

Report: Worcester ranks among U.S. leaders in rent growth



COURTESY OF KELLEHER & SADOWSKY

The new \$92 million luxury complex, 145 Front City Square, is attracting renters who are priced-out of Boston, brokers say.

Worcester's apartment occupancy rate reached 98% in October as the pace of rising rents widened over downtown Boston, according to a new report from RealPage Inc.

The Texas data provider to the real estate industry reported city rents grew by 7% from January through October. Only three other cities nationwide are growing rents at a faster rate than Worcester, the survey said.

The annual rent hike in Phoenix was 8%, followed by Huntsville, Ala. at 7.6%, Bakersfield, Calif. saw rents rise by 7.5%, while Tucson was on par with Worcester.

Adam Pasquali, a broker at his firm Witness Pro in Worcester, said he's not surprised.

"Worcester is becoming unaffordable," Pasquali said. "A few years ago, a three-bedroom apartment on Vernon Hill cost \$900. Today, those units are getting \$1,400."

RealPage researchers found Worcester's rent hikes surpassed Boston, where rents for the first 10 months of the year swelled by 3.5%, and more than doubled the national average of 2.9%.

At \$1,681, average monthly rents in Worcester were above the national norm of \$1,412, but well behind Boston's average of \$2,366, the survey found.

The RealPage study is in sharp contrast to the online data firm Apartment List's findings in October finding year-over-year rents in Worcester increased by 0.8%. The California-based firm uses apartment listings, and U.S. Census Bureau data to compile its reports.

The RealPage survey data is based on a sample of 8,800 units. Nearly 90% of the RealPage apartments surveyed are the same properties tracked over time.

Adam Couch, a RealPage market analyst, said Worcester is in the midst of the perfect storm to drive rents. The city's stable economy, as well as a high concentration of health, education, and biotech jobs are drawing people to the city, and fueling rents, he said.

"The medical and biotech industries continue to anchor the market and bolster the local economy," Couch said. "As a result of these typically higher-paying jobs and low inventory, landlords have increased rents to record levels."

Nearly 400 units are under construction in the city, most of which will be delivered next year. Those apartments are expected to boost Worcester's inventory by 0.7%, the report said.

In the meantime, Pasquali said nothing stays on the market very long.

At press time, there were 94 apartments listed for rent in Worcester on the MLS Property Information Network, the Shrewsbury listing service. At the low end is a 600-square-foot, one-bedroom apartment on Paine Street for \$875. The most expensive apartment is an eight-room unit at the new Junction Shop Lofts at the former mill property on Beacon Street featuring four bedrooms, washer/dryer, granite countertops, stainless steel kitchen, and a fireplace for \$2,600 per month.

Pasquali said landlords don't need to hire real estate agents because an owner can put a sign in the yard and people will flock.

He cited a handful of reasons for the apartment crunch. In addition to the lack of inventory, fewer people are owning.

"Millennials are not buying because they don't play to stay put," Pasquali said.

Among the new tenants in the downtown in places like 145 Front at City Square, where rents range from \$1,450 for a studio to \$2,700 for a two-bedroom, are for renters who work in Boston but can't afford to live there because rents are twice as high, he added.

New Jersey-based Roseland Residential Trust, a subsidiary of Mack-Cali Realty Corp., built the 365 residences with 10,000 square feet of ground-floor retail.