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The Condominium Market

By Richard P. Howe Jr.

Many of the foreclosure-related documents recorded here at the Registry of Deeds in recent months have involved condominiums. A closer look at the statistics confirms that the number of condominium foreclosures is climbing, particularly in Lowell. In 2007, the year that foreclosures began to surge, condominiums accounted for just 13% of the foreclosure deeds recorded for the city of Lowell (35 of 271). In 2008, the ratio increased to one out of five (21% or 76 of 370). Last year, one out of three foreclosures in Lowell was of a condominium (34% or 84 of 245).

In the nine towns that comprise the rest of the Middlesex North District (Billerica, Carlisle, Chelmsford, Dracut, Dunstable, Tewksbury, Tyngsborough, Westford and Wilmington), condominiums also account for a substantial number of foreclosures although the ratio has been steadier over time. For example, in 2007, 43 of the 163 foreclosures (26%) were condominiums. In 2008, it was 40 of 232 (17%) while in 2009 it was 40 of 155 (26%). The numbers from the first quarter of 2010 yield similar percentages. Of 94 foreclosure deeds for Lowell recorded between January 1 and March 31, twenty-nine involved condominiums. For the same three months, of 67 foreclosure deeds in the towns, 16 were for condominiums.

The rising incidence of condominium foreclosures is driven primarily by the precipitous drop in values that followed the extremely high run-up of prices that peaked in 2005. The median price of a condominium in Lowell in 1990, for example, was $90,000. By

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Deeds, Mortgages, Foreclosures and Orders of Notice Recorded

March 2009 and March 2010 compared

	Haverhill		Lawrence		Lowell		Methuen	
	Mar-09	Mar-10	Mar-09	Mar-10	Mar-09	Mar-10	Mar-09	Mar-10
Deeds	87	91	105	78	147	145	76	92
Mortgages	181	132	133	79	266	180	195	136
Foreclosure Deeds	13	23	34	24	30	35	4	8
Orders of Notice	16	54	22	57	20	60	9	26

Foreclosures Up, Sales Mixed During First Quarter

By David Turcotte

Foreclosure deeds and petition filings (order of notices) were higher in most communities during the first three months of 2010 when compared to the first quarter of 2009. Haverhill experienced the largest foreclosure rate increase at 53% with 61 foreclosure deeds recorded in 2010 compared to only 40 during the same period in 2009. Methuen saw a 33% increase from 15 to 20, while Lowell foreclosure deeds recorded went up 12% from 84 to 94 when comparing the first quarter of 2009 to 2010. Towns within the Middlesex North Registry of Deeds witnessed a 46% increase from 46 to 67 during the same period. Conversely, Lawrence foreclosure deeds declined 11%, from 82 during the first quarter of 2009 to 73 this year.

Nevertheless, the most disturbing trend is the dramatic increases in order of notices, also known as "foreclose petitions" (the first formal step in the foreclosure process), which likely indicates that foreclosures will continue upwards over the next several months. Lowell experienced the largest first quarter increase in order of notices recorded at 357%, followed by Haverhill (300%), Methuen (243%), and Lawrence (170%). The towns also had an overall increase of 338% when comparing the first quarters of 2009 and 2010.

On the positive side, sales activity (deeds filed) increased in many communities over the first quarter of 2009 when compared to 2010. Among the four

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Steep Declines in Values for Real Estate Owned Properties

By Ketih Vaillancourt

An examination of Real Estate Owned (REO) properties in the first quarter of 2010 indicated a sharp decline in housing values of these previously foreclosed properties. A sample group of REOs was collected from the 352 deeds registered in Lowell and 286 in Lawrence between January and March. From this population, the property histories of 10 REOs from Lowell and 22 (15 multi-family & 7 single-family) REOs from Lawrence were analyzed.

The original purchasing price for the deed of the property was compared to the current purchasing price for the third party buyer (new deed recipient) after the foreclosure and seizure of the property by the lender. Only properties that were originally bought after 2004 were used in the sample study to determine the range of decline during the peak years of the housing bubble.

In Lawrence, the median buying price in this sample for a single-family home during peak housing was about $235,000. A few years later, the median buying price for this same group of properties was about $103,000. The median decline in housing values for this sample population was about -$120,000, while median percentage in decline was about -51% of original value.

As for multi-family units, the median buying price for the sample during the peak years was about $345,000, while this same group of homes had a median reselling price of $130,000. The median decline for these properties was about -$200,000, while the median percentage in decline was about -59% of the original value.

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The Condominium Market
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2005, that price had jumped 117% to $194,900. In 2009, the median condominium price had slid 25% to $147,000. Of course, the ten year change from 2000 to 2009 showed an overall increase in value of 63%, rising from $90,000 to $147,000.

Condominiums in the Middlesex North District towns followed a similar trajectory as those in Lowell. The median price for a condominium on the nine towns in 2000 was $142,900. By 2005, that rose 79% to $256,500. By 2009, it had declined 16% from the 2005 value to $215,500 although the 2009 amount still represented a 51% increase from the value in 2000.

While it may be of little consolation to the many owners whose mortgage indebtedness exceeds the fair market value of their unit, condominiums have proven to be a good investment relative to non-condominiums. In Lowell, for example, the median sales price for non-condominiums rose 92% from 2000 to 2005, then declined 35% from there, leaving a net ten year increase of only 24%. During that same period, condominium values had a net ten year increase of 63%. In the towns, the median sales price for non-condominiums rose 53% from 2000 to 2005, then declined 14% from there, leaving a net ten year increase of 33%. During that same period, condominium values had a net ten year increase of 51%, not as pronounced a difference as in Lowell, but good news nonetheless.

Still, until values climb back to something near 2005 levels, many condominium owners will remain trapped in units that are worth less than the amount owed on the mortgage, a precarious situation that helps explain the steady rise in the number of condominiums now undergoing foreclosure.

Lowell - Median Prices

	All props	***% chg***	***Houses***	***% chg***	***Condos***	***% chg***
2000	$140,000		$154,000		$90,000	
2005	$254,900	82%	$295,900	92%	$194,900	117%
2009	$178,500	-30%	$191,000	-35%	$147,000	25%
	10-yr chg	28%	***10-yr chg***	24%	***10-yr chg***	63%

Middlesex North Towns - Median Prices

	All props	***% chg***	***Houses***	***% chg***	***Condos***	***% chg***
2000	$223,000		$245,000		$142,900	
2005	$350,000	57%	$376,000	53%	$256,500	79%
2009	$300,000	-14%	$325,000	-14%	$215,500	-16%
	10-yr chg	35%	***10-yr chg***	33%	***10-yr chg***	51%

Foreclosures Up, Sales Mixed during First Quarter
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largest cities in the region, Methuen saw the biggest jump as deeds recorded in 2010 increased 20% to 202 from the total of 168 during the first quarter of 2009. Haverhill also experienced an 11% increase with 267 deeds recorded in 2010 when compared to 2009's first three months total of 241. However, Lowell and Middlesex North Registry of Deeds area towns had only a 1% increase during this period. On the other hand, Lawrence recorded 241 deeds this quarter, a 16% decrease from total of 286 during the first quarter in 2009.

What trends should we expect to see over the next quarter? Deed recordings should increase modestly in most communities, but many observers are concerned that sales may noticeably decline once federal homebuyer tax credits expire unless the economy begins to rebound more strongly. We also anticipate foreclosures to increase throughout the region due to the escalating number of foreclosure petitions filed, as long as government initiatives remain ineffectual. Lenders auctioning off and selling more homes within the foreclosure process will put added downward pressure on home prices in the Merrimack Valley. With the Feds increasing interest rates, mortgage (refinancing) deeds filed should continue to drop in number.

Steep Declines in Values for Real Estate Owned Properties
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In Lowell, the median buying price for the sample group of single-family homes during peak was about $243,000. The median re-selling price for this group was about $118,000. The median decline in value was about -$115,000, while the median percentage in decline was about -51% for the original buying price only about four years.

There were a few limitations to this survey, being that it's only a small sample of available property information spread over a three month time period. The actual number of REOs available between January and March was significantly higher in both cities; however, many of those properties were not used in the study because they were originally purchased before 2004, or were only listed as transfers on the deed.

The lack of a significant enough sample size of properties bought during peak value could be due to a wane in foreclosures due to bad mortgages and inflated credit, which was more prevalent in 2008/2009. A study on the property values of REO properties bought before 2004 would be relevant because of increasing foreclosures due to loss of income.

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