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Combination of traditional and non-traditional users will translate into positive absorption

bs Bill Sullivan



R.W. Holmes Realty Co.

First Quarter of '05 looks bright for the Mass Pike & I-495 Industrial sector

Industrial properties continue to post strong numbers for both sales and leases transacted along the Mass Pike & I-495 corridor. Nationally, the industrial single story market is having its best performance since the first quarter of 2001 with encouraging headlines stating "warehouse markets flex their muscles" and "industrial markets post dramatic turnaround" leading the U.S. industrial market to 10.4 % total availability rate and rental rates up to \$5.80 NNN. Locally, in the Mass Pike & I-495 markets availability is at 13.1%. Indicative of the "bottom-up" recovery that we are presently experiencing, industrial showings are on the increase for groups looking to lease 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 for occupancy in the

second quarter of '05, with one of the largest being Barry Controls, looking to lease 80,000 s/f. Several 10-35,000 s/f small to medium size requirements are out looking for immediate occupancy, such as Genzyme looking for 20,000 s/f.

Hot New Deals in 2005, Even in Record Snow Fall

The cold winter months were hot in Marlborough for sales and signed leases. In January, 445 Simarano Drive, a 175,000 s/f industrial complex, sold for \$6.6 million (\$38 per s/f). Reports are that several 30-100,000 s/f lease deals are pending on this former single tenant building which will now be subdivided down as small as 18,000 s/f. Across town, at 260 Locke Dr. in Marlborough, a 65,000 s/f build to suit data center was leased by Sungard Recovery Services. At the Brigham Business Park in Marlborough, 40,000 s/f was just leased to four new companies, the largest being Cascade Promotions. In Southboro, at 153 and 155 Northboro Rd., another 40,000 s/f is out for signature to three new groups. In Northboro, at 10 Forbes Rd., Sunrise Medical just leased 30,000 s/f. South of the Mass Pike, CP Distributors leased 18,000 s/f and Cybex leased 17,000 s/f, at the

Grove Street Business Park. Across the street, at the Kenwood Business Park, several 10-15,000 s/f users are exploring their options for "flex" industrial space.

New Construction for Sale & Lease

Two of the biggest speculative projects completed towards the end of '04 were the Littleton Distribution Center with a total of 480,000 s/f, and 55 Lyman St. in Northborough with an initial 130,000 s/f completed and leased to McKesson Medical Surgical and another 130,000 s/f completed and awaiting tenants. Both properties offer warehouse users 32' clear height and ample loading docks. These two projects reflect a new found confidence that developers are placing on "hi-bay" speculative development. Several new "pending" land sites in Marlboro are due to break, such as 413 South Street in Marlboro, which will total 225,000 s/f, with similar "hi-bay" buildings in late 2005.

The "hottest" industrial product is the industrial "condo". In Marlboro, we will be marketing 100,000 s/f at the Chestnut Ridge Business Park, a single story "flex industrial condo" with delivery in the summer of '05. In Hudson, CSH Realty Corp. is selling indus-

trial condominiums with prices reaching \$120 per s/f. In Holliston, at 50 Boynton Rd. in Hopping Brook Park, a 35,000 s/f condo is underway and several units are under agreement.

The industrial condominium caters to the well established business owner who wants to own rather than lease without the risk of buying a much larger building than their space needs dictate. R.W. Holmes Realty is marketing 220 acres of industrial land in Phase 2 at Hopping Brook Park in Holliston, and we have several deals pending for 100,000-300,000 s/f buildings. Activity from corporate users looking to buy land to build remains very strong.

Future Outlook Looks Fantastic

Several new non-traditional requirements have surfaced including large indoor recreational complexes, charter schools, and the Mass. State Police crime lab headquarters. The combination of traditional (warehouse, manufacturing, flex) and non-traditional industrial users will translate into additional positive absorption with single digit vacancy rates by Q4 of 2005.

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