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## **President's message: The last few years have been challenging**

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From a real estate appraiser's view, the last few years have been very challenging in relation to the local real estate markets. With all the negative news about the real estate market, it is assumed by most people that the real estate market has had enormous value decrease and that this will continue going forward. However, there are positive signs currently that things are starting to turn around. As in the stock market, various sectors perform differently depending on certain economic factors. There are many factors that affect the real estate market. A few examples are; interest rates, demographics, consumer spending, political issues, new construction, rental rates, vacancy rates, etc... As these variables change they affect the individual market sectors in different ways.

The Massachusetts Association of Realtors indicated the annual average selling price for a single family home in Massachusetts for 2010 was \$302,500 and in 2009 it was \$290,000. This calculates into a 4.3% increase over the past year or close to .35% a month. The average selling price for a condominium was \$252,000 in 2009 and \$268,000 in 2010. A 6.3% increase for the past year. Of course some area in the state did better than others. The Cape showed a big increase, but it had also taken a big hit over the past few years. The Southeast actually declined as the Greater Boston area increased by 5.4% for single family homes.

Data gathered through local office leasing agents in the Boston area indicate that class A office rental rates for the Rte. 128 belt, outside of Boston, are finally starting to stabilize. In 2010 the gross rents ranged from \$20 to \$27 per square foot, depending on which area you were located in. Rte. 128 West is doing better than the North and South. Vacancy rates have also started to stabilize. Capitalization rates also appear to be stabilizing, even going lower in certain markets, like the apartment sector.

Now it is March of 2011 and where do we stand. Interest rates are still in the 4% range. The feds do not appear to be in a mind set to raise interest rates as long as inflation stays in check. The stock market is back up and unemployment is dropping. Many homeowners in Massachusetts are re-financing again. Class A space is slowly filling up as businesses trade up to better space. So does this mean that the residential and office markets will start to soar upward? With consumer spending starting up again, the baby boomers still in the work force and with unemployment rates dropping it appears that the real estate market has finally made the turn. The office market appears to be stabilizing and is steering into a positive direction. Of course these assumptions are based on a reasonable steady path for political and foreign events. Based on the past few years, that may be a big assumption. Never a boring moment in the world of appraising!

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