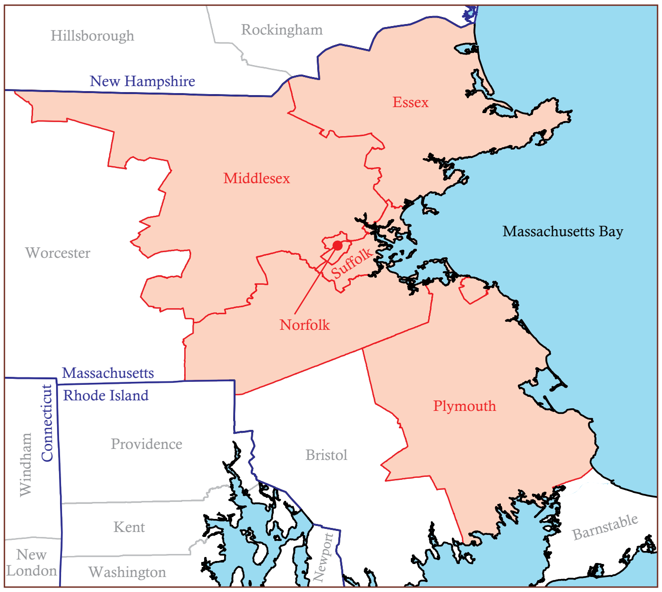
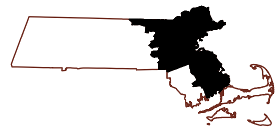
COMPREHENSIVE HOUSING MARKET ANALYSIS

Boston, Massachusetts

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of August 1, 2016





Housing Market Area

The Boston Housing Market Area (HMA) comprises Essex, Middlesex, Norfolk, Plymouth, and Suffolk Counties in Massachusetts. For purposes of this analysis, the HMA is divided into three submarkets: The Boston-Suffolk County submarket is coterminous with Suffolk County and includes the city of Boston, the North Shore submarket comprises Essex and Middlesex Counties, and the South Shore submarket consists of Norfolk and Plymouth Counties. The HMA is home to 56 institutions of higher learning that enroll more than 250,000 students.

Summary

Economy

Economic conditions in the Boston HMA remain strong. Nonfarm payrolls have increased each year since 2010 and surpassed the prerecessionary high in 2012. During the 12 months ending July 2016, nonfarm payrolls in the Boston-Cambridge-Nashua MA-NH Metropolitan New England City and Town Area (hereafter, the Boston NECTA) totaled more than 2.67 million, after increasing by 42,700, or 1.6 percent, from the previous 12 months. The unemployment rate in the HMA currently is 4.0 percent, down from 4.8 percent 1 year earlier. Nonfarm payrolls are expected to increase by 1.2 percent annually during the 3-year forecast period.

Sales Market

The sales housing market in the Boston HMA currently is tight, with a 0.6-percent sales vacancy rate, down from 1.4 percent in April 2010. During July 2016, a 1.8-month supply of single-family homes and a 1.7-month supply of condominiums were for sale in the HMA, down from 2.6 and 2.0 months, respectively, in July 2015 (Greater Boston Association of Realtors [GBAR]). Demand is estimated for 20,550 new homes (single-family homes plus condominiums) during the 3-year forecast period (Table 1). The 3,145 homes currently under construction and some of the estimated 49,700 other vacant units that may reenter the market will satisfy a portion of that demand.

Rental Market

The rental housing market in the Boston HMA is slightly tight, with a 4.3-percent vacancy rate, down from 5.8 percent in April 2010. Strong population growth has contributed to the absorption of previously vacant units despite high levels of multifamily production in the HMA since 2013. As of April 2016, the city of Boston was the third most expensive rental market in the United States (Zumper). During the forecast period, demand is estimated for 22,275 new market-rate rental units (Table 1). The 12,550 units under construction will satisfy a portion of that demand.

Market Details

Table 1. Housing Demand in the Boston HMA During the Forecast Period

	Boston HMA		Boston-Suffolk County Submarket		North Shore Submarket		South Shore Submarket	
	Sales Units	Rental Units	Sales Units	Rental Units	Sales Units	Rental Units	Sales Units	Rental Units
Total demand	20,550	22,275	3,400	8,875	11,200	9,750	5,950	3,650
Under construction	3,145	12,550	1,525	5,800	930	4,700	690	2,050

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of August 1, 2016. A portion of the estimated 49,700 other vacant units in the HMA will likely satisfy some of the forecast demand. The forecast period is August 1, 2016, to August 1, 2019.

Source: Estimates by analyst

Economic Conditions

The Boston NECTA includes portions of New Hampshire and is somewhat larger than the Boston HMA. This analysis uses the Boston NECTA in the discussion of nonfarm payroll jobs, however, because employment data for the Boston NECTA are readily available from the U.S. Bureau of Labor Statistics.

The city of Boston, founded in 1630, is one of the oldest cities in the United States. The city, with its location on the Atlantic Ocean leading into the Boston Harbor at the mouth of the Charles River, began as a center for shipping and global commerce. By the early 1800s, a significant manufacturing presence, particularly associated with textiles, had developed in the city. The manufacturing sector has been in long-term decline, and the HMA has become increasingly known as a global center for education and health services. The HMA is home to 56 institutes of higher education that enroll more than 250,000 students, which includes world-renowned institutions such as Harvard University and the Massachusetts Institute of Technology. The HMA also is home to highly regarded hospitals such as Massachusetts General Hospital and Brigham and Women's Hospital, which, in 2015, were ranked as the best and sixth best hospitals in the nation, respectively, by *U.S. News & World Report*.

Following a fast recovery from job losses in 2009, economic conditions remain strong in the HMA, supported by a highly educated and skilled labor force that attracts many employers. During the 12 months ending July 2016, nonfarm payrolls in the Boston NECTA totaled more than 2.67 million, up by 42,700, or 1.6 percent, from the previous 12 months (Table 2). Although

Table 2. 12-Month Average Nonfarm Payroll Jobs in the Boston Metropolitan NECTA, by Sector

	12 Months Ending		Absolute Change	Percent Change
	July 2015	July 2016		
Total nonfarm payroll jobs	2,631,200	2,673,900	42,700	1.6
Goods-producing sectors	291,700	299,100	7,400	2.5
Mining, logging, & construction	99,200	108,900	9,700	9.8
Manufacturing	192,500	190,200	– 2,300	– 1.2
Service-providing sectors	2,339,400	2,374,800	35,400	1.5
Information	76,600	77,400	800	1.0
Financial activities	180,300	185,200	4,900	2.7
Professional & business services	450,200	459,600	9,400	2.1
Education & health services	550,900	564,300	13,400	2.4
Leisure & hospitality	254,100	256,300	2,200	0.9
Other services	100,600	102,900	2,300	2.3
Government	311,600	309,400	– 2,200	– 0.7
Nonreporting sectors	415,100	419,300	4,200	1.0

NECTA = New England City and Town Area.

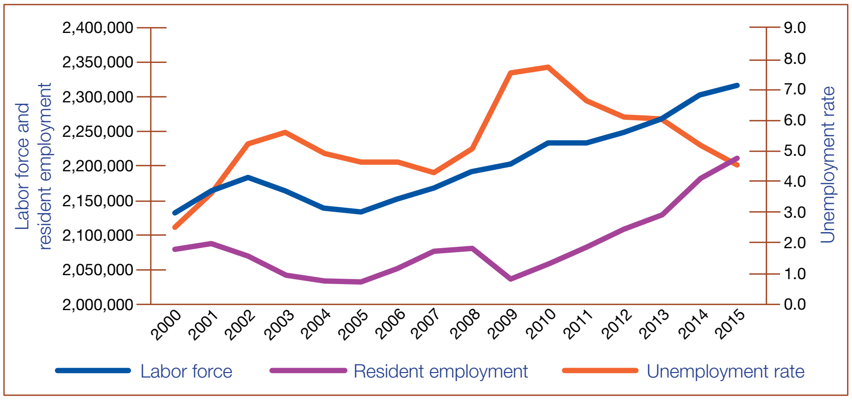
Notes: Numbers may not add to totals because of rounding. Based on 12-month averages through July 2015 and July 2016.

Source: U.S. Bureau of Labor Statistics job growth remains positive, the rate of job growth is below that of the previous 12 months, as economic growth began to stabilize after recording strong gains during the past few years. During the 12 months ending July 2015, nonfarm payrolls increased by 53,200, or 2.1 percent. The unemployment rate currently is 4.0 percent, down from 4.8 percent 1 year earlier and down significantly from the 7.7 percent recorded during 2010 (Table DP-1 at the end of this report). Figure 1 shows trends in the labor force, resident employment, and the unemployment rate in the HMA from 2000 through 2015.

Education and health services is the largest employment sector in the Boston NECTA and, with 564,300 jobs, accounts for more than 21 percent of all nonfarm payrolls (Figure 2). Of the 10 largest employers in the HMA, based on employment numbers for the state of Massachusetts, 7 are in the education and health services sector (Table 3). The sector also has been the fastest-growing sector in the Boston NECTA since 2000, increasing by an average of 10,200 jobs, or 2.2 percent, annually. Figure 3 shows sector growth in the Boston NECTA since 2000. During the 12 months ending July 2016, the education and health services sector led job growth in the Boston NECTA, increasing by 13,400 jobs, or 2.4 percent, from the previous 12 months. Notable developments in the sector include Milford Regional Medical Center, which completed a $60 million expansion in 2016. Employment at many of the local universities also continues to increase to accommodate rising levels of enrollment.

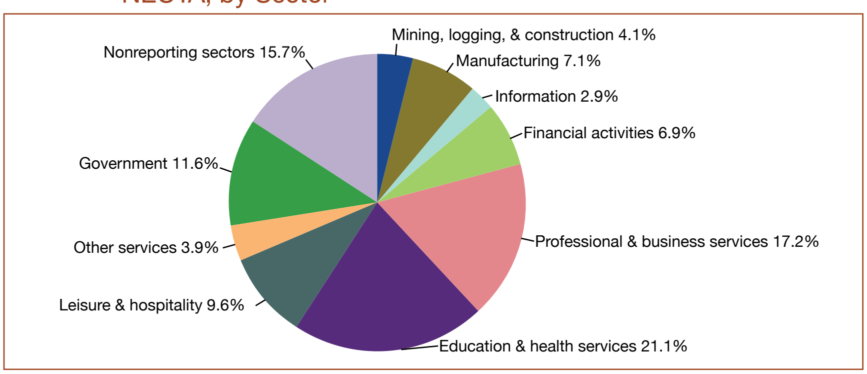
Because of the many institutions of higher learning and world-class hospitals in the HMA, scientific research jobs abound in the Boston NECTA. The professional and business services sector, which includes scientific research jobs, is the second largest employment sector in the HMA.

Figure 1. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Boston HMA, 2000 Through 2015



Source: U.S. Bureau of Labor Statistics

Figure 2. Current Nonfarm Payroll Jobs in the Boston Metropolitan NECTA, by Sector



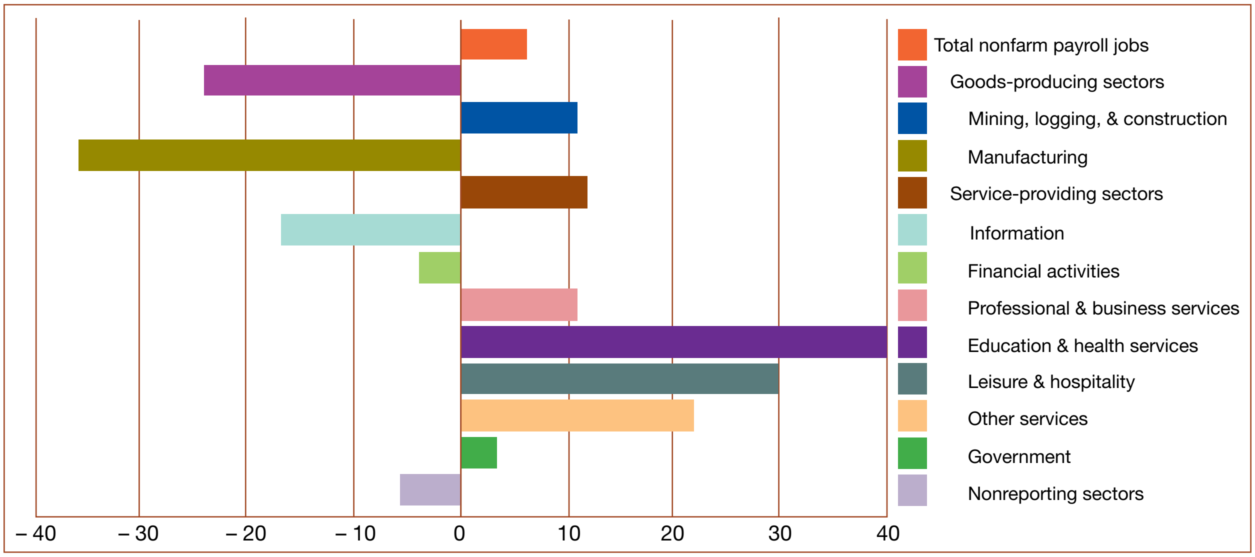
NECTA = New England City and Town Area.
Note: Based on 12-month averages through July 2016.
Source: U.S. Bureau of Labor Statistics

Table 3. Major Employers in the Boston HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Partners HealthCare	Education & health services	67,600
The Stop and Shop Supermarket Company LLC	Wholesale & retail trade	21,700
Harvard University	Education & health services	18,050
Steward Health Care	Education & health services	17,325
Massachusetts Institute of Technology	Education & health services	15,750
Beth Israel Deaconess Medical Center	Education & health services	12,850
State Street Corporation	Financial activities	11,700
Boston Children's Hospital	Education & health services	11,075
Raytheon Company	Manufacturing	11,000
Boston University	Education & health services	9,950

Notes: Excludes local school districts. The number of employees is the statewide total for Massachusetts. Data include only employers who have operational headquarters in the HMA.
Source: Boston Business Journal

Figure 3. Sector Growth in the Boston Metropolitan NECTA, Percentage Change, 2000 to Current



NECTA = New England City and Town Area.
Note: Current is based on 12-month averages through July 2016.
Source: U.S. Bureau of Labor Statistics

The sector had 459,600 jobs during the 12 months ending July 2016, an increase of 9,400 jobs, or 2.1 percent, from the previous 12 months. Recent expansions in the sector include GE Healthcare Life Sciences, which opened a new North American Headquarters in the Boston NECTA on relocating from Chicago in 2015. When fully staffed in 2017, GE Healthcare Life Sciences will have more than 500 scientists working at its headquarters. ORIG3N, Inc., which conducts research on genetically inherited diseases, opened a new headquarters and research facility in the city of Boston in 2016.

The mining, logging, and construction sector benefited significantly from the recent job growth in other sectors. Nearly all of the jobs in the sector are construction related, as strong economic conditions have spurred new residential (single-family plus multifamily) development and created a need for more commercial and office space. During the 12 months ending July 2016, employment in this sector increased by 9,700 jobs, or 9.8 percent, to 108,900. Since 2011, the sector has added an average of 5,600 jobs, an increase of 6.3 percent, annually. Several large projects are ongoing in the HMA, including One Seaport Square, a $600 million mixed-use development; when complete in 2017, it will have 832 residential units and more than 250,000 square feet of retail space in two towers. Another ongoing development is the Boston Landing project in the Brighton neighborhood of the city of Boston. The project includes the new corporate headquarters of Reebok, which opened in spring of 2015, and a new commuter rail station. A new practice facility for the Boston Bruins professional hockey franchise opens at the site in September 2016, and a luxury hotel is scheduled to be complete in 2018.

The Boston HMA is a major tourist destination because of the presence of historical attractions, including the Old North Church, Bunker Hill, and the U.S.S. Constitution. Tourism had a $13 billion impact on the HMA during 2014 (the latest data available;

Massachusetts Office of Travel and Tourism). The number of jobs in the leisure and hospitality sector increased by 2,200, or 0.9 percent, during the 12 months ending July 2016, following an increase of 5,700 jobs, or 2.3 percent, a year earlier. This sector accounts for nearly 10 percent of all nonfarm payroll jobs in the HMA. Several new hotels have contributed to recent job growth in the sector. The Aloft Boston Seaport, a 330-room hotel, and the Element Boston Seaport, a 180-room hotel, opened in 2016; both are near the Boston Convention Center.

Although economic conditions remain generally positive, not all employment sectors are increasing. During the 12 months ending July 2016, two employment sectors recorded job losses. The government sector declined by 2,200 jobs, or 0.7 percent, the result of a decline in state and local government employment. Nonfarm payrolls in the state government subsector declined by 1,600 jobs, or 1.9 percent, as the state government recently offered an early retirement package as part of an effort to reduce the workforce. Local government employment during the 12 months ending July 2016 totaled 191,300, a decline of 600 jobs, or 0.3 percent, as a declining number of people younger than age18 has slightly reduced the number of grade school teachers needed locally.

The only other sector to decline during the 12 months ending July 2016 was the manufacturing sector, which lost 2,300 jobs, or 1.2 percent. Since 2000, the manufacturing sector has declined continuously by an average of 6,900 jobs, or 2.8 percent, annually. For perspective, in 1990, the sector had 358,700 jobs, accounting for 16 percent of all nonfarm payroll jobs in the HMA. Currently, the manufacturing sector includes 190,200 jobs, or only 7.1 percent of all nonfarm payroll jobs. Job losses in the sector have occurred each year since 1997, a trend that is expected to continue for at least the next 3 years.

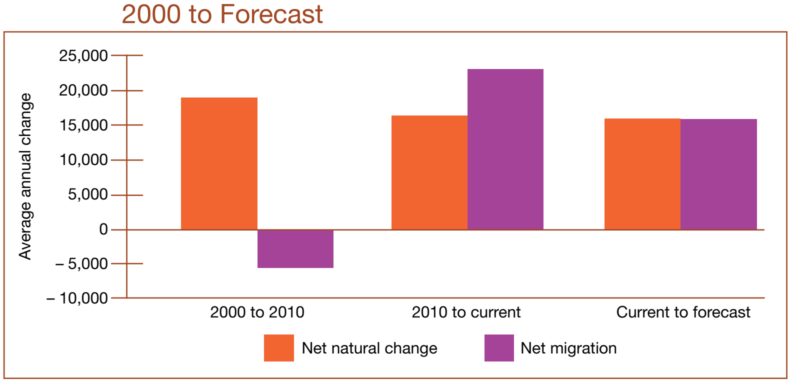
The 2000s were a period of change in the HMA, as the local economy withstood two national recessions and continued to transition to a more knowledge-based economy. The late 1990s were a period of nonfarm payroll growth in the Boston NECTA, as the dotcom boom increased the demand for highly skilled workers; that demand spilled over into 2000, when nonfarm payrolls increased by 62,900, or 2.6 percent, but job growth slowed during 2001 to 2,800 jobs, or 0.1 percent. During 2001, the dotcom bust limited overall job growth and led to many job losses in the professional and business services sector, which declined by 6,700 jobs, or 1.6 percent. From 2002 through 2004, job losses became more widespread, partly a lingering effect of the dotcom bust, and led to an overall reduction in nonfarm payroll jobs, which declined by an average of 41,300, or 1.7 percent, annually. The professional and business services and the information sectors were hit particularly hard, declining by an average of 10,200 and 6,700 jobs, or 2.6 and 7.7 percent, respectively. From 2005 through 2008, nonfarm payrolls in the Boston NECTA expanded by an average of 24,800, or 1.0 percent, annually. Job growth was led by the education and health services sector, which increased by an average of 12,300, or 2.7 percent, annually. Employment in the professional and business services sector began to recover previous losses and expanded by an average of 9,700 jobs, or 2.5 percent, annually during those years. In 2009, the national recession resulted in a loss of 78,800 jobs, or 3.2 percent. The professional and business services sector had the most job losses, declining by 23,900, or 5.8 percent. The financial activities sector also had a significant number of job losses during 2009, with payrolls in the sector declining by 7,100, or 3.7 percent. The largest job cuts occurred at Citigroup, which reduced its workforce in the Boston NECTA by 1,500 people. In 2010, the local economy began to recover, and by 2014 nonfarm payrolls totaled 2.60 million, an average increase of 35,500, or 1.4 percent, annually.

During the 3-year forecast period, nonfarm payroll growth is expected to average 1.2 percent annually. Job growth is likely to remain strong in the education and health services and the professional and business services sectors, as the highly educated workforce will continue to supply labor needed for medical and biotechnology research jobs in the Boston NECTA. Harvard University currently is undertaking an expansion into the city of Boston's Allston neighborhood that will eventually house the John A. Paulson School of Engineering and Applied Sciences. General Electric is moving its corporate headquarters to the city of Boston in 2017, which will create 800 new jobs. Construction of the $2.1 billion Wynn Boston Harbor resort began in 2016. When complete in 2019, the project will be the only full resort casino in the Boston HMA. The project will support as many as 4,000 jobs during construction and create more than 2,500 permanent jobs when complete.

Population and Households

The population of the Boston HMA currently is estimated at 4.38 million people, an average increase of 39,150, or 0.9 percent, annually since 2010.Net in-migration has averaged 22,950 people annually and accounted for nearly 59 percent of population growth since 2010 (Figure 4). A significant portion of the population growth in the HMA is from international in-migration. From 2010 to 2015, international in-migration averaged 29,600 people annually, whereas domestic out-migration averaged 5,575 people annually (July 1 census population estimates). This pattern of migration is partly because of the large number of colleges and universities, which generates in-migration of international students, many of whom leave

Figure 4. Components of Population Change in the Boston HMA, 2000 to Forecast



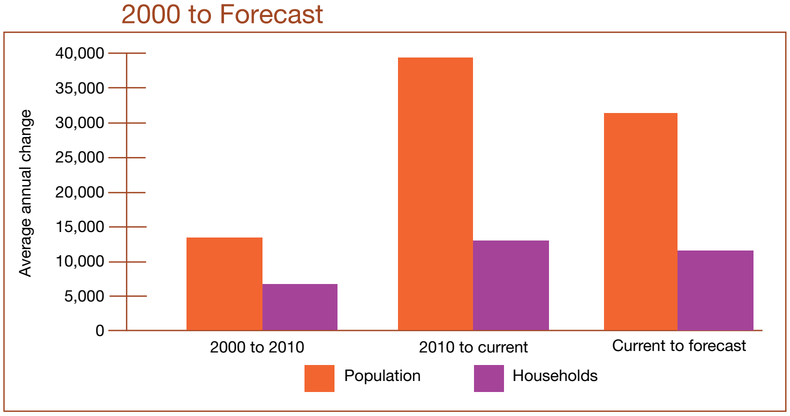
Notes: The current date is August 1, 2016. The forecast date is August 1, 2019.

Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by analyst the HMA after graduation to seek employment elsewhere in the country, resulting in domestic out-migration. From 2000 through 2010, population growth averaged 13,250, or 0.3 percent, annually, with net out-migration from the HMA of 5,500 people annually.

The recent shift from net out-migration to net in-migration is largely a function of strong economic conditions. As job growth in the HMA increased, residents have been more likely to find employment locally and have been less likely to relocate, decreasing domestic out-migration and increasing net in-migration. Figure 5 shows population and household growth in the Boston HMA from 2000 through the forecast period. Population and household growth will slow in the HMA and across all three submarkets during the 3-year forecast period, as the rate of job growth slows from previously strong levels.

Currently, an estimated 1.68 million households live in the HMA, an average increase of 12,800, or 0.8 percent, annually since 2010. That rate of household growth is roughly double the average increase of 6,600, or 0.4 percent, annually from 2000 through 2010. An estimated 681,600 renter households currently live in the HMA, which constitutes 40.6 percent of all households. The more than 250,000 students attending a university in the HMA exert a significant impact on the local rental market. Students occupy an estimated 11 percent of all rental units in the HMA. In the cities of Boston and Cambridge, approximately 25 percent of all renter households consist of students (analyst's estimates).

Figure 5. Population and Household Growth in the Boston HMA, 2000 to Forecast



Notes: The current date is August 1, 2016. The forecast date is August 1, 2019.
Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by analyst

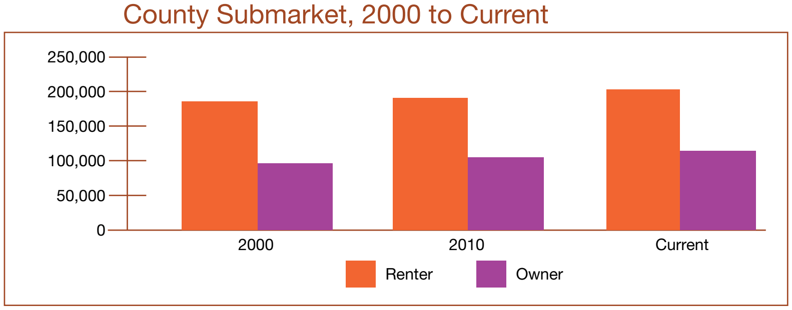
The Boston-Suffolk County submarket is the smallest submarket in the HMA in terms of population, with an estimated 788,600 people. The population of the submarket has increased by an average of 10,500 people, or 1.4 percent, annually since 2010. That rate of growth is significantly faster than the rate from 2000 through 2010, when the population increased by an average of 3,225 people, or 0.5 percent, annually. The recent increase in the rate of population growth is attributable to higher levels of net in-migration. Since 2010, net in-migration has averaged 5,700 people annually, a reversal of the trend from 2000 through 2010, when net out-migration averaged 1,125 people annually. Net in-migration to the submarket has increased since 2010 as job growth has picked up, and more young professionals, particularly recent college graduates, opt not to relocate. Currently, an estimated 316,100 households live in the submarket, an average increase of 3,675, or 1.2 percent, annually since 2010, which is well above the average increase of 1,400, or 0.5 percent, annually from 2000 through 2010.

The homeownership rate is increasing in the Boston-Suffolk County submarket, which runs counter to the national trend. The homeownership rate in the submarket currently is 36.1 percent, which is up from 35.3 in 2010 and 33.9 in 2000 (Table DP-2 at the end of this report). Figure 6 shows the number of households by tenure in the submarket from 2000 to the current date. Part of the increasing homeownership rate is a function of a significant number of apartments being converted to condominium units, as landlords take advantage of increasing sales prices to sell their properties. Both population and household growth are expected to average 1.1 percent annually during the forecast period, down slightly from the most recent levels.

The North Shore submarket is the most populated of the three submarkets in the HMA, and Middlesex County, with nearly 1.6 million people, is the most populated county in the entire New England region. The population of the North Shore submarket currently is estimated at nearly 2.38 million people, an average increase of 21,100, or 0.9 percent, annually since 2010. From 2000 to 2010, the population of the submarket increased by an average of 5,750, or 0.3 percent, annually. Changing patterns of migration contributed to the recent increase in population growth. From 2000 to 2010, net out-migration from the submarket averaged 4,200 people annually. Since 2010, strong economic conditions have attracted more people to the HMA, and net in-migration has averaged 12,250 people annually. Currently, 908,200 households live in the North Shore submarket, an average increase of 6,550, or 0.7 percent, annually since 2010. That growth is much stronger than the growth that occurred from 2000 to 2010, which averaged 3,000 people, or 0.4 percent, annually. Net in-migration to the submarket is likely to continue during the next 3 years, and the population is expected to increase by an average of 16,350 people, or 0.7 percent, annually, whereas household growth is expected to average 5,625, or 0.6 percent, annually. Table DP-3 at the end of this report gives additional data on population and households in the North Shore submarket.

The population of the South Shore submarket currently is estimated at more than 1.21 million people, an average increase of 7,450, or 0.6 percent, annually since 2010. Net in-migration has averaged 4,900 people annually and accounted for more than 66 percent of all population growth in the submarket since 2010. The rate of population growth in the submarket since 2010 is higher than the average increase of 4,275 people, or 0.4 percent, annually from 2000 to 2010, with net out-migration averaging 150 people annually during the period. Currently, 455,400 households live in the South Shore submarket, an average increase of 2,575, or 0.6 percent, annually since 2010. The rate of household growth in the South Shore submarket is up only slightly from the earlier rate of growth, as more people desire to live in an urban center close to amenities and mass transit, and much of this submarket would be classified as suburban or somewhat rural. From 2000 through

Figure 6. Number of Households by Tenure in the Boston-Suffolk County Submarket, 2000 to Current



Note: The current date is August 1, 2016.
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

2010, household growth in the South Shore submarket averaged 2,175, or 0.5 percent, annually. Population and household growth are both expected to increase by 0.5 percent annually during the 3-year forecast period. Table DP-4 at the end of this report provides additional data on population and households in the South Shore submarket.

Housing Market Trends

Sales Market—Boston-Suffolk County Submarket

The sales housing market in the Boston-Suffolk County submarket is tight, with an owner vacancy rate of 0.4 percent, which is down significantly from 2.2 percent in 2010. The submarket, with only 58 square miles of land area, is almost completely built out, with very little land available for new large-scale single-family residential developments; hence, new development primarily occurs on the footprint of previously developed land. Many new sales units are created via adaptive reuse of existing nonresidential structures, or conversion and remodeling of buildings that previously contained rental units. Home prices can vary greatly depending on the location and the structure type of the home. The median sales price for a single-family home (including new and existing single-family homes and townhomes) in the neighborhoods of Back Bay and Beacon Hill is $4.3 million and $3.3 million, respectively, whereas in the neighborhoods of Dorchester, Jamaica Plain, Roxbury, and South Boston, the median sales price ranges from $500,000 to $750,000 (GBAR). In the cities of Chelsea, Revere, and Winthrop, in Suffolk County, the median sales price is less than $400,000. In June 2016, 2.3 percent of home loans in the Boston-Suffolk County submarket were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into real estate owned (REO) status, down from 3.0 percent a year earlier (CoreLogic, Inc.). The percentage of seriously delinquent and REO mortgages peaked in January 2010 in both the submarket and the nation, at 8.3 and 8.6 percent, respectively.

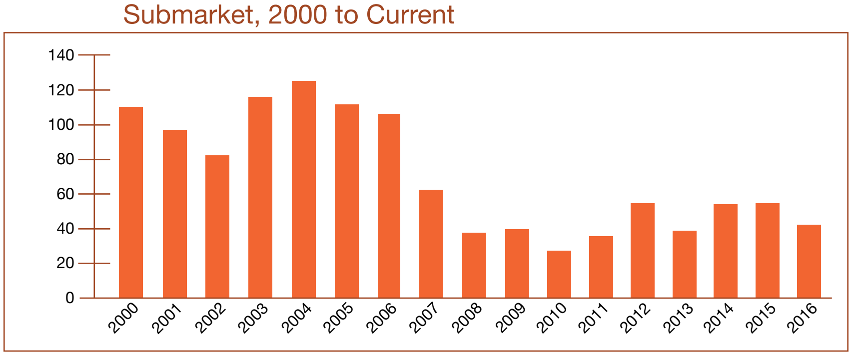
Existing home sales (which include sales of condominiums, townhomes, and single-family homes) in the Boston-Suffolk County submarket totaled 8,300 during the 12 months ending July 2016, an increase of 360 sales, or nearly 5 percent, from the previous 12 months (Metrostudy, A Hanley Wood Company). The average sales price of an existing home was $682,300, an increase of $71,450, or nearly 12 percent, from the previous 12 months. Despite increasing during 3 of the past 4 years, the number of existing home sales remains well below the previous high of 13,100 recorded in 2005. Existing home sales declined for 6 consecutive years after 2005 and, by 2011, totaled only 6,425, an average decline of 1,100, or 11 percent, annually. In 2012, the number of existing home sales began to increase and, by 2013, totaled

8,575, an average increase of 1,075, or nearly 16 percent, annually during the 2 years. During 2014, the number of existing home sales declined by 750, or nearly 9 percent, to 7,825, partly because of a lack of available inventory. The average sales price of an existing home in the Boston-Suffolk County submarket was $454,600 in 2005. The decline in the average sales price began at the same time as the decline in the number of sales, although it did not last as long, and by 2009, the average sales price had reached a low of $381,900, an average decline of $18,200, or more than 4 percent, annually. Since 2009, the average sales price of an existing home has increased each year and, in 2014, averaged $590,000, representing an average increase of $41,600, or 9 percent, annually. Single-family homes have accounted for only 18 percent of all existing home sales since 2006. During the 12 months ending July 2016, the average sales price of an existing single-family home was $548,500, which is nearly 20 percent lower than the average sales price of all existing owner units because single-family homes are more heavily concentrated in the lower-cost neighborhoods in this submarket.

During the 12 months ending July 2016, sales of new homes (which include condominiums, townhomes, and single-family homes) in the Boston-Suffolk County submarket totaled 440, an increase of 180 sales, or 72 percent, from the previous 12 months. The primary reason for the rapid increase in new home sales is an increase in condominium completions. The average sales price of a new home during the 12 months ending July 2016 was $1.2 million, an increase of $350,400, or 41 percent, from the previous 12 months. New home sales have increased recently, but they are still well below pre-housing crisis levels. In 2006, the number of new home sales peaked at 750 before declining during the next 6 years, as the impacts from the national recession—which began at the end of 2007—and the national housing downturn limited demand and development. By 2012, new home sales had declined to only 170 sales, an average decline of nearly 100 sales, or 22 percent, annually from 2006. New home sales took longer to recover in the Boston-Suffolk County submarket than elsewhere in the country because of the high percentage of condominiums, particularly those in mid- to highrise buildings, which take longer to develop than single-family homes. After 2012, the number of new home sales increased during the next 2 years to 250 sales, an average increase of 40 sales, or more than 21 percent, annually. Although new home sales began to decline after peaking in 2006, the average sales price, which was $513,000 in 2006, continued to increase until 2008, when the average sales price was $717,900, an average increase of $102,500, or more than 18 percent, annually, as home sales in the less-expensive neighborhoods of the submarket declined first. During 2009, the average sales price of a new home declined by $131,100, or more than 18 percent, to $586,600, as the economic downturn limited demand and builders reduced prices of a large number of previously built owner units to liquidate unsold inventory. With an improving economy and increasing population growth contributing to increased demand, new home prices began to increase again in 2010, and by 2014, the average sales price of a new home was up to $989,800, an average increase of $80,650, or 11 percent, annually from 2009. Since 2006, single-family homes have accounted for approximately 5 percent of all new home sales in the Boston-Suffolk County submarket because of severe land constraints.

Single-family home construction is extremely limited in the submarket, with the vast majority of new owner units consisting of condominiums. During the 12 months ending July 2016, only 50 single-family homes were permitted, down from 70 during the previous 12 months (preliminary data). From 2007 through 2014, an average of 40 single-family homes were permitted annually, down from the average of 110 permitted annually from 2000 through 2006. By comparison, from 2000 through 2006, an average of 800 multifamily units were permitted for owner occupancy. With the onset of the housing crisis, that number dropped to an average of 240 units permitted annually from 2008 through 2010. Production of multifamily sales units has increased since 2011 and averaged 810 units permitted annually from 2011 through 2014. In addition to the construction from reported homes permitted, a significant number of new sales units in the submarket are created through the process of converting apartments to condominium units. Figure 7 shows the number of single-family homes permitted in the submarket from 2000 through 2016.

Figure 7. Single-Family Homes Permitted in the Boston-Suffolk County Submarket, 2000 to Current



Notes: Includes townhomes. Current includes data through July 2016.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

One of the newest condominium developments in the city of Boston is the Millennium Tower, which had its first residents move in during July 2016. Millennium Tower is a 60-story highrise that contains 422 condominium units, with prices ranging from $895,000 for a one-bedroom unit to $15 million for a luxury penthouse. The Lancaster, a 55-unit condominium development in the Brighton neighborhood of the city of Boston, was completed in the fall of 2015. Condominiums offered at The Lancaster had a starting price of less than $500,000, and every unit was sold in the first 6 months.

Demand is estimated for 3,400 new sales units in the Boston-Suffolk County submarket during the 3-year forecast period (Table 1). The 1,525 units currently under construction will meet all of the demand during the first year. A portion of the 9,400 other vacant units in this submarket may reenter the market and satisfy some of the forecast demand. Demand is expected to be greatest for sales units in the $600,000 to $749,999 price range. New single-family home construction is likely to be very limited in this submarket, and any single-family homes that are built will be in the smaller outlying cities of the submarket. A significant portion of demand for new sales units in the city of Boston will be satisfied by the conversion of existing structures into condominiums. Table 4 shows estimated demand for new market-rate sales housing in the HMA by price range.

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Boston-Suffolk County Submarket During the Forecast Period

Price Range ($)		Units of Demand	Percent of Total
From	To		
275,000	399,999	140	4.0
400,000	599,999	270	8.0
600,000	749,999	880	26.0
750,000	999,999	710	21.0
1,000,000	1,249,999	480	14.0
1,250,000	1,499,999	340	10.0
1,500,000	1,999,999	310	9.0
2,000,000	and higher	270	8.0

Notes: The 1,525 homes currently under construction and a portion of the estimated 9,400 other vacant units in the submarket will likely satisfy some of the forecast demand. The forecast period is August 1, 2016, to August 1, 2019.

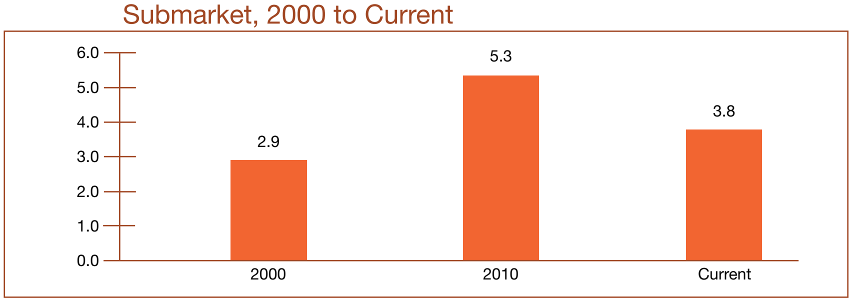
Source: Estimates by analyst

Rental Market—Boston-Suffolk County Submarket

The rental housing market in the Boston-Suffolk County submarket currently is slightly tight with a 3.8-percent vacancy rate, down from 5.3 percent during April 2010 (Figure 8). Low levels of production from 2008 through 2010 and increasing rates of population growth in the submarket since 2010 have contributed to a significant tightening of the market. Only 3.0 percent of all renter households in the submarket live in detached single-family homes, whereas 40.3 percent of all renter households live in buildings with two, three, or four units and 50.6 percent live in buildings with five or more units (2015 American Community Survey 1-year data).

The apartment market in the submarket also is slightly tight, with a 3.5-percent vacancy rate during the second quarter of 2016, up slightly from 3.3 percent during the second quarter of 2015 (MPF Research). The apartment market remains slightly tight, even though increased production of multifamily units has contributed to slowly increasing vacancy rates since the start of 2012. During 2007, in the midst of an economic expansion in the HMA, the apartment vacancy rate was down to 2.3 percent, but declining economic conditions combined with an overproduction of rental units contributed to an increase in the vacancy rate to 7.7 percent by the end of 2009. In 2007, the average rent for an apartment in the submarket was $2,021 but increased by an average of $16, or less than 1 percent, annually during the next 2 years to $2,052 in 2009. During 2010, the apartment vacancy rate declined sharply to 3.5 percent, as improving economic conditions attracted more people to the HMA. Rent growth increased as the vacancy rate declined, and by the end of 2010, the average rent was $2,141, an increase of $89, or more than 4 percent, from 2009. The apartment vacancy rate dropped as low as 2.6 percent by the end of 2011, as production of new apartment units

Figure 8. Rental Vacancy Rates in the Boston-Suffolk County Submarket, 2000 to Current



Note: The current date is August 1, 2016.

Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

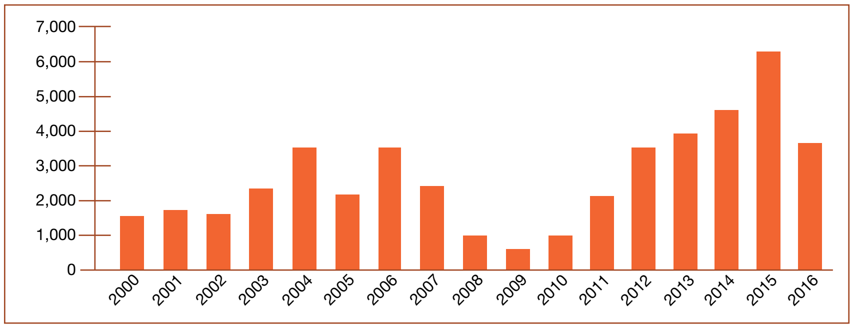
was slow to catch up to the increased in-migration to the submarket that was driving demand. Multifamily production began to increase in 2012, and the apartment vacancy rate started to slowly drift up, reaching 3.4 percent by the end of 2014. The prolonged tight apartment market conditions contributed to the rent increasing by an average of $91, or 4 percent, annually from 2010 to 2014.

The average rent in this submarket varies significantly depending on location. The MPF Research-defined Intown Boston market area, which includes the Financial District and the Beacon Hill and Back Bay neighborhoods, had an average rent of $3,279 during the second quarter of 2016, the highest rent in the submarket. By comparison, the Southwest Boston market area had an average rent of $1,762 per month. Vacancy rates range from 2.1 percent in the Southwest Boston market area to 3.8 percent in the Intown Boston market area. A significant portion of the more-recent apartment construction has been in the Intown Boston market area, as developers look to provide housing for the large number of highly educated and well-paid people choosing to live in this submarket.

As measured by the number of units permitted, multifamily construction during the 12 months ending July 2016 totaled 5,400 units, an increase of 480 units, or 10 percent, from the previous 12 months (preliminary data). Most of the increase was the result of a rise in condominium activity, which totaled 1,350 units during the 12 months ending July 2016, a significant increase from 350 permitted during the previous 12 months. Multifamily construction currently is at the highest level recorded since before 2000. From 2000 through 2002, an average of 1,625 multifamily units were permitted annually in the Boston-Suffolk County submarket, with owner units accounting for about 33 percent. Multifamily production increased in 2003 and remained elevated during the next 5 years, averaging 2,775 units permitted annually, up by 1,150 units, or more than 70 percent, compared with the number permitted from 2000 through 2002. From 2003 through 2007, an average of 950 multifamily units intended for owner occupancy were permitted annually, which accounted for more than 34 percent of all multifamily units permitted. Beginning in 2008, multifamily construction declined as a result of the impacts of the national recession. In 2008, 990 units were permitted, a figure that declined even further to only 600 multifamily units permitted in 2009, of which only 150, or 25 percent, were intended for owner occupancy. In 2010, multifamily production rebounded, with 1,000 units permitted, and by 2014, more than 4,550 multifamily units were permitted, an increase of 890, or more than 46 percent, annually since 2010. Rental units made up an increasing percentage of all multifamily units permitted as permitting increased, with about 11 percent of all multifamily units permitted for owner occupancy in 2014 compared with 25 percent in 2010. Figure 9 shows the number of multifamily units permitted by year since 2000.

Recent developments in the city of Boston include the AVA Theater District apartments at 45 Stuart Street. AVA is a 398-unit apartment development in a 29-story highrise building. Rents start at $2,635 for a studio unit, and the most expensive two-bedroom

Figure 9. Multifamily Units Permitted in the Boston-Suffolk County Submarket, 2000 to Current



Notes: Excludes townhomes. Current includes data through July 2016.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

unit has an asking rent of $6,000 a month. Another recent development is Olmstead Place, a five-story, midrise building in the Jamaica Plain neighborhood of the city of Boston with 196 apartment units that range from studios to three-bedroom units. Rents at Olmstead start at $2,450 for a studio apartment and range up to $5,075 for a three-bedroom unit.

During the 3-year forecast period, demand is estimated for 8,875 new rental units, with demand declining slightly each year as the rate of population growth slows (Table 1). The 5,800 units currently under construction will satisfy a significant portion of that demand. Demand will be greatest for one-bedroom units that rent from $2,500 to $2,999 a month (Table 5).

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Boston-Suffolk County Submarket During the Forecast Period

Zero Bedrooms		One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand
1,350 to 1,749	110	1,600 to 1,999	170	1,850 to 2,499	210	2,100 to 2,699	65
1,750 to 2,049	280	2,000 to 2,499	850	2,500 to 2,999	760	2,700 to 3,499	150
2,050 to 2,399	210	2,500 to 2,999	1,450	3,000 to 3,499	1,250	3,500 to 3,999	110
2,400 to 2,599	70	3,000 to 3,499	1,200	3,500 to 3,999	690	4,000 to 4,499	70
2,600 or more	35	3,500 to 3,999	510	4,000 to 4,999	490	4,500 to 4,999	35
		4,000 or more	85	5,000 or more	70	5,000 or more	15
Total	710	Total	4,275	Total	3,475	Total	440

Notes: Numbers may not add to totals because of rounding. Monthly rent does not include utilities or concessions. The 5,800 units currently under construction will likely satisfy some of the estimated demand. The forecast period is August 1, 2016, to August 1, 2019.
Source: Estimates by analysts

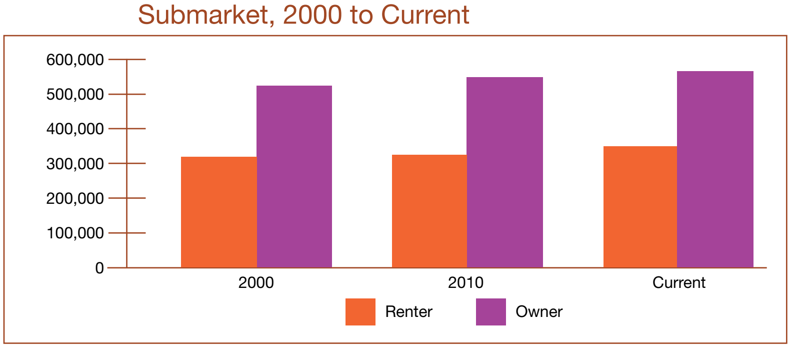
Sales Market—North Shore Submarket

The sales housing market in the North Shore submarket currently is tight, as a prolonged period of economic and population growth has resulted in the absorption of previously vacant homes. The estimated sales vacancy rate is 0.5, down from 1.3 percent in 2010. The price of a home in the submarket varies significantly depending on location and proximity to the city of Boston. The median sales price of a single-family home in Cambridge was more than $2.6 million during July 2016, but less than 20 miles away in the city of Billerica, the median sales price was less than $400,000 (GBAR). In June 2016, 2.0 percent of home loans in the submarket were seriously delinquent or had transitioned into REO status, down from 2.6 percent a year earlier and well below the peak of 5.6 percent during January 2010 (CoreLogic, Inc.). The homeownership rate in the submarket currently is 61.8 percent, down from 62.7 in 2010. Figure 10 shows the number of households by tenure in the North Shore submarket.

During the 12 months ending July 2016, sales of new homes (which include condominiums, townhomes, and single-family homes) in the submarket totaled 1,175, unchanged from the previous 12 months (Metrostudy, A Hanley Wood Company). The average sales price of a new home during the 12 months ending July 2016 was $580,900, an increase of $13,400, or more than 2 percent, from the previous 12 months. New home sales peaked at 2,650 in 2007 but declined during each of the next 4 years, as economic conditions deteriorated, and totaled only 1,050 sales during 2011, an average drop of 400 sales, or nearly 21 percent, annually, from 2005. The housing market began to improve again as the HMA had strong economic growth, which helped increase demand for new housing. New home sales increased each year from 2012 through 2014 and totaled 1,350 during 2014, an average increase of 100 sales, or nearly 9 percent, annually from 2011. The new home sales price peaked earlier than did new home sales in the submarket. In 2005, the average sales price of a new home was $457,700 before declining by an average of $18,500, or more than 4 percent, a year for the next 5 years to a low of $365,200 during 2010. With an improving economy and increasing population growth contributing to increased demand, new home prices began to increase again in 2011, and by 2014, the average sales price of a new home was up to $523,800, an average increase of $52,850, or nearly 13 percent, annually from 2010. Since 2005, single-family homes have accounted for approximately 23 percent of all new home sales in the submarket,with condominiums making up much of the new development in Cambridge and Somerville.

Sales of existing homes (including condominiums, townhomes, and single-family homes) in the North Shore submarket totaled 33,100 during the 12 months ending July 2016, an increase of 3,350 sales, or more than 11 percent, from the previous 12 months. The average sales price of an existing home was $496,400, an increase of $15,400, or slightly more than 3.0 percent, from the previous 12 months. Existing home sales remain below the previous high of 40,800, recorded in 2005. After the peak, existing home sales declined for 5 consecutive years and by 2011 totaled only 21,200, an average decline of 3,925 sales, or more than 12 percent, annually, from 2005. In 2012, the sales market for existing homes began to improve, and by 2014, existing home sales totaled 29,200,

Figure 10. Number of Households by Tenure in the North Shore Submarket, 2000 to Current



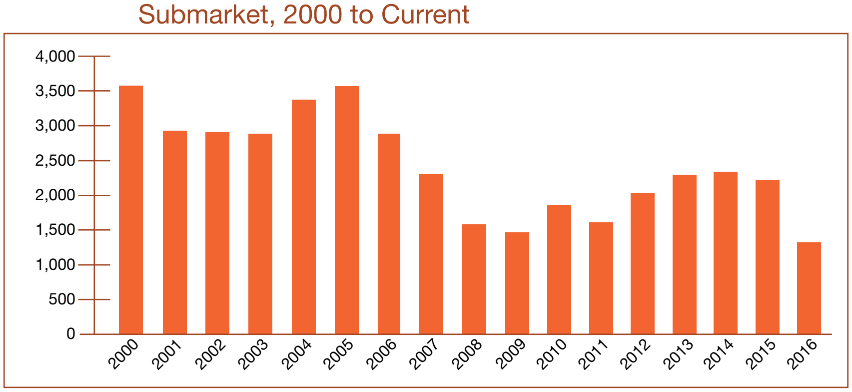
Note: The current date is August 1, 2016.

Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

an average increase of 2,000 sales, or more than 8 percent, annually, from 2011. The average sales price of an existing home in the submarket was $432,600 from 2005 through 2007. During the next 2 years, the average sales price declined as a result of the impacts from the national housing crisis and by 2009 was $370,200, an average decline of $31,200, or nearly 8 percent, annually. The average sales price of an existing home has increased each year since 2010 and by 2014 averaged $466,700, an average increase of $19,300, or nearly 5 percent, annually from 2009. Single-family homes have accounted for 58 percent of all existing home sales since 2005, and during the 12 months ending July 2016, the average sales price of an existing single-family home was $544,100, which is nearly 10 percent more than the average sales price of all existing home sales.

Single-family construction, as measured by the number of homes permitted, totaled 2,425 during the 12 months ending July 2016, an increase of 200 homes, or 9 percent, from the previous 12 months (preliminary data). Despite the increase in the rate of household formation in the submarket, single-family home construction remains slower than in previous periods. From 2000 through 2005, an average of 3,225 single-family homes were permitted annually in the submarket. Single-family production began to decline in 2006, and by 2009, only 1,475 units were permitted, a decline of 470, or 20 percent, annually from 2005. During 2010, single-family home construction increased as the economy started to improve, and the First-Time Homebuyer Credit helped to increase demand. Single-family home permitting rose to 1,900 in 2010, a figure that declined to 1,625 in 2011, with part of the decline attributable to expiration of the tax credit. Production has trended upward in the submarket since 2012, with 2,350 single-family units permitted in 2014, an average increase of 240 homes permitted, or 13 percent, annually, since 2011. Figure 11 shows the number of single-family homes permitted in the submarket since 2000.

Figure 11. Single-Family Homes Permitted in the North Shore Submarket, 2000 to Current



Notes: Includes townhomes. Current includes data through July 2016.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Newer developments include the Regency at Emerald Pines in Essex County, a 140-home development that currently is 60-percent built, with completion anticipated by the summer of 2018. Home prices in the subdivision start at $514,995 for a two-bedroom, two-bath home with 1,700 square feet. Also in Essex County, Windsor Estates is a 44-home active adult development that is about 85-percent complete. Home prices in the community start at $990,000 for a three-bedroom, two-bath unit.

Demand is estimated for 11,200 new homes in the North Shore submarket during the 3-year forecast period, with demand expected to increase during each successive year (Table 1). The 930 homes currently under construction will meet part of the demand during the first year. A portion of the 21,500 other vacant units in the

Table 6. Estimated Demand for New Market-Rate Sales Housing in the North Shore Submarket During the Forecast Period

Price Range ($) From	Price Range ($) To	Units of Demand	Percent of Total
168,000	299,999	670	6.0
300,000	399,999	1,800	16.0
400,000	499,999	2,675	24.0
500,000	599,999	2,250	20.0
600,000	749,999	1,675	15.0
750,000	999,999	1,000	9.0
1,000,000	1,499,999	670	6.0
1,500,000	and higher	450	4.0

Notes: The 930 homes currently under construction and a portion of the estimated 21,500 other vacant units in the submarket will likely satisfy some of the forecast demand. The forecast period is August 1, 2016, to August 1, 2019.

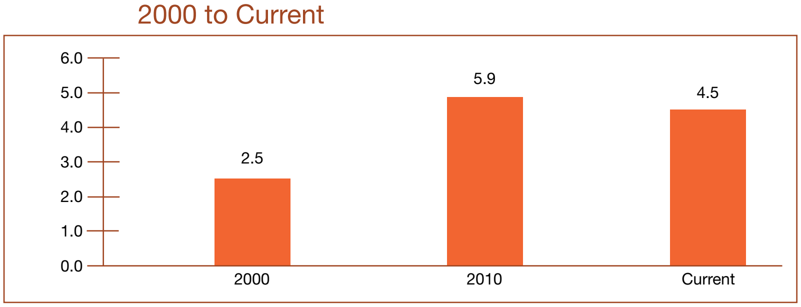
Source: Estimates by analyst

submarket may reenter the market and satisfy some of the forecast demand. Demand is expected to be the greatest for homes in the $400,000 to $499,999 price range. New single-family home construction is likely to be strongest to the north and west of Interstate 95 (across I-95 from the city of Boston), as areas inside I-95 are likely to see more condominium or townhome development because of land constraints. Table 6 shows estimated demand for new market-rate sales housing in the HMA by price range.

Rental Market—North Shore Submarket

The rental housing market in the North Shore submarket currently is slightly tight, with a 4.5-percent vacancy rate, down from 5.9 percent during April 2010 (Figure 12). A substantial portion of the rental market in the submarket consists of rental units in buildings with two, three, or four units. Those types of units are more common in the cities that are closest to the city of Boston because they are the older areas of the submarket with much denser housing and were built before the automobile was widely owned. Nearly 39 percent of all renter households live in that type of building, whereas about 8 percent live in detached, single-family homes and 48 percent live in buildings with five or more units (2015 ACS 1-year data).

Figure 12. Rental Vacancy Rates in the North Shore Submarket, 2000 to Current



Note: The current date is August 1, 2016.

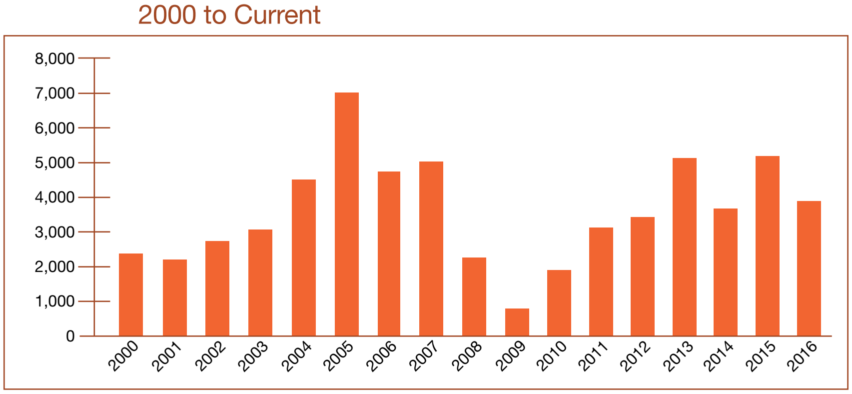
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

The apartment market in the submarket currently is slightly tight, with a 3.6-percent vacancy rate during the second quarter of 2016, unchanged from the second quarter of 2015 but down from 5.1 percent during the first quarter of 2010 (MPF Research). The average rent in this submarket currently is $1,914, up by $125, or nearly 7 percent, from 1 year earlier. In 2007, the apartment market was also slightly tight, with a vacancy rate of 3.8 percent, as job growth during the preceding years contributed to the steady absorption of units. During 2008 and 2009, as the economy contracted nationally and job losses started to occur locally, the apartment vacancy rate climbed to 6.4 percent during 2009. The rental market began to tighten in 2010 as the economy began to improve, and a slowdown in production of new rental units allowed for the absorption of excess vacancies. By 2011, the apartment vacancy rate was down to 3.0 percent. Developers responded quickly to the falling vacancy rates by increasing production, and the apartment vacancy rate increased slightly to 3.6 percent during 2012. Developers continued to increase production in the submarket during the next 2 years, as demand for rental units increased; however, the apartment vacancy rate increased only to 3.7 percent during 2014. The average rent for an apartment during 2007 in the submarket was $1,425, a figure that had increased slightly to $1,431 by 2009, as a weak job market and increasing vacancy rates limited rent growth. In 2010, rent growth started to pick up, and by 2014, the average rent for an apartment was $1,708, an average increase of $55, or 4 percent, annually from 2009.

Apartment construction increased in this submarket as the HMA's economy improved, but it is still below the all-time peak levels. Multifamily construction, as measured by the number of units permitted, during the 12 months ending July 2016 totaled 5,900, an increase of 800 units, or 16 percent, from the previous 12 months (preliminary data). In 2000, multifamily construction totaled 2,375, and by 2005, production had increased to 7,000, an average increase of 930, or 24 percent, annually. During 2006 and 2007, multifamily production slowed slightly, to an average of 4,875 units each year. Multifamily production declined rapidly as the effects from the economic downturn that started in late 2007 began to affect the local housing market. By 2009, only 760 multifamily units were permitted in the North Shore submarket, an average decline of 2,125 units, or 61 percent, annually from 2007. With improving economic conditions attracting more people to the HMA, production began to increase again in 2010, when 1,850 multifamily units were permitted, more than doubling the production from the previous year. Production continued to increase through 2013, when 5,075 units were permitted, an average increase of 1,075 units, or 40 percent, annually from 2009. Production declined during 2014 to 3,650 units permitted, as developers paused slightly for the absorption of several thousand units that entered the market. Figure 13 shows the number of multifamily units permitted from 2000 through the current date. Since 2010, about 25 percent of all multifamily units permitted in this submarket were in the cities of either Cambridge or Somerville, which account for only slightly more than 8 percent of this submarket's population. Those two cities are across the Charles River from the city of Boston and are connected to its subway system.

Some of the most recent developments in this submarket include Avalon North Point, a 265-unit development with studio, one-bedroom, and two-bedroom units, with rents starting at $2,642, $2,800, and $3,870, respectively. Avalon North Point is in the city of Cambridge, within two blocks of the Lechmere subway station and within a block of the Charles River. Another recent development is Princeton Westford, a 200-unit apartment complex in the town of Westford, which is 35 miles northwest of the city of Boston. Rents at that community start at $1,640 for a one-bedroom unit and $2,150 for a two-bedroom unit.

Figure 13. Multifamily Units Permitted in the North Shore Submarket, 2000 to Current



Notes: Excludes townhomes. Current includes data through July 2016.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

During the 3-year forecast period, demand is estimated for 9,750 new rental units, with demand declining slightly each year as the rate of population growth slows (Table 1). The 4,700 units currently under construction will satisfy a significant portion of that demand. Demand will be greatest for two-bedroom units that rent from $2,250 to $2,499 a month in the areas closer to the city of Boston (Table 7).

Table 7. Estimated Demand for New Market-Rate Rental Housing in the North Shore Submarket During the Forecast Period

Zero Bedrooms		One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand
1,200 to 1,499	90	1,450 to 1,749	340	1,700 to 1,999	270	1,950 to 2,249	90
1,500 to 1,749	90	1,750 to 1,999	860	2,000 to 2,249	820	2,250 to 2,499	150
1,750 to 1,999	75	2,000 to 2,499	1,450	2,250 to 2,499	1,500	2,500 to 2,749	200
2,000 to 2,249	30	2,500 to 2,999	1,125	2,500 to 2,999	1,200	2,750 to 2,999	90
2,250 or more	15	3,000 to 3,499	390	3,000 to 3,499	550	3,000 to 3,499	40
		3,500 or more	130	3,500 or more	230	3,500 or more	20
Total	290	Total	4,300	Total	4,575	Total	590

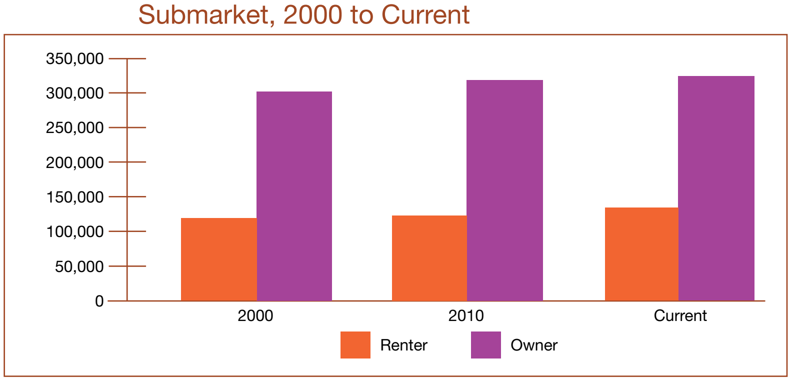
Notes: Numbers may not add to totals because of rounding. Monthly rent does not include utilities or concessions. The 4,700 units currently under construction will likely satisfy some of the estimated demand. The forecast period is August 1, 2016, to August 1, 2019.

Source: Estimates by analyst

Sales Market—South Shore Submarket

The sales housing market in the South Shore submarket currently is tight, with a 0.8-percent vacancy rate, down from 1.3 percent in 2010. The submarket has the highest percentage of owner-occupied single-family homes in the Boston HMA, at more than 82 percent (2015 ACS 1-year data). The number of multifamily units intended for owner occupancy increased recently, with rising costs making denser development more cost effective, however. From 2000 through 2013, approximately 90 percent of all owner units permitted in this submarket were for single-family homes. Since 2014, the figure has dropped to only 81 percent. The homeownership rate in the submarket currently is estimated at 70.8 percent, down from 72.0 percent in 2010. Figure 14 shows the number of households by tenure in the submarket from 2000 to the current date. In June 2016, 3.0 percent of home loans in the submarket were seriously delinquent, in foreclosure, or had transitioned into REO status, down from 3.9 percent a year earlier and less than one-half the peak rate of 7.0 percent during February 2010 (CoreLogic, Inc.).

Figure 14. Number of Households by Tenure in the South Shore Submarket, 2000 to Current



Note: The current date is August 1, 2016.

Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

During the 12 months ending July 2016, sales of new homes (which include condominiums, townhomes, and single-family homes) in the submarket totaled 860, essentially unchanged from the previous 12 months (Metrostudy, A Hanley Wood Company). The average sales price of a new home during the 12 months ending July 2016 was $658,000, an increase of $92,900, or more than 16 percent, from the previous 12 months. New home sales increased recently but remain well below the levels of the mid-2000s. New home sales peaked at 1,525 in 2005 but decreased during each of the next 4 years, with an average decline of 180 homes sold, or more than 18 percent, annually. The housing market began to improve again in 2010, and by 2014, new home sales totaled 930, an average increase of 160 homes sold, or more than 27 percent, annually from 2009. When new home sales began to decline after peaking in 2005, the average sales price, which was $487,200 in 2005, also began its descent and by 2009 had declined to $456,100, an average decline of $7,800, or nearly 2 percent, annually. With an improving economy and increasing population growth contributing to increased demand, new home prices began to increase again in 2010, and by 2014, the average sales price of a new home was up to $527,000, an average increase of $14,200, or 3.0 percent, annually from 2009. Since 2005, single-family homes have accounted for approximately 43 percent of all new home sales in the submarket, with single-family homes more prevalent in the areas farthest from the city of Boston.

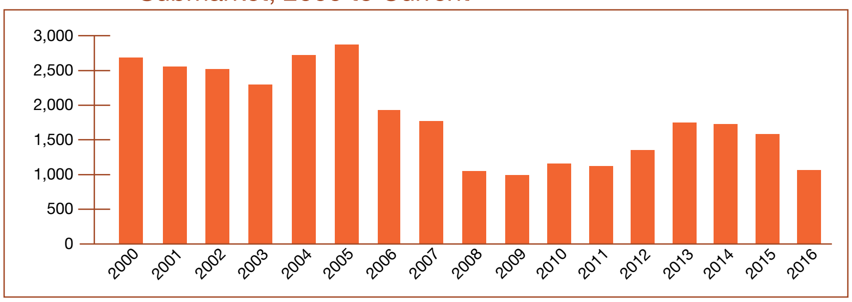
Sales of existing homes (which include condominiums, townhomes, and single-family homes) in the South Shore submarket totaled 18,100 during the 12 months ending July 2016, an increase of 2,200 sales, or nearly 14 percent, from the previous 12 months. The average sales price of an existing home was $470,900, an increase of $10,400, or more than 2 percent, from the previous 12 months. Existing home sales are still about 20 percent below the previous high of 22,600, recorded in 2005. After peaking in 2005, existing home sales declined for 5 consecutive years to a low of 11,300 sales during 2010, an average decline of more than 2,250 sales, or 13 percent, annually. In 2011, the housing market began to recover, and by 2014 the number of sales had risen to 15,400, an average increase of 1,025 sales, or 8 percent, annually from levels recorded during 2010. In 2005, the average sales price of an existing home in the submarket was $440,200, but by 2009, the average sales price had dropped to $372,000, an average decline of $17,050, or more than 4 percent, annually. During 2010, home prices started to appreciate again, and by 2014, the average sales price of an existing home was $449,800, an average increase of $15,550, or nearly 4 percent, annually from 2009. Single-family homes have accounted for slightly more than 76 percent of all existing home sales since 2005, the highest figure in the HMA. During the 12 months ending July 2016, the average sales price of an existing single-family home was $490,200.

Single-family construction, as measured by the number of homes permitted, totaled 1,800 homes during the 12 months ending July 2016, an increase of 300 homes, or 20 percent, from the previous 12 months (preliminary data). From 2000 through 2005, an average of 2,600 single-family homes were permitted annually in the submarket, with a peak of 2,850 in 2005. Single-family construction began to decline in 2006, and by 2009, only 990 single-family homes were permitted, an average decrease of 470, or 23 percent, annually from 2005. Single-family construction increased to an average of 1,125 single-family homes permitted annually in 2010 and 2011. Builders responded to continued job growth by increasing single-family home construction to 1,350 homes permitted in 2012, a nearly 20-percent increase from the average level during 2010 and 2011. Production increased again to an average of 1,725 homes permitted annually during 2013 and 2014, an increase of 28 percent from 2012. Figure 15 shows the number of single-family homes permitted in the South Shore submarket since 2000.

Recent developments in the submarket include Woodland Park in Plymouth County in the city of Brockton. Woodland Park broke ground in early 2016 and will have 33 single-family homes when finished. Prices in the subdivision start at $399,000 for a three-bedroom, two-bath home. Another recent development is Dorset Park in Norfolk County, which contains 26 single-family homes with prices starting at $575,000 for an 1,800-square-foot, three-bedroom, two-bath home. Dorset Park is 75-percent sold, with only four lots left to be developed.

Demand is estimated for 5,950 new homes in the South Shore submarket during the 3-year forecast period, with demand expected to increase during each successive year (Table 1). The 690 homes currently under construction will meet part of the demand during the first year. A portion of the 18,800 other vacant units in this submarket may reenter the market and satisfy some of the forecast demand. Demand is expected to be the greatest for homes in the $400,000-to-$499,999 price range. Table 8 shows estimated demand for new sales housing in the HMA by price range.

Figure 15. Single-Family Homes Permitted in the South Shore Submarket, 2000 to Current



Notes: Includes townhomes. Current includes data through July 2016.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Table 8. Estimated Demand for New Market-Rate Sales Housing in the South Shore Submarket During the Forecast Period

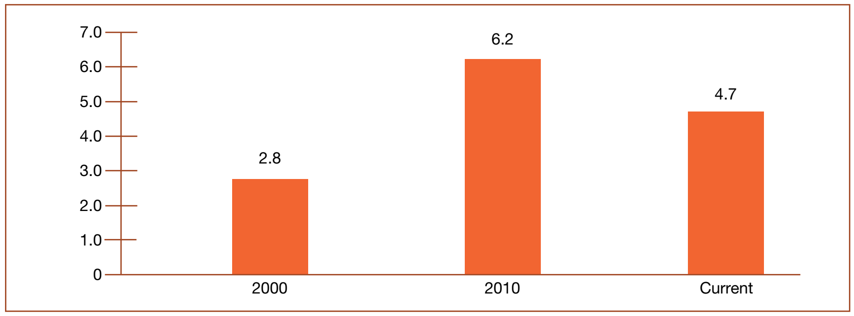
Price Range ($)		Units of Demand	Percent of Total
From	To		
161,000	299,999	420	7.0
300,000	399,999	1,200	20.0
400,000	499,999	1,375	23.0
500,000	599,999	1,075	18.0
600,000	749,999	830	14.0
750,000	999,999	540	9.0
1,000,000	1,499,999	300	5.0
1,500,000	and higher	240	4.0

Notes: The 690 homes currently under construction and a portion of the estimated 18,800 other vacant units in the submarket will likely satisfy some of the forecast demand. The forecast period is August 1, 2016, to August 1, 2019.
Source: Estimates by analyst

Rental Market—South Shore Submarket

The overall rental housing market in the South Shore submarket currently is balanced, with a 4.7-percent vacancy rate, which is down from 6.2 percent during April 2010 (Figure 16). The submarket has the lowest percentage of renter households of any submarket in the HMA, at 29.2 percent. This submarket has the highest level of single-family homes occupied by renters of any submarket in the HMA, at nearly 15 percent, and the lowest percentage of renter households in buildings with two, three, or four units, at nearly 32 percent (2015 ACS 1-year data).

Figure 16. Rental Vacancy Rates in the South Shore Submarket, 2000 to Current



Note: The current date is August 1, 2016.
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

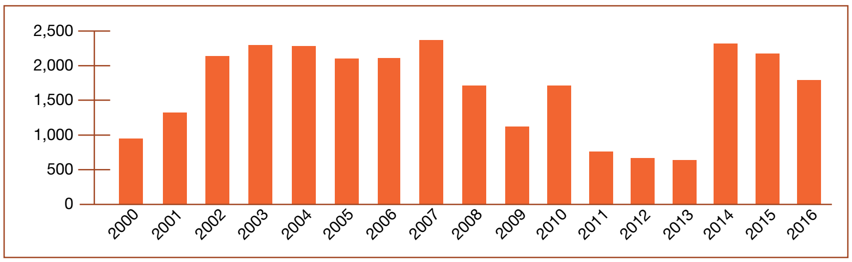
The apartment market in the submarket currently is slightly tight, with a 3.4-percent vacancy rate during the second quarter of 2016, up from 2.7 percent during the second quarter of 2015, as increased multifamily production began to alleviate some of the previously very tight conditions (MPF Research). During the second quarter of 2016, the average rent in this submarket was $1,974, up by $132, or more than 7 percent, from 1 year earlier. In the fourth quarter of 2007, the apartment market also was slightly tight, with a vacancy rate of 4.5 percent, as job growth during the preceding years contributed to steady absorption of units. During 2008 and 2009, as household growth slowed in the submarket, the apartment vacancy rate climbed to 6.7 percent. In 2010, as the economy began to improve and population and household growth increased, the apartment market again began to tighten, and by 2014 the apartment vacancy rate was down to 3.5 percent. The average rent for an apartment in the submarket in 2007 was $1,269, which increased by an average of $28, or more than 2 percent, annually to $1,324 during 2009. In 2010, rent growth accelerated, and by 2014, the average rent for an apartment was $1,784, an average increase of $91, or more than 6 percent, annually from 2009.

Multifamily construction, as measured by the number of units permitted, during the 12 months ending July 2016 totaled 2,575, which is the highest level recorded since 2000 and an increase of 300 units, or 13 percent, from the previous 12 months (preliminary data). Most of that increase was the result of new condominium activity. During the 12 months ending July 2016, 700 multifamily units intended for owner occupancy were permitted in the submarket, up by 330 units, or more than 86 percent, from the previous 12 months. This is a significant increase from the 2000-through-2013 period, when an average of only 210 multifamily owner units were permitted annually. In 2000, nearly 940 multifamily units were permitted in the submarket, but by 2007, that number had increased by an average of 200 units, or 14 percent, annually to 2,375 units. Multifamily permitting decreased to an average of only 1,500 units from 2008 through 2010. Unlike in the other two submarkets in the HMA, production did not increase with the improving economic conditions, and from 2011 through 2013, an average of only 680 multifamily units were permitted annually, down 55 percent from the previous 3-year period. Part of that difference is because of increased preference for urban living in the other two more-densely populated submarkets. Multifamily production in the submarket increased to 2,300 units in 2014, as relatively high building costs in the other two submarkets started to make the South Shore submarket a more desirable place to build. Figure 17 shows the number of multifamily units permitted in the South Shore submarket since 2000.

Some recent developments include the Deco apartments in the city of Quincy, a 180-unit development with studio, one-bedroom, and two-bedroom units. Rents range from $1,960 for a studio to $3,070 for a two-bedroom unit. Another recent development is Gables University Station in the city of Westwood, a 350-unit development of one- and two-bedroom units. Rents start at $2,321 and go up to $4,264. Gables University Station is transit oriented; it is less than two blocks from the train station and less than a block from a shopping center, along the I-495 corridor.

During the 3-year forecast period, demand is estimated for 3,650 new rental units, with demand declining slightly each year as the rate of population growth slows across the HMA and in this submarket (Table 1). The 2,050 units currently under construction will satisfy a significant portion of the demand. Demand will be greatest for two-bedroom units that rent from $2,250 to $2,749 a month, with the greatest demand being for units closer to the city of Boston, near public transit stops (Table 9).

Figure 17. Multifamily Units Permitted in the South Shore Submarket, 2000 to Current



Notes: Excludes townhomes. Current includes data through July 2016.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analysts

Table 9. Estimated Demand for New Market-Rate Rental Housing in the South Shore Submarket During the Forecast Period

Zero Bedrooms		One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand
1,100 to 1,299	20	1,400 to 1,749	150	1,600 to 1,799	140	1,800 to 1,999	80
1,300 to 1,499	25	1,750 to 1,999	250	1,800 to 1,999	260	2,000 to 2,249	110
1,500 to 1,699	20	2,000 to 2,249	510	2,000 to 2,249	530	2,250 to 2,499	65
1,700 or more	10	2,250 to 2,499	430	2,250 to 2,749	650	2,500 to 2,749	50
		2,500 to 2,999	120	2,750 to 3,499	110	2,750 to 3,499	15
		3,000 or more	30	3,500 or more	70	3,500 or more	10
Total	75	Total	1,500	Total	1,750	Total	330

Notes: Numbers may not add to totals because of rounding. Monthly rent does not include utilities or concessions. The 2,050 units currently under construction will likely satisfy some of the estimated demand. The forecast period is August 1, 2016, to August 1, 2019.
Source: Estimates by analyst

Data Profiles

Table DP-1. Boston HMA Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%) 2000 to 2010	Average Annual Change (%) 2010 to Current
Total resident employment	2,078,593	2,060,871	2,231,000	– 0.1	1.4
Unemployment rate	2.5%	7.7%	4.0%		
Nonfarm payroll jobs	2,522,700	2,433,900	2,674,000	– 0.4	1.7
Total population	4,001,752	4,134,036	4,382,000	0.3	0.9
Total households	1,532,549	1,598,451	1,679,600	0.4	0.8
Owner households	916,659	963,081	998,000	0.5	0.6
Percent owner	59.8%	60.3%	59.4%		
Renter households	615,890	635,370	681,600	0.3	1.1
Percent renter	40.2%	39.7%	40.6%		
Total housing units	1,593,023	1,704,800	1,766,000	0.7	0.6
Owner vacancy rate	0.5%	1.4%	0.6%		
Rental vacancy rate	2.7%	5.8%	4.3%		
Median Family Income	NA	$88,100	$98,500	NA	1.9

NA = data not available.

Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months through July 2016. Median Family Incomes are for 1999, 2009, and 2015.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Table DP-2. Boston-Suffolk County Submarket Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%) 2000 to 2010	Average Annual Change (%) 2010 to Current
Total population	689,807	722,023	788,600	0.5	1.4
Total households	278,722	292,767	316,100	0.5	1.2
Owner households	94,558	103,220	114,200	0.9	1.6
Percent owner	33.9%	35.3%	36.1%		
Rental households	184,164	189,547	201,900	0.3	1.0
Percent renter	66.1%	64.7%	63.9%		
Total housing units	292,520	315,522	333,900	0.8	0.9
Owner vacancy rate	0.9%	2.2%	0.4%		
Rental vacancy rate	2.9%	5.3%	3.8%		

Notes: Numbers may not add to totals because of rounding. The current date is August 1, 2016.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Table DP-3. North Shore Submarket Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%) 2000 to 2010	Average Annual Change (%) 2010 to Current
Total population	2,188,815	2,246,244	2,380,000	0.3	0.9
Total households	836,639	866,644	908,200	0.4	0.7
Owner households	521,493	543,661	561,500	0.4	0.5
Percent owner	62.3%	62.7%	61.8%		
Rental households	315,146	322,983	346,700	0.2	1.1
Percent renter	37.7%	37.3%	38.2%		
Total housing units	863,825	918,758	949,100	0.6	0.5
Owner vacancy rate	0.5%	1.3%	0.5%		
Rental vacancy rate	2.5%	5.9%	4.5%		

Notes: Numbers may not add to totals because of rounding. The current date is August 1, 2016.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Table DP-4. South Shore Submarket Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%) 2000 to 2010	Average Annual Change (%) 2010 to Current
Total population	1,123,130	1,165,769	1,213,000	0.4	0.6
Total households	417,188	439,040	455,400	0.5	0.6
Owner households	300,608	316,200	322,300	0.5	0.3
Percent owner	72.1%	72.0%	70.8%		
Rental households	116,580	122,840	133,100	0.5	1.3
Percent renter	27.9%	28.0%	29.2%		
Total housing units	436,678	470,520	483,300	0.7	0.4
Owner vacancy rate	0.5%	1.3%	0.8%		
Rental vacancy rate	2.8%	6.2%	4.7%		

Notes: Numbers may not add to totals because of rounding. The current date is August 1, 2016.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Data Definitions and Sources

2000: 4/1/2000—U.S. Decennial Census
2010: 4/1/2010—U.S. Decennial Census
Current date: 8/1/2016—Analyst's estimates
Forecast period: 8/1/2016–8/1/2019—Analyst's estimates

The metropolitan New England city and town area definition in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated February 28, 2013.

Demand: The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline.

Other Vacant Units: In the U.S. Department of Housing and Urban Development's (HUD's) analysis, other vacant units include all vacant units that are not available for sale or for rent. The term therefore includes units rented or sold but not occupied; held for seasonal, recreational, or occasional use; used by migrant workers; and the category specified as "other" vacant by the Census Bureau.

Building Permits: Building permits do not necessarily reflect all residential building activity that occurs in an HMA. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures are not reflected in the residential building permits. As a result, the analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.

For additional data pertaining to the housing market for this HMA, go to huduser.gov/publications/pdf/CMARtables_BostonMA_17.pdf.

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This analysis has been prepared for the assistance and guidance of HUD in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department.

The factual framework for this analysis follows the guidelines and methods developed by HUD's Economic and Market Analysis Division. The analysis and findings are as thorough and current as possible based on information available on the as-of date from local and national sources. As such, findings or conclusions may be modified by subsequent developments. HUD expresses its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.

For additional reports on other market areas, please go to huduser.gov/portal/ushmc/chma_archive.html.