

Multifamily Metro Outlook:

Boston - Q2 2024

Overview:

- Boston's underlying economy is expected to remain stable, as education and health care are important blocks in its foundation, and the biomedical, tech, and logistics industries have potential for long-term growth. Employment growth, however, has stalled slightly this year in comparison to national levels. This is due to high concentration of tech companies in the metro, as the entire tech sector has been trimming the fat of previous over-hiring in recent years post-pandemic.

Market Strengths:

- Boston has enjoyed a historically stable rental market, with vacancy rates at 4.7%, due to its position as the financial and academic capital of New England. While the population is not growing rapidly, it remains fairly wealthy, with a median income per household of \$110,000 (ranked 8th out of the top 50 markets tracked by Green Street) due to job concentration in higher-paying industries. These higher salaries, coupled with a robust student population, should help to reliably maintain a lower vacancy rate than the national average year after year.
- Boston has a favorable demographic profile for multifamily demand. The large number of universities in the metro contributes to the above-average share of young and educated people in the metro. Per Moody's Demographics, as of Q4 2023, 21.3% of the local population is in the age 20-34 cohort, above the 20.3% national average.
- Boston's constrained geography and time-consuming development approval process create 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 above national averages, are strong indicators of ample demand for new supply in the overall market for both for-rent and for-sale development.
- While employment growth slowed in comparison to national levels, Moody's expects Boston to outpace the rest of the Northeastern region in population growth as a result of sizable international immigration. This should provide more demand for local services such as retail and health care, increasing job growth in turn.

Market Weaknesses:

- Massachusetts has recently passed legislation that possibly inhibits future rent increases, though Boston's mayor has announced more affordable housing units will be built in the metro. These actions will likely introduce stronger rent control that may cap Boston's rent growth potential and lower developer interest in building new properties.
- Long-standing high costs of living and potential tax increases on the wealthy could lead to further outmigration from the area. The U.S. Census estimated that between 2022 and 2023, there was an outflow of 3% of the metro's population.
- A new fossil fuel ban test program in the submarkets of Cambridge, Waltham, and Lexington could de-incentivize development if it causes building costs to rise.

Development:

- New apartment deliveries in Boston totaled 1,900 units in Q2 2024, which is a slight quarterly decrease. This number closely matches absorption metrics in the second quarter, coming in around 2,100 units, indicating that supply is generally meeting ongoing demand from workers in the tech and health sectors. Since demand is not necessarily outstripping supply, rent growth has remained muted yet still positive at 1.2%.
- CoStar estimates rental construction will tighten over the next few years, with an expected 5,700 unit deliveries for 2024 and a subsequent gradual drop in deliveries in the following years until 2028.

Outlook:

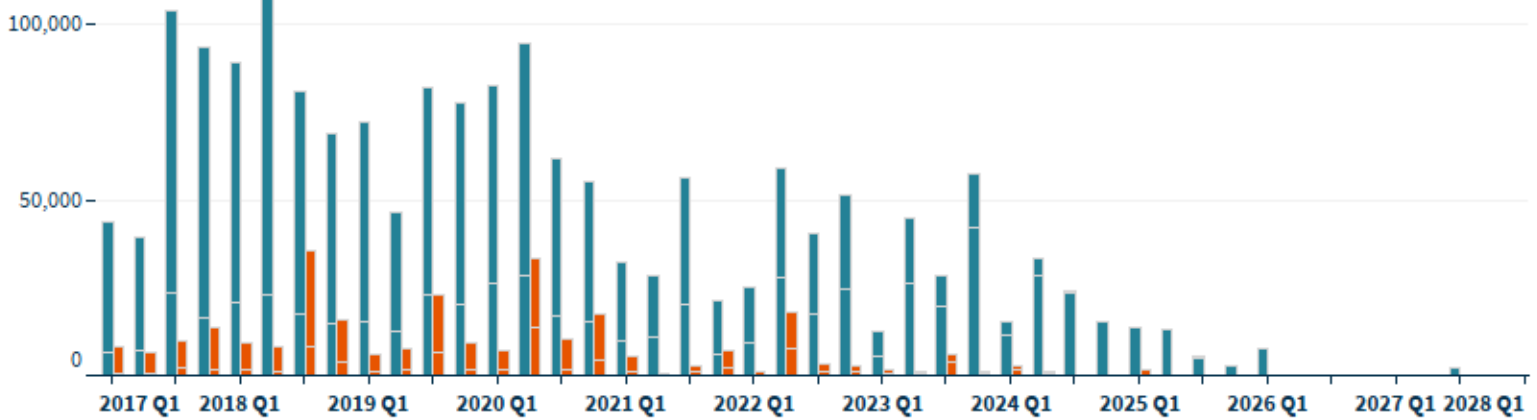
- Boston remains a top multifamily market in the U.S. Absorption rates have held steady, the current pace of development seems stable, and vacancy rates remain low. With a moderately healthy job market, the local multifamily market should be supported in the near term and see continued, though slowed, positive improvement.
- While economic growth is expected to be below average over the next several years, its impact on Boston's multifamily market is mitigated by the presence of high-flying industries that employ sizable amounts of people such as tech, health care, and finance. And with construction slowing in the market compared with the last few years, Boston could see increased rent growth in the near future.



Multifamily Apartment Pipeline

Apartments & Condos/Townhomes: Units Completed and Underway

Apartments | Condos



Source: Dodge Data & Analytics SupplyTrack Pipeline

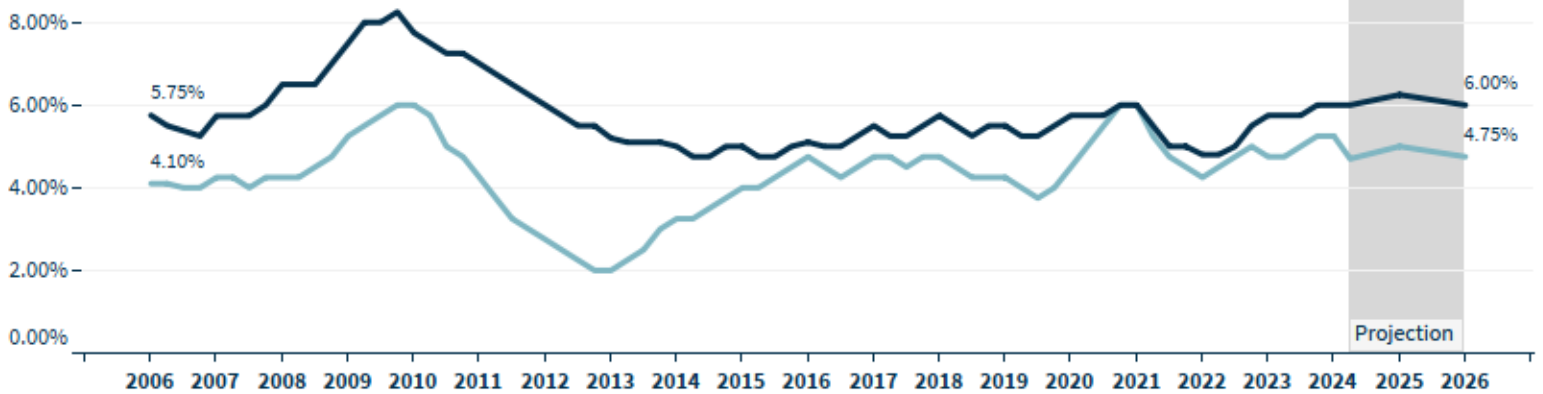
Multifamily Vacancy & Rent Estimates

Vacancy Rates

Boston | National

Q2 2024 Vacancy Rate:

4.70%

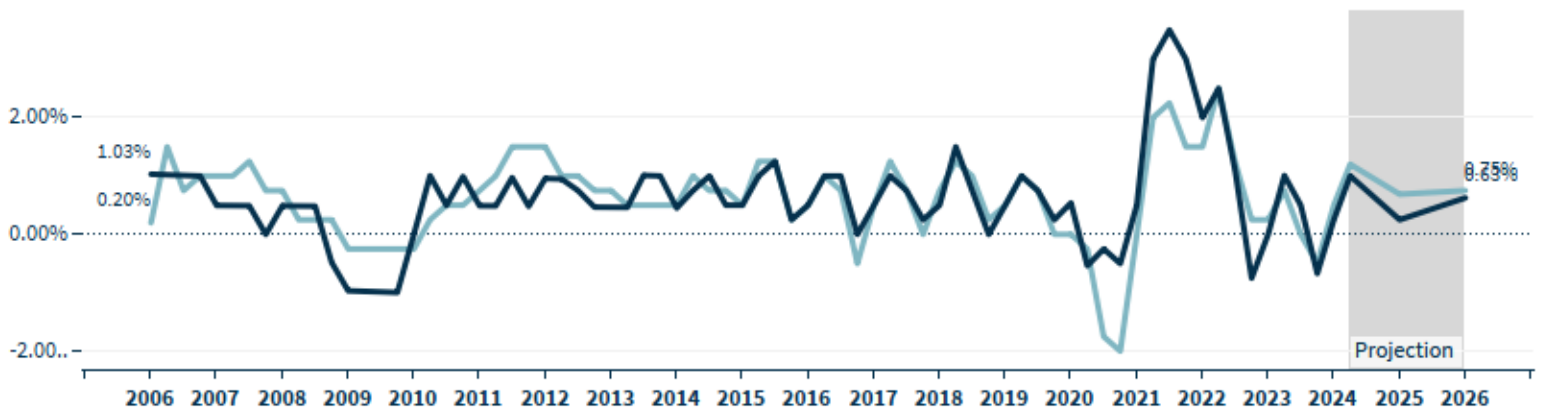


Asking Rent Growth

Boston | National

Q2 2024 Asking Rent:

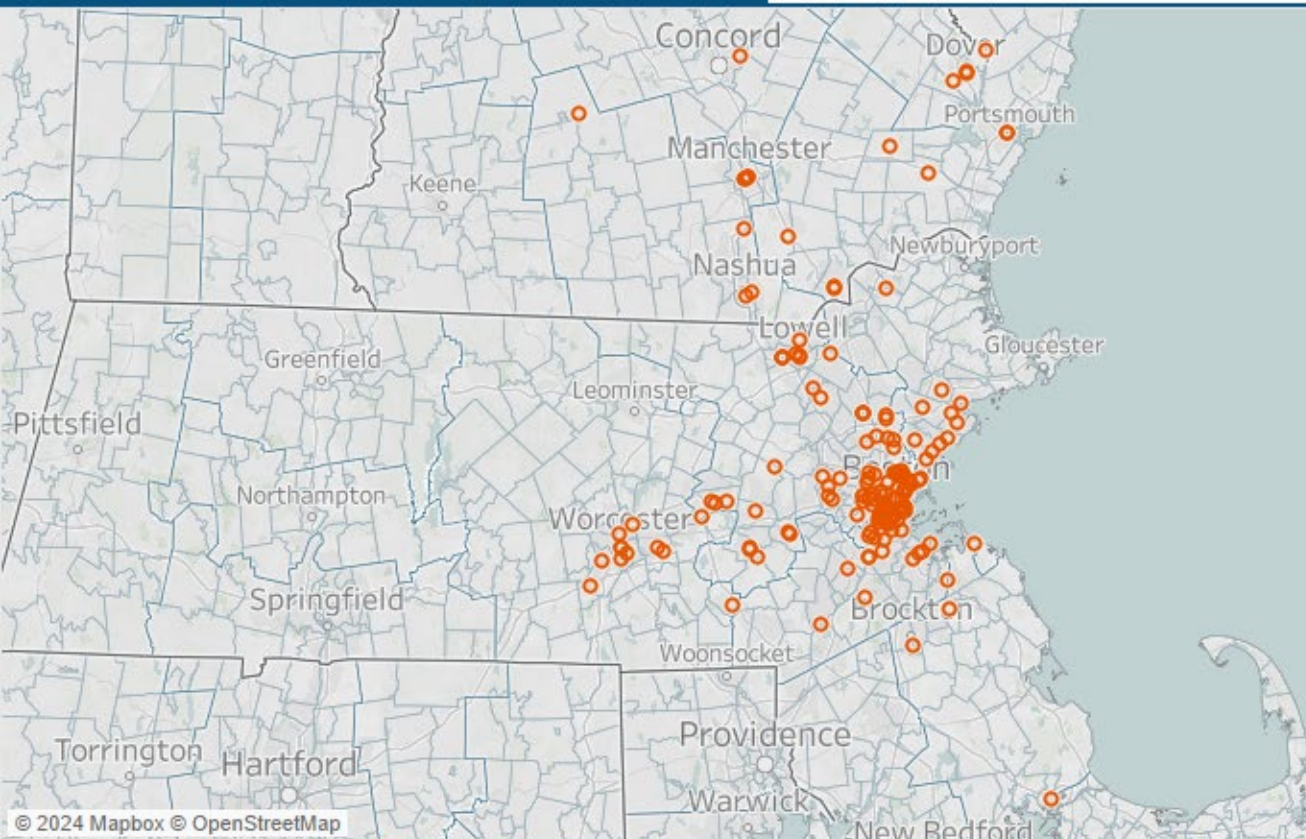
\$2,770



Source: Fannie Mae Multifamily Economics and Research



Multifamily Construction: Bidding & Underway



MultiHousingSubmarketName	Apartments	Units
Cambridge/Somerville	8	1,755
Chelsea/Revere/Charlestown	13	1,790
Concord	1	48
East Middlesex County	17	3,461
Fenway/Brookline/Brighton	10	1,407
Intown Boston	10	708
Lowell	10	788
Manchester	5	609
Marlborough/Framingham	10	1,201
NA	1	148
Nashua	3	270
North Essex County	1	290
Plymouth County	2	121
Quincy	7	658
Rockingham/Strafford Counties	11	1,383
Shrewsbury/South Worcester County	5	1,166
South Essex County	9	1,666
Southwest Boston	23	1,332
Waltham/Newton/Lexington	6	603
West Norfolk County	3	253
Worcester	7	765
Grand Total	162	20,422

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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