Market Report

MULTIFAMILY 2Q/26

Boston Metro Area

IPA INSTITUTIONAL PROPERTY ADVISORS

2026 FORECAST

EMPLOYMENT

6,000 Jobs will be lost

0.2% Decrease Y-O-Y

CONSTRUCTION

4,200 Units will be added

1.0% Inventory increase Y-O-Y

VACANCY

4.3% Vacancy rate

30 BPS decrease Y-O-Y

RENT

$3,056 Average effective rent by year-end

1.0% Increase Y-O-Y

Tight Vacancy Rates in Most-Desired Parts of Metro Continue to Define Market

Solid fundamentals undeterred by demographic headwinds. After welcoming a total of 75,000 net migrants in 2023 and 2024, Boston expects net in-migration to be flat in 2026 and potentially turn negative beginning in 2027. A slower job market and tighter national immigration policies contributed to this reversal locally. Still, steady apartment demand is helping operations hold up, as the metro did not experience the rapid inventory expansion seen in many Sun Belt markets. Limited land availability remains the defining trait here, and as construction activity in the western portion of the metro slows, net absorption could outpace deliveries in 2026 for the first time in five years.

Limited development propels growth in and around the CBD. In the 12 months ended in March, notable vacancy compression was recorded in the submarkets of Intown Boston, Cambridge-Somerville, Fenway-Brookline-Brighton, and Quincy. These areas also posted some of the lowest inventory expansion rates in the metro, as demand remains most robust in these high-density areas with proximity to jobs, entertainment, and public transit. Going forward, strength in these established neighborhoods should help the market maintain vacancy roughly 100 basis points below the national average.

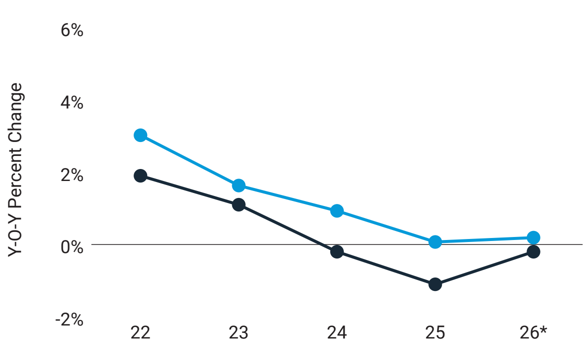
EMPLOYMENT

Boston's job market should be much less volatile this year compared to 2025, when the metro shed nearly 30,000 roles. While lingering headwinds may remain this year, especially in industries more closely tied to uncertainties in federal research funding, the metro's strength in the education and health services sectors should help partially offset these pressures. Also, early 2026 data suggests that jobs in professional and business services could see modest gains this year after losing about 10,000 roles in 2025.

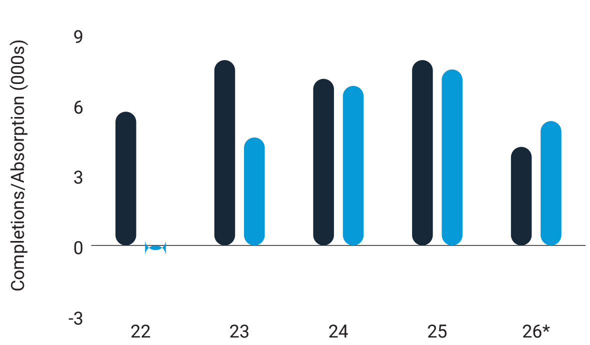
CONSTRUCTION

This year's delivery slate will be the smallest annual total in Boston since 2013, at about 60 percent of the metro's prior-decade annual average. About half of the deliveries will be concentrated in the northern portion of the metro, spanning from close-in suburbs such as Chelsea and Charlestown to Rockingham. The most notable slowdown in completions will occur in the western part of the metro, particularly in submarkets such as Fenway-Brookline-Brighton and Waltham-Newton-Lexington.

EMPLOYMENT TRENDS



CONSTRUCTION TRENDS



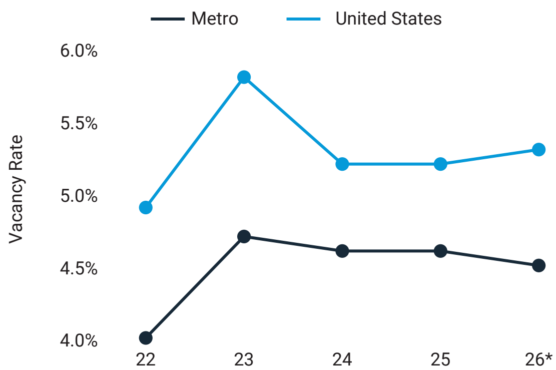
* Forecast

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

VACANCY

Abating new supply pressure, combined with steady renter demand, will allow for vacancy compression this year. A 30-basis-point decline would mark the largest decrease since 2021, bringing metrowide vacancy back to 4.3 percent, in line with the prior-decade average. As of March, vacancy rates across Class A, B, and C apartments were in the 4-percent range, indicating broadly even performance. This trend is expected to continue through the remainder of 2026 as demand remains resilient.

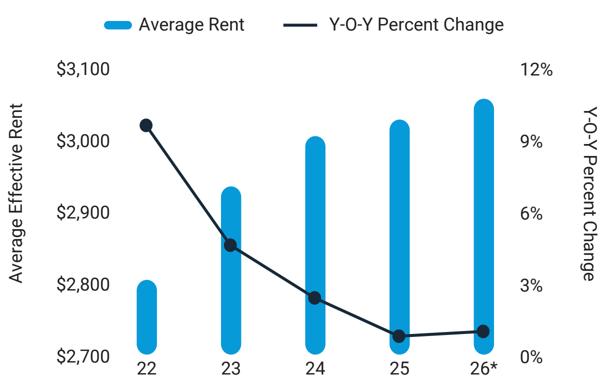
VACANCY TRENDS



RENT

Expected vacancy compression should support continued rent growth, though the pace is likely to remain modest at around 1 percent. In 2025, rent growth for Class C properties stood at 3.2 percent year-over-year, while Class B and Class A properties recorded growth of 2.0 percent and 1.4 percent, respectively. However, first-quarter data indicate that rent growth is beginning to converge across class segments, mirroring the pattern observed in vacancy rates and pointing to a more balanced growth outlook.

RENT TRENDS



* Forecast ** Through 1Q

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

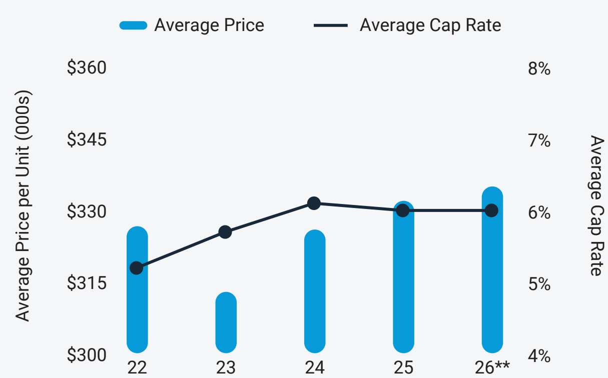
INVESTMENT HIGHLIGHTS

- Overall transaction velocity remained largely constant in Boston over the 12 months ended in March compared with the prior yearlong period. Notably, sales in the $10 million to $20 million range increased the fastest during this period. Many of these transactions involved properties of less than 30 units built in the mid-20th century, indicating that solid tenant demand for Class C assets continues to attract capital. The metrowide average cap rate remained around 6.0 percent over the period, among the lowest in major Northeast markets.

- Although more outlying submarkets, particularly those in southern New Hampshire, recorded the strongest rent growth recently, sales activity increase was most prominent in close-in suburbs such as the South Shore, North Shore, Cambridge, and Fenway, where supply growth was more limited. This trend may continue as the market navigates near-term job market headwinds.

- The statewide rent-control initiative in Massachusetts could be on the ballot this November. While the proposed cap on annual rent increases at the lower of CPI inflation or 5 percent is not expected to have a major near-term impact, given that rent growth has averaged 2.4 percent per year since 2023, the proposal's potential to limit property owners' ability to reset rents to market levels after tenant turnover could have a more direct impact on value-add strategies. Still, uncertainty surrounding the proposal remains high, as a legislative compromise could emerge this summer and prevent the measure from reaching the ballot, leaving investors with limited visibility on the regulatory outlook beyond 2026.

SALES TRENDS



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