

Greater Boston



Market Facts

3.5%

is the current unemployment rate for the Greater Boston Area (GBA) per the BLS.

7.3%

of industrial space is currently vacant on a direct and sublet basis in the GBA.

169,000 SF

of total industrial space was absorbed on a net basis in Q1' 2018.

937,500 SF

of industrial inventory is currently under construction, with 53% preleased.

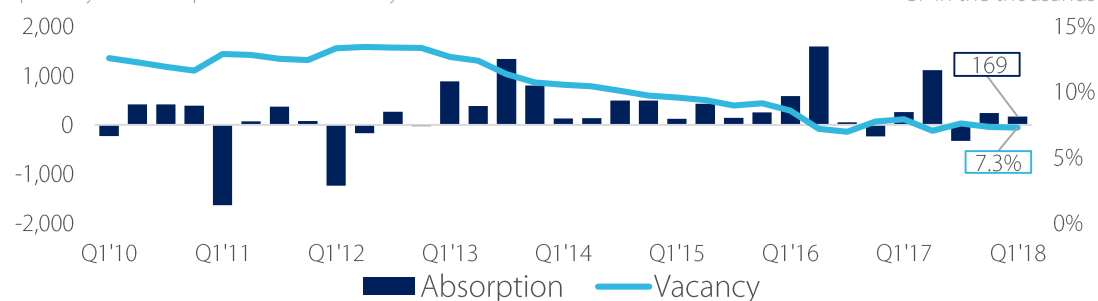
Emerging supply chain trends shift traditional market fundamentals as the market expands along the 495 Belt

Carrying momentum from last quarter, the Greater Boston Area (GBA) industrial market followed in suite with how 2017 finished off, as rents carry on with upward movement, reaching historic highs. With tenants in the market primarily being focused on location and proximity to strong demographics and city centers, transit centric areas off Route 495 and 128 should continue to expand and produce more inventory, particularly for warehouse and distribution. While the overall industrial vacancy rate remained fairly static compared to last quarter, reregistering at

7.3%, at the end of March, leasing activity remained strong and the quarter posted just over 169,000 SF on a net basis. Over the last twelve months, the industrial market has seen a surplus of new supply hit the market, delivering over 1.7 MSF of new development. Currently, the construction pipeline remains robust as there is just under 1 MSF underway, with more than half of the space already preleased. Looking ahead, AYNE Research is following a conservative 6.5 MSF in industrial requirements, leading to speculation that the GBA is on track for another healthy year.

Supply & Demand

quarterly net absorption vs total vacancy



Warehouse & Distribution

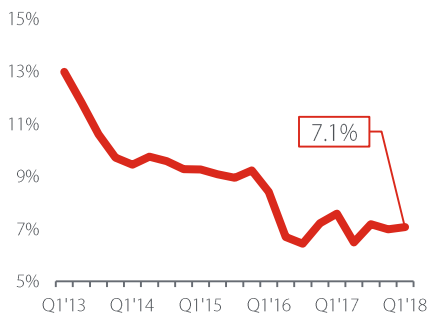
The GBA warehouse and distribution sector has seen a strong last twelve months, with the market absorbing over 750,000 SF. Looking ahead into the rest of 2018, the industrial market is expected to stay active, particularly with warehouse and distribution users, as e-commerce trends continue to increase the importance of supply-chain management. From a supply standpoint, the construction pipeline continues to ease an increasing demand for this asset type, delivering over 1.5 MSF over the last year.

- Dating back to Q4' 2015, roughly 3.6 MSF of competitive new development has been delivered to the market. Currently, there is 847,606 SF of warehouse and distribution space under construction, spread throughout four (4) buildings, with delivery dates anticipated to be sometime by the end of this year.
- For the eighth (8) straight quarter, the overall vacancy rate is below 8%, as it currently sits at 7.1%. Prior to this, the vacancy rate has never breached this threshold in the GBA.
- Over the last twelve months, overall asking rents for warehouse and distribution space rose 10.8%, with Q1' 2018 seeing average asking rents of \$8.30 psf. This time last year, rents were \$7.49 psf.

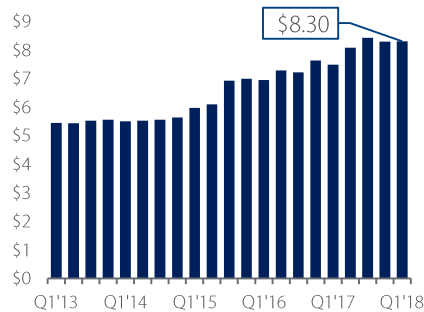
Notable Leases

Tenant	Size	Address	City	Submarket	Deal Type
Williams-Sonoma	139,558 SF	150 Charles Colton	Taunton	24 Corridor	New
Shaws	70,000 SF	275 John Hancock Rd.	Taunton	24 Corridor	Renewal
Reiser	32,995 SF	1245 Providence Hwy	Sharon	495 Southwest	New

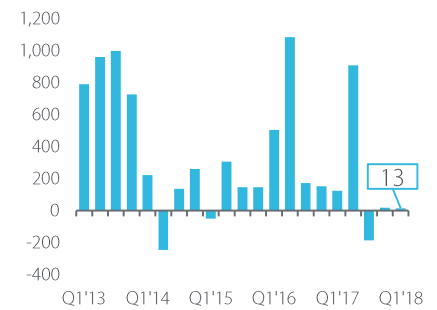
Overall Vacancy Rate



Average Asking Rent



Overall Absorption



By the Numbers


	VACANCY %		ASKING RENT \$		ABSORPTION SF		CONSTRUCTION SF	
	inv sf	total	avg	%	qtr	ltm	uc	comp
TOTAL MARKET	83,997	7.1%	\$8.30	10.8%	13	753	848	1,541
Urban	7,883	5.9%	\$18.60	62.5%	16	-250	0	0
128 Belt	19,202	9.0%	\$7.26	-1.8%	-62	-225	0	145
128 North	7,410	6.4%	\$9.72	23.2%	86	103	0	145
128 West	372	0.0%	na	na	0	0	0	0
128 South	11,420	11.0%	\$6.25	-12.5%	-148	-328	0	0
495 Belt	56,913	6.6%	\$6.71	6.5%	58	1,228	848	1,396
495 North	10,199	7.3%	\$7.95	3.6%	-166	-67	0	0
495 West	16,118	4.2%	\$8.33	16.4%	14	395	220	0
495 South	30,596	7.6%	\$5.95	-4.7%	211	899	628	1,396

Flex & Manufacturing

In this tight market, developing space for the “flex-tech” sector looks to be the safe bet for risk-adverse investors looking to capitalize on “lighter” industrial demand. This is a trend that most anticipate to see for the course of 2018. Recently, the majority of leases have been technology-oriented companies, and this is expected to remain as R&D/flex requirements across the GBA drive the demand curve while manufacturing construction has only been initiated by typically smaller built-to-suit requirements.

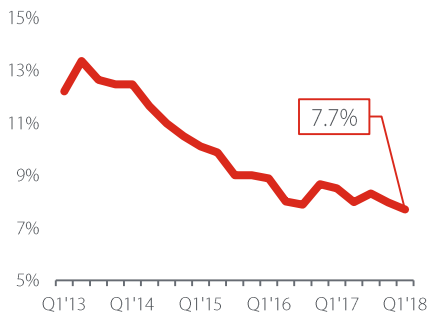
- There is currently 310,500 SF of competitive flex and manufacturing space under construction, with 100% of it preleased. Major developments include Pfizer's 175,000 SF building at 1 Burt Road in Andover, which is expected to be delivered Q1' 2019, and 80,000 SF at 102 Cherry Hill Drive in Beverly.
- The overall vacancy rate is currently at 7.7%, below 8% for the first time since 2016. Contributing to the dip in vacancy is the large move-in by CustomSpace, occupying 75,000 SF at 1515 Washington Street.
- Absorption this quarter for flex and manufacturing space was just over 154,000 SF. Over the last twelve months the net absorption is almost 440,000 SF, in large part due to new developments being delivered 100% preleased.

Notable Leases

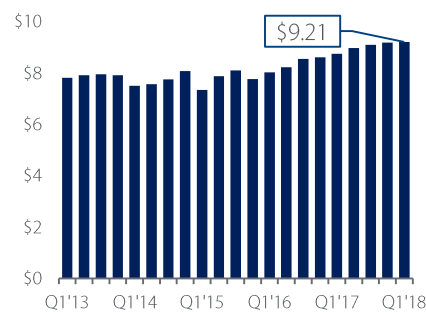
Tenant	Size	Address	City	Submarket	Deal Type
CustomSpace	75,000 SF	1515 Washington St.	Braintree	128 South	New
Ambri 	30,819 SF	53 Brigham St.	Marlborough	495 West	Renewal/Expansion
ClearMotion	28,000 SF	400 Research Dr.	Wilmington	495 North	New

 = Avison Young Deal

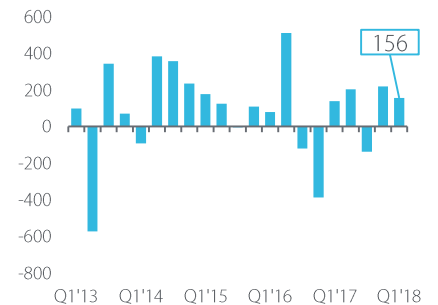
Overall Vacancy Rate



Average Asking Rent

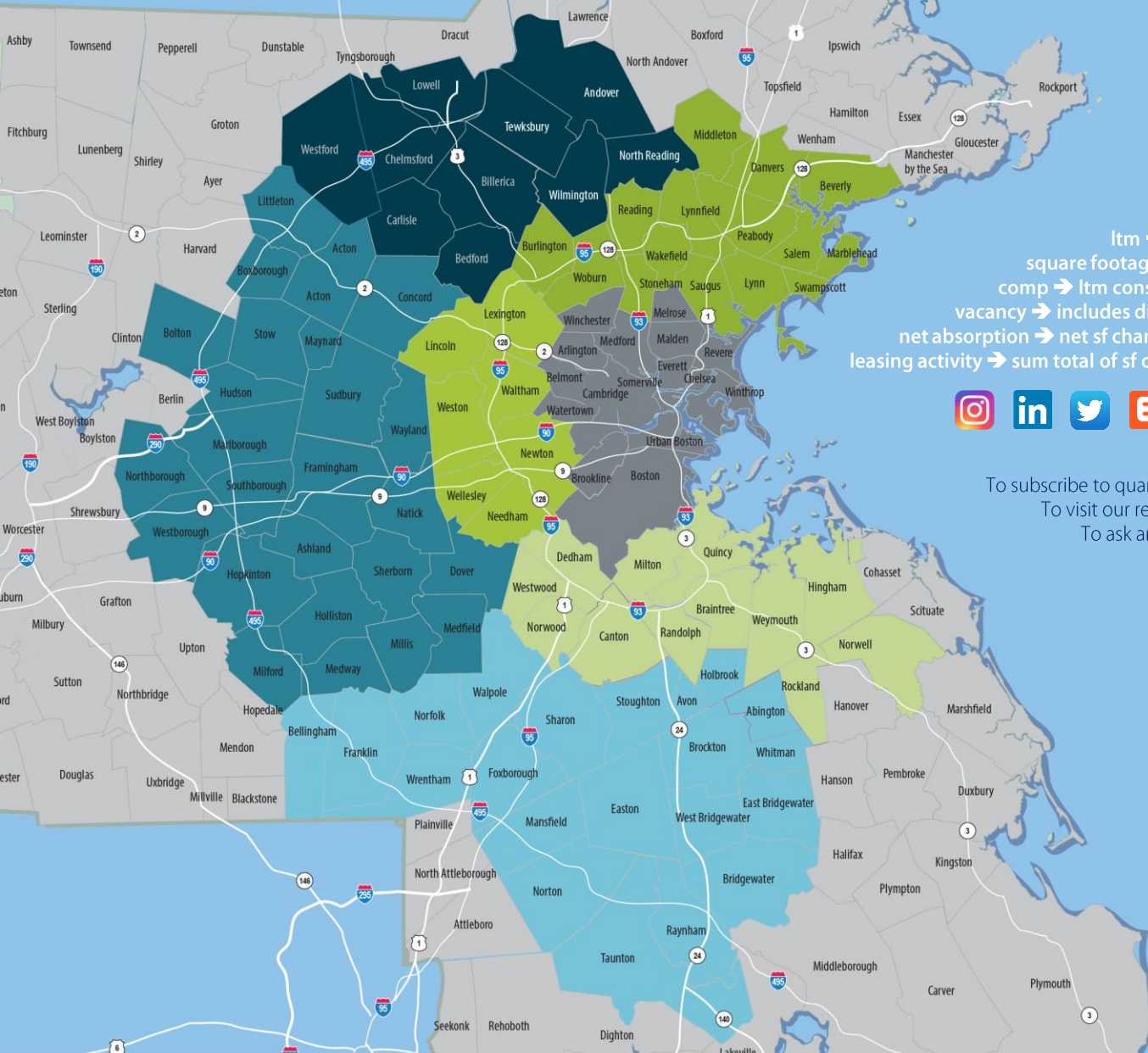


Overall Absorption



By the Numbers

	VACANCY %		ASKING RENT \$		ABSORPTION SF		CONSTRUCTION SF	
	inv sf	total	avg	%	qtr	ltm	uc	comp
TOTAL MARKET	50,196	7.7%	\$9.21	5.3%	156	440	310	170
Urban	2,813	13.5%	\$8.36	-27.2%	6	(9)	0	0
128 Belt	15,110	6.0%	\$11.84	31.3%	54	373	80	0
128 North	6,076	2.8%	\$10.60	7.8%	(15)	84	80	0
128 West	2,094	6.4%	\$14.83	38.0%	19	70	0	0
128 South	6,940	8.7%	\$10.16	23.8%	51	219	0	0
495 Belt	32,273	8.0%	\$8.76	4.9%	96	75	230	170
495 North	12,792	10.2%	\$12.19	39.3%	51	54	175	0
495 West	11,881	9.7%	\$9.30	9.1%	59	(223)	0	65
495 South	7,600	1.4%	\$7.54	3.6%	(14)	244	55	105



ltm → last twelve months
 square footage → in the thousands
 comp → ltm construction completions
 vacancy → includes direct and sublet space
 net absorption → net sf change in occupied space
 leasing activity → sum total of sf of space committed to



WANT MORE?

To subscribe to quarterly reports [click here](#)

To visit our research page [click here](#)

To ask any questions [click here](#)

GREATER BOSTON INDUSTRIAL SUBMARKETS

URBAN INDUSTRIAL



128 BELT



495 BELT



Michael Smith, Principal & Managing Director
 617.575.2830
michael.smith@avisonyoung.com

Tucker White, Research Analyst
 617.993.0721
tucker.white@avisonyoung.com

Everett Palozej, Research Analyst
 617.758.8266
everett.palozej@avisonyoung.com

© 2018 **Avison Young New England**. All rights reserved. E. & O.E.: The information contained herein was obtained from sources which we deem reliable and, while thought to be correct, is not guaranteed by Avison Young. Sources include. CoStar, REIS, PwC, Bloomberg, Boston Redevelopment Authority, Bureau of Labor Statistics, ESRI, US Census Bureau, Pitchbook, and Avison Young New England

**AVISON
YOUNG**