

Multifamily Metro Outlook:

Boston - Q1 2024

Overview:

- Boston's underlying economy is expected to remain stable, as education and healthcare are important blocks in its foundation and biomedical, tech, and logistics are industries with the potential for long-term growth. The first quarter of 2024 has seen the metro is returning to normal seasonal patterns of performance and is on track with the rest of the Northeast, but Boston still slightly lags some national averages.
- Slowed multifamily development in the metro could prove beneficial should developers decide to shrink or abandon projects, and slower rent growth has put a slight upward pressure on vacancies. Economic growth in Boston was positive high this quarter, though still lagging certain national averages. While it's likely to remain strong, the Boston economy might experience a cool down due to persistently high interest rates and market volatility.

Market Strengths:

- Boston has enjoyed a historically stable rental market, with vacancy rates at 6.4% 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 \$107,800 which is well above the national average of \$75,100), due to job concentration in higher paying industries.
- 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 rent levels that remain slightly above national averages, are strong indicators are 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 and educated people in the metro: 22.4% of the local population is in the age 20-34 cohort, well above the 20.6% national average.
- As Amazon, Moderna, and Core Investments all plan to build new facilities in the metro, more high-paying jobs are estimated to soon come about in Boston.
- Employment in the metro has fallen slightly from last years levels. In the first quarter of 2024, annual unemployment rate rose to 5.2 % which is slightly above the national average of 4.2%. Boston's diverse knowledge-based economy is generally low risk and stable. The metro's economy should perform predictably, just slightly below national average rates.

Market Weaknesses:

- Boston's current governor has recently passed legislation that possibly inhibits future rent increases, and its mayor has announced affordable housing units to be built in the metro. These actions will likely introduce stronger rent control that may cap Boston's rent growth potential.

Development:

- New apartment completions in Boston were moderate as 8,300 units were delivered in 2023, which is roughly in line with the long-term average of 3%. Only 5,700 units are expected in 2024 which is the smallest amount since 2014 according to CoStar.

Outlook:

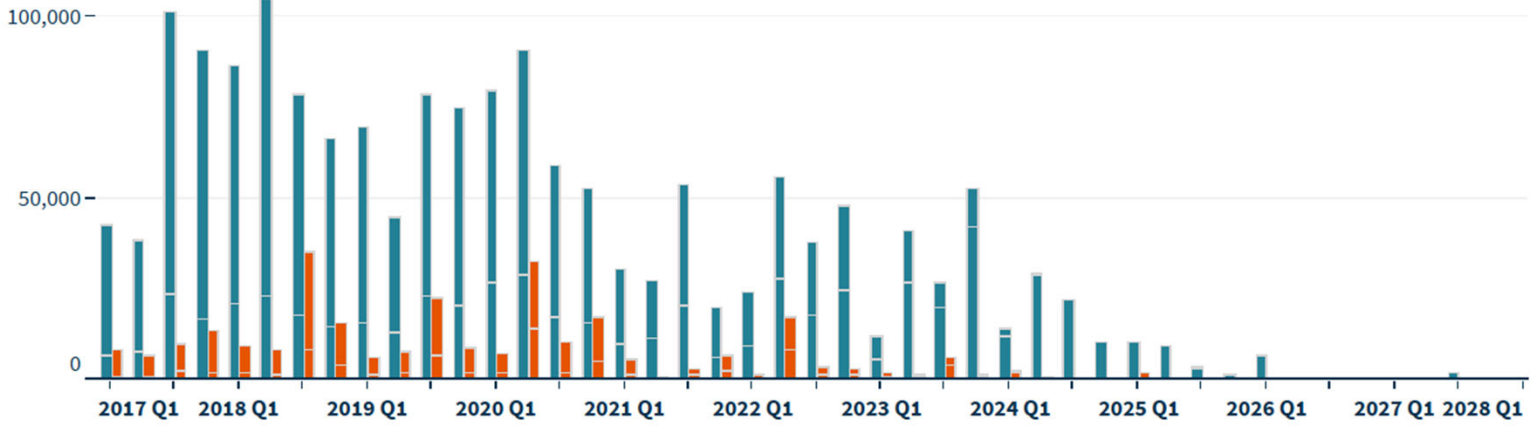
- Boston remains a top multifamily market in the US. Absorption rates are have held steady, the current pace of development seems stable, and vacancy rates remain low. With a moderately healthy job market, the local multifamily market should be supported in the near-term and see continued, though slowed, positive improvement.
- While economic and demographic growth is expected to be below average over the next several years, 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.



Multifamily Apartment Pipeline

Apartments & Condos/Townhomes: Units Completed and Underway

Apartments | Condos



Source: Dodge Data & Analytics SupplyTrack Pipeline

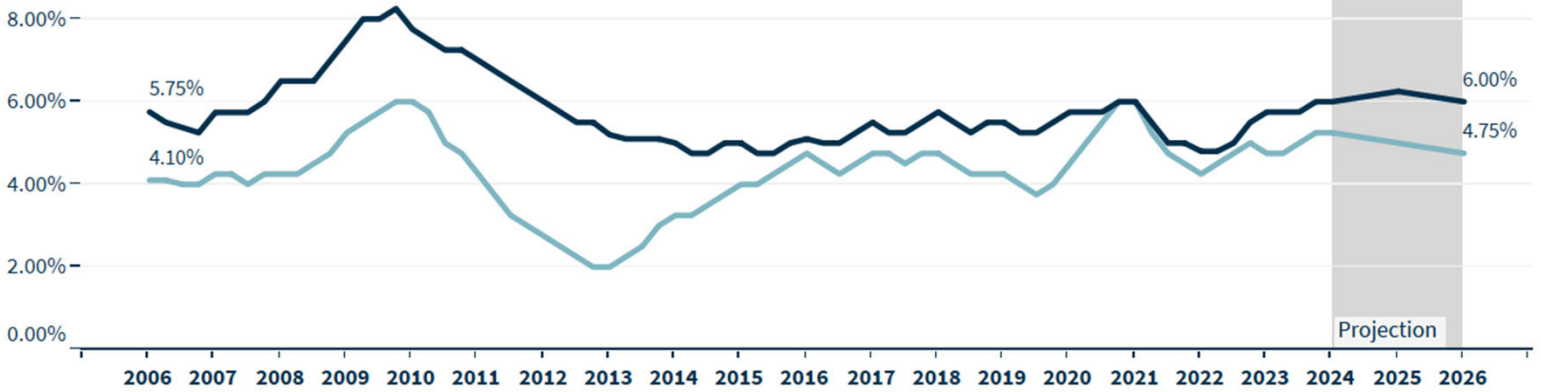
Multifamily Vacancy & Rent Estimates

Vacancy Rates

Boston | National

Q1 2024 Vacancy Rate:

5.25%

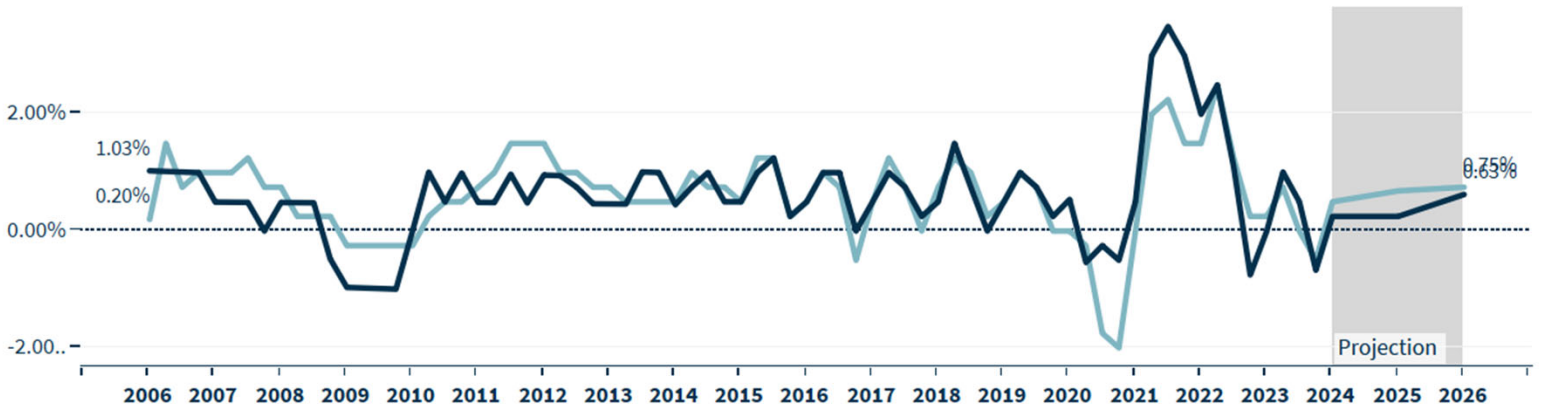


Asking Rent Growth

Boston | National

Q1 2024 Asking Rent:

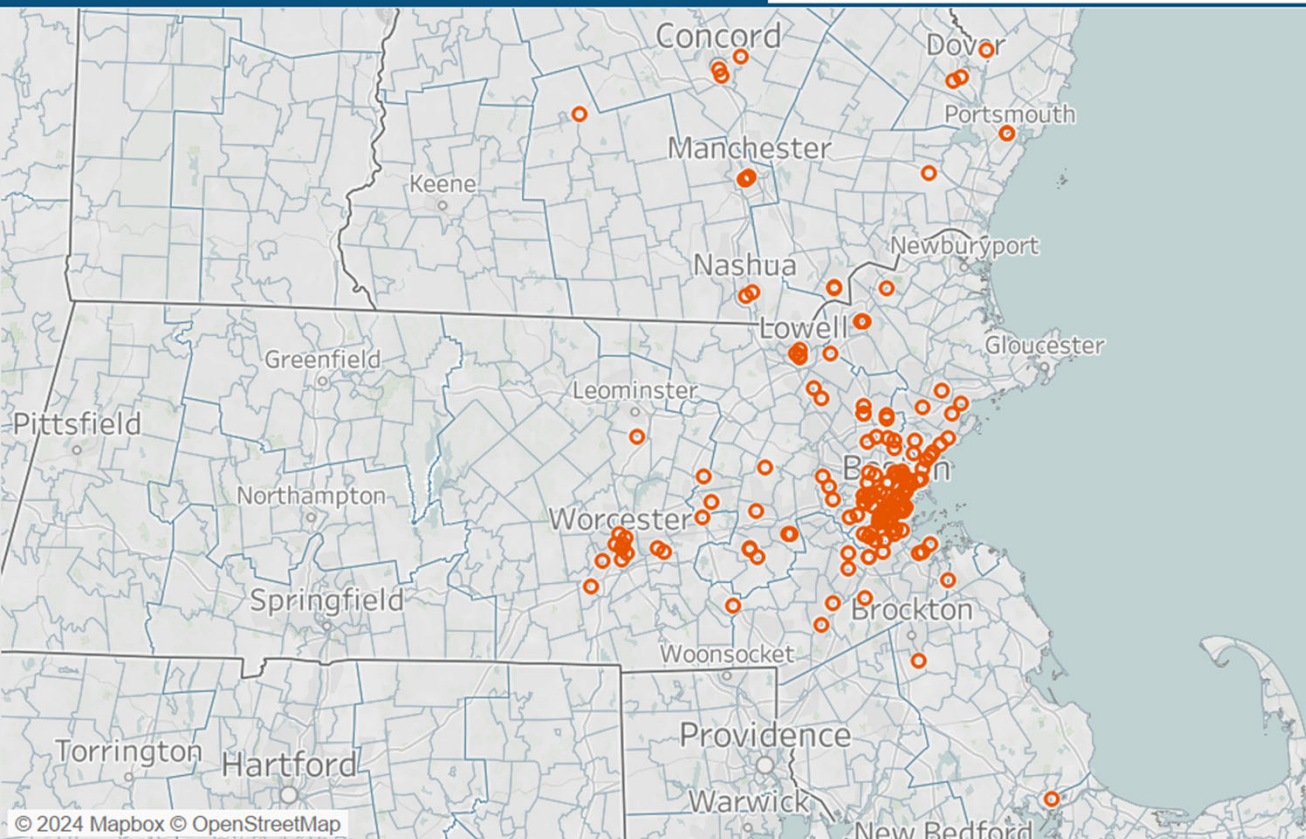
\$2,730



Source: Fannie Mae Multifamily Economics and Research



Multifamily Construction: Bidding & Underway



MultiHousingSubmarketName	Apartments	Units
Cambridge/Somerville	8	1,606
Chelsea/Revere/Charlestown	17	2,948
Concord	3	311
East Middlesex County	16	3,692
Fenway/Brookline/Brighton	12	1,823
Intown Boston	11	873
Lowell	8	453
Manchester	5	609
Marlborough/Framingham	9	1,125
NA	1	148
Nashua	2	222
North Essex County	4	440
North Worcester County	1	72
Plymouth County	1	
Quincy	5	605
Rockingham/Strafford Counties	9	1,028
Shrewsbury/South Worcester County	5	1,166
South Essex County	8	1,416
Southwest Boston	26	1,602
Waltham/Newton/Lexington	5	585
West Norfolk County	5	287
Worcester	9	1,068
Grand Total	170	22,079

Source: Dodge Data & Analytics SupplyTrack Pipeline



Multifamily: ESR Team

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Multifamily Economics and Market Research Team

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Sources Used

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

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