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## **SIOR NE Chapter holds march landlord lunch March 22nd**

April 14, 2023 - Front Section



Newton, MA The SIOR New England Chapter held its third chapter event for 2023 at the Sheraton Four Points on March 22nd. Approximately 50 SIORs and guests attended the luncheon to hear Tucker Kelton, founder and managing partner of Camber Development. The program ran from 11:30

a.m. to 1 p.m. and Kelton gave an educational overview of the industrial/life science market, a summary of his projects and market demand. Jeremy Freid, the 2023 chapter president, welcomed everyone before the presentation. He reviewed the Chapter events to date including the January, 2023 joint event with NEWIRE and the February hockey chapter event. He announced that the next Chapter event will be in May at the Dedham Country Club. The national convention will be held April 26-29 in Montreal and the Fall convention will be in October in Chicago.

Freid then introduced Kelton who founded Camber Development in 2020 after 7 years of working at National Development. His firm focuses on life science, manufacturing, logistics space that have great locations with ample land for expansion. He finds that flex space is a very different product market to market. He has teamed up with Wheelock Capital as a partner and they are seeking value-add projects. He has over 14 properties in excess of 2 million s/f.

In terms of the marketplace, Kelton is experiencing rising cap rates. He has focused primarily in the Rt. 3 Billerica area but has product west of Boston and within Rte. 495. For lab/R&D product tenant improvement is costing \$500 per s/f. The cost of TI is high as well as the cost of base construction. Rents for industrial leases in the Billerica market seem to be \$14-15 per s/f and now he's seeing \$19-20 per s/f NNN. He prefers suburban development since Boston can take over two years for permitting while a place like Bedford, Mass. may only take six months. Life science land not permitted can cost \$125 per s/f. TI for lab and manufacturing space can cost \$200 per s/f. Financing now is tough to obtain and debt is expensive.

The supply and demand for biomanufacturing is compelling. There are only six spec projects for biomanufacturing that now total 650-750,000 s/f. But the demand is 3-3.5 million s/f or five times higher. That is unheard of. At the peak of life science demand, the urban area had 6-7 million s/f of demand with 20-25 million s/f of supply. The development market is always trying to stay ahead of demand thus it is not uncommon to have more supply than demand in order to be positioned for continued demand. That model is not true with biomanufacturing.

For logistics supply, he has 240,000 s/f of space. Function is more important than s/f value. He needs 36' clear, 50x50 column spacing and 1 dock for each 45,000 s/f segment. When this product is leased, it is easier to sell in today's market. New construction rents for logistics industrial space can be low to mid \$20s per s/f, NNN. There is very little supply in the Boston area and a great deal of demand.

For financing, core funds want 50 bps over debt financing which is running around 5.5% to 6%. Caps are higher in the 5-5.5% range and 6.5% caps for industrial or more. That's higher than a year ago when debt cost was lower. Right now there is too wide of a bid-ask spread and therefore a standstill in the market. There is a great deal of equity as pension funds have allocated 10% of its holdings for real estate. Kelton believes that core-type buyers will come back to the market eventually. He is experiencing \$200-250 for TI range for manufacturing products. For a small life science company it makes more sense to lease rather than to purchase even with expensive lease rates. Kelton is also seeing the Worcester life science market growing. He doesn't know who would buy in Worcester as institutional investors but thinks the big buyers will eventually see Worcester as

a place to be.

Kelton thinks the debt market will stabilize in the next 18-24 months and the market will experience more sales in the next 9-12 months. He doesn't think that rents will be going down and that rents will continue to increase. Right now for life science demand, it is slower. There seems to be 1.5-2 million s/f of demand and 6-7 million s/f of supply. However the life science market has only come down to its historical norm and is off its peak. It's not a down market, it was an excessive market. Now it's a balanced market.

SIOR would also like to thank the sponsors that included Gold level, Silver level and Bronze level.

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