Demographic Trends and the Future Demand for Housing in Greater Boston

ULI Housing Conference
Seattle, Washington

Barry Bluestone
Director, Dukakis Center for Urban & Regional Policy

March 22, 2013
This is what we saw in 2010: 2005-2010 Cycle looked a lot like the 1989-1997 price cycle

At this rate of price recovery, home prices return to peak by September 2014
Greater Boston Housing Cycles
1989-1997 vs. 2005-20??
Case Shiller Single-Family Home Price Index

This is what we see now

At this rate of price recovery, single-family home prices do not return to peak until 2031

Yet since 2005, Asking Rent up 12.5% Effective Rent up 13.2%
Foreclosures reduce demand for homeownership and raise demand for rentals

Young households postponing homeownership because they cannot get a mortgage or are anxious about buying in an unstable market

Increase in Graduate Student population competing for rentals

All these reduce demand for homeownership and increase demand for rental housing
Housing Demand Projections

“Current Trends” Projection
“Stronger Growth” Projection
Projected Household Growth by Age
MASSACHUSETTS (2007-2020)

18-24: -1.4%
25-34: 25.8%
35-44: -35.8%
45-54: -23.6%
55-64: 53.9%
65-74: 65.2%
75+: 15.8%
Percent of Households Living in Single Family Housing Units by Age in Greater Boston, 2010

- 15-24: 7%
- 25-34: 29%
- 35-44: 54%
- 45-54: 60%
- 55-59: 59%
- 60-64: 58%
- 65-69: 57%
- 70-74: 55%
- 75+: 47%
Homeownership Rate by Age of Householder in Greater Boston, 2010

- 15-24: 9%
- 25-34: 63%
- 35-44: 73%
- 45-54: 74%
- 55-59: 74%
- 60-64: 73%
- 65-69: 69%
- 70-74: 62%
- 75+: 62%
Current Housing Production vs. "Current Trends" Scenario Demand in Greater Boston

**Total Annual Permits (2008-2012):** 6,041

**Projected Annual Demand (2012-2020):** 12,000

**Single Family (2008-2012):** 2,765

**Projected Single Family (2012-2020):** 6,100

**Multi-Family (2008-2012):** 3,276

**Projected Multi-Unit/Other (2012-2020):** 5,900

**Need to Double Annual Production**
Current Housing Production vs. "Stronger Growth" Scenario Demand in Greater Boston

Need to Triple Annual Production
Other Factors that Could Affect Housing Demand

Decline in Young Household Income
Increase in College Debt
Increased Desire for City/Village Living
Decreased Tolerance for Commuting
**Demographic Data for Greater Boston 1990 - 2010**

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td><strong>Median Household Income (2010 $)</strong></td>
<td>$67,010</td>
<td>$69,784</td>
<td>$68,802</td>
<td>4.1%</td>
<td>-1.4%</td>
</tr>
<tr>
<td><strong>Median Homeowner Income (2010 $)</strong></td>
<td>$86,225</td>
<td>$90,460</td>
<td>$93,484</td>
<td>4.9%</td>
<td>3.3%</td>
</tr>
<tr>
<td><strong>Median Renter Income (2010 $)</strong></td>
<td>$43,787</td>
<td>$43,312</td>
<td>$39,208</td>
<td>-1.1%</td>
<td>-9.5%</td>
</tr>
<tr>
<td><strong>Renter-Occupied Households Paying More Than 30% of Income on Rent</strong></td>
<td>41.7%</td>
<td>39.2%</td>
<td>50.1%</td>
<td>-5.9%</td>
<td>27.7%</td>
</tr>
<tr>
<td><strong>Owner-Occupied Households w/ Mortgage Paying More than 30% of Income on HH Costs</strong></td>
<td>28.3%</td>
<td>26.7%</td>
<td>39.5%</td>
<td>-5.7%</td>
<td>47.8%</td>
</tr>
<tr>
<td><strong>Average Household Size</strong></td>
<td>2.59</td>
<td>2.51</td>
<td>2.48</td>
<td>-3.0%</td>
<td>-1.2%</td>
</tr>
<tr>
<td><strong>Average Household Size, Owner-Occupied Units</strong></td>
<td>2.86</td>
<td>2.76</td>
<td>2.70</td>
<td>-3.6%</td>
<td>-2.2%</td>
</tr>
<tr>
<td><strong>Average Household Size, Renter-Occupied Units</strong></td>
<td>2.22</td>
<td>2.17</td>
<td>2.18</td>
<td>-2.3%</td>
<td>0.7%</td>
</tr>
<tr>
<td><strong>Percent of Households with One Person</strong></td>
<td>26.3%</td>
<td>28.2%</td>
<td>28.9%</td>
<td>7.1%</td>
<td>2.5%</td>
</tr>
</tbody>
</table>
## Median Household Income by Age of Householder in Five-County Greater Boston Region

<table>
<thead>
<tr>
<th>Age Group</th>
<th>2000</th>
<th>2010</th>
<th>Percent Change 2000-2010</th>
</tr>
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<tbody>
<tr>
<td>Householder under 25 years</td>
<td>$38,357</td>
<td>$26,380</td>
<td>-31.2%</td>
</tr>
<tr>
<td>Householder 25 to 44 years</td>
<td>$78,295</td>
<td>$77,692</td>
<td>-0.8%</td>
</tr>
<tr>
<td>Householder 45 to 64 years</td>
<td>$86,687</td>
<td>$84,296</td>
<td>-2.8%</td>
</tr>
<tr>
<td>Householder 65 years and over</td>
<td>$36,388</td>
<td>$38,043</td>
<td>4.5%</td>
</tr>
</tbody>
</table>

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
Average College Debt
Massachusetts 4-Year College and University Students

66% Increase

$15,417
2000-2001

$25,541
2009-2010
Shift in Housing Demand – Young Households

- All of these trends suggest that future demand for housing may require a greater supply of multi-unit housing – both condo and rental – and less single-family housing.

- The younger households may also wish to live closer to the city or in village centers – less so in far-flung suburbs.
Shift in Housing Demand – Aging Baby Boomers

- Aging Boomers may wish to “age in place” but not in their current homes

- They may wish to remain near friends and familiar local community amenities

- As such, they may give up their large single family homes for smaller multi-family housing... but in the communities where they now live
Shift in Housing Demand – Need for More Affordable Units

- Declining incomes for renter households means we need to find more affordable units or they will face ever larger housing hurdles.

- This means we need to free up rental housing for low and moderate income families.

- And it means we need to build more affordable units as part of new developments.
Grand Conclusion

Greater Boston is about to experience a demographic revolution that will fundamentally increase the amount -- and change the type and location -- of the housing the region will need if it is to fulfill its moral responsibility for decent shelter for all and the economic necessity of competing for the young talent that we need to keep the Commonwealth prosperous.
HOUSING OPPORTUNITY 2013
ULI Terwilliger Center for Housing
Seattle, WA • March 20–22, 2013
PLANNING AHEAD IN MASSACHUSETTS

Gregory Bialecki, Secretary
Executive Office of Housing and Economic Development

Setting Goals for Housing Opportunity—Lessons from Massachusetts
March 22, 2013
The 4 Core Elements of Our Strategy

1. **Identify**
   - Promising places for growth that have community support, are consistent with regional considerations and align with the Sustainable Development Principles

2. **Create**
   - Prompt and predictable zoning and permitting in those places (both local and state)

3. **Invest**
   - In public infrastructure needed to support growth

4. **Market**
   - To businesses and developers interested in locating and growing in the Commonwealth
Economic Competitiveness in MA

The Economic Development Plan
Choosing to Compete in the 21st Century

5 Categories, with 55 Actions

- Building Talent
- Innovation Economy
- Empowering Regions
- Ease of Doing Business
- Improving Cost Competitiveness
Statewide Housing Production Goal

10,000 multi-family units per year

- Reasonably dense, multi-family units
- Reasonably located, near employment opportunities and transit nodes
- Reasonably priced, for middle and moderate income families and individuals
Multi-Family Production 1995-2011

2+ Units Permitted in Massachusetts

- 1,000
- 2,000
- 3,000
- 4,000
- 5,000
- 6,000
- 7,000
- 8,000
- 9,000
- 10,000

- 1995
- 1996
- 1997
- 1998
- 1999
- 2000
- 2001
- 2002
- 2003
- 2004
- 2005
- 2006
- 2007
- 2008
- 2009
- 2010
- 2011

2+ Units
Statewide Housing Production Goal

A visionary plan to move the Commonwealth to a prosperous and healthy future:

- Building 10,000 multi-family homes a year through 2020, particularly near transit, city/town centers and employment centers;
- Shifting the way we travel, by tripling the share of travel by bicycling, transit and walking;
- Reducing greenhouse gas emissions 25% from the 1990 levels by 2020.
Statewide Housing Production Goal

Measurement

• Multi-family is defined as more than one unit

• Performance will be measured on the multi-family permits pulled, statewide and by community

• We will also track multi-family units planned, under construction or completed near transit or commuter stops, in state priority areas (e.g., 40R and 43D districts) and within downtown and employment centers
2012 MassWorks Infrastructure Program Awards

- Over 130 applications were submitted, requesting more than $323M
- MassWorks awarded 26 infrastructure grants totaling $38.5M

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<thead>
<tr>
<th>Gateway City</th>
<th>TOD</th>
<th>Reuse</th>
<th>Mixed Use</th>
<th>Housing Density</th>
<th>Regional Projects</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2012 Spending</strong></td>
<td>49%</td>
<td>77%</td>
<td>90%</td>
<td>82%</td>
<td>100%</td>
</tr>
<tr>
<td><strong>Target</strong></td>
<td>50%</td>
<td>67%</td>
<td>80%</td>
<td>50%</td>
<td>100%</td>
</tr>
</tbody>
</table>
Housing that Works in Action

CORE ELEMENTS

Identify
- Priority Development Areas
- Priority Preservation Areas
- Gateway Cities
- Compact Neighborhoods

Create
- Chapter 43D
- Chapter 40R
- District Local Technical Assistance
- Best Practices for Model for Streamlined Local Permitting

Invest
- Chapter 40B
- Chapter 40R
- DHCD Housing Assistance
- MassWorks Infrastructure Program
- Housing Development Incentive Program

Market
- Planning Ahead for Growth Online Mapping Tool
- Mass.gov website
- Supporting Stakeholders
- Conferences and Events
Thank you

Executive Office of Housing and Economic Development
One Ashburton Place, Suite 2100
Boston, MA 02114
617-788-3626

Secretary Gregory Bialecki
(617)573-1112
Gregory.Bialecki@state.ma.us
Vision for the Future, Strategies for Change

Setting Goals for Housing Opportunity—Lessons from Massachusetts

Amy A. Cotter
Metropolitan Area Planning Council, Boston
Boston in the region

Boston
Approx. 575,000 jobs
~30% of the region
618,000 residents
~20% of the region
The MAPC region and its sub-regions

Approx. 1.9 million jobs
3.2 million residents
We asked thousands of people:

**What’s Your Vision for the Future of the Boston Region?**

"Towns have enough clean water and use it wisely."

"Communities have a diversity of housing for diverse lifestyles."

"Industrial sites and old shopping malls are redeveloped into new town centers."

"We have a great public transit system and people actually use it."

"Less dependence on the property tax."

"Population diversity is considered an asset."

"Special open spaces are protected from development."

"The regional economy is driven by innovation and small businesses."

"Public school systems provide a top-notch education for every child."
Lot Sizes
Suburban Homes
2000 - 2030

- 1 acre or more: 70%
- ½ acre: 25%
- ¼ acre: 5%

Natural Open Space Lost 2000 – 2030
152,000 acres

If current trends continue....
If current trends continue…. 

2/3 of suburban growth occurs far from developed areas

50% of new jobs accessible only by car
50% of residential growth will be in cities

60,000 new two-family homes, lofts, condos, in urban areas
65% of suburban growth near town centers and in developed areas.

52% of new suburban housing through reuse of previously built land.

Suburban Housing Choice
% of new units, 2000 - 2030

- 50%  Apartment & Condominium Buildings
- 30%  Townhouses & 2- to 4- families
- 16%  Small Single Family Homes
- 3%  Large Single Family Homes
North Suburban Priority Mapping Public Forum

Envisioning future development, open space preservation, and improved transportation in the North Suburban region

When
Wednesday March 27, 2013
from 6:30 PM to 9:00 PM EDT
Add to Calendar

Where
Winchester Town Hall Audtorium
71 Mount Vernon St, MA 01890

Dear Amy,

Do you live or work in Burlington, Lynnfield, North Reading, Reading, Stoneham, Wakefield, Wilmington, Winchester, and Woburn?

Are you interested in helping to shape a regional vision for economic growth, open space preservation, and improved transportation in these communities?

As someone who cares about sustainable transportation in the Metropolitan Boston region, we invite you to join the Metropolitan Area Planning Council (MAPC) and the North Suburban Planning Council (NSPC) subregion of MAPC for a regional forum on March 27th, from 6:30 - 9:00 pm at Winchester Town Hall auditorium. Dinner will be provided.

This will be an interactive discussion bringing together municipal staff, business interests, advocates, and others who care about development and preservation opportunities in the region and the infrastructure investments needed to support
Regional Screening - Themes

- Downtowns, town centers, and villages, should be centers for development
- A PDA that includes housing is more regionally significant
- Consistency with MetroFuture Regional Plan is a guiding principle
Welcome to MAPC's Development Database!

In order to better track the region’s growth and forecast its future, MAPC Data Services has initiated a Development Database for the 21 communities of Metro Boston. Launched in March 2014, the database is an important tool to support timely development planning.
The State of Equity in Metro Boston

Overview

Whether we rent or own, our home’s location, and its cost shape our financial health, what type of neighborhood with what types of resources we experience, and how much money is left at the end of the month for other costs.

- Greater Boston is highly segregated, though we are slowly making progress to a more integrated region;
- Renters pay a higher share of their income to housing than do owners;
- Poor, predominantly racial/ethnic minority neighborhoods have been particularly hard hit by the foreclosure crisis; and
- In many low-income Boston neighborhoods, Randolph, Rockland, and Chelsea, over 40% of high income borrowers are unable to get loans for home purchases.
Questions? Comments?

Amy Cotter
Metropolitan Area Planning Council
acotter@mapc.org
THE PLANNING OFFICE FOR URBAN AFFAIRS, INC.
Market Perspective & Challenges to Developing in Greater Boston

- MA is 7th most expensive state for renters; serious supply issue - bidding war for apts
- What people want: smaller units, walkable neighborhoods/transit, variety of unit types
- Challenges: Land availability/cost; high construction costs, permitting risks (cost; delays; uncertainty)
- How the Commonwealth of Mass helps: building partnerships & providing tools
THE HAYES AT RAILROAD SQUARE
HAVERHILL, MA
Terwilliger Center Workforce Housing Model of Excellence

- **How to Retain Workforce:** Location, Transit, Reasonable Housing Cost, Emerging Market
- **Chapter 40R:** Innovative Tool: TOD, smart growth, increased density. 500 new units in 18 months within 3 blocks. Next to commuter rail.
- **Brownfields site:** Brought back to active use.
- **Mixed-income/Mixed-use:** 57 rental units. Some convert to HO in 5 years. First floor retail.
Haverhill’s main shopping street
one block from the Hayes Building
Riverfront Park
one block from the Hayes Building
with the commuter train line beyond.
Architects of Record: The Architectural Team
DOWNTOWN POSITIONED FOR THE NEXT RENEWAL

- 40R District encouraged housing development and economic growth in CBD.
- Thoughtful and deliberate planning effort by City/Chamber/Business Foundation/State Agency.
- Success has led to interest in the downtown by educational and institutional users.
- Recent State investment in infrastructure, and additional zoning overlay district, has area poised for development along riverfront parcels.
THE ST. AIDAN, BROOKLINE
ULI Award for Excellence Finalist: The Americas Competition

- **How to Retain Workforce**: Unequalled location: hospitals, universities, jobs, 2 transit stations within ¼ mile, among best schools in U.S.
- **State Zoning Tool**: Chapter 40B
- **Broad Income Mix & Benefits**: LIHTC $804-$1,338 (50% of market); FTHB: $157k to $177k; Market: $450k-$1.8m+. Access to affluent community for HHs of modest means; historic and conservation easements add cachet.
The St. Aidan, Brookline, MA - during conversion, restoration and renovation of existing church into market-rate condominiums
Architects of Record: The Architectural Team
**How to Retain Workforce:** One of most desirable neighborhoods in Boston; near public transit; restaurants; recreational/entertainment.

**Mixed income/Mixed-use/Mixed-tenure:** 184 units: 20% low / 40% mod / 40% market; 6,000 sf retail; 277 car underground garage; Rental & HO with complete integration throughout the site.

**State Policies that Provided Support:** TOD; workforce housing; Brownfields assistance.