

# HUD PD&R Housing Market Profiles

## Boston-Cambridge-Newton, Massachusetts-New Hampshire



### Quick Facts About Boston-Cambridge-Newton

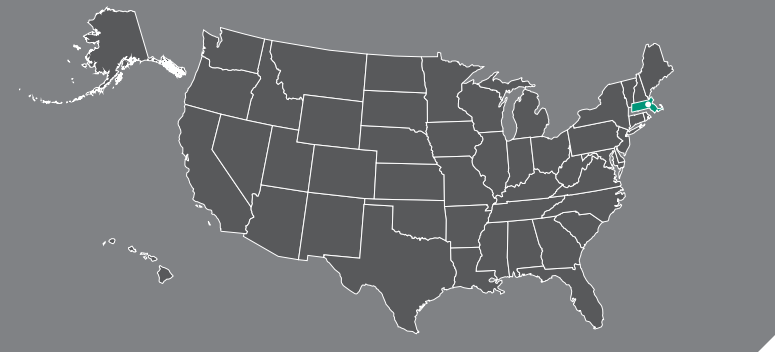
- Current sales market conditions: slightly tight.
- Current apartment market conditions: tight.
- The metropolitan area is a major hub for higher education, with a significant concentration of colleges and universities, including the world-renowned Harvard University and Massachusetts Institute of Technology, with 16,800 and 14,150 employees, respectively (*Boston Business Journal*).

By Michael J. Murphy | As of February 1, 2014

### Overview

The Boston-Cambridge-Newton, MA-NH Metropolitan Statistical Area (hereafter, the Boston metropolitan area) comprises Essex, Middlesex, Norfolk, Plymouth, and Suffolk Counties in Massachusetts and Rockingham and Strafford Counties in New Hampshire. The Boston metropolitan area is not only a center for education and health services, but it is also the regional hub for tourism in New England. The total domestic direct traveler expenditure in the Massachusetts portion of the metropolitan area was \$12 billion during 2012, supporting 81,900 jobs (Massachusetts Office of Travel and Tourism).

- As of February 1, 2014, the estimated population of the Boston metropolitan area was 4.7 million, an average annual increase of 38,500, or 0.8 percent, since April 2010.
- Population growth averaged 38,000 people, or 0.8 percent, annually from 2007 to 2010.
- Since 2010, net in-migration has accounted for 56 percent of the total population growth, averaging 21,600 people a year compared with 52 percent of total population growth, or an average of 19,600 people a year, from 2007 to 2010.



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Nonfarm payroll jobs increased in all but two sectors in the Boston area.

	3 Months Ending		Year-Over-Year Change	
	January 2013 (thousands)	January 2014 (thousands)	Absolute (thousands)	Percent
<b>Total nonfarm payrolls</b>	2,538.4	2,570.2	31.8	1.3
Goods-producing sectors	279.3	281.0	1.7	0.6
Mining, logging, and construction	85.6	87.1	1.5	1.8
Manufacturing	193.7	193.9	0.2	0.1
Service-providing sectors	2,259.2	2,289.2	30.0	1.3
Wholesale and retail trade	353.4	357.9	4.5	1.3
Transportation and utilities	61.6	62.8	1.2	1.9
Information	74.4	75.8	1.4	1.9
Financial activities	172.1	171.6	-0.5	-0.3
Professional and business services	424.3	436.6	12.3	2.9
Education and health services	538.0	544.7	6.7	1.2
Leisure and hospitality	232.7	235.8	3.1	1.3
Other services	96.0	98.6	2.6	2.7
Government	306.7	305.6	-1.1	-0.4
	<b>(percent)</b>	<b>(percent)</b>		
Unemployment rate	6.0	6.0		

Notes: Numbers may not add to totals because of rounding. Nonfarm payroll jobs data are for the Boston-Cambridge-Quincy, MA-NH Metropolitan New England City and Town Area.

Source: U.S. Bureau of Labor Statistics

## Economic Conditions

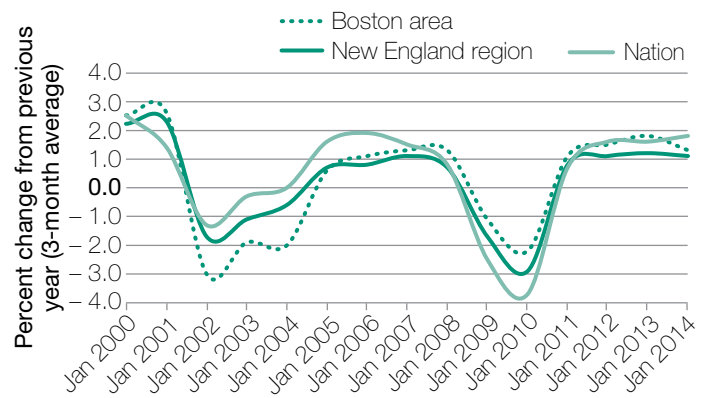
Economic conditions have improved in the Boston metropolitan area since late 2010, and the current level of nonfarm payrolls has surpassed the prerecession peak.

During the 3 months ending January 2014—

- Nonfarm payrolls averaged 2.57 million jobs, an increase of 31,800 jobs, or 1.3 percent, compared with an increase of 46,000 jobs, or 1.8 percent, during the same period a year earlier.
- Leading job growth, the professional and business services sector increased by 12,300 jobs, or 2.9 percent, compared with the increase of 14,500 jobs, or 3.5 percent, during the same period a year earlier.
- The greatest nonfarm payroll job declines were in the government sector, which lost 1,100 jobs, or 0.4 percent, from a year earlier. Losses were primarily concentrated in the federal government subsector, which declined by 1,400 jobs, or 3.7 percent, during the period.
- Despite the continued, albeit slower, growth in employment, the average unemployment rate remained unchanged from a year earlier because of an increase in the labor force.

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## Nonfarm payroll jobs have increased 6 percent in the Boston area since the 3 months ending January 2010.



Note: Nonfarm payroll jobs data are for the Boston-Cambridge-Quincy, MA-NH Metropolitan New England City and Town Area.

Source: U.S. Bureau of Labor Statistics

## Largest employers in the Boston area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Massachusetts General Hospital	Education and health services	24,000
The Stop & Shop Supermarket Company, LLC	Wholesale and retail trade	23,000
Steward Health Care System	Education and health services	17,000

Notes: Excludes local school districts. The number of employees reflects the Massachusetts statewide total for each employer.

Source: *Boston Business Journal*



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Construction began in September 2013 on the \$500 million Boston Landing project in the Brighton neighborhood of the city of Boston. The global headquarters of New Balance Athletic Shoe, Inc., will anchor the 14-acre development, which will include 950,000 square

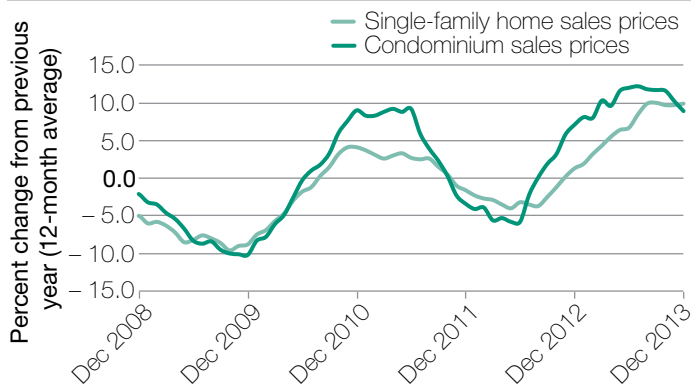
feet of offices, a 250,000-square-foot sports complex, 65,000 square feet of retail space, a 175-room hotel, and a new commuter rail station (*Boston Business Journal*). The six-phase development is expected to be complete by 2017.

## Sales Market Conditions

Sales housing market conditions are slightly tight in the Boston metropolitan area. The current estimated sales vacancy rate is 1.0 percent, down from 1.5 percent in April 2010. During 2013, new and existing single-family home sales, including townhome sales, in the metropolitan area totaled 39,750, up 1,600 homes, or 4 percent, from a year earlier (Metrostudy, A Hanley Wood Company). By comparison, new and existing home sales averaged 30,600 annually from 2009 through 2011. During 2013, the average sales price of new and existing homes was \$453,500, up 10 percent from the average of \$412,700 during 2012 and up from the average of \$406,300 recorded from 2009 through 2011.

- New and existing condominium sales, which represented 29 percent of all home sales in the metropolitan area, totaled 15,900 during 2013, an increase of 1,750 homes, or 12 percent, compared with the number of sales recorded a year earlier. By comparison, from 2009 through 2011, condominium sales averaged 13,000 homes annually and accounted for 30 percent of all home sales.
- The average sales price of new and existing condominiums during 2013 was \$389,700, up 9 percent from 2012 and up from the average of \$331,900 recorded from 2009 through 2011.

**New and existing single-family home and condominium sales prices in the Boston area increased during 2013 but remained below 2007 levels.**



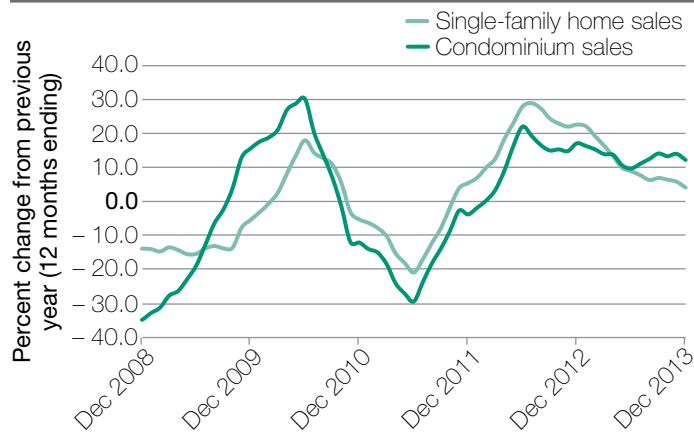
Note: Single-family home sales prices include townhomes. Source: Metrostudy, A Hanley Wood Company

- The inventories of single-family homes and condominiums on the market during January 2014 accounted for 2.9- and a 2.1-month supplies, respectively, compared with 3.8- and a 3.1-month supplies in January 2013 and 6.4- and 6.7-month supplies during January 2012 (Greater Boston Association of REALTORS®).<sup>1</sup>
- As of January 2014, 4.5 percent of home loans in the Boston metropolitan area were 90 or more days delinquent, were in foreclosure, or transitioned into REO (Real Estate Owned), down from 5.1 percent a year earlier. By comparison, the distressed loan percentages for the New England region and the United States in January 2014 were 6.2 and 5.6 percent, respectively (Black Knight Financial Services, Inc.).

An increase in home sales and improving economic conditions led to a 13-percent increase, to 1,125 homes, in single-family home construction, as measured by the number of homes permitted, during the 3 months ending January 2014 compared with the number permitted during the same period a year earlier (preliminary data). By comparison, an average of 830 single-family homes were permitted during the same 3-month periods from 2010 through 2012.

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**New and existing single-family home and condominium sales in the Boston area have increased since the beginning of 2012 and were up 27 and 31 percent, respectively, from 2011.**



Note: Single-family home sales include townhomes. Source: Metrostudy, A Hanley Wood Company

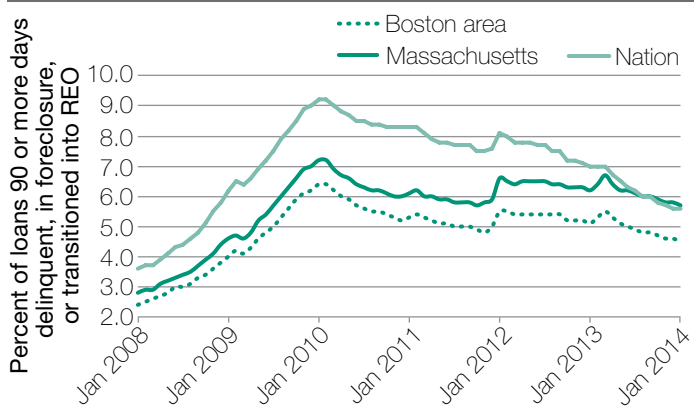
<sup>1</sup> The Greater Boston Association of REALTORS® covers an area in Massachusetts that is smaller than the Boston metropolitan area.



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- The level of single-family permitting was highest in Middlesex County, which accounted for 34 percent of the Boston metropolitan area total, increasing 15 percent, to 380 homes, during the 3 months ending January 2014 compared with single-family permitting during the same period a year earlier.
- Homebuilding increased throughout the Boston metropolitan area during the 3 months ending January 2014 except in Strafford County, where the number of single-family homes permitted decreased from 50 to 40 homes, and in Essex County, where single-family permitting remained unchanged at 160 homes from a year earlier.

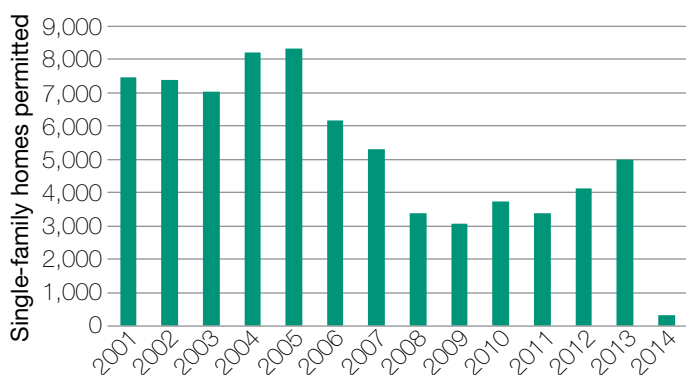
**The rate of distressed loans in the Boston area has consistently been lower than the statewide and national rates.**



REO = Real Estate Owned.  
Source: Black Knight Financial Services, Inc.

- The most prominent new sales development in the metropolitan area, Millennium Tower—a \$615 million, 60-story highrise in the city of Boston’s Downtown Crossing area on the site of the former Filene’s department store—broke ground in the fall of 2013. At 625 feet, the Millennium Tower will be the third tallest building in city of Boston and the tallest addition to the city’s skyline since 1976. The skyscraper, which is expected to open in 2015, is a 1.2 million-square-foot, mixed-use development with 95,000 square feet of street-level retail space and 450 luxury condominiums.

**Single-family home permitting increased in the Boston area for the second consecutive year in 2013 but remained 35 percent below the peak levels of 2001 through 2005.**



Note: Includes preliminary data from January 2013 through January 2014.  
Source: U.S. Census Bureau, Building Permits Survey

**Apartment Market Conditions**

Apartment market conditions in the Boston metropolitan area are tight. During the fourth quarter of 2013, the apartment vacancy rate was 3.8 percent, unchanged from a year earlier (Reis, Inc.). The average asking rent increased 3 percent, to \$1,886, during the period. Approximately, 2,400 apartment rental units came on the market during 2013.

During the fourth quarter of 2013—

- Apartment vacancy rates in the nine Reis-defined market areas within the Boston metropolitan area ranged from 2.8 percent in the Brookline/Brighton area to 4.9 percent in the West/Suburban area.
- The South Shore/Southeast Suburban area recorded the greatest decline in the apartment vacancy rate, to 4.4 percent from 5.2 percent during the same period a year earlier.

- The Central City/Back Bay and Cambridge/Watertown areas recorded the highest asking apartment rents, at \$2,968 and \$2,372, respectively.
- Asking apartment rent increases ranged from 5 percent in the Central City/Back Bay area to 1 percent in the West/Northwest Suburban area.

As a result of strong demand for apartments and the increasing availability of financing for multifamily development, the number of multifamily units permitted increased in the Boston metropolitan area during the past 2 years.

- During the 3 months ending January 2014, 1,850 multifamily units were permitted, up 35 percent from the 1,375 units permitted during the same period a year earlier (preliminary data). By comparison, an average of 870 units were permitted during the same 3-month periods from 2010 through 2012.

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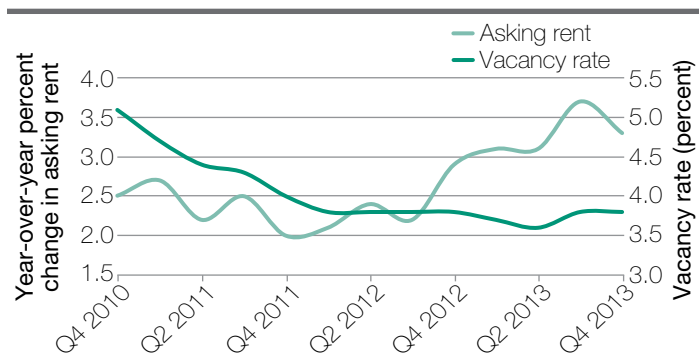
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- Since 2011, the city of Boston has accounted for 34 percent of all multifamily units permitted in the metropolitan area compared with 12 percent of all multifamily units permitted from 2008 through 2010.
- Nearly 12,500 new rental units are currently under construction in the Boston metropolitan area, including more than 4,800 in the city of Boston (McGraw-Hill Construction Pipeline database).
- The most significant new development under construction is Assembly Row in the city of Somerville. The master plan for the \$1.5 billion, transit-oriented, 45-acre site includes a new subway

station, 2,100 residential units, 1.75 million square feet of office space, and 500,000 square feet of retail space to be built during the next 5 to 10 years.

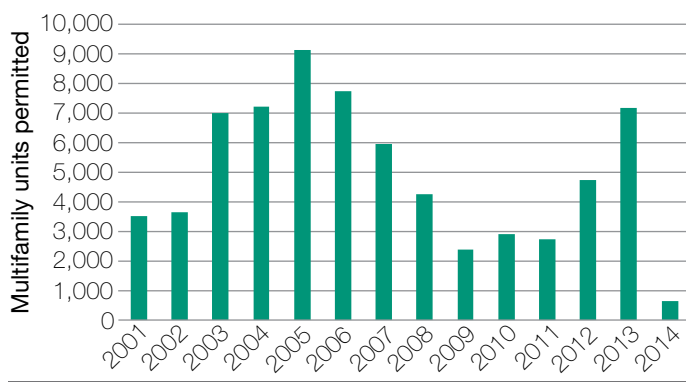
- Apartments currently under construction in the city of Boston include Avalon Exeter, a \$100 million, 28-story, 240,000-square-foot development with 187 units in the Back Bay neighborhood. Residences will open to the market starting in April 2014. Rents for studio units and for one-, two-, and three-bedroom units are expected to start at \$2,950, \$3,950, \$5,150, and \$10,000, respectively.

Despite increased multifamily production in the Boston area, vacancy rates remained below 4 percent during the past 2 years and average asking rents continued to increase.



Source: Reis, Inc.

Multifamily building activity increased during 2012 and 2013 as builders responded to tightening rental market conditions in the Boston area.



Note: Includes preliminary data from January 2013 through January 2014. Source: U.S. Census Bureau, Building Permits Survey