Increased owner/user and build-to-suit activity points toward continued stability in 2025

▲ 7.8%
Vacancy Rate

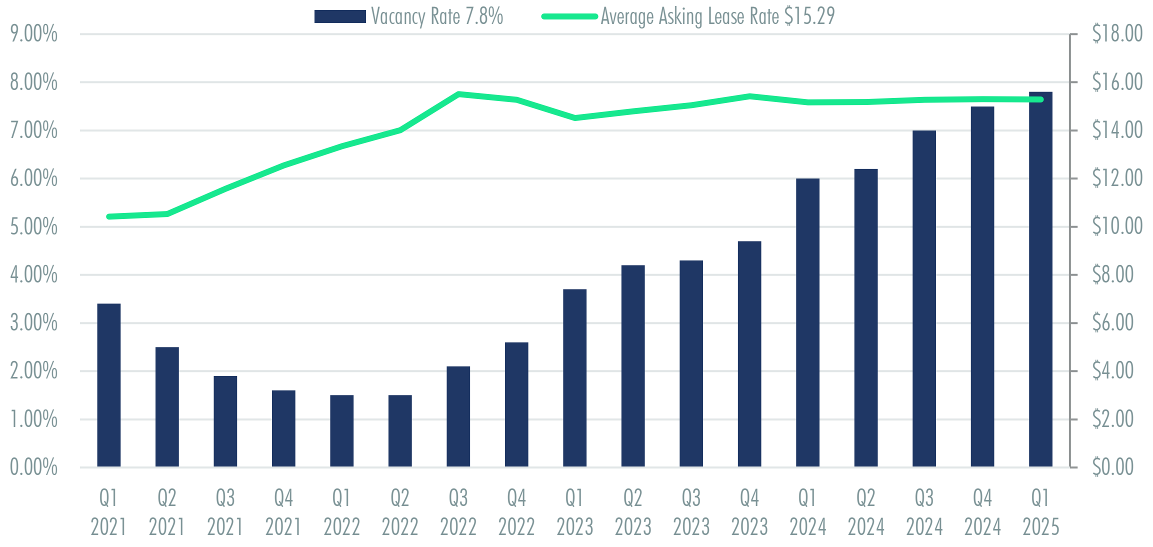
▲ 9.2%
Availability Rate

▶ $15.29
Average Asking Rent (NNN)

Note: Arrows indicate change from previous quarter.

The Greater Boston Metro experienced some momentum to begin 2025, recording an uptick in owner/user sales, as well as build-to-suit and land site activity. The overall market posted 543,217 sq. ft. of net absorption this quarter, carried by UPS's approximately 845,000 sq. ft. build-to-suit lease for a distribution center in Grafton. At a larger rate, occupiers are opting to buy rather than rent their facilities (a trend also being observed nationally) or engage in build-to-suits, motivated by the long-term cost savings, potential tax deductions, and customization ability. Also adding fuel to the market, a handful of larger requirements have picked back up after being put on hold due to economic and business-related concerns in late 2023 and 2024, most of which are focused on land or build-to-suits. While it is clear that the market is adjusting to more normalized supply and demand levels, there is optimism that a more accommodative investment and leasing environment, as well as the potential reshoring of U.S. manufacturing, will continue to draw attention to industrial assets. Over the next 12 to 18 months, it will be important to monitor not only how the industrial landscape is affected by tariffs and other federal policies but also by the increased presence of automation, artificial intelligence, and robotics.

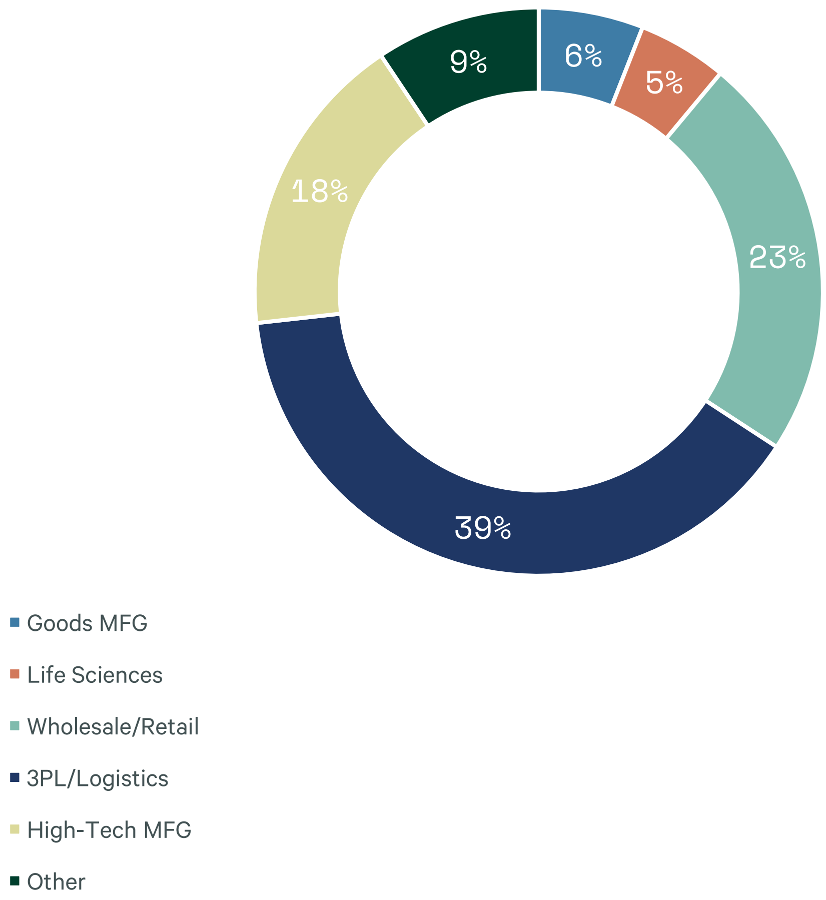
FIGURE 1: Greater Boston Metro Industrial Vacancy vs. Lease Rate



Source: CBRE Research, Q1 2025.

In the short term, the Greater Boston Metro should remain stable, with overall leasing activity being buoyed by renewals and core demand under 100,000 sq. ft. While this quarter's overall transaction volume returned to more normalized levels at approximately 2.50 million sq. ft., the trend towards renewals progressed into 2025, keeping the leasing environment relatively healthy. In addition to expressing a desire to avoid moving costs, tenants displayed other cost-cutting behaviors, evidenced by rising sublease availability. Partly as a consequence of increased sublease space, overall availability experienced slight upticks throughout 2024 and to 9.2% in the first quarter of 2025. Overall vacancy was recorded at 7.8%, an increase of 30 basis points (bps) quarter-over-quarter (q-o-q). Although supply levels are mildly elevated compared to the record-breaking years of 2021, 2022, and 2023, overall average asking rent stayed consistent at an historic high of $15.29 per sq. ft. NNN. The pace at which new speculative deliveries, or a lack thereof, come on-line in 2025 is expected to maintain rents and other fundamentals as the market continues to adjust to the post-pandemic "new normal" along with the effects of geopolitical and macroeconomic issues.

FIGURE 2: Greater Boston Metro Leasing Activity By Industry in Square Footage, Q1 2025



Source: CBRE Research, Q1 2025.

Submarkets

The urban market did not experience significant movement to start the year, posting -95,607 sq. ft. of net absorption as the result of a few space givebacks and no recorded leasing activity. While availability and vacancy were up q-o-q to 6.6% and 5.3%, respectively, much of the urban market remains functionally challenged with virtually no developable land to transact on. Average asking rents were down q-o-q to $25.32 per sq. ft. NNN as the market continued to assimilate back to more normalized demand levels and functionally superior product remained limited. While functional obsolescence is expected to prevail for the unforeseeable future, national reinvestment in port infrastructure and reshoring of U.S. manufacturing could reignite the urban market, depending on the outcome of tariffs and other federal policies. It will be important to monitor the urban industrial landscape in lieu of a potential reindustrialization period and heightened 3PL and manufacturing demand.

Unlike the urban market, the Metro North recorded significant market movement due to diversity of demand and increased space givebacks. While -474,248 sq. ft. of net absorption was recorded this quarter due to heightened sublease availability and renewal activity, the north's diverse tenant pool was exemplified by a handful of new leases. Both at 30A Upton Drive in Wilmington, Quaero Life Sciences, a medical equipment manufacturer, signed a 25,395 sq. ft. lease and Swagelok, a fluid systems manufacturer, signed a 25,102 sq. ft. lease. New speculative construction garnered attention this quarter with Tobin Scientific leasing 42,161 sq. ft. at the newly constructed, neighboring property at 30B Upton Drive and Red Thread signing a new 95,571 sq. ft. lease at Marcus Partners and Howland Development's 4 Executive Drive in Andover. Renewal activity made up most of the remainder of the 762,000 sq. ft. of overall leasing activity recorded in the market, with one of the largest being SMTC Corporation's 57,990 sq. ft. lease extension at 101 Billerica Avenue in Billerica. Aside from renewals, increased interest in occupier acquisitions was also apparent in the north with Flatiron Energy buying 284 Eastern Avenue in Chelsea with the agenda of constructing a new battery energy storage facility. Additionally, two new speculative groundbreakings increased availability by 90 bps q-o-q to 8.5%. Vacancy was up by 30 bps q-o-q to 6.8%, while average asking rent was down by $0.52 q-o-q to $20.40 per sq. ft. NNN.

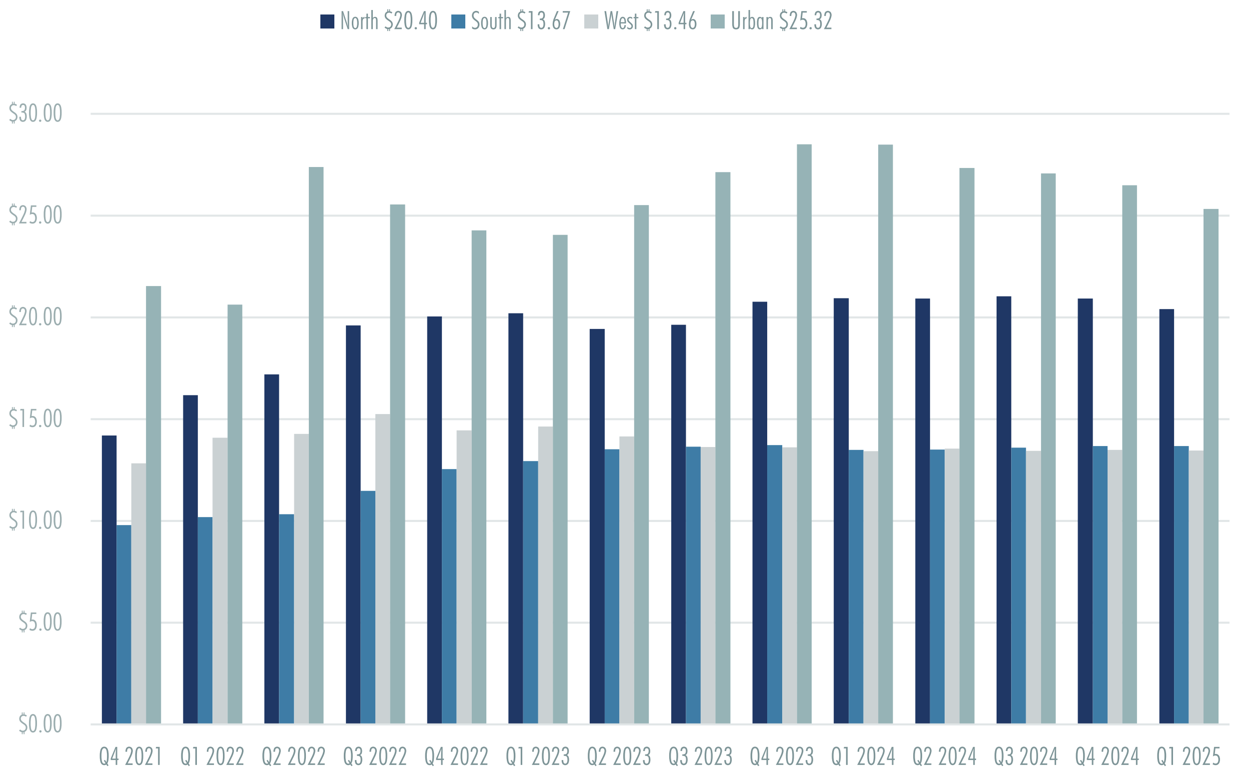
FIGURE 3: Greater Boston Metro Top Lease Transactions, Q1 2025

Tenant	Building	Market	Size (SF)	Transaction Type
UPS	Centennial Drive, Grafton	WM – Worcester South	845,000	BTS
Fidelity Informational Services (FIS)	10 Dan Road, Canton	MS – Route 128–South	111,584	Renewal
Dover Saddlery	525 Great Road, Littleton	MW – Route 495–Route 2 West	99,922	Renewal
Red Thread	4 Executive Drive, Andover	MN – Route 495–Northeast	95,571	New Lease
NEPW	66 Saratoga Boulevard, Devens	MW – Route 495-Route 2 West	81,635	Renewal
National Tire Wholesale	61 Leona Drive, Middleborough	MS – Route 495-South	80,000	Renewal
All Access Equipment	200 Danton Drive, Methuen	MN – Route 495–Northeast	70,872	New Lease

Source: CBRE Research, Q1 2025.

The Metro South posted a relatively flat quarter mostly as the result of heightened renewal activity. Fidelity Information Services' extension of its approximately 111,584 sq. ft. lease at 10 Dan Road in Canton was the largest renewal recorded this quarter. National Tire Wholesale also extended its 80,000 sq. ft. lease at 61 Leona Drive in Middleborough. Due to tenants opting to stay in-place, net absorption was capped at 59,229 sq. ft. and leasing activity was just over 492,000 sq. ft. New transactions included Eversource's 40,000 sq. ft. build-to-suit lease at Marcus Partners' 425 John Quincy Adams Road in Taunton and Carlysle Engineering's new 30,000 sq. ft. lease at 249 Oceana Way in Norwood. Suncor Stainless also bought 71 Armstrong Road in Plymouth and will be using the approximately 29,847 sq. ft. building for its stainless-steel manufacturing business, exemplifying the trend of owner/user sales throughout the Greater Boston Metro. With no new groundbreakings recorded in the south and limited space givebacks, availability was flat q-o-q at 10.3%, although the market remains oversupplied in some size ranges of new speculative product (more than 3.18 million sq. ft. of new construction remains unleased). Further contributing to a flat quarter, vacancy was up modestly by 40 bps q-o-q to 8.9% and average asking rents were essentially the same, down by only $0.01 to $13.67 per sq. ft. NNN, with the caveat that rents will continue to stabilize throughout the year.

FIGURE 4: Greater Boston Average Asking Lease Rates (PSF/NNN)

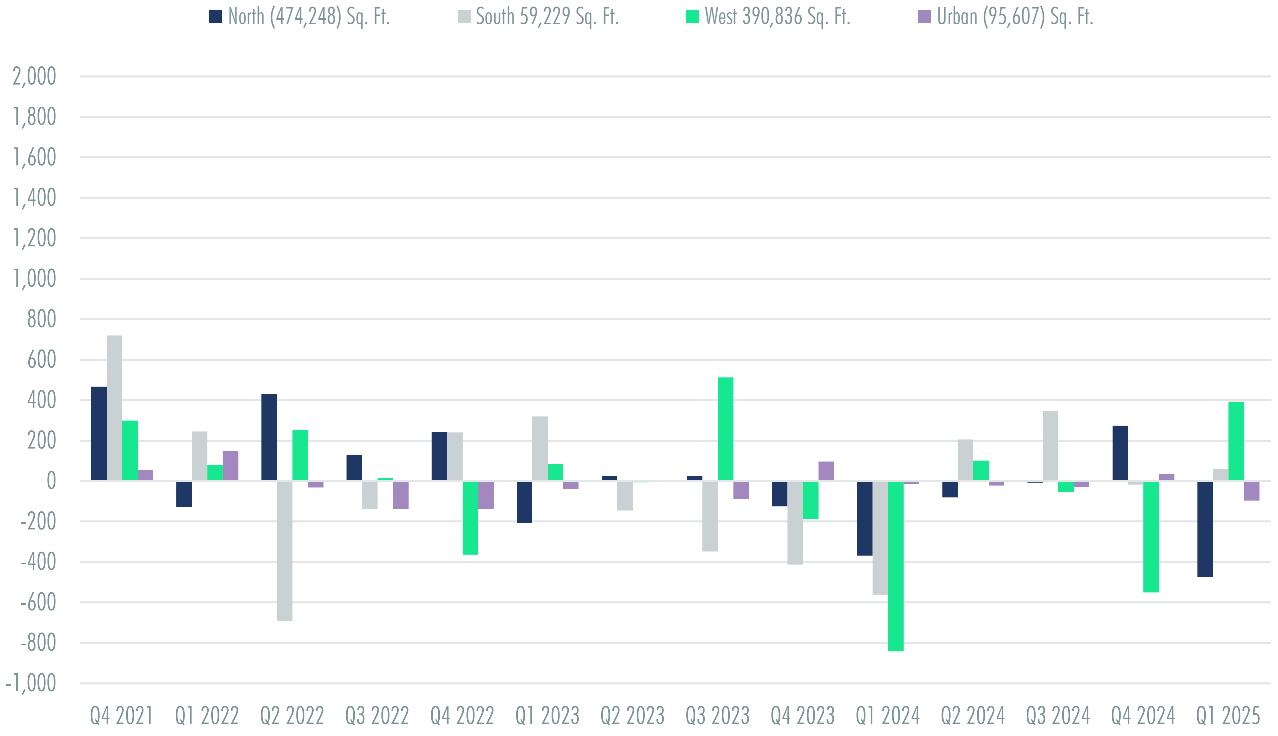


Source: CBRE Research, Q1 2025.

While 2024 was marked by heightened space givebacks and sublease availability in the Metro West, the market gained some momentum this quarter. Recording 390,836 sq. ft. of quarterly net absorption, the market benefitted from tenants deciding to pull their space from the market, opting to hit the easy button and renewing. Just over 329,000 sq. ft. of leasing activity was recorded, carried by tenants executing renewals. Dover Saddlery at 525 Great River Road in Littleton and NEPW Logistics at 66 Saratoga Boulevard in Devens extended approximately 99,922 sq. ft. and 81,635 sq. ft., respectively. As functional challenges persisted in the west, few new leases were executed with the largest being Iron Mountain's new 41,209 sq. ft. lease at 20 Forbes Road in Northborough. Availability was down by 60 bps q-o-q to 8.0%, while vacancy was down by 10 bps q-o-q to 6.5%. Average asking rents were consistent, down by just $0.03 q-o-q to $13.46 per sq. ft. NNN. With functionally superior supply shortages expected to continue in the Metro West with a practically non-existent active speculative construction pipeline, rents are expected to remain stable.

Similar to its neighboring Metro West counterpart, the Worcester Metro experienced improved market fundamentals, mostly as a result of greater interest in new development and land sites. The market's 663,007 sq. ft. of quarterly net absorption was bolstered by UPS's approximately 845,000 sq. ft. build-to-suit at Prologis' site on Centennial Drive in Grafton. While activity around more cost-effective land sites and new construction in the Worcester and outlying western areas has significantly picked up, existing, older product remains challenged. Although availability and vacancy were up q-o-q to 10.6% and 10.4%, respectively, high-quality space under 100,000 sq. ft. remains scarce, opening the door for further new developments to prevail in strategic size ranges. With limited existing functional options and still strong demand for cost-efficient space, average asking rents were down minimally by $0.11 q-o-q to $10.73 per sq. ft. NNN, which will likely stay status quo throughout 2025.

FIGURE 5: Greater Boston Net Absorption



Source: CBRE Research, Q1 2025.

Construction

While new speculative construction slowed in 2024 due to oversupply in some size ranges and submarkets, certain strategic projects are being picked back up in 2025 as the result of a more accommodative investment environment and the continued strength of the core market. Both within the Greater Boston Metro's core market, DH Property Holdings broke ground on a 91,500 sq. ft. speculative property at 270 Billerica Road in Chelmsford and RJ Kelly and Ridge Real Estate Partners broke ground on 95,700 sq. ft. at 600 Griffin Brook Road in Methuen. These projects should be well received with continued supply constraints in the highly desired 100,000 sq. ft. and under size segment and the overall active speculative construction pipeline down to just under 1.78 million sq. ft.

Fueling the prediction that fewer new deliveries will be posted by the market in 2025 as the result of a narrowed active pipeline in 2024, no new speculative completions were recorded this quarter. Oversupply of new product in some size segments and submarkets (especially Route 495-South) will continue to weigh on rents and future development, as owners wait and see how current demand plays out at recent deliveries. Even more, tariffs and other federal policies could prove to be more inflationary than forecasted, further delaying landlords and occupiers' decisions alike, as they reassess their costs and business models. On the other hand, if manufacturing is successfully reshored and domestic reindustrialization occurs, increased demand for industrial and logistics space could catapult new development and accelerate the market.

FIGURE 6: Greater Boston Metro Submarket Statistics

Total Industrial	Bldgs.	Total Sq. Ft.	Available (%)	Vacant (%)	Sublease (%)	Quarter Net Absorption	YTD Net Absorption	Avg. Asking Rent NNN ($)
Urban	223	14,285,885	6.6	5.3	0.5	(95,607)	(95,607)	25.32
Close-In Suburbs North	244	19,052,409	8.8	5.9	0.4	(20,591)	(20,591)	28.44
Route 128 - North	464	33,813,613	8.8	8.1	1.0	(113,343)	(113,343)	20.33
Route 495 - Northeast	221	24,515,446	5.5	4.3	1.1	(144,756)	(144,756)	15.85
Route 3 - North	246	18,779,099	11.3	8.7	0.7	(195,558)	(195,558)	16.55
Metro North	1,175	96,160,567	8.5	6.8	0.8	(474,248)	(474,248)	20.40
Route 128 - South	709	45,270,959	9.1	7.1	1.6	(19,102)	(19,102)	15.21
Route 495 - South	852	72,477,093	11.0	10.0	1.3	78,331	78,331	13.05
Metro South	1,561	117,748,052	10.3	8.9	1.4	59,229	59,229	13.67
Route 128 - West	146	6,312,001	5.2	4.7	2.4	(26,398)	(26,398)	28.17
Framingham - Natick	84	4,552,518	3.7	1.8	0.0	13,078	13,078	12.57
Route 495 - Route 2 West	237	22,198,835	7.1	5.1	1.1	388,792	388,792	12.10
Route 495 - Mass Pike West	349	24,712,159	10.3	9.1	0.3	15,364	15,364	13.71
Metro West	816	57,775,513	8.0	6.5	0.8	390,836	390,836	13.46

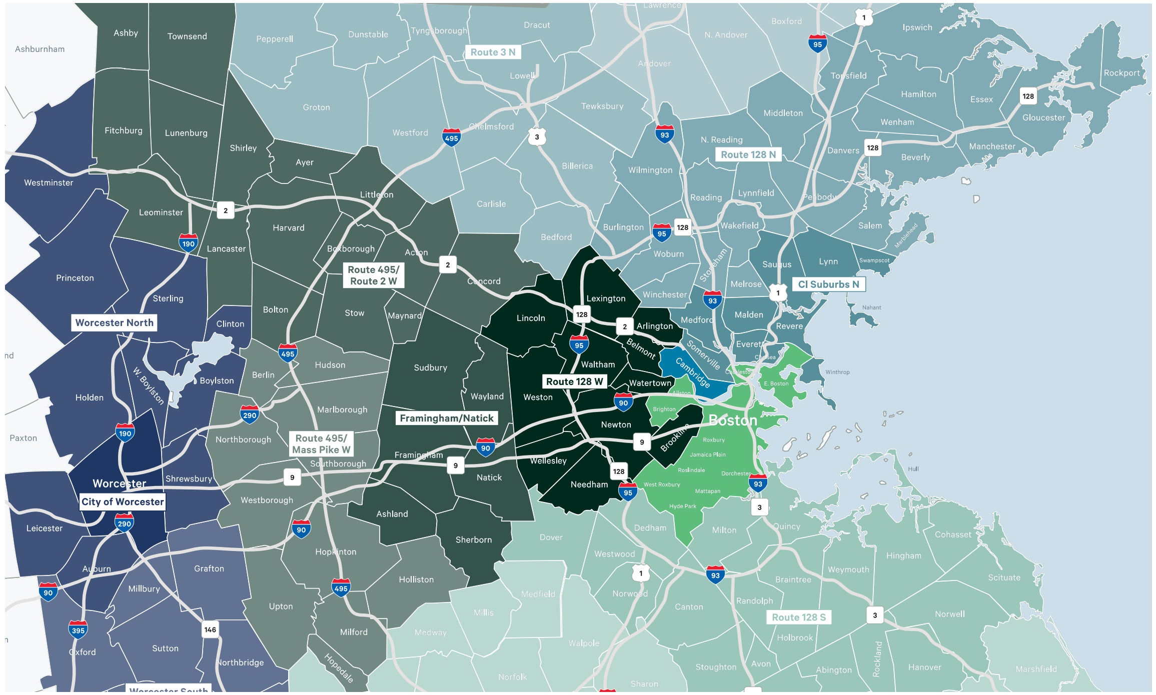
Source: CBRE Research, Q1 2025.

FIGURE 6: Greater Boston Metro Submarket Statistics (Continued)

City of Worcester	114	9,676,425	3.7	3.4	1.8	32,648	32,648	8.80
Worcester North	124	11,930,650	9.6	9.3	0.1	(270,841)	(270,841)	10.61
Worcester South	64	10,133,542	18.3	18.3	0.0	901,200	901,200	10.96
Worcester Metro	302	31,740,617	10.6	10.4	0.6	663,007	663,007	10.73
Overall Greater Boston Metro Total Industrial	**4,077**	**317,710,634**	**9.2**	**7.8**	**1.0**	**543,217**	**543,217**	**15.29**

Source: CBRE Research, Q1 2025.

Market Area Overview



Definitions

AVERAGE ASKING LEASE RATE: Rate determined by multiplying the asking gross lease rate for each building by its available space, summing the products, then dividing by the sum of the available space with net leases for all buildings in the summary. GROSS LEASES: Includes all lease types whereby the tenant pays an agreed rent plus estimated average monthly costs of the operating expenses and taxes for the property, including utilities, insurance and/or maintenance expenses.NET ABSORPTION: The change in occupied sq. ft. from one period to the next, as measured by available sq. ft. NET RENTABLE AREA: The gross building square footage minus the elevator core, flues, pipe shafts, vertical ducts, balconies and stairwell areas. OCCUPIED AREA (SQ. FT.): Building area not considered vacant. UNDER CONSTRUCTION: Buildings that have begun construction as evidenced by site excavation or foundation work. AVAILABLE AREA (SQ. FT.): Available building area that is either physically vacant or occupied. AVAILABILITY RATE: Available sq. ft. divided by the net rentable area. VACANT AREA (SQ. FT.): Existing building area that is physically vacant or immediately available. VACANCY RATE: Vacant building feet divided by the net rentable area. NORMALIZATION: Due to a reclassification of the market, the base, number and square footage of buildings of previous quarters have been adjusted to match the current base. Availability and vacancy figures for those buildings have been adjusted in previous quarters.

Survey Criteria

Includes all competitive buildings in CBRE's survey set for the Downtown Boston Office and Lab Markets.

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