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THE HOUSE CALL

PIONEER INSTITUTE

THE RATE OF PERMITTING FOR HOUSING UNITS IN MASSACHUSETTS INCREASED SLIGHTLY IN 2024 FOLLOWING 2023'S DECADE-LONG LOW

Last year, an estimated 14,338 new housing units were authorized by building permit in Massachusetts, the second-lowest total since 2013. This figure comes from the U.S. Census Bureau's annual Building Permit Survey, for which the 2024 data were released on May 1, 2025.

The 14,338 permitted homes represent an increase from the 13,214 homes authorized to be built in Massachusetts in 2023, but in 2024 the Bay State was still just 45th in the nation in homes permitted per capita. Idaho, the Carolinas, Arizona, and Florida led the nation in new homes authorized per capita in 2024, but even other Northeastern states like Maine, Vermont, New Jersey, and New Hampshire allowed new housing to be built at roughly twice the rate that Massachusetts did (see Figure 1).

Another way that Massachusetts stands out in the Building Permit Survey is in the share of new homes in multifamily buildings. In 2024, Massachusetts was one of just three states in which fewer than 40 percent of newly permitted residential units were single-family homes, along with New York and Connecticut. In 22 other states, more than 70 percent of new units permitted were single-family homes, and in Mississippi it was more than 95 percent.

The permitting numbers also show stark differences within Massachusetts. For example, while homes permitted rose 8.5 percent statewide between 2023 and 2024, they declined by 12.8 percent in the City of Boston. The 1,789 homes Boston authorized in 2024 represent the lowest annual permitting total since 2012, when the city was still recovering from the 2008–09 financial crisis. Meanwhile, Worcester authorized 945 new housing units in 2024, the city's highest annual permitting total in at least 35 years. And Springfield authorized 174 new units, the most since 2006.

More broadly, the overall number of units permitted in Greater Boston declined by 4.2 percent from 2023–2024, while they nearly doubled in Worcester County and exhibited more modest growth in the Cape & Islands region and Western Massachusetts.

The bottom line is that, while Massachusetts seems to be ramping up housing production, that's only true within the context of a uniquely difficult time for permitting and financing new homes, featuring stubbornly high interest rates and an uncertain macroeconomic environment.

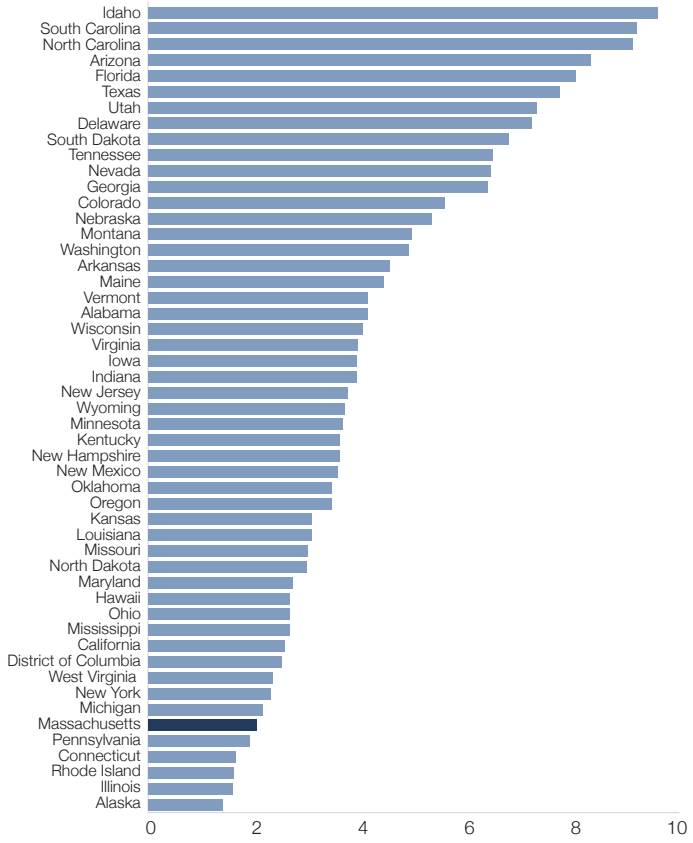
Massachusetts' ongoing efforts to implement the MBTA Communities law, use tax incentives to spur housing production in Gateway Cities, and capitalize projects with Affordable Homes Act funds will move the needle to some extent. But since Massachusetts only permitted 14,388 units in 2024, it will require a 54 percent increase in the rate of permitting to meet the state's goal of building 222,000 new housing units by 2035.

The median cost to build an underground parking structure in a major Northeastern city is $114,000 per space.

[Source: Cumming Group]

FACT OF THE MONTH

Figure 1: List of States by Housing Units Authorized via Building Permit per Thousand Residents, 2024



Source: U.S. Census Bureau

IT'S BEEN NINE YEARS SINCE MASSACHUSETTS STARTED INCENTIVIZING FLEXIBLE ZONING FOR STARTER HOMES. SO WHERE ARE THE STARTER HOMES?

There have been a couple of major drivers of household growth in Massachusetts in recent years, but a big one is that Millennials are forming families in significant numbers. Millennials also tend to have smaller families than previous generations, such that demand for housing has remained strong despite relatively slow population growth. Shrinking household sizes, combined with affordability constraints, have led home sizes to decrease nationwide from their peak in 2015.

In 2016, recognizing that these market shifts would be hard to accommodate with the strict local zoning and discretionary permit processes in most of Massachusetts, the state Legislature amended an existing statute to offer incentive payments to municipalities to establish "Starter Home Zoning Districts." Within these districts, developers could build homes of up to 1,850 square feet at a density of at least four units per acre without needing to acquire special approval from local officials.

However, a couple of constraints on those homes – namely, affordability restrictions and location criteria – discouraged developers from pursuing the initial version of the starter home program. Starter homes were only required to be allowed at suburban densities, but were only definitively eligible to be built in locations walkable to qualifying destinations (transit stations, commercial districts, schools, etc.), locales often suited for a much higher intensity of development.

Thus, in 2022, the Legislature reworked the Starter Home Zoning District criteria and gave it its own chapter in Massachusetts General Law: Chapter 40Y. In addition to loosening affordability restrictions, Chapter 40Y severed the starter home districts' ties to the "smart growth" (i.e., transit- and village-oriented) criteria, allowing municipalities to establish these districts almost anywhere they desired.

But as of this writing, the state has yet to promulgate regulations necessary to fully implement Chapter 40Y. This means that not only have no starter homes been constructed under Chapter 40Y, but also that no Starter Home Zoning District has been approved. Because of the Administrative Procedure Act, draft regulations would be subject to a public comment period, meaning that final regulations are unlikely to surface until Chapter 40Y has been on the books for a full three years.

In fairness, the state agency responsible for establishing 40Y regulations has many competing priorities, including implementing the MBTA Communities law and managing the Affordable Homes Act's new housing finance tools. In acknowledgement of the delay, the agency has also encouraged interested municipalities to nonetheless submit proposals for conditional eligibility consideration in advance of completing the regulatory process.

But with housing affordability hovering near a four-decade low and builders struggling to contain costs amidst high tariffs and regulatory creep, smaller homes offer an opportunity to better meet the housing needs of a new generation of Massachusetts families. That opportunity, including the potential to increase homeownership and make a dent in the state's harrowing housing shortage, cannot be fully realized until the final 40Y regulations are in place.

> ***"There's a lot of brownfield sites, there's a decommissioned prison, there's decommissioned military bases throughout Massachusetts that could be directly rezoned by the state and [be used to build] not hundreds, but thousands, or even tens of thousands of units of housing without going through direct local zoning."***
>
> Congressman **Jake Auchincloss** on potential state actions that would increase housing production

QUOTE OF THE MONTH

RECENT OP-ED

Local Zoning is a Confusing Mess. Beacon Hill Can Help with Definitions.

Banker & Tradesman

COMING SOON

Upcoming issues of *The House Call* will include segments on:

- The Affordable Homes Act
- Income-restricted home appraisals,
- Accessory dwelling units in Boston
- And more!