



Boston, MA

Multifamily

22Q4

Accelerating success.



Boston, MA

Multifamily 22Q4

Key Takeaways

- Occupancies are better than the 10-year average.
- Rent growth has lost steam.
- Fewer units are underway.
- Sales volume and pricing may be moderating.



Overall
Vacancy Rate
5.3%

YOY
▲
FORECAST
▲



Under
Construction
17,222 Units

YOY
▲
FORECAST
■



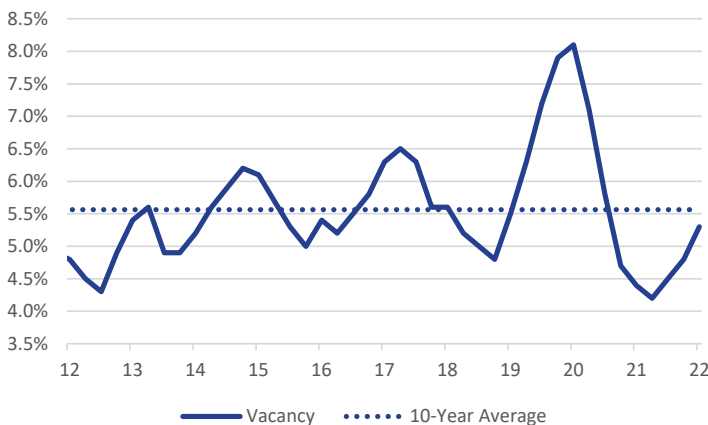
Asking Rent Per SF
\$2.91/SF

YOY
▲
FORECAST
▼

Market Summary

Apartment market vacancies are healthy, ending 2022 at 5.3%. Although better than the 10-year average, the rate is also about 90 basis points worse than year-ago levels, since new construction outpaced demand last year. With vacancies inching up and a ton of new competition, landlords are no longer pushing rents the way they were in 2021 and early 2022. Increasing mortgage rates are creating higher hurdles to enter the for-sale market, likely bolstering occupancies. Several factors could dampen multifamily demand in 2023, the most important being that if the job market stalls, leasing prospects will dim.

Overall Vacancy Rate



Fundamentals

Macroeconomic circumstances have, thus far, generally supported apartment demand growth. Despite some softening in home prices, rising mortgage rates have further reduced affordability, leaving many households to continue renting. The Boston metro economy has also continued to generate new jobs, a key driver in apartment demand, while households are benefitting from low unemployment and increasing wages. Under these conditions, in 2022 more than 4,000 more apartment units were occupied, year-over-year demand growth in excess of 2%.

Market Indicators



2.76%
Unemployment
Rate



0.92%
GDP - Quarterly
% change yr/yr



3.490%
U.S. 10 Year
Treasury Note

Sources: Oxford Economics, Federal Reserve

With more than 17,000 units underway across Eastern Massachusetts, construction is still high by local standards, but the pipeline is shrinking. The net of about 6,700 units that came on line in 2022 increased inventory by 3%. Some of the largest communities to open in recent months include a 475-unit midrise complex dubbed The Burrow in Marlborough, a 20-story tower with 468 units in Cambridge Crossing named Park 151, and a 282-unit Alexan development in Kingston.

But the number of new multifamily starts has not replenished the pipeline. Increased construction costs (materials, labor, and debt), along with lower potential sales prices, may be giving some developers pause. (Apartment sales volume and price per unit in the fourth quarter of 2022 both fell to their lowest level in six quarters.) In the city of Boston, which contains about a third of all units underway across the metro, the number of residential units approved in 2022 was reportedly the lowest in years. Developers may also have to navigate an increasingly complex litany of policies as

jurisdictions consider measures ranging from rent control to expanded impact fees. Renters' options are already limited in this underhoused metro, so any slowdown in construction will help support fundamentals in existing communities.

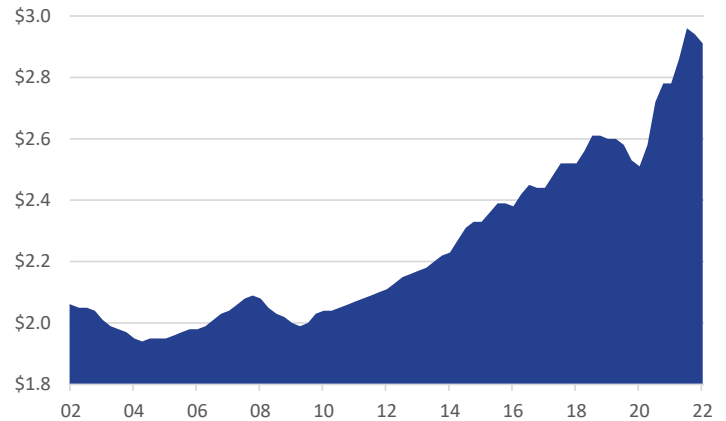
Rent

Metro average asking rents reached an almost \$3.00-per-square-foot peak by midyear 2022, but since then rent growth has weakened. Although about 5% higher in the fourth quarter than year-ago levels, asking rents fell slightly in the second half of 2022. Concessions have risen, further weighing on effective rent growth of 4% year-over-year in the fourth quarter, compared to more than 13% in the same period in 2021. In the overall scheme of things, however, concessions are limited in the Boston market, averaging about 1% of asking rent (per CoStar data).

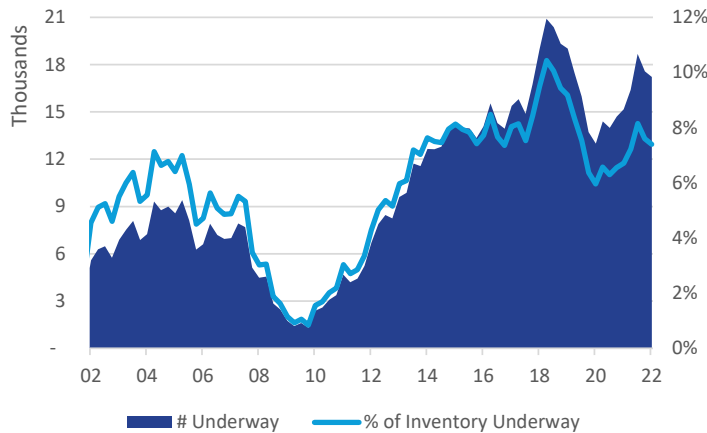
Discounts are more concentrated in new communities in lease-up, however, and in new complexes concessions are running at more than 3% of asking rent. Advertised offerings

(on select units/lease terms) in recently delivered properties include one month of free rent and a \$1,000 utility credit at Mosaic in Lynn, a rent credit for up to \$7,260 at Emblem 120 in Woburn, and up to six weeks of free rent at 212 Stuart in Boston. Overall, the average asking rent in 2022-vintage properties is 32% higher than the metro average.

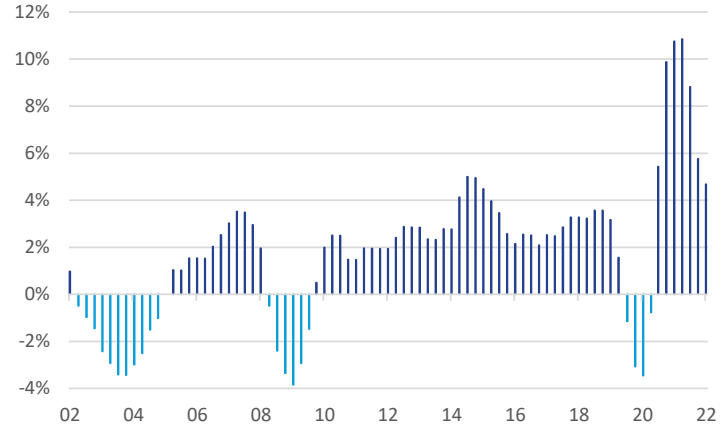
Asking Rent/ Square Foot



Apartment Units Underway



Y/Y Rent Change



Emblem 120
Source: Toll Brothers

Recent Sales Transactions



6-Property Portfolio | Boston, Framingham, Nashua, Swampscott

Eagle Rock Properties

\$500,000,000 | \$380,000/Unit



Matrix Hudson | 1000 Matrix Way | Hudson

Claremont Companies

\$55,500,000 | \$315,000/Unit



Albemarle Gardens | 151 North Street | Newton

Rhino Capital Advisors

\$29,550,000 | \$242,000/Unit



Greenhill Park Apartments | 34-80 Goldthwaite Road | Worcester

Arrowpoint Properties

\$17,250,000 | \$187,500/Unit



Atlas Lofts | 88 Gerrish Avenue | Chelsea

Rhino Capital Advisors

\$14,950,000 | \$282,000/Unit

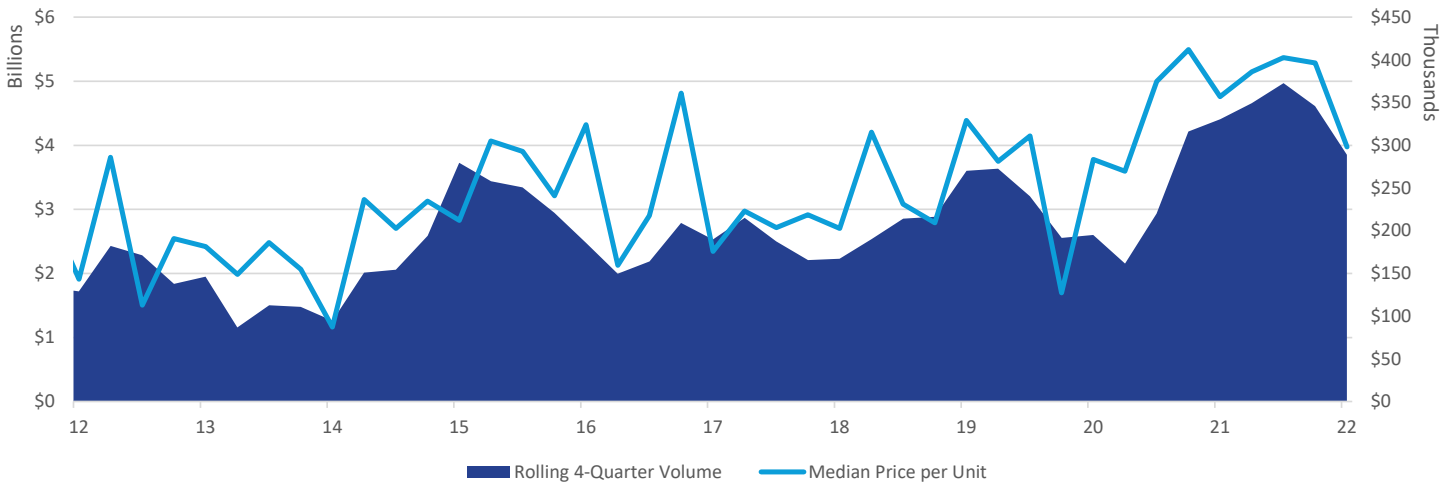


Pleasant Court | 19 Pleasant Street | Cambridge

Blackstar Equity

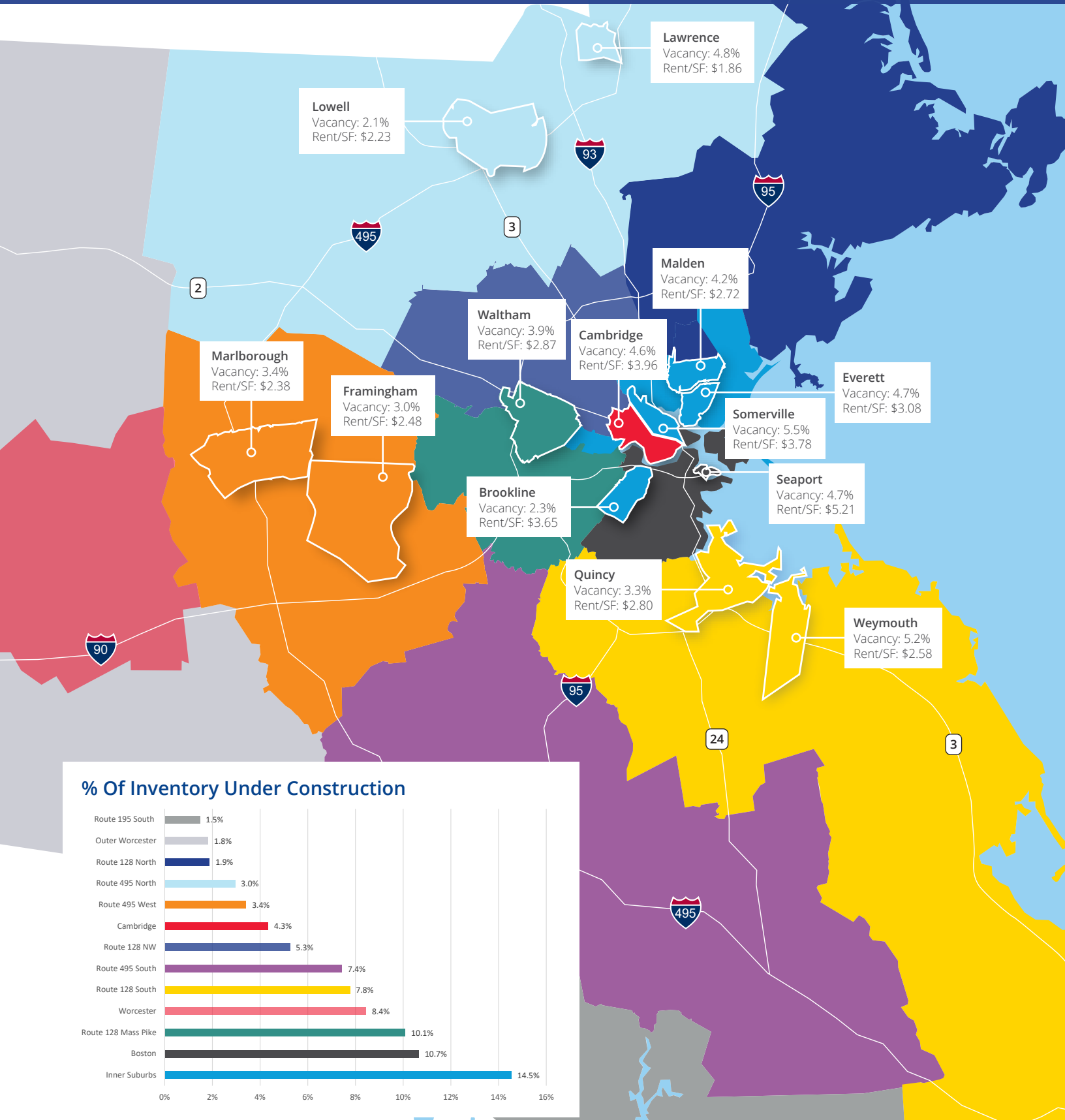
\$12,850,000 | \$584,000/Unit

Investment Trends



Source: Real Capital Analytics

Boston Metro Apartment Submarkets

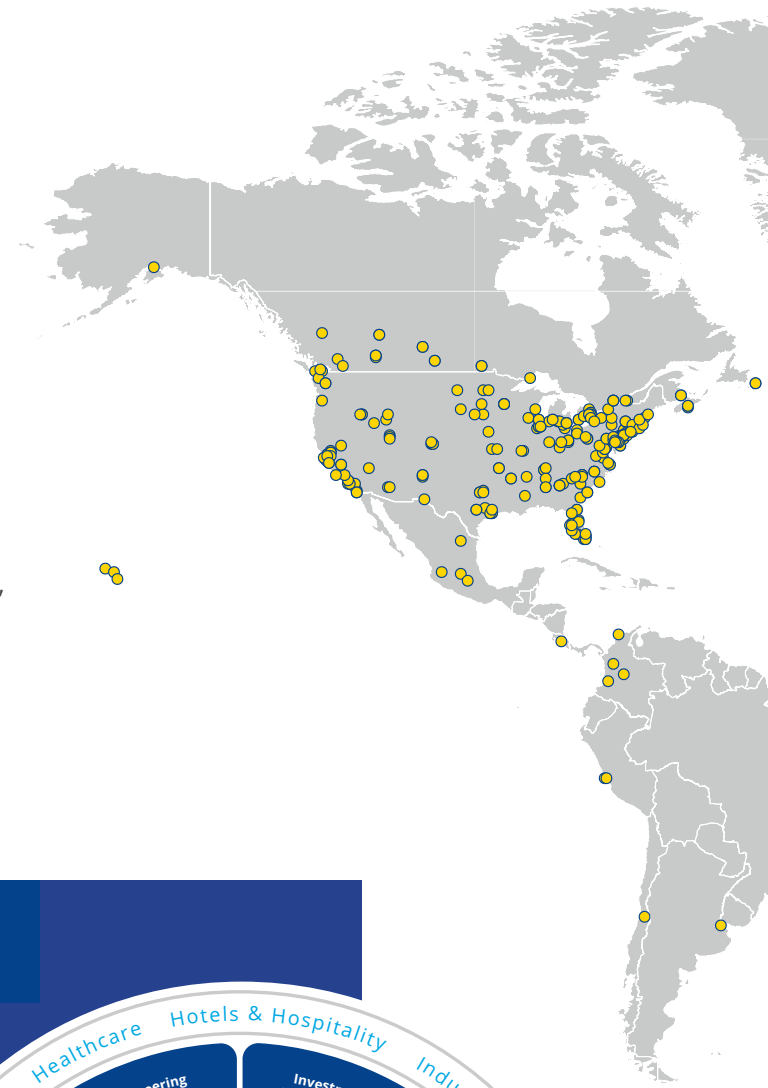


*Vacancy and rent values exclude recent deliveries

Local to global **impact**

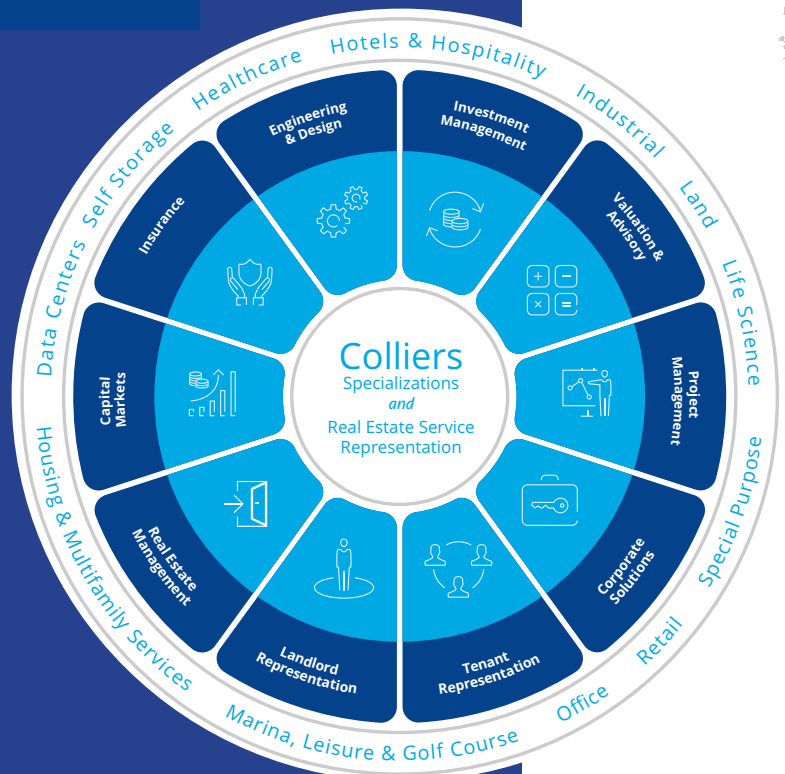
When it comes to serving multifamily clients, our experts collaborate daily across markets and around the globe.

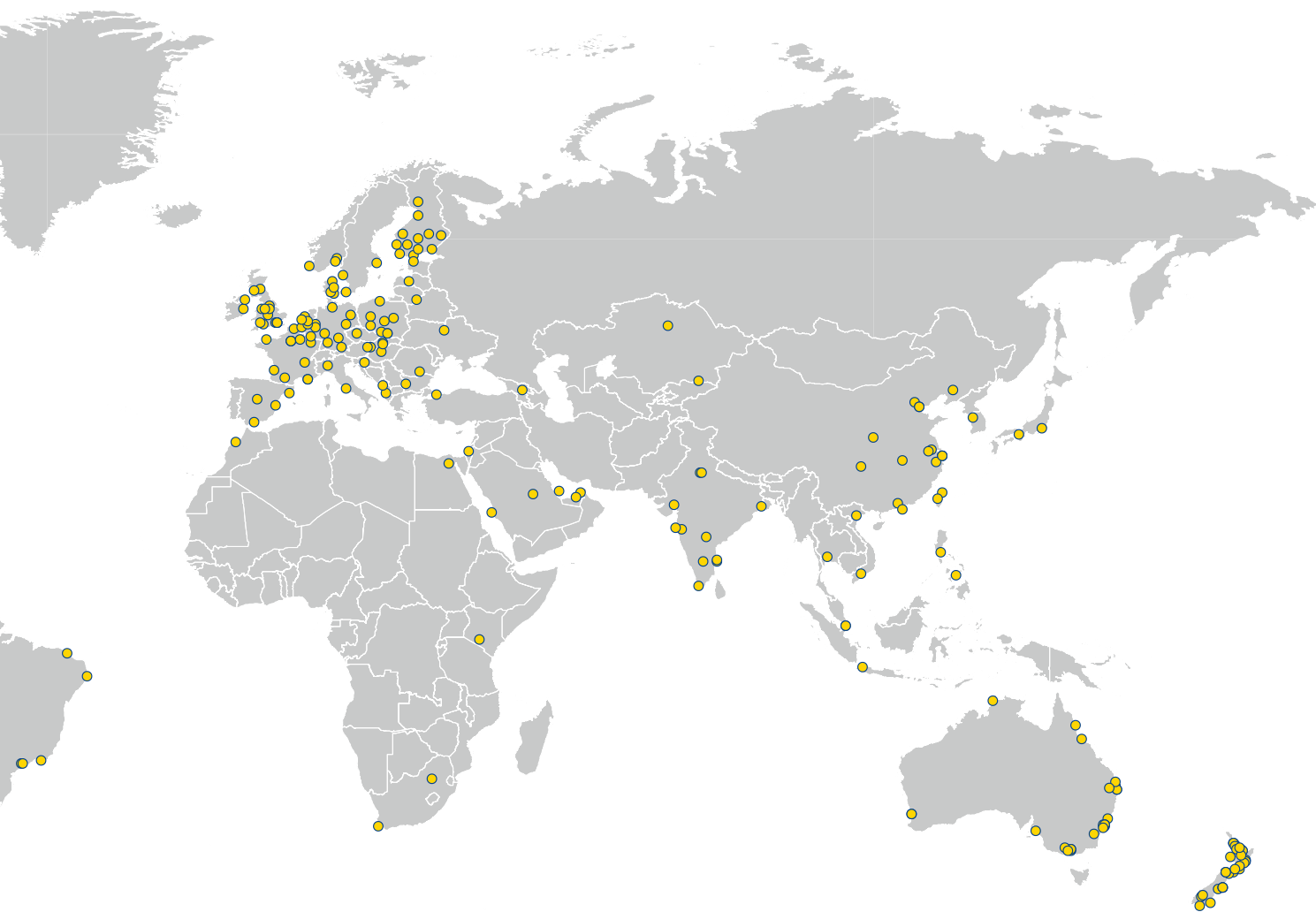
With our deep-seated global relationships, our experts across 63 countries are experienced in working together, delivering unique advisory service, collaboratively pushing our clients to think differently and facilitating results that exceed our clients' expectations — every single time.



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

\$4.6B



Countries we operate in

63



Assets under management

\$92B



Lease/sale transactions

53,000



Square feet managed

2B



Professionals

18,000

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

Submarket	Inventory	Overall Vacancy	Vacancy (Excluding Recent Deliveries)	Asking Rent/ Unit	Asking Rent/SF	Under Construction	% Of Inventory Under Construction
Boston	53,169	5.0%	3.3%	\$3,294	\$4.10	5,670	10.7%
Allston/ Brighton	7,672	5.6%	4.7%	\$2,702	\$3.64	1,743	22.7%
Back Bay/ South End	7,462	3.8%	2.7%	\$3,887	\$4.76	127	1.7%
Downtown	8,703	3.8%	2.7%	\$3,833	\$4.50	-	0.0%
Fenway/ Mission Hill	9,017	6.9%	2.1%	\$3,247	\$4.39	530	5.9%
South Boston/ Seaport	5,307	5.0%	4.8%	\$4,156	\$5.02	497	9.4%
Route 128 South	30,765	6.0%	4.0%	\$2,405	\$2.59	2,393	7.8%
Inner Suburbs	25,252	5.6%	4.5%	\$2,715	\$3.13	3,673	14.5%
Route 495 North	23,711	4.0%	3.4%	\$2,149	\$2.27	701	3.0%
Route 495 West	16,910	6.5%	3.6%	\$2,271	\$2.45	578	3.4%
Route 128 North	16,731	4.5%	3.4%	\$2,341	\$2.62	316	1.9%
Cambridge	12,442	9.1%	4.6%	\$3,413	\$4.11	541	4.3%
Route 495 South	12,025	3.3%	3.0%	\$2,191	\$2.33	894	7.4%
Worcester	10,983	2.6%	2.6%	\$1,781	\$2.00	928	8.4%
Route 128 NW	10,333	5.3%	3.2%	\$2,687	\$2.73	543	5.3%
Route 128 Mass Pike	7,853	8.8%	4.6%	\$3,044	\$3.03	793	10.1%
Route 195 South	6,760	1.8%	1.9%	\$1,677	\$1.71	100	1.5%
Outer Worcester	5,032	4.0%	4.2%	\$1,479	\$1.52	92	1.8%
Total	231,966	5.3%	3.7%	\$2,606	\$2.91	17,222	7.4%

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

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