Greater Boston industrial market report

Q3 2025

AVISON YOUNG

Greater Boston industrial market trends

40%

Lease count share of renewals in Q3 2025

Renewals made up 40% of flex/industrial leasing in Q3 2025, the highest share in six years. This upward trend, ongoing since Q3 2024, reflects growing tenant caution amid economic uncertainty, with many opting to stay in place rather than take on new space.

82 mos.

Average term of leases signed in Q3 2025

Despite muted leasing activity in Q3, average lease terms increased sharply, reaching their highest level since Q2 2019. The trend suggests tenants are committing to the Boston market with a focus on long-term stability and operational continuity.

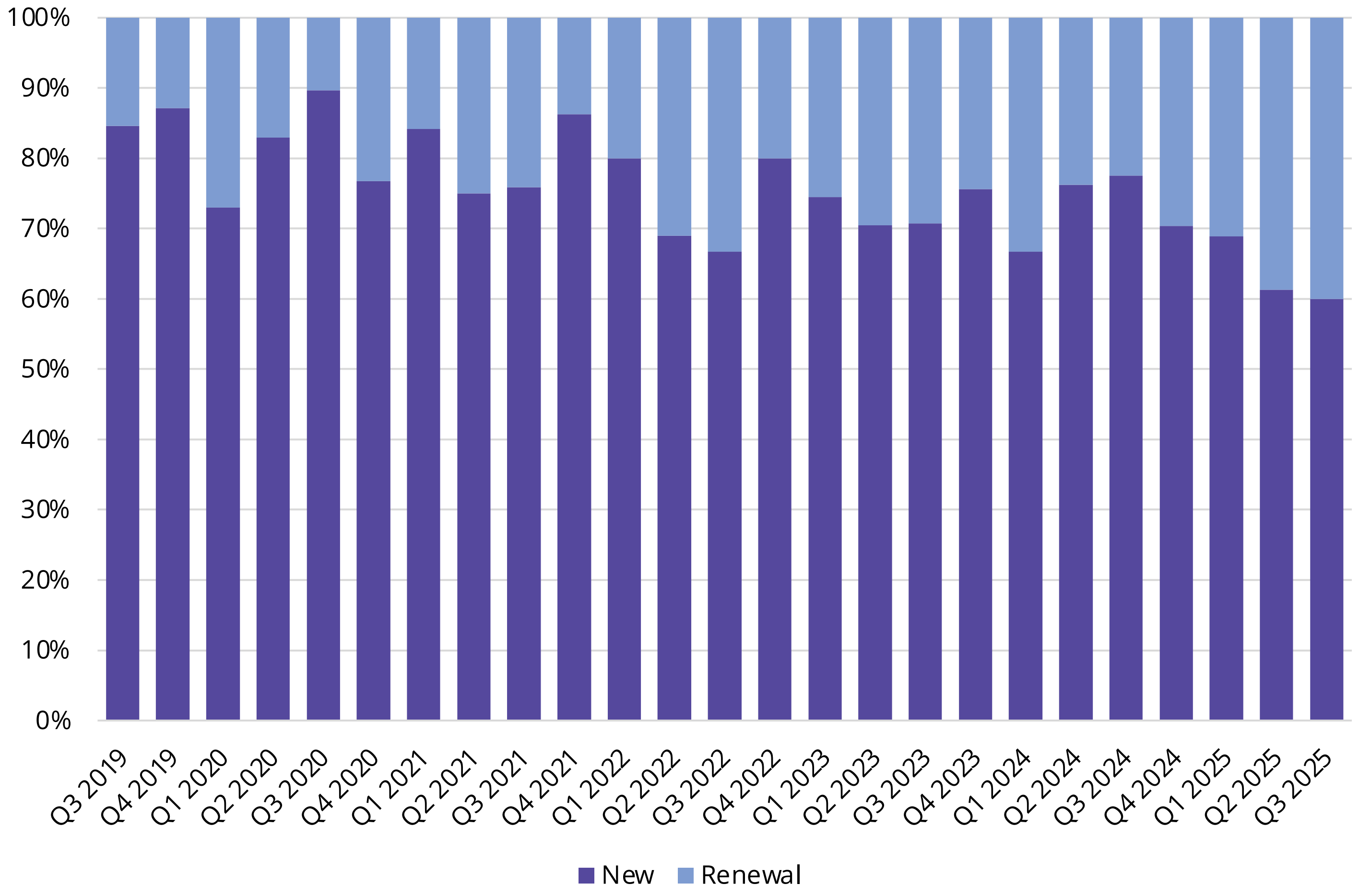
42%

Increase in 4% escalations from 2020 to 2025

Flex and industrial lease escalations have increased notably in 2025 compared to the 2020 baseline. Leases featuring 4% annual escalations surged from just 1% in 2020 to 43% year-to-date in 2025. Meanwhile, leases with 3% escalations accounted for 57% of lease agreements, 3% increase from 2020, highlighting a clear upward trend in escalation rates across the sector.

Source: Avison Young Market Intelligence, CoStar

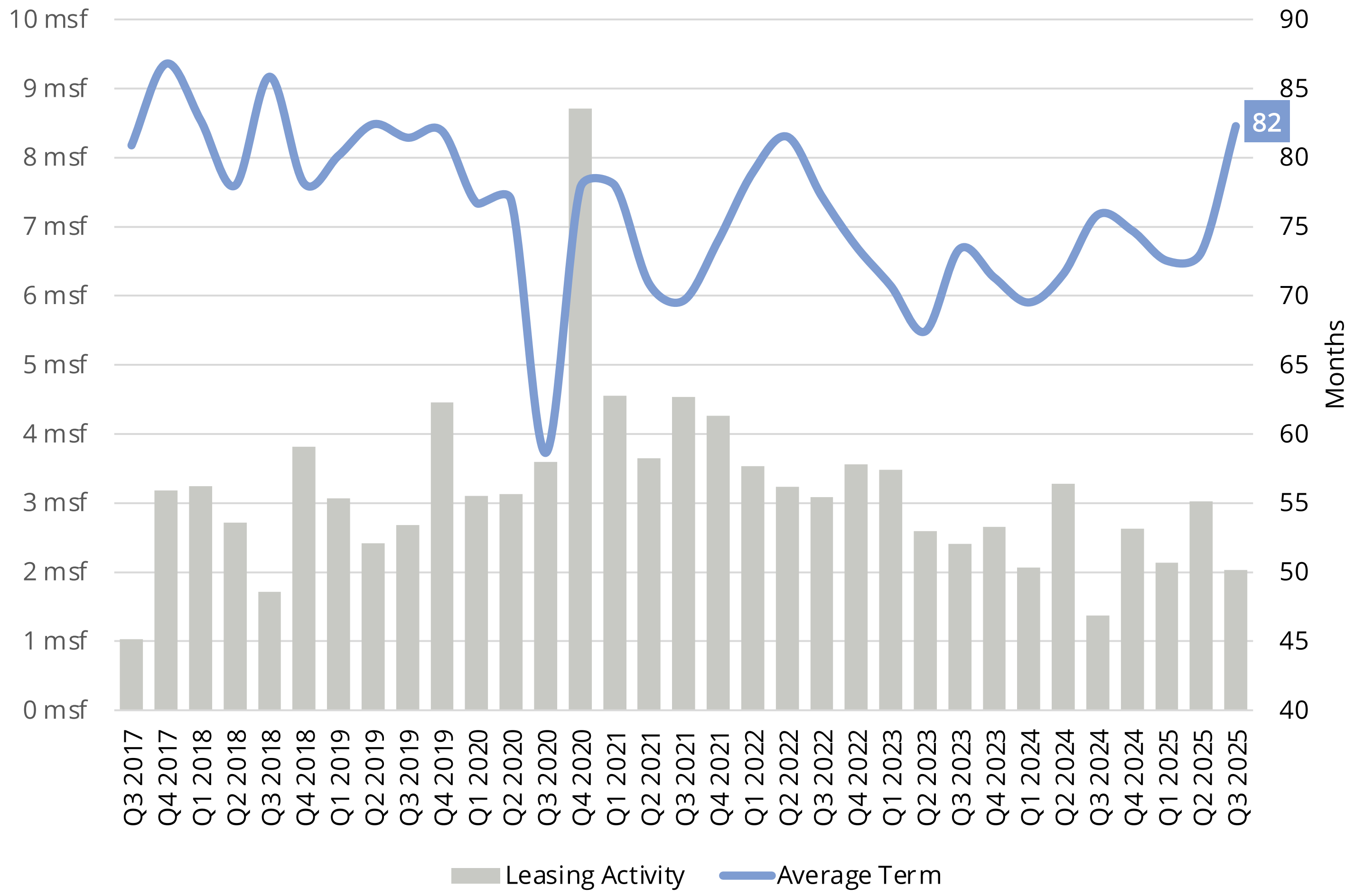
Renewals continue gains in leasing share



Renewals continued their five-quarter rise in Q3 2025, representing nearly 40% of executed leases. With limited new development and deliveries in recent quarters, tenant preference has shifted toward retaining existing space rather than relocating to new product.

Source: Avison Young Market Intelligence, CoStar

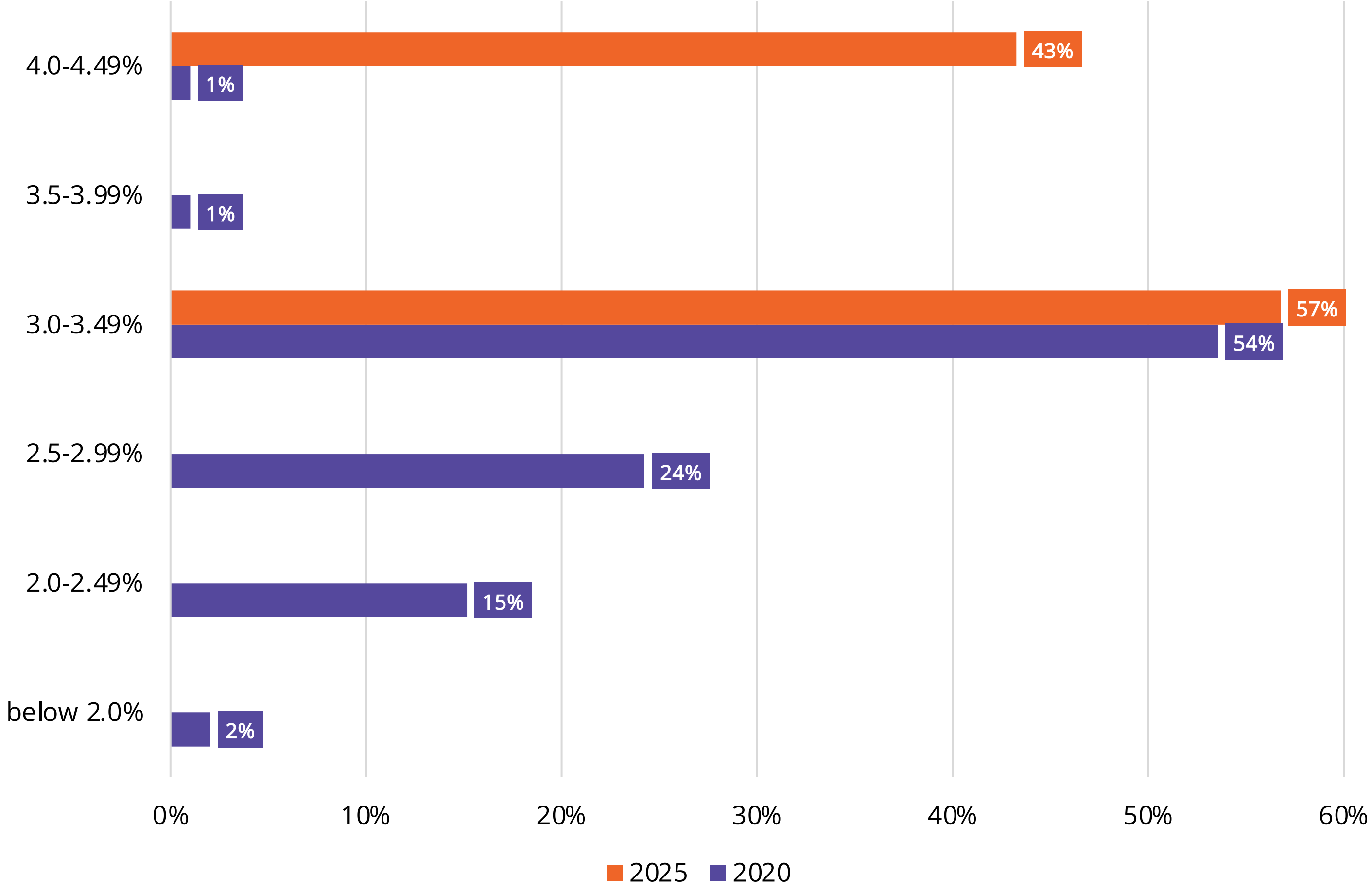
Average Term vs. Leasing Activity



Leasing activity for flex and industrial space in Q3 2025 dropped to its second-lowest level since 2020, following a relatively strong previous quarter. Despite subdued volume, tenants signing leases are committing to longer terms, with the average lease duration reaching 82 months. This marks a continued increase throughout 2025, and the highest average lease term observed since 2019.

Source: Avison Young Market Intelligence, CoStar

Annual escalations trending higher in 2025



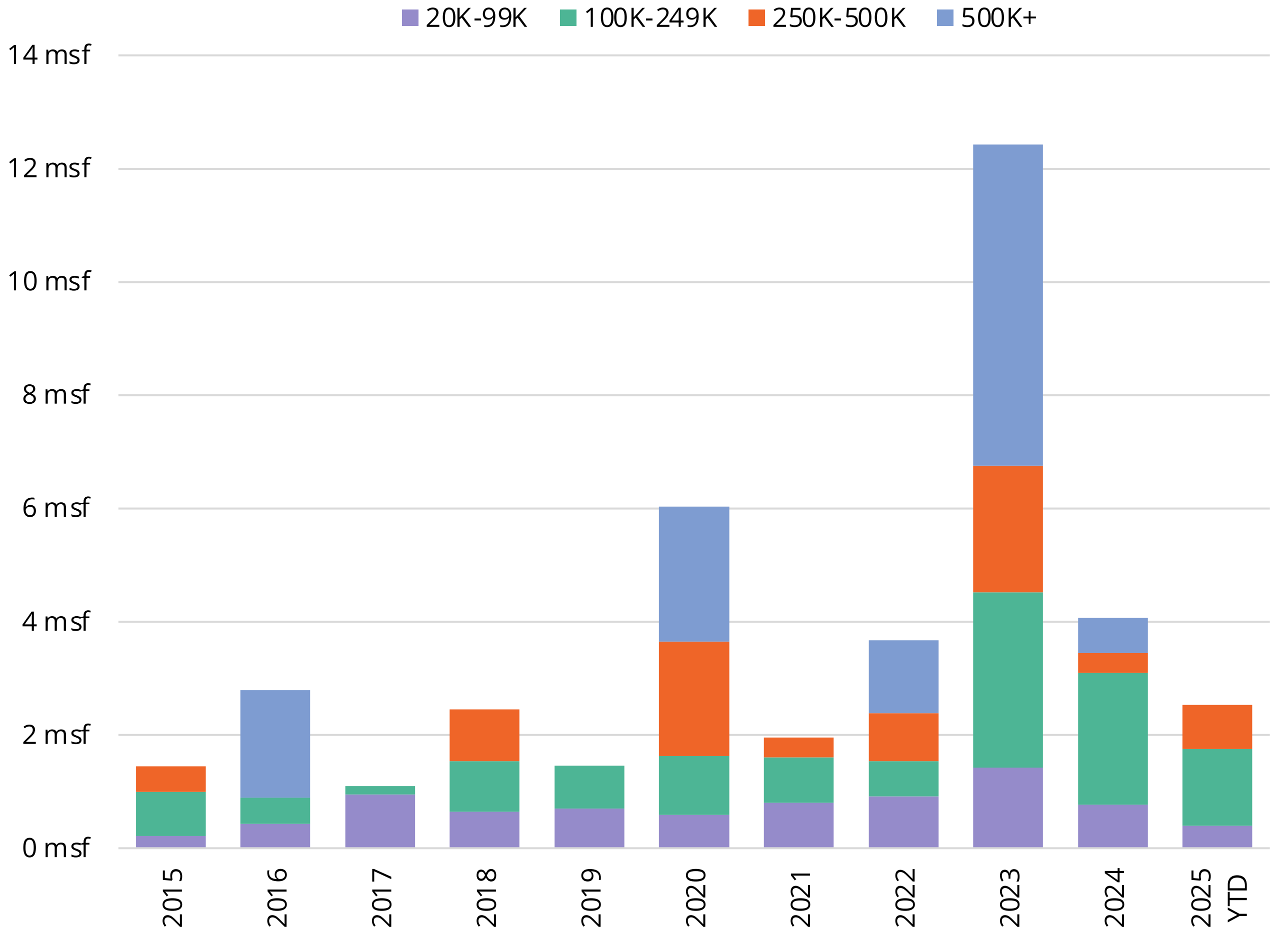
In 2025, flex and industrial rent escalations in Boston have exhibited a clear upward shift compared to 2020 benchmarks. Escalations in the 4% to 4.49% range have risen by 42%, reflecting a broader market recalibration. This trend indicates that investors who acquired assets around or before 2020 are now capitalizing on favorable market conditions by implementing higher rent increases.

Source: Avison Young Market Intelligence, CoStar

Market Drivers

Let’s examine more prevailing industrial trends

Deliveries trending smaller in 2025

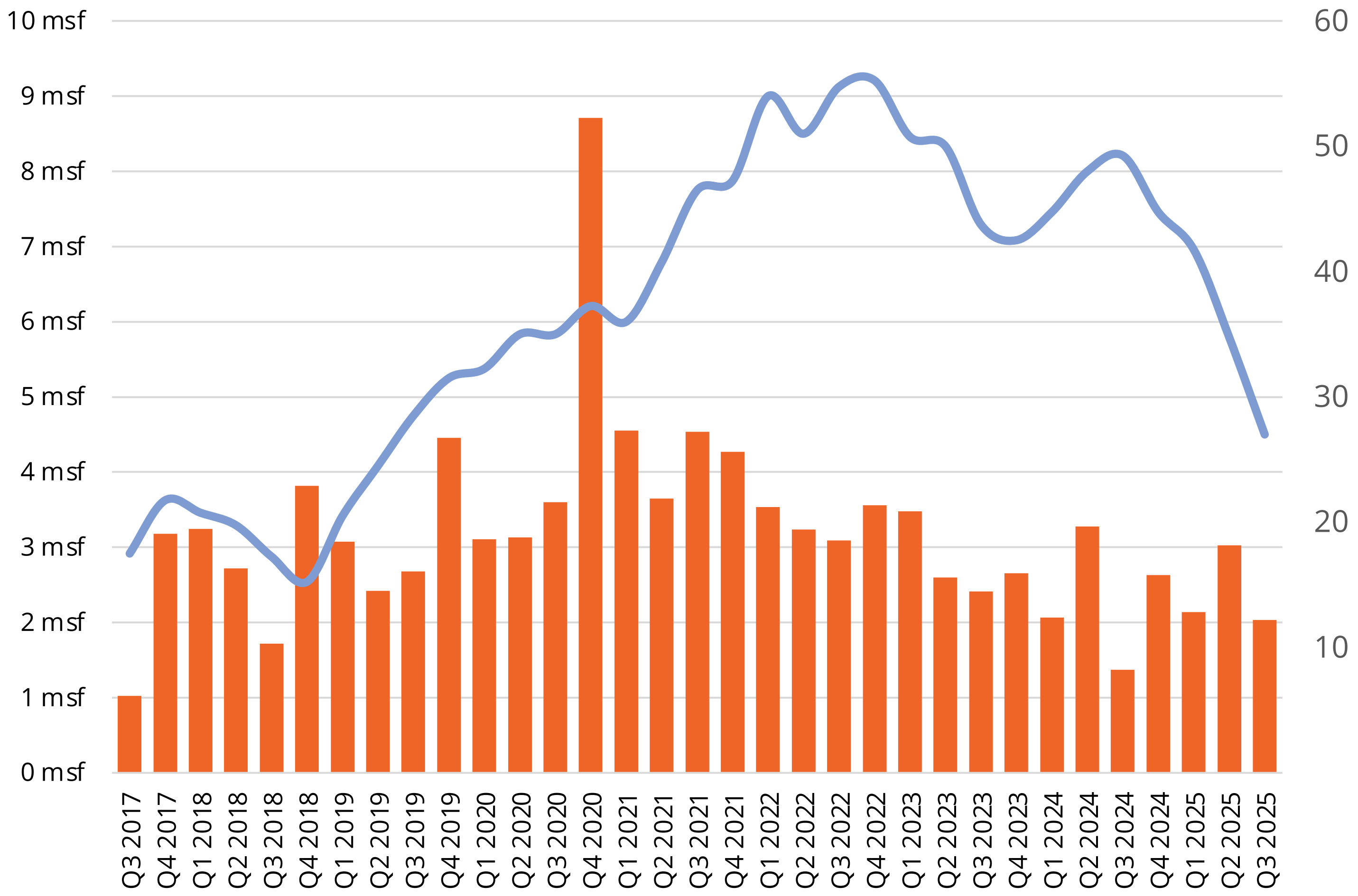


Following a surge in industrial deliveries driven by pandemic-related demand, newly completed buildings in 2025 are trending smaller YTD.

Buildings sized between 100K and 250K SF have accounted for the highest delivery volume so far this year and are expected to approach 2024 levels, alongside projects in the 20K to 99K SF range.

Source: Avison Young Market Intelligence, CoStar

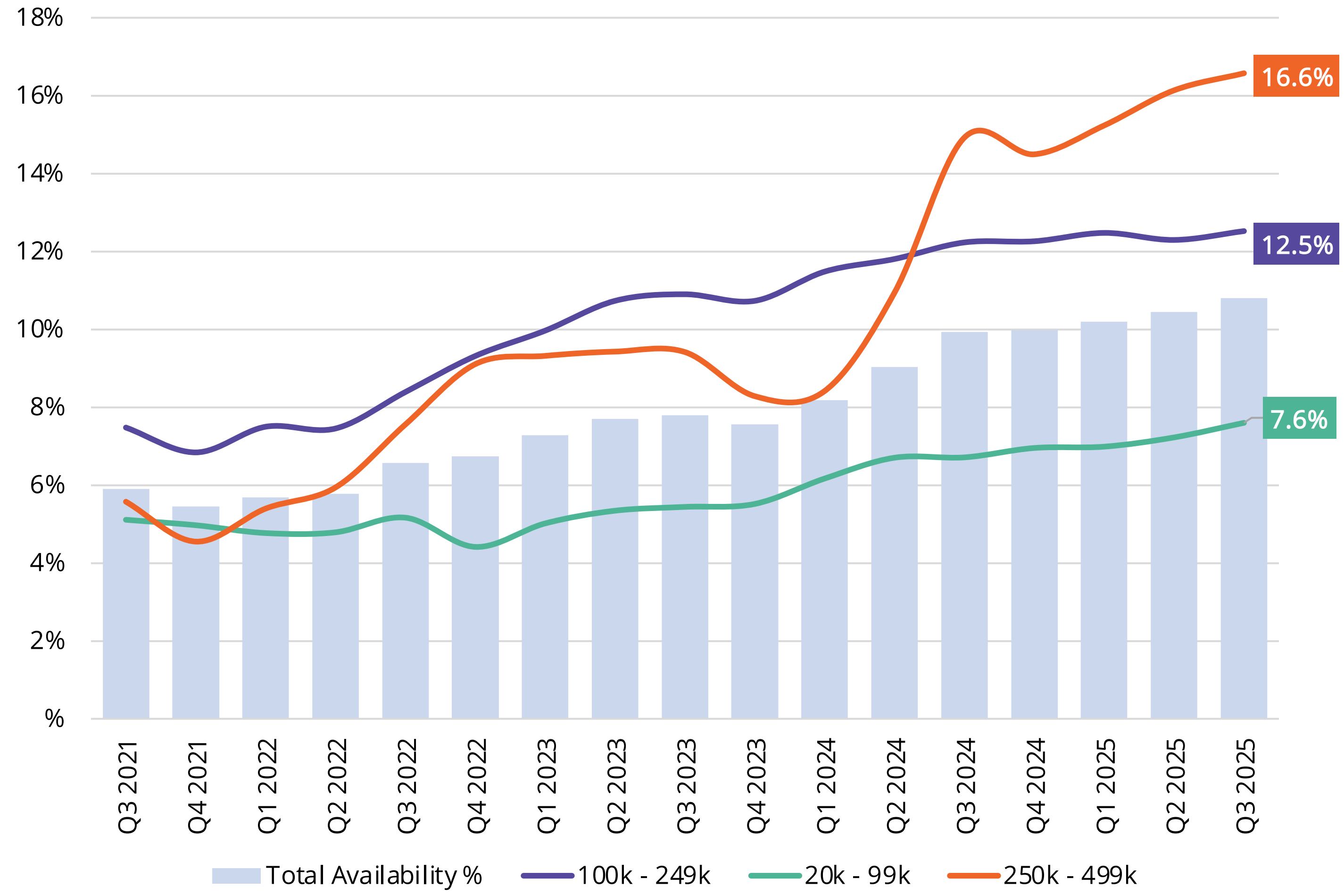
Leasing activity and lease count remain low



The 12-month average deal count continued to decline in Q3 2025, with quarterly transaction volume remaining notably soft compared to 2021 levels. Ongoing uncertainty in trade and labor dynamics, combined with reduced development activity, has led tenants to adopt a cautious approach, opting to delay relocations while awaiting greater market stability.

Source: Avison Young Market Intelligence, CoStar

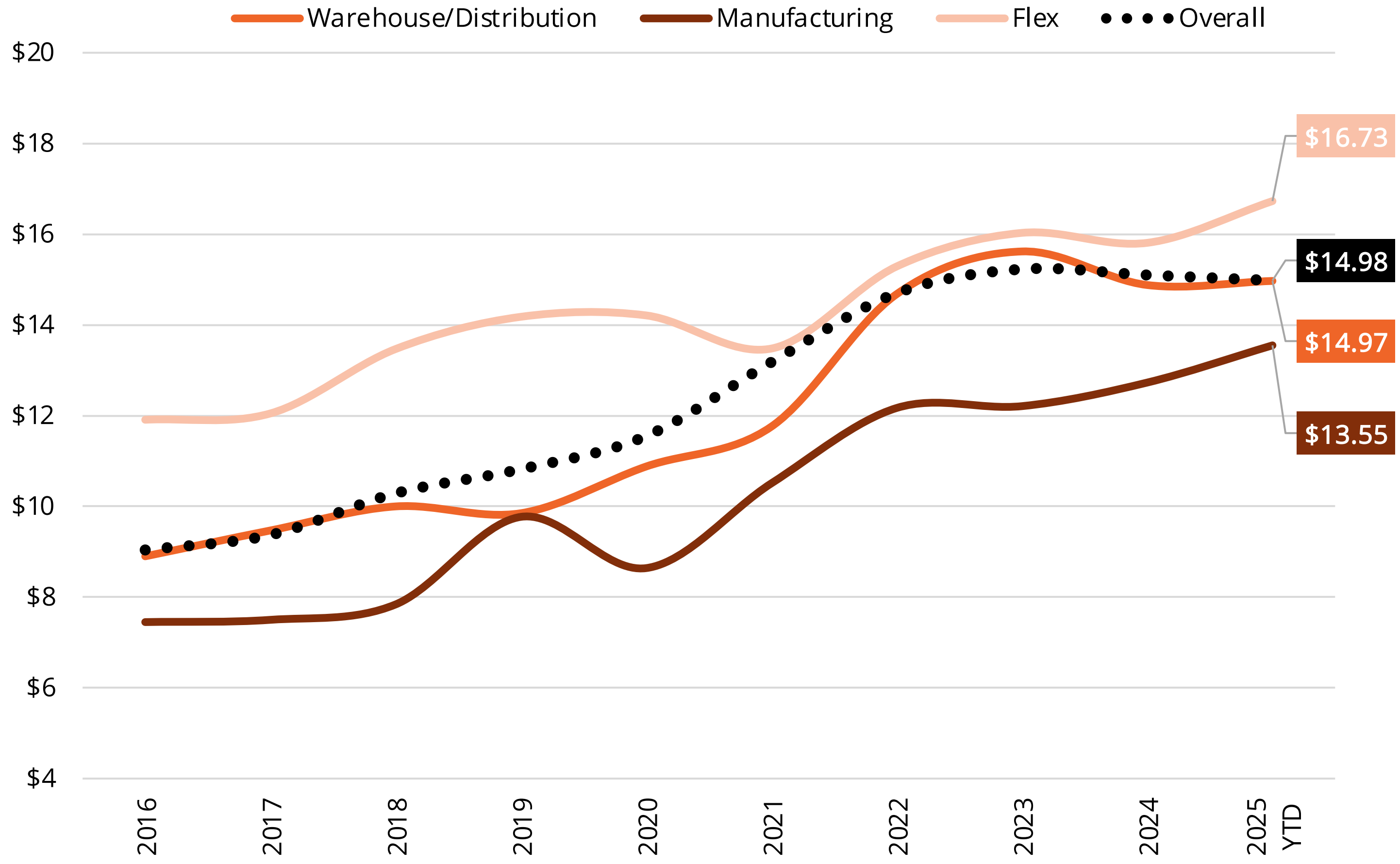
Availability rate by building size



Following the trend from Q2 2025, larger industrial buildings continued to exhibit the highest availability in Q3. Large tenants remain cautious about committing to sizable, long-term leases. In contrast, smaller buildings offer greater flexibility and are more frequently subdivided to accommodate diverse tenant needs, making them more attractive in the current market.

Source: Avison Young Market Intelligence, CoStar

Flex space continues to lead all subtypes in average (NNN) asking rents



In Q3 2025, flex space remained the most expensive industrial property subtype, continuing a steady rent growth trend that began in early 2024. Manufacturing rents also increased during the quarter, driven by high-power capacity that attracts a diverse range of companies and use cases. Conversely, rents for warehouse and distribution buildings moderated in Q3, approaching the overall market average.

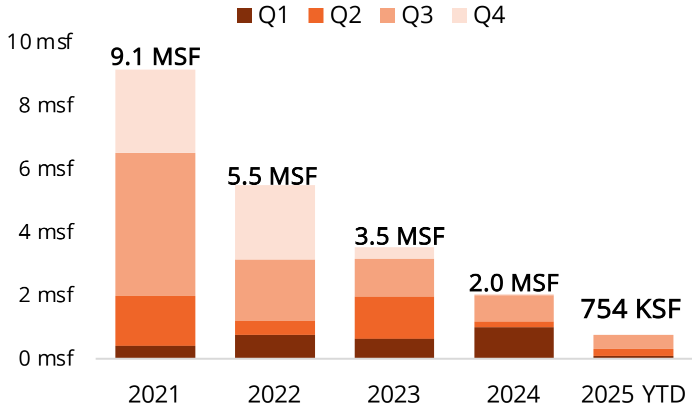
Source: Avison Young Market Intelligence, CoStar

Greater Boston industrial/flex pipeline overview

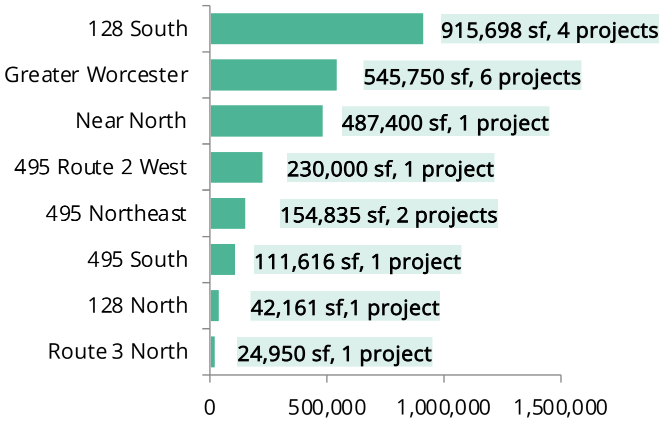
2.50 msf Total industrial/flex inventory currently under construction

As of Q3 2025, Greater Boston's industrial/flex market noted 2.50 msf of inventory under construction, with the majority concentrated in the 128 South submarket, situated between Boston and Providence, making it one of the region's strongest industrial hubs. Warehouse/distribution space continues to dominate the construction pipeline with nearly 70% of market share. Developers remain cautious as availability is higher in new construction. This combined with uncertainty regarding foreign trade have slowed construction starts in 2025, and Q3 construction starts are down YoY.

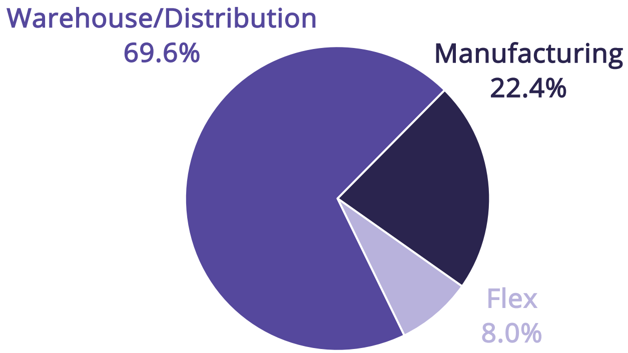
Annual Construction Starts



Under Construction Inventory: By Submarket (SF)



Under Construction Inventory: By Subtype (% Share)

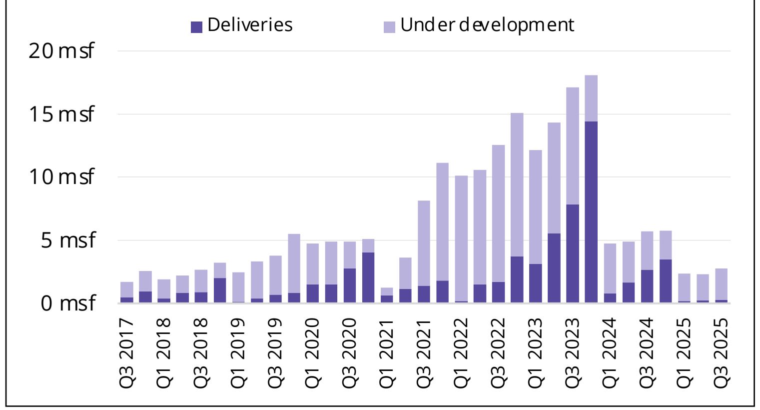


Source: Avison Young Market Intelligence, CoStar

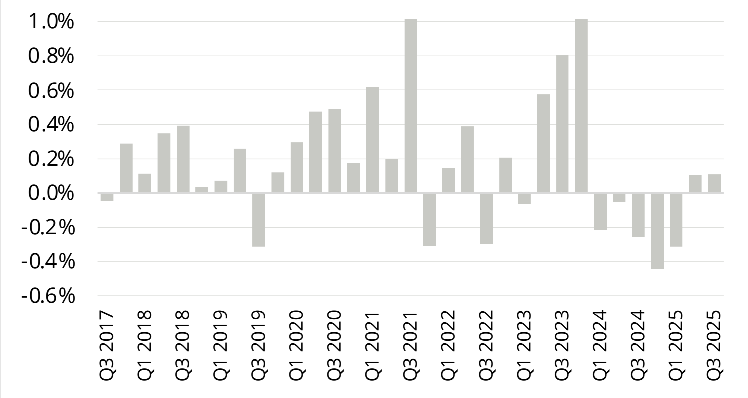
Appendix

Greater Boston industrial market indicators

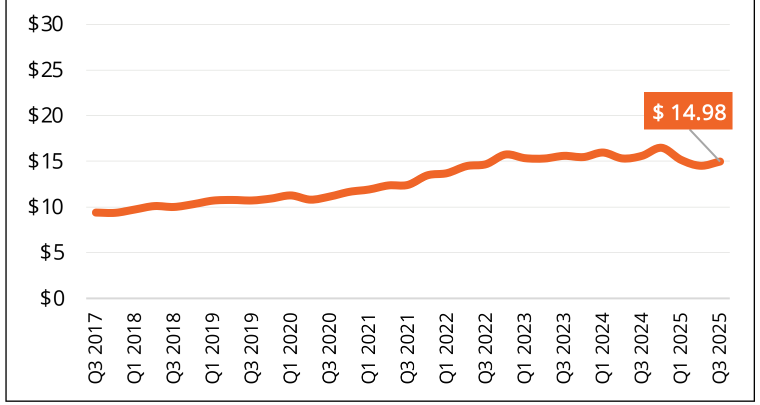
Development (msf)



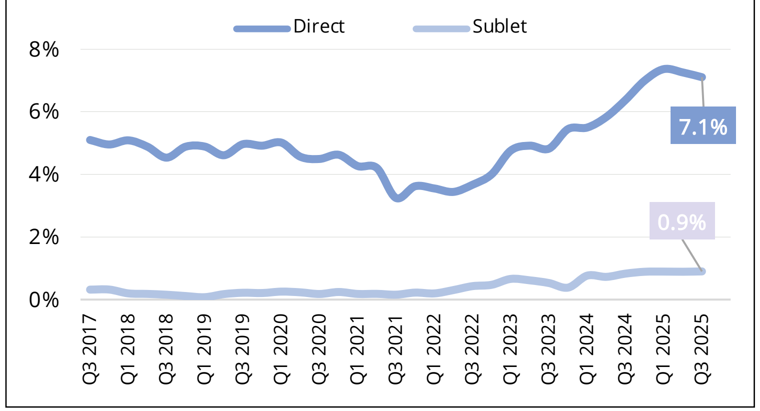
Net absorption as a % of inventory



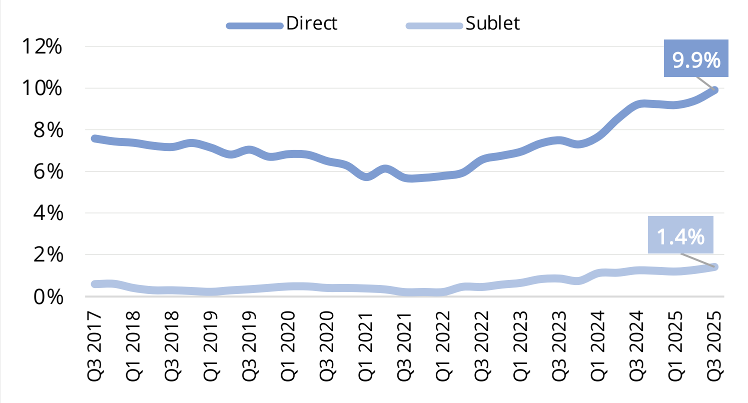
Direct asking rents (psf/NNN)



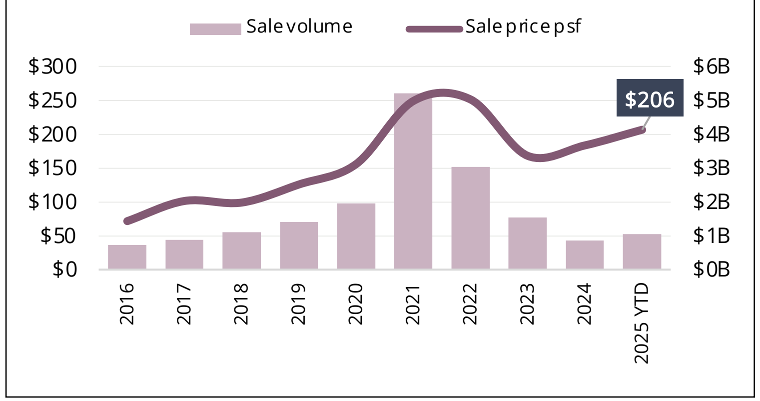
Vacancy



Availability



Investment sales



Source: Avison Young Market Intelligence, CoStar

Greater Boston industrial market activity

Recent leasing activity

Tenant	Address	Submarket	Sign date	Size (sf)	Transaction type	Lease type
DXL Warehousing	555 Turnpike Rd, Canton	495 Route 2 West	Aug 2025	674,143	Direct	Renewal
Green Garden Products	202 S Washington St, Norton	495 South	Jul 2025	200,000	Direct	Renewal
Massachusetts Design	523 Pleasant St, Attleboro	495 South	Jul 2025	130,572	Direct	New
Wesco International	35 Otis St, Westborough	495 Mass Pike West	Jul 2025	121,700	Direct	Renewal

Recent sales activity

Buyer	Address	Sale date	Building size (sf)	Sale price	Sale price psf	Seller
Declaration Partners	111 Hospital Rd	Sep 2025	160,000	$74,000,000	$463	King Street
Mass Bay Transportation Authority	440 Riverside Ave	Aug 2025	185.858	$53,750,000	$289	Anheuser-Busch
Berkeley Partners	4 Suburban Park Dr	Jul 2025	94,174	$22,000,000	$234	GFI Partners

Top projects under development

Address	Submarket	Delivery date	Building size sf	% Preleased	Developer
25 Maple St	128 South	Nov 2025	411,930	0%	Brookfield
101 Lee Burbank Highway	Near North	Dec 2025	367,400	0%	Link Logistics
75 Jackson Rd	495 Route 2 West	Nov 2025	230,000	0%	King Street
71 Adams St	128 South	July 2026	209,800	43%	George Lang

Greater Boston industrial market stats

By Submarket	Existing Inventory	Under development sf	Direct availability	Sublet availability	Total availability	Total availability change (YoY)	Net absorption % of inventory	Annual direct asking rent psf NNN
Urban Industrial	**31,860,598**	**517,400**	**10.1%**	**0.4%**	**10.5%**	**(0.1%)**	**0.3%**	**$25.34**
128 Belt	**84,367,359**	**915,698**	**8.6%**	**1.4%**	**10.0%**	**(0.2%)**	**0.1%**	**$18.82**
128 North	38,788,790	0	7.2%	1.2%	8.4%	(0.2%)	0.3%	$21.21
128 West	5,042,258	0	5.5%	1.2%	6.7%	1.1%	0.1%	$26.55
128 South	34,761,761	915,698	11.1%	1.4%	12.5%	(0.6%)	0.0%	$15.43
South Shore	5,774,550	0	5.6%	3.6%	9.2%	2.0%	0.1%	$16.39
495 Belt	**166,866,612**	**521,401**	**9.2%**	**1.7%**	**10.9%**	**0.6%**	**0.0%**	**$14.06**
495 Northeast	25,487,434	154,835	4.7%	2.4%	7.1%	0.9%	0.3%	$16.83
495 Route 2 West	9,949,400	230,000	6.8%	4.3%	11.1%	(3.3%)	0.7%	$12.88
Route 3 North	21,852,272	24,950	10.9%	0.9%	11.8%	0.4%	0.3%	$15.79
495 Mass Pike West	19,970,528	0	9.2%	0.4%	9.6%	2.3%	0.2%	$14.02
Framingham/Natick	5,878,954	0	3.1%	0.2%	3.3%	(0.6%)	0.7%	$13.61
495 South	83,728,024	111,616	10.9%	1.9%	12.8%	0.9%	0.1%	$12.94
Greater Worcester	**61,881,248**	**545,750**	**13.3%**	**1.1%**	**14.4%**	**3.7%**	**0.2%**	**$10.65**
Greater Boston Total	**344,975,817**	**2,500,249**	**9.9%**	**1.4%**	**10.3%**	**0.0%**	**0.1%**	**$14.98**

Source: Avison Young Market Intelligence, CoStar

Greater Boston industrial market stats by property subtype

	Existing inventory sf	Deliveries sf (YTD)	Under development	Direct availability	Sublet availability	Total Availability	Net absorption % of inventory	Q3 2025 Average asking rent (NNN)
Distribution	49,259,487	-	1,052,320	20.3%	2.0%	22.3%	0.2%	$14.18
General Warehouse	151,830,840	297,256	688,479	8.3%	0.9%	9.2%	0.1%	$15.23
Manufacturing	78,841,944	-	559,450	6.7%	1.6%	8.3%	0.2%	$13.55
Flex	65,043,546	58,840	200,000	9.4%	1.8%	11.6%	0.6%	$16.73
Market total	**344,975,817**	**356,096**	**2,500,249**	**9.9%**	**1.4%**	**10.3%**	**0.1%**	**$14.98**

Source: Avison Young Market Intelligence, CoStar

Industrial insights glossary of terms

Demand

- **Leasing activity:** total square footage of relocations, renewals, expansions and subleases expressed when the leases are signed, not when tenants take physical occupancy of the space
- **Absorption:** period-over-period change in occupied square footage

Supply

- **Direct vacancy rate:** space operated by landlords that is ready for immediate occupancy
- **Sublease vacancy rate:** space operated by sublandlords that is ready for immediate occupancy
- **Total vacancy rate:** sum of direct vacancy rate and sublease vacancy rate
- **Availability rate:** space that is vacant plus space that will become vacant over an indefinite time horizon, including spaces that are occupied by vacating tenants and under-construction properties

Industrial rents and concessions

- **Triple net rents:** tenant is responsible for paying rent, utilities, taxes, operating expenses and common area maintenance
- **Asking rents:** pricing guidance provided by landlords to tenants for available space expressed as triple net (NNN)
- **Base rents:** fair market value of market-level lease pricing based on representative executed leases, expressed as triple net (NNN)
- **Free rent period:** months of free rent that are typically provided upfront by landlords to tenants as a concession to offset the total cost of a lease and/or the construction timeline of an industrial suite
- **Tenant improvement allowance:** an allowance expressed in dollars per square foot provided from landlords to tenants to offset build-out, engineering, space planning and related permit costs
- **Net effective rent:** base rents discounted by the dollar values of tenant improvement allowance and free rent concessions expressed as full service (FS)

Property subtypes

- **Distribution:** properties used primarily to ship goods with higher proportions of dock doors and taller clear heights
- **General Warehouse:** properties used to store goods and materials
- **Manufacturing:** properties where goods are produced and assembled with heavier power and stronger floor loads for equipment

Capital markets

- **Investment volume:** industrial sales dollars expressed when the transactions close and based on inventory thresholds; partial-interest sale dollar amounts are not grossed-up to reflect the 100% value of the sale
- **Asset pricing:** unweighted average per-square-foot asset pricing of market-level closed sales
- **Cap rate:** net operating income divided by sale price; this measurement of market-level investment returns is calculated as an unweighted average based on closed investment sales

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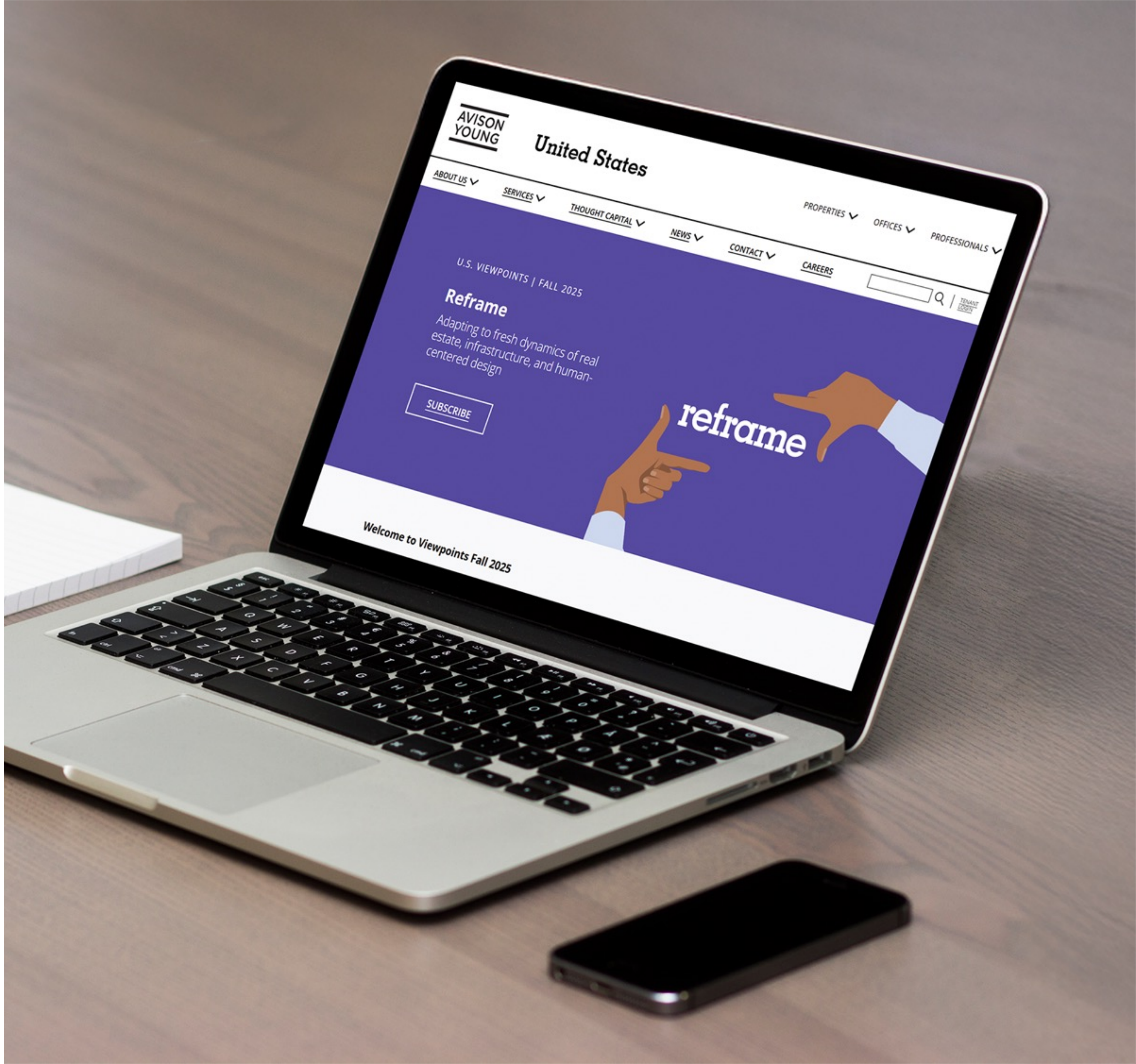

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