

Multifamily Metro Outlook

Boston - Fall 2019

Overview

- Boston’s apartment market saw remarkable strength as the area recovered from the Great Recession, but those conditions have now moderated. The rental market has slightly cooled, moving from exceptional to healthy. Aside from the local economy slightly moderating, the apartment development pipeline has been quite active: A high level of new units continue to be added to inventory into 2020, likely resulting in softness for these new projects.
- Boston was among the earlier metros to recover all of the jobs it lost in the Great Recession, although being one of the first to bounce back didn’t necessarily mean the city had one of the most robust recoveries. In the year-ending Q2 2019, the number of jobs grew +1.3 percent, below the national average of +1.5 percent. Overall, Boston will likely trail the national averages over the forecast horizon. However, Boston’s diverse knowledge-based economy is low-risk and stable. The metro’s economy should perform predictably, but at just below national average rates.
- Boston has enjoyed a historically stable rental market, with vacancy rates below 4 percent — according to CoStar — due to its position as the financial and academic capital of New England. While the population is not growing rapidly, it remains fairly wealthy — the median income per household is 46 percent above national average. This is due to the job concentration in higher-paying industries such as education and health services.
- Boston’s constrained geography and time-consuming development approval process creates an environment where existing housing stock and approved projects are likely to be well received by the market. The metro’s above average land and home prices, as well as above average rent levels, are strong indicators of ample demand for new supply in the overall market for both rental and for-sale development.
- Boston has an attractive demographic profile for multifamily demand. The large number of universities in the metro contribute to the above average share of young people in the metro: 22.3 percent of the local population is in the 20 – 34 demographic, well above the 20.6 percent national average.

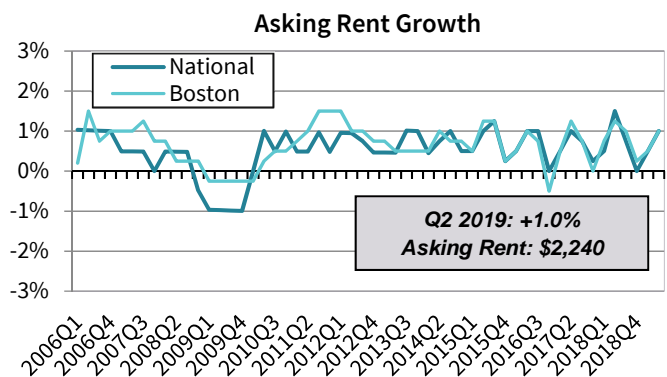
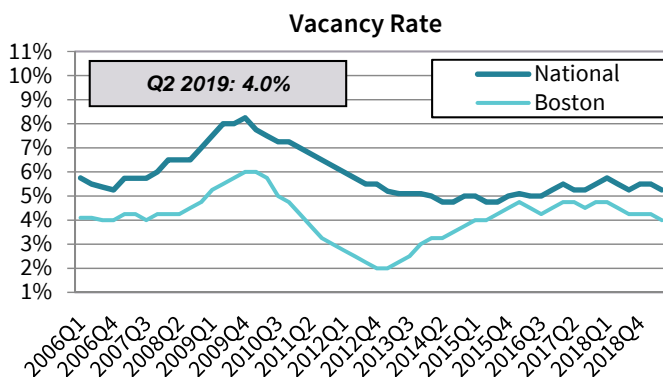
Development

- Around 51,200 apartment units have been completed since the beginning of 2014, and an additional 20,500 apartment units are currently underway. Boston’s high incomes, low housing affordability, and job and population growth rates make this level of development reasonable, but the volume of new supply will ease the market.
- Since the beginning of 2006, around 22,700 condo units were completed, and 3,100 are underway and expected by Q4 2020. Unlike other cities, where much of the recent activity has been in the luxury segment, many of these units will enter the rental market in segments that compete with market-rate units financed by Fannie Mae. This potential supply is a concern, but it is mitigated by the generally high cost of housing in the metro.

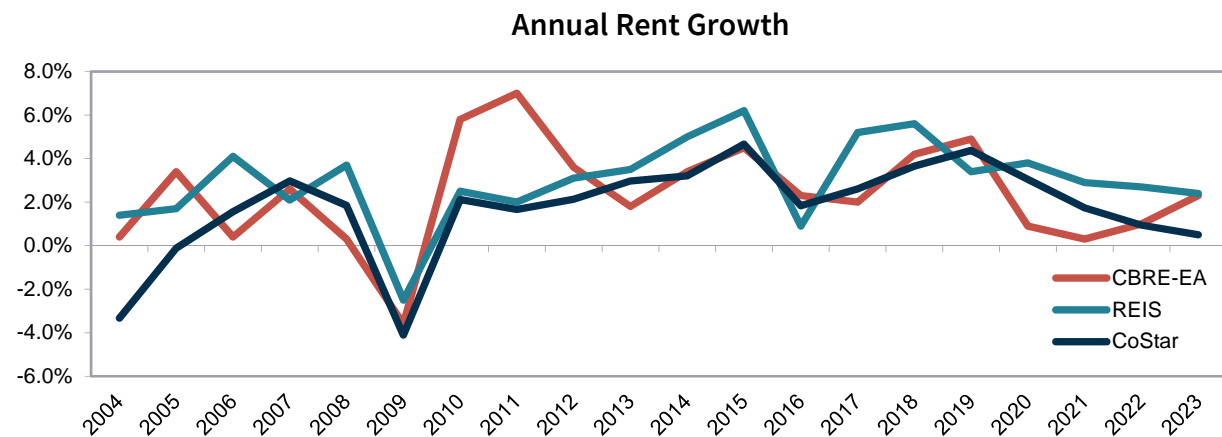
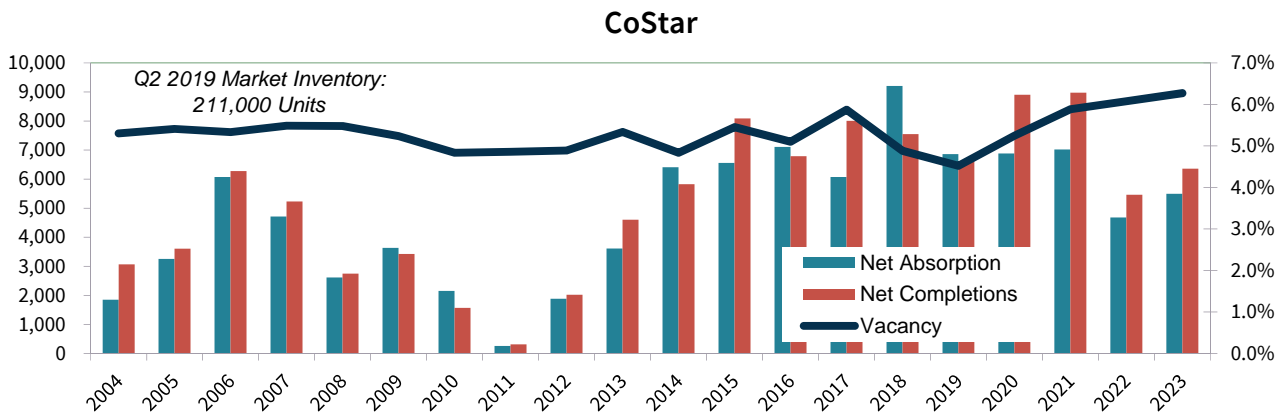
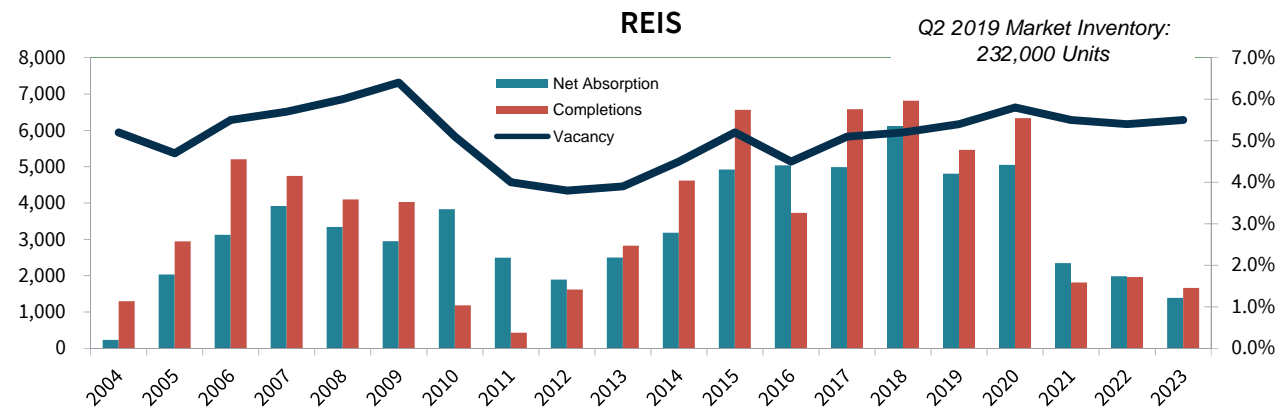
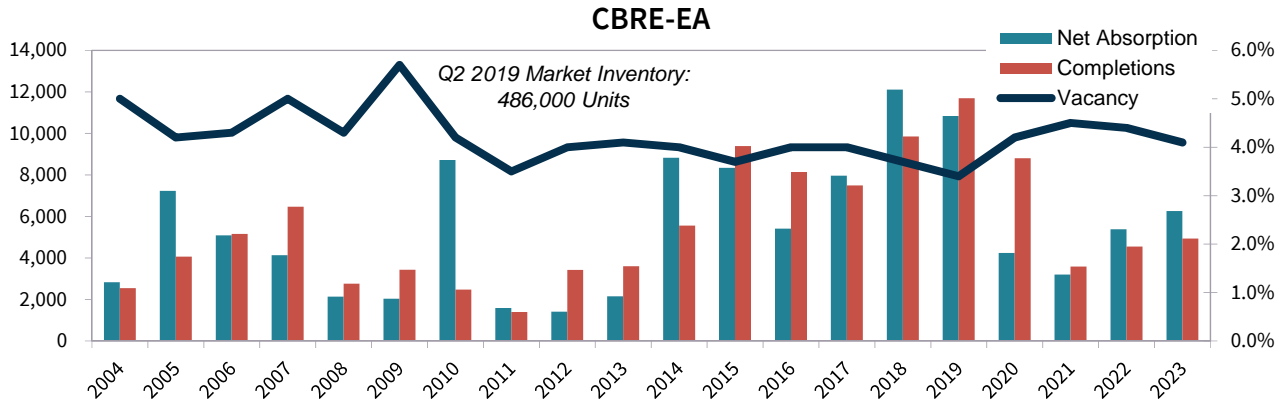
Outlook

- The recent strength in the job market, coupled with the limited supply, allowed for steady vacancy improvements and unusually strong rent increases. A moderating job market and an upcoming surge in new supply are likely to ease conditions in the metro slightly, particularly for high-end projects that are already offering increasing concessions. But Boston is still among the nation’s healthier economies and apartment markets.
- Forecasts indicate that Boston should easily absorb significant new supply to its rental markets. While economic and demographic growth is expected to be below average, it is mitigated by the difficulty of obtaining new land and development rights. Developers have begun efforts to add meaningful new inventory to the market, which will likely prevent Boston from being a stand-out multifamily growth opportunity. But the local economy remains a strong one, particularly compared to its northeast neighbors.

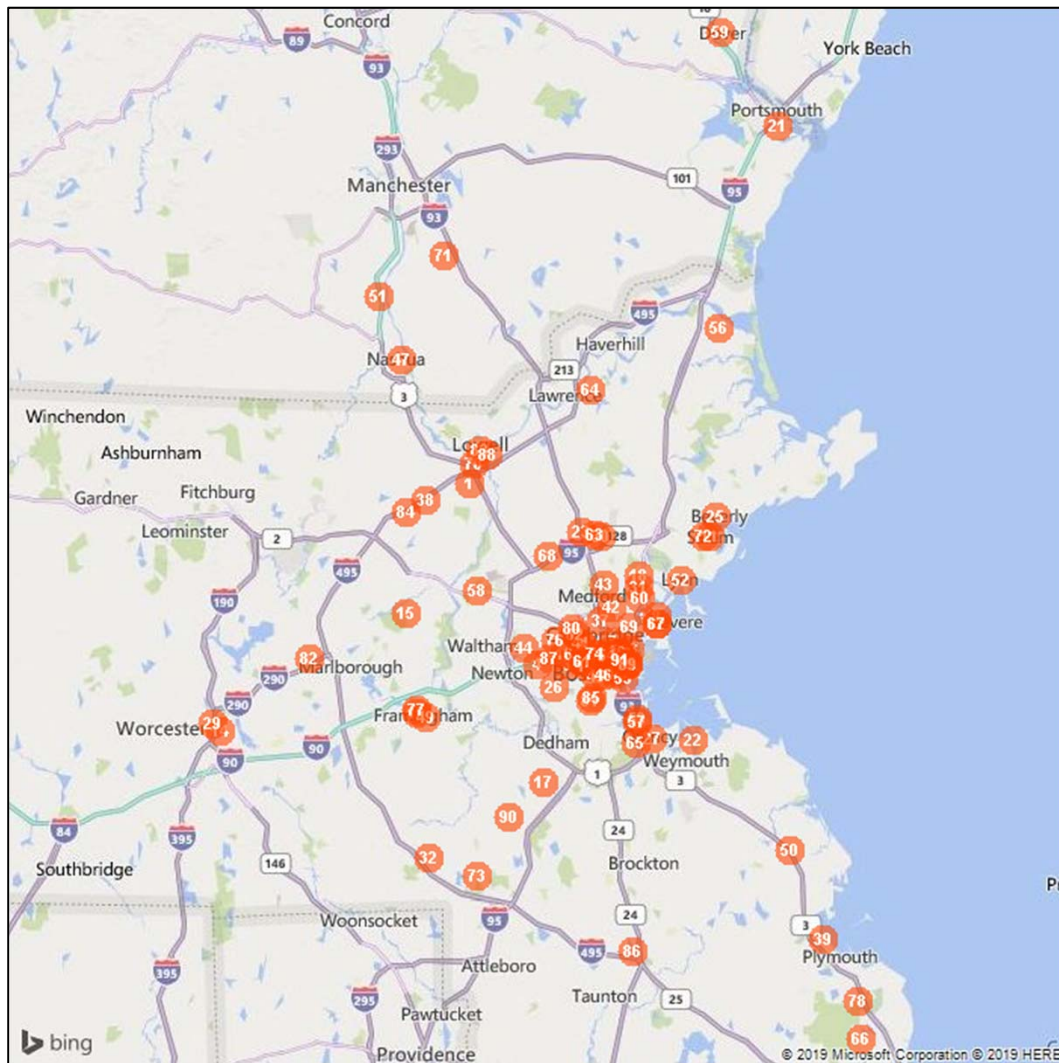
Vacancy and Rent Composite Estimates



Source: Fannie Mae Multifamily and Economics Research



Construction Bidding/Underway (179 projects/21,100 Units/26.0 M Sq. Feet)



CBRE-EA Submarket	Number of Projects	Total Sq Ft (000's)	Total Units
Boston City	34	2546	1979
Brookline/Brighton/Newton	13	1430	1492
Cambridge/Watertown/Waltham	17	2037	1892
Central City/Back Bay/Beacon Hill	18	5907	4425
Manchester-Nashua, NH	4	473	481
Mystic River North/Route 128	19	3722	3297
North Shore/Merrimack River Valley	21	2003	1642
Plymouth County/Other	4	590	530
Rockingham County-Strafford County, NH	10	671	643
South Shore/Route 128 South	14	2454	1373
South/Southeast Suburban	8	1834	1605
West/Northwest Suburban	11	1556	1197
Worcester, MA	6	793	532

Source: Dodge Data & Analytics SupplyTrack

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Fannie Mae Multifamily Economics and Research
Tim Komosa, Economist

Sources Used

- CBRE-Econometric Advisors
- Bureau of Labor Statistics
- Census Bureau
- CoStar
- Dodge Data & Analytics SupplyTrack
- Moody's Analytics
- Real Capital Analytics
- RealPage
- Reis, Inc.

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