

Q2 - 2024

THE KLEIN REPORT

Market Overview

By: Harrison Klein, FVP Investments

The second quarter of 2024 ended on a high note with consensus forming around the direction of interest rates. Borrowing costs peaked this year in the 7.5% range and have since fallen, with debt available today in the low six percent range. Problems persist for owners of larger (over 80K square foot) warehouses as tenant demand remains sluggish. For smaller spaces demand remains robust, although owners should expect longer lease up times than might have been experienced in 2022. Expect tenants to flock to quality spaces, and demand renovations as part of lease negotiations.

The bid/ask spread between buyers and sellers is decreasing. Falling rates and a positive outlook are bringing buyers back to the market. Sellers are capitulating as time drags by, and expectations of a quick recovery diminish. We are having numerous calls with owners who had put off selling, that are now considering a sale in late 2024 or early 2025. This is especially true for private owners, who are often motivated by lifestyle decisions. We expect to see more inventory on the market in 2025 than 2024, more sales velocity and better options for buyers. Quality 8+ cap rate industrial deals are available in New England today. Many properties are selling at cap rates 50-100 basis points cheaper than peak pricing seen in 2022.

Lending options remain available, however they often come with the stipulations investors have come to expect in this market. Loan to Value ratios are lower, lenders are escrowing for deferred maintenance items, and personal guarantees are frequently required. Large differences in interest rates between lenders are common. Now more than ever it is important to shop lenders, whether independently or with a professional mortgage broker.

During the second half of the year investors should watch for lowering interest rates, volatile vacancy rates, and potentially increases in for sale inventory. Expect vacancies to take a bit of time to fill. As such, now might be a good time to “make that deal” with your existing tenants. Broadly we expect the second half of 2024 to be a good time for both buyers and sellers to achieve their investment goals.

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Southern New Hampshire - Submarket Overview

By: Luigi Lessa, Senior Associate - Northwest Region Specialist

In Q2 2024, Southern New Hampshire's industrial market saw vacancy rates rise to 5.7%, driven by speculative construction and aging inventory. Rental rates dipped slightly to \$11.98 NNN, with increased demand for smaller spaces like contractor bays. Warehouse vacancies rose by 3.8%, while manufacturing and flex spaces also saw increases. Submarkets like Portsmouth experienced rent growth, while Salem saw declines. Notably, Life is Good opened a new 378,000 SF distribution center in Hudson, highlighting the area's continuing appeal for large-scale industrial investments.



NOTABLE SALES

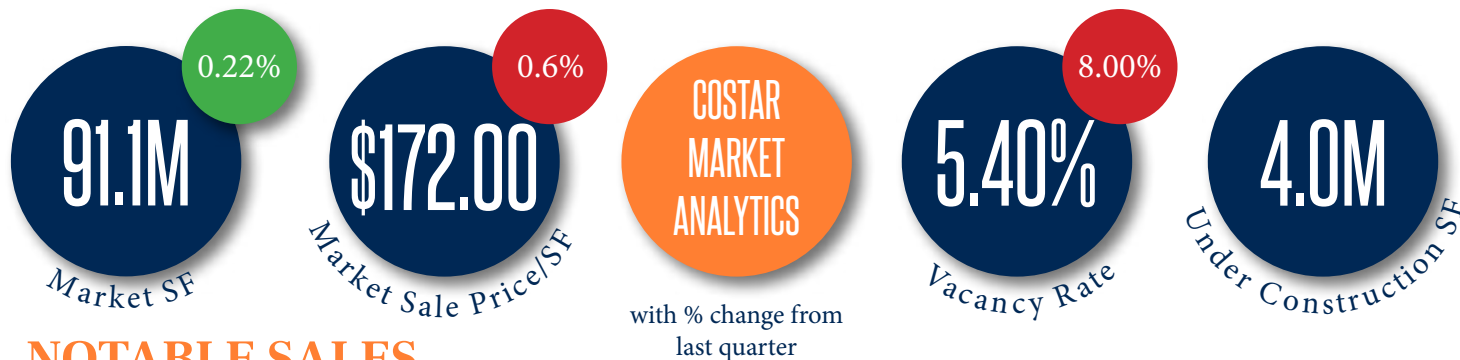
Subject Property	City & State	Property Type	Sale Price	SF	\$/SF
299 Pepsi Road	Manchester, NH	Industrial	\$6,900,000	51,216	\$134.72
6 A Street	Derry, NH	Industrial	\$3,600,000	22,890	\$157.27
111 Venture Drive	Dover, NH	Industrial	\$5,000,000	44,232	\$113.04

NOTABLE LEASES

Subject Property	City & State	Property Type	Rentable SF	Rent/SF	Lease Type
8 Industrial Way	Salem, NH	Flex	12,000	\$11.00	NNN
8 Tinkham Avenue	Derry, NH	Industrial	5,840	\$11.30	MG
201 Allard Drive	Manchester, NH	Industrial	24,300	\$15.00	+Util
235 West Road	Portsmouth, NH	Flex	3,256	\$14.00	+Util
3 Cate Road	Portsmouth, NH	Industrial	16,000	\$15.00	+Util

North of Boston 495 Corridor - Submarket Overview**By: Luigi Lessa, Senior Associate & Mattias Edenkrans, Associate - North Shore Region Specialist**

In Q2 2024, Peabody led the N495 Corridor with a \$77 million investment by Tishman Speyer and Mitsui Fudosan America in 700,000 SF of distribution space, showcasing strong developer confidence despite rising vacancies. Lawrence saw steady demand for high-bay and flex spaces, while Haverhill maintained stable demand with limited new construction. Overall, vacancy rates across Greater Boston rose to 10.3%, influenced by economic concerns such as a 2.2% decline in manufacturing jobs. However, easing inflationary pressures could support future market growth. North of Boston saw a decrease in market velocity by 33%, with significant capital being deployed by Syndicators, Family Offices and Institutions. This sub-market saw strong demand from Owner-Users in Q1, who contributed to 63% of transactions. In Q2, this number dropped to 33%, contributing to the decrease in velocity. Investor activity has picked up, targeting assets with short-term leases and/or vacancies, with the intention of capitalizing on the strong renewal market and tenant demand for space.

**NOTABLE SALES**

Subject Property	City & State	Property Type	Sale Price	SF	\$/SF
28 Diana Lane	Dracut, MA	Warehouse	\$8,700,000	69,310	\$125.52
25 Calumet Road	Methuen, MA	Warehouse	\$4,600,000	28,754	\$159.98
75 Sylvan Street	Danvers, MA	Flex	\$29,000,000	375,898	\$77.15
21 Parkridge Road	Haverhill, MA	Industrial	\$3,300,000	15,000	\$220.00

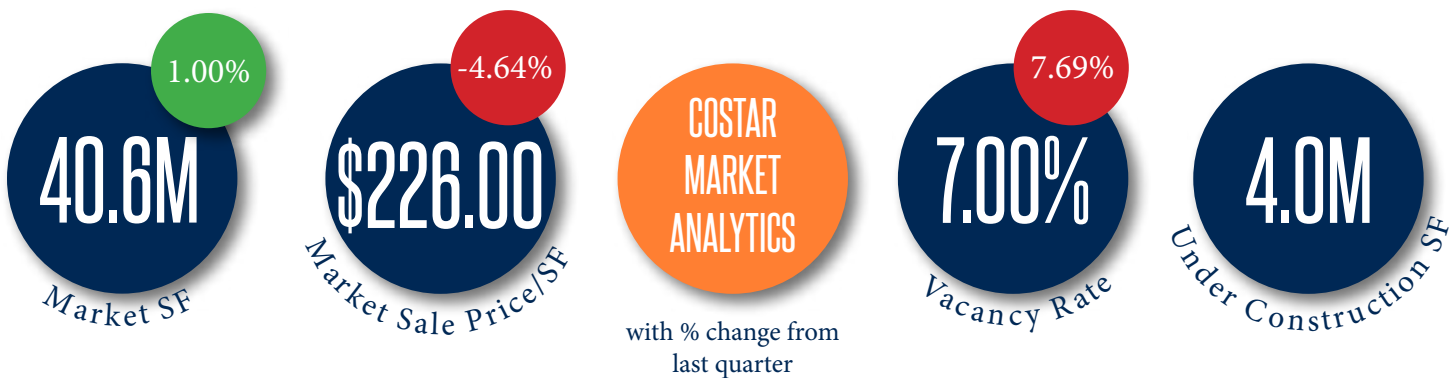
NOTABLE LEASES

Subject Property	City & State	Property Type	Rentable SF	Rent/SF	Lease Type
10 Fanaras Drive	Salisbury, MA	Industrial	15,000	\$12.50	NNN
31 S. Hunt Road	Amesbury, MA	Industrial	6,400	\$11.00	NNN
16 Carleton Drive	Georgetown, MA	Industrial	13,820	\$12.00	NNN

I93/I-95 Intersection - Submarket Overview

By: Luigi Lessa, Senior Associate & Mattias Edenkrans, Associate - North Region Specialist

In Q2 2024, Wilmington saw a 16% availability rate driven by unleased developments like the 415,000 SF completed in 2023-24. Woburn followed with a 13% vacancy rate, reflecting the impact of speculative construction across the region. Despite rising vacancies, rents in the Greater Boston area stabilized at \$14.68/SF, though speculative construction continues to put upward pressure on availability, especially for larger projects like 800 Salem Street. Looking ahead, developers may need to offer more incentives to lease these vacant spaces. Being the premier industrial location in the region, it is not a surprise that this market has seen a larger increase in foreign and national capital than other sub-markets. Q2 for this region told a story of redevelopment, with 900,000 SF of permitted development sold in this quarter alone. With vacancy rates slowing increasing, time will tell how these new developments effect owners of similar 80's-built product in the area.



NOTABLE SALES

Subject Property	City & State	Property Type	Sale Price	SF	\$/SF
225 Merrimack Street	Woburn, MA	Industrial	\$8,690,000	37,108	\$234.18
216 New Boston Street	Woburn, MA	Industrial	\$7,310,000	45,186	\$161.78

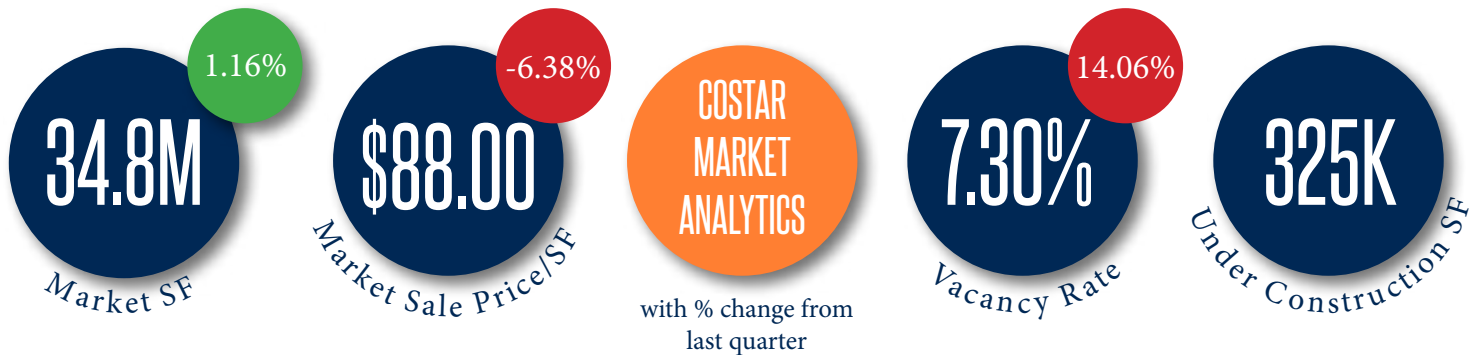
NOTABLE LEASES

Subject Property	City & State	Property Type	Rentable SF	Rent/SF	Lease Type
44-48 6th Road	Woburn, MA	Industrial	17,901	\$12.00	NNN
255 Andover Street	Wilmington, MA	Industrial	82,203	\$16.20	NNN

Route 2/I-190 Corridor - Submarket Overview

By: Harrison Klein, FVP Investments

Rental rates remain strong in the western markets despite falling demand. Limited supply, especially of Class A/B properties has pushed rents in the Boroughs into the \$14 PSF range. Industrial owners should expect longer than usual lease up periods, in the 6-18 month range. Currently much of the on-market inventory is priced over \$200 per square foot, a 50% premium over closed sale comparables. Well priced warehouses, with reasonable highway access, continue to sell extremely quickly. Local banks in this region are generally capitalized and making loans, especially to strong borrowers. The 495 West market saw significant sales activity with 14 warehouse trades since the beginning of 2024. Investors should keep a close eye on vacancy rates which we expect to creep higher into the end of 2024. We rolled out a small industrial building in Sterling earlier this summer and almost immediately completed nine tours. Demand along the Route 2 corridor remains extremely strong, especially for smaller building.



NOTABLE SALES

Subject Property	City & State	Property Type	Sale Price	SF	\$/SF
139 Central Street	Leominster, MA	Flex/Mill	\$660,000	20,368	\$32.40
3 Northeast Blvd	Sterling, MA	Industrial	\$950,000	7,500	\$126.67

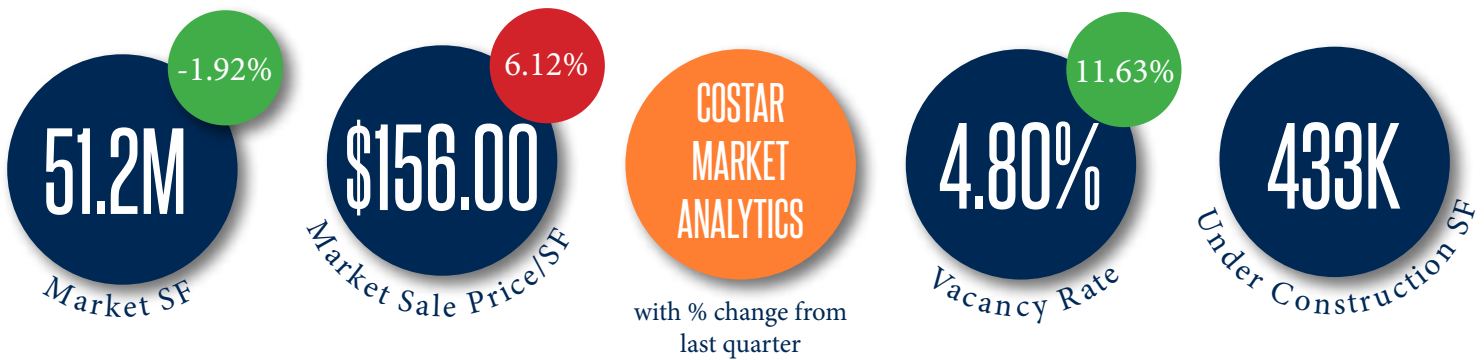
NOTABLE LEASES

Subject Property	City & State	Property Type	Rentable SF	Rent/SF	Lease Type
Confidential	Leominster, MA	Industrial	25,000	\$7.95	NNN

The Boroughs - Submarket Overview

By: Harrison Klein, FVP Investments

Industrial demand in the Boroughs is picking up with multiple leases completed at \$14 NNN. The owner/user market remains quiet. This is likely due to the massive increases in sale prices. Similar to other submarkets we are noticing substantially lower tenant demand for assets priced above \$4 million.



NOTABLE SALES

Subject Property	City & State	Property Type	Sale Price	SF	\$/SF
192 South Street	Hopkinton, MA	Industrial	\$1,950,000	12,000	\$162.50

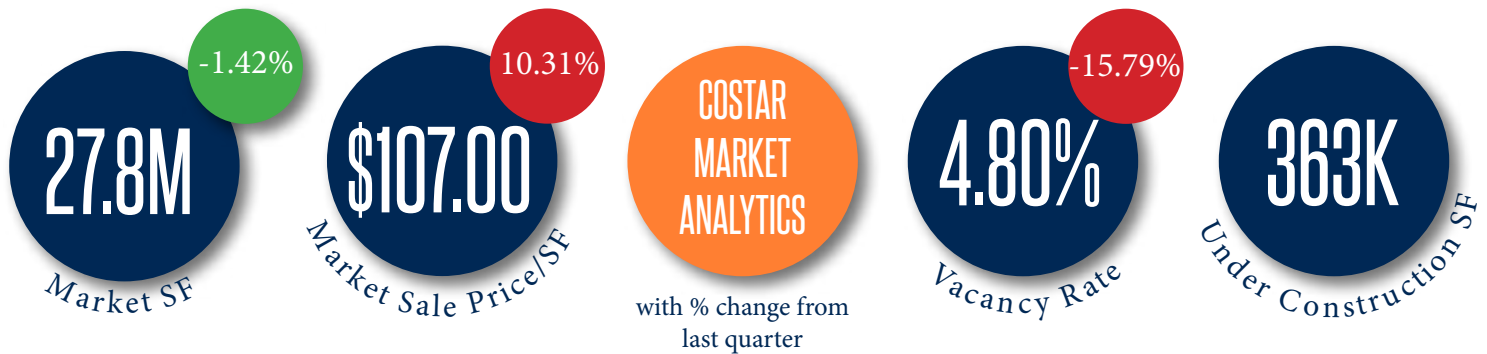
NOTABLE LEASES

Subject Property	City & State	Property Type	Rentable SF	Rent/SF	Lease Type
425 Whitney Street	Northborough, MA	Industrial	46,227	\$14.00	NNN
25 Brigham Street	Westborough, MA	Flex	9,200	\$11.00	NNN
22 Kane Industrial Drive	Hudson, MA	Flex	14,000	\$8.50	NNN

Worcester Proper - Submarket Overview

By: Harrison Klein, FVP Investments

The Worcester industrial market is seeing substantial bifurcation between class B+ properties and the older warehouse stock. 30 Pullman sold for \$56 per square foot, while 93 Bancroft commanded over \$125 per square foot. We expect to continue seeing this trend as users demand high quality space.



NOTABLE SALES

Subject Property	City & State	Property Type	Sale Price	SF	\$/SF
89-91 Leicester Street	N. Oxford, MA	Industrial	\$1,300,000	6,300	\$206.35
30 Pullman Street	Worcester, MA	Industrial	\$7,000,000	125,000	\$56.00
93 Bancroft Street	Auburn, MA	Industrial	\$1,530,000	12,165	\$125.36

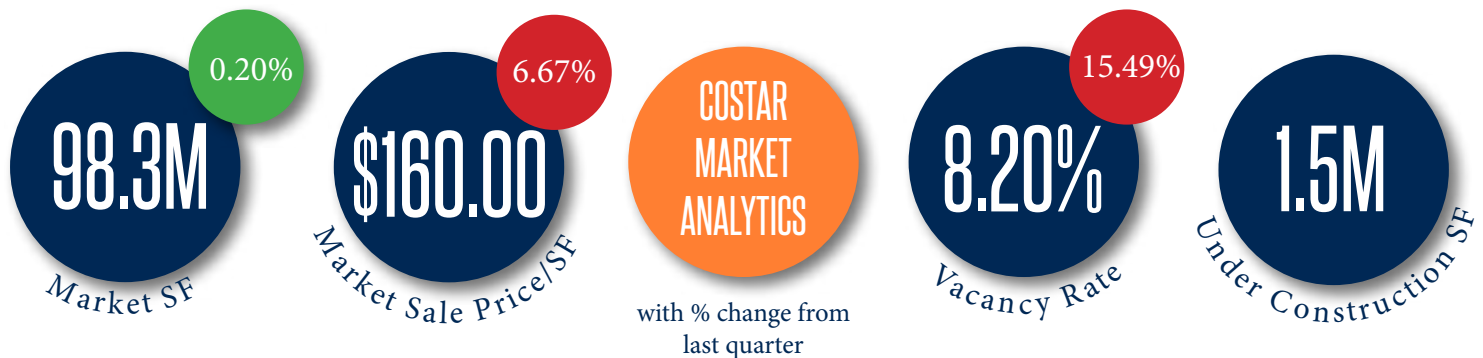
NOTABLE LEASES

Subject Property	City & State	Property Type	Rentable SF	Rent/SF	Lease Type
60 Solferino Street	Worcester, MA	Industrial	25,000	\$10.25	NNN
238 Cherry Street	Shrewsbury, MA	Flex	5,000	\$14.00	NNN
10 Pullman Street	Worcester, MA	Industrial	4,438	\$12.00	NNN

I-95 Corridor - Submarket Overview

By: Michael Grant, Associate - South Region Specialist

The industrial real estate market on the I-95 corridor of Massachusetts has been increasingly gaining momentum with over 17 transactions this quarter. The increase demand for top-notch industrial buildings with state of the art facilities are getting upwards of \$22 NNN. A 45,000 SF building in Quincy was able to fetch over \$220 a foot as well as another 60,000 top-notch warehouse in Norton seeing \$233 a foot. There has been an huge demand for small bay industrial buildings for spaces less than 2,500SF. On average you can expect \$15-\$22NNN. Bluewater Development acquired 25 acres of land in plans to construct a brand-new 120,000 SF logistics center. This acquisition is part of a broader strategy to build a high-quality, product in key markets across the U.S., including Boston's I-95 corridor.



NOTABLE SALES

Subject Property	City & State	Property Type	Sale Price	SF	\$/SF
48 Leonard Street	Norton, MA	Industrial	\$14,000,000	60,000	\$233.33
75 York Ave	Randolph, MA	Industrial	\$8,000,000	54,000	\$148.15
1 Rex Drive	Braintree, MA	Industrial	\$7,800,000	63,800	\$122.26

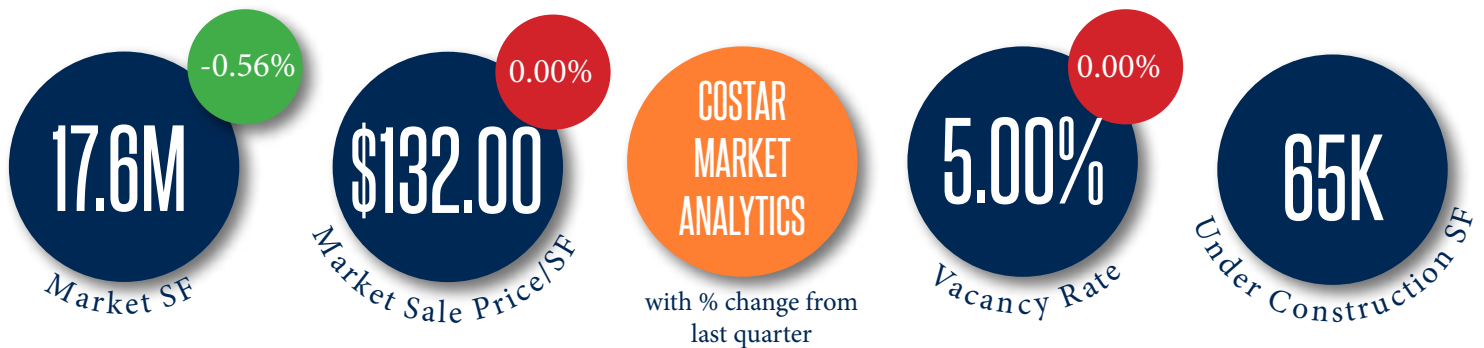
NOTABLE LEASES

Subject Property	City & State	Property Type	Rentable SF	Rent/SF	Lease Type
210-240 Rustcraft Road	Dedham ,MA	Industrial	13,572	\$22.00	NNN
839 Upper Union Street	Franklin, MA	Industrial	22,750	\$17.39	NNN
35-41 Hampden Road	Mansfield, MA	Industrial	58,800	\$16.04	NNN

South Shore - Submarket Overview

By: Michael Grant, Associate - South Region Specialist

The South Shore market in Boston experienced a robust second quarter in 2024, driven by high demand for industrial spaces, especially in logistics, manufacturing, and R&D facilities. The market saw a notable increase in investment activity, following a broader trend across the Greater Boston area where Q2 2024 industrial investment sales surged by over 50% compared to Q1. This growth was fueled by the continued expansion of e-commerce and the increasing importance of last-mile delivery hubs in the region. We are seeing some buildings in this market trade over \$200 a foot. With its strategic location, well-developed infrastructure, and abundant business opportunities, the South Shore continues to be an attractive destination for industrial ventures.



NOTABLE SALES

Subject Property	City & State	Property Type	Sale Price	SF	\$/SF
55 Industrial Park Road	Hingham, MA	Industrial	\$2,350,000	11,000	\$213.64
135 King Street	Cohasset, MA	Flex	\$2,400,000	12,000	\$200.00
293 Winter Street	Hanover, MA	Industrial	\$1,506,932	11,880	\$126.85

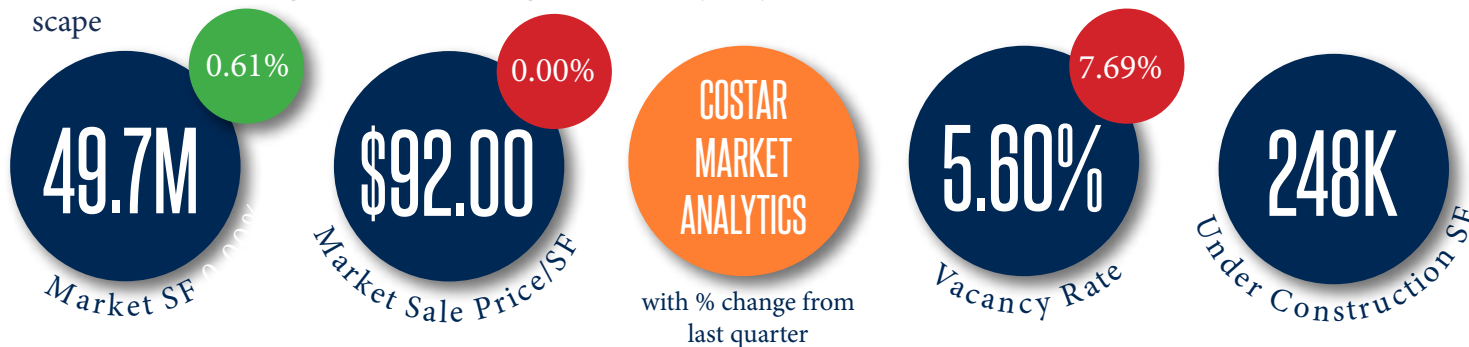
NOTABLE LEASES

Subject Property	City & State	Property Type	Rentable SF	Rent/SF	Lease Type
61-73 Resovir Park Drive	Rockland, MA	Industrial	3,100	\$15.00	NNN
293-317 Libbey Industrial Parkway	Weymouth, MA	Industrial	10,000	\$12.00	NNN
835 Plain Street	Marshfield, MA	Industrial	9,500	\$10.11	NNN

South Coast - Submarket Overview

By: Michael Grant, Associate - South Region Specialist

The South Coast market of Massachusetts is continuing to see an uptick in activity and investor interest. Innovation Way in Fall River is emerging as a significant hub for industrial and commercial development, particularly with the ongoing project called 'The Campus at Innovation Way.' Developed by VMD Companies, this campus is set to include four buildings totaling 900,000 square feet of Class A industrial space. The space was originally designed for just biotech but has now opened up to other real players with advanced manufacturing and distribution centers, some having 60+ clear heights. The new commuter rail station in New Bedford is expected to open next year and significantly impact the local area in terms of real estate and economic development. It offers a new wave of workforce coming in and out of the city. It will also make New Bedford more accessible with a 90-minute trip to South Station in Boston. As these developments unfold, the South Coast is poised for a transformative period of growth, positioning itself as a key player in Massachusetts' industrial and economic landscape.



NOTABLE SALES

Subject Property	City & State	Property Type	Sale Price	SF	\$/SF
45 Industrial Court	Seekonk, MA	Industrial	\$3,100,000	10,788	\$287.36
9 Kendrick Road	Wareham, MA	Industrial	\$3,200,000	41,070	\$77.92

NOTABLE LEASES

Subject Property	City & State	Property Type	Rentable SF	Rent/SF	Lease Type
600 Airport Road	Fall River, MA	Industrial	27,000	\$12.00	NNN
1200 Airport Road	Fall River, MA	Industrial	21,700	\$10.35	NNN
113 Griffin Street	Fall River, MA	Industrial	90,000	\$6.00	FS

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