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CELEBRATING 55 YEARS

Tenants remain attracted to higher quality whse. properties at current low premium conditions

February 26, 2009 - Spotlights

In recognition of the dramatically different characteristics of warehouse-type properties and manufacturing-type properties, Richards Barry Joyce & Partners tracks the two property types separately. This report provides an update of each of these two property types.

Warehouse

The fourth quarter of 2008 incurred 236,000 s/f of negaÂ-tive absorption as vacancy increased 0.4% to 16.2%.

* Vacancy has increased three consecutive quarters from a five-year low of 15.2%.

* The four-quarter net absorption trend, which stayed above 500,000 s/f for the ten quarters ended Q4 2007, is 42,000 s/f.

* Negative absorption was over 100% concentrated in 495 West and South submarkets.

* Low-bay 495 West properties accounted for 82% of all I-495 negative absorption.

* Availability, at 22.9%, is at its highest level since the first quarter of 2005.

* Sublease available s/f, which had been 1 million at Q4 2007, is 1.9 million s/f.

* Brine vacated 140,000 s/f in Milford as McLane vacated 96,000 s/f in Franklin and the US Postal Service vacated 48,000 s/f in Westborough.

* 55 Cabot Blvd. in Mansfield was acquired by an owner-user ($9.1 million, 118,000 s/f, $77 per s/f) while JRPP Realty acquired 305 Myles Standish Blvd. in Taunton ($7.6 milÂ-lion, 164,000 s/f, $46 per s/f) and Covidien acquired 777 West St. in Mansfield ($6.3 million, 98,000 s/f, $64 per s/f).

Manufacturing

The fourth quarter of 2008 saw flat absorption as vacancy remained consistent at 15.5%.

* Despite flat quarterly absorption, availability continued to fall; available s/f, at 3.9 million s/f, is below 4 million s/f for the first time since 2002.

* Lease rates have fallen 12% in two quarters, though are 11% above year-ago levels.

* Tenants have absorbed 221,000 s/f in three consecutive quarters of positive absorption in 128 North as vacancy has dropped from 18.8% to 14.5%.

* Charles River Publishing vacated 54,000 s/f in Boston as Puckmasters pulled out of 15,000 s/f in Norwood; Seatz moved into 62,000 s/f in Wilmington.

* 2007-08 were the first two consecutive calendar years withÂ-out a new property completed since 1996-1997.

* The 1.2 million s/f opened since 2002 is 2% vacant.

* Institute for Supply Management data shows Boston area manufacturing managers believe business confidence, proÂ-duction and new orders have slowed.

* GMIP divested 1 Bunker Hill Industrial Park in Boston ($5.7 million, 54,000 s/f, $105 per s/f) as National Development acquired 121 Hale St. in Lowell ($4.2 million, 56,000 s/f, $75 per s/f).

Tenant demand for industrial real estate in Greater Boston appears to be waning or turning negative as of the fourth quarter of 2008. The global economic slowdown, existent for many quarters in other sectors of the economy and other geographic regions in the country, are being felt locally as the Institute for Supply Management shows manufacturing managers' outlook for new orders, among other things, becoming increasingly pessimistic and a global slowdown overtaking off shoring as the primary adversary of the local manufacturing industry. However, a conservative recent approach to warehouse construction and a dearth of new manufacturing space, will enable vacancy to remain at current levels amid flat conditions, as tenants remain attracted to higher quality properties at current low premium conditions. Landlords of older and less state-of-the-art facilities may experience continued heavy price competition and low demand.

All figures as of December 31, 2008.

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