

Multifamily Metro Outlook:

Boston - Q1 2022

Overview:

- Boston's apartment market was healthy prior to the COVID outbreak, but conditions softened as economic activity slowed from the expansive shutdowns and recession. Boston's underlying economy is theoretically positioned to rapidly recover, as education and healthcare, as well as tech and financial services, are important blocks in its foundation. In 2021 Boston experienced a fairly robust recovery, which has continued into 2022, though total employment in the metro may not fully recover until later in the year.
- The apartment development pipeline was quite active prior to the outbreak, with a continued high level of new units expected for 2022. However, Boston was among a limited set of metros that did not include construction as an essential activity, and development slowed. This could prove beneficial for the market should developers decide to shrink or abandon projects, although the level was not going to be disruptive to the market, slower rent growth was just enough to put slight upward pressure on vacancies.

Market Strengths:

- Boston has enjoyed a historically stable rental market, with vacancy rates below 4% (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 (median income per household is 46% above national average) due to 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 for-rent 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: 22.4% of the local population is in the age 20-34, cohort, well above the 20.6% national average.

Market Weaknesses:

- Boston was among the earlier metros to recover all the jobs it lost in the Great Recession, however that did not mean that it has had one of the most robust recoveries – just that it was one of the first. In 2019 the number of jobs grew +1.4%, which matched the national average. As the country continues to recover from the outbreak, Boston will likely trail the national averages over the forecast horizon. However, Boston's diverse knowledge-based economy is generally low risk and stable. The metro's economy should perform predictably, however just slightly below national average rates.

Development:

- Around 46,300 apartment units have been completed since the beginning of 2017, and an additional 15,800 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.

Outlook:

- Boston's job market steadily recovered from COVID in 2021, and as a result, multifamily fundamentals experienced a significant rebound which has continued into 2022. Boston had been enjoying long periods of very healthy performance, so a slowdown was probable prior to the outbreak. But the speed at which this shock came was unprecedented, and while the recovery is underway, it will likely not be as fast as the shock. A silver lining of the situation could be the pause of development, which was due to possibly put negative pressure on fundamentals. But with a moderately improving job market, the local multifamily market should be supported in the near-term and see steadily positive improvement.
- While economic and demographic growth is expected to be below average after the recovery, the impact of this on Boston's multifamily market it is mitigated by the difficulty of obtaining new land and development rights. The metro's economy remains a strong one, with its foundational industries of healthcare, education, tech, and financial services, particularly compared to its Northeast neighbors.

Five Year Metro Area Growth Forecast

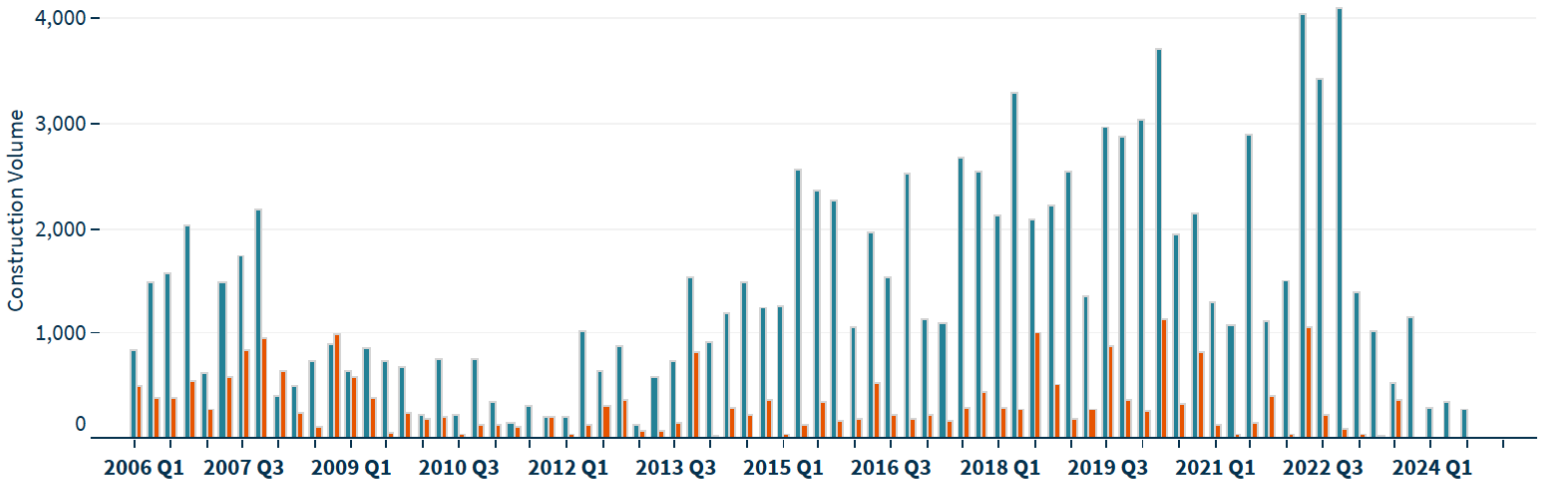
	Q4 2021	Q4 2026	Boston (5-Year Annual Average Change)	National (5-Year Annual Average Change)
Population (000s)	4,897	4,983	0.35%	0.47%
Households (000s)	1,900	1,952	0.54%	0.90%
Renting Cohort (Ages 20-34) (000s)	1,093	1,055	-0.71%	-0.30%
Total Employment (000s)	2,707	2,900	1.39%	1.08%
Median Household Income	\$97,373	\$116,122	3.58%	3.30%
Median SF Home Price	\$650,659	\$691,996	1.24%	1.93%
Net Migration	4,266	6,764		

Source: Moody's

SupplyTrack Pipeline

Apartments & Condos/Townhomes: Units Completed and Underway

Apartments | Condos



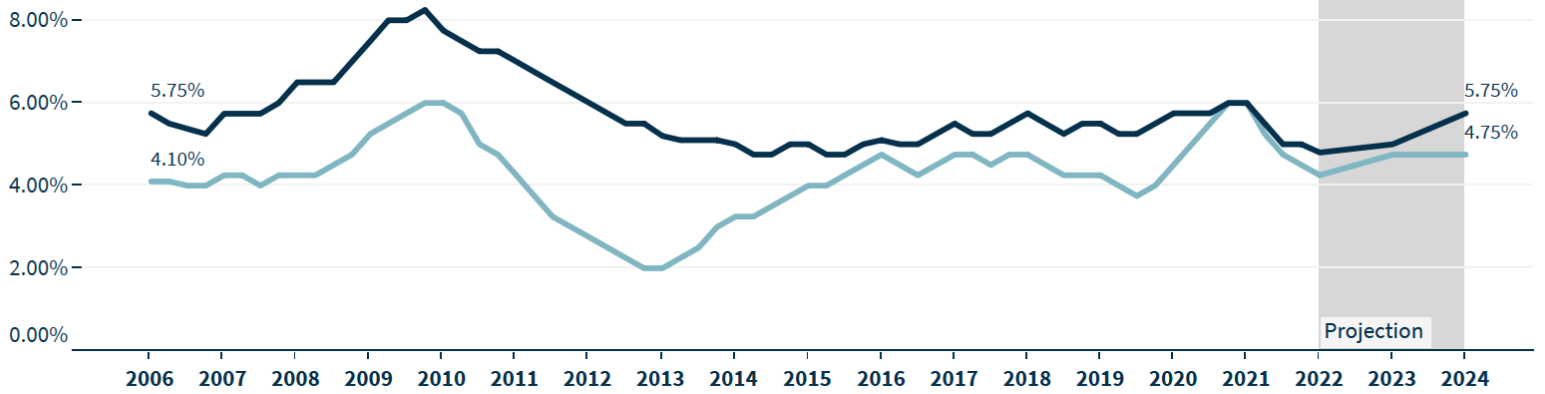
Vacancy & Rent Composite Estimates

Vacancy Rates

Boston | National

Q1 2022 Vacancy Rate:

4.25%

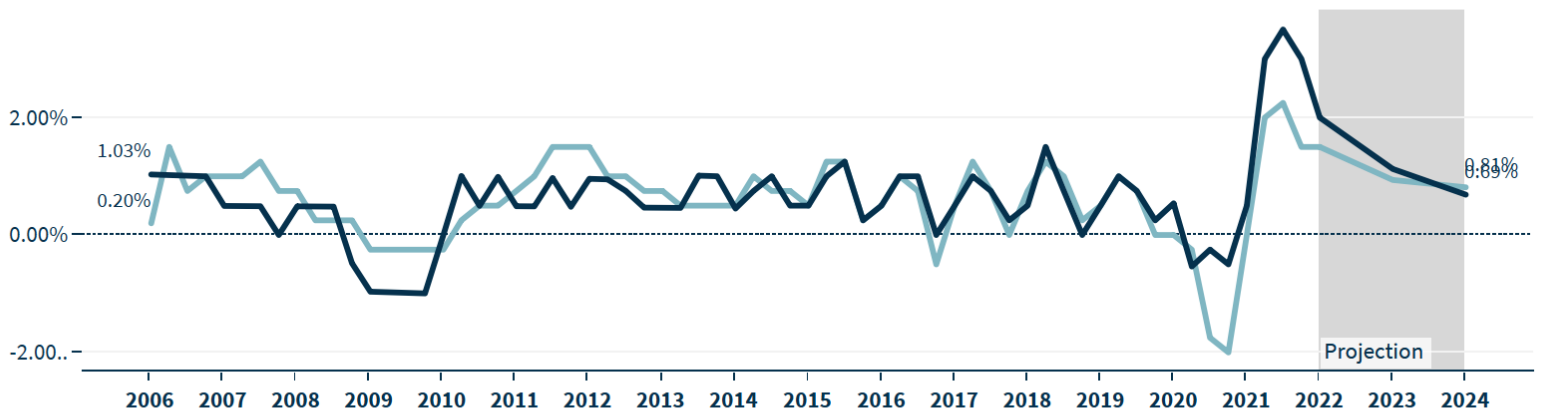


Asking Rent Growth

Boston | National

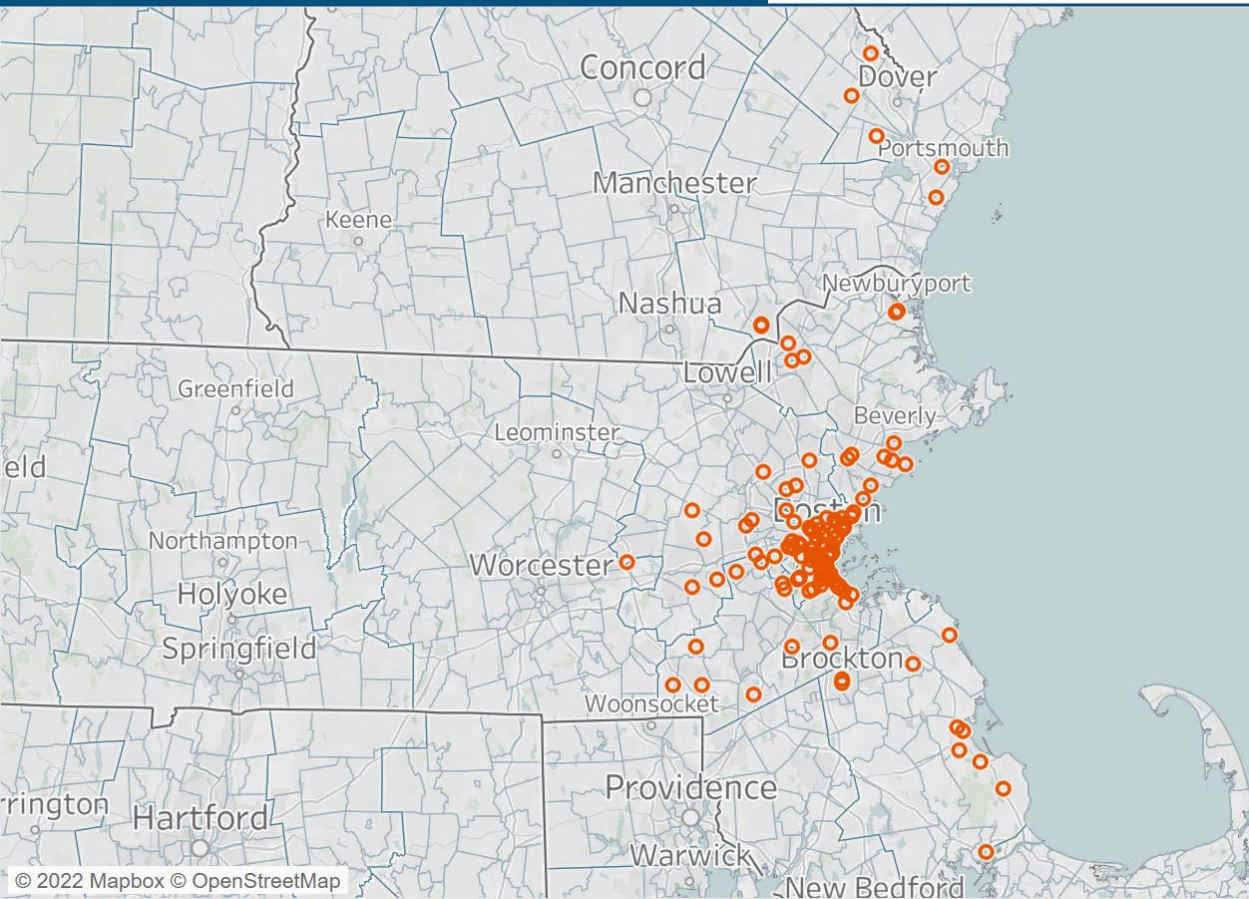
Q1 2022 Asking Rent:

\$2,340



Source: Multifamily Economics and Research

Construction: Bidding & Underway



<i>TWR Submarket Name</i>	<i>Apartments</i>	<i>Building Units</i>	<i>Building Area SF</i>
Cambridge/Somerville	8	2,185	2.24M
Chelsea/Revere/Charlestown	17	1,768	2.08M
East Middlesex County	6	474	0.63M
Fenway/Brookline/Brighton	12	1,825	1.68M
Intown Boston	13	1,018	1.28M
Marlborough/Framingham	4	552	0.90M
n/a	1	148	0.20M
North Essex County	5	428	0.53M
Plymouth County	9	1,535	2.08M
Quincy	9	1,089	1.63M
Rockingham/Strafford Counties	7	498	0.45M
Shrewsbury/South Worcester County	1	200	0.20M
South Essex County	7	558	0.73M
Southwest Boston	21	1,863	1.73M
Waltham/Newton/Lexington	5	609	0.87M
West Norfolk County	7	1,083	1.36M
Grand Total	132	15,833	18.60M

Multifamily: ESR Team

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Multifamily Economics and Market Research Team

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Sources Used

- Moody's Economy.com
- REIS
- CoStar
- Real Capital Analytics
- RealPage
- Dodge Data and Analytics SupplyTrack Pipeline
- Axiometrics
- CBRE-Econometric Advisors
- Yardi

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