INVESTMENT FORECAST

Industrial

Boston

IPA | INSTITUTIONAL PROPERTY ADVISORS

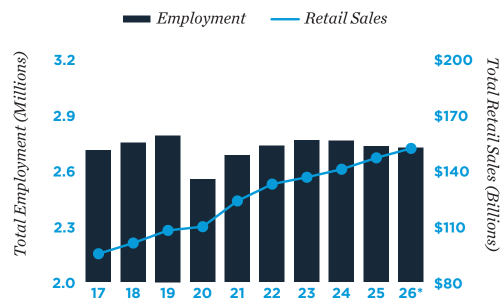
2026

Less Space Demand Attrition Helping Vacancy to Plateau as Supply Pressure Remains Limited

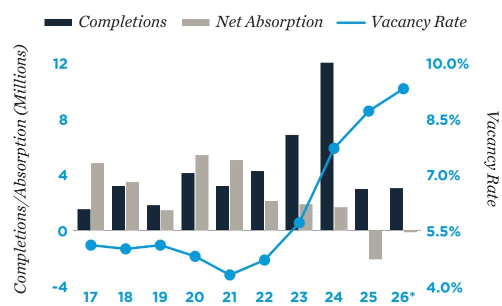
Boston poised for stabilization this year. While the market's supply pressure eased notably in 2025, contributing to the smallest vacancy increase in three years, the metro also recorded its highest level of net space relinquishment since 2004, partially because larger tenants remained cautious after rapid expansion in prior years. In 2026, vacancy and rent should stabilize further. The trend is expected to be most evident in submarkets along Route 128, which recorded the metro's largest vacancy increases last year. The corridor's comparatively large share of mid-box and flex inventory contributed to weaker performance. However, further stabilization is likely as tenant footprint optimization eases and leasing activity in the first quarter of 2026 improves from prior-year levels. A similar dynamic is expected along Route 495, where a larger concentration of big-box space also contributed to elevated net space relinquishment last year. Conditions there should start to improve as well, particularly if manufacturing sector performance strengthens.

Investment activity improves across the metro. Transaction velocity rose 20 percent in Boston last year, led by the Route 495 Northeast submarket around Andover-Amesbury, where sales increased 50 percent, highlighting continued investor interest despite recent operating softness. Land constraints remain a defining factor across the metro, especially in urban submarkets and their immediate surroundings. Intown Boston recorded the only year-over-year vacancy decline last year, while limited modern inventory in first-ring suburbs continues to support pricing for well-located assets. These conditions should continue to support demand for last-mile assets and long-term investor confidence overall in one of the nation's highest-income metros.

Economic Trends



Supply and Demand



2026 MARKET FORECAST

-0.3% — **Employment:** After recording the metro's largest job loss since 2020 last year, Boston will see less of a contraction this year, losing about 8,000 positions on net.

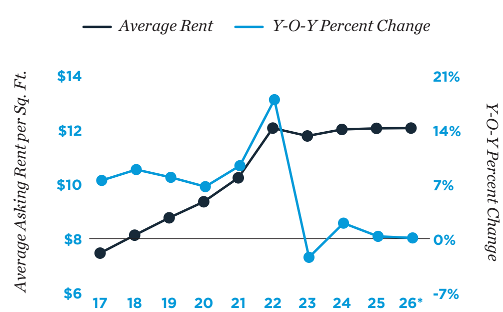
3 million *sq. ft.* — **Construction:** Deliveries will remain at levels similar to 2025. Adding 0.6 percent to inventory, the metric is notably lower than the metro's prior decade average of 0.9 percent annually.

+60 bps — **Vacancy:** While supply pressure is limited this year, ongoing net space relinquishment will push the vacancy rate to 9.3 percent, the highest level in the metro since late 2012.

+0.1% — **Rent:** Rising vacancies continue to weigh on rent growth. The average asking rent is expected to tick up slightly this year, reaching $12.05 per square foot by December.

INVESTMENT: *Massport's multiyear capital program includes upgrades at Conley Terminal aimed at improving freight efficiency, which could support stronger logistics-oriented tenant demand over the long term.*

Rent Trends



** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics

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