

The Greater Boston Housing Report Card 2010

Taking Stock in a Perilous Time

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The Kitty and Michael Dukakis Center for Urban and Regional Policy conducts interdisciplinary research, in collaboration with civic leaders and scholars both within and beyond Northeastern University, to identify and implement real solutions to the critical challenges facing urban areas throughout Greater Boston, the Commonwealth of Massachusetts, and the nation. Founded in 1999 as a “think and do” tank, the Dukakis Center’s collaborative research and problem-solving model applies powerful data analysis, a bevy of multidisciplinary research and evaluation techniques, and a policy-driven perspective to address a wide range of issues facing cities and towns. These include affordable housing, local economic development, workforce development, transportation, public finance, and environmental sustainability. The staff of the Dukakis Center works to catalyze broad-based efforts to solve urban problems, acting as both a convener and a trusted and committed partner to local, state, and national agencies and organizations. The Center is housed within Northeastern University’s innovative School of Public Policy and Urban Affairs.

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Citizens’ Housing and Planning Association (CHAPA) is a statewide organization that represents the interests of all players in the housing and community development fields, including non-profit and for-profit developers, municipal officials, homeowners, tenants, bankers, real estate professionals, property managers, and government officials. The organization is a sponsor of many research projects concerned with housing and in 1998 commissioned a study from the Donahue Institute at the University of Massachusetts entitled “A Profile of Housing in Massachusetts.” This report began the work of measuring progress in key housing policy areas such as supply, affordability, and accessibility. Over the past five years, CHAPA has assisted in the funding and development of each installment of the *Greater Boston Housing Report Card*.

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The Boston Foundation, Greater Boston’s community foundation, is one of the oldest and largest community foundations in the nation, with assets of \$737 million. In Fiscal Year 2009, the Foundation and its donors made over \$95 million in grants to nonprofit organizations and received gifts of over \$81 million. The Foundation is made up of some 900 separate charitable funds established by donors either for the general benefit of the community or for special purposes. The Boston Foundation also serves as a major civic leader, provider of information, convener, and sponsor of special initiatives designed to address the community’s and region’s most pressing challenges. For more information about the Boston Foundation, call 617-338-1700 or visit www.tbf.org.

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The Warren Group collects public record data on real estate sales and ownership throughout New England and offers a range of real estate products, information services and printed publications, including the weekly newspapers *Banker & Tradesman* and *The Commercial Record*. The company also produces and organizes trade shows and events for a variety of industries, including bankers, mortgage brokers, credit unions and lawyers. Based in Boston, the company was established in 1872 and is now in its fourth generation of family ownership and management.

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UNDERSTANDING BOSTON is a series of forums, educational events and research sponsored by the Boston Foundation to provide information and insight into issues affecting Boston, its neighborhoods, and the region. By working in collaboration with a wide variety of partners, the Boston Foundation provides opportunities for people to come together to explore challenges facing our constantly changing community and to develop an informed civic agenda.

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Letter

Dear Friends,

In a time of continued economic anxiety, the Boston Foundation is proud to publish its eighth annual *Greater Boston Housing Report Card*. The recession may have been officially declared over, but the upheavals of the past few years continue to affect the lives of Massachusetts residents, with unemployment and an unstable housing market continuing to cause distress.

Barry Bluestone, Dean of the School of Public Policy and Urban Affairs at Northeastern University, and his team, backed by the data resources of The Warren Group, once again bring their deep expertise to help provide a continuing picture of these issues. Throughout this series of annual housing reports, Professor Bluestone has articulated the close and dynamic relationship between housing and the overall economic wellbeing of the region, identifying the themes and trends that matter most, and bringing light to a short list of issues of pressing and common concern.

This year, two elements explored by this report deserve particular attention. First is the likelihood of another wave of foreclosures and the second is a new assessment of the impact of the region's student population. We know that scores of colleges and universities in the region continue to be critical and defining economic and cultural assets, establishing the region as a center for education in the world. How that population has changed in recent years, and the impact it is having on housing prices, is an issue that merits thoughtful and sustained attention.

The prospect of another series of foreclosures is a matter of great concern. As this report will document, this has the potential to bring further hardship to communities already suffering high unemployment. The effects of the economic crisis continue to intensify the growing divide between haves and have-nots in the region, documented by the most recent Boston Indicators Report as a subject of growing concern.

At the same time, this report offers important positive news. Massachusetts stands ahead of the national curve in terms of job creation. The recent trend of net outflow of regional residents, driven in part by the high cost of housing here, has reversed, and Greater Boston is again a destination for Americans as well as immigrants who come from around the world to find opportunity.

The signs are mixed, but once again we have The Dukakis Center's clear and probing analysis to help us all make sense of the situation.



Paul S. Grogan
President and CEO
The Boston Foundation

Executive Summary

In last year's *Greater Boston Housing Report Card*, we noted what we believed were the first indications that the economic recession that began in 2007 was drawing to an end nationally and regionally. Along with a strengthening economy were the first signs of an uptick in the housing market, with sales beginning to pick up and home prices stabilizing. However, we also noted that:

While housing has become more affordable relative to household incomes in Greater Boston, the region is now *less* affordable than ever compared with virtually *every* metro area we compete with across the country. Moreover, despite the recession, rents in Greater Boston are now substantially higher than before the recession began, and we have not seen any letup in the number of families falling behind in their mortgage payments and therefore becoming subject to the initiation of foreclosure activity.

For the last half of 2009 and for the first half of 2010, home sales and home prices continued to stabilize nationally as we predicted, with the average price for single-family homes holding steady across 20 of the largest housing markets in the country. This pattern also held for Greater Boston which continued to outpace most other metro regions.

Unfortunately, during this spring and summer, there were disconcerting developments that reveal a continuing weakness in the overall national economy and the possibility of a double dip in the national and regional housing market that we did not fully anticipate. Expansion of the nation's Gross Domestic Product (GDP) fell sharply in the second quarter and the ranks of the unemployed nationwide continued to grow. On the housing front, through July of this year, new home sales were running 8 percent below the same period last year and 33 percent below 2008 levels. With the end of the first-time homebuyer tax credit, in July home sales dropped a whopping 27 percent, double the consensus forecast of what the termination of this program might engender. Foreclosures and

bank repossessions have been running at record levels in 2010.

These national trends are reflected in Greater Boston, although this is the first recession of the last three in which the Commonwealth's economy is coming back from the depth of an economic crisis faster than the nation as a whole. Our unemployment rate remains lower than the nation's and the rate of job creation since the beginning of this year is running at four times the national rate. On the housing front, Greater Boston's home prices remain nearly 14 percent below their 2005 peak, but in a performance that appears to defy the gravity of the recession, rents are near their all-time high making rental units less affordable than ever.

As in our previous seven annual reports, the current report focuses on recent trends and patterns within the Greater Boston housing market. However, in this one we explore in greater depth a number of issues including the sharp rise in foreclosures, the continuing problem with rental affordability, the impact of Chapter 40B and 40R on housing production, the differential impact of the recession on single-family, multi-family, and condominium sales and prices, and for the first time we devote an entire chapter to student housing and its impact on the region's rental market.

Overall, we are not quite as sanguine about the prospects for the economy or the housing market this year as we were in last year's overly optimistic projection. As of this moment, there are too many disconcerting statistics that point to a continued weakness in the overall economy and the housing market. While Greater Boston and the Commonwealth appear to be doing better, indeed considerably better than the nation as a whole on a range of economic indicators, we are not an island unto ourselves. If the national economy continues to suffer, we will suffer its tailwinds.

Specific Findings for 2009–2010

Economic and Demographic Trends in the Greater Boston Region

Employment Trends

The good news is that the impact of the current recession on Massachusetts has not been as severe as its impact on the nation. The recovery from the depth of the recession is proceeding faster in Massachusetts than in the nation as a whole.

- As of August 2010, the U.S. unemployment rate was 9.6 percent; in the Commonwealth, it was 8.8 percent.
- The U.S. economic activity index fell more than 6 percent at its lowest point during the recession; in contrast, the Massachusetts economic activity index fell by just over 4 percent.
- Massachusetts jobs are coming back faster than those nationwide. By July 2010, employment in the Commonwealth was down 2.8 percent from December 2007, while nationwide employment was down by 4.8 percent.
- By July 2010, Massachusetts had replaced nearly 40 percent of the jobs lost since December 2007. Nationally, less than 8 percent of the jobs lost during the recession had been replaced.
- While Massachusetts employs just 2.4 percent of the U.S. workforce, job growth in the Commonwealth has accounted for 9.4 percent of national employment growth since January of this year.
- The recovery of jobs in the Commonwealth has not been limited to a few sectors, but every major sector from construction and manufacturing to finance and tourism has experienced an expansion in employment since the beginning of this year.

Demographic Trends

There is also good news on the demographic front. The period between 2008 and 2009 saw the first net

in-migration into Massachusetts from other states since we began tracking this indicator in 2000. Added to foreign immigration which remained at a more or less steady level, there was an increase in the state's population due to migration for the first time in nearly a decade. What may be more than merely correlation, the trend in Greater Boston median home prices between 2000 and 2010 nearly mirrors the trend in net domestic migration. When home prices were skyrocketing in the first half of this decade, out-migration rose; when home prices fell after 2005 net out-migration decreased and ultimately turned into a net in-migration trend.

While it is an encouraging sign that families and individuals are choosing to remain in Massachusetts and others are choosing to move here, the impact on home prices and rents needs attention. With thousands more relocating to Massachusetts, and seeking to buy a home or rent an apartment, the increased demand for housing can rapidly result in higher home prices and rents if new supply does not come on line to meet the rising demand. Unfortunately, housing production has remained at near historically low levels over the past year and unless it picks up significantly, we can expect that increased rents and prices could once again dissuade potential new residents from moving to Massachusetts.

Production of New Housing

Even with what appears to be an improving economy in the region, the construction of new housing in Greater Boston remains anemic. Hardest-hit in Greater Boston have been multifamily developments. The number of building permits for such developments in 2009 was off by 74 percent from its 2005 high. While it is unlikely that 2010 will witness fewer permits than 2009, there is little evidence from the permitting data we have through July of this year to suggest any robust recovery in the local housing market.

- Barring an unimaginable jump in permitting in the final months of this year, 2010 is on track to be the *second-lowest year* for permitting in over a decade.
- Individual communities within Greater Boston reflect the regional trend: very few municipalities increased the number of issued permits over the

previous year. In four Greater Boston municipalities there were no permits for new housing at all in 2009.

- For multifamily housing, the situation is even bleaker: only five municipalities permitted more than 100 new multifamily units in 2009, down from 12 the year before. Of the 161 communities we track in Greater Boston, 128 (six more than in 2008) added no multifamily housing last year.
- Actual housing starts in the United States looked promising for the first five months of 2010, but both June and July showed the lowest number of housing starts in over 50 years.
- Although the situation appears unpromising, Massachusetts may still end up leading the nation in exiting the housing recession. Homeowner and rental vacancy rates in Massachusetts have declined to below normal levels which should encourage more construction.

Home Sales, Prices and Rents in Greater Boston

Home Sales

Single family home sales began to rise in the Boston region in March 2009, and that increase continued through May of this year. This turnaround in sales was one of the factors that prompted us last year to talk about housing in a “post-crisis” era. Sales of single-family homes rose in 2009 for the first time in five years, providing the first annual data point suggesting the beginnings of a recovery in the market for detached single-family real estate.

- Condo sales took longer to begin recovering, but starting in September 2009, each month’s condo sales figure has exceeded the monthly figure from the year before.
- Sales of two- and three-family structures were depressed by the housing downturn even more than sales of single-family homes and condominiums. The sales turnaround for both two- and three-family homes took place earlier (but was more modest) than in single-family homes and condos, with higher sales figures for both types of units in both 2008 and 2009.

However, starting in June of this year, after the federal first-time homebuyer tax credit expired, sales plummeted both in Greater Boston and the nation.

Home Prices

While sales increased in the second half of 2009 and the first half of 2010, home prices for all types of housing units continued to decline through 2009, with prices dropping the most for two-family and three-family homes. Only in the first half of 2010 did we see the beginning of a moderate recovery in home prices of all types of owner-occupied units. Still, there is now concern that with the dramatic fall-off in home sales at mid-year prices might resume their earlier downward trend. While single family home prices increased from March through June in Greater Boston, they fell in July.

If the softness in prices experienced this summer turns out to be only a temporary phenomenon due to the short-term impact of the expiring tax credit, then prices may end up mirroring the recovery from the 1988-1997 housing cycle. It took 60 months back then for home prices to regain their pre-recession peak. Given what we find to be a close parallel between the timing of these two cycles, our best guess is that single family home prices will not fully recover to their 2005 peak until sometime in 2014.

Rental Market

Across the nation, the average rental vacancy rate across all large metropolitan areas combined has risen quite sharply since 2006. The rate now exceeds 10 percent for the first time since at least 1956 (and possibly for the first time ever). However, in Greater Boston, rental vacancy rates have generally been, and still remain, much lower than the national average. The big difference is likely related to the concentration of college and university students in the region who provide a more or less steady demand for rental units. As such, the Greater Boston rental market is not subject to the same supply and demand patterns of the rental markets in other metropolitan areas.

- Rents in Greater Boston continued to rise until the second half of 2008. At the end of 2009, the average monthly asking rent had dropped less than \$50 from its 2008 peak of \$1,740.

- By the second quarter of 2010, rents began rising again. The downward correction in rents that took place last year was small and short-lived. This year Greater Boston is likely to remain the fifth most expensive metropolitan region in the U.S. in average rent, only exceeded by New York City; Westchester County, New York; San Francisco; and Fairfield County, Connecticut.

Student Housing in Greater Boston

Much of the increase in rents in Greater Boston can be explained by an influx of undergraduate and graduate students who compete with local residents in the rental market.

- Nationally, enrollment in post-secondary education institutions has been increasing rapidly over the last two years. In Greater Boston, enrollment has increased by 45,000 students since 2001 with 19,000 of the total occurring in just 2008 and 2009.
- As of fall 2009, there were just under 234,000 undergraduate students and 102,000 graduate students in the region for a grand total of 336,000 post-secondary students.
- We estimate that in the Greater Boston area, there are approximately 177,000 students who are living off-campus with more than half (54 percent) being graduate students. Most of these students are living in rental housing.
- Within the City of Boston, there are at least 61,000 students (both graduate and undergraduate) living off-campus in local neighborhoods with the largest concentrations in Allston, Brighton, the Fenway and Mission Hill.

The National Center for Education Statistics (NCES) predicts a further increase in national enrollment in degree-granting institutions (both public and private). Between fall 2007 and fall 2018, the NCES predicts that undergraduate enrollment will increase by 12 percent while graduate enrollment may increase by 20 percent or more. If this projection holds for Greater Boston, we can expect that by 2018 there will be another 26,000 undergraduates in Greater Boston and an additional 19,000 graduate students. Without production of new rental housing, and with 45,000 additional students in the region, the already tight rental housing market will be strained even further.

Foreclosures in Greater Boston

In last year's *Report Card*, we estimated a decline in foreclosure deeds for 2009. Unfortunately, our estimates were overly optimistic, as foreclosure petitions increased in the first half of 2010 while the number of deeds and auctions in the first half of 2010 suggest that the number of households losing their homes to foreclosure throughout the year will easily exceed the number in 2009.

- Foreclosure petitions were down by almost 10 percent between February 2009 and June 2010.
- The number of foreclosure deeds in the first six months of 2010, however, was 124 percent greater than in the first six months of 2009.
- Foreclosure auctions have increased by over 200 percent from 560 in the first six months of 2009 to 1,273 in the first six months of 2010.

Foreclosures activity is not uniform across housing types. Between the first six months of 2005 and the first six months of 2010, the total number of foreclosure petitions in Greater Boston increased by more than four times, from 1,662 to 6,932. Single-family home foreclosure petitions (comprising 60 percent of all petitions) as well as three-family petitions increased by 3.7 times. Two-family petitions increased by 4.5 times. Condominium petitions, however, increased by nearly 7 times during this time.

Although not all foreclosure petitions continue to the deed or auction phases of foreclosure, the rate of increase in deeds has been dramatic. Between 2005 and 2009, the number of annual foreclosure deeds increased 21 times across all housing types, with the largest increase (over 23 times) in condos and single family homes (21 times). Auctions increased 7 times in the past year. As expected, a rise in auctions tended to lead to home price depreciation for all housing types (with the exception of condominiums, which seemed to retain their relatively stable prices despite a rise in foreclosures and a depressed economy).

Foreclosure activity is, of course, not evenly distributed throughout Greater Boston. The most affected communities have tended to be older industrial cities with high unemployment rates. The least affected have been suburbs west of the City of Boston. The only good news here is that the foreclosure crisis has affected

fewer homeowners with mortgages in Massachusetts than across the nation—3.4 vs. 4.6 percent.

Public Policy and Public Spending in Support of Housing

New Federal and State Policies

On the federal level, much progress was made in the last two years in passing new legislation to encourage home purchases by first-time homebuyers, to provide state and local governments with funding to renovate abandoned and foreclosed properties, to refinance mortgages of current homeowners who face foreclosure, to provide incentives to banks and mortgage companies to modify existing loans, to encourage both borrowers and servicers to increase the number of short sales in lieu of foreclosure, to assist tenants who are current on their rent to continue to remain in foreclosed properties until the property is resold, and to assist low and moderate income families who are at risk of becoming homeless.

In Massachusetts, major strides in the past year included addressing the foreclosure situation, the need to protect expiring use affordable housing units (i.e. the “preservation” issue), the promotion of more housing production, and developing ways to maximize the continuing habitability of public housing.

Public Spending on Housing

As part of the *Special Commission Relative to Ending Homelessness in the Commonwealth* recommendations, state homeless programs were shifted from the Department of Transitional Assistance to the Department of Housing and Community Development (DHCD) in FY 2010. This move more than doubled DHCD’s budget. During FY 2010, DHCD received \$643 million in federal funds and an additional one-time funding of \$357 million by the federal American Recovery and Reinvestment Act (ARRA) for a range of programs, including the Neighborhood Stabilization Program, Low Income Housing Tax Credits and weatherization. Altogether, DHCD was allocated \$1.4 billion in FY 2010 for housing, homelessness and community related services.

The current recession and the state’s fiscal crisis have taken a toll on the state share of DHCD operating

funds. State-funded expenditures declined to just \$115 million in FY 2010, from \$155 million in FY 2008. Despite pressures to cut spending further, the budget is level-funded for FY 2011. There are changes within this budget, as the Massachusetts Rental Voucher Program will be increased \$3.2 million over FY 2010, mostly to the detriment of the Rental Assistance for Families in Transition (RAFT) program (a cut of \$2.8 million). The federal Homelessness Prevention and Rapid Re-Housing Program will offset the cuts in RAFT.

Chapter 40R and 40B

Chapter 40R and Chapter 40B continue to be critical factors in helping the Commonwealth to meet its housing needs.

- Under Chapter 40R three more communities have created Smart Growth Overlay Districts and two communities have added a second 40R district. Altogether there are now 33 40R developments in the state with the as-of-right development opportunity for more than 12,000 units of additional housing.
- Chapter 40B continues to be the single most important state program to encourage the development of housing and especially affordable housing. Since 1970, over 50,000 units of housing have been developed under 40B with nearly 30,000 geared to households who earn less than 80 percent of area median income.

Conclusion

Overall, the beginning of 2010 held promise, but weakness in the national economy that has appeared in the second half of the year makes it very difficult to predict what will happen in the Massachusetts economy and in the Greater Boston housing market through the end of 2010 and into 2011. The good news is that this time around the Massachusetts economy is outperforming the nation, with a stronger job market and therefore—at least, one would hope—a more stable housing market.

Still, there are a number of troublesome signs on the horizon. Perhaps the most important is the possibility that Chapter 40B will be repealed by referendum in the November election. If this occurs, the state will lose its most important tool for meeting its housing needs.

The loss could also undermine the future of Chapter 40R development, since many communities elect to use Chapter 40R as a means to achieve the mandated 10-percent affordable housing target set by 40B. If 40B disappears, there will be much less incentive for communities to adopt 40R.

The sharp rise in foreclosure deeds and auctions in 2010 is also worrisome, as this could undermine housing values and lead to more families finding their homes worth less than their mortgages. This not only affects consumer confidence and consumer spending adversely, but can lead to more foreclosure petitions and a spiraling foreclosure deed and auction problem.

Finally, we are concerned about the steady rise of the post-secondary student population in Greater Boston. The 19,000 additional college and university students in Greater Boston since 2008 and a possible addition of 45,000 more by 2018 is putting enormous pressure on rental markets and therefore reducing rental affordability even further for families and individuals. There will be the need for more student housing, especially for the burgeoning ranks of graduate students, if already very high rents are not to become even more unaffordable in Greater Boston and especially in the City of Boston itself.

Overall, the state of housing in Greater Boston is in flux. Much will depend on whether the national economy will avoid a double dip recession. Much will depend on whether or not the attempt to repeal Chapter 40B is successful. And much will depend on whether universities, colleges, private developers, the state, and individual municipalities can work together so that we can welcome many more students to the region without driving up rents and reducing housing affordability.

1. Introduction

The Economic and Demographic Context for Understanding the Housing Market

In last year's *Greater Boston Housing Report Card*, we noted that 2008 and the first half of 2009 had been an extremely difficult period for the Greater Boston economy and for the region's housing market. Housing sales had plummeted, home prices had declined. Many families were facing foreclosure. At the same time, despite the weakness in the economy and more affordable home prices, rents were near their all-time peak, reducing housing affordability for many low- and moderate-income families.

Yet we thought we had some good news to report. We wrote:

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 than in any other recession, the apparent bottoming out of the housing market provides hope that the worst may be over. Home prices have stopped declining in many areas of the country, after having sustained staggering losses in some markets since 2005. 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, while condominium prices appear to have stabilized as early as January. Sales of single-family properties and condominiums exhibit a similar pattern, with steady increases for the last five months. *These indicators are some of the first signs that the worst of the crisis may have passed.*¹

That the worst of the crisis may have indeed passed appeared to be confirmed by data for late 2009 and the first half of 2010. The good news was that home sales and home prices continued to stabilize through the spring of this year. Existing home sales nationwide

remained above five million in 2009 and data through June 2010 suggest that they are on track to reach five million again by the end of this year. Admittedly, this trend was driven for the first six months of the year by the now-expired federal first-time homebuyer tax credit.² As for the single-family home market, the average price across 20 of the largest housing markets was holding firm after plummeting by nearly 32 percent between May 2006 and May 2009.³ Through May 2010 prices had been essentially flat and even had rebounded from their lowest point by about 4.6 percent.

A similar pattern was found in Greater Boston, although the decline in sales and prices was never as steep here as in many other metro areas. Year-over-year single-family home sales perked up from July of 2009 through the middle of this year. In line with the boost in sales, year-over-year single-family home prices also increased in Greater Boston.⁴

This would all be encouraging if not for a rising tide of recent disconcerting news that may portend a "double dip" in the housing market, at least nationally if not in Greater Boston. According to the National Association of Realtors, the bottom seemed to fall out of the existing U.S. home market in July of this year, when sales plummeted by a whopping 27.2 percent from the previous month and 25.5 percent from the same month in 2009.⁵ The one-month drop in sales from June to July was the biggest one-month decline in sales going back to 1968. Economists had predicted a sales decline of 13 percent due to the expiration of the homebuyer tax credit and were clearly surprised by a collapse twice as deep. While the median home price held steady in July, some analysts, like Michelle Meyer, a senior economist at Bank of America Merrill Lynch Global Research in New York, fear that the new data "do not bode well for home prices" in the future and that "there is a decent chance we reach a new bottom for home prices" ... (as part of) a "prolonged, painful drop."⁶

There is more bad news when it comes to the sale of new homes. New home sales in 2009 plummeted

to just 375,000, down from over one million in 2006, 775,000 in 2007, and 485,000 in 2008, plunging the construction industry into a virtual depression.⁷ Recovery in this market looks dubious. New home sales in 2010 are running 8 percent below the same time last year and 33 percent below 2008 levels.

Foreclosures and bank repossessions are also at record levels in 2010. Across the country, foreclosure notices in the second quarter of the year reached nearly 900,000, about the same number as in the previous year. But bank repossessions increased 38 percent in the second quarter of the year from the same period a year earlier, for a record total of nearly 270,000. At this rate, the number of homes taken by banks could easily top one million by the end of the year.⁸ The number of foreclosure petitions is holding steady, but the number of actual foreclosure deeds and foreclosure auctions is now rising sharply as mortgage servicers have exhausted ways to modify delinquent loans.

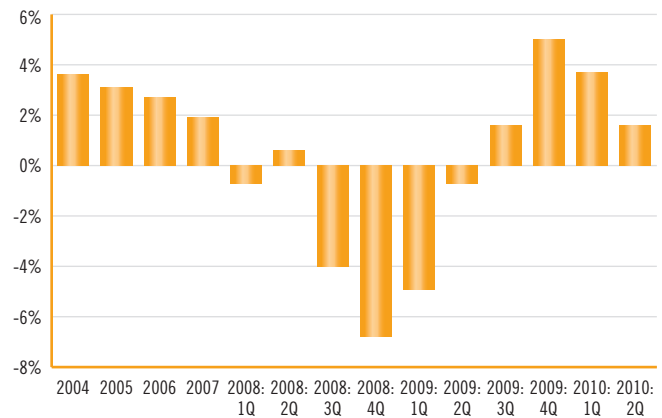
What is true nationally regarding foreclosure activity is occurring in Greater Boston. The number of foreclosure petitions is holding steady in 2010 at about 1,200 a month, but the number of households losing their homes to foreclosure in Greater Boston began to spike in mid-2009, rising from under 300 per month in August to over 400 in December and more than 600 a month from March through July 2010. Foreclosure auctions have gone up even faster, rising from 470 in August 2009 to nearly 900 in December to between 1,200 and 1,400 a month from March through June of this year before dropping only slightly to 1,050 in July.⁹ In part, the rise in foreclosure deeds and auctions is occurring as regulators are pressing financial institutions to purge themselves of their troubled loans.¹⁰

The National Economy

What appears to be happening to the national housing market in the second half of 2010 is in part due to an economic recovery that is weaker than expected. The nation's Gross Domestic Product (GDP) declined in four of the five quarters between the first quarter of 2008 and the spring of 2009. Beginning in the third quarter of 2009, though, the nation experienced its first quarter of what would appear to be sustained positive GDP growth. In the fourth quarter, GDP leaped at a 5 percent annual growth rate, the best single quarter since early 2006.¹¹ It looked as if the economy

FIGURE 1.1

Percentage Change in Real GDP, 2004–2010



Source: Council of Economic Advisers, *Economic Indicators*, August 2010

was beginning to take off. The number of jobs in the nation, which had declined in every single month from December 2007 through December 2009, began to increase in January 2010.¹²

Was the economic collapse that began in late 2007 finally coming to an end? The national economy was growing, the financial system had survived its meltdown and was beginning to make loans again, the stock market was surging from a Dow Jones Industrial Index of just 7,949 on the day President Barack Obama was inaugurated to 10,428 on the last day of the year. It would seem that 2010 would see the nation move back toward greater prosperity and fuller employment.

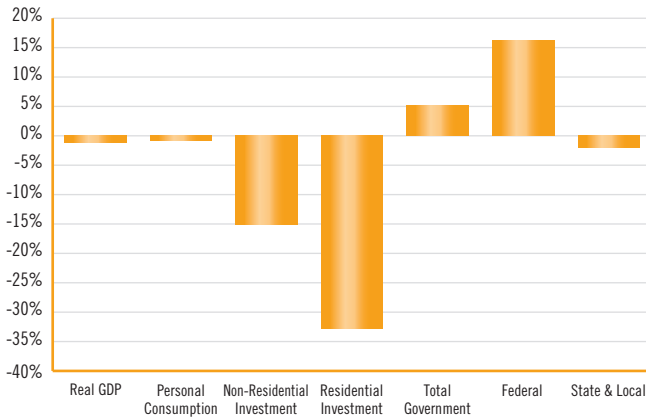
A Disappointing 2010 and an Uncertain 2011

Unfortunately, the encouraging economic news at the end of 2009 would not continue. GDP growth declined to 3.7 percent in the first quarter of 2010 and to 1.6 percent in the second quarter (see **Figure 1.1**). The expectation for the third quarter is no better than 2 percent, not sufficient growth to make much of a dent in national unemployment. Indeed, the unemployment rate increased to 9.6 percent in August of this year, while new unemployment claims are hovering between 450,000 and 500,000 every week, down only slightly from a year ago.¹³

The weakness in the national economy can be explained by examining the components of GDP growth. **Figure 1.2a** reveals what contributed to

FIGURE 1.2A

Components of Real GDP Growth: 2007:IV – 2010:II



Source: Council of Economic Advisers, *Economic Indicators*, August 2010

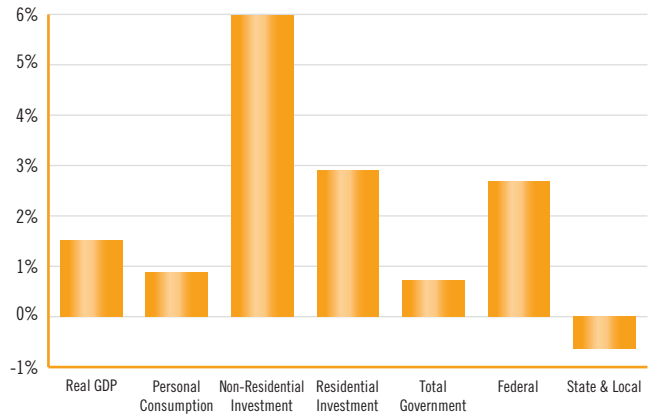
extraordinarily low growth beginning at the end of 2007. Nothing undermined the economy more than the collapse of residential investment. Between the last quarter of 2007 and the second quarter of 2010, investment in the construction and renovation of homes and apartment buildings declined from a rate of \$523 billion a year to just \$352 billion—a decline of nearly one-third (32.8 percent). Business investment (i.e., non-residential investment) also fell sharply, but by less than half the rate of the housing production collapse. Altogether, personal consumption, business investment, and residential investment declined by a total of \$493 billion.

The federal government tried to offset this reduction in GDP, expanding spending by over 16 percent. But the federal spending was partially offset by a contraction in state and local spending as the recession took its toll on tax revenues. Hence, overall government spending increased by only a little more than 5 percent. Washington added \$149 billion to GDP per year between 2007:IV and 2010:II, but state and local governments reduced their contribution by nearly \$32 billion a year. Not surprisingly, an additional \$117 billion in annual stimulus provides only a small nudge to a \$13.2 trillion GDP. With too little overall public stimulus relative to the depth of the private sector contraction, GDP has not been able to sustain a reasonable growth rate.

The growth spurt that did begin in 2009 was largely the result of a sharp increase in business investment, with some of the credit going to a brief recovery in the

FIGURE 1.2B

Components of Real GDP Growth: 2009:IV – 2010:II



Source: Council of Economic Advisers, *Economic Indicators*, August 2010

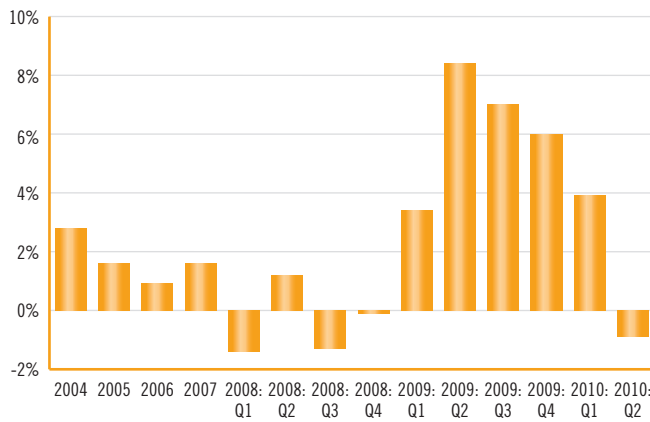
housing market. Non-residential investment increased by over \$76 billion on an annual basis while housing added another \$10 billion (see **Figure 1.2b**). But weak consumer spending and a sharp decline in public stimulus kept the growth spurt from turning into a full-blown recovery.

National employment fell more sharply than GDP. The decline in output itself contributed to the loss in jobs. But even as the economy began to grow again, firms across the country boosted productivity—output per worker—rather than hire additional workers. Indeed, productivity gains were prodigious in 2009 as companies found ways to use their existing employees more efficiently rather than hire new ones. **Figure 1.3** provides graphic evidence of the explosion in productivity at the beginning of the economic recovery. Three percent productivity growth is normally considered to be exceptional. Productivity increased between 3.4 and 8.4 percent on an annual basis between the first quarter of 2009 and the first quarter in 2010.

The strong growth in GDP in the first half of 2010 would normally have led to a substantial amount of increased hiring, but the accompanying extraordinary improvement in productivity created a “jobless recovery.” As **Figure 1.4** demonstrates, the number of unemployed doubled between 2007 and 2009, and even with GDP growth of better than 3 percent in the first half of 2010, the number of unemployed has continued to climb.

FIGURE 1.3

Productivity Growth in the Nonfarm Business Sector, 2004–2010:II (annualized)

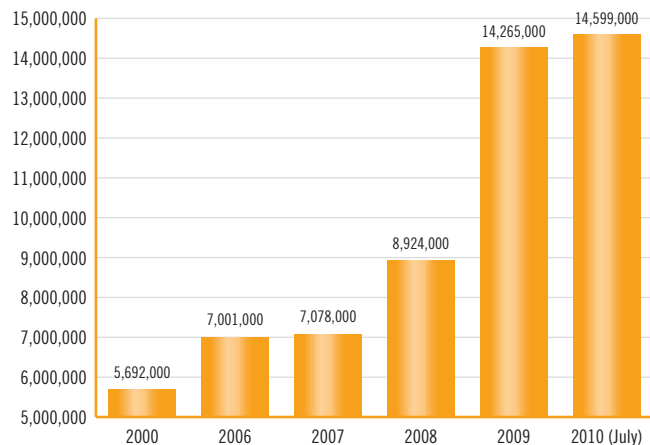


Source: Council of Economic Advisers, *Economic Indicators*, August 2010

A corollary to high productivity growth combined with little increase in employment is found in statistics on corporate profits. Before-tax profits peaked in 2006, before the recession took hold, at an annual rate of \$1.823 trillion. They would fall to as little as \$862 billion in the fourth quarter of 2008 at the depth of the recession. Since then, corporate profits are nearly back to their all-time record, with first quarter 2010 profits coming in at \$1.773 trillion. This means there are financial resources available in the business sector that could be used for investment in plant and equipment

FIGURE 1.4

U.S. Unemployment, 2000–2010



Source: Council of Economic Advisers, *Economic Indicators*, August 2010

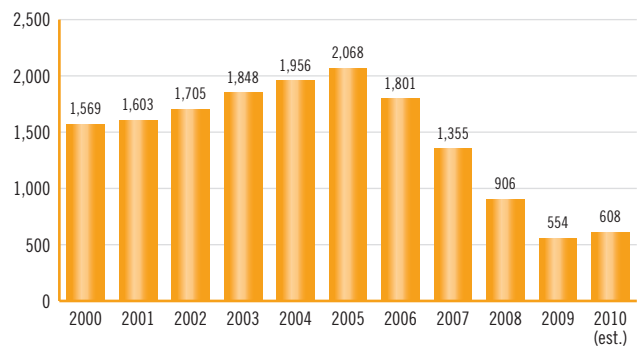
when consumers begin to spend more aggressively. But there is a chicken-and-egg problem here. Businesses will not invest heavily until they have assurance that there will be stronger markets for their goods and services, and this will not occur until consumers are confident that they will have jobs and income to buy them.

One would have hoped that by now, after such a prolonged recession, there would be the beginning of a recovery in the home construction industry. But new privately-owned housing-unit starts continue to lag well behind historical levels. As **Figure 1.5** reveals, from 2000 to 2005, new housing starts climbed from about 1.6 million per year to nearly 2.1 million units. Beginning in 2006, new starts began a steady decline, reaching a low in 2009 of just over 550,000. With data for January through July of 2010, we forecast a modest increase in starts to a little over 600,000 for the entire year. But this total is still less than a third of the record number constructed in the middle of the decade, and the end of the first-time homebuyer tax credit could put a big dent in production.

Given all of these new data, it is difficult to forecast what might happen to the economy and the housing market over the next year. Without a stronger recovery, it is likely that home prices will begin to fall again, that more homeowners will find themselves underwater — owing more on their mortgages than their homes are now worth — that foreclosures will remain at very high levels, and that new construction that might have been forthcoming will be put on hold.

FIGURE 1.5

New Privately-Owned Housing Unit Starts in the U.S., 2000–2010 (est.) (in thousands)



Source: U.S. Department of Housing and Urban Development, *Residential Construction Statistics*, July 2010

The Massachusetts Economy

If there is any good news, it relates to how Massachusetts and Greater Boston are faring in this recession. In past recessions, the Commonwealth has suffered more than the nation as a whole. This time, however, the state and the region seem poised to outperform the nation in terms of economic activity, employment, and the housing market. The region's education and health care industries hold it in good stead, but recently all industrial sectors of the Massachusetts economy appear to be in recovery mode, from construction and manufacturing to the leisure and hospitality industry. Whether the region can withstand another national economic dip is the big question.

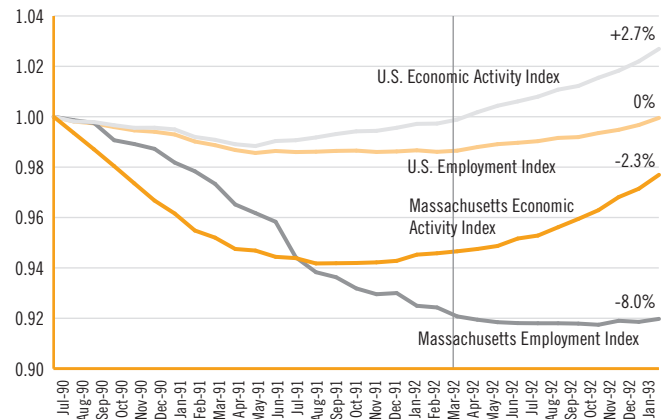
Given the severity of the Great Recession, few regions of the country have been able to escape its grip. But there are some states that have come through the recession relatively unscathed. While the national unemployment rate in July of this year was 9.5 percent, it was just 3.6 percent in North Dakota, 4.4 percent in South Dakota, and 4.7 percent in Nebraska. These farm states have continued to prosper while states with a large traditional manufacturing sector have been hard hit. Michigan's unemployment rate was 13.1 percent, while Ohio and Illinois both were experiencing jobless rates of 10.3 percent.

However, the states that experienced the highest unemployment rates were among those that suffered an implosion in their housing markets after the speculative housing boom earlier in the decade left them with a large oversupply of homes. In those states, prices plummeted, foreclosures skyrocketed, and residential construction came to a screeching halt. While the national unemployment rate was 9.5 percent in July, Nevada's unemployment rate was 14.3 percent, California was stuck at 12.3 percent, and Florida was at 11.5 percent. The utter collapse of construction in these three states has been responsible for a loss of 59 percent of all construction jobs in Nevada, 47 percent in Florida, and 42 percent in California since 2006.

During the two national recessions preceding the current one, the Massachusetts economy did not perform as well as the rest of the nation. These recessions were both deeper in the Commonwealth and lasted longer. **Figures 1.6a, 1.6b, and 1.6c** compare the recessions that began in January 1990 and in March 2001 to the current one that began in December 2007,

FIGURE 1.6A

Economic Activity Index and Employment Index during the 1990 Recession, Massachusetts vs. U.S.



Source: Federal Reserve Bank of Philadelphia, State Coincident Indexes (July 1992 = 100) and U.S. Bureau of Labor Statistics, Total Non-Farm Employment (Seasonally Adjusted)

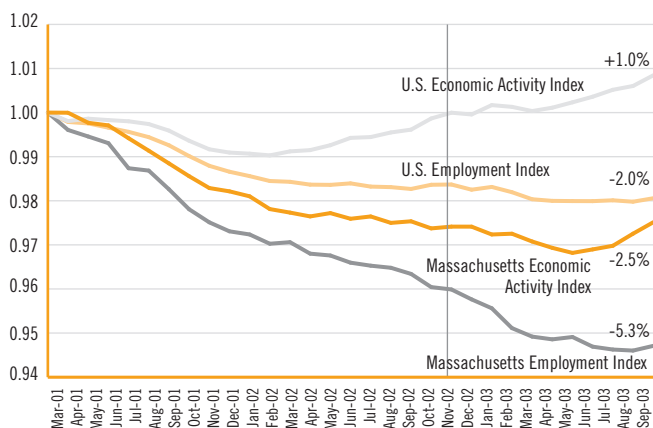
using both the Economic Activity Index prepared by the Philadelphia Federal Reserve Bank for each state and the nation and an Employment Index based on total nonfarm employment. To compute the Economic Activity Index the Fed draws on data on total nonfarm employment, hours worked in manufacturing, unemployment rates, and real wages and salaries. In the long run, this index tends to reflect changes in each state's and the nation's total output or Gross State Product (GSP). In each case we have traced out the index for 31 months, the duration of the current recession through June of this year.

The recession that began nationwide in July 1990 lasted until March 1991. Compared to the nation, as **Figure 1.6a** indicates, Massachusetts was hard hit by this recession. Whereas the nation's economic activity had returned to its July 1990 level by March 1992 (20 months later), in Massachusetts the index remained more than 2 percent lower 31 months after the recession began and more than 5 percent lower than the nation as a whole. The employment rebound trailed economic activity in both the nation and Massachusetts. But by January 1993, national employment had returned to its pre-recession peak, while employment in Massachusetts was still 8 percent below its pre-recession high.

Figure 1.6b provides this comparison for the recession that began in March 2001 and ended in December 2001.

FIGURE 1.6B

Economic Activity Index and Employment Index during the 2001 Recession, Massachusetts vs. U.S.



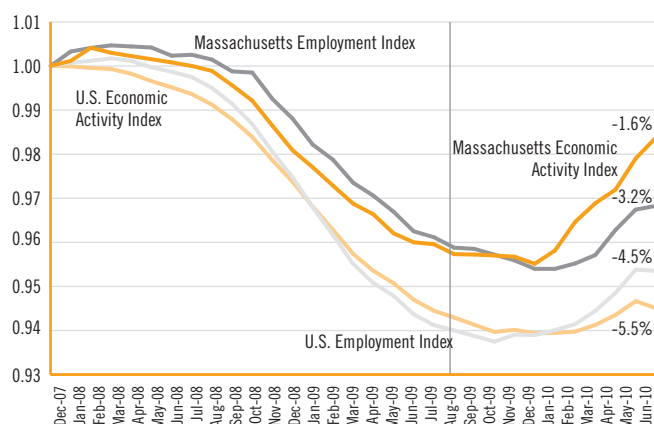
Source: Federal Reserve Bank of Philadelphia, State Coincident Indexes (July 1992=100) and U.S. Bureau of Labor Statistics, Total Non-Farm Employment (Seasonally Adjusted)

This time, it took 19 months for the nation’s economic activity index to return to its pre-recession level in November 2002. Again, 31 months later the Commonwealth’s index remained more than 2 percent below its pre-recession level. As for employment, the U.S. had returned to within 2 percent of its peak, while Massachusetts still was missing over 5 percent of its former job base.

In the current recession, however, Massachusetts is doing considerably better than the nation (see **Figure 1.6c**). As noted above, the current recession has proven much more severe and has lasted longer than the two that preceded it, and neither the state nor the nation has returned to its pre-recession levels of economic activity and employment from the NBER-designated start of the recession in December 2007. Still, in contrast to the prior recessions, Massachusetts has suffered relatively less than the nation as a whole. The U.S. economic activity index fell more than 6 percent at its lowest point; by contrast, at its lowest level, Massachusetts was just over 4 percent lower than its pre-recession level. Since then, the Bay State has more rapidly approached its pre-recession economic activity level than the nation. Likewise, Massachusetts jobs are coming back faster than those nationwide. By June of this year, the Commonwealth still had 3.2 percent fewer jobs than in December 2007, but employment nationwide lagged by 5.5 percent.

FIGURE 1.6C

Economic Activity Index and Employment Index during the 2007 Recession, Massachusetts vs. U.S.



Source: Federal Reserve Bank of Philadelphia, State Coincident Indexes (July 1992=100) and U.S. Bureau of Labor Statistics, Total Non-Farm Employment (Seasonally Adjusted)

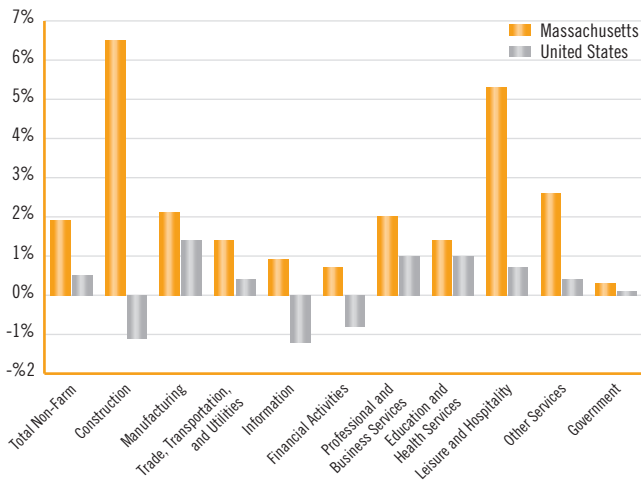
In nearly every recession, economic activity picks up before employment. Nonetheless, between January and July of this year, Massachusetts gained over 60,000 jobs, replacing nearly 40 percent of the jobs lost since December 2007. Nationally, less than 8 percent of the jobs lost during the recession had been replaced. Put another way, since January of this year the Commonwealth has been responsible for 9.4 percent of the national job gain despite the fact that it only employs 2.4 percent of the nation’s workforce.

Not only has the Commonwealth outperformed the nation on the overall job front since the beginning of 2010, it has done so in every single major industry sector, from construction and manufacturing to trade, transportation, and utilities; financial activities; professional and business services; education and health services; and leisure and hospitality (see **Figure 1.7**).

If this encouraging economic trend continues in the Commonwealth and added employment leads to greater economic confidence, it is possible that home sales volume will once again begin to pick up later this year, helping to stabilize the regional housing market. However, given the current weakness of the national economy, it is possible that the Massachusetts recovery could stall which could have adverse consequences for Greater Boston’s housing market.

FIGURE 1.7

Percent Change in Employment, January 2010 – July 2010, Massachusetts vs. U.S.



Source: U.S. Bureau of Labor Statistics, Massachusetts Industry Employment (Seasonally Adjusted)

Mortgage Interest Rates

What could contribute to a more stable housing market in Massachusetts and perhaps the nation is the continuation of extremely low mortgage rates. With the Federal Reserve Board keeping interest rates low

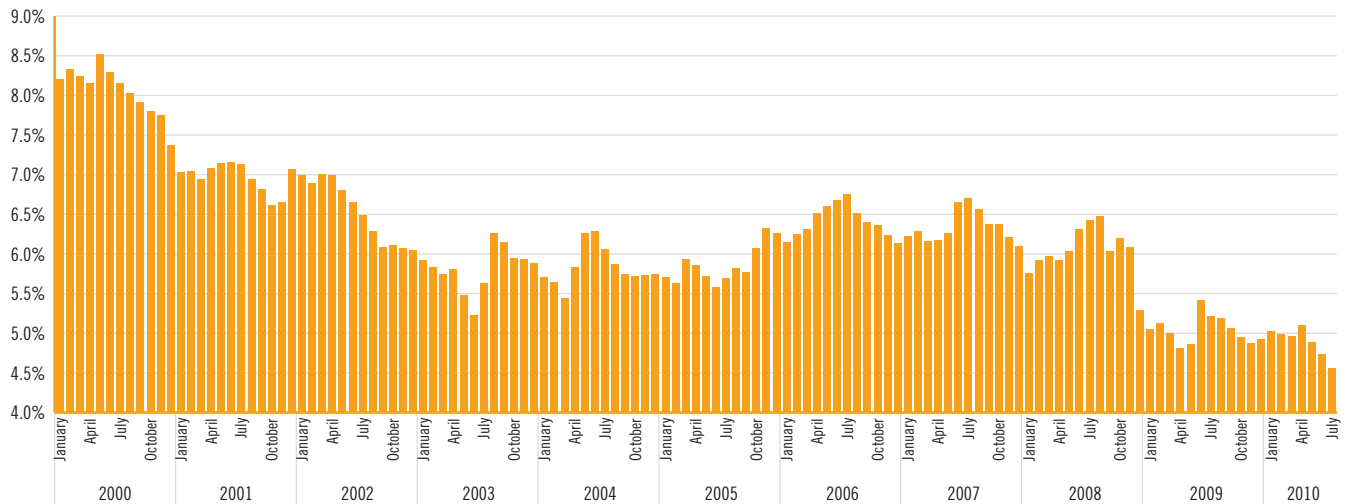
in order to stimulate the economy, banks and mortgage companies have been able to borrow at record low rates and pass these savings onto their customers in the form of low 15- and 30-year mortgage rates.

Figure 1.8 displays the national average 30-year mortgage rate from January of 2000 through July of this year. Mortgage rates came down from a high of over 8 percent in 2000 to about 5.5 percent in the middle of 2003 as the Federal Reserve Board lowered interest rates to help guide the economy out of the 2001 recession. From then on mortgage rates generally rose, settling in the range of 6.0 to 6.5 percent from 2006 through 2008. Since then, mortgage rates have been cut so that by July of this year, the average rate was just 4.52 percent, the lowest in more than 40 years.

Normally, such low rates would not only spur an enormous amount of home refinancing, but encourage more families to purchase homes. However, after the subprime mortgage debacle and the financial struggles of so many financial institutions, lending requirements have been tightened and fewer families who would like to take advantage of lower mortgage rates have credit scores that allow them to do so. Despite historically low mortgage rates, the mortgage market is actually much tougher than in the past, making it less likely that we will experience a sharp rise in new home purchases.

FIGURE 1.8

Monthly National Average Commitment Rate on 30-Year Fixed-Rate Mortgages, January 2000 – July 2010



Source: Freddie Mac, Primary Mortgage Market Survey.

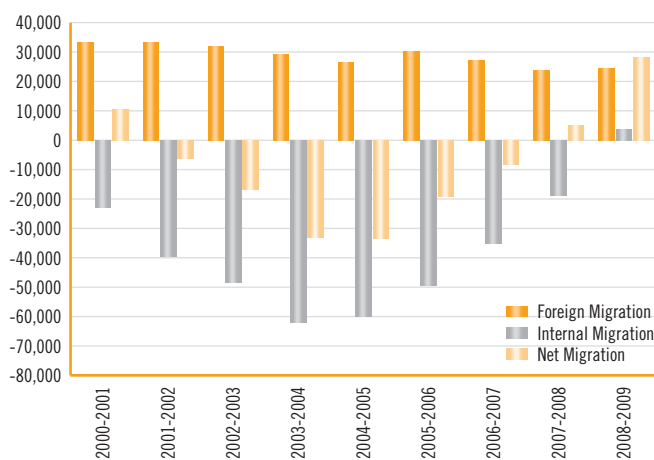
Demographic Patterns and Migration

Each year in the *Housing Report Card* we have noted the fascinating trend that while Massachusetts attracts many immigrants from other countries, it tends to lose residents to other states in the country. In 2004 and 2005, the domestic migration loss was so immense (over 60,000 each year) that despite substantial foreign immigration, the state still posted net migration-related population losses of over 30,000 residents. In last year's *Report Card* we reported that, for the first time since 2001, foreign in-migration offset domestic out-migration, resulting in a modest net population gain for the Commonwealth.

The period between 2008 and 2009 witnessed a sea change in migration patterns in Massachusetts (see **Figure 1.9**). For the first time since we began tracking this indicator, domestic migration turned positive. More people moved into Massachusetts during that period than moved out. Meanwhile, the state maintained a robust level of foreign in-migration. Together, these migration patterns resulted in a net population increase due to migration of over 28,000 people.

FIGURE 1.9

Net Migration to and from Massachusetts, 2000–2009



Source: U.S. Census Bureau, State Population Estimates, Components of Population Change.

Various studies have found that interstate migration depends on a variety of factors. In general, higher per-capita income attracts in-migrants but a higher average cost of living repels them. Warmer temperatures, better state and local amenities, and greater sunshine attract population. Violent crime and hazardous waste sites incite out-migration.¹⁴ Several studies have shown that net migration and employment growth are jointly dependent, with jobs attracting in-migrants but in-migrants also encouraging firms to locate where they move.¹⁵

Research reported in last year's *Greater Boston Housing Report Card* found that housing costs do not have a substantial impact on inter-metropolitan migration, *except* among the most expensive metro regions—and there the impact is quite substantial.¹⁶ Greater Boston has been one of those very high-cost-of-housing regions, along with Honolulu; San Francisco, Santa Cruz, Oxnard, Santa Barbara, Los Angeles and San Diego in California; Washington, D.C.; and New York.

While correlation does not prove causation, it is remarkable that the trend in Greater Boston median home prices between 2000 and 2010 and the trend in net domestic migration are almost mirror images of each other. As home prices increased steadily from 2000 to 2005, net *out*-migration from Massachusetts increased from 22,900 to almost 62,000. As home prices began to fall, out-migration declined in lock-step. By 2009, with the median single-family home price down by nearly 20 percent from its 2005 peak, net *out*-migration turned into net *in*-migration. While not definitive, this empirical evidence suggests once again how important housing affordability may be to retaining and attracting households.

Combined with the figures on employment, these migration figures provide some indication that Massachusetts is steadily making its way out of recession and toward a return to growth. People from other states and from other countries seem to be deciding that the Commonwealth is an attractive place to move to and to work in.

However, it must be noted that these trends have profound implications for the housing market. With thousands more people locating in Massachusetts, and seeking to buy a home or to rent an apartment, increased demand for housing will result in higher home prices and rents *if new supply does not come on line*

to meet it. But, as we will show in Chapter 2, housing production has remained at anemic levels over the past year. Unless production picks up speed significantly, the increased rents and prices that ensue could well dissuade potential new residents, particularly young families, from moving to Massachusetts, ultimately turning that net migration figure back to negative.

What Does All This Mean for Greater Boston?

In the remaining chapters of this report, we investigate what has happened to the Greater Boston housing market from the onset of recession in December 2007 through this past summer.

In Chapter 2, we review developments in housing production over the past several years nationally and in Greater Boston. Data on new housing permits and housing starts, which had been improving through the end of 2009 and early 2010 have now fallen to their lowest level on record. With the economy continuing to languish nationally, there may be fallout in Massachusetts that would discourage new construction here as well as in other regions.

In Chapter 3, we investigate data on sales volume, home prices, and rents. While sales improved through much of 2009 and early 2010, they began to flag once again in mid-summer. Home prices followed this trend so that it is now hard to determine what path home prices may take for the rest of this year and into 2011. Rents once again bucked other housing trends by continuing to remain at near historic levels. This is at least partially related to the fact that rental vacancy rates are at traditionally normal levels but well below those in other parts of the country. Hence rental affordability continues to be a significant problem in Greater Boston posing a sustained challenge to the region's future ability to retain and attract young families.

Chapter 4 is a brand new chapter providing an in-depth investigation of the impact of a growing post-secondary student population on the Greater Boston housing market. More than any other metropolitan region, the student population in Boston provides both economic, social, and cultural vitality but also an obstacle to the achievement of greater affordability particularly in the rental market. With continued growth especially among graduate students who have limited housing opportunities on campus, meeting the

increased demand for student housing must become a top priority for local policymakers.

In Chapter 5, we pay close attention to the persistent foreclosure crisis in Greater Boston. While the number of foreclosure petitions seems to have stabilized, the number of foreclosure deeds and auctions has soared since the beginning of the year as banks and mortgage companies attempt to get non-performing loans off of their books. This may lead to further downward pressure on home prices in a weakened housing market.

Chapter 6 turns its attention to national and state housing policies. Both the federal government and the state have added new weapons in the battle against foreclosure and the state has received additional federal funds for a range of housing policies including programs to combat homelessness. Several additional communities have availed themselves of the Chapter 40R Smart Growth Overlay District provision so that in total there are now 33 Chapter 40R districts within which more than 12,000 units of housing could be built. Meanwhile, the state faces the looming possibility of the repeal of Chapter 40B which has been the single most important mechanism for providing affordable housing in the Commonwealth. The loss of 40B could not only undermine the ability to produce housing under this law, but compromise the future of 40R.

Finally, Chapter 7 sums up the key points of the entire report, concluding that the Greater Boston housing market may be in flux for some time to come as a result of recent new weakness in the national economy that could infect the region's progress. The near future of the region's economy and housing market are uncertain. Constant vigilance is needed to ensure economic recovery, as are sound policies that can help sustain the future stability and affordability of housing in the region and throughout the Commonwealth.

2. Housing Production in the Region

Among the most readily apparent ramifications of the prolonged economic downturn that has beset the nation has been a reluctance among developers to add new units to a persistently sluggish housing market. As consumer confidence has continued to wane, as economic recovery—particularly in terms of employment—has been halting at best, and as home prices have slid, development of new housing in Greater Boston, as in other regions of the country, has proven anemic.

Overall Production Levels

Given data on permitting for the first six months of 2009, we projected in the last installment of *The Greater Boston Housing Report Card* that the five-county region would add a mere 3,491 new housing units in the entire year.¹ As it turns out, this projection underestimated the total number of new permits. By year's end, as indicated in **Table 2.1**, the region saw 4,714 housing permits.² Even so, this figure represented a 28-percent decline from the prior year, and a drop of more than two-thirds from the permitting level achieved in 2005. This decline was most acute among multifamily

TABLE 2.1

Single-Family and Multifamily Building Permits in Greater Boston, 2000 to 2010 (Projected)

Year	Total Units	% Change over 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 (projected)	5,500	16.7%	3,000	19.7%	300	7.9%	2,200	14.0%
% Change, 2000–2005	58.0%		2.8%		50.2%		199.3%	
% Change, 2005–2009	-68.8%		-61.7%		-71.9%		-74.5%	
% Change, 2009–2010 (Projected)	16.7%		19.7%		7.9%		14.0%	

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

developments. In 2005, more than 7,500 permits were issued for construction of new units in these large developments. In 2009, this number was 74 percent lower, falling below 2,000 for the first time in over a decade.

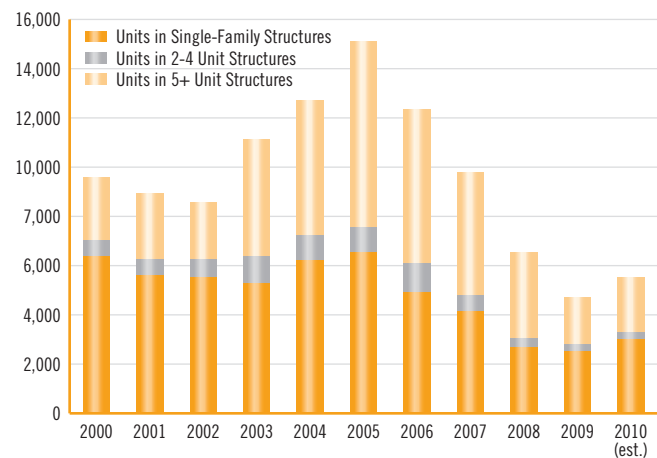
The gap between our projection and the true year-end figure demonstrates the difficulty in drawing current annual estimates from data that run only through June. This is particularly true for building permit data, which are susceptible to huge monthly fluctuations because of the nature of the permitting process. Building permits are not issued in a steady stream, but instead come out in groups, especially in the case of large multiunit developments or large planned subdivisions of single-family homes. In an otherwise weak month for housing production, the approval of one massive housing development can radically alter the total number of permits. As such, any seasonal trend that might facilitate the estimation of year-end totals is masked by the eccentricities of local permitting agencies.

Between January and June of 2010, the five-county Greater Boston region approved 1,474 single-family permits, 165 permits in structures with two to four units, and 1,075 permits in multifamily developments. Given these figures, and the uncertainty of new housing development in the region, a reasonable projection would put the total number of new housing permits through the end of 2010 at around 5,500. To the extent that developers' decisions reflect the general strength of the housing market and the economy as a whole, the modest recovery evident through the first half of the year may encourage them to develop new housing more rapidly, which would have the effect of boosting that estimate. Conversely, the rather weak performance of the economy in July and the likelihood of several more months of sluggish economic growth could have the opposite effect, mitigating the incentive to develop new housing, which would result in a lower year-end figure. It is too early, especially given month-to-month permitting volatility, to determine what the total number of housing permits will be at year's end.

What is clear, however, is that this figure will continue to trail by a large margin the number of housing permits issued during the middle of the last decade. Even a more robust projection of 7,500 new permits through December 2010 would represent less than half the total number of permits achieved in 2005. While

FIGURE 2.1

Building Permits in Greater Boston by Housing Type, 2000–2010



Source: U.S. Census Bureau, Annual New Privately-Owned Residential Building Permits: Essex, Middlesex, Norfolk, Plymouth, and Suffolk Counties, MA

it is unlikely that 2010 will witness fewer permits than 2009, there is little evidence from the permitting data we have through July of this year to suggest any robust recovery in the local housing market. In other words, barring an unimaginable jump in permitting in the final months of this year, 2010 is on track to be the *second-lowest year* for permitting in over a decade.

Figure 2.1 examines these data in more depth, comparing trends in permits of single-family units, two- to four-family units, and units in structures with five or more units. By 2005, after a decade of rapidly escalating home prices, developers pulled nearly 60 percent more permits than in 2000. Single-family construction hardly budged, rising between 2000 and 2005 by less than 3 percent. But the number of two-to-four-unit building permits increased by more than 50 percent, while the number of large multiunit building permits increased by almost 200 percent. Of the nearly 66,000 building permits pulled between 2000 and 2005, nearly 36,000 were for single-family homes while over 25,000 were for units in large multiunit apartment buildings.

Since 2005, permitting of all types of housing has been hard hit, but just as permitting of units in large structures grew disproportionately through the first half of the decade, it also fell disproportionately in the second half. Based on our estimates for the total number of permits through the end of 2010, we project that the number of single-family permits will be 55 percent

TABLE 2.2

Municipalities Adding the Most and Fewest New Housing Units in 2008 and 2009

2009 Rank	Municipality	Total Units Permitted in 2009	Total Units Permitted in 2008	Rank in 2008
Top 15				
1	Raynham	457	20	78
2	Boston	332	513	1
3	Framingham	178	15	94
4	Lakeville	176	19	81
5	Stow	171	45	32
6	Plympton	125	5	138
7	Tewksbury	124	417	2
8	Marshfield	116	21	74
9	Tyngsborough	115	16	93
10	Billerica	106	39	35
11	Randolph	63	284	4
12	Pembroke	61	23	70
13	Scituate	60	14	97
13	Taunton	60	51	27
15	Gloucester	56	26	61
15	Newton	56	70	17

2009 Rank	Municipality	Total Units Permitted in 2009	Total Units Permitted in 2008	Rank in 2008
Bottom 15				
143	Cohasset	3	19	81
143	Marlborough	3	17	89
143	Boxford	3	9	125
143	Manchester	3	9	125
143	Nahant	3	2	152
148	Maynard	2	38	37
148	Belmont	2	15	94
148	Southborough	2	10	117
148	Stoughton	2	6	132
148	Avon	2	4	146
148	Millis	2	6	132
148	Hopedale	2	0	160
148	Millville	2	0	160
156	Rockland	1	35	42
156	Swampscott	1	3	149
158	Winthrop	0	6	132
158	Shirley	0	7	131
158	Wenham	0	1	159
158	Medford	0	4	146

2009 Rank	Municipality	Single-Family Units Permitted in 2009	Single-Family Units Permitted in 2008	Rank in 2008
Top 15				
1	Plympton	125	5	128
2	Tyngsborough	115	16	68
3	Westford	55	50	10
4	Needham	51	64	3
5	Taunton	50	43	16
6	Dracut	49	33	23
7	Tewksbury	48	51	8
8	Sudbury	47	55	5
9	Walpole	46	34	21
10	Methuen	44	47	12
11	Billerica	42	39	18
12	Franklin	41	53	6
12	Bolton	41	6	120
14	Lexington	39	52	7
15	Boston	38	23	38

2009 Rank	Municipality	Single-Family Units Permitted in 2009	Single-Family Units Permitted in 2008	Rank in 2008
Bottom 15				
144	Watertown	2	0	157
144	Arlington	2	3	141
144	Maynard	2	5	128
144	Belmont	2	15	71
144	Southborough	2	10	99
144	Stoughton	2	6	120
144	Avon	2	4	138
144	Millis	2	2	147
144	Hopedale	2	0	157
144	Millville	2	0	157
154	Milton	1	4	138
154	Rockland	1	35	20
154	Swampscott	1	3	141
157	Chelsea	0	0	157
157	Winthrop	0	1	154
157	Shirley	0	7	117
157	Wenham	0	1	154
157	Medford	0	0	157

TABLE 2.2
Municipalities . . . continued

2009 Rank	Municipality	Units in 5+ Unit Structures Permitted in 2009	Units in 5+ Unit Structures Permitted in 2008	Rank in 2008
Top 15				
1	Raynham	447	0	40
2	Boston	235	410	1
3	Lakeville	160	0	40
4	Stow	154	0	40
5	Framingham	150	0	40
6	Marshfield	97	0	40
7	Billerica	64	0	40
8	Tewksbury	62	364	3
9	Randolph	52	276	4
10	Scituate	50	0	40
11	Chelsea	37	228	6
12	Pembroke	36	0	40
12	Townsend	36	0	40
14	Everett	35	106	12
15	Watertown	32	0	40
15	Milton	32	0	40

128 municipalities did not permit any multifamily housing in 2009.

122 municipalities did not permit any multifamily housing in 2008.

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

lower than in 2005. By comparison, the decline in permitting for units in two- to four-family buildings is likely to be around 67 percent, and the drop in permitting in large multiunit complexes is likely to exceed 71 percent. As we will show in Chapter 3, the market for homes in two- and three-unit buildings in Greater Boston has borne the brunt of the housing downturn in terms of sales volume and price declines. This is true when it comes to permitting, as well: from a recent high of 1,180 in 2006, the number of permits in two- to four-unit structures fell to just 278 in 2009, and is projected to grow to just 300 through 2010.

2009 Housing Production by Type and Location

In order to track emerging trends within individual cities and towns in the Greater Boston region, we have supplemented our discussion of general permitting trends with a more in-depth analysis of municipal permitting practices in each installment of *The Greater Boston Housing Report Card*. We continue that project this year in **Table 2.2**, which reports which towns had the highest and lowest numbers of permits in 2009. For a complete town-by-town breakdown, see the Municipal Scorecard in **Appendix A**.

As discussed above, 2009 was the slowest year on record in terms of the permitting of new housing units. The trend witnessed regionally showed up prominently within each of the individual communities, as well. For only the second time since we began tracking these data, the city of Boston did not lead the region in home permitting in 2009. That distinction went to Raynham, which issued only 10 single-family housing permits but permitted 447 units in a rare multifamily development (Raynham added no multifamily units between 2005 and 2008). Boston had the second highest number of permits in 2009, with 332, yet this represented just 29 percent as many as were issued in the Hub in 2005. In fact, just three municipalities that were among the top 15 in permitting in 2008 were on the same list in 2009. And of the 15 highest permitting communities in 2009, only the top two would have made the list of the top 15 in 2005. Four municipalities in Greater Boston, including the city of Medford with a population above 50,000, issued absolutely no permits for new housing in 2009.

In every year between 2005 and 2008, the town of Plymouth has led the way in the permitting of single-family detached housing units. In the wake of the devastation of the housing market, this trend ceased in 2009, as Plymouth, which consistently added hundreds of new homes each year (permitting 453 single-family homes in 2005, for instance) issued just 27 new permits in 2009. Instead, the leaders in single-family permitting in 2009 were Plympton, Tyngsborough, and Westford. In all, only five municipalities were among the top 15 in single-family permitting in both 2008 and 2009. And again, only two would have made the top 15 in 2005.

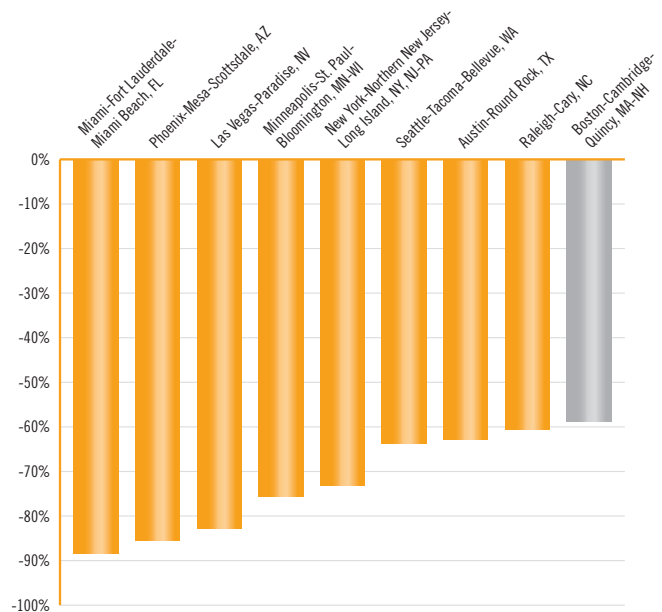
Apart from Raynham, Boston and a few other municipalities, however, production in the multifamily sector of the housing market has been next to nonexistent. Only five municipalities permitted more than 100 new multifamily units in 2009, down from 12 the year before. The example of Boston is itself quite revealing. The state's capital permitted about 1,500 units of multifamily housing in 2003, over 800 in 2005, and again over 800 in 2007. Yet only 410 units in structures with more than five units were issued in 2008, and, as demonstrated in Table 2.2, this number fell again in 2009. Boston's multifamily permitting collapse has been representative of trends across the region. In fact, perhaps the most revealing story in this category is just how few municipalities have added any multiunit housing at all. The number of communities adding no multiunit housing continues to increase; in 2009, there were 128 communities that fit this profile, six more than in 2008. Once again, only the top two communities on this list in 2009 would have made the list of the top 15 in 2005.

Comparing Boston to Other Metro Areas and to the Nation

As weak as Boston's permitting performance has seemed over the past several years, the region's decline has not proven anywhere near as severe as that seen in many metropolitan regions nationwide. In comparing Boston to other metro regions last year, we used our projections of how many permits we expected to see in Greater Boston at the end of 2009, and estimated that by the end of the year, Boston's permitting rate would be nearly 75 percent lower than it had been in 2005. As it turned out, these estimates were too pessimistic. We avoid many of the eccentricities of permitting estimates in **Figure 2.2** this year by comparing just the first six months of 2010 to the same time period in 2005 in Boston and in nine metropolitan regions in geographically diverse locations across the United States.

The rank order of these metropolitan regions is nearly identical to that presented in last year's *Greater Boston Housing Report Card*, but the values have shifted a little as a result of two factors. First, we underestimated year-end permitting totals not just for Boston but for all of the other metro areas, as well. Second, the first six months of 2010 have seen a stronger uptick

FIGURE 2.2
Percent Change in Building Permits for Selected Metropolitan Areas, January through June, 2005–2010



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

in permitting than the first six months of 2009, from which last year's projections were drawn.

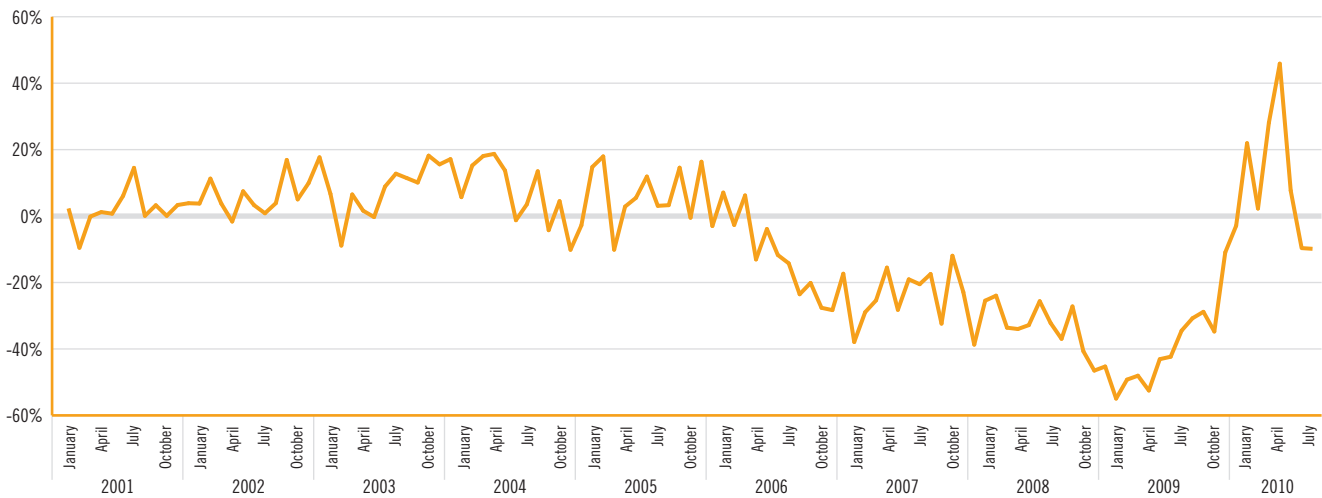
In fact, among these nine, the rank order of the six left-most bars has not changed at all. The Miami area saw just 3,156 new building permits issued in the first six months of 2010, compared to 27,386 in the first six months of 2005; this represented a decline of 88.5 percent. Phoenix, Las Vegas, and Minneapolis similarly experienced declines so severe that in the first six months of 2010 they permitted less than a quarter as many new housing units as they had in the first six months of 2005.

The other five metro regions profiled in this figure have not fared well—each has declined by more than 50 percent—but they have not suffered the calamitous declines in housing production experienced in the first four. And indeed, of these nine regions, Greater Boston's drop in permitting, while still steep, has been the least severe.

The steep drop in the permitting of new housing in many metro areas across the country has worked its way through the pipeline and come out on the other

FIGURE 2.3

Year-Over-Year Percent Change in Monthly New Privately Owned Housing Units Started in the United States, 2001–2010



Source: U.S. Census Bureau, New Privately-Owned Housing Units Started, Not Seasonally Adjusted.

end in the form of a dramatic nationwide decline in new housing production. **Figure 2.3** presents the monthly year-over-year percent change in the number of new housing starts across the United States. In this figure, points above the 0 axis represent improvement in the production numbers compared to the same month a year before, while numbers below that axis represent year-over-year declines. The figure shows sustained growth in the number of new housing starts across the country nearly every month between 2001 and 2005, a period in which the construction boom led to the oversupply of housing that has been partly responsible for the recent housing crisis. By contrast, between April 2006 and December 2009 there were 45 uninterrupted months of year-over-year decreases in the number of housing starts nationwide. The largest year-over-year drop occurred in January 2009. In that month, there were only 31,900 new housing starts in the entire country, 38,900 fewer (-54.9 percent) than the 70,800 that took place in January 2008.

Over the first several months of 2010, it looked as though housing production was rapidly picking up steam nationwide. Each of the first five months of the year showed a marked improvement over the previous year's housing starts figure. This was especially true in

April, when construction began on more than 60,000 new homes for the first time since October 2008. This was more than 45 percent higher than the number of housing starts in April 2009. Whatever optimism the first five months brought, however, was quickly extinguished in June, when the number of housing starts again fell below the previous year's monthly figure. Across the U.S. in June of this year, construction was begun on just 53,400 new housing units. That number was by far the worst June performance in more than 50 years, and it was nearly 10 percent lower than the number of housing starts in 2009. And July was even worse.

What Does the Near Future Hold?

It is hard to tell what might happen to residential construction during the rest of 2010 and into 2011. The latest figures from President Obama's Council of Economic Advisers reveal that residential fixed investment in the second quarter of 2010 was slightly higher than the first quarter, but still languishing at less than half the inflation-adjusted level of 2004, 2005, and 2006.³ With the sharp drop in reported home sales in July following the end of the first-time homebuyer tax

credit, it is likely that developers are going to pause before pulling many more permits and putting shovels in the ground. That likely means we will not see much of a recovery in home construction before the beginning of next year or perhaps even next summer. The sluggish economy means there will be little demand for new homes and ironically the weakness in the home construction industry plays a large role in the continuing weakness in the overall economy. With little construction leading to slower economic recovery and slower economic recovery leading to less construction, only a strong stimulus to the economy can possibly lead to a faster recovery in residential investment.

Here in Greater Boston, one suspects the same logic will hold. However, as we will see in the next chapter, homeowner vacancy rates have recently declined to levels that should signal the need for more construction and the vacancy rates for rental units have fallen below normal levels. Like the rest of the economy, Massachusetts may therefore lead the nation in coming out of the housing recession with a resumption in new home construction later this year or early next year. Moreover, as we will see in Chapter 6, there continues to be an increase in municipal adoption of Chapter 40R Smart Growth districts where as-of-right housing construction can begin. Unlike in past cycles when zoning regulations strictly limited the number of sites where new housing could be construction, the existence of 40R may make it possible for developers to react more quickly once the economy picks up more speed.

3.

Home Prices and Rents in Greater Boston

In last year's *Greater Boston Housing Report Card*, we suggested that after four years of sinking home prices, 2009 might be a turning point in the region's housing market. We had data for only the first six months of 2009 at the time of publication, but one could discern a possible market "bottom" in March of that year, with prices for single-family homes and condos rising steadily through June.¹ Part of this apparent trend, and perhaps all of it, could simply have been the normal seasonality of home prices. Prices are generally higher in the spring and summer months when more households are shopping for homes. A real test of whether the housing market was recovering would require data past June of last year. We now have some of those data, and as **Figure 3.1** reveals, the recovery in single family home prices continued apace from March 2009 through May of this year. Only in June, after the federal first-time homebuyer tax credit expired, was

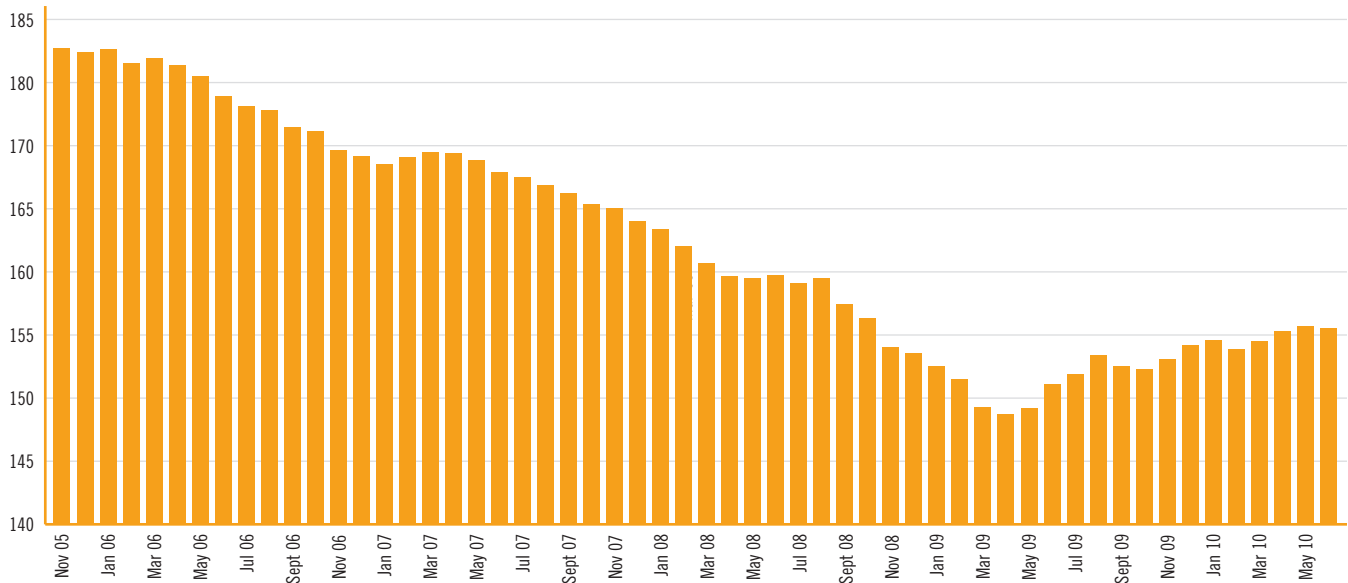
there a hint that the recovery might at least temporarily stall.

Last year we also expressed deep concern that despite more than two years of a weakening economy and falling home prices, rents remained stubbornly high. We now have additional data for all of 2009 and the first half of 2010 on rents in Greater Boston, and they suggest that our original concern was not misplaced. While the Massachusetts unemployment rate is still hovering around 9 percent, rents have actually increased since last year, not softened.

This chapter reviews Greater Boston's recent home price and rent history, beginning with a brief look at housing vacancy rates, which help to explain trends in housing costs.

FIGURE 3.1

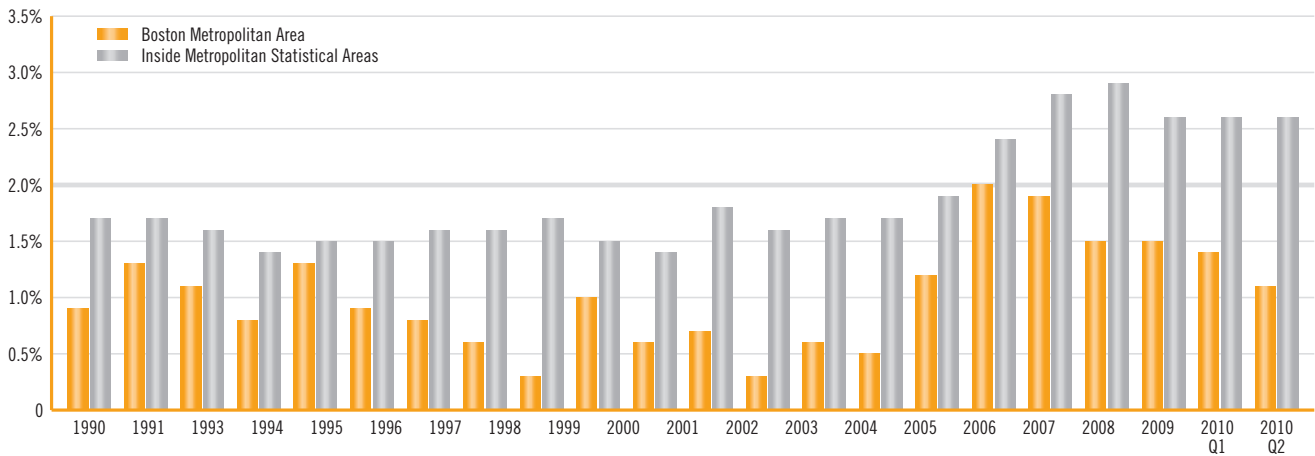
Case-Shiller Single-Family Home Price Index for Greater Boston, November 2005 – June 2010



Source: Standard and Poor's Case-Shiller Home Price Index Series

FIGURE 3.2

Homeowner Vacancy Rates, Greater Boston vs. U.S. Metro Areas, 1990–2010



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

Homeowner Market

Homeowner Vacancy Rates

Homeowner vacancy rates much below 2 percent have historically been an indicator of tight housing markets, while rates above 2 percent have tended to coincide with a surplus of supply, often leading to flat prices or an absolute decline.² At under 0.5 percent, it is not surprising to see home prices increase at double-digit annual rates.

Throughout the second half of the 1990s and well into the 2000s, vacancy rates for owner-occupied units in Greater Boston remained at extremely low levels, reaching as low as an extraordinary 0.3 percent in 2002 (see **Figure 3.2**). These low vacancy rates contributed to the rapid home price appreciation the region experienced between 1995 and 2005, as home sellers had an advantage relative to buyers. The median price of existing single family homes in the Boston metropolitan area soared during that 10-year period from \$170,000 to over \$400,000.³ Since Greater Boston had a particularly low vacancy rate relative to other metro regions of the country during this period—at least half a percentage point lower than the average for the nation’s top 75 metro areas—it is not surprising that home prices appreciated faster here than in most other locations.

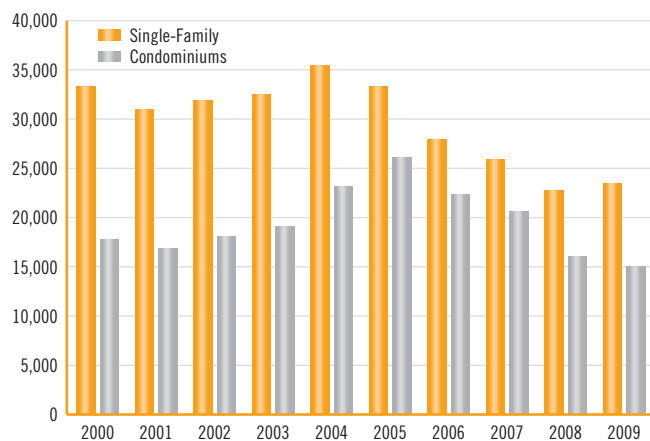
As the housing market weakened in Greater Boston after 2005, homeowner vacancy rates increased, but they never exceeded 2 percent. As a result, prices stopped rising and began to fall, but they did not drop anywhere near as sharply as in metro regions such as Orlando where the vacancy rate exploded to 7.4 percent in 2007 or in Atlanta or Phoenix where the rate increased to 4.7 and 3.7 percent, respectively.⁴ While the national vacancy rate has stood at 2.6 percent in each of the first two quarters of the current year, Boston’s rate has been dropping back toward the extremely low levels seen 10 years ago. By the second quarter of 2010, the rate was barely higher than 1 percent, thus sustaining at least one of the conditions for a continued recovery in home prices despite a relatively weak economy.

Home Sales Volume

Sales of single-family homes in the five-county Greater Boston region rose in 2009 for the first time in five years, contributing to the downward trend in Greater Boston vacancy rates. As **Figure 3.3** indicates, from the most recent sales peak of 35,444 in 2004, sales volume declined steadily for four straight years, bottoming out at 22,787 (a reduction of 36 percent) in 2008. Drawing on early data from The Warren Group, we predicted last year that sales would continue to drop. Instead, sales picked up in late 2009, bringing the yearly total number of sales to 23,508. Although this figure represented an increase of just 721 sales (3 percent) over the

FIGURE 3.3

Sales of Single-Family Homes and Condominiums in Greater Boston, 2000-2009



Source: The Warren Group

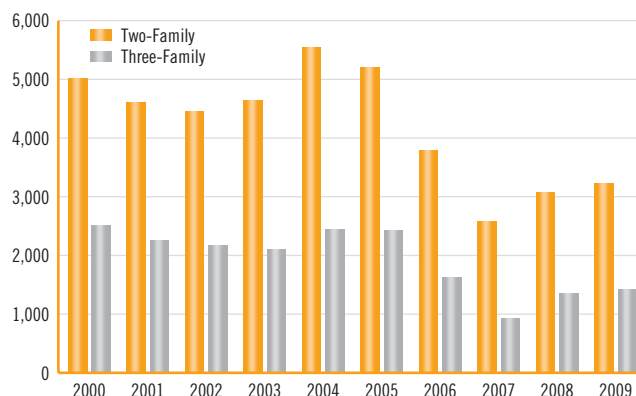
previous year, it provided the first annual data point suggesting the beginnings of a recovery in the market for detached single-family real estate.

For condominiums, 2009 marked the end of the sales volume hemorrhaging that had been occurring since 2005, but it did not mark the beginning of the same turnaround as in the single-family market. As we forecast in last year's report, condominium sales continued to decline last year, though not as severely as we had predicted. From a high of 26,127 for all of 2005, condo sales in the Greater Boston region dropped to 15,060 in 2009, a decline of 42 percent. Not until September 2009 did monthly year-over-year condo sales actually increase. Since that time, each month's condo sales figure has exceeded the monthly figure from the year before.

In previous installments of *The Greater Boston Housing Report Card* we have dedicated less attention to sales in two- and three-unit structures than to single-family homes and condominiums because the latter two categories make up the bulk of home sales. Still, these two- and three-unit sales are a significant component of the housing market and represent a far higher share in Boston than in most other metropolitan areas of the United States. As such, they merit a discussion here, particularly in the wake of the foreclosure crisis that has disproportionately affected multifamily structures like the ubiquitous triple-deckers in Boston and other urban communities in the region.

FIGURE 3.4

Sales of Two- and Three-Family Homes in Greater Boston, 2000-2009



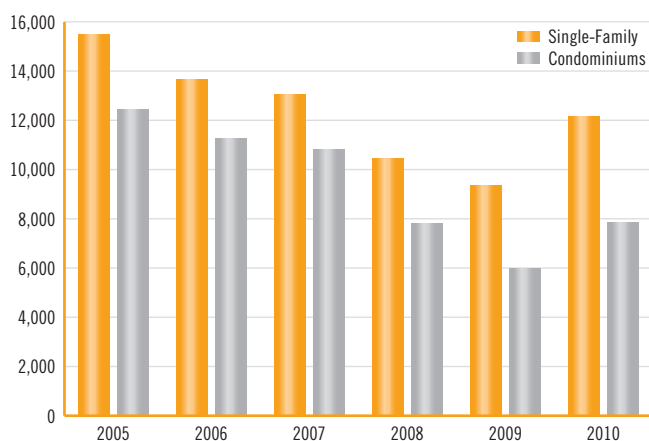
Source: The Warren Group

As **Figure 3.4** illustrates, sales of two- and three-family structures were depressed by the housing downturn even more than sales of single-family homes and condominiums. From a high of 5,539 sales in 2004, two-family sales dropped by more than half, to just 2,575, in 2007. For three-family units, the decline was even more dramatic. There were just 933 sales of these structures in 2007, nearly 62 percent lower than the 2,441 sales posted in 2004. The sales turnaround for both two- and three-family homes took place earlier than in single-family homes and condos, though, with higher sales figures for both types of units in both 2008 and 2009.

The housing market features a great deal of seasonal variation, and accounting for that seasonality makes annual forecasting a difficult endeavor. Our sales predictions in last year's report—which were based on the January through June data available to us at the time of publication — underestimated the total number of transactions that would take place for the entire year because of the dynamics of this seasonality. In place of full-year forecasts for 2010, this year we have compared year-to-date sales figures through June to parallel half-year figures for the past five years. In doing so, we believe we have a better indicator of how strongly the housing market maybe recovering in Greater Boston, presumably free of normal seasonal fluctuation.

FIGURE 3.5

Sales of Single-Family Homes and Condominiums in Greater Boston, January through June, 2005–2010



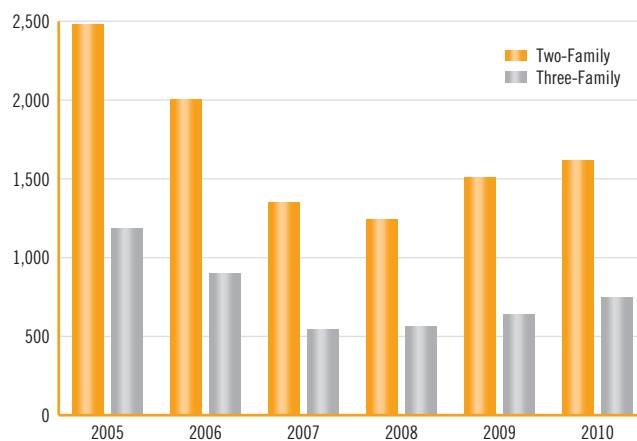
Source: The Warren Group

For single-family homes and condos, these half-year data are presented in **Figure 3.5**. Because the recovery did not begin until midway through 2009, the steady decline in six-month sales figures that began in 2006 continued through 2009. This year (2010) marks the first January to June sales period since 2005 in which single-family and condo sales are higher than the previous year's. Between January and June, nearly 3,000 more single-family homes were sold in Greater Boston than during that same period last year, an increase of nearly 30 percent. For condos, the six-month year-over-year increase was nearly 2,000 units, or 31 percent. If sales volume had not plummeted in July following expiration of the federal homebuyer tax credit, these data would represent the clearest sign yet of a housing-market recovery in Greater Boston. But in July 2010, single-family home sales in Greater Boston were down 25 percent from July 2009 and 33 percent lower than the previous month.⁵ Whether sales will recover in coming months is hard to predict.

The recovery in sales of two- and three-unit homes, as stated above, began earlier, yet it has actually proven more modest than the recovery for single-family homes and condos. **Figure 3.6** provides the six-month sales figures for two- and three-unit homes in the five-county Greater Boston region. Among homes in two-unit structures, the 1,615 sales in the first six months of 2010 represented a 30 percent increase from the 2008 level, but just a 7 percent increase over 2009. For

FIGURE 3.6

Sales of Two- and Three-Family Homes in Greater Boston, January through June, 2005–2010



Source: The Warren Group

homes in three-unit structures, sales have increased in the first six months every year since 2007, but the gains have been rather small. Although 2010's six-month sales figure was 37 percent higher than 2007's, this represented an increase of just 200 sales. Sales in three-unit structures were 17 percent higher in the first six months of 2010, compared to 2009.

The extra damage done to the market for two- and three-family homes in Greater Boston might be written off as simply a quirk of the housing market, were it not connected with broader social and economic trends at both the individual and the municipal levels. Particularly in this region, these two- and three-family homes have historically served as vehicles for social mobility, especially for immigrant families who could live in one unit while renting the others to friends and family members, thus generating a steady stream of income for themselves while preserving an appreciating asset. To the extent that this segment of the local housing market has suffered outside declines, the pain associated with the decline of the housing market is likely to have been disproportionately concentrated among families with lower incomes, and it may well have interrupted the process of social mobility that ownership of these types of homes had promised in previous years.

At the municipal level, these types of structures are heavily concentrated in Boston, the dense inner suburbs that surround the city and the larger older

TABLE 3.1

Greater Boston Municipalities with the Highest Proportion of Single-Family, Condominium, Two-Family, and Three-Family Home Sales, 2009

Single-Family			Condominium			Two-Family			Three-Family		
2009 Rank	Municipality	% of Sales	2009 Rank	Municipality	% of Sales	2009 Rank	Municipality	% of Sales	2009 Rank	Municipality	% of Sales
1	Boxford	100.0%	1	Central Boston	97.1%	1	Everett	35.6%	1	East Boston	31.4%
2	Dunstable	100.0%	2	Cambridge	83.0%	2	Revere	32.9%	2	Lawrence	26.7%
3	Carlisle	98.2%	3	South Boston	81.7%	3	Lawrence	31.4%	3	Dorchester	20.2%
4	Westwood	98.2%	4	Brookline	80.5%	4	Malden	28.9%	4	Chelsea	15.3%
5	Wilmington	97.8%	5	Brighton	79.6%	5	Mattapan	26.2%	5	Lynn	15.0%
6	Topsfield	96.1%	6	Allston	78.3%	6	Chelsea	25.2%	6	Mattapan	14.3%
7	Georgetown	94.0%	7	Jamaica Plain	76.9%	7	Hyde Park	20.8%	7	Everett	11.9%
8	Holbrook	93.7%	8	Charlestown	76.2%	8	Lynn	20.2%	8	Roxbury	11.9%
9	Hamilton	93.2%	9	Roxbury	70.3%	9	Somerville	19.3%	9	Brockton	11.8%
10	Berkley	92.7%	10	Somerville	61.5%	10	Medford	16.5%	10	Somerville	8.0%
11	Kingston	92.5%	11	Watertown	58.8%	11	Dorchester	16.1%	11	Allston	6.5%
12	Lynnfield	92.4%	12	Berlin	57.0%	12	Lowell	15.5%	12	Revere	5.2%
13	Dover	92.2%	13	Salem	53.5%	13	Haverhill	14.4%	13	South Boston	5.2%
14	Plympton	92.0%	14	Waltham	51.2%	14	Watertown	14.3%	14	Lowell	5.0%
15	Hanson	91.9%	15	Middleton	49.5%	15	Roslindale	13.9%	15	Malden	4.9%
16	Lakeville	91.5%	16	Dorchester	49.4%	16	East Boston	13.5%	16	Jamaica Plain	4.5%
17	Harvard	91.0%	17	Salisbury	48.5%	17	Whitman	13.4%	17	Hyde Park	4.5%
18	Newbury	90.6%	18	Chelsea	48.5%	18	Brockton	13.3%	18	Taunton	3.8%
19	Milton	90.4%	19	Winthrop	47.4%	19	Taunton	13.2%	19	Winthrop	3.4%
20	Upton	90.3%	20	Roslindale	47.1%	20	Winthrop	12.6%	20	Gloucester	3.2%

Source: The Warren Group

industrial cities that dot the region. These places, by and large, are home to a substantially higher proportion of low-income families as well as racial and ethnic minorities unlike many smaller and more prosperous suburbs, whose housing stock consists overwhelmingly of single-family detached dwellings. In **Table 3.1** we compare annual home sales data for 2009 for different types of housing units to determine which individual cities and towns had the highest percentages of single-family homes, condos, two-family homes, and three-family homes among all homes sold. Not surprisingly, the towns with the highest proportion of detached single-family home sales were all relatively small and relatively wealthy suburbs. In these 20

towns, more than 90 percent of all homes sold in 2009 were detached single-family structures.

Communities with high proportions of condo sales tend to cluster right around the center of the city. In Central Boston (comprising the North End, Beacon Hill, the Back Bay, the South End, Downtown Boston, and Chinatown), condos made up more than 97 percent of all home sales last year. All of the top 10, and 15 of the top 20, condo markets are either neighborhoods in Boston or communities that directly abut the city. This is a rather diverse group of communities economically, though, as condo prices ranged from the high end (in places like Brookline, a rich inner suburb next to Boston, and Middleton, a middle-class

North Shore community) to the low end of the housing market (in places like Roxbury and Chelsea).

A different picture emerges when we examine the communities with a high proportion of two- and three-unit buildings. Nearly all of these are communities that have been hardest hit by the foreclosure crisis and have had to provide, year in and year out, higher levels of social services associated with dealing with low-income populations, while working with highly constrained municipal budgets.⁶ Given the high percentage of such sales in communities like East Boston, Everett, Chelsea, Dorchester, Mattapan, and Lynn, the steep decline in this segment of the housing market has taken a high toll on the communities most in need of a robust housing market.

Home Prices

Although home sales volume began to pick up for single-family homes and condominiums in 2009, and for two- and three-family units even before then, this was not the case for home prices (see **Figure 3.7**). On an annual basis, home prices continued to fall for all types of housing from 2007 through 2009. The forecasts that we made last year about home prices turned out to be more accurate than our forecasts for sales volume. In last year's installment of *The Greater Boston Housing Report Card* we reported that we expected to see an annual median price for single-family homes

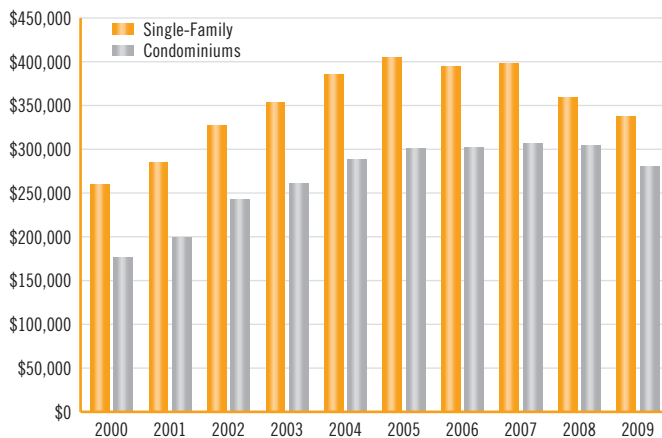
of \$327,358. In actuality, the 2009 annual figure was \$337,591. This figure represented a decline of 19.5 percent from 2005, when the average price topped \$400,000 in the five county Greater Boston region.⁷

For condos, our full-year annual forecast of a median price of \$275,264 was about \$4,000 lower than the final actual figure, \$279,768. In contrast with single-family homes, condo prices had remained relatively stable through 2008, yet they fell substantially for the first time in 2009. Still, the decline in the median condo price was much more modest. From its peak level in 2007, the median price fell by just 8.7 percent through 2009—less than half the rate of the decline in single-family home prices.

As **Figure 3.8** demonstrates, the largest housing price contractions in Greater Boston have taken place among two-family and three-family homes, which tend to be more concentrated in the dense urban core and house a disproportionate number of low-income families. Housing of both types reached their peak annual values in 2005. They experienced modest declines in prices in both 2006 and 2007, then plummeted in value in 2008 and 2009. From a median value of \$444,021 in 2005, the median for two-family homes fell nearly 40 percent, to \$267,188 in 2009. For three-family homes, the comparable figures were \$492,182 in 2005 and \$243,009 in 2009, a stunning 51 percent drop in median selling price in just four years. In fact, these three-unit

FIGURE 3.7

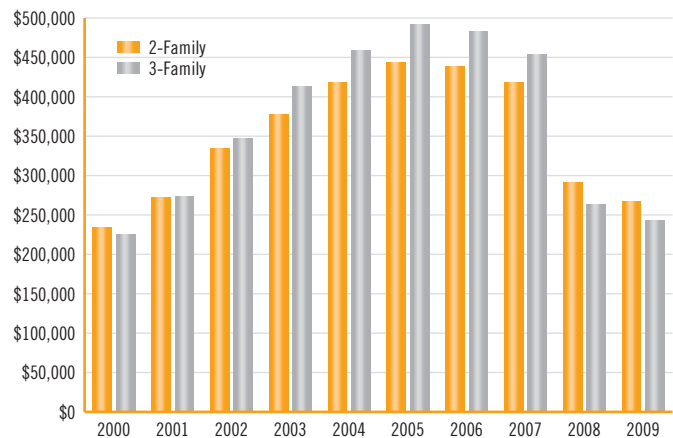
Median Price of Single-Family Homes and Condominiums in Greater Boston, 2000–2009



Source: The Warren Group

FIGURE 3.8

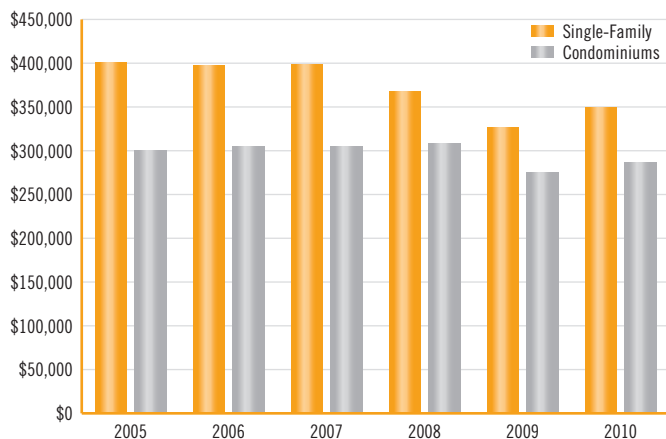
Median Price of Two- and Three-Family Homes in Greater Boston, 2000–2009



Source: The Warren Group

FIGURE 3.9

Median Price of Single-Family Homes and Condominiums in Greater Boston, January through June, 2005–2010



Source: The Warren Group

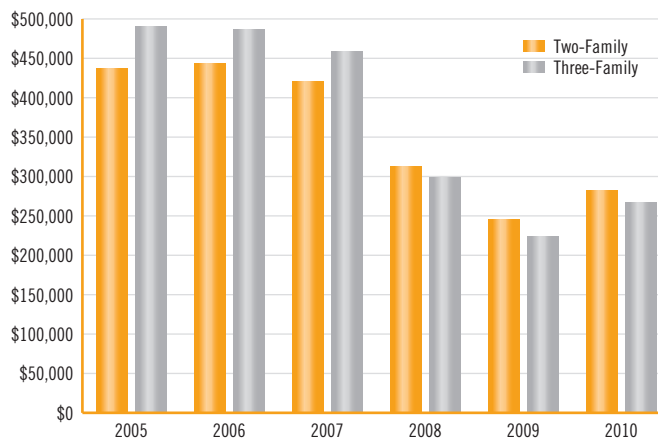
structures have been hit so acutely by the housing crisis that, on average, they are selling now for less than typical two-unit structures, a phenomenon not seen since 2000.

Comparing the first six months of 2010 with the first six months of the five previous years, as we did with the sales volume data, we see the beginnings of a moderate recovery in home prices in all types of owner-occupied units. **Figure 3.9** portrays these half-year comparisons for detached single-family homes and condos. Last year marked a low point for home prices for both types of units, but the first six months of 2010 revealed the first six-month home price increases in five years. These six-month year-over-year increases were not huge—just 7 percent for single-family homes and just 4 percent for condos—but they did seem to point toward a mild recovery.

The six-month year-over-year percentage gains for two- and three-family homes have been more impressive, but perhaps only because last year’s prices were so low. The median price for two-family homes was 15 percent higher in the first six months of 2010, compared to a year ago; for three-family homes, the median price was 19 percent higher than a year ago. On average, two-family homes have continued to sell for slightly more than three-family homes in Greater Boston. (See **Figure 3.10**.)

FIGURE 3.10

Median Price of Two- and Three-Family Homes in Greater Boston, January through June, 2005-2010



Source: The Warren Group

A summary of the price depreciation between the peak and trough for each of these types of housing units and the subsequent recovery through June 2010 is found in **Table 3.2**. The table suggests the “more price falls, the faster it comes back.” As demonstrated above (see **Table 3.1**), these types of homes are disproportionately concentrated in poorer communities throughout Greater Boston, where the housing market has proven exceedingly fragile. As such, this excessive volatility of rapidly declining and rising prices introduces a measure of uncertainty in the communities least equipped to handle it.

TABLE 3.2

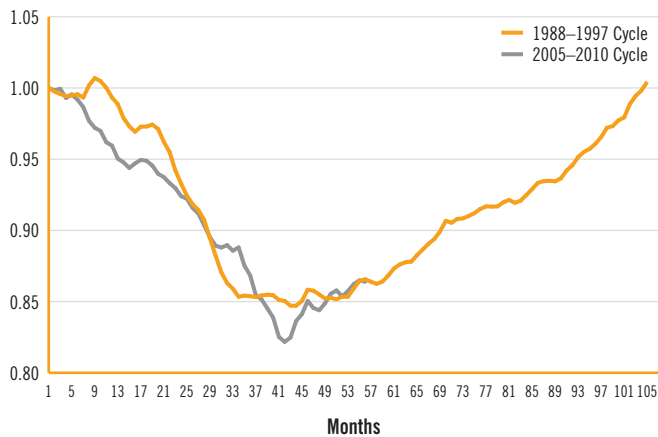
Changes in Home Prices by Type of Housing Unit, Greater Boston, 2005 – June 2010

	Peak Year	Trough Year	Peak Year to Trough Year	Mid 2009 – Mid 2010
Condo	2007	2009	-8.7%	4.0%
1-Family	2005	2009	-19.5%	7.0%
2-Family	2005	2009	-39.8%	14.9%
3-Family	2005	2009	-50.6%	19.3%

Source: The Warren Group

FIGURE 3.11

Greater Boston Housing Cycles: 1988–1997 vs. 2005–2010, Case-Shiller Single-Family Home Price Index



Source: Standard and Poor's Case-Shiller Single-Family Home Price Index

Are We Still on Track for a Full Home Price Recovery?

In our 2009 Housing Report, we compared the present housing price cycle with the last one in order to provide a forecast of when single family home prices might return to their late 2005 peak. In the earlier cycle, prices began to fall in July 1988 and continued to decline through February 1992. During this peak-to-trough period, which lasted 42 months according to the Case-Shiller index, home prices fell by 15.3 percent. It took the next 62 months—just over 5 years—for single-family home prices in Greater Boston to return to their July 1988 peak.

The peak of the current cycle occurred in November 2005, based again on the Case-Shiller Index, and according to the latest data hit bottom in April 2009. This peak-to-trough period also lasted 42 months, and during that time prices fell by 17.8 percent, only slightly more than in the previous cycle.

In **Figure 3.11**, we have superimposed the current cycle onto the previous one. A cursory examination of the figure suggests that the peak-to-trough portions of the two cycles are quite similar, as are the initial recoveries from the troughs through the first 15 months of the up-cycle. If this pattern were to continue, then the full recovery would take roughly 60 months or five years. That would mean that single-family home prices in Greater Boston would not recover until sometime in early 2014. Of course, if the economy slows

substantially, the housing recovery may take longer. If the overall economy were to grow faster, it is conceivable that full price recovery could come a little earlier. In either case, one would be justified in believing that full price recovery will not occur for at least another three years.

Characteristics of Massachusetts Homebuyers

Each year the National Association of Realtors (NAR) releases a hefty amount of data chronicling the characteristics of home buyers and sellers including what types of housing they buy, how much money they spend, how first-time buyers differ from repeat buyers, which methods sellers use to market their homes, and what proportion of buyers finance their purchases. NAR provides data pertaining to buyers and sellers nationwide, as well as data on buyers and sellers in each individual state. As in previous years, these data illuminate the unique ways in which the Massachusetts housing market differs from those found in other states. We present a selection of key comparisons between the state and the nation in **Table 3.3**.

Following a trend that we have noted each year, homebuyers in Massachusetts have significantly higher incomes than their counterparts across the nation. The median income of Massachusetts homebuyers, nearly \$95,000, was a full 30 percent higher than the national median, just over \$74,000.⁸ The state's income distribution accounts for this disparity in median incomes: just 12 percent of Massachusetts homebuyers earned less than \$45,000 in 2008, compared with 21 percent of buyers across the country, while two-thirds of the Bay State's buyers made over \$75,000, compared with fewer than half of all buyers in the U.S.

These higher incomes proved quite necessary, however, as the price of a typical house in Massachusetts (\$275,000) costs nearly 50 percent more than that of a typical house throughout the country (\$185,000). Indeed, despite a higher median income in Massachusetts, the ratio of median home price to median income in the Commonwealth is 2.90, while the same ratio across America is just 2.53. In all states, new homes tend to cost more than previously owned homes, and in both categories typical home prices in the Commonwealth significantly exceeded those in other states. In

TABLE 3.3

2009 Homebuyer Profile, Massachusetts vs. U.S.

	MA	U.S.	MA/U.S. Ratio
All Homebuyers			
Median Income (2008\$)	\$94,800	\$73,103	1.30
% with Incomes <\$45,000	12%	21%	0.57
% with Incomes <\$55,000	19%	32%	0.59
% with Incomes >\$75,000	67%	48%	1.40
Median Age	38	39	0.97
Median Price of Home Purchased	\$275,000	\$185,000	1.49
Median Price – New Home	\$310,000	\$222,000	1.40
Median Price – Previously Owned Home	\$271,000	\$176,000	1.54
% Who Financed Their Purchase	90%	92%	0.98
% Purchasing Homes Price <\$150,000	12%	34%	0.35
% Purchasing Homes Price <\$200,000	24%	53%	0.45
% Purchasing Newly Constructed Home	9%	18%	0.50
Of Newly Constructed Home Buyers, % Paying <\$200,000	24%	40%	0.60
Of Newly Constructed Home Buyers, % Paying <\$300,000	43%	68%	0.63
Of Newly Constructed Home Buyers, % Paying >\$500,000	31%	8%	3.88
% Purchasing Detached Single Family Home	65%	78%	0.83
% Purchasing Townhouse/Row House	7%	8%	0.88
% Purchasing Unit in Building with 2–4 Units	10%	2%	5.00
% Purchasing Unit in Building with 5 or More Units	12%	7%	1.71
Median Size (sq. ft.)	1,620	1,800	0.90
Price per Square Foot for All Homes	\$176	\$101	1.74
Detached Single Family	\$169	\$97	1.74
Townhouse	\$168	\$124	1.35
Unit in 2–4 Unit Structure	\$242	\$120	2.02
Unit in Structure with 5 or More Units	\$250	\$175	1.43

Source: National Association of Realtors, 2010 Profile of Home Buyers and Sellers

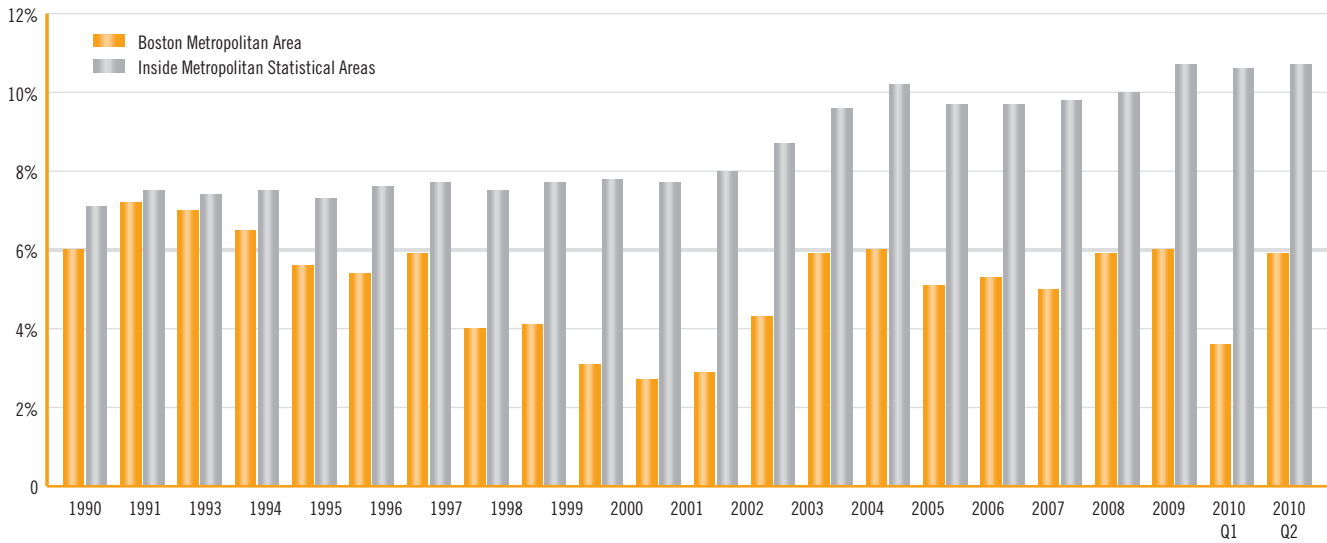
fact, the proportion of homebuyers in Massachusetts whose houses cost less than \$150,000 was only about a third as high as the proportion able to find such affordable units nationwide.

As striking as this affordability gap is on its face, it becomes even more extreme when we take into consideration the fact that homes purchased in Massachusetts, while significantly more expensive, are also significantly smaller. This has to do primarily with the fact

that a far lower proportion of the Commonwealth's housing stock consists of detached single-family homes, and a far higher proportion consists of two-family, three-family, and multiunit dwellings. Controlling for size heightens the disparity in housing cost: the average price per square foot of homes purchased in Massachusetts was \$176 in 2009. This figure is 74 percent higher than the average price per square foot of all American homes purchased last year (\$101).

FIGURE 3.12

Rental Vacancy Rates, Greater Boston vs. U.S., 1990–2010



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

Affordability problems affected all home purchases in Massachusetts, but they were perhaps most acute for those making their first purchase. In 2009, this group made up a larger share of all homebuyers in Massachusetts than across the nation. The ratio of homebuyer income in Massachusetts to that across the U.S. is higher for first-time buyers than it is for all buyers (1.37 vs. 1.30), but so is the ratio of the median home price in Massachusetts to the national median (1.57 among first-time buyers vs. 1.49 for all buyers). The ratio of median price to median income for first-time buyers in the Commonwealth stood at 2.89, compared to a ratio for first-time buyers nationwide of 2.53. Similar results are found among repeat homebuyers, but for this group median income and median price in Massachusetts were slightly less out of line with national trends. Altogether, these data indicate that in spite of the recent price declines witnessed in the regional housing market, owning a home in Greater Boston, and indeed anywhere within Massachusetts, remains a far costlier endeavor than in most other parts of the country. This was true back in 2005 and it is still true today.

Rental Market

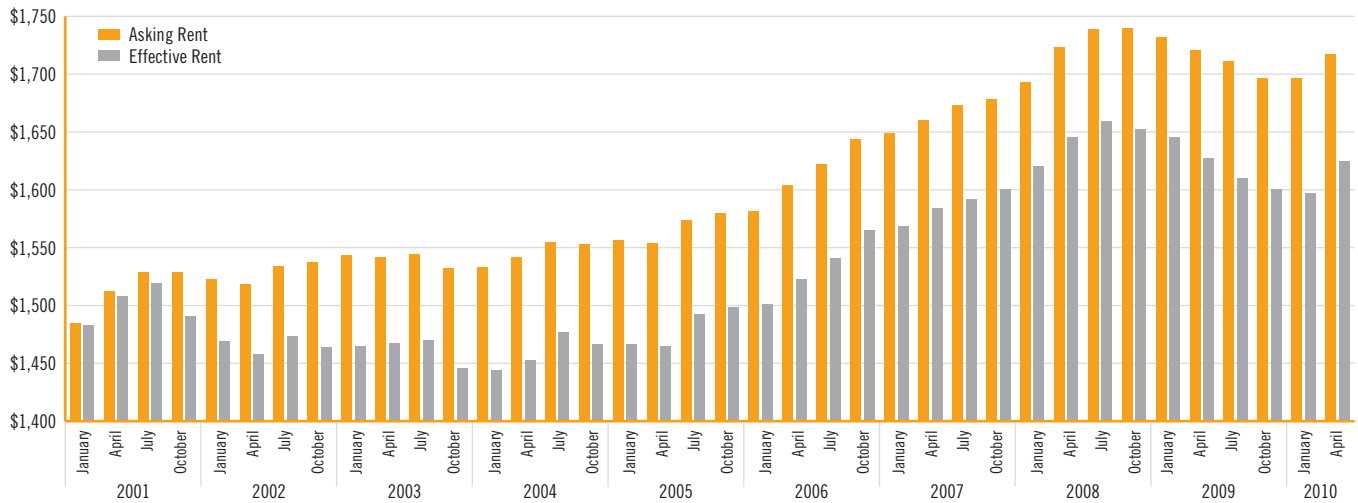
Rental Vacancy Rates

Across the nation, rental vacancy rates for all large metropolitan areas combined have crept up since 1990 and have risen quite sharply since 2006 (see **Figure 3.12**). While they hovered between 7 and 8 percent through the turn of the millennium, they now exceed 10 percent for the first time since at least 1956 (and possibly for the first time ever).

In the relatively dense Greater Boston region, rental vacancy rates have traditionally been far lower than the national average. Even as the vacancy rate nationwide approached 8 percent in the 1990s, Boston's vacancy rate dropped steadily. From a level above 7 percent in 1991, the rental vacancy rate for the region fell nearly every year that decade, so that by 2000 it stood at 2.7 percent, the lowest value ever. Just as the low homeowner vacancy rate contributed to mounting housing prices in the region, this extremely low rental unit vacancy rate contributed to rapidly escalating rents in Boston-area apartments at the beginning of the 1990s. Although the area's rental vacancy rate returned to the more normal 5–6 percent level for most of the 2000s, it was still more than three percentage

FIGURE 3.13

Asking and Effective Apartment Rents in Greater Boston, 2001–2010



Source: Reis.com

points lower than the national average every year of the decade. And in the first quarter of 2010, the gap between Greater Boston’s rental vacancy rate and the national average metropolitan vacancy rate reached an all-time high of 7 percentage points, though that gap closed to the still-high value of 4.8 percentage points in the second quarter. Clearly, the rental market in Greater Boston is quite different from the rental market most everywhere else. As we will see in Chapter 4, the big difference is likely related to the concentration of college and university students in the region who provide a more or less steady demand for rental units.

Rents

In last year’s *Greater Boston Housing Report Card* we noted the fascinating way that trends in apartment rents in Greater Boston stood in contrast to trends in home prices. With a wave of foreclosures pushing homeowners out of their houses and dissuading potential homebuyers from investing in new owner-occupied housing, home prices declined between 2005 and 2009. At the same time, rents remained quite high. In fact, rather than falling along with home prices, rents actually increased despite the growing weakness in the owner-occupied housing market and the economy more generally. As **Figure 3.13** indicates, between the second quarter of 2005 and the third quarter of 2008, average asking rents in Greater Boston rose by \$186

(12 percent). A likely partial explanation for this trend is that those who lost their homes or who decided not to enter the homebuyer market propped up demand for apartments, even as demand for owner-occupied housing fell. Effective rents, which take into account discounts offered by landlords to tenants, such as a month of free rent or some similar concession, tracked closely with asking rents in their persistent upswing through mid-2008, peaking at \$1,740.

Only in the second half of 2008 did the rental market begin to somewhat soften. At the end of 2009, the average asking rent in Greater Boston had dropped about \$50 from its 2008 peak, while the average effective rent had fallen about \$60. This was the same period in which home sales began to pick up again in the region, and this shift likely played a role in mitigating the climb in rents. By the second quarter of 2010, though, rents began rising again. It is not clear whether this simply entails a stabilization of rents or instead marks another round of rapid rent increases. What does seem to be clear, though, is that whatever downward correction in rents took place was rather short-lived. Compared to other metropolitan regions in the U.S., renting an apartment in Greater Boston continues to be an expensive undertaking.

As in past years, the Boston metropolitan area is among the very most expensive rental markets.

According to Reis.com, in the second quarter of 2010, only four metropolitan regions—New York City; Westchester County, New York; San Francisco; and Fairfield County, Connecticut—had higher average rents than Boston. Of the top 10 metro regions, all but two (San Francisco and San Jose, CA) were in the northeast. By comparison, metropolitan regions that have in recent years attracted many young families and many high-tech companies that might otherwise have located in the Boston region have essentially outcompeted Boston by being more affordable. The average effective rent in Austin, Texas was \$789 during the second quarter of 2010; in Portland, Oregon it was \$763; and in Raleigh-Durham, North Carolina \$724.

Conclusion

It is difficult to forecast where home prices will trend in the coming months or the beginning of 2011. If we are fortunate, the end of the first time homebuyer tax credit will only have a temporary impact on home sales and prices followed by a resumption of sales activity and stability in home prices. There are simply too many unknowns to predict this outcome.

As for the rental market, there is little reason to believe that the historically high rents of the past several years will come down anytime soon, particularly given the number of households losing their homes to foreclosure, the number of families who are remaining in rental housing due to the weak economy, and the continued growth in the number of university and college undergraduate and graduate students in Greater Boston, a subject to which we turn in the next chapter.

4. Student Housing

Greater Boston's status as the world's higher education capital is one of the main attractions of the region, and its 76 accredited universities and colleges are responsible for much of the Commonwealth's prosperity. These institutions of higher education provide a trained labor force for businesses not only here but across the nation and the globe. Their research labs have spun off hundreds of companies that employ tens of thousands of local residents while leading the world in new discoveries that improve living standards everywhere. A number of these institutions have been responsible for spawning Boston's great teaching hospitals which are the envy of the world. Without its "Eds and Meds," Greater Boston would be a shadow of itself.

Each year, tens of thousands of undergraduate and graduate students come to the Greater Boston area to take advantage of these great institutions and over the past few years, the number of students has grown rapidly. This increase is not surprising, following the national trend. The *Current Population Survey* reports that a record-high 70.1 percent of 2009, high-school graduates were enrolled in college in October 2009, up from 68.6 percent in 2008, and 67.2 percent in 2007.¹ Similarly, The Pew Research Center reports an increase in freshman enrollment of 144,000 students between 2007 and 2008, the largest in 40 years.²

University and college students in Greater Boston add a vitality to the region not only socially, but economically, as they are major customers for its retail and service establishments. But they also add to the demand for private housing and in doing so play a major role in making rental housing in Greater Boston among the most expensive in the nation. Unlike the typical household with one or two breadwinners, three or four students can live together in a two-bedroom apartment each paying \$500—\$600 a month so that landlords can charge \$2,000 to \$2,400 for a unit which otherwise might rent for \$1,700 or less. This can price families and individuals out of the rental markets where large numbers of students live.

Well before the recent expansion in university and college enrollment, the Mayor's Advisory Panel on

Housing in the City of Boston identified the need to address the impact of students on the local housing market. In its 1996 report, the Advisory Panel stated that

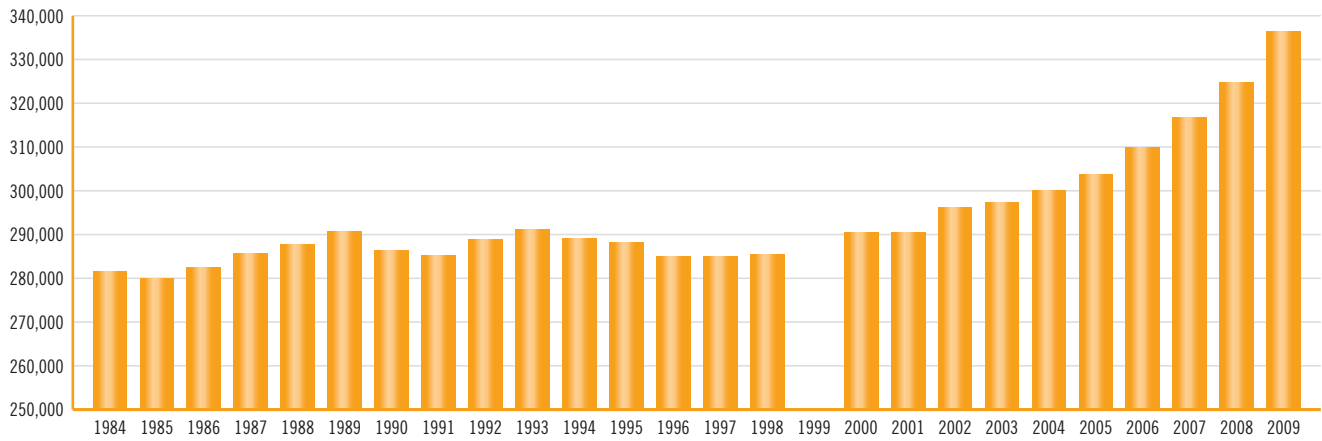
The presence of 32 colleges, universities and graduate schools is one of Boston's major assets, contributing to the economic base and quality of life, but the impact of 67,000 students estimated to live in rental housing places a strain on the City's private housing market. ... Groups of students sharing apartments can pay much higher rents than either individuals, families with children or people living on fixed incomes and thus the student presence tends to artificially inflate prices in certain segments of Boston's private rental housing market. Construction of additional student dormitories would free up rental units and help establish a truer private housing market.³

Because the increase in enrollment since 1996 has been so rapid, most of the universities and colleges in the region have been unable to expand on-campus housing options fast enough to house the new influx of students. The result is that incoming students are putting more and more pressure on the rental housing market in the city and surrounding suburbs. This is one of the major reasons why we find that rents in Greater Boston have remained high throughout the current economic crisis and have been rising almost steadily at least since 2005.

Of course, some students are more likely to be renting than others. For instance, most community college students commute from home and therefore do not place additional pressure on the rental market. Additionally, many undergraduate students are housed on campus. However, graduate students are frequently on their own for housing, as there is little on-campus housing available to them, and they are unlikely to commute from home.⁴ As such, total enrollment increases alone do not provide sufficient information to indicate the level of stress that students add to the rental market. The following sections break down the enrollment increases by level of education (graduate

FIGURE 4.1

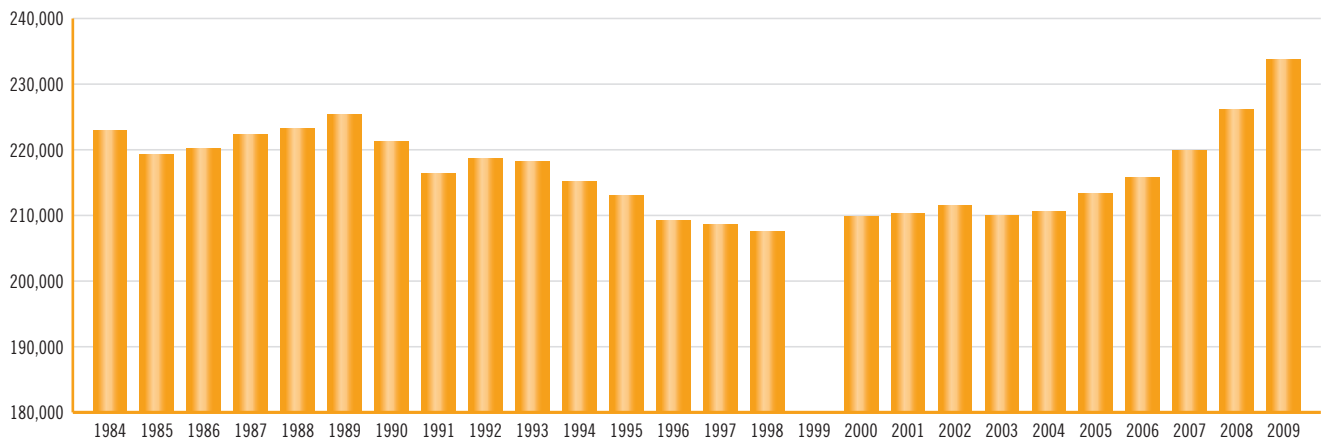
Total Post-Secondary Enrollment in Greater Boston, 1984-2009



Source: College Navigator, College-Insight, IPEDS data center; August 2010

FIGURE 4.2

Undergraduate Enrollment in Greater Boston, 1984-2009



Source: College Navigator, College-Insight, IPEDS data center; August 2010

and undergraduate) and by type of school (private, state, community) in order to more accurately assess the added burden on the housing market and to provide a forecast for the future.

Enrollment by Level of Education

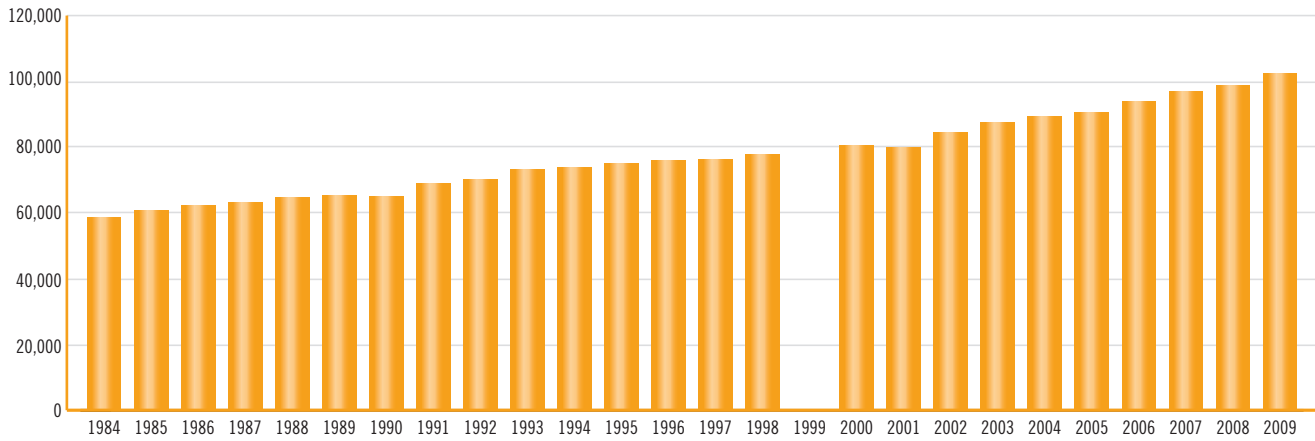
In Greater Boston total post-secondary enrollment remained more or less constant from 1984 through 2000 hovering between 280,000 and 290,000 students (see **Figure 4.1**).⁵ Then, between 2001 and 2009, student

enrollment increased rapidly from 290,000 to 336,000, an increase of more than 45,000 students in a single decade. The last two years alone (2008 and 2009) accounted for over 19,000 of the increase.

The total enrollment figures mask underlying differences in undergraduate and graduate enrollment patterns in the region. As **Figure 4.2** reveals, undergraduate enrollment actually declined between 1989 and 1998, sinking from nearly 225,000 in 1989 to just over 207,000 in 1998. (There are no comparable data available for 1999.) After fluctuating around 210,000

FIGURE 4.3

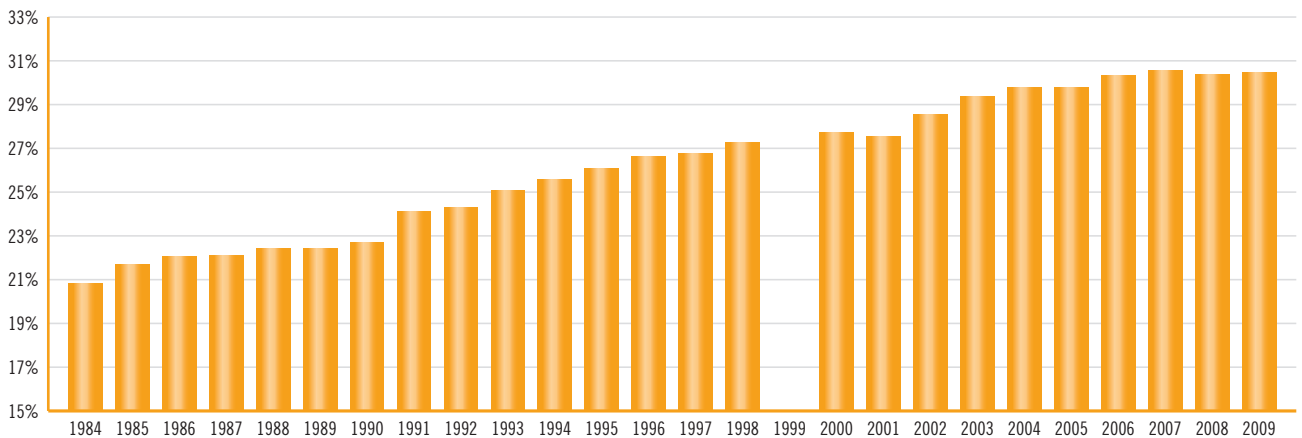
Graduate Enrollment in Greater Boston, 1984-2009



Source: College Navigator, College-Insight, IPEDS data center, August 2010

FIGURE 4.4

Graduate Enrollment as a Proportion of Total Post-Secondary Enrollment in Greater Boston, 1984-2009



Source: College Navigator, College-Insight, IPEDS data center, August 2010

between 2000 and 2004, the number of undergraduate students in Greater Boston has increased every year so that by Fall 2009, there were just under 234,000 students in the region, an increase of nearly 24,000 in five years.

The decrease from 1989 to 1998 is partially due to the restructuring at Northeastern University, which changed from a large mostly-commuter school to a smaller mostly non-commuter university. Northeastern University alone accounts for over 8,000 of the 18,000 drop in undergraduate enrollment in that

period. Other institutions, including the University of Massachusetts (both Boston and Lowell campuses), Salem State, Bentley University, Dean College, and Merrimack College experienced enrollment reductions of over 1,000 students each during that period.

The increase in undergraduate enrollment has been very abrupt: only about 3,400 additional undergraduate students from 2000 to 2005, but then an additional 20,550 from 2005 to 2009—with nearly 14,000 of those additional students showing up in just the past two years. This has been especially problematic for the

housing market during the past three years because those students entering in 2006 and 2007 were juniors and seniors in 2009 and 2010 when undergraduate students tend to leave dormitories for their own off-campus apartments. This added pressure almost certainly contributed to the sustained high rents in Greater Boston when we would have expected rent levels to soften and effective rents to deviate more sharply from advertised rents.

In contrast to undergraduate enrollment, graduate enrollment has been rising at a fairly steady rate for at least a quarter of a century (see **Figure 4.3**). Since 1984, the number of graduate students in Boston has nearly doubled; since 2001, graduate enrollment has increased by more than 22,000 students.

The increase in graduate enrollment offset the dip in undergraduate enrollment between 1989 and 1998 so that total university and college enrollment remained more or less flat during that period. But the combination of the steady rise in graduate students and the sharp rise in undergraduates after 2005 has led to the point where in the fall of 2009, there were 336,000 post-secondary students in Greater Boston including 234,000 undergraduates and 102,000 in graduate school. Today, the graduate student population is nearly half as large as the undergraduate student population, and comprises nearly one-third of the total university and college student population (see **Figure 4.4**). Back in the 1980s, the graduate student population accounted for no more than 20 to 23 percent of all post-secondary students.

The implications for the housing market become even more evident when considering the undergraduate and graduate populations separately. A large share of undergraduates spend at least their first two years in college residence halls or dormitories before setting out to live in surrounding neighborhood housing. Graduate students who make up an increasing share of the student population in Greater Boston are almost all living in off-campus housing since there are few on-campus options for them at most schools. Unlike most undergraduates, graduate students have fewer reasons to be as close to campus and therefore have a tendency to find housing throughout the Greater Boston region, putting added pressure on neighborhoods not necessarily adjacent to their campuses.

TABLE 4.1

Increase in Enrollment by Type of Institution, Greater Boston, 2000–2009

	Undergraduate Enrollment	Graduate Enrollment	Total Enrollment
Private Four-Year Colleges and Universities	8,547	20,342	28,889
Public Four-Year Colleges and Universities	4,461	2,078	6,539
Community Colleges	10,462	0	10,462
Total Enrollment	23,470	22,420	45,890

Source: College Navigator, College-Insight, IPEDS data center; August 2010

Enrollment by Type of Institution

Although the growing enrollment figures suggest a powerful addition to rental housing demand, students from different types of institutions are not equally likely to rent off-campus apartments. Total enrollment figures mask the underlying trends in enrollment at private institutions, state schools, and community colleges. **Table 4.1** indicates the change in enrollment from 2001 to 2009 for all three types of institutions.

During the decade total enrollment increased by nearly 46,000 students in Greater Boston. Among undergraduates, the greatest increase occurred in the student ranks of community colleges. Nearly 45 percent of the entire 2001–2009 increase in the region’s post-secondary student body occurred in these two-year institutions—10,462 out of 23,470 additional undergrads. These students tend to have come from the region and tend to live at home while they attend school. As such, their impact on the local rental housing market is limited.

Of the remaining 13,000 additional undergraduates, about one-third (4,400) attended public four-year universities such as UMass Boston and UMass Lowell. While we do not have data on how many public university undergrads rent apartments with other students or friends, it is likely that many of them still live at home and put less pressure on the local rental market.

The remaining two-thirds (8,600) of the additional undergraduates attended private four-year schools like Boston University, Boston College, and Northeastern.

TABLE 4.2

Increase in Undergraduate Enrollment by Type of Institution, Greater Boston, 2000–2009

	2001–2007	2007–2009
Private Four-Year Colleges and Universities	5,820	2,727
Public Four-Year Colleges and Universities	735	3,726
Community Colleges	3,052	7,410
Total Enrollment	9,607	13,863

Source: College Navigator, College-Insight, IPEDS data center; August 2010

As noted above, a large proportion of upper classmen at these schools seek off-campus housing and this particular group of undergraduates is responsible for much of the pressure on surrounding neighborhood rental markets.

What may be even more important is the role of the growing graduate student population on Greater Boston's rental market. Returning to Figure 4.4 and Table 4.1, it is clear that the student demographic that has increased the fastest is graduate enrollment in private universities and colleges. These private schools account for over 20,000 additional graduate students since 2000 and over 90 percent of all additional graduate students in Greater Boston. A huge proportion of these students are competing for housing in the region's rental market.

Off-campus Housing

Obtaining accurate data on the number of university and college students living off campus throughout Greater Boston proved difficult since many institutions outside the City of Boston were not able to provide these numbers to us. However, using a combination of sources including *Peterson's Guide to Colleges and Universities* and the City of Boston's *University Accountability Reports*, we were able to piece together estimates of the total number of students throughout Greater Boston who were living on- and off-campus in fall 2009 and disaggregate the number by undergraduates and graduate students.⁶ The data on student housing in the City of Boston are the most accurate since the city requires each of the private institutions of higher

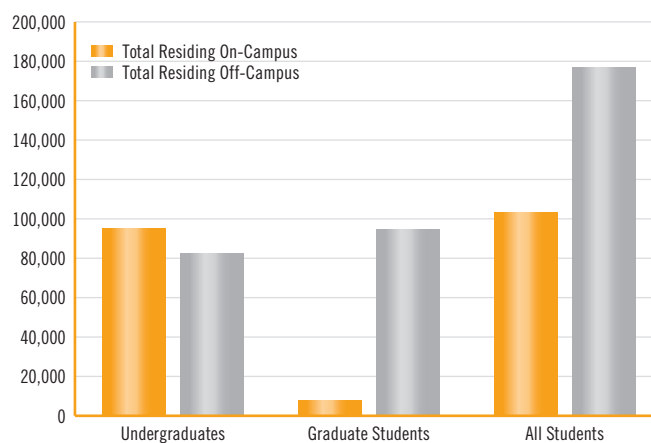
education which operate facilities within the city limits to report each year on the number of students enrolled, the number residing in campus housing, the number residing off campus, and a breakdown of the location of off-campus students by Boston zip code. In addition, each of these institutions must provide a complete list of addresses of properties currently owned, leased, rented or operated by the institution in which students are housed.

Greater Boston

Universities and four-year colleges house students at various rates ranging from 92 percent at MIT on the high end to no housing at all at commuting schools such as the University of Massachusetts Boston. Taking into account the on-campus housing rates of these schools in Greater Boston, approximately 95,000 undergraduates are housed on-campus (Figure 4.5). The remaining 82,500 undergraduates at private and public institutions are living in off-campus housing. Thus, the overall undergraduate off-campus housing rate is 46.5 percent (Figure 4.6). Of course, some of these students are living at home and commuting to school, but that rate may itself be dictated by high rental prices. More students might rent apartments if they could afford them.

FIGURE 4.5

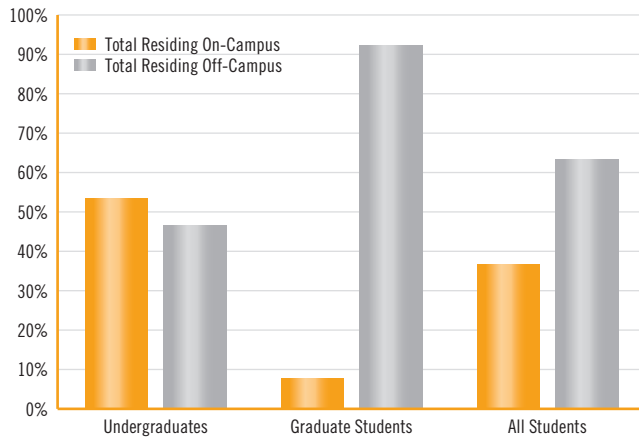
Estimated Number of Students in Four-Year Colleges, Universities, Professional Schools, On and Off Campus, Greater Boston, Fall 2009



Source: Peterson's.com; City of Boston University Accountability Reports

FIGURE 4.6

Estimated Proportion of Students in Four-Year Colleges, Universities, Professional Schools, On and Off Campus, Greater Boston, Fall 2009



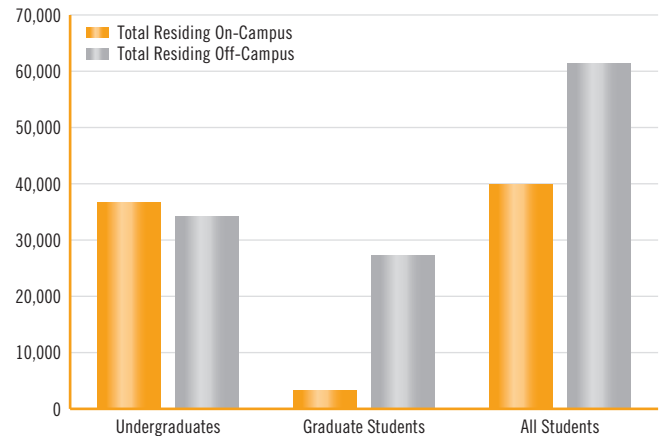
Source: Peterson's.com; City of Boston University Accountability Reports

In addition to undergraduate students, there were nearly 102,500 graduate students in Greater Boston in fall 2009. Graduate students are housed on campus at an average rate of just 7.7 percent. Only about 8,000 graduate students have on-campus housing at their institutions and most schools with graduate programs have little or no housing at all for these students.⁷ Therefore, a large proportion of the 94,500 graduate students not housed on campus are competing in the private rental market.

Adding together both undergraduate and graduate students in Greater Boston's 4-Year universities and colleges yields an estimate of 177,000 students living off-campus with the majority (54 percent) being graduate students. Not surprisingly, such a large number of students, most of them living in rental housing, has generated a growing demand for rental housing which keeps rents from falling even during times of economic crisis. And as the number of students grows in the face of little new housing supply, rents will almost certainly continue to climb almost regardless of economic conditions.

FIGURE 4.7

Estimated Number of Full-Time Students in Boston-based Four-Year Colleges, Universities, Professional Schools, On and Off Campus, Fall 2009



Source: City of Boston University Accountability Reports

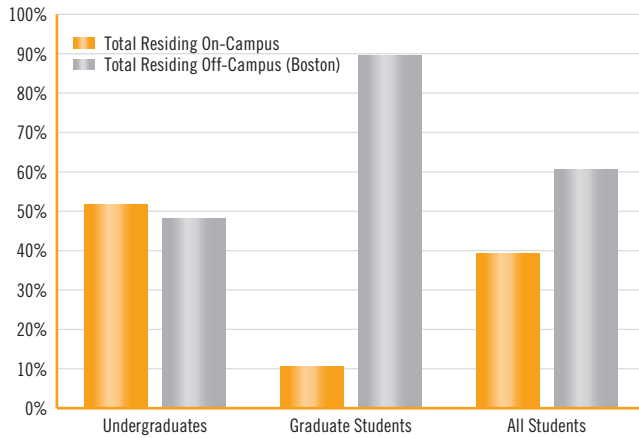
City of Boston

We have more precise data on the institutions of higher education operating within the City of Boston because of the city's mandated *University Accountability Reports*. Using these data on private four-year university and college enrollments and housing status, we have been able to calculate reasonably good estimates of the number of students living on campus in dormitories and residence halls and the number living off campus. It is important to remember that these estimates include only private institutions operating in Boston, exclude both community college and public four-year universities and colleges (i.e. Roxbury Community College, Bunker Hill Community College, and UMass Boston), and only refer to full-time students since many part-time students would normally be living in the region even if not in school. Moreover, these numbers do *not* include those who are living in Boston but who are registered students at universities or colleges elsewhere in Greater Boston. Hence, they underrepresent the total student population in the city itself.

Nevertheless, the numbers are substantial, as **Figure 4.7** reveals. While there are now nearly 37,000 full-time undergraduates living in campus dormitories and residence halls in Boston, over 34,000 full-time undergraduate students in private Boston-based post-secondary

FIGURE 4.8

Proportion of Full-Time Students in Boston-based Four-Year Colleges, Universities, Professional Schools, On and Off Campus, Fall 2009



Source: City of Boston University Accountability Reports

schools live off campus either in Boston or somewhere else in Greater Boston and most of them in rental units. In percentage terms, the Boston-based private four-year institutions of higher education are now housing 52 percent of their full-time undergraduates on campus with 48 percent living off campus. (Figure 4.8)

Many of these students, particularly in the undergraduate ranks, live near campus. Hence, neighborhoods such as Allston-Brighton, Mission Hill, the Fenway, and Back Bay are home to off-campus students and in these neighborhoods rents are almost surely being kept high as result of student pressure on the housing market.

As for graduate students, Boston-based universities and professional schools provide very little housing. Only a little more than 10 percent of these students live in campus residence halls so that close to 90 percent are living off campus.

Altogether, combining full-time undergraduates and graduate students, there are about 40,000 students living in Boston-based campus residence halls and dormitories while nearly 60,000 of these institutions' students live off campus. In percentage terms, 60 percent of full-time students in Boston-based private post-secondary institutions are living in housing off campus, most of it rental. Table 4.3 provides a list of Boston-based private secondary schools with estimates

of the number of full-time students living off campus and each school's share of the total off-campus student population. Appendices B, C, and D provide data on the proportion of each school's full-time student population living off campus.

The Future

The National Center for Education Statistics predicts a further increase in national enrollment in degree-granting institutions (both public and private) from fall 2007 through fall 2018.⁸ Total enrollment increased 28 percent nationwide between 1993 and 2007 and is projected to increase by an additional 13 percent by 2018. The report also predicts that while the increase in undergraduate enrollment will be 12 percent, the increase in graduate enrollment will approach 20 percent.

If the national projection applies to Greater Boston, we can expect that by 2018 there will be another 26,000 undergraduates in Greater Boston and an additional 19,000 graduate students. One can imagine that with another 45,000 students in the region, the already tight rental housing market will be strained even further.

For this reason, it is important to begin to address more aggressively the impact of the student population on the housing market in the region and particularly in the City of Boston itself. We either have to concede that rents will continue to spiral upward or consider alternative housing options for undergraduates and especially graduate students. Reducing the number of students in the region or capping growth is not the ideal way to deal with the pressure on the housing market. Students play a vital role in the region's economy and can continue to provide a source of consumer demand that helps all kinds of businesses remain prosperous, generating tens of thousands of jobs.

The alternative is to find new ways of meeting the demand for student housing. One would hope that individual schools will continue to construct residence halls for their own students. As for graduate students, the fastest growing student segment, we have been suggesting the possibility of building one or more multi-university graduate student villages. Here are the basic elements for such an initiative:⁹

TABLE 4.3

Full-Time Boston-based Private University and College Students Living Off Campus, Fall 2009

	Undergraduates	Graduates	All Students	Percent of Total Off-Campus Student Population, City of Boston
Boston University	5,841	7,916	13,757	23.1%
Northeastern University	7,811	5,410	13,221	22.2%
Suffolk University	3,931	1,686	5,617	9.4%
Boston College	1,901	2,591	4,492	7.5%
Berklee College of Music	3,038	0	3,038	5.1%
Massachusetts College of Pharmacy and Health Sciences	1,815	544	2,359	4.0%
Emerson College	1,544	696	2,240	3.8%
Harvard University - Boston-Based Schools	0	1,804	1,804	3.0%
Wentworth Institute of Technology	1,703	65	1,768	3.0%
Simmons College	772	747	1,519	2.5%
Boston Architectural College	619	505	1,124	1.9%
Tufts University School of Dental Medicine	0	804	804	1.3%
New England Law	0	741	741	1.2%
Tufts University, School of Medicine	0	707	707	1.2%
School of the Museum of Fine Arts	528	110	638	1.1%
Fisher College	617	0	617	1.0%
New England Conservatory of Music	245	331	576	1.0%
MGH Institute of Health Professions	86	480	566	1.0%
Art Institute of Boston at Lesley University	492	70	562	0.9%
Bay State College	540	0	540	0.9%
Emmanuel College	508	0	508	0.9%
The Boston Conservatory	314	164	478	0.8%
The New England College of Optometry	0	458	458	0.8%
Massachusetts Institute of Technology (Boston-only)	23	387	410	0.7%
Wheelock College	247	120	367	0.6%
Friedman School of Nutrition Science and Policy at Tufts University	0	201	201	0.3%
New England College of Business and Finance	36	34	70	0.1%
Laboure College	25	0	25	0.0%
Saint John's Seminary	8	15	23	0.0%
Urban College of Boston	22	0	22	0.0%
Boston Baptist College	17	0	17	0.0%
Massachusetts School Of Professional Psychology	0	308	308	0.0%
	32,683	26,894	59,577	100.0%

Source: City of Boston University Accountability Reports

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 rooms, a small lecture hall, a large screen video room, and recreational space. The village could be developed by a private sector developer with universities and colleges having responsibility for marketing the facility to its own graduate students. The collaborating higher education institutions would not have a financial stake in the development and the facility would remain on the city's tax rolls.

The village would include efficiencies, singles, doubles, and perhaps some triples and possibly even some units for married couples with young children. The village would have first and perhaps second floor commercial retail space that might include a small supermarket (e.g., Trader Joes, Whole Foods), a drycleaner, drug store, and a sports bar. It would have an underground garage with perhaps one space per three to five units, but a large Zip Car facility with vehicles ranging from Smart Cars to vans. The village would have regular programming of seminars, lectures, and film festivals for residents and others sponsored by the collaborating universities and colleges.

The combination of a convenient location, attractive apartments, a large array of amenities, the ability to live with students from other schools, and other village-like attributes might make this a top residential choice among graduate students when they come to Boston. If the village were also open to graduate students *after* graduation, it might serve to retain young professionals in the city.

Finding the right location for each village would be critical. Sites near public transportation would make it possible to serve several institutions without inconveniencing students or adding to transportation congestion. Since graduate students usually do not disrupt local neighborhoods, one would expect that community antipathy to such developments near other housing would not be a major problem. And since graduate students do not have the same need or desire to live on or adjacent to their own campuses, the sites for such graduate villages need not be constrained by the limited amount of developable land near existing campuses.

Student housing demand has been a major factor in Greater Boston's residential markets for decades. We now know that this demand has played a significant role in keeping rent levels high almost regardless of the state of the economy. In moving forward to assure more reasonable rents for households throughout Greater Boston and especially in the City of Boston's neighborhoods, the next frontier in housing should include new approaches to meeting the housing needs of students and in doing so remedy one of the most durable challenges facing residents of the region.

5.

Foreclosures in Greater Boston

In last year's *Greater Boston Housing Report Card*, we suggested that the foreclosure crisis would not be over in the latter half of 2009, but that the number of foreclosures would decline in the near future. With updated 2009 data and foreclosure action data for the first six months of 2010, we can see that we were overly optimistic. In reality, the number of foreclosure petitions increased in the first half of 2010 and the number of deeds and auctions are already nearing the full year totals we saw in 2009. It is with this news that we delve further into the foreclosure history of Greater Boston to obtain a better understanding of just how severe this foreclosure crisis has been.

Foreclosure Petitions in Greater Boston

Figure 5.1 reveals the monthly number of foreclosure petitions beginning back in January 2000, through June of this year. A petition is normally triggered when a homeowner is behind 90 days or more in making a mortgage payment. Prior to 2004, foreclosure petitions rarely exceeded 100 per month. From 2005 through the middle of 2008, there was a steady increase in petitions, with monthly petitions more than quadrupling from less than 400 to over 1,800. In all of 2007, nearly 16,000 petitions were filed compared with less than 700 just three years earlier.

As a result of the Massachusetts right-to-cure legislation that put a 90-day moratorium on new petitions in order to give borrowers time to catch up on missed mortgage payments, petitions dropped sharply to 185 in May 2008 and 183 in June. The direct result of the right-to-cure was short lived, however, as the number of foreclosures from September 2008 through June 2009 averaged over 1,140 a month, with a peak of 1,551 at the end of that period. This was close to the all-time monthly peak of just over 1,800 in April of the year before.

After June of last year, the number of petitions dropped steadily as we had hoped they would. In last year's *Report Card*, we had projected that "with an upturn in the economy and ultimately a decrease in

unemployment, the number of foreclosures (would) further decline in the near future."¹ But the reprieve we hoped for came to an end in January 2010 before stabilizing at an average of more than 1,150 a month for the first half of this year. The only good news was that during the first six months of this year, only two months (March and April) had a larger number of foreclosure petitions in a month-to-month comparison with the first six months of 2009. Furthermore, the total number of foreclosure petitions in the first six months of 2010 is 8 percent less than the number of foreclosure petitions in the first six months of 2009 and the number of foreclosure petitions in June 2010 is 28 percent lower than in June 2009. This indicates that the number of foreclosure petitions may still be on a downward course.

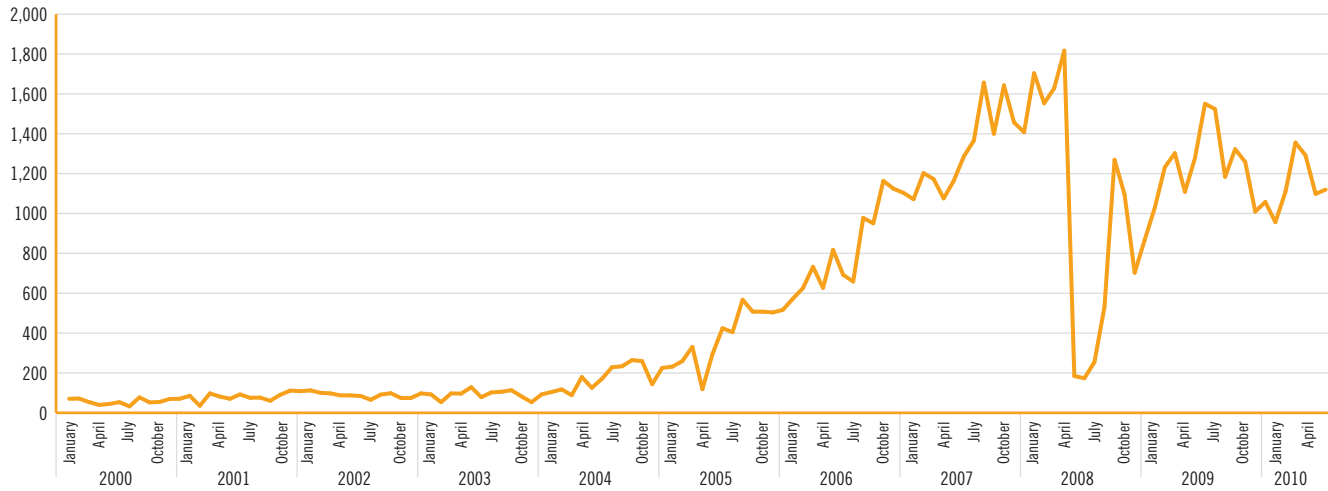
Not all foreclosure petitions end in families losing their homes. If a homeowner is able to resume paying his or her mortgage, a foreclosure deed may never be issued. To alleviate the number of Massachusetts families losing their homes to foreclosure, Governor Deval Patrick signed the *Act to Stabilize Neighborhoods* bill in July 2010. This bill will encourage banks to work with homeowners to find a way to modify their home loans before petitions turn into deeds and the owners lose their homes. This bill includes a 150 day right-to-cure, two months longer than the 90 days available beginning in 2008. This should allow homeowners an extended period to organize a modified mortgage and may lead therefore to fewer petitions turning into deeds. This bill may contribute to a long term reduction in the number of foreclosures, but based on the spike in foreclosure petitions after the previous Massachusetts right-to-cure bill was signed, we are hesitant to suggest that this will be a long term solution to the foreclosure crisis in Greater Boston.

Foreclosure Deeds in Greater Boston

The monthly trend in foreclosure deeds from January 2000 to June 2010 is displayed in **Figure 5.2**. Prior to 2005, it was rare to have more than 20 homeowners

FIGURE 5.1

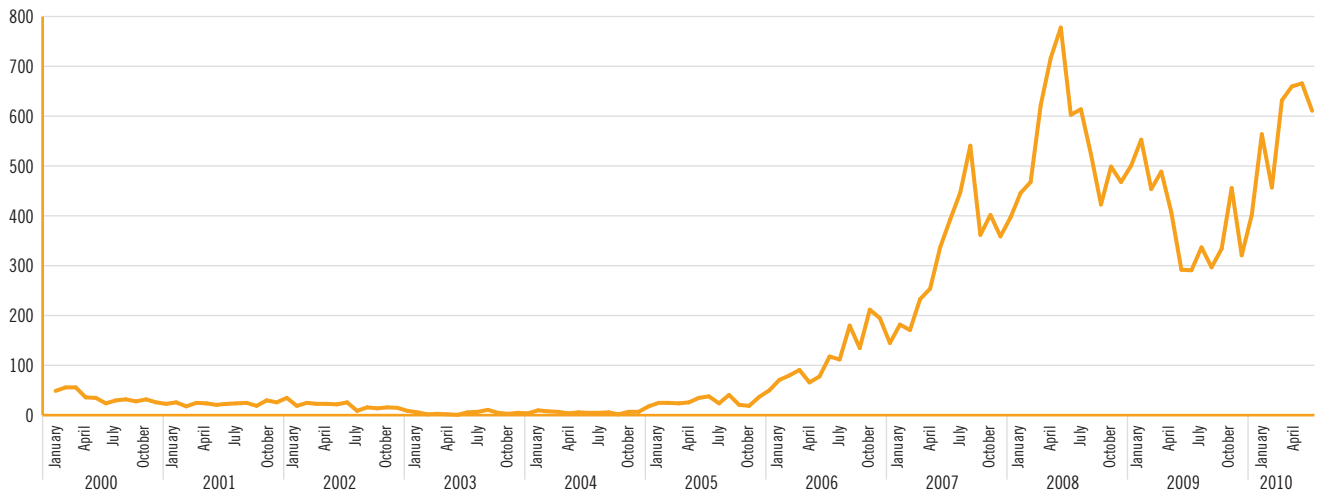
Monthly Foreclosure Petitions in Greater Boston, 2000–2010



Source: The Warren Group

FIGURE 5.2

Monthly Foreclosure Deeds in Greater Boston, 2000–2010



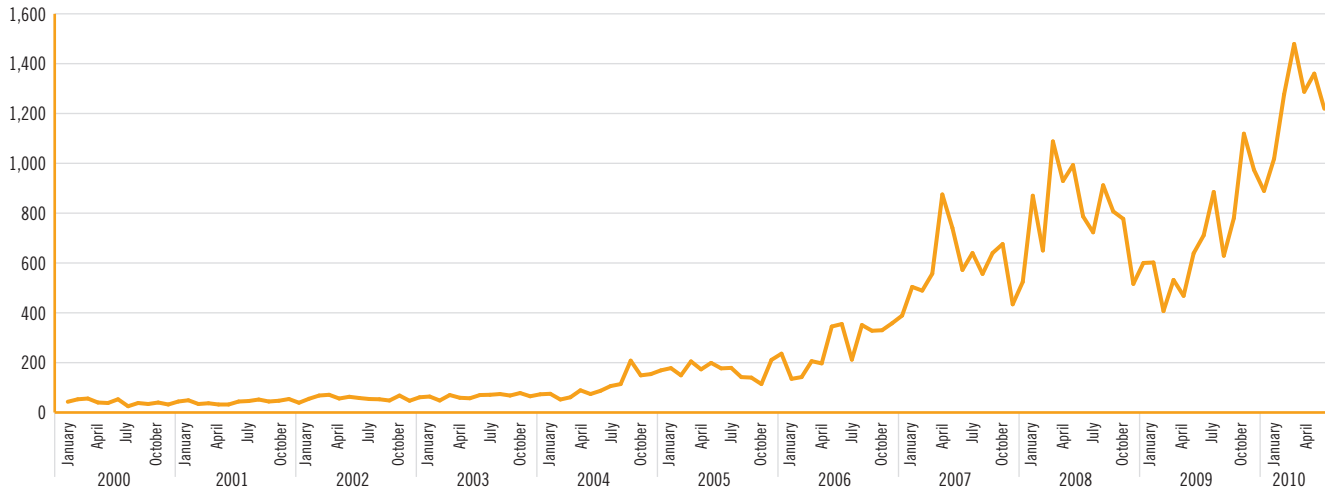
Source: The Warren Group

lose their homes in any one month. Moving into 2006, the number of deeds dramatically increased, averaging nearly 125 a month. In 2007, the number of deeds averaged 340 per month and continued to rise in 2008 to more than 550 per month. As we predicted in last year's *Greater Boston Housing Report Card*, there was a

decline in the number of deeds in 2009. This was likely due to the inability of the Massachusetts Land Court to keep up with the volume of foreclosure activity in addition to the impact of the right-to-cure legislation. The average number of deeds fell to 346 a month in

FIGURE 5.3

Monthly Foreclosure Auctions in Greater Boston, 2000–2010



Source: The Warren Group

2009, equivalent to the average number of deeds in 2007.

Unfortunately, the decline in deeds in 2008 and early 2009 did not carry over into the second half of 2009 or into 2010. In fact, the number of deeds has been growing since July 2009 and has increased sharply over the first six months of 2010. The year-to-year change between 2009 and 2010 is staggering. The number of foreclosure deeds in the first six months of 2010 is 124 percent greater than in the first six months of 2009 and 77 percent of the total number for all of last year. The only good sign is that from April 2010 to June 2010 the number of deeds has been continually decreasing, so although these months are twice as high as the number of deeds in the same months of 2009, the number is at least finally on the decline—for the time being.

Nevertheless, there is reason to be concerned about the remainder of 2010. Although it is unlikely that monthly deeds will reach the level of the early 2008 peak when up to 800 families lost their homes in a single month, it is likely they will increase through the rest of 2010 based on the high number of foreclosure petitions reported during 2009. This trend is also occurring nationwide as banks try to clean up their books by reclaiming the homes of delinquent homeowners and selling to other families or putting them up for auction.²

Foreclosure Auctions

Figure 5.3 displays the pattern of foreclosure auctions between January 2000 and July 2010. Data on foreclosure auctions provided by The Warren Group are collected from newspaper announcements. Although not all announced auctions take place, foreclosed homes that do sell often sell for a price much below the normal neighborhood market value, which in turn can affect the price point of other homes in the same neighborhood. This is a particular concern if a large number of foreclosures are concentrated in the same neighborhood.

Auctions in Greater Boston were fairly constant and rarely greater than 75 a month prior to the end of 2004. In 2005 the number of auctions began to rise and this trend continued into 2006. But it was not until April 2007 that auctions in Greater Boston spiked to 875 per month. After the peak in April, auctions decreased to a low of 434 in November. A similar trend, but more exaggerated, was seen in 2008. In the early part of the year, auctions increased to a high of over 1,000 in March, but then decreased for the remainder of the year. We see this pattern because home auctions are often grouped together. In the case of 2007 and 2008, it is likely that auctions were held in the beginning months of the year and the homes that were ready for auction in the latter part of 2007 and 2008 were held

to the beginning months of the next year. In 2009, the average number of auctions per month was 720 compared to 804 in 2008.

Unfortunately, a spurt of foreclosure auctions in late 2009 continued into 2010 with a vengeance. Indeed, the number of auctions in the first six months of 2010 is 2.3 times greater than in the same period of 2009 (1,273 vs. 560). This further indicates that regulators are pressing financial institutions to rid themselves of troubled loans.

A major concern related to auctions is the adverse effect on other homeowners. As banks auction off homes at lower prices, surrounding home values often decrease as well. This places more homeowners at risk of going “underwater”—having a mortgage that is greater than the home’s value. With the large surge in auctions in 2010—combined with the continuing weakness in the national economy — the recovery in home prices that we witnessed during the first six months of the year may weaken or even reverse.

Table 5.1 provides a summary of foreclosure activity in Greater Boston from January 2005 at the beginning of the foreclosure crisis to June of this year. Between the beginning of this period and April 2008, petitions increased by nearly 700 percent, deeds by almost 2,800 percent, and auctions by over 400 percent. During what we would call the original right-to-cure period from April 2008 through February 2009, petitions were down nearly a third, deeds more than a third, and auctions down by more than half. But while petitions were down by almost 10 percent between February 2009 and June of this year, deeds were up a third and auctions increased by 200 percent. It is fair to say that we are not out of the foreclosure woods yet.

TABLE 5.1

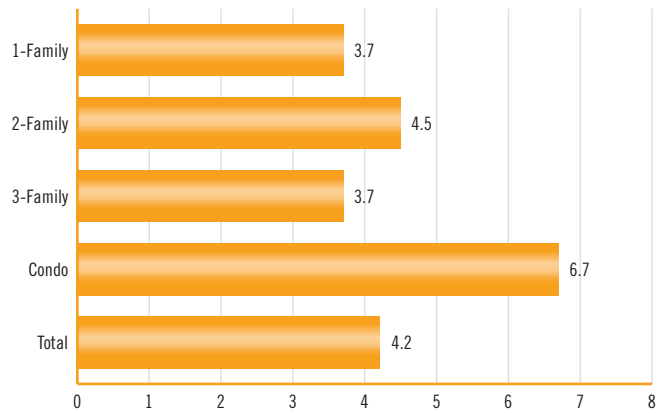
Summary of Foreclosure Activity in Greater Boston, January 2005 – June 2010

	Petitions	Deeds	Auctions
January 2005 – April 2008	683.2%	2768.0%	421.9%
April 2008 – February 2009	-32.2%	-36.7%	-56.2%
February 2009 – June 2010	-9.1%	34.6%	199.5%

Source: The Warren Group

FIGURE 5.4

Ratio of Foreclosure Petitions, January – June 2010, to Foreclosure Petitions, January – June 2005, by Housing Type



Source: The Warren Group

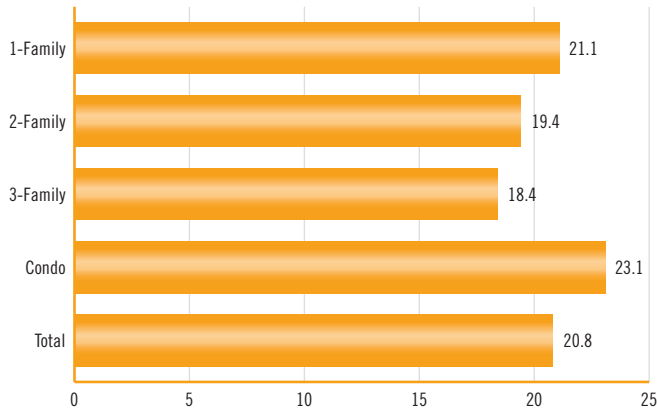
Foreclosure Activity by Housing Type

Foreclosures activity is not uniform across housing types. **Figure 5.4** displays the rate of increase in foreclosure petitions for single-family homes, two-family homes, three-family homes, and condos. Between the first six months of 2005 and the first six months of 2010, the total number of foreclosure petitions in Greater Boston increased by more than 4 times, from 1,662 to 6,932. Single-family home foreclosure petitions (comprising 60 percent of all petitions) increased by 3.7 times, as did three-family petitions. There were more than 4.5 times as many foreclosure petitions in the first half of 2010 involving two-family homes, compared to the same six-month period in 2005. But it was condominium foreclosure petitions that exploded over this time period, increasing nearly 7 times.

As we noted above, not all foreclosure petitions continue to the deed or auction phases of foreclosure. Nonetheless, the *rate of increase* in petitions pales in comparison with the increase in deeds, as **Figure 5.5** demonstrates. Between 2005 and 2009, the number of annual foreclosure deeds increased 21 times across all housing types, with the greatest increase (over 23 times) in condos and single-family homes (21 times). Two-family homes followed, increasing by over 19 times, while the number of deeds on three-family units increased by more than 18 times. Altogether, single-family foreclosures in the first half of 2010 accounted

FIGURE 5.5

Ratio of Foreclosure Deeds, January – June 2010, to Foreclosure Deeds, January – June 2005, by Housing Type



Source: The Warren Group

for just over half (51 percent) of the nearly 3,600 foreclosure deeds that forced families out of their homes in Greater Boston—compared with just 173 in the first half of 2005.

Foreclosure auctions also skyrocketed, increasing by over 7 times between the first half of 2005 and the first half of 2010. In this case, the increase was smallest among single-family homes (5.6 times) and highest among condos (14.1 times) with two- and three-family units increasing by 7.3 and 9.3 times, respectively.

Figure 5.6 provides this information.

We would expect that the larger the increase in auctions, the greater the decline in home values, since auctions usually result in homes selling for a fraction of their original market value. As **Table 5.2** reveals, this seems to hold true with the glaring exception of

TABLE 5.2

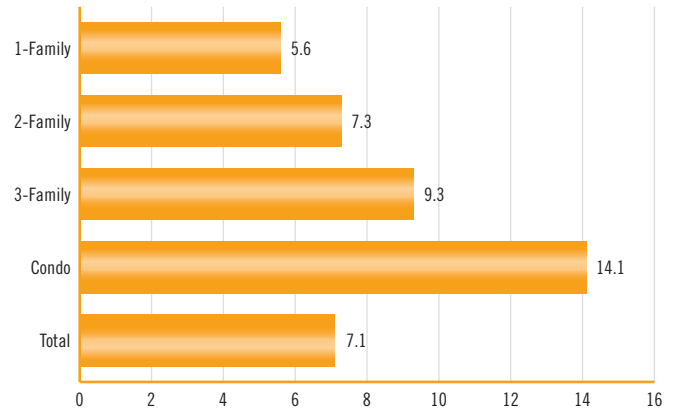
Auction Activity vs. Home Prices in Greater Boston, 2005–2010, by Housing Type

	1-Family	2-Family	3-Family	Condo
Ratio of Foreclosure Auctions, 2010/2005	5.6	7.3	9.3	14.1
Percent Change in Median Home Price, 2005–2010	-12.9%	-35.4%	-45.4%	-4.7%

Source: The Warren Group

FIGURE 5.6

Ratio of Foreclosure Auctions, January – June 2010, to Foreclosure Auctions, January – June 2005, by Housing Type



Source: The Warren Group

condos. Single-family homes experienced the smallest increase in auction activity between 2005 and 2010 and sustained the smallest loss in home value. Two-family homes were subject to a larger increase in auctions and lost, on average, over 35 percent of their value. Three-family homes had a still larger increase in auctions, losing over 45 percent of their value on average. Condo prices, on the other hand, should have plummeted given the fact that condos were subject to a larger increase in auctions than any other housing type. We do not have a good explanation for this, but it might be related to the fact that condo prices appear to be more stable than any other type of housing regardless of the state of the economy or the state of the housing market. Accelerated auction activity does not appear to affect condo prices any more than a depressed economy.

In conclusion, the number of single-family homes and condominiums falling into foreclosure has been greater than two- and three-family homes, but the foreclosure crisis in Greater Boston is hitting two- and three-family homes at a more devastating rate. The Warren Group reports that there is no precise explanation for this, but suspects that absentee investors owning two- and three-family homes may be willing to walk away sooner when things get tough. They also attribute this to owners of “small multi-family dwellings (who) are dependent on rents and are more likely to default if they can’t fill their apartments every month.”³ Regardless, two and three family homes are usually

concentrated in higher density towns and cities and this makes for a particularly harsh housing market in these areas.

Geographic Distribution of Petitions, Deeds and Auctions in Greater Boston

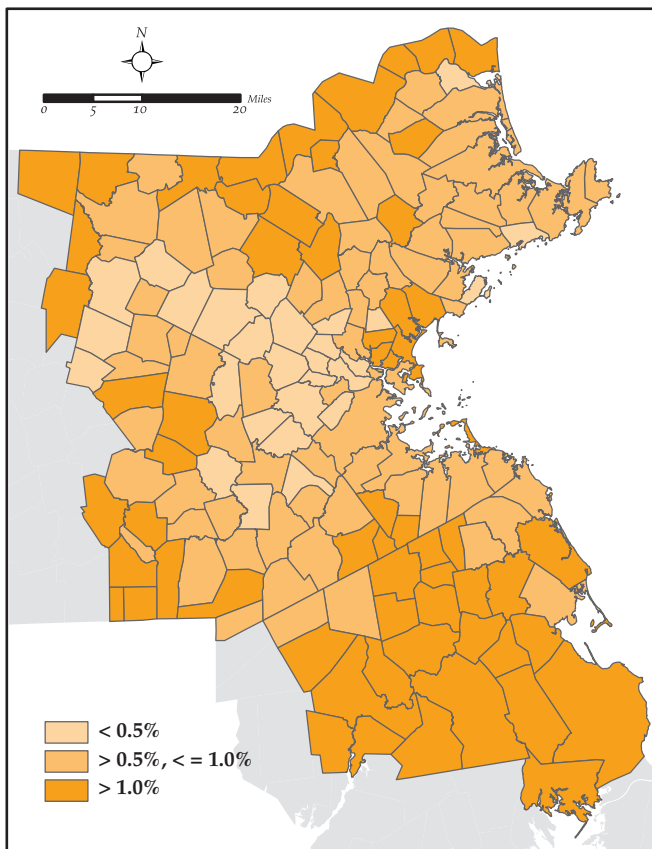
Foreclosures are not evenly spread throughout the region. **Map 5.1** displays foreclosure petitions (2009) as a percentage of the total number of housing units (2000) in each of the communities in Greater Boston. According to this map, cities and towns that have a high percentage of foreclosure petitions tend to be located in the southern part of the Boston region and along the New Hampshire border, with pockets of high concentration north of the City of Boston (Lynn, Revere and Everett). In 2009, Brockton was the most

affected, with over 2.5 percent, or 1,049 housing units with a petition. Put in human terms, one in every 34 homeowners in Brockton received a foreclosure petition in 2009. The west suburban communities around Boston appear to have suffered least from the foreclosure crisis, with foreclosure rates generally below 0.5 percent.

Of the seven towns with greater than 2 percent of total housing units with a foreclosure petition, four are located in the southern region of Greater Boston and each had an unemployment rate greater than 9.6 percent in 2009. The 28 towns and cities in which less than 0.5 percent of total housing units were subject to a foreclosure petition had unemployment rates among the lowest in the state, with rates between 5.6 and 8.6 percent in 2009. Most of these 28 towns are located in the western suburbs of Greater Boston.

MAP 5.1

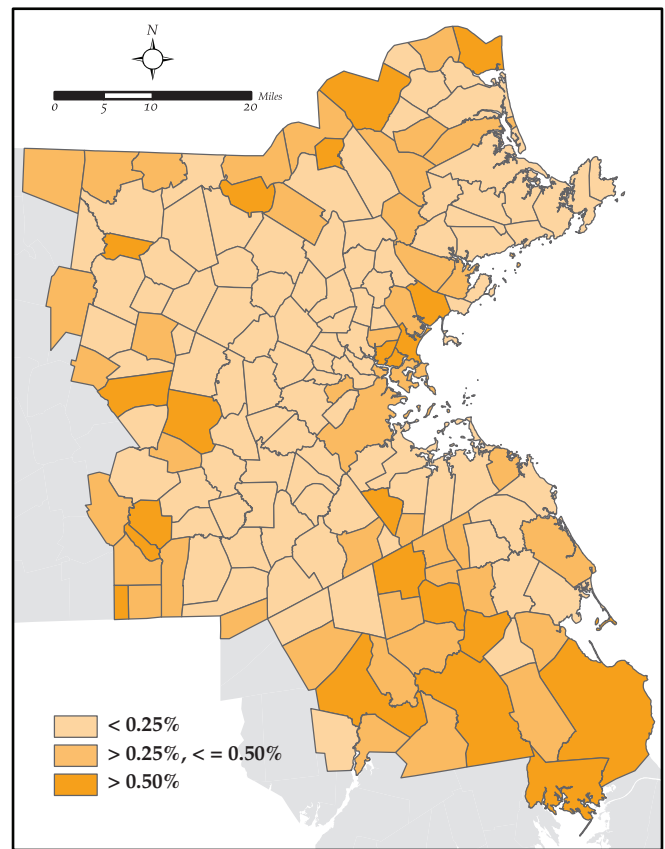
Foreclosure Petitions (2009) as a Percentage of Total Housing Units (2000)



Source: The Warren Group

MAP 5.2

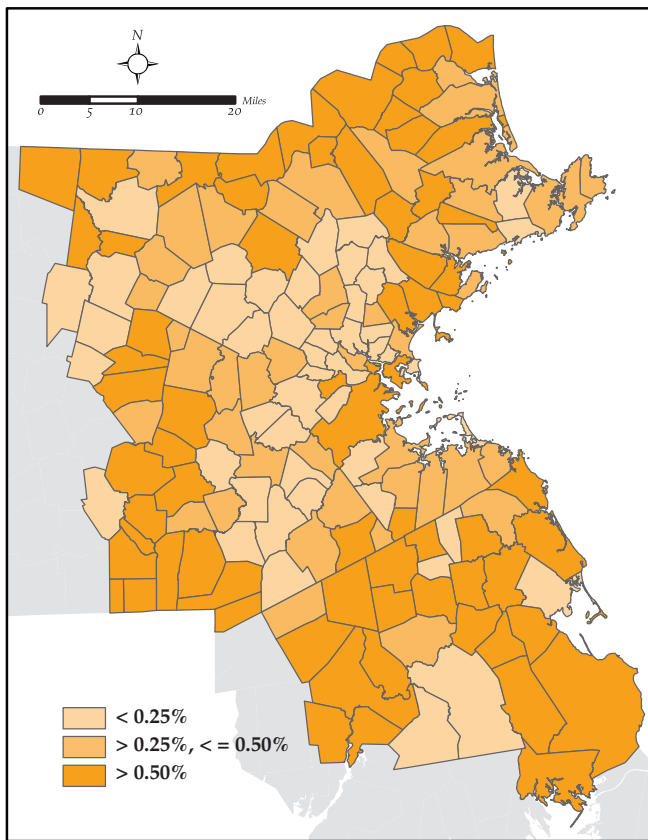
Foreclosure Deeds (2009) as a Percentage of Total Housing Units (2000)



Source: The Warren Group

MAP 5.3

Foreclosure Auctions (2009) as a Percentage of Total Housing Units (2000)



Source: The Warren Group

The number of foreclosure deeds (2009) as a percentage of total housing units (2000) is displayed in **Map 5.2**. It is important to note that the scale of this map is different from the scale of the previous map. Although the percentage of total housing units with foreclosure deeds is less than that with petitions, it is not surprising that the geographic distribution of deeds is similar to the distribution of petitions. Cities and towns along the New Hampshire border, just north of the City of Boston, and in the southern area of Greater Boston face the highest foreclosure deed rates, while the western suburbs had the lowest. In 2009, Millville and Brockton were the only towns in the Greater Boston region where more than 2 percent of their homeowners lost their homes to foreclosure. Both of these towns had an unemployment rate of greater than 12 percent in July

TABLE 5.3

Municipalities with the Highest and Lowest Foreclosure Rates in Greater Boston, 2009

Foreclosure Petitions (2009)					
Top 15			Bottom 15		
2009 Rank	Municipality	Percent of Total Housing Units	2009 Rank	Municipality	Percent of Total Housing Units
1	Brockton	2.53	1	Brookline	0.13
2	Plympton	2.43	2	Sherborn	0.14
3	Millville	2.41	3	Cambridge	0.18
4	Wareham	2.36	4	Belmont	0.19
5	Randolph	2.30	5	Bedford	0.21
6	Halifax	2.18	6	Arlington	0.22
7	Lynn	2.04	7	Newton	0.23
8	Lawrence	1.94	8	Lincoln	0.24
9	Lakeville	1.92	9	Concord	0.26
10	Carver	1.92	10	Needham	0.28
11	Plymouth	1.91	11	Lexington	0.28
12	Revere	1.89	11	Wellesley	0.28
13	Dighton	1.72	13	Acton	0.31
14	Bellingham	1.72	14	Manchester	0.32
15	East Bridgewater	1.70	15	Winchester	0.33

Source: The Warren Group

2010, the 10th and 13th highest incidence of unemployment in the Greater Boston region.

Although foreclosure petitions do not always lead to foreclosure deeds and auctions, once a home has been foreclosed, it can face auction. **Map 5.3** reveals the cities and towns with the highest auction rates. Not surprisingly, given the number of petitions and deeds, Brockton and Millville are more prone to housing auctions than anywhere else in the region with more than 2 percent of their housing units facing a foreclosure auction. Again, the chance of facing an auction is lowest in the western suburbs. Although the geographic distribution may change slightly between towns and cities hit by foreclosure petitions, deeds, and auctions, it appears that those towns and cities that are most affected by the foreclosure crisis are affected in each phase of the process.

TABLE 5.3

Municipalities with the Highest and Lowest Foreclosure Rates in Greater Boston, 2009 (continued)

Foreclosure Deeds (2009)						Foreclosure Auctions (2009)					
Top 15			Bottom 15			Top 15			Bottom 15		
2009 Rank	Municipality	Percent of Total Housing Units	2009 Rank	Municipality	Percent of Total Housing Units	2009 Rank	Municipality	Percent of Total Housing Units	2009 Rank	Municipality	Percent of Total Housing Units
1	Millville	1.46	1	Dover	0.00	1	Millville	2.30	1	Manchester	0.00
2	Brockton	0.98	1	Carlisle	0.00	2	Brockton	2.02	1	Berlin	0.00
3	Lynn	0.86	1	Lincoln	0.00	3	Lawrence	1.62	1	Bolton	0.00
4	Lawrence	0.78	1	Sherborn	0.00	4	Lynn	1.61	1	Wakefield	0.00
5	Marlborough	0.78	5	Arlington	0.02	5	Marlborough	1.45	1	Foxborough	0.00
6	Randolph	0.74	5	Bedford	0.02	6	Wareham	1.42	1	Winthrop	0.00
7	Wareham	0.68	5	Cambridge	0.02	7	Halifax	1.39	1	Lancaster	0.00
8	Salisbury	0.64	8	Needham	0.03	8	Plymouth	1.31	1	Hull	0.00
9	Framingham	0.59	9	Lexington	0.04	9	Plympton	1.27	1	Lakeville	0.00
10	Milford	0.59	9	Belmont	0.04	10	Framingham	1.14	10	Arlington	0.01
11	Plymouth	0.59	11	Brookline	0.05	11	Lowell	1.13	10	Malden	0.01
12	Revere	0.59	11	Medfield	0.05	12	Carver	1.11	10	Milton	0.01
13	Everett	0.58	11	Watertown	0.05	13	Bellingham	1.08	10	Middleborough	0.01
14	Lowell	0.58	11	Sudbury	0.05	13	Haverhill	1.08	14	Rockland	0.02
15	Ayer	0.57	11	Rockport	0.05	15	Taunton	1.07	14	Chelsea	0.02
									14	Duxbury	0.02
									14	Whitman	0.02
									14	North Reading	0.02
									14	Lynnfield	0.02
									14	Walpole	0.02

Source: The Warren Group

Table 5.3 lists the 15 municipalities in the Greater Boston region with the highest and lowest foreclosure petitions, deed and auction rates. These tables further indicate that foreclosure activity is concentrated in particular communities in the Greater Boston region. Six communities (Brockton, Lawrence, Lynn, Millville, Plymouth and Wareham) fall within each of the three lists because they have the greatest rate of foreclosure petitions, deeds and auctions in the Greater Boston region. Note that many of these communities are older industrial cities. While there are neighborhoods

in the City of Boston that have very high foreclosure activity, the foreclosure rates for the city as a whole are not nearly as high as in other municipalities in the Commonwealth.

Eight communities fall into two of the three lists of communities with the lowest foreclosure rates. These municipalities are overwhelmingly found in the western suburbs of the Greater Boston region and generally are among the most well-to-do communities in the Commonwealth.

Foreclosures in Massachusetts vs. the U.S.

Compared to many other states and the nation as a whole, the foreclosure crisis in Massachusetts affects fewer homeowners. **Table 5.4** provides data from the Joint Center for Housing Studies on the percentage of homes with mortgages in each state facing foreclosure. Nationally, in the first quarter of 2010, 4.6 percent of all homes with mortgages had an outstanding foreclosure petition. In Massachusetts the proportion was 3.4 percent. This was one-fourth the rate in Florida; one-third the rate in Nevada; one-half the rate in New Jersey; and two-thirds the rate in California. In all there are 20 states with higher mortgage foreclosure rates than in the Commonwealth. The states with the lowest mortgage foreclosure rates (under 2 percent), with the exception of Alaska, are all in the farm belt.⁵

Nevertheless, with foreclosure petitions still well above past levels and the devastation in two- and three-family homes, we fear that the foreclosure crisis is far from over. We should see positive results from the latest foreclosure bill signed by Governor Patrick in July of this year, but as was true in 2008, the benefits of such measures may be short lived if there is not a more robust economic recovery and a strengthening housing market. This will be particularly true for those areas of Greater Boston where high unemployment appears to continue to undermine the housing market leading to foreclosure petitions, deeds, and ultimately auctions.

TABLE 5.4

Rates of Foreclosure Petitions among Households with Mortgages, by State

Rank	State	Rate	Rank	State	Rate
1	North Dakota	1.2	26	Kentucky	3.3
2	Alaska	1.3	27	Minnesota	3.3
3	Wyoming	1.7	28	South Carolina	3.4
4	South Dakota	1.8	29	Louisiana	3.4
5	Montana	1.9	30	Massachusetts	3.4
6	Nebraska	1.9	31	Utah	3.4
7	Texas	2.1	32	Wisconsin	3.5
8	Arkansas	2.1	33	Rhode Island	3.6
9	Missouri	2.1	34	Delaware	3.7
10	Virginia	2.1	35	Idaho	3.7
11	Alabama	2.2	36	Georgia	3.9
12	West Virginia	2.2	37	Connecticut	3.9
13	Washington	2.3	38	Maryland	4.0
14	North Carolina	2.3	39	New York	4.3
15	Kansas	2.3	40	Michigan	4.4
16	Tennessee	2.4	41	Indiana	4.5
17	New Hampshire	2.6	42	Maine	4.6
18	Vermont	2.7	43	Hawaii	4.8
19	Colorado	2.8	44	Ohio	4.9
20	Iowa	2.8	45	California	5.2
21	Pennsylvania	2.9	46	Illinois	5.8
22	Oklahoma	3.0	47	Arizona	5.9
23	New Mexico	3.1	48	New Jersey	6.2
24	Mississippi	3.1	49	Nevada	10.4
25	Oregon	3.3	50	Florida	14.0

Source: Mortgage Bankers Association, National Delinquency Survey; U.S. Census Bureau, 2008 American Community Survey, as cited in the Joint Center for Housing Studies of Harvard University, *The State of the Nation's Housing, 2010*. Used by permission.

6.

Public Policy and Public Spending in Support of Housing

After a number of years with little priority given to housing at the Federal level, 2009/2010 witnessed a new focus on this issue. Driven by the foreclosure crisis and the collapse of the national housing market, especially in states not part of the usual East Coast/West Coast interest in affordable housing, Congress and HUD have devoted substantial energy to bills affecting the housing world. Thus, in 2009 and 2010, members of Congress went home to their districts in Texas, in Nevada, in Florida and throughout the country to hear about housing issues, often for the first time in many years. No longer was the term “housing” something only used by constituents in Massachusetts, New York and California. With leadership from Congressmen and Senators from New England and new leadership at HUD, much progress was made in passing new legislation to encourage home purchases by first-time homebuyers, to provide state and local governments with funding to renovate abandoned and foreclosed properties, to refinance mortgages of current homeowners who face foreclosure, to provide incentives to banks and mortgage companies to modify existing loans, to encourage both borrowers and servicers to increase the number of short sales in lieu of foreclosure, to assist tenants who are current on their rent to continue to remain in foreclosed properties until the property is resold, and to assist low and moderate income families who are at risk of becoming homeless.¹

In Massachusetts, the Legislature and the Patrick Administration have also made major strides in the past year in addressing issues related to housing, including the foreclosure situation, the need to protect expiring use affordable housing units (i.e. the “preservation” issue), the promotion of more housing production, and developing ways to maximize the continuing habitability of public housing.

Moreover, in part because the current leadership of Federal housing policy in Congress is being spearheaded by Massachusetts Congressman Barney Frank as Chair of the Financial Services Committee, much of the Federal and State housing legislation has been

developed in concert to assure that both levels of government can work together most effectively to achieve housing policy goals relating to production, preservation, foreclosure, and public housing.

Before we examine Federal policy and the implications for the nation as a whole and specifically for Massachusetts, we need to address the special case of Chapter 40B, a key piece of housing legislation that will be the subject of a voter referendum in November, and which could lead to the law’s repeal. Because of the timely nature of this, we will discuss the legislation and its impact on housing in the Commonwealth, then shift to the federal government and explore the impact of public policy more broadly.

Chapter 40B

The goal of Chapter 40B, or *The Massachusetts Comprehensive Permit and Zoning Appeals Act*, first enacted in 1969, is to encourage the production of affordable housing in all cities and towns in Massachusetts. It achieves this goal by providing an alternative zoning approval process for developers who are attempting to construct housing in municipalities where fewer than 10 percent of all housing units are affordable by the U.S. Department of Housing and Urban Development (HUD) standard that a household with 80 percent of area median income can afford a home in the community without spending more than 30 percent of its gross income. In such communities, a developer may circumvent local zoning regulations and seek a comprehensive building permit directly from the state if the developer agrees to include 20 to 25 percent of the housing units as long-term affordable units.² The remaining 75 to 80 percent of housing units can be offered to the public at market rate, which often serve middle-income singles, seniors and families who make between 100 percent and 150 percent of area median income.³

The typical occupation of residents who fall below the 80 percent of area median income include those in the health care industry (nurses, medical assistants,

TABLE 6.1

Summary of Chapter 40B, Massachusetts, 1970 – April 2010

	Number of Projects	Total Units	Total Affordable Units	Total Rental Units	Total Affordable Rental Units	Total Home Ownership Units	Total Affordable Home Ownership Units	Total Mixed Rental and Owned Units	Total Affordable Mixed Rental and Owned Units
1970s	50	4,773	4,522	4,773	4,522	0	0	0	0
1980s	287	15,228	12,050	14,484	11,855	744	195	0	0
1990s	262	8,425	4,573	5,182	3,583	3,243	990	0	0
2000s	431	21,861	8,140	15,443	6,163	6,025	1,775	393	202
Total Constructed	1,030	50,287	29,285	39,882	26,123	10,012	2,960	393	202
Under construction	132	9,002	2,578	1,241	539	7,507	1,927	254	112
Grand Total	1,162	59,289	31,863	41,123	26,662	17,519	4,887	647	314

Source: 1970s - 1990s permit estimates provided by CHAPA; UMass Donahue Institute, September 2010

therapists, dental assistants); educators (teachers, counsellors); retail employees; construction trades (carpenters, plumbers, electricians); and other occupations related to human services.⁴ In addition, a large number of residents who fall into this category are retired seniors.

By 2007, 51 cities and towns of the 351 located in Massachusetts had exceeded the 10 percent threshold and therefore were exempt from the 40B law. This was up from 24 municipalities in 1997. Moreover, because of new construction of affordable units, 40 communities were within 2 percentage points of the 10 percent threshold in 2007, up from 17 in 2001.⁵ Smaller communities were closing in on meeting the affordable minimum as well: 117 municipalities only needed to produce or preserve less than 100 units to reach the 10 percent threshold in 2007.⁶

Chapter 40B Accomplishments

As shown in **Table 6.1**, between 1970 and April 2010 Chapter 40B has supported the development of more than 1,000 projects with over 50,000 units of housing. Another 132 projects have been approved, but construction is either under way or has not yet begun. Of the constructed units, almost 30,000 have been geared to those earning less than the HUD income standard with the majority (94 percent) of affordable

units offered as rentals. Overall, approximately 80 percent of all 40B housing is comprised of rental units with the remaining units for homeowners. CHAPA reports that the overall level of production under 40B is higher than any other single housing program available in the Commonwealth.⁷

When current development construction is complete the number of total 40B projects will be over 1,100 and the number of units will be in excess of 59,000. The total number of affordable units will increase from 29,285 to 31,683.

Housing built under 40B is typically in relatively small developments. The average number of units per 40B project is about 50. In such a typical development, about 30 units have been HUD affordable.

In addition to promoting the construction of affordable units, which helps to retain moderate-income households in Massachusetts and thereby contributes to maintaining a workforce for companies operating in the state, Chapter 40B has made significant direct economic contributions in terms of economic activity and employment. According to a study released in September 2010 by the UMass Donahue Institute, the construction of Chapter 40B housing units from 2000 to April 2010 has resulted in \$9.25 billion in economic activity and 47,683 jobs in the Commonwealth.⁸ Furthermore, if all proposed Chapter 40B projects are completed as planned, the result will be another \$750

TABLE 6.2

Units at Risk if Chapter 40B is Repealed, Approved Comprehensive Permit but no Building Permit, Massachusetts, as of April 2010

	Number of Projects	Total Units	Total Affordable Units	Total Rental Units	Total Affordable Rental Units	Total Home Ownership Units	Total Affordable Home Ownership Units	Total Mixed Rental and Owned Units	Total Affordable Mixed Rental and Owned Units	Total Tenure unknown or to be determined	Affordable Tenure unknown or to be determined
Total	185	12,076	3,541	5,086	1,721	5,365	1,376	1,241	380	384	64

Source: UMass Donahue Institute, September 2010

million in construction which could employ nearly 7,000 construction workers.

The UMass Donahue Institute estimates the residents of Chapter 40B units (built between 2000 and April 2010) are responsible for \$61.8 million in annual property taxes, \$93.7 million in state income taxes, and \$22.8 million in sales taxes. If all proposed Chapter 40B housing projects are completed as planned, there will be an additional \$4 million in property taxes, \$4 million in state income taxes, and \$2.4 million in sales taxes.

The Future of Chapter 40B

For the first time in 41 years, Chapter 40B will be on the state ballot in November. The Boston Globe reports that some opponents of the law complain that these housing developments are often too big or do not fit their locations.⁹ Other opponents are motivated to support repeal of 40B because they believe 40B affordable housing units put pressure on school budgets, have adverse effects on home values, or possibly add to local crime rates.

However, a 2004 report completed at the Massachusetts Institute of Technology concluded that concern that multifamily developments built under Chapter 40B in single-family, suburban neighborhoods negatively affect surrounding property values is misplaced.¹⁰ Furthermore, the Chapter 40B Task Force Findings and Recommendations to Governor Mitt Romney (May 30, 2003) report concludes that there is no evidence that Chapter 40B developments have placed an unreasonable amount of strain on a municipality's ability to provide fire and police service and that there is no evidence that Chapter

40B developments are the primary cause of shortfalls in municipal school budgets.¹¹

As shown in **Table 6.2**, there will be 185 projects, including 12,076 units lost if Chapter 40B is repealed in November. Massachusetts will lose over 1,700 affordable rental units and close to 1,400 affordable home ownership units.

Given the data presented in preceding chapters, there is a real threat that repeal of 40B will make it even more difficult to produce the affordable housing we need to keep rents and home prices from further escalating. Limiting the supply of housing, particularly affordable units in Greater Boston, can only lead to aggravating the problem Massachusetts has faced in the past of retaining young families in the state.

Chapter 40R

Now in force for over four years, Chapter 40R is the "carrot" to Chapter 40B's "stick." The new law complements 40B by encouraging municipalities to create specific "smart growth" zoning districts that allow for higher density housing development near transit in return for additional state-provided local aid. The definition of smart growth includes mixed use developments, open space, and low-income housing availability, all in proximity to transit.

As we wrote in last year's *Housing Report Card*, as of September 2009, 28 cities and towns in Massachusetts had approved Smart Growth Districts under Chapter 40R, 20 of which were in the Greater Boston area. As of August 2010, three additional municipalities have approved Smart Growth Districts under Chapter 40R, raising the total to 31. In addition, Bridgewater

increased the number of units in its Smart Growth District, and Reading and Marblehead each approved a second 40R District in their towns so the total number of 40R districts now stands at 33. As **Table 6.3** reveals, the approved districts now account for over 12,000 units that could be built as-of-right when developers begin constructing housing again. Over 7,500 of these potential units are in Greater Boston.

As economic uncertainty continues it remains difficult to judge the true long-term impact of the program because we have no indication of when and if these 40R units will actually be constructed. However, the fact that the number of communities adopting 40R still is increasing indicates that municipalities continue to find benefits from participating in the program.

Recent Advances in Federal Housing Policy

Turning to Federal policy, there was a flurry of legislative action in 2009 and new legislation has been introduced this year to combat the continuing crisis in the national housing market.

National Housing Trust Fund

The National Housing Trust Fund (NHTF) was created as part of the Housing and Economic Recovery Act of 2008, but has not yet been capitalized.¹² Once funded, the NHTF will support the production, preservation, and operation of rental homes for those with the lowest incomes in the country. The NHTF is the first federal rental housing production program that is specifically targeted to extremely low income households since the Section 8 voucher program was established in 1974. Given the high cost of rental units in Greater Boston, the NHTF could be a boon for the region and the Commonwealth.

The Housing and Economic Recovery Act outlines the ways that states must use funds to achieve those purposes:

- Production of housing should be targeted for households who have incomes from 30 to 50 percent of area median income, including those facing homelessness.
- At least 90 percent of the funds must be used for the production, preservation, rehabilitation, or the operation of rental housing.

TABLE 6.3

Number of Potential Permitted Units under Chapter 40R, as of August 2010

Municipality	Number of Units
Amesbury	249
Belmont	18
Boston	578
Bridgewater	594
Brockton	1,096
Chelsea	125
Chicopee	778
Dartmouth	319
Easthampton	450
Easton	280
Fitchburg	705
Grafton	240
Haverhill	526
Holyoke	296
Kingston	730
Lakeville	207
Lawrence	1,031
Lowell	250
Lunenburg	204
Lynnfield	180
Marblehead	17
Marblehead (second district)	46
Natick	138
North Andover	530
North Reading	434
Northampton	156
Norwood	15
Pittsfield	296
Plymouth	675
Reading	202
Reading (second district)	256
Sharon	167
Westfield	244
Total	12,032

Source: Commonwealth Housing Task Force

- Up to 10 percent can be used for homeownership activities for extremely low or very low income first-time homebuyers including down payment and closing cost assistance and assistance for interest rate buy-downs.
- At least 75 percent of the funds for rental housing must benefit extremely low income households (those with incomes at or below 30 percent of area median income) or households with incomes below the federal poverty line.
- All funds must benefit very low income households (50 percent of area median income or less).

The State or State designated administering entity may use no more than 10 percent of its annual NHTF allocation for administrative costs of carrying out program requirements, including home ownership counseling.

The Act also establishes requirements relating to entities that states fund to produce and preserve affordable housing using Housing Trust Fund resources. Eligible recipients of funds from the states, territories and the District of Columbia are organizations and agencies (nonprofit or for-profit) that demonstrate:

- The experience and capacity to produce the housing proposed;
- The financial capacity to undertake, comply, and manage the housing; and
- Familiarity with federal, state and local housing programs that will be used in conjunction with the federal funds.

More than 2,250 organizations representing every Congressional district have signed a letter in support of capitalizing this critical priority program, but no conclusive action has been taken yet by Congress.

Housing Preservation and Tenant Protection Act of 2010

On July 28, 2010, the House Financial Services Committee approved H.R. 4868, the Housing Preservation and Tenant Protection Act of 2010. This comprehensive affordable housing legislation, introduced by Chairman Barney Frank of Massachusetts, would help stem the loss of affordable rental housing units across the country and prevent the displacement of low-income tenants, many of whom are elderly or disabled.¹³

Since the 1950s, HUD has subsidized about 1.7 million rental units in more than 23,000 privately-owned, multi-family properties that are typically affordable to low-income tenants. Many of these units are over 40 years old and in need of recapitalization. A 2004 Government Accountability Office (GAO) report found that more than 193,000 subsidized units were projected to become market rate housing in the next 10 years when the HUD-subsidized mortgage matures and the mortgage subsidy and low-income affordability restrictions attached to the property terminate. GAO estimated that approximately 200,000 individuals in over 101,000 units would be at risk of paying higher rents because there were no existing tenant protections such as enhanced vouchers to protect the tenants from paying higher rents or being evicted when the mortgage matures. The bill addresses the issues outlined in the GAO report and a host of other issues related to protecting the significant investment made by the federal government in helping to construct and maintain housing for low and moderate income tenants, many of whom are elderly or disabled, by:

- Providing resources and incentives to prevent the further loss of affordable housing units;
- Providing grants and loans to for-profit and non-profit housing sponsors to help ensure the property is recapitalized and kept affordable;
- Establishing a voluntary Preservation Exchange Program to encourage owners to sell properties to purchasers who will keep the housing affordable;
- Establishing a first right of refusal that provides state housing agencies with an opportunity to purchase a property from an owner who wishes to sell their property while not requiring owners to sell their properties or prevent them from obtaining fair market value;
- Allowing owners to request project-based assistance in lieu of enhanced vouchers, which serves to help preserve the long-term affordability of the project, assist with capital for rehabilitation, and ensure that tenants are not displaced;
- Allowing owners to receive budget based rent increases, thus ensuring that the properties are adequately maintained and encouraging owners to renew Section 8 contracts;

- Closing gaps in existing law to ensure that all low and moderate-income tenants are eligible for enhanced vouchers in the event that the assisted housing is converted to market rate housing;
- Giving HUD and affordable housing providers the tools needed to recapitalize the aging Section 202 elderly housing portfolio;
- Enabling tenants to be partners with HUD, the Rural Housing Service (RHS) in the Department of Agriculture, and owners to ensure that federally-assisted housing is properly maintained;
- Including notification requirements to ensure that tenants are given sufficient notice prior to the conversion of the property to market rate housing;
- Making permanent a rural housing revitalization demonstration program launched in Fiscal Year 2006 that is designed to preserve and recapitalize Section 515 properties;
- Authorizing vouchers for tenants in properties that are converted to market rate housing or foreclosed; and;
- Directing HUD to establish a nationwide public database of HUD- and RHS-assisted properties to enable policymakers and the public to more effectively monitor and preserve the existing portfolio of affordable housing. Requires the database to contain adequate safeguards to ensure the protection of owners' privacy rights and proprietary information.

Clearly, this legislation could yield a number of key benefits to current low and moderate income renters, benefiting many in Greater Boston.

Livable Communities Legislation

On August 3, 2010, the Senate Banking Committee passed Chairman Christopher Dodd's Livable Communities Act (S. 1619) to improve the coordination between housing, community development, transportation, energy, and environmental policies to help create better places to live, work and raise families.¹⁴ The bill is designed to promote sustainable development and enable communities to reduce traffic congestion; cut greenhouse gas emissions and oil consumption; protect farmland and green spaces; revitalize existing Main Streets and urban centers; spur economic development; and create more affordable housing. Companion legislation is pending in the

House. Once enacted, this piece of legislation should be a natural complement to Massachusetts' Chapter 40R Smart Growth Zoning and Housing Production Act. Among its provisions are:

- A *Comprehensive Planning Grant Program* will foster livable communities by helping communities develop comprehensive regional plans that incorporate transportation, long-term affordable and accessible housing, community and economic development, and environmental needs. Selection criteria and eligible activities are flexible to allow all sizes and types of communities—rural, suburban, and urban—to plan for a more sustainable future. The Act authorizes \$475 million in competitive grant funds over four years.
- The *Challenge Grant Program* will enable communities to implement cross-cutting projects according to their comprehensive regional plans. With \$2.2 billion authorized for competitive grants over three years, these projects will help communities create and preserve affordable housing; support transit-oriented development; improve public transportation; create pedestrian and bicycle thoroughfares; redevelop brownfields; and foster economic development.
- An *Interagency Council on Sustainable Development* will be established to bring together the Department of Housing and Urban Development (HUD), the Department of Transportation, the Environmental Protection Agency, and other federal agencies to identify federal barriers to sustainable development at the local level.
- An *Office of Sustainable Housing and Communities* within HUD will be established to oversee all parts of this legislation.

Neighborhood Stabilization Program

A third round of the Neighborhood Stabilization Program (NSP) was passed this year with several important amendments to the program.¹⁵ First passed in 2008, NSP has been an important tool for communities and nonprofits attempting to deal with the problems of foreclosed properties in the wake of the financial market collapse in 2008. The basic program provides that NSP funds may be used for activities which include, but are not limited to:

- Establishing financing mechanisms for the purchase and redevelopment of foreclosed homes and residential properties;
- Purchasing and rehabilitating homes and residential properties that are abandoned or foreclosed;
- Establishing land banks for foreclosed homes;
- Demolishing blighted structures; and
- Redeveloping demolished or vacant properties.

The 2010 Act provides for \$1 billion in spending with up to 2 percent set aside for technical assistance.

Public Housing: Preservation, Enhancement and Transformation of Rental Assistance Act of 2010 (PETRA)

One of the most difficult issues affecting affordable housing nationally is the number of low-income public housing units that are substandard, functionally obsolete, or otherwise uninhabitable or unmarketable. Bringing all of these units up to current standards is not possible, given the amount of Federal funding that would be required, and housing practitioners have for years been testing out approaches to finance the amount of work necessary. One approach would harness the power of private capital markets to make this possible.

PETRA, a piece of legislation currently being considered in the Congress, would be a voluntary program through which public housing agencies, and some multifamily owners, could apply to HUD to convert their public housing operating and capital funding streams into a new form of rental assistance called “property based contract assistance.”¹⁶ For very small agencies, the new assistance could come in the form of a new project-based voucher contract. The amount of funding that an agency or owner would receive under the new rental assistance would be more than their current subsidies. With increased funds, housing agencies would be able to borrow funds from the private market to upgrade and maintain their units. Upon conversion, the property would have a 30-year use restriction and 20-year property based rental assistance contracts, which the Secretary of HUD could choose to renew in the future.

Among other proposed provisions of PETRA is (1) the offer to all project-based residents the right to move with a tenant-based voucher after living in a converted

unit for two years, if sufficient funds are available (2) Uniform tenant organizing rights, application procedures, and tenant rights across all HUD programs (3) An established physical condition standard, and (4) Use restrictions and rental assistance contracts that would remain in effect after any foreclosure or bankruptcy.

Although there is much debate among housing professionals and elected officials about the specifics of the legislation, its basic idea carries promise for reclaiming low-income public housing units — an almost irreplaceable asset for people in need. HUD Secretary Shaun Donovan has stated that the absence of a viable preservation strategy for public housing has led to the loss of 150,000 units through demolition or sale over the last 15 years. Current appropriations of \$290 million could leverage \$7 billion to preserve 300,000 units. Debate about this approach is likely to continue for some time.

Low Income Housing Tax Credits

Provisions in the 2009 Stimulus Bill (the American Recovery and Reinvestment Act, or ARRA) had a significant and powerful effect on the ability of developers to monetize low income housing tax credits (LIHTC) and start construction on hundreds of affordable housing projects in Massachusetts and across the country.¹⁷ In ARRA, Congress created the Exchange Program operated by the Treasury Department. Under the Exchange Program, if a developer cannot find an investor to buy the tax credits — which usually represent the bulk of the equity in the project required by lenders — the state LIHTC allocating agencies may exchange those credits with Treasury and receive funds directly from the Treasury Department to invest in the proposed housing. Until funding is approved for the National Housing Trust Fund, LIHTC remains the primary method for supporting new construction and rehabilitation of housing for low- and moderate-income households. Advocates are working hard to have those ARRA provisions extended for another year.

Section 8 Vouchers

The Section 8 Voucher Reform Act (SEVRA) was approved by the House Financial Services Committee in July 2009.¹⁸ It contains several important provisions to strengthen and improve the housing voucher

program, one of the most important of the housing subsidy programs for low and moderate income households. Under the Section 8 Voucher program, eligible households pay 30 percent of their income for rent, with HUD making up the difference up to an approved Fair Market Rent. Section 8 relies upon the private market to produce the units, with the rental subsidies administered by public housing agencies.

The highly respected Center for Budget and Policy Priorities (CBPP) in Washington, DC, describes the Section 8 Voucher program as “the nation’s most widely used form of low-income housing assistance, help[ing] roughly two million low-income families afford modest rental units of their choice in the private market. Studies have shown that vouchers are highly effective in reducing homelessness and housing instability (both of which have been linked to a range of developmental problems among children) and help families move to lower-poverty neighborhoods with better schools and less exposure to crime.”¹⁹

The Section 8 program has been used extensively in Massachusetts since its inception in 1974, when the state and its housing authorities became “early adopters” of the program. There are currently approximately 75,700 tenant-based *mobile* Section 8 vouchers in use in Massachusetts, plus another almost 67,000 *project-based* vouchers (including moderate rehabilitation projects) in affordable housing developments in the state, so that a total of nearly 143,000 households in Massachusetts benefit from the Section 8 program.

Some of the key SEVRA provisions are:

- To establish a stable, efficient voucher funding system that would allow agencies to help more needy families with the funds they receive, control program costs, and reduce the risk that agencies will be forced to cut assistance in response to funding shortfalls;
- To simplify rules for setting tenant rent payments, while continuing to cap rents at 30 percent of a tenant’s income;
- To help develop and preserve affordable housing through broader use of “project-based” vouchers (which, unlike more widely used “tenant-based” vouchers, can be tied to a particular housing development); and

- To protect tenants whose landlords face financial difficulties by giving agencies new tools to ensure that buildings are kept in habitable condition.

Other more controversial provisions of SEVRA would relax some of the regulatory framework of Section 8, as in HUD’s experimental *Moving to Work* program. This would now be named the Housing Innovation Program. Some housing advocates are not supportive of these provisions, believing that they are risky and unproven. Others support the new framework, believing that regulatory relief allows for innovation and creativity in the administration of the program.

Public Housing Budget Provisions

Massachusetts has approximately 50,000 Federal public housing units which need ongoing funding for operations, repairs, modernization, and resident services. The state’s public housing stock is generally older than in other parts of the country, placing it at greater risk of deterioration without reinvestment. This resource is extremely important because it provides permanent housing for some of the region’s lowest income families, elders, and people with disabilities who could not otherwise afford to rent apartments in the private market. Underfunded for the last many years, the public housing budget is always of great importance to housing advocates across the country.

For FY 2011, the President has proposed a budget that essentially level funds federal public operating housing funds, but cuts the capital budget for public housing and eliminates the budget for supportive services to public housing residents. The budget includes:

- *Operating Subsidies:* The proposed FY 2011 budget includes \$4.83 billion for public housing operations, essentially the same amount as FY 2010. Full funding of the operating subsidy formula would require a slightly higher appropriation.
- *Capital Grants:* The proposed FY 2011 budget includes \$2.02 billion for the public housing capital fund. This is a reduction of nearly half a billion dollars over a two-year period, probably not a wise choice at a time when foreclosure rates in Massachusetts continue to remain high and our shelters are burgeoning with new clients that have lost their residences due to layoffs, hour cutbacks, or overtime curtailment. Without the half-billion dollars in capital funds to maintain and repair the nation’s

aging public housing stock, many units will be taken off line due to the lack of funding to keep them minimally habitable. The total capital needs of the country's public housing are estimated at \$20 to \$30 billion.

- *Choice Neighborhoods Initiative*: The president's FY 2011 budget proposes \$250 million in funding for the Choice Neighborhoods Initiative as a replacement for the HOPE VI program.
- *Resident Opportunity and Supportive Services (ROSS)*: ROSS links public housing residents with supportive services, resident empowerment activities, and assistance in becoming economically self-sufficient. The Administration's budget eliminates all funding for this important resource, which was funded at \$50 million in FY 2010.

In general, in these tight fiscal times, public housing is not as high a priority as many housing advocates believe it should be. Whether other programs such as Section 8 can make up for the lack of investment in more public housing just as tens of thousands of additional families are losing their homes to foreclosure will need to be studied in greater depth.

Public Spending on Housing in the Commonwealth

The Commonwealth has two sources of funds to assist homeowners, renters and developers of housing. One source is its own revenue and the second source is through a variety of federal programs. The state's Department of Housing and Community Development (DHCD) allocates these funds from annual operating funds and capital or trust funds used for investment in public housing and used to subsidize affordable housing construction. State-funded operating funds are used largely for administration of the agency, rental assistance, and public housing subsidies. In addition, operating funds for homelessness programs were shifted from the Department of Transitional Assistance to DHCD in FY 2010.

Federally-financed funds extended to DHCD are used for such programs as the Section 8 rental voucher program, new housing development and rehabilitation, energy assistance, and various neighborhood stabilization programs. During FY 2010, DHCD

received \$643 million in federal funds and an additional one-time funding of \$357 million under the federal American Recovery and Reinvestment Act (ARRA) for a range of programs, including the Neighborhood Stabilization Program, Low Income Housing Tax Credits and weatherization. Altogether, DHCD was allocated \$1.4 billion in FY 2010 for housing, homelessness and community related services.

DHCD Operating Funds

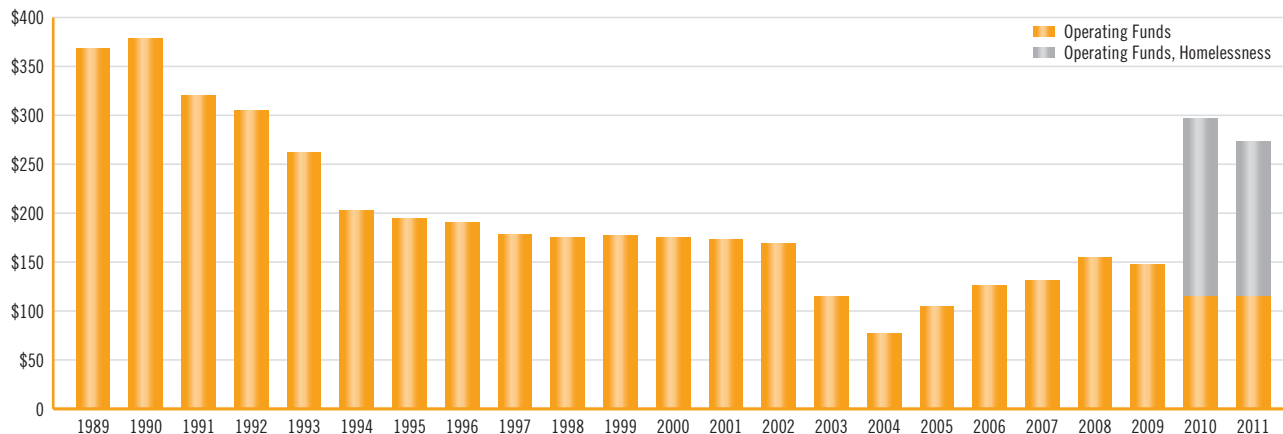
In 1990, the state spent \$382 million of its own funds on housing programs through DHCD's operating budget (in FY 2010 dollars). Beginning in 1991, the amount declined an average of 14 percent per year, so that by 1994, the state was spending only about half the amount annually—\$205 million. Over the next eight years, operating spending for housing continued to decline, but at the slower pace of 2 percent per year. By 2002, spending was down to \$170 million. Over the next two years, state spending on housing was slashed to just \$78 million (2004). From 2004 to 2008, DHCD operating funds increased, but 2008 funding (\$157 million) was still less than funding in 2002.

The current recession and the state's fiscal crisis have taken a toll on the state share of DHCD operating funds. As shown in **Figure 6.1**, state-funded expenditures declined to just \$115 million in FY 2010, from \$155 million in FY 2008. Despite pressures to cut spending further, the budget is level-funded for FY 2011. There are changes within this budget, as the Massachusetts Rental Voucher Program will be increased \$3.2 million over FY 2010, mostly to the detriment of the Rental Assistance for Families in Transition (RAFT) program (a cut of \$2.8 million). The federal Homelessness Prevention and Rapid Re-Housing Program will offset the cuts in RAFT.

As part of recommendations from the Special Commission Relative to Ending Homelessness in the Commonwealth, state homeless programs were shifted from the Department of Transitional Assistance to DHCD in FY 2010.²⁰ This move more than doubles DHCD's budget. Emergency Assistance (EA) for Families is the largest of these programs. Any family who meets eligibility guidelines may access EA, and the recession pushed more families into homelessness, resulting in a 64-percent increase in the number of families entering the homeless service system from February 2008 to July 2009.²¹ As a result, during FY 2010, EA received

FIGURE 6.1

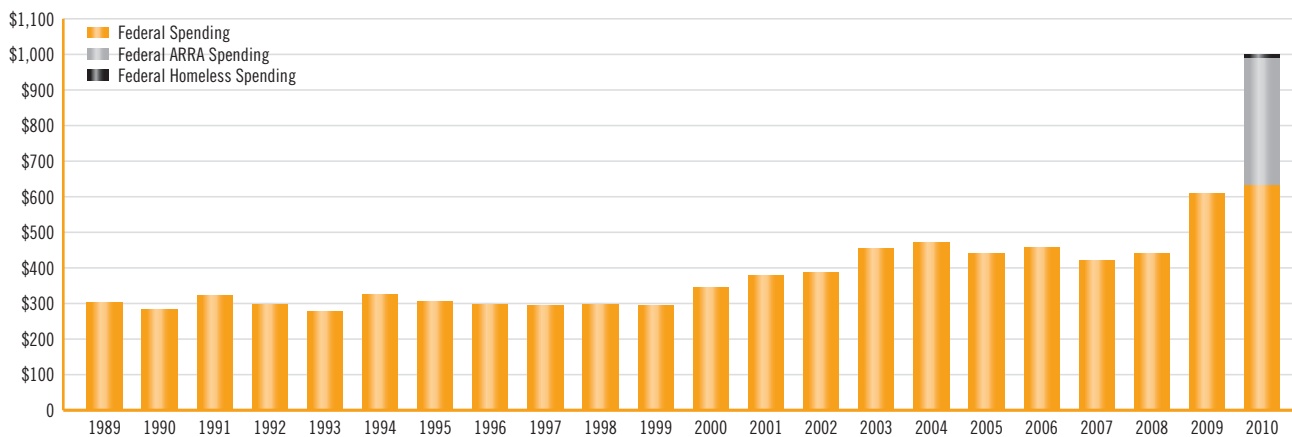
DHCD Real Operating Funds (2010 dollars), 1989–2011, in millions



Source: DHCD Budget Office.

FIGURE 6.2

Total Real Federal Spending on Housing in Massachusetts (2010 dollars), 1989–2010, in millions



Source: DHCD Budget Office

\$42 million in supplemental funding, for total FY 2010 funding of \$134 million. Under the FY 2011 budget, EA will receive \$115 million in funding.

Federal Spending through DHCD

While state spending for DHCD has declined, the Commonwealth is fortunate to be the recipient of a large increase in federal spending for a variety of

existing programs as well as funds from the American Recovery and Reinvestment Act (ARRA). **Figure 6.2** shows the dramatic increase in federal spending since 2008, adjusting all values for inflation. Federal funds flowing to DHCD jumped from \$440 million in FY 2008 (FY 2010 dollars) to \$608 million in FY 2009 and \$631 million in FY 2010. An additional \$357 million was made available to DHCD during FY 2010 as part

of ARRA. Federal spending figures for FY 2011 are not yet available, but the large infusion of funds such as ARRA will not be repeated going into FY 2012. Instead, smaller amounts, such as the \$5 million in new federal funding for the Neighborhood Stabilization Program will likely be made available to DHCD.²²

Figure 6.3 shows changes in total DHCD spending (federal, as well as state operating and capital funds), excluding the new homelessness funding, from 1989 to 2010 (in FY 2010 dollars). From 1989 to 1997, total funds declined 45 percent, from \$1 billion to \$569 million. While there was some recovery in total spending from 1998 to 2008, federal cash infusions in FY 2009 and FY 2010 pushed total funding to \$1.3 billion in FY 2010. With the end of ARRA funding, every state will have to look to other sources if current funding levels are to be maintained. At this time, federal and capital spending amounts for FY 2011 are not yet available.

Recent Advances in State Housing Policy

There has been important activity at the state level in Massachusetts during the past year in recognition of market factors that have brought housing issues again to the attention of elected officials.

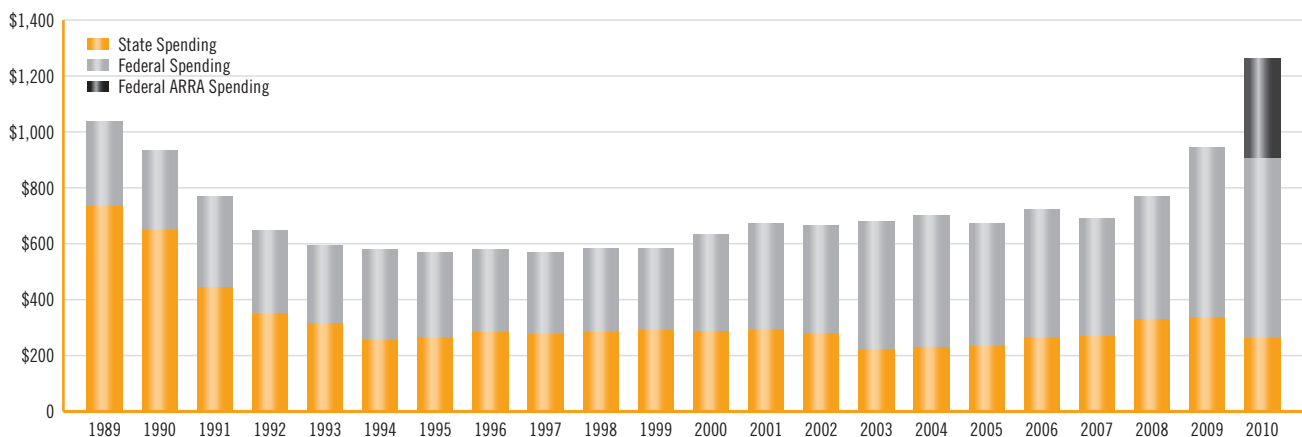
An Act to Stabilize Neighborhoods (The Foreclosure Relief Bill)

In August of this year, the Massachusetts Legislature passed, and Governor Patrick signed *An Act to Stabilize Neighborhoods* to provide foreclosure relief to the many households affected by mortgage foreclosures in the state.²³ Governor Patrick announced that “Even as Massachusetts continues its economic recovery, thousands of families are still dealing with the effects of foreclosure and they need immediate assistance. Combined with the 2007 comprehensive foreclosure law, we are redoubling our efforts to address the foreclosure crisis.”²⁴ This important legislation includes the following provisions:

- Delaying a foreclosure by an additional sixty days (to 150 days) if the financial institution neglects to consider a loan modification;
- Protecting lawful tenants of foreclosed properties from unnecessary displacement so long as the tenant pays rent to the lender. The protections end when there is a purchase and sale contract for the lender to sell the property;
- Criminalizing willful acts of mortgage fraud;
- Mandating that a lender assume a Massachusetts Rental Voucher Program rental assistance payment contract;

FIGURE 6.3

Total Real DHCD Spending (2010 dollars), including Federal Share and ARRA, 1989–2010, in millions



Source: DHCD Budget Office

- Creating a local option for municipalities to forgive property taxes on foreclosed properties acquired by nonprofits during the term of the rehabilitation;
- Requiring in-person counseling for reverse mortgages beginning in 2012.

Given the recent sharp spike in foreclosures that we discussed in Chapter 5, this legislation is badly needed. However, only over the next several months will we be able to assess whether it has the power to limit foreclosures and assist both homeowners and lenders find a path to loan modification.

An Act Relative to Economic Development Reorganization

On August 5, 2010, Governor Patrick signed the 134-page comprehensive *Act Relative to Economic Development Reorganization*. The length and breadth of the bill underscores the degree to which the legislature and the state administration are taking seriously the need to focus on economic development in order to accelerate the state's climb out of the financial recession. Within this extensive bill are several provisions of interest to housing:²⁵

- Elimination of an obsolete State Low Income Housing Tax Credit (LIHTC) requirement that an investor in a State LIHTC also must be invested in a Federal LIHTC. This change is designed to attract additional investors to the State LIHTC market adding to funds for housing development.
- Granting of two-year extensions beyond the original expiration date for building permits granted between August 15, 2008 and August 15, 2010 in order to provide more time for developers to begin construction on permitted projects. Unfortunately, Comprehensive Permits granted under Chapter 40B will not receive the benefit of the extension.

The new law also has several provisions to spur investment in older industrial or "Gateway Cities" including:

- Recapitalizing the Growth District Initiative with \$50 million in additional funds;
- Creating a new \$5 million-per-year tax credit Housing Development Incentive Program (Chapter 40V) for market-rate housing permitting developers and individuals to obtain state tax credits for rehabilitating buildings with no more than 50 units and with

at least 80 percent of the units selling at market rate;²⁶

- Authorizing a new expedited permitting program, Chapter 43E, to speed up state permitting decisions; and
- Extending brownfields environmental remediation tax credits.

Chapter 40T

In the making for more than 20 years, the Affordable Housing Preservation Bill signed into law on November 24, 2009, contains requirements affecting owners of covered subsidized properties, including the requirement of a notice of intent to sell any property with an expiring affordability restriction.²⁷ As reported by the John D. and Catherine T. MacArthur Foundation, approximately 41,000 units of subsidized rental housing throughout Massachusetts may lose their affordability restrictions by 2019 as a result of prepayments, opt-outs, and, increasingly, the expiration of subsidized 40-year mortgages.²⁸ In order to prevent this where possible Chapter 40T provides:

- Additional notification requirements as a building gets closer to use restriction termination;
- An opportunity for the DHCD or its designee to purchase publicly assisted housing that is for sale if the proposed private sector transaction does not preserve affordability; and
- A maximum level that rents can be raised for a period of three years after a building's use restrictions terminate if the tenants do not receive enhanced Section 8 vouchers.

DHCD promulgated regulations for the implementation of Chapter 40T on May 21, 2010.

Conclusion

At this point, we have no data on which to assess how well new federal and state housing initiatives are doing, but clearly given the foreclosure crisis and the struggles of renters in the Greater Boston region, these are welcome additions to the arsenal of housing laws and regulations aimed at expanding private housing production, rehabilitating public housing, increasing housing affordability, reducing foreclosures, and securing rental subsidies for those who need them.

As we have seen in the past, federal and state housing legislation does not always fulfill their missions given the complex web of economic and institutional factors that dominate housing markets. But it is gratifying to see the new federal and state efforts aimed at dealing with the housing needs of households in the Commonwealth.

The state's fiscal health may pose a future problem for housing programs in the Commonwealth. For the time being, additional federal funds including those under the ARRA program have made up for a shortfall in state funding. Once these federal funds dry up, we may find the state unable to sustain its full commitment to housing provision in the Commonwealth.

What is perhaps even more worrisome is the possible elimination by referendum of Chapter 40B. If this occurs, the state will lose its most powerful tool for developing affordable housing and put in jeopardy the success we have had with Chapter 40R. Even with 40B, we clearly lack sufficient affordable housing in Greater Boston. Without it, the situation could become much worse.

7. Conclusion

When we were wrapping up last year's *Greater Boston Housing Report Card* in September 2009, there were many signs that the national economy was once again expanding, the housing market was stabilizing, and we were on the road at last to a sustained recovery. Indeed, the subtitle of that report was *Positioning Boston in a Post-Crisis World*. In the months following the release, our modest forecast seemed to be on target. Fourth quarter 2009 Gross Domestic Product (GDP) came in at a stunning 5 percent annual rate, the highest quarterly rate since early 2006, well before the current recession began. It was followed by another strong quarter at the beginning of 2010. Productivity was driving this recovery, with output per person increasing at a breathtaking 6.0 percent annual rate in the fourth quarter of 2009 followed by a strong 3.9 percent performance in the following quarter. National employment, which had been falling each month since December 2007, was now growing and housing prices were continuing to firm up in metro areas across the country, reducing the threat that millions more would find themselves in the position of being underwater with their outstanding mortgages exceeding the worth of their homes.

Moreover, Massachusetts was doing better than the nation in terms of economic activity and employment, something that was not true in the two previous recessions. At the lowest point in the current recession, the U.S. Economic Activity Index had fallen more than 6 percent. In contrast, the Massachusetts Economic Activity Index never fell by much more than 4 percent. Unemployment in the Commonwealth remained below the national rate.

There was additional good news in Massachusetts. The period between 2008 and 2009 saw the first net in-migration into the Commonwealth from other states since we began tracking this indicator in 2000. The change in domestic migration seems to be at least partly related to home prices. As home prices escalated each year from 2000 through 2005, the rate of net *out*-migration increased in lock step. Once home prices began to drop after 2005, each year fewer people left

the state and more entered from other regions of the country.

There were also real improvements in the housing market through the spring of this year. Home sales were going up through May and foreclosure petitions were down 10 percent between February 2009 and June 2010.

A Confusing and Troubled Time

In spite of all this good news through the spring, this past summer has presented us with a battery of disconcerting data that indicate much greater weakness in the national economy than we would have expected earlier in the year.

Expansion of the nation's GDP fell sharply in the second quarter and the number of unemployed nationwide continued to grow. New housing permits and housing starts nationwide, which had been improving in 2009 and through the spring of 2010, are now at the lowest level on record after the expiration of the first time homebuyer tax credit. Consumer confidence has slipped along with business confidence.

While Massachusetts continues to outperform the nation in economic expansion and employment growth, it cannot keep up this record achievement if the national economy continues to weaken or worse yet enters a double-dip recession. As such, this year we are not as confident that we are in a "post-crisis" environment as we were last year.

We also have concerns on the housing front. In Massachusetts, despite the thousands of additional residents from in-migration and sharply increased enrollment in post-secondary institutions, there has been a distinct lack of housing production. Unless supply is created to meet the increased demand for housing, we can expect that rising rents and home prices will once again make housing in Greater Boston more unaffordable for many and could once again dissuade potential new residents from moving into the region while encouraging some who live here to leave for cities and towns outside of Massachusetts.

Also troubling is the abrupt rise in foreclosure deeds and auctions both nationally and in Greater Boston. Foreclosure petitions increased only marginally in the summer months of 2010, but there has been an explosion in deeds and auctions. The number of deeds and auctions in the first half of 2010 suggest that the number of households losing their homes to foreclosure throughout the year will easily exceed the total number in 2009.

Rents, despite the economic crisis, are at a near all-time peak in Greater Boston making rental units less affordable than ever. The big difference in the rental housing market between Greater Boston and the nation lies in the large concentration of college and university students in the region. Because of this steady demand, Greater Boston is likely to remain the fifth most expensive metropolitan region in the U.S. in average rent, only exceeded by New York City; Westchester County, New York; San Francisco; and Fairfield County, Connecticut. With rental vacancy rates already at normal rates and our forecast that an additional 45,000 university and college students will be living in Greater Boston by 2018, it is hard to imagine how rents could not become even more unaffordable unless there is a sizable increase in rental unit housing production.

Impact on Different Housing Markets

The recession has not had a uniform impact across housing types. We have found that changing economic conditions appear to affect multi-family homes more than single family homes in terms of production, sales, prices, and foreclosure activity. While permitting dropped for all housing types in Greater Boston (the number of permits issued in 2009 has dropped more than two-thirds from 2005), the permitting decline was most acute for multi-family homes (a 74 percent drop from 2005). The one exception has been condominiums, which have tended to be the least affected type of housing.

Other affordability issues in the Greater Boston region include the potential loss of affordable housing due to expiring use provisions, a lack of construction of new affordable housing, and reduced funding for housing at the state level because of the continuing fiscal crisis facing the Commonwealth. We are also concerned about the future fate of Chapter 40B and Chapter 40R which have been so important to the production and

permitting of affordable housing units throughout the state. If Chapter 40B is repealed in November, thousands of units of affordable housing might not be produced in the near future and the loss of 40B could weaken the incentive for local municipalities to establish smart growth overlay zoning districts under 40R.

The Bottom Line

Based on the latter half of 2009 and the first months of 2010, it is very difficult to predict what will happen in the remainder of 2010 and the beginning of 2011 in the Massachusetts economy and the Greater Boston housing market. Too much relies on what happens to the national—and international—economies, and too much depends on what the voters in the Commonwealth do with regard to the referendum on 40B. We cannot yet tell whether the sharp reduction in home sales immediately after the expiration of the first-time homebuyer tax credit will be a temporary phenomenon or one that will continue for months to come. It is difficult at this time to gauge the impact on home prices as a result of the skyrocketing number of foreclosure deeds and auctions.

The state of housing in Greater Boston is therefore in great flux at this moment. What we do know is that eventually the national economy will recover, the spurt in foreclosures will ultimately begin to moderate, and the number of students living in the region will continue to grow. Under these conditions, housing prices and rents will begin to rise again, possibly sharply, *unless* we have policies in place to assure an increased supply of housing to meet an increase in demand. Finally, if housing becomes even more unaffordable once demand conditions change, the gains we have made in the Massachusetts economy, as well as the gains we have made in retaining and attracting families and individuals to the region, will once again be in jeopardy.

Endnotes

Chapter 1

- ¹ Barry Bluestone, Chase Billingham, and Jessica Herrmann, *The Greater Boston Housing Report Card 2009: Positioning Boston in a Post-Crisis World* (Boston: The Boston Foundation, October 2009), p.9. Emphasis added.
- ² The statistics on existing home sales and prices were obtained from the “Existing Sales Overview Chart for Data Base Work,” National Association of Realtors (<http://realtorbenefits.org/research/research/ehsdata>).
- ³ Standard and Poor’s, S/P Case-Shiller Home Price Indexes (<http://www.standardandpoors.com/indices/sp-case-shiller-home-price-indices/en/us/?indexId=spusa-cashpidff—p-us>).
- ⁴ Data on Massachusetts sales and prices were made available courtesy of The Warren Group.
- ⁵ Courtney Schlisserman, “U.S. Existing Home Sales Plunge by Record,” *Bloomberg News Service*, August 24, 2010.
- ⁶ *ibid.*
- ⁷ Statistics on new home sales are available from the U.S. Census Bureau, “Manufacturing, Mining, and Construction Statistics,” Table Q1 (<http://www.census.gov/const/www/newressalesindex.html>).
- ⁸ Alejandro Lazo, “U.S. Home Foreclosures Reach Record High in Second Quarter,” *Los Angeles Times*, July 15, 2010.
- ⁹ Data on foreclosure petitions, deeds, and auctions were made available courtesy of The Warren Group.
- ¹⁰ Lazo, *op. cit.*
- ¹¹ Council of Economic Advisers, *Economic Indicators* (Washington, D.C.: U.S. Government Printing Office, July 2010), p. 2.
- ¹² These data and all other employment numbers for the U.S. and for Massachusetts in this chapter refer to total nonfarm employment and are published monthly by the U.S. Department of Labor, Bureau of Labor Statistics (www.bls.gov).
- ¹³ U.S. Department of Labor, Employment and Training Administration, “Unemployment Insurance Weekly Claims Report,” August 26, 2010 (<http://www.dol.gov/opa/media/press/eta/ui/current.htm>).
- ¹⁴ See, for example, Richard J. Cebula, “Internal Migration Determinants: Recent Evidence,” in *International Advances in Economic Research*, Vol. 11, No. 3, pp. 267–274; Khalid I. Al-Dakhil, “Determinants and Consequences of Internal Migration in the United States” in *Economics and Administration*, Vol. 10, pp. 3–31.
- ¹⁵ See, for example, Richard F. Muth, “Differential Growth Among Large U.S. Cities” in James P. Quirk and Arvid M. Zarely (eds.), *Papers in Quantitative Economics* (Lawrence, KS: University of Kansas Press, 1968).
- ¹⁶ See Barry Bluestone, Mary Huff Stevenson, and Russell Williams, “Are the High Fliers Pricing Themselves Out of the Market? The Impact of Housing Cost on Domestic Migration Rates in U.S. Metropolitan Areas,” Paper prepared for the Urban Affairs Association Annual Meeting, Chicago, IL, March 4–7, 2009.

Chapter 2

¹ Barry Bluestone, Chase Billingham, and Jessica Herrmann, *The Greater Boston Housing Report Card 2009: Positioning Boston in a Post-Crisis World* (Boston, MA: The Boston Foundation, October, 2009), Table 3.1, p. 35. Data on housing permits are available from the U.S. Census Bureau, *Building Permit Survey*, “Annual New Privately-Owned Residential Building Permits for Places in Massachusetts,” July 2010.

² Beginning with the *Greater Boston Housing Report Card 2006–2007*, in response to changes in the Census Bureau’s geographic definition of the Boston metro region that rendered many annual comparisons invalid, we have used the five counties surrounding and including Boston (Essex, Middlesex, Norfolk, Plymouth, and Suffolk) as a near approximation of the original study area. This geographic approximation comes close to, but does not perfectly match, the original 161-community area used in early *Housing Report Cards*, and it permits comparisons over time that might prove misleading if other geographic definitions were used.

The Boston-Cambridge-Quincy, MA-NH Metropolitan Statistical Area, used by the Census Bureau, includes large portions of Worcester and Plymouth Counties in Massachusetts and Rockingham and Strafford Counties in New Hampshire. Using this unit of analysis would produce results that were totally incommensurate with those presented in previous reports. By contrast, the five-county region comprises 147 municipalities, including 142 of the 161 communities (88 percent) tracked in the *Greater Boston Housing Report Card* since 2002. The five-county region omits Berkley, Berlin, Blackstone, Bolton, Dighton, Easton, Harvard, Hopedale, Lancaster, Mansfield, Mendon, Milford, Millville, Norton, Raynham, Southborough, and Taunton, and includes five communities not in the original 161: Abington, Ashby, Marion, Mattapoisett, and Rochester.

³ Council of Economic Advisers, *Economic Indicators, August 2010* (Washington, D.C.: Government Printing Office, 2010), “Real Gross Domestic Product,” p. 2.

Chapter 3

¹ Barry Bluestone, Chase Billingham, and Jessica Herrmann, *The Greater Boston Housing Report Card 2009: Positioning Boston in a Post-Crisis World* (Boston, MA: The Boston Foundation, October 2009), Figure 4.4, p. 45.

² For a discussion of the link between vacancy rates and housing prices, see Barry Bluestone, Mary Huff Stevenson, and Russell Williams, *The Urban Experience: Economics, Society, and Public Policy* (New York: Oxford University Press, 2008), p. 417–421.

³ Bonnie Heudorfer and Barry Bluestone, *The Greater Boston Housing Report Card 2005–2006: An Assessment of Progress on Housing in the Greater Boston Area* (Boston, MA: The Boston Foundation, September 2006), Figure 2.11, p. 23.

⁴ See U.S. Census Bureau, “Homeowner Vacancy Rates for the 75 Largest Metropolitan Statistical Areas: 2005 to 2007” (<http://www.census.gov/hhes/www/housing/hvs/annual07/ann07t6.html>).

⁵ Michelle Laczkoski, “July Mass. Home Sales Plunge 26 Percent, Prices Remain Stable,” The Warren Group, Press Release, August 24, 2010.

⁶ For a more in-depth analysis of the relationship between municipal revenue and real estate in Massachusetts, see Barry Bluestone, David Soule, Chase Billingham, Marc Horne, and Lauren Nicoll, *The Potential for Uneven Economic Development across Massachusetts Municipalities: An Analysis of the Role of the Property Tax and State Aid*, Lincoln Institute of Land Policy, Working Paper #WP08BB1, 2008.

⁷ Median prices in this chapter refer to the average (weighted by number of sales) of the median prices for homes in Essex, Middlesex, Norfolk, Plymouth, and Suffolk Counties. Data provided by The Warren Group.

⁸ In the National Association of Realtors Homebuyer Profile, median income figures refer to 2008. Other data in the Profile are for 2009.

Chapter 4

¹ Bureau of Labor Statistics, “College Enrollment and Work Activity of High School Graduates.” April 27, 2010. Retrieved September 1, 2010 (http://www.bls.gov/news.release/archives/hsgec_04272010.pdf).

² Richard Fry, “Minorities and the Recession-Era College Enrollment Boom.” June 16, 2010. Retrieved September 1, 2010 (<http://pewresearch.org/pubs/1629/recession-era-increase-post-secondary-minority-enrollment>)

³ City of Boston, *Report of the Advisory Panel on Housing*, 1996.

⁴ Some analyses further split the graduate category into graduates and “first professionals” (medical, law, etc students), but for the purposes of housing, graduate students and “first professionals” both tend to be made up primarily of renters.

⁵ The Greater Boston area post-secondary education institutions included in this analysis comprise all private four-year, public four-year, and community colleges and universities located in the Greater Boston area. Institutions based primarily online are not included; similarly, institutions with multiple campuses that do not differentiate between within-Boston and outside-Boston enrollment are not included.

⁶ Data assembled from Peterson’s (www.petersons.com) and City of Boston, *University Accountability Report*, Fall 2009.

⁷ City of Boston, *University Accountability Report*, Fall 2009. Institution-specific proportions for graduate housing were only available for the institutions located in the City of Boston, not the Greater Boston area.

⁸ Hussar, W.J., and Bailey, T.M. 2009. Projections of Education Statistics to 2018 (NCES 2009–062). National Center for Education Statistics, Institute of Education Sciences, U.S. Department of Education. Washington, DC. Retrieved September 1, 2010 (<http://nces.ed.gov/pubs2009/2009062.pdf>).

⁹ For a review of the graduate student idea, see Lawrence Harmon, “Boston’s Brewing Battle for Student Housing,” *The Boston Globe*, February 17, 2010.

Chapter 5

¹ Barry Bluestone, Chase Billingham, and Jessica Herrmann, *The Greater Boston Housing Report Card 2009: Positioning Boston in a Post-Crisis World*, The Boston Foundation, p. 75.

² Alejandro Lazo, “U.S. Home Foreclosures Reach Record :High in Second Quarter,” *Los Angeles Times*, July 15, 2010.

³ Chris Reidy, “Report: Foreclosure Crisis Hits Three-Decker Owners,” *The Boston Globe*, March 21, 2008.

⁴ Joint Center for Housing Studies, Harvard University. *The State of the Nation’s Housing*. 2010 (<http://www.jchs.harvard.edu/son/index.htm>).

Chapter 6

¹ For more detail on these programs, see Barry Bluestone, Chase Billingham, and Jessica Herrmann, *The Greater Boston Housing Report Card 2009: Positioning Boston in a Post-Crisis World* (Boston, MA: The Boston Foundation, October, 2009), Table 7.1, p. 77.

² Center for Housing Policy, “Chapter 40B Fact Sheet.” 2010.

(http://www.housingpolicy.org/assets/40B%20Fact%20Sheet_071210.pdf).

³ Citizens' Housing and Planning Association (CHAPA), "Fact Sheet on Chapter 40B: The State's Affordable Housing Zoning Law." October 2007. (<http://www.chapa.org/pdf/40BFactSheetOctober2007.pdf>).

⁴ *ibid.*

⁵ *ibid.*

⁶ *ibid.*

⁷ *ibid.*

⁸ Lindsay Koshgarian, Alan Clayton-Matthews, Carrie Bernstein, Sonya Smith, and Hinlan Wong, *Economic Contributions of Housing Permitted through Chapter 40B: Economic and Employment Linkages in the Massachusetts Economy from 2000–2010*, Donahue Institute, University of Massachusetts. September 2010.

⁹ Christine McConville. "Opposition to 40B intensifies." *The Boston Globe*, October 25, 2007.

¹⁰ David J. Ritchay and Zoe R. Weinrobe, *Fear and Loathing in Massachusetts: Chapter 40B, Community Opposition, and Residential Property Value*, Master's Thesis, Department of Urban Studies and Planning, Massachusetts Institute of Technology, 2004.

¹¹ Theodore Regnante and Paul Haverty. "Compelling Reasons Why the Legislature Should Resist Call to Repeal Chapter 40B" *Massachusetts Law Review*, 88(2), 2003.

¹² Information on the National Housing Trust Fund is found in Center for Community Change (<http://www.communitychange.org>).

¹³ For more detailed information on this legislation, see "H.R. 4868: Housing Preservation and Tenant Protection Action of 2010" (<http://www.govtrack.us/congress/bill.xpd?bill=h111-4868>).

¹⁴ More detailed information on this legislation is available from the Library of Congress (<http://thomas.loc.gov/cgi-bin/bdquery/D?d111:7:./temp/~bdBLGP::|/home/LegislativeData.php>).

¹⁵ More detailed information on the Neighborhood Stabilization Program is available from NeighborWorks America (<http://www.nw.org/network/index.asp>).

¹⁶ For more detailed information on the PETRA legislation, consult the National Low Income Housing Coalition (<http://www.nlihc.org/template/page.cfm?id=160>).

¹⁷ For the latest information on Low Income Housing Tax Credits, see the website for the Citizens' Housing and Planning Association (<http://www.chapa.org>).

¹⁸ For information on the Section 8 Voucher Program, see the Center for Budget and Policy Priorities, "Comparison of Provisions of House Section 8 Voucher Reform Bill and Current Law," September 22, 2009 and Will Fisher, "'SEVRA' Housing Voucher Reform Bill Would Update and Streamline Program, but Deregulation Provision Holds Significant Risks," May 13, 2010; Citizens' Housing and Planning Association, (<http://www.chapa.org>); and U.S. Department of Housing and Urban Development (<http://www.hud.gov/offices/pih/programs/hcv>).

¹⁹ Center on Budget and Policy Priorities, "Policy Basics: The Housing Choice Voucher Program," May 5, 2009.

²⁰ Special Commission Relative to Ending Homelessness in the Commonwealth (December 2007). *Report of the Special Commission Relative to Ending Homelessness in the Commonwealth (under Chapter 2 of the Resolves of 2006 and Chapter 1 of the Resolves of 2007)*, Boston, MA: Commonwealth of Massachusetts.

²¹ Massachusetts Department of Transitional Assistance monthly homeless entry/exit data.

²² U.S. Department of Housing and Urban Development, *Neighborhood Stabilization Program (NSP3) Funding Under Dodd-Frank Wall Street Reform and Consumer Protection Act*, 2010. Retrieved September 15, 2010 (http://portal.hud.gov/portal/page/portal/HUD/documents/nsp3_funding_chart.pdf).

²³ Safeguard Properties, "S2407: An Act to Stabilize Neighborhoods," August 19, 2010 (http://safeguardproperties.com/News_and_Events/All_Client_Alerts/2010/08/S2407_An_Act_to_Stabilize_Neighborhoods.aspx).

²⁴ Commonwealth of Massachusetts Press Release, "Governor Patrick Signs New Foreclosure Assistance Bill for Homeowners and Tenants into Law," August, 7, 2010.

²⁵ For more information on the Commonwealth's Economic Development Reorganization legislation, see CHAPA Housing Briefs, June 28, 2010 (<http://www.chapa.org/?q=node/1703>).

²⁶ In order for housing to qualify for these incentives, municipal officials must designate areas of their communities for priority development. The municipality must also provide a 10–100 percent property tax break to homeowners living in the constructed units in order for the development to qualify for the market rate tax credits. The tax credits can only go to developments in municipalities that have median incomes and post-secondary degree attainment rates below Commonwealth averages. The cities must also have populations between 35,000 and 250,000 people.

²⁷ For information on Chapter 40T, see Commonwealth of Massachusetts, Executive Office of Housing and Economic Development, "Governor Patrick Announces State to Receive \$4.5 Million from MacArthur Foundation to Preserve Affordable Rental Housing," February 26, 2009.

²⁸ See Jonathan Klein, "Massachusetts General Law Chapter 40T Publicly Assisted Housing," presentation available from Citizens' Housing and Planning Association (<http://www.chapa.org/pdf/KleinHornigCHAPA40T-Presentation.pdf>).

Appendix A Municipal Scorecard

Municipality	Production and Sales							
	Total Housing Units (2000 Census)	Units Permitted in 2009	Number of Single Family Home Sales Through June 2009	Number of Single Family Home Sales Through June 2010	Percent Change in Number of Single Family Sales, June 2009–June 2010	Median Single Family Home Selling Price Through June 2009	Median Single Family Home Selling Price Through June 2010	Percent Change in Median Single Family Sales Price, June 2009–June 2010
Abington	5,332	12	49	38	-22.4%	\$250,000	\$273,750	9.5%
Acton	7,645	35	75	89	18.7%	\$473,000	\$475,000	0.4%
Amesbury	6,570	9	44	59	34.1%	\$295,000	\$290,000	-1.7%
Andover	11,513	19	121	147	21.5%	\$495,000	\$515,000	4.0%
Arlington	19,358	33	101	159	57.4%	\$475,000	\$491,000	3.4%
Ashland	5,781	13	57	57	0.0%	\$345,000	\$325,500	-5.7%
Avon	1,737	2	10	16	60.0%	\$232,450	\$273,500	17.7%
Ayer	3,141	48	22	16	-27.3%	\$267,000	\$265,000	-0.7%
Bedford	4,692	5	32	52	62.5%	\$488,750	\$523,500	7.1%
Bellingham	5,632	13	56	68	21.4%	\$228,500	\$241,500	5.7%
Belmont	9,936	2	58	79	36.2%	\$666,078	\$686,000	3.0%
Berkley	1,870	13	16	29	81.3%	\$274,000	\$272,850	-0.4%
Berlin	891	4	13	8	-38.5%	\$450,000	\$471,465	4.8%
Beverly	16,150	14	106	122	15.1%	\$327,500	\$329,250	0.5%
Billerica	13,055	106	110	125	13.6%	\$304,000	\$316,000	3.9%
Blackstone	3,321	4	34	31	-8.8%	\$225,650	\$225,000	-0.3%
Bolton	1,472	41	20	32	60.0%	\$405,000	\$442,500	9.3%
Boston	250,367	332	376	532	41.5%	\$368,849	\$417,370	13.2%
Boxboro	1,900	6	16	16	0.0%	\$430,500	\$438,500	1.9%
Boxford	2,602	3	28	43	53.6%	\$518,725	\$525,000	1.2%
Braintree	12,924	26	113	134	18.6%	\$310,000	\$325,000	4.8%
Bridgewater	7,639	23	53	67	26.4%	\$278,600	\$298,500	7.1%
Brockton	34,794	30	309	348	12.6%	\$158,000	\$176,564	11.7%
Brookline	26,224	17	39	73	87.2%	\$1,250,000	\$1,065,000	-14.8%
Burlington	8,395	52	55	94	70.9%	\$370,000	\$377,950	2.1%
Cambridge	44,138	11	29	59	103.4%	\$846,500	\$714,750	-15.6%
Canton	8,129	37	52	83	59.6%	\$408,500	\$403,500	-1.2%
Carlisle	1,647	10	24	22	-8.3%	\$677,125	\$677,500	0.1%
Carver	4,063	14	31	37	19.4%	\$285,000	\$250,000	-12.3%
Chelmsford	12,981	15	107	140	30.8%	\$320,000	\$335,000	4.7%
Chelsea	12,317	44	11	25	127.3%	\$160,000	\$206,700	29.2%
Cohasset	2,752	3	36	41	13.9%	\$650,000	\$730,000	12.3%
Concord	6,095	32	65	79	21.5%	\$749,000	\$675,000	-9.9%
Danvers	9,712	11	54	108	100.0%	\$319,000	\$314,250	-1.5%

Appendix A **Municipal Scorecard**, continued

Municipality	Foreclosure Activity				Affordability and At-Risk Units		
	Petitions to Foreclose, 2009	Foreclosure Auctions, 2009	Foreclosure Deeds, 2009	Foreclosure Deeds (2009) as a Percentage of Total Units (2000)	Adoption of Community Preservation Act	Year of Adoption of Community Preservation Act	Expiring Use Units at Risk - 2012
Abington	63	43	19	0.36%			170
Acton	24	12	7	0.09%	Y	2003	0
Amesbury	80	51	23	0.35%			0
Andover	61	33	12	0.10%			0
Arlington	43	1	4	0.02%			145
Ashland	67	44	16	0.28%	Y	2003	162
Avon	22	8	4	0.23%			0
Ayer	31	22	18	0.57%	Y	2002	20
Bedford	10	5	1	0.02%	Y	2002	96
Bellingham	97	61	24	0.43%			90
Belmont	19	16	4	0.04%			0
Berkley	22	19	6	0.32%			0
Berlin	4	0	3	0.34%			40
Beverly	95	56	20	0.12%			232
Billerica	151	92	30	0.23%			0
Blackstone	48	17	15	0.45%			0
Bolton	7	0	2	0.14%			0
Boston	1,984	1,484	771	0.31%			4387
Boxboro	10	5	4	0.21%			0
Boxford	26	11	7	0.27%	Y	2002	0
Braintree	92	50	20	0.15%	Y	2003	239
Bridgewater	98	24	23	0.30%	Y	2006	0
Brockton	882	704	341	0.98%			252
Brookline	35	32	12	0.05%			99
Burlington	43	15	8	0.10%			0
Cambridge	81	52	11	0.02%	Y	2002	416
Canton	52	21	9	0.11%			105
Carlisle	9	3	0	0.00%	Y	2002	18
Carver	78	45	15	0.37%	Y	2007	0
Chelmsford	90	58	24	0.18%	Y	2002	0
Chelsea	194	2	70	0.57%			112
Cohasset	18	11	7	0.25%	Y	2002	0
Concord	16	12	8	0.13%	Y	2005	0
Danvers	69	46	20	0.21%			0

Appendix A Municipal Scorecard, continued

Municipality	Production and Sales							
	Total Housing Units (2000 Census)	Units Permitted in 2009	Number of Single Family Home Sales Through June 2009	Number of Single Family Home Sales Through June 2010	Percent Change in Number of Single Family Sales, June 2009–June 2010	Median Single Family Home Selling Price Through June 2009	Median Single Family Home Selling Price Through June 2010	Percent Change in Median Single Family Sales Price, June 2009–June 2010
Dedham	8,893	11	80	110	37.5%	\$314,500	\$349,500	11.1%
Dighton	2,261	7	14	23	64.3%	\$279,000	\$273,300	-2.0%
Dover	1,874	7	16	29	81.3%	\$834,250	\$779,900	-6.5%
Dracut	10,597	51	89	97	9.0%	\$240,000	\$269,900	12.5%
Dunstable	933	11	5	9	80.0%	\$477,000	\$385,000	-19.3%
Duxbury	5,103	15	60	58	-3.3%	\$441,000	\$525,500	19.2%
East Bridgewater	4,423	28	38	49	28.9%	\$251,450	\$260,000	3.4%
Easton	7,596	20	77	91	18.2%	\$322,750	\$394,800	22.3%
Essex	1,357	7	8	20	150.0%	\$404,313	\$567,000	40.2%
Everett	15,886	52	52	43	-17.3%	\$212,500	\$255,000	20.0%
Foxborough	6,260	24	37	57	54.1%	\$355,000	\$356,000	0.3%
Framingham	26,588	178	191	237	24.1%	\$286,000	\$300,000	4.9%
Franklin	10,296	48	108	118	9.3%	\$417,500	\$377,000	-9.7%
Georgetown	2,601	18	32	38	18.8%	\$303,250	\$359,200	18.5%
Gloucester	12,997	56	60	100	66.7%	\$278,750	\$286,250	2.7%
Groton	3,339	22	24	40	66.7%	\$443,625	\$424,500	-4.3%
Groveland	2,090	35	15	34	126.7%	\$300,000	\$315,000	5.0%
Halifax	2,804	6	21	31	47.6%	\$235,000	\$256,500	9.1%
Hamilton	2,717	6	23	38	65.2%	\$375,000	\$445,000	18.7%
Hanover	4,440	19	32	64	100.0%	\$343,290	\$420,000	22.3%
Hanson	3,167	15	26	35	34.6%	\$252,500	\$240,000	-5.0%
Harvard	2,156	12	21	27	28.6%	\$430,000	\$487,000	13.3%
Haverhill	23,675	49	134	178	32.8%	\$248,000	\$255,000	2.8%
Hingham	7,307	50	92	120	30.4%	\$587,500	\$570,000	-3.0%
Holbrook	4,145	9	45	50	11.1%	\$219,900	\$238,750	8.6%
Holliston	4,861	20	55	61	10.9%	\$350,000	\$399,900	14.3%
Hopedale	2,284	2	18	27	50.0%	\$206,750	\$275,000	33.0%
Hopkinton	4,521	44	57	71	24.6%	\$445,000	\$502,000	12.8%
Hudson	7,144	21	53	68	28.3%	\$262,500	\$263,700	0.5%
Hull	4,679	9	53	48	-9.4%	\$287,500	\$357,350	24.3%
Ipswich	5,414	13	38	56	47.4%	\$397,750	\$395,500	-0.6%
Kingston	4,370	29	42	53	26.2%	\$290,000	\$317,000	9.3%
Lakeville	3,385	176	27	53	96.3%	\$260,000	\$250,000	-3.8%
Lancaster	2,103	16	16	23	43.8%	\$309,000	\$293,500	-5.0%

Appendix A Municipal Scorecard, continued

Municipality	Foreclosure Activity				Affordability and At-Risk Units		
	Petitions to Foreclose, 2009	Foreclosure Auctions, 2009	Foreclosure Deeds, 2009	Foreclosure Deeds (2009) as a Percentage of Total Units (2000)	Adoption of Community Preservation Act	Year of Adoption of Community Preservation Act	Expiring Use Units at Risk - 2012
Dedham	84	32	22	0.25%			0
Dighton	39	19	4	0.18%	Y	2011	0
Dover	17	6	0	0.00%			0
Dracut	145	96	37	0.35%	Y	2002	0
Dunstable	9	4	3	0.32%	Y	2007	0
Duxbury	49	1	4	0.08%	Y	2002	0
East Bridgewater	75	43	23	0.52%			0
Easton	68	41	17	0.22%	Y	2002	0
Essex	8	1	2	0.15%	Y	2008	0
Everett	231	4	92	0.58%			160
Foxborough	50	0	8	0.13%			0
Framingham	328	303	158	0.59%			473
Franklin	68	54	22	0.21%			58
Georgetown	31	17	8	0.31%	Y	2002	0
Gloucester	114	49	25	0.19%	Y	2010	80
Groton	19	2	5	0.15%	Y	2006	0
Groveland	20	13	5	0.24%	Y	2005	0
Halifax	61	39	15	0.53%			0
Hamilton	26	8	2	0.07%	Y	2006	0
Hanover	41	26	8	0.18%	Y	2006	0
Hanson	38	29	13	0.41%	Y	2009	0
Harvard	8	5	2	0.09%	Y	2002	0
Haverhill	350	256	123	0.52%			149
Hingham	40	19	5	0.07%	Y	2002	60
Holbrook	64	39	14	0.34%			0
Holliston	47	35	12	0.25%	Y	2002	0
Hopedale	22	19	13	0.57%			0
Hopkinton	39	30	8	0.18%	Y	2002	0
Hudson	70	39	17	0.24%	Y	2008	0
Hull	66	0	11	0.24%			0
Ipswich	41	26	12	0.22%			0
Kingston	69	41	19	0.43%	Y	2006	20
Lakeville	65	0	15	0.44%			22
Lancaster	24	0	7	0.33%			0

Appendix A Municipal Scorecard, continued

Municipality	Production and Sales							
	Total Housing Units (2000 Census)	Units Permitted in 2009	Number of Single Family Home Sales Through June 2009	Number of Single Family Home Sales Through June 2010	Percent Change in Number of Single Family Sales, June 2009–June 2010	Median Single Family Home Selling Price Through June 2009	Median Single Family Home Selling Price Through June 2010	Percent Change in Median Single Family Sales Price, June 2009–June 2010
Lawrence	25,540	11	74	111	50.0%	\$142,450	\$175,000	22.9%
Lexington	11,274	52	140	213	52.1%	\$663,750	\$695,000	4.7%
Lincoln	2,076	10	14	20	42.9%	\$1,060,626	\$917,500	-13.5%
Littleton	3,018	11	25	36	44.0%	\$337,000	\$389,250	15.5%
Lowell	39,381	29	194	233	20.1%	\$186,000	\$189,000	1.6%
Lynn	34,569	9	214	224	4.7%	\$187,500	\$195,500	4.3%
Lynnfield	4,249	7	31	61	96.8%	\$452,000	\$525,000	16.2%
Malden	23,561	5	75	92	22.7%	\$249,000	\$271,000	8.8%
Manchester	2,219	3	27	28	3.7%	\$650,000	\$854,500	31.5%
Mansfield	8,083	11	44	61	38.6%	\$368,000	\$326,000	-11.4%
Marblehead	8,746	9	66	91	37.9%	\$446,750	\$485,000	8.6%
Marlborough	14,846	3	104	126	21.2%	\$257,500	\$263,000	2.1%
Marshfield	9,117	116	97	109	12.4%	\$306,000	\$366,000	19.6%
Maynard	4,398	2	47	49	4.3%	\$280,000	\$311,900	11.4%
Medfield	4,038	17	48	69	43.8%	\$505,600	\$553,400	9.5%
Medford	22,631	0	90	111	23.3%	\$325,000	\$338,500	4.2%
Medway	4,243	6	52	57	9.6%	\$313,000	\$334,500	6.9%
Melrose	11,200	6	66	118	78.8%	\$389,375	\$398,250	2.3%
Mendon	1,870	6	12	22	83.3%	\$332,000	\$291,000	-12.3%
Merrimac	2,281	13	22	18	-18.2%	\$280,375	\$280,000	-0.1%
Methuen	16,848	46	129	167	29.5%	\$235,000	\$252,000	7.2%
Middleborough	7,195	47	58	75	29.3%	\$254,500	\$225,000	-11.6%
Middleton	2,337	34	21	24	14.3%	\$540,000	\$409,200	-24.2%
Milford	10,682	37	70	89	27.1%	\$272,750	\$280,000	2.7%
Millis	3,060	2	20	24	20.0%	\$325,000	\$308,000	-5.2%
Millville	956	2	8	11	37.5%	\$186,000	\$240,000	29.0%
Milton	9,142	33	99	124	25.3%	\$435,000	\$424,500	-2.4%
Nahant	1,676	3	11	8	-27.3%	\$416,000	\$381,750	-8.2%
Natick	13,337	24	100	155	55.0%	\$432,500	\$397,500	-8.1%
Needham	10,793	51	142	200	40.8%	\$617,500	\$630,000	2.0%
Newbury	2,614	4	20	31	55.0%	\$333,750	\$380,000	13.9%
Newburyport	7,717	7	46	84	82.6%	\$395,000	\$400,375	1.4%
Newton	31,857	56	206	279	35.4%	\$722,500	\$715,000	-1.0%
Norfolk	2,851	21	34	49	44.1%	\$425,000	\$389,500	-8.4%

Appendix A **Municipal Scorecard**, continued

Municipality	Foreclosure Activity				Affordability and At-Risk Units		
	Petitions to Foreclose, 2009	Foreclosure Auctions, 2009	Foreclosure Deeds, 2009	Foreclosure Deeds (2009) as a Percentage of Total Units (2000)	Adoption of Community Preservation Act	Year of Adoption of Community Preservation Act	Expiring Use Units at Risk - 2012
Lawrence	496	413	200	0.78%			362
Lexington	32	21	4	0.04%	Y	2007	72
Lincoln	5	3	0	0.00%	Y	2003	125
Littleton	15	11	6	0.20%	Y	2008	0
Lowell	590	445	228	0.58%			669
Lynn	704	557	297	0.86%			541
Lynnfield	25	1	5	0.12%			0
Malden	292	2	110	0.47%			129
Manchester	7	0	2	0.09%	Y	2006	0
Mansfield	55	33	13	0.16%			0
Marblehead	40	31	6	0.07%			0
Marlborough	240	216	116	0.78%			0
Marshfield	118	96	33	0.36%	Y	2002	0
Maynard	23	12	6	0.14%	Y	2007	56
Medfield	18	8	2	0.05%			0
Medford	162	47	44	0.19%			93
Medway	42	14	7	0.16%	Y	2002	0
Melrose	54	46	13	0.12%			0
Mendon	19	12	5	0.27%	Y	2004	0
Merrimac	24	19	5	0.22%			24
Methuen	285	168	57	0.34%			0
Middleborough	116	1	36	0.50%			16
Middleton	24	16	6	0.26%	Y	2005	48
Milford	132	113	63	0.59%			61
Millis	28	15	5	0.16%	Y	2008	0
Millville	23	22	14	1.46%			0
Milton	77	1	13	0.14%			139
Nahant	9	9	4	0.24%	Y	2005	0
Natick	75	51	13	0.10%			0
Needham	30	17	3	0.03%	Y	2006	20
Newbury	23	11	5	0.19%			0
Newburyport	35	25	6	0.08%	Y	2004	101
Newton	74	62	19	0.06%	Y	2002	94
Norfolk	27	1	4	0.14%	Y	2002	0

Appendix A **Municipal Scorecard**, continued

Municipality	Production and Sales							
	Total Housing Units (2000 Census)	Units Permitted in 2009	Number of Single Family Home Sales Through June 2009	Number of Single Family Home Sales Through June 2010	Percent Change in Number of Single Family Sales, June 2009–June 2010	Median Single Family Home Selling Price Through June 2009	Median Single Family Home Selling Price Through June 2010	Percent Change in Median Single Family Sales Price, June 2009–June 2010
North Andover	9,896	41	88	106	20.5%	\$420,000	\$474,450	13.0%
North Reading	4,839	19	44	51	15.9%	\$372,549	\$430,000	15.4%
Norton	5,942	24	50	70	40.0%	\$276,500	\$259,000	-6.3%
Norwell	3,299	16	49	63	28.6%	\$555,000	\$482,500	-13.1%
Norwood	11,911	6	58	87	50.0%	\$329,250	\$355,000	7.8%
Peabody	18,838	9	122	130	6.6%	\$277,500	\$298,950	7.7%
Pembroke	5,834	61	57	80	40.4%	\$295,000	\$284,500	-3.6%
Pepperell	3,905	22	28	41	46.4%	\$268,500	\$285,000	6.1%
Plainville	3,088	21	19	31	63.2%	\$304,000	\$262,000	-13.8%
Plymouth	19,008	32	224	251	12.1%	\$271,000	\$272,500	0.6%
Plympton	865	125	8	4	-50.0%	\$222,500	\$272,500	22.5%
Quincy	39,912	9	176	200	13.6%	\$309,950	\$320,000	3.2%
Randolph	11,497	63	119	108	-9.2%	\$210,000	\$246,500	17.4%
Raynham	4,197	457	40	48	20.0%	\$298,750	\$263,950	-11.6%
Reading	8,811	9	85	95	11.8%	\$400,000	\$421,216	5.3%
Revere	20,102	10	69	95	37.7%	\$210,000	\$235,000	11.9%
Rockland	6,632	1	42	56	33.3%	\$265,000	\$256,250	-3.3%
Rockport	3,652	28	21	33	57.1%	\$383,000	\$425,000	11.0%
Rowley	1,985	10	11	16	45.5%	\$460,000	\$333,000	-27.6%
Salem	18,103	9	75	61	-18.7%	\$275,000	\$270,000	-1.8%
Salisbury	3,456	6	20	27	35.0%	\$272,950	\$250,000	-8.4%
Saugus	10,111	8	76	98	28.9%	\$257,200	\$298,950	16.2%
Scituate	6,869	60	89	101	13.5%	\$420,000	\$407,500	-3.0%
Sharon	6,006	21	71	88	23.9%	\$350,000	\$384,950	10.0%
Sherborn	1,449	12	14	30	114.3%	\$696,075	\$720,000	3.4%
Shirley	2,140	0	14	19	35.7%	\$254,000	\$265,000	4.3%
Somerville	32,389	16	27	42	55.6%	\$386,500	\$384,000	-0.6%
Southborough	2,988	2	28	52	85.7%	\$339,950	\$544,950	60.3%
Stoneham	9,231	6	62	62	0.0%	\$348,000	\$416,500	19.7%
Stoughton	10,429	2	83	89	7.2%	\$262,130	\$300,000	14.4%
Stow	2,108	171	19	30	57.9%	\$380,000	\$429,950	13.1%
Sudbury	5,582	47	66	84	27.3%	\$587,000	\$600,500	2.3%
Swampscott	5,804	1	27	62	129.6%	\$345,000	\$401,500	16.4%
Taunton	22,874	60	127	156	22.8%	\$215,000	\$228,000	6.0%

Appendix A **Municipal Scorecard**, continued

Municipality	Foreclosure Activity				Affordability and At-Risk Units		
	Petitions to Foreclose, 2009	Foreclosure Auctions, 2009	Foreclosure Deeds, 2009	Foreclosure Deeds (2009) as a Percentage of Total Units (2000)	Adoption of Community Preservation Act	Year of Adoption of Community Preservation Act	Expiring Use Units at Risk - 2012
North Andover	75	51	22	0.22%	Y	2002	0
North Reading	33	1	8	0.17%			0
Norton	82	59	26	0.44%			24
Norwell	30	12	5	0.15%	Y	2003	0
Norwood	69	25	18	0.15%			35
Peabody	176	114	52	0.28%	Y	2002	411
Pembroke	84	45	11	0.19%	Y	2008	0
Pepperell	40	25	11	0.28%			40
Plainville	22	17	8	0.26%			0
Plymouth	364	249	112	0.59%	Y	2003	58
Plympton	21	11	1	0.12%	Y	2009	0
Quincy	252	167	63	0.16%	Y	2007	467
Randolph	264	12	85	0.74%	Y	2006	69
Raynham	47	42	20	0.48%			0
Reading	51	3	10	0.11%			113
Revere	379	63	118	0.59%			0
Rockland	100	1	25	0.38%			0
Rockport	26	16	2	0.05%	Y	2003	30
Rowley	12	12	7	0.35%	Y	2002	0
Salem	152	119	58	0.32%			322
Salisbury	40	26	22	0.64%			0
Saugus	128	97	38	0.38%			266
Scituate	54	35	10	0.15%	Y	2003	0
Sharon	36	20	10	0.17%	Y	2006	0
Sherborn	2	1	0	0.00%			0
Shirley	23	15	5	0.23%			0
Somerville	135	97	35	0.11%			23
Southborough	20	11	5	0.17%	Y	2004	0
Stoneham	54	3	12	0.13%			194
Stoughton	134	100	42	0.40%	Y	2009	130
Stow	11	12	8	0.38%	Y	2002	22
Sudbury	34	19	3	0.05%	Y	2003	0
Swampscott	58	39	14	0.24%			0
Taunton	307	245	126	0.55%			319

Appendix A **Municipal Scorecard**, continued

Municipality	Production and Sales							
	Total Housing Units (2000 Census)	Units Permitted in 2009	Number of Single Family Home Sales Through June 2009	Number of Single Family Home Sales Through June 2010	Percent Change in Number of Single Family Sales, June 2009–June 2010	Median Single Family Home Selling Price Through June 2009	Median Single Family Home Selling Price Through June 2010	Percent Change in Median Single Family Sales Price, June 2009–June 2010
Tewksbury	10,125	124	79	103	30.4%	\$299,900	\$306,600	2.2%
Topsfield	2,126	6	22	36	63.6%	\$437,730	\$433,000	-1.1%
Townsend	3,162	43	35	38	8.6%	\$238,000	\$228,750	-3.9%
Tyngsborough	3,784	115	26	35	34.6%	\$342,500	\$364,900	6.5%
Upton	2,083	19	13	37	184.6%	\$349,000	\$375,000	7.4%
Wakefield	9,914	35	79	93	17.7%	\$370,000	\$362,000	-2.2%
Walpole	8,202	48	71	109	53.5%	\$334,000	\$358,500	7.3%
Waltham	23,749	31	95	143	50.5%	\$380,000	\$392,500	3.3%
Wareham	8,650	20	105	124	18.1%	\$207,450	\$175,500	-15.4%
Watertown	14,959	40	43	36	-16.3%	\$405,000	\$441,250	9.0%
Wayland	4,703	9	49	70	42.9%	\$476,000	\$547,500	15.0%
Wellesley	8,789	36	95	187	96.8%	\$1,060,000	\$857,500	-19.1%
Wenham	1,310	0	7	19	171.4%	\$470,000	\$431,000	-8.3%
West Bridgewater	2,507	6	18	25	38.9%	\$245,000	\$244,000	-0.4%
West Newbury	1,414	12	16	26	62.5%	\$443,000	\$338,750	-23.5%
Westford	6,877	55	68	93	36.8%	\$427,500	\$430,000	0.6%
Weston	3,796	35	42	65	54.8%	\$1,025,000	\$1,093,000	6.6%
Westwood	5,218	11	58	71	22.4%	\$536,500	\$535,000	-0.3%
Weymouth	22,471	32	163	206	26.4%	\$285,000	\$300,000	5.3%
Whitman	5,100	23	38	48	26.3%	\$286,750	\$249,000	-13.2%
Wilmington	7,141	20	70	98	40.0%	\$345,000	\$325,500	-5.7%
Winchester	7,860	15	79	108	36.7%	\$658,000	\$717,500	9.0%
Winthrop	8,009	0	32	34	6.3%	\$283,750	\$326,500	15.1%
Woburn	15,312	23	91	111	22.0%	\$321,500	\$315,000	-2.0%
Wrentham	3,477	19	35	46	31.4%	\$410,000	\$354,000	-13.7%

Appendix A Municipal Scorecard, continued

Municipality	Foreclosure Activity				Affordability and At-Risk Units		
	Petitions to Foreclose, 2009	Foreclosure Auctions, 2009	Foreclosure Deeds, 2009	Foreclosure Deeds (2009) as a Percentage of Total Units (2000)	Adoption of Community Preservation Act	Year of Adoption of Community Preservation Act	Expiring Use Units at Risk - 2012
Tewksbury	102	50	26	0.26%	Y	2007	0
Topsfield	13	11	4	0.19%			0
Townsend	46	26	14	0.44%			0
Tyngsborough	47	30	7	0.18%	Y	2002	0
Upton	24	1	8	0.38%	Y	2004	89
Wakefield	57	0	12	0.12%			25
Walpole	61	2	13	0.16%			0
Waltham	92	76	21	0.09%	Y	2006	0
Wareham	204	123	59	0.68%	Y	2003	24
Watertown	55	32	8	0.05%			171
Wayland	18	15	7	0.15%	Y	2002	0
Wellesley	25	14	6	0.07%	Y	2003	13
Wenham	10	7	2	0.15%	Y	2006	0
West Bridgewater	28	17	7	0.28%	Y	2009	0
West Newbury	10	13	2	0.14%	Y	2007	0
Westford	36	18	5	0.07%	Y	2002	0
Weston	19	10	6	0.16%	Y	2002	0
Westwood	19	8	3	0.06%			32
Weymouth	200	101	39	0.17%	Y	2006	188
Whitman	61	1	15	0.29%			0
Wilmington	73	3	15	0.21%			0
Winchester	26	22	5	0.06%			18
Winthrop	85	0	30	0.37%			0
Woburn	112	65	16	0.10%			0
Wrentham	40	24	4	0.12%			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 numbers apply only to single-family homes, units in 2-3 unit structures, and condominiums.

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

Data on Expiring Use Units at Risk come from the Community Economic Development Assistance Corporation (CEDAC), Expiring Use Database, available from the Citizens' Housing and Planning Association (<http://www.chapa.org/pdf/ExpUseJuly09.pdf>).

Appendix B

Proportion of Boston-based Four-Year Private University and College Full-Time UNDERGRADUATE Students Living Off-Campus

Art Institute of Boston at Lesley University	100.0%
Boston Architectural College	100.0%
Laboure College	100.0%
MGH Institute of Health Professions	100.0%
New England College of Business and Finance	100.0%
Urban College of Boston	100.0%
School of the Museum of Fine Arts, Boston	89.9%
Berklee College of Music	80.1%
Bay State College	75.8%
Suffolk University	75.0%
Massachusetts College of Pharmacy and Health Sciences	74.6%
Fisher College	69.7%
New England Conservatory of Music	65.0%
The Boston Conservatory	64.6%
Northeastern University	50.1%
Wentworth Institute of Technology	49.5%
Emerson College	46.3%
Simmons College	44.9%
Boston University	34.7%
Wheelock College	33.8%
Emmanuel College	30.5%
Saint John's Seminary	23.5%
Boston College	20.7%
Boston Baptist College	16.5%
Massachusetts Institute of Technology (Boston-only)	4.4%
Total (Undergraduates)	47.4%

Source: City of Boston, University Accountability Reports, 2009

Appendix C

Proportion of Boston-based Private University and College Full-Time GRADUATE Students Living Off Campus

Art Institute of Boston at Lesley University	100.0%
Boston Architectural College	100.0%
MGH Institute of Health Professions	100.0%
New England College of Business and Finance	100.0%
New England Law Boston	100.0%
School of the Museum of Fine Arts, Boston	100.0%
Suffolk University	100.0%
The New England College of Optometry	100.0%
Massachusetts College of Pharmacy and Health Sciences	99.6%
Emerson College	99.4%
Northeastern University	98.6%
Boston College	98.1%
Simmons College	96.3%
Tufts University, School of Medicine	94.6%
New England Conservatory of Music	93.5%
Tufts University School of Dental Medicine	93.3%
Massachusetts Institute of Technology (Boston-only)	93.3%
The Boston Conservatory	91.6%
Boston University	88.6%
Wheelock College	88.2%
Wentworth Institute of Technology	77.4%
Harvard University - Boston-Based Schools	50.8%
Massachusetts School Of Professional Psychology	50.0%
Saint John's Seminary	27.3%
Total (Graduate)	88.5%

Source: City of Boston, University Accountability Reports, 2009

Appendix D

Proportion of Boston-based Four-Year Private University and College Full-Time UNDERGRADUATE and GRADUATE Students Living Off Campus

Art Institute of Boston at Lesley University	100.0%
Boston Architectural College	100.0%
Laboure College	100.0%
MGH Institute of Health Professions	100.0%
New England College of Business and Finance	100.0%
New England Law Boston	100.0%
The New England College of Optometry	100.0%
Urban College of Boston	100.0%
Tufts University, School of Medicine	94.6%
Tufts University School of Dental Medicine	93.3%
School of the Museum of Fine Arts, Boston	91.5%
Suffolk University	81.1%
Berklee College of Music	80.1%
Massachusetts College of Pharmacy and Health Sciences	79.2%
New England Conservatory of Music	78.8%
Bay State College	75.8%
The Boston Conservatory	71.9%
Fisher College	69.7%
Northeastern University	62.7%
Simmons College	60.9%
Emerson College	55.5%
Boston University	53.4%
Harvard University - Boston-Based Schools	50.8%
Wentworth Institute of Technology	50.2%
Massachusetts School Of Professional Psychology	50.0%
Massachusetts Institute of Technology (Boston-based)	43.6%
Wheelock College	42.3%
Boston College	38.0%
Emmanuel College	30.5%
Saint John's Seminary	25.8%
Boston Baptist College	16.5%
Total (Undergraduate + Graduate)	59.9%

Source: City of Boston, University Accountability Reports, 2009

