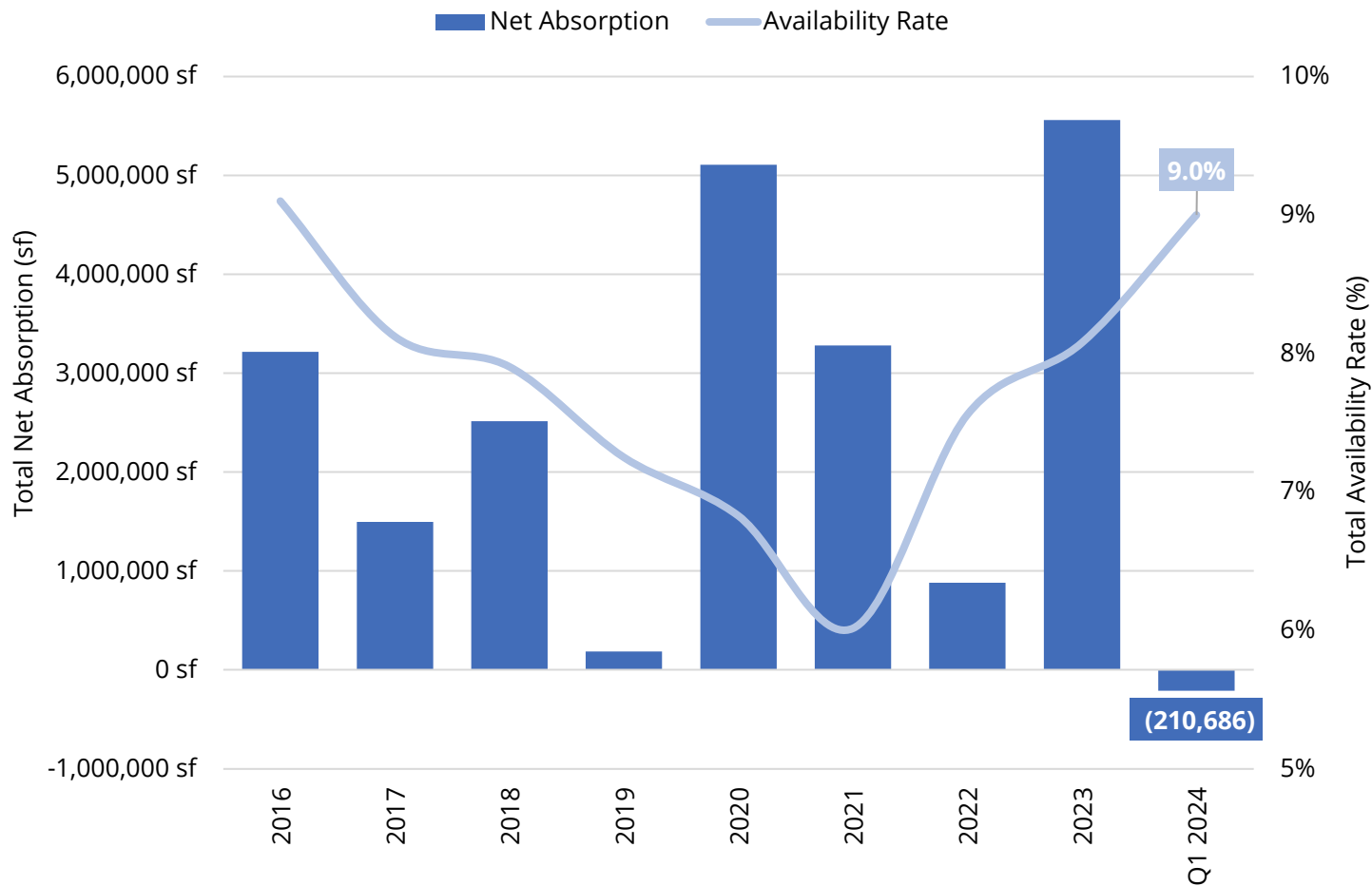
Quarterly industrial construction starts



Since the industrial construction boom in 2021, Greater Boston has exhibited a consistent decline in new ground breakings in the years following.

Despite an increase in quarterly construction starts when looking at Q1 2023 to Q1 2024, we anticipate annual construction starts to remain on par or below the aggregate square footage posted in 2023 as large industrial owners must prioritize filling existing vacancies over new development.

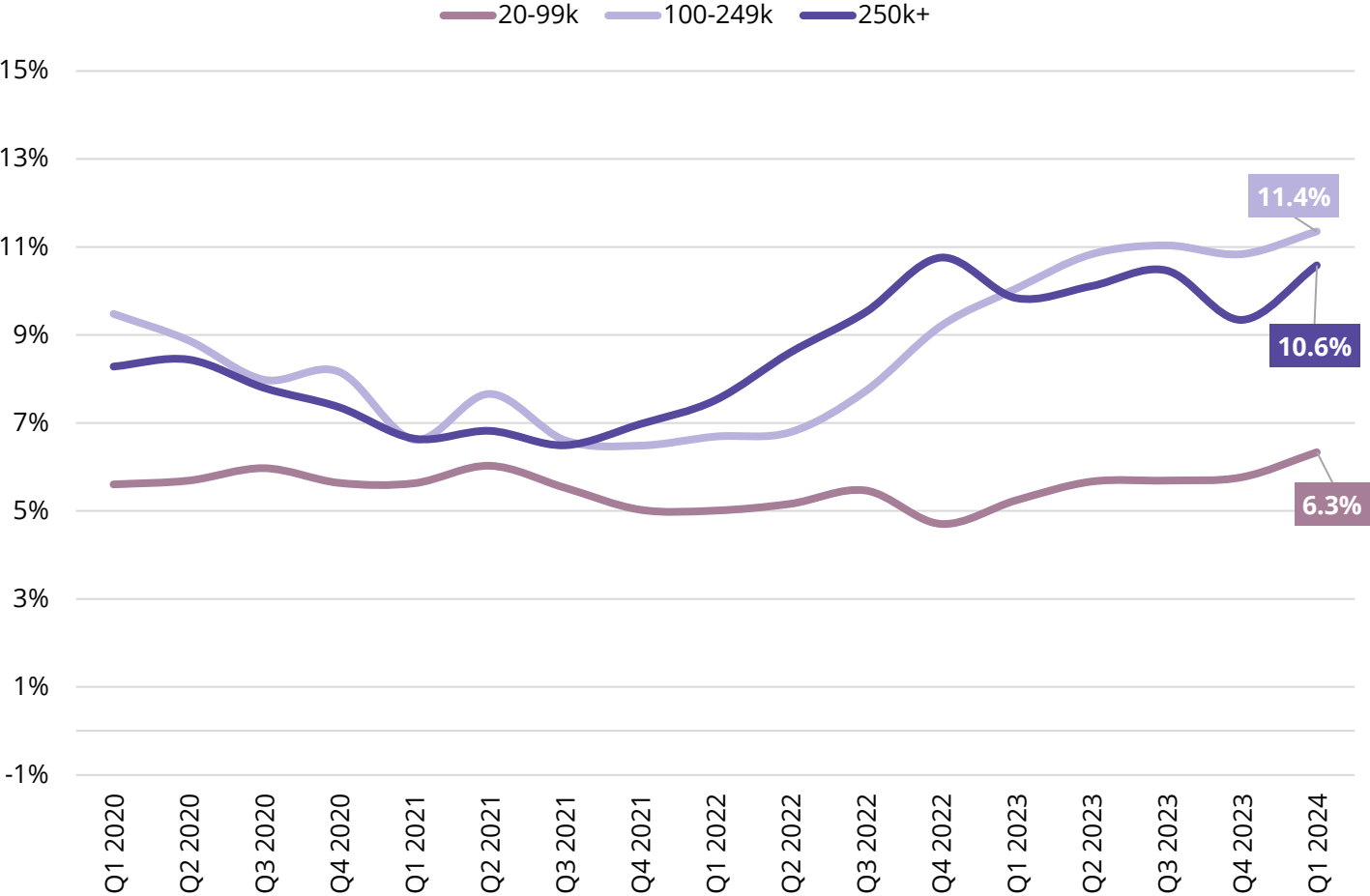
Net absorption & availability



Following an incredibly strong 2023, Greater Boston recorded a negative net absorption in Q1 2024.

Throughout the remainder of 2024, absorption is expected to climb into the positives as there are a significant amount of pre-leased industrial facilities set to deliver in 2024.

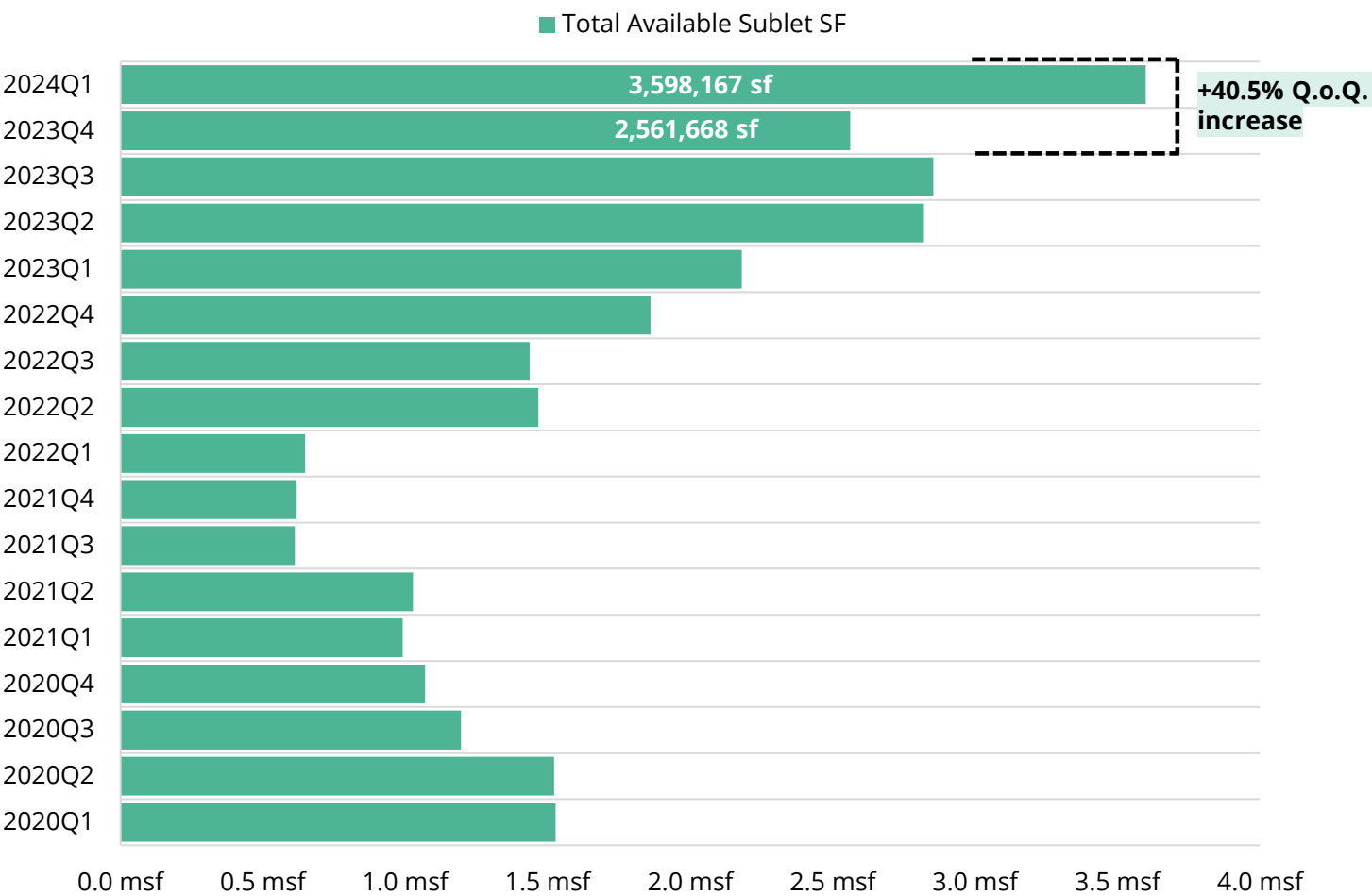
Availability by building size



In Q1 2024, Greater Boston saw industrial buildings in the 20-99k sf range post the lowest availability rate.

Despite a significant share of industrial inventory ranging between 20-99k sf, these facilities leased up faster than their counterparts'. Quarter over quarter, 20-99k sf users have proven to be the heartbeat of the Greater Boston industrial market.

Industrial sublease availability



Greater Boston’s industrial sublease market experienced a significant rise in available sublet SF when comparing Q1 2024 to Q4 2023.

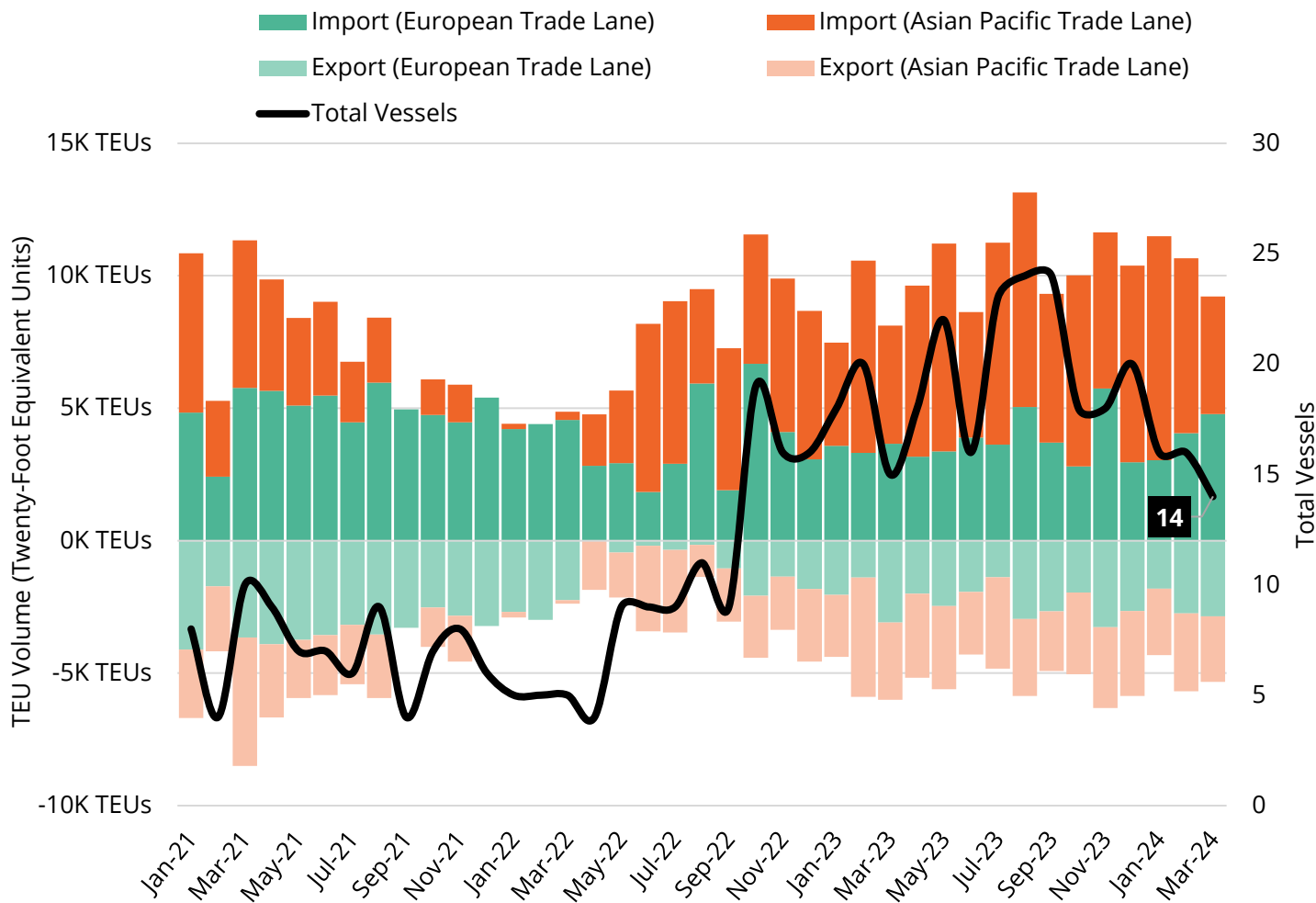
As the industrial sublease market continues to gain traction in Greater Boston, occupiers will deliberate between signing a new lease, or opting to sublease at discount pricing.

Adjacent market metrics

Let's examine additional trends impacting the industrial sector



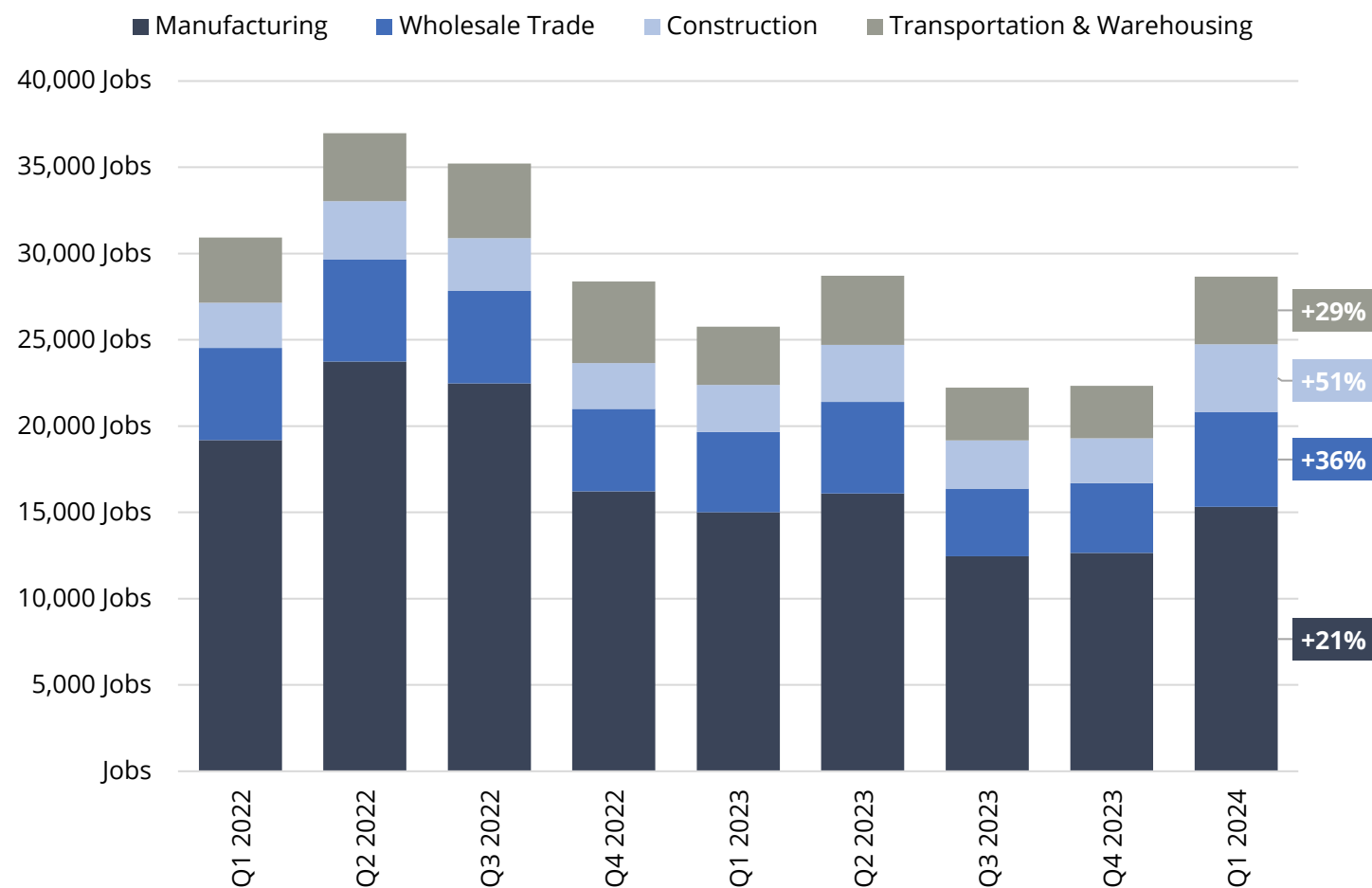
International import/export volume



Since December 2023, Greater Boston’s Conley Port Terminal has seen a continuous increase in import value from the European trade lane.

Over the past 4 months, likely due to supply chain adjustments, the terminal has seen a decrease in total vessels used, from 20 in December 2023 to 14 in March 2024.

Quarterly job postings volume



In the Boston-Cambridge-Newton MSA, four main industrial occupations witnessed a significant rise in quarterly job postings when comparing Q4 2023 to Q1 2024.

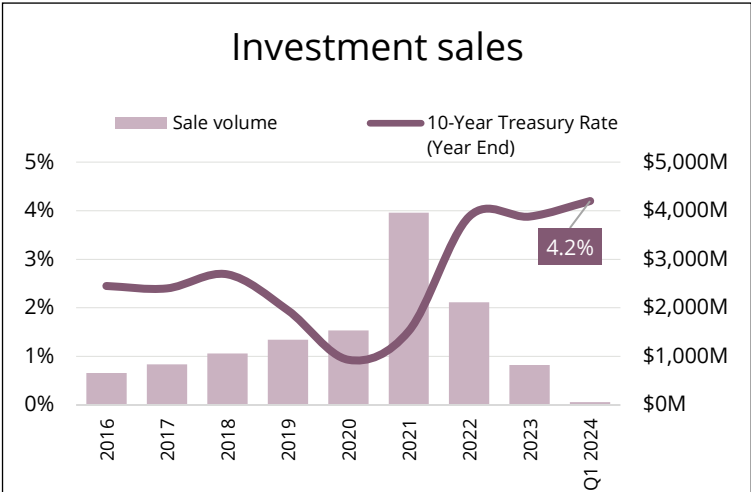
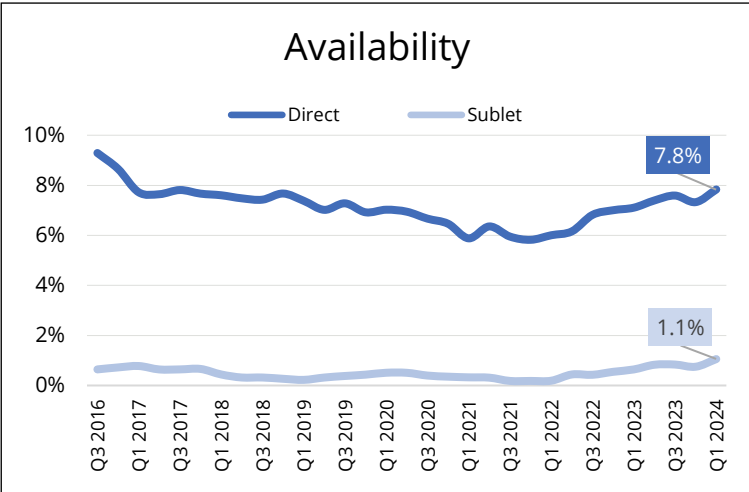
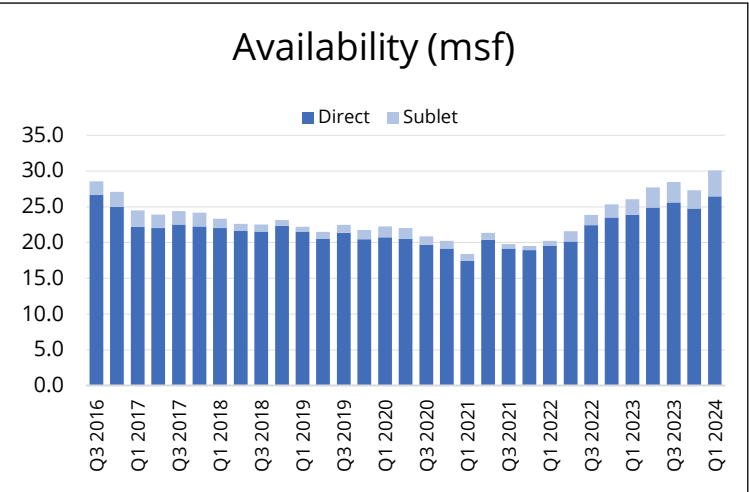
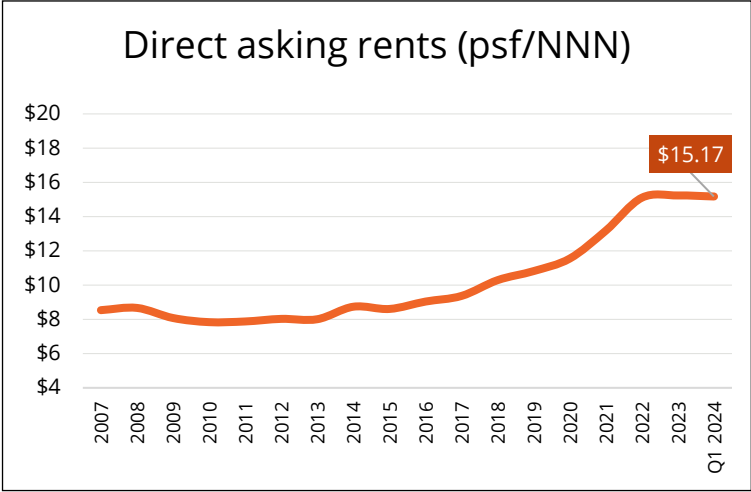
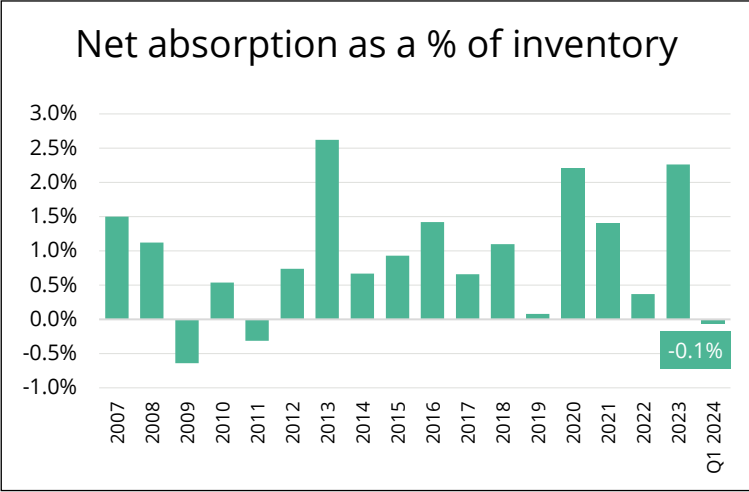
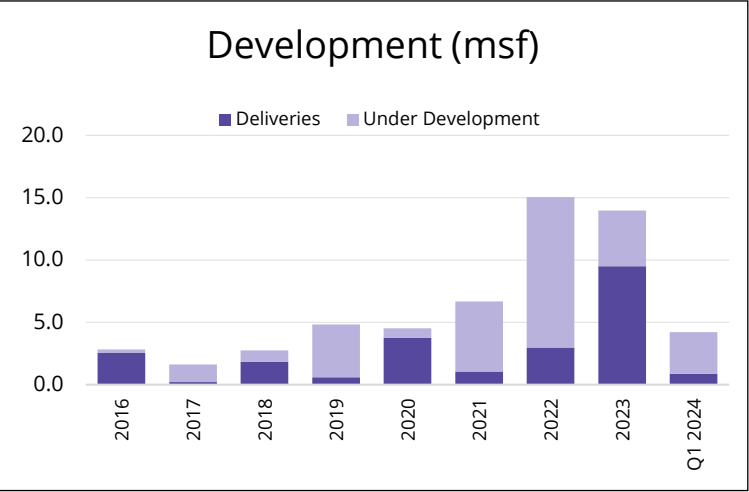
Specifically, we saw construction job postings increase by 51.10% quarter over quarter, equating to 1,325 more jobs.

Source: AVANT by Avison Young, CoStar, BLS
Note: Boston-Cambridge-Newton MA-NH MSA

Appendix



Greater Boston industrial market indicators



Greater Boston industrial market activity

Recent leasing activity

Tenant	Address	Submarket	Sign date	Size (sf)	Transaction type	Lease type
Zoll Medical	38 Upton Dr, Wilmington	128 North	Jan 2024	110,000	New	Direct
Christian Book Fulfillment	140 Summit St, Peabody	128 North	Feb 2024	83,000	Expansion	Direct
Staples, Inc.	31 Commercial St, Sharon	495 South	Mar 2024	64,200	Renewal	Direct
Scholastic Book Fairs	100 Adams Road, Clinton	Greater Worcester	Feb 2024	60,500	Renewal	Direct
TE Connectivity	20 Forbes Rd, Northborough	495 Mass Pike West	Mar 2024	36,700	Renewal	Direct

Recent sales activity

Buyer	Address	Sale date	Building size (sf)	Sale price	Sale price psf	Seller
Northbridge	16 Bulge Rd, Devens	Mar 2024	150,000	\$24,010,000	\$160	Scannell Properties
Northbridge	36 Saratoga Blvd, Devens	Feb 2024	162,000	\$20,500,000	\$127	Blackstone
Core Investments	6 Brooks Dr, Braintree	Jan 2024	24,500	\$4,300,000	\$175	GBU LLC

Top projects under development

Address	Submarket	Delivery date	Building size sf	% Preleased	Developer
75 Plain St, Hopedale	Greater Worcester	Q3 2024	617,000	0%	GFI Partners
555 King St, Franklin	495 South	Q3 2024	255,400	0%	Marcus Partners
11 Grant Rd, Devens	495 Route 2 West	Q3 2024	203,000	100%	MassDevelopment

Greater Boston industrial market stats

By Submarket	Existing inventory	Under development sf	Direct availability	Sublet availability	Total availability	Total availability change (YoY)	Net absorption sf (YTD)	Net absorption % of inventory (YTD)	Annual direct asking rent psf NNN
Urban Industrial	32,110,537	146,409	7.6%	0.6%	8.2%	0.1%	3,576	0.6%	\$22.46
128 Belt	83,615,774	272,880	6.2%	1.3%	7.5%	1.2%	142,640	(0.3%)	\$19.06
128 North	38,264,582	237,880	6.7%	0.5%	7.2%	1.0%	246,387	0.6%	\$20.81
128 West	5,009,129	35,000	3.1%	1.0%	4.1%	(0.9%)	(31,706)	(0.6%)	\$23.65
128 South	34,546,313	0	6.4%	2.1%	8.5%	2.0%	(65,818)	(0.2%)	\$15.12
South Shore	5,795,750	0	4.4%	2.6%	7.0%	0.4%	(6,223)	(0.1%)	\$16.93
495 Belt	157,224,128	2,159,380	8.3%	1.2%	9.5%	2.0%	(163,582)	(0.1%)	\$14.13
495 Northeast	25,886,779	0	4.2%	0.8%	5.0%	0.9%	134,392	0.5%	\$15.91
495 Route 2 West	9,651,469	314,000	7.4%	4.3%	11.7%	8.1%	(147,452)	(1.5%)	\$13.58
Route 3 North	21,638,097	111,950	8.3%	2.7%	11.0%	1.5%	18,620	0.1%	\$14.84
495 Mass Pike West	19,917,317	35,000	7.7%	0.3%	8.0%	1.4%	31,004	0.2%	\$13.96
Framingham/Natick	5,939,323	0	2.3%	0.1%	2.4%	(1.1%)	24,752	0.4%	\$14.12
495 South	74,191,143	1,698,430	10.4%	0.9%	11.3%	3.2%	(224,898)	(0.3%)	\$13.06
Greater Worcester	61,716,009	799,131	9.3%	0.5%	9.8%	(1.6%)	(193,320)	(0.3%)	\$10.79
Greater Boston Total	334,666,448	3,377,800	7.9%	1.1%	9.0%	1.3%	(210,686)	(0.1%)	\$15.17

Greater Boston industrial market stats by property subtype

	Existing inventory sf	Deliveries sf (YTD)	Under development sf	Direct availability	Sublet availability	Total availability	Net absorption sf (YTD)	Net absorption % of inventory (YTD)	Q1 2024 average asking rent (NNN)
Distribution	44,418,606	210,600	1,795,675	16.5%	1.9%	18.4%	(194,619)	(0.4%)	\$14.27
General Warehouse	147,154,571	399,000	1,136,466	6.0%	0.8%	6.8%	501,686	0.3%	\$15.31
Manufacturing	77,193,931	0	349,159	6.5%	0.9%	7.4%	(607,813)	(0.8%)	\$12.03
Flex	65,899,340	247,000	96,500	7.8%	1.3%	9.1%	90,060	0.2%	\$16.31
Market total	334,666,448	856,600	3,377,800	7.9%	1.1%	9.0%	(210,686)	(0.1%)	\$15.17



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 good 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
information visit **avisonyoung.com**

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