Northmarq

CONSTRUCTION ACTIVITY

UNDER CONSTRUCTION	13,764
UNITS DELIVERED (YTD)	2,539

MARKET FUNDAMENTALS

VACANCY RATE	4.9%
YEAR-OVER-YEAR CHANGE	+10bps
ASKING RENTS	$3,108
YEAR-OVER-YEAR CHANGE	+1.4%

TRANSACTION ACTIVITY (YTD)

MEDIAN PRICE PER UNIT	$343,000

GREATER BOSTON MULTIFAMILY
Q2 2026

MARKET INSIGHTS

Deliveries slow as fundamentals improve

HIGHLIGHTS

- Employment in Boston grew year over year for the first time since 2024, a shift that coincided with tighter multifamily fundamentals as vacancy fell, and rents posted their strongest quarterly gain since early 2023.
- Vacancy tightened across every asset class in the second quarter, led by a 30-basis-point improvement in Class B. The metro-wide vacancy rate declined to 4.9%, down 20 basis points from the first quarter but still 10 basis points above year-ago levels.
- Asking rents advanced 2.1% during the second quarter to $3,108 per month, up 1.4% from a year ago. The Back Bay/South End submarket outpaced the broader market, with rents up 4.6% annually to nearly $4,350 per month.
- Investment activity slowed after a strong start to the year, shifting toward smaller, suburban assets. Even so, the median sale price climbed to $343,000 per unit in the second quarter.

GREATER BOSTON MULTIFAMILY MARKET OVERVIEW

The Boston multifamily market strengthened in the second quarter as the local job market returned to annual growth for the first time in two years. That stronger footing showed up quickly in leasing activity, with tenants absorbing apartments well ahead of the pace that developers completed them, tightening vacancy and giving landlords room to push rents higher. The improvement was broad-based, with conditions strengthening across the quality spectrum. Meanwhile, the supply pipeline is thinning, completions have slowed considerably, and developers have pulled back on permitting well below typical levels. That said, the improvement wasn't universal. In Brookline, Newton, and Watertown, ongoing construction met softer demand than elsewhere, causing vacancy to move in the opposite direction of the broader market. The trend suggests that even the region's most land-constrained suburbs are not immune to the short-term effects of new supply.

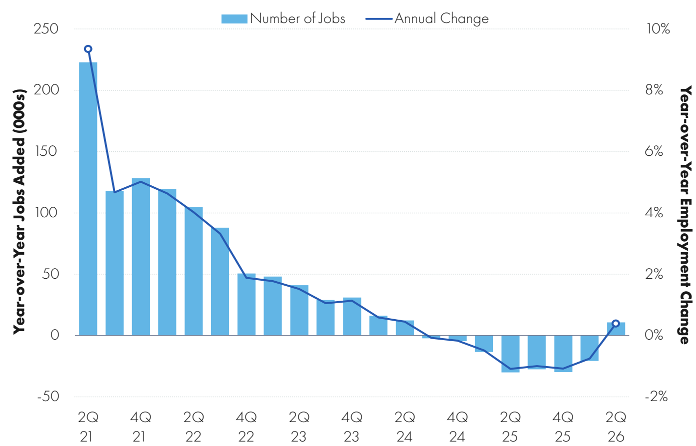
The Boston multifamily investment market cooled from an unusually front-loaded start to the year. Two of the year's largest trades, combining for more than $350 million, closed in the first quarter and accounted for more than one-third of first-half dollar volume. Excluding those transactions, deal size was far more consistent, with the remaining first quarter sales averaging about $23 million compared with roughly $28 million in the second quarter. What has shifted is the profile of what's trading. Buyers have gravitated toward smaller, older properties outside the urban core, a trend underscored by the absence of Class A property transactions in the second quarter. That divide extends to pricing as well, with recently built assets trading at meaningfully tighter cap rates than older stock, consistent with the broader shift toward value-add product.

EMPLOYMENT

- Employment turned positive in recent periods. The metro added 10,800 positions year over year, a 0.4% increase and its first annual gain since early 2024. The reversal caps two quarters of narrowing losses.
- Leisure and hospitality led all sectors in job growth during the past year, adding 7,300 workers, an increase of 2.5%. Health care and social assistance also posted solid gains, up 4,300 jobs annually, or 0.9%. Meanwhile, professional and business services and government remained the softest sectors, with both posting modest declines.
- Boston Dynamics announced a $100 million expansion of its Waltham campus in June, converting a 323,000-square-foot facility into a robotics and AI center expected to nearly double the company's local headcount and add 1,250 jobs by 2033.
- **FORECAST:** Total employment is projected to grow 0.2% in 2026, a net gain of about 6,000 jobs and the first annual employment increase in three years. That is still below trend: Boston averaged 35,000 net new jobs annually from 2021 to 2025, and 47,000 from 2014 to 2019.

Employment posted its first annual gain in two years.

EMPLOYMENT OVERVIEW



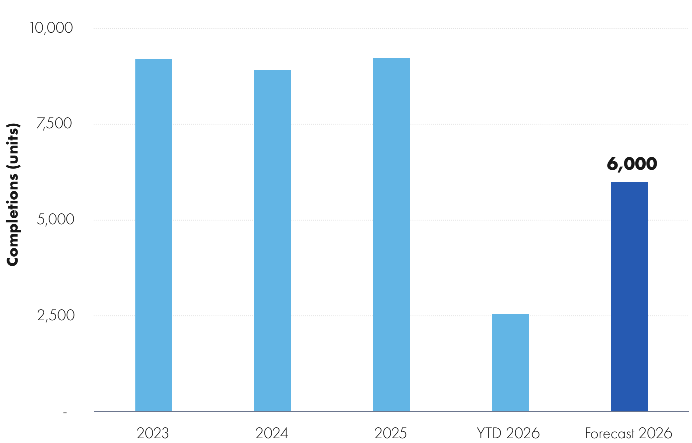
Sources: Northmarq, Bureau of Labor Statistics

DEVELOPMENT & PERMITTING

- Through midyear, roughly 2,500 units have been delivered, down nearly 40% from the same period last year. Completions in the second quarter were led by projects in Revere, Quincy, and the New Hampshire suburbs, continuing a shift away from the urban core.
- More than 13,700 units are currently under construction. The two largest concentrations, Somerville/Charlestown with roughly 21% of the total and Chelmsford/Tyngsborough/Townsend with about 9%, are each anchored by a single large-scale project rather than broader development activity. Multi-project activity continues in higher-barrier suburbs like Brookline, Newton, and Watertown.
- Permitting activity remained soft through the second quarter. Developers pulled permits for 2,400 units so far this year, nearly 30% below the five-year average for the same period. That represents a slight improvement from last year's trough, suggesting permitting may be stabilizing.
- **FORECAST:** Developers are on pace to complete approximately 6,000 units in 2026, well below the region's 10-year annual average of roughly 8,800 units and about 35% below last year's total.

Roughly 2,500 units have been delivered year to date.

DEVELOPMENT TRENDS



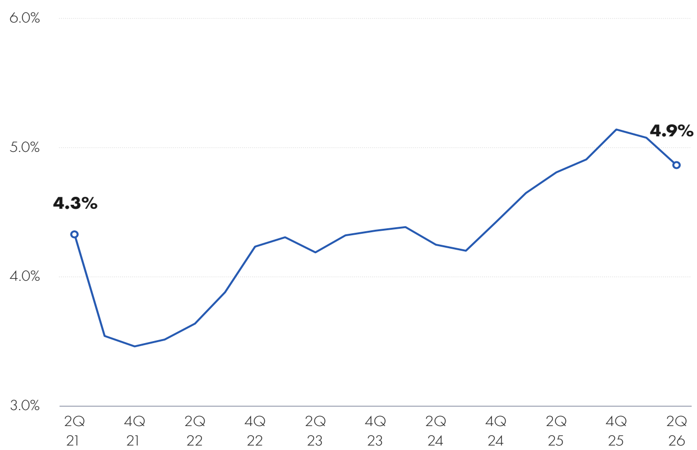
Sources: Northmarq, CoStar

VACANCY

- Vacancy eased to 4.9% in the second quarter, down 20 basis points from the first quarter but up 10 basis points from a year ago. The quarterly improvement reflects absorption of roughly 2,500 units, more than double the number of new deliveries.
- The Brookline/Newton/Watertown submarket bucked the broader trend, with vacancy climbing to 7.1%, up 110 basis points year over year. The submarket also posted negative absorption for the period as multiple projects remained under construction.
- Vacancy across all asset classes tightened from the first quarter, led by Class B, which fell 30 basis points to 5.0%. Year over year, Class A and Class C vacancy rates are flat to modestly lower, while Class B is up just 10 basis points and continues to absorb last year's deliveries.
- **FORECAST:** Vacancy is projected to end 2026 near 5.2%, about 70 basis points above the metro's 10-year average of 4.5%.

Quarterly absorption more than doubled new deliveries.

VACANCY TRENDS



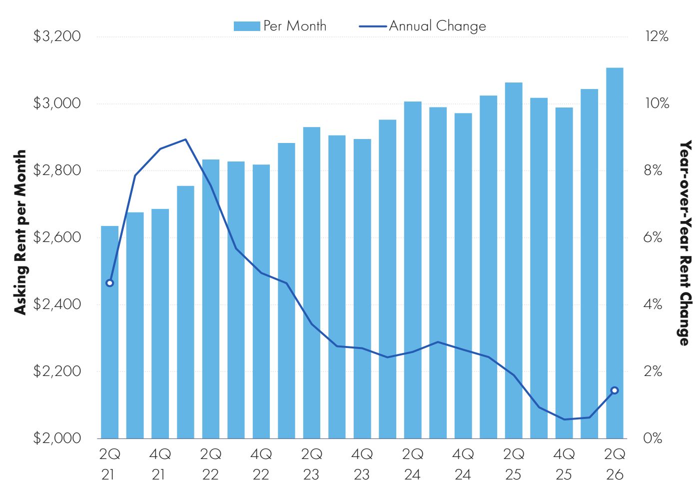
Sources: Northmarq, Costar

RENTS

- Rent growth accelerated in the second quarter, posting the strongest quarterly gain since early 2023. Asking rents rose 2.1% during the past three months to $3,108 per month. Year over year, rents are up 1.4%.
- Among submarkets with more than 10,000 units of inventory, Back Bay/South End posted both the highest rents and the strongest growth, at nearly $4,350 per month and up 4.6% year over year. Downtown Boston followed at above $4,200 per month, with Harvard/MIT close behind at nearly $3,950 per month.
- Rent growth was recorded across all asset classes during the past year. Class A units led, up 2.1% to $3,672 per month, followed closely by Class C at 1.8%, while Class B trailed at 0.8%.
- **FORECAST:** Asking rents are projected to reach approximately $3,060 per month by year-end, an increase of 2.4% from 2025 levels. Following a strong second quarter, growth is expected to taper seasonally during the second half of the year.

Year over year, asking rents are up 1.4%.

RENTS TRENDS



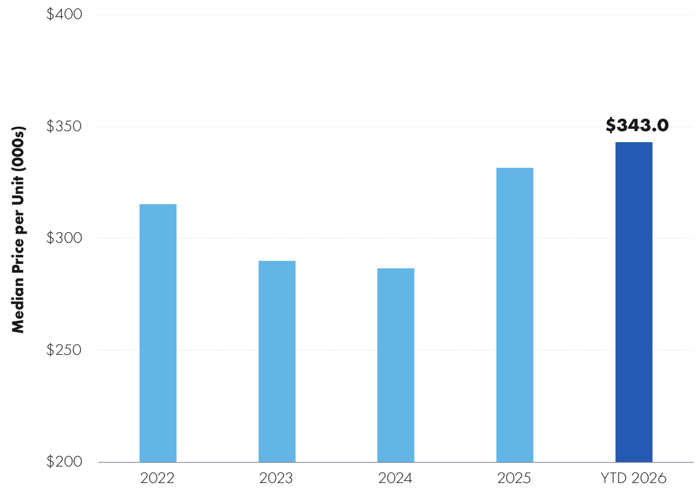
Sources: Northmarq, Costar

MULTIFAMILY SALES

- Investment activity slowed in the second quarter, with the number of deals falling to less than half the first-quarter pace and year-to-date transactions running 15% behind the same period last year. Properties trading have also become smaller, with this year's median deal size just over 50 units, less than half the 2025 median of 120 units.
- The year-to-date median sale price rose to $343,000 per unit, up 3% from 2025's full-year figure, even as buyers shifted decisively toward the suburbs. Three-quarters of this year's trades closed in suburban submarkets such as Metro West, Route 1 North, and the South Shore, compared with just seven deals across the urban core and inner neighborhoods.
- Cap rates averaged 6.0% year to date, up from 5.5% for all of 2025. The increase reflects a wide spread by property age, with recently built assets trading near 5.7% and pre-1980s properties, the largest share of this year's activity, averaging just over 6.1%.

The median sale price reached $343,000 per unit.

INVESTMENT TRENDS



Sources: Northmarq, CoStar

RECENT TRANSACTIONS MULTIFAMILY SALES ACTIVITY

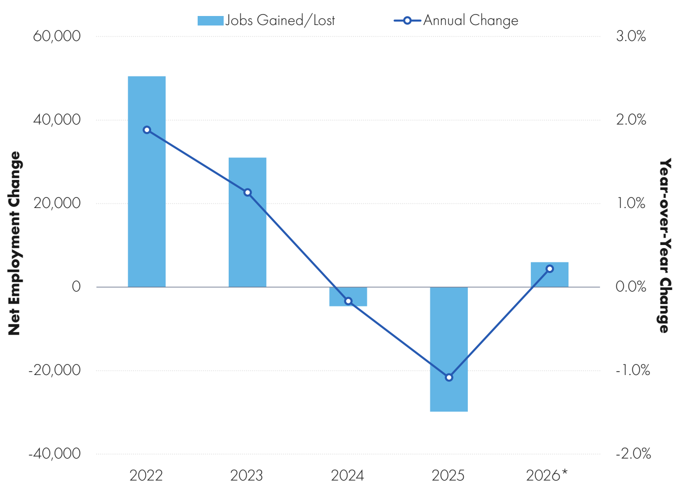
PROPERTY NAME	STREET ADDRESS	YEAR BUILT	UNITS	SALES PRICE	PRICE/UNIT
The Chesterfield Apartments	10 Greenview St., Framingham	1972	250	$53,000,000	$212,000
The Dunvegan	1654 Massachusetts Ave., Cambridge	1898	79	$40,000,000	$506,329
Elora Flats & Townhomes	112-114 Marston St., Lawrence	2009	104	$30,200,000	$290,385
77-81 Park Drive	77-81 Park Drive, Boston	1910	54	$27,000,000	$500,000
340 Bremen Street	319 Chelsea St., Boston	2022	38	$18,000,000	$473,684

LOOKING AHEAD

Operating fundamentals in Boston should continue improving through the second half of the year, though at a more measured pace than the second quarter's numbers suggest. Employment is on pace for its first annual increase since 2023, aided by recently announced expansions like Boston Dynamics' Waltham project, though hiring remains below the longer-term trend. Development activity is set to slow further, as two years of modest permitting leave fewer projects ready to break ground, with full-year completions on track to fall well short of the historical norm. That pullback in supply arrives alongside typical seasonal moderation in fundamentals, with vacancy and rents expected to give back some of this quarter's gains by year end. One source of uncertainty has diminished. The state's high court removed the proposed rent control measure from the November ballot in June, though legislative efforts to advance rent stabilization remain ongoing.

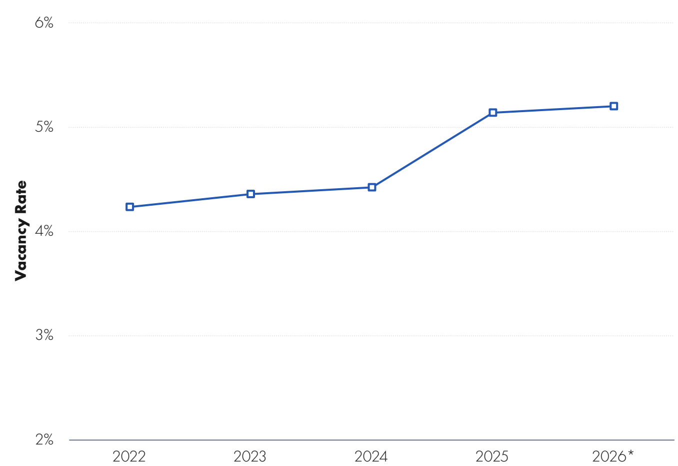
Investment activity in Boston is likely to remain below last year's levels through the remainder of 2026, absent a return of the large trades that lifted activity during the first quarter. Barring that, the shift toward smaller, older assets in outer submarkets should persist, while overall average cap rates are likely to hold in their current range or drift modestly higher, given the pricing gap that exists between newer and older product. One submarket worth watching is Metro West, already the year's most active by deal count: Boston Dynamics' planned expansion in Waltham could draw additional investor attention to the corridor in the coming quarters. A pickup in permitting or a return of larger transactions would be the clearest signal of improving confidence and a broader recovery in investment momentum.

EMPLOYMENT FORECAST



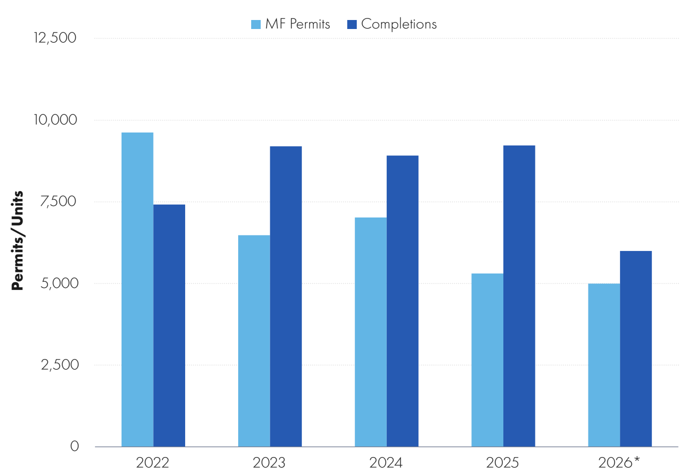
** Year-End Forecast*
Sources: Northmarq, Bureau of Labor Statistics

VACANCY FORECAST



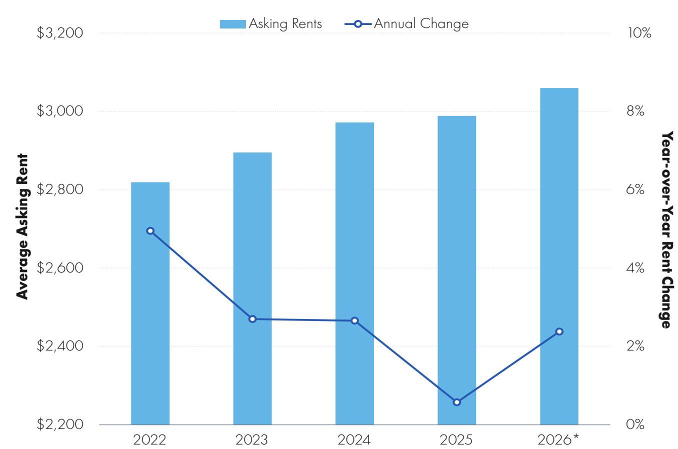
** Year-End Forecast*
Sources: Northmarq, Costar

CONSTRUCTION & PERMITTING FORECAST



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

RENTS FORECAST



** Year-End Forecast*
Sources: Northmarq, REIS

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