



MULTIFAMILY REPORT

Boston: In Growth Mode

June 2022



Deliveries Soften, Occupancy Nears 97.0%

Short-Term Rent Gains Outperform the US

Transactions Activity Moderates

BOSTON MULTIFAMILY



Limited Supply Boosts Rents, Occupancy

Boston's strongest booster of rent development has remained the ongoing housing shortage, despite consistent deliveries during the pandemic. The metro has a tight rental market, with occupancy in stabilized properties up by 110 basis points in the 12 months ending in March, to 96.6%. This has bolstered the average rate, up 1.3% on a trailing three-month basis through April, to \$2,611.

Boston's unemployment rate stood at 3.3% in March, according to data from the Bureau of Labor Statistics, outperforming Massachusetts (4.3%) and the nation (3.6%). Employment expanded by 4.6%, or 160,800 jobs, in the 12 months ending in February, almost on par with the U.S. rate. The metro's economic recovery is well underway, with financial activities being the sole sector to contract (-2,200 positions). Leisure and hospitality led gains (63,000 jobs), but the most promising signs come from Boston's strong life sciences industry—which last year collectively raised more than \$13.6 billion across the state—and points to continued expansion.

Deliveries and construction starts softened in 2022, with just 479 units (0.2% of total stock) coming online and 365 units breaking ground through April. Another 17,820 units were underway. Meanwhile, investors traded \$565 million in multifamily assets—below the volume recorded during the same interval last year—for a price per unit that dropped slightly year-over-year, to \$323,890.

Market Analysis | June 2022

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Recent Boston Transactions

The Madison at Marshfield



City: Marshfield, Mass.
Buyer: TA Realty
Purchase Price: \$131 MM
Price per Unit: \$526,210

Countryside Village



City: Manchester, N.H.
Buyer: DSF Group
Purchase Price: \$122 MM
Price per Unit: \$271,205

Paddock Estates at Boxborough



City: Boxborough, Mass.
Buyer: Abacus Capital Group
Purchase Price: \$94 MM
Price per Unit: \$383,197

Riverwalk



City: Lawrence, Mass.
Buyer: Priderock Capital Partners
Purchase Price: \$75 MM
Price per Unit: \$365,196

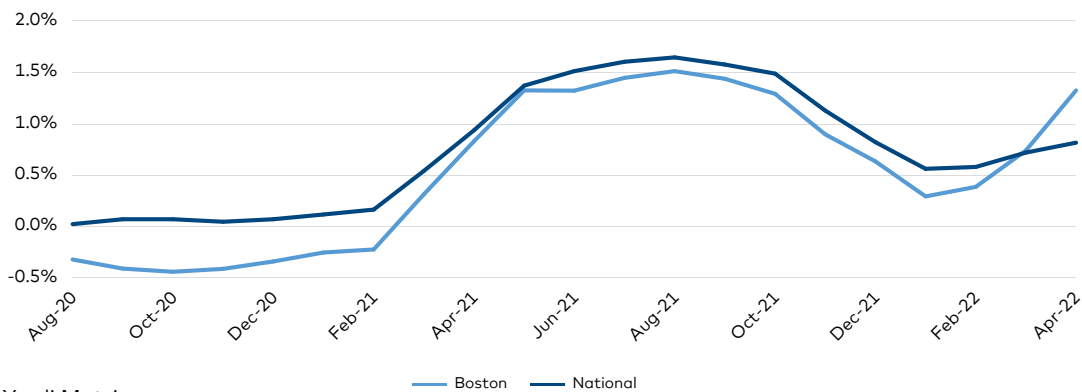
RENT TRENDS

- Rent growth in Boston picked up again at the start of the year, posting a 1.3% increase on a trailing three-month (T3) basis through April, to \$2,611. That is 50 basis points above the U.S. rate, which clocked in at \$1,659. On a year-over-year basis, rents in Boston rose 13.9%, slightly below the 14.3% U.S. average.
- Gains remained balanced across segments. Both Lifestyle and working-class Renter-by-Necessity figures marked a 1.3% hike on a T3 basis through April, to \$3,092 and \$2,114, respectively.
- Occupancy also recorded gains in both quality segments. The RBN rate was up 110 basis points in the 12 months ending in March, to 97.5%. Meanwhile, Lifestyle occupancy advanced 130 basis points and reached 96.0%.

Overall, occupancy stood at 96.6%, following a 110-basis-point increase.

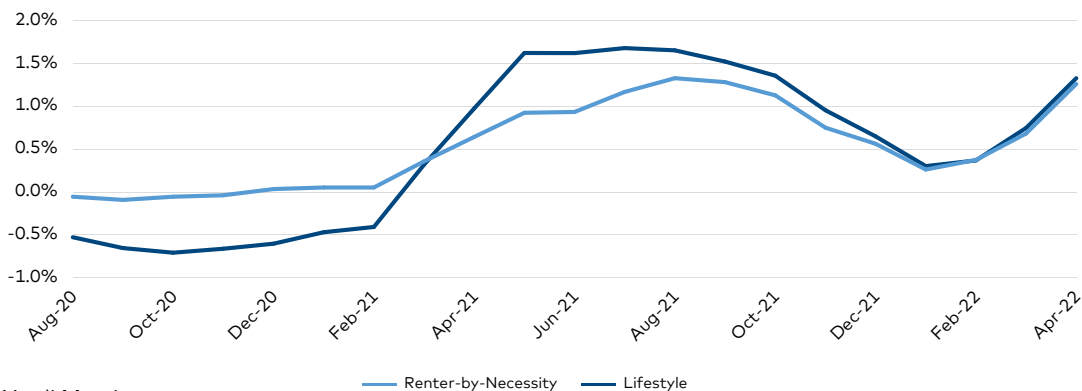
- Of the 57 submarkets tracked by Yardi Matrix, 38 posted double-digit rent increases year-over-year, including the South End (14.5% to \$4,266) and South Boston (18.2% to \$4,090), the metro's most expensive areas. The average figure was above the \$3,000 mark in 11 submarkets in April, from seven one year prior.
- Boston Mayor Michelle Wu brought rent control back into the spotlight this spring. In March, the mayor created a task force aiming to craft a policy framework meant to go before the local legislature next 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's unemployment rate dropped to 3.3% in March, according to data from the Bureau of Labor Statistics. The figure is close to pre-pandemic values and a 230-basis-point year-over-year improvement. The metro outperformed both Massachusetts (4.3%) and the nation (3.6%).
- ▶ Employment expanded 4.6%, or 160,800 jobs, in the 12 months ending in February, 10 basis points below the U.S. rate. The steady recovery of the leisure and hospitality sector led gains, with 63,000 jobs, more than professional and business services (29,200 jobs) and education and health services (19,900 jobs) combined. Meanwhile, financial activities lost 2,220 jobs.
- ▶ Boston's economic recovery is on the right track, bolstered by the education and health services sector, through the rapid growth of the life sciences industry. Last year, life sciences collectively raised more than \$13.6 billion across the state, which increased real estate demand, competing directly with the multifamily sector for some project sites. Moderna is among the companies boosting the industry, planning to expand its headquarters at the 426,000-square-foot Moderna Science Center, currently underway.
- ▶ Two major initiatives could impact the metro and its economy in the longer run: Gov. Charlie Baker's \$3.5 billion economic development bill and the prospect of rent control legislation.

Boston Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
70	Leisure and Hospitality	297	8.7%
60	Professional and Business Services	622	18.3%
65	Education and Health Services	736	21.6%
40	Trade, Transportation and Utilities	521	15.3%
80	Other Services	124	3.6%
15	Mining, Logging and Construction	150	4.4%
90	Government	398	11.7%
30	Manufacturing	233	6.9%
50	Information	94	2.8%
55	Financial Activities	227	6.7%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- ▶ Boston's population shrunk by 23,682 residents in 2021, marking the first demographic contraction since 2010. Meanwhile, the U.S. population inched up 0.1%.
- ▶ In the decade ending in 2021, Boston's population expanded by 4.9%, trailing the 5.7% U.S. rate.

Boston vs. National Population

	2018	2019	2020	2021
National	326,838,199	328,329,953	331,501,080	331,893,745
Boston Metro	2,026,539	2,034,920	2,052,435	2,028,753

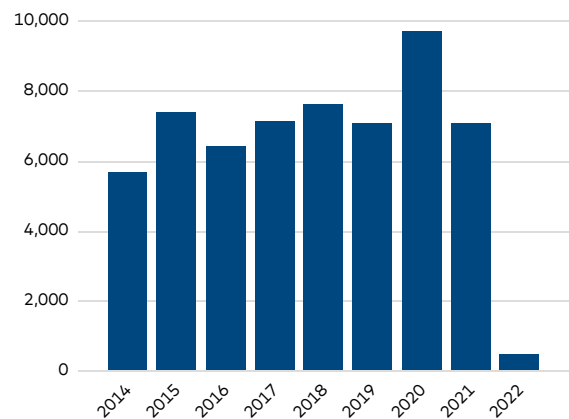
Source: U.S. Census

SUPPLY

- ▶ Boston had 17,820 units underway as of April, with the number of construction starts dropping to just 365 units since the start of the year, from 2,350 units during the same interval of 2021. Another 67,000 apartments were in the planning and permitting stages as of April.
- ▶ More than 11,000 units were slated for completion by the end of the year, but delays will most likely push some deliveries well into 2023. Boston faces the same headwinds as most of the country: rising inflation and interest rate and supply chain issues, as well as rising construction materials costs. In addition, reemerging discussions about rent control in Boston could affect both development and transactions. Nonetheless, the recently enacted Section 3A zoning law is expected to help multifamily construction.
- ▶ Developers delivered 479 units in two Lifestyle properties through April, 0.2% of stock and 30 basis points below the U.S. rate. The construction pipeline is geared primarily toward the upscale segment, with 83% of product underway in Lifestyle assets. The remaining projects encompass 1,372 market-rate units and 1,702 apartments in fully affordable communities.
- ▶ Development is uneven across the map, with the pipeline surpassing the 1,000-unit threshold in four submarkets. East Boston—Chelsea

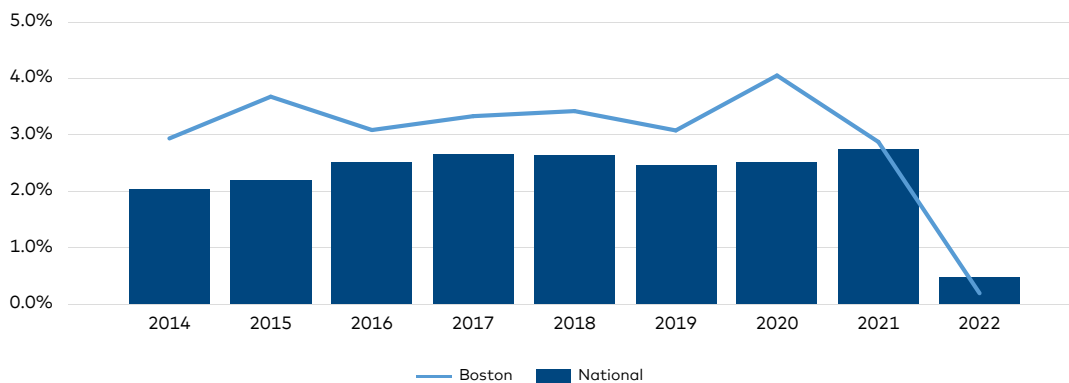
led as of April, with 2,088 units underway. The submarket also houses the largest project under construction, the 650-unit The Mason, a Lifestyle asset with a 9,000-square-foot retail component and 33 affordable units, slated for completion in 2024. Owned by Greystar in partnership with Cigna, it is being built with aid from a \$88 million construction loan issued by United Overseas Bank.

Boston Completions (as of April 2022)



Source: Yardi Matrix

Boston vs. National Completions as a Percentage of Total Stock (as of April 2022)

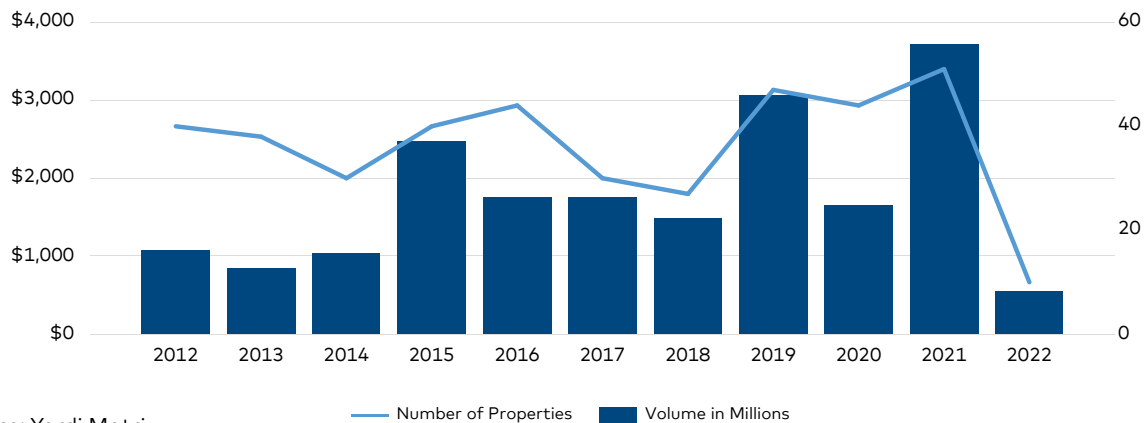


Source: Yardi Matrix

TRANSACTIONS

- ▶ After last year's decade peak, when \$3.7 billion in multifamily assets traded in metro Boston, the volume totaled \$565 million in the first four months of 2022. This marks a softening in transactions, with the figure below the \$750 million recorded in the same interval of 2021.
- ▶ Investors kept their focus on upscale assets in Boston, with two-thirds of deals recorded through April pertaining to Lifestyle properties. The price per unit clocked in at \$323,890, and although it represents a 7.0% year-over-year decrease, it remained well above the \$209,274 U.S. average.
- ▶ The largest sale of 2022 through April—which also marked the highest price per unit—was TA Realty's acquisition of the recently completed The Madison at Marshfield. The seller of the stabilized suburban community was Mill Creek Residential Trust, which received \$130.5 million, or \$526,210 per unit, for the asset.

Boston Sales Volume and Number of Properties Sold (as of April 2022)



Source: Yardi Matrix

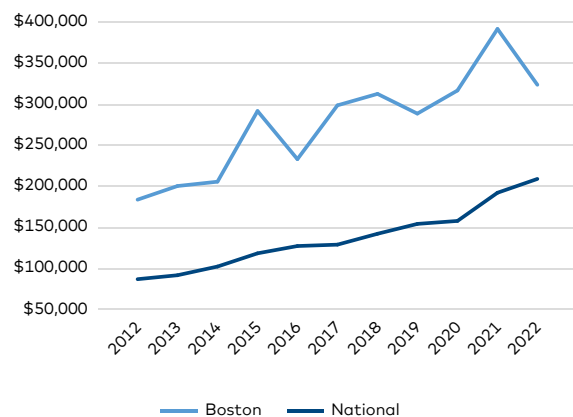
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Woburn	421
South Boston	332
North End—Charlestown	325
Quincy	288
East Boston—Chelsea	279
Foxborough	217
Lawrence	210

Source: Yardi Matrix

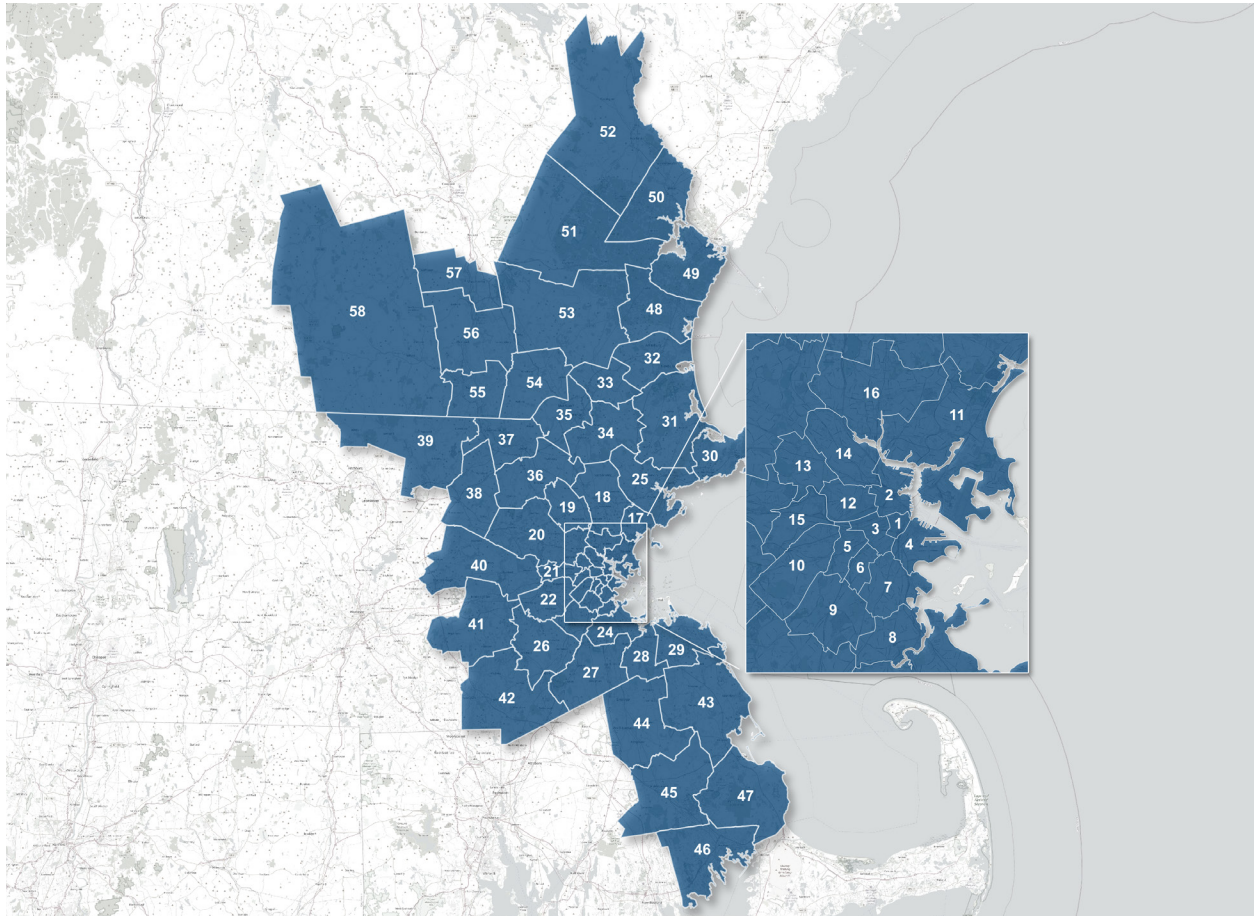
¹ From May 2021 to April 2022

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 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.

To learn more about Yardi® Matrix and subscribing, please visit www.yardimatrix.com or call Ron Brock, Jr., at 480-663-1149 x2404.



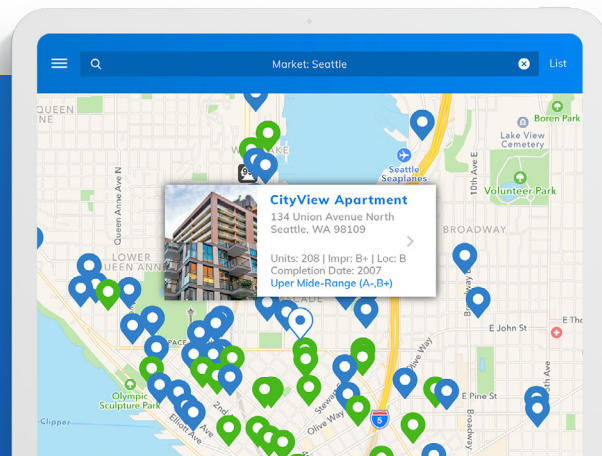
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MULTIFAMILY KEY FEATURES

- Pierce the LLC every time with true ownership and contact details
- Leverage improvement and location ratings, unit mix, occupancy and manager info
- Gain complete new supply pipeline information from concept to completion
- Find acquisition prospects based on in-place loans, maturity dates, lenders and originators
- Access aggregated and anonymized residential revenue and expense comps



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