

# ECONOMIC REVIEW

## Soaring Heights: Housing in Greater MetroWest



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Greater MetroWest (GMW) has been experiencing significant increases in the cost of housing following the COVID-19 pandemic. The housing data used in this article was obtained from Banker and Tradesmen, Freddie Mac, as well as MetroWest Economic Research Center (MERC). This article focuses on the area known as the Greater MetroWest region. This region is made up of thirteen communities west of Boston, Massachusetts: Ashland, Framingham, Holliston, Hopkinton, Hudson, Marlborough, Natick, Northborough, Sherborn, Southborough, Sudbury, Wayland, and Westborough. The housing market in GMW recently experienced notable price hikes, a trend that is similarly evident in the United States and Massachusetts. There are various factors that have had significant effects on home prices such as the changes in demand and supply due to effects from COVID-19, as well as interest rate changes. Overall, a strong demand for housing and decreased supply of homes has continued to drive up the price.

Figure 1 represents single-family total sales in GMW for the years 2019-2023. In 2019, the year before COVID-19, 3,026 homes were sold in GMW. In 2020 and 2021, the number of homes sold in GMW increased to 3,246 and 3,376, respectively. Although many stores and places of businesses were shut down during the pandemic, many individuals decided to purchase homes during that time. However, there was a sharp decline in sales for 2022 and 2023. Sales dropped from 2,802 in 2022 to 2,012 homes sold in 2023, a 28.2% decrease. Overall, from 2021 to 2023 there was a 40.4% decrease in the number of single-family homes sold in GMW.

### GMW Single-Family Total Sales 2019-2023

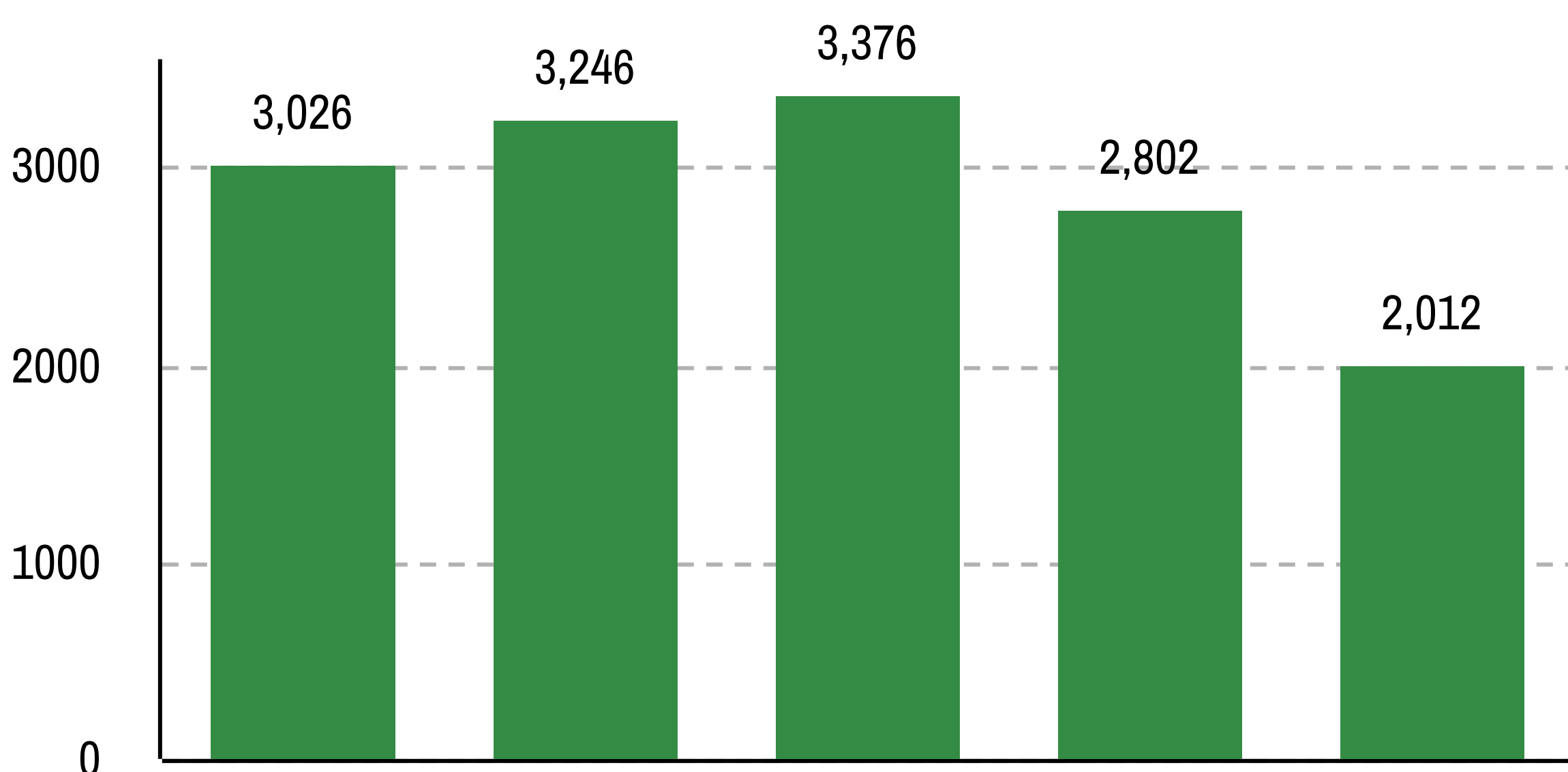


Figure 1 2019 2020 2021 2022 2023

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A noticeable correlation exists between interest rates on mortgages and total home sales. Figure 2 shows the U.S. weekly average mortgage rates for January 2019 to January 2024 from Freddie Mac. When interest rates rose after reaching their lowest point between January 2021 and January 2022, total home sales in GMW dropped 17% from 2021 to 2022, and 28.2% from 2022 to 2023. Low interest rates encouraged buyers to purchase homes because of the low cost of borrowing. Many homeowners also refinanced mortgages during that period causing many homeowners to feel locked-in to those low rates.

### National Weekly Average Mortgage Rates 2019-2024

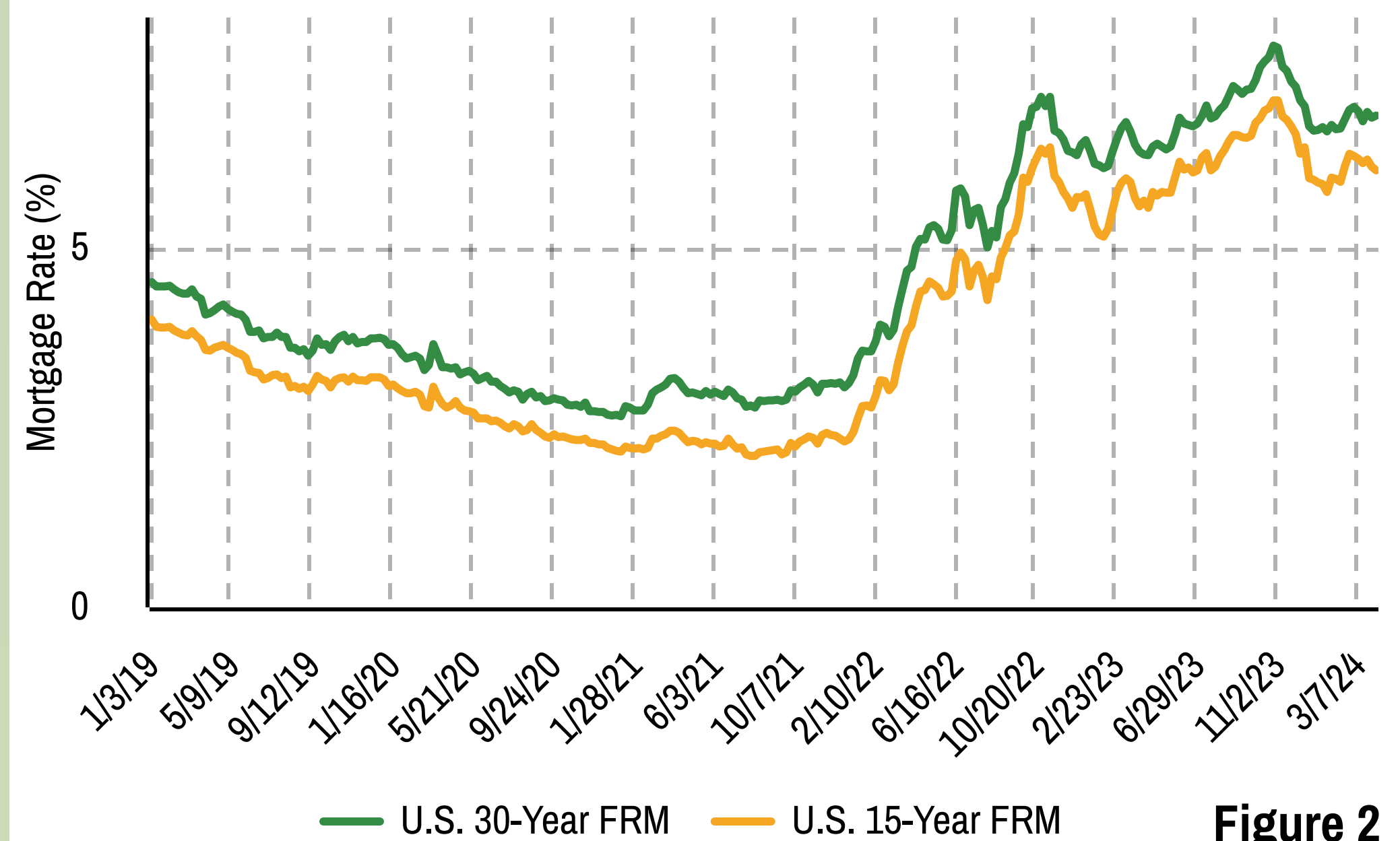


Figure 2

Figure 3 represents estimated GMW median sale prices of single-family homes from 1987 to 2023, a 36-year time period. Median sale price from 1987 to 2005 saw a steady increase from \$204,758 to \$467,723, a 128.4% increase. In 2008, the housing market crash is reflected by the decrease in the median sale price line. The housing market crash of 2008 had a disastrous impact on the global economy, resulting from mortgage loans being extended to subprime borrowers, and which were subsequently repackaged and sold to investors as mortgage-backed securities. Many of these borrowers were unable to make mortgage payments leading to defaults across the United States. In 2009, median home sale prices in GMW began to rebound beginning at almost \$400,000 and skyrocketing to where they are today at nearly \$800,000, close to a 100% increase in just fourteen years. High interest



rates, in addition to the high home sale prices, contributes to homeownership becoming more challenging for many people.

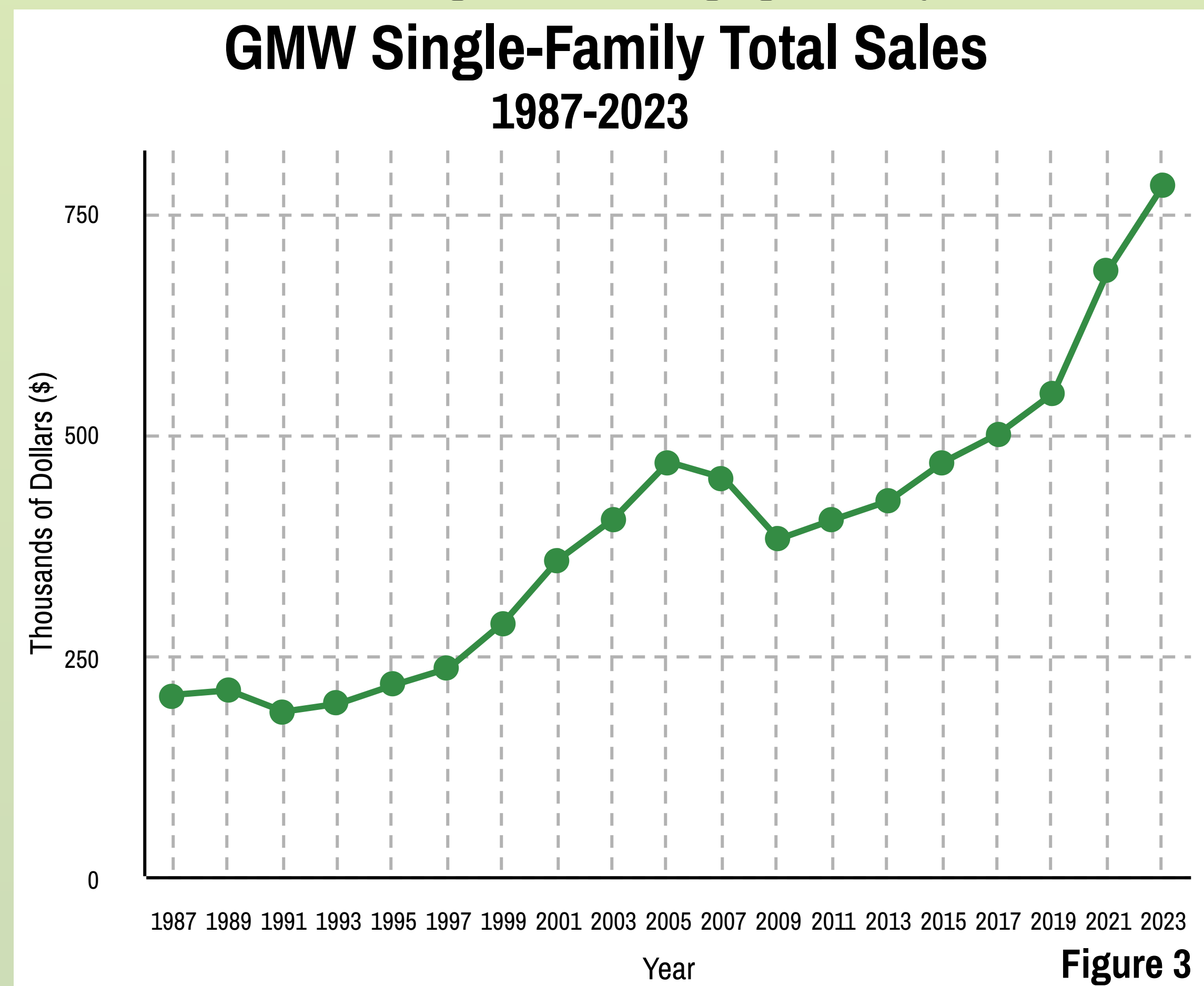


Figure 4 shows the median single-family sale price for each community in GMW for 2023. Sudbury, Sherborn, and Wayland boasted the highest median sale price of the thirteen communities at \$1,130,000, \$1,109,500, and \$1,065,000, respectively. Hudson and Marlborough had the lowest median sale price at \$587,000 and \$554,500. Between the most expensive community, Sudbury, and the least expensive, Marlborough, there is a \$575,500 difference. The difference between these two communities is nearly the median sale price of Hudson.

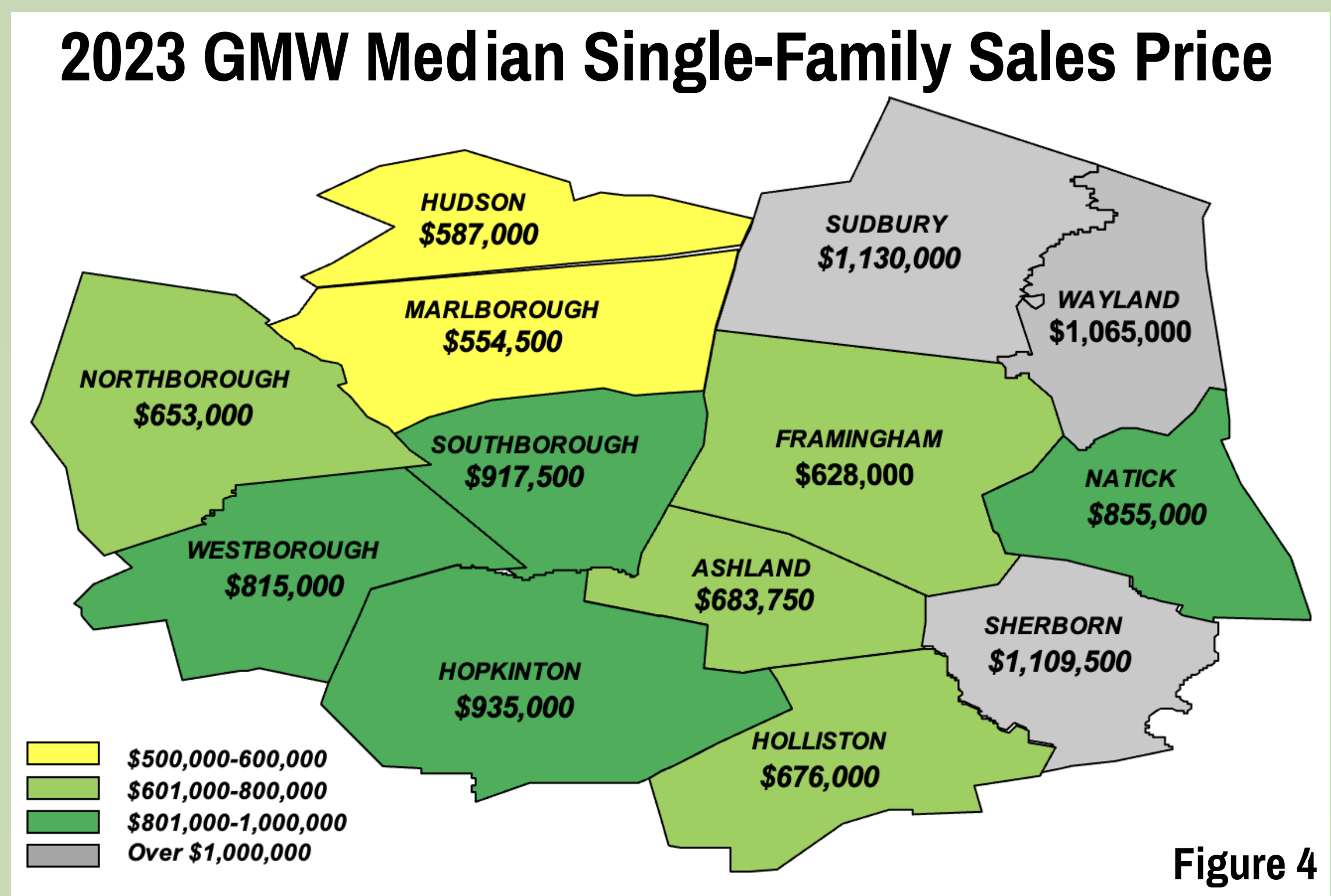


Figure 5 shows the percent change of single-family median price year-over-year for the last four years. Every community in GMW experienced an increase in home prices with only two median price decreases registered: Ashland (2019 to 2020) and Sudbury (2022 to 2023). During 2020-2021, nine communities had their biggest increases year-over-year: Ashland, Framingham, Hopkinton, Northborough, Sherborn, Southborough, Sudbury, Wayland, and Westborough.

In conclusion, similar to the United States, GMW has experienced a dramatic increase in single-family home prices in recent years with no signs of slowing down. Shown by the decrease in home purchases over the last couple of years, homeowners are not willing to sell their homes due to the low interest rates on their existing mortgages. This creates a locked-in effect making many feel that they should stay put. This creates a supply shortage of homes which is part of the reason for the increase in home prices we have seen recently.

