

MARKET REPORT

Multifamily
Boston Metro Area

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

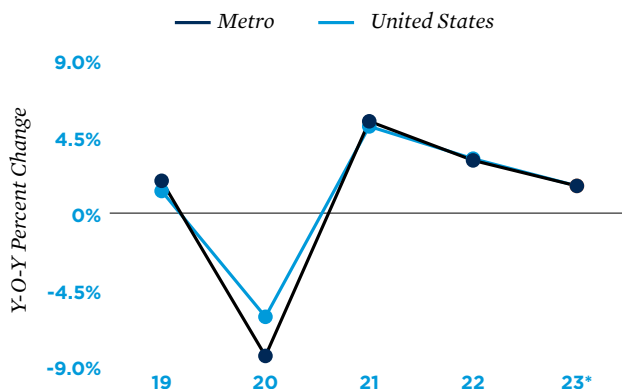
3Q/23

Vacancy in Northern Suburbs Remains Tight; Rent Control Proposal Shifts to Ballot Initiative

High costs drive renter behavior. The metrowide vacancy rate remained above 4 percent during the first half of 2023, translating to an annual rent growth deceleration after a year of historical gains. Still, housing costs remain broadly elevated. Some price-burdened renters are moving north into the metro's outlying environs as a result. Entering July, Rockingham-Strafford Counties and North Essex County noted the lowest vacancies across the metro, at 2.5 and 3.0 percent, respectively. Limited construction here should steer renters toward existing units moving forward. As of July, just 800 units of the 17,650 doors underway marketwide were located in these areas.

Rent control push stalls, proponents recalibrate strategies. The Boston City Council made headlines in March of this year after approving a Mayor Michelle Wu-backed rent stabilization initiative. This proposal would grant Boston a home-rule exception to the statewide rent control ban, which has been in place since 1994. The initiative would also cap annual rent increases in the city from 6 to 10 percent, dependent on the contemporary consumer price index. Still, the proposal found little support among the state legislature in the intervening months. Since that time, a ballot measure petition was filed in August to lift the ban at the state level, though 90,000 signatures are required to drive the proposal forward, presenting a steep hurdle. The new push could have further reaching consequences, however, as the measure would allow all Massachusetts municipalities to explore rent control legislation.

Employment Trends



* Forecast

Sources: BLS; CoStar Group, Inc.; RealPage, Inc.

Multifamily 2023 Outlook



**45,000
JOBS**

will be created

EMPLOYMENT:

Hiring velocity kept an impressive pace thus far in 2023, despite macroeconomic uncertainty in the year's early months. Still, a record-low unemployment rate of 2.3 percent in June will complicate further recruitment.



**8,100
UNITS**

will be completed

CONSTRUCTION:

Boston is on track to record its second-most active annual span for deliveries since at least 2000. This year's anticipated supply wave will be exceeded only by 2020, when 9,400 units came online.



**110
BASIS POINT**

increase in vacancy

VACANCY:

The metro observes a second year of triple-digit vacancy decompression stemming from the high volume of units scheduled for addition. This influx of supply elevates vacancy to 5.0 percent by year-end.



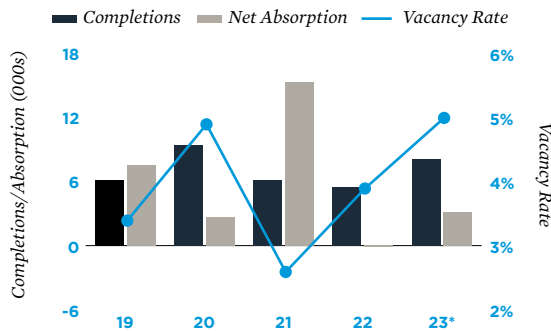
**4.1%
INCREASE**

in effective rent

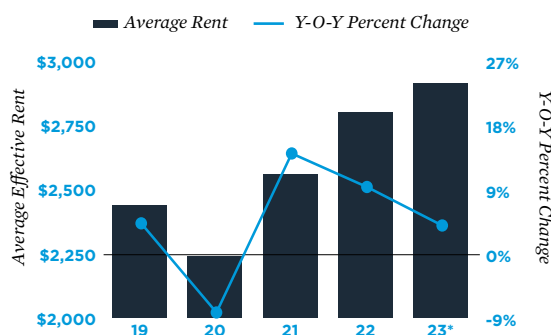
RENT:

The pace of rent growth tempers from last year's increase, when the metric grew by 9.5 percent. The average effective rent will close out 2023 at \$2,915 per month. This mean is 19.6 percent over the year-end 2019 level.

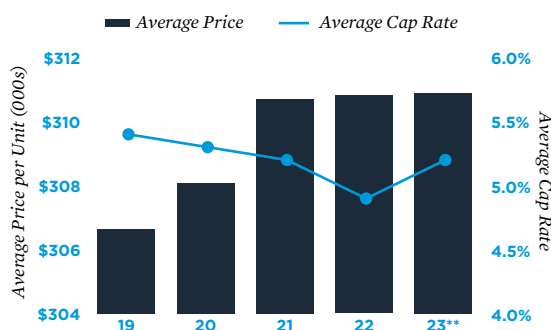
Supply and Demand



Rent Trends



Sales Trends



* Forecast ** Through 2Q

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

IPA Multifamily John Sebree

Senior Vice President, Director
Tel: (312) 327-5400 | jsebree@ipausa.com

IPA Multifamily Research

Greg Willett
First Vice President
Tel: (972) 755-5200 | gwillett@ipausa.com

Price: \$250

2Q 2023 - 12-Month Period

CONSTRUCTION 6,549 units completed

- The Greater Boston region noted a 1.6 percent inventory expansion during the 12-month period ended in June, the most rapid seen since 2021.
- Plymouth County led the market in supply additions during this span, with 1,189 apartments brought online. The Cambridge-Somerville area came in at a close second, adding 1,176 units.

VACANCY 130 basis point increase in vacancy Y-O-Y

- Vacancy steadily increased on a quarterly basis after reaching a 21-year low of 2.5 percent in March 2022, entering July of this year at 4.2 percent.
- Both the CBD and suburbs noted vacancy increases of no less than 120 basis points, recording rates of 4.8 and 4.1 percent, respectively. The Fenway-Brookline-Brighton submarket saw the highest rate at 5.6 percent.

RENT 5.6% increase in the average effective rent Y-O-Y

- The pace of rent growth over the yearlong span ended in June was the slowest noted in two years, placing the mean effective rent at \$2,886 per month.
- Low vacancy in North Essex County and Rockingham-Strafford Counties supported market-leading rent growth here, with the average effective rent in these submarkets rising 7.2 and 8.8 percent, respectively.

Investment Highlights

- Deal flow in the \$15 million-plus price tranche rose notably between the first and second quarters of 2023, suggesting increasing appetites from institutional investors as the pace of interest rate hikes began to decelerate. This category of buyer has historically focused on luxury and mid-tier properties with more than 200 units in Boston's suburban environs.
- In addition to a higher proportion of Class A and B assets trading during the trailing year ended in June, an increasing share of properties changed hands in Boston proper and close-in suburbs, which kept pricing stable during this period. The mean price per unit during this time frame was \$311,000, roughly equivalent to the preceding annual span.
- While Essex County has noted consistent increases in transaction velocity on a yearly basis since the mid-2010s, deal flow here was recently impacted by increasing interest rates and heightened lender scrutiny. Still, the northern municipalities of this county boast some of the most impressive fundamentals in the market, which, in tandem with the region's low entry costs, should keep investors engaged here.

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; RealPage, Inc.

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