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2Q24

# Boston Industrial Market Overview



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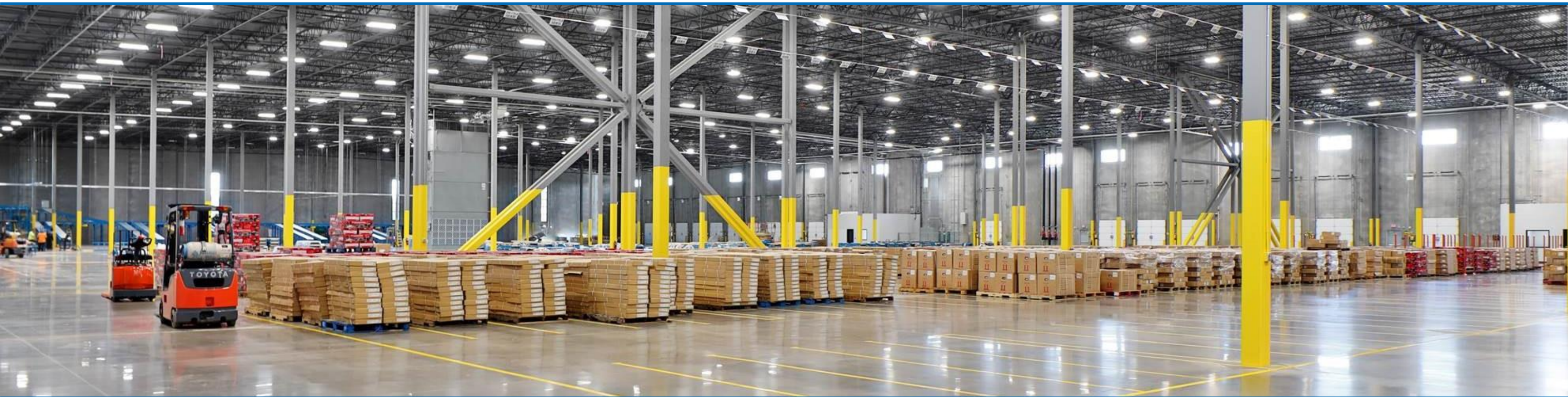
# Market Observations

Despite below-average metro unemployment, local job growth in most industrial-using sectors remained relatively stagnant over the last 12 months.

In the second quarter of 2024, vacancies expanded by 60 basis points to 7.2% as new deliveries outpaced net absorption.

New groundbreakings have picked back up since the start of the year, with nearly 1.5 million SF remaining in the development pipeline.

Advanced manufacturing remains a key area of interest within the industrial sector, with many users particularly attracted to the North and West submarkets.



While industrial users 50,000 SF and below continue to dominate leasing velocity, a handful of large tenant requirements have returned to the market.

Some sizeable deals were executed in recent months, led by Persimmon Technologies taking 142,000 SF of R&D/flex space at 35 Crosby Dr. in Bedford.

Rent growth remained nearly flat over the quarter as asking rents continue to hover near historic highs.

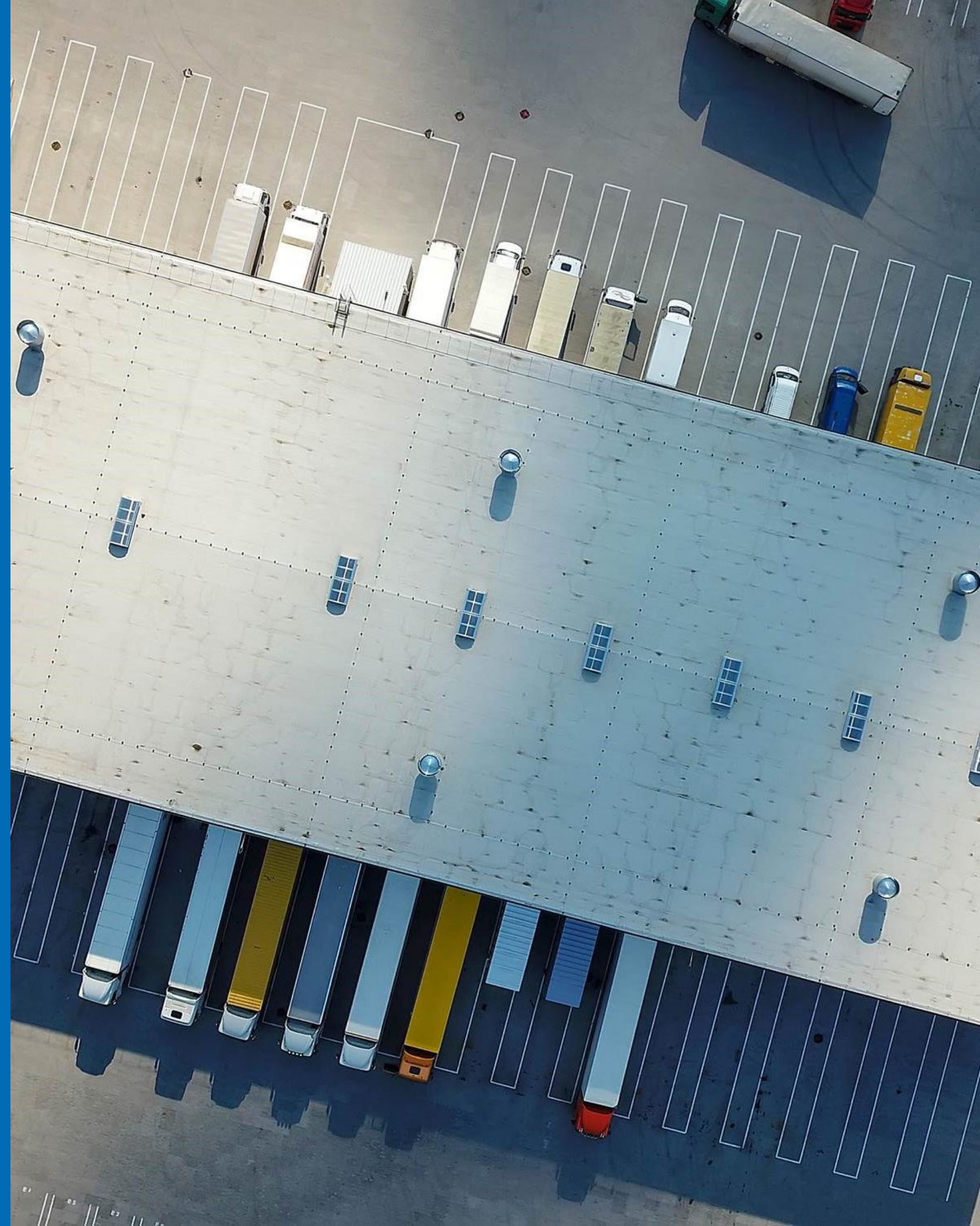
Recent legislation and increasing efforts to strengthen the state's clean energy infrastructure could help bolster local industrial market fundamentals.

As broader market conditions normalize, the industrial asset type continues to outperform many others in the Boston metro.

1. Economy
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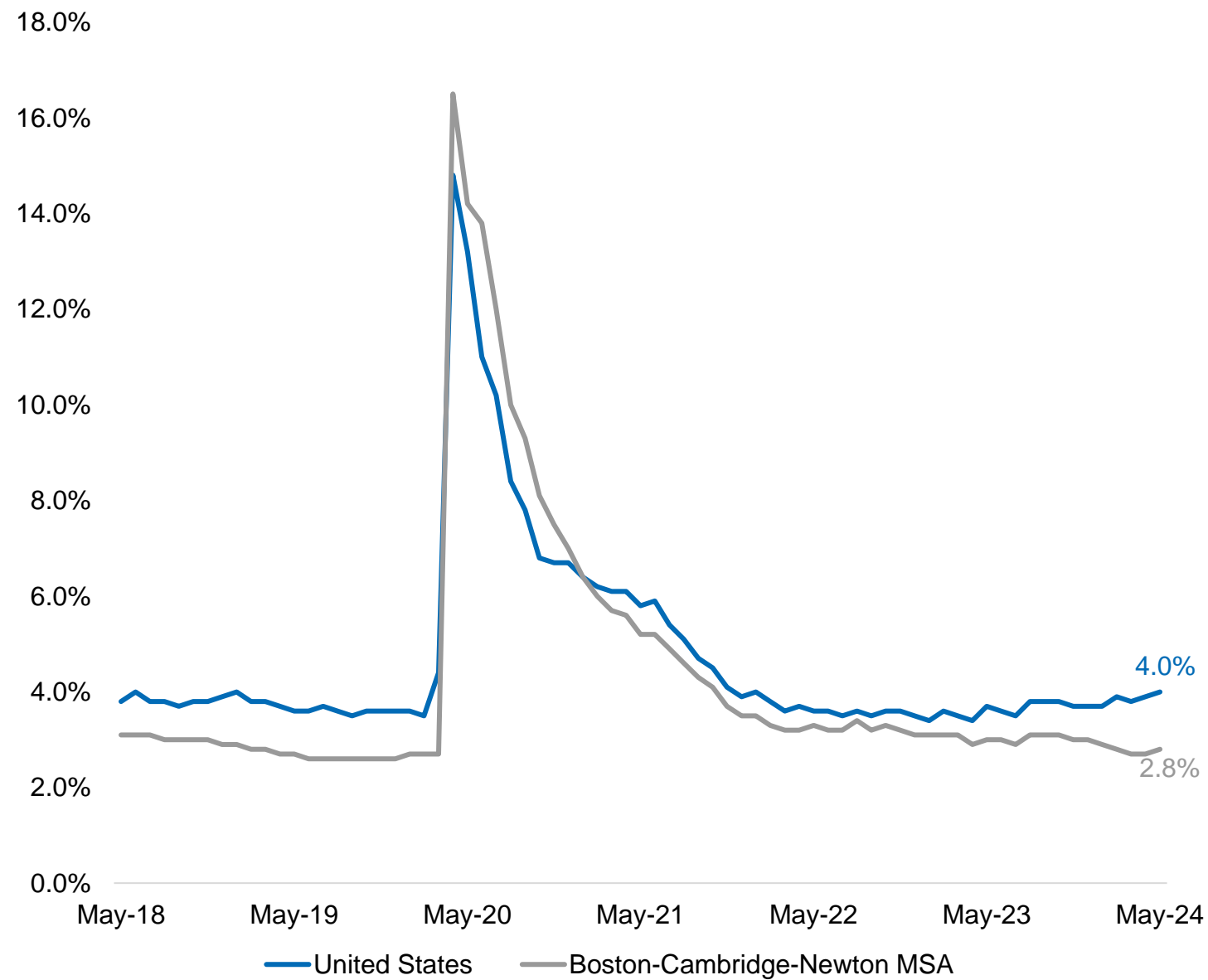
# Economy



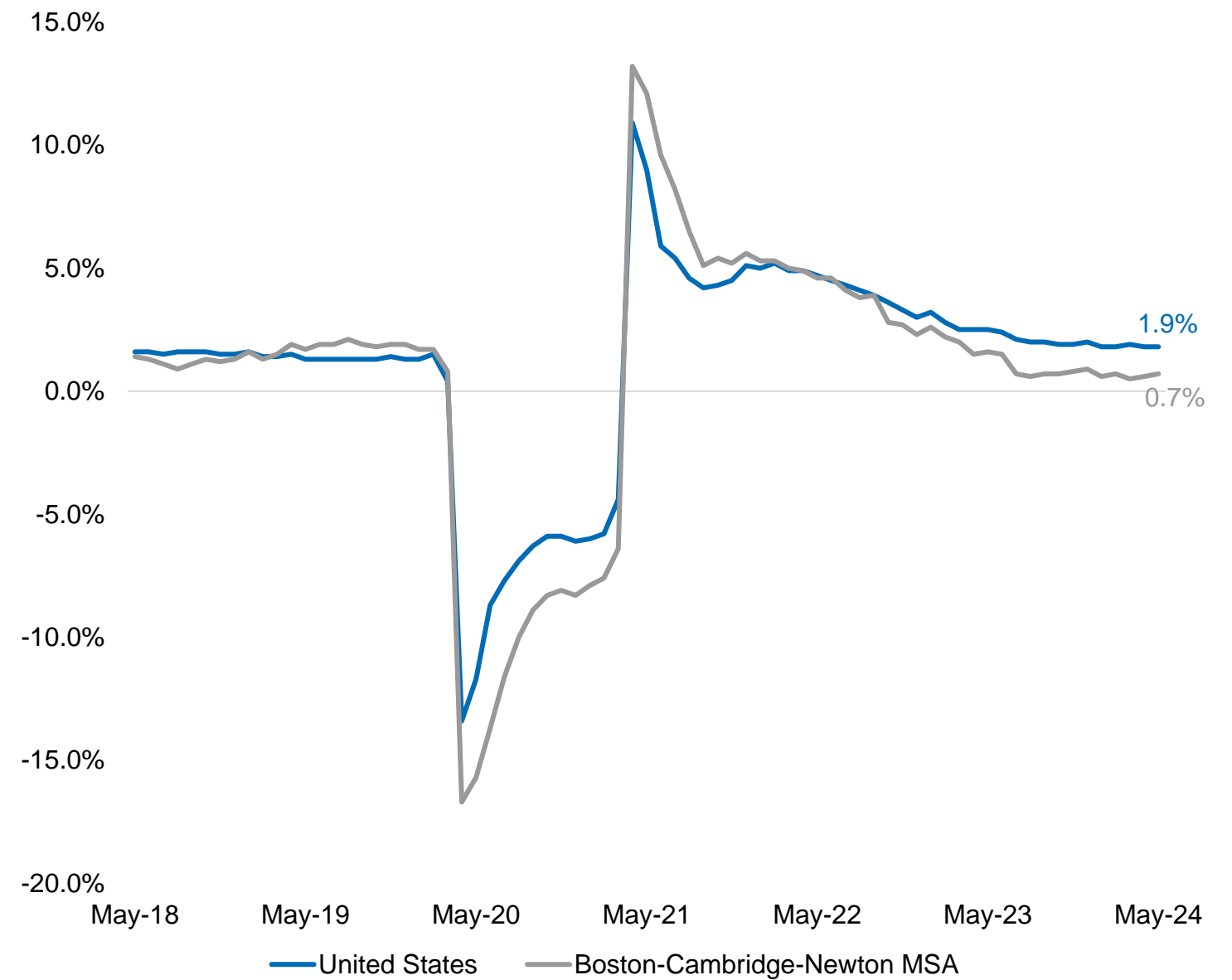
# Tight Labor Conditions Are Hampering Employment Growth

Greater Boston's unemployment rate dipped below 3.0% for the first time in nearly five years. At 2.8% in May 2024, local unemployment is well below the national average of 4.0%. While layoffs persist in select industries, including TAMI and biotechnology, limitations on labor availability are also impacting job gains at the metro level. Year-over-year growth in Greater Boston's total employment continues to trail the national average as a result.

Unemployment Rate, Seasonally Adjusted



Nonfarm Payroll Employment, Seasonally Adjusted, 12-Month % Change



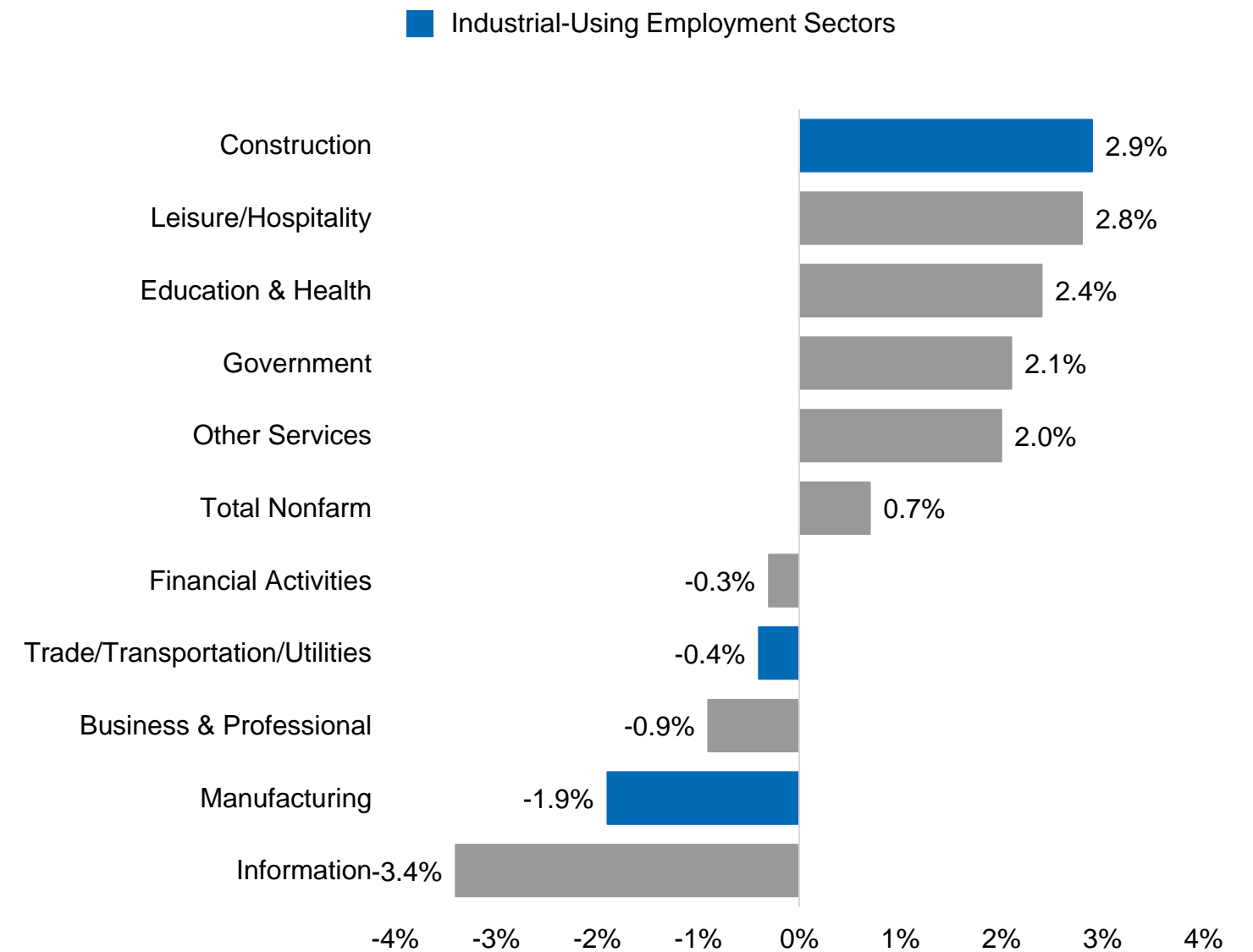
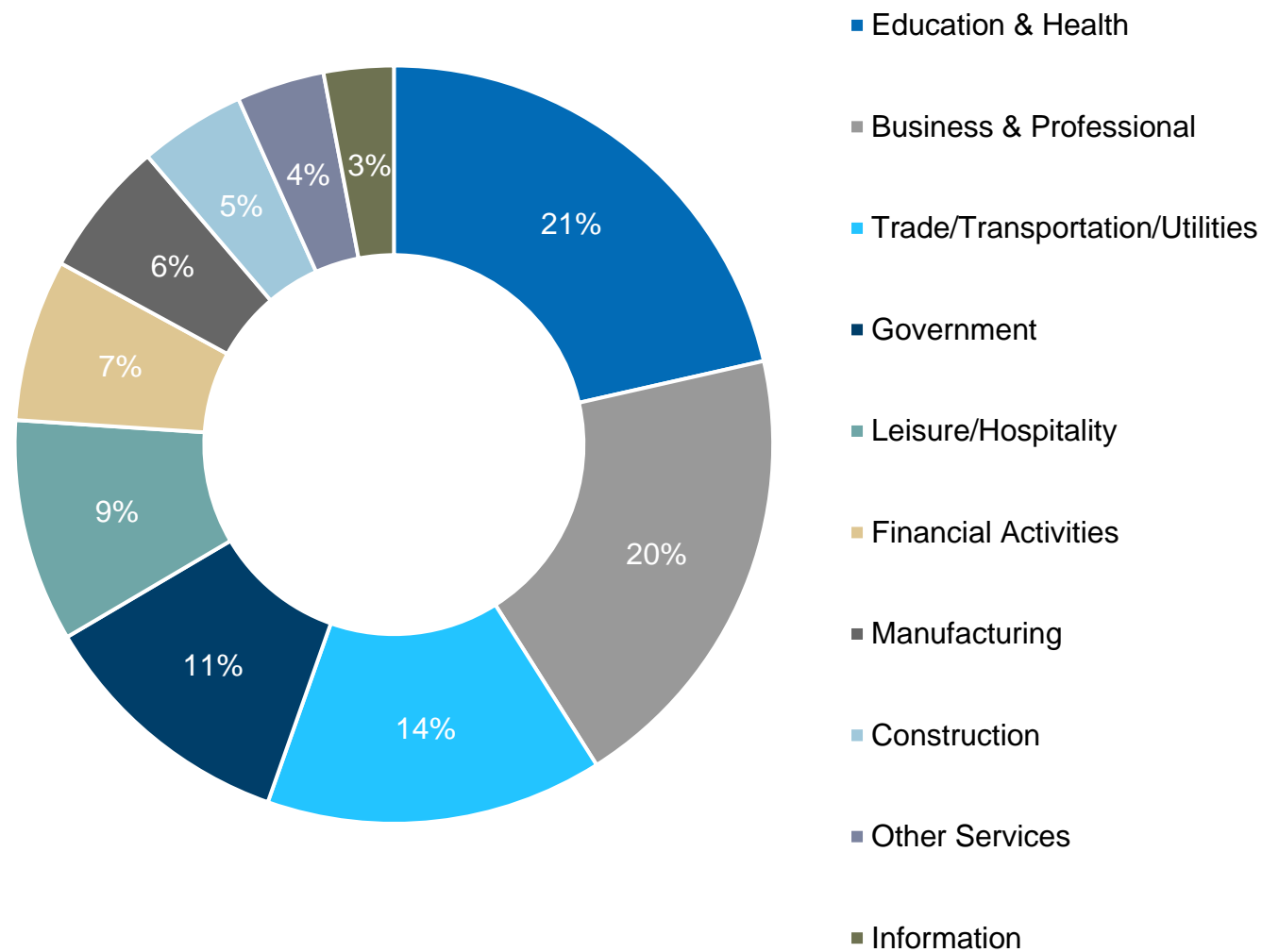
Source: Moody's Analytics, Boston-Cambridge-Newton, MA-NH MSA  
 Note: May 2024 data is preliminary.

# Employment in Some Industrial-Related Industries Remains Stagnant

Construction reclaimed its spot as the leader in annual job gains in the Boston metro area, while employment growth in other industrial-related industries remained very limited over recent months. While employment growth in the manufacturing sector continues to slow, there have been considerable efforts to strengthen the state's economy and competitiveness. Most recently, a proposed economic development bill centered on significant investments in the state's climate tech industry could help spur new job creation in the industrial sectors in the Greater Boston metro.

Employment by Industry, May 2024

Employment Growth by Industry, 12-Month % Change, May 2024

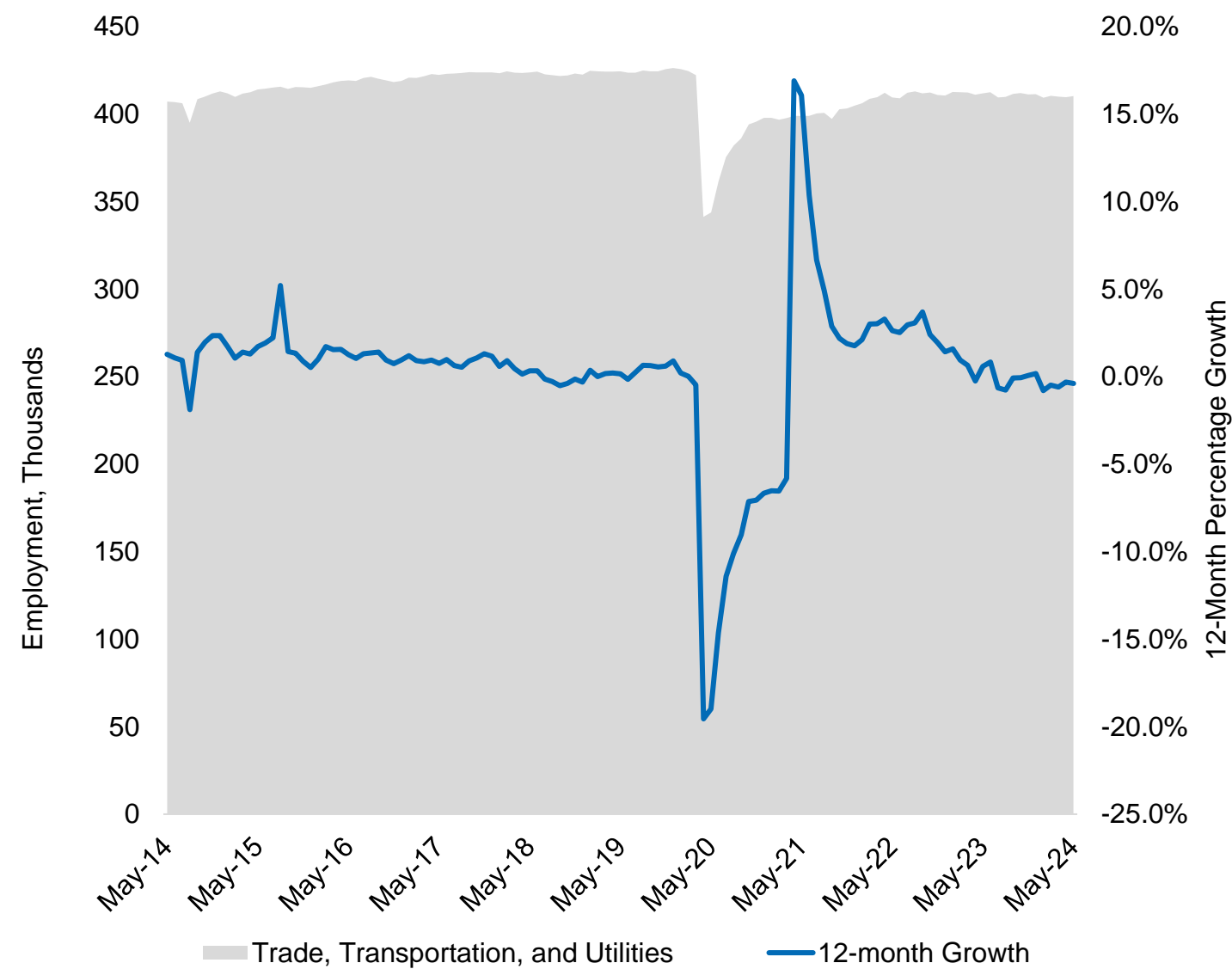


Source: Moody's Analytics, Boston-Cambridge-Newton, MA-NH MSA  
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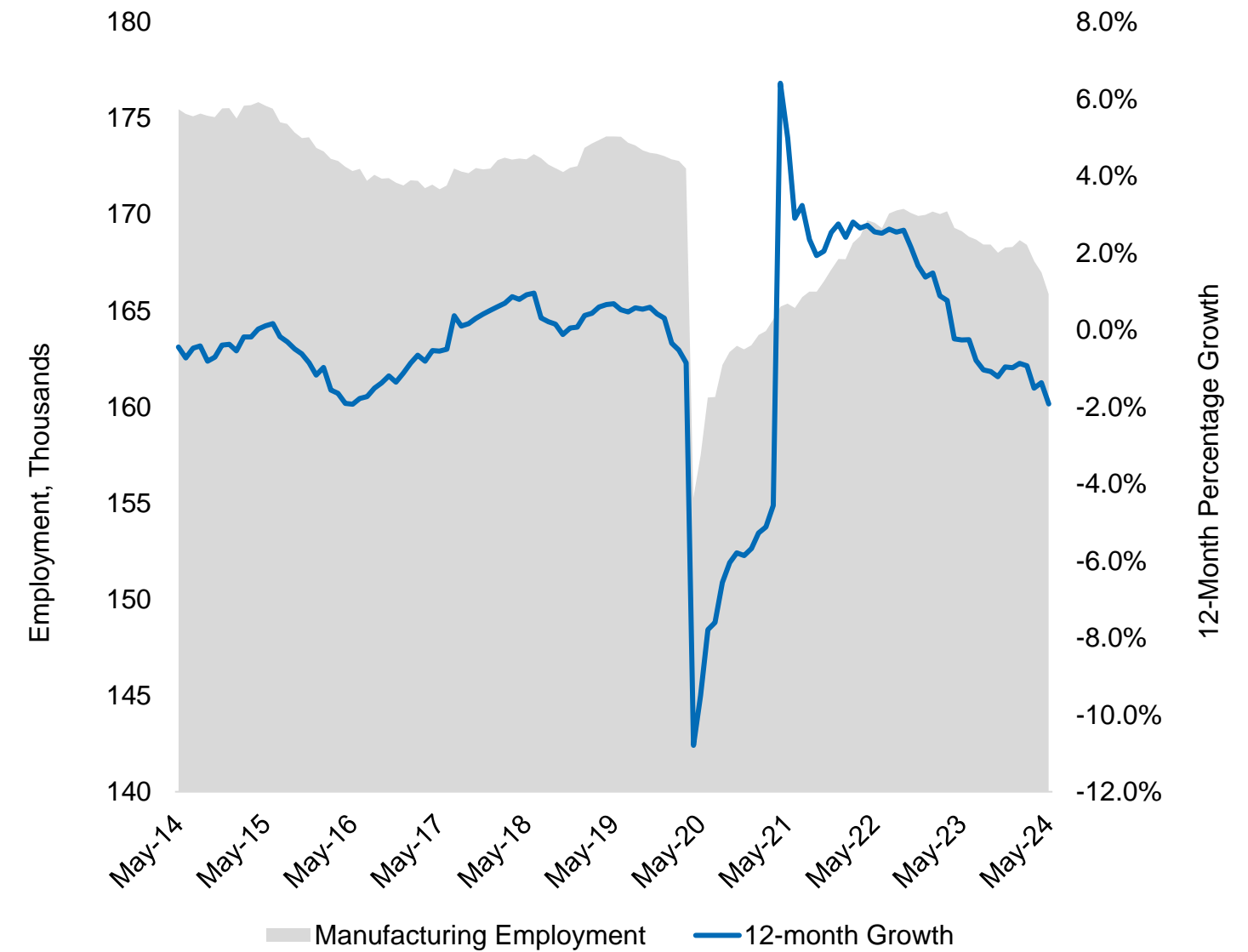
# Industrial Employment Growth Continues to Slow in 2024

Growth in the trade/transportation/utilities and manufacturing sectors has remained nearly flat as May 2024 posted further employment losses over the last 12 months. The manufacturing sector faced greater struggles with declining employment, in part due to some constraints of skilled labor and slowing demand. Despite this limited growth, various initiatives and legislation aimed at reviving domestic manufacturing efforts could help benefit regional manufacturing employment.

Total Employment and 12-Month Growth Rate, Trade/Transportation/Utilities



Total Employment and 12-Month Growth Rate, Manufacturing



Source: Moody's Analytics, Boston-Cambridge-Newton, MA-NH MSA  
 Note: May 2024 data is preliminary.

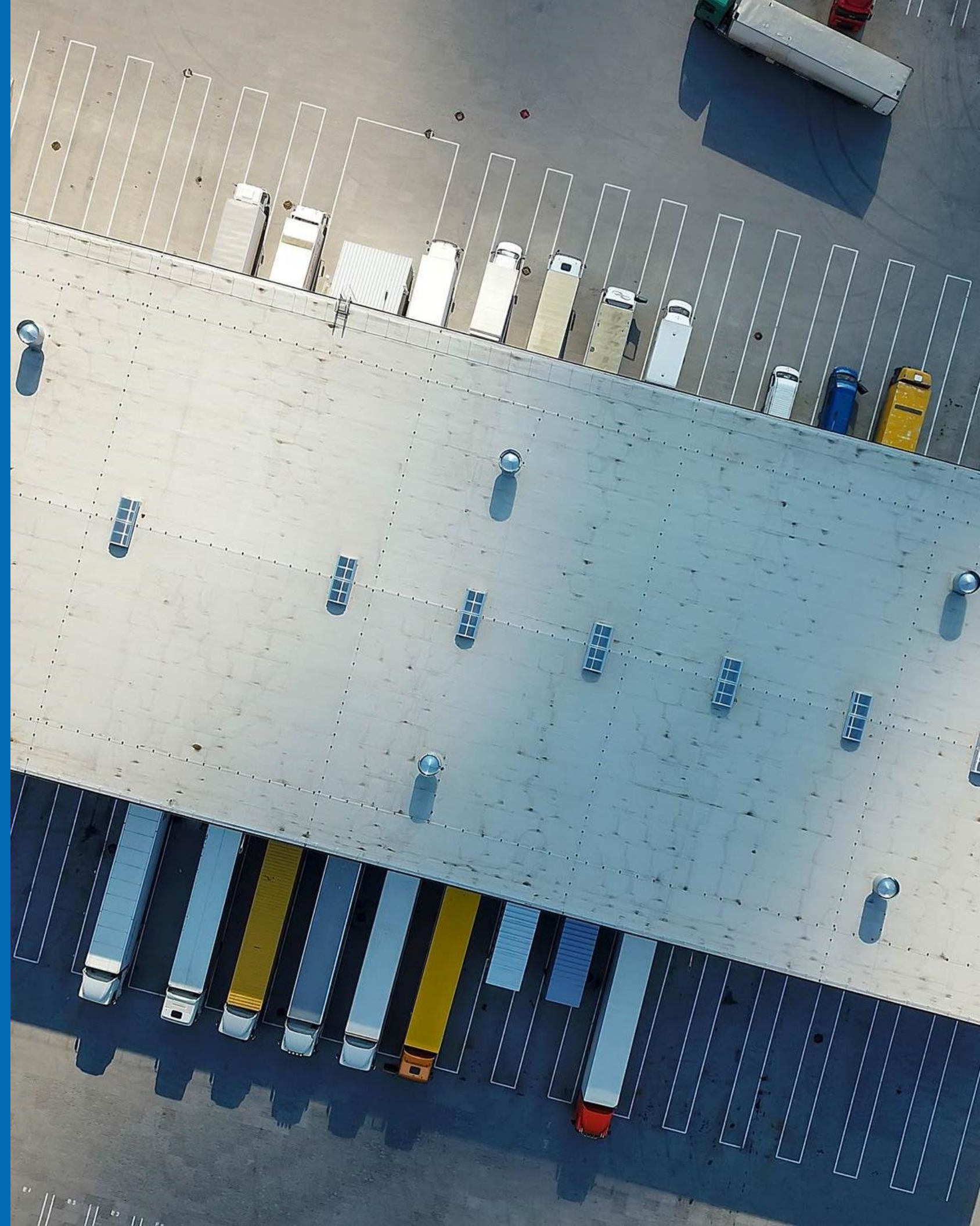


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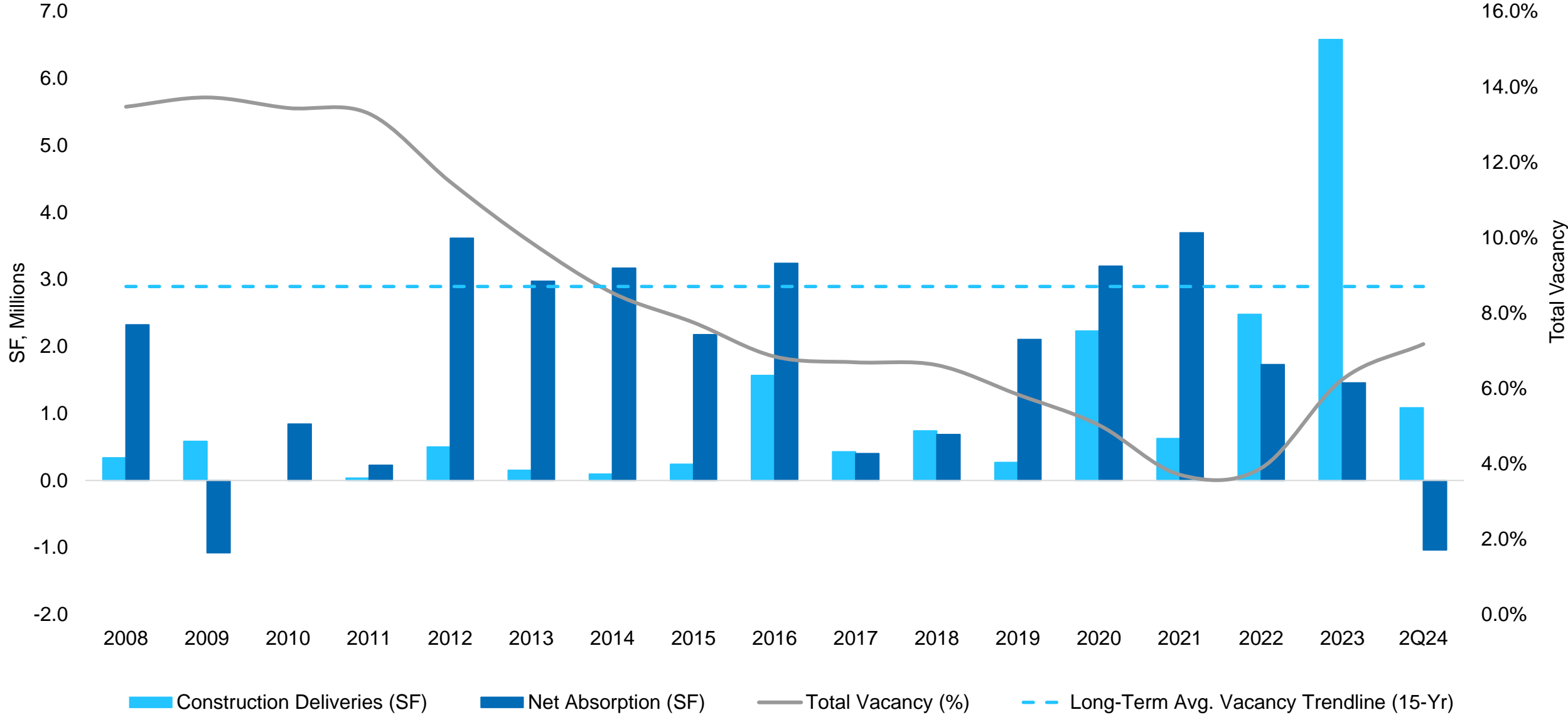
# Leasing Market Fundamentals



# Vacancy Rate Continues to Rise amid Stabilizing Industrial Fundamentals

The vacancy rate increased for the eighth consecutive quarter to reach 7.2%. This elevated rate is partially due to the completion of five warehouse and distribution facilities all delivering vacant during the second quarter of 2024. Construction deliveries continue to outpace absorption, which pushed the negative year-to-date net absorption total to over 1.0 million SF. This was largely due to several major tenants, including Factory Motor Parts, Quiet Logistics and Barrett Distribution Centers, vacating large blocks of space.

## Historical Construction Deliveries, Net Absorption, and Vacancy

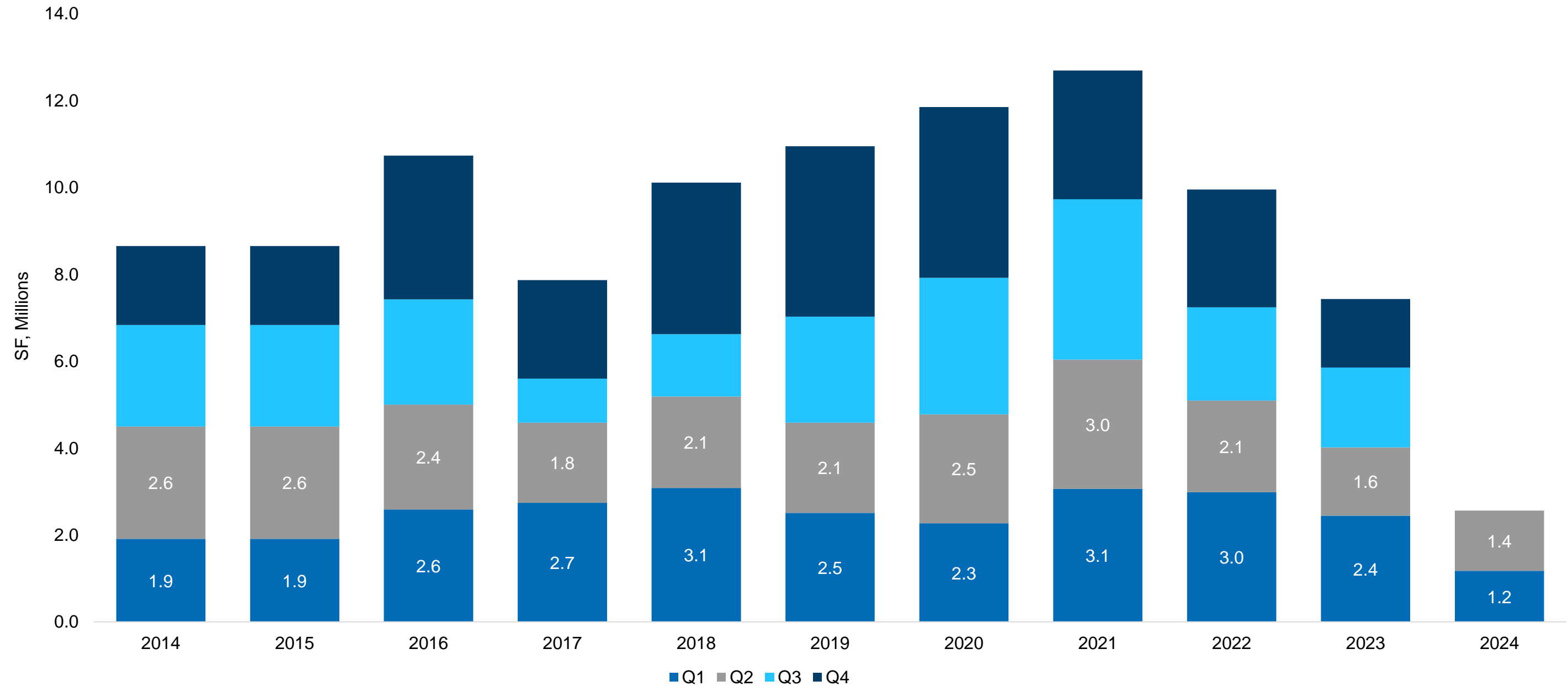


Source: Newmark Research

# Steady Leasing Activity but Remains below Historic Average

While leasing volume has picked up slightly over recent months, it still sits at one of its lowest levels in the past 10 years. Leasing activity has dropped by more than 50% since the peak realized just three years ago. Despite this recent slowdown, leasing velocity has been most active among smaller users under 50,000 SF, and a handful of large requirements have returned to the market. With better leverage and increasing options, this may lead to more tenants transacting later in 2024.

**Total Leasing Activity (SF)**

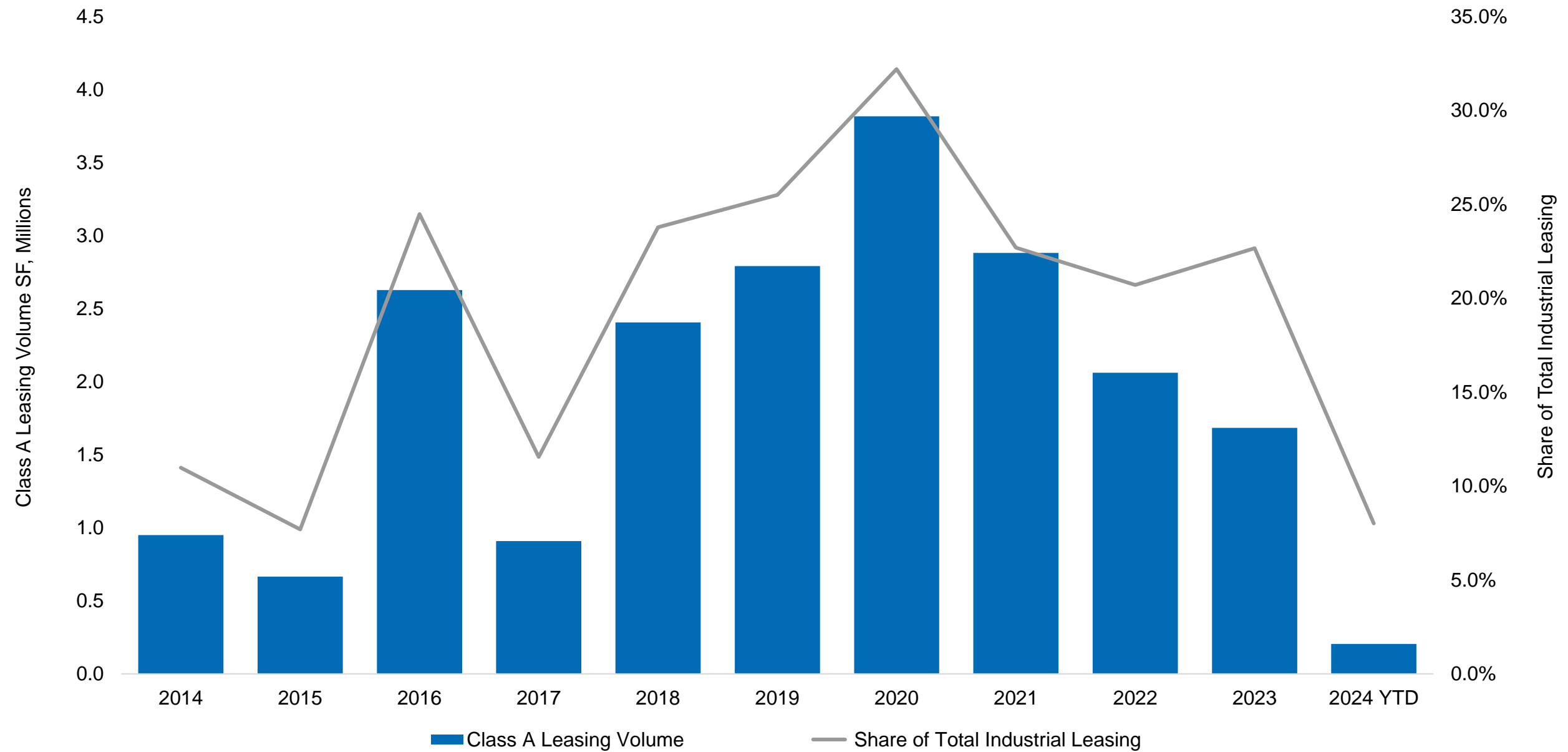


Source: Newmark Research, CoStar

# Limited Class A Warehouse Leasing Persists into 2024

Following a similar trend within Greater Boston's broader industrial market, leasing activity for Class A warehouse and distribution space has fallen to some of its lowest levels in recent years. In the first half of 2024, leasing within Class A warehouse product was down by approximately 75% from the same period last year and now only accounts for less than 10% of the total leasing activity. While overall industrial leasing activity remains softer, demand for high-quality space within this premier subtype will continue to be evident throughout the metro.

Industrial Class A Leasing Volume and Percentage of Total Industrial Leasing Volume



Source: Newmark Research, CoStar



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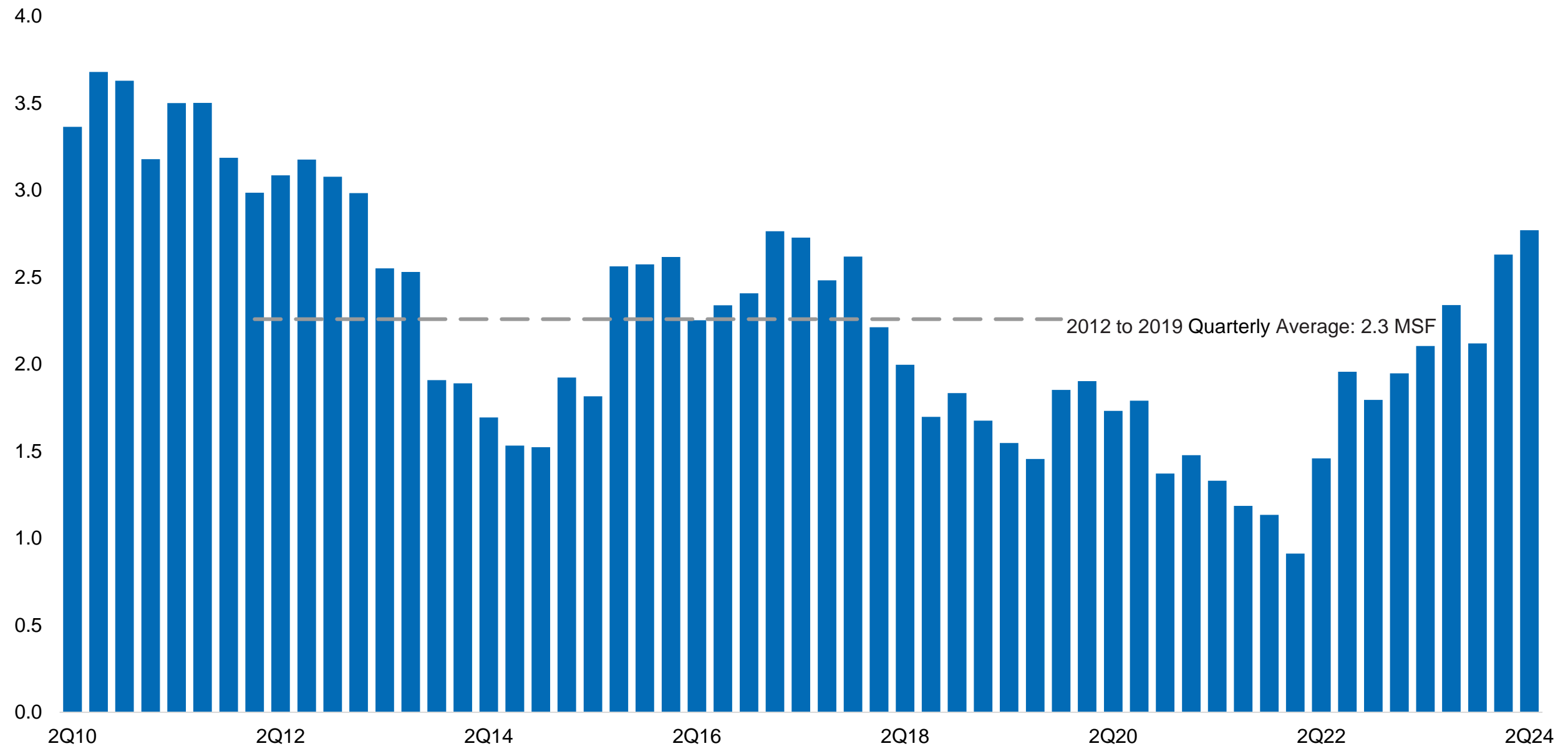


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# Industrial Sublease Availability Reaches a New Cyclical High

Sublease availabilities continued to grow in the second quarter of 2024, with over 2.7 million SF of total sublease volume. Some large tenants, including Aqua Leisure Industries, USPack Logistics and Red Sky Studios, have given back big blocks of space in recent months as many tenants continue to reduce excess space. Despite the growing sublease volume, it still only represents a small share, less than 1.5%, of the metro's total industrial inventory.

Available Industrial Sublease Volume (msf)



Source: Newmark Research, CoStar



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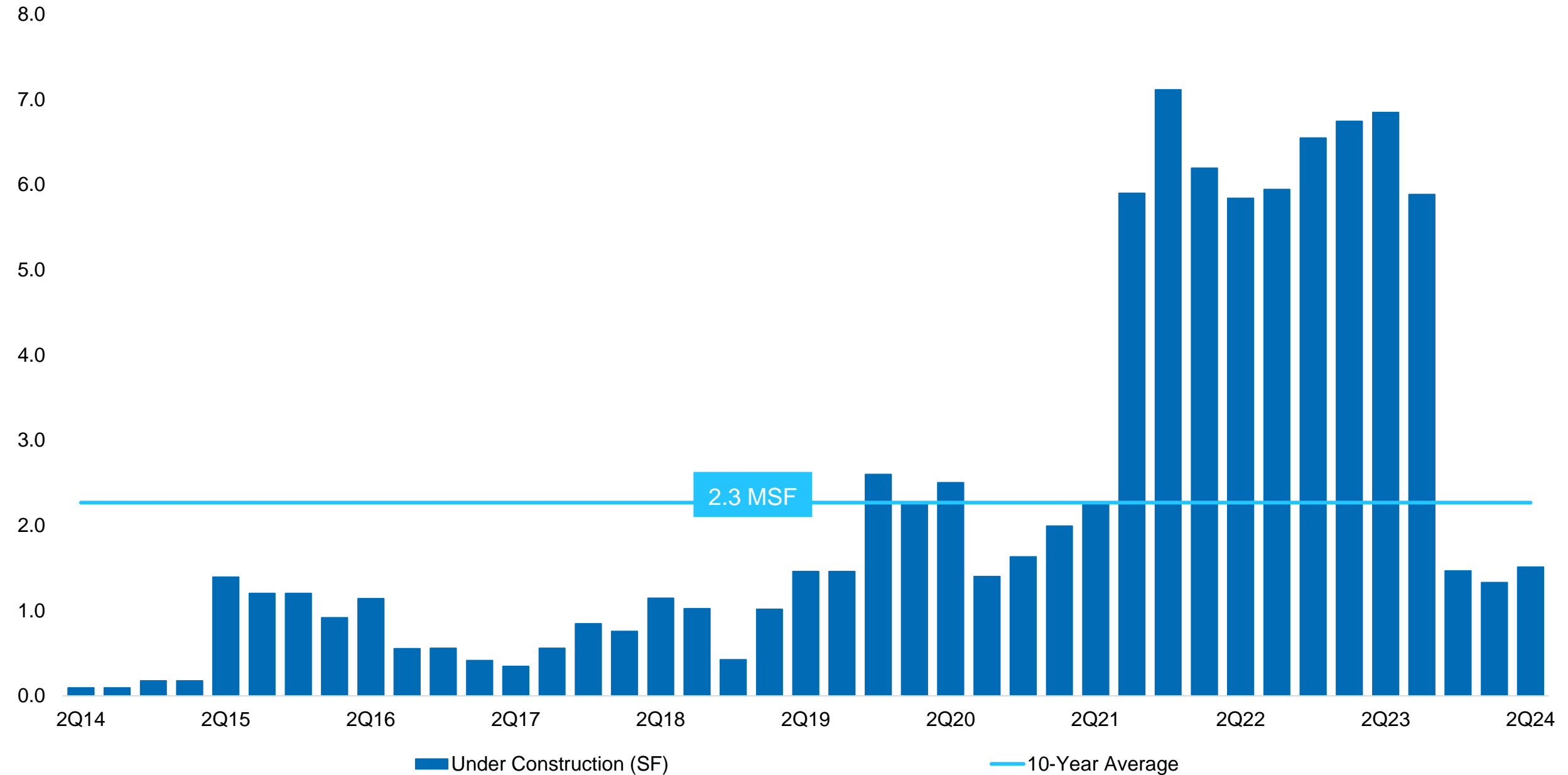


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# Development Pipeline Stabilizes below Long-Term Historical Average

As industrial deliveries have cooled relative to more recent years, the construction pipeline has leveled off at nearly half of the historic long-term average. New space underway as of the second quarter of 2024 now stands at over 1.5 million SF, more than a 75% reduction since the same period last year. Much of the new product coming on line, the majority of which is expected to deliver by the end of next year, does not have any committed tenants, which provides users looking for new or additional space with many options to suit their needs.

Industrial Space Under Construction (msf)

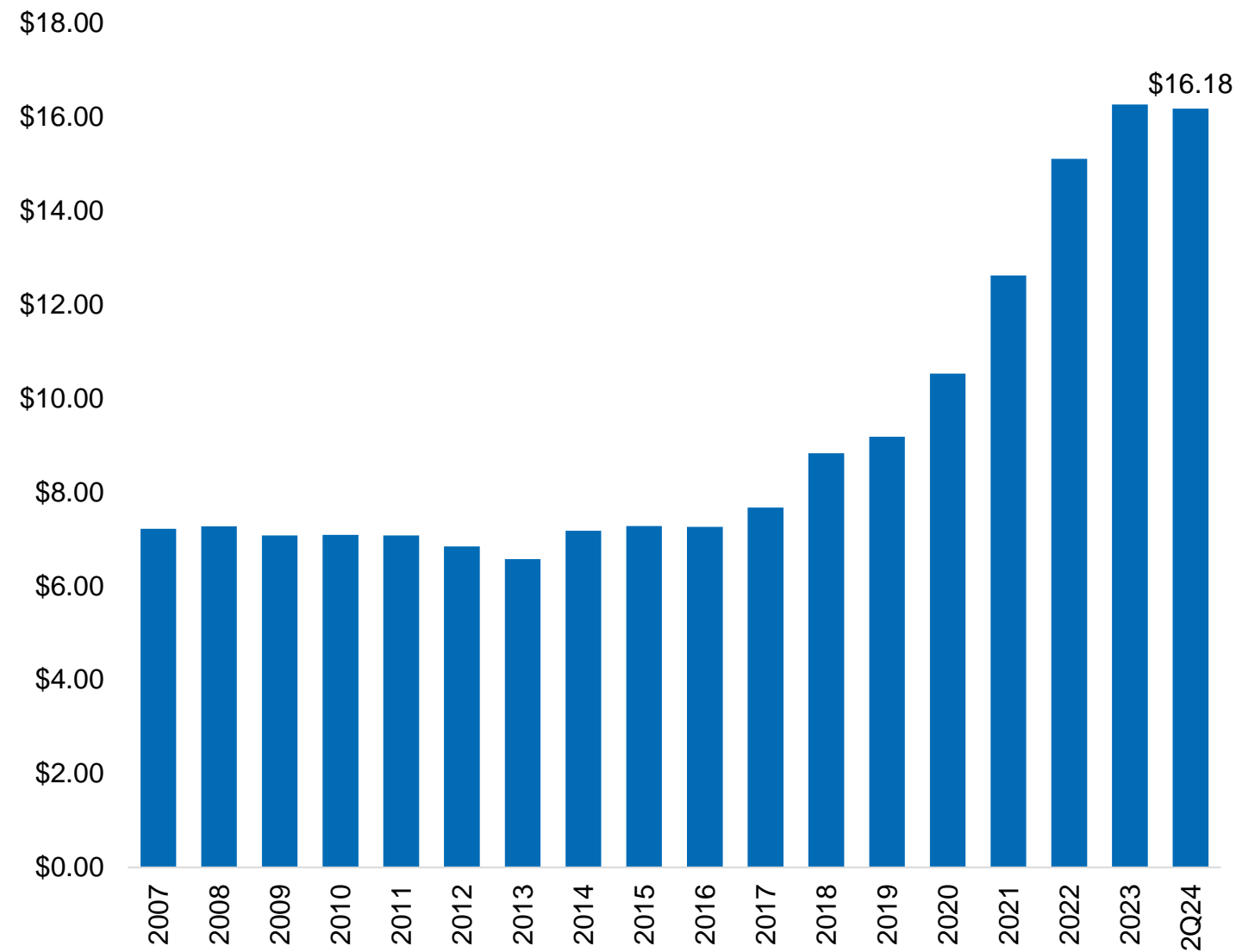


Source: Newmark Research, CoStar

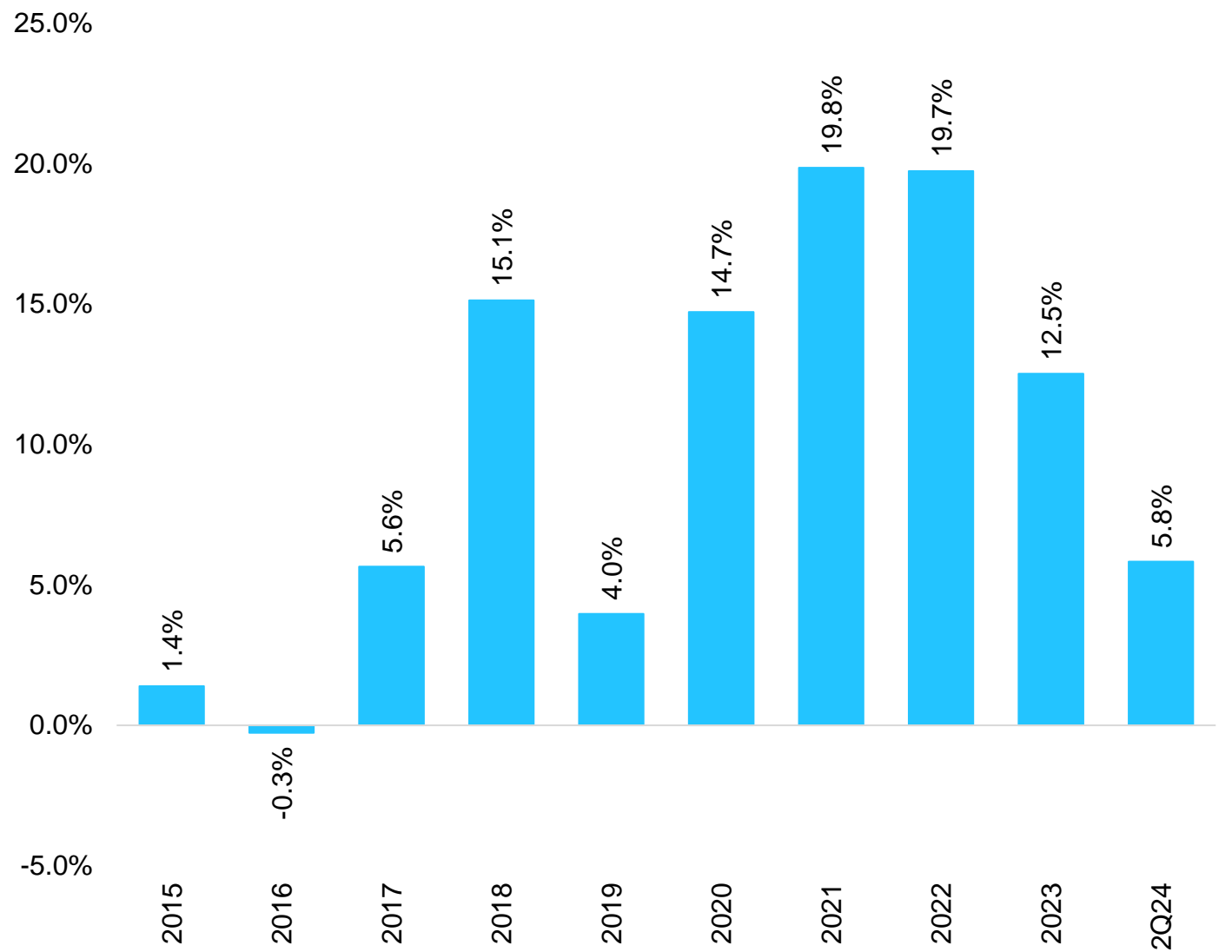
# Average Asking Rents Still Holding Near Historic Highs

Overall average asking rents in Greater Boston's industrial market fell for the second consecutive quarter but remain just below the all-time historic high. This slight decline in rents during the second quarter of 2024 can be attributed to some landlords starting to drop asking rents in an attempt to attract more tenants. Year-over-year rent growth remains positive, albeit slower than the gains experienced over the last few years. With a handful of new, premium quality and higher-priced projects expected to deliver within the next 12 to 18 months, rent growth is expected to sustain some of this upward pressure in the near term.

Industrial Average Asking Rent, \$/SF, NNN



Year-over-Year Asking Rent Growth Rate % Change



Source: Newmark Research, CoStar



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# Select Lease Transactions

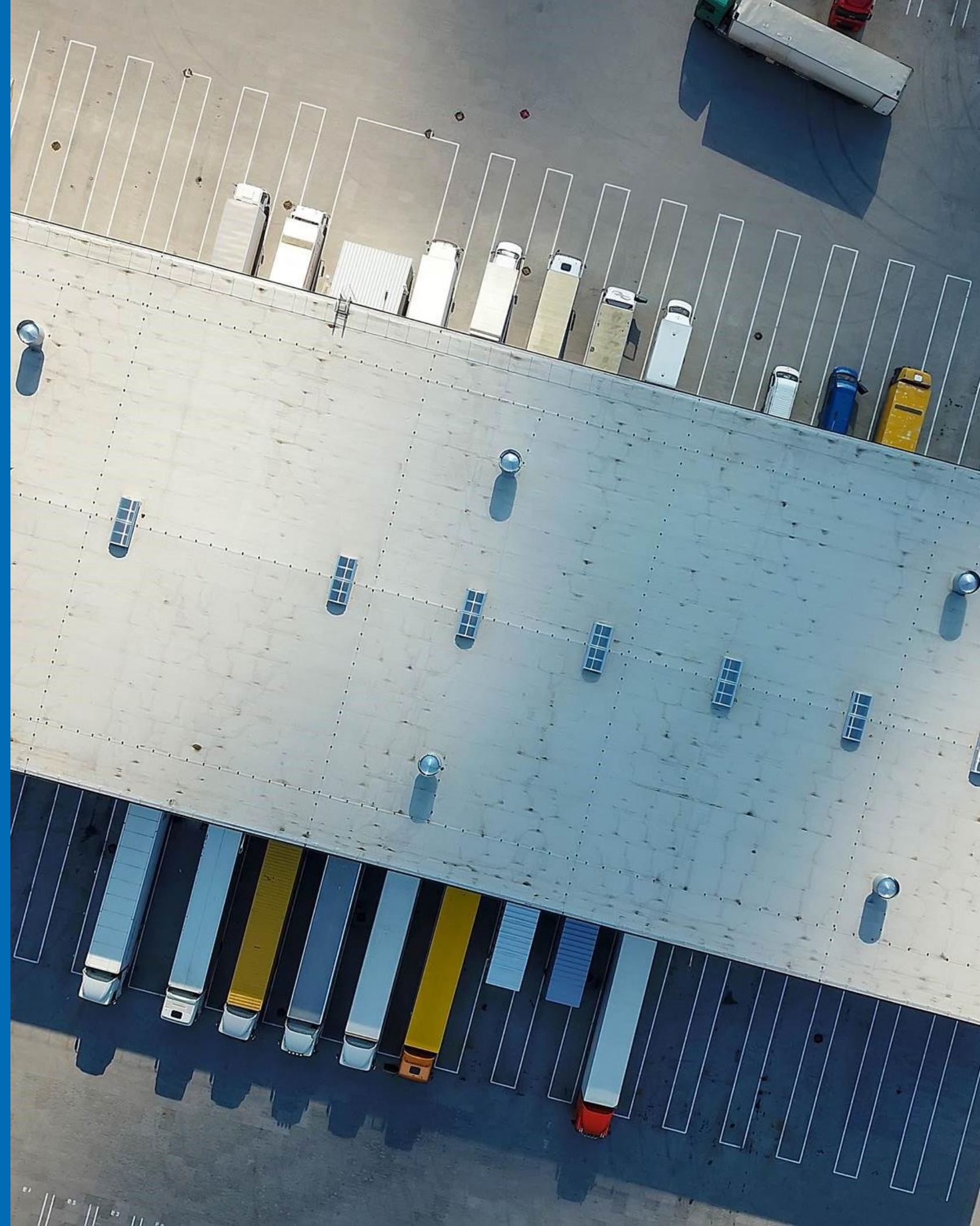
An increase in sublease and lease renewal activity was a notable trend seen during the second quarter of 2024, as many tenants remain price sensitive and target quality product in the core submarkets. While new tenant requirements and larger leasing activity remain relatively limited, some considerable deals were still executed over recent months.

## Select Lease Transactions

Tenant	Building	Submarket	Type	Square Feet
Persimmon Technologies <i>The R&amp;D/flex facility will serve as the technology company's North American headquarters for various manufacturing, R&amp;D, and office uses.</i>	35 Crosby Dr., Bedford	North	Direct Lease	142,000
Nuvera Fuel Cells <i>The clean-energy technology company has secured a long-term lease renewal for the entire two-building facility at Rivertech Park.</i>	129 Concord Rd., Billerica	North	Lease Renewal	110,000
Mainstream Global <i>The reverse supply chain solutions provider has subleased nearly 70,000 SF from EBP Supply Solutions.</i>	65 Sunnyslope Ave., Tewksbury	North	Sublease	70,000
Curriculum Associates <i>The education technology company extended its lease to occupy the entire warehouse facility in Billerica.</i>	153 Rangeway Rd., Billerica	North	Lease Extension	64,000
A123 Systems <i>The battery manufacturer will continue to occupy 60,000 SF in Waltham.</i>	200 West St., Waltham	West	Lease Renewal	60,000

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# Submarket Overview





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