Northmarq

CONSTRUCTION ACTIVITY

UNDER CONSTRUCTION	19,458
UNITS DELIVERED (YTD)	1,237

MARKET FUNDAMENTALS

VACANCY RATE	4.9%
YEAR-OVER-YEAR CHANGE	0bps
ASKING RENTS	$2,780
YEAR-OVER-YEAR CHANGE	+2.4%

TRANSACTION ACTIVITY (YTD)

MEDIAN PRICE PER UNIT	$259,366

BOSTON MULTIFAMILY
1Q 2025

MARKET INSIGHTS

Multifamily transactions hit three-year high

HIGHLIGHTS

- Operating conditions in the Boston multifamily market performed well during the first quarter, with asking rents continuing to trend higher amid a slight increase in vacancy. Completions are on track for the highest annual delivery volume in five years and signal continued development momentum.
- The vacancy rate in Boston held nearly flat during the first quarter, inching up just 10 basis points to 4.9 %. Year over year, the rate has remained unchanged.
- Rents in Boston increased by 1.8% in the first quarter and by 2.4% year over year, reaching $2,780 per month. Despite consistent quarterly gains, rent growth has been modest, with rates rising just over 5% since early 2023.
- Multifamily transaction volume in Boston started 2025 on a strong note, marking a three-year high for first-quarter activity. The median sale price rose to $259,366 per unit, while average cap rates declined to 4.4 %, down notably from 2024.

BOSTON MULTIFAMILY MARKET OVERVIEW

Balanced growth continues to underpin Boston's multifamily market, though structural shifts may reshape fundamentals ahead. Apartment deliveries have averaged nearly double the pace seen from 2005 to 2014, a trend set to persist through 2025. Thus far, steady job gains in government, healthcare, and education have supported rent growth and kept vacancy stable. Still, recent federal policy changes and budgetary constraints pose risks to these key sectors, potentially tempering future demand. At the same time, development is shifting outward. Core areas like Cambridge-Somerville and Intown Boston are seeing sharp declines in new supply, with similar slowdowns projected for Fenway-Brookline-Brighton and Chelsea-Revere-Charlestown by 2026. Meanwhile, construction is accelerating in outer-ring submarkets such as East Middlesex, South Essex, Lowell, and Marlborough-Framingham. Despite rising supply, vacancy in these areas has held firm, signaling strong demand supported by lower rents and proximity to suburban job hubs. If economic conditions soften, these more affordable submarkets may offer steadier performance and present lower-risk opportunities for investors focused on long-term regional growth.

Conditions in the Boston multifamily investment market continued to strengthen in early 2025, as stable operations attracted more active investors. Following a surge in transactions during the second half of 2024, momentum carried into this year, with first-quarter deal volume up 15 % from the same period in 2024. Class C properties accounted for nearly half of all transactions over the past 12 months, with deal volume in this segment nearly doubling. Median pricing for Class C assets rose 4.3 % year over year, the strongest gain among all asset types. This wave of lower-tier sales pulled the overall market median down more than 10 % from last year, to $259,300 per unit. Meanwhile, Class A pricing moved higher, with the median reaching $612,000 per unit to start 2025, up from $590,000 between 2022 and 2024. Submarket activity was concentrated in East Boston/Chelsea and JP/Roslindale/West Roxbury, which together accounted for 33 % of sales. The latter area captured 15 % of Class C deals alone, likely due to a tight 2.3 % vacancy rate and no active construction, making it an attractive target for value-focused investors.

EMPLOYMENT

- As of March, the local economy shed 11,400 jobs year-over-year, a 0.4% decline in total employment, while the national economy grew by 1.2%. Most major industries here lost workers over the past year, with the leisure/hospitality, construction, manufacturing, and information sectors each shrinking by at least 1.5%.
- Boston's private education and health services sector led in job growth over the past year, adding 7,100 positions, a 1.1% increase. The government sector followed, expanding by 4,000 jobs, up 1.2%.
- Fenway Center, a 1.4 million-square-foot mixed-use development over the Mass Pike, is slated to deliver two lab and office towers by mid-2025, creating 3,000 permanent jobs and over $15 million in annual tax revenue.
- **FORECAST:** The pace of new hires is projected to pick up slightly from 2024 to 2025, but levels in the coming year will likely lag traditional norms. In 2025, local employers are forecast to add 15,000 new positions, increasing payrolls by 0.5%.

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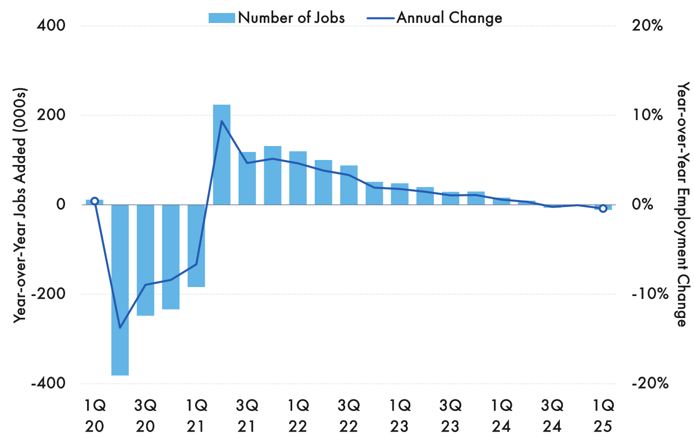
EMPLOYMENT OVERVIEW



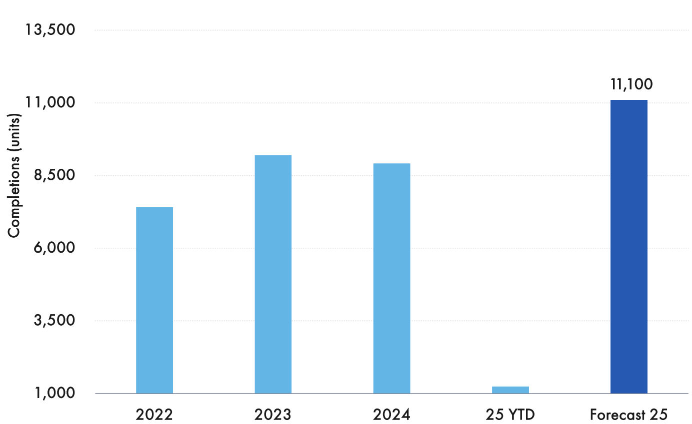
Sources: Northmarq, Bureau of Labor Statistics

DEVELOPMENT & PERMITTING

Multifamily construction was light in the first quarter, with roughly 1,200 new units delivered.

- Multifamily construction was light in the first quarter, with roughly 1,200 units delivered. Over the past five years, first-quarter delivery totals have averaged nearly 1,600 units. The greatest concentration of deliveries were in or near Downtown Boston and the South Boston/Seaport area, while the rest of the projects spread out among the outer suburbs like Metro West, Route 1 North, and 93 North.
- The development pipeline includes nearly 86 projects currently under construction totaling more than 19,000 units. This represents a decrease of approximately 10% from peak levels one year ago.
- Multifamily permitting in Boston totaled approximately 6,000 units during the first quarter, marking a 15 % decline from the same period last year. Activity has continued to trend downward since peaking in the second half of 2021.
- **FORECAST:** After averaging more than 8,800 unit deliveries per year from 2015 to 2024, developers are on pace to complete approximately 11,100 units in 2025. Construction will slow beginning next year, with projects totaling fewer than 6,000 units scheduled for delivery in 2026.

DEVELOPMENT TRENDS



Sources: Northmarq, CoStar

VACANCY

Vacancy continued its gradual upward trend, rising for the third consecutive quarter to 4.9%.

VACANCY TRENDS

Sources: Northmarq, Costar

- Vacancy continued its gradual upward trend, rising for the third consecutive quarter to 4.9%. While the rate is unchanged from one year ago, it has steadily climbed since reaching a historic low in early 2022.
- Elevated demand levels have limited rises in vacancies; over the past 12 months, net absorption totaled nearly 6,700 units across Boston. Last year, net absorption reached its highest point in two years, with renters moving into a net of more than 8,550 units.
- The South Plymouth County submarket saw one of the largest vacancy declines, dropping 160 basis points over the past year to 3.1%. Closer to downtown, the Somerville/Charlestown area and East Boston/Chelsea absorbed about 5% of their respective inventories amidst elevated construction pipelines.
- **FORECAST:** Persistent supply pressure and slowing demand growth are expected to drive the stock of vacant units to a record high, raising the vacancy rate to 5.1 %, above the metro's 20-year average of 4.4 %.

RENTS

- Rent growth in Boston has remained steady in recent years, though the pace of increase is slowing. As of March, average asking rents reached $2,780 per month. This growth outpaces the national average and ranks near the top among the country's top 10 multifamily markets by unit count.
- While operators pushed rents higher across all asset classes in the last year, some of the steepest increases occurred in Class A and Class B properties. Year over year, the combined average rents in high- and mid-tier properties rose by 2.4% to $3,228 per month.
- Rents advanced 5% year-over-year in outer belt suburbs like Metro West and about 4% in northern suburbs like Lowell/Dracut and Lawrence/Haverhill. Meanwhile, rent growth remained slower in South Boston/Seaport, one of Boston's most expensive submarkets.
- **FORECAST:** Rent growth is expected to remain modest, with the average effective rent reaching $2,800 per month by year-end. The projected 2.3% annual increase outpaces the national rate, though it remains slightly below Boston's long-term average of 3%.

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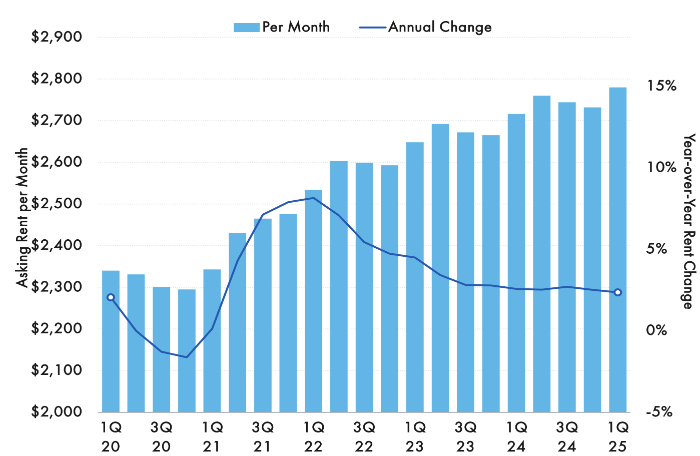
RENTS TRENDS



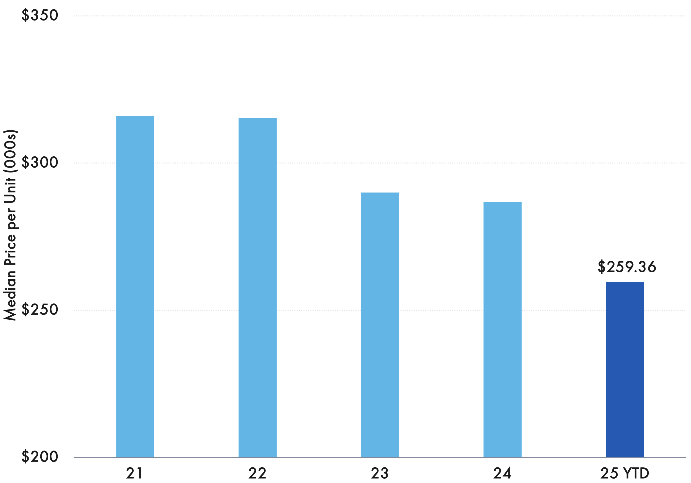
Sources: Northmarq, Costar

MULTIFAMILY SALES

- Transaction activity more than doubled in the past 12 months compared with the previous period, with increased activity across sales price tranches and building types. The number of properties that changed hands in the first quarter was up 15 % from a year prior.
- Overall multifamily pricing dipped in 2025, primarily weighed down by a couple of low-priced sales. Year to date, the median sale price in Boston is $259,300 per unit, down 10% from last year.
- Out-of-state trades nearly doubled, driven by the region's strong economy supported by leading universities and hospitals. This continues to attract significant capital, especially from institutional investors, reflected in the doubling of Class A transactions of over $10 million.
- Cap rates have shown an upward trend over the past year, averaging around 6.2% for the year-long period. Still during the first quarter, cap rates averaged 4.4%, reflecting a decrease from the previous year's average of approximately 5.3%.

Year to date, the median sale price in Boston is $259,300 per unit.

INVESTMENT TRENDS



Sources: Northmarq, CoStar

RECENT TRANSACTIONS MULTIFAMILY SALES ACTIVITY

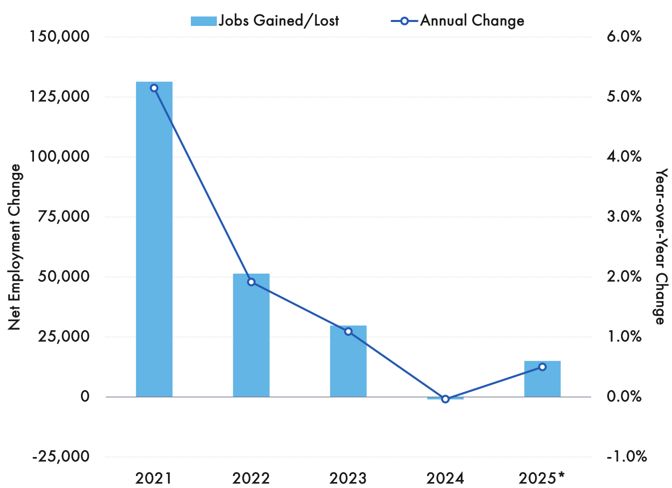
PROPERTY NAME	STREET ADDRESS	YEAR BUILT	UNITS	SALES PRICE	PRICE/UNIT
Altitude Apartments	211 Kennedy Dr	1975	919	$268,000,000	$291,621
The Kendrick	275 2nd Ave	2018	390	$181,750,000	$466,026
The Westerly at Forge Park	50 Woodview Way	2017	280	$101,000,436	$360,716

LOOKING AHEAD

Trends observed in Boston's multifamily market in 2024 are expected to continue through 2025, with vacancy gradually inching higher and rent growth holding steady. Deliveries are on pace to reach 11,100 units this year, the highest total since 2020, reflecting ongoing inventory growth. While net absorption totaled approximately 5,800 units in 2024, it may come in slightly lower this year due to elevated levels of construction, which could temporarily outpace demand. Nearly 40 % of all units underway are concentrated in four submarkets, including three contiguous areas in the inner northern suburbs: Everett/Malden/Medford/Melrose, Route 1 North, and 93 North. Somerville/Charlestown also holds a significant share. Alston/Brighton is another key submarket to watch, with nearly 1,000 units under construction, amounting to about 9.2 % of existing inventory.

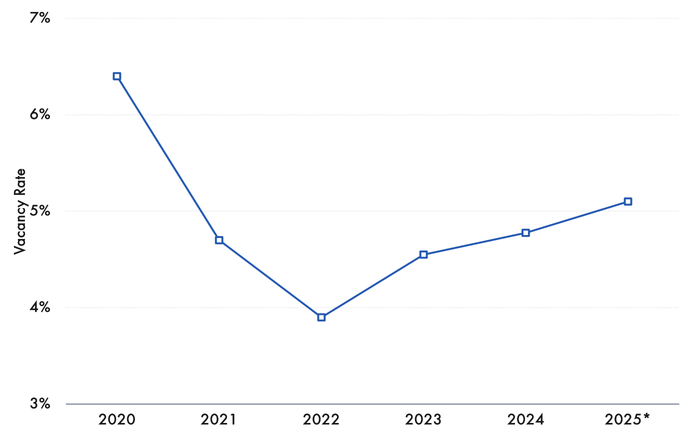
Transaction activity in Boston's multifamily market is expected to remain elevated in the coming quarters. Cap rates have settled into the mid-4 % range after trending higher for much of last year, a level that may be sufficient to bring more buyers off the sidelines. With local investors cautious about the outlook for office and life sciences, multifamily continues to draw interest as a relatively stable investment vehicle. Preliminary figures show a strong start to the second quarter; first-quarter sales volume doubled from the same period in 2024, contributing to $3.5 billion in transactions during the 12 months ending in March. Momentum is expected to build as more properties are listed, particularly on the lower end of the price spectrum. Most deals to start the year involved Class C properties priced under $20 million, a segment likely to remain active as buyers search for yield in a competitive environment.

EMPLOYMENT FORECAST



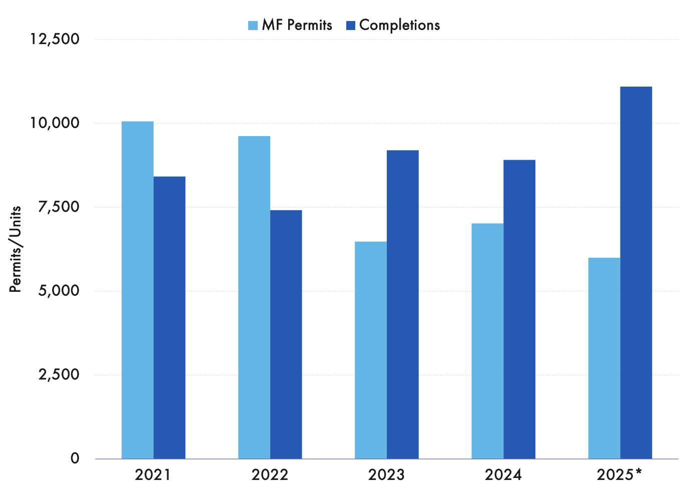
** Year End Forecast*
Sources: Northmarq, Bureau of Labor Statistics

VACANCY FORECAST



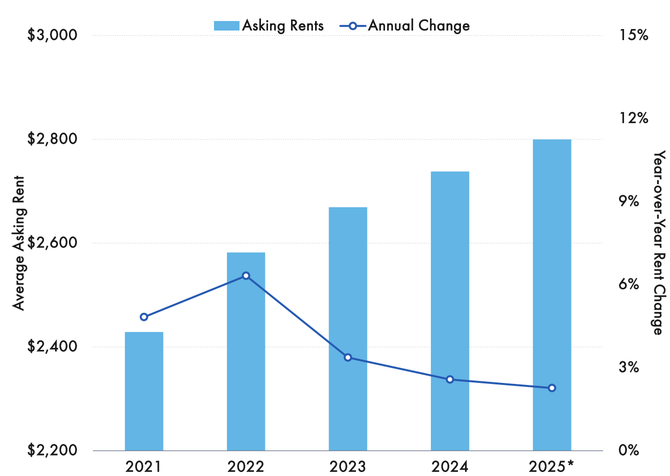
** Year End Forecast*
Sources: Northmarq, Costar

CONSTRUCTION & PERMITTING FORECAST



** Year End Forecast*
Sources: Northmarq, CoStar, Census Bureau

RENTS FORECAST



** Year End Forecast*
Sources: Northmarq, REIS

FOR MORE INFORMATION, **PLEASE CONTACT**

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ABOUT **NORTHMARQ**

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