NEWMARK

Boston Industrial Market Overview

4Q25

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Market Observations

What We Know

- Greater Boston’s industrial market leasing activity outperformed 2024 levels, with leasing volume increasing roughly 36% above last year's total.
- Vacancy continued to rise, reaching 9.6%, reflecting the cumulative impact of recent deliveries and strong demand for renewals and extensions.
- Nearly 1.5 million SF was delivered in 2025, with another 1.1 million SF under construction across the region.
- Sublease availability in the South and West submarkets has decreased from last year's levels, despite a 12.7% increase in inventory from the previous quarter.
- Leasing activity outside the metro gained momentum, with large transactions along key corridors such as Route 146.
- Asking rents softened year-over-year, though remain near historic highs as landlords adjust pricing strategies in response to elevated vacancy and availability levels.

What We Expect

- Tenant demand is expected to remain disciplined, favoring functional small-bay and mid-sized space; however, there is expected to be an increase in the volume of large requirements than seen in recent years.
- Limited development starts and a shrinking construction pipeline are expected to support gradual market stabilization over the next several quarters.
- While macroeconomic uncertainty persists, long-term demand drivers such as reshoring, domestic manufacturing, and supply-chain reconfiguration continue to present upside potential for the industrial market.

Greater Boston Industrial Market Overview

Greater Boston's industrial market began to exhibit initial signs of stabilization in the fourth quarter of 2025, maintained by improved leasing momentum and a sustained slowdown in development activity. Although net absorption reverted to negative territory after a brief positive period earlier in the year, leasing activity remained significantly stronger than in 2024, indicating that tenant engagement is gradually recovering. Vacancy continued its steady upward trend, reaching 9.6% at the end of 2025, up 30 basis points from the previous quarter. This reflects the ongoing impact of new supply deliveries and cautious tenant decision-making. The Urban submarket reported the lowest vacancy rates, supported by limited new supply and continued inventory contraction, while the South submarket experienced the most pronounced increase, driven by a concentration of new construction.

Industrial leasing activity in the fourth quarter of 2025 remained robust but was primarily defensive. Much of the quarter's volume was attributable to renewals and lease extensions, with several transactions exceeding 100,000 SF as tenants chose to maintain existing footprints rather than pursue relocations or expansions. The South submarket accounted for a majority of these lease renewals, including the two largest transactions of the quarter in Bellingham from National DCP and Victory Packaging.

New industrial construction activity in Greater Boston began to decelerate in late 2025, helping to mitigate forward-looking supply-side risk. Nonetheless, 1.5 million SF of new industrial product delivered during the past 12 months. Additional space was added this quarter, primarily in the North warehouse submarket, with the delivery of 270 Billerica Road in Chelmsford with 91,500 SF and 600 Griffin Brook Drive in Methuen with 95,700 SF. Although there is still 1.2 million SF of industrial product still under construction throughout the metro area, the development pipeline has reached its lowest level since early-2019. Limited appetite from abutters for industrial development and elevated construction costs will likely keep new construction in check over the near-term.

During the fourth quarter of 2025, industrial leasing activity outside the core Boston metro area gained momentum, propelled by significant transactions along key regional corridors such as Route 146. This corridor continues to attract tenants seeking modern facilities with lower occupancy costs, while providing efficient access to Greater Boston, Worcester, and Providence. The most notable lease of the quarter was Amazon's direct lease of 139 Campanelli Dr. in Uxbridge for 450,800 SF. Activity in this secondary market underscores a continued geographic shift in demand as occupiers seek to balance proximity with scale, functionality, and more favorable pricing.

Overall industrial asking rents declined modestly year-over-year during the fourth quarter of 2025, as elevated vacancy and competitive market conditions exerted downward pressure on pricing. Landlords are becoming more aggressive on asking rents in select assets that are facing higher vacancy in order to attract tenancy. Despite this moderation, average rents remain near historic highs at $15.69/SF and are significantly above pre-pandemic levels.

Looking ahead, Greater Boston's industrial market is characterized by cautious optimism. While elevated vacancy rates and subdued absorption continue to present challenges, improving leasing activity and a shrinking construction pipeline indicate that conditions are gradually stabilizing. Broader economic uncertainty remains, but sustained interest in reshoring and domestic manufacturing offers longer-term upside potential for the region.

Source: Newmark Research

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Economy

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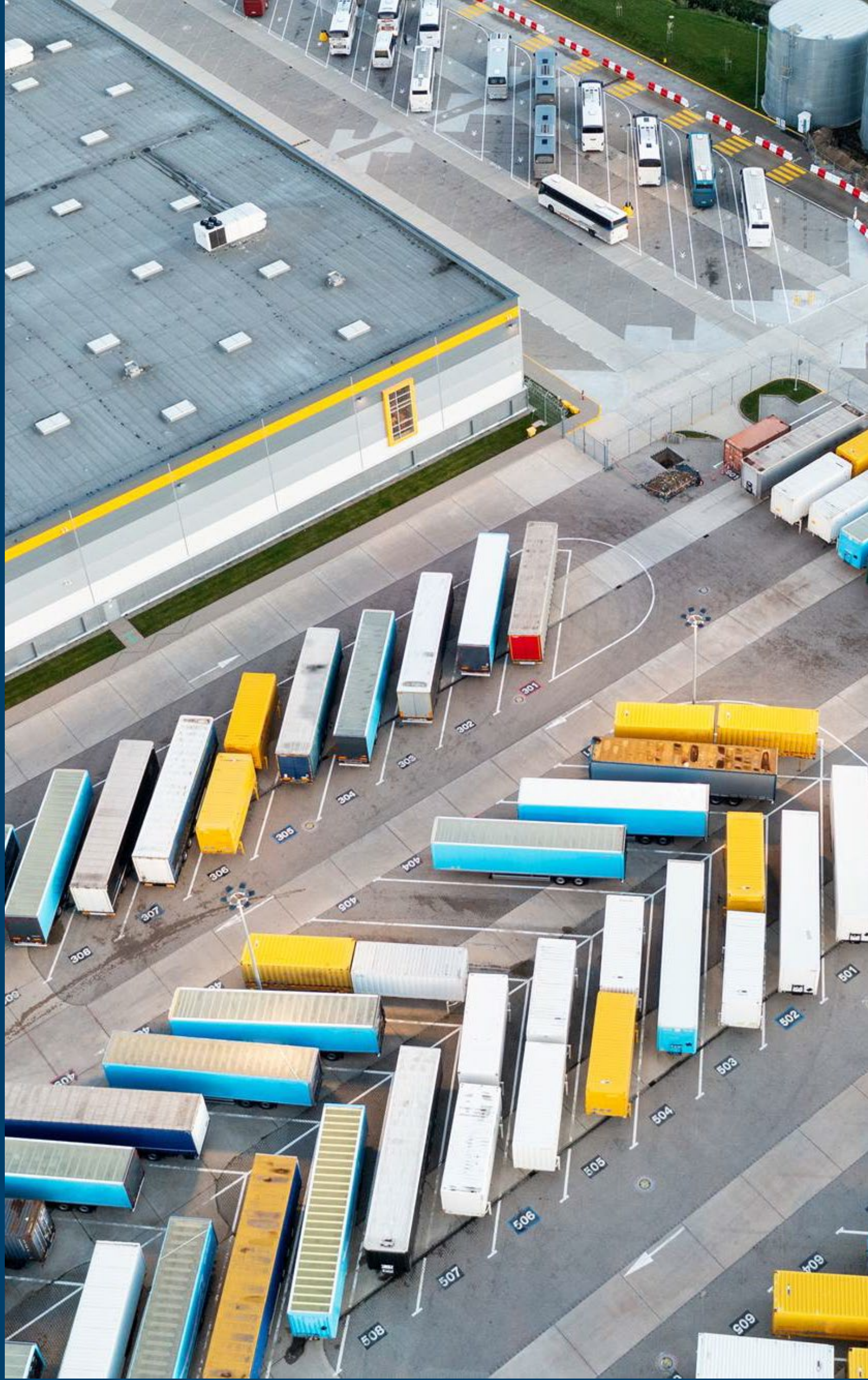
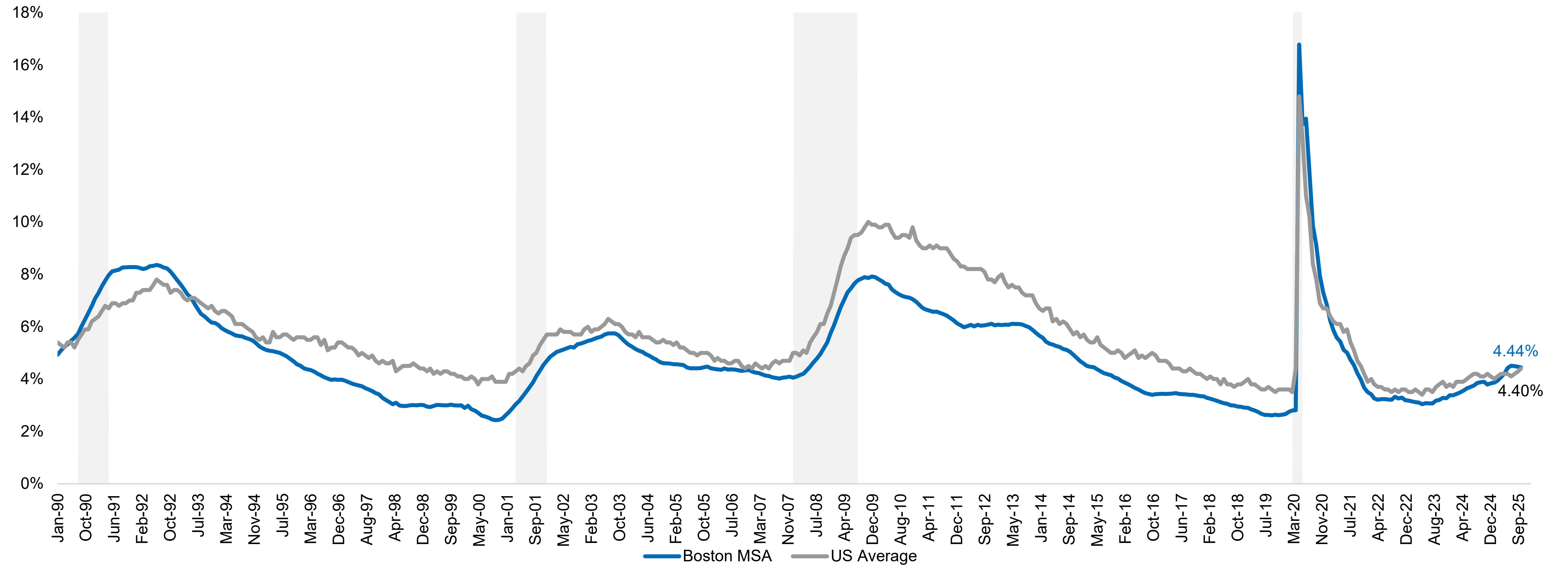


Boston Labor Market Shows Potential Signs of Stabilization

September 2025 marked the first month of decline in the Boston MSA unemployment rate since mid-2023, following a period when the rate climbed by approximately 140 basis points. Boston's unemployment figure remains close to the U.S. average, and the gap narrowing to about 0.04% signals that local conditions are improving. Although the labor market still feels slow, subtle shifts suggest growing stability. Companies are not aggressively hiring, but they are holding on to their current employees.

Unemployment Rate | Seasonally Adjusted



Source: Moody's analytics, BLS, Newmark Research September 2025, Mass Gov Office of Labor and Workforce Development

*Due to the government shutdown, there is no data for October and November 2025

Industrial Employment Trends Show Mixed Performance

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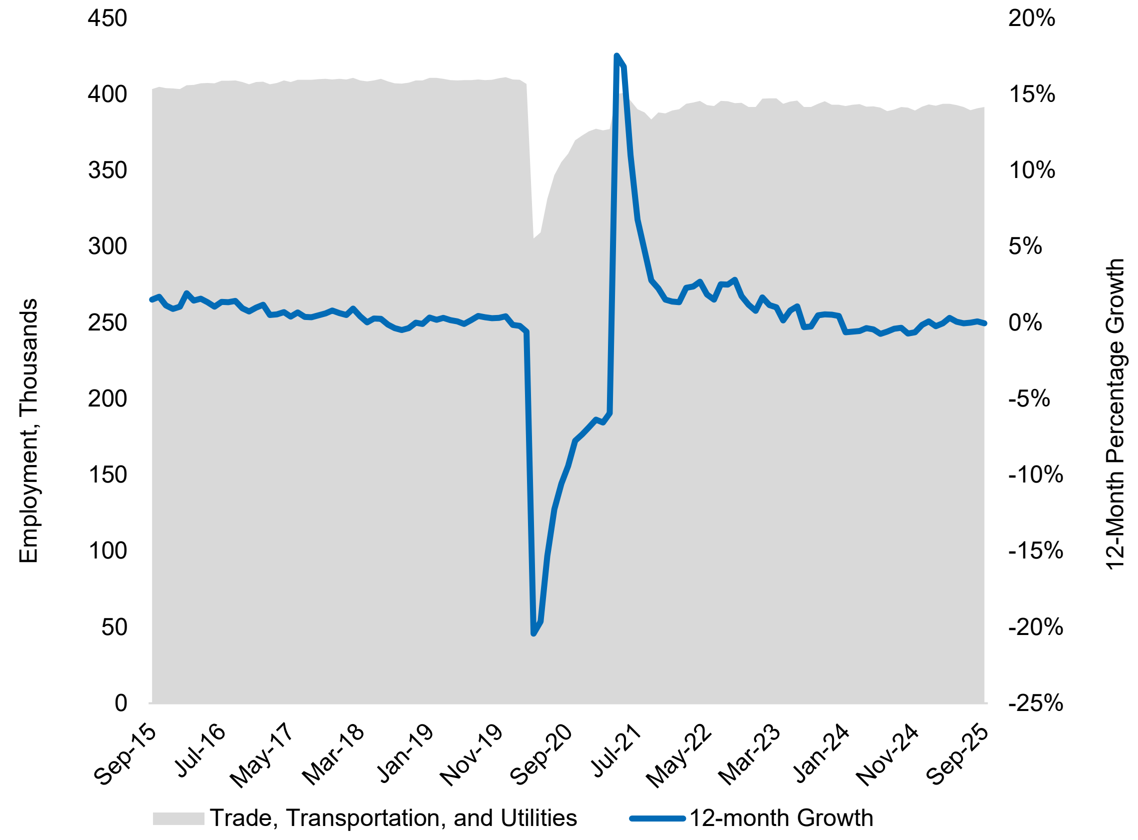
Source: Moody's Analytics, JobsEQ, Boston-Cambridge-Newton, MA-NH MSA

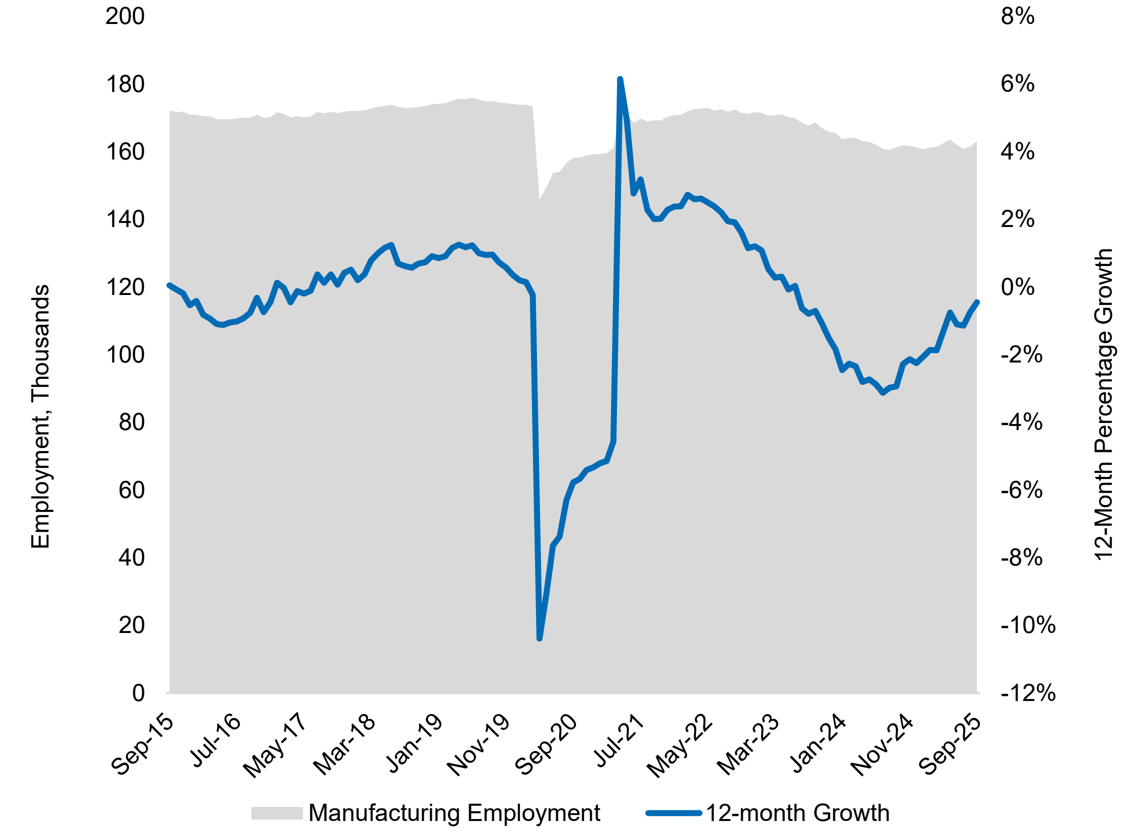
Trade and Manufacturing Labor Market Stabilizes

Employment in Trade, Transportation, and Utilities and Manufacturing both rose on a month-over-month basis this quarter. As of the latest reporting, the 12-month growth rate for Trade, Transportation, and Utilities edged down slightly to -0.1%. In contrast, Manufacturing continues to struggle as they have 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

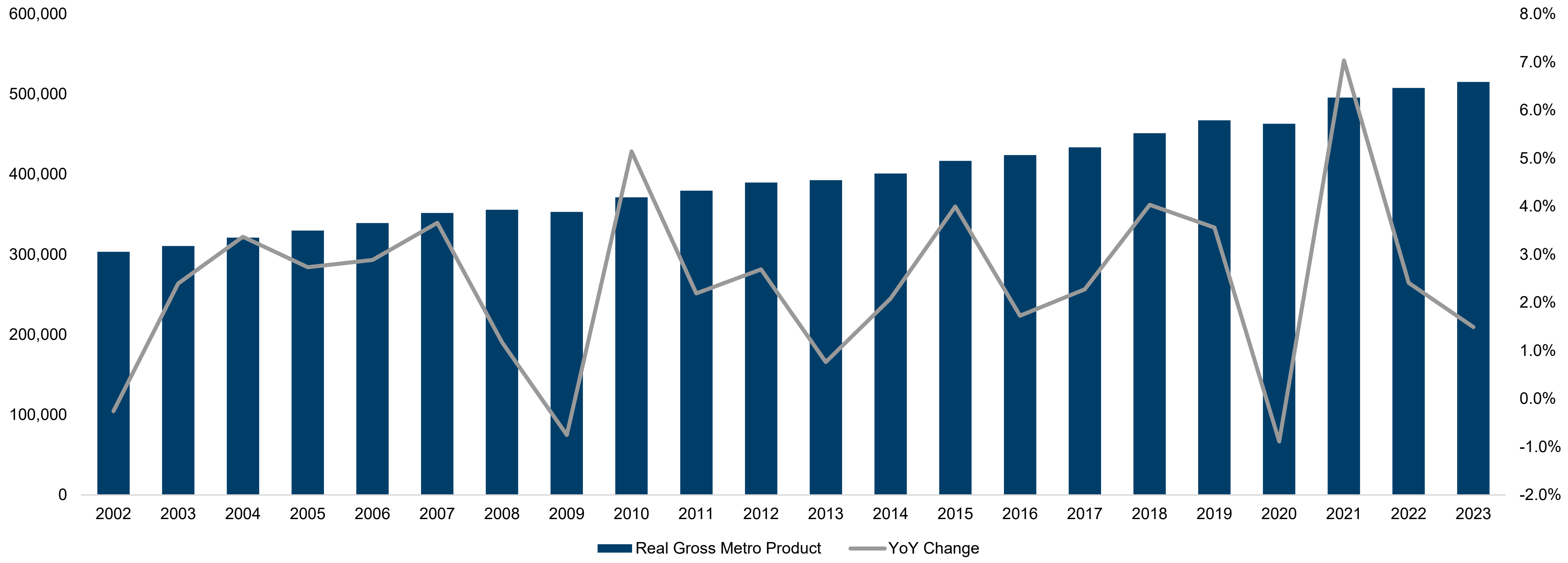


Source: Moody's Analytics, Boston-Cambridge-Newton, MA-NH MSA

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

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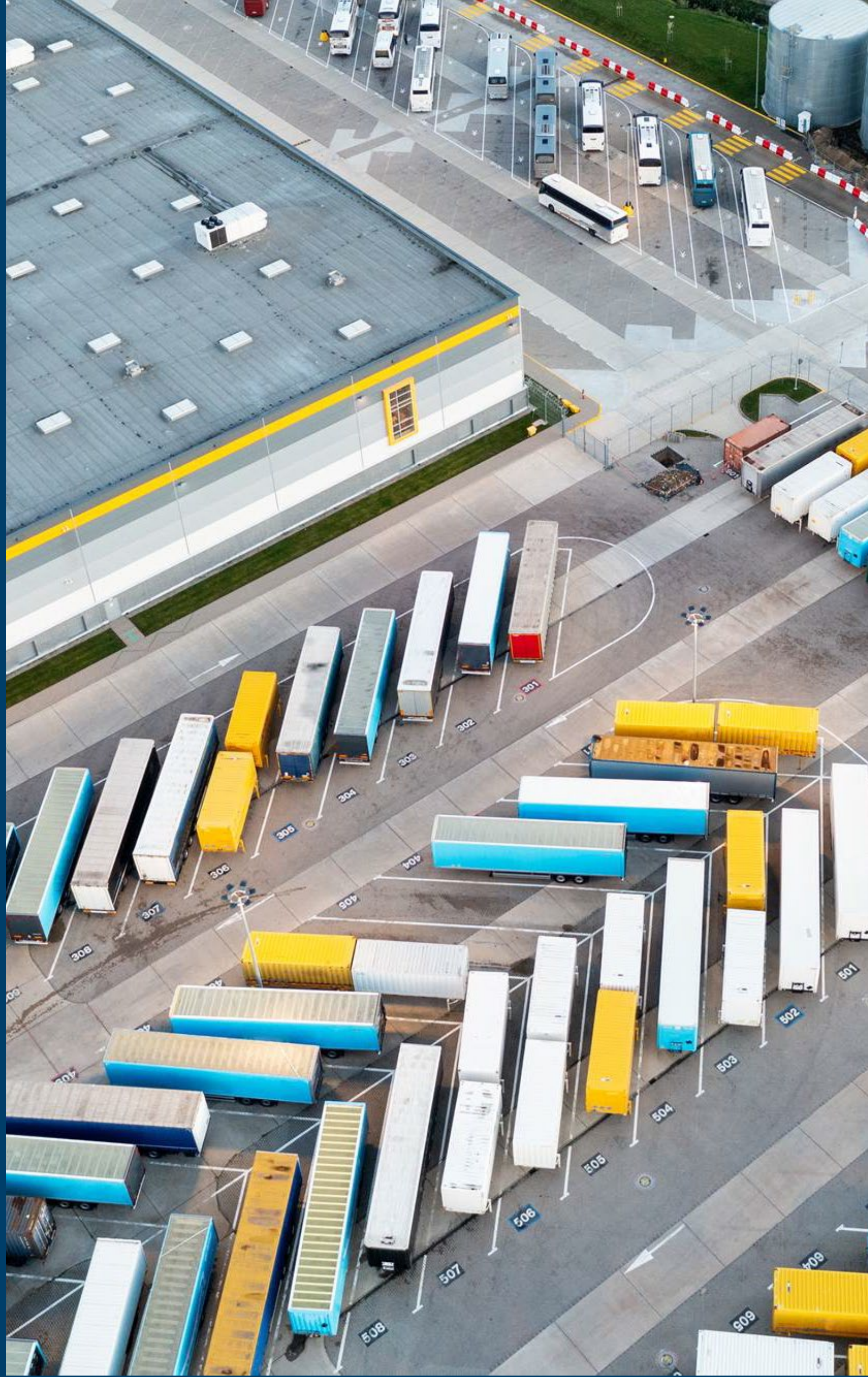
Leasing Market Fundamentals

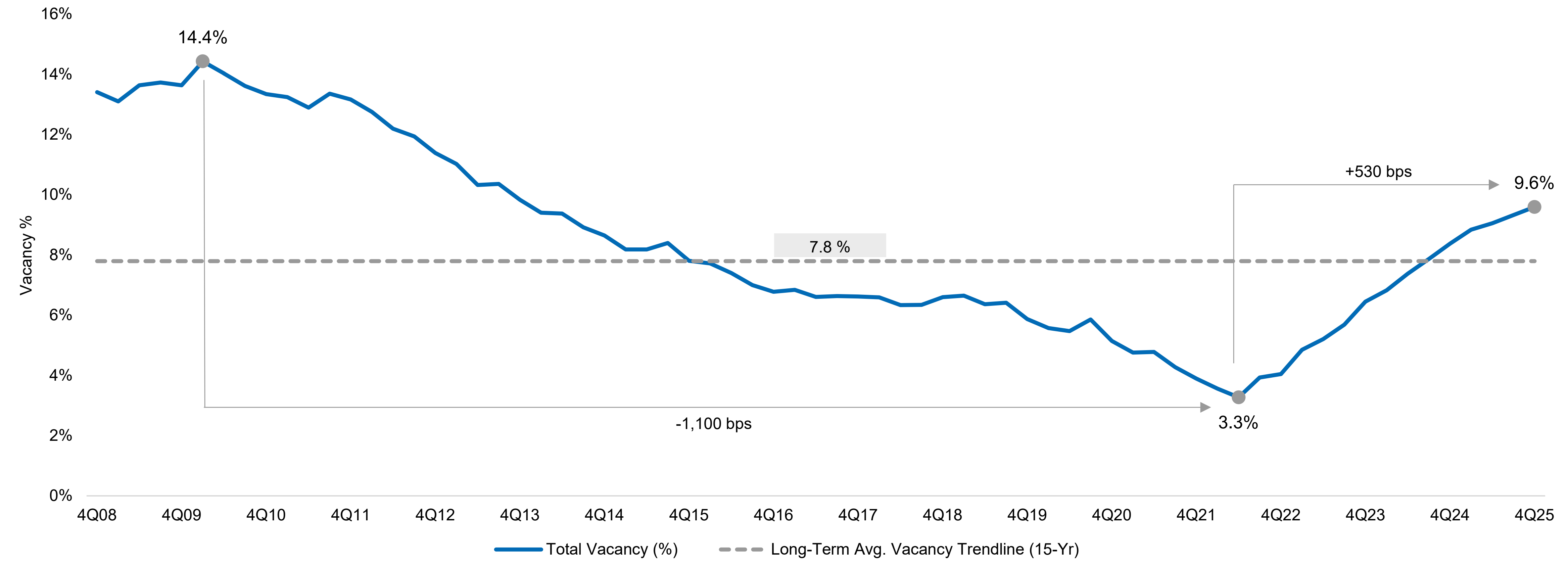
4Q25



Vacancy Pushes Past Long-Term Norms as Industrial Market Moderates

Market fundamentals in Greater Boston's industrial sector continued to moderate in the fourth quarter of 2025, with vacancy rising for the fifteenth consecutive quarter. Although current levels now sit above the 15-year historical average, they represent a clear departure from the record-low vacancies seen in the second quarter of 2022. With rates now exceeding long-term norms, continued monitoring will be critical to understanding how supply-demand dynamics unfold in the coming quarters.

Historical Vacancy

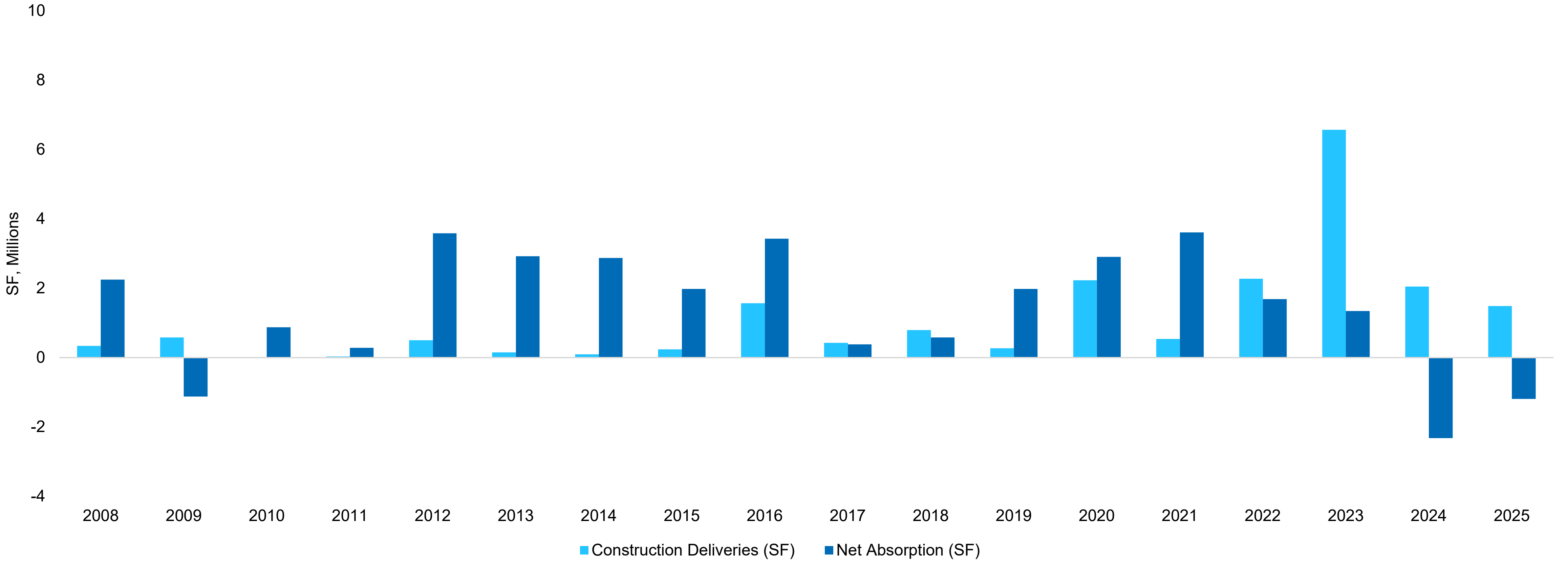


Source: Newmark Research

New Deliveries Add Space as Absorption Slips Back Into Negative Territory

Two properties delivered this quarter added nearly 187,000 SF to Greater Boston's industrial inventory, both consisting of warehouse/distribution space in the North submarket. Although new groundbreakings remain scarce and the development pipeline continues to slow, the market returned to negative net absorption this quarter after briefly posting its first positive reading since the end of 2023.

Historical Construction Deliveries and Net Absorption

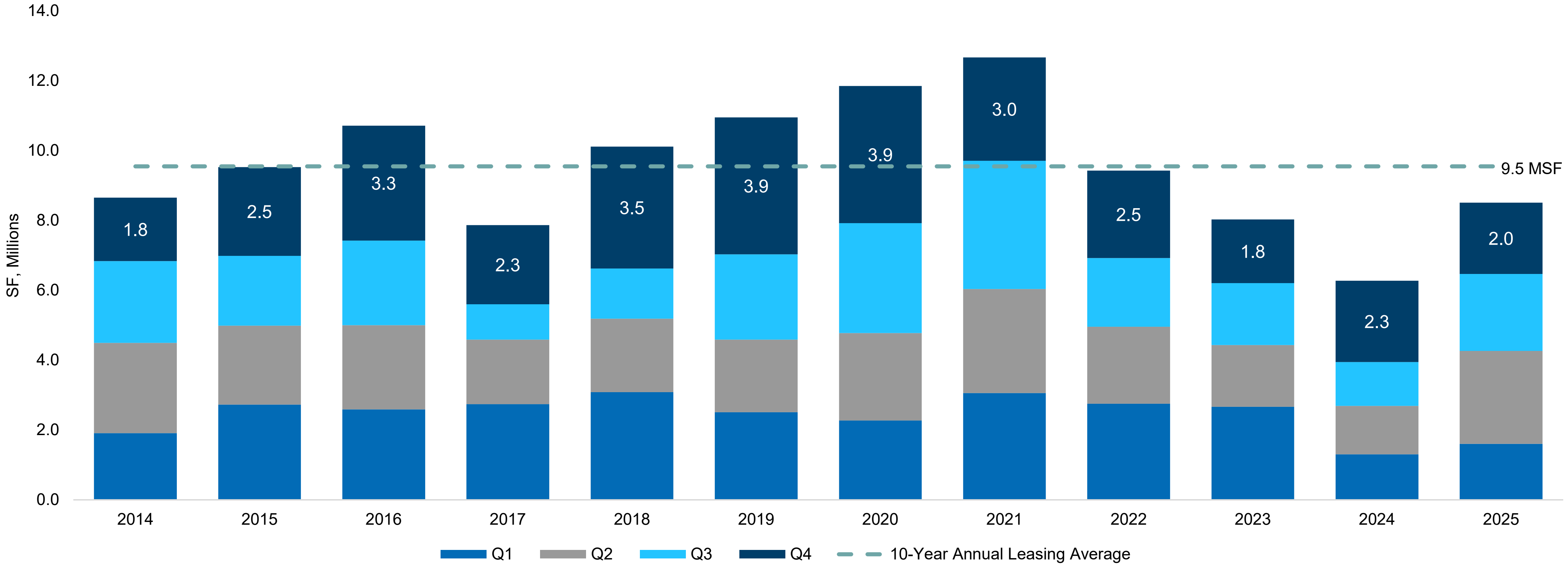


Source: Newmark Research

Leasing Activity Shows Steady Improvement

Leasing activity showed encouraging momentum this year, with total volume exceeding last year's levels by 35.7%, despite year-end activity slowing. While 2025 leasing remains below the 10-year average, the improvement in tenant engagement suggests the market is starting to recover after a period of challenges. Additionally, new space expected to enter the market from the active construction pipeline continues to support optimism for future leasing activity.

Total Leasing Activity (SF)



Source: Newmark Research, CoStar

Quarterly Deals Driven by Renewals and Extensions

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Source: Newmark Research

Large Leases Drive Growth Outside the Metro

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Source: Newmark Research

Class A Industrial Leasing Gains Momentum in Greater Boston

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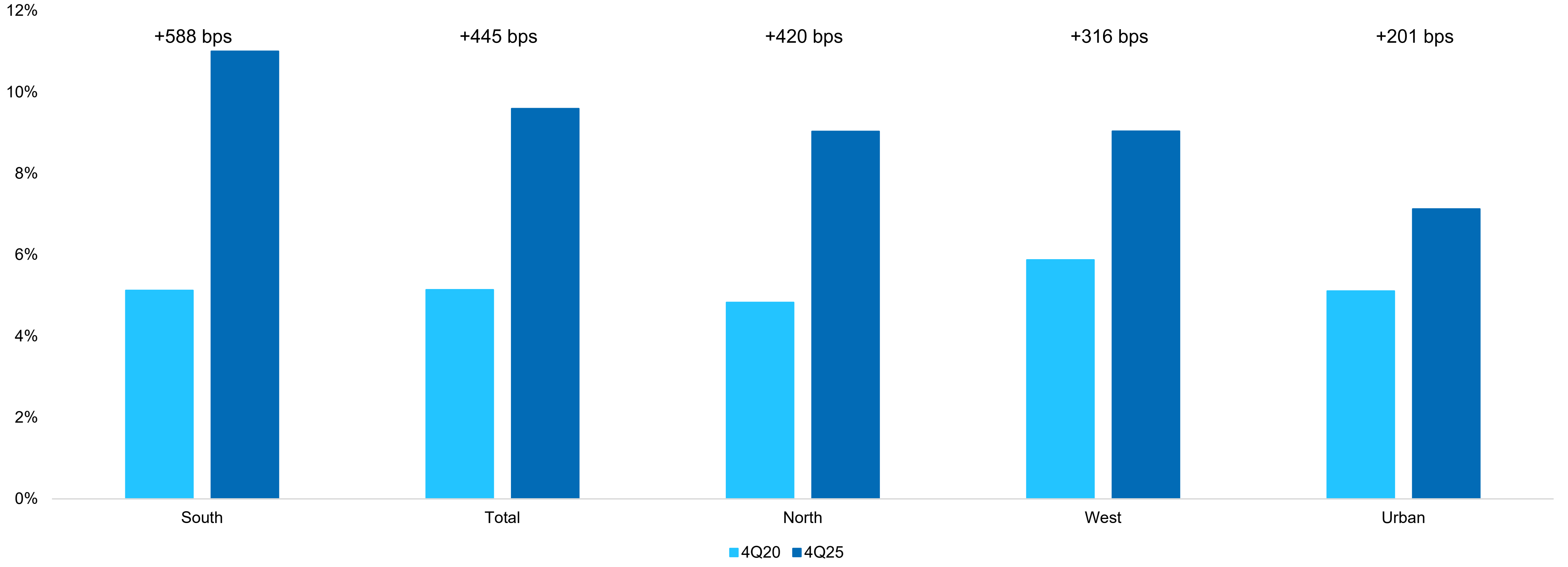
Source: Newmark Research, CoStar

Five-Year Vacancy Trends Reveal Diverging Submarket Paths

Over the past five years, the Urban submarket has posted the smallest change in vacancy, rising just 2.0%. By contrast, the South submarket has seen a far more pronounced shift, with vacancy climbing 588 basis points since the fourth quarter of 2020, largely driven by a substantial wave of new supply in recent quarters. Despite these divergent paths, most submarkets continue to outperform the metro-wide vacancy rate, and five-year averages remain relatively stable across Greater Boston's industrial landscape.

5-Year Change in Vacancy Rate by Submarket



Source: Newmark Research

Sublease Availability Rises as Expirations Shift Space Back to the Direct Market

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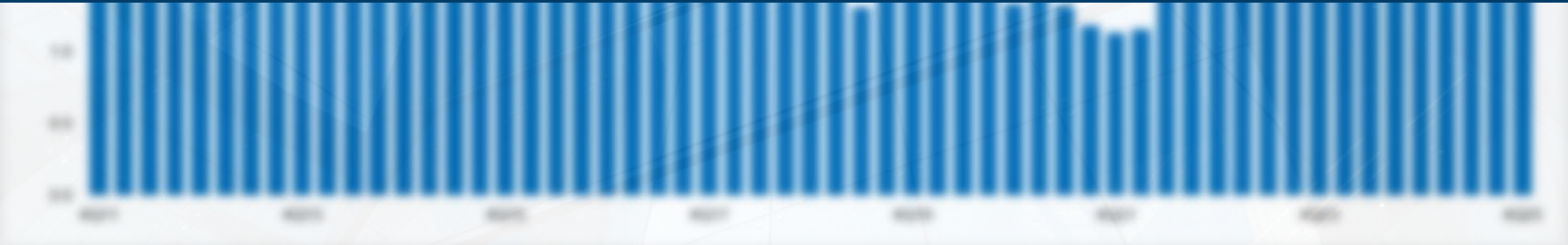
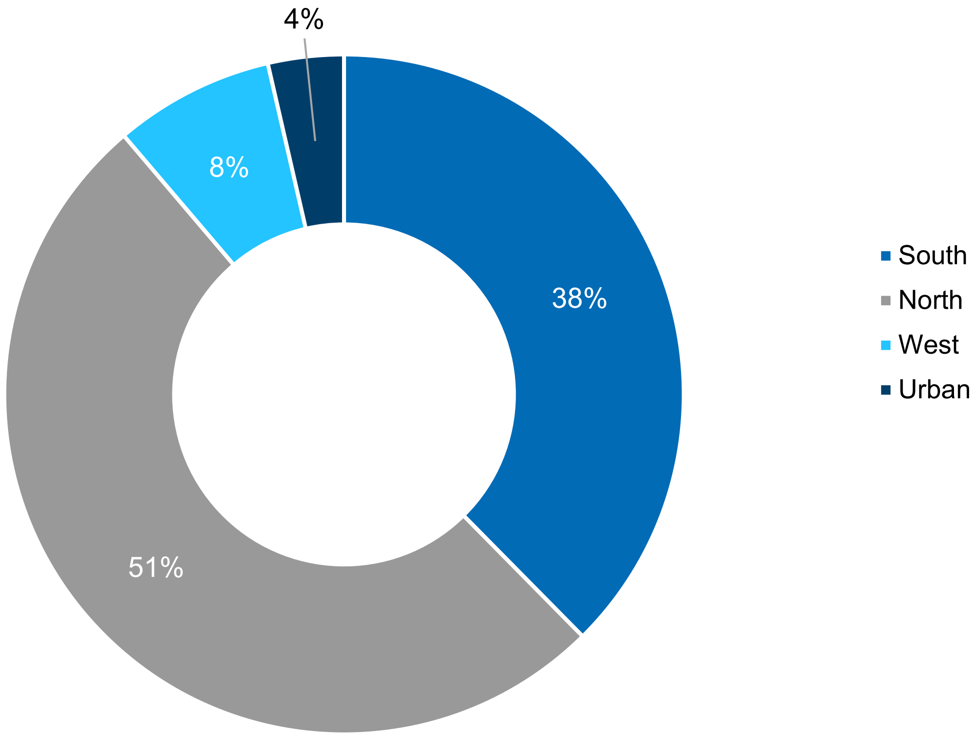


Source: Newmark Research, CoStar

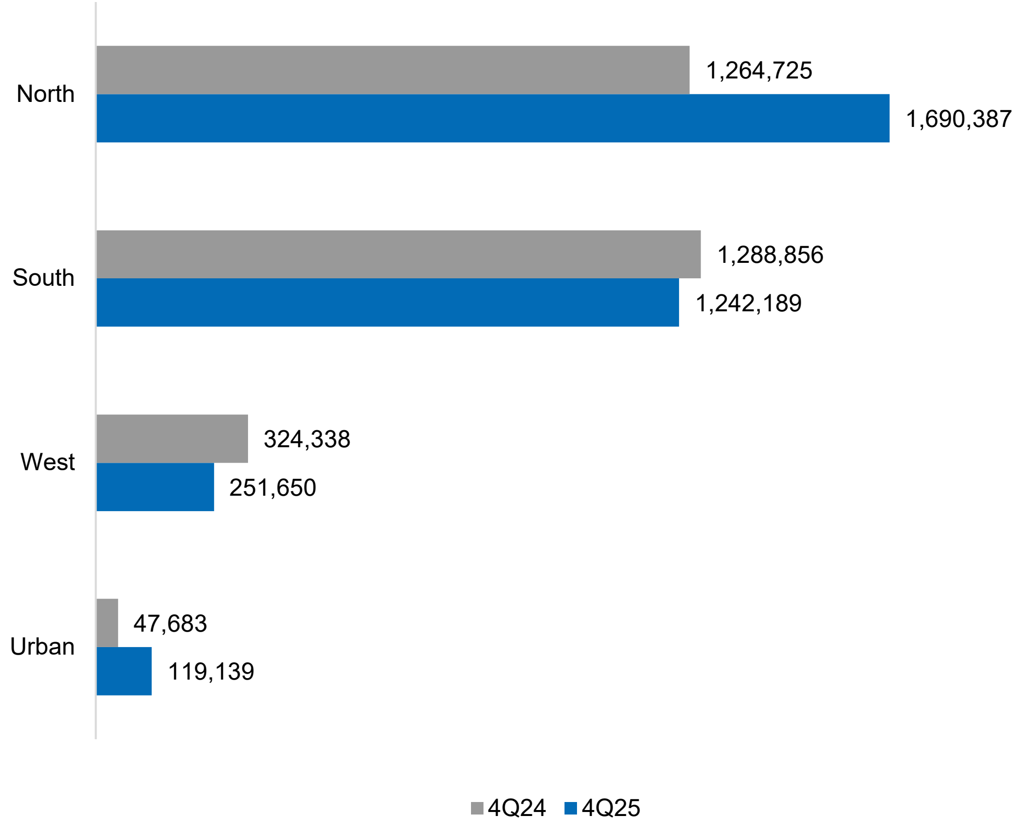
North and South Dominate Sublease Supply as Urban Surges Year-Over-Year

The North and South industrial submarkets continue to dominate Greater Boston's sublease inventory, accounting for nearly 89.0% of total market share. The recent increase in North sublease availability is driven by Christian Book's 370,000 SF listing at 140 Summit Street in Peabody; excluding this space, availability would be in line with last year's levels. The Urban submarket recorded a 60.0% year-over-year increase in sublease availability, while the West and South declined by 29.0% and 4.0%, respectively. These trends highlight the uneven effects of shifting tenant strategies across the region.

Available Sublease Space by Submarket



Available Sublease Space by Submarket Comparison (SF)

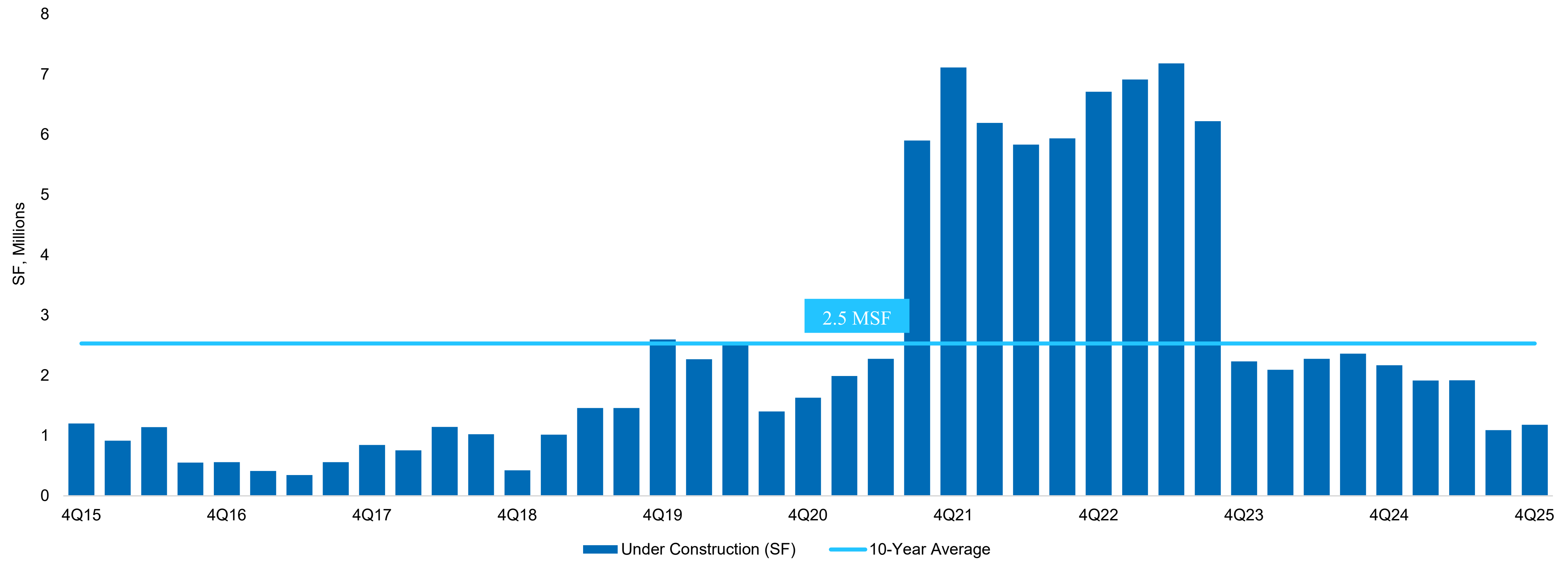


Source: Newmark Research, CoStar

Pipeline Remains Well Below Historic Norms

Industrial assets under construction declined this quarter, with two properties delivering and one new project added to the pipeline. Building 1 at 25 Maple Street in Stoughton broke ground this quarter, adding more square footage to the pipeline than the combined total delivered by the two completed projects. This property, along with the four others currently under construction, remains fully available, providing tenants with access to modern Class A space ahead of delivery.

Industrial Space Under Construction

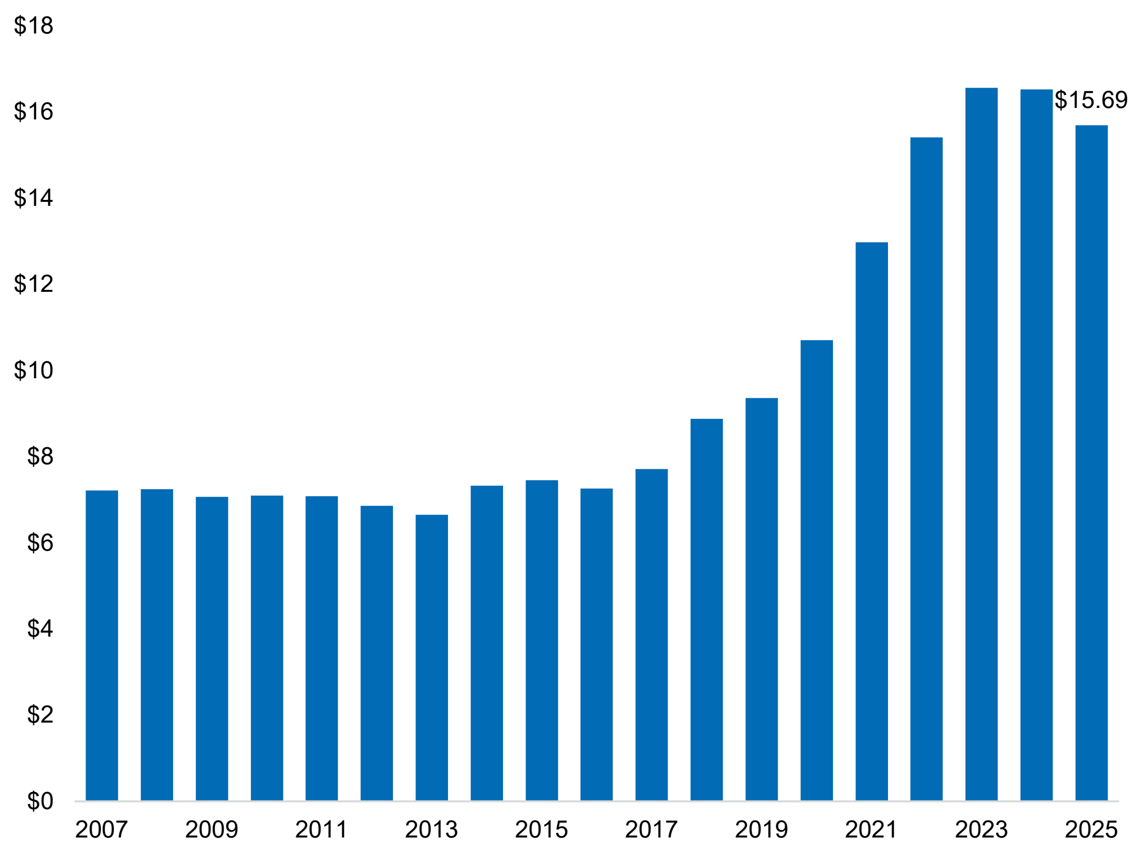


Source: Newmark Research, CoStar

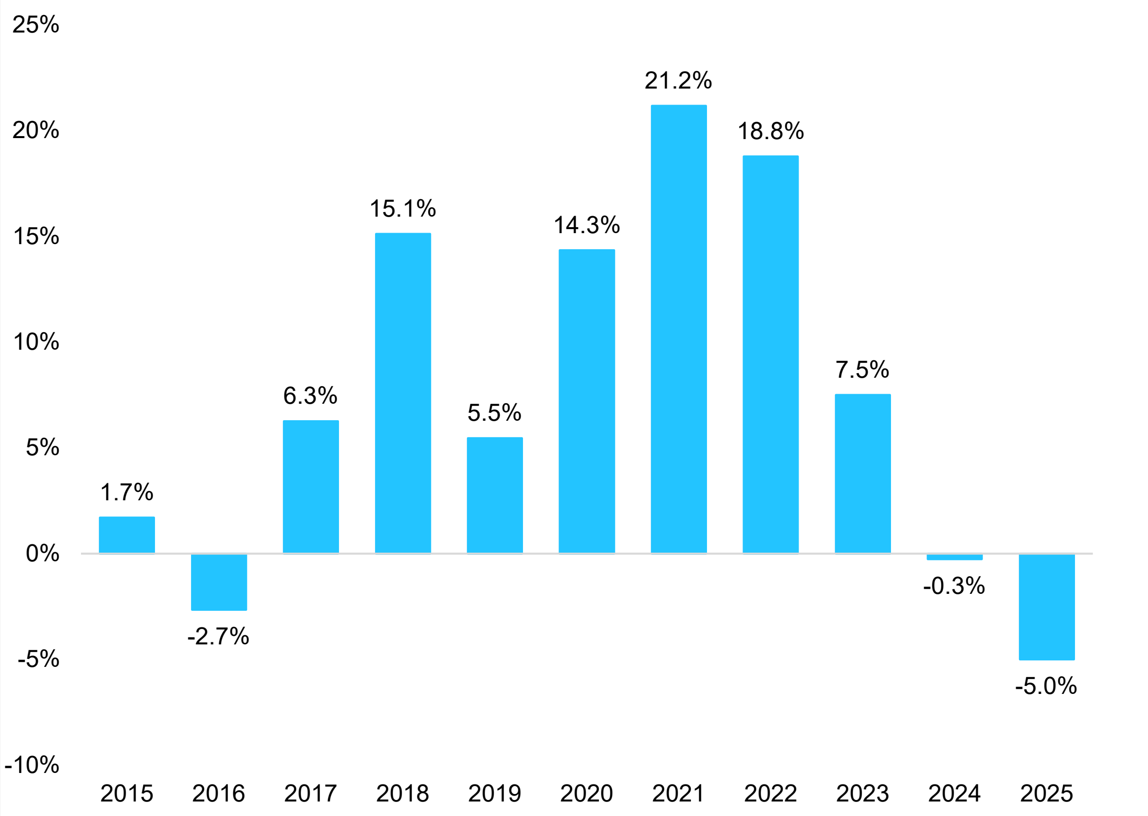
Asking Rents Ease Amid Elevated Vacancy

Asking rents have decreased by 5.0% year-over-year, marking a modest step down but still holding near historic highs. Despite this pullback, rates remain well above pre-pandemic levels, reflecting the significant price growth in recent years. 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

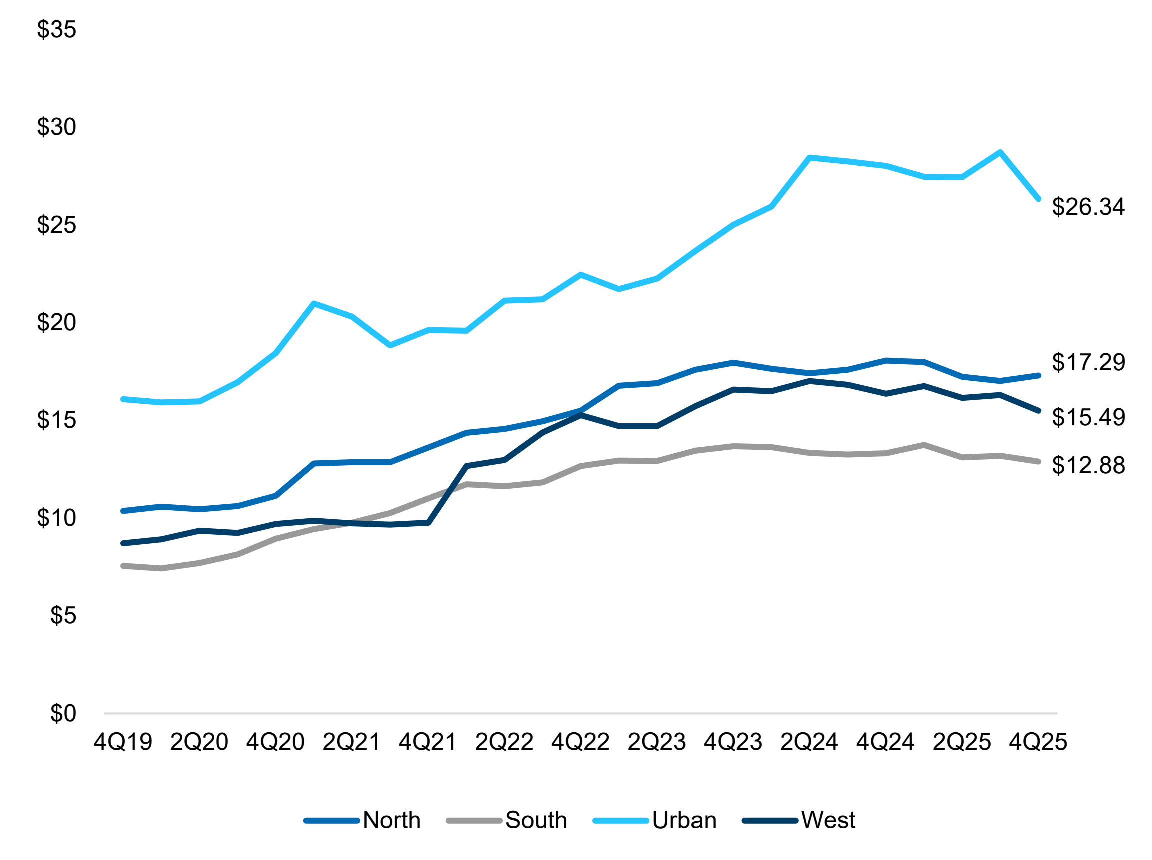


Source: Newmark Research, CoStar

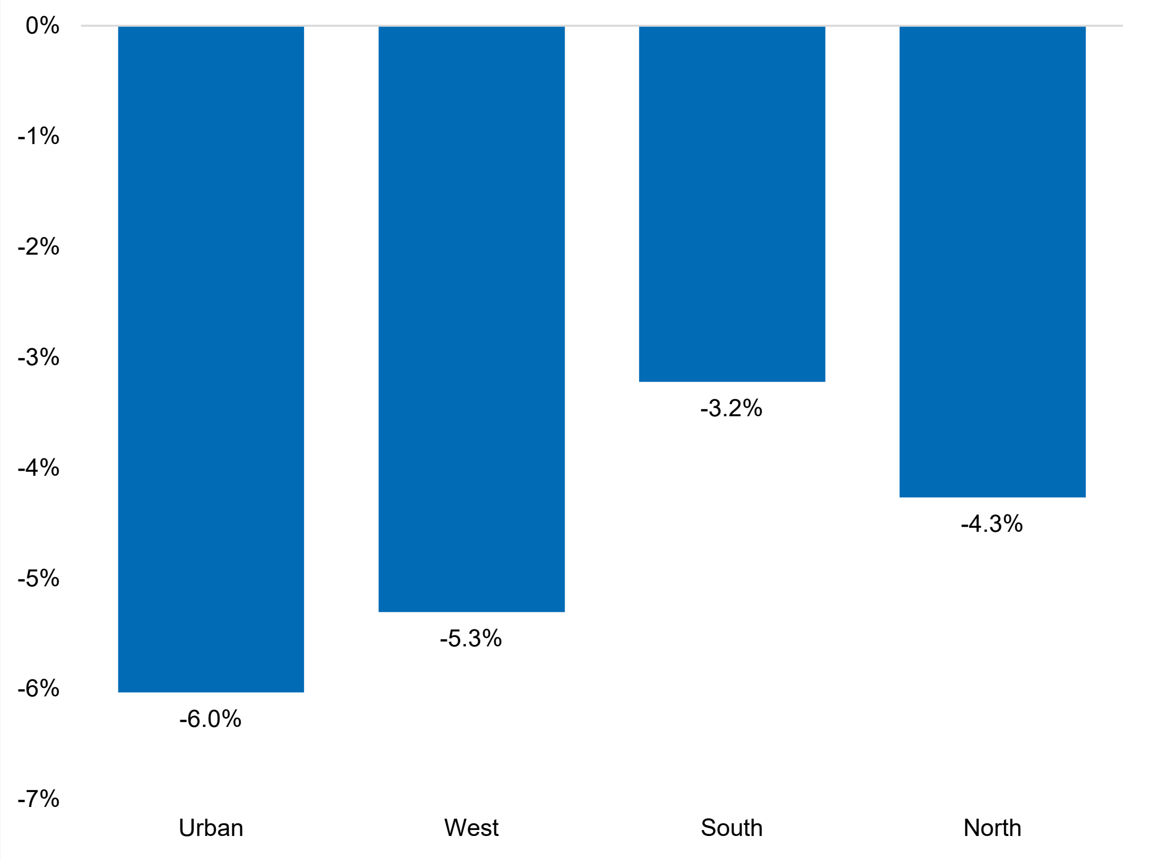
Industrial Rents Faced Headwinds in 2025

Industrial properties across all Greater Boston submarkets recorded year-over-year decreases, reversing the trend observed in the third quarter of 2025. The fourth quarter of 2025 saw broad quarter-over-quarter decreases in asking rents, save the North submarket which saw an increase of 1.6%. However, this was likely due to the delivery of two new products, both of which delivered with available space at rents higher than the North average, rather than an increase in demand. Negative net absorption in the metro this quarter highlights this lack of solid demand across the board as select landlords begin to lower rents to compete for the remaining demand.

Asking Rent ($/SF) by Submarket



Year-over-Year Percent Change in Asking Rate



Source: Newmark Research

Small-Bay Space Stays Tight as Larger Formats Unwind

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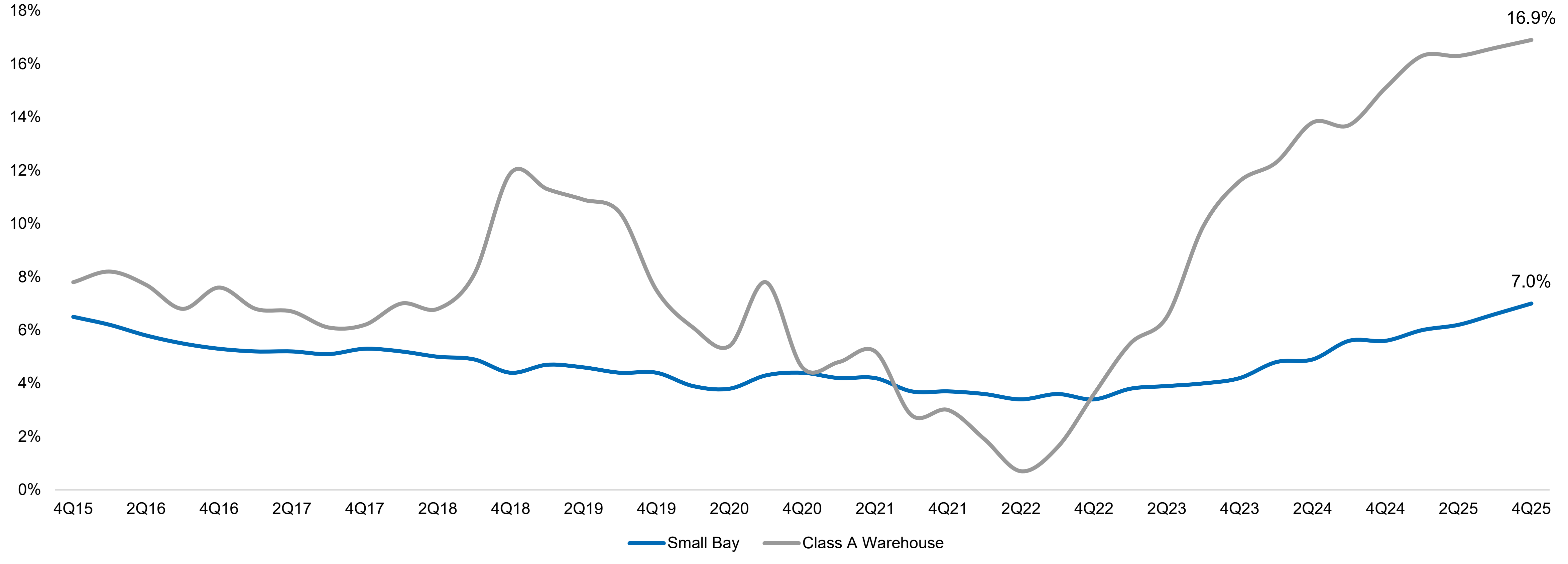
Source: Newmark Research

Small-Bay Vacancy Rate Shows Greater Stability

Small-bay industrial continues to outperform Class A warehouse space on occupancy. As of the fourth quarter of 2025, small-bay vacancy stands at 7.0%, compared with 16.9% for Class A warehouse/distribution product. Small-bay vacancy has risen only 360 basis points from its cyclical low at the end of 2022, underscoring consistent performance and relative resilience. By contrast, Class A vacancy has increased sharply over the same period, driven by a steady wave of deliveries, limited preleasing, and softening demand.

Vacancy Rate | Greater Boston Small-Bay vs. Class A Warehouse

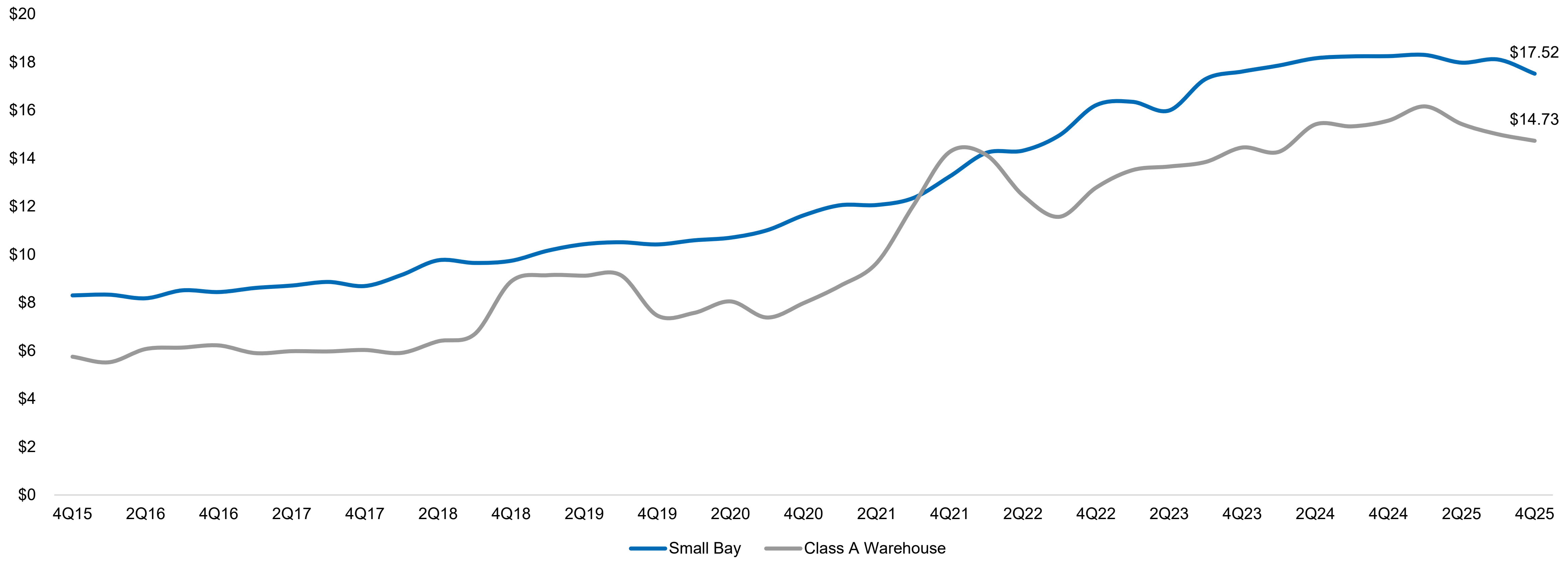


Source: Newmark Research

Rent Gap Widens Despite Quarterly Softening in Both Segments

Small-bay rents declined 3.4% in the fourth quarter of 2025, compared with a 1.8% decrease in Class A warehouse rates. The rent gap has widened to $2.79/SF since early 2025, underscoring the continued relative strength of smaller-format assets. Limited infill supply and steady service-sector demand are helping support small-bay pricing even amid quarterly softening, while Class A rents continue to adjust to elevated vacancy and a persistent wave of new deliveries.

Average Asking Rent ($/SF) | Greater Boston Small-Bay vs. Class A Warehouse



Source: Newmark Research

Strong Leasing Activity Reinforces Route 146's Logistics Role

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Source: Newmark Research, CoStar

03

Submarket Overview

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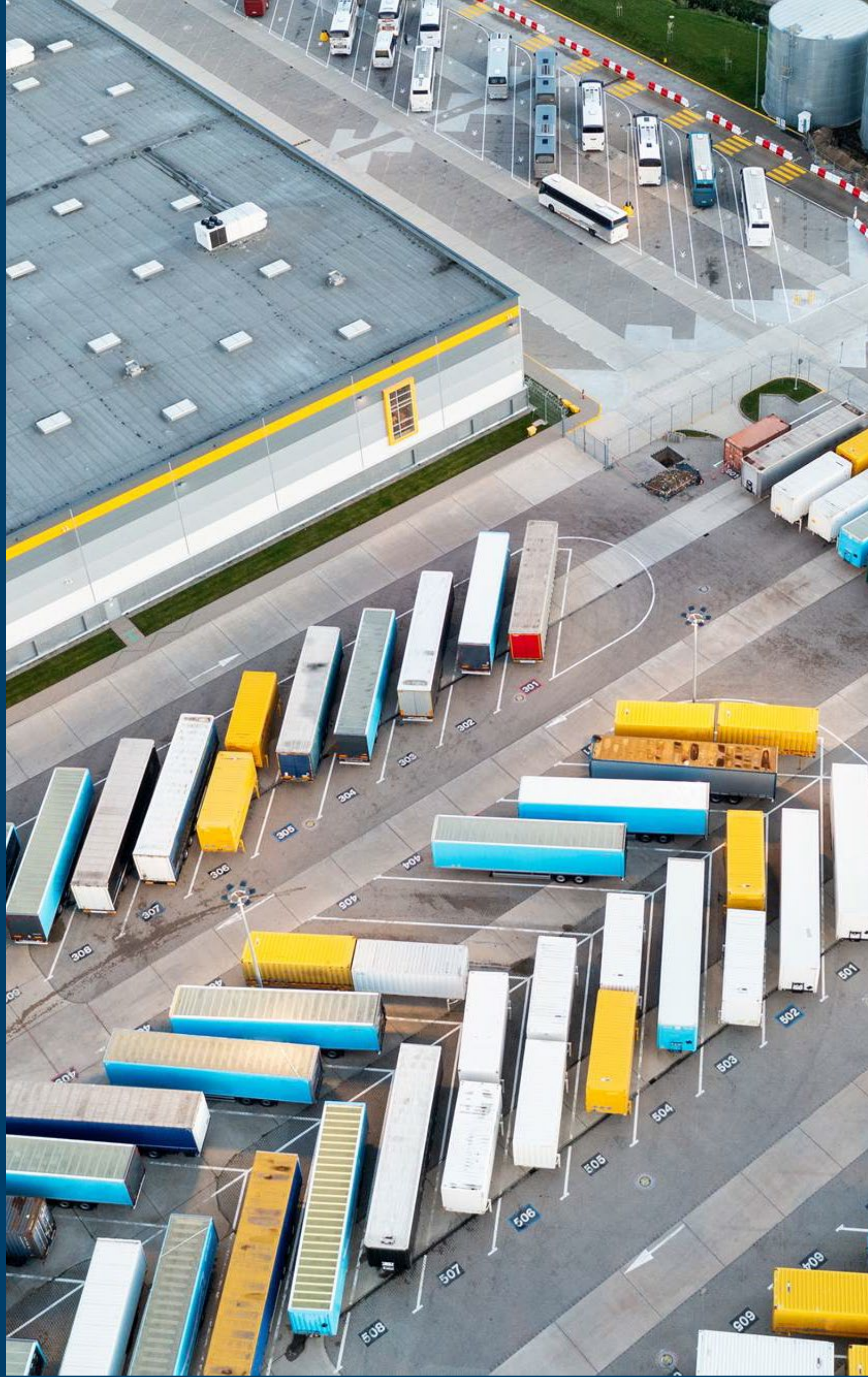

Southern New Hampshire Submarket Overview

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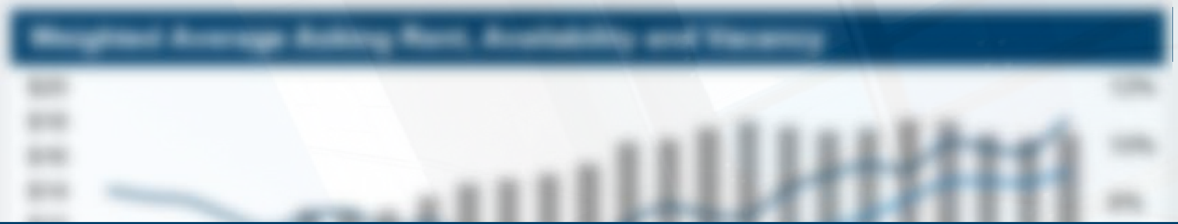
Source: Newmark Research, CoStar Group

North Submarket Overview



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Source: Newmark Research

South Submarket Overview

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Source: Newmark Research

Urban Submarket Overview

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Source: Newmark Research

West Submarket Overview

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Submarket Overview

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