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The closer to Boston, the less risk the property has, this really benefits owners within Rte. 128 - by David Skinner

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How do we think about suburban industrial sites in a world that some would say is “spinning out of control?” What are the trends that need to be noticed? Where are the dangers? The pitfalls? Equally as interesting, where are the opportunities? Where are the most likely places to score, and score big? Here are a few topics that inform our conversation

Newsworthy items:

1. Amazon moving away from numerous sites.
2. Tenants are regaining control of the marketplace.
3. Build-to-suit bonanza.
4. Rte. 128 land constraint.
5. EV charging stations are taking land when there isn't much out there.

When one of the largest companies in the world makes news for its intent not to renew at least three delivery stations in the Greater Boston marketplace, brokers, landlords, and tenants alike express concern. Not only will a few hundred thousand s/f come back online in these markets, but it is very reasonable to ask the next question, what will happen to the other online distribution businesses that are not Amazon sized? This trend of distributors needing less space coupled with the boom of all the industrial development between Rte. 128 and I-495 means that tenants are regaining control of the marketplace.

Historically speaking, the Boston industrial marketplace has been driven by tenant demand. Since 2018 or so, we have seen that model flipped around, and landlords have had their pick of the tenant litter. With the numerous I-495 office complex vacancies getting redeveloped into flex/industrial projects, this is creating more and more availability for tenants who have 80,000+ s/f requirements. As a general rule, tenants who need less than 80,000 s/f may still have difficulty, as most developers who are building large industrial are not working on projects smaller than 80,000 s/f.

This leads us to point #3, the build-to-suit bonanza. In the proximate I-495 marketplace, there are between three million s/f - four million s/f under construction to be delivered in the next 18 months. This does not account for the users who have sites under construction that, once completed, will leave their own buildings available for sale or lease when they move. As we have seen that the office market may be lopsided in the supply and demand, namely that the supply for office far outpaces the demand for it. We will eventually hit the same point with respect to the industrial market, and that point may be approaching more quickly than we had originally thought.

Now in opposition to the aforementioned points, there are some bright spots that will keep values high for real estate, especially the closer in proximity to Boston. There are a few large tenant/buyer

requirements that are making some noise in the urban/inner suburb area where the smallest possible size these tenant/buyers is 1-2 acres. This makes any site or any assemblage of sites within this size range proportionately more valuable. The further from the city and the urban workforce that a property sits, the more precipitously the values shrink. This reality benefits any property owner within Rte. 128.

Another interesting trend has been the incentive programs and the general need for electric vehicle charging stations around the city. All vehicle manufacturers have been putting a full-court press on electric vehicle manufacturing, especially as new “energy efficient” laws come into effect in the near future. One such legislation is that which outlaws new diesel vehicle sales in 2030. As cities in densely populated areas get ready for this explosion, real estate that can house a significant amount of electric vehicle charging stations will continue to grow in value.

In conclusion, we are in uncertain times, but the closer a property is to Boston, the lesser of a risk profile the property has, even in this fluctuating I-495/Rte. 128 marketplace!

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