

# HUD PD&R Housing Market Profiles

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



### Quick Facts About Boston-Cambridge-Newton

Boston, Massachusetts

By Katharine Jones | As of June 1, 2020

- Current sales market conditions: balanced
- Current apartment market conditions: balanced
- The city of Boston, founded in 1630, is one of the oldest cities in the United States; it began as a center for shipping and global commerce. In 2018, the Boston Harbor supported nearly 66,100 jobs and had an economic impact of \$8.2 billion on the New England Region (2019 Massachusetts Port Authority [MASSPORT] report). Cargo, cruises, and seafood processing are the top three activities contributing to the jobs and economic impact of the harbor.

### Overview

The Boston-Cambridge-Newton (hereafter, Boston) metropolitan area includes Essex, Middlesex, Norfolk, Plymouth, and Suffolk Counties in eastern Massachusetts and Rockingham and Strafford Counties in southern New Hampshire. The metropolitan area has a highly educated population, with nearly 50 percent of people over the age of 25 having at least a bachelors degree, which ranks as number 11 among 511 metropolitan and micropolitan areas in the nation (2018 American Community Survey [ACS] 1-year estimates). More than 55 colleges and universities are in the metropolitan area. The largest institutions for higher education include Boston University, Harvard University, and Northeastern University. Boston University is the largest university in the metropolitan area, with 33,720 students and 9,633 employees during the fall 2019 semester and an annual economic impact of nearly \$4 billion on the state of Massachusetts (Boston University). With approximately 23,725 students and 18,575 employees, Harvard University was established in 1636 and is the oldest institution of higher education in the United States (Harvard University).

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- The population of the Boston metropolitan area is currently estimated at 4.91 million—an average annual increase of approximately 35,250, or 0.7 percent, since April 2010. Suffolk County, which includes the city of Boston, accounts for approximately 16 percent of the Boston metropolitan area population. Northwest of the city of Boston, Middlesex County is the most populous county in the metropolitan area, accounting for 33 percent of the total metropolitan area population and includes the cities of Lowell and Cambridge.
- Population growth was strongest at the beginning of the past decade, averaging about 41,050 people, or 0.9 percent, annually from 2010 to 2016 before slowing to an average annual increase of 26,000 people, or 0.5 percent, since 2016 (Census Bureau decennial census counts and population

estimates as of July 1) in response to slower job growth. Net in-migration, which averaged approximately 24,200 people a year, or nearly 60 percent of total population growth, from 2010 to 2016 slowed to average 13,850 people, or 53 percent of total population growth, since 2016.

- International net in-migration has contributed to all of the net in-migration to the Boston metropolitan area in the past decade due to domestic net out-migration, which has accelerated in recent years. From 2011 to 2014, the average annual international net in-migration of 30,000 people more than offset domestic net out-migration of 1,280 people. International net in-migration increased slightly to average 31,600 people annually from 2015 to 2019, whereas domestic net out-migration accelerated to an average of 19,900 people annually.

## Economic Conditions

Ten consecutive years of job growth in the Boston metropolitan area ended in early 2020, due to countermeasures to slow the spread of COVID-19. From 2010 through 2016, nonfarm payrolls increased by an average of 40,700 jobs, or 1.6 percent, annually, and the number of jobs lost during the Great Recession was recovered by 2012. Job growth slowed somewhat from 2016 through 2019, averaging 34,800 jobs, or 1.3 percent, a year. In March 2020, however, the governor of Massachusetts declared a state of emergency accompanied by a stay-at-home order

prohibiting gatherings of more than 10 people to slow the spread of COVID-19. By the end of March, schools and nonessential businesses were closed. The result was mass layoffs and furloughs; during the 12-week period from mid-March through the end of May 2020, 938,550 initial unemployment claims were filed in the state of Massachusetts—up drastically from 59,500 claims during the same period in 2019 (Massachusetts Executive Office of Labor and Workforce Development).

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### Nonfarm payrolls in the Boston metropolitan area declined in 8 of 10 sectors in the past year in response to efforts to combat the spread of COVID-19.

	3 Months Ending		Year-Over-Year Change	
	May 2019 (Thousands)	May 2020 (Thousands)	Absolute (Thousands)	Percent
<b>Total Nonfarm Payrolls</b>	2,797.6	2,480.7	-316.9	-11.3
Goods-Producing Sectors	306.9	270.2	-36.7	-12.0
Mining, Logging, & Construction	119.2	95.1	-24.1	-20.2
Manufacturing	187.7	175.1	-12.6	-6.7
Service-Providing Sectors	2,490.7	2,210.5	-280.2	-11.2
Trade, Transportation, & Utilities	420.6	367.1	-53.5	-12.7
Information	79.9	81.7	1.8	2.3
Financial Activities	184.8	184.8	0.0	0.0
Professional & Business Services	511.4	489.6	-21.8	-4.3
Education & Health Services	595.7	553.3	-42.4	-7.1
Leisure & Hospitality	275.3	152.6	-122.7	-44.6
Other Services	103.5	74.8	-28.7	-27.7
Government	319.5	306.7	-12.8	-4.0
<b>Unemployment Rate</b>	2.7%	11.1%		

Notes: Nonfarm payroll jobs data are for the Boston-Cambridge-Nashua, MA-NH Metropolitan New England City and Town Area (NECTA). Numbers may not add to totals due to rounding.

Source: U.S. Bureau of Labor Statistics



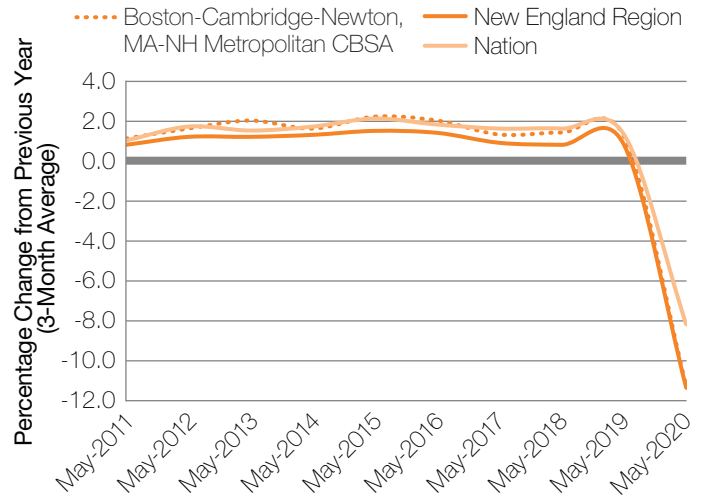
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During the 3 months ending May 2020—

- Total nonfarm payrolls decreased by 316,900 jobs, or 11.3 percent, compared with the same period a year earlier. Some offices were able to convert to remote working, but jobs in industries such as tourism and certain healthcare facilities requiring in-person interactions between workers and customers were disproportionately affected.
- The education and health services sector decreased by 42,400 jobs, or 7.1 percent, compared with a year ago. Health services during the stay-at-home order were limited primarily to emergency care and addressing the COVID-19 pandemic. Many general medical practice, dental, and vision offices were closed.
- Jobs declined across nearly all sectors; the information sector was the only one to increase by adding 1,800 jobs, or 2.3 percent, compared with a year earlier, to average 81,700 jobs. Jobs in this sector increased in part because they are more adaptable to telework than jobs in other sectors.
- The average unemployment rate surged to 11.1 percent due to the layoffs—up from 2.7 percent a year earlier.

The tourism industry was severely affected by efforts to combat COVID-19. The leisure and hospitality sector, which includes most jobs in the tourism industry, had the steepest declines in the Boston metropolitan area. During the 3 months ending May 2020, payrolls in the sector decreased by 122,700 jobs, or 44.6 percent, compared with a year earlier, to average 152,600 jobs. The share of total nonfarm payrolls in the leisure and hospitality sector declined from 10 percent a year ago to 6 percent currently, similar to a decrease from 11 to 8 percent nationally during the same period. Because of the limits on gatherings, all sporting events, concerts, conventions, festivals, fairs, and parades in the Boston metropolitan area were canceled. In addition, visitors to the area were required to observe a 14-day self-quarantine period, resulting in a significant decline in travel to the area. During the 3 months ending May

**Nonfarm payrolls in the Boston metropolitan area decreased at a faster rate than the nation in the past year; declines resulted from the COVID-19 pandemic in 2020.**



Source: U.S. Bureau of Labor Statistics

### Largest Employers in the Boston Metropolitan Area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Mass General Brigham	Education & Health Services	60,300
University of Massachusetts	Government	24,484
The Stop & Shop Supermarket Company LLC	Wholesale & Retail Trade	19,865

Note: Excludes local school districts.  
Source: Moody's Economy.com

2020, flights into Boston Logan International Airport were down 59 percent from the same period the previous year, and the number of passengers was down 82 percent (MASSPORT).

## Sales Market Conditions

Home sales market conditions in the Boston metropolitan area are balanced despite the effect of COVID-19 on for-sale inventories, home sales, and construction of new homes in the market. In May 2020, the inventory of for-sale listings represented 2.6 months of supply—up from 2.0 months of supply a year earlier (Redfin). Active listings during May 2020 declined 25 percent from a year earlier, to about 10,100 homes listed. The construction industry, one of the first industries to reopen in mid-May, had paused for 2 months, causing significant delays in residential construction projects. In addition, the city of Boston placed restrictions on open houses and in-person showings of occupied homes. As a result,

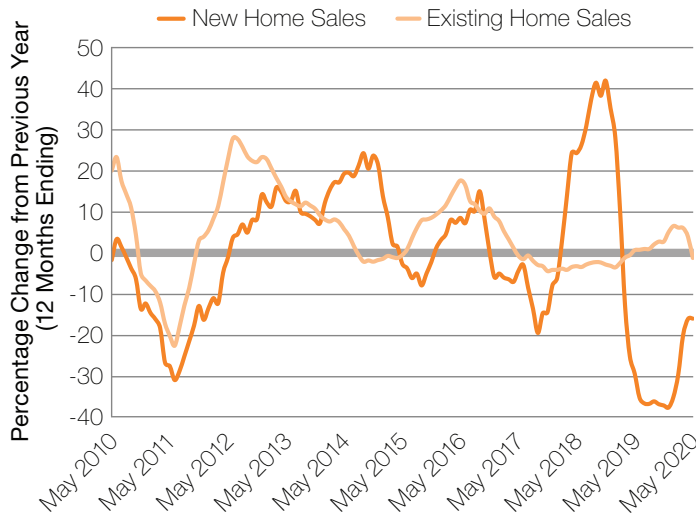
total home sales declined 2 percent in the past year, to 61,650 homes sold during the 12 months ending May 2020 (Metrostudy, A Hanley Wood Company, with adjustments by the analyst). The decline occurred mainly during the most recent 3 months, when home sales averaged 12,375 during the 3 months ending May 2020—down 34 percent from the same period in 2019. The effect on the average home sales price was much smaller. The average price of a home sold during the 12 months ending May 2020 increased 4 percent from a year earlier, to \$589,200, but the rate was slower—at only 2 percent—during the 3 months ending May 2020 compared with a year earlier.

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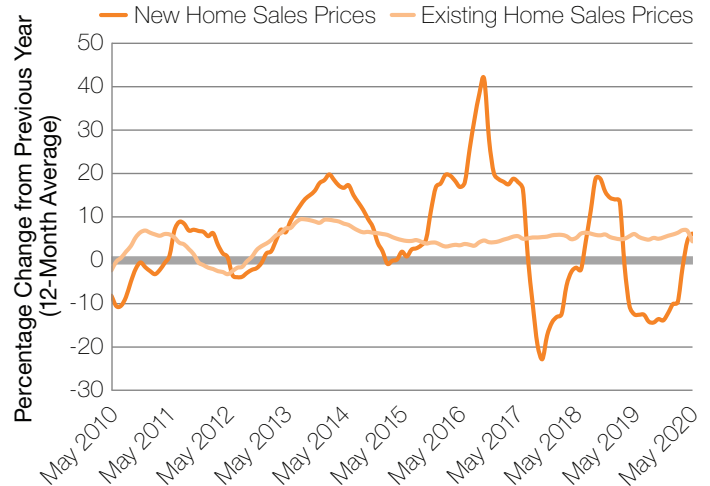
Home sales in the Boston metropolitan area have fluctuated in the past decade, with both new and existing home sales declining in the past year.



Note: Sales include single-family homes, townhomes, and condominiums. Source: Metrostudy, A Hanley Wood Company, with adjustments by the analyst

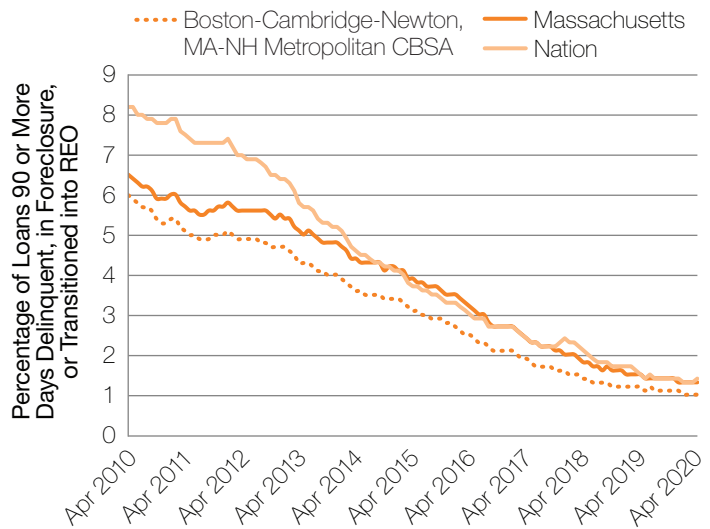
- Existing home sales totaled 59,450 homes during the 12 months ending May 2020—down nearly 2 percent from a year earlier. The average sales price increased 4 percent, to \$585,800 (Metrostudy, A Hanley Wood Company, with adjustments by the analyst).
- New home sales, which account for approximately 4 percent of total home sales, declined 16 percent in the past year, to nearly 2,250 homes sold during the 12 months ending May 2020. The average price increased 6 percent, to \$678,000.
- Suffolk County, home to the city of Boston, accounted for 11 percent of existing home sales and 8 percent of new home sales during the past 12 months, despite the area accounting for 16 percent of the population; residents have a greater tendency to rent, partly due to a concentration of university students and young professionals in the county. In 2018, 14 percent of the Suffolk County population was aged 18 to 24, compared with 10 percent in the overall metropolitan area, and the homeownership rate was 35 percent, compared with 60 percent for the entire Boston metropolitan area (2018 ACS 1-year estimates).
- The rate of home loans 90 or more days delinquent, in foreclosure, or recently transitioned to real estate owned (REO) status declined to 1.0 percent as of April 2020—down from 1.2 percent a year earlier. The rate previously peaked at 6.3 percent in February 2010. The current rate is below the regional and national rates of 1.3 and 1.4 percent, respectively.

The price growth among existing homes in the Boston metropolitan area has remained relatively stable, whereas price growth among new home sales has fluctuated.



Note: Sales include single-family homes, townhomes, and condominiums. Source: Metrostudy, A Hanley Wood Company, with adjustments by the analyst

The percentage of homes 90 or more days delinquent, in foreclosure, or recently transitioned to REO in the Boston metropolitan area has been consistently below the region and the nation since early 2010.



REO = real estate owned. Source: CoreLogic, Inc.

Single-family homebuilding activity, as measured by the number of single-family homes permitted, has begun to show signs of

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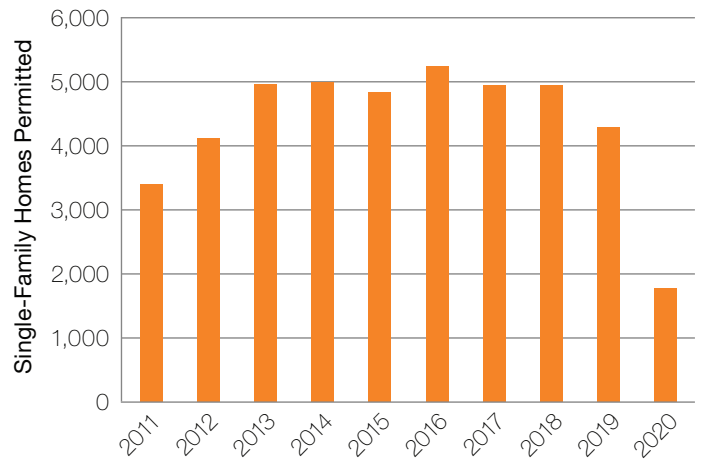


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slowing in the past year, in response to the slower population growth in the Boston metropolitan area that began in 2017.

- During the 12 months ending May 2020, construction began on 4,375 homes—down 5 percent from the same period a year earlier. From 2013 through 2016, an average of 5,000 homes was built annually, which decreased slightly to average 4,725 new homes annually since 2017.
- Nearly 30 percent of single-family home construction in the metropolitan area occurred in Middlesex County during the 12 months ending May 2020, and less than 1 percent was in Suffolk County. Elsewhere in the metropolitan area, a combined 37 percent of single-family home construction occurred in Norfolk and Plymouth Counties to the south, and to the north, Essex, Rockingham, and Strafford Counties combined to account for 33 percent of single-family home construction.
- In the city of Hopkinton in Middlesex County, Legacy Farms is a new 27-lot subdivision with single-family homes and duplexes, in which homes will have two or three bedrooms, starting at \$540,000.

Single-family home construction in the Boston metropolitan area is elevated but has been gradually decreasing since peaking in 2016.



Note: Includes preliminary data from January 2020 through May 2020. Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst

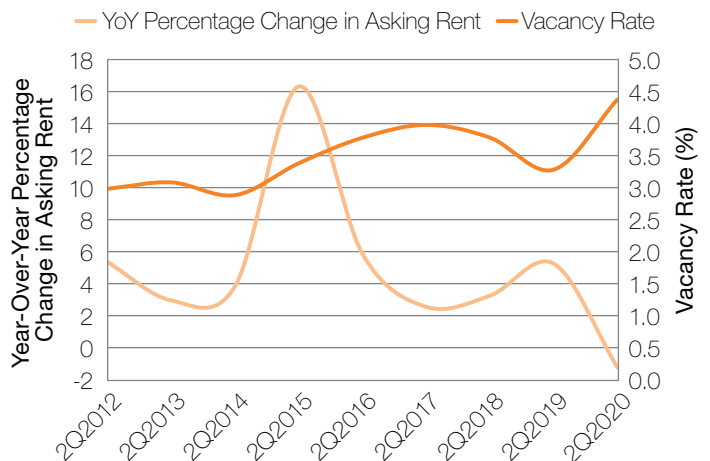
## Apartment Market Conditions

Apartment market conditions in the Boston metropolitan area are balanced, improving from slightly tight conditions that persisted from 2010 until early 2020. The second-quarter vacancy rate remained below 4.0 percent from 2011 through 2019, and rent growth averaged 5 percent annually. During the second quarter of 2020, the average vacancy rate increased to 4.4 percent—up from 3.3 percent a year ago (RealPage, Inc.). The average monthly rent during the second quarter of 2020 declined 1 percent from a year earlier, to \$2,360. The decline was primarily among Class A properties, in which the average rent decreased 3 percent, year over year, and is attributed to greater financial hardship among renter households resulting from COVID-19. By comparison, average rents during the first quarter of 2020, which do not reflect impacts from COVID-19, increased 4 percent from the first quarter of 2019, including a 3-percent increase in rent among Class A units.

During the second quarter of 2020—

- The vacancy rate increased across all 15 RealPage, Inc.-defined market areas in the Boston metropolitan area. The rate was lowest in the Rockingham/Strafford market area in New Hampshire, at 2.3 percent—up from 1.9 percent a year earlier.
- The highest vacancy rate and the largest increase from a year ago occurred in the Southwest Boston market area, where the vacancy rate was 5.8 percent—up from 2.9 percent a year earlier.

Tight apartment market conditions in the Boston metropolitan area eased in the past year, with higher vacancy rates and declining rents.



2Q = second quarter. YoY = year-over-year. Source: RealPage, Inc.

- Average rents were unchanged or declined in eight of the market areas. The steepest decline was in the Intown Boston market area, which is the most expensive market area in the Boston metropolitan area because of a greater number of Class A units; the average rent in the market area declined 5 percent, to \$3,557.

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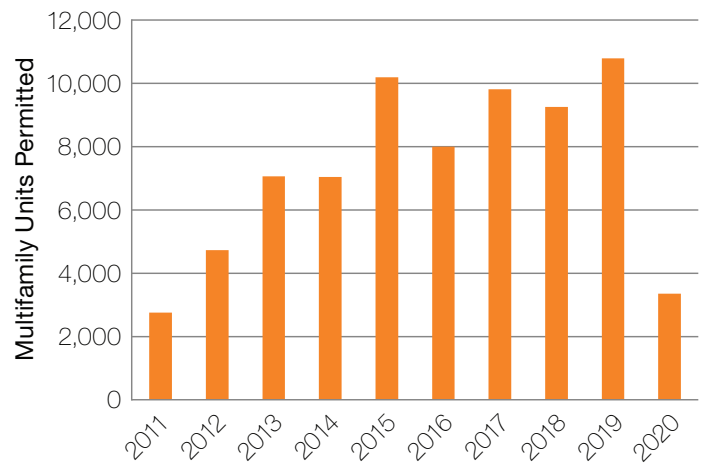
- Rents increased in the remaining seven market areas. The highest rent growth was in the Fenway/Brookline/Brighton market area, which increased by \$110, or 4 percent, from a year earlier, to average \$3,200. The fastest rent growth occurred in both the South Essex County and the Rockingham/Stafford market areas, where rents increased 5 percent each, to average \$2,020 and \$1,469, respectively; despite the increase, the Rockingham/Stafford market area had the lowest average rent in the metropolitan area.

Multifamily building activity in the Boston metropolitan area remains elevated, despite slower population growth and easing apartment market conditions. The higher levels of construction may lead to higher vacancy rates as new developments are completed. A 2-month pause on construction activity from mid-March to mid-May 2020 that resulted from the COVID-19 pandemic is expected to cause some delays in completing developments under construction.

- During the 12 months ending May 2020, an estimated 8,925 multifamily units were permitted—down 8 percent from the previous 12-month period. Approximately 8,725 apartment units are currently under construction, with 43 percent of the units in Suffolk County, 34 percent in Middlesex County, and the remaining 23 percent in the rest of the metropolitan area.
- From 2015 through 2019, an average of 9,600 multifamily units was permitted annually. By comparison, from 2011 through 2014, when the metropolitan area was recovering from the Great Recession and housing market crisis, an average of 5,400 multifamily units was permitted annually.

- The 414-unit NEMA Boston at 399 Congress Street in the city of Boston opened in March 2020. Because of pre-leasing efforts, the property is approximately 85 percent occupied. Rents for the studio and one-, two-, and three-bedroom units start at \$2,460, \$2,935, \$4,640, and \$6,740, respectively.
- At Cambridge Crossing in the city of East Cambridge, construction began on 475 apartment units in February 2020. The property is expected to open in late-summer 2021 and is part of a mixed-use, transit-oriented development.

**Multifamily home construction in the Boston metropolitan area has been elevated since 2015.**



Note: Includes preliminary data from January 2020 through May 2020. Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst

