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3Q24

# Boston Industrial Market Overview



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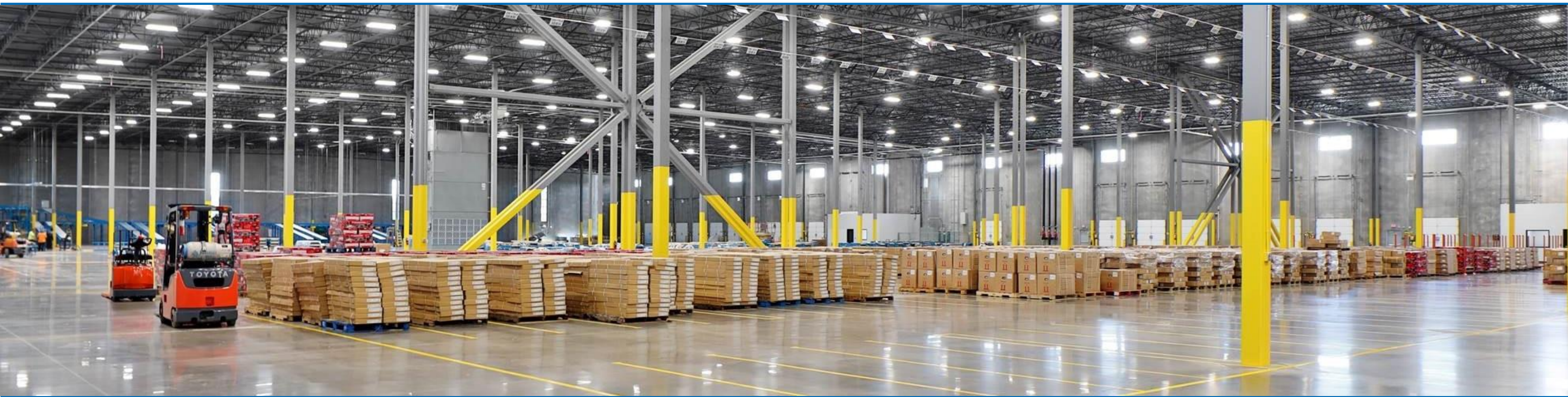
# Market Observations

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

Industrial vacancy rates increased for a ninth consecutive quarter, reaching 7.6% in the third quarter of 2024 as new speculative deliveries weigh on market fundamentals.

Cargo volumes dipped at the Conley Terminal in Boston during third quarter of 2024 as supply chain risk continues to impact industrial port markets.

The Class A Warehouse subtype experienced limited leasing velocity as users remain focused on the smaller blocks of industrial space.



Three new projects delivered during the third quarter of 2024, totaling 313,950 SF in two separate industrial submarkets.

Some sizeable leases were executed this quarter, led by Dealer Tire renewing for 151,652 SF at 12 Forge Park in Franklin.

Rent growth remained nearly flat on a quarter-over-quarter basis 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.

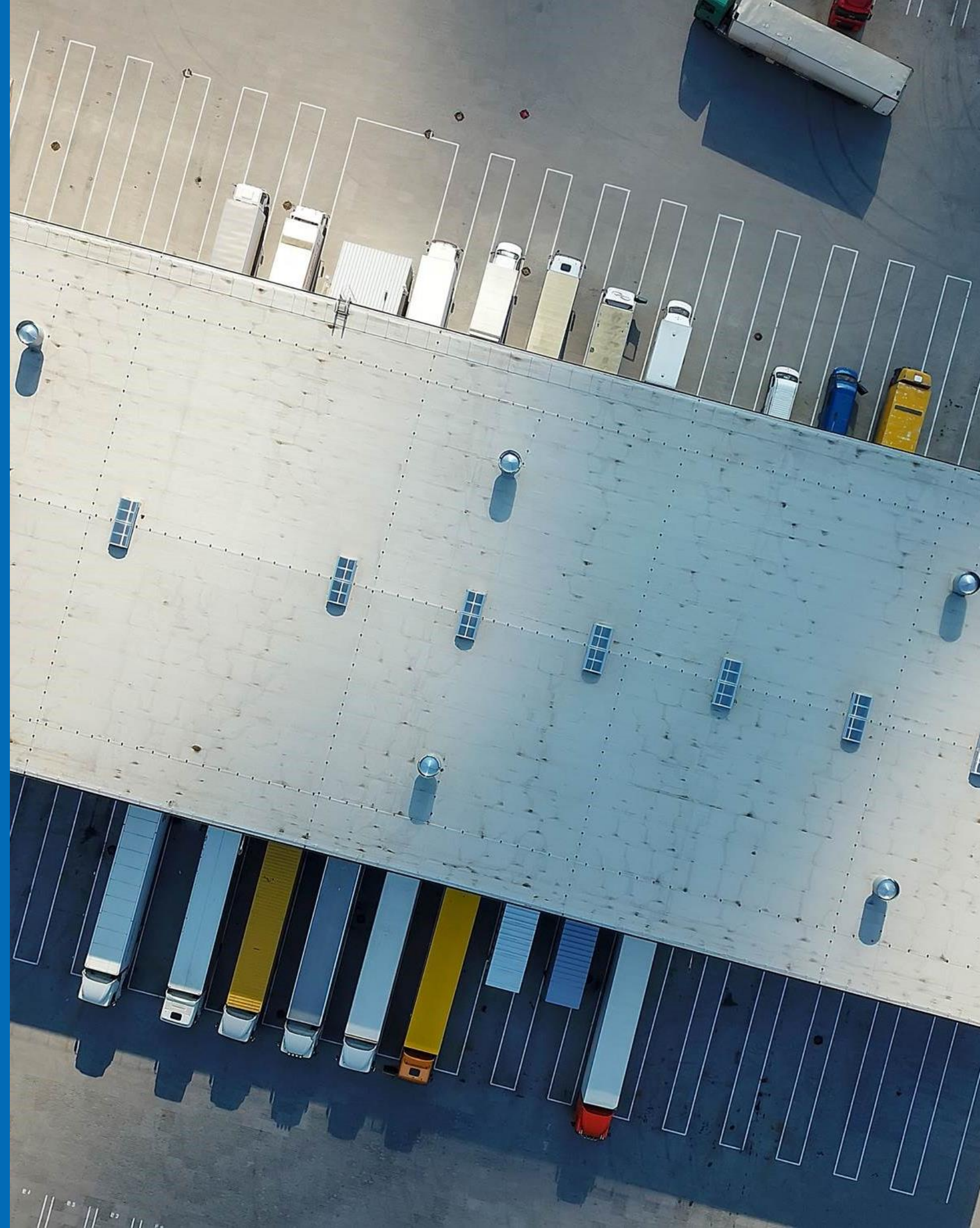
The Urban submarket remains the most supply constraint, boasts the lowest sublease availability and maintains the highest average asking rents.

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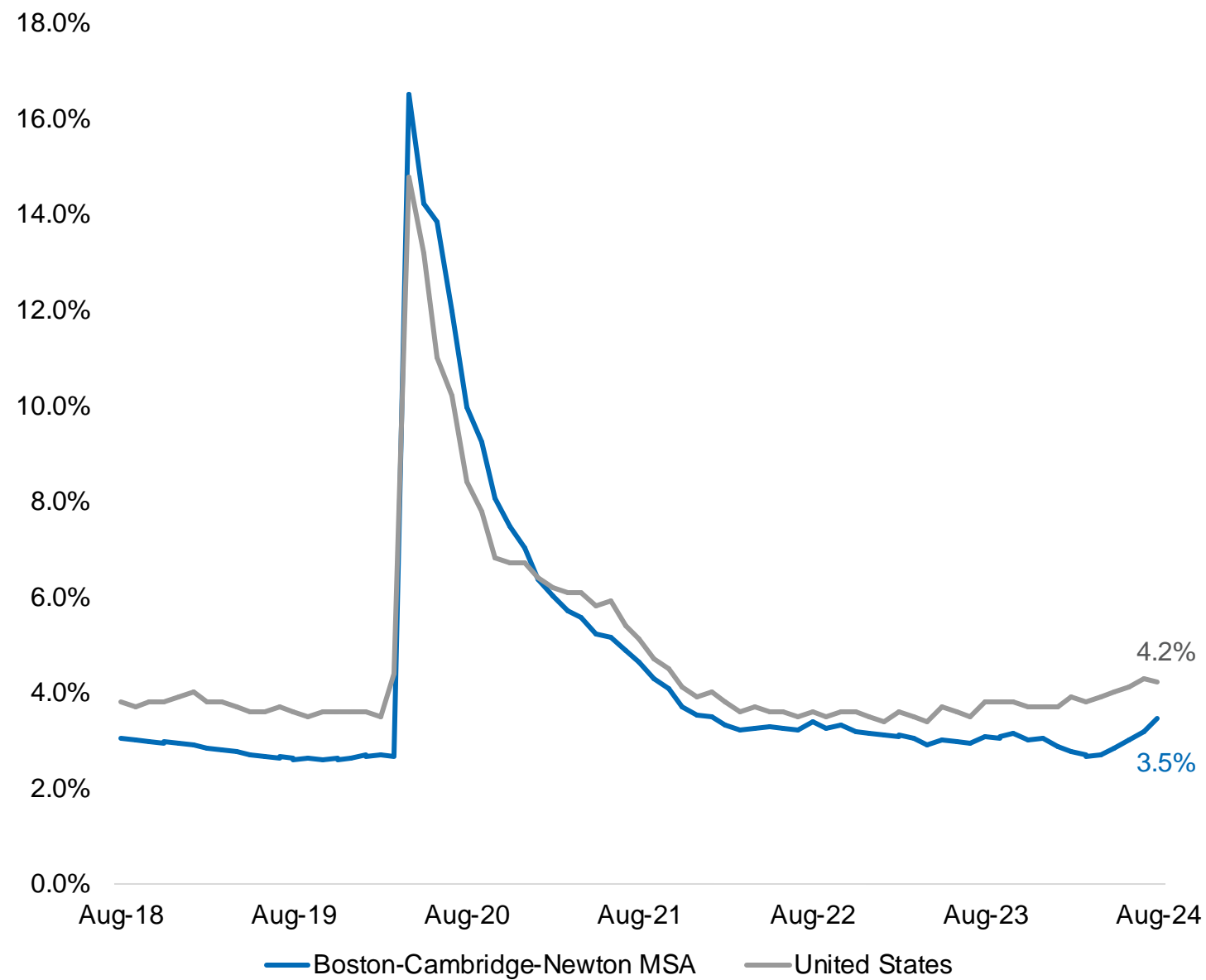
# Economy



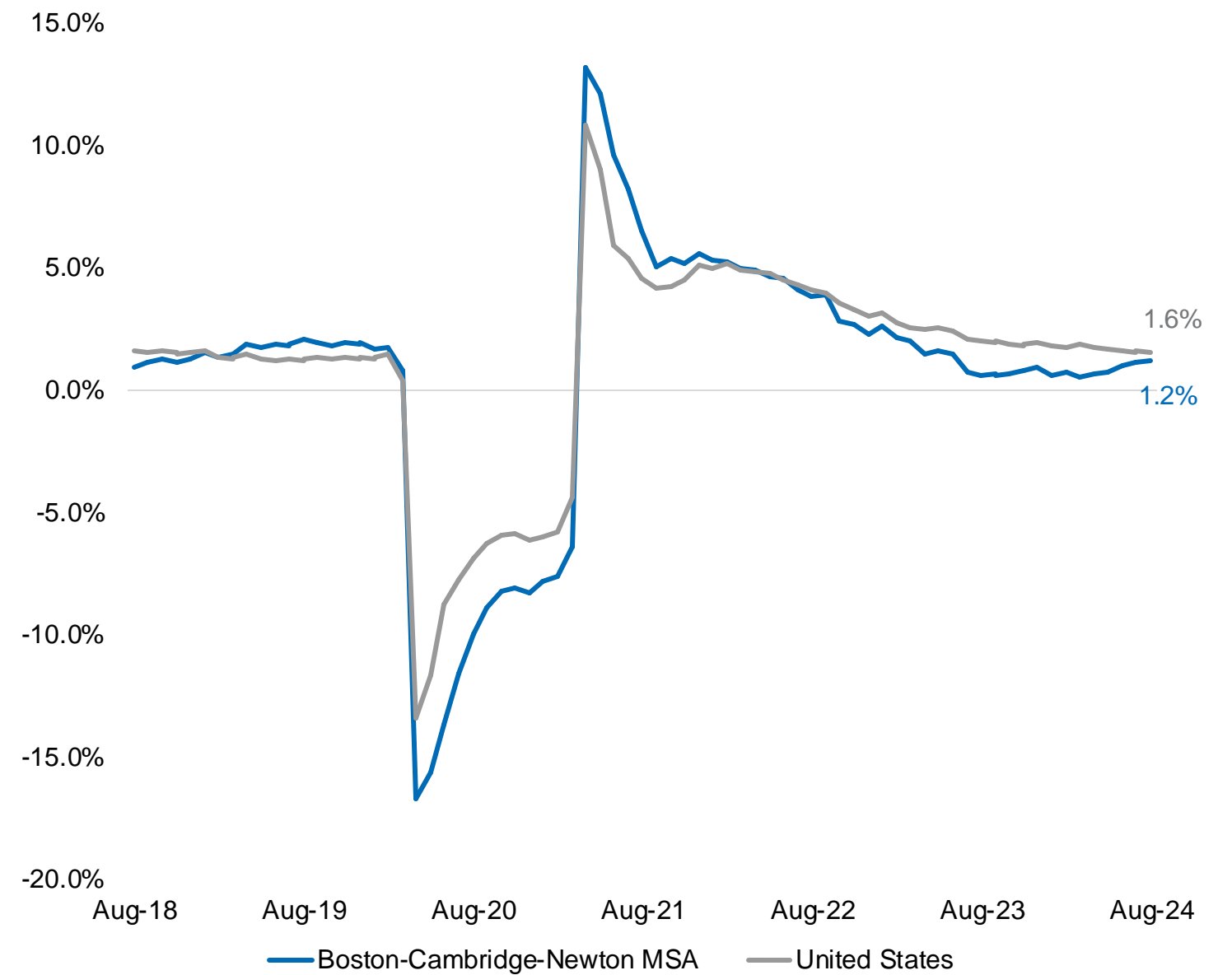
# Impacts of Layoffs and Future Workforce Development

Greater Boston's unemployment rate rose this quarter, reaching 3.5% in August, the highest level since 2022. Despite ongoing layoffs, the region's unemployment rate remains below the national average, indicating a degree of resilience within the local economy. Businesses continue to adapt and pursue talent in emerging sectors like construction and leisure/hospitality.

Unemployment Rate, Seasonally Adjusted



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



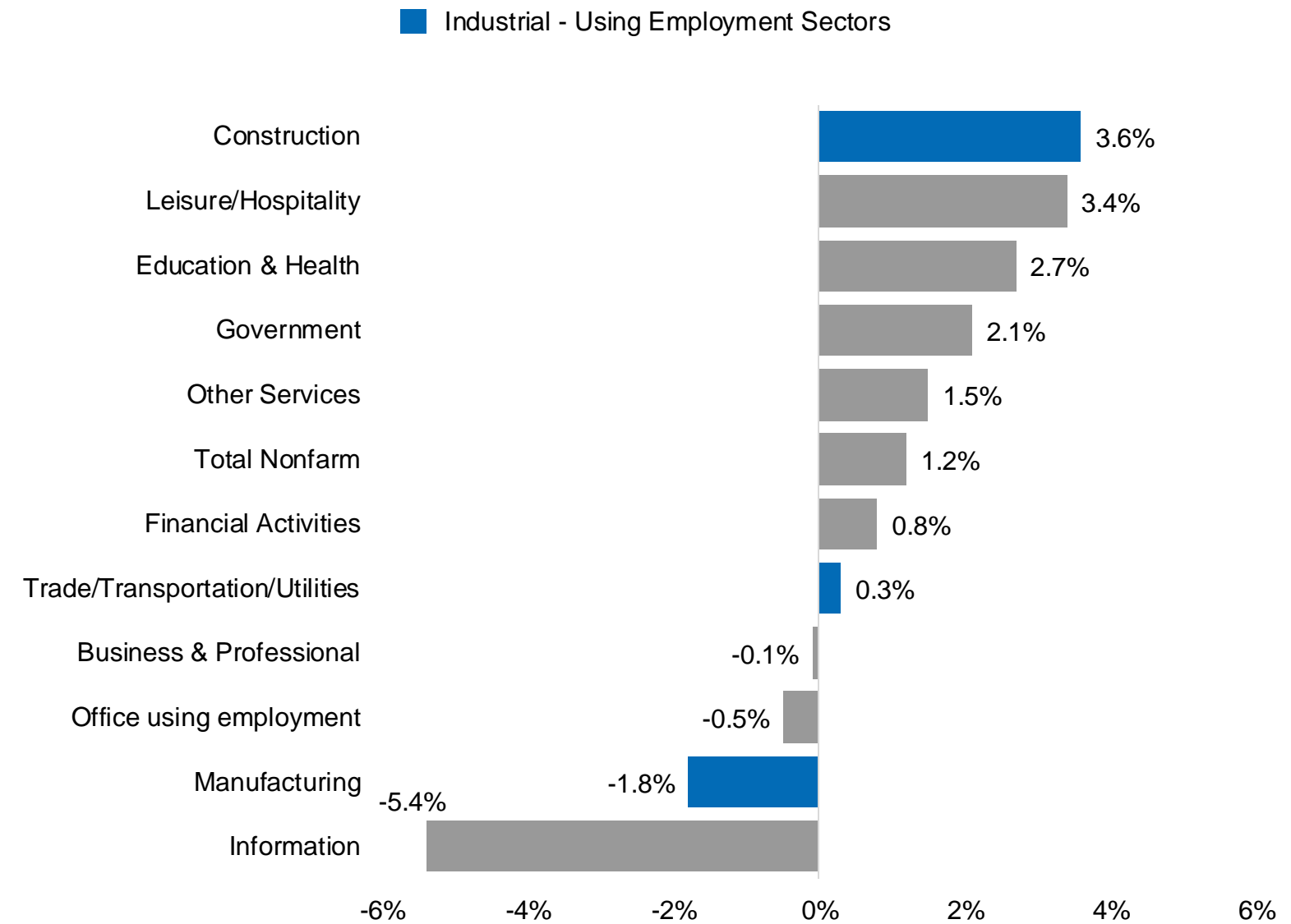
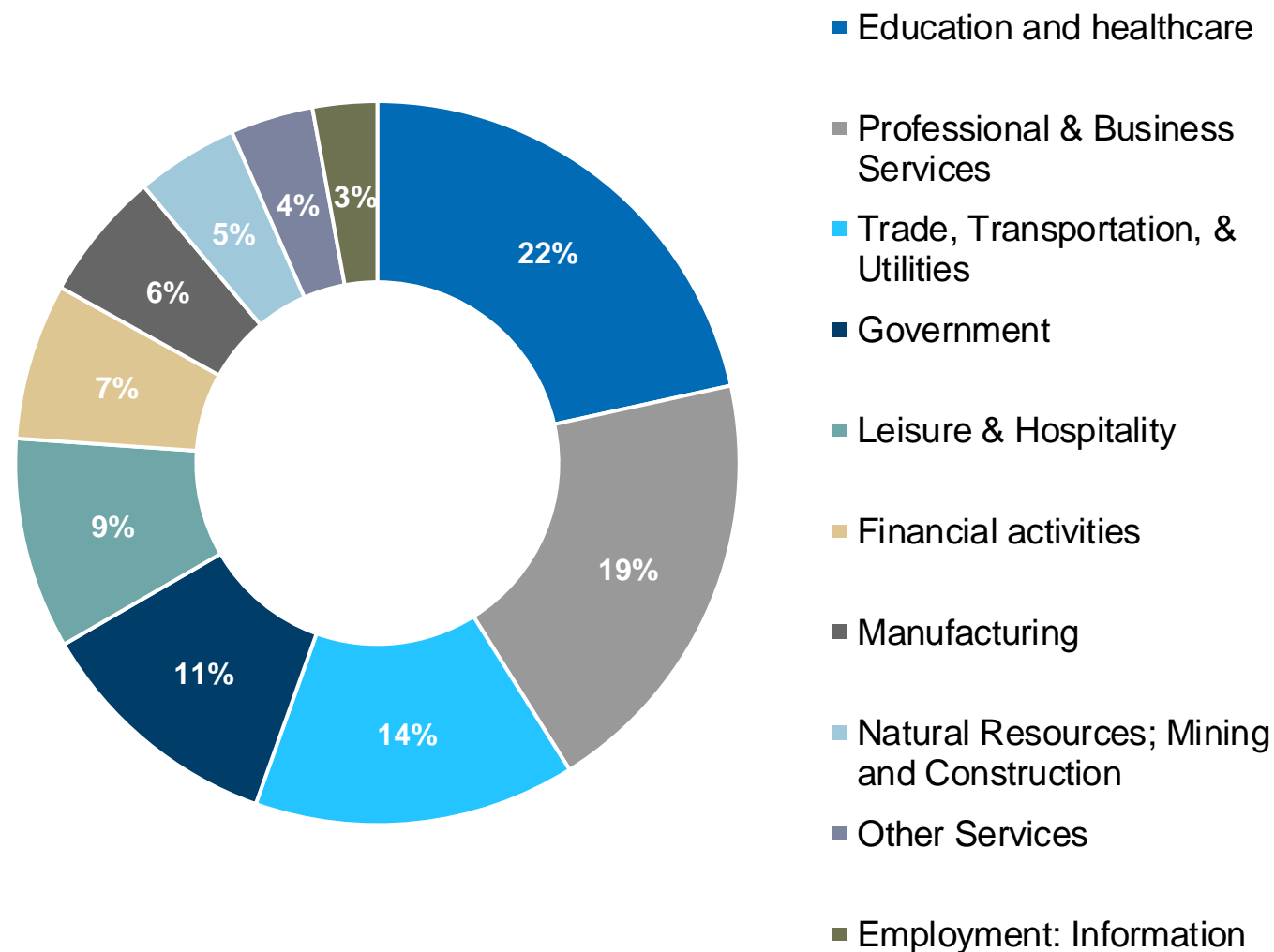
Source: Moody's Analytics, Boston-Cambridge-Newton, MA-NH MSA  
 Note: August 2024 data is preliminary.

# Construction Leads Job Gains Amid Limited Growth in Other Industries

Construction continues to lead in annual job gains within the Boston metro area, while employment in other industrial sectors remained limited in recent months. Although overall employment growth is slowing, significant efforts are underway to enhance the state's economy and competitiveness. Notably, the Massachusetts Manufacturing Accelerate Program supports manufacturing companies by offering grants.

Employment by Industry, August 2024

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



Source: Moody's Analytics, Boston-Cambridge-Newton, MA-NH MSA

Note: August 2024 data is preliminary.

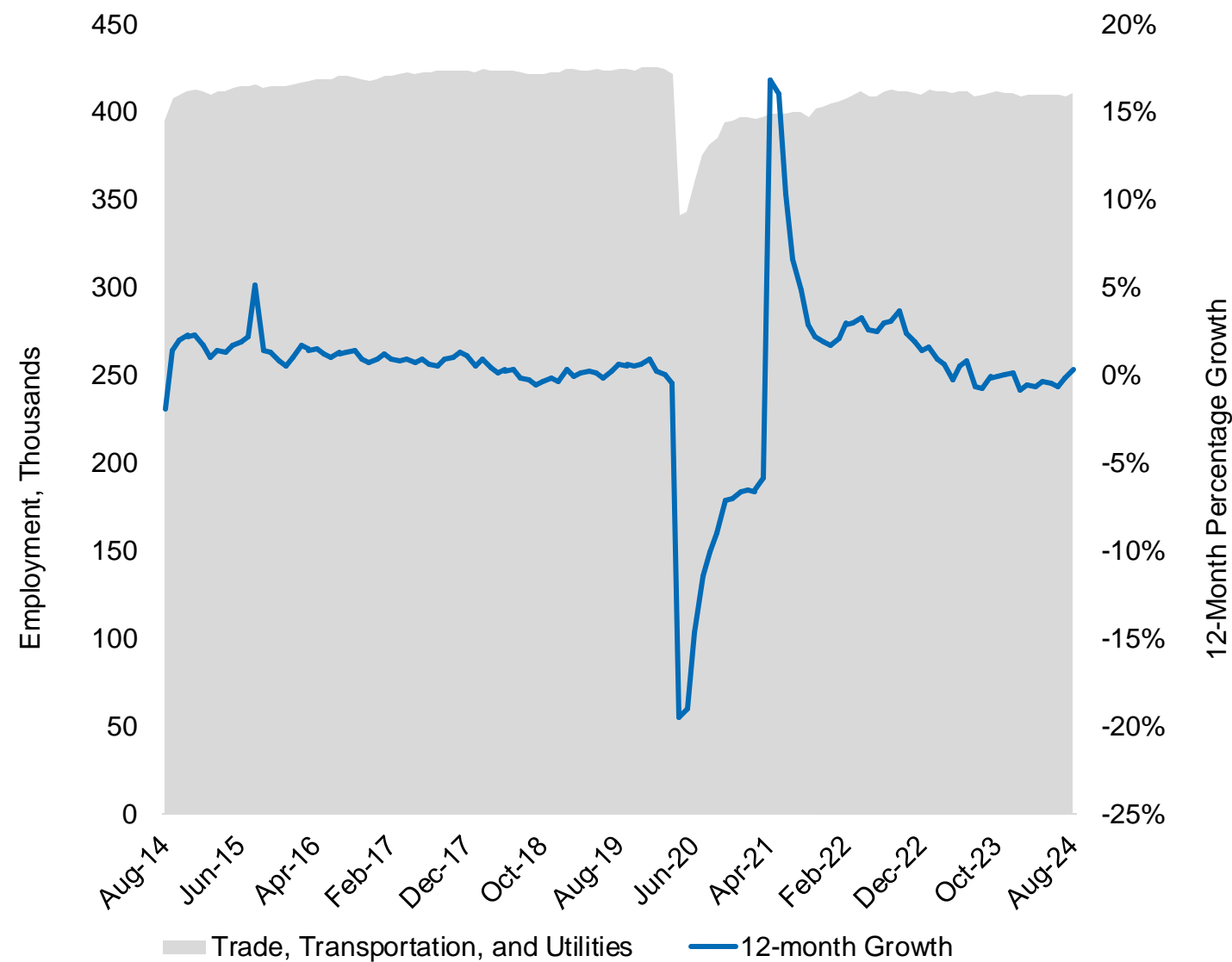
\*Office-using employment includes employment in the following sectors: Professional & Business Services, Financial Activities and Information



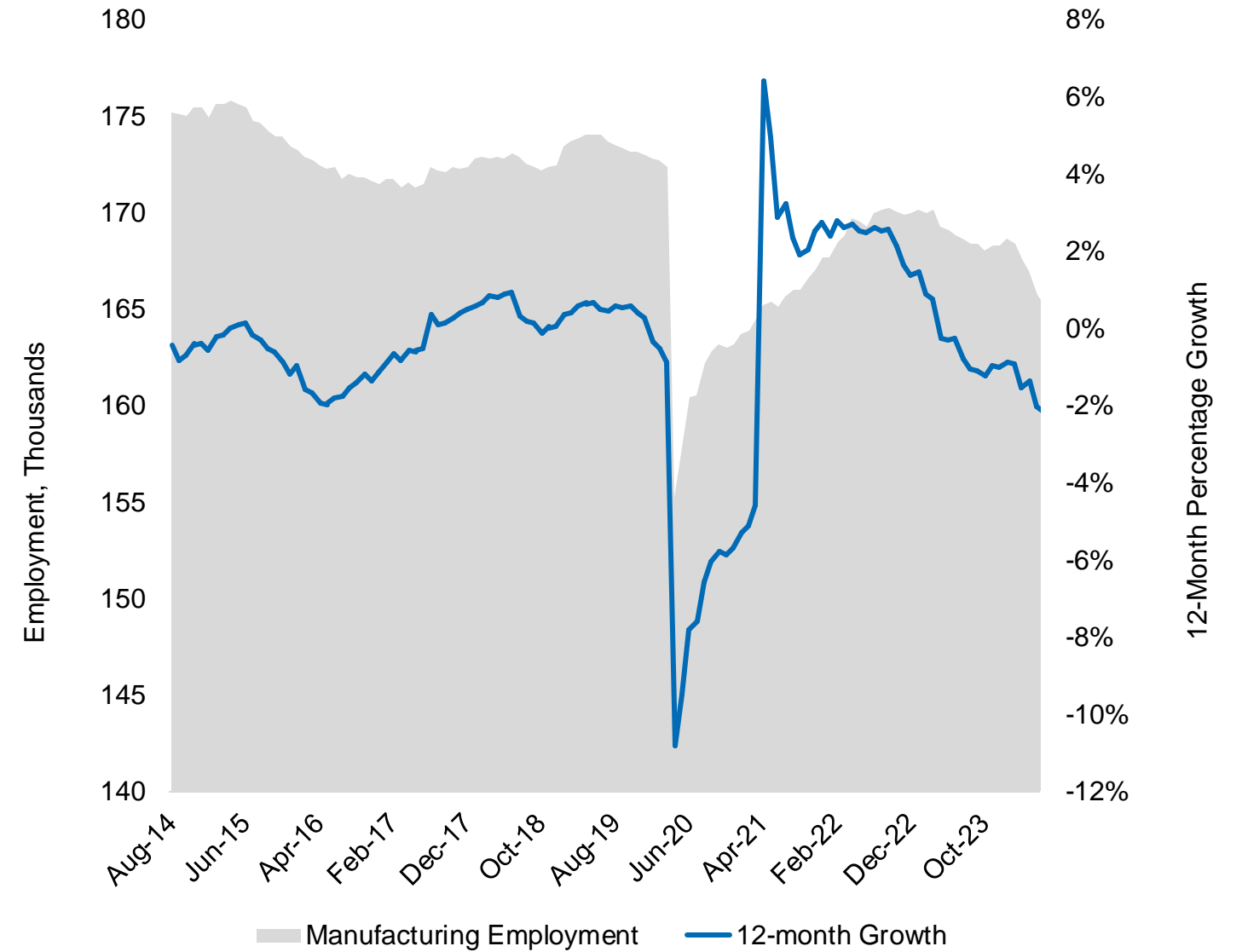
# Trade Sector Growth Contrasts with Manufacturing Employment Declines

In August, the 12-month growth in the trade, transportation, and utilities sector recorded its first increase since December 2023, although it remains relatively flat overall. Meanwhile, the manufacturing sector continues to face employment losses, highlighting ongoing constraints in skilled labor and a slowdown in demand. This divergence in sector performance underscores the varying impacts of economic conditions on different industries within the region.

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: August 2024 data is preliminary.



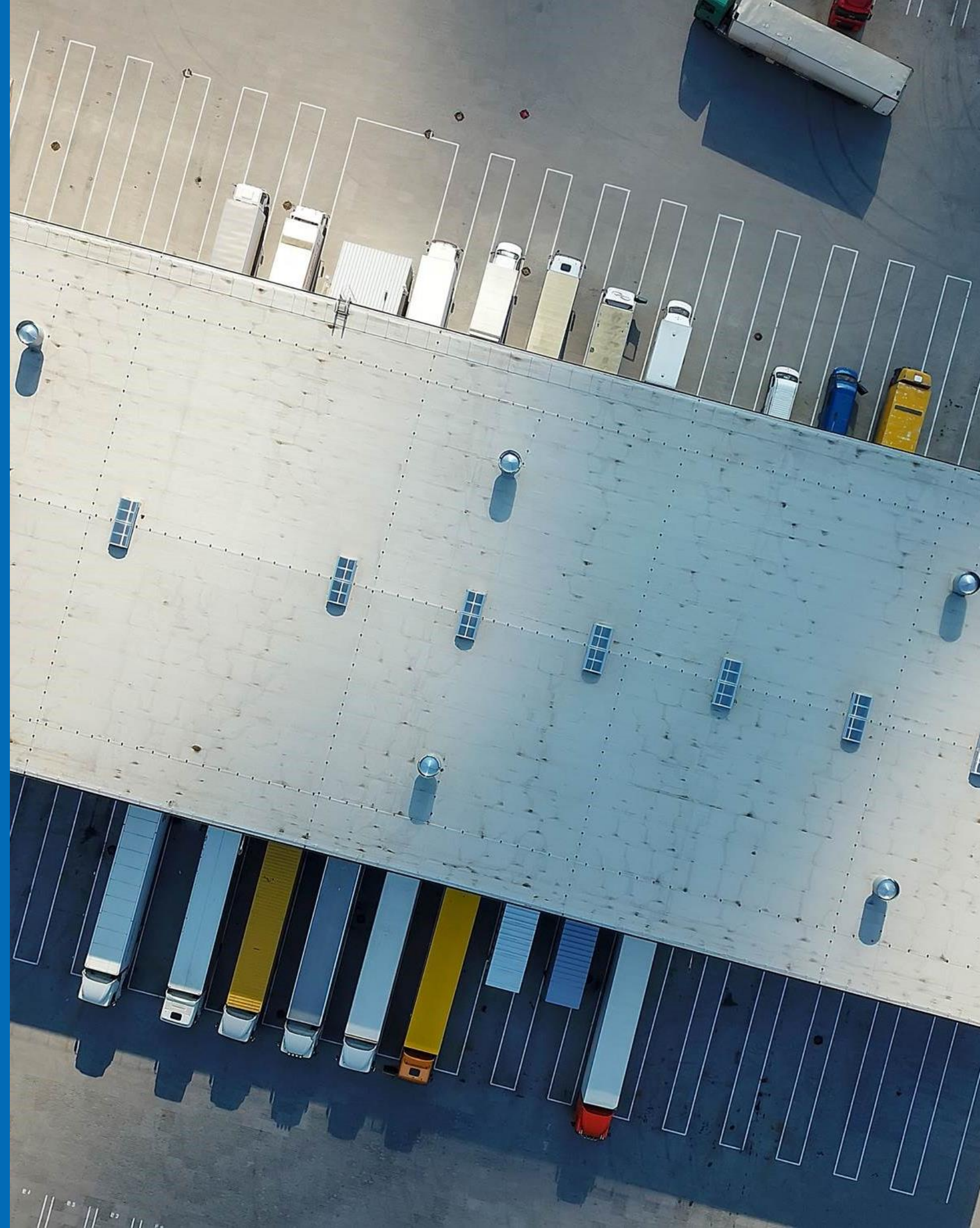


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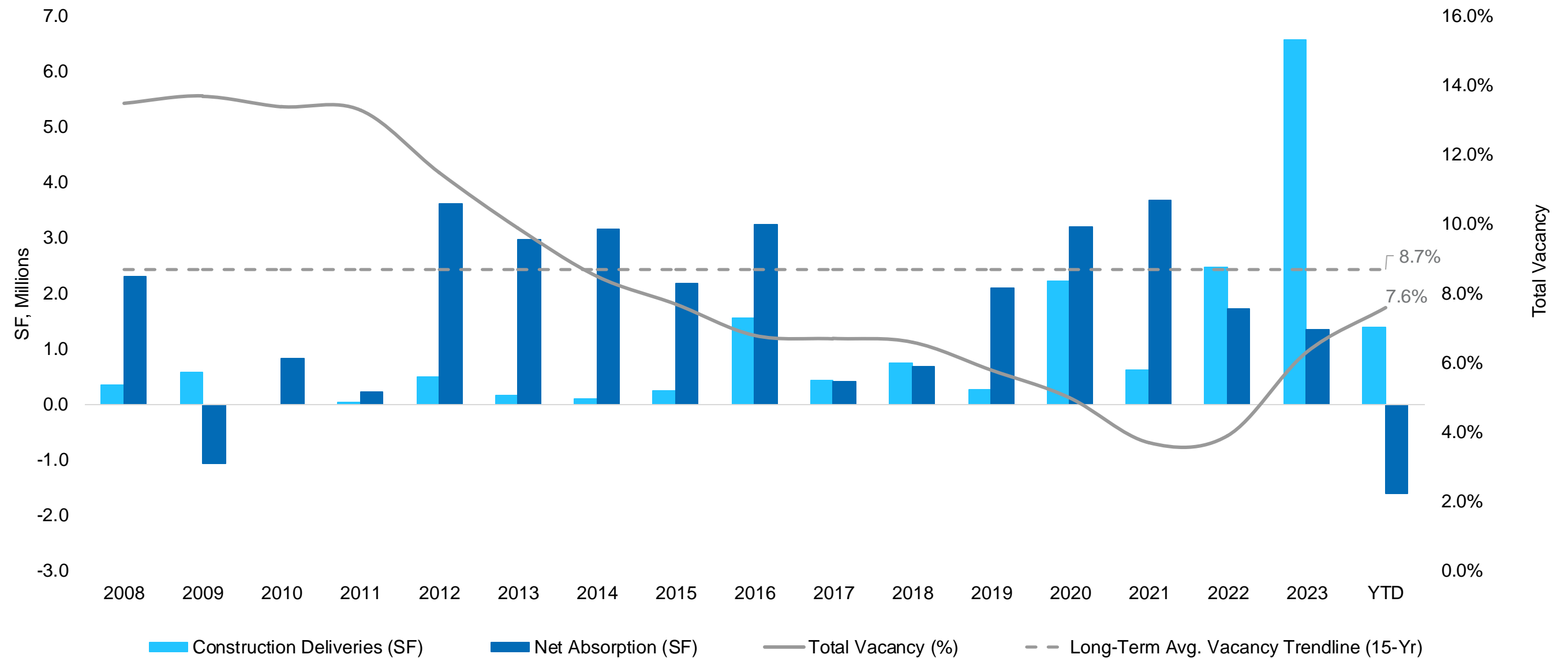
# Leasing Market Fundamentals



# Vacancy Rate Rise as Supply and Demand Diverge

Market fundamentals have softened further in Greater Boston's industrial market. Vacancy increased for a ninth consecutive quarter, as year-to-date negative net absorption reached 1.6 million SF at the end of the third quarter of 2024. Limited preleasing within recent speculative developments is also driving industrial vacancies higher across the metro area. Fundamentals are outperforming in the West submarket, with vacancies sitting 200 basis points below the metrowide average.

## Historical Construction Deliveries, Net Absorption, and Vacancy



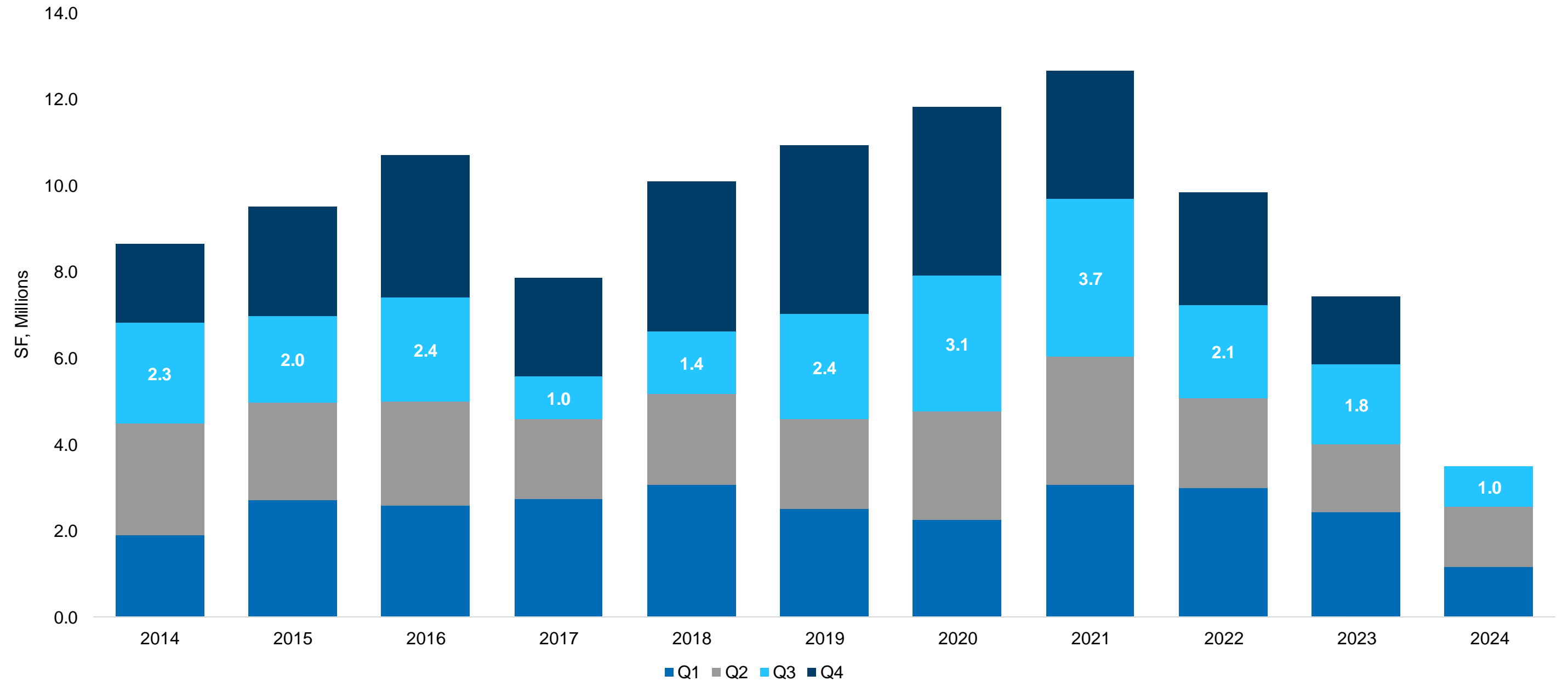
Source: Newmark Research



# Leasing Activity Hits Historic Low as Smaller Users Dominate

Third quarter leasing activity has reached a historic low, declining by 48% compared to year-ago levels. Among the limited activity observed, the most significant velocity has been reported among smaller users, with an average lease size of 42,000 SF. Highlighting a preference for flexibility among smaller business, which are increasing to secure space that aligns with their evolving operational needs in the current economic climate.

Total Leasing Activity (SF)

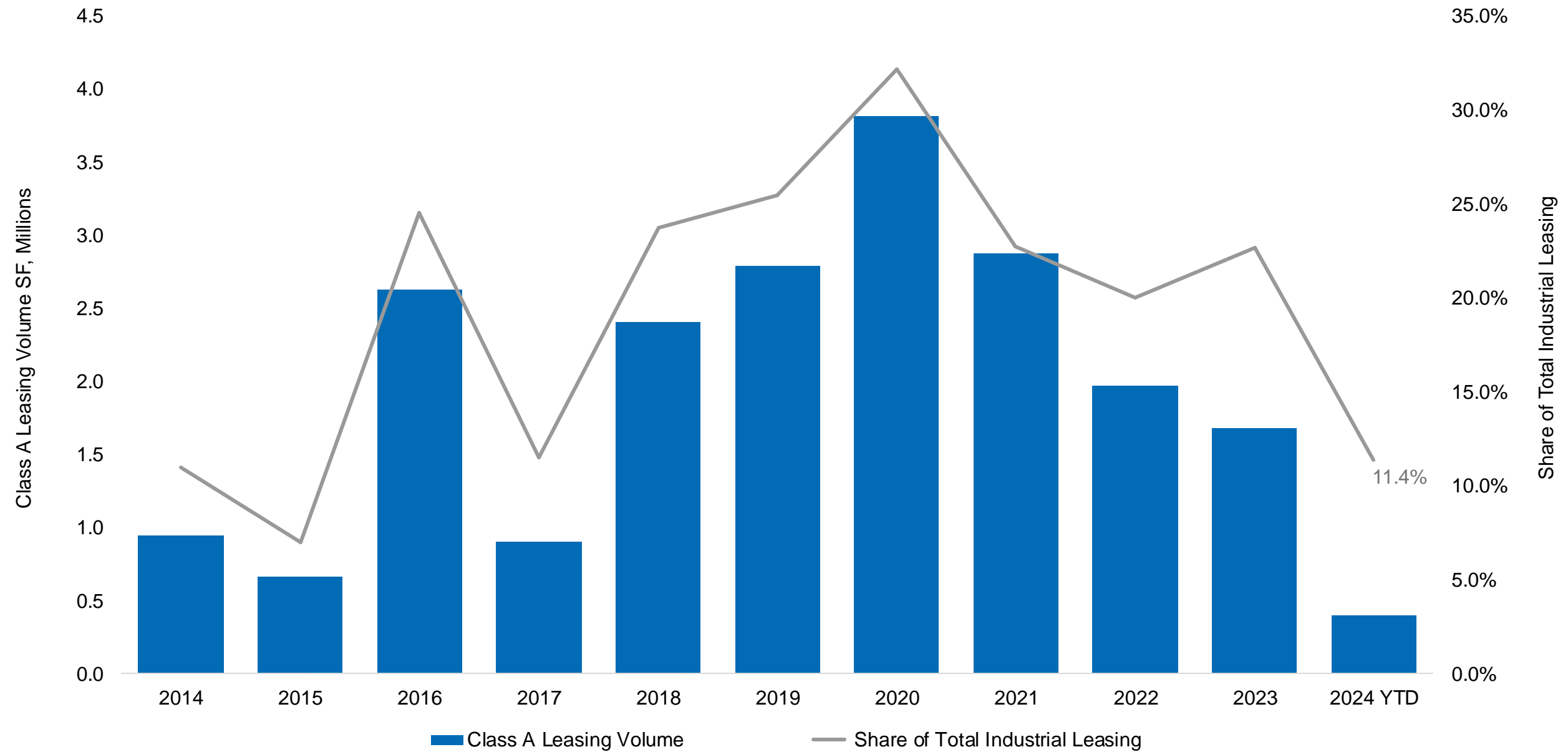


Source: Newmark Research, CoStar

# Limited Class A Warehouse Leasing Persists into 2024

Given current tenant preferences for spaces below 150,000 SF, leasing velocity within Greater Boston's Class A Warehouse subset ended the third quarter of 2024 below historic norms. Year-to-date, as of the third quarter of 2024, Class A Warehouse transaction totals represent just 11.4% of metrowide activity. In the long term, warehouse users will remain attracted to high-quality space within premier buildings.

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



Source: Newmark Research, CoStar





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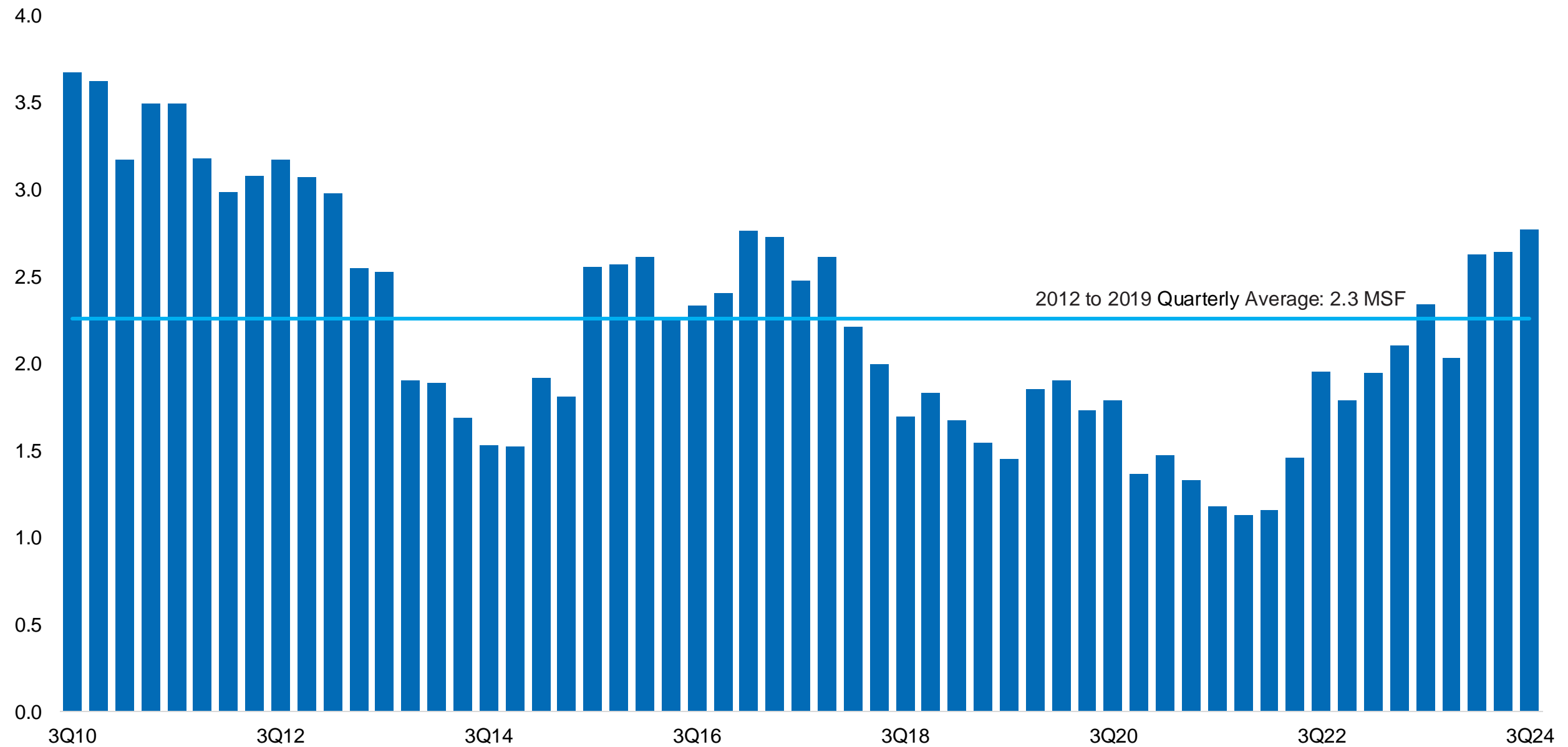
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# Industrial Sublease Availability Increased for a Third Consecutive Quarter

Sublease availability in the Greater Boston industrial market expanded modestly during the third quarter of 2024, reaching 2.8 million SF. Compared to the metro area's long-term average, sublet offerings remain elevated. However, inventories were significantly higher in the period following the Greater Financial Crisis (2010 to 2013).

Available Industrial Sublease Volume (msf)



Source: Newmark Research, CoStar



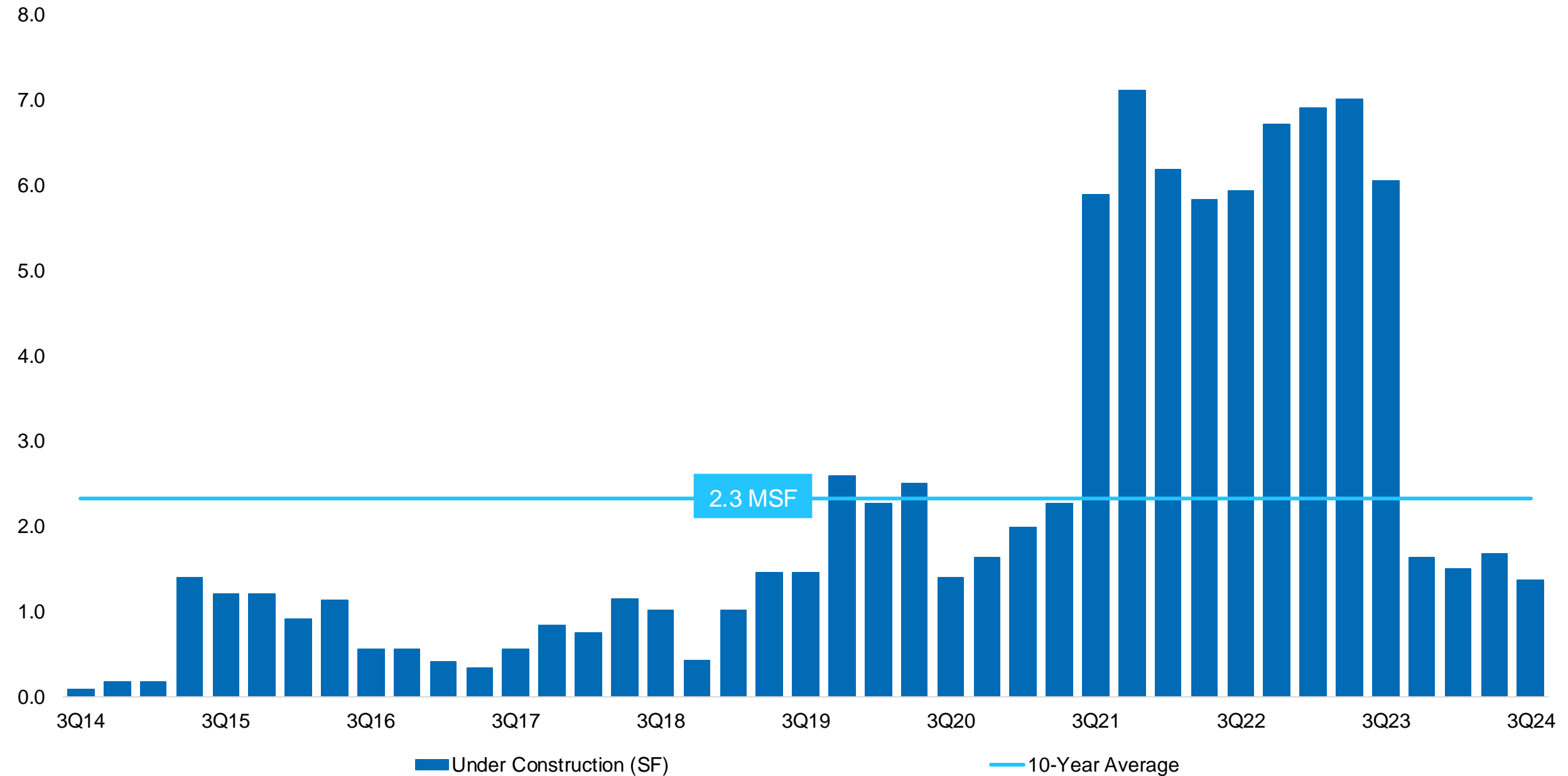
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# Development Pipeline Stabilizes below Historical Averages

Industrial deliveries in the Greater Boston market are slowing, with the construction pipeline totaling just under 1.4 million SF across five projects. This represents a 77% decrease compared to the same period last year. Much of the new product under construction is anticipated to be delivered by the end of the year and are not fully leased, offering users seeking new Class A space a variety of options to meet their needs.

## Industrial Space Under Construction (msf)

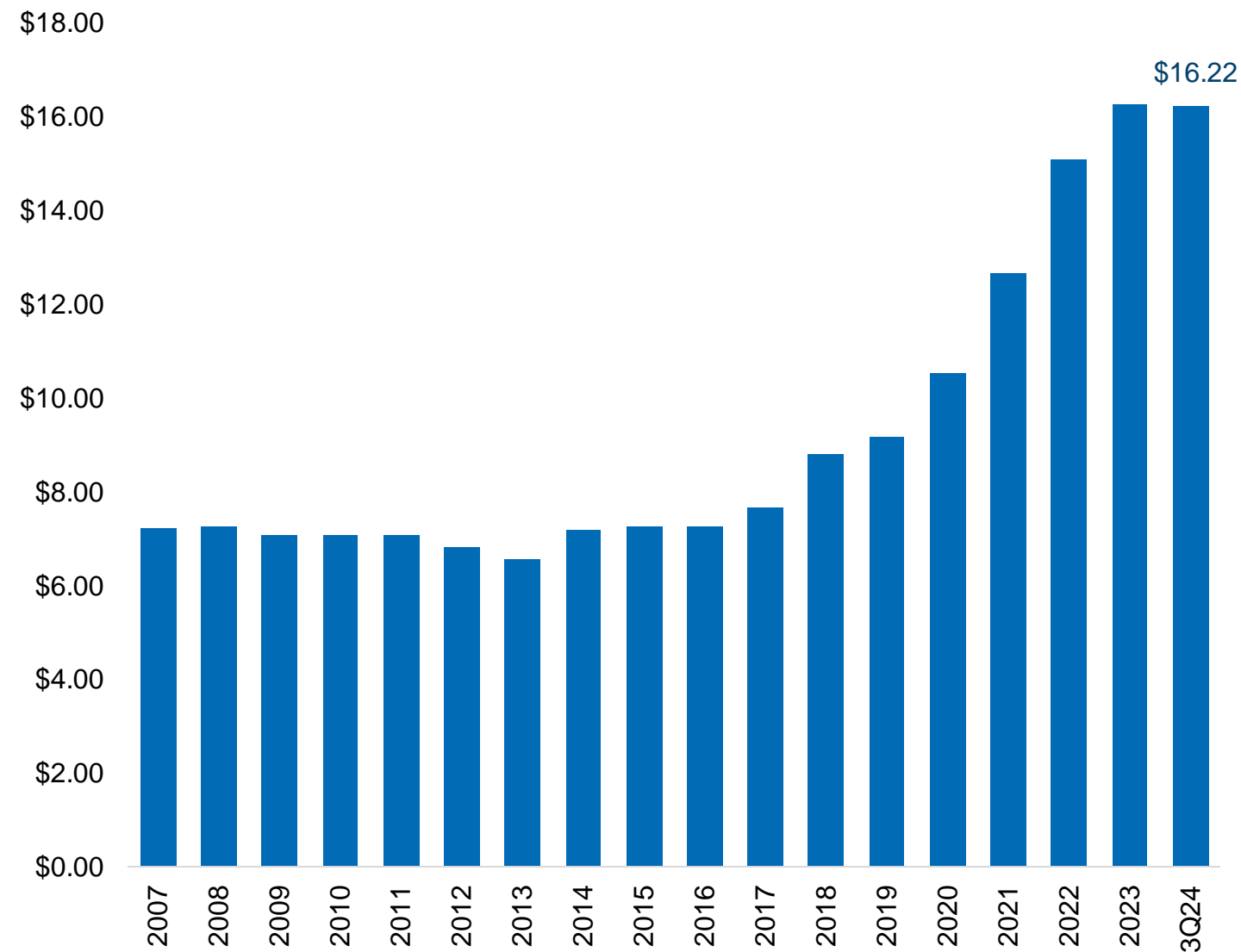


Source: Newmark Research, CoStar

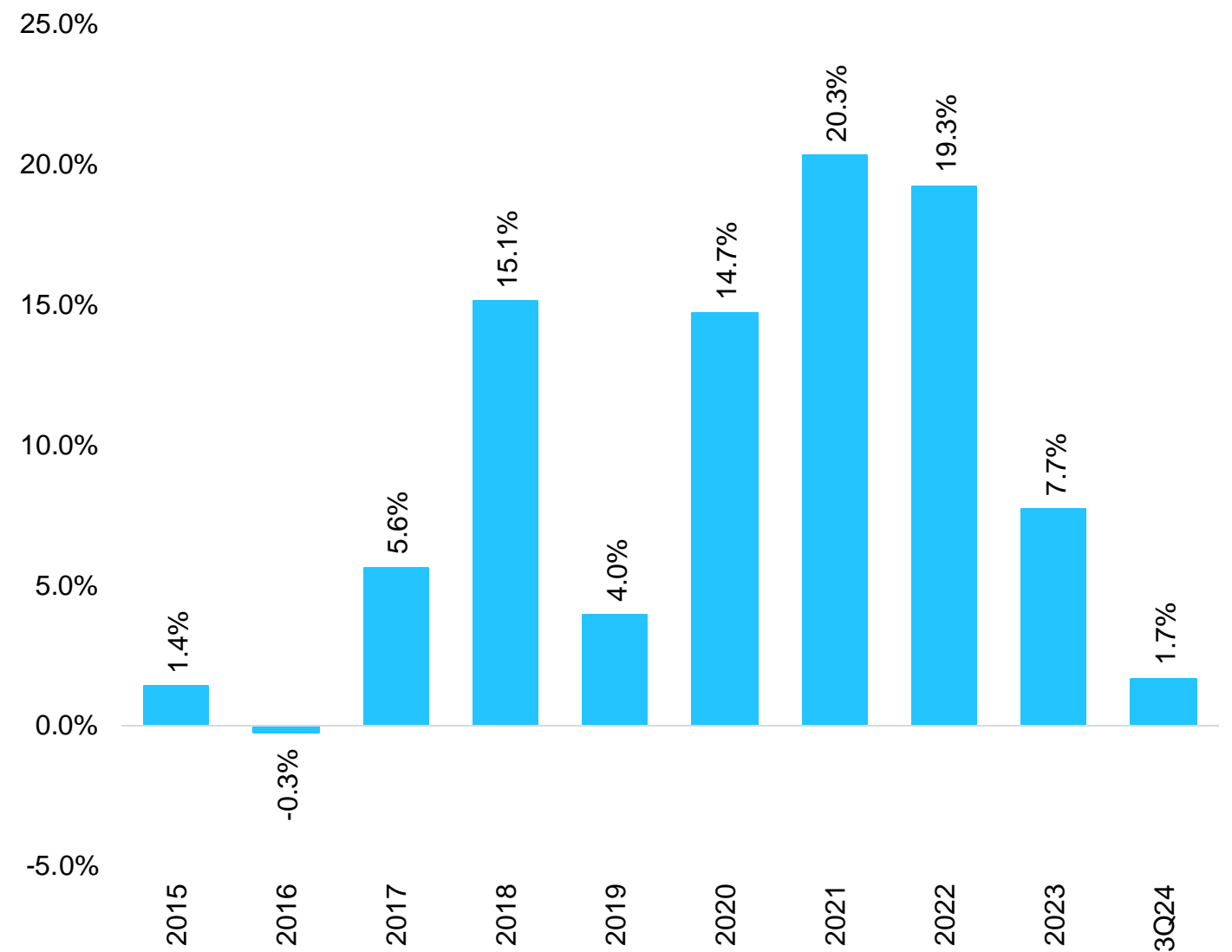
# Average Asking Rents are Starting to Stabilize

While there was a slight increase in average asking rents year-over-year, they remain below the historic highs recorded in the annual average for 2023. Rents have stabilized over the past four quarters, largely due to landlords being less inclined to raise rates amid high vacancy levels. With more premium spaces anticipated to be delivered in the coming months, rent growth is expected to maintain these levels 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

Despite rising vacancy rates, negative net absorption on the year, and lack of leasing velocity there were some larger deals during the third quarter. Isolated in the South Market, these deals highlight the challenges each submarket faces, as even with these large deals, the South submarket still had negative net absorption as well as increased vacancy in the third quarter.

## Select Lease Transactions

Tenant	Building	Submarket	Type	Square Feet
Dealer Tire <i>The automotive manufacturer inked the largest deal this quarter, renewing their lease in Franklin.</i>	12 Forge Park, Franklin	South	Lease Renewal	151,652
FUCHS <i>The German multinational manufacturer has secured a lease for their operations.</i>	645 Myles Standish Blvd, Taunton	South	Direct Lease	123,430
Gold Star Foods of MA <i>The food distributor will move into just over 100,000 SF in Canton.</i>	135 Will Drive, Canton	South	Direct Lease	102,000
UMI Stone <i>The stone supplier inks another deal in the South submarket, this time with 57,000 SF in Wrentham.</i>	545 Washington Street, Wrentham	South	Direct Lease	56,860



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# Submarket Overview







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