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2008 looks bright for users, developers & investors in the Mass Pike and I-495 industrial market

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Industrial properties along the Mass Pike & I-495 corridor are posting strong numbers for both sales and lease transactions. Locally, the Mass Pike & I-495 industrial availability is at 17.4%, down 2% from a year ago. 2008 is off to a fast start with showings on the rise for groups looking to lease or buy industrial locations in multiple size ranges. Furthermore, at least six large industrial requirements in the 50-80,000 s/f range are out looking for new or expansion space in this sub market for occupancy in the 2nd/3rd quarter of 2008. Several 10-40,000 s/f small to medium size requirements are out looking for immediate occupancy.

Impressive sales and leases in 4th quarter 2007.

Big snow storms and record cold did not stop the wave of 4th quarter lease and sale transactions. South of the Mass Pike, W.A. Wilde expanded across town and leased 106,000 s/f at 350 Hopping Brook Park in Holliston. In Franklin, Owens & Minor re-upped for 227,000 s/f at 135 Constitution Blvd., and down the road George Weston Bakeries renewed for 35,000 s/f at 40 Kenwood Circle. On the sales side, a 223,450 s/f high bay building at 20 Freedom Way in Franklin sold for \$20.3 million (\$90.85 per s/f) to Realty Associate. At 130 Constitution Blvd., a 60,000 s/f warehouse sold for \$3.487 million (\$58 per s/f) to Realty Associates. The largest sale came north of the Mass Pike, with GFI Partners selling the Littleton Distribution facility to a partnership between Prudential Real Estate Investors and Condyne. The sale price of \$22 million included an existing 240,000 s/f high bay building, with an additional 600,000 s/f to be built. North of the Pike, within walking distance, at 137 Pennsylvania Ave. a 9,000 s/f building on 1.99 acres sold for \$1.9 million (\$211.11 per s/f) to the Congress Group, who also owns the building next door, and plans to combine the site. On the leasing side, Vertical just leased 34,000 s/f at 153 Northboro Rd. in Southboro.

2008 new construction projects and several signed 2008 deals

So what's 2008 going to bring? Nationally, the unemployment rate is creeping higher, the residential market is still in a funk, and our utility costs are out of control. Locally, "flex" type of tenants, with a mix of office, warehouse, and yes, manufacturing, are telling me, "that business is good, orders are up, and we need more space." One 2008 sale already is 25 & 45 South St. in Hopkinton, with 119,716 s/f, selling for \$10.8 million (\$90 per s/f) to a local developer, but on record as 25 & 45 South St. LLC. Two pending sales include a 295,000 s/f three building property in Marlboro, and a 60,000 s/f flex building in Hudson. A. Duie Pyle just completed their distribution center with Gutierrez in Northboro, which is 77,000 s/f on 22 acres, for \$12.2 million. In Marlboro, site work has started on a 120,000 s/f building for Four Kicks, an indoor soccer facility. While the "sub-prime slime" continues on the housing side, the commercial market in the MassPike and I-495 area offer "spec" industrial projects ripe for tenants. Marlboro will have three spec R&D/flex buildings for 2008

delivery. At 413 South St. in Marlboro, the steel is up for a 225,000 s/f R&D/flex building for lease, and at 362 Elm St. in Marlboro a 45,000 s/f R&D/flex building overlooking I-495 is well underway which is available for sale or lease. At 20 Brigham St. a smaller 12,000 s/f industrial condo is scheduled this year. In Holliston, two 30,000 s/f buildings are underway at 47 October Hill offering companies the option to buy or lease. These new projects are strong indicators that developers have faith in the flex/industrial type of product, while also offering tenants the flexibility to own or lease. For companies looking to buy land, only a few options remain. One such site inside of I-495, is a 220 acre parcel known as Phase II at Hopping Brook Park in Holliston. There are currently several companies negotiating for 100,000-300,000 s/f buildings at Hopping Brook Park with ground due to be broken in mid 2008. Also in the park, 45,000 s/f of expansion space is under construction for Griffin Electric. The best leasing values are the multi-story mill complexes, such as the Hudson Mill Business Center, and the Saxonville Business Complex, both offering lease rates in the \$8-10 all-in "gross" range.

Fantastic start and
full "spring ahead"

Looking forward, my "crystal ball" predicts that tenant demand will increase, absorption will decrease, all of which will push asking rental rates slightly higher. One must stay positive with the daily papers pounding away at the housing ills and uncertain national economy by remembering that our local economy in the MassPike I-495 area offers pockets of prosperity. Clearly, quality flex buildings in the MassPike I-495 area are now trading in the \$90 per s/f range. Spring time and the balance of 2008 will be active for users, developers and investors, and it is this combination which will translate into positive absorption for 2008.

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