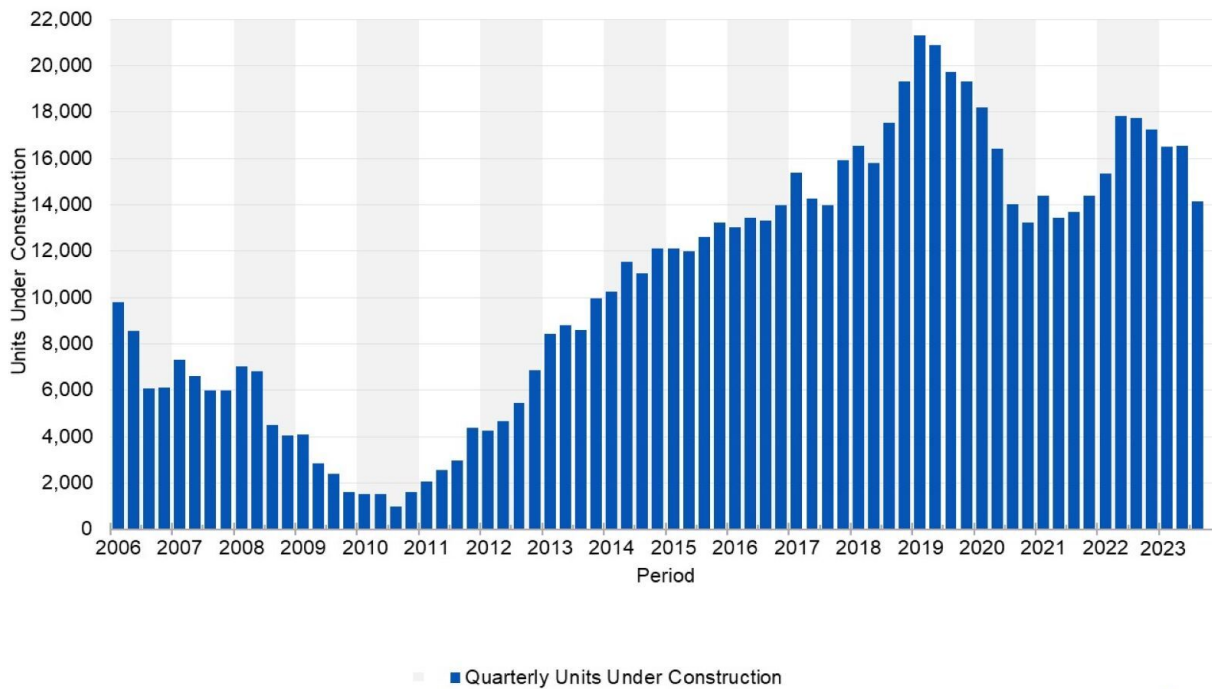


Multifamily Development Activity Remains Elevated in Boston but Trending Lower

Demand for Apartments Likely To Fall Short as Region's Multifamily Market Expected To Remain Relatively Tight

Multifamily Pipeline Shrinks Steadily in Boston



Source: CoStar, August 2023



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The multifamily pipeline has continued to trend lower in Boston, declining 20% from what it stood one year ago. However, with the pipeline at 14,160 units, that still represents a sizable number, and equates to 5.3% of the region's total inventory, in line with the national average. About 57% of the new apartment units underway in the

Boston region are expected to be completed by the end of 2024, which is likely to outpace demand and send the vacancy rate higher.

After hitting a record-setting pace of 16,400 units in 2021, demand for apartments slowed sharply in 2022 as inflation and dimming economic prospects weighed on household formation. Less than 5,000 units were leased on a net basis last year, falling well short of the record new supply. This trend has continued in 2023, with demand gradually increasing but even more new units added to the supply. The average apartment vacancy for the Boston region has hit 5.2%, up about 80 basis points from the 2021 trough.

Compared to the U.S. overall, however, [Boston remains a relatively tight multifamily market](#), with a chronic undersupply of housing helping to mitigate the risk of oversupply. Nationally, the multifamily vacancy rate is approaching 7%, rising more than 200 basis points over the past two years.

The area in and around Allston and Brighton is the most active, with more than 1,500 units under construction. This is down a bit from last year's peak but still represents 15% of the inventory in those areas. Despite a manageable pace of deliveries – spread out over the next three years – demand will struggle to keep up, leaving vacancy here elevated.

East Boston/Chelsea is another active development area, with almost 1,000 units underway, or 16.3% of inventory. The risk of oversupply here is a bit more notable, with the average vacancy already above 7% and more than half of the units under construction expected to deliver by mid-2024.

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