Boston-Cambridge-Quincy, Massachusetts-New Hampshire

The Boston-Cambridge-Quincy metropolitan area consists of Suffolk County and parts of Bristol, Essex, Middlesex, Norfolk, Plymouth, and Worcester Counties in Massachusetts and parts of Hillsborough and Rockingham Counties in New Hampshire. The area is coterminous with the Boston-Cambridge-Quincy, Massachusetts-New Hampshire Metropolitan New England City and Town Area. As of July 1, 2009, the population of the metropolitan area was estimated at 4.7 million. After 4 years of economic expansion beginning in 2005, during which the area had an average annual increase of 22,250 nonfarm jobs, the metropolitan area began to lose jobs in the fourth quarter of 2008. During the 12 months ending May 2009, nonfarm employment averaged 2,467,400 jobs, a loss of 28,400 jobs, or 1.2 percent, compared with the number recorded during the previous 12 months.

In recent years, primary employment growth in the Boston-Cambridge-Quincy metropolitan area has occurred in the service-providing sectors. Despite the sectors’ substantial role in the local economy, during the 12 months ending May 2009, service-providing employment declined by 12,100 jobs compared with 35,500 jobs added in the sector during the 12 months ending May 2008. During the past 12 months, the professional and business services and the financial activities sectors lost 8,600 and 7,200 jobs, respectively, and the wholesale and retail trade sectors lost a combined 8,800 jobs as consumer spending contracted. Only the education and health services and the government sectors posted gains during the past year, increasing by 10,400 and 4,300 jobs, respectively. With university endowment losses and current fiscal issues in the state government, these two sectors are not likely to continue to support significant job growth in the next few years.

During the 12 months ending May 2009, employment in the goods-producing sectors declined by 16,400 jobs; this figure is more than triple the number of goods-producing jobs lost during the previous 12-month period. Job losses in the construction and manufacturing sectors totaled 9,000 and 7,200, respectively. During the 12 months ending May 2009, resident unemployment averaged 151,800 people, an increase of almost 50 percent compared with resident unemployment during the previous 12 months. The average unemployment rate in the metropolitan area increased from 4.1 percent for the 12 months ending May 2008 to 6.1 percent for the 12 months ending May 2009.

The sales housing market in the Greater Boston region, as defined by the Massachusetts Association of REALTORS® (MAR), has been soft during the past several years. According to MAR, during the 12-month period ending June 2009, the number of single-family homes sold totaled 7,950, a decrease of 11 percent from the 8,925 homes sold during the previous 12-month period and a decrease of 21 percent from the number sold during the 12 months ending June 2007. During the past 12 months, the median sales price of single-family homes was $429,900, down 9 percent from the median price of $470,250 posted during the 12 months ending June 2008 and down 10 percent from the median price recorded during the 12 months ending June 2007. The condominium market also experienced a decline in sales; during the 12 months ending June 2009, 5,375 units were sold, a decrease of 37 percent from the number sold during the previous 12 months and a decrease of 47 percent from the number sold during the 12-month period ending June 2007. For the 12 months ending March 2009 [the latest data available], the number of small multifamily properties (two to four units) sold increased by 32 percent to 2,250 units, due partly to increased foreclosure sales. Despite the increase in sales, the median price of units in small multifamily properties was down 29 percent to $315,950.

As demand for sales housing has declined, the construction of new single-family homes in the metropolitan area has been significantly curtailed. During the 12 months ending May 2009, single-family homebuilding activity, as measured by the number of building permits issued, totaled 2,850 homes, down 37 percent compared with the number of homes permitted during the previous 12 months and down 49 percent compared with the number permitted during the 12 months ending May 2007. Single-family construction peaked in the current decade in 2005, when 8,325 homes were permitted. Multifamily development, as measured by the number of units permitted, has also slowed in recent years. During the 12-month period ending May 2009, about 4,050 multifamily units were permitted, virtually unchanged from the number permitted during the previous 12-month period but down 46 percent from the number permitted during the 12-month period ending May 2007. Multifamily development also peaked in 2005, when 9,125 units were permitted in
the Boston-Cambridge-Quincy metropolitan area. According to Reis, Inc., as of the end of the first quarter of 2009, about 7,850 multifamily units were under construction, of which 3,450, or about 44 percent, are apartments and 4,400 are condominiums.

Although the metropolitan area rental housing market has been generally balanced in recent years, continued higher levels of rental housing production and recent job losses have led to a softening that may persist for the next year or so. According to Reis, Inc., the apartment vacancy rate was 6.4 percent in the first quarter of 2009, up from 5.9 percent in the first quarter of 2008 and 4.7 percent at the end of 2005. The Class A market is soft, with a vacancy rate of 7.9 percent; the market for Class B and C units is balanced, with a 5.4-percent vacancy rate. Between 2006 and 2008, about 12,750 new rental units were completed, and, although absorption was generally good, job growth and demographic trends have not been strong enough to keep vacancy rates within historical norms. With 3,750 rental units expected to be completed during 2009 and job losses expected to continue through the end of the year, the rental vacancy rate is expected to exceed 7.0 percent by the end of the year. From 2004 through 2008, significant numbers of new rental units added to the inventory caused rents to increase by an annual rate of about 3 percent. In the first quarter of 2009, however, asking rents were flat and are expected to decline as vacancies increase and concessions become more widespread. According to MPF Research, concessions are currently being offered in about 26 percent of the rental inventory, resulting in an 11-percent discount in effective rent. In 2010, considerably fewer completions (fewer than 500 units) are expected, which should help initiate a return of the rental housing market to more balanced conditions.