

Housing Market Profile

New England • HUD Region I



Boston-Cambridge-Quincy, Massachusetts- New Hampshire

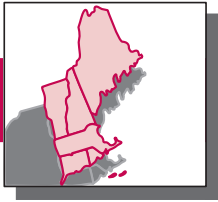
The Boston-Cambridge-Quincy metropolitan area consists of Essex, Middlesex, Norfolk, Plymouth, and Suffolk Counties in Massachusetts and Rockingham and Strafford Counties in New Hampshire. As of October 1, 2011, the population of the metropolitan area was estimated to be 4.6 million, a gain of 53,750, or 0.8 percent annually, from April 1, 2010, compared with an average annual increase of 0.7 percent from 2006 to 2010. According to IHS Inc., the largest employer in the metropolitan area is The Stop & Shop Supermarket Company, with 22,000 employees. The area also has a significant health and education services employment base, as represented by Massachusetts General Hospital and Harvard University, with 22,000 and 19,000 employees, respectively. In addition, more than 75 accredited post-secondary colleges and universities are located in the metropolitan area, with a total of approximately 336,000 students.

The Boston-Cambridge-Quincy metropolitan area experienced 1.5 years of job losses following a 4-year expansion from 2004 through 2008. During the 12 months ending August 2011, nonfarm payrolls averaged more than 2.4 million jobs, an increase of 29,200 jobs, or 1.2 percent, compared with a loss of 24,400 jobs, or 1.0 percent, during the previous 12 months. The number of jobs in goods-producing sectors increased as a small loss in construction jobs was offset by an increase of 2,500 jobs, or 1.3 percent, in manufacturing jobs compared with a loss of 9,700 manufacturing jobs, or 5.0 percent, during the 12 months ending August 2010. With the exception of the financial activities and government sectors, all other service-providing sectors gained jobs during the 12 months ending August 2011. The education and health services and leisure and hospitality sectors added 13,300 jobs and 10,100 jobs, or 2.7 and 4.6 percent, respectively. Wholesale and retail trade combined added 3,000 jobs, or 1.0 percent. According to IHS Inc., defense industry Goodrich ISR Systems will add 350 employees by 2013 and retail trade grocer Wegmans Food Markets, Inc., will open a new store with 650 employees by 2013. During the 12 months ending August 2011, the average unemployment rate was 7.1 percent, a decrease from the 7.9-percent average rate recorded during the previous 12 months.

Despite continued falling interest rates and a moderately strengthening economy, the number of home sales in the metropolitan area has decreased compared with sales in 2010, resulting in a soft market. According to the Massachusetts Association of REALTORS® (MAR), for the year-to-date period ending August 2011, the number of existing single-family home sales was down 6 percent to 14,530 homes compared with the number sold during the 8 months ending August 2010 for the five Massachusetts counties in the metropolitan area. The median home sales price was \$360,100, down only 1 percent from the \$364,000 median price during the 8-month period a year earlier. The number of days on the market increased by 15 percent, from 89 days to 102 days, and the home sales price, as a percentage of the listing price, declined from 94 to 92 percent. The two North Shore counties of Essex and Middlesex had totals of 2,800 and 5,500 homes sold, down 6 and 5 percent, respectively. The median sales prices for homes in Essex and Middlesex Counties were \$325,000 and \$405,000, down nearly 2 and 1 percent, respectively. Norfolk and Plymouth Counties on Boston's South Shore had sales totals of 3,000 and 2,500 homes, down 6 and 2 percent, respectively. The median sales prices were \$382,300 and \$285,000, down 1 percent and up less than 1 percent, respectively. Suffolk County, 90 percent of which is the city of Boston, reported a total of 740 homes sold, down nearly 12 percent compared with the same period in 2010. The median sales price was \$324,000, down less than 2 percent from 2010. In the New Hampshire portion of the metropolitan area, according to the Northern New England Real Estate Network, Rockingham and Strafford Counties had sales totals of 2,470 and 910 homes, down 5 and 11 percent, respectively, during the 12 months ending August 2011 compared with sales during the previous 12 months. The median sales prices for August 2011 were \$255,000 and \$210,000, down 6 percent and up 1 percent, respectively, from August 2010. According to LPS Applied Analytics, from August 2010 to August 2011, the number of loans that were 90 or more days delinquent, in foreclosure, or in REO (Real Estate Owned) decreased from 5.5 percent to 5.0 percent.

During the 8 months ending August 2011, condominium sales represented about 36 percent of the total number of existing home sales in the Massachusetts portion of the Boston-Cambridge-Quincy metropolitan area. Condominium sales declined 1 percent to 8,030 units; however, the median sales price increased by 3 percent to \$308,400 compared with the same 8 months in 2010. In Essex and Middlesex Counties, the number of condominium sales





was down 13 and 10 percent, respectively, while the median sales price was down 7 percent, to \$192,000, in Essex County but up 4 percent, to \$315,000, in Middlesex County. The South Shore counties of Norfolk and Plymouth had condominium sales of 1,065 and 410 units, down 12 and 14 percent, respectively. Median sales prices were \$299,500 and \$199,450, unchanged and down 8 percent, respectively. In Suffolk County, the total number of condominium sales was down more than 11 percent to 2,585 units sold; however, the median sales price increased 7 percent to \$370,000. In New Hampshire, the number of condominium sales was down 18 percent, to 700 units, in Rockingham County and up 10 percent, to 155 units, in Strafford County. The median sales price in Rockingham County was \$200,000, unchanged from the previous 12 months.

The decreased number of home sales has recently impacted the level of single-family building activity in the Boston-Cambridge-Quincy metropolitan area. Based on preliminary data, during the 12 months ending August 2011, the construction of single-family homes, as measured by the number of building permits issued, decreased by 10 percent, to 3,360 homes, relative to the number of homes permitted during the previous 12 months, but building activity was up 19 percent from the 2,820 homes permitted during the 12 months ending August 2009. In eastern Massachusetts, newly constructed single-family homes start at under \$500,000 and townhomes are available from the mid-\$300,000s. In New Hampshire, new single-family home sales prices start at under \$300,000. Based on preliminary data, during the 12 months ending August 2011, multi-family building activity, as measured by the number of units permitted, decreased by 11 percent, to 2,225 units, from the 2,475 units permitted in the previous 12-month

period. During the peak years of construction (2004 through 2006), the number of permits for single-family homes averaged 7,550 and for multifamily units averaged 8,025.

After several years of limited new additions to the rental housing market, increasing rates of occupancy, and upward pressure on rents, the construction of several new rental projects is under way in the Boston-Cambridge-Quincy metropolitan area. In general, rental market conditions are tight; according to MPF Research, for the third quarter of 2011, the apartment vacancy rate was 3.1 percent (the lowest level of vacancy since the mid-2000s), down from 3.5 percent a year earlier. During the third quarter of 2011, the average effective rent was \$1,606, up more than 3 percent from the previous quarter and up nearly 6 percent from the previous year. With continued weakness in the sales housing market and the strengthening of the metropolitan area economy, conditions have become favorable for the financing and construction of a number of housing projects that were temporarily postponed during the financial crisis of 2007 through 2008. Recently, construction began on three new rental projects in the city of Boston that will add about 800 new units to the market within 2 years. The Kensington is a 27-story tower on Washington Street in the downtown Boston shopping and entertainment district. The \$170 million project will provide 381 market-rate units. Avalon Exeter, in the Prudential Center Complex, will contain 28 stories and include 187 market-rate units. The Victor will add 286 new rental units across from the TD Boston Garden on the edge of the Rose Fitzgerald Kennedy Greenway. Two additional projects are ready to start construction, totaling more than 500 rental units, and other suburban developments are under way in Andover, Cambridge, Cohasset, Melrose, Somerville, and Weymouth.