



NEWMARK

Boston Industrial Market Overview

1Q26



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Market Observations: What We Know

Net Absorption

Greater Boston assets experienced a third straight quarter of negative net absorption, though leasing volumes picked up meaningfully this quarter.

Tenant Demand

Growing tenant demand is being driven by tough-tech and R&D manufacturing users, who are increasingly focused on securing high-quality, modern industrial product.

Development

New industrial construction in Greater Boston has fallen to an eight-year low. As a result, the limited new supply should help bring elevated vacancy rates down.



Corridor Expansion

Tenants are expanding beyond traditional submarkets, targeting emerging corridors along Route 146 and Route 2 to develop projects and capitalize on these locations' strategic connectivity.

Asking Rents

Tenants continue to contend with elevated asking rents, which are supported by strong demand from tough-tech users in the market.

Capital Markets


Capital markets activity in Greater Boston's industrial sector shows renewed momentum, as selective investors re-enter the market and focus on well-located, modern assets, and owner-user acquisitions.

Market Observations: What We Expect

AI will likely reshape industrial employment by boosting productivity and shifting tasks, supporting demand for automation-ready facilities as headcount slows.

1

ARTIFICIAL INTELLIGENCE

2

STABILIZATION

The industrial market is exhibiting early signs of a shift toward stabilization, but persistent headwinds and elevated vacancy mean there is still a long way before a full recovery is realized.

Capital markets conditions remain cautious but are gradually improving, with investors selectively re-entering the space as pricing adjusts and fundamentals show early signs of stabilization.

4

CAPITAL MARKETS

3

INFRASTRUCTURE DEMAND

With the rise of Advanced Manufacturing, future site selection and rent growth will be increasingly driven by access to power, utilities, and upgraded building specs rather than just highway proximity.

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Economy

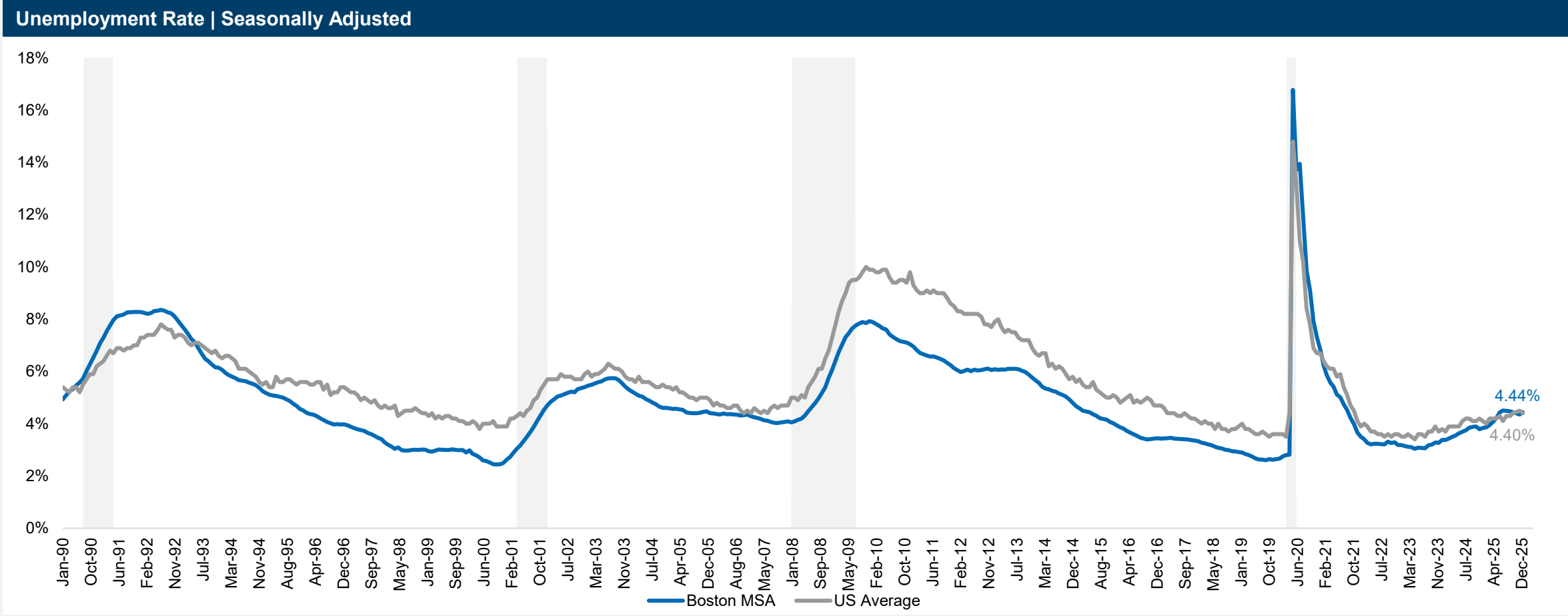
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Boston Unemployment Steady Amid Layoffs

Boston’s unemployment rate has remained stable, experiencing only a modest increase by December 2025. Since the second quarter of 2025, the rate has fluctuated within a narrow band, averaging 4.45%. This stability points to a resilient local labor market. Notably, recent workforce reductions at Tessera Therapeutics, Takeda, and Thermo Fisher, primarily within the biotech sector, have not yet impacted Boston’s overall unemployment rate. The city’s unemployment rate remains closely aligned with the U.S. average, underscoring how local labor trends continue to mirror national patterns.



Source: Moody's analytics, BLS, Newmark Research March 2026, Mass Gov Office of Labor and Workforce Development

Wage Growth Persists Despite Uneven Employment

Industrial sector trends were mixed in the first quarter. The Boston metro area higher wages and lower jobs. Wage rose in all major industries, driving ongoing competition for workers. The Construction industry had the strongest wage gains. Wholesale Trade posted the smallest annual wage increase at 1.7% but still had the second highest average wage. Employment in Natural Resources and Trade, Transportation, and Utilities fell while Manufacturing grew modestly. This shows that while wages remain more competitive, some industrial sectors still struggle to gain employment.

Wages by Industry, as of 1/2024

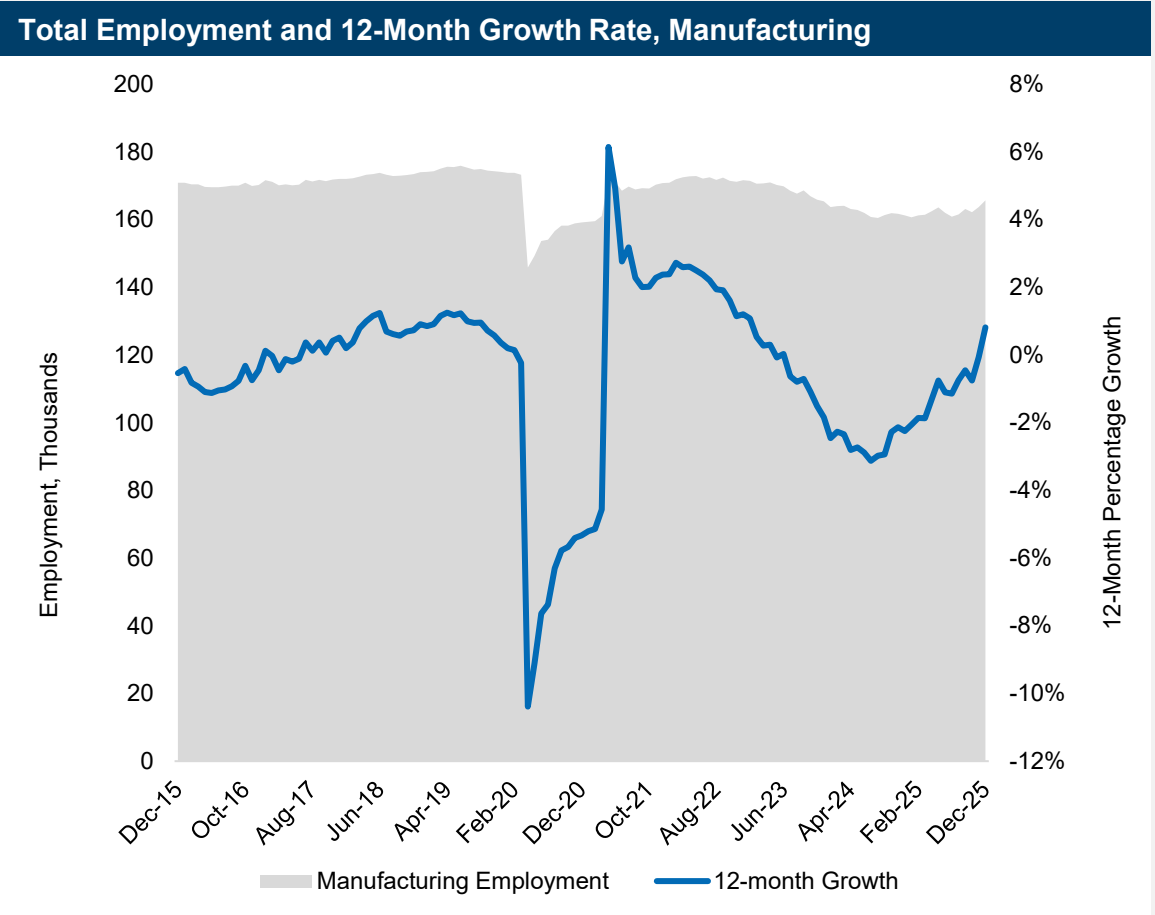
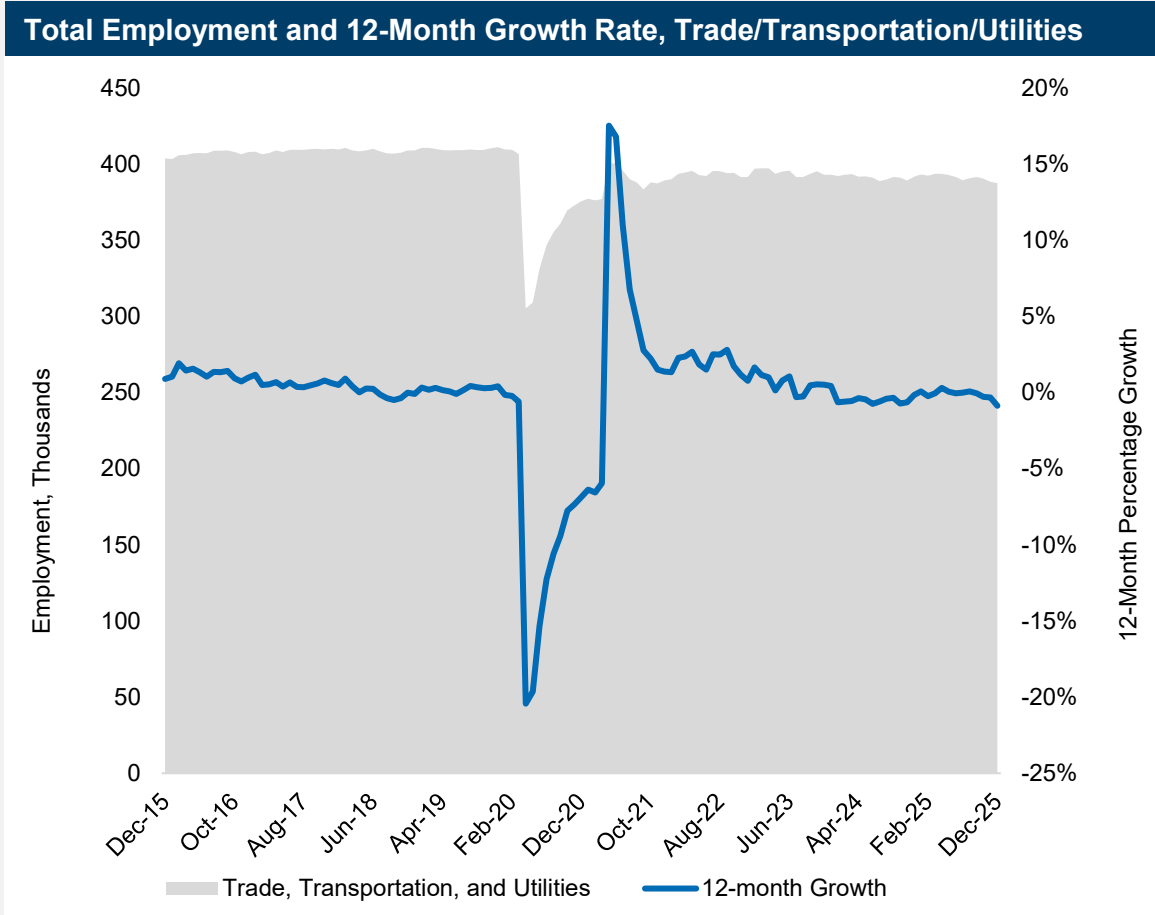
Employment Growth by Industry, 12 Month % Change, December 2023

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Trade and Manufacturing Labor Market Shift at Year-End

Employment in Trade, Transportation, and Utilities edged lower through the latter part of 2025. The sector's 12-month growth rate slipped into negative territory, declining by 1.0%. Manufacturing, by contrast, showed signs of renewed momentum during the year-end. It posted its first month-over-month gains since mid-2023 and began to reverse a prolonged stretch of negative annual growth. Advanced manufacturing and high-tech industrial uses continue to define occupier demand across the market. It will be worth monitoring whether this employment recovery reflects a broader structural shift.



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

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Leasing Market Fundamentals

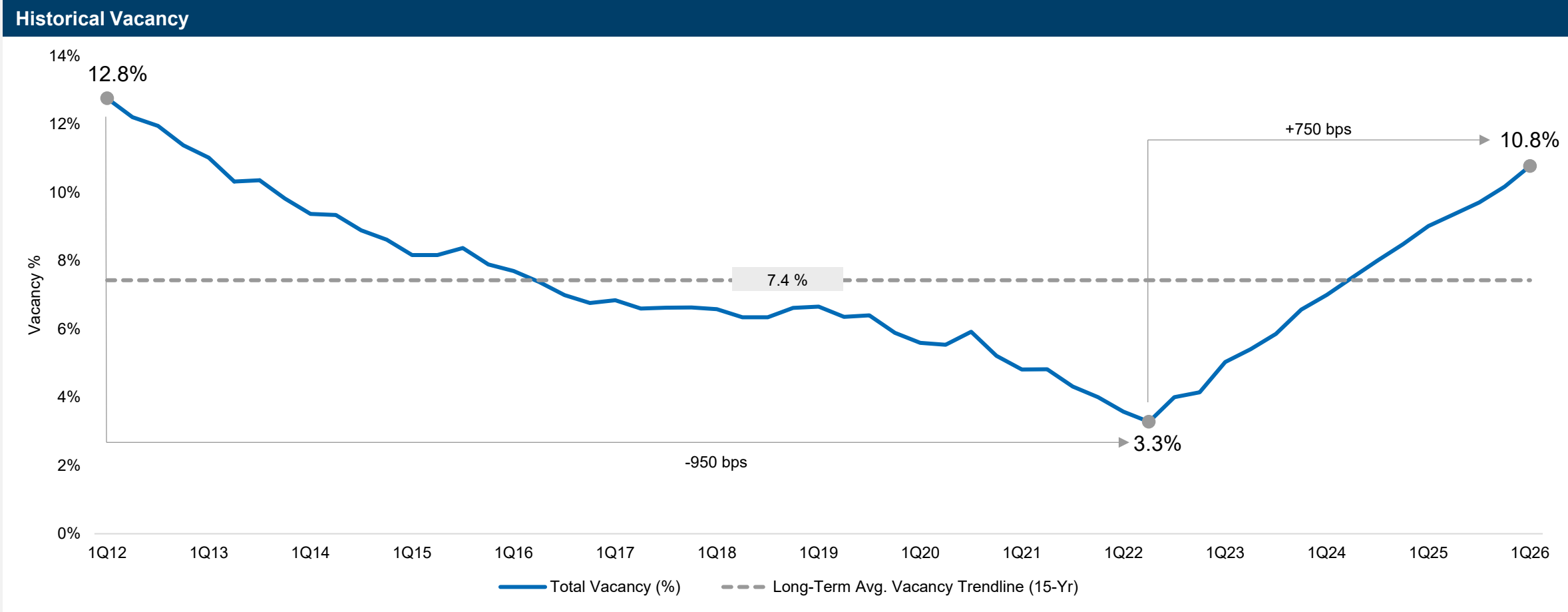
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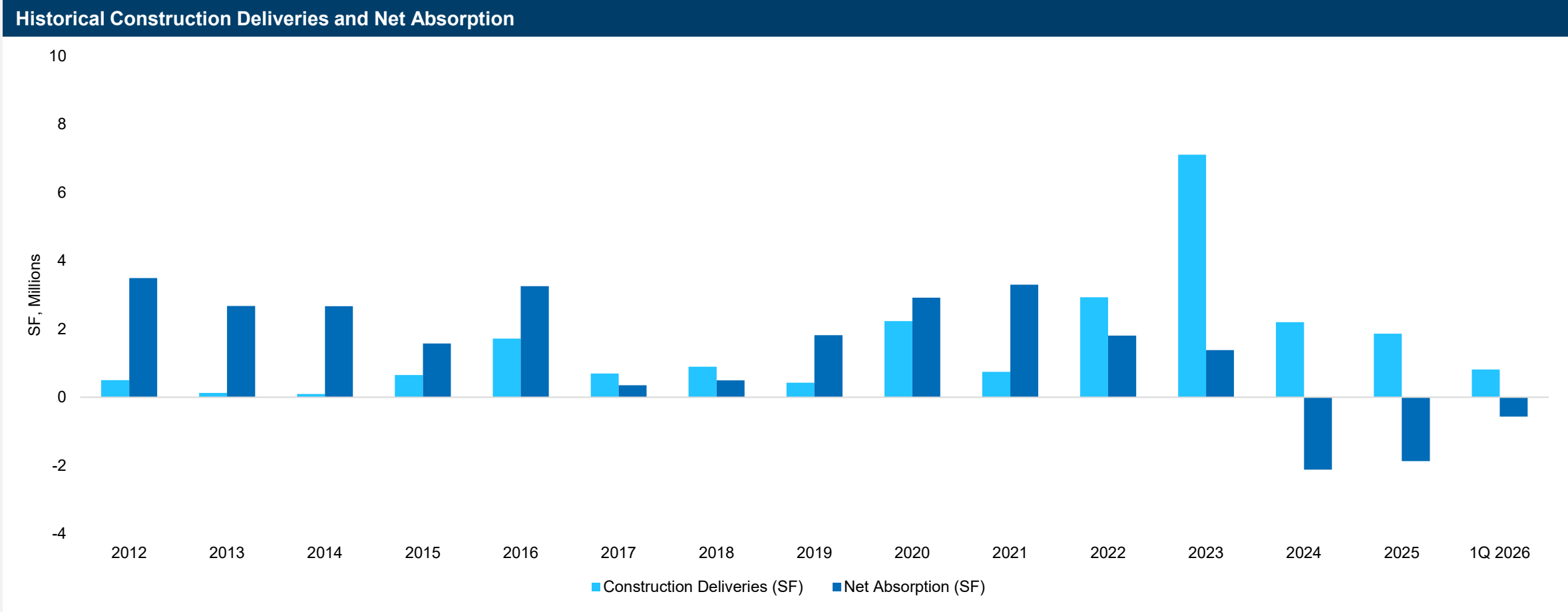
Vacancy Pushes Past Long-Term Norms as Industrial Market Moderates

Market fundamentals in Greater Boston’s industrial sector continued to soften in the first quarter of 2026, as the vacancy rate increased modestly from the prior quarter. Although vacancy remains well above the 15-year average, it is still below the historical highs recorded at the beginning of 2012. With leasing activity showing renewed momentum this quarter, stronger tenant demand should help begin to absorb available space and ease vacancy rates moving forward.



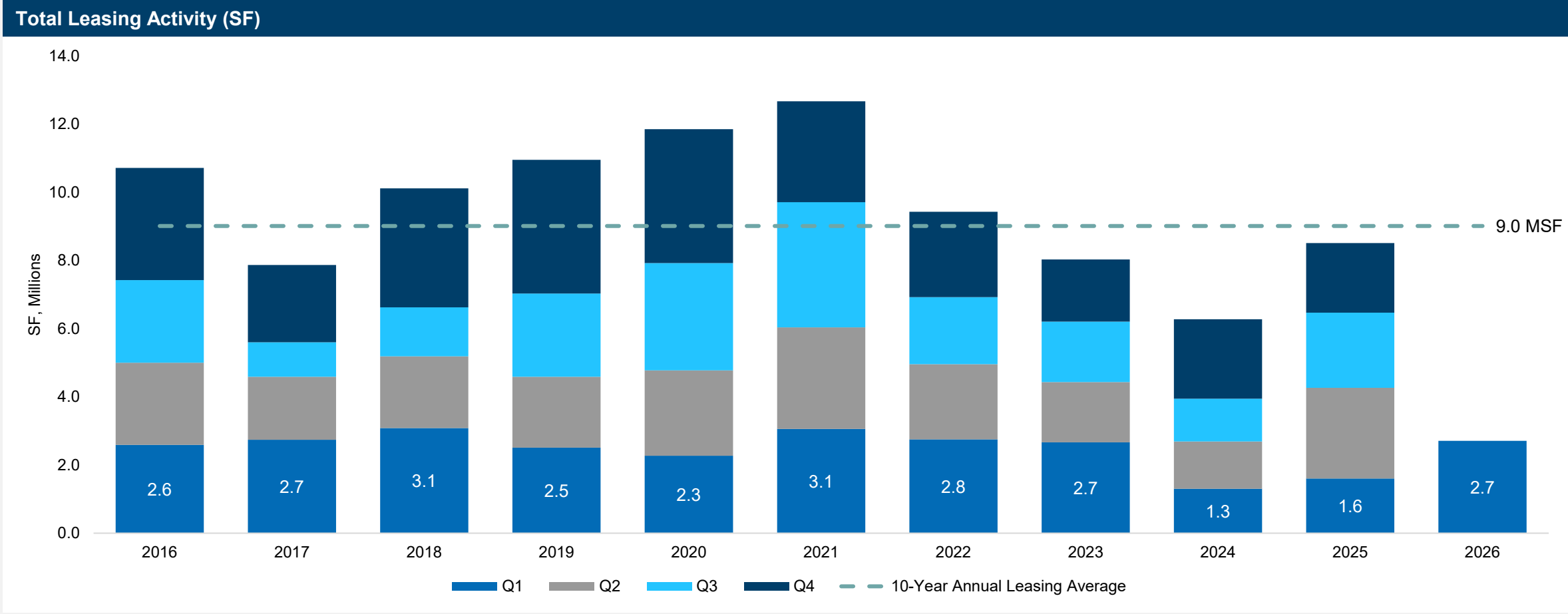
Deliveries Add Pressure to Leasing Fundamentals

Three new warehouse buildings were delivered in the first quarter of 2026, adding just over 800,000 SF of industrial space across the North and South submarkets. While this influx of supply kept net absorption negative, underlying market fundamentals are beginning to stabilize. Notably, quarter deliveries have fallen to a four-year low, suggesting the recent supply wave is moderating.



Leasing Activity Shows Steady Improvement

Leasing activity in the first quarter increased 68.9% from the first quarter of 2025, just outpacing levels recorded in the first quarter of 2023 and marking the strongest first-quarter performance in the past three years. After signs of recovery began to appear at the end of 2025, this strong start to 2026 reinforces the view that leasing fundamentals are continuing to improve. Activity this quarter was dominated by direct leases, concentrated in the North and South submarkets.



Source: Newmark Research, CoStar

Leasing Momentum Shifts to Direct Deals

The first quarter of 2020 delivered another strong period of leasing activity, with the top five transactions all exceeding 200,000 SF. The market also began to move away from its recent reliance on lease-up deals, with direct deals comprising approximately 61.1% of total leasing volume this quarter, an encouraging sign for leasing fundamentals. Strategic interest in office space highlights continued demand from advanced manufacturing and high-tech users, underscoring continued strong fundamentals.

Example 100K Lease Transactions

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Supplier	100 Stanley St., West Hollywood	Trade	Direct Lease	200,000
Example	1200 Laurel St., Silverdale	Trade	Lease Renewal	200,000

Leasing Momentum Continues Across Secondary Markets

Leasing activity across the United States continued strong this quarter, with a mix of new and short-term expiring leases supporting overall momentum across the secondary market. The third quarter continued to gain momentum, highlighted by **1,500,000** sq ft of new leasing across 475,000 sq ft of new space in secondary markets, further solidifying the strong role of an established leasing hub.

Source: 2024 Leasing Transactions Database of Newmark

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Market	475,000 sq ft of New Leasing	Leasing	Short Term	sq ft
Midwest & West	155,000 sq ft	Class	Lease Renewal/Expansion	17,500

Flight-to-Quality Drives Class A Leasing Activity in Greater Boston

The resurgence of 2020 through strong leasing momentum for Class A industrial space, with this quarter also seeing nearly doubling the total inventory in all of 2020. For the 4th year, these transactions have accounted for 35.4% of total leasing activity, continuing the increasing trend started in 2018. This growing share suggests that Class A space is accounting for a large portion of overall market activity that is premium grade, reflecting the continued demand for premium industrial space.

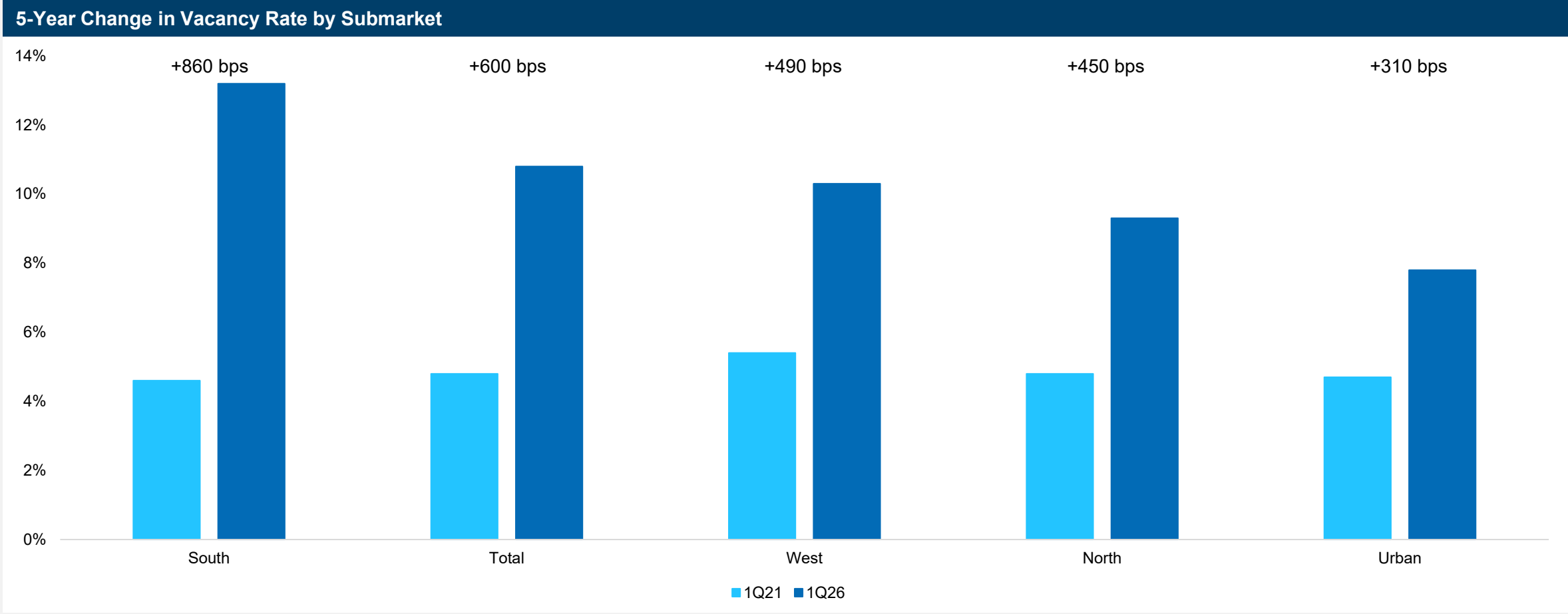
Industrial Class A Leasing Volume and Percentage of Total Industrial Leasing Volume

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New Supply Pushes Vacancy Higher

Vacancy rates have increased across all submarkets more than doubling over the past five years. The South submarket saw the largest rise, with vacancy climbing by 860 basis points, driven in large part by the delivery of about 690,000 SF of new space. While new supply has pushed vacancies higher, the recent increase in leasing activity should help begin to absorb existing space and ease vacancy moving forward.

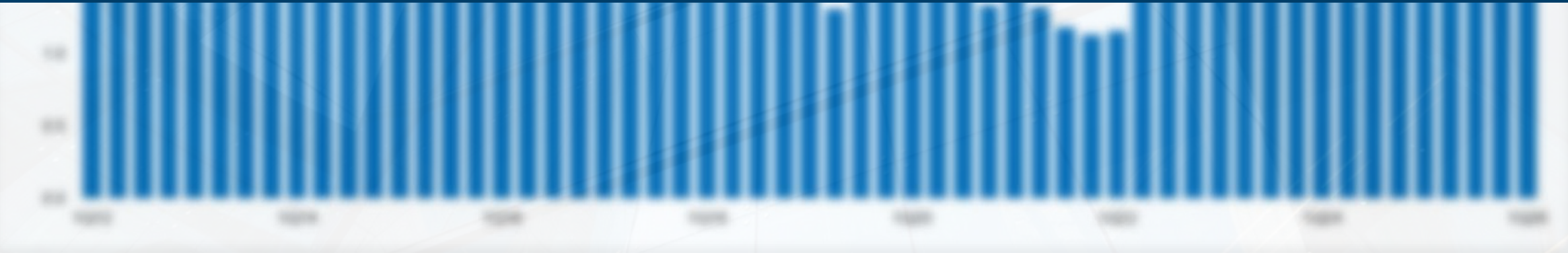


Sublease Availability Shifts Back to Historic Norms

Industrial sublease availability in Greater Boston fell sharply this quarter to 2.2 million SF, marking its lowest level since Q4 2020. Following a period of above-average sublease availability, 2023 sublease volume trending closer to the historical quarterly average, available space declined 27.4% from the end of 2022. The recent reduction in sublease suggests that market conditions may be gradually stabilizing.

Commercial Real Estate Business Outlook 2023

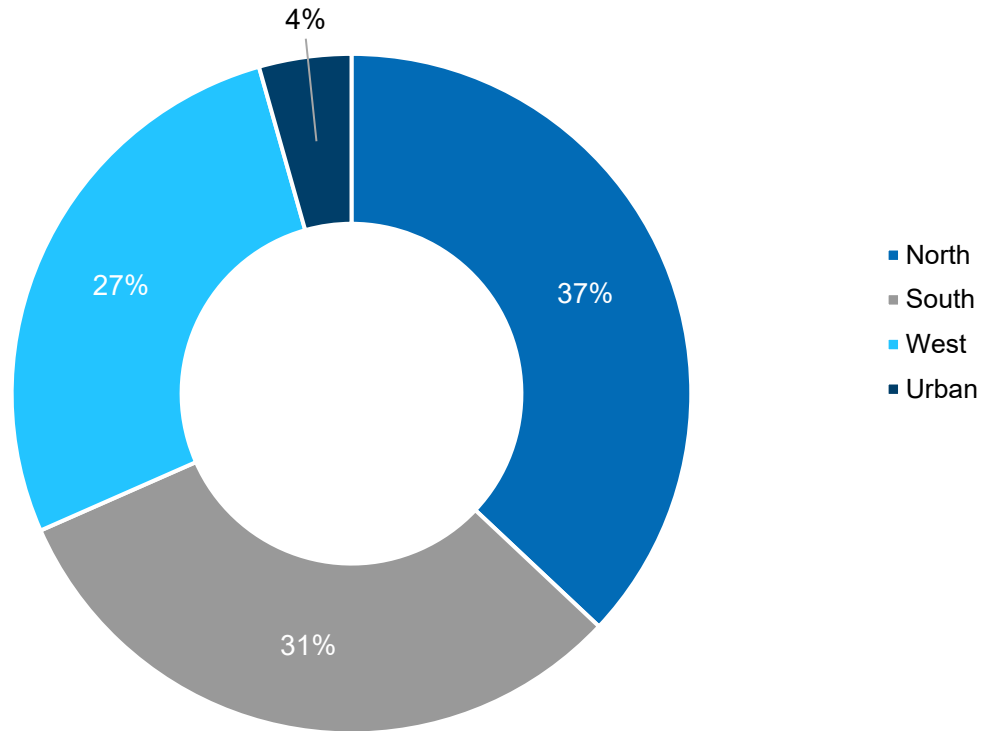
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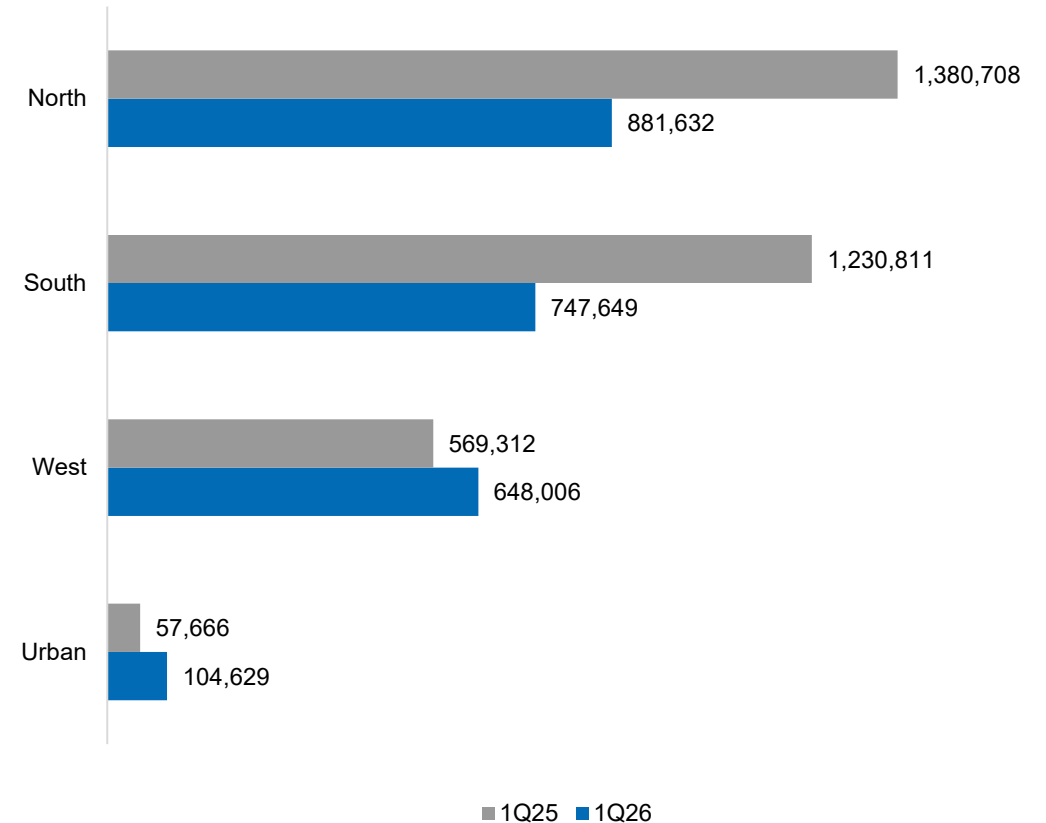
Sublease Trends Diverge by Submarket

Sublease availability remains concentrated in the North and South submarkets, which together account for 68.0% of the total market. On a year-over-year basis, however, trends have started to diverge, with the West submarket posting a 13.8% increase in sublease space while the North and South recorded significant declines of 36.1% and 39.3%, respectively. These shifts suggest that sublease pressure is beginning to ease in the region's largest submarkets, even as pockets of availability continue to build elsewhere.

Available Sublease Space by Submarket

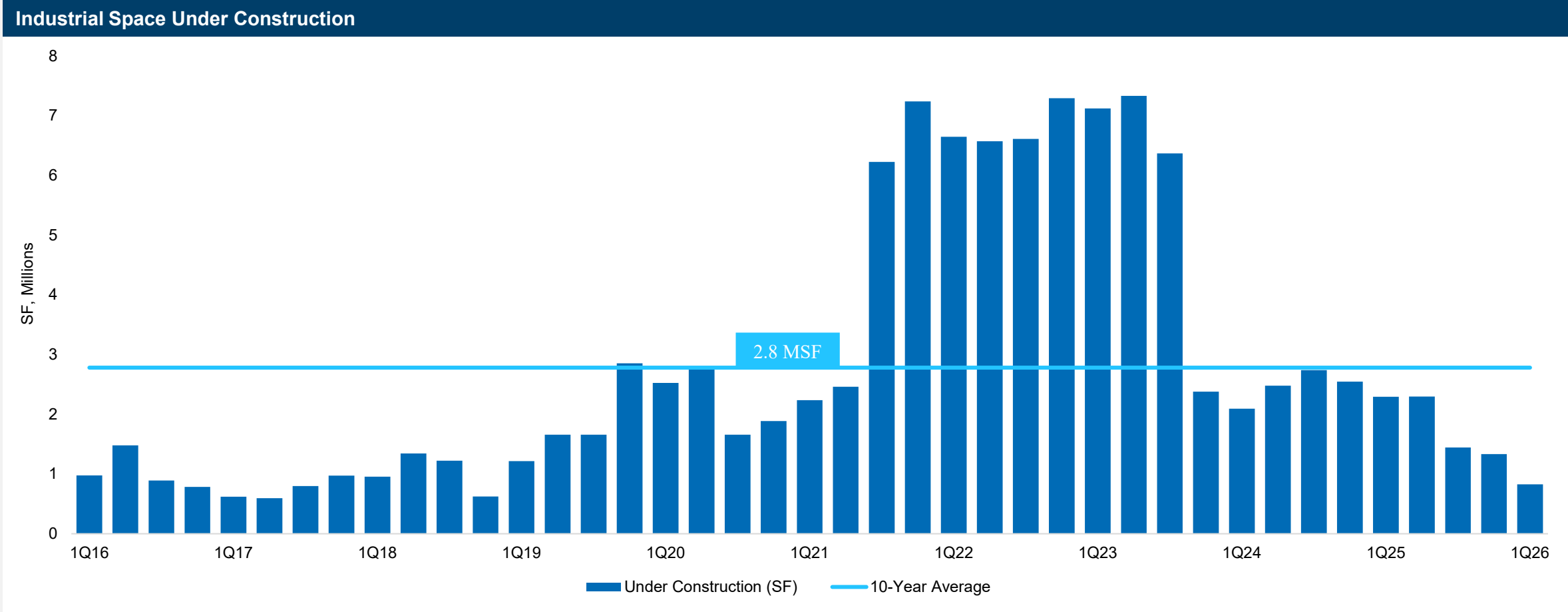


Available Sublease Space by Submarket Comparison (SF)



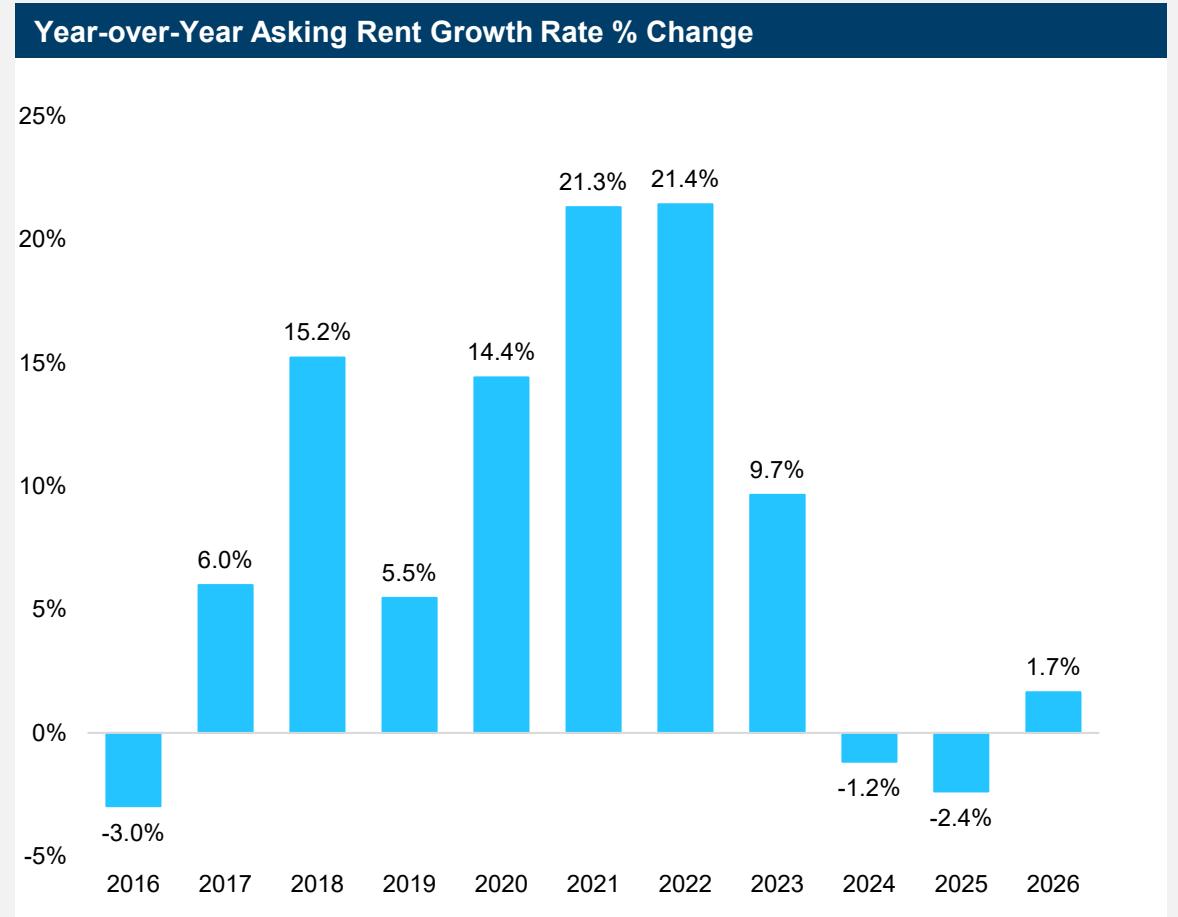
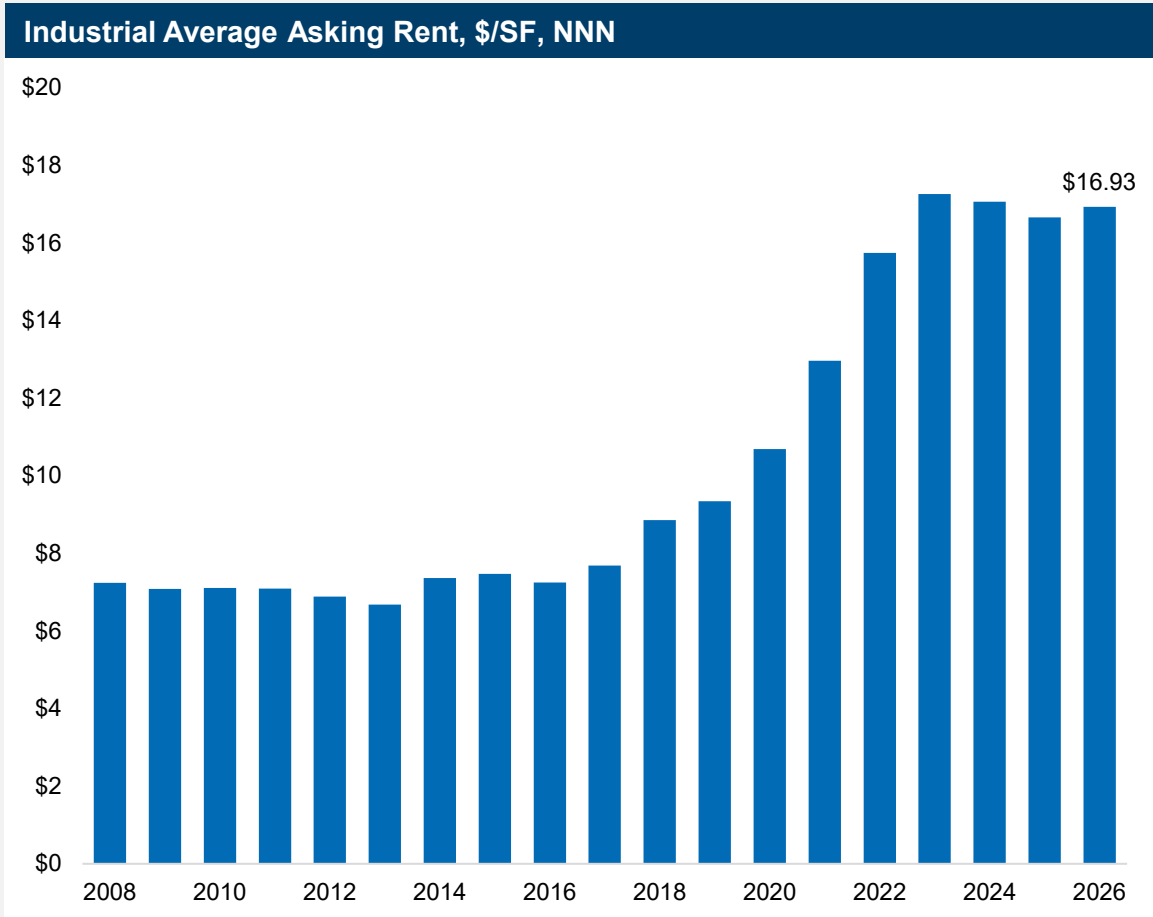
Deliveries Outpace New Groundbreakings

New construction remained active in the first quarter of 2026, with three buildings delivering, including Buildings 1 and 3 at 25 Maple Street in Stoughton and 2 Commerce Drive in Tyngsborough, bringing roughly 800,000 SF of new product to the market. The new supply was concentrated in the warehouse/distribution subtype, continuing the recent trend in development activity. Consequently, the construction pipeline continues to decline quarter over quarter and is well below the 10-year average, as recent deliveries outpace new groundbreakings.



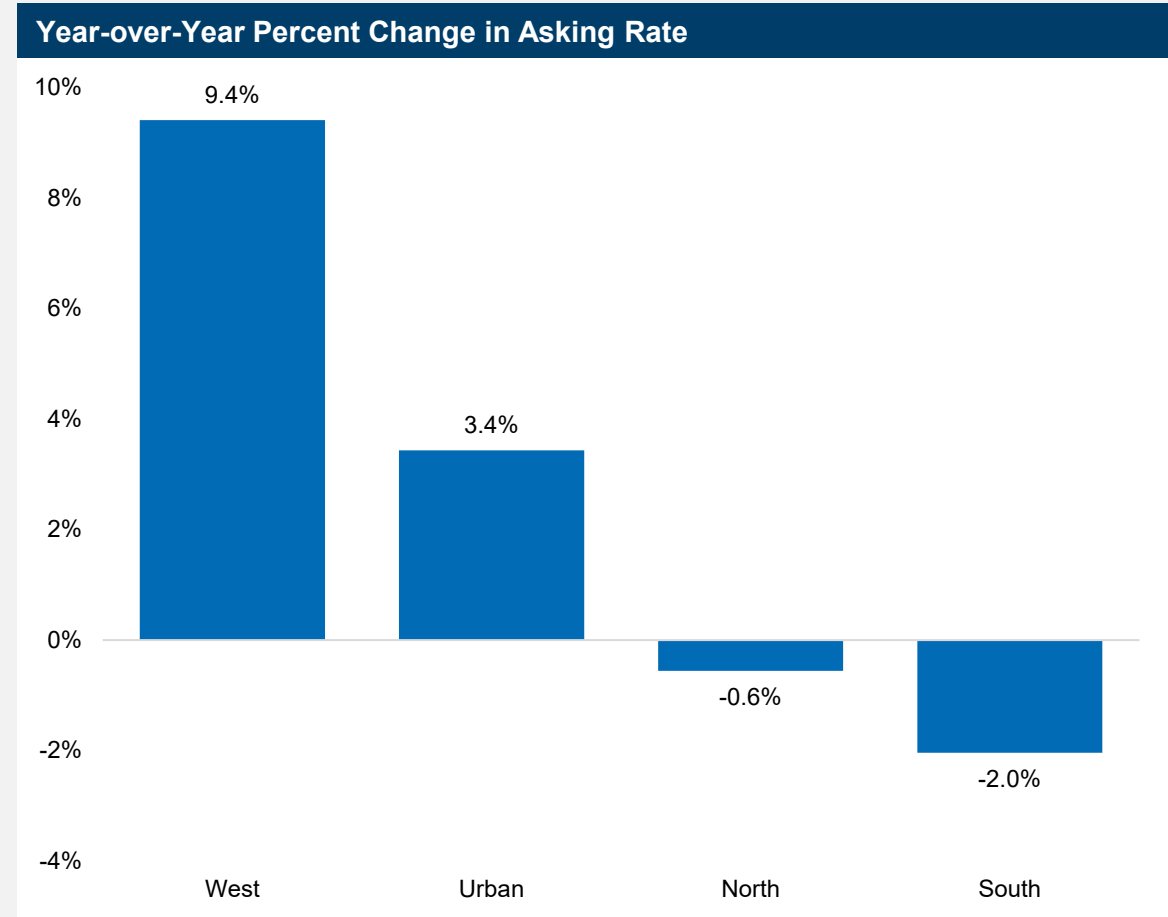
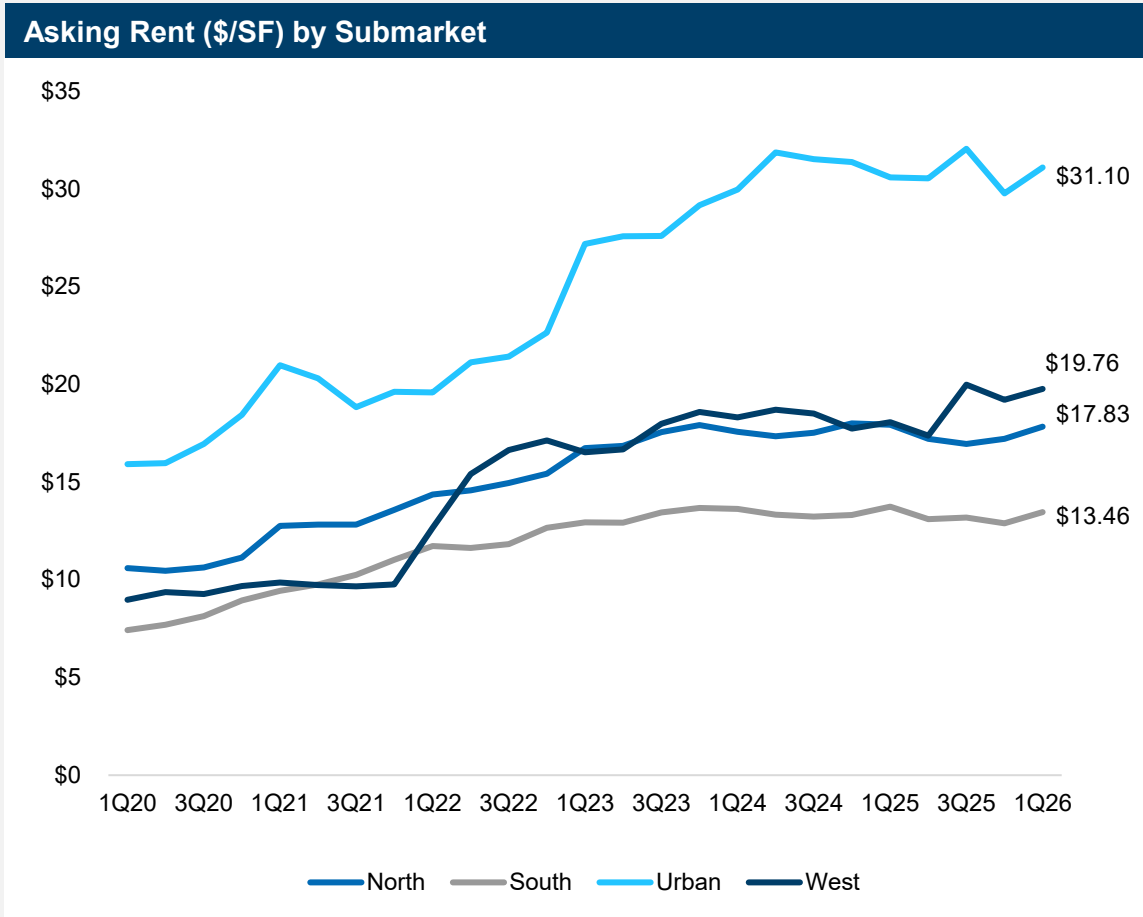
Asking Rents Begin to Stabilize

Asking rents increased 1.7% year-over-year this quarter, marking the first annual increase in two years. This growth was primarily fueled by the addition of advanced manufacturing buildings, which command higher rents. At the same time, the flight to quality trend has enabled landlords of higher-quality properties to raise asking rents on select spaces. Combined, the return to positive annual rent growth and sustained pricing above pre-pandemic levels indicate the market may be stabilizing after two years of softer demand.



West and Urban Submarkets Post Strongest Rent Gains

Asking rents rose across all submarkets this quarter, largely due to adjustments in the industrial dataset that incorporated advanced manufacturing buildings, which typically command higher rates. Quarter-over-quarter, the South and Urban submarkets saw the largest jumps both increasing by 4.4%, while the North and West submarkets saw a more limited impact. Even with this upward adjustment, asking rents in the North and South remain below year-ago levels, indicating that broader pricing conditions in those submarkets have yet to fully recover.



Small Bay Product Outperforms Class A Warehouse

Industrial buildings, 100,000 SF and under, continue to attract investors, making up 40.9% of Newmark Research's industrial inventory and showing the highest yield in 2018. Class A warehouses made less attractive target, showing yields in the construction delays were up for products in the market. The study further underlines the ongoing strength of demand for smaller format space with large warehouse assets continue with a growing number of newly completed inventory.

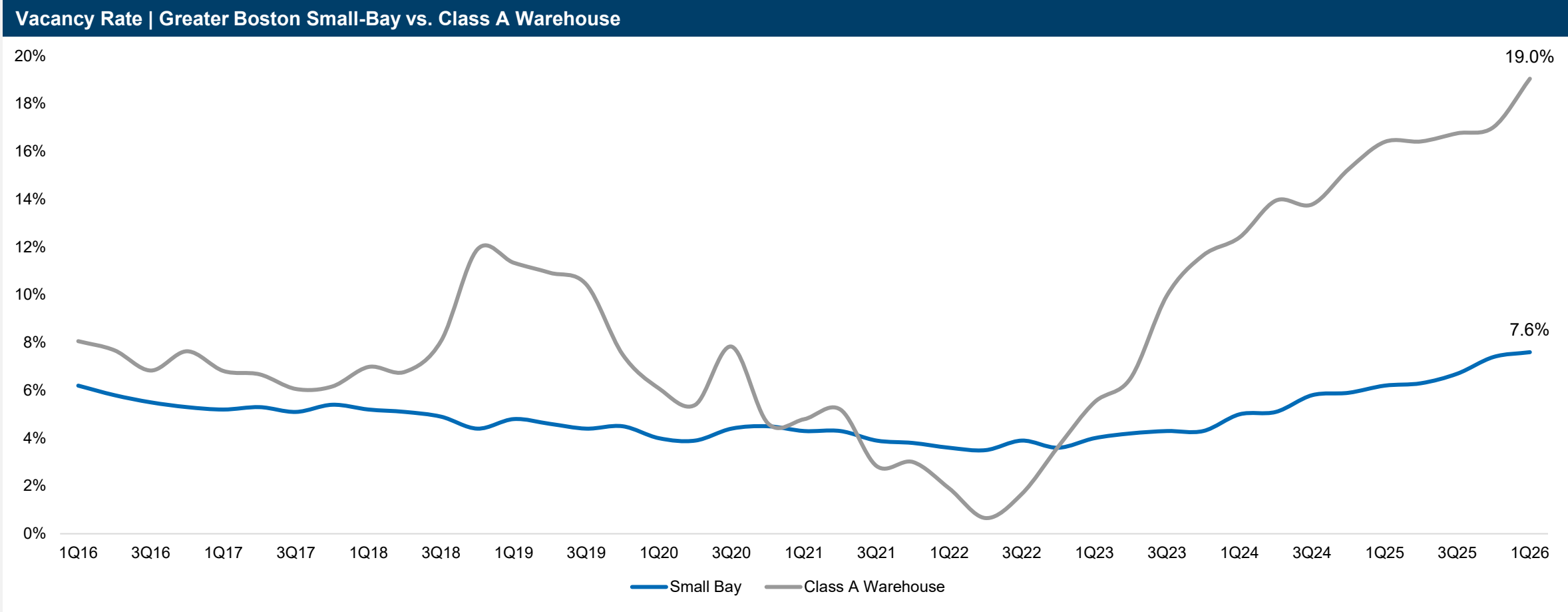
2018 Inventory, Rent and Occupancy - Greater Boston Small Bay vs. Class A Warehouse

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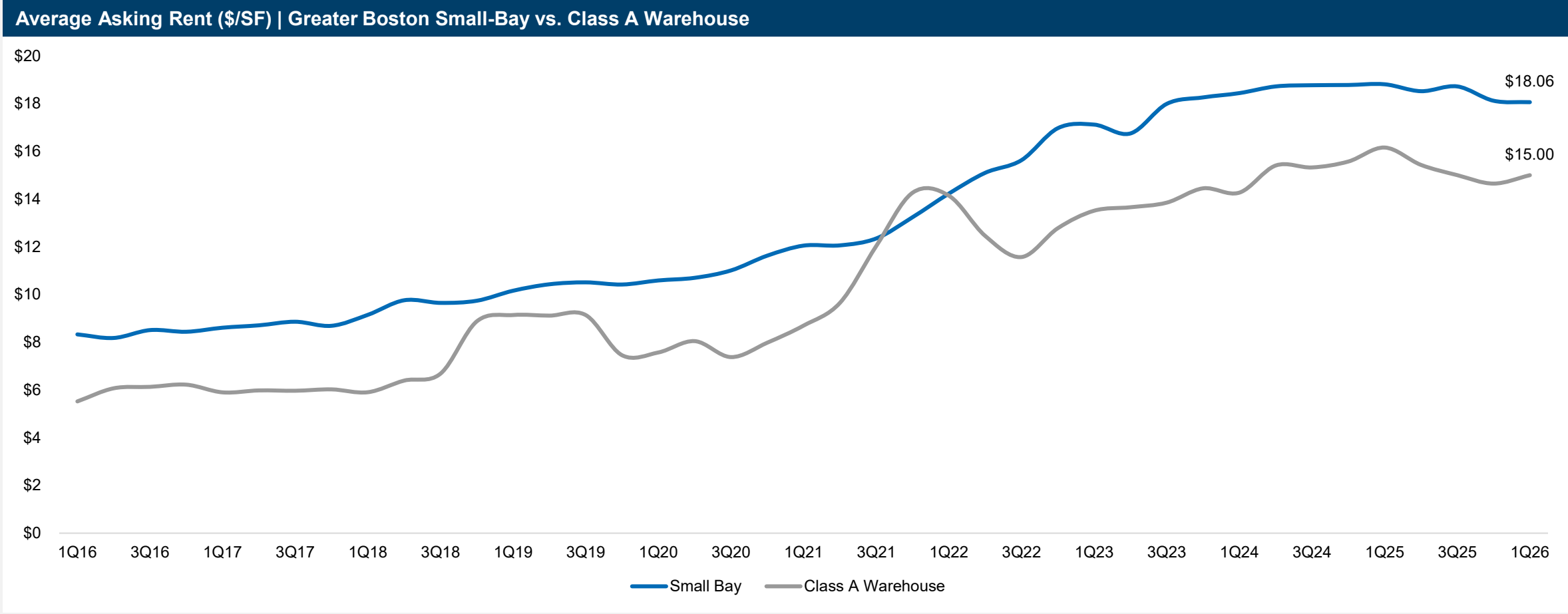
Small-Bay Vacancy Rate Shows Greater Stability

The industrial market continues to see small-bay product outperform Class A warehouse space, as small-bay vacancy has remained relatively stable while Class A warehouse vacancy has risen by 202 basis points. Over the past several quarters, small-bay vacancy has largely plateaued, reinforcing the segment's steady demand and limited occupancy movement. By contrast, Class A warehouse vacancy continues to trend upward as the construction pipeline remains concentrated in warehouse product and adds new supply to the market. Still, the recent uptick in leasing activity should help chip away at available space and begin to absorb some of the highest-quality vacant product.



Class A Rents Rebound Toward Prior Highs

At the start of 2026, rents for small-bay and Class A warehouse space are following notably different paths. Small-bay asking rents declined marginally this quarter, effectively extending the plateau that has characterized pricing in this segment. By contrast, Class A warehouse rents posted an increase, aided in part by higher-priced advanced manufacturing space, narrowing the rent gap between the two product types and pushing Class A pricing back toward the highs last seen in early 2025.



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Submarket Overview

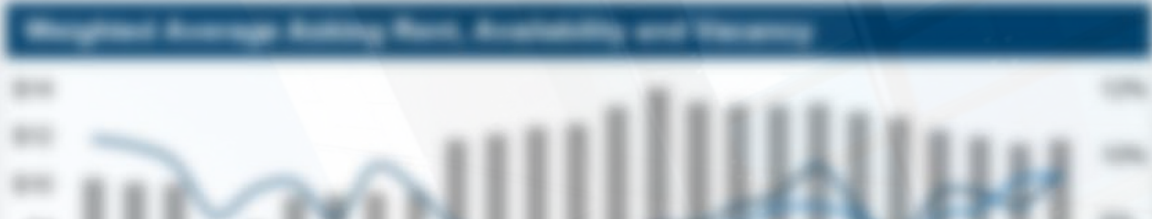
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Southern New Hampshire Submarket Overview

Property Name	Year Built	Size	Price
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Property Name	Year Built	Size	Price
...
...
...



North Submarket Overview

Executive Summary

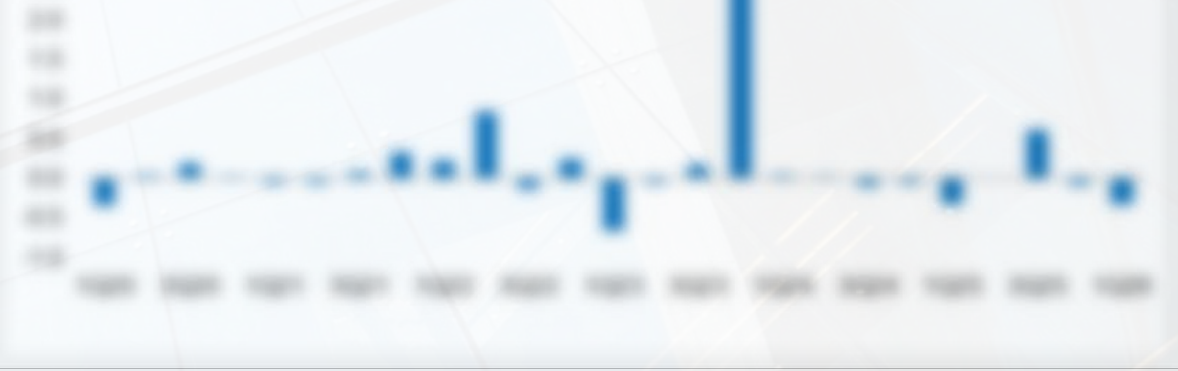
	Q1 2024	Q2 2024	Q3 2024
Inventory (sq ft)	1,200,000	1,150,000	1,100,000
Leasing Rate (%)	85	88	90
Occupancy Rate (%)	78	80	82



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Top Transactions

Asset	Buyer	Sale Price	Year
1000000 sq ft	Blackstone REIT	\$120,000,000	2023
500000 sq ft	Blackstone REIT	\$60,000,000	2023
750000 sq ft	Blackstone REIT	\$90,000,000	2023
1500000 sq ft	Blackstone REIT	\$180,000,000	2023
2000000 sq ft	Blackstone REIT	\$240,000,000	2023



South Submarket Overview

	Year 1	Year 2	Year 3
Category 1	100	100	100
Category 2	100	100	100
Category 3	100	100	100



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Year	Value	Year	Value
Year 1	1000000000	Year 2	1000000000
Year 3	1000000000	Year 4	1000000000
Year 5	1000000000	Year 6	1000000000



Urban Submarket Overview

Executive Summary

Category	Q1 2023	Q2 2023	Q3 2023
Population	1.2M	1.2M	1.2M
Median Income	\$45K	\$45K	\$45K
Unemployment Rate	5.5%	5.5%	5.5%



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Top Transactions

Year	Value	Count	%
2022	\$1,200,000,000	100	100%
2021	\$1,100,000,000	90	90%
2020	\$1,000,000,000	80	80%
2019	\$900,000,000	70	70%



West Submarket Overview

Region	Q1	Q2	Q3
West	100	100	100
North	100	100	100
South	100	100	100



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Year	Volume	Price
2018	100	100
2019	100	100
2020	100	100
2021	100	100



Submarket Overview

Submarket Statistics - All Classes	Programs	Programs	Programs	% Programs	15th Percentile	% Occupied	% Occupied	Programs
Base	11,000,000	10,000	100	100%	10,000	100%	100%	10,000

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Submarket Statistics - Class A	Programs	Programs	Programs	% Programs	15th Percentile	% Occupied	% Occupied	Programs
Base	11,000,000	10,000	100	100%	10,000	100%	100%	10,000

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Newmark has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents. Newmark Research Reports are available at nmrk.com/insights

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