

Merrimack Valley

housingreport

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A Plunge in Mortgage Value

By Richard P. Howe Jr.

The number of mortgages recorded in October 2013 at the Middlesex North Registry of Deeds was down substantially from October 2012 and from the previous months in 2013. There were 809 mortgages recorded in October 2013, a 47% decline from the 1529 recorded in October 2012. The decline began this summer with 1279 in July sliding to 1085 in August to 963 in September to the 809 of October.

The reasons for this decline are not completely clear. An overall slowdown in the area real estate market did set in towards the end of the summer. Since most people who purchase homes also obtain a new mortgage, a decline in deeds typically is accompanied by a similar decline in mortgages. However, the current drop in mortgages is out of proportion with the decline in deeds which indicates that the number of existing mortgages being refinanced is also declining. Mortgage rates have been relatively flat so there has been no sudden rate increase to help explain the decline in volume. Concern about the Federal Government shut

down, the possible Federal default, and overall unease about the state of the economy all may be contributing factors to the general malaise seems to be overtaking the real estate market.

The October 2013 numbers also illustrate how far real estate has fallen from its peak ten years ago. As mentioned above, in October 2013 there were 809 mortgages recorded in the Middlesex North Registry District. In October 2003 there were 2945 (and by then the refinancing boom was already fading – in May of that year there were 3894 mortgages recorded).

The total number of mortgages recorded is not the only thing that has changed in ten years. The type of entities originating the mortgages also evolved. Examining 173 mortgages recorded at the end of October in both 2003 and 2013 reveal the following: The number of mortgages originated by major national banks such as Wells Fargo increased from 33% in 2003 to 41% in 2013. The number of mortgages originated by regional banks declined slightly from 14% in 2003 to 12% in 2013.

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Deeds, Mortgages, Foreclosures and Orders of Notice Recorded

August 2012 and August 2013 compared

| | Haverhill | | Lawrence | | Lowell | | Methuen | |
|-------------------|-----------|--------|----------|--------|--------|--------|---------|--------|
| | Oct-12 | Oct-13 | Oct-12 | Oct-13 | Oct-12 | Oct-13 | Oct-12 | Oct-13 |
| Deeds | 93 | 119 | 106 | 96 | 133 | 144 | 89 | 105 |
| Mortgages | 193 | 160 | 126 | 167 | 264 | 197 | 209 | 145 |
| Foreclosure Deeds | 5 | 6 | 3 | 4 | 2 | 8 | 2 | 2 |
| Orders of Notice | 13 | 8 | 7 | 5 | 18 | 9 | 13 | 5 |

The number of mortgages originated by local banks increased from 9% in 2003 to 17% in 2013. And the number of mortgages originated by independent mortgage companies declined from 43% in 2003 to 26% in 2013. For all the questions raised about MERS (Mortgage Electronic Registration System Inc.), the percentage of mortgages held by it increased substantially from 26% in 2003 to 46% in 2013 (the MERS mortgages are also included in the above originator numbers).

In the spring and summer of 2003, mortgage volume was a leading indicator of a rise in home sales and home values. What started as a refinancing boom morphed into a national real estate bubble. It is unclear whether the opposite will be true in 2013. In other words, will a decline in mortgage volume now lead to a decline in sales and values in the coming months? That is a question that cannot be answered yet, but the statistics for the coming months should be watched closely.

Looking to Showcase Your Vacancy or Looking to Move?

Community Teamwork Inc. (CTI) developed a new website designed to help landlords showcase their vacancies, and tenants to easily find them.

This free service is offered throughout the Merrimack Valley and the North Shore.

For more information go to:

www.nearlistings.org or contact Avi Glaser at aglaser@comteam.org

Sales Trends Sluggish in Area Cities

By Victoria Cote

The Boston Globe in October published an article which analyzed the total single-family housing sales in Massachusetts, comparing September 2005 to the same month in 2013. The article highlighted that sales rates reach the highest point they have been since 2005, with a 15% increase from 2005 to 2013. The Merrimack Valley Housing Report Team looked at housing sales for the major cities in the region to examine if this trend occurred here as well. Our analysis of deed (sales) data for all housing types did not find a similar increase in housing activity.

Number of Deeds Filed in September from 2005 to 2013

| Year | Methuen | Lowell | Haverhill | Lawrence |
|--------------------------------------|---------|--------|-----------|----------|
| 2005 | 118 | 254 | 164 | 132 |
| 2006 | 92 | 181 | 119 | 113 |
| 2007 | 72 | 144 | 101 | 61 |
| 2008 | 76 | 157 | 99 | 115 |
| 2009 | 84 | 179 | 88 | 87 |
| 2010 | 90 | 98 | 88 | 87 |
| 2011 | 73 | 139 | 97 | 62 |
| 2012 | 88 | 107 | 92 | 42 |
| 2013 | 87 | 139 | 81 | 112 |
| Total | 780 | 1398 | 929 | 811 |
| Percent Change between 2005 AND 2006 | -26% | -45% | -51% | -15% |

Sales Trends Sluggish in Area Cities (continued from page 3)

The data above shows the number of deeds filed in the month of September for the last nine years, indicating significant changes in the housing market. The percent changes in deed filings for all the cities are fairly high. Lowell and Haverhill experienced the highest percent reduction, showing that housing sales in these cities were significantly lower in September 2013 than in 2005. Lawrence saw the largest increase in deed filings between 2012 and 2013, as sales more than doubled from 42 to 112, but still saw a 15% reduction in deeds filed between 2005 and 2013. Methuen also witnessed a decrease in deed filings compared to 2005, but its percent change of -26% was less severe than Lowell (-45%) and Haverhill (-51%).

In terms of deed numbers, major cities in the Merrimack Valley do not seem to be following the same positive surge as Massachusetts as a whole, as September deed recordings within these communities never reached their 2005 level. All cities still appear to be struggling to get out of the real estate slump. The sales activity levels of these four cities respective real estate markets have not changed in relation to each other, which indicate that the general composition of real estate in the Merrimack Valley has not changed drastically despite the decrease in overall deeds filed. The order of total deeds, from lowest to highest since 2005, is Methuen, Lawrence, Haverhill, and then Lowell. This order was also true in 2005, when deeds recorded were at their highest. Nevertheless, the ranking in 2013 from lowest to highest is Haverhill, Methuen, Lawrence, and then Lowell, showing that Haverhill may not be recovering as fast as the other cities.

Looking at the data from 2005 to 2013 indicates little to no upward trend in housing within these cities. Although we would need to analyze data for every month over the past nine years to be sure of this trend, this data set does indicate continued weakness in the housing market for these communities.

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