

MARKET REPORT

Retail
Boston Metro Area

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

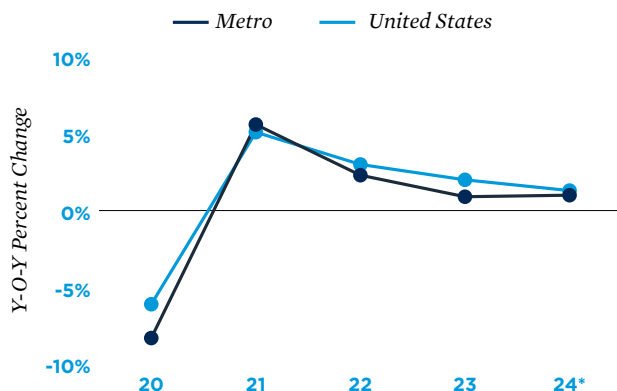
4Q/24

Amazon's Office Mandate Lifts Downtown Outlook, While Suburban Communities Remain Resilient

Return-to-office initiatives support urban foot traffic. Amazon recently announced that all employees will be required to return to the office five days a week starting in 2025, making it the largest company to implement such a policy. This comes after Fidelity and Deutsche Bank introduced similar plans to increase in-office work and, assuming the decision holds, could prompt more to follow suit. The substantial presence of these firms in downtown Boston is likely to benefit nearby retailers, who have struggled to recover foot traffic since the pandemic. Increased consumer spending at these stores is expected to drive rent growth, which has been subdued in the city center due to difficulties in attracting tenants. While vacancy has ticked up, it has done so from historic lows, and with minimal construction activity, urban retail is well-positioned moving forward.

Retailers drawn to outlying locales. Gillette's new facility in Andover highlights the trend of firms targeting the suburbs and driving comparatively stronger population growth in these regions. Retailers have followed this shift, attracted by lower rents and more space options. As a result, submarkets like Southern New Hampshire and Route 128 South near Dedham have observed elevated leasing activity and fewer store closures, with the latter area recording its highest net absorption total in nearly a decade over the past year ended in June. This dynamic pushed vacancy here to a record-low 2.8 percent and has overall fueled stronger rent growth across suburban areas.

Employment Trends



* Forecast

Sources: BLS; CoStar Group, Inc.

Retail 2024 Outlook



**28,000
JOBS**
will be created

EMPLOYMENT:

Employment growth reaches 1.0 percent this year, slightly outpacing 2023. Hiring in education and health services remains stable, while increased tourism supports the leisure and hospitality sector.



**480,000
SQ. FT.**
will be completed

CONSTRUCTION:

Completions reach the lowest total since at least 2007. A Costco-anchored center in Rockingham County is the most notable project under construction, although the recent Fed rate cut may spur future activity.



**10
BASIS POINT**
decrease in vacancy

VACANCY:

Vacancy falls to 2.9 percent this year, marking the lowest rate among major Northeast metros. Suburban areas note elevated leasing activity, whereas limited space availability constrains absorption in the urban core.

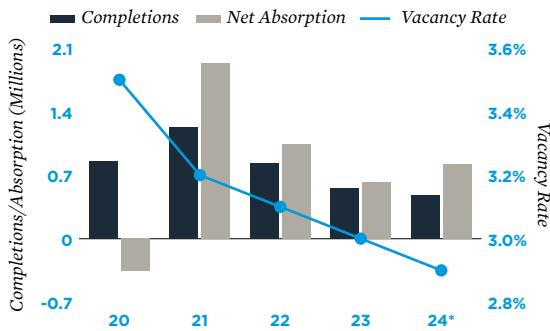


**0.9%
INCREASE**
in asking rent

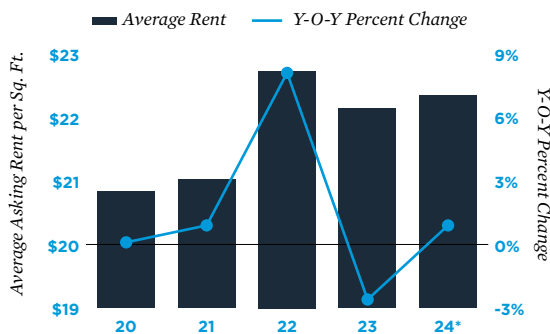
RENT:

Asking rents reach \$22.35 per square foot by year-end, rising slightly slower than the national average. Still, this reflects an improvement from 2023, when rents declined annually for the first time in over a decade.

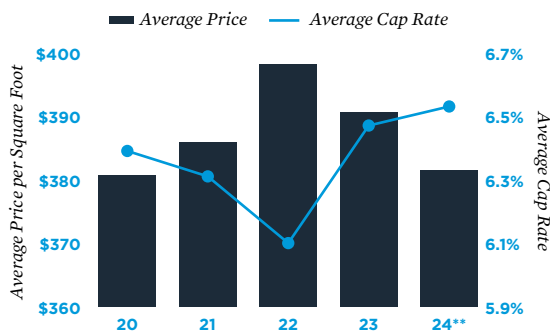
Supply and Demand



Rent Trends



Sales Trends



* Forecast ** Through 2Q

Sources: CoStar Group, Inc.; Real Capital Analytics

IPA Retail

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Price: \$250

2Q 2024 – 12-Month Period

CONSTRUCTION

515,000 sq. ft. completed

- Deliveries during the past 12 months ended in June fell 115,000 square feet below the prior year, marking the lowest 12-month total on record.
- A few neighborhood centers and quick-service properties in suburban submarkets accounted for the bulk of completed space. The largest delivery over this span was a 110,000-square-foot residential center in Scituate.

VACANCY

20 basis point decrease in vacancy Y-O-Y

- Net absorption more than doubled new supply over the past year, reducing metrowide vacancy to 2.9 percent in June – the lowest level since 2019.
- The closer-in submarket encompassing Melrose and Saugus posted the lowest rate in the metro at 1.5 percent. Outlying suburbs observed the highest vacancy, led by the region surrounding Concord at 4.8 percent.

RENT

2.5% increase in the average asking rent Y-O-Y

- The average single-tenant rent increased by 3.2 percent over the past year ended in June, while the mean multi-tenant rent declined by 1.0 percent, bringing the metro's average asking rate to \$22.16 per square foot.
- Outlying submarkets to the north and west recorded the strongest rent growth, while those nearer to the urban core experienced smaller gains.

Investment Highlights

- Although higher borrowing costs continued to hinder deal flow, Boston still ranked within the top 10 major U.S. markets for total transactions. This resulted in minor price adjustments over the past year, with the metro's average price per square foot falling by just 3 percent to \$382 in June. The mean cap rate rose by only 20 basis points to 6.5 percent.
- Institutions remained attracted to the Boston metro over the past year, with deals of \$20 million or more occurring more frequently. Buyers focused on discount department stores and grocery-anchored centers along suburban retail corridors. The communities of Framingham and Everett were popular targets, where investors benefit from strong population growth and lower entry costs compared with the urban core.
- Amid limited space in the city center, private investors seeking net lease opportunities increasingly turned to the Greater Boston region. Plymouth, Norfolk and Rockingham counties experienced heightened activity over the past year, with auto repair shops, restaurants and freestanding retailers trading most often. These areas also offered a slight discount to the metro average, with properties selling for around \$370 per square foot.

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 guarantee 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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