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Boston area needs 66,109 new apartments by 2030 to keep pace with demand growth is due to aging population, immigration, declining home purchases

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Washington, D.C. An aging population, international immigration and fewer home purchases are resulting in an increased need for new apartments. The Boston metro area is expected to need 66,109 new apartments by 2030 to keep up with local demand, according to a new study commissioned by the National Multifamily Housing Council (NMHC) and the National Apartment Association (NAA). The study found that, nationally, 4.6 million new apartments are needed by 2030. This growth would increase economic activity in Boston and across the country.

It's important to note that locally:

• An average of 3,359 investment-grade units were built annually between 2011 and 2016, according to data from Axiometrics. Boston will need to average 4,722 units (5+) per year in the coming years to meet the expected demand.

• The Boston metro area will need all types of apartments and at all price points.

• Boston is ranked #19 out of 50 metro areas in terms of projected apartment demand by 2030.

• Hoyt estimates that there are currently 401,516 apartments in the Boston metro area, with residents that span the age and income spectrum.

• Boston apartment developers, owners and managers and their residents contribute $17.7 billion to the local economy annually.

"Nationally and here in Boston, we're experiencing fundamental shifts in our housing dynamics, as more people are moving away from buying houses and choosing apartments instead. Boston has strong future economic growth prospects, and the expected increase in apartment rentals will continue to make an important contribution to the metro economy. Supply restrictions are led by land use regulations that rank Boston near the bottom in terms of supply opportunities. A sizeable share of Boston area apartments are categorized as affordable, but are older, reinforcing the need for new apartments affordable to a variety of incomes," said Mark R. Epker, 2017 President, the Rental Housing Association of the Greater Boston Real Estate Board.

The increased demand for apartments is due in large part to:

• The aging population. People 65-plus will account for a large part of population growth going forward across all states. The research shows older renters are helping to drive future apartment demand.

• Immigration. International immigration is assumed to account for approximately half (51 percent) of all new population growth in the U.S., with higher growth expected in the nation's border states. This population increase will contribute to the rising demand for apartments. Research has shown that immigrants have a higher propensity to rent and typically rent for longer periods of time.

• Delayed house purchases. Life events such as marriage and children are the largest drivers of home ownership. In 1960, 44 percent of all households in the U.S. were married couples with children. Today, it's less than one in five (19 percent), and this trend is expected to continue.

"Apartment rentals are on the rise, and this trend is expected to continue at least through 2030, which means we'll need millions of new apartments in the U.S. to meet the increased demand. The western U.S. as well as states such as Texas, Florida and North Carolina are expected to have the greatest need for new apartment housing through 2030, although all states will need more apartment housing moving forward," said NAA Chair Cindy Clare, CPM.

There will also be a growing need for renovations and improvements on existing apartment buildings, which will provide a boost in jobs (and the economy) nationwide. Hoyt's research found that 51 percent of the apartment stock was built before 1980, which translates into 11.7 million units that could need upgrading by 2030. The older stock is highly concentrated in the northeast.

"The growing demand for apartments – combined with the need to renovate thousands of apartment buildings across the country – will make a significant and positive impact on our nation's economy for years to come," explained NMHC Chair Bob DeWitt. "For frame of reference, apartments and their 39 million residents contribute $1.3 trillion to the national economy. As the industry continues to grow, so will this tremendous economic contribution."

Other highlights from the report include:

• Demand is expected to be especially significant in Raleigh, N.C., where demand calls for a 69.1 percent increase in new apartment units between now and 2030, Orlando, Fla. (56.7 percent), and Austin, Texas (48.7 percent). Also notable, the demand in the New York City metro area will call for an additional 278,634 apartment units, Dallas-Ft. Worth, Texas (266,296 new units), and Houston, Texas (214,176 new units).

• Propensity to rent is higher in high-growth and high-cost states.

• Hundreds of thousands of new apartments will be needed by 2030 in states such as California, Georgia, Arizona, Florida, North Carolina, Nevada, New York, Texas, Virginia and Washington.

Based on research conducted by Hoyt Advisory Services and commissioned by NAA and NMHC, the data includes an estimate of the future demand for apartments in the United States, the 50 states and 50 metro areas, including the District of Columbia. For the purposes of this study, apartments are defined as rental apartments in buildings with five or more units. The data are available on the website www.WeAreApartments.org.

In conjunction with the study's release, the website www.WeAreApartments.org breaks down the data by each state and 50 key metro areas. Visitors can also use the Apartment Community Estimator – or ACE – a tool that allows users to see the trends in their state or metro area to determine the potential economic impact locally.

For more information, visit www.WeAreApartments.org. Find out more about the Boston metro area's apartment demand at www.WeAreApartments.org/data/metro/Boston. More information about the methodology used in this study can be found at www.WeAreApartments.org/about.