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Happy days are here again: good news for housing market

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It's good news for the housing market in Massachusetts this month, as new data from The Warren Group shows sales prices rising again in February. Sales of single-family homes were up 4% year-over-year in February (the most recent month for which data was available), and the median price rose 8.4%. For the first two months of the year sales volume for single-family homes is up .73% and the median price is up 5.3%.

We should keep in mind some historical perspective when analyzing the market. The median price peaked in 2005 at \$355,000, then reached its low point of \$285,000 in 2011, a fall of 20%. The market's recovery started in 2012, when sales of single-family homes increased by nearly 20%. In 2013, the median price increased by 11% followed, by an increase of just 2% last year.

Taken all together, the recovery to date can be characterized as steady, yet a bit restrained for the state as a whole. Of course some popular communities, particularly those are close to high-paying jobs, have seen dramatic recoveries. Cambridge is now 80% above its 2005 peak. And the communities of Jamaica Plain, Lexington, South Boston, Brookline, Somerville and Concord are all at least 25% over their 2005 peaks.

Low inventory remains a concern throughout the state and particularly in Greater Boston. Realtors report that inventory of homes for sale has fallen for 37 straight months. And new listings in February fell 33% from the number in February of 2014.

Sellers were leery of listing in the midst of February's crushing snowstorms, though buyers remained interested in the few listings that were available. Once sellers shrug off the lingering snow - and repair any damage Mother Nature may have caused - a strong spring market should be in the offing, though there may be a dip in sales figures correlating to winter's dismal weather.

Another factor in the low inventory problem is that home values have not increased enough to lift all homeowners into the position of having substantial equity in the homes. Owners who bought near the peak of the market and those that refinanced or took out home equity loans to the maximum may still have mortgages that are underwater. Most homeowners will not consider a sale unless their home is worth 10% more than their outstanding mortgage balance. They need this cushion to cover brokerage commissions and expenses in preparing their home for sale.

Massachusetts continues a strong recovery overall. The state's unemployment rate is on par with the national average - as of February, it had dipped below 5% for the first time since the recession began; foreign investors are heating up the commercial scene; and the condominium market is thriving, with the median price of a condo now rivaling that of a single-family home. Inventory remains tight, especially in the most desirable markets, and multiple, over-ask bids are becoming the norm once again.

As is typical of the winter months, Cape and shore vacation home sales have stuttered in some towns. February sales in Chatham, for example, were down 35% compared to last year; Harwich

was down 27%; and Sandwich was down 19%. On the other hand, sales in Brewster rose 77%, and Edgartown saw a whopping 166% increase. Inside the 495 belt, several towns posted some big increases year over year, including a 60% increase in Wellesley, 150% in Bridgewater, and 175% in Wayland, with median prices increasing by 76%, 25% and 6%, respectively.

On the flip side of sales is the recent jumps in foreclosure petitions. Though the situation certainly bears monitoring, it's so far not a cause for alarm. Overall in 2014, petitions to foreclose (the first step in the foreclosure process) rose 45% compared to 2013; foreclosure deeds (the final step in the process) were down 2%. According to data from The Warren Group, of the more than 13,000 properties which were in some stage of the foreclosure process in 2014, more than 75% had mortgages originated between 2003 and 2008, boom years when lending standards were loosened and houses sold like hotcakes.

As the state continues a strong and steady recovery, it's an exciting time to be in the real estate market. At The Warren Group we continue to believe that there is pent-up demand for homes to purchase. Many people postponed their home search during the recession. Now that they feel more secure about their jobs and the balances in their savings and retirement accounts due to a strong stock market, they are ready to shop, negotiate and buy. We have the potential for a robust spring market. Low inventory of home for sale is the only speed bump.

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