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## **Boston industrial market posts strong results, marking the fourth quarter of positive absorption**

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The Greater Boston industrial market continued to post strong gains in the second quarter of 2015, as both warehouse and flex markets experienced high activity that has been the norm for the past three years. During that time period, warehouse vacancy has dropped 8% points to 11.8% while flex properties have absorbed 1.8 million s/f. The manufacturing market experienced a slight negative quarter, though net absorption in the past year still totals 558,000 s/f.

A number of large deals swayed the pendulum in the warehouse market, likely the most notable being The Boston Globe's purchase of 300 Constitution D. in Taunton, where the newspaper will relocate its printing operations from its current headquarters in Dorchester. Construction also began on Potpourri Group's build-to-suit project in Littleton, which, when it is completed in June 2016, will be the first warehouse completion in the market since 2013. General Dynamics was a big player in the flex market, leasing 136,000 s/f in Dedham to complement the 90,000 s/f of office space it also leased this quarter in Westwood. And though slight negative absorption marred Q2 in the manufacturing market, reports from the Federal Reserve Bank indicate strengthening manufacturing and sales conditions in the Boston market as compared to a year ago.

### **ECONOMY**

#### **Boston Economy Continues Strong, Steady Growth**

Massachusetts has gained 31,000 jobs since the start of 2015, putting it on pace this year to surpass the 60,700 jobs gained during 2014. State unemployment has subsequently fallen each month since September 2014 as well, with gains found in many industrial sectors. Nationally, industrial markets continue to do well. The most recent report by the Institute for Supply Management indicated a growth of the manufacturing sector for the 30th consecutive month and of the overall economy for the 73rd consecutive month.

\* Warehouse tenants absorbed 435,000 s/f in Q2 2015, lowering vacancy to 11.8% as asking rents stayed stable at \$5.69 per s/f.

\* 12 straight quarters of positive absorption has totaled 4.8 million s/f, lowering vacancy from 19.8% to current levels.

\* Vacancy in Rte. 128 North dropped to 4.8%, the lowest on record.

\* The Boston Globe purchased 300 Constitution Dr. in Taunton (\$20.3 million, 328,000 s/f, \$61.87 per s/f), where it will relocate its printing operations from its Dorchester headquarters.

\* Electric Supply Center took 132,000 s/f in Woburn, Imperial Bag & Paper took 96,000 s/f in Franklin, and Tobin & Sons Moving and Storage leased 30,000 s/f in Beverly.

\* High-bay space (28-foot clear and above) along I-495 is now just 8.2% vacant and 0.0% vacant in I-495 West.

\* Construction began on Potpourri Group's 450,000 s/f build-to-suit project at Distribution Center

Circle in Littleton, scheduled to be finished in June 2016.

- \* Novaya Real Estate Ventures acquired 57 Littlefield St. in Avon from Lincoln Property Company (\$14.4 million, 407,000 s/f, \$35.28 per sf/).
- \* Flex vacancy dropped from 15.9% to 14.8% on 301,000 s/f of positive absorption as asking rents increased to \$8.56 per s/f.
- \* Five straight periods of positive absorption have added a net 1.2 million s/f of occupancy to the flex market.
- \* Rents in premium "RBJ Index" properties along Rte. 128 and I-495 have grown by 16.6% and 12.5%, respectively, in the past year.
- \* J&R Cabinets took 50,000 s/f in North Reading, GEMCO leased 27,000 s/f in Billerica, Kaman occupied 32,000 s/f in Franklin and Comcast renewed 39,000 s/f in Westford.
- \* Vacancy along I-495 has dropped 3.9% in the past five quarters on 533,000 s/f of positive absorption.
- \* General Dynamics leased 136,000 s/f in Dedham, space which it will occupy later in the year along with another 90,000 s/f of office space it leased this quarter in Westwood.
- \* CTW Transport Inc. purchased 10 Creek Brook Drive in Haverhill from Marwick Associates, LLC (\$12.2 million, 109,000 s/f, \$112.5 per s/f).
- \* Manufacturing properties experienced 25,000 s/f of negative absorption, raising vacancy slightly to 10.3% as asking rents rose to \$7.33 per s/f.
- \* Slight negative absorption occurred for the first time in the past four quarters, during which time the manufacturing market still absorbed a net positive total of 558,000 s/f.
- \* Vacancy in I-495 North has dropped for each of the past four quarters.
- \* Large year-over-year rent gains were seen in Rte. 128 South (24.4%), I-495 West (23.5%) and the Central Areas (20.1%).
- \* Hub Food Corp. moved into 12,000 s/f in Chelsea, The Produce Connection leased 30,000 s/f in Wakefield and IDParts.com took 20,000 s/f in Hingham.
- \* The Federal Reserve Bank's June Beige Book reported strong manufacturing conditions in the Boston market, with nearly all of its survey respondents reporting stronger sales vs. the same period a year ago.
- \* STAG Industrial bought 12 and 100 Campanelli Parkway in Stoughton from Prologis (\$10.7 million, 250,000 s/f, \$42.76 per s/f).

Prepared by: Transwestern RBJ

[http://www.transwestern.net/public/Boston/indSTATus\\_Q2\\_2015.pdf](http://www.transwestern.net/public/Boston/indSTATus_Q2_2015.pdf)

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