

INVESTMENT FORECAST

Office
Boston Metro Area

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

2025

Experiential Concepts and Service Tenants Sustain Boston's Tight Retail Market

Urban churn and suburban resilience shape leasing dynamics. Boston's suburban retail landscape continues to see strong demand, driven by essential service providers favoring small-format, convenience-oriented locations. Worcester, Framingham and Southern New Hampshire exemplified this trend in 2024, recording their strongest net absorption since before the pandemic. An average lease term exceeding five years further signals growing tenant confidence. Meanwhile, in closer-in suburbs and the urban core, experience-driven concepts are fueling growth, as traditional retailers remain cautious about large footprints. This shift is evident in the northern suburb of Malden, where an adventure park will backfill 55,000 square feet in a neighborhood center. High-profile retail corridors, such as Back Bay and the Seaport District, are also attracting tenants like golf simulators, art studios and bars. With the MBTA considering late-night service expansion and a new law authorizing 225 additional liquor licenses for the city of Boston, demand for entertainment-driven retail could keep accelerating.

Steady returns drive metro investment activity. With strong single-tenant rent growth, private buyers are set to remain active in the net-lease market. High-traffic properties in urban residential zones, where vacancy is tighter than in exurban areas, should stay key targets. Investors seeking lower entry costs may look to outlying suburbs, focusing on assets occupied by necessity-oriented retailers, as tenants here are often committed to longer leases. Gaining momentum last year, institutional activity should also improve amid tight market conditions. Buyers may target large power centers anchored by national credit tenants in peripheral areas like Lowell and Plymouth, where limited new supply competition should offer stable long-term cash flow.

2025 MARKET FORECAST

+0.7%



EMPLOYMENT: Job growth remains modest in 2025. The 20,000 positions added will be roughly in line with the metro's historical norm, bringing total employment 1 percent above its 2019 level.

500,000
sq. ft.



CONSTRUCTION: Following last year's record-low delivery total, completions will inch up slightly. Still, delivery volume is equivalent to less than one-third of the long-term annual average.

-10 bps



VACANCY: Minimal deliveries and measured employment gains will keep vacancy on a downward trajectory. At 2.6 percent, the metro's rate will align with all-time lows set in 2017.

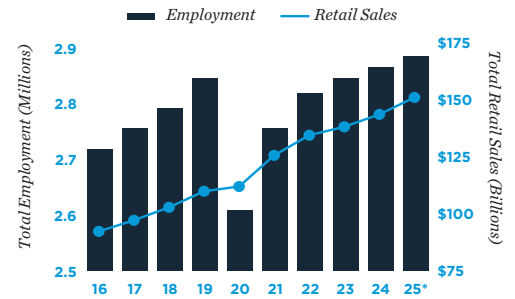
+3.3%



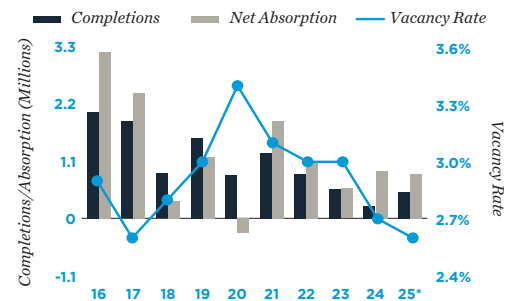
RENT: Historically tight vacancy, fueled by growing tenant demand, will aid a pace of rent growth twice the metro's long-term average. Boston's mean asking rent will reach \$23.90 per square foot.

INVESTMENT: With vacancy below 2 percent, the areas around Everett and Lawrence rank among the top 10 least vacant U.S. submarkets with at least 10 million square feet of stock, likely attracting investment.

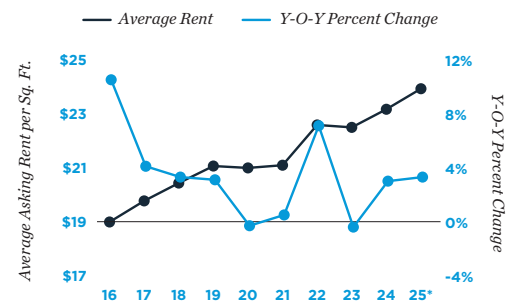
Economic Trends



Supply and Demand



Rent Trends



* Forecast

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Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of December 2024. Effective rent is equal to asking rent less concessions. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Sales data includes transactions valued at \$1,000,000 and greater unless otherwise noted. Forecasts for employment and apartment data are made during the fourth quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guarantee regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.