



MULTIFAMILY REPORT

Beantown Bounces Back

Fall 2021

Rent Growth Matches U.S. Pace

Transaction Activity Soars

Development Carries On

BOSTON MULTIFAMILY



Getting The Ball Rolling

Boston's multifamily market is making strides, though some challenges from the past year and a half remain. The average rent was \$2,462 as of September, a 1.6% increase on a trailing three-month (T3) basis, in line with growth at the national level. Working-class Renter-by-Necessity rents grew fastest, up 1.6%, while Lifestyle rents followed closely, at a healthy 1.5%. And while higher-end suburbs recorded some of the strongest rent hikes, Boston's urban core also continued to make notable gains.

The metro added 252,500 jobs during the 12 months ending in July, an 8.0% improvement. All sectors posted gains, with Boston's leisure and hospitality sector recovering fastest and adding more than 85,000 jobs for a 32.8% gain. Population growth has decelerated in recent years, and the trend is unlikely to reverse soon, particularly considering Boston's high costs of living alongside increased employer flexibility over remote work.

More than 17,000 units were under construction at the end of September, with deliveries for the year anticipated to hit 8,600 units, a small decrease compared to 2020. Meanwhile, investment activity greatly increased. More than \$2 billion in multifamily sales closed in the first nine months of 2021, already 27% higher than the total volume of last year.

Market Analysis | Fall 2021

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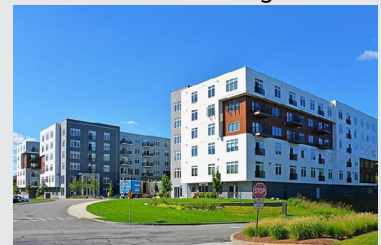
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Recent Boston Transactions

The Reserve at Burlington



City: Burlington, Mass.
Buyer: Equity Residential
Purchase Price: \$135 MM
Price per Unit: \$498,333

The Pioneer



City: Everett, Mass.
Buyer: Northwestern Mutual Real Estate
Purchase Price: \$132 MM
Price per Unit: \$456,747

Sofi Danvers



City: Danvers, Mass.
Buyer: Pacific Urban Residential
Purchase Price: \$106 MM
Price per Unit: \$416,863

The Amelia

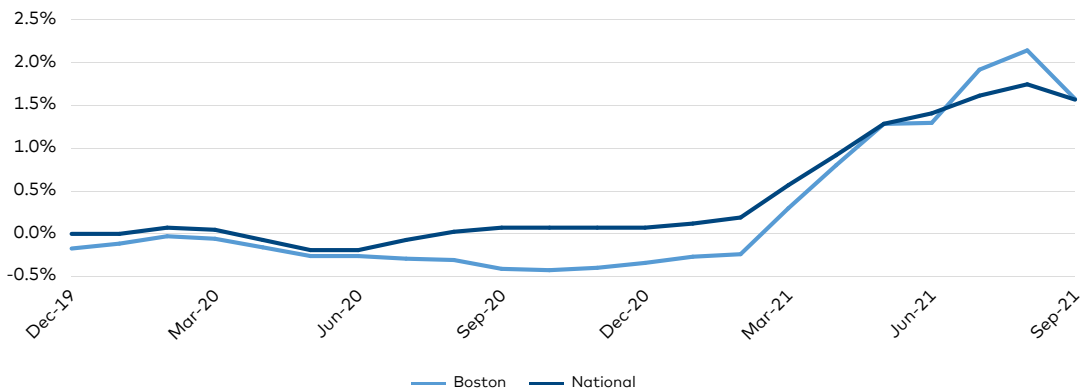


City: Quincy, Mass.
Buyer: Waterton
Purchase Price: \$84 MM
Price per Unit: \$420,000

RENT TRENDS

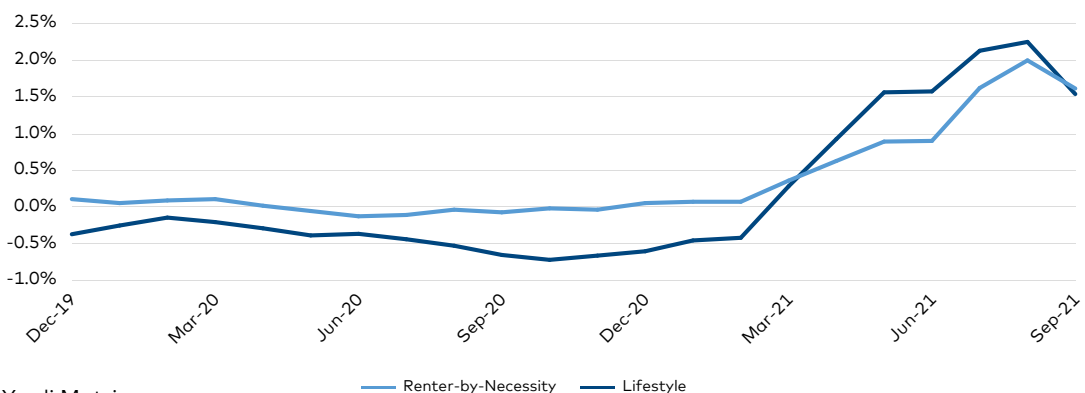
- ▶ Boston's rents averaged \$2,462 in September, a 1.6% increase on a T3 basis. Although rents remained far greater than the U.S. average of \$1,558, the growth has kept pace with the 1.6% national increase during the same period. On a year-over-year basis through September, the market's rents grew 0.7%.
- ▶ Renter-by-Necessity rates increased fastest, up 1.6% on a T3 basis to \$2,014. Meanwhile, Lifestyle rents were up 1.5%, to \$2,900. Occupancy increased 0.9% during the 12 months ending in August. Lifestyle assets pushed those gains, increasing by 1.8%, while RBN occupancy dropped by 0.1%.
- ▶ Westwood recorded one of the highest rates of rent growth in the market, up 15.0% year-over-year through September to \$2,426. The southwestern submarket has a diverse inventory and increased demand for housing outside the urban core has kept rents growing at a rapid pace.
- ▶ Boston's central submarkets continued to post the highest overall rents. While this may be unsurprising, rent growth has also remained steady during the 12 months ending in September. The South End, with the metro's highest average rent of \$4,001, saw 7.2% year-over-year rent growth. Similarly, South Boston averaged \$3,734 (up 5.8%) and Boston-Downtown averaged \$3,543 (an increase of 7.1% over the year).

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

- ▶ Boston added 252,500 jobs during the 12 months ending in July for an 8.0% gain over the year. In August, the unemployment rate was 5.0%, according to preliminary data from the Bureau of Labor Statistics. This marked a 30-basis-point improvement from the previous month, and was 20 basis points below the U.S. figure.
- ▶ All sectors displayed growth during the year ending in July, with leisure and hospitality growing the fastest by far, adding 85,300 positions. While this resulted in a year-over-year growth rate of 32.8%, the sector has yet to reach the employment level reported in March 2020. Other sectors showing strong growth included mining, logging and construction (up 14,300 jobs, a 9.6% increase), and other services (up 11,900 jobs, an increase of 10.8%).
- ▶ Boston's high costs of living, combined with potential increases to personal and corporate taxes, could spell trouble for its longer-term recovery. Although the Commonwealth of Massachusetts announced that tax collections increased by 27% from September 2020 to September 2021, the state lost an estimated \$20.7 billion in adjusted gross income between 1993 and 2018, according to a report from the Pioneer Institute. As companies and employees remain mobile, the trend is bound to continue.

Boston Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
70	Leisure and Hospitality	345	10.1%
60	Professional and Business Services	627	18.4%
65	Education and Health Services	695	20.4%
40	Trade, Transportation and Utilities	521	15.3%
15	Mining, Logging and Construction	163	4.8%
90	Government	369	10.8%
80	Other Services	122	3.6%
30	Manufacturing	237	7.0%
50	Information	94	2.8%
55	Financial Activities	233	6.8%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- ▶ Boston's population increased by 2,845 residents in 2020, an annual growth rate of 0.1%, lagging the 0.4% national figure.
- ▶ Although the metro added 121,719 residents in the last decade, growth has stagnated during the past two years.

Boston vs. National Population

	2017	2018	2019	2020
National	325,147,121	327,167,434	328,239,523	329,484,123
Boston Metro	2,017,741	2,030,772	2,031,884	2,034,729

Sources: U.S. Census, Moody's Analytics

SUPPLY

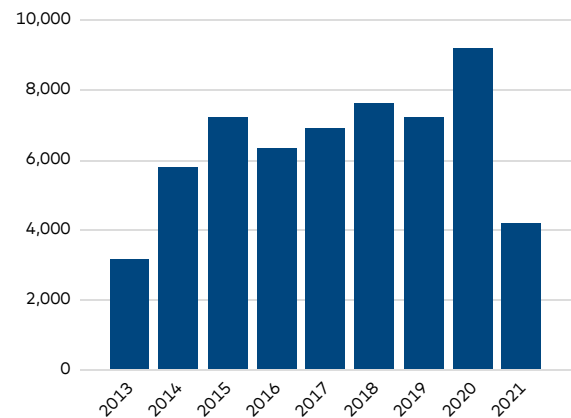
➤ There were 17,368 units under construction in Boston at the end of September, or 7.2% of total stock. Nearly 70,000 units were in the planning and permitting stages. Construction started on 18 projects totaling nearly 3,700 units year-to-date, a small decrease from the 3,997 units that broke ground during the same time in 2020.

➤ Developers added 4,224 units to Boston's inventory year-to-date through September, accounting for 1.7% of total inventory. Deliveries for the year are expected to exceed 8,600 units. While this falls short of the 9,206 units added in 2020, it is otherwise the highest level of deliveries in more than a decade.

➤ East Boston–Chelsea had the most construction activity in September, with 1,682 units underway, or 16.5% of inventory. The largest project underway, Fairfield Residential's 692-unit VERO, broke ground in early 2019 and is slated for delivery in the first quarter of 2022. The submarket is home to a large number of newer multifamily properties: In the five years leading up to September, developers added more than 2,500 units to the submarket's inventory.

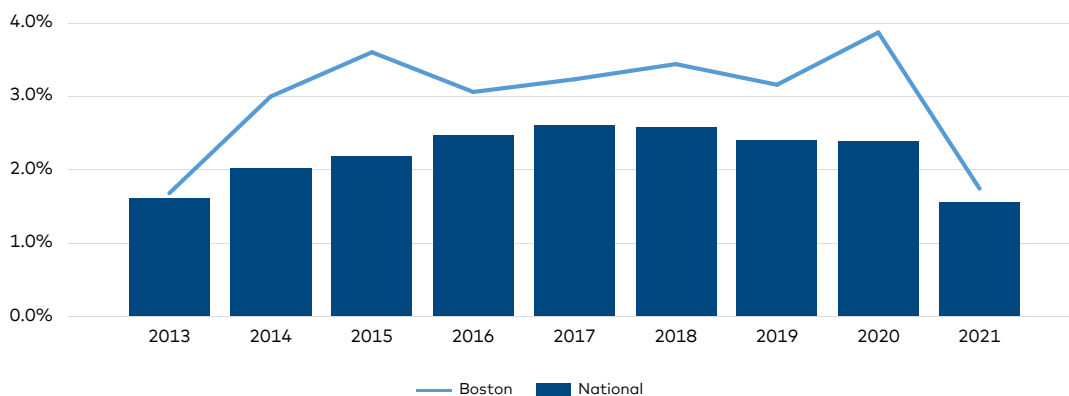
➤ Developers added the most units to the Merimack submarket year-to-date through September, with two deliveries totaling 520 units. The largest, the 280-unit Residences at Executive Park, delivered in February. Developer SMC Management subsequently sold the asset to DSF Group for \$86.5 million in July.

Boston Completions (as of September 2021)



Source: Yardi Matrix

Boston vs. National Completions as a Percentage of Total Stock (as of September 2021)



Source: Yardi Matrix

TRANSACTIONS

- ▶ Boston's multifamily transaction volume totaled \$2 billion year-to-date through September, already 27% higher than the full 2020 total. Sales averaged \$397,582 per unit, a 25.1% increase from the previous year and more than double the \$179,959 national average.
- ▶ Investments exclusively targeted Lifestyle assets: No RBN communities were sold in the first nine months of the year. This marks a notable shift from 2020, when RBN transactions totaled \$650 million, or 40.7% of total volume.
- ▶ KKR's \$332 million acquisition of the 414-unit NEMA Boston in July was the largest transaction to close through September. Capital One provided the buyer with \$169 million in financing. Seller Crescent Heights delivered the LEED Gold-certified property in June, including 19 stories of apartments above a hospitality and retail component on the first three floors.

Boston Sales Volume and Number of Properties Sold (as of September 2021)



Source: Yardi Matrix

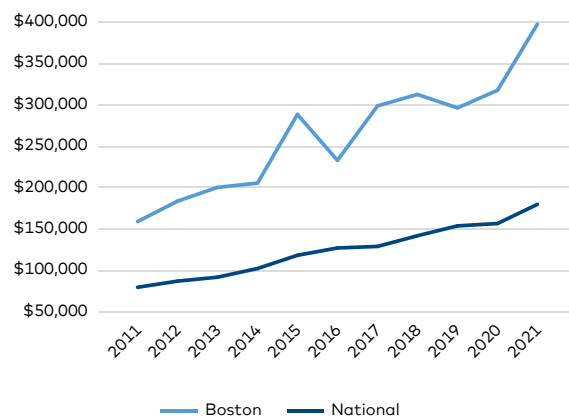
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
South Boston	332
North End–Charlestown	325
Peabody	294
Woburn	283
Lawrence	250
Sloughton	179
Quincy	177

Source: Yardi Matrix

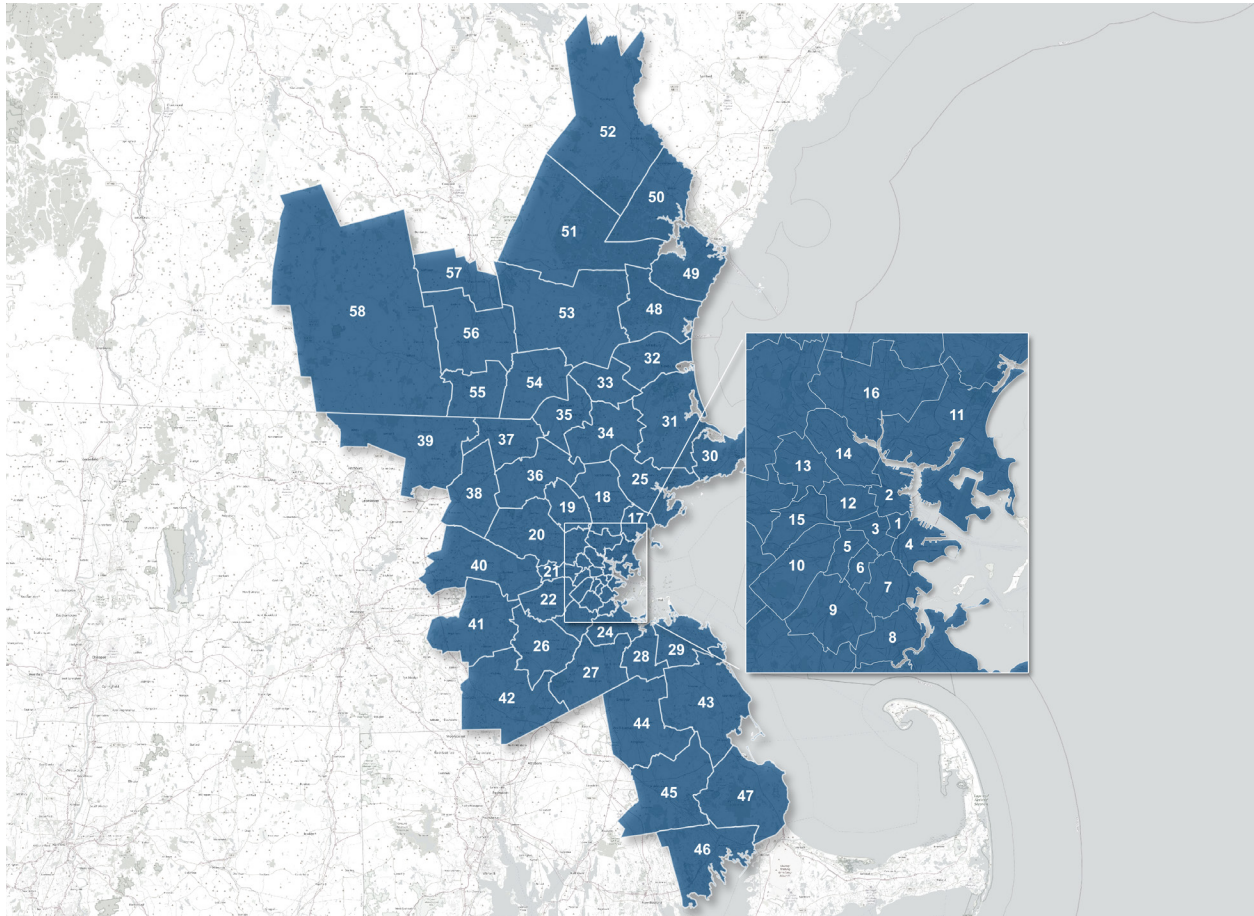
¹ From October 2020 to September 2021

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	Sloughton
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 December 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 December 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, December 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.

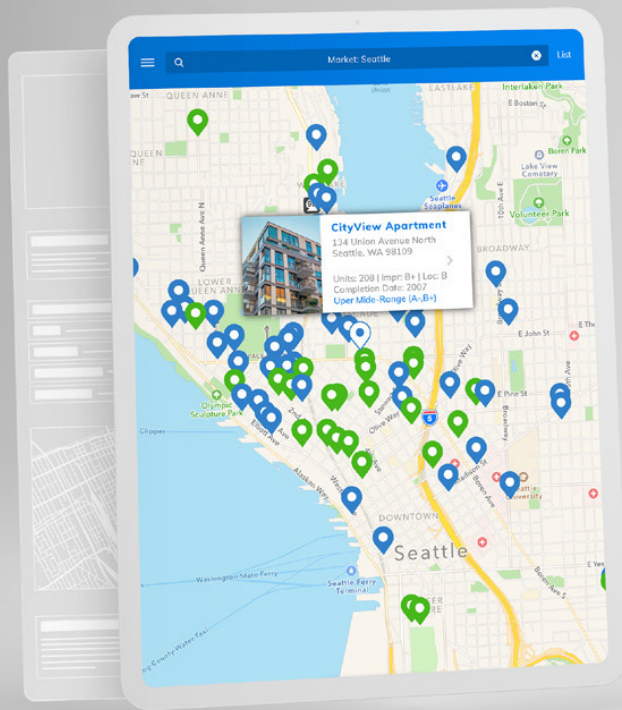
The Yardi® Matrix Context rating is not intended as a final word concerning a property's status—either improvements or location. Rather, the result provides reasonable consistency for comparing one property with another through reference to a consistently applied standard.

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