

Boston Industrial Market Overview

Market Observations

What We Know

Following a second consecutive quarter of negative net absorption, Greater Boston industrial vacancies remain above the 15-year long-term average.

Sublease availabilities increased to 3.3 million SF, or 1.5% of current inventory, rivaling cyclical peaks from 15 years ago.

Leasing velocity softened during the quarter, and renewals accounted for most of the largest transactions executed during the first quarter of 2025.

Industrial vacancies in the South Submarket surpassed 10.0% in the first quarter of 2025 and are now 150 basis points above the metro average.

Tenant demand across the region ended the first quarter of 2025 at 16.8 million SF, with select larger big box retailers reengaging with the market.

Development remains more measured, with square feet under construction declining consistently throughout the last year. The 1.6 million SF of industrial construction represents just 0.7% of inventory.

Despite rising vacancies, asking rents for industrial space remain elevated throughout Greater Boston. At \$16.64/SF as of the first quarter of 2025, lease rates are 1.4% higher than year ago levels.

What We Expect

Occupiers will likely remain focused on the smaller blocks of industrial space, limiting leasing in the Class A Warehouse/Distribution subtype.

Ongoing macroeconomic insecurity, recent tariff policies, and the increasing likelihood of recession will likely shape Greater Boston's industrial market recovery in the coming quarters.

Recent efforts from the federal government to expand domestic manufacturing operations could provide a green shoot to the uncertain near-term forecast.

Market Overview

GREATER BOSTON INDUSTRIAL MARKET

Moderate negative net absorption led vacancies higher in Greater Boston's industrial market during the first quarter of 2025. At 8.8%, industrial vacancies have increased 550 basis points since bottoming in 2022 as supply and demand fundamentals have diverged. Smaller users, mainly in the 30,000 SF to 50,000 SF range, contributed to much of the negative net absorption reported in early 2025. Leasing velocity began the year below recent historic norms, and renewals and extensions dominated recent transactions.

Available sublease space across the region reached the highest level since 2011, with 3.3 million SF on the market as of the first quarter of 2025. While only 1.5% of current inventory, the sublease rate remains elevated near cyclical highs.

New construction has been concentrated in the region's southern submarkets, with industrial inventory in the South ending the first quarter of 2025 7.2% above 2019 levels. The North submarket's industrial inventory has also increased considerably over the last couple years, up 5.1% from the end of 2019. Due to functional obsolescence and redevelopment opportunities, there is less industrial product in the Urban submarket in 2025 than in 2019. Looking ahead, supply-side risks continue to abate in Greater Boston's industrial market, with only one project delivered in the first quarter of 2025 and the square feet under construction dwindling further. New groundbreakings remain focused on industrial projects 100,000 SF or below.

Industrial vacancies are up across all submarkets, with rates in the North and South submarkets increasing by more than 50 basis points each during the first quarter of 2025. Fundamentals were more stable in the Urban and West submarkets, with a lack of movement keeping vacancies flat over the quarter.

Two of the largest industrial leases of the quarter occurred in the North submarket, with Dover Saddlery and NEPW renewing their spaces in Littleton and Ayer, respectively. In the South, SMR Holdings expanded its footprint by roughly 44,000 SF at Myles Standish Industrial Park in Taunton while Carlyle Engineering leased 30,000 SF in Norwood. Recent growth within neighboring Southern New Hampshire has resulted in swift improvements in fundamentals during the first quarter. School Specialty, Analogic Corp., and Vital Records contributed to recent net absorption in this submarket.

Metrowide industrial asking rents have increased 10 out of the last 11 years, with lease rates expanding by 1.4% since the first quarter of 2024. Despite peaking in mid-2024, pricing for industrial space in Greater Boston's Urban submarket is still up over the past year. All other submarkets within the region posted rent growth year-over-year as well. Lease rates for the Warehouse/Distribution subset are nearing \$16.00/SF NNN while R&D/Flex rents are off slightly from their peak of \$20.46/SF NNN reported at the end of 2023. Rent growth should stabilize this year as the market adjusts to a new normal.

In the near term, industrial users will likely remain focused on cost-reduction measures including renewing in place and subleasing excess space. However, a lack of sizeable speculative developments will help stabilize market fundamentals. Downside risks persist as growing recession concerns and uncertainty within the macroeconomic environment characterized Greater Boston late in the first quarter of 2025. The potential of success for reshoring and expanding domestic manufacturing operations offers some upside to the region's outlook.

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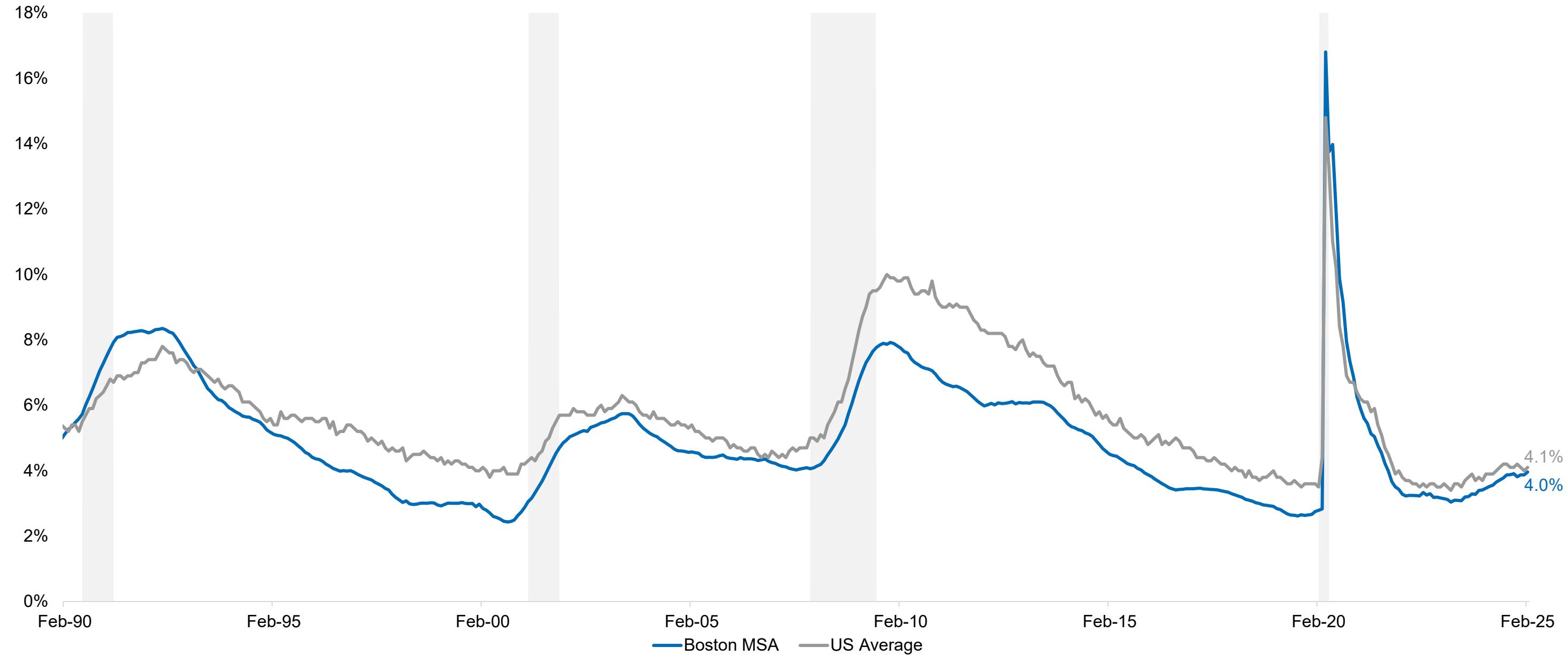
Economy



Unemployment Is Rising, But Labor Markets Are Relatively Tight

Over the past 24 months, Greater Boston's unemployment rate has risen by 100 basis points. At 4% in February 2025, the metro area's unemployment rate continues to track below the U.S. average—though the gap is narrowing. Weakness in key sectors such as technology and biotechnology are likely weighing on recent performance the region.

Unemployment Rate | Seasonally Adjusted



Source: Moody's Analytics, BLS, Newmark Research

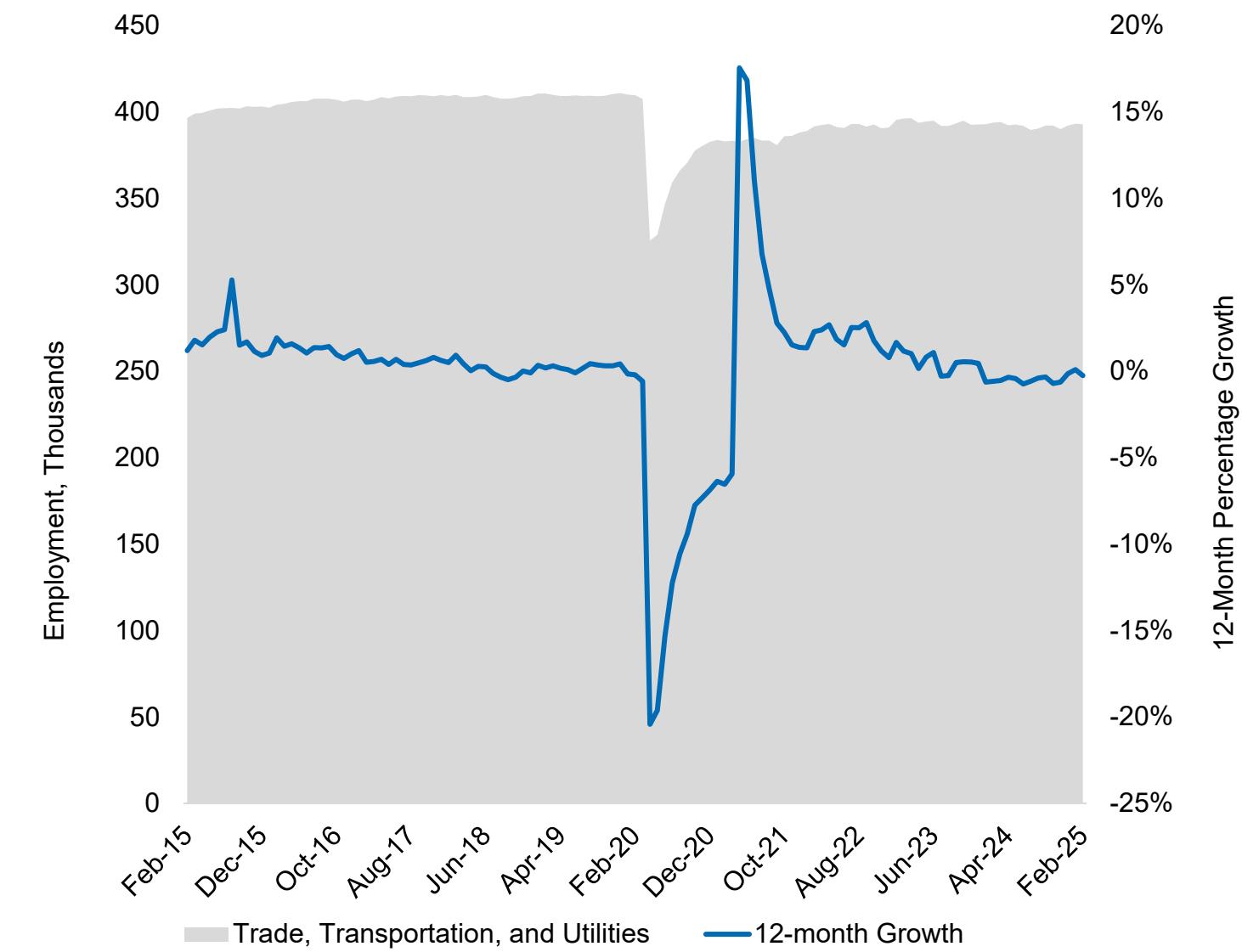
Industrial-Related Employment is Decelerating

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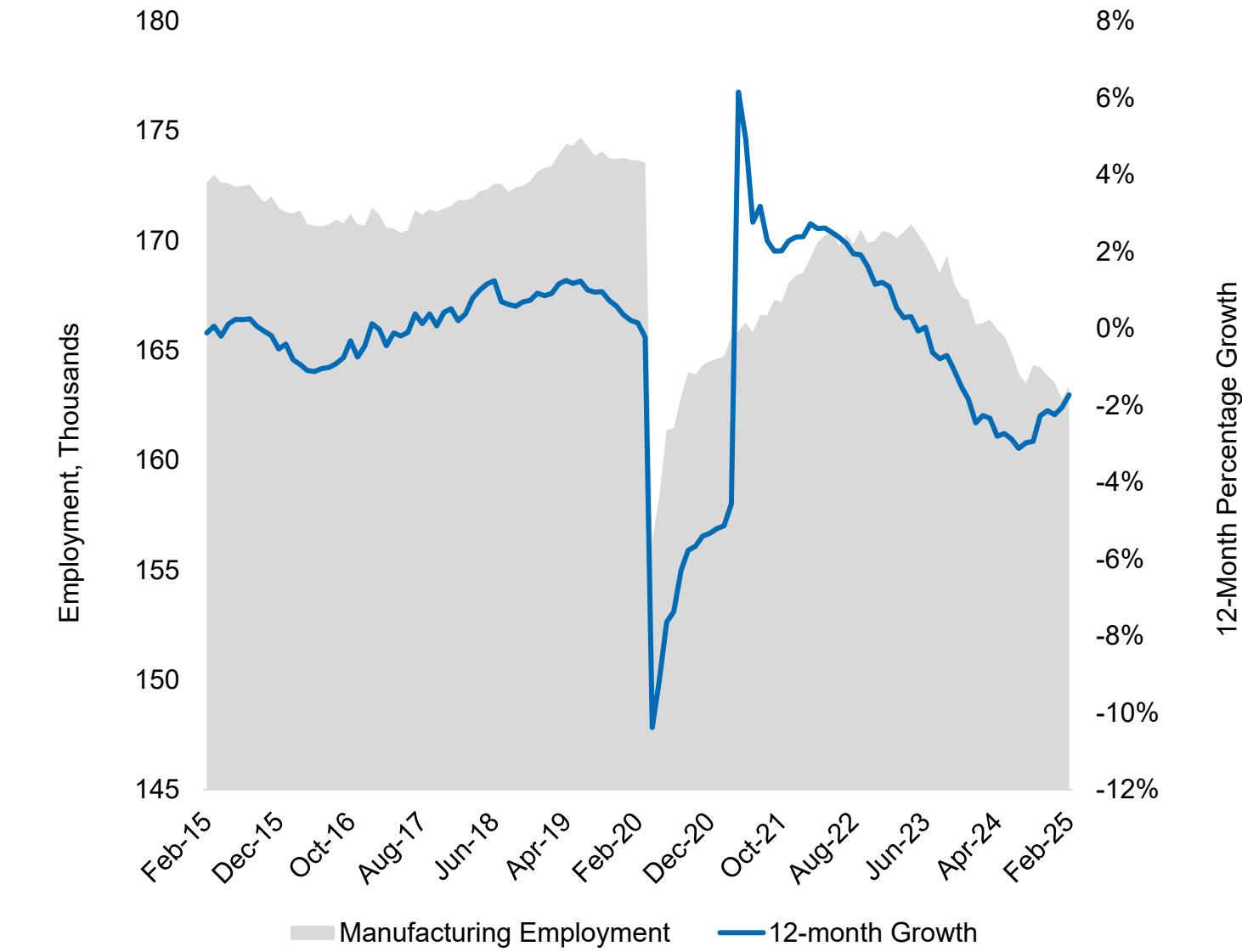
Manufacturing Employment Increases as Trade Sector Employment Growth Declines

Manufacturing employment has increased month-over-month, while Trade, Transportation, and Utilities saw a slight decrease. The 12-month growth rate for both groups has declined, as of the latest data. The manufacturing sector hasn't recorded a positive 12-month growth rate since mid-2023, while Trade, Transportation, and Utilities hasn't seen a noteworthy increase since the end of 2023. This highlights the challenges facing each sector with weaker economics and uncertainty in the marketplace.

Total Employment and 12-Month Growth Rate, Trade/Transportation/Utilities



Total Employment and 12-Month Growth Rate, Manufacturing

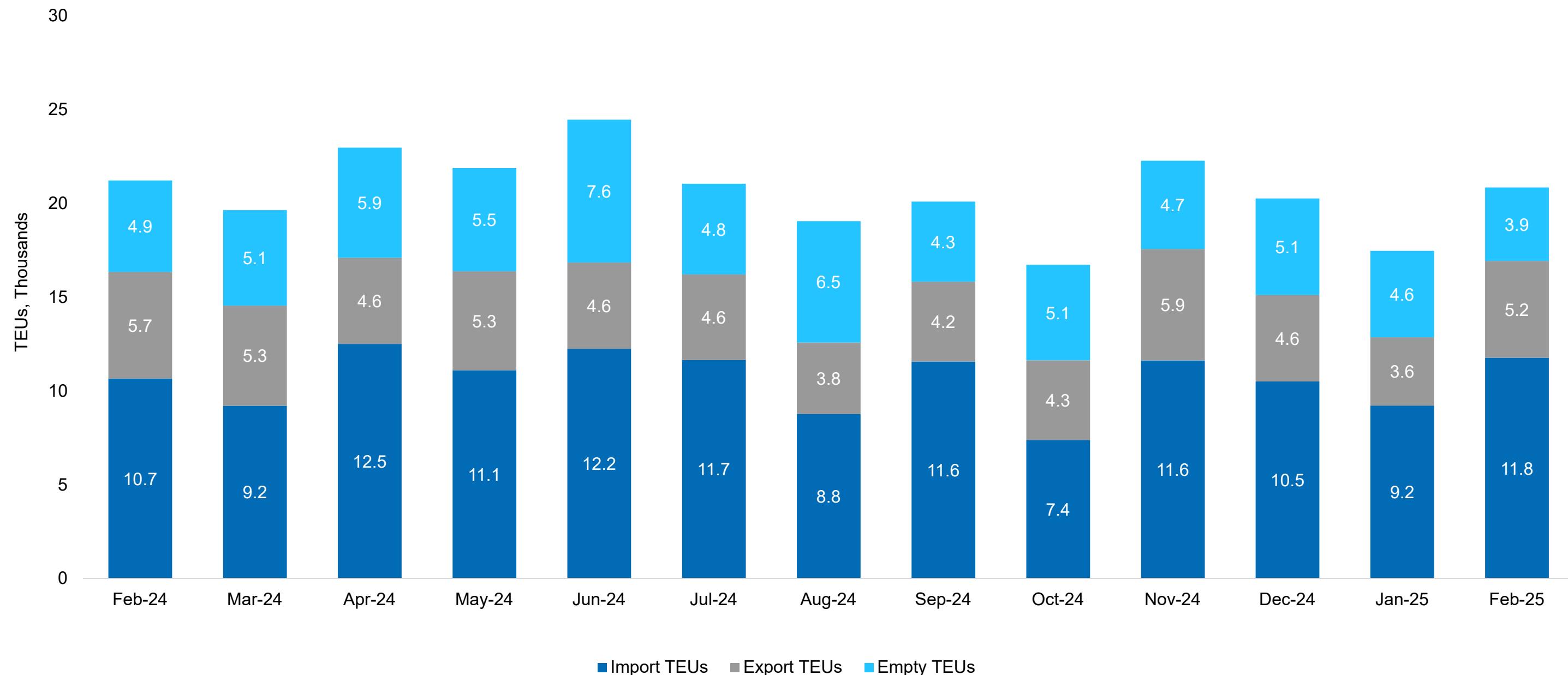


Source: Moody's Analytics, Boston-Cambridge-Newton, MA-NH MSA

Port of Boston Sees Surge in Import Activity Following Labor Agreement

Import container traffic at the Port of Boston rose to its highest level since the June 2024 peak, with 11,800 TEUs handled in February 2025. This notable increase may be attributed to the recent labor agreement reached last quarter between the International Longshoremen's Association (ILA) and the United States Maritime Alliance, which included wage enhancements and successfully averted the ILA's planned strike in January 2025.

The Port of Boston: Combined TEU Volume



Source: Newmark Research, Massport

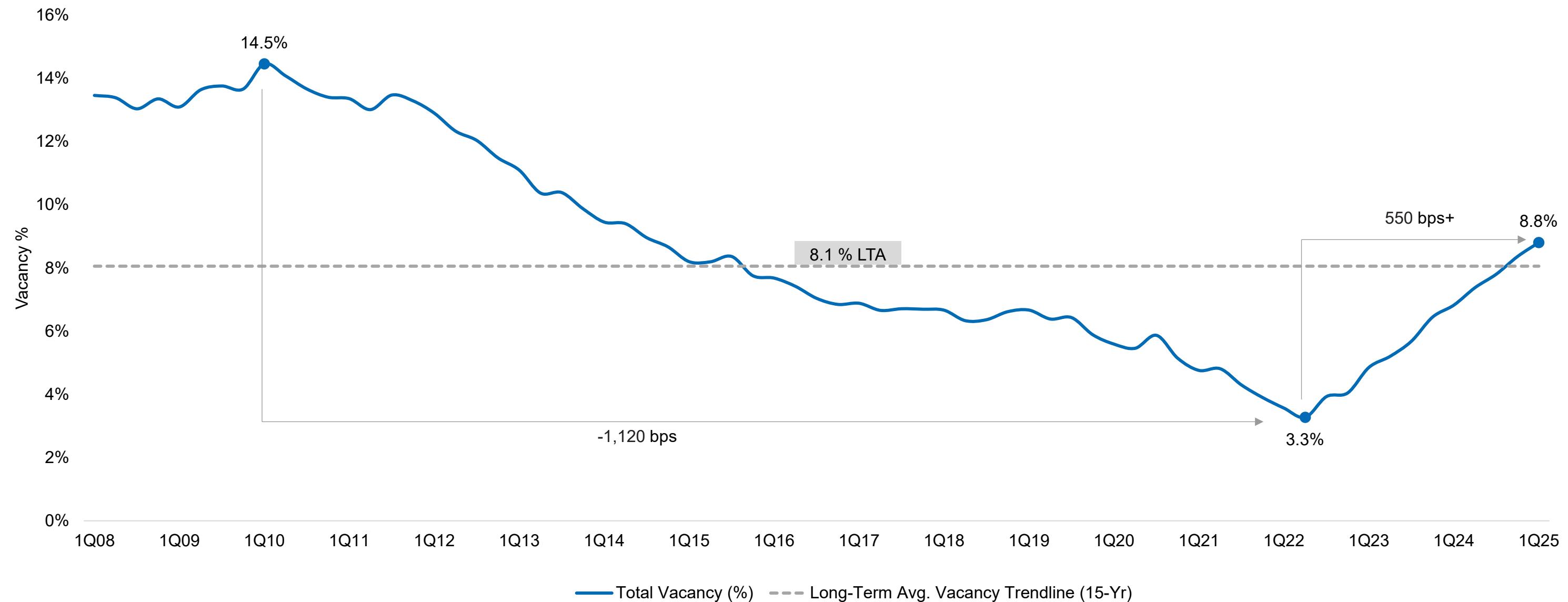
Leasing Market Fundamentals



Market Softens as Vacancy Continues to Rise

Market fundamentals in Greater Boston's industrial sector continued to soften, with vacancy rates rising for an eleventh straight quarter. However, it is worth noting that vacancy levels are right around the 15-year average and are coming off an historically low level from the second quarter of 2022. However, the vacancy rate has crossed the long-term average line and with the ongoing uncertainty regarding macroeconomic factors, this will bear worth watching.

Historical Vacancy

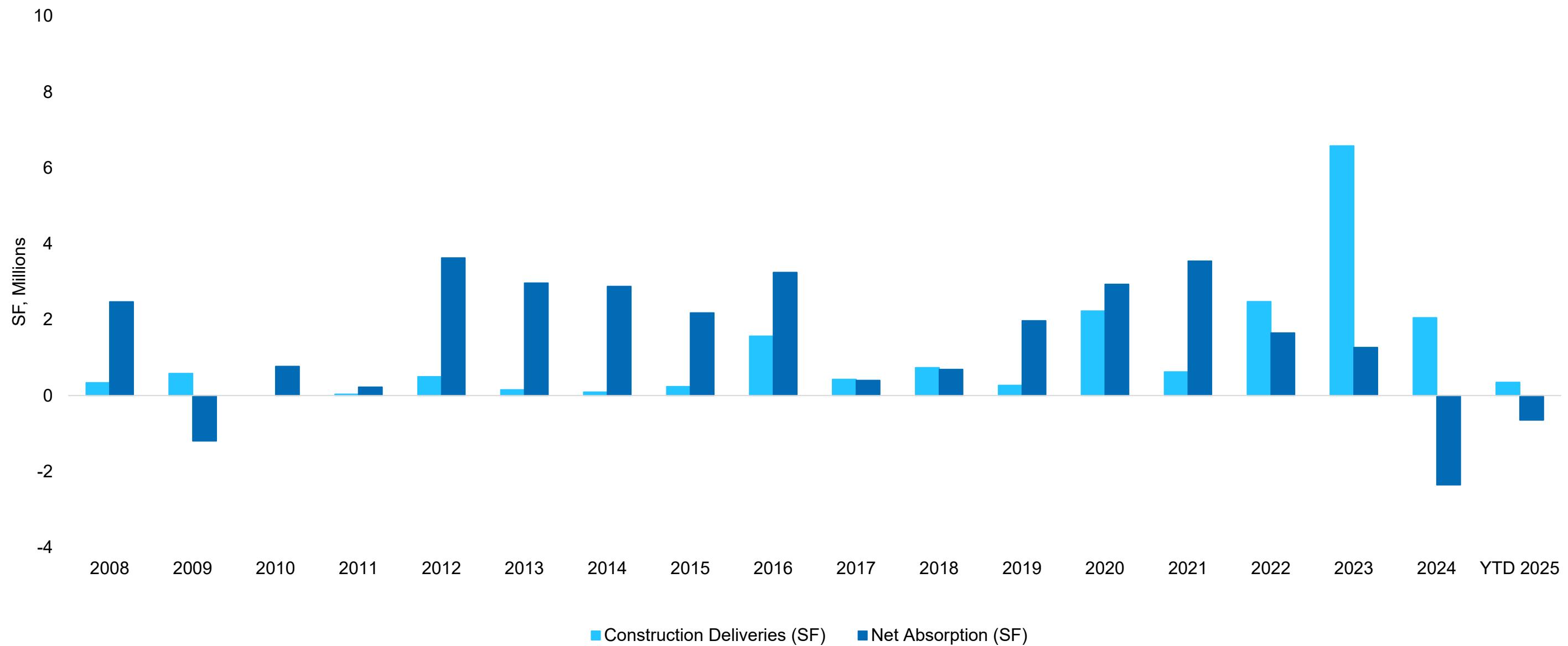


Source: Newmark Research

Deliveries Slowing as Market Works through Muted Demand

This marks the second consecutive quarter of one building delivering, this quarter being a 350,000 SF warehouse in West Bridgewater. This is a far cry from the historically elevated levels of 2023, which was driven by Amazon's build-to-suit in North Andover, as new supply groundbreakings remain limited. Negative net absorption plagued Greater Boston's industrial market in 2024, and 2025 is off to a similar start, with the first quarter registering about 650,000 SF in negative net absorption.

Historical Construction Deliveries and Net Absorption

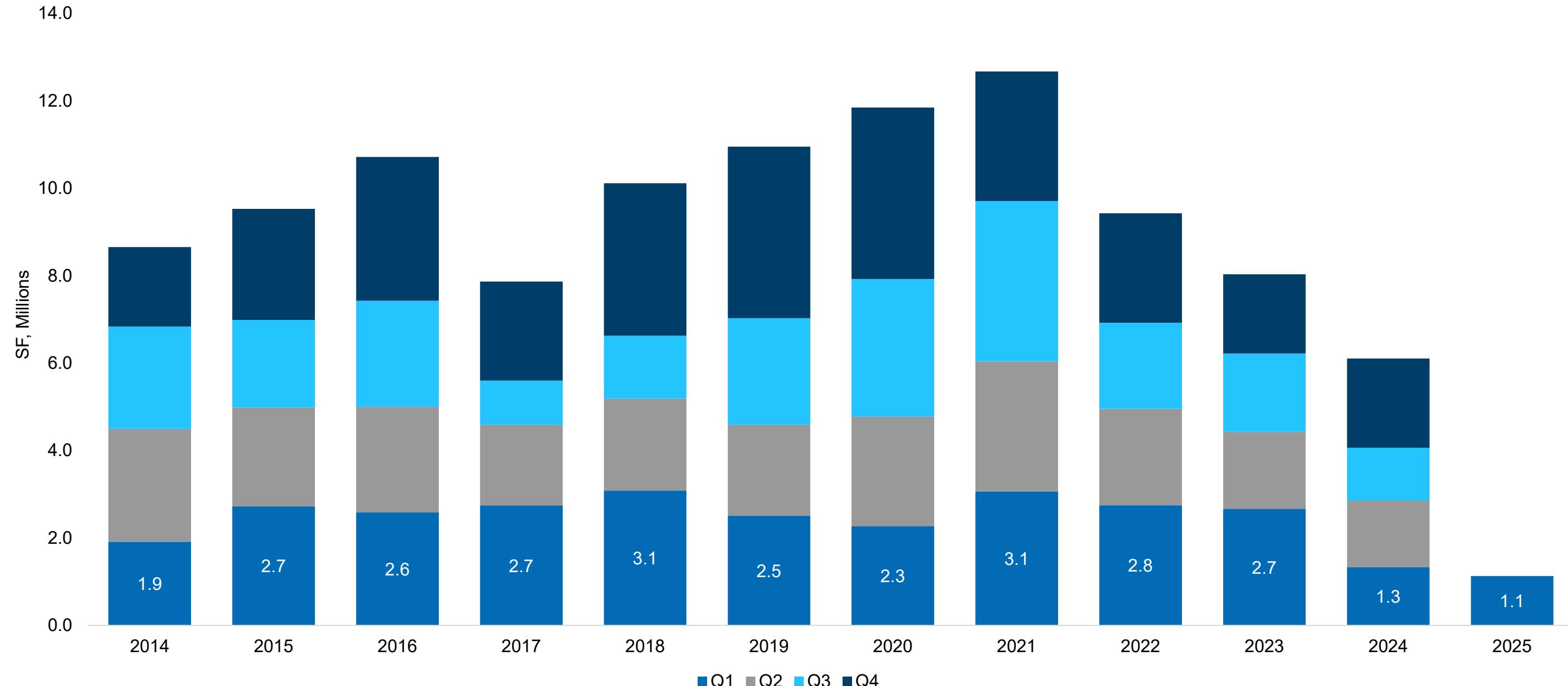


Source: Newmark Research

Leasing Demand Contracts Significantly in Early 2025

Leasing activity in the first quarter of 2025 fell to a historic low, a 15.2% decline compared to the same period last year. Despite the overall slowdown, mid-sized tenants accounted for the majority of deal volume, with an average lease size of approximately 35,600 SF. This pattern reflects a broader shift among smaller businesses toward more adaptable space solutions, as they navigate evolving operational needs amid ongoing economic uncertainty.

Total Leasing Activity (SF)



Source: Newmark Research, CoStar

Key Transactions Were Focused in North and South Submarkets

Despite below average leasing activity in the first quarter of 2025, several deals were successfully executed recently. The five largest transactions occurred within the North, West, and South submarkets, with only one being a new deal. The largest transaction was Fidelity International Service's renewal at 10 Dan Road in Canton, located in the South submarket, reinforcing the trend of tenants opting to renew rather than seek new spaces.

Notable 1Q25 Lease Transactions

Tenant	Address	Submarket	Lease Type	Square Feet
Fidelity Informational Services (FIS)	10 Dan Rd, Canton	South	Lease Renewal	111,584
Dover Saddlery	525 Great Rd, Littleton	North	Lease Renewal	99,922
Teradyne	100 Fordham Rd, Wilmington	North	Direct Lease	85,000
NEPW Massachusetts	66 Saratoga Blvd., Ayer	North	Lease Renewal	81,635
Sika Emseal	23 & 25 Bridle Lane, Westborough	West	Lease Renewal / Expansion	58,132

Source: Newmark Research

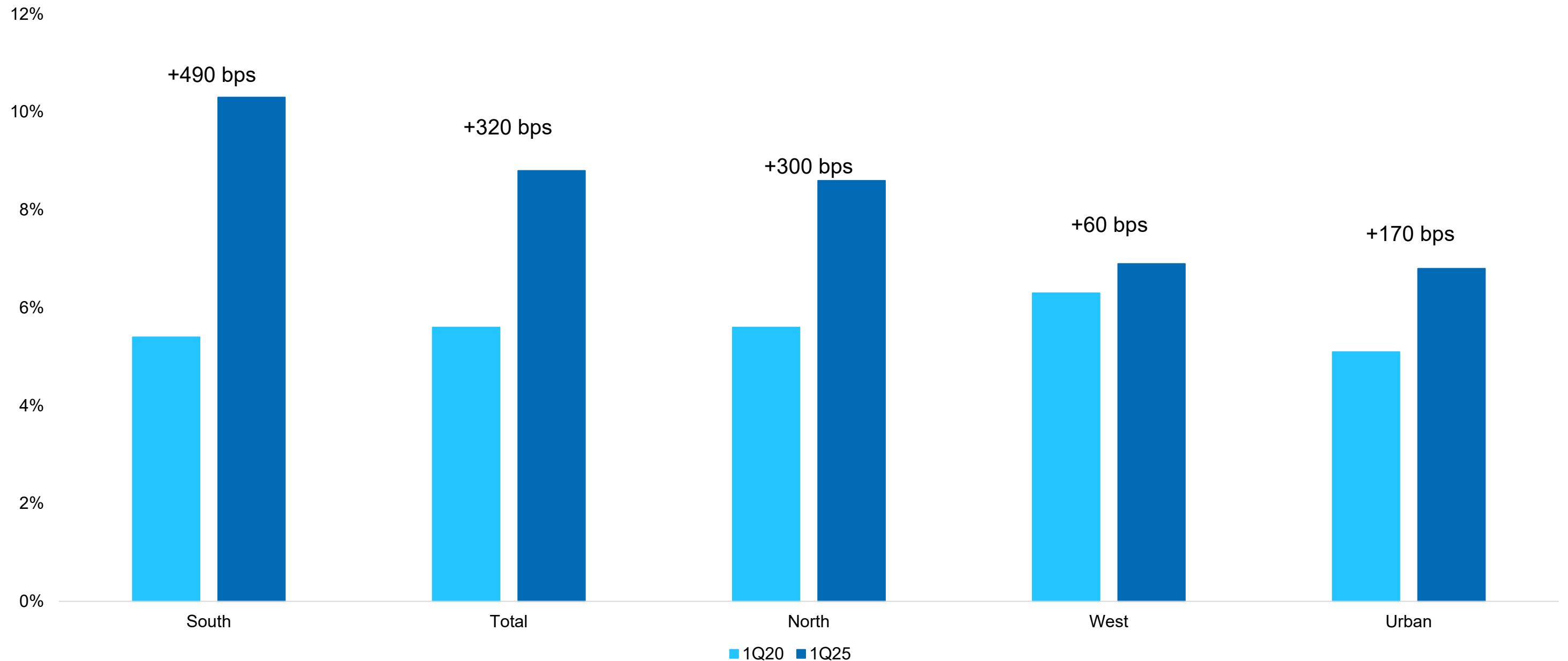
Greater Boston's Class A Industrial Sector Sees Sluggish Start to 2025

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Submarket Vacancy Trends Diverge Amid Varying Supply Dynamics

Over the past five years, the West submarket has seen minimal upward pressure on vacancy, with rates rising by just 60 basis points. In contrast, the South submarket has experienced a significant increase, with vacancy rates now 490 basis points higher than in the first quarter of 2020—largely driven by a substantial influx of new supply delivered in recent quarters. Despite these variances, most submarkets continue to outperform the overall market vacancy rate, with five-year averages remaining relatively stable across the region.

5-Year Change in Vacancy Rate by Submarket



Source: Newmark Research

Industrial Park Warehouse Vacancy Improves

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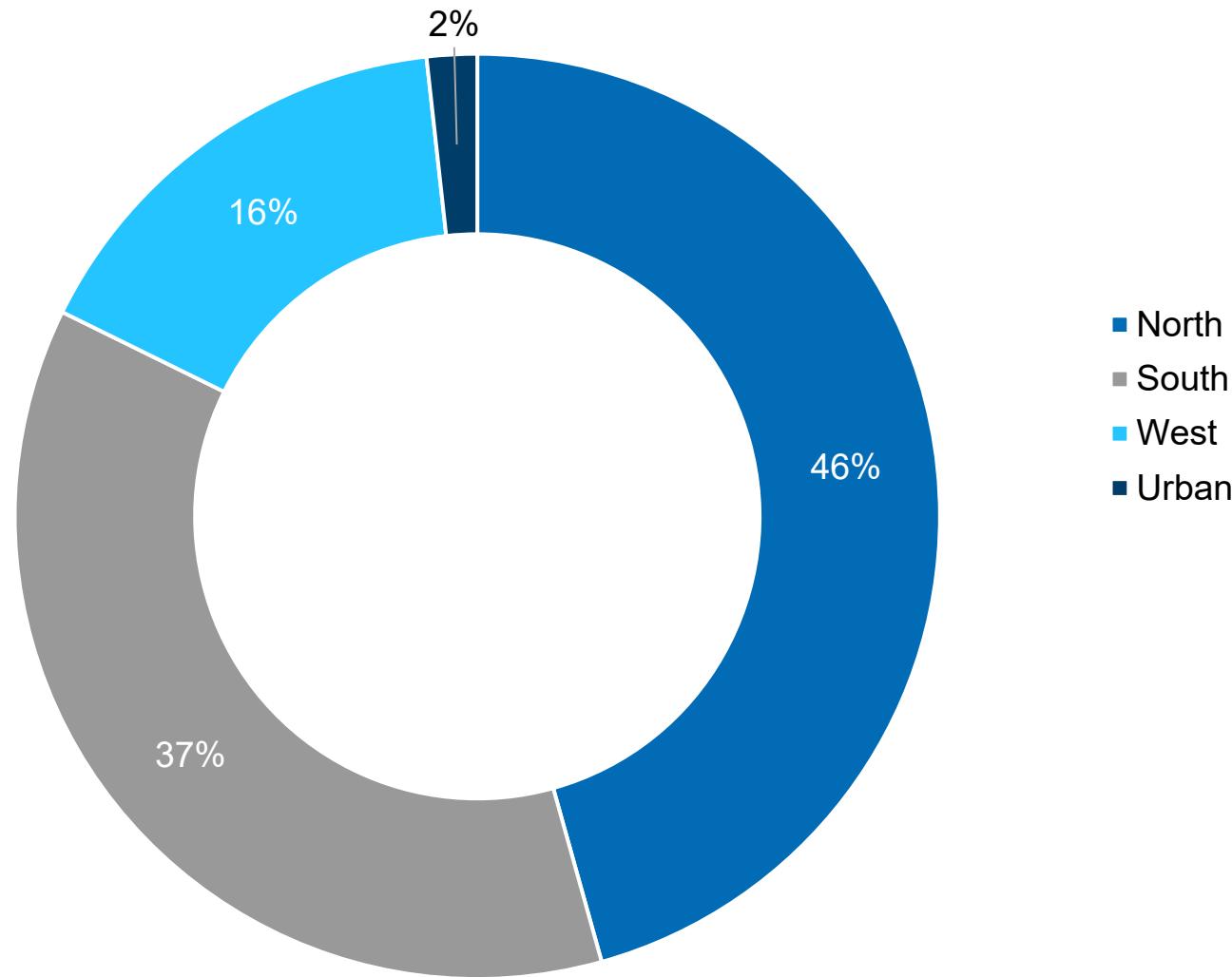
Greater Boston Industrial Market Sees Surge in Sublease Availability

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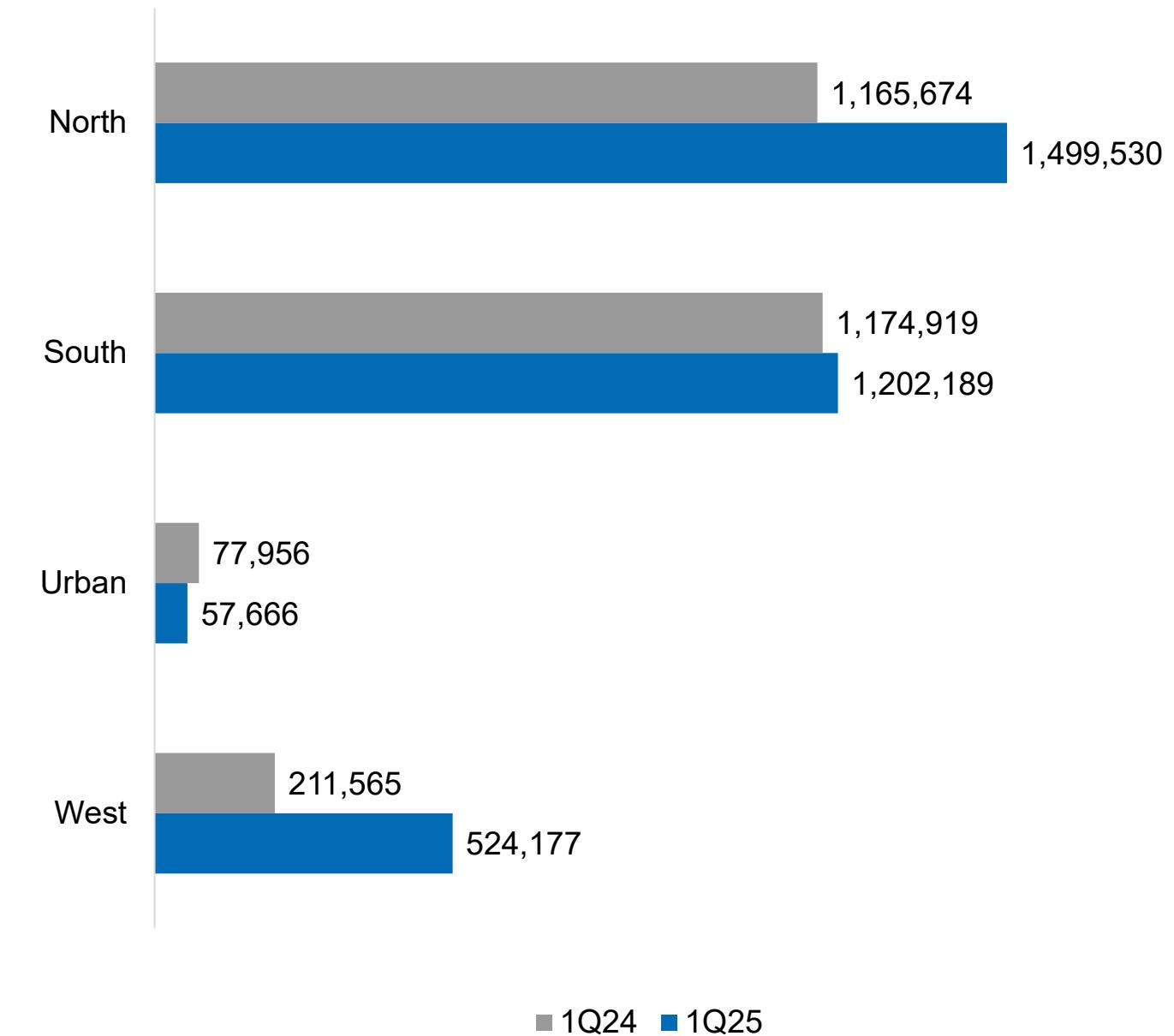
Sublease Inventory Led by North and South Submarkets

The North and South Industrial submarkets continue to dominate the total sublease inventory, comprising about 83% of the market share. Notably, the West submarket has experienced the highest year-over-year growth among all submarkets, with a 148% increase in overall sublease inventory. Conversely, the Urban submarket recorded the only year-over-year decline, with a 26% decrease since the first quarter of 2024.

Available Sublease Space by Submarket



Available Sublease Space by Submarket Comparison (SF)

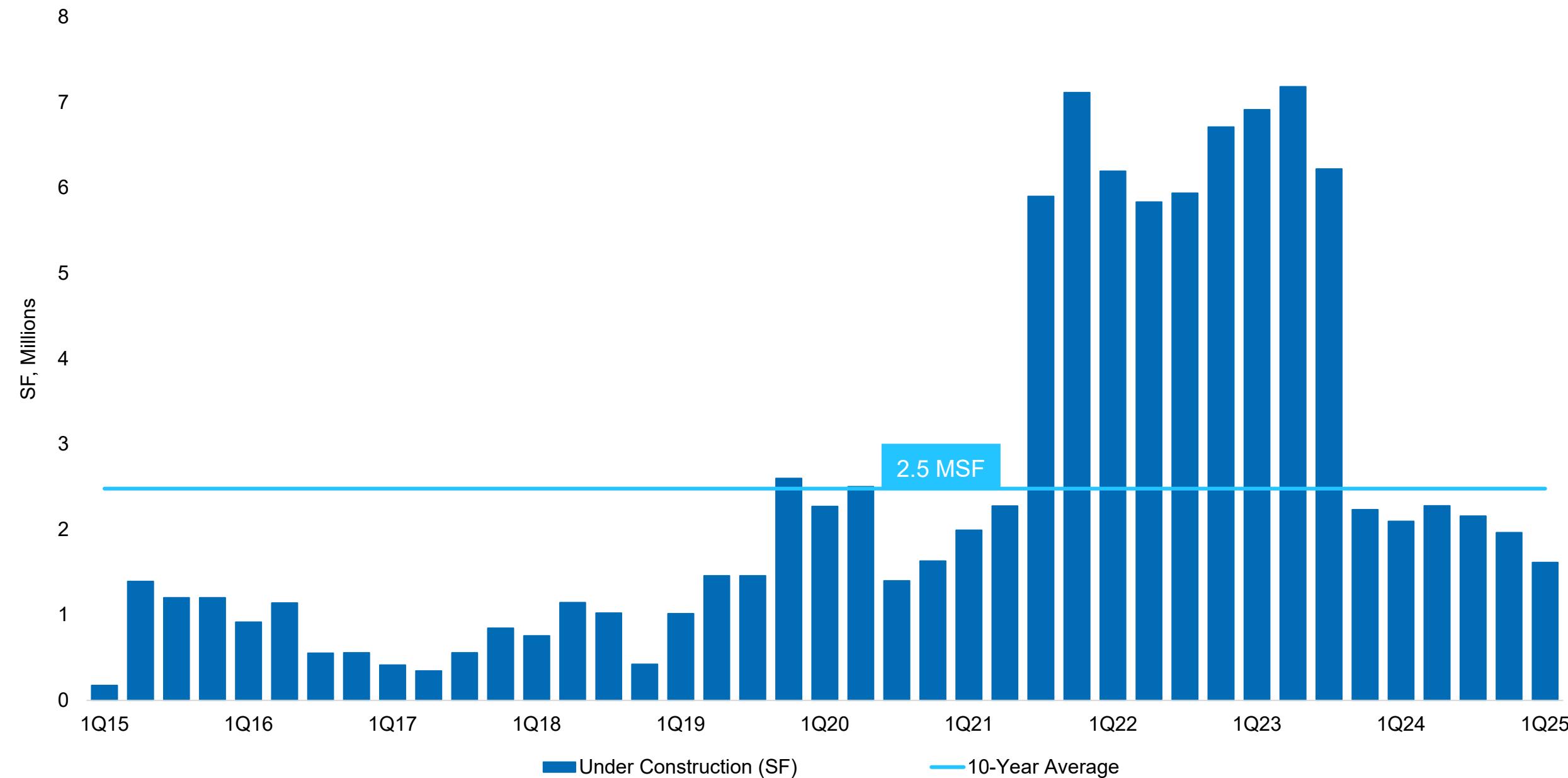


Source: Newmark Research, CoStar

Greater Boston Industrial Deliveries Slow as Construction Pipeline Shrinks

Industrial deliveries in Greater Boston continue to decelerate, with the construction pipeline totaling just over 1.6 million SF across a handful of projects—the lowest number of active projects since the third quarter of 2019. This reflects a 23.0% decrease compared to the same period last year. Notably, five out of the six projects under construction are fully available, providing users seeking new Class A space a variety of options to meet their needs.

Industrial Space Under Construction

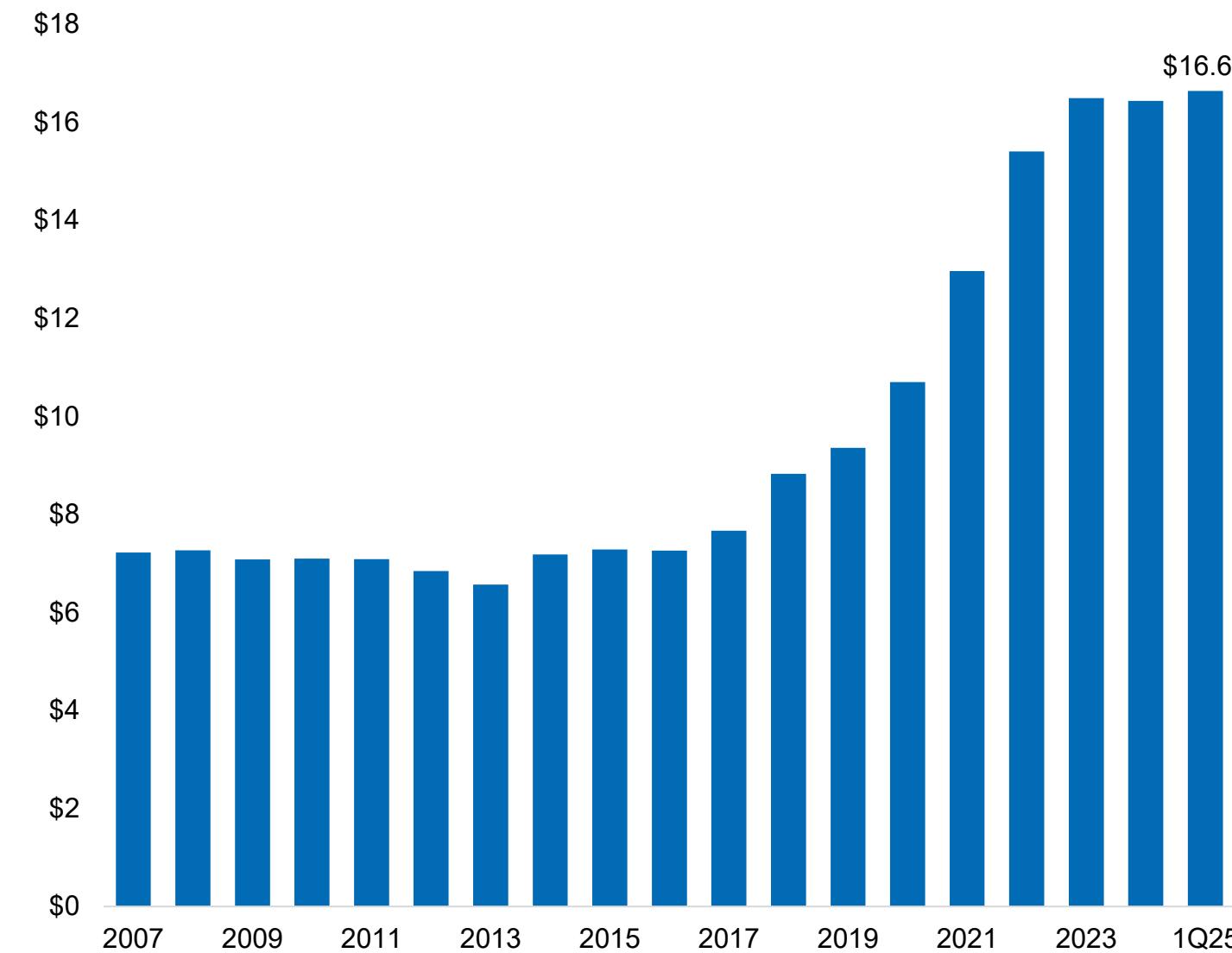


Source: Newmark Research, CoStar

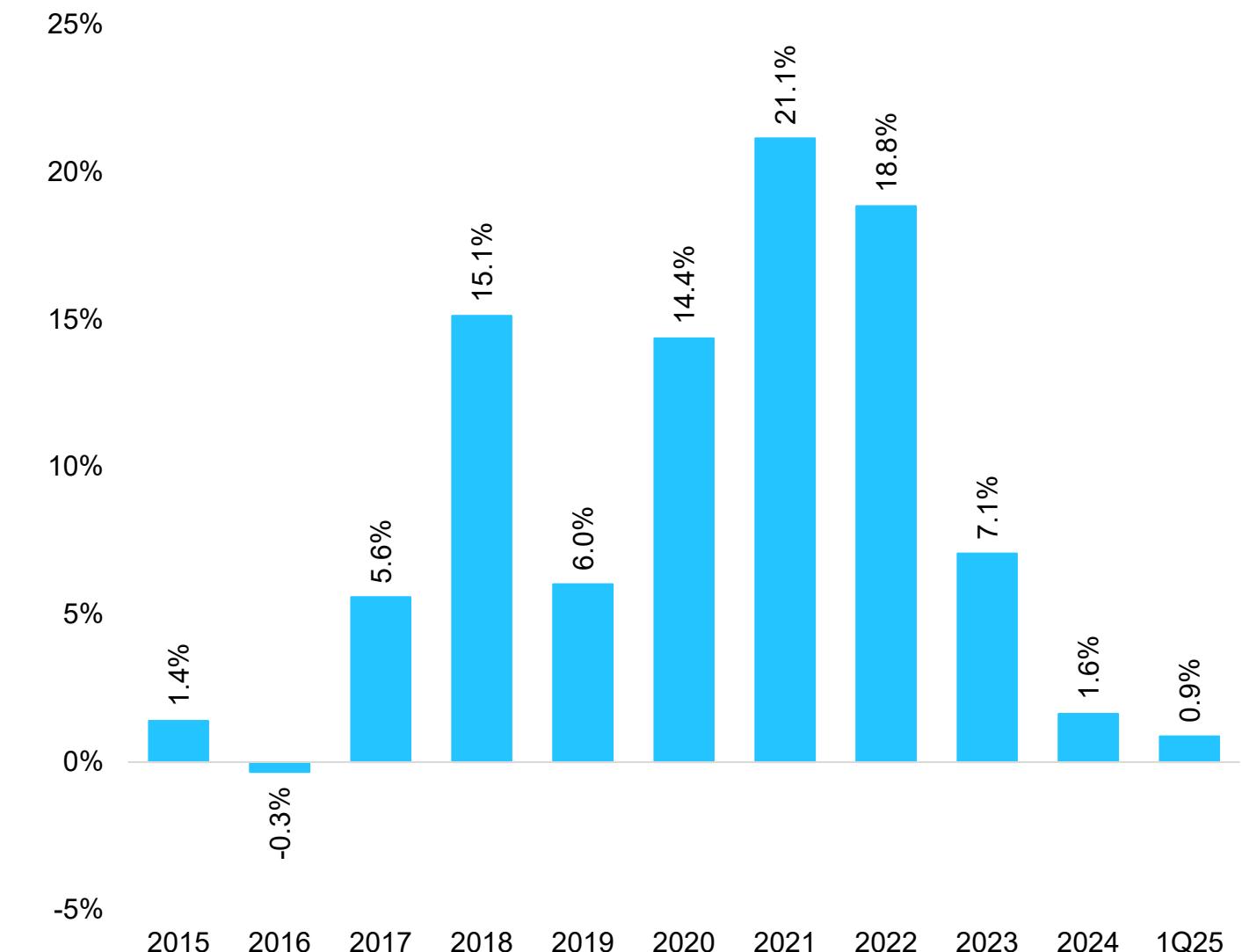
Greater Boston Industrial Rents Rise Amid Cyclically High Vacancy Rates

Average asking rents for industrial properties in the Greater Boston market continued to increase in the first quarter of 2025, surpassing the historic highs observed in 2023. This quarter recorded year-over-year growth, but the rate of increase slowed to a 10-year low. Despite the elevated rents, landlords may be less inclined to raise rates further due to cyclically high vacancy rates.

Industrial Average Asking Rent, \$/SF, NNN



Year-over-Year Asking Rent Growth Rate % Change



Source: Newmark Research, CoStar

Industrial Rent Trends Positive Year-Over-Year

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1Q25

Submarket Overview



Southern New Hampshire Submarket Overview

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North Submarket Overview

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South Submarket Overview

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Urban Submarket Overview

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West Submarket Overview

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Submarket Overview

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