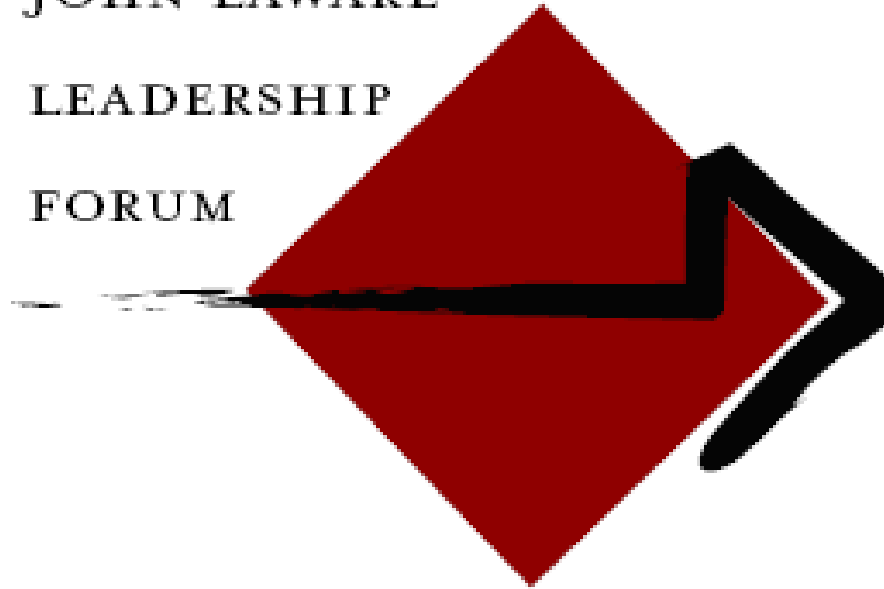


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**Federal Reserve Bank of Boston
The Boston Foundation
Greater Boston Chamber of Commerce
New England Council
National Association of Industrial and
Office Properties
Associated Industries of Massachusetts
Mass Insight**

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The State of Affordable Housing in Greater Boston

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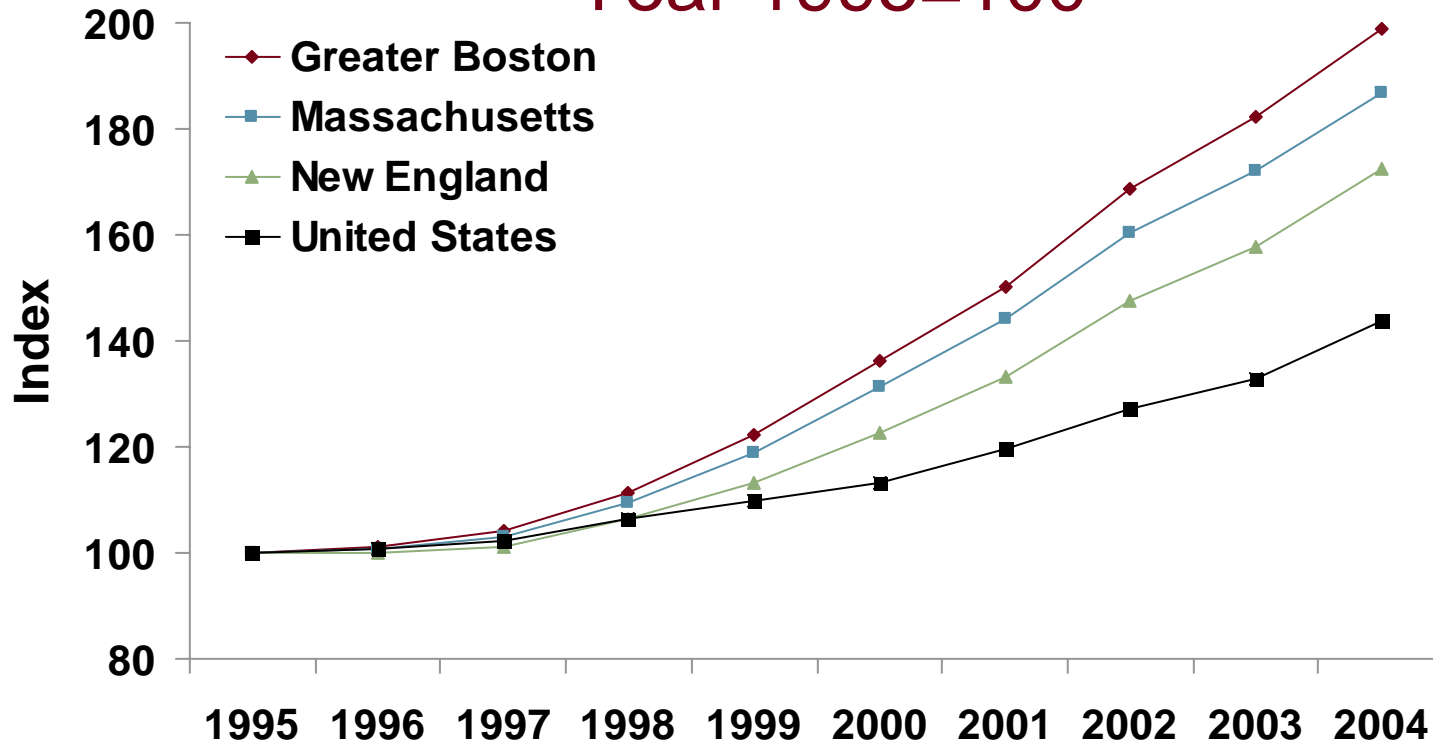
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House prices in Greater Boston have doubled since 1995

Inflation-Adjusted Index:
Year 1995=100

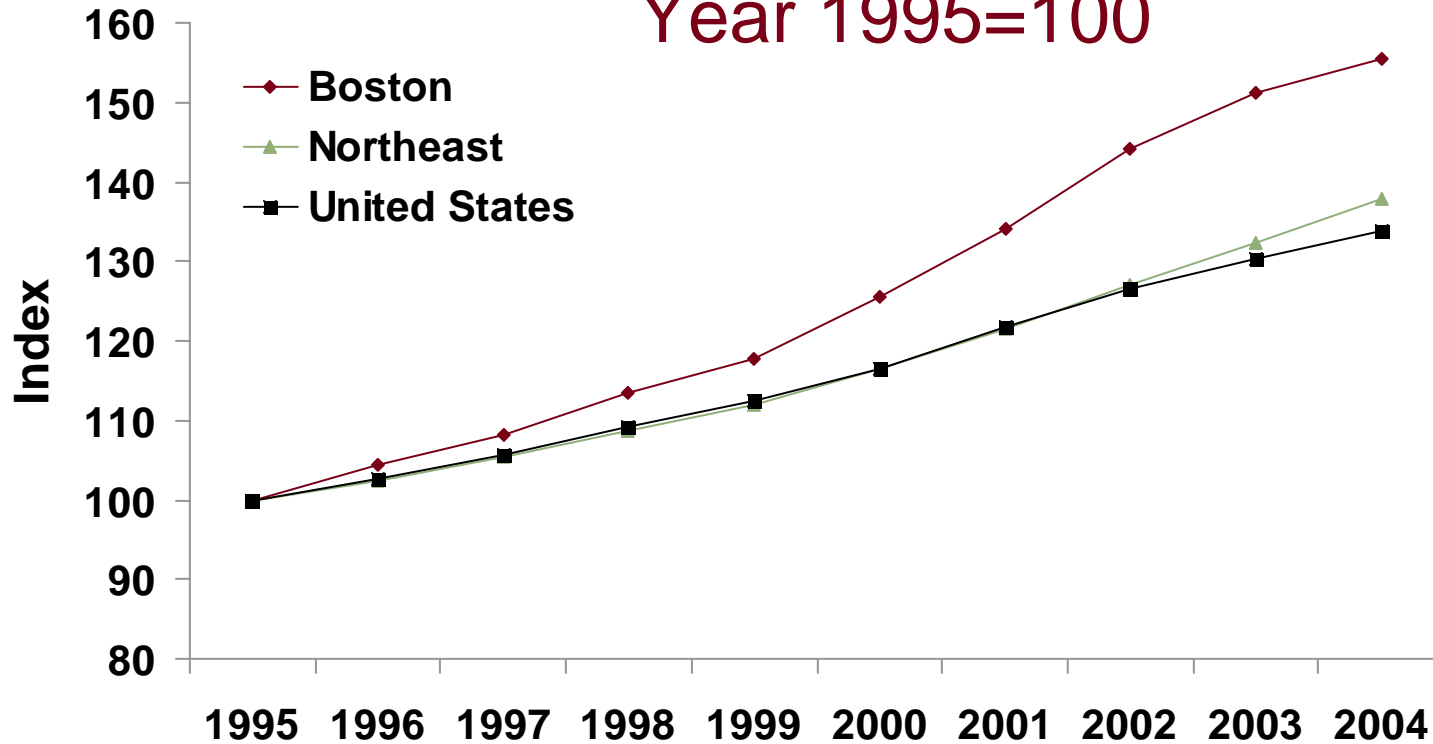


Source: Office of Federal Housing Enterprise Oversight and Bureau of Labor Statistics.



Rents rose by 55% but have moderated somewhat since 2002

Inflation-Adjusted Index: Year 1995=100

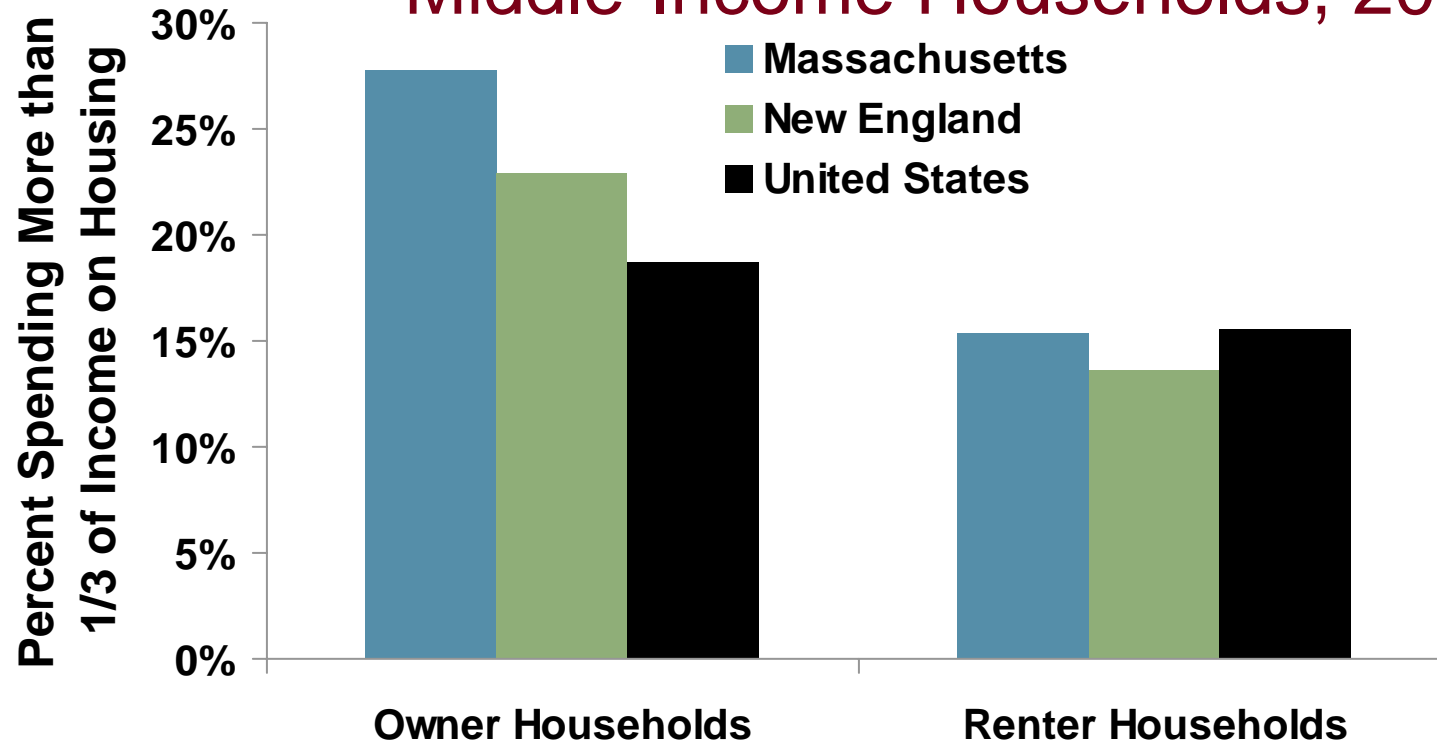


Source: Bureau of Labor Statistics.



Almost 30% of Massachusetts middle-income homebuyers are burdened by housing costs

Middle-Income Households, 2004

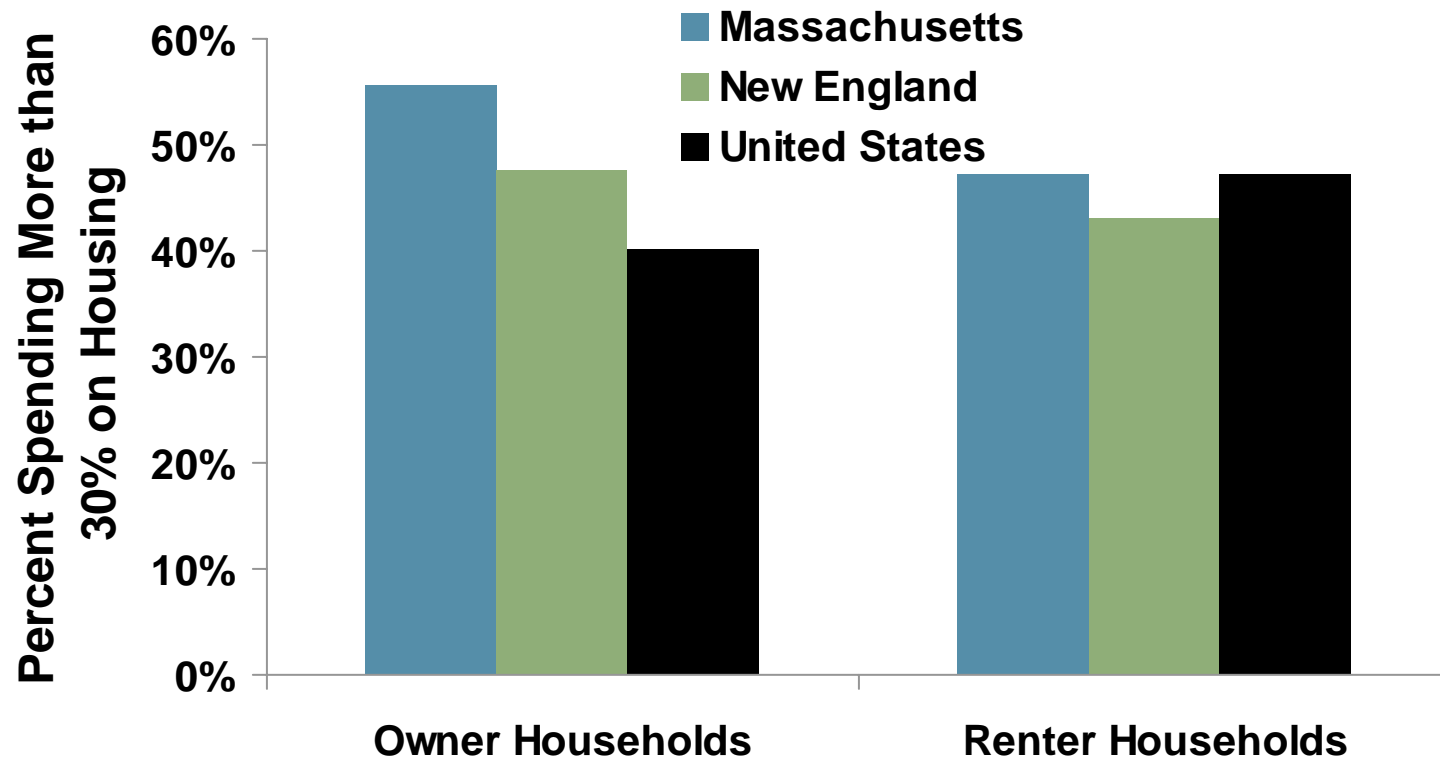


Source: American Community Survey, 2004.



And nearly 60% of low-income homeowners are cost burdened

Low-Income Households, 2004

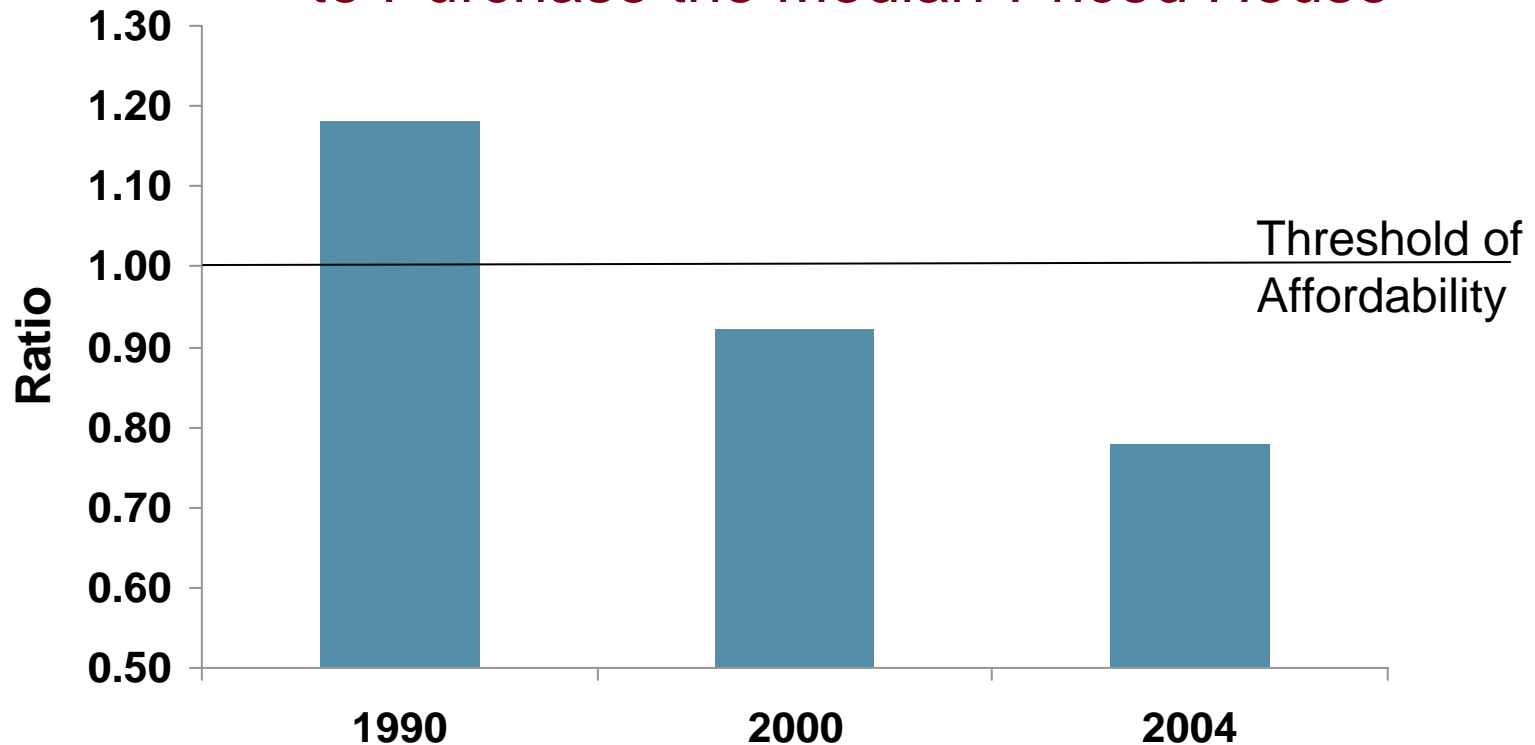


Source: American Community Survey, 2004.



The housing affordability gap for Greater Boston has been widening

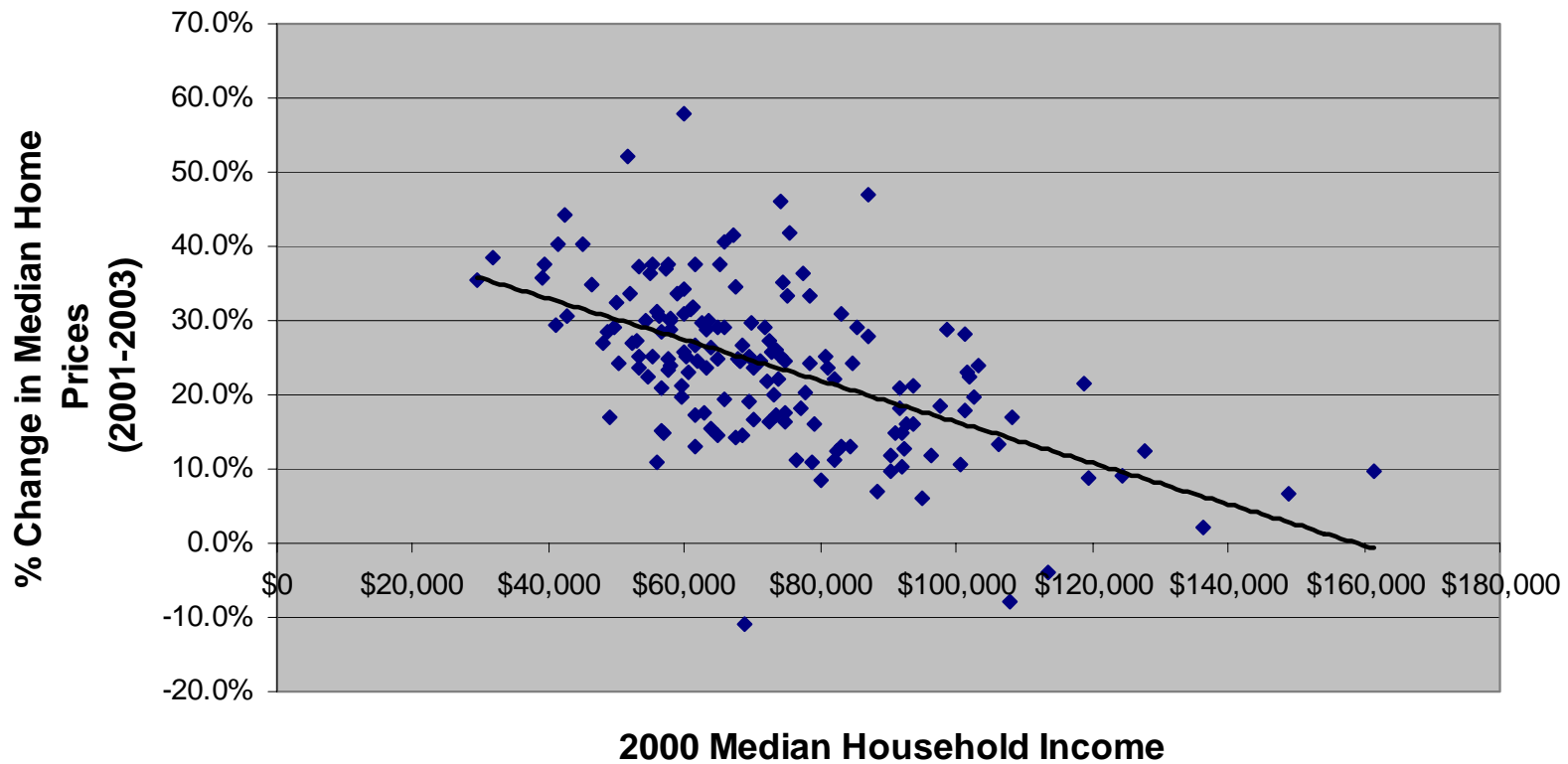
Ratio of Median Income to Income Needed to Purchase the Median-Priced House



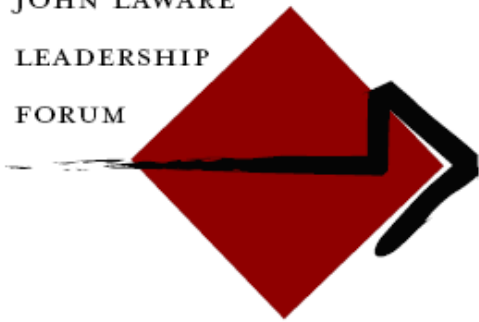
Source: Median income from the Census (1990 and 2000) and Current Population Survey (2004). House prices based on the OFHEO index. Income needed based on a monthly payment including principal and interest on a 30-year conventional mortgage with 20% down, real estate taxes, and insurance and a qualifying income of 28%.



...and house prices have been rising faster in Greater Boston's lower income communities

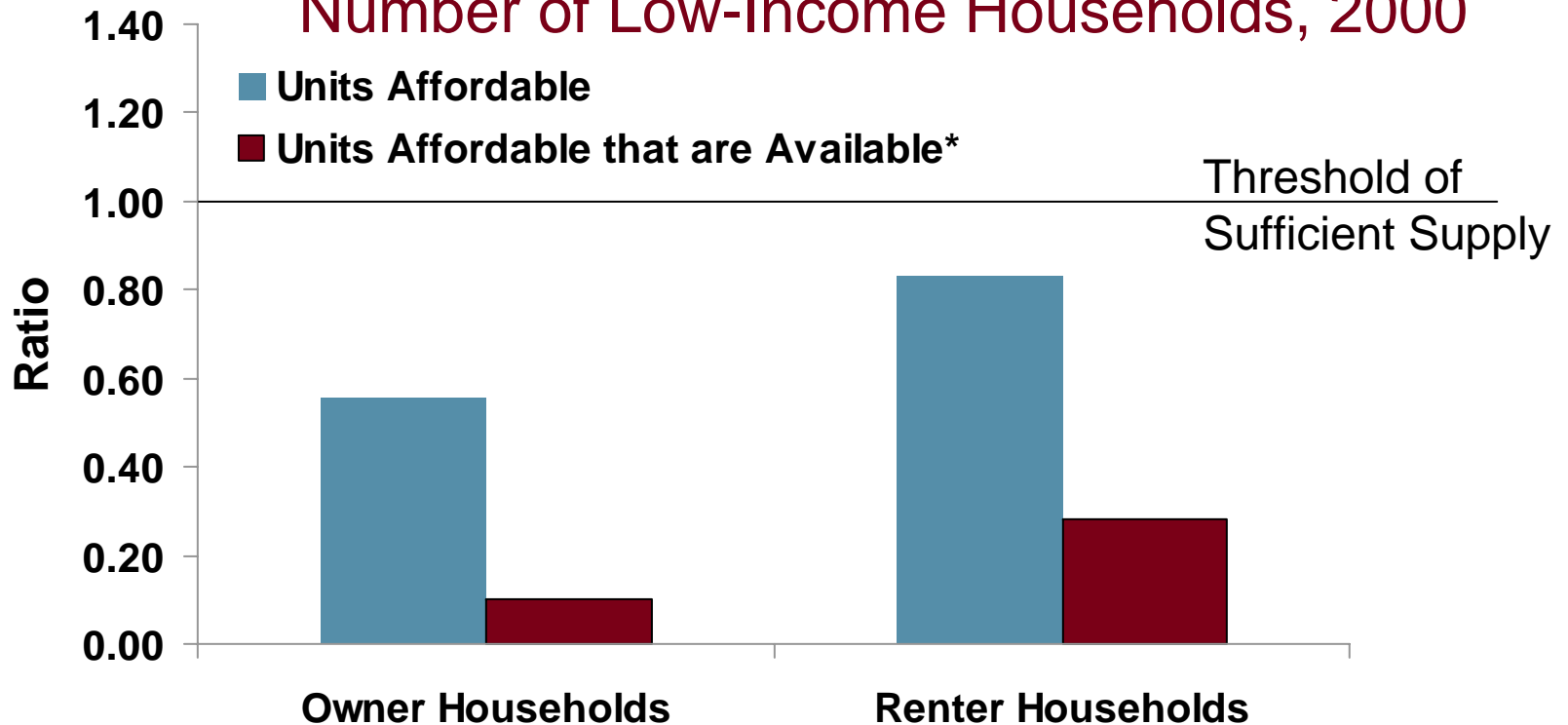


Source: The Greater Boston Housing Report Card.



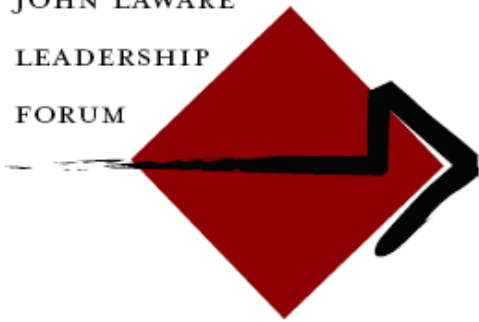
The supply of affordable housing in Greater Boston has not been sufficient to meet the demand

Ratio of Number of Affordable Units to Number of Low-Income Households, 2000



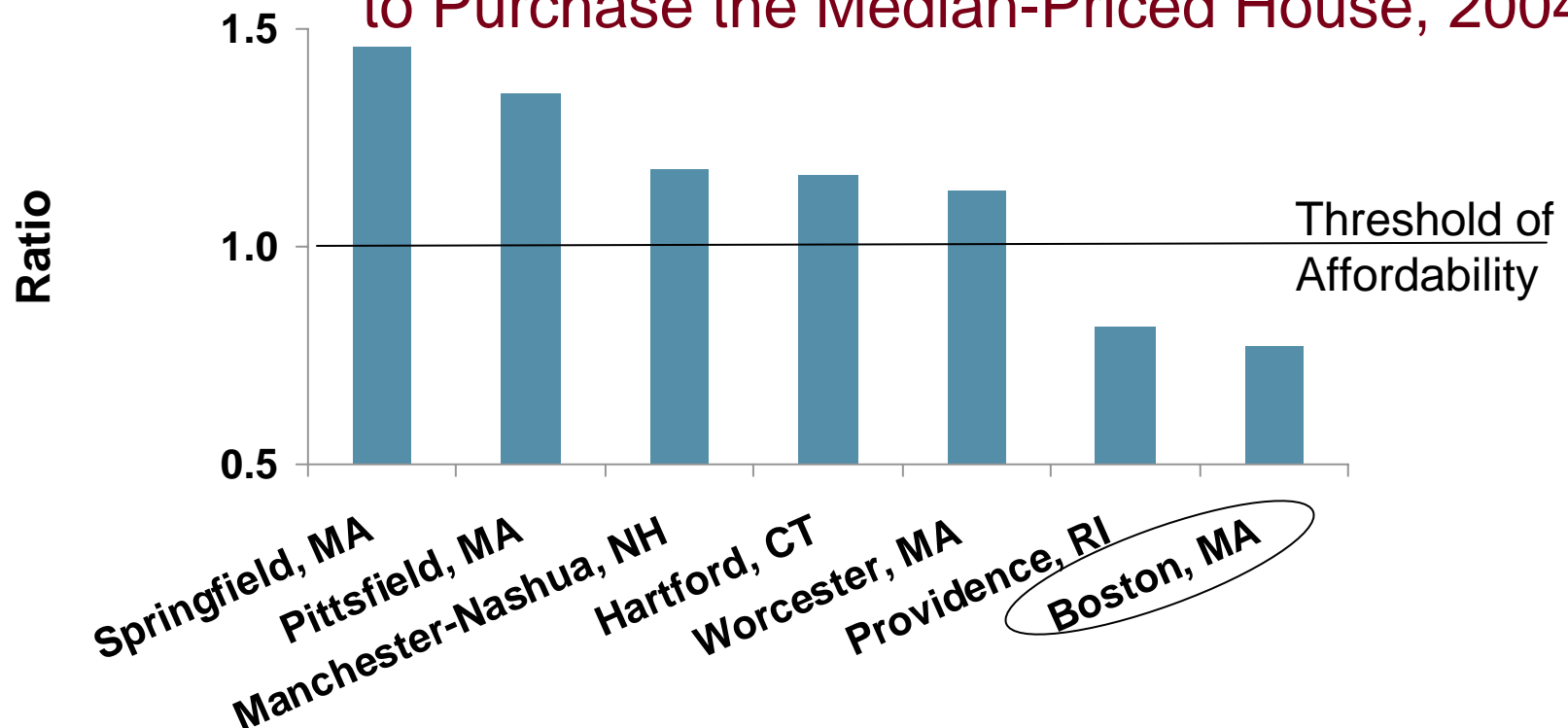
Source: National Low Income Housing Coalition Database, 2000.

*Defined as units affordable excluding those occupied by higher-income households.

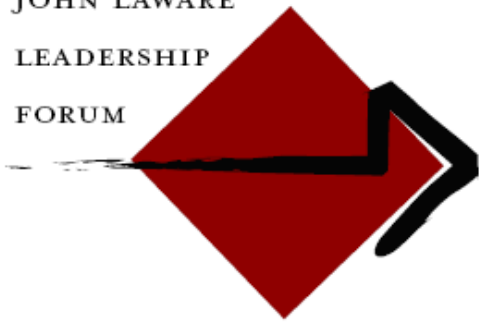


The housing affordability gap is wider in Greater Boston than other New England metropolitan areas

Ratio of Median Income to Income Needed to Purchase the Median-Priced House, 2004

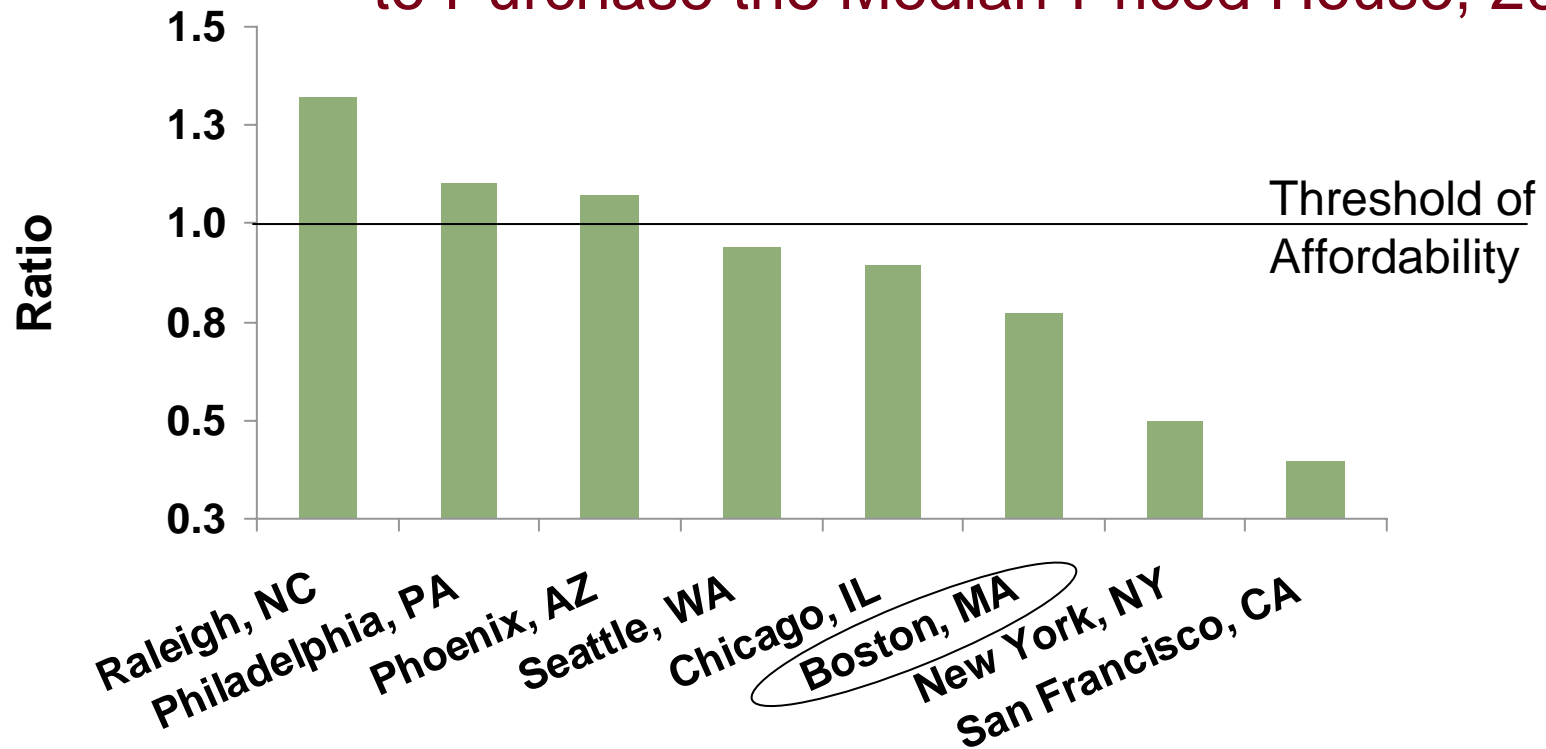


Source: Median income is three-year moving average from the Current Population Survey (2002-2004). House prices based on the NAHB index. Income needed based on a monthly payment including principal and interest on a 30-year conventional mortgage with 20% down, real estate taxes, and insurance and a qualifying income of 28%.



... and wider in Boston than in most “competitor” metropolitan areas

Ratio of Median Income to Income Needed to Purchase the Median-Priced House, 2004

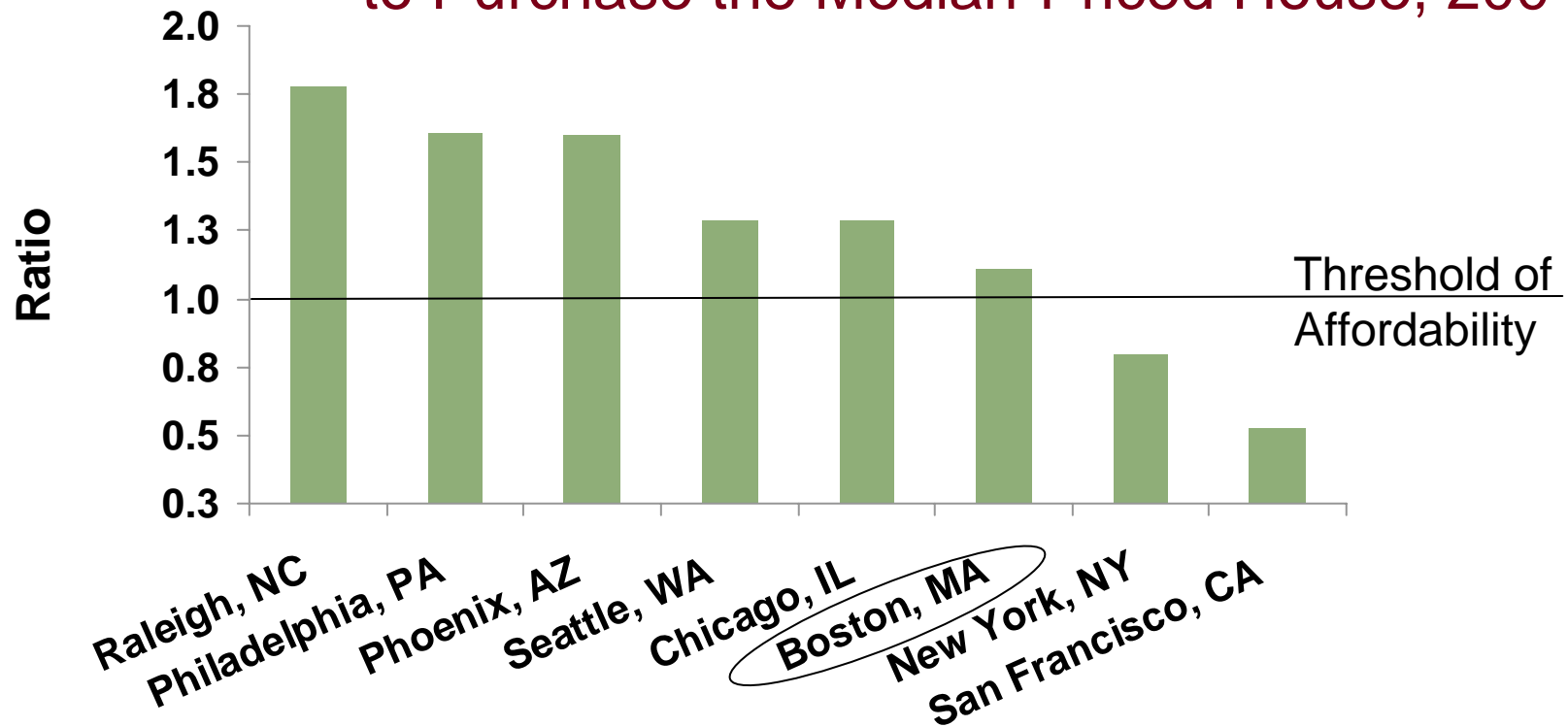


Source: Median income is three-year moving average from the Current Population Survey (2002-2004). House prices based on the NAHB index. Income needed based on a monthly payment including principal and interest on a 30-year conventional mortgage with 20% down, real estate taxes, and insurance and a qualifying income of 28%.



Even for households headed by a college graduate...

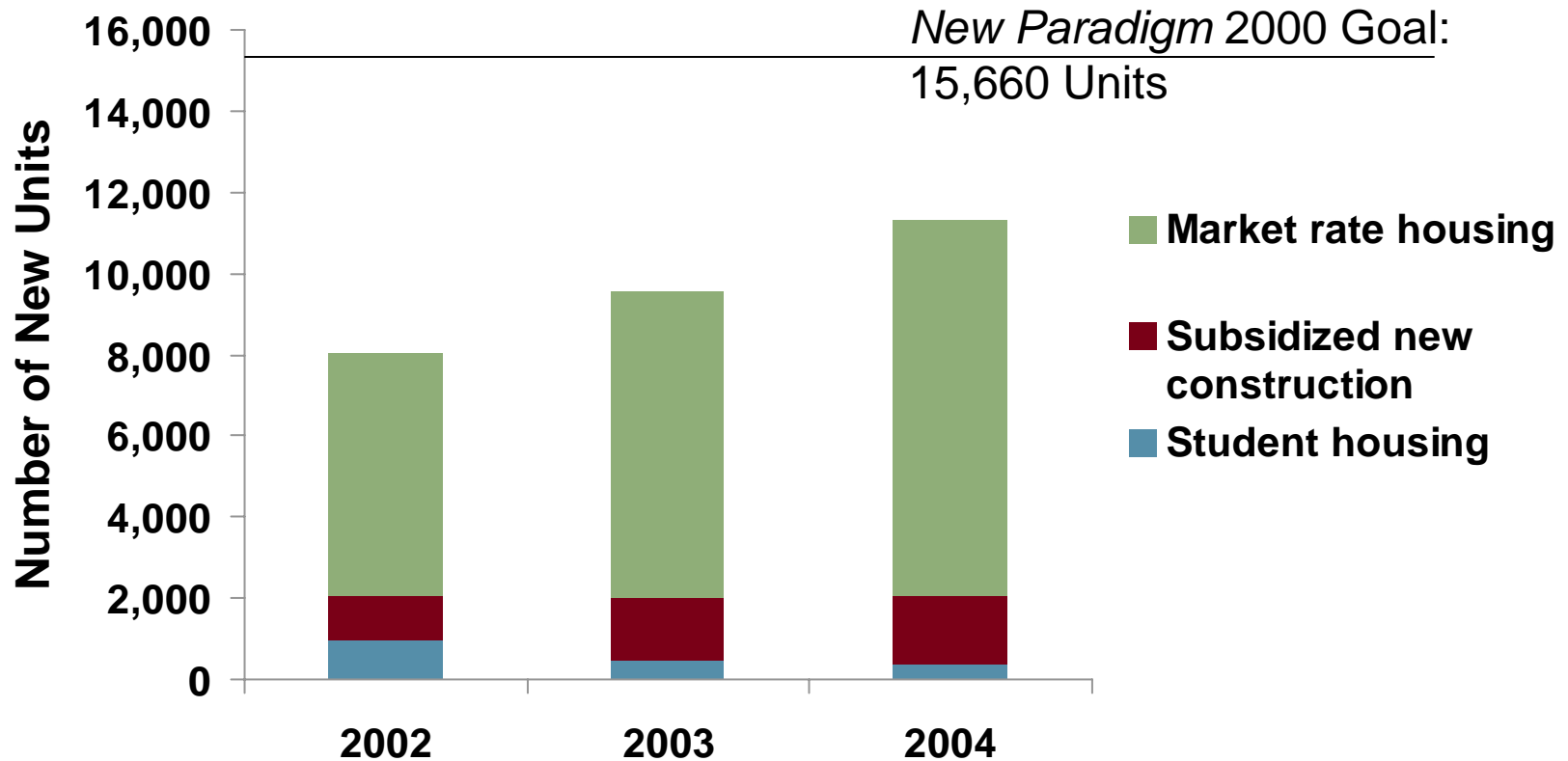
Ratio of Median Income to Income Needed to Purchase the Median-Priced House, 2004



Source: Median income is three-year moving average from the Current Population Survey (2002-2004). House prices based on the NAHB index. Income needed based on a monthly payment including principal and interest on a 30-year conventional mortgage with 20% down, real estate taxes, and insurance and a qualifying income of 28%.



Progress has been made but still falls short of the *New Paradigm* goals set in 2000



Source: The Greater Boston Housing Report Card 2004, p. 51.



Ongoing initiatives and potential leverage points:

- Financing: Market incentives
 - Decreased role of the federal government and a shift in policy to market incentives suggests the private sector will be called upon to play a larger role
- Development: “Smart” growth
 - The need to align housing production and other community development goals points to greater use of mixed-use zoning districts and location of housing near transit and employment centers (40R)
- Zoning reform: Mitigate local costs using public funding
 - Restrictive zoning laws have been identified as an area for concern prompting initiatives to mitigate the cost of new development to communities (40S)

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For More Information and Future Research...



<http://www.bos.frb.org/economic/neppc/>