

Real Estate Impacts of MGM Springfield in Springfield and Surrounding Communities

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Executive Summary

Key Findings: Residential Real Estate Indicators

- Sales of single-family homes in Springfield, Massachusetts flattened in the wake of the Great Recession of 2009. However, home sales picked up in 2014, just before the license was awarded to MGM and continued through 2018 when MGM Springfield opened. Since the economic recovery matched the awarding of the MGM Springfield casino license, it is difficult to truly distinguish the impact of the casino from the more general economic recovery on sales of single-family homes.
- Between 2009 and 2011, Springfield's single-family home sales saw decreasing growth rates. After 2011, Springfield's rates were below those of the surrounding communities and the rest of Hampshire and Hampden Counties. However, all three experienced steady growth after the license was awarded to MGM in 2014, although this growth could be interpreted as being due to broader market conditions.
- Between licensing and opening of MGM Springfield, condominium sales in the rest of Hampshire and Hampden Counties experienced quicker growth rates than both Springfield and its surrounding communities.
- Inflation-adjusted median sales prices in Springfield have increased slightly or remained flat for single-family homes and condominiums between the casino's licensing and opening. Only multi-family home prices have increased dramatically during that time. Key informant interviews suggest that this phenomenon could be due to investors buying up multi-family homes.
- Median sales prices in Springfield's surrounding communities and the rest of Hampden and Hampshire Counties experienced very little change during that time for single-family homes, condominiums, and multi-family homes.
- Median gross rents in Springfield, the surrounding communities, Hampden and Hampshire Counties, and the state as a whole increased in the period prior to and following the awarding of the MGM Springfield license. This suggests that increases in the study region could be following larger state trends.
- Springfield's residential vacancy rate saw a 1.2% decrease in the most recent years of data following the license award while the combined surrounding communities and the rest of Hampden and Hampshire Counties saw their vacancy rates increase at rates of 0.6% and 1.5%, respectively.
- Key informants from Springfield noted the increasing pressure on the housing market and increasing rental costs. Key informants were unsure whether these trends could be attributed to the licensing and opening of MGM Springfield and teased out from larger market forces and other development projects.
- Springfield key informants raised concerns regarding the speculative buying of properties in Springfield. For instance, many of the key informants discussed investors buying multi-family buildings and raising rents and/or buying a property and leaving it vacant with the hope of selling higher. Key informants also discussed concerns regarding displacement and an increase in evictions.

Key Findings: Commercial and Industrial Real Estate Indicators

- For most of the study period (2008-2018), Springfield added new commercial space at a slightly faster rate than the Commonwealth as a whole, but lagged in terms of industrial buildings. That trend reversed at the end of 2018 with the addition of a very large industrial facility.
- Vacancy rates—or the share of rentable building area which is listed on the market—have fallen in Springfield over the last 11 years and were lower than the statewide rates at the end of 2018. It is difficult to determine how much potentially rentable building area remains off the market.

- Average lease rates for office and industrial properties were consistently much lower in Springfield and its surrounding communities than in the Commonwealth as a whole. Lease rates in Springfield and its surrounding communities were more comparable to the state for non-office commercial properties.
- The development and opening of MGM Springfield introduced a substantial amount of new commercial space to the Springfield real estate market and may have contributed to a fall in commercial vacancy rates. Otherwise, there were few obvious breaks from past trends that could plausibly be attributed to the casino.
- Springfield key informants discussed the increased patronage of downtown Springfield as a result of MGM Springfield. Key informants did note that increased foot traffic and spillover impacts onto businesses as a result of the casino are limited to businesses and restaurants adjacent to MGM Springfield.