BOSTON INDUSTRIAL MARKET CONTINUES ITS TORRID PACE.
David Stubblebine, President and Principal

Notwithstanding negative economic headlines and mounting fears about a recession nationally, the Boston Industrial Market remains extremely strong. With Boston’s growing affluent population, the need to deliver products directly to the consumer has led to surging demand for last mile logistics space. Amazon’s distribution / warehouse presence in the major population centers of the Northeast highlights the almost insatiable demand of large retailers for high quality last mile space. Amazon has grown its industrial presence in Boston to more than 1.7 M SF and is rumored to be seeking to significantly increase it in the near future. The industrial property sector has emerged as the favored asset class among institutional and private investors in recent years. 2018 was a record year for deal volume in the greater Boston area. Additional factors that have helped spur demand include the “higher and better use syndrome” inside of Route 128 which has essentially forced companies to move further west. . A trend which has positively impacted all asset classes from an investment supply standpoint is the desire of many baby boomers to divest themselves of their real estate portfolios which were oftentimes inherited from parents or grandparents. Investments in Opportunity Zones throughout the Commonwealth should serve to galvanize economic growth in blighted areas which will undoubtedly strengthen all sectors of commercial real estate.

The Boston Industrial Market has 342 million square feet of industrial and flex product with a vacancy rate equal to 5.1%. We have witnessed a 6.6% rent growth over the last 12 months. CAP rates continue to compress, but the industrial market sector still offers investors better returns than Boston’s three other property types. Supply has also played a central role in current market conditions: more than 20 million SF of Industrial space has been razed or converted since 2010. The decrease in supply combined with robust demand has caused rent growth to keep accelerating. As we look forward to 2020, we see only blue skies in the Industrial sector.
Top U.S. regions such as “the Boston-to-D.C. corridor, Los Angeles and San Francisco attract capital because they are considered safe, stable and, to the extent that real estate can be, liquid,” Fransen, president and managing partner of Coro Realty Advisors said in an interview analyzing the findings. “Whether in Rome, Italy, or Rome, Georgia everyone knows New York and LA, and believes they will continue to grow.” The findings show investors worldwide have confidence in U.S. markets, especially in its major cities, because of the country’s relatively strong economy with unemployment at 50-year lows and a business environment that’s less affected by geopolitical strife, real estate investors and analysts have recently attested.