

BOSTON, MA MULTIFAMILY REPORT

2023 | MIDYEAR



BERKADIA
INSTITUTIONAL SOLUTIONS



Jobs Added / Lost

LAST 12 MONTHS

76,900

↑ 2.8%

NEXT 12 MONTHS*

15,400

↑ 0.5%

Unemployment

MIDYEAR 2023

2.9%

↓ 40 BPS YOY

MIDYEAR 2024*

3.0%

↑ 10 BPS YOY

*Projected

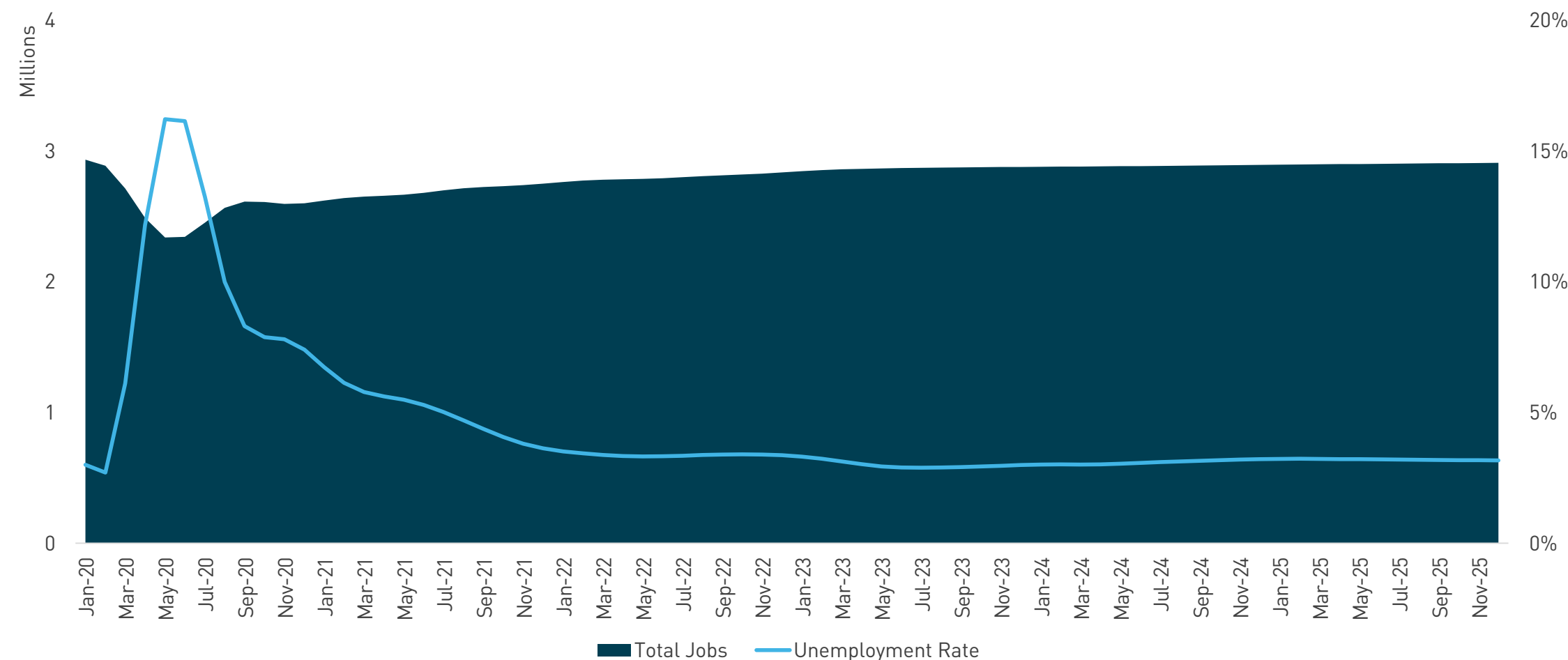
BOSTON, MA

EMPLOYMENT

Boston's stature as one of the world's leading biotech hubs is boosted by company expansions and the availability of talent. Among those expanding their footprint in the metro is Vertex Pharmaceuticals Inc., which has a 344,000-square-foot facility underway. When completed in 2025, Vertex will occupy 1.9 million square feet in Boston's Seaport area. Global pharma giant Takeda leased 600,000 square feet in Cambridge's Kendall Square, providing lab and office space set for occupancy in 2026. The \$1 billion Fenway District is the foundation of a new life sciences hub, comprised of connected 22- and 12-story buildings slated for completion by year-end 2024. One-in-five employees are working in the private

education and healthcare sector, where businesses added 19,100 jobs since June 2022. Boston is home to some of the top investment, banking, and venture capital firms in the country including Boston-based Fidelity Investments and State Street Bank, with a combined employment of 8,000 workers out of more than 200,000 financial activities sector jobs. Fidelity hired another 500 new jobs in Boston in the first half of 2023, part of the 1,400 jobs added in the last year. Overall, Boston saw another strong year of economic growth as businesses and institutions added a net 76,900 workers to payrolls, a 2.8% year-over-year gain, through June 2023, outpacing the national rise by 30 basis points.

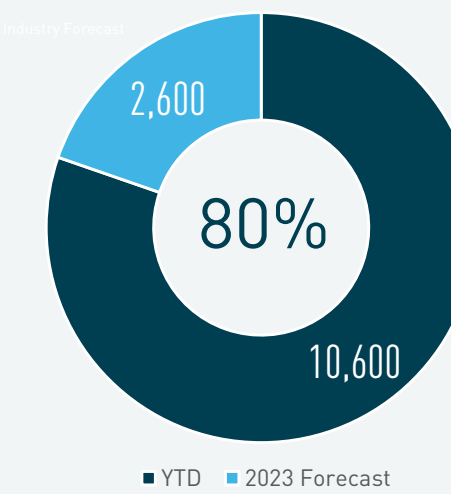
Employment Trends



Source: Moody's Analytics

Who's Hiring?

PRIVATE EDUCATION AND HEALTHCARE INDUSTRY



21%
OF ALL JOBS IN THE METRO

\$113,900
AVERAGE ANNUAL SALARY

Top Private Education and Healthcare Employers



25,000 JOBS



14,300 JOBS



3,300 JOBS

In The News

- [Fidelity aims to keep growing, adding 500 new jobs in Boston](#)
- [Norvo Nordisk to expand R&D presence, adding 200+ new jobs](#)
- [Registrar of motor vehicles hiring more than 200 employees](#)



BOSTON, MA

DELIVERIES & ABSORPTION

2023 Units*

DELIVERIES

9,171

ABSORPTION

7,915

2024 Units*

DELIVERIES

10,269

ABSORPTION

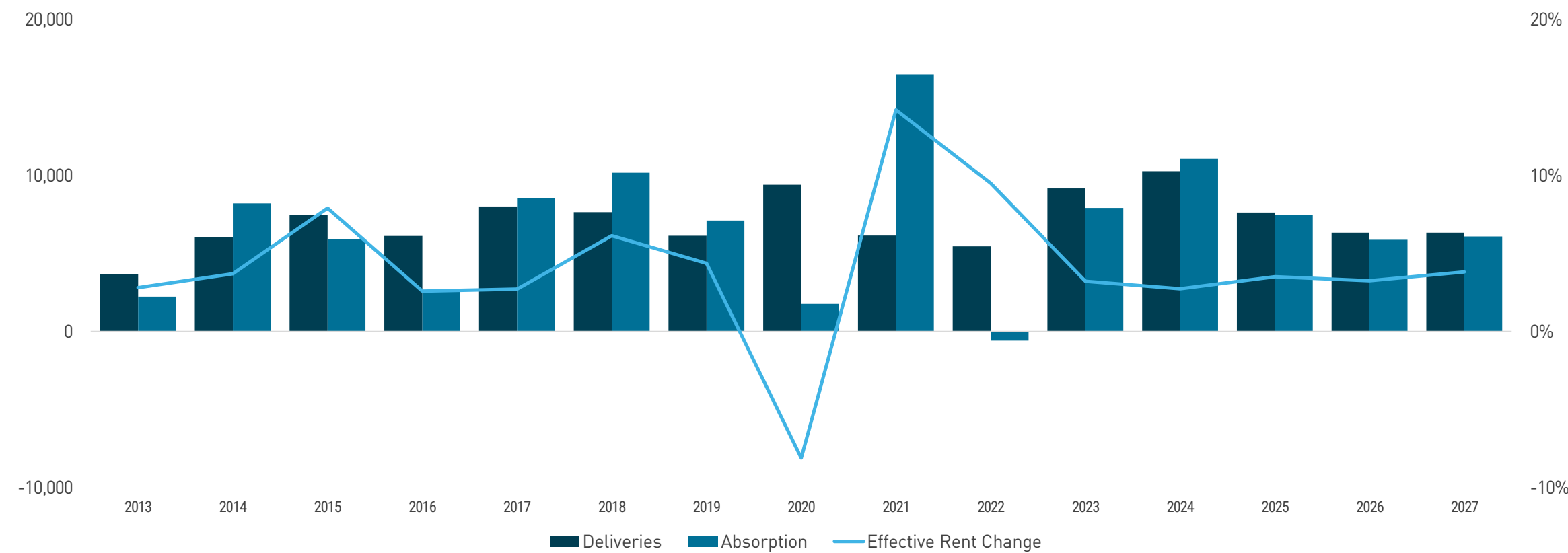
11,082

*Projected

Multifamily developers added nearly 68,000 units over the past decade in the Greater Boston apartment market, expanding the inventory by 19%, which is on par with the U.S. rate. Deliveries were capped by 3,115 units added in the first six months of 2023. An additional 17,830 units were under construction across 98 properties at the close of the second quarter of 2023 projected to deliver 6,056 apartments in the second half of the year for a total of 9,171 units in 2023. An 800-unit development in Newton, Massachusetts, is the largest project underway. Home to Boston College and several new corporate headquarters, new inventory in Newton has been limited though occupancy is above the market average.

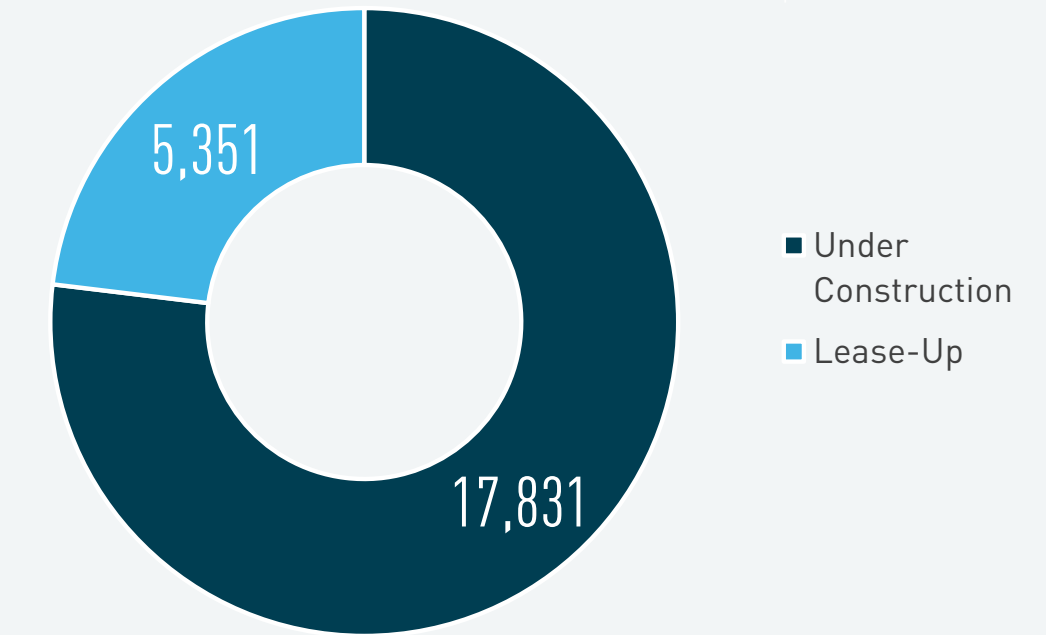
In the last year, apartment demand persisted as net absorption was positive in three of the four quarters. Renters newly occupied 1,213 net units in the trailing 12 months ending June 2023. Demand is projected to heighten during the second half of the year, outpacing inventory growth for the first time since the start of 2022. With a population of roughly 161,000 undergraduate students metrowide across more than 30 colleges and universities, students in need of off-campus housing will continue to buoy rental demand. Home to Harvard University and Massachusetts Institute of Technology the Cambridge/Somerville submarket is projected to lead rental demand for the second half of 2023.

Deliveries, Absorption, & Effective Rent Change

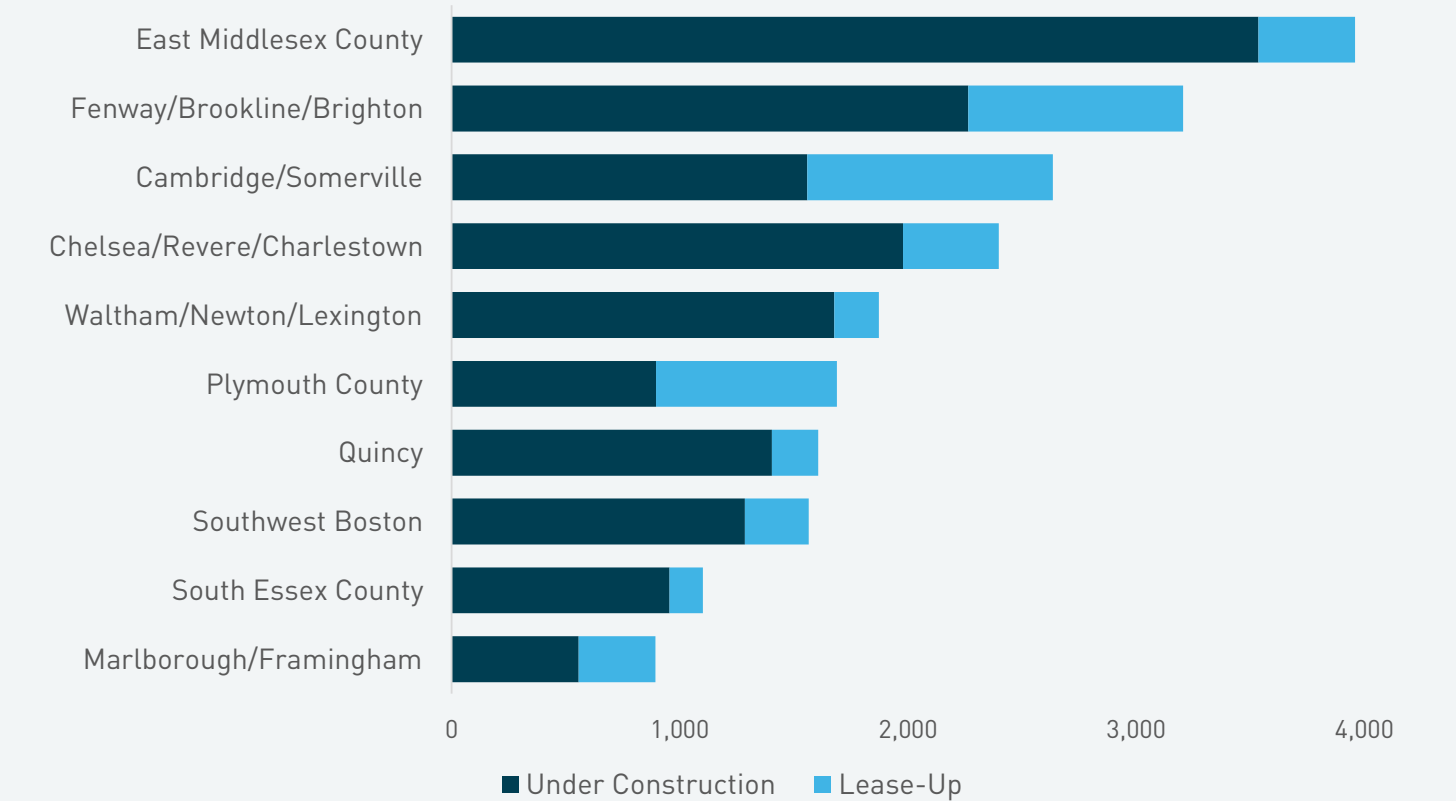


Source: RealPage

Market Pipeline



Top 10 Submarket Pipelines

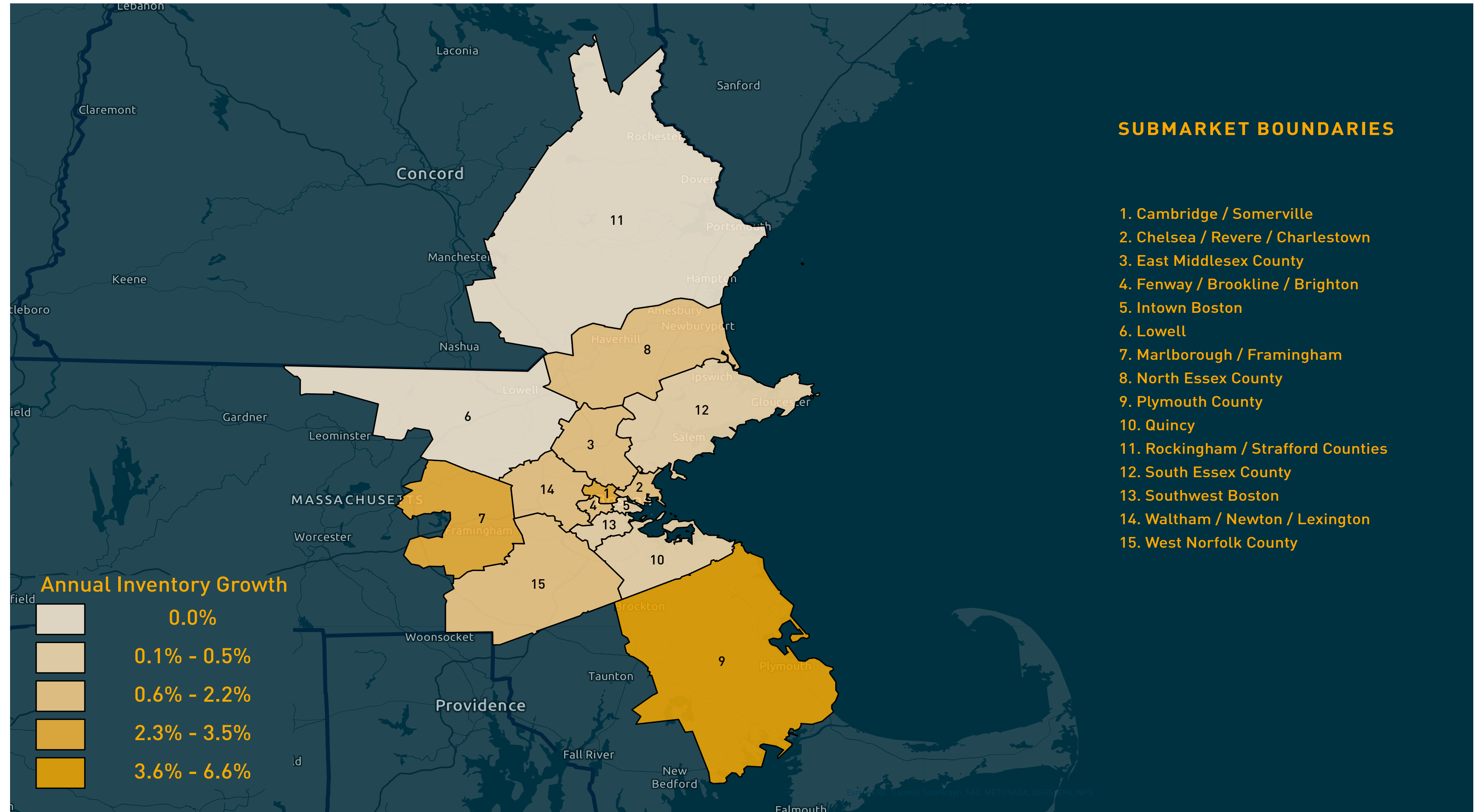




BOSTON, MA

SUBMARKET ANNUAL INVENTORY CHANGE

Thirteen of the 15 apartment submarkets posted annual supply increases. There were three standout submarkets with annual supply additions of over 900 units since mid-2022. These three submarkets, including the two university submarkets of Cambridge/Somerville, home to Harvard and MIT, and Fenway/Brookline/Brighton, home to Boston University, represented a combined 3,307 of new deliveries. Helping to absorb the new units in the Waltham/Newton/Lexington submarket will be the 200 new jobs being added at Novo Nordisk, creating one of its largest R&D hubs outside of Denmark. Paths of development have been spiraling outward from the city, and most of the hyper-construction hotspots are outside of Boston proper. The Plymouth County submarket, south of Boston, added 1,189 apartments in the past year. The 6.6% inventory expansion represented the largest supply addition among the submarkets.





BOSTON, MA

RENT & OCCUPANCY

Effective Rent

Q2 2023

\$2,886

↑ 5.6% YOY

Occupancy

Q2 2023

95.8%

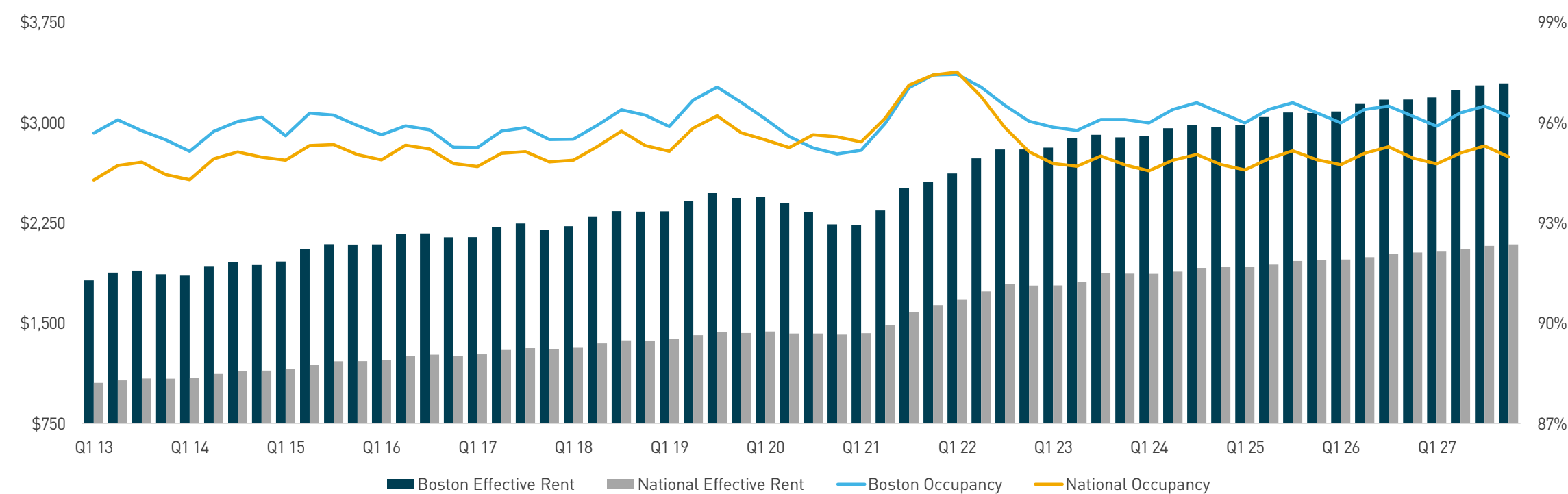
↓ 130 BPS YOY

Supported by the area's top-tier knowledge economy and chronic undersupply of housing, multifamily demand has held up fairly well in Boston. Meanwhile, elevated deliveries outpaced net absorption fivefold on an annual basis, pushing down the occupancy rate. At 95.8%, the occupancy rate in mid-2023 was comfortably above the national average but was 130 basis points lower than the year-ago rate. With apartment operators facing headwinds, about 9% of the units leased offered concessions to attract and retain renters. At an average of \$2,886 in the second quarter of 2023, monthly effective rent was up 5.6% from one year prior, outperforming the U.S. average of 4.0% during the same time. Boston remains one of the most expensive markets in the country,

as the national average comes in closer to \$1,809 per month.

Recently passed legislation out of Boston's city council has the potential to change the landscape for future rent increases. Mayor Michelle Wu's rent control policy caps rent increases at 6% plus inflation, as measured by the Consumer Price Index, with an overall cap of 10%. Some protections exist for owners and would-be developers: the law would not apply to new construction for the first 15 years, and small owner-occupied properties with additional rental units are also safe. The city believes roughly 55% of Boston's apartments are in play under the new legislation.

Boston vs. National Effective Rent & Occupancy



Source: RealPage

Submarket Performance

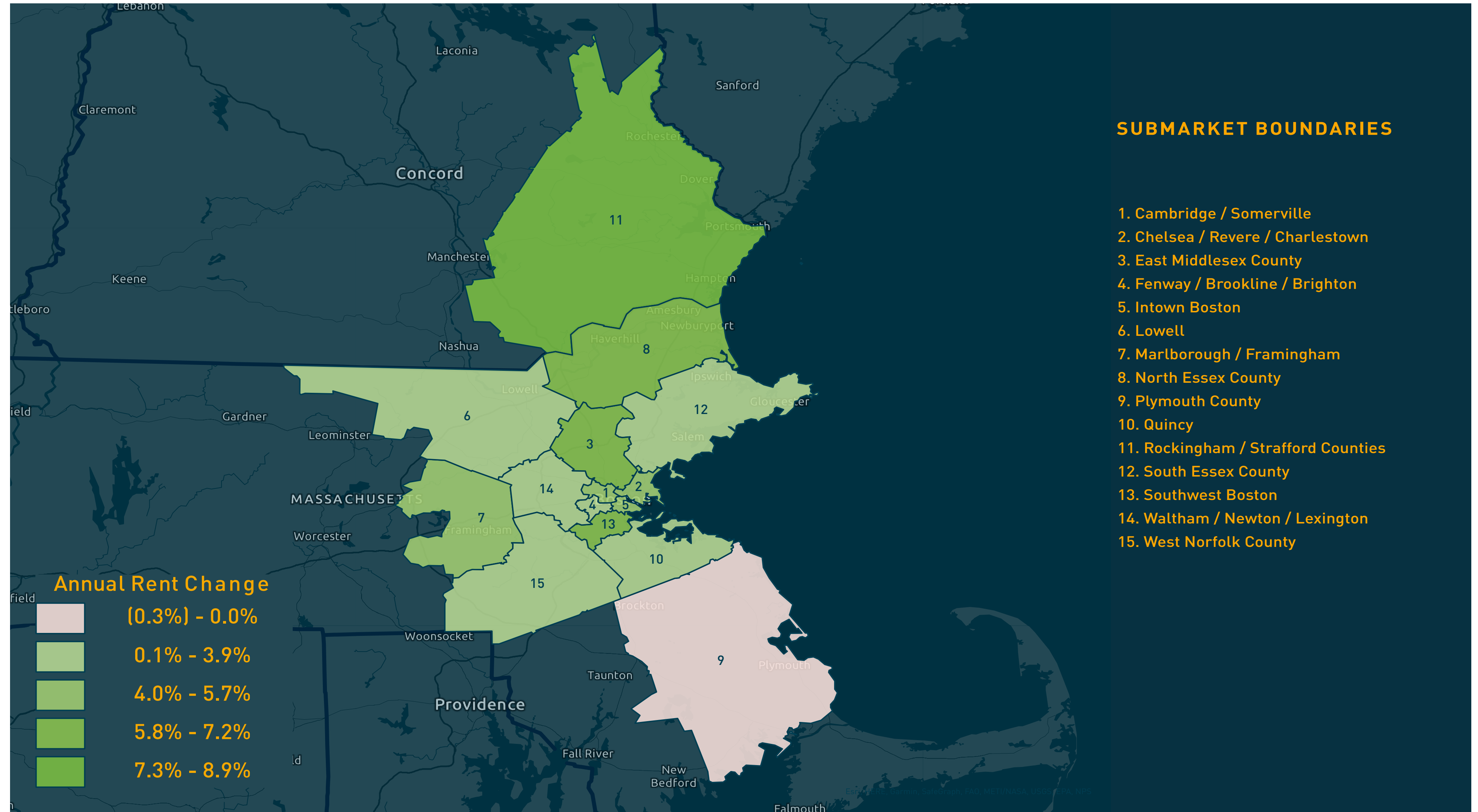
SUBMARKET NAME	Q2 2023 OCCUPANCY	YOY (BPS)	Q2 2023 EFFECTIVE RENT	YOY
Cambridge/Somerville	95.2%	-110	\$3,597	5.7%
Chelsea/Revere/Charlestown	95.1%	-130	\$2,877	5.0%
East Middlesex County	95.3%	-170	\$2,750	6.3%
Fenway/Brookline/Brighton	94.4%	-160	\$3,576	3.9%
Intown Boston	96.3%	-70	\$4,017	4.7%
Lowell	95.9%	-180	\$2,365	3.9%
Marlborough/Framingham	96.1%	-140	\$2,428	4.9%
North Essex County	97.0%	-100	\$2,270	7.2%
Plymouth County	96.1%	-160	\$2,291	-0.3%
Quincy	95.7%	-120	\$2,588	3.6%
Rockingham/Strafford Counties	97.5%	-60	\$1,992	8.8%
South Essex County	96.5%	-40	\$2,615	2.5%
Southwest Boston	95.1%	-100	\$2,746	6.6%
Waltham/Newton/Lexington	96.1%	-100	\$3,175	3.0%
West Norfolk County	95.3%	-250	\$2,662	3.7%



BOSTON, MA

SUBMARKET ANNUAL RENT CHANGE

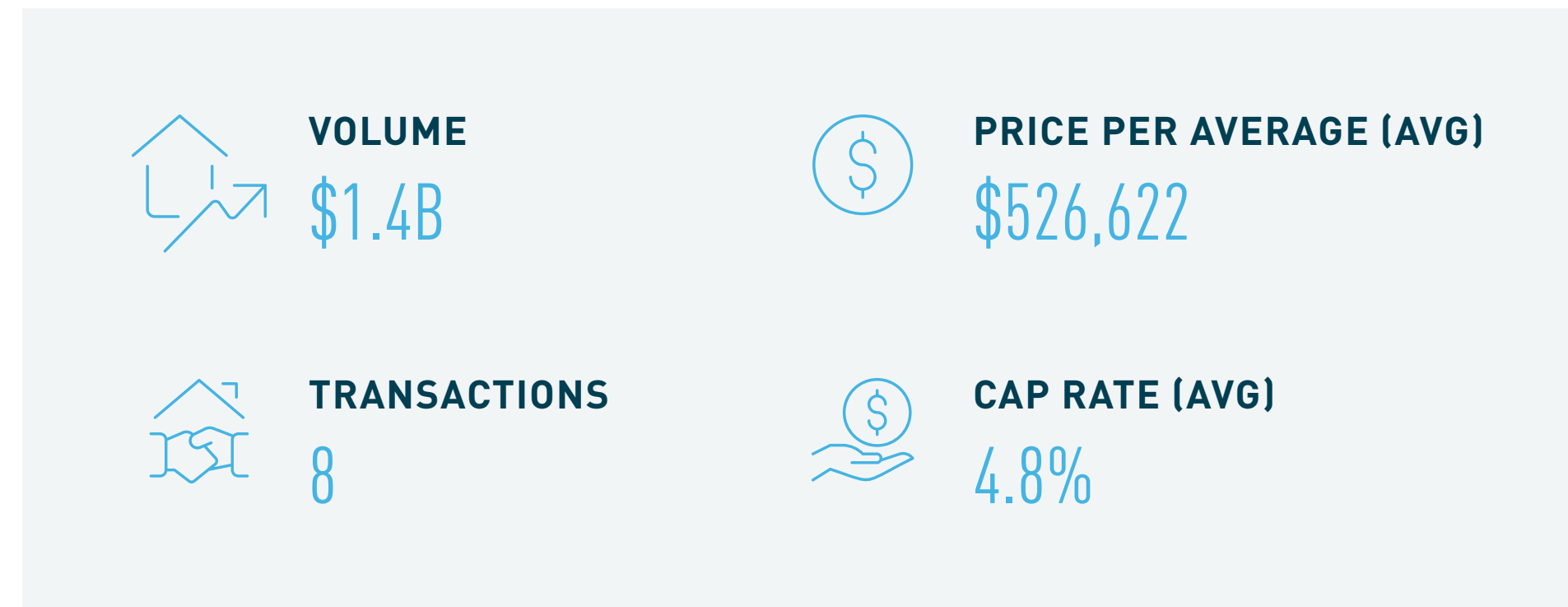
Greater Boston's annual rent growth was uneven across the map but remained positive in all but one of the 15 submarkets. Of these, three submarkets had year-over-year effective rent change above or near 7%: Rockingham/Strafford Counties, up 8.8%; North Essex County, up 7.2%; and Southwest Boston, up 6.6%. The submarkets with the greatest annual rent increases were also the most affordable rental options in the area. Over 25% of Boston's apartment submarkets now post average asking rents of \$3,000/month or higher, and all but one of the metro area's 15 submarkets posted rents over \$2,000/month as of the second quarter of 2023. Only the Intown Boston submarket had an average rate above \$4,000, up 4.9% annually to \$4,017. The suburbs are taking advantage of deep and growing demand.



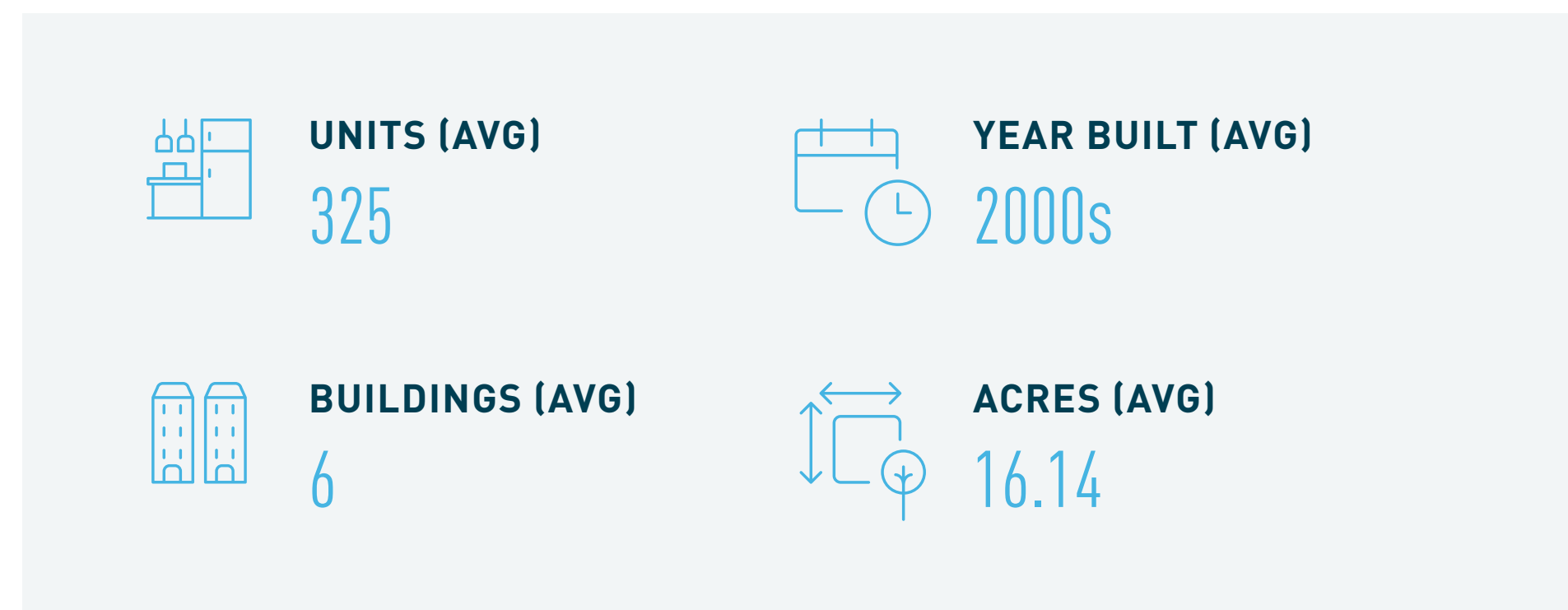


BOSTON, MA SALES

2023 Year to Date*



What's Trading?*



Source: Real Capital Analytics
*\$50m+

Top Buyers**

BUYER	LOCATION
Blackstone	New York
Brookfield Asset Management	Toronto, Canada
Eagle Rock Advisors	New York
The DSF Group	Waltham, MA
Eaton Vance	Boston

Top Sellers**

SELLER	LOCATION
Rockpoint Group	Boston
Boston Residential Group	Boston
Apartment Income REIT Corp.	Denver
National Development	Newton Lower Falls, MA
Brookfield Asset Management	Toronto, Canada

**Past 24 Months



Sources: RealPage; Moody's Analytics; Real Capital Analytics

© 2023 Berkadia Real Estate Advisors LLC

Berkadia® is a trademark of Berkadia Proprietary Holding LLC

Commercial mortgage loan origination and servicing businesses are conducted exclusively by Berkadia Commercial Mortgage LLC and Berkadia Commercial Mortgage Inc. This website is not intended to solicit commercial mortgage loan brokerage business in Nevada. Investment sales and real estate brokerage businesses are conducted exclusively by Berkadia Real Estate Advisors LLC and Berkadia Real Estate Advisors Inc. For state licensing details for the above entities, visit: www.berkadia.com/legal/licensing.aspx

The information contained in this flyer has been obtained from sources we believe to be reliable; however, we have not conducted any investigation regarding these matters and make no warranty or representation whatsoever regarding the accuracy or completeness of the information provided. While we do not doubt its accuracy, we have not verified it and neither we, nor the Owner, make any guarantee, warranty or representation of any kind or nature about it. It is your responsibility to independently confirm its accuracy and completeness. Any projections, opinions, assumptions or estimates used are for example and do not necessarily represent past, current or future performance of the property. You and your advisors should conduct a careful and independent investigation of the property to determine to your satisfaction the suitability of the property and the quality of its tenancy for your records.