

# Merrimack Valley housingreport



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## The Collateral Damage of the Foreclosure Crisis

Richard P. Howe Jr.

“No one forced them to borrow the money.” How many times did you hear that a year ago when talk turned to finding an appropriate response to the foreclosure crisis? But now, with foreclosure rates still rising and no end in sight, almost everyone recognizes the collateral damage to neighborhoods and communities caused by foreclosures.

Neighborhoods pockmarked with vacant properties are the most visible community casualty. Such

homes become crime magnets, drawing drug addicts, vagrants and shady entrepreneurs intent on mining copper and other metals from the building’s fixtures. Other homes in the vicinity of such structures, no matter how well maintained, lose their value and become less attractive places to live.

A study of foreclosures in Lowell confirms that such properties tend to remain vacant—or at least in

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## Housing Development and Rapid Land Consumption

David Turcotte

According to U.S. Census and Natural Resource Conservation Service data, Massachusetts is consuming land for development at a pace well above population growth and at a higher rate than other New England States. From 1980-2000, Massachusetts’ population grew by 11% while the amount of developed land increased by 44%. Using Mass GIS data, the Mass Audubon reports that most of this increase in developed land was due to residential development. Mass

Audubon attributes these trends to several factors, including state and local zoning laws, decline in average household size, and increased new construction of larger single-family homes. Are we developing land and open space for housing at a rate that could negatively impact the ability of future generations to meet their housing needs? What are population and land development growth rates in the Merrimack Valley? We plan to explore these questions in future issues of the Merrimack Valley Housing Report.

### Deeds, Mortgages, and Foreclosures Recorded

May 2007 and May 2008 Compared

	Haverhill		Lawrence		Lowell		Methuen	
	May 07	May 08	May 07	May 08	May 07	May 08	May 07	May 08
Deeds	115	101	99	98	207	156	111	103
Mortgages	253	197	231	132	449	253	246	193
Foreclosure Deeds	13	21	25	57	20	47	7	10

***Collateral Damage continued from page 1***

ownership limbo - for extended periods of time. The city of Lowell saw 252 foreclosures during 2007. In almost every case, the high bidder at the auction was the foreclosing lender, entities whose only interest was reselling the property to a third party as quickly as possible. By May 31, 2008, however, only 163 of those foreclosed properties (65%) had been resold, leaving 89 (35%) still on the market or, worse still, boarded up while awaiting a market turnaround. The properties that were sold by lenders remained on the market for an average of 127 days while awaiting a buyer. Those that had not been resold prior to June 1, 2008 had been vacant for an average of 282 days (which is almost 9.5 months).

The detrimental effect on neighborhood property values exists even when the foreclosed property is quickly sold to a third party. The reason the repossessed home sold so quickly was because it was offered at an attractive price, usually far below the fair market value of surrounding structures. Of the 163 foreclosures in Lowell during 2007, about two-thirds of them

were purchased by the dispossessed owner after 2003 with an average purchase price of \$266,117. In cases where these recent foreclosures have already been resold, the price obtained by the foreclosing lender in the post-foreclosure sale to a third party averaged \$167,617, a 37% decrease in value. While such sales prices might be artificially low, caused by a lender-in-possession anxious to liquidate its real estate holdings, these transactions would still serve as comparable sales in the future valuation of other properties in the neighborhood.

Foreclosed properties are a drag on the value of all homes in the vicinity of the dispossessed property due to lengthy vacancies and low resale prices. Local government, lenders at all levels and all citizens should do everything in their power to mitigate this damage by finding ways to keep borrowers in their homes or, if foreclosure is inevitable, by getting the property into the hands of a new and responsible owner as quickly as possible.

**2008 Foreclosures by Property Type for Lowell and Lawrence**

*By John Fraser*

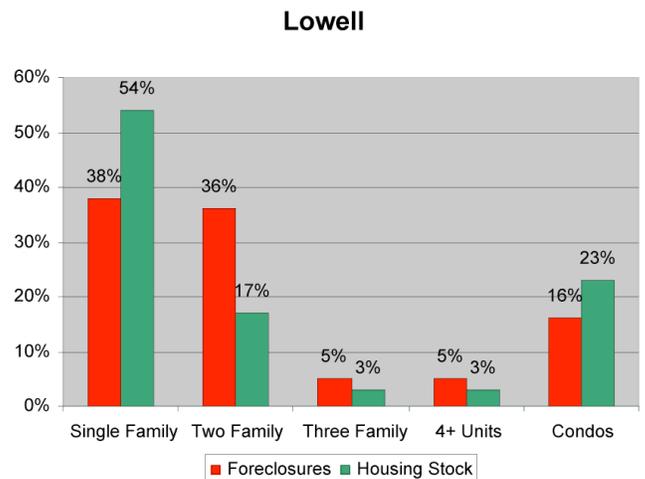
The two communities hardest hit by foreclosures in the Merrimack Valley are Lowell and Lawrence. Breaking down foreclosures by property type helps inform our understanding of the crisis. Foreclosures are affecting not only Single Family home-owners but every type of property and tenant. While Multi-Family properties make up only 23% of Lowell's housing stock and 48% of Lawrence's housing stock, they represent 46% and 73% of foreclosures respectively. Some of these properties are currently boarded up and the tenants evicted, other tenants face an uncertain future as new owners come in.

The following data shows us that foreclosures really do affect people from across the property divide. It would make sense that foreclosure trends would roughly correlate to general housing trends; however that is not always the case.

Lowell experienced 165 residential foreclosures from January through Mid-June 2008. Of those foreclosures 38% were Single Families, 36% were Two

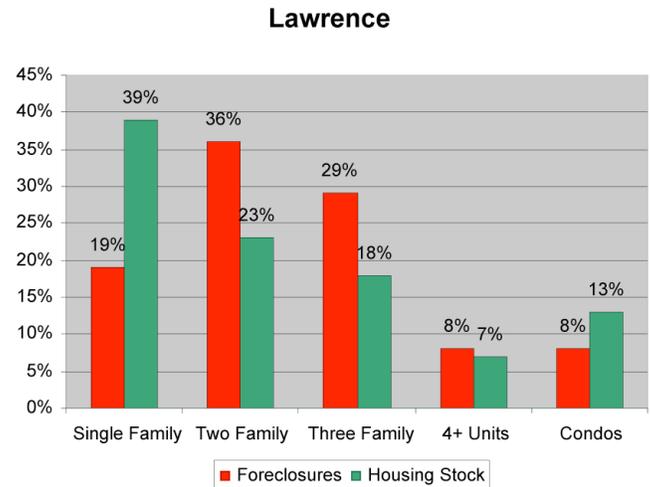
Families, 5% were Three Families, 5% were Apartments Over 4 Units and 16% were Condominiums. In 2007 the latest count totaled 21,996 residential parcels in Lowell; 53% were Single Families, 17% were Two Families, 3% were Three Families, 3% were Apartments Over 4 Units and 23% were Condominiums.

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### 2008 Foreclosures continued from page 2

Lawrence experienced 217 residential foreclosures from January through Mid-June 2008. Of those foreclosures 19% were Single Families, 36% were Two Families, 29% were Three Families, 8% were Apartments Over 4 Units and 8% were Condominiums. In 2007 the city counted 10,656 residential parcels in Lawrence; 39% were Single Families, 23% were Two Families, 18% were Three Families, 7% were Apartments Over 4 Units and 13% were Condominiums.



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