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Powerful demographic trends support robust Greater Boston condo market

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Forbes magazine recently cited a study by Niche.com which identified Cambridge as number one of the "Best Cities for Millennials Right Now." And the city of Boston was not far behind in the number nine position. Based largely on U. S. Census data, the rankings considered factors of importance to Millennials - those age 25 to 34 - including: housing costs, ethnic diversity, unemployment rates, lifestyle considerations, commutability, crime, and the percentage of Millennials already residing in the city. Nearly 28% of Cambridge's population falls into the Millennial age group and 6.9% of that group moved to Cambridge in the past year.

At the very same time that Greater Boston is being viewed as a welcoming destination for Millennials, other surveys and rankings tout our region as an ideal place to retire. Bankrate.com recently ranked Cambridge as the 13th "Best City to Retire" - the highest ranking for any city in the Northeast. (Boston ranked 46th and Newton 77th.) This survey took into consideration: walkability, the population's sense of "well-being," crime rate, cost of living, weather (we clearly score some negative points for this in New England), health care quality, and tax rate. And in 2013, Forbes identified the city of Newton as one of the "25 Top Places to Retire Rich" because it "provides big-city amenities with suburban charm."

Baby Boomers (those of us born between 1946 and 1964) are another demographic that finds Greater Boston appealing. This Spring Money.com reported on AARP's new "livability index" for Baby Boomers and found that Boston ranked #2 among large cities (just behind San Francisco) as one of "The 30 Most Livable Cities for Baby Boomers." The Boomer generation's appetite for housing is complex. While some studies indicate a strong desire on their part to "age in place" and stay where they have lived for the past ten years, Nielsen and the Demand Institute found that "the sheer size and relative wealth of the Baby Boomer generation means they will account for \$1 out of every \$4 spent on new home purchases or rent in the next five years." And there is a significant contingent among the Boomers who are actually planning to "upscale" - either increasing the square footage of their residence or spending more on their next property than their current one is worth.

Greater Boston's attractiveness to these important demographic groups - Millennials, retirees, Baby Boomers - and foreign investors helps explain the strength of the local condo market. While the first real estate purchase of their parents and grandparents was likely a small single-family home, Millennials, with their strong preference for urban living, are more likely to buy a starter condo. So our condo market is supported by demand among Millennials for more modest condos and by demand among wealthy empty nesters for new luxury condo projects.

May, 2015 data from the Massachusetts Association of Realtors (MAR) demonstrates the health of the condo market. The median price for a condo that month was \$330,000 - up from \$315,000 in

May, 2014. By comparison, the median price for single-families actually declined by 1.5% between May, 2014 and May, 2015. It is also interesting to note that the gap between the median price of condominium units and single-family homes continues to narrow. In May of 2011, the median price for condos was 93% of the median price for single-families (\$281,000 vs. \$300,375) and by May of this year it was 97% (\$330,000 vs. \$341,000). Continued price appreciation for condos and the development of higher-priced condo complexes and buildings may lead to pricing parity between single-family and condo properties in the not too distant future.

As has been true of the single-family market in Massachusetts for the past few years, one of the challenges for the condo market has been a lack of inventory for sale. In May of this year, MAR reports that there were 5,084 condo units for sale compared to 6,482 a year ago - a decline of 22%. This translates into 3 months of supply this spring and in most Greater Boston communities we are experiencing a "seller's market."

The strength of the condo market is also evidenced by the velocity of inventory when offered for sale. MLS PIN data for the first half of 2015 indicate that it took just 49 days from listing date to get an accepted offer on a condominium unit (the comparable number for single-family homes was 67 days). That represents an improvement over the same period in 2014 when it took 53 days to sell a condo unit.

While both the single-family and condo markets in Greater Boston have benefited from near-historic low interest rates and strong employment data, condo owners and developers can also likely count on favorable demographics to support sales and prices for several years to come.

Mark Lippolt is senior vice president of operations for Hammond Residential Real Estate, Chestnut Hill, Mass.

New England Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540