



MULTIFAMILY REPORT

Boston Slows Down

November 2024

Construction Starts Dwindle

Investment Activity Moderates

YoY Rent Growth Third Nationwide

BOSTON MULTIFAMILY



Softening Fundamentals Across Market

Boston's multifamily fundamentals softened at the end of the third quarter, as seasonal slowdowns began. Advertised asking rents were down 0.2% on a trailing three-month basis, to \$2,901, some 20 basis points lower than the U.S. rate. Boston placed third nationwide for year-over-year growth, up 3.4%, above the 0.9% national figure. The occupancy rate in stabilized properties stood at 96.6% as of September, above the 94.8% U.S. average.

In the 12 months ending in July, Boston's employment market gained 37,900 jobs, expanding 0.6% year-over-year. Education and health services led gains, with 21,900 new positions. The metro's unemployment rate was 4.3% as of August, 10 basis points above the national rate, according to the Bureau of Labor Statistics. The local economy could get a boost from the construction of a life science and advanced manufacturing campus in Bedford, Mass. The first phase came online in October, while the second one is slated for groundbreaking in 2025 and completion in 2026.

Developers completed 4,462 units in the first three quarters, a 1.6% expansion of existing stock, lagging the nation by 50 basis points. Transaction activity remained moderate, with \$1.3 billion in assets changing hands year-to-date through September. For comparison, the metro recorded an average of \$2.2 billion in deals over the past 10 years.

Market Analysis | November 2024

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Recent Boston Transactions

ReNew Waltham



City: Waltham, Mass.
Buyer: FPA Multifamily
Purchase Price: \$221 MM
Price per Unit: \$317,529

Luka on the Common



City: Boston
Buyer: Carmel Partners
Purchase Price: \$212 MM
Price per Unit: \$523,663

Velo



City: Boston
Buyer: Nuveen Real Estate
Purchase Price: \$103 MM
Price per Unit: \$410,000

The Point at Waltham

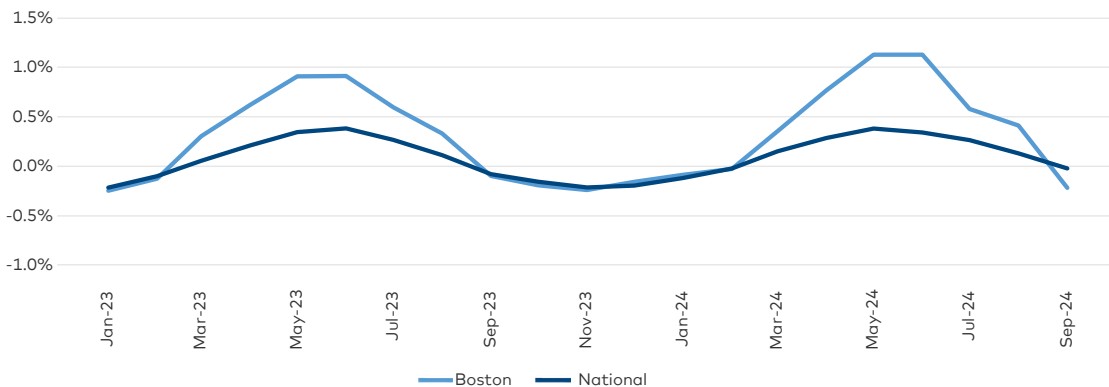


City: Waltham, Mass.
Buyer: Pantzer Properties
Purchase Price: \$91 MM
Price per Unit: \$466,667

RENT TRENDS

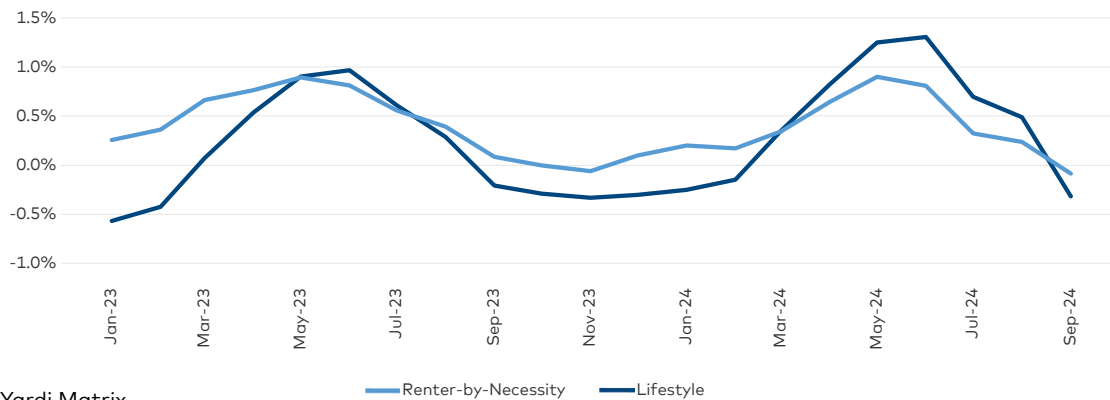
- ▶ The average advertised asking rent in Boston was down 0.2% on a trailing three-month (T3) basis through September, to \$2,901. That was 20 basis points lower than the U.S. rate, which remained flat, with the average at \$1,750. The metro's growth rate had been in positive territory since February and peaked at 1.1% in May and June.
- ▶ Advertised asking rents were up 3.4% year-over-year, placing Boston third among the 30 metros tracked by Yardi Matrix, preceded by New York City (5.4%) and Kansas City (4.2%). Yardi Matrix forecasts a 3.3% expansion for Boston in 2024.
- ▶ The growth rate shrank in both quality segments. Advertised asking rents for upscale Lifestyle assets were down 0.3% on a T3 basis, to \$3,329. Meanwhile, working-class, Renter-by-Necessity rates were down 0.1%, to \$2,367.
- ▶ The metro's overall occupancy rate for stabilized properties increased 10 basis points year-over-year, to 96.6% as of September, while the national figure stood at 94.8%. The RBN segment's rate increased 10 basis points, to 96.9%, above Lifestyle, which was also up 10 basis points, to 96.4%.
- ▶ Of the 58 submarkets tracked by Yardi Matrix, only three recorded contractions for advertised asking rents year-over-year through September. South End remained the most expensive submarket, up 0.5% at \$4,448, followed by Boston-Downtown (0.3% to \$4,173). In South Boston, the rate was down 0.6%, to \$4,210, but the submarket remained the third-most expensive.

Boston vs. National Rent Growth (Trailing 3 Months)



Source: Yardi Matrix

Boston Rent Growth by Asset Class (Trailing 3 Months)



Source: Yardi Matrix

ECONOMIC SNAPSHOT

- In the 12 months ending in July, Boston's employment market added 37,900 jobs. The metro's employment market grew 0.6% year-over-year, 70 basis points below the national rate. Gains were recorded across most sectors, except information, manufacturing, as well as trade, transportation and utilities, which lost a combined 10,800 positions.
- Education and health services (21,900 jobs) and leisure and hospitality (15,200 jobs) led gains, with government (8,400 jobs) rounding out the top three.
- Boston's unemployment rate clocked in at 4.3% as of August, 10 basis points above the national

rate, according to data from the Bureau of Labor Statistics. Unemployment in the metro was also 60 basis points higher than Massachusetts' rate, which stood at 3.7%. Over a 12-month period, Boston reached its lowest unemployment rate in November 2023, at 2.8%.

- The first phase of a life science and advanced manufacturing campus came online in Bedford, Mass. Boston-based Camber Development and Wheelock Street Capital are developing 44 Middlesex, a two-building, 300,000-square-foot property. Phase two of the project, which will encompass 147,000 square feet, is scheduled for groundbreaking in 2025, with completion expected in the following year.

Boston Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
65	Education and Health Services	763.4	21.2%
70	Leisure and Hospitality	408.1	11.3%
90	Government	389.3	10.8%
60	Professional and Business Services	643.8	17.9%
80	Other Services	139.7	3.9%
55	Financial Activities	236.2	6.6%
15	Mining, Logging and Construction	170.5	4.7%
40	Trade, Transportation and Utilities	523	14.5%
30	Manufacturing	234.8	6.5%
50	Information	88	2.4%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- Boston's population recorded limited gains between 2021 and 2022, adding just 419 new residents. That marked a 0.01% increase, while the U.S. saw a 0.4% expansion.
- The metro gained some 350,000 residents over the past 10 years.

Boston vs. National Population

	2019	2020	2021	2022
National	324,697,795	326,569,308	329,725,481	331,097,593
Boston Metro	4,832,346	4,854,808	4,912,030	4,912,449

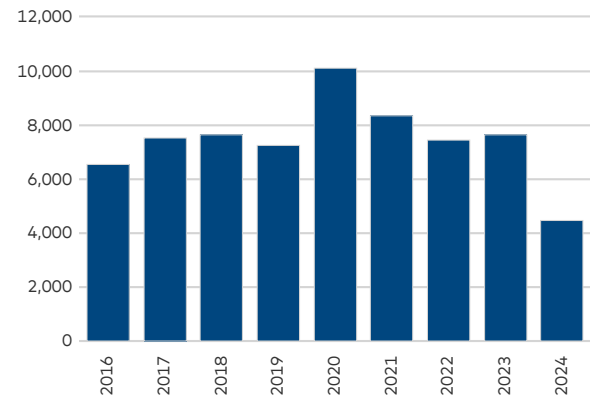
Source: U.S. Census

SUPPLY

- ▶ Developers completed 4,462 units this year through September, about 800 units less than the total recorded in the first three quarters of 2023 and a 1.6% expansion of existing stock. That was 50 basis points lower than the 2.1% national average. The total is almost half compared to the 7,652 units that were delivered last year.
- ▶ Boston had 17,327 units under construction, along with an additional 80,000 in the planning and permitting stages. More than 80% of units under construction were in Lifestyle projects, while nearly 12% were in fully affordable developments.
- ▶ Developers started work on 3,261 units across 20 projects this year. This marked a 56.9% decrease compared to the 7,572 units across 40 projects that started construction during the same period last year. Starts dwindled significantly due to the cost of capital.
- ▶ Of the 58 submarkets tracked by Yardi Matrix, 35 had projects underway. Three submarkets crossed the 1,000-unit mark. East Boston–Chelsea led with 3,786 units, followed by Brighton (1,682 units) and Fenway Kenmore (1,020 units).

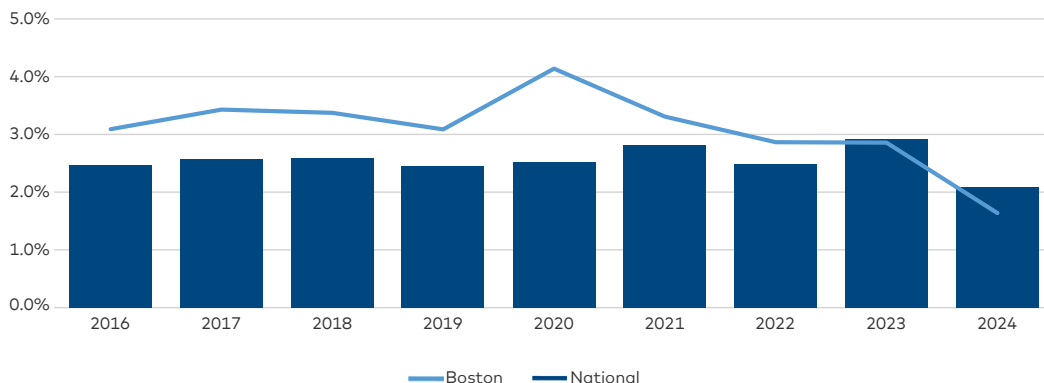
- ▶ East Boston–Chelsea also houses the metro's largest multifamily development as of September. Greystar broke ground on the 741-unit project at 1690 Revere Beach Parkway in June 2023, with completion slated for March 2026. The developer received a \$100 million loan from Brookline Bank in 2022 to fund the construction.

Boston Completions (as of September 2024)



Source: Yardi Matrix

Boston vs. National Completions as a Percentage of Total Stock (as of September 2024)

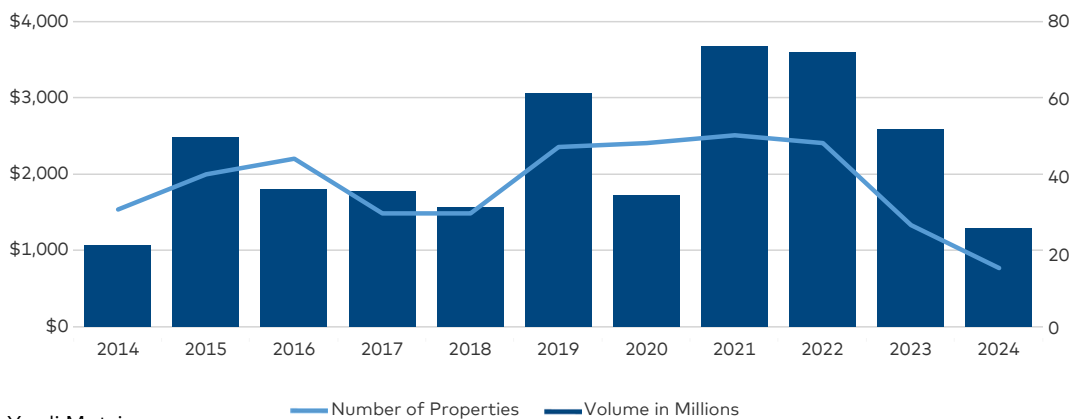


Source: Yardi Matrix

TRANSACTIONS

- ▶ Boston investors traded \$1.3 billion in multifamily assets during the first three quarters, down 41.3% from the volume recorded in the same period last year. Despite a nationwide slowdown, 2023's transactions totaled \$2.6 billion. Boston's yearly average in the past 10 years clocked in at \$2.2 billion.
- ▶ Sales composition through September was tilted toward the Lifestyle segment, accounting for 14 of the 17 assets that traded in Boston. The average price per unit went down to \$405,304, \$25,000 less than in 2023. That was still significantly above the \$188,379 U.S. average.
- ▶ Three submarkets exceeded the \$200 million mark for multifamily transactions during the 12 months ending in September. Waltham led, with \$221 million in assets changing hands, followed by Boston–Downtown (\$212 million) and Marlborough (\$209 million) rounding out the top three.

Boston Sales Volume and Number of Properties Sold (as of September 2024)



Source: Yardi Matrix

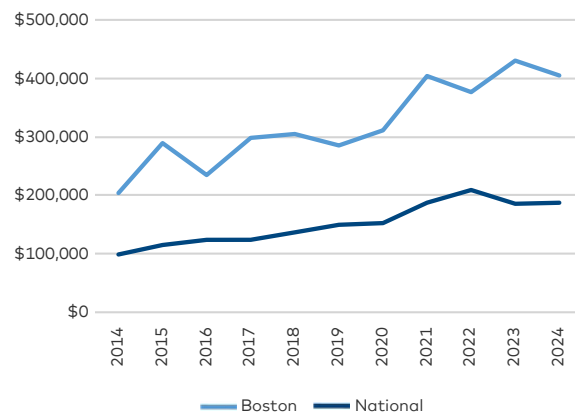
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Waltham	221
Boston–Downtown	212
Marlborough	209
Westwood	114
East Boston–Chelsea	108
Marshfield–Pembroke	107
Roslindale	103

Source: Yardi Matrix

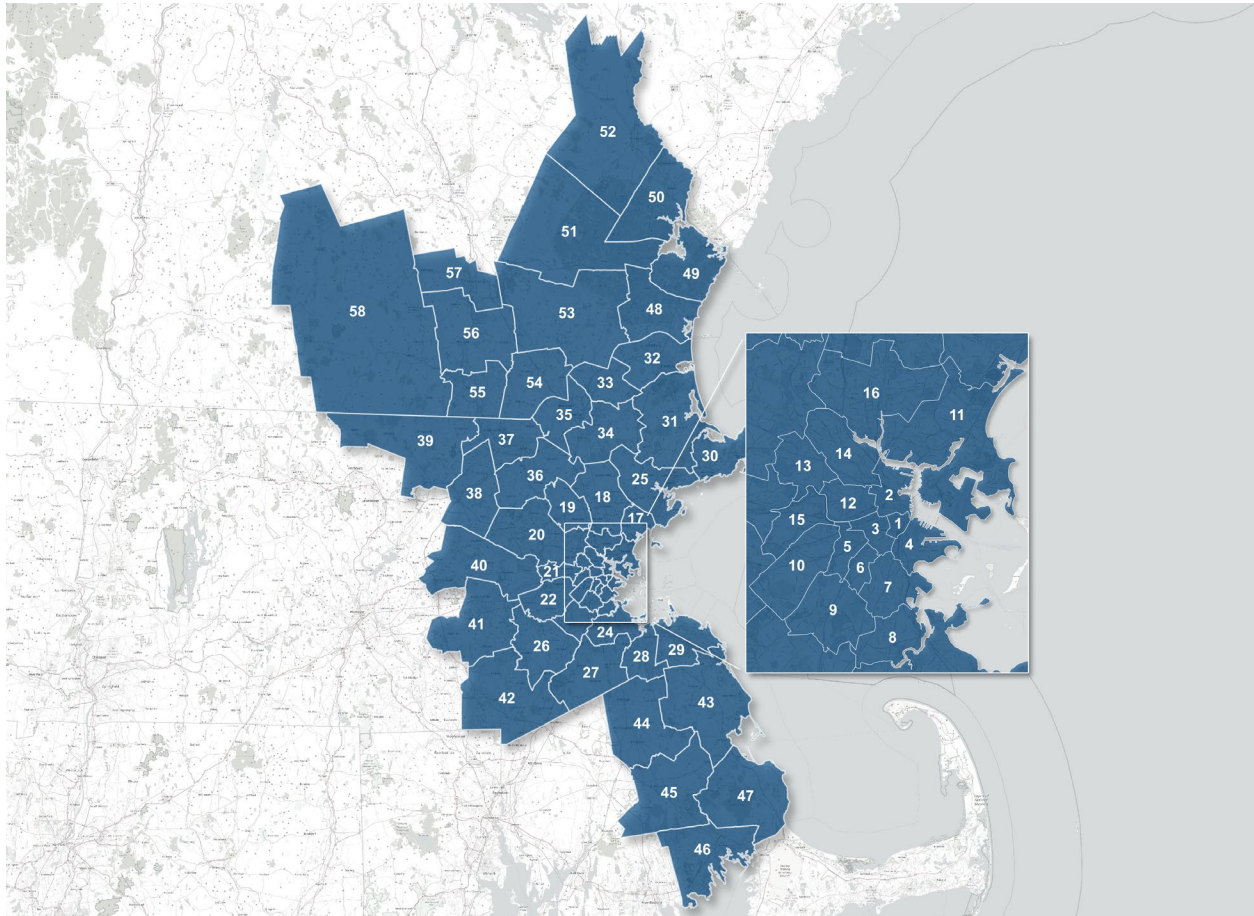
¹ From October 2023 to September 2024

Boston vs. National Sales Price per Unit



Source: Yardi Matrix

BOSTON SUBMARKETS



Area No.	Submarket
1	Boston-Downtown
2	North End-Charlestown
3	South End
4	South Boston
5	Fenway Kenmore
6	Roxbury
7	Mid Dorchester
8	Dorchester
9	Roslindale
10	Brookline
11	East Boston-Chelsea
12	Cambridge-South
13	Cambridge-North
14	Somerville
15	Brighton
16	Malden
17	Lynn
18	Reading
19	Woburn
20	Lakeview

Area No.	Submarket
21	Waltham
22	Newton
23	Dedham
24	Quincy
25	Peabody
26	Westwood
27	Stoughton
28	Weymouth
29	Cohasset
30	Gloucester
31	Ipswich
32	Amesbury
33	Haverhill
34	Andover
35	Lawrence
36	Tewksbury
37	Lowell
38	West Concord
39	Townsend
40	Marlborough

Area No.	Submarket
41	Framingham
42	Foxborough
43	Marshfield-Pembroke
44	Brockton
45	Middleborough
46	Wareham
47	Plymouth
48	Hampton
49	Portsmouth
50	Dover
51	Raymond-Newmarket
52	Rochester
53	Derry
54	Salem
55	Nashua
56	Merrimack
57	Manchester
58	Milford

DEFINITIONS

Lifestyle households (renters by choice) have wealth sufficient to own but have chosen to rent. Discretionary households, most typically a retired couple or single professional, have chosen the flexibility associated with renting over the obligations of ownership.

Renter-by-Necessity households span a range. In descending order, household types can be:

- *A young-professional*, double-income-no-kids household with substantial income but without wealth needed to acquire a home or condominium;
- *Students*, who also span a range of income capability, extending from affluent to barely getting by;
- *Lower-middle-income ("gray-collar") households*, composed of office workers, policemen, firemen, technical workers, teachers, etc.;
- *Blue-collar households*, which barely meet rent demands each month and likely pay a disproportionate share of their income toward rent;
- *Subsidized households*, which pay a percentage of household income in rent, with the balance of rent paid through a governmental agency subsidy. Subsidized households, while typically low income, extend to middle-income households in some high-cost markets, such as New York City;
- *Military households*, subject to frequency of relocation.

These differences can weigh heavily in determining a property's ability to attract specific renter market segments. The five-star resort serves a very different market than the down-and-outer motel. Apartments are distinguished similarly, but distinctions are often not clearly definitive without investigation. The Yardi® Matrix Context rating eliminates that requirement, designating property market positions as:

Market Position	Improvements Ratings
Discretionary	A+ / A
High Mid-Range	A- / B+
Low Mid-Range	B / B-
Workforce	C+ / C / C- / D

The value in application of the Yardi® Matrix Context rating is that standardized data provides consistency; information is more meaningful because there is less uncertainty. The user can move faster and more efficiently, with more accurate end results.

The Yardi® Matrix Context rating is not intended as a final word concerning a property's status—either improvements or location. Rather, the result provides reasonable consistency for comparing one property with another through reference to a consistently applied standard.

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