

Intelligent Investment

2026 U.S. Real Estate Market Outlook

REPORT

BOSTON

CBRE RESEARCH
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Downtown Office Market

01

VACANCY WILL PEAK AMID LACK OF NEW CONSTRUCTION

The pipeline for new construction decreased to just under 770,000 sq. ft. in Q4 2025, all of which is pre-leased with no speculative office projects expected in the near term. As a result, the market has likely bottomed out. This lack of future supply is expected to reduce vacancy in prime assets over the long term with Downtown vacancy projected to peak at 19.1% in 2026. Minimal, planned office-to-residential conversions of 766,000 sq. ft. (less than 1% of inventory) will have a negligible impact on fundamentals. Meanwhile, Class B building sales for conversion as part of the City of Boston's office-to-residential program are expected to continue.

02

LEGAL, PROFESSIONAL, TECH & FINANCIAL SERVICES WILL DRIVE LEASING ACTIVITY

Legal, TAMI (Technology, Advertising, Media, and Information) and FIRE (Financial Services, Insurance and Real Estate) sectors account for more than two-thirds of total tenant demand and are expected to drive leasing activity in 2026. Increased leasing activity by AI firms in 2025 is also expected to continue, though the extent remains uncertain.

03

DEMAND FOR NON-PRIME, CLASS A SPACE WILL GROW

The non-prime, Class A market saw increased rent growth and tenant demand in H2 2025, driven by a sub-10% vacancy rate, limited supply and no new construction on the horizon. These assets provide tenants with more affordable, high-quality and centrally located options. As a result, the non-prime Class A market accounted for nearly 60% of overall leasing activity in 2025. Similar to national trends, demand will remain strongest for prime buildings but will spill over into the next tier of Class A assets throughout 2026.

04

RENEWAL-DRIVEN WILL HOLD STEADY

Renewal activity has significantly increased over the last 24 months as the cost of moving remains high. Renewals and expansions accounted for 40% of overall leasing velocity in 2025. With limited out-of-market growth or new demand in the pipeline, leasing activity will be driven by lease expirations in the near term.

Key Takeaways

FOR OWNERS

- Limited new construction and supply of prime space will drive tenants to the next tier of Class A assets.
- Commodity buildings will continue to sell due to distressed capital stacks, underscoring that the Boston office market has reached its pricing floor.
- Owners of Class B and C assets will continue to sell underperforming assets in their portfolios leading to more private capital buyers and office-to-residential conversions.
- Office debt liquidity will continue to rebound as availability and pricing continue to improve for high quality assets with solid rent rolls.

FOR TENANTS

- Limited options for quality space could increase rents in certain segments of the market.
- Expect less concessions as the market enters a stabilization period.

Boston Metro Industrial Market

01

BUILD-TO-SUIT CONSTRUCTION WILL HOLD STEADY WHILE SPECULATIVE DEVELOPMENT SLOWS

As new speculative construction slows from its 2020–2022 peak, build-to-suit activity will remain robust in 2026, driven by sustained demand for custom space. Several large-scale requirements exceeding 1 million sq. ft. each are currently evaluating land sites in Greater Boston for build-to-suit projects. A leaner speculative pipeline could help stabilize vacancy rates and support rental recovery over the next 12 to 24 months.

02

VACANCY RATE WILL STABILIZE AMID SPACE GIVEBACKS

Vacancy levels have started to stabilize following several years of increases, as construction starts slow. While some large blocks of space are still being returned by tenants, the pace has moderated. Sublease availability is slightly increasing but hasn't had a significant impact on the Greater Boston market. As a result, availability and vacancy rates are forecasted to remain flat through 2026.

03

DEMAND WILL REMAIN STRONG, ESPECIALLY FOR SMALL BLOCKS

Core demand for blocks of space under 100,000 sq. ft. will remain steady and well-diversified. However, a surge of requirements from 500,000 sq. ft. to over 1 million sq. ft. has emerged since the start of the year.

04

RECORD-HIGH RENT GROWTH WILL SLOW

Rents have nearly doubled to \$15.66 NNN compared to pre-pandemic levels. While rents are expected to remain elevated, the pace of growth has slowed or asking rents have declined as new construction—particularly in the South submarket—sits vacant and tenants weigh broader economic conditions.

05

INCREASED E-COMMERCE & HIGH-TECH DEMAND WILL CONTINUE

E-commerce activity in the Boston market surged in Q4 2025, with requirements trending toward large footprints, mega-block and build-to-suit sites. However, availability for land sites exceeding 1 million sq. ft. is extremely limited. In addition, demand for industrial space from non-traditional users—such as high-tech chip manufacturers—is expected to remain strong through 2026.

06

OWNER-USER SALES WILL INSULATE THE MARKET

Growing interest in owner-user sales and build-to-suit projects have kept the market resilient, as more occupiers will look to offset significantly high rental rates and reduce risk. These strategies offer owners-users customization, potential tax benefits and long-term cost savings, making them increasingly attractive in today's environment.

Key Takeaways

FOR OWNERS

- Owners will focus on maintaining occupancy in the first half of 2026, especially those that are looking to sell in the near term. Owners are also expected to offer more tenant concessions like free rent and higher tenant improvement allowances as they compete to keep buildings full.
- Industrial market liquidity remains very strong compared to other asset classes. Investors will continue to place a premium on newer vintage offerings as third- and fourth-generation product is being discounted. Generally, the cap-rate gap between stabilized Class A product and stabilized Class B product is wider than historical averages.
- As prices normalize, underwriting will get more disciplined.

FOR TENANTS

- While rents remain near record highs, the pace of growth has slowed due to vacant new construction and economic uncertainty. Tenants may have leverage to negotiate concessions or lock in rates before a potential rebound.
- Rising demand from e-commerce and high-tech users is driving competition for facilities that can deliver significant cost savings on buildout, including space with existing infrastructures like enhanced power, pre-built labs, specialized water capacity, heavy office configurations and drive-in capability. Tenants with unique operational requirements should consider creative solutions like build-to-suit (BTS) or owner-user strategies to secure the right space.
- Elevated rental rates have driven interest in owner-user sales and BTS projects, which offer tenants long-term cost savings, customization and potential tax benefits. For occupiers with capital flexibility, these options can mitigate risk and provide stability.

Boston Metro Life Science Market

01

NEW CONSTRUCTION OVERSUPPLY WILL CONTINUE TO IMPACT THE MARKET

The Greater Boston Life Science market will work through its oversupply of new space in 2026. After a construction boom four years ago, today's market continues to feel the impact. Vacancy increased to 28.8% from 6.6% in mid-2023 when active construction peaked at 17 million sq. ft. The market currently has 3.4 million sq. ft. under construction. Nearly 2.1 million sq. ft. of that total is fully leased, build-to-suit space for large pharma tenants in the East Cambridge and Seaport submarkets. The remaining 76% of that total is still available for lease. Currently, 1.25 million sq. ft. of new speculative construction is expected to complete in 2026.

02

ECONOMIC HEADWINDS WILL CONTINUE TO LIMIT DEMAND GROWTH

Persistent economic challenges are continuing to pressure private and public companies in the life sciences sector across the region. Venture capital funding has contracted for early-stage companies while becoming concentrated among later-stage companies with strong scientific data and clinical trial results. Limited IPO activity has further prompted venture firms to cautiously allocate capital given the limited exit opportunities. Demand increased throughout 2025, driven by upcoming lease expirations rather than tenant growth.

03

PREMIER LOCATIONS WILL BENEFIT

The Kendall Square area of East Cambridge is positioned to remain the premier life science ecosystem in Greater Boston. The neighborhood ended the year at a 12.1% vacancy rate, substantially lower than the overall market. Although elevated vacancy rates across the metro area are expected to put downward pressure on asking rents, premier locations will see less of an impact.

Key Takeaways

FOR OWNERS

- Market distress will allow new owners to get in at a lower basis or open the door for potential owner-users to acquire their assets.

FOR TENANTS

- The market's high vacancy rate provides plenty of options for tenants. While Kendall Square is the tightest core neighborhood, it still provides tenants with options that they didn't have several years ago.
- New leases and renewals for second-generation space continue to dominate leasing activity, as conserving capital remains the prime goal of many tenants.

Downtown Retail Market

01

VACANCY WILL REMAIN AT HISTORIC LOWS

Persistent high demand and limited supply has dropped the retail vacancy rate to 3%, placing Boston among the tightest retail markets nationally.

02

AFFLUENT CONSUMER BASE WILL DRIVE EXPERIENTIAL CONCEPTS

Strong consumer spending fundamentals are expected to favor experiential retail and food & beverage concepts, with luxury and boutique brands likely expanding footprints downtown. Fitness/athleisure segment is the most active with HOKA, Brooks, On Running and Lululemon all exploring options.

03

HIGH DEMAND, LIMITED NEW SUPPLY WILL STABILIZE ASKING RENTS

Asking rents remain largely stable with a slight increase, supported by high demand and minimal new inventory. This is especially the case in prime downtown corridors like the Back Bay submarket.

04

ECONOMIC HEADWINDS WILL CONTINUE TO INHIBIT NEW CONSTRUCTION

Rising construction, labor and financing costs are likely to increase the price of goods. Adaptive reuse projects and creative space activations will likely gain momentum in 2026, instead of ground-up construction, as developers prioritize flexibility and mixed-use strategies.

Key Takeaways

FOR TENANTS

- Growing tenants need to be aggressive when an opportunity arises in a target market, pursuing spaces with existing tenants who have a lease expiring in the near term.
- Tenants should continue to be more creative with layouts, sizing and parking/loading requirements to make sites work, rather than passing on opportunities while awaiting prototypical locations.
- Tenants in markets with low vacancy rates should carefully review their option terms and be aware that landlords may use interest from competitive new tenants to influence renewal negotiations.

Greater Boston Multifamily Market

01

INVESTMENT ACTIVITY WILL REMAIN STRONG

Boston is one of the most targeted multifamily investment markets, with investors willing to pay high prices for stable market fundamentals. The market's 2025 investment volume totaled more than \$4.5 billion for deals exceeding \$10 million, the highest amount since CBRE began tracking the market

02

RENT GROWTH WILL REMAIN STEADY FOR THE LONG TERM

Tight vacancy and the consistent absorption of new inventory drove year-over-year rent growth across the market. CBRE expects Boston to remain a top market for rent growth over the near and long term. When combining net effective asking rents for newly signed leases and renewals, blended rent growth is expected to average 3.3% annually through 2030. In addition, real disposable income is projected to increase 4.4% annually over the next five years.

03

DESPITE STRONG ABSORPTION IN 2025, ANNUAL ABSORPTION WILL SLOW IN 2026.

Renter demand increased by 40% year-over-year with 13,357 net units absorbed in 2025, while average occupancy rose by 80 basis points to 96.4%. Most submarkets in Greater Boston recorded positive absorption, despite a slowdown in some submarkets like Worcester. While annual absorption is expected to slow in 2026, market occupancy is forecasted to average 95.9% over the next five years.

04

SHRINKING CONSTRUCTION PIPELINE WILL DRIVE RENT GROWTH

Boston is not a top market for new construction, but developers will complete an above-average 10,494 units in 2026 after a peak of 11,470 new units in 2025. New construction completions are projected to decline by 30 to 40% to an average of 6,343 units annually between 2027 and 2030. The shrinking construction pipeline is projected to drive rent growth of 3.2% in 2027, 3.4% in 2028, 3.6% in 2029 and 3.7% in 2030.

Key Takeaways

- Investors will continue to pay a premium for multifamily assets in Boston, due to its diverse economy and stable apartment market.
- Occupancy rates will remain higher than pre-pandemic levels amid positive renter demand.
- Boston will remain a top market for rent growth, driven by low vacancy, manageable new supply and a resilient local economy.

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