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2007 is looking bright for the Mass. Pike and I-95 industrial market

ws William Sullivan



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Industrial properties along the Mass. Pike and I-495 corridor are posting very strong numbers for both sales and lease transactions. Locally, the Mass. Pike and I-495 industrial availability is down to 15.1%, while the R&D/flex availability is down to 21.2%. 2006 ended with net absorption of 116,737 s/f. The availability numbers might not have landlords lighting a victory cigar, but the numbers are about 5% lower than a year ago. 2007 so far is off to a fast start with showings on the rise for groups looking to lease or buy industrial locations in multiple size ranges. Furthermore, at least six large industrial requirements in the 50-80,000 s/f range are out looking for new or expansion space in this sub market for occupancy in the 2nd/3rd quarter of 2007. Several 10-40,000 s/f small to medium size requirements are out looking for immediate occupancy.

Impressive leases signed in 4th Qtr. 2006

Mild weather has led to a wave of 4th quarter lease transactions. south of the Mass. Pike, at 1 Holmes Way in Milford, Victory Packaging and IKON have leased 160,000 s/f each. North of the Mass. Pike, the I-290 Industrial Park just inked Trelleborg Sealing Solutions for 28,800 s/f. Not far down the road, McKesson recently expanded into another 26,158 s/f, and is now leasing a total of 154,744 s/f at 55 Lyman Street in Northboro. In Marlboro, Fresenius Medical renewed at 360 Ceder Hill for 80,000 s/f, and at the Brigham Business Park, Pol Cel, High Tech Sound, and R.S. Hughes leased over 30,000 s/f.

2007 New Construction projects for Sale & Lease

So what's '07 going to bring? Nationally, unemployment is under 5%, oil is inching towards \$50 per barrel, which will translate into lower utility costs. Locally, "flex" type of tenants, with a mix of office, warehouse, and yes, manufacturing, are telling me, "that business is good, orders are up, and we need more space." What's new in '07 so far includes a national company considering leasing a build-to-suit 100,000 s/f distribution center in Marlboro, and in Hudson a 120,000 s/f building is due to

close by the end of January. Marlboro will have three spec R&D/flex buildings for 2007 delivery. At 413 South St. in Marlboro, the foundation is being poured for a 225,000 s/f R&D/flex building for lease, and at 362 Elm St. in Marlboro a 45,000 s/f R&D/flex building is scheduled to begin construction for delivery in mid-2007. The new properties will utilize energy efficient construction with up-upgrades in insulation, glass, and the latest in building technology. There continues to be demand for industrial condos, which allows smaller users to own rather than lease. At 20 Brigham St. in Marlboro, a smaller 12,000 s/f industrial building is being built for a 2007 delivery. These three new projects in Marlboro are strong indicators that developers have faith in the flex/industrial type of product. For companies looking to buy land, only a few options remain. One such site inside of I-495, is a 220-acre parcel known as phase 2 at Hopping Brook Park in Holliston. The site will offer large users options of 100,000 s/f and up. There are currently several companies negotiating for 100,000-300,000 s/f buildings at Hopping Brook Park with ground due to be broken in mid 2007. Also in Holliston, 350 Hopping

Brook Rd. offers users an outstanding option to lease or buy a 107,000 s/f high bay warehouse. The best leasing value is the multi-story mill complexes, such as the Hudson Mill Business Ctr., and the Saxonville Business Complex, both offering outstanding lease rates in the \$6-\$10 all-in "gross" range.

Fantastic start and full "spring ahead"

Call it the "luck of the Irish" in that the commercial and industrial market is heading in the opposite direction of the residential market place. We all know that home sales slowed dramatically in '06, that a market correction is taking place, that housing is at or near, stabilization. This is almost the opposite for the commercial and industrial market. Looking forward, my "crystal ball" predicts that tenant demand will increase, absorption will decrease, all of which will push asking rental rates higher. Spring time and the balance of '07 will be active for users, developers and investors, and it is this combination which will translate into close to low low-teen vacancy rates by the end of 2007.

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