



# THE PUNCH LIST

Boston Multifamily

May 2024

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# Boston Multifamily

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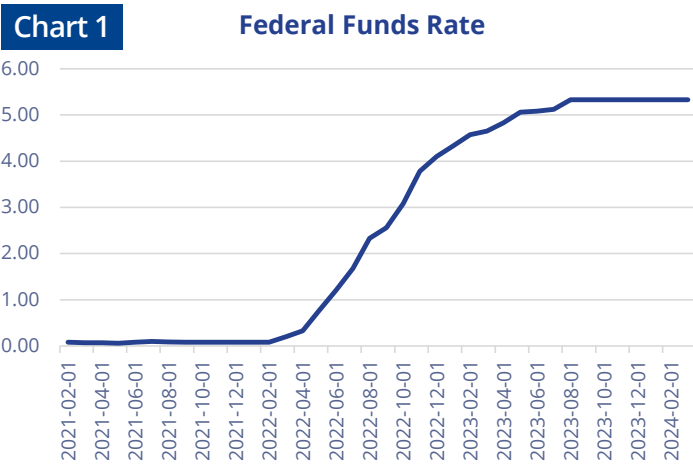


## Boston Multifamily Market: Adjusting to a High-Rate Environment

The multifamily market in Greater Boston, like many across the country, is experiencing a period of adjustment due to recent economic shifts. Let's unpack the impact of rising interest rates and explore what lies ahead for investors.

### Interest Rate Hikes and Their Impact

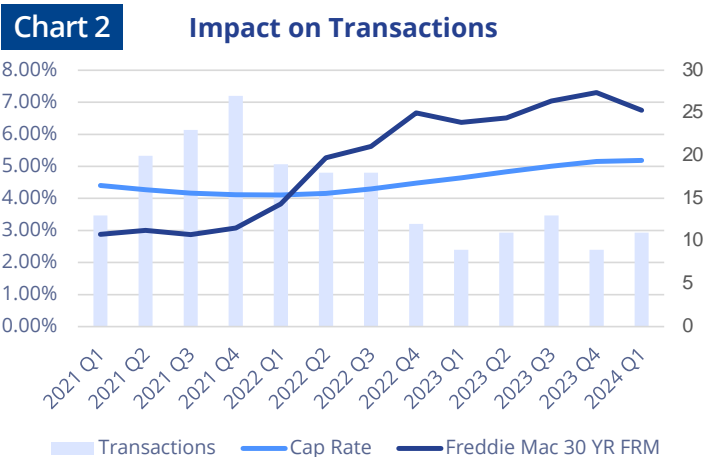
The Federal Reserve's response to inflation, which peaked at 9.10% in June 2022, involved raising the Federal Funds Rate eleven times between March 2022 and January 2024 (Chart 1). This directly affected the multifamily market, with the Freddie Mac 30-Year Fixed Interest Rate rising from 3.82% in Q1 2022 to 7.30% in Q4 2023 – an alarming 191% increase.



### Squeezed Returns and Transaction Volume

For multifamily investors and developers, this dramatic rise in borrowing costs presented a challenge. Cap rates for 25+ unit assets in the Greater Boston market expanded from 4.11% to 5.19% (a 26% increase) during the same period, creating a scenario of negative leverage, where debt service costs outpaced cash flow from assets.

Chart 2 demonstrates the impact on transaction volume. Following the emergence of the negative spread between cap rates and interest rates in Q1 2022, transaction volume dropped significantly – from 27 in Q4 2021 to just 9 in Q1 2023, reflecting a 66% decline.



### The Road Ahead: A Cautious Market

The Federal Reserve's recent shift in stance, indicating they may hold interest rates higher for longer due to persistent inflation, adds another layer of complexity. The recent jump in the 10-year Treasury yield from 4.20% on March 28th to 4.70% on April 25th underscores this point.

In the immediate future, we can expect a limited deal pipeline. Value-add opportunities and opportunistic deals are likely to be the primary drivers of market activity.

The Greater Boston multifamily market is navigating a new reality shaped by rising interest rates. While the outlook may be cautious, this period also presents opportunities for investors with the right strategies.

Sources: FRED Economic Data, CoStar, FreddieMac, YCharts

# State of the Market

Sources: FRED Economic Data, CoStar, FreddieMac, YCharts

**1**  
April 2024 Transaction

**↓\$317,311**  
Average \$/Unit T-12 Months

**↓\$313**  
Average \$/SF T-12 Months

**↑\$2,819**  
Market Rent

**↑\$3.17**  
Rent/SF

**66%**  
Decline in Quarterly Transactions from 2021 Peak

**191%**  
Increase in Freddie Mac 30-Yr Fixed Interest Rate

**11x**  
Times the Fed Increased the Federal Funds Rate since March 22

**26%**  
Increase in Greater Boston Multifamily Cap Rates

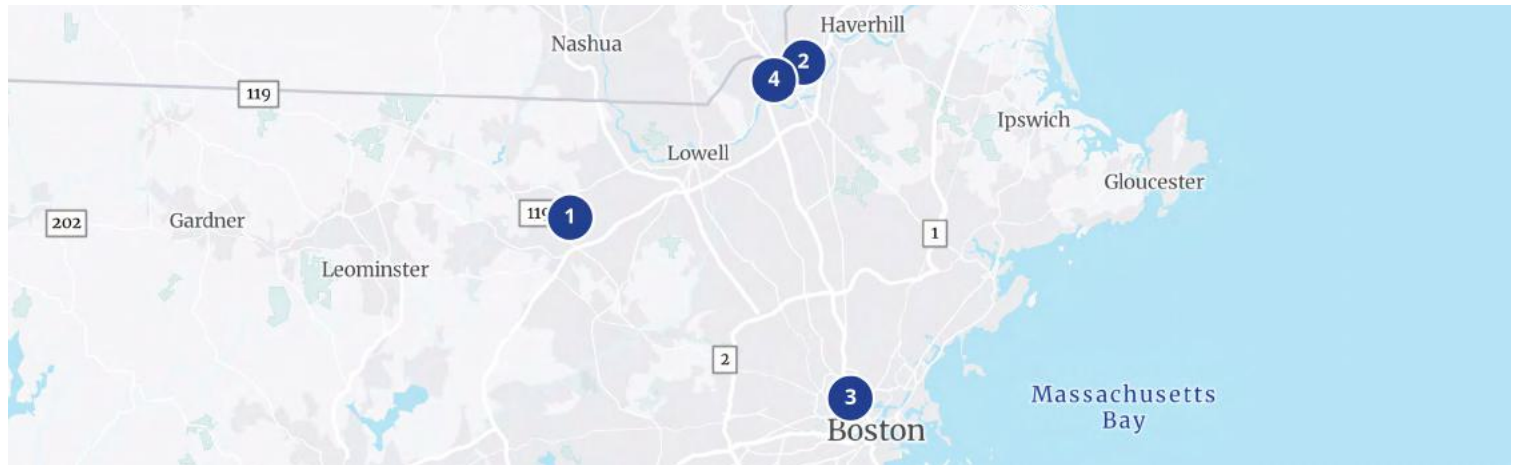
**50 bps**  
Increase in 10-Yr Treasury Rate from March 28<sup>th</sup> to April 25<sup>th</sup>

## Recent Multifamily Transactions

[Click here for additional transactions.](#)

	Property Name	Property Address	Units	SF	\$/SF	\$/Unit	Sale Price	Close Date	Buyer	Seller
<b>1</b>	Abbot Mill	1 Pleasant St Westford, MA	233	248,330	\$188	\$200,408	\$46,695,000	4/16/24	Aker Companies	Yule Development
<b>2</b>	Loop83	83 Pleasant Valley St Methuen, MA	156	184,307	\$315	\$372,436	\$58,100,000	3/27/24	Pantzer Properties	Criterion Development
<b>3</b>	The Princeton	333 Broadway Somerville, MA	50	46,270	\$238	\$220,000	\$11,000,000	3/20/24	Viceroy Capital	A&P Realty Trust
<b>4</b>	Union & Grove Apartments	70 Union St Methuen, MA	36	26,235	\$314	\$229,167	\$8,250,000	3/1/24	Irshad Sideeka	Arrowpoint Properties

Source: CoStar, May 2024.



## Colliers Featured Investment Transactions

**Sold**

215 Fairmount Street  
Lynn | 100 Units

**Sold**

570 Tremont Street #1  
South End | Retail Condominium

**In Contract**

115 Boston Street  
Dorchester | Development

**Sold**

20 Charlesgate W  
Fenway | Rooming House

**On Market**

10 Railroad Street  
Abington | Development



# THE PUNCH LIST

News Stories That Shaped the Month

1



Stopping Boston's 'doom loop' means it must face its tax woes

Read More in [The Boston Globe](#)

2



Dorchester to get 90 'compact' rental units near South Bay Center

Read More in [Boston.com](#)

3



CIM Group proposes South End office-to-residential conversion

Read More in [Boston Business Journal](#)

4



Harvard Files New 1M SF Allston Development Plan

Read More in [Banker & Tradesman](#)

5



Zillow: Metro Boston is facing the worst inventory crunch in the US

Read More in [Boston.com](#)

## Our Services

Colliers has one of the largest and most experienced teams of multifamily advisors in the industry, strategically located in key markets around the globe. Our combination of market dominance, expertise and singular focus make us uniquely successful in helping our clients achieve their acquisition and/or disposition objectives. Whether selling a single asset or a national portfolio, our clients rely on combined resources to obtain the best market information and achieve the highest price. If expanding your portfolio is the objective, our local market relationships can help you identify and acquire properties that meet or exceed your investment goals.

- Market Analysis & Research
- Investment Sales
- Site Identification
- Structure & Negotiation of Land Purchase
- Zoning Analysis
- Development Pro Forma Analysis
- Debt Financing
- Rent Studies
- Broker's Opinion of Value
- Equity Placement

“ Talent hits a target no one else can hit; Genius hits a target no one else can see.

- Arthur Schopenhauer