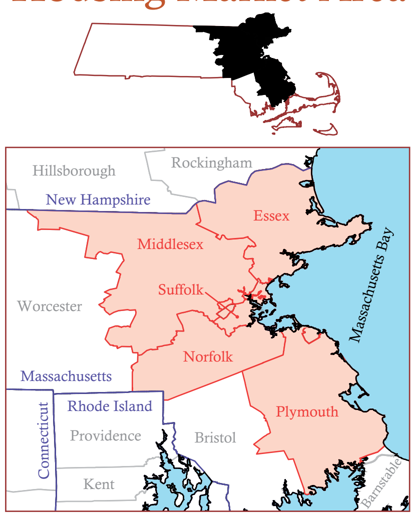
COMPREHENSIVE HOUSING MARKET ANALYSIS

Boston, Massachusetts

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of July 1, 2013

Housing Market Area



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

Summary

Economy

Economic conditions in the Boston HMA improved steadily during the past 3 years, led by job growth in the professional and business services and the education and health services sectors. During the 12 months ending June 2013, nonfarm payrolls increased by 42,900 jobs, or 1.7 percent, after growing by 39,000 jobs, or 1.6 percent, during the previous 12 months. During the 3-year forecast period, nonfarm payrolls are expected to increase an average of 1.1 percent annually.

Sales Market

The sales housing market in the HMA is balanced and significantly improved from somewhat soft conditions last year. Demand is expected for nearly 26,500 new homes during the forecast period. The 2,200 homes currently under construction and a portion of the estimated 45,100 other vacant units in the HMA that may reenter the market will satisfy some of the forecast demand (Table 1).

Rental Market

The rental housing market in the HMA is tight and continued to tighten during the past year, reflecting increased rental demand because of sustained population and employment growth. The estimated overall rental vacancy rate is 3.4 percent, down from 5.8 percent in 2010. During the forecast period, demand is expected for 24,900 new market-rate rental units (Table 1). The more than 9,600 units estimated to be under construction will meet a portion of the demand.

Table 1. Housing Demand in the Boston HMA, 3-Year Forecast, July 1, 2013, to July 1, 2016

	Boston HMA		Boston-Suffolk Submarket		North Shore Submarket		South Shore Submarket	
	Sales Units	Rental Units	Sales Units	Rental Units	Sales Units	Rental Units	Sales Units	Rental Units
Total demand	26,500	24,900	4,050	9,400	15,500	12,400	6,950	3,100
Under construction	2,200	9,620	570	4,300	1,050	4,550	580	770

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of July 1, 2013. A portion of the estimated 45,100 other vacant units in the HMA will likely satisfy some of the forecast demand.

Source: Estimates by analyst

Market Details

Economic Conditions

The Boston-Cambridge-Quincy, MA-NH Metropolitan New England City and Town Area (NECTA), referred to hereafter as the metropolitan NECTA, includes portions of New Hampshire and is somewhat larger than the Boston HMA. This analysis uses the metropolitan NECTA in the discussion of nonfarm payroll jobs, however, because employment data for the metropolitan NECTA are readily available from the U.S. Bureau of Labor Statistics.

Economic conditions in the Boston metropolitan NECTA improved significantly during the past year. Nonfarm payrolls in the metropolitan NECTA reached a new peak during the 12 months ending June 2013 at an average more than 2.52 million jobs, exceeding the level of nearly 2.50 million jobs in 2008 before the national economic recession. During the 12 months ending June 2013, nonfarm payrolls increased by 42,900 jobs, or 1.7 percent, after growing by 39,000 jobs, or 1.6 percent, during the previous 12 months (Table 2). The professional and business services sector, which accounts for nearly 17 percent of nonfarm payrolls in the metropolitan NECTA (Figure 1), added the most jobs during the 12 months ending June 2013. The sector increased by 13,800 jobs, or 3.4 percent, including an increase of 3,500 jobs, or 6.8 percent, in the computer systems design and related services industry.

During the 12 months ending June 2013, nonfarm payrolls expanded in every sector except manufacturing, in which payrolls remained essentially unchanged. Nonfarm payrolls in the education and health services sector averaged 520,300 jobs, a net increase of 11,700 new jobs, or 2.3 percent. The ambulatory healthcare services and social assistance industries increased by 3,800 and 1,900 jobs, or 3.4 and 3.5 percent, respectively. Major recent developments in the education and health services sector included relocating the main facility of the Spaulding Rehabilitation Hospital from a 40-year old building in the city's West End to a new $220 million, 132-bed, 262,000-square-foot, LEED (Leadership in Energy and Environmental Design) Gold-certified building, which opened in April 2013 in the city's Charlestown Navy Yard. During the same period,

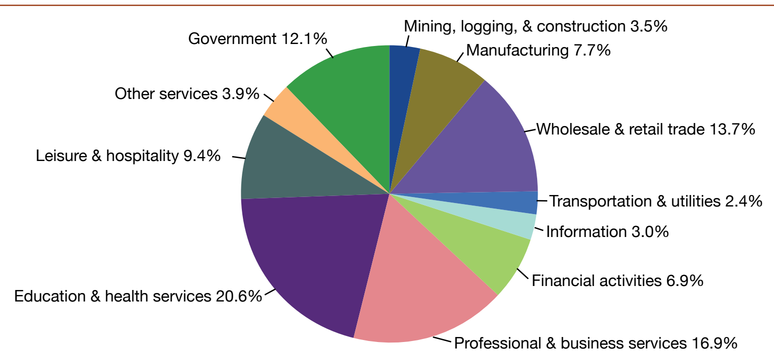
Table 2. 12-Month Average Nonfarm Payroll Jobs in the Boston HMA, by Sector

	12 Months Ending June 2012	12 Months Ending June 2013	Absolute Change	Percent Change
Total nonfarm payroll jobs	2,479,600	2,522,500	42,900	1.7
Goods-producing sectors	276,000	280,400	4,400	1.6
Mining, logging, & construction	82,400	87,100	4,700	5.7
Manufacturing	193,600	193,300	– 300	– 0.2
Service-providing sectors	2,203,600	2,242,100	38,500	1.7
Wholesale & retail trade	342,600	344,600	2,000	0.6
Transportation & utilities	61,200	61,500	300	0.5
Information	74,500	76,700	2,200	3.0
Financial activities	172,600	173,000	400	0.2
Professional & business services	411,700	425,500	13,800	3.4
Education & health services	508,600	520,300	11,700	2.3
Leisure & hospitality	233,600	237,000	3,400	1.5
Other services	97,000	99,200	2,200	2.3
Government	301,800	304,300	2,500	0.8

Notes: Based on 12-month averages through June 2012 and June 2013. Numbers may not add to totals because of rounding. Nonfarm payroll jobs data are for the Boston-Cambridge-Quincy, MA-NH Metropolitan New England City and Town Area.

Source: U.S. Bureau of Labor Statistics

Figure 1. Current Nonfarm Payroll Jobs in the Boston HMA, by Sector

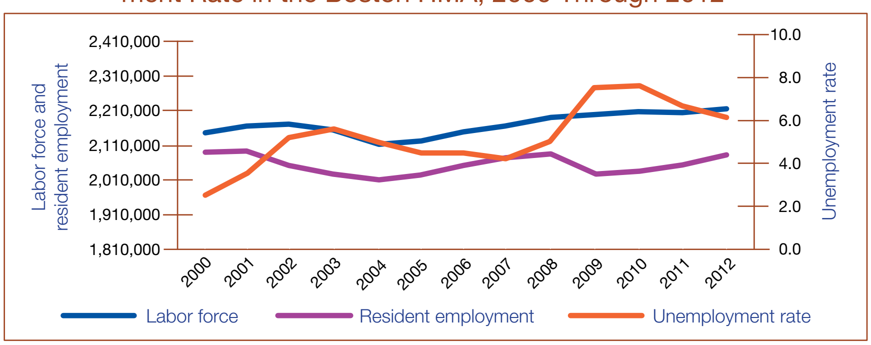


Notes: Based on 12-month averages through June 2013. Nonfarm payroll jobs data are for the Boston-Cambridge-Quincy, MA-NH Metropolitan New England City and Town Area.

Source: U.S. Bureau of Labor Statistics the construction subsector increased by 4,700 jobs, or 5.7 percent, compared with the number of jobs recorded during the 12 months ending June 2012, accounting for all the growth in the mining, logging, and construction sector. The leisure and hospitality sector grew by 3,400 jobs, or 1.5 percent, with net gains concentrated in the food services and drinking places industry, which increased by 3,300 jobs, or 1.9 percent. During the 12 months ending June 2013, the unemployment rate averaged 6.1 percent, a slight decline from 6.3 percent during the previous 12-month period but still more than the 5.0-percent rate recorded during 2008 (Figure 2).

The Boston HMA is a major hub for higher education, with a high concentration of colleges and universities, including the world-renowned Harvard University (Harvard) and Massachusetts Institute of Technology (MIT), with 16,800 and 14,150 employees, respectively (*Boston Business Journal*). A 2009 study entitled "Investing in Innovation" reported that, during fiscal year 2008 (the most recent data available), Harvard directly or indirectly accounted for more than $5.3 billion in economic activity and more than 48,500 jobs throughout Massachusetts. In addition to Harvard and MIT, major universities in the HMA are Boston College, Boston University, Northeastern University, Tufts University, and the University of Massachusetts' Boston and Lowell campuses. During the 2000s, the education and health services sector was the source of the most job growth in the metropolitan NECTA. From 2000 through 2010, education and health services sector jobs increased by an average of 8,800 jobs, or 2.0 percent, annually, representing a total gain of 87,900 jobs. The education services subsector increased by an average of 1,500 jobs, or 1.3 percent, annually to 131,500 jobs. The total enrollment in postsecondary education increased nearly 46,000 students from 2000 through 2009 (*The Greater Boston Housing Report Card 2010*). The health services subsector also grew very rapidly during the 2000s, increasing by an average of 7,300 jobs, or 2.2 percent, annually from 2000 through 2010. The city of Boston alone has 22 inpatient hospitals, including Massachusetts General Hospital and Brigham and Women's Hospital, which are two of the largest employers in Massachusetts, with 24,000 and 15,050 employees, respectively, statewide (Table 3).

Figure 2. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Boston HMA, 2000 Through 2012



Source: U.S. Bureau of Labor Statistics

Table 3. Major Employers in the Boston HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Massachusetts General Hospital	Education & health services	24,000
The Stop & Shop Supermarket Company, LLC	Wholesale & retail trade	23,000
Steward Health Care System	Education & health services	17,000
Harvard University	Education & health services	16,800
Brigham and Women's Hospital	Education & health services	15,050
Massachusetts Institute of Technology	Education & health services	14,150
Raytheon Company	Manufacturing	12,400
State Street Corporation	Financial activities	12,350
CVS Caremark Corporation	Wholesale & retail trade	12,000
Verizon Communications Inc.	Information	10,000

Notes: Excludes local school districts. Number of employees reflects the total for each major employer statewide.

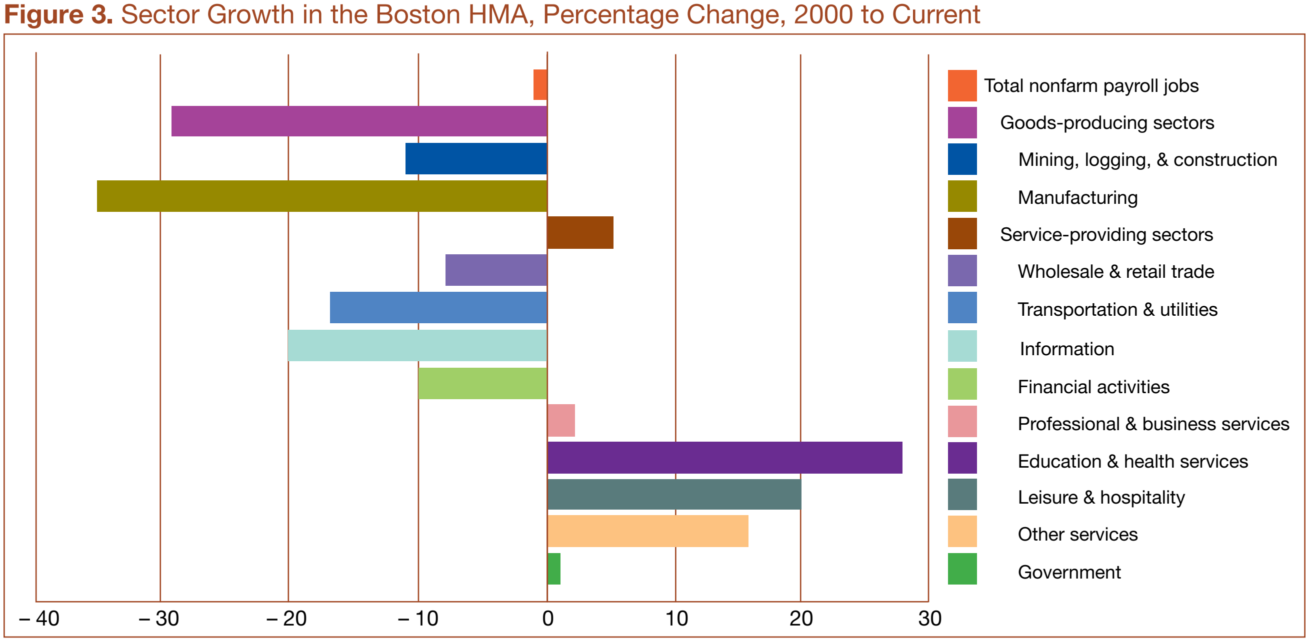
Source: Boston Business Journal

The leisure and hospitality sector was also a major source of growth in the metropolitan NECTA during the 2000s. Since 2000, this sector has added 40,300 jobs, an increase of 20 percent, which represents the greatest sector growth rate in the metropolitan NECTA aside from that of the education and health services sector (Figure 3). The food services and drinking places industry has accounted for an increase of 34,600 jobs, or more than 85 percent of the net gain in the sector during that period. The total domestic direct traveler expenditure in the HMA during 2012 was $12 billion, supporting 81,900 jobs, of which, more than 50 percent were in the Boston-Suffolk submarket (Massachusetts Office of Travel and Tourism).

Nonfarm payrolls are expected to increase an average of 1.1 percent annually during the 3-year forecast period, with growth increasingly slightly each year. The strongest gains are expected in the education and health services and the professional and business service sectors. The Massachusetts Life Sciences Initiative, a 10-year, $1 billion state program, has awarded $25 million in tax credits to companies, which are expected to create 1,000 new jobs during 2013 (IHS Global Insight). In April 2012, Novartis AG started a $600 million expansion in the Cambridge Kendall Square neighborhood, near MIT. The new Novartis AG development is expected to add 400,000 square feet of lab, office, and retail space and 300 new jobs during the next 5 years. The biotechnology industry is expected to be a major source of growth for the manufacturing sector, enabling the sector's job levels to remain stable during the forecast period despite the expected loss of 700 jobs resulting from the closure of the Intel Corporation manufacturing facility in Hudson by the end of 2014.

Job gains in the construction subsector are likely to continue throughout the forecast period. Multifamily building

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



Notes: Current is based on 12-month averages through June 2013. Nonfarm payroll jobs data are for the Boston-Cambridge-Quincy, MA-NH Metropolitan New England City and Town Area.

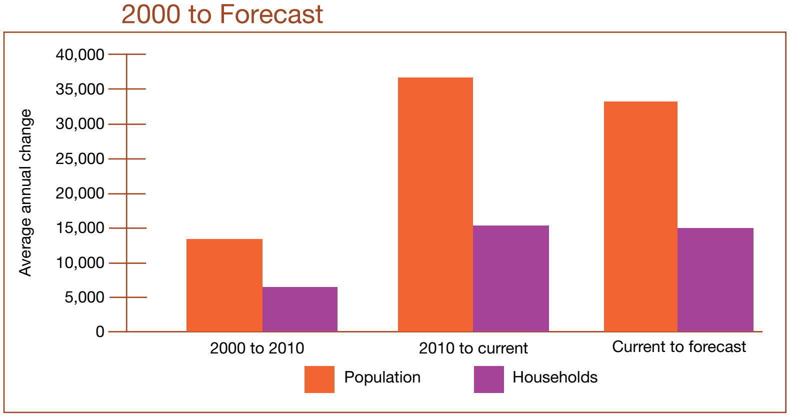
Source: U.S. Bureau of Labor Statistics activity is expected to be robust in the Boston HMA (discussed in the Housing Market Trends section of this report) and nonresidential real estate construction is expected to be strong in and around the city of Boston. The global headquarters of New Balance Athletic Shoe, Inc. will anchor the $500 million Boston Landing project; construction is expected to begin in September 2013 on the 14-acre site, which will include 950,000 square feet of offices, a 250,000-square-foot sports complex, 65,000 square feet of retail space, a 175-room hotel, and a new commuter rail station (*Boston Business Journal*). The six-phase development is expected to be complete by 2017.

The retail trade subsector is also expected to contribute to nonfarm payroll growth in the HMA during the forecast period. Wegmans Food Markets, Inc., a New York-based grocery chain store, is opening its first two stores in the HMA. Construction is under way on a 135,000-square-foot supermarket in Burlington and an 82,000-square-foot supermarket in Chestnut Hill. Both stores are expected to open in the spring of 2014, adding 1,150 total full- and part-time jobs. Whole Foods Market is planning to open four new supermarkets in the HMA during the summer and fall of 2013, adding nearly 600 total full- and part-time jobs (IHS Global Insight).

Population and Households

As of July 1, 2013, the estimated population of the Boston HMA was more than 4.25 million, an increase of more than 36,600, or 0.9 percent, annually from the April 1, 2010 population of 4.13 million. (Tables DP-1 through DP-4, at the end of this report, provide information on population growth in the HMA and in each submarket from 2000 to the current date.) From 2000 to 2010, the population of the HMA increased by 13,250, or 0.3 percent, annually (Figure 4), with all population growth resulting from net natural change (resident births minus resident deaths), which averaged 18,350 people a year. Net natural change is expected to average 16,500 annually during the 3-year forecast period. From 2000 to 2010, net out-migration from the HMA of 5,275 people annually partially offset net natural increase.

Figure 4. Population and Household Growth in the Boston HMA, 2000 to Forecast

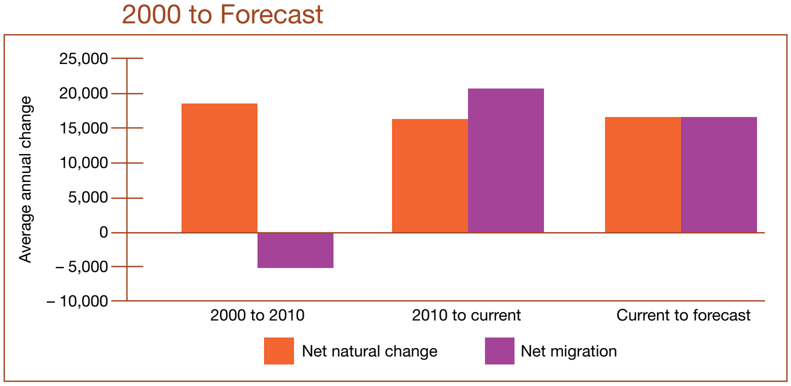


Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by analyst

Despite overall net out-migration from 2000 through 2010, the migration trend reversed beginning in late 2007 as the national economy weakened. From 2000 through 2006, the population of the HMA remained relatively unchanged, increasing at an average annual rate of 1,850, with average net out-migration of 17,050 people annually. The lack of population growth reflects resident leaving the HMA as a result of retirement, to seek relatively more affordable housing, or in pursuit of employment opportunities in areas with stronger job growth. From 2007, through 2010, however, the population of the HMA increased at an average annual rate of 37,100, or 0.9 percent, with average net in-migration of 19,850 people annually. The faster population growth reflects fewer people leaving the HMA for jobs, housing, or retirement destinations and more people going back to school to pursue higher education at the many colleges and universities in the HMA. Postsecondary enrollment in the HMA increased by 19,000 students from 2008 through 2009 (*The Greater Boston Housing Report Card 2010*). Since April 1, 2010, net in-migration has continued at a slightly faster rate and is currently estimated to average nearly 20,500 people annually.

During the forecast period, net in-migration is expected to slow somewhat to a rate of 16,500 people a year as economic conditions and job growth improve, not only in the HMA but nationwide. The population of the HMA is expected to grow by 33,300, or 0.8 percent, annually during the 3-year forecast period. Figure 5 shows the components of population change from 2000 to the forecast date.

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



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

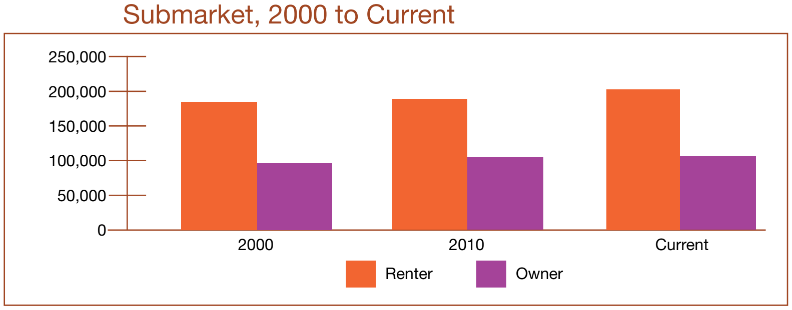
An estimated 753,600 people currently reside in the Boston-Suffolk submarket, up nearly 9,725, or 1.3 percent, annually from a population of 722,023 in 2010. As of April 1, 2010, the city of Boston, with a population of 617,594, accounted for nearly 86 percent of the population in the submarket. During the 2000s, the submarket population increased by an average of 3,225, or 0.5 percent, annually. Although this rate represents the fastest growth of any submarket in the HMA, population growth was limited because of net out-migration, which averaged 1,100 people annually. From 2000 through 2006, the population of the submarket declined by an average of 420, or 0.1 percent, annually, with net out-migration that averaged 4,575 people per year. This trend reversed, however, as the national economy weakened starting in 2007. From 2007 through 2010, the population of the submarket grew by 10,400, or 1.5 percent, annually, including net in-migration that averaged 5,800 people per year. Population growth, however, has slowed slightly since 2010; the population increased by an estimated 9,725, or 1.3 percent, annually, with in-migration averaging approximately 5,025 people a year. The population of the submarket is expected to grow by 8,800 people, or 1.2 percent, annually during the forecast period, with significant growth expected in downtown Boston and on the South Boston waterfront.

The estimated population of the North Shore submarket is currently more than 2.31 million, up 20,250 people, or 0.9 percent, annually from a population of 2.25 million in 2010. During the 2000s, the submarket population increased by an average of 5,750, or 0.3 percent, annually. The relatively slower growth rate for this submarket during the decade was because of net out-migration, which averaged 4,050 people annually. From 2000 through 2006, the population of the submarket declined by an average of 450, or less than 0.1 percent, annually, with net out-migration averaging 10,500 people per year. This trend reversed, however, as the national economy weakened starting in 2007. From 2007 through 2010, the population of the submarket grew by 19,100, or 0.9 percent, annually, including net in-migration that averaged 10,050 people per year. The rate of population growth has increased since 2010; averaging an estimated 20,250, or 0.9 percent, annually, with net in-migration averaging approximately 11,200 people a year. The population of the submarket is expected to grow by 18,350, or 0.8 percent, annually during the forecast period, with major growth concentrated in Cambridge's Kendall Square and Somerville's Assembly Row.

The estimated South Shore submarket population is currently nearly 1.19 million, up 6,850, or 0.6 percent, annually from 2010, the slowest growth of the three submarkets during that period. During the 2000s, the submarket population increased by an average of 4,275, or 0.4 percent, annually, with minimal net out-migration of 110 people a year partially offsetting growth from net natural change. From 2000 through 2006, the population of the submarket increased slowly, by an average of 2,725, or 0.2 percent, annually, with net out-migration averaging 1,975 people per year. The migration trend reversed, however, as the national economy weakened starting in 2007. From 2007 through 2010, the population of the submarket grew by 7,625, or 0.7 percent, annually, including net in-migration of 4,000 people per year. Although population growth has slowed somewhat since 2010, net in-migration during the period has increased slightly, averaging approximately 4,225 people a year. The population of the submarket is expected to grow by 5,675, or 0.5 percent, annually during the forecast period.

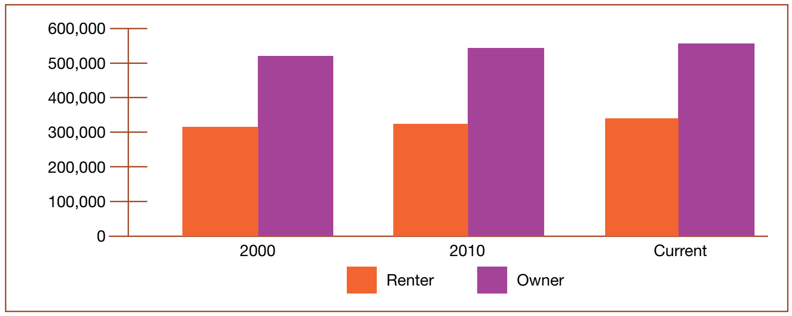
An estimated nearly 1.65 million households currently reside in the Boston HMA: 306,200 in the Boston-Suffolk submarket, 893,800 in the North Shore submarket, and 448,000 in the South Shore submarket. Since April 1, 2010, household growth in the HMA has averaged approximately 15,250 households, or 0.9 percent, a year. An estimated 34.4 percent of Boston-Suffolk submarket households are owner households (Figure 6). Of the households in the North Shore submarket, an estimated 62.0 percent are owner households (Figure 7). In the South Shore submarket, an estimated 71.3 percent of households are owner households (Figure 8). Since 2010, the number of renter households in the HMA has increased at an average rate of 1.6 percent annually, whereas the number of owner households

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



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

Figure 7. Number of Households by Tenure in the North Shore Submarket, 2000 to Current



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

Figure 8. Number of Households by Tenure in the South Shore Submarket, 2000 to Current

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

grew at an average annual rate of 0.5 percent, reflecting increased rental demand because of uncertainty in the sales housing market and tight lending standards. By comparison, from 2000 to 2010, the number of renter households in the HMA increased at an average rate of 0.3 percent annually, whereas, the number of owner households grew at an average annual rate of 0.5 percent.

During the 2000s, the nonhousehold population in the HMA grew substantially as a result of new dormitory construction, much of which was in the city of Boston. From 2000 through 2010, the number students living in college dormitories increased from 63,850 to 85,800, an average increase of nearly 2,200 students, or 3 percent, annually during the decade (Census Bureau). The most growth took place in the Boston-Suffolk submarket, where the number of students living in college dormitories increased by 13,100 during the decade, an average increase of 1,310, or 5.1 percent, annually. The nonhousehold population is expected to continue growing during the forecast period. New dormitories under construction in the city of Boston include 370 beds at Berklee College of Music and 179 beds at the Harvard Business School (McGraw-Hill Construction Pipeline database).

The number of households in the HMA is expected to grow by 15,000, or 0.9 percent, annually during the 3-year forecast period, to more than 1.69 million. The total household counts are expected to grow 1.3, 0.9, and 0.6 percent in the Boston-Suffolk, North Shore, and South Shore submarkets, respectively.

Housing Market Trends

Sales Market—Boston-Suffolk Submarket

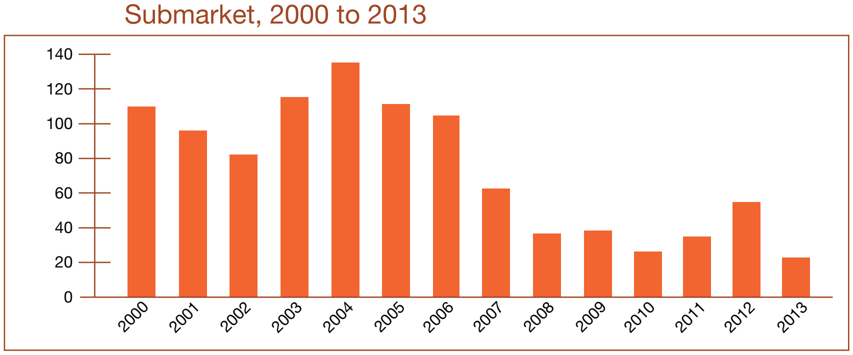
The sales housing market in the Boston-Suffolk submarket is currently balanced, with conditions improving significantly from somewhat soft conditions last year because of ongoing population and employment growth. The estimated sales vacancy rate is 1.1 percent, down from 2.2 percent in 2010. During the 12 months ending June 2013, 25 percent of all home sales in the submarket were single-family homes compared with an average of approximately 30 percent from 2008 through 2010 (Metrostudy, A Hanley Wood Company). During the 12 months ending June 2013, new and existing single-family home sales, including townhomes, increased by 50 homes, or 3 percent, to 1,550 homes. Single-family home sales remain down 3 percent from the average of 1,600 homes sold annually from 2008 through 2010, when home sales benefited from the availability of the first-time homebuyer tax credit. During the 12 months ending June 2013, new home sales represented only 3 percent of all single-family home sales, down from 4 percent during the 12 months ending June 2012 and compared with an average of 19 percent from 2008 through 2010. The average sales price of new and existing single-family homes was $507,200 during the 12 months ending June 2013, a 12-percent increase from the average sales price of $451,300 during the same period a year earlier and 12 percent more than the average annual home sales price of $451,000 recorded from 2008 through 2010. During June 2013, 205 single-family homes were for sale in the city of Boston, representing a 2.5-month supply compared with the more than 370 homes for sale, or a 4.8-month supply, during June 2012 (Greater Boston Association of REALTORS®).

The condominium market in the Boston-Suffolk submarket is currently balanced to tight, with increasing sales and prices during the past year and a decline in the inventory of condominiums for sale in the city of Boston. During the 12 months ending June 2013, condominiums represented 75 percent of all new and existing home sales in the submarket compared with an average of nearly 70 percent from 2008 through 2010. The number of new and existing condominium sales increased 12 percent, from 4,075 units sold in the 12 months ending June 2012 to 4,575 units sold in the 12 months ending June 2013. Condominium sales are up 900 units, a 24-percent increase from the average of 3,675 units sold annually from 2008 through 2010. New condominiums represented 1 percent of condominium sales during the past 12 months, down from 3 percent during the 12 months ending June 2012 and from the 3-percent average during the period from 2008 through 2010. The average sales price of a condominium during the 12 months ending June 2013 was $531,800, up $51,000, or 11 percent, from the previous 12 months and up nearly 19 percent from the average annual sales price of $447,200 recorded from 2008 through 2010. Nearly 780 condominiums were for sale in city of Boston during June 2013, representing 2.1 months of supply, down significantly from the nearly 1,250 condominiums for sale, or 3.8 months of supply, reported during June 2012 (Greater Boston Association of REALTORS®).

The rate of distressed home loans in the Boston-Suffolk submarket in June 2013 decreased from the same period a year earlier. As of June 2013, 5.2 percent of total home loans in the submarket were 90 or more days delinquent, in foreclosure, or transitioned into REO (Real Estate Owned), down from 5.9 percent a year earlier (Black Knight Financial Services, Inc.). This rate compares with a 6.2-percent statewide rate in Massachusetts, a 6.8-percent rate in New England, and a 6.3-percent national rate.

Single-family homebuilding activity, as measured by the number of single-family homes permitted, declined slightly in the Boston-Suffolk submarket during the past year. During the 12 months ending June 2013, 50 single-family homes were permitted in the submarket, down 10 homes compared with the number permitted during the 12 months ending June 2012 (preliminary data). From 2008 through 2010, 35 single-family homes were permitted annually (Figure 9). In addition to the single-family homes permitted, an estimated 40 percent of the multifamily units permitted in the submarket since 2000 were intended for owner occupancy. Condominium development, however, has declined significantly since 2007 as a result of weakness in the economy and soft sales market conditions. During the 12 months ending June 2013, the 130 condominium units permitted represented an estimated 6 percent of all multifamily development that started construction in the submarket, up from 70 condominium units permitted, or 5 percent of all multifamily construction, during the 12 months ending June 2012 (McGraw-Hill Construction Pipeline database). By comparison, from 2008 through 2010, an average of 130 condominium units were permitted annually, representing nearly 25 percent of multifamily development. From 2005 through 2007, an average of more than 900 condominiums were permitted annually, representing approximately 55 percent of all multifamily development.

Figure 9. Single-Family Homes Permitted in the Boston-Suffolk Submarket, 2000 to 2013



Notes: Includes townhomes. Includes data through June 2013.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

The most prominent new sales development in the submarket is Millennium Tower, a $615 million, 60-story highrise in Boston's Downtown Crossing area on the site of the former Filene's department store, which is expected to break ground in the fall of 2013. At 625 feet tall, the Millennium Tower will be the third tallest building in the city of Boston and tallest addition to the city's skyline since 1976. The residential skyscraper, which is expected to open in 2015, is a 1.2 million-square-foot, mixed-use development, with 95,000 square feet of street-level retail space and 450 luxury condominiums. Another new sales development in Downtown Crossing is Millennium Place, which is expected to open in the fall of 2013, the 15-story building with 12,000 square feet of street-level retail space includes 256 one-, two-, and three-bedroom condominiums with asking prices ranging from $550,000 to $3,350,000.

During the 3-year forecast period, demand is expected for 4,050 new homes in the Boston-Suffolk

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Boston-Suffolk Submarket, July 1, 2013, to July 1, 2016

Price Range ($)		Units of Demand	Percent of Total
From	To		
350,000	399,999	490	12.1
400,000	449,999	820	20.4
450,000	499,999	820	20.4
500,000	599,999	610	15.0
600,000	699,999	370	9.1
700,000	799,999	310	7.6
800,000	899,999	200	4.9
900,000	and higher	430	10.6

Note: The 570 homes currently under construction and a portion of the estimated 7,800 other vacant units in the submarket will likely satisfy some of the forecast demand.

Source: Estimates by analyst

submarket (Table 1). The estimated 570 homes under construction will satisfy a portion of the demand. Demand is anticipated for 1,200 homes during the first year, increasing to 1,500 homes by the third year of the forecast period. Table 4 illustrates estimated demand for new market-rate sales housing in the submarket by price range. Builders should be aware that some of the estimated 7,800 other vacant units in the inventory are likely to return to the sales market and satisfy some of the forecast demand.

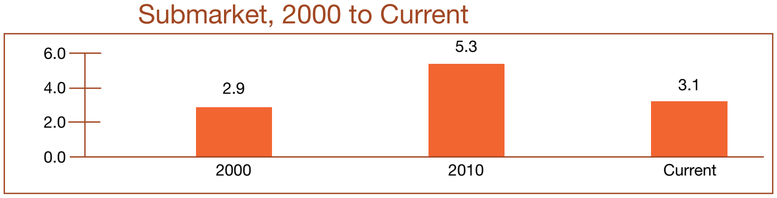
Rental Market—Boston-Suffolk Submarket

The rental housing market in the Boston-Suffolk submarket is very tight, reflecting sustained employment and population growth and increased rental demand. The current estimated overall rental vacancy rate is 3.1 percent, down from 5.3 percent in 2010 (Figure 10) because of the limited number of new units coming on the market from 2008 through 2012. The apartment market in the submarket has remained extremely tight since the second half of 2011. The average apartment vacancy rate for the submarket was 2.7 percent in the second quarter of 2013, down from 3.1 percent during the second quarter of 2012 (MPF Research). During the same period, the average market rent in the submarket decreased by $100, or 4 percent, to $2,325. This decline, however, reflects a trend toward smaller units, particularly in efficiency and one-bedroom apartments. In the second quarter of 2013, apartment market rents in the submarket averaged $1,650 for an efficiency unit, $2,000 for a one-bedroom unit, $2,675 for a two-bedroom unit, and $3,250 for a three-bedroom unit.

Despite the growth in the number of student dormitories during the past decade, college and university students are estimated to represent more than 30 percent of the rental market in the submarket. In the fall of 2009, approximately 100,000 full-time undergraduate and graduate students were enrolled at private colleges and universities in the city of Boston alone (*The Greater Boston Housing Report Card 2010*). Nearly 60,000 of these students, or 60 percent, lived in off-campus housing, primarily in the rental market. Growth in student enrollment during the past decade contributed to increased rental demand and low vacancy rates in the submarket and throughout the Boston HMA.

Multifamily building activity, as measured by the number of multifamily

Figure 10. Rental Vacancy Rates in the Boston-Suffolk Submarket, 2000 to Current



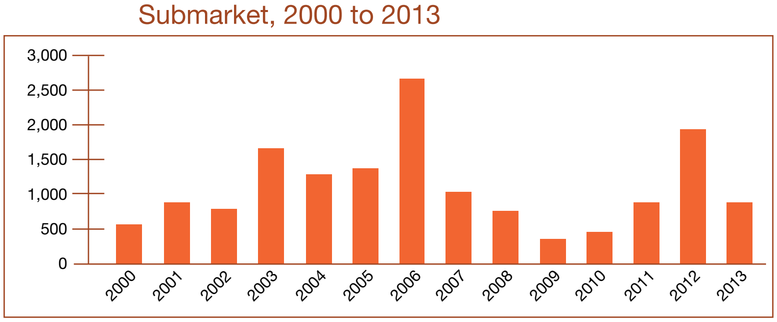
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

units permitted, increased rapidly in the Boston-Suffolk submarket during the past year as builders responded on a large scale to increased rental demand. During the 12 months ending June 2013, the number of multifamily units permitted increased to 2,200 units, up nearly 55 percent from the 1,425 units permitted during the 12 months ending June 2012 (preliminary data). By comparison, only 510 units were permitted annually from 2008 through 2010 (Figure 11). During the past 24 months, condominium developments represented an estimated 6 percent of multifamily units permitted, down from an estimated 25 percent from 2008 through 2010. In addition to permits for new construction, conversions and adaptive reuse projects accounted for an increase of more than 1,000 units of the multifamily inventory in the submarket annually from 2000 through 2010. Approximately one-half of these gains represented projects of 50 or more units in the city of Boston, where redevelopment is expected to continue during the 3-year forecast period.

Several new market-rate developments are under construction in the Boston-Suffolk submarket. The Kensington, a $170 million, 27-story, 488,000-square-foot luxury highrise building with 381 rental units and 4,000 square feet of retail space in Boston's Downtown Crossing area, is a LEED Gold-certified building that is expected to open in August 2013. Rents are expected to start at $2,950 for studios, $3,125 for one-bedroom units, and $4,750 for two-bedroom units. The Victor, a $92 million, 12-story, 377,000-square-foot tower with 286 apartment units is above the North Station subway stop and across the street from the commuter rail station in downtown Boston. The Victor is expected to open in the fall of 2013. Rents are expected to start at $2,795 for studios, $2,970 for one-bedroom units, and $3,830 for two-bedroom units. The Avalon Exeter, a $100 million, 28-story, 240,000-square-foot residential tower with 187 studio, one-bedroom, two-bedroom, and three-bedroom units in Boston's Back Bay is expected to open in early 2014.

The city of Boston is also undertaking a major redevelopment in the South Boston Waterfront Innovation District. New developments include Waterside Place, a $120 million, 20-story building with 236 apartments and ground-floor retail and office space, which is expected to open in January 2014 with rents starting at $2,900 for one-bedroom units, $4,082 for two-bedroom units, and $5,690 for three-bedroom units. Construction is under way on Boston Wharf Tower, a $100 million, 20-story building with 202 apartments, and 100 Pier 4, a $170 million, 21-story building with 369 apartments and ground-floor retail space, which is expected to be complete in the spring of 2014. In addition to these residential projects, the largest development in the Innovation District is Vertex Pharmaceuticals Incorporated's new headquarters building, which is expected to open in mid-2014.

Figure 11. Multifamily Units Permitted in the Boston-Suffolk Submarket, 2000 to 2013



Notes: Excludes townhomes. Includes data through June 2013.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Numerous affordable housing projects are also under way in the city of Boston. The first phase of the Charlesview Residences at Brighton Mills, a $207 million development, which includes 240 low- and moderate-income units, opens on July 1, 2013. The second phase of the Old Colony housing development, an $80 million project in South Boston, is under construction and scheduled for completion by the end of 2014. The 169-unit project will include 102 subsidized units. The first phase of the Jackson Square Redevelopment Initiative, a $250 million, 14-building project in the Boston neighborhoods of Jamaica Plain and Roxbury, 225 Centre is expected to open in the fall of 2013. The 103-unit, transit-oriented development will include 35 affordable units and approximately 16,000 square feet of commercial space.

During the 3-year forecast period, demand is expected for 9,400 new market-rate rental units in the Boston-Suffolk submarket. The estimated 4,300 units (Table 1) under construction will likely meet a portion of the demand. Table 5 shows forecast demand for new market-rate rental housing in the submarket by rent level and number of bedrooms.

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Boston-Suffolk Submarket, July 1, 2013, to July 1, 2016

Zero Bedrooms		One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand
1,500 to 1,699	190	1,700 to 1,899	280	2,100 to 2,299	280	2,800 to 2,999	190
1,700 to 1,899	280	1,900 to 2,099	420	2,300 to 2,499	420	3,000 to 3,199	280
1,900 to 2,099	470	2,100 to 2,299	570	2,500 to 2,699	570	3,200 to 3,399	280
2,100 to 2,299	470	2,300 to 2,499	710	2,700 to 2,899	710	3,400 to 3,599	470
2,300 to 2,499	190	2,500 to 2,699	420	2,900 to 3,099	420	3,600 to 3,799	380
2,500 or more	280	2,700 or more	420	3,100 or more	420	3,800 or more	280
Total	1,875	Total	2,825	Total	2,825	Total	1,875

Notes: Numbers may not add to totals because of rounding. The 4,300 units currently under construction will likely satisfy some of the estimated demand.

Source: Estimates by analyst

Sales Market—North Shore Submarket

The sales housing market in the North Shore submarket is currently balanced with conditions improving significantly from previous soft conditions during the past year because of sustained employment and population growth. The estimated sales vacancy rate is 0.7 percent, down from 1.3 percent in 2010. New and existing single-family home sales, including townhomes in the submarket were up by 1,650 homes, or 11 percent, during the 12 months ending June 2013, to total 16,950 homes (Metrostudy, A Hanley Wood Company). Home sales during the 12 months ending June 2013 significantly exceeded the average of 13,750 homes sold annually from 2008 through 2010, despite the availability of the first-time homebuyer tax credit during the earlier period. During the 12 months ending June 2013, new home sales represented 3 percent of all single-family home sales compared with an average of 6 percent from 2008 through 2010. The average home sales price of new and existing single-family homes was $464,400 during the 12 months ending

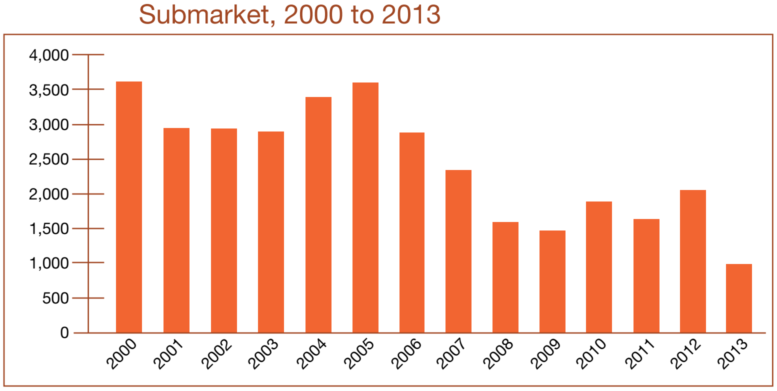
June 2013, up approximately 4 percent from the previous 12 months and up 3 percent compared with the average annual sales price of $449,000 from 2008 through 2010.

The condominium market in the North Shore submarket is balanced with conditions improving from somewhat soft during the past year, with sales and the average price increasing. During the 12 months ending June 2013, condominiums represented 29 percent of all new and existing home sales in the submarket, unchanged from the previous 12 months and only slightly down from the average of 30 percent during the period from 2008 through 2010. During the 12 months ending June 2013, the number of new and existing condominium sales increased by 600 units, or 9 percent, to 6,975 units, nearly 16 percent more than the average of 6,025 units sold annually from 2008 through 2010. New condominiums represented 4 percent of condominium sales during the past 12 months, unchanged from the previous 12 months, but down from an average of nearly 9 percent from 2008 through 2010. The average condominium sales price during the 12 months ending June 2013 was $309,000, up $36,000, or 13 percent, compared with the average sales price during the previous 12 months. The average condominium sales price represents an increase of 4 percent from the average annual sales price of $296,200 from 2008 through 2010.

The rate of distressed home loans in the North Shore submarket in June 2013 decreased from the same period a year earlier. The percentage of total home loans in the submarket that were 90 or more days delinquent, in foreclosure, or transitioned into REO decreased to 4.5 percent as of June 2013 from 5.0 percent a year earlier (Black Knight Financial Services, Inc.).

Single-family homebuilding activity, as measured by the number of single-family homes permitted, increased significantly in the North Shore submarket during the past year. During the 12 months ending June 2013, the number of single-family homes permitted totaled 2,175, an increase of 500 homes, or 30 percent, from the 1,675 homes permitted during the 12 months ending June 2012 (preliminary data). From 2008 through 2010, 1,650 single-family homes were permitted annually in the submarket (Figure 12). In addition to the single-family homes permitted, an estimate of more than 30 percent of the multifamily units permitted in the submarket since 2000 were intended for owner occupancy. Condominium development, however, has declined significantly since 2007 as a result of weakness in the economy and soft sales market conditions. During the past 24 months, an average annual rate of 140 condominium units were permitted, representing an estimated 6 percent of all multifamily development that started construction in the submarket (McGraw-Hill Construction Pipeline database). By comparison, from 2008 through 2010, an average annual rate of 280 condominium units were

Figure 12. Single-Family Homes Permitted in the North Shore Submarket, 2000 to 2013



Notes: Includes townhomes. Includes data through June 2013.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

permitted, representing approximately 25 percent of multifamily development. From 2005 through 2007, an average annual rate of 1,450 condominium units were permitted, representing more than 40 percent of all multifamily construction.

New homeownership developments under construction include WestRidge, a 146-home active adult community in the town of Hudson and The Orchards at Holliston, a 72-townhome community in the town of Holliston. At WestRidge, prices start at $359,000 for two-bedroom condominiums and $419,000 for three-bedroom, detached single-family homes. At The Orchards at Holliston, prices range from $419,900 to $509,900 for two-bedroom townhomes.

During the 3-year forecast period, demand is expected for 15,500 new homes in the North Shore submarket (Table 1). The estimated 1,050 homes under construction will satisfy a portion of the demand. Demand is anticipated for approximately 5,000 new homes during each year of the forecast period. Table 6 illustrates estimated demand for new market-rate sales housing in the submarket by price range. Builders should be aware that some of the estimated 19,500 other vacant units currently in the inventory are likely to return to the sales market and satisfy some of the forecast demand.

Table 6. Estimated Demand for New Market-Rate Sales Housing in the North Shore Submarket, July 1, 2013, to July 1, 2016

Price Range ($)		Units of Demand	Percent of Total
From	To		
200,000	299,999	1,075	7.0
300,000	399,999	3,100	20.0
400,000	499,999	3,100	20.0
500,000	599,999	2,800	18.0
600,000	699,999	2,325	15.0
700,000	799,999	780	5.0
800,000	899,999	780	5.0
900,000	and higher	1,550	10.0

Note: The 1,050 homes currently under construction and a portion of the estimated 19,500 other vacant units in the submarket will likely satisfy some of the forecast demand.

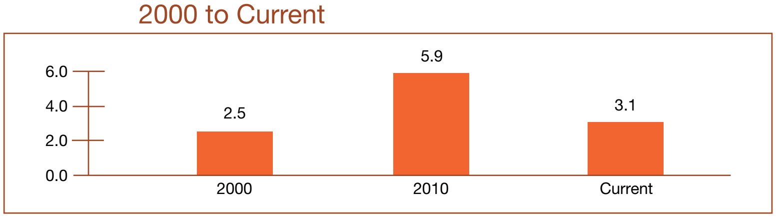
Source: Estimates by analyst

Rental Market—North Shore Submarket

The rental housing market in the North Shore submarket is very tight because of increased rental demand in response to both population and job growth in the submarket. The current estimated overall rental vacancy rate is 3.1 percent, down from 5.9 percent in 2010 (Figure 13). The apartment market in the submarket is also very tight. The average apartment vacancy rate for the submarket was 3.0 percent in the second quarter of 2013, down slightly from 3.1 percent in the second quarter of 2012 (MPF Research). During the same period, the average market rent increased by nearly $40, or 2 percent, to an average of more than $1,725. Apartment market rents in the submarket averaged $1,325 for an efficiency unit, $1,500 for a one-bedroom unit, $1,825 for a two-bedroom unit, and $2,475 for a three-bedroom unit in the second quarter of 2013.

Multifamily building activity, as measured by the number of multifamily units permitted, increased rapidly in

Figure 13. Rental Vacancy Rates in the North Shore Submarket, 2000 to Current



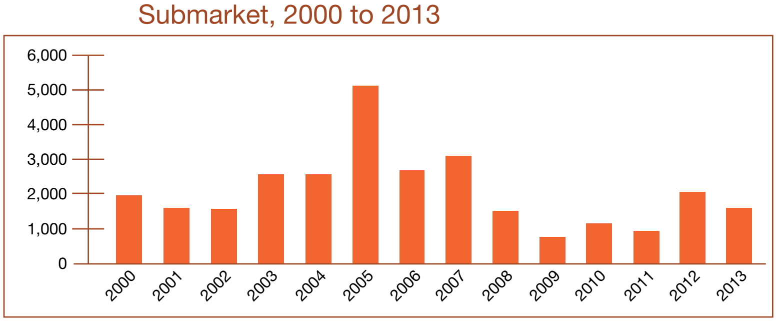
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

the North Shore submarket during the past year in response to increased rental demand and decreased vacancies. During the 12 months ending June 2013, the number of multifamily units permitted increased to 3,000 units, up 1,200, or more than 65 percent, from the 1,800 units permitted during the 12 months ending June 2012 (preliminary data). Only 1,100 units were permitted annually from 2008 through 2010 (Figure 14). During the past 24 months, condominium developments represented an estimated 6 percent of multifamily units permitted, down from an estimated 25 percent from 2008 through 2010. In addition to permits issued for new construction, adaptive reuse projects, including conversions of former mill buildings and schools into new condominium and apartment developments, have accounted for more than 3,000 units of the multifamily inventory growth in the submarket since 2000. Much of the adaptive reuse development during this period concentrated in downtown Lowell and the cities of Haverhill and Lawrence, where redevelopment is expected to continue during the 3-year forecast period.

The most significant new development under construction in the submarket is Assembly Row in Somerville, which is one of the largest mixed-use, transit-oriented development projects under way on the east coast, comprising a $1.5 billion investment from Federal Realty Investment Trust and AvalonBay Communities, Inc. Phase I of the development includes 195 apartment units at Avalon at Assembly Row and 235 apartment units at AVA Somerville. Avalon at Assembly Row is currently preleasing and rents are expected to start at $2,260 for studios, $2,480 for one-bedroom units, $2,605 for two-bedroom units, and $4,300 for three-bedroom units. AVA Somerville is expected to open in mid-2014 with preleasing set to begin earlier in the year. The Assembly Row in Somerville development also includes a new subway station on the Orange Line that is currently under construction and expected to be complete in 2014. The master plan for the 45-acre site includes 2,100 residential units, 1.75 million square feet of office space, and 500,000 square feet of retail space to be built during the next 5 to 10 years.

Several other large-scale developments are also under construction in the North Shore submarket. Additional new market-rate rental developments include Atmark Apartments and 22 Water Street, which are 428- and 392-unit projects in the city of Cambridge, expected to be complete by September of 2014 and March of 2015, respectively. Avalon Natick, a 407-unit development in the town of Natick, is expected to open in the summer of 2013 and Highlands at Overlook Ridge, a 371-unit development in the city of Malden, is expected to be complete by the end of 2014. The Batch Yard, a 328-unit project in the city of Everett, is expected to open in the spring of 2014. Alta Legacy Farms, a 240-unit development in the town of Hopkinton, is expected to be complete by January of 2014 and Alta Stone Place, a 212-unit adaptive reuse project, is expected

Figure 14. Multifamily Units Permitted in the North Shore Submarket, 2000 to 2013



Notes: Excludes townhomes. Includes data through June 2013.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

to open in September 2014. The Princeton Westford, a 200-unit community, is expected to be complete by the summer of 2014.

During the 3-year forecast period, demand is expected for 12,400 new market-rate rental units in the North Shore submarket, with demand relatively uniform in each year. The estimated 4,550 units under construction will meet a significant portion of the demand during the first 2 years of the forecast period (Table 1). Table 7 shows forecast demand for new market-rate rental housing in the submarket by rent level and number of bedrooms. Demand for studio apartments is primarily in the communities closest to the city of Boston, including Cambridge and Somerville, where rents are relatively more than in other parts of the submarket.

Table 7. Estimated Demand for New Market-Rate Rental Housing in the North Shore Submarket, July 1, 2013, to July 1, 2016

Zero Bedrooms		One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand
1,200 to 1,399	250	1,300 to 1,499	370	1,500 to 1,699	370	1,800 to 1,999	250
1,400 to 1,599	370	1,500 to 1,699	560	1,700 to 1,899	560	2,000 to 2,199	370
1,600 to 1,799	620	1,700 to 1,899	930	1,900 to 2,099	930	2,200 to 2,399	500
1,800 to 1,999	620	1,900 to 2,099	930	2,100 to 2,299	930	2,400 to 2,599	500
2,000 to 2,199	250	2,100 to 2,299	370	2,300 to 2,499	370	2,600 to 2,799	370
2,200 or more	370	2,300 or more	560	2,500 or more	560	2,800 or more	500
Total	2,475	Total	3,725	Total	3,725	Total	2,475

Notes: Numbers may not add to totals because of rounding. The 4,550 units currently under construction will likely satisfy some of the estimated demand.
Source: Estimates by analyst

Sales Market—South Shore Submarket

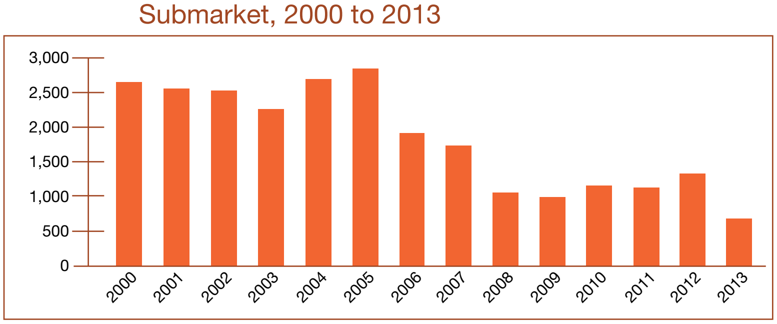
The sales housing market in the South Shore submarket is currently balanced with conditions improving from a soft market a year ago. The estimated sales vacancy rate is 1.0 percent, down from 1.3 percent in 2010. New and existing single-family home sales, including townhomes, in the submarket were up by 1,050, or 10 percent, during the 12 months ending June 2013 to total 11,150 homes (Metrostudy, A Hanley Wood Company). Home sales during the 12 months ending June 2013 are 27 percent more than the average of 8,750 homes sold annually from 2008 through 2010, despite the availability of the first-time homebuyer tax credit during the earlier period. During the 12 months ending June 2013, new home sales represented 3 percent of all single-family home sales compared with 5 percent of all single-family home sales from 2008 through 2010. The average sales price of new and existing single-family homes was $439,900 during the 12 months ending June 2013, up 5 percent from the previous 12 months. The average sales price represents an increase of 2 percent from the average annual home sales price of $429,400 recorded from 2008 through 2010.

The condominium market in the South Shore submarket is balanced with sales and the average price increasing significantly during the past year. During the 12 months ending June 2013, condominiums represented 19 percent of all new and existing home sales in the submarket, unchanged from the 12 months ending June 2012 but down somewhat from the average of 21 percent from 2008 through 2010. During the 12 months ending June 2013, the number of new and existing condominium sales increased by 200 units, or 8 percent, to 2,575 units, 11 percent more than the average of 2,325 units sold annually from 2008 through 2010. New condominiums represented 2 percent of condominium sales during the past 12 months, down from 3 percent during the 12 months ending June 2012, and down from an average of more than 7 percent from 2008 through 2010. The average sales price of a condominium was $333,000 during the 12 months ending June 2013, up 11 percent from the previous 12 months and nearly 4 percent more than the average annual sales price of $320,900 recorded from 2008 through 2010.

The rate of distressed home loans in the South Shore submarket in June 2013 decreased from the same period a year earlier. As of June 2013, 6.1 percent of total home loans in the submarket were 90 or more days delinquent, in foreclosure, or in REO, down from 6.4 percent a year earlier (Black Knight Financial Services, Inc.).

Single-family homebuilding activity, as measured by the number of single-family homes permitted, increased significantly in the South Shore submarket during the past year. During the 12 months ending June 2013, the number of single-family homes permitted totaled 1,525, up 22 percent, from the 1,250 homes permitted during the 12 months ending June 2012 (preliminary data). From 2008 through 2010, 1,050 single-family homes were permitted annually in the submarket (Figure 15). In addition to the single-family homes permitted, an estimate of nearly 30 percent of the multifamily units permitted in the submarket since 2000 were intended for owner occupancy. Condominium development, however, has declined significantly since 2007 as a result of weakness in the economy and soft sales market conditions. During the past 24 months, an average annual rate of less than 30 condominium units were permitted representing less than 5 percent of all multifamily development that started construction in the submarket (McGraw-Hill Construction Pipeline database). By comparison, from 2008 through 2010, an average of 130 condominium units were permitted annually, representing nearly 10 percent of all multifamily development. From 2005 through 2007, an average annual rate of more than 550 condominium units were permitted, representing approximately 30 percent of all multifamily construction.

Figure 15. Single-Family Homes Permitted in the South Shore Submarket, 2000 to 2013



Notes: Includes townhomes. Includes data through June 2013.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

The Pinehills, a nearly 3,200-acre, master-planned community in the town of Plymouth that has been in development since 2001, is home to 3,400 residents. The community includes 1,750 homes, 2,200 acres of open space, 3 golf courses, and 1.3 million square feet of mixed-use commercial space. Nearly 100 homes are under construction, along with a 50-room hotel and spa, which is expected to open in May 2014. Long-term development includes plans for an additional 1,200 homes during the next 8 years. The year-to-date average new and existing home sales price, which includes single-family homes, row houses, and condominiums, in The Pinehills is nearly $500,000, with resale condominiums starting in the low $300,000s to top prices for single-family homes of more than $2 million. New single-family homes start at $400,000 for 1,200-square-foot, two-bedroom homes and $600,000 for 1,800-square-foot, three-bedroom homes. Sales prices for new row houses and condominiums start at $350,000 and $400,000, respectively.

During the 3-year forecast period, demand is expected for 6,950 new homes in the South Shore submarket (Table 1). The estimated 580 homes under construction will satisfy a portion of the demand. Demand is anticipated to increase each year from 2,200 homes in the first year to 2,450 new homes in third year of the forecast period. Table 8 illustrates estimated demand for new market-rate sales housing in the submarket by price range. Builders should be aware that some of the estimated 17,800 other vacant units in the inventory likely will return to the sales market and satisfy some of the forecast demand.

Table 8. Estimated Demand for New Market-Rate Sales Housing in the South Shore Submarket, July 1, 2013, to July 1, 2016

Price Range ($)		Units of Demand	Percent of Total
From	To		
200,000	299,999	700	10.0
300,000	399,999	1,675	24.0
400,000	499,999	1,400	20.0
500,000	599,999	1,100	16.0
600,000	699,999	700	10.0
700,000	799,999	350	5.0
800,000	899,999	350	5.0
900,000	and higher	700	10.0

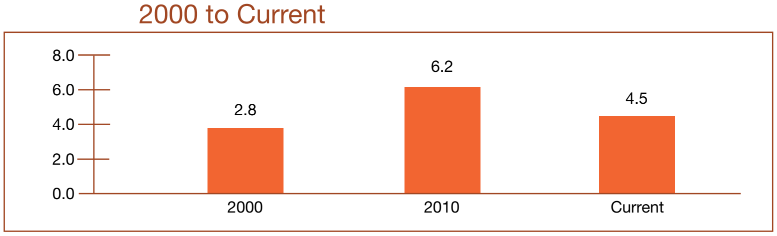
Note: The 580 homes currently under construction and a portion of the estimated 17,800 other vacant units in the submarket will likely satisfy some of the forecast demand.

Source: Estimates by analyst

Rental Market—South Shore Submarket

The rental housing market in the South Shore submarket is slightly tight, with conditions tightening somewhat during the past year because of increased rental demand in response to both population and job growth. The current estimated overall rental vacancy rate is 4.5 percent, down from 6.2 percent in 2010 (Figure 16). The apartment market in the submarket is tight. The average apartment vacancy rate for the submarket was 3.3 percent in the second quarter of 2013, up slightly from 3.2 percent a year earlier (MPF Research). During the second quarter of 2013, the average market rent was more than $1,575, up $45, or 3 percent, from the second quarter of 2012. In the second quarter of 2013, apartment market rents in the submarket averaged $1,025 for an efficiency unit, $1,450 for a one-bedroom unit, $1,675 for a two-bedroom unit, and $1,750 for a three-bedroom unit.

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

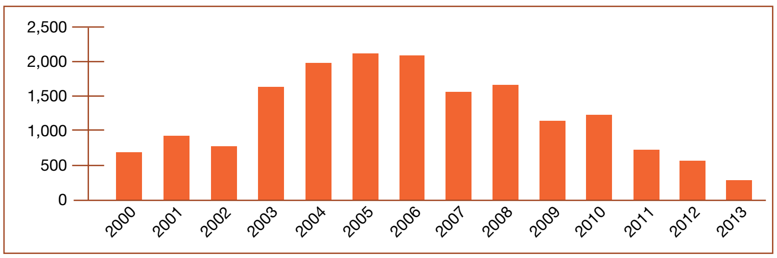


Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Multifamily building activity, as measured by the number of multifamily units permitted, declined slightly in the South Shore submarket during the past year. During the 12 months ending June 2013, the number of multifamily units permitted decreased to 580, down by 30 units, or 5 percent, from 610 units permitted during the 12 months ending June 2012 (preliminary data). From 2008 through 2010, 1,325 units were permitted annually (Figure 17). Condominium developments are estimated to represent less than 10 percent of multifamily units permitted since 2008. New market-rate rental developments under way include Merchants Row in the city of Quincy, a $130 million project with 306 units, 35,000 square feet of street-level retail space, and 24,000 square feet of office space. Merchants Row, a transit-oriented development, is the first phase of the downtown Quincy redevelopment plan and is expected to open by the end of 2014. University Station, a mixed-use development adjacent to an Amtrak and commuter rail station in the town of Westwood is set to begin construction in November 2013. Phase 1 of the project is expected to be complete in 2015 and will include 350 units (nearly 70 of which will be classified as affordable units) and 500,000 square feet of retail space anchored by Wegmans Food Markets, Inc. Market rents are expected to range from $2,500 to $4,400 with affordable rents ranging from $1,900 to $2,400.

During the 3-year forecast period, demand is expected for 3,100 new market-rate rental units in the South Shore submarket, with annual demand decreasing from 1,200 units in the first year to 900 units in the third year of the forecast period. The estimated 770 units under construction will meet a portion of this demand (Table 1). Table 9 shows forecast demand for new market-rate rental housing in the submarket by rent level and number of bedrooms.

Figure 17. Multifamily Units Permitted in the South Shore Submarket, 2000 to 2013



Notes: Excludes townhomes. Includes data through June 2013.

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

Table 9. Estimated Demand for New Market-Rate Rental Housing in the South Shore Submarket, July 1, 2013, to July 1, 2016

Zero Bedrooms		One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand
1,000 to 1,199	40	1,200 to 1,399	120	1,500 to 1,699	180	1,800 to 1,999	120
1,200 to 1,399	65	1,400 to 1,599	210	1,700 to 1,899	300	2,000 to 2,199	210
1,400 to 1,599	50	1,600 to 1,799	170	1,900 to 2,099	240	2,200 to 2,399	170
1,600 to 1,799	40	1,800 to 1,999	120	2,100 to 2,299	180	2,400 to 2,599	120
1,800 to 1,999	25	2,000 to 2,199	85	2,300 to 2,499	120	2,600 to 2,799	85
2,000 or more	40	2,200 or more	120	2,500 or more	180	2,800 or more	120
Total	250	Total	830	Total	1,175	Total	830

Notes: Numbers may not add to totals because of rounding. The 770 units currently under construction will likely satisfy some of the estimated demand.

Source: Estimates by analyst

Data Profiles

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

	2000	2010	Current	Average Annual Change (%) 2000 to 2010	Average Annual Change (%) 2010 to Current
Total resident employment	2,099,782	2,041,382	2,094,000	– 0.3	1.0
Unemployment rate	2.5%	7.7%	6.1%		
Nonfarm payroll jobs	2,539,800	2,428,800	2,523,000	– 0.4	1.5
Total population	4,001,752	4,134,036	4,253,000	0.3	0.9
Total households	1,532,549	1,598,451	1,648,000	0.4	0.9
Owner households	916,659	963,081	978,500	0.5	0.5
Percent owner	59.8%	60.3%	59.4%		
Renter households	615,890	635,370	669,500	0.3	1.6
Percent renter	40.2%	39.7%	40.6%		
Total housing units	1,593,023	1,704,800	1,725,000	0.7	0.4
Owner vacancy rate	0.5%	1.4%	0.9%		
Rental vacancy rate	2.7%	5.8%	3.4%		
Median Family Income	$66,676	$88,100	$97,800	2.8	3.5

Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months through June 2013. Median Family Incomes are for 1999, 2009, and 2012.

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

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

	2000	2010	Current	Average Annual Change (%) 2000 to 2010	Average Annual Change (%) 2010 to Current
Total population	689,807	722,023	753,600	0.5	1.3
Total households	278,722	292,767	306,200	0.5	1.4
Owner households	94,558	103,220	105,400	0.9	0.6
Percent owner	33.9%	35.3%	34.4%		
Rental households	184,164	189,547	200,800	0.3	1.8
Percent renter	66.1%	64.7%	65.6%		
Total housing units	292,520	315,522	321,800	0.8	0.6
Owner vacancy rate	0.9%	2.2%	1.1%		
Rental vacancy rate	2.9%	5.3%	3.1%		

Note: Numbers may not add to totals because of rounding.

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

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

	2000	2010	Current	Average Annual Change (%) 2000 to 2010	Average Annual Change (%) 2010 to Current
Total population	2,188,815	2,246,244	2,312,000	0.3	0.9
Total households	836,639	866,644	893,800	0.4	1.0
Owner households	521,493	543,661	553,800	0.4	0.6
Percent owner	62.3%	62.7%	62.0%		
Rental households	315,146	322,983	340,000	0.2	1.6
Percent renter	37.7%	37.3%	38.0%		
Total housing units	863,825	918,758	928,500	0.6	0.3
Owner vacancy rate	0.5%	1.3%	0.7%		
Rental vacancy rate	2.5%	5.9%	3.1%		

Note: Numbers may not add to totals because of rounding.

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

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

	2000	2010	Current	Average Annual Change (%) 2000 to 2010	Average Annual Change (%) 2010 to Current
Total population	1,123,130	1,165,769	1,188,000	0.4	0.6
Total households	417,188	439,040	448,000	0.5	0.6
Owner households	300,608	316,200	319,300	0.5	0.3
Percent owner	72.1%	72.0%	71.3%		
Rental households	116,580	122,840	128,700	0.5	1.4
Percent renter	27.9%	28.0%	28.7%		
Total housing units	436,678	470,520	475,100	0.7	0.3
Owner vacancy rate	0.5%	1.3%	1.0%		
Rental vacancy rate	2.8%	6.2%	4.5%		

Note: Numbers may not add to totals because of rounding.
Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Data Definitions and Sources

2000: 4/1/2000—U.S. Decennial Census
2010: 4/1/2010—U.S. Decennial Census
Current date: 7/1/2013—Analyst's estimates
Forecast period: 7/1/2013–7/1/2016—Analyst's estimates

The New England City and Town Area definition in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated December 1, 2009, and does not reflect changes defined by the OMB Bulletin dated February 28, 2013.

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

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

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

For additional data pertaining to the housing market for this HMA, go to www.huduser.org/publications/pdf/CMARtables_BostonMA_14.pdf.

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

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

For additional reports on other market areas, please go to www.huduser.org/publications/econdev/mkt_analysis.html.