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# Construction is not expected to drop dramatically as build-to-suits continue for industrial facilities

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Boston's industrial market has experienced only modest growth over the past several years as compared with other major cities. Boston is not a regional transportation hub and the port does not support major shipping activity. Most of the region's industrial buildings support manufacturing operations rather than the movement of goods. In the past 20 years, low-tech manufacturers have left the region and have been replaced by high-tech manufacturing companies. According to the report, "The Future of Manufacturing in Massachusetts," released by Northeastern University, over the last 10 years, manufacturing productivity in Massachusetts has grown twice as fast as the national average. As a result, Boston is in a better position to handle the current economic recession than most other industrial markets.

From 2003 to 2008, rents have remained consistent, ranging from $6.00 per s/f to $5.75 per s/f, only dropping by $0.25. Expect asking rents to remain consistent throughout 2009 with rents dipping by another $0.25, which is likely to be less than the national market average.

In 2008, vacancy for the industrial market was 13.7%, staying in line with the four-year average of 14%. Due to the economic downturn, expect vacancy in 2009 to increase by 100 basis points, reaching 15 percent. Boston's primary exports are technology and life science products, which cannot be easily produced elsewhere at lower cost. This stability will help lessen the impact of the economic downturn on industrial space.

New construction completed in the past few years has mainly consisted of build-to-suits for large technology and life science companies. There has been little speculative construction due to high development costs and flat rents. Construction is not expected to drop dramatically as build-to-suits continue for modern industrial facilities.

At the end of 2008, consumer confidence has been drastically shaken by the economic downturn resulting in a significant drop in consumer spending. The new administration in Washington, D.C. is expected to implement measures that will strengthen consumer confidence and improve consumer credit. Companies, however, will remain cautious and will look for more flexibility in the form of shorter lease terms and creative expansion options.

While technology and life science companies will no doubt feel the effects of the slumping economy, their specialized products will remain in demand. Expect a minimal increase in available space, as both direct and sublet levels remain stable. There will be an opportunity for tenants that have good credit and the flexibility to relocate to take advantage of landlords that are hesitant about the transitional market conditions.

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