INVESTMENT FORECAST

Retail

Boston

IPA INSTITUTIONAL PROPERTY ADVISORS

2026

Multi-Tenant Strength Adds Stabilizing Anchor, Particularly in the Urban Core

Market conditions remain tight despite slower population growth. As the metro with the highest median household income among major Northeast markets, Boston is well positioned to record sustained consumer spending, with higher-income households continuing to account for a disproportionate share of retail demand nationally. As a result, retail vacancy should remain among the lowest in the country, although softer employment and population growth could temper tenant expansion even as supply pressures remain limited. The northern suburbs are expected to maintain sub-3 percent vacancy rates this year amid minimal development. The urban core should follow a similar trajectory, supported by steady leasing momentum last year. Notable bright spots include Back Bay, where new luxury watch boutiques and Boston's first Google Store have opened, and the Seaport District, where experiential concepts, such as an F1 Arcade, continue to move-in, supported by steady foot traffic.

Well-positioned properties drive transaction activity as cap rates stabilize. Although multi-tenant retail assets typically trade at higher cap rates than single-tenant properties nationwide — a pattern historically observed in Boston — recent data point to narrowing spreads, with average multi-tenant cap rates hovering around 6.5 percent. Transaction velocity for multi-tenant assets also outpaced that of single-tenant properties last year, particularly in the urban core and first-ring suburbs. Together, these trends suggest that well-located, income-stable retail assets remain favored by investors amid broader economic uncertainty. Owner-users are also expected to stay active this year, supported by a relatively low average price per square foot that has declined for three consecutive years and may be nearing an inflection point.

2026 MARKET FORECAST

-0.1% — **Employment:** Boston is projected to shed roughly 2,000 jobs on net this year, marking a third consecutive year of job losses — the metro's first such stretch since 2003.

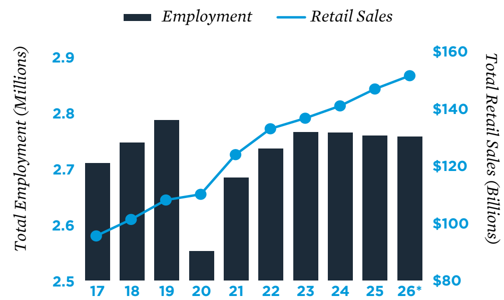
165,000 *sq. ft.* — **Construction:** Supply pressure should remain low for another year, with space deliveries totaling only about 10 percent of the city's historical annual average.

+10 bps — **Vacancy:** After a 50-basis-point increase last year and another modest uptick in 2026, the vacancy rate is projected to reach 3.5 percent, remaining among the six lowest major U.S. markets.

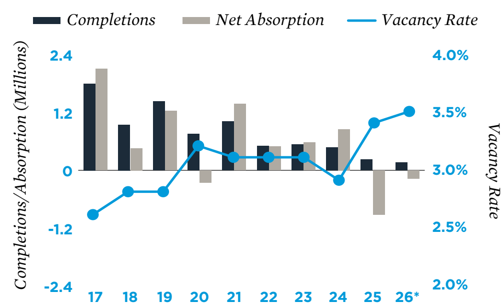
+1.7% — **Rent:** A limited supply pipeline and improving demand in certain segments should continue to support rent growth. The average asking rent is projected to reach $22.83 per square foot by December.

INVESTMENT: *Downtown zoning reform favoring residential uses may enhance foot traffic, creating opportunities for investors to target retail assets near transit nodes positioned to benefit from residential infill.*

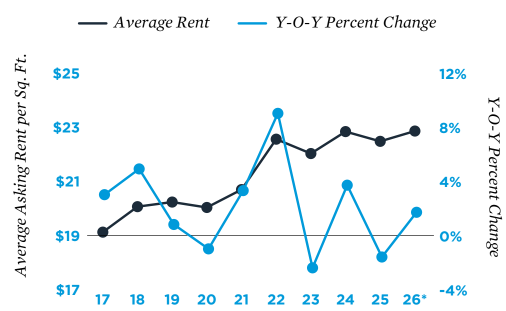
Economic Trends



Supply and Demand



Rent Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

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