



Boston, MA

Multifamily

22Q2

Accelerating success.



Boston, MA

Multifamily 22Q2

Key Takeaways

- Apartment vacancies are low.
- Boston's expensive for-sale housing market is a structural advantage for landlords.
- The number of units underway has increased.
- Asking rents continue to march upward.



Vacancy Rate
4.2%



Under Construction
19,071 Units



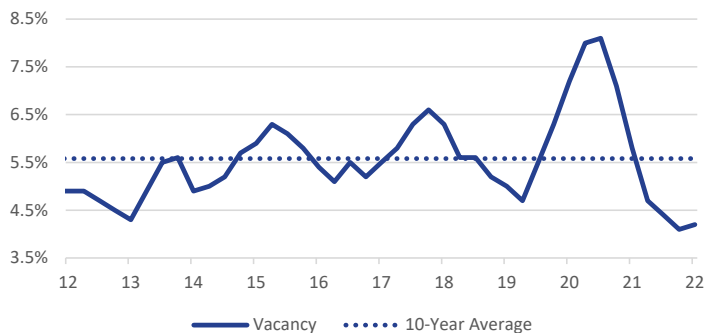
Asking Rent Per SF
\$2.97/SF



Market Summary

At only 4.2%, apartment vacancies have not only fully recovered to their pre-COVID level, but they are also near their lowest point in more than a decade. The Class A segment, including many assets still in lease-up, has a vacancy rate of 6.5% vacancy, while less than 2% of units at the lower end of the spectrum are empty. Development activity is increasing, but near-term demand prospects appear to be solid and should position landlords to continue pushing rents.

Vacancy Rate



Fundamentals

Sky-high housing prices sustain Boston's structurally large share of renter households and help prop up demand for apartments. Both the \$875,000 median single-family home price and the \$640,000 median condo price tracked by the Greater Boston Association of Realtors in May 2022 are significantly above the national median (\$430,000). Correspondingly, while renters comprise 35% households of nationally, in the Boston metro they account for about 42%. Rising costs related to for-sale housing should also benefit the rental market. As mortgage rates increase in what is already one of the most expensive metros to buy into, even more households will be locked out of homeownership.

Market Indicators



3.25%
Unemployment Rate



3.9%
GDP - Quarterly % change yr/yr



3.013%
U.S. 10 Year Treasury Note

Source: Oxford Economics

The number of units underway is increasing. At the end of the second quarter, about 19,000 units were under construction, more than 8% of inventory. Though that is still below the cyclical peak of more than 20,000 units (10% of inventory), developers are pushing forward with thousands more units now than at the end of 2020. Strong fundamentals may not be the only cause of the uptick, since lengthening delivery timelines due to supply chain disruptions and labor shortages could be causing projects to open later than planned.

While the city of Boston certainly has the largest number of underway units on an absolute basis, some submarkets have a similarly large percentage of their inventory going up. This includes communities like Cambridge (11% of inventory underway) and the Route 128 Mass Pike Submarket (17%). The enactment of the state's multifamily zoning requirement law could eventually pave the way for more by-right multifamily districts in 175 jurisdictions in central and eastern Massachusetts. Subsequently, more communities may be poised for an uptick in construction.

Older industrial areas in some communities are giving way to new residential neighborhoods. More than 1,000 units are proposed as a part of the USQ redevelopment plan for Somerville's Union Square. This includes the underway 450-unit tower at 50 Prospect Street, adjacent to a brand-new MBTA Green Line station as well as to Somerville's emerging life science hub. In Everett, the recently rezoned Commercial Triangle area is attracting developers. Greystar has started two projects there, a 650-unit project dubbed The Mason and a 450-unit property at 35 Garvey Street.

Rent

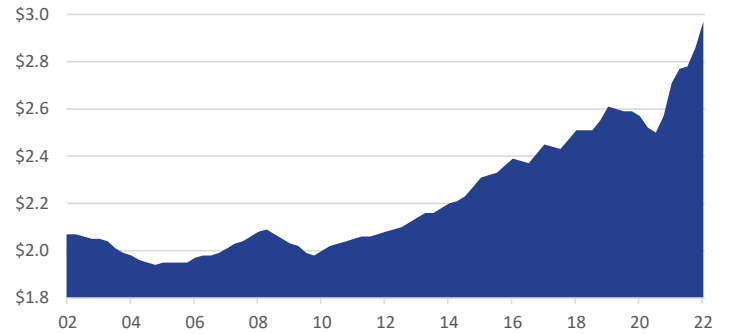
Already at a record high, the metro's overall average rent per square foot could surpass \$3.00 this year. Landlords of many new assets in submarkets like the Seaport are asking more than \$5.00 per square foot. Over the past year, Class A and B landlords were able to push rents by 10% and 9%, respectively, while Class C owners realized very healthy, though relatively modest 6% gains. Rents in each class have fully recovered and are at peak levels.

Rapid home price growth is dampening the plans of some potential buyers. Per the Case-Schiller Home Price Index,

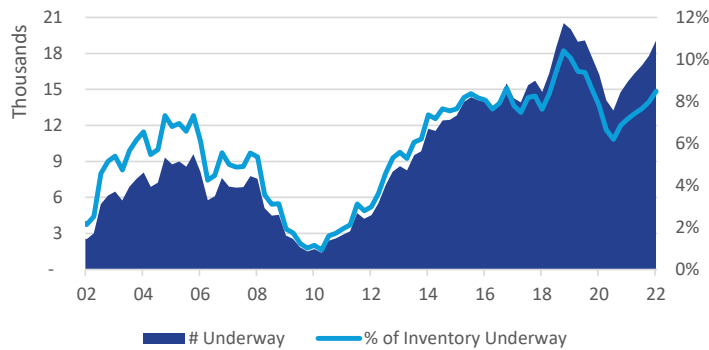
home values in the Boston metro increased by 13% in 2021 and by 54% over the past five years, both values easily exceeding increases in the average apartment rent during those periods (11% and 21%, respectively).

Despite overall solid fundamentals, due to new construction there's a lot of competition for renters at the top of the market. In fact, the value of concessions being offered has decreased but not totally disappeared. Many recently delivered complexes are offering a free month of rent on a 12-13-month lease.

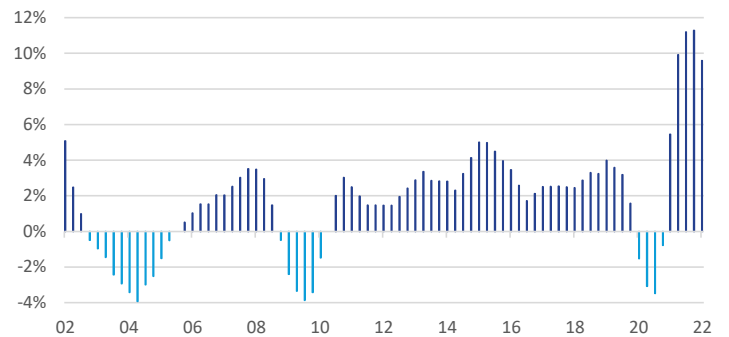
Asking Rent/ Square Foot



Apartment Units Underway



Y/Y Rent Change



Parkway Apartments
source: Lincoln Property Company

Recent Sales Transactions



The Madison at Marshfield | 1 Chestnut Street | Marshfield

TA Realty

\$130,500,000 | **\$526,000/Unit**



Flats on First | 21 Charles Street | Cambridge

Barings

\$102,750,000 | **\$756,000/Unit**



Gamma North Quincy | 95 West Squantum Road | Quincy

Akelius Real Estate Management

\$90,000,000 | **\$402,000/Unit**



Rolling Green Apartments | 1 Rolling Green Drive | Milford

The DSF Group

\$87,000,000 | **\$286,000/Unit**



Michael's Landing | 2 Broadway | Lynnfield

Private Individual

\$36,000,000 | **\$529,000/Unit**

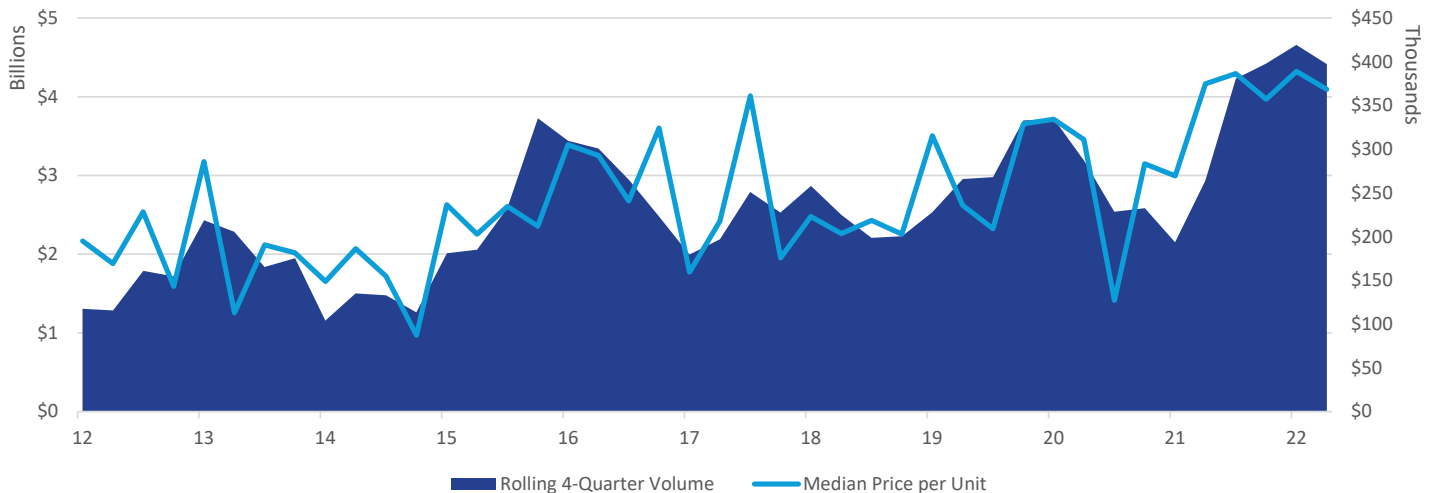


19 Central Street | Somerville

Lalo Development

\$14,000,000 | **\$467,000/Unit**

Investment Trends

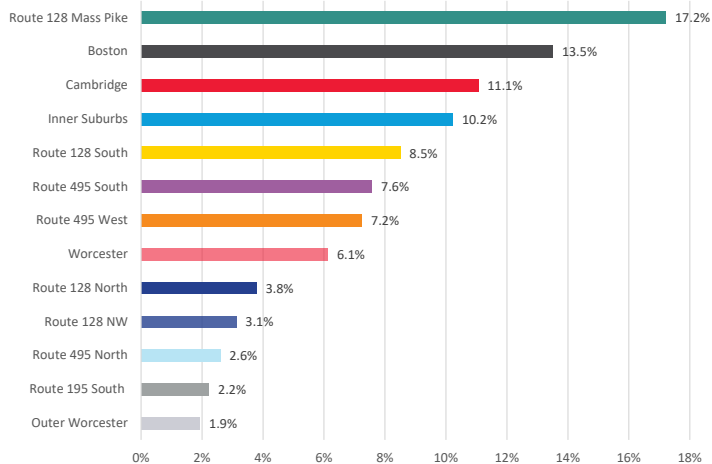


Source: Real Capital Analytics

Boston Metro Apartment Submarkets



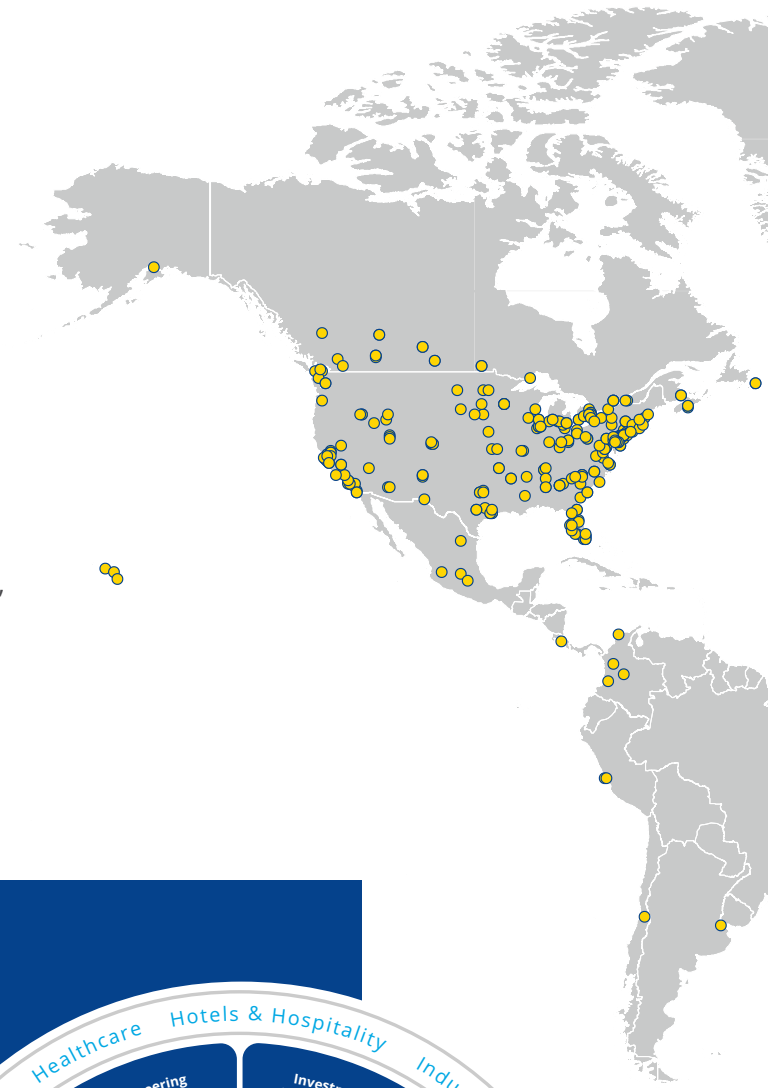
% Of Inventory Under Construction



Local to global **impact**

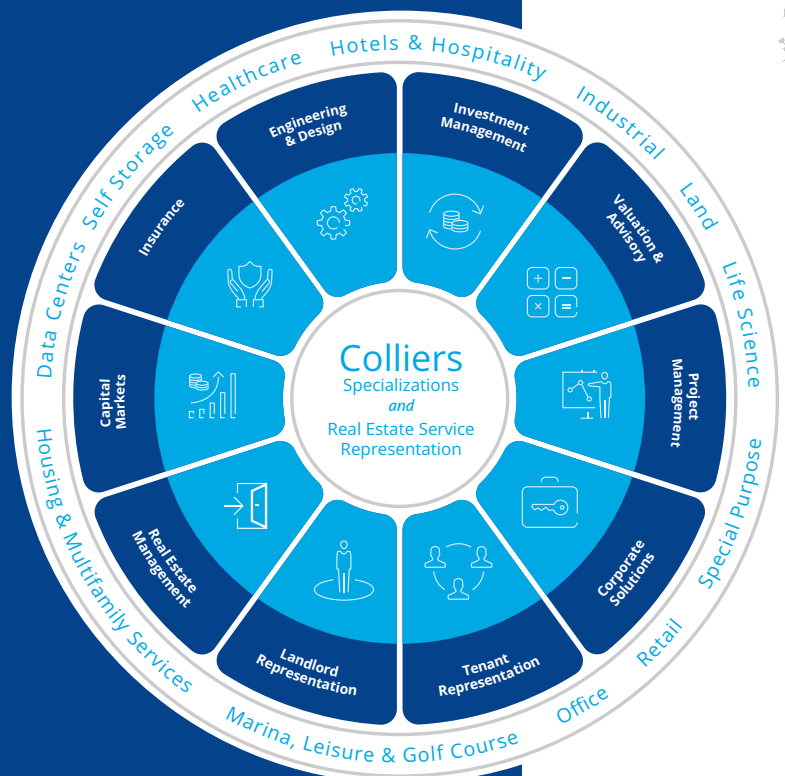
When it comes to serving multifamily clients, our experts collaborate daily across markets and around the globe.

With our deep-seated global relationships, our experts across 62 countries are experienced in working together, delivering unique advisory service, collaboratively pushing our clients to think differently and facilitating results that exceed our clients' expectations — every single time.



Scope of services

We deliver a comprehensive portfolio of real estate services to occupiers, owners and investors across all sectors worldwide. In addition, we provide our clients with a deep level of knowledge in specialized industries and product types including law, technology and logistics.





Colliers at a **glance**



Annual revenue

\$4.1B



Countries we operate in

62



Assets under management

\$51B



Lease/sale transactions

53,000



Square feet managed

2B



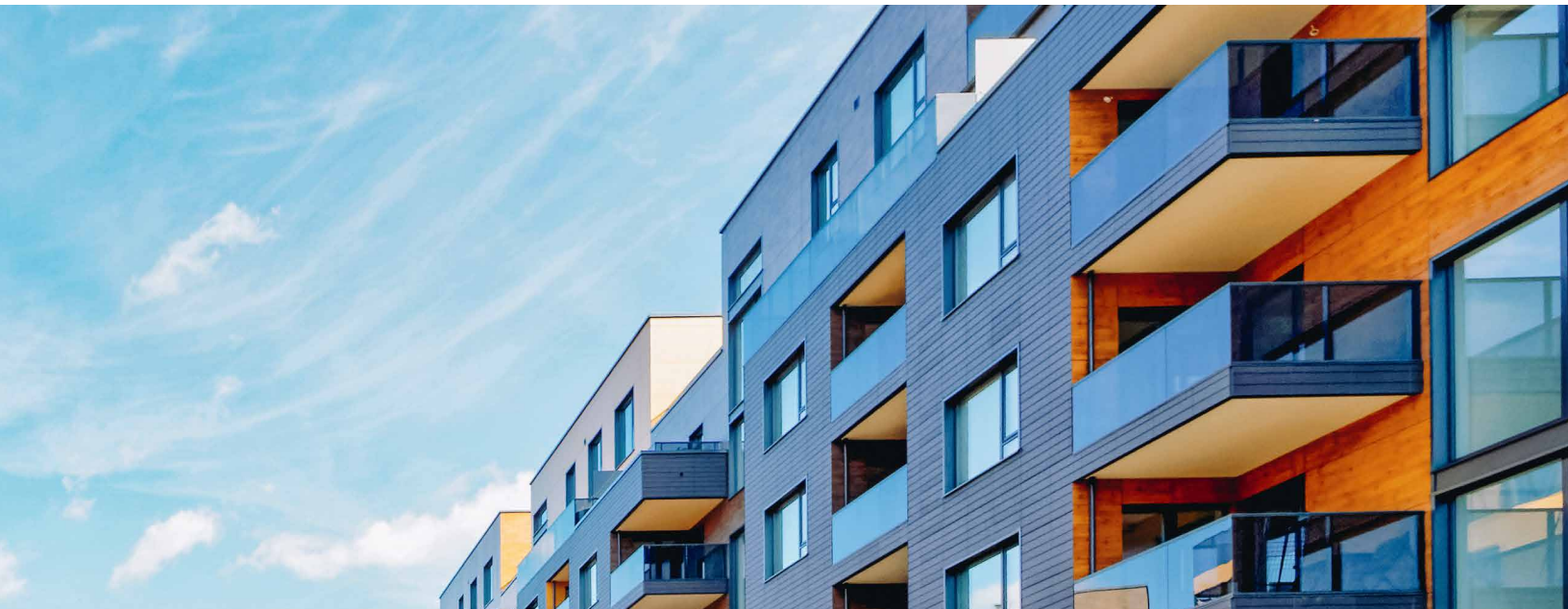
Professionals

17,000

Statistics are as of March 2022 and in U.S. dollars. Numbers of countries include affiliates.

Submarket	Inventory	Vacancy	Asking Rent/Unit	Asking Rent/SF	Under Construction	% Of Inventory Under Construction
Boston	51,622	4.2%	\$3,361	\$4.14	6,972	13.5%
Allston/ Brighton	7,703	5.3%	\$2,705	\$3.59	1,680	21.8%
Back Bay/ South End	6,995	2.1%	\$4,021	\$4.85	915	13.1%
Downtown	8,512	4.3%	\$3,961	\$4.64	126	1.5%
Fenway/ Mission Hill	8,646	2.1%	\$3,279	\$4.26	991	11.5%
South Boston/ Seaport	5,207	4.3%	\$4,310	\$5.26	906	17.4%
Route 128 South	29,494	3.9%	\$2,484	\$2.68	2,509	8.5%
Inner Suburbs	24,675	6.5%	\$2,783	\$3.18	2,523	10.2%
Route 495 North	22,848	2.6%	\$2,149	\$2.27	593	2.6%
Route 128 North	16,456	4.7%	\$2,366	\$2.63	623	3.8%
Route 495 West	15,771	2.5%	\$2,359	\$2.56	1,143	7.2%
Route 495 South	11,971	1.9%	\$2,224	\$2.39	907	7.6%
Cambridge	11,646	5.8%	\$3,496	\$4.23	1,288	11.1%
Worcester	10,548	3.4%	\$1,784	\$2.00	646	6.1%
Route 128 NW	10,079	5.0%	\$2,815	\$2.86	315	3.1%
Route 128 Mass Pike	7,615	8.0%	\$3,183	\$3.15	1,311	17.2%
Route 195 South	6,682	2.3%	\$1,635	\$1.66	149	2.2%
Outer Worcester	4,760	3.2%	\$1,442	\$1.49	92	1.9%
Total	224,167	4.2%	\$2,667	\$2.97	19,071	8.5%

Unless otherwise noted, apartment market data is from CoStar. The data set includes rental properties with at least 25 units and excludes affordable communities as well as senior, student and other specialized multifamily subtypes.



FOR MORE INFORMATION

Jeff Myers
 Research Director | Boston
 +1 617 330 8148
 jeffrey.myers@colliers.com

Kelly Doonan
 Research Analyst
 +1 617 330 8198
 kelly.doonan@colliers.com

Kendin Carr
 Vice President | Boston
 +1 617 330 8141
 kendin.carr@colliers.com

