



Q1 2025 Market Report



Macro Backdrop: Exponential Uncertainty Is a New Reality

WE'RE NO LONGER navigating traditional economic cycles. Today's volatility stems from what Jamie Dimon called a "[menu of tariffs](#)," which (whether or not it tips the U.S. into a full recession) will undoubtedly slow growth. More than numbers on a spreadsheet, these policies introduce **a thousand unknowns**: the retaliatory actions of other countries, the impact on corporate confidence and capital flows, and deep questions around the future of America's economic alliances. Markets aren't just jittery – they're fundamentally disoriented.

FOR COMMERCIAL real estate, slower growth translates into **softer leasing demand**. Meanwhile, inflation (already tracking above the Fed's 2% target) continues to put upward pressure on **construction costs** and **operating expenses**, squeezing margins for both landlords and developers.

MARKETS, quite simply, **cannot process this level of uncertainty**. This is not merely noise – it's rewriting the post-WWII economic order. And Boston, despite its economic strength, is not immune.

Implications for the greater Boston market include:



Deferred expansion plans: demand for flexibility > square footage



Reclassification of traditional "core" assets amid leasing risk



Cautionary sentiment embedded into underwriting models



Higher borrowing costs and financing friction

Investment Landscape: Sentiment-Driven Strategy

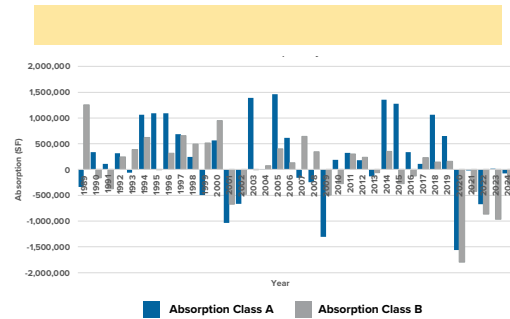
Investors are no longer purely data-driven. Risk aversion, driven by emotional and political volatility, has reoriented strategy toward:

- **CAP RATE **EXPANSION**, PARTICULARLY IN SUBURBAN AND OFFICE SEGMENTS**
- **INFLATION **HEDGING** VIA SHORT-LEASE RETAIL AND MULTIFAMILY ASSETS**
- **ENHANCED FOCUS ON **OPERATOR QUALITY** AND EXECUTION CAPABILITY**
- **TACTICAL **REPOSITIONING** TO WITHSTAND SHORTER INVESTMENT HORIZONS**

Which is why **reading the room** is just as important as reading the Fed minutes. Boston's supply-sensitive fundamentals remain a tailwind – but only for assets with strategic flexibility and institutional-grade tenancy.

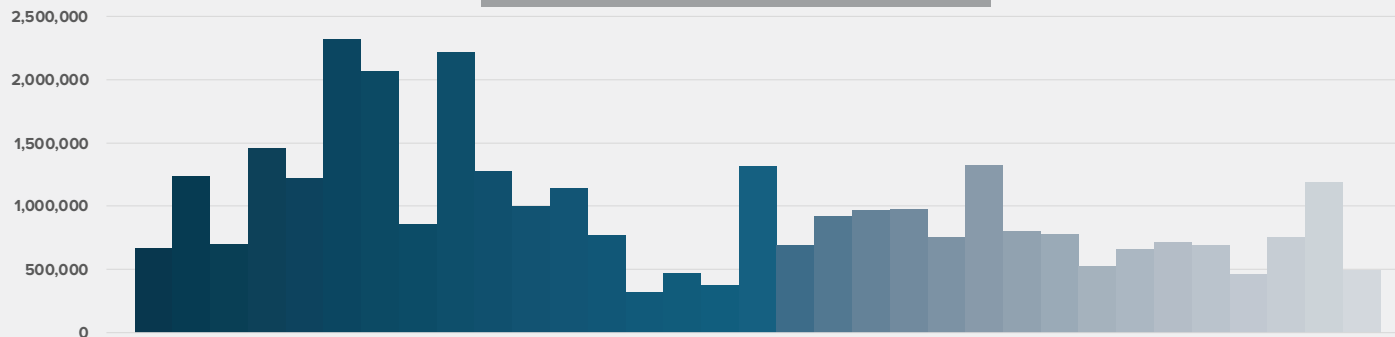


Market Metrics: Data Snapshot



Boston Office: Quarterly New Leasing Activity

DOWN 30% OVER THE LAST 12 MONTHS

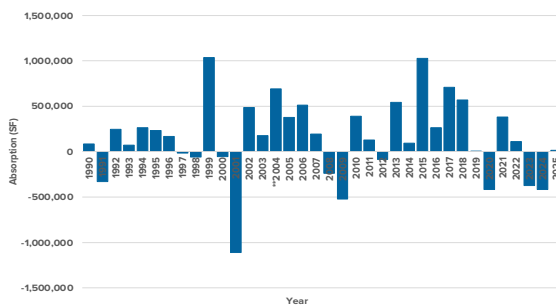


Office Availability & Leasing Trends

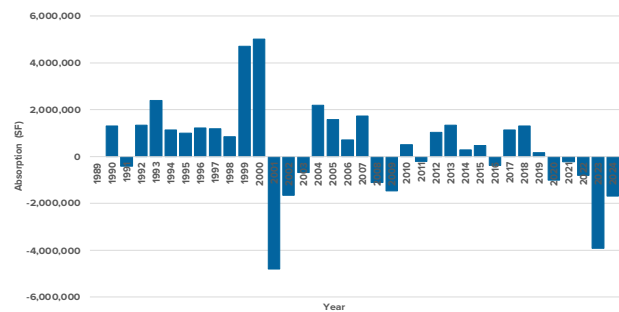
- Overall Boston office availability: 26.5% (↑ from 24.7% YoY)
- Boston Office New Leasing velocity: Down 30% YoY
- Tenant Improvement (TI) costs: Up materially - especially across Class A

Cambridge Office Absorption

REBOUND STILL TOO SOON TO CALL



Suburban Office Absorption



Market Metrics: Office Data Snapshot

Rent Metrics: Holding at the Top, Softening Below Class A Submarkets

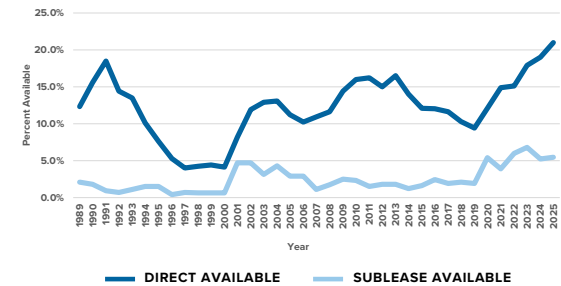
Submarket	Avg. Asking Rent (PSF)
Back Bay	\$72.66
Seaport	\$75.86
East Cambridge	\$86.48
Route 128 Central	\$38.69

Effective rents are declining due to:

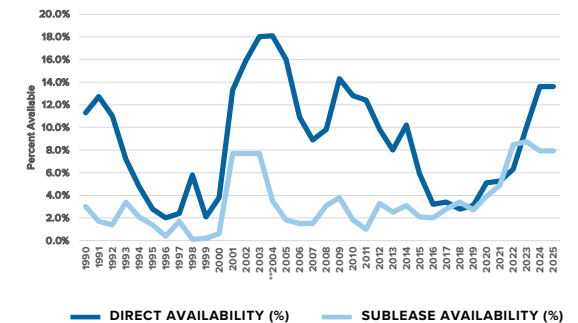
- Aggressive TI packages
- Free rent concessions
- Early termination clauses

Class B/C product faces significant headwinds, with some owners considering the repositioning of assets.

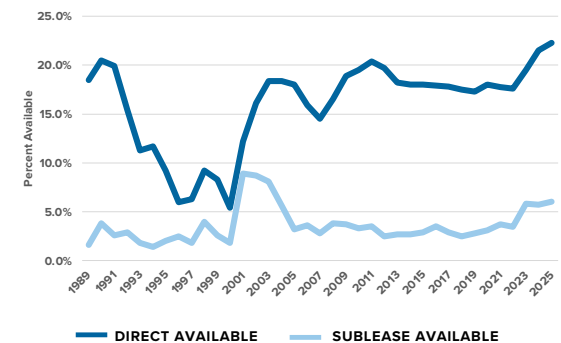
Boston Office Availability: Subleases Going Direct



Cambridge Office Availability: Flattening But Elevated



Suburban Office Availability: Historically High – and Rising



Submarket Insights

Office demand is no longer a guaranteed rebound story. It's nuanced and tenant-specific.

Submarket	Current Status	Takeaway
Back Bay	Stable, but TI costs rising	Still attractive, but tenant leverage up
Seaport	Increasing availability	Competitive and softening for tech demand
Financial District	Aging stock, rising vacancy	Prime for repositioning or adaptive reuse
Cambridge	Lab-office mix under scrutiny	Flex hybrid configurations under evaluation
Route 128	Flattening absorption, lower costs	Value play; benefits from affordability

Boston Office

	Q1 2025	Q1 2024
VACANCY RATE (%)	18.9%	16.7%
YTD Net Absorption (SF)	(1,532,989)	(529,774)
Asking Rent (\$/SF)	\$64.31	\$63.52
Sublease Space (SF)	3,826,947	4,272,329

Cambridge Office

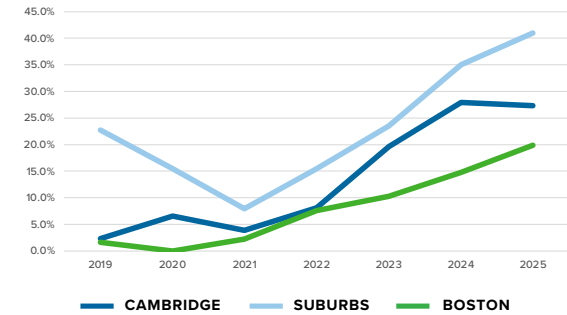
	Q1 2025	Q1 2024
VACANCY RATE (%)	18.1%	13.8%
YTD Net Absorption (SF)	13,112	(244,272)
Asking Rent (\$/SF)	\$77.32	\$77.58
Sublease Space (SF)	1,104,450	1,106,873

Suburban Office

	Q1 2025	Q1 2024
VACANCY RATE (%)	19.4%	17.8%
YTD Net Absorption (SF)	(813,514)	(516,730)
Asking Rent (\$/SF)	\$27.35	\$26.01
Sublease Space (SF)	5,559,223	5,781,034

Overall Lab Availability Rates:

THE DATA SPEAKS FOR ITSELF



Capital Markets: A Tactical Reset

Financing Trends

- Lenders are pulling back. Many office deals are being repriced or declined
- Cap rates modestly expanding across most asset classes
- Political and inflationary risks are now explicitly underwritten

Investment Activity

- Declining valuations present entry points for opportunistic capital
- Increased emphasis on assets with clear repositioning or redevelopment pathways

Strategic Imperatives for 2025

Warehouse

	Q1 2025	Q1 2024
VACANCY RATE (%)	7.0%	4.3%
YTD Net Absorption (SF)	(326,136)	(843,351)
Asking Rent (\$/SF NNN)	\$8.24	\$8.17
Sublease Space (SF)	1,444,486	1,217,613

Flex Space

	Q1 2025	Q1 2024
VACANCY RATE (%)	8.1%	6.3%
YTD Net Absorption (SF)	(88,446)	(231,005)
Asking Rent (\$/SF NNN)	\$11.60	\$10.77
Sublease Space (SF)	946,867	865,740

Manufacturing

	Q1 2025	Q1 2024
VACANCY RATE (%)	4.9%	3.2%
YTD Net Absorption (SF)	(175,617)	(115,234)
Asking Rent (\$/SF NNN)	\$9.18	\$9.07
Sublease Space (SF)	190,031	100,276

Tactical Focus

- 1 **Small-space demand outperforms:** focus on agile tenancies
- 2 **Industrial assets near urban cores** remain resilient
- 3 **Distress watch:** Quiet repricing is emerging in lab and office sectors

Redefining Core

Transition traditional "core" to:

- Mixed-use verticals
- Amenitized urban assets
- Hybrid lab/office formats

Boston Lab

	Q1 2025	Q1 2024
VACANCY RATE (%)	16.2%	8.4%
YTD Net Absorption (SF)	(72,609)	416,012
Asking Rent (\$/SF NNN)	\$54.21	\$54.03
Sublease Space (SF)	694,485	557,155

Cambridge Lab

	Q1 2025	Q1 2024
VACANCY RATE (%)	21.5%	13.9%
YTD Net Absorption (SF)	(180,034)	(338,303)
Asking Rent (\$/SF NNN)	\$79.54	\$84.26
Sublease Space (SF)	1,811,895	1,655,014

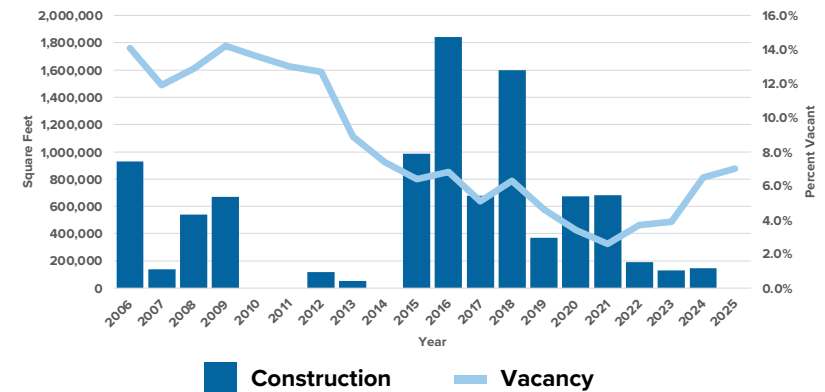
Suburban Lab

	Q1 2025	Q1 2024
VACANCY RATE (%)	30.1%	19.6%
YTD Net Absorption (SF)	(112,924)	(178,388)
Asking Rent (\$/SF NNN)	\$48.58	\$49.98
Sublease Space (SF)	791,046	646,746

Overall Industrial Availability by Asset Type:



Warehouse Vacancy vs. New Construction



The Real Risk: Unknowable Downsides



Policy Disruption

- Government volatility is now a commercial real estate underwriting input
- **Strategic response:** embed a “political premium” in hold assumptions



Inflation Persistence

- Core services inflation remains sticky
- Limited probability of near-term rate cuts
- **Strategy:** prioritize assets with pricing power and contractual escalators



Forecasting Breakdown

- Traditional models ineffective under macro dislocation
- **Strategy:** broaden scenario analyses, expand underwriting bands

Implications for Commercial Real Estate

Risk Factor	Implication	Strategic Response
Tariff Volatility	Demand shock; global supply fragility	Reassess logistics and trade-reliant exposure
Inflation	OPEX and CapEx inflation	Focus on lease escalators, operational control
High Rates	Financing headwinds; cap rate creep	De-levered, cash-flowing assets preferred
Volatility	Sentiment swings; markdown risk	Raise reserves, preserve flexibility
Forecast Uncertainty	Disrupted planning models	Use broader bands, adaptive scenario modeling



Final Takeaways: Signal Over Noise

Investor and Tenant Imperatives

- Carve pro formas in sand, not stone
- Bet on operators, not assumptions
- Prioritize agility over scale

Boston remains underpinned by world-class institutions and long-term demand drivers, but forward-looking success will depend on tactical navigation through structural uncertainty.

As we look ahead to the remainder of 2025, discipline, emotional intelligence, and scenario-driven planning will define the outperformers. At Perry CRE, our key takeaway is this:

You can't forecast your way through uncertainty, but you can position wisely within it.

The Numbers

BOSTON	INVENTORY (SF)	CONSTRUCTION COMPLETIONS (SF)	TOTAL AVAILABLE (SF)	AVAILABILITY RATE	TOTAL VACANT (SF)	VACANCY RATE	YTD NET ABSORPTION (SF)	AVG ASKING RENT (OFFICE)	AVG ASKING RENT (CLASS A)*
Back Bay	12,624,000	0	2,794,909	22.1%	2,375,318	18.8%	(165,433)	\$64.51	\$72.66
Charlestown	2,171,000	0	766,313	35.3%	638,705	29.4%	(58,030)	\$60.65	\$79.59
Fenway/LMA	2,308,000	0	298,583	12.9%	212,849	9.2%	(20,678)	\$68.25	\$91.66
Financial District	32,035,000	0	9,417,040	29.4%	6,632,916	20.7%	(303,682)	\$66.93	\$71.05
Government Center/ North Station	5,027,000	0	1,260,143	25.1%	948,219	18.9%	(75,386)	\$53.66	\$60.46
Midtown	1,938,000	0	713,740	36.8%	456,024	23.5%	(32,627)	\$53.72	N/A
Seaport	11,211,000	0	2,255,392	20.1%	1,809,742	16.1%	(99,715)	\$59.22	\$75.86
South Station	2,737,000	0	1,023,670	37.4%	192,667	7.0%	(777,438)	\$53.26	\$57.00
BOSTON OFFICE TOTALS	70,051,000	0	18,529,790	26.5%	13,266,440	18.9%	(1,532,989)	\$64.31	\$71.60

CAMBRIDGE OFFICE	INVENTORY (SF)	CONSTRUCTION COMPLETIONS (SF)	TOTAL AVAILABLE (SF)	AVAILABILITY RATE	TOTAL VACANT (SF)	VACANCY RATE	YTD NET ABSORPTION (SF)	AVG ASKING RENT (OFFICE)	AVG ASKING RENT (CLASS A)*
West Cambridge	1,585,000	0	480,453	30.3%	461,501	29.1%	(24,843)	\$59.99	\$60.35
East Cambridge	9,572,000	0	1,975,730	20.6%	1,599,115	16.7%	43,289	\$85.26	\$86.48
Mass Ave Corridor	2,796,000	0	545,880	19.5%	461,268	16.5%	(5,334)	\$69.36	\$66.62
CAMBRIDGE OFFICE TOTALS	13,953,000	0	3,002,063	21.5%	2,521,884	18.1%	13,112	\$77.32	\$77.33

SUBURBS	INVENTORY (SF)	CONSTRUCTION COMPLETIONS (SF)	TOTAL AVAILABLE (SF)	AVAILABILITY RATE	TOTAL VACANT (SF)	VACANCY RATE	YTD NET ABSORPTION (SF)	AVG ASKING RENT (OFFICE)	AVG ASKING RENT (CLASS A)*
128 West	28,862,000	0	7,958,731	27.6%	5,238,138	18.1%	(369,861)	\$34.99	\$38.69
128 North	11,164,000	0	2,053,350	18.4%	1,436,462	12.9%	(79,091)	\$23.79	\$26.66
128 South	10,516,000	0	3,241,167	30.8%	1,753,215	16.7%	(174,470)	\$25.39	\$26.49
3/24 South	1,589,000	0	336,490	21.2%	278,897	17.6%	162	\$20.35	\$21.83
MetroWest	2,809,000	0	883,444	31.5%	752,014	26.8%	(36,764)	\$24.99	\$28.09
495 West	7,661,000	0	2,543,662	33.2%	1,892,284	24.7%	(82,143)	\$20.47	\$21.28
495 North	21,713,000	0	6,509,782	30.0%	5,234,174	24.1%	(41,263)	\$21.33	\$22.39
495 South	1,499,000	0	459,024	30.6%	359,989	24.0%	1,963	\$19.94	\$19.36
Inner Suburbs	6,026,000	0	2,058,745	34.2%	881,063	14.6%	(31,687)	\$39.04	\$40.87
SUBURBAN OFFICE TOTALS	91,838,000	0	26,044,395	28.4%	17,826,236	19.4%	(813,154)	\$27.35	\$30.26

BOSTON LAB	INVENTORY (SF)	CONSTRUCTION COMPLETIONS (SF)	TOTAL AVAILABLE (SF)	AVAILABILITY RATE	TOTAL VACANT (SF)	VACANCY RATE	YTD NET ABSORPTION (SF)	AVG ASKING RENT (NNN)	AVG ASKING RENT (CLASS A)*
Charlestown	1,005,000	108,600	184,376	18.3%	59,891	6.0%	(5,431)	\$54.21	N/A
Fenway/LMA	2,349,000	0	201,067	8.6%	141,000	6.0%	(24,067)	N/A	N/A
Seaport	3,220,000	0	805,998	25.0%	726,793	22.6%	(23,587)	N/A	N/A
South End	556,000	0	95,597	17.2%	95,597	17.2%	(19,524)	N/A	N/A
BOSTON LAB TOTALS	7,291,000	108,600	1,447,983	19.9%	1,184,226	16.2%	(72,609)	\$54.21	N/A

CAMBRIDGE LAB	INVENTORY (SF)	CONSTRUCTION COMPLETIONS (SF)	TOTAL AVAILABLE (SF)	AVAILABILITY RATE	TOTAL VACANT (SF)	VACANCY RATE	YTD NET ABSORPTION (SF)	AVG ASKING RENT (NNN)	AVG ASKING RENT (CLASS A)*
West Cambridge	1,582,000	0	680,320	43.0%	612,245	38.7%	(52,343)	\$74.34	N/A
East Cambridge	9,600,000	0	2,338,759	24.4%	1,725,298	18.0%	(9,541)	\$81.52	N/A
Mass Ave Corridor	3,506,000	0	993,145	28.3%	825,794	23.6%	(118,150)	\$78.78	N/A
CAMBRIDGE LAB TOTALS	14,688,000	0	4,012,224	27.3%	3,163,337	21.5%	(180,034)	\$79.54	N/A

SUBURBAN LAB	INVENTORY (SF)	CONSTRUCTION COMPLETIONS (SF)	TOTAL AVAILABLE (SF)	AVAILABILITY RATE	TOTAL VACANT (SF)	VACANCY RATE	YTD NET ABSORPTION (SF)	AVG ASKING RENT (NNN)	AVG ASKING RENT (CLASS A)*
128 West	7,098,000	0	1,903,774	26.8%	1,051,062	14.8%	(179,619)	\$46.93	N/A
128 North	128,000	0	56,329	44.0%	38,086	29.8%	(9,230)	\$48.00	N/A
128 South	N/A	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A
3/24 South	N/A	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A
MetroWest	335,000	0	25,496	7.6%	25,496	7.6%	0	N/A	N/A
495 West	672,000	0	0	0.0%	0	0.0%	0	N/A	N/A
495 North	422,000	0	205,959	48.8%	205,959	48.8%	0	\$25.25	N/A
495 South	N/A	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Inner Suburbs	5,521,000	0	3,616,796	65.5%	2,948,088	53.4%	75,925	\$55.28	N/A
SUBURBAN LAB TOTALS	14,176,000	0	5,808,354	41.0%	4,268,691	30.1%	(112,924)	\$48.58	N/A

Flex	INVENTORY (SF)	CONSTRUCTION COMPLETIONS (SF)	TOTAL AVAILABLE (SF)	AVAILABILITY RATE	TOTAL VACANT (SF)	VACANCY RATE	YTD NET ABSORPTION (SF)	AVG ASKING RENT (NNN)
Boston	695,000	0	453,043	65.2%	386,451	55.6%	0	\$24.49
Boston North	510,000	0	0	0.0%	0	0.0%	0	N/A
Boston South	808,000	0	270,314	33.5%	179,811	22.3%	(14,400)	\$15.87
Boston West	2,068,000	0	163,696	7.9%	131,726	6.4%	8,895	N/A
128 North	4,918,000	0	294,813	6.0%	220,697	4.5%	(15,139)	\$13.63
495 North	10,797,000	0	1,788,900	16.6%	1,109,116	10.3%	(35,279)	\$9.14
128 West	6,573,000	0	735,308	11.2%	462,231	7.0%	(48,828)	\$18.99
495 West	7,524,000	0	572,328	7.6%	403,411	5.4%	(13,988)	\$8.79
MetroWest	1,012,000	0	99,353	9.8%	89,353	8.8%	15,000	\$9.00
Worcester	196,000	0	0	0.0%	0	0.0%	0	N/A
128 South	5,317,000	0	554,558	10.4%	411,172	7.7%	(22,164)	\$9.36
495 South	6,559,000	0	541,215	8.3%	454,897	6.9%	47,572	\$10.44
3/24 South	1,161,000	0	66,670	5.7%	50,870	4.4%	1,595	\$7.57
Fall River/New Bedford	291,000	0	12,460	4.3%	12,460	4.3%	(11,710)	N/A
FLEX TOTALS	48,429,000	0	5,552,658	11.5%	3,912,195	8.1%	(88,446)	\$11.60

MANUFACTURING	INVENTORY (SF)	CONSTRUCTION COMPLETIONS (SF)	TOTAL AVAILABLE (SF)	AVAILABILITY RATE	TOTAL VACANT (SF)	VACANCY RATE	YTD NET ABSORPTION (SF)	AVG ASKING RENT (NNN)
Boston	1,360,000	0	354,666	26.1%	268,147	19.7%	(32,131)	\$11.32
Boston North	1,290,000	0	104,862	8.1%	66,000	5.1%	(25,532)	\$14.43
Boston South	2,770,000	0	133,612	4.8%	85,412	3.1%	25,461	\$9.62
Boston West	980,000	0	0	0.0%	0	0.0%	0	N/A
128 North	1,770,000	0	17,840	1.0%	3,000	0.2%	160	N/A
495 North	5,520,000	0	311,880	5.7%	211,390	3.8%	(74,218)	\$8.57
128 West	530,000	0	22,000	4.2%	20,000	3.8%	(2,000)	N/A
495 West	2,350,000	0	111,466	4.7%	74,042	3.2%	(26,282)	\$8.16
MetroWest	660,000	0	15,890	2.4%	15,890	2.4%	(617)	\$12.00
Worcester	2,630,000	0	492,590	18.7%	237,000	9.0%	(49,590)	\$8.13
128 South	3,220,000	0	251,864	7.8%	170,784	5.3%	(5,390)	\$6.00
495 South	4,290,000	0	472,792	11.0%	346,544	8.1%	(2,978)	\$6.50
3/24 South	570,000	0	30,340	5.3%	27,840	4.9%	17,500	N/A
Fall River/New Bedford	3,450,000	0	0	0.0%	0	0.0%	0	N/A
MANUFACTURING TOTALS	31,380,000	0	2,319,802	7.4%	1,526,049	4.9%	(175,617)	\$9.18

WAREHOUSE	INVENTORY (SF)	CONSTRUCTION COMPLETIONS (SF)	TOTAL AVAILABLE (SF)	AVAILABILITY RATE	TOTAL VACANT (SF)	VACANCY RATE	YTD NET ABSORPTION (SF)	AVG ASKING RENT (NNN)
Boston	2,340,000	0	314,912	13.5%	154,451	6.6%	(1,895)	\$15.49
Boston North	2,450,000	0	255,486	10.4%	251,008	10.2%	133	\$16.90
Boston South	2,120,000	0	252,443	11.9%	177,448	8.4%	(62,500)	\$6.26
Boston West	2,100,000	0	86,767	4.1%	0	0.0%	0	\$25.00
128 North	6,380,000	0	924,618	14.5%	785,745	12.3%	(107,308)	\$11.87
495 North	12,330,000	0	909,535	7.4%	671,520	5.4%	(43,000)	\$6.99
128 West	480,000	0	74,526	15.5%	70,126	14.6%	(4,400)	\$10.00
495 West	8,550,000	0	592,801	6.9%	382,833	4.5%	(149,970)	\$8.04
MetroWest	660,000	0	52,489	8.0%	31,243	4.7%	3,700	\$6.14
Worcester	7,970,000	0	223,709	2.8%	193,709	2.4%	24,460	N/A
128 South	14,410,000	0	1,587,813	11.0%	985,567	6.8%	44,790	\$6.56
495 South	24,740,000	0	2,554,419	10.3%	2,191,844	8.9%	24,655	\$6.79
3/24 South	4,030,000	0	465,864	11.6%	378,114	9.4%	(40,750)	\$7.37
Fall River/New Bedford	6,000,000	0	505,987	8.4%	330,950	5.5%	(14,051)	\$7.33
WAREHOUSE TOTALS	94,570,000	0	8,801,369	9.3%	6,604,558	7.0%	(326,136)	\$8.24



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STRATEGY OVER SQUARE FEET.

