

INVESTMENT FORECAST

Retail
Boston

IPA

INSTITUTIONAL
PROPERTY
ADVISORS

2022

Metro Sees Record Investment Activity; Boston Fundamentals Maintain Pace of Recovery

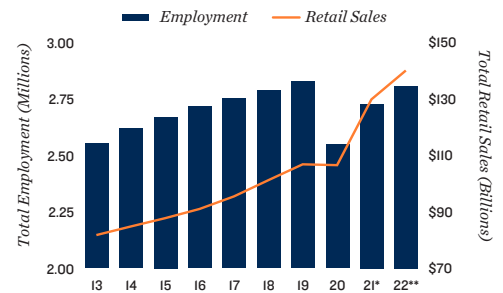
Signs point to solid year for retail metrics in Greater Boston. After weathering the worst of the health crisis, Boston's retail sector maintained an optimistic outlook entering the year. Hiring velocity is expected to continue at an above-national rate through 2022, though a protracted recovery is expected before the market reaches pre-pandemic levels of employment. Still, the metro's prominent life sciences sector will support highly-skilled job creation, providing a boost to discretionary spending and consumer demand. These increases will enable retail sales volume in 2022 to eclipse the pre-pandemic dollar mark by roughly 27 percent. Additional reasons for optimism exist as Boston entered this year with the third-lowest availability rate and a light construction pipeline. The sparse volume of supply additions slated for near-term completion will steer most expanding retailers to existing properties, placing downward pressure on metro vacancy, which should end this year 20 basis points below the trailing 10-year average.

Investors eye assets in northern Essex County and coastal New Hampshire. A combination of pent-up investment demand and positive forward-looking conditions contributed to record deal flow in 2021, elevating both multi-tenant and single-tenant sales activity. The metro's far northeast, which has also seen a consistent increase in multifamily deals over the preceding half decade, observed the most noticeable uptick in retail property deals as investors look away from the CBD for lower-cost properties. Here, the Rockingham County and Lawrence/Andover submarkets registered historically high numbers of transactions. Rockingham deals typically draw investors operating in the sub-\$10 million tranche pursuing single-tenant and smaller mixed-use, multi-tenant options on New Hampshire's coast. In Lawrence/Andover, mixed retail-residential and retail-office opportunities under 10,000 square feet often trade for under \$2 million, and command cap rates from the 6 percent to low-7 percent range.

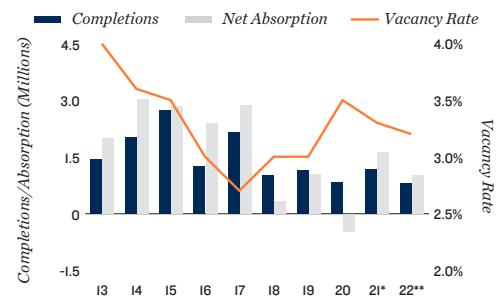
2022 Market Forecast

- Employment** up 2.9%
Boston's employment recovery continues at an above-national pace, with firms adding 80,000 new positions this year.
- Construction** 800,000 sq. ft.
The metro's total retail square footage expands by just 0.3 percent in 2022, the slowest rate of growth observed in at least the past 15 years.
- Vacancy** down 10 bps
Minimal stock expansion and continuing economic recovery push vacancy down to 3.2 percent as net absorption surpasses 1 million square feet for the second year in a row.
- Rent** up 2.4%
After rising by more than 2.0 percent last year, the average asking rent climbs to \$21.60 per square foot amid steady demand for retail space and low vacancy.
- Investment**
Due to surprisingly robust sales performance during lockdown, multi-tenant assets with non-essential anchors may see lower than expected upward yield pressure from extant COVID fears.

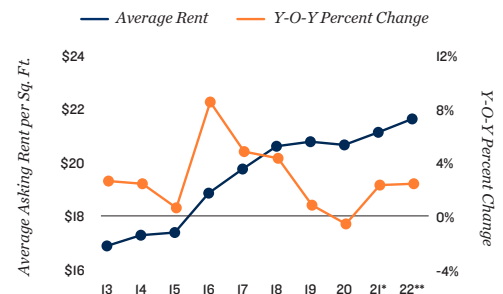
Economic Trends



Supply and Demand



Rent Trends



* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

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Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of February 2022. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Forecasts for employment and retail data are made during the first quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.