COMPREHENSIVE HOUSING MARKET ANALYSIS

Boston, Massachusetts

U.S. Department of Housing and Urban Development,
Office of Policy Development and Research

As of October 1, 2021

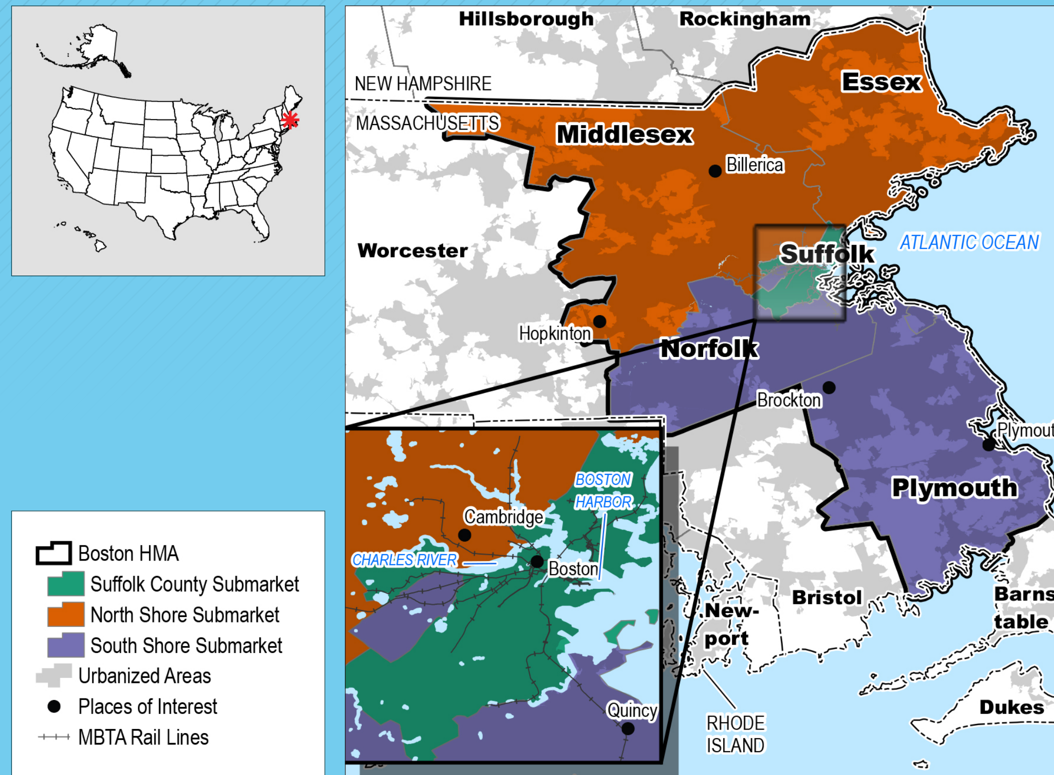
Executive Summary

Housing Market Area Description

The Boston Housing Market Area (HMA) includes Essex, Middlesex, Norfolk, Plymouth, and Suffolk Counties in Massachusetts. For the purposes of this analysis, the HMA is divided into three submarkets: the Suffolk County submarket is coterminous with Suffolk County and includes the city of Boston, the most populous city in the New England region; the North Shore submarket contains Essex and Middlesex Counties; and the South Shore submarket consists of Norfolk and Plymouth Counties.

The population of the HMA is currently estimated at approximately 4.50 million.

Situated along the Atlantic Ocean and bisected by the Charles River, the HMA is a center for higher education and health care and is a popular location for corporate headquarters in the New England region.



Tools and Resources

Find interim updates for this metropolitan area, and select geographies nationally, at PD&R's Market-at-a-Glance tool.
Additional data for the HMA can be found in this report's supplemental tables.
For information on HUD-supported activity in this area, see the Community Assessment Reporting Tool.

Market Qualifiers

Economy

Weak, but Improving: More than 74 percent of the nonfarm payroll jobs lost in March and April 2020 were recovered by September 2021 (monthly data, not seasonally adjusted).

Economic conditions were weak during the 12 months ending September 2021, when 28,300 jobs were lost, but conditions were significantly improved from the 12 months ending September 2020, when 167,700 jobs were lost. During the most recent 12-month period, job losses were less severe in most nonfarm payroll sectors and shifted to job gains in three sectors. Job gains are expected to resume across all sectors during the 3-year forecast period, when nonfarm payrolls are estimated to increase at an average annual rate of 3.2 percent. Stronger job growth is anticipated in the early part of the forecast period, and jobs are expected to return to pre-pandemic levels during the third year of the forecast period.

Sales Market

Tight: As of September 2021, a 1.5-month supply of homes was available for sale, down from a 2.5-month supply a year ago (CoreLogic, Inc.).

The home sales market in the HMA is currently tight, with a sales vacancy rate estimated at 0.8 percent, down from 1.4 percent in 2010. A prolonged shortage of for-sale housing contributed to tight market conditions and double-digit price growth during the past year. During the 12 months ending September 2021, the average home sales price increased nearly 13 percent to $706,300, and total home sales increased 11 percent to 53,850 homes sold (Zonda). During the forecast period, demand is estimated for 17,300 new homes. The 3,660 homes under construction will meet a portion of that demand.

Rental Market

Slightly Tight: The overall rental market has an estimated rental vacancy rate of 3.6 percent, down from 5.8 percent in 2010, when conditions were balanced.

An increase in renter households since 2010 has contributed to the absorption of vacant rental units and the decline in the vacancy rate. Apartment market conditions are tight, with a 2.7-percent vacancy rate during the third quarter of 2021, and the average rent increased nearly 7 percent year over year to $2,545 (RealPage, Inc.). Strong absorption has kept apartment vacancy rates low despite elevated apartment construction since 2011. During the next 3 years, demand is estimated for 34,675 new rental units; the 16,450 units underway will satisfy a portion of that demand.

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3-Year Housing Demand Forecast

	Sales Units				Rental Units			
	Boston HMA Total	Suffolk County Submarket	North Shore Submarket	South Shore Submarket	Boston HMA Total	Suffolk County Submarket	North Shore Submarket	South Shore Submarket
Total Demand	17,300	2,200	8,650	6,450	34,675	11,000	16,900	6,775
Under Construction	3,660	960	1,450	1,250	16,450	6,175	6,700	3,575

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of October 1, 2021. The forecast period is October 1, 2021, to October 1, 2024.
Source: Estimates by the analyst

Economic Conditions

Largest Sector: Education and Health Services

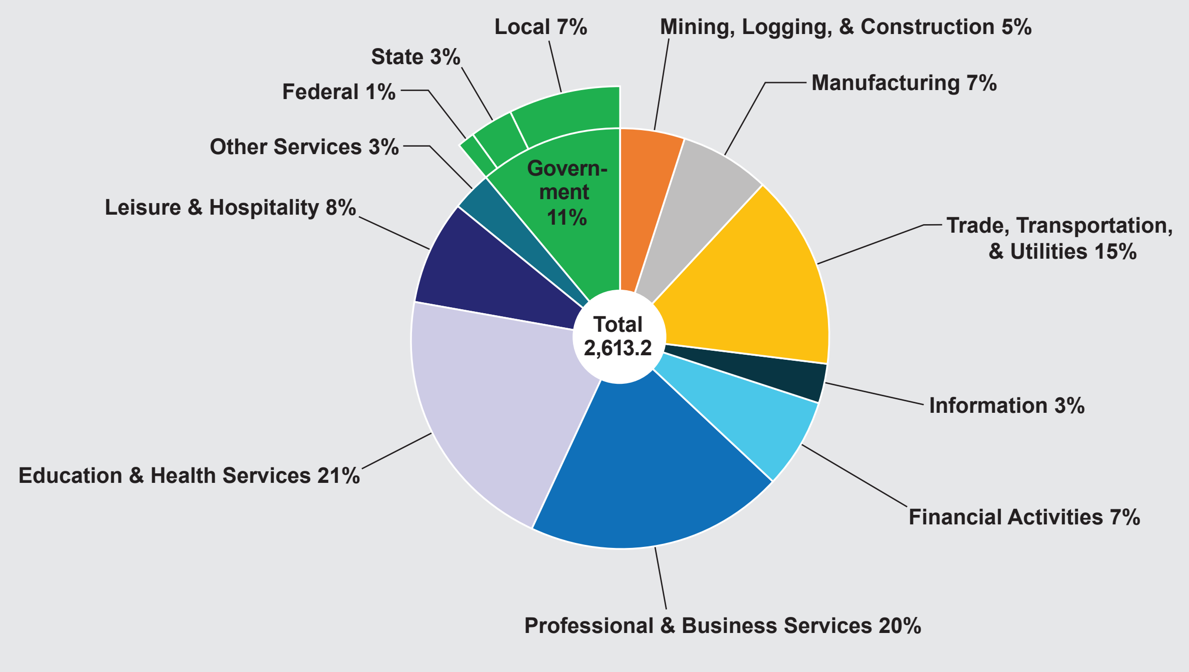
This report uses the Boston-Cambridge-Nashua, MA-NH New England City and Town Area (NECTA) (hereafter, Boston NECTA) in the discussion of nonfarm payroll jobs because the data are readily available for NECTAs from the U.S. Bureau of Labor Statistics. The Boston NECTA includes portions of New Hampshire and is somewhat larger than the Boston HMA (see Notes on Geography in the appendix). All other data in this report relate to the HMA.

The education and health services sector continues to account for 21 percent of all nonfarm payroll jobs in the NECTA, partly because job losses in the sector have slowed during the most recent 12-month period.

Primary Local Economic Factors

The city of Boston, founded in 1630, is one of the oldest cities in the United States. The city, with its location along the Atlantic Ocean leading into 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. Since 1990, the manufacturing sector has been in decline, and the HMA has become increasingly known as a global center for education and health services. The education and health services sector currently accounts for 21 percent of nonfarm payrolls (Figure 1) in the NECTA—a proportion that has remained relatively unchanged despite the impact of the recession resulting from the COVID-19 pandemic—compared with approximately 16 percent for the nation. The HMA is home to 56 institutions of higher education that enroll more than 390,000 students combined (2019 American Community Survey [ACS] 1-year data), including Harvard University and the Massachusetts Institute of Technology (MIT), which were ranked the top one and two universities in the world, respectively, by *U.S. News & World Report* during 2021. The HMA has a highly educated population, with approximately 50 percent of people older than age 25 having at least a bachelor's degree, compared with 33 percent for the nation (2019 ACS 1-year data). The HMA also is home to highly regarded hospitals,

Figure 1. Share of Nonfarm Payroll Jobs in the Boston NECTA, by Sector



Notes: Total nonfarm payroll is in thousands. Percentages may not add to 100 percent due to rounding. Based on 12-month averages through September 2021.
Source: U.S. Bureau of Labor Statistics

such as the Massachusetts General Hospital and the Brigham and Women's Hospital, which were ranked the 5th and 14th best hospitals in the nation, respectively, during 2021 by *U.S. News & World Report*. Both hospitals are part of Mass General Brigham Incorporated, the largest employer in the HMA (Table 1).

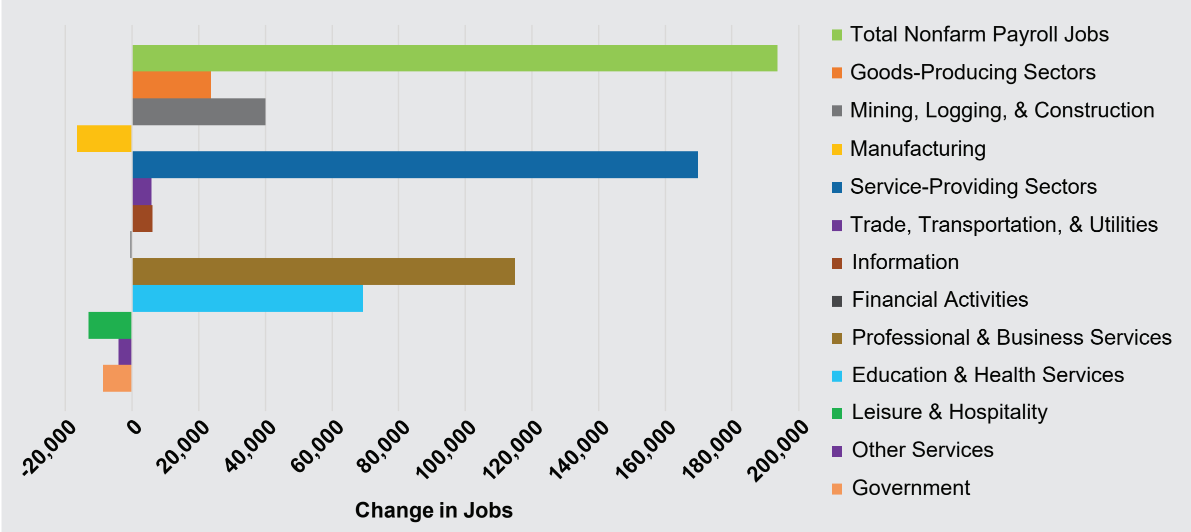
Partly because the HMA has renowned research universities, esteemed healthcare systems, and a highly educated workforce, companies have clustered in the HMA. Sixteen Fortune 500 companies are headquartered in the HMA, including several financial companies like Fidelity Investments, Liberty Mutual Holding Company Inc., and State Street Corporation. The concentration of corporate headquarters has the greatest effect on the professional and business services sector, which is the second largest payroll sector, accounting for 20 percent of all jobs in the NECTA. This sector has added the most jobs in the NECTA since 2010 (Figure 2).

Table 1. Major Employers in the Boston HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Mass General Brigham Incorporated	Education & Health Services	10,000+
Boston Children's Hospital	Education & Health Services	10,000+
Dana-Farber Cancer Institute	Education & Health Services	10,000+
Harvard University	Education & Health Services	10,000+
Boston University	Education & Health Services	10,000+
Raytheon Technologies Corporation	Manufacturing	10,000+
Beth Israel Deaconess Medical Center	Education & Health Services	5,000–9,999
Boston Medical Center Corporation	Education & Health Services	5,000–9,999
Dell Technologies Inc.	Information	5,000–9,999
Lahey Hospital & Medical Center	Education & Health Services	5,000–9,999

Note: Excludes local school districts.
Source: Massachusetts Department of Labor

Figure 2. Sector Growth in the Boston NECTA, 2010 to Current



Note: The current date is October 1, 2021.
Source: U.S. Bureau of Labor Statistics

Current Conditions—Nonfarm Payrolls

Following significant job losses in 2020 that resulted from the countermeasures to slow the spread of COVID-19, including social distancing measures and temporary business closures, the economy in the NECTA began recovering jobs in May 2020 but has lagged behind the nation in job recovery. By September 2021, 74.1 percent of the 476,500 jobs lost on a monthly basis during the recent recession in March and April 2020 (not seasonally adjusted) had been recovered. By comparison, nationally, 84.0 percent of jobs had been recovered by September 2021. During the 12 months ending September 2021, nonfarm payrolls in the NECTA totaled 2.61 million jobs, a decrease of 28,300 jobs, or 1.1 percent, compared with the same period a year earlier (Table 2); nationally, jobs rose 0.1 percent during the same period. The recent decline is significantly smaller than the 167,700-job, or 6.0-percent, loss in the NECTA during the 12 months ending September 2020, a period that includes the recent recession. By comparison, national nonfarm payrolls decreased 4.0 percent during the 12 months ending September 2020.

Job losses in the NECTA during the 12 months ending September 2021 occurred in 7 of the 10 nonfarm payroll sectors and were largest in sectors with jobs that cannot easily be done remotely. More than one-half of net job losses occurred in the leisure and hospitality sector, which lost 14,600 jobs—a 6.7-percent decline. The decrease is less severe than the 63,900 jobs lost in the same sector during the 12 months ending September 2020, the most jobs lost in any sector. The education and health services sector contracted by 13,100 jobs, or 2.3 percent, during the 12 months ending September 2021 from a year earlier, to 554,200 jobs, compared with a decline of 24,000 jobs, or 4.1 percent, during the previous year. The recent loss is lower because healthcare facilities that halted elective services during the pandemic, which led to furloughs among providers, resumed services. In addition, colleges and universities that had moved to remote learning or closed during the 2020 spring and fall semesters reopened. By comparison, payroll loss in the government sector accelerated during the 12 months ending September 2021,

Table 2. 12-Month Average Nonfarm Payroll Jobs (1,000s) in the Boston NECTA, by Sector

	12 Months Ending September 2020	12 Months Ending September 2021	Absolute Change	Percentage Change
Total Nonfarm Payroll Jobs	**2,641.5**	**2,613.2**	**-28.3**	**-1.1**
Goods-Producing Sectors	295.3	300.4	5.1	1.7
Mining, Logging, & Construction	114.5	121.4	6.9	6.0
Manufacturing	180.8	179.0	-1.8	-1.0
Service-Providing Sectors	2,346.2	2,312.8	-33.4	-1.4
Trade, Transportation, & Utilities	397.0	400.3	3.3	0.8
Information	80.9	79.5	-1.4	-1.7
Financial Activities	182.7	181.7	-1.0	-0.5
Professional & Business Services	506.1	512.9	6.8	1.3
Education & Health Services	567.3	554.2	-13.1	-2.3
Leisure & Hospitality	216.4	201.8	-14.6	-6.7
Other Services	90.1	86.8	-3.3	-3.7
Government	305.7	295.7	-10.0	-3.3

Notes: Based on 12-month averages through September 2020 and September 2021. Numbers may not add to totals due to rounding. Data are in thousands.
Source: U.S. Bureau of Labor Statistics

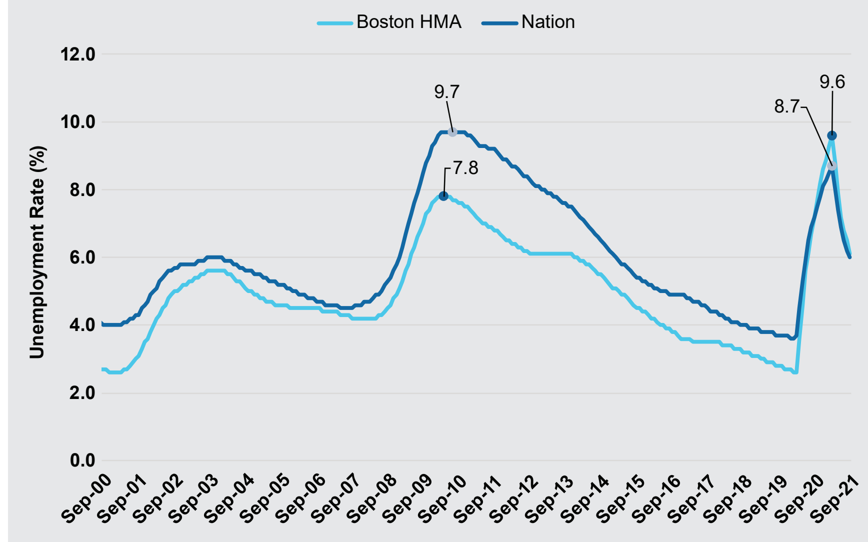
declining by 10,000, or 3.3 percent, from a year earlier, when jobs declined by 7,600, or 2.4 percent. The recent decline in government payrolls occurred in every subsector, but it was concentrated among state and local governments, which accounted for 95 percent of the decline, largely because of the transition to remote learning and budget shortfalls that have caused furloughs and layoffs in educational services since the onset of the pandemic. Jobs also declined by 1,800, or 1.0 percent, in the manufacturing sector, compared with a 7,500-job, or 4.0-percent, reduction during the previous year.

Overall job loss during the 12 months ending September 2021 was slightly mitigated by growth in three sectors. Leading job growth, the mining, logging, and construction sector added 6,900 jobs, or 6.0 percent, during the 12 months ending September 2021, compared with the same period a year earlier. More than two-thirds of the increase was in the residential and nonresidential specialty trade contractors industry because new construction, additions, alterations, maintenance, and repairs resumed after construction projects had been halted during the onset of the COVID-19 pandemic; jobs in the sector had declined by 7,200, or 5.9 percent, during the 12 months ending September 2020. In the professional and business services sector, 6,800 jobs, or 1.3 percent, were added during the 12 months ending September 2021, compared with a loss of 9,700 jobs, or 1.9 percent, the previous year. During the recent 12 months, office leases increased in the NECTA. The software firm HubSpot, Inc. announced plans to lease additional space to double the size of its headquarters in the city of Cambridge (CoStar). The space is expected to accommodate a portion of the 800 positions the company added worldwide in 2020 when offices safely reopen and the number of in-office workers increases (*Boston Business Journal*). The trade, transportation, and utilities sector added 3,300 jobs, or 0.8 percent, during the most recent 12 months. All growth in the sector was attributed to gains in the retail industry because of an increase in consumer confidence and spending since the onset of the pandemic. By comparison, during the 12-month period ending September 2020, jobs in this sector decreased by 29,600 jobs, or 6.9 percent, in part because of temporary business closures and compliance to social distancing requirements for businesses.

Current Conditions—Unemployment

With moderate economic recovery during the 12 months ending September 2021 compared with the previous year, the average unemployment rate declined to 6.1 percent from 7.2 percent a year earlier (Figure 3). The decline in the rate during the past year is due to employment growth outpacing growth in the labor force. Although the current rate is below the 12-month prepandemic average peak of 7.8 percent from February through June of 2010 and the 9.6-percent rate during the 12 months ending March 2020, the current rate is higher than the 2.8-percent rate during the 12 months ending September 2019. By comparison, the national jobless rate reached a 12-month average peak of 9.7 percent from March through November of 2010 and was 6.0 percent during the 12 months ending September 2021—down from 7.2 percent a year ago but up from 3.7 percent during the 12 months ending September 2019.

Figure 3. 12-Month Average Unemployment Rate in the Boston HMA and the Nation



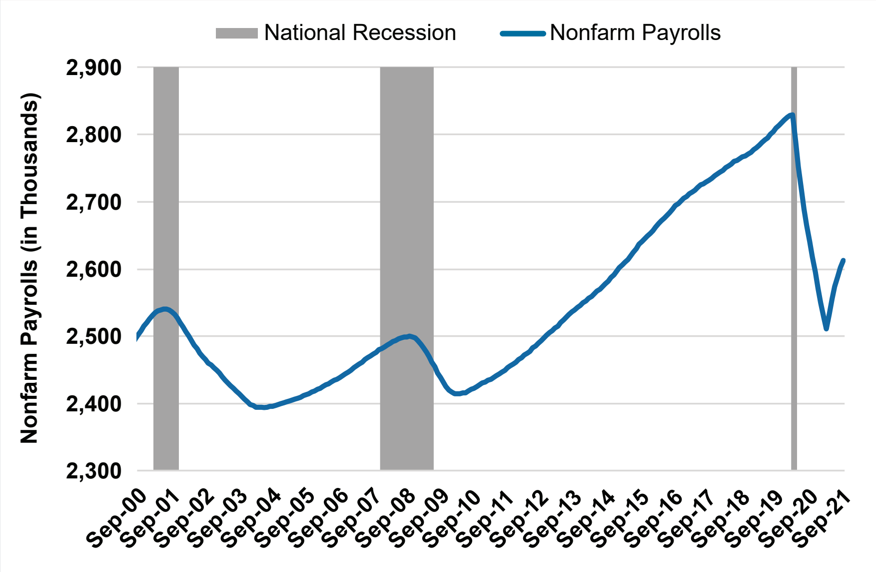
Note: Based on the 12-month moving average.
Source: U.S. Bureau of Labor Statistics

Economic Periods of Significance: 2000 Through 2019

2000 Through 2008: Contraction and Expansion

The economy in the NECTA generally followed national economic trends from 2000 through 2008; by 2008, however, the number of nonfarm payrolls in the NECTA was lower than in 2000 (Figure 4). During 2000, jobs in the NECTA reached 2.52 million, but from 2001 through 2004, a period that included the national economic recession that resulted from the bursting of the dot-com bubble, the NECTA lost an average of 30,300 jobs, or 1.2 percent, annually. By comparison, jobs declined less than an average of 0.1 percent a year nationally during the same 4-year period. From 2001 through 2004, 6 of the 10 sectors in the NECTA lost jobs, including the manufacturing sector—which declined the most, down by an average of 17,000 jobs, or 6.3 percent, annually. Simultaneously, the education and health services sector increased by an average of 6,800 jobs, or 1.7 percent, annually. During the subsequent 4 years, an average of 24,300 jobs, or 1.0 percent, were added annually, to reach nearly 2.50 million jobs in 2008; at the same time, jobs in the nation also grew an average of 1.0 percent annually. In the NECTA, seven sectors added jobs, with the education and health services, the professional and business services, and the leisure and hospitality sectors leading job growth; each increased by averages of 12,000, 9,900, and 3,500 jobs, or 2.7, 2.5, and 1.7 percent, annually, respectively. The manufacturing sector continued to lose jobs from 2005 through 2008, down by an average of 3,800 jobs, or 1.7 percent, annually, when several companies moved outside the country to reduce costs.

Figure 4. 12-Month Average Nonfarm Payrolls in the Boston NECTA



Note: 12-month moving average.
Sources: National Bureau of Economic Research; U.S. Bureau of Labor Statistics

2009: Impact of the Great Recession

The impact of the Great Recession was less severe and shorter in the NECTA than for the nation. During 2009, nonfarm payrolls in the NECTA declined by 77,300 jobs, or 3.1 percent, compared with a national job decline of 4.3 percent. Job losses were widespread in the NECTA, but the professional and business services sector led declines with a loss of 23,300 jobs, or 5.5 percent. The manufacturing sector lost 18,300 jobs, or 8.6 percent, and the mining, logging, and construction sector lost 15,600 jobs, or 16.1 percent, partly because residential construction declined in response to the national economic and housing market downturns. During 2009, the education and health services sector was one of only two sectors to add jobs, increasing by an average of 11,500, or 2.4 percent, annually.

2010 Through 2019: Economic Recovery and Expansion

Following 1 year of local economic contraction, the economy of the NECTA expanded from 2010 through 2016; job growth decelerated from 2017 through 2018 and accelerated in 2019. From 2010 through 2016, nonfarm payrolls rose by an average of 40,700 jobs, or 1.6 percent, annually and slowed to an average gain of 34,500 jobs, or 1.3 percent, a year from 2017 through 2018 before rising by 48,200 jobs, or 1.7 percent, in 2019, to 2.82 million jobs. From 2010 through 2019, job growth in the NECTA was faster than the average 1.4-percent annual growth rate for the nation because the nation did not begin adding jobs until 2011. Within the NECTA, nine sectors added jobs during the 10-year period. The professional and business services sector added the most jobs, increasing by an average of 12,100 jobs, or 2.7 percent, annually. More than three-fourths of this job growth occurred in the professional, scientific, and technical services industry because employers moved to the area to take advantage of the large pool of highly educated residents from the high concentration of local universities. From 2010 through 2019, the education and health services sector added an average of 11,100 jobs, or 2.1 percent, annually. The expansion in this sector was, in part, a result of the increasing significance of the retirement-age portion of the population, which caused an increase in healthcare services. Jobs in the leisure and hospitality sector increased by an average of 6,700, or 2.7 percent, a year. From 2011 through 2019, nearly 70 new hotels, with approximately 9,900 rooms, opened throughout the HMA, including the 671-room Encore Boston Harbor hotel resort and casino by Wynn Resorts, Limited, which opened in June 2019, adding 5,800 new jobs. From 2010 through 2019, job growth in the mining, logging, and construction sector resumed, increasing by an average of 4,100 jobs, or 4.2 percent, annually—the fastest rate of any sector in the NECTA. The increase occurred partly because of increased commercial and residential construction in response to an influx of jobs and net in-migration. The only sector to lose jobs during the 9-year period was the manufacturing sector, down an average of 700 jobs, or 0.4 percent, annually.

Forecast

During the 3-year forecast period, nonfarm payrolls are expected to increase an average of 3.2 percent annually, with stronger job growth anticipated in the early part of the forecast period as COVID-19 restrictions are relaxed further and businesses continue to reopen. Nonfarm payrolls are projected to exceed prepandemic levels during the third year of the forecast period. Job growth is expected to be particularly notable in the professional and business services and the trade, transportation, and utilities sectors because of continued demand for highly educated residents, a recent increase in office space leasing, and increased demand for goods. In addition, the mining, logging, and construction sector is expected to continue adding jobs to meet the housing needs of the growing population. Job growth is expected to resume in nearly all sectors of the economy, including in education and health services, the cornerstone of the NECTA. Leisure and hospitality sector jobs are expected to recover a portion of the jobs lost during the pandemic, although labor shortages may curtail otherwise faster job growth. Wynn Resorts, Limited plans to build an 1,800-seat events venue across from the Encore Boston Harbor hotel resort and casino.

Population and Households

Current Population: 4.50 Million

Population growth averaging 1.0 percent a year from 2010 to 2017 has slowed to an average of 0.2-percent annual growth since 2017 because of lower net natural increase and a reversal to net out-migration.

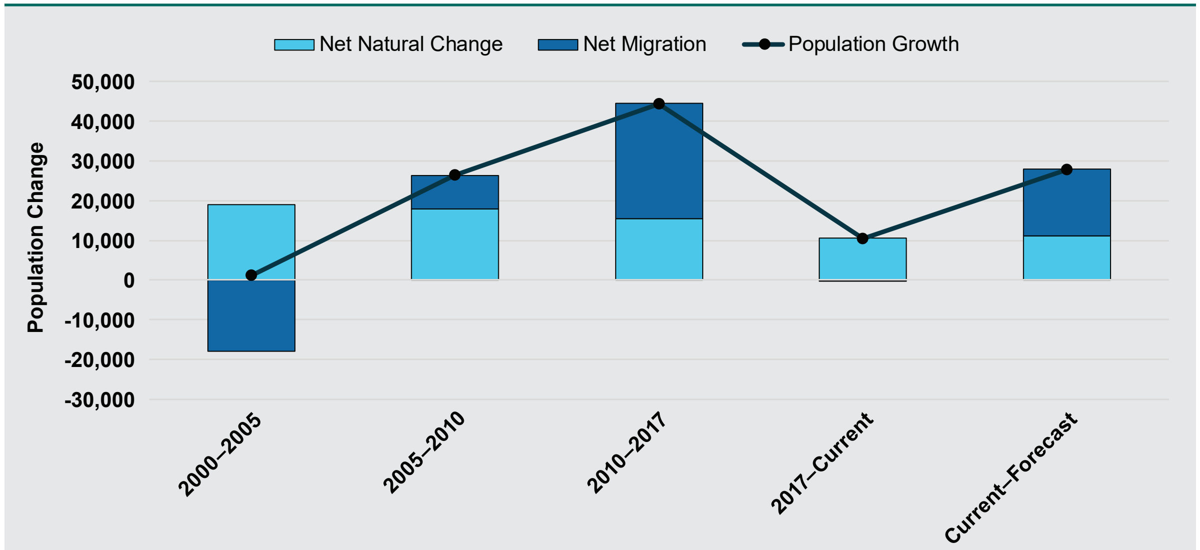
Population Trends

Population trends have generally mirrored economic conditions in the HMA since 2000. From 2000 to 2005, a period that included a national economic recession, the population was relatively unchanged, increasing by an average of 1,225, or less than 0.1 percent, annually. During the period, net natural increase averaged 19,000 people annually and accounted for all population growth because net out-migration averaged more than 17,775 people a year (Figure 5). Despite the impact of the Great Recession in 2009, population growth accelerated from 2005 to 2010 in response to economic growth during much of the period. From 2005 to 2010, net natural increase averaged 18,000 people annually, and net in-migration averaged 8,500 people annually, resulting in average annual population growth of 26,500 people, or 0.7 percent. Net in-migration rose further, to an average of 29,000 people a year, from 2010 to 2017, a period that included accelerated job growth. At the same time, net natural increase averaged 15,500 people a year, contributing to an average population growth of 44,500 people, or 1.0 percent, annually. When economic growth decelerated from 2017 through 2021, net out-migration resumed, averaging 250 people a year. That net out-migration, combined with reduced net natural increase, which averaged 10,750 people a year, caused population growth to slow to an average of 10,500 people, or 0.2 percent, annually, to 4.50 million as of October 1, 2021. Since 2010, most net in-migration to the HMA has been from international net in-migration.

Age Cohort Trends

Population growth from 2010 to 2019 was mostly the result of an increase in the retirement-age portion of the population—generally defined as residents age 65 and older—increasing an average of 2.2 percent annually (ACS 1-year data). Access to healthcare services attracted retirees from outside the HMA and incentivized current residents to retire in place. The slowing of net natural increase in the HMA is tied, in part, to an increasing number of people at or above retirement age. At the same time, the HMA is a popular

Figure 5. Components of Population Change in the Boston HMA, 2000 Through the Forecast



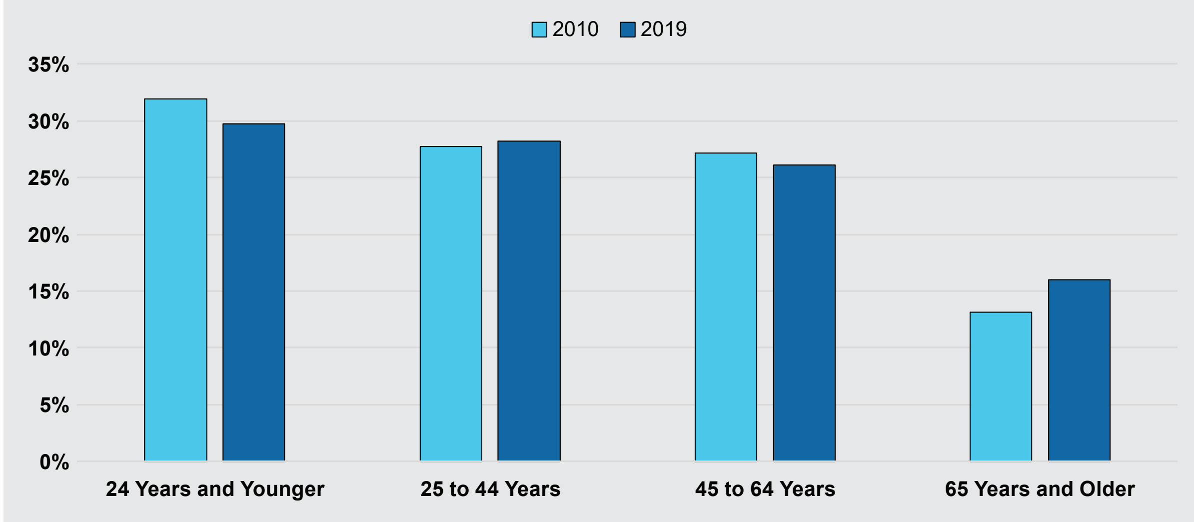
Notes: Data displayed are average annual totals. The forecast period is from the current date (October 1, 2021) to October 1, 2024.
Sources: U.S. Census Bureau; current to forecast—estimates by the analyst

place to live for early-to-mid-career adults, ages 25 to 44. By 2019, this age cohort increased an average of 0.2 percent annually and accounted for 28 percent of the population—slightly higher than the proportion in 2010 (Figure 6). Residents in the age 24 and younger and age 45 to 64 years cohorts decreased an average of 0.8 and 0.4 percent annually, respectively, from 2010 to 2019.

Suffolk County Submarket

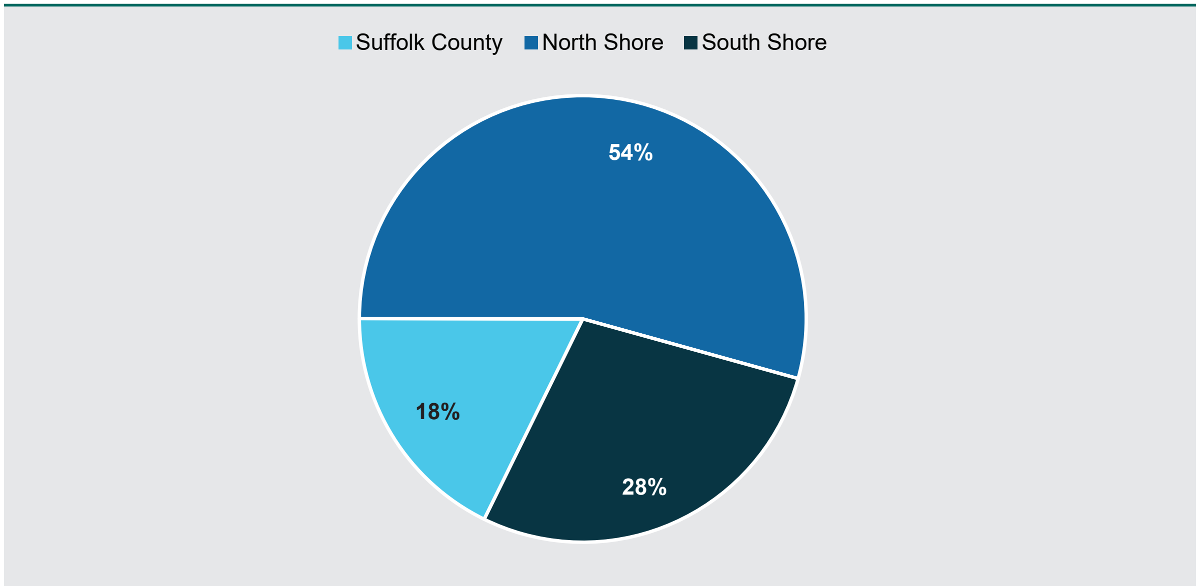
The Suffolk County submarket is the smallest in terms of land area and the least populated in the Boston HMA, accounting for 18 percent of the HMA population (Figure 7), with an estimated 799,100 as of October 1, 2021, but it is the most urbanized. Since 2017, the population has increased by an average of 280, or less than 0.1 percent, annually; net natural increase accounted for all the growth because net out-migration averaged 3,250 people a year. Since 2017, net out-migration from the submarket resulted from domestic net out-migration, which averaged 11,950 people annually, offsetting international net in-migration of 8,700 people annually. By comparison, from 2010 to 2017, the population rose an average of 10,450, or 1.4 percent, annually—significantly faster than the average annual increase of 3,225, or 0.5 percent, from 2000 to 2010. The accelerated population growth from 2010 to 2017 is attributable to net in-migration, which averaged 5,600 people annually—a reversal from 2000 to 2010, when net out-migration averaged 1,075

Figure 6. Population by Age Range in the Boston HMA



Source: 2019 American Community Survey 1-year data

Figure 7. Current Population in the Boston HMA, by Submarket



Source: Estimates by the analyst

people a year. From 2010 to 2017, net in-migration to the submarket resulted from international net in-migration, which averaged 9,100 people annually, offsetting domestic net out-migration of 3,500 people annually. At the same time, net natural increase averaged 4,850 people, whereas it averaged 4,300 people annually from 2000 to 2010. Since 2010, the city of Boston has grown an estimated average of 1.1 percent annually, to 693,000 people.

North Shore Submarket

The North Shore submarket is the largest in terms of land area, and it is the most populous, accounting for 54 percent of the total population of the HMA. As of October 1, 2021, the population is estimated at 2.44 million, reflecting an average gain of 2,750, or 0.1 percent, annually since 2018. During the period, net natural increase averaged 5,425 people annually and accounted for all population growth because net out-migration averaged 2,675 people annually. Population growth averaged 22,800 people, or 1.0 percent, annually from 2010 to 2018, when net natural increase averaged 8,150 people annually and net in-migration averaged 14,650 people a year. From 2010 to the present, international net in-migration to this submarket is estimated to have averaged 16,000 people annually, offsetting domestic net out-migration of 6,225 people annually. By comparison, from 2000 to 2010, when net out-migration averaged 4,025 people annually, the population rose by an average of 5,750, or 0.3 percent, annually. Within the submarket, Middlesex County has the highest number of students enrolled in college of any of the counties in the HMA. The county is home to Harvard University and MIT, which together have approximately 43,300 students.

South Shore Submarket

The population of the South Shore submarket is currently estimated at nearly 1.26 million, an average increase of 8,075, or 0.7 percent, annually since 2010. Net in-migration has occurred every year during the period and accounted for 75 percent of all population growth; international net in-migration averaged an estimated 5,950 people a year, and domestic net in-migration averaged 100 people annually. Plymouth County is the only county in the HMA that has had domestic net in-migration since 2010. The county has the lowest number of students enrolled in college of the counties in the HMA, which limits the number of students who move away from the county after graduation. 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, when net out-migration averaged 180 people annually.

Household Trends

The rate of household creation in the Boston HMA since 2010 has exceeded household growth from 2000 to 2010 because of increased population growth, a trend that is reflected in all three submarkets. The number of households in the HMA is currently estimated at 1.74 million, an average annual increase of 12,000, or 0.7 percent, since 2010—up from the average of 6,600 households, or 0.4 percent, added annually from 2000 to 2010 (Table 3). The current estimated number of households in the Suffolk County submarket is 325,100, an average increase of 2,800 households, or 0.9 percent, annually since 2010—up significantly from the average increase of 1,400, or 0.5 percent, annually from 2000 through 2010. In the North Shore submarket, household growth rose from an average annual increase of 0.4 percent during the 2000-to-2010 period to an average of 0.7-percent annual growth since 2010. The average annual rate

Table 3. Boston HMA Population and Household Quick Facts

		2010	Current	Forecast
Population Quick Facts	**Population**	4,134,036	4,501,000	4,585,000
	Average Annual Change	13,250	31,950	27,900
	Percentage Change	0.3	0.7	0.6
		2010	**Current**	**Forecast**
Household Quick Facts	**Households**	1,598,451	1,737,000	1,774,000
	Average Annual Change	6,600	12,000	12,350
	Percentage Change	0.4	0.7	0.7

Notes: Average annual changes and percentage changes are based on averages from 2000 to 2010, 2010 to current, and current to forecast. The forecast period is from the current date (October 1, 2021) to October 1, 2024.
Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by the analyst

of household growth in the South Shore submarket increased from 0.5 percent during the 2000-to-2010 period to 0.7 percent since 2010. Currently, an estimated 935,300 and 476,400 households are in the North Shore and the South Shore submarkets, respectively.

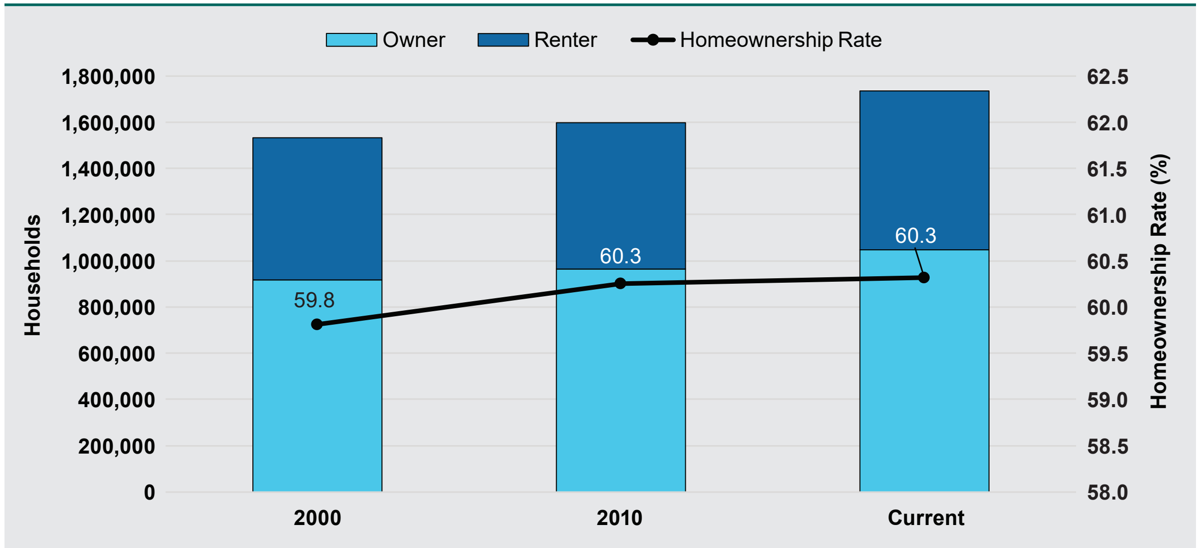
Student Households

The large presence of colleges and universities affects household formation in the HMA. Of the estimated 390,000 students who are enrolled in colleges and universities in the HMA (2019 ACS 1-year data), approximately 91,000 are housed in college or university dormitories (Census Bureau, with estimates by the analyst), and an estimated 150,000 live at home. The remaining 149,000 students occupy an estimated 49,650 housing units; approximately 95 percent of those households rent private units (estimates by the analyst). Student households are estimated to account for nearly 7 percent of the 689,100 renter households in the HMA.

Households by Tenure

Among the households in the HMA, a greater proportion have traditionally been owners, and that proportion has remained unchanged since 2010, at 60.3 percent (Figure 8), but homeownership trends vary by submarket. In the Suffolk County submarket, the homeownership rate is the lowest in the HMA, at 38.8 percent, but it was the only submarket where the

Figure 8. Households by Tenure and Homeownership Rate in the Boston HMA



Note: The current date is October 1, 2021.
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by the analyst

homeownership rate increased since 2010, up from 35.3 percent, even though homeownership costs are relatively higher than in locations farther out from the urban core. By comparison, in the North Shore and South Shore submarkets, the homeownership rates fell to an estimated 62.2 and 71.4 percent, respectively, down from 62.7 and 72.0 percent in 2010, partly because of increasing for-sale housing prices.

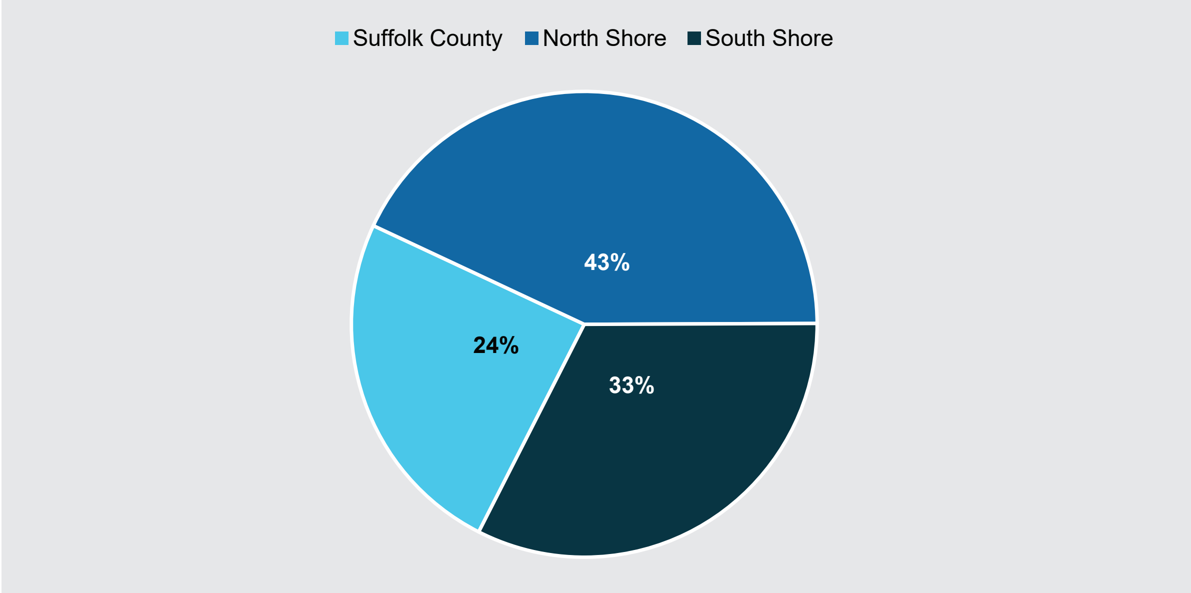
Population and Household Growth Forecast

During the 3-year forecast period, the population of the HMA is expected to increase by an average of 27,900, or 0.6 percent, annually—faster than the 2017-to-current average rate but slower than the 2010-to-2017 average rate. The HMA is likely to benefit from the return of net in-migration, propelled by job growth and by international students, who will likely continue to account for an estimated 11 percent of enrollment in institutions of higher learning in the HMA. The population is expected to reach 4.59 million by October 1, 2024. Population growth in the Suffolk County submarket is expected to be the strongest on a percentage basis, up an average of 0.8 percent a year. Population growth in the North Shore and the South Shore submarkets is expected to rise to an average of 0.5 and 0.7 percent annually, respectively. The

North Shore submarket is expected to make up the largest share of population growth (Figure 9).

Based on anticipated population growth and improving economic conditions, the number of households in the HMA during the next 3 years is expected to increase by an average of 12,350, or 0.7 percent, annually, reaching 1.77 million households by October 1, 2024. Household growth is expected to average 0.9 percent annually in the Suffolk County submarket, to 334,400 households; 0.6 percent annually in the North Shore submarket, to 951,700 households; and 0.8 percent annually in the South Shore submarket, to 487,600 households. The homeownership rate in the HMA is expected to remain at 60.3 percent by the end of the forecast period.

Figure 9. Share of Forecast Population Growth by Submarket



Source: Estimates by the analyst

Home Sales Market

Sales Market—Boston HMA

Market Conditions: Tight

> The inventory of for-sale housing is very low and has remained below 3.0 months of supply since late 2012.

Current Conditions

The home sales market in the HMA is currently tight, with an estimated vacancy rate of 0.8 percent (Table 4)—down from 1.4 percent in April 2010. The decline in the vacancy rate occurred because of lower levels of homebuilding activity, compared with the early-to-mid-2000s, and prepandemic population and economic growth, which generated increased demand for sales housing. In 2020, despite significant job losses and an increase in homebuilding activity, the sales market tightened further, partially because of a decline in the number of homes listed for sale and because mortgage interest rates reached their lowest levels in more than 50 years. During September 2021, the HMA had 1.5 months of available for-sale inventory—down from 2.5 months a year earlier and well below 6.4 months of available inventory in 2010 (CoreLogic, Inc.). The supply of inventory has remained below 3.0 months since late 2012. In September 2021, the average interest rate for a 30-year fixed-rate mortgage was 2.9 percent, unchanged from one year earlier and below the 4.3 percent rate in September 2010 (Freddie Mac).

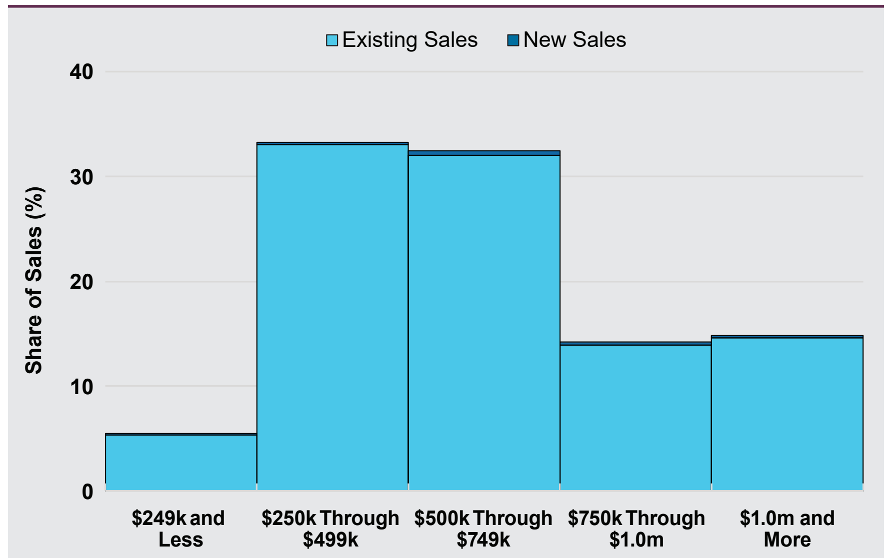
Table 4. Home Sales Quick Facts in the Boston HMA

		Boston HMA	Nation
Home Sales Quick Facts	**Vacancy Rate**	0.8%	NA
	Months of Inventory	1.5	1.5
	Total Home Sales	53,850	6,927,000
	1-Year Change	11%	-6%
	New Home Sales Price	$819,700	$425,900
	1-Year Change	16%	5%
	Existing Home Sales Price	$705,100	$360,500
	1-Year Change	13%	10%
	Mortgage Delinquency Rate	2.0%	2.5%

NA = data not available.
Notes: The vacancy rate is as of the current date; home sales and prices are for the 12 months ending September 2021; and months of inventory and mortgage delinquency data are as of September 2021. The current date is October 1, 2021.
Sources: Vacancy rate—estimates by the analyst; months of inventory—CoreLogic, Inc.; HMA home sales and prices—Zonda; national home sales and prices—National Association of REALTORS® and Census Bureau/HUD

Low levels of for-sale inventory and low interest rates have contributed to upward pressure on home sales and home sales prices. During the 12 months ending September 2021, the average home sales price rose 13 percent, to $706,300, accelerating from the 6-percent increase during the same period 1 year earlier. The higher average home sales price is also a result of a surge in lumber prices in late 2020 and early 2021, when the price of lumber caused the average price of a new single-family home to increase by nearly $30,000 nationwide (National Association of Home Builders). During the 12 months ending September 2021, approximately 29 percent of homes sold in the HMA were priced at $750,000 and higher (Zonda; Figure 10). Despite rising home

Figure 10. Share of Overall Sales by Price Range During the 12 Months Ending September 2021 in the Boston HMA



Note: New and existing sales include single-family homes, townhomes, and condominium units.
Source: Zonda

sales prices, home sales rose 11 percent, to 53,850 homes, during the 12 months ending September 2021 (Zonda). By comparison, home sales decreased 3 percent during the 12 months ending September 2020, at the onset of COVID-19.

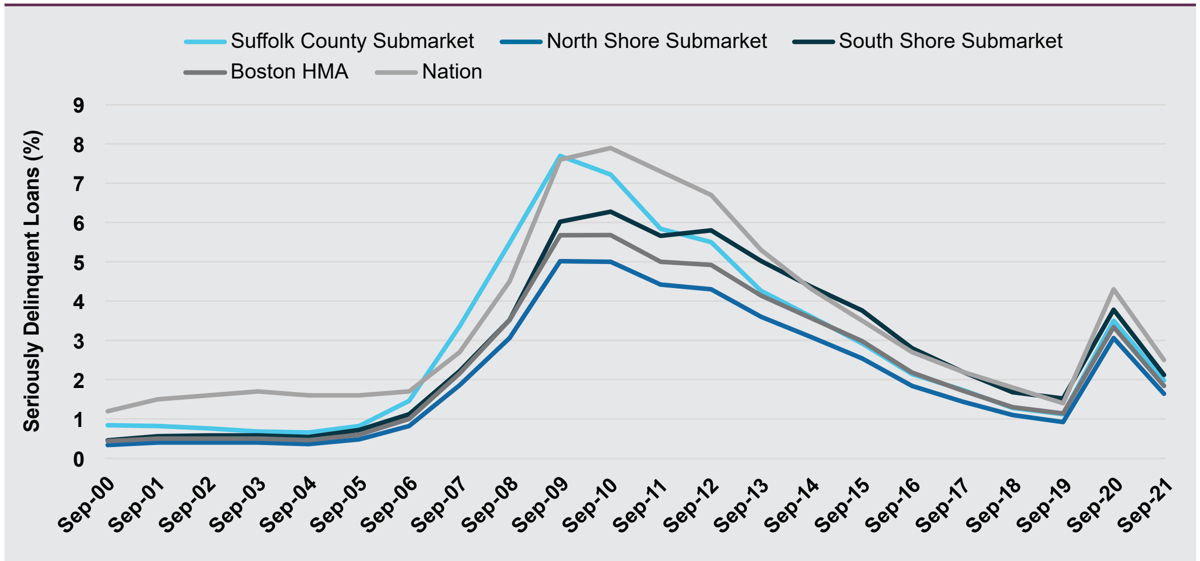
Seriously Delinquent Mortgages

The recent recession had a less significant effect on the sales market in the HMA than in the nation in terms of the percentage of seriously delinquent mortgages during the most recent 24 months, and the rate has remained below the national rate since the Great Recession. As of September 2021, 1.8 percent of home loans in the HMA were seriously delinquent, down from 3.3 percent a year earlier but up from 1.1 percent in September 2019 (CoreLogic, Inc.; Figure 11). Between September 2019 and September 2020, the number of home loans that were 90 or more days delinquent nearly tripled; at the same time, the number of home loans that were in foreclosure was down to nearly half compared with September 2019. Mortgage forbearance policies provided through the Coronavirus Aid, Relief, and Economic Security (CARES) Act likely prevented an increase in foreclosures during the period. Nationally, the rate of seriously delinquent mortgages was 2.5 percent in September 2021, down from 4.3 percent a year earlier but up from 1.4 percent in September 2019.

Housing Affordability: Sales

The Boston HMA home sales market is one of the most expensive markets in the nation,

Figure 11. Rate of Seriously Delinquent Loans in the Boston HMA and the Nation



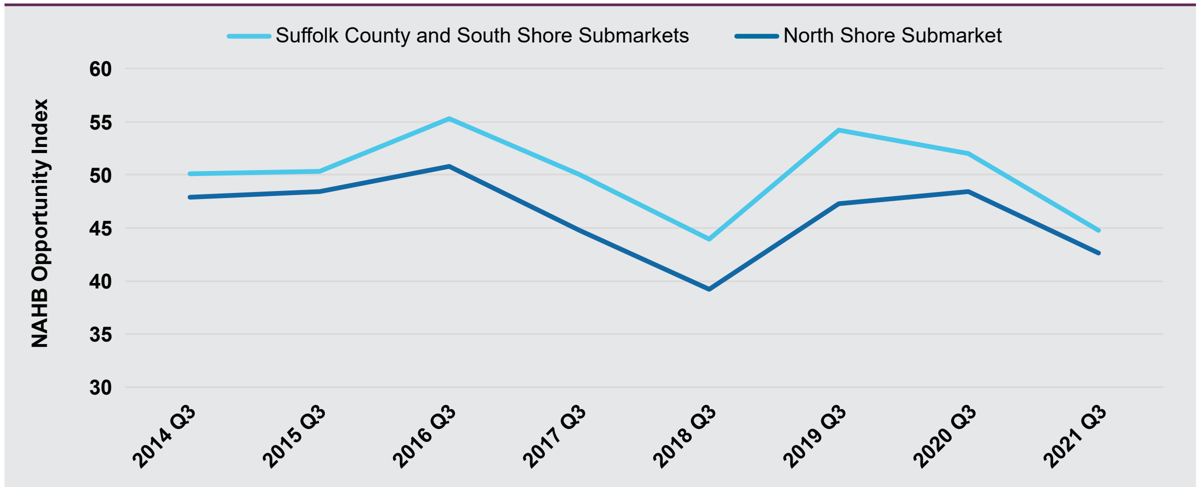
Source: CoreLogic, Inc.

and the affordability of buying a home in the HMA has declined since the mid-2010s because home prices have increased at a faster pace than incomes. Because data for the overall HMA are unavailable, the affordability discussion focuses on two areas: (1) the Suffolk County and South Shore submarkets combined and (2) the North Shore submarket. In the combined Suffolk County and South Shore area and in the North Shore submarket, the NAHB/Wells Fargo Housing Opportunity Index—which represents the share of homes that are affordable to a family earning the median income—declined to 44.8 and 42.6, respectively, during the third quarter of 2021, from 52.0 and 48.4 during the third quarter of 2020 (Figure 12); the decrease in affordability during the past year resulted from 1- and 4-percent increases, respectively, in the median income and 11-percent increases in the median sales price for the areas. During the third quarter of 2021, approximately 80 and 78 percent of the 236 ranked metropolitan areas were more affordable than the area that includes the Suffolk County and the South Shore submarkets and the North Shore submarket, respectively.

Relatively low housing affordability has made it particularly difficult for households in the 25-to-44-year age cohort, a prime group for first-time homebuyers, to enter into homeownership in the HMA compared with the nation. This paragraph refers to data in the Boston-Cambridge-Newton, MA-NH Metropolitan Statistical Area (MSA), a geography slightly larger than the Boston HMA (see Notes on Geography at the end of this report). The HUD first-time homebuyer affordability index is a measure of the median household income for householders 25 to 44 years old relative to the income needed to purchase the 25th-percentile-priced home. In the MSA, the index rose from 1.45 in 2013 to a high of 1.52 in 2016 (Figure 13), largely because, from 2014 to 2016, the median income for householders 25 to 44 years old rose an average of more than 5 percent annually, and the 25th-percentile-priced home rose an average of less than 5 percent annually. The index declined during 2017 and 2018, but it rose to 1.41 in 2019 from 1.31 because incomes rose slightly faster than prices. Despite those shifts, the index in the MSA remained notably below that of the nation from 2014 to 2019. By comparison, the MSA has historically been more affordable than the Suffolk County submarket. The submarket index has remained below 1.00 every year from 2013 to 2019, suggesting that the median income for householders 25 to 44 years old has not been high enough to afford a 25th-percentile-priced home.

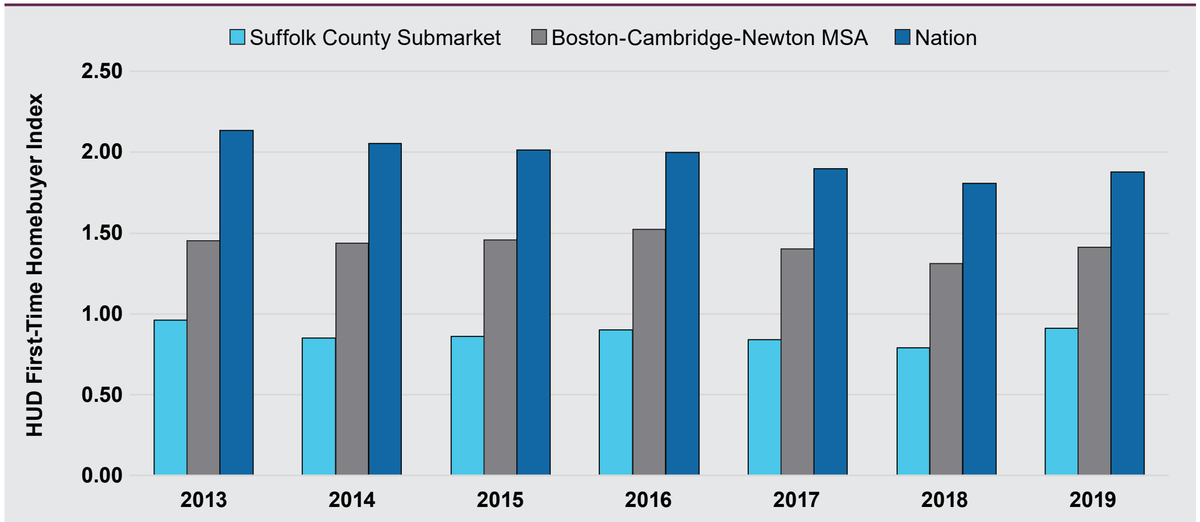
Several state and local programs, including the ONE Mortgage Program, provide down payment assistance to qualifying households in the HMA, typically first-time homebuyers or low-income households earning at or below 100 percent of the Area Median Income (AMI). The program includes a 30-year-fixed, low-interest-rate loan with a 3-percent down payment to buy a condo, single-family home, or duplex. Borrowers with an

Figure 12. Boston HMA Housing Opportunity Index



NAHB = National Association of Home Builders. Q3 = third quarter.
Sources: NAHB; Wells Fargo

Figure 13. HUD First-Time Homebuyer Index



Sources: American Community Survey 1-year data; Federal Housing Finance Agency; Zonda income below 80 percent of the AMI may qualify for a Massachusetts Housing Partnership subsidy to lower monthly payments. ONE Mortgage also helps Section 8 voucher holders become homeowners through the Section 8 for Homeownership Program.

Forecast

During the next 3 years, demand is expected for an estimated 17,300 new homes in the HMA, including single-family homes, townhomes, and condominiums (Table 5). The 3,660 homes under construction in the HMA will satisfy a portion of the demand during the forecast period. Demand is expected to increase during the forecast period because of continued low mortgage interest rates, coupled with net in-migration and economic recovery. Demand is estimated to be strongest in the North Shore submarket.

Table 5. Demand for New Sales Units in the Boston HMA During the Forecast Period

	Sales Units
Demand	17,300 Units
Under Construction	3,660 Units

Note: The forecast period is from October 1, 2021, to October 1, 2024.
Source: Estimates by the analyst

Sales Market—Suffolk County Submarket

Market Conditions: Tight

During September 2021, the months of supply of for-sale inventory in the submarket decreased 1.8 months, the largest decline in the HMA, from 4.2 to 2.4 months (CoreLogic, Inc.), which contributed to a 4-percent increase in the average home sales price in the submarket (Zonda).

Current Conditions

The sales market in the Suffolk County submarket is currently tight, with an estimated sales vacancy rate of 1.2 percent (Table 6), down from 2.2 percent in April 2010. The 1.0-percentage-point decline in the vacancy rate since 2010 is almost twice the 0.6-percentage-point decline for the HMA. Conditions have been persistently tight since late 2012, with the months of supply of inventory generally below 3.0 months except in early 2020, when many households were reluctant to purchase homes in heavily urbanized areas because of the onset of COVID-19. In September 2021, the HMA had a 2.4-month supply, down from 4.2 months of supply in September 2020 and less than the 5.6-month supply in 2010 (CoreLogic, Inc.). The submarket is almost completely built out, with very little land available for new, large-scale, single-family residential developments. Many new condominiums are created via adaptive reuse of existing nonresidential structures or conversion from apartments.

Table 6. Home Sales Quick Facts in the Suffolk County Submarket

		Suffolk County Submarket	Boston HMA
Home Sales Quick Facts	**Vacancy Rate**	1.2%	0.8%
	Months of Inventory	2.4	1.5
	Total Home Sales	6,550	53,850
	1-Year Change	27%	11%
	New Home Sales Price	$1,223,000	$819,700
	1-Year Change	-2%	16%
	Existing Home Sales Price	$836,000	$705,100
	1-Year Change	5%	13%
	Mortgage Delinquency Rate	2.2%	2.0%

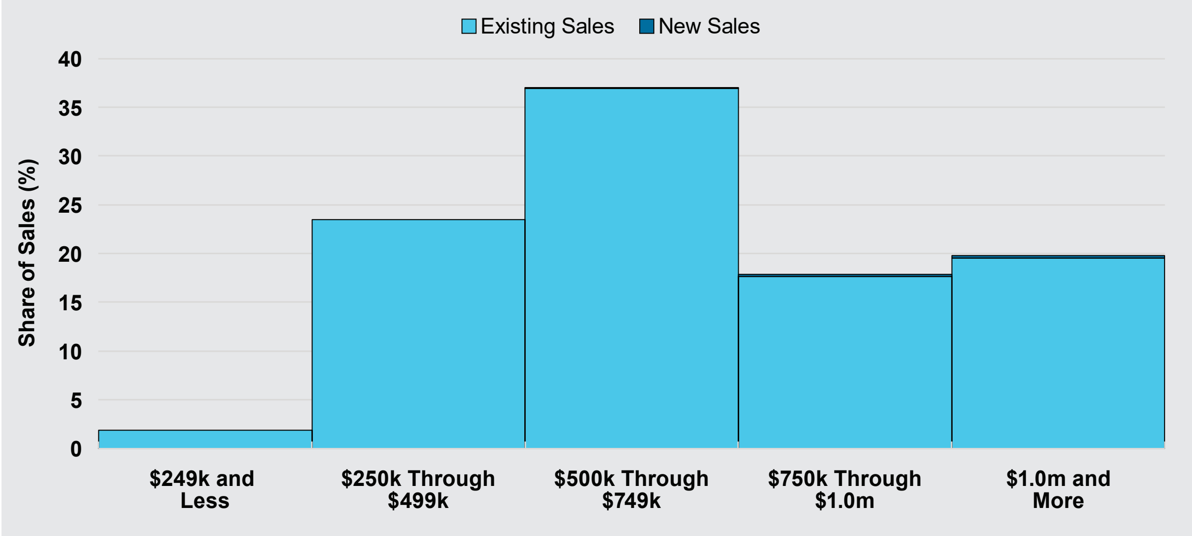
Notes: The vacancy rate is as of the current date; home sales and prices are for the 12 months ending September 2021; and months of inventory and mortgage delinquency data are as of September 2021. The current date is October 1, 2021.
Sources: Vacancy rate—estimates by the analyst; months of inventory—CoreLogic, Inc.; HMA home sales and prices—Zonda; national home sales and prices—National Association of REALTORS® and Census Bureau/HUD

As a result of limited land availability, the submarket is the most expensive in the HMA, with nearly 38 percent of the homes sold during the 12 months ending September 2021 priced at $750,000 and higher (Zonda; Figure 14). During the 12 months ending September 2021, the average sales price was $837,900, up 4 percent, accelerating from the less-than-1-percent increase during the same period 1 year earlier. Only the regular resale price increased during the 12 months ending September 2021 (Figure 15). Despite high home sales prices, home sales in the submarket rose 27 percent during the 12 months ending September 2021, to 6,550 homes sold, compared with a decrease of 6 percent during the 12 months ending September 2020. The recent increase in home sales reflected increases of 27 and 25 percent in regular resale and real estate owned (REO) homes (Figure 16), respectively, which accounted for nearly all home sales, whereas new home sales declined 24 percent. Condominiums accounted for 75 percent of all home sales during the 24-month period ending September 2021, a proportion similar to the 2005-through-2019 period.

Home Sales Trends: 2005 Through 2019

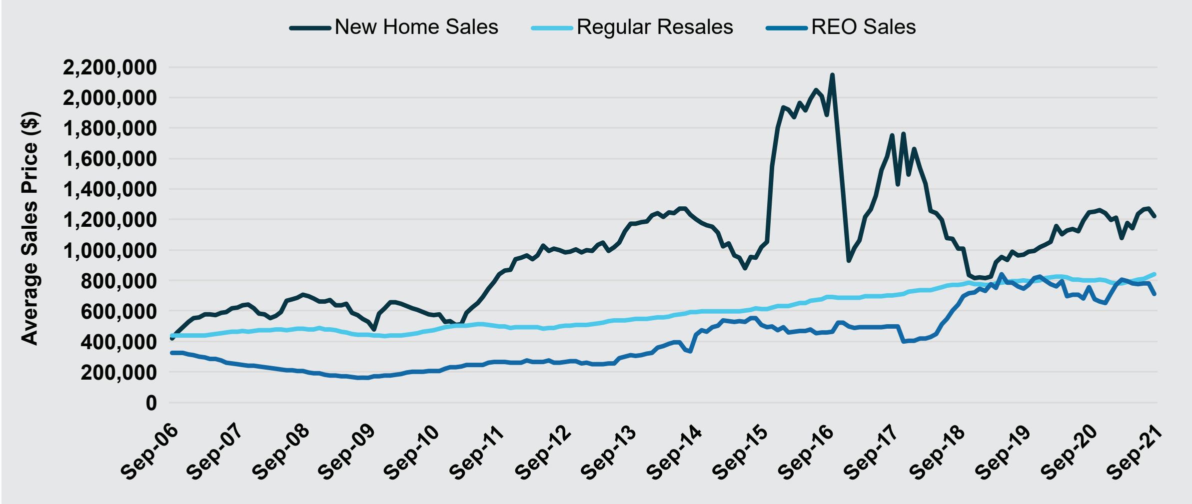
Home sales increased from the number of homes sold during the local housing market downturn in the late 2000s, but they are below the level reached in 2005, when lending standards were more lenient. Home sales peaked at 9,900 in 2005, but they declined an average of 12 percent annually for 6 consecutive years to 4,700 homes sold in 2011. During that period, tightening mortgage lending standards, the local economic downturn, and net out-migration all put downward pressure on home sales. The decline in home sales from 2006 through 2011 reflected an average annual reduction of 13 and 20 percent in regular resale and new home sales, respectively, but a 71-percent increase in REO home sales. During the

Figure 14. Share of Overall Sales by Price Range During the 12 Months Ending September 2021 in the Suffolk County Submarket



Source: Zonda

Figure 15. 12-Month Average Sales Price by Type of Sale in the Suffolk County Submarket



REO = real estate owned.
Source: Zonda

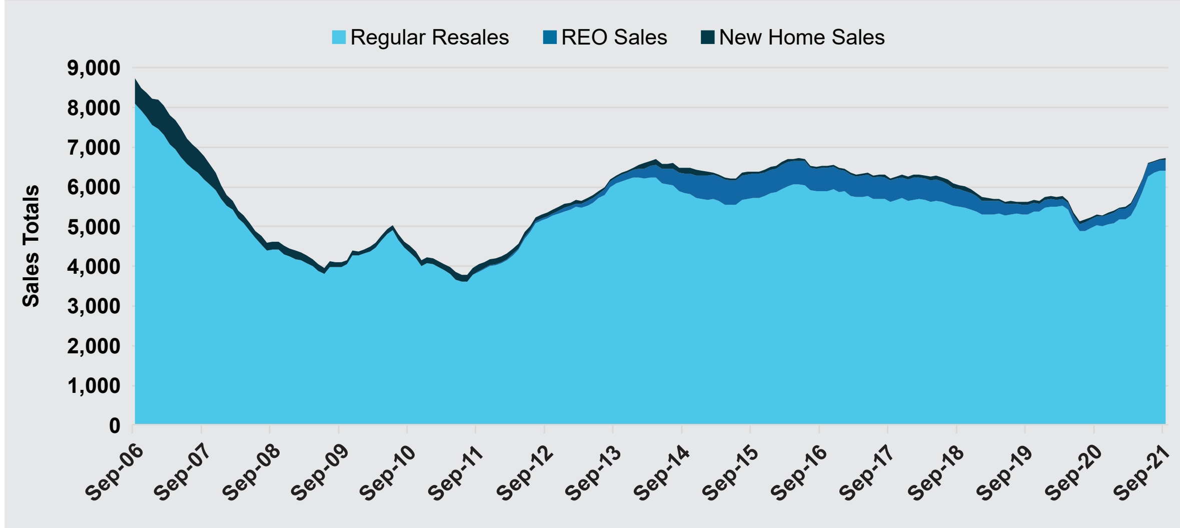
period, REO sales increased from 20 in 2005 to 530 in 2011, accounting for 11 percent of total sales. Home sales rose at an average annual rate of 18 percent, to 6,550 homes sold by 2013, in response to economic growth and net in-migration. All the gains in sales resulted from an average 25-percent annual increase in regular resales, which offset average 33- and 34-percent annual reductions in REO and new home sales, respectively. From 2014 through 2019, home sales fluctuated but ultimately declined an average of 2 percent a year, to 5,675 by 2019, reflecting an average annual 2- and 10-percent decline in regular resales and REO sales, respectively, but no change in new home sales. By 2019, REO sales accounted for 2 percent of total home sales in the HMA.

From 2005 through 2019, condominiums accounted for nearly three-fourths of home sales in the submarket. A limited supply of developable land near job centers, high development costs, and demand for both affordable and luxury sales housing contributed to the large share of condominium sales in the submarket. As a result, trends in condominium sales were similar to trends in total home sales since the mid-2000s.

Home Sales Price Trends: 2005 Through 2019

The average home sales price in the submarket increased every year from 2010 through 2019 after generally decreasing from 2006 through 2009, when REO sales were increasing, putting downward pressure on sales prices. From 2006 through 2009, the average home sales price declined at an average annual rate of 2 percent. At the same time, regular resale home prices remained unchanged, and new home sales prices decreased an average of 3 percent a year. From 2010 through 2019, a period that included fluctuating home sales, home sales prices increased an average of 7 percent a year, to $802,400; the sales price increased for every housing type.

Figure 16. 12-Month Sales Totals by Type in the Suffolk County Submarket



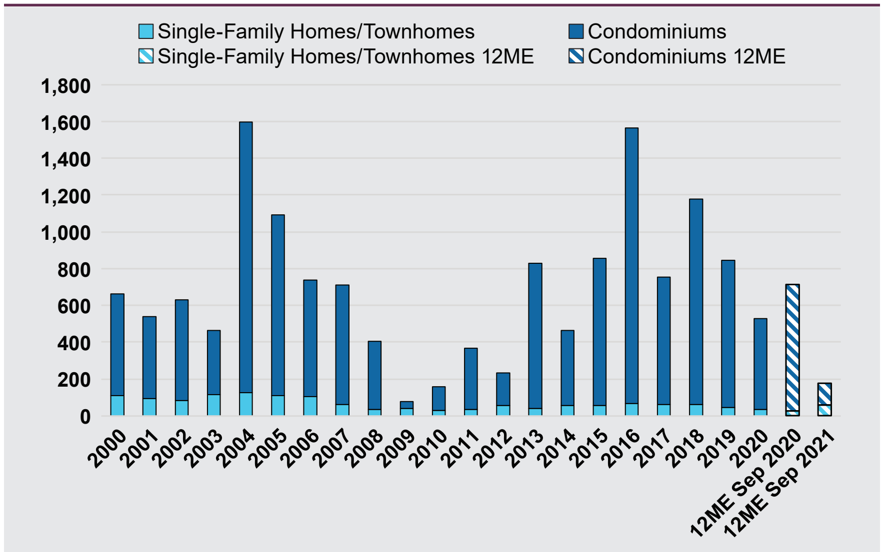
REO = real estate owned.
Source: Zonda

Sales Construction Activity

Homebuilding activity has generally increased since 2013, but fewer new homes have been permitted on an annual basis compared with the 2000-through-2008 period (Figure 17). From 2000 through 2003, an average of 570 homes were permitted annually, before rising to a peak of 1,600 homes permitted in 2004. The number of homes permitted decreased to an average of 740 annually from 2005 through 2008 before declining further to an average of 210 homes permitted annually from 2009 through 2012 in response to the national housing market downturn. Production began to rise the following year, and from 2013 through 2019—a period that included economic expansion and net in-migration—homebuilding activity increased to an average of 930 homes annually. During the 12 months ending September 2021, approximately 180 homes were permitted, down 75 percent from the 710 homes permitted during the same period the previous year. From 2000 through 2012, approximately 83 percent of all homes permitted were condominiums, but since 2013, that share has risen to 94 percent, partly because building a single-family home has become increasingly expensive.

Nearly 88 percent of the new condominiums permitted since 2013, and 91 percent of the approximately 940 condominiums under construction, are in the city of Boston. In the Back Bay neighborhood, just south of downtown Boston, construction began on the 146-condominium and 147-hotel room Raffles Boston Back Bay Hotel & Residences in the fall of 2019. After construction stalled for 10 weeks with the onset of the COVID-19 pandemic, the 35-story building is expected to be complete at the end of 2022 and will include seven affordable homes and a contribution of more than $13 million to support additional affordable housing in Boston. The property features one- to three-bedroom homes; sales prices range from $1 million to $50 million. Map 1 shows condominiums currently under construction in the HMA.

Figure 17. Average Annual Sales Permitting Activity in the Suffolk County Submarket

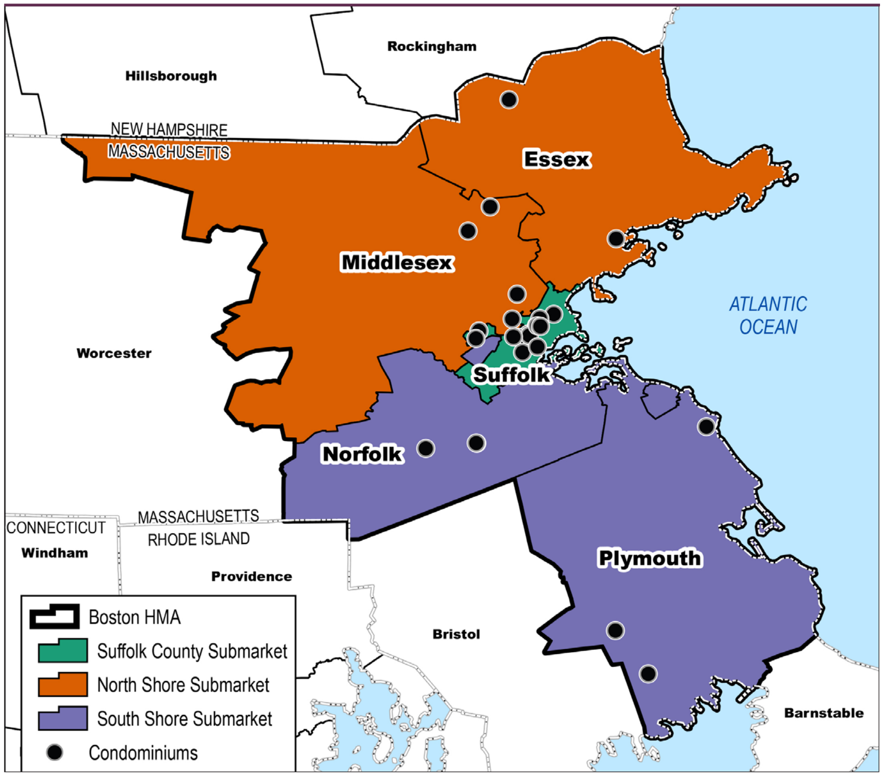


12ME = 12 months ending.
Sources: U.S. Census Bureau, Building Permits Survey; 2000–2020 final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

Forecast

During the next 3 years, demand is estimated for 2,200 new homes in the Suffolk County submarket (Table 7). The 960 homes currently under construction will meet a portion of the demand during the forecast, although the sales

Map 1. Condominiums Under Construction in the Boston HMA



Source: McGraw-Hill Construction Pipeline database, with adjustments by the analyst market is likely to further tighten if home sales construction declines. Demand is expected to increase each year of the forecast period because of resumed net in-migration as the economy recovers from the pandemic-related disruption.

Table 7. Demand for New Sales Units in the Suffolk County Submarket During the Forecast Period

	Sales Units
Demand	2,200 Units
Under Construction	960 Units

Note: The forecast period is from October 1, 2021, to October 1, 2024.
Source: Estimates by the analyst

Sales Market—North Shore Submarket

Market Conditions: Tight

The 1.4-month supply of inventory in the North Shore submarket during September 2021 is the lowest level for September since at least 2008 (CoreLogic, Inc.).

Current Conditions

The sales market in the North Shore submarket is currently tight, with an estimated vacancy rate of 0.7 percent (Table 8), down from 1.3 percent in April 2010. As of September 2021, a 1.4-month supply of homes was available for sale, down from a 2.2-month supply a year ago and a 5.4-month supply in 2010 (CoreLogic, Inc.); the inventory of homes for sale has been less than 3 months since 2012. Despite the persistently low supply of for-sale inventory, home sales in the submarket rose 11 percent during the 12 months ending September 2021, the fastest increase in the HMA, to 29,100 homes (Zonda). The increase in home sales during the 12 months ending September 2021 reflected an increase of 14 percent in regular resales but declines of 29 and 60 percent in REO and new home sales, respectively. By comparison, home sales decreased 4 percent during the 12 months ending September 2020. Condominium sales accounted for less than one-third of home sales during the most recent 24-month period, a proportion similar to the 2005-through-2019 period. The submarket is the second-most expensive submarket in the HMA, with an average sales price of $700,800, up 13 percent during the 12 months ending September 2021 and accelerating from an 8-percent increase during the same period 1 year earlier. Home sales prices for all sales types increased (Figure 18), ranging from a 13-percent increase in regular resale prices to a 32-percent increase for new home sales prices. Nearly 30 percent of the homes sold were $750,000 or more during the 12 months ending September 2021 (Figure 19).

Table 8. Home Sales Quick Facts in the North Shore Submarket

		North Shore Submarket	Boston HMA
Home Sales Quick Facts	Vacancy Rate	0.7%	0.8%
	Months of Inventory	1.4	1.5
	Total Home Sales	29,100	53,850
	1-Year Change	11%	11%
	New Home Sales Price	$942,300	$819,700
	1-Year Change	32%	16%
	Existing Home Sales Price	$699,100	$705,100
	1-Year Change	13%	13%
	Mortgage Delinquency Rate	1.8%	2.0%

Notes: The vacancy rate is as of the current date; home sales and prices are for the 12 months ending September 2021; and months of inventory and mortgage delinquency data are as of September 2021. The current date is October 1, 2021.
Sources: Vacancy rate—estimates by the analyst; months of inventory—CoreLogic, Inc.; HMA home sales and prices—Zonda; national home sales and prices—National Association of REALTORS® and Census Bureau/HUD

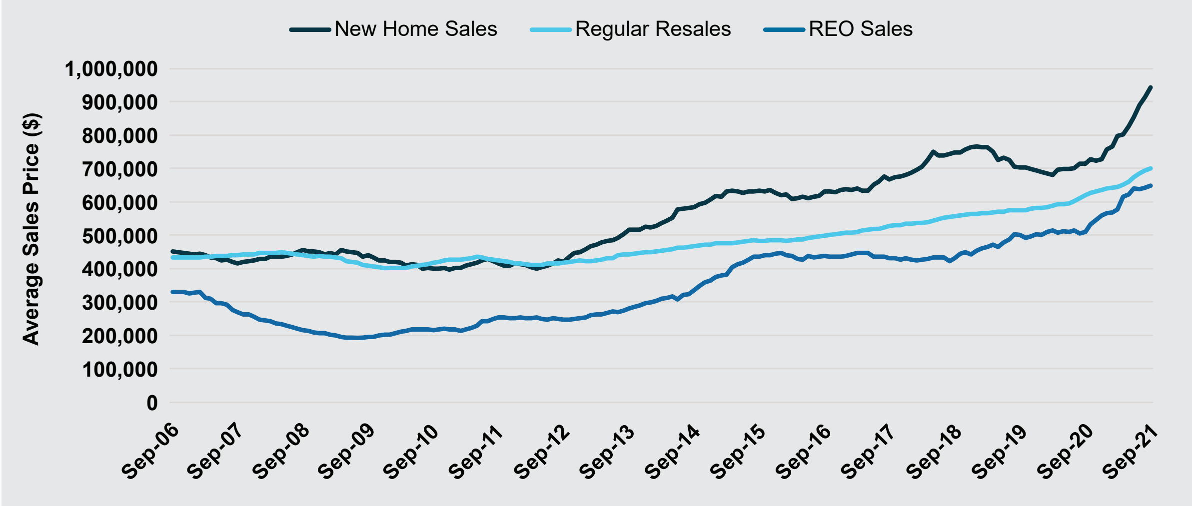
Home Sales Trends: 2005 Through 2019

Following 5 years of growth, home sales slowed from 2017 through 2019, and the number of homes sold was below the level reached in 2005. In 2005, home sales totaled 35,300 but declined an average of 10 percent annually, to 18,650 homes in 2011 (Zonda). The decline in home sales from 2006 through 2011 reflected an average annual reduction of 12 and 17 percent in regular resale and new home sales, respectively, but a 71-percent increase in REO home sales. During the period, REO sales rose from 90 in 2005 to 2,325 in 2011 (Figure 20), or 12 percent of total sales. Subsequently, home sales rose at an average annual rate of 10 percent, to 29,500, by 2016 in response to economic growth and a shift to net in-migration. The gain in sales resulted from average annual 11- and 1-percent increases in regular resales and new home sales, to 26,900 and 680, respectively, offsetting an average 4-percent annual reduction in REO home sales to 1,925. From 2017 through 2019, home sales declined an average of 2 percent a year, to 27,500 by 2019, reflecting average annual decreases of 1, 28, and 9 percent, respectively, for regular resales, REO sales, and new home sales, partly in response to increasing home sales prices. By the end of 2019, REO sales represented nearly 3 percent of total sales.

Home Sales Price Trends: 2005 Through 2019

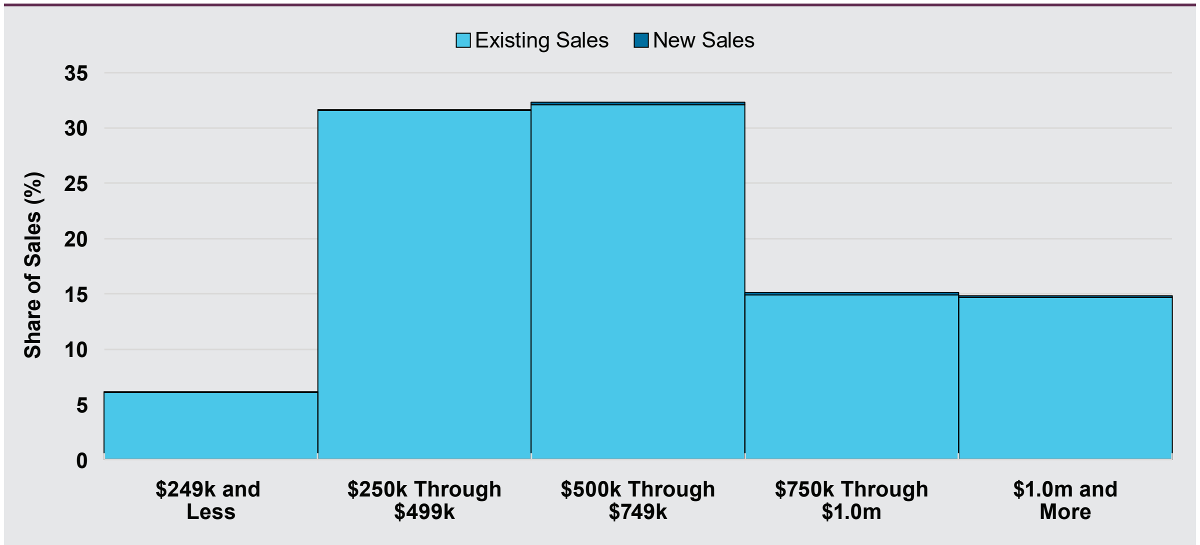
Home sales prices in the submarket increased from 2012 through 2019, following a period that included the local housing market downturn. For context, from 2006 through 2011, when the inventory of homes for sale was higher than 3 months, the average home sales price declined at an average annual rate of 2 percent. At the same time, prices for regular resale homes, REO homes, and new homes decreased. By comparison, from 2012 through 2019, with an expanding economy and increased population growth contributing to increased demand, home

Figure 18. 12-Month Average Sales Price by Type of Sale in the North Shore Submarket



REO = real estate owned.
Source: Zonda

Figure 19. Share of Overall Sales by Price Range During the 12 Months Ending September 2021 in the North Shore Submarket



Source: Zonda

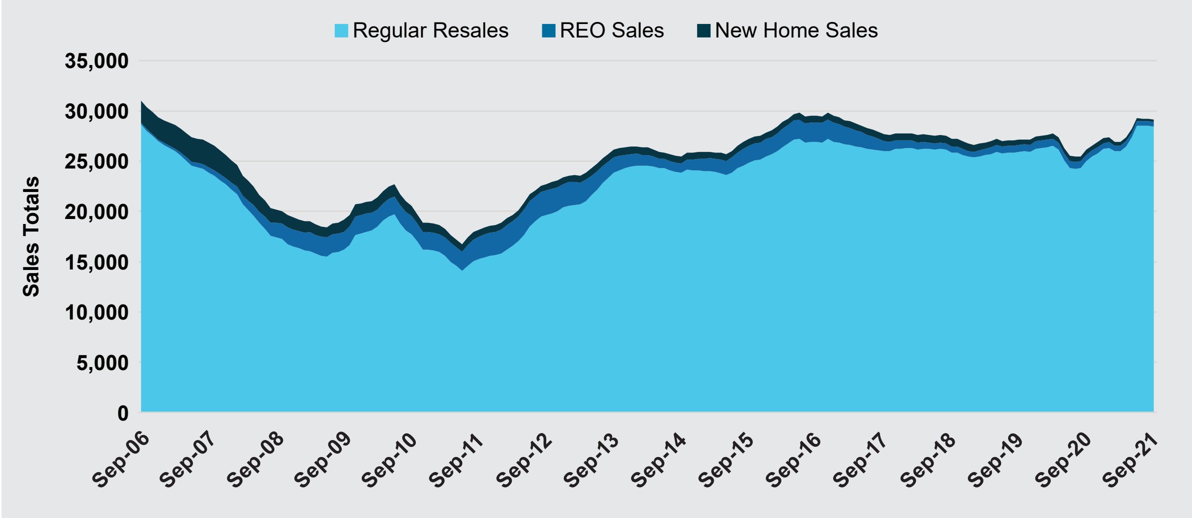
sales prices increased an average of 5 percent a year, to $581,000, with the sales price growing for every housing type.

Sales Construction Activity

Since 2007, fewer new homes have been permitted on an annual basis compared with the 2000-through-2006 period (Figure 21), despite stronger population growth. From 2000 through 2006, an average of 3,900 homes were permitted annually, but permitting decreased to an average of 2,100 homes annually from 2007 through 2009, when economic uncertainty associated with the Great Recession contributed to limited demand. When the economy began recovering and population growth strengthened, demand for additional sales housing rose, and construction increased to an average of 2,575 homes a year from 2010 through 2019. During the 12 months ending September 2021, permitting rose by 125 homes, or 6 percent, from a year ago, to nearly 2,125 homes. Construction increased recently, in part because of demand stemming from impacts from the pandemic. Some local builders reported increased demand in the suburban areas during the pandemic because buyers sought additional space to accommodate home offices and virtual schooling. Since 2000, condominium construction has accounted for 17 percent of total sales permitting activity.

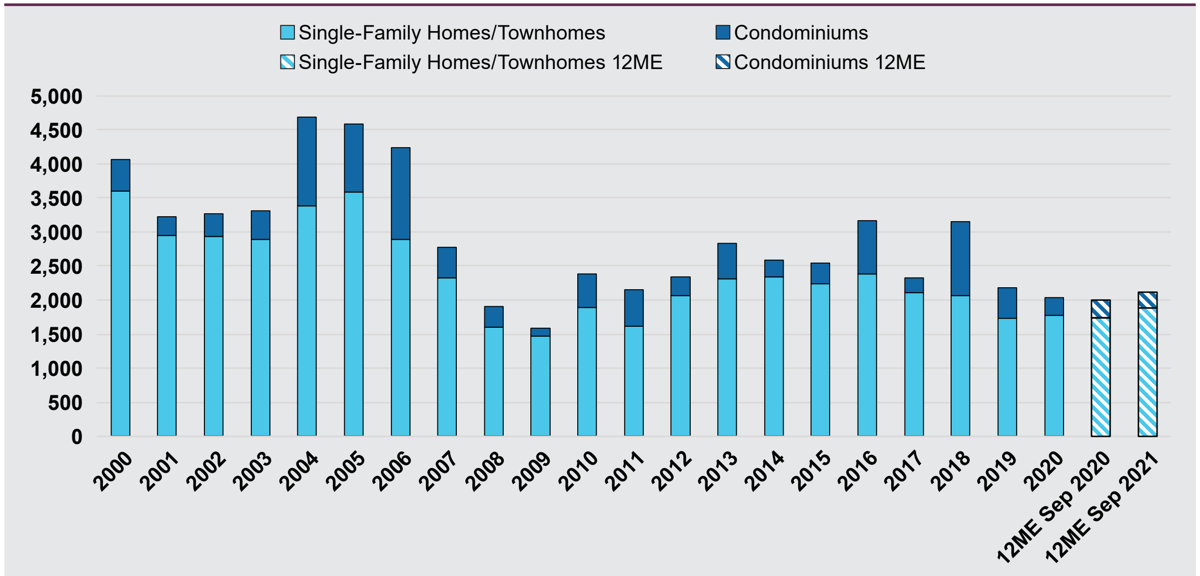
Since 2010, approximately 70 percent of new single-family home and townhome construction has occurred in Middlesex County, and home

Figure 20. 12-Month Sales Totals by Type in the North Shore Submarket



REO = real estate owned.
Source: Zonda

Figure 21. Average Annual Sales Permitting Activity in the North Shore Submarket



12ME = 12 months ending.
Sources: U.S. Census Bureau, Building Permits Survey; 2000–2020 final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

construction in the county has been widespread. In the county, 19 miles northwest from downtown Boston, in the city of Billerica, is the Sumner Farms community, which was established in 2013. With 61 homes expected at build-out, approximately one-third have been built and sold. Home prices start at $1.10 million for a nearly 3,000-square-foot home. At a more moderately priced master-planned community, Legacy Farms in Hopkinton, 27 miles southwest of downtown Boston, prices start at $684,000 for a two-bedroom, 2,279-square-foot home. Construction of the community began in 2012; 700 single-family homes and townhomes are expected at completion.

Forecast

During the next 3 years, demand is estimated for 8,650 homes in the North Shore submarket (Table 9), with demand rising slightly in each successive year of the forecast because of an expected economic recovery from the impact of COVID-19. The 1,450 homes under construction will meet a portion of the demand.

Table 9. Demand for New Sales Units in the North Shore Submarket During the Forecast Period

	Sales Units
Demand	8,650 Units
Under Construction	1,450 Units

Note: The forecast period is from October 1, 2021, to October 1, 2024.
Source: Estimates by the analyst

Sales Market—South Shore Submarket

Market Conditions: Tight

High demand and low inventory of homes for sale in the South Shore submarket contributed to a 14-percent increase in the average price of a home sold during the 12 months ending September 2021 (Zonda).

Current Conditions

The sales market in the South Shore submarket is currently tight, with an estimated sales vacancy rate of 0.8 percent (Table 10), down from 1.3 percent

Table 10. Home Sales Quick Facts in the South Shore Submarket

		South Shore Submarket	Boston HMA
Home Sales Quick Facts	**Vacancy Rate**	0.8%	0.8%
	Months of Inventory	1.4	1.5
	Total Home Sales	18,200	53,850
	1-Year Change	7%	11%
	New Home Sales Price	$714,100	$819,700
	1-Year Change	7%	16%
	Existing Home Sales Price	$666,900	$705,100
	1-Year Change	14%	13%
	Mortgage Delinquency Rate	2.3%	2.0%

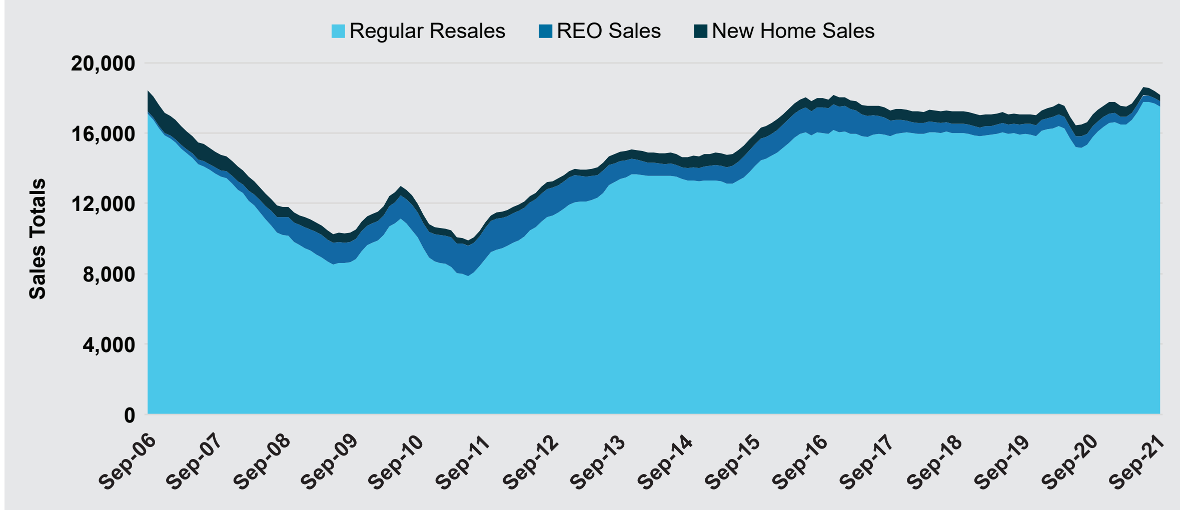
Notes: The vacancy rate is as of the current date; home sales and prices are for the 12 months ending September 2021; and months of inventory and mortgage delinquency data are as of September 2021. The current date is October 1, 2021.
Sources: Vacancy rate—estimates by the analyst; months of inventory—CoreLogic, Inc.; HMA home sales and prices—Zonda; national home sales and prices—National Association of REALTORS® and Census Bureau/HUD

in April 2010. As of September 2021, a 1.4-month supply of homes was available for sale, down from a 2.3-month supply a year ago and a 7.6-month supply in 2010 (CoreLogic, Inc.). Despite the low supply of for-sale inventory, home sales rose 7 percent during the 12 months ending September 2021 to 18,200 (Zonda). The increase in home sales during the 12 months ending September 2021 reflected an increase of 11 percent in regular resales but declines of 48 and 47 percent in REO and new home sales, respectively (Figure 22). By comparison, during the 12 months ending September 2020, home sales declined less than 1 percent because a 1-percent decline in regular resales offset 9- and 19-percent increases in REO and new home sales, respectively. During the most recent 24 months, condominium sales accounted for 20 percent of home sales, slightly below the 2005-through-2019 proportion of 21 percent, partly because of a desire to live in less urbanized areas as a result of the pandemic. This submarket is the least urbanized and least expensive of the three and has more land available to build single-family homes and townhomes. Condominium construction has increased recently, however, because of rising supply costs that make denser development more cost-effective. Only 24 percent of homes sold were $750,000 or more during the 12 months ending September 2021 (Figure 23). During the 12 months ending September 2021, the sales price averaged $667,800, reflecting a 14-percent increase, after the 8-percent increase during the same period 1 year earlier. Prices for all home sales types increased (Figure 24), including a 13-percent increase in the average price of regular resales, a 35-percent increase in the average price of REO sales, and a 7-percent increase in the average price of new home sales.

Home Sales Trends: 2005 Through 2019

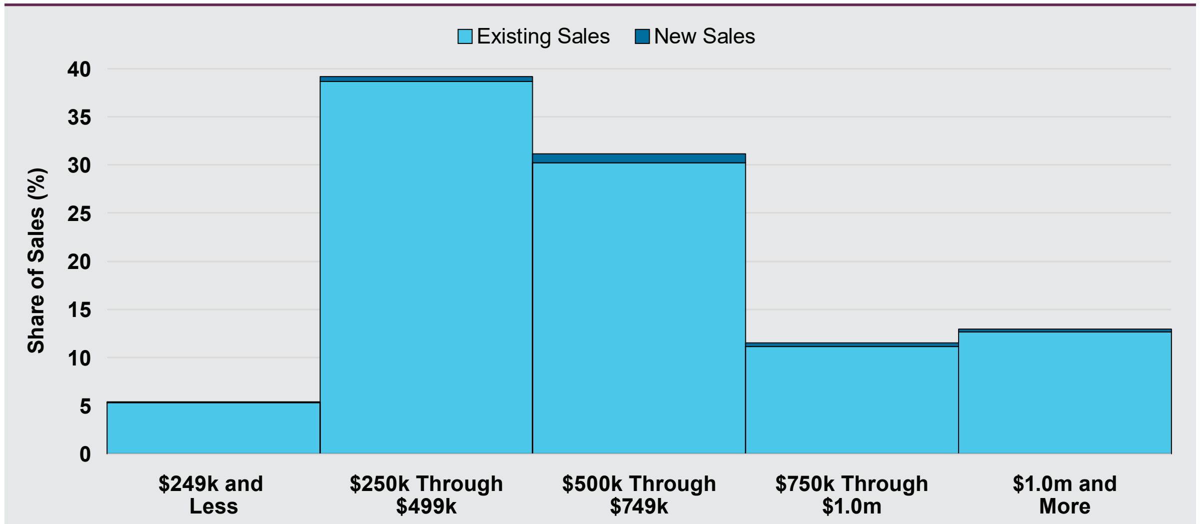
Home sales in the submarket peaked at nearly 21,000 homes sold in 2005, declined each of the 5 following years, and generally increased from 2011 through 2019. From 2006 through 2010, home sales fell an average of 13 percent annually to 10,650 homes in 2010. During the 5 years, the decline reflected an average annual reduction of 15 and 18 percent in regular resale and new home sales, respectively, but a significant increase in REO home sales. During the period, REO sales increased from 40 in 2005 to 1,500 in 2010, increasing from less than 1 percent to 14 percent of total home sales during the period. Home sales began increasing in 2011, 1 year after the economy gained momentum and 1 year earlier than in the other submarkets, partly because of net in-migration and lower home prices. From 2011 through 2019, sales fluctuated but generally

Figure 22. 12-Month Sales Totals by Type in the South Shore Submarket



REO = real estate owned.
Source: Zonda

Figure 23. Share of Sales by Price Range During the 12 Months Ending September 2021 in the South Shore Submarket



Source: Zonda

rose at an average annual rate of 6 percent to 17,300 homes. The increase resulted from average gains of 7 and 3 percent annually in regular resales and new home sales, respectively, that offset a 9-percent annual reduction in REO sales; REO sales accounted for nearly 4 percent of total sales in 2019.

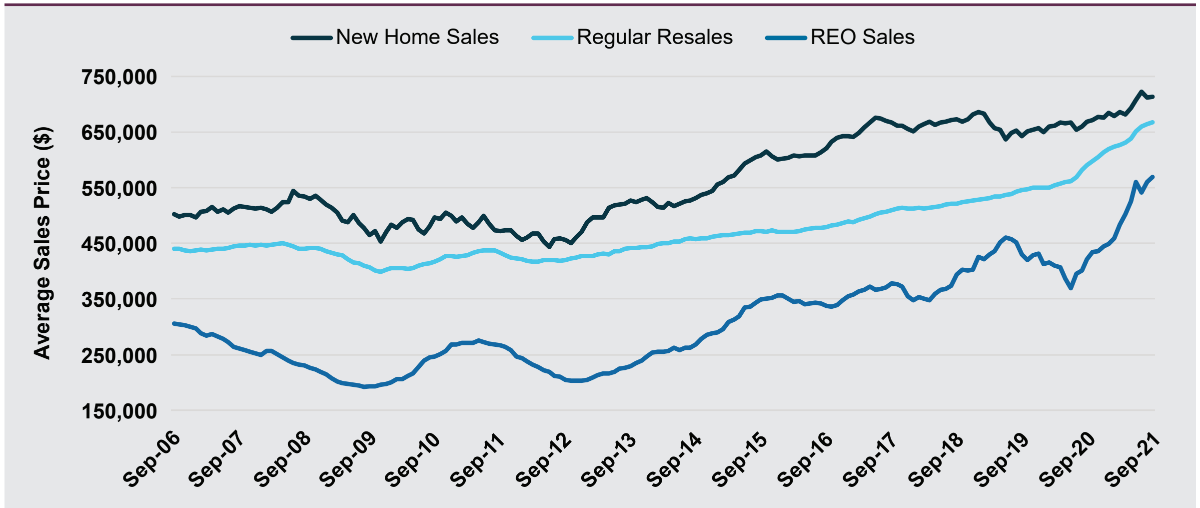
Home Sale Price Trends: 2005 Through 2019

The average home sales price in the submarket began increasing in 2012, 1 year after home sales began to rise, and continued through 2019, after generally decreasing at an average annual rate of 2 percent from 2006 through 2011, when rising REO sales put downward pressure on sales prices. From 2006 through 2011, regular resale home prices and new home sales prices each decreased an average of 1 and 2 percent a year, respectively. From 2012 through 2019, home sales prices rose an average of 4 percent a year to $549,600; the sales price increased for every housing type during the period, up an average of 3, 7, and 4 percent, annually, respectively, for regular resales, REO sales, and new home sales.

Sales Construction Activity

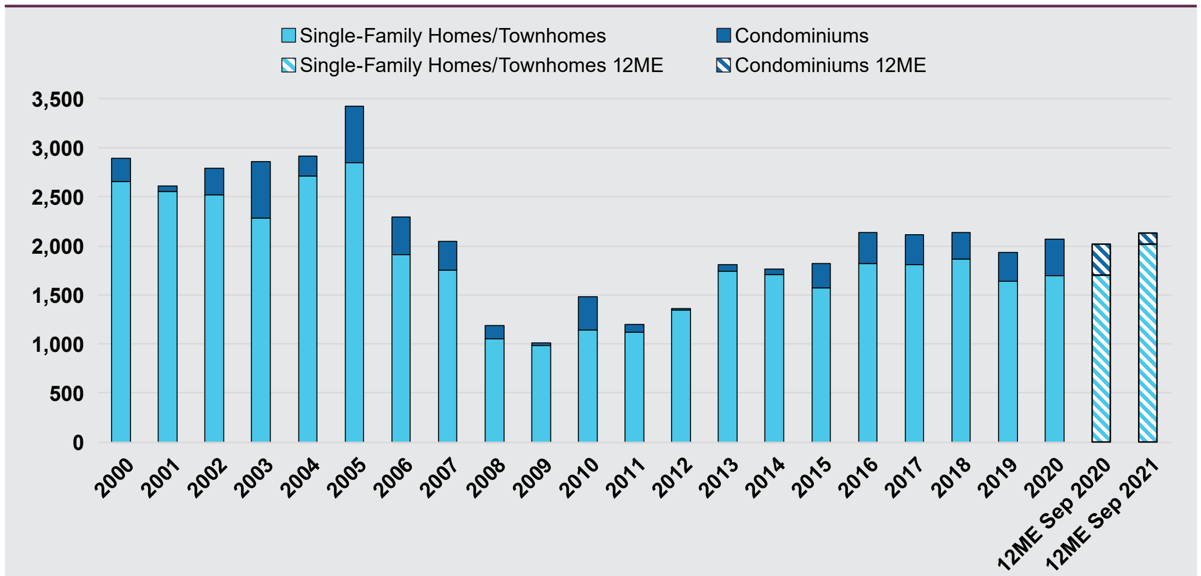
Homebuilding activity has generally increased since 2010 but has been at relatively low levels compared with the early-to-mid-2000s (Figure 25). From 2000 through 2005, an average of 2,925 homes were permitted annually. Permitting fell to an average of 2,175 homes from 2006 through

Figure 24. 12-Month Average Sales Price by Type of Sale in the South Shore Submarket



REO = real estate owned.
Source: Zonda

Figure 25. Average Annual Sales Permitting Activity in the South Shore Submarket



12ME = 12 months ending.
Sources: U.S. Census Bureau, Building Permits Survey; 2000–2020 final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

2007 and declined further to an average annual 1,100 homes during 2008 and 2009 in response to the local housing market downturn and economic contraction. As economic conditions improved and population growth accelerated, homebuilding activity rose to an average of 1,775 homes a year from 2010 through 2019. During the 12 months ending September 2021, approximately 2,125 homes were permitted, up 5 percent from the 2,025 homes permitted during the same period the previous year. From 2000 through 2014, approximately 10 percent of all homes permitted were condominiums, but since 2015, that proportion has risen to 15 percent, partly because the cost of building a single-family home has increased.

Since 2010, home construction has generally been evenly distributed between Norfolk and Plymouth counties, accounting for 43 and 57 percent, respectively, of all home construction in the submarket. Approximately 40 miles southeast of downtown Boston, in Plymouth County, in the town of Plymouth, The Pinehills—a planned community with 40 neighborhoods and approximately 2,200 completed single-family homes, apartments, and condominiums—is expected to have 6,000 homes at build-out. Home prices in the community average approximately $600,000, with the highest home price being $2 million.

Forecast

During the next 3 years, demand is estimated for 6,450 new homes (Table 11) and is expected to increase each year during the forecast period, when economic recovery shifts to economic expansion and net in-migration accelerates. The 1,250 homes currently under construction will meet a portion of the demand, but the sales market is likely to further tighten if home sales construction declines. Demand for condominiums is expected to increase as single-family home prices continue to rise, and that demand is expected to be concentrated closer to the city of Boston and mass transportation, whereas demand for most single-family homes is expected to occur farther away from the city of Boston.

Table 11. Demand for New Sales Units in the South Shore Submarket During the Forecast Period

	Sales Units
Demand	6,450 Units
Under Construction	1,250 Units

Note: The forecast period is from October 1, 2021, to October 1, 2024.
Source: Estimates by the analyst

Rental Market

Rental Market—Boston HMA

Market Conditions: Slightly Tight

The average apartment rent in the HMA rose 7 percent during the third quarter of 2021 because a 3-percent growth rate in the Suffolk County submarket was surpassed by rent growth rates of 8 and 9 percent, respectively, in the North Shore and South Shore submarkets.

Rental Market and Apartment Market Current Conditions

The overall rental market in the Boston HMA is slightly tight, with an estimated 3.6-percent vacancy rate, down from 5.8 percent in April 2010 (Table 12). Rental market conditions range from slightly tight to tight throughout the three submarkets. Given the generally limited availability of land, much of the rental inventory in the HMA consists of high-density buildings with more than five units per building, typically apartments, and that share has grown since 2010. Apartment market conditions in the HMA are tight. During the third quarter of 2021, the apartment vacancy rate was 2.7 percent, down from 4.7 percent during the third quarter of 2020 (RealPage, Inc.), when the COVID-19-related economic contraction led many renters to search for more affordable rental housing or, for those with the means and expected long-term work-from-home options, to transition into homeownership both in and outside the HMA. By comparison, the recent vacancy rate is down only slightly from the 2.9-percent rate during the third quarter of 2019, before the spread of COVID-19. During the third quarter of 2021, apartment rents rose 6 percent to $2,545, the eighth highest rent in the nation by metropolitan area, compared with a 3-percent decline during the third quarter of 2020.

Table 12. Rental and Apartment Market Quick Facts in the Boston HMA

Rental Market Quick Facts		2010 (%)	Current (%)
	Rental Vacancy Rate	5.8	3.6
		2010 (%)	2019 (%)
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	13.0	12.0
	Multifamily (2–4 Units)	39.0	35.0
	Multifamily (5+ Units)	48.0	52.0
	Other (Including Mobile Homes)	0.2	0.4
Apartment Market Quick Facts		2021 Q3	YoY Change
	Apartment Vacancy Rate	2.7%	-2.0
	Average Rent	$2,545	7%

YoY= year-over-year. Q3 = third quarter.
Notes: The current date is October 1, 2021. Percentages may not add to 100 due to rounding.
Sources: 2010 vacancy rate—2010 Census; current vacancy rate—estimate by the analyst; occupied rental units by structure—2010 and 2019 American Community Survey 1-year data; apartment data—RealPage, Inc.

Housing Affordability: Rental

Rental housing is modestly affordable in the Boston-Cambridge-Newton MSA (an area slightly larger than the HMA), especially for high-income earners, and rental affordability improved from 2014 to 2019. From 2014 to 2019, rents rose in the MSA due to the construction of luxury apartments, but the median income for renter households increased at a faster rate due to increased employment of highly skilled workers in the education and health services and the professional and business services sectors. In the MSA, the median gross rent rose 27 percent, and the median income for renter households increased 30 percent. As a result, the HUD Gross Rent Affordability Index, a measure of median renter household income relative to qualifying income for the median-priced rental unit, increased from 86.8 in 2014 to 89.5 in 2019 (Figure 26).

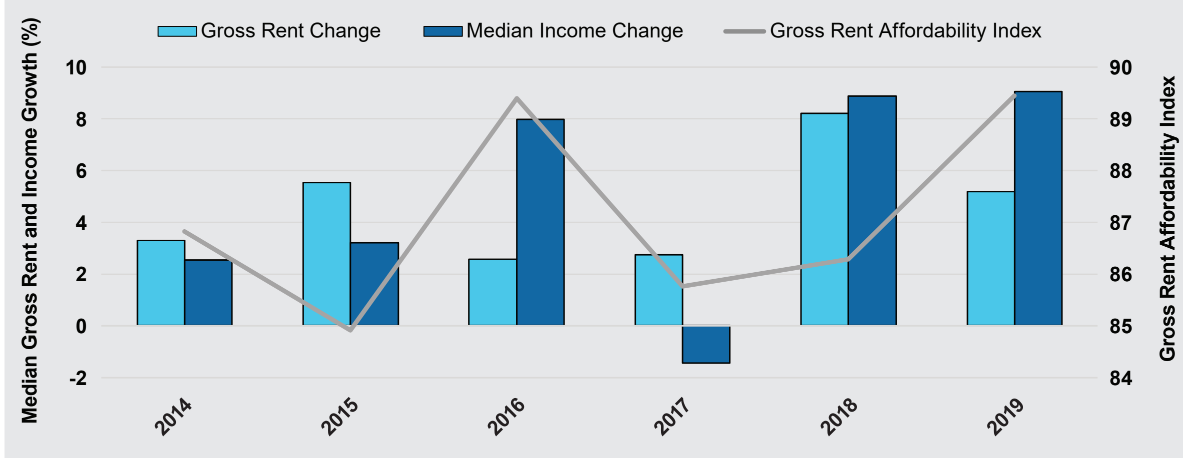
Renter Cost Burdens

Although rental housing affordability has improved somewhat since 2014, very low-income renter households in the HMA face some degree of cost burden, but those renters are in general similarly or less cost-burdened than renters nationally. Renters in the HMA are just as likely as those in the nation to experience moderate to high cost burden, and they are slightly more likely to have severe cost burden (Table 13). The portion of households in the HMA earning up to 50 percent of area median family income is less likely to experience moderate to high cost burden and considerably less likely to be exposed to severe cost burden than the national average.

Current Affordable Housing Options: LIHTC

Low-Income Housing Tax Credit (LIHTC) is the primary source of funding for new affordable rental housing in the nation. In the HMA, 3,500 LIHTC units were placed in service from 2010 through 2018. Approximately 1,700, or 48 percent, of all LIHTC units placed in service in the HMA were in the Suffolk County submarket. Recently completed LIHTC properties in the HMA include the new transit-oriented, 27-unit Residences at Fairmount Station in the city of Boston, with 24 of those units restricted to households earning up to 60 percent of the AMI and 3 units designated for households at or below 70-percent AMI. The property is part of the *Imagine Boston 2030* plan to increase the number of income-restricted units in the city to 70,000 from the current 55,800 (Income Restricted Housing in Boston, 2020).

Figure 26. Boston-Cambridge-Newton MSA Gross Rent Affordability Index



MSA = metropolitan statistical area.
Notes: Rental affordability is for the larger Boston MSA. The Gross Rent Affordability Index differs from the HUD Rental Affordability Index published on the U.S. Housing Market Conditions website in that it is based on combined rent and utilities expenditure.
Source: American Community Survey 1-year data

Table 13. Percentage of Cost-Burdened Renter Households by Income in the Boston HMA, 2019

	Moderate to High Cost Burden: 31–50 Percent of Income Toward Housing Costs		Severe Cost Burden: 51 Percent or More of Income Toward Housing Costs	
	Boston HMA	Nation	Boston HMA	Nation
Renter Households with Income <50% HAMFI	24.2	24.7	46.2	51.2
Total Renter Households	21.8	21.8	22.7	22.6

HAMFI = HUD-adjusted area median family income.
Sources: 2019 American Community Survey 5-year estimates (huduser.gov); Consolidated Planning/CHAS Data

Policy Initiatives

Policy initiatives are in place to address affordability concerns, particularly among those lower income households that are more likely to be cost-burdened. In the city of Boston, income-restricted housing is created and maintained by a combination of federal, state, and city funds. The city invests approximately $50 million a year toward the preservation of existing and the production of new income-restricted housing through the General Fund, Inclusionary Development Policy, Community Preservation Act, and Neighborhood Jobs Trust funds.

Homelessness

In the HMA, approximately 12,400 people were homeless in 2020, accounting for nearly 69 percent of the homeless population in Massachusetts (Point-in-Time Count). Approximately 6,125 people, or nearly one-half of the homeless population in the HMA, were in the Suffolk County submarket. Of the number of homeless people in the HMA and the submarket, 6 and 2 percent, respectively, were unsheltered. By comparison, approximately 7 percent of homeless persons in Massachusetts were unsheltered.

Forecast

During the 3-year forecast period, demand is expected for 34,675 new rental units (Table 14). The 16,450 units under construction are expected to meet a portion of that demand. Rental demand is expected to increase slightly in the second and third years of the forecast period as economic growth recovers from the pandemic-related disruption.

Table 14. Demand for New Rental Units in the Boston HMA During the Forecast Period

Rental Units	
Demand	34,675 Units
Under Construction	16,450 Units

Note: The forecast period is October 1, 2021, to October 1, 2024.
Source: Estimates by the analyst

Rental Market—Suffolk County Submarket

Market Conditions: Slightly Tight

The average apartment rent increased 3 percent during the past year to $3,076, equal to the average rent during the third quarter of 2019, before the impact of COVID-19.

Rental Market Current Conditions and Recent Trends

Rental housing market conditions in the Suffolk County submarket are slightly tight, with an estimated overall rental vacancy rate of 4.2 percent, down from 5.3 percent in April 2010 (Table 15). The inventory of occupied rental housing is generally large apartment complexes, given the limited developable land in the submarket. In 2019, approximately 55 percent of all renter households

Table 15. Rental and Apartment Market Quick Facts in the Suffolk County Submarket

		2010 (%)	Current (%)
Rental Market Quick Facts	**Rental Vacancy Rate**	5.3	4.2
		2010 (%)	**2019 (%)**
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	8.0	7.0
	Multifamily (2–4 Units)	40.0	38.0
	Multifamily (5+ Units)	52.0	55.0
	Other (Including Mobile Homes)	0.2	0.5
		2021 Q3	**YoY Change**
Apartment Market Quick Facts	**Apartment Vacancy Rate**	2.9%	-3.6
	Average Rent	$3,076	3%

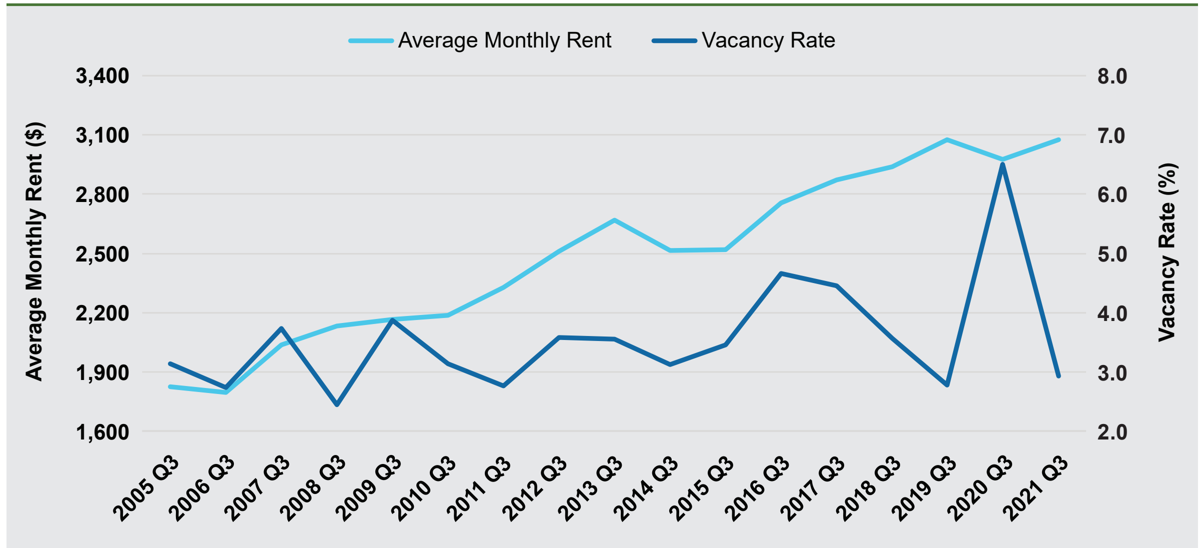
YoY= year-over-year.
Notes: The current date is October 1, 2021. Percentages may not add to 100 due to rounding.
Sources: 2010 vacancy rate—2010 Census; current vacancy rate—estimate by the analyst; occupied rental units by structure—2010 and 2019 American Community Survey 1-year data; apartment data—RealPage, Inc.

resided in buildings with five or more units, up from 52 percent during 2010 (ACS 1-year data). A substantial portion of the rental-occupied housing in the submarket consists of units in buildings with two to four units, 38 percent, down from 40 percent in 2010. Those denser building types are more common in older, urbanized areas that were built before the automobile was widely owned. Approximately 7 percent of renter households resided in single-family homes in 2019, down from 8 percent in 2010.

Apartment Market Current Conditions and Recent Trends

The apartment market in the submarket is tight and has generally been tight since the third quarter of 2005. During the third quarter of 2021, the apartment vacancy rate was 2.9 percent, down significantly from 6.5 percent during the third quarter of 2020 (RealPage, Inc.; Figure 27) because residents, workers, and students returned to the submarket when offices and universities reopened. During the third quarter of 2021, apartment rents rose 3 percent, to $3,076, compared with a 3-percent decline during the third quarter of 2020. The recent vacancy rate is up slightly from the 2.8-percent rate during the third quarter of 2019—the third lowest vacancy rate since 2005, following third quarter rates of 2.8 percent or less in 2006, 2008, and 2011, when apartment construction activity was low. From 2006 through 2011, the third quarter rent increased at an average annual rate

Figure 27. Apartment Rents and Vacancy Rates in the Suffolk County Submarket



Q3 = third quarter.
Source: RealPage, Inc.

of 4 percent to $2,330. Following that period, the apartment vacancy rate was generally stable from the third quarters of 2012 through 2015, fluctuating between 3.1 and 3.6 percent before rising to 4.7 and 4.5 percent, respectively, in 2016 and 2017, when apartment construction rose to peak levels; the vacancy rate returned to 3.6 percent by the third quarter of 2018. From the third quarter of 2012 through the third quarter of 2018, the average rent increased an average of 3 percent annually to $2,940.

Current Apartment Market Conditions by Market Area

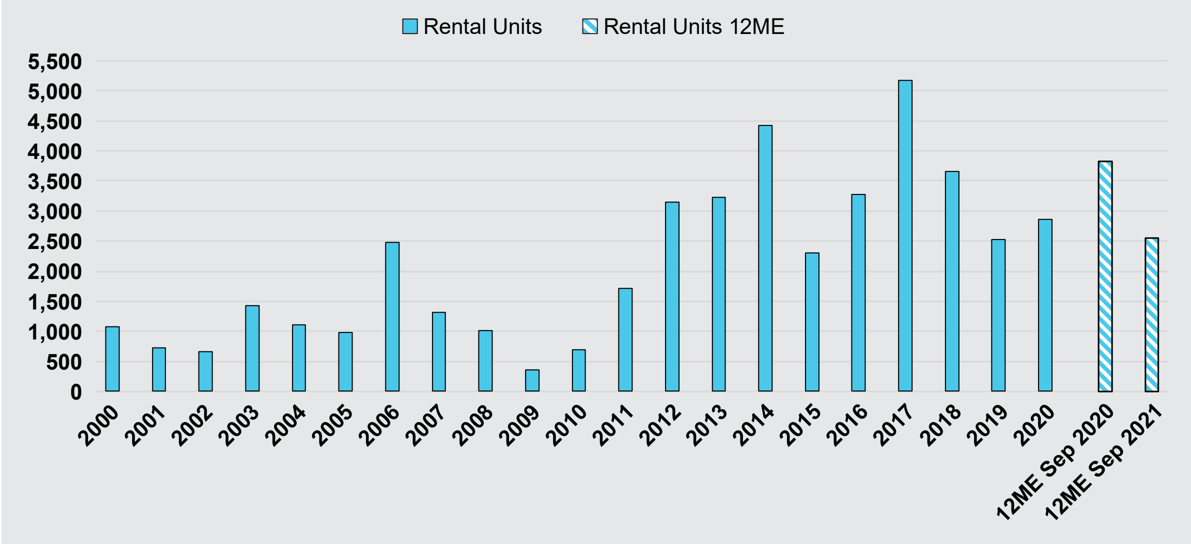
Tightening apartment market conditions in the submarket during the third quarter of 2021 caused a 5.4-percentage point decline in the vacancy rate, to 2.6 percent, in the RealPage, Inc.-defined Intown Boston market area, an area largely inhabited by early-to-mid-career adults. In addition, the vacancy rate declined 2.9 percentage points, to 2.8 percent, in the Fenway/Brookline/Brighton market area, an area heavily affected by the student population. The vacancy rates declined because residents, workers, and students returned to those areas in response to the reopening of offices and universities. During the period, average rents rose 6 and 2 percent, respectively, to $3,673 and $3,286, the two highest average rents in the HMA. At the same time, the vacancy rates fell 1.6 and 1.7 percentage points, respectively, in both the Chelsea/Revere/Charleston and the Southwest Boston market areas, which are less expensive, to 3.2 and 3.8 percent, respectively.

Rental Construction

Rental construction, as measured by the number of rental units permitted, declined recently, but it has been at an elevated level since 2011 (Figure 28). An average of 1,075 rental units were permitted annually from 2000 through 2010, a period that included moderate population growth. In 2011, when population growth accelerated because of a shift to net in-migration, rental construction began increasing. Rental permitting increased an average of 37 percent each year, from 1,725 in 2011 to 4,425 units in 2014, before declining to 2,300 units in 2015. Permitting rose in 2016 to 3,275 and rose further to a peak of 5,175 rental units in 2017. In 2018 and 2019, the number of units permitted decreased an average of 30 percent annually to 2,525 units. During the 12 months ending September 2021, approximately 2,550 rental units were permitted—down 33 percent from the 3,825 units permitted during the 12 months ending September 2020 (preliminary data, with adjustments by the analyst).

Rental construction since 2011 has been concentrated in and around downtown Boston, near Massachusetts Bay Transportation Authority (MBTA) train stations. In the Southwest Boston market area, the transit-oriented The Loop at Mattapan Station is currently underway. When complete in May 2022, the property will include 135 income-restricted units, of which 18, 47, 28, and 42 units, respectively, will be for tenants making up to 30, 50, 60, and 80 percent of AMI. In the Fenway/Brookline/Brighton market area, northwest of downtown Boston, construction on the 451-unit market-rate Scape Boylston began in November 2020 and is expected to be complete in 2023. Originally intended as a dormitory to support the large student population in the market area, the developer pivoted to apartments because of neighborhood opposition. In the Intown Boston market area, The Alyx at EchelonSeaport, a 270-unit luxury apartment building, was completed in 2020 and is currently in lease up; the property features studios and one-, two-, and three-bedroom units, with rents starting at $2,402, $2,920, $4,582, and $9,673, respectively. The property is the final phase at EchelonSeaport, which also includes 448 condominiums. Map 2 shows apartments currently under construction in the submarket.

Figure 28. Average Annual Rental Permitting Activity in the Suffolk County Submarket

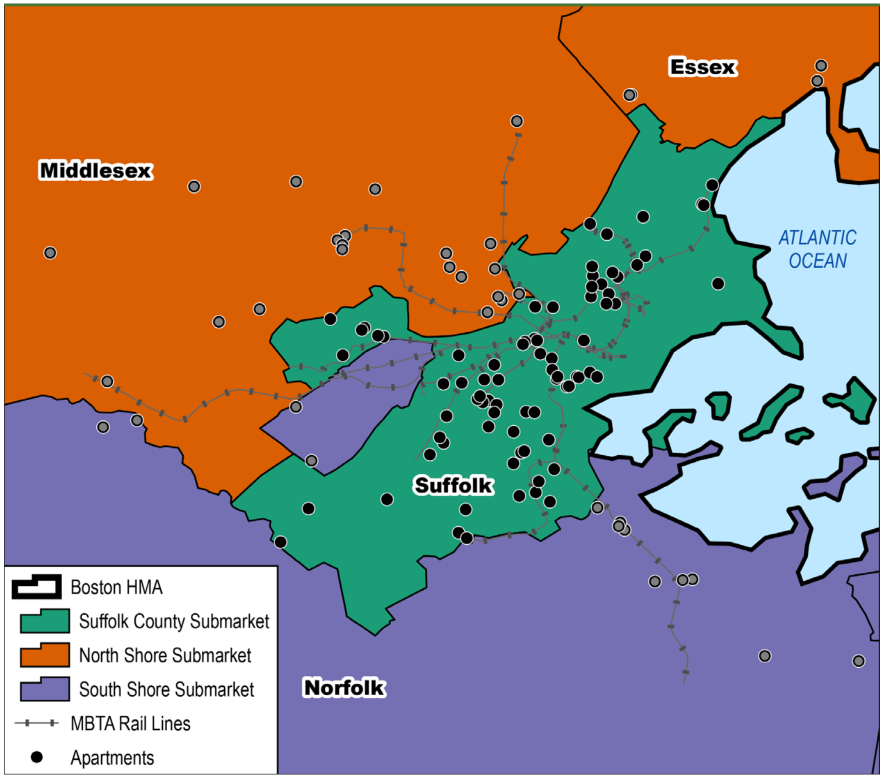


12ME = 12 months ending.

Notes: Includes apartments and units intended for rental occupancy. Rental housing permits are not spread evenly throughout the year and do not vary in a consistent seasonal pattern leading to wide variations in the 12ME figures.

Sources: U.S. Census Bureau, Building Permits Survey; 2000–2020 final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

Map 2. Apartments Under Construction in the Suffolk County Submarket



Source: McGraw-Hill Construction Pipeline database, with adjustments by the analyst

Forecast

During the 3-year forecast period, demand is estimated for 11,000 new rental units (Table 16). The 6,175 units currently under construction will satisfy a portion of the demand. Continued economic recovery and household growth are expected to result in demand increasing each year. Rental demand is likely to continue in and near the city of Boston, along the MBTA rail lines.

Table 16. Demand for New Rental Units in the Suffolk County Submarket During the Forecast Period

	Rental Units
Demand	11,000 Units
Under Construction	6,175 Units

Note: The forecast period is October 1, 2021, to October 1, 2024.
Source: Estimates by the analyst

Rental Market—North Shore Submarket

Market Conditions: Slightly Tight

The average apartment rent in the North Shore submarket increased approximately 8 percent during the past year, which was the fastest third quarter increase in the submarket since 2006.

Rental Market Current Conditions and Recent Trends

Rental housing market conditions in the North Shore submarket are currently slightly tight, with an estimated 3.5-percent vacancy rate, down from 5.9 percent in April 2010 (Table 17). Rental market conditions have tightened since 2010, partly because of increased population growth and a shift from homeownership to renting, which began during the housing crisis. The inventory of occupied rental housing has increasingly shifted to apartment complexes with five or more units since 2010, given the tight conditions in both the sales and the rental markets throughout much of the decade, which have incentivized higher density development. As of July 2019, approximately 50 percent of all renter households resided in buildings with five or more units—up from 46 percent during 2010; roughly 36 percent of renter households lived in buildings with two to four units, down from 40 percent in 2010. An estimated 14 percent of all renter households lived in single-family homes, unchanged from 2010 (ACS 1-year data).

Apartment Market Current Conditions and Recent Trends

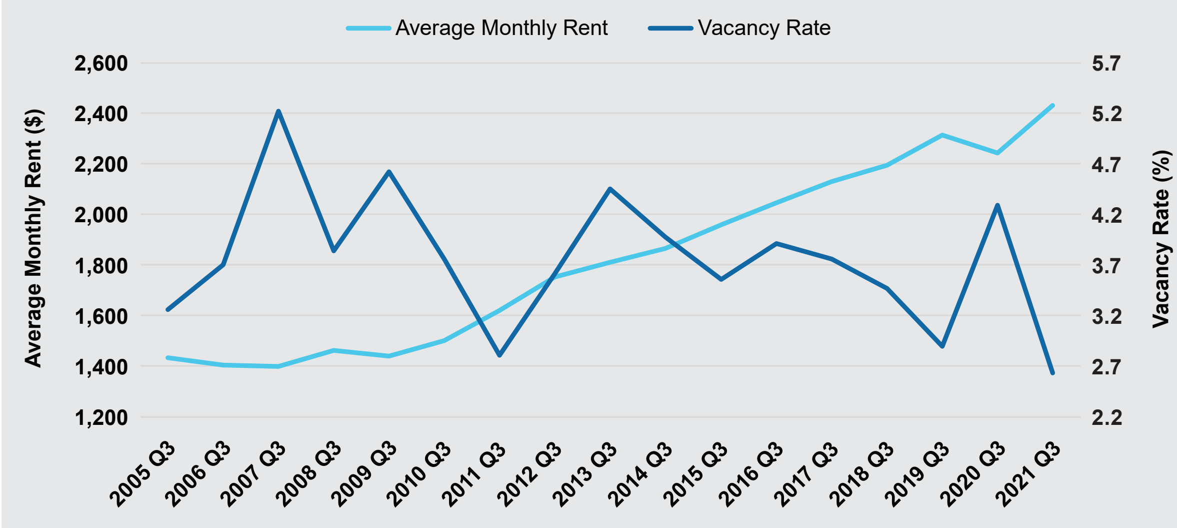
The apartment market is tight and is at the tightest level since 2011. During the third quarter of 2021, the vacancy rate was 2.6 percent, down substantially from 4.3 percent during the previous year and below the 2019 third quarter rate of 2.9 percent (RealPage, Inc.; Figure 29). During the third quarter of 2021, the average rent rose 8 percent to $2,430. Before the recent increase, the rent declined 3 percent during the third quarter of 2020. By comparison, from the third quarter of 2005 through the third quarter of 2007, when the propensity for homeownership was higher, the apartment vacancy rate rose from 3.3 to 5.2 percent despite relatively low apartment construction; the rent decreased an average of 1 percent annually, to $1,401, during the period. Following this period, the apartment vacancy rate generally declined to reach 2.8 percent during the third quarter of 2011, despite an increase in rental construction; at the same time, the rent increased an average of 4 percent annually. The third-quarter vacancy rate rose for two consecutive years to reach 4.5 percent in 2013 and fluctuated for 4 years before declining to 3.5 percent during the third quarter of 2018. The overall decline occurred despite an increase in apartment construction. From the third quarter of 2012 through the third quarter of 2018, the rent rose an average of 4 percent annually to $2,196.

Table 17. Rental and Apartment Market Quick Facts in the North Shore Submarket

Rental Market Quick Facts		2010 (%)	Current (%)
	Rental Vacancy Rate	5.9	3.5
		2010 (%)	2019 (%)
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	14.0	14.0
	Multifamily (2–4 Units)	40.0	36.0
	Multifamily (5+ Units)	46.0	50.0
	Other (Including Mobile Homes)	0.2	0.4
Apartment Market Quick Facts		2021 Q3	YoY Change
	Apartment Vacancy Rate	2.6%	-1.7
	Average Rent	$2,430	8%

YoY= year-over-year. Q3 = third quarter.
Notes: The current date is October 1, 2021. Percentages may not add to 100 due to rounding.
Sources: 2010 vacancy rate—2010 Census; current vacancy rate—estimate by the analyst; occupied rental units by structure—2010 and 2019 American Community Survey 1-year data; apartment data—RealPage, Inc.

Figure 29. Apartment Rents and Vacancy Rates in the North Shore Submarket



Q3 = third quarter.
Source: RealPage, Inc.

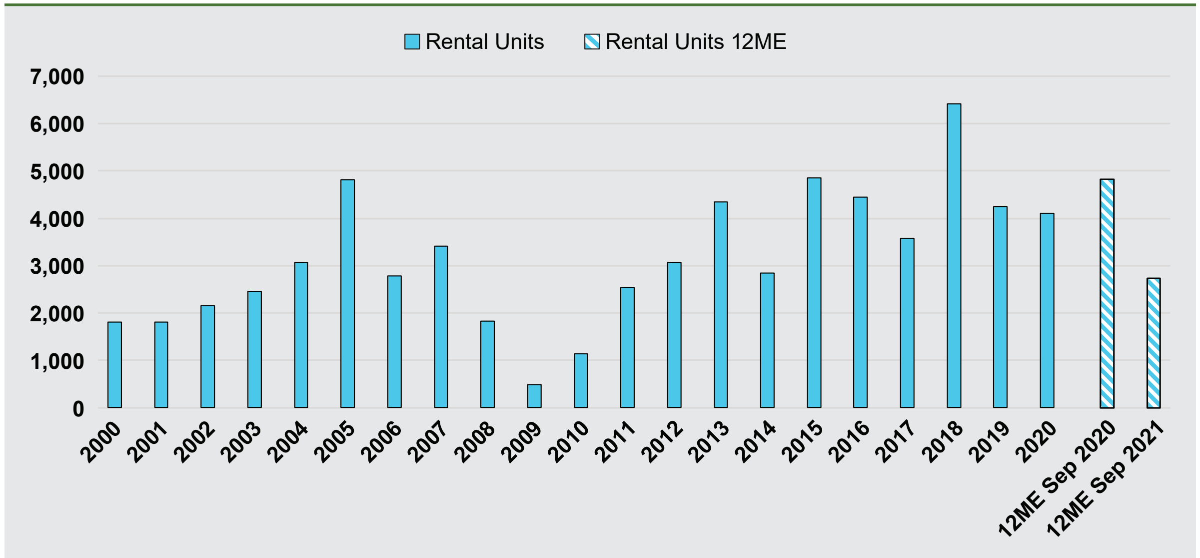
Current Apartment Market Conditions by Market Area

Apartment market conditions among the seven RealPage, Inc.-defined market areas that make up the North Shore submarket are somewhat dependent on proximity to downtown Boston. The vacancy rate fell in every market area during the third quarter of 2021. Declines were largest in the market areas nearest downtown Boston, including the Cambridge/Somerville, the Waltham/Newton/Lexington, and the East Middlesex County market areas—the third, fourth, and fifth most expensive market areas in the HMA. Those market areas include a large student population who attend nearby universities. By comparison, the North Essex market area, which is one of the farthest from downtown Boston, had the lowest average rent in the HMA, at $1,966, during the third quarter of 2021.

Rental Construction

Builders significantly scaled back the magnitude of rental construction—as measured by the number of units permitted—after the market weakened from the impact of the COVID-19 pandemic, but construction remains elevated compared with the 2000-through-2009 period (Figure 30). During the 12 months ending September 2021, approximately 2,725 units were permitted, down 43 percent from the 4,825 units permitted during the same period a year earlier (preliminary data, with adjustments by the analyst). By comparison, from 2000 through 2008, an average of 2,675 units were permitted annually, before declining to 490 units in 2009, when the local economy was affected by the Great Recession. In response to the tightening apartment market, builders increased construction after the Great Recession, and rental permitting increased an average of 33 percent a year, from 1,150 units in 2010 to a peak of 6,425 units in 2018, despite some fluctuation. In 2019, permitting declined to 4,250 units.

Figure 30. Average Annual Rental Permitting Activity in the North Shore Submarket



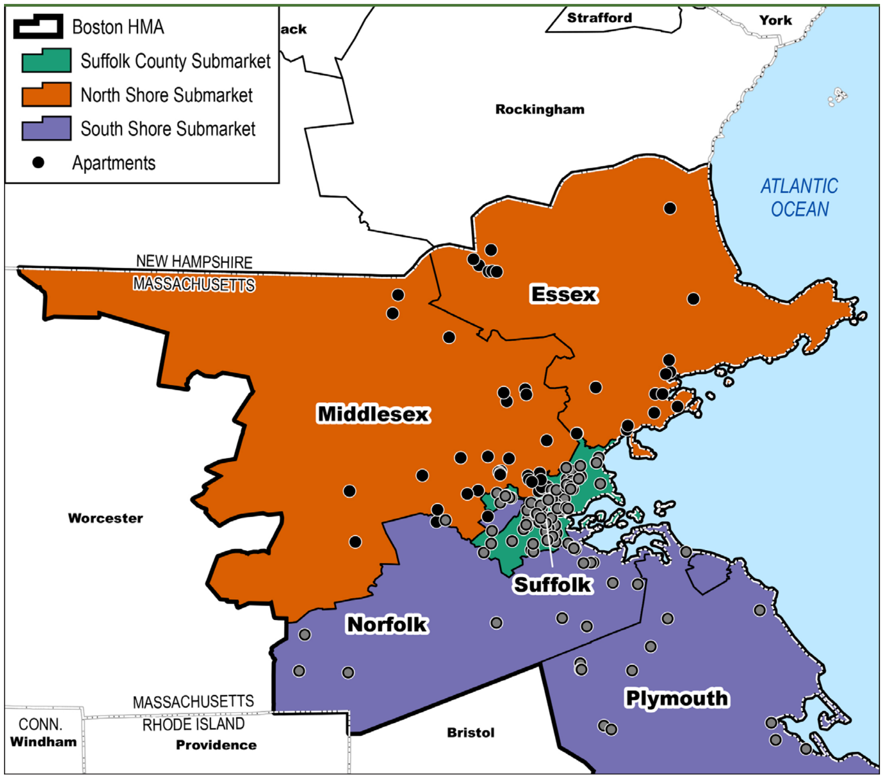
12ME = 12 months ending.
Note: Includes apartments and units intended for rental occupancy. Rental housing permits are not spread evenly throughout the year and do not vary in a consistent seasonal pattern leading to wide variations in the 12ME figures.
Sources: U.S. Census Bureau, Building Permits Survey; 2000–2020 final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

Middlesex County has accounted for nearly 80 percent of new construction in the submarket since 2010. New apartment construction has been highest in the city of Cambridge, just across the Charles River from Boston, which has accounted for approximately 17 percent of all construction in the submarket since 2010. Currently under construction in the city of Cambridge, near an MBTA transit station, is The Laurent, a seven-story luxury apartment building with 425 market-rate units and 100 affordable units for households earning up to 80 percent of AMI. Lease up is expected to begin in April 2022, and the property is expected to be complete in 2023. Map 3 shows apartments currently under construction in the submarket.

Forecast

During the next 3 years, demand is estimated for 16,900 rental units (Table 18). The 6,700 units under construction will satisfy a portion of the demand. Rental demand is expected to be greater in the second and third years of the forecast and is expected to be concentrated in the city of Cambridge, with a sizable portion targeted at students and early-to-mid-career adults.

Map 3. Apartments Under Construction in the North Shore Submarket



Source: McGraw-Hill Construction Pipeline database, with adjustments by the analyst

Table 18. Demand for New Rental Units in the North Shore Submarket During the Forecast Period

Rental Units	
Demand	16,900 Units
Under Construction	6,700 Units

Note: The forecast period is October 1, 2021, to October 1, 2024.
Source: Estimates by the analyst

Rental Market—South Shore Submarket

Market Conditions: Tight

The average apartment rent in the South Shore submarket increased nearly 9 percent during the past year, which was the fastest third quarter increase in the submarket since 2006.

Rental Market Current Conditions and Recent Trends

The rental market in the South Shore submarket is tight, with an estimated 3.2-percent vacancy rate, down from 6.2 percent in April 2010 (Table 19). Despite high levels of rental construction, accelerated population growth since the Great Recession has contributed to persistently tight market conditions. Although the submarket has the lowest proportion of renter households of any submarket in the HMA, at 28.6 percent, that proportion has grown at a more rapid pace than in the North Shore submarket since 2010. Because the submarket is the least urbanized in the HMA, it had the highest proportion of single-family homes occupied by renters of any submarket in the HMA in 2019, at 17 percent—unchanged from 2010—and the lowest percentage of renter households in buildings with two to four units, at 26 percent, down from 34 percent (ACS 1-year data). Occupied rental housing in the submarket has been shifting to larger apartments since development has increased, and in 2019, nearly 57 percent of all renter households resided in buildings with five or more units, up from 49 percent in 2010.

Apartment Market Current Conditions and Recent Trends

Apartment market conditions in the submarket are currently tight, and tight conditions have persisted during the past several years despite an increase in apartment construction since 2014. During the third quarter of 2021, the apartment vacancy rate was 2.4 percent, down from 3.5 percent a year earlier, and the average rent rose nearly 9 percent to $2,248, compared with a 1-percent decline during the third quarter of 2020 (RealPage, Inc.; Figure 31). The recent decrease in the apartment vacancy rate is partly a result of increased demand from residents that moved from more urban areas in and outside the HMA to more suburban areas. The recent vacancy rate is also down from the 2.9-percent rate during the third quarter of 2019, the previous lowest third quarter rate since 2005.

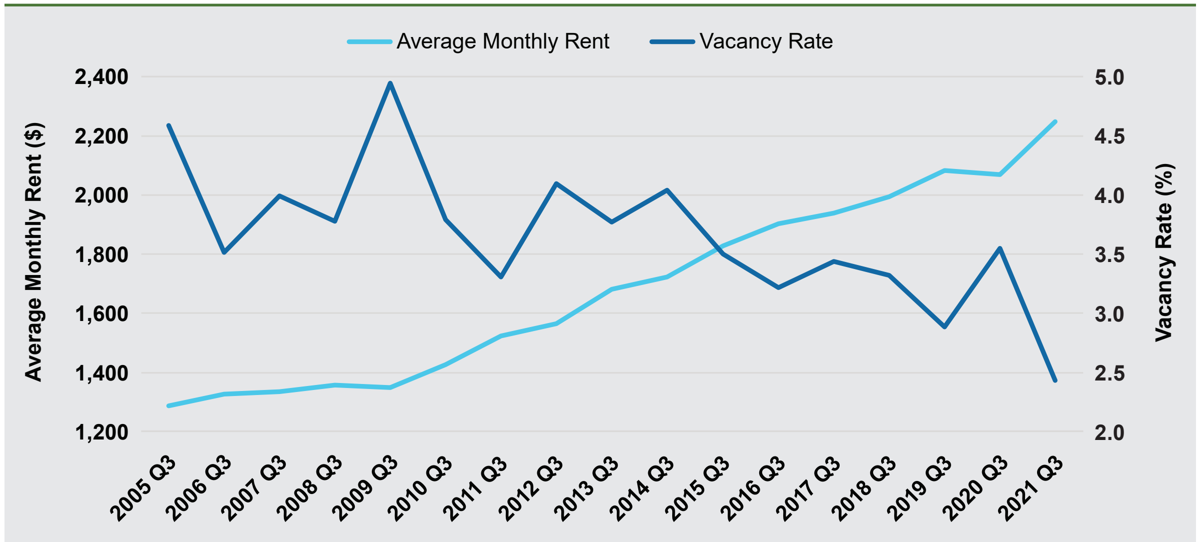
By comparison, from the third quarter of 2005 through the third quarter of 2009, the vacancy rate increased from 4.6 percent to 4.9 percent. At the same time, the rent rose an average of 1 percent annually to $1,349. Subsequently, the apartment vacancy rate fluctuated slightly between the third quarters of 2010 through 2018 but ultimately declined to 3.3 percent. The overall decline occurred despite elevated rental construction since 2014. From 2010 through 2018, the average third quarter rent growth accelerated to an average of 4 percent annually.

Table 19. Rental and Apartment Market Quick Facts in the South Shore Submarket

		2010 (%)	Current (%)
Rental Market Quick Facts	Rental Vacancy Rate	6.2	3.2
		2010 (%)	2019 (%)
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	17.0	17.0
	Multifamily (2–4 Units)	34.0	26.0
	Multifamily (5+ Units)	49.0	57.0
	Other (Including Mobile Homes)	0.1	0.0
Apartment Market Quick Facts		2021 Q3	YoY Change
	Apartment Vacancy Rate	2.4%	-1.1
	Average Rent	$2,248	8.6%

YoY= year-over-year. Q3 = third quarter.
Notes: The current date is October 1, 2021. Percentages may not add to 100 due to rounding.
Sources: 2010 vacancy rate—2010 Census; current vacancy rate—estimate by the analyst; occupied rental units by structure—2010 and 2019 American Community Survey 1-year data; apartment data—RealPage, Inc.

Figure 31. Apartment Rents and Vacancy Rates in the South Shore Submarket



Q3 = third quarter.
Source: RealPage, Inc.

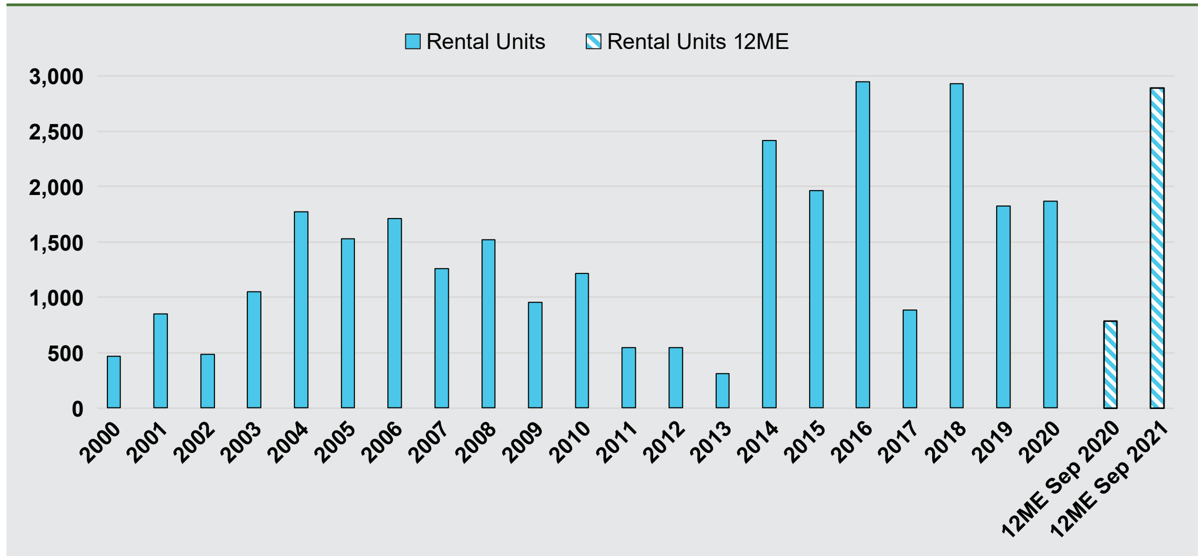
Current Apartment Market Conditions by Market Area

During the third quarter of 2021, apartment market conditions tightened in the three RealPage, Inc.-defined market areas that compose the submarket, with decreases in apartment vacancy rates and increases in rents. Declines of 0.2, 1.1, and 1.9 percentage points in the vacancy rates occurred in the Plymouth, Quincy, and West Norfolk market areas to 1.4, 2.8, and 2.4 percent, respectively. Rents vary much less in this submarket, depending on location, compared with the North Shore submarket. The Quincy market area, which is located along several rail lines of the MBTA, has an average rent of $2,308, whereas the West Norfolk County and the Plymouth County market areas have average rents of $2,296 and $1,985, respectively.

Rental Construction

Construction of new rental units, as measured by the number of rental units permitted, has been elevated since 2014 (Figure 32). Before 2014, construction levels were significantly lower, averaging 1,175 units a year from 2000 through 2010, which decreased further, to an average of 470 units a year, from 2011 through 2013. Low levels of apartment construction, along with population and job growth following the Great Recession, contributed to a tightening rental market. Developers responded to the tightening conditions with rising levels of new construction;

Figure 32. Average Annual Rental Permitting Activity in the South Shore Submarket



12ME = 12 months ending.
Note: Includes apartments and units intended for rental occupancy. Rental housing permits are not spread evenly throughout the year and do not vary in a consistent seasonal pattern leading to wide variations in the 12ME figures.
Sources: U.S. Census Bureau, Building Permits Survey; 2000–2020 final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

from 2014 through 2016, an average of 2,425 units were permitted annually. Rental permitting declined to 880 in 2017, allowing for the absorption of recently completed units, before increasing to an average of 2,375 units during 2018 and 2019, as the rental market again tightened. During the 12 months ending September 2021, approximately 2,875 rental units were permitted, nearly four times the 780 units permitted during the previous 12-month period (preliminary data, with adjustments by the analyst).

Since 2014, rental construction has generally been distributed evenly between Norfolk and Plymouth counties. The city of Quincy, in Norfolk County, has accounted for 20 percent of construction in the submarket during the period. One of the largest properties currently under construction in Quincy is the Ashlar Park, less than one-half mile from the MBTA train station. When complete in 2024, the property will include 465 market-rate units in seven buildings, including a building for residents age 55 and older. In the city of Brockton, in Plymouth County, which has accounted for 3 percent of construction in the submarket since 2010, three properties are under construction, including the 55-unit Anglim Building

Apartments. When complete in summer 2022, the property will include 44 market-rate units and 11 units restricted to renters earning up to 80 percent of AMI. Map 4 shows apartments currently under construction in the submarket.

Forecast

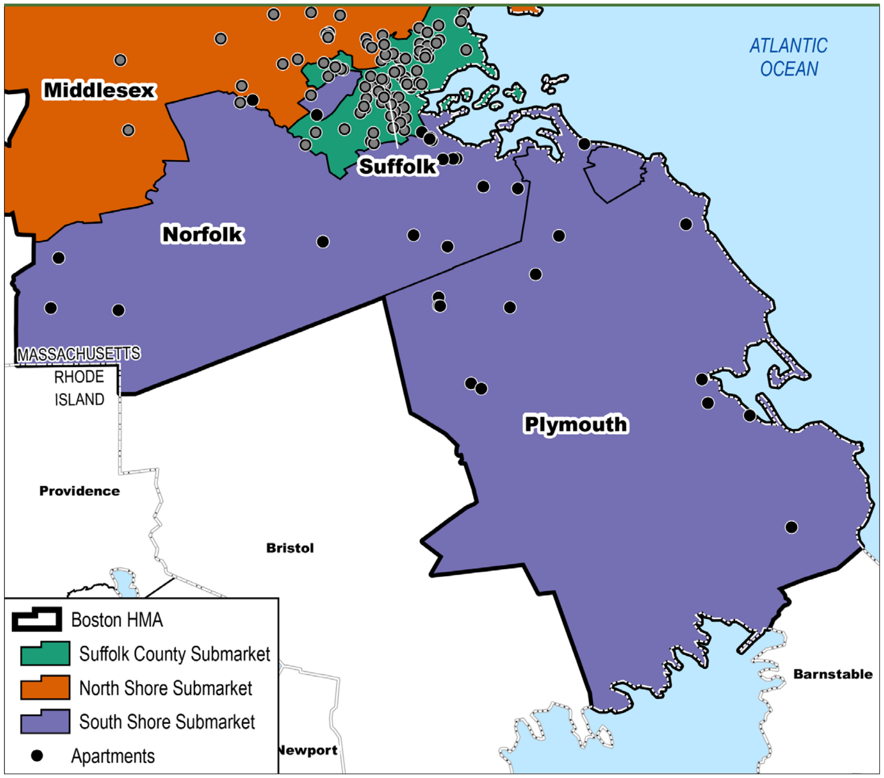
During the 3-year forecast period, demand is expected for 6,775 new rental units in the submarket (Table 20). The 3,575 units currently under construction are expected to meet a portion of that demand. Rental demand is expected to be higher in the second and third years of the forecast period. Demand is expected to be highest in the city of Quincy, near public transit.

Table 20. Demand for New Rental Units in the South Shore Submarket During the Forecast Period

	Rental Units
Demand	6,775 Units
Under Construction	3,575 Units

Note: The forecast period is October 1, 2021, to October 1, 2024.
Source: Estimates by the analyst

Map 4. Apartments Under Construction in the South Shore Submarket



Source: McGraw-Hill Construction Pipeline database, with adjustments by the analyst

Terminology Definitions and Notes

A. Definitions

CARES Act	The Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law on March 27, 2020. The more-than-$2 trillion in federal funding provides economic assistance in response to the public health and economic impacts of COVID-19.
Cost Burden	Spending more than 30 percent of household income on housing costs. Moderate to high cost burden refers to households spending 31 to 50 percent of income on housing costs. Severe cost burden refers to households spending 51 percent or more of income on housing costs.
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.
Existing Home Sales	Include regular resales and REO sales.
Forecast Period	10/1/2021–10/1/2024—Estimates by the analyst.
Homebuilding Activity	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.
Home Sales/ Home Sales Prices	Includes single-family, townhome, and condominium sales.
Net Natural Increase	Resident births minus resident deaths.

New England Region	Includes Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont.
Regular Resales	These are home closings that have no ties to either new home closings (builders) or foreclosures. They are homes that were previously constructed and sold to an unaffiliated third party and include short sales.
Rental Market/ Rental Vacancy Rate	Includes apartments and other rental units, such as single-family, multifamily, and mobile homes.
Seriously Delinquent Mortgages	Mortgages 90+ days delinquent or in foreclosure.

B. Notes on Geography

1.	The Boston HMA definition noted in this report is based on a delineation established by the analyst, which comprises Essex, Middlesex, Norfolk, Plymouth, and Suffolk Counties in Massachusetts.
2.	The New England City and Town Area (NECTA) definition noted in this report is based upon the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated April 10, 2018. The Boston-Cambridge-Nashua MA-NH NECTA includes portions of New Hampshire and is somewhat larger than the Boston HMA. This analysis uses the Boston-Cambridge-Nashua MA-NH NECTA in the discussion of nonfarm payroll jobs because employment data for the NECTA are readily available from the U.S. Bureau of Labor Statistics.
3.	The Boston-Cambridge-Newton, MA-NH MSA includes Essex, Middlesex, Norfolk, Plymouth, and Suffolk Counties in Massachusetts and Rockingham and Strafford Counties in New Hampshire.
4.	The metropolitan statistical area definition noted in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated April 10, 2018.
5.	Urbanized areas are defined using the U.S. Census Bureau's 2010 Census Urban and Rural Classification and the Urban Area Criteria.
6.	The census tracts referenced in this report are from the 2010 Census.

C. Additional Notes

1.	The NAHB Housing Opportunity Index represents the share of homes sold in the HMA that would have been affordable to a family earning the local median income, based on standard mortgage underwriting criteria.
2.	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.
3.	The factual framework for this analysis follows the guidelines and methods developed by the Economic and Market Analysis Division within HUD. 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.

D. Photo/Map Credits

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