

INVESTMENT FORECAST

Office
Boston Metro Area

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

2025

Growing Tenant Demand Drives Strategic Investment in Submarkets With Resilient Property Fundamentals

Leasing activity in central Boston signals market recovery. In 2024, Intown Boston saw over six lease renewals, each exceeding 100,000 square feet, as large tenants maintained their footprints — a marked shift from the one such renewal during 2022-2023. In contrast, new leases of this size were scant last year, contributing to record-high vacancy. Still, less consolidation and declining sublease space are expected to keep metrowide vacancy below 18 percent in 2025. Planned move-ins, such as HarbourVest’s 200,000-square-foot commitment, along with a moderate delivery slate, will also aid vacancy. Suburbs like Waltham and Watertown, where recent deliveries have lifted vacancy close to metro highs, are poised to benefit from this dynamic. Proximity to top universities, transit access and affluent residents should draw tenants here; already, Novo Nordisk and Zoom have move-ins planned. In outlying areas like Worcester and Lawrence, demand from cost-conscious firms should sustain relatively tight conditions, with local vacancy near metro lows at around 15 percent last year, remaining below 2019 levels.

Economic momentum boosts investor confidence. Boston’s gross metro product grew at the fastest pace among major northeast metros last year, coinciding with steady office sales activity compared with 2023. A stable economic outlook may have aided redevelopment and high-vacancy property trades, as investors targeted transit-accessible areas like Allston. This year should see more adaptive reuse projects, spurred by the rejection of a proposed property tax hike and the extension of Boston’s Downtown Residential Conversion Incentive Program for 2025. Meanwhile, some buyers may target suburbs like Lynnfield, drawn by low vacancy and steady demand from logistics and health care firms. Last year, 20,000-square-foot assets here traded around \$100 per square foot.

2025 MARKET FORECAST

+0.7%



EMPLOYMENT: The metro’s workforce expands by 20,000 roles in 2025, slightly outpacing last year’s gains. Following net job losses last year, the traditionally office-using sector will add 2,000 positions.

3,800,000
sq. ft.



CONSTRUCTION: Deliveries will moderate this year, with inventory growth of 1 percent aligning with Boston’s long-term average. New supply will total roughly half of the 2022 and 2023 annual additions.

+40 bps



VACANCY: Net absorption will turn positive for the first time since 2022, though added supply will drive vacancy to a record 17.8 percent. Even so, vacancy will rise at its slowest pace in three years.

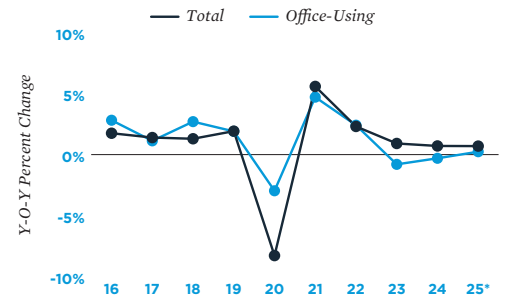
+0.7%



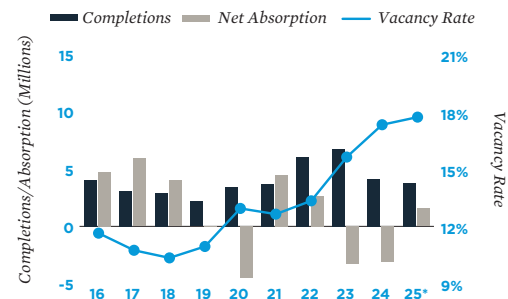
RENT: High vacancy will limit rent gains this year, with growth set to stay below the metro’s long-term average of 2 percent. The metro’s mean marketed rate reaches \$33.30 per square foot by year-end.

INVESTMENT: Southern New Hampshire’s lack of a state income tax is aiding health care and tech clusters, likely drawing investors after local vacancy fell roughly 100 basis points last year to metro lows of around 7 percent.

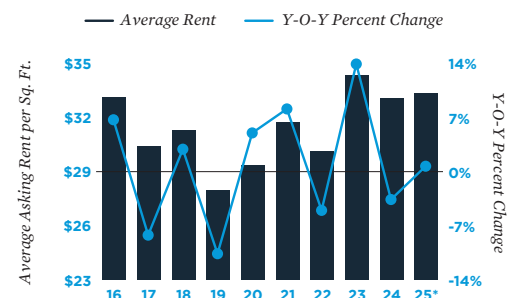
Employment Trends



Supply and Demand



Rent Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

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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.