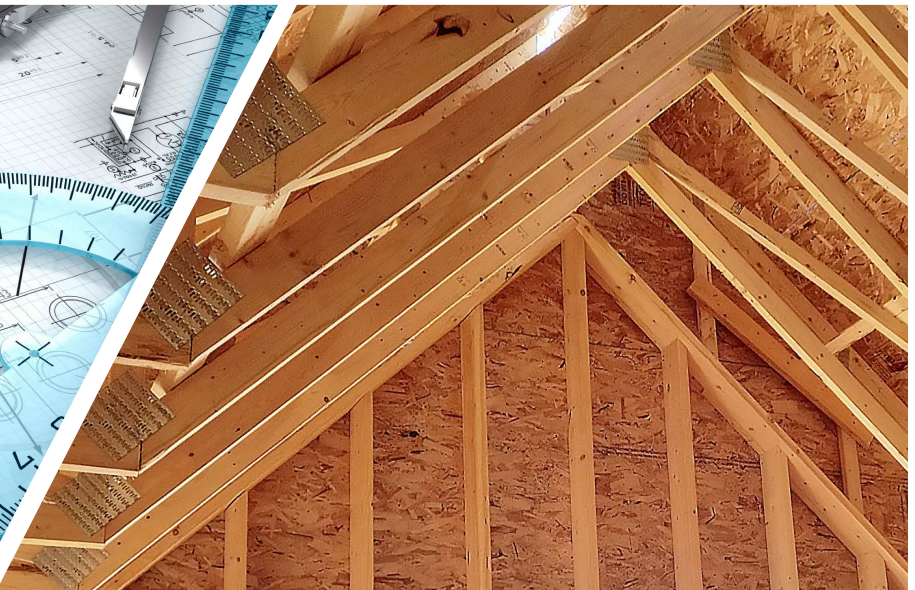




Massachusetts 2017  
2nd Quarter / 1st Half Housing Report

WILLIAM RAVEIS  
NEW DEVELOPMENT SERVICES







## Housing Market is Healthier, But Not for Everyone

The housing market has certainly rebounded from 2008 levels, but not all see the positive benefits

By John Tarducci, MIRM, Senior Vice President, New Development Services Division, William Raveis Real Estate, Mortgage & Insurance

The housing market that closed the first half of 2017 is the healthiest it has been since 2008. In the Northeast, and most major metropolitan areas, sales are up and prices are up--good signs of a well-performing industry. But, what if those numbers do not tell the whole story? According to The State of the Nation's Housing 2017, the annual report from the Joint Center for Housing Studies (JCHS) of Harvard University, they might not. Leading us to believe there is more to our current market than meets the eye.

The report analyzed a number of factors, including total number of cost-burdened and severe cost-burdened renters and

homeowners, homeownership stratification and changes in homeownership price. What they ultimately found is interesting, and points to a larger problem in the United States: a stagnation in homeownership. 2016 was the twelfth year in a row in which the homeownership rate was lower than the year prior, and in Q1 2017, the homeownership rate stood at 63.6 percent, the same rate recorded a year prior. And no: the problem is not millennials' love of avocado toast.

# Housing Permits See Increase in First Half of 2017<sup>1</sup>

MSA	1 Unit	2 Unit	3 & 4 Unit	5+ Unit	Total H1 2017
Barnstable Town	88	2	0	0	90
Boston/Cambridge/Quincy	2365	236	121	3897	6619
Pittsfield	3	0	0	0	3
Springfield	24	0	0	0	24
Worcester	105	4	0	120	229
Totals	2585	242	121	4017	6965

MSA	1 Unit	2 Unit	3 & 4 Unit	5+ Unit	Total H1 2016
Barnstable Town	42	0	0	0	42
Boston/Cambridge/Quincy	2538	214	181	2486	5419
Pittsfield	6	0	0	0	6
Springfield	13	2	0	0	15
Worcester	71	4	0	0	75
Totals	2670	220	181	2486	5557

% DIFF.	25.3%	-3.2%	10.0%	-33.2%	1,838.0%
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## State of Massachusetts

Housing Permits Issued by MSA  
1st Half 2016 vs. 2017

At the close of the first two quarters of 2017, permits in the Commonwealth of Massachusetts saw a total increase of 25.3 percent, increase from 5,557 in June 2016 to 6,965 in June 2017.

The single largest increase came in 5+ Unit permits, which jumped 61.6 percent, from

2,486 to 4,017, followed by 2-Unit permits, which increased 10 percent year-over-year. Decreases were seen in 3 & 4-Unit permits, which fell 33.2 percent, from 181 to 121, and in 1-Unit permits, which increased 3.2 percent.





## Single-Family Average Sales Price Continues Upward Trend



In H1 2017, in the Commonwealth of Massachusetts Single-Family Home Sales fell 2.1 percent, from 24,714 at the close of H1 2016 to 24,206 in the same period of 2017. On a county-by-county basis, decreases were seen across the Commonwealth, including: Middlesex County at 5.8 percent, Bristol County at 3.4 percent, Essex County at 2.4 percent, Hampden County at 2 percent, Plymouth County at 0.9 percent and Worcester County at 0.4 percent. Norfolk

County experienced a gain of 4.5 percent, and Suffolk County increased 0.2 percent in H1 2017 as compared to H1 2016.

Averages Sales Price for single-family homes in Massachusetts increased 7 percent in H1, from \$455,897 to \$487,609. Increases were seen in Suffolk County (34 percent), Norfolk County (23.5 percent), Essex County (18.2 percent), Middlesex County (16.9 percent), Plymouth County (15.6 percent), Hampden County (12.2 percent), Worcester County (9.6 percent) and Bristol County (8.3 percent).

To round out the first half of the year, Average List Price increased 17.8 percent, Months of Supply fell 26.7 percent and Price Per Square Foot increased 5.4 percent from H1 2016 to H1 2017.

### 1st Half 2017 vs. 2016

<b>Unit Sales</b>	<b>2.1%</b>	<b>↓</b>
<b>Avg. List Price</b>	<b>17.8%</b>	<b>↑</b>
<b>Months of Supply</b>	<b>26.7%</b>	<b>↓</b>



## Single Family Marketplace

Home Sales 1st Half 2016 vs. 2017

COUNTY	NUMBER OF UNITS SOLD			AVERAGE SALES PRICE		
	H1 2016	H1 2017	% DIFF.	H1 2016	H1 2017	% DIFF.
Bristol	2,127	2,054	-3.40%	\$304,700	\$326,919	+7.30%
Essex	2,740	2,673	-2.40%	\$455,189	\$488,018	+7.20%
Hampden	1,822	1,786	-2.00%	\$199,740	\$202,038	+1.20%
Middlesex	5,053	4,760	-5.80%	\$616,213	\$654,818	+6.30%
Norfolk	2,830	2,956	+4.50%	\$620,075	\$674,772	+8.80%
Plymouth	2,727	2,702	-0.90%	\$392,979	\$425,744	+8.30%
Suffolk	602	603	+0.20%	\$635,412	\$716,252	+12.70%
Worcester	3,652	3,638	-0.40%	\$281,775	\$299,600	+6.30%
<b>STATEWIDE</b>	<b>24,714</b>	<b>24,206</b>	<b>-2.10%</b>	<b>\$455,897</b>	<b>\$487,609</b>	<b>+7.00%</b>

## Single Family Marketplace

Months of Supply 1st Half 2016 vs. 2017

COUNTY	H1 2016	H1 2017	% DIFF.
Bristol	4.60	3.40	-27.50%
Essex	3.50	2.60	-26.40%
Hampden	4.90	3.60	-27.10%
Middlesex	3.00	2.20	-27.30%
Norfolk	3.40	2.50	-25.50%
Plymouth	4.50	3.40	-24.20%
Suffolk	2.90	2.10	-28.20%
Worcester	4.60	3.00	-34.10%
<b>TOTAL</b>	<b>4.30</b>	<b>3.20</b>	<b>-26.70%</b>



## Condominium Sales and Prices Rise in First Half of Year



To finish H1 2017, we saw Units Sold decrease slightly for condominiums in the Commonwealth of Massachusetts, down 0.1 percent, from 10,008 to 9,999 in 2017. Several counties experienced gains in the first half, including: Norfolk County at 11.1 percent, Essex County at 9.2 percent, Plymouth County at 6.7 percent and Worcester County at 0.5 percent. Suffolk County remained even at 2,217 Units Sold. Counties experiencing

losses include Hampden County at 8.3 percent, Middlesex County at 7.8 percent and Bristol County at 5.3 percent.

Averages Sales Price of condominiums in Massachusetts increased 6.7 percent, from \$442,131 to \$471,687. Increases were seen in Essex County (11.6 percent), Suffolk County (10.2 percent), Bristol County (9.5 percent), Norfolk County (6 percent), Plymouth County (5.7 percent), Middlesex County (4.2 percent) and Worcester County (2.7 percent). The only county to experience a decrease was Hampden County, where Average Sales Price fell 4.7 percent.

To round out the first half of the year, Average List Price increased 19.5 percent, Months of Supply fell 23 percent and Price Per Square Foot increased 6.2 percent from H1 2016 to H1 2017.

### 1st Half 2017 vs. 2016

<b>Unit Sales</b>	<b>0.1% ↓</b>
<b>Avg. List Price</b>	<b>19.5% ↑</b>
<b>Months of Supply</b>	<b>23.0% ↓</b>

# Condominium Sales and Prices on the Rise



## Condominium Marketplace

Home Sales 1st Half 2016 vs. 2017

COUNTY	NUMBER OF UNITS SOLD			AVERAGE SALES PRICE		
	H1 2016	H1 2017	% DIFF.	H1 2016	H1 2017	% DIFF.
Bristol	413	391	-5.30%	\$201,353	\$220,549	+9.50%
Essex	1,255	1,371	+9.20%	\$284,382	\$317,353	+11.60%
Hampden	240	220	-8.30%	\$157,719	\$150,355	-4.70%
Middlesex	2,902	2,676	-7.80%	\$464,469	\$483,818	+4.20%
Norfolk	1,031	1,145	+11.10%	\$442,432	\$469,017	+6.00%
Plymouth	495	528	+6.70%	\$300,116	\$317,266	+5.70%
Suffolk	2,217	2,217	0.00%	\$727,677	\$802,011	+10.20%
Worcester	800	804	+0.50%	\$218,741	\$224,609	+2.70%
<b>STATEWIDE</b>	<b>10,008</b>	<b>9,999</b>	<b>-0.10%</b>	<b>\$442,131</b>	<b>\$471,687</b>	<b>+6.70%</b>

## Condominium Marketplace

Months of Supply 1st Half 2016 vs. 2017

COUNTY	H1 2016	H1 2017	% DIFF.
Bristol	4.40	2.70	-39.00%
Essex	3.30	2.40	-28.00%
Hampden	5.70	4.50	-21.90%
Middlesex	2.20	1.50	-28.80%
Norfolk	2.70	2.00	-25.20%
Plymouth	4.40	3.80	-13.90%
Suffolk	2.40	2.20	-6.40%
Worcester	4.40	3.20	-26.80%
<b>TOTAL</b>	<b>3.20</b>	<b>2.50</b>	<b>-23.00%</b>





## Factors Impacting Homeownership

### ***Surging Rents Make Path Difficult***

For potential first-time homebuyers, today's rental market places a roadblock in the path to homeownership. Nationally, 48 percent of renters are cost-burdened (spending more than 30 percent of their income on housing), and 26 percent are severely cost-burdened (spending more than 50 percent of their income on housing.)

Those numbers represent significant populations of potential homebuyers who are struggling to pay their landlords each month. Ultimately, that means less disposable income to stash for a down payment, further delaying their household formation.

### ***First-Time Affordability***

Increasingly high rents are not the only culprit when looking at low homeownership rates: surging home prices have also had a significant effect. The JCHS report found that, nationally, 45 percent of renters in metro areas can afford

monthly payments on a median-priced home in their market. But that drops to less than 10 percent in the high-cost markets in California, the Pacific Northwest, Florida, and the Northeast.

Additionally, home values now average \$575,000 in the 10 fastest-growing metro markets--a price too steep for many looking to make a first-time home purchase. This is coupled with a decline in starter home builds, leaving an entire population of renters priced-out of today's housing market.

### ***Construction Lows***

In 2016, 1.7 million units were added nationwide, a 5.6 increase from 2015, and the nation's seventh straight year of gains. This might sound healthy, but we're still adding fewer new homes of any decade since the 1970s. Even more disconcerting for renters? From 2004 to 2015, the JCHS report shows, the number of starter homes dropped from 500,000 units to just 136,000. Ultimately pushing more first-time buyers to rent longer.





## The Good News

For builders and Realtors alike there's good news: a large market of potential homebuyers is waiting to get out from under their suffocating rents. By some estimates, including CNN Money, upwards of three million first-time homebuyers have been shut out of the market since its downturn almost a decade ago.

In a recent whitepaper released by the National Association of Realtors, several factors were identified as "hurdles to homeownership." Chief among them? Housing availability and affordability. There's a massive, untapped opportunity for builders to begin refilling the stock of starter homes, which would give young buyers a compelling reason to enter homeownership.

Another reason identified in the whitepaper was lingering risk aversion following the 2008 downturn. Many young buyers experienced parents, friends and family going through foreclosures, or selling their homes at a loss. This left a lasting impression. As an industry, it is extremely important to focus on re-education of first-time homebuyers to make them more comfortable in the market.

1. <https://www.forbes.com/sites/samanthasharf/2017/04/26/what-president-trumps-tax-proposal-means-for-the-housing-market-and-the-value-of-your-home/#35f63a5c690f>

2. <https://www.forbes.com/sites/lawrenceyun/2016/11/10/trump-presidency-and-impact-on-real-estate/#7ec6b3cb5665>

3. <https://www.usatoday.com/story/money/2017/04/25/lumber-fight-canada-could-raise-home-prices/100877254/>



John Tarducci, MIRM, CMP, CRB  
Senior Vice President

William Raveis New Development  
Services

John.Tarducci@Raveis.com  
RaveisNDS.com

o: 203.925.4587  
c: 203.640.6930

Overall, there is potential for a large influx of new buyers into the market in the coming years, but it will not happen organically. Tangible shifts have to be made in order to coax reluctant, cash-strapped renters to start new households.

We anxiously await the next six months of this year as the market direction is as diverse as the communities we are monitoring. Time will tell but we anticipate builders reacting to this consumer segment and begin to fill the starter home inventory gap.

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### Credits and Resources

1. Information contained herein is based on information obtained from MLSPIN and is deemed accurate but not guaranteed
2. Metro Service Area (MSA) housing permit data source: U.S. Census Bureau Compiled by HUD Research
3. Not all Massachusetts counties are made part of this report. This report focuses on the eight eastern counties (Bristol, Essex, Hampden, Middlesex, Norfolk, Plymouth, Suffolk, and Worcester).

**WILLIAM RAVEIS**  
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