

# Multifamily Metro Outlook:

Boston - Q4 2023

## 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 fourth quarter of 2023 has seen Boston experience strong economic growth. 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 unexpectedly 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 5.25% 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 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 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 finally risen above pre-pandemic levels. In the fourth quarter of 2023, annual unemployment rate sat at 2.5% which is well below the national average of 3.5%. 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 6,917 units were delivered in 2023. At the end of 2023 there were 14,584 units under construction with 9,191 of these scheduled to be completed in the next four quarters.

## Outlook:

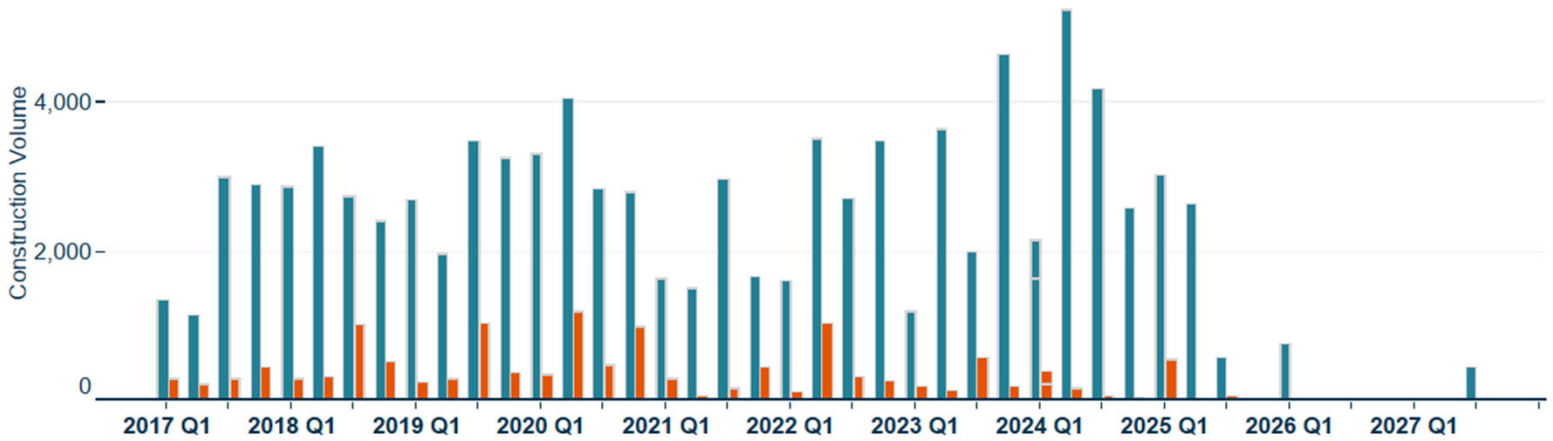
- Boston remains a top multifamily market in the US. Absorption rates have held steady, the current pace of development seems stable, and vacancy rates remain low. With a moderately healthy job market, the local multifamily market should be supported in the near-term and see continued, though slowed,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

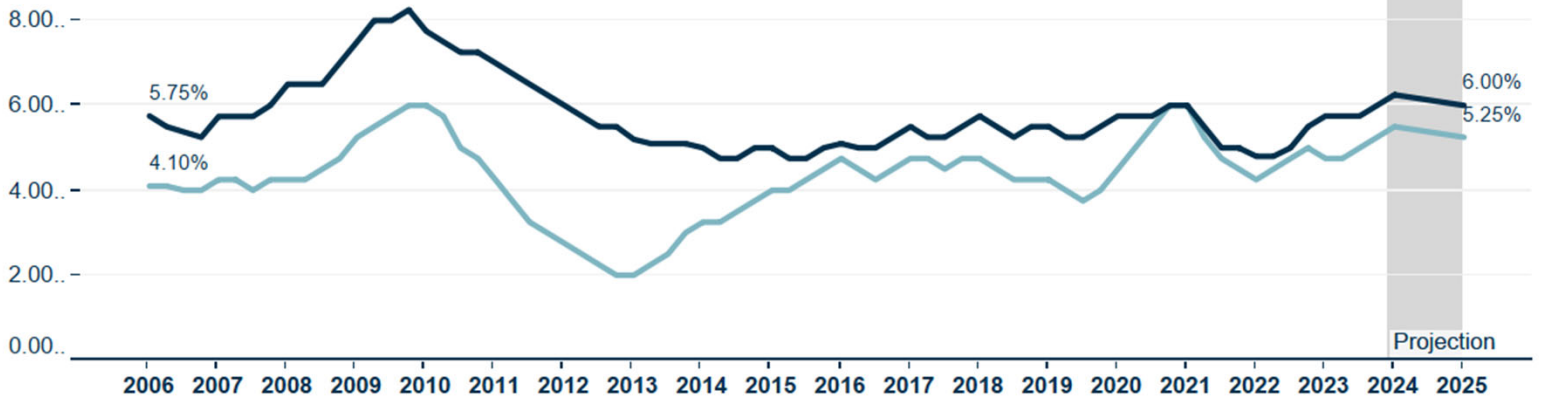
## Multifamily Vacancy & Rent Estimates

### Vacancy Rates

Boston | National

Q4 2023 Vacancy Rate:

5.25%

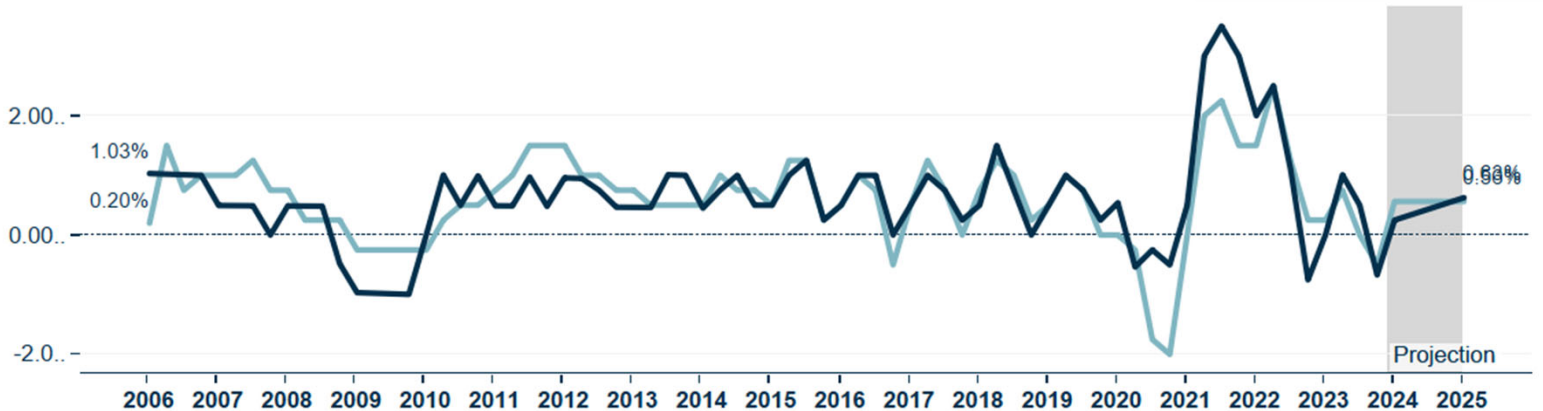


### Asking Rent Growth

Boston | National

Q4 2023 Asking Rent:

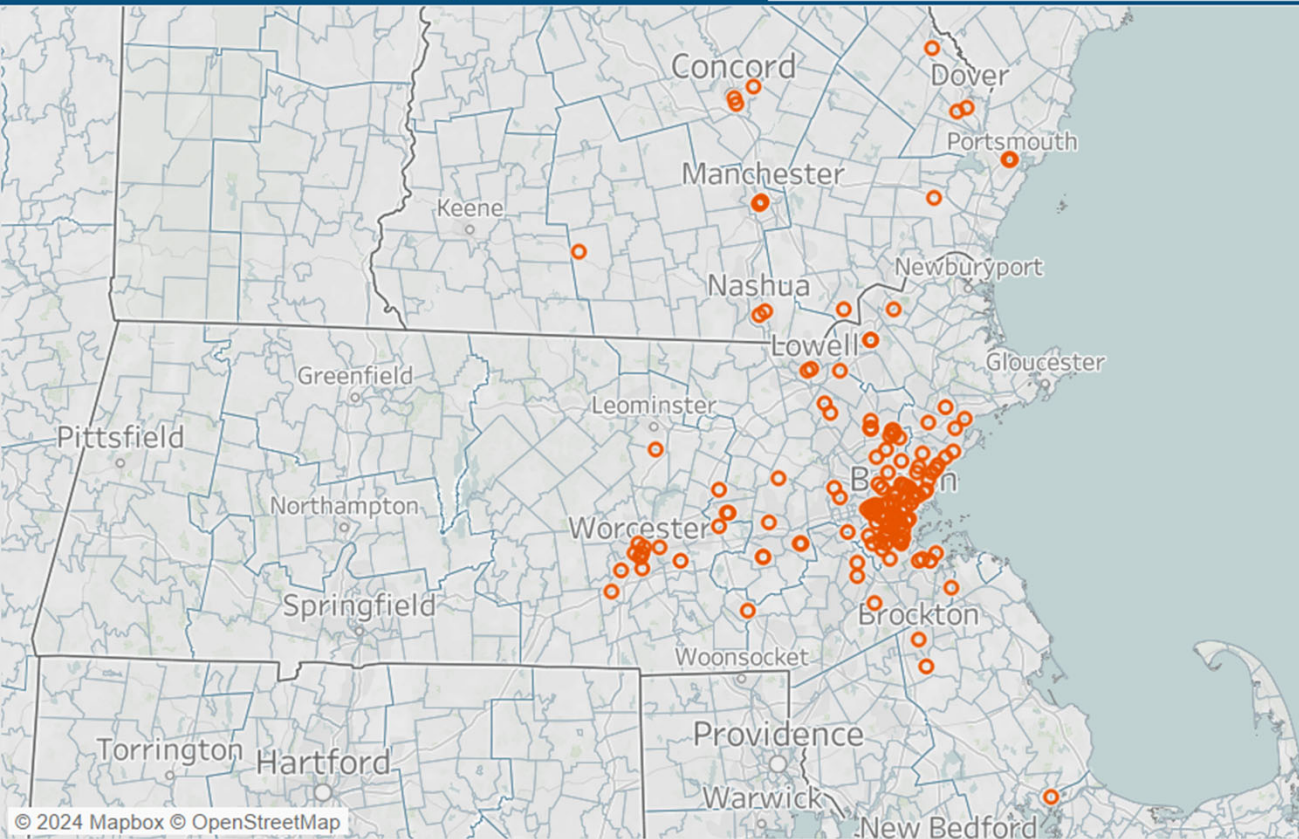
\$2,720



Source: Fannie Mae Multifamily Economics and Research



## Multifamily Construction: Bidding & Underway



MultiHousingSubmarketName	Apartments	Units
Cambridge/Somerville	8	1,545
Chelsea/Revere/Charlestown	13	2,874
Concord	3	311
East Middlesex County	17	3,348
Fenway/Brookline/Brighton	17	1,928
Intown Boston	8	735
Lowell	5	435
Manchester	4	567
Marlborough/Framingham	9	1,017
NA	1	148
Nashua	3	252
North Essex County	4	440
North Worcester County	1	72
Plymouth County	2	40
Quincy	6	1,056
Rockingham/Strafford Counties	8	726
Shrewsbury/South Worcester County	5	1,089
South Essex County	8	1,416
Southwest Boston	21	1,156
Waltham/Newton/Lexington	4	850
West Norfolk County	3	71
Worcester	8	1,020
<b>Grand Total</b>	<b>158</b>	<b>21,096</b>

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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