

# The Greater Boston Housing Report Card 2015

## The Housing Cost Conundrum

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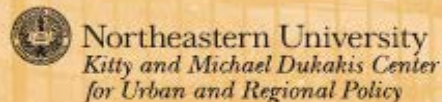
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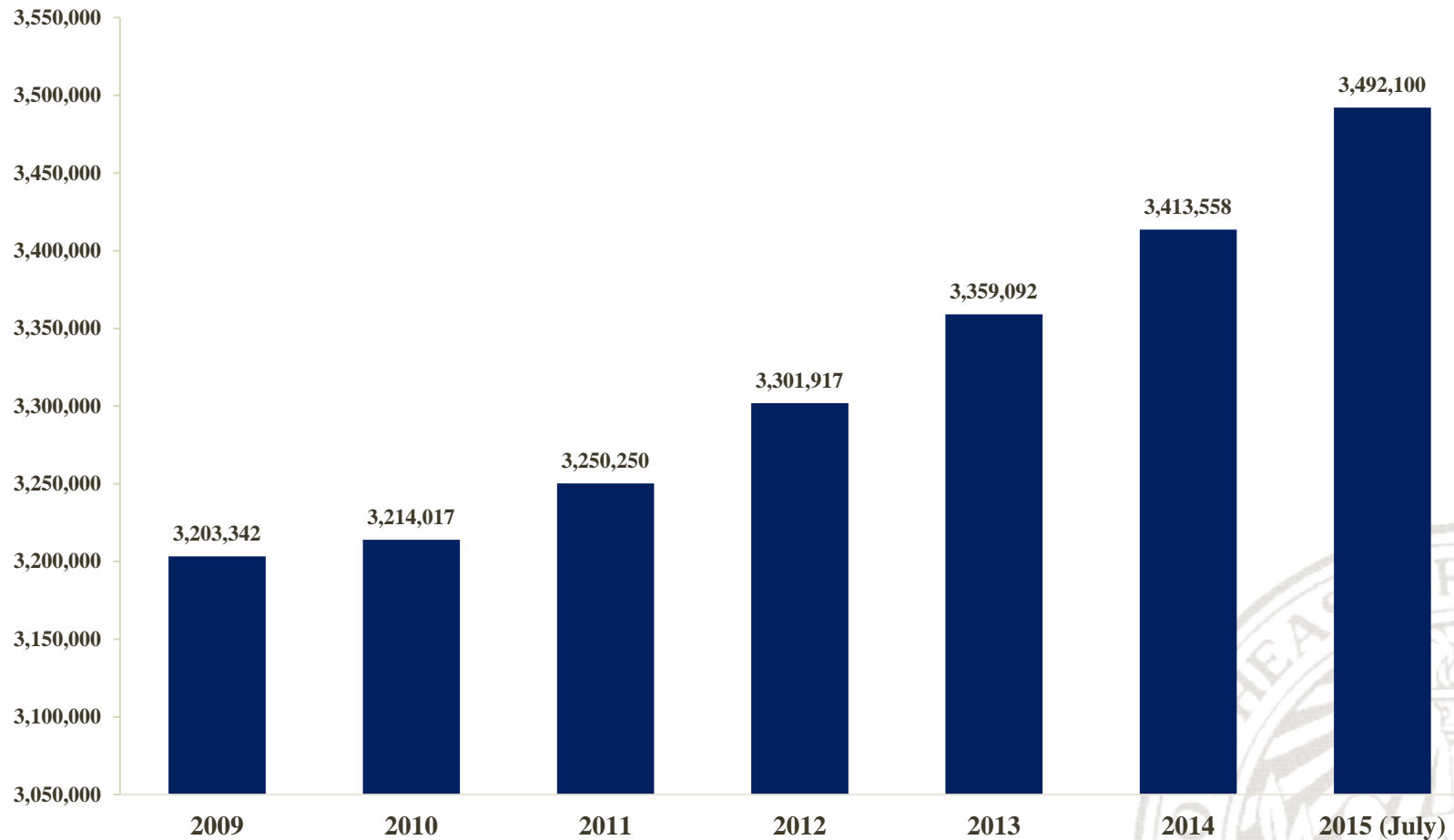


November 2015

# The Commonwealth: A Strong Economy

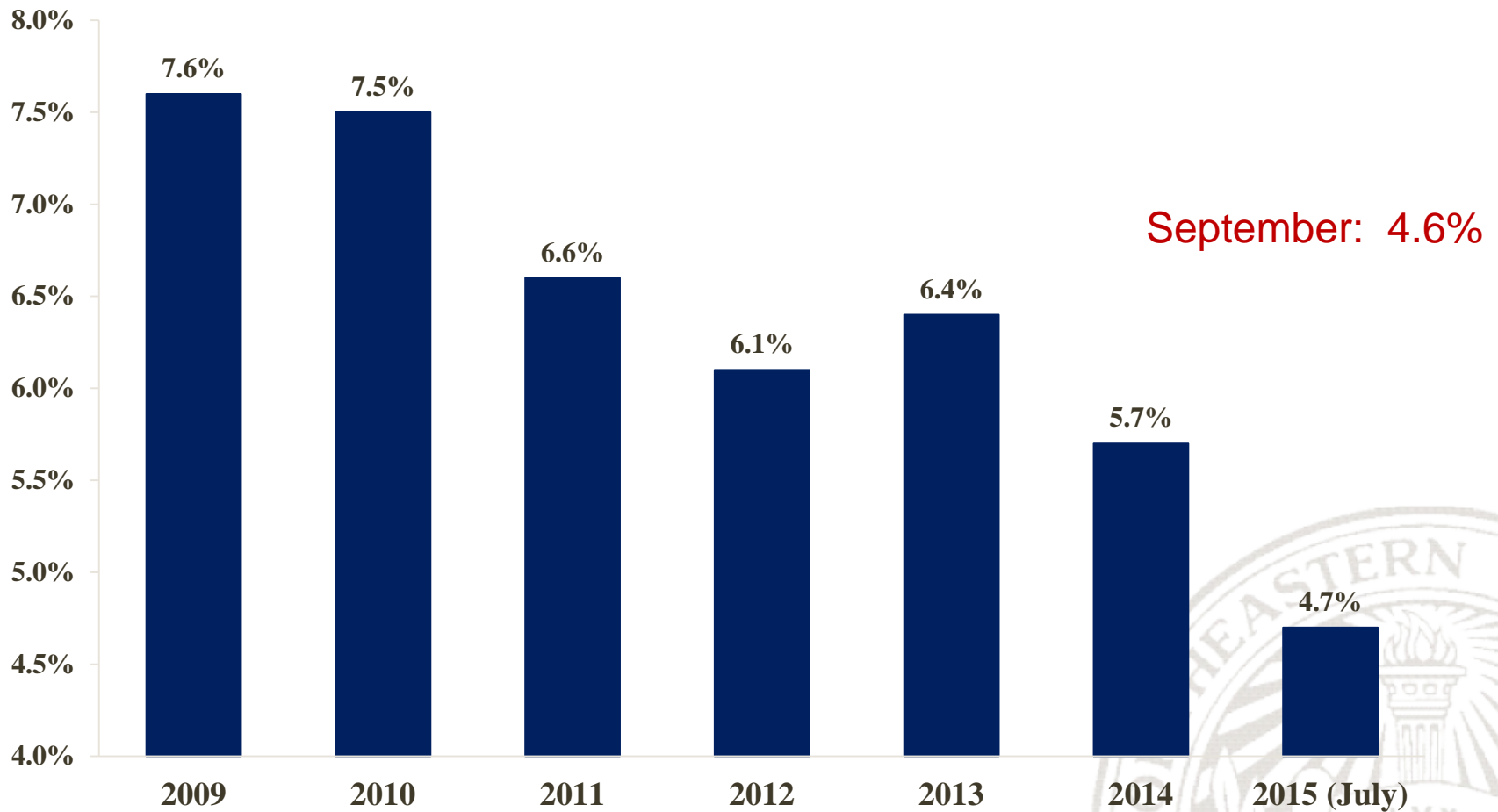


# Total Non-Farm Employment Seasonally-Adjusted Massachusetts 2009-2015 (July)



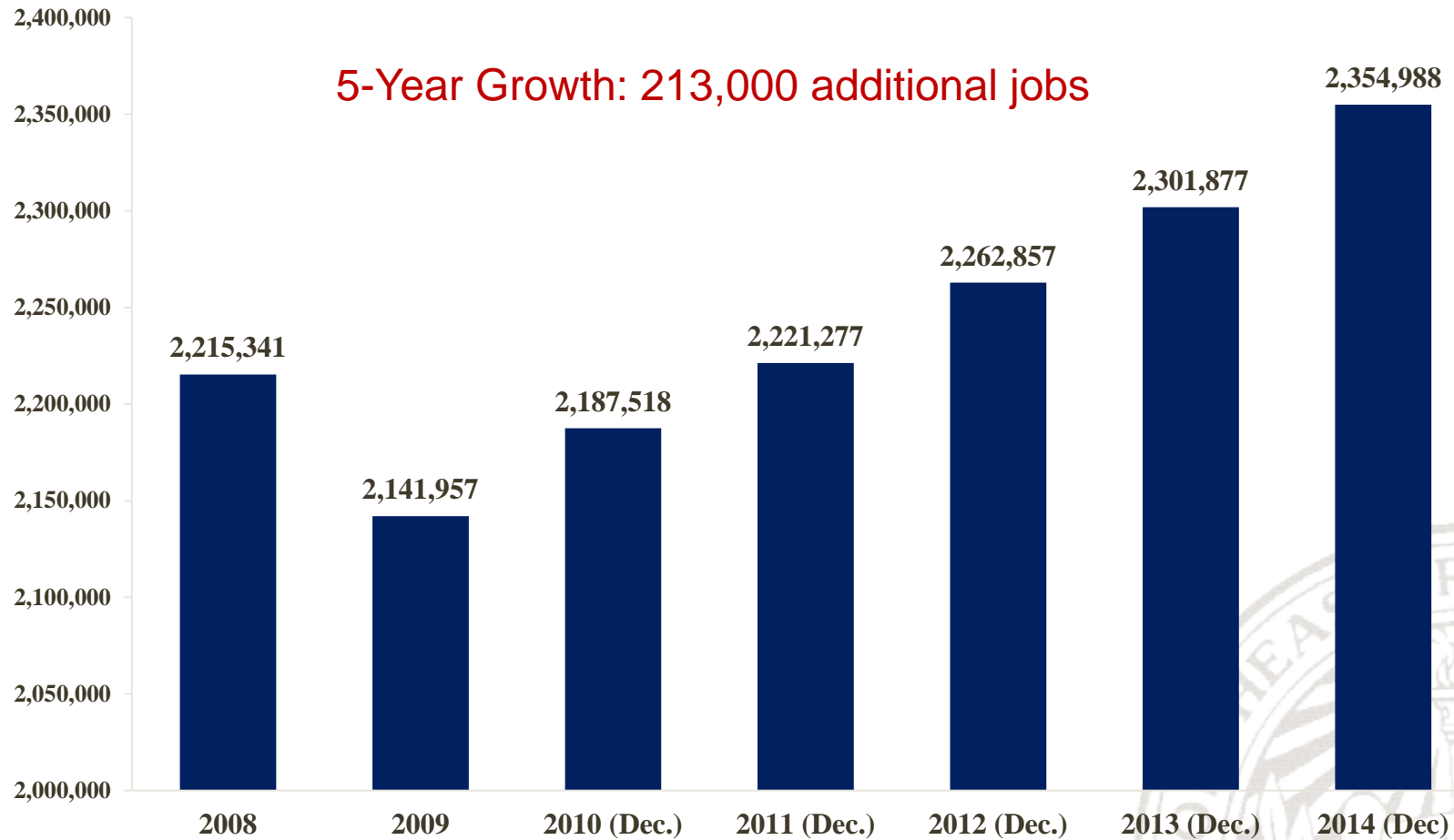
Source: Bureau of Labor Statistics

# Massachusetts Civilian Unemployment Rate 2009-2015



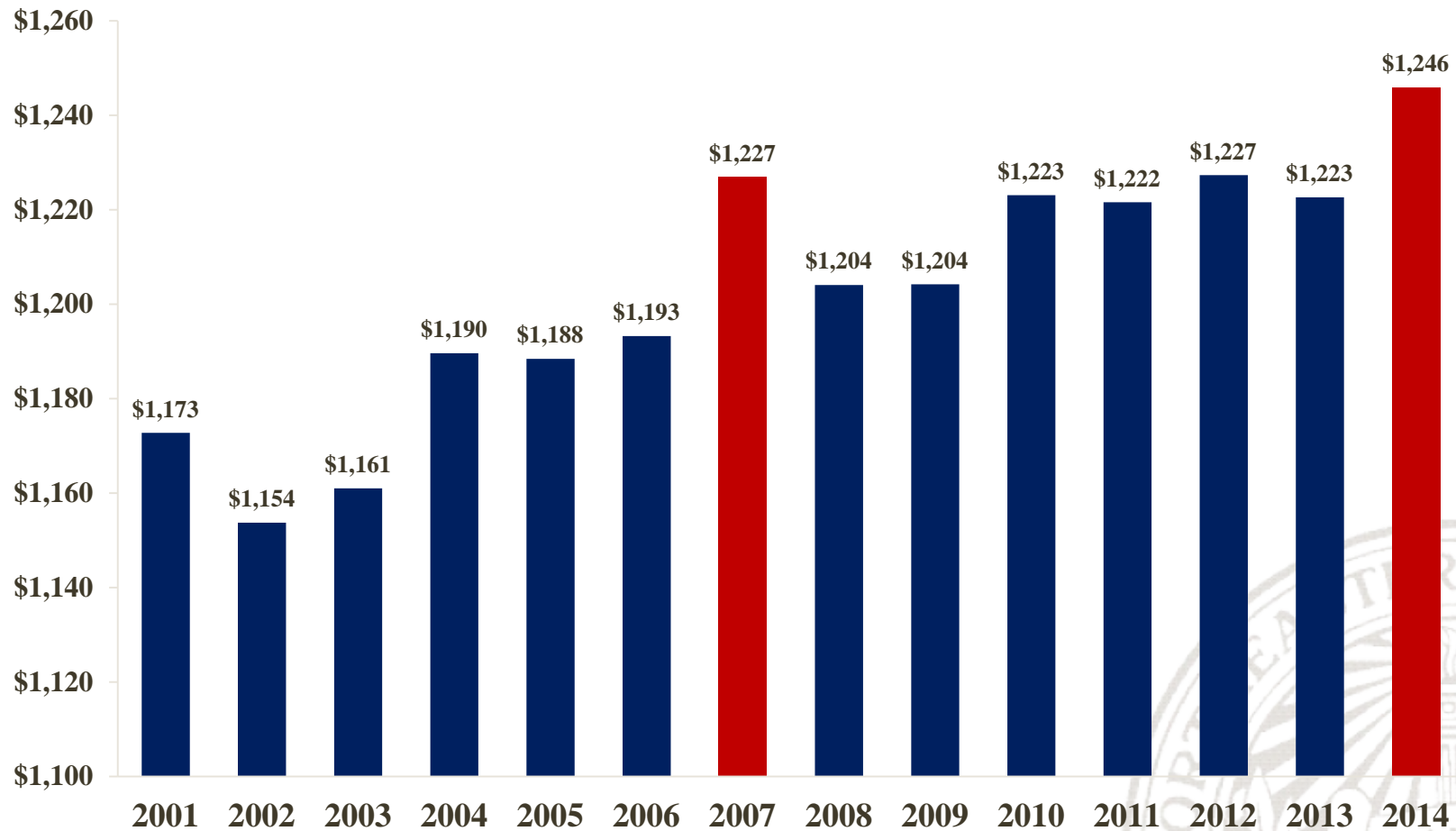
Source: Bureau of Labor Statistics

# Five County Greater Boston Total Non-Farm Employment 2008-2014 (December)



Source: Bureau of Labor Statistics

# Real Average Weekly Wage – Private Industry – Massachusetts 2001-2014 (Real 2014 \$)



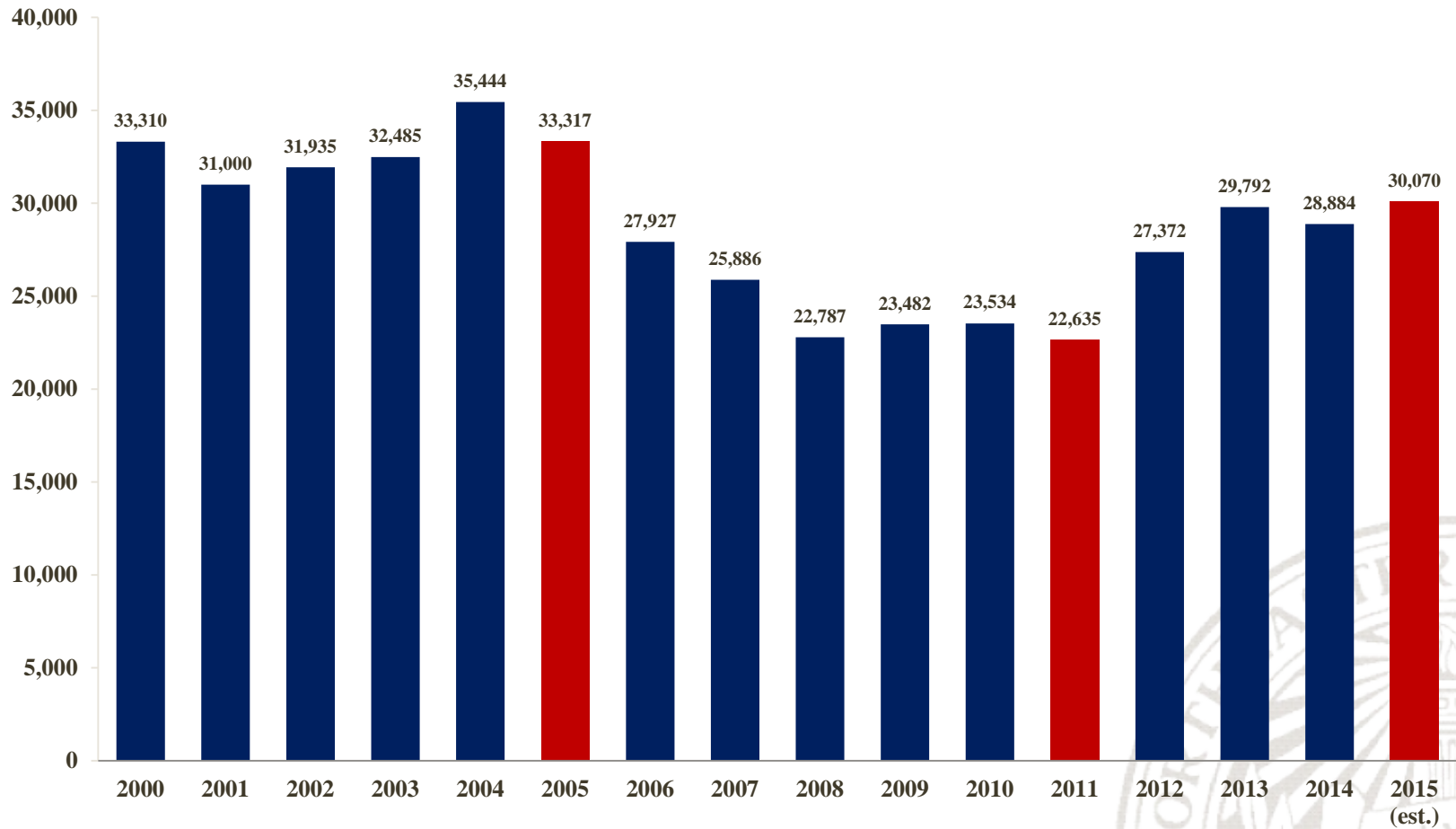
Source: Massachusetts Department of Labor – ES202 Data

# Homes Sales in Greater Boston relatively stable

Sales in rest of state growing faster according to latest Warren Group estimates



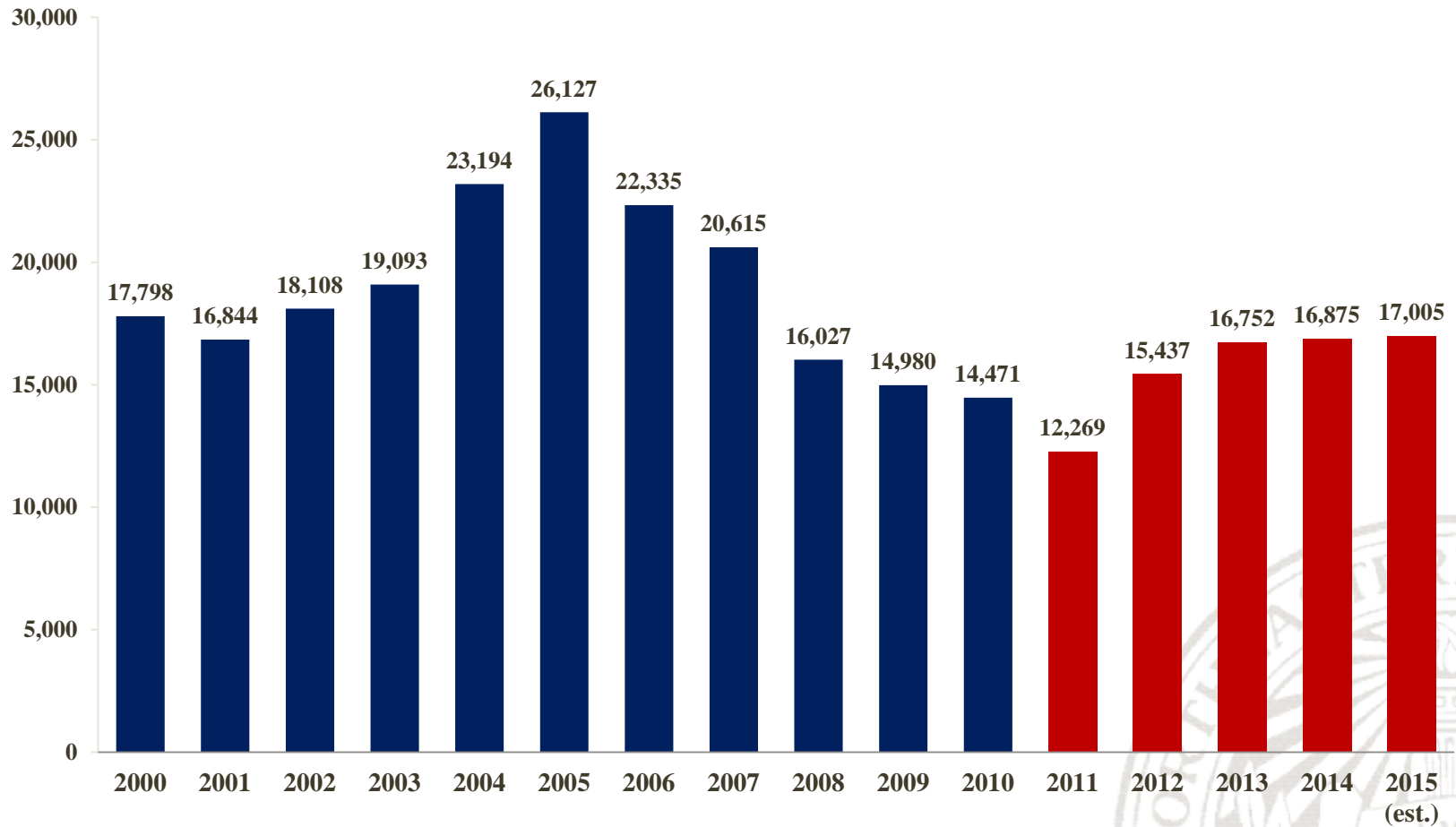
# Annual Number of Sales of Single-Family Homes in Five-County Greater Boston Region, 2000-2015



Source: The Warren Group



# Annual Number of Sales of Condominiums in Five-County Greater Boston Region, 2000-2015

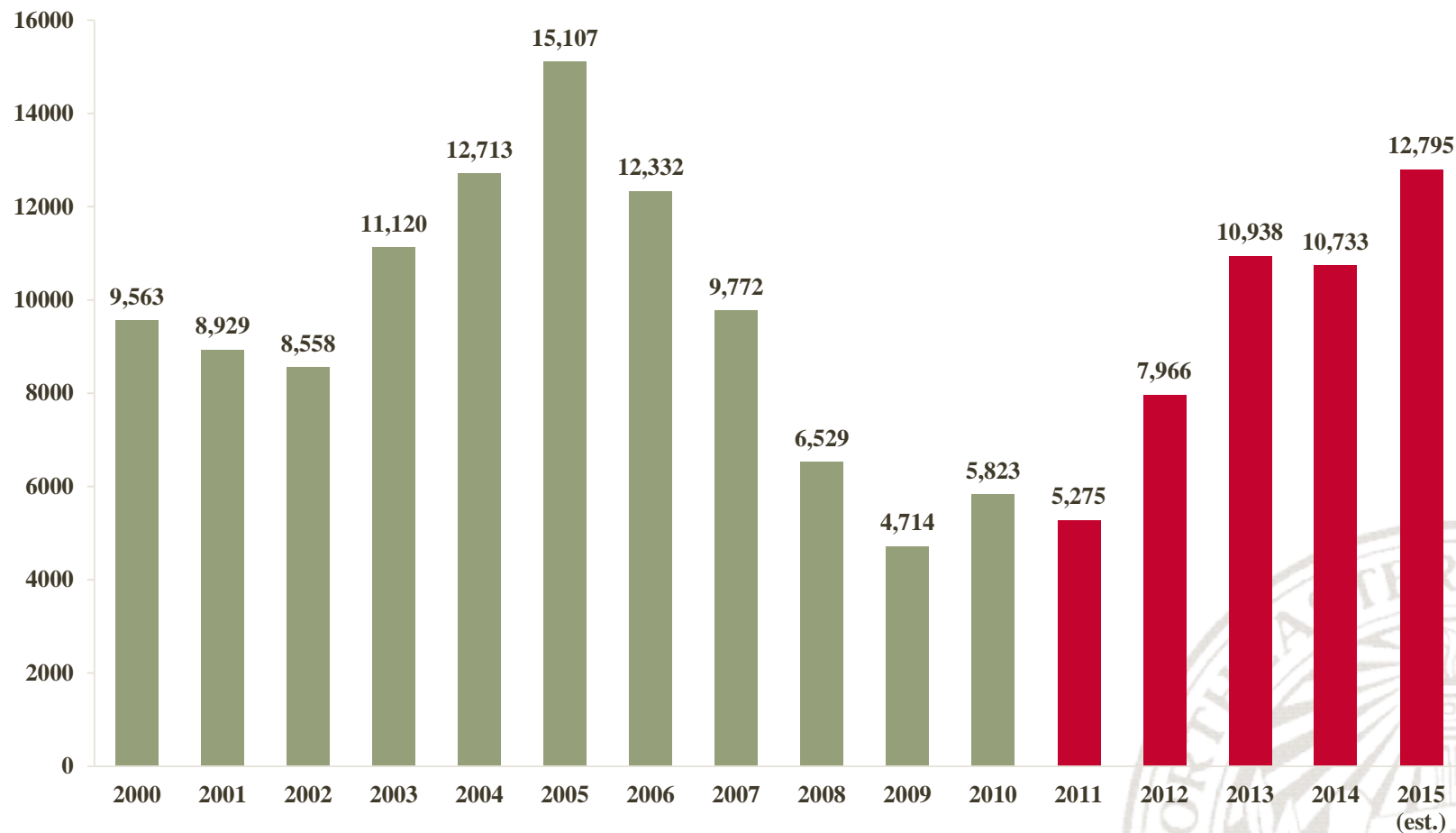


Source: The Warren Group

# Some Good News on the New Housing Pipeline



# Total Housing Permits Issued in 5-County Greater Boston Region 2000-2015



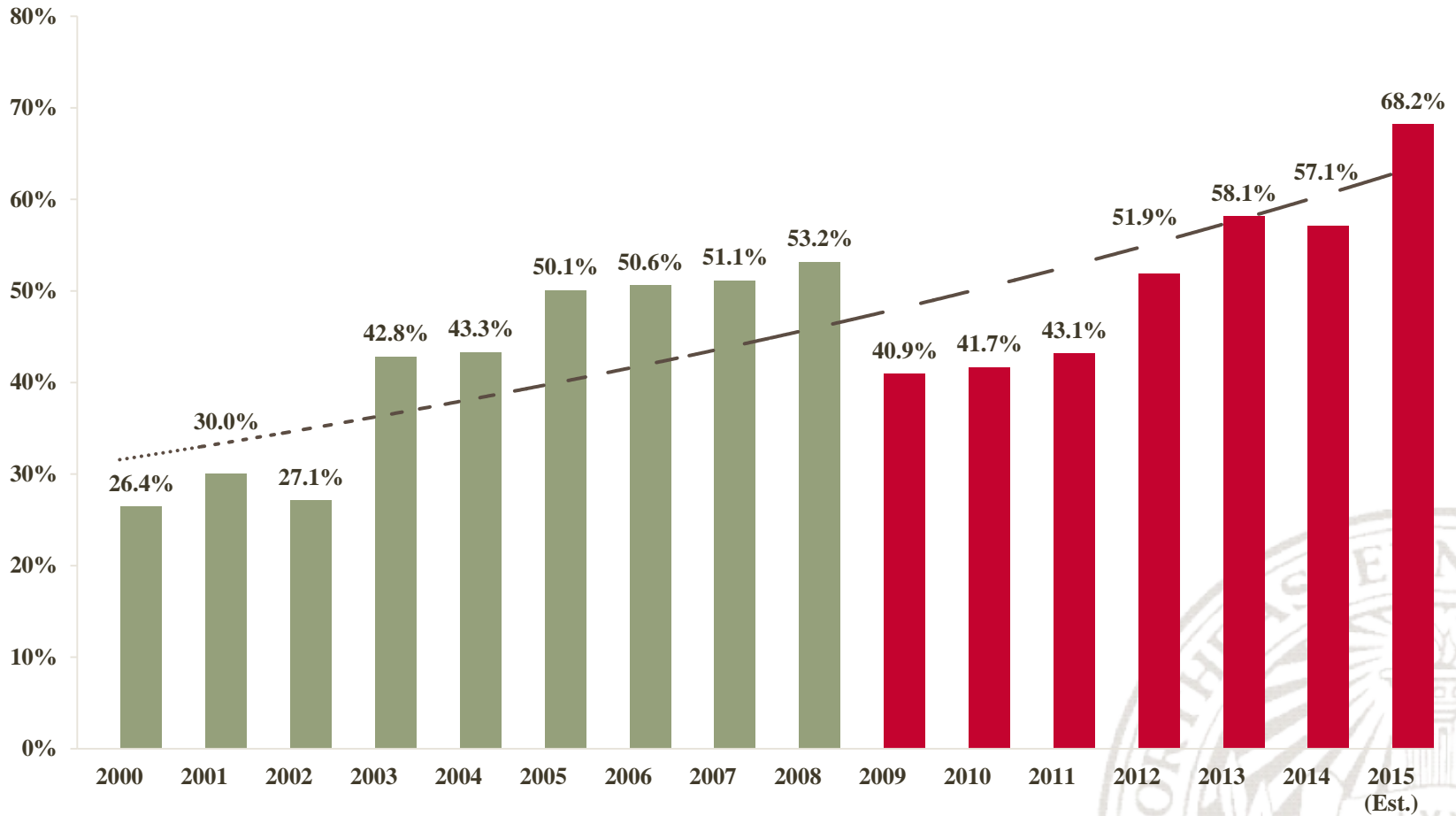
Source: U.S. Census Building Permit Survey for Essex, Middlesex, Norfolk, Plymouth, and Suffolk Counties

# Number of Housing Unit Permits in Five-County Greater Boston Region, by Structure Type, 2000-2015



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

# 5+ Unit Housing Permits as a Percent of All Housing Permits in Greater Boston, 2000-2015

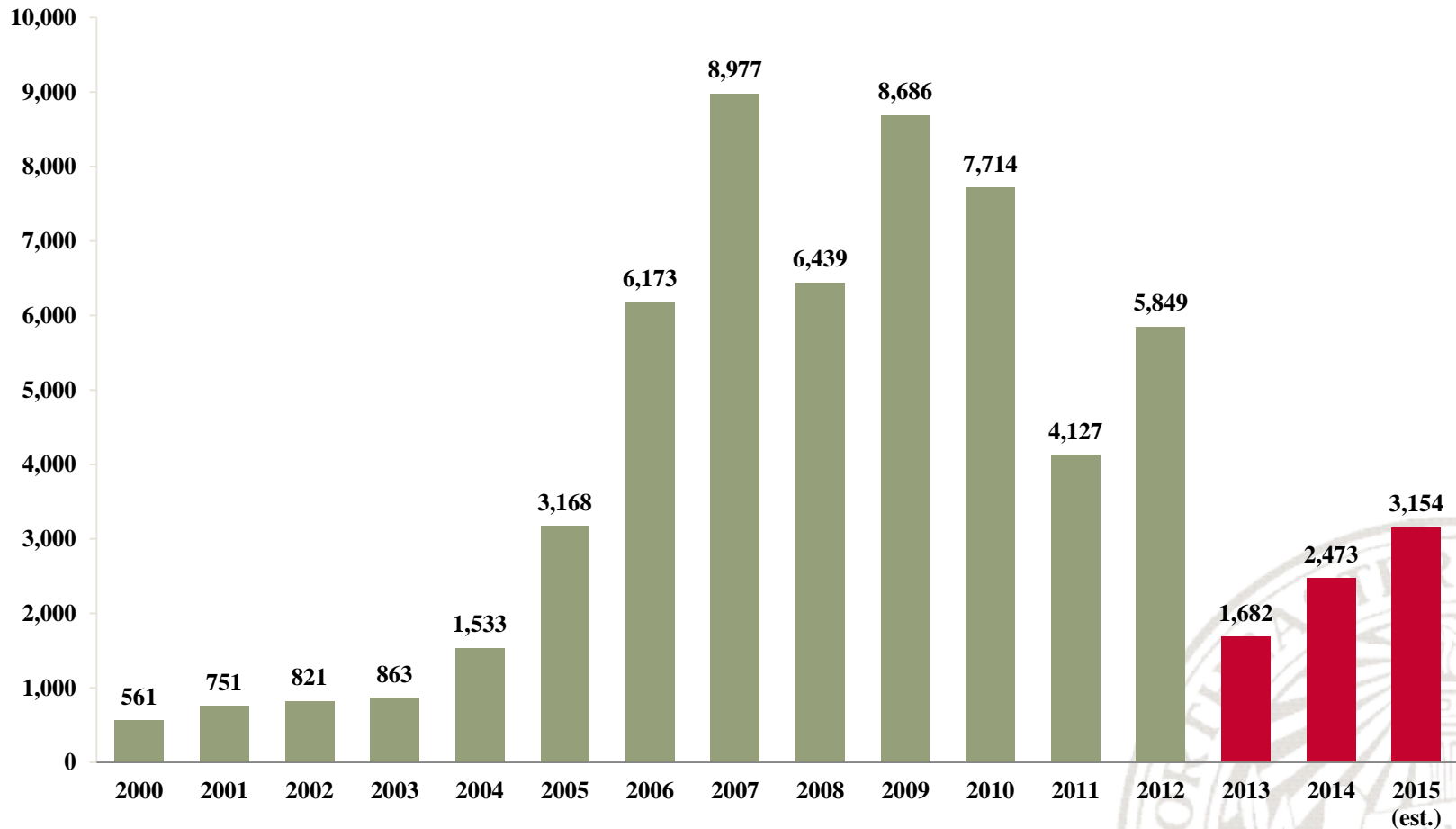


Source: U.S. Census Building Permit Survey for Essex, Middlesex, Norfolk, Plymouth, and Suffolk Counties

# But Foreclosures on the Rise Again

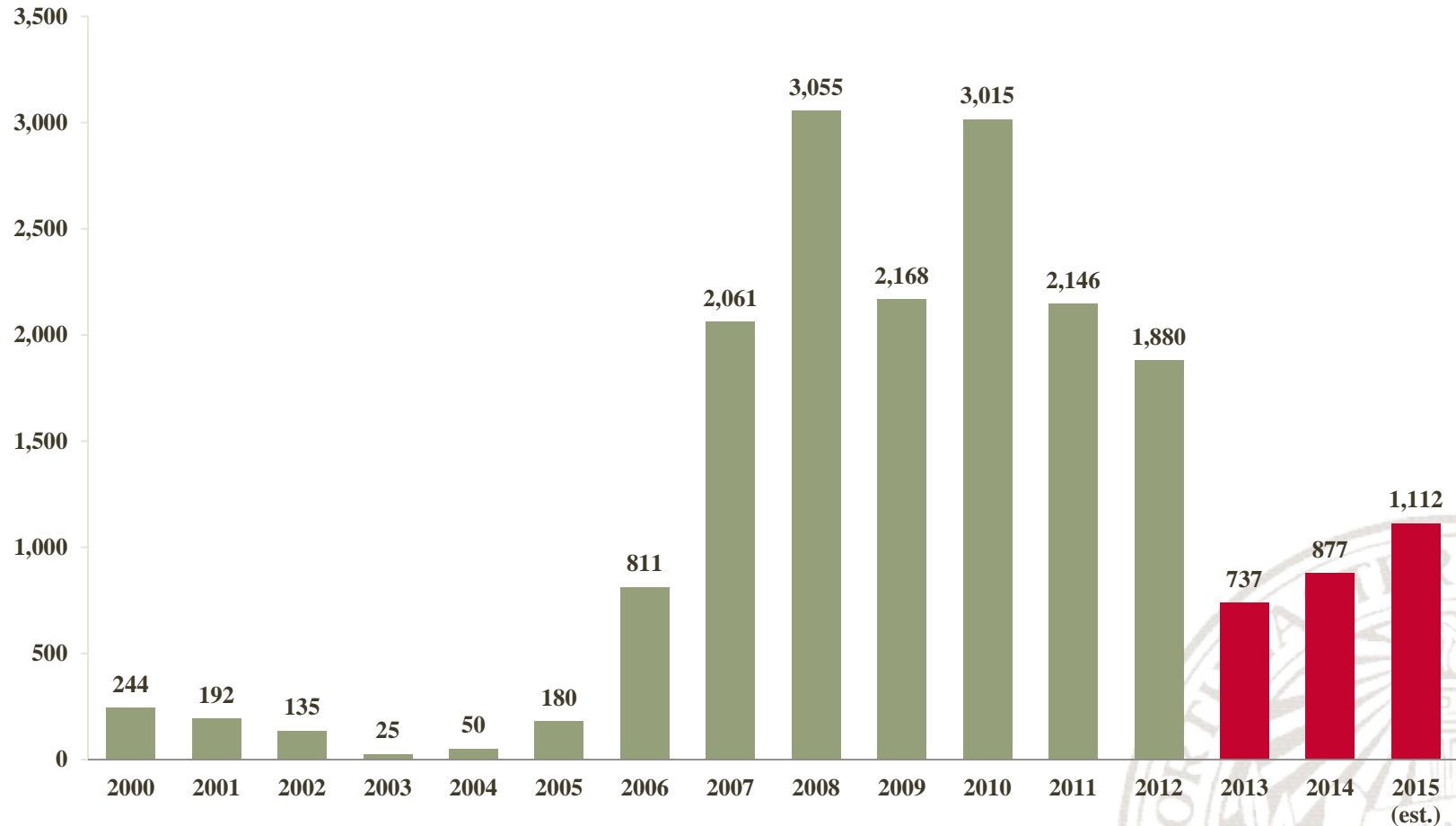


# Annual Number of Foreclosure Petitions in Single-Family Homes in Five-County Greater Boston Region, 2000-2015



Source: The Warren Group

# Annual Number of Foreclosure Deeds in Single-Family Homes in Five-County Greater Boston Region, 2000-2015



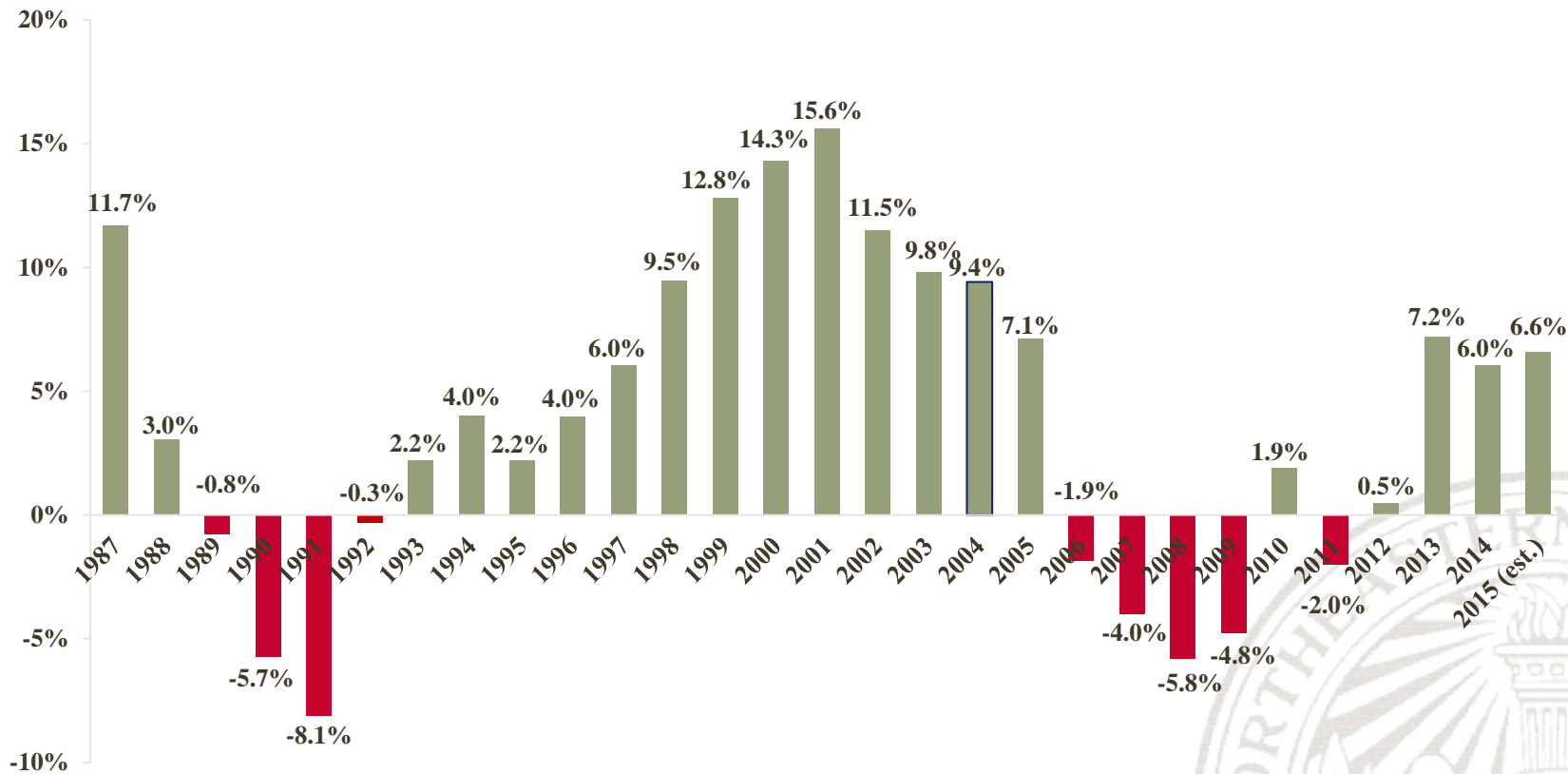
Source: The Warren Group



# Home Prices Continue to Rise

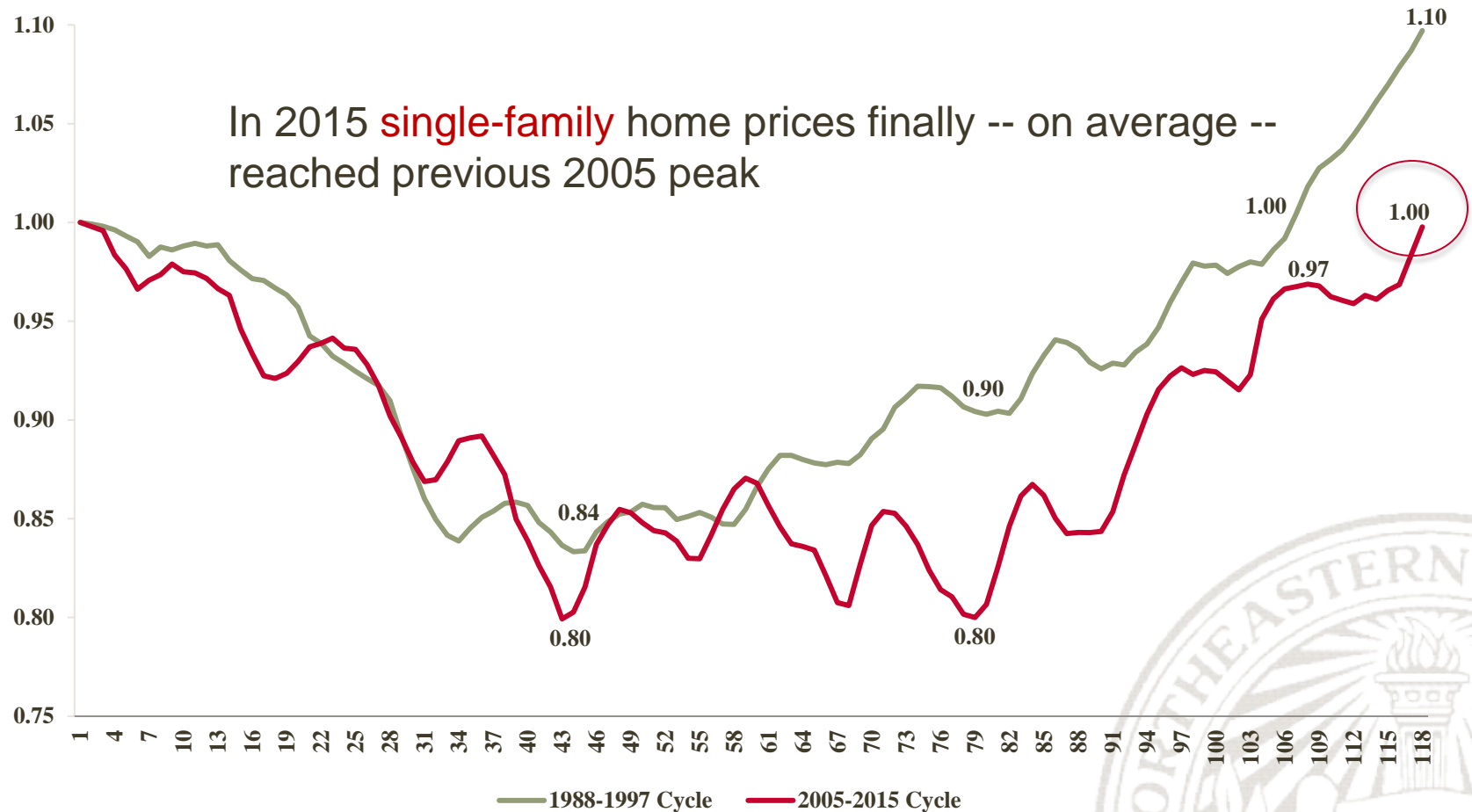


# Annual Percent Change in Case-Shiller Single-Family House Price Index, Greater Boston Metropolitan Area, 1987-2015 (Est.)



Source: Case-Shiller Home Price Index

## Greater Boston Housing Cycles, 1988-1997 vs. 2005-2015 Case-Shiller Single-Family Home Price Index Months Since Beginning of Price Decline



Source: Case-Shiller Home Price Index

# But vast differences depending on where you live

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## Percent Change in Single Family Sales Price 2005-2015

- Cambridge +101.2%
- Boston + 73.3%
- Brookline + 51.8%
- Newton + 47.4%
- Somerville + 34.7%
- Lexington + 32.3%
- Concord + 26.9%
- Watertown + 24.4%



# But vast differences depending on where you live

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## Percent Change in Single Family Sales Price 2005-2015

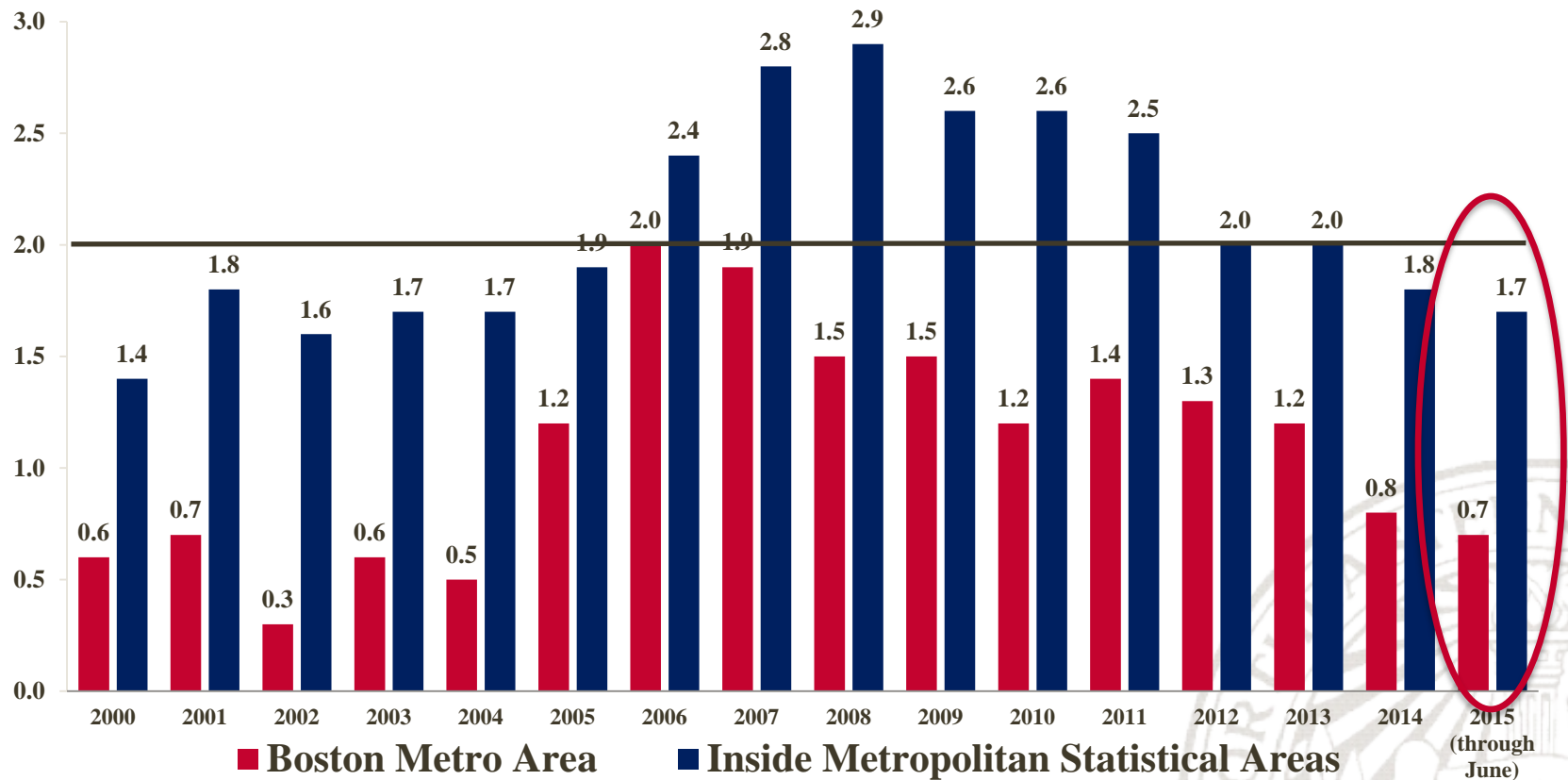
- Randolph - 24.3%
- Lawrence - 21.2%
- Lowell - 16.5%
- Haverhill - 15.9%
- Revere - 14.7%
- East Bridgewater - 14.2%
- Everett - 12.3%
- Lynn - 12.1%



# Low Vacancy Rates pushing up Prices

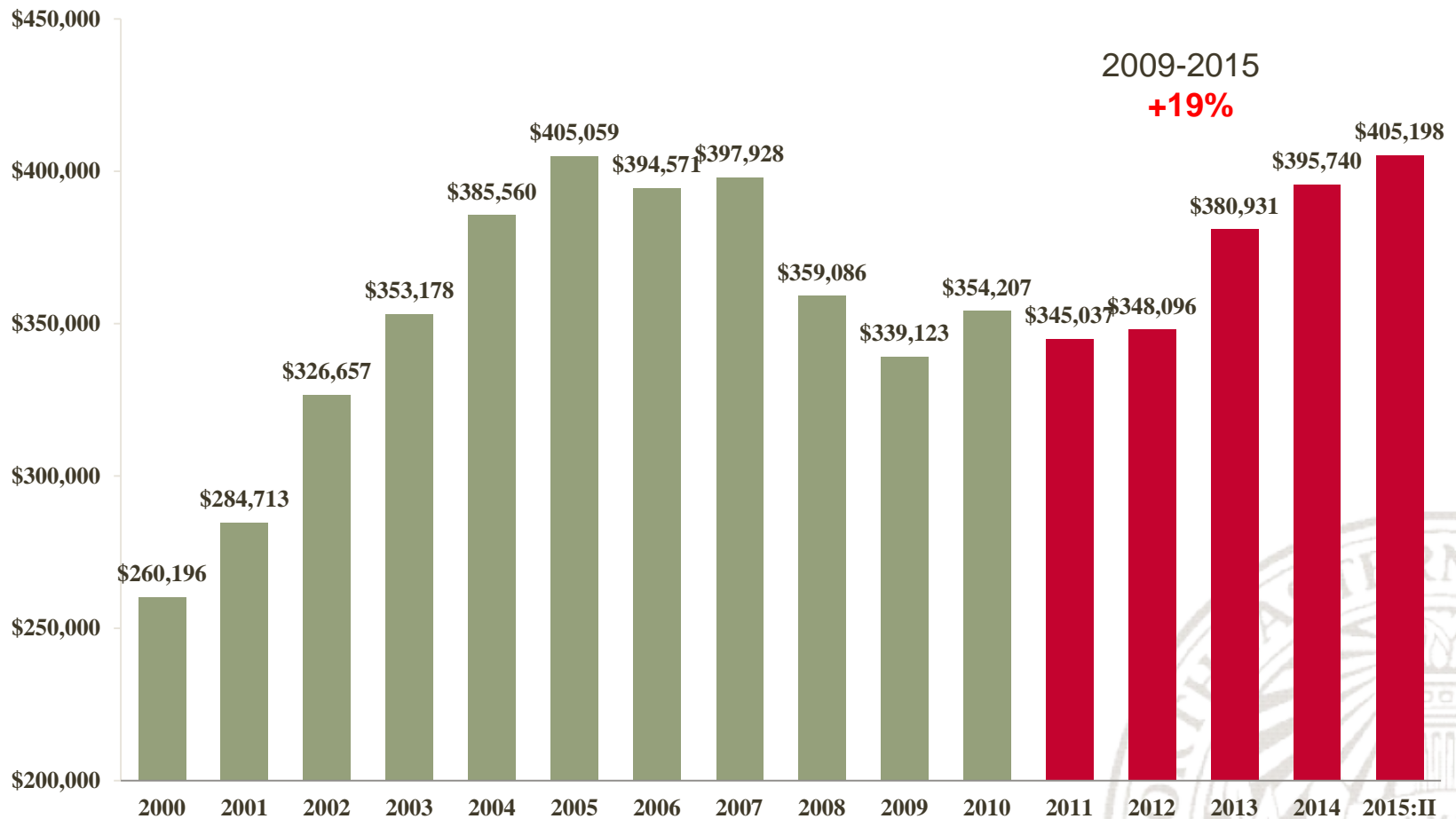


# Homeowner Vacancy Rates, Greater Boston vs. U.S. Metro Areas, 1990-2015



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

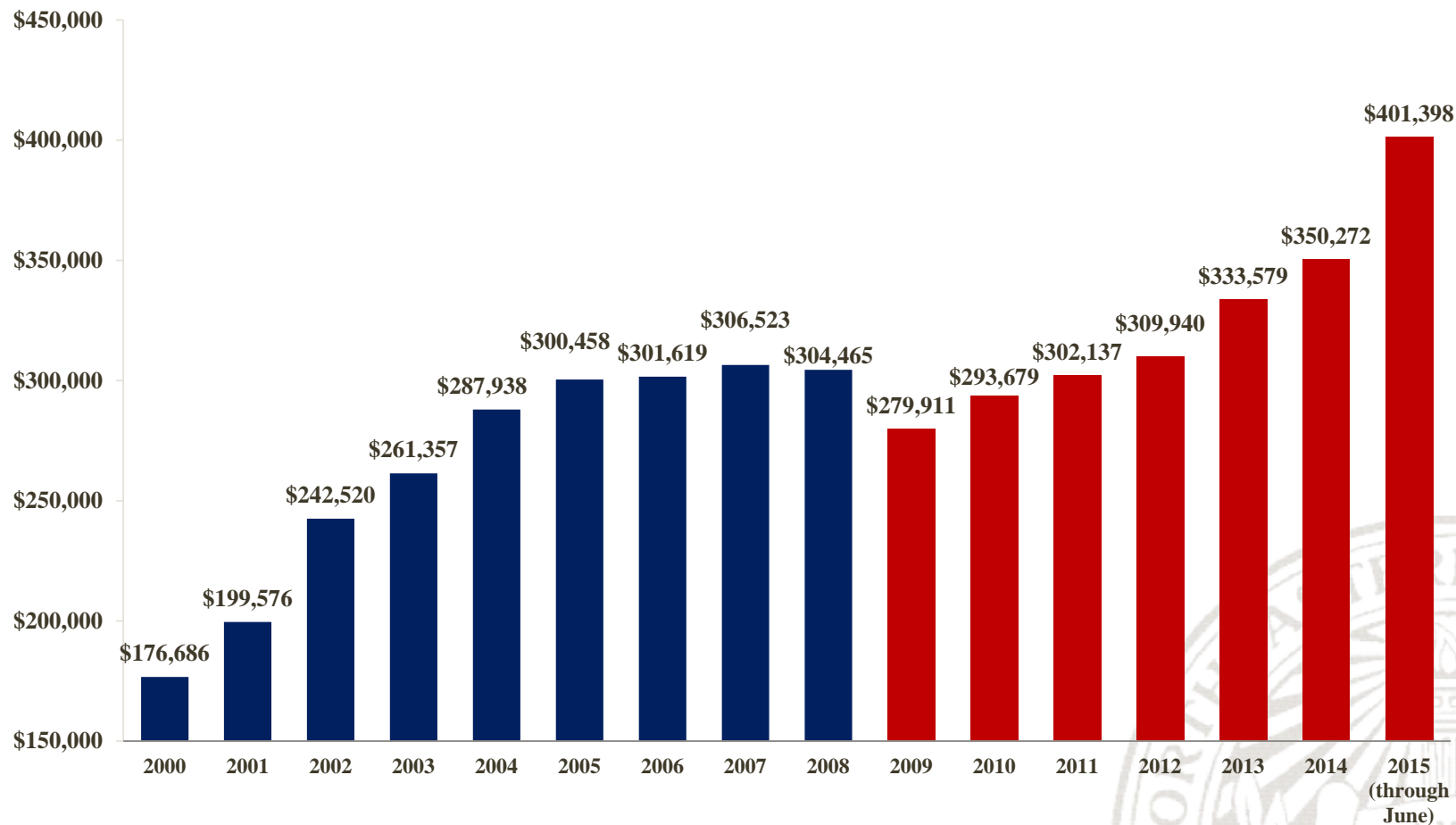
# Annual Median Price of Single-Family Homes in Five-County Greater Boston Region, 2000-2013



Source: The Warren Group

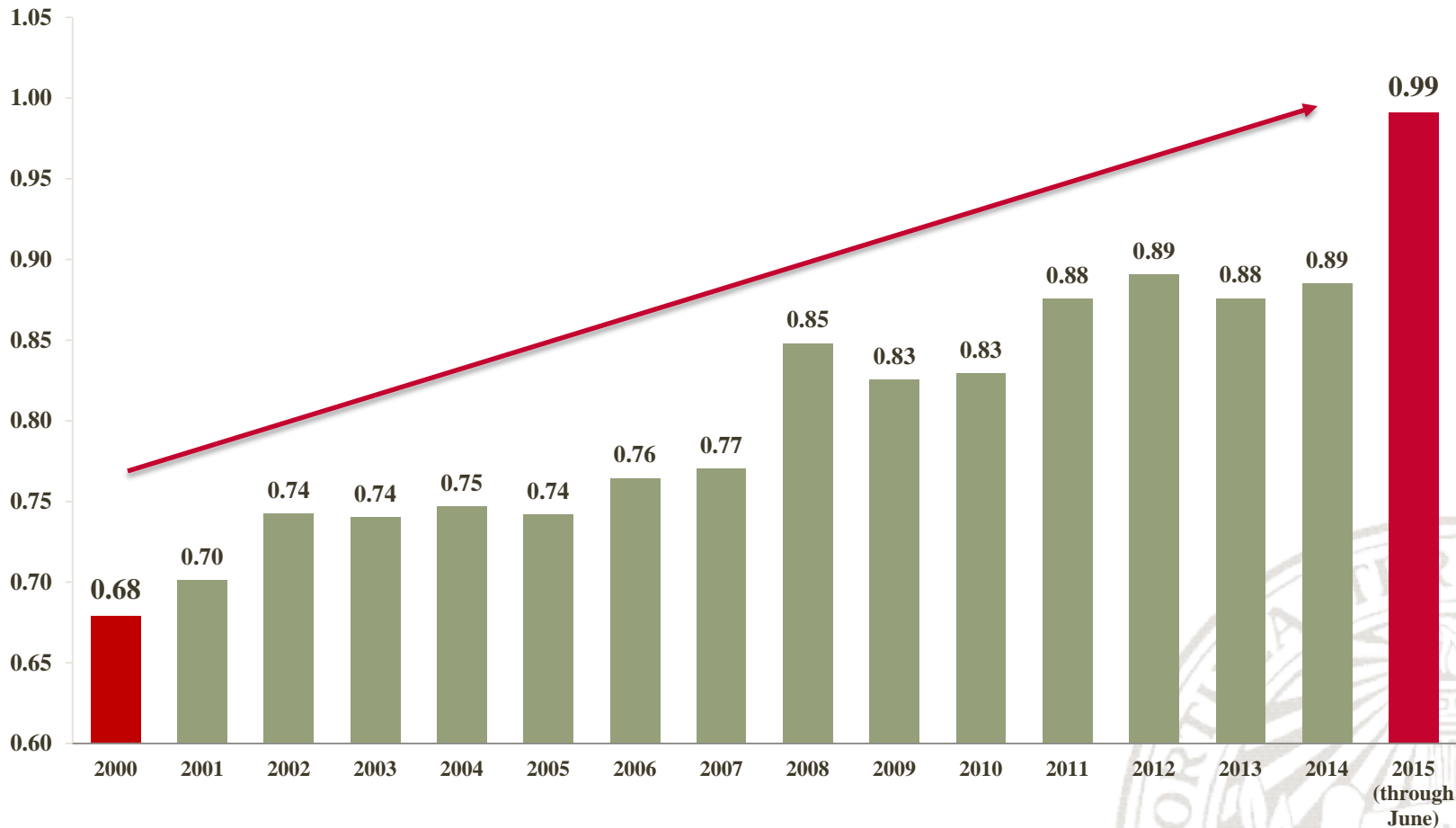


# Annual Median Price of Condominiums in Five-County Greater Boston Region, 2000-2013



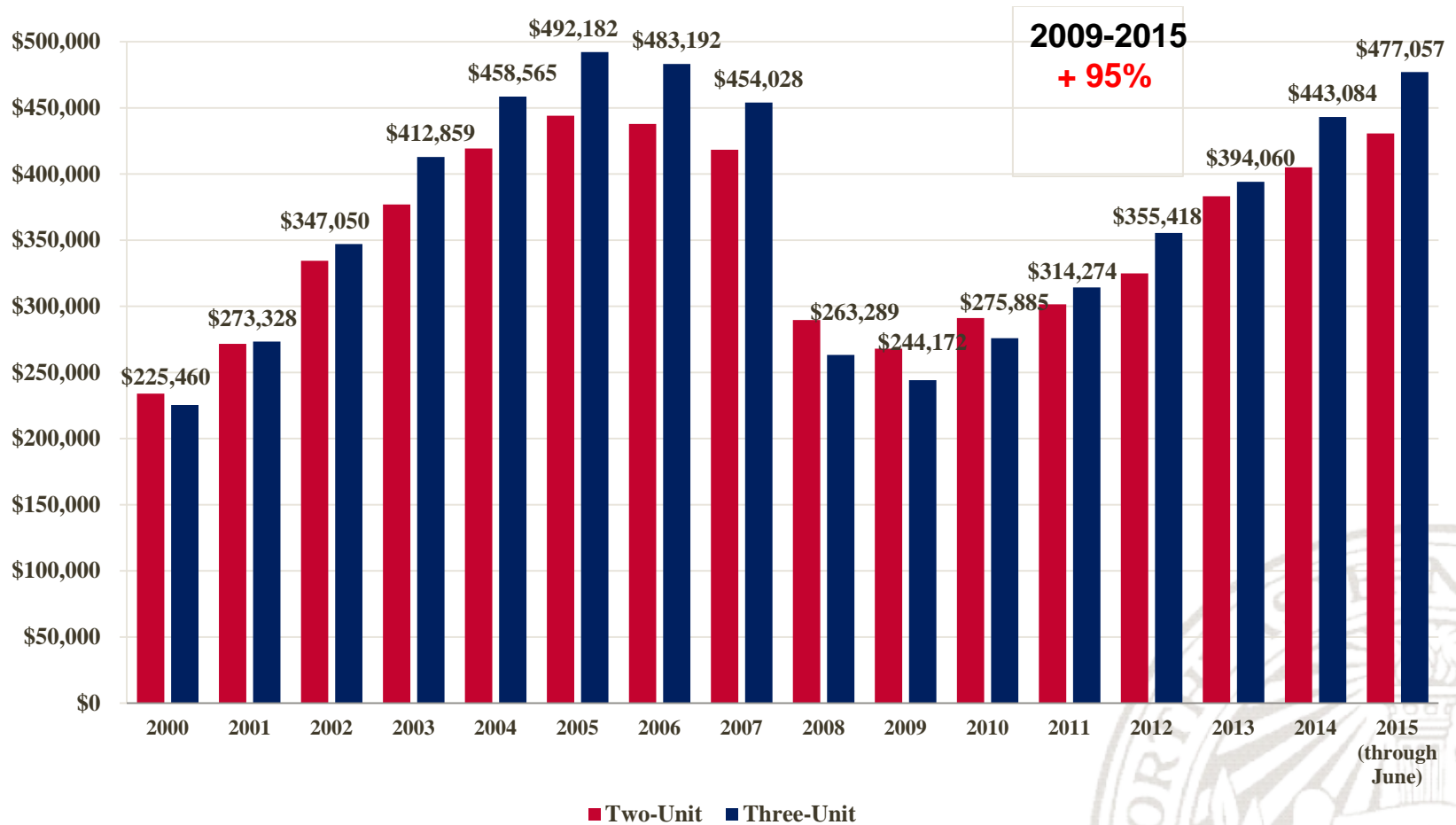
Source: The Warren Group

# Ratio of Condominiums to Single-Family Home Prices in Five-County Greater Boston Region, 2000-2013



Source: The Warren Group

# Annual Median Price of Homes in Two-Unit and Three-Unit Structures in Five-County Greater Boston Region, 2000-2015

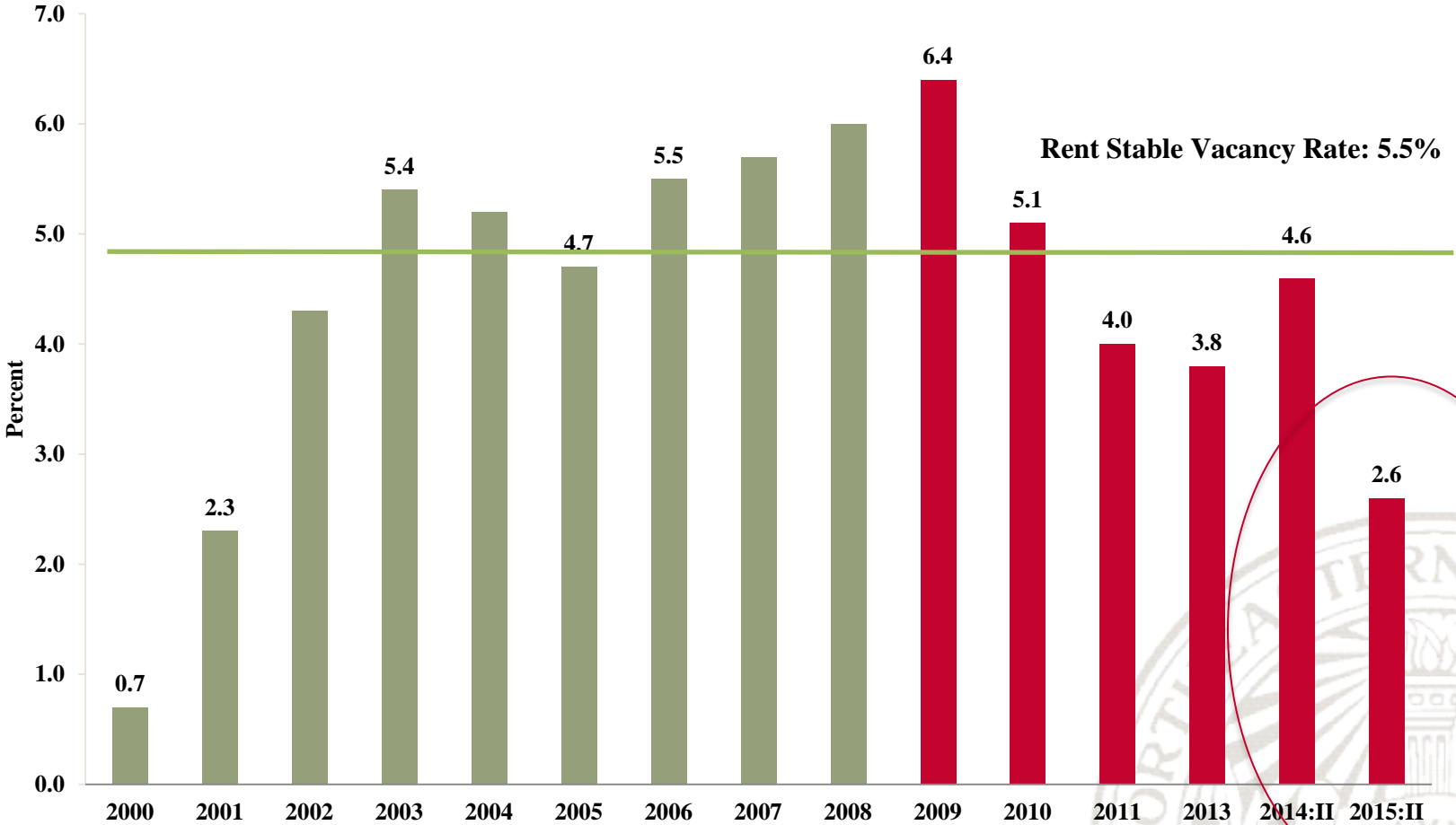


Source: The Warren Group

# Rents continuing to soar

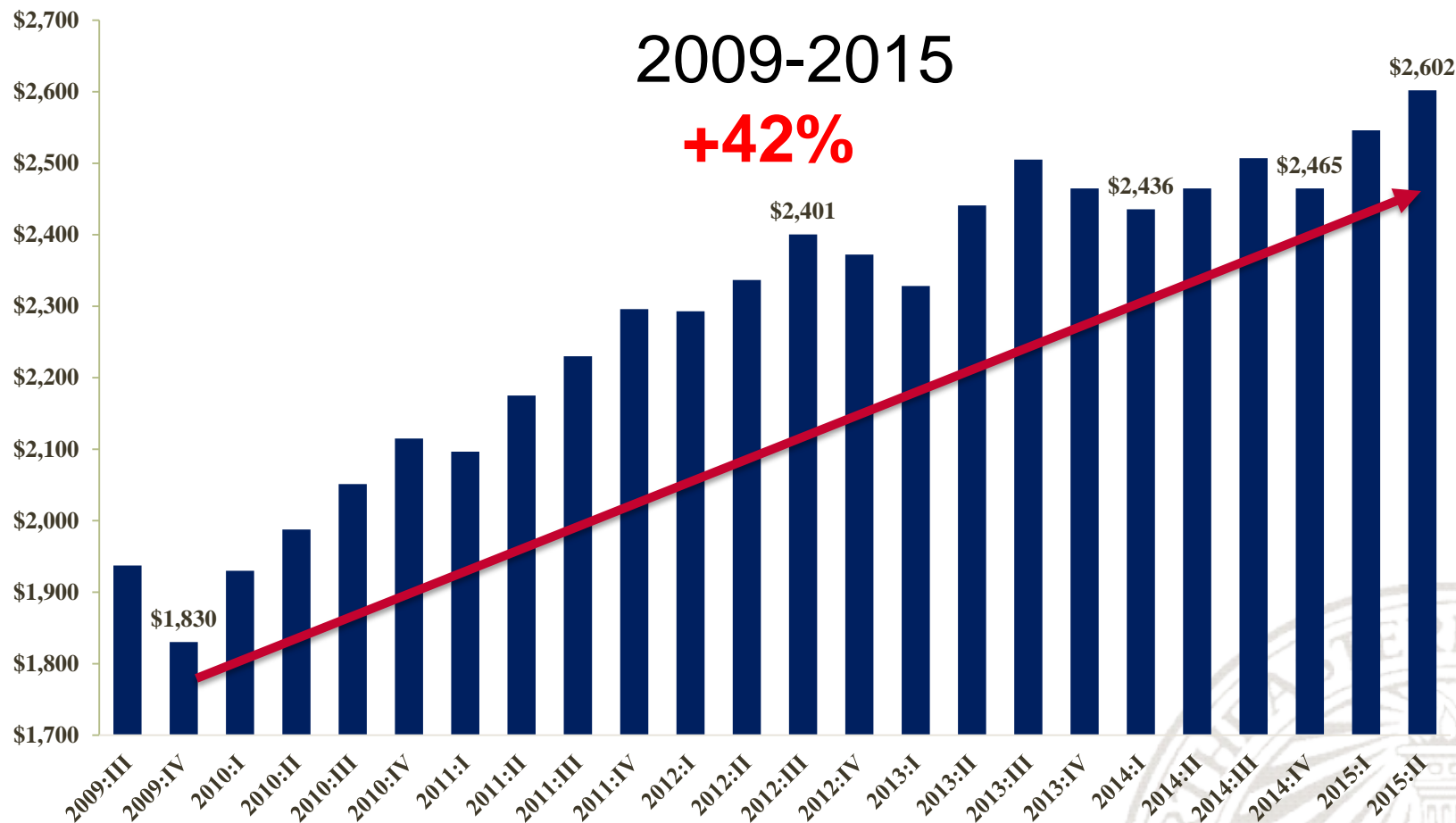


# Greater Metro Boston Rental Vacancy Rate, 2000-2015 Q:I



Source: U.S. Housing Vacancy Survey Historical Data

# Monthly Rent for Boston Area Apartments, 2 Bedroom Units, 2009 Q:III - 2015 Q:II



Source: Rental Jungle

**With Prices & Rents Rising ...  
Why doesn't Supply catch up with  
Demand?**

The \$64,000 Question ...



# With Prices & Rents Rising ... Why doesn't Supply catch up with Demand

With a \$640,000 Answer!

For a 2,300 sq.ft home





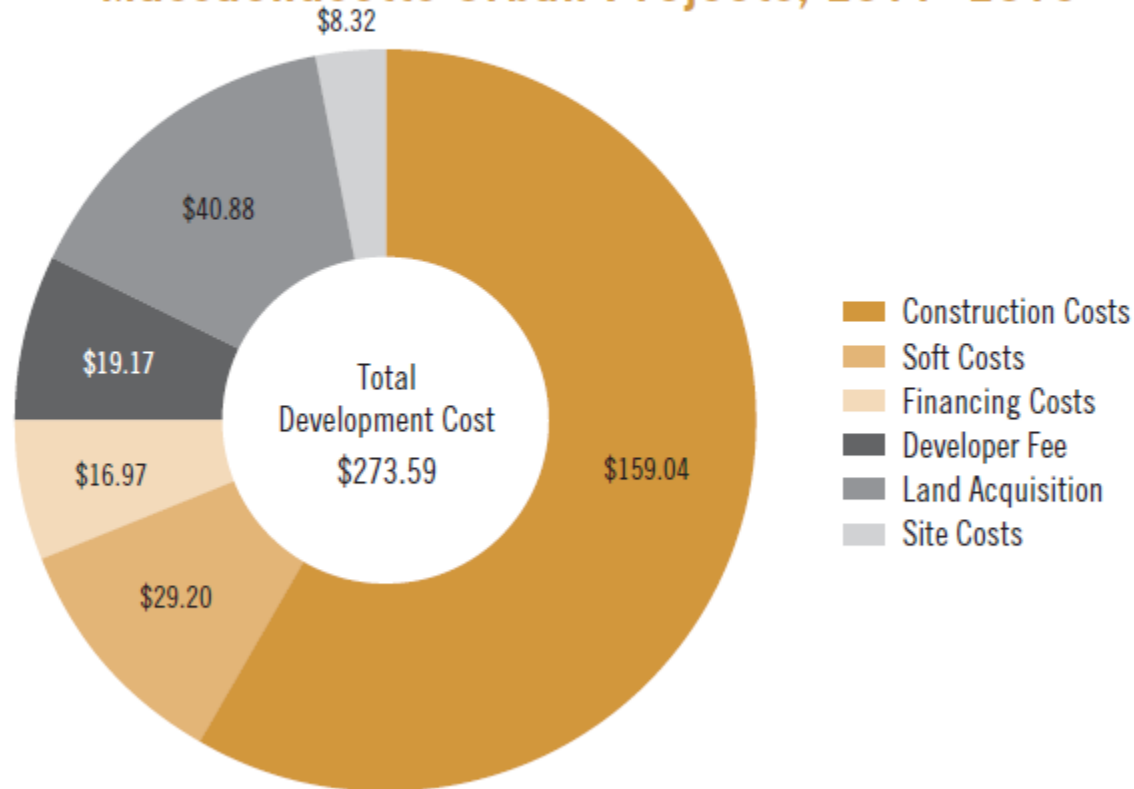
# Cost of Housing Development

A brand new analysis of the cost of  
building Housing -  
Stick Built on Platform

115 Housing Developments



# Total Housing Development Costs Per Square Foot by Cost Component, Massachusetts Urban Projects, 2011–2015



Source: Dukakis Center Housing Cost Analysis



# For a 1,200 Square Foot Urban Project with 30 units – Per Unit Costs

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- Construction Costs \$190,000
- Land Acquisition \$ 49,000
- “Soft” Costs \$ 35,000
- Development Fees \$ 23,000
- Financing Costs \$ 20,000
- Site Preparation \$ 10,000
  
- **TOTAL COSTS \$327,000**



# Ted William's House

39 Foster St. - Allston-Brighton



# Ted William's House – 1940's

**39 Foster St. - Allston-Brighton**



3,721 Square Ft with 2 bedrooms  
& a single bath on each floor



# Ted William's House

39 Foster St. - Allston-Brighton



Cost to Develop Today

**\$1,018,000**



# Ted William's House

**39 Foster St. - Allston-Brighton**



As is, a single unit in Ted Williams's old house is now renting for \$2,166 per month—a whopping 62 percent of the median Boston *renter* household's annual income of roughly \$42,000 a year! The building itself sold for \$1.15 million in January 2015.

# Buying a new 1,600 Square Foot Unit in a small development

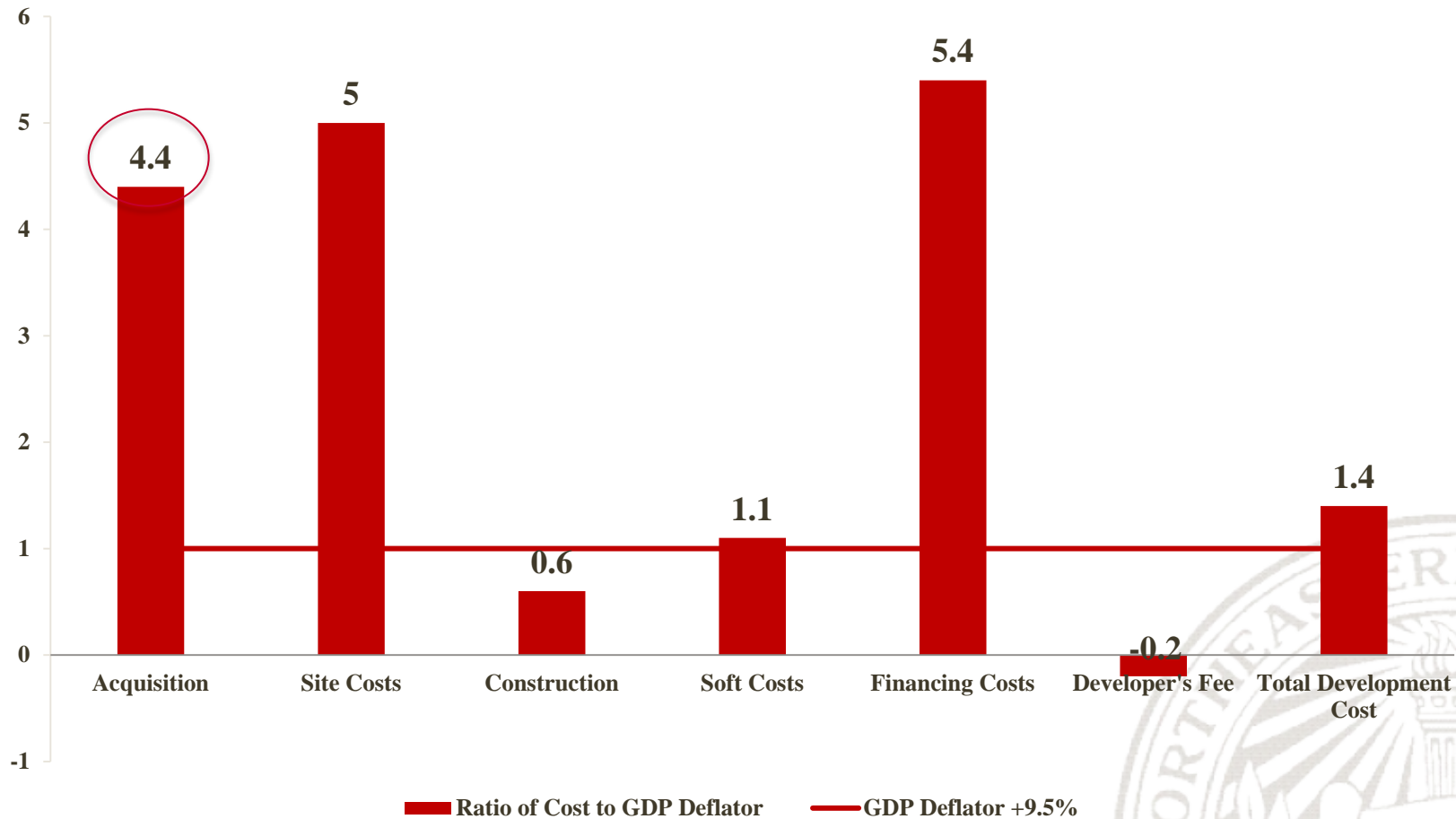
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A brand new unit of 1,600 square feet in a small development would be even more expensive to rent. To cover the cost of the mortgage and principal, interest, taxes and operating costs, the monthly rent would be more like \$3,215 in Boston—or 52 percent of the gross income of the median-income household.<sup>7</sup>

This total is made up of \$2,675 per month to cover the landlord's mortgage including principal, interest, and taxes along with \$540 in operating expenses for utilities, insurance, and maintenance.

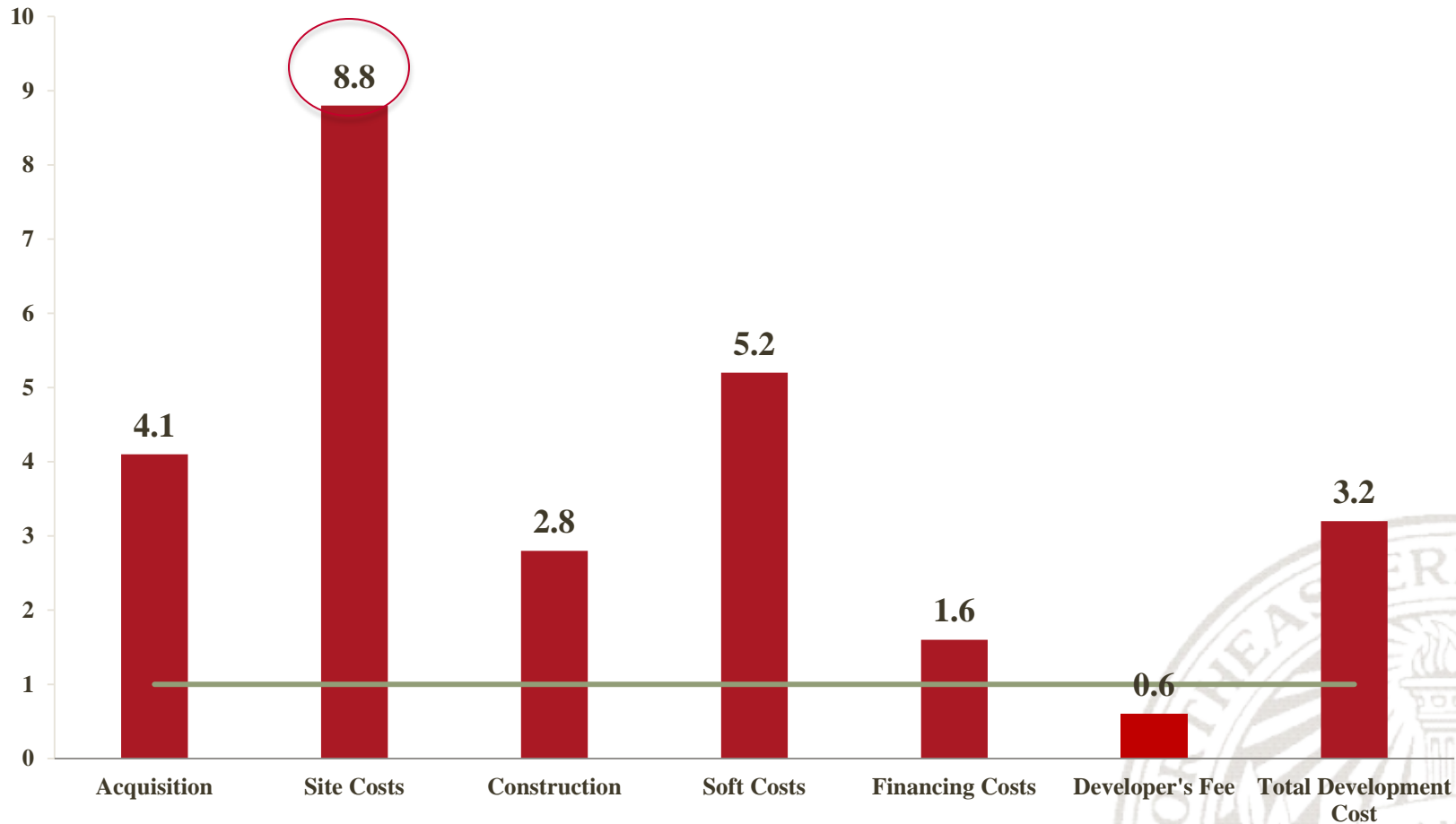


# Development Costs vs. GDP Deflator Massachusetts Urban Housing Projects 2004-2008 vs. 2011-2015 (GDP Deflator +9.5%)



Source: Dukakis Center Analysis

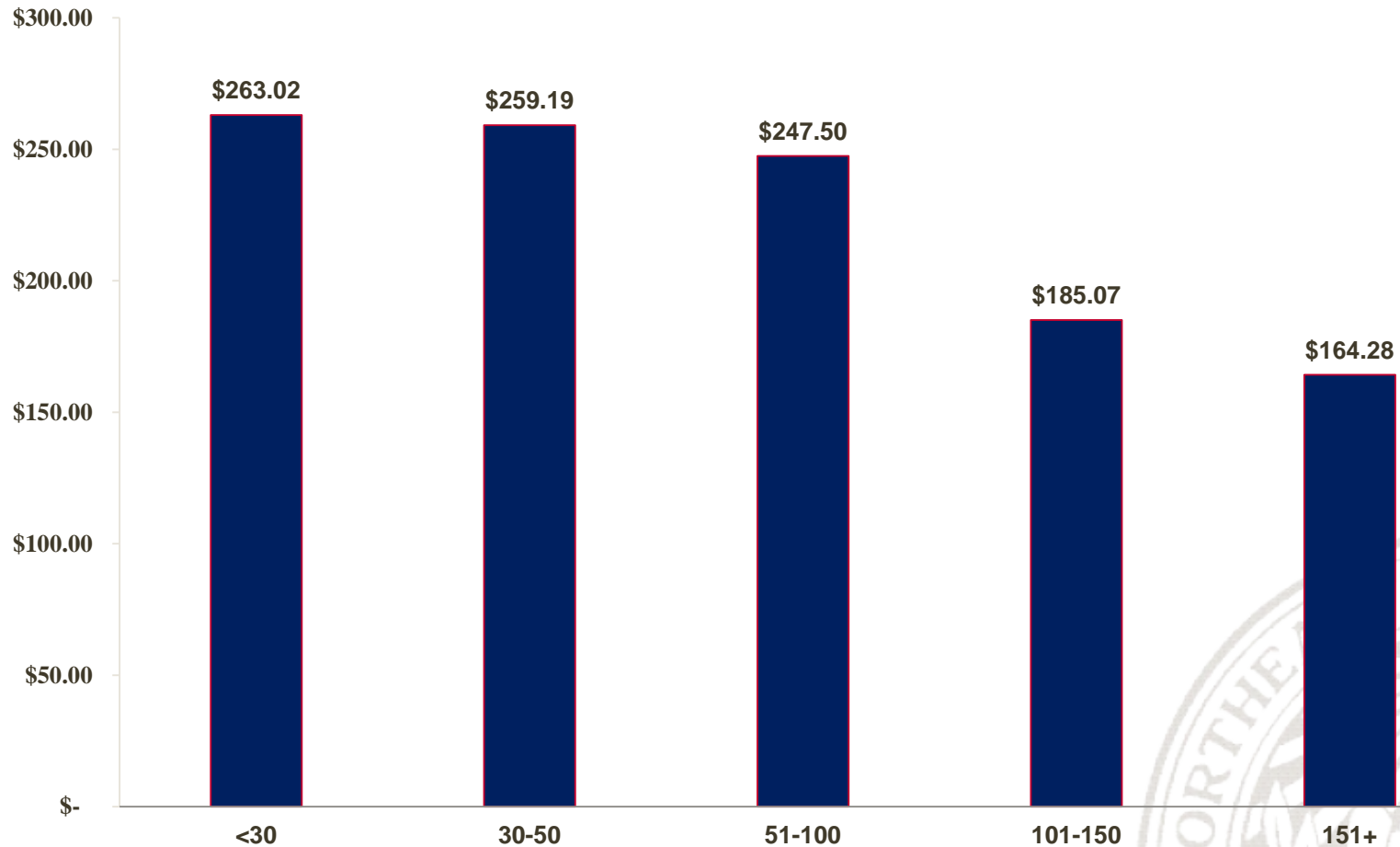
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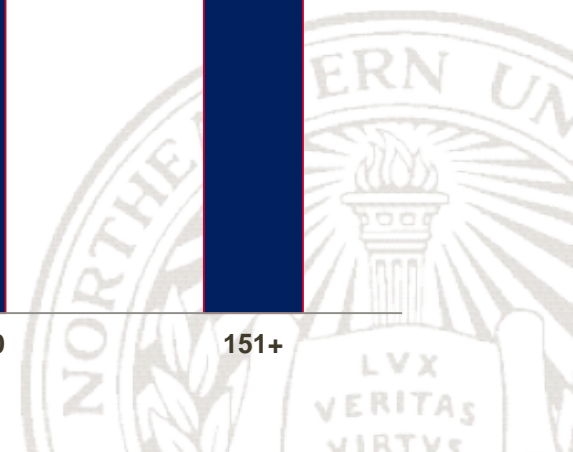
Source: Dukakis Center Analysis

# Average Total Development Costs per Square Foot by Number of Units in Development, Massachusetts

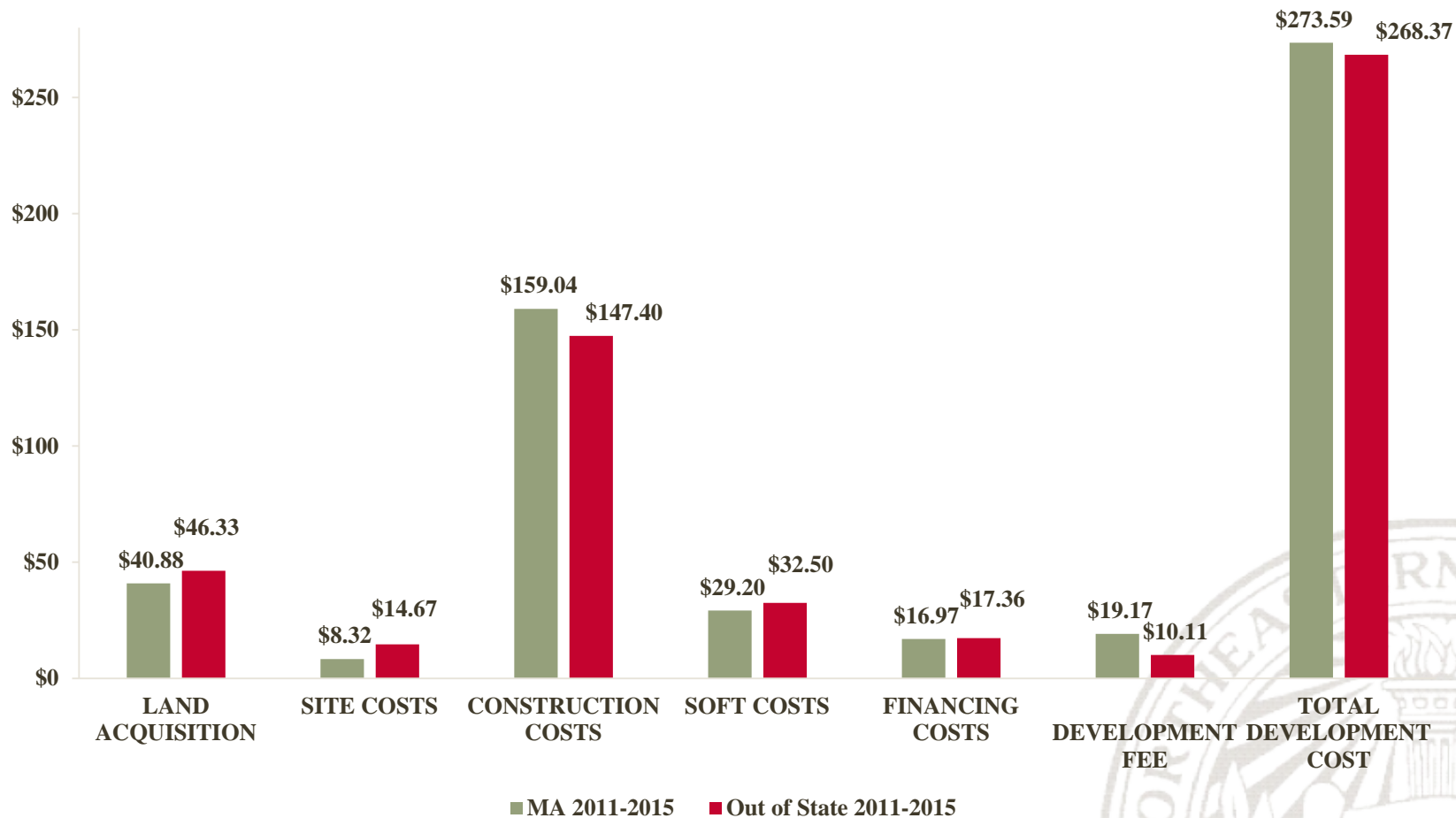
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Source: Dukakis Center Analysis

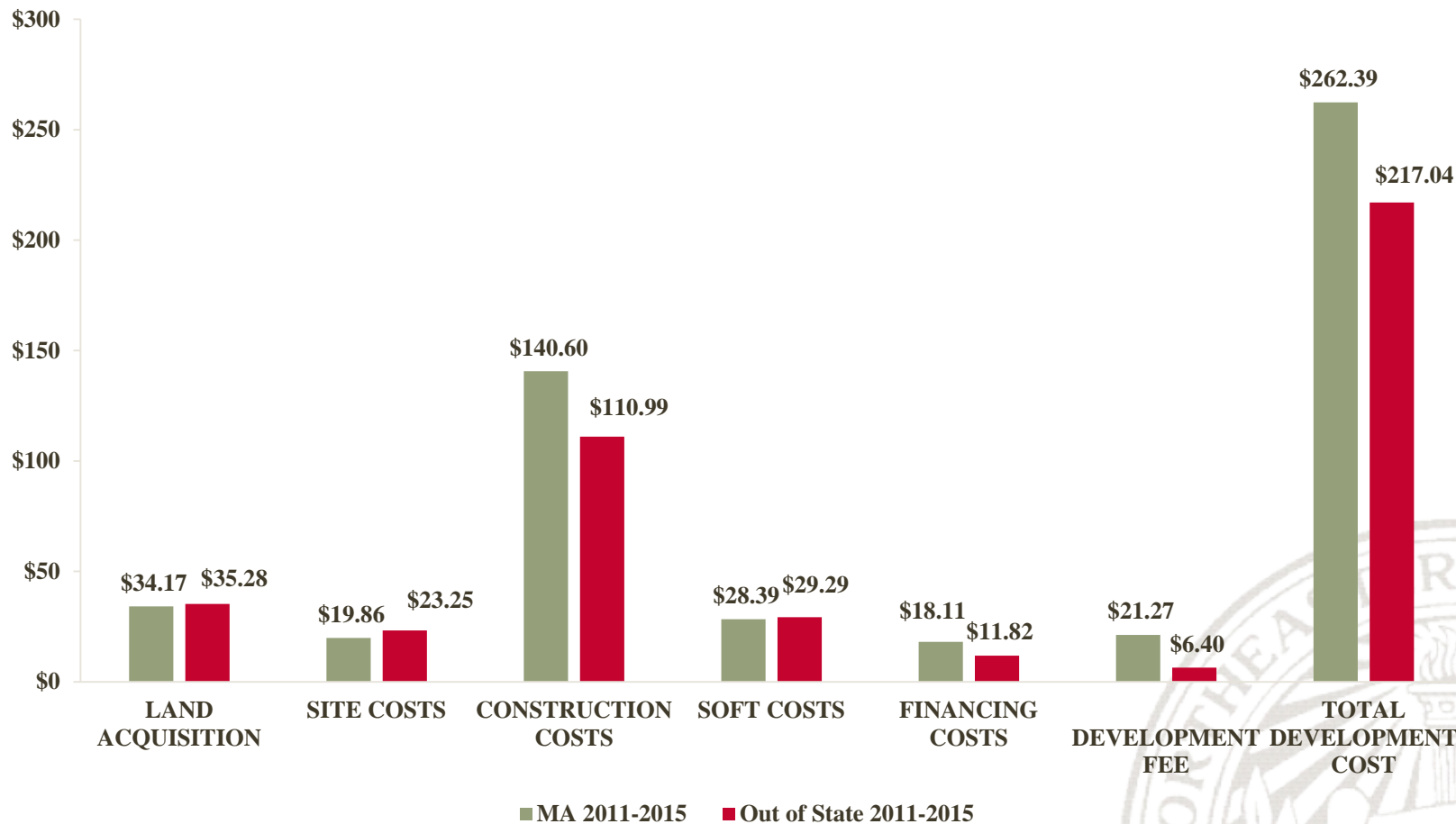


# Housing Development Costs, Urban Projects, Massachusetts vs. Out-of-State, 2011-2015



Source: Dukakis Center Analysis

# Housing Development Costs, Suburban Projects, Massachusetts vs. Out-of-State, 2011-2015

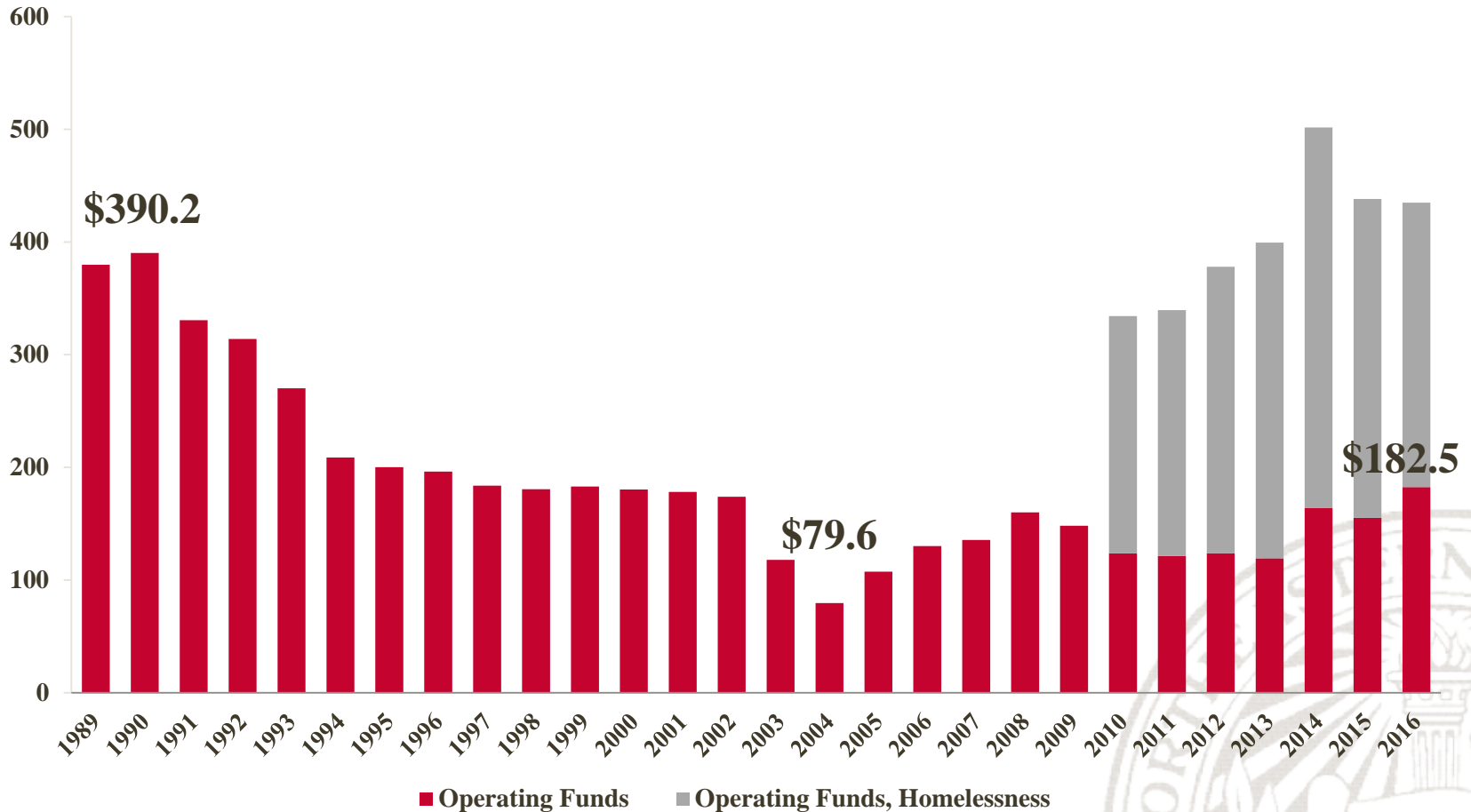


Source: Dukakis Center Analysis

# Public Funding of Massachusetts Housing

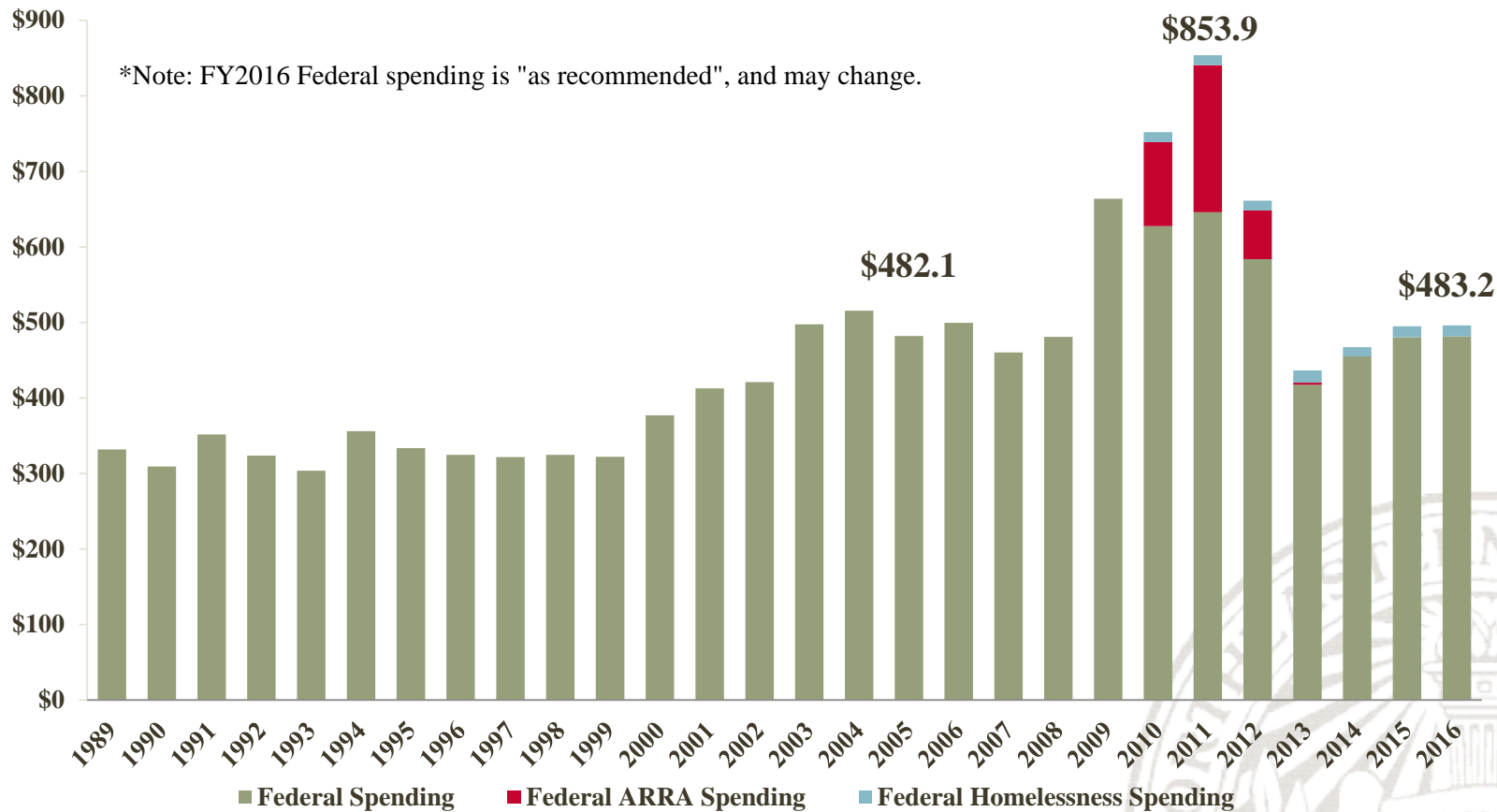


# DHCD Real Operating Funds (FY2015\$), FY1989-FY2016



Source: Massachusetts/DHCD Budget Documents, the Massachusetts Budget Dashboard, and the Massachusetts Budget and Policy Center

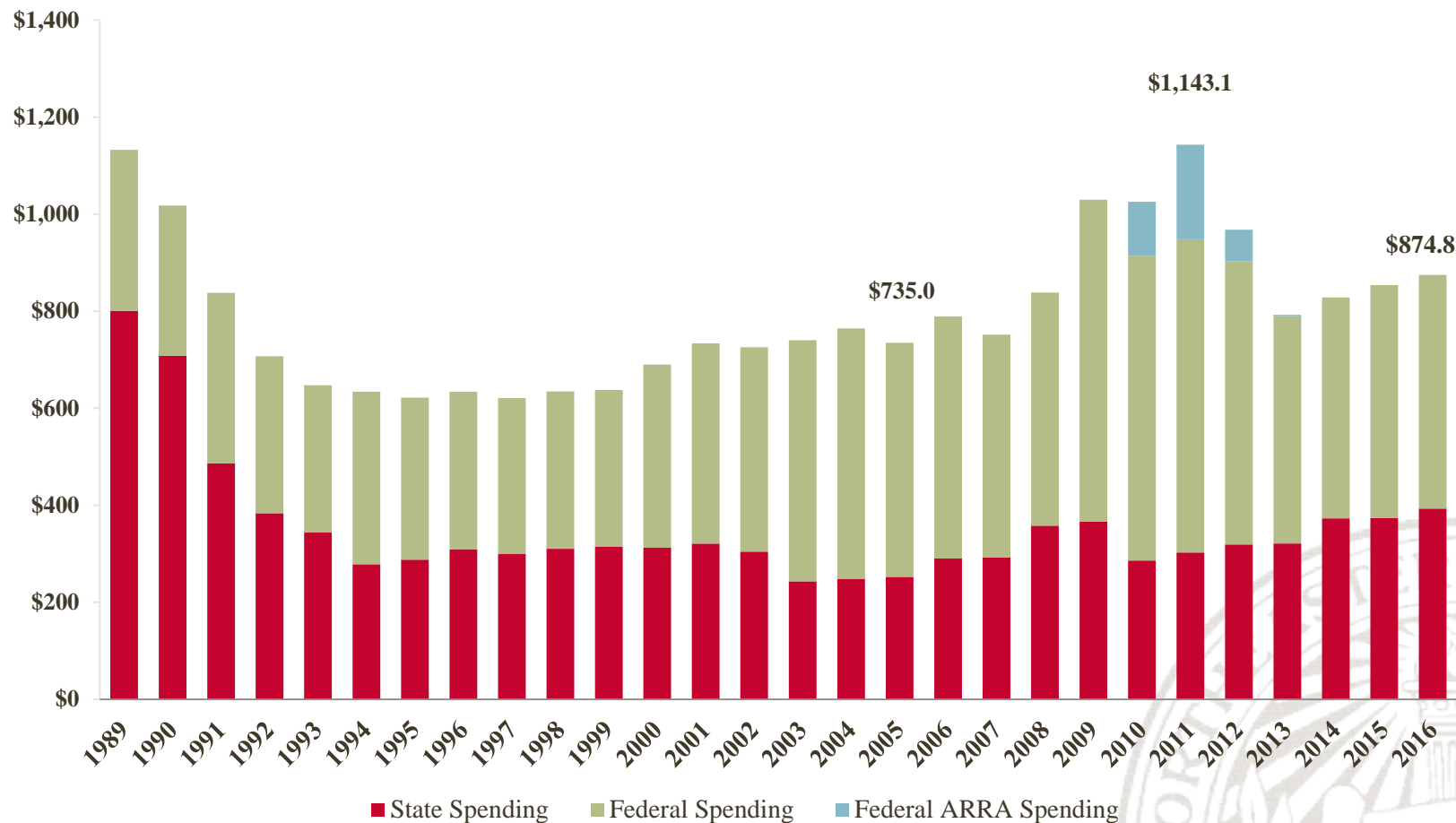
# Total Real Federal Spending (FY2015\$), FY1989-FY2016



Source: Massachusetts/DHCD Budget Documents and the Massachusetts Budget Dashboard



## Total Real DHCD Spending (FY2015\$), Including Federal Share and ARRA, FY1989-FY2016 (excluding homeless program funds)



Source: Massachusetts/DHCD Budget Documents, the Massachusetts Budget Dashboard, and the Massachusetts Budget and Policy Center

# Toward a New Housing Policy



- 1. Encourage larger projects with more units, since unit costs decline with the number of units in a development.**
- 2. Encourage zoning for multi-family housing and at higher density.**
- 3. Create incentives for communities, housing authorities, nonprofit organizations and businesses to donate land for affordable and mixed-income housing.**

4. Reform zoning rules.
5. Encourage innovation in the design of more efficient housing units and buildings.
6. Create incentives for the production of modular housing.
7. Encourage labor agreements for affordable and mixed-income housing.



## 8. Encourage the appropriation of more public funding for affordable housing developments.

In conclusion, Massachusetts has long been a national leader in housing support and innovation. Now is the time for our elected officials to step up and again lead on this issue. We need to provide affordable housing for more of our residents and we need help to reduce the cost of producing it. We urge the private sector, the legislature and the governor to consider these policy suggestions carefully and implement the best of them in a timely manner.



**Thank You**

