

Q3 - 2024

THE KLEIN REPORT

Market Overview

By: Harrison Klein, FVP Investments

Buyers, sellers and to a lesser degree, lenders, are gearing up to do deals going into 2025. TKG has been meeting with new institutional acquisitions professionals hired by firms looking to become active buyers. Private buyers who have sat quietly the past two years are beginning to make offers again. The past two years many sellers had been nervous about listing for sale into a down market. Those sellers are beginning to re-engage, under the belief that the market has now found stability.

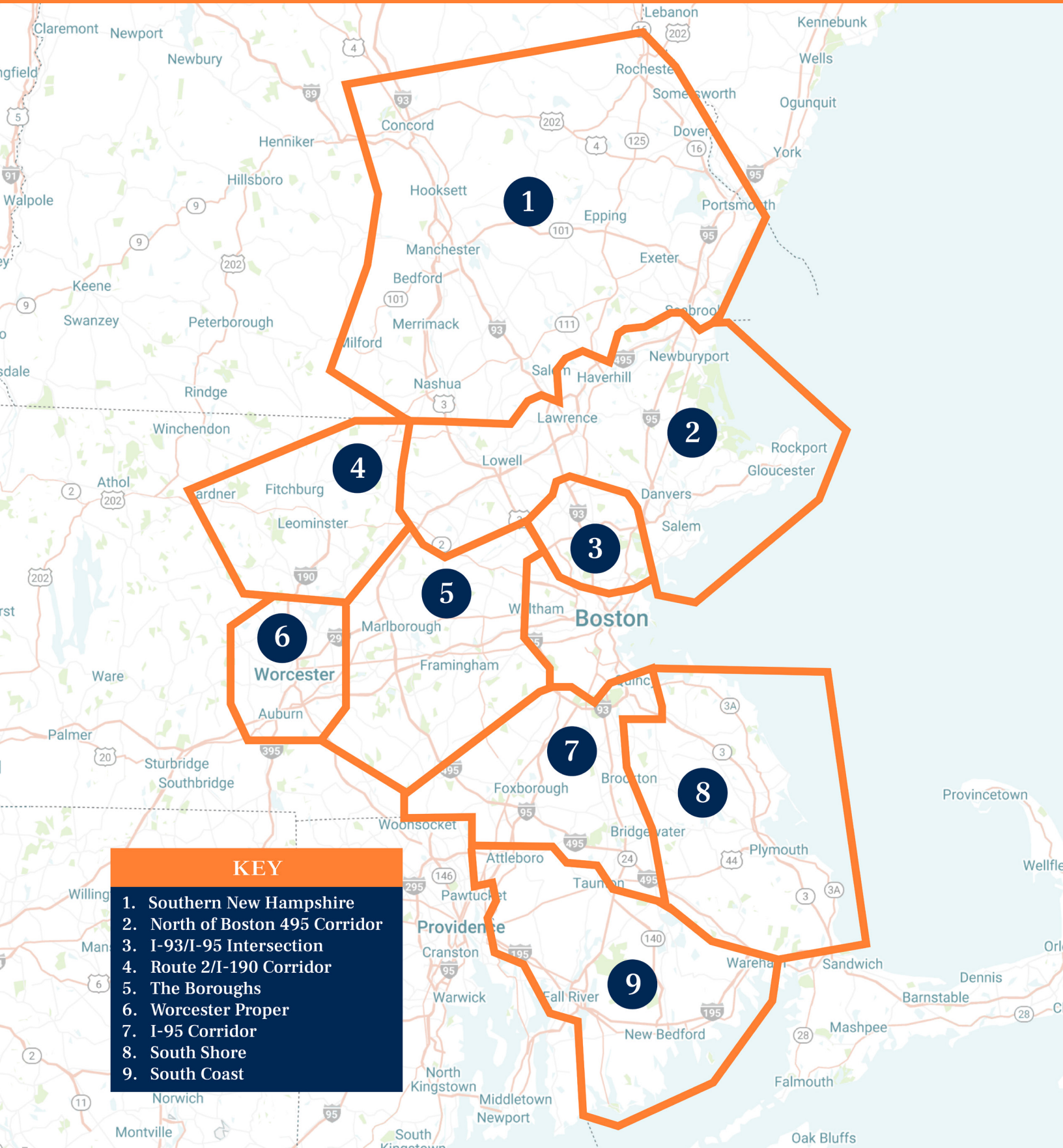
The third quarter saw a turbulent ten-year treasury. From late July to mid-September rates fell by 65 basis points. Then, on a positive jobs report, rates reversed course and climb back to 4.30%, higher than they began the quarter. The fed dropping interest rates on September 18th was an important psychological move, especially in the private market space. This move is important, showing lenders, buyers, and sellers, that borrowing costs are unlikely to trend higher. Actual borrowing costs from local and regional banks are currently coming in between 6.25%-7.25% for commercial property. We remain optimistic, that with inflation largely behind us, we will see banks' lending in the low five percent range in 2025.

Actual sales data remained sluggish in the third quarter, however anecdotally we are seeing much higher levels of under contract deals, especially in the sub \$10 million space. In October we closed on 11 Malcolm Hoyt Drive. The property sold for \$4.25 million to a high-net-worth buyer, after receiving ten offers during a 4 week marketing process. High quality industrial properties, priced reasonably, are selling with multiple offers. Functionally obsolete properties, especially in the \$5+ million range are seeing fewer bidders. The hottest segment of the market, by far, is in the sub \$5 million owner/user space, where we currently have three properties under contract.

Across the industry, transactions continue to be difficult to close. Lenders are paying attention to the details, especially physical building condition and environmental concerns. We have seen multiple deals in the past month where lenders have escrowed for roof repairs, something they historically wouldn't have noticed. PFAS is emerging as a new chemical that both buyers and lenders are concerned about. One that doesn't always have obvious threshold levels or cleanup solutions. TKG is hosting a webinar on November 19th discussing emerging trends in the environmental space.

Going into the 4th quarter all eyes will be on the election, interest rates, and leasing activity. Many decisions have been put off over the past two years. With the elections and cyclical issues behind us we expect a more active deal making environment going into 2025.

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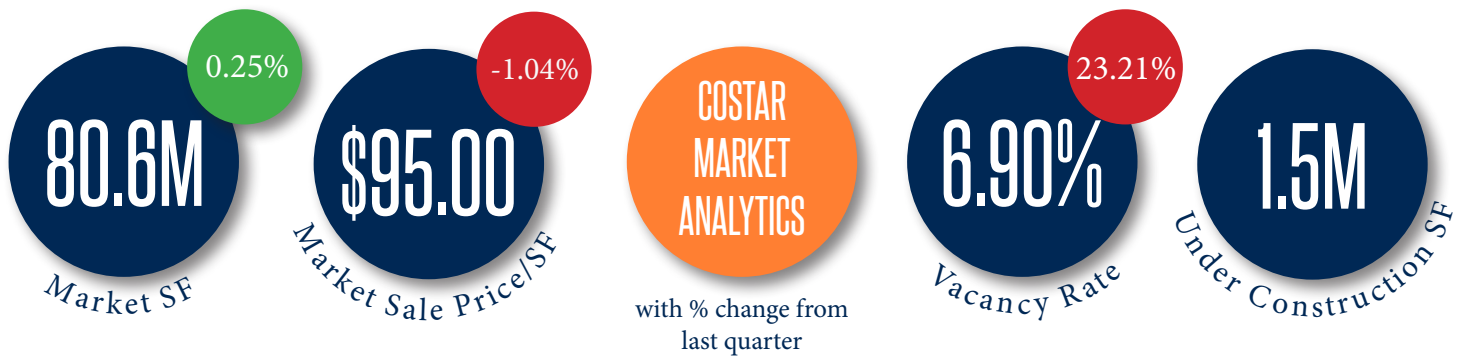
KEY

- 1. Southern New Hampshire
- 2. North of Boston 495 Corridor
- 3. I-93/I-95 Intersection
- 4. Route 2/I-190 Corridor
- 5. The Boroughs
- 6. Worcester Proper
- 7. I-95 Corridor
- 8. South Shore
- 9. South Coast

Southern New Hampshire - Submarket Overview

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

Southern New Hampshire's industrial market remains robust, with steady demand from companies looking to enter or expand in the area. The overall industrial vacancy rate has held steady year-over-year, despite the addition of 346,000 SF to the market. In the Salem submarket, 165,000 SF of new construction was completed, including a 155,000 SF warehouse that remains vacant. Conversely, the Dover submarket saw 127,000 SF of new construction, all of which was occupied upon completion. Notable developments include an 110,000 SF expansion at Stonewall Kitchen's facility and a 17,000 SF manufacturing building for America Durafilm. This mix of owner-occupied and vacant new inventory highlights both expansion and opportunities for future occupancy in Southern New Hampshire's industrial landscape.



NOTABLE SALES

Subject Property	City & State	Property Type	Sale Price	SF	\$/SF
3 Industrial Way	Salem, NH	Warehouse	\$3,700,000	25,179	\$146.95
2 Industrial Park Drive	Concord, NH	Flex	\$4,226,850	57,500	\$73.51

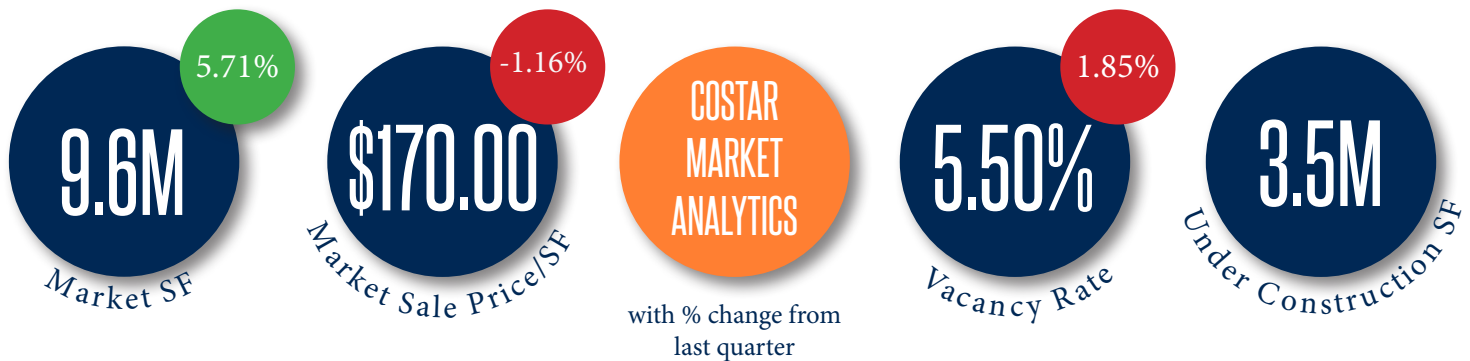
NOTABLE LEASES

Subject Property	City & State	Property Type	SF Leased	Rent/SF	Lease Type
2 Industrial Park Drive	Concord, NH	Industrial	2,250	\$11.50	NNN
22 Manchester Road	Derry, NH	Industrial	21,948	\$11.00	NNN
6 Raymond Avenue	Salem, NH	Industrial	1,800	\$15.00	NNN

North of Boston 495 Corridor - Submarket Overview

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

North of Boston experienced an unforeseen entrance of Institutions during Q3 of 2024. A generally quiet buyer pool for the past 24 months came out strong, with an average transaction price of \$8,300,000. A large contributor to this was Boston based Oliver Street Capital exiting a five-property portfolio along I-93 to Boston based REIT, STAG Industrial. Market velocity has seemingly returned to pre-interest rate hike levels. With transactions being a lagging indicator, this is likely not related to interest rate decreases, rather a stabilization of the market compared to the previous 18 months of uncertainty. As institutions enter back into the market, we expect transaction velocity increase further.



NOTABLE SALES

Subject Property	City & State	Property Type	Sale Price	SF	\$/SF
54 W Dane Street	Beverly, MA	Small Bay	\$8,375,000	54,000	\$156.00
11 Elizabeth Drive	Chelmsford, MA	R&D	\$5,680,000	73,284	\$77.50
49 McGrath Road	Dracut, MA	Truck Terminal	\$12,000,000	33,130	\$362.21
271 Ballardvale Street	Wilmington, MA	Industrial	\$8,500,000	56,120	\$151.46

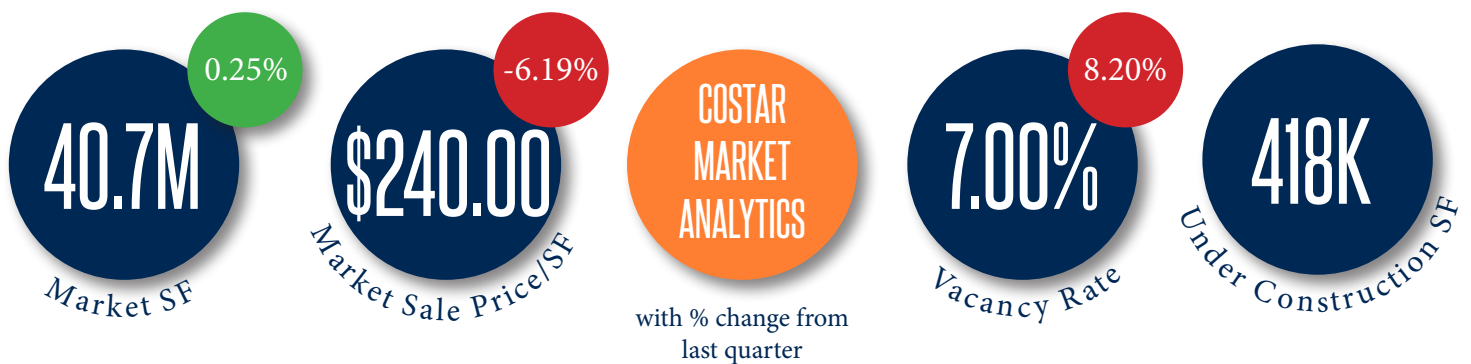
NOTABLE LEASES

Subject Property	City & State	Property Type	SF Leased	Rent/SF	Lease Type
10 Technology Drive	Peabody, MA	Industrial	7,050	\$15.00	NNN
35 Tioga Way	Marblehead, MA	Industrial	5,439	\$17.54	NNN
10 Fanaras Drive	Salisbury, MA	Industrial	15,000	\$12.50	NNN

I93/I-95 Intersection - Submarket Overview

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

Developers along the I-95 corridor are advancing new projects, particularly in Revere and Peabody. Link Logistics is progressing on the Trident Logistics Center in Revere, set to include two speculative last-mile distribution buildings, with the first 367,000 SF warehouse slated for late 2025 completion. Meanwhile, a joint venture between Tishman Speyer and Mitsui Fudosan America in Peabody aims to construct four distribution properties totaling approximately 700,000 SF on the former Analogic site. These projects highlight ongoing demand for modern industrial space in strategic locations.



NOTABLE SALES

Subject Property	City & State	Property Type	Sale Price	SF	\$/SF
76 Ash Street	Danvers, MA	Warehouse	\$5,000,000	16,690	\$299.58
180 New Boston Street	Woburn, MA	Warehouse	\$19,535,000	66,538	\$293.59
353 Middlesex Avenue	Wilmington, MA	Warehouse	\$12,180,000	43,000	\$283.26
41 Atlantic Avenue	Woburn, MA	Warehouse	\$11,195,000	30,401	\$368.24

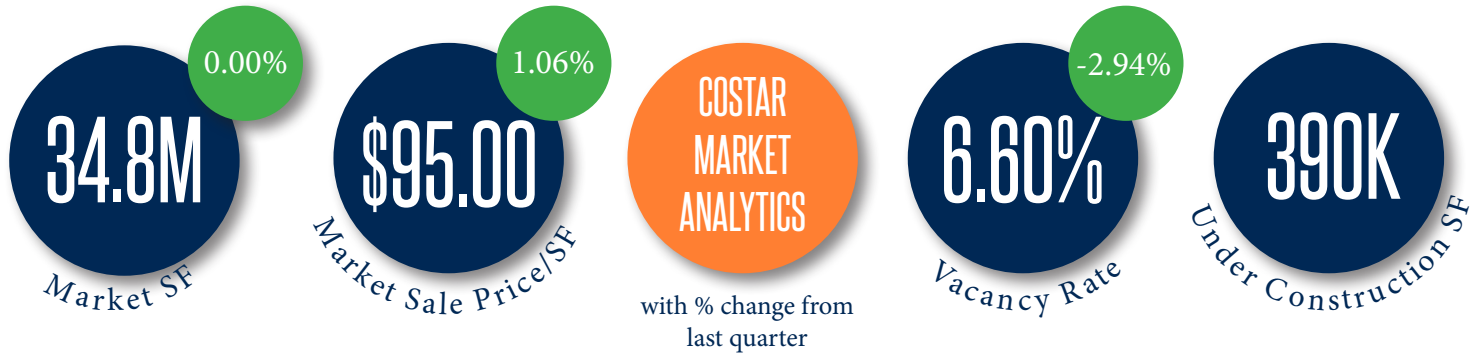
NOTABLE LEASES

Subject Property	City & State	Property Type	SF Leased	Rent/SF	Lease Type
23 Crosby Drive	Bedford, MA	Flex	9,130	\$16.50	NNN

Route 2/I-190 Corridor - Submarket Overview

By: Harrison Klein, FVP Investments

This corridor remains strong, with high interest for modern assets in the Leominster sub-market specifically. TKG is currently marketing a 7,500 SF building and has received multiple offers above \$120/SF. Institutional interest remains in this area, a strong predictor that rents will continue to increase.



NOTABLE SALES

Subject Property	City & State	Property Type	Sale Price	SF	\$/SF
128 Tolman Avenue	Leominster, MA	Warehouse	\$10,000,000	93,200	\$107.29
139 Central Street	Leominster, MA	Historic/Industrial	\$660,000	20,368	\$32.40
115 Jackson Road	Devens, MA	Flex/R&D	\$9,000,000	54,000	\$166.66

NOTABLE LEASES

Subject Property	City & State	Property Type	SF Leased	Rent/SF	Lease Type
56 Sterling Street	Clinton, MA	Mill/Industrial	8,300	\$5.50	NNN
471 Lancaster Street	Clinton, MA	Industrial	24,837	\$7.95	NNN
59 New Lancaster Road	Leominster, MA	Flex	5,000	\$14.00	NNN

The Boroughs - Submarket Overview

By: Harrison Klein, FVP Investments

I-495 central remains under supplied compared to neighboring markets. Rent's of \$14/SF have recently been achieved, doubling pre-pandemic rates. Tight land supplies ensure limited development through the next cycle.



NOTABLE SALES

Subject Property	City & State	Property Type	Sale Price	SF	\$/SF
50 Bearfoot Road	Northborough, MA	Warehouse	\$9,500,000	67,340	\$141.08
83 Speen Street	Natick, MA	Office	\$2,700,000	8,400	\$321.43
345 W Main Street	Northborough, MA	Warehouse	\$1,250,000	27,000	\$46.30

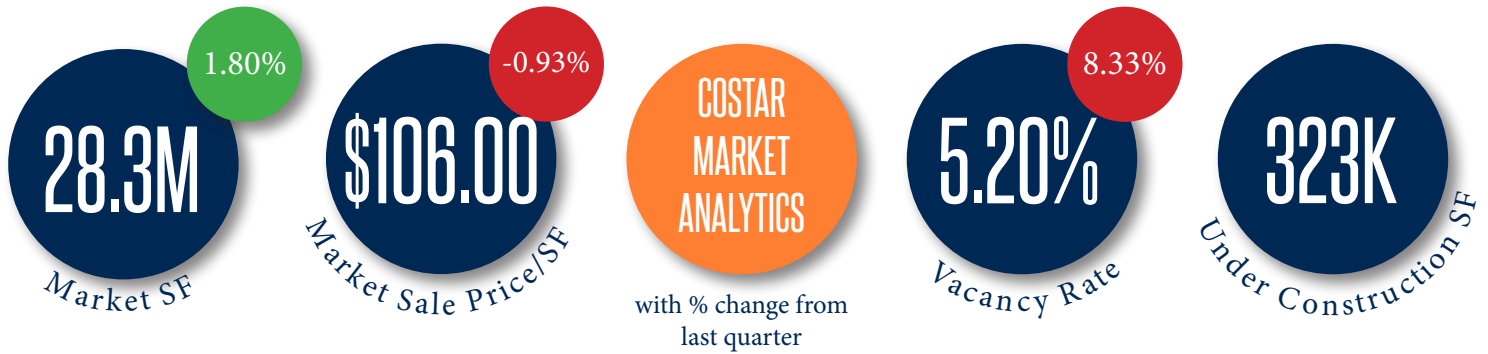
NOTABLE LEASES

Subject Property	City & State	Property Type	SF Leased	Rent/SF	Lease Type
81 Morton Street	Framingham, MA	Warehouse	12,258	\$15.00	NNN
84 October Hill Road	Holliston, MA	Industrial	9,345	\$12.00	NNN
91 Kuniholm Drive	Holliston, MA	Warehouse	16,000	\$6.00	NNN

Worcester Proper - Submarket Overview

By: Harrison Klein, FVP Investments

High quality space near the city of Worcester remains in incredibly short demand. \$10/SF rents near Mass Pike exits are becoming the norm. With speculative development plans in West Boylston and Auburn on hold, tenants are contemplating either older space, or facilities further from the highway, including a large new building sitting vacant in Leicester.



NOTABLE SALES

Subject Property	City & State	Property Type	Sale Price	SF	\$/SF
160 Gold Star Boulevard	Worcester	Warehouse	\$14,440,000	243,503	\$59.30
219-221 W Boylston Street	West Boylston	Warehouse	\$2,500,000	19,626	\$127.38
115 NE Cutoff	Worcester	Flex/Warehouse	\$19,000,000	139,323	\$136.37
112 Grove Street	Worcester	Historic/Industrial	\$1,800,000	33,226	\$54.17
338 Plantation Street	Worcester	Medical Office	\$2,050,000	8,994	\$227.93

NOTABLE LEASES

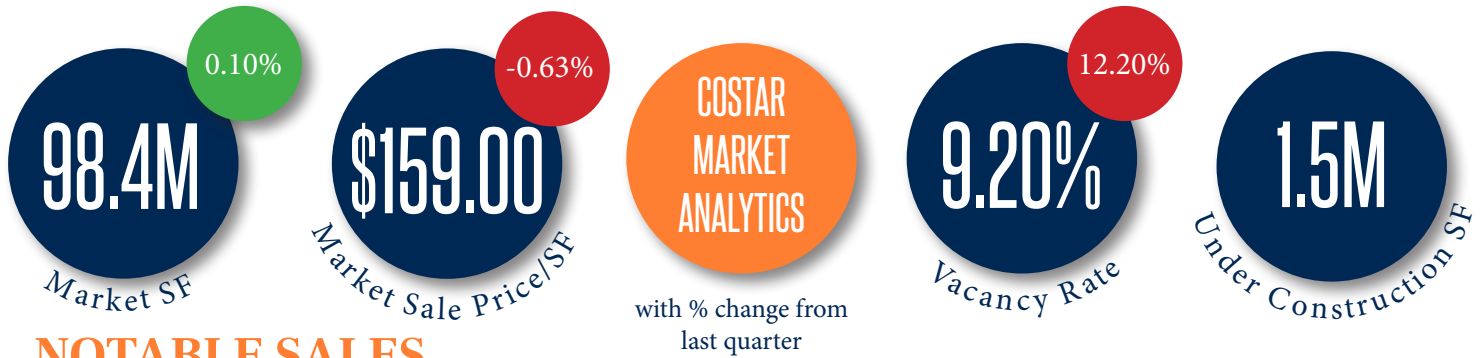
Subject Property	City & State	Property Type	SF Leased	Rent/SF	Lease Type
49 Canterbury Street	Worcester, MA	Mfg./Industrial	2,300	\$11.50	NNN
50 Howe Street	Millbury, MA	Industrial	11,520	\$9.50	NNN

I-95 Corridor - Submarket Overview

By: Michael Grant, Associate - South Region Specialist

The industrial real estate market along Massachusetts' I-95 corridor has maintained its strong momentum since Q2, with 16 transactions in Q3, reflecting continued high demand for premium, modern industrial facilities. Institutional investors, including Seyon Group and Northbridge Partners, have acquired over 350,000 SF of property within this area. A notable transaction includes Seyon Group's \$50 million acquisition of 10 & 20 Dan Road in Canton, averaging \$235/SF.

The I-95 corridor continues to be the leader in the South of Boston industrial market, with Q3 sales reaching \$164 million and maintaining an average price around \$160/SF. This steady activity highlights the corridor's appeal for investors seeking high-quality industrial assets in well-connected locations.



NOTABLE SALES

Subject Property	City & State	Property Type	Sale Price	SF	\$/SF
40 Strafello Drive	Avon, MA	Industrial	\$17,300,000	93,020	\$185.98
10 Dan Road	Canton, MA	Industrial	\$25,000,000	110,000	\$227.00
385 Myles Standish Blvd	Taunton, MA	Industrial	\$30,460,000	141,990	\$214.52
80 Shawmut Road	Canton, MA	Industrial	\$7,050,000	46,955	\$150.14
295 Constitution Drive	Taunton, MA	Industrial	\$6,890,000	42,500	\$162.12

NOTABLE LEASES

Subject Property	City & State	Property Type	SF Leased	Rent/SF	Lease Type
11 Spring Brook	Foxboro, MA	Industrial	9,000	\$17.50	NNN
6 Merchant Street	Sharon, MA	Industrial	4,000	\$13.50	NNN
146 Campanelli Parkway	Stoughton, MA	Industrial	10,670	\$12.00	NNN
56 Manley Street	Bridgewater, MA	Industrial	2,500	\$12.00	NNN

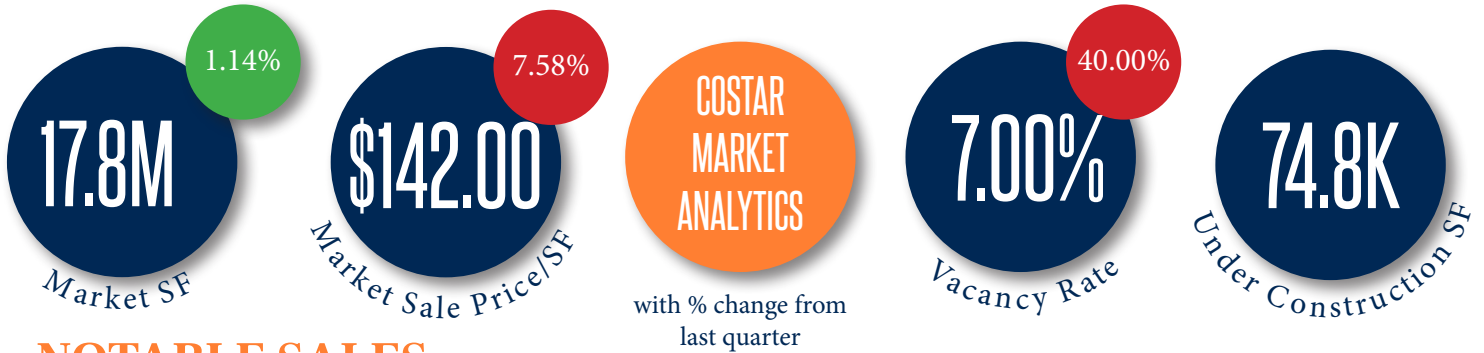
South Shore - Submarket Overview

By: Michael Grant, Associate - South Region Specialist

The South Shore real estate market in Boston saw a relatively slow Q3 2024, as many owners held back on listing properties. One notable sale included 65 Industrial Park Road in Hingham, which an investment group purchased for \$3.25 million, or \$114.18/SF. Despite the quieter sales, demand for small-bay spaces remains steady.

A key development, 301 Winter Street in Hanover, recently completed Phase I with 16 units of 1,500 square feet each. Phase II, set to add 11 more units, is priced at \$255,000 per unit (\$170/SF). The South Shore's appeal lies in its strategic location, solid infrastructure, and demand from small-bay users like landscapers, electricians, contractors, and car storage operators. The leasing market saw a 2% increase in vacancy this quarter, but available spaces from 2,500 to 28,000 SF are leasing at competitive rates of \$12.75 to \$16.00/SF.

These trends underscore the South Shore's strength in attracting small-bay developments despite broader market hesitation.



NOTABLE SALES

Subject Property	City & State	Property Type	Sale Price	SF	\$/SF
65 Industrial Park Road	Hingham, MA	Industrial	\$3,250,000	28,463	\$114.18
301 Winter Street	Hanover, MA	Small-Bay Condo	\$255,000	1,500	\$170.00

NOTABLE LEASES

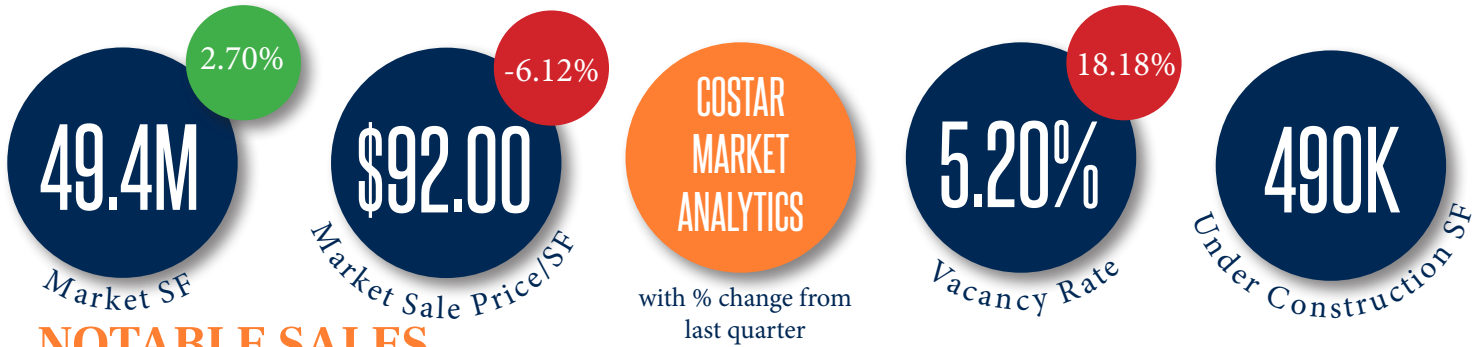
Subject Property	City & State	Property Type	SF Leased	Rent/SF	Lease Type
83 Woodrock Road	Weymouth, MA	Industrial	27,850	\$15.00	NNN
1145 Bedford Street	Abington, MA	Industrial	2,480	\$14.85	NNN
32 Riverside Drive	Pembroke, MA	Industrial	18,750	\$13.00	NNN
118 Long Pond Road	Plymouth, MA	Industrial	2,900	\$12.75	NNN

South Coast - Submarket Overview

By: Michael Grant, Associate - South Region Specialist

The South Coast market in Massachusetts is experiencing a surge in activity and investor interest. With the New Bedford commuter rail station set to open next year, the area anticipates significant boosts in real estate demand and economic development, driven by easier access to Boston with a 90-minute ride to South Station. This development is expected to attract a fresh wave of workforce traffic, further enhancing New Bedford’s appeal.

Real estate in New Bedford remains desirable, with the fishing industry’s distribution network still a prominent driver. Additionally, offshore wind farms have brought specialized demand to the area, sparking the development of warehouse spaces and waterfront loading docks. Meanwhile, Fall River is revitalizing its historic mill buildings to meet growing housing demand, spurred by the incoming commuter line, and there’s a noted increase in self-storage needs. These combined developments position the South Coast for a transformative phase, underscoring its role in Massachusetts’ expanding industrial and economic landscape.



NOTABLE SALES

Subject Property	City & State	Property Type	Sale Price	SF	\$/SF
68 Blackmer Street	New Bedford, MA	Industrial	\$3,600,000	25,000	\$144.00
14 South Street	New Bedford, MA	Industrial	\$2,250,000	12,283	\$183.18
5 Castaldia Drive	New Bedford, MA	Industrial	\$3,300,000	14,200	\$232.39
174 Duchaine Blvd	New Bedford, MA	Industrial	\$2,100,000	47,777	\$44.26
11 Hassey Street	New Bedford, MA	Industrial	\$2,500,000	11,340	\$220.46

NOTABLE LEASES

Subject Property	City & State	Property Type	SF Leased	Rent/SF	Lease Type
20 John Williams Street	Attleboro, MA	Industrial	11,000	\$11.50	NNN
45 Industrial Court	Seekonk, MA	Industrial	10,788	\$35.24	NNN
9 Kendrick Road	Wareham, MA	Industrial	41,070	\$12.43	NNN

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