

The Foster Report

Industrial Market Survey

Leominster & Fitchburg, Massachusetts
January 2021

Overview

The optimism and confidence that ushered in the 2020 new year quickly evaporated as the now-familiar COVID-19 virus made its way into the US population. Widespread cancellations of schools and other gatherings began in earnest in mid-March. Massive lay-offs followed local and state government-imposed restrictions and stay-at-home orders. The federal response included jump-starting the search for a vaccine and significant changes to the unemployment insurance program.

By year-end, a vaccine had been successfully developed and tested, and was being distributed nationally. It is no exaggeration to say that all economic forecasts were made unusable, even worthless, by the upheaval to the economy and to personal lives caused by government response to the virus. In early April 2020, unemployment spiked from 4.1% nationally to 8.2%. As various state and local governments mandated quarantine orders, the national economy went into near freefall. Gross domestic product (GDP) sagged to a rate of negative 32.8% in Q2 before rebounding to a positive 33.1% rate in Q3. Quarterly changes of such magnitude produced only a slight decrease (-3.5% YoY) as compared to 2019. Market participants that we surveyed in April 2020 were equally split in their expectation of the shape and pace of the economic recovery. Recovery has been unevenly experienced by different segments of the market.

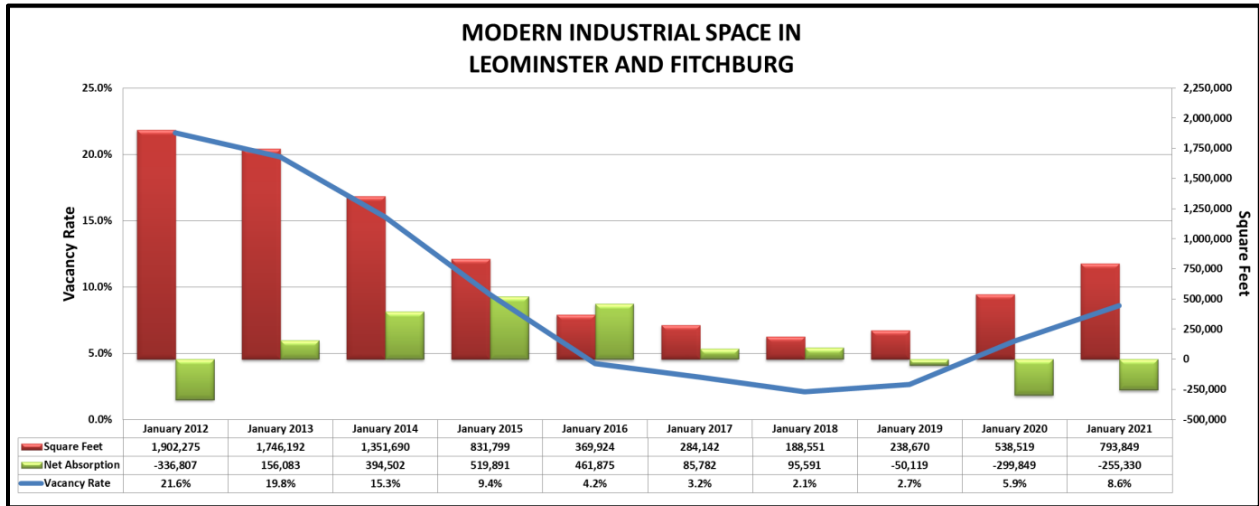
Year-end 2020 saw the Federal Funds Rate clocking in at near-zero rates, with the target range between 0% and 0.25%. Largely because of these cuts, 30-year home mortgage rates finished the year just below 3.25%. Commercial financing and capitalization rates also remained at historic lows for industrial property.

At year end, the volume of residential home sales increased significantly over 2019 nationally at 6.76 million units over the preceding 12 months, a 27% increase in annual volume. This came despite a sharp dip in the rate as the COVID-19 response was at its most pronounced. Median prices rose 12.9% in the same period. Locally, sales velocity slightly increased over 2019. North Central Massachusetts continues to offer relative affordability despite an 11.4% median price increase state-wide in that same period.

Locally, demand appears to have peaked for marijuana cultivation space in the industrial market. No new approvals were granted in the market area in 2020, although one user changed locations and another is awaiting state approval. We do anticipate the announcement of the location of an Amazon last mile delivery facility in 2021. We would not be surprised to see FedEx make a similar announcement.

There are a limited number of transactions within Leominster and Fitchburg in any one year, whether for land, building sales, or leases. Given the limited transaction velocity, patterns of change in value are often challenging to pinpoint and evolve over a number of years. Higher asking rents are a good example that has not yet translated to a clear increase in actual market rents achieved. Land sales for industrial use have demonstrated a higher price point over the last couple of years, but demand and ability to pay at that higher price tier remains thin especially since replacement cost still exceeds market value upon completion.

As of January 2021, the vacancy rate for modern industrial space in the Leominster - Fitchburg market rose modestly to 8.6% from the January 2020 vacancy rate of 5.9%. Average vacancy for mill space in the Leominster - Fitchburg market is 14.1% as of January 2021; up from 9.5% as of January 2020. These count among the lowest vacancy rates we have seen over the 33 years that we have produced this report.



TOTAL LEOMINSTER/FITCHBURG INDUSTRIAL

Type	Gross Bldg. Area	SF Avail. & Vacant	Percent Vacant
Modern Total	9,249,644	793,849	8.6%
Mill Total	4,444,639	628,560	14.1%
Combined Total	13,694,283	1,422,409	10.4%

Breakdown

LEOMINSTER MODERN INDUSTRIAL SPACE

Locations	Gross Bldg. Area	SF Avail. & Vacant	Percent Vacant
Jytek Park	865,467	0	0.0%
Pioneer Park	729,302	54,360	6.3%
Southgate Park	67,168	0	0.0%
Leom. Bus. Park	33,660	0	0.0%
Tanzio Park	986,456	0	0.0%
FBC (Mohawk)	678,719	0	0.0%
Misc. Locations	3,056,444	302,450	9.9%
Total	6,417,216	356,810	5.6%

FITCHBURG MODERN INDUSTRIAL SPACE

Locations	Gross Bldg. Area	SF Avail. & Vacant	Percent Vacant
Montachusett Park	685,610	0	0.0%
231 Industrial Park	636,879	0	0.0%
Misc. Locations	1,509,939	437,039	28.9%
Total	2,832,428	437,039	15.4%

MILL TYPE SPACE

	Gross Bldg. Area	SF Avail. & Vacant	Percent Vacant
Leominster	869,729	15,810	1.8%
Fitchburg	3,574,910	612,750	17.1%
Total	4,444,639	628,560	14.1%

Unemployment, Wage, and CPI Rates

According to the Bureau of Labor Statistics the national unemployment rate as of November 2020 showed at 6.4%, a 270-basis point increase over 2019 being caused by governmental response to COVID-19. In-state unemployment in the same period reported at 6.2%, and locally to 6.9%. The table to the right shows trends in these rates over the last several years.

On the national level, average private sector hourly earnings rose 5.1% over the December 2019 rate, to \$29.81 as of December 2020. The CPI through December 2020 rose only 1.3% after seasonal adjustments, a slight decrease as compared to the 2.0% annual increase for 2019.

	Leom/Fitch	MA	US
2001	4.4%	3.7%	4.8%
2002	6.5%	5.3%	5.8%
2003	7.0%	5.8%	6.0%
2004	6.5%	5.2%	5.5%
2005	6.4%	4.8%	5.1%
2006	6.1%	4.9%	4.6%
2007	5.7%	4.6%	4.6%
2008	6.6%	5.5%	5.8%
2009	12.4%	8.1%	9.3%
2010	10.5%	8.3%	9.6%
2011	8.5%	7.3%	8.9%
2012	8.2%	6.7%	8.1%
2013	9.4%	6.7%	7.4%
2014	6.7%	5.7%	6.2%
2015	5.4%	4.8%	5.3%
2016	4.6%	3.9%	4.9%
2017	4.3%	3.7%	4.4%
2018	3.9%	3.4%	3.9%
2019	3.4%	2.9%	3.7%
2020 YTD Avg. (Nov.)	6.9%	6.2%	6.4%

The Conference Board expects US growth to rebound in 2021 to an annual rate of GDP growth estimated at 4.4%. "Following a lull in the economic recovery in recent months, we expect the pace of the rebound to reaccelerate as new COVID-19 infection rates decline, the vaccination program expands, and the prospects of another large fiscal support program improve." The Board's forecast assumes: "a) new cases of COVID-19 peak in early 1Q21 and no widespread lockdowns are implemented; b) COVID-19 vaccinations rise in 1Q21, are broadly available in 2Q21, and are universally available in 3Q21; c) \$1.5 tln in additional fiscal support is deployed in 2Q21, and d) modest improvements in labor markets and consumption in 1Q21 precede a sharp rebound in 2Q21 and 3Q21." (*The Conference Board, accessed 2/16/2021, at <https://www.conference-board.org/research/economy-watch-US/EconomyWatchJanuary2021UnitedStatesView>.*)

Lease Rate Trends

Closed leases for modern space have remained within historical ranges. For 2020, we observed rates ranging from \$3.50 - \$4.50 per square foot on a triple net basis, with the higher end of the range comprising newer buildings, smaller spaces, or renewals. Lease offerings in 2020 on the other hand continued to demonstrate some of the upward pressure caused by low vacancy during the past several years. Published offering lease rates are ranging from \$3.40 - \$5.25 per square foot on a triple net basis. While leasing activity was strong for larger industrial spaces during 2020, it remains unclear if tenants are willing to pay increased rents. A similar pattern is present in the mill space market, where to some extent, lower-end tenants have been competing with medical marijuana growers.

We expect modern industrial lease rates to increase, and possibly mill lease rates to increase as well, if other economic factors remain stable or improve. However, as of January 2021, there is no conclusive evidence of actual rent increases for either type of space.

Sale Rate Trends

Modern industrial building sales and offering trends (50,000+ sf) continue to range from the low \$20s to \$40s per square foot for good quality space, with small buildings (<25k sf) at offering prices up to the mid-\$50s per square foot. It is possible more modern Fitchburg buildings may sell for marijuana use. However, it should be noted that several of the sales recently have been for use as permitted cultivation locations and the prices paid for these have been above market ranges. It is not clear if this trend will be sustained.

New Construction

United Material Management completed a 33,660 square foot rail-served industrial building in the Leominster Business Park that was delivered in 2020. A 25,600 square foot multi-tenant industrial building is being completed in the FBC-Mohawk Park. The improvements were 60% complete as of January 1, 2021 and the building is expected to be delivered in 2021. Discussion has persisted for years regarding re-development of the 75,000± square foot Iver Johnson site; to date, no plans have been approved, but we expect this site to be re-developed in the next few years. Little to no speculative construction is known of within the market at this time and owner occupants continue to be a dominant influence.

Sale prices of local properties continue to be well below replacement cost. Therefore, demand for new construction over many years has been limited to specialized and build-to-suit facilities or additions to existing operations too costly to relocate. The price gap between existing and new construction appears to be getting closer, particularly for smaller buildings. However, there is no speculative construction in the area and industrial land prices appear to be rising, which results in an increase for all-in replacement cost.

Local industrial real estate activity showed continued positive signs, being stable, while showing an increase in vacant modern space of 255,000 square feet and a net negative absorption of vacant mill space of 204,000 square feet, in round numbers, over the past year. If national economic conditions and employment continue to improve, the local economy should benefit, especially with limited new construction and upward price pressure.

Industrial Land

Orchard Hill, Leominster

This 79-acre property is located off the Harvard Street exit of Route 2 in Leominster. The commercial portion of this site is successfully occupied with restaurants and retail space. The remaining developable land is offered informally for industrial use as a land lease or build-to-suit space to be constructed and leased by the park owner to end users. No new commercial or industrial development took place in 2020.

Pioneer Park, Leominster

There are approximately 44 acres of vacant land on the Leominster side of the park. Up to 277,500 square feet within five buildings has been proposed over many years. Although sites are available, no new construction has taken place. A 25-acre parcel of undeveloped land is available on the north end of the park. The property lies in Lunenburg, and its southerly boundary abuts the Leominster town line. The listing is represented by a local broker. This park benefits from Pioneer Drive, which provides direct access to Route 2 in Leominster through Orchard Hill Park Drive.

Jytek Park, Leominster

A 1.96± acre parcel of industrial land was sold with 75 Jytek Drive in November 2020. The parcel had been leased to the tenant of 75 Jytek and was not marketed separately. No other lots are listed for sale.

Montachusett Industrial Park, Fitchburg

In addition to the building delivered at 100 Game On Way in 2019, one of the last available lots in this park sold in December 2020. A local plumbing outfit was the buyer. No other lots are currently listed for sale.

Southgate Business Park, Leominster

Infrastructure improvements are complete within the 59-acre site, which was aided by state grants. Developers and local officials continue to propose development to technology-based industry. This site offers future job creation potential and tax revenue to the community. Two land sale transactions closed in this park in 2017 and 2018 and a third in January 2021. The majority of the remaining lots are listed for sale with a local broker.

Jungle Road, Leominster

The city's Economic Development office has several active listings of development land, offered as smaller parcels. We understand that there are 114 acres of vacant industrial land available on Jungle Road of which 6.11± acres are marketed by the city.

Leominster Business Park, Leominster

A Westborough-based recycling and trash firm assembled two parcels in 2019 totaling 13.4± acres for the construction of a transfer station. No other land in the park is offered for sale.

Industrial Land - Conclusion

There have been few industrial land sales for many years. This is due in the largest part to the value of completed modern buildings being lower than replacement cost plus land cost. From the few industrial land sales that have occurred in recent years, it appears that land values may finally be increasing. However, the consequence of this is that the all-in replacement cost for modern industrial space continues to outpace the value upon completion.

Modern Industrial Space

Overview

For the purposes of this survey, we have defined typical modern industrial space as single-story masonry/steel buildings. These buildings include open warehouse and manufacturing facilities that generally include 5%-10% office space with ceiling heights of at least 14'. Newer buildings often have higher clearance closer to 20' which is important for greater versatility, a higher proportion of office space, and some with climate-controlled manufacturing areas, all of which reflect market expectations. It should also be noted that due to topography, a few modern industrial buildings have been constructed over the years as two-story. These are included in our survey.

The total amount of space was calculated from the various industrial parks and miscellaneous locations in the two cities. As new buildings or significant additions to existing buildings are delivered, we update our records with the new completed space. Any space on the market for lease or sale, and any unoccupied space as of the date of this survey, was considered vacant. If a company is operating in the building and has made the building available for sale or lease, it is considered vacant for purposes of this report. A fully-leased building made available for sale to an investor has not been considered vacant. An indicated vacancy rate is established for each of the industrial parks, the miscellaneous locations, Fitchburg, Leominster, and the overall market.

The building areas given in square feet were calculated primarily from the records of the municipal assessor's offices. We have measured many of the buildings ourselves. Information was gathered from lease documents, local brokers, developers, property managers, owners, and building occupants to determine the amount of vacancy at the time of the report. Best efforts are used on an ongoing basis to provide the most accurate reported amounts of space possible.

Demand Trends

Historically, demand and market value have not been strong enough to make new construction financially feasible. Medical marijuana growers began entering the market as buyers and tenants starting in 2015. The pace of that entry increased, particularly in Fitchburg in 2018 and 2019. 2020 saw a net 103,000 square foot decrease in Fitchburg proposed for cannabis cultivation. Conversely, Leominster adopted revised ordinances regulating both medical and adult-use marijuana that modestly increased but ultimately limited the total number of facilities to three locations, according to city officials. There has been moderate impact in Leominster from all types of commercial marijuana market participants.

Larger buildings over 50,000 square feet remain sensitive to pricing and could face multi-year marketing periods. Owners of large buildings with persistent vacancies subdivide when possible, for smaller tenant use. Historically, the local market has demonstrated stronger demand for smaller spaces of under 50,000 square feet. However, some buildings in this size range have been bought for cultivation use. Additionally, on the edge of the Fitchburg/Leominster market, it is becoming clear that a new industrial use is appearing: last-mile delivery. We are aware of a lease in Westminster and a proposed facility, also in Westminster. Amazon has negotiated with the City of Fitchburg to convert 135 Intervale to a last-mile facility. We expect that this use will begin to exert pressure in the market in a more robust fashion although we do not expect many such facilities in the area.

Summary of Modern Industrial Activity

As of January 2021, there was a total of 793,849 square feet available in Fitchburg and Leominster, or 8.6% of the total existing modern industrial base. This is a modest increase over January 2020 that is caused principally by the vacancy and lease offering at 135 Intervale Road in Fitchburg. There is commonly some level of fluctuation in vacancy, but overall the rate still remains below historic levels. Landlords are using the strong demand climate to lease under-utilized space. 2020 was a strong year for leasing large industrial spaces, whether mill or modern. Rents do not appear to have increased despite the increase in lease activity.

Details of leading individual market transactions and current offerings follow.

Leominster Activity – Modern Space

Available for Lease

Leominster has a total supply of slightly more than 6.4 million square feet. This represents about 70% of the Leominster-Fitchburg market. There are 356,810 square feet of modern industrial space available in Leominster as of January 2021, or 5.6% of the total Leominster inventory of modern industrial property base.

Address	Bldg. Area
177 Florence Street	11,000
272 Nashua Street	30,000
150 Industrial Road	133,450
44 - 50 Mead Street	15,000

- The space offered at 177 Florence is 1st floor space in an older industrial building.
- 272 Nashua Street is offering space in an older building with cramped circulation.
- 150 Industrial Road has active rail service, good lot circulation, and ample docks and drive-in doors. This is a single-tenant property.
- 44-50 Mead Street is an older manufacturing property with good access to MA Route 2.

Available Buildings for Sale

- 111 Crawford Street, being a modern 104,746 square foot building near the Fitchburg Airport;
- 140 Leominster-Shirley Road, Lunenburg is a modern 54,306 square foot building on the north end of Pioneer Industrial Park; and
- 637 Lancaster Street is offered for sale through a Worcester-based broker.

Leases During 2020

Good quality buildings/spaces under 20,000 square feet, and particularly 5,000 to 10,000 square feet, continue to experience strong sale/purchase interest in the market. There are few modern spaces of 5,000 square feet or less available locally.

Address	Bldg. Area
177 Florence Street	11,000
272 Nashua Street	30,000
150 Industrial Road	133,450
44 - 50 Mead Street	15,000

- 272 Nashua Street: two leases of 58,500 and 29,050 square feet in an older building with cramped circulation. Clear heights vary throughout.
- 177 Florence Street: two leases of 58,000 and 12,914 square feet in an older building. Clear heights vary throughout. Both leases were on the main level.
- 471 Lancaster Street: 24,000 square feet in an older block building having 17' clearance and with minimal office.

- 196 Industrial Road: This was a 38,000 square foot space offered for several years. The space has four loading docks and 18-22' clear heights.

Sales During 2020

Sales in parks included 75 Jytek Drive in Jytek Park. 75 Jytek and 40 Albert were both tenant purchases, but 40 Albert was an off-market listing and was not represented by brokers. 213 Nashua was a brokered sale.

Address	Bidg. Area
40 Albert Drive	7,600
213 Nashua Street	18,000
75 Jytek Drive	128,592

Marijuana – Medical and Adult Use

As outlined above, Leominster adopted an ordinance in 2016 allowing only one dispensary and one growing facility. In 2018, the city adopted a revised ordinance following a prior approval of recreational use facilities. The new ordinance, according to city officials, capped to three the permitted maximum number of sites for medical or recreational use, whether for cultivation or retail. The approval process is completed through the city issuing special permits. To date, two of these permits have been issued: 1775 Lock and 25 Mohawk Drive. The city has executed a host agreement for a proposed cultivation facility in Southgate Business Park and the operator is awaiting state approval; an address of the proposed facility is not known.

Leominster Modern Industrial Conclusion

Leominster’s vacancy rate decreased over the past year from 7.8% to 5.6%. This decrease occurred in a variety of buildings across the city. Increased leasing activity resulted in positive absorption for the market. The market is acting confidently with a number of large vacant spaces being leased, although lease rates appear to be operating within historic ranges. Lease data suggests tenants are not yet willing to pay higher rates despite vacancy rates remaining near historic lows.

Fitchburg Activity – Modern Space

Fitchburg has a total supply of about 2.8 million square feet of modern industrial space. This represents about 30% of the Leominster-Fitchburg market. The vacancy rate in January 2020 clocked in at 15.4% with 437,039 square feet available on the market.

Available for Lease

- 135 Intervale Road is understood to have been considered by Amazon for a distribution facility. The negotiations appear to be at a standstill currently.
- 270 Westminster Street is offered for lease.

Available Buildings for Sale

- 215 Crawford Street, a single-tenant automotive industrial building near the Fitchburg Airport.

Leases During 2020

- We are not aware of any new leases in 2020 for modern industrial space in Fitchburg.

Sales During 2020

A 3-parcel waste management facility portfolio sold to Wheelabrator in 2020. The properties were located at 41 & 63 Blueberry, and 15-35 Cobbler. 46 Development Road (231 Industrial Park) sold in March 2020 after being offered for lease.

Marijuana – Medical and Adult Use

The city has approved 11 locations for medical and adult-use marijuana growing operations through the end of 2020, which is a decrease from 12 in the prior year. Permits at 291 Westminster were not used by applicants. 431 Westminster experienced a change in permitted operator in March 2020. Rules adopted by the city do not limit the number of cultivation sites. We understand that the City has approved all allowed retail sites. Demand for space for cultivation is expected to cool.

Fitchburg Modern Industrial Conclusion

The market for modern industrial space in Fitchburg experienced negative net positive absorption in 2020, moving from a vacancy rate of 1.5% at the start of the year to 15.4% at the close. The change was largely due to the lease offering at 135 Intervale Road.

The remaining available properties include generic spaces suited for a broad range of industrial uses.

We expect the pace of City approval of marijuana cultivation sites to continue in 2021 at the same pace as 2020. Overall, and assuming no downturn in the economy, we expect vacancy rates to remain near historic lows for modern industrial space in Fitchburg.

Other Locations Influencing the Market

Two large blocks of space outside the Twin Cities are newsworthy regarding their influence on the modern industrial market in Leominster and Fitchburg. These buildings are not directly counted in our Leominster Fitchburg survey, but are noted due to their influence on the market area.

Simplex Drive, Westminster

After being on the market for some time, this 685,000-square-foot modern industrial/office building was fully leased in 2018. In a brokered sale, the Boston-based firm GFI Partners bought this property. Lease up of the industrial space took a number of years, and during the time that the building had large blocks of available space, it had an influence on the Leominster - Fitchburg market. A 203,000 square foot sub-lease is being offered currently following renovation of the space in 2018.

95 Aubuchon Drive, Westminster

This modern industrial building was a build-to-suit for its owner-occupant, Aubuchon Hardware. The property leased 181,697 square feet in 3Q 2019. Some small leases were executed in 2020 and the property now has 119,000 square feet of vacant space that is available for lease. The property can be divided into spaces ranging from 80,000 square feet to the total amount of space currently listed. This property is in an adjacent community to Leominster and Fitchburg and has an influence on the overall market of available space.

Mill Type Industrial Space

Overview

As defined in this report, mill type space is older, being built from the mid-nineteenth to the early twentieth centuries. Mills were originally built for single occupant businesses such as textile, paper, and plastics manufacturing. Significantly, mill buildings were built for a local workforce that typically walked to work. Mill buildings were generally built along riverways in city centers. Because of this, these buildings are often attractive candidates for re-development as office or multi-family. They are primarily brick, multi-story buildings, with little parking, that are often in fair to poor condition.

Measurements for many of these buildings have been made by owners and appraisers. Some measurements were obtained from the assessor's office. No determination of accuracy for these figures is made for this report. Accurate figures for mill type industrial space are difficult to obtain. Usable square footage is subjective due to layout and condition.

The mill property industrial survey is included to help understand this market. There is a large inventory of mill space, but vacancy rates are only slightly higher compared to modern industrial space. This vacancy rate has historically tracked between 500 and 1000 basis points above the modern industrial vacancy rate. Available lease space is offered at low rents and may meet the needs of short-term and some start-up users requiring lower budget space. Additionally, there has been strong demand in recent years for marijuana cultivation. Almost 80% of the mill space is in Fitchburg. In comparison, approximately 70% of the modern industrial space is in Leominster.

Factors Impacting Sales

If the supply of available modern space continues to be at a historically low level, industrial demand for mill space may improve making mill space cost effective.

Environmental contamination issues with mill space are common. Floors may have chemical saturation, and older in-ground oil or chemical tanks not in use are sometimes found that have not been properly monitored or have leaked over the years into the soil and potentially the groundwater. Careful investigation of environmental conditions is warranted with mill properties.

Remediation alternatives have become more common under applicable Massachusetts law, and apply to both modern and mill space, but are more commonly encountered with mill properties. Options such as an Activity and Usage Limitation (AUL) are possible under some conditions. An AUL makes a lower level of remediation possible through a deed restriction prohibiting uses more sensitive to contamination such as residential occupancy. This may allow for continued industrial uses with less extensive clean up. These types of considerations should be fully investigated prior to purchase.

Availability of financing for mill property acquisitions can be more difficult than modern space. Properties that have an acceptable environmental status may be financed, but may require greater equity participation on the part of the buyer and sometimes higher mortgage rates than modern industrial buildings. Lenders are reluctant or not willing to provide financing for property tainted by environmental problems.

Generally, mill buildings offer lower efficiency than modern facilities due to multiple floor levels, restricted upper floor load capacity, less desirable clear height, tighter column spacing, and odd configurations. These physical limitations negatively impact the overall desirability of mill property when compared to modern buildings.

Tenant demand for mill space tends to be from budget conscious businesses that can operate elsewhere than modern space, and businesses requiring overflow temporary warehouse space. Historically, the attractiveness of mill space, with greater inefficiencies due to the design and location of the buildings, diminished as modern industrial property was developed. Fitchburg mill space has seen uncharacteristically strong demand since 2017 as properties are bought or leased for marijuana cultivation.

However, recently the availability of modern space has been diminishing and rates are likely to increase. The majority of the more desirable/suitable mills have been converted to residential and commercial use. Some property conversions have been supported by government grants. As mill type space continues to be converted to residential, commercial uses, or marijuana cultivation, vacant mill properties have been and will likely continue to be gradually absorbed.

There was a 31% decrease in Fitchburg mill vacancy over the past year due to the lease offering of 35 Daniels Street.

Leominster Activity – Mill Space

Some properties change tenants without experiencing a reported vacancy. The same holds for sales of off-market properties.

Current Sale and Lease Offerings

Recent offerings included the following spaces. Offerings at these addresses are difficult to track because of their small size and because the tenancies tend to be very short, often 1-year leases or tenants-at-will.

Address	Bldg. Area
123-125 First Street	4,000
98 Adams Street	4,810
444 Central Street	7,000

- 21 Central Court: Centrally located fully leased light manufacturing space offered for sale.

These properties have historically chronic vacancies as listed below although they are not often listed with brokers:

- 123 First Street: Largely improved and utilized as self-storage space. Additional space is still available for larger storage and or light manufacturing/assembly type uses.
- 98 Adams Street: Two small spaces totaling 4,810 square feet and suited for warehousing, service, or light manufacturing.
- 444 Central Street: The space has potential for service, warehouse, or manufacturing businesses.

There are a few, smaller scattered available spaces currently available as leases turn over and/or tenants relocate.

New Leases

A new mill space lease of 24,000 square feet at 21 Central Street was reported for 2020.

Leominster Mill Space Conclusion

Mill space that is not owner-occupied has historically filled the need gap for seasonal/interim and economical space for storage and start-up businesses desiring short-term leases to limit financial obligations. Local business start-ups have been low for several years. With short-term leases comes high turnover and vacancy periods between each tenant turnover.

Mill buildings experience significant amounts of shadow space. These spaces are not being fully utilized, but also may not be actively marketed. Many mills were constructed for single-business occupancy. Multiple floor levels, low clear height, lots of columns, shared loading docks, and limited or low capacity elevators result in inefficiency and non-functional space by current standards. It is common to have vacant space that is simply inaccessible for lease.

The base of existing mill space has declined as properties are gradually converted to higher value residential/commercial uses, demolished, or abandoned as they are no longer considered economically feasible to restore.

Fitchburg Activity – Mill Space

The largest change to vacancy was caused by the offering for lease of 35 Daniels Street, Fitchburg. There is 612,750 square feet of vacant mill space in Fitchburg. This represents a 60% increase from 2020 totals.

2020 Transfers and Sales

There was one sale of a mill building in Fitchburg in 2020. 431 Westminster Street sold to a Washington state-based cannabis operator in a private sale. Of note, the sale was financed by a seller-held mortgage.

Available Mill Space - Sale

- 320 River Street is currently used for document storage and is being actively marketed having previously been under contract.
- A substantial portion of the current vacancy is represented by 642 River Street, which was last used as a specialized paper plant in 2009 and is partially leased. This property is being actively marketed.
- A portion of 12 Baltic is vacant; the building has been listed for sale since 2018.

Fitchburg mill space available for sale is in the following table:

Address	Bldg. Area
320 River Street	33,120
642 River Street	175,396
12 Baltic Lane	122,938
549 Westminster Street	46,760

Available Mill Space - Lease

35 Daniels is available for lease as is 549 Westminster Street. No significant occupancy changes were noted for the Broad Street and Cleghorn Street facilities. Some of these properties include a mix of owner and tenant industrial businesses. Other than the space at 166 and 200 Boulder Drive, we are aware of no other mill space lease offerings.

2020 Leases

We understand that 291 Westminster Street was fully leased to a single tenant.

Conversions

There were no conversions in 2020 and we know of none that are proposed. 87, 89, and 91 River Street have experienced chronic vacancy and may be future candidates for conversion, but are not currently exposed to the market.

Marijuana in Mill Space

The City approved a change in permitted operator in March 2020 for 431 Westminster Street. Two permits were previously approved for 291 Westminster Street. Both operators decided to not pursue the location; one of these became the newly permitted operator at 431 Westminster Street.

Putnam Place

The space remaining at 166 Boulder Drive consists of approximately 2,500 square feet of raw space available for lease, and negotiations continue for 34,000 square feet at 200 Boulder Drive, but that deal has not yet been consummated.

Fitchburg Mill Space Conclusion

Vacant mill space increased from 382,684 square feet in January 2020 to 612,750 square feet in January 2021 for a net absorption of negative 230,066 square feet. Net negative absorption was driven largely by the offering of 35 Daniels Street for lease. The overall vacancy rate for mill space in Fitchburg is 17.1% as of January 2021, which remains within historic patterns.

Based on the exhibited demand for mill space for multi-family conversions, marijuana growing operations, start-up businesses, and seasonal storage requirements needing lower cost space, we expect a gradual continued tightening of supply for Fitchburg mill space.

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The Foster Company, specialists in real estate appraising and consulting, has provided services on more than 13,000 real estate projects. Founded in 1925, we have assisted a variety of clients including banks, mortgage companies, utilities, residential and commercial developers, hospitals, federal and state agencies, municipal governments, and more.

Through recessions, market shifts, and fluctuations we have maintained an impressive track record by following the fundamentals established through more than 90 years in the real estate business. We have developed the depth and breadth to complete appraisal and consulting projects effectively, from start to finish.

Our professional staff are seasoned problem solvers. We work as a team, drawing upon extensive knowledge of the real estate marketplace based on years of hands-on experience in valuations, land and property development, property management, insurance, project financing, syndication, and commercial and industrial brokerage. Additionally, we have received designations from the most respected organizations in the industry.

When you work with The Foster Company, you work with experts.

OUR SERVICES

Real Estate Appraisal & Valuation

We provide a complete range of real estate valuation services to meet your specific appraisal needs. From overview reports to in-depth, comprehensive studies, we give you the facts - and the no-nonsense interpretations of them - that enable you to make sound real estate decisions.

Real Estate Counseling

Our experience in all aspects of the real estate business since 1925 has provided us with the detailed knowledge required to answer the most complex or unique consulting questions. We provide the full range of real estate services on an hourly or flat fee arrangement.

The Foster Company provides innovative concepts and workable, profitable solutions for a variety of real estate related projects. Listed below are samples of the services we deliver. See our Scope of Services for additional areas covered.

- ❑ Acquisition and Disposition
- ❑ Development and Urban Reuse
- ❑ Environmental Contamination
- ❑ Feasibility and Market Studies
- ❑ Investment Analysis
- ❑ Marketing
- ❑ Preservation
- ❑ Waterfront Property Issues

Expert Witness and Litigation Support

For more than 60 years, The Foster Company has been involved in real estate valuation and consulting work for litigation and other actions requiring an expert witness. We have built on that foundation with an expert staff and litigation support services that are second to none.

When preparing a case for court or other arenas where real estate interests are contested, we apply the greatest skill, care, and focus to ensure our client's success. Our background in brokerage, development, management, finance, and insurance gives us the hands-on experience that creates convincing testimony. Our cases are presented with the confidence that comes from having lived the business. Our appraisal and consulting services provide far more than sideline advice. You can count on The Foster Company.

SCOPE OF SERVICES

APPRAISAL SERVICES

Ad Valorem Taxes	Market Value
Business Valuations	Mortgages
Corporate Mergers	Rental Value
Development Rights	Resyndication
Estates	Reviewing
Gifts	Tax Base
Insurable Value	

COMMUNITY SERVICES

Conservation	Housing Programs
Downtown Revitalization	Industrial Development
Eminent Domain	Urban Renewal
Feasibility	

COUNSELING

Acquisition	Leasebacks
Assessments	Market Studies
Development	Planning
Disposition	Problem Solution
Financing	Workouts

INVESTMENT ANALYSIS

Assessment Ratios	Investment Yield
Cash Flow	Physical Inspection
Economic Feasibility	Rehabilitation Feasibility
Income Projections	

LAND DEVELOPMENT

Agricultural Preservation	Market Planning
Economic Analysis	Site Analysis
Highest and Best Use Study	Zoning
Land Use & Marketability	

PARTIAL LIST OF CLIENTS SERVED

COMMERCIAL & INDUSTRIAL

Acro-Matic Plastics	Pan Am Railways
Aggregate Industries	Pan Am Systems
Boston & Maine Railroad	Pinetree Power
Brox Industries	Pinsley Railroad Company
Bruel Kjaer Instrument	Radiant Technologies, Inc.
CSX Corporation	Renovator's Supply
Duncan Galvanizing Corporation	Republic Services Inc. (AKA Allied Waste)
Exxon Corporation	Schnitzer Steel Industries
Georgia Pacific Paper Company	Shell Oil Company
Meditech	Sprague Energy
Mobil Oil Corporation	SPS New England
National Grid	Unisorb Corporation
Oldcastle Inc.	Unitil
Osram Sylvania Inc.	

GENERAL

AECOM Technology Corporation	Nordblom Company
Assumption College	On-Site Insight
Core Investments	Orchard Hills Athletic Club
Economics Research Association	Professional Loss Adjusters
Gutierrez Company	Roman Catholic Diocese
Heywood Hospital	The Skating Club of Boston
John M. Corcoran & Company	Spectrum Health Systems
J.M. Forbes & Company	State Street Development Company of Boston.
Lincoln Foundation	Storage USA
Louis Berger Group	Tetra Tech
Massachusetts Housing Partnership	Toyota Financial Services
Merrimack College	Trammell-Crow Company
Milford Regional Medical Center	University of Massachusetts
Montachusett Regional Transit Authority	Whittier Rehabilitation Hospital
National Development	Winn Development LLC

LAND PRESERVATION

Buzzards Bay Coalition	Sudbury Valley Trustees
Dartmouth Natural Resources Trust	The Trust for Public Land
Massachusetts Audubon Society	The Trustees of Reservations
Mt. Grace Land Conservation Trust	Walden Woods Project
National Trust for Historic Preservation	Westport Land Conservation Trust
The Nature Conservancy	Wildlands Trust
New England Forestry Foundation	
Numerous State and Municipal Conservation Entities	

FINANCIAL

Ally Bank
Arbor Commercial Mortgage
Arlington Trust Financial Services
AT & T Capital Corporation
Avidia Bank
Bank of America
Bank of New Hampshire
Bay State Savings Bank
Berkshire Bank
BlueHub Capital
Cambridge Realty Capital
Citizens Bank
Clinton Savings Bank
Commonwealth National Bank
Country Bank
Crum & Forster Insurance Company
Eastern Bank
Enterprise Bank
Federal National Mortgage Association
Fidelity Bank
Fiduciary Trust Company
First Financial Trust

GE Commercial Finance
Hanscom Federal Credit Union
Independence Bank
Israel Discount Bank of New York
JP Morgan Chase Bank
Main Street Bank
National Credit Union Administration
North Shore Bank
Northwestern Mutual
People's United Bank
Pioneer Bank
PNC Bank
Rockland Trust
Rockport Mortgage Corporation
Red Mortgage Capital
Rollstone Bank & Trust
Santander Bank
State Street Bank & Trust Company
TD Bank
Wainwright Bank
Webster First Federal Credit Union

LEGAL

Bowditch & Dewey
Brody, Haroon, Perkins & Kesten, LLP
Burwick & Dynice, P.C.
Canty Law Group
Choate Hall & Stewart LLP
Cohen Kinne Valicenti Cook
Erb and Southcotte
Flick Law Group, P.C.
Foley Hoag LLP
Giarrusso Norton Cooley & McGlone, P.C.
Goodwin
Greenbaum, Nagel, Fisher & Paliotti LLP
Greenberg Traurig, LLP
Hinckley Allen
John S. Leonard Law
Joseph D. Early Jr., Esq,
KP Law, P.C.
Law Office of Mark E. Burke

Law Office of Peter E. Flynn
Lynch Desimone & Nysten
MA Office of the Attorney General
McDermott Will and Emery
The McLaughlin Brothers, P.C.
Menard & Walsh, LLC
Moses Smith, Markey & Walsh
Mountain, Dearborn & Whiting LLP
Norman, Hanson & DeTroy, LLC
O'Connor and Ryan, P.C.
Prevett & Prevett LLP
Rackemann, Sawyer & Brewster
Riemer & Braunstein LLP
Ropes & Gray LLP
Ryan Faenza Cataldo LLC
Sullivan & Worcester LLP
Todd & Weld LLP

PARTIAL LIST OF CLIENTS SERVED: GOVERNMENT

FEDERAL

Federal Aviation Administration	Small Business Administration
Federal Deposit Insurance Corporation	US Army Corps of Engineers
General Services Administration	US Dept. of Housing & Urban Development
National Park Service	US Postal Service

MASSACHUSETTS

CEDAC	Massachusetts Development Finance Agency
Department of Conservation & Recreation	Massachusetts Housing Finance Agency
Department of Fisheries & Wildlife	Massachusetts Housing Investment Corporation
Department of Food & Agriculture	Massachusetts Port Authority
Department of Housing & Community Development	Massachusetts Water Resources Authority
Department of Transportation	Office of the Attorney General
Massachusetts Bay Transportation Authority	

MASSACHUSETTS CITIES AND TOWNS

Acton	Brookline	Grafton	Medfield	Stow
Ashby	Cambridge	Greenfield	Medford	Sudbury
Ashland	Carlisle	Groton	Middleborough	Sutton
Auburn	Chelmsford	Harvard	Milton	Templeton
Ayer	Chelsea	Holliston	Nantucket	Townsend
Barnstable	Clinton	Ipswich	Natick	Tyngsboro
Bellingham	Dartmouth	Leominster	New Bedford	Upton
Berlin	Devens	Lexington	Newton	Waltham
Beverly	Dracut	Lincoln	Norton	Westborough
Bolton	Everett	Lowell	Pepperell	Westminster
Boston	Fall River	Lunenburg	Pittsfield	Westport
Boxborough	Falmouth	Malden	Quincy	Westwood
Boxford	Fitchburg	Marlborough	Somerset	Worcester
Bridgewater	Gardner	Marshfield	Springfield	