INVESTMENT OUTLOOK

Industrial

Boston Metro Area

IPA INSTITUTIONAL PROPERTY ADVISORS

MIDYEAR 2025

Deliveries Moderate While Last-Mile Assets Gain Investors' Focus in Boston

Alleviating supply pressure key to supporting industrial market growth. The metro has faced elevated completions each year for the past five years, with 30 million square feet delivered during that span. This extended period, driven largely by speculative projects, pushed vacancy up 320 basis points over the past two years. In response, developers have slowed project starts, leading to a sharp year-over-year drop in supply growth. Still, net absorption is expected to remain modest in 2025, with space reductions by Amazon and other major e-commerce tenants playing a role. Some submarkets, however, appear better positioned. The Andover-Amesbury area posted the fastest inventory growth among metro submarkets over the past year, yet recorded one of the smallest vacancy increases — a sign of steady local demand. Likewise, Southern New Hampshire had the metro's lowest vacancy rate in early 2025, reflecting continued interest along the far northern Interstate 95 corridor.

Investment activity centers around the final leg of the supply chain. Transaction velocity rose roughly 40 percent in the 12 months ended in March compared with the prior yearlong period. Still, the average price per square foot remains about 15 percent below the metro's 2022 peak, reflecting both softer fundamentals and the age of properties most often traded. Areas offering strong connectivity to both Interstates 95 and 93, as well as dense Boston neighborhoods, registered increases in deal flow over the past year, highlighted by activity around Wilmington and Woburn to the north and Randolph to the south. Assets in these pockets are typically older and priced below facilities in the urban core. As demand patterns shift, buyers are expected to place greater emphasis on both property fundamentals and location.

2025 MARKET FORECAST

+0.5% **EMPLOYMENT:** The metro experienced a slight decline in jobs during 2024, but employment is projected to rebound this year with an increase of approximately 15,000 positions across the market.

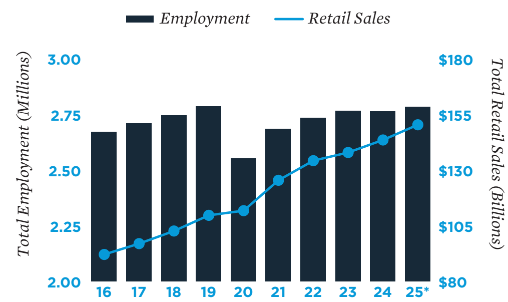
2.7 million *sq. ft.* **CONSTRUCTION:** Deliveries will retreat from last year's historic peak — the highest since at least 2000 — with this year's pipeline set to be the smallest in six years, growing stock by only 0.6 percent.

+30 bps **VACANCY:** Metro vacancy will continue its upward trajectory as elevated supply outpaces demand for a fourth consecutive year. The rate is expected to reach 8.2 percent by the end of 2025.

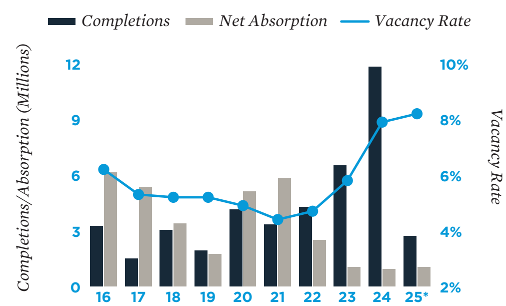
+3.1% **RENT:** Boston remains one of the lowest-cost primary industrial markets on the East Coast, as the metro ends the year with an average asking rent of $12.43 per square foot.

INVESTMENT: *South Coast Rail brings upgraded infrastructure that enhances freight reliability along shared-use corridors — a shift that may spur investor interest near connected industrial and intermodal areas.*

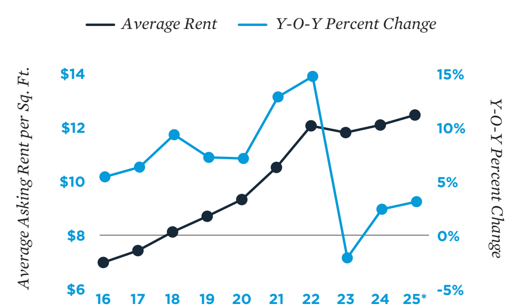
Economic Trends



Supply and Demand



Rent Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

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