The Bigger Picture (con't.)

Owning a home has long been an important component of retirement saving and wealth creation. Low ownership rates can create a negative ripple throughout the economy. Homeowners often use their equity to pay for college tuition, vacations or home renovations, all of which help boost consumer spending. Even just the knowledge that their home values are rising can make consumers more comfortable spending money elsewhere ('the wealth effect').

Building lower-priced homes means finding cheaper land, which tends to be farther away from jobs. Focusing on increasingly expensive land in core areas forces the size of new homes and the asking prices higher.

According to NAR, single-family homes across the nation have gotten bigger, with the median size in 2015 a record-setting 2,467 square feet. Only 135,000 single-family homes completed in 2014, or about a fifth, were under 1,800 square feet—the lowest number and the smallest share of units going back to 1999. While single-family homes are getting bigger, multi-family units are shrinking, with a rather small median size of 1,074 square feet.

Household growth is the primary driver of housing demand. The Millennial generation (current ages: 19 - 35 years) is poised to form millions of new households over the next decade. Their population of 75.4 million exceeds Boomers at 74.9 million. Many would like to become homeowners and purchase entry level homes now. Peak earning years are from 40 - 55 years and that's when most trade-up buying occurs.

At the other end of the spectrum, the Bipartisan Policy Center Task Force reports that the 65 and over population is projected to soar from 48 to 74 million over the next fifteen years. The majority of older adults want to age in place for as long as possible. However, as mobility lessens, single-floor living can become essential. Less expensive housing that is appropriate for seniors is necessary.

According to the Harvard Joint Center for Housing Studies, housing affordability is one of the biggest challenges in most greater metropolitan areas across the country. If you spend more than 30-percent of your income on housing you are cost-burdened. This varies by region but the hardest hit everywhere are the young and the elderly.

Finding solutions to the housing shortage for entry-level families and the aging population is really everyone's problem – not just builders. Answers may be found by reviewing town planning needs, and examining residential zoning density regulations, particularly near town centers, where both the young and old appreciate (or need) a walkability factor. Also, the construction industry needs to vigorously pursue less expensive methods of building that won't sacrifice quality, functionality, nor aesthetic appeal. The goal is to reduce the prices as well as the size of finished homes and townhomes to levels that are still comfortable as well as manageable. The alternative is for a large percentage of young people to continue to live with their parents, delay or just eliminate purchasing altogether and for our aging population to be faced with difficult decisions remaining in unsuitable housing or moving away from friends and family. Both groups could use the same type of housing. Solving the problem is important.

*In Wellesley and Weston, 'less expensive' or 'more affordable' mean roughly $1M or less

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Pinnacle Report

THE WELLESLEY AND WESTON REAL ESTATE NEWS

Important information concerning property values in Wellesley and Weston

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www.PinnacleHouses.com

This Pinnacle Report provides MLS single-family home sales data in Wellesley and Weston for the first seven months of 2016 (encompassing Spring Market activity) and compares it to the same period in 2015. **In order to put our numbers in context, we'll start with a comparison of statewide activity.**

Over the first half of 2016, Massachusetts economy outperformed the nation, growing at an annual rate of roughly 3% (U.S. economy: 1.2% Q2 and .8% Q1). The unemployment rate dropped to 4.2% and salaries rose 3.7%. The housing market remained healthy; from January through July, overall single family transaction volume (number of sales) increased 10% and the median increased 2% from the same period 2015. Also, homes sold faster in 2016 – with 6% fewer days on the market. As always, activity varied from town to town and from one price range to another.

Wellesley - Single Family

In contrast to the statewide numbers, the number of transactions in Wellesley remained flat from the same period in 2015. The median was up 2%, not as a result of appreciation, but due to a drop in the number of home sales under $1M (6 fewer due to a lack of supply) and an increase in the number that were priced over $3M (5 additional sales). The center table provides the overall median price, but when new construction sales were separated, the median was $1,990,000 versus just $1,190,000 for older homes. Overall market time increased 12% and the ratio of ultimate sales price to asking price dropped 1%. Monthly pending rates (homes that went under agreement) were similar both years until late spring and early summer, 2016. During both May and June, buying activity declined roughly 20% from the same period 2015. In July, it stabilized.

Wellesley supply increased throughout 2016 and as we go to print, it's up 37% from this time last year. However, the buildup is concentrated in two prices ranges: from $1.5M-$2M, where there is a six-month supply (a rate considered 'healthy') and over $3M, where, at current absorption rates, there is a two and one-half year supply. At the entry level range, however, it's quite the opposite. There are actually 46% fewer homes on the market less than $1M from this time last year.

This year our sales-price-to-assessment ratio chart was a challenge in Wellesley. Even after we scrubbed the data for outliers and anomalies, it was erratic. How a property presents or 'shows' is more important than ever - homes with fresh, modern décor as well as recent systems updates really got a premium. It's especially important that you choose a professional Realtor who will give you a fair and accurate estimate of potential market value in the current market.

Weston - Single Family

The total single family transaction volume also remained flat from the same period in 2015. The overall median increased roughly 2%, as there were 5 fewer sales under $1M (due to lack of supply) but 8 additional sales from $1M-$2M. The median price for new construction is nearly $3M and just $1,330,000 for existing homes. Market time decreased about 5% and the ratio of ultimate sales price to asking price dropped 1% from the same period in 2015. Demand was erratic in late spring and mid-summer. Buying surged in May (up 50% from previous May), flattened in June, then dropped in July (down

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The following data for single family properties was extracted from the Greater Boston Multiple Listing Service and therefore includes the great majority of fair market value sales in each town. (The relatively small number of non-MLS sales do not necessarily represent fair market value as these are properties that were not fully exposed to the open market.)

SPRING MARKET COMPARISONS*

	WELLESLEY		WESTON	
TOTAL NUMBER OF SINGLE FAMILY HOMES:	7,286		3,404	
	2016	2015	2016	2015
$ 0 - 600,000	9	6	0	2
600 - 800,000	22	28	6	6
800 - 1,000,000	30	33	7	10
1,000 - 1,500,000	61	64	31	27
1,500 - 2,000,000	39	41	15	11
2,000 - 2,500,000	11	10	8	8
2,500 - 3,000,000	11	8	3	8
3,000 +	12	7	11	12
Total Number:	195	197	81	84
Avg. Days on Market:	91	81	131	147
Median Sales Price: ($)	1,275,000	1,240,000	1,404,000	1,385,000
Lowest Sale: ($)	510,000	415,000	625,000	500,000
Highest Sale: ($)	4,720,450	5,800,000	6,458,000	10,300,000
Total $ Volume: ($)	287,458,776	271,963,935	143,480,175	160,916,920

* Sales from January 1 through July31

2016 SPRING MARKET SALE PRICES AS A PERCENTAGE OF NEW 2016 ASSESSMENTS

(Based on your latest town assessments as of January 2016)

	WELLESLEY	WESTON
$ < 600,000	**	**
600 - 800,000	99%	**
800 - 1,000,000	110%	**
1,000 - 1,500,000	116%	107%
1,500 - 2,000,000	111%	100%
2,000 - +	106%	97%

** Insuffcient data

Weston - Single Family (con't)

(down 45% from previous July). As most local Realtors know, such spikes and dips are not uncommon for Weston.

The overall supply in Weston is up 10% from 2015 but varies, considerably, by price range. The increase in the available inventory priced over $3M is remarkable, actually doubling over the last five years. There are 44 homes now on the market in these upper ranges. Only 20 sold throughout all of 2015 and just 11 sold during the first seven months of 2016. We've got greater than a two-year supply. Conversely, five years ago during the Spring Market peak, there were twenty-five houses offered for sale for less than $1M. During Spring peak 2016, there were only five.

Why the low supply at the entry level in both towns? Many more buyers, many builders buying before these homes ever come on the market, older homeowners opting to age in place because they've no affordable housing options, and rising prices are all factors. As for the high supply in the upper ranges, that's not due to a decrease in demand. It is due to overbuilding at those price points.

The Bigger Picture

Nationally, overall prices are now just 2% below the peak reached in July 2006, according to the S&P CoreLogic Case-Shiller Indices. However, as always, home price increases have been uneven for different parts of the country. Colorado and Florida experienced strong increases while the picture is mixed in the Northeast and Midwest. Domestic migration (state-to-state moves) increased in 2015, restoring the flow of population into the South and West. After falling 48 percent from 2007–2013, the net population growth in the South rebounded to a post-recession high of 444,240, led by Florida, North Carolina, and Texas. In contrast, net population losses in the Northeast and Midwest resumed to pre-recession levels.

Despite rising prices in many areas, low mortgage interest rates have helped keep affordability in check, suppressed cost burdens, and increased buying power. Buyers everywhere who want to maximize their home-buying dollar should do so while the rates are still so low (at this writing, a 30-year, fixed jumbo rate is about 3.6%).

Nationally, the supply of homes for sale has dropped over 37% since 2011. Many economists have stated that while that reflects the clearing away of distressed inventory, the pendulum has swung toward a housing shortage in the lower price ranges. An estimated 1 million new households were formed last year, but only 620,000 new housing units were built, according to the Urban Institute. Disproportionately, these new units were comprised of more expensive trade-up housing stock.

Despite a pick-up in income, the U.S. homeownership rate has been on a 10-year downtrend, sliding to 51-year record low of 62.9% in Q2 2016. The rate could fall to 58% or lower by 2050, according to recent predictions by housing experts at USC, Wharton, and the Urban Institute. The National Association of Realtors (NAR) reported that the share of first-time home purchases is down to 32%, the lowest in nearly three decades. Millions of aspiring homeowners have been forced to rent because of a shortage of entry-level homes.