Boston tops this list for the highest price per square foot

Michele Lerner – Boston.com correspondent
January 10, 2020 5:00 pm

The rivalry between Boston and New York City has deep roots that go beyond the Yankees and the Red Sox to include who has the best Italian food and which style of clam chowder is best. But New York typically claims the “winning” position for the most expensive real estate in the country – until now.

A recent study by Realtor.com found that Boston – not New York – has the highest price per square foot. “It could be looked at as a badge of honor along the lines of ‘if I can make it there, I can make it anywhere,’” said George Ratiu, senior economist with Realtor.com.

At the same time, a higher price per square foot means that buyers may not be able to find anything they can afford or be forced to downsize into a tiny space.

The median price per square foot in Boston is $1,160, which translates to a 263-square-foot home if your budget is $305,000. Realtor.com’s survey compared the median square feet for active listings and the median list price in August 2019 to generate the median price per square foot. The researchers also used the national median list price for a home ($305,000) as a benchmark to see how many square feet you can buy for that amount.

New York’s median price per square foot is $1,106, which means you could buy a home that’s 276 square feet for $305,000. One reason New York came in slightly lower than Boston is that this study included only homes within the city limits, not the metro area. In New York, the city limits include all five boroughs: Brooklyn, the Bronx, Manhattan, Queens, and Staten Island.

“No one actually buys a home based on the price per square foot; they buy it based on its absolute price,” said Ricardo Rodriguez, a real estate agent with Coldwell Banker Residential Brokerage in Boston. “Price per square foot is just a metric that varies, but it gives you an indication of where the market is and where it’s heading.”
Why Boston’s real estate is so pricey

The Boston market, geographically restricted by its coastal location, also has some of the oldest housing stock in the country, which is typically smaller than more recently built homes, Ratiu said.

Boston, like the rest of the country, also faces a significant undersupply of homes, he said.

“Boston is a historic city, so building more housing not only requires zoning approvals, but it also involves feedback from the community and often coordinating with the landmark status of buildings,” Rodriguez said. “That’s one reason we don’t see a lot of buildings with 500 or 1,000 units. New construction is happening, but it’s at a moderate level.”

Zoning restrictions in Boston should be revisited to see whether there are creative solutions to ease the housing shortage in the city, said Ratiu. A significant jump in new housing is needed to increase affordability, including both city and suburban neighborhoods, he said.

“City leaders underestimated the population growth in Boston,” said David Bates, a real estate agent with William Raveis in Boston. “People who used to start in a small city condo and then move into the suburbs now want to stay, and empty-nesters want to move into the city, too. We also see more international buyers here than we used to.”

A national shift that affects Boston is that jobs follow people now instead of people moving to where the jobs are, Bates pointed out.

“Companies go to where the talent is, and there’s a lot of talent in Boston,” he said.

While Boston has always had a strong economy in academia, banking, and medical research, the city also has growing strength in fields such as technology, biotech, and the creative economy, Rodriguez said.

While Bates suggests that building more condos could help balance the city’s housing market, he expects that for now buyers will continue to move farther from downtown for affordability.