



INDUSTRIAL MARKET REPORT

GREATER BOSTON

Q4 2022

LINCOLN
PROPERTY
COMPANY

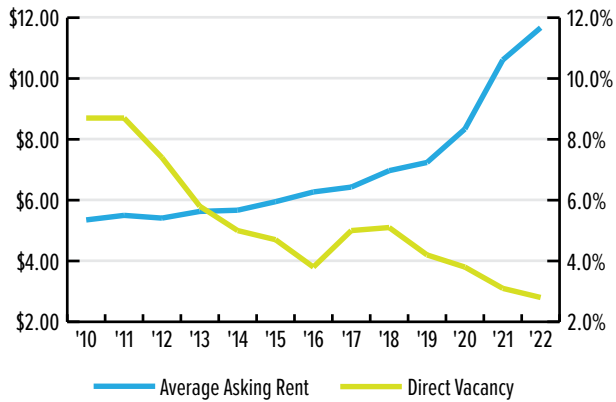
INDUSTRIAL MARKET OVERVIEW

Q4 2022

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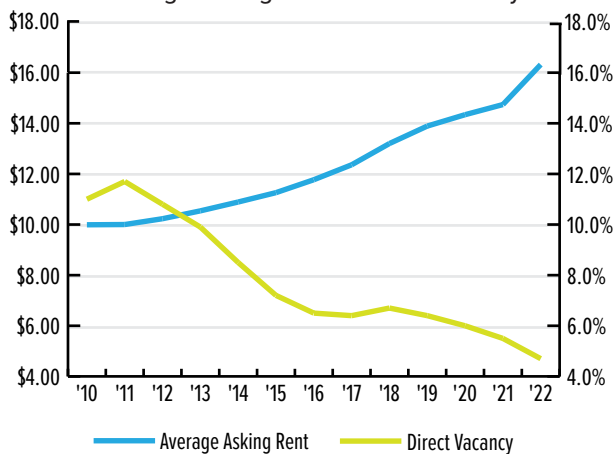
INDUSTRIAL

Average Asking Rate & Direct Vacancy



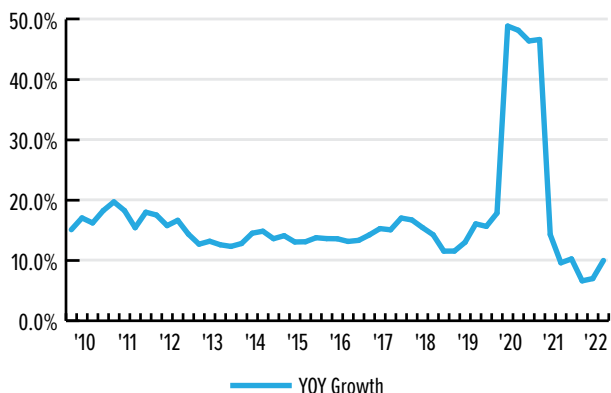
FLEX

Average Asking Rate & Direct Vacancy



ANNUAL GROWTH IN E-COMMERCE SALES

United States



Vacancies in the Boston industrial market finished Q4 2022 at 2.8% in the warehouse segment and 4.7% in the flex segment, both record lows. Despite limited available space on the market due to tight occupancy rates, net absorption topped 370,000 SF last quarter and 1.8 million SF last year. The warehouse segment generated stronger demand on an absolute basis last year, but flex received stronger demand as a percentage of inventory and experienced greater vacancy compression. Plenty of deal volume also occurred in the market's sizable pipeline, with under construction space totaling roughly 2 million SF and 14 million SF for flex and warehouse, respectively. Rent growth continued at a swift pace, especially in the flex segment which reached 11% in 2022. Flex rent growth last year matched its cumulative total across 2019-21. Industrial rent growth also reached 10% for the second consecutive year.

While the market's fundamentals are in excellent shape, several macroeconomic trends presented headwinds last year. Combined net absorption for warehouse and flex space fell to its lowest total since 2019. E-commerce companies are contending with global supply chain disruptions and inflation-driven pressures on consumer spending. After several disappointing earnings reports, Amazon scaled back its national logistics footprint by 10-30 million SF. This included several closures in Massachusetts, but the company is still expanding its local inventory at a much faster rate than it is shutting locations. Biotech was affected by struggling public markets, with IPO activity slowing significantly and industry stocks underperforming the broader economy in 2022. Rising interest rates have also presented additional obstacles to dealmaking.

LOOKING FORWARD

Despite macroeconomic headwinds, the Greater Boston industrial market is well positioned for long-term growth. 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. Although biotech IPO activity floundered last year, VC investment still reached its second-highest year on record, after 2021. While dozens of local companies announced thousands of combined layoffs in 2022, overall scientific R&D jobs increased by about 12.6% in 2022, which roughly doubled growth in the broader professional and business services sector. As this influx of investment boosts the R&D capabilities of local firms, requirements for biomanufacturing and GMP space should also increase. President Biden also issued an executive order in the second half of last year that earmarked more than \$2 billion across several departments to support domestic biotechnology and biomanufacturing.

LEASING TRENDS

Q4 2022

Warehouse space continues to drive most leasing activity in industrial market. The largest deals in Q4 2022 were spread throughout several different geographies and industries. Ferguson Plumbing Supply accounted for the largest lease in Greater Boston, taking 260,000 SF at the Taunton Trade Center. The spec property, located in the Myles Standish Industrial Park, still has 323,000 SF available for lease. Ferguson's lease will run for 10 years and begin at \$11.75 PSF triple net. In the North Industrial Submarket, large warehouse leases were signed by Peak Event Services for 105,297 SF in Woburn, LaserShip for 95,559 SF in Stoneham, and Iron Mountain for 91,737 SF in Billerica. The Worcester metro also continues to attract warehouse leasing volume, including deals last quarter by Rand-Whitney for 275,620 SF in Lancaster and Amazon for 143,655 SF in Fitchburg.

The GMP market also continues to expand, with upstart local and national players expanding their biomanufacturing capabilities in the Boston area. Continuous Pharmaceuticals, an MIT spinout, leased 187,000 SF at King Street Properties' Pathway development in Devens. The under construction project will open in early 2023. Continuous received a \$69.3 million contract from the U.S. government in 2021 to help onshore drug production, and is also spending \$125 million on the renovation and construction of a new 50,000 SF GMP space near its headquarters in Woburn. National Resilience, which was founded in late 2020 and is based in the San Diego area, also signed a large GMP deal last quarter, taking 68,442 SF in Marlborough.

NOTABLE LEASES

580 FORT POND RD • Warehouse

Lancaster | Worcester Metro
Rand-Whitney
275,620 SF

300 CHARLES COLTON RD • Warehouse

Taunton | 495 South
Ferguson Plumbing Supply
260,000 SF

33 JACKSON RD • GMP

Devens | 495 Route 2
Continuous Pharma
187,000 SF

140 LOCKE DR • Warehouse

Fitchburg | Worcester Metro
Amazon
143,655 SF

36 CABOT RD • Warehouse

Woburn | 128 North
Peak Event Services
105,297 SF

200 FALLON RD • Warehouse

Stoneham | 128 North
LaserShip
95,559 SF

96 HIGH ST • Warehouse

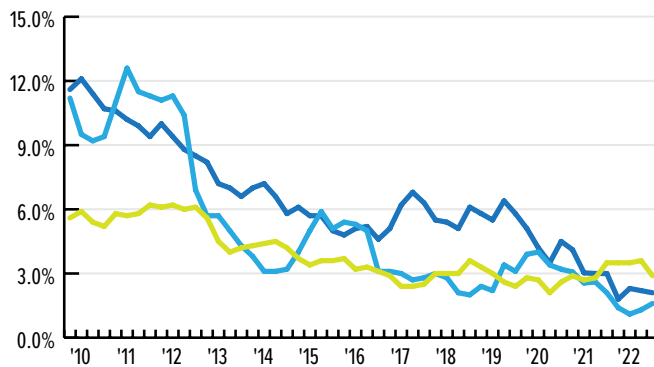
Billerica | Route 3 North
Iron Mountain
91,737 SF

7 MANLEY ST • Warehouse

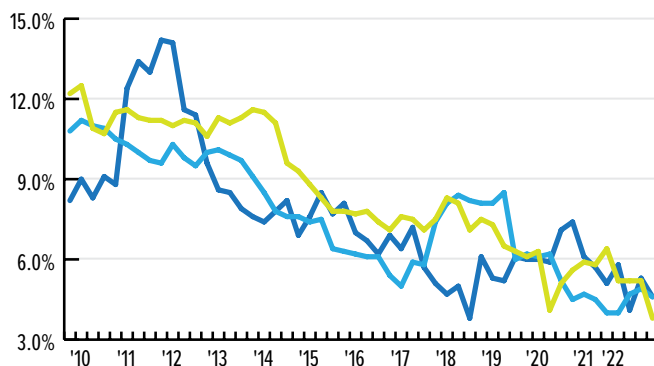
West Bridgewater | 495 South
4Wall Entertainment
88,200 SF

DIRECT VACANCY

INDUSTRIAL



FLEX



— South — West — North

DEVELOPMENT

Q4 2022

The development pipeline has ballooned to a record level, with about 7 million SF under construction across Greater Boston, and about 15 million SF underway across Eastern and Central Massachusetts. This is more than double the amount of construction that was underway a year ago, and close to 10 times the market's historical average. Most projects being built are warehouses and distribution centers, including several for 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 March 2023. Future homes for Amazon are also underway in Charlton, Everett, and Westborough. With these build-to-suits leading the way, more than half of the market's pipeline is preleased. With occupancies near record levels, several speculative projects are also underway. Lincoln Property Company has begun work on 404 Green St. in Wrentham, which will feature 176,800 SF of high bay space, with 32-foot clear heights.

Roughly a dozen GMP facilities are also in the pipeline, as demand and investment into Boston's life sciences market continues to trend near record levels despite a few hiccups last year. Biotech companies often require GMP space for production capacity, and due in part to the recent struggles of the global supply chain and government incentives, are increasingly looking to keep these operations domestic. GMP properties are often 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 and Continuous Pharmaceuticals, while Bristol-Myers Squibb opened its property in Devens in early 2023. Several speculative projects are also in the works, including King Street Properties' Pathway in Devens, 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 broke ground on its 120,000 SF flex/GMP project at 1000 Nickerson Rd.

Osgood Landing | N Andover

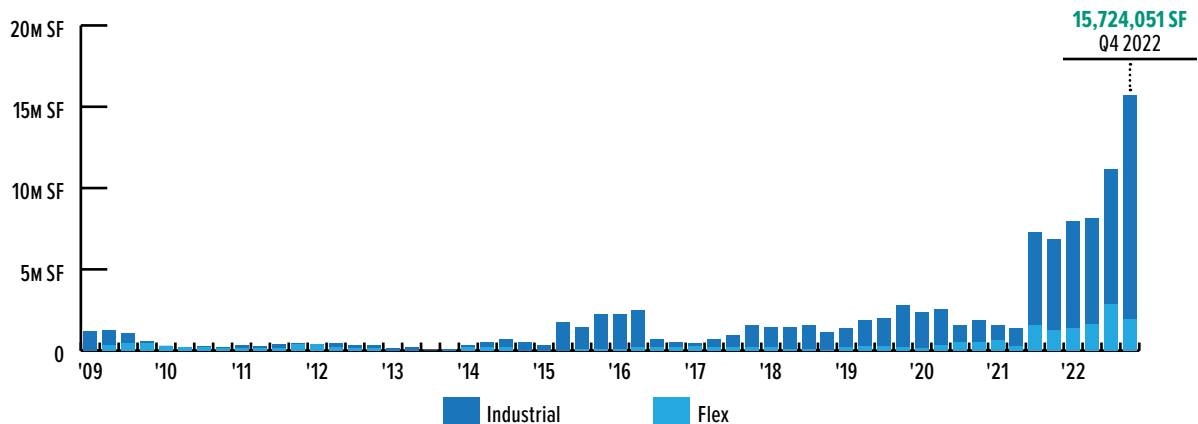


Pathway Development | Devens



404 Green Street | Wrentham

UNDER CONSTRUCTION



INVESTMENT SALES

Q4 2022

LINCOLN
PROPERTY
COMPANY

Sales volume decelerated in Q4 2022, as increased borrowing costs and the uncertain economic outlook weighed on investment activity. Industrial is still 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. A couple of sale leasebacks led the way for investment volume last quarter. National Resilience sold its location at 92 Crowley Dr. in Marlborough to Oxford Properties Group for \$125 million. The seller leased the roughly 70,000-SF GMP building through October 2037 in the deal. National Resilience previously purchased the property in April 2022 for \$11 million. The Kraft Group sold the 275,000-SF distribution facility at 580 Fort Pond Rd. in Lancaster to The Seyon Group for \$54.45 million, or \$198 PSF. Rand-Whitney, a subsidiary of the seller, leased the property through November 2032 as part of the sale. The largest non-sale leaseback transaction involved a fully leased food processing property. Invesco Advisers acquired the Monogram Food Solutions facility at 51 Research Dr. in Haverhill from Paradigm Properties for \$43 million, or \$319 PSF.



92 CROWLEY DRIVE *Marlborough*

PRICE	\$125M
PSF	\$1,826 PSF
BUYER	Oxford Properties Group
SELLER	National Resilience

580 FORT POND ROAD *Lancaster*

PRICE	\$54.45M
PSF	\$198 PSF
BUYER	The Seyon Group
SELLER	The Kraft Group



51 RESEARCH DRIVE *Haverhill*

PRICE	\$51M
PSF	\$319 PSF
BUYER	Invesco Advisers
SELLER	Paradigm Properties

200 SHUMAN AVENUE *Stoughton*

PRICE	\$42M
PSF	\$175 PSF
BUYER	Oliver Street Capital
SELLER	The Shearwater Companies



WAREHOUSE/FLEX MARKET STATS

Q4 2022

	Inventory	% Vacant	% Sublet	% Available	Quarterly Absorption	Annual Absorption	Asking Rate (NNN)
WAREHOUSE/INDUSTRIAL							
West	26,083,932	1.6%	0.3%	6.4%	(62,272)	(9,843)	\$11.45
North	40,079,266	2.9%	0.1%	4.6%	360,127	990,467	\$12.50
South	63,832,740	2.1%	2.0%	6.2%	(113,847)	619,135	\$9.87
Suburbs	129,995,938	2.2%	1.1%	5.8%	184,008	1,599,759	\$11.00
Inner	15,335,113	8.0%	0.4%	10.1%	(132,932)	(428,445)	\$17.39
TOTAL	145,331,051	2.8%	1.0%	6.2%	51,076	1,171,314	\$11.67
FLEX/R&D							
West	19,365,802	4.6%	1.3%	8.0%	129,381	54,484	\$16.67
North	27,794,992	3.8%	1.5%	7.7%	308,381	742,137	\$15.40
South	17,806,783	4.6%	0.8%	7.1%	(61,685)	(75,462)	\$14.36
Suburbs	64,967,577	4.3%	1.3%	7.6%	376,077	721,159	\$15.49
Inner	5,339,188	9.8%	0.3%	13.0%	(55,537)	(8,097)	\$26.42
TOTAL	70,306,765	4.7%	1.2%	8.0%	320,540	713,062	\$16.32
HIGH BAY							
TOTAL	33,523,277	1.6%	1.1%	6.4%	79,600	1,450,211	\$14.10

TOTAL INDUSTRIAL

215,637,816 SF Inventory	3.4% % Vacancy	1.1% % Sublet	6.8% % Available	371,616 SF Quarterly Absorption	1,884,376 SF Annual Absorption	\$13.19 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.