

# Residential Market Study

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## Nichewaug Inn Petersham, Massachusetts

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**Prepared for:**

Concord Square Development

**Date of Report:**

July 6, 2016

BONZ AND COMPANY, INC.

| *Real Estate Advisors*

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*Real Estate Advisors*

July 6, 2016

Mr. Ted Carmen  
Concord Square Planning & Development, Inc.  
294 Washington Street, Suite 454  
Boston, MA 02108

RE: Market Study- Preliminary Findings  
Nichewaug Inn  
Petersham, MA

Dear Mr. Carmen:

In accordance with your request, we respectfully submit our market assessment in relation to the above referenced property.

The Nichewaug Inn is located in Petersham, Massachusetts, on the northwest corner of the historic town common. The property was originally constructed in 1899 with an addition in 1952. The Town of Petersham requested proposals related to the preservation, redevelopment and reuse of the property and selected Concord Square Planning & Development as the consultant to assist in formulating potential financially feasible options for the site.

Based on work completed to date, Concord Square Planning & Development have proposed a variety of residential options on the site, including the renovation of the inn to provide one and two-bedroom condominium units and/or the demolition of a portion of the property to allow for the new construction of single-family homes.

You have requested that I provide a summary housing market overview for Petersham, an estimate of the potential sales price for both the single family homes and condominium units, and the potential absorption rate for these types of homes. Based on all of the data reviewed, it is my opinion that the proposed condominium and single family home units could sell for between \$165 and \$175 per square foot. The indicated sales price for each unit type is shown in the following table.

### Estimated Sales Price of Proposed Units

Unit Type	Size	Price/SF Range		Potential Sales Price	
1 BR Condo	700	\$165	\$175	\$115,500	\$122,500
1 BR Condo	900	\$165	\$175	\$148,500	\$157,500
2 Br Condo	1,000	\$165	\$175	\$165,000	\$175,000
2 Br Condo	1,400	\$165	\$175	\$231,000	\$245,000
3 BR SFH	1,600	\$165	\$175	\$264,000	\$280,000
3-BR SFH	2,000	\$165	\$175	\$330,000	\$350,000

You also requested my opinion regarding the potential feasibility to develop the Inn into, a) Market Rate Rental Housing, b) Retail c) Office d) Restaurant and /or d) Hotel / Hospitality uses. Given the small population of Petersham, the rural nature of the community, the distance from major area highways as well as from major employment centers it is very unlikely that any of these uses would be financially viable. Based on my knowledge of the area and on other projects I have been involved with in Western Massachusetts, it is my opinion that the achievable rental rates for any these uses would not be sufficient to cover the redevelopment costs. It may also be challenging to attract a sufficient number of interested parties.

Given the status of this project, we have used all the pertinent information that is appropriate for this analysis, which is to analyze the viability of a residential development in the subject's market given the information, plans and/or approvals in place at the time this market study was commissioned.

This report, including all analyses contained within, is based on estimates, assumptions and other information developed from our research of the market, knowledge of the industry and meetings during which the property contacts provided us with certain information. It is possible that some assumptions contained in this report may not materialize and unanticipated events and circumstances may occur. We have no responsibility to update this report for events and circumstances occurring after the date of our report.

Nichewaug Inn  
Market Analysis

We have enjoyed the opportunity to conduct this assignment. If you should have any questions regarding this report, please do not hesitate to contact us.

Respectfully submitted,  
**Bonz and Company, Inc.**

Joanne F. Shelton  
Director  
MA Certified General  
Real Estate Appraiser, Lic. #75113

DRAFT

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## **SECTION I – MARKET OVERVIEW**

The report begins with a general overview of the national and local for-sale housing market and then provides a detailed examination of comparable properties in Petersham and the surrounding market area.

### **National For-Sale Market**

Housing market trends reflect the recent improvements in the economy. Data released on June 28, by the S&P/Case-Shiller U.S. National Home Price Index, covering all nine U.S. census divisions, recorded a 5.0% annual gain in April 2016, slightly less than the 5.1% increase in March. After years of volatility, home prices have grown at a rate of around 5% since early 2015. Strong growth in home prices along with growing demand for new homes have helped make the housing market one of the strongest sectors of the U.S. economy in recent months.

The impact on the housing market of Britain's decision to exit the European Union and the ensuing turmoil in global financial markets is likely to be mixed. On the one hand, falling yields on U.S. Treasury's are helping to push mortgage rates lower. The rates for 30-year fixed mortgages have fallen to about 3.5% recently, near their lowest levels in several years. If mortgage rates remain low, it makes monthly payments more affordable and can help push up home prices or encourage buyers who are on the sidelines to decide to purchase a home. But on the other hand, it could undercut consumer confidence and have a slight negative impact on the U.S. economy, making people hesitate to go out and make a major purchase such as a home.

### **State For-Sale Market**

Single-family home sales in Massachusetts rose by 20.9 percent in May 2016, according to data released by The Warren Group on June 28, 2016. There were 5,297 single-family homes sold in the Bay State, compared with 4,382 in May 2015. Year-to-date, sales were up by 28.2 percent with 19,554 homes sold in the first five months of 2016 compared with 15,258 sold during the same time last year. The median sale price of a single-family home in May was \$347,000, a \$7,000 increase from \$340,000 last year, the highest median sale price in eight months. Year-to-date prices remained flat, with a median sale price of \$325,500, up 0.2 percent from the same period in 2015.

Condominium sales for the month rose by 9.0 percent, with 2,146 condos sold compared with 1,969 sold in May of 2015. This marked the 12th consecutive month of increases in condo sales. Year-to-date, condo sales increased by 19.4 percent to 7,845 condos sold compared with 6,573 in the same timeframe last year. The median condo price increased by 4.4 percent to \$335,000, compared with \$321,000 in the same month last year. Year-to-date, condo prices were up 3.2 percent to a median sale price of \$310,000 compared with \$300,450 in the same time period last year.

### **Local Residential Market**

To better understand the current local residential market we examined single-family and condominium sales data since 2000 for Petersham as well as the surrounding communities of Hubbardston, New Salem, Hardwick and Phillipston.

As can be seen in the following exhibits, sale prices for all of these communities have fluctuated over the period reviewed, with sale prices generally climbing through 2006 and 2007 and then declining, as with so many communities during the real estate crisis and recession in 2008. However prices have been trending upwards over the past few years. The median sale price for a single family home in Petersham was \$232,000 in 2015, an 8.15% increase from the previous year but still significantly less than the pre-recession peak of \$372,500.

**Exhibit 1–Local Residential Sales Prices**

Year	Median Sales Price				
	Single Family				
	Petersham	Hubbardston	New Salem	Hardwick	Philipston
YTD-2016	\$197,450	\$240,000	\$187,000	\$165,000	\$233,000
2015	\$232,000	\$253,950	\$144,500	\$195,266	\$176,000
2014	\$214,500	\$206,500	\$196,750	\$210,156	\$195,500
2013	\$205,000	\$214,400	\$158,280	\$195,000	\$208,000
2012	\$139,500	\$211,000	\$86,000	\$150,000	\$173,500
2011	\$154,750	\$165,000	\$167,500	\$203,000	\$151,075
2010	\$240,000	\$201,250	\$200,000	\$157,500	\$125,100
2009	\$214,000	\$215,000	\$166,250	\$173,500	\$183,000
2008	\$238,500	\$236,100	\$159,900	\$220,000	\$180,000
2007	\$372,500	\$242,000	\$207,000	\$289,500	\$196,000
2006	\$353,085	\$259,000	\$209,650	\$235,500	\$233,500
2005	\$264,000	\$256,250	\$210,000	\$205,000	\$252,500
2004	\$269,750	\$257,500	\$223,500	\$172,300	\$235,000
2003	\$196,250	\$230,495	\$214,950	\$175,000	\$178,450
2002	\$183,000	\$218,500	\$172,500	\$164,500	\$147,200
2001	\$189,500	\$197,950	\$159,900	\$142,270	\$137,400
2000	\$175,000	\$173,700	\$133,500	\$150,000	\$114,500

Source: Warren Group

The number of sales in each community was also impacted by the housing crisis and recession. While the recession occurred in 2008, in general the housing market began retracting in 2005/2006. The data indicates that these communities have largely recovered from the recession, with increasing sales volume over the past several years.



**Exhibit 2 –Number of Sales**

Year	Number of Sales				
	Single Family				
	Petersham	Hubbardston	New Salem	Hardwick	Philipston
YTD-2016	8	13	6	7	4
2015	21	42	14	26	24
2014	22	44	6	19	16
2013	10	45	8	20	17
2012	15	35	8	17	18
2011	12	22	6	18	17
2010	11	30	10	10	11
2009	15	30	6	20	16
2008	10	25	5	11	13
2007	8	48	7	12	21
2006	8	59	16	22	22
2005	17	62	13	31	28
2004	14	71	20	29	27
2003	16	51	6	21	25
2002	11	62	10	16	12
2001	9	46	17	24	25
2000	14	58	8	23	21

Source: Warren Group

**Estimate of Potential Sales Price**

As noted previously, earlier this year the Town of Petersham requested proposals related to the preservation, redevelopment and reuse of the property and selected Concord Square Planning & Development as the consultant to assist in formulating potential financially feasible options for the site. Based on work completed to date Concord Square Planning & Development have proposed the following redevelopment options:

1. Retain portions of the Nichewaug Inn and the Academy Building; renovate with 26 condominium units (14 and 12, respectively). Demolish the newer brick connector building, the kitchen wing, the northern flat-roofed part of the dining room wing and the ‘Mother Superior’ addition of the Inn, and demolish the garage.
2. Retain only part of the Nichewaug Inn, with 14 condominium units. Demolish the balance of the site;
3. Retain part of the Inn, as above, demolish the balance of the buildings, and provide for the development of three homes on individual house lots on the northern access road;
4. Demolish all the buildings, and allow for the construction of four homes on single family lots along Common Street

Based on the information provided we have assumed the following:

1. The Condominium Units will be a mix of one and two-bedroom units. The one bedroom units will range in size from 700 to 900 square feet and the two bedroom units would be 1,000 to 1,400 square feet. The condominium fees are expected to be in the range of \$200 to \$250 per month.
2. The Single Family Homes will be have three-bedroom and one and half bathrooms, ranging in size from 1,600 to 2,000 square feet, on approximate half acre sites.

The condominiums and single family homes will have granite countertops, stainless steel appliances, fully applianced modern kitchen and bathroom, tile floors in the entries, hardwood floors in the living areas, and carpet in the bedrooms. We have also assumed a high level of energy efficiency. The residents of the condominium units will also have access to a large community area.

### **Sales Price Analysis**

In order to estimate a potential sales price for the proposed condominium units and single family homes, we analyzed sales data in Petersham, and the surrounding communities of Hubbardston, New Salem, Hardwick and Phillipston over the past 12 months, as well as listing prices and the supply of units that are currently on the market. For this analysis we considered only properties of relatively new construction or that have been renovated and updated and are similar to the proposed units in terms of size and finishes. We excluded properties with ten or more acres of land. Our extensive analysis of unit sale transactions was based on research as reported in *Multiple Listing Service (MLS)* and on conversations with local area brokers. A summary of the sales data reviewed is shown in the addenda. The search criteria resulted in a total of 49 sales or listings, a summary of which follows:

### **Petersham**

According to MLS there are 11 single family homes that meet our criteria and that are either currently available for sale, or have sold in the last 12 months. The seven properties that sold ranged in size from 2,200 sf to 3,694 sf, with sales prices from \$248,500 to \$500,000, or from \$112 to \$194 per square foot. All of the properties sold for between 1% and 10% less than their original asking price. The average time on market was approximately 175 days.

There are three comparable single family homes currently for sale in Petersham with asking prices of \$209,900, \$279,900 and \$464,500 or between \$137 and \$164 per square foot. One property is under agreement.

### **Hubbardston**

According to MLS there are 23 single family homes that meet our criteria and that are either currently available for sale, or have sold in the last 12 months. The 13 properties that sold ranged in size from 1,265 sf to 2,494 sf, with sales prices from \$234,000 to \$323,000, or from \$119 to \$159 per square foot. All of the properties sold for at or slightly above their original asking price. The average time on market was approximately 80 days.

There are 7 properties currently on the market, including four “to be built” single family homes within the new Pinecrest subdivision development. These two and three-bedroom homes will range in size from 1,331 to 1,560 square feet and have asking prices ranging from \$211,800 to \$259,000 or from \$145 to \$182 per square foot. In terms of size, finishes, new construction etc. these properties are probably most comparable to the units proposed at the subject site.

### **New Salem**

According to MLS there are only five single family homes that meet our criteria and that are either currently available for sale, or have sold in the last 12 months. The one single family home sale was for a four-bedroom 2,289 square foot home that sold for \$325,900 or \$141 per square foot. It was on the market for 7 months and sold for 5% below asking.

There are three properties currently on the market, including a “to be built” three-bedroom single family home with 1,196 square feet with an asking price of \$199,900 or \$167 per square foot. In terms of size, finishes, new construction etc. this property is most comparable to the units proposed at the subject site.

### **Phillipston**

According to MLS there are eight single family homes that meet our criteria, including five that have sold in the last 12 months, two that are currently under agreement and one that is being marketed for sale. Sale prices range from \$229,000 to \$354,000 or from \$98 to \$193 per square foot. Average marketing time was around 90 days.

### **Summary of Sale Comparables**

A summary of the sales, unit square footage, and sales per square foot of for all of the comparable properties by unit type is illustrated in the following exhibit. As shown the sales prices range from a low of \$76.77 per square foot to a high of \$225 per square foot, with an average of between \$138 and \$140 per square foot.

#### **Exhibit 3– Summary of Comparable Sales**

	List Price	Sales Price	Size (SF)	Price/SF
Min	\$199,900	\$229,000	1,196	\$76.77
Max	\$535,000	\$500,000	3,694	\$225.00
Median	\$269,900	\$274,950	2,126	\$138.16
Average	\$298,623	\$303,446	2,164	\$140.92

### **Conclusion**

Based on all of the data reviewed, it is my opinion that the proposed condominium and single family home units could sell for between \$165 and \$175 per square foot. The indicated sales price for each unit type is shown in the following table.

#### **Exhibit 4 – Estimated Sales Price of Proposed Units**

Unit Type	Size	Price/SF Range		Potential Sales Pirce	
1 BR Condo	700	\$165	\$175	\$115,500	\$122,500
1 BR Condo	900	\$165	\$175	\$148,500	\$157,500
2 Br Condo	1,000	\$165	\$175	\$165,000	\$175,000
2 Br Condo	1,400	\$165	\$175	\$231,000	\$245,000
3 BR SFH	1,600	\$165	\$175	\$264,000	\$280,000
3-BR SFH	2,000	\$165	\$175	\$330,000	\$350,000

**Absorption**

The subject development is located in a small rural community in Western Massachusetts, and the limited sales activity in Petersham and the surrounding area reflect this. According to the data provided by The Warren Group and MLS, over the past five years there have been approximately 10 to 20 sales of single family homes in Petersham each year. For the communities of New Salem, Hardwick and Phillipston, the number of sales ranges from 6 to 26 sales per year. Hubbardston has the highest sales volume with between 22 and 42 sales per year over the past five years.

According to MLS, of the 24 sales of single family homes in Petersham over the past 12 months, Days on Market ranged from 21 days to 306 days, with an average of 112 days, or approximately 3.5 months.

For the subject development I would assume a substantial marketing period of at least 12-24 months prior to construction completion, with the potential to pre-sell 5 to 6 units and the balance of the units selling at a rate of one every three months after completion.

Nichewaug Inn  
Market Analysis

**ADDENDA**

**Appendix 1 – MLS Sales Data**

#	ADDRESS	TOWN	STATUS	LIST PRICE	SALE PRICE	SF	PRICE/SF	BR	BA
Lot 115A	Cheyenne Drive	Hubbardston, MA	ACT	\$211,900		1,344	\$157.66	2	1
	12 Main Street	Hubbardston, MA	ACT	\$230,000		2,996	\$76.77	4	2
Lot 7A	Birches Road	Hubbardston, MA	ACT	\$242,900		1,331	\$182.49	3	1
Lot 115B	Cheyenne Drive	Hubbardston, MA	ACT	\$251,900		1,728	\$145.78	2	1
Lot 40	Pitcherville Road	Hubbardston, MA	ACT	\$259,000		1,560	\$166.03	3	1
	41 Cross Road	Hubbardston, MA	ACT	\$265,000		1,728	\$153.36	3	1
	16 Evergreen Road	Hubbardston, MA	ACT	\$450,000		2,000	\$225.00	3	2
	8 Iroquois Avenue	Hubbardston, MA	BOM	\$269,900		1,296	\$208.26	3	2
	11 Rollingwoods	Hubbardston, MA	CTG	\$219,900		1,630	\$134.91	3	2
118	New Westminster Rd	Hubbardston, MA	SLD	\$234,000	\$234,000	1,265	\$184.98	3	1
	8 Chippewa St	Hubbardston, MA	SLD	\$249,900	\$254,000	1,636	\$155.26	4	2
	15 Navajo St.	Hubbardston, MA	SLD	\$255,000	\$260,000	1,768	\$147.06	3	1
	12 Geordie Ln	Hubbardston, MA	SLD	\$259,900	\$259,900	1,728	\$150.41	3	2
	19 Adams Rd	Hubbardston, MA	SLD	\$269,900	\$259,900	1,872	\$138.84	3	2
	5 Mare Meadow Ln	Hubbardston, MA	SLD	\$269,900	\$269,900	2,208	\$122.24	4	2
	8 Laurel Street	Hubbardston, MA	SLD	\$269,900	\$274,900	1,728	\$159.09	3	1
	54 Seminole Ave	Hubbardston, MA	SLD	\$289,900	\$272,500	1,810	\$150.55	3	2
	26 Ragged Hill Road	Hubbardston, MA	SLD	\$299,000	\$294,000	2,432	\$120.89	3	1
	10 Mare Meadow Ln	Hubbardston, MA	SLD	\$299,900	\$298,000	2,494	\$119.49	3	2
148	Old Westminster Rd	Hubbardston, MA	SLD	\$300,000	\$300,000	2,282	\$131.46	4	2
	37 Root Rd	Hubbardston, MA	SLD	\$319,000	\$317,000	2,480	\$127.82	3	2
	96 Old Westminster Road	Hubbardston, MA	SLD	\$329,900	\$323,000	1,872	\$172.54	3	2
102	Barre Rd.	Hubbardston, MA	UAG	\$319,900		2,674	\$119.63	4	2
	96 MT JEFFERSON ROAD	Hubbardston, MA	UAG	\$359,900		2,894	\$124.36	4	2
	0 Wendell Rd	New Salem, MA	ACT	\$199,900		1,196	\$167.14	3	1
	17 W Main	New Salem, MA	ACT	\$239,900		1,942	\$123.53	4	2
246	North Main Street	New Salem, MA	ACT	\$250,000		2,923	\$85.53	4	2
	62 Michael Lane	New Salem, MA	PCG	\$225,000		2,052	\$109.65	4	2
	10 Hunt Road	New Salem, MA	SLD	\$339,900	\$325,000	2,289	\$141.98	4	2
163	Hardwick Road	Petersham, MA	ACT	\$209,900		1,276	\$164.50	3	2
	23 Barre Rd	Petersham, MA	ACT	\$279,900		1,768	\$158.31	3	2
	19 S Main ST	Petersham, MA	ACT	\$464,500		3,379	\$137.47	4	3
	28 Birch DR	Petersham, MA	SLD	\$248,500	\$248,500	2,200	\$112.95	3	2
	2 Old Waite RD	Petersham, MA	SLD	\$325,000	\$312,000	2,323	\$134.31	3	2
	25 Birch Drive	Petersham, MA	SLD	\$334,900	\$320,000	2,776	\$115.27	5	2
172	Nelson RD	Petersham, MA	SLD	\$348,900	\$329,000	2,254	\$145.96	4	3
	101 East ST	Petersham, MA	SLD	\$475,000	\$468,500	3,312	\$141.46	4	2
	108 South	Petersham, MA	SLD	\$524,900	\$500,000	3,694	\$135.35	5	3
	26 N Main ST	Petersham, MA	SLD	\$535,000	\$480,000	2,466	\$194.65	3	3
	58 Birch DR	Petersham, MA	UAG	\$312,000		2,314	\$134.83	3	2
	5 Petersham Rd	Phillipston, MA	ACT	\$339,900		1,763	\$192.80	3	2
110	School House Rd	Phillipston, MA	SLD	\$229,900	\$229,000	2,032	\$112.70	4	2
	55 Baldwinville Rd	Phillipston, MA	SLD	\$259,900	\$253,000	2,300	\$110.00	3	2
160	State Rd	Phillipston, MA	SLD	\$269,900	\$265,000	2,408	\$110.05	3	3
	9 Pine Meadow Road	Phillipston, MA	SLD	\$269,900	\$267,500	2,727	\$98.09	2	2
	375 Petersham Rd	Phillipston, MA	SLD	\$289,900	\$275,000	1,908	\$144.13	3	2
	600 Highland Ave	Phillipston, MA	UAG	\$279,900		2,600	\$107.65	3	2
	110 Ward Hill Road	Phillipston, MA	UAG	\$354,900		3,204	\$110.77	4	2

Source: MLS

**Appendix 2 - Qualifications**  
**Qualifications of Joanne Shelton**  
**Director**  
**Bonz and Company, Inc.**

**Employment**

Ms. Shelton is Director and Principal of the firm and has been with Bonz and Company Inc. since 1998. Previously Ms. Shelton was employed by Plymouth Development Corporation, England, and Laganside Development Corporation in Belfast, Northern Ireland, two of the thirteen development corporations in the United Kingdom.

**Education**

Ms. Shelton holds Bachelor of Science in Estate Management (Real Estate Studies), University of Ulster, Jordanstown, Northern Ireland and has also completed extensive appraisal courses and seminars offered by the Appraisal Institute as well as real estate financial classes at Boston area universities. Ms. Shelton is a Massachusetts and Rhode Island licensed Certified General Real Estate Appraiser and is MAP Certified and HUD Approved for appraisals and market studies completed as part of the financing requirements for HUD's Multi-Family Accelerated Processing

**Experience**

- 1) *Housing and related development assignments:* Market-rate, low, moderate, and mixed income housing ranging from town-house development to high-rise condominiums and rental apartments
- 2) *Commercial properties:* Medical office building suburban office buildings, large office parks, and downtown high-rise office buildings, retail districts, shopping centers, box retail facilities, specialty retail facilities; mixed-use developments, and related properties;
- 3) *Industrial and related special purpose properties:* R&D facilities, research laboratories, industrial parks, distribution facilities, and manufacturing facilities;
- 4) *Special Purpose Properties* Institutional facilities, theaters and schools, and other such properties;

Among the institutional, public, and private clients whom Ms. Shelton has served are: Citizens Financial Group, Bank of America, PNC Bank Corporation, Wainwright Bank, Harvard Pilgrim Health Care, Beacon Companies, Boston Properties, Boston University and Northeastern University, Massachusetts Housing Investment Corporation, The Community Builders, Rockport Mortgage, CW Capital, East Boston CDC, Cambridge Housing Authority and Rhode Island Housing Authority

**Appraisal Certification:**

*Massachusetts Certified General Real Estate Appraiser: License: #75113*

*Rhode Island Certified General Real Estate Appraiser: Certification No. A01373G*