
4Q24

Boston Industrial Market Overview



NEWMARK

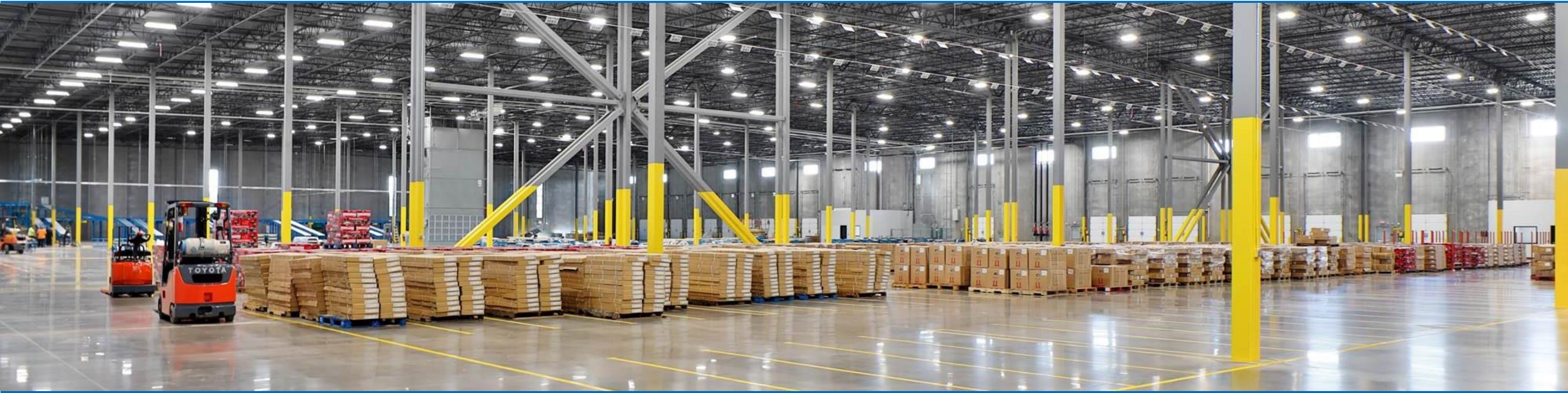
Market Observations

Despite below-average metro area unemployment, local job growth in most industrial-using sectors remained stable over the last 12 months.

Industrial vacancy rates for Metro Boston increased for the eleventh straight quarter, reaching a new historic high of 8.2% in the fourth quarter of 2024.

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

The Class A Warehouse subtype experienced limited leasing velocity as users remain focused on the smaller blocks of industrial space, resulting in 2024 recording the lowest leasing volume in the past 10 years.



Three new speculative Warehouse/Distribution projects delivered during the fourth quarter of 2024, totaling 651,333 SF across three industrial submarkets.

Few sizeable leases were executed this quarter, led by Sappi North America renewing for 261,982 SF at 66 Saratoga Blvd in Ayer.

Rent growth remained nearly flat on a quarter-over-quarter basis as asking rents continue to hover near historic highs.

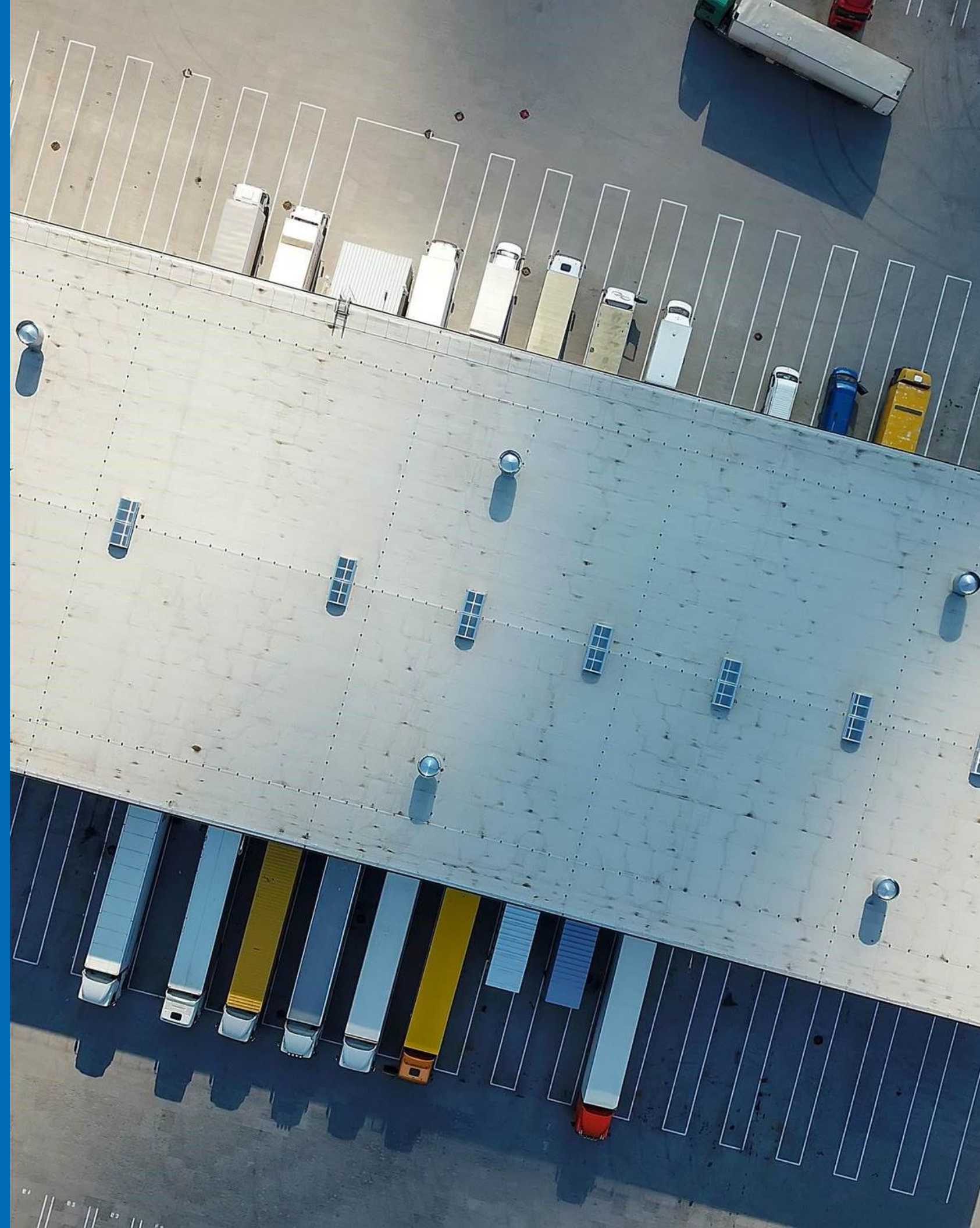
Recent legislation and increasing efforts to strengthen the state's clean energy infrastructure could help bolster local industrial market fundamentals.

This year marked the first year of negative net absorption since 2009, totaling 2.2 million square feet of negative net absorption.

1. Economy
2. Leasing Market Fundamentals
3. Submarket Overview

4Q24

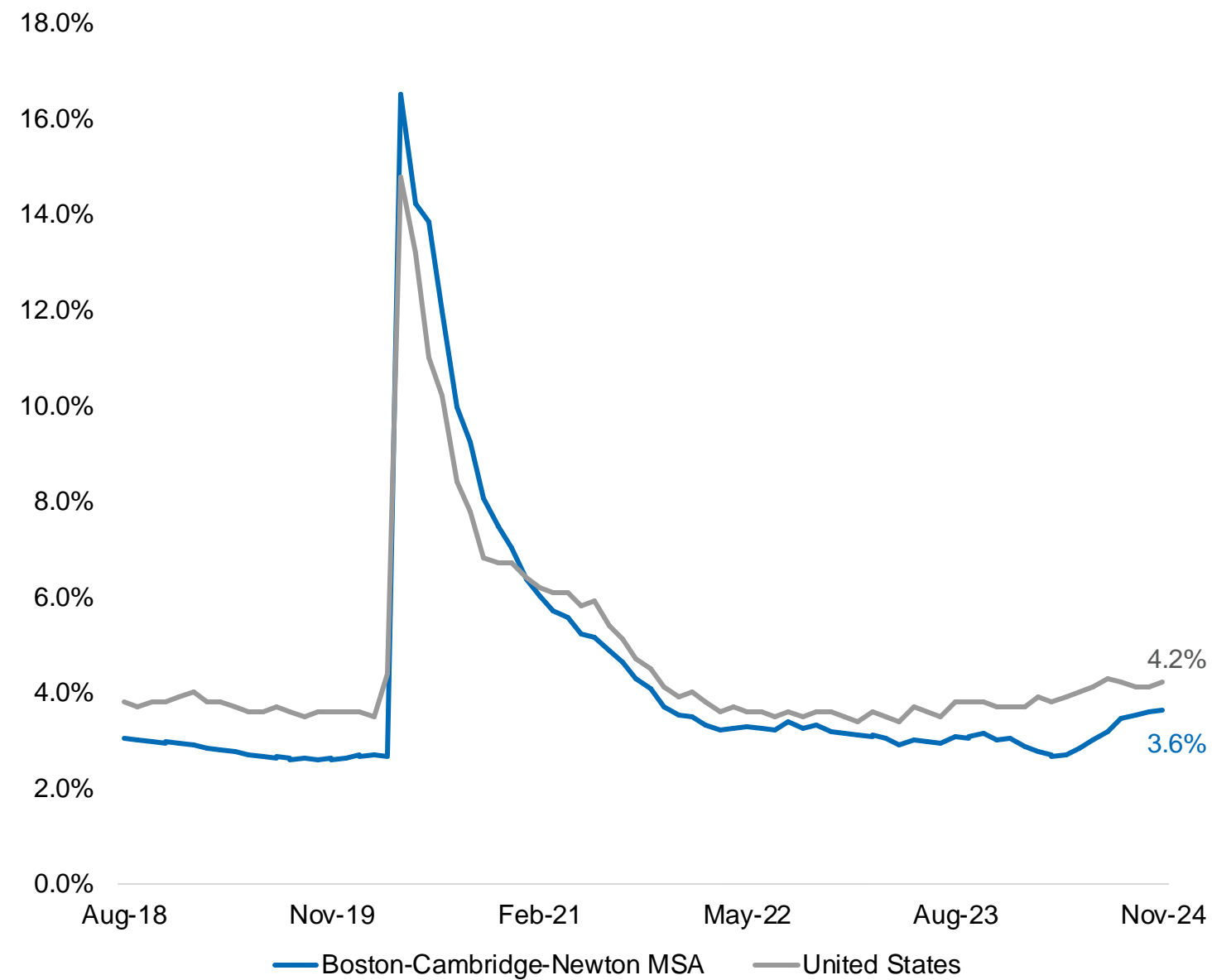
Economy



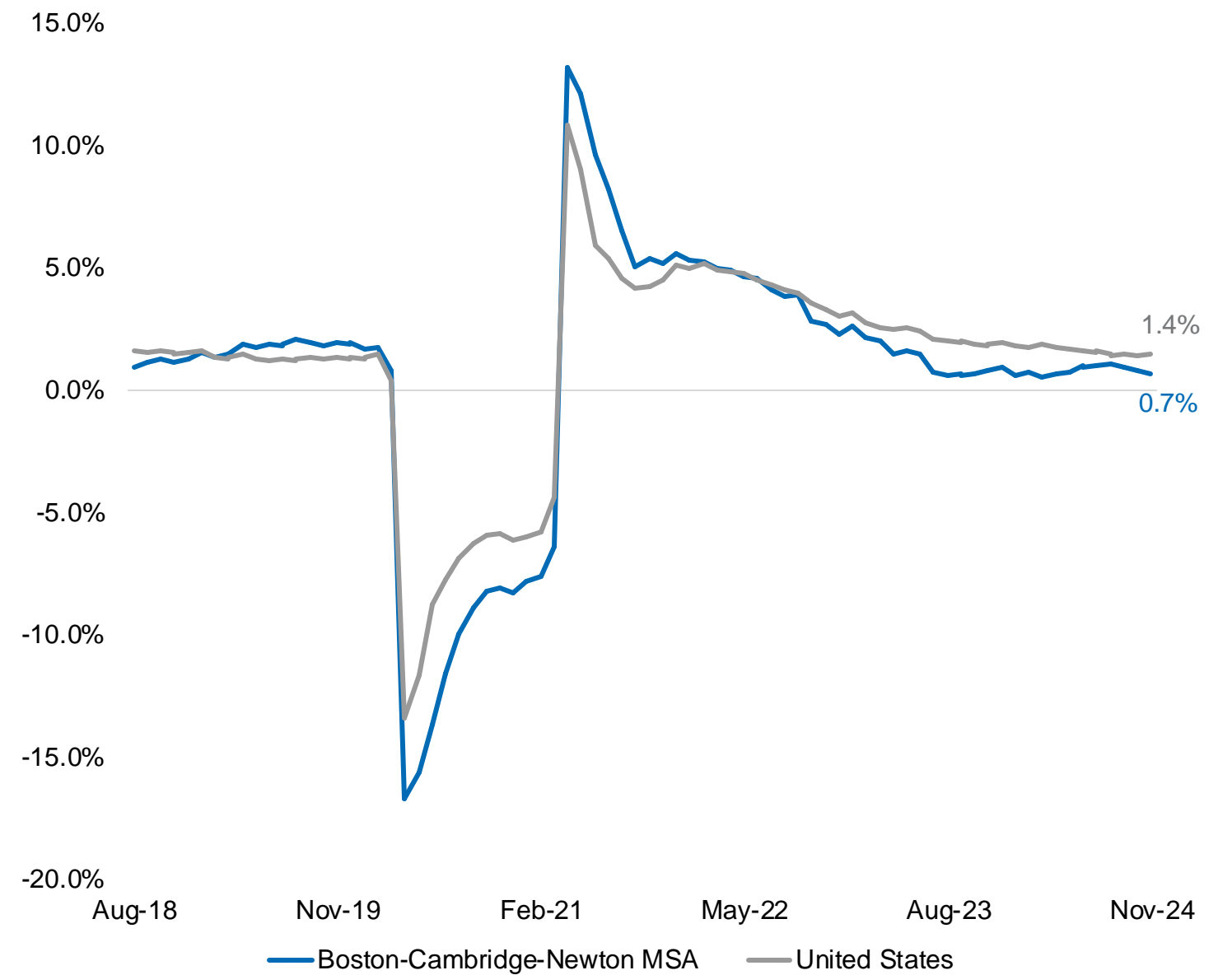
Impacts of Layoffs and Future Workforce Development

Greater Boston's unemployment rate is rising, reaching 3.6% in November, the highest level since 2022. Despite ongoing layoffs, the region's unemployment rate remains below the national average, suggesting a degree of resilience within the local economy, as businesses continue to adapt and seek talent in emerging sectors like AI, clean tech, etc.

Unemployment Rate, Seasonally Adjusted



Nonfarm Payroll Employment, Seasonally Adjusted, 12-Month % Change



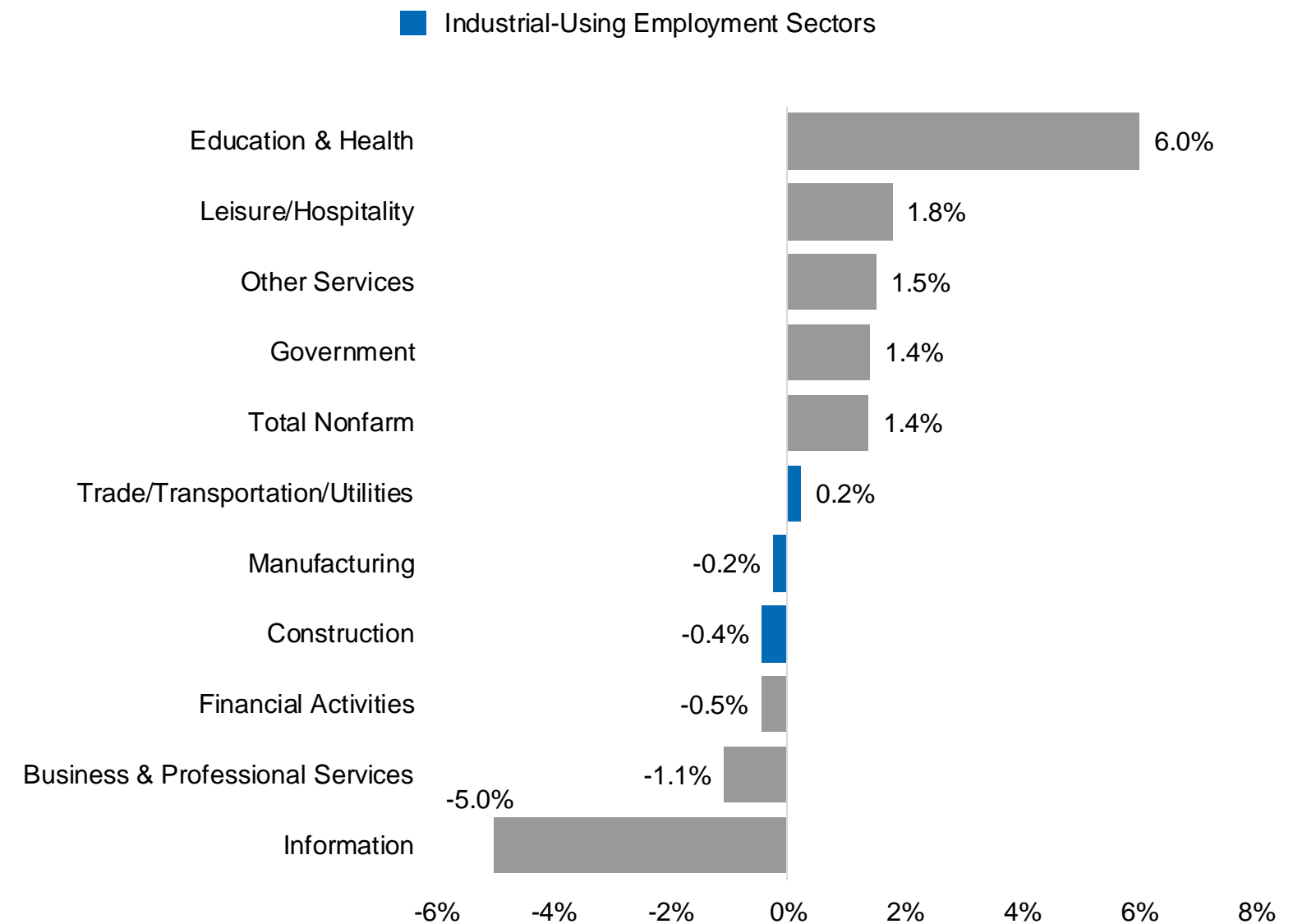
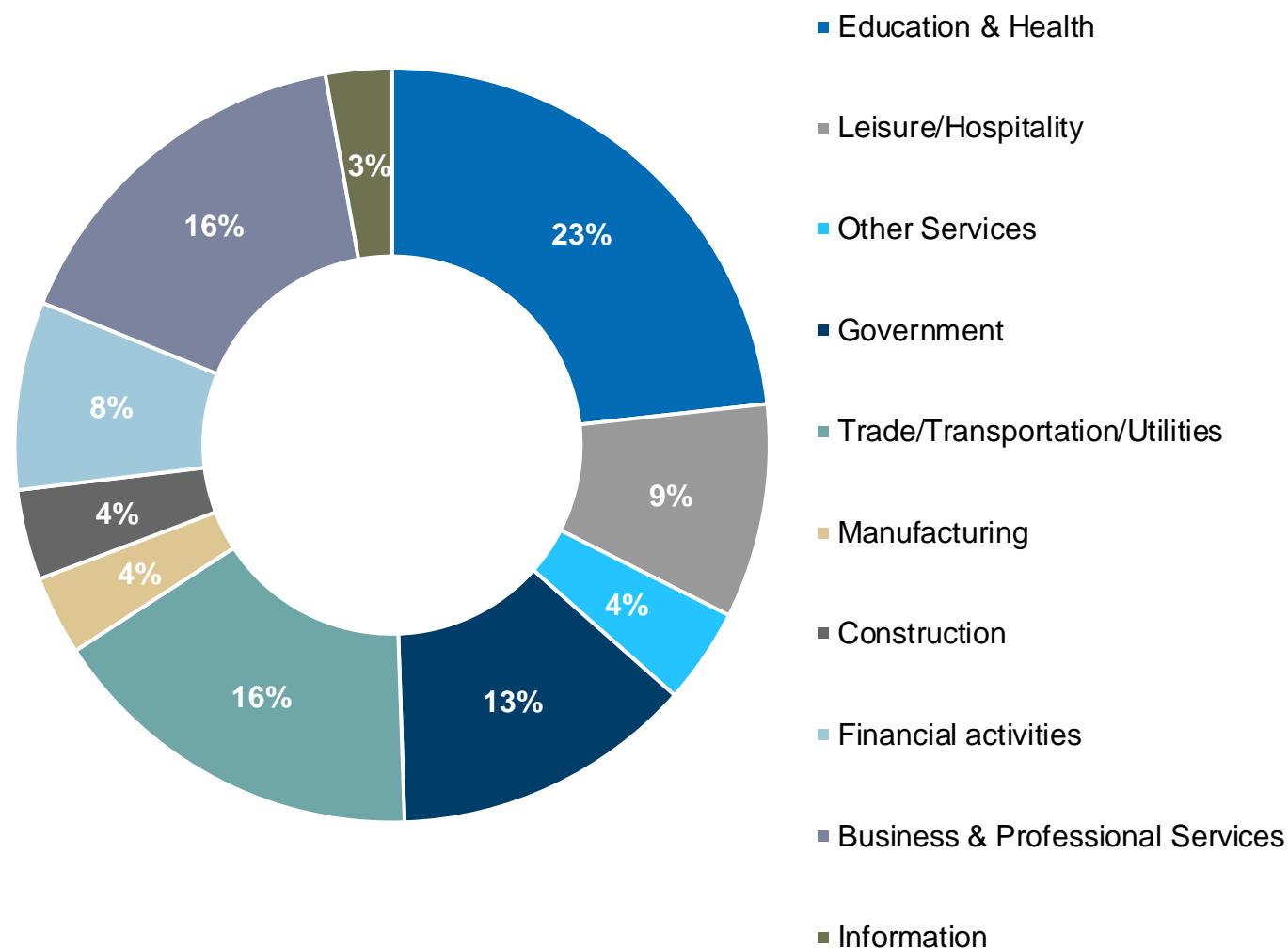
Source: Moody's Analytics, Boston-Cambridge-Newton, MA-NH MSA

Industrial Sector Shows Modest Decline Amid Limited Growth in Other Industries

Education & Health has overtaken the construction sector as the primary driver of annual employment growth in Greater Boston, while the information technology sector experienced a 5.0% decline in total employment over the last 12 months. The construction sector has experienced several quarters in a row of significant employment growth, so the 0.4% decline, while modest, stands out compared to prior quarters.

Employment by Industry, November 2024

Employment Growth by Industry, 12-Month % Change, November 2024



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

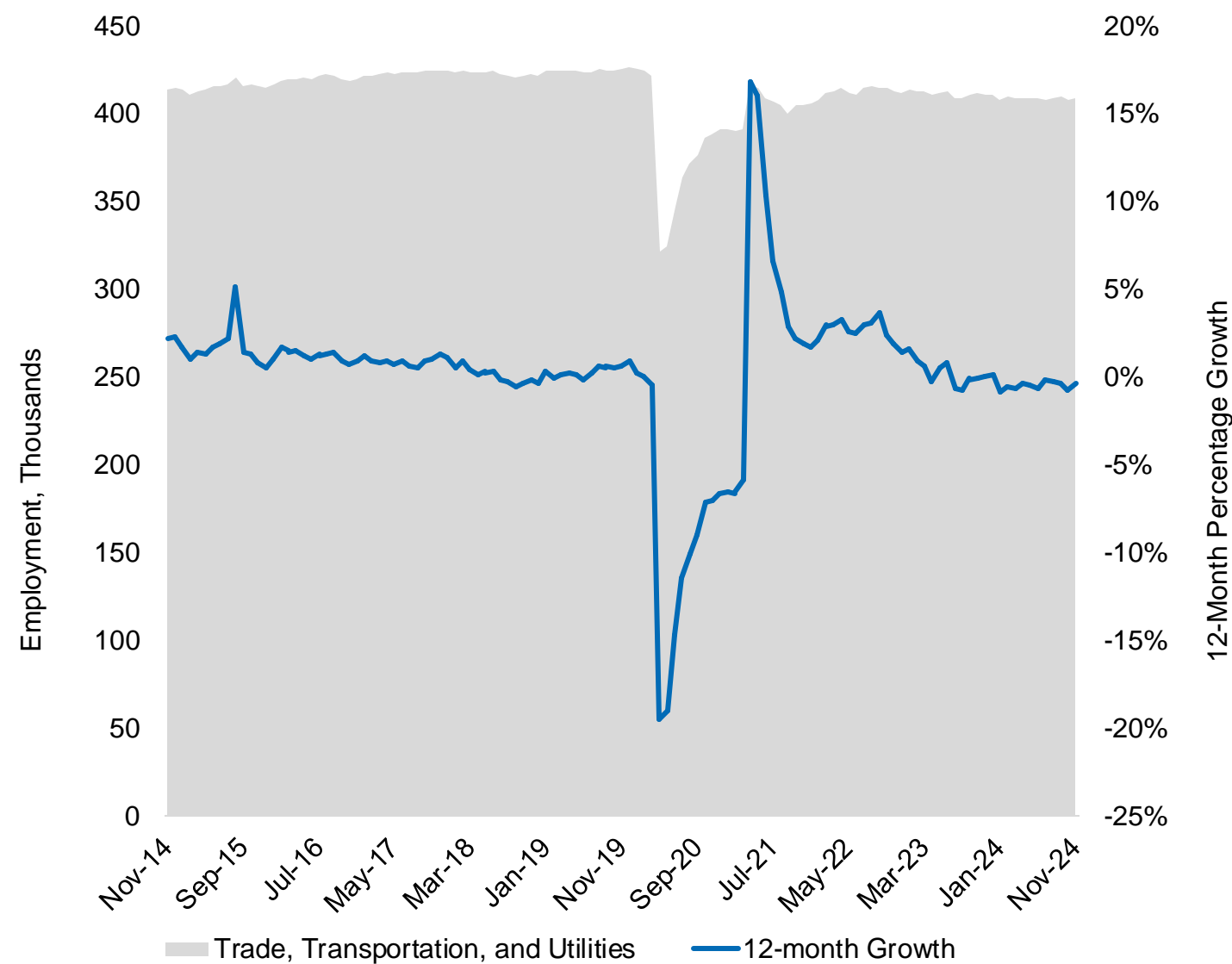
Note: August 2024 data is preliminary.

*Office-using employment includes employment in the following sectors: Professional & Business Services, Financial Activities and Information

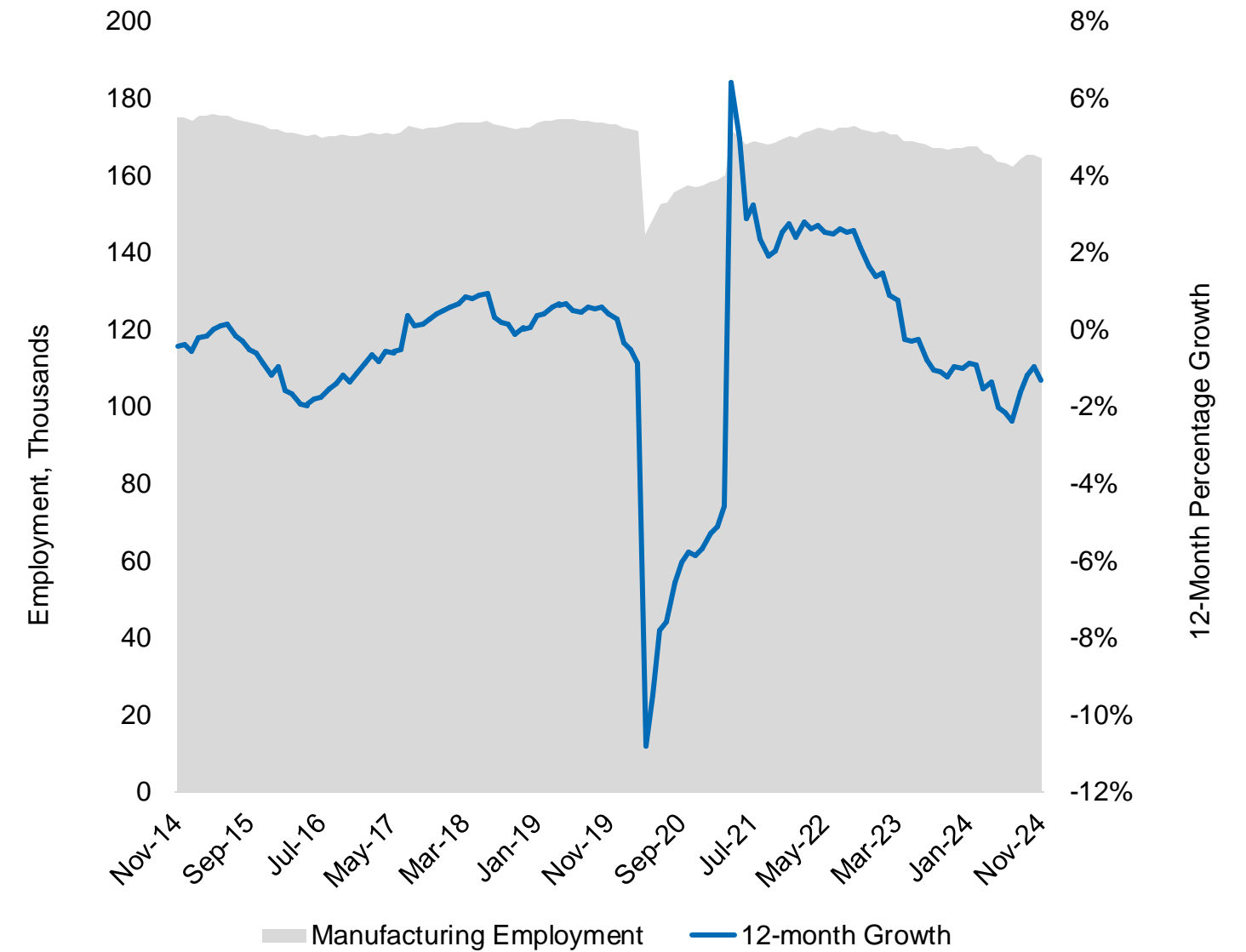
Manufacturing and Trade Sector Employment Growth Declines

The 12-month growth in the trade, transportation, and utilities sector continues to decline. Although it remains relatively flat overall, the fourth quarter recorded an average negative growth rate of 0.3%. Meanwhile, the manufacturing sector experienced further employment losses in November, highlighting ongoing constraints in skilled labor and a slowdown in demand. This divergence in sector performance underscores the varying impacts of economic conditions on different industries within the region.

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



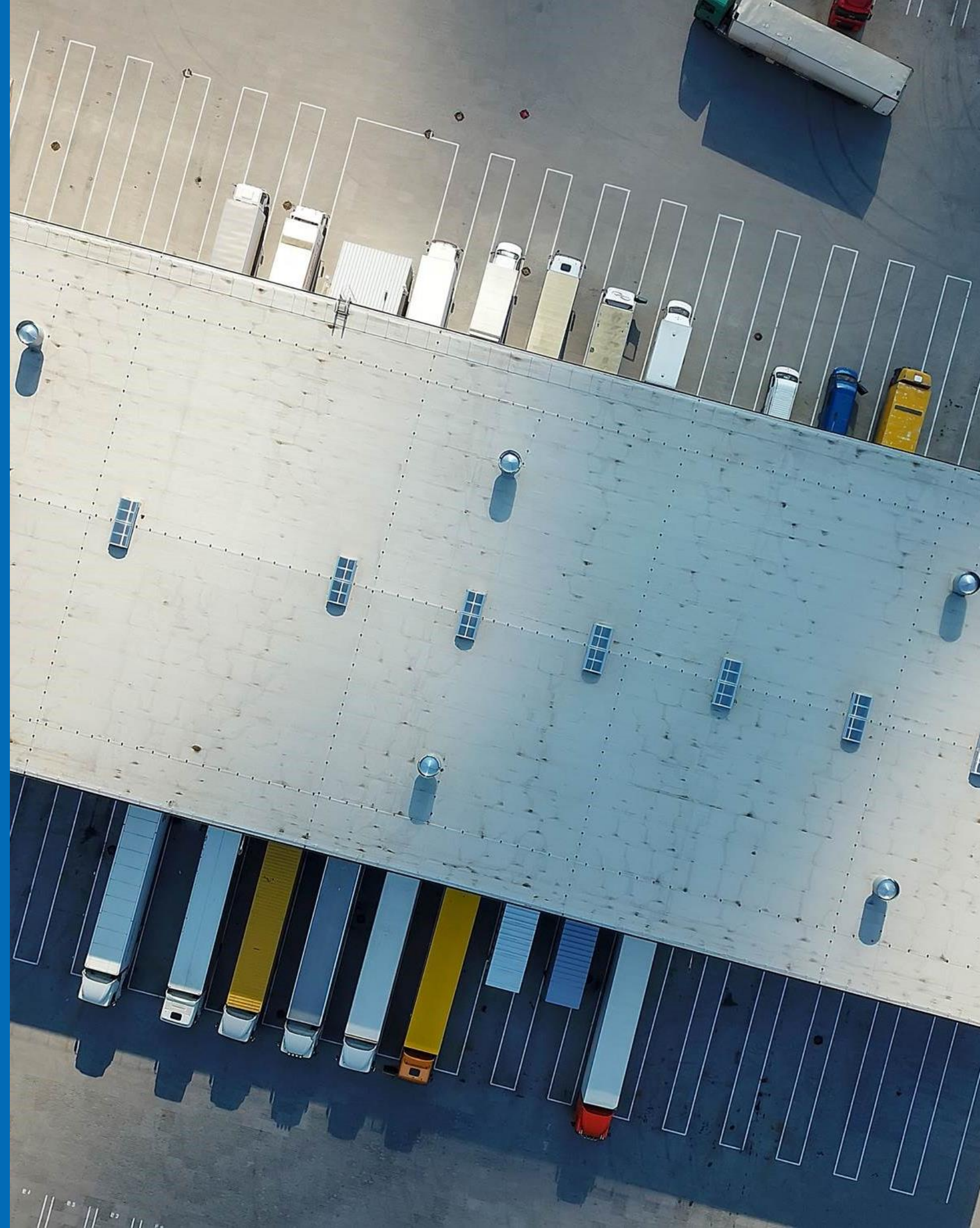
Total Employment and 12-Month Growth Rate, Manufacturing



Source: Moody's Analytics, Boston-Cambridge-Newton, MA-NH MSA
 Note: November 2024 data is preliminary.

4Q24

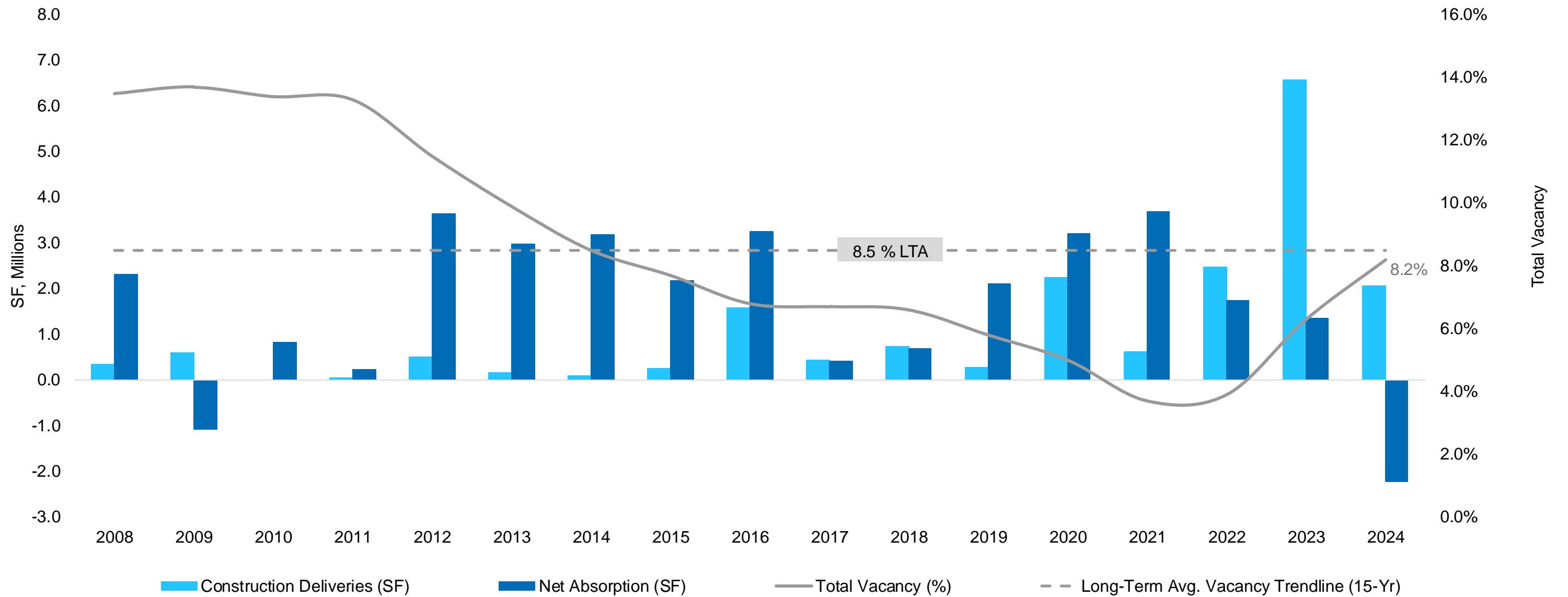
Leasing Market Fundamentals



Vacancy Rate Surge Amid Supply-Demand Imbalance

Market fundamentals in Greater Boston's industrial sector have continued to deteriorate, with vacancy rates increasing for the eleventh consecutive quarter, reaching a historic high of 8.2%. By the end of the fourth quarter of 2024, year-to-date negative net absorption amounted to 2.2 million square feet, marking the first year of negative net absorption since 2009. While the Urban submarket maintains structurally lower vacancies and above-average pricing, it is not immune to trends impacting the larger region.

Historical Construction Deliveries, Net Absorption, and Vacancy

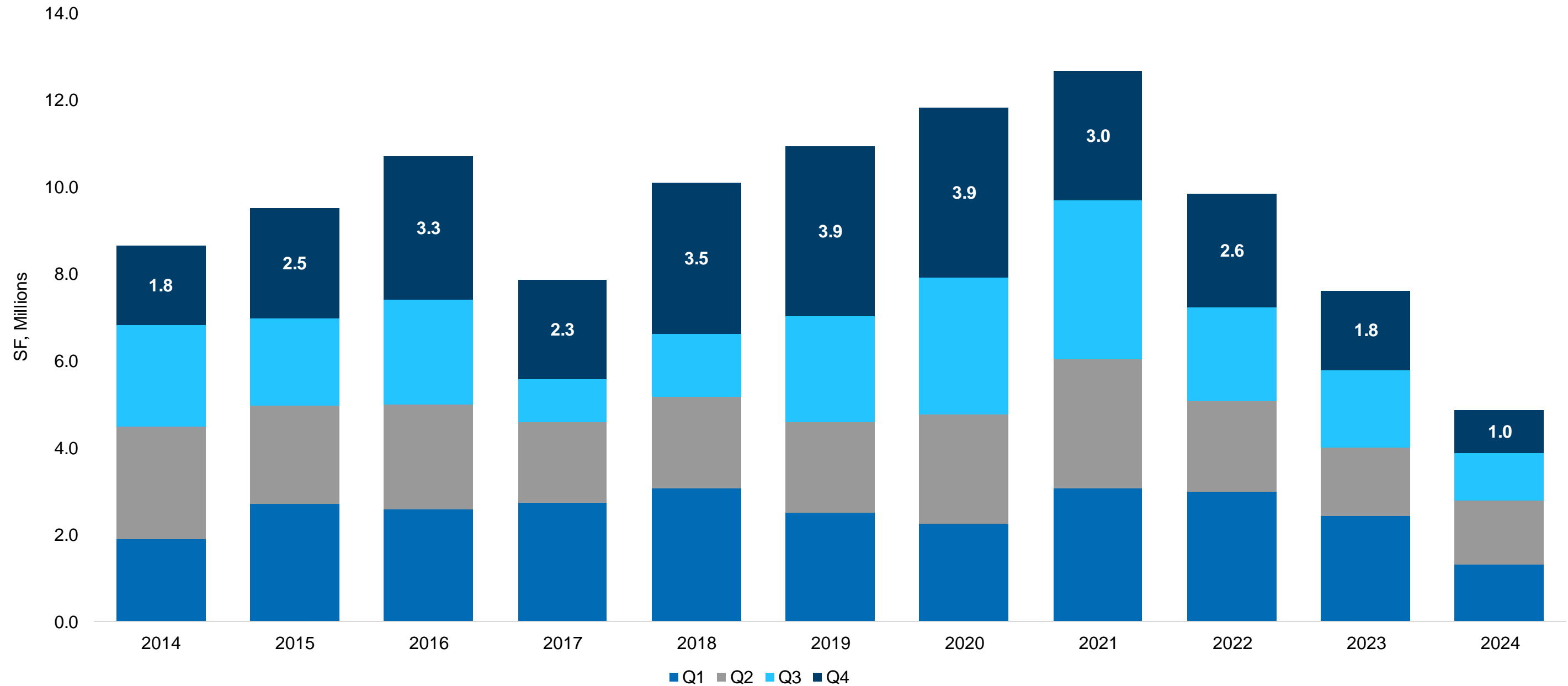


Source: Newmark Research

Leasing Activity Hits Historic Low as Smaller Users Continue to Dominate

Leasing activity in the fourth quarter of 2024 has reached a new record low, declining by 45.5% year-over-year. Within the limited transactions observed, mid-sized users have exhibited the highest activity, with an average lease size of 61,000 SF. This trend underscores a growing preference for flexibility among smaller businesses, which are increasingly seeking spaces that adapt to their evolving operational requirements in response to current economic conditions.

Total Leasing Activity (SF)

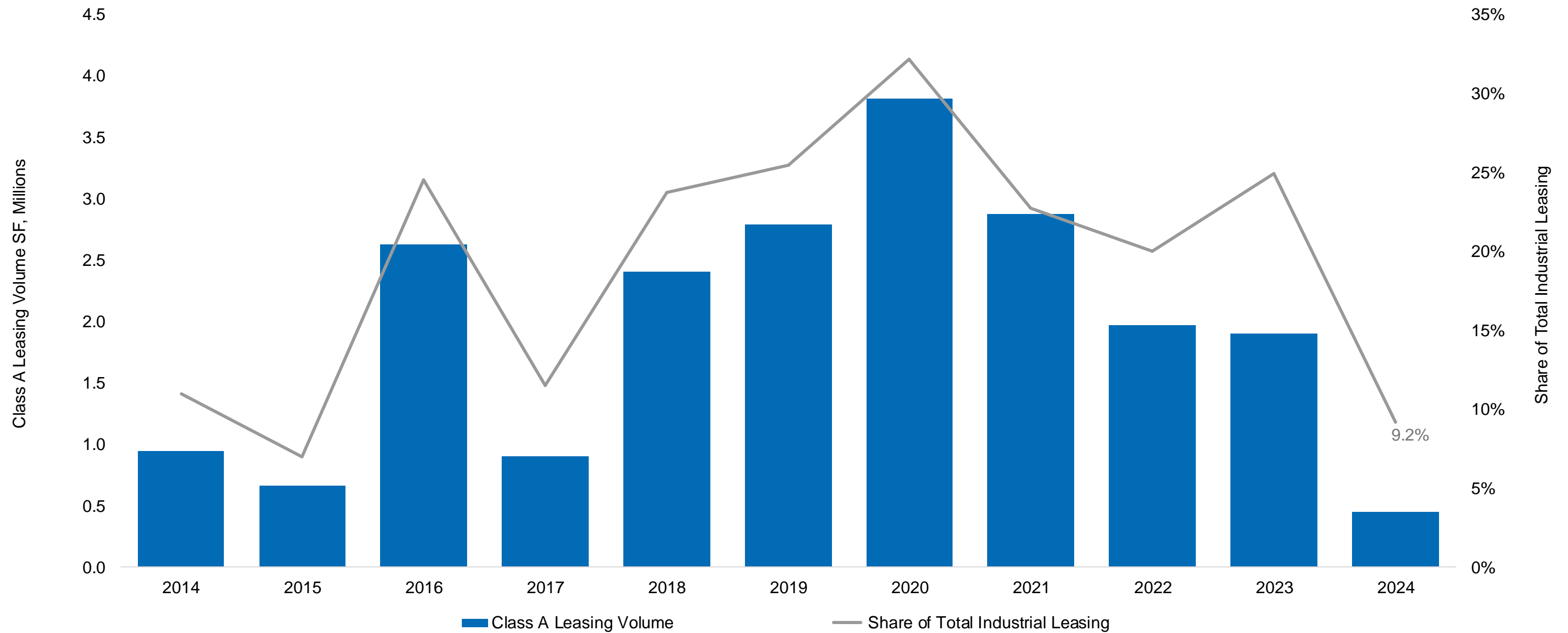


Source: Newmark Research, CoStar

Reduced Activity in Class A Warehouse Leasing in 2024

Tenant preferences for spaces under 150,000 square feet have led to a deceleration in leasing activity within Greater Boston's Class A warehouse market, which ended the fourth quarter of 2024 below historical norms. Throughout the year, transactions involving Class A warehouse space represented only 9.2% of the total market activity in the metro area. This trend indicates a sustained shift in demand towards smaller, more flexible spaces that better align with evolving tenant operational strategies.

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



Source: Newmark Research, CoStar



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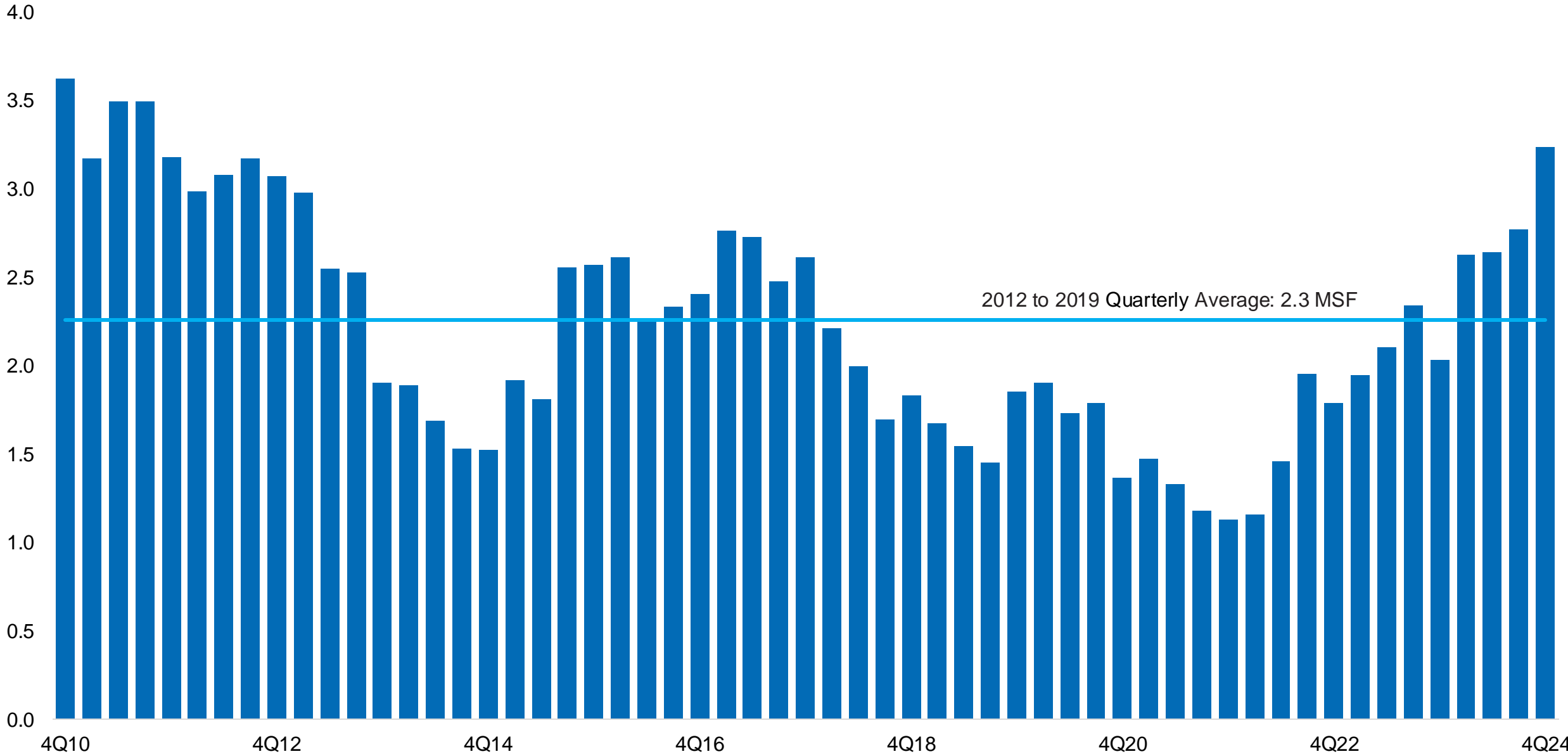


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Industrial Sublease Availability Increased for a Fifth Consecutive Quarter

Sublease availability in the Greater Boston industrial market surged to 3.2 MSF during the fourth quarter of 2024, marking the highest level since 2011. Although sublease offerings remain above the metro area’s long-term average, current levels are still significantly below the peak inventories observed in the aftermath of the Great Financial Crisis (2010-2013).

Available Industrial Sublease Volume (msf)



Source: Newmark Research, CoStar

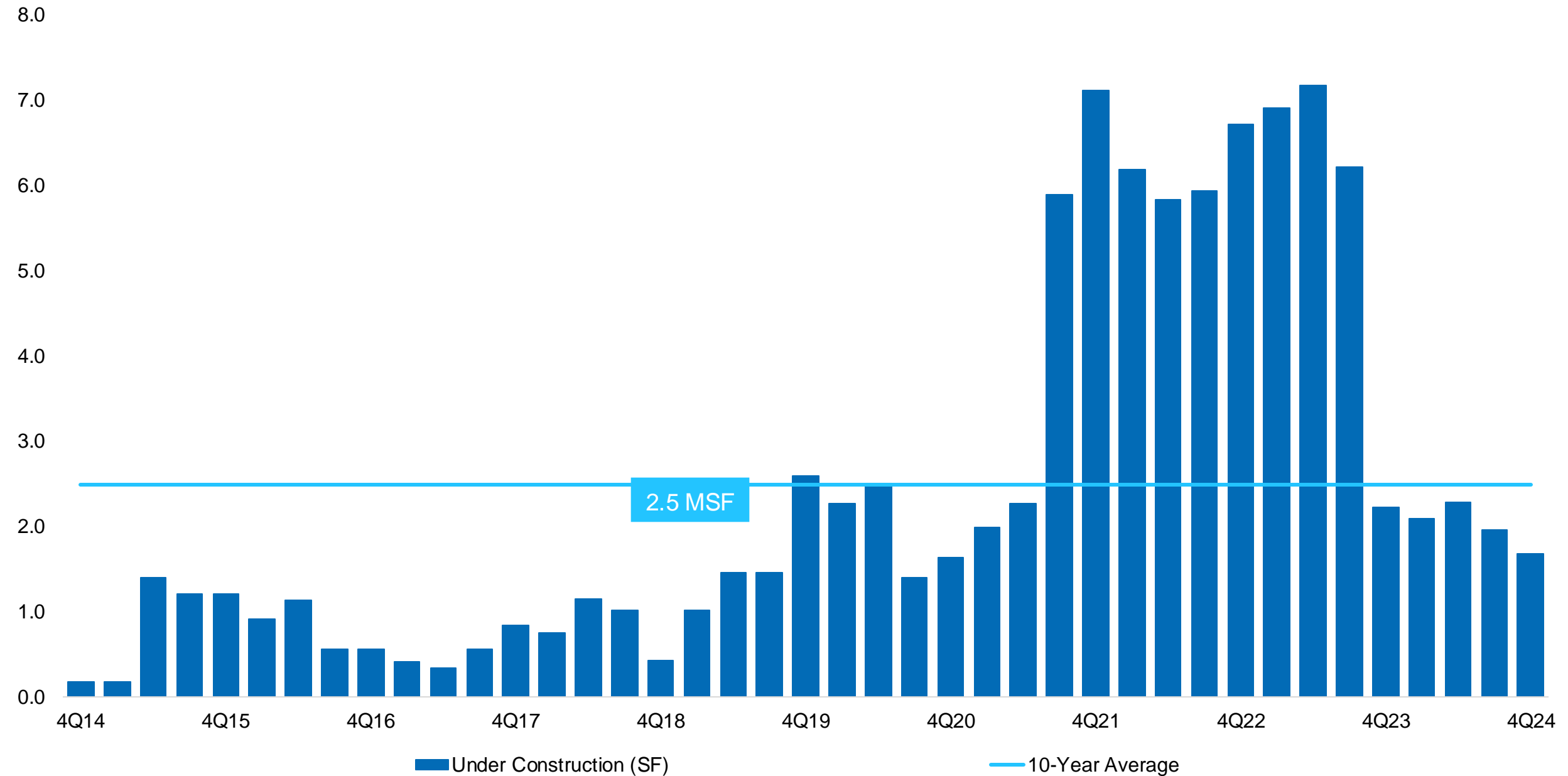


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Development Pipeline Has Corrected To Below Historic Average

Industrial deliveries in the greater Boston market are slowing, with the construction pipeline totaling just under 1.7 million SF across five projects. This represents a 24.8% decrease compared to the same period last year. Much of the new product under construction anticipated to be delivered by the end of 2025 is not fully leased, offering users seeking new Class A space a variety of options to meet their needs.

Industrial Space Under Construction (msf)

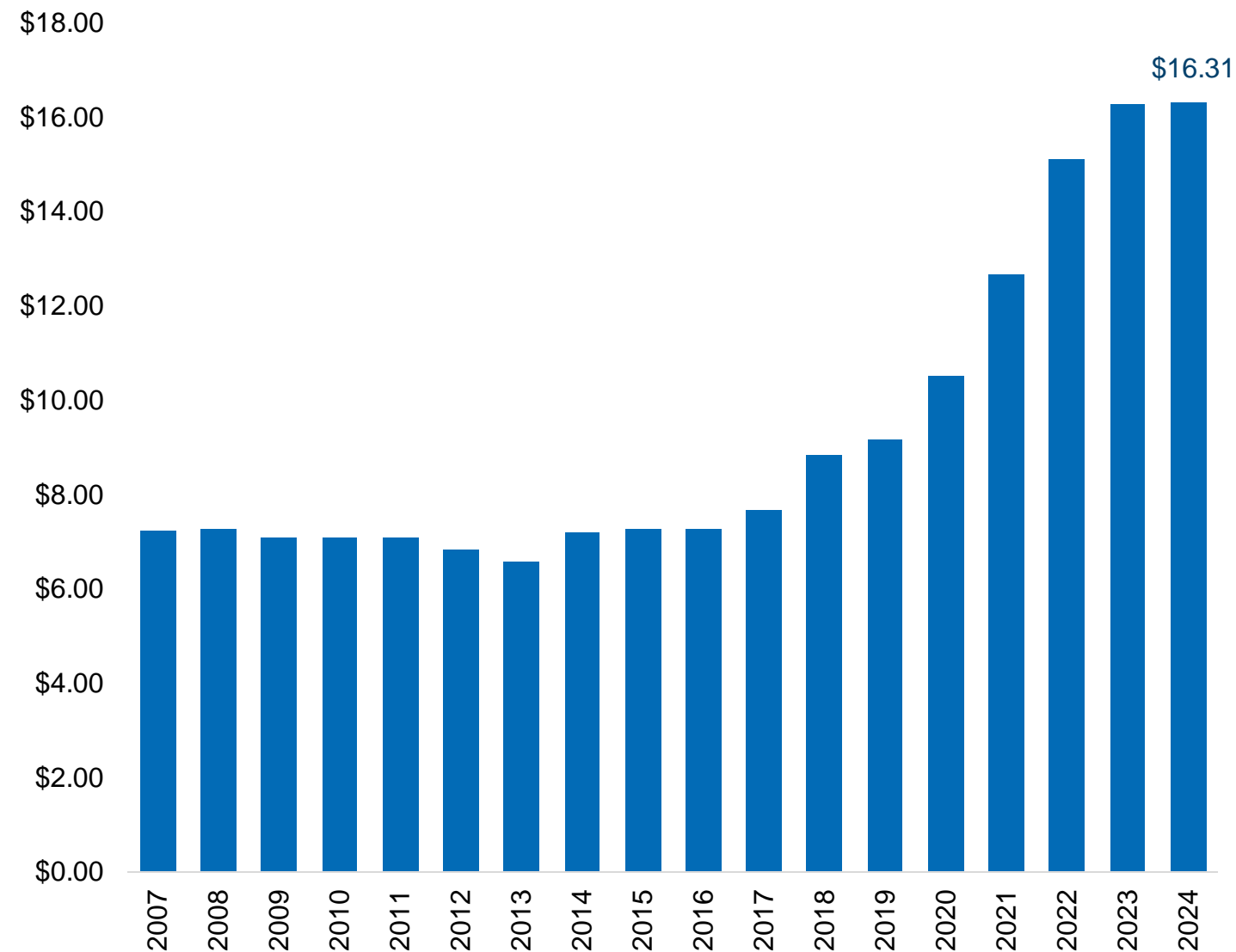


Source: Newmark Research, CoStar

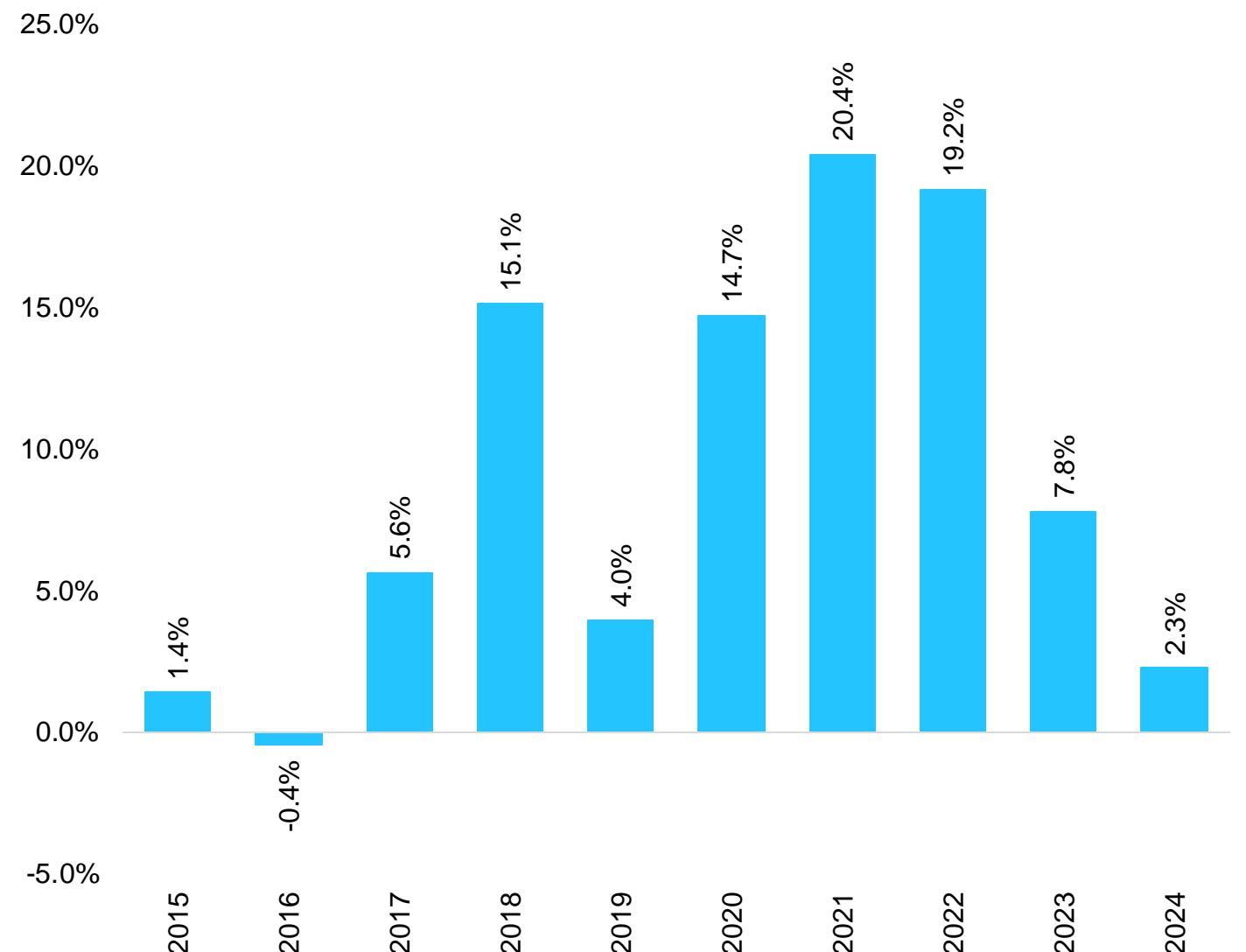
Rent Growth Continues To Slow In The Face of Rising Vacancies

Average asking rents for industrial properties in the Greater Boston market continued to rise through the end of 2024, surpassing the historic highs witnessed in 2023. However, 2024 also experienced the smallest year-over-year percent rent growth rate since 2016. This indicates that despite the high rents, landlords are less inclined to raise rates significantly amid cyclically high vacancy rates.

Industrial Average Asking Rent, \$/SF, NNN



Year-over-Year Asking Rent Growth Rate % Change



Source: Newmark Research, CoStar



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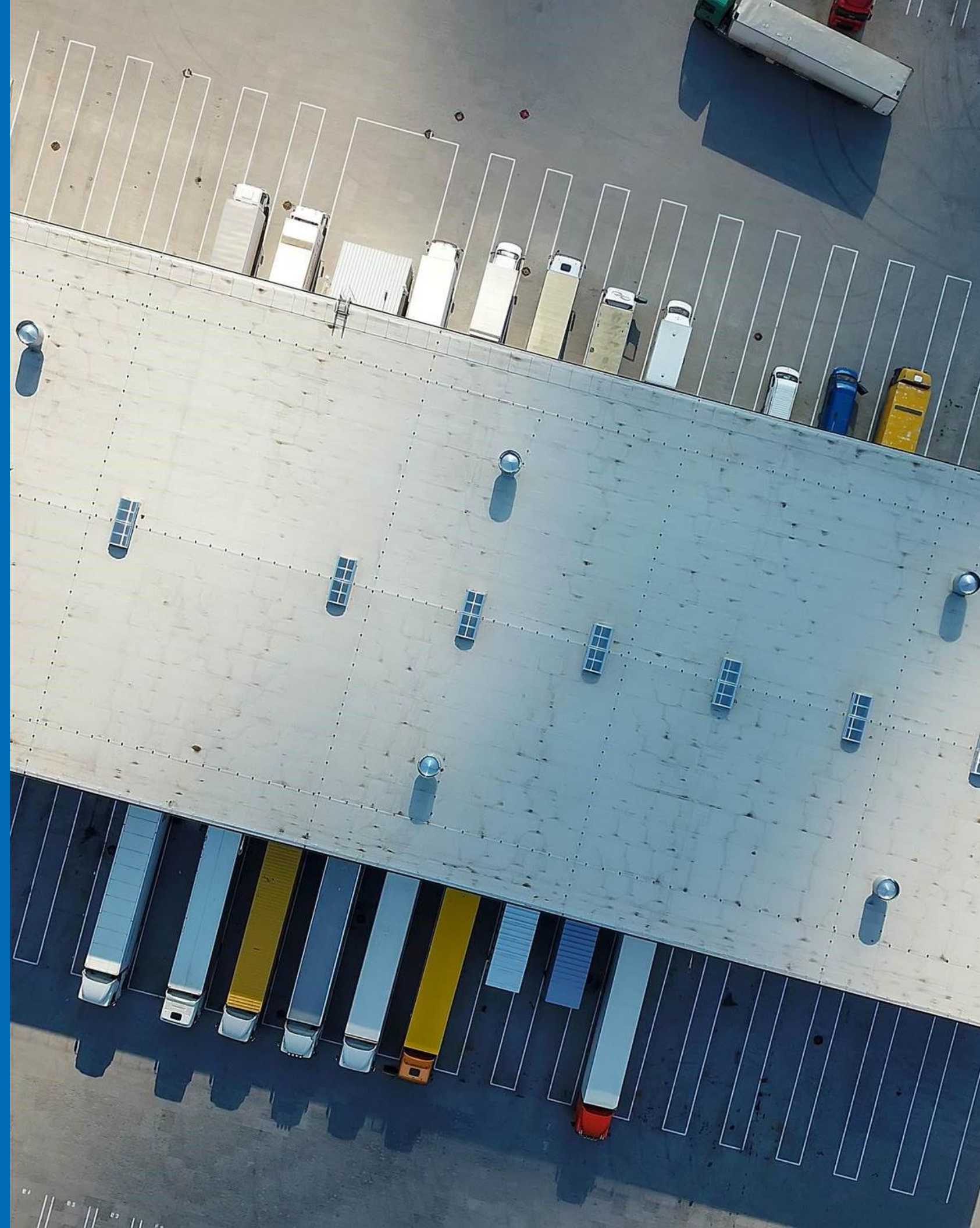
Select Lease Transactions

Select Lease Transactions

Tenant	Building	Submarket	Type	Square Feet
Sappi North America Inc. <i>The paper and forest product manufacturer inked the largest deal this quarter, extending their lease in Ayer.</i>	66 Saratoga Blvd, Ayer	North	Lease Renewal	261,982
Illinois Tool Works Inc. <i>The American manufacturer has extended and expanded their lease in Norwood by 10,615 square feet.</i>	825 University Ave, Norwood	South	Lease Expansion	120,809
Amazon Services <i>The multinational technology company has extended their lease for their distribution center in Everett.</i>	201 Beacham Street, Everett	Urban	Lease Renewal	112,600
Priority Wire & Cable <i>The manufacturing company inked the largest new deal of the quarter, totaling 86,997 square feet in the South submarket.</i>	400 Manley Street, West Bridgewater	South	Direct Lease	86,887
Architectural Surfaces Group <i>The architectural woodwork manufacturer has extended their lease for another three years.</i>	50 Hampden Road, Mansfield	South	Lease Renewal	68,373

4Q24

Submarket Overview





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