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Industrial market holding firm at mid-year which translates to good news for balance of the year

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The "half-time" report for industrial properties in Massachusetts is positive for both sale and lease transactions. At the mid-year, 2008 is off to a good 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 3rd/4rd quarter of 2008. Several 10-40,000 s/f small to medium size requirements are out looking for immediate occupancy.

Noteworthy sales and leases in 1st and 2nd quarter 2008.

On the leasing side, in Braintree the Campanelli Companies leased 142,000 s/f with Jacobson Floral Supply leasing 40,000 s/f, and Brewster Wallcovering leasing 102,000 s/f at 1818 Campanelli Parkway. To the north west, in Westminster, Interstate Container leased 130,000 s/f at 100 Simplex Dr. Down the road, Very Fine leased 60,000 s/f at 1 Little Dr. in Littleton. Just signed up in Westborough at 10 Otis St. is Rand-Whitney leasing 73,710 s/f.

The ink is still wet on Amerdose leasing 47,000 s/f at 205 Flanders Rd. in Westborough. Amerdose is expanding from Framingham. On the sales side, at 159 Rangway Rd. in Billerica, a 87,200 s/f fully leased warehouse sold for \$6 million to Hampshire Partners, which is \$69 per s/f and next door 157 Rangway Rd. is also under agreement to a local investor. On the user's side, the money just went hard on 85 Ames St. in Marlborough, a 65,000 s/f high bay manufacturing building to a local steel company.

Medfield tool firm expands in Holliston

This is a great case study on who is buying and why are they buying. Esco Tool acquired 75 October Hill Rd. in Holliston, a 59,500 s/f industrial building, for \$3.12 million (\$52.44 per s/f). According to Matt Bernnan, Esco Tool expanded for "business is good and we just need the extra space". The local company sells and rents tools for pipes and tubes and was pressed for space in a 12,000 s/f building. The attraction to 75 October Hill Rd. was "the way the real estate market is now, we were able to get into a bigger building for the same it was going to cost to build a much smaller building in Medfield" said Bernnan.

The importance of manufacturing to the state's economy

New research by the Center for Urban and regional Policy, released by the Boston Foundation, reports that almost 10 % of the states workforce is employed in manufacturing, and according to Paul Grogan, CEO of the Boston Foundation, manufacturing will "help stoke a robust regional economy for many years to come" for manufacturing "promotes innovation, well-paid jobs, and economic growth." A shining example of a thriving local manufacturing company is Evergreen Solar, headquartered in Marlborough, who just landed with a new \$1.2 billion contract to supply a German company with solar panels. Evergreen Solar just opened a 300,000 s/f facility in Devens, and will be

hiring over 250 new workers.

2008 new construction

So what's the rest of 2008 going to bring? Locally, "flex" 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" which is the case with Esco Tool and Evergreen Solar. Unlike the housing market, the commercial market in the Mass Pike and I-495 area offer "spec" industrial projects ripe for tenants. The largest speculative industrial building is in Littleton, with 240,000 s/f of 32'clear being constructed for 4th quarter delivery. Marlboro will have three spec R&D/flex buildings for 2008 delivery. At 413 South St. in Marlboro, a 225,000 s/f R&D/flex building for lease, which subdivides to 12,000 s/f, and at 362 Elm St. in Marlboro a 45,000 s/f R&D/flex building overlooking I-495 is available for sale or lease and subdivides to 3,750 s/f. At 20 Brigham St. a smaller 12,000 s/f industrial condo is scheduled this year. Site work is also underway for a 220,000 s/f spec high bay building in Marlboro for first quarter 2009. 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. The site will offer large users options of 100,000 s/f and up. There are currently several companies negotiating for 100,000-300,000 s/f buildings at Hopping Brook Park with the road work to commence toward the end 2008.

Solid start and full "summer ahead"

Looking forward, my "crystal ball" predicts that tenant demand will increase with modest positive absorption all of which will result in rental rates holding pretty steady. The balance of 2008 will be active for users, developers and investors, and it is this combination which will translate into good news for the industrial market for the balance of 2008.

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