Global Urbanization Trends and the Impact of Demographic & Generational Shifts

Realogy Forum
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March 25, 2016
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
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 Demand for Smaller Units – Condos and Apartments – continues to Outstrip Supply
Annual Median Price of Single-Family Homes in Five-County Greater Boston Region, 2000-2015

Source: The Warren Group

2009-2015
+19%
Annual Median Price of Condominiums in Five-County Greater Boston Region, 2000-2015

Source: The Warren Group

2009-2015
+43%
Ratio of Condominiums to Single-Family Home Prices in Five-County Greater Boston Region, 2000-2015

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
### Monthly Rent for Boston Area Apartments, 2 Bedroom Units, 2009 Q:III - 2005 Q:II

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<td>2009 Q:III</td>
<td>$1,830</td>
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<td>$2,401</td>
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<td>Source: Rental Jungle</td>
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With Prices & Rents Rising …
Why doesn’t Supply catch up with Demand?

The $64,000 Question … 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

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

Total Development Cost $273.59

Source: Dukakis Center Housing Cost Analysis
For a 1,200 Square Foot Urban Project with 30 units – Per Unit Costs

- 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 – 1940’s

39 Foster St. - Allston-Brighton

3,721 Square Ft with 2 bedrooms & a single bath on each floor
Ted William’s House – 1940’s

39 Foster St. - Allston-Brighton

The Red Sox slugger lived in this three-decker at 39 Foster St. in Brighton during the 1940s with two of his teammates.

SELLING PRICE OF A SIMILAR BRIGHTON PROPERTY IN 1943

$11,500
($158,171.53 in today’s dollars)

SELLING PRICE OF 39 FOSTER IN JANUARY 2015

$1.15 million

A single unit in this house now rents for $2,166 per month — 62 percent of the median Boston renter household’s annual income.
Ted William’s House

39 Foster St. - Allston-Brighton

Cost to Develop Today @ $275/sq.ft.

$1,018,000
Average Total Development Costs per Square Foot by Number of Units in Development, Massachusetts

Source: Dukakis Center Analysis
Toward a New Housing Policy
A New Demographic Revolution

Young Millennials
Aging Baby Boomers
What does the Future hold for Greater Boston’s Demography?

2010-2030
City of Boston Population

After 1980, Boston begins to grow again

Return to the City
Boston-Cambridge-Somerville

• In 2000, 20-34 year-olds comprise 34.8% of the region’s total population

• Between 2000 and 2010, 20-34 year-olds are responsible for 73.9% of the growth in the region
Each year Suffolk County attracts thousands of graduate students, medical interns and residents, and other young professionals … and now many are staying.
Throughout Metro Boston, the next 15 years will see an explosion in the number of aging Baby Boomers ... and continued growth in millennials.
Greater Boston - Households by Type and Size 2010-2040

Virtually all the growth will be among Single Person Households and Small Families

<table>
<thead>
<tr>
<th>Year</th>
<th>Single Person</th>
<th>2-3 Person Family</th>
<th>4+ Person Family</th>
<th>Non-Family</th>
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<tbody>
<tr>
<td>2010</td>
<td>504,000</td>
<td>697,000</td>
<td>378,000</td>
<td>139,000</td>
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<tr>
<td>2020</td>
<td>561,000</td>
<td>771,000</td>
<td>371,000</td>
<td>141,000</td>
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<tr>
<td>2030</td>
<td>622,000</td>
<td>814,000</td>
<td>379,000</td>
<td>139,000</td>
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<tr>
<td>2040</td>
<td>651,000</td>
<td>828,000</td>
<td>386,000</td>
<td>140,000</td>
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</tbody>
</table>

+147,000
+177,000
+8,000
+1,000
More small households, fewer children

Over 75% don’t live with children

23.2% Families with children under 18
37% Live alone
16.9% Single living with others
25.3% Families with no children under 18

2011 Data
p. 20 Greater Boston Housing Report Card 2013
Increase in Number of Metro Boston Households by Household Size
2010-2030 (Projected)

This will mean a huge increase in demand for smaller housing units.
Need for Housing for:

- Young Millennials
- Working Families
- Aging Baby Boomers
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