The Greater Boston Metro further stabilizes to end 2024

▲ 7.5%
Vacancy Rate

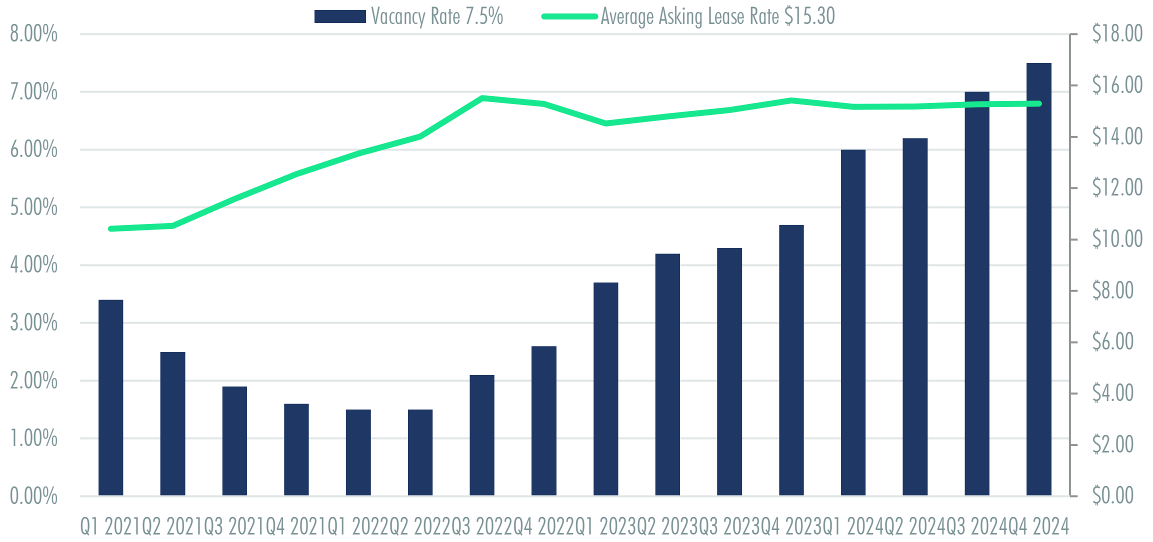
▲ 9.0%
Availability Rate

▲ $15.30
Average Asking Rent (NNN)

Note: Arrows indicate change from previous quarter.

Throughout 2024, the Greater Boston Metro stabilized as new supply was delivered to the market amidst a challenging economic year that was marked by heightened renewal activity and more cautious tenant behavior. Since the surge of pandemic-driven new construction in the latter half of 2022, supply and demand dynamics have been observed inching closer to equilibrium. As new speculative product broke ground, as well as delivered without secured tenants, and occupiers continued to measure their strategies against economic realities, overall availability and vacancy increased slightly quarter-over-quarter (q-o-q) to 9.0% and 7.5%, respectively. Also as a result of more heedful tenant behavior, renewals continued to take precedence and demand under 150,000 sq. ft. remained strong to make up overall quarterly leasing activity of approximately 2.06 million sq. ft. While renewals kept overall annual leasing activity higher than pre-pandemic records (8.49 million sq. ft. and 9.95 million sq. ft. of overall transactions were recorded in 2019 and 2024, respectively), fewer new deals coupled with space givebacks neutralized overall quarterly net absorption to -96,984 sq. ft. Being a relatively flat quarter, the market appears to be continuing its adjustment to the post-pandemic "new normal", marked by more neutral supply and demand levels.

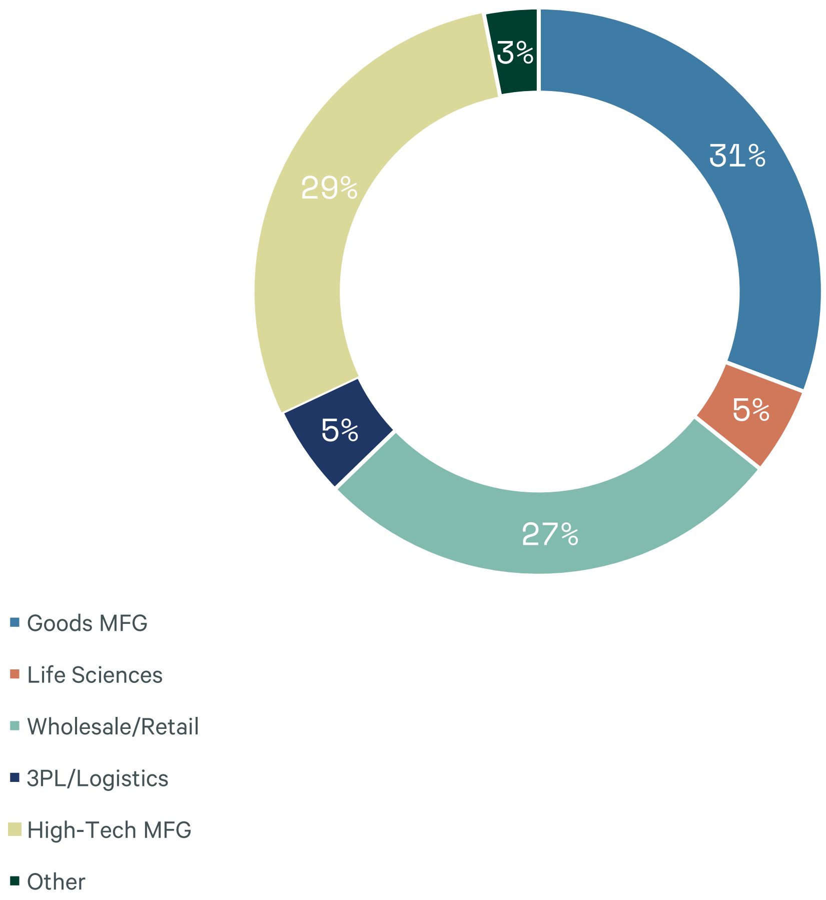
FIGURE 1: Greater Boston Metro Industrial Vacancy vs. Lease Rate



Source: CBRE Research, Q4 2024.

Nonetheless, the Greater Boston Metro is expected to remain on par, or slightly elevated throughout 2025, compared to pre-pandemic levels of growth as market fundamentals continue to balance out after an unprecedented development explosion and core demand continues to perform. Although overall average asking rent has stabilized, increasing by just $0.03 q-o-q to $15.30 per sq. ft. NNN, rental rate growth of more than 55% compared to pre-pandemic records points toward a healthy market. Moreover, the continued diversity of the Greater Boston Metro's tenant pool coupled with robust demand for space under 100,000 sq. ft. will contribute to a healthy market in 2025, characterized by steady leasing activity, moderate rental rate growth, and strong, diversified core demand. Lower interest rates, easing inflation, and new federal legislation may even accelerate economic activity and increase demand for industrial real estate in the new year, especially if geopolitical issues persist and tariffs enacted on imports make manufacturing goods abroad significantly more expensive. Additionally, e-commerce is expected to continue its slow steady growth and having the right inventory at the right locations will still be an essential part of industrial occupiers' business strategies. The pace at which new speculative deliveries, or lack thereof, come on-line in 2025 may also lead to moderate declines in vacancy, which in turn, will maintain or even strengthen market fundamentals.

FIGURE 2: Greater Boston Metro Leasing Activity By Industry in Square Footage, Q4 2024



Source: CBRE Research, Q4 2024.

Submarkets

The urban market posted another flat quarter as existing functional challenges and land constraints prevailed. While some new deals were executed, extreme supply shortages have resulted in smaller scale leases. The largest quarterly transaction was YMCA of Greater Boston's new 26,700 sq. ft. lease at 30 Northampton Street in Boston followed by Boston Pickle Club's new 25,000 sq. ft. lease at 4 Alger Street in South Boston. Mostly as a consequence of limited functional space, overall quarterly leasing activity was capped at 60,586 sq. ft., leading to neutral quarterly net absorption of 34,476 sq. ft. Insignificant market movement characterized by renewal activity also led to neutral year-to-date net absorption of -31,724 sq. ft. Both availability and vacancy decreased q-o-q as some existing spaces were leased and few new spaces came to market. Availability ended the quarter at 5.9%, down by 20 bps q-o-q, while vacancy was 5.0%, down by 50 bps q-o-q. While supply imbalances and the lack of buildable land will keep urban average asking rents the highest of all the Greater Boston Metro markets, landlords have become more aggressive on rents to make up for existing functional challenges. Average asking rent finished the quarter at $26.49, down by $0.58 per sq. ft. NNN q-o-q.

In contrast, significant market movement in the Metro North occurred as a direct result of diversified demand under 100,000 sq. ft. The breadth of the market's tenant pool was demonstrated by several transactions this quarter, including Teradyne's approximately 80,200 sq. ft. renewal and expansion at 100 Fordham Road in Wilmington. DCS Corporation, a high-technology manufacturer for the U.S. military, also signed a new 71,270 sq. ft. lease at 10 Lyberty Way in Westford. Additionally, Tecomet, a medical device and aerospace technology manufacturer, renewed its 46,391 sq. ft. lease at 301 Ballardvale Street in Wilmington. Moreover, NanoDimension, a 3-D printing company, signed a new 45,861 sq. ft. lease at 10 Commerce Way in Woburn. Overall quarterly leasing activity of almost 540,000 sq. ft. in the Metro North, driven completely by deals under 100,000 sq. ft. and non-traditional industrial demand, resulted in quarterly net absorption of 274,294 sq. ft. This improved year-to-date net absorption to -182,909 sq. ft., even as renewals and space givebacks were prevalent in the early half of 2024. Reduced space givebacks this quarter led to availability and vacancy increasing modestly to 7.6% and 6.4%, respectively. Also stabilizing as a result of more neutral supply and demand dynamics, average asking rents retracted back to $20.92 per sq. ft. NNN. Looking into 2025, the Metro North is expected to continue to benefit from diversity of demand as a more cost-effective alternative to the urban market.

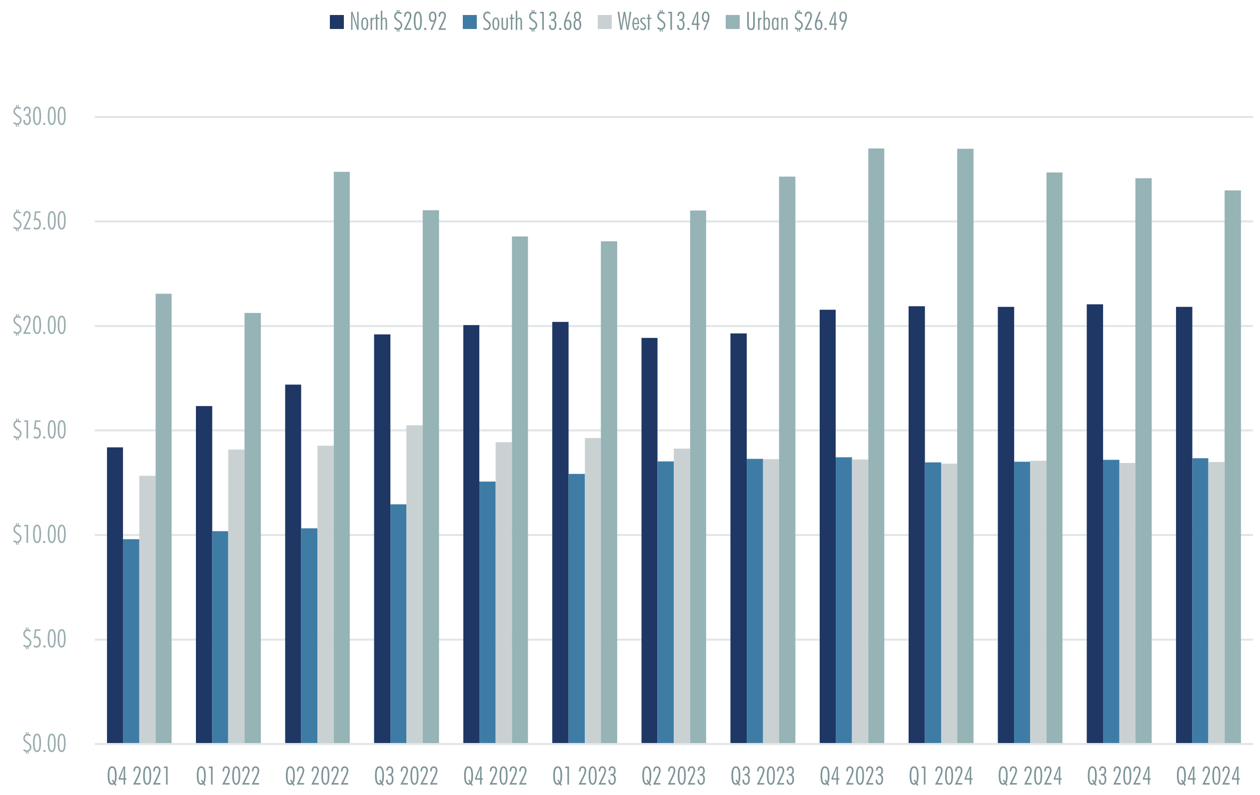
FIGURE 3: Greater Boston Metro Top Lease Transactions, Q4 2024

Tenant	Building	Market	Size (SF)	Transaction Type
Sappi Fine Paper	66 Saratoga Boulevard, Devens	MW – Route 495–Route 2 West	262,000	Renewal
Lindenmeyr Munroe	190 Mechanic Street, Bellingham	MS – Route 495–South	170,775	Renewal
Instron Corporation	825 University Avenue, Norwood	MS – Route 128–South	121,370	Renewal/Expansion
Wayfair	19 Leonard Street, Norton	MS – Route 495–South	110,000	Renewal
Mako Freight	2 Monarch Drive, Littleton	MW – Route 495-Route 2 West	98,150	Sublease
Confidential	201 Beacham Street, Everett	MN – Close-In Suburbs North	96,600	Renewal
Priority Wire & Cable	400 Manley Street, West Bridgewater	MS – Route 495–South	86,887	New Lease
Teradyne	100 Fordham Road, Wilmington	MN – Route 128-North	80,200	Renewal/Expansion

Source: CBRE Research, Q4 2024.

Another quarter of robust leasing activity in the Metro South resulted in a flat quarter amidst increased space givebacks and heightened renewal activity. In fact, renewal activity catapulted the market's overall quarterly leasing activity to more than 863,000 sq. ft., with the two largest transactions being Lindenmeyr Munroe's 170,775 sq. ft. extension at 190 Mechanic Street in Bellingham and Instron Corporation's 121,370 sq. ft. extension/expansion at 825 University Avenue in Norwood. Wayfair also executed a 110,000 sq. ft. extension at 19 Leonard Street in Norton. Contributing positively to absorption, Priority Wire & Cable, new to the market, signed a new 86,887 sq. ft. lease at 400 Manley Street in West Bridgewater. While experiencing the highest overall quarterly leasing activity of all the Greater Boston Metro markets, increased tenant move-outs reduced quarterly net absorption to -17,026 sq. ft. Space givebacks and heightened renewal activity throughout the year resulted in year-to-date net absorption ending at -160,779 sq. ft. Additionally, oversupply in some size ranges of new speculative product, specifically in Route 495-South, have resulted in slight upticks in availability and vacancy over the past year. Availability increased 10 bps q-o-q to 10.3%, while vacancy increased 50 bps q-o-q to 8.5% mostly as a result of a new 350,000 sq. ft. speculative delivery to the market. With more active projects in the pipeline as well as more than 2.04 million sq. ft. of new speculative construction delivering to the south market since Q4 2023 (much of which has not been leased), the abundance of supply is a growing concern and is pressuring landlords to lower asking rents. Average asking rents were up by only $0.08 q-o-q to $13.68 per sq. ft. NNN, with the caveat that rents will continue to stabilize in 2025.

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

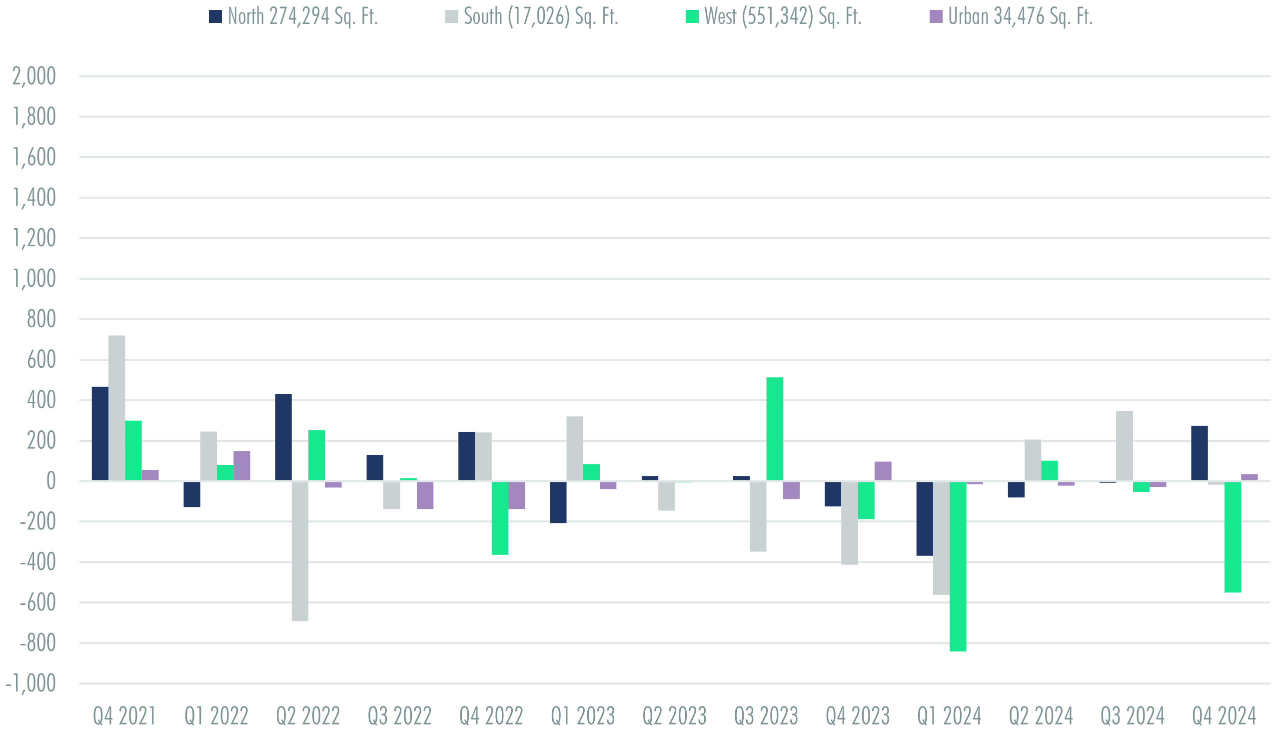


Source: CBRE Research, Q4 2024.

Similar to the Metro South, renewal activity and elevated space givebacks in the Metro West led to reduced quarterly net absorption. As a result of a larger space coming to market by a confidential e-commerce company coupled with limited new leasing activity due to extreme supply shortages, quarterly net absorption of -551,342 sq. ft. was recorded. Consequently, year-to-date net absorption decreased to -1,346,038 sq. ft. Also as a consequence of increased tenant move-outs, both availability and vacancy were up by 100 bps q-o-q to 8.6% and 6.6%, respectively. As functional options remained extremely scarce for tenants seeking space in the Metro West, the market's overall quarterly leasing activity of almost 545,000 sq. ft. was ruled by Sappi Fine Paper's approximately 262,000 sq. ft. renewal at 66 Saratoga Boulevard in Devens, followed by a 98,150 sq. ft. sublease by Mako Freight at 2 Monarch Drive in Littleton. Average asking rents remained consistent at $13.49 per sq. ft. NNN, up by just $0.05 q-o-q. Furthermore, with supply shortages expected to continue in the Metro West with a practically non-existent active speculative construction pipeline, rents are expected to remain stable in 2025.

Functional obsolescence and supply constraints in the core market (spaces under 150,000 sq. ft.) were also observed in the Worcester Metro. In fact, the market only recorded a single transaction this quarter, that being Northeast Battery's new 49,310 sq. ft. lease at 4 Westec Drive in Auburn. Largely due to this single transaction being recorded combined with limited space givebacks, quarterly net absorption was 162,614 sq. ft., neutralizing year-to-date net absorption to 37,721 sq. ft. With limited options coming on-line to alleviate demand, availability was down 10 bps q-o-q to 10.1%, while vacancy was up by 30 bps q-o-q to 9.6%. As a cost-effective alternative, demand remained relatively consistent for the Worcester Metro, leading to a steady average asking rent of $10.84 per sq. ft. NNN. While several new developments have been well-received in this market, there are currently no new speculative properties under construction to relieve demand for functionally superior spaces. As a result of limited construction to relieve demand for functionally superior spaces. As a result of limited functional space, rents are expected to hold steady in 2025 in the Worcester Metro, with the continued opportunity for new developments to prevail.

FIGURE 5: Greater Boston Net Absorption



Source: CBRE Research, Q4 2024.

Construction

Mostly as a consequence of recently delivered new product remaining vacant, the overall active speculative construction pipeline contracted this quarter with no new groundbreakings being recorded. The current speculative pipeline continued to contract, with just under 1.60 million sq. ft. of new developments under construction. Compared to approximately 3.76 million sq. ft. of active construction in Q4 2023, speculative development is down by more than 2.16 million sq. ft. year-over-year (y-o-y). Moreover, approximately 4.21 million sq. ft. of active construction was recorded in Q4 2022. It is predicted that active construction levels will continue to stabilize in 2025, as the slightly decelerated demand pool for new product becomes fully realized and developers focus their construction efforts on the smaller and more highly desired 100,000 sq. ft. and under size segment.

Attesting to a slightly tapered development pipeline, the quarter recorded a single speculative delivery. The sole completion of approximately 350,000 sq. ft. at DeBartolo's new speculative property at 21 Lincoln Street in West Bridgewater marked a quarter of reduced deliveries. Oversupply of new product in some submarkets (especially in the Route 495-South submarket) has postponed further speculative development as landlords wait and see how current demand plays out at recent deliveries. With more than 2.04 million sq. ft. of new speculative deliveries being recorded in the Route 495-South submarket alone since Q4 2023, oversupply in some size segments and submarkets will remain a concern in 2025 and continue to impact the future of active speculative pursuits and decisions in 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	5.9	5.0	0.4	34,476	(31,724)	26.49
Close-In Suburbs North	241	18,885,209	8.7	6.2	0.3	165,943	70,002	28.74
Route 128 - North	461	33,690,823	8.4	7.5	1.0	202,622	(258,193)	20.32
Route 495 - Northeast	219	24,361,246	4.3	4.2	0.7	(75,221)	(3,826)	16.89
Route 3 - North	240	18,538,164	9.2	7.7	1.0	(19,050)	9,108	16.42
Metro North	1,161	95,475,442	7.6	6.4	0.8	274,294	(182,909)	20.92
Route 128 - South	707	45,216,582	9.0	6.6	1.6	(147,291)	(54,307)	15.14
Route 495 - South	852	72,532,767	11.1	9.7	1.3	130,265	(106,472)	13.09
Metro South	1,559	117,749,349	10.3	8.5	1.4	(17,026)	(160,779)	13.68
Route 128 - West	146	6,312,001	4.7	4.1	2.2	(41,408)	(159,281)	28.27
Framingham - Natick	83	4,528,744	4.0	2.1	0.0	(10,050)	174,002	13.19
Route 495 - Route 2 West	236	22,166,135	8.9	5.5	0.7	(121,658)	(770,754)	12.85
Route 495 - Mass Pike West	347	24,503,531	10.1	9.1	0.3	(378,226)	(590,005)	13.56
Metro West	812	57,510,411	8.6	6.6	0.7	(551,342)	(1,346,038)	13.49

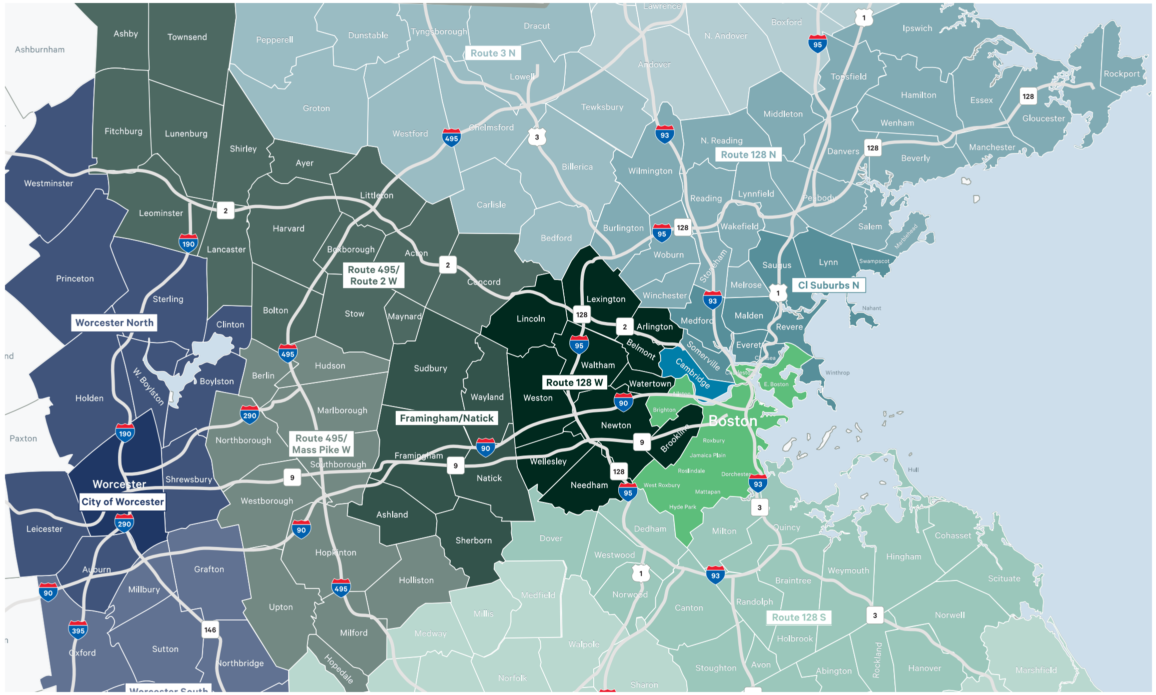
Source: CBRE Research, Q4 2024.

FIGURE 6: Greater Boston Metro Submarket Statistics (Continued)

City of Worcester	114	9,676,425	4.0	3.9	1.8	92,121	(164,980)	9.49
Worcester North	124	11,930,650	7.4	6.3	0.1	(16,507)	234,870	10.84
Worcester South	62	9,248,542	19.9	19.9	0.0	87,000	(32,169)	10.94
Worcester Metro	300	30,855,617	10.1	9.6	0.6	162,614	37,721	10.84
Overall Greater Boston Metro Total Industrial	**4,055**	**315,876,704**	**9.0**	**7.5**	**1.0**	**(96,984)**	**(1,683,729)**	**15.30**

Source: CBRE Research, Q4 2024.

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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