



INDUSTRIAL MARKET REPORT

GREATER BOSTON

Q2 2023

LINCOLN
PROPERTY
COMPANY

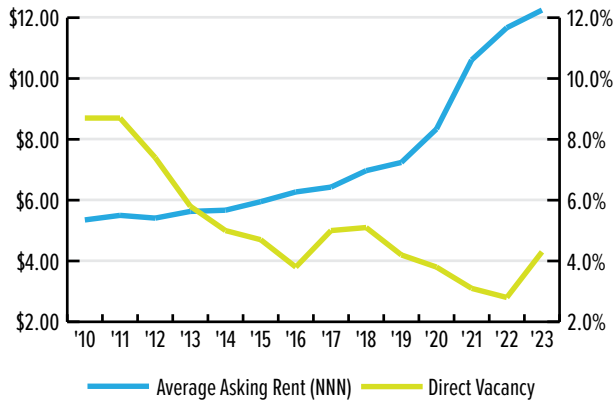
INDUSTRIAL MARKET OVERVIEW

Q2 2023

LINCOLN
PROPERTY
COMPANY

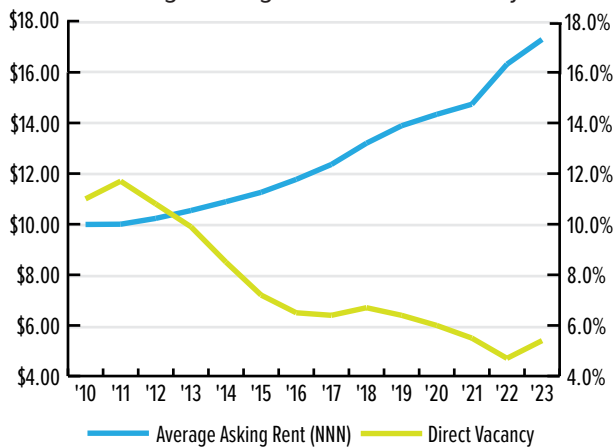
INDUSTRIAL

Average Asking Rate & Direct Vacancy



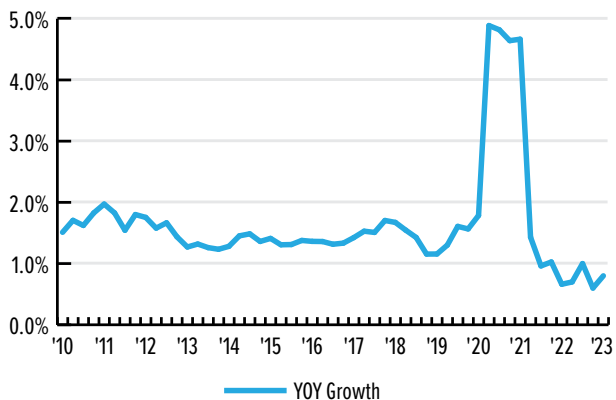
FLEX

Average Asking Rate & Direct Vacancy



ANNUAL GROWTH IN E-COMMERCE SALES

United States



Vacancies expanded slightly for the second consecutive quarter in the Boston Industrial market in Q2 2023. Speculative deliveries pressured occupancies, with large blocks of space still available in several newly delivered properties. Supply pressures will continue in the near term, with the pipeline near record levels. Nearly 14 million SF is under construction across Eastern and Central Massachusetts, including more than 11 million SF of warehouse space. Several of the largest projects underway are built-to-suits, including four future Amazon locations, but about one-third of under construction space is still available for lease. New developments have attracted plenty of leasing volume in recent quarters, including several of the largest deals of Q2 2023.

Vacancies increased last quarter from 4.1% to 4.3% in the warehouse segment and from 5.1% to 5.4% in the flex segment. Demand is on its slowest pace in four years, with net absorption totaling about 200,000 SF last quarter and roughly 375,000 SF in the first half of 2023. The flex segment has underperformed the overall market, recording slight negative absorption last quarter. The sublet rate held mostly steady, increasing from 1.1% to 1.2%, and declined in the flex segment, while increasing in the warehouse market. Despite marginal softening of fundamentals, occupancies and rent growth remain well above historical averages. Rents increased by 5%-6% in both the warehouse and flex segments in the first half of 2023. If this pace is maintained rent growth will exceed 10% for the second straight year in the flex segment and the third straight year in warehouses.

LOOKING FORWARD

The industrial sector has cooled slightly in 2023, but remains in much stronger position than most commercial real estate sectors. Rising interest rates and inflation have weighed on institutional investment, while also impacting retail spending and thus industrial tenants' appetite for distribution space. As the economy phases out of the pandemic-era, e-commerce growth has not sustained its levels from 2020-21. VC funding for biotech has also fallen from pandemic-era highs, which has impacted the growth of life sciences companies in their search for both lab and GMP/biomanufacturing space. Despite these headwinds, the Greater Boston Industrial market is well positioned for long-term growth. Online sales as a percentage of total retail sales in the U.S. still trail that of many other industrialized nations, suggesting room for continued growth. Biotech VC investment is still strong compared with historical averages, even with a drop-off from the peak of the early Covid years. President Biden's executive order from the second half of last year also earmarked more than \$2 billion across several departments to support domestic biotechnology and biomanufacturing, and the local life sciences industry is increasingly focused on keeping production local. These factors should generate plenty of future demand for warehouse and GMP space.

LEASING TRENDS

Q2 2023

Leasing activity remained strong in the Boston Industrial market in Q2 2023. After leasing at new construction receded somewhat in Q1 2023, many of the largest deals in Q2 were again at pipeline projects or recent deliveries. Most of the quarter's largest transactions were for warehouse space. Cardinal Health signed for 317,000 SF at 80 Pine Hill Dr. in Boylston, which opened in 2022. The company signed a 10-year deal, with a starting rent of \$11.50 PSF. Other deals at new construction included Locus Robotics Corp.'s 158,000 SF lease at 100 Fordham Rd. in Wilmington and Beacon Roofing Supply's 101,200 SF deal at 530 Turnpike St. in South Easton. Both properties are under construction, with the former expected to deliver later this year and the latter in the middle of 2024.

Although warehouse space dominated the list of largest transactions, Electric Hydrogen took 187,236 SF of GMP space in one of the quarter's most notable deals. The clean energy developer signed for almost 13 years at 33 Jackson Rd, the new development in Devens. Electric Hydrogen received \$125 PSF of TI in the lease and its rent will start at \$43.50 PSF. Another notable non-warehouse lease was Environmental Systems Inc.'s relocation from Attleboro to 100,000 SF at 130 Dever Dr. in Taunton. The company signed a sublease at its new property, on a 12-year term with rent starting at \$14.50 PSF.

NOTABLE LEASES

80 PINE HILL DR • Warehouse

Boylston | 495 Mass Pike
Cardinal Health
317,000 SF

33 JACKSON RD • GMP

Devens | 495 Route 2
Electric Hydrogen
187,236 SF

240 INDUSTRIAL AVE EAST • Warehouse

Lowell | Route 3 North
The GEM Group
167,119 SF

100 FORDHAM RD • Warehouse

Wilmington | 128 North
Locus Robotics Corp
158,000 SF

100-180 MEADOW RD • Warehouse

Hyde Park | Boston
HD Supply
152,046 SF

530 TURNPIKE ST • Warehouse

Easton | 495 South
Beacon Roofing Supply
101,200 SF

130 DEVER DR • Flex

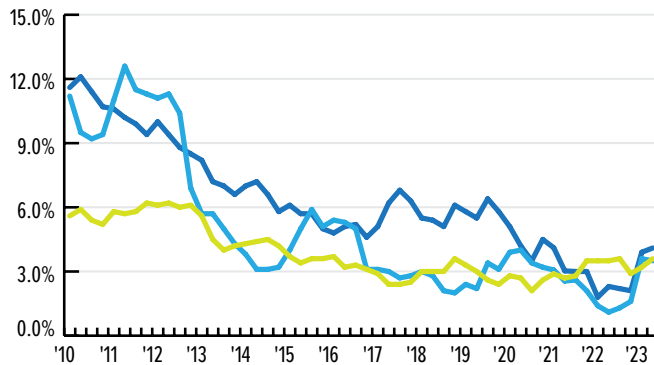
Taunton | 495 South
Environmental Systems Inc
100,000 SF

91 GLENN ST • Warehouse

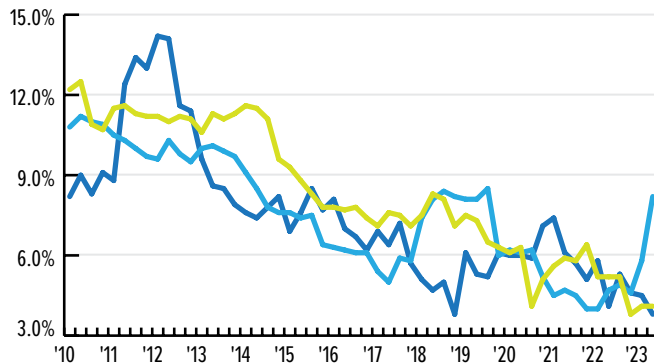
Lawrence | 495 Northeast
The GEM Group
91,333 SF

DIRECT VACANCY

INDUSTRIAL



FLEX



— South — West — North

DEVELOPMENT

Q2 2023

LINCOLN
PROPERTY
COMPANY

The development pipeline remains near a record level, with about 8 million SF under construction across Greater Boston, and about 14 million SF underway across Eastern and Central Massachusetts. Most projects are warehouses and distribution centers, including several that will house major national brands. The largest property in the pipeline is Hillwood Development's 3.8 million SF Amazon Fulfillment Center at Osgood Landing in North Andover. The five-story development broke ground in Q3 2021 and is expected to open in summer 2023. Future homes for Amazon are also underway in Malden, Charlton, and Westborough, while the company opened a 144,000 SF warehouse in Revere last quarter. With these build-to-suits leading the way, roughly two-thirds of under construction space across the market is preleased.

With occupancies trending near record levels for several quarters, speculative construction has also increased. Lincoln Property Company's 315 Green St. is underway and expected to deliver in Q3 2023. The 176,800 SF high bay warehouse will feature 32' high clear heights. Other large projects include the 1.1 million-SF Cubes at Douglas and Greystar's 412,500 SF warehouse at 798 N Bedford St. in East Bridgewater, both scheduled to open in Q4 2023. Several warehouses delivered with vacant space in Q2 2023, causing the market's occupancies to drop.

Roughly a dozen GMP facilities are also in the pipeline. Although demand and investment have cooled from the record levels reached in 2021, investors are still bullish on the life sciences market. Biotech companies often require GMP space for production capacity and are increasingly looking to keep these operations domestic, due in part to the recent struggles of the global supply chain and government incentives. GMP properties are typically located farther from the urban core than labs, with Middlesex County home to more than 70% of the Massachusetts' R&D jobs, but just 45% of the state's biomanufacturing jobs. Build-to-suits are underway for Moderna, Watson-Marlow Fluid Technology Group, and several others, while Ultragenyx opened a new 100,000 SF facility in Bedford last quarter.

Osgood Landing | N Andover

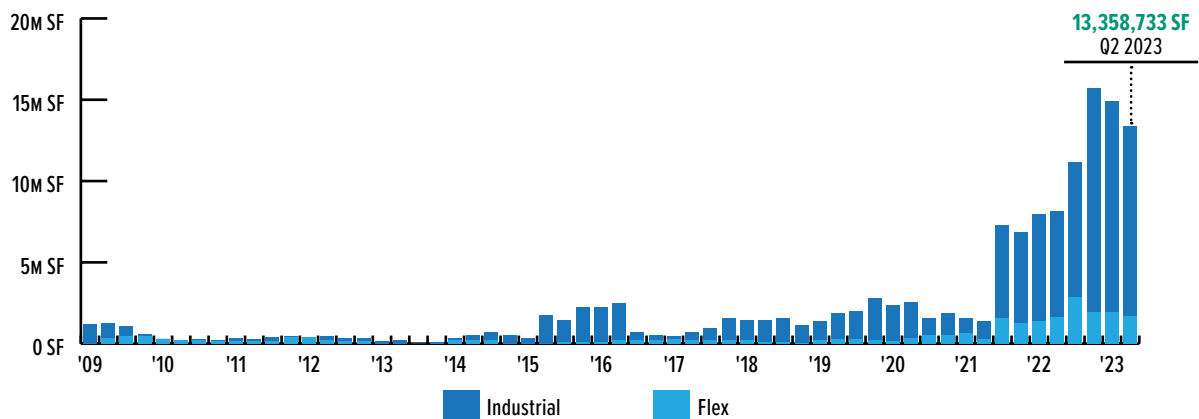


798 N Bedford St | E Bridgewater



315 Green Street | Wrentham

UNDER CONSTRUCTION



INVESTMENT SALES

Q2 2023

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High borrowing costs and a restrictive lending environment continue to limit investment activity, and sales volume in Q2 2023 declined for the fourth consecutive quarter. The largest transaction of the quarter was Moderna's purchase of 149 Hayes Memorial Dr. in Marlborough for \$91 million, or \$650 PSF. The sellers, Oxford Properties Group and The Gutierrez Company, delivered the GMP facility at the end of last year. Moderna will expand the building from 140,000 SF to 200,000 SF and will begin occupying it next year. The second largest trade was also an owner/user sale. Hexcel Corporation acquired the 78,000 SF warehouse at 37 S Hunt Rd. in Amesbury for \$37.75 million, or \$481 PSF from Water Street Capital. Hexcel Corporation has occupied the property on a lease since 2013. The largest investment sale was Wheelock Street Capital and Camber Development's purchase of 400 John Quincy Adams Rd. in Taunton for \$27 million, or \$90 PSF. The flex property is fully leased to General Dynamics Mission Systems and last sold in March 2018 for \$22 million.



149 HAYES MEMORIAL DR *Marlborough: GMP*

PRICE	\$91M
PSF	\$650 PSF
BUYER	Moderna
SELLER	Oxford Properties Group and The Gutierrez Company

37 S HUNT RD *Amesbury: Warehouse*

PRICE	\$37.75M
PSF	\$481 PSF
BUYER	Hexcel Corporation
SELLER	Water Street Capital Inc



400 JOHN QUINCY ADAMS RD *Taunton: Flex*

PRICE	\$27M
PSF	\$90 PSF
BUYER	Wheelock Street Capital and Camber Development
SELLER	Broadstone Net Lease



INDUSTRIAL PORTFOLIO *Billerica/Lowell: Warehouse*

PRICE	\$24.41M
PSF	\$136 PSF
BUYER	Sterling Corporation
SELLER	Rhino Capital Advisors and Marcus Partners



WAREHOUSE/FLEX MARKET STATS

Q2 2023

	Inventory	% Vacant	% Sublet	% Available	Quarterly Absorption	Annual Absorption	Asking Rate (NNN)
WAREHOUSE/INDUSTRIAL							
West	26,783,733	3.5%	0.5%	7.1%	19,763	(48,542)	\$11.92
North	40,622,551	3.6%	0.8%	6.5%	(92,301)	294,413	\$13.11
South	66,498,598	4.1%	1.4%	8.5%	208,424	465,305	\$10.54
Suburbs	133,904,882	3.9%	1.0%	7.6%	135,886	711,176	\$11.60
Inner	15,294,491	7.8%	1.5%	11.0%	99,581	(382,981)	\$17.99
TOTAL	149,199,373	4.3%	1.1%	7.9%	235,467	328,195	\$12.25
FLEX/R&D							
West	19,967,163	8.2%	1.3%	11.3%	(611,445)	(611,790)	\$18.06
North	28,104,849	4.1%	1.8%	8.0%	48,177	288,887	\$16.21
South	18,349,842	3.8%	0.9%	7.0%	443,062	279,731	\$15.03
Suburbs	66,421,854	5.2%	1.4%	8.7%	(120,206)	(43,172)	\$16.44
Inner	5,258,010	7.8%	0.3%	10.7%	79,850	38,646	\$28.14
TOTAL	71,679,864	5.4%	1.3%	8.9%	(40,356)	(4,526)	\$17.30
HIGH BAY							
TOTAL	33,466,990	2.0%	1.7%	6.7%	(169,671)	(256,234)	\$14.85

TOTAL INDUSTRIAL

220,879,237 SF Inventory	4.6% % Vacancy	1.2% % Sublet	8.2% % Available	195,111 SF Quarterly Absorption	323,669 SF Annual Absorption	\$13.89 Asking Rate (NNN)
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ADIN PERERA
Research Director
617.951.4141
aperera@lpc.com

Lincoln Property Company | 53 State Street, 8th Floor, Boston, MA | 617.951.4100 | LPCBoston.com

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.