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**Entering the new golden age - Think big and enjoy a prosperous 2025 - by Eric O'Brien**

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Eric O'Brien

It is refreshing to see how for the first time in years business owners and real estate decision makers are very optimistic about the coming age. I am finding that most business owners and top executives agree that we will see a period of an economic expansion in 2025. Vacancy rates for warehouse and industrial buildings in the Greater Boston market (according to CoStar Group) climbed to 7.5% over the past year with 1.2 million s/f of negative absorption. Coming from a place where there was historic low vacancy and little room for growth, we now have a pipeline of 4.1 million s/f under construction, over 1% of the 369 million s/f market. Without any absorption this would put the vacancy rate for flex/industrial buildings at 8.5%. With a positive economic outlook anything under 10% is considered healthy room for growth.

The Boston industrial market is largely fueled by defense spending and contracts. With expected growth under the new administration, we expect to see significant growth in this sector. This means more high-paying jobs in many greater Boston sub-markets and likely stronger positive absorption with flex buildings. We have already seen significant contraction in 2024 with over-built cannabis grow facilities and large logistics centers. We do not expect to see that trend continue much in 2025 in either of these sectors.

The 100,000 s/f high-bay warehouses that were built in the last two years on speculation are a concern.

We can only hope the economy is strong enough to provide for this sector. We will likely not see any more new buildings coming out of the ground in 2025 on the abundant permitted land in this sector. Building sale prices peaked in 2022/23 trading for as much as \$275 per s/f well outside of the Boston/Cambridge sub-market. Prices for these same buildings have settled down with slower demand as much as 25-30% in 2024.

The new administration has already announced programs to bolster life science growth and other sectors and incentives/new opportunity zones. There will be a focus on increasing US GNP. Stocks are at an all-time eight-year run/high in a historic bull market. Aside from negative fundamentals in certain micro-markets, neighborhoods or particular properties, the table is set for a good year with industrial real estate and the US economy in general for years to come.

Let's all think big and enjoy a prosperous 2025.

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