

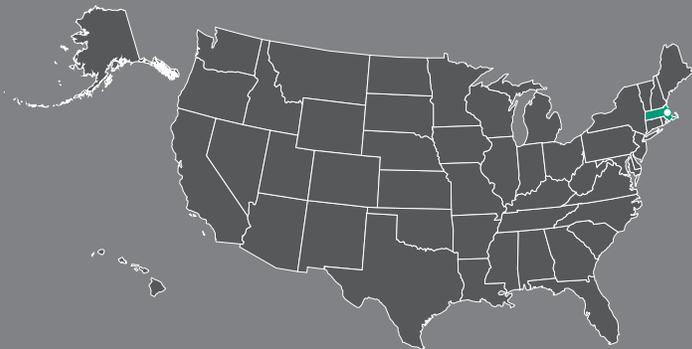
HUD PD&R Housing Market Profiles

Boston-Cambridge-Newton, Massachusetts-New Hampshire



Quick Facts About Boston-Cambridge-Newton

- **Current sales market conditions: tight**
- **Current apartment market conditions: balanced**
- **The Boston-Cambridge-Newton metropolitan area has a highly educated population, with nearly 50 percent of people over the age of 25 having at least a bachelor's degree—compared with 33 percent for the nation. The metropolitan area ranks the ninth most educated population among 518 metropolitan and micropolitan areas in the nation (2019 American Community Survey 1-year estimates).**



By Diana Villavicencio | As of January 1, 2021

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. More than 55 institutions of higher education are in the metropolitan area—including the world-renowned Boston University (BU), Harvard University (Harvard), and the Massachusetts Institute of Technology (MIT)—and those institutions have more than 420,000 enrolled students. The Boston metropolitan area is also home to Massachusetts General Hospital and Brigham and Women's Hospital, which were ranked the 6th and 12th best hospitals in the nation, respectively (2020 U.S. News & World Report).

- As of January 1, 2021, the estimated population of the Boston metropolitan area was 4.89 million, an average increase of 13,350, or 0.3 percent, annually since 2018. By comparison, from 2010 to 2018, the population increased by an average of 37,250, or 0.8 percent, annually (U.S. Census Bureau decennial census count and population estimates as of July 1).
- Population growth has slowed since 2018 because net natural change (resident births minus resident deaths) and net

continued on page 2



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continued from page 1

in-migration slowed to averages of 12,100 people and 1,250 people, annually, respectively, when job growth slowed and subsequently declined in the metropolitan area. By comparison, from 2010 to 2018, net natural change averaged 15,650 people a year and net in-migration averaged 21,600 people annually.

- The net in-migration to the Boston metropolitan area primarily being from international net in-migration is because of an onset of domestic net out-migration starting in 2014. From 2010 to 2013, international net in-migration averaged 23,150 people

a year and domestic net in-migration averaged 650 people, annually; from 2014 to 2019, international net in-migration increased to an average of 32,100 people annually, whereas domestic net out-migration averaged approximately 17,600 people a year. From 2014 to 2019, domestic net out-migration from Suffolk, Middlesex, Essex, and Norfolk Counties was primarily to counties in the southern region of the United States, partly because of greater job opportunities and lower home prices.

Economic Conditions

Economic conditions in the Boston metropolitan area have been weak since March 2020, when the World Health Organization declared COVID-19 a pandemic and the Massachusetts governor issued a statewide stay-at-home executive order designed to slow the spread of COVID-19. Conditions improved slightly beginning in late May, when the executive order was gradually relaxed, which allowed nonessential businesses to reopen if they adhered to social distancing and sanitation requirements. By October 2020, however, the number of COVID-19 cases surged, and restrictions tightened to include a ban on all indoor dining. That ban caused jobs to decline in December. As of December 2020, the level of payrolls in the metropolitan area was approximately 204,300 jobs, or 7.3 percent, below the February 2020 level, before the impact of COVID-19 (not seasonally adjusted). Before the pandemic, the economy in the metropolitan area had expanded and jobs had grown by an average of 39,600, or 1.5 percent, annually from 2010

through 2019, although the rate of job growth moderated during the 3 most recent years.

During the fourth quarter of 2020—

- Total nonfarm payrolls in the metropolitan area averaged 2.58 million, a 254,500-job, or 9.0-percent, decline from the fourth quarter of 2019. The decline in jobs in the Boston metropolitan area was more severe than in the New England region and the nation, where payrolls were down 8.0 and 5.9 percent, respectively.
- Nonfarm payrolls declined in all 10 payroll sectors in the Boston metropolitan area from the fourth quarter of 2019, with the leisure and hospitality sector accounting for more than 40 percent of job losses. The losses in that sector occurred because nearly all the jobs lost involve in-person interactions, which were difficult to maintain during the stay-at-home order.

continued on page 3

All 10 sectors in the Boston metropolitan area lost jobs during the fourth quarter of 2020 relative to a year ago.

	3 Months Ending		Year-Over-Year Change	
	December 2019 (Thousands)	December 2020 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	2,834.8	2,580.3	-254.5	-9.0
Goods-Producing Sectors	312.6	290.5	-22.1	-7.1
Mining, Logging, & Construction	124.6	112.4	-12.2	-9.8
Manufacturing	188.1	178.1	-10.0	-5.3
Service-Providing Sectors	2,522.2	2,289.8	-232.4	-9.2
Trade, Transportation, & Utilities	431.4	399.6	-31.8	-7.4
Information	82.4	80.1	-2.3	-2.8
Financial Activities	186.6	186.0	-0.6	-0.3
Professional & Business Services	521.2	506.8	-14.4	-2.8
Education & Health Services	601.4	557.0	-44.4	-7.4
Leisure & Hospitality	275.7	171.9	-103.8	-37.6
Other Services	103.1	80.3	-22.8	-22.1
Government	320.5	308.1	-12.4	-3.9
Unemployment Rate	2.1%	6.4%		

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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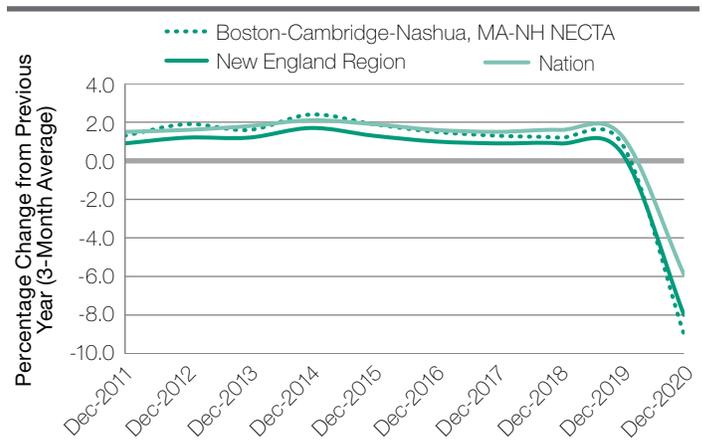
Payrolls in the sector declined by 103,800 jobs, or 37.6 percent, to 171,900 jobs—the lowest total since 1993.

- The professional and business services and the trade, transportation, and utilities sectors—the second and third largest payroll sectors in the metropolitan area, accounting for more than one-third of all nonfarm payrolls combined—contracted by 14,400 and 31,800 jobs, or 2.8 and 7.4 percent, respectively. Jobs in the professional and business services sector include industries—such as legal services, accounting, and business management—that more readily adapted to a telework model following the onset of COVID-19; however, demand decreased for office services, such as building support and janitorial staff, contributing to overall declines in the sector.
- The average unemployment rate in the Boston metropolitan area more than tripled, to 6.4 percent, from the 2.1-percent rate during the same period a year earlier and was slightly lower than the national average of 6.5 percent. Before the pandemic, the unemployment rate in the metropolitan area had declined every year since 2010.

With 557,000 jobs, or nearly 22 percent of total nonfarm payrolls, during the fourth quarter of 2020, the education and health services sector was the largest sector in the metropolitan area. During the fourth quarter of 2020, the sector lost the second most jobs in the metropolitan area—down by 44,400 jobs, or 7.4 percent, compared with an increase of 9,300 jobs, or 1.6 percent, during the same quarter in 2019. From 2010 through 2018, before the current downturn, the education and health services sector added the second most jobs of any sector, following the professional and business services sector—up an average of 10,800 jobs, or 2.0 percent, a year. Jobs contracted in the past year because hospitals were temporarily unable to provide elective services, leading to furloughs among healthcare providers. In addition, because colleges and universities moved to remote learning or closed during the 2020 spring and fall semesters to reduce the number of COVID-19 outbreaks, some workers were laid off or furloughed as campuses cut costs. During the spring semester of 2020, approximately 1,625 employees were laid off at BU. For the fall 2020 semester, a few employees were rehired because the school reopened and allowed students to take online classes or participate in person. At MIT, during the fall semester of 2020, nearly 12,400 staff and faculty were employed—down 3.8 percent from fall 2019—and student enrollment declined by 910 students, or 9.9 percent. During the fall semester of 2020, full- and part-time

student enrollment at Harvard declined by approximately 1,500 students, or 6.1 percent, to approximately 22,300 students, from the fall 2019 semester. By comparison, enrollment at the university had increased every year by an average of 460 students, or 2.1 percent, a year from the fall semester of 2015 to the fall semester of 2019. At the University of Massachusetts, the second largest employer in the metropolitan area, employment remained relatively unchanged from the previous year—at approximately 1,450 employees during the fall semester of 2020—whereas enrollment increased by 310 students, or nearly 1.0 percent.

During the fourth quarter of 2020, the rate of job loss in the Boston metropolitan area was greater than the respective rates for the New England region and the nation.



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

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
Stop & Shop Supermarket Company LLC	Wholesale & Retail Trade	19,865

Note: Excludes local school districts.

Source: Moody's Analytics

Sales Market Conditions

The home sales market in the Boston metropolitan area is currently tight, with an estimated vacancy rate of 0.9 percent as of January 1, 2021—down from 1.5 percent during April 2010, when the market was soft. The sales market generally tightened from 2011 through 2019, partly because of continued net in-migration coupled with

improved economic conditions. In 2020, despite significant job losses, the sales market tightened further, partially because of a 4-percent decline in the number of homes listed for sale (Greater Boston Association of Realtors® [GBAR]), and mortgage interest rates reached their lowest levels in more than 50 years. In December

continued on page 4



continued from page 3

2020, the average interest rate of a 30-year fixed rate mortgage was 2.7 percent, down from 3.7 percent in December 2019 (Federal Home Loan Mortgage Corporation). During December 2020, a 0.6-month supply of single-family homes and a 1.8-month supply of condominiums were for sale in the metropolitan area, down from 1.1 and up from 1.6 months, respectively, in December 2019 (GBAR).

As of December 2020, the percentage of seriously delinquent home loans (90 or more days delinquent or in foreclosure) and real estate owned (REO) properties in the Boston metropolitan area was 3.0 percent—up from 1.1 percent a year earlier but lower than the 4.0-percent rate for the nation (CoreLogic, Inc.). The significant rise in the rate during the past year was because the number of home loans that were 90 or more days delinquent nearly tripled. By comparison, the number of home loans that were in foreclosure or had transitioned into REO status was down 36 percent compared with December 2019. The number of loans in foreclosure or in REO status has not increased because a national moratorium on foreclosures for federally backed mortgages has been put in place and will continue through June 2021. The last time the rate had a notable increase was immediately after the Great Recession, peaking in December 2010 at 5.3 percent in the metropolitan area and 7.8 percent in the nation.

During 2020—

- Approximately 40,100 new and existing single-family homes and townhomes were sold in the metropolitan area—an increase of 220 homes, or less than 1 percent, from 2019. By comparison, from 2011 through 2019, home sales increased by an average of 1,550 homes, or 5 percent, annually from a recent low of 25,800 homes sold in 2010 (Zonda), around the time of the local housing market downturn.

Sales of single-family homes and townhomes in the Boston metropolitan area increased slightly during the past year, whereas condominium sales declined.



Note: Includes new and existing homes. Source: Zonda

- The sales price growth for new and existing single-family homes and townhomes accelerated to an 11-percent increase from a year earlier to reach an all-time peak sales price of \$654,700, compared with an average annual increase of 5 percent from the recent low average price of \$404,600 during 2009.
- Sales of new and existing condominiums decreased by 800, or 5 percent, to 16,600 units sold—partly because of a shared desire by residents of the metropolitan area to live in areas with lower density during the pandemic—compared with an average 5-percent annual increase from 2012 through 2019.

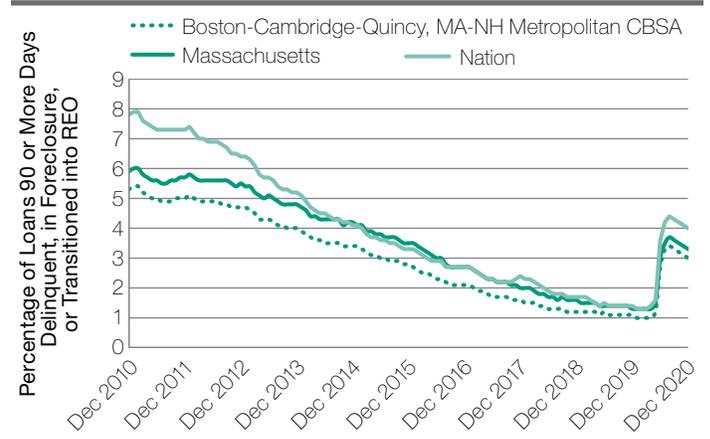
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Sales prices of single-family homes and townhomes increased significantly in the past year and condominium sales prices increased moderately in the Boston metropolitan area.



Note: Includes new and existing homes. Source: Zonda

The rate of seriously delinquent mortgages and REO properties in the Boston metropolitan area increased significantly from May 2020 through August 2020 but has slowly declined since September 2020.



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



continued from page 4

During 2020, the average sales price of new and existing condominiums rose 2 percent, to \$521,100, compared with an average 5-percent increase annually from 2009 through 2019.

- The average sales price of new and existing condominiums was 20 percent lower than the average price of new and existing single-family homes and townhomes in the metropolitan area. That gap increased from an average 15-percent difference from 2012 through 2019, largely because demand for single-family homes is high and inventory is low.

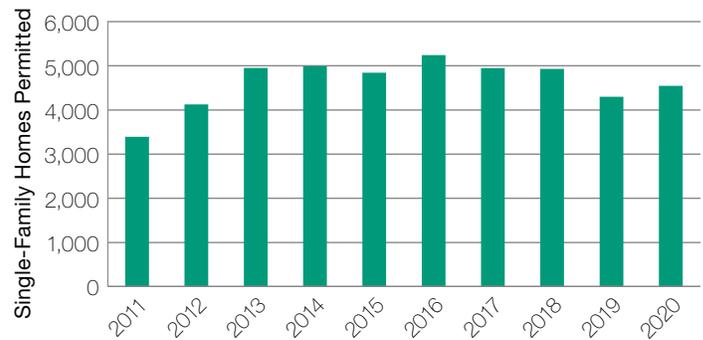
Single-family homebuilding activity, as measured by the number of single-family homes permitted, increased in 2020, but the level of construction has been subdued since 2019, 1 year after population growth slowed in the metropolitan area. Construction was stronger during the 2013-through-2018 period.

- During 2020, the number of single-family homes permitted increased 6 percent, to 4,550 homes, from 4,300 homes permitted a year earlier (preliminary data) despite a 2-month pause on residential construction activity from mid-March to mid-May 2020 that was implemented to slow the spread of COVID-19. By comparison, the number of single-family homes permitted averaged 3,750 annually during 2011 and 2012 and increased to an average of 4,975 homes a year from 2013 through 2018.
- Nearly 30 percent of new single-family construction activity in the metropolitan area occurred in Middlesex County during 2020. Less than 1 percent was in Suffolk County, where the city of Boston is located and the greatest proportion of multifamily construction occurred. Elsewhere in the metropolitan area,

a combined 39 percent of single-family home construction occurred in the southern counties of Norfolk and Plymouth, and the northern counties of Essex, Rockingham, and Strafford combined to account for 32 percent of single-family home construction.

- In Middlesex County, in the city of Hopkinton, 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 \$590,995. In Suffolk County, in the city of Boston, the St. Regis Residences tower is currently under construction and will feature 114 luxury condominium units with prices starting at \$2.0 million when it is complete in October 2021.

Single-family home construction in the Boston metropolitan area increased in 2020, but the level is below the 2013-through-2018 period.



Note: Includes preliminary data from January 2020 through December 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, compared with tight to slightly tight conditions during the fourth quarters from 2012 through 2019, when economic growth was generally strong. The impact of COVID-19 in 2020, combined with the continued surge in apartment construction since 2015, has led to a recent rise in the apartment vacancy rate. The Coronavirus Aid, Relief, and Economic Security (CARES) Act, which provides a moratorium on evictions from rental units with federally backed mortgages, may have partly eased the full impact of the countermeasures used to slow the spread of COVID-19.

During the fourth quarter of 2020—

- The apartment vacancy rate was 4.8 percent—the highest fourth quarter rate in 9 years and higher than the national rate of 4.2 percent (RealPage, Inc.). The fourth quarter vacancy rate in the metropolitan area had declined every year since 2017 to reach a low of 3.3 percent during the fourth quarter of 2019; by comparison, from 2012 through 2016, the fourth quarter

vacancy rate ranged from a low of 3.7 percent in 2015 to a high of 4.5 percent in 2013.

- The apartment vacancy rate rose in 9 of the 15 RealPage, Inc.-defined market areas (hereafter, market areas) that make up the Boston metropolitan area, led by a 4.9-percentage-point increase, to 7.7 percent, in the Fenway/Brookline/Brighton market area; that rate is just 0.1 percentage point higher than in the Intown Boston market area. During the fourth quarter of 2020, approximately 23 percent of all new apartments completed in the metropolitan area were in those two market areas.
- In response to elevated vacancy rates, the average apartment rent in the Boston metropolitan area declined by \$178, or more than 7 percent, to \$2,217 from a year earlier, compared with an average annual 5-percent increase during the fourth quarters from 2012 through 2019. Average rents declined in 10 of the market areas during the fourth quarter of 2020, with the

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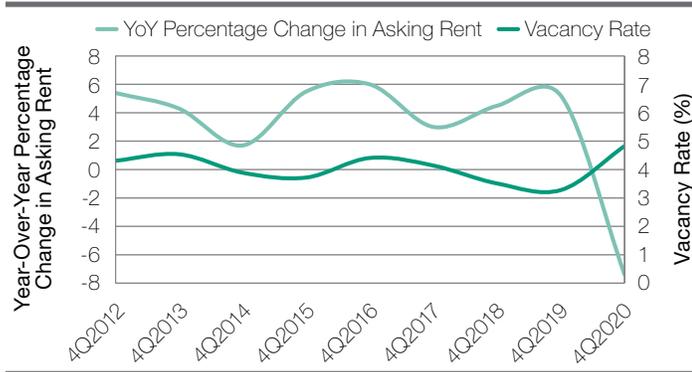
steepest decline of 21 percent occurring in the Intown Boston market area, to \$2,976; that market area is the most expensive in the Boston metropolitan area because of more new Class A units.

- The average rent in the Fenway/Brookline/Brighton market area was the second highest in the metropolitan area, at \$2,933—a 9-percent decrease from the previous year, compared with a 4-percent average annual increase from 2012 through 2019.
- The completion of new university dormitories has affected demand for market-rate apartments. During the fall of 2019, a \$114 million, 825-bed dormitory at Northeastern University was completed in the Intown Boston market area.

In response to slightly tight to tight apartment market conditions from 2012 through 2019, multifamily building activity, as measured by the number of units permitted, has been elevated since 2015 in the Boston metropolitan area, despite the pause on construction activity that resulted from the COVID-19 pandemic.

- During 2020, approximately 9,600 multifamily units were permitted—down 11 percent from a recent peak of 10,800 units permitted in 2019. More than 38 percent of new multifamily construction activity in the metropolitan area occurred in Suffolk County, and approximately 33 percent was in Middlesex County; the remaining 29 percent of construction activity occurred in the rest of the metropolitan area.

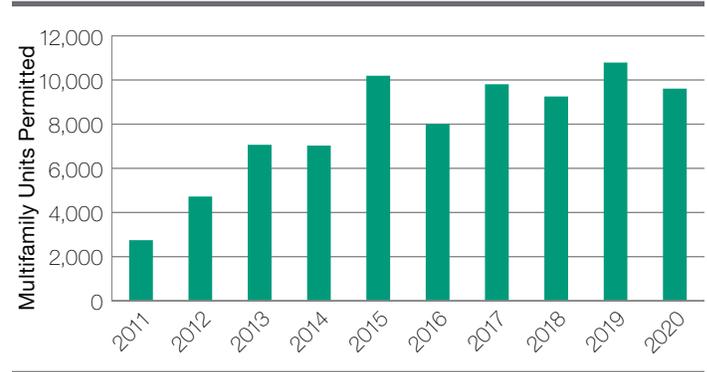
Tight apartment market conditions in the Boston metropolitan area eased in the past year, with higher vacancy rates and declining rents.



4Q = fourth quarter. YoY = year-over-year. Source: RealPage, Inc.

- 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 were permitted annually. Permitting increased to an average of 9,325 units annually from 2015 through 2018.
- Since 2013, approximately 10 percent of all multifamily units permitted in the metropolitan area was for condominiums, up from 8 percent of all multifamily units permitted during 2011 and 2012.
- The 440-unit Hub50House and the 312-unit Bower are two apartment properties completed during the fourth quarter of 2020 in the Intown Boston and the Fenway/Brookline/Brighton market areas, respectively. Rents for each property range from \$2,410 to \$10,480 for studios to three-bedroom units and \$2,288 to \$5,988 for studios to two-bedroom units, respectively.
- Currently under construction in the Intown Boston market area is the 321-unit Winthrop Square multi-tower, mixed-use property, which will be one of the tallest buildings in the city of Boston when it is complete in the spring of 2022. The property was originally planned to include 500 condominium units, but because of the impact of COVID-19 and the economic downturn that accompanied it, the developers reduced the number of units and switched the property to apartments.

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



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

