



MULTIFAMILY REPORT

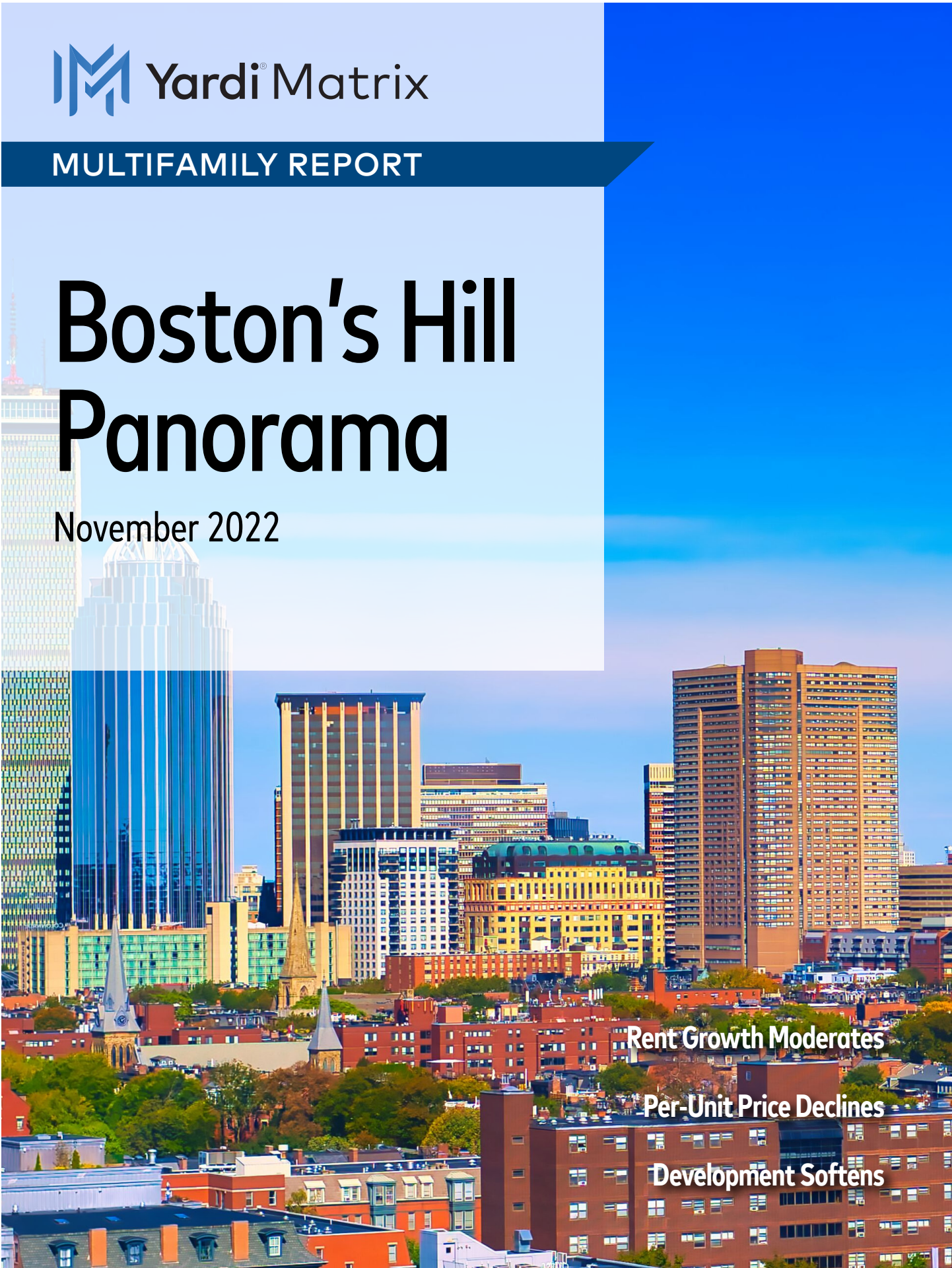
Boston's Hill Panorama

November 2022

Rent Growth Moderates

Per-Unit Price Declines

Development Softens



BOSTON MULTIFAMILY



Softening Across Fundamentals

Boston has been making good strides toward a full recovery, but economic cooling and the Federal Reserve's measures to stop inflation are causing a slowdown. This shift is reverberating across the multifamily market, which is already facing a dire housing shortage—with occupancy at 96.0% in August—and a high cost of living. Although rent development moderated in Boston—up 0.4% on a T3 basis through September—the environment has reignited talks about rent control. While no decision had been made as of September, the debate alone is already impacting the metro's pipeline.

The jobless rate in Boston stood at 3.0% in August, according to data from the Bureau of Labor Statistics, outperforming the state (3.6%) and nation (3.7%). Employment expanded by 4.7% in the 12 months ending in July, 20 basis points above the U.S. rate. Government and financial activities lost 6,300 jobs combined. The rebound in tourism helped leisure and hospitality drive growth, with 46,100 jobs gained, followed by professional and business services (35,400 jobs).

Development moderated, with 3,497 units delivered this year through September, roughly 60% of the volume recorded during the same period last year; another 16,231 units were underway. Investment surpassed \$2.5 billion, but most of the deals closed during the first half of the year. Meanwhile, the per-unit price decreased 6.8% year-over-year.

Market Analysis | November 2022

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Recent Boston Transactions

Bradlee Danvers



City: Danvers, Mass.
Buyer: UDR
Purchase Price: \$207 MM
Price per Unit: \$478,868

Heritage at Merrimack



City: Manchester, N.H.
Buyer: Priderock Capital Partners
Purchase Price: \$165 MM
Price per Unit: \$257,188

Ryder



City: Revere, Mass.
Buyer: Invesco Real Estate
Purchase Price: \$105 MM
Price per Unit: \$523,250

Radian Boston

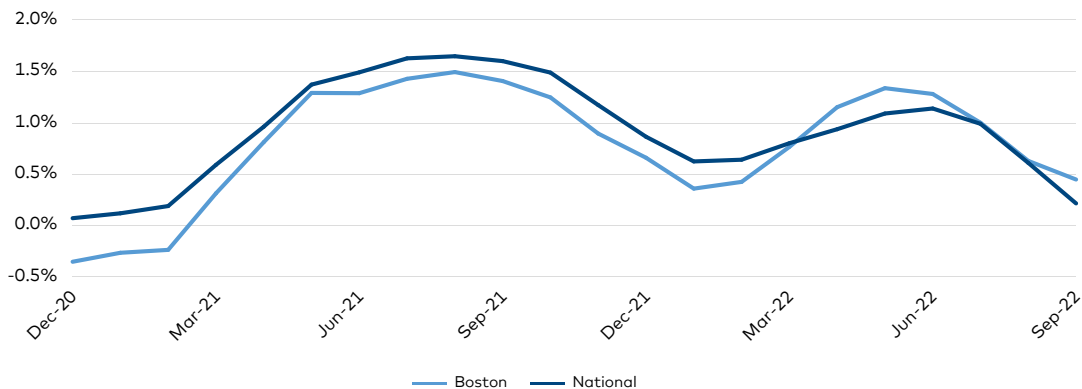


City: Boston
Buyer: Pacific Life Insurance Co.
Purchase Price: \$98 MM
Price per Unit: \$406,250

RENT TRENDS

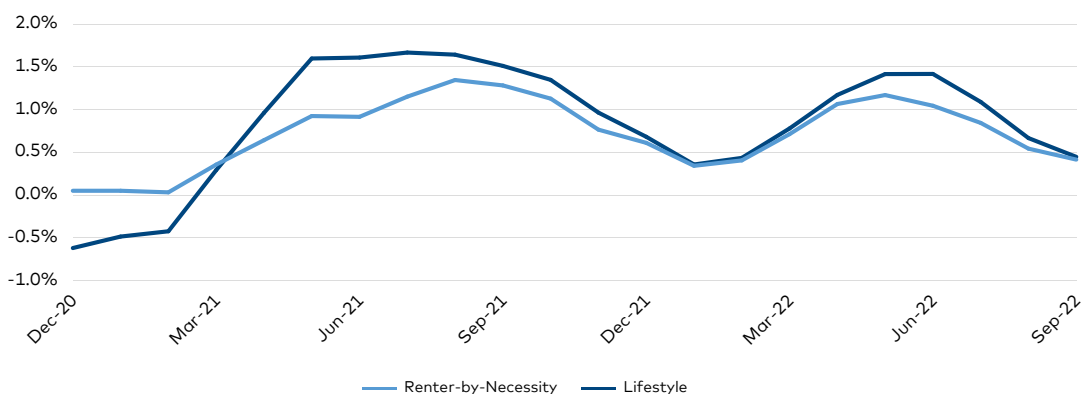
- ▶ Boston rent growth is decelerating, in no small part due to the cooling economy paired with the Fed's measures to combat inflation. Rates were up 0.4% on a trailing three-month (T3) basis through September—the same figure recorded within the first few months this year—to an average of \$2,706. Meanwhile, the average U.S. asking rent rose just 0.2%, to \$1,718. On an annual basis, Boston rates advanced 9.9%, 50 basis points above the U.S. figure.
- ▶ Rent development was almost equal across quality segments, with slightly higher figures for Lifestyle apartments (0.5% on a T3 basis through September, to \$3,210). Meanwhile, working-class Renter-by-Necessity rates rose 0.4%, to \$2,172.
- ▶ While occupancy in stabilized properties was down 70 basis points in the 12 months ending in August, the average remained relatively tight, at 96.0%. Lifestyle occupancy dropped 0.9% to 95.2%, and RBN growth contracted 0.3% to 97.0%.
- ▶ About half of the metro's submarkets posted double-digit annual rent increases. This translated to just 16 of the 57 submarkets tracked by Yardi Matrix recording an average asking rent below the \$1,000 threshold, from 21 a year ago. Furthermore, two submarkets had rates above the \$4,000 ceiling—South End (8.6% to \$4,408) and South Boston (8.7% to \$4,153).
- ▶ Yardi Matrix expects the average Boston rent to rise 9.1% for 2022.

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 stood at 3.0% in August and has yet to reach pre-pandemic values, according to preliminary data from the Bureau of Labor Statistics. Still, the metro outperformed the state (3.6% jobless rate) and the U.S. (3.7%).
- ▶ The job market expanded by 4.7%, or 144,200 jobs, in the 12 months ending in July, just 20 basis points ahead of the 4.5% national rate. Employment growth has been decelerating from the 8.9% peak registered last year in September and will likely continue at a tepid pace during the fourth quarter. Two sectors lost jobs: government (-2,500 jobs) and financial activities (-3,800 jobs).
- ▶ Mirroring the national trend, the ongoing recovery of leisure and hospitality continued to lead job gains (46,100 positions). The sector's rebound is driven by leisure travel, while business travel is still slow. Next in line was professional and business services (35,400 jobs), which at 18.7% of total the workforce, is Boston's second-largest sector, slightly behind education and health services (20.9% of workforce, following 27,300 jobs added).
- ▶ The Fed's commitment to fighting inflation is adding to economic uncertainty, which is likely to turn the prospects of a soft landing into an actual downturn as its actions repress labor demand and wage growth.

Boston Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
70	Leisure and Hospitality	386	10.9%
60	Professional and Business Services	658	18.6%
65	Education and Health Services	736	20.9%
40	Trade, Transportation and Utilities	533	15.1%
15	Mining, Logging and Construction	171	4.8%
80	Other Services	133	3.8%
30	Manufacturing	218	6.2%
50	Information	98	2.8%
90	Government	366	10.4%
55	Financial Activities	230	6.5%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- ▶ Boston lost 23,682 residents in 2021, down 1.2% and marking the first time since the 2010 census that the metro's population contracted. Meanwhile, the U.S. rate inched up 0.1%.
- ▶ Between 2010 and 2021, Boston's population increased 7.1%, slightly below the 7.3% 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

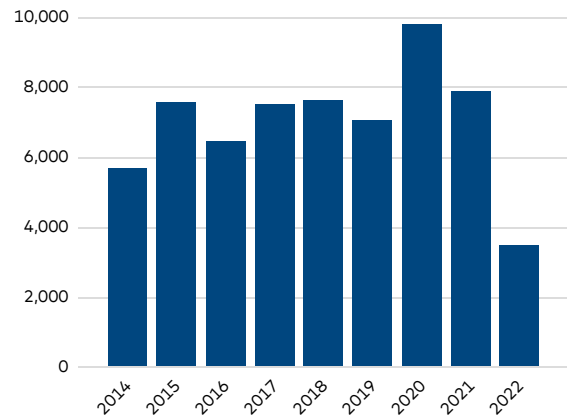
SUPPLY

- ▶ Boston had 16,231 units underway as of September, 2,859 of which broke ground this year. Construction starts have dwindled significantly; during the same period last year, 5,648 units broke ground. Boston had another 72,000 units in the planning and permitting stages at the start of the fourth quarter.
- ▶ Deliveries also decreased—developers brought 3,497 units online through September, 1.4% of existing stock, well below the 5,689 units completed during the same interval of 2021. Deliveries for the first three quarters of 2022 tilted heavily toward upscale projects (3,215 units), with only 282 units in four fully affordable communities. Similarly, the current pipeline comprised mainly Lifestyle projects (81%), but also included 1,483 RBN units and 1,485 apartments in fully affordable communities.
- ▶ Development remained spotty across the map, with 35 of the 57 submarkets tracked by Yardi Matrix having at least 50 units under construction. The top four submarkets—each with more than 1,000 units underway—accounted for one-third of projects under construction. East Boston-Chelsea led by far, with 2,224 units underway. The current economic landscape and the ongoing discussions about rent control will

likely further affect the volume and locations of future projects.

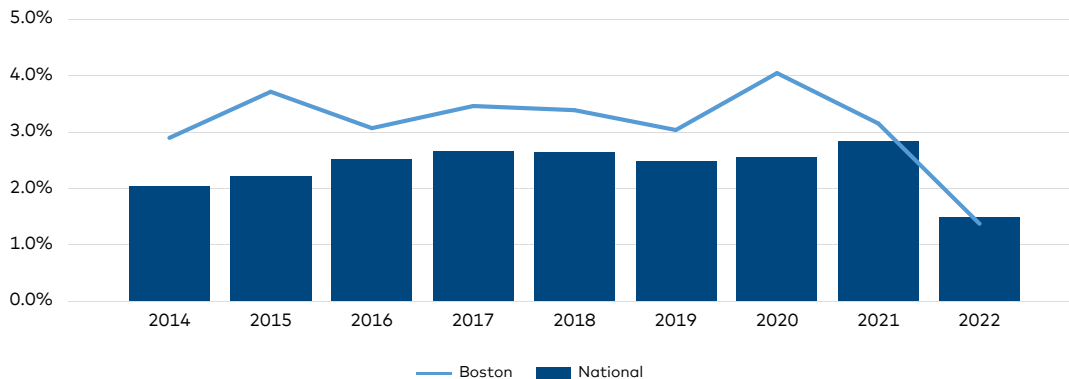
- ▶ The largest project delivered through September was Avalon Woburn. The 350-unit Lifestyle property is owned by AvalonBay Communities and includes 13,312 square feet of retail. The largest project underway as of September was Upper Falls in Newton. Northland Investment Corp.'s 800-unit asset includes 140 affordable units.

Boston Completions (as of September 2022)



Source: Yardi Matrix

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

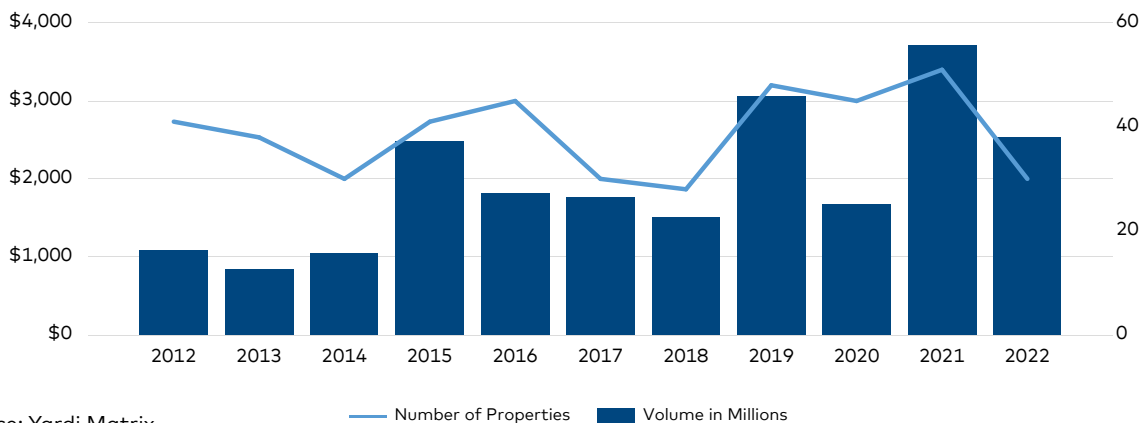


Source: Yardi Matrix

TRANSACTIONS

- ▶ Investor interest remained high in Boston, with the transaction volume surpassing \$2.5 billion during the first three quarters of 2022. The sum is on par with the total recorded during the same interval of last year. Some \$3.7 billion traded in 2021, marking a decade high. However, the Fed's actions, meant to combat inflation, caught up with investors in the third quarter, nearly halting deals. The bulk of transactions were recorded during the first two quarters (nearly \$2.1 billion).
- ▶ Sales tilted toward upscale assets in 2022 through September, with 19 of 30 deals involving Lifestyle properties. Yet, interestingly, the average price per unit decreased by 6.8% year-over-year, to \$376,549. Meanwhile, the average U.S. per-unit price rose to \$216,578.
- ▶ The highest multifamily sales price registered during the third quarter was the \$164.6 million acquisition of the 640-unit Heritage at Merrimack. Priderock Capital Partners purchased it from DSF Group for \$257,188 per unit.

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



Source: Yardi Matrix

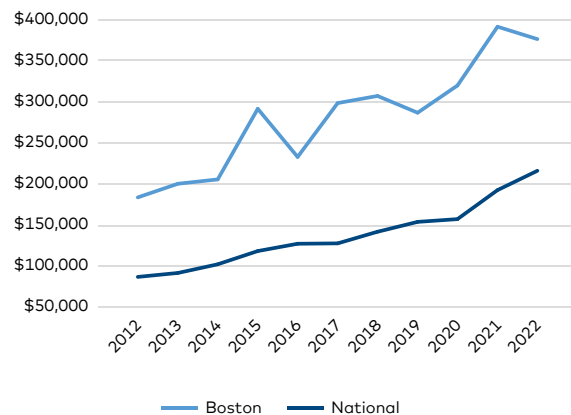
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
East Boston–Chelsea	637
Manchester	302
Malden	289
Quincy	259
Foxborough	217
Peabody	207
Lynn	171

Source: Yardi Matrix

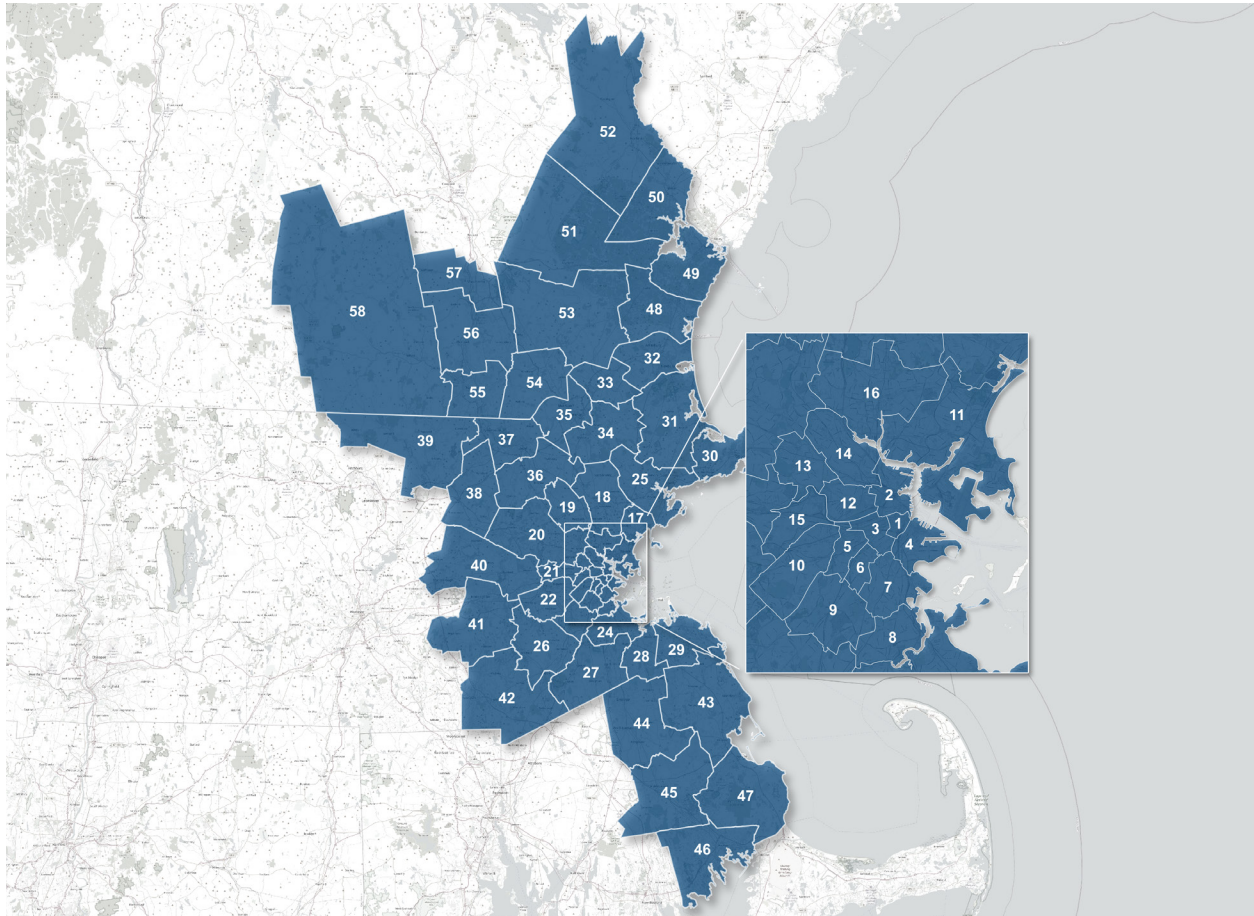
¹ From October 2021 to September 2022

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.

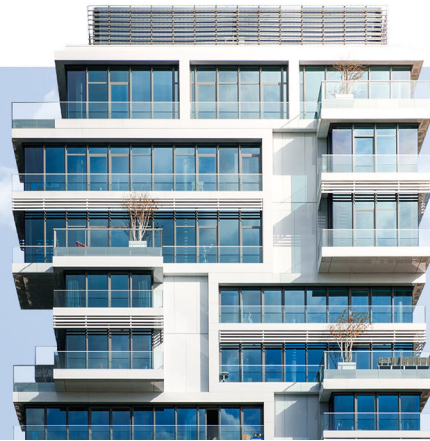
The Yardi® Matrix Context rating is not intended as a final word concerning a property's status—either improvements or location. Rather, the result provides reasonable consistency for comparing one property with another through reference to a consistently applied standard.

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



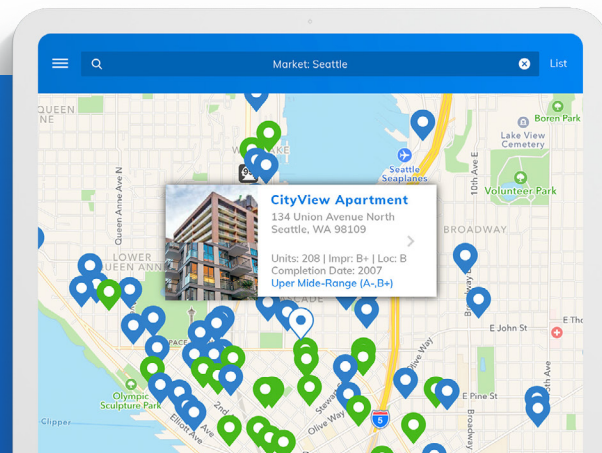
Yardi Matrix

Power your business
with the industry's
leading data provider



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



Yardi Matrix Multifamily
provides accurate data on
19.7+ million units, covering over
92% of the U.S. population.



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