3Q25

Boston Industrial Market Overview

NEWMARK

Market Observations

What We Know

Greater Boston's industrial market recorded positive net absorption in the third quarter of 2025, marking the first quarterly gain in nearly two years.

More than 800,000 SF of industrial product was delivered this quarter, decreasing RBA under construction to its lowest level since Q1 2019. Notably, 51.9% of the delivered space was build-to-suit..

Leasing activity continues to outperform 2024, with third-quarter 2025 deal volume sitting roughly 57.0% above year-ago totals, and year-to-date activity is up notably as well.

Industrial vacancy in the Urban submarket held steady quarter-over-quarter, while all other submarkets saw an increase in vacancy rates.

Sublease availability decreased 11.5% quarter-over-quarter. This was offset, however, by a 5.5% increase in direct availabilities, leading to a net 40-basis-point increase in overall availability.

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

Asking rents for industrial space in Greater Boston rose slightly in Q3 2025 to $16.11/SF, though rates remain 3.3% below the historical peak recorded in Q1.

What We Expect

While occupier demand is expected to remain focused on smaller blocks of industrial space, select large-scale tenants may still 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.

Source: Newmark Research

Market Overview

GREATER BOSTON INDUSTRIAL MARKET

Greater Boston's industrial market recorded its first quarter of positive net absorption since late 2023, a notable shift that may signal the beginning of a broader recovery. However, Greater Boston's industrial market continued to see rising vacancy in the third quarter of 2025. At 9.4%, vacancy has climbed 610 basis points since the cyclical low in 2022, underscoring a growing disconnect between supply and demand fundamentals. Leasing momentum in the second quarter of 2025 was driven by several 100,000-SF-plus tenants finalizing renewals and lease extensions, while more recent activity shifted toward mid-size tenants in the 30,000–50,000 SF range. Sublease availability also declined notably, falling below 3.0 million SF over the quarter. Although this accounts for just 1.3% of total inventory, the sublease rate remains elevated near cyclical highs, reflecting continued uncertainty in user demand.

New construction activity increased quarter-over-quarter, with three projects delivered across the region. The North submarket recorded its first delivery in two quarters with the completion of 24 S Hunt Rd. in Amesbury, enabling Munters to occupy their build-to-suit space and boosting net absorption. In contrast, the Urban submarket saw no new deliveries and continues to experience a decline in industrial inventory since 2019, driven by functional obsolescence and redevelopment pressures. Looking ahead, supply-side risks appear to be easing, with just three projects delivered in Greater Boston and none in Southern New Hampshire this quarter. Groundbreakings remain limited and are primarily concentrated on smaller-scale developments of 100,000 SF or less.

Industrial vacancy rates across Greater Boston showed mixed movement in the third quarter of 2025. The West and South submarkets each recorded 50-basis-point increases, while the North rose by 10 basis points and the Urban submarket held steady. Leasing activity was strongest in the South submarket, which captured four of the five largest deals of the quarter, including NEFCO and New England Appliance & Electronics Group securing space in Canton and Bellingham, respectively. In contrast, Southern New Hampshire saw a slowdown in leasing following a strong prior quarter.

Metro wide industrial asking rents rose by 0.2% in the third quarter of 2025, though they remain just below the historic peak reached in the first quarter of 2025. The Urban submarket led rent growth, posting a 6.3% quarter-over-quarter increase. Greater Boston's Warehouse/Distribution rents now average $15.14/SF NNN, while R&D/Flex lease rates have climbed to $18.70/SF NNN, which is still 8.6% below their late-2023 peak. As the market continues to recalibrate, rent growth is expected to moderate in the near term.

In the third quarter of 2025, industrial users remained focused on cost-containment strategies, favoring renewals and subleasing excess space over expanding footprints. The continued absence of large-scale speculative development has helped constrain new supply, contributing to overall market stability. While macroeconomic uncertainty and elevated vacancy levels remain key downside risks, recession concerns have eased modestly since the start of the year. On the upside, sustained interest in reshoring and domestic manufacturing presents long-term potential for renewed demand across the Greater Boston region.

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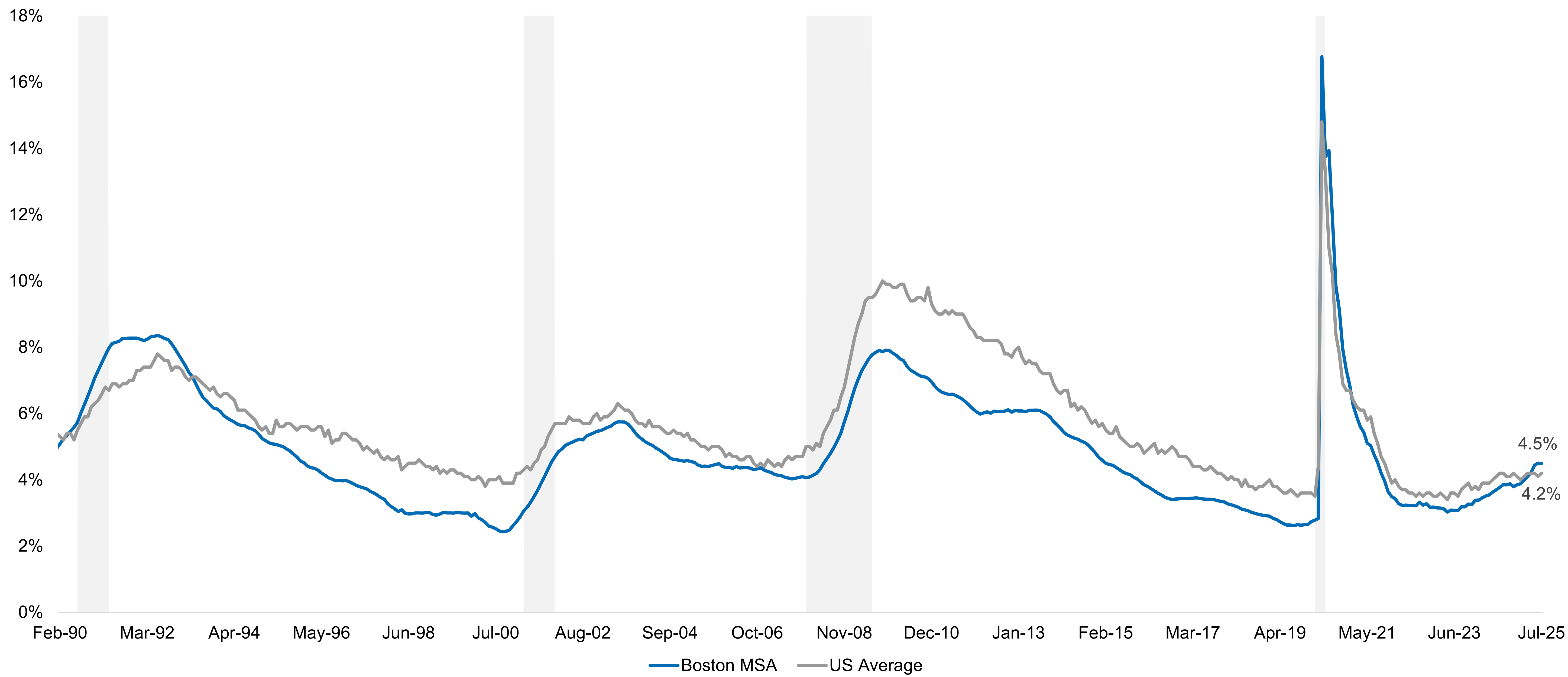
Economy

Sector Slowdown Pushes Boston Unemployment Higher in 2025

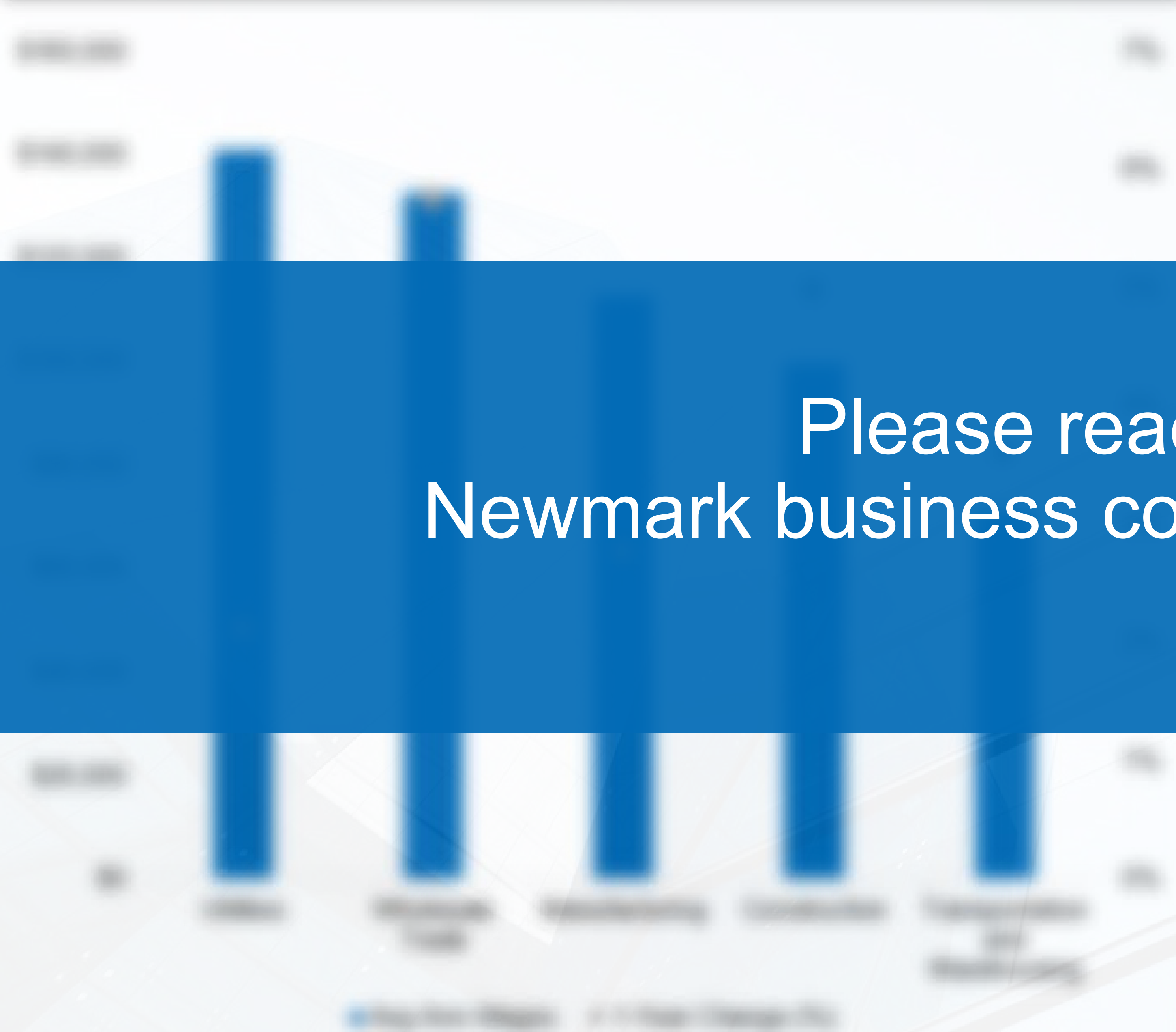
Since mid-2023, Greater Boston's unemployment rate has climbed by approximately 140 basis points, reaching 4.5% as of July 2025. This marks the second consecutive quarter in which the metro has exceeded the national average, a threshold not crossed since December 2020. Weakness in key office-using sectors, particularly technology and biotechnology, appears to be a central factor behind the region's recent labor market strain.

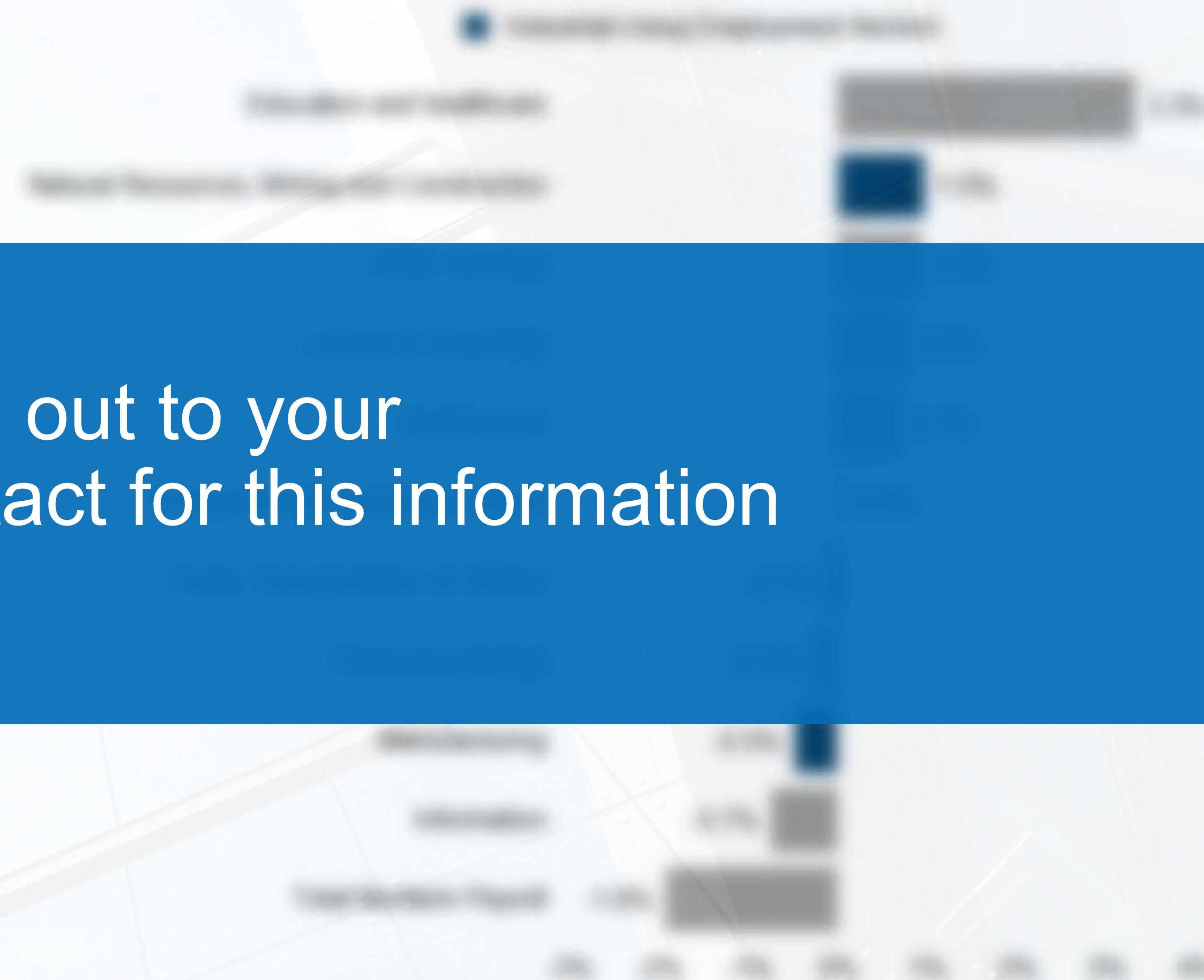
Unemployment Rate | Seasonally Adjusted



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

Industrial Employment Trends Show Mixed Performance





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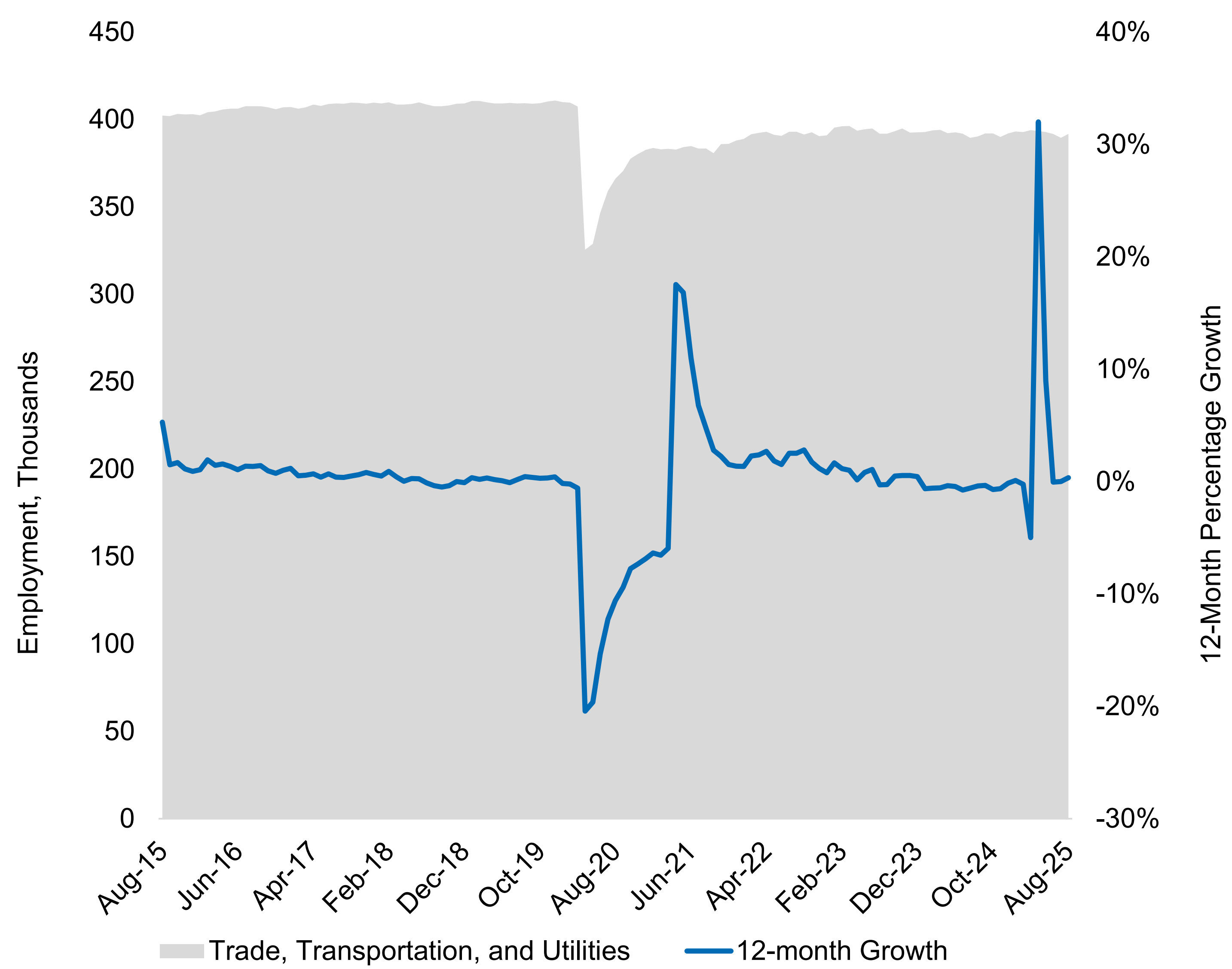
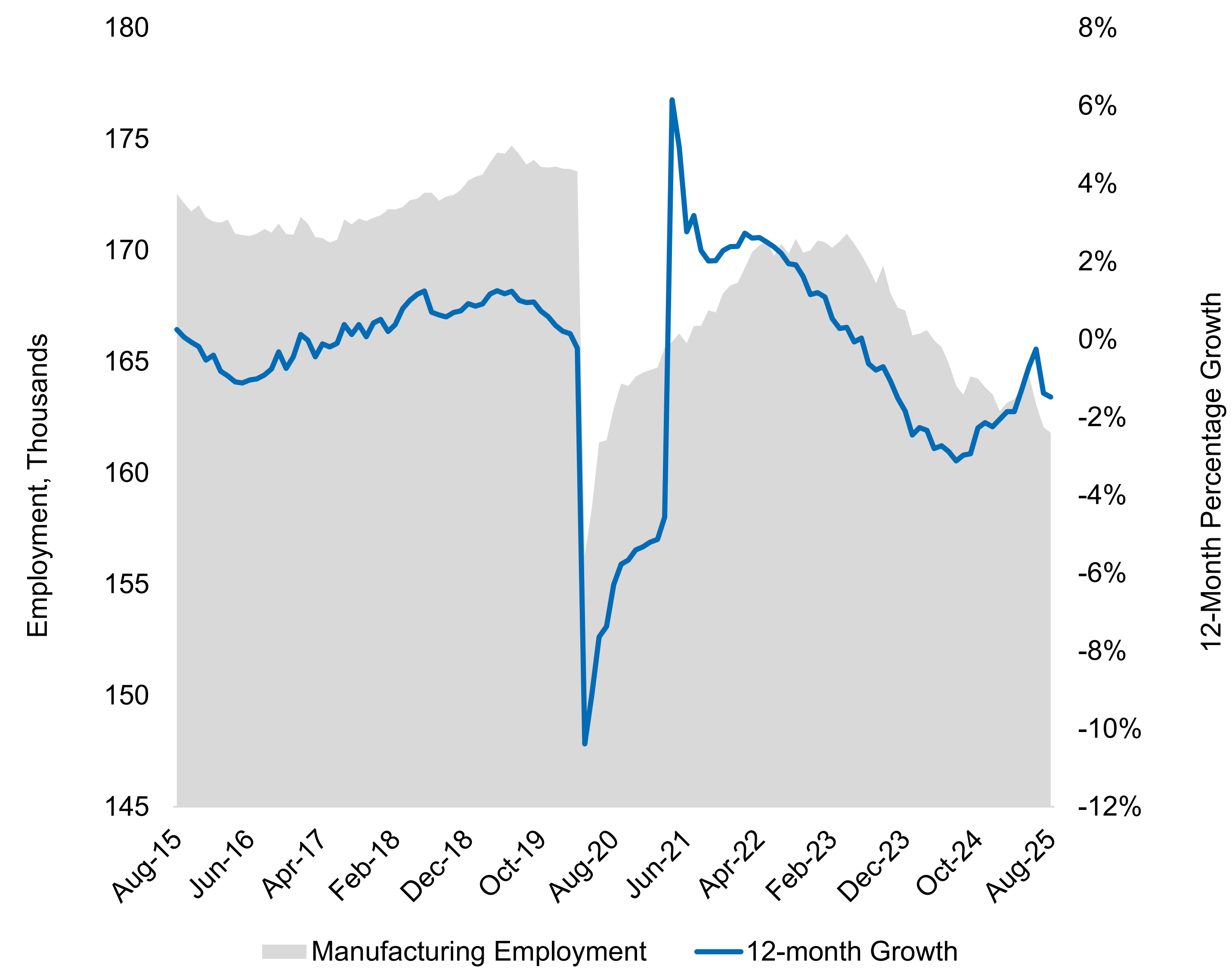
Trade Edges Up as Manufacturing Remains Under Strain

Employment in Trade, Transportation, and Utilities rose on a month-over-month basis, while Manufacturing experienced a decline over the same period. As of the latest reporting, the 12-month growth rate for Trade, Transportation, and Utilities edged up by 34 basis points. In contrast, Manufacturing has not posted a positive 12-month growth rate since mid-2023, highlighting the sector's continued headwinds amid a softer economic backdrop and elevated market uncertainty.

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



Total Employment and 12-Month Growth Rate, Manufacturing

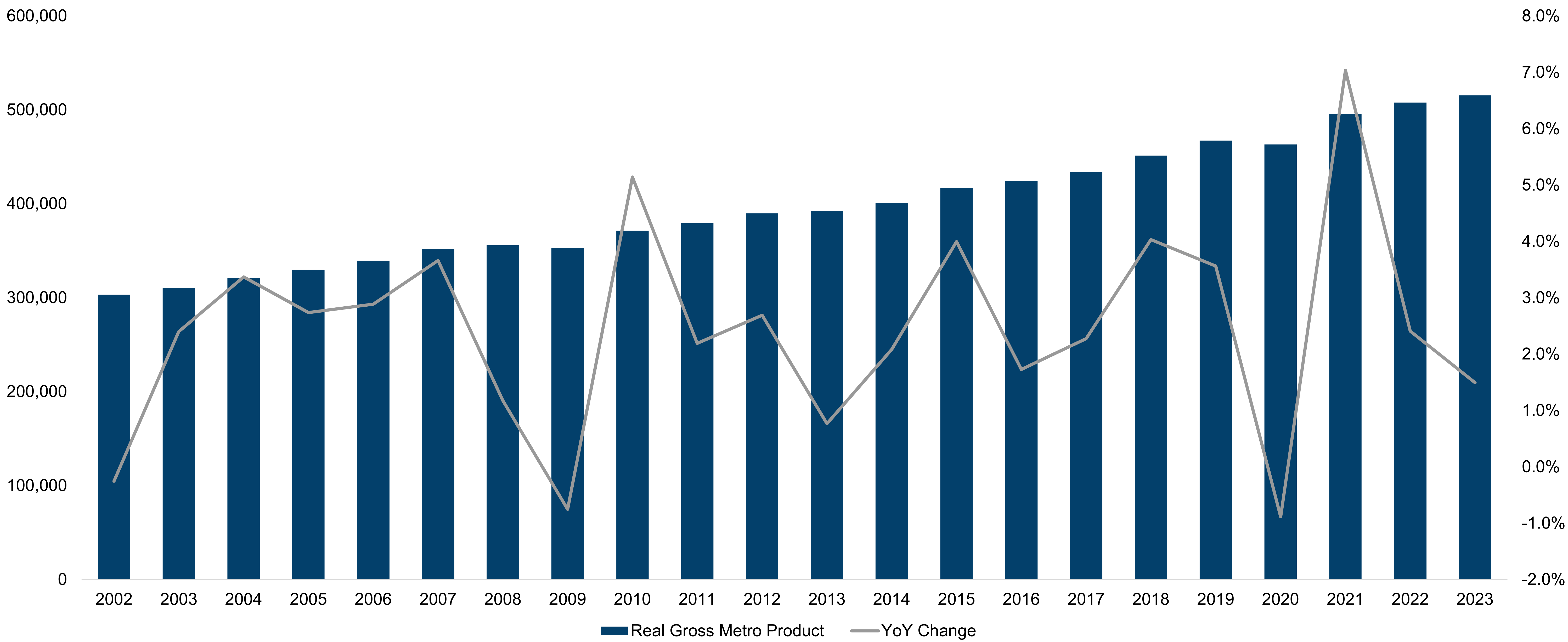


Source: Moody's Analytics, Boston-Cambridge-Newton, MA-NH MSA

Real Gross Metro Product Maintains Upward Trajectory

Real Gross Metro Product has demonstrated steady growth in recent years, including a significant 7.0% year-over-year increase from 2020 to 2021, likely a rebound from pandemic-related economic contraction. Despite periodic short-term volatility, the overarching trend reflects sustained expansion and long-term economic resilience. This trajectory underscores the region's capacity to adapt and thrive amid shifting market dynamics.

Greater Boston Real Gross Metro Product



Source: FRED, Newmark Research, Data as of 2023

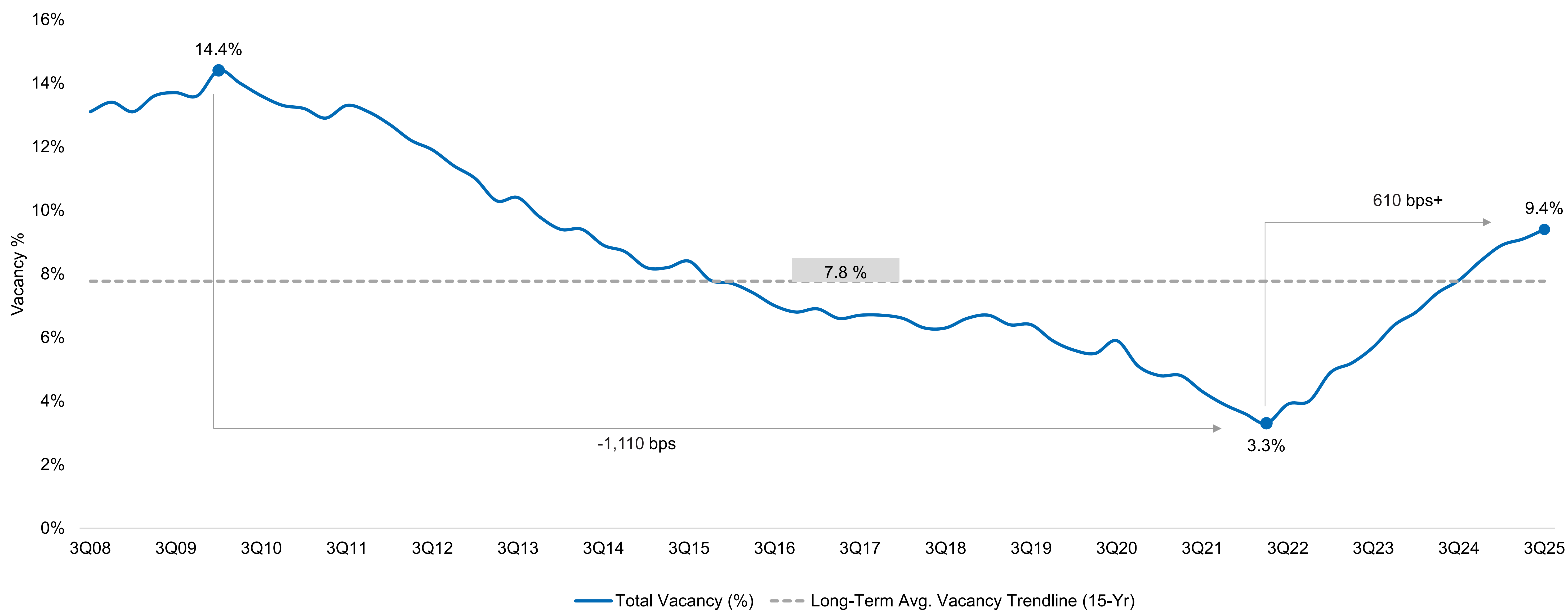
3Q25

Leasing Market Fundamentals

Industrial Vacancy Pushes Past Long-Term Average

Market fundamentals in Greater Boston's industrial sector continued to moderate in the third quarter of 2025, as vacancy rates rose for the fourteenth consecutive quarter. While current levels exceed the 15-year historical average, they mark a distinct shift from the record-low vacancies recorded in the second quarter of 2022. As rates now surpass long-term norms, ongoing monitoring will be essential to assess how supply and demand dynamics evolve in the quarters ahead.

Historical Vacancy

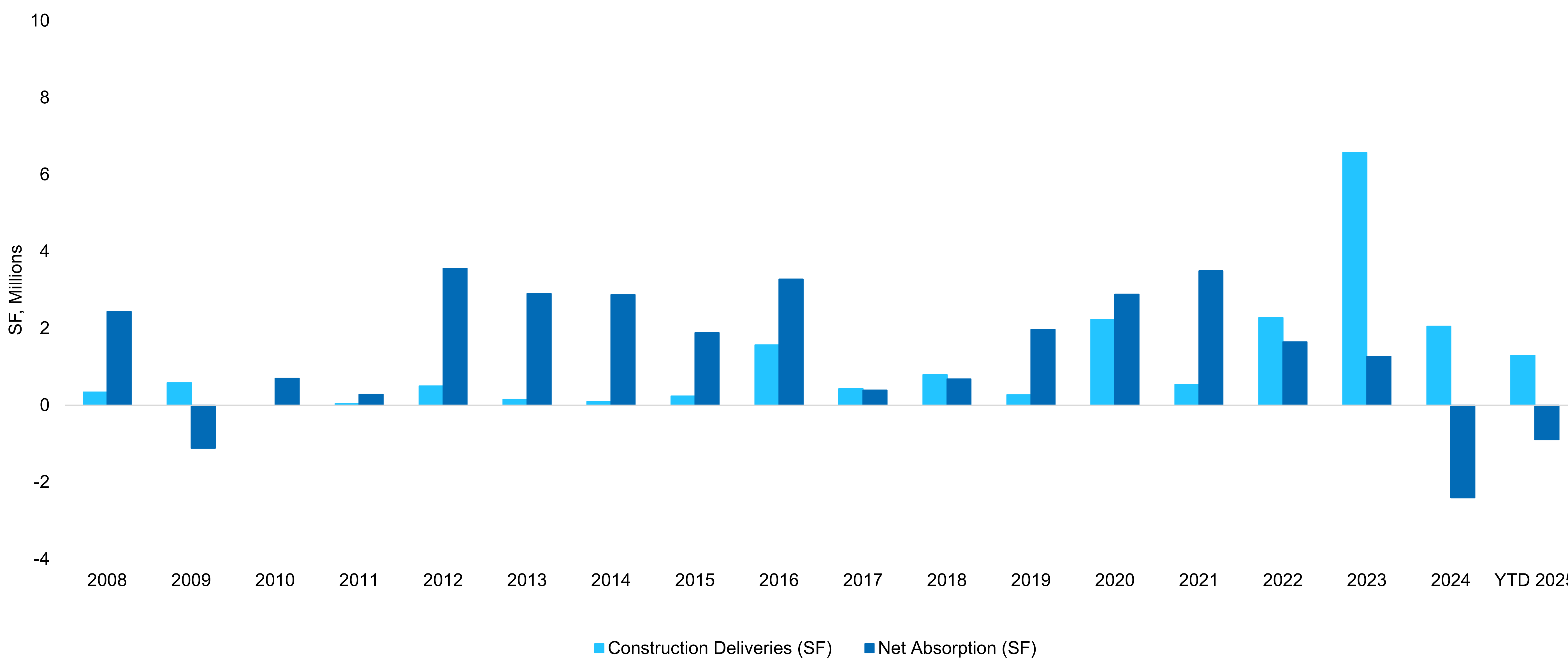


Source: Newmark Research

New Supply Continues to Outpace Net Absorption

Three properties were delivered this quarter across distinct submarkets, contributing nearly 829,000 square feet to Greater Boston's industrial inventory, the largest quarterly total recorded in 2025 to date. Notably, 51.8% of this new supply stemmed from a single build-to-suit for Munters. While new groundbreakings remain limited and the development pipeline continues to decelerate, this quarter also marked the first instance of positive net absorption since the fourth quarter of 2023, a promising indicator that could help reinvigorate future development activity.

Historical Construction Deliveries and Net Absorption

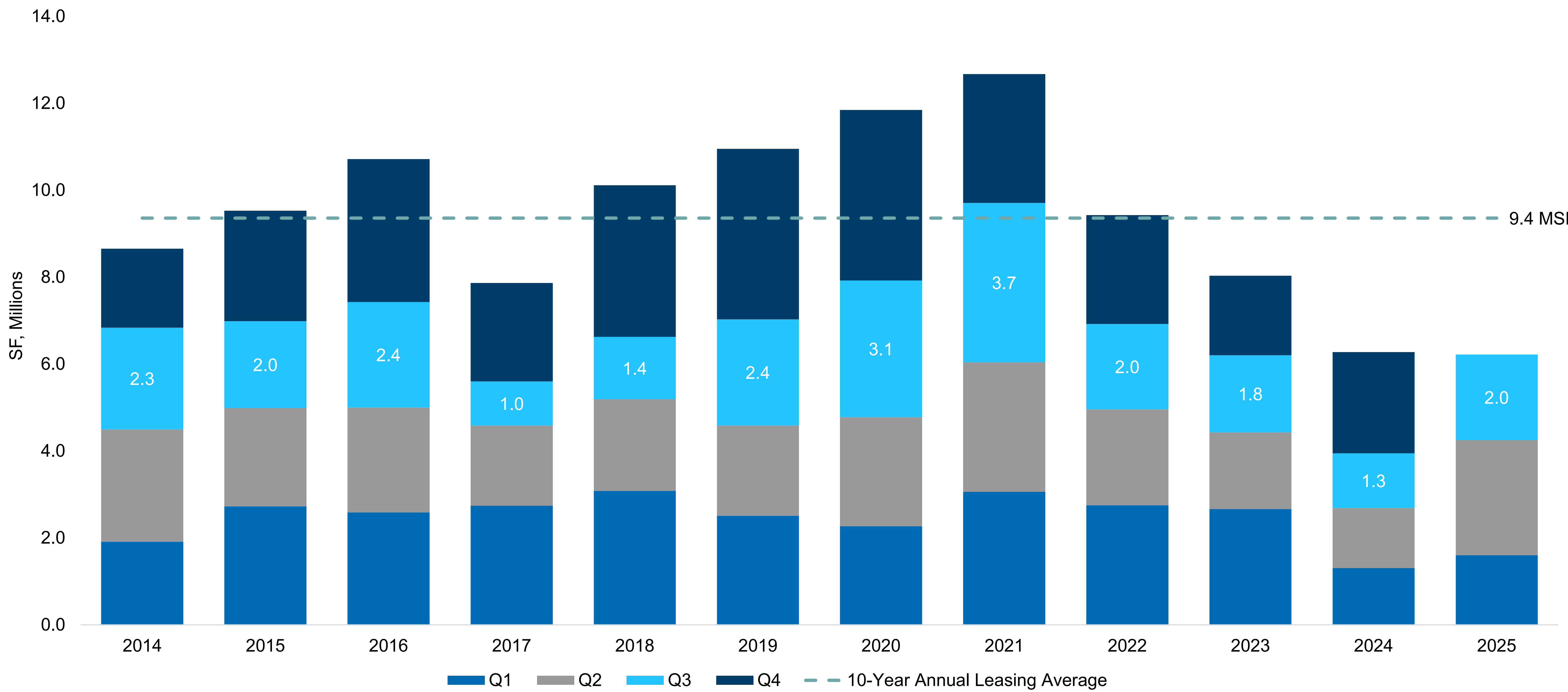


Source: Newmark Research

Large Transactions Anchor Leasing Growth in Q3

Leasing activity continued its upward trajectory in the third quarter of 2025, recording a 57% year-over-year increase. This growth was fueled in part by several large-scale transactions, including NEFCO Construction Supply's expansion at 530 Turnpike Street in Canton and Electronic Recyclers International's renewal at 89 Cross Street in Holliston. The presence of these sizable deals underscores strengthening demand among enterprise users pursuing long-term space solutions.

Total Leasing Activity (SF)



Source: Newmark Research, CoStar

Renewal Activity Remains Prominent in Greater Boston's Industrial Market

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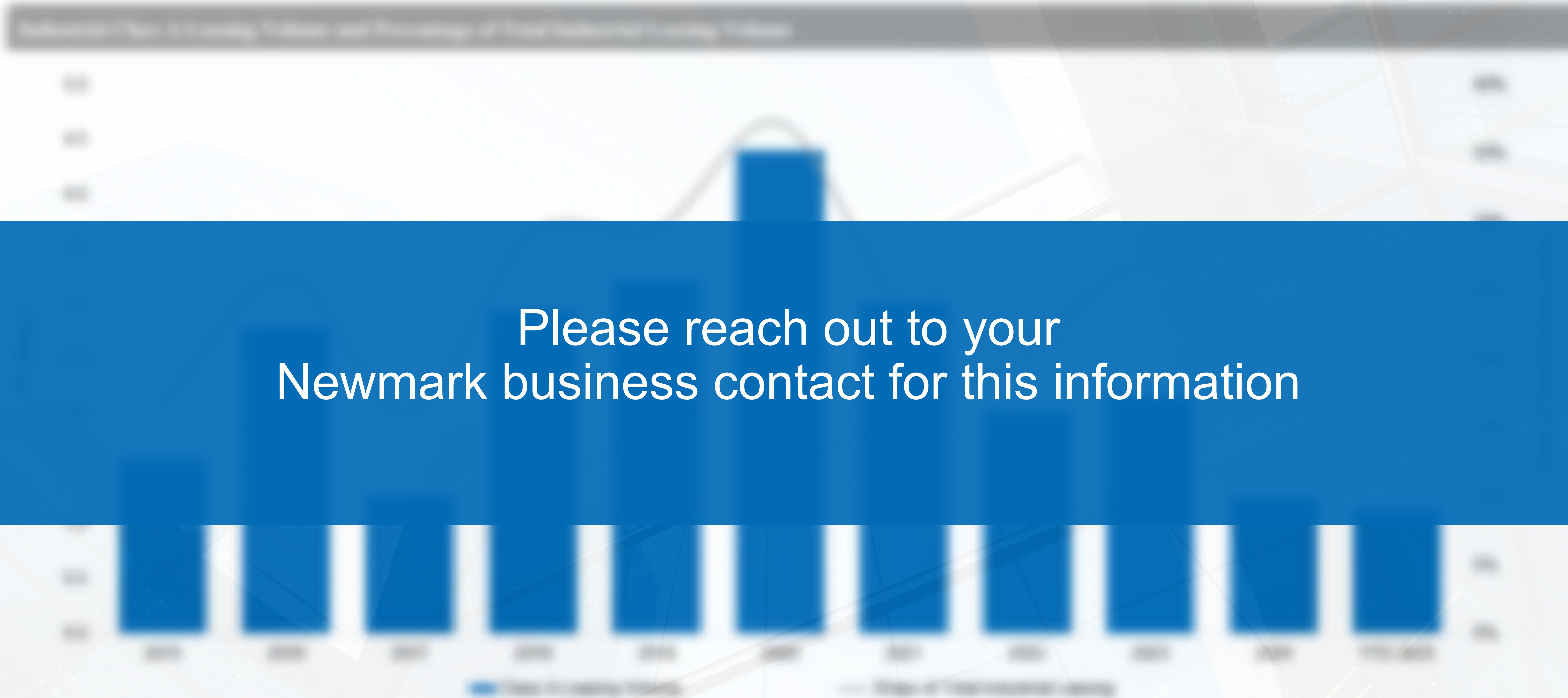
Leasing Velocity Rises in Greater Boston's Class A Segment



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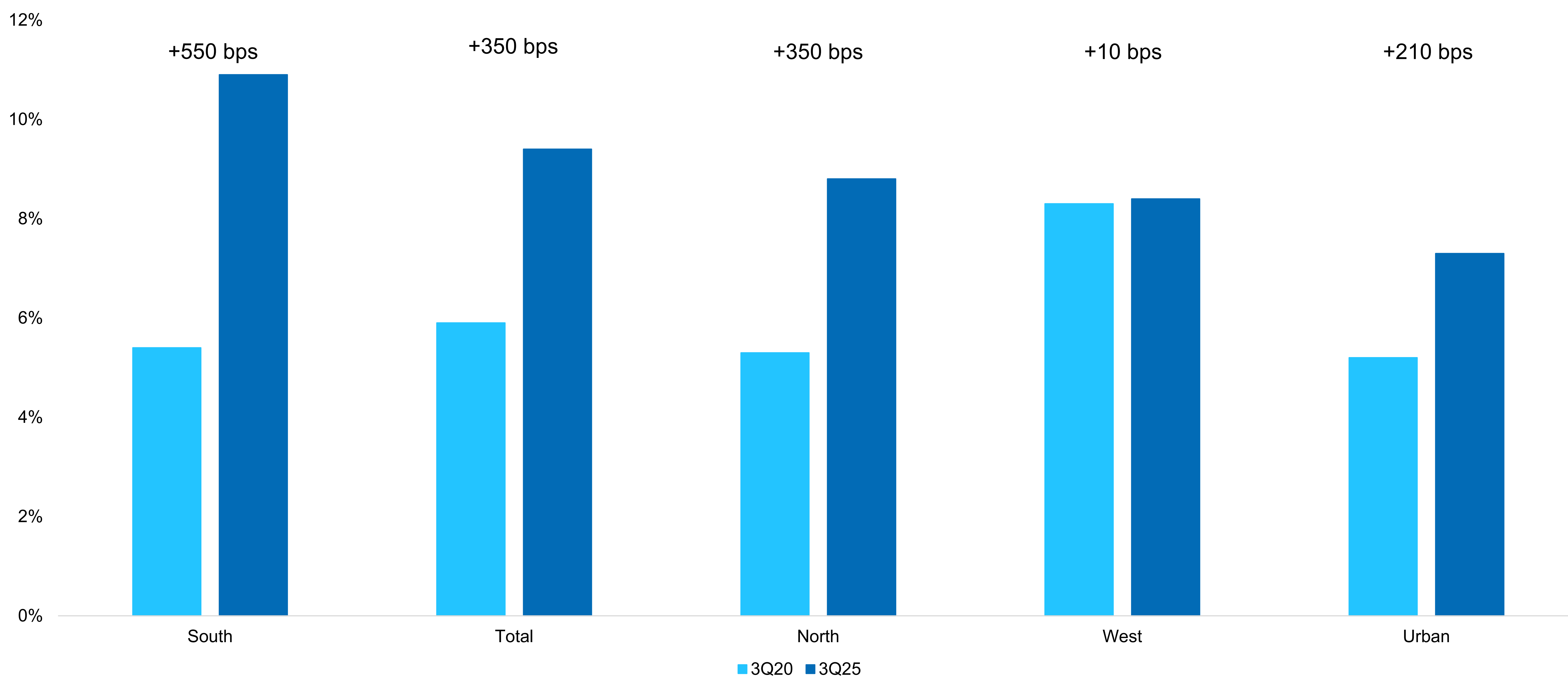
Submarket Vacancy Trends Diverge, but Stability Prevails

Over the past five years, the West submarket has demonstrated notable stability, with vacancy rates rising by only 10 basis points. In contrast, the South submarket has experienced a more significant shift, marked by a 550-basis-point increase in vacancy since the third quarter 2020, largely attributable to a substantial influx of new supply in recent quarters. Despite these divergent trajectories, the majority of submarkets continue to outperform the metro-wide vacancy rate, and five-year averages remain relatively consistent across Greater Boston's industrial landscape.

5-Year Change in Vacancy Rate by Submarket



Source: Newmark Research

Greater Boston Sublease Inventory Sees Notable Decline

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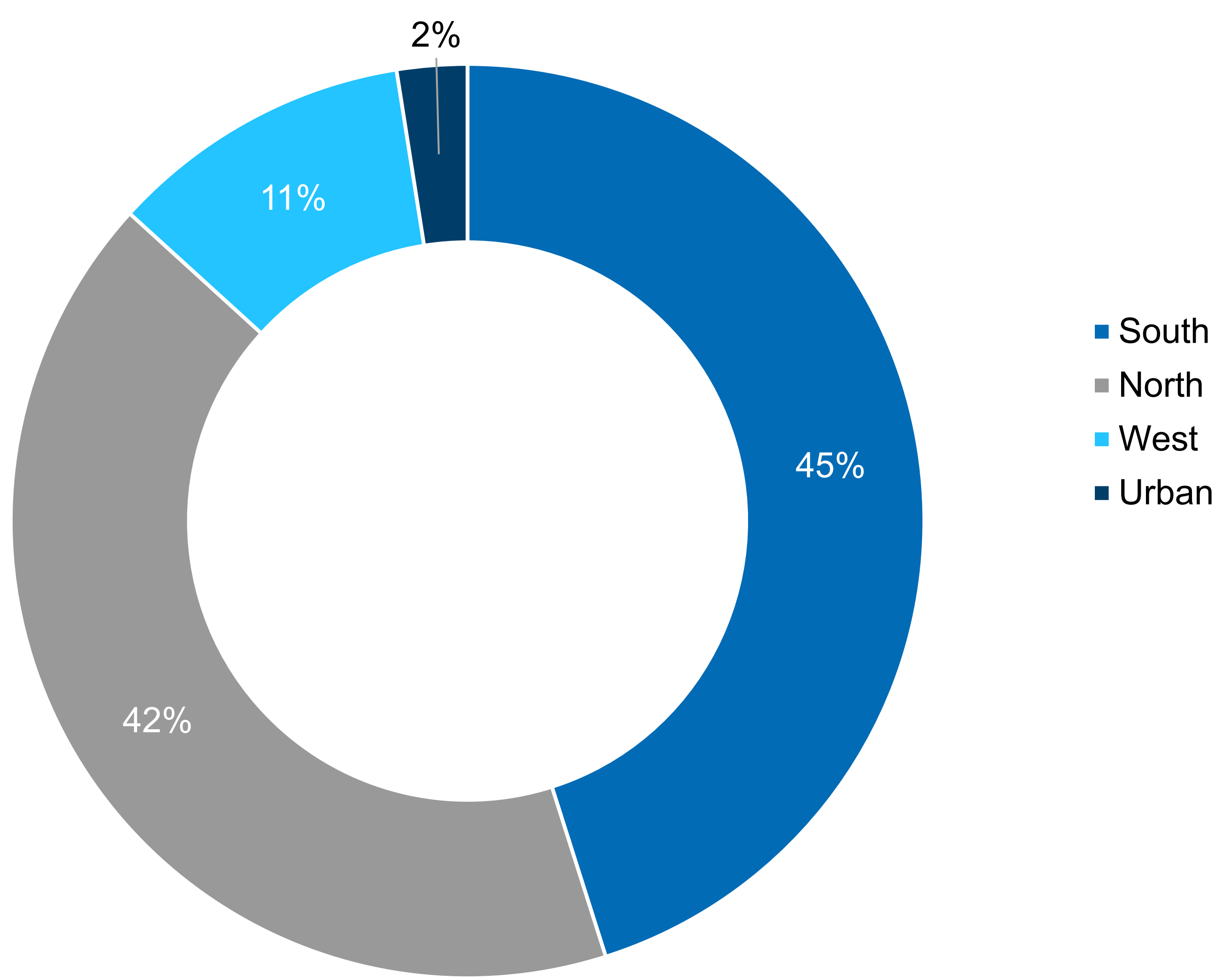
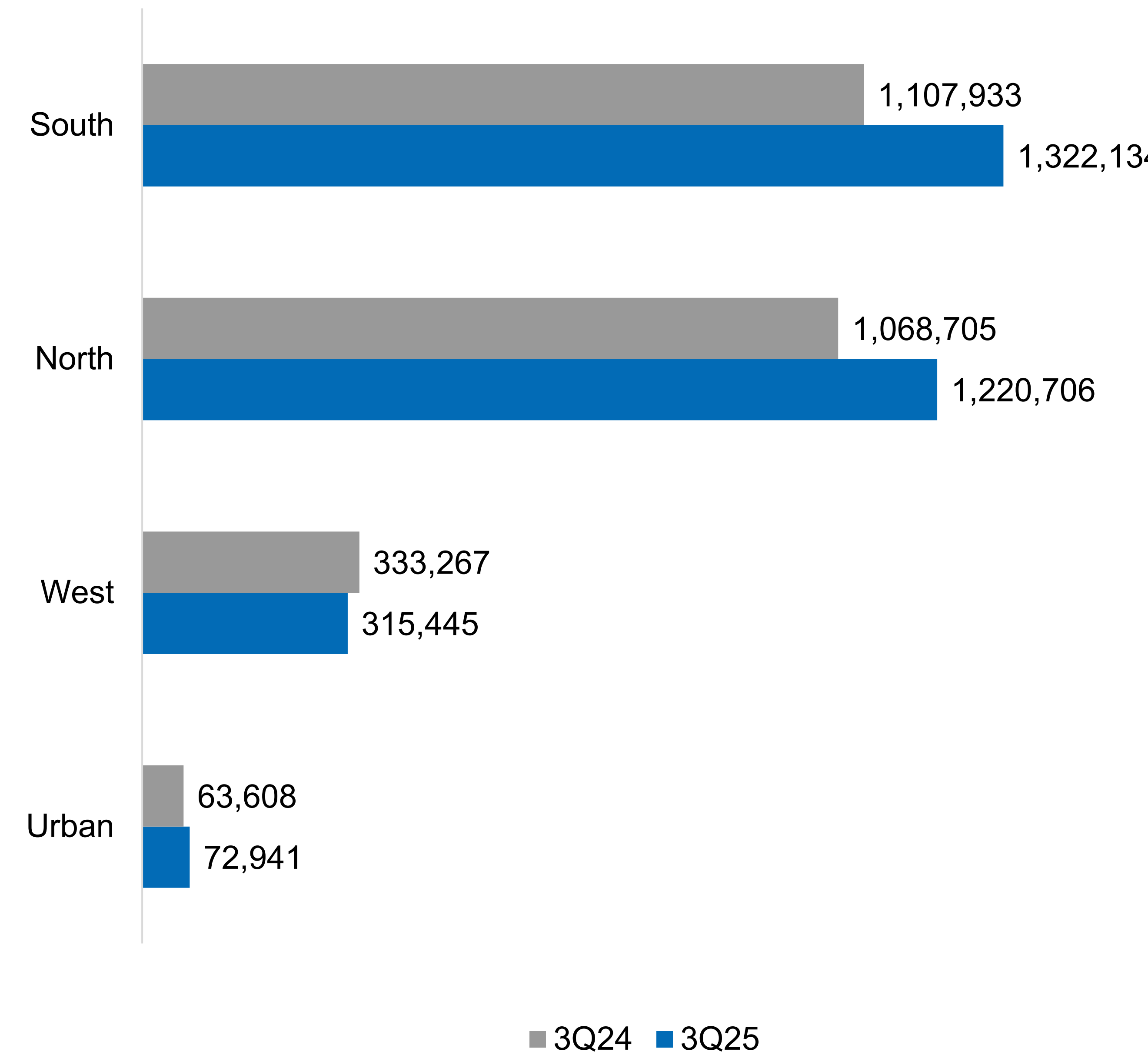
Sublease Inventory Concentrated in North and South, but Growth Patterns Vary

The North and South industrial submarkets continue to dominate Greater Boston's sublease inventory, accounting for approximately 87.0% of total market share. The Urban submarket, however, posted the second-highest year-over-year increase, with sublease availability rising 14.7% compared to the second quarter of 2024. In contrast, the West submarket was the only region to register a decline, with sublease inventory down 5.3% over the same period. These varied movements underscore the uneven impact of evolving tenant strategies across the region.

Available Sublease Space by Submarket



Available Sublease Space by Submarket Comparison (SF)

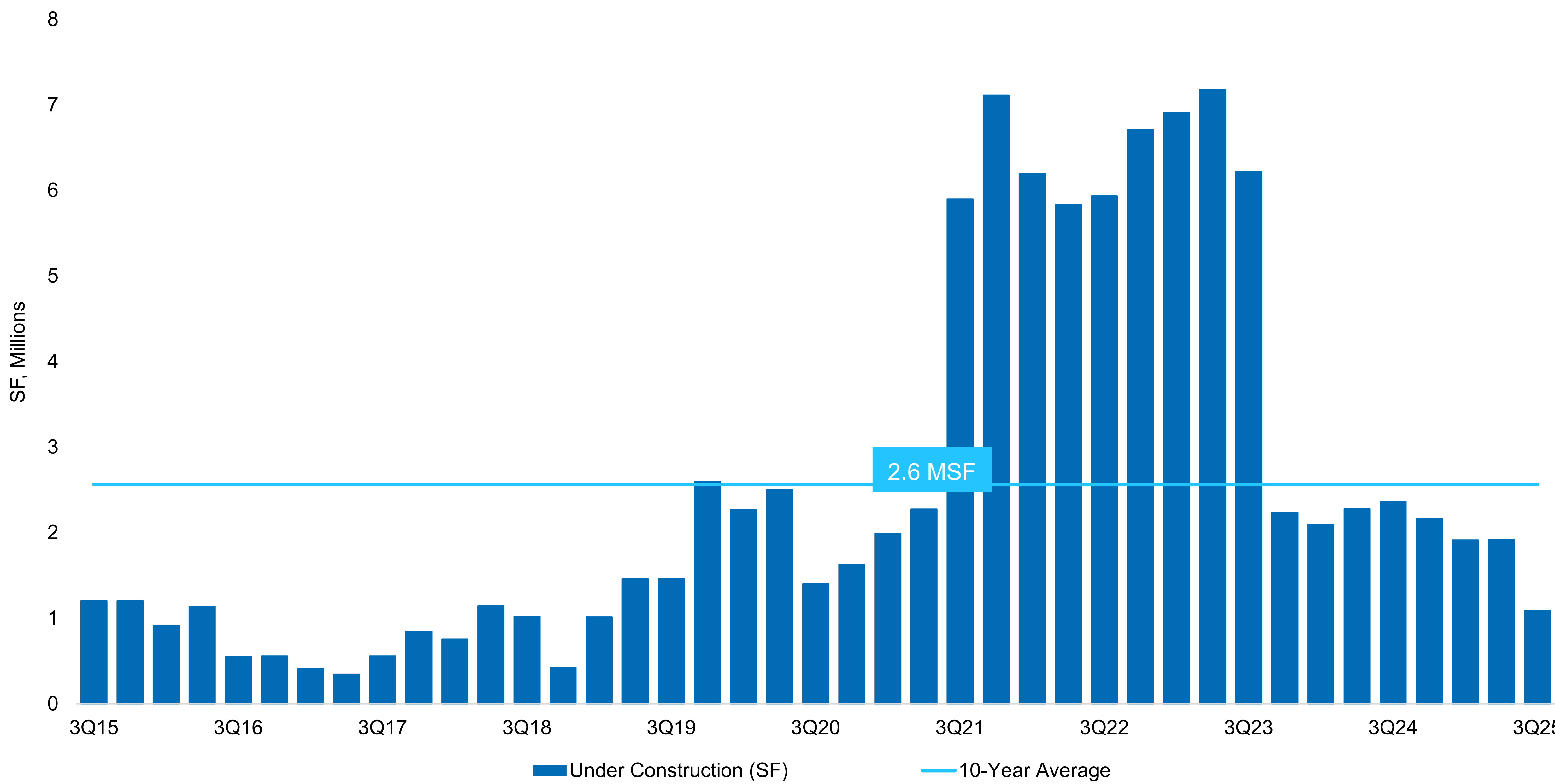


Source: Newmark Research, CoStar

New Supply Offers Fully Available Class A Inventory

Industrial deliveries across Greater Boston increased this quarter, with three completed projects totaling 828,765 square feet. The Munters build-to-suit represented the largest delivery, while the other two newly completed assets, along with all five projects currently in the pipeline, remain fully available. This elevated supply of Class A space offers tenants a wide array of modern, high-spec options, potentially supporting demand even as broader market headwinds continue.

Industrial Space Under Construction

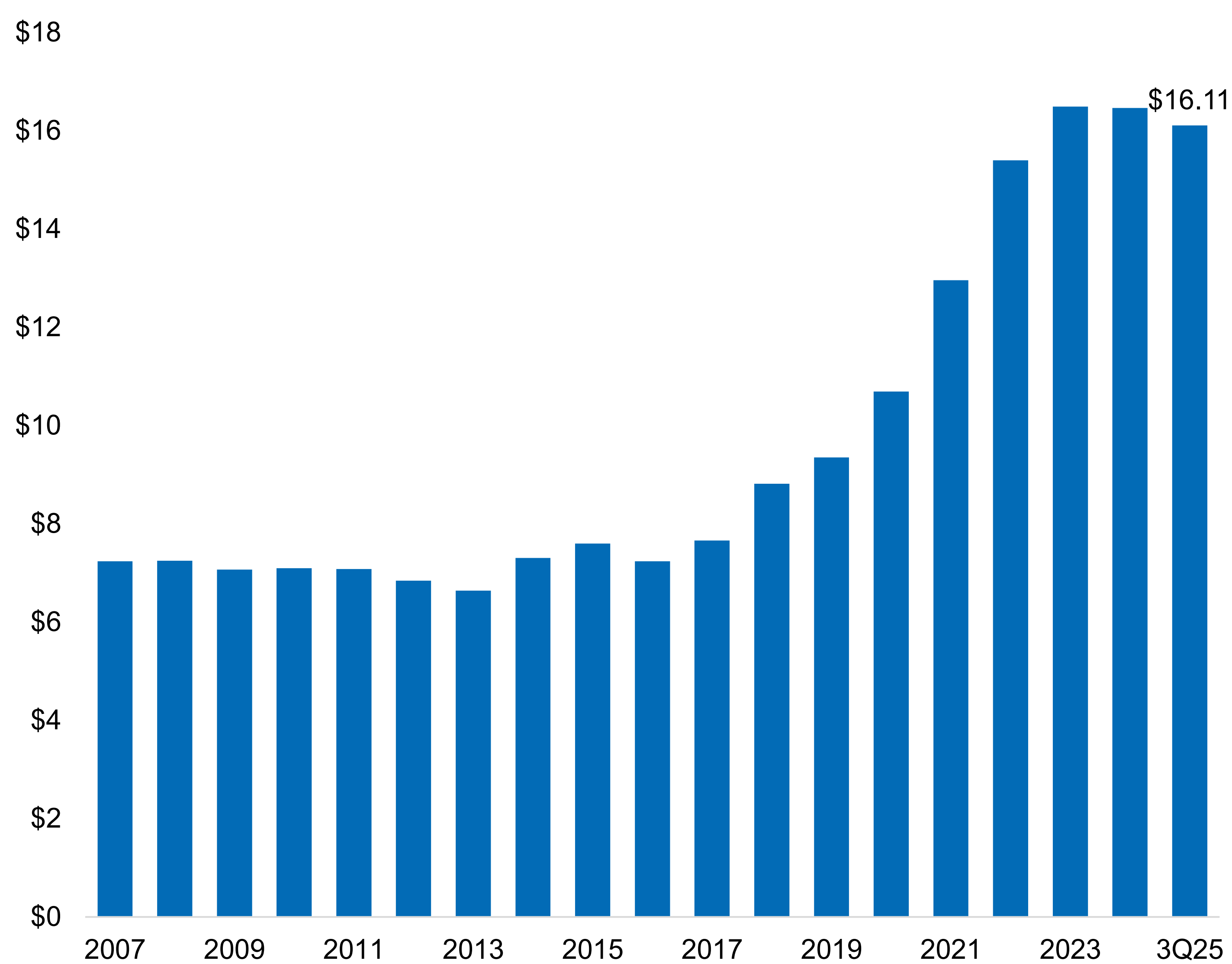


Source: Newmark Research, CoStar

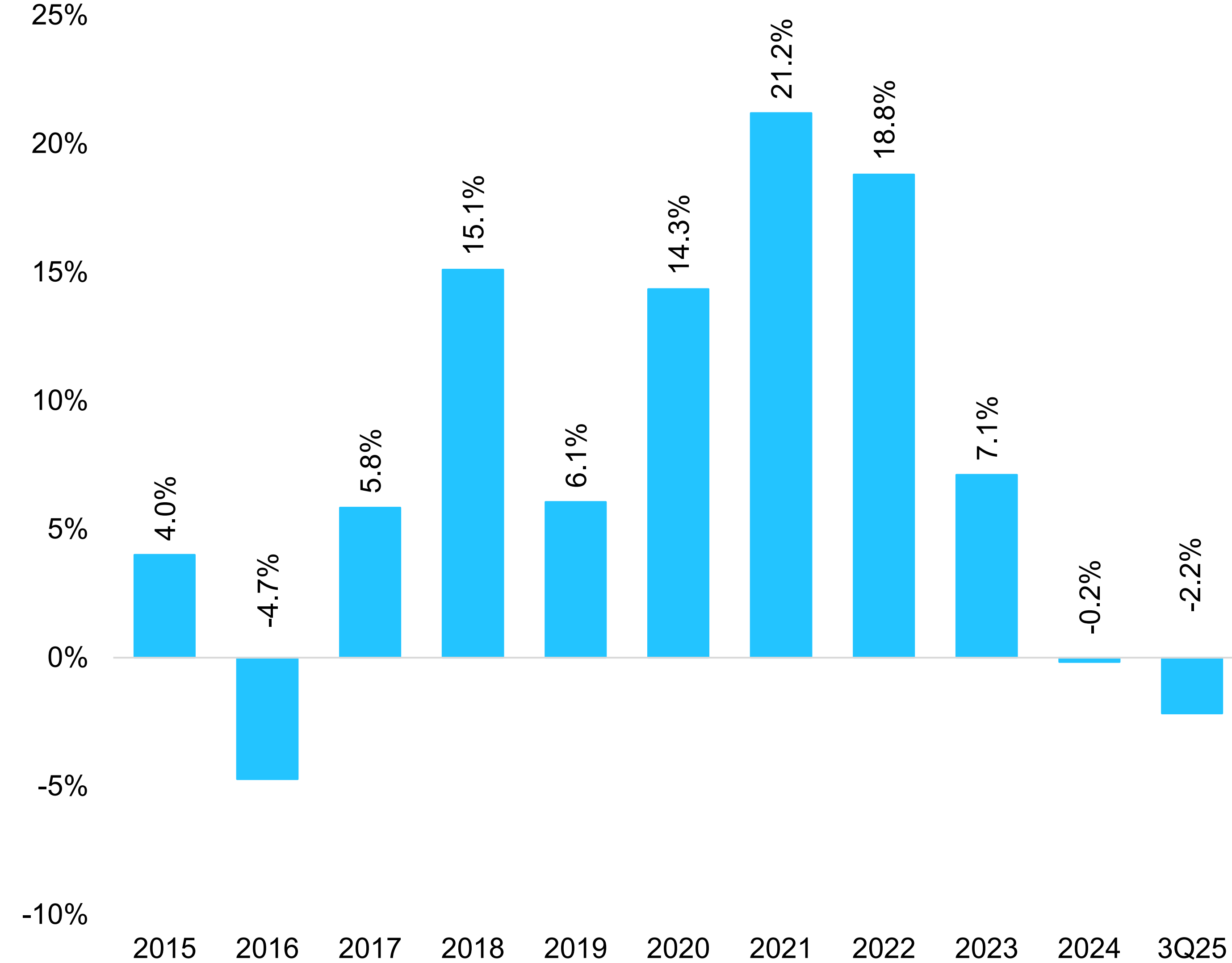
Pricing Plateau? Rent Growth Slows as Vacancy Remains Elevated

Average asking rents for industrial properties in the Greater Boston market rose modestly by 0.4%, following their first decline since the first quarter of 2024. Despite this uptick, rates remain below the historic peaks reached in 2023. Notably, the third quarter recorded the slowest year-over-year rent growth since 2013, suggesting a potential inflection point in pricing momentum. With vacancy rates persistently elevated, landlords appear increasingly measured in their approach to rent increases, prioritizing occupancy and tenant retention over aggressive pricing strategies.

Industrial Average Asking Rent, $/SF, NNN



Year-over-Year Asking Rent Growth Rate % Change

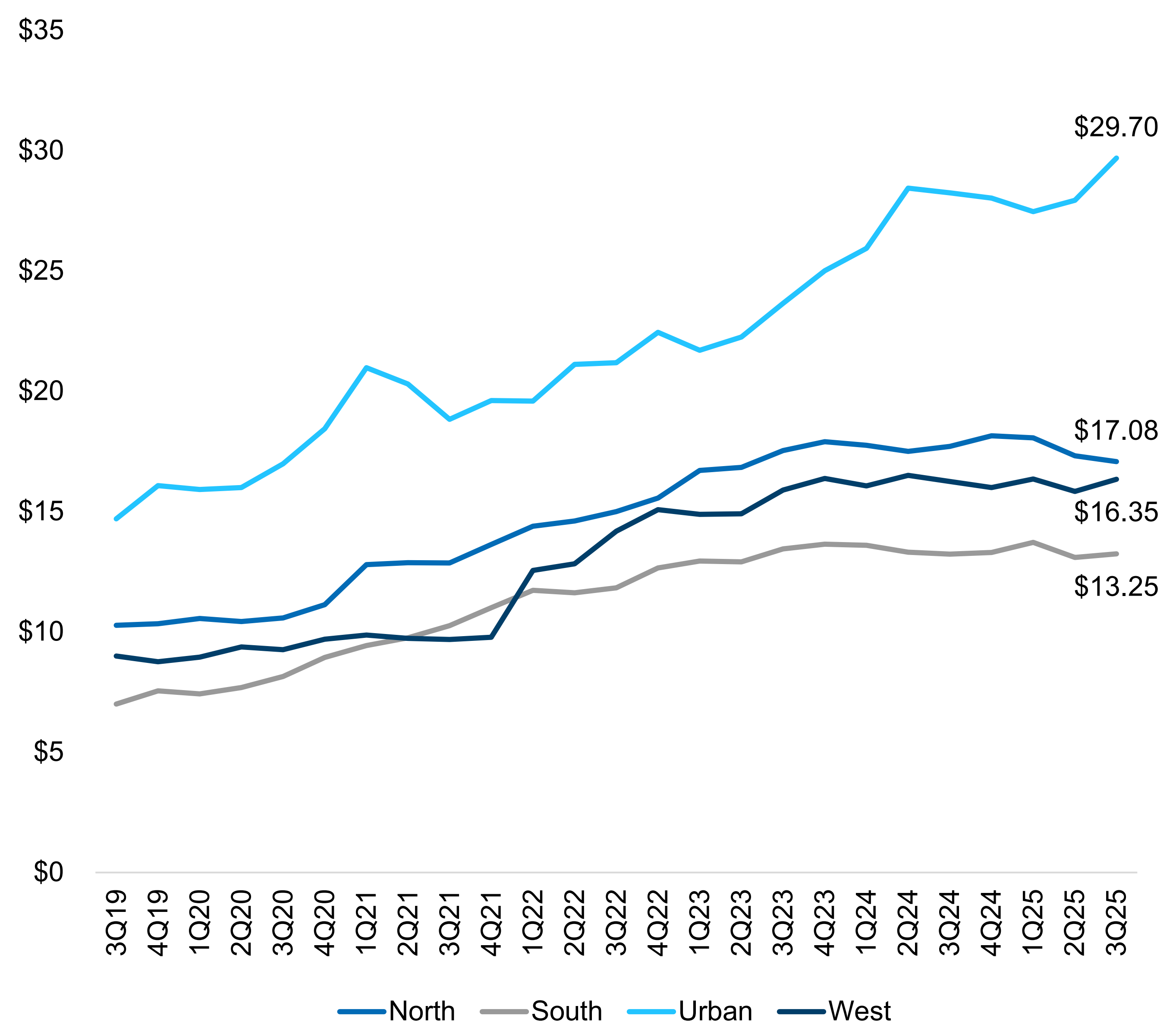


Source: Newmark Research, CoStar

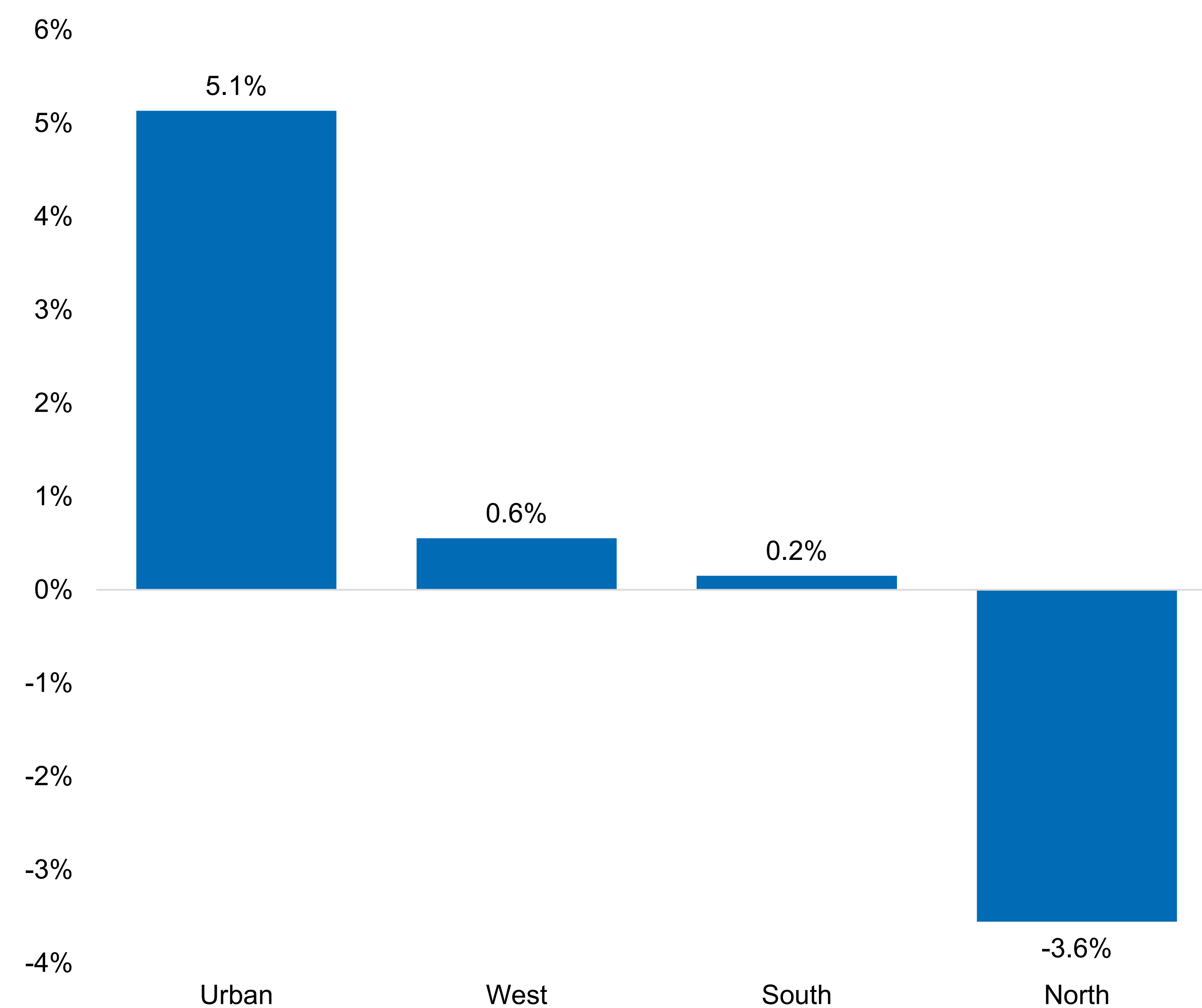
Industrial Rents Rise Despite Pockets of Weakness

Industrial properties across all Greater Boston submarkets recorded year-over-year increases in asking rents, except for the North submarket, which experienced a 3.6% decline. The Urban submarket led in both annual and quarterly growth, rising 6.3% from the second quarter of 2025, signaling localized resilience in core, supply-constrained areas. While recent trends point to some near-term softness, a six-year view underscores a steady upward trajectory in asking rents, reflecting sustained long-term demand for industrial space in the region.

Asking Rent ($/SF) by Submarket

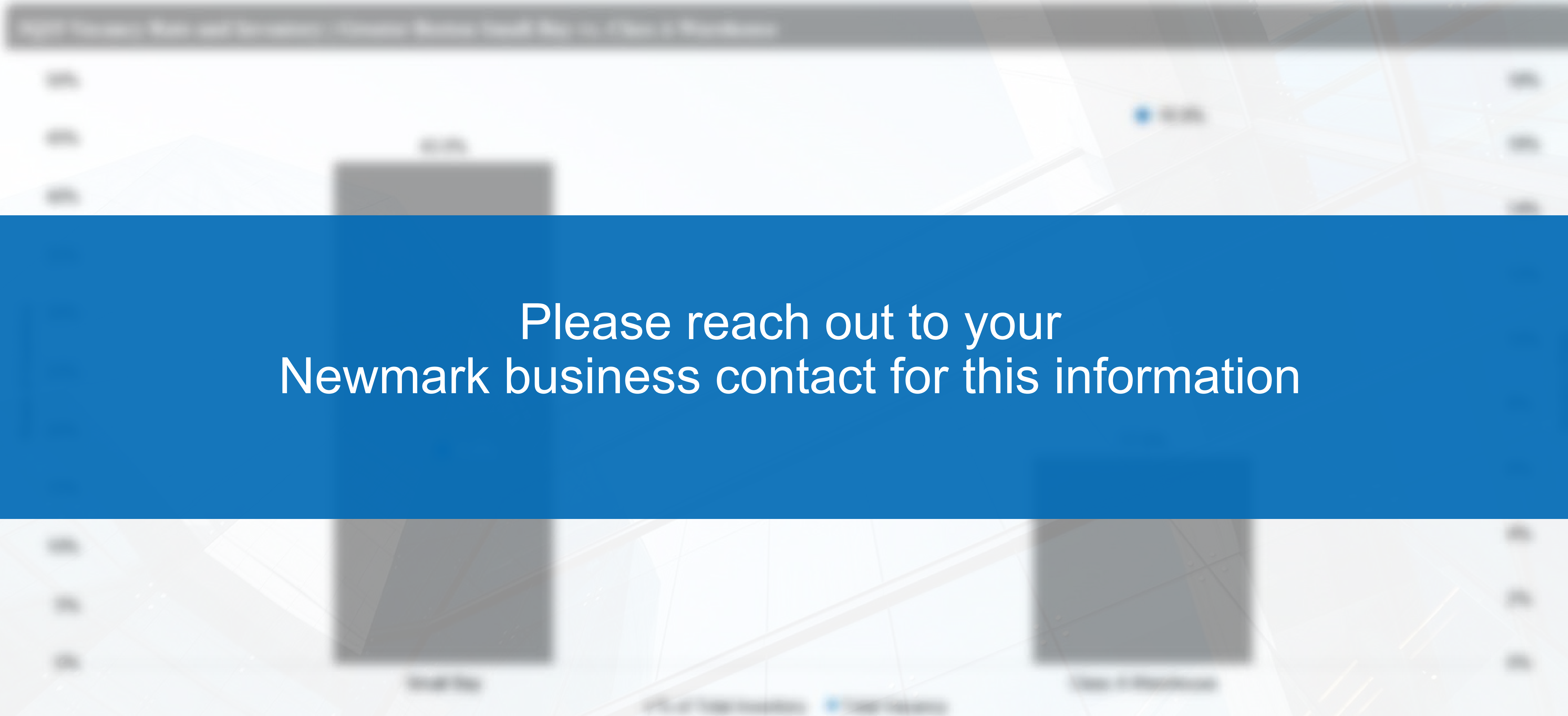


Year-over-Year Percent Change in Asking Rate



Source: Newmark Research

Vacancy Rates Reflect Size-Based Performance



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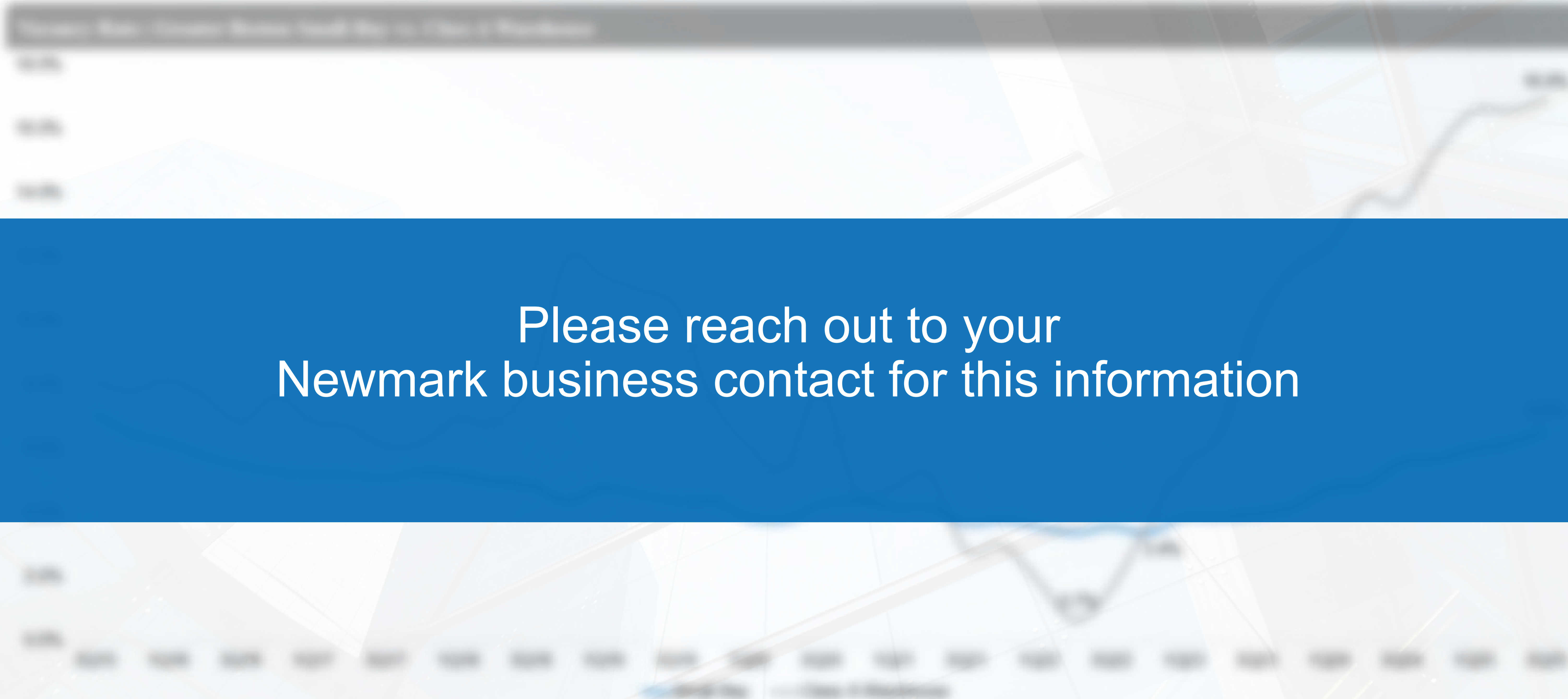
Small-Bay Vacancy Rate Outperforms Class A Warehouse in Greater Boston



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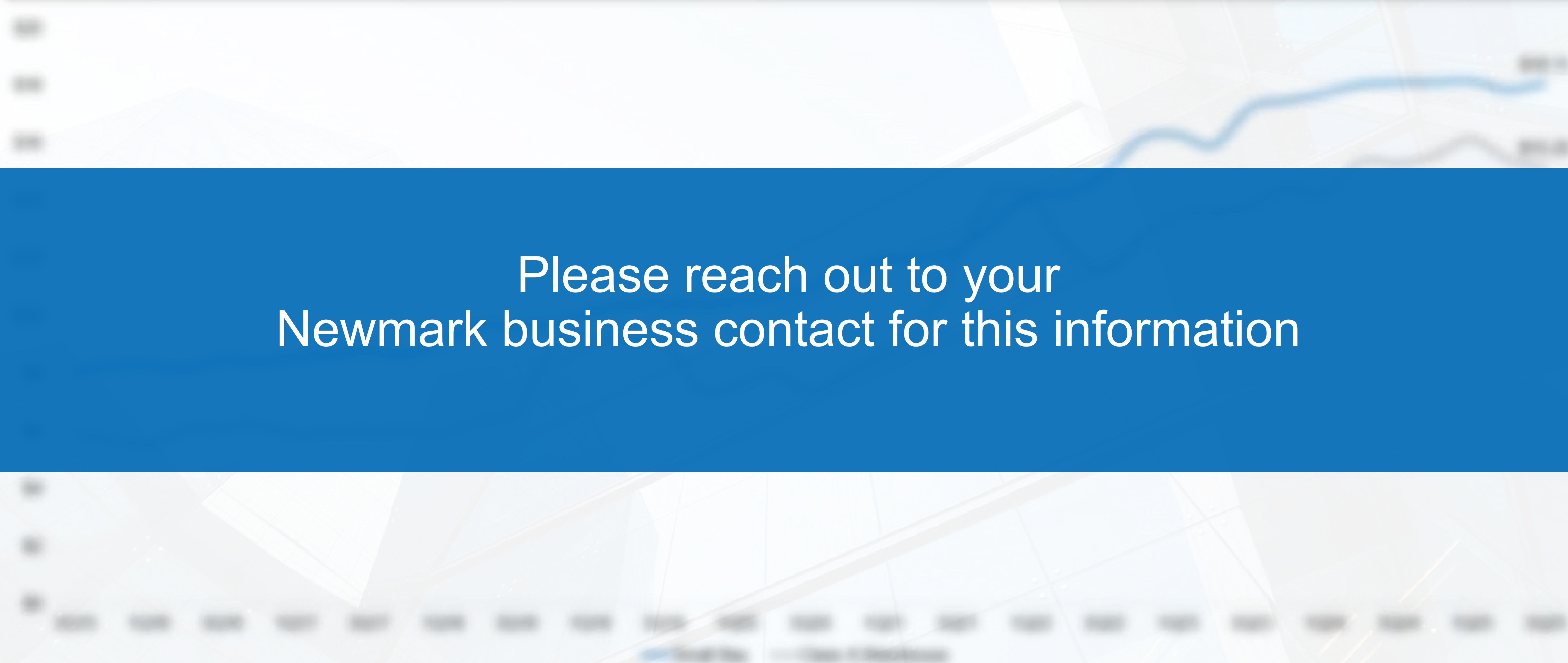
Widening Rent Gap Highlights Small-Bay Strength



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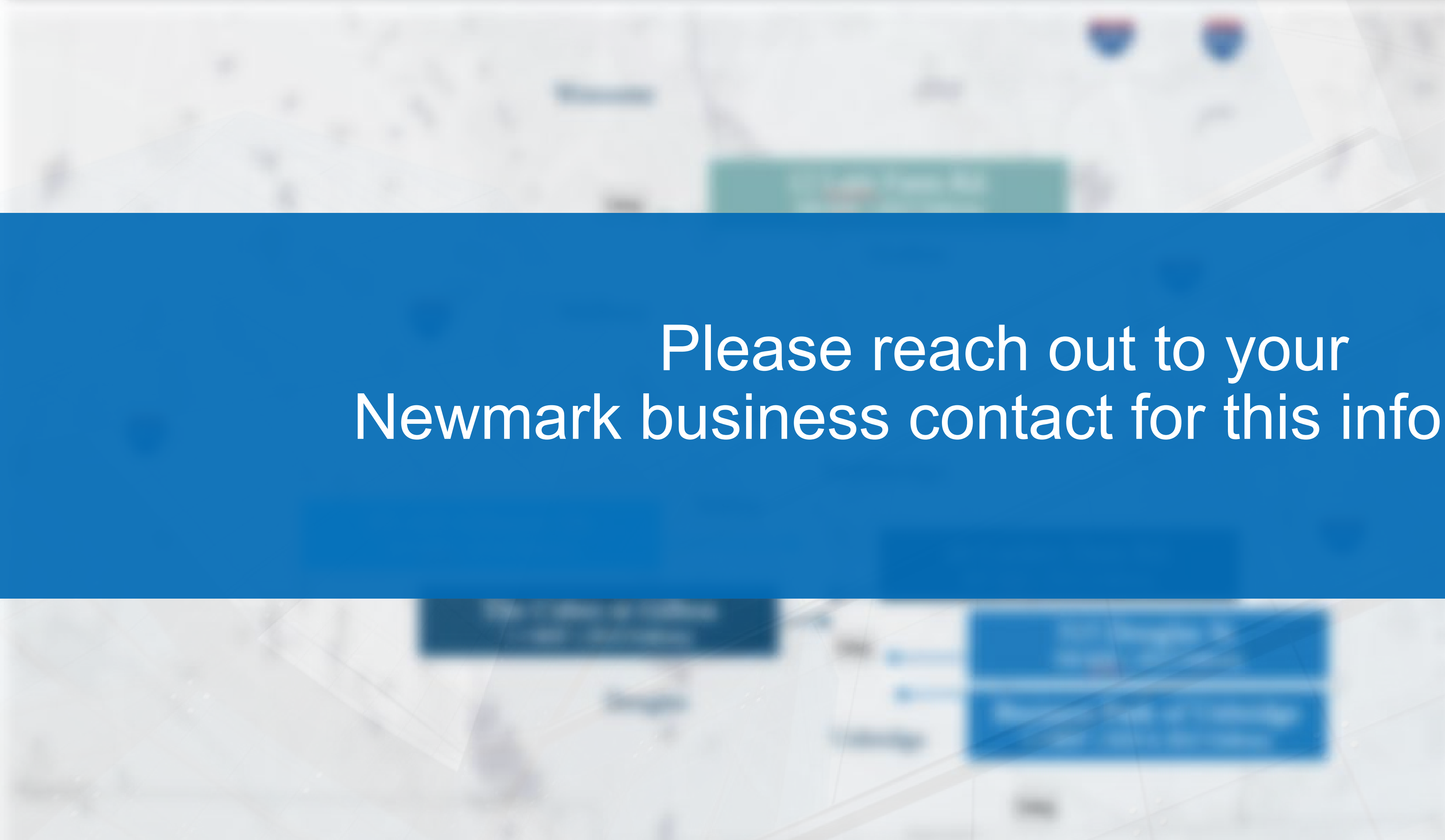
The Rise Of The Route 146 Corridor



9.1 MSF

$7.09/SF

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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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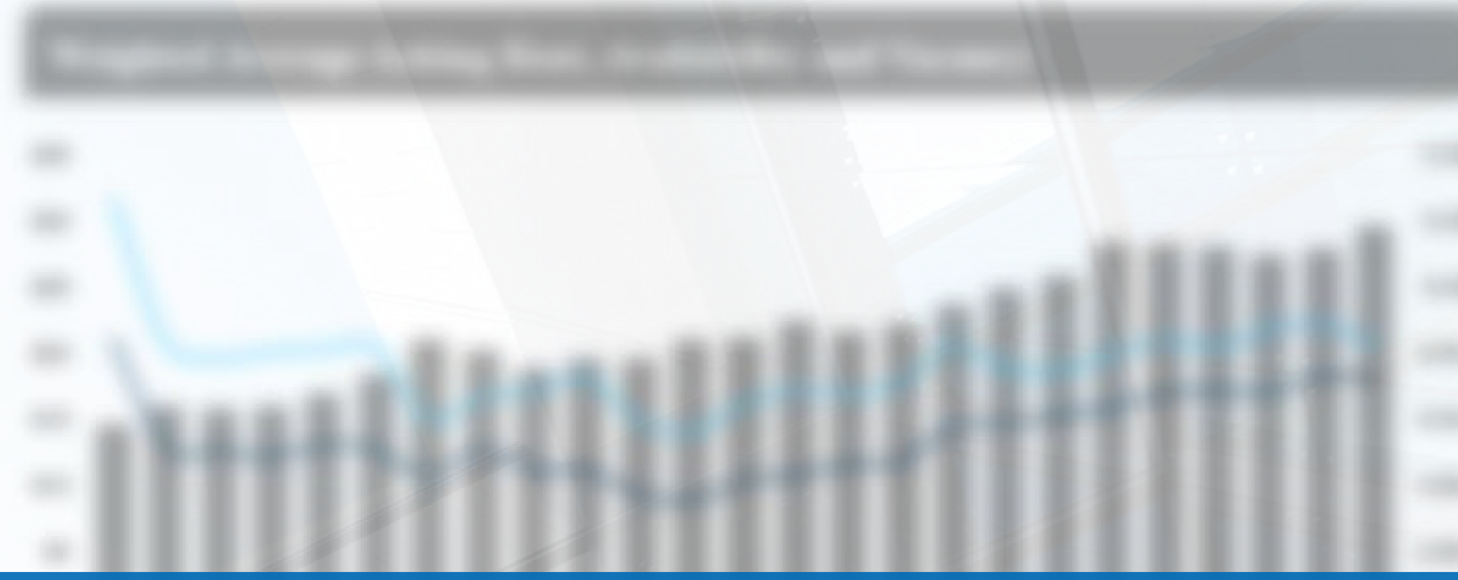
Urban Submarket Overview



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West Submarket Overview

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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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