

Summary of Market Analysis Findings:

The housing market around Boston is out of balance, with demand for housing substantially greater than the available supply. Housing costs have risen faster than household incomes, particularly within desirable communities like Newton. In Newton alone it is estimated that there is a shortage of more than 2000 units to meet the demand for rental housing; as well as a shortage of more than 3000 units of affordable and moderately priced ownership units.

The City's current regulatory environment exacerbates the market imbalance, effectively eliminating the development of any substantial number of new housing units and thereby adding to the competition for the existing housing stock. In the last ten years, new development has been targeted to the highest end of the market, with the exception of those few units built with income restrictions. With increased competition for housing in all of the City's residential building types, there has been increased pressure among buyers, sellers, and developers to maximize values on single family house lots. Frequently, the underlying land values (between \$1.4 million - \$1.99 million per acre) far exceed the value of an existing house, and as a result many of the single-family neighborhoods of Newton have seen demolitions of small scale houses for larger, more upscale homes.

As a result, the demographics of the City have steadily transitioned from an economically diverse community to one of concentrated affluence. Between 2000 and 2013, the number of households earning below \$125,000 declined by almost 4,700 while households earning over \$200,000 increased by more than 4,200. The market changes within the City have an impact on those who are considering a move into Newton as well as those who currently live in the City. Most notably, there have been a number of long-time residents who have participated in this process that have expressed that they would like to downsize their housing but cannot find suitable options within the City.

Without any change in approach, economic stratification of Newton will continue into the future. Market data indicate that the real estate market in Newton will continue to cater to the wealthiest households, attracting high-income families and empty nesters with the means to afford to live in the City. In contrast, long-term residents and the City's existing workforce residents will have fewer and fewer options to affordably remain in Newton. Younger professional and family households, including children who grew up in Newton and want to return, will be challenged to find housing that does not require them to become cost burdened.