

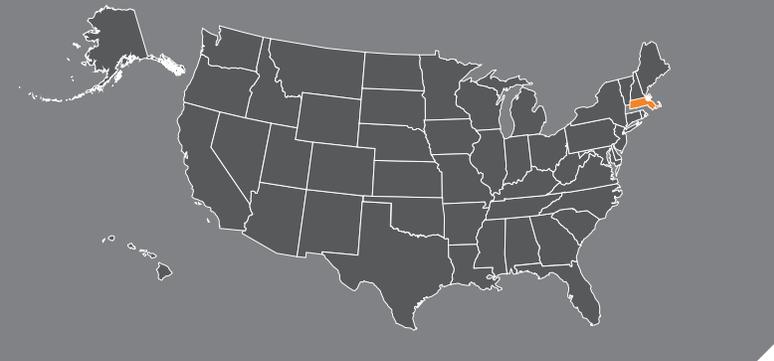
HUD PD&R Housing Market Profiles

Boston-Cambridge-Newton, Massachusetts-New Hampshire



Quick Facts About Boston-Cambridge-Newton

- **Current sales market conditions: tight.**
- **Current apartment market conditions: slightly tight.**
- **The city of Boston was the location of the first subway system and first public beach in the United States.**



By Tim McDonald | As of June 1, 2016

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 known as a center for education and health services. It has 56 institutes of higher education, which include world-renowned Harvard University and the Massachusetts Institute of Technology, with more than 250,000 students total in the metropolitan area. The Boston metropolitan area is also home to world-renowned hospitals such as Massachusetts General Hospital and Brigham and Women's Hospital, which in 2015 *U.S. News & World Report* ranked as the best and sixth best hospitals in the nation, respectively.

- The population of the Boston metropolitan area is currently estimated at more than 4.8 million, making it the 10th largest metropolitan area in the country.
- Improving economic conditions since 2010 have contributed to an average population increase of 40,400, or 0.9 percent, annually, with net in-migration averaging 23,400 people and accounting for 58 percent of the population growth since 2010.
- From 2010 to 2015 (July 1 Census Bureau population estimates), international net in-migration averaged 31,400 people annually, which helped offset domestic net out-migration of 3,950 people annually.
- From 2000 to 2010, population growth averaged 16,100 people, or 0.4 percent, annually, with net out-migration of 4,450 people annually.



PD&R

The Boston area is known worldwide as a center for education and medical care, and the education and health services sector is the largest employment sector in the area.

	3 Months Ending		Year-Over-Year Change	
	May 2015 (thousands)	May 2016 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	2,635.6	2,675.3	39.7	1.5
Goods-producing sectors	290.1	295.9	5.8	2.0
Mining, logging, and construction	98.0	107.2	9.2	9.4
Manufacturing	192.1	188.7	-3.4	-1.8
Service-providing sectors	2,345.5	2,379.4	33.9	1.4
Information	76.7	76.5	-0.2	-0.3
Financial activities	179.1	184.8	5.7	3.2
Professional and business services	449.8	456.9	7.1	1.6
Education and health services	558.8	572.3	13.5	2.4
Leisure and hospitality	251.1	252.0	0.9	0.4
Other services	99.9	103.4	3.5	3.5
Government	318.2	316.4	-1.8	-0.6
	(percent)	(percent)		
Unemployment rate	4.4	3.6		

Note: Numbers may not add to totals because of rounding.
Source: U.S. Bureau of Labor Statistics

Economic Conditions

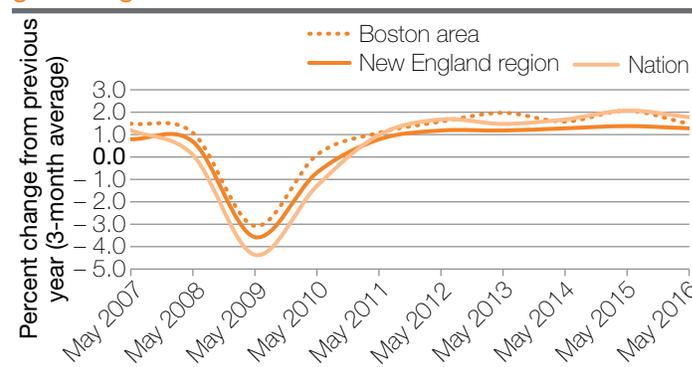
Economic conditions in the Boston metropolitan area have continued to improve since the national recession ended in 2009. Since the start of 2010, nonfarm payroll jobs in the metropolitan area have increased by an average of 39,500, or 1.6 percent, annually. By the end of 2013, nonfarm payrolls totaled more than 2.55 million jobs and had surpassed the previous peak level of 2.53 million jobs during 2001.

During the 3 months ending May 2016—

- Nonfarm payrolls totaled nearly 2.68 million jobs, an increase of 39,700, or 1.5 percent, from the same 3-month period in 2015, resulting from growth in six of the nine employment sectors with reported data.
- The education and health services sector led job growth, increasing by 13,500 jobs, or 2.4 percent, to 572,300, making it the largest employment sector in the metropolitan area and accounting for more than 21 percent of all jobs.
- The mining, logging, and construction sector added the second most jobs and had the largest percentage increase of any sector with a gain of 9,200 jobs, or 9.4 percent, due in part to more than \$7 billion worth of ongoing construction projects in the city of Boston.
- The unemployment rate declined to 3.6 percent, down from 4.4 percent during the same period in 2015 and well below the average of 7.5 percent during 2009 and 2010.

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Since 2007, the rate of nonfarm payroll growth has been higher in the Boston area than in the New England region overall.



Note: Nonfarm payroll jobs.
Source: U.S. Bureau of Labor Statistics

Largest employers in Massachusetts

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Partners Health Care	Education and health services	64,800
The Stop & Shop Supermarket Company, LLC	Wholesale and retail trade	21,100
Harvard University	Education and health services	18,450

Note: Excludes local school districts.
Source: Boston Business Journal

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Due to the presence of many world-class institutions of higher learning, the Boston metropolitan area is a hub for scientific research. The National Institutes of Health award more annual research funding to the Boston metropolitan area than any other metropolitan area in the nation, and in 2015 research funding totaled more than \$2.25 billion. The large number of highly educated people in the metropolitan area help attract businesses both foreign and domestic, such as Baxalta, a biopharmaceutical firm that recently relocated

to the city of Cambridge and currently employs 150 people, with plans to add another 350 by the end of 2018. EMD Serono, the U.S. subsidiary of Merck KgaA—based in Darmstadt, Germany—recently announced a \$12 million expansion of its research and development facility in the metropolitan area that will add 150 new jobs. General Electric Company recently announced that it would relocate its corporate headquarters to the city of Boston, which will add 800 more jobs to the metropolitan area.

Sales Market Conditions

The sales housing market in the Boston metropolitan area is currently tight, with an estimated sales vacancy rate of 0.8 percent, down from 1.5 percent in April 2010. The percentage of home loans in the metropolitan area that were 90 or more days delinquent or in foreclosure or had transitioned into real estate owned status declined from 3.1 percent in April 2015 to 2.4 percent in April 2016 (CoreLogic, Inc.). The current rate is slightly below the 3.1- and 2.9-percent rates for Massachusetts and the nation, respectively. During May 2016, a 2.0-month supply of inventory was on the market, down from 2.9 months during May 2015 (Greater Boston Association of Realtors®). Single-family homes (excluding townhomes) make up 33 percent of all new home sales and 59 percent of existing home sales in the metropolitan area (Metrostudy, A Hanley Wood Company).

During the 12 months ending May 2016—

- New home sales totaled 3,050, an increase of 270, or nearly 10 percent, from the previous 12 months and up more than 24 percent from the average of 2,450 new home sales from 2010 through 2013.

- The average sales price of new home was \$619,600, an increase of \$75,900, or 14 percent, from the previous 12 months.
- Existing home sales totaled 66,400, an increase of 8,000, or nearly 14 percent, from the previous 12 months.
- The average sales price of an existing home was \$481,500, an increase of \$17,100, or 4 percent, from the 12 months ending May 2015.

Single-family home construction, as measured by the number of single-family homes permitted, has trended upward since 2009 but remains below prerecessionary levels.

- During the 12 months ending May 2016, single-family construction totaled 5,150 homes permitted, an increase of 450, or nearly 10 percent, from the previous 12 months (preliminary data).
- The current level of construction activity is well above the average of 3,400 single-family homes permitted annually from 2008 through 2011 but below the average of 7,850 homes permitted annually from 2000 through 2005.

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The average sales prices for new and existing homes in the Boston area have been increasing steadily since the start of the fourth quarter of 2012.



Note: Includes single-family homes, townhomes, condominiums, and cooperative housing units.
Source: Metrostudy, A Hanley Wood Company

Harsh winter weather in the Boston area in 2015 led to construction delays, which negatively affected the number of new home sales throughout the year.



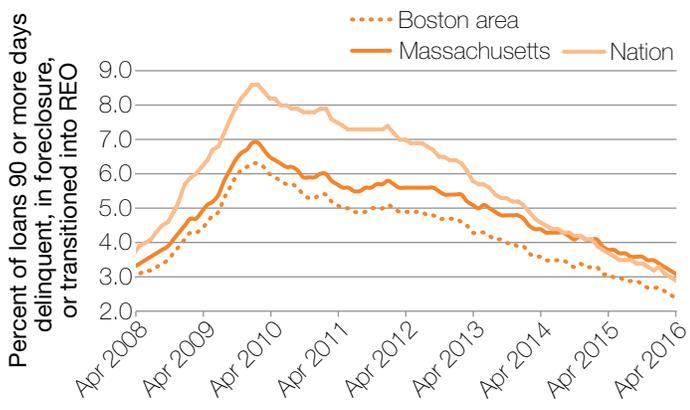
Note: Includes single-family homes, townhomes, condominiums, and cooperative housing units.
Source: Metrostudy, A Hanley Wood Company



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- Single-family construction in the city of Boston is minimal but increased recently from previous low levels. During the 12 months ending May 2016, 50 single-family homes were permitted, unchanged from the previous 12 months (preliminary data). From

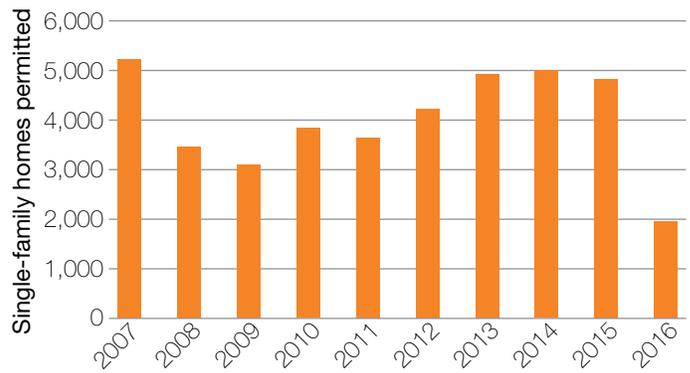
The percentage of home loans that were seriously delinquent or had transitioned into REO status in the Boston area has remained below the averages for the nation and Massachusetts since 2008.



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

2007 through 2013, an average of 35 single-family homes were permitted annually after an average of 100 homes were permitted annually from 2003 through 2006.

Single-family home construction activity has increased in the Boston area since 2009 but remained slightly below the levels recorded in 2007.



Note: Includes preliminary data from January 2016 through May 2016.
Source: U.S. Census Bureau, Building Permits Survey

Apartment Market Conditions

The apartment market in the Boston metropolitan area is currently slightly tight, with increased renter household growth and lower levels of apartment construction from 2008 through 2011 contributing to the absorption of excess vacant units since the early 2010s.

During the first quarter of 2016—

- The apartment vacancy rate in the Boston metropolitan area was 3.2 percent, down from 3.3 percent during the first quarter of 2015, and the average rent increased by \$112, or 6.4 percent, to \$1,866 (MPF research).
- The average rents by bedroom size in the metropolitan area were \$1,668, \$1,942, and \$2,661 for one-, two-, and three-bedroom units, respectively.
- In the city of Boston, the apartment vacancy rate was 3.6 percent, up from 3.1 percent a year earlier, and the average rent was \$2,502, up \$99, or 4.0 percent, from a year earlier.
- The lowest average rents in the metropolitan area are in the two New Hampshire counties, where the average rent is \$1,159, up \$52, or nearly 5 percent, from a year earlier as the vacancy rate remained unchanged at 2.5 percent.

Multifamily construction activity, as measured by the number of units permitted, has been extremely strong in the Boston metropolitan area recently, and the 11,925 multifamily units permitted in 2015 were the most units permitted in a single year since 12,445 units were permitted in 1986. From the trough in 2009, when 2,400 multifamily units were permitted, through 2015, multifamily construction increased by an average of 1,575 units, or more than 30 percent, annually.

- During the 12 months ending May 2016, multifamily permitting totaled 13,300 units (preliminary data), an increase of 1,200 units, or 10 percent, from the previous 12 months.
- Since 2010, 14 percent of all multifamily units permitted have been condominium units, down from 25 percent of all units from 2000 through 2009.
- In the city of Boston, the 4,900 multifamily units permitted during 2015 was the highest level recorded since 1980. The 10,200 multifamily units permitted in the city of Boston from 2013 through 2015 was 67 percent higher than the previous 3-year peak level of production from 1985 through 1987.

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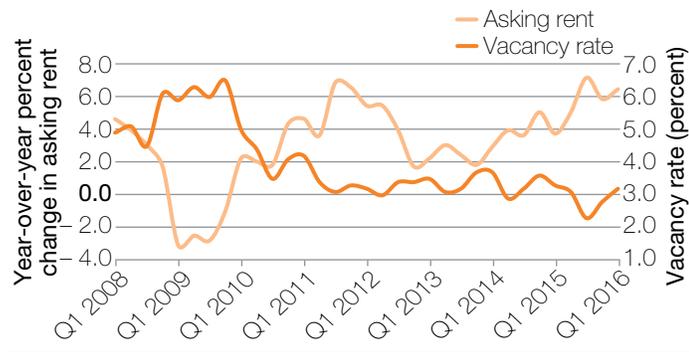
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- The Millennium Tower, a 60-story residential tower, is nearing completion in the city of Boston. This development has 450 condominium units and is the tallest residential building in the city of Boston.
- Seaport Square, the largest mixed-use development in the history of the city of Boston, is currently under construction. The first

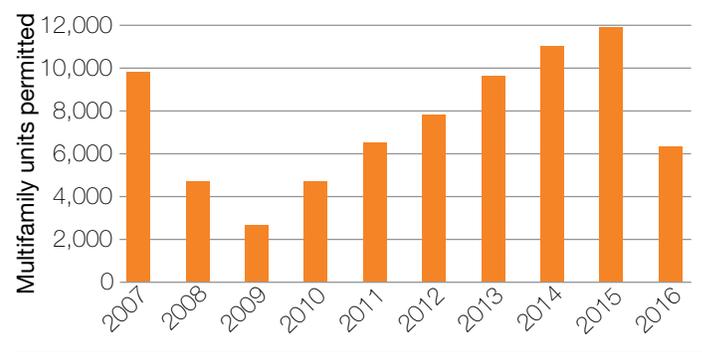
phase, which will be completed in 2017, will have two residential towers with 830 apartment units. On final completion in 2020, the project is expected to have 3,000 residential units along with 2.6 million square feet of retail and office space.

The apartment vacancy rate in the Boston area has been below 5 percent for 25 consecutive quarters.

Since the first quarter of 2010, developers have responded to the tightening apartment market conditions in the Boston area by increasing production annually.



Source: MPF Research



Note: Includes preliminary data from January 2016 through May 2016.
Source: U.S. Census Bureau, Building Permits Survey

