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CONTACT THE STEVEN COHEN TEAM

SOUTH END (NEW ADDRESS)

1180 Washington Street, #103
Boston, MA 02118

617-861-3636

info@stevencohenteam.com

www.stevencohenteam.com

BACK BAY

607 Boylston Street, #500
Boston, MA 02116

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ANALYSIS

RATES, RECESSION AND REBOUND

BY STEVEN COHEN

It may seem that in the dynamic environment that has brought us supply chain disruptions, skyrocketing inflation, stock market volatility and rising interest rates, we are at a loss to predict the implications that these developments will have for Boston's real estate market. We naturally pay attention to the movement of the market because, in addition to providing us with shelter and a fertile canvas for design expression, our homes are storehouses for a significant portion of our net worth. Uncertain economic times cause us to question whether our investments are safe and well placed. The oft repeated adage that Boston real estate is among the safest of investment harbors in which to invest capital is one that most of us intuitively believe to be true. An analysis of the metrics which move both capital and real estate markets and to which government policymakers pay close attention confirms this perspective. It is comforting to be reminded that Boston's real estate market has fared well during past periods of weakness in the economy and that there can be advantages to owning real estate in all stages of the economic cycle.

Let's begin by acknowledging the shock to the economy and certainly to real estate that inflation and rising interest rates represent. There has been much speculation about an impending recession. That possibility is quite real and there are some indications that a recession could already be underway. We must remind ourselves that recessions occur with regularity in capitalist economies. We have, in fact, had twelve of them since World War II, which comes to one approximately every six to seven years. The most recent period of expansion was actually the longest in post war history. And so, it is not surprising that even the most solid of investments do not appreciate in completely linear fashion. Understanding what precipitates recessions, how long they typically last, and the relatively modest impact they most often have on Boston's real estate market is actually quite comforting.

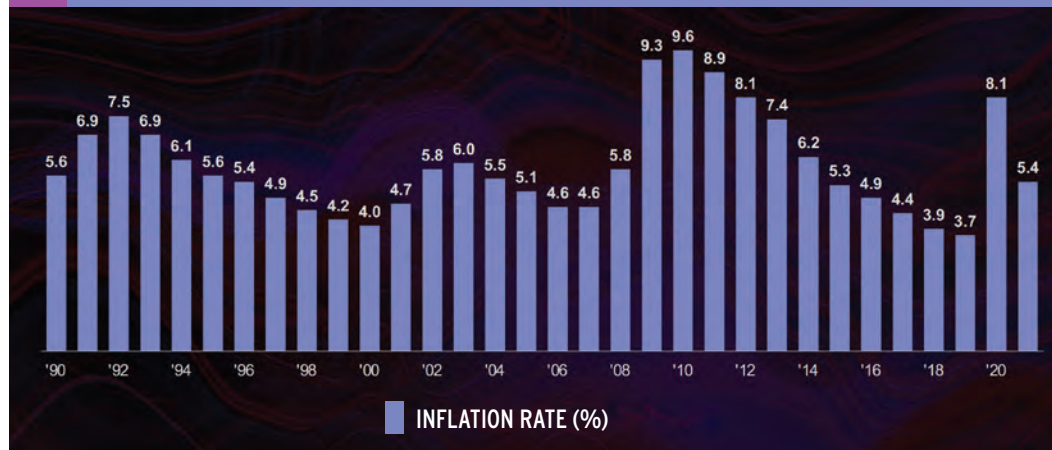
Recessions are most often triggered by an overheated economy which the government then moves to cool off by raising rates to lower demand and stave off rising inflation. They are typically either of the demand pull type, where aggregate demand increases and outstrips supply, or cost push, where there is a drop in supply due to external factors. We are in a bit of a unique situation in that our economy is facing both simultaneously. Lower U.S. energy output and massive supply chain disruptions have impacted the production side while demand has surged due to the accommodative monetary policy turbocharged

by almost \$1 trillion dollars in PPP money flowing through the economy.

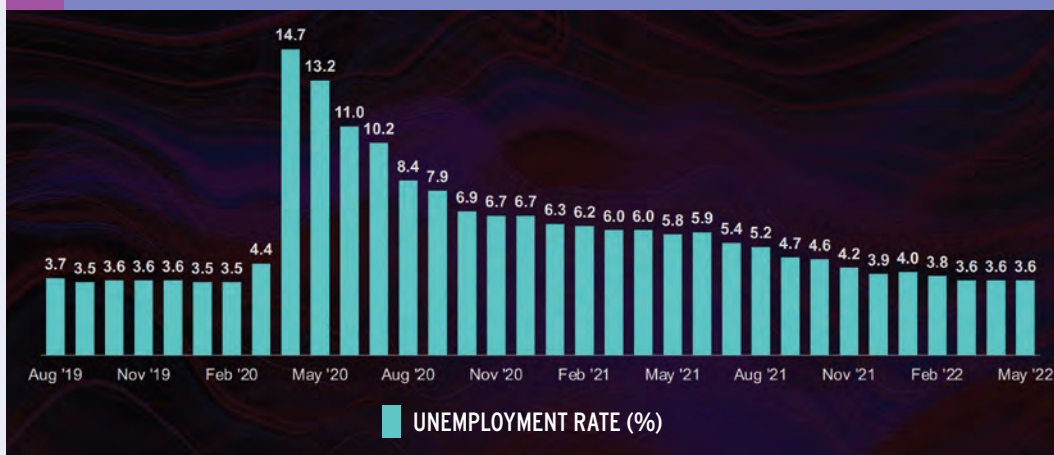
The rate of inflation that policymakers like to see is in the range of 2%. Lower than 2% is not good because that poses the risk of deflation which can be just as problematic as inflation. Chart #1 shows the rate of inflation since 1990 and underscores why, with inflation running at close to 8%, the Fed has acted to

tighten monetary policy. The reality is that the Fed will continue to raise rates until it reigns in spending and slows things down. The slowdown, when it persists for two consecutive quarters in the form of negative GDP, typically signals the onset of a recession. We have already recorded contractions in two consecutive quarters so we may well be in a recession at the present time. A recession cannot technically be declared until the Cambridge based National Bureau of Economic Research (NBER) declares such. The NBER has not officially declared a recession and with the job market showing continued strength, we may not be there yet.

1.

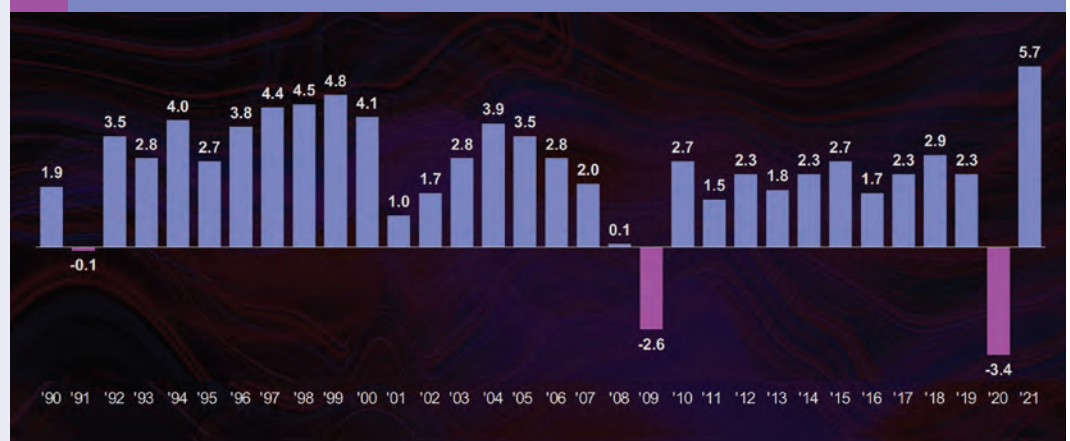
INFLATION (ANNUAL)

2.

UNEMPLOYMENT (MONTHLY)

One very good predictor of recession is an inversion of the Treasury yield curve, such that the yield on a 3 month treasury exceeds the yield on a 10 year bond. In every case where we have witnessed an inversion, a recession has followed within 6 to 24 months. The

3.

GDP (ANNUAL)

theory is that yield curves reflect both investors' expectations for growth at various points in time as well as predict the manner in which the Federal Reserve will respond to them. Charts 2 and 3 explain yield curve inversion and recession probability and chronicle past yield curve inversions relative to the timing of the recessions that have followed.

Of course, policymakers ideally want to strike the perfect balance between slowing down the economy enough to control inflation and tightening monetary policy too severely, thereby triggering a recession. This perfect balance is referred to as a soft landing. The truth is that we most often do not achieve the soft landing that we seek. Policymakers have done a notoriously poor job of adjusting monetary policy at precisely the right time or to the appropriate degree. They have also failed to predict exactly when a recession will begin, how long it will last or how severe it will be. According to NBER, between 1945 and 2009, the average recession lasted only 11-1/2 months. It is true that real estate prices on a national basis rose above the long term 4% appreciation trendline that has held for over 30 years and continued that rise in 2022 (see chart 4). This deviation from the trendline does suggest that a correction could eventuate in markets that are overvalued.

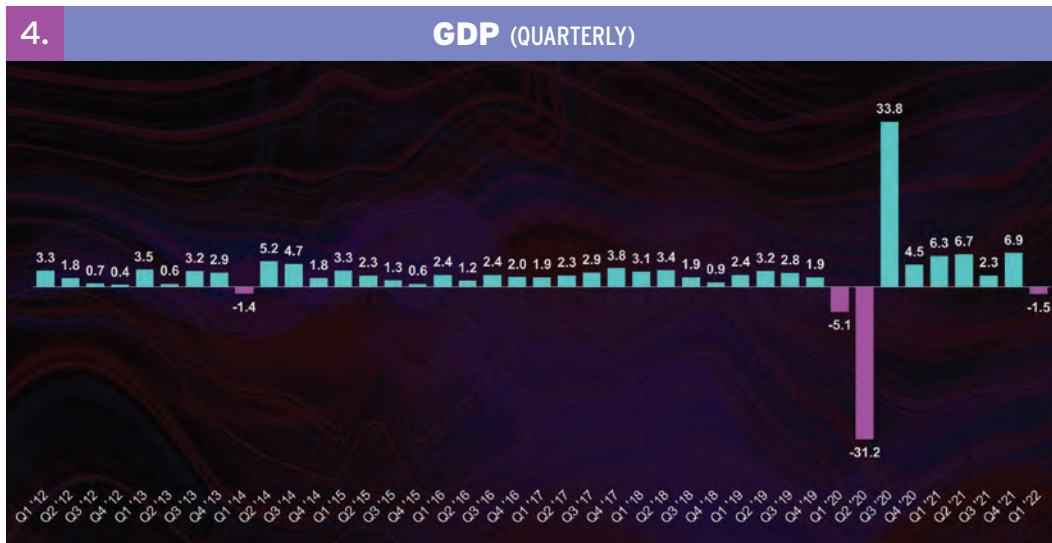
When it comes to dramatic swoons in property, Boston is delightfully unexciting and seems poised to weather the current economic turmoil relatively well as it has during past periods of weakness. The Boston Globe in its July 14th, 2022, edition offered an analysis that suggests increases in interest rates will indeed weigh on the real estate market nationally and further suggested that "Boston can only buck the trend for so long." The title of the article, "Boom Times are Over for the US Housing Market, But Don't Expect Boston to Bust", summarizes the article's high-level conclusion. Our pattern in Boston during economic soft patches is quite familiar — slightly lower transaction volume for a brief stretch accompanied by a shaky vibe in the air and then buyers come back to the table. Buyers benefit from purchasing during a period during which there is a respite from precipitous price increases. Meanwhile, existing homeowners with

low rate mortgages see both the cost of their monthly payments and the total amount of their mortgage debt decline in real dollars as the world inflates around them. Rents increase as well, which favorably influences the rent yield curve for those investors and homeowners who may one day rent out their properties.

To be clear, we aren't suggesting that down-

turns are fun or that now is the time to be unrealistic with your asking price if you are considering a sale of your property. However, we at the Steven Cohen Team are reminding our readers of a few comforting facts that they should bear in mind. First, recessions are a normal part of the economic cycle, and it is helpful and demystifying to review the metrics and mechanics of what causes them and how they typically play out. Secondly, we are not just wishful thinking to make note of Boston's real estate sector as being recession resistant. Thirdly, there are advantages to property ownership during all stages of the economic cycle. It is more often those people who do not make real estate part of their portfolio who fare less well during recessions and who are less well-positioned for the upside movement in prices when the cycle shifts again.

Source: Keller Williams International Resource Department



COMMUNITY CLOSE-UP

ELLIS NEIGHBORHOOD ASSOCIATION

Sitting on a bench in Hayes Park, having a chat with Betsy Hall, one is struck by her intense gaze yet mild, soft demeanor. It is easy to understand why more than one Ellis Association member has referred to her as “the soul of Ellis”. Betsy scoffs at such sweeping accolades, but does not deny being among the organization’s most senior members. Having served as both Chair and President, Betsy ushered Ellis through some of its critical formative years when it was a rather informal group of neighborhood residents who came together to host neighborhood mixers and social events. Betsy reminisces, “I was first transfixed by the South End in 1962, but my husband said that \$9,000 was too expensive for a house on Montgomery Street.”

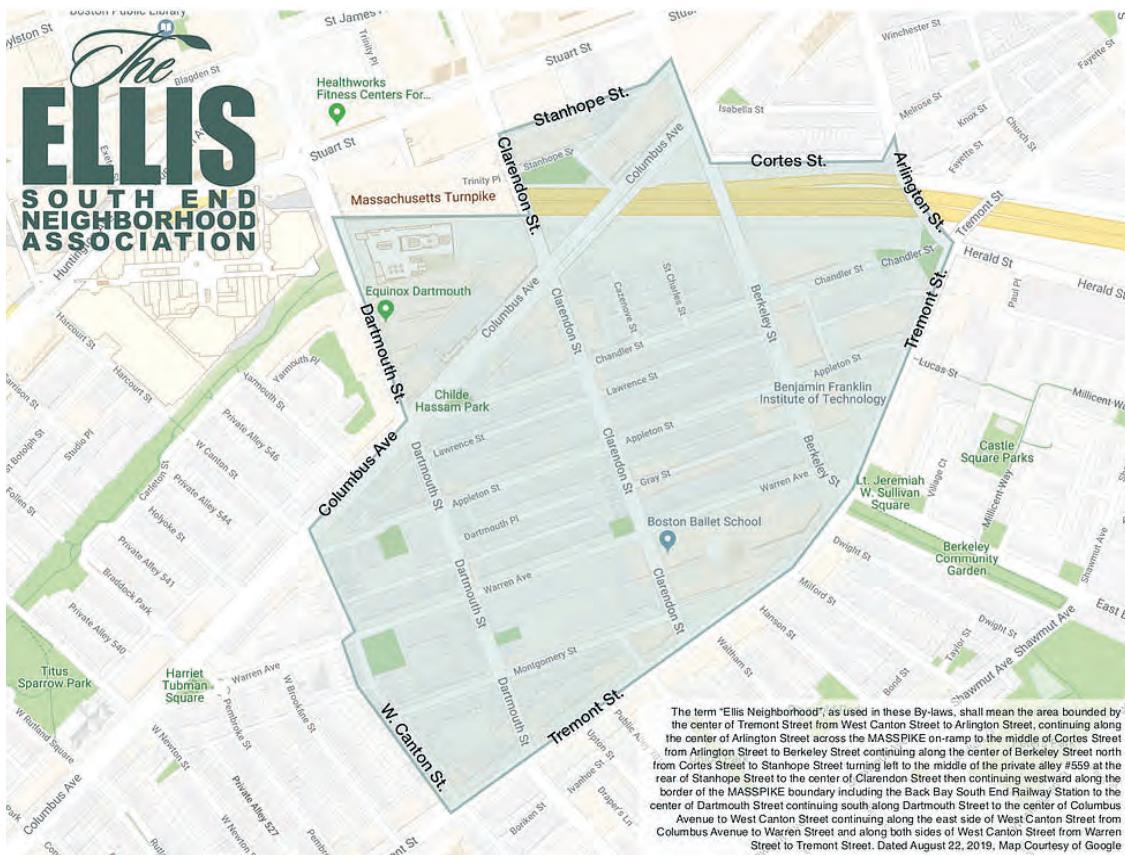
Betsy seized on her next chance to make Ellis her home when she returned to Boston from living in Italy in 1995. She lived briefly in Beacon Hill before moving to the South End. “I got word of an Ellis board meeting taking place. I went there and everyone was so warm and welcoming that I just instantly decided this is where I want to be.” Betsy, an outgoing board member, is among those people, the mention of whose name elicits a



(L-R) John Chambers, Ellis Treasurer; Gordon Holmes, Ellis member and long-time board member; Stacey Koeppel, Ellis Executive Director



State Representative Aaron Michlewitz presenting the Arthur Howe Award to Jane Siegel





(R-L) Jose Cordero Serrano, South End Baseball Senior League Commissioner and former player; Marie Cordero, and their daughter Krystal



nod of respect for her lengthy tenure and commitment to Ellis. The late Arthur Howe, a founding member and past Ellis president who is credited for being instrumental in saving the South End from the wrecking ball of urban renewal, is another such venerable individual. Ellis created an award in Howe's name to be bestowed annually upon outstanding individuals. Betsy Hall is a past recipient of the award as is Paul Duffy, who is the only remaining original founding member. John Alekna, who has been involved with Ellis since 2013 and who is its current president, recounts Ellis' history and founding, noting as Betsy did, that the organization was originally formed by residents in 1963 in order to socialize and consider topics that impacted the greater good. Though not incorporated until 1972, members from early on demonstrated a commitment to beautifying their corner of the neighborhood along with a true caring for its most vulnerable constituents. And of course, everyone wanted to have fun together as well.

John explains Ellis' structure as consisting of a 7 person executive committee, a 28 member board and a broader membership of some 280 people. And then are the committees that focus and specialize in executing on the various goal categories that Ellis regularly establishes. Examples include the Neighborhood Services Committee, the Scholarship Committee, and (for the fun part) the Wine Committee. Now who could have any objection to joining a Wine Committee? The spirit, according to John, has always been inclusive and the contributions that Ellis makes to the neighborhood are tangible. "Just as one small example of the work we do, we were able to provide knapsacks, banners and graduation materials to the students of McKinley Elementary School this year, and we believe it made a real difference in the quality of their graduation experience. Being part of Ellis has been very rewarding for my wife Norma and for me," Alekna conveys in a grateful tone.

Just as Ellis' long standing and stable membership roster anchors it to the South End landscape, so it is also true that it has always thrived on the contributions of new members with fresh ideas. Enter Julie Arnheitier. Julie and her husband Mike moved to the Ellis neighborhood 5 years ago and Julie quickly understood the important role Ellis plays in enhancing quality of life in the neighborhood. Julie's involvement with Ellis has now culminated with her election as incoming Chair of the organization as well as Chair of the Diversity, Equity and Inclusion Committee. Julie is off to a purposeful start, recently hosting a breakfast attended by leaders of many of the non-profits which have a physical presence within Ellis. Julie explained the purpose behind the event: "The non-profits don't communicate with one another often enough. At our breakfast, everyone met each other and we went around the room and each organization detailed what they are working on and how they can help one another." Julie is replacing outgoing Chair Bob Berstein whom she credits with having done a great job during his own term as Chair. She also expressed excitement at the prospect of working with John Alekna. "We are going to make a great team.", she said.

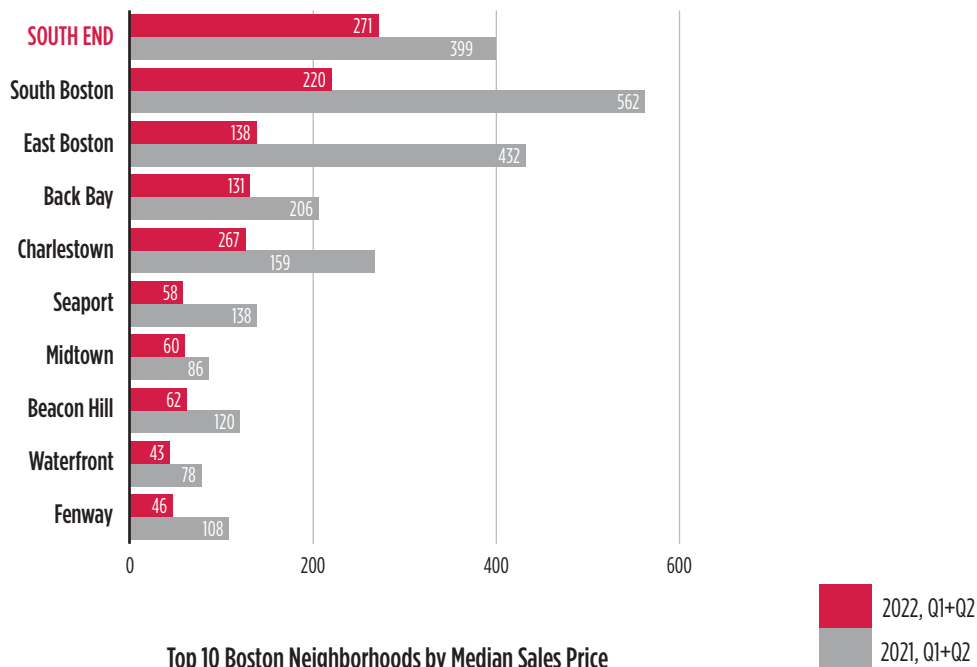
Stacey Koeppel, who has served as Ellis' Executive Director for the past 12 years, echoes Julie's sentiments and looks forward to building a more inclusive Ellis. "We intend to bring the community together post-Covid and reach out to community organizations that do important work in our city.", says Stacey. "We want Ellis to reflect the diversity of our community on the board, committee, and membership levels."

Area residents interested in joining the Ellis Neighborhood Organization should go to www.Ellisneighborhood.org. You are sure to meet nice neighbors, make new friends and find new purpose. In addition to engaging in other worthwhile pursuits, you may also have a great time as a member of the Wine Committee.

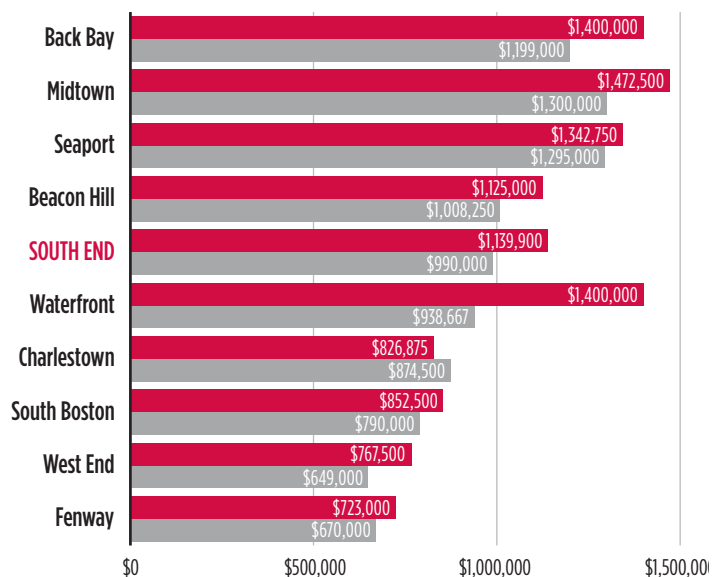
BOSTON'S TOP 10 NEIGHBORHOODS: 2022 VS. 2021

While the number of South End Sales in the first half of 2022 decreased by 32% compared to the number of sales in the first half of 2021, the neighborhood's median sale price increased by over 13%. The South End remains one of Boston's top performing areas.

Top 10 Boston Neighborhoods by Number of Sales



Top 10 Boston Neighborhoods by Median Sales Price

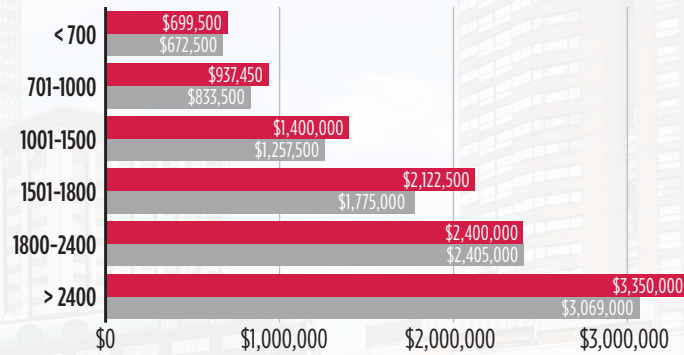


Source: LINK Boston

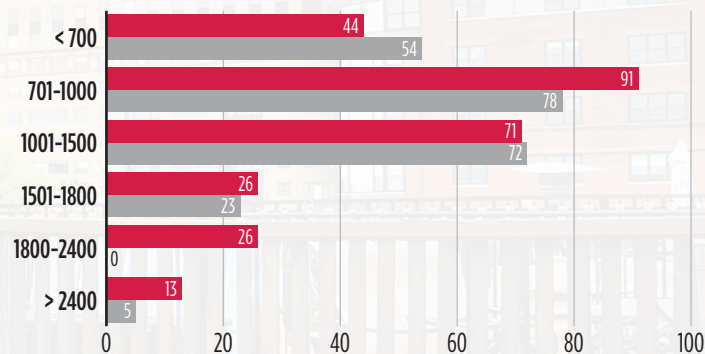


FOCUS ON THE SOUTH END: Q2 2022 VS. Q2 2021

South End
Median Selling Price
by Square Footage

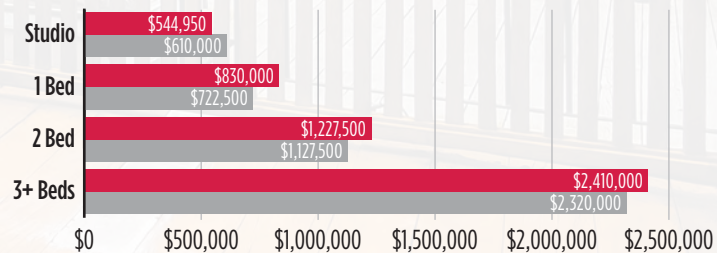


Number of Sales
by Square Footage

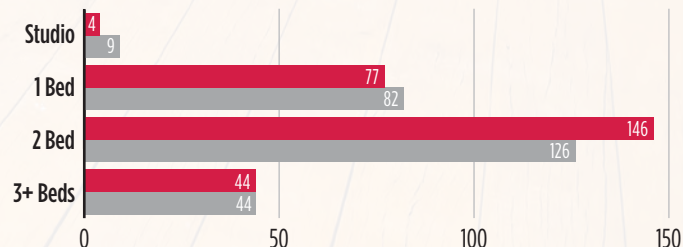


2022, Q2
2021, Q2

Median Selling Price
by Number of Bedrooms



Number of Sales
by Number of Bedrooms



20 MOST EXPENSIVE SOUTH END SALES IN 2022

	ADDRESS	SALE PRICE	PRICE /SF	TYPE
1	370-380 Harrison Avenue #PH2J	\$6,010,000	\$2,223	CONDO
2	146 W Canton Street	\$5,150,000	\$1,661	1-FAMILY
3	167 W Newton Street	\$4,995,000	\$1,360	1-FAMILY
4	505 Tremont Street #906	\$4,862,500	\$2,028	CONDO
5	118 W Concord Street	\$4,850,000	\$1,065	1-FAMILY
6	143 W Newton Street	\$4,600,000	\$1,230	2-FAMILY
7	201 W Brookline Street #102	\$4,600,000	\$1,992	CONDO
8	71 Montgomery Street	\$4,400,000	\$1,014	1-FAMILY
9	161 W Brookline Street	\$4,400,000	\$1,739	1-FAMILY
10	136 W Canton Street	\$3,900,000	\$1,144	2-FAMILY
11	40 Gray Street	\$3,850,000	\$1,737	1-FAMILY
12	44 Upton Street #2	\$3,750,000	\$1,410	CONDO
13	1 Hanson Street #1	\$3,650,000	\$1,367	CONDO
14	196 W Springfield Street #1	\$3,600,000	\$1,057	CONDO
15	144 W Canton Street #1	\$3,600,000	\$1,405	CONDO
16	288 Shawmut Avenue #2	\$3,350,000	\$1,395	CONDO
17	41 Rutland Square #2	\$3,255,000	\$1,499	CONDO
18	450 Shawmut Avenue	\$3,220,000	\$1,229	1-FAMILY
19	153 W Newton Street	\$3,180,000	\$1,199	1-FAMILY
20	9 Upton Street #1	\$3,150,000	\$1,210	CONDO

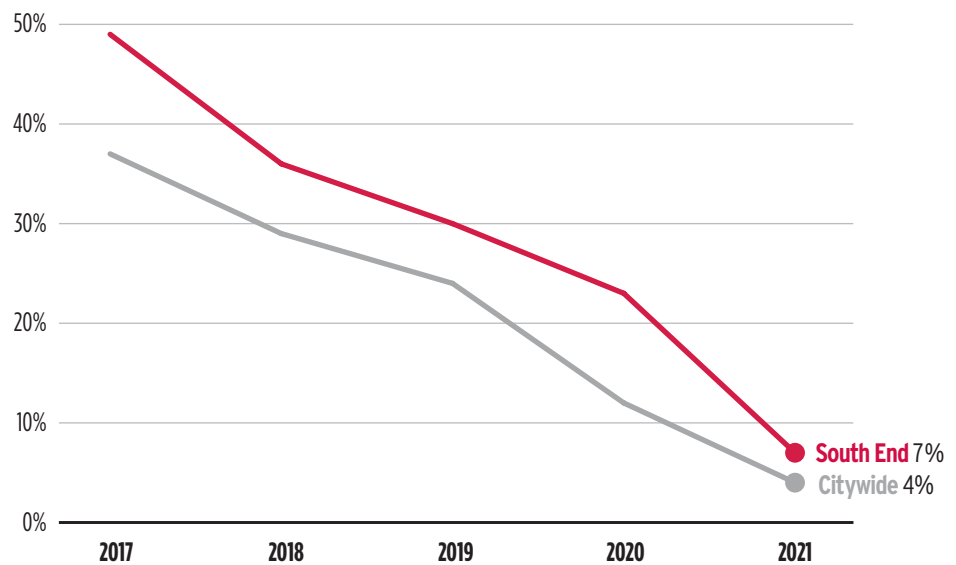
*Average price per square foot among the
20 most expensive South End Sales for 2022: **\$1,448***

SOUTH END V. BOSTON CITYWIDE

Five Year Price Index: South End v. Citywide



Sales Over Asking Price for Past Five Years: South End v. Citywide



Source: LINK Boston



MEET BOSTON'S PREMIERE REAL ESTATE AGENTS

The Steven Cohen Team provides expert insight, guidance and representation for discerning residential property buyers and sellers in Boston's South End and adjacent neighborhoods. Our unmatched experience in the local real estate market, long-term approach to customer service, and coordinated teamwork keep us #1 on MLS in South End transactions year after year.

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PRINCIPAL & LISTING SPECIALIST



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LISTING SPECIALIST



Kevin Concannon
LISTING SPECIALIST



Barrie Stavis
BUYER SPECIALIST



Kate Wood
BUYER SPECIALIST



Nicole Spencer
BUYER SPECIALIST



Mei Salas
SHOWING SPECIALIST



Joe Maiorana
RENTAL SPECIALIST

SUPPORT



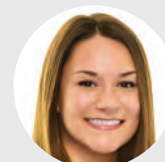
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DIRECTOR OF OPERATIONS



Cam Dean
LISTING & TRANSACTION MANAGER



Bruce Withey
MARKETING DIRECTOR



Bethany Haynes
MARKETING &
COMMUNICATION SPECIALIST



Natasha Nelson
ADMINISTRATIVE SUPPORT

WHAT OUR CLIENTS SAY ABOUT US

"Steven Cohen and his team were *incredibly helpful* in the sale of our condo. They were *professional, responsive, and thoughtful* throughout the process, and were able to guide us. We enjoyed working with them and *would recommend* to others buying or selling in the city." —A. PANDYA

Steven's *guidance was invaluable*. The entire team was *remarkably responsive* and helped with every aspect of the process. We *felt wonderfully represented* and supported and recommended SCT to anyone selling in Boston. —J. BAER

The Steven Cohen team has helped me with four real estate purchase or sale transactions. They also rented my property to an excellent tenant. *They're timely, professional, and knowledgeable*. They strive to provide a *white glove service*, while also taking a *calm, friendly, and positive* approach to what can be really stressful situations. —NEWTON

The entire team is *truly world-class*, and they were able to generate multiple offers, all over asking, within days of listing. —L. SEGALL

Because of Cohen's quarterly South End stockholders magazine, I felt *this agency knew the South End better than anyone else*. The entire team, from beginning to end, *far outperformed my expectations*. —M. ELDER

THANK YOU TO OUR CLIENTS

KW New England Region Group Award Winner

#2 on the **Large Teams by Volume** for **Massachusetts** list in **America's Best Real Estate Professionals**, as published in the *Wall Street Journal*

#1 Boston's top REALTOR® and Real Estate Agents in *HomeLights*

#1 Producing Team — *Boston Magazine*

Top 250 Real Estate Teams — *Wall Street Journal*

Top 5 Residential Real Estate Agents — *Leaderboard*

DURING 2022

Among 6,000+ New England Keller Williams Associates

- ▶ **#1** Closed Volume
- ▶ **#1** Listings Sold volume
- ▶ **#1** Listings Sold Units
- ▶ **#1** Listing Taken Volume

DOING WHAT SHE LOVES

INTERIOR DESIGNER PAULA DAHER TRANSFORMS SOUTH END TOWNHOUSE

The single family townhouse at 160 West Canton Street had not seen its last major renovation in more than 70 years when renowned interior designer Paula Daher of Daher Interior Design was hired to make it the dream home of the property's new owners,



Peter and Lena McLoughlin. The existing finishes and decor were largely frozen in time as exemplified by the metal kitchen that had been turning out meals for the home's residents since 1947. Peter, whose company, Boston Property Development, and builder, Boston Property Contractors, led by Taylor Harrington had together built hundreds of residential units throughout greater Boston. Having thought about precisely the floor plan that would offer their family the lifestyle they were seeking, Peter and Lena continued to assemble their team, which included architectural firm Embarc. Their choice of designer was an easy one, according to Peter. "Paula's work speaks for itself and her passion for interior design makes her an absolute pleasure

to work with." Daher occupies an enviable niche as one of the top designers in the field and is actively sought after by her many clients for projects across the city as well as in second home enclaves from Maine to Florida and on various islands. Her work has been featured in virtually every design publication imaginable and she is the recipient of numerous industry accolades.

The project required a couple of pivots on Daher's part as the best laid plans can sometimes change quickly. "The new owners were seeking a design that could allow their three young boys to play basketball indoors during inclement weather.", noted Paula. She was therefore set to design around a floor plan calling for the removal of a good portion of the floor on the lower level that would allow the requisite ceiling height necessary for an 8 year old to make a three point shot. Fast forward to the onset of Covid and the sudden availability of a house just outside the city that prompted Peter and Lena to shift gears and set their sights on a new dream home. Paula was hired to create the design for the couple's new acquisition simultaneously with the execution of a revised plan for 160 West Canton, now to be built for an as yet unidentified new owner. The Steven Cohen Team was hired to market the property with the potential for the new buyer to engage in some customization. When a new set of future owners contracted to purchase the house, they naturally wanted to refine the floor plan, design aesthetic and color palette to meet their own tastes and needs. And to do so, Paula was selected once again as the designer who could best achieve the desired result.

160 West Canton Street, take 3, required that the property, which had evolved from its original design to an interim concept, to morph once more to the final plan that was ultimately implemented for the property. "The new owners have two small children and naturally wanted the house to work for their lifestyle." Paula said. They loved





Paula's idea of reiterating the curve of the cut out between the lower two floors with an inverse of that curve in the banquette seating area on the parlor level as well as in the primary suite on the level above. The three floors of glass that draw abundant light into the home are complemented by the many sources of illumination that were incorporated into the lighting plan. The home's deep, west facing garden, generous deck off of the kitchen and roof deck with panoramic views, allow for seamless enjoyment of the outdoors. Other modern design enhancements were also interspersed with the traditional elements of the 19th century townhouse. The result is spectacular. Paula, who is responsible for

the design of many interiors throughout the city, found it a pleasure to work with the home's owners in creating something particularly special. "160 West Canton Street is a signature property", she said.

Of course, the execution of a design plan for 160 West Canton unfolded in context with and as a reflection of both design's current evolution and the constraints under which Paula and the new owners were operating. We asked Paula to comment on some of the design trends and challenges that informed the manner in which she approached 160



West Canton Street as well as other projects on which she is working. "During Covid, people spent so much time in their homes that they really wanted to make changes and those changes are still very important. People want work and flex spaces. Colors have also begun to change — gray was huge before. Now we are beginning to see greens, terra cottas and vibrant yellows," Paula observed. "People are also more open to textiles with patterns that have a more traditional flavor. We are now infusing cultural elements from different parts of the world and from different eras," she continued. There are also many challenges designers face in the post-Covid world. "We have to think about things that have the longest lead time. And then there is always the surprise that comes around when visioning a beautiful space and then having to design around mechanical, HVAC or windows." According to Paula, other considerations include budgetary imperatives and being mindful of which improvements will prove to be investment worthy. "We want to think about what will stand the test of time and be a value add so that when our clients eventually sell their homes, their investment will have appreciated."

For the fortunate among us, our work is also our passion, and such is certainly the case for Paula Daher. "Some of my best ideas come to me while I'm walking down the street. We never know what will spark that next inspiration. It is my clients that I am so grateful for, in many cases, multiple times. It's terrific. I do what I love and love what I do." When both left and right brain skill sets are brought to the fore, the result can be inspiring and satisfying for both the designer and home's end users alike. The conception and execution of the design for 160 West Canton Street is a fine example of how spectacular homes are created. Paula Daher is clearly as gratified to have been involved with this exciting project as its new owners are undoubtedly thrilled to be living there now and for many years to come.

OTHER PAULA DAHER CREATIONS



MEET A SOUTH END COUPLE



STEPHANIE AND AUSTIN

Stephanie and Austin have lived in and loved the South End for the past ten years. What initially drew them to the South End - the stellar architecture, abundant greenspace, the arts scene, and the diversity of the neighborhood's population to the South End, are the same attributes that find them still calling it home. And, as their own family has grown to include a one-year-old son and family dog, Rafa, they also enjoy that so many other young families have moved into the neighborhood as well.

Austin particularly appreciates the art scene in the South End and SOWA. "It helps to build a vibrant culture that has just become more so over time. More artists, more galleries. More ability to see art and display art."

Having choice restaurants all around them adds to the appeal of the urban lifestyle for them. Orinoco is one of their favorites and they have dinner there frequently. Metropolis and Black Lamb are also among the local spots that they enjoy.

Stephanie and Austin are quite civically engaged, committing themselves to being active in numerous South End nonprofits. Austin works closely with South End Soccer, which delivers youth sports experiences to anyone regardless of income, needs or skill set. Austin has also worked on a scholarship program for graduating seniors. "It is an incredible neighborhood-oriented organization. I love that I can stay engaged in my neighborhood." Stephanie has served on the board of Rosie's Place, a shelter for homeless women serving the South End for many years. "I love investing in a local cause and a local effort. Few know we have the first women's shelter in the country right here in the South End and it is gratifying to help Rosie's Place support so many local women and families".

"Raising a family in the city is absolutely a choice and we are lucky to be able to make that choice," says Stephanie. For Austin, it has taken a somewhat of a shift in mindset. "Having grown up in rural Maine, you're used to having wide open space to spread out into as a family. But rethinking some of those priorities is not difficult if you are really dedicated to staying in the city." Stephanie has all the green space she needs in her immediate field of vision. "We essentially have six backyards within a couple block radius. There are so many wonderful parks and playgrounds in the South End."

While much has changed in the South End since they arrived, what Stephanie loves most about living here are the things that have not changed. "It's never been too crowded or touristy. It feels like you are part of a neighborhood. There's not a lot of traffic. Not a lot of noise. You get to know your neighbors and the local businesses."





LEFT FOOT FALMOUTH

URBANITES PLAY REAL ESTATE TWISTER

BY STEVEN COHEN

The cover of this issue of the Stakeholders' Report was created to satirize a genuine and observable phenomenon that has taken root in many of America's largest cities; a select but growing number of urbanites are playing a metaphorical game of "housing twister" and splitting their time among multiple homes. The trend is blurring long-established living patterns and reshaping the housing landscape. Ever increasing wealth concentration, advancing communications technology and remote work options are prompting many well-heeled city dwellers to seamlessly rotate among their residences, living part time in the mountains or by the beach while they continue to retain their city pads. Choice urban centers have held their value while the prices of second home and vacation markets have soared. Interestingly, this retention of property values in many of America's largest cities is taking place, even as the population of these cities has declined.

Recently released census data show that during the pandemic, the U.S registered its lowest rate of population growth in well over a century, with population increasing a meager .1%. In the 56 largest metropolitan areas whose number of residents exceeds one million, an unprecedented absolute decline in population was recorded. In contrast, smaller metropolitan areas grew at a faster rate than the previous two years and non-metropolitan areas grew at the fastest rate in more than a decade. The decline in major metro-area population is attributable to a number of factors, including the changed ratio of births to natural deaths from Covid and the slowed influx of new residents from abroad due to Trump administration immigration policies.

The net migration out of large cities that is taking place across the United States is largely attributable to younger millennials and Gen Xers turning away from the larger cities where costs are higher, effective governance has become problematic and public safety concerns have grown. This trend is discernible to anyone who has attempted to purchase a home in virtually any suburb or rural town anywhere and in particular, one that has a highly-rated school system. The suburbs have performed well during and post-Covid and it makes sense to us that this surge in activity would come at the expense of something else, namely that of the larger metropolitan areas. Boston is among the places that have lost population during the pandemic, though not at as high a rate as some other metropolitan areas.

Choice urban centers
have held their value while
the prices of the second
home and vacation markets
have soared.



“They (sellers) don't even have to bother pricing accurately because there are just so many buyers out there who will compete in a bidding war.”

What are the implications of this net migration-out trend for Boston's real estate market? How can we interpret the data from a real estate perspective and reconcile it with what we have witnessed in Boston? After all, though slowed somewhat by the Fed's move to raise interest rates, our local market has performed well in 2022 and has until recently been characterized by chronically low levels of inventory, strong buyer interest and Silicon Valley/Bay Area style bidding wars. It is true that the suburbs have been relatively hotter still, but the exodus that the data suggests is taking place does not square with the reality that not much has been for sale in Boston, and what has been available for purchase has often elicited multiple sources of interest.

A similarly incongruous situation has been observable in certain other American cities. In downtown Seattle, for example, the market performed very well over the past couple of years, despite the overall decline in population. Referring to Seattle's real estate spring 2022 real estate market, Redfin's Chief Economist, Daryl Fairweather observed that, “They (sellers) don't even have to bother pricing accurately because there are just so many buyers out there who will compete in a bidding war.” Austin's market, even with the census bureau's reporting of a 2.32% loss in population during the pandemic has been extremely strong, with stories rife of sellers making 50% or more in profit during 2022 from real estate purchases that were made as recently as a year ago. Devan McGuinness of Fatherly, reports that during the spring market of 2022, San Francisco had the 5th highest rate of bidding wars in the country, with 79.9% of properties attracting more than one offer. This impressive performance was turned in during a period when the census bureau reports a net loss in the Bay Area's population of 2.46%.

So how can we explain the net loss in population suffered by many of America's largest cities with the tight conditions that characterize their local real estate markets? First, it is noteworthy that the performance of real estate markets in elite upper income neighborhoods within many of these cities has outpaced the performance of the cities overall. According to the New York Times, “The places that are getting richer aren't getting bigger.” The largest increases in property values, tightest market conditions and majority of population increases are therefore observed disproportionately within the wealthiest sections of these cities. This trend is a reflection of an increasingly skewed wealth distribution curve throughout the country. Also, a pattern has emerged of wealthier residents relocating from higher tax states to other states for just the 183 days that one must live out of state in order not to be considered a resident of their home base. This tactic has the effect of undercounting the number of people who truly reside in and are occupying housing stock in the higher tax state from which they originally came.

The largest two demographics, the Baby Boomers and the Millennials are both accumulating and hoarding their real estate. Many Boomers have elected to adapt and retrofit their homes rather than sell them (See Spring 2022 Stakeholders' Report article on Aging in Place). The New York Times reports that, “Aging in place has found renewed interest among Baby Boomers, some of whom are now wary of nursing homes.” These boomers have at the

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same time, however, demonstrated a healthy appetite for second and even third homes. This trend prompted Kristen Darch, a frequent Mail and Globe contributor to satirically admonish the Boomers. Darch writes, "OK, so you have won the intergenerational housing lottery. The very least you could do is not brag about your second and third homes to the people who will probably never own one."

The Millennials, who had been slower in coming to the real estate party than their Boomer parents, are making up for lost time. This demographic has for a number of reasons fared considerably less well overall than their Boomer parents in accumulating wealth and real estate. Within the wealthy enclaves of America's large inner cities such as Boston, however, there is a large concentration of extremely successful, overachieving Millennials who are among the drivers behind value increases in these local real estate markets. Like the Boomers, many of these Millennials in Boston are keeping their city homes, even as they purchase second and third homes in Northern New England, the Cape and Islands, the Berkshires and in Florida. According to the Millennial Wealth Report by Coldwell Banker, "The average Millennial millionaire owns three properties and is set to inherit even more in the coming years."

There is no question that pandemic related remote work scenarios, which have persisted past the pandemic, have been a primary driver of interest in second and third homes. Technologies allowing for greater remote connectivity, which until recently were considered nascent, have quickly been more widely adopted. According to National Association of Realtors chief economist Lawrence Yun, "The enduring opportunity for remote work will continue to raise the demand for properties in counties where second

homes are located." Many people who are able to do so, are now living in both the city and in a second location. Bloomberg recently produced a piece profiling a woman named Terri Cibelli and her family. Terri is an environmental consultant, who together with her husband, packed the family up during the pandemic and moved to upstate New York from Manhattan, enrolling their kids in school and in extracurricular activities there. They now split their time between two locations, living in their West Village apartment and going upstate on the weekends. In other words, what wealthy Boomers and Millennials share in common with respect to real estate is that the magic word is "and" rather than "or".

Few sympathy points go to those who must now manage the stresses and logistical complexities associated with simultaneously maintaining multiple residences. These challenges are at the top of the list of "first world" problems that most Bostonians would love to have. Perhaps the efficiencies promised by the sharing economy will find their way into the equation and the rest of us can learn to suffer under the burden of moving from the beach or ski slope back to the city for a Monday meeting. Twister, after all, is a game meant to be played by everyone.



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A HISTORIC HOME THROUGH THE EYES OF ITS ARTIST-OWNER

GRETCHEN KEYWORTH AND
HER EXQUISITE SOUTH END RESIDENCE



Gretchen Keyworth

We often refer to the owners of historically significant properties as their “stewards” and the term so aptly applies to the match between Gretchen Keyworth and her exquisite West Concord Street residence. The spectacular South End property, which features significant detail and unusual architectural flourish, already had a storied past when Gretchen first saw and fell in love with it nearly 25 years ago.

Gretchen has spent her entire career trailblazing through the art world as purveyor, curator, Director Emeritus of the Fuller Craft Museum and even as the city of Boston’s Director of Cultural Promotions. Above all, Gretchen considers herself to be an artist and that identity is what has fueled her commitment to supporting her fellow artists in virtually every way imaginable. “My father was an artist, so I have always had that perspective. I did not come in from the outside. It’s always in the back of my mind.”

Gretchen’s roots run deep in the South End, discovering with her sister Randi’s help that their father had lived next to the Chatham House on West Concord Street. Their grandmother sang soprano in the Clarendon Street Church which was later restored to become condominium residences in which Gretchen also lived. Gretchen’s mother was not an advocate of her retracing their family’s roots when she first decided to move to the South End. Upon making that decision, her mother flatly told her, “Gretchen, I think you are out of your mind.” Gretchen had called three other



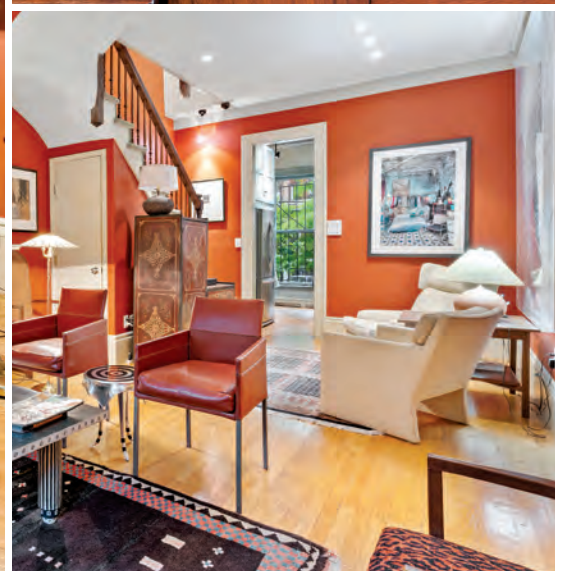


South End addresses home before making the move to her current residence. She got a call from her realtor while on the beach in the Caribbean letting her know that a special property had become available. "So, I walked in and said, 'I'll take it,'" Gretchen remembers.

The property was not in the best condition when Gretchen purchased it. A couple from California had begun a renovation but ran out of money and many architectural elements throughout the home required attention. Marveling at the Italianate faceted bay windows, high coved ceilings, ornately carved fireplace mantels and other architectural details, Gretchen was determined to sensitively restore her new home. "I couldn't help myself but to do it right," she said. And that she did.

Living in an historic property, it's common to wonder about all the interesting lives and events that must have taken place there. So when Gretchen got a letter from a former owner, Judith Pfeifer, saying that she had some interesting information to share about the home's history, Gretchen was delighted.

"Judith had a fascinating tale to tell about the African American woman who owned and ran a brothel in this home in the 20s and 30s that catered to some of the high profile politicians of the time. When she passed, the home was just filled to the ceiling with all kinds of things, including some that were likely necessary for the operation of her business. So, when I go through a hallway now, I start visualizing, fantasizing, about their lives at the time." Gretchen recounts.





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(617) 861-3636
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