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First quarter activity is hot for industrial real estate

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2014 is off to a strong start for industrial real estate sales and deals. With strong positive absorption of square footage and growth in several key sectors including medical, food and auto parts, user buyer, owner occupant and new construction, momentum is impressive.

The medical field has seen extensive growth over the last couple years particularly with medical device manufacturing. Owens & Minor, a Fortune 500 company, added a 100,000 s/f expansion to its Franklin location on top of its existing space at 135 Constitution Dr., which totals 227,000 s/f. Life sciences companies have also continued to grow with Genzyme recently adding a location in Somerville.

Over the last two years, companies in the food sector have seen a large amount of merger and acquisition activity among large competing companies. Michigan-based Gordon Food Service acquired Perkins, a Taunton-based food-service and equipment distribution company in first quarter 2012. Reinhart purchased Agar in the third quarter of 2012 and Sysco's well-known recent pursuit of US Foods indicates heavy activity in this industry. Certifit, an auto parts manufacturer, expanded from 20,000 to 30,000 s/f in second quarter 2012 to Walpole Park South's new spec building, while O'Reilly Auto Parts purchased 15 Independence Dr., a 370,000 s/f distribution center in Fort Devens. The auto parts industrial market is showing no signs of slowing down with additional companies eyeing sites in Massachusetts with build to suit opportunities.

These sectors aren't the only areas that are booming. User market acquisition has been quite active as well as companies look to buy properties and owner occupy them. In the south market alone, NAI Hunneman is in negotiations on plus or minus 10 transactions totaling over 700,000 s/f.

Myles Standish Industrial Park in Taunton, MA is among the most prominent in the state, and activity there remains high - currently in negotiations with over 2 million s/f with both user and developers.

With competitive pricing, vacancy rates down, and aggressive interest rates, the market is very strong right now. With over 140 buildings sold in 2013, 70 of them were sold in the last quarter of 2013. Vacancy rates are down from 10% in 2012 to a shocking 8% right now.

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