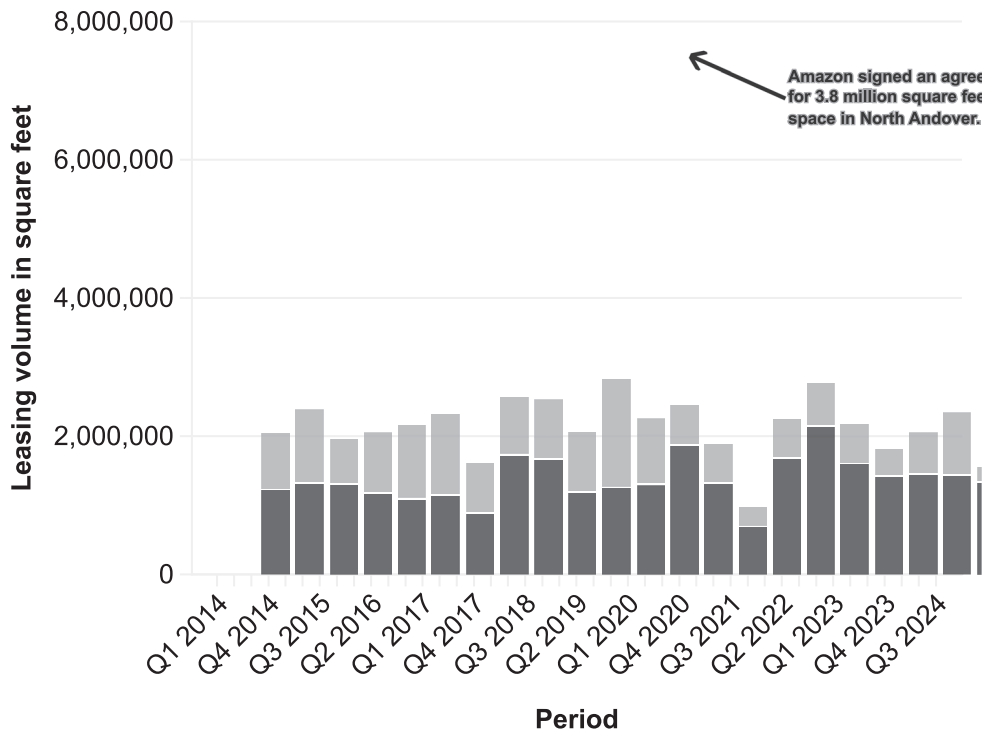


# Industrial leasing holds steady across Boston region

Vacancy pressures likely to ease in the coming quarters, as construction levels decline

## Industrial occupiers have been consistent in 2024

Leasing volume entered during quarter   Entered after quarter  
 Estimated additional volume



Source: CoStar October 2024  
 Volume includes only new leases and is based on property type, not lease use type.

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Boston's steady downturn in quarterly industrial space leasing volume, which began in late 2021, appears to have stabilized for now.

Though an element of caution still exists, industrial tenants are gradually beginning to explore expansions as economic indicators that drove a pullback in prior years—namely elevated inflation and a moderation in consumer spending—reverse course.

New industrial leasing activity in the third quarter of 2023 was the lowest for the Boston region since 2019, with around 1.72 million square feet of new deals signed. Meanwhile, activity recorded in the third quarter of 2024 comes in at just under 1.7 million square feet. However, given the estimated additional volume uncovered by CoStar's research teams following the end of the quarter, the final tally for the third quarter could easily exceed 2 million square feet.

At around 2 million square feet, industrial activity in Greater Boston would signal that it is once again nearing pre-pandemic leasing trends. From 2015 to 2019, the market averaged around 2.3 million square feet in new industrial lease deals quarterly.

The market's heaviest leasing period in the past decade occurred between late 2020 to late 2022 when around 3.4 million square feet in new deals were being signed each quarter. That said, Amazon's deal for 3.8 million square feet for its now completed five-story fulfillment center signed in the fourth quarter of 2020 skewed the numbers to the high side.

While demand formation remains in the red in areas with large amounts of available industrial space, such as Lowell/Chelmsford, larger lease commitments during 2024 signal advanced manufacturing strength in that area. One of the most notable expansions involved Persimmon Technologies. The subsidiary of Sumitomo Heavy Industries signed a lease for 142,000 square feet at 35 Crosby Drive in Bedford during the second

quarter. The building will be renovated to fit the company's research and development needs, with completion expected in late 2025.

Industrial leasing volume in Boston reached just over 8.5 million square feet in new deals during 2023, dropping for the second consecutive year after a decade-high of more than 12 million SF in 2021. Thus far in 2024, activity has stabilized as the market moves toward the 6 million-square-foot mark after three quarters.

Considering these factors around leasing velocity, the longer-term outlook for Boston's industrial property sector is similar to that of the nation as a whole, with the vacancy rate forecast to peak sometime in 2025.

The plunge in new construction should also ease supply-side pressure quickly, bringing more equilibrium to supply and demand fundamentals. Altogether, there is 3.6 million square feet of industrial space under construction across the region, down from about 8 million square feet 12 months ago. As leasing picks up steam, this should allow the market to work through some of its newer completions that have gone unleased in recent quarters.

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