



Spotlight: Massachusetts

By Victor Whitman

The Bay State has put the hard times behind it.

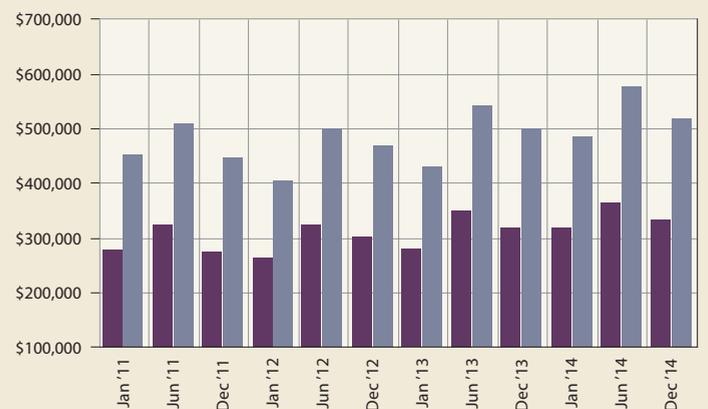
With a highly diverse economy ranging from financial services and elite universities to tech start ups and manufacturing, Massachusetts was able to bounce out of the downturn quickly and avoid huge swings in the housing market.

In recent years, however, the state has been vulnerable to federal budget cuts that reduced government jobs and grants to the state's many companies and institutions involved in research and development. In 2013, employment exceeded 7 percent, according to data from the Bureau of Labor Statistics. Unemployment, however, has consistently been below the national average. The state also had the second-highest per capita personal income, at \$57,248, in 2013. Although tech companies like Google and Microsoft have expanded and added high-paying jobs, Massachusetts struggles with a large gap between the wealthiest and poorest residents. This gap was the eighth-highest in the nation in 2012, the Massachusetts Budget and Policy Center and Economic Policy Institute jointly reported. Likewise, a study by the state's Tax Fairness Commission said that the lowest-income taxpayers were paying a significantly higher percentage of their incomes than the wealthiest residents.

Although real gross domestic product (GDP) growth has increased for four consecutive years, the state's growth has trailed the national average. Real GDP grew 1.6 percent in fiscal-year 2012-13 and by 2.3 percent in fiscal-year 2011-12, whereas the U.S. average for those years was 1.8 percent and 2.5 percent, respectively, the Bureau of Economic Analysis reported. On a more positive note, the state's manufacturing industries, which declined for years, are expected to add jobs in the coming year as the demand for medical devices, semiconductors and other precision manufacturing goods increases, the New England Economic Partnership said.

As for the housing market, prices have skyrocketed in downtown Boston and Cambridge. Many cities are experiencing a serious shortage of homes for sale, which has driven up prices. With higher prices and shrinking inventories, sales have been dropping and homes have tended to stay on the market longer.

Statewide and Boston Median Home Prices



Source: Massachusetts Association of Realtors/
Greater Boston Association of Realtors

Boston home sales

This past year, Boston saw sales fall, prices rise rapidly and inventories decline — trends that several other major coastal U.S. cities experienced in 2014. Total sales declined 5.4 percent to 10,756 homes, down from 11,369 in 2013, according to Greater Boston Association of Realtors.

Meanwhile, prices rose 3.8 percent year over year to a median price of \$519,000. Homes also were staying on the market longer, the association reported. This past December, a single-family home took an average 74 days to sell, up four days from the previous month.

Home prices have shot up in the Boston area as the inventory of homes for sale dropped sharply. Inventories declined by more than 12 percent in December, and have fallen by more than 26 percent in two years, the association reported. The number of listings fell in December to the lowest level in a decade.

The sales of single-family homes were picking up at the end of this past year, however. This past December, 912 homes were sold, a year-over-year increase of 1.3 percent, the association reported.

What the locals say

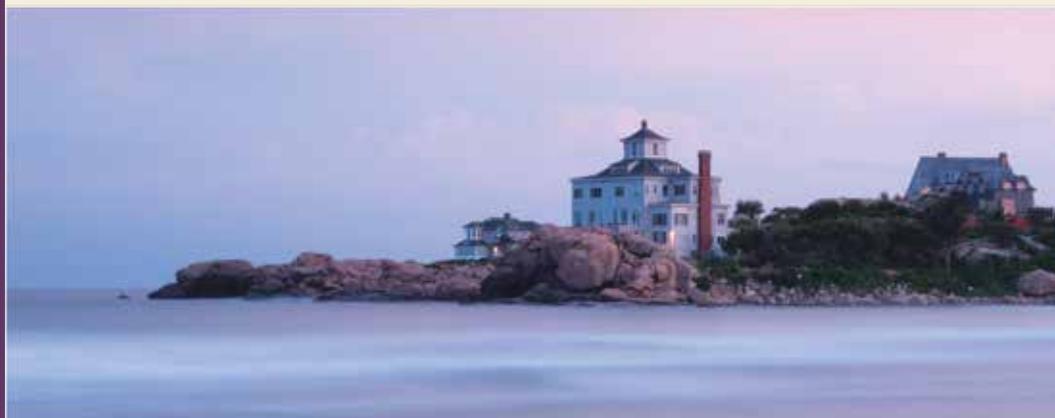
"[The Cambridge market] is out of control in the sense that there is very low inventory. Even during the recession, the market still stayed busy. There was this lack of inventory and still a lot of buyers. Having Harvard and MIT right there as well, certainly helps the demand."



Rob Veneziano
Senior loan officer
Fairway Independent Mortgage



3 Areas to Watch



GLOUCESTER

The oldest fishing port in America, Gloucester's economy still relies on commercial fishing and tourism. Although the town's per capita income runs far below the state average, home sales have remained strong. The average home sales price was \$332,000 in 2014, up 12 percent year over year, the Massachusetts Association of Realtors reported.

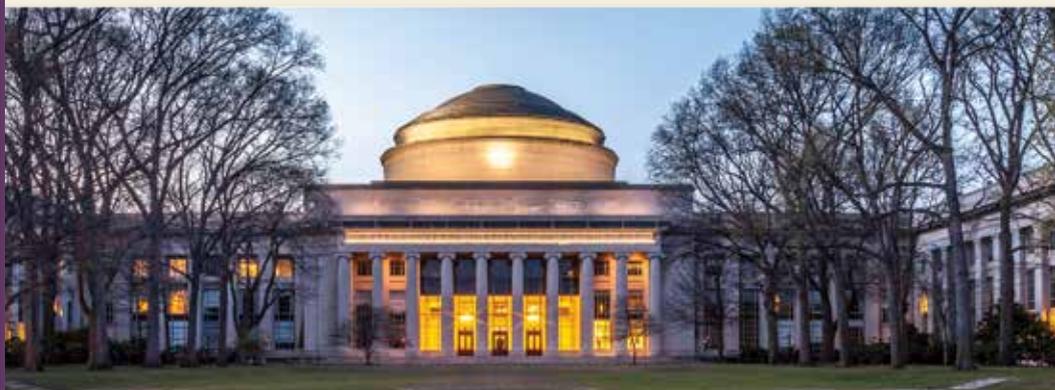


Photo by Marcio Jose Bastos Silva / Shutterstock.com

CAMBRIDGE

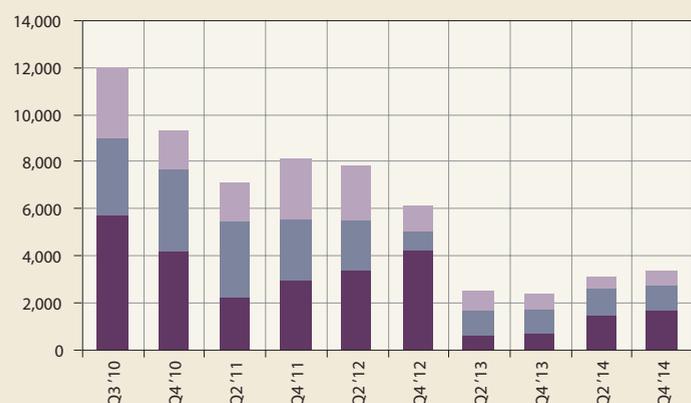
The home to Harvard University and the Massachusetts Institute of Technology saw an already-expensive housing market — the highest outside of downtown Boston — explode this past year. Cambridge's average home sales price jumped 40 percent to \$1.26 million in 2014, the Massachusetts Association of Realtors reported. Homes were selling after 22 days on average, which was down 10 days year over year, as the inventory of available homes declined.

SALEM

This coastal city can play on its history as the location of the Salem witch trials of 1692. Salem draws tourists to several historical landmarks and a vibrant city center with restaurants and shops. The housing market, however, has been hampered by a severe shortage of homes for sale. Year over year, the supply declined 42 percent this past December according to data from Massachusetts Association of Realtors.

Victor Whitman is chief reporter at Scotsman Guide Media. Reach him at (425) 984-6017 or victorw@scotsmanguide.com.

Massachusetts Foreclosure Filings



Source: RealtyTrac

Delinquencies and foreclosures

Massachusetts wasn't hurt by the housing crash as severely as some other major states on the east coast. The state's foreclosure rate of 0.04 percent, or one in every 2,400 homes, remains below the national average, according to RealtyTrac. The state's inventory of foreclosed property as a percentage of total properties was 1.2 percent this past November, on par with the national average, according to a report from CoreLogic.

This past year, total foreclosure activity was ticking up, however. Overall activity, for example, increased 6.5 percent to 12,089 compared to 2013, but still remained more than 125 percent below the 2012 total of 27,285, according to data from RealtyTrac. Foreclosures were increasing because of the backlog of foreclosures has been slow to move through the pipeline, *The Boston Globe* reported.

Lenders started 7,588 foreclosures this past year, an increase of 45 percent from the 5,220 in 2013. The number of completed foreclosures dropped in 2014, however, *The Boston Globe* reported.

Unemployment

The Bay State's financial services, tech industries, elite colleges and medical research facilities have produced high-paying jobs that tend to help propel home sales. In 2013, the state had the second-highest average personal per capita income at \$57,248, which was 128 percent above the national average, the Bureau of Labor Statistics reported. Employment ticked up to 7 percent, but has since fallen to 5.5 percent this past December.

The state is also making progress on the lower end of the wage scale. This past year, overall unemployment for people under the age of 25 dropped to 13.5 percent from nearly 16 percent in 2013, *The Boston Globe* reported. This past year, the state also decided to raise its minimum wage to \$11 an hour by 2017, which is the highest statewide minimum wage in the country.

Sources: Bureau of Economic Analysis, Bureau of Labor Statistics, *The Boston Globe*, CoreLogic, Economic Policy Institute, Greater Boston Association of Realtors, Massachusetts Association of Realtors, Massachusetts Budget and Policy Center, New England Economic Partnership, RealtyTrac, Tax Fairness Commission, U.S. Department of Labor