



Worcester Business Journal, Economic Forecast

Timothy M. Warren Jr., CEO of The Warren Group

February 13, 2015

THE WARREN GROUP
Real Estate & Financial Information Since 1872

Today's Agenda

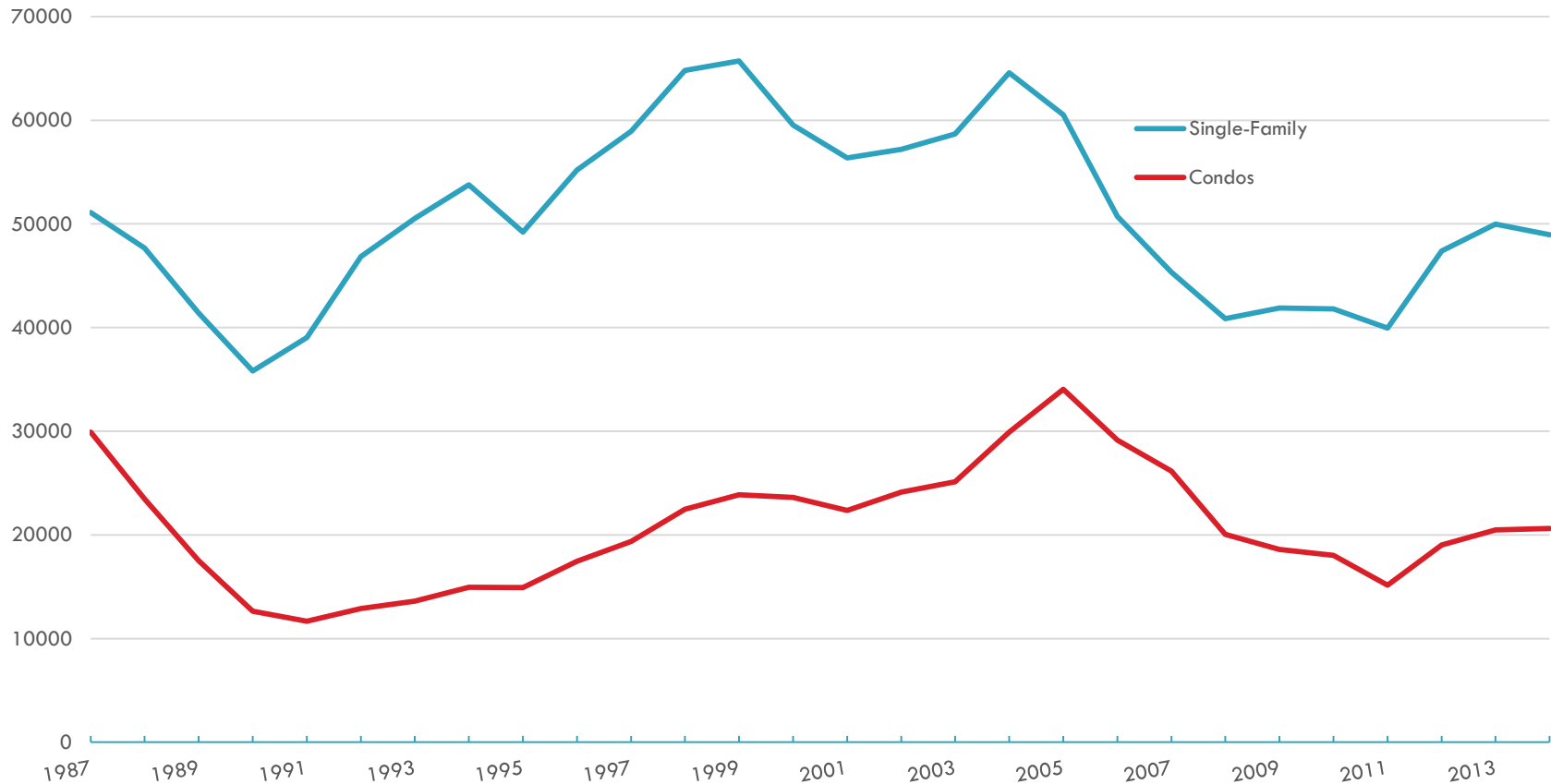
- Historical Overview of Real Estate Activity In Massachusetts
 - Sales
 - Median Prices
 - Foreclosures
- Frequently Asked Questions
- What's to come in 2015



Sales

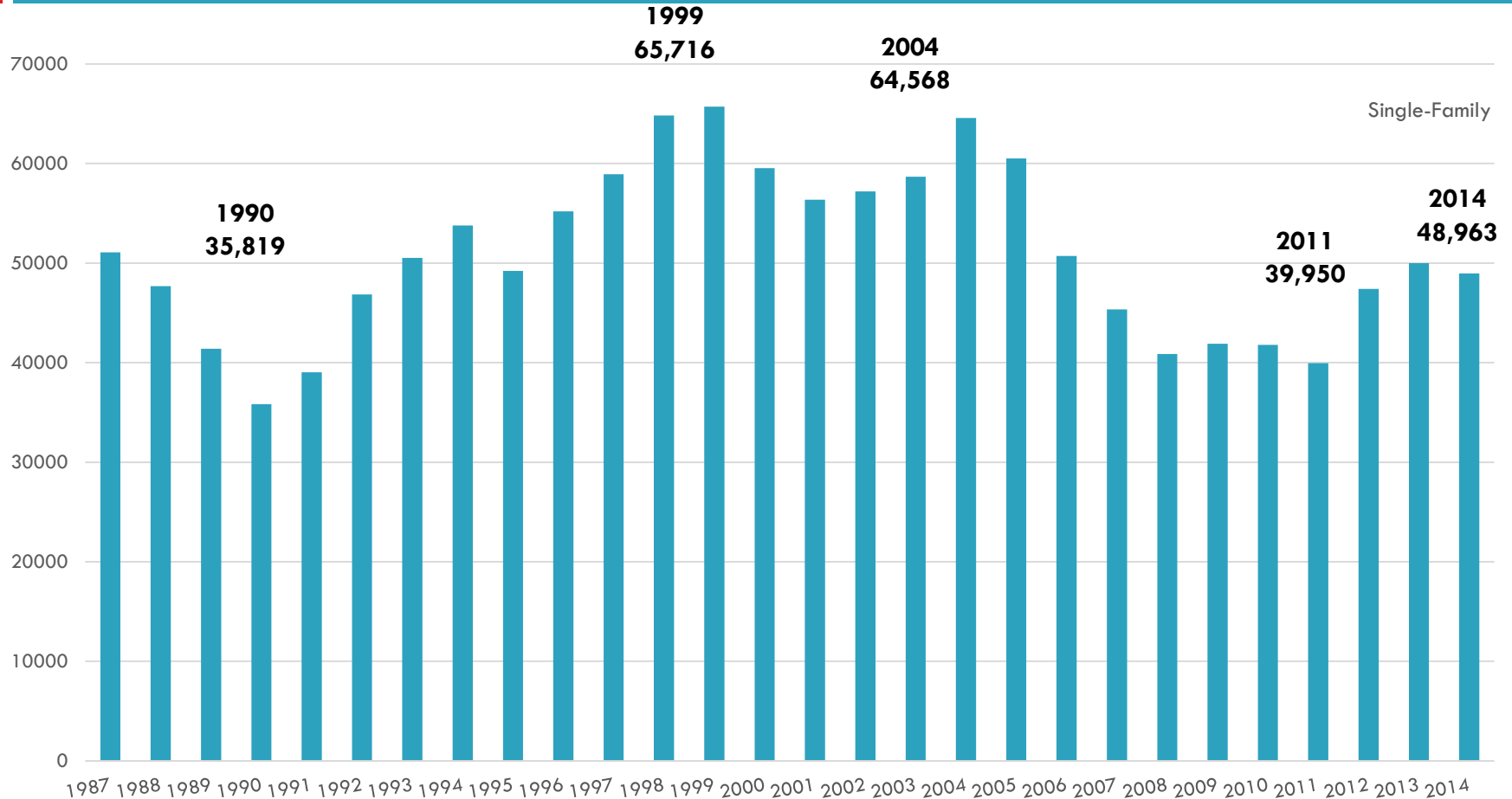
Massachusetts Sales Stats

of units sold per year: 1987 – 2014



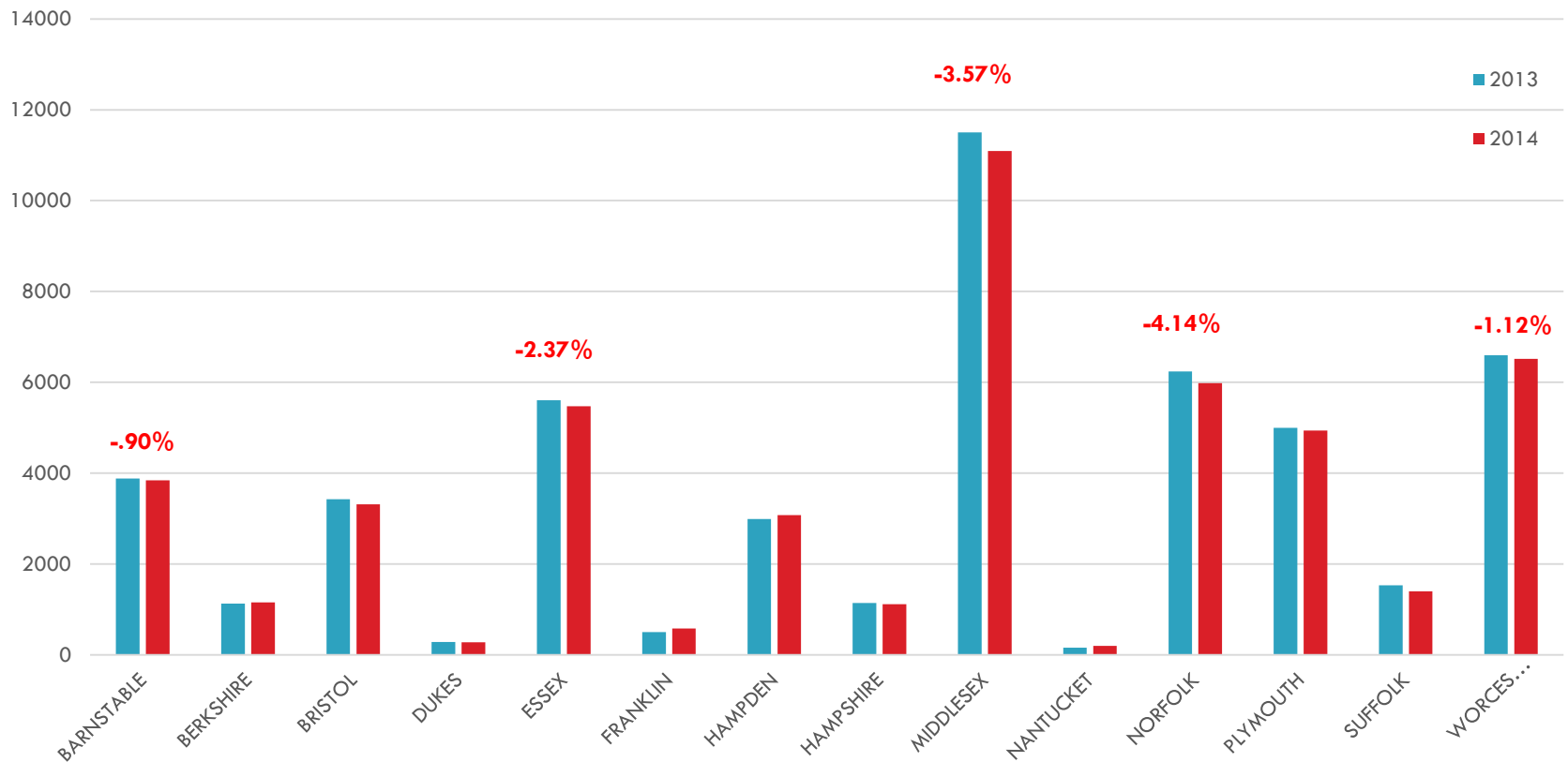
Massachusetts Sales Stats

Single-Family Homes Sold 1987 – 2014



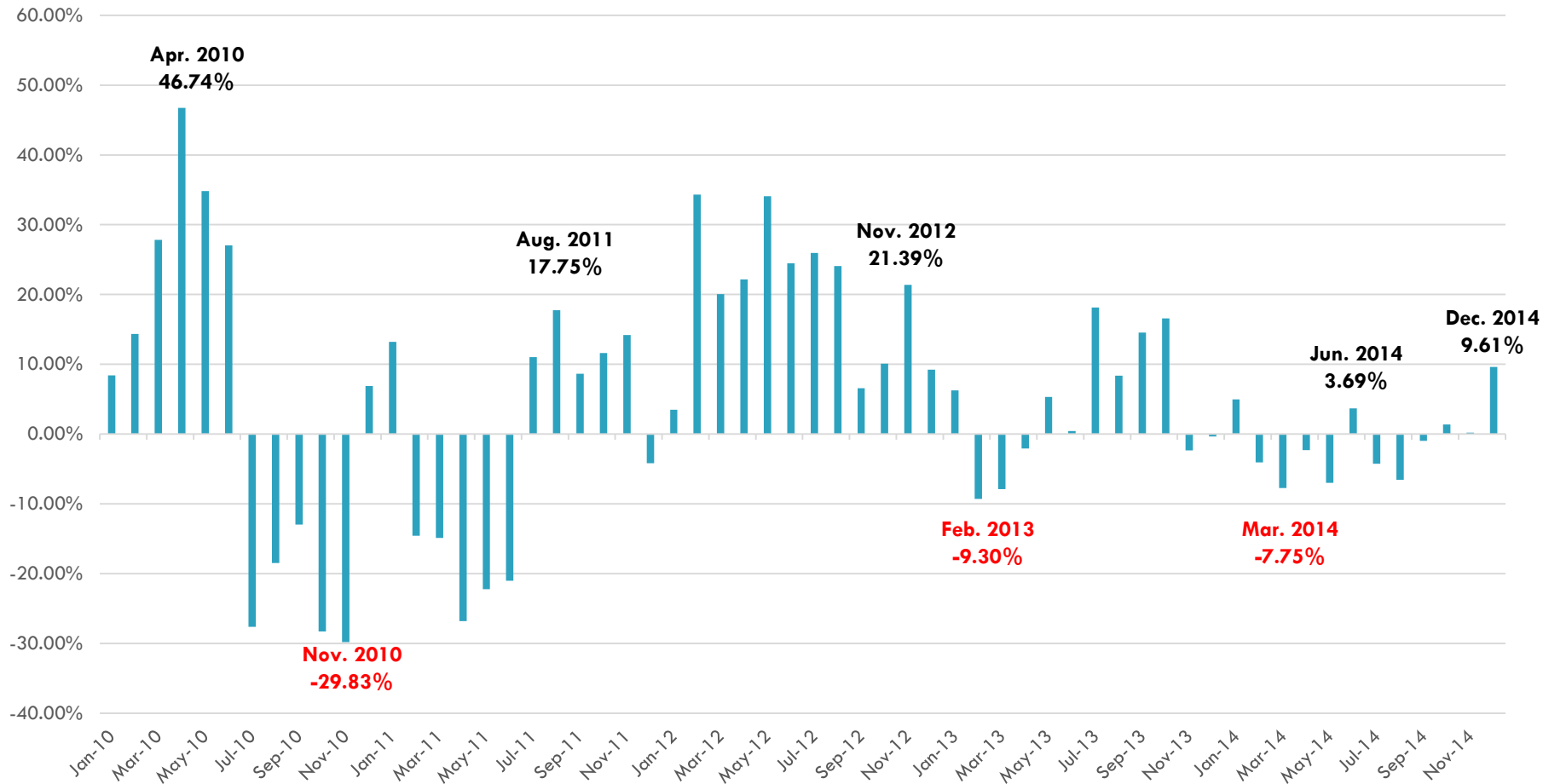
Massachusetts Sales Stats

Single-Family Homes By County, 2013-2014



Massachusetts Sale Stats

Single-Family Home Sales % Change By Month



Massachusetts Sales Stats

2011 – 2014

Single-Family Sales:

2011	2012	
39,048	46,887	+18.4%
2012	2013	
47,401	49,833	+5.13%
2013	2014	
49,833	48,963	-2.04%

Condo Sales:

2011	2012	
15,118	19,061	+25.5%
2012	2013	
19,037	20,431	+7.32%
2013	2014	
20,431	20,614	+0.71%



Massachusetts Sales Stats

Multifamily 2011 – 2014

2-Family Sales:

2011	2012	
4,308	4,792	+11.2%
2012	2013	
4,792	4,807	+.31%
2013	2014	
4,807	4,655	-3.16%

3-Family Sales:

2011	2012	
1,849	1,918	+3.7%
2012	2013	
1,918	1,878	-2.1%
2013	2014	
1,878	1,889	+.59%

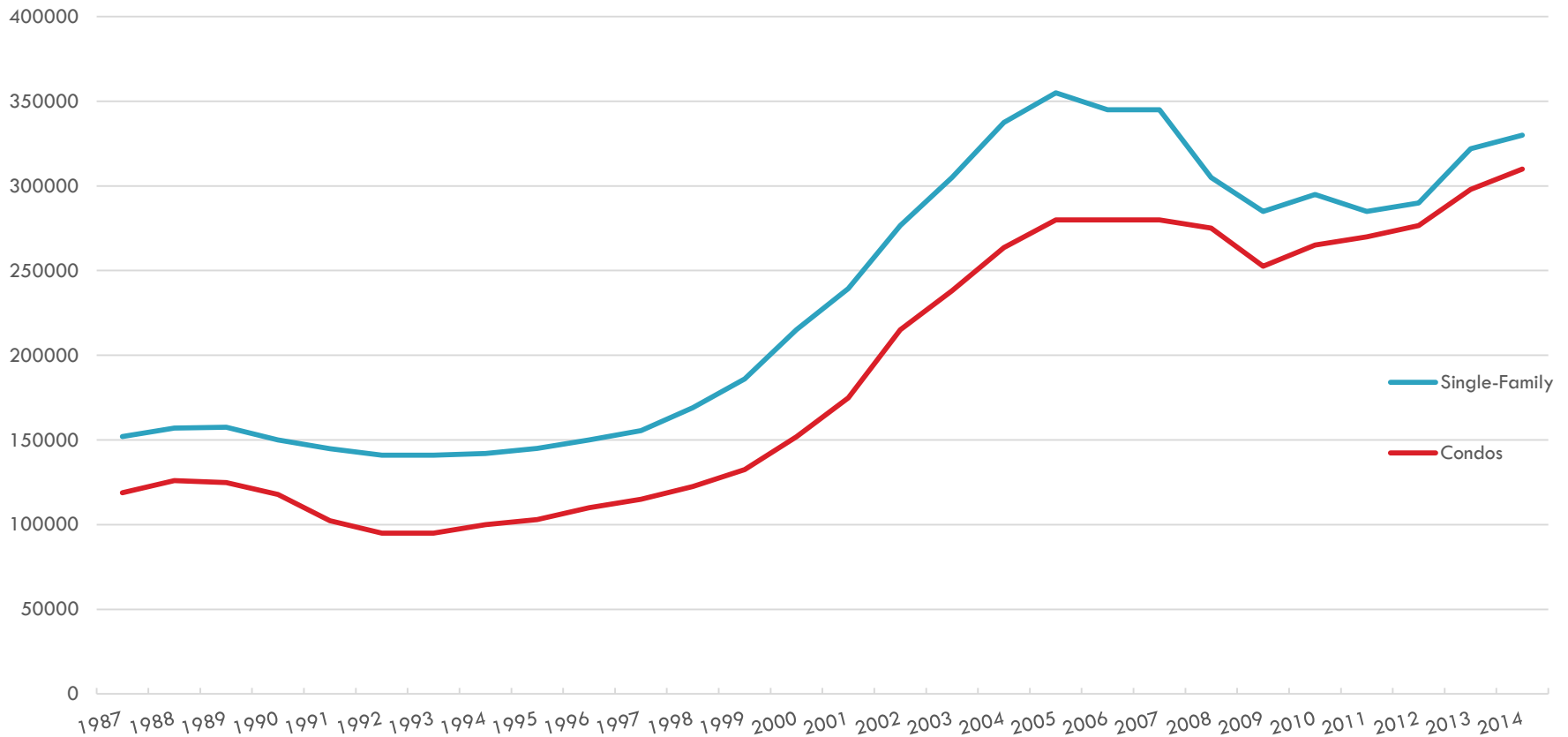




Median Prices

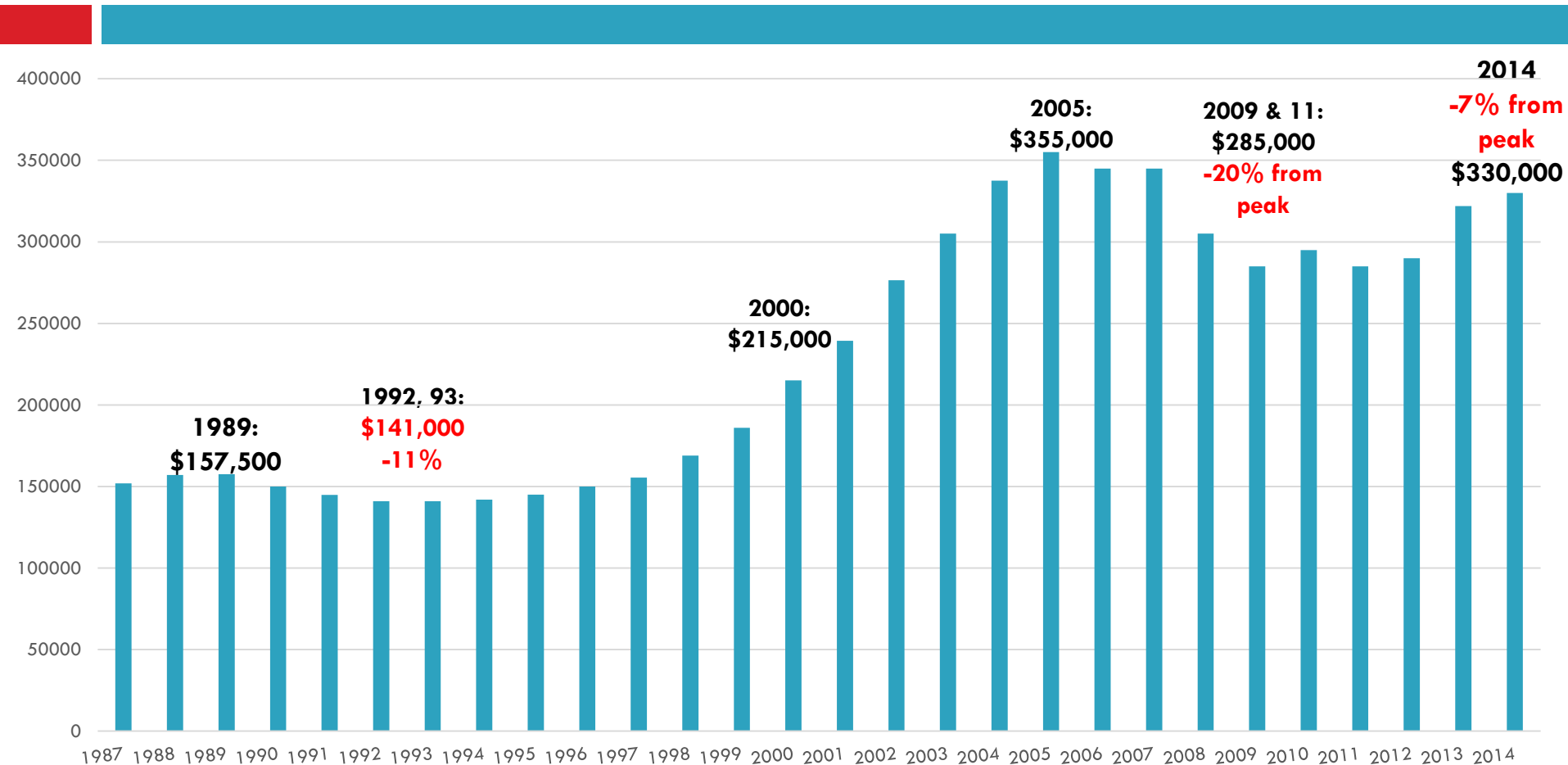
Massachusetts Median Price Stats

Prices by year: 1987-2014



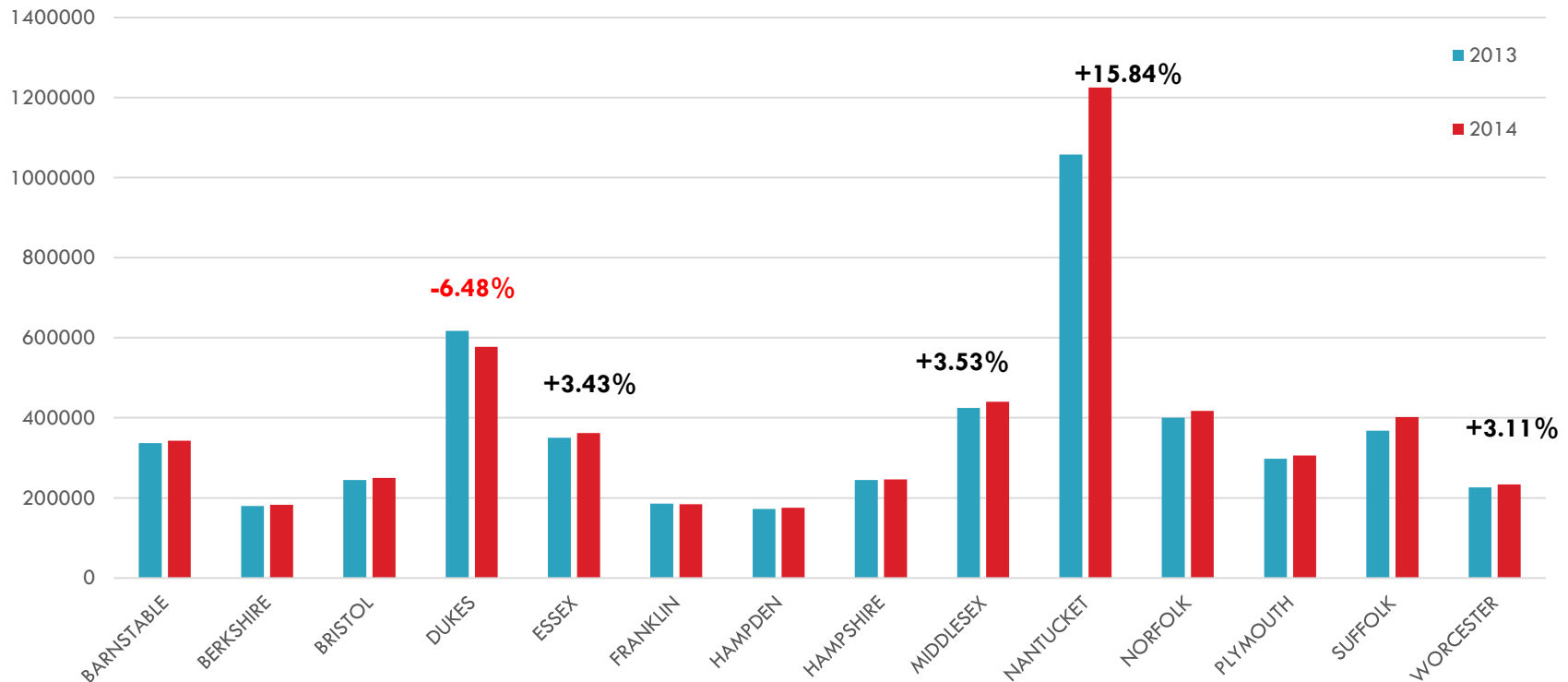
Massachusetts Price Stats

Single-Family Median Price Trends 1987- 2014



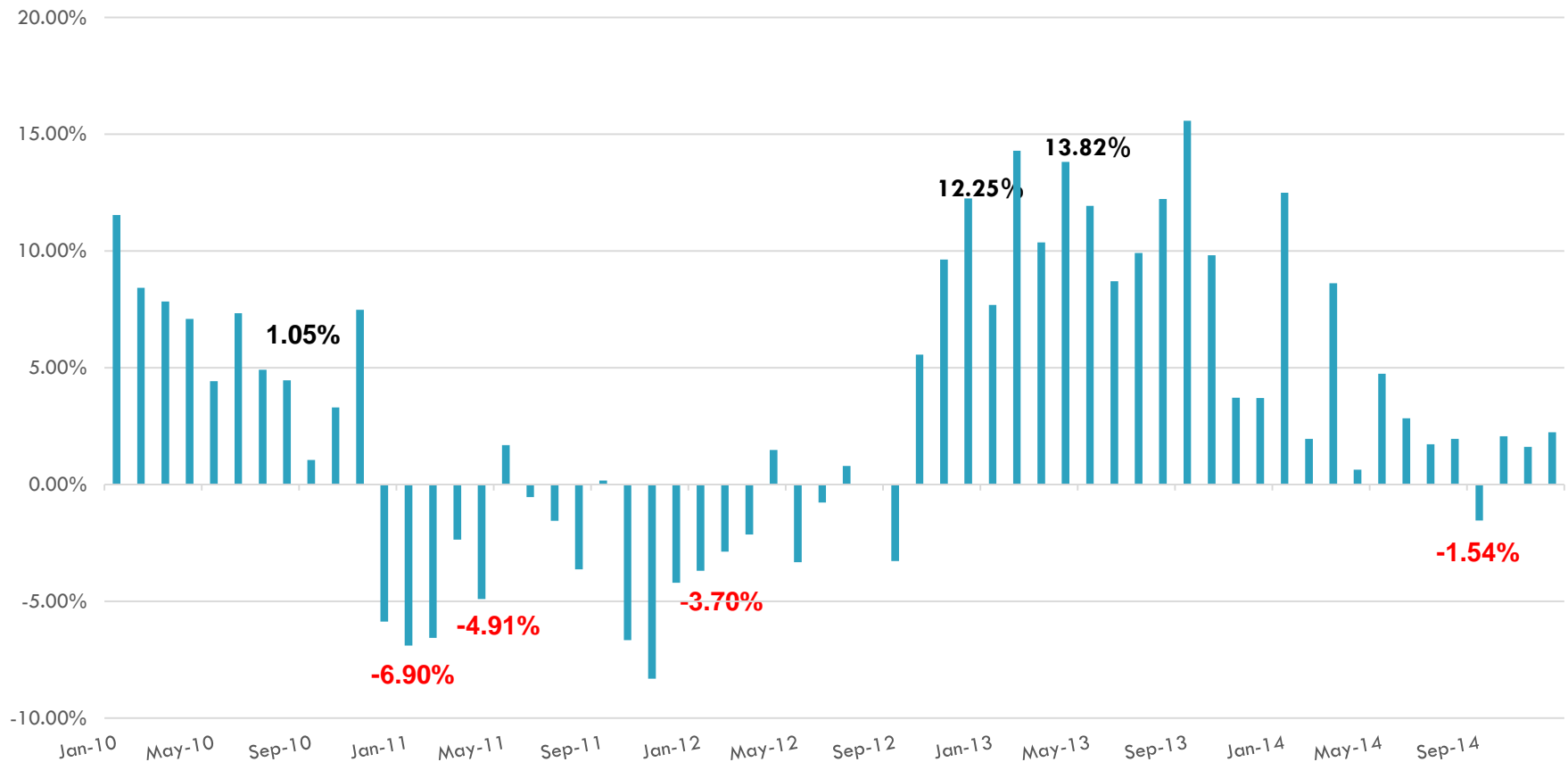
Massachusetts Price Stats

Single-Family Median Prices By County



Massachusetts Price Stats

Single-Family Home Prices % Change By Month



Massachusetts Median Price Stats

2011 – 2014

Single-Family Median Price:

2011	2012	
\$285,000	\$290,000	+1.75%
2012	2013	
\$290,000	\$322,000	+11.03%
2013	2014	
\$322,000	\$330,000	+2.48%



Condo Median Price:

2011	2012	
\$270,000	\$277,000	+2.6%
2012	2013	
\$277,000	\$298,000	+7.78%
2013	2014	
\$298,000	\$310,000	+4.03%

Massachusetts Median Price Stats

Multifamily 2011 – 2014

2-Family Median Price:

2011	2012	
\$230,000	\$255,000	+11%
2012	2013	
\$255,000	\$305,000	+18.4%
2013	2014	
\$305,000	\$329,000	+7.7%

3-Family Median Price:

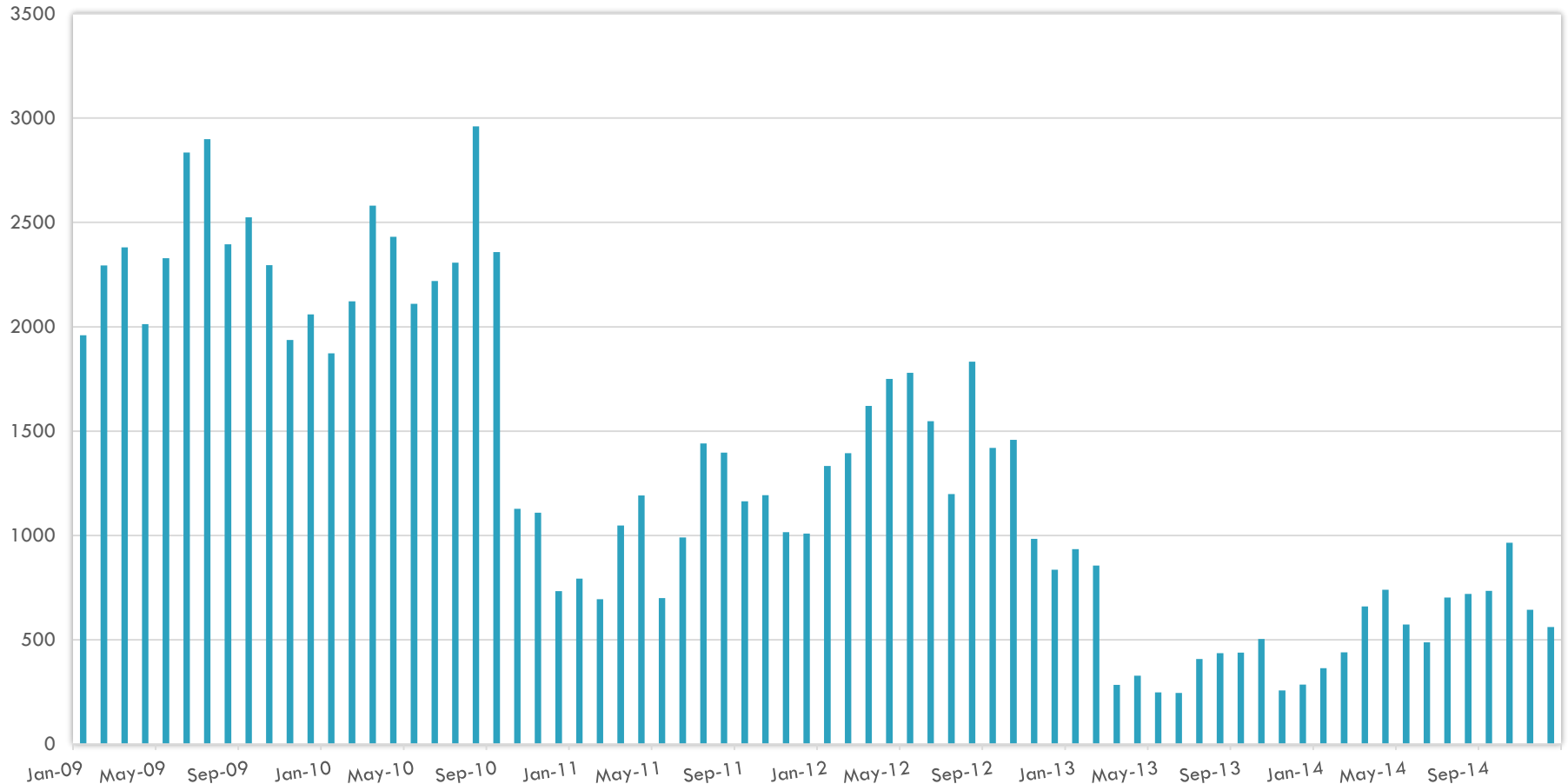
2011	2012	
\$220,000	\$252,000	+14.5%
2012	2013	
\$252,000	\$300,662	+19.3%
2013	2014	
\$300,662	\$330,000	+9.8%





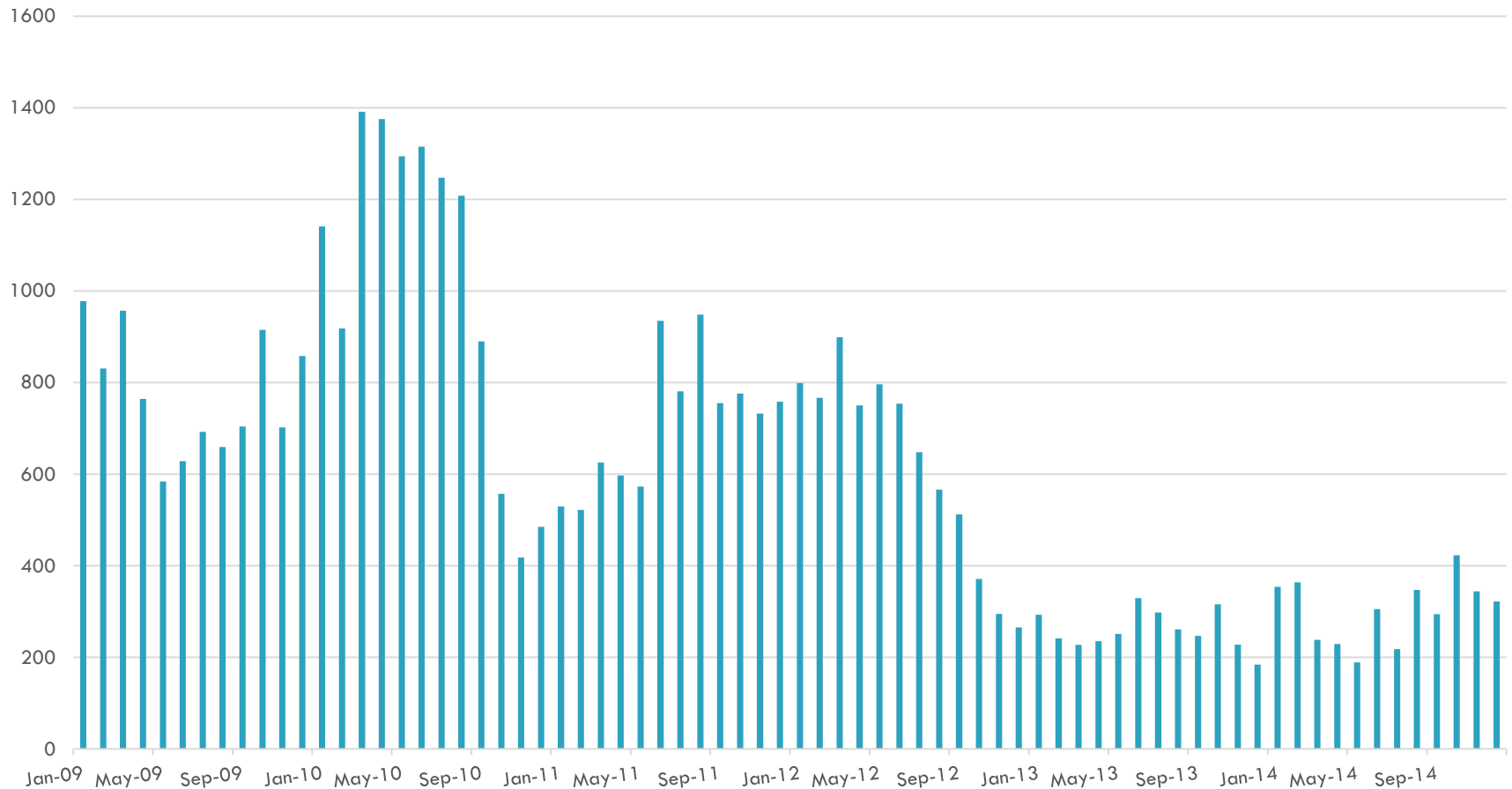
Foreclosure Trends

Mass. Monthly Petitions to Foreclose Jan. 2009- Dec. 2014



Mass. Monthly Foreclosure Deeds

Jan. 2009 – Dec. 2014



Massachusetts Foreclosure Stats

Petitions to Foreclose (All Properties):

2011 12,634	2012 17,152	+36%
2012 17,152	2013 5,220	-69.1%
2013 5,220	2014 7,588	+45.36%

Foreclosure Deeds (All Properties):

2011 8,531	2012 7,422	-13%
2012 7,422	2013 3,692	-50.2%
2013 3,692	2014 3,627	-1.76%





Frequently Asked Questions

Which Crash Was Worse?

- ☐ 1990's?
- ☐ 2000's?

Facts of Housing Crashes

- ❑ Crash of 1990s had declining sales volume for 3 years. Total decline: 30%
- ❑ Crash of 2000s had declining sales volume for 7 years. Total decline: 40%
- ❑ Crash of 1990s had declining median price for 3 years. Total decline: 10%
- ❑ Crash of 2000s had declining median price for 6 years. Total decline: 19%

Facts of Housing Crashes (continued)

- In recovery from crash of 1990s, sales volume increased for two straight years before median prices stopped falling.
- In recovery from crash of 2000s, 2012 was the first year with increase in sales volume, and median price rose 2%

Facts of Housing Crashes (continued)

- ❑ In recovery from crash of 1990s, it took 6 years after prices stopped falling for median price to reach previous peak. Very slow price recovery.
- ❑ In recovery from crash in 2000s, median prices are rising by double digits in second year and then slowed to modest growth in third year of recovery

Factors in Recovery?

- ❑ Improved jobs picture and growing personal income
- ❑ Growth in consumer confidence
- ❑ Improved stock market
- ❑ Low interest rates
- ❑ More affordable homes
- ❑ Pent-up demand
- ❑ Rising rents
- ❑ Quick home turnover

Pent Up Demand?

- From 1996 to 2005 (10 years) Massachusetts averaged 60,155 single-family homes sold
- From 2007 to 2011 (5 years) the average was 41,652
- Missing roughly 20,000 home sales each year for 5 years
- That is 100,000 homes that didn't get sold

Pent Up Demand? (continued)

- People had reasons to buy or sell, but were too scared
- This pent up demand is bringing people out looking to buy
- Low inventory of homes for sale
- High demand + low supply = rising prices

Statewide Losers? - Median Sale Prices

	2005	2014	% Change
<input type="checkbox"/> ATHOL	\$179,900	\$115,000	-36%
<input type="checkbox"/> FITCHBURG	\$213,950	\$145,000	-32%
<input type="checkbox"/> SOUTHBRIDGE	\$230,000	\$160,000	-30%
<input type="checkbox"/> WARREN	\$215,000	\$150,000	-30%
<input type="checkbox"/> ORANGE	\$178,750	\$125,214	-29%

Note: Towns with 50+ single-family home sales

Statewide Winners? - Median Sale Prices

	2005	2014	% Change
<input type="checkbox"/> CAMBRIDGE	\$667,500	\$854,000	+79%
<input type="checkbox"/> JAMAICA PLAIN	\$498,000	\$700,000	+40%
<input type="checkbox"/> LEXINGTON	\$705,000	\$950,000	+34%
<input type="checkbox"/> SOUTH BOSTON	\$409,000	\$545,000	+33%
<input type="checkbox"/> BROOKLINE	\$1,120,000	\$1,485,000	+32%

Note: Towns with 50+ single-family home sales

Pending Sales?

- ❑ Pending sales have increased 22 straight months
- ❑ Increase in pending sales often by double digits percentages
- ❑ Closed sales are down in 2014
- ❑ Why are pending sales not closing?

Inventory?

- ❑ Dec. 2014 inventory was down 17% from the level in Dec. 2013.
- ❑ Inventory of homes for sale (year-over-year) has fallen each month in the last 34 months
- ❑ Buyers complain of lack of choice
- ❑ Why so few sellers?

Buyers Market?

- ❑ Prices well below peaks in most communities
- ❑ Interest rates low
- ❑ Job growth
- ❑ Rising stock market
- ❑ Not enough sellers

First-Time Buyers?

- ❑ No home to sell
- ❑ Growing economy, jobs
- ❑ National statistics show first-time home buyers are declining share of the market
- ❑ First-time buyers represented 39% of sales in Mass.
- ❑ Apartments offer more job flexibility
- ❑ Homes dismissed as investment opportunity?

Boom in Condos?

- ❑ Gains in sales of condos beat gains in single-family homes three years running
- ❑ New and upper-end condos popular
- ❑ Foreign investment
- ❑ Demographics – Baby boomers

Another Crash?

- ❑ Foreclosure starts climbing (up 45% in 2014)
- ❑ Single-family sales volume falling (down 2% in 2014)
- ❑ No bubble forming. Prices well below peak.
- ❑ Market behavior rational
- ❑ Economy growing
- ❑ Crash unlikely



What's Ahead In 2015

Prediction for 2015?

- Expecting a modestly better year in 2015
- Improving economy will drive new household growth in 2015
- Added jobs are driving buyers to purchase homes before prices rise
- Mortgage availability
- Pent-up demand
- Room for growth

Thank you! Questions?

Tim Warren

twarren@thewarrengroup.com