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## **Boston is the bright spot in today's residential real estate market**

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Amid the torrent of dark and dismal commentary from various media outlets, there are many bright spots where residential real estate is continuously in high demand, and its value, both short and long-term belies the troubling news. The facts are real. The bubble is shrinking. Now we are waiting to determine just how much air will be expelled. The credit crisis has likely added another six months to the deflation, and due to more sensible lending standards, some individuals may never reach that first step on the real estate ladder. Regardless however, the real estate ladder continues to be an unrivaled route towards building wealth.

The downtown Boston market, especially the high end where well heeled buyers seem immune to lending obstacles, are able to see value in real estate. This is a market of opportunity to be found by smart buyers and for developers who position their products well. Contrary to current perceptions, most of Boston's neighborhoods and the destination communities that have always sustained their value are faring extremely well. Newton, Belmont, Brookline, Cambridge, Arlington, most of these towns are experiencing price and unit growth, or are stable on both fronts.

So what's really happening on the front of lines of the real estate market? One needs to look by zip code, neighborhood, street by street, and at each price point. Lumped together regionally, the numbers are weak; nationally, grim. Getting granular with geography and parsing the statistics in longer time frames can uncover some strong market areas and opportunities both for home buyers and developers.

According to MSL PIN, in 2007, in downtown Boston and surrounding neighborhoods, there were 6,314 sales of all residential property types, down just 1% when compared to 2006. In 2007, there were 4,492 condo sales, up 3% when compared to 2006. In the same period, all property types sold for 5% more in 2007 over 2006 and condos saw an overall sale price gain of 11%.

More importantly, look at a three year comparison of 2007 against 2004, which everyone considers the "peak" year. In Boston and surrounding neighborhoods, there were 6,747 sales of all residential property types in 2004. 2007 was down by 6.4%. However, in 2004, there were 4,222 condo sales, compared to 4,492 in 2007, which is a 6.4% increase in unit sales over the supposed peak year. Even more surprising are the price gains. When compared to 2004, there was a 13% increase in price for all property types, and an increase of 20% for condos!

One major factor affecting sales volume has nothing to do with credit or confidence in the market. There is actually a dire lack of inventory in price points, and product type, especially in moderate and entry level price bands. For example, in Jamaica Plain, there has been a dearth of \$550-650,000 single family homes, as well as the \$275-325,000 entry-level condo. The absorption rate for these two products and price points would be immediate should a handful come on the market. The demographic that wants to move from renting to a condo or a growing family that wants

to bust out into a larger home is deep and wide. The lack of inventory in Back Bay, South End or Beacon Hill in condos in the \$400-500,000 range is driving many buyers into a re-energized south Boston market.

Well priced, well located properties in good condition are jumping off the shelves. There is strong traffic at open houses, competing offers, and buyer demand that cannot be satisfied. In newer developments, some projects have had great velocity, and continue to sell. In some areas there were record setting prices due to a combination of factors.

The old mantra of location, location, location has been replaced by location, condition, and price. In the South End, D4, the converted Boston Police precinct, the newly built Modern on Northampton, and One First in Cambridge, have all achieved record prices for their locations because of smart layouts, and well priced value in the buyer's mind. Willowbank in Jamaica Plain, a newly-built condominium, sold out its first phase in 2007 with prices breaking \$1 million, well above the neighborhood average, due to superb location, superior design, and craftsmanship.

Yes, we are in a buyer's market, but Boston buyers are not buying because of lack of confidence or the perception that the market is plummeting and getting worse. There is still a huge demand, but supply is lacking in quality, price or proper positioning in the market.

Getting local and understanding the numbers, as well as appealing to the buyers' sense of value can be a win for any new construction or conversion. I used to say the news was all negative; now I say it is real. However, the silver lining in Boston is pretty evident, and as Boston goes, so goes the region - in time at least.

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