

The Greater Boston Housing Report Card 2012

A New New Paradigm for Housing in Greater Boston

Barry Bluestone
Chase Billingham
Eleanor White
Marvin Siflinger
Tim Davis
Tim Reardon

with assistance from
Noah Hodgetts
James Huessy

Prepared by:

**The Kitty and Michael Dukakis Center
for Urban and Regional Policy
Northeastern University**

for

The Boston Foundation

Edited by:

Mary Jo Meisner, The Boston Foundation

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Production: Matt Mayerchak, Jim Atherton, Carol Keller

Cover Photo: Richard Howard, Richard Howard Photography

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Letter

November 2012

Dear Friends,

The Boston Foundation is proud to publish the tenth annual *Greater Boston Housing Report Card*, a continuation of our work with Barry Bluestone, Director of the Kitty and Michael Dukakis Center for Urban and Regional Policy at Northeastern University. As always, he and his skilled team of researchers have analyzed data from the Warren Group and other sources to provide critical insights into the housing sector and its relationship to the regional economy.

It's been a decade in which Greater Boston and the nation as a whole experienced a painful ride from an unsustainable peak in home prices to a devastating trough during the Great Recession, but this year's report finds continuing signs of a slow, sometimes uneven, recovery in Greater Boston's housing market. While the region's rents still sit at all-time highs, home sales and prices show signs of improvement. Indeed, Professor Bluestone's team and partners from the Metropolitan Area Planning Council project a need for a doubling or tripling of current housing production to meet needs over the next decade.

But as the market recovers, we are finding our fundamental approach to housing and homeownership itself forever changed. As older "empty nesters" look to downsize, Professor Bluestone finds they may have to compete with younger buyers who are more likely to seek smaller single-family and multi-family options.

There is opportunity in this shift. In 2004, the passage of Chapter 40R gave incentives for communities to encourage denser, transit-oriented development. This "Smart Growth Housing" is crucial to increasing the supply of market-rate and affordable housing in Massachusetts, but while dozens of communities have already embraced 40R zoning incentives, the overall weakness in the economy has limited the number of units developed.

The shift in demand for new homes presents an opportunity for developers to take advantage of Chapter 40R, by building smaller, more densely- and smartly-constructed communities that satisfy the needs of this emerging market.

It will take a new level of cooperation among policymakers, local officials and the nonprofit and private sectors working in concert to realize the promise that this new paradigm holds. Professor Bluestone's report once again provides a valuable trove of data and analysis from which we can work to both meet the basic needs of Greater Boston residents and provide a foundation for growth of the region's economy.



Paul S. Grogan
President and CEO
The Boston Foundation

Executive Summary

This report marks the 10th anniversary of the annual *Greater Boston Housing Report Card*. Each year since 2002, we have probed Greater Boston's housing landscape, keeping tabs on housing construction, home prices and rents. We have analyzed the relationship between the region's economy, demography and housing, and we have kept track of federal, state and local government policies that affect the region's housing market. Year by year, we have reported on this vital sector of the region's economy, based on the belief that providing decent housing for all at prices they can afford is not only a moral responsibility, but an economic necessity if the region is to retain its talent pool.

The Original *New Paradigm Report*

For this 10th anniversary edition, it is useful to go back in time even further, to September 2000. Before producing the first of these annual report cards, the Dukakis Center undertook a comprehensive housing study aimed at understanding why housing prices were rising annually at close to double-digit rates throughout most of the Greater Boston metropolitan area. In *A New Paradigm for Housing in Greater Boston*, we noted that this was a remarkable period for the region. The unemployment rate had dropped below 3 percent and family incomes were rising faster than in almost any other metropolitan region in the country. Greater Boston was attracting professional workers from other states and a new wave of immigrants from abroad. Boston was undergoing a true economic renaissance.

But as that *New Paradigm* report noted, "prosperity brings its own challenges . . . and none is more acute than the region's severe housing crisis." The study revealed that housing vacancy rates were so low that home prices and rents were being bid up much faster than household incomes. Between 1990 and 2000, only 82,600 new housing units were constructed in Greater Boston to meet the needs of nearly 123,000 new households. As a result, many long-time residents and many

newcomers to the region were facing an acute affordability gap between their incomes and what they had to pay to rent housing or purchase a home. The report stated that

Prices and rents are rising so quickly that not only are the poor in trouble, but an increasing number of working and lower middle income families worry that prosperity may price them out of the Boston housing market. *Indeed, if housing prices continue to rise, the housing crisis could pose a barrier to the future growth of the region as employers find it difficult to recruit workers and are forced to locate elsewhere.* (emphasis added)

In what, in retrospect, was a prescient note, the *New Paradigm* report suggested that "short of a disastrous economic recession, the affordability gap could only be allayed by a significant increase in housing supply." With the vacancy rate for single-family homes below 1 percent and the rental vacancy rate at only 3.1 percent, home prices and rents could rise, the report suggested, as much as 40 percent faster than family incomes. "This would mean that tens of thousands of more families will be forced to pay an ever higher share of their incomes for basic shelter—or leave the region altogether."

Housing Demand and Needed Supply, 2000–2011

In 2000, the *New Paradigm* study calculated the amount of additional housing supply that would have to be produced over the following five years if these huge price increases were to be avoided. To account for expected increases in the number of new households and to bring vacancy rates up to normal levels (i.e., 2% for single-family homes; 6% percent for rental units), a total of 36,000 additional housing units would be needed over and above the production levels prevailing at the time. To produce this much additional housing would require surmounting a number of social and political barriers, especially overly restrictive local

zoning laws. It would also be necessary to find ways to deal with the economic barriers of extraordinarily high land acquisition costs, capital financing constraints and high construction charges.

The report called for universities and colleges to build more housing units for their students to alleviate student pressure on neighborhood housing markets. It called for private, for-profit developers to boost their production of market-rate and subsidized housing, taking advantage of the state's Chapter 40B housing law to overcome local zoning restrictions and using various federal and state incentives for aggregating investment funds to underwrite land acquisition and construction costs. It called on local, state, and federal government agencies to engage in regulatory reform and to increase funding for subsidized housing. And it called on private business, church groups, labor unions and other civic institutions to help mitigate the housing crisis by contributing funds for the development of housing and by providing land for construction. The *New Paradigm* report issued a bold challenge to virtually everyone in Greater Boston. For all intents and purposes, however, that challenge was not met and housing prices continued to spiral upward through 2005.

In retrospect, we can now discern two distinct stages within the Greater Boston housing market. The first, beginning in the late 1990s and continuing through 2005, was marked by rapidly rising housing prices as housing production continued to lag behind housing demand and well behind the production targets outlined in the *New Paradigm* report. The only good news was that rents remained reasonably stable during this period. The second stage began in late 2005, and it has persisted until quite recently. It was marked by stagnating and then falling home prices, as well as rising foreclosures—but paradoxically escalating rents. The foreclosures themselves forced homeowners into the rental market while young families aspiring to become homeowners had to remain in rental housing because of tightened mortgage credit or fears of unstable housing prices. Under these conditions, rental demand quickly outstripped rental supply and rents reached their highest levels ever, despite a relatively weak underlying economy and falling home prices.

A New Stage in the Housing Market

We now believe we can discern the leading edge of a new stage in the evolution of the region's housing market. Indeed, a new *New Paradigm* for the Greater Boston housing market is unfolding, triggered by fundamental changes in the underlying economy, regional demographics and consumer behavior.

The balance of this 10th anniversary *Greater Boston Housing Report Card* is dedicated to understanding this new period in the region's housing market and what it will take to meet the goal of affordable housing for all who need it. There are now even stronger signs than we saw in 2010 that the housing market is recovering. We may be at a new point in the housing cycle where housing demand—both in the homeowner market and in the rental market—will begin once again to outstrip supply, particularly given the lack of production since 2005, falling vacancy rates, and a stronger economy that is attracting new workers to the region.

But the changes we discern in demographics and consumer behavior require a new housing paradigm because the challenge we face is more than just the sheer *amount* of housing production. Fundamental structural changes in the age composition of the region's population; in the income, wealth, and debt distribution of the region's households; and in generational differences in consumer behavior will almost certainly alter the *types* of housing we will need over the next decade, as well as the *places* within the region where that housing will need to be located.

If developers, communities, and state and local government respond proactively to these underlying changes, we will be in a better position to fulfill the moral responsibility of providing affordable housing to all who need it. Moreover, we will better meet the economic necessity of lowering the housing cost hurdles that make it difficult for young households to remain in Greater Boston, while simultaneously lowering the cost barrier to those who would like the opportunity to move here.

Before considering what this new paradigm would entail, it is helpful to examine what has happened in the region's housing market over the past year.

The Current State of the Greater Boston Housing Market

In the last two installments of *The Greater Boston Housing Report Card* we have reported evidence that seemed to indicate a modest return to normalcy in the region's housing market. Yet each time it appeared that prices were beginning to rise, that new and existing home sales were picking up, and that housing construction was on the mend, new data would suggest continued stagnation. The rate of foreclosure activity has consistently put a damper on incipient housing market recovery. Once again, in 2012, we see signs of recovery in the housing market along all of the standard measures we have tracked—sales, prices, rents, permits and foreclosures. Whether this is leading to a return to the normal patterns that have prevailed in past decades or, alternatively, whether it signals a major transformation of the Greater Boston housing market is the big question this time around.

Home Sales

The yearly number of single-family home sales in Greater Boston once again fell in 2011, and in fact dropped below the 2008 level, which had been the lowest total since at least 2000. By the end of 2011, only 22,635 single-family homes had been sold in the five-county Greater Boston region. This represented a decline of 3.8 percent from the already low total from 2010, and a 36.1 percent decline from 2004.

The story was even bleaker in the condominium market. Annual sales of condominiums in Greater Boston fell for six straight years between 2006 and 2011. Moreover, the drop in sales between 2010 and 2011 was the largest in four years. The 12,269 condominiums sold in the region in 2011 represented a decrease of 2,202 (15.2 percent) from 2010, and a decrease of 13,858 (more than 53 percent) from the recent peak year of 2005.

However, data for the first half of 2012 depict a somewhat improved picture. Once again, it seems that home sales are on an upward trajectory. While the annual data for 2011 showed a continued decrease in sales volume, the most recent bottom in sales volume was actually reached in the middle of that year. Since

that time, a moderate recovery in home sales has been underway. For single-family homes, year-over-year sales increased in every month but one between July 2011 and June 2012. Condo sales were less robust but still generally upward. In only three months of the year did monthly year-over-year sales decline.

Housing Permits

With housing sales still very weak, we projected in last year's report (based on data from the first half of the year) that only about 4,400 permits would be issued for construction of new housing units during all of 2011, which would have made 2011 the worst year for housing production in at least two decades. The good news is that an acceleration in the issuance of housing permits in the second half of last year allowed the region to escape that dubious distinction. With a final tally of 5,275 permits in 2011, prospective construction was still below the 2010 level, but it did exceed the decade's low of 4,714 permits issued in 2009.

Extrapolating from data for the first six months of 2012, it appears that every type of housing unit will show an increased rate of production this year, compared to last, though the degree of that increase will vary by type of unit. According to our projections, the region should expect to see an increase of only about 12 percent in the number of new single-family homes permitted in 2012. However, for homes in two- to four-unit structures, that increase should be closer to 50 percent. Data from January through June indicate that the strongest rebound is underway in the region's 5+ unit apartment and condominium buildings. If permitting trends hold steady through the end of 2012, Greater Boston should expect to issue nearly double the number of permits for such rental and condominium units, compared to 2011. *Thus, renewed vigor within the apartment and condo markets seems to be the primary driver of the recovery in the region's overall housing market.* This continues a trend that can be traced back to at least 2009.

Foreclosure Activity

Foreclosure deeds once again fell in 2011, as most signs began to point to a more robust recovery in the housing market. However, the foreclosure crisis has not yet

fully passed, and it appears that the total number of foreclosure deeds for 2012 will exceed the 2011 figure as banks speed up the foreclosure process. Moreover, while foreclosure activity has declined in most places around the region, in a few communities, such as Brockton, Lynn, and Lowell, the number of foreclosures remains alarmingly high.

Vacancy Rates

Vacancy rates contribute significantly to the determination of home prices. As vacancy rates decline, prices tend to escalate, and in Boston vacancy rates have remained very low for years. In every year since 1990, the Greater Boston homeowner vacancy rate has been at least one-fifth lower than the comparable rate nationally, and in some years it has been no more than one-quarter the national rate. Not since 2006, when new housing production in the region was most robust, has the homeowner vacancy rate for the Boston area reached even 2 percent, the level considered “normal.” Rather, since 2008, it has stayed at or below 1.5 percent, and in the second quarter of 2012 it dipped to 0.8 percent. By comparison, nationwide vacancy rates, while falling steadily since 2008, have been in the range of 2.5 percent. With vacancy rates below 1 percent, prices normally begin to rise sharply. The only reason we have not seen this yet is that the overall economy is still relatively weak and demand is subdued because of the difficulty some households are finding in qualifying for mortgages.

As in the case of the homeowner vacancy rate, Boston’s rental vacancy rate has remained extremely low, relative to other regions of the U.S., for more than a decade. The low rental vacancy rate has led rents in Boston to remain at record high levels over the past several years, even as the economy’s recovery from the Great Recession proceeds at a dispiriting pace.

Home Prices

Prices for single-family homes in the five-county Greater Boston region peaked in 2005 near \$405,000. The trajectory of prices since then has been generally downward, but the trend has been uneven. Indeed, year-over-year price changes were positive in both

2007 and 2010. By 2011, the typical home in Greater Boston sold for about \$345,000, representing a decrease of about 15 percent from the 2005 peak figure.

Condo prices, unlike single-family home prices, have exhibited relative stability between 2005 and 2011, in the narrow range of \$279,900 to \$306,500. At \$302,000 in 2011, condo prices in the region were only 1.4 percent lower than they were when they peaked in 2007.

Rents

Since 2003, both the average asking rent (the price sought by landlords and published in ads) and the average effective rent (the rent ultimately negotiated between landlords and tenants, taking into account various discounts) have increased in every year but one. Average rents in the region increased in both 2010 and 2011, and exhibited another slight uptick through the first quarter of 2012.

Furthermore, compared to a set of 19 competitor regions across the nation, Boston has consistently been among the most unaffordable for renters. Of those 19, only two—New York and San Francisco—have regularly experienced higher average rents than Boston since 2000. Thus, while home prices have fallen and then stagnated since late 2005 and condo prices have been relatively constant, rents have continued to rise nearly every year. Rental affordability has therefore suffered to the point that more than 50 percent of renter households in the region were paying more than 30 percent of their income on rent in 2010, up from 39 percent in 2000. A full quarter (25%) of Boston-area renters were paying more than half their income for their apartments.

State and Federal Spending on Housing

Traditionally, funding by the Commonwealth and by the federal government has played a role in both helping to underwrite the supply of housing and providing housing assistance to low-income households. Unfortunately, funding for the Commonwealth’s Department of Housing and Community Development (DHCD), which comes from both state and federal sources, has been severely affected by the recent recession. By FY2011, total state-generated

funds were down to \$117 million, from \$375 million in 1990 and \$173 million in 2000 (in 2012 dollars). Only in FY2012 did DHCD receive an increase in operating funds of \$21.3 million, making for a total of \$138 million. However, almost all of this increase supported the Home Heating Assistance program when federal funds fell short. For 2013, DHCD will have \$135 million in operating funds for housing programs (exclusive of homelessness program funds).

Federal funds flowing to DHCD jumped to \$638 million in FY2009, and in FY2010 funds derived from the American Reinvestment and Recovery Act (ARRA) contributed to a further expansion of the state's housing efforts, with \$107 million in funding in FY2010 and \$187 million in FY2011. ARRA funds are now declining, with just \$62 million in funding for FY2012—and less than \$3 million is anticipated for FY2013. As ARRA assistance recedes, other federal funds also have declined, with a \$60 million (10 percent) cut between FY2011 and FY2012. Further cuts are anticipated for FY2013.

It appears that neither the state government nor the federal government is in a position to offer more funding for rental assistance or for incentivizing the development of new affordable housing. As such, we will need new less expensive approaches to meeting our housing goals in this era of fiscal austerity.

Indeed, one of those low-budget approaches is now bearing fruit. Chapter 40R, passed in 2004, provides incentive payments to cities and towns that set aside land for the development of denser, more affordable, transit-oriented housing. As of this year, 33 40R “smart growth overlay zoning districts” have been approved by the state. While it took some time for the initial construction to occur in these districts, as of this year housing has been completed, is under construction, or permits have been issued in more than half (17) of these districts. Altogether, over 1,200 units of housing have been built, while another 700 are under construction or soon will be under existing issued permits. The cost to the state in density bonuses for this housing has been less than \$3.9 million. This is a good start, but as we suggest later, much more could be accomplished under this program.

A New New Paradigm for Housing in Greater Boston

As we noted earlier, we now have evidence that we are entering a new era in the Greater Boston housing market that will require not only an expansion of the total supply of housing units, but also quite possibly a fundamental change in the type of housing needed to meet regional demand. This new evidence comes from household growth projections developed by the Metropolitan Area Planning Council (MAPC) and the Dukakis Center.

One of the demographic changes we have followed is the aging of the baby boom generation. We project that close to 150,000 households which were headed by someone 55 or older in 2010 will downsize from single-family homes, leave the region, or become deceased by 2020. This will free up nearly an equivalent number of single-family homes in the region—about 20 percent of the current owner-occupied single-family stock. If many of today's younger households are not in a financial position to buy these homes or do not wish to live in such largely suburban housing units when they reach prime age (25–54), there may be a surplus of such housing on the market by 2020. As a result, it may take many years for home prices to recover to their previous 2005 peak. If the current housing price recovery continues at the slow pace that began in April 2009, in part because of the aging of the region's population, then a full price recovery for large single-family homes—particularly in suburban locations—could take nearly two decades to occur.

Projecting Housing Demand through 2020

Home prices and rents, like most goods and services, are the result of the interaction of supply and demand. Our first step, therefore, in determining the likely path of the consumer's cost of housing is to measure potential future demand. Working with MAPC, we have developed two sets of household estimates for 2020. The “Current Trends” forecast assumes that immigration and net domestic migration (inter-state migration) will continue at current rates through 2020. The “Stronger Growth” Scenario assumes that the Commonwealth's economy continues to perform better than the

rest of the nation, leading to greater in-migration into the state and less out-migration.

According to our “Current Trends” projection, the total number of new households in Metro Boston is expected to increase by 120,000 between 2010 and 2020, an average of 12,000 per year. Most of these will be young households. Given that each of these new households will need housing, and given that vacancy rates in both owner-occupied and rental housing are still below normal, this “Current Trends” household projection suggests the region will need to produce at least *12,000 additional units of housing each year* for the next decade to accommodate this population growth. From 2005 through 2011, fewer than 6,000 housing units were permitted per year. Thus, production needs to *more than double* relative to recent development activity in order to meet demand even under this relatively slow growth scenario. Essentially, we need to get back to housing production levels we have not seen since at least 2006.

If this does not occur, and if the projected “Current Trends” demand proves accurate, we can expect to once again see substantial price hikes, particularly on smaller single-family “starter” homes, condos, and rental units. The region will be less attractive to younger workers looking to settle down, and out-migration will increase as these cohorts choose to move to more affordable regions. The labor force will grow more slowly than projected, and employers will find it difficult to attract young talent, making the region less economically competitive. This will curtail housing prices, but at considerable cost to the economic viability of the region.

Under this “Current Trends” projection, the number of households opting for single-family homes versus multi-unit condos or apartments will not change by very much from the 2010 figure. About *half* (51%) of all net new households will opt for single-family homes (60,700) and about *48 percent* (57,400) will opt for housing in multi-unit condominiums or apartment complexes. (The remaining 1,700 of these new households, according to this projection, will live in other types of housing, including mobile homes.) *Thus, we may expect to see a net increase in demand for approximately 6,100 single-family units per year between 2010 and 2020, and a net increase in demand for 5,700 new units of multifamily housing each year.*

In contrast to the “Current Trends” scenario, the “Stronger Growth” scenario describes a region with robust labor force and employment growth, and answers the question of how much housing will be needed to achieve that level of growth. *Under this scenario we would have to more than triple overall production from current annual levels to more than 19,000 units per year.* Not only does this “Stronger Growth” scenario involve the need for building nearly 60 percent more housing each year compared to the “Current Trends” projection, but the mix of housing moves toward more multi-family units. With a larger number of young households migrating to Greater Boston (and fewer young residents leaving the region), this projection suggests the need for a mix of single-family to multi-family units closer to a 46%/53% ratio. *This would entail upping single-family production to an average of nearly 8,800 a year and increasing the annual production of multi-unit housing to 10,100 units.*

Relative to the “Current Trends” projection, the “Stronger Growth” scenario also shifts the mix of homeownership and rental units. Under the former, 73 percent of additional households would be seeking homeownership. Under the latter, with more young households moving in, the demand for homeownership would slip to 65 percent, with more than a third seeking rental units.

Even these projections may still understate the changing nature of demand that Greater Boston will face. Demographic trends are pointing toward smaller households in Greater Boston, as well as in the rest of the nation. Young people are increasingly saddled with student debt. While survey data indicate that younger generations still hold the concept of homeownership dear, the desire to own a home may diminish in the future as indebtedness, development patterns and commuting preferences change over time. Indeed, we may need to shift even more heavily toward the production of multiunit housing over detached single-family homes, and more heavily toward the production of rental units, rather than owner-occupied units.

Strategies for Meeting the Region's Housing Needs

To meet this projected demand, Massachusetts needs more housing, especially more affordable housing, and must be welcoming and “open for business” to responsible developers who can produce new, quality housing units. Here we present a set of recommendations that should be considered as we enter this new era in the Greater Boston housing market.

Recommendation #1: We believe that this may be the time for the Commonwealth to consider investing in promising sites and buildings (such as large mill buildings) that are unlikely to be developed soon by the private sector, but are likely to be increasingly valuable in the future. With the state's exceptional bond rating, the Commonwealth can borrow at extremely low rates to provide a fund for this purpose. The state could land-bank these properties for future development when the market improves. Under a well thought-out program, the state investment could be recouped as part of the development budget at a later date. This could enable the state to provide sites for affordable housing development at a cost that will, in the future, be a bargain. This is the type of activity that was the original mission of what is now MassDevelopment and that could prove to be a worthwhile use of its authority now or—alternatively—could be made part of the mission of another agency supporting community development.

Recommendation #2: The state should appoint a blue-ribbon commission with representation from the quasi-public lenders, private real estate lenders, private for-profit, nonprofit and public sector developers (including local housing authorities), academics and other real estate practitioners to examine development costs in depth—focusing on housing supported by public funding—and provide recommendations for responsible cost-containment. Interviews with developers who have built housing in Greater Boston, or who have tried to, complain that development costs here are higher than in other regions. They note higher labor costs and higher “soft” costs associated with excessive regulations regarding land acquisition and permitting. Reducing the cost of housing would go a long way toward making housing subsidies go further and would produce more units, which in turn

would directly support these agencies' missions, to say nothing of their own bottom lines. A relatively modest investment in this commission could pay massive dividends in the ability to stretch state subsidies and produce more affordable housing units.

Recommendation #3: In a previous *Housing Report Card*, the authors put forward a plan for one or more “multi-university graduate student villages.” Initial discussions about such housing are underway in at least at one local university (Northeastern) and possibly more. We believe that now is the time to focus more attention on this segment of the market and to identify interested partners in such a venture. A respected organization in the community (The Boston Foundation, the Greater Boston Chamber of Commerce or the Greater Boston Real Estate Board, individually or in partnership) should consider convening a task force of stakeholders—universities, municipalities, student organizations and developers—to consider how more undergraduate and graduate students could be housed in the region, including in such structures as the “multi-university graduate student village.”

Recommendation #4: DHCD should join with groups such as the Commonwealth Housing Task Force, Citizens Housing and Planning Association (CHAPA) and the Coalition for Senior Housing in a structured process to develop strategies for dealing with the inevitable population changes in Massachusetts described in this report. This should include exploration of the types of housing that can allow people to “age in place,” as well as discussion of ways to provide necessary social and health services as people live much longer than in previous decades.

Recommendation #5: Given the projected need to double or even triple yearly housing production between now and 2020, along with the likely shift in demand toward more multi-unit condos and rental housing, Chapter 40R is a tool that can be enhanced to make more land available for new, denser, transit-oriented development. It can be improved in a number of ways and an array of state agencies can take better advantage of it. Among specific recommendations, we suggest the following:

- The Legislature should pass the bill identified in the last session as House 990, sponsored by Rep. Kevin Honan, D-Brighton, and Senate 75, sponsored by Sen. Harriette Chandler, D-Worcester, and

co-sponsored by Rep. Carolyn Dykema, D-Holliston. This legislation would provide funds for cities and towns to hire planning consultants, architects and lawyers to assist them in developing plans for Chapter 40R districts. By making the application process easier, more towns will be able to join this program and more sites will be available for 40R housing.

- The Commonwealth should consider providing additional funding for the Priority Development Fund (PDF). One option would be to make the PDF a recoverable grant, repayable to the Commonwealth from the first incentive payment under Chapter 40R if a 40R district were in fact passed successfully. This would reduce the financial exposure to the Commonwealth but would go a long way toward encouraging more communities to plan for and pass Chapter 40R districts.
- Developers looking at land or buildings suitable for a 40R district—but where one has not yet been planned—should be encouraged to front the funds for the local city or town to hire professional help. These funds could then be repaid from the proceeds of the initial incentive payment received once a 40R district is passed and approved. The developer’s funding would in this instance be at risk in the event of non-passage of the district, but this would be far less in total than the usual investment in a regular zoning process absent Chapter 40R. We believe that this would be an attractive proposal for many developers.
- The Legislature should repeal the so-called “clawback” provision (Section 14 of Chapter 40R) by passing the bill identified in the last session as S.584, introduced by Sen. Chandler. Under the current 40R regulations, if new construction in a 40R district does not commence within three years, the municipality must return the incentive payments it received from the state in return for creating the 40R smart growth overlay district. Because of the economic conditions in the housing market over the past five years, there has been little construction anywhere. However, just when we expect production to pick up, the “clawback” provision could reduce the number of 40R districts available for development.
- Chapter 40R advocates and DHCD should formulate a structured plan for educating developers about how Chapter 40R/S works and how it can benefit them. This should include both affordable housing developers in Massachusetts and representatives of national development firms that may have been more involved in market-rate housing to date. Part of any presentation should include satisfied developers speaking of their experience in working with Chapter 40R and the fact that Chapter 40R developments can often benefit from historic tax credits, low-income housing tax credits and other available housing subsidies.
- Cities and towns that have passed Chapter 40R districts should be encouraged to develop their own marketing activities to get the message out to developers that they have land zoned as-of-right, that they welcome mixed-income housing development in predetermined and approved smart growth locations, and that they are open for business.
- The state administration, and especially the Executive Office of Housing and Economic Development and the Department of Housing and Community Development, should carry out a structured review of all of their discretionary grant programs to determine where an explicit priority for funding Chapter 40R-related projects and proposals might be included. Program guidelines should be amended to include this priority.
- Within Massachusetts, quasi-public and nonprofit entities are extremely important partners in any effort to develop affordable or mixed-income housing. While generally supportive of 40R, most (with the exception of MassHousing’s PDF program discussed above) have not played a direct and active role in publicizing development opportunities relating to the Chapter 40R program. Accordingly, those entities, including MassHousing, MassDevelopment, the Massachusetts Housing Partnership (MHP), the Community Economic Development Assistance Corporation (CEDAC), Boston Community Capital, Massachusetts Housing Investment Corporation (MHIC), the Life Initiative, CHAPA, the Massachusetts Association of Community Development Corporations (MACDC) and others should be encouraged to review their organizational material and program guidelines to include references to

Chapter 40R where possible, and to participate in training/education events whenever possible. This is essentially a cost-free effort but could be an effective method for marketing 40R to more communities and developers.

Conclusion: A Call for Action

As this report suggests, there is much to be done in the housing field once again. Given the evolving new *New Paradigm* for housing in Greater Boston, this is precisely the time to galvanize housing advocates, developers, non-profits and the business community to work collaboratively to make housing a high-priority concern of state and local government. More than ever, the Commonwealth should see housing development and housing affordability as both a moral obligation to its residents and an economic necessity for a prosperous future.

1.

Introduction: A Review of the Greater Boston Housing Market, 1995–2011

This report marks the 10th anniversary edition of the annual *Greater Boston Housing Report Card*.¹ Since 2002 we have been studying housing construction, home prices and rents in the Greater Boston housing market. In the course of this research, we have investigated the region's economy, noted changes in the demographic composition of the region's population, and tracked federal, state, and local government policy that in one critical way or another affects the region's housing market. We have reported on this vital sector of the region's economy on the basis that we have a moral responsibility to provide decent affordable housing for all of our residents. At the same time, we also recognize that the lack of affordable housing for working families in Greater Boston can pose a serious challenge to our economic future.

Before producing the first of these annual report cards, the Dukakis Center released in 2000 its first comprehensive housing study, *A New Paradigm for Housing in Greater Boston*.² At that time, with an unemployment rate below 3 percent and family incomes rising faster than in almost any other metropolitan region in the country, Greater Boston was attracting professional workers from other states and new immigrants from abroad. The city of Boston was undergoing a true economic renaissance.³

But as that *New Paradigm* report noted, “prosperity brings its own challenges . . . and none is more acute than the region's severe housing crisis.”⁴ Housing vacancy rates were so low that home prices and rents were being bid up much faster than household incomes. Between 1990 and 2000, the number of households in Greater Boston increased by 1.5 times the number of new housing units.⁵ As a result, many long-time residents of the region and many newcomers to the region were facing an acute affordability gap between their incomes and what they had to pay to rent housing or purchase a home. Employers were complaining that it was becoming difficult to recruit workers to the area who found other regions more affordable.⁶

The *New Paradigm* report suggested that “short of a disastrous economic recession, the affordability gap could only be allayed by a significant increase in housing supply.” With the vacancy rate for single-family homes below 1 percent and the rental vacancy rate at only 3.1 percent, home prices and rents could rise as much as 40 percent faster than family incomes. “This would mean that tens of thousands of more families will be forced to pay an ever higher share of their incomes for basic shelter—or leave the region altogether.”⁷

To account for projected increases in the number of new households and to bring vacancy rates up to normal levels (2% for single-family homes; 6% for rental units), the report projected a total of 36,000 additional housing units would be needed over and above current production levels by 2005.⁸ Producing this much new housing would require overcoming community resistance to new development so that overly restrictive local zoning laws could be amended. Extraordinarily high land acquisition costs, capital financing constraints and high construction charges posed other barriers to the construction of housing that could be affordable to low- and moderate-income households.

Universities and colleges needed to play a role as well. The report urged these institutions to build more housing units for their students to alleviate student pressure on neighborhood housing markets. It called for private, for-profit developers to boost their production of market rate and subsidized housing, taking advantage of the state's Chapter 40B housing law to overcome local zoning restrictions, and it encouraged them to use various federal and state incentives for aggregating investment funds to underwrite land acquisition and construction costs. It admonished local, state and federal government agencies to increase funding for subsidized housing. And it called on private business, church groups, labor unions and other civic institutions to help mitigate the housing crisis by

contributing funds for the development of housing and by providing land for construction.⁹ The *New Paradigm* report issued a bold challenge to virtually everyone in Greater Boston.

Since the publication of that report, it is possible to detect two distinct stages within the Greater Boston “housing cycle.” Beginning in the late 1990s and continuing through 2005, housing prices rose rapidly as housing production lagged behind housing demand. Nonetheless, rents remained reasonable during the last part of this period as a disproportionate number of households took advantage of low interest rates and as the enticements of mortgage companies persuaded them to move from rental to homeownership. The second stage of the cycle began in late 2005 and has persisted until quite recently. It was marked by stagnating and then falling home prices, but also spiraling rents, as former homeowners lost their homes to foreclosure and young renters were either too anxious to enter the unstable housing market or lacked the credit history needed to procure a mortgage under a newly tightened home financing environment.

We now believe we discern a new stage, indeed a new *New Paradigm* in the Greater Boston housing market. It is being driven by fundamental changes in the underlying economy, by the aging of the baby boom generation, by a possible new influx of younger households and by shifting consumer behavior. If our projections are reasonably correct, these changes will usher in fundamental changes in both the homeownership market and the rental market. If developers, communities and state and local government respond proactively to these underlying changes, we will be in a better position to fulfill the moral responsibility of providing affordable housing to all who need it. Moreover, we will better meet the economic necessity of lowering the housing cost hurdles that make it difficult for young households to remain in Greater Boston, while simultaneously lowering a barrier to those who would like to move here.

We will set the stage for a discussion of this new era in the Greater Boston housing market by looking at the two stages of the housing cycle that began in the late 1990s, relying on the key findings in the existing set of Housing Report Cards.

Part I (1995–2005): Exploding Home Prices and Deteriorating Housing Affordability

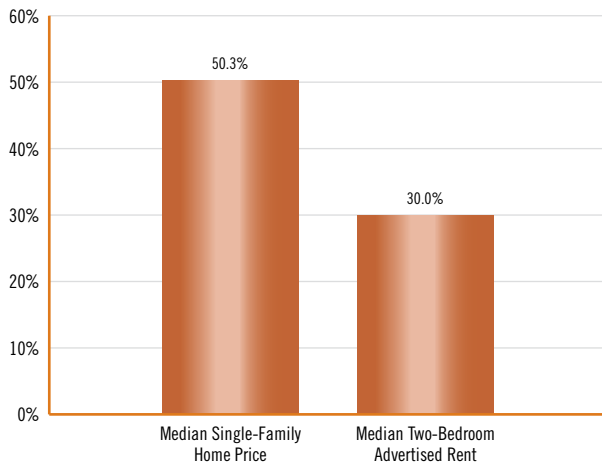
The first *Greater Boston Housing Report Card* was released in October 2002, two years after the first edition of the *New Paradigm* report. It demonstrated that instead of meeting the production goals set out in the *Paradigm* report, total net new production of housing in the entire region from 2000 through 2002 averaged just 8,300 units per year—little more than half of the 15,660 per year that we had set as a target. With so little new supply, the average vacancy rate for owner-occupied housing declined to 0.6 percent from 1.7 percent—well below the 2 percent rate that normally keeps home prices from rising much faster than overall inflation.¹⁰ The average vacancy rate among rental units plunged from 6.7 to 2.7 percent—well below the non-inflationary 6 percent level.

The result was that the median sales price of single-family homes across the 161 cities and towns in the region jumped from \$198,500 in 1998 to \$298,350, a phenomenal increase of 50.3 percent over the three-year period (see **Figure 1.1**).¹¹ By 2001, in 112 of the region’s 161 municipalities—that is, in almost 70 percent of all communities in Greater Boston—households earning the median income in their city or town could not afford the median priced single-family home without spending more than 30 percent of their income on housing. The median rent paid by existing renters in the Boston metro area increased from \$744 in 1995 to \$1,035 in 2000, an increase of 39 percent. Advertised rents for new renters increased by an average of 30 percent in the short time span between 1998 and 2001, and in some communities, rents soared even more. These three-year rent increases ranged from 13 percent in the City of Boston to 36 percent in Arlington, 63 percent in Revere and 67 percent in Winchester.¹² The report noted that only 12 of the region’s 161 municipalities had achieved the 10 percent threshold for affordable housing under the state’s Chapter 40B statute, only four more than in 1990.

Adding to the problem was the fact that inflation-adjusted total state and federal funding for housing in the Commonwealth was lower than in the 1980s, and the Commonwealth’s commitment to housing was

FIGURE 1.1

Percent Increase in Home Prices and Rents in Greater Boston, 1998–2001



Source: The Warren Group; The Boston Globe

lagging. Whereas spending on housing programs had been 2.9 percent of the total state budget in 1989, by 2001 it was down to 0.7 percent. Relative to the goals in the *New Paradigm* report, everything was going in the wrong direction.

The 2000–2001 Recession

Soon after the 2002 *Report Card* appeared, the national economic recession that began in March 2001 deepened, and it had a major impact on the Greater Boston labor market. Between December 2000 and August 2003, nearly 165,000 jobs disappeared in the region and the unemployment rate climbed from below 3 percent to 5.3 percent. As the 2003 *Greater Boston Housing Report Card* noted, this had a significant effect on rents. Median rent fell by 9.8 percent between 2000 and 2003.¹³ In one municipality after another, advertised rents declined between 2001 and 2003 by between 4 percent (Malden) and 12 percent (Boston) to 23 percent (Winchester).¹⁴ Only in a few communities did rents remain stable or increase.

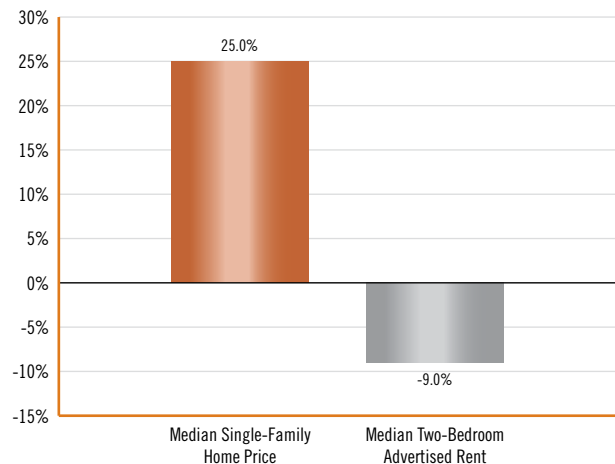
But despite the worst recession in 20 years, home prices continued to rise, even as rents were falling (see **Figure 1.2**). In 2003, the median sales price of existing single-family homes in the Boston metro region climbed to \$343,000, up from \$273,400 in 2001—a 25 percent increase in a period of growing

unemployment. By this time, the median-income homebuyer could afford to purchase a median-priced home in only 70 of the region’s 161 communities, down from 95 communities in 2001 and 149 communities in 1998.¹⁵ For first-time homebuyers—defined as households earning 80 percent of the community’s median income trying to purchase a home priced at 80 percent of the median price in that community—*only 13 of the region’s municipalities were affordable.*

As it turned out, the decline in affordability could have been even worse were it not for the increase in housing production that took place in 2003. The total number of new housing units increased to 11,700 from 9,701 in 2001. Single-family production was down to just 6,087 units in 2003 from 8,639 in 1998, which helps to account for the continued escalation in home prices during that period. But multi-family production increased significantly, with larger apartment and condo buildings (5+ units) up sharply from 2,701 units in 2001 to 4,581 in 2003.¹⁶ Along with the recession, this increased supply accounted for the softening of rents in the region as the rental vacancy rate surged from 2.4 percent in 2000 to 6 percent three years later. At the state level, Chapter 40B and the Commonwealth’s Affordable Housing Trust Fund contributed significantly to the increase in housing units. Total production of housing under 40B comprehensive permits

FIGURE 1.2

Percent Change in Median Home Price and Median Advertised Rent in Greater Boston, 2001–2003



Source: The Warren Group; The Boston Globe

nearly quadrupled to 3,256 units between 2001 and 2003, while the number of new housing units produced with the assistance of the Trust Fund increased from 648 in 2001 to 1,046 in 2003.

The Rising Cost of Living in Greater Boston

The 2004 *Housing Report Card* continued to probe the housing affordability problem, but put this issue in larger context. Based on a new analysis of living costs in metro areas across the country, the Washington-based Economic Policy Institute concluded that Greater Boston was now the most expensive place to live in the country.¹⁷ As **Table 1.1** demonstrates, the typical family living in the Boston region in 2005 required an annual family budget of \$64,656 to meet its basic needs for food, shelter, clothing, transportation, and health and childcare. This was \$3,000 higher than

the second most costly region (Washington, DC) and “\$20,000 higher than in metro areas that compete with Greater Boston for industry and jobs.”¹⁸ Housing prices were estimated to be 40 percent higher than in Austin, Chicago, and Miami. In 1995, housing in Greater Boston was only 5 percent less affordable than in the Charlotte metro region. By 2005, the cost disadvantage had soared to 87 percent.¹⁹

The high cost of living in Greater Boston was beginning to have a devastating impact on the state’s population. Between 2000 and 2004, some 31,000 foreign immigrants settled in the Commonwealth each year. But the number of state residents picking up stakes and relocating to other parts of the U.S. each year increased dramatically, from a net outflow of 14,000 in 2000–2001 to nearly 59,000 in 2003–2004, according to the U.S. Census Bureau.²⁰ For the most part, the out-migration was not restricted to seniors moving

TABLE 1.1

Basic Family Budget Calculator, Boston vs. Competitor Regions, 2005

	Boston, MA	Washington, DC	New York City, NY	San Francisco, CA	Minneapolis, MN	Denver, CO	Raleigh-Durham-Chapel Hill, NC	Chicago, IL	Austin, TX	Miami, FL
Monthly Housing	\$1,266	\$1,187	\$1,075	\$1,539	\$928	\$888	\$779	\$906	\$912	\$929
Monthly Food	\$587	\$587	\$587	\$587	\$587	\$587	\$587	\$587	\$587	\$587
Monthly Child Care	\$1,298	\$1,316	\$1,195	\$892	\$1,364	\$1,001	\$866	\$763	\$720	\$658
Monthly Transportation	\$321	\$321	\$321	\$358	\$358	\$358	\$358	\$321	\$358	\$358
Monthly Health Care	\$592	\$398	\$514	\$345	\$345	\$334	\$368	\$350	\$430	\$462
Monthly Other Necessities	\$500	\$479	\$449	\$574	\$409	\$398	\$369	\$403	\$405	\$409
Monthly Taxes	\$824	\$832	\$747	\$507	\$588	\$394	\$350	\$312	\$220	\$218
Monthly Total	\$5,388	\$5,120	\$4,888	\$4,802	\$4,579	\$3,960	\$3,677	\$3,642	\$3,632	\$3,621
Annual Total	\$64,656	\$61,440	\$58,656	\$57,624	\$54,948	\$47,520	\$44,124	\$43,704	\$43,584	\$43,452
Ratio of Metro Areas to Boston	100.0%	95.0%	90.7%	89.1%	85.0%	73.5%	68.2%	67.6%	67.4%	67.2%

Source: Economic Policy Institute Family Budget Calculator

to warmer climates. The largest decline in Greater Boston's population between 2001 and 2003 occurred among 20-to 34-year-olds. While not all of this was due to high housing prices, the extraordinarily high cost of housing no doubt was contributing to the lower number of young people who were choosing to relocate to Boston and to the higher proportion who were choosing to leave.

CHTF and Chapter 40R

By this time, the housing crisis was well recognized in Greater Boston. One response was the creation of the Commonwealth Housing Task Force (CHTF) convened by the Boston Foundation. With membership not only from the "usual suspects" (e.g., non-profit developers, community development corporations and affordable housing advocates), but also from prominent leaders from the business and banking community, universities, the for-profit real estate industry, environmental organizations and trade unions, CHTF began seeking new ways to promote the production of housing, particularly in transit-rich communities.

The new task force requested that the authors of the *Greater Boston Housing Report Card*, along with Ted Carman of Concord Square Development, Inc. (who had advanced compelling housing policy in this connection), prepare a plan for encouraging Massachusetts communities to rezone land for the development of denser, transit-oriented, affordable housing. The result was a report urging the state to provide monetary incentives for those local jurisdictions that created "smart growth overlay zoning districts" where such housing could be developed as-of-right.²¹ The essential elements of the plan included "density bonus payments" for communities that rezoned land for housing, and it allowed the state to assume local school costs for K-12 children living in such rezoned districts and attending local public schools. Rezoned land would be used for mixed-use development with an allowed density for apartment buildings of at least 20 units per acre and for single-family homes of at least 8 units per acre. Each rezoned district would also require that all projects containing more than 12 housing units set aside 20 percent of the units as affordable to households at 80 percent of area median income.

With an active lobbying effort by CHTF, in 2004 the Massachusetts Legislature incorporated the essential elements of the smart growth overlay zoning principles into a new statute, Chapter 40R. It was passed unanimously by both houses and signed by the governor. The new legislation not only provided density bonuses in the form of added state aid to those communities creating a 40R overlay zone, but also added a \$3,000 bonus for every housing unit permitted in the zone. Chapter 40R was the new "carrot" to the existing "stick" of Chapter 40B.

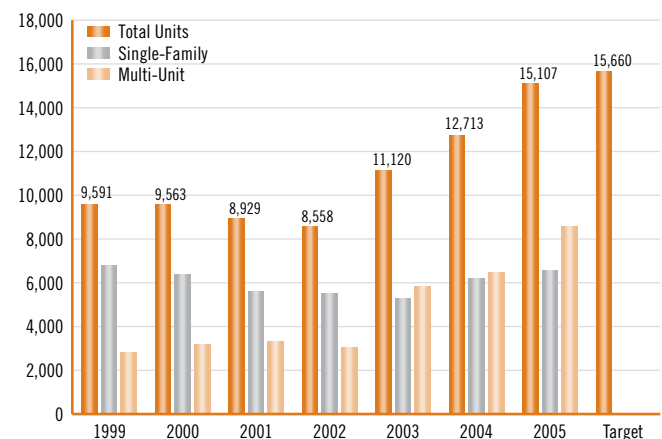
Rising Housing Production

There was some good news in the 2004 *Housing Report Card*. Housing production was continuing to rise, although not enough to meet the original *New Paradigm* goals. The number of housing permits issued by Greater Boston's 161 municipalities rose by 12 percent that year to more than 13,500. For the first time since before 1998, both single-family and multifamily production contributed to the increase, with production of multifamily housing surpassing single-family production for the first time since 2003.²²

Nonetheless, even by 2005, in no year did production quite reach the new annual supply target originally laid out in the *New Paradigm* report. **Figure 1.3** illustrates

FIGURE 1.3

Housing Permits Issued in Greater Boston, 1999–2005



Source: U.S. Census Bureau

this production trend. While housing production was up 18 percent in 2005 over 2004, 90 of the region's 161 cities and towns were still permitting fewer new single-family residences than they were in 2000. However, multifamily housing construction continued apace with new construction in 45 of the region's communities. In 28 of these, Chapter 40B was responsible for the new units.²³ Indeed, more than three out of five affordable housing units in Greater Boston were now being built under a 40B comprehensive permit.

With nearly 16,000 building permits issued in 2005, the majority in multifamily buildings, Greater Boston finally experienced new construction that came close to fulfilling the *New Paradigm* target for a single year. However, between 2001 and 2005, total new production of 60,843 units met only 77 percent of the five-year *New Paradigm* goal.

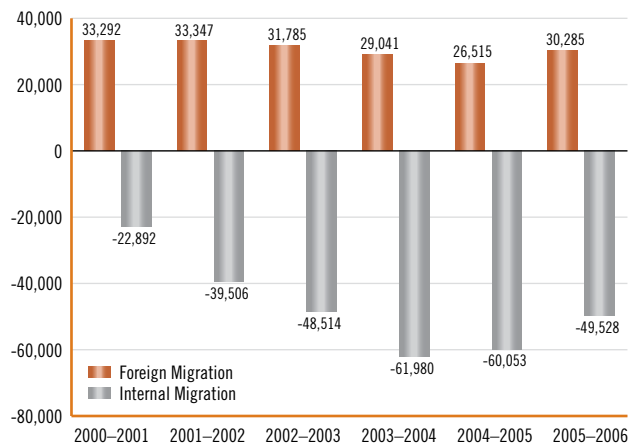
Rents remained roughly stable in 2004 and 2005, in part because of the increase in multifamily production, but the median price of a single-family home continued to rise to \$376,000—a one-year increase of 9.5 percent. *The report noted that Massachusetts home prices over the past 25 years had increased by more than in any other state in the nation.* While the region had made progress toward increasing housing production, total production still remained below what was ultimately needed to bring housing costs into line with household incomes, and too much of the new production was age-restricted housing, luxury condominiums and rentals, and single-family housing for affluent households. As such, the region was still not addressing “the shortage of moderately priced housing suitable to attract and retain a young workforce.”²⁴

The impact of housing prices on household retention and attraction in Greater Boston was highlighted in the 2005–2006 *Report Card*. This report noted that net out-migration continued to increase, with more than 60,000 more residents leaving the state than coming to live here.²⁵ This came on top of a decline in foreign immigration, contributing for the second year in a row to an actual decline in the Commonwealth's population (see **Figure 1.4**).

This finding was so striking that the Dukakis Center carried out a sophisticated statistical analysis to see to what degree high housing prices correlated with population growth and job growth. This new research found that those metro areas in the top decile of housing

FIGURE 1.4

Massachusetts Domestic Net-Migration and Foreign Immigration



Source: U.S. Census Bureau

costs experienced an average *net out-migration* of 2.25 percent between 2000 and 2004. The next seven deciles all experienced *net in-migration*, averaging roughly 2.5 to 3.1 percent. As we reported then, “[n]et migration out of Greater Boston to other regions during this period equaled 5.2 percent of its 2000 population, indicating again that people are deciding where to live at least partly based on housing costs.”²⁶ The other metro regions experiencing net out-migration were those with the lowest housing prices, but these were regions like Detroit, where the low housing prices reflected a near total collapse in their economies.

Part II (2006–2011): The End of the Housing Boom

The big news in the 2006–2007 *Greater Boston Housing Report Card* was that the housing price boom was over and the housing bubble was about to burst nationwide. Home prices would begin to plummet, especially in states like Nevada, Arizona, California and Florida, where there had been a furious speculative building boom for years fed by low mortgage rates and questionable mortgage lending practices. Ultimately, prices would fall by 40 to 60 percent in places like Las Vegas, Phoenix, Los Angeles and Miami. In Greater Boston, housing prices continued to rise right through

late 2005, but during the first six months of 2006, the median price of a single-family house declined for the first time in 14 years.²⁷ The median price dropped 3.3 percent to \$381,676 as the single-family housing vacancy rate rose to near 2 percent from 0.6 percent. The combination of the end of the housing bubble and the increased production of housing units since 2001 was finally bringing vacancy rates back to normal for single-family homes; partly as a result of these rising vacancy rates, home prices were no longer surging.

This 2006–2007 *Report Card* focused on the Massachusetts economy and how economic growth was related to the high cost of housing. It noted that between 1995 and 2005, home prices rose so sharply that employers complained that it was difficult to attract the labor they needed to expand operations. As such, high-cost housing was affecting business growth and employment. Indeed, by 2006, *Massachusetts had more than 137,000 fewer jobs than it did before the recession of 2001–2002*, despite the fact that nationally employment was up 2.7 percent since the trough of that recession.²⁸

The drop in employment was contributing to weakness in the single-family housing market, with the median price in 2006 falling 6 percent below its 2005 peak. The 2003 *Housing Report Card* had foreshadowed just such an outcome. It hinted that the housing price spiral in Greater Boston could be self-correcting in an adverse way. Firms would find it so difficult to recruit young workers that employment would suffer. As a result, housing demand would fall relative to supply and home prices would moderate.²⁹

Home Prices Falling, but Rents Rising

Yet as the homeownership market softened, the rental market in Greater Boston tightened, with the rental vacancy rate falling from 6 percent in 2004 to 5.1 percent in 2005 and 4.3 percent by April 2006. As a result, by the spring of 2006 median rent surpassed the \$1,500 mark for the first time since 2001. Rents in Class C properties, traditionally the most affordable, jumped 7.4 percent between February 2005 and March 2006.³⁰ This marked the beginning of rising rents in Greater Boston, a trend that is still continuing today. As such, the number of renter households paying more than 30 percent of their income for rent rose by nearly

9 percent between 2004 and 2005, and the number paying in excess of 50 percent jumped by 36 percent.³¹

Despite rising rents, the slowing economy and the end of the single-family housing price explosion contributed in 2006 to a 12 percent drop in new housing production, the first decline since 2002.³² Single-family production dropped 25 percent.

With the housing market nationwide in free fall beginning in 2007, the 2008 *Housing Report Card* explained that Greater Boston faced a “housing paradox” in which “home prices are still too high . . . but they are falling too fast.”³³

This combination leaves much of the affordability problem unresolved at the same time that an explosion in subprime mortgage lending and falling prices have combined to cause a dramatic increase in home foreclosures and the possibility of a downward price cycle in many neighborhoods.³⁴

As the report suggested, suddenly the Greater Boston housing market was changing rapidly. Vacancy rates were on the rise, home prices were falling, and those who had recently bought homes were worried that their homes were worth less than their mortgages. In lower-income neighborhoods, concentrated foreclosures on a single street were leading to fears of widespread abandonment, vandalism, and sharply dropping property values for those on the same street who dutifully paid their mortgages on time but bore the brunt of neighborhood deterioration.

The national recession that officially began in December 2007 began to take its toll on Massachusetts and Greater Boston in 2008. Employment growth decelerated to the point where only 3,000 jobs were added statewide between January and July of 2008. This, along with an increase in 30-year mortgage rates from 5.76 percent at the beginning of the year to near 6.5 percent at the end of the year, had a severe impact upon housing prices.³⁵

The median price of a single-family home in Greater Boston had peaked in the fall of 2005 at \$407,276. By the middle of 2008, it had fallen to an estimated \$366,282. This represented a 10 percent decline in median price. For homeowners who had purchased homes many years ago, their homes were still worth much more than when they bought them. But many

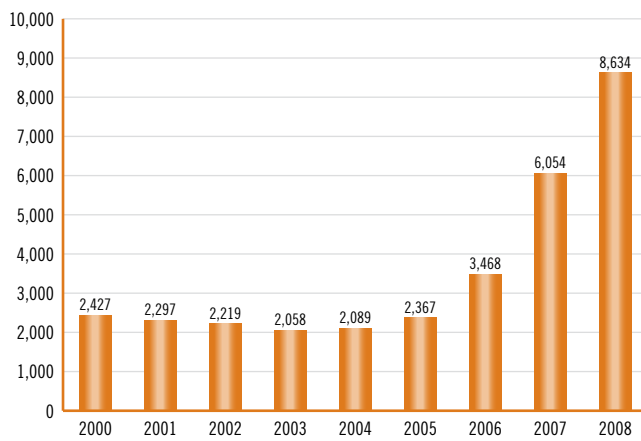
recent home buyers were now “underwater,” with the value of their homes less than the balance on their mortgages.

Foreclosures Soar

The combination of rising unemployment and falling home prices, along with the fact that some homeowners had been sold mortgages they really could not afford, led foreclosures in Greater Boston to soar. In 2003, just 25 households had lost their single-family homes to foreclosure. In 2008, more than 3,000 did. The federal government tried to stem the foreclosure crisis in August 2007 with the creation of the FHA Secure program, which provided new flexibility to insure mortgages for those refinancing out of subprime loans. The HOPE NOW program followed in October 2007 to link mortgage services with counselors and mortgage lenders in an attempt to provide loan work-outs for subprime borrowers. The Federal Reserve Bank of Boston launched a mortgage relief effort with local banks.³⁶ But for the most part, none of these efforts were very successful, and the number of foreclosures continued to increase. The number of households losing their homes to foreclosure deeds would continue to rise to new record levels through at least 2008, as **Figure 1.5** reveals.

FIGURE 1.5

Total Number of Foreclosure Deeds in Greater Boston, 2000–2008



Source: The Warren Group

Prices were falling too quickly to arrest the foreclosure crisis, but home prices were still quite high in Greater Boston. In 2000, the ratio of median single-family home selling price to median household income was 4.72. By 2005, it had spiked to 6.52. Yet even as prices were falling, the home-price-to-homeowner-income ratio had retreated to only 5.42, significantly higher than at the beginning of the decade.³⁷

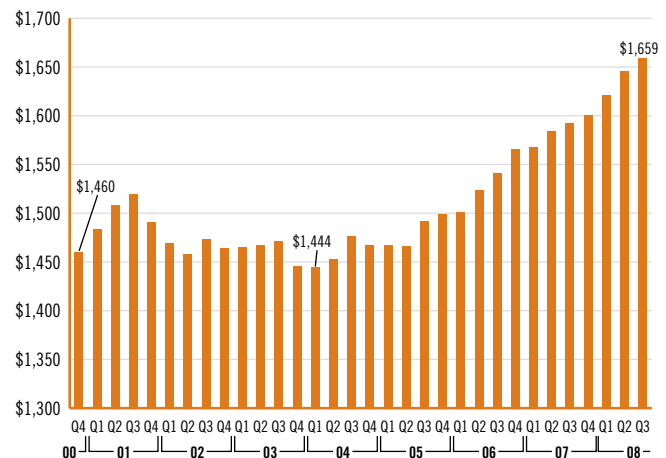
Rents Escalate

What began to rise sharply were rents. As families lost their homes to foreclosure, most did not become homeless, but rather moved into rental housing. Many young households who normally would be transitioning to homeownership remained on the home-buying sidelines either because they feared further reductions in home values or because mortgage credit was now more difficult to obtain. Moreover, as a later *Housing Report Card* would reveal, there was a large increase in Greater Boston’s graduate student population, a phenomenon that also put upward pressure on the rental market.

The result was that monthly effective rents (after all discounts) for apartments increased from \$1,444 in the first quarter of 2005 to \$1,659 in the third quarter of 2008 (see **Figure 1.6**).³⁸ Rents rose especially rapidly

FIGURE 1.6

Effective Apartment Rents in Greater Boston, 2000–2008:3Q



Source: Reis, Inc.

in lower-income neighborhoods where foreclosures were concentrated. Between 2006 and 2007, median apartment rents increased by 8.3 percent in Dorchester, 11.4 percent in Mattapan, and 34.1 percent in Roxbury. Renter affordability was collapsing in these communities. Between 2001 and 2006, nominal median renter income in Greater Boston had declined by 7.2 percent while the nominal median gross rent in the region increased by 15.8 percent. As a result, the share of renter income going to pay rent increased from 27.5 percent in 2000 to 34.1 percent in 2008. Virtually half of all renters (49.3%) were paying at least 30 percent of their income in rent, up from 39.2 percent in 2000. More than one in four (25.2%) renters were spending more than half of their income on their apartments.³⁹

Weakening Economy/Construction Plummets

The economy continued deteriorate in 2009. By August of that year, the national unemployment rate was 9.7 percent, and it was 9.1 percent in the Commonwealth. The 2010 *Housing Report Card* documented that the median price for a single-family home for all of 2009 was \$337,591—a decline of 17 percent from its 2005 peak.⁴⁰ In the wake of such a weak market, construction of new housing units collapsed to just 4,714 units in all of 2009, only 30 percent of the total in 2005 and still less than half of the number back in 2000.⁴¹

Rents stabilized in 2009, but still remained close to their 2008 all-time peak. Just slightly less than half (49.3%) of renters were paying more than 30 percent of their incomes for rent despite what had become the “Great Recession.”⁴² Among major metropolitan areas, only San Francisco had higher rents than Boston, and the average rent in Greater Boston was 85 percent higher than the average rent in the nation.⁴³

Government Attempts to Alleviate the Housing Crisis

In 2009, a plethora of new state and federal policies were introduced in an attempt to deal with the growing housing crisis. First time homebuyer tax credits were introduced to encourage home purchases. Incentives were provided to mortgage companies to refinance the mortgages of at-risk homeowners. The

Federal Reserve Bank purchased more than \$1.5 trillion of mortgage-backed securities in order to keep mortgage rates below 6 percent. The Obama Administration set aside \$4 billion for the U.S. Department of Housing and Urban Development that could be used to boost the Section 8 housing voucher program.

An Improved Housing Market?

With these programs in place and glimmers of hope that the national economy was coming out of recession, the 2009 *Housing Report Card* closed on an optimistic note. At the end of the Executive Summary, the report concluded that

There is some good news to report. Although we cannot say for certain what the future will hold, it appears as though the current economic crisis is nearing an end. Given that housing played a significant role in the current economic crisis, more so than in any other recession, the apparent bottoming out of the housing market provides hope that the worst may be over. . . . Here in Greater Boston, prices have already begun to firm up, and in many communities have increased. The “bottom” in single-family home prices seems to have occurred around March of this year [2009], while condominium prices appear to have stabilized as early as January.⁴⁴

There was also some good news in the 2010 *Housing Report Card*. Between mid-2009 and mid-2010 home prices stabilized and began to rise. Condo prices were up 4.0 percent after an 8.7 percent peak-to-trough decline over the previous three years. Single-family home prices were up 7.0 percent between mid-2009 and mid-2010 after plummeting by nearly 20 percent between 2005 and 2009.

There were also some encouraging developments on the demographic front. For the first time since at least the 1990s, there was net in-migration into the Commonwealth between 2008 and 2009. Part of this was due to the fact that the Massachusetts economy was performing better than the nation in terms of output and employment, and part was due to the fact that home prices were no longer as strong an incentive for families to seek housing in other regions and no longer as much of a disincentive keeping families

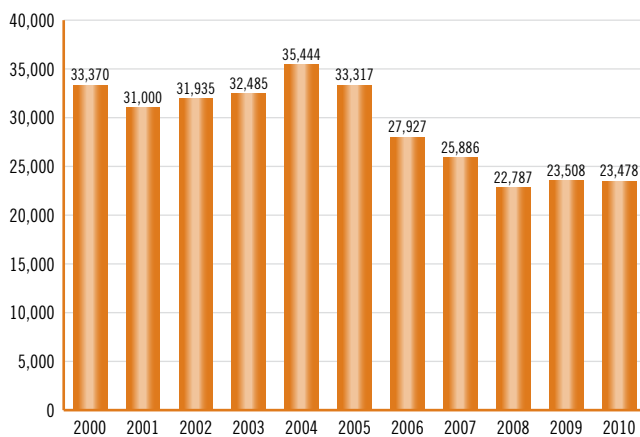
living in other regions from moving to the Commonwealth.⁴⁵ Indeed, the correlation between home prices and net migration appears to be extremely high. As prices soared between 2000 and 2005, net out-migration increased sharply. As prices retreated, net-outmigration declined and ultimately reversed.

Unfortunately, our optimism about the economy was not to be confirmed in 2010. As that year's *Housing Report Card* reported, in the summer of that year national economic growth slowed, and by the end of the year there was fear of a double-dip recession.⁴⁶ On the housing front, through mid-year, home sales were lagging by 8 percent compared with a year earlier and 33 percent compared to the same period in 2008. With the end of the federal government's First-Time Homebuyer Tax Credit, July home sales plummeted by 27 percent. This was despite the fact that mortgage rates had plunged to their lowest level in decades—under 4.5 percent in July 2010, down from 6.5 percent two years earlier. Altogether, homes sales in Greater Boston would remain at depressed levels through 2010, as **Figure 1.7** illustrates. Total sales of single-family homes were 34 percent below the 2004 record and 30 percent below the 2000 level.

Foreclosures returned to near-record levels, with nearly 700 per month in the spring of 2010.⁴⁷ New housing production posted its second poorest record since 2000, only exceeding 2009 levels by 1,100 units.⁴⁸

FIGURE 1.7

Sales of Single-Family Homes in Greater Boston, 2000–2010



Source: The Warren Group

Despite the weakening economy, rents began to rise again so that a small downward correction in 2009 was already reversing by early 2010. Part of the reason behind this reversal, according to the 2010 report, was the rapid increase in the student population in Greater Boston, particularly evident among graduate students.⁴⁹ Between 2000 and 2009, the number of graduate students in the region's universities increased from 80,000 to more than 100,000, with 92 percent of these students living off-campus and putting substantial pressure on local rental markets.⁵⁰

The Impact of the Housing Market on the National Economy

The *Greater Boston Housing Report Card 2011* provided an opportunity to consider how the housing market played such a crucial role in turning the national recession that began in December 2007 into the "Great Recession" that, in many ways, is still with us. A statistical analysis comparing the economic activity index of all 50 states with their home price performance between 2006 and 2001 revealed an exceptionally high correlation between the two. Those states experiencing the largest declines in home values experienced the largest declines in their economic performance. Those few states like Massachusetts with more modest declines in home prices did better in terms of economic output and employment than virtually all other states.⁵¹ It is possible that the direction of causation runs from a decline in economic activity to a decline in home prices, but in almost all states the home price collapse preceded the steep decline in the economy. As the statistical analysis concluded, "[m]ost likely there is a strong 'feedback loop' between the two so that home prices and overall economic performance affect each other, creating a 'vicious cycle.'"⁵² In any case, the conclusion that more and more economists have come to is that it will be difficult to fix the national economy without first stabilizing the housing market.

The 2011 *Report Card* suggested that the low level of housing production in that year would not be much help to the Greater Boston economy. The number of housing permits pulled for the entire year (based on data through June) was forecast to come in at just over 4,400, a number lower than reported in any of the previous reports. The number of new single-family units

was forecast at a mere 2,619, no more than 40 percent of the number in 2005. This was likely related to the fact that the median price of single-family homes in Greater Boston (which had increased between March 2009 and March 2010 by 9.4 percent) actually retreated between March 2010 and March 2011 to \$322,080, suggesting continued weak demand for new housing.

The report also noted that those communities where prices had surged the most during the 2000–2005 housing boom had seen their prices fall the most in the subsequent five year period. Most of these were low-income communities, including the Boston neighborhoods of Roxbury, Dorchester, East Boston and Mattapan and surrounding communities including Chelsea, Lawrence and Brockton.⁵³ Not surprisingly, these were the communities suffering the most from foreclosure.

A Comparison of Greater Boston Housing Cycles: 1989–1997 vs. 2005–????

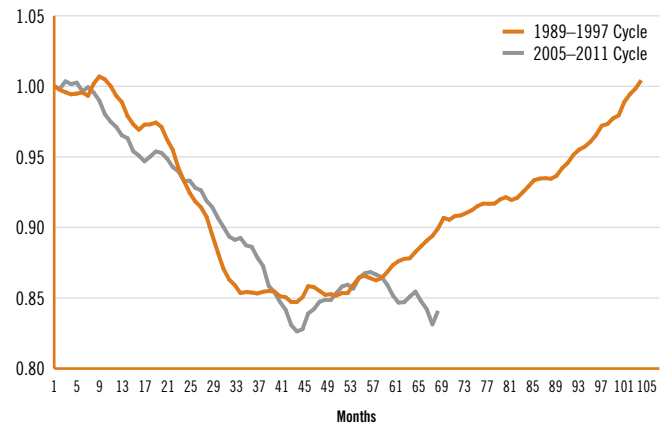
In the 2010 *Report Card*, we looked back in time to the Greater Boston housing price cycle of 1989 through 1997, using the Case-Shiller Single-Family Home Price Index for the Boston metropolitan region.⁵⁴ From March 1989 through January 1992, home prices in Greater Boston declined. At the trough, 34 months after prices began to drop, the index was down 16 percent. From that point on, it took until April 1997 for home prices to fully rebound to their March 1989 level—an additional 64 months. Altogether, the cycle lasted 98 months, or more than eight years.

The decline in the home price index during the current housing price cycle that began in November 2005 lasted 42 months, a period over which prices fell 17.5 percent. Prices then began to recover in both cycles at almost exactly the same rate. As of 2010, history seemed to be repeating itself. Based on this uncannily close correspondence between the two cycles, the 2010 *Housing Report Card* suggested that Greater Boston’s home prices would regain their peak by September 2014.

A year later, in the 2011 *Housing Report Card*, it was clear that the close correspondence between the two cycles had halted. Instead of tracking the 1989–1997 cycle, the price index began to fall away from the

FIGURE 1.8

Greater Boston Housing Cycles 1989–1997 vs. 2005–2011 Case-Shiller Single-Family Home Price Index



Source: Case-Shiller Single-family Home Price Index

earlier cycle trend so that prices were no higher in mid-2011 than in mid-2009 (see **Figure 1.8**). “In this case,” the 2011 report suggested, “it is difficult to judge how much longer it might take for prices to fully recover. If they continue to ‘bump along the bottom,’ we may not see a full price recovery until very late in this decade.”⁵⁵

Rents, however, continued to climb, setting a new all-time record of \$1,665 in the second quarter of 2011. As such, with incomes stagnant, rental affordability continued to show no improvement. *Compared with the U.S. average, studio/efficiency apartment rents in Greater Boston were just 16 percent higher. But for larger apartments, the relative unaffordability of Greater Boston was much higher: 51 percent higher than the national average for one- and two-bedroom units and 70 percent higher than the national average for three-bedroom units.*⁵⁶

New State and Federal Housing Policies

Given the growing housing affordability problem, especially for renters, and the realization of how important a housing recovery is to a full economic recovery, both the Commonwealth and the federal government have taken steps to reinvigorate this

important sector.⁵⁷ Over the past several years, the Commonwealth has implemented the HomeBASE program to provide short-term rental assistance to households who face homelessness. It passed H.4544 to promote innovative strategies in public housing and a Foreclosure Relief Bill to provide more time and resources for homeowners to avoid foreclosure. Chapter 40T will help prevent affordable housing units from reverting to market rate, and the legislature has provided new funds for the Chapter 40R Smart Growth housing trust fund.

Federal housing funds have also increased over the past three years. With the ARRA stimulus funds, federal dollars flowing the Commonwealth's Department of Housing and Community Development increased from \$449 million in FY2008 to more than \$1 billion in FY2010. Of course, those stimulus dollars are now long gone.

The Future of the Greater Boston Housing Market

Since the release of the *New Paradigm* report in 2000 and the nine annual *Housing Report Cards* that followed, we have seen two distinct phases of the Greater Boston homeownership housing cycle: the "boom" from the late 1990s through 2005 and the "bust" from late 2005 until at least the present. There also have been two distinct phases of the Greater Boston rental market, almost mirror images of the homeownership cycle. Rents were relatively flat during the first five years of the past decade and then accelerated precisely as home prices declined. The foreclosure crisis, the credit crunch and the expansion in the region's graduate student population all put added pressure on the rental market even as pressure on the home-buying market waned.

What does all this mean for the future of the Greater Boston housing market? The balance of this new 10th anniversary *Greater Boston Housing Report Card* is dedicated to this question. There are now even stronger signs than we saw in 2010 that the housing market is recovering. We may be at a new point in the housing cycle where housing demand—both in the homeowner market and in the rental market—will begin once again to outstrip supply, particularly given the

lack of production since 2005, falling vacancy rates and a stronger economy that is attracting new workers to the region.

But we believe that something much more profound may be occurring. Indeed, we may be entering a period where there is a new *New Paradigm* for housing in the region which will affect the type and amount of housing the region will need over the next decade or more. Fundamental structural changes in the age composition of the region's population, in the income, wealth and debt distribution of the region's households, and in generational differences in consumer behavior could alter the demand for housing in critical ways. We will turn to these factors later in this report. But first we look at what has happened to the region's housing market over the past year.

2.

Home Sales, Housing Production and Foreclosures in Greater Boston

In the last two installments of *The Greater Boston Housing Report Card*, we have reported evidence that seemed to indicate the coming of a return to normalcy in the region's housing market. Yet each time it appeared that prices were beginning to rise, that new and existing home sales were picking up and that housing construction was on the mend, new data would suggest continued stagnation. The rate of foreclosure activity has consistently put a damper on incipient housing market recovery. Once again, in 2012, we see signs of recovery in the housing market along all of the standard measures we have tracked—sales, prices, rents, permits and foreclosures. Whether this is leading to a return to the normal patterns that have prevailed in past decades or, alternatively, whether it signals a major transformation of the Greater Boston housing market is the big question this time around. In this chapter, we will look at the standard data on housing supply, sales, production and foreclosures, and compare it to recent years.

Home Sales Volume

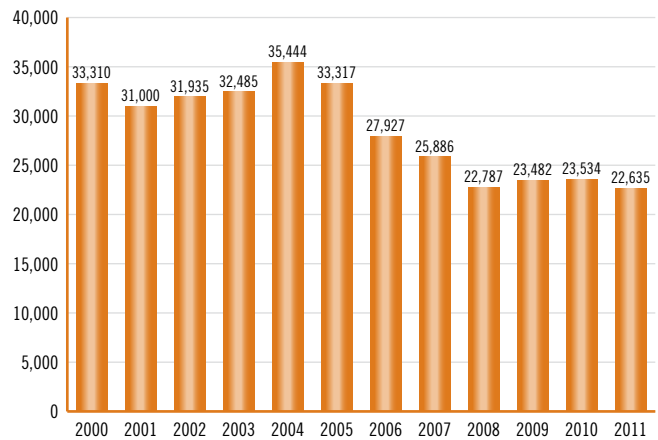
In last year's *Housing Report Card*, we stressed caution, noting that "it would be unwise to assert that the local housing market has truly found its bottom."¹ Indeed, while the number of single-family home sales in the five-county Greater Boston region reached what appeared to be a low point in 2008, and incipient signs of recovery appeared in 2009, by 2010 it was evident that continued sluggishness would prevail.

And it did. As **Figure 2.1** shows, the yearly number of single-family home sales in Greater Boston once again fell in 2011, and in fact dropped below the 2008 level, which had been the lowest total since at least 2000. By the end of 2011, only 22,635 single-family homes had been sold in the five counties surrounding Boston. This represented a decline of 3.8 percent from the already low total from 2010, and a 36.1 percent decline from 2004.

The story has been even bleaker in the condominium market. Our projection that sales of condominiums

FIGURE 2.1

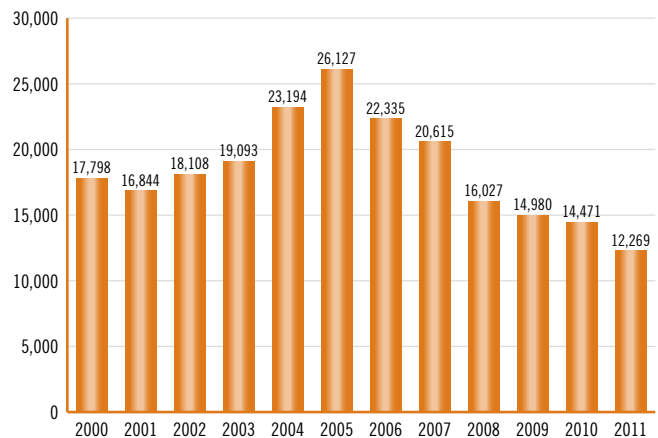
Annual Number of Sales of Single-Family Homes in Five-County Greater Boston Region, 2000–2011



Source: The Warren Group

FIGURE 2.2

Annual Number of Sales of Condominiums in Five-County Greater Boston Region, 2000–2011



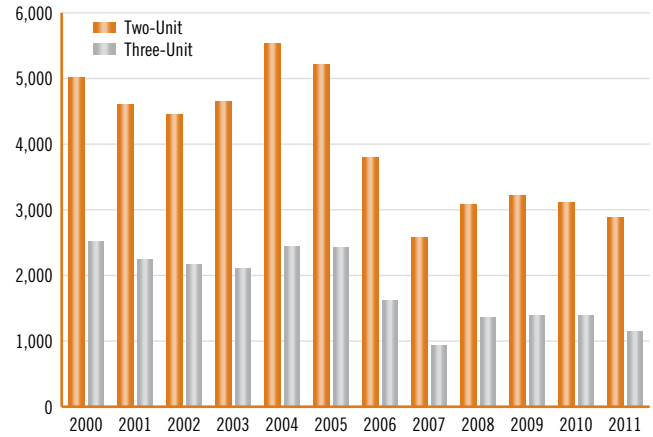
Source: The Warren Group

would once again decline in 2011 was borne out, as demonstrated in **Figure 2.2**. Annual sales of condominiums in Greater Boston have fallen for six straight years. Moreover, the most recent year-over-year drop in sales was the largest in four years. Indeed, the 12,269 condominiums sold in the region represented a decrease of 2,202 (15.2 percent) from 2010, and a decrease of 13,858 (more than 53 percent) from the recent peak year of 2005.

Homes in two-unit and three-unit structures (in Greater Boston, these tend to be duplexes and three-deckers) represent a much smaller segment of the local housing market than either detached single-family homes or condominiums, but they do form a critical component of the housing stock in many dense urban communities. In these types of structures, too, home sales fell in 2011 (see **Figure 2.3**). After dropping from a high of 5,500 in 2004 to a low of 2,600 in just three short years, sales of homes in two-unit structures climbed for two years before falling in both 2010 and 2011. In the latter year, only 2,886 such units were sold, a decline of just under 50 percent from the peak sales total in 2004. Among homes in three-unit structures, the trajectory between 2004 and 2007 was even steeper, with home sales falling 62 percent over those three years. After a slight recovery through 2009, sales of these small multi-unit homes decreased in both 2010 and 2011, reaching 1,142 last year—the second-lowest total on record.

FIGURE 2.3

Annual Number of Sales of Homes in Two-Unit and Three-Unit Structures in Five-County Greater Boston Region, 2000–2011

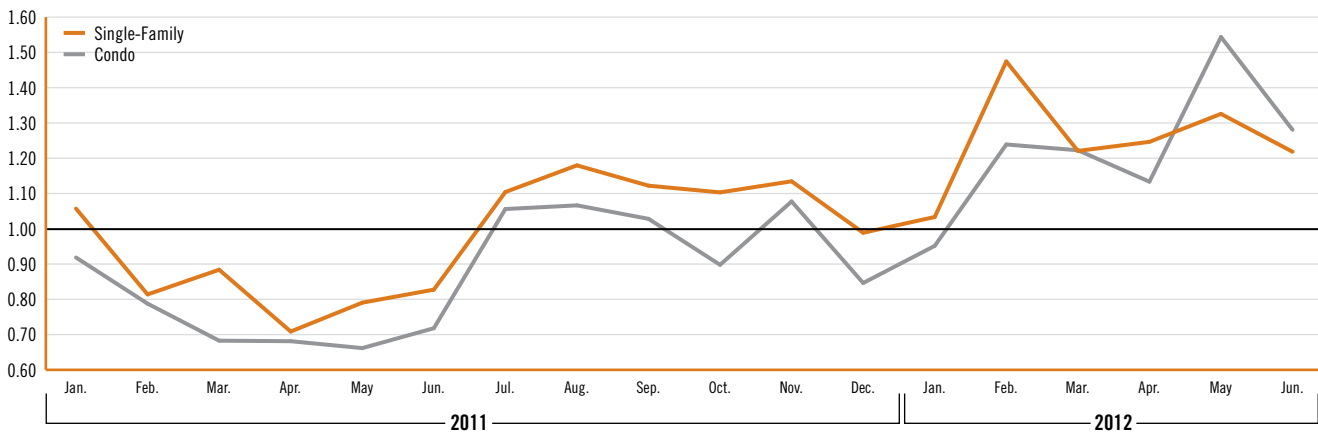


Source: The Warren Group

Data for 2012 depict a somewhat improved picture. Once again, it seems that home sales are on an upward trajectory. **Figure 2.4** presents ratios comparing monthly sales of single-family homes and condos to the same month one year earlier from January 2011 through June 2012. Any point above 1.0 represents an increase in sales over the same month in the prior year. This chart indicates that, while the annual data for 2011

FIGURE 2.4

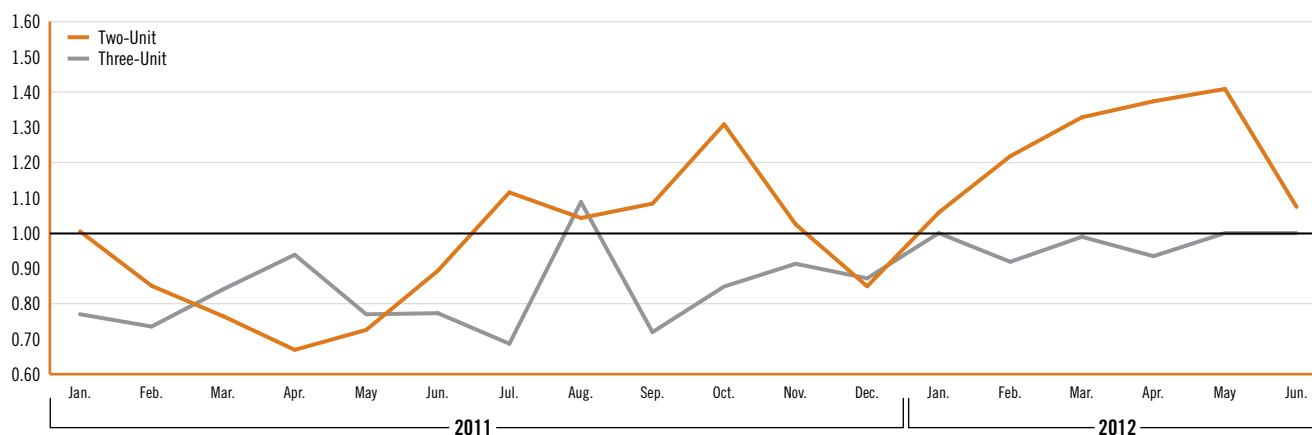
Ratio of Home Sales of Single-Family Homes and Condos in Current Month Compared to Same Month One-Year Prior, 2011–2012



Source: The Warren Group

FIGURE 2.5

Ratio of Home Sales in Two- and Three-Unit Structures in Current Month Compared to Same Month One-Year Prior, 2011–2012



Source: The Warren Group

showed a continued decrease in sales volume, the most recent bottom in sales volume was actually reached in the middle of that year. Since that time, a moderate recovery in home sales has been underway. For single-family homes, year-over-year sales increased every month but one between July 2011 and June 2012. The data for condos were less robust but still generally upward. For condos, only three months over that period saw year-over-year sales declines.

Figure 2.5 shows this same statistic for home sales of units in two- and three-unit structures. In the two-unit buildings, a recovery on par with that seen in single-family homes seems to have taken hold. Only in one month since June 2011 have home sales dropped over the same month the previous year. For units in three-unit structures, though, home sales have continued to lag. Monthly sales figures have continued to decline compared to the same month the previous year every month but one. Only in May and June of 2012 did monthly sales figures finally reach parity with the previous year's monthly figure. This indicates that a recovery in sales volume may be forthcoming for homes in three-deckers, but this sector of the housing market is still far away from a full recovery.

When we look at the city, town and neighborhood level, we can get a better appreciation for where in the region the bulk of housing transactions are taking place. There

has been remarkable consistency in where single-family home sales have occurred most frequently over the past several years. Brockton, Newton and Plymouth saw the most single-family home sales in 2010, in 2011, and through the first half of 2012. And, indeed, nine municipalities (as shown in **Table 2.1a**) have been among the top 10 in each of the past three years.

By comparison, several of the most populous places in the region have lagged in single-family home sales. Whereas more than 300 single-family homes had been sold in Brockton and Newton through the first half of 2012, in Cambridge (a larger city), only 56 had been sold through June. In Somerville, this number was only 50. And in the Boston neighborhood of Dorchester (which, if it were its own city, would be the second most populous in the region), only 85 single-family homes had been sold through June.

These low figures are largely due to the fact that a very large proportion of the housing stock in Cambridge, Somerville and Dorchester is made up of multi-family structures. When we look at sales of homes in three-unit structures—housing styles ubiquitous in many inner communities in Greater Boston—a different picture emerges. As **Table 2.1b** reveals, there is remarkable consistency here, as well. Dorchester and Lawrence (both places with lackluster single-family home sales totals) led the way in 2010 and 2011, as well

TABLE 2.1a

Municipal Leaders in Single Home Sales in Greater Boston, 2010–2012

	Number of Sales (ranking in parentheses)		
	2010	2011	2012 (through June)
Brockton	620 (1)	542 (2)	328 (1)
Framingham	447 (4)	405 (5)	232 (4)
Lexington	387 (9)	409 (4)	204 (6)
Lowell	411 (6)	400 (6)	194 (9)
Needham	389 (7)	351 (8)	192 (10)
Newton	577 (2)	579 (1)	309 (2)
Plymouth	495 (3)	494 (3)	271 (3)
Quincy	388 (8)	390 (7)	221 (5)
Weymouth	362 (10)	338 (10)	195 (8)

TABLE 2.1b

Municipal Leaders in Sales of Homes in Three-Unit Structures in Greater Boston, 2010–2012

	Number of Sales (ranking in parentheses)		
	2010	2011	2012 (through June)
Dorchester	215 (1)	193 (1)	107 (1)
Lawrence	167 (2)	99 (2)	45 (2)
Brockton	117 (3)	77 (3)	35 (4)
Lynn	110 (4)	76 (4)	26 (5)
East Boston	87 (5)	63 (6)	25 (6)
Somerville	62 (6)	72 (5)	41 (3)
Roxbury	37 (9)	34 (9)	22 (7)
Cambridge	36 (10)	41 (8)	17 (10)
Weymouth	362 (10)	338 (10)	195 (8)

as through the first half of 2012 in multi-family sales. Eight communities figured in the top 10 in each of the three years. Three-family homes dominate many inner-city neighborhoods, but they are virtually non-existent in most of the suburbs and small towns.

The composition of each community's housing stock explains part of the stagnation in sales of homes in three-unit structures, but not all of it. In 2011, 74

TABLE 2.1c

Municipal Leaders in Sales of Condominiums in Greater Boston, 2010–2012

	Number of Sales (ranking in parentheses)		
	2010	2011	2012 (through June)
Downtown Boston	1,615 (1)	1,578 (1)	918 (1)
Cambridge	817 (2)	792 (2)	389 (2)
South Boston	567 (3)	527 (3)	299 (4)
Brookline	560 (4)	475 (4)	305 (3)
Dorchester	516 (5)	339 (6)	187 (6)
Somerville	413 (6)	345 (5)	220 (5)
Jamaica Plain	363 (7)	302 (7)	186 (7)
Newton	292 (10)	261 (9)	159 (8)
Weymouth	362 (10)	338 (10)	195 (8)

Source: The Warren Group

Greater Boston towns had zero sales of homes in three-unit structures, and 133 communities had fewer than 10. Among those 133 were the Boston neighborhoods of Allston, Brighton, and Charlestown, all of which have an abundance of three-family homes.

With only a few exceptions, the leading communities for single-family home sales were all suburbs far removed from the City of Boston. And while most of the leaders in three-family structures were near Boston, several (Lawrence, Brockton and Lynn) were situated some distance away. By contrast, when it comes to the condominium market, nearly all of the action is seen right in the heart of the region. Downtown Boston has continued to outdistance by far all other places in the region for condominium sales over the past three years. The eight communities portrayed in **Table 2.1c** have been among the top 10 each year since 2010, and of those eight, four (Downtown Boston, South Boston, Dorchester and Jamaica Plain) are neighborhoods of Boston. Moreover, the other four (Cambridge, Brookline, Somerville and Newton) all border Boston. Thus, it is quite evident that, in the center of the Greater Boston region, the condominium continues to reign supreme as the dominant force in the housing market. Outside of the urban core, though, condos play a relatively minor role in housing sales totals. In 2011, seven

towns in Greater Boston had no condo sales, and 33 had fewer than 10.

As we will suggest in Chapter 4, this may change—or have to change—in the near future as demand for condos and rental apartments rises in response to the evolving preferences of both young households and seniors who wish to downsize. In this case, even suburban communities will have to rethink their zoning laws regarding multi-unit residences.

Housing Permits

When housing sales plummet, it is not surprising to see new housing construction fall sharply as well. Developers are not going to risk investing in new housing when they expect it will be difficult to sell what they produce.

In last year’s report, with housing sales still very weak, we projected (based on data from the first half of the year) that the Boston region would see only 4,427 permits issued for construction of new housing units during all 2011. As in all past housing reports, we use housing permits as the best measure of expected future construction. If the 2011 projection had been borne out in reality, it would have represented the single lowest

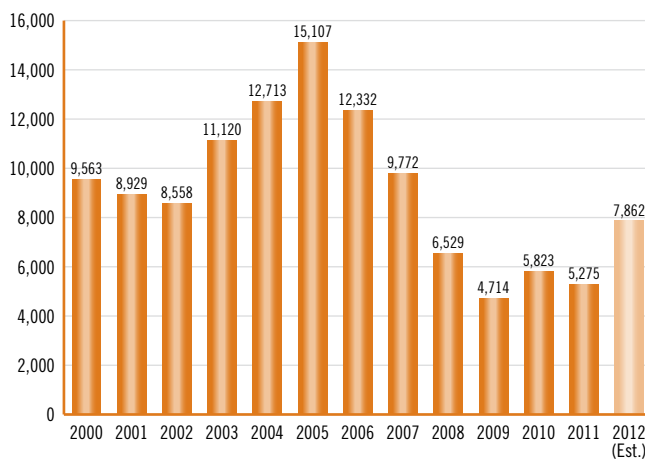
annual number of new housing permits issued in the five-county region on record. The good news is that an acceleration in the issuance of housing permits in the second half of the year allowed the region to escape that dubious distinction. With a final tally of 5,275 permits pulled in 2011, prospective construction was still below the 2010 level, but it did exceed the decade’s low of 4,714 permits issued in 2009, as shown in **Figure 2.6**. As such, stagnation persisted in the region’s housing production in 2011, compared with the period 2000 through 2007, when the average number of permits per year topped 11,000 (more than double the 2011 total).

Despite the lackluster permit record for all of 2011, the acceleration that took place in the second half of that year has continued into 2012, and now all signs indicate a much more robust recovery in the housing market than seemed to be happening in 2010. In the first six months of 2012, there were 3,931 housing permits issued in the five-county Greater Boston region. This figure was nearly 75 percent as high as the total number of building permits issued *in the entire year* of 2011. At this rate, the region will be on pace to permit more than 7,800 new units of housing in 2012, which would be the highest annual total since 2007. We must, of course, take caution when looking at this estimate. It is still uncertain whether the current housing recovery will endure, and a further weakening of the economy or a renewed foreclosure crisis could easily depress permitting numbers once more. Moreover, even if this projection is accurate, it would still fall below the number of new housing units permitted each year between 2000 and 2007.

What is more remarkable about the region’s permitting activity is the apparent change in the type of units that will be constructed. Permitting levels declined for every type of housing unit from 2010 to 2011, but the largest proportional drop occurred in two- to four-unit structures (see **Table 2.2**). Only 226 units in these small multi-unit structures were permitted in 2011, a decline of more than one-third (33.5%) over the 2010 level. By comparison, the drop in permitting among units in structures with five or more units was less severe, falling only 6.2 percent between 2010 and 2011, while single-family permits fell by 9.3 percent.

FIGURE 2.6

Number of Housing Permits Issued in Greater Boston, 2000–2011



Source: U.S. Census Bureau, Building Permits Survey for Essex, Middlesex, Norfolk, Plymouth, and Suffolk Counties

TABLE 2.2

Single-Family and Multifamily Building Permits in Greater Boston, 2000–2012 (est.)

Year	Total Units	% Change from Prior Year (Total Units)	Units in Single-Family Structures	% Change from Prior Year (SF Units)	Units in 2–4 Unit Structures	% Change from Prior Year (Units in 2–4 Unit Structures)	Units in 5+ Unit Structures	% Change from Prior Year (Units in Buildings with 5+ Units)
2000	9,563		6,376		660		2,527	
2001	8,929	-6.6%	5,604	-12.1%	642	-2.7%	2,683	6.2%
2002	8,558	-4.2%	5,531	-1.3%	709	10.4%	2,318	-13.6%
2003	11,120	29.9%	5,290	-4.4%	1,067	50.5%	4,763	105.5%
2004	12,713	14.3%	6,222	17.6%	985	-7.7%	5,506	15.6%
2005	15,107	18.8%	6,552	5.3%	991	0.6%	7,564	37.4%
2006	12,332	-18.4%	4,910	-25.1%	1,180	19.1%	6,242	-17.5%
2007	9,772	-20.8%	4,139	-15.7%	636	-46.1%	4,997	-19.9%
2008	6,529	-33.2%	2,682	-35.2%	376	-40.9%	3,471	-30.5%
2009	4,714	-27.8%	2,507	-6.5%	278	-26.1%	1,929	-44.4%
2010	5,823	23.5%	3,057	21.9%	340	22.3%	2,426	25.8%
2011	5,275	-9.4%	2,773	-9.3%	226	-33.5%	2,276	-6.2%
2012 (est.)	7,862	49.0%	3,106	12.0%	338	49.6%	4,508	98.1%
% Change, 2000–2005	58.0%		2.8%		50.2%		199.3%	
% Change, 2005–2009	-68.8%		-61.7%		-71.9%		-74.5%	
% Change, 2009–2012	66.8%		23.8%		21.6%		133.7%	

Note: The annualized estimates of 2012 housing permits were calculated by doubling the number permits issued through June.

Source: U.S. Census Building Permit Survey for Essex, Middlesex, Norfolk, Plymouth, and Suffolk Counties

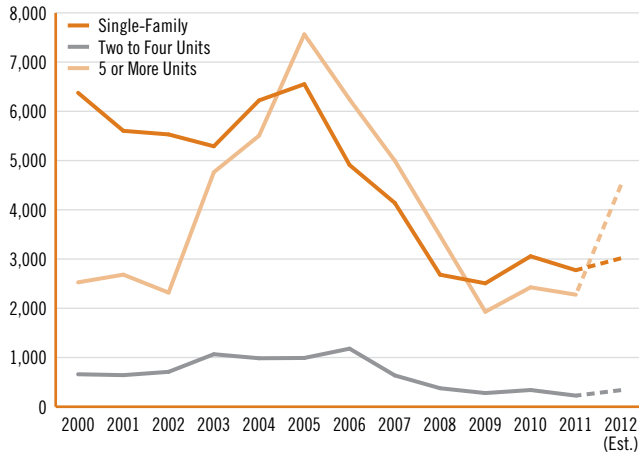
Extrapolating from data from the first six months of 2012, it appears that every type of housing unit will show an increased rate of production this year, compared to last, though the degree of that increase will vary by type of unit. According to our projections, the region should expect to see an increase of only about 12 percent in the number of new single-family homes permitted in 2012. For homes in two- to four-unit structures, though, that increase should be closer to just 50 percent. Data from January through June indicate that the strongest rebound is underway in the region's 5+ unit apartment and condominium buildings. *If permitting trends hold steady through the end of 2012, Greater Boston should expect to issue nearly double the number of permits for such rental and condominium*

units, compared to 2011. Thus, renewed vigor within the apartment and condo markets seems to be the primary driver of the recovery in the region's overall housing market. This continues a trend that can be traced back to at least 2009. Between 2009 and our estimate for 2012, the number of annual single-family housing permits has increased by 24 percent; the number of two- to four-unit permits has increased by 22 percent; but the number in 5+ unit apartment buildings has increased by an impressive 134 percent.

As **Figure 2.7** demonstrates, this trend toward apartment complex construction marks a major change from the early days of the last decade. From 2000 to 2002, more than twice as many single-family homes were

FIGURE 2.7

Number of Housing Units Permitted in Five-County Greater Boston Region, by Structure Type, 2000–2011



Source: U.S. Census Bureau, Building Permits Survey for Essex, Middlesex, Norfolk, Plymouth, and Suffolk Counties

permitted compared to units in 5+ unit condo and apartment buildings. By 2005, however, the number of condo and apartment units actually exceeded single-family production. In nearly every year since then more multi-unit building units have been produced than single-family homes. Indeed, between 2002 and 2005, the number of housing units in these large buildings and complexes more than tripled, from just 2,300 to more than 7,500. Over that same period, permits for single-family homes, which were already quite high, increased by a comparatively small 1,000 units. This shift in the type of housing being built suggests that developers are aware of a number of fundamental changes occurring on the demand side of the housing market, which we will discuss at length in Chapter 4.

Housing Production by Type and Location

As in previous years, we have tracked the number of permits issued in each city and town in the five-county Greater Boston region to ascertain trends in new housing production in the area. While the city of Boston has traditionally been the single largest issuer of new housing permits, the chaos that accompanied the housing

TABLE 2.3

Municipalities Adding the Most and Fewest New Housing Units in 2010 and 2011

2011 Rank	Municipality	Total Units Permitted in 2011	Total Units Permitted in 2010	Rank in 2010
Most Permits				
1	Boston	785	351	2
2	Weymouth	276	81	16
3	Watertown	220	9	125
4	Concord	167	386	1
5	Plymouth	149	223	5
6	Randolph	134	110	12
7	Andover	115	147	8
8	Chelsea	113	112	11
9	Hingham	97	38	45
10	Wareham	91	198	6
11	Lowell	90	41	40
12	Saugus	83	75	18
13	Westford	81	90	14
13	Quincy	80	74	19
15	Hanover	79	11	118

2011 Rank	Municipality	Total Units Permitted in 2011	Total Units Permitted in 2010	Rank in 2010
Fewest Permits				
144	Boxborough	2	4	145
144	Carver	2	10	121
144	Hopedale	2	5	138
144	Medford	2	2	151
144	Millville	2	0	155
144	Milton	2	2	151
150	Avon	1	3	148
150	Boxford	1	4	145
150	Hamilton	1	5	138
150	Nahant	1	0	155
150	Plympton	1	3	148
150	Wenham	1	1	153
156	Harvard	0	0	155
156	Sherborn	0	4	145
156	Somerville	0	1	153
156	Stoneham	0	0	155
156	Swampscott	0	0	155
156	Winthrop	0	0	155

TABLE 2.3

Municipalities Adding the Most and Fewest New Housing Units in 2010 and 2011, continued

2011 Rank	Municipality	Single-Family Units Permitted in 2011	Single-Family Units Permitted in 2010	Rank in 2010
Most Permits				
1	Plymouth	149	132	1
2	Westford	81	80	4
3	Newton	74	82	3
4	Acton	62	48	12
5	Hingham	59	38	21
5	Lexington	59	71	6
7	Winchester	50	13	91
8	Bedford	49	15	84
9	Weymouth	46	45	14
10	Lowell	44	39	18
11	Belmont	43	11	106
11	Needham	43	48	7
11	Wareham	43	34	29
13	Marshfield	42	24	42
14	Waltham	41	20	63
15	Wellesley	41	49	11

2011 Rank	Municipality	Single-Family Units Permitted in 2011	Single-Family Units Permitted in 2010	Rank in 2010
Fewest Permits				
146	Avon	1	3	145
146	Boxford	1	4	140
146	Hamilton	1	5	131
146	Nahant	1	0	152
146	Plympton	1	3	145
146	Wenham	1	1	149
152	Arlington	0	1	149
152	Chelsea	0	0	152
152	Harvard	0	0	152
152	Medford	0	0	152
152	Sherborn	0	4	140
152	Somerville	0	1	149
152	Stoneham	0	0	152
152	Swampscott	0	0	152
152	Watertown	0	0	152
152	Winthrop	0	0	152

2011 Rank	Municipality	Units in 5+ Unit Structures Permitted in 2011	Units in 5+ Unit Structures Permitted in 2010	Rank in 2010
Most Permits				
1	Boston	692	264	2
2	Weymouth	226	25	25
3	Watertown	214	0	37
4	Concord	132	308	1
5	Randolph	120	91	10
6	Chelsea	108	112	8
7	Andover	84	115	7
8	Quincy	71	62	12
8	Saugus	71	58	13
10	Hanover	66	0	37
11	Arlington	54	40	16
11	Everett	54	35	19
13	Braintree	50	36	17
14	Lowell	46	0	37
14	Mansfield	46	7	32

132 municipalities did not permit any multifamily housing in 2011.

125 municipalities did not permit any multifamily housing in 2010.

Source: U.S. Census Bureau, Annual New Privately-Owned Residential Building Permits for Places in Massachusetts

crisis made Boston slip from the top spot several times in recent years. By 2011, however, Boston was back on top, far outpacing all other cities and towns in the region. Boston issued 785 new housing permits in 2011, compared with just 351 the prior year. Through the first six months of 2012, Boston has continued to be the top issuer of new housing permits in the region. No other community had more than 300 new housing permits in 2011, and only Weymouth and Watertown had more than 200. Altogether, only eight cities and towns issued more than 100 permits in 2011, compared with 12 in 2010 (see **Table 2.3**).

For the second year in a row, Plymouth led the way in the production of new single-family homes. The 149 single-family permits issued in Plymouth in 2011 outpaced the town's 2010 total of 132. Across the region as a whole, though, new permitting for single-family homes was slow. Only seven municipalities had 50 or more single-family permits in 2011, while 55 municipalities had fewer than 10 permits for such homes, up from 47 communities in 2010. Seven municipalities issued no new permits at all in either year.

Data on permitting for multi-family units reveals a strong trend toward new construction in the city of Boston and an apparent trend away from multi-unit production elsewhere in the region. Between 2010 and 2011, Boston experienced more than a doubling of the number of permits for units in structures with five or more units. Only six other communities issued more than 100 permits in such structures in 2011. Most disconcerting of all was the number of municipalities in which *no* new multifamily housing was permitted. In 2011, 132 cities and towns (82 percent of all municipalities in the region) fell into that category. This was the highest number of municipalities issuing no new multifamily permits since we began tracking this statistic in the annual *Greater Boston Housing Report Card*.

Clearly, if sufficient multi-unit residences are to be developed in Greater Boston, particularly in suburban communities, more pressure and/or incentives will need to be provided to rezone additional land for this purpose.

The Role of Chapter 40R in Housing Production

The issue of the lack of zoned land for housing development has undergone extensive analysis and resulted in the signature accomplishment of the group convened by the Boston Foundation, and the Commonwealth Housing Task Force (CHTF): the passage and implementation of Massachusetts' Chapter 40R Smart Growth Zoning and Housing Production Act in 2004 and its companion school-cost "insurance policy," Chapter 40S in 2005.

The basic idea behind 40R is that it is not so much a lack of buildable land in Massachusetts that is stifling

the production of affordable housing, but rather the lack of land *zoned* for relatively dense multi-family and single-family housing in smart growth locations near town centers and transportation. Chapter 40R provides financial incentives for communities that will zone eligible districts as-of-right for mixed-income housing.

Since passage of this statute, 33 Chapter 40R districts have been approved in 31 municipalities. Marblehead and Reading each have two. According to the Commonwealth's Department of Housing and Community Development (DHCD), an additional 19 Massachusetts cities and towns are now actively considering joining the 40R program.

In the 31 localities that have passed districts (requiring a 2/3 vote of the City Council or Town Meeting), zoning as-of-right has been provided for *more than 12,350 units of housing*, at least 20 percent of which will be affordable to households earning less than 80 percent of the area median income.

As **Table 2.4** reveals, within the existing 33 Chapter 40R districts:

- more than half of the existing districts (17 of 33) have completed housing, have housing under construction, or have issued permits allowing housing construction to begin.
- 1,211 units of housing have already been constructed in 12 of these districts with nearly all of the new housing in multi-unit buildings
- 212 more units are currently permitted and under construction
- 520 units will soon be built under existing permits
- 599 residential units have received Plan Approval from the permit granting authority, but have not yet applied for building permits due to other permitting (MEPA) and market conditions
- 1,943 units have either been constructed, are under construction or soon will be built under existing Chapter 40R permits.

This is a reasonable record for production given the Great Recession and the regional housing market. But given the housing demand we will project in Chapter 4, we still need to see more municipalities adopting Chapter 40R and more construction of housing in these districts.

TABLE 2.4

Housing Units Constructed in Chapter 40R Smart Growth Districts in Massachusetts

Municipality	District Name	Units Constructed Under 40R Permits				Building Permits Issued, Under Construction	Pending Building Permits
		Single-Family Units	Units in 2- to 3-Unit Structures	Units in Multiunit Structures	Total Units Constructed		
Amesbury	Gateway Village						
Belmont	Our Lady of Mercy	2	11	4	17		
Boston	Olmstead						
Bridgewater	Waterford Village						
Brockton	Downtown		2		2		
Chelsea	Gerrish Ave			120	120		
Chicopee	Chicopee Center						
Dartmouth	Lincoln Park						
Easton	Queset						
Easthampton	Smart Growth Overlay						
Fitchburg	Smart Growth Overlay						
Grafton	Fisherville Mill						
Haverhill	Downtown			362	362		
Holyoke	Smart Growth Overlay	1	4		5		
Kingston	1021 Kingston's Place						
Lakeville	Res. At Lakeville Station			100	100		
Lawrence	Arlington Mills					75	
Lowell	Smart Growth Overlay						
Lunenburg	Tri-Town			66	66		33
Lynnfield	Planned Village Development						180
Marblehead	Pleasant Street						
Marblehead	Vinnin Square						
Natick	SGOD						138
North Andover	Osgood Landing						
North Reading	Berry Center			406	406		
Northampton	Sustainable Growth			40	40		
Norwood	St. George Ave		4	11	15		
Pittsfield	Smart Growth Overlay			67	67	45	
Plymouth	Cordage Park						
Reading	Gateway					50	150
Reading	Downtown			11	11	42	
Sharon	Sharon Commons						19
Westfield	Southwick Road						
Total		3	21	1,187	1,211	212	520

Total units constructed, under construction, or pending: 1,943

Number of 40R districts with completed units: 12

Additional 40R districts with units under construction: 2

Additional 40R districts with pending building permits: 3

Total number of 40R districts with units completed, under construction, or pending: 17

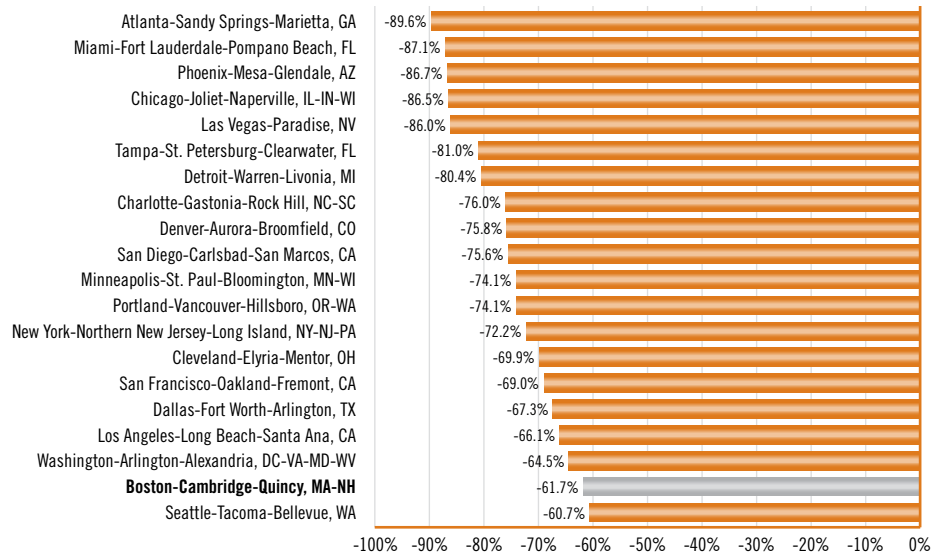
Total number of approved 40R districts: 33

Percentage of approved 40R districts with units completed, under construction, or pending: 52%

Source: Department of Housing and Community Development (DHCD), August 2012.

FIGURE 2.8

Percent Change in Building Permits, Case-Shiller Metropolitan Areas, 2005–2010



Source: U.S. Census Bureau, Permits by Metropolitan Area—Annual

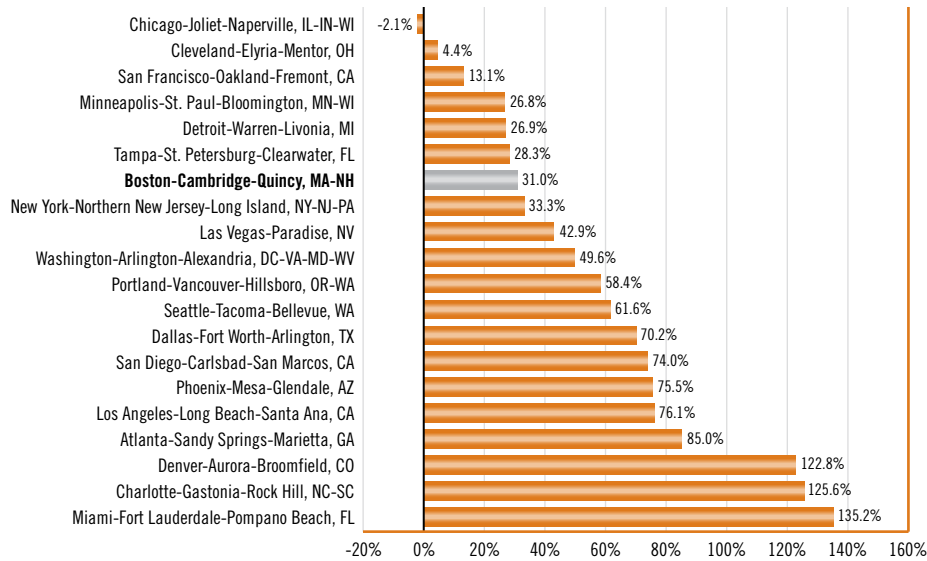
Housing Production across the United States

While there is no denying the dire impact that the recession has had on the housing market in Greater Boston, the Boston housing market (along with the economy of Massachusetts as a whole) fared significantly better than many other regions nationwide during the recession. **Figure 2.8** presents data on the percentage change in building permit activity throughout the 20 metropolitan regions that are tracked in the Case-Shiller Home Price Index.² The stark decline in housing permits that took place from the most recent peak in the housing market in 2005 through the worst of the housing downturn in 2010 is evident in all 20 of these regions. None of these regions, including Boston, saw the number of housing permits issued decline by less than 60 percent. Still, compared to regions like Atlanta, Miami, Phoenix, Chicago and Las Vegas, all of which suffered declines in excess of 85 percent, the 62 percent drop in Greater Boston appears relatively mild. Indeed, of these 20, only Seattle experienced a softer decline in permitting during those years.

While Boston was not hit as hard as other metropolitan regions during the housing collapse, it has been comparatively slow to come back from the bottom of that collapse, as **Figure 2.9** demonstrates. Some regions that had endured catastrophically diminished permitting activity between 2005 and 2010 have come back more quickly than the Greater Boston region since 2010. For instance, in Atlanta (which saw the largest proportional decrease in the number of housing permits out of all of these metro areas between 2005 and 2010), the subsequent increase in new housing production has been about 85 percent. In Miami, a region where housing production declined more than 87 percent between 2005 and 2010, permitting has more than doubled in just two years, increasing by more than 135 percent between 2010 and the middle of 2012. In comparison to these regions, Boston suffered a relatively mild descent between 2005 and 2010. Since that time, however, it has been near the bottom of these 20 regions in its relative increase. Permitting levels in Greater Boston have risen 31 percent from 2010 to the middle of this year, an encouraging figure, but far less robust than in some other regions. Part of this disparity is a mere numbers game: the number of permits in some regions had fallen so low by 2010 that any increase through 2012 may appear more significant than it is. Still, even in

FIGURE 2.9

Percent Change in Building Permits, Case-Shiller Metropolitan Areas, 2010–2012



Source: U.S. Census Bureau, Permits by Metropolitan Area—Annual

absolute numbers, Greater Boston places 14th among these 20 regions in terms of the increase in permitting activity over the past two years.

comparable scale for foreclosures on units in two- and three-unit structures and for condominiums.

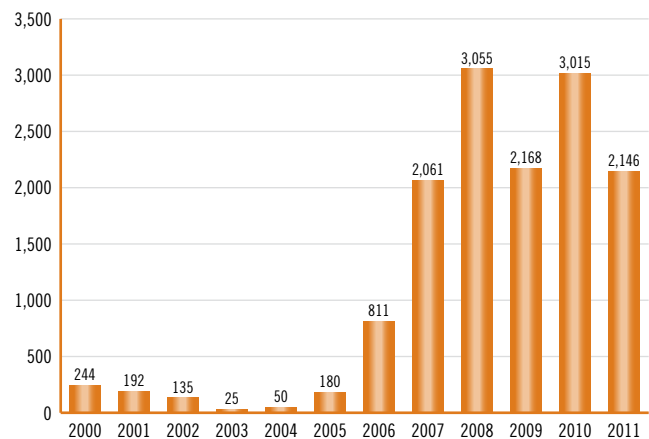
Part of the reason why we, and most other housing analysts, were premature several years ago in

Foreclosure Activity in Greater Boston

Every installment of *The Greater Boston Housing Report Card* since 2007 has dealt with the impact of foreclosures on home prices, market activity and new housing production. Indeed, more than during any past housing downturn, the most recent housing market collapse was overwhelmingly bound up with the massive surge in the number of bad loans, defaults and bank seizures that took place in the second half of the last decade. While, as we have already noted, Greater Boston was relatively fortunate in that it did not suffer the catastrophic market declines that other regions experienced, the increase in foreclosure activity in this region was still immense in scope. As **Figure 2.10** illustrates, the number of foreclosure deeds issued for single-family homes in the five-county Greater Boston region in 2008 was *more than 120 times higher* than just five years prior (3,055, compared with 25). The increase was on a

FIGURE 2.10

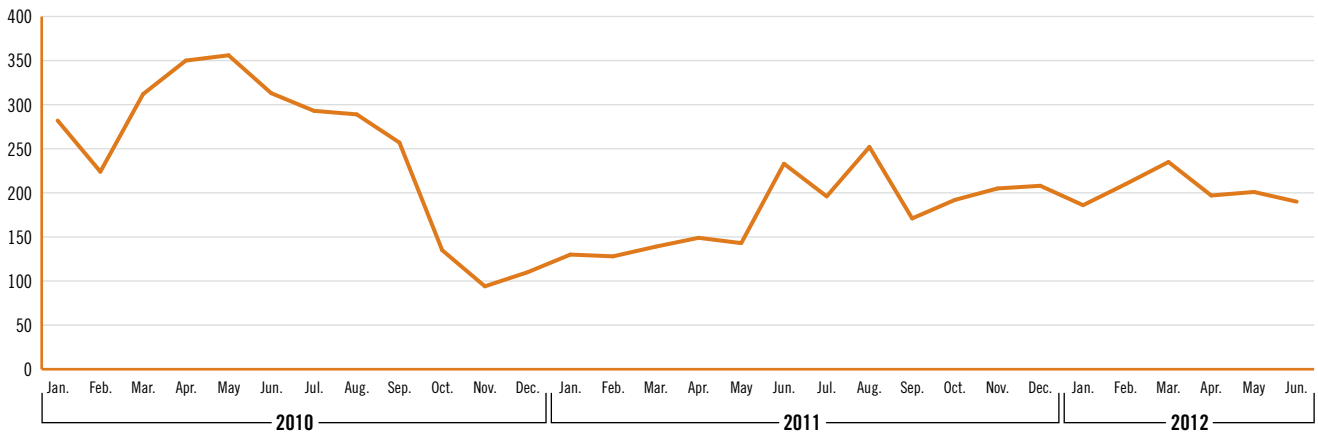
Annual Number of Foreclosure Deeds in Single-Family Homes in Five-County Greater Boston Region, 2000–2011



Source: The Warren Group

FIGURE 2.11

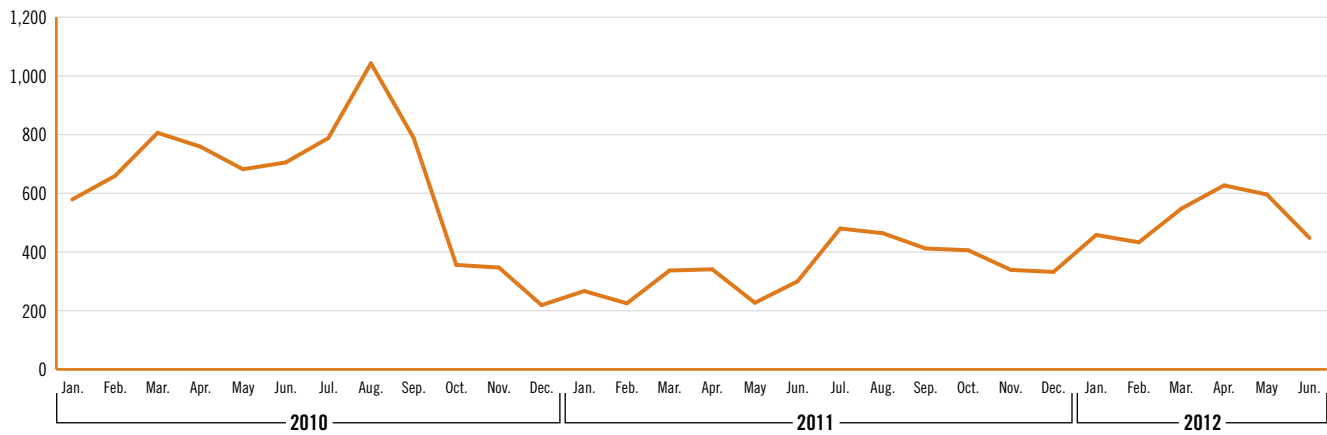
Monthly Number of Foreclosure Deeds in Single-Family Homes in Five-County Greater Boston Region, 2010–2012



Source: The Warren Group

FIGURE 2.12

Monthly Number of Foreclosure Petitions in Single-Family Homes in Five-County Greater Boston Region, 2010–2012



Source: The Warren Group

predicting a return to normalcy in the housing market is that foreclosure activity slowed in 2009, leading many to believe that the worst was over. This slowdown in foreclosures turned out to be artificial, however. By mid-2008, due to a state moratorium on new foreclosures, the number of petitions to foreclose had slowed to a trickle compared to the preceding months, and this deceleration of petitions worked its way through the pipeline so that the number of foreclosure deeds dipped considerably in 2009. As that

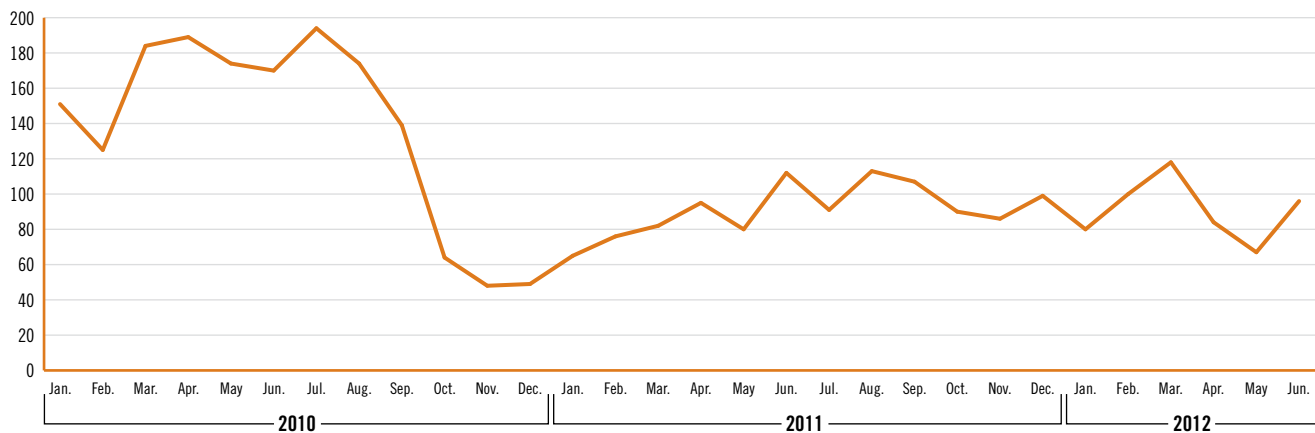
moratorium was lifted, though, the frantic pace of foreclosures returned. By the end of 2010, the number of foreclosure deeds on single-family homes came close to the record set in 2008, and for condos, the number of foreclosure deeds actually exceeded the 2008 figure by more than 6 percent. Interestingly, the number of foreclosure deeds on homes in two- and three-unit structures continued to decline every year since 2008, in stark contrast to the trends for single-family homes and condos.

As Figure 2.10 indicates, foreclosure deeds once again fell in 2011, as most signs began to point to a more robust recovery in the housing market. **Figure 2.11** and **Figure 2.12**, however, indicate that the foreclosure crisis has not yet passed. In November 2010, the monthly number of deeds issued for single-family homes dropped to its lowest level since early 2007. Since then, however, those monthly figures have been climbing, though they have not reached the peaks that the region saw in 2008 and 2010. Nonetheless, it is likely that the total number of foreclosure deeds for 2012 will exceed the 2011 figure.

As with single-family homes, monthly foreclosure deeds on condominiums reached a low in November 2010 and have since increased. This increase, however, has not been as severe as the one seen among single-family homes. Still, the region is likely to see a return to somewhat higher foreclosure deed activity in both condominiums and single-family homes, as the monthly number of petitions to foreclose has slowly risen over the past year (see **Figure 2.13** and **Figure 2.14**). Though the number of monthly petitions is nowhere near as high as it was in the bleak years at the end of the last decade, this modest increase in

FIGURE 2.13

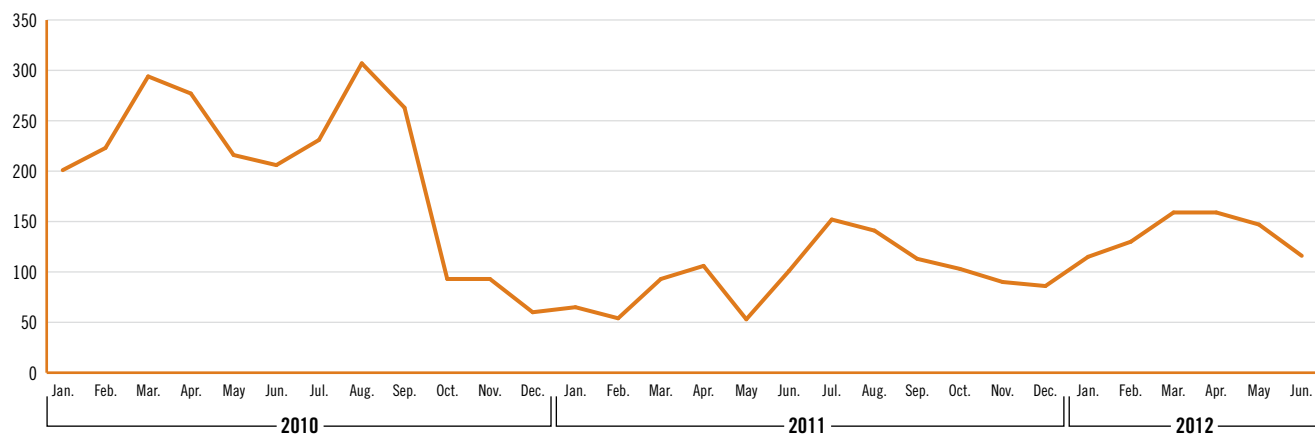
Monthly Number of Foreclosure Deeds in Condominiums in Five-County Greater Boston Region, 2000–2012



Source: The Warren Group

FIGURE 2.14

Monthly Number of Foreclosure Petitions in Condominiums in Five-County Greater Boston Region, 2000–2012



Source: The Warren Group

TABLE 2.5a

Municipal Leaders in Foreclosures on Single Home Sales in Greater Boston, 2010–2012

	Number of Deeds (ranking in parentheses)		
	2010	2011	2012 (through June)
Brockton	234 (1)	154 (1)	105 (1)
Lowell	120 (3)	74 (4)	45 (6)
Lynn	124 (2)	99 (2)	64 (2)
Plymouth	98 (4)	78 (3)	36 (3)
Randolph	67 (8)	70 (5)	31 (5)
Wareham	89 (5)	63 (6)	40 (4)

TABLE 2.5b

Municipal Leaders in Foreclosures on Homes in Three-Unit Structures in Greater Boston, 2010–2012

	Number of Deeds (ranking in parentheses)		
	2010	2011	2012 (through June)
Brockton	49 (2)	26 (2)	15 (2)
Chelsea	22 (6)	14 (4)	6 (4)
Dorchester	86 (1)	56 (1)	18 (1)
East Boston	23 (5)	9 (6)	5 (5)
Lowell	15 (8)	11 (5)	5 (5)
Lynn	42 (4)	26 (2)	11 (3)

TABLE 2.5c

Municipal Leaders in Foreclosures on Condominiums in Greater Boston, 2010–2012

	Number of Deeds (ranking in parentheses)		
	2010	2011	2012 (through June)
Brockton	48 (7)	34 (4)	26 (4)
Dorchester	181 (1)	73 (1)	17 (5)
Haverhill	58 (4)	37 (3)	27 (3)
Lowell	86 (2)	54 (2)	32 (2)
Lynn	57 (5)	32 (6)	14 (9)
Marlborough	48 (7)	33 (5)	17 (5)

Source: The Warren Group

foreclosure petitions indicates that the Greater Boston region—and, indeed, the entire country—will not see a return to the low levels of foreclosure activity that characterized the early years of the last decade, and thus will not see a complete stabilization of the housing market, for several years to come.

Examining data at the municipal and neighborhood level, we can determine where foreclosures are most prevalent in Greater Boston. **Tables 2.5a, 2.5b, and 2.5c** report (for single-family homes, homes in three-unit structures and condominiums, respectively) which municipalities and which Boston neighborhoods have scored in the top 10 for foreclosure deeds in each of the past three years, demonstrating a consistent foreclosure problem. For each of the three types of housing units, six municipalities have consistently been among the top 10 in foreclosure deeds.

Because municipalities and neighborhoods tend to be characterized by one or another type of housing stock—detached single-family homes in Hamilton, three-deckers in East Boston and condominiums in downtown Boston, for instance—places that score high on measures related to one type of housing unit usually do not score high on similar measures for other housing units. What is most alarming in the municipal-level foreclosure statistics, then, is the appearance of a municipality or neighborhood on more than one of the lists of municipal foreclosure leaders. This is most evident in the older industrial cities of Brockton, Lowell and Lynn. All three are large cities with a large number of housing units. Brockton and Lowell have consistently been among the leaders in single-family home sales, while Brockton and Lynn have been among the leaders in sales of homes in three-unit structures. Yet while none of these three cities has been in the top 10 in *sales* every year for every type of housing unit, all three of them have been in the top 10 in *foreclosures* every year for every type of housing unit.

This pattern likely reflects the fact that these working-class communities experienced a boom in sales as a result of the lax lending practices of some mortgage companies and banks that created the housing bubble and subsequent housing crash. With the weakening economy after 2007, these were precisely the communities where those sales went sour and foreclosures soared.

As such, among foreclosure deeds on single-family homes, Brockton has led the way every year, with at least 50 percent more foreclosures than the next-highest community each year. Through June of 2012, 105 foreclosure deeds on detached homes had already been issued in Brockton, putting the city well on pace to exceed the total of 154 issued in 2011. While scoring at the top of the list each year on single-family foreclosures, Brockton has also had the second-highest number of foreclosures on homes in three-unit structures in each of the past three years (trailing only the Boston neighborhood of Dorchester). And Brockton has been among the top 10 in condo foreclosures, as well, with the fourth highest total in Greater Boston through June of 2012.

Lowell and Lynn, while not suffering as many foreclosures as Brockton over the most recent period, have also been recent leaders in foreclosure activity for all types of housing units. Through the first half of 2012, Lowell had placed sixth in single-family foreclosure deeds, fifth in three-unit deeds and second in condo deeds. In that same period, Lynn was second in single-family deeds, third in three-unit deeds and ninth in condo deeds. Other communities, such as Dorchester and Haverhill, have had alarmingly high numbers of foreclosures, as well; but it is in these three cities that the foreclosure crisis has been—and, unfortunately, continues to be—most acute.

Conclusion

Finally, in 2012, we see more evidence that the housing crisis in Greater Boston is beginning to abate. Sales are picking up and new housing permits are being issued in greater numbers than we have seen since 2008. For more than a year now, sales have exceeded their monthly totals of 2011. With sales increasing, housing developers are becoming more optimistic about their ability to sell new units if they construct them. As a result, new housing permits are up, and the number issued could be as much as 50 percent higher in 2012 than in 2011 and two-thirds (67%) higher than in 2009. While single-family permits are up modestly, developers already see a stronger market for units in large apartment and condominium complexes as the up-and-coming segment of the housing market. Between

2009 and 2012, we estimate an increase of 24 percent in single-family permits. Over the same period, the increase in 5+ unit permits could approach 134 percent.

There are, of course, factors that could once again derail a housing recovery. The continued high level of home foreclosures contributes additional supply to the homeownership market, and to the extent that foreclosed units are put up for rent, they can contribute to additional rental units on the market as well. This could dampen the enthusiasm for new construction. Continued weakness in the overall economy could, of course, also undermine both housing sales and production and could increase foreclosures.

But barring more bad news, the findings on sales and permits suggest two important conclusions. The first is that housing demand and production are picking up steam. The second is that the structure of housing demand may be changing in a dramatic fashion.

3.

Home Prices and Rents in Greater Boston

Much like the characters in Samuel Beckett’s absurdist drama, *Waiting for Godot*, we began looking for a housing recovery in 2009, with modest expectations in each of our past three reports. But also much like in the play, that long-awaited recovery has, at least up until now, proved illusory. As we have seen, home sales have been soft until the past year, and new construction as measured by the issuance of housing permits has remained well below the levels of the first half of the past decade, only picking up after July 2011. In this chapter, we examine the impact that all of this has had on home prices and rents.

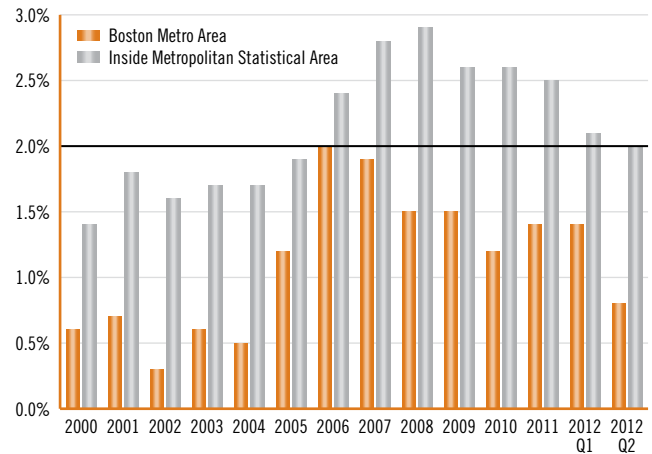
Home Prices in Greater Boston

Many factors go into determining the prevailing sales prices for homes—the availability of credit, the condition of the housing stock and the purchasing power of consumers, to name just a few. But, like any other commodity, supply and demand play critical roles in the fluctuation of home prices. As we saw in Chapter 2, the past several years have proven rather dismal for the production of new housing—in other words, for the generation of new housing *supply*. Housing starts nationwide have hovered at some of their lowest levels in decades, and the permitting of new housing units in Greater Boston until very recently has remained anemic. The relationship between housing demand and housing supply is normally measured by the vacancy rate. When vacancy rates are particularly low, this usually reflects a period when housing demand is outstripping housing supply. When vacancy rates are high, it usually means that housing supply is more than sufficient to meet demand. In the former case, strong demand normally leads to increases in home prices and rents. In the latter case, a surplus of supply normally leads home prices and rents to fall.

Figure 3.1 compares the homeowner vacancy rate for the Boston metropolitan area to the average vacancy rate for all metropolitan areas in the United States. In most years, the comparison has not even been close. In every year since 1990, the national homeowner

FIGURE 3.1

Homeowner Vacancy Rates, Greater Boston vs. U.S. Metro Areas, 2000–2012



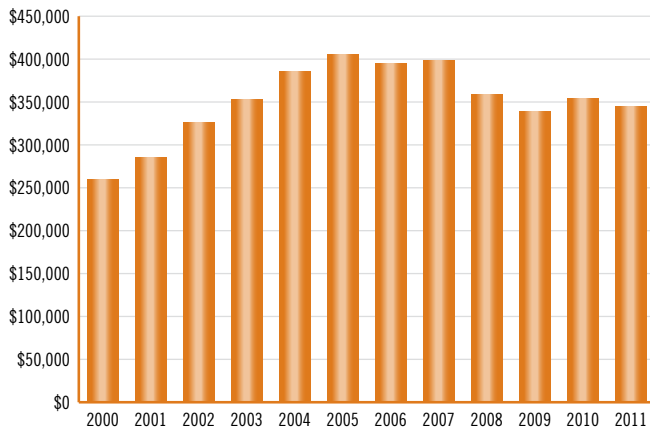
U.S. Census Bureau, Housing Vacancy Survey

vacancy rate has been at least one-fifth higher than the comparable rate in Boston, and in some years it has been more than four times higher. Not since 2006, when new housing production in the region remained robust, has the homeowner vacancy rate for the Boston area reached even 2 percent. Rather, since 2008, it has stayed at or below 1.5 percent, and in the second quarter of 2012 it dipped to 0.8 percent.

By comparison, nationwide vacancy rates, while falling steadily since 2008, have consistently stood above this region’s rate. With the Boston-area housing market relatively tighter in comparison to housing markets in other regions of the country, Boston has for many years experienced more rapidly rising home prices when the national economy is robust and more slowly falling prices when it is recession. Thus, while prices have fallen significantly in Boston since the bursting of the housing bubble, they have declined by a modest proportion compared to other parts of the country.

FIGURE 3.2

Annual Median Price of Single-Family Homes in Five-County Greater Boston Region, 2000–2011



Source: The Warren Group

Figure 3.2 illustrates this decline in prices from the most recent peak in the single-family home market. Prices for single-family homes in the five-county Greater Boston region peaked in 2005 near \$405,000. The trajectory of prices since then has been generally downward, but the trend has been uneven. Indeed, year-over-year price changes were positive in both 2007 and 2010. By 2011, the typical home in Greater Boston sold for about \$345,000, representing a decrease of about 15 percent from the 2005 peak figure. While this is a discouraging number for homeowners seeking to sell their houses, it pales in comparison to the reductions in home values suffered by homeowners in other states.

Using data from the Case-Shiller Home Price Index, we can compare the decline in prices in Boston to the same figure for 19 other American metropolitan areas. **Figure 3.3** presents this comparison. The Case-Shiller Index, which tracks changes in the price for repeat sales (that is, sales of the same property at different times), indicates that the average drop in prices from the beginning of 2006 through the middle of 2012 was roughly 16 percent in Greater Boston, very close to the figure provided by the five-county price data from The Warren Group that we used to construct Figure 3.2. Only three other metropolitan areas in the U.S. tracked by the Case-Shiller Index—Dallas, Charlotte,

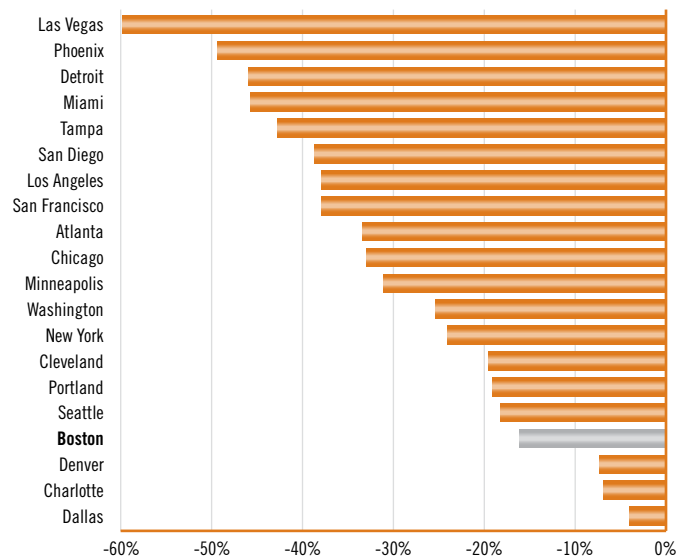
and Denver—had milder declines over that period. By contrast, nine of the Case-Shiller metro areas experienced price declines in excess of one-third, and in Las Vegas the decrease was nearly 60 percent.

This is relatively good news for homeowners in the Boston area, as those who chose to sell their homes over the past few years likely took less of a hit than their peers in many areas of the country. But for new homebuyers, the fact that home prices remain relatively high in Greater Boston speaks to the persistent affordability problem facing new homebuyers in the region and to a growing gap in affordability between the Boston metro area and many of the metropolitan regions with which it competes for jobs and skilled workers.

Interestingly, while prices have been relatively stagnant in single-family homes, they have increased steadily over the past three years for condominiums, as well as in homes in two- and three-unit structures. **Figure 3.4** provides data on average condo prices in Greater Boston. Condo prices have exhibited enormous stability since 2004, and in every year since 2005 condo prices have hovered in the narrow range from \$279,900 to \$306,500. After dropping slightly between 2007 and 2009, condo prices have rebounded, reaching

FIGURE 3.3

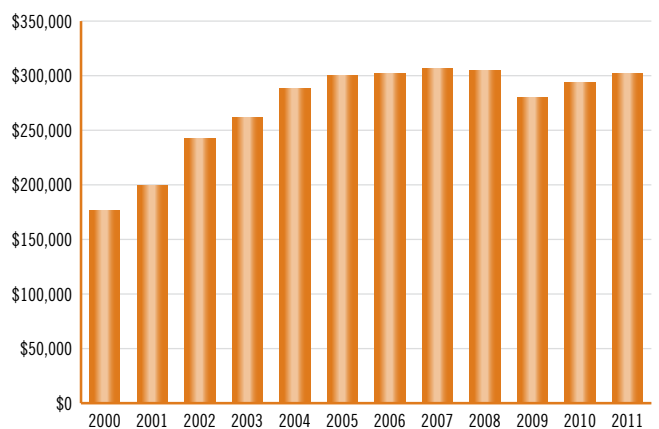
Percent Change in Seasonally Adjusted Case-Shiller Home Price Index, January 2006–May 2012



Source: S&P/Case-Shiller Home Price Index, Seasonally Adjusted

FIGURE 3.4

Annual Median Price of Condominiums in Five-County Greater Boston Region, 2000–2011



Source: The Warren Group

an average of \$302,000 in 2011. As such, condo prices in the region in 2011 were only 1.4 percent lower than they were when they peaked in 2007.

Figure 3.5 presents price data on homes in two- and three-unit structures. Two-unit home prices fell precipitously during the housing crash, declining 36 percent between 2005 and 2009 (including a 30 percent drop in a single year, between 2007 and 2008). This trend was mirrored in homes in three-unit buildings, where prices decreased by more than 50 percent between 2005 and 2009, with a 42 percent plunge between 2007 and 2008 alone. These sharp declines in price reflected the fact that many of these small multi-unit homes are in working-class communities that were hard hit by the Great Recession, and in particular by the wave of foreclosures that swept across many urban neighborhoods. Since then, steady annual price increases have taken place in both types of unit. Nevertheless, by 2011, the median price of a home in a two-unit building was down by 32 percent, and the price of a unit in a three-unit structure was still 36 percent below the peak price in 2005.

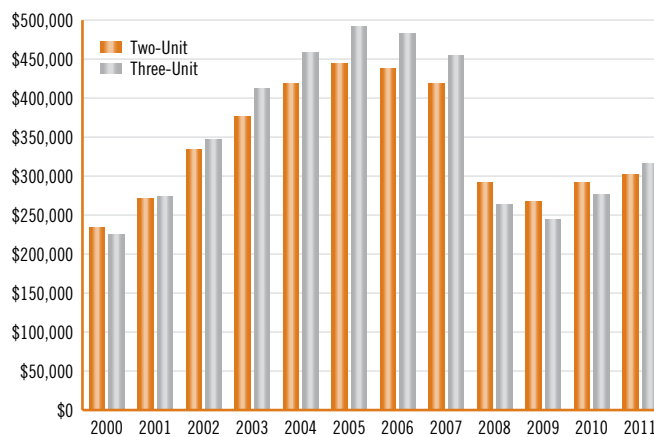
Examining the most recent monthly data from 2012, we see a continued recovery in condo prices, albeit a slow and unsteady one, but a sustained stagnation in the prices of single-family homes, as we witnessed

through 2011. Figure 3.6 shows year-over-year monthly price ratios for single-family homes and condos in Greater Boston. As with the homes sales ratio charts in Chapter 2, any point above the dark line at 1.0 represents a year-over-year monthly increase, while any point below that line represents a year-over-year decrease. In 13 out of the 18 months between January 2011 and June 2012, average monthly prices of condominiums increased over the same figure one year prior. Thus, condo price escalation has been halting, but on a general upward trajectory. By contrast, single-family home prices have continued to soften through the middle of 2012. Even compared to the recent record-low prices recorded in 2011, the average monthly price of a single-family home in Greater Boston declined (relative to the same month one year beforehand) between January and May of this year. Only in June did the average price reach parity with the comparative figure from 2011. So, while a return to modest and healthy price recovery seems underway within the condo market, such a recovery has not yet taken hold in single-family homes.

Figure 3.7 presents similar ratios for units in two- and three-unit structures. In the two-unit buildings, prices have remained relatively steady since the beginning of 2008, climbing slightly over the same month one year prior during most months, but falling slightly in

FIGURE 3.5

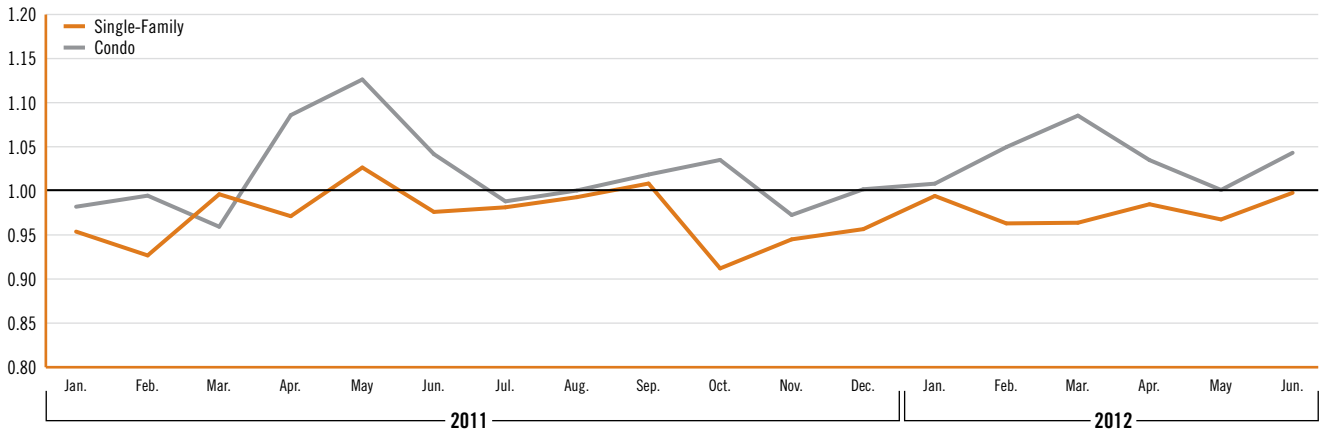
Annual Median Price of Homes in Two-Unit and Three-Unit Structures in Five-County Greater Boston Region, 2000–2011



Source: The Warren Group

FIGURE 3.6

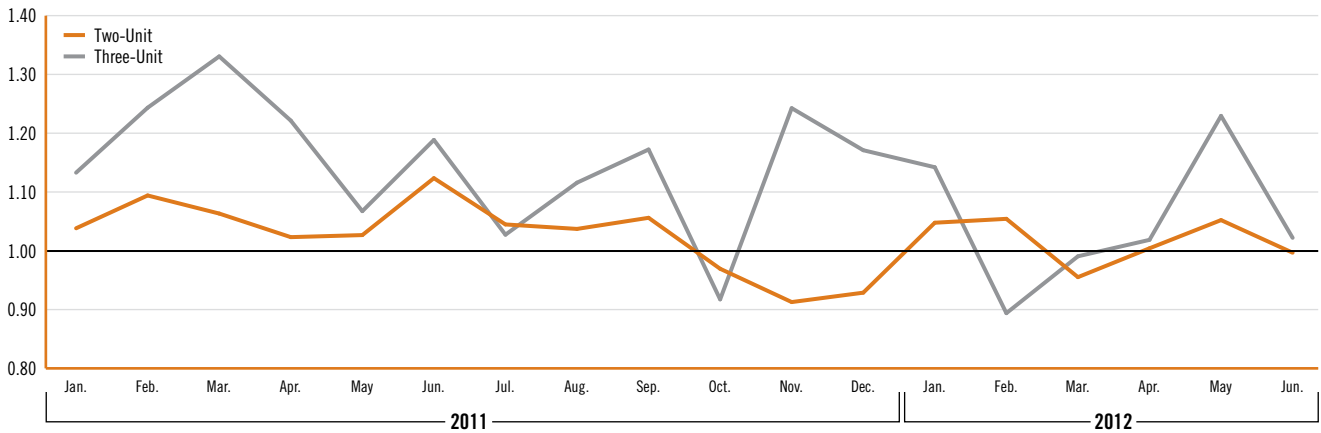
Ratio of Home Prices of Single-Family Homes and Condos in Current Month Compared to Same Month One Year Prior, 2011–2012



Source: The Warren Group

FIGURE 3.7

Ratio of Home Prices in Two- and Three-Unit Structures in Current Month Compared to Same Month One Year Prior, 2011–2012



Source: The Warren Group

a few months. In the three-unit structures, prices have increased quite substantially during most months since January 2011, yet there have been months where those steady increases were punctuated by temporary declines. In sum, the most recent data for condos and homes in two- to three-unit structures all point toward

a progressive recovery in home prices—an unstable, halting and slow recovery, but a recovery nonetheless. Within the single-family home market, though, the region continued to experience small but continuous declines in prices through at least mid-2012.

The Rental Market in Greater Boston

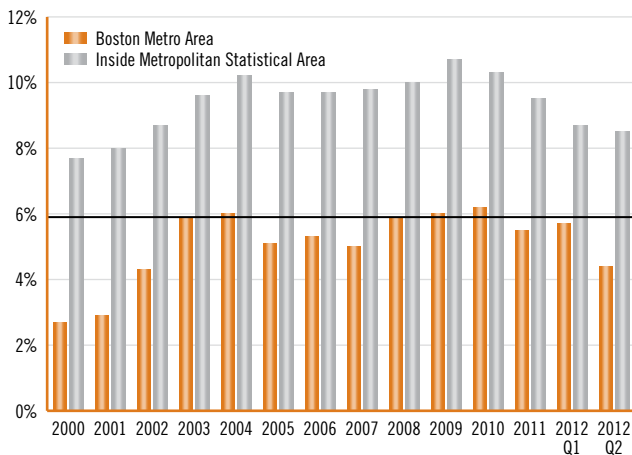
The Greater Boston Housing Report Card 2011 devoted an entire chapter to the subject of homeownership. We documented trends in the homeownership rate both locally and nationally, noted glaring inequalities between racial groups that persist to this day, and discussed a range of policies that have affected the homeownership rate in the past, as well as others that may be used to expand access to homeownership in the future.

We opted to give special attention to the subject of homeownership because, particularly in the wake of the precipitous decline in the housing market, it was reasonable to question just what the benefits of homeownership are (or ought to be) and whether the dream of owning a home is still a useful and practical goal that society ought to encourage. On the whole, we concluded that the benefits of homeownership are still substantial and, when possible and financially practical, families should be encouraged to buy their own homes.

However, our close focus on the homeownership market last year should not be interpreted to imply that the rental market is of only secondary importance. Indeed, in a period when so many potential homebuyers have been staying on the sidelines out of anxiety

FIGURE 3.8

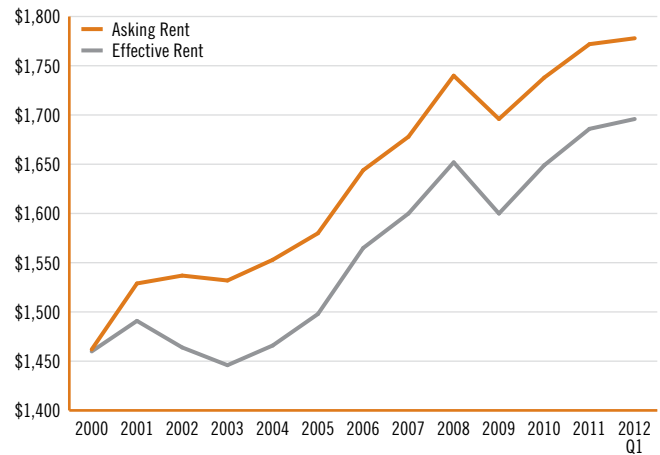
Rental Vacancy Rates, Greater Boston vs. U.S., 2000–2012



Source: U.S. Census Bureau, Housing Vacancy Survey

FIGURE 3.9

Average Annual Asking Rent and Effective Rent in Greater Boston, 2000–2012 (Q1)



Source: Reis.com

over the state of home prices or the inability to qualify for a mortgage, the rental market has perhaps become more critically important than ever in Greater Boston.

Figure 3.8 portrays the rental vacancy rate in Greater Boston and compares it to the same statistic for the nation as a whole. Just like in the homeowner vacancy rate, Boston's rental vacancy rate has remained extremely low, relative to other regions of the U.S., for over a decade. In the 2010 installment of *The Greater Boston Housing Report Card*, we noted that one of the factors likely contributing to the continued stagnation of home sales was a reluctance of potential homebuyers to invest in a shaky market. It seems that this trend has persisted, as rental vacancy rates declined in 2011, and have been lower still in each of the first two quarters of 2012. The national rental vacancy rate has fallen in tandem with the rate for this region, but despite the drop in rental vacancy rates in other parts of the country, the gap between the rate in the Boston area and the rate across the nation has remained, nearly without fail, above four percentage points.

These vacancy rates, in confluence with other factors in the region's housing market, have contributed to the steady escalation in rents in Greater Boston for years on end. **Figure 3.9** shows how this escalation has proceeded. Since 2003, both the average asking

rent (the price sought by landlords and published in ads) and the average effective rent (the rent ultimately negotiated between landlords and tenants, taking into account various discounts) have increased in every year but one. That one year of decline, between 2008 and 2009, occurred during some of the worst months of the housing crisis and when rental vacancy rates in Boston had been relatively high for the region for several years. Since that time, average rents in the region increased in both 2010 and 2011, and showed another slight uptick through the first quarter of 2012.

The high cost of renting an apartment in Greater Boston becomes clearest when comparing the region to others across the nation. As with other indicators in *The Greater Boston Housing Report Card*, we have chosen the 20 regions for which the Case-Shiller Home Price Index is computed as a convenient sample against which to compare progress in the Boston area. Of those 20, only two—New York and San Francisco—have consistently experienced higher average rents than Boston since 2000. This is evident in **Table 3.1**, which plots the annual ratio of average rents in those two metro areas against Greater Boston’s average rent in 2000, 2006 and 2012. Scores above 1.0 represent average rental costs above those seen in Boston, while those below 1.0 represent rents below Greater Boston’s. With the exception of a few years in the middle of the last decade, when rents in San Francisco dropped relative to those in Boston, these two regions have outpaced Boston in every year since 2000. And, indeed, the gap between these two regions and Boston has generally gotten wider over time, with the average rent in the New York region hovering between 65 and 75 percent higher than the average rent in the Boston area. Thus, compared to these two places, renting in Boston seems relatively affordable.

Compared to the other 17 Case-Shiller metro areas, however, Boston looks extremely unaffordable. In fact, in 2012, in only six other Case-Shiller regions was the average rent at least 60 percent as high as in Greater Boston. The five regions closest to Boston—Washington, Los Angeles, San Diego, Miami and Chicago—had generally been closing the gap over the course of the last decade. That is, Boston was becoming comparatively more affordable compared to these regions. However, that process subsided by the end of the last decade in all except the Washington, DC metropolitan area. By the beginning of 2012, the average rent in the District of

TABLE 3.1

Ratios of Average Effective Rents in Selected American Regions, Compared to Greater Boston

	2000	2006	2012
Outpacing Boston			
New York	1.49	1.63	1.70
San Francisco	1.27	1.02	1.11
BOSTON	1.00	1.00	1.00
Approaching Boston			
Washington	0.66	0.78	0.86
Los Angeles	0.68	0.84	0.82
San Diego	0.64	0.77	0.79
Miami	0.57	0.66	0.62
Chicago	0.61	0.60	0.60
Seattle	0.57	0.57	0.60
Far Below Boston			
Minneapolis	0.57	0.54	0.56
Denver	0.54	0.48	0.50
Portland	0.47	0.45	0.48
Tampa	0.46	0.50	0.48
Detroit	0.52	0.48	0.46
Las Vegas	0.48	0.51	0.46
Dallas	0.47	0.44	0.46
Atlanta	0.54	0.47	0.46
Charlotte	0.48	0.43	0.44
Cleveland	0.43	0.42	0.42
Phoenix	0.44	0.44	0.41

Source: Reis.com

Columbia metro region had risen to be about 86 percent as high as in Boston. In the five other regions, there has been little change in relative affordability since 2006, as their rents have remained between 60 and 85 percent as high as Boston’s.

The other 11 regions do not even come close to Boston in terms of rental cost. In each of them, average rents have stayed consistently below 60 percent of the average rent in Boston. There has been little change in relative rental affordability between these metro areas and Greater Boston.

Conclusion

While home prices in Greater Boston seem to finally be ticking up after a disappointing 2011, the increases are modest and do not yet suggest a rapid return to anything like the price peak in 2005. Indeed, if the economy remains moribund, we may not see home prices returning to their peak for many years to come. Moreover, as we will see in the next chapter, this may have to do with more than just economic conditions. Demographic factors and changes in household behavior regarding the buy/rent decision may be putting a damper on homeownership demand and therefore prices.

But this suggests we will not see much relief from the continuing upward trend in rents in Greater Boston. If new rental supply continues to trail demand, we should expect that the continuing low rental vacancy rates will mean that rents will continue to escalate. The only relief from such rent escalation will come if the trend that we saw in the previous chapter regarding apartment unit construction continues and strengthens.

4. Housing Demand through 2020

According to the Case-Shiller Home Price Index, single-family home prices across the largest 20 metro areas in the United States peaked in April 2006. From then until January 2012, prices continued to fall with little interruption. Overall, the median home price declined by more than a third (34%). In some metros, such as Las Vegas, Phoenix and Miami, prices plummeted as a result of a true housing “bust” following a speculative bubble. In Las Vegas, prices dropped by 62 percent from their peak; in Phoenix by 57 percent; and in Miami by 51 percent.¹

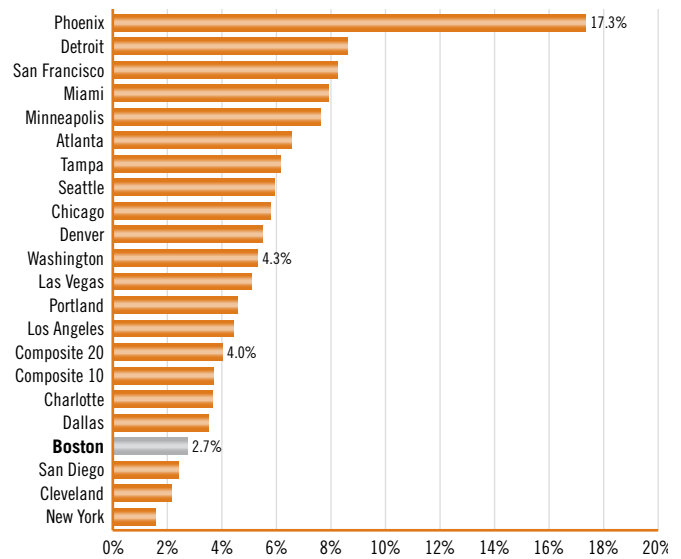
Compared with these devastated metro regions and even compared with the average price decline for the top 20 metros in the country, Boston fared relatively well. At its trough, the median price of a single-family home in Greater Boston lost only 17 percent of its peak value—one-half of that of the top 20 metros and only a little more than a quarter of the loss in Las Vegas. Boston’s better performance in a weak housing market was due in large measure to the absence of a speculative housing bubble in the early part of the last decade, which limited the supply of new housing, and to the fact that Boston’s economy performed better than most others, leading to little household outmigration during this period, which, in turn, helped limit the decline in housing demand.

Nationwide, home values hit bottom in January 2012. While the exact month of the trough for each metro area varies a bit, home prices have now rebounded in all 20 Case-Shiller metro areas, as **Figure 4.1** demonstrates, and the rebound appears to be gaining strength.

As we noted in Chapter 3, home prices seem to follow a pattern whereby those metro regions that sustained the largest home value losses now appear to have higher-than-average price rebounds. In Phoenix, prices have leaped by more than 17 percent just since September 2011; Miami’s prices have rallied by nearly 8 percent since November; and prices in Las Vegas have risen by 5 percent since January of this year. Over the full complement of metro areas, prices are up 4 percent.

FIGURE 4.1

Recovery in Single-Family Home Prices since Lowest Case-Shiller Seasonally Adjusted Price Index in Each Metro Region



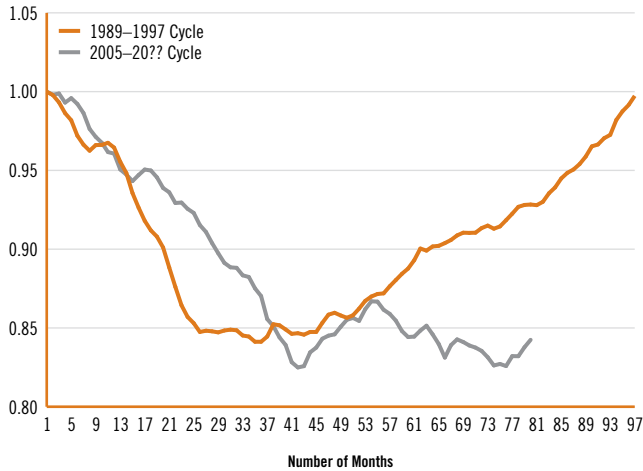
Source: Case-Shiller Home Price Index (Seasonally Adjusted)

Greater Boston, however, is among the regions with the slowest recovery, with prices up less than 3 percent from their lowest level in the current housing price cycle. In July 2012, the seasonally adjusted median price for a single-family home in the region was no higher than in August 2003. *That is to say, a family that purchased the median-priced home in Greater Boston nine years ago has, on average, seen zero appreciation in their asset.*

What is more, as **Figure 4.2** demonstrates, the recovery in home values in Greater Boston in this housing cycle pales in comparison with the last price cycle that peaked in March 1989, during which prices fell for nearly three years (34 months) before beginning to recover in March 1992. It took that cycle more than five years (64 months)—until April 1997—for the median home price to recover to its previous peak from its trough. The entire price cycle from peak to full price recovery took 98 months—more than eight years.

FIGURE 4.2

Greater Boston Housing Cycles, 1989–1997 vs. 2005–20??, Case-Shiller Single-Family Home Price Index (Seasonally Adjusted)



Source: Case-Shiller Home Price Index (Seasonally Adjusted)

The current home price cycle began its descent after November 2005 and now appears to have hit bottom in February 2012—a decline that lasted 75 months or more than six years. Hence, the most recent decline lasted 3½ years longer than the earlier cycle, although the total loss in home value was about the same as the earlier cycle: 17.4 percent in this cycle versus 15.9 percent in the earlier one.

But in the same way that it took much longer for the current cycle’s decline, it appears that home prices are going to take a much longer time to fully recover this time than last. Prices continue to bump along close to the bottom. More than three years (39 months) after hitting bottom, the median home price in July 2012 was only 3.1 percent higher than at its April 2009 trough. Home prices had recovered only 13.4 percent of their total lost value. At this point in the last cycle—after 39 months of recovery—home prices had recovered 58 percent of their lost value.

As such, it is hard to determine when prices might get back to their November 2005 peak, but even if the recovery continues at its January–July 2012 pace, it will take 2½ more years for prices to regain their previous peak. This would put full recovery at the beginning of 2015. On the other hand, if the recovery

continues at the slow pace that began in April 2009, then full recovery could take up to 19 years. Prices would not return to their 2005 peak until 2031.

Projecting the Overall Demand for Housing in Greater Boston

Home prices and rents, like most goods and services, are the result of the interaction of supply and demand. Our first step, therefore, in determining the likely path of the consumer’s cost of housing is to measure likely future demand. Toward that end, we worked from household projections prepared by the Metropolitan Area Planning Council (MAPC). As part of its Sustainable Communities Regional Planning Grant program, MAPC has produced demographic projections through the year 2040 for the 164 municipalities in the Metro Boston transportation modeling region, a close approximation to the five-county geography used throughout the *Greater Boston Housing Report Card*. The MAPC projections are based on data from the decennial *U.S. Census* (2000 and 2010), the *American Community Survey* and the *Massachusetts Community Health Information Profile* (MassCHIP).

The data sets utilized include information on population by age, births (2007–2009), deaths (2006–2008), the projected annual rate of change in birth and death rates, total migration in and out of the region, population characteristics of interstate in- and out-migrants, group-quarters population share, household formation rates and household type (family vs. non-family).²

The MAPC projection model is also structured so as to permit various assumptions about rates of in- and out-migration, the demographic profile of migrants, fertility and mortality rates, headship (household formation) rates and housing type preferences by age and household type, among other factors.

Working with MAPC, we have developed two sets of household estimates for 2020. The “Current Trends” forecast assumes that immigration and net domestic migration (inter-state migration) will continue at current rates through 2020.³ The “Stronger Growth” Scenario assumes that the Commonwealth’s economy continues to perform better than the rest of the nation, leading to greater net domestic in-migration into the

state. Specifically, this amounts to a somewhat greater net in-migration rate from other states, based on a 1 percent annual increase in domestic in-migration and a 2 percent annual decrease in domestic out-migration.

“Current Trends” Housing Demand Projection

According to our “Current Trends” projection, the total number of households in Metro Boston is expected to increase by approximately 120,000 between 2010 and 2020, an average of 12,000 per year. Given that each of these new households will need housing and given that vacancy rates in both owner-occupied and rental housing are still below normal, this “Current Trends” household projection suggests the region will need to produce at least *12,000 additional units of housing each year* for the next decade to accommodate this population growth.

This growth is based on new housing demand primarily generated by two factors:

- The majority of those currently aged 5–24 in the region will leave home and search for housing with roommates or will form their own families
- Immigration into the region from other countries will continue at current levels

This growth in housing demand will be partly offset by the number of older households who choose to move out of state, often to warmer climes, by many of our oldest residents leaving their current homes for group quarters such as nursing homes and by death of many older residents. **Table 4.1** provides the data from the “Current Trends” forecast. The final column provides our best estimate of how many housing units we will need for each cohort as it ages over the decade. Thus, by 2020, there will be about 165,000 new households created by those who were age 5–19 in 2010 (and therefore age 15–29 in 2020).⁴ There will be another 110,500 households created by those who in 2010 were aged 20–24, and a net total of nearly 53,600 additional households who were aged 25–44, as a result of increasing headship rates as those residents age.⁵

TABLE 4.1

Household Counts 2010 vs. 2020— “Current Trends” Projection

Age in 2010	Number of Households in 2010	Number of Households in 2020	Change, 2010–2020
1–4			
5–9		26,700	26,700
10–14		29,300	29,300
15–19	31,100	139,700	108,600
20–24	33,000	143,500	110,500
25–29	138,600	166,600	28,000
30–34	125,600	146,900	21,300
35–39	153,400	155,500	2,100
40–44	170,300	172,500	2,200
45–49	197,300	192,400	-4,900
50–54	186,900	182,700	-4,200
55–59	166,000	158,600	-7,400
60–64	145,600	129,200	-16,400
65–69	107,100	90,700	-16,400
70–74	77,600	53,400	-24,200
75+	185,400	50,200	-135,200
Grand Total	1,717,900	1,837,900	120,000

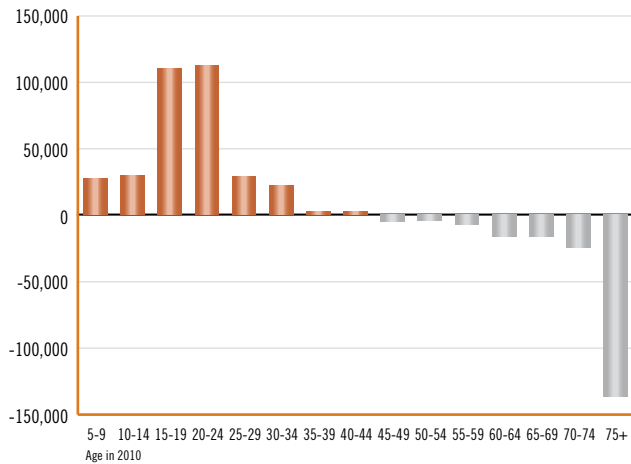
Source: MAPC Household Projections

Much of this increase in demand by younger households can presumably be satisfied by the normal turnover of housing units by older families who leave the region, move into institutional quarters or become deceased. Altogether, the “Current Trends” added demand estimate of roughly 120,000 additional housing units in Greater Boston by 2020 is made up of an increase in demand for housing by 327,000 mostly younger households amid the freeing up of 207,000 existing housing units once occupied largely by older households who will be 55 or older by 2020 (see **Figure 4.3**).

This, of course, assumes that the younger households seeking housing will be interested in purchasing the homes put up for sale by older households and that they will be in a financial position to do so. Young “echo boomers” (aged 15–24) will be reaching the

FIGURE 4.3

Housing Demand by Age Cohort, 2010–2020, Current Trends



Source: MAPC Household Projections

age where they are forming their own households and looking for housing, but not necessarily for large single-family homes. A large majority of baby boomers—those born between 1947 and 1964—will be moving into their 60s and 70s during this decade. These new seniors may wish to age in place, but not necessarily in the homes they now occupy.

Table 4.2 provides our best estimate of the additional demand for single-family homes versus condominiums and apartments in multi-unit buildings, assuming that the housing preferences of each age cohort in 2020 are identical to the housing preferences of that same cohort in 2010. The proportion of each age cohort living in single-family homes in 2010 is shown in Figure 4.4. According to this assumption, for example, 25–29 year olds in 2020 will have the same preference for single-family housing units as those today, and they will have the same preference *and* economic opportunity to be homeowners. Note the steep rise in the demand for single-family homes as a householder ages from 25–34 to 45–54 with a gradual drop-off in single-family occupancy beyond that age. The estimated average single-family occupancy rate in Greater Boston across all age cohorts in 2010 was 48 percent.

According to the “Current Trends” projection, among the 120,000 additional households in Greater Boston in 2020, the number opting for single-family homes versus multi-unit condos or apartments will not

TABLE 4.2

Change in Housing Demand by Type of Housing Structure—“Current Trends” Projection

Age in 2010	Number of Single-Family Households	Number of Multifamily Households	Number of Other Households	Total Households
1–4				
5–9	1,800	24,800	0	26,600
10–14	2,000	27,200	100	29,300
15–19	28,300	80,300	100	108,700
20–24	28,500	81,500	100	110,100
25–29	52,700	-24,700	200	28,200
30–34	45,700	-24,500	200	21,400
35–39	14,900	-13,100	400	2,200
40–44	16,500	-14,600	500	2,400
45–49	-5,000	0	100	-4,900
50–54	-8,200	2,900	1,100	-4,200
55–59	-11,500	2,800	1,300	-7,400
60–64	-10,700	-5,800	-100	-16,600
65–69	-13,100	-3,700	400	-16,400
70–74	-16,000	-8,400	100	-24,300
75+	-65,200	-67,300	-2,600	-135,100
Grand Total	60,700	57,400	1,900	120,000

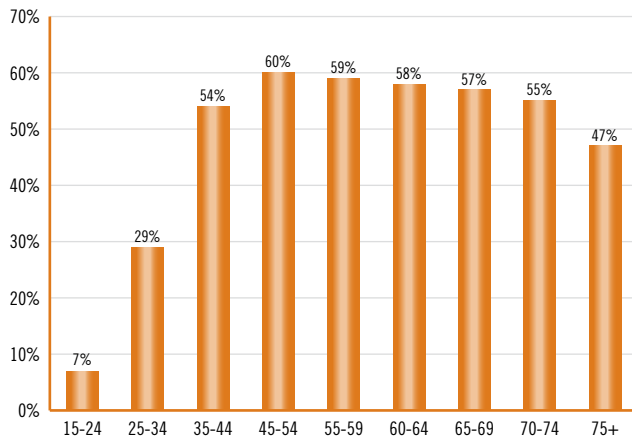
Source: MAPC Household Projections

change by very much from the 2010 figure. A slightly higher proportion of all households (51%) will opt for a single-family home (60,700), with 48 percent opting for housing in multi-unit condominiums or apartment complexes. A small number, about 1,900 or 1.5 percent, will opt for a mobile home or “other” type of structure. The slightly higher single-family rate is due to the aging of householders into older cohorts, which have higher single-family home tenure rates.

Table 4.2 also demonstrates how the turnover of single-family homes from older to younger households is likely to occur under the “Current Trends” projection. Households under age 55 in 2020 will demand approximately 190,000 single-family housing units. Older households could provide 130,000 of these as they leave their homes for multi-family housing in the region or leave Greater Boston altogether. *This leaves an estimated net increase in demand for approximately 60,700*

FIGURE 4.4

Percent of Households Living in Single-Family Housing Units by Age in Greater Boston, 2010



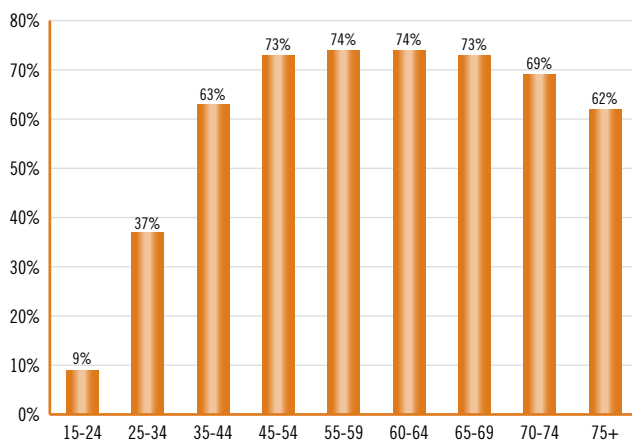
Source: MAPC Household Estimates based on 2010 Census data and PUMS data

new units of single-family housing—about 6,100 per year—between 2010 and 2020. About 5,700 multi-unit condos and apartments will need to be built each year, according to this projection, for younger households and older households who want to downsize.

Figure 4.5 provides data on the homeownership rate by age cohort in 2010. Note the steep rise in homeownership rates from age 15–24 to age 55–59, followed by a decline after age 64.

FIGURE 4.5

Homeownership Rate by Age of Householder in Greater Boston, 2010



Source: MAPC Household Estimates based on U.S. 2010 Census data

Projecting on the basis of this pattern of homeownership and again assuming that future age cohorts will behave like those in 2010 permits us to estimate how much of the additional projected housing stock in 2020 should be available for home ownership, and how much should be offered as rental property. **Table 4.3** describes these results.

About 73 percent of the net additional housing stock, according to the “Current Trends” projection, should provide an ownership opportunity—either in single-family homes or condominiums—with the remaining 32,300 units (27%) offered as rental. The additional rental property will be demanded mostly by households under the age of 44 in 2020.

TABLE 4.3

Change in Housing Demand by Tenure—“Current Trends” Projection

Age in 2010	Number of Homeowner Households	Number of Rental Households	Total Households
1–4			
5–9	2,200	24,500	26,700
10–14	2,400	26,900	29,300
15–19	46,300	62,300	108,600
20–24	47,500	63,000	110,500
25–29	56,400	-28,400	28,000
30–34	48,500	-27,300	21,200
35–39	14,500	-12,300	2,200
40–44	16,000	-13,700	2,300
45–49	700	-5,600	-4,900
50–54	3,900	-8,100	-4,200
55–59	-7,700	300	-7,400
60–64	-15,300	-1,200	-16,500
65–69	-16,800	400	-16,400
70–74	-21,400	-2,900	-24,300
75+	-89,500	-45,600	-135,100
Grand Total	87,700	32,300	120,000

Source: MAPC Household Projections

“Stronger Growth” Scenario

As noted earlier, MAPC and the Dukakis Center also prepared a “Stronger Growth” Scenario under which the economy of Greater Boston performs so well that more of its current residents remain in the region and the region attracts a larger number of in-migrants. According to that scenario, the total number of households in the metro area will grow by approximately 191,000 between 2010 and 2020, requiring an average of 19,100 units of new housing each year (compared to the 12,000 under the “Current Trends” scenario) (see **Table 4.4**).

This “Stronger Growth” scenario also provides information on the number of single-family home and multi-unit condos and rental units that will be required. These figures are found in **Table 4.5**. Given that most of the household growth in this projection

TABLE 4.4

Household Counts 2010 vs. 2020— “Stronger Growth” Scenario

Age in 2010	Number of Households in 2010	Number of Households in 2020	Change, 2010–2020
1–4			
5–9		28,000	28,000
10–14		32,100	32,100
15–19	31,100	153,900	122,800
20–24	33,000	156,500	123,500
25–29	138,600	177,400	38,800
30–34	125,600	153,500	27,900
35–39	153,400	160,400	7,000
40–44	170,300	176,400	6,100
45–49	197,300	195,600	-1,700
50–54	186,900	185,500	-1,400
55–59	166,000	161,000	-5,000
60–64	145,600	130,800	-14,800
65–69	107,100	91,900	-15,200
70–74	77,600	54,200	-23,400
75+	185,400	51,700	-133,700
Grand Total	1,717,900	1,908,900	191,000

Source: MAPC Household Projections

TABLE 4.5

Change in Housing Demand by Type of Housing Structure—“Stronger Growth” Scenario

Age in 2010	Single-Family Households	Multifamily Households	Other Households	Total Households
1–4				
5–9	1,900	26,100	100	28,100
10–14	2,200	29,900	100	32,200
15–19	31,300	91,300	100	122,700
20–24	31,800	91,600	100	123,500
25–29	58,000	-19,300	200	38,900
30–34	48,900	-21,200	200	27,900
35–39	17,700	-11,100	400	7,000
40–44	18,600	-13,100	500	6,000
45–49	-3,200	1,400	100	-1,700
50–54	-6,700	4,200	1,100	-1,400
55–59	-10,300	3,900	1,300	-5,100
60–64	-9,800	-5,000	0	-14,800
65–69	-12,500	-3,100	400	-15,200
70–74	-15,600	-7,900	100	-23,400
75+	-64,600	-66,600	-2,500	-133,700
Grand Total	87,700	101,100	2,200	191,000

Source: MAPC Household Projections

involves the attraction of young households to Greater Boston and the fact that younger households often start out with condos or rental apartments, this scenario suggests a larger demand for multi-unit buildings. Under this scenario the mix of housing runs *53 percent multi-unit* and *46 percent single-family*, as opposed to the 48/51 split in the “Current Trends” projection.

Finally, we can consider the demand for owner-occupied dwellings versus rental units under this “Stronger Growth” scenario. This is found in **Table 4.6**. Instead of 73 percent of the demand for owner-occupied homes as in the “Current Trends” scenario, the projected demand for ownership units is down to 65 percent under the “Stronger Growth” scenario. If this scenario proves to be the case, then the region will need to have developers constructing nearly 6,700 units of rental housing each year through 2020—significantly more than the 3,230 units under the “Current Trends” scenario.

TABLE 4.6

**Change in Housing Demand by Tenure—
“Stronger Growth” Scenario**

Age in 2010	Homeowner Households	Renter Households	Total Households
1–4			
5–9	2,300	25,700	28,000
10–14	2,700	29,500	32,200
15–19	51,300	71,400	122,700
20–24	52,100	71,400	123,500
25–29	63,200	-24,400	38,800
30–34	52,700	-24,600	28,100
35–39	17,900	-10,800	7,100
40–44	18,600	-12,600	6,000
45–49	3,000	-4,700	-1,700
50–54	6,000	-7,400	-1,400
55–59	-6,000	1,000	-5,000
60–64	-14,100	-700	-14,800
65–69	-16,100	800	-15,300
70–74	-20,800	-2,600	-23,400
75+	-88,700	-45,100	-133,800
Grand Total	124,100	66,900	191,000

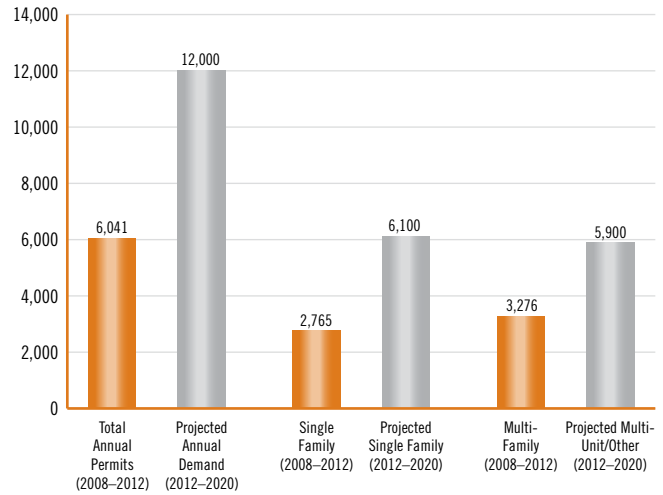
Source: MAPC Household Projections

**Future Housing Production Needs
versus Current Housing Production
Levels**

Given these two scenarios, how much do we need to ramp up production to meet demand? One way to answer this question is to compare housing production over the past five years with what we may need between now and 2020. According to Table 2.2 presented in Chapter 2, between 2008 and our estimate for 2012, the annual average number of housing permits pulled in Greater Boston was a bit over 6,000. Of this total, 46 percent were for single-family homes and 54 percent were in multi-unit buildings, presumably either condo or rental apartment units.

FIGURE 4.6

**Current Housing Production vs. “Current Trends”
Scenario Demand in Greater Boston**



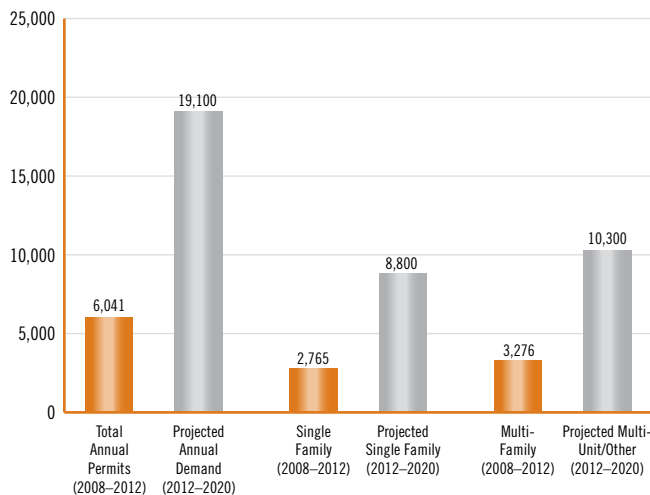
Source: U.S. Census Building Permit Data; MAPC Household Projections

Figure 4.6 compares these production figures to the annual projected demand gleaned from the “Current Trends” scenario. Overall, production needs to double relative to recent development activity in order to meet demand, even under this relatively slow growth scenario. This is true for single-family homes as well as multi-unit condos and apartment buildings. This would mean bringing production back to levels last seen in Greater Boston between 2003 and 2006. If this does not occur, and if the projected demand figures prove accurate, we can expect to once again see substantial price hikes on single-family homes, condos and rental units. The region will be less attractive to younger workers looking to settle down, and out-migration could increase as these cohorts choose to move to more affordable regions. The labor force will grow more slowly than projected, and employers will find it difficult to attract young talent, making the region less economically competitive.

By contrast, the “Stronger Growth” scenario describes a region with robust labor force and employment growth, and answers the question of how much housing will be needed to achieve that level of growth. This scenario demonstrates the need to boost production even more than would be needed under the “Current

FIGURE 4.7

Current Housing Production vs. “Stronger Growth” Scenario Demand in Greater Boston



Source: U.S. Census Building Permit Data; MAPC Household Projections

Trends” projection. As **Figure 4.7** demonstrates, *under this scenario we would have to more than triple overall production from current annual levels.* Moreover, since the “Stronger Growth” scenario suggests a large inflow of young households into the region, the demand for multi-unit housing would increase. Relative to the “Current Trends” projection, we would need to increase single-family home construction by 44 percent while increasing multi-unit production by 75 percent. In this case, we would need to find ways of encouraging communities to accept substantially more multi-unit housing than they have in the past.

Changes in Housing Preferences

So far, the scenarios we have projected assume that future age cohorts will behave the same way that current cohorts do. This may not be an unreasonable assumption. Recent studies conducted by Harvard University’s Joint Center for Housing Studies and the Pew Research Center suggest that as the economy continues to slowly recover from the 2007 crash, we are likely to see home ownership rates rebound to pre-recession levels.⁶ This rebound in home ownership rates will be driven by the Millennial generation, currently aged 18–29. The Pew survey suggests that

there is no reason to believe that the Great Recession has caused tenure preferences among Millennial to shift from home ownership towards renting in statistically significant numbers compared to past cohorts of the same age.⁷

The Pew study did find that the recession has kept a significant share of adult Millennials and their parents under the same roof. About one in eight older Millennials (age 22 and older) report they have “boomeranged” back to a parent’s home because of the recession.⁸ As the state of the economy continues to improve, it is likely that this group of Millennials will exert additional pressure on the already tight rental market as they begin to leave their parents’ homes for rental units, just as young cohorts in the past have done.

The Joint Center study, *Post-Recession Drivers of Preferences for Homeownership*, does note that many households today face more significant financial barriers to attaining homeownership.⁹ Nonetheless, it found that while those under 25 do not value the financial aspects of owning as highly, relative to older generations, a majority of this younger generation still find owning to be more financially attractive than renting.¹⁰ For this reason it is not surprising that those surveyed who are under the age of 25 still expect to own a home at some point in the future at nearly the same rate as those aged 25 to 44.¹¹

The Joint Center’s study concludes that there is an “absence of strong evidence to suggest fundamental shifts in preferences for homeownership following the housing bust. . . . As housing markets, the economy, and individual circumstances improve, demand for homeownership should be expected to rebound among most potential homebuyers.”¹² If the Joint Center’s study conclusion proves correct, higher home ownership rates may also help to take some pressure off of the rental market. More data are needed to confirm whether sky-rocketing rents are driving the revival in homeownership rates to pre-recession levels and/or whether higher home ownership rates will help take pressure off of the rental market.

The take-away message from both the Pew and Joint Center for Housing studies is that, “[f]or now (at least), it does appear that the American Dream of homeownership remains alive and well for most Americans.”¹³

The one unknown, according to the Joint Center, in the presumed revival of the homeownership market is whether conditions in the mortgage market and the availability of mortgage credit also improve.¹⁴

While these two studies suggest that our projections regarding homeownership and type of housing unit may prove accurate in that they assume future age cohorts will behave like those in the past, there is reason to believe that fundamental changes in the economy and in household behavior may still be on the horizon. If so, the kinds of housing needed in Greater Boston over the next decade could diverge from the current supply, perhaps substantially. There are several reasons why, despite these studies, it might still be true that young people's housing preferences will shift in the near future.

A New Housing Environment in Greater Boston?

There are a wide variety of factors that could affect preferences for housing in Greater Boston between now and 2020. These will affect what developers need to produce to meet demand. Among the most important are possible changes in:

- household income and debt
- housing affordability
- household size
- preferences and constraints regarding single-family versus multi-unit housing
- preferences and constraints regarding homeownership versus rental
- housing preferences based on desired commuting behavior

Moreover, a number of these factors are interrelated. Younger households and older households likely have preferences for smaller housing units compared to households headed by prime age adults with larger families. A trend toward smaller households can produce a greater preference for condo units or apartment rentals. Stagnant or falling income or household wealth can reduce the ability to purchase a single-family home. Shifting attitudes about commuting and auto use can affect where people want to live and in what types of housing units.

In order to better project overall housing demand as well as the structure of housing demand, we need to investigate each of these factors. In **Table 4.7** we have assembled a large amount of demographic and economic data for Greater Boston from the 1990, 2000 and 2010 decennial censuses as well as the 2010 American Community Survey. These paint a portrait of fundamental change within the region over the past 20 years.

Household Income and Debt

One factor that likely will affect housing demand is the trend in household income. Note that in similar fashion to national trends, real median household income in Greater Boston actually declined between 2000 and 2010. Since then, if the region is following the national trend, household incomes have not rebounded and may not rise very much for the foreseeable future. What is especially noteworthy is that incomes have plummeted for younger households as **Table 4.8** demonstrates. While the incomes of seniors have continued to increase and the incomes of prime-age households have just about held steady, young households with a head under 25 have experienced a 31 percent loss in their earning power. If this continues, many of the new young households that will be created over the next few years will not be in a position to enter the housing market except at the very low end, and household creation itself may be stymied as many young men and women remain living with their parents rather than moving in with roommates or forming families of their own.

These young households are not only facing lower incomes, but many have taken on significantly more debt because of rising college costs. According to College InSight, in 2000–2001, the average college debt for Massachusetts four-year college and university students was \$15,417. By 2009–2010, it had climbed to \$25,541.¹⁵ This 66 percent increase in indebtedness in the light of falling real income makes it more difficult for young college-educated households to secure credit to purchase a home and will likely affect the future demand for both single-family homes and condominiums.

TABLE 4.7

Demographic Profile of Greater Boston Region 1990–2010

	1990	2000	2010	% Change, 1990–2000	% Change, 2000–2012
Total Population	3,783,817	4,001,752	4,134,036	5.8%	3.3%
Households	1,410,238	1,533,041	1,598,451	8.7%	4.3%
Median Household Income (Nominal) ^a	\$40,165	\$55,109	\$68,802	37.2%	24.8%
Median Household Income (2010 \$) ^a	\$67,010	\$69,784	\$68,802	4.1%	-1.4%
Median Homeowner Income (Nominal) ^a	\$51,682	\$71,437	\$93,484	38.2%	30.9%
Median Homeowner Income (2010 \$) ^a	\$86,225	\$90,460	\$93,484	4.9%	3.3%
Median Renter Income (Nominal) ^a	\$26,245	\$34,204	\$39,208	30.3%	14.6%
Median Renter Income (2010 \$) ^a	\$43,787	\$43,312	\$39,208	-1.1%	-9.5%
Median Value (Nominal) ^a	\$179,007	\$223,480	\$378,124	24.8%	69.2%
Median Value (2010 \$) ^a	\$298,650	\$282,992	\$378,124	-5.2%	33.6%
Median Gross Rent (Nominal) ^a	\$642	\$786	\$1,163	22.4%	48.0%
Median Gross Rent (2010 \$) ^a	\$1,071	\$995	\$1,163	-7.1%	16.8%
Renter-Occupied Households Paying More Than 30% of Income on Rent	41.7%	39.2%	50.1%	-5.9%	27.7%
Renter-Occupied Households Paying More Than 50% of Income on Rent	19.6%	18.4%	25.4%	-6.2%	38.1%
Median Monthly Owner Cost (w Mortgage) (Nominal) ^a	\$1,090	\$1,508	\$2,252	38.3%	49.4%
Median Monthly Owner Cost (w Mortgage) (2010 \$) ^a	\$1,819	\$1,910	\$2,252	5.0%	17.9%
Owner-Occupied Households w/Mortgage Paying More than 30% of Income on HH Costs	28.3%	26.7%	39.5%	-5.7%	47.8%
Age					
Percent 0–24	33.7%	32.5%	32.0%	-3.8%	-1.4%
Percent 25–44	34.7%	32.6%	27.7%	-6.1%	-15.0%
Percent 45–64	18.7%	22.1%	27.1%	17.9%	22.6%
Percent 65 and Older	12.8%	12.8%	13.2%	-0.1%	2.6%
Median Age ^a	33.4	36.1	38.3	8.1%	6.0%
Race					
Percent White	88.1%	82.0%	77.2%	-6.9%	-5.9%
Percent Black	6.2%	6.6%	7.9%	6.7%	20.4%
Percent Asian	5.4%	4.9%	6.9%	-9.4%	40.7%
Percent Hispanic (Any Race)	4.9%	6.9%	9.7%	40.4%	40.5%
Household Composition					
Percent Owner-Occupied	57.5%	59.8%	60.3%	3.9%	0.7%
Percent Renter-Occupied	42.5%	40.2%	39.7%	-5.3%	-1.1%
Average Household Size ^b	2.59	2.51	2.48	-3.0%	-1.2%
Average Household Size, Owner-Occupied Units ^b	2.86	2.76	2.70	-3.6%	-2.2%
Average Household Size, Renter-Occupied Units ^b	2.22	2.17	2.18	-2.3%	0.7%
Percent of Households with One Person	26.3%	28.2%	28.9%	7.1%	2.5%

Notes

a. These are averages (weighted according to the proper unit of analysis) of the median statistics in Essex, Middlesex, Norfolk, Plymouth, and Suffolk Counties.

b. These are averages (weighted according to the proper unit of analysis) of the mean statistics in Essex, Middlesex, Norfolk, Plymouth, and Suffolk Counties.

Sources: U.S. Census Bureau, 1990 Census of Housing, General Housing Characteristics, Massachusetts; U.S. Census Bureau, 1990 Census of Population, General Population Characteristics, Massachusetts; U.S. Census Bureau, 1990 Census of Population and Housing, Summary Social, Economic, and Housing Characteristics, Massachusetts; U.S. Census Bureau, 1990 Census of Housing, Detailed Housing Characteristics; U.S. Census Bureau, 2000 Profile of General Demographic Characteristics; U.S. Census Bureau, 2010 Profile of General Population and Housing Characteristics; U.S. Census Bureau, 2010 American Community Survey. All data are collected at the county level for Essex, Middlesex, Norfolk, Plymouth, and Suffolk Counties.

TABLE 4.8

Median Household Income by Age of Householder in Five-County Greater Boston Region

	2010 Dollars		Percent Change, 2000–2010
	2000	2010	
Householder under 25 years	\$38,357	\$26,380	-31.2%
Householder 25 to 44 years	\$78,295	\$77,692	-0.8%
Householder 45 to 64 years	\$86,687	\$84,296	-2.8%
Householder 65 years and over	\$36,388	\$38,043	4.5%

Note: These figures represent averages (weighted by number of households in each age group) of the age-specific median household incomes of Essex, Middlesex, Norfolk, Plymouth, and Suffolk Counties. Source: U.S. Census Bureau, 2000 Census, 2010 ACS 1-Year Estimates

Note also from Table 4.7 the difference in the trend in incomes for homeowners and renters. Between 2000 and 2010, real median homeowner household income increased by 3.3 percent. Meanwhile, renter households suffered a 9.5 percent drop in real income. Part of this reflects the loss of income among young households, but this likely also represents the loss of income among other older households who have less than a college education. Between 1995 and 2011, according to an analysis by the *Economic Policy Institute*, the real hourly compensation of college graduates increased by 12.6 percent while that of high school graduates increased by only half this much, 6.2 percent.¹⁶

Housing Affordability

These trends in household income also affect housing affordability. As Table 4.7 demonstrates, between 2000 and 2010 nominal median homeowner income improved by 30.9 percent, while nominal home values increased by 69.2 percent. As such, the percentage of homeowners who have mortgages and are paying more than 30 percent of their income for housing increased from 27 percent in 2000 to nearly 40 percent in 2010. For renters, the combination of rent increases and falling income meant that more than half (50.1%) of renters in 2010 were paying more than 30 percent of their income for housing, compared with 39 percent in

2000. More than a quarter (25.4%) of renters now have to devote more than half of their income to pay their rent in Greater Boston.

Unless there is a significant increase in rental housing in the market, this trend could continue throughout the rest of this decade.

Household Size

The changing size of households may also affect the type of housing that they desire. As Table 4.7 reveals, the average homeowner household in 1990 had 2.86 individuals. By 2010, this was down to 2.70. This reflects the fact that much of the large baby boom generation have become empty nesters. This could lead many of these households to downsize to smaller condos or rental units, in the process selling their single-family homes or turning them into rentals. Indeed, with younger households finding it more difficult to afford single-family homes and with more of these units coming on the market as older households downsize, there could be a surplus of single-family homes on the market by the end of this decade. This would be consistent with the trend we saw at the beginning of this chapter (Figure 4.2), where we noted that home prices were not returning to their previous peak levels anywhere near as quickly in this housing cycle as in the last one.

Housing Preferences and Geographic Location

All of these trends in household income, indebtedness and household size suggest that housing preferences may be quite different in this housing cycle, compared to past cycles. The demand for *new* single-family homes may be comparatively quite low, while the demand for smaller housing units, including condominiums and rental apartments, may escalate. Moreover, it is possible that young households not only will be constrained to smaller housing units but will wish to reduce the cost of commuting, preferring to live in denser transit-rich neighborhoods where they can use mass transit or commute on foot or by bicycle.

Conclusion

If what we have covered in this chapter comes to pass, one suspects that the traditional suburban home, which was the mainstay of housing production in much of the post-World War II era, may have become anachronistic. In its place, new households will seek housing in central cities and in conveniently located town and village centers in suburban locations. In this case, we will need to better understand what this new *New Paradigm* for housing means for developers, for local communities, and for state and local zoning policy. If the trends discussed here are sustained, and if we do not make aggressive changes in our approach to housing in Greater Boston, we may find housing affordability further eroding and our attractiveness as a region for young households compromised.

Ultimately, we will need to ramp up housing production to levels we have not seen since the middle of the last decade—or perhaps even higher—in order to meet expected housing demand. And we need to build housing of the type and in locations that younger households will demand.

5.

Public Spending on Housing in the Commonwealth

The Commonwealth has two sources of funds to assist homeowners, renters and developers of housing. One is from its own revenue, the other from a variety of federal programs. A large chunk of the state's funds used for housing are annual operating funds. The remainder is made up of capital or trust funds used for investment in public housing and to subsidize affordable housing construction. All of these funds are processed through the state's Department of Housing and Community Development (DHCD). State-funded operating funds are used largely to pay for the administration of the agency, for rental assistance and for public housing subsidies. In addition, in FY2010, operating funds for homelessness programs were shifted from the Department of Transitional Assistance to DHCD.

Federally-financed funds extended to DHCD are used for such programs as the Section 8 rental voucher program, for new housing development and rehabilitation, for energy assistance, and for various neighborhood stabilization programs. For fiscal years 2010 through 2013, DHCD has received \$350 million in funds from the federal American Recovery and Reinvestment Act (ARRA) for a range of programs, including the Homelessness Prevention and Rapid Re-Housing Program, Low Income Housing Tax Credits, and weatherization programs. ARRA is now coming to an end and, given potential additional federal budget cuts, future federal resources to DHCD are in question. Altogether, DHCD had \$931 million in FY2012 to spend on housing, homelessness and community services.

DHCD Operating Funds

In 1990, the state spent \$375 million of its own funds on housing programs through DHCD's operating budget (in FY2012 dollars). Beginning in 1991, the amount declined an average of 14 percent per year, so that by 1994, the state was spending only about half that amount annually—\$201 million. Over the next eight years, operating spending for housing continued

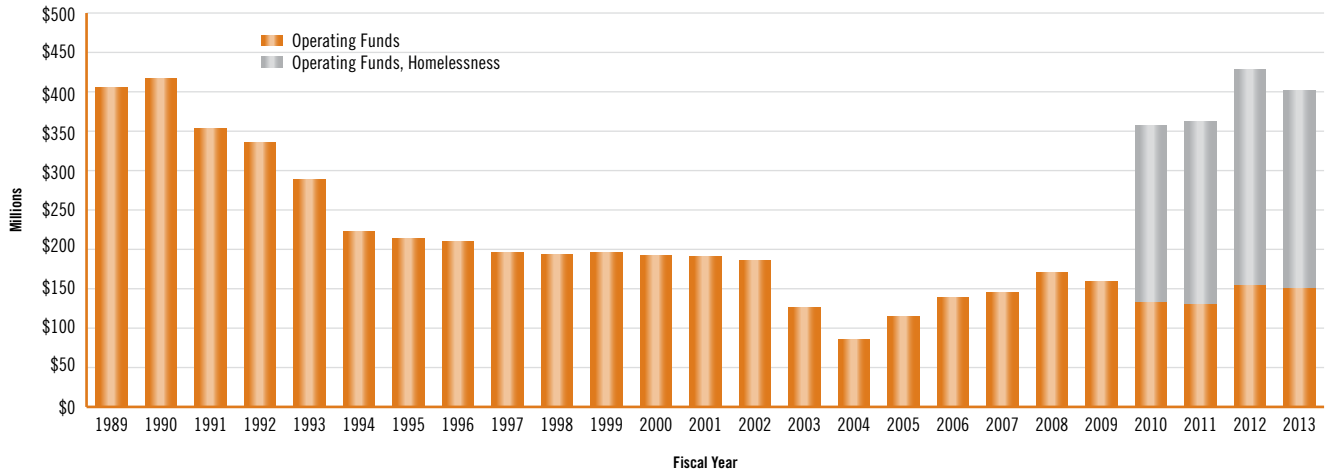
to decline, but at a slower pace of 2 percent per year, and some of this decline was balanced with increases in capital spending (state bonds). By 2002, spending of operating funds was down to \$171 million. Over the next two years, state spending on housing was slashed, and in 2004 just \$77 million was allocated from state funds for housing programs. Thereafter, from 2004 through 2008, state operating funds for DHCD were increased, but even by 2008 funding (at \$154 million) was still less than 2002.

The current recession and the state's fiscal crisis have taken a further toll on DHCD state operating funds. By FY2011, total state funds were down to \$117 million. Only in FY2012 did DHCD see an increase in operating funds of \$21.3 million, making for a total of \$138 million (see **Figure 5.1**). However, almost all of this increase supported the Home Heating Assistance program when federal funds fell short. For 2013, DHCD will have \$135 million in operating funds for housing programs (exclusive of homelessness program funds).

The apparent increase in *total* DHCD operating funds shown in Figure 5.1 is due simply to an accounting adjustment. In FY2010, state homeless programs were shifted from the Department of Transitional Assistance to DHCD, more than doubling DHCD's operating funds. With the onset of recession, demand by families for the largest homelessness program, Emergency Assistance (EA), increased by 74 percent from September 2007 to September 2009.¹ Federal ARRA funds, through the Homelessness Prevention and Rapid Re-Housing Program (HPRP), provided the state with some financial relief and the opportunity to lay the groundwork for moving from a shelter-based system to one that was centered on the "Housing First" model. In this approach, preserving existing tenancies with short-term assistance or the provision of rental assistance is considered more cost effective than shelters or motels. In the long run, the goal is to shift resources away from shelters, but the demand for EA has remained high, even as some families were shifted into HPRP and the state's new HomeBASE program (short

FIGURE 5.1

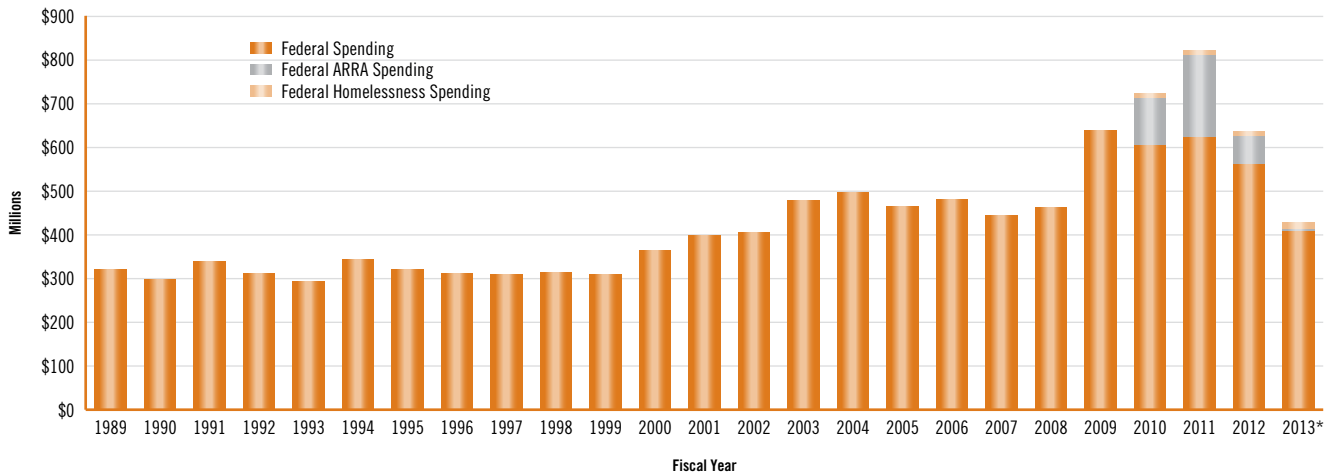
DHCD Real Operating Funds (FY2012 \$), FY1989–FY2013



Sources: DHCD Budget Office and www.mass.gov budget documents

FIGURE 5.2

Total Real Federal Spending (FY2012 \$), FY1989–FY2013



*Note: Full information on FY2013 federal spending not yet available.

Sources: DHCD Budget Office and www.mass.gov budget documents

term rental assistance and services). As a result, during both FY2011 and FY2012, supplemental appropriations were needed.

The FY2013 budget reflects a more truly integrated approach to affordable housing and homelessness by DHCD. Under the original FY2013 budget, a \$40.8 million decline in funding for EA eligible families in

shelters and motels was to be balanced by a \$6 million increase in rental vouchers and a \$26.6 million increase in funding for the prevention and rapid re-housing programs, HomeBASE and Residential Assistance for Families in Transition. Despite this shift in resources and changes in EA eligibility criteria, Governor Patrick requested \$15 million in supplemental funds in July 2012 for EA. Anticipating demand for EA and other

homelessness services is proving difficult during this continuing economic crisis.

Federal Spending through DHCD

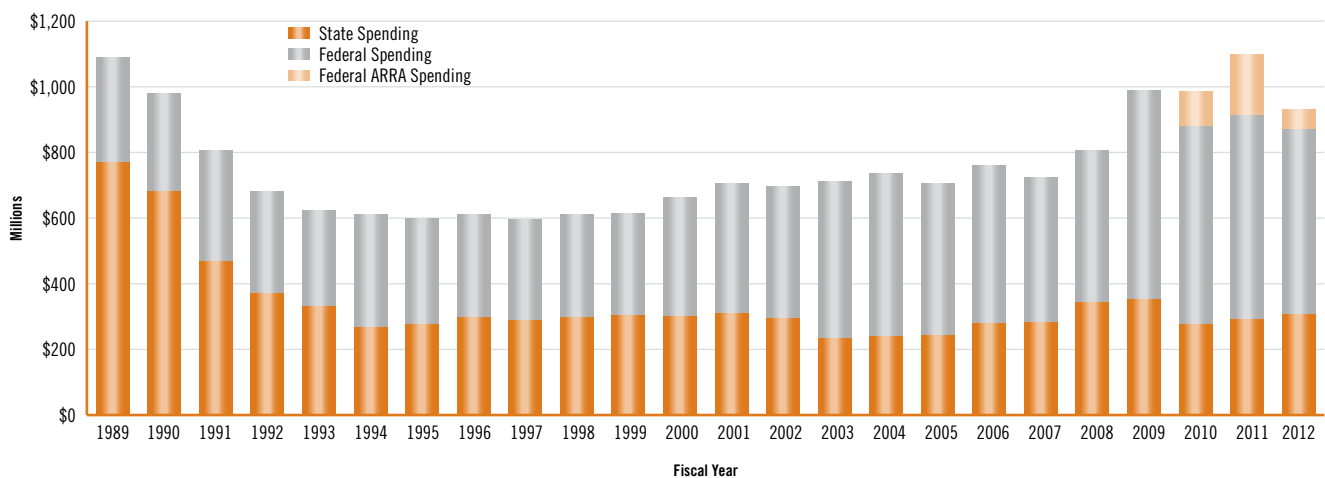
From FY1989 to FY1999, inflation-adjusted federal spending through DHCD was relatively stable, moving within a range of \$292 million to \$321 million (in FY2012 dollars) every year, with the exception of 1991 (\$338 million) and 1994 (\$342 million) (see **Figure 5.2**). From FY1999 to FY2004, federal spending increased by 60 percent (\$186 million) to \$496 million (FY2012 dollars), but then declined to \$462 million by FY2008. Federal funds flowing to DHCD jumped to \$638 million in FY2009, and in FY2010 ARRA funds contributed to a further expansion of the state’s housing efforts, with \$107 million in funding in FY2010 and \$187 million in FY2011. ARRA funds are now declining, with just \$62 million in funding for FY2012—and less than \$3 million is anticipated for FY2013. As ARRA assistance recedes, other federal funds also have declined, with a \$60 million (10 percent) cut between FY2011 and FY2012. Further cuts are anticipated for FY2013.

The Low-Income Home Energy Assistance Program (LIHEAP), Weatherization Assistance, and the Small Cities Community Development Block Grant program are suffering the largest cuts, far outweighing increases in other programs, such as the Federal Housing Voucher Program. In the case of LIHEAP, it is likely that a supplemental appropriation of state operating funds will be needed in late 2012 to make up for the loss of federal funds.

Figure 5.3 shows changes in total DHCD spending (i.e., federal plus state operating and capital funds) excluding the new homelessness funding for the period 1989 to 2012 (in FY2012 dollars). Final federal spending and state capital spending figures for FY2013 were unavailable at this writing. From FY1989 to FY1997, total government housing funds declined by 45 percent, from \$1.1 billion to \$597 million. While there was a minor recovery in state funds for housing between FY1998 and FY2008, it was the infusion of federal cash in FY2010 and FY2011 that pushed total funding to \$1.1 billion in FY2011. For FY2012, increases in state funding are more than offset by declines in federal funding, with total resources declining 15 percent from FY2011 to FY2012, and resources will shrink further in FY2013.

FIGURE 5.3

Total Real DHCD Spending (FY2012 \$), Including Federal Share and ARRA, FY1989–FY2012



Sources: DHCD Budget Office and www.mass.gov budget documents

Conclusion

Just as we see the need for a substantial increase in housing investment given the trends we forecast in Chapter 4, it appears that neither the state government nor the federal government is in a position to offer more funding for rental assistance or for incentivizing the development of new affordable housing. We will need new approaches to meeting our housing goals in this era of fiscal austerity. In the next chapter, we put forward a series of recommendations for housing policy, none of which require massive increases in state or federal funding from current operating funds.

6.

Massachusetts Housing Production: A Blueprint for Action

As Chapter 3 made readily apparent, rents in Greater Boston have been increasing for the past seven years, while Chapter 4 revealed that rental unit households experienced virtually no increase in their real incomes. All of this is putting pressure on family budgets and making housing affordability an ever more serious concern. This is particularly true for younger households and those saddled with rising college loan indebtedness.

For low and moderate income households, the housing market does not work according to normal supply and demand, largely because if demand is coming from households at the lower income ranges, it is not possible for the private market by itself to produce housing at a cost that the consumer can afford. Historically, this gap between the cost of producing housing for low- and moderate-income people and what those households can in fact afford to pay has been bridged by government subsidy programs at the state and federal levels.

After more than 40 years of experience with robust public subsidy programs, there is no big mystery to this, nor is there a magic answer in today's market. Programs can either:

- *reduce the interest rate*, as in the federal Section 236 or the State Chapter 13A programs (not effective in today's already very low interest-rate environment)
- *add to the disposable income of eligible households* so that they can afford to pay higher rents, as in the federal Section 8 or the state's Massachusetts Rental Voucher Program (MRVP)
- *provide subsidies to reduce the private cost of construction* so as to permit lower rents, as in the state and federal low-income housing tax credit and historic tax credit programs, or the older Urban Development Action Grant (UDAG) or Housing Development Action Grant (HODAG)

Unfortunately, none of these—with perhaps the exception of the historic and low-income tax credits—are likely to provide anywhere near as much support for affordable housing in the future as in the past. As for

the federal Section 236 or the state Chapter 13A, interest rates are already at near all-time lows and therefore subsidized low-interest loans provide little added encouragement or value to affordable housing production. As for the rental subsidies and construction subsidies, the current era of fiscal constraint in state budgets and massive federal deficits make it extremely unlikely that the Massachusetts legislature or the Congress will be forthcoming with additional funds for affordable housing.

Other programs such as the Community Preservation Act (state), the Federal Home Loan Bank Affordable Housing Program and several other state and quasi-public bond programs are extremely helpful but inadequately funded. The system today is so difficult to navigate that projects often have to stand in tax credit (and other) queues for up to four years waiting for the small amount of funding available, and then end up at the closing table with up to 20 separate sources of funding.

The other moving part in this analysis is the cost of producing housing, which in Massachusetts is particularly high. If housing production costs were lower, there would be a lower capital expense for rents to support, and—for housing being produced with a view toward serving low- and moderate-income families—rents and thus subsidy per unit would go down. Even with a static subsidy, the same amount of funding would support a greater number of units. Historically, however, efforts at cost-containment have failed.

Today's environment therefore cries out for a fresh and thorough look at the components of affordable housing costs in Massachusetts with an eye toward generating economies in that production effort. We also must look at specific segments of the market which, if adequately served, could take the pressure off of rents and provide more affordable housing for individuals and families who have low or moderate incomes.

In this chapter we lay out a blueprint for further investigation and action that may yield benefits in the coming years. In particular, we will look at land/

property costs, zoning (especially Chapter 40R), development costs and new ways to look at market segments. But the bottom line is that Massachusetts needs more housing, needs more affordable housing and must be welcoming and “open for business” to responsible developers who can produce new, quality housing units for a greater number of households.

Land and Property Costs

One tenet of real estate has always been: “land is a good investment because they’re not making any more of it.” That, along with the companion “location, location, location” as the three criteria for property investment, means that land and buildings in good locations—absent flawed lending practices as we saw in the last decade—tend to hold their value. In Massachusetts over the last 30 years, well-located property soared in value and cost. Thus, in this state, land has been a major component of total cost in any housing proposal and, given the high hurdles to zoning land for structures other than single-family homes, land zoned for multifamily housing and higher density single-family homes has become particularly costly.

On the other hand, given the difficulty of producing new housing in today’s environment, un-zoned, un-permitted sites are very difficult to sell. Developers look at these sites and have to calculate the cost of literally years of effort and expense getting them rezoned and permitted. In addition, suitable sites (based on their physical attributes and location) are often located in markets that are now weak but could be expected to get stronger as the Commonwealth’s economy continues to improve.

Recommendation #1: *We believe that this may be the time for the Commonwealth to consider investing in promising sites and buildings (such as large mill buildings) that are unlikely to be developed soon by the private sector, but are likely to be increasingly valuable in the future. With the state’s exceptional bond rating, the Commonwealth can borrow at extremely low rates to provide a fund for this purpose. The state could land-bank these properties for future development when the market improves. Under a well thought out program, the state investment could be recouped as part of the development budget at a later date. This could enable the state to provide sites for affordable housing development at a cost that, in the future, will be a bargain. This is the type of activity that was the original*

mission of what is now MassDevelopments and it could prove to be a worthwhile use of its authority now, or—alternatively—could be made part of the mission of another agency supporting community development.

Controlling Development Costs

We mentioned earlier that one of the “moving parts” of achieving financial feasibility for housing developments for all economic levels is reining in total development costs. Chapter 40R assists in this by providing land zoned as-of-right, thus taking pressure off of development budgets that would otherwise have to include direct costs and the cost of time delays to get sites zoned. Other components of cost include:

- *Predevelopment, zoning and planning costs.* These include development consulting and architectural, engineering, legal and management planning expenses. Many of these cannot realistically be reduced by much (architects and engineers are one example), but if the system were simplified, the total expenses relating to consulting, legal and management planning should be able to be reduced.
- *Financing costs and the cost of obtaining subsidies.* Although interest rates are at historic lows, the cobbling together of many sources of financing with attendant duplication of effort, applications and coordination of requirements is very expensive. The Commonwealth has made important efforts in this area over the past decade or so, with the One-Stop Application (essentially one application that serves for many subsidy sources, much like the now-standard college application for high school students), and the consolidated closing document (“MassDOCS”) that serves the same purpose at the closing table. But we still find many examples of mixed-income housing developments that must apply for and coordinate up to 20 sources of financing and subsidy. This adds enormous costs into an increasingly fragile economic calculus for feasibility.
- *Construction costs/Size of housing units.* One effect of the recession was the reduction in hard construction costs of up to 20 percent from their highs in the early 2000s. With the recession receding and new construction increasing in the Boston area, especially at the high end of the market, we can expect costs to remain the same or even increase. Since construction costs

are typically expressed in terms of cost per square foot, one way to reduce costs is to build smaller and more basic housing units. The private market is already moving in this direction, both in multifamily and single-family development.

- *Infrastructure costs.* Usually a factor in housing built outside of major population areas, the cost of providing infrastructure (water, sewer, roads, etc.) is one that cannot feasibly be borne by housing development budgets, but is often required by localities. Massachusetts has done a good job in providing some funding for these items, but it is inadequate to meet the demand, resulting in proposed housing developments being abandoned when they cannot support these costs.
- *Operating costs.* A major component of the total cost of rents and homeownership is the cost of operating and maintaining the housing units over time and providing professional management services to residents. Operating costs include such items as heat, air conditioning and other utilities; landscaping maintenance; the cost of snow removal; rent collection; trash collection; security and recreation. In many types of subsidized affordable housing, operating budgets also include allowances for resident services, especially for households of very low income, the elderly and the disabled. There is a close connection between the way housing is constructed and how much it costs to operate over time. As they should, developers and lenders have been paying much more attention to life-cycle costs over the expected life of the housing.

Over the years, there have been many efforts to address the components of cost for housing developments. Unfortunately, many cost-containment initiatives have instead simply reduced the *quality* of the housing produced. Experienced practitioners in the affordable housing world remember when closet doors were not allowed in public housing, air conditioning was not permitted in any subsidized housing and unit sizes became so small that even the poorest of the poor refused to live in them. These all proved to be false economies, and we are not suggesting that we return to those days.

Further complicating the issue is the fact that many housing specialists believe that building mixed-income housing is a better public policy than producing housing that segregates the poor and near-poor. This housing is usually indistinguishable from market-rate housing and is much more readily accepted by surrounding communities. Housing produced under this policy must thus include components that appeal to a market renter who has many choices and may be quite demanding of both nice amenities and excellent design.

But we do feel that with new technologies and building systems, new ways to save on energy costs, and new ways to produce smaller units with larger common space could help bring development budgets down. The benefits of lower costs are worth some effort at analysis and creative thought.

Recommendation #2: *The state should appoint a blue-ribbon commission with representation from the quasi-public lenders, private real estate lenders, private for-profit, nonprofit and public sector developers (including local housing authorities), academics and other real estate practitioners. The commission's charge would be to examine development costs in depth—focusing on housing supported by public funding—and provide recommendations for responsible cost-containment. Funding for this effort could perhaps be provided by all of the quasi-public agencies working in affordable housing. Reducing the cost of housing would go a long way toward making precious housing subsidies go further and produce more units, which in turn would directly support these agencies' missions, to say nothing of their own bottom lines. A relatively modest investment in this commission could pay massive dividends in the ability to stretch state subsidies and produce more affordable housing units.*

The Student Housing Market

Past Housing Report Cards and this one as well, have identified the surge in rents in the Greater Boston market, even during the worst of the national recession. We have identified a couple of specific market segments which are putting particular stress on the rental housing market and which, if housing were built more specifically for them, could ameliorate some of the rental increases in the general housing supply.

One of the great blessings of living in Massachusetts is the huge number of institutions of higher education and the vibrancy of a community with so many students. Those students, of course, need a place to live. While many of the universities provide housing for undergraduates, throughout Greater Boston a very small percentage of graduate students are in university housing, and we have estimated that close to 100,000 compete directly with families and the elderly for rental housing in the region. This drives up rents, putting tremendous pressure on both the permanent residents of the area and the budgets of the students (and their families, in many cases).

In a previous Housing Report Card, the authors put forward a plan for one or more “multi-university graduate student villages.” Initial discussions about such housing are underway in at least at one local university (Northeastern) and possibly more. We believe that now is the time to focus more attention on this segment of the market and to identify interested partners in such a venture. Under the multi-university graduate student village plan, this housing would have many of the following attributes:

- Several universities and colleges would collaborate on *marketing* a high density graduate student residential facility that would be centrally located near public transit, would include commercial and retail space, and have common areas that could house seminar/meeting rooms and recreational space.
- Each village would be developed by a *private sector developer* with the universities and colleges participating in marketing the facility to their own graduate students and providing a master agreement for a given number of units. The facility would remain on the city’s or town’s tax rolls.
- Each village would include efficiency units, 1-, 2- and even some 3-bedroom units, including units for married couples with young children. Units could also differ in terms of amenities so that some smaller units could be aggressively priced while others were more upscale. (Massachusetts graduate students range from “starving students” to the children of extraordinarily wealthy foreign business leaders.)
- Each village would include commercial retail space that might include a small supermarket, a

drycleaner, drug store, a sports bar and maybe even a telephone/computer store and help center.

- Each village would have an underground garage with perhaps one space per 3–5 units, but a large car sharing facility with vehicles ranging from compact cars to vans.
- Each village might include regular programming of seminars, lectures, film festivals, etc. for residents and others sponsored by the collaborating universities and colleges to help bring residents of the village together and to open the village to participation in events by the wider community.
- If these villages also were open to graduate students *after* graduation for three to five years, it might serve to retain young professionals in the area, a major goal of the state administration.
- Given that graduate students generally do not leave the city during the summer, most of the residents would have 12-month leases with little need for sub-leasing. With aggressive marketing by the universities, one would expect to have near 100 percent occupancy throughout the year.

The combination of a convenient location, attractive and affordable apartments, a large array of amenities, the ability to live with students from other schools, and other “village-like” attributes might make this type of development a top residential choice among graduate students when they come to Boston, and would serve to help universities attract graduate students from other regions of the country and from abroad.

Recommendation #3: *A respected organization in the community (the Boston Foundation, the Greater Boston Chamber of Commerce, or the Greater Boston Real Estate Board, individually or in partnership) should consider convening a task force of stakeholders—universities, municipalities, student organizations and developers—to address this issue, refine the components of the proposal, and determine next steps to move this idea from promising policy to actual implementation.*

Housing for Baby Boomers

Although empty-nesters and the elderly sometimes have been considered to constitute a single market for housing, as life spans have lengthened, these have

become recognized as two distinct groups. Empty-nesters tend to range from 50 to 75 or 80 years of age, with the elderly usually older than 80. The distinction comes from what types of housing and ancillary amenities are required. Thus, some “old” empty nesters will require housing for the elderly, and some vigorous “elderly” will not require elderly housing at all throughout their lives.

There has been much written about empty-nester households who happily sell homes in the suburbs and move into smaller units—either rental or ownership—in larger urban areas close to shopping, restaurants and cultural events. In the higher ranges of the market, these households often live part-time in their new city home and part-time in a second “recreational” home either outside the city or elsewhere in the country (or the world). This market segment has the means to provide for itself and will pay whatever it takes to achieve the lifestyle they have chosen. While we are not specifically concerned about the well-being of this group, they do provide a valuable service in both freeing up the market for large suburban homes (as they sell) and in providing an incentive for the construction of new high-end dwellings in the city as they seek to rent or buy.

That said, there are many households with occupants over 50 years old (empty-nesters) who would prefer to sell their large houses if there were suitable, attractive and affordable housing for them to move into in their current communities, close to the family members, doctors, transportation and places of worship that make up the network of their lives. The housing most often mentioned would be smaller single- or two-family homes on small lots with two to three bedrooms and in areas not restricted by age. In most parts of the Commonwealth, this housing is in short supply. It is a type of housing that would be compatible with mixed-use Chapter 40R districts, where the higher densities required to make these homes low-maintenance and affordable are exactly what the 40R statute envisions. This housing type would also be perfect as entry-level “starter” homes for young families, and many empty-nesters would welcome the opportunity to live in new neighborhoods in their home towns with a diversity of ages and household types represented.

The oldest cohort of households presents different challenges. Many elderly (defined for this purpose as 80+ years of age) prefer to stay in their long-time

homes if they are physically able to manage the configuration (especially flights of stairs), and are able to deal with home maintenance, shopping, preparing meals, snow removal, etc. There is a growing industry of professionals and assistants to provide this kind of help. Other elderly prefer to move into purpose-built housing for the elderly, most often in recent years including various levels of activities, events and social services. More of these types of housing developments are being designed in conjunction with neighboring or adjacent assisted living facilities (which provide meals and help with activities of daily living) and even skilled nursing facilities on the same campus. The advantage of this model is that the elderly can move into the level of housing most appropriate at the time and then move into housing with more assistance provided as needed, avoiding the wrenching effects of major moves at very advanced ages.

Recommendation #4: *DHCD should join with groups such as the Commonwealth Housing Task Force, CHAPA and the Coalition for Senior Housing (consisting of representatives from the most active and respected advocates and professionals in the field of housing for the elderly) in a structured process to develop strategies for dealing with these inevitable population changes in Massachusetts. This should include exploration of the types of housing that can allow people to “age in place” as well as consideration of the best ways to provide necessary social and health services as people live much longer than previously.*

Expanding the Use of Chapter 40R

As we noted in Chapter 2, the “Smart Growth Overlay Zoning” statute, Chapter 40R, and its companion, Chapter 40S, which provides “school cost insurance” for K-12 schools in 40R communities, have begun to bear fruit in the form of new housing production in communities that have taken advantage of these housing incentive programs. Given the increase in projected housing demand and the likely shift in demand toward starter homes, multi-unit condos and rental housing, Chapter 40R can play an even stronger role in Greater Boston. To do this, much more attention has to be directed to 40R and 40S and to their marketing throughout the region.

Until very recently, the focus of advocates has been on assuring that funding would be available to continue to support the financial incentives to communities, as provided in the 40R statute. This effort has been successful with the inclusion of \$4 million for the Smart Growth Housing Trust Fund in the Economic Development bill passed by the Legislature on July 31 and signed by Gov. Deval Patrick on Aug. 7. The \$4 million for the trust fund comes from the proceeds of one-time settlements or judgments that would otherwise have been transferred to the Commonwealth Stabilization Fund. Instead the funds will be deposited in the Smart Growth Housing Trust Fund established by Chapter 40R. This funding should assure communities that funding will be available for these incentives for some time to come.

A Self-Funding Mechanism for Chapter 40R/40S

The effort to secure a permanent funding source for Chapter 40R is, however, still continuing. Advocates believe that it is important that funding for Chapter 40R incentives not rely on annual appropriations by the Legislature. A bill to create such a self-funding mechanism has been pending for several years. It would annually capture income tax payments from occupants of housing in 40R districts and deposit them (“park” them) temporarily in the Smart Growth Housing Trust Fund to cover required payments to communities under Chapters 40R and 40S. Annually, after reserves are retained, any balance would be transferred to the Commonwealth’s General Fund. This mechanism would provide on an ongoing basis the funding needed for Chapters 40R and 40S and thus would result in their becoming self-sustaining.

Motivating More Communities to Adopt Chapter 40R/40S

The attention of Chapter 40R supporters must now turn to the question of how to motivate more communities to pass additional districts and how to motivate developers to start active planning of new housing in districts that are already passed.

In the early rounds of approval of Chapter 40R districts, it became clear that most cities and towns lacked the professional staff required to plan and develop application materials for submission to the state for approval of Chapter 40R district proposals. Accordingly, the Department of Housing and Community Development (DHCD), in cooperation with the quasi-public agency MassHousing, made available grants under the Priority Development Fund (PDF) to enable cities and towns to hire planning consultants, architects and lawyers to assist them in developing plans for Chapter 40R districts that would both meet the requirements of the statute and be able to be feasibly passed by a 2/3 vote of the local governing body (city council or town meeting). The cost per community for this year-long planning effort is estimated to be about \$75,000. This process worked well, enabling many of the successful 31 communities to develop plans that were approved by DHCD and passed locally. (A minority of those cities and towns was able to carry out the planning with local staff.) Unfortunately, the PDF fund is now essentially exhausted, making it far less likely that new cities and towns will be able to find the resources to plan effectively.

Reducing the Disincentive to Use Chapter 40R/40S

When Chapter 40R was under consideration in the Legislature in 2003–2004, a provision was inserted just before passage that stipulated that if construction had not begun in a Chapter 40R district within three years of being enacted locally, DHCD could recapture any incentive payments that had been made to the locality. This provision was in direct opposition to the theory of 40R: that a community would zone the district and developers would choose *when* to develop based upon market conditions, not upon any arbitrary deadline. The proponents of Chapter 40R were clear initially that development might occur immediately after passage or in some cases, not for a very long time. But as a result of Chapter 40R, the land would be zoned and ready for development when the private market determined that it was feasible to build. The recapture (“clawback”) provision has never made a lot of sense in this context, and it has had a seriously chilling effect on local interest in the program.

Marketing Chapter 40R/40S to Developers

Developers who have worked on proposals in Chapter 40R districts have given positive feedback on the soundness of the legislation and the program regulations. However, based on informal research, it does appear that the private development community as a whole is less aware of the benefits of Chapter 40R than one would have expected. As stated previously, Chapters 40R/40S became fully operational in early to mid-2006, with close to a year passing before the first successful districts were passed by local governing bodies. Thus, zoned land was coming on the market just as the market began to decline in 2007, with the severe recession taking hold in 2008 and beyond. Given that history, it is a remarkable accomplishment that half of the approved districts have already experienced construction starts. And it should come as no surprise that the larger development community was not looking for development sites until recently. That said, with the market improving and rents escalating (at least in Greater Boston), with funding secured for 40R for the time being, and with access to capital for multifamily housing better than we have seen in a long time, it is important to take steps now to educate developers and connect them with sites in Chapter 40R districts.

Making Chapter 40R/40S Development More Affordable

It cannot be said enough that Chapter 40R by itself cannot create feasibility for proposals trying to provide affordable housing. Chapter 40R provides the zoning, Chapter 40S takes the arguments against housing children off the table (by covering increases in school costs attributable to housing built in 40R districts), but the internal economics of an affordable housing development, given today's cost structure, still requires state or federal subsidy. Although 40R should reduce project costs somewhat—due to the savings in both time and effort related to the land being zoned as-of-right, as well as not requiring lengthy and expensive zoning processes funded by the development budget—these savings are nowhere near sufficient to generate project feasibility on their own.

One of the original benefits of Chapter 40R was the expectation that cities and towns that had passed 40R

districts, and individual projects proposed within the districts, would receive priority for other state discretionary funding. The MassWorks Infrastructure Program does provide priorities for transit-oriented development and housing development with densities of more than four units per acre. Thus by implication the program affords priority to projects in Chapter 40R districts, where densities range from 8–20 units per acre, depending on housing type, and most districts are near transportation.¹

In approving a 40R district and awarding incentive funds, the state has every reason to do what it can to jumpstart construction in those districts so as to receive a quicker return on its investment. Given the extremely long wait-time for funding for housing development proposals, affording such a priority could have several major and positive impacts:

- It would make it easier for cities and towns to access loan and grant funding for projects (such as infrastructure improvements) meant to support development in 40R districts, and would take pressure off of individual housing project development budgets to cover those costs.
- It would send a signal to the development industry that the state is serious about encouraging development within 40R districts, thus providing further incentive for developers to learn more about the program and to seek sites within those districts.
- It would make it significantly easier for developers to access state subsidies for proposed housing developments in 40R districts, thus shortening the timeline for generating more construction starts in Chapter 40R districts.

Recommendation #5: *Toward all of these ends, the following actions should be taken regarding Chapter 40R and 40S:*

- *The Legislature should pass the bill identified in the last session as House 990, sponsored by Rep. Kevin Honan, D-Brighton, and Senate 75, sponsored by Sen. Harriette Chandler, D-Worcester, and co-sponsored by Rep. Carolyn Dykema, D-Holliston. This legislation would provide funds for cities and towns to hire planning consultants, architects and lawyers to assist them in developing plans for Chapter 40R districts. By making the application process easier, more towns will be able to join this program and more sites will be available for 40R housing.*
- *The Commonwealth should consider providing additional funding for the Priority Development Fund. One option*

would be to make the PDF a recoverable grant, repayable to the Commonwealth from the first incentive payment under Chapter 40R if a 40R district were in fact passed successfully. This would reduce the financial exposure to the Commonwealth but would go a long way toward encouraging more communities to plan for and pass Chapter 40R districts.

- Developers looking at land or buildings suitable for a 40R district—but where one has not yet been planned or passed—should be encouraged to front the funds for the local city or town to hire professional help. These funds could then be repaid from the proceeds of the initial incentive payment received once a 40R district is passed and approved. The developer’s funding would in this instance be at risk in the event of non-passage of the district, but this would be far less in total than the usual investment in a regular zoning process absent Chapter 40R.
- The Legislature should repeal the so-called “clawback” provision (Section 14 of Chapter 40R) immediately by passing the bill identified in the last session as S.584, introduced by Sen. Chandler.
- Chapter 40R advocates and DHCD should formulate a structured plan for educating developers about how Chapter 40R/40S works and how it can benefit them. This should include both affordable housing developers in Massachusetts and representatives of national development firms that may have been more involved in market-rate housing to date. Part of any presentation should include satisfied developers speaking of their experience in working with Chapter 40R and the fact that Chapter 40R developments can often benefit from historic tax credits, low-income housing tax credits, and other available housing subsidies.
- Cities and towns that have passed Chapter 40R districts should be encouraged to develop their own marketing activities to get the message out to developers that they have land zoned as-of-right, that they welcome mixed-income housing development in predetermined and approved smart growth locations, and that they are open for business. This has been done successfully by one or two Chapter 40R communities, most successfully by the City of Haverhill, but should be carried out by many more. Advocates in collaboration with the state might consider convening an information session for all cities and towns with 40R districts. Those communities that have successfully launched marketing campaigns could be asked to share their experience with those who have not.

- The state administration, and especially the Executive Office of Housing and Economic Development and the Department of Housing and Community Development, should carry out a structured review of all of their discretionary grant programs to determine where an explicit priority for funding Chapter 40R-related projects and proposals might be included. Program guidelines should be amended to include this priority.
- Within Massachusetts, quasi-public and nonprofit entities are extremely important partners in any effort to develop affordable or mixed-income housing. While generally supportive of 40R, most (with the exception of MassHousing’s PDF program, discussed above) have not played a direct and active role in publicizing development opportunities relating to the Chapter 40R program. Accordingly, those entities, including MassHousing, MassDevelopment, the Massachusetts Housing Partnership (MHP), the Community Economic Development Assistance Corporation (CEDAC), Boston Community Capital, Massachusetts Housing Investment Corporation (MHIC), the Life Initiative, CHAPA, the Massachusetts Association of Community Development Corporations (MACDC) and others could be very helpful in getting the word out about Chapter 40R. We would encourage them to review their organizational material and program guidelines to include references to Chapter 40R where possible, and to participate in training/education events whenever possible. This is essentially a cost-free effort but could be an effective method for marketing 40R to more communities and developers.

Now is the time for action on all of these recommendations.

Conclusion

As we have shown, there are many challenges confronting the effort to jump-start the production of housing at all income and age levels as the economic situation in the Commonwealth continues to improve. With capital available at historically low interest rates, and with developer interest very high, now is the time for the Commonwealth both to invest in an exploration of innovative approaches to housing, and to put out the “Open for Business” sign across the spectrum of development opportunities. We are fortunate to have a development community, both for-profit and nonprofit, and a state administration that is experienced and up to this challenge.

7. Conclusion

With this 10th Anniversary edition of *The Greater Boston Housing Report Card*, we believe we are on the verge of a new era in the region's housing cycle, with important consequences for the future prosperity of the region. In the rearview mirror, we can plainly see three different periods in the region's housing market since the late 1980s:

- The *first period* began in early 1989 and was marked by a decline in single-family home prices of more than 15 percent by the time prices stabilized in October 1992.¹ It would take until April 1997 for the median home price to climb back to its previous peak. Much of the decline could be blamed on the fact that during the economic recession that began in 1990, the Massachusetts economy performed much worse than the nation's. While employment fell by 2.3 percent across the country between July 1990 and January 1993, it declined by 8 percent here in the Commonwealth.²
- The *second period*, slightly overlapping with the first, was marked not by a decline in home prices, but by an explosion in them, as housing demand for single-family homes and condominiums far outstripped new housing supply. From the beginning of 1995 through the end of 2005, the median price of a single-family home in Greater Boston increased by more than 260 percent.³ Meanwhile, nominal household income increased by only about 30 percent. As a result, many families found homeownership out of reach, and skyrocketing home prices contributed to a steady outmigration of population from the Commonwealth. Between July 2000 and July 2007, there was a net outflow of more than 318,000 residents from the state to other regions of the country or abroad.⁴ These were not only older "snowbirds" seeking warmer climes, but younger households who found it too expensive to live in the area.
- The *third period* began in late 2005 with the collapse of the housing bubble nationwide. Home prices stabilized and then, with the onset of the Great Recession, began their retreat. Between November 2005 and April 2009, single-family home prices fell

by over 17 percent, and more than three years later prices have done no better than "bump along the bottom."⁵ Only in the summer of 2012 have we seen home prices firm up and appear to be rising again.

What might seem paradoxical is that rents in Greater Boston over the past two housing periods have performed in the opposite direction from home prices. From 2001 through 2005, when home prices were soaring, effective rents in the region hardly budged. Part of the reason was that mortgage companies and banks adopted extremely lax lending standards that coaxed renters into the home buying market, thereby increasing rental vacancy rates. This helps to explain the meteoric rise in home prices *and* the stability of rents during this period.

In the final period of this last era, just the opposite occurred. Thousands of families lost their homes to foreclosure and most of them ended up not homeless, but back in the rental market. At the same time, with mortgage credit tightening and anxiety about home prices keeping younger renters from seeking their first homeownership opportunity, demand for rental housing was further augmented. A large increase in the graduate student population also added to rental demand. Between 2001 and 2010, Boston area universities added more than 22,000 graduate students, with only 8 percent living on campus.⁶ All of these factors led to a sharp rise in rents from \$1,550 in 2005 for a typical Greater Boston unit to nearly \$1,750 in 2008. Not surprisingly, the number of renter households paying more than 30 percent of their income in rent shot up from 39 percent in 2000 to 50 percent in 2010.

Looking Forward

Now, with the economy beginning to slowly recover after the worst recession since the 1930s, and with the Commonwealth's economy generally performing better than the nation's, we believe we are the verge of a new housing era, with the potential for housing demand once again to outstrip housing supply. As we noted in Chapter 4, we project an increase in demand

of at least 12,000 housing units per year between now and 2020. Over the past five years, developers have only supplied, on average, half this amount. Moreover, if the Massachusetts economy performs even better than expected, demand could rise to as many as 19,000 units per year, so that we would need to see production nearly triple by the end of this decade. Clearly, if our demand projections are reasonably accurate and production does not keep pace, we could see another run-up in home prices and rents, making housing affordability even more of a problem.

It is also likely that the type of new housing production we will need will shift, perhaps substantially, toward multi-unit housing and rental housing. The possible shift toward multi-unit condominiums and apartments would be driven by a number of factors, including stagnant incomes, college indebtedness, and stricter mortgage lending practices affecting younger households' ability to purchase single-family homes—along with the shift toward smaller homes for retiring baby boomers. The need for more rental housing will likely be driven by continued increases in the student population in Boston, growing student debt, and the possibility that younger workers who are generally more geographically mobile will wish to remain free of the constraint of homeownership. At the same time, a considerable amount of demand for single-family homes may be satisfied by aging baby boomers putting their current homes up for sale once they become empty nesters and no longer need or wish to maintain their large homes.

Housing demand also may be affected by the changing preferences of households and families. Older homeowners may not wish to hold onto their current homes, but might still wish to remain in the communities where they have lived. In this case, there will be a need for smaller homes, condominiums and rental apartments in suburban communities throughout Greater Boston. Younger households may wish to live closer to work in order to reduce their commute times or commute without the use of their automobiles. In this case, there will be a demand for transit-oriented development, building new housing near mass transit or otherwise closer to workplaces. This will be very different from the production of traditional single-family suburban homes, which has been the staple of development since at least World War II.

What Is to Be Done?

Given the likely demand for housing and the strong possibility that the type and location of housing demand will shift over the next decade, we will need to have policies that encourage the development of new housing, much of it in multi-unit buildings and in locations where little housing of this type has been built over the past decade. These policies will also have to work within the context of fiscal constraint at both the state and federal level.

For this reason, we need to pursue aggressively many of the recommendations that we have outlined in the previous chapter:

- The Commonwealth should be encouraged to use its excellent bond rating and current record low interest rates to purchase vacant mill buildings and land bank them so that developers can construct more affordable condo and rental units in these communities.
- The number of Chapter 40R communities needs to be increased substantially, reducing the constraint on developers to build denser, more affordable housing in transit-rich communities. This will require a redoubling of efforts to convince municipalities of the need for such housing and to make it easier for communities to apply for Chapter 40R status.
- Colleges and universities in the region must be encouraged to increase residence hall construction for undergraduate and graduate students in order to take pressure off the local rental market.
- Universities must be encouraged to work with private developers to construct multi-university graduate student villages where the continually growing number of graduate students can find rental units that meet their needs while they are in school and perhaps for the first few years after graduation.
- To reduce the cost of developing new housing and therefore make new housing more affordable, the Commonwealth should be encouraged to create a Blue Ribbon Commission to study the structure of development costs in order to determine where and how the cost of actual construction, assembling financing, and/or the legal requirements associated with development can be reduced.

A Call for Action

Given the evolving new *New Paradigm* for housing in Greater Boston, this is precisely the time to galvanize housing advocates, developers, non-profits, and the business community to work collaboratively to once again make housing a primary interest of state and local government. More than ever, the Commonwealth should see housing development and housing affordability as both a moral obligation to its residents and an economic necessity for our future.

Endnotes

Chapter 1

¹ The complete set of Greater Boston Housing Report Cards, underwritten and published by The Boston Foundation, includes:

Ryan Allen, Barry Bluestone, Bonnie Heudorfer, and Gretchen Weismann, *The Greater Boston Housing Report Card 2002* (Northeastern University Center for Urban and Regional Policy and The Boston Foundation, October 2002).

Bonnie Heudorfer, Barry Bluestone, and Stein Helmrich, *The Greater Boston Housing Report Card 2003: An Assessment of Progress on Housing in the Greater Boston Area* (Northeastern University Center for Urban and Regional Policy, The Boston Foundation, and Citizens' Housing and Planning Association, April 2004).

Bonnie Heudorfer and Barry Bluestone, *The Greater Boston Housing Report Card 2004: An Assessment of Progress on Housing in the Greater Boston Area* (Northeastern University Center for Urban and Regional Policy, The Boston Foundation, and Citizens' Housing and Planning Association, September 2005).

Bonnie Heudorfer and Barry Bluestone, *The Greater Boston Housing Report Card 2005–2006: An Assessment of Progress on Housing in the Greater Boston Area* (Northeastern University Center for Urban and Regional Policy, The Boston Foundation, and Citizens' Housing and Planning Association, September 2006).

Bonnie Heudorfer and Barry Bluestone with Chase Billingham and Lauren Nicoll, *The Greater Boston Housing Report Card 2006–2007: An Assessment of Progress on Housing in the Greater Boston Area* (Northeastern University Center for Urban and Regional Policy, The Boston Foundation, and Citizens' Housing and Planning Association, October 2007).

Barry Bluestone, Chase Billingham, and Tim Davis with Marc Horne, Lauren Nicoll, and David

Streim, *The Greater Boston Housing Report Card 2008—From Paradigm to Paradox: Understanding Greater Boston's New Housing Market* (Northeastern University Center for Urban and Regional Policy, The Boston Foundation, and Citizens' Housing and Planning Association, October 2008).

Barry Bluestone, Chase Billingham, and Jessica Herrmann, *The Greater Boston Housing Report Card 2009: Positioning Boston in a Post-Crisis World* (Dukakis Center for Urban and Regional Policy, The Boston Foundation, and Citizens' Housing and Planning Association, October 2009).

Barry Bluestone, Chase Billingham, Jessica Casey, and Anna Gartsman with Eleanor White and Tim Davis, *The Greater Boston Housing Report Card 2010: Taking Stock in an Uncertain Time* (Dukakis Center for Urban and Regional Policy, The Boston Foundation, and Citizens' Housing and Planning Association, October 2010).

Barry Bluestone and Chase Billingham with Liz Williams, Yingchan Zhang, Tim Davis, Aaron Gornstein, Marvin Siflinger, Ann Verrilli, and Eleanor White, *The Greater Boston Housing Report Card 2011: Housing's Role in the Ongoing Economic Crisis* (Dukakis Center for Urban and Regional Policy, The Boston Foundation, and Citizens' Housing and Planning Association, October 2010).

² Barry Bluestone, Charles C. Euchner, and Gretchen Weismann, *A New Paradigm for Housing in Greater Boston*. A report prepared for The Roman Catholic Archdiocese of Boston, FleetBoston Financial, the Greater Boston Chamber of Commerce, The Community Builders, Inc., and Housing Partners, Inc., Revised Edition, February 2001. The first edition was released in September 2000, and the February 2001 edition was a re-release of the September edition in a new, more sophisticated format with some minor changes in the report.

³ See Barry Bluestone and Mary Huff Stevenson, *The Boston Renaissance: Race, Space, and Economic Change in*

an American Metropolis (New York: Russell Sage Foundation, 2000).

⁴ Bluestone, Euchner, and Weismann, *A New Paradigm for Housing in Greater Boston*, op. cit., p. i.

⁵ *The Greater Boston Housing Report Card 2008*, op. cit., p. 6.

⁶ *Ibid.*, p. i

⁷ *Ibid.*, p. ii.

⁸ *Ibid.*, p. iii.

⁹ *Ibid.*, p. iv.

¹⁰ For estimates of “normal” vacancy rates, see Barry Bluestone, Mary Huff Stevenson, and Russell Williams, *The Urban Experience: Economics, Society, and Public Policy* (New York: Oxford University Press, 2008), pp. 417–421.

¹¹ *The Greater Boston Housing Report Card 2002*, op. cit., p. 5.

¹² *Ibid.*, p. 4.

¹³ *The Greater Boston Housing Report Card 2003*, op. cit., p. 5.

¹⁴ *Ibid.*, Table 4.2, p. 23.

¹⁵ *Ibid.*

¹⁶ *Ibid.*, p. 6.

¹⁷ See Economic Policy Institute, “Basic Family Budget Calculator” (Washington, D.C., 2005).

¹⁸ *The Greater Boston Housing Report Card 2004*, op. cit., p. 4.

¹⁹ *The Greater Boston Housing Report Card 2008*, op. cit., p. 5.

²⁰ This analysis was conducted by the Dukakis Center staff based on data from the U.S. Census, American Community Survey.

²¹ Edward C. Carman, Barry Bluestone, and Eleanor White, *A Housing Strategy for Smart Growth and Economic Development* (The Boston Foundation, October 2003).

²² *The Greater Boston Housing Report Card 2004*, op. cit., p. 5.

²³ *Ibid.*

²⁴ *Ibid.*, p. 7.

²⁵ *The Greater Boston Housing Report Card 2005–2006*, op. cit., p. 6.

²⁶ *Ibid.*, p. 7.

²⁷ *Ibid.*, p. 9.

²⁸ See U.S. Department of Labor, National and Massachusetts Total Non-Farm Employment, 2000–2006 (www.bls.gov).

²⁹ *The Greater Boston Housing Report Card 2003*, op. cit., p. 7.

³⁰ *Ibid.*, p. 8.

³¹ *The Greater Boston Housing Report Card 2006–2007*, op. cit., p. 8

³² *Ibid.*, Table 3.1, p. 25.

³³ *The Greater Boston Housing Report Card 2008*, op. cit., p. 5.

³⁴ *Ibid.*

³⁵ *The Greater Boston Housing Report Card 2008*, op. cit., Figure 2.5, p. 32.

³⁶ *Ibid.*, p. 58–59.

³⁷ *The Greater Boston Housing Report Card 2009*, op. cit., p. 7.

³⁸ *The Greater Boston Housing Report Card 2008*, op. cit., Figure 4.2, p. 45.

³⁹ *Ibid.*, Table 2.2, p. 33.

⁴⁰ *The Greater Boston Housing Report Card 2010*, op. cit., p. 32.

⁴¹ *Ibid.*, Table 2.1, p. 20.

⁴² *The Greater Boston Housing Report Card 2009*, op. cit., Table 2.2, p. 32.

⁴³ *Ibid.*, p. 8.

⁴⁴ *Ibid.*, p. 9

⁴⁵ *The Greater Boston Housing Report Card 2010*, op. cit., Figure 1.9, p. 18.

⁴⁶ *Ibid.*, p. 5.

⁴⁷ *Ibid.*, Figure 5.1, p. 49.

⁴⁸ *The Greater Boston Housing Report Card 2011*, op. cit., Table 2.1, p. 25.

⁴⁹ *The Greater Boston Housing Report Card 2010*, op. cit., Chapter 4, pp. 39–47.

⁵⁰ *Ibid*, p. 43–44.

⁵¹ *The Greater Boston Housing Report Card 2011*, op. cit., Figure 1.14, Figure 1.15, pp. 20–21.

⁵² *Ibid*, p. 21.

⁵³ *Ibid*, Table 3.1 and Table 3.2, pp. 39–40.

⁵⁴ *The Greater Boston Housing Report Card 2010*, op. cit., Figure 3.11, p. 34. The figures reported here vary slightly from those reported in 2010 due to a small error in the original analysis.

⁵⁵ *The Greater Boston Housing Report Card 2011*, op. cit., p. 41.

⁵⁶ *Ibid*, p. 8.

⁵⁷ *Ibid*, p. 10.

Chapter 2

¹ Barry Bluestone and Chase Billingham, with Liz Williams, Yingchan Zhang, Tim Davis, Aaron Gornstein, Marvin Siflinger, Ann Verrilli, and Eleanor White. 2012. *The Greater Boston Housing Report Card 2011: Housing's Role in the Ongoing Economic Crisis*. Boston, MA: The Boston Foundation. p. 34.

² In metropolitan comparisons throughout the report, we use this collection of 20 metropolitan regions for the sake of consistency and convenience, and because it includes most of the areas that are Greater Boston's peers (that is, those with which Boston competes for jobs, economic development, and skilled workers).

Chapter 4

¹ Calculated from S&P Case-Shiller Home Price Index Series, July 2012. <http://www.standardandpoors.com/indices/sp-case-shiller-home-price-indices/en/us/?index1d=spusa-cashpidff-p-us---->

² Metropolitan Area Planning Council (MAPC). For detail on each of these calculations refer to the *Metro Boston 2040 Population and Housing Demand Projections*:

Introduction, Preliminary Findings, and Methodology, pp. 7–12. 21 May 2012.

³ Specifically, the “Current Trends” scenario assumes that each year 0.037 percent of the U.S. resident population (minus Massachusetts) moves to Metro Boston and that 2.77 percent of the Metro Boston population moves out of Metro Boston to other states. In addition, it assumes that 1.2 percent of the balance of the state population moves into Metro Boston each year while 0.73 percent of the Metro Boston population moves to other parts of the state. In addition, the “Current Trends” scenario assumes that, on net, 15,000 immigrants from other countries move into Metro Boston each year.

⁴ The 161,739 includes 24,397 who were age 5–9 in 2010, 26,263 who were 10 to 14, and 111,079 who were 15 to 19.

⁵ The 55,658 includes 29,028 who were age 25–29 in 2010, 22,129 were 30 to 34, 2,201 who were 35 to 39, and 2,300 who were 40 to 44.

⁶ Joint Center for Housing Studies (2012). *Post-Recession Drivers of Preferences for Homeownership*. Cambridge, MA: Harvard University, Joint Center for Housing Studies; Pew Center (2010), *Millennial: A Portrait of Generation Next*. Washington, D.C., Pew Research Center.

⁷ *Ibid.*, p. 4. The Pew survey was based on a national cross-section of 2,020 adults, of which 830 (41%) of respondents were between the age of 18–29, conducted from January 14 to January 17, 2010 by telephone. See Question 8h: How important is owning your own home? p 118.

⁸ Pew Research Center (2010), op. cit., p. 3.

⁹ Joint Center, op. cit., p 6. The Joint Center analysis is based on data from Fannie Mae's *National Housing Survey* conducted from June 2010 to October 2011 of 19,030 respondents.

¹⁰ Joint Center, op. cit., p. 8.

¹¹ Joint Center, op. cit., p 8. Figure 2: Share of Respondents that Expect to Buy a Home at Some Point in the Future.

¹² Joint Center, op. cit., p. 18.

¹³ Joint Center, op. cit., p. 19.

¹⁴ Ibid.

¹⁵ See College InSight website for data on Massachusetts college debt. <http://college-insight.org/#explore/go&h=505342c7e5771aee2b06e6b72cca5017>.

¹⁶ See Lawrence Mishel, Josh Bivens, Elise Gould, and Heidi Shierholz, *The State of Working America* (Washington, D.C.: Economic Policy Institute, September 2012), 12th ed., Table 1F, p. 23.

Chapter 5

¹ Massachusetts Department of Housing and Community Development homeless family case data (<http://www.mass.gov/Ehed/docs/dhcd/hs/homelessnumberchart.pdf>) and *Department of Housing and Community Development September 2009 EA Legislative Report* (<http://www.mass.gov/Ehed/docs/dhcd/hs/2009sep.pdf>).

Chapter 6

¹ See <http://www.mass.gov/hed/docs/permitting/massworks/2012-massworks-infrastructure-program-guidelines-final.pdf>.

Chapter 7

¹ This estimate is calculated based on the Case-Shiller Home Price Index for the Boston Metropolitan Area. See <http://www.standardandpoors.com/indices/sp-case-shiller-home-price-indices/en/us/?indexId=spusa-cashpidff-p-us>.

² See Barry Bluestone, et al., *The Greater Boston Housing Report Card 2010: Taking Stock in an Uncertain Time* (Boston, MA.: The Boston Foundation, October 2010), Figure 1.6a, p. 15.

³ Case-Shiller Home Price Index, op. cit.,

⁴ *The Greater Boston Housing Report Card 2010*, op. cit., Figure 1.9, p. 18.

⁵ Case-Shiller Home Price Index, op. cit.,

⁶ *The Greater Boston Housing Report Card 2010*, p. 42.

Appendix A Municipal Scorecard

Municipality	Production and Sales							
	Total Housing Units (2010 Census)	Units Permitted in 2011	Number of Single-Family Home Sales Through June 2011	Number of Single-Family Home Sales Through June 2012	Percent Change in Number of Single-Family Sales, June 2011–June 2012	Median Single-Family Home Selling Price Through June 2011	Median Single-Family Home Selling Price Through June 2012	Percent Change in Median Single-Family Sales Price, June 2011–June 2012
Abington	6,377	14	50	68	36.0%	\$246,750	\$264,750	7.3%
Acton	8,530	62	68	87	27.9%	\$455,000	\$480,000	5.5%
Amesbury	7,110	11	39	48	23.1%	\$295,000	\$249,800	-15.3%
Andover	12,423	115	130	152	16.9%	\$468,784	\$490,500	4.6%
Arlington	19,974	60	113	143	26.5%	\$525,000	\$486,000	-7.4%
Ashland	6,609	22	45	63	40.0%	\$392,000	\$290,000	-26.0%
Avon	1,769	1	15	27	80.0%	\$220,000	\$170,000	-22.7%
Ayer	3,462	23	23	21	-8.7%	\$299,900	\$210,000	-30.0%
Bedford	5,368	56	51	68	33.3%	\$520,000	\$509,500	-2.0%
Bellingham	6,365	19	55	62	12.7%	\$235,000	\$239,950	2.1%
Belmont	10,184	43	69	87	26.1%	\$710,000	\$679,000	-4.4%
Berkley	2,187	10	8	24	200.0%	\$262,500	\$262,000	-0.2%
Berlin	1,189	43	12	8	-33.3%	\$385,000	\$473,000	22.9%
Beverly	16,641	37	110	124	12.7%	\$330,000	\$359,450	8.9%
Billerica	14,481	34	117	163	39.3%	\$290,000	\$276,000	-4.8%
Blackstone	3,628	5	27	41	51.9%	\$199,900	\$213,900	7.0%
Bolton	1,738	10	28	31	10.7%	\$458,775	\$420,000	-8.5%
Boston	272,481	785	441	562	27.4%	\$332,000	\$340,000	2.4%
Boxboro	2,073	2	12	13	8.3%	\$640,000	\$595,000	-7.0%
Boxford	2,757	1	17	37	117.6%	\$515,000	\$450,000	-12.6%
Braintree	14,302	63	114	144	26.3%	\$315,000	\$320,000	1.6%
Bridgewater	8,336	20	66	74	12.1%	\$250,000	\$279,500	11.8%
Brockton	35,552	24	241	328	36.1%	\$152,000	\$140,450	-7.6%
Brookline	26,448	32	69	74	7.2%	\$1,160,000	\$1,137,500	-1.9%
Burlington	9,668	18	71	86	21.1%	\$360,000	\$364,145	1.2%
Cambridge	47,291	34	44	56	27.3%	\$757,500	\$779,500	2.9%
Canton	8,762	42	65	72	10.8%	\$410,000	\$382,000	-6.8%
Carlisle	1,758	7	17	27	58.8%	\$692,750	\$625,000	-9.8%
Carver	4,600	2	45	37	-17.8%	\$237,500	\$211,400	-11.0%
Chelmsford	13,807	25	117	131	12.0%	\$300,000	\$315,000	5.0%
Chelsea	12,621	113	17	22	29.4%	\$210,900	\$179,950	-14.7%
Cohasset	2,980	12	24	55	129.2%	\$857,500	\$697,500	-18.7%
Concord	6,947	167	88	87	-1.1%	\$664,500	\$729,000	9.7%
Danvers	11,135	12	68	94	38.2%	\$306,500	\$341,200	11.3%

Appendix A **Municipal Scorecard**, continued

Municipality	Foreclosure Activity				Affordability and At-Risk Units		
	Petitions to Foreclose, 2011	Foreclosure Auctions, 2011	Foreclosure Deeds, 2011	Foreclosure Deeds (2011) as a Percentage of Total Units (2010)	Adoption of Community Preservation Act	Year of Election Approving Community Preservation Act	Expiring Use Units at Risk - 2012
Abington	42	52	17	0.27%			0
Acton	24	26	9	0.11%	Y	2002	0
Amesbury	43	58	39	0.55%			0
Andover	21	31	2	0.02%			0
Arlington	17	10	8	0.04%			145
Ashland	36	60	23	0.35%	Y	2002	162
Avon	13	27	10	0.57%			0
Ayer	17	30	14	0.40%	Y	2001	20
Bedford	7	6	1	0.02%	Y	2001	96
Bellingham	56	58	26	0.41%			90
Belmont	18	16	6	0.06%	Y	2010	0
Berkley	17	26	10	0.46%			0
Berlin	7	1	4	0.34%			40
Beverly	47	76	31	0.19%			0
Billerica	74	111	40	0.28%			0
Blackstone	28	40	22	0.61%			0
Bolton	6	0	3	0.17%			0
Boston	701	1,197	499	0.18%			2555
Boxboro	8	12	4	0.19%			0
Boxford	6	11	5	0.18%	Y	2001	0
Braintree	49	63	17	0.12%	Y	2002	239
Bridgewater	43	29	23	0.28%	Y	2005	0
Brockton	403	624	251	0.71%			113
Brookline	17	30	7	0.03%			99
Burlington	26	27	9	0.09%			0
Cambridge	23	53	18	0.04%	Y	2001	425
Canton	24	28	12	0.14%			105
Carlisle	4	7	2	0.11%	Y	2001	18
Carver	46	57	30	0.65%	Y	2006	0
Chelmsford	49	71	29	0.21%	Y	2001	0
Chelsea	54	10	54	0.43%			112
Cohasset	7	13	1	0.03%	Y	2001	0
Concord	5	12	4	0.06%	Y	2004	0
Danvers	41	49	26	0.23%			0

Appendix A Municipal Scorecard, continued

Municipality	Production and Sales							
	Total Housing Units (2010 Census)	Units Permitted in 2011	Number of Single-Family Home Sales Through June 2011	Number of Single-Family Home Sales Through June 2012	Percent Change in Number of Single-Family Sales, June 2011–June 2012	Median Single-Family Home Selling Price Through June 2011	Median Single-Family Home Selling Price Through June 2012	Percent Change in Median Single-Family Sales Price, June 2011–June 2012
Dedham	10,191	17	98	97	-1.0%	\$331,200	\$320,000	-3.4%
Dighton	2,591	19	12	18	50.0%	\$273,113	\$250,000	-8.5%
Dover	1,969	14	18	38	111.1%	\$980,000	\$840,500	-14.2%
Dracut	11,351	33	102	111	8.8%	\$224,000	\$230,000	2.7%
Dunstable	1,098	9	11	12	9.1%	\$355,000	\$370,500	4.4%
Duxbury	5,875	25	74	112	51.4%	\$533,500	\$517,500	-3.0%
East Bridgewater	4,906	23	31	44	41.9%	\$230,000	\$249,950	8.7%
Easton	8,155	18	51	64	25.5%	\$345,000	\$367,250	6.4%
Essex	1,600	3	6	9	50.0%	\$477,250	\$415,000	-13.0%
Everett	16,715	68	34	49	44.1%	\$215,000	\$225,000	4.7%
Foxborough	6,895	24	60	67	11.7%	\$343,450	\$330,000	-3.9%
Framingham	27,529	14	180	232	28.9%	\$292,000	\$301,500	3.3%
Franklin	11,394	21	102	103	1.0%	\$363,750	\$350,000	-3.8%
Georgetown	3,044	14	25	40	60.0%	\$336,750	\$292,130	-13.3%
Gloucester	14,557	29	63	83	31.7%	\$340,000	\$287,000	-15.6%
Groton	3,989	12	30	42	40.0%	\$381,000	\$390,000	2.4%
Groveland	2,439	50	9	28	211.1%	\$292,500	\$296,225	1.3%
Halifax	3,014	7	36	35	-2.8%	\$205,000	\$213,246	4.0%
Hamilton	2,880	1	35	41	17.1%	\$379,000	\$357,500	-5.7%
Hanover	4,852	79	51	59	15.7%	\$390,000	\$418,000	7.2%
Hanson	3,589	10	30	26	-13.3%	\$243,750	\$244,750	0.4%
Harvard	2,047	0	22	16	-27.3%	\$607,500	\$487,500	-19.8%
Haverhill	25,657	29	145	163	12.4%	\$225,000	\$220,199	-2.1%
Hingham	8,953	97	102	122	19.6%	\$646,500	\$665,000	2.9%
Holbrook	4,274	8	36	53	47.2%	\$213,000	\$228,000	7.0%
Holliston	5,087	25	72	65	-9.7%	\$377,500	\$340,000	-9.9%
Hopedale	2,285	2	22	19	-13.6%	\$277,500	\$353,000	27.2%
Hopkinton	5,128	37	54	91	68.5%	\$577,500	\$500,000	-13.4%
Hudson	7,998	18	60	64	6.7%	\$252,000	\$255,950	1.6%
Hull	5,762	6	40	53	32.5%	\$320,750	\$295,000	-8.0%
Ipswich	6,007	28	38	48	26.3%	\$367,500	\$393,500	7.1%
Kingston	5,010	20	48	47	-2.1%	\$323,500	\$258,000	-20.2%
Lakeville	4,177	36	32	59	84.4%	\$272,000	\$257,000	-5.5%
Lancaster	2,614	12	20	40	100.0%	\$266,000	\$221,000	-16.9%

Appendix A Municipal Scorecard, continued

Municipality	Foreclosure Activity				Affordability and At-Risk Units		
	Petitions to Foreclose, 2011	Foreclosure Auctions, 2011	Foreclosure Deeds, 2011	Foreclosure Deeds (2011) as a Percentage of Total Units (2010)	Adoption of Community Preservation Act	Year of Election Approving Community Preservation Act	Expiring Use Units at Risk - 2012
Dedham	34	2	27	0.26%			0
Dighton	17	23	6	0.23%	Y	2010	0
Dover	2	10	4	0.20%			0
Dracut	57	103	45	0.40%	Y	2001	0
Dunstable	6	8	2	0.18%	Y	2006	0
Duxbury	16	3	7	0.12%	Y	2001	0
East Bridgewater	38	31	10	0.20%			0
Easton	31	49	12	0.15%	Y	2001	0
Essex	5	3	2	0.13%	Y	2007	0
Everett	84	2	57	0.34%			160
Foxborough	28	0	9	0.13%			0
Framingham	103	205	81	0.29%			439
Franklin	47	57	23	0.20%			58
Georgetown	13	19	6	0.20%	Y	2001	0
Gloucester	47	77	27	0.19%	Y	2008	80
Groton	12	11	9	0.23%	Y	2004	0
Groveland	13	18	8	0.33%	Y	2004	0
Halifax	33	39	21	0.70%			0
Hamilton	7	16	9	0.31%	Y	2005	0
Hanover	32	28	10	0.21%	Y	2004	0
Hanson	31	39	14	0.39%	Y	2008	0
Harvard	7	9	5	0.24%	Y	2001	0
Haverhill	117	211	105	0.41%			33
Hingham	21	25	5	0.06%	Y	2001	0
Holbrook	32	30	15	0.35%			0
Holliston	19	34	12	0.24%	Y	2001	0
Hopedale	19	20	4	0.18%			0
Hopkinton	17	17	7	0.14%	Y	2001	0
Hudson	32	38	25	0.31%	Y	2007	0
Hull	35	0	23	0.40%			0
Ipswich	7	35	14	0.23%			0
Kingston	37	50	14	0.28%	Y	2005	20
Lakeville	34	0	16	0.38%			22
Lancaster	11	6	9	0.34%			0

Appendix A Municipal Scorecard, continued

Municipality	Production and Sales							
	Total Housing Units (2010 Census)	Units Permitted in 2011	Number of Single-Family Home Sales Through June 2011	Number of Single-Family Home Sales Through June 2012	Percent Change in Number of Single-Family Sales, June 2011–June 2012	Median Single-Family Home Selling Price Through June 2011	Median Single-Family Home Selling Price Through June 2012	Percent Change in Median Single-Family Sales Price, June 2011–June 2012
Lawrence	27,137	18	75	80	6.7%	\$155,000	\$152,500	-1.6%
Lexington	12,019	61	192	204	6.3%	\$710,750	\$693,500	-2.4%
Lincoln	2,617	6	18	27	50.0%	\$917,500	\$835,000	-9.0%
Littleton	3,477	12	33	39	18.2%	\$362,500	\$376,000	3.7%
Lowell	41,431	90	170	194	14.1%	\$178,450	\$175,000	-1.9%
Lynn	35,776	5	137	167	21.9%	\$185,000	\$175,000	-5.4%
Lynnfield	4,354	12	50	57	14.0%	\$490,000	\$422,500	-13.8%
Malden	25,161	9	84	99	17.9%	\$250,000	\$273,000	9.2%
Manchester	2,394	3	28	32	14.3%	\$791,250	\$685,825	-13.3%
Mansfield	8,746	57	54	71	31.5%	\$352,250	\$340,000	-3.5%
Marblehead	8,838	15	84	104	23.8%	\$516,250	\$481,250	-6.8%
Marlborough	16,416	19	84	92	9.5%	\$247,000	\$263,500	6.7%
Marshfield	10,940	42	123	134	8.9%	\$330,000	\$318,000	-3.6%
Maynard	4,447	11	51	51	0.0%	\$300,000	\$274,500	-8.5%
Medfield	4,237	20	51	81	58.8%	\$512,000	\$549,900	7.4%
Medford	24,046	2	104	153	47.1%	\$340,000	\$340,000	0.0%
Medway	4,613	8	50	70	40.0%	\$317,250	\$286,000	-9.9%
Melrose	11,751	8	107	97	-9.3%	\$395,000	\$381,000	-3.5%
Mendon	2,091	3	12	23	91.7%	\$331,500	\$282,599	-14.8%
Merrimac	2,555	30	17	17	0.0%	\$280,000	\$274,900	-1.8%
Methuen	18,340	38	115	167	45.2%	\$217,000	\$220,000	1.4%
Middleborough	9,023	52	77	84	9.1%	\$215,000	\$225,000	4.7%
Middleton	3,045	36	24	28	16.7%	\$437,500	\$428,500	-2.1%
Milford	11,412	22	68	98	44.1%	\$245,000	\$255,000	4.1%
Millis	3,158	3	35	29	-17.1%	\$315,000	\$291,500	-7.5%
Millville	1,162	2	7	14	100.0%	\$165,000	\$255,000	54.5%
Milton	9,700	2	102	145	42.2%	\$454,950	\$425,000	-6.6%
Nahant	1,677	1	7	11	57.1%	\$425,000	\$386,500	-9.1%
Natick	14,121	65	142	127	-10.6%	\$386,500	\$387,500	0.3%
Needham	11,122	43	168	192	14.3%	\$639,128	\$670,000	4.8%
Newbury	2,936	5	22	38	72.7%	\$393,250	\$420,500	6.9%
Newburyport	8,264	14	71	83	16.9%	\$410,000	\$360,000	-12.2%
Newton	32,648	74	263	309	17.5%	\$770,000	\$755,000	-1.9%
Norfolk	3,121	29	34	39	14.7%	\$418,000	\$390,000	-6.7%

Appendix A Municipal Scorecard, continued

Municipality	Foreclosure Activity				Affordability and At-Risk Units		
	Petitions to Foreclose, 2011	Foreclosure Auctions, 2011	Foreclosure Deeds, 2011	Foreclosure Deeds (2011) as a Percentage of Total Units (2010)	Adoption of Community Preservation Act	Year of Election Approving Community Preservation Act	Expiring Use Units at Risk - 2012
Lawrence	167	296	16	0.06%			212
Lexington	13	26	6	0.05%	Y	2006	72
Lincoln	1	2	0	0.00%	Y	2002	125
Littleton	5	12	6	0.17%	Y	2007	0
Lowell	205	357	183	0.44%			180
Lynn	235	443	198	0.55%			410
Lynnfield	12	2	8	0.18%			0
Malden	100	9	69	0.27%			129
Manchester	2	0	2	0.08%	Y	2005	0
Mansfield	38	33	9	0.10%			0
Marblehead	25	36	17	0.19%			0
Marlborough	102	150	63	0.38%			0
Marshfield	29	79	33	0.30%	Y	2001	0
Maynard	24	30	11	0.25%	Y	2006	56
Medfield	9	7	3	0.07%			0
Medford	83	38	44	0.18%			93
Medway	27	32	13	0.28%	Y	2001	0
Melrose	25	43	12	0.10%			0
Mendon	12	20	6	0.29%	Y	2002	0
Merrimac	10	18	9	0.35%			24
Methuen	98	165	11	0.06%			0
Middleborough	87	3	41	0.45%	Y	2010	16
Middleton	7	30	13	0.43%	Y	2004	48
Milford	84	103	49	0.43%			61
Millis	11	19	7	0.22%	Y	2006	0
Millville	11	16	6	0.52%			0
Milton	50	4	20	0.21%			139
Nahant	5	8	4	0.24%	Y	2004	0
Natick	27	57	37	0.26%			0
Needham	8	22	3	0.03%	Y	2004	20
Newbury	4	10	4	0.14%			0
Newburyport	28	45	15	0.18%	Y	2002	101
Newton	39	86	23	0.07%	Y	2001	71
Norfolk	14	2	5	0.16%	Y	2001	0

Appendix A Municipal Scorecard, continued

Municipality	Production and Sales							
	Total Housing Units (2010 Census)	Units Permitted in 2011	Number of Single-Family Home Sales Through June 2011	Number of Single-Family Home Sales Through June 2012	Percent Change in Number of Single-Family Sales, June 2011–June 2012	Median Single-Family Home Selling Price Through June 2011	Median Single-Family Home Selling Price Through June 2012	Percent Change in Median Single-Family Sales Price, June 2011–June 2012
North Andover	10,964	39	87	107	23.0%	\$465,000	\$426,500	-8.3%
North Reading	5,633	17	52	70	34.6%	\$387,500	\$396,250	2.3%
Norton	6,741	16	51	59	15.7%	\$252,500	\$228,000	-9.7%
Norwell	3,675	8	40	56	40.0%	\$513,125	\$475,000	-7.4%
Norwood	12,479	6	74	89	20.3%	\$333,500	\$322,750	-3.2%
Peabody	22,220	22	90	161	78.9%	\$295,000	\$297,500	0.8%
Pembroke	6,552	15	52	64	23.1%	\$293,500	\$272,500	-7.2%
Pepperell	4,348	13	24	44	83.3%	\$285,000	\$220,500	-22.6%
Plainville	3,482	20	24	30	25.0%	\$325,000	\$236,449	-27.2%
Plymouth	24,800	149	199	271	36.2%	\$265,000	\$275,000	3.8%
Plympton	1,043	1	10	17	70.0%	\$310,250	\$303,500	-2.2%
Quincy	42,838	80	188	221	17.6%	\$299,450	\$300,000	0.2%
Randolph	12,008	134	90	137	52.2%	\$222,500	\$200,000	-10.1%
Raynham	5,066	19	36	51	41.7%	\$297,500	\$270,000	-9.2%
Reading	9,617	10	79	101	27.8%	\$386,000	\$421,000	9.1%
Revere	22,100	4	55	79	43.6%	\$200,000	\$215,000	7.5%
Rockland	7,051	23	38	56	47.4%	\$205,588	\$228,750	11.3%
Rockport	4,223	13	24	27	12.5%	\$406,250	\$372,500	-8.3%
Rowley	2,253	8	18	32	77.8%	\$437,250	\$389,500	-10.9%
Salem	19,130	5	58	78	34.5%	\$260,500	\$235,000	-9.8%
Salisbury	4,550	10	21	29	38.1%	\$255,000	\$248,000	-2.7%
Saugus	10,775	83	61	74	21.3%	\$270,000	\$267,000	-1.1%
Scituate	8,035	9	91	122	34.1%	\$479,000	\$393,375	-17.9%
Sharon	6,456	19	72	99	37.5%	\$400,000	\$360,000	-10.0%
Sherborn	1,495	0	26	31	19.2%	\$750,000	\$610,000	-18.7%
Shirley	2,427	13	13	24	84.6%	\$211,000	\$207,000	-1.9%
Somerville	33,720	0	29	50	72.4%	\$391,850	\$412,500	5.3%
Southborough	3,460	8	47	49	4.3%	\$482,500	\$455,000	-5.7%
Stoneham	9,458	0	65	68	4.6%	\$345,000	\$352,000	2.0%
Stoughton	10,787	15	70	89	27.1%	\$245,000	\$255,000	4.1%
Stow	2,526	20	31	32	3.2%	\$460,000	\$422,500	-8.2%
Sudbury	5,951	19	77	127	64.9%	\$674,900	\$620,000	-8.1%
Swampscott	5,888	0	61	55	-9.8%	\$371,400	\$385,000	3.7%
Taunton	23,896	31	124	131	5.6%	\$214,300	\$215,000	0.3%

Appendix A Municipal Scorecard, continued

Municipality	Foreclosure Activity				Affordability and At-Risk Units		
	Petitions to Foreclose, 2011	Foreclosure Auctions, 2011	Foreclosure Deeds, 2011	Foreclosure Deeds (2011) as a Percentage of Total Units (2010)	Adoption of Community Preservation Act	Year of Election Approving Community Preservation Act	Expiring Use Units at Risk - 2012
North Andover	43	63	5	0.05%	Y	2001	0
North Reading	18	0	12	0.21%			0
Norton	41	67	20	0.30%			24
Norwell	16	24	8	0.22%	Y	2002	0
Norwood	38	2	24	0.19%			35
Peabody	74	113	43	0.19%	Y	2001	239
Pembroke	67	76	21	0.32%	Y	2006	0
Pepperell	21	31	16	0.37%			40
Plainville	20	27	9	0.26%			0
Plymouth	197	247	100	0.40%	Y	2002	58
Plympton	14	13	6	0.58%	Y	2008	0
Quincy	117	209	92	0.21%	Y	2006	367
Randolph	135	193	95	0.79%	Y	2005	69
Raynham	28	41	24	0.47%			0
Reading	10	2	9	0.09%			0
Revere	130	5	95	0.43%			0
Rockland	67	9	42	0.60%			0
Rockport	2	15	8	0.19%	Y	2002	30
Rowley	9	9	7	0.31%	Y	2001	0
Salem	86	144	49	0.26%			322
Salisbury	9	29	18	0.40%			0
Saugus	63	87	25	0.23%			0
Scituate	30	44	12	0.15%	Y	2002	0
Sharon	15	32	10	0.15%	Y	2004	0
Sherborn	3	6	0	0.00%			0
Shirley	18	21	13	0.54%			0
Somerville	54	107	36	0.11%			0
Southborough	6	20	11	0.32%	Y	2003	0
Stoneham	26	1	15	0.16%			0
Stoughton	52	89	28	0.26%	Y	2008	130
Stow	7	8	3	0.12%	Y	2001	22
Sudbury	12	28	6	0.10%	Y	2002	0
Swampscott	18	31	10	0.17%			0
Taunton	157	256	81	0.34%			128

Appendix A Municipal Scorecard, continued

Municipality	Production and Sales							
	Total Housing Units (2010 Census)	Units Permitted in 2011	Number of Single-Family Home Sales Through June 2011	Number of Single-Family Home Sales Through June 2012	Percent Change in Number of Single-Family Sales, June 2011–June 2012	Median Single-Family Home Selling Price Through June 2011	Median Single-Family Home Selling Price Through June 2012	Percent Change in Median Single-Family Sales Price, June 2011–June 2012
Tewksbury	10,848	33	90	118	31.1%	\$294,950	\$278,450	-5.6%
Topsfield	2,175	23	26	29	11.5%	\$443,650	\$535,000	20.6%
Townsend	3,385	8	32	29	-9.4%	\$221,500	\$205,200	-7.4%
Tyngsborough	4,206	28	37	40	8.1%	\$289,000	\$280,250	-3.0%
Upton	2,832	10	30	30	0.0%	\$388,069	\$328,000	-15.5%
Wakefield	10,500	20	75	77	2.7%	\$362,000	\$372,500	2.9%
Walpole	9,040	40	76	99	30.3%	\$388,500	\$370,000	-4.8%
Waltham	24,926	49	122	154	26.2%	\$363,500	\$380,000	4.5%
Wareham	12,256	91	105	160	52.4%	\$170,000	\$170,000	0.0%
Watertown	15,584	220	42	42	0.0%	\$412,875	\$410,000	-0.7%
Wayland	5,021	17	63	92	46.0%	\$544,900	\$520,500	-4.5%
Wellesley	9,189	41	166	196	18.1%	\$867,500	\$865,000	-0.3%
Wenham	1,430	1	14	22	57.1%	\$473,125	\$524,750	10.9%
West Bridgewater	2,669	6	24	24	0.0%	\$282,000	\$227,750	-19.2%
West Newbury	1,580	14	15	16	6.7%	\$455,000	\$437,500	-3.8%
Westford	7,876	81	60	97	61.7%	\$469,000	\$420,000	-10.4%
Weston	4,008	32	61	77	26.2%	\$1,075,000	\$1,360,000	26.5%
Westwood	5,431	9	52	85	63.5%	\$482,250	\$600,000	24.4%
Weymouth	23,480	276	159	195	22.6%	\$259,900	\$272,500	4.8%
Whitman	5,522	22	45	53	17.8%	\$233,000	\$230,000	-1.3%
Wilmington	7,808	35	71	111	56.3%	\$340,000	\$340,000	0.0%
Winchester	7,986	50	84	100	19.0%	\$763,000	\$748,000	-2.0%
Winthrop	8,320	0	28	32	14.3%	\$282,999	\$282,250	-0.3%
Woburn	16,309	28	80	124	55.0%	\$310,000	\$330,000	6.5%
Wrentham	3,869	18	39	52	33.3%	\$410,000	\$291,753	-28.8%

Appendix A Municipal Scorecard, continued

Municipality	Foreclosure Activity				Affordability and At-Risk Units		
	Petitions to Foreclose, 2011	Foreclosure Auctions, 2011	Foreclosure Deeds, 2011	Foreclosure Deeds (2011) as a Percentage of Total Units (2010)	Adoption of Community Preservation Act	Year of Election Approving Community Preservation Act	Expiring Use Units at Risk - 2012
Tewksbury	60	64	42	0.39%	Y	2006	0
Topsfield	9	17	7	0.32%			0
Townsend	26	35	20	0.59%			0
Tyngsborough	19	37	17	0.40%	Y	2001	0
Upton	6	0	7	0.25%	Y	2003	89
Wakefield	22	0	10	0.10%			25
Walpole	27	2	16	0.18%			0
Waltham	39	0	35	0.14%	Y	2005	0
Wareham	91	138	70	0.57%	Y	2002	24
Watertown	21	45	14	0.09%			171
Wayland	9	24	9	0.18%	Y	2001	0
Wellesley	9	14	5	0.05%	Y	2002	13
Wenham	5	8	2	0.14%	Y	2005	0
West Bridgewater	17	10	4	0.15%	Y	2008	0
West Newbury	4	12	3	0.19%	Y	2006	0
Westford	18	32	18	0.23%	Y	2001	0
Weston	6	12	7	0.17%	Y	2001	0
Westwood	7	12	1	0.02%			32
Weymouth	101	153	67	0.29%	Y	2005	188
Whitman	34	3	34	0.62%			0
Wilmington	40	3	17	0.22%			0
Winchester	16	17	5	0.06%			0
Winthrop	36	5	29	0.35%			56
Woburn	47	52	20	0.12%			39
Wrentham	28	28	11	0.28%			0

Sources:

Data on the number of sales and median sales prices, along with data on foreclosure petitions, auctions, and deeds, were provided by the Warren Group. Foreclosure data represent the number of foreclosures on single-family, 2-family, 3-family, and condominium properties.

Data on building permits are taken from the U.S. Census Building Permit Survey.

Data on Expiring Use Units at Risk come from the Community Economic Development Assistance Corporation (CEDAC), Database of Expiring Use Properties in Massachusetts 2010, available from the Citizens' Housing and Planning Association (CHAPA) at <http://www.chapa.org/sites/default/files/CEDACatriskreportAugust2011.pdf>.

Appendix B Housing Units Constructed in Chapter 40R Smart Growth Districts in Massachusetts

Municipality	District Name	Units Constructed Under 40R Permits			Total Units Constructed
		Single-Family Units	Units in 2- to 3-Unit Structures	Units in Multiunit Structures	
AMESBURY	Gateway Village				
BELMONT	Our Lady of Mercy	2	11	4	17
BOSTON	Olmstead				
BRIDGEWATER	Waterford Village				
BROCKTON	Downtown		2		2
CHELSEA	Gerrish Ave			120	120
Chicopee	Chicopee Center				
Dartmouth	Lincoln Park				
EASTON	Queset				
Easthampton	Smart Growth Overlay				
Fitchburg	Smart Growth Overlay				
Grafton	Fisherville Mill				
HAVERHILL	Downtown			362	362
Holyoke	Smart Growth Overlay	1	4		5
KINGSTON	1021 Kingston's Place				
LAKEVILLE	Res. At Lakeville Station			100	100
LAWRENCE	Arlington Mills				
LOWELL	Smart Growth Overlay				
Lunenburg	Tri-Town			66	66
LYNNFIELD	Planned Village Development				
MARBLEHEAD	Pleasant Street				
MARBLEHEAD	Vinnin Square				
NATICK	SGOD				
NORTH ANDOVER	Osgood Landing				
NORTH READING	Berry Center			406	406
Northampton	Sustainable Growth			40	40
NORWOOD	St. George Ave		4	11	15
Pittsfield	Smart Growth Overlay			67	67
PLYMOUTH	Cordage Park				
READING	Gateway				
READING	Downtown			11	11
SHARON	Sharon Commons				
Westfield	Southwick Road				
Total		3	21	1,187	1,211

Appendix B Housing Units Constructed . . . , continued

Municipality	District Name	Building Permits Issued, Under Construction	Pending Building Permits	Density Bonus Distributed	Notes
AMESBURY	Gateway Village				On Hold
BELMONT	Our Lady of Mercy			\$36,000	Largely Completed
BOSTON	Olmstead				Partially Completed
BRIDGEWATER	Waterford Village				On Hold
BROCKTON	Downtown				Completed
CHELSEA	Gerrish Ave			\$255,000	Completed
Chicopee	Chicopee Center				
Dartmouth	Lincoln Park				
EASTON	Queset				On Hold
Easthampton	Smart Growth Overlay				
Fitchburg	Smart Growth Overlay				
Grafton	Fisherville Mill				On Hold
HAVERHILL	Downtown			\$1,086,000	Two major projects completed; additional 40R development possible elsewhere in district.
Holyoke	Smart Growth Overlay				
KINGSTON	1021 Kingston's Place				
LAKEVILLE	Res. At Lakeville Station			\$300,000	40R-eligible-unit portion completed
LAWRENCE	Arlington Mills	75		\$225,000	Project permitted
LOWELL	Smart Growth Overlay				In Permitting
Lunenburg	Tri-Town		33	\$198,000	Partially Completed
LYNNFIELD	Planned Village Development		180		Permits Pending
MARBLEHEAD	Pleasant Street				
MARBLEHEAD	Vinnin Square				No proposed project at this time
NATICK	SGOD		138		Building permits pending
NORTH ANDOVER	Osgood Landing				On Hold
NORTH READING	Berry Center			\$1,218,000	Completed
Northampton	Sustainable Growth			\$120,000	40R-eligible-unit portion completed
NORWOOD	St. George Ave			\$33,000	Completed
Pittsfield	Smart Growth Overlay	45		\$75,000	Construction underway
PLYMOUTH	Cordage Park				Seeking Financing
READING	Gateway	50	150	\$150,000	First 50 units nearing completion
READING	Downtown	42		\$159,000	Nearing completion and occupancy
SHARON	Sharon Commons		19		In Permitting
Westfield	Southwick Road				On Hold
Total		212	520	\$3,855,000	

Total units constructed, under construction, or pending: 1,943

Number of 40R districts with completed units: 12

Additional 40R districts with units under construction: 2

Additional 40R districts with pending building permits: 3

Total number of 40R districts with units completed, under construction, or pending: 17

Total number of approved 40R districts: 33

Percentage of approved 40R districts with units completed, under construction, or pending: 52%

Note: MUNICIPALITIES IN CAPS indicate Greater Boston communities.

Source: Chapter 40R Smart Growth Zoning District Annual Updates, FY 2012 (July 1, 2011–June 30, 2012)

Notes

The Greater Boston Housing Report Card 2012 Communities

Five-County Greater Boston Region

Other Municipalities Included in Original Report

