

INVESTMENT FORECAST

Marcus & Millichap

INDUSTRIAL

Boston Metro Area

2024

Amazon Warehouses Dominate Construction Pipeline; High-Tech Manufacturers Backstop Vacancy

Large-scale distribution and biotech firms shine amid incoming supply injection. Although this year's record-breaking construction pipeline appears daunting at first glance, a high proportion of built-to-suit space will mitigate the impact of this new supply. Roughly 6.6 million square feet slated for completion in 2024 is split between just two Amazon facilities. The remaining space represents just half of the average delivery schedule noted in the trailing five-year period entering this year. Although the life sciences segment is undergoing a cooldown, some firms in this sector are still seeking out leasing arrangements for manufacturing and R&D space. Multiple biopharmaceutical initiatives headline the list of large-scale move-ins, with both Intellia Therapeutics and Repligen each taking roughly 140,000 square feet off the market. The latter firm highlights the importance of this sector in Worcester County. While these move-ins will keep net absorption solidly positive this year, contraction in the biotech and logistics industries will help drive vacancy to a multi-year high in 2024.

Population shifts translate to competition for last-mile delivery space. Investors targeting warehouse and distribution opportunities should continue to be active along Interstates 495 and 95, which connect much of the region's suburban environs. Facilitated by a growing consumer base of Boston transplants, Worcester has emerged as an additional epicenter of logistics deals. Buyers are taking advantage of lower entry costs in this area of late, with early- to mid-20th century listings seen changing hands in the sub-\$5 million range. Southern New Hampshire locales offer similar advantages, which has driven a number of investors to seek out such assets in the Manchester region and in both Rockingham and Strafford counties.

MARKET FORECAST

+1.3%



EMPLOYMENT: While comparatively modest compared to the gains noted from 2021 through 2023, the 38,000 jobs expected to be added this year fall in line with historical norms.

8.5 million sq. ft.



CONSTRUCTION: Although 2024's inventory expansion is the fastest recorded in multiple decades, the broadly built-to-suit nature of the pipeline limits its impact on existing properties.

+100 bps



VACANCY: Ebbing demand for logistical space will be the main factor driving vacancy upward this year. The metric rises to 6.3 percent, the highest level recorded in the metro since 2016.

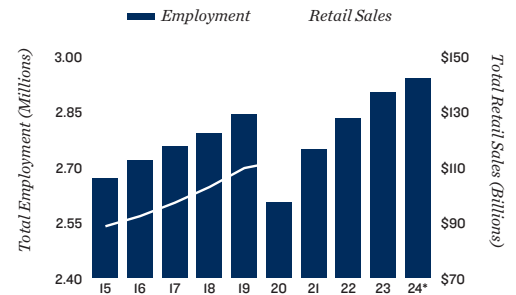
-1.9%



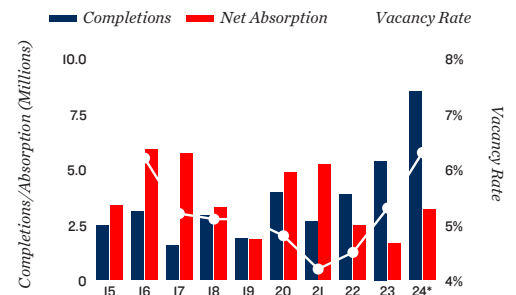
RENT: In the wake of last year's 3.8 percent decrease, rent declines somewhat moderate as the mean marketed rate falls to \$11.41 per square foot. This is still roughly 32 percent ahead of the 2019 level.

INVESTMENT: Recent zoning changes across a dozen first-ring Boston suburbs, allowing the construction of multifamily housing, should substantially increase demand for last-mile delivery opportunities in these locales.

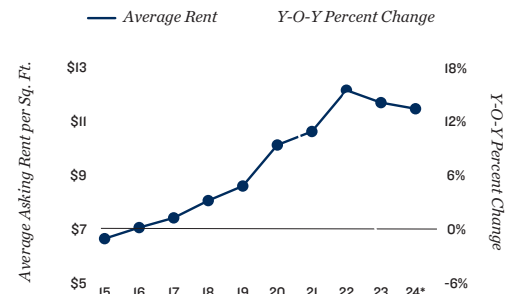
Economic Trends



Supply and Demand



Rent Trends



* Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

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Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of December 2023. Effective rent is equal to asking rent less concessions. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Sales data includes transactions valued at \$1,000,000 and greater unless otherwise noted. Forecasts for employment and apartment data are made during the fourth quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.