

INDUSTRIAL MARKET REPORT

GREATER BOSTON

Q3 2022

LINCOLN
PROPERTY
COMPANY

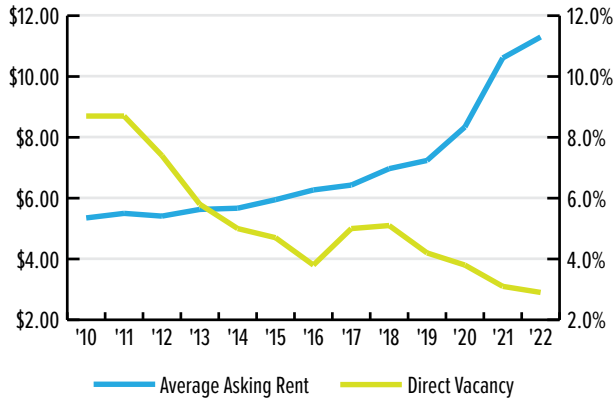
INDUSTRIAL MARKET OVERVIEW

Q3 2022

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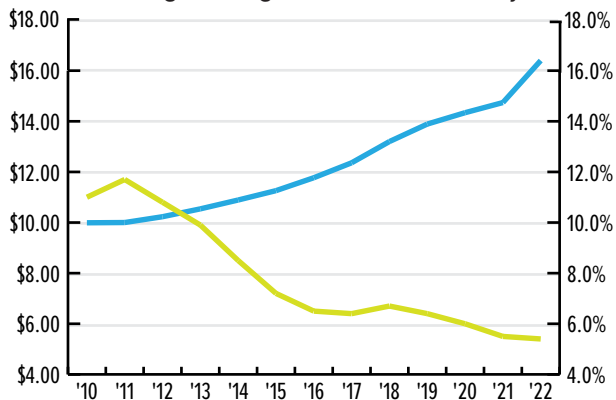
INDUSTRIAL

Average Asking Rate & Direct Vacancy



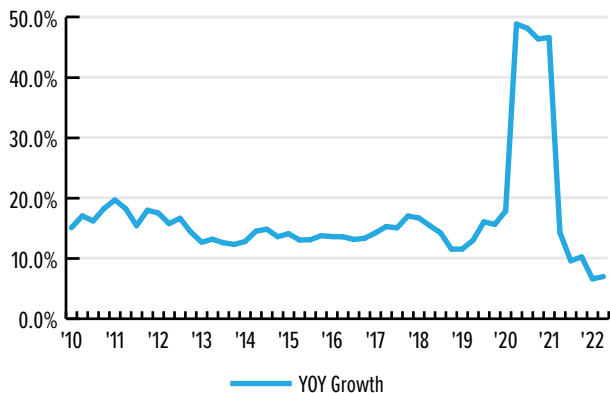
FLEX

Average Asking Rate & Direct Vacancy



ANNUAL GROWTH IN E-COMMERCE SALES

United States



Vacancies remain near record lows in the Boston industrial market, at 2.9% in the warehouse segment and 5.4% in the flex segment. Leasing volume is decelerating, however, with limited available space on the market that meets the requirements of modern tenants. Developers are responding to space needs, and construction is at its highest level in several decades. Roughly 11 million SF is under construction across Massachusetts, mostly in warehouse and GMP projects, supporting the rapid growth of e-commerce and the life sciences industry. Development is spreading far from Boston, with about 3 million SF under construction in central Massachusetts and the Worcester area. Rent growth has continued at a torrid pace, especially in the flex segment which reached 11% over the first three quarters of 2022. That number matches the cumulative rent growth rate for the flex segment across 2019-21.

While fundamentals are still arguably at their strongest point in recent memory, macroeconomic issues are beginning to challenge the primary demand drivers for the industrial market. E-commerce companies are contending with global supply chain disruptions and inflation-driven pressures on consumer spending. Amazon is scaling back its national logistics footprint by 10-30 million SF, after recording its first quarterly loss since 2015 earlier this year. The e-commerce giant will close at least five Massachusetts warehouses in this downsizing. Biotech has been affected by struggling public markets, with IPO activity slowing significantly and industry stocks underperforming the broader economy in 2022. The rising strength of the U.S. dollar is also sending pricing power to overseas manufacturers.

LOOKING FORWARD

Despite macroeconomic headwinds, the Greater Boston industrial market is well positioned for long-term growth. The Amazon closures represent less than 1% of the market's total inventory, and the company is expanding into new facilities at a faster pace than it is closing locations. Given record-low vacancies, the additional available space will provide necessary relief for tenants seeking expansion opportunities. E-commerce should have plenty of room for continued liftoff, with online sales as a percentage of total retail sales in the U.S. still trailing that of many other industrialized nations. While biotech public markets have struggled, VC funding remains robust. As this influx of investment boosts the R&D capabilities of local firms, they will also require additional biomanufacturing and GMP space. Although dozens of local companies have announced thousands of combined layoffs in 2022, overall scientific R&D jobs increased by about 12% over the last year, which easily outperformed the broader professional and business services sector.

LEASING TRENDS

Q3 2022

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Many of the largest leases of Q3 2022 were for warehouse space in the 495 belt. Despite supply-chain and inflation hiccups, demand for modern distribution space remains robust. The top two leases of the quarter were at 35 United Dr. in West Bridgewater, which was renovated after it sold in 2014. In August, the MBTA leased 205,000 SF and Barrett's Warehouse leased 171,000 SF at the property, which still has a 107,000 SF suite available. The starting rents on these deals ranged from about \$10-\$11 PSF. With vacancies so tight throughout the metro, ground-up construction is also contributing to leasing volume. In a notable Q3 2022 deal, PODS leased 98,125 SF at a starting rent of \$13.50 PSF at 16 Monarch Dr., a project in development in Littleton. Flex leasing volume was not as prevalent, but Alert Innovation's lease for 112,800 SF at 165 Dascomb Rd, in Andover was one of last quarter's largest industrial deals of any subtype.

Several notable leases were also signed in the 128 belt. A couple large warehouse deals were signed in Wilmington, including Steele Canvas for 72,500 SF starting at \$20 PSF at 42 Rear Industrial Way and Iron Mountain for 42,919 SF starting at \$16.50 PSF at 353 Middlesex Ave. Other notable deals along 128 included FGO Logistics for 43,328 SF at a starting rent of \$10.50 PSF at 1053 Turnpike St. in Stoughton, and Goodman Distribution for 40,000 SF at a starting rent of \$16.50 PSF at 109 York Ave. in Randolph.

NOTABLE LEASES

35 UNITED DR • Warehouse

West Bridgewater | 495 South
MBTA
205,000 SF

35 UNITED DR • Warehouse

West Bridgewater | 495 South
Barrett Warehouse
171,148 SF

165 DASCOMB RD • Flex

Andover | 495 Northeast
Alert Innovation
112,800 SF

16 MONARCH DR • Warehouse

Littleton | 495 Route 2
PODS
98,125 SF

42 REAR INDUSTRIAL WAY • Warehouse

Wilmington | 128 North
Steele Canvas
72,500 SF

570 RUTHERFORD AVE • Flex

Charlestown | Inner Suburbs North
Piaggio Fast Forward
56,436 SF

1053 TURNPIKE ST • Warehouse

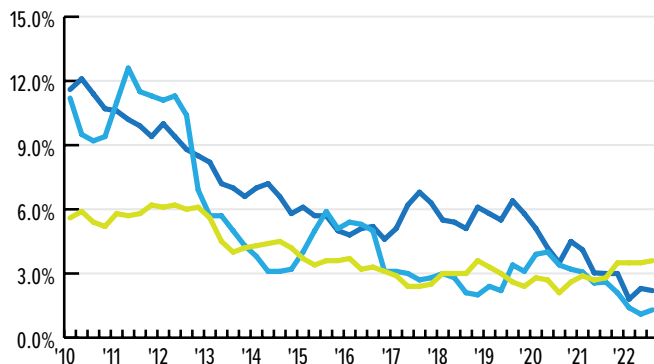
Stoughton | 128 South
FGO Logistics
43,328 SF

353 MIDDLESEX AVE • Warehouse

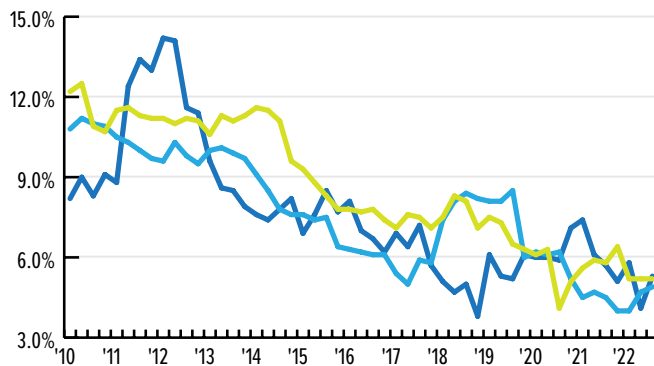
Wilmington | 128 North
Iron Mountain
42,919 SF

DIRECT VACANCY

INDUSTRIAL



FLEX



— South — West — North

DEVELOPMENT

Q3 2022

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Developers are busy across Massachusetts, seeking to fulfill space demands for active tenants, as vacancies remain near record lows. Roughly 11 million SF is under construction, a nearly ten-fold increase from two years 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. The largest project being built is 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 first half of 2023. The e-commerce giant also has a project underway in Everett and recently opened a facility in Plymouth. Home Depot moved into Equity Industrial Partners' new 715,000 SF distribution facility in Tewksbury earlier this year, and leased Condyne's 100,000 SF warehouse in Norton, which is expected to open early next 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. Notable build-to-suits are underway for Moderna and Bristol-Myers Squibb, while several speculative projects are also in the works. 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/R&D/manufacturing project at 1000 Nickerson Rd.

Osgood Landing | N Andover

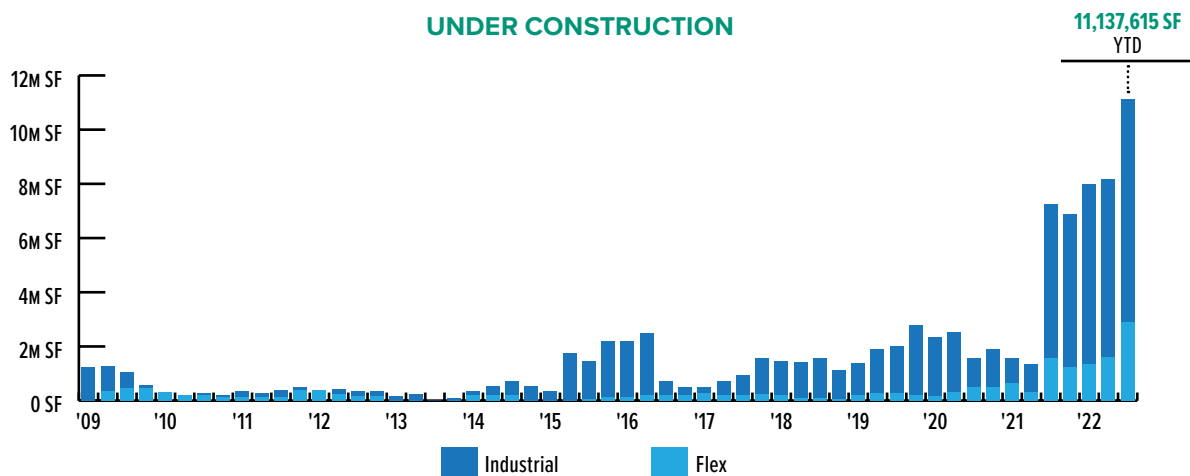


Pathway Development | Devens

1000 Nickerson Rd | Marlborough



UNDER CONSTRUCTION



INVESTMENT SALES

Q3 2022

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Sales volume declined from Q2 2022's impressive total, as rising interest rates pressured the investment market, but liquidity in Q3 2022 remained elevated past historical levels. Industrial is generally viewed as a safer and higher upside sector within commercial real estate, given the surge in demand for warehouse space and the covid-related struggles of office and retail space. Several bulk portfolio deals were among the highest volume transactions last quarter. Intercontinental Real Estate Corporation acquired three properties in the Yard 5 Industrial Park in Hyde Park in August from First Highland for \$107.5 million. The warehouse properties were developed across 2018-21 and were fully leased at the time of the sale. Apart from this deal, most investment activity was in the suburbs. The Seyon Group acquired a 6-property warehouse and flex portfolio in Rowley from Ipswich Bay Glass Company for \$54 million. In Bridgewater, Calare Properties purchased a 4-property industrial portfolio from Parker Property Management for \$42 million.



YARD 5 PORTFOLIO *Hyde Park*

PRICE	\$107.5M
PSF	\$548 PSF
BUYER	Intercontinental Real Estate Corporation
SELLER	First Highland

NORTH SHORE BUSINESS PARK *Rowley*

PRICE	\$54M
PSF	\$202 PSF
BUYER	The Seyon Group
SELLER	Ipswich Bay Glass Company



111 ADAMS ROAD *Clinton*

PRICE	\$49.3M
PSF	\$108 PSF
BUYER	Westbrook Partners
SELLER	Albany Road Real Estate Partners



BRIDGEWATER INDUSTRIAL PORTFOLIO *Bridgewater*

PRICE	\$42M
PSF	\$150 PSF
BUYER	Calare Properties
SELLER	Parker Property Management, Inc.



WAREHOUSE/FLEX MARKET STATS

Q3 2022

	Inventory	% Vacant	% Sublet	% Available	Quarterly Absorption	Annual Absorption	Asking Rate (NNN)
WAREHOUSE/INDUSTRIAL							
West	25,846,324	1.3%	0.3%	4.1%	(65,494)	516,960	\$11.18
North	40,038,953	3.6%	0.3%	5.4%	(99,755)	258,836	\$12.06
South	63,863,267	2.2%	2.1%	7.1%	(25,874)	923,102	\$9.60
Suburbs	129,748,544	2.4%	1.1%	6.0%	(191,123)	1,698,898	\$10.67
Inner	15,335,113	7.1%	0.8%	9.6%	(374,617)	(426,014)	\$16.77
TOTAL	145,083,657	2.9%	1.1%	6.3%	(565,740)	1,272,884	\$11.32
FLEX/R&D							
West	19,339,165	4.9%	1.3%	8.2%	114,409	(12,635)	\$16.59
North	27,802,145	5.2%	1.1%	7.9%	14,690	550,788	\$15.68
South	17,811,833	5.3%	0.5%	9.0%	(165,961)	101,106	\$14.33
Suburbs	64,953,143	5.1%	1.0%	8.3%	(36,862)	639,259	\$15.58
Inner	5,338,757	9.2%	0.1%	12.3%	(34,766)	(49,487)	\$26.41
TOTAL	70,291,900	5.4%	0.9%	8.6%	(71,628)	589,772	\$16.40
HIGH BAY							
TOTAL	33,508,307	1.6%	1.3%	4.4%	(153,913)	1,789,232	\$13.80

TOTAL INDUSTRIAL

215,375,557 SF Inventory	3.7% % Vacancy	1.1% % Sublet	7.1% % Available	(637,368) SF Quarterly Absorption	1,862,656 SF Annual Absorption	\$12.98 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.