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IREM President's Message: Economic Forecast Luncheon

February 03, 2023 - Owners Developers & Managers



Shown (from left) are: Chris LeBarton, the Boston director of market analytics for CoStar; William Woodward, IREM Boston Metropolitan Chapter president; and Dan Sindelar, market analyst for RealPage, Inc.

The recent IREM Boston Metropolitan Chapter Economic Forecast Luncheon held at Granite Links Golf Club in Quincy brought to light the challenges those in the multifamily housing industry presently and will face in 2023 and beyond.

On a national level, the multifamily housing space has begun to cool down, in the aftermath of two years of unprecedented performance. A freeze in new household formation has resulted in a sharp

slowdown in new lease activity, nationwide. While renewal propensity remains high, the indication points to residents doubling up, thereby skewing what seems to be positive numbers. Rent growth remains above historic norms, but the question lurks – are new lease rents and renewal rents beginning to take on loss-to-lease normalization?

The industry picture here in the Northeast is framed by a sluggish start due to seasonal demand patterns. Still, early year trends and macroeconomic conditions can yield useful insight on approaching summer leasing activity. A couple questions arise. As many markets see a run up in new construction is performance beginning to divide by asset class? And how are hyperlocal trends such as urban/suburban fundamentals solidifying after an unprecedented few years?

It should be noted that although there may be uncertainty in the national market, the Boston Metro sector remains quite strong in comparison to the rest of the country. There exists optimism that the 2022 trend toward fewer new lease transactions (resulting in large part from college-aged students living with their parents), will buoy front-door traffic in 2023 as students graduating from the many colleges and universities in the Boston area enter the rental market in full force.

Moving forward, there are many issues that loom large. Consider a 40-year supply peak delivery that is imminent over the coming 12 to 18 months, which engenders questions about absorption capacity within the luxury product segment. And let's not forget the role political pressures play in long-term industry trends.

The bottom line is although demographic trends do remain favorable, 2023 brings with it the potential for much change.

Economic Forecast guest speakers Dan Sindelar, a market analyst for RealPage, Inc. and Chris LeBarton, the Boston director of market analytics for CoStar also addressed impending challenges within the multifamily housing industry, providing insight into the regional and national trends that impact various property sectors.

Our luncheon was also a time to celebrate the installation of four new accredited residential managers and recognize seven of our chapter's past presidents.

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