



MULTIFAMILY REPORT

# Boston's Growth Streak

February 2024



Occupancy Tops 96%

Per-Unit Price Marks New High

YoY Rent Growth Among Nation's Highest

# BOSTON MULTIFAMILY



## Limited Supply Keeps Rents Afloat

Boston's multifamily fundamentals proved resilient throughout 2023, with rent growth ending the year at 3.0%, while the national rate inched up just 0.3%. The metro remained one of the country's tightest rental markets, with the occupancy rate in stabilized properties at 96.5% in November, following a minor 10-basis-point decline over 12 months.

Job gains remained on a moderating trend in 2023, expanding 2.4% in the 12 months ending in October, or 80,500 net jobs, slightly ahead of the 2.3% national rate. Reflecting a tight market, Boston's unemployment rate stood at 2.7% in November, marking a 90-basis-point improvement since January. The metro outperformed the U.S. (3.7%) and the state (2.9%), according to data from the Bureau of Labor Statistics. Two sectors lost positions in the 12 months ending in October 2023—information (-1,400 jobs) and manufacturing (-100 jobs). Meanwhile, gains were led by the metro's largest sectors: education and health services (27,300 jobs) and professional and business services (12,700 jobs).

Deliveries fell to the lowest volume in a decade, with only 5,405 units coming online in 2023. As of December, developers had 18,416 units under construction, with starts picking up. Meanwhile, investors traded \$2.2 billion in multifamily assets in 2023. The price per unit rose 12% year-over-year, to \$417,852, more than double the \$185,172 U.S. figure.

## Market Analysis | February 2024

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### Recent Boston Transactions

#### Hanover North Cambridge



City: Cambridge, Mass.  
Buyer: Goldman Sachs & Co.  
Purchase Price: \$182 MM  
Price per Unit: \$619,048

#### The Val



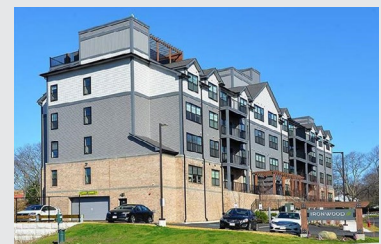
City: Billerica, Mass.  
Buyer: Corcoran Cos.  
Purchase Price: \$93 MM  
Price per Unit: \$438,626

#### Talia



City: Marlborough, Mass.  
Buyer: DSF Group  
Purchase Price: \$74 MM  
Price per Unit: \$328,997

#### Ironwood

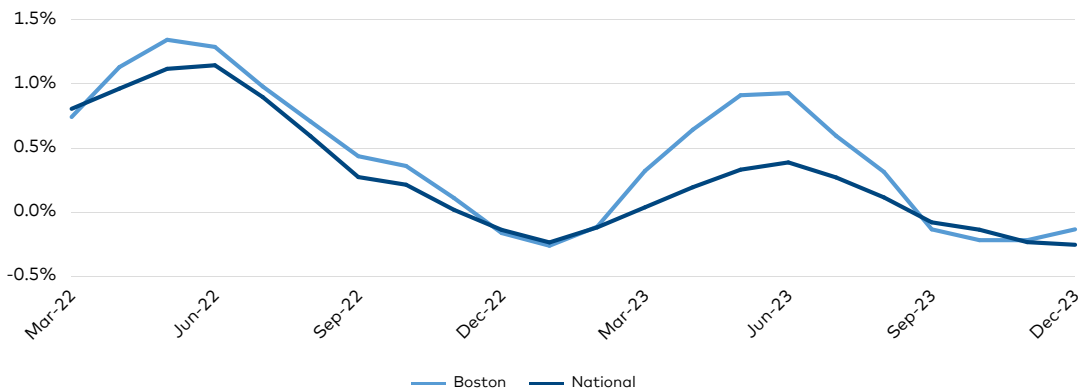


City: Lynn, Mass.  
Buyer: Forest Properties  
Purchase Price: \$29 MM  
Price per Unit: \$290,000

## RENT TRENDS

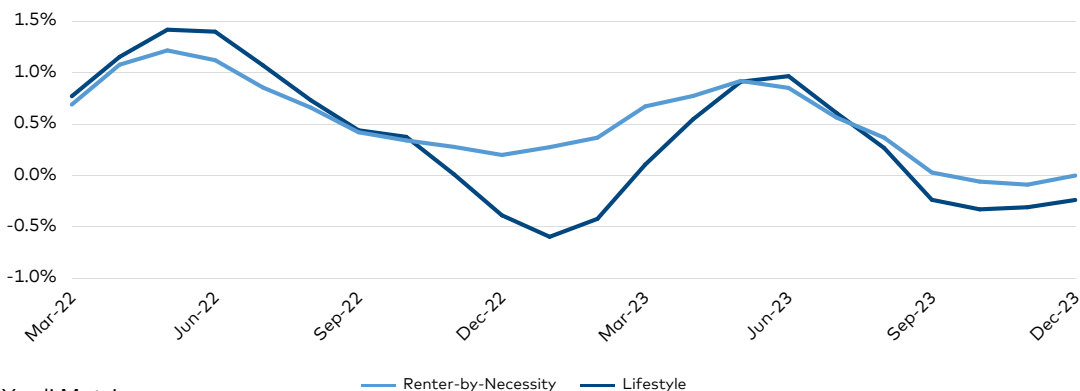
- ▶ Boston rents contracted 0.1% on a trailing three-month (T3) basis through December, to \$2,758, marking the fourth consecutive month of declines, while the national rate dropped 0.3%, to \$1,709. For six months in 2023—between March and August—Boston rents rose at an average of 0.6% on a T3 basis. Year-over-year, the average asking rent in the metro rose 3.0%—posting the sixth highest increase among Yardi Matrix’s top 30 markets. The national rate inched up only 0.3%.
- ▶ Lifestyle rents decreased 0.2% on a T3 basis through December, to \$3,219, declining for the fourth straight month, while working-class Renter-by-Necessity rents remained unchanged, at \$2,266.
- ▶ Occupancy held on well, with the rate in stabilized properties sliding just 10 basis points in the 12 months ending in November, to a tight 96.5%. The RBN segment posted a higher drop during the period—down 50 basis points—but at 96.8% it was higher than Lifestyle occupancy, which rose 20 basis points, to 96.3%.
- ▶ On a year-over-year basis, Boston rents decreased in just two submarkets, including Fenway Kenmore (-0.6% to \$3,675). The most expensive submarkets posted rents above the \$4,000 threshold: the South End (1.9% to \$4,554), South Boston (1.7% to \$4,132) and Boston–Downtown (1.9% to \$4,092). Another 11 submarkets had average asking rents above the \$3,000 mark, up from nine a year ago. Of the 58 submarkets tracked by Yardi Matrix, just nine had rates in the \$1,000 to \$2,000 range.

### 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 job gains continued to soften, to a 2.4% expansion rate in the 12 months ending in October, up 80,500 net jobs. Meanwhile, the U.S. rate was just 10 basis points behind. During this interval, all sectors added positions except for information (-1,400 jobs) and manufacturing (-100 jobs). Boston's unemployment rate stood at 2.7% in November, marking a 90-basis-point improvement since January 2023. The jobless rate was one of the tightest among major U.S. cities, outperforming the 3.7% national rate, as well as the 2.9% state figure, according to preliminary data from the BLS.
- ▶ While Boston continues to rank as one of the best cities to attract and retain talent developed

at its outstanding colleges and universities, high costs of living and long commute times are making it less appealing to some college graduates, who prefer to migrate to lower-cost states.

- ▶ Boston's largest sectors led job growth. Education and health services added 27,300 positions, while professional and business services gained 12,700 jobs. The biotech industry's remarkable expansion during the early years of the pandemic started moderating in 2022. This slowdown accelerated considerably in 2023, when an increasing number of biotech companies shut down, including Rubius Therapeutics and Intergalactic Therapeutics. It's possible that the metro's lab space will evolve into a slight oversupply.

### Boston Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
65	Education and Health Services	775	21.4%
60	Professional and Business Services	661	18.2%
70	Leisure and Hospitality	357	9.9%
15	Mining, Logging and Construction	174	4.8%
40	Trade, Transportation and Utilities	534	14.7%
90	Government	415	11.5%
55	Financial Activities	241	6.7%
80	Other Services	134	3.7%
30	Manufacturing	236	6.5%
50	Information	94	2.6%

Sources: Yardi Matrix, Bureau of Labor Statistics

### Population

- ▶ Boston lost 23,682 residents, or 1.2% of its population, in 2021, marking the first decline since 2010. The U.S. rate inched up 0.1%.
- ▶ Massachusetts gained residents in 2023, aided by immigration, which returned to pre-pandemic levels, according to the U.S. Census Bureau.

### Boston vs. National Population

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

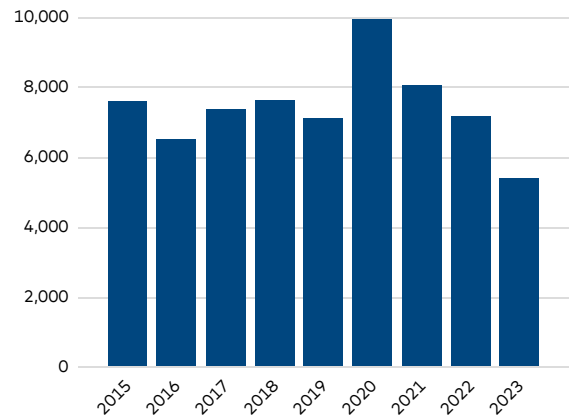
Source: U.S. Census

## SUPPLY

- ▶ Boston's multifamily inventory expanded by 5,405 units in 2023, the equivalent of 2.1% of total stock and 30 basis points below the U.S. rate. Last year's volume was the lowest of the past decade, which should help keep rent growth in check. By composition, less than 10% of the new supply was in the RBN segment, while the bulk of deliveries (90%) was in the up-scale Lifestyle segment.
- ▶ Developers had 18,416 units under construction as of December and another 82,000 apartments in the planning and permitting stages. The pipeline composition continues to be tilted toward the Lifestyle segment, which accounted for 82.8% of the total. More than half of the remaining 17.2% were units in fully affordable communities (10.4% of total).
- ▶ Although 2023 deliveries fell behind the volumes recorded in previous years and despite the rough financial landscape, construction starts increased in Boston. In 2023, 7,808 units across 45 properties broke ground in the metro. That was more than the volume in 2022, when 6,741 units across 41 properties started construction.
- ▶ Developers were active in 36 of the 58 submarkets tracked by Yardi Matrix, but activity

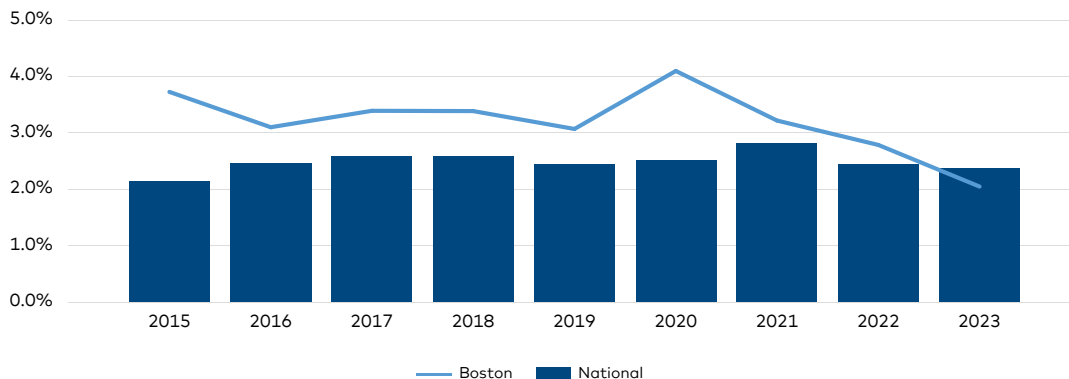
was highly uneven. East Boston–Chelsea led with 3,631 units under construction, followed by Brighton (1,506 units) and Quincy (1,433 units)—the only submarkets with more than 1,000 units underway. The former houses the largest project under construction, a Greystar asset totaling 741 units, located in an Opportunity Zone. It includes 9,500 square feet of retail space and is slated for completion in 2026.

**Boston Completions** (as of December 2023)



Source: Yardi Matrix

**Boston vs. National Completions as a Percentage of Total Stock** (as of December 2023)

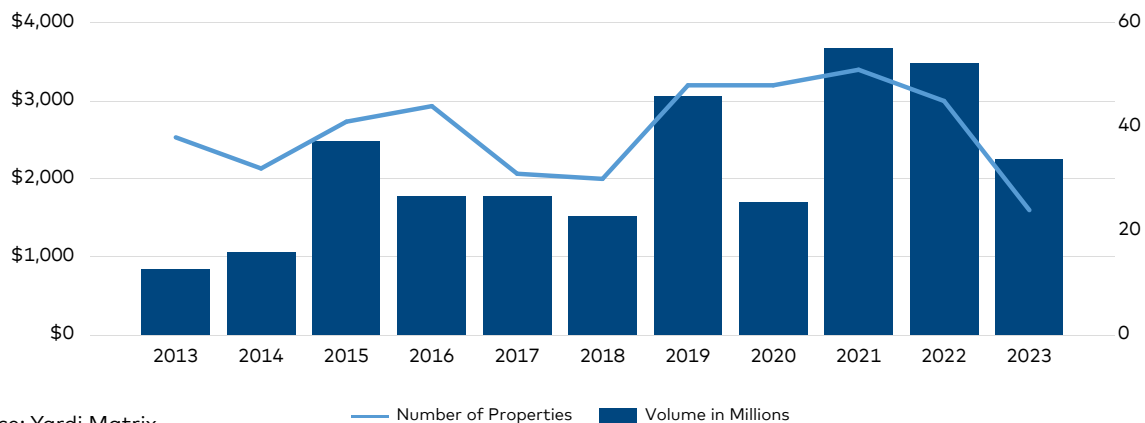


Source: Yardi Matrix

## TRANSACTIONS

- ▶ Investors traded \$2.2 billion in multifamily assets in 2023. Transaction activity softened, with just 24 properties changing hands throughout the year. Despite the drop in the number of sales, the dollar volume was still the fifth largest since 2014.
- ▶ Sales composition was slightly tilted toward the luxury segment, which accounted for 14 deals. This impacted the average price per unit, up 12% year-over-year, to \$417,852. Meanwhile, the national figure dropped 11.3%, to \$185,172.
- ▶ In 2023, Boston had seven properties trade for prices above \$100 million. The most recent one sold in September for \$182 million, acquired by Goldman Sachs & Co. The 294-unit Hanover North Cambridge traded for \$619,048 per unit. It also includes 6,992 square feet of retail space. The property is LEED Gold-certified and was previously owned by The Hanover Co.

**Boston Sales Volume and Number of Properties Sold** (as of December 2023)



Source: Yardi Matrix

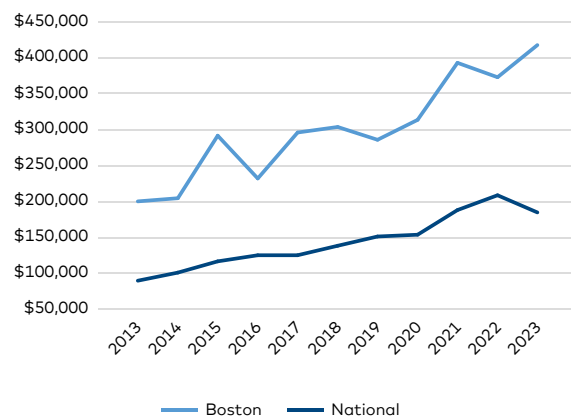
**Top Submarkets for Transaction Volume<sup>1</sup>**

Submarket	Volume (\$MM)
Fenway Kenmore	462
Marlborough	227
Somerville	188
Cambridge-North	182
Newton	169
Tewksbury	161
Lakeview	156

Source: Yardi Matrix

<sup>1</sup> From January 2023 to December 2023

**Boston vs. National Sales Price per Unit**



Source: Yardi Matrix

## Top 10 Markets for Multifamily Rent Growth

By Anca Gagiuc

The year 2023 saw the end of a very strong run for the U.S. multifamily market. National rent growth, although milder than in 2022, remained strong, as a regression to the mean slowly set in. But not all regions and markets shared a common experience. In fact, rent performance was mixed by region, and balanced enough between year-over-year gains and losses. In the ranking below, we list the top 10 markets for rent growth on a year-over-year basis through November, based on Yardi Matrix data.

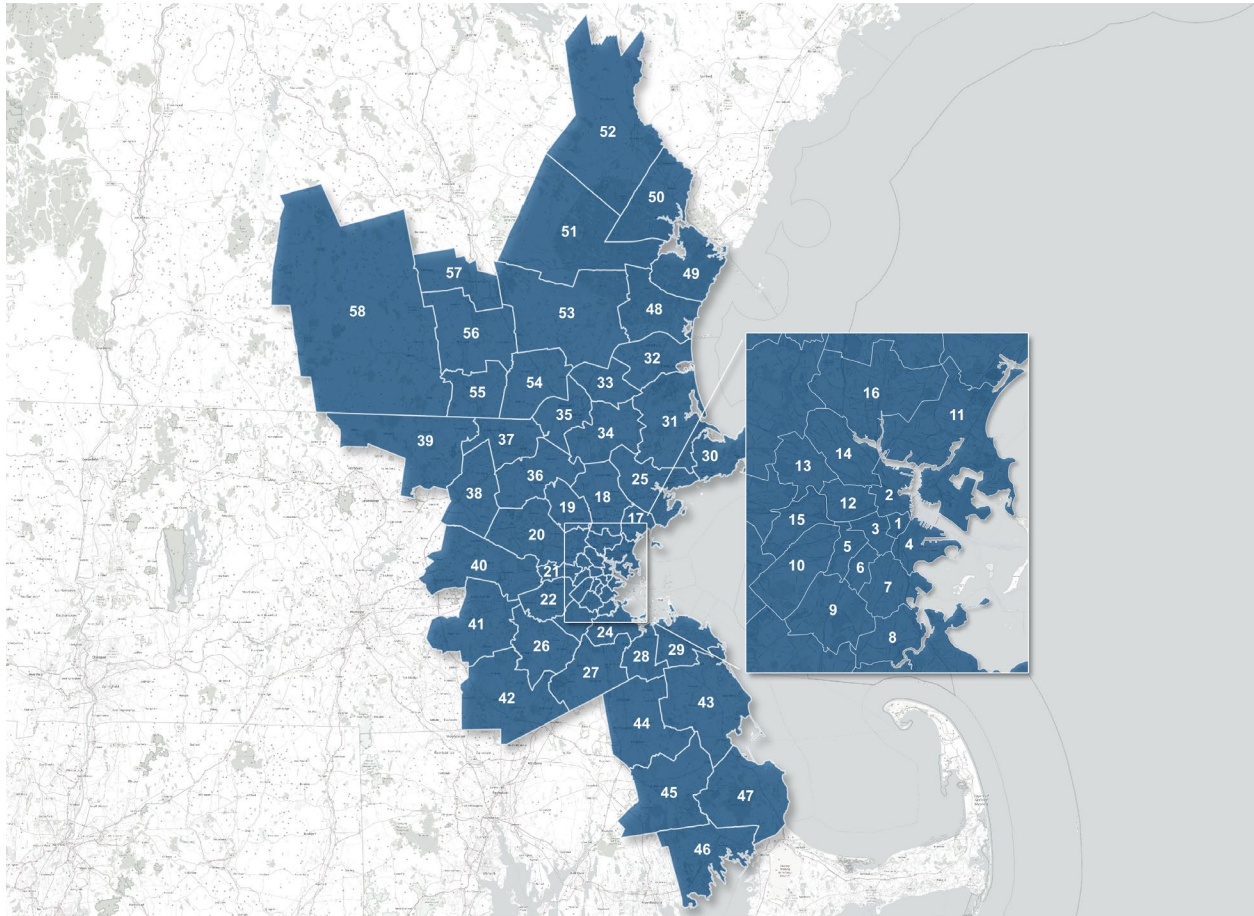
Rank	Metro	YoY Rent Growth Rate	Average Asking Rent	Under Construction (Units)
1	Midland - Odessa	10.6%	\$1,369	250
2	Madison	7.3%	\$1,498	7,219
3	Syracuse	7.1%	\$1,262	754
4	Buffalo	6.4%	\$1,268	3,155
5	Worcester - Springfield	6.4%	\$1,786	1,656
6	New York	6.2%	\$4,413	39,598
7	Dayton	6.0%	\$1,092	1,720
8	Rochester	5.7%	\$1,353	1,906
9	Albany	5.4%	\$1,534	3,985
10	Bridgeport - New Haven	4.9%	\$1,918	9,488

### Worcester–Springfield, Mass.

Neighboring New York to the north, Worcester–Springfield posted an average asking rent on par with Buffalo's, up 6.4% year-over-year in November, to \$1,786. The metro is one of the three markets in this group with the average asking rent above the \$1,713 national rate. One particularity of the market is rent growth by asset class, as unlike the rest of the metros in this group as well as the national trend, rent growth in Worcester–Springfield was led by the upscale Lifestyle segment, up 6.6%, to \$2,575.



# 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.

To learn more about Yardi® Matrix and subscribing, please visit [www.yardimatrix.com](http://www.yardimatrix.com) or call Ron Brock, Jr., at 480-663-1149 x2404.



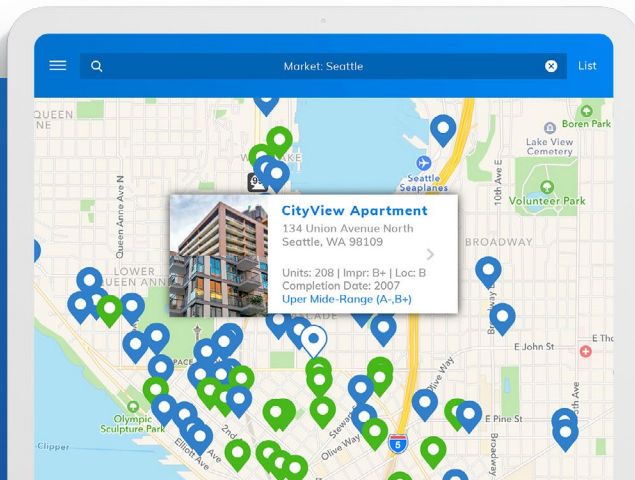
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