

MARKET REPORT

Retail
Boston Metro Area

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

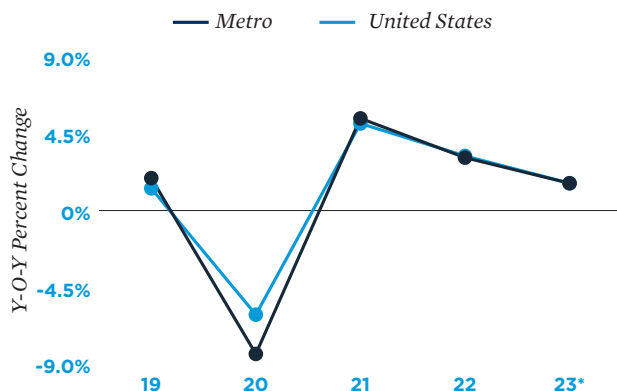
4Q/23

Vacancy in Boston's Core Remains Nationally Low, With Growing Retail Sector Also Noted in Suburbs

Development constraints keep urban operations tight. Although a tepid return to office has impacted some corridors, Boston's urban zones continue to note robust retail performance through mid-2023. The submarkets representing the CBD and adjacent zones, namely Boston-Suffolk County, Cambridge, and the Close-In Suburbs North, noted the lowest vacancy metrowide entering July. These locales reported vacancy rates no less than 110 basis points under the contemporary market average, and rates in each area are well below each respective submarket's historical mean. Supply-side pressure is unlikely to impact local space availability for the foreseeable future. As of October, fewer than 123,000 square feet of retail space was slated for these submarkets, less than 40 percent of the amount of square footage currently underway in southern New Hampshire.

Developers respond to growing population up north. Retail tenants and developers are following the region's population epicenter northward, as many Boston residents look to northern Essex County and southern New Hampshire for a lower cost-of-living. Nearly half of the 700,000-square-foot active construction pipeline as of October was located in Rockingham-Strafford Counties. While ample, this supply expansion appears in line with tenant demand. The submarket noted the highest absorption figure across the Greater Boston Region during the 12-month period ended in June, with nearly 147,000 square feet taken off the market on a net basis.

Employment Trends



* Forecast

Sources: BLS; CoStar Group, Inc.

Retail 2023 Outlook



**45,000
JOBS**
will be created

EMPLOYMENT:

After matching pre-pandemic employment levels earlier this year, swift recruitment has continued across multiple sectors thus far in 2023. Boston's job base is on track for a 1.6 percent expansion this year.



**600,000
SQ. FT.**
will be completed

CONSTRUCTION:

Deliveries remain below the 1 million-square-foot per year mark for the second consecutive annual period, as developers finalize the lowest amount of square footage in a calendar year span since at least 2007.



**10
BASIS POINT**
increase in vacancy

VACANCY:

Although vacancy will tick up to 3.2 percent this year, the metric is roughly in line with the trailing decade-long average. Boston will close out the year with the fourth-lowest rate among major metros in 2023.

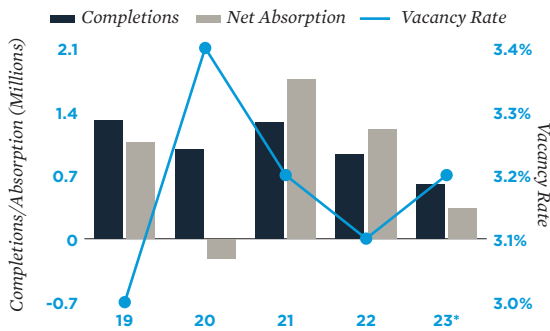


**5.2%
DECREASE**
in asking rent

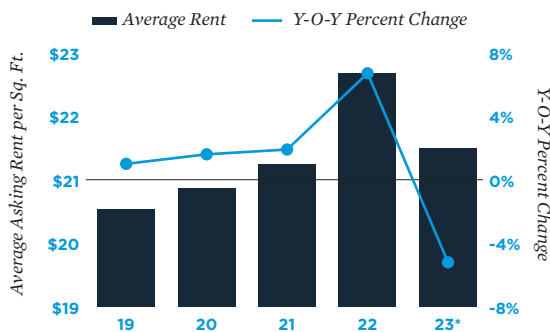
RENT:

Despite continually low vacancy on the national scale, Boston is expected to note declining rents as owners of challenged properties discount asking rates. The mean marketed rent will fall to \$21.50 per square foot this year.

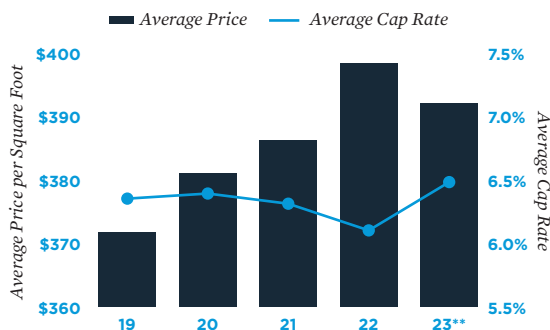
Supply and Demand



Rent Trends



Sales Trends



* Forecast ** Through 2Q

Sources: CoStar Group, Inc.; Real Capital Analytics

IPA Retail

Daniel Taub

Senior Vice President, Director

Tel: (212) 430-5100 | dtaub@ipausa.com

For information on national retail trends, contact:

John Chang

Senior Vice President, Director | Research & Advisory Services

Tel: (602) 707-9700 | jchang@ipausa.com

Price: \$250

2Q 2023 - 12-Month Period



CONSTRUCTION

614,000 sq. ft. completed

- Builders completed the lowest amount of space noted in a yearlong span since at least 2007 during the 12-month period ended in June.
- Worcester and Boston-Suffolk County led in supply additions during this period, with just over 250,000 feet brought online between these two sub-markets over the past four quarters.



VACANCY

0 basis point change in vacancy Y-O-Y

- Vacancy has consistently remained in the low-3 percent zone since early 2021, as supply additions have been well-aligned with tenant demand. The metrowide rate entered July at 3.1 percent.
- Boston proper, Cambridge, and Close-In Suburbs North noted the lowest vacancy ending June, with rates of 2.0, 2.1, and 1.6 percent, respectively.



RENT

4.5% decrease in the average asking rent Y-O-Y

- After closing out the previous year at an all-time high, rents declined in the first half of 2023, entering July at \$21.38 per square foot.
- Declines of no less than 8.1 percent in the metro's three tightest submarkets indicate that available retail spaces in these zones may be facing difficulty securing tenants, and are being discounted to incentivize move-ins.

Investment Highlights

- Although financing hurdles have cooled transaction velocity after a frenetic 2022, investors remain engaged in acquiring new properties across the Greater Boston area, due in part to the metro's robust fundamentals. Deal flow during the first three quarters of this year is in-line with the pace of transactions during the mid-2010s, consistent with national trends.
- Drawn here by the area's growing population, investors are increasingly targeting assets in southern New Hampshire. These buyers are often pursuing properties occupied by nationally-branded tenants along major state routes and in the area's downtown cores, such as Manchester and Portsmouth. Convenience stores and gas stations were popular targets in this area during the first three quarters of 2023.
- Buyer competition for single-tenant assets has kept pricing momentum positive, despite broader market turbulence. Contrasting a decline in other segments, the average per-square-foot price during the trailing 12-month period in the single-tenant sector increased 1 percent over the previous yearlong span to a record of \$453.

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

© Marcus & Millichap 2022 | www.ipausa.com