

# A New *“New Paradigm”* for Housing in New England

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## CT's Formula for TOD Success: Municipal-State Cooperation

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December 12, 2012

The Lyceum - Hartford

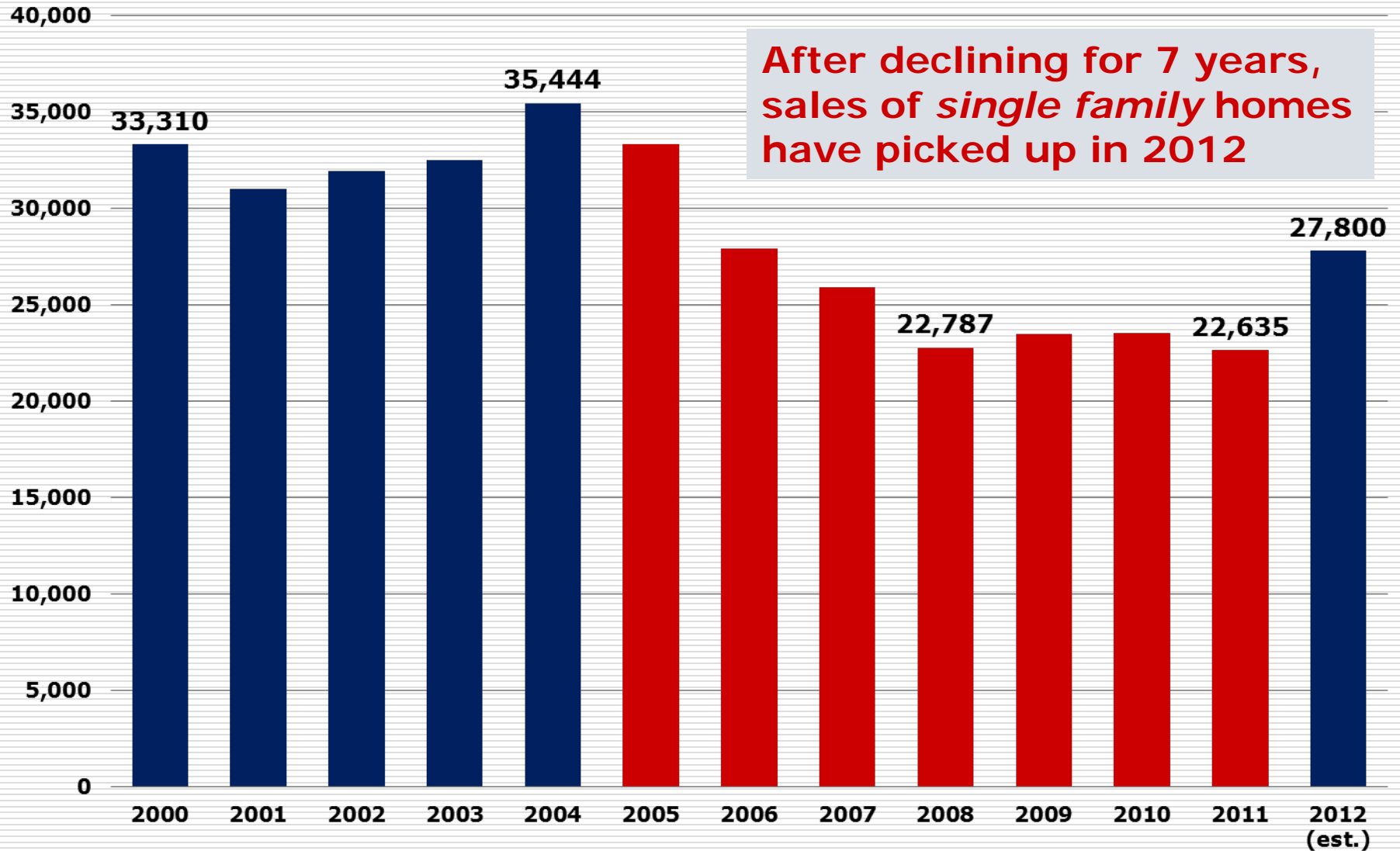


**Northeastern University**  
*Kitty and Michael Dukakis Center  
for Urban and Regional Policy*

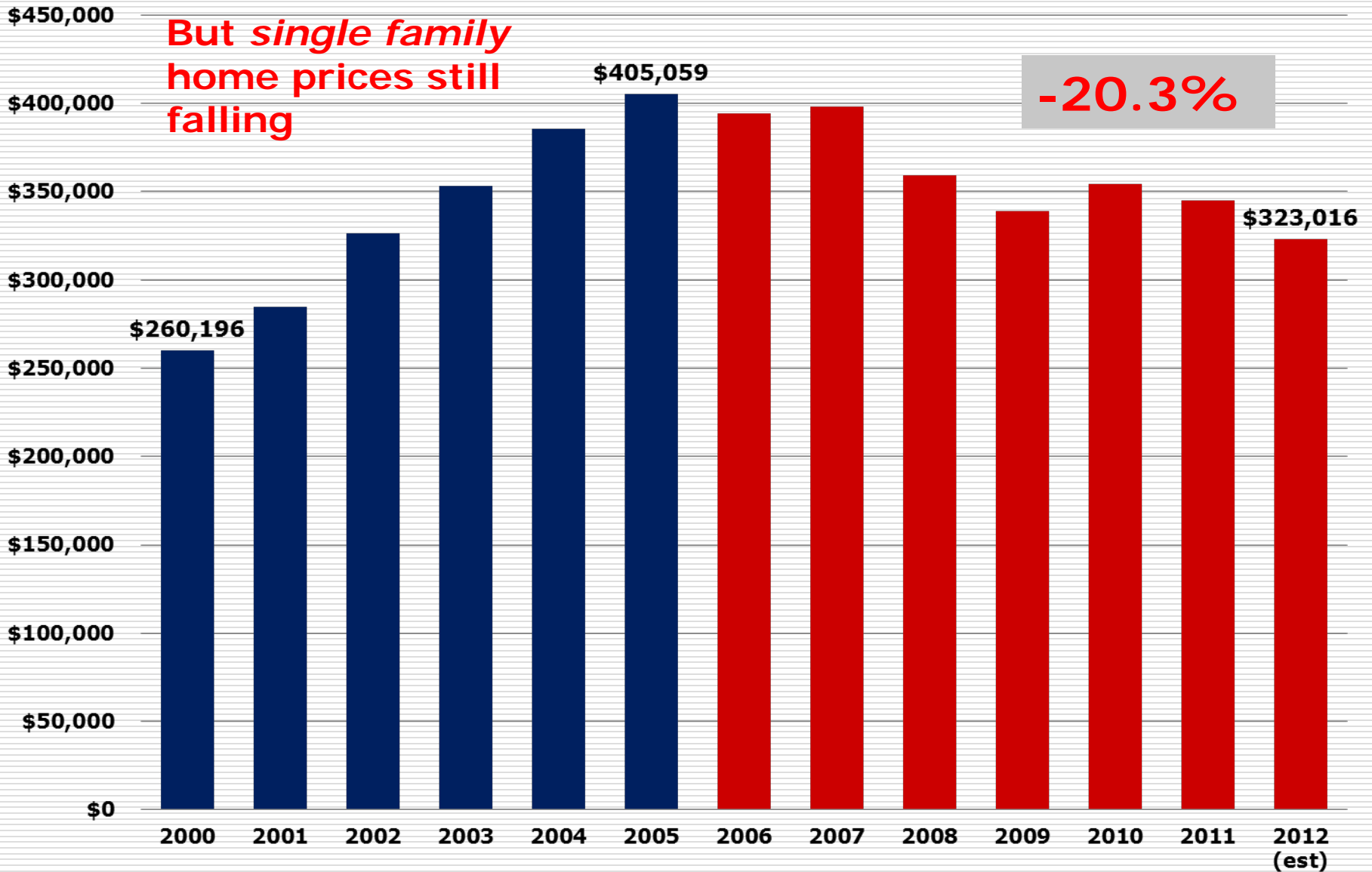
First ... a look at the Greater  
Boston housing market

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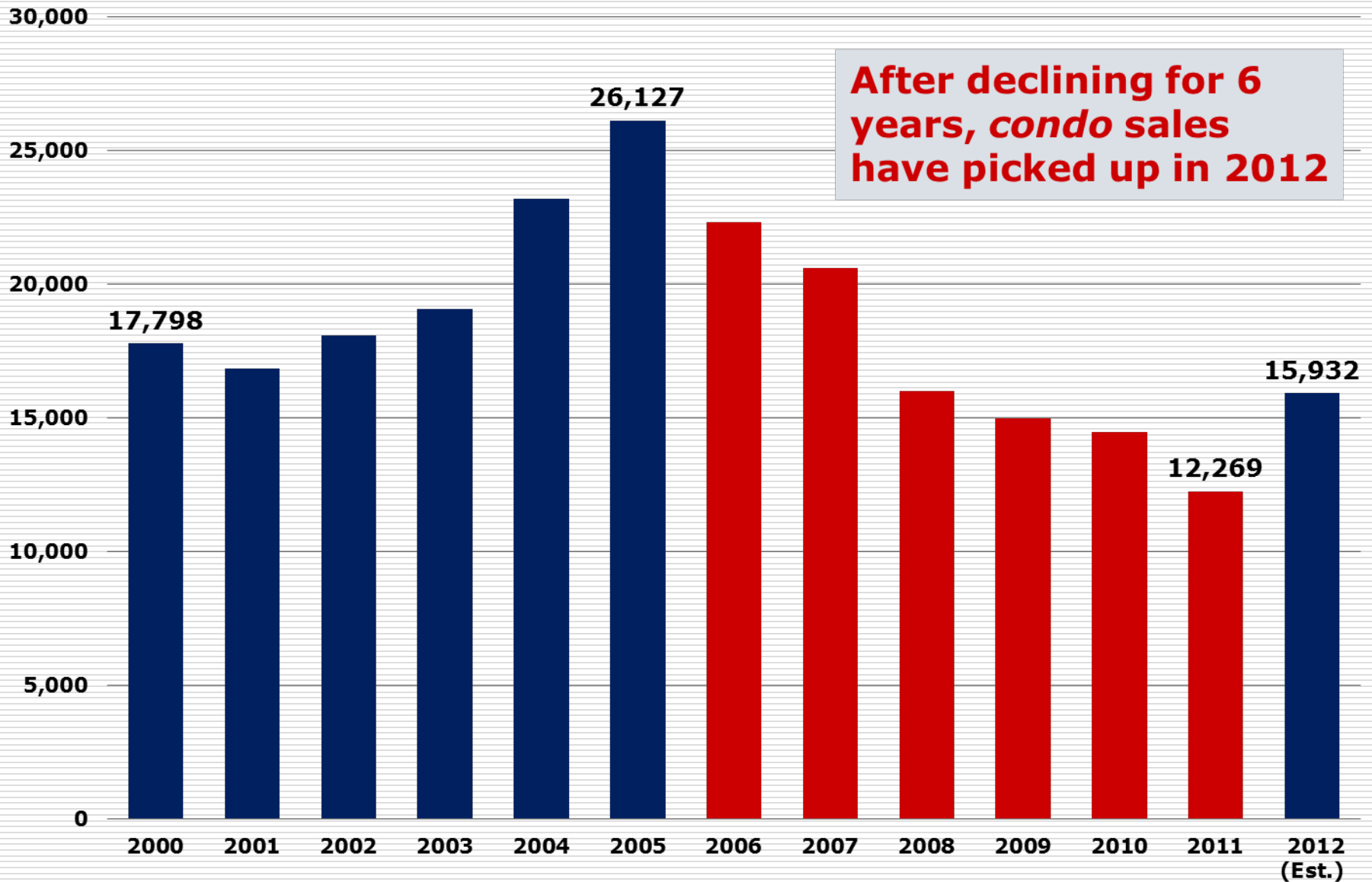
# Annual Number of Sales of Single-Family Homes in Five-County Greater Boston Region 2000-2012 (est.)



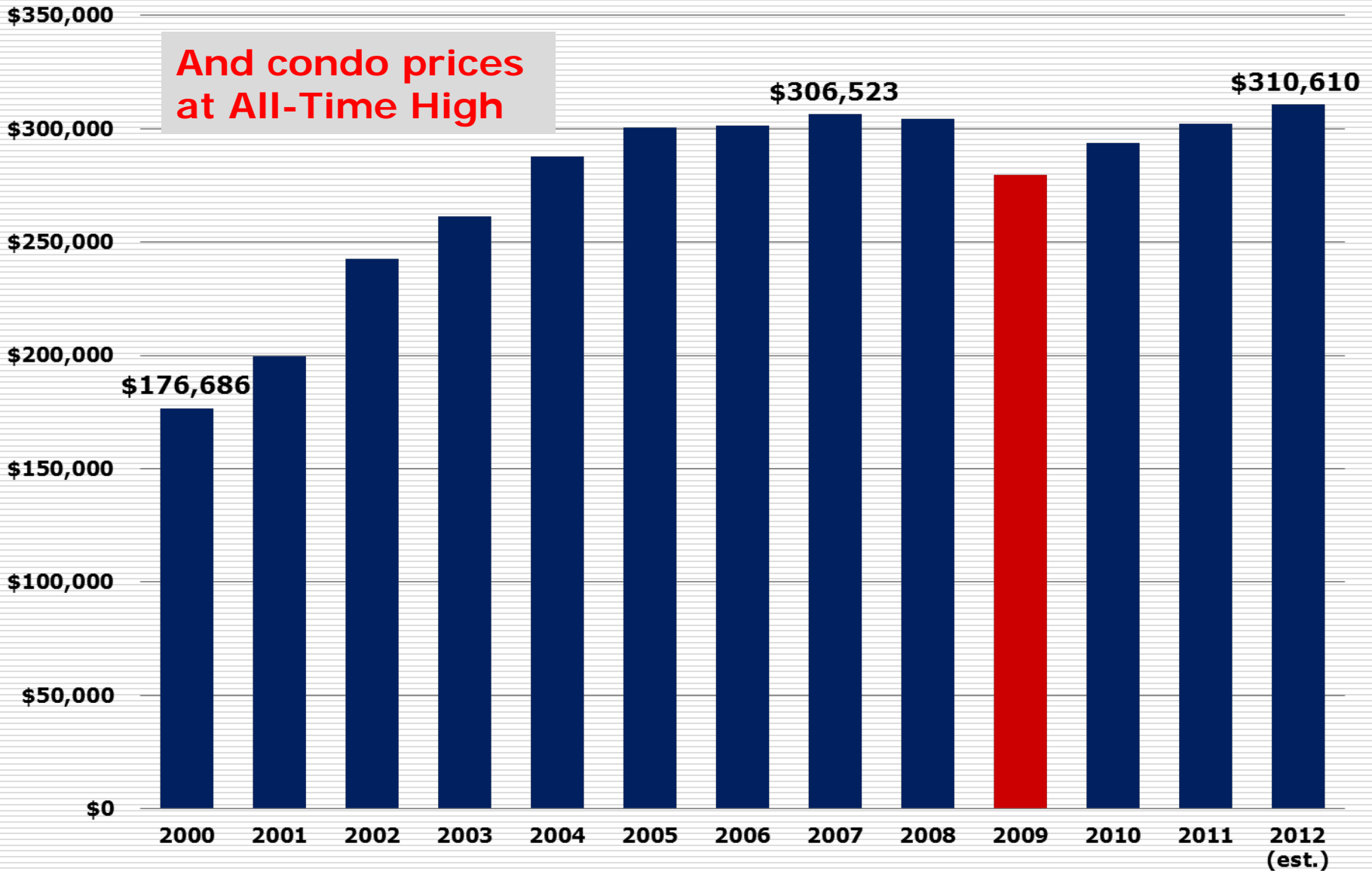
# Annual Median Price of Single-Family Homes in Five-County Greater Boston Region, 2000-2012 (est.)



# Annual Sales of Condominiums in Five-County Greater Boston Region, 2000-2012 (Est.)

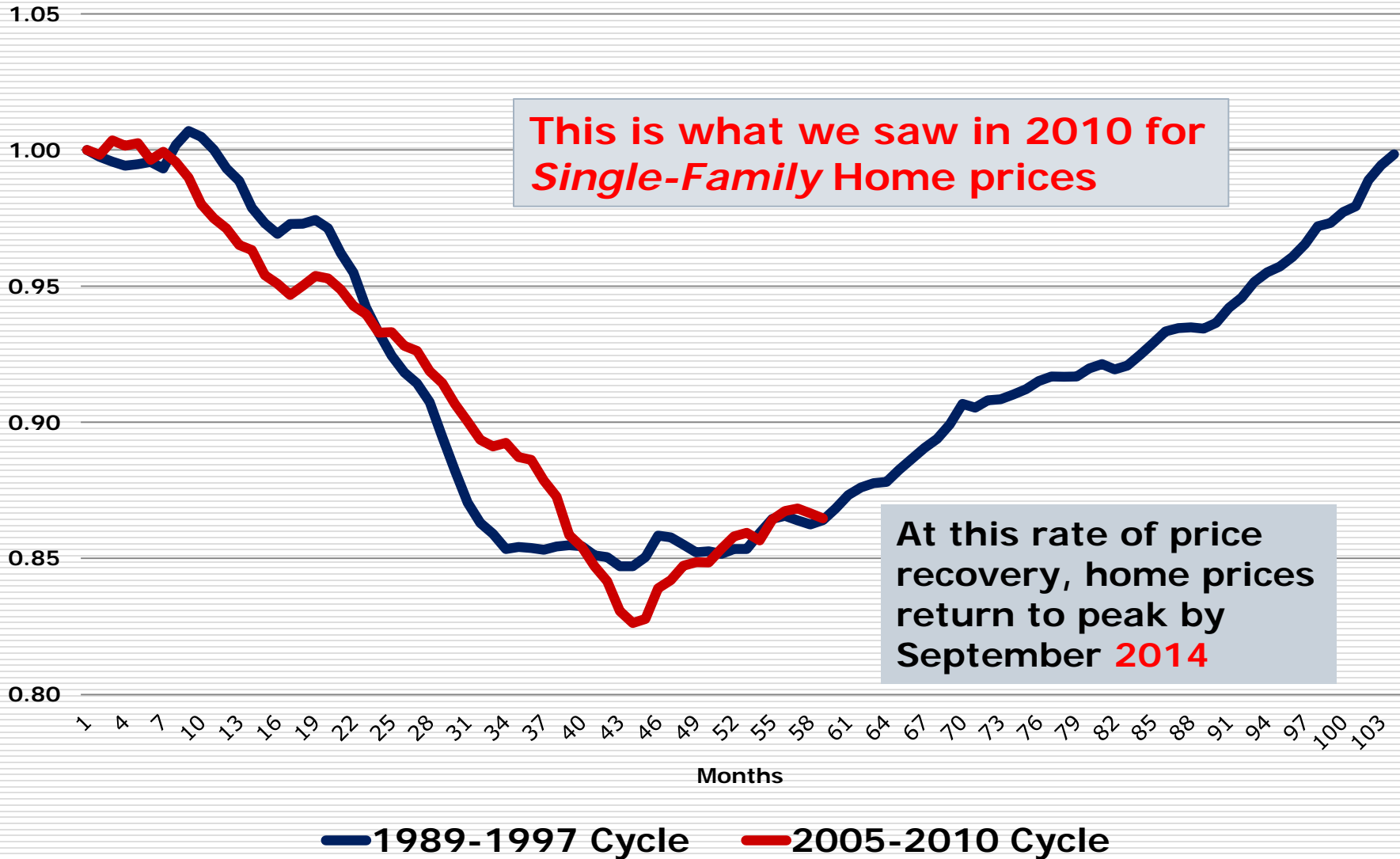


# Annual Median Price of Condominiums in Five-County Greater Boston Region, 2000-2012 (est.)

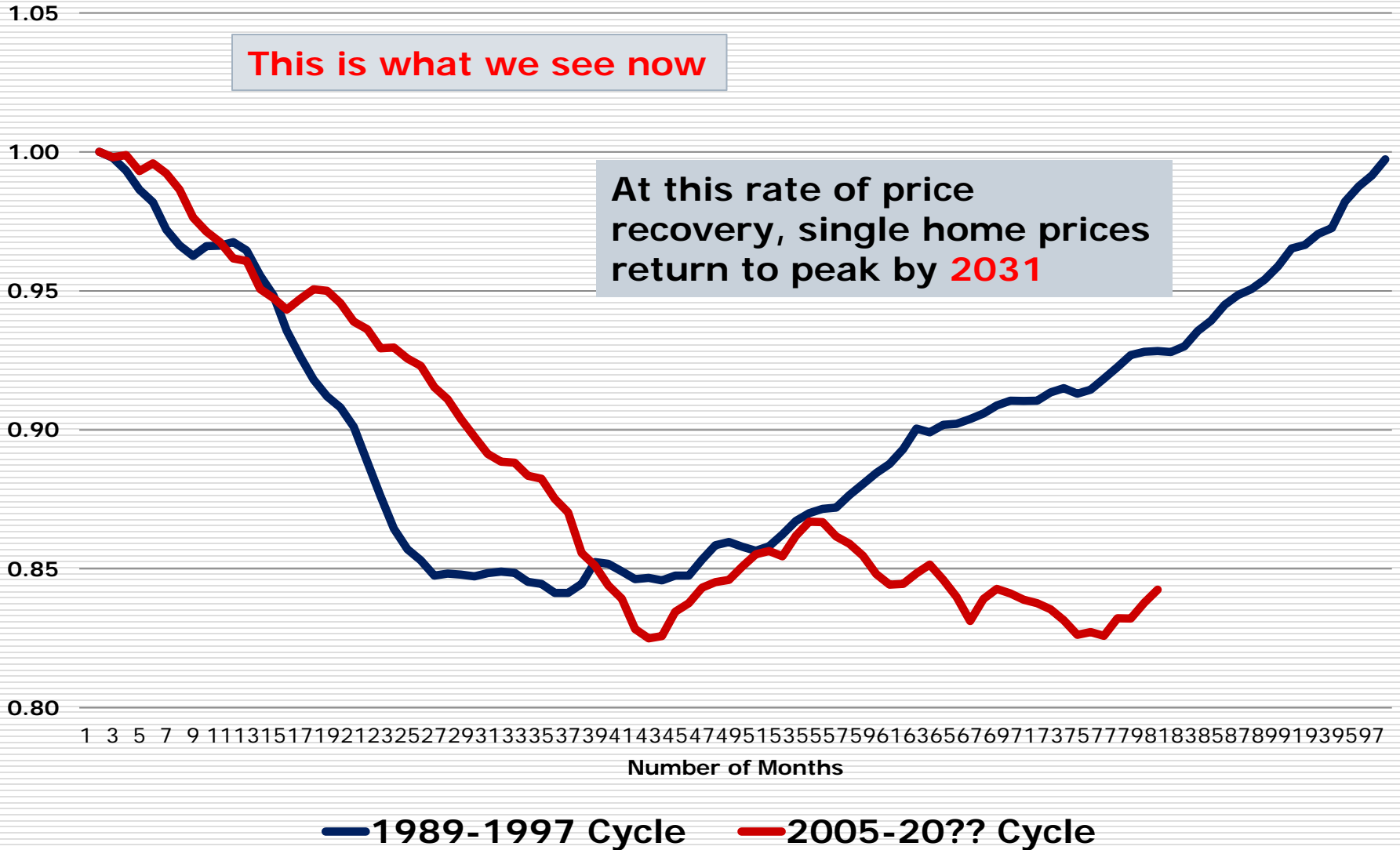


# Greater Boston Housing Cycles: Case-Shiller Single-Family Home Price Index

## 1989-1997 Cycle vs. 2005-2010 Cycle

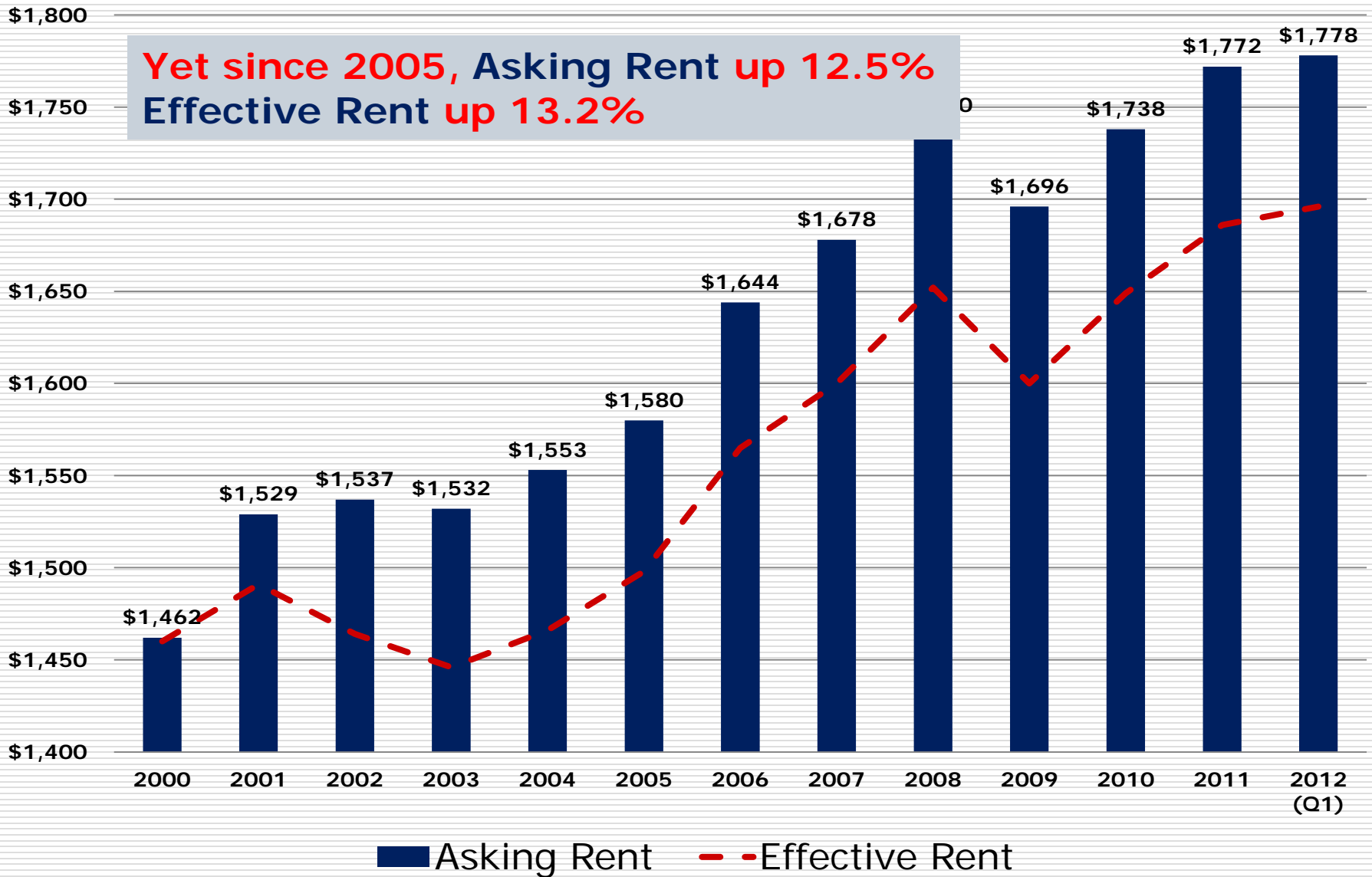


# Greater Boston Housing Cycles 1989-1997 vs. 2005-20?? Case Shiller Single-Family Home Price Index





# Average Annual Asking Rent and Effective Rent in Greater Boston, 2000 - 2012 (Q1)

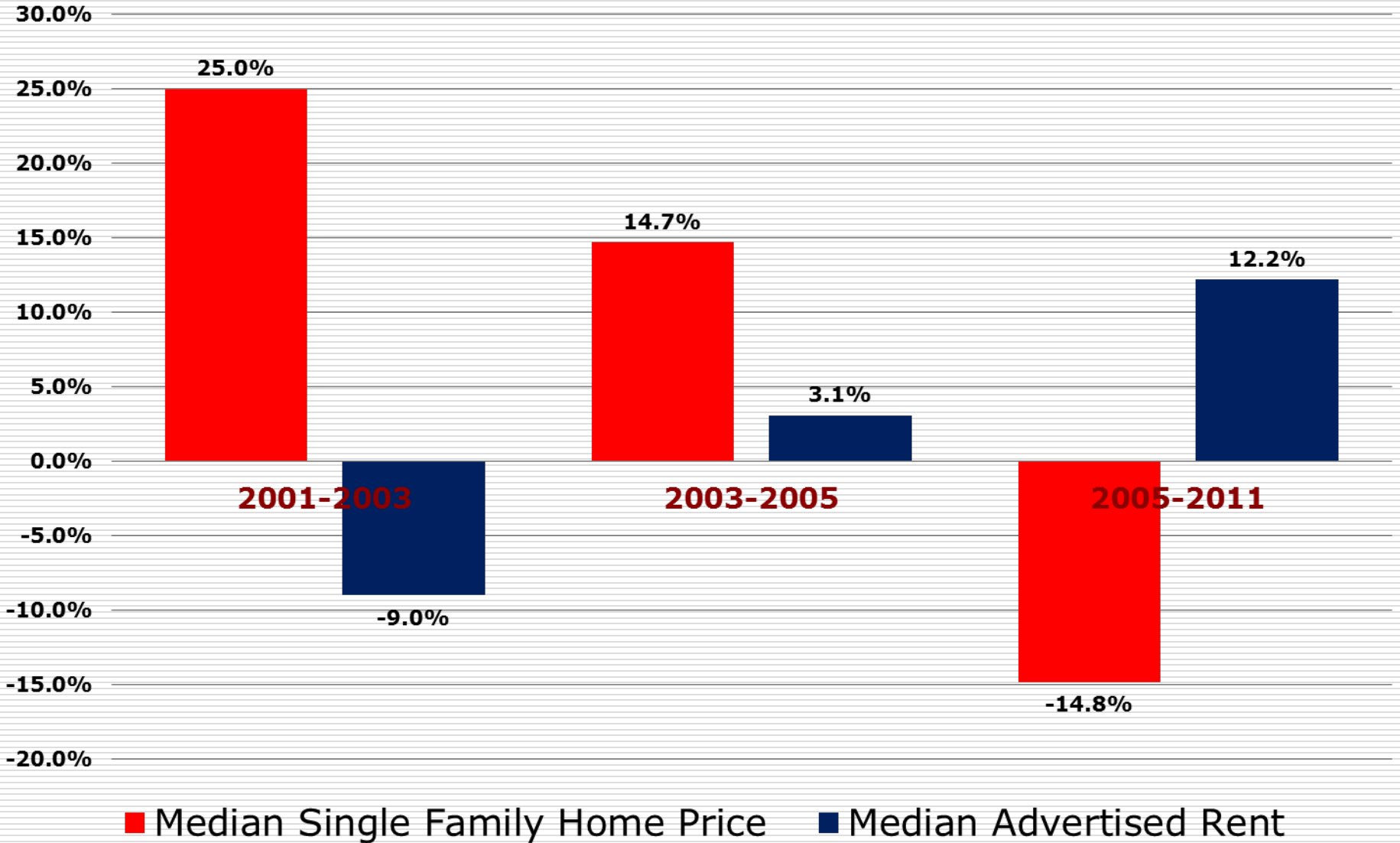


# Home Prices Rents

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- ❑ Foreclosures reduce demand for homeownership and raise demand for rentals
  - ❑ Young households postponing homeownership because they cannot get a mortgage or are anxious about buying in an unstable market
  - ❑ Increase in Graduate Student population competing for rentals
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# Percentage Change in Median Home Price vs. Median Advertised Rent Greater Boston 2001-2011



## Single-Family and Multifamily Building Permits in Greater Boston, 2000-2012 (Est.)

**Housing developers are sensing a fundamental market shift  
... and reacting to it**

Year	Total Units	Units in Single-Family Structures	Units in 2-4 Unit Structures	Units in 5+ Unit Structures
% Change, 2000-2005	<b>58.0%</b>	2.8%	50.2%	199.3%
% Change, 2005-2009	<b>-68.8%</b>	<b>-61.7%</b>	<b>-71.9%</b>	<b>-74.5%</b>
% Change, 2009-2010	<b>23.5%</b>	21.9%	22.3%	25.8%
<b>% change, 2010-2012 (est.)</b>	<b>35.0%</b>	<b>1.6%</b>	<b>-0.6%</b>	<b>85.8%</b>

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

Note: The annualized estimates of 2012 housing permits were calculated by doubling the number of permits issued through June.

# New England Demography

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# Generational Terminology

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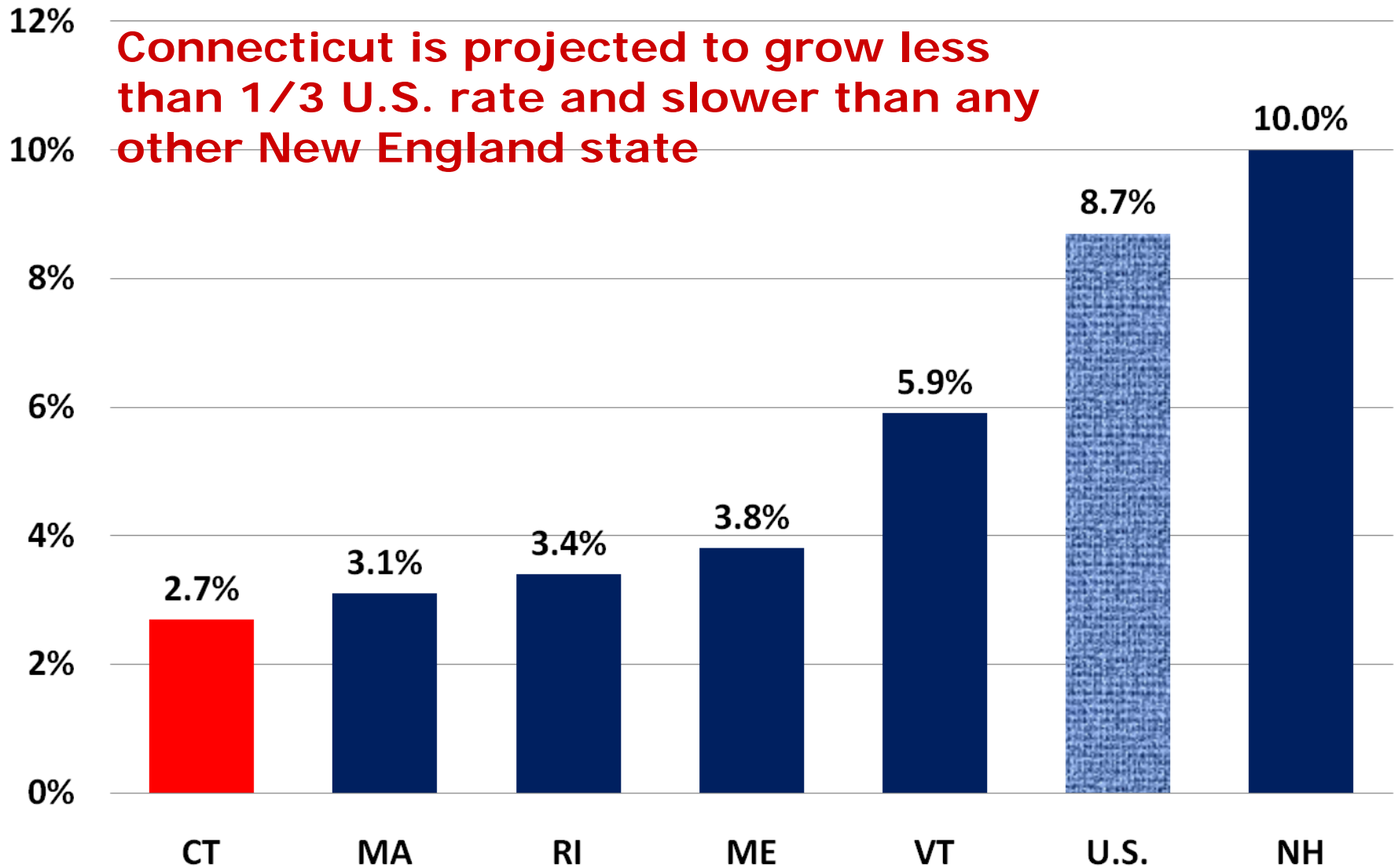
- Baby Boomers: 1946-1964
    - By 2020, Baby Boomers will be 56-74 years old
  - Generation X: 1965-1982
  - Generation Y: 1982-2000
    - Also known as “Millennials” and “Echo Boomers”
    - By 2020, the Millennials will be 20-38 years old – prime age
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# The “Golden Boomers”

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- ❑ The **Golden Boomers** are Baby Boomers who are retired or will retire from an occupation
  - ❑ The Era of the Golden Boomers began “officially” on January 1, 2011
  - ❑ For some of us in the room, welcome to the Club!
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## Projected Population Growth 2010-2020 U.S. vs. New England

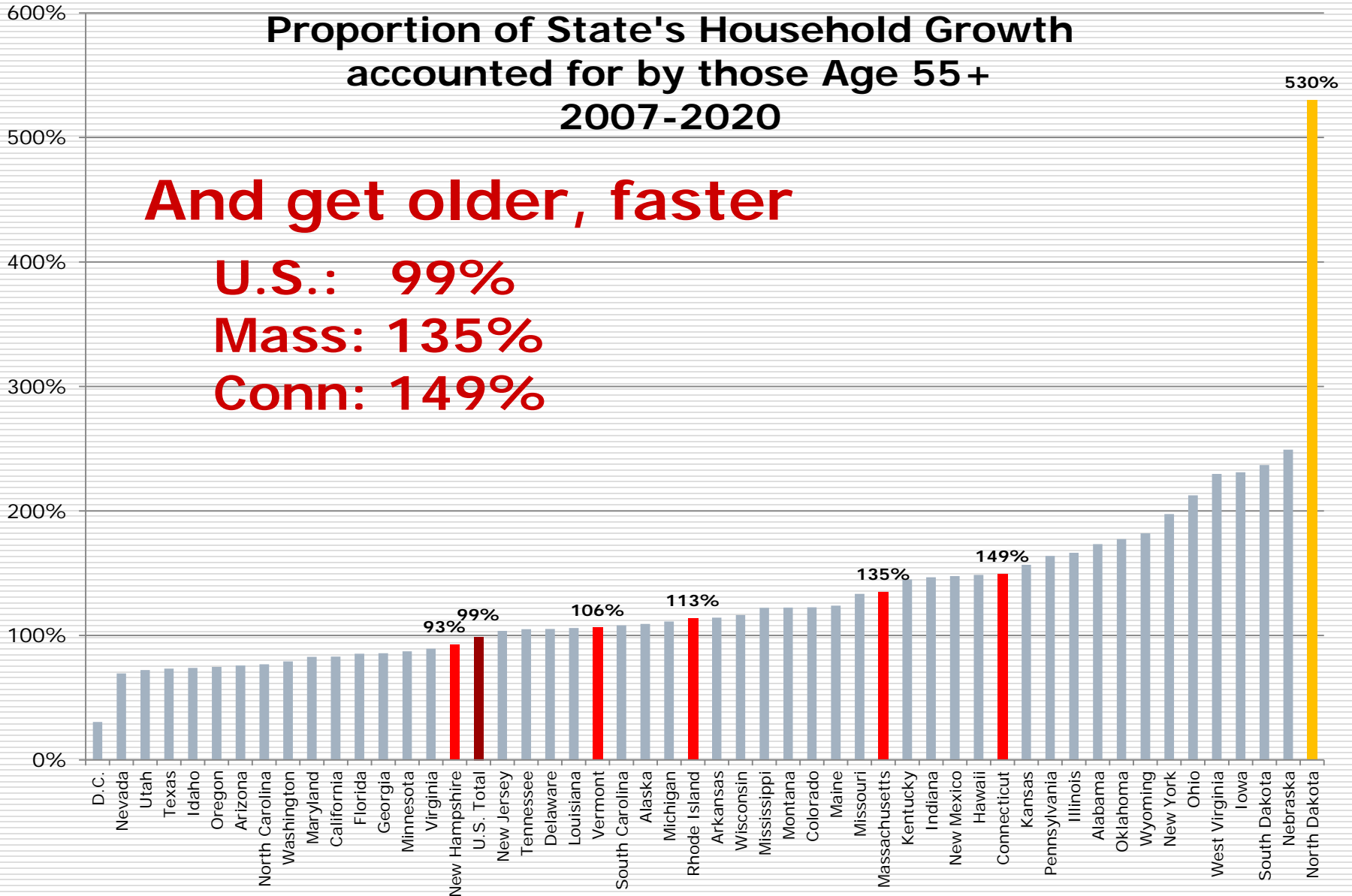




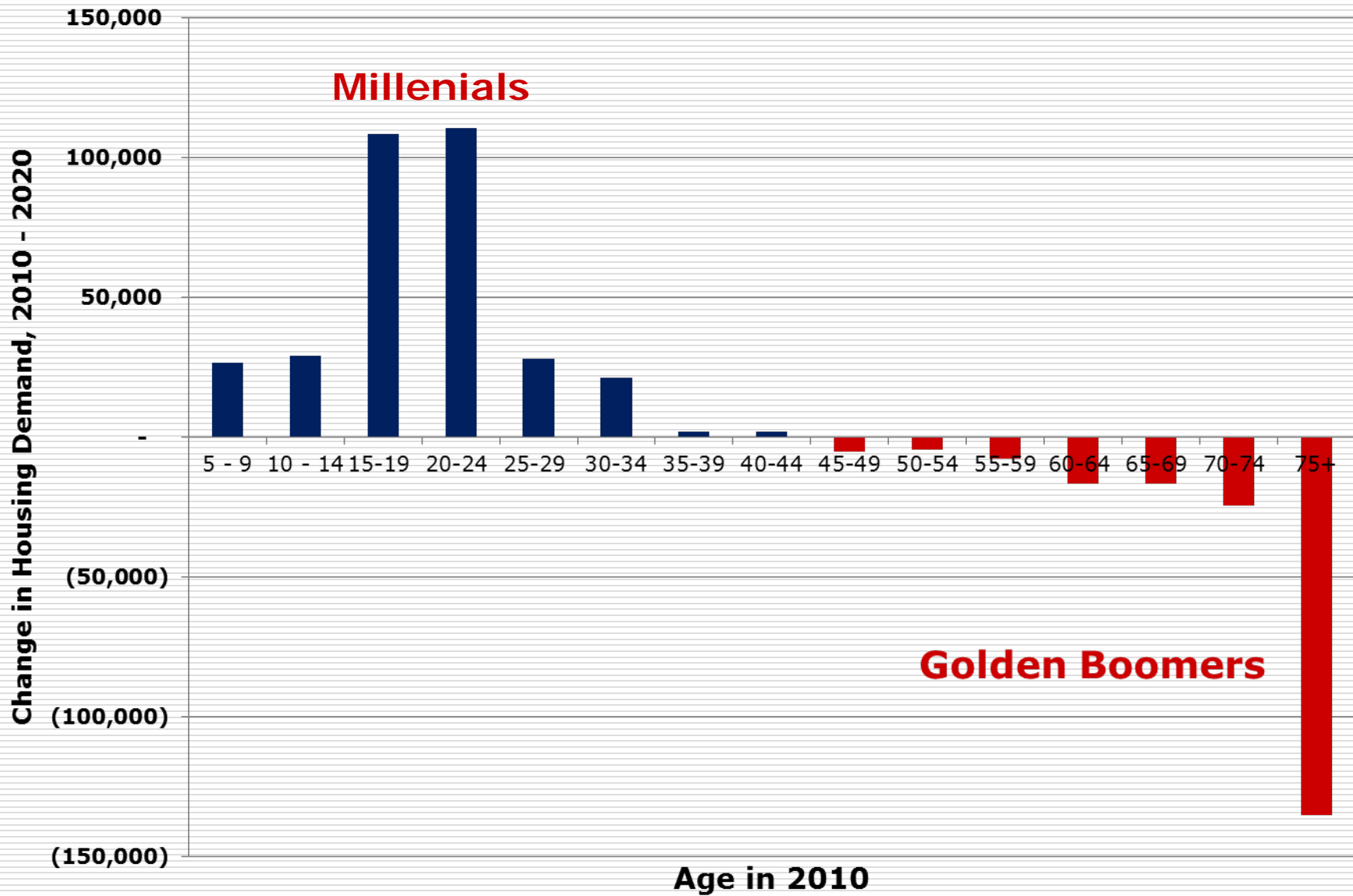
# Proportion of State's Household Growth accounted for by those Age 55+ 2007-2020

**And get older, faster**

**U.S.: 99%**  
**Mass: 135%**  
**Conn: 149%**



# Housing Unit Demand by Age Cohort, 2010 - 2020, Current Trends



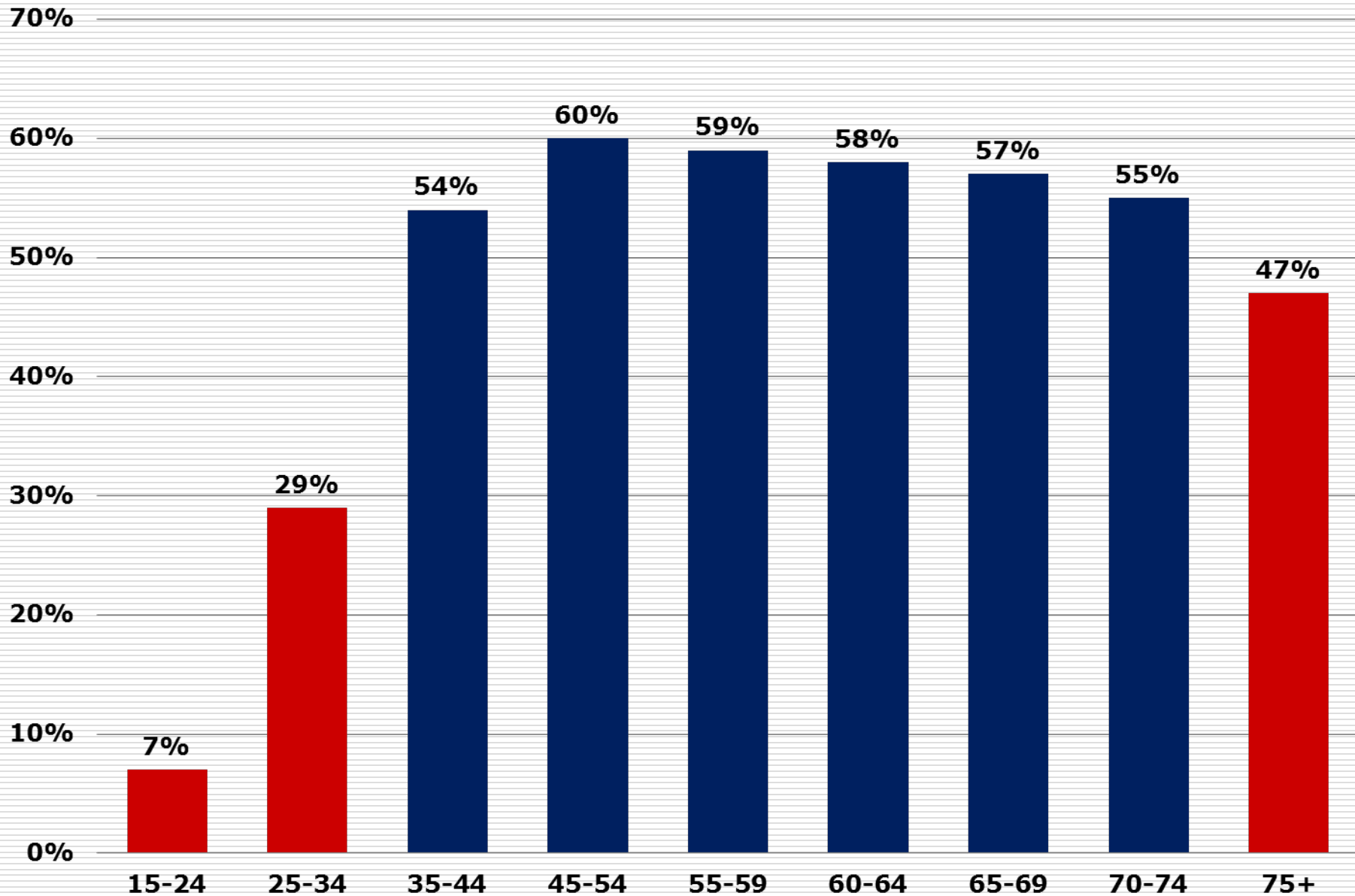
# Housing Demand Projections

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“Current Trends” Projection

“Stronger Growth” Projection

# Percent of Households Living in Single Family Housing Units by Age in Greater Boston, 2010



# Households Counts 2010 vs. 2020 – “Current Trends” Projection

Age in 2010	Number of Households in 2010	Number of Households in 2020	Change, 2010-2020
1-4	-	-	-
5-9	-	26,700	26,700
10-14	-	29,300	29,300
15-19	31,100	139,700	108,600
20-24	33,000	143,500	110,500
25-29	138,600	166,600	28,000
30-34	125,600	146,900	21,300
35-39	153,400	155,500	2,100
40-44	170,300	172,500	2,200
45-49	197,300	192,400	-4,900
50-54	186,900	182,700	-4,200
55-59	166,000	158,600	-7,400
60-64	145,600	129,200	-16,400
65-69	107,100	90,700	-16,400
70-74	77,600	53,400	-24,200
75+	185,400	50,200	-135,200
<b>Grand Total</b>	1,717,900	1,837,900	<b>120,000</b>

**Age 25-34  
in 2020**

## Change in Housing Demand by Type of Housing Structure “Current Trends” Projection

Age in 2010	Single-Family Housing Demand	Multifamily Housing Demand	Other Housing Demand	Total Demand
1-4	-	-	-	-
5-9	1,800	24,800	0	26,600
10-14	2,000	27,200	100	29,300
15-19	<b>28,300</b>	<b>80,300</b>	100	108,700
20-24	<b>28,500</b>	<b>81,500</b>	100	110,100
25-29	<b>52,700</b>	<b>-24,700</b>	200	28,200
30-34	<b>45,700</b>	<b>-24,500</b>	200	21,400
35-39	<b>14,900</b>	<b>-13,100</b>	400	2,200
40-44	<b>16,500</b>	<b>-14,600</b>	500	2,400
45-49	-5,000	0	100	-4,900
50-54	-8,200	2,900	1,100	-4,200
55-59	-11,500	2,800	1,300	-7,400
60-64	-10,700	-5,800	-100	-16,600
65-69	-13,100	-3,700	400	-16,400
70-74	-16,000	-8,400	100	-24,300
75+	-65,200	-67,300	-2,600	-135,100
<b>Grand Total</b>	<b>60,700</b>	<b>57,400</b>	1,900	120,000

## Change in Housing Demand by Tenure – “Current Trends” Projection

Age in 2010	Homeowner Households	Rental Households	Total Households
1-4	-	-	-
5-9	2,200	24,500	26,700
10-14	<b>2,400</b>	<b>26,900</b>	29,300
15-19	<b>46,300</b>	<b>62,300</b>	108,600
20-24	<b>47,500</b>	<b>63,000</b>	110,500
25-29	<b>56,400</b>	<b>-28,400</b>	28,000
30-34	<b>48,500</b>	<b>-27,300</b>	21,200
35-39	<b>14,500</b>	<b>-12,300</b>	2,200
40-44	<b>16,000</b>	<b>-13,700</b>	2,300
45-49	700	-5,600	-4,900
50-54	3,900	-8,100	-4,200
55-59	-7,700	300	-7,400
60-64	-15,300	-1,200	-16,500
65-69	-16,800	400	-16,400
70-74	-21,400	-2,900	-24,300
75+	-89,500	-45,600	-135,100
<b>Grand Total</b>	<b>87,700</b>	<b>32,300</b>	<b>120,000</b>

# Households Counts 2010 vs. 2020 – “Stronger Growth” Scenario

Age in 2010	Number of Households in 2010	Number of Households in 2020	Change 2010-2020
1-4	-	-	-
5-9	-	28,000	28,000
10-14	-	32,100	32,100
15-19	31,100	153,900	<b>122,800</b>
20-24	33,000	156,500	<b>123,500</b>
25-29	138,600	177,400	<b>38,800</b>
30-34	125,600	153,500	<b>27,900</b>
35-39	153,400	160,400	7,000
40-44	170,300	176,400	6,100
45-49	197,300	195,600	-1,700
50-54	186,900	185,500	-1,400
55-59	166,000	161,000	-5,000
60-64	145,600	130,800	-14,800
65-69	107,100	91,900	-15,200
70-74	77,600	54,200	-23,400
75+	185,400	51,700	-133,700
<b>Grand Total</b>	1,717,900	1,908,900	<b>191,000</b>



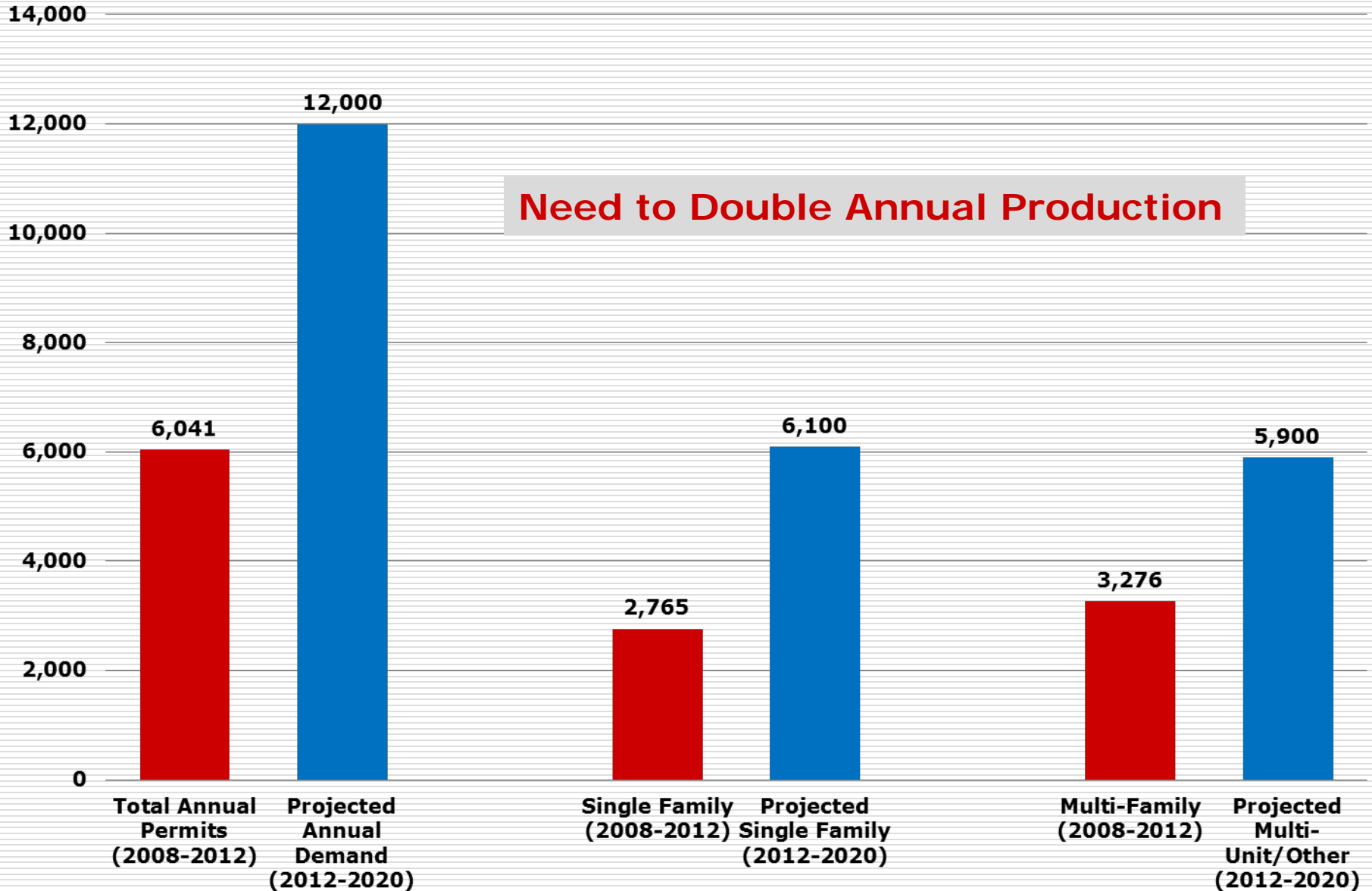
## Change in Housing Demand by Type of Housing Structure “Stronger Growth” Projection

Age in 2010	Single-Family Households	Multifamily Households	Other Households	Total Households
1-4	-	-	-	-
5-10	1,900	26,100	100	28,100
10-14	2,200	29,900	100	32,200
15-19	31,300	91,300	100	122,700
20-24	31,800	91,600	100	123,500
25-29	58,000	-19,300	200	38,900
30-34	48,900	-21,200	200	27,900
35-39	17,700	-11,100	400	7,000
40-44	18,600	-13,100	500	6,000
45-49	-3,200	1,400	100	-1,700
50-54	-6,700	4,200	1,100	-1,400
55-59	-10,300	3,900	1,300	-5,100
60-64	-9,800	-5,000	0	-14,800
65-69	-12,500	-3,100	400	-15,200
70-74	-15,600	-7,900	100	-23,400
75+	-64,600	-66,600	-2,500	-133,700
<b>Grand Total</b>	<b>87,700</b>	<b>101,100</b>	<b>2,200</b>	<b>191,000</b>

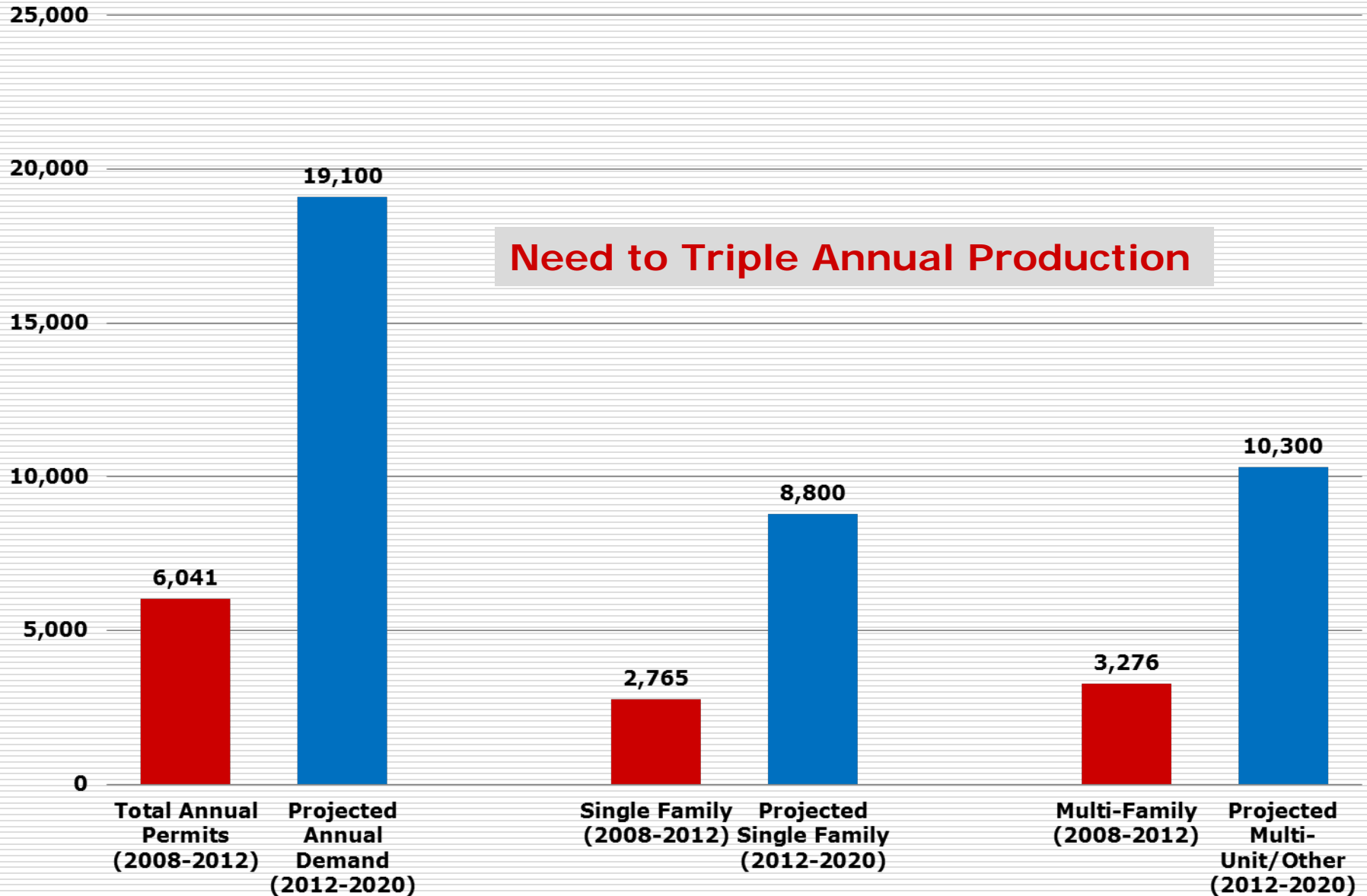
## Change in Housing Demand by Tenure – “Stronger Growth” Scenario

Age in 2010	Homeowner Households	Renter Households	Total Households
1-4	-	-	-
5-10	2,300	25,700	28,000
10-14	<b>2,700</b>	<b>29,500</b>	32,200
15-19	<b>51,300</b>	<b>71,400</b>	122,700
20-24	<b>52,100</b>	<b>71,400</b>	123,500
25-29	<b>63,200</b>	<b>-24,400</b>	38,800
30-34	<b>52,700</b>	<b>-24,600</b>	28,100
35-39	<b>17,900</b>	<b>-10,800</b>	7,100
40-44	<b>18,600</b>	<b>-12,600</b>	6,000
45-49	3,000	-4,700	-1,700
50-54	6,000	-7,400	-1,400
55-59	-6,000	1,000	-5,000
60-64	-14,100	-700	-14,800
65-69	-16,100	800	-15,300
70-74	-20,800	-2,600	-23,400
75+	-88,700	-45,100	-133,800
<b>Grand Total</b>	<b>124,100</b>	<b>66,900</b>	<b>191,000</b>

# Current Housing Production vs. "Current Trends" Scenario Demand in Greater Boston



# Current Housing Production vs. "Stronger Growth" Scenario Demand in Greater Boston



# Other Factors that Could Affect Housing Demand

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Decline in Household Income

Increase in College Debt

Increased Desire for City/Village Living

Decreased Tolerance for Commuting

## Demographic Data for Greater Boston 1990 - 2010

	1990	2000	2010	% Change, 1990-2000	% Change, 2000-2010
<b>Median Household Income (2010 \$)<sup>a</sup></b>	\$67,010	\$69,784	\$68,802	4.1%	<b>-1.4%</b>
<b>Median Homeowner Income (2010 \$)<sup>a</sup></b>	\$86,225	\$90,460	\$93,484	4.9%	<b>3.3%</b>
<b>Median Renter Income (2010 \$)<sup>a</sup></b>	<b>\$43,787</b>	<b>\$43,312</b>	<b>\$39,208</b>	-1.1%	<b>-9.5%</b>
<b>Renter-Occupied Households Paying More Than 30% of Income on Rent</b>	41.7%	<b>39.2%</b>	<b>50.1%</b>	<b>-5.9%</b>	<b>27.7%</b>
<b>Owner-Occupied Households w/ Mortgage Paying More than 30% of Income on HH Costs</b>	28.3%	<b>26.7%</b>	<b>39.5%</b>	<b>-5.7%</b>	<b>47.8%</b>
<b>Average Household Size</b>	<b>2.59</b>	<b>2.51</b>	<b>2.48</b>	-3.0%	-1.2%
<b>Average Household Size, Owner-Occupied Units</b>	2.86	2.76	2.70	-3.6%	-2.2%
<b>Average Household Size, Renter-Occupied Units</b>	2.22	2.17	2.18	-2.3%	0.7%
<b>Percent of Households with One Person</b>	<b>26.3%</b>	<b>28.2%</b>	<b>28.9%</b>	7.1%	2.5%

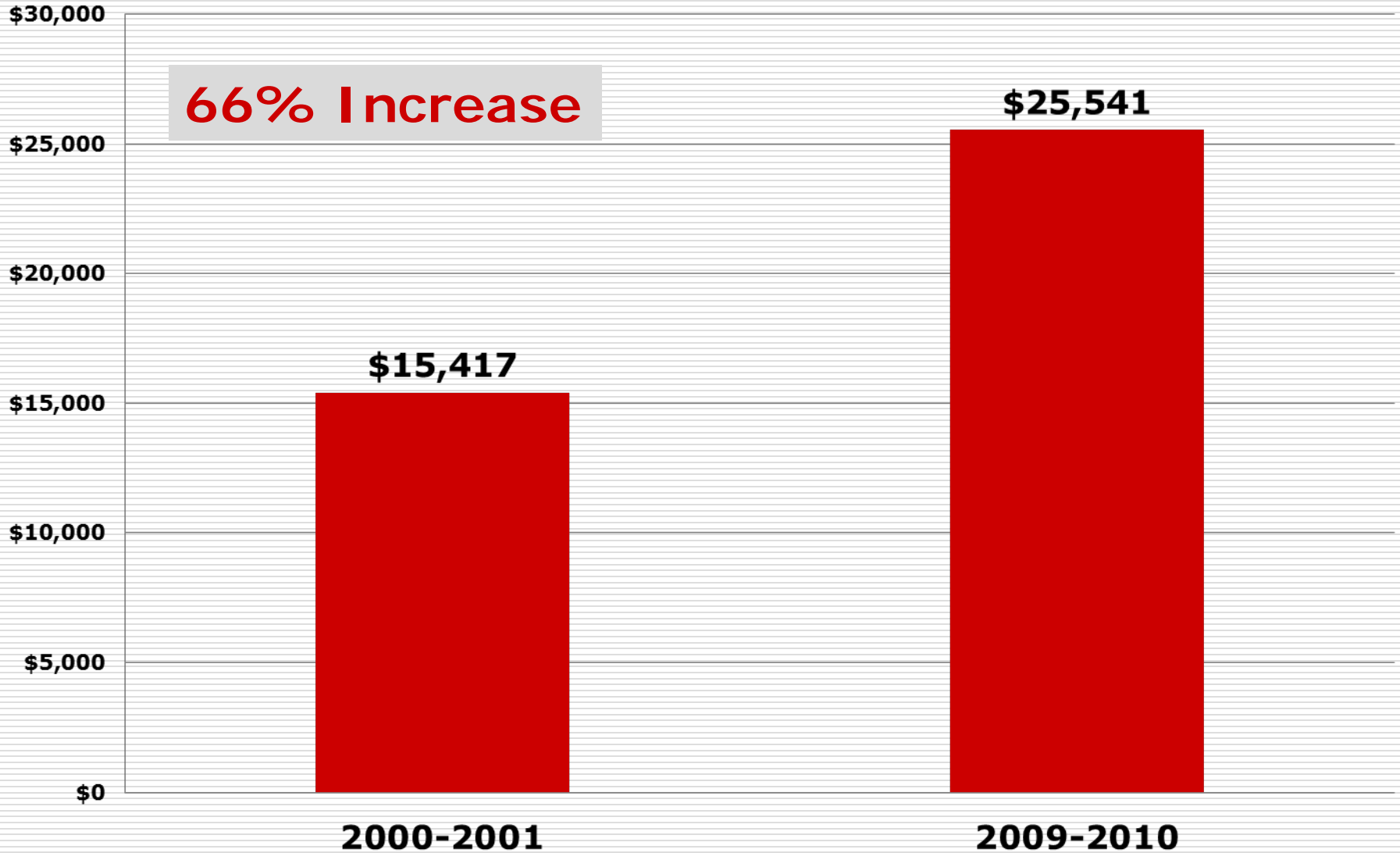
## Median Household Income by Age of Householder in Five-County Greater Boston Region

	<u>2010 Dollars</u>		
	2000	2010	Percent Change 2000-2010
Householder under 25 years	<b>\$38,357</b>	<b>\$26,380</b>	<b>-31.2%</b>
Householder 25 to 44 years	\$78,295	\$77,692	-0.8%
Householder 45 to 64 years	\$86,687	\$84,296	-2.8%
Householder 65 years and over	\$36,388	\$38,043	4.5%

Note: These figures represent averages (weighted by number of households in each age group) of the age specific median household incomes of Essex, Middlesex, Norfolk, Plymouth, and Suffolk Counties.

Source: U.S. Census Bureau, 2000 Census, 2010 ACS 1-Year Estimates

# Average College Debt Massachusetts 4-Year College and University Students





# Baby-Boomers & Housing Market

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- ❑ Large increase in Baby Boom population over the next decade
  - ❑ Empty Nesters looking for smaller, easier to maintain housing
  - ❑ Multi-family housing will be choice for some ... perhaps many
  - ❑ Some will choose to “age in place” but in smaller units
  - ❑ Others will seek more urban environments
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# Shift in Housing Demand – Young Households

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- All of these trends suggest that future demand for housing may require a greater supply of multi-unit housing – both condo and rental – and less single-family housing
  - The younger households may also wish to live closer to the city or in village centers – less so in far-flung suburbs
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# Shift in Housing Demand – Need for More Affordable Units

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- ❑ Declining incomes for renter households means we need to find more affordable units or they will face ever larger housing hurdles
  - ❑ This means we need to free up rental housing for low and moderate income families
  - ❑ And it means we need to build more affordable units as part of new developments
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# 3<sup>rd</sup> Civil War

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- 19<sup>th</sup> Century Civil War
    - North-South: Slavery
  - 20<sup>th</sup> Century Civil War
    - North-South: Where MFG takes place
  - 21<sup>st</sup> Century Civil War
    - Which regions, states, and cities and towns will be able to retain and attract young working families to fill in the labor force gap?
    - Those who win will remain prosperous
    - Those who don't ... ????
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# Grand Conclusion

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Connecticut is about to experience a demographic revolution that will fundamentally increase the amount -- and change the type and location -- of the housing the region will need if it is to fulfill its moral responsibility for decent shelter for all and the economic necessity of competing for the young talent that it needs to keep the state prosperous