INVESTMENT FORECAST

Office

Boston Metro Area

IPA | INSTITUTIONAL PROPERTY ADVISORS

2026

Pipeline Dynamics and Mid-Tier Strength Signal Potential Shift in Office Momentum

Supply pressure and policy headwinds weigh on performance. Although deliveries in 2026 will hit a five-year low, Boston will still lead all major U.S. metros, accounting for about 10 percent of the national pipeline, despite representing only 4 percent of inventory. Most projects are upscale, lab-oriented offices — a segment already facing muted demand amid a life sciences slowdown and cuts to federal research funding that disproportionately affect Boston's research ecosystem. These reductions in university research can ripple through downstream employers, pressuring office space demand. As a result, vacancy rates in supply-heavy submarkets, like Cambridge and Medford-Everett-Chelsea, could rise further after last year's sharp increases. In contrast, Manchester-Nashua, Lowell, and Worcester recorded the largest year-over-year vacancy declines in late 2025, mirroring the national trend of suburban strength expected to carry into 2026.

Improving Class B and C fundamentals garner investor attention. While Class A properties faced hurdles, Class B and C assets metrowide recorded their first year-over-year vacancy compression since 2022 last year, signaling renewed demand from sectors less exposed to life-science volatility and fueling investment activity in these segments. Transaction velocity rose about 33 percent year-over-year, with sales over $15 million doubling, driven by growing interest from institutions and owner-users. Investors are capitalizing on discounted pricing, with the average price per square foot roughly 25 percent below the 2022 peak. The metro's average cap rate, at 7.5 percent, is the highest in more than a decade — yet remains on par with the national rate. With pricing still below peak and demand trends strengthening, private buyers could potentially acquire assets at a favorable basis ahead of anticipated recovery in the mid-tier office segment.

2026 MARKET FORECAST

+0.2% — **Employment:** The metro's total workforce will expand by 6,000 roles, slightly outpacing last year. Traditionally office-using sectors will shed 5,000 jobs this year, fewer than in 2025.

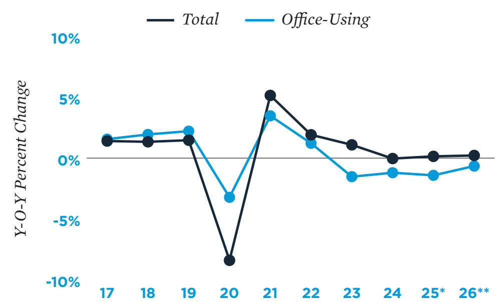
3,500,000 *sq. ft.* — **Construction:** This year's delivery slate is expected to match the metro's long-term average, with over 80 percent of new space concentrated in Intown Boston and Cambridge.

+20 bps — **Vacancy:** Lease-up challenges for recent projects and lingering weakness in older, outdated properties will push vacancy to 19.6 percent by December, despite a second year of positive net absorption.

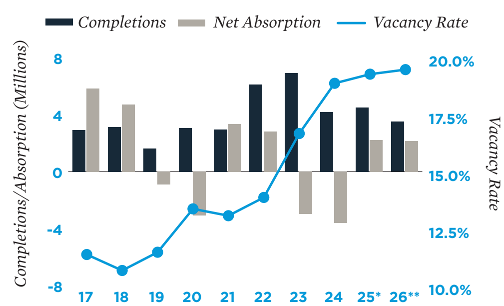
+0.5% — **Rent:** Greater space demand in recent quarters should allow rent growth to resume after last year's slight decline, reaching $39.50 per square foot by year-end 2026.

INVESTMENT: *Investors may find opportunities in first-ring suburbs along Route 128 as early signs of vacancy compression begin to emerge. Owner-user acquisitions of medical offices have been especially active in these areas.*

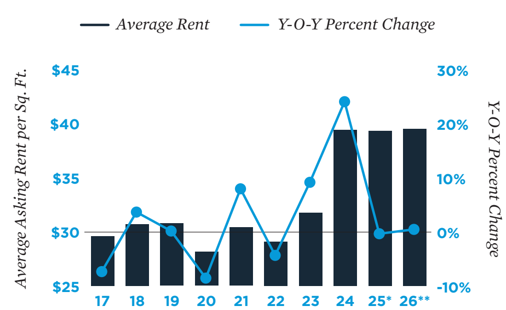
Employment Trends



Supply and Demand



Rent Trends



** Estimate ** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics

IPA Office

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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 January 2026. 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 office 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.