Analysis of the

WORCESTER, MASSACHUSETTS HOUSING MARKET

as of February 1, 1970

A Report by the
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FEDERAL HOUSING ADMINISTRATION
WASHINGTON, D. C. 20411

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FHA Housing Market Analysis
Worcester, Massachusetts, as of February 1, 1970

Foreword

This analysis has been prepared for the assistance and guidance of the Federal Housing Administration in its operations. The factual information, findings, and conclusions may be useful also to builders, mortgagees, and others concerned with local housing problems and trends. The analysis does not purport to make determinations with respect to the acceptability of any particular mortgage insurance proposals that may be under consideration in the subject locality.

The factual framework for this analysis was developed by the Field Market Analysis Service as thoroughly as possible on the basis of information available on the "as of" date from both local and national sources. Of course, estimates and judgments made on the basis of information available on the "as of" date may be modified considerably by subsequent market developments.

The prospective demand or occupancy potentials expressed in the analysis are based upon an evaluation of the factors available on the "as of" date. They cannot be construed as forecasts of building activity; rather, they express the prospective housing production which would maintain a reasonable balance in demand-supply relationships under conditions analyzed for the "as of" date.

Department of Housing and Urban Development
Federal Housing Administration
Field Market Analysis Service
Washington, D. C.

FHA HOUSING MARKET ANALYSIS - WORCESTER, MASSACHUSETTS AS OF FEBRUARY 1, 1970

The Worcester, Massachusetts, Housing Market Area (HMA), consisting of one city and 21 towns, lies within Worcester County and is coextensive with the Worcester, Massachusetts, Standard Metropolitan Statistical Area as defined by the Bureau of the Budget. The central city is Worcester which is located about 40 miles west of Boston and 40 miles northwest of Providence, Rhode Island. In February 1970, the HMA had a population of about 353,100 people.

The economy of the HMA is dominated by the manufacturing of durable goods, with the fabricated metals and machinery industries as the main sources of industrial jobs. Since 1960, the average level of manufacturing employment has varied from year to year, but the overall trend has been downward. Job losses in manufacturing have been offset by gains in nonmanufacturing employment. Population and household growth, along with a large number of demolitions and the movement to the area of families employed in the Boston area, have resulted in increased demand for housing. However, building activity, particularly multifamily construction, has not been able to meet this demand, and vacancy rates in the HMA are low.

Anticipated Housing Demand

Based on projections of household growth and on anticipated losses to the housing inventory, it is estimated that there will be an average annual demand for 1,600 additional housing units in the HMA from February 1, 1970 to February 1, 1972. After consideration of current housing market factors such as acceptable levels of vacancy, construction volume, and shift in tenure from renter to owner, it is judged that the most favorable market balance would be achieved by the construction of 785 single-family houses and 815 units in multifamily structures. Distributions of demand for single-family houses by price classes and of multifamily units by gross monthly rents and unit sizes are shown in table I.

The demand estimate of 815 multifamily units is smaller than the number of units authorized in 1969, but it is significantly larger than the number for each year preceding 1969. As in 1969, most of the multifamily demand is expected to be centered in Westborough, which is attracting as residents, commuters to areas outside the HMA. Although the projected demand for multifamily units is substantially less than the number of units authorized in 1969, absorption should be noted carefully to assure that the new units are continuing to attract families who are employed outside the HMA.

Occupancy Potential for Subsidized Housing

Federal assistance in financing costs for new housing for low- or moderate-income families may be provided through four different programs administered by FHA: monthly rent-supplement payments, principally in rental projects financed with market-interest-rate mortgages insured under Section 221(d)(3); partial payment for interest for home mortgages insured primarily under Section 235; partial payment for interest for project mortgages insured under Section 236; and below-market-interest-rate financing for project mortgages insured under Section 221(d)(3).

Household eligibility for federal subsidy programs is determined primarily by evidence that household or family income is below established limits. Some families may be alternatively eligible for assistance under one or more of these programs or under other assistance programs using federal or state support. Since the potential for each program is estimated separately, there is no attempt to eliminate the overlaps among program estimates. Accordingly, the occupancy potentials discussed for various programs are not additive. Furthermore, future approvals under each program should take into account any intervening approvals under other programs which serve the same requirements. The potentials[1/] discussed in the following paragraphs reflect estimates

1/ The occupancy potentials referred to in this analysis are dependent upon the capacity of the market in view of existing vacancy strength or weakness. The successful attainment of the calculated market for subsidized housing may well depend upon construction in suitable accessible locations, as well as upon the distribution of rents and sales prices over the complete range attainable for housing under the specified programs.

unadjusted for housing which might be provided under alternative FHA or other programs.

The annual occupancy potentials discussed below are based upon 1970 incomes, on the occupancy of substandard housing, on estimates of the elderly population, on February 1, 1970 income limits, and on available market experience.[1/] The occupancy potentials by size of units required are shown in table II.

Section 221(d)(3) BMIR. To date one Section 221(d)(3) project totaling 200 units has been produced in the HMA; the units were readily absorbed and full occupancy has been the rule. If federal funds are available, about 360 units for families and 175 units for elderly households could be absorbed annually. Approximately 75 percent of the eligible families and 80 percent of the elderly households also qualify for housing under Section 236.

Rent-Supplement. Under the rent-supplement program there is an annual occupancy potential for approximately 275 units for families and 545 units for elderly couples and individuals. About five percent of the families and thirty percent of the elderly households qualifying for rent supplements also are eligible for Section 236 housing, and all those qualifying for rent supplements qualify for public housing. About 460 units of public housing for the elderly are under construction. These units under construction reduce the first year potential for elderly households to about 85 units.

Section 235, Sales Housing. Sales housing can be provided for low- and moderate-income families under provisions of Section 235. Using exception income limits, there is an occupancy potential for about 430 units annually. With regular income limits, the potential would be about 95 percent of the number shown above. All of the families included in the potential for Section 235 are eligible for housing under Section 236, and vice versa, but the two are not additive.

Section 236, Rental Housing. Under Section 236, the annual occupancy potential, using exception income limits, is estimated to be 430 units for families and 210 units for elderly households. If regular income limits are used, the occupancy potential for

1/ Families with incomes inadequate to purchase or rent nonsubsidized housing are eligible for one form or another of subsidized housing; however, little or no housing has been provided under some of the subsidized programs, and absorption rates remain to be tested.

families would be about 95 percent of that number and the potential for elderly would be 100 percent of that number. About 25 percent of the families and 75 percent of the elderly households qualifying under Section 236 also can qualify for the rent-supplement program. All families eligible for Section 236 housing are eligible under Section 235, and vice versa, but the two are not additive.

The Sales Market

The market for new and existing sales housing was sound in February 1970. Builders' inventories were small, the homeowner vacancy rate was 0.8 percent, and the majority of used homes were selling after short periods of market exposure. Although single-family construction in 1969 declined from the level maintained between 1965 and 1968, demand-supply balance was sustained.

Until recently, most single-family houses were built speculatively, but currently the majority of homes are built on a contract basis. The tightened money market and higher interest rates have affected all segments of the sales market. The city of Worcester has higher land costs and taxes than the rest of the HMA. Partly for that reason, construction of single-family houses in the city has decreased yearly since 1962; by 1969 less than 12 percent of the annual production of single-family houses in the HMA occurred in Worcester.

Home building has been concentrated in the towns of Holden, Shrewsbury, and Westborough. Homes in Shrewsbury and Westborough generally are priced over $30,000. Most homes in Holden are less expensive and sell in the range of $24,000-$30,000. Other active areas in the HMA have been Auburn, Millbury, and Northborough.

The Rental Market

The market for rental housing in the Worcester HMA was tight as of February 1, 1970, as evidenced by the rental vacancy rate of 2.5 percent. Since the volume of multifamily construction was not large during most of the 1960's, the majority of the rental units are still in "three decker" structures in the city of Worcester. Built during the early 1900's, many of these units are substandard and are located in less desirable parts of the city. A large portion of the rental vacancies are in this type of unit.

The most successful units have been newer apartments with rents of $150 to $170 for a one-bedroom unit and $180 to $200 for a two-bedroom apartment; few vacancies exist in these apartments. Luxury apartment projects have not done as well, however. Two luxury projects in Worcester with rents in the range of $315 to $325 for two bedrooms had slow rent-ups and seldom have had 100 percent occupancy. Duplexes and apartments with three or more bedrooms in converted single-family houses have been popular with families because of the scarcity of single-family houses for rent and the small number of apartment projects containing units larger than two bedrooms.

When an interchange for Interstate 495 opened in January 1969, the focus of apartment construction shifted from Worcester to Westborough. This interchange provides the residents of Westborough with fast and easy access to downtown Boston. About 875 units were authorized in 1969 in Westborough, primarily with the expectation of attracting people who work in Boston. The units completed thus far have had no difficulty in renting. The typical rent for a two-bedroom apartment in these units is $200, including utilities.

Economic, Demographic, and Housing Factors

Economic Factors. Nonagricultural wage and salary employment during the first eleven months of 1969 averaged 130,200 jobs, an increase of 2,100 over the same time period in 1968. For the 1960-1968 period, the average annual increase was 1,750 jobs. During this nine-year period, however, employment fluctuated; employment decreased by 2,700 between 1962 and 1963 and by 100 between 1967 and 1968, while in 1965 and 1966 the number of new jobs increased by 3,900 and 5,500 respectively.

Since 1960, the employment trend in manufacturing has been downward, with the number of jobs decreasing by 3,600. Losses have occurred mainly in the primary metals, machinery, and textile industries. Several industries have had increased employment, however, with the largest gains taking place in the fabricated metals industry and the "other durables" category. About 1,400 jobs have been added in fabricated metals and the "other durables" category increased by approximately 1,500 jobs. Employment in "other durables" mainly consists of firms manufacturing abrasives, including the largest employer in the HMA. The principal reason for the increase in "other durables" was the opening of an electronics firm in 1966.

In contrast to the employment trend in manufacturing between 1960 and 1968, nonmanufacturing employment has increased by about 17,200 jobs, or an annual average increase of 2,150. Although there have been employment gains every year since 1961, increases were greatest from 1964 through 1967, when employment gains averaged 2,900 annually. The largest gains were in the trade and service industries, but the other nonmanufacturing industries also added jobs.

For the two-year forecast period ending February 1, 1972, it is anticipated that nonagricultural wage and salary employment will increase by 1,700 jobs each year. All of the new employment is expected to be in nonmanufacturing employment. Trade will account for a large portion of the growth because several new stores are scheduled to open during the forecast period. Completion of the University of Massachusetts Medical School and Hospital will cause a sizeable increase in government employment.

As of February 1, 1970, the median income, after deduction of federal income tax, of all families in the Worcester HMA was $8,900 and the median after-tax income of two- or more-person renter households was $7,500. The median annual income in 1959 for all families and for renter households was $5,625 and $4,750, respectively. Table IV contains distributions of all families and renter households by annual income classes for 1959 and 1970.

Demographic Factors. The population of the Worcester HMA reached 353,100 in February 1970, reflecting an annual average increase of 2,450 people since 1960. Population growth was concentrated in the area outside of the city of Worcester as families continued to migrate from the city to the suburbs (see table V). In spite of out-migration and a reduction in the resident birth rate, there was a slight increase in the population of the city of Worcester. This increase, however, was a result of a rise in the nonhousehold population, in particular the student population in eight colleges, including Holy Cross, Clark University and Worcester Polytechnic Institute. Based on the employment forecast, the prospect of an increase in out-commutation, and the stabilization of birth rates, it is expected that the population of the HMA will increase by 3,550 annually between February 1970 and February 1972.

There were about 104,500 households in the HMA as of February 1, 1970, including 57,350 in the city of Worcester and 47,150 in the remainder of the HMA. This total represents an average increase of 840 households a year. Household growth is expected to parallel population expansion during the forecast period; it is anticipated that the number of households will grow by 1,050 each year.

Housing Factors. The housing inventory of the Worcester HMA totaled 108,600 units on February 1, 1969, an increase of approximately 7,050 since 1960. The net gain was the result of the addition of about 12,200 new units and the loss of 5,150 units through demolitions and other causes.

As of February 1, 1970, there were 1,530 housing units under construction in the HMA, including 240 single-family houses and 1,290 multifamily units. Of the multifamily units under construction, 460 are public housing units designed for the elderly in the city of Worcester. Multifamily construction activity is concentrated in the city of Worcester and in Westborough, with the number of units under construction almost evenly divided between the two.

The volume of private residential building activity, as measured by building permits, fluctuated in the 1960 decade.[1/] From a low of 893 units authorized in 1964, construction activity increased each year so that in the peak year of 1969 a total of 2,307 units were authorized. The number of single-family units authorized remained fairly stable, ranging from a high of 887 in 1961 to a low of 741 in 1969, but the multifamily total varied from 144 in 1964 to 1,566 in 1969. From 1960 to 1967, the number of multifamily units authorized each year did not exceed 300; in 1967 authorization increased to 343, continued at about the same level in 1968 and reached a peak of 1,566 in 1969 (see table VII).

Until 1969, the only area which consistently issued over 50 multifamily building permits a year was the city of Worcester. The rest of the authorizations were scattered throughout the HMA. However, this situation changed in 1969 when Westborough authorized 875 units and Shrewsbury permitted 98. In that year, the city of Worcester authorized 479 multifamily units, the largest number authorized by the city during the 1960-1969 period. Single-family construction has been concentrated outside the city of Worcester. In Worcester City, the number of single-family houses authorized has decreased every year since 1962.

There were 1,625 available vacant units in the HMA on February 1, 1970. Of these vacant units, 500 were available for sale and 1,125 were available for rent, representing homeowner and rental vacancy rates of 0.8 percent and 2.5 percent, respectively. The vacancy rates have decreased since 1960, when the homeowner vacancy rate was 0.9 percent and the rental vacancy rate was 4.3 percent (see table VI).

1/ Virtually all residential construction is covered by building permits.

Table I

Estimated Annual Demand For New Unassisted Housing
Worcester, Massachusetts, Housing Market Area
February 1, 1970-February 1, 1972

(A) Single-family Houses

Sales price	Number of units	Percent of total
Under $20,000	165	21
$20,000 - 22,499	190	24
22,500 - 24,999	130	16
25,000 - 29,999	170	22
30,000 - 34,999	80	10
35,000 and over	50	7
Total	785	100

(B) Multifamily Units

Gross monthly rents[a]	Efficiency	One bedroom	Two bedrooms	Three or more bedrooms
Under $140	20	-	-	-
$140 - 159	15	115	-	-
160 - 179	5	130	-	-
180 - 199	-	65	170	-
200 - 219	-	15	115	20
220 - 239	-	5	60	20
240 - 279	-	-	25	15
280 and over	-	-	10	10
Total	40	330	380	65

a/ Gross rent is shelter rent plus the cost of utilities.

Table II

Estimated Annual Occupancy Potential for Subsidized Housing
Worcester, Massachusetts, Housing Market Area
February 1970-February 1972

A. Subsidized Sales Housing, Section 235

Family size	Number of units[a]
Four persons or less	265
Five persons or more	165
Total	430

B. Privately-Financed Subsidized Rental Housing

Unit size	Rent-supplement		Section 236	
	Families	Elderly	Families	Elderly
Efficiency	-	400	-	110
One bedroom	45	145	40	100
Two bedrooms	110	-	195	-
Three bedrooms	70	-	140	-
Four bedrooms or more	50	-	55	-
Total	275	545	430	210

a/ All of the families eligible for Section 235 housing are eligible also for the Section 236 program, and vice versa, but the two are not additive; about 75 percent are eligible for Section 221(d)(3) BMIR housing.

Table III

Trend of Nonagricultural Wage and Salary Employment by Industry
Worcester, Massachusetts, Housing Market Area
1960-1969
(Annual averages in thousands)

Components	1960	1961	1962	1963	1964	1965	1966	1967	1968	Jan.-Nov. 1968	Jan.-Nov. 1969
Total nonag. wage & sal. employ.	114.5	114.7	117.3	114.6	116.7	120.6	126.1	128.4	128.3	128.1	130.2
Manufacturing	52.1	50.7	51.5	47.5	47.6	49.2	51.2	50.5	48.7	48.7	48.5
Durable goods	34.5	33.1	33.9	31.0	31.1	32.6	34.4	34.1	32.5	32.5	32.8
Primary metals	7.5	7.3	7.2	6.4	6.3	6.5	6.7	6.9	6.4	6.5	6.3
Fabricated metals	5.4	5.2	5.5	5.7	5.8	6.2	6.7	7.0	6.7	6.7	6.8
Machinery (exc. elect.)	13.1	12.3	12.1	11.7	11.8	12.7	12.6	11.3	10.0	10.0	9.7
Other durables	8.5	8.3	9.1	7.3	7.2	7.2	8.4	8.9	9.3	9.3	10.0
Nondurable goods	17.6	17.6	17.6	16.5	16.5	16.6	16.8	16.4	16.2	16.2	15.8
Textile mill products	3.1	2.8	2.8	2.7	2.7	2.4	2.4	2.2	2.1	2.1	1.9
Leather & leather products	3.4	3.4	3.3	2.7	2.5	2.7	2.8	2.7	2.7	2.6	2.5
Other nondurables	11.1	11.4	11.5	11.1	11.3	11.5	11.6	11.5	11.5	11.5	11.3
Nonmanufacturing	62.4	64.0	65.8	67.1	69.1	71.4	74.9	77.9	79.6	79.3	81.7
Contract construction	4.1	4.3	4.2	4.2	4.6	4.6	4.8	5.0	5.2	5.2	5.2
Wholesale & retail trade	20.4	20.9	21.5	21.7	22.1	22.5	23.3	24.4	24.9	24.8	25.4
Trans., comm., & utilities	4.4	4.3	4.3	4.3	4.7	5.8	5.9	6.2	6.2	6.2	6.5
Fin., ins., & real estate	5.3	5.3	5.4	5.6	5.8	5.9	6.1	6.3	6.5	6.5	6.8
Service, misc., mining	14.7	15.4	16.4	17.0	17.7	18.2	19.4	20.3	21.1	21.1	21.9
Government	13.5	13.8	14.0	14.3	14.2	14.4	15.4	15.7	15.7	15.6	15.9

Note: Subtotals may not add to totals due to rounding.

Source: Massachusetts Division of Employment Security.

Table IV

Estimated Percentage Distribution of All Families and Renter Households[a/]
By Annual Income After Deduction of Federal Income Tax
Worcester, Massachusetts, Housing Market Area
1959 and 1970

Annual income	1959 All families	1959 Renter household	1970 All families	1970 Renter household
Under $3,000	14	20	5	9
$3,000 - 3,999	10	14	4	6
4,000 - 4,999	15	20	6	7
5,000 - 5,999	17	16	6	9
6,000 - 6,999	12	12	9	11
7,000 - 7,999	9	7	11	13
8,000 - 8,999	7	5	10	10
9,000 - 9,999	4	2	8	9
10,000 - 12,499	7	2	17	14
12,500 - 14,999	2	1	10	8
15,000 and over	3	1	14	4
Total	100	100	100	100
Median	$5,625	$4,750	$8,900	$7,500

a/ Excludes one-person renter households.

Source: Estimated by Housing Market Analyst.

Table V

Population and Household Trends
Worcester, Massachusetts, Housing Market Area
April 1960 to February 1972

Component	April 1, 1960	February 1, 1970	February 1, 1972	Annual average change 1960-1970	Annual average change 1970-1972
Population					
HMA total	328,898	353,100	360,200	2,450	3,550
Worcester City	186,587	186,850	187,150	25	150
Remainder of HMA	142,311	166,250	173,050	2,425	3,400
Households					
HMA total	96,217	104,500	106,600	840	1,050
Worcester City	56,708	57,350	57,400	65	25
Remainder of HMA	39,509	47,150	49,200	775	1,025

Sources: 1960 Censuses of Population and Housing; 1970 and 1972 estimated by Housing Market Analyst.

Table VI

Housing Inventory Trends
Worcester, Massachusetts, Housing Market Area
April 1960-February 1970

Tenure and occupancy	April 1960	February 1970
Total housing supply	101,551	108,600
Occupied housing units	96,217	104,500
Owner-occupied	54,962	61,500
Percent	57.1%	58.9%
Renter-occupied	41,255	43,000
Vacant housing units	5,334	4,100
Available vacant	2,369	1,625
For sale	519	500
Homeowner vacancy rate	0.9%	0.8%
For rent	1,850	1,125
Renter vacancy rate	4.3%	2.5%
Other vacant[a/]	2,965	2,475

a/ Includes seasonal units, dilapidated units, units sold or rented awaiting occupancy, and units held off the market.

Sources: 1960 Census of Housing; 1970 estimated by Housing Market Analyst.

Table VII

Housing Units Authorized by Building Permits by Type of Structure
Worcester, Massachusetts, Housing Market Area
1960-1969

	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969
Privately financed units										
HMA total	926	1,065	1,150	1,112	893	988	1,056	1,183	1,199	2,307
Single-family	746	887	861	882	749	814	881	840	871	741
Multifamily	180	178	289	230	144	174	175	343	328	1,566
Worcester City	429	383	616	474	255	238	317	434	251	561
Single-family	268	297	345	309	199	181	178	137	91	82
Multifamily	161	86	271	165	56	57	139	297	160	479
Remainder of HMA	497	682	534	638	638	750	739	749	948	1,746
Single-family	478	590	516	573	550	633	703	703	780	659
Multifamily	19	92	18	65	88	117	36	46	168	1,087
Publicly financed units										
HMA total	100	50	-	-	40	128	44	199	471	165
Worcester City	100	50	-	-	-	128	-	199	319	141
Remainder of HMA[a]	-	-	-	-	40	-	44	-	152	24

a/ Financed by the state of Massachusetts.

Sources: U.S. Bureau of the Census, C-40 Construction Reports; Division of Statistics, Massachusetts Department of Labor and Statistics; and local building inspectors.

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