

Multifamily Metro Outlook:

Boston - Q3 2024

Overview:

- Boston's underlying economy is expected to remain stable, as education and health care are important blocks in its foundation, and biomedical, tech, and logistics are industries with the potential for long-term growth. Employment growth, however, has stalled slightly this year compared with the rest of the Northeastern region. This is due to a 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 a vacancy rate of 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 \$114,000, according to Moody's, due to job concentration in higher-paying industries such as financial services. These higher salaries coupled with a robust student population help to reliably maintain a lower vacancy rate than the national average year after year.
- Boston has an attractive 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, as of Q4 2023, 21.3% of the local population is in the age 20-34 cohort, well above the 20.3% national average.
- Boston is home to a number of world class universities (Harvard, MIT, Tufts, Boston University, etc.), which provides a steady supply of highly competent workers. This drives businesses to maintain a heavy presence in the metro to capitalize on the sizable amount of human capital.
- Moody's expects Boston to outpace the rest of the Northeastern region in population growth as a result of significant international immigration. This will provide more housing demand, as well as demand for local services such as retail and health care, increasing the metro's economic output and job growth.

Market Weaknesses:

- 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 estimates that between 2022 and 2023 alone 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.
- Boston is exposed to the volatility of the technology sector due to its proximity to many information technology and biotechnology firms.

Development:

- Apartments underway in the metro total 20,721 units as of the third quarter of 2024, according to Dodge Data & Analytics. Construction is relatively evenly spread out, with one exception. East Middlesex County, just north of downtown Boston, has just under 3,500 units underway in 16 different apartment complexes.
- Per CoStar, the types of units being constructed in the metro are beginning to change. From 2018-2022, 85-90% of new construction in the market was defined as 4- or 5-star properties. Today, CoStar estimates that 30% of the properties under construction are 3-star properties, indicating that Boston is on its way toward its long-term goal of building more affordable housing.

Outlooks:

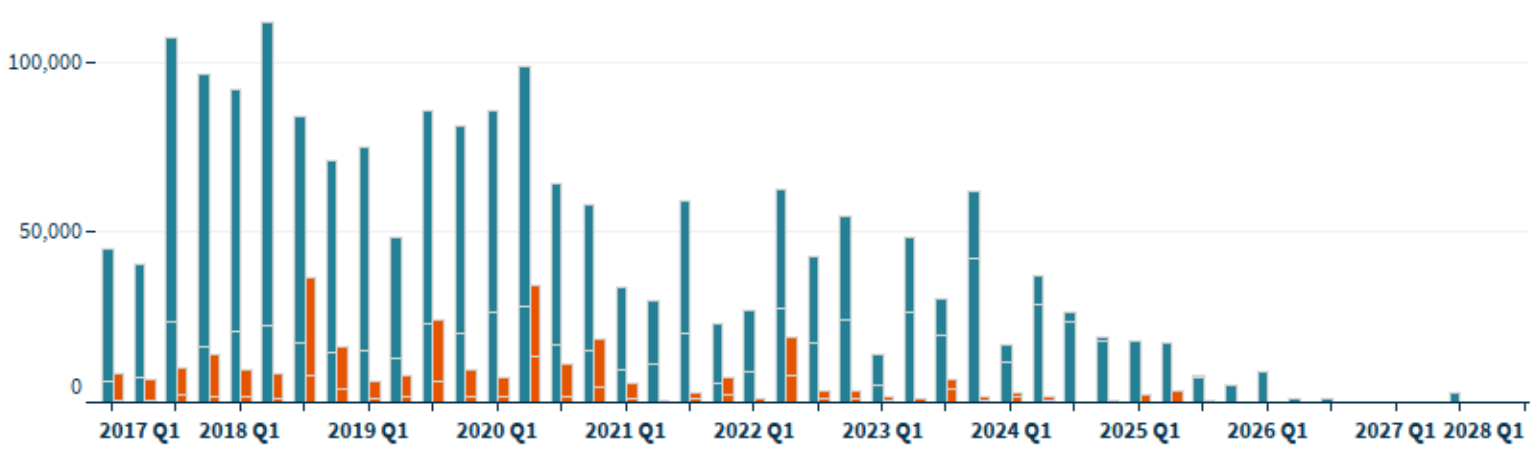
- Boston remains a top multifamily market in the U.S. Absorption rates have remained positive, the current pace of development seems stable, and vacancy rates remain low. With a moderately healthy job market, the local multifamily market should be supported in the near term and see continued, though slowed, improvement.
- Job gains have been lower than the region and nationally as of the third quarter 2024. But this trend is looking to be temporary, and higher unemployment rates are mostly due to the expansion of the labor force as a result of high international immigration levels. Regardless, job levels are still 1% above the pre-pandemic level in February 2020, and Boston will remain a top metro economy due to its highly educated workforce and concentrated presence of large firms, totaling 14 Fortune 500 companies.



Multifamily Apartment Pipeline

Apartments & Condos/Townhomes: Units Completed and Underway

Apartments | Condos



Source: Dodge Data & Analytics SupplyTrack Pipeline

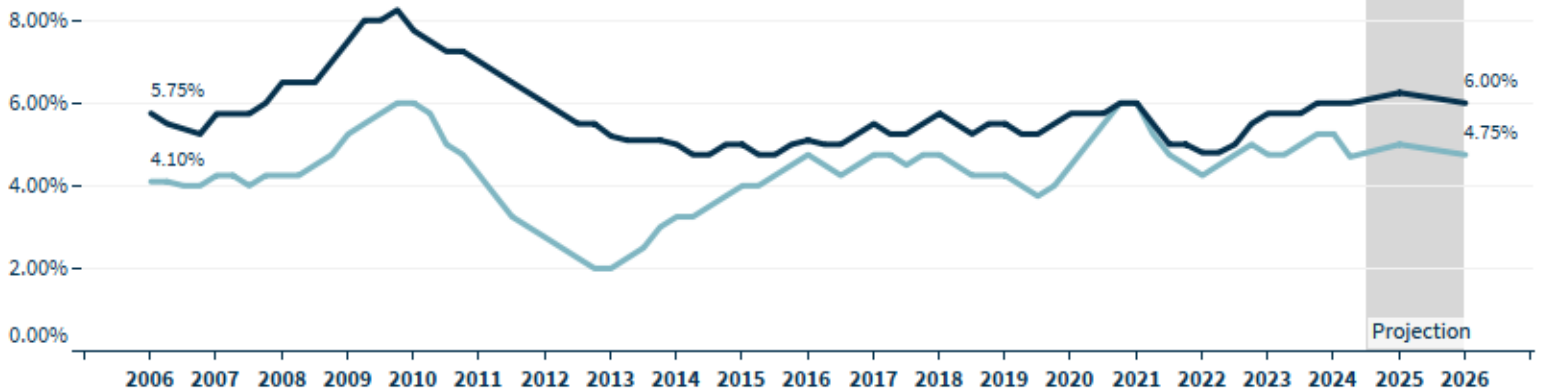
Multifamily Vacancy & Rent Estimates

Vacancy Rates

Boston | National

Q3 2024 Vacancy Rate:

4.70%



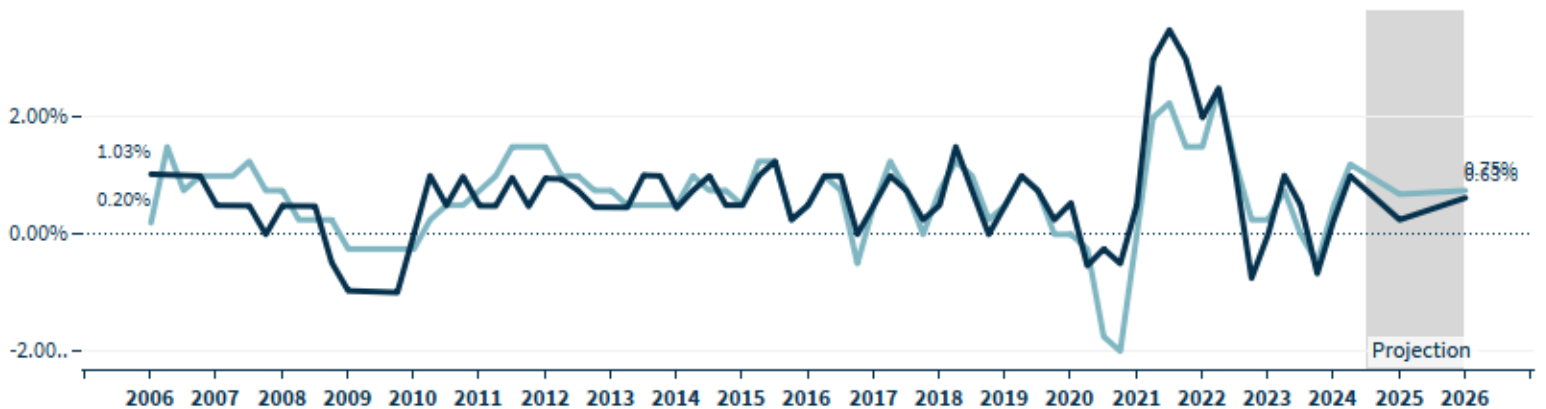
Projection

Asking Rent Growth

Boston | National

Q3 2024 Asking Rent:

\$2,790

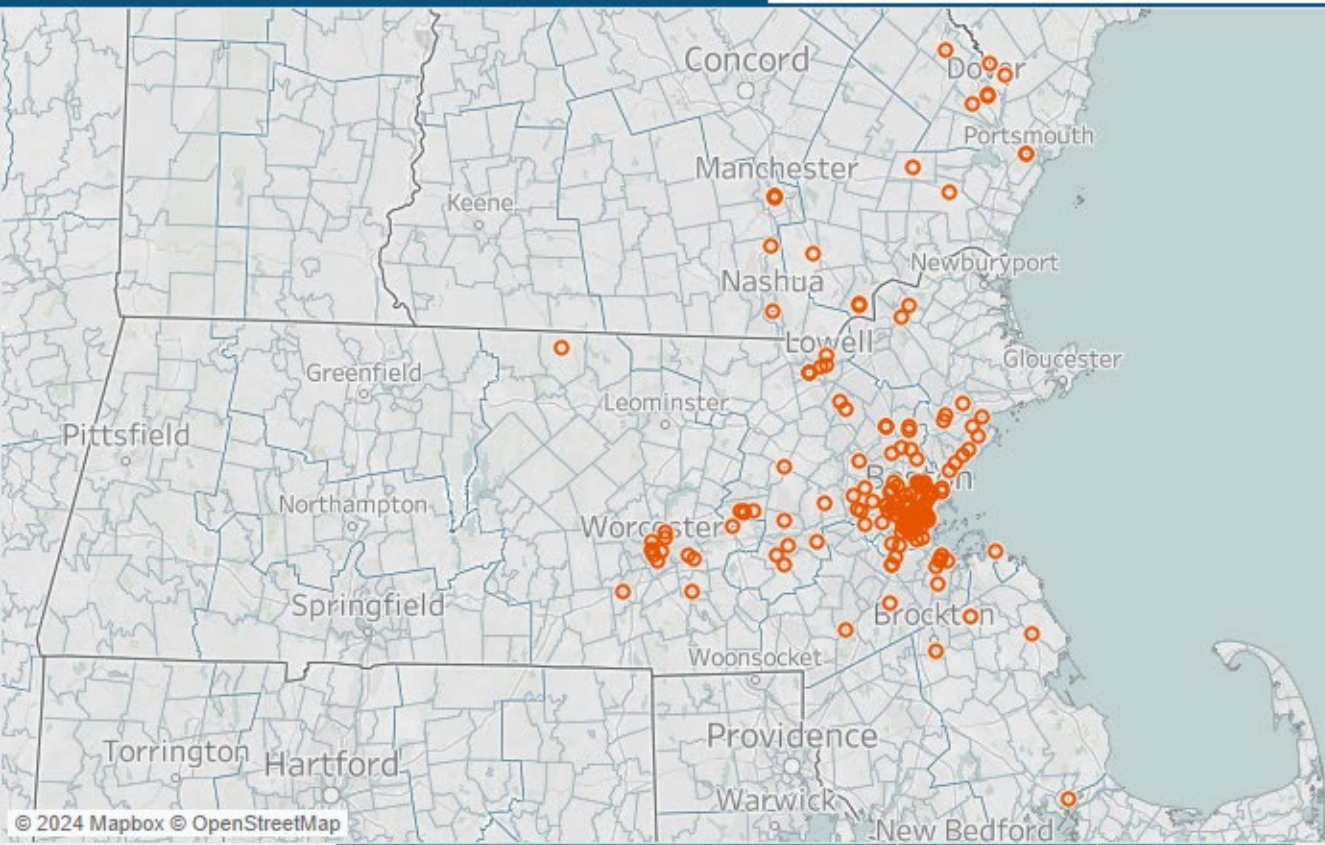


Projection

Source: Fannie Mae Multifamily Economics and Research



Multifamily Construction: Bidding & Underway



| MultiHousingSubmarketName | Apartments | Units |
|-----------------------------------|------------|---------------|
| Cambridge/Somerville | 8 | 1,732 |
| Chelsea/Revere/Charlestown | 12 | 1,724 |
| East Middlesex County | 16 | 3,440 |
| Fenway/Brookline/Brighton | 12 | 1,490 |
| Intown Boston | 15 | 889 |
| Lowell | 9 | 907 |
| Manchester | 3 | 317 |
| Marlborough/Framingham | 9 | 1,003 |
| NA | 1 | 148 |
| Nashua | 2 | 93 |
| North Essex County | 2 | 520 |
| North Worcester County | 1 | 44 |
| Plymouth County | 3 | 391 |
| Quincy | 7 | 342 |
| Rockingham/Strafford Counties | 13 | 1,570 |
| Shrewsbury/South Worcester County | 5 | 1,124 |
| South Essex County | 9 | 1,704 |
| Southwest Boston | 20 | 1,211 |
| Waltham/Newton/Lexington | 9 | 920 |
| West Norfolk County | 2 | 248 |
| Worcester | 8 | 904 |
| Grand Total | 166 | 20,721 |

Source: Dodge Data & Analytics SupplyTrack Pipeline



Multifamily: ESR Team

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Multifamily Economics and Market Research Team

John Collier, Economic and Strategic Research

Sources Used

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

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