

## [Massachusetts Property Values: An Appraiser's Outlook And Predictions On Future Massachusetts Property Values](#)

Posted by Richard Vetstein under [Appraisal](#), [Massachusetts Property Values](#), [Mortgage Crisis](#), [Rental Housing](#) ([edit this](#))

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I'm pleased to have [Donald J. Griffin, MAI, SRA](#), an experienced appraiser with [Don Griffin Appraisals, Inc.](#), who is here to guest blog about a topic very much on the mind of Massachusetts homeowners, buyers and sellers: Massachusetts property values.

### **What Happened? The Last Three Years**

The real estate market was artificially stimulated by forces outside the normal supply demand model. This led to artificially increased values, mostly at the lower end of the value range in communities at the lower end of the income range. Once the stimulation was terminated, around 2006, and market forces returned to normal, the correction process began. The market has to absorb all of the artificially induced value, before it can start to act in a normal supply demand model. Any particular property will be affected by the market that it is in, therefore to answer the question, "How much has my property value declined?", look at the community it is in, and the location of its value in the community's range of value, i.e. low medium and high. In general a high end valued home in a community with high incomes will see little to no loss, while a low end valued home in a community with low income will see high declining value. Most communities will continue an upward trend in average value. The upper end in both markets will continue to feel the pressure of the recession and tight credit for 12-18 months until the recession's negative effects are mostly dissipated and we have moved into a strong growth mode. Properties at the low end of the value range in all communities will wait a long time to attain the values seen in 2006.

## **The Broad Strokes**

In general, decline in real estate value is a result of an imbalance in supply and demand. More sellers than buyers, cause reduced prices. If possible sellers wait, hoping the market will improve.

## **The Impact of the Sub-Prime And Credit Crisis On Massachusetts Property Values**

There have been many articles written describing the sub-prime mortgage market in relation to the collateralized mortgage backed security market. For our purposes I will simply state that the effect was to increase demand for real estate, mostly at the low end of the value range. I say the low end because the goal was to bring marginal buyers into the market by lowering the bar for qualification for a mortgage.

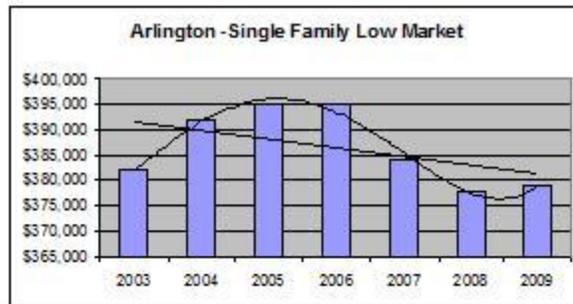
This did not affect the middle and upper income value ranges as much, since high income earners were already in the market. However, there was an “upsurge effect.” When a low value owner sold for a profit, they moved up to the middle market, creating a secondary effect on the middle and upper markets.

From 2003 to about 2006 we can document an upsurge in property values, which we attribute to the excess demand entering the market during this period.

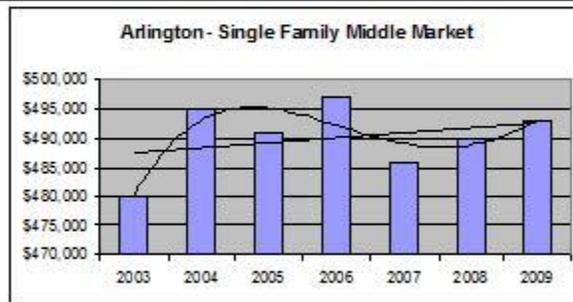
### **Case Study, Arlington, MA: The Middle Market**

I'll use Arlington, Massachusetts as a sample middle market community. I've tracked the average sales prices of single family homes from 2003 through 2009 Year to Date, shown here:





At the low end of the value range in Arlington we see a steady increase in value through 2006, followed by declines, with a recent up tick toward increased values so far in 2009. This indicates the market is correcting



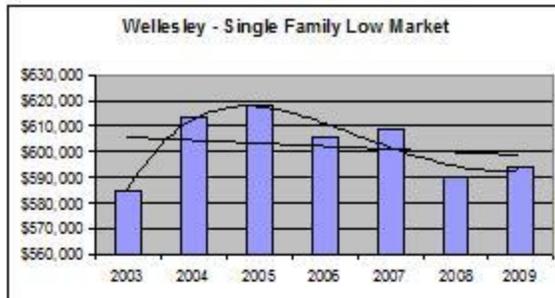
In the middle market we see erratic value changes 2003-2006, followed by steady growth. Overall trend is up. Market has corrected



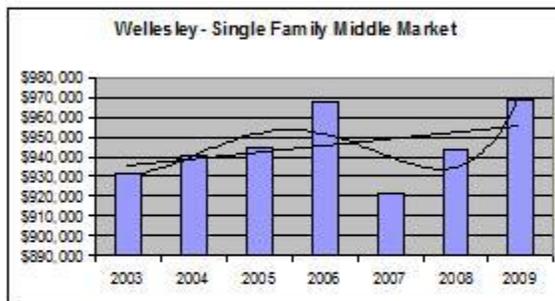
In the upper value range we see almost steady growth during the whole 2003- 2008 period. YTD 2009 is down, which we attribute more to the recession than to the effects of over supply caused by the sub prime mortgage problem.

## Case Study, Wellesley, MA: The High End Market

I'll use Wellesley as a sample upper market community where I've tracked the average sales prices of single family homes from 2003 through 2009 Year to Date, shown here:



At the low end of the value range in Wellesley we see a steady increase in value through 2005, followed by declines, with a recent up tick toward increased values so far in 2009. This indicates the market is correcting



In the middle market we see steady growth 2003-2006, followed by a decline in 2007, followed by steady growth. Overall trend is up. Market has corrected



In the upper value range we see erratic changes 2003-2005, followed by steady increases 2006-2008. YTD 2009 is down, which we attribute more to the recession than to the effects of over supply caused by the sub prime mortgage problem.

## What Markets Have Been Affected?

In general, middle market communities, such as Arlington, have seen declines at the low end, with recent increases at the middle value ranges, mostly correcting the effects of the oversupply caused by the subprime mortgages. The upper value range in a middle market community has mostly seen steady growth in value, but is now starting to feel the impact of the recession.

High income communities, such as Wellesley have seen similar changes. The YTD value declines at the upper level are more pronounced and reflect not only the recession but also the lack of ready loans for jumbo mortgages.

## Property Value Predictions: What Does The Trend Tell Us?

Following the trend lines we would predict that the lower and middle value ranges in most communities will continue an upward trend in average value. The upper end in both markets

will continue to feel the pressure of the recession and tight credit for 12-18 months until the recession's negative effects are mostly dissipated and we have moved into a strong growth mode.

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Thanks so much for the informative post, Don. We look forward to your future contributions to the [Massachusetts Real Estate Blog](#). As you can see, [Donald J. Griffin, MAI, SRA](#) really knows his stuff. So please contact him for your appraisal needs.

Richard D. Vetstein