

The Foster Report

Industrial Market Survey

**Leominster & Fitchburg, Massachusetts
January 2022**

Overview

Escalating uncertainties in many areas of business and society caused near-unprecedented turbulence in 2021. Turbulence and uncertainty continue on established fronts, but bring in others as 2022 unfolds.

National Trends

By year-end 2021, new trends were visible for which no credible estimate could be made as to effect, scope, or longevity. Some of these are listed below and we continue to monitor their effect on the industrial market. As in all periods of uncertainty, some of these trends could work together synergistically creating 2nd and 3rd order effects that are impossible to predict even at the end of 2021. Time will tell how much or how little effect any of these trends have on the economy or specifically industrial real estate. The following are some of the trends we continue to track and analyze:

- Global supply chain disruptions
- Increasing tensions between Russia and Ukraine (to be overtaken in 2022 by war)
- Global and national energy price fluctuations
- Inflation: the scale, duration, and reach as a global and national trend
- Anticipated Fed interest rate hikes in 2022
- On-going labor force shortages
- New demand in the form of medical device manufacturing and life science
- Continued last-mile distribution and cannabis cultivation demand

Financial Trends

Year-end 2021 saw the Federal Funds Rate continuing at near-zero rates, with the target range between 0% and 0.25%. Concerns of Fed rate hikes in 2022 caused 30-year home mortgage rates to approach 4.0% at year end. Commercial financing and capitalization rates also remained at historic lows for industrial property, demonstrating the continued drive to invest capital in secure real estate assets. At year end, the annualized rate of residential home sales decreased by 2.3% nationally at 6.5 million units over the preceding 12 months. Median prices rose 15.4% in the same period. Locally, sales velocity decreased 13.3% over 2020 largely due to lack of inventory. North Central Massachusetts continues to offer relative affordability despite a 10.5% median price increase state-wide in 2021.

Industrial Trends

The red-hot industrial market across Eastern Massachusetts and many areas of the nation was a consistent trend throughout 2021, showing no sign of abating. Contributing factors include intense demand for distribution space; redevelopment to other uses such as multi-family housing, cannabis cultivation, and life-science lab space; and lack of new supply.

The super-charged industrial market is a recent trend. The primary initial trigger was increased e-commerce during the COVID-19 pandemic. The suddenness and intensity have caught many in the industrial market by surprise. Vacancy in the Metro Boston area is cited at or near 1%. Pricing in Eastern Massachusetts has skyrocketed for all things industrial: land, rents, and finished product.

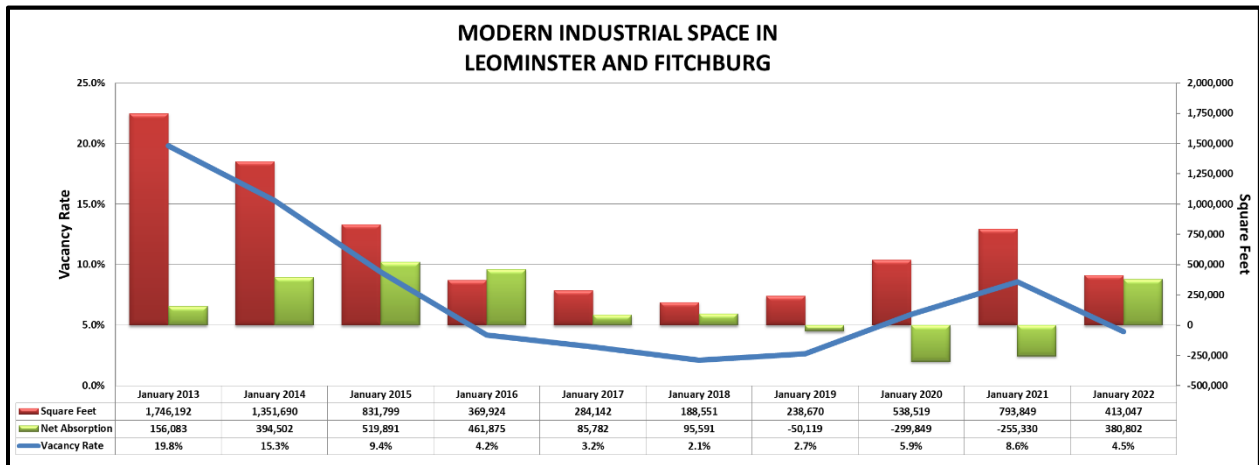
The Leominster-Fitchburg industrial market is the northwestern periphery of the Boston market. Historically, the local market lags but follows the trends of Eastern Massachusetts. Effects of increasing trends are muted in the local market and decreasing trends are more pronounced. For reference, industrial rents were unchanged in the local market from 1988 to 2018, despite fluctuations. Buyers, tenants, developers, and brokers seeking affordable locations have forced demand to move west.

Industrial sites locally that have sat dormant for many years are now being offered for build-to-suit opportunities. A number of land parcels that could support 3.6± million potential square feet of buildable space are being offered in Leominster and surrounding towns. Many sites have permitting or other development constraints but demand for new distribution facilities is bringing these sites to a higher state of readiness. Lease rates for new build-to-suit property are reported to exceed \$10 per square foot NNN. None of the activity is for speculative construction in the local market.

The existing stock of modern industrial space continues to have low vacancy, under 5%. Some of the remaining vacancy is inferior space with low utility, which indicates a lower effective vacancy rate. We are seeing some uptick in sale prices and completed lease transactions but not to the extent we would expect in the traditional stock of industrial space. Upward price pressure is seen in some transactions where buyers or tenants are setting new market price points for space they can essentially move into. This spillover effect is being felt in the Leominster-Fitchburg market.

Vacancy Conclusion

As of January 2021, the vacancy rate for modern industrial space in the Leominster - Fitchburg market decreased to 4.5% from the January 2021 vacancy rate of 8.6%. Average vacancy for mill space in the Leominster - Fitchburg market is 15.8% as of January 2022; up from 14.1% as of January 2021. These count among the lowest vacancy rates we have seen over the 34 years that we have produced this report. 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 sale prices and effective rents are examples that have begun to translate into a clear increase in actual market rents and sale prices achieved. But given the low transaction volume it remains difficult to reliably confirm if these increases will continue as a long-term trend.



TOTAL LEOMINSTER/FITCHBURG INDUSTRIAL

Type	Gross Bldg. Area	SF Avail. & Vacant	Percent Vacant
Modern Total	9,249,644	413,047	4.5%
Mill Total	4,444,639	701,525	15.8%
Combined Total	13,694,283	1,114,572	8.1%

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	0	0.0%
Southgate Park	67,168	0	0.0%
Leom. Bus. Park	33,660	0	0.0%
Tanzio Park	986,456	10,000	1.0%
FBC (Mohawk)	678,719	0	0.0%
Misc. Locations	3,056,444	302,370	9.9%
Total	6,417,216	312,370	4.9%

FITCHBURG MODERN INDUSTRIAL SPACE

Locations	Gross Bldg. Area	SF Avail. & Vacant	Percent Vacant
Montachusett Park	685,610	20,000	2.9%
231 Industrial Park	636,879	45,500	7.1%
Misc. Locations	1,509,939	35,177	2.3%
Total	2,832,428	100,677	3.6%

MILL TYPE SPACE

	Gross Bldg. Area	SF Avail. & Vacant	Percent Vacant
Leominster	869,729	88,775	10.2%
Fitchburg	3,574,910	612,750	17.1%
Total	4,444,639	628,560	15.8%

Unemployment, Wage, and CPI Rates

According to the MA Department of Unemployment Assistance, the national unemployment rate as of December 2021 showed at 3.7%, a 280-basis point decrease over 2020 being fueled by on-going loosening of COVID-19 restrictions. In-state unemployment in the same period reported at 3.5%, and locally at 4.2%. The table to the right shows trends in these rates over the last several years.

On the national level, average private sector non-farm hourly earnings rose 6.9% over the January 2021 rate, to \$26.92 as of January 2022. The CPI through December 2021 rose 7.04%, a 568-basis point increase as compared to the 2.0% average annual increases for the prior five-year period.

	Leom/Fitch	MA	US
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	9.8%	8.9%	6.5%
2021 YTD (Dec.)	4.2%	3.5%	3.7%

The Conference Board expects US growth to slow in 2022 to an annual rate of GDP growth estimated at 2.6%. "Sizeable risks still weigh on our forecast. While the number of new cases of COVID-19 are down significantly there is still a risk that new, more dangerous variants may emerge. Additionally, tight labor markets helped drive inflation higher over the course of 2021 – as wages rose rapidly and companies increased prices to offset these higher costs. If this trend continues a wage/price spiral may ensue that exacerbates the inflation problem. Finally, geopolitical tensions in Europe and Asia present additional economic risks." (*The Conference Board, accessed 2/21/2022, at <https://www.conference-board.org/research/us-forecast>.*)

Lease Rate Trends

Closed leases for modern space have remained within historical ranges. For 2021, we observed rates ranging from \$3.85 - \$6.00 per square foot on a triple net basis, with the higher end of the range comprising newer buildings, smaller spaces, or renewals. In the neighboring community of Westminster, leases executed in 2021 at 95 Aubuchon and 100 Simplex were above these levels on a triple net and modified gross basis. Lease offerings in 2021, 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 \$3.95 - \$8.95 per square foot on a triple net basis. While leasing activity was strong for larger industrial spaces during 2021, it remains unclear if tenants are willing to continue paying increased rents. A similar pattern is present in the mill space market, where to some extent, lower-end tenants have been competing with cannabis 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 2022, there is no conclusive evidence that tenants will continue to pay higher actual rents 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. Sales of modern space in 2021 were slightly above the historical ranges with the median of the 12 sales being \$60 per square foot. The pace of sales was above levels seen in the past five years. It is not clear if these trends will be sustained.

New Construction

The 1st section of the following table lists all new industrial construction since 2018 in Leominster and Fitchburg. The 2nd section of the table lists proposed last mile delivery facilities that are either under construction or are reasonably expected to be delivered in 2022. For this analysis, we consider speculative construction to be any construction that was commenced prior to securing a tenant. Owner-occupied construction is not considered to be speculative.

New Industrial Construction Since 2018							
Address	Town	Park	Year	SF	Add/New?	Developer	Type
40 Pioneer Park	Lunenburg	Pioneer Park	2018	67,907	Addition	Owner	Light Manufacturing
100 Game On	Fitchburg	Montachusett	2019	119,090	New	Owner	Indoor Recreation
29 Francis	Leominster	Tanzio	2019	7,200	New	Owner	Butler type; Machine shop
200 Tanzio Road	Leominster	Leominster Bus. Park	2020	33,660	New	Owner	Transfer Station
800 Research	Leominster	Southgate	2020	67,168	New	Owner	Light Manufacturing
1771 Lock	Leominster	FBC-Mohawk	2021	25,600	New	Owner	Butler type; Automotive uses
1775 Lock	Leominster	FBC-Mohawk	2021	5,040	New	Owner	Cannabis Growing
Total:				325,665			
35 Intervale	Fitchburg	City	2022	98,000	Proposed	GFI (BTS)	Last Mile
475 Leom-Shirley	Lunenburg	None	2023	372,000	Proposed	Corcoran (BTS)	Last Mile
351-401 Research	Leominster	Southgate	2022	7,800	Proposed	Owner	Showroom;Trade
31 Industrial	Fitchburg	Montachusett	2022	4,000	Proposed	Owner	Showroom;Trade
Total:				481,800			

A 25,600 square foot warehouse at 1771 Lock was 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. No speculative construction is known of within the market at this time and with limited build-to-suit construction, owner occupants continue to be the dominant influence.

In connection with the Amazon lease at 35 Intervale Road, Fitchburg, the existing improvements were razed in 2021 and a new distribution facility is being built with delivery expected in late 2022 as a build-to-suit project.

Two sites in Leominster are also offering pre-leasing on proposed distribution space: A site in Leominster Business Park shows 150,000 square feet, and a site in Orchard Hill Park shows 250,000 proposed square feet. No permit applications have been submitted for either.

Slightly outside of Pioneer Park (475 Leominster-Shirley Road, Lunenburg), a 35-acre parcel sold in January 2022 for development as a 372,000 square foot distribution center. Construction on 475 Leominster-Shirley Road is expected to begin in 2022 with likely delivery in early-to-mid-2023. We understand that the site has been leased prior to any construction. This site is not considered to be speculative construction.

Proposed distribution facilities are offering pre-leasing at two sites in Lancaster: a 702,000 square foot proposed building in the Capital Commerce Center, and two buildings on Fort Pond totaling 894,000 square feet. The Fort Pond sites have had feasibility studies submitted but no permit applications submitted. The Capital Commerce site is waiting on the Town to vote on changing the zoning at the coming Town meeting. If the Town declines to change the zoning, the site will not be built. None of these sites are expected to be developed in the near future. It appears any construction will depend on securing a lease with a prospective tenant.

Similarly, two sites in Westminster are offering pre-leasing for proposed distribution facilities in Westminster Business Park, and a third on Simplex Drive. Together, these sites total 1,185,000 square feet of proposed distribution space. The larger of the Westminster Business Park sites has obtained approval for a 600,000 square foot warehouse, but the Town does not expect construction to commence in the near term. The Simplex site has been approved for a 325,000 square foot distribution building, but the start of construction is not known to the Town.

It is unlikely that all of these proposed sites will be constructed. Including the Amazon site on Intervale Road, Fitchburg, there is a total of 3,616,000 square feet of distribution space proposed for Leominster and the surrounding towns.

The proposed space listed above appears (including the Amazon site) to be offered on a build-to-suit basis rather than as speculative construction. There is no known speculative construction in the market area. It is not possible to credibly estimate how much of this proposed distribution space will actually be built, but it likely presents many years of future supply of land for such construction, based on past observed trends. We rely on the fullness of time to reveal how much of this apparent trend moves past the planning stage and when.

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 existing 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 a decrease in vacant modern space vacancy and nominal change in vacant mill space, 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 2021.

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. Slightly outside of the Park, a 264-acre parcel is available with industrial zoning and a 35-acre parcel sold in January 2022 for development as a 372,000 square foot distribution center. The proposed improvements are discussed in New Construction above.

Jytek Park, Leominster

A 1.96± acre parcel of industrial land was sold with 75 Jytek Drive in June 2021 after having previously sold in November 2020 to the tenant. No other lots are 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. Four 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.

Industrial Land - Conclusion

There have been a few industrial land sales over the last several years. The low number of sales 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 have increased. 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 feet. Newer buildings often have higher clearance closer to 20 feet 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 assessors' 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 and 2021 saw no change over 2020. 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 have historically faced 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. As discussed earlier, 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. Amazon has negotiated with the City of Fitchburg to convert 135 Intervale to a last-mile facility. As stated above, more sites are being planned, but we cannot estimate with confidence how many of these will be built and leased.

Summary of Modern Industrial Activity

As of January 2022, there was a total of 413,047 square feet available in Fitchburg and Leominster, or 4.5% of the total existing modern industrial base. This is a modest decrease over January 2021 that is caused principally by the vacancy and lease offering at 135 Intervale Road in Fitchburg and continued overall strong demand. 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. 2021 was a strong year for leasing large industrial spaces, whether mill or modern. Rents for new leases appear to have increased only modestly 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 64,282 square feet of modern industrial space available for lease in Leominster as of January 2022.

- 45 Francis Street: a single-tenant industrial property in Tanzio Park offering part of the building; also offered for sale.
- The space offered at 177 Florence Street is 1st floor space in an older industrial building.
- 233 Florence Street: older single-tenant industrial building; also offered for sale.

Address	Bldg. Area
45 Francis Street	10,000
177 Florence Street	11,000
233 Florence Street	43,282

Available Buildings for Sale

- 45 Francis Street: a single-tenant industrial property in Tanzio Park; also offered for lease.
- 233 Florence Street: older single-tenant industrial building; also offered for lease.
- 46 Industrial Road: older 244,000 square foot owner-occupied industrial building.

Leases During 2021

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. Demand appears to have increased in 2021 for larger spaces. All of these buildings are understood to be fully leased.

- 272 Nashua Street: one lease of 30,000 square feet in an older building with cramped circulation. Clear heights vary throughout.
- 44-50 Mead Street is an older manufacturing property with good access to MA Route 2.
- 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.
- 150 Industrial Road has active rail service, good lot circulation, and ample docks and drive-in doors. This is a single-tenant property.

Address	Bldg. Area
272 Nashua Street	30,000
44 - 50 Mead Street	15,000
196 Industrial Road	38,000
150 Industrial Road	133,450

Sales During 2021

2021 saw the highest volume of improved industrial sales in the past five years. All of these sales were understood to have been exposed to the market through real estate brokers.

- 11 Jytek Drive: small manufacturing building in Jytek Park.
- 24 Jytek Drive: small manufacturing building in Jytek Park.
- 75 Jytek Drive: net-leased asset bought by a regional investment group and included an abutting 1.9± acre building lot.
- 554 Willard Street: small manufacturing building in Jytek Park
- 140 Leominster-Shirley Road: net-leased industrial property in Pioneer Park.
- 111 Crawford Street: leased multi-tenant industrial building near the Fitchburg Airport.
- 32 Jungle Road: understood to have involved the sale of a business with allocated purchase price.
- 461-465 Lancaster Street: a newer single-tenant industrial property that was fully leased.

Address	Bldg. Area
11 Jytek Drive	21,848
24 Jytek Drive	20,800
75 Jytek Drive	128,592
554 Willard Street	19,662
140 Leominster-Shirley Road	54,360
111 Crawford Street	104,746
32 Jungle Road	114,205
461-465 Lancaster Street	70,000

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 is understood to have 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. A retail site has been approved for 130 Pioneer Drive.

Leominster Modern Industrial Conclusion

Leominster’s vacancy rate decreased over the past year from 5.6% to 4.9%. 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.

Available for Lease

- 270 Westminster Street: single-tenant; offered for lease; formerly used for warehousing.
- 145 Authority Drive: newer single-tenant industrial building in 231 Industrial Park.
- 215 Crawford Street: a single-tenant automotive industrial building near the Fitchburg Airport.

Address	Bldg. Area
270 Westminster Street	16,500
145 Authority Drive	45,500
215 Crawford Street	11,340

Available Buildings for Sale

149 Industrial Road: single-tenant industrial property in Montachusett Industrial Park. This property is intended for cannabis cultivation after the sale closes.

Leases During 2021

135 Intervale was sold in 2020 to a regional investment group. Amazon negotiated a lease over 2020 and finished in September 2021. Details of the lease are not known, but the site is being re-developed with a 98,000± square foot last mile delivery facility.

Sales During 2021

As in Leominster, Fitchburg experienced the highest volume of improved industrial sales in the last five years.

- 215 Crawford Street, a single-tenant automotive industrial building near the Fitchburg Airport.
- 325 Authority Drive: a smaller industrial building in 231 Industrial Park.
- 207 and 251 Authority Drive: two abutting buildings in 231 Industrial Park sold together.
- 830 Westminster Street: a smaller industrial building in the Montachusett Industrial Park.
- 270 Westminster Street: smaller industrial building formerly used for warehousing.

Address	Bldg. Area
215 Crawford Street	11,340
325 Authority Drive	14,884
207 Authority Drive	30,000
251 Authority Drive	50,480
830 Westminster Road	9,600
270 Westminster Street	16,500

Marijuana – Medical and Adult Use

The city has approved 11 locations for medical and adult-use marijuana growing operations through the end of 2021, which is no change from the prior year. 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. 149 Industrial Road was approved for cultivation in February 2022.

Fitchburg Modern Industrial Conclusion

The market for modern industrial space in Fitchburg experienced positive net positive absorption in 2021, moving from a vacancy rate of 15.4% at the start of the year to 3.6% at the close. The change was largely due to demolition of the prior building and the lease for new construction at 135 Intervale Road for Amazon.

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 slowing in 2022 from the peak of 2019 and 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 existing 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. Four new leases were executed at this property in 2021 totaling 379,872 square feet. These leases include the 203,000 square foot sub-lease offered following renovation in 2018. This property is understood to be fully leased.

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. Two leases totaling 94,999 square feet were executed in 2021. The property is understood to be fully leased.

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 assessors' offices. 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 approximately 1100 basis points higher than modern industrial space. This vacancy rate has historically tracked between 500 and 1000 basis points above the modern industrial vacancy rate. This suggests current demand is seeking better quality modern space. 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 available 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.

Overall mill vacancy in Leominster and Fitchburg at year end 2021 was 15.8% or 701,525 square feet. This is a slight increase over 2020's vacancy rate of 14.1%. The principal cause of the increase is considered to be the 2021 lease offering at 435 Lancaster Street, Leominster.

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.

- 435 Lancaster Street: centrally located and professionally managed – offering 88,775 square feet for lease.

These properties historically have 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.

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

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

New Leases

We understand that 20,000 square feet of industrial space was leased in June 2021 at 435 Lancaster Street, Leominster. This lease offering came to market in 2021 and was not reported as vacant 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

At year-end 2020, there was 612,750 square feet of vacant mill space in Fitchburg. This represents no change over 2021 totals.

2021 Transfers and Sales

There were no reported sales of mill buildings in Fitchburg in 2021.

Available Mill Space - Sale

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

- 320 River Street is currently used for document storage and is being actively marketed for sale having previously been under contract.
- 35 Daniels Street is available for lease privately through the owner.
- 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 Lane is vacant; the building has been listed for sale since 2018.
- 549 Westminster Street is offered for sale or lease at a much larger gross building area than our records indicate; we have reported building area based on our records.

Address	Bldg. Area
320 River Street	33,120
35 Daniels Street	220,186
642 River Street	175,396
12 Baltic Lane	122,938
549 Westminster Street	46,760

Available Mill Space - Lease

35 Daniels Street is available for lease privately through the owner. Some of these properties include a mix of owner and tenant industrial businesses. Additional mill properties offered for lease are arrayed in the table below.

Address	Bldg. Area
35 Daniels Street	220,186
642 River Street	175,396
549 Westminster Street	46,760

2021 Leases

We are aware of no new leases for Fitchburg mill space in 2021.

Conversions

There were no conversions in 2021 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. However, they are counted towards mill space vacancy.

Marijuana in Mill Space

The City did not approve any additional cultivation locations in mill space in 2021.

Putnam Place

The space remaining at 166 Boulder Drive consists of approximately 2,500 square feet of raw space available for lease. It is rumored that an indoor vegetable grower is considering the available 34,000 square feet at 200 Boulder Drive.

Fitchburg Mill Space Conclusion

Vacant mill space represented no change from the 612,750 square feet reported in January 2021 to January 2022. The overall vacancy rate for mill space in Fitchburg is 17.1% as of January 2022, 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.

OUR COMPANY

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.

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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

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Canty Law Group
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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	