Intelligent Investment

2026 U.S. Real Estate Market Outlook Midyear Review

REPORT

BOSTON

CBRE RESEARCH
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Downtown Office Market Outlook

01

Legal, financial services and professional services anchor demand, while AI and technology firms emerge as a second driver

Legal, financial services and professional services firms accounted for nearly half of Downtown tenant demand in Q1 2026 and are expected to drive leasing activity through the second half of the year. Technology has been a challenged segment, but early signs of recovery are evident: AI-focused firms and several out-of-market tech tenants are actively pursuing opportunities in Downtown Boston, accounting for close to 30% of active demand. The composition of deal types has also shifted.-- After two years of renewal-heavy activity, new leases and relocations rose to roughly 60% of Q1 leasing, led by J.P. Morgan Chase's 246,000 sq. ft. commitment at South Station Tower. Renewals will remain a substantial share given high relocation costs, but the near-term leasing story is the return of new-deal demand concentrated in the CBD. This momentum aligns with CBRE's U.S. outlook, which specifically names Boston among the markets expected to contribute most meaningfully to the national office demand recovery in 2026.

02

Downtown vacancy has peaked with sublease availability at its lowest level in years as the CBD tightens heading into H2

Downtown vacancy remained steady at 18.7% in Q2 2026--likely near its peak--supported by the absence of speculative new supply. The approximately 769,000 sq. ft. delivered at the start of 2026 arrived fully pre-leased, avoiding any near-term vacancy overhang. CBRE EA's baseline forecast projects office vacancy declining from roughly 18% toward the high-16% range by late 2027 as the lack of new supply gradually tightens prime assets. Sublease availability has compressed, falling to 3.5%--the tenth consecutive quarterly decline--reinforcing the tightening of the CBD. Ongoing Class B office-to-residential conversions are a further steady drain on supply. Limited prime inventory is expected to push tenant demand into the next tier of Class A assets within the CBD, with additional spillover concentrated in well-connected, walkable, and amenity-rich submarkets adjacent to the core, like the Seaport.

Key Takeaways

For Owners

— Limited new construction and tightening prime supply will push demand into the next tier of Class A assets through H2--owners of well-located, quality buildings are increasingly well-positioned as this dynamic plays out. Class A net effective rents are already firming and sublease availability has declined for ten consecutive quarters, improving the fundamentals case for well-leased buildings. Class B and C assets will trade at distressed pricing, creating a pipeline of low-basis acquisition and conversion opportunities for private capital. Improving debt liquidity for Class A should gradually support a more active transaction market for quality product through H2 and into 2027.

For Tenants

— The market remains broadly tenant-favorable. However, tenant negotiating leverage is beginning to weaken in the CBD as sublease availability falls and new deal activity returns. Tenants with near-term expirations in prime locations should act proactively because the best Class A options are becoming more limited: as headline vacancy confirms the recovery, it means competing for space after it has moved. Concession packages remain competitive across most of Downtown, but trophy assets in the Seaport are already an exception. Tenants in distressed buildings retain negotiating leverage on rent but should carefully evaluate the landlord's financial stability and operational capacity before committing.

Downtown Office Market Outlook (cont.)

03

Class A net effective rents are firming as asking rents ease; concession packages expected to compress in trophy assets through 2026.

Class A asking rents eased modestly in early 2026, but net effective rents firmed -- a signal that the highest-quality assets are stabilizing even before headline rents increase. Net effective rents remain approximately 10% below their 2019 peak, and tenant improvement allowances have continued to rise, keeping concession packages competitive. Meaningful rent increases are expected first in the tightest, highest-quality segments--Seaport trophy assets in particular--while broad asking rent increases across Downtown are not yet evident for the balance of 2026. Owners of Class A buildings should expect improving fundamentals to support debt liquidity, while Class B and C assets will transact at reset pricing as distressed capital stacks drive sales.

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Industrial Market Outlook

01

Industrial demand inflected positive in Q1, led by mid- and large-block requirements, with a growing pipeline of large-footprint deals pointing to leasing momentum through year-end.

Metro Boston industrial demand inflected meaningfully at the mid-year, recording positive net absorption of 1.1M sq. ft. through Q2 2026 along with 29.4M sq. ft. of active tenant demand. The recovery was led by mid- and large-block requirements in the 200,000 to 500,000 sq. ft. range, while a surge in 500,000 to 1 million sq. ft.-plus requirements is materializing in signed and pending deals. E-commerce, logistics, and high-tech users drive large-footprint activity, and demand from non-traditional and high-tech occupiers is expected to persist through 2026. Growing interest in owner-user purchases and build-to-suit projects is also absorbing space, as occupiers weigh the cost of elevated market rents against the long-term value of ownership--offering customization, potential tax benefits, and price certainty. The recovery is expected to continue through year-end but will be uneven across submarkets, with shallow-bay and specialized facilities remaining structurally tight throughout.

02

Speculative construction has declined sharply year-over-year, providing structural support for an availability improvement--though modest softening is expected before a broader recovery through 2027.

Active speculative construction was at 768,000 sq. ft.in Q2 2026, down 60.7% year-over-year — a sharp contraction that lays the groundwork for gradual market stabilization over the next 12 to 24 months. Build-to-suit interest remains active for large requirements, and land sale activity is ongoing. Metro vacancy held at 7.9% in Q2 with availability rising slightly in Q2 to 10.6%. CBRE EA's baseline forecast projects availability and vacancy drifting modestly higher through 2026 and into 2027 as new product is absorbed and some tenants give back space. The most significant overhang is concentrated in big-box product in Metro South, where recently delivered new construction is working through lease-up. Shallow-bay and specialized product--enhanced power, drive-in, heavy office--remain structurally tight across the metro.

Key Takeaways

For Owners

— Owners should prioritize occupancy maintenance in 2026, particularly those with near-term disposition plans. Expect continued pressure to offer competitive concessions--free rent and higher TI allowances--to retain tenants in a market where the forecast shows little rent growth through 2027. Industrial investment liquidity remains strong relative to other asset classes, and investors will price a premium for newer-vintage Class A product as the cap-rate gap between stabilized Class A and older product widens beyond historical norms. As pricing normalizes, underwriting discipline on lease-up assumptions will be increasingly important.

For Tenants

— Tenants retain meaningful leverage to negotiate concessions through 2026; a near-term rent rebound is not yet in the forecast. However, competition remains intense for shallow-bay and specialized facilities with enhanced power, drive-in access, or heavy office, which stay structurally tight; tenants with unique requirements should seriously evaluate build-to-suit or owner-user options. Elevated rental rates make ownership increasingly attractive for occupiers with capital flexibility--owner-user and build-to-suit strategies can mitigate rent risk, offer long-term cost savings, and provide greater customization.

Industrial Market Outlook (cont.)

03

Industrial asking rents have plateaued near record levels with little to no growth projected through 2027 as excess big-box supply in Metro South and broader economic caution weigh on pricing.

Industrial asking rents have plateaued near record levels at $15.19 NNN in Q1 2026, essentially flat quarter-over-quarter and slightly below the prior year--and CBRE EA's baseline forecast projects little to no rent growth through 2027. Tenants retain leverage to negotiate concessions through 2026, and a near-term rent rebound is not yet reflected in the forecast. For occupiers facing elevated market rents, owner-user sales and build-to-suit strategies continue to gain traction as alternatives that offer long-term cost savings and customization. Industrial investment liquidity remains strong relative to other asset classes, though investors are increasingly differentiating between stabilized Class A--which commands a premium--and older third- and fourth-generation product, where cap rates have widened relative to historical averages.

Key Takeaways

For Owners

— Owners should prioritize occupancy maintenance in 2026, particularly those with near-term disposition plans. Expect continued pressure to offer competitive concessions--free rent and higher TI allowances--to retain tenants in a market where the forecast shows little rent growth through 2027. Industrial investment liquidity remains strong relative to other asset classes, and investors will price a premium for newer-vintage Class A product as the cap-rate gap between stabilized Class A and older product widens beyond historical norms. As pricing normalizes, underwriting discipline on lease-up assumptions will be increasingly important.

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Life Science Market Outlook

01

Leasing rebounded sharply in Q1, driven by large pharma and growth-stage requirements, as new deal activity returned following two years of renewal-heavy conditions.

Life sciences leasing activity rebounded strongly in Q1 2026, reaching approximately 1.1 million sq. ft.--more than the entire second half of 2025. Large requirements of 100,000 sq. ft. or greater increased by expiration-driven tenants and growth commitments from major pharma firms. TransMedics' 498,000 sq. ft. commitment in Somerville was the headline transaction, signaling that large-scale new occupancy is resuming alongside the market's cost discipline. Venture capital funding has remained steady, and a growing pipeline of local firms going public is expected to allow venture capital to recycle into new start-ups--a leading indicator of future tenant demand. H1 2026 also brought steady acquisition activity from large pharma, including announcements by Sanofi, Eli Lilly, and AbbVie of local biotech acquisitions; many acquired firms will be absorbed within parent company footprints, but selective growth commitments are emerging alongside this consolidation.

02

A diminished development pipeline has eliminated near-term speculative supply risk heading into H2.

The Metro Boston life sciences development pipeline has fallen to approximately 2.1 million sq. ft. at mid-year, with the remaining supply now entirely comprised of fully leased build-to-suit projects for large pharma tenants including Takeda, Biogen, Vertex, and AstraZeneca. The absence of additional speculative supply will help the market absorb excess space through the remainder of 2026 and puts Boston ahead of the national supply-discipline curve. Overall metro vacancy stood at 28.7% with availability at 32.8% in Q1 2026--conditions stabilized modestly at the start of the year-after a period of increase. CBRE EA forecasts a 0.9% decrease in vacancy through year-end, and another 1.8% in 2027. Kendall Square/East Cambridge remains the premier life sciences ecosystem in Greater Boston and is positioned to hold that designation through the cycle, though elevated vacancy across the region--including approximately 20% in Kendall Square itself--has opened access to space in submarkets where tenants were previously priced out.

Key Takeaways

For Owners

— Market distress is opening doors for new owners to acquire assets at a low basis, and the emerging pipeline of repositioning plays reflects early-stage recovery. With the construction pipeline now fully leased, no new competitive supply is expected to arrive without pre-committed tenants-a meaningful improvement in the supply backdrop. Asking rents continue to fall but the rebound in leasing volume and growing large-pharma activity suggest that demand inflection is underway. Owners who can hold through the current concession environment are positioned for improving fundamentals as excess inventory absorbs through 2027.

For Tenants

— Elevated vacancy gives tenants abundant options across metro Boston, including in Kendall Square/East Cambridge where vacancy has risen to roughly 20%. Second-generation and sublease space remains the primary path for cost-conscious occupiers, but H1 2026 also demonstrated that larger commitments are being made selectively--tenants with growth requirements should engage the market actively while conditions remain favorable. Current pricing creates an opportunity to access prime locations at terms unavailable even two years ago.

Life Science Market Outlook (cont.)

03

Declining rents and the potential for low-basis acquisition are creating select market opportunities

Elevated vacancy has caused asking rents to fall by 8.3% year-over-year in Q1 2026. Net absorption remained negative (-117,000 sq. ft.) in Q1, though the improvement in leasing volume points to a gradual turning in market conditions. For tenants, current climate offers abundant options across the metro--including in previously tight and expensive submarkets like Kendall Square--with second-generation space and subleases providing cost-efficient paths to occupancy. For owners and investors, market distress is creating opportunities to acquire assets at a lower basis, with repositioning plays emerging as the repricing cycle continues.

Key Takeaways

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Downtown Retail Market Outlook

01

A diversity of demand is driving broad-based leasing activity in Downtown Boston, concentrated in Back Bay, Seaport and Fenway.

Tenant demand in Downtown Boston retail is active and expanding across multiple categories. Experiential retail and food and beverage concepts are leading activity, with luxury and boutique brands pursuing expansion primarily in Back Bay, Seaport, and Fenway. The fitness and athleisure category is among the most active, with Brooks, HOKA, On Running, and Vuori opening new stores or expanding existing ones. High-end, full-service restaurants are reporting strong momentum driven by high return-to-office rates, the arrival of new corporate headquarters in Back Bay and the Seaport, and demand from affluent international visitors--a combination expected to sustain restaurant openings and elevated dining sales through the remainder of 2026. Boston's demand mix (luxury, experiential, F&B) differs from the national pattern of necessity-based and grocery-led drivers, reflecting Downtown Boston's higher-income consumer profile.

02

High construction and financing costs are expected to keep a lid on new supply and maintain the availability rate near its historic low through 2026.

Boston Downtown retail availability closed H1 2026 near historic lows, with Newbury Street leading the market to some of its tightest conditions on record, well below the long-run average of 7.4%. Consistent with CBRE's U.S. outlook on supply, historically low construction is the defining feature. High construction, labor, and financing costs suppress new ground-up development in Boston, and the momentum for adaptive reuse and conversion is expected to continue--reinforced by near-zero retail inventory growth and the ongoing wave of downtown conversions. New supply additions are expected to remain minimal through the remainder of 2026, keeping conditions firmly in landlords' favor in prime corridors. Tenants in markets with limited availability should review option terms carefully, as landlords in tight locations may use interest from competing tenants to influence renewal negotiations.

Key Takeaways

For Owners

— Well-located assets in prime Downtown corridors are positioned to benefit from firm-to-rising rents through year-end as availability holds near historic lows and demand from experiential, food and beverage, and luxury tenants remains active. Pricing power is strongest in Back Bay and the Seaport, where tenant demand exceeds available supply. Rising operating costs -- wages, build-out expenses -- are increasing pressure on tenants, particularly small and independent operators; landlords should proactively monitor tenant financial health and structure lease terms accordingly. The adaptive reuse trend and the near-zero new supply outlook create a durable supply-constraint story that supports the investment case for well-located Downtown retail.

For Tenants

— Available space in Boston's top retail corridors--Back Bay, Seaport, or Fenway—is near historic lows. Therefore, retailers need to move aggressively when target locations become available, as well-positioned spaces attract multiple competing users. Creativity on layout, sizing, and parking or loading requirements is increasingly necessary to make sites work rather than waiting for prototypical locations. Tenants in tight markets should carefully review their option terms and be prepared for landlord pressure in renewal negotiations where competing interests exist.

Downtown Retail Market Outlook (cont.)

03

Asking rents are expected to drift modestly higher through year-end, supported by historic availability tightness and minimal new supply -- with prime corridors like Back Bay leading the upside.

Downtown retail asking rents are expected to remain stable with a modest upward drift through 2026, supported by historic availability tightness and the absence of meaningful new supply. CBRE EA forecasts Downtown rents to increase by over 3.1% by the end of 2027. Prime corridors, particularly Back Bay, are positioned to lead rent appreciation as demand from luxury, experiential, and food and beverage tenants concentrates in the highest-quality storefronts. Rising construction, labor, and occupancy costs remain a challenge for operators--particularly for smaller, independent formats--and the gap between rent expectations and operator economics in some submarkets requires careful underwriting. The overall trajectory remains constructive for landlords as limited new options keep demand pressure on existing inventory.

Key Takeaways

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Multifamily Market Outlook

01

Greater Boston multifamily demand fundamentals remain among the strongest nationally, reinforced by the state's highest court rejecting the rent control ballot initiative.

Greater Boston multifamily demand is operating from a position of strength. Vacancy is holding near 4.4% in early 2026, and 2025 delivered the strongest market-wide net absorption in the post-pandemic recovery. CBRE EA's baseline forecast projects only a modest decline in absorption from 2025 levels, with vacancy expected to hold near 4.4% through 2026 as positive net absorption continues. In June 2026, the Massachusetts Supreme Judicial Court rejected the proposed statewide rent control ballot initiative that had been expected to reach voters this November, a significant policy development that supports the investment climate and allows owners and developers to address the state's housing shortage through new construction and upgrades. Boston remains one of the most targeted multifamily investment markets nationally, and 2025 investment volume exceeded $5.5 billion, a record high.

02

The construction pipeline is moderating to one of the most disciplined supply environments among Tier-1 markets -- supporting above-average rent growth through the cycle.

Greater Boston's multifamily construction pipeline is moderating from recent peaks, with building stock forecast to grow approximately 2.4% in the near term--mid-pack among Tier-1 markets. This supply discipline, combined with structurally tight vacancy and sustained absorption, creates a favorable environment for rent growth well above the national average. Elevated construction costs, financing constraints, and permitting timelines limit new starts across much of the metro, ensuring that demand growth will absorb against a constrained supply base. The absence of the rent control initiative from the November ballot removes a key risk that had been weighing on investor and developer confidence in the market.

Key Takeaways

For Owners

— Greater Boston multifamily is operating at one of the most favorable fundamental backdrops among Tier-1 markets: third nationally in near-term rent growth, near-record investment volume, near-4.4% vacancy, and a now-removed rent control threat. Operators should focus on concession reduction and pricing optimization, particularly in supply-constrained submarkets where vacancy is tightest. For investors, the combination of durable rent growth, disciplined supply, and a more favorable policy environment positions Greater Boston as one of the most compelling multifamily investment cases heading into H2 2026 and beyond.

Multifamily Market Outlook (cont.)

03

Boston ranks among the top Tier-1 markets for projected rent growth, with a long-run annual growth trajectory well above the national average through 2030.

Greater Boston multifamily ranks third among 16 Tier-1 markets in CBRE EA's near-term rent growth forecast, supported by tight vacancy, sustained demand, and a moderating supply pipeline. Blended net effective rent growth is expected to average approximately 3.3% annually through 2030, more than double the projected national pace--a long-duration, above-average growth trajectory that underpins the investment case for the market. Strong investor appetite is expected to push further into H2 2026, with buyers paying a premium for multifamily assets in Boston given the market's stable fundamentals and durable rent growth profile. While the possibility of a new rent control ballot initiative in the future exists, the Commonwealth administration's position against rent control and in favor of housing production remains steadfast. This has given a boost to investor and developer confidence in Greater Boston housing investment.

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