



MULTIFAMILY REPORT

Boston's Resurgence

February 2022

Biotech Boosts Recovery

Occupancy Rises Above 96%

Transaction Volume Marks New High

BOSTON MULTIFAMILY



Limited Stock Expansion Keeps Occupancy High

Boston's multifamily market showed the first signs of recovery at the start of 2021's second quarter and maintained a steady pace throughout the year. Mirroring the national trend, rent growth softened with the arrival of the winter season, and posted a 0.7% increase on a trailing three-month basis through December, 10 basis points above the U.S. rate. The average rent in the metro clocked in at \$2,514, well above the \$1,594 national figure. The occupancy rate in stabilized properties climbed 150 basis points in the 12 months ending in November, to 96.5%, led by robust demand for Lifestyle apartments.

Boston unemployment dropped to 4.3% in November 2021, almost on par with the U.S. rate. Hiring picked up pace, and the metro added 166,400 jobs in the 12 months ending in October, for a 7.3% expansion. Even though leisure and hospitality led gains (51,100 jobs), a surge in infections might stand as proof of a tough year ahead. One of the bright spots Boston's local economy is its biotech sector, which has experienced substantial growth in recent years.

Developers delivered just 5,259 units in 2021, marking one of the slowest years in a decade, with an additional 7,911 units under-way at the start of 2022. Transactions, on the other hand, marked a new high, totaling \$3.2 billion. The price per unit also rose considerably, surpassing the \$400,000 mark.

Market Analysis | February 2022

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Recent Boston Transactions

500 Ocean Avenue



City: Revere, Mass.
Buyer: Rockpoint Group
Purchase Price: \$158 MM
Price per Unit: \$518,033

Emery Flats



City: Woburn, Mass.
Buyer: AEW Capital Management
Purchase Price: \$92 MM
Price per Unit: \$457,500

The Preserve



City: Walpole, Mass.
Buyer: Starwood Capital Group
Purchase Price: \$88 MM
Price per Unit: \$292,000

The Eliot on Ocean

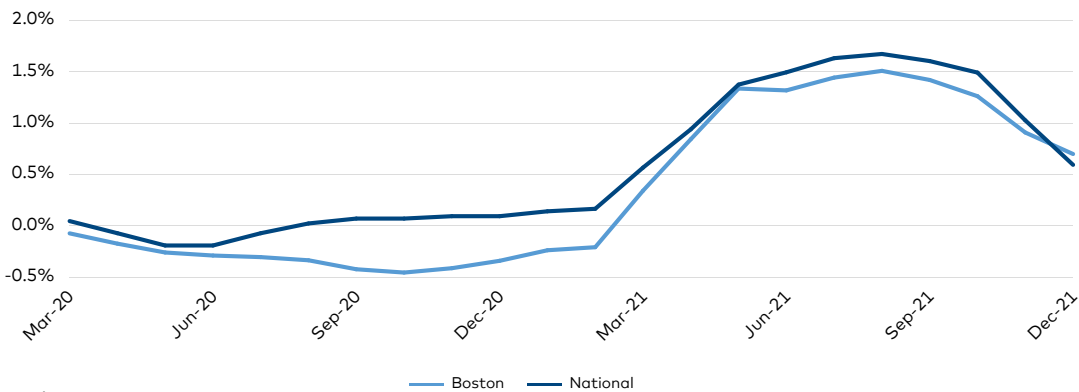


City: Revere, Mass.
Buyer: Invictus Real Estate
Partners
Purchase Price: \$84 MM
Price per Unit: \$434,794

RENT TRENDS

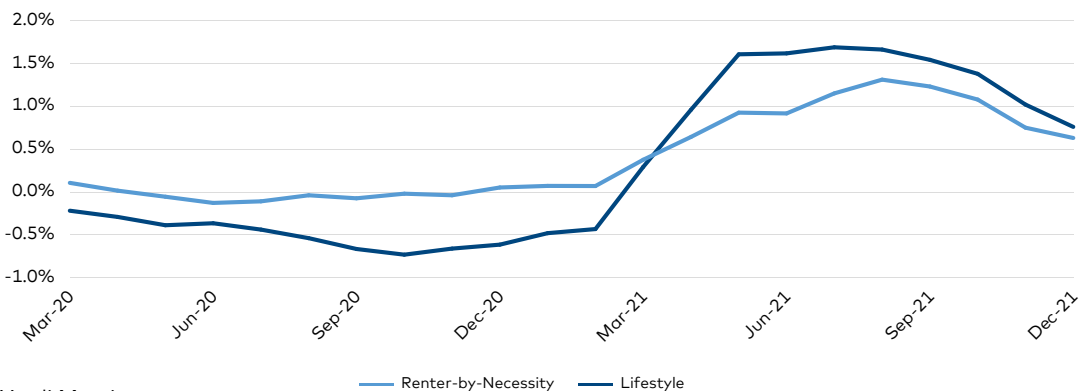
- ▶ Boston rents posted a slower recovery when compared to many non-coastal cities, with the tide turning in March 2021, following 18 months of contractions. The average rent rose 0.7% on a trailing three-month (T3) basis through December, to \$2,514, outperforming the U.S. rate by 10 basis points and well above the \$1,594 national figure. On a year-over-year basis, Boston rents rose 11.9%, trailing the impressive 13.5% U.S. rate.
- ▶ While developers kept focus on upscale projects, demand for Lifestyle units remained strong and rents in the segment led growth, up 0.8% on a T3 basis through December, to \$2,980. Meanwhile, the average rent for working-class Renter-by-Necessity units increased 0.6%, to \$2,032.
- ▶ Rent growth was uneven across the map; of the 57 submarkets tracked by Yardi Matrix, 35 registered double-digit rent increases last year, while the rate in one submarket contracted. North End–Charlestown (16.5% to \$3,075) and Woburn (15.9% to \$2,055) recorded the largest gains.
- ▶ The number of submarkets with average rents above the \$3,000 mark increased to 10 in December, up from six submarkets 12 months prior. At the start of 2022, the most expensive areas were South End (14.5% to \$4,164), South Boston (15.2% to \$3,930) and Boston–Downtown (15.5% to \$3,711). The most affordable areas were Milford (9.3% to \$1,466) and Manchester (13.7% to \$1,663).

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 unemployment improved to 4.2% in November, on par with the U.S. rate, progressing 250 basis points since January 2021. Hiring intensified in Boston, expanding the employment market by 7.3% in the 12 months ending in October, 200 basis points above the U.S. rate. This amounted to a gain of 166,400 jobs, however, total employment was still below pre-pandemic levels as of November, which could point to continued growth this year.
- ▶ Leisure and hospitality led gains, accounting for nearly one-third of new positions (51,100 jobs), but the sector is facing challenges yet again due to the surge of the omicron variant of COVID-19.
- ▶ Professional and business services (33,300 jobs) followed and is poised for growth sustained by companies such as Amazon, which needs 3,000 employees at its Boston Tech Hub.
- ▶ Boston's biotech sector is booming, and companies in the field were projected to break their 2020 investment record of \$5.8 billion, according to MassBio. PwC's MoneyTree Report showed that venture firms invested \$4.4 billion in the first quarter of 2021 alone. Estimates point to 40,000 jobs over the next four years. The main headwind for the sector and the overall economy is the labor shortage, doubled by supply chain disruptions.

Boston Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
70	Leisure and Hospitality	314	9.2%
60	Professional and Business Services	629	18.4%
65	Education and Health Services	712	20.8%
40	Trade, Transportation and Utilities	524	15.3%
30	Manufacturing	238	7.0%
15	Mining, Logging and Construction	163	4.8%
80	Other Services	114	3.3%
50	Information	94	2.8%
90	Government	397	11.6%
55	Financial Activities	230	6.7%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- ▶ Boston gained 2,845 residents in 2020 for a 0.1% uptick, trailing the 0.4% national average.
- ▶ Between 2010 and 2020, Boston's population expansion outpaced the nation. The metro recorded a strong 7.2% uptick, compared to the 6.5% U.S. figure.

Boston vs. National Population

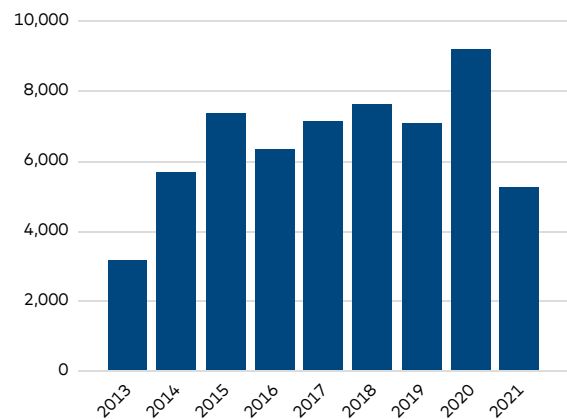
	2017	2018	2019	2020
National	325,147,121	327,167,434	328,239,523	329,484,123
Boston Metro	2,017,741	2,030,772	2,031,884	2,034,729

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

SUPPLY

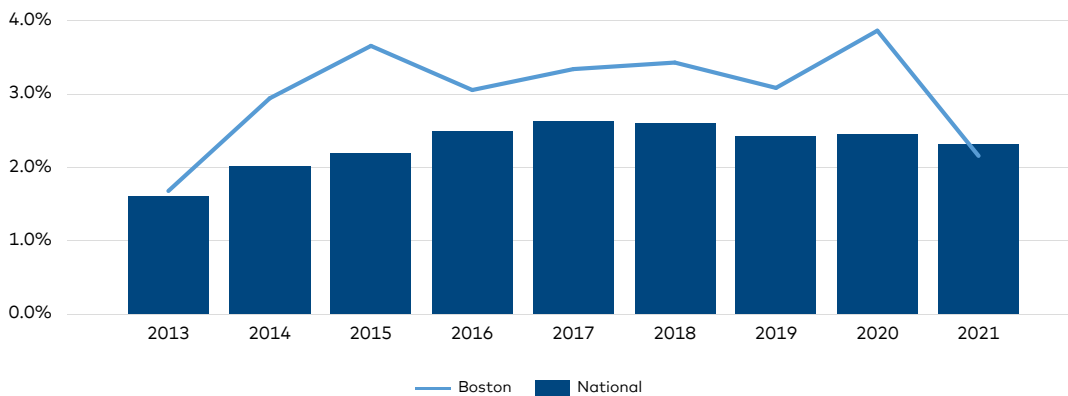
- ▶ Developers delivered just 5,259 units in 2021, the equivalent of 2.2% of total stock, 10 basis points below the U.S. rate. 2021 was one of Boston's slowest-performing years in a decade. Newly added inventory consisted of 95% Lifestyle properties and just 5% Renter-by-Necessity projects. Only one fully affordable property of 58 units came online.
- ▶ The construction pipeline had 17,911 units underway and another 69,500 units in the planning and permitting stages at the end of last year. Similar to recent deliveries, more than 80% of the projects under construction target high-income renters. The RBN segment had some 2,500 units underway, roughly 1,500 of which were in fully affordable communities.
- ▶ The occupancy rate in stabilized properties shows the effects of the limited stock expansion—the rate rose 150 basis points in the 12 months ending in November, to 96.5%. Looking at the breakdown by quality segment, the performance of upscale assets becomes clearer: The rate was up 2.1% for Lifestyle assets, rising 90 basis points for RBN communities.
- ▶ Four submarkets had more than 1,000 units under construction at the end of last year, and combined, accounted for nearly one-third of the pipeline: East Boston–Chelsea (1,438 units), Brighton (1,417), North End–Charleston (1,403) and Quincy (1,075).
- ▶ Quincy also recorded the largest project underway at the beginning of 2022: Bozzuto Group's 610-unit The Abby, slated for full completion next year.

Boston Completions (as of December 2021)



Source: Yardi Matrix

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

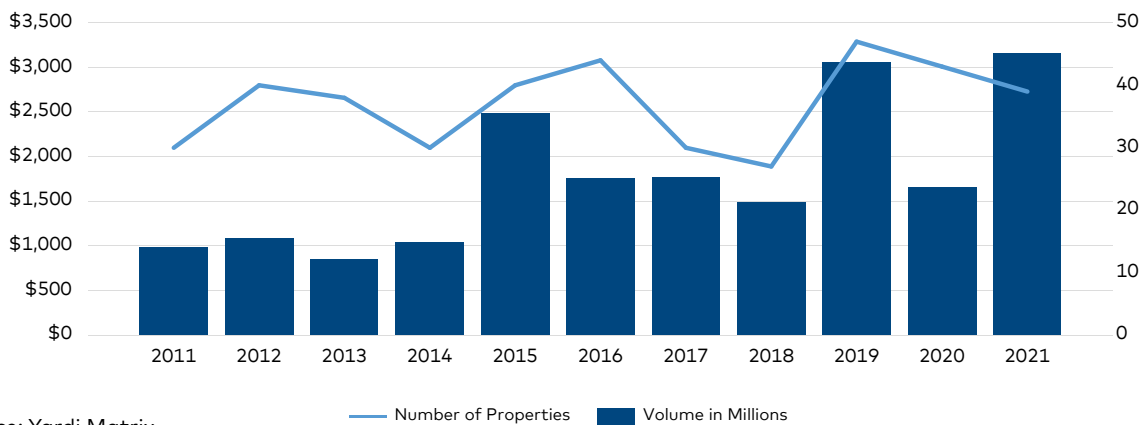


Source: Yardi Matrix

TRANSACTIONS

- ▶ Last year marked a decade high for Boston transactions, with multifamily sales reaching \$3.2 billion. This came after a slow 2020, when the total clocked in at \$1.6 billion.
- ▶ Investors kept their focus on upscale Boston assets and more than 80% of all sales involved Lifestyle properties. This had a massive impact on the price per unit, which rose by a hefty 31.3% year-over-year, to \$402,268. Meanwhile, the U.S. average marked a 19.4% increase, to \$188,338.
- ▶ The largest sale of last year was recorded in July, when Kohlberg Kravis Roberts & Co. purchased NEMA Boston from Crescent Heights for \$332 million with aid from a \$169 million loan issued by Capital One. Yet, the largest per-unit price was paid by Goldman Sachs & Co. when it acquired The Cove Hingham from Alliance Residential Co. for \$139 million, or \$632,955 per unit.

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



Source: Yardi Matrix

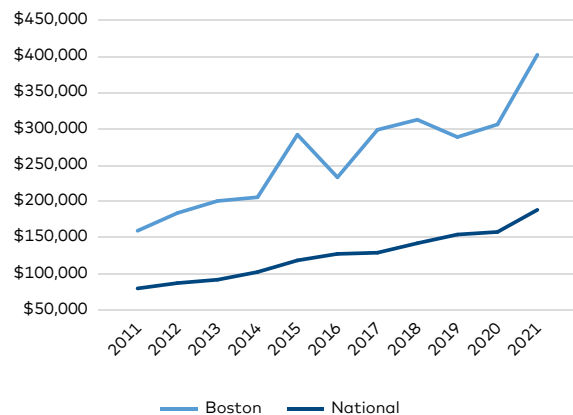
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Woburn	421
East Boston–Chelsea	389
South Boston	332
North End–Charlestown	325
Lawrence	236
Quincy	235
Cohasset	230

Source: Yardi Matrix

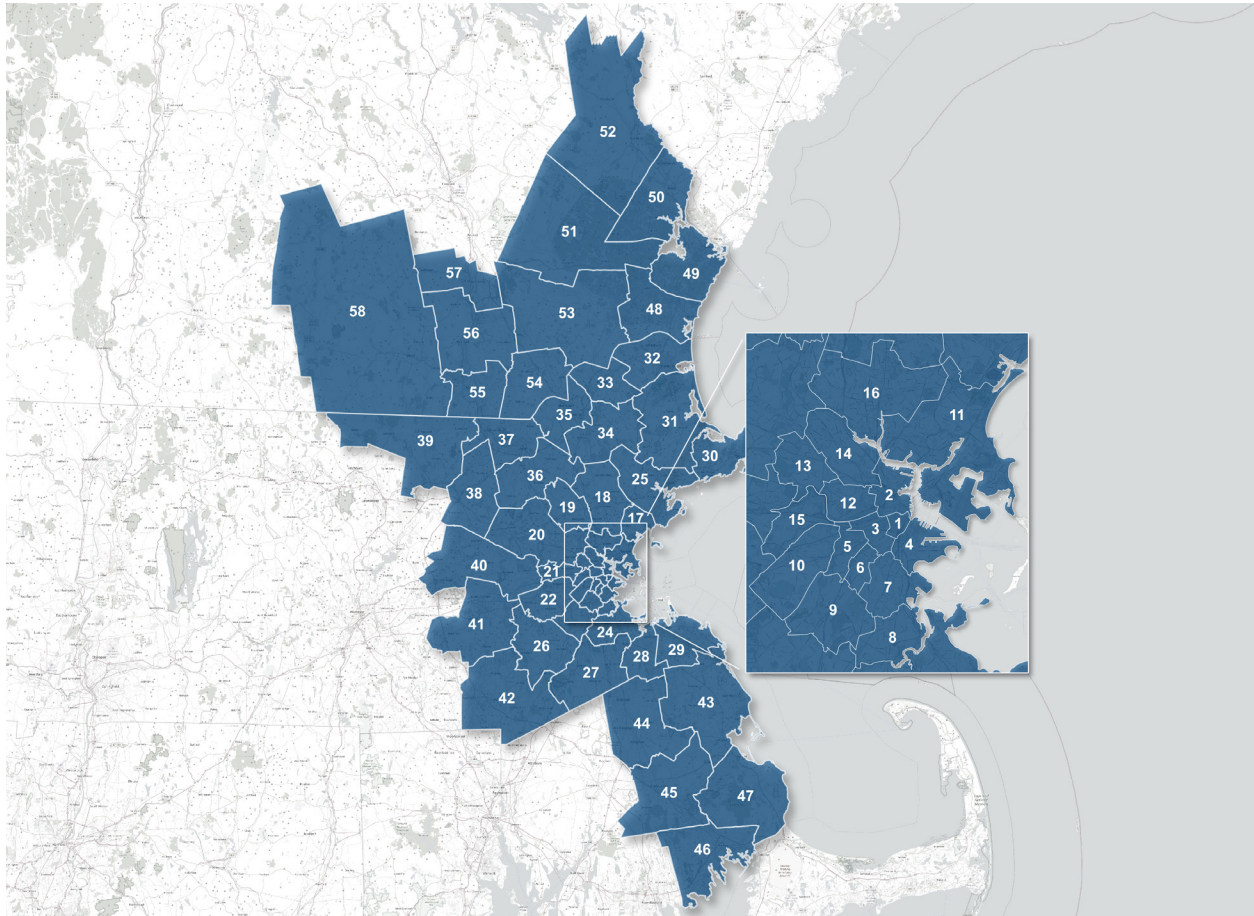
¹ From January 2021 to December 2021

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.

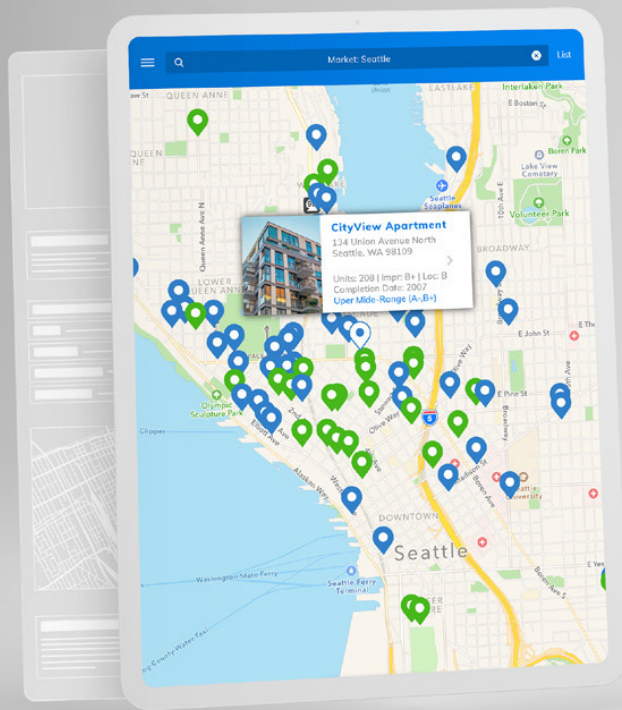
The Yardi® Matrix Context rating is not intended as a final word concerning a property's status—either improvements or location. Rather, the result provides reasonable consistency for comparing one property with another through reference to a consistently applied standard.

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