

INDUSTRIAL MARKET REPORT

GREATER BOSTON

Q2 2022

LINCOLN
PROPERTY
COMPANY

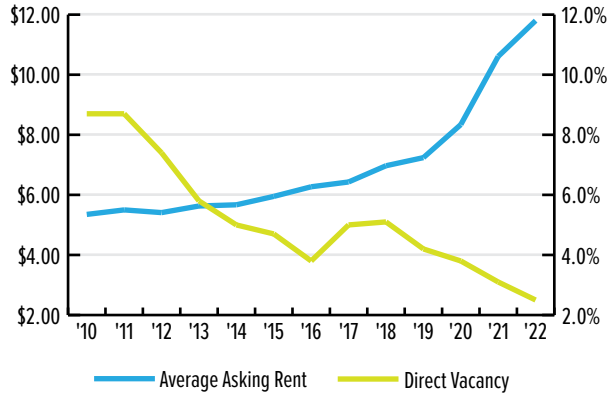
INDUSTRIAL MARKET OVERVIEW

Q2 2022

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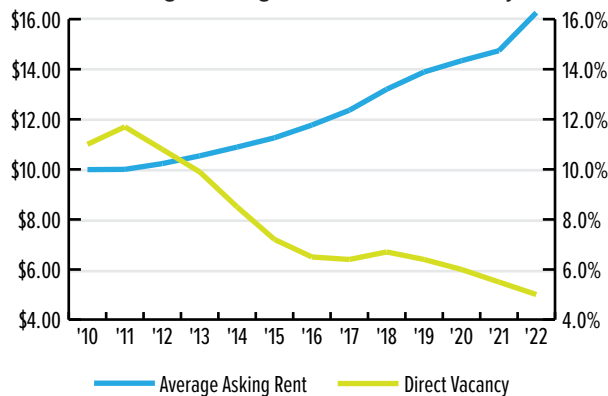
INDUSTRIAL

Average Asking Rate & Direct Vacancy



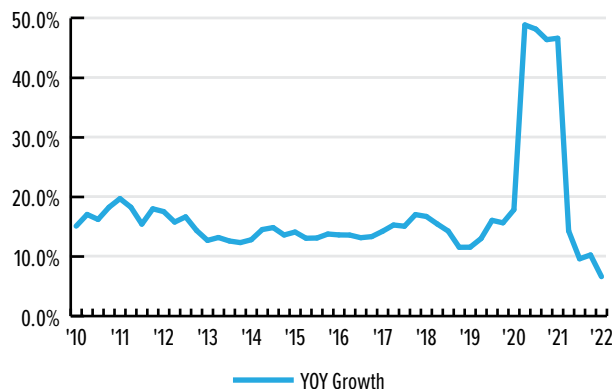
FLEX

Average Asking Rate & Direct Vacancy



ANNUAL GROWTH IN E-COMMERCE SALES

United States



The Boston Industrial Market continued to thrive in Q2 2022. Vacancies declined to a record low of 3.4%, as net absorption topped 1.3 million SF and more than tripled its total from Q1 2022. New construction has boosted demand, especially in the warehouse segment, where one of the largest move-ins occurred at Home Depot's new 715,000 SF distribution facility in Tewksbury. Rent growth in the first half of the year dwarfed its total from the last five years, which was already a period of record rent increases. Rents accelerated by more than 10% over the last two quarters in both the warehouse and flex segments. Developers are responding to the lack of available modern space, and construction is at its highest level in several decades. More than 8 million SF is under construction across the metro, which is nearly quadruple the size of the pipeline from a year ago.

Despite strong absorption, the industrial market's primary demand drivers are encountering new challenges in 2022. E-commerce and manufacturing companies are contending with global supply chain disruptions and inflation-driven pressures on consumer spending, while biotech is affected by struggling public markets and thousands of local layoffs. Although pessimistic headlines are increasingly common, tenants in these sectors continued to drive a large share of demand last quarter. E-commerce sales and biotech funding smashed previous growth rates across 2020-21, and are still at or exceeding typical pre-pandemic levels in 2022. Throughout the pandemic online retailers and biotech companies have expanded their industrial footprints at an unprecedented pace in order to meet surging demand, so some level of cooling off is not surprising.

LOOKING FORWARD

Despite rebounding in June, retail sales have mostly underwhelmed in 2022, and the country's premier online retailer is adjusting expectations. Amazon announced in Q2 that it will scale back its logistics footprint by 10-30 million SF, after recording its first quarterly loss since 2015 in Q1. For now, it doesn't appear that Amazon will list any of its Massachusetts properties, but this decision is still discouraging. The e-commerce giant was the engine for the explosive growth that occurred in the local and national warehouse markets over the last half-decade plus. But even if the company ends up listing any of its Massachusetts locations, the space may not last long without a new tenant, given the market's record-low vacancies. Overall e-commerce should also have plenty of room for continued liftoff in the long-run, and online shopping could be less affected than brick-and-mortar sales by a potential recession. E-commerce sales as a percentage of total retail sales in the U.S. still trails that of many other industrialized nations, and online shopping generally offers cheaper prices than in-person retail.

LEASING TRENDS

Q2 2022

LINCOLN
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Demand increased, with leasing coming from a variety of industries at existing and new space. As has been the case throughout the pandemic, the e-commerce and biotech industries accounted for several of the headline leases of the quarter. Home Depot Specialty Pro Trades leased a 210,000 SF distribution center in Q2 2022's largest industrial deal. The lease occurred at 26 Millbury Street in Auburn, which has been open since 2008. Notable GMP leases included Integra Life Sciences taking 100,000 SF at 400 Wood Road in Braintree, Azzur Group for 100,000 SF at Pathway Devens, and Web Industries for 85,000 SF at 220 Hopping Brook Road in Holliston. The Integra Life Sciences and Azzur Group deals occurred at newly developed properties. Web Industries executed its lease as part of a sale leaseback to Lincoln Property Company and Stockbridge Capital Group. The property was built in 2001, but Web Industries recently invested in significant capital to transform the property from traditional manufacturing to GMP use.

Several notable leases were also signed for manufacturing space, representing a variety of industries. Ambri, leased 140,995 SF at 196 East Main Street in Milford. The company has been in existence for about a decade and will use its new facility to scale production of its liquid metal battery. Lincoln Property Company represented Ambri in the deal. BTU International, a thermal processing equipment manufacturer and supplier, executed a 133,000 SF sale leaseback at 23 Esquire Road in Billerica. The company sold the property to Marcus Partners and Rhino Capital Advisors for \$20.6M and signed on for two years in the deal. In another sale leaseback, Commonwealth Alternative Care, a marijuana manufacturer, leased 104,000 SF at 30 Mozzone Boulevard in Taunton. Innovate Industrial Properties purchased the property for \$40M, with Commonwealth Alternative Care leasing it for 20 years in the transaction.

NOTABLE LEASES

26 MILLBURY STREET

Auburn | Worcester County
Industrial

Home Depot Specialty Pro Trades
210,000 SF

196 EAST MAIN STREET

Milford | Worcester County
Flex/R&D

Ambri
140,995 SF

23 ESQUIRE ROAD

Billerica | Route 3 North
Industrial

BTU International
133,000 SF

30 MOZZONE BOULEVARD

Taunton | 495 South
Flex
Commonwealth Alternative Care
104,000 SF

400 WOOD ROAD

Braintree | 128 South
GMP
Integra Life Sciences
100,000 SF

45 JACKSON ROAD

Devens | 495 Route 2
GMP
Azzur Group
100,000 SF

105 SAM FONZO ROAD

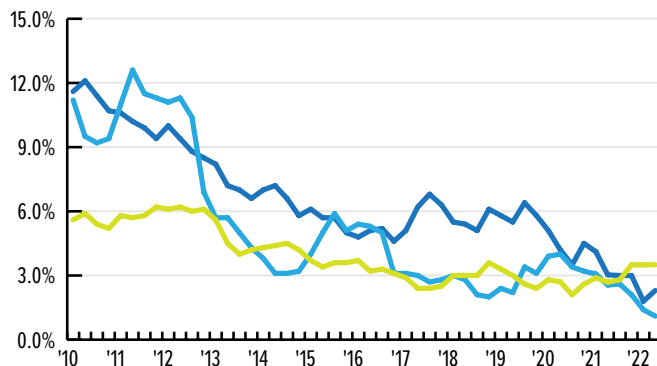
Beverly | 128 North
Industrial
Axcelis Technologies
95,800 SF

220 HOPPING BROOK ROAD

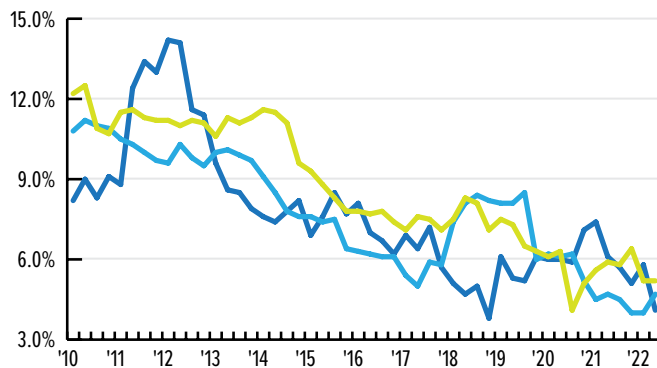
Holliston | 495 Mass Pike
GMP
Web Industries
85,000 SF

DIRECT VACANCY

INDUSTRIAL



FLEX



— South — West — North

DEVELOPMENT

Q2 2022

Developers are busy building across the metro, seeking to fulfill space demands for active tenants, as vacancies continue to tighten in existing inventory. Roughly 8 million SF is under construction, up from about 2 million SF a year ago, and many additional projects are in the proposal stages. Several of the largest projects underway are build-to-suits for major national companies, including warehouses for Amazon and Home Depot. About half of Greater Boston's under construction industrial inventory is located at Hillwood Development's 3.8 million SF Amazon Fulfillment Center at Osgood Landing in North Andover. The five-story project broke ground in Q3 2021 and is expected to open in the second half of 2022. The e-commerce giant also has future move-ins planned at projects in Plymouth and Everett. Home Depot moved into Equity Industrial Partners' new 715,000 SF distribution facility in Tewksbury last quarter, and has also leased Condyne's 100,000 SF warehouse in Norton, which is expected to open later this year.

Several GMP facilities are also in the pipeline, as demand and investment into Boston's life sciences market surges. In addition to lab space, companies often require GMP space for production capacity. GMP facilities are typically located farther from the urban core than labs. Middlesex County is home to more than 70% of the Massachusetts' R&D jobs, but just 45% of the state's biomanufacturing jobs. In Devens, King Street Properties is underway on its Pathway development, which is expected to open across several phases. The development is planned to reach 700,000 SF in total, with the final phase of construction wrapping up in 2025. The first building at the site was leased to Commonwealth Fusion Systems. In Marlborough, Lincoln Property Company recently broke ground on its 120,000 SF flex/ GMP project at 1000 Nickerson Road.

Osgood Landing | N Andover

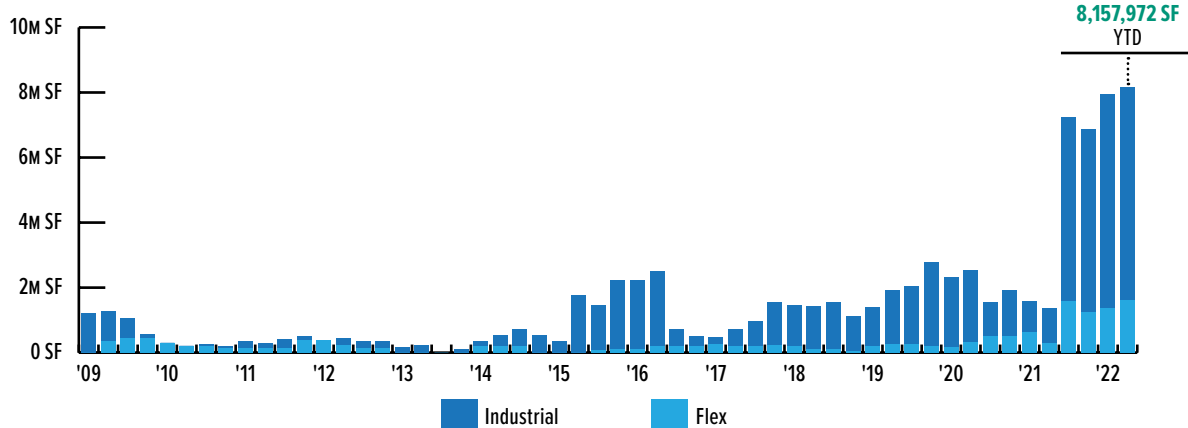


Pathway Development | Devens

1000 Nickerson Rd | Marlborough



UNDER CONSTRUCTION



INVESTMENT SALES

Q2 2022

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Following a relatively quiet start to the year, investment boomed in Q2 2022, with roughly \$1 billion exchanged across Greater Boston. This more than doubled the previous quarter's sales volume and was the third most-liquid quarter in the market's history. Among commercial real estate sectors, industrial properties are generally viewed as safer and having the highest upside, given the surge in demand for warehouse space and the covid-related struggles of office and retail space. Modern, fully-leased logistics properties are an especially appealing asset to investors. The largest single-asset transaction in Q2 2022 was LaSalle Investment Management's purchase of 160 Mechanic Street in Bellingham from Barings and Lincoln Property Company. The property delivered in 2021 and is fully leased to Trimark.

Transaction volume in Q2 2022 was also supported by a handful of bulk portfolio deals. The largest of these was The Arden Group's acquisition of eight properties in Bristol County from Westbrook Partners for \$160 million. The portfolio was a mix of warehouse and flex properties located in Fall River, Seekonk, Norton, Mansfield, Attleboro, and New Bedford. Most of the traded buildings were multi-tenant and the portfolio was roughly 98% leased to 24 different companies at the time of closing. Another notable portfolio sale was Ares Real Estate Management Holding's purchase of a 5-property portfolio in Norfolk County from Wheelock Street Capital and The Seyon Group for \$75.15 million. The transaction included four warehouse facilities in Stoughton and Randolph and a flex property in Foxboro.

81 Commerce Dr, Fall River



BRISTOL COUNTY INDUSTRIAL & FLEX PORTFOLIO

PRICE	\$160M
PSF	\$125 PSF
BUYER	The Arden Group
SELLER	Westbrook Partners

100-180 & 210-240 RUSHCRAFT RD *Dedham*

PRICE	\$134M
PSF	\$318 PSF
BUYER	Invesco Advisers
SELLER	R.J. Kelly Company



160 MECHANIC ST *Bellingham*

PRICE	\$96.7
PSF	\$280 PSF
BUYER	LaSalle Investment Management
SELLER	Barings & Lincoln Property Company

NORFOLK COUNTY INDUSTRIAL & FLEX PORTFOLIO

PRICE	\$75.15M
PSF	\$254 PSF
BUYER	Ares Real Estate Management Holdings
SELLER	Wheelock Street Capital & The Seyon Group



180 Campanelli Pkwy, Stoughton

WAREHOUSE/FLEX MARKET STATS

Q2 2022

	Inventory	% Vacant	% Sublet	% Available	Quarterly Absorption	Annual Absorption	Asking Rate (NNN)
WAREHOUSE/INDUSTRIAL							
West	25,910,644	1.1%	0.2%	3.7%	185,484	610,424	\$11.33
North	40,179,101	3.5%	0.2%	5.9%	667,775	113,759	\$12.75
South	64,118,728	2.3%	1.2%	6.1%	338,557	1,262,407	\$10.04
Suburbs	130,208,473	2.4%	0.7%	5.6%	1,191,816	1,986,590	\$11.13
Inner	15,376,255	4.5%	0.4%	6.9%	(16,243)	(44,740)	\$17.48
TOTAL	145,584,728	2.7%	0.7%	5.7%	1,175,573	1,941,850	\$11.80
FLEX/R&D							
West	19,399,167	4.7%	0.8%	7.2%	(94,211)	53,049	\$16.44
North	29,009,666	5.2%	1.1%	8.5%	174,933	215,144	\$15.56
South	17,808,699	4.1%	0.6%	10.7%	75,738	335,782	\$14.18
Suburbs	66,217,532	4.7%	0.9%	8.7%	156,460	603,975	\$15.45
Inner	5,320,131	8.6%	0.1%	13.1%	1,800	8,093	\$26.39
TOTAL	71,537,663	5.0%	0.8%	9.0%	158,260	612,068	\$16.26
HIGH BAY							
TOTAL	33,699,307	1.2%	0.0%	3.3%	1,082,490	1,940,354	\$13.80

TOTAL INDUSTRIAL

217,122,391 SF Inventory	3.4% % Vacancy	0.7% % Sublet	6.8% % Available	1,333,833 SF Quarterly Absorption	2,553,918 SF Annual Absorption	\$13.27 Asking Rate (NNN)
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Lincoln Property Company's Industrial Market Report is produced by the Boston Office's research team in collaboration with our Boston and Suburban Brokerage Groups. If you have any questions regarding market conditions and the information found in this report, please contact Research.Boston@lpc.com.