Merrimack Valley

housing**report**

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Discussion around the Single-Family Home

By Keith Vaillancourt

Since the end of the 1st quarter (Jan-Mar) of 2011, discussion amongst regional economists, news outlets and the real estate sector have centered on the latest sales figures of single-family homes, their current selling value and the potential outcomes on a struggling economy. Sales figures between quarters and since last year continue to illustrate the conundrum of historically low, thus more affordable prices, a "buyer's market," yet consistently sluggish single-family home sales across the nation due to contemporary economic factors.

To add context for Massachusetts, single-family home sales for the northeast region in the 1st quarter of 2011 compared to the first quarter of 2010 declined (-5.9%), while statewide sales declined (-9.4%). The median selling value of these homes declined (-3.5%) in the northeast, while statewide values declined (-2.7%). Throughout Massachusetts March '10' compared to March '11', single-family (detached) home sales declined (-22.4%), while median selling values declined (-2.3%). (1)

Considering local activity, a sample survey of all registered deeds was performed for the months of April 2010 and 2011 to illustrate a contrast in market activity and display the most recent figures in a diversity of locations during the spring selling season (April-June), which is usually a busy time of year. The cities/towns of Lowell, Methuen, Haverhill and Tewksbury were used in the study, while Lawrence was not considered mainly due to the higher number of multifamily units. Tewksbury could represent a more traditionally suburban area, with a larger sample of single-family units.

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Deeds, Mortgages, Foreclosures and Orders of Notice Recorded

April 2010 and April 2011 compared

	Haverhill		Lawrence		Lowell		Methuen	
	Apr-10	Apr-11	Apr-10	Apr-11	Apr-10	Apr-11	Apr-10	Apr-11
Deeds	102	92	84	75	167	131	71	73
Mortgages	145	117	94	94	212	169	137	113
Foreclosure Deeds	21	11	26	13	36	19	19	1
Orders of Notice	29	21	37	27	42	57	26	29

Figure 1 displays deeds registered for the two contrasting months. Overall there isn't a significant difference in contrast, except for Lowell, which has a more diverse housing stock between single-family, condo and multifamily units.

Figure 1: Total Deeds Registered

	April '10	April '11	Change
Haverhill	102	92	-10
Lowell	167	131	-36
Tewksbury	50	51	1
Methuen	71	73	2

The break down in the number of units sold and their represented values illustrates a more detailed picture, and is outlined in figure 2. The most significant statistic is the decline in selling price and total units of single-family homes in all four cities. Judging by the declines in selling value, it could be surmised that the local market around Lowell/Tewksbury might be healthier then markets around the Methuen/Haverhill area in this instance, or possibly following a different trajectory. Although this is a limited sample, these figures don't portray a robust start to the spring selling season.

Until 2nd quarter (April-June) figures are known, it will be difficult to know the full picture of sales in the state, as compared to the 2010 spring season.

However, it's very apparent that overall sales and values of single-family homes are not recovering fast enough in the overall market. At this point, a "new normal" should be considered and appropriate policies should be debated to adjust to new realities in the market. Housing sales and values will not return to pre-bust levels under normal market circumstances, while population growth or net in-migration will not close the gap for the state. Regarding questions to be asked: should these policies encourage more single-family home purchasing, especially REO properties, or should there be an emphasis on diversity and affordability regarding all unit types, including the rental markets?

Notes:

(1) State-wide Data Source: the Massachusetts Association of Realtors

(2) Deeds information: Middlesex North Registry of Deeds (Lowell/ Tewksbury), Southern Essex District Registry of Deeds (Methuen/ Haverhill)

(3) Condo and multi-family units were included to account for other deeds, but shouldn't be considered statistically representative in their respective markets due to the small sample size, especially multi-family units in Methuen and Haverhill.

Figure 2: Single Family Units Sold & Values (3)

Lowell						
	April 2010		**April 2011**		**Change**	
	Units	**Med. Value**	**Units**	**Med. Value**	**Units**	**Med. Value**
Single	46	$196,750	27	$188,000	-19	-$8,750
Multi	20	$192,700	22	$95,500	2	-$97,200
Condo	30	$155,400	8	$132,000	-22	-$23,400
Tewksbury						
	April 2010		**April 2011**		**Change**	
	Units	**Med. Value**	**Units**	**Med. Value**	**Units**	**Med. Value**
Single	22	$294,500	15	$289,900	-7	-$4,600
Multi	10	$217,750	12	$245,000	2	$27,250

Methuen						
	April 2010		April 2011		Change	
	Units	Med. Value	Units	Med. Value	Units	Med. Value
Single	31	$259,000	18	$189,950	-13	-$69,050
Multi	4	$268,950	2	$75,000	-2	-$193,950
Condo	5	$168,000	13	$175,000	8	$7,000

Haverhill						
	April 2010		April 2011		Change	
	Units	Med. Value	Units	Med. Value	Units	Med. Value
Single	34	$269,450	31	$205,000	-3	-$64,450
Multi	9	$152,910	3	$84,000	-6	-$68,910
Condo	12	$174,250	9	$145,000	-3	-$29,250

Foreclosures Resurgent

By Richard P. Howe Jr.

The outlook on the foreclosure front seemed rosy for six months. Starting in October 2010, the monthly totals of foreclosure-related documents recorded at the Middlesex North Registry of Deeds dropped substantially on a monthly basis when compared to the same month from a year earlier. Through March 2011, the number of foreclosure deeds and orders of notice were both down more than 50% by this measurement. This positive news was accompanied by a significant increase in the number of mortgages recorded for the last quarter of 2010 (up by more than 50% compared to the same quarter in 2009) which when taken together suggested that the outlook for real estate was positive.

Such forecasts of a real estate bounce-back were premature, however, because April 2011 showed a 20% increase in the number of orders of notice recorded, the first such increase in more than six months. During April of 2010, there were 97 orders of notice recorded for the entire district. In April of 2011, that number rose to 115. Of that amount, Lowell had 57; Dracut and Wilmington had 10 each; Billerica and Tewksbury had 9 each; Chelmsford had 7; Westford had 5; Tyngsborough had 4; and Carlisle and Dunstable each had 2.

To help understand the circumstances of these latest foreclosures, I scrutinized the 57 properties in Lowell that were the subjects of orders of notice recorded during April. Although registry of deeds records are primarily concerned with the ownership of the land and not its use, it is apparent that 14 of the 57 properties with newly recorded orders of notice were condominium units. Several others seemed to be multifamily properties. Most are in the neighborhoods of Lowell that have seen the most foreclosure activity: Centralville, the Highlands and the Acre. Only 21 of the 57 mortgages (37%) being foreclosed were obtained at the time the property was purchased; the rest were all refinanced mortgages that came years after the property had been purchased.

Grouping these troubled properties by date of purchase discloses some of their common characteristics. Of the 57 orders of notice recorded in April 2011, thirteen (23%) were for properties that were purchased before

2000. None of the mortgages being foreclosed in this group were used to purchase the property; all were refinances. For these 13 properties, the median purchase date was January 21, 1996 and the median purchase price was $83,000. The median date of the mortgages being foreclosed was July 24, 2006 and the median indebtedness on these mortgages was $210,000. By refinancing, these homeowners incurred debt that averaged $118,000 more than the initial purchase price of their homes.

The second group would be those properties purchased between 2000 and the end of 2004, the period before the most extreme increases of the real estate bubble. Twenty-two properties (39%) fell into this category although only six of the mortgages being foreclosed were used to purchase the property; the rest were refinancings. The median purchase date of these properties was August 28, 2003 and the median purchase price was $156,000. The median date of the mortgage being foreclosed was May 12, 2005 and the median indebtedness on these mortgages was $246,000 (an average of $90,000 more than the initial purchase prices of the properties).

The final group were those properties purchased since January 2005. Twenty-two properties (39%) were in this group and fifteen of them involved the purchase mortgage. The median purchase date of these properties was November 30, 2006 and the median purchase price was $227,000. The median mortgage date was March 19, 2007 and the median mortgage amount was $224,000.

Viewing these foreclosures as a whole, several observations can be made: There was a significant lag between the recording of a mortgage and the commencement of foreclosure proceedings related to it. For both the pre-2000 and the post 2004 group, orders of notice were recorded on average more than four years after the execution of the mortgage being foreclosed. For the 2000 to 2004 foreclosures, that time period jumped to six years. Partly this might be attributable to self-imposed time delays on the commencement of foreclosures by national lenders who have struggled to clarify their paperwork. Another possibility is that those with the most precarious mortgages have already lost their homes. The folks facing foreclosure now are those who have struggled to keep their homes but for whatever reason have now lost that battle.

The other observation is that the practice of extracting equity in excess of the original purchase price of the home increases the chances of foreclosure. How many of those who purchase their homes before 2000 for a median price of $83,000 could have kept current on mortgages at or less than that amount? By refinancing one or more times, this group raised the median indebtedness to $210,000, an amount far in excess of the purchase price.

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