Boston Industrial Market Overview



Market Observations



What We Know

Leasing activity maintained its upward trajectory in the second quarter of 2025, recording a 13.9% increase compared to the same period last year.

Asking rents for industrial space saw a slight decrease throughout Greater Boston. At \$16.02/SF as of the second quarter of 2025, lease rates are 1.9% lower than year ago levels.

Industrial vacancy in the South Submarket remained above 10.0% in the second quarter of 2025, positioning it 160 basis points higher than the metro average.

Industrial development remains measured, with space under construction increasing by 7.9% quarter-over-quarter. The current 1.9 million SF underway represents just 0.9% of total inventory.

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

The Urban submarket remains the most supply constrained, continuing to boast comparatively low availability as well as the highest average asking rents.

Sublease availabilities increased to 3.4 million SF, or 1.5% of current inventory, rivaling cyclical peaks from 15 years ago.

What We Expect

While occupier demand is expected to remain focused on smaller blocks of industrial space, select large-scale tenants will continue to emerge in the market.

Macroeconomic uncertainty, recent tariff developments, and growing recessionary risks are expected to influence the trajectory of Greater Boston's industrial market in the near term.

Federal initiatives aimed at bolstering domestic manufacturing could offer a potential tailwind amid an otherwise cautious outlook.

Market Overview

GREATER BOSTON INDUSTRIAL MARKET

Moderate negative net absorption pushed vacancy rates higher across Greater Boston's industrial market in the second quarter of 2025. At 8.9%, vacancies have climbed by 560 basis points since reaching a cyclical low in 2022, as supply and demand fundamentals continue to diverge. Much of the early 2025 negative absorption stemmed from smaller users, primarily in the 30,000 to 50,000-square-foot range, shedding space. However, the second quarter brought renewed momentum, with several 100,000-square-foot-plus tenants finalizing deals, driven largely by renewals and lease extensions. Sublease availability also expanded notably, reaching just under 3.4 million SF, the highest level since 2011. While this represents only 1.5% of total inventory, the sublease rate remains elevated near cyclical highs, reflecting ongoing uncertainty in user demand.

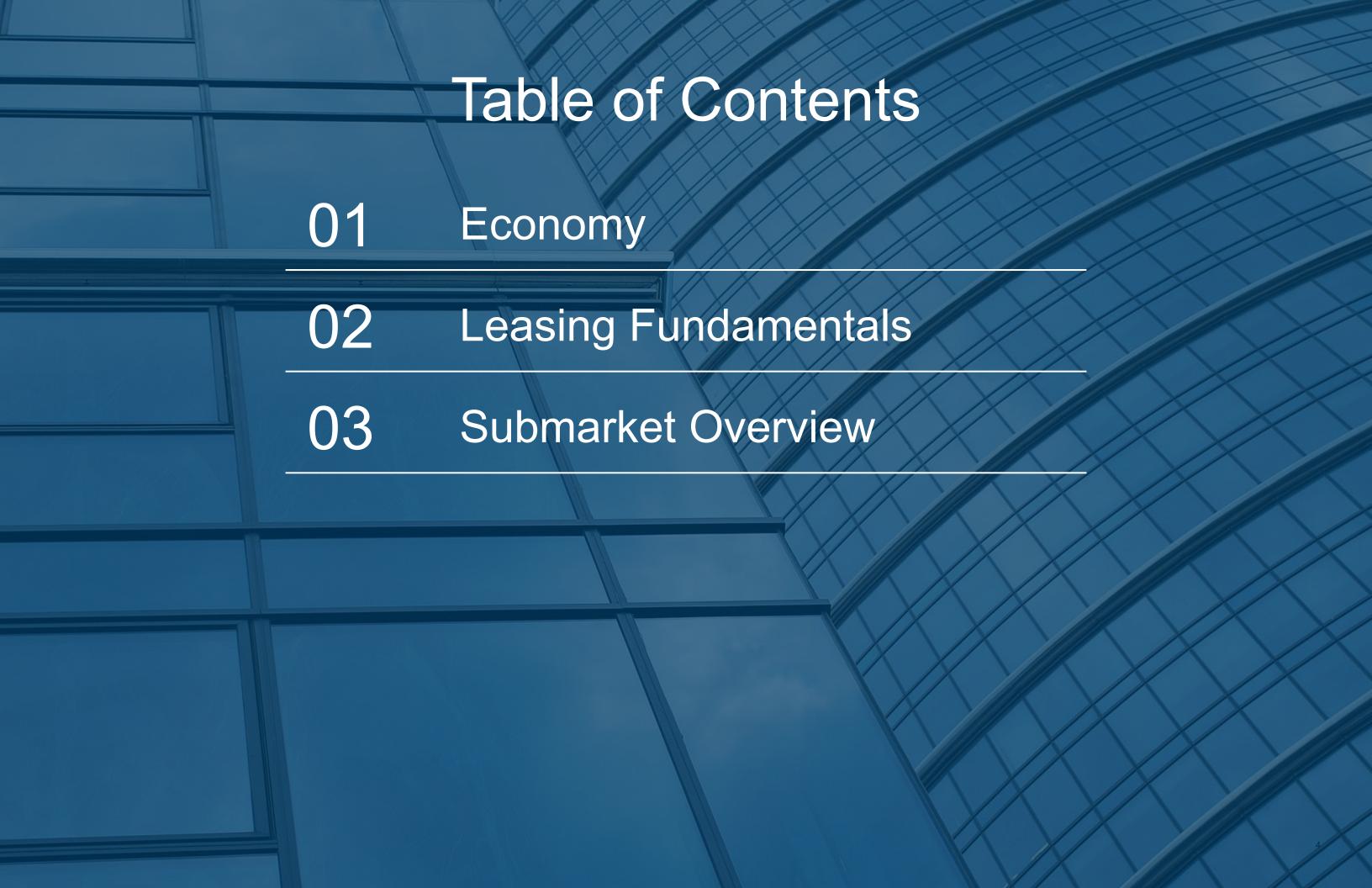
New construction activity remains concentrated in Greater Boston's southern submarkets, with the South submarket accounting for the only industrial delivery in the metro area during the second quarter of 2025. While the North submarket has not seen any new deliveries over the past two quarters, its industrial inventory has still grown by 4.9% since the end of 2019, reflecting the cumulative impact of earlier development cycles. In contrast, the Urban submarket has experienced a reduction in industrial inventory since 2019, driven by functional obsolescence and ongoing redevelopment pressures. Looking ahead, supply-side risks continue to diminish, with just one project delivered in Greater Boston and two in Southern New Hampshire this quarter. New groundbreakings remain limited and are largely focused on smaller-scale developments of 100,000 SF or less.

Industrial vacancy rates varied across Greater Boston in the second quarter of 2025. The West and Urban submarkets recorded increases of 80 and 90

basis points, respectively, while the North submarket saw a 20-basis-point decline and the South remained flat. The North submarket was home to two of the largest leases of the quarter, with New England Sheets and Bertolino Foods executing renewals recently. However, neither deal came close in scale to the quarter's largest transaction, DXL's 674,000-square-foot lease extension in Canton. Meanwhile, continued growth in neighboring Southern New Hampshire has supported improving fundamentals, highlighted by Can-One's new lease in Merrimack, which contributed positively to net absorption in that submarket.

Metro wide industrial asking rents declined by 3.6% in the second quarter of 2025 after reaching a historic high in early 2025. The Urban submarket was the only region to post a quarter-over-quarter increase in asking rent, with lease rates climbing by 1.7%. Rent for Warehouse/Distribution space are currently averaging \$15.24/SF NNN, while pricing for R&D/Flex space has decreased by 10.7% from their peak of \$20.46/SF NNN at the end of 2023. As the market continues to recalibrate, rent growth is expected to stabilize over the remainder of the year.

In the second quarter of 2025, industrial users remain focused on cost-containment strategies, prioritizing renewals and subleasing excess space rather than committing to new footprints. The ongoing lack of large-scale speculative development continues to limit new supply, helping to support market stability. While broader macroeconomic uncertainty and elevated vacancy levels remain key downside risks, recession fears have begun to ease slightly since the start of the year. On the upside, continued interest in reshoring and expanding domestic manufacturing offers long-term potential for renewed demand in the Greater Boston region.

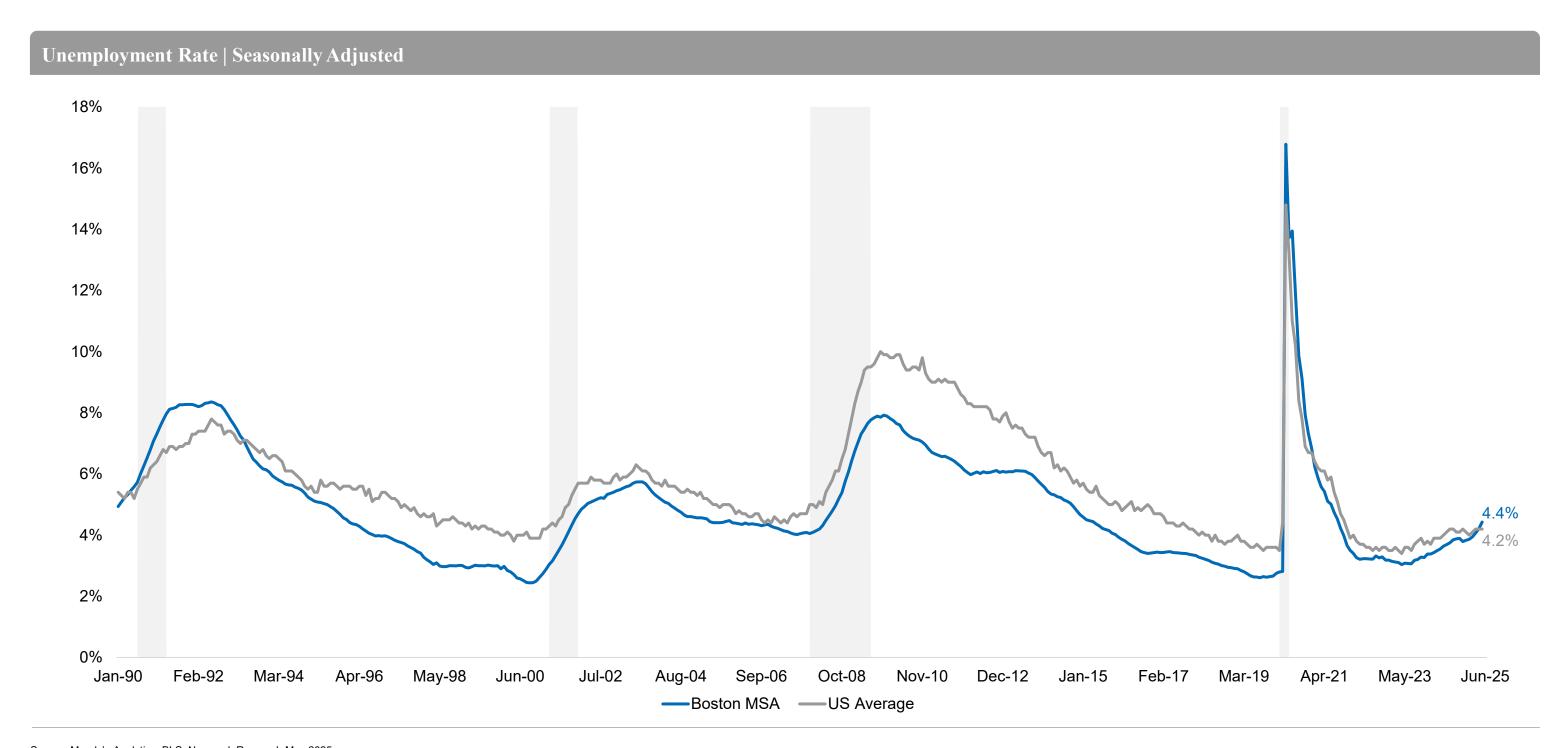


Economy



Unemployment Is Rising, But Labor Markets Are Relatively Tight

Since 2023, Greater Boston's unemployment rate has increased by 140 basis points, reaching 4.4% in May 2025. This marks the first time the metro area has exceeded the national average since December 2020. Softness in key sectors—particularly technology and biotechnology—appears to be a primary driver of the region's recent labor market challenges.



Source: Moody's Analytics, BLS, Newmark Research May 2025

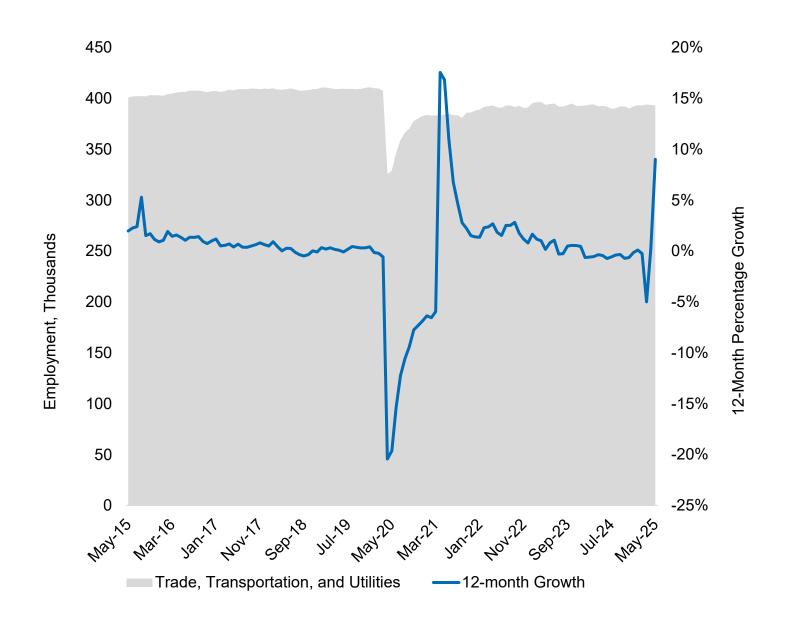
Muted Industrial Employment Trends Persist Through May 2025

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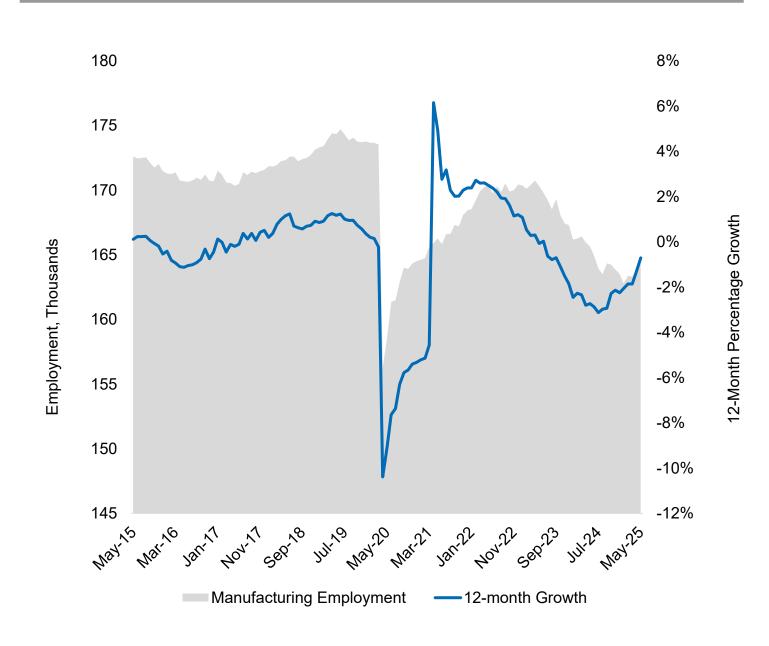
Mixed Signals Across Key Employment Sectors

Manufacturing and Trade, Transportation, and Utilities employment both increased on a month-over-month basis. However, as of the latest data, the 12-month growth rate for Trade, Transportation, and Utilities rose by just 10 basis points. In contrast, Manufacturing has not recorded a positive 12-month growth rate since mid-2023, underscoring the ongoing challenges the sector faces amid a weaker economic environment and heightened market uncertainty.





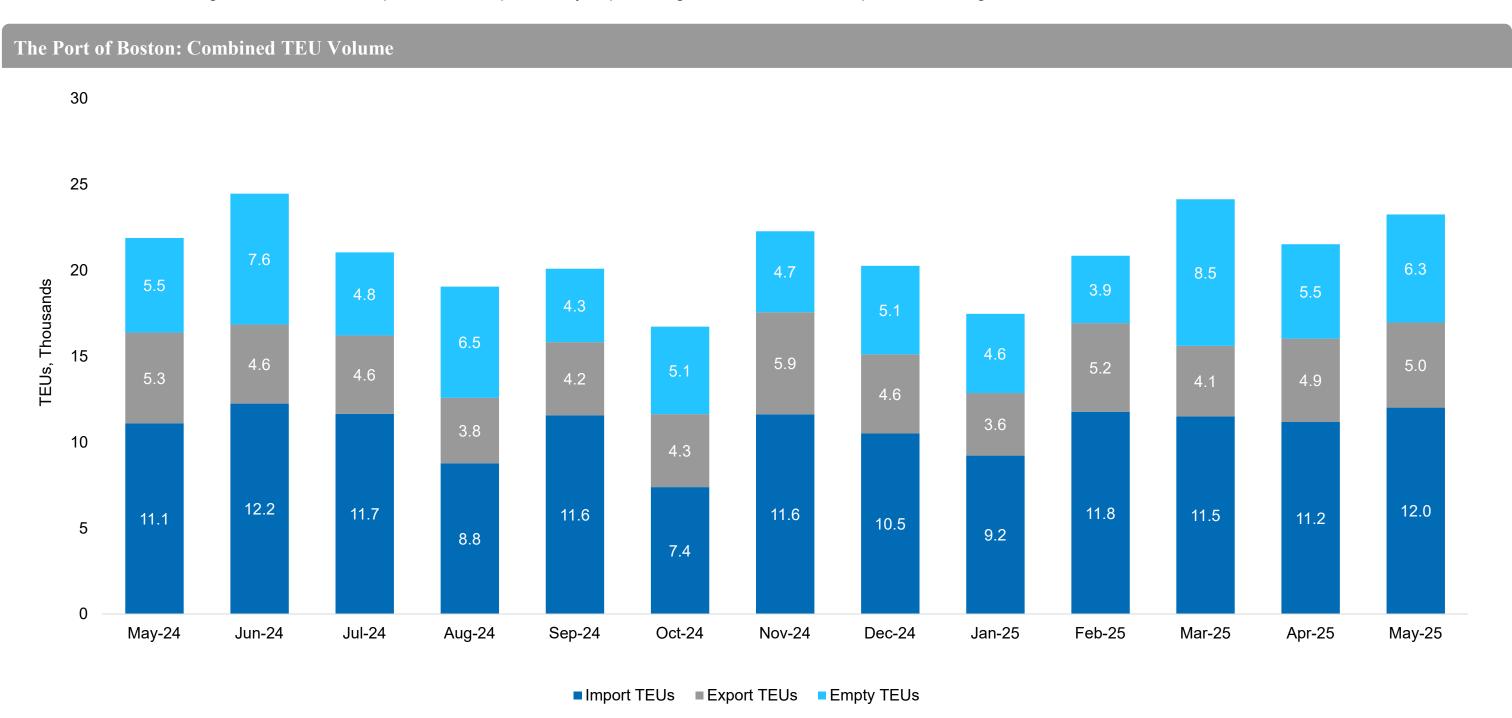
Total Employment and 12-Month Growth Rate, Manufacturing



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

Import Activity Remains Elevated at Port of Boston

Import container volumes at the Port of Boston continue to outpace 2024 levels. In May 2025, the port handled approximately 12,000 imported TEUs, just shy of the June 2024 peak of 12,200. This sustained increase may be linked to the labor agreement reached in late 2024 between the International Longshoremen's Association (ILA) and the United States Maritime Alliance. Looking ahead, recent tariff policies could potentially impact cargo volumes at all U.S. ports, including the Port of Boston.



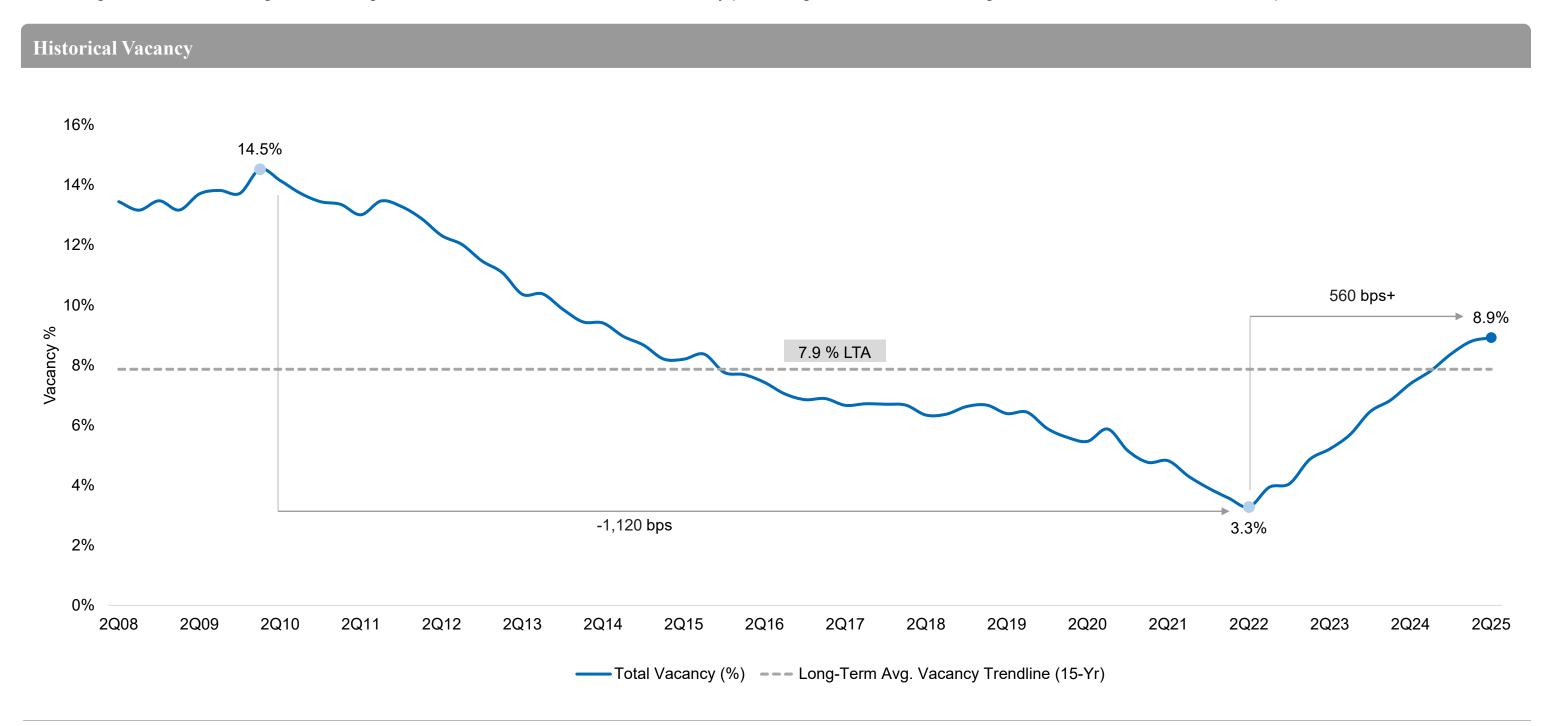
Source: Newmark Research, Massport

Leasing Market Fundamentals



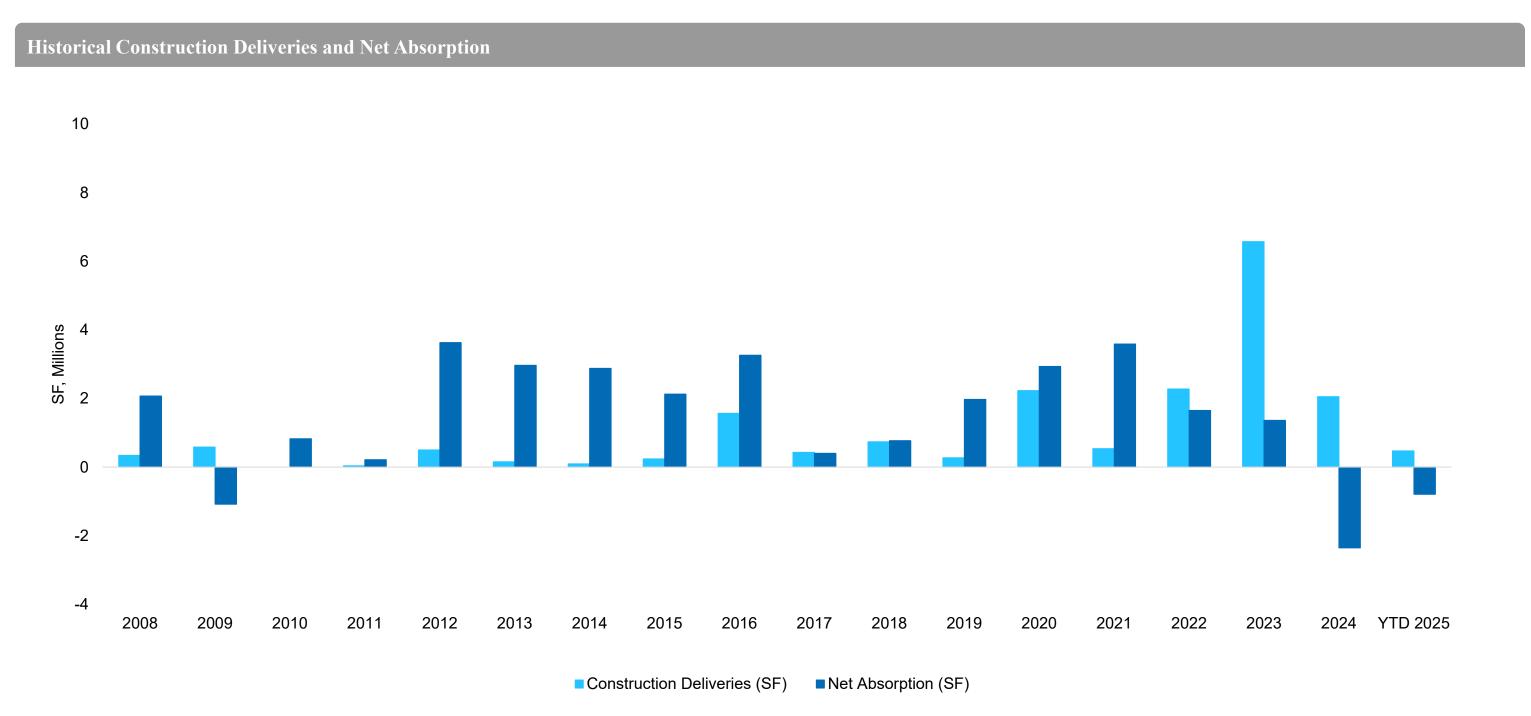
Industrial Fundamentals Soften as Vacancy Edges Above Historical Average

Market fundamentals in Greater Boston's industrial sector continued to soften in the second quarter of 2025, with vacancy rates rising for the twelfth consecutive quarter. While current vacancies remain in line with the 15-year historical average, they represent a notable shift from the record-low levels seen in the second guarter of 2022. With the vacancy rate continuing to sit about the long-term average and broader macroeconomic uncertainty persisting, continued monitoring of this trend will be critical in the quarters ahead.



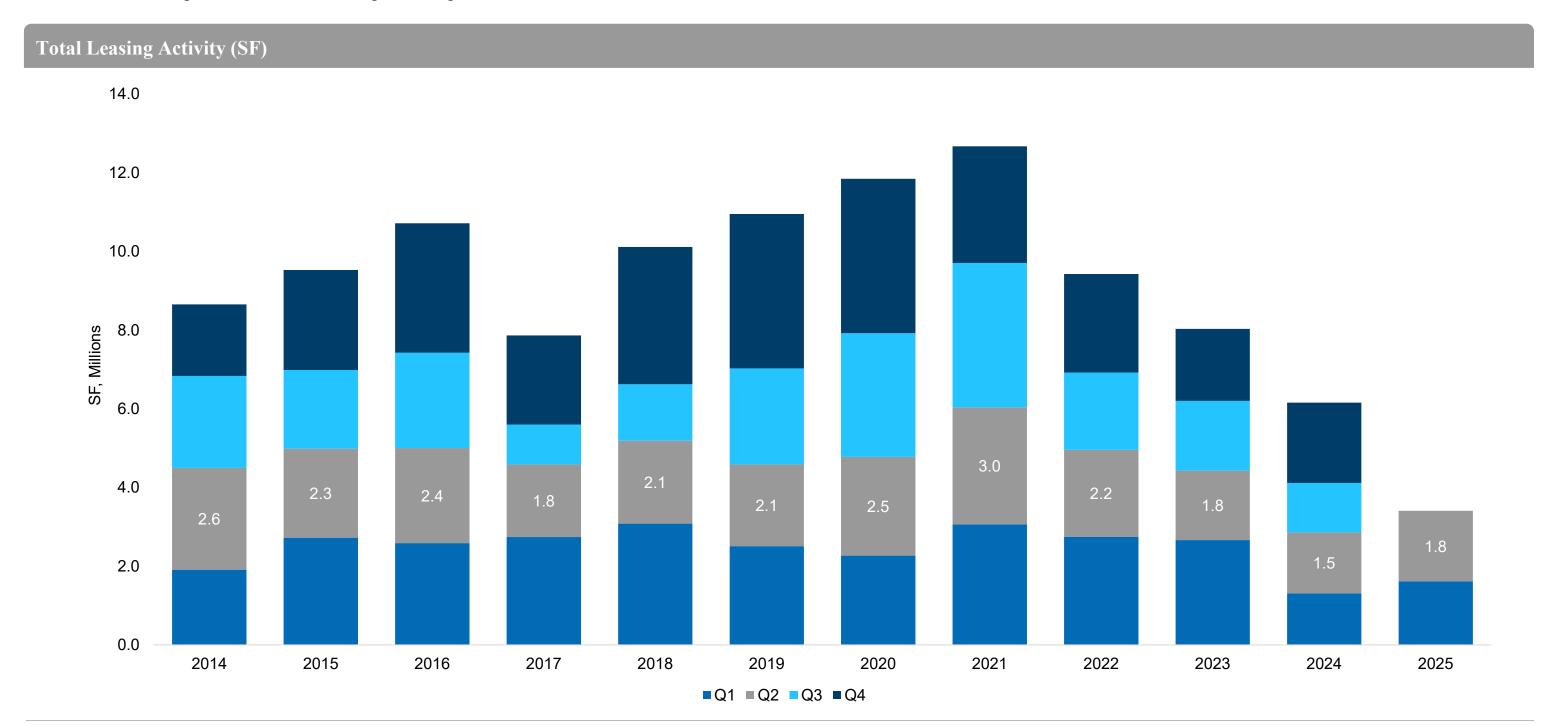
Limited Deliveries and Ongoing Negative Absorption Define Q2 Industrial Activity

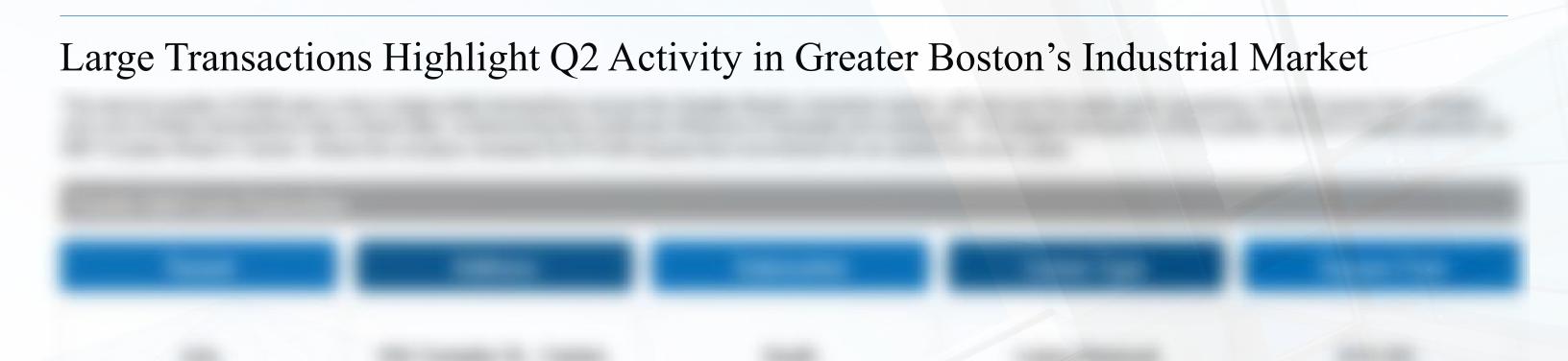
This marks the second consecutive quarter with only a single building delivered—this time a 120,000-square-foot warehouse in Randolph. This represents a sharp decline from the elevated delivery volumes seen in 2023, largely driven by Amazon's build-to-suit facility in North Andover. With new groundbreakings remaining scarce, the pipeline continues to slow. Meanwhile, negative net absorption persists across Greater Boston's industrial market, with the second quarter recording approximately 167,000 SF of occupancy losses.



Leasing Momentum Continues into Second Quarter of 2025

Leasing activity continued its upward trajectory in the second quarter of 2025, marking a 13.9% year-over-year increase. This growth was driven in part by several large-scale transactions completed during the quarter, with the average deal size totaling just under 96,000 SF. However, renewals and extensions continue to dominate leasing activity as industrial users weigh the cost of relocating and long-term commitments.



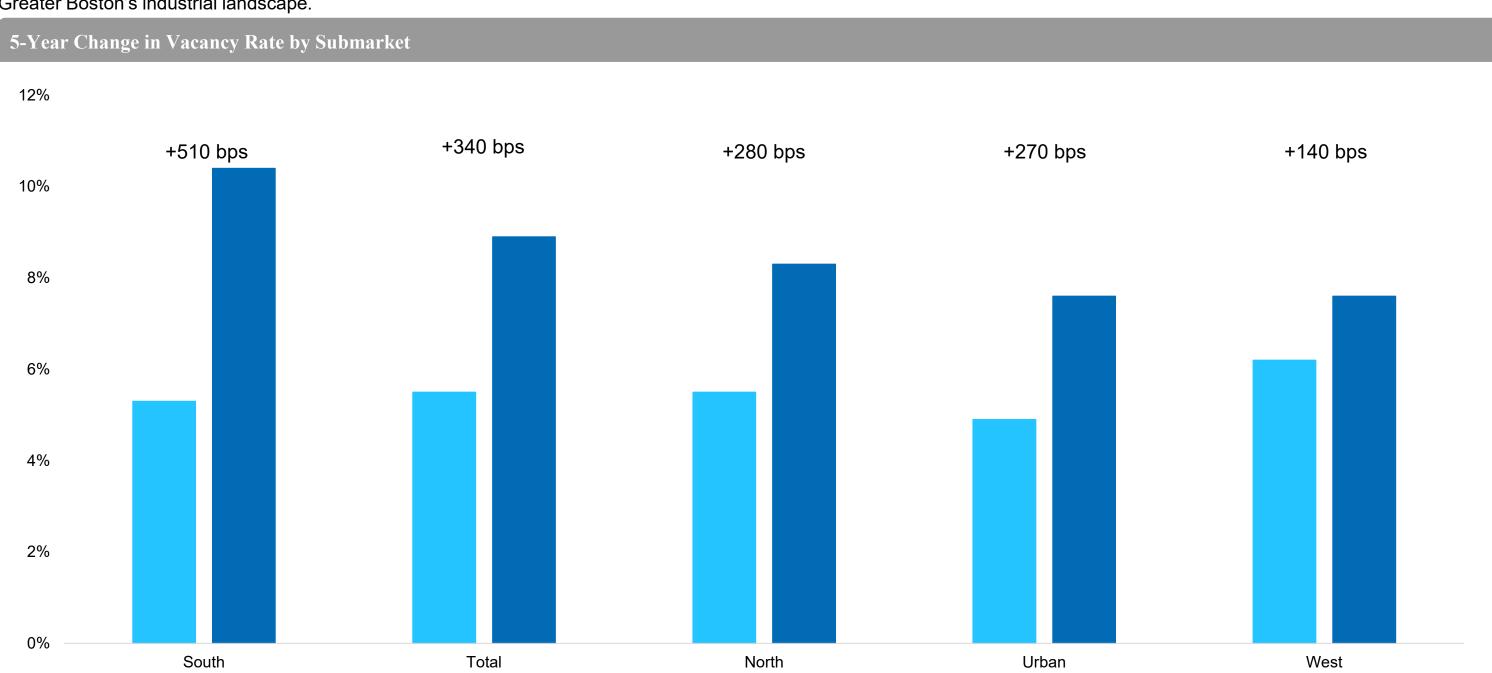


Class A Leasing Sees Modest Uptick, Holding Steady Against 2024 Benchmarks

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Submarket Vacancy Trends Reflect Diverging Dynamics Across the Region

Over the past five years, the West submarket has experienced minimal upward pressure on vacancy, with rates increasing by just 140 basis points. In contrast, the South submarket has seen a more pronounced shift, with vacancy rising by 510 basis points since the second quarter of 2020—primarily due to a substantial wave of new supply delivered in recent quarters. Despite these divergent trends, most submarkets continue to outperform the overall market vacancy rate, and five-year averages have remained relatively stable across Greater Boston's industrial landscape.



■2Q20 ■2Q25

Warehouse Vacancy Reaches New High, But Industrial Parks Outperform

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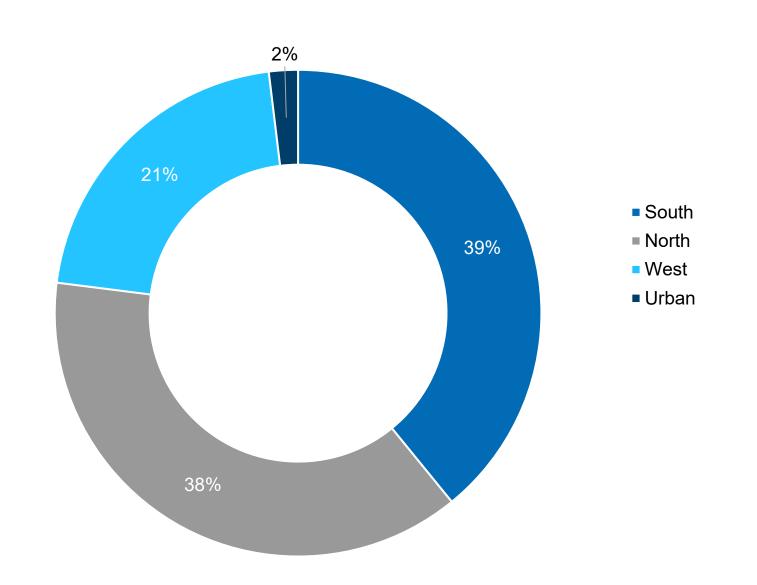
Sublease Growth Signals Potential Headwinds for Industrial Demand

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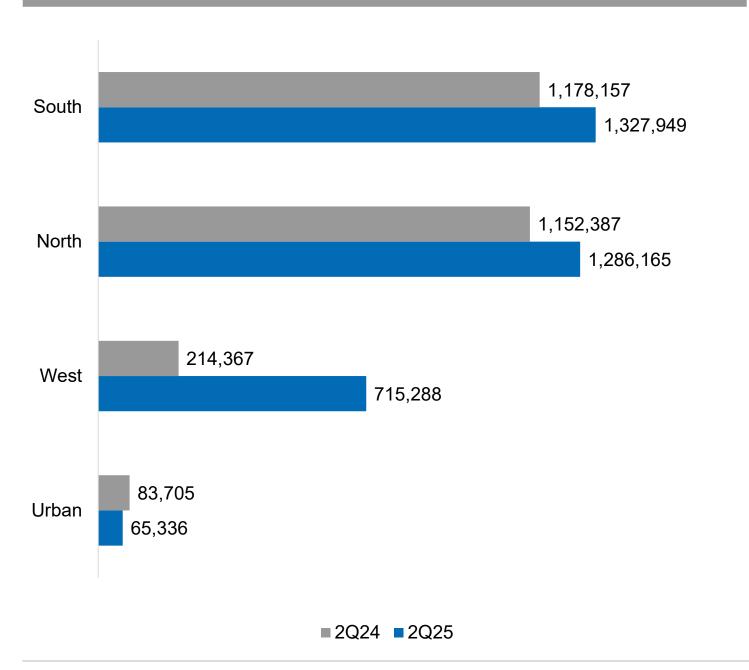
North and South Submarkets Lead Sublease Inventory as West Sees Sharp Uptick

The North and South industrial submarkets continue to account for the majority of Greater Boston's sublease inventory, comprising approximately 72% of total market share. The West submarket, however, recorded the most significant year-over-year growth, with a 234% increase in sublease availability compared to the second quarter of 2024. In contrast, the Urban submarket was the only area to see a decline, with sublease inventory falling 22% over the same period. These contrasting trends highlight the uneven impact of shifting tenant strategies across the region.



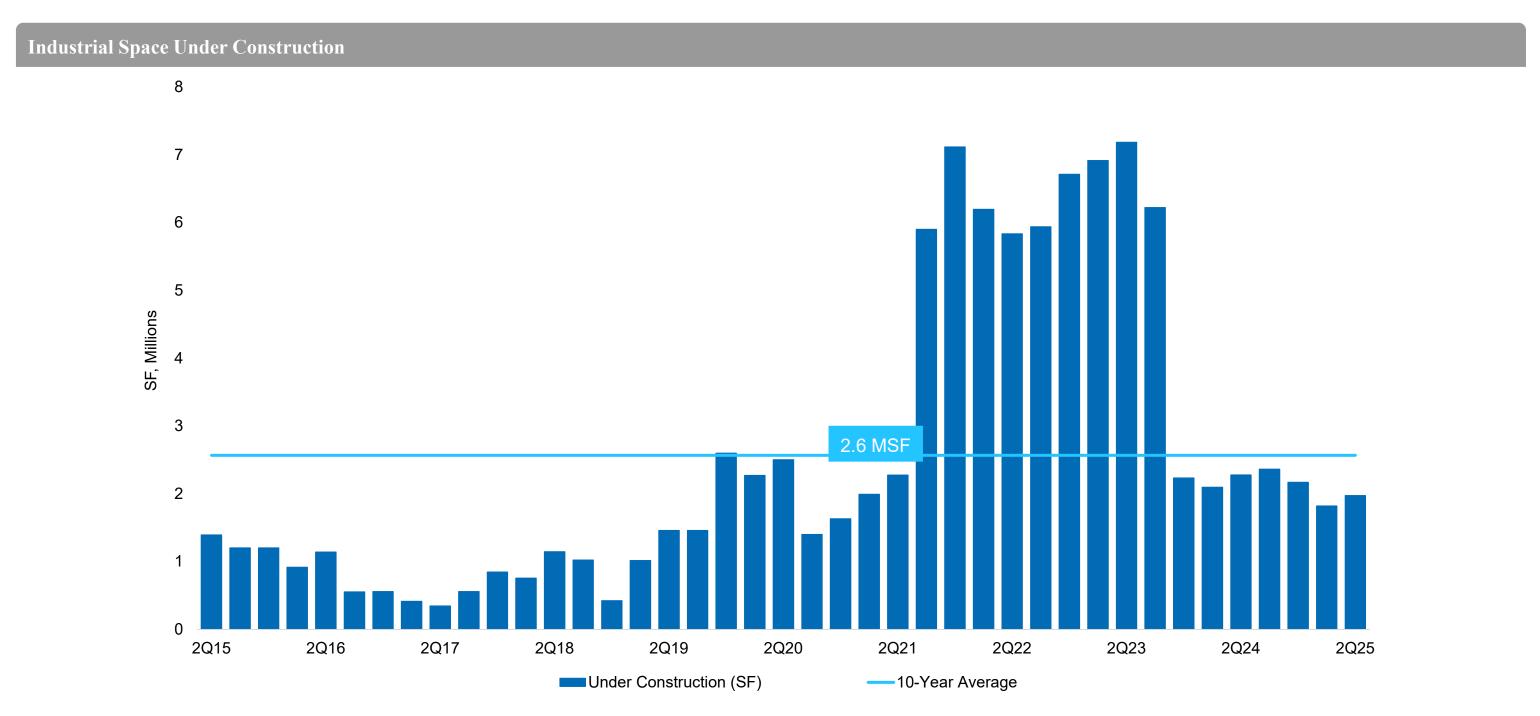


Available Sublease Space by Submarket Comparison (SF)



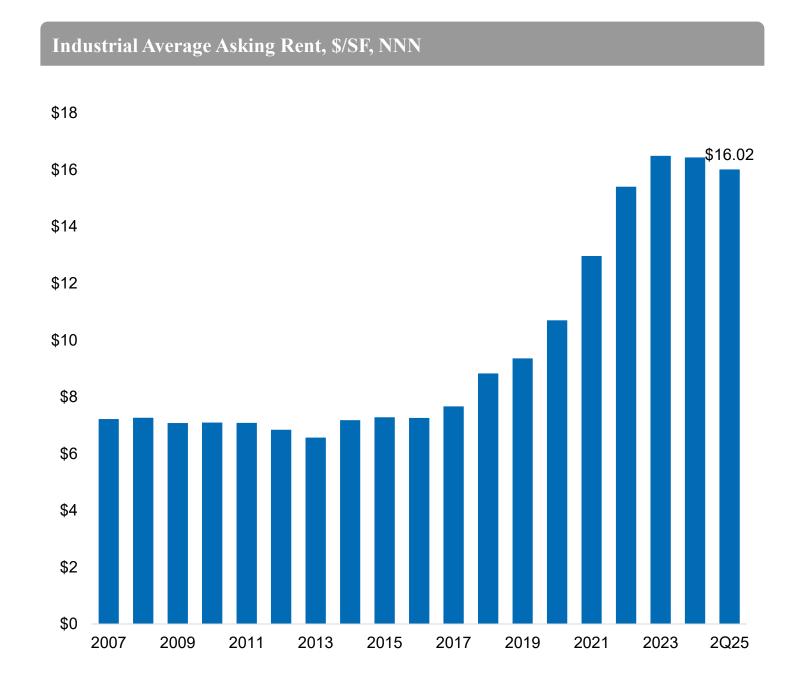
Construction Pipeline Right-Sizes Year-Over-Year, But Availability Remains Strong

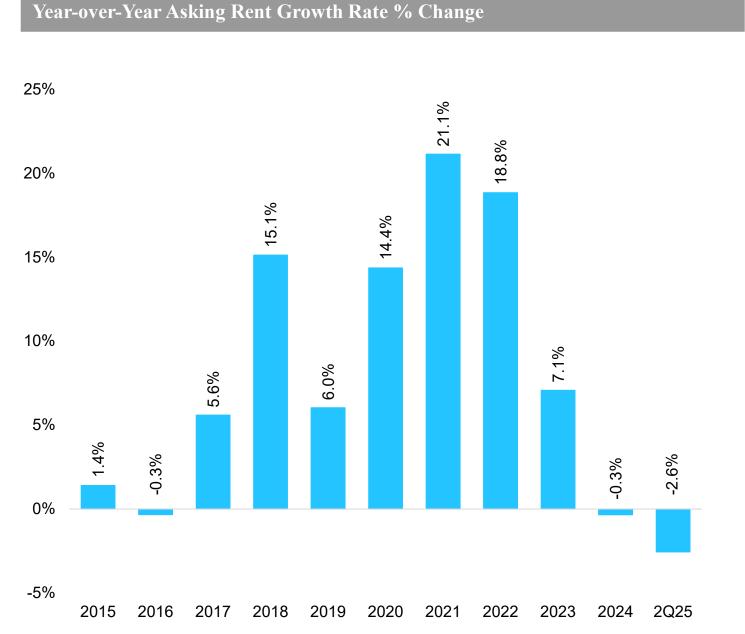
Industrial deliveries across Greater Boston continue to decelerate, with the active construction pipeline totaling just over 1.9 million SF across a limited number of projects—a modest uptick from the previous quarter but a 13.0% decline compared to the same period last year. Notably, six of the seven projects currently underway are fully available, offering tenants a range of options in the Class A segment. This high level of availability could help address demand from users prioritizing modern, high-spec space despite broader market headwinds.



Cyclical Pressures Begin to Weigh on Asking Rents

Average asking rents for industrial properties in the Greater Boston market declined in the second quarter—the first drop since Q1 2024. Despite the decrease, rates remain just 2.8% below the historic highs reached in 2023. Year-over-year rent growth also slowed to its lowest level since 2013, indicating a potential shift in pricing momentum. With vacancy rates holding at cyclically high levels, landlords are showing greater restraint on rent increases, instead prioritizing occupancy and tenant retention.





Urban Submarket Shows Resilience Amid Regional Rent Declines

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Submarket Overview













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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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