



MULTIFAMILY REPORT

Boston's Evolution

June 2024

Rent Growth Outperforms US

Occupancy Remains Above 96%

Development Solid But Moderating

BOSTON MULTIFAMILY



Demand Boosts Rents, Occupancy Solid

Boston's multifamily fundamentals showcased a stable performance at the start of the second quarter of 2024. Rent growth continued to outperform the U.S., both on a trailing three-month basis (up 0.6%) and on a year-over-year basis (up 2.6%), to \$2,086 as of April. Occupancy remained tight, above 96%, despite a 70-basis-point year-over-year decline.

Boston's employment market expanded by just 0.6%, or 21,000 jobs, year-over-year as of February, while U.S. employment rose 1.5%. Five sectors lost 15,400 jobs combined: information; trade, transportation and utilities mining, logging and construction; financial activities and manufacturing. Education and health services led gains with 24,400 jobs. Despite the slowdown, Boston's economy is expected to remain stable, supported by the life sciences, tech and logistics sectors—industries with long-term growth potential. In January, the metro had 15 million square feet under construction across 50 properties, 38 of which are life science buildings.

Developers delivered 1,152 units through April. While the pipeline was still robust with 19,097 apartments under construction, the volume of new projects is slowing. Investors traded \$301 million in multifamily assets and were primarily drawn to upscale properties. The price per unit bucked the national trend and rose 11.6% year-to-date, to \$483,412.

Market Analysis | June 2024

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Recent Boston Transactions

Flats on D



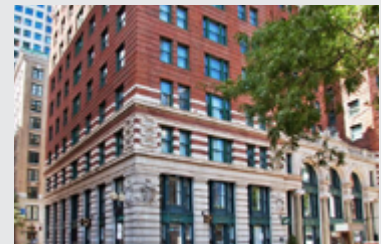
City: Boston
Buyer: Eaton Vance Investment Managers
Purchase Price: \$102 MM
Price per Unit: \$515,228

The Point at Green District



City: Marlborough, Mass.
Buyer: Pantzer Properties
Purchase Price: \$96 MM
Price per Unit: \$404,255

One India Street



City: Boston
Buyer: Synergy Investment & Development
Purchase Price: \$62 MM
Price per Unit: \$645,833

Union Court



City: Framingham, Mass.
Buyer: Rockridge Real Estate
Purchase Price: \$17 MM
Price per Unit: \$229,167

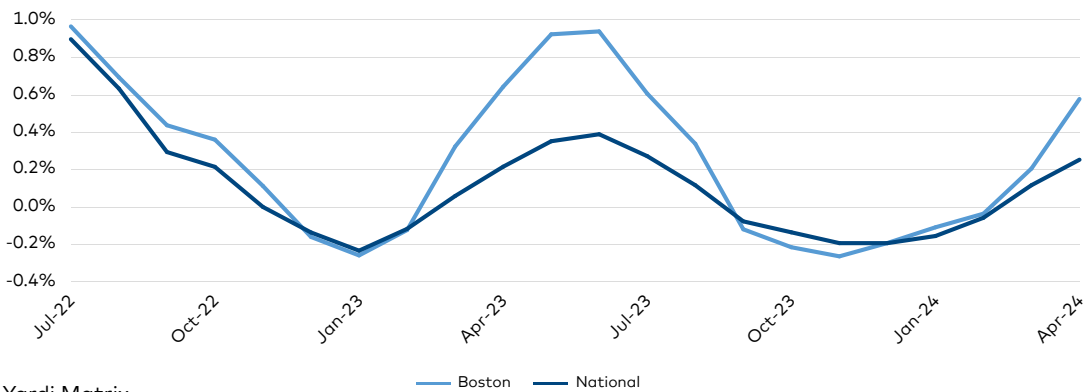
RENT TRENDS

- ▶ Boston rents rose 0.6% on a trailing three-month basis through April, to \$2,086, double the 0.3% national rate, which clocked in at \$1,725. On a year-over-year basis, rates rose 2.6%, more than three times the 0.7% national figure.
- ▶ Rent growth was even across quality segments, up 0.6% on a T3 basis through April. Average rents in the Lifestyle segment reached \$3,254, while Renter-by-Necessity rates stood at \$2,313.
- ▶ The occupancy rate in stabilized properties decreased 70 basis points year-over-year through March, but remained tight, at 96.1%. At this rate, occupancy was on par with San Diego and was surpassed only by New York City (98.1%) and New Jersey (97.1%). By property type, the occupancy decline was slightly higher in RBN as-

sets (down 80 basis points, to 96.6%), while in the upscale segment the rate decreased 60 basis points, to 95.7%.

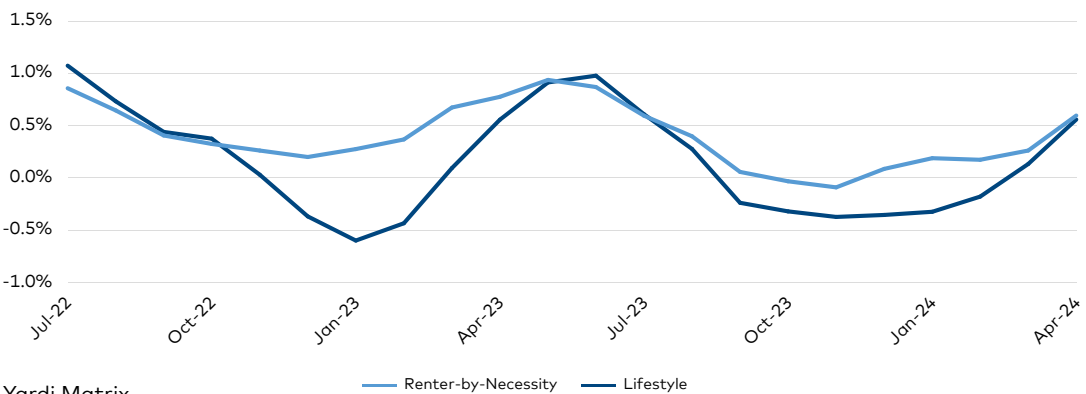
- ▶ On a year-over-year basis, rents declined in just six of the 58 submarkets tracked by Yardi Matrix, including South Boston (-0.6% to \$4,040), the third most expensive submarket in the metro.
- ▶ The South End (up 0.4% to \$4,500) and Boston-Downtown (up 0.3% to \$4,056) closed out the top three most sought-after submarkets. Another 11 recorded average rents above the \$3,000 mark, and 34 were between \$2,000 and \$3,000. Just nine submarkets had asking rents below the \$2,000 mark and none below \$1,300.

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 climbed above 3.0% in the first quarter of 2024, following 2023's last four months in the 2.6% to 2.9% band, according to preliminary data from the Bureau of Labor Statistics. The metro outperformed the U.S. (3.8%) and trailed the state (2.9%).
- ▶ Boston's annual employment growth rate has remained below 1.0% since September last year, clocking in at 0.6%, or 21,000 jobs, in the 12 months ending in February, a 10-basis-point increase from January. Meanwhile, the U.S. rate decelerated to 1.5%. Five sectors lost 15,400 jobs combined: information; trade, transportation and utilities; mining, logging and construction; financial activities and manufacturing.
- ▶ Job growth was primarily sustained by education and health services (24,400 jobs). Boston's thriving life sciences industry is bolstering its office market. As of January, the metro had nearly 15 million square feet of office under construction, or 5.2% of stock, according to CommercialEdge data. Of the 50 office properties underway, 38 are life science buildings and account for more than 11 million square feet. Among them is Tishman Speyer and Harvard University's Enterprise Research Campus.

Boston Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
65	Education and Health Services	776	22.2%
90	Government	415	11.9%
70	Leisure and Hospitality	328	9.4%
80	Other Services	126	3.6%
60	Professional and Business Services	623	17.8%
30	Manufacturing	236	6.8%
55	Financial Activities	230	6.6%
15	Mining, Logging and Construction	152	4.4%
40	Trade, Transportation and Utilities	518	14.8%
50	Information	88	2.5%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- ▶ Boston's population remained nearly flat in 2022, gaining just 419 residents, up less than 0.01%, while the U.S. rate rose 0.4%. In 2021, the metro's population posted a 1.2% expansion, or 57,222 residents.
- ▶ Between 2019 and 2022, Boston's population rose 1.7%.

Boston vs. National Population

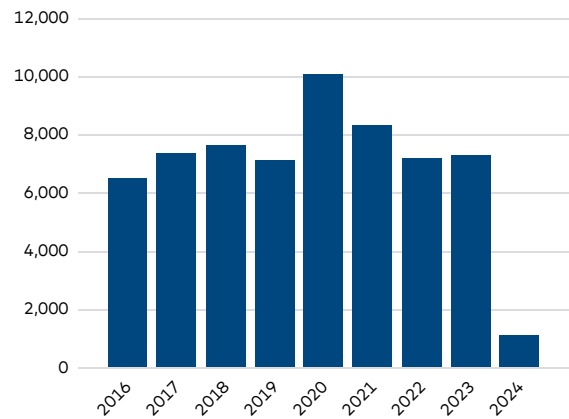
	2019	2020	2021	2022
National	324,697,795	326,569,308	329,725,481	331,097,593
Boston	4,832,346	4,854,808	4,912,030	4,912,449

Source: U.S. Census

SUPPLY

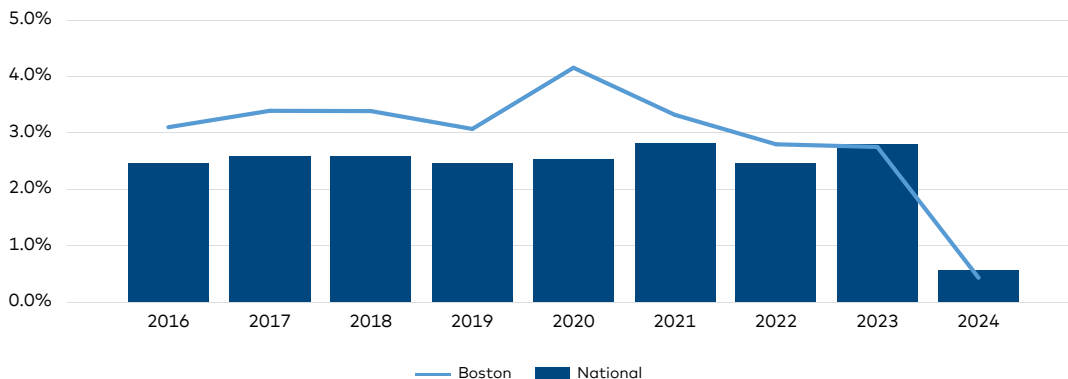
- ▶ Boston had 19,097 units under construction as of April, with the market back to pre-pandemic volumes for rental deliveries. Another 80,000 units were in the planning and permitting stages. Since 2020, some 34,200 units have come online, with 2020 still holding the decade-high mark for highest volume of deliveries, at 10,109 units. The pipeline composition in April consisted of 82.5% Lifestyle units, 4.1% were RBN, while fully affordable units accounted for 13.5%.
- ▶ Developers added 1,152 units to the metro's stock through April, 0.4% of total stock and 10 basis points below the national rate. Deliveries consisted of 77.3% Lifestyle units, 4.3% RBN apartments and 18.4% of units in fully affordable communities. During the first four months of 2024, developers broke ground on just 772 units across three properties, a significant drop from the 3,452 units across 17 properties that started construction during the same period in 2023. The decline in new construction can be attributed to high interest rates and overall financing costs, difficulty sourcing labor for projects and rising labor costs, as well as overall construction costs.
- ▶ As of April, development was most intense in East Boston–Chelsea (3,252 units under construction), Brighton (2,106 units) and Fenway Kenmore (1,020 units). Another 33 of the 58 submarkets tracked by Yardi Matrix had between 50 and 900 units underway. Properties delivered through April were relatively small—144 units on average. The largest was the 219-unit Imprint in Dorchester, owned by The Michaels Org. The asset holds a \$61.8 million construction loan originated by Cambridge Savings Bank.

Boston Completions (as of April 2024)



Source: Yardi Matrix

Boston vs. National Completions as a Percentage of Total Stock (as of April 2024)



Source: Yardi Matrix

TRANSACTIONS

- ▶ Investors completed \$301 million in multifamily transactions in 2024 through April. The bulk of that, some \$276 million, traded in the first month of the year, after which activity plummeted. Last year's total sales volume reached \$2.5 billion.
- ▶ Of the five properties that were sold through April, four were upscale Lifestyle assets, which contributed to an 11.6% year-to-date increase in the price per unit, to \$483,412, nearly \$300,000 higher than the \$181,913 U.S. figure.
- ▶ Transactions were scattered across the map, with the most expensive projects that changed hands located in Marlborough (\$95.5 million) and South Boston (\$101.5 million). The latter is Eaton Vance Investment Managers' acquisition of Flats on D, a LEED certified, partially affordable property totaling 197 units. The asset was completed in 2014 and includes 4,237 square feet of retail space. Seller Clarion Partners received a per-unit price of \$515,228.

Boston Sales Volume and Number of Properties Sold (as of April 2024)



Source: Yardi Matrix

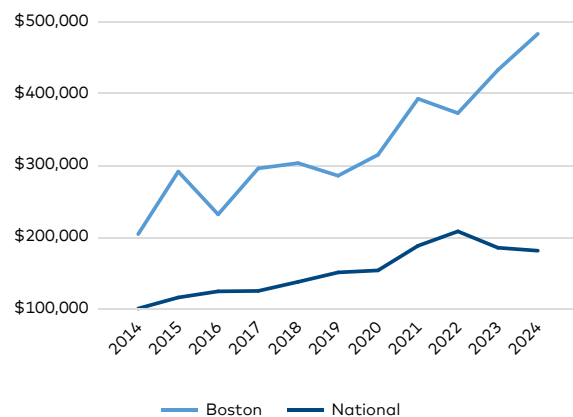
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Marlborough	362
Somerville	188
Cambridge-North	182
Newton	169
Tewksbury	161
Westwood	114
Malden	104

Source: Yardi Matrix

¹ From May 2023 to April 2024

Boston vs. National Sales Price per Unit



Source: Yardi Matrix

Top Markets for Multifamily Investment in 2023

By Tudor Scolca

Multifamily investment dropped sharply in 2023, after two years of outstanding performance. The high cost of capital led to a pause in activity across the U.S., seriously denting sales volumes. In this context, we're taking a look at what the top markets for multifamily investment were last year, leveraging Yardi Matrix data. At the national level, investors acquired \$69.4 billion in multifamily assets last year, less than half of the \$206.9 billion recorded in 2022.

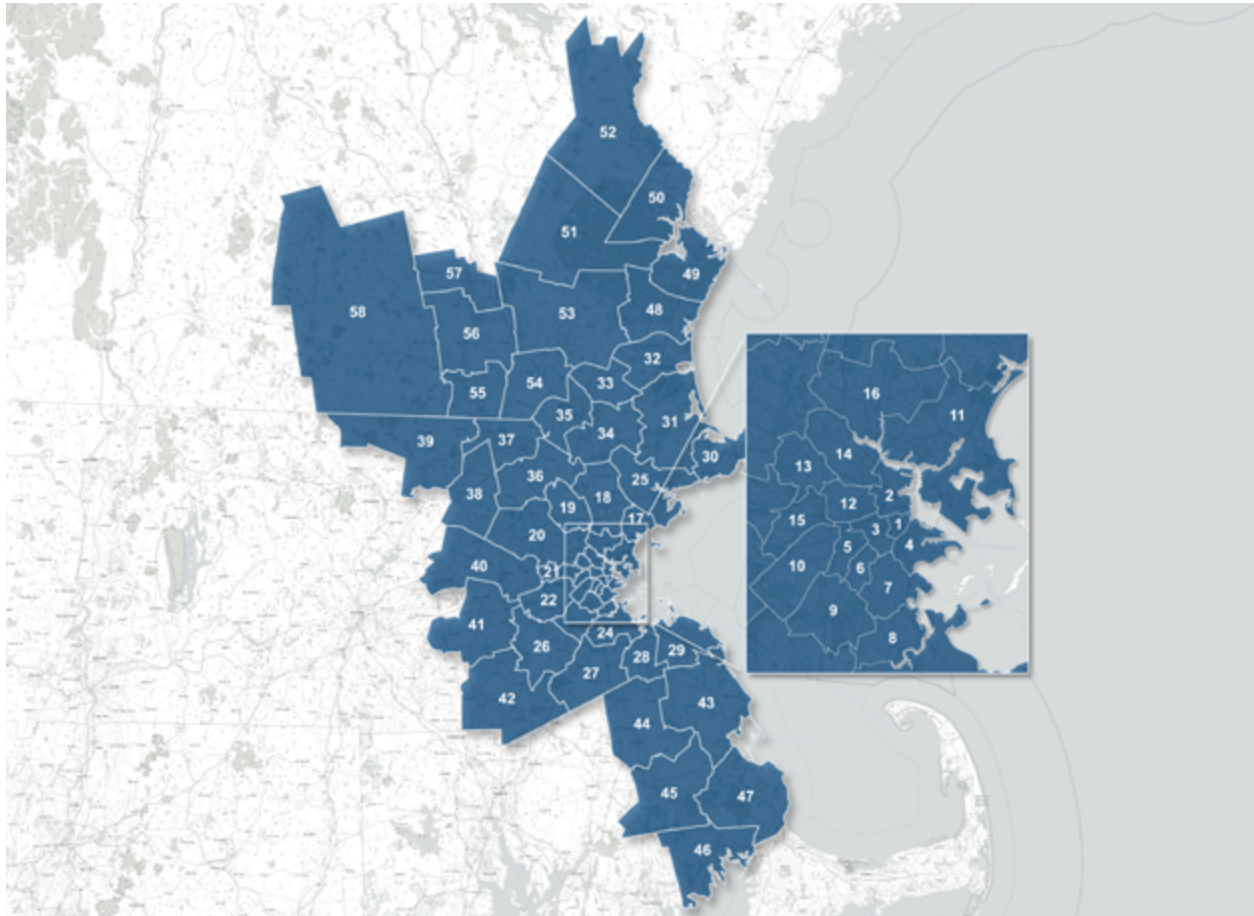
Metro	Price Per Unit	Properties Traded	Units Traded	Sales Volume
National	\$187,744.92	2,451	439	\$69,388,075,254
Dallas	\$151,108.78	183	40	\$4,174,529,639
Atlanta	\$196,139.81	100	20	\$3,731,255,605
Phoenix	\$289,302.52	51	11	\$3,217,333,332
Chicago	\$207,465.22	73	14	\$2,646,076,052
Denver	\$320,997.13	45	7	\$2,532,618,716
Boston	\$429,169.79	28	5	\$2,513,541,750
Miami Metro	\$266,828.36	48	10	\$2,477,684,737
Washington, D.C.	\$261,684.55	44	10	\$2,236,427,318
Charlotte	\$223,421.00	50	10	\$1,981,747,182
Tampa	\$197,224.27	50	11	\$1,963,452,980

Boston

Clocking in at No. 6, metro Boston recorded a total of \$2.5 billion in sales, which was down 27.8% year-over-year. Last year investors traded 28 properties, encompassing 5,370 units, at an average of \$429,169 per unit, which was more than double the national average. Investors favored the upscale segment in Boston as well, with 17 transactions involving Lifestyle assets (3,397 units), totaling nearly \$2 billion.



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 or call Ron Brock, Jr., at 480-663-1149 x2404.



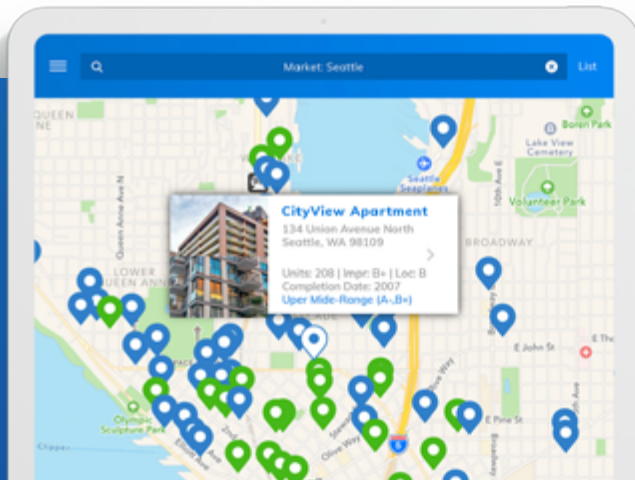
Yardi® Matrix

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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
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