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## **The Superior Nature of Industrial Real Estate on 495 - by David Skinner**

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David Skinner

It has been a couple years since I have extolled the excellencies of the alluring, intriguing Interstate 495. I am prompted to do so today because of recent conversations I have had with out-of-market buyers. It is with increasing frequency that family offices and private equity groups are looking to break into the elusive Boston industrial marketplace. The trouble is that so many of these investors believe that infill locations are the only locations in which investing in Boston makes sense.

I would like to briefly share 3 reasons why this assertion may be a foolish investment thesis.

First, the industrial owners close in to the city who have not sold their real estate holdings heretofore likely will not want to sell with interest rates nearly triple what they were in 2020 and 2021. It is basic math — if a seller won't sell at historically high prices, chances are they won't in a worse economy. This is not laziness from a real estate guy who doesn't want to try to approach sellers, but it is the observation of hundreds of conversations over the last few years with owners who have tasted offers of "x" that they did not accept, and now they are seeing offers of "x minus 20%".

Second, investing in 495 shows an ability to transact. Particularly for those who do not yet own in the Boston market, breaking in can be a challenge. One of the reasons for this is that closely held property, and the families and businesses who operate on the land are wary of what they would perceive as an upstart developer or syndicator with no market presence. Successfully purchasing a property in the suburbs shows a prospective seller the ability to transact, which gives greater credibility to their offer.

Lastly, the suburban 495 market is becoming home to all those who need a presence around Boston but are pushed out because of the demand for apartments and housing closer to the city. Cities and towns that were once considered "secondary" around 495 are nearly becoming primary because of the proximity to the city and the ability to keep reasonable travel times in and out of Boston.

In summary, as the kids say these days: "Don't sleep on 495."

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