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Investment activity to increase in Boston multifamily sector ping off of Modern Theatre

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Despite a slowdown in construction activity, soft tenant demand and competition from shadow rental inventory will continue to weigh on city apartment operations this year, according to the 2010 National Apartment Report by Marcus & Millichap, one of the nation's largest real estate investment services firms. Demand-side fundamentals are expected to remain weak this year, as increased worker productivity in the manufacturing and professional and business services sectors will limit payroll expansion, and most new jobs will come from the education and health services industry.

"Investment activity will pick up this year as seasoned investors re-enter the market in search of distressed properties and buy-and-hold investors target stabilized assets," said Gary Lucas, regional manager of Marcus & Millichap's Boston office.

Following are some of the most significant aspects of the Boston Apartment Research Report:

- * Job cuts at the beginning of the year will give way to employment growth of 22,000 positions in 2010, or 0.9%, following the elimination of 56,000 workers last year. The education and health services sector is forecast to create approximately 12,000 jobs.
- * Builders are expected to complete 1,000 apartment units this year, adding 0.5% to stock. In 2009, around 3,300 units entered the market. The majority of the projects scheduled for delivery are located in suburban submarkets, including the South Shore/Rte. 128 South and Mystic River North/Rte. 128 areas.
- * Vacancy is projected to rise 20 basis points to 6.8% in 2010, after increasing 60 basis points last year.
- * Asking rents are expected to fall 3.1% this year to \$1,619 per month, while effective rents are forecast to drop 3.4% to \$1,518 per month. In 2009, asking rents declined 4.1%, and effective rents receded 5%.

Also included in the report is the firm's annual National Apartment Index (NAI), a snapshot analysis that ranks 44 apartment markets based on a series of 12-month forward-looking supply and demand indicators. Boston moves down four places this year to No. 8. Washington, D.C., retained the top spot in the NAI for the second consecutive year, as ongoing government spending will fuel metrowide hiring and apartment demand. San Diego, No. 2, rose four places due to expectations for resumed employment and household growth. New York City, which ended 2009 as the tightest apartment market in the country, jumped five places in the index to No. 3. Despite tight vacancy, rents in Minneapolis-St. Paul, No. 4, continue to contract, causing the market to slip one spot this year. Job growth in Philadelphia will lag the nation in 2010, easing the metro down three places to round out the top five.

For a copy of the Marcus & Millichap's National Apartment Report and the complete NAI rankings, visit www.MarcusMillichap.com.

