

# MARKET REPORT

Retail  
Boston Metro Area

IPA  
INSTITUTIONAL  
PROPERTY  
ADVISORS

2Q/22

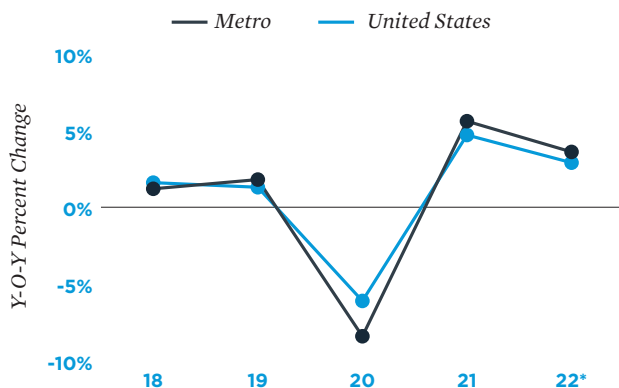
## Hiring Stokes Incomes and Spending; Vacancy Tightens in Northern Suburbs

**Retail foot traffic enhanced by high-paying employers.** Firms like Vertex Pharmaceuticals and Capital One are among the large-scale employers moving in to Boston and Cambridge offices, as corporate tenants signal confidence in a strong near-term recovery of activity in the CBD. Furthermore, Boston's nationally-leading concentration of life science initiatives has kept foot traffic above a minimum around biotechnology campuses, as operations in this sector necessitate employees working on site. Growth in this industry, in addition to other high-compensation segments, will push the median household income above \$100,000, ranking among the highest in the nation.

### Urban core recovering, suburbs present growth potential.

As health concerns lessen, improving foot traffic in Boston and first-ring suburbs has drummed up competition for leases near the core, a trend which should continue through this year. Moving away from the CBD, minimal development in the northern portion of the metro, particularly in the Manchester-Nashua and Route 3 North submarkets, contributed to the largest year-over-year vacancy declines posted this March across Greater Boston. Robust fundamentals appear to be attracting more development here. Entering May of this year, Hillsborough County's construction pipeline approached 240,000 square feet. Properties underway include a mix of single- and multi-tenant spaces, with the largest being a 180,000 neighborhood center in Hillsborough.

### Employment Trends



\* Forecast

Sources: BLS; CoStar Group, Inc.

## Retail 2022 Outlook



**100,000  
JOBS**  
*will be created*

### EMPLOYMENT:

Boston area employers are expected to grow staffing counts by 3.6 percent in 2022, putting the metro within 18,000 positions of pre-pandemic employment levels. Full job recovery will likely take place in early 2023.



**940,000  
SQ. FT.**  
*will be completed*

### CONSTRUCTION:

With retail inventory expanding at a 0.4 percent clip, developers finalize under a million square feet for the third consecutive year in a row. Annual completions averaged nearly 1.8 million square feet during the previous cycle.



**20  
BASIS POINT**  
*decrease in vacancy*

### VACANCY:

Consumer spending will support more leasing activity as retailers expand into new space. Vacancy is projected to end the year at 3.0 percent, with availability remaining above the lows reported during the previous decade.

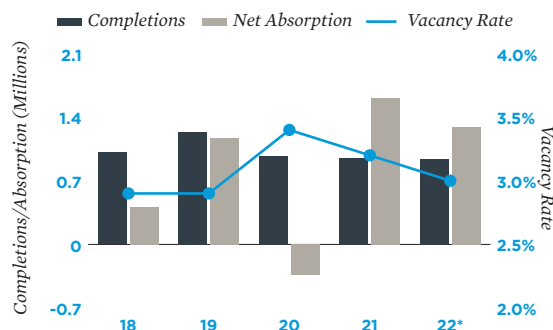


**5.7%  
INCREASE**  
*in asking rent*

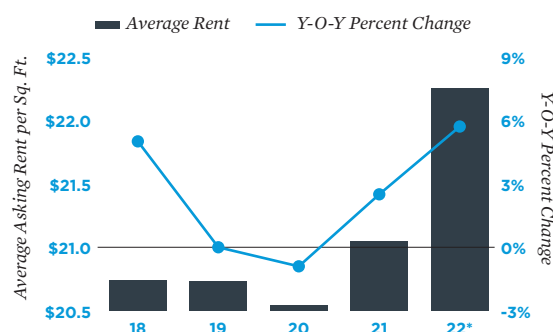
### RENT:

Construction at rates lower than historical norms, in tandem with elevated competition for available space, should support the most substantial gains in six years, with asking rents reaching an average of \$22.25 per square foot.

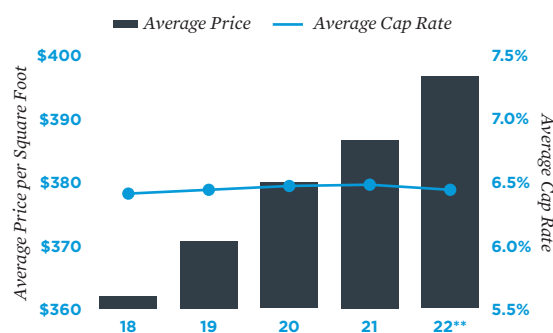
## Supply and Demand



## Rent Trends



## Sales Trends



\* Forecast \*\* Through 1Q

Sources: CoStar Group, Inc.; Real Capital Analytics

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Price: \$250

## 1Q 2022 - 12-Month Period



### CONSTRUCTION

**890,000 sq. ft. completed**

- While finalizations exceeded the previous yearlong span ending in March by 100,000 square feet, construction remains under the historical average.
- Headline developments of this period include Woburn Village, a 115,000-square-foot community center in Essex County, and Echelon Seaport, a mixed-use property in Boston with 125,000 square feet of retail space.



### VACANCY

**30 basis point decrease in vacancy Y-O-Y**

- After hitting a pandemic high in the first quarter of 2021, metrowide vacancy ended this March at 3.2 percent.
- The largest vacancy increase was reported in Worcester, where the rate of availability advanced 40 basis points as several big-box retailers exited higher-quality space, creating room for new retail concepts.



### RENT

**6.1% increase in the average asking rent Y-O-Y**

- After making a full recovery in the fourth quarter of 2021, asking rents jumped this year to end March at an average of \$21.99 per square foot.
- Rent growth was driven by multi-tenant properties. Despite availability in this segment declining just 20 basis points year-over-year, the mean market-ed rent posted a 10.9 percent increase to \$21.41 per square foot.

## Investment Highlights

- Boston reported record-breaking deal flow last year as investors looked to take advantage of a strong retail environment, with trades exceeding the previous high reported in 2017 by 10 percent. Elevated bidding activity continuing into this year translated to the most substantial pricing gains observed since 2013, bringing the average price per square foot to \$396 as of March 2022.
- Due to continued upward pricing momentum and quarter-by-quarter transaction velocity gains, the average cap rate declined for the first time since 2016, ending this March at the pre-pandemic norm of 6.4 percent. This could stem from a return of activity to the urban core, where retail performance uncertainty was dissipating.
- A recently-announced waterfront redevelopment initiative for East Boston could draw attention to neighborhoods adjacent to Logan International Airport from investors anticipating urban renewal here. Plans would upgrade and expand the existing municipal harbor, making this area a potentially more attractive target for capital placement.

The information contained in this report was obtained from sources deemed to be reliable. Every effort was made to obtain accurate and complete information; however, no representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. Metro-level employment growth is calculated based on the last month of the quarter/year. Sales data includes transactions sold for \$1 million or greater unless otherwise noted. 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. Sources: Marcus & Millichap Research Services; Bureau of Labor Statistics; CoStar Group, Inc.; Real Capital Analytics

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