

# An Evaluation of Current Conditions in the Nantucket Housing and Short-Term Rentals Markets

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UMassAmherst

Donahue Institute  
Economic and  
Public Policy Research

# Purpose

The UMass Donahue Institute was commissioned to collect and evaluate current data on housing, short-term rentals, and visitation on Nantucket. The analysis includes an assessment of the number of short-term rentals that would be subject to new regulatory conditions should Article 60 pass. This study does not attempt to project how market conditions or current uses would change into the future should Article 60 pass.

Key data sources include U.S. Census, Zillow, Massachusetts Dept. of Revenue, and AirDNA.

# Assumption on the Reading of Article 60

In determining our assessment of Article 60's impacted properties, we grappled with the ambiguity of the language of Article 60. Ultimately, we decided to use a literal reading of the text as that required the fewest assumptions about the meaning and intent of the rule. The article creates two classes of STR: owner occupied and all else. Owner-occupied properties are specifically defined as those where the owner resides in the property for at least six months. If the owner is not present in the property for that duration, then the property can only be used as an STR if all dwellings on the property "are each used for long-term residential use more than short-term rental use." We read "long-term residential use" to mean that all dwellings on the property are someone's place of residence, as that meaning is the most consistent with the first clause which creates the two classes of STR based on the place of residence of the owner.

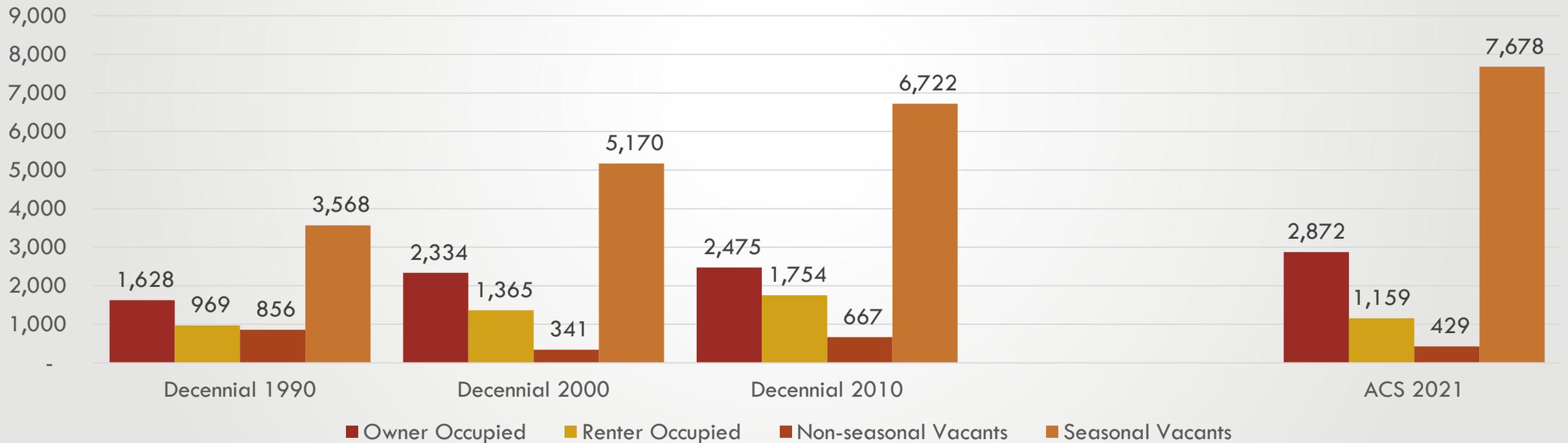
As such, we do not interpret "used for long-term residential use more than short-term rental use" to mean "used by the owner for more days than used by short-term renters;" rather we understand it to mean "rented to a tenant for more days than rented on a short-term basis." We did not find evidence that such property uses are materially plentiful on the island.

# Housing Units on Nantucket

- Nantucket is unusual for a Massachusetts town in that it has far more homes than year-round residents. In 2021, there were just over 12,000 housing units for a year-round population of around 14,000 people, who comprise about 4,000 households.
- In other words, there are three times as many homes on the island as there are households. In a normal housing market, in such a circumstance homes would be inexpensive.
- In Nantucket, housing demand is divorced from local population levels and local economic conditions because it is driven by the demand for vacation homes.
- Nearly 2/3 of all homes on the island are designated “for seasonal, recreational, or occasional use” by the US Census Bureau.
- Owner occupancy has risen. The latest estimate is that 24 percent of homes in 2021 are owner occupied, compared to 21 percent in 2010. But renter occupancy has fallen in that same period.
- It is unclear how much of this change is a temporary response to COVID, where second-home owners chose to use their Nantucket property during prolonged shutdowns. For context, owner occupancy also increased in Barnstable County during this same period, from 47% to 52%.

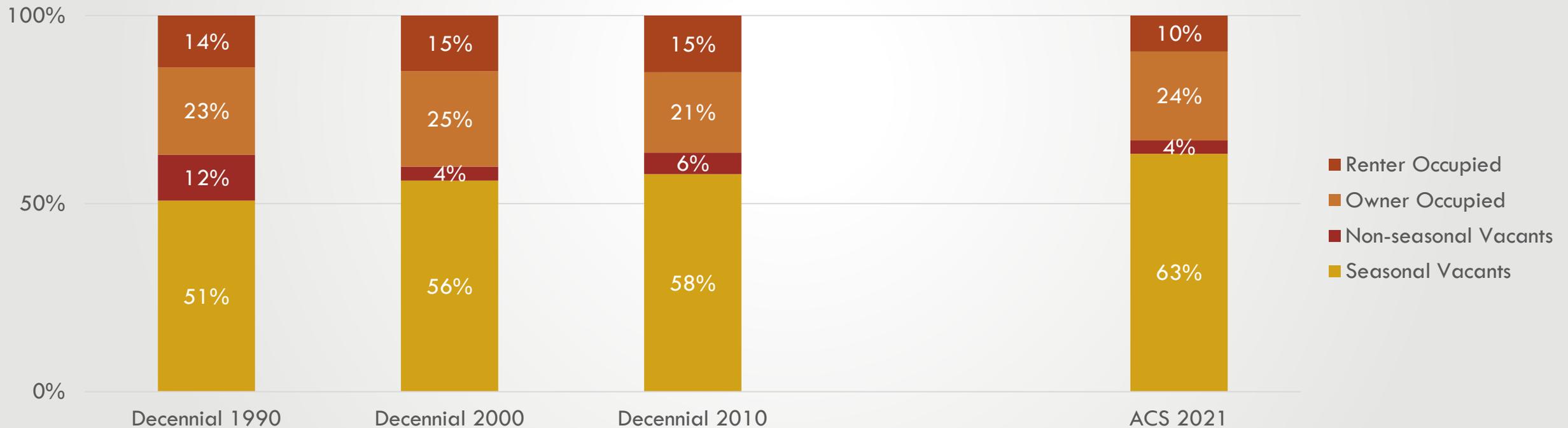
# Nantucket Housing Units, Counts by Type

Since 2010, the number of rental units has fallen while seasonal use homes have increased. There is no direct data on how these homes are being used. Some are new vacation homes, some are people converting rentals to vacation homes for personal use, some may be renting long term (but less than a full year), and some others could be STRs. Detailed housing data from the Decennial Census in 2020 is not yet available.



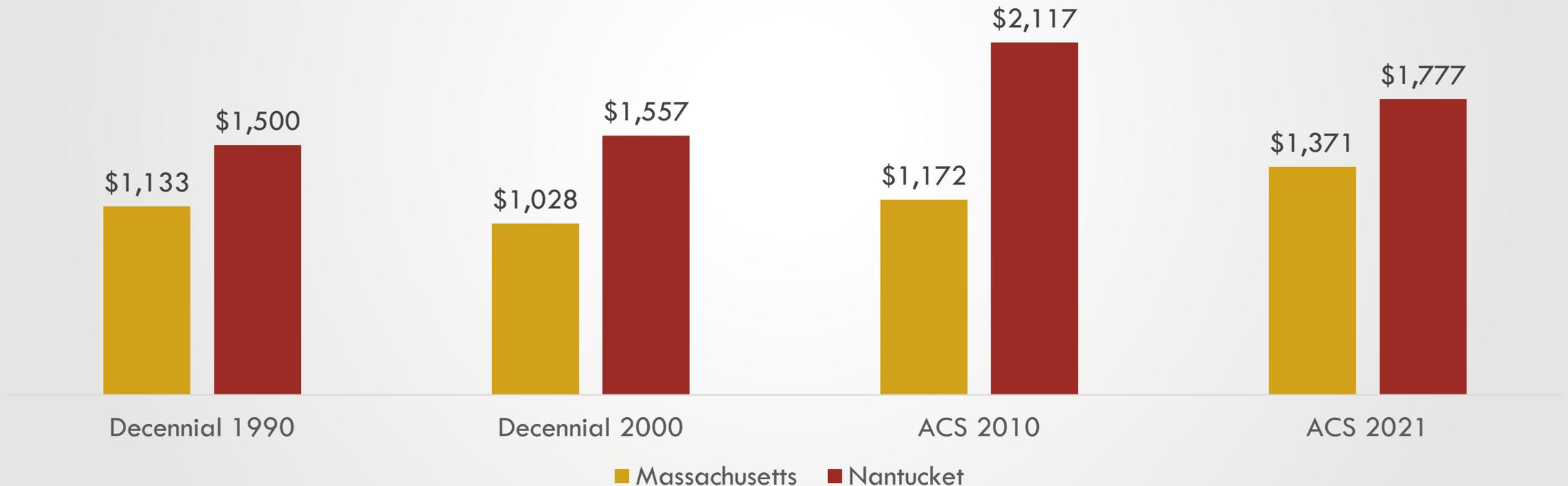
# Nantucket Housing Units, Shares by Type

The change in the composition of housing on Nantucket is easier to see when looking at proportions of each use. This data shows that seasonal use homes have been steadily increasing as a share of all homes since at least 1990. It also shows that rental units have declined as a share of all homes since 2010.



# Median Contract Rent (\$2022)

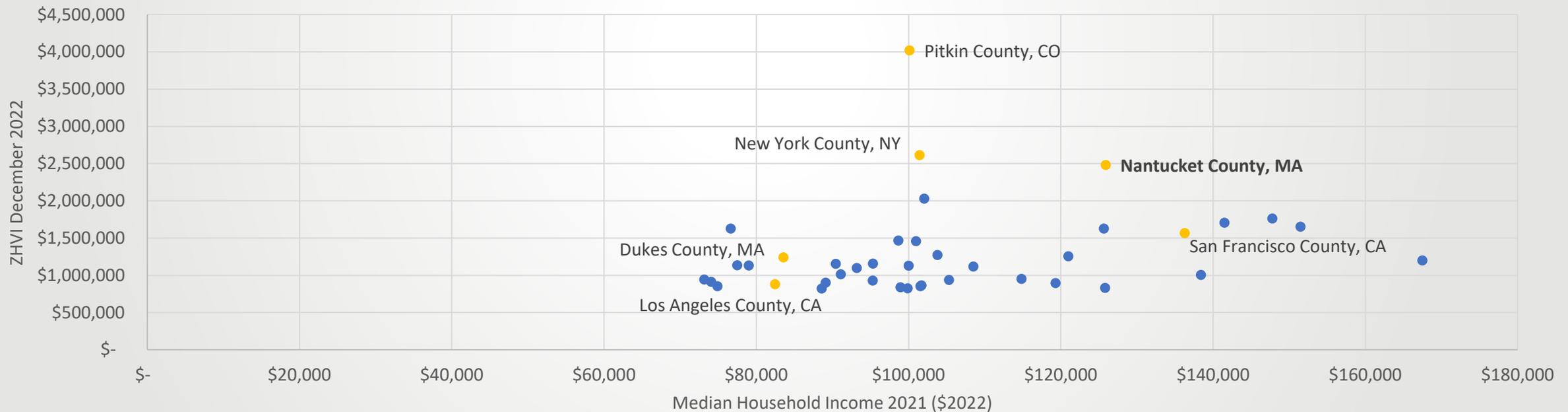
Nantucket has historically had a substantially higher median rent than the rest of the state. But median rent on the island has fallen in real terms since 2010 while median rents have risen statewide since 2000.



# Nantucket County Home Prices versus the Nation

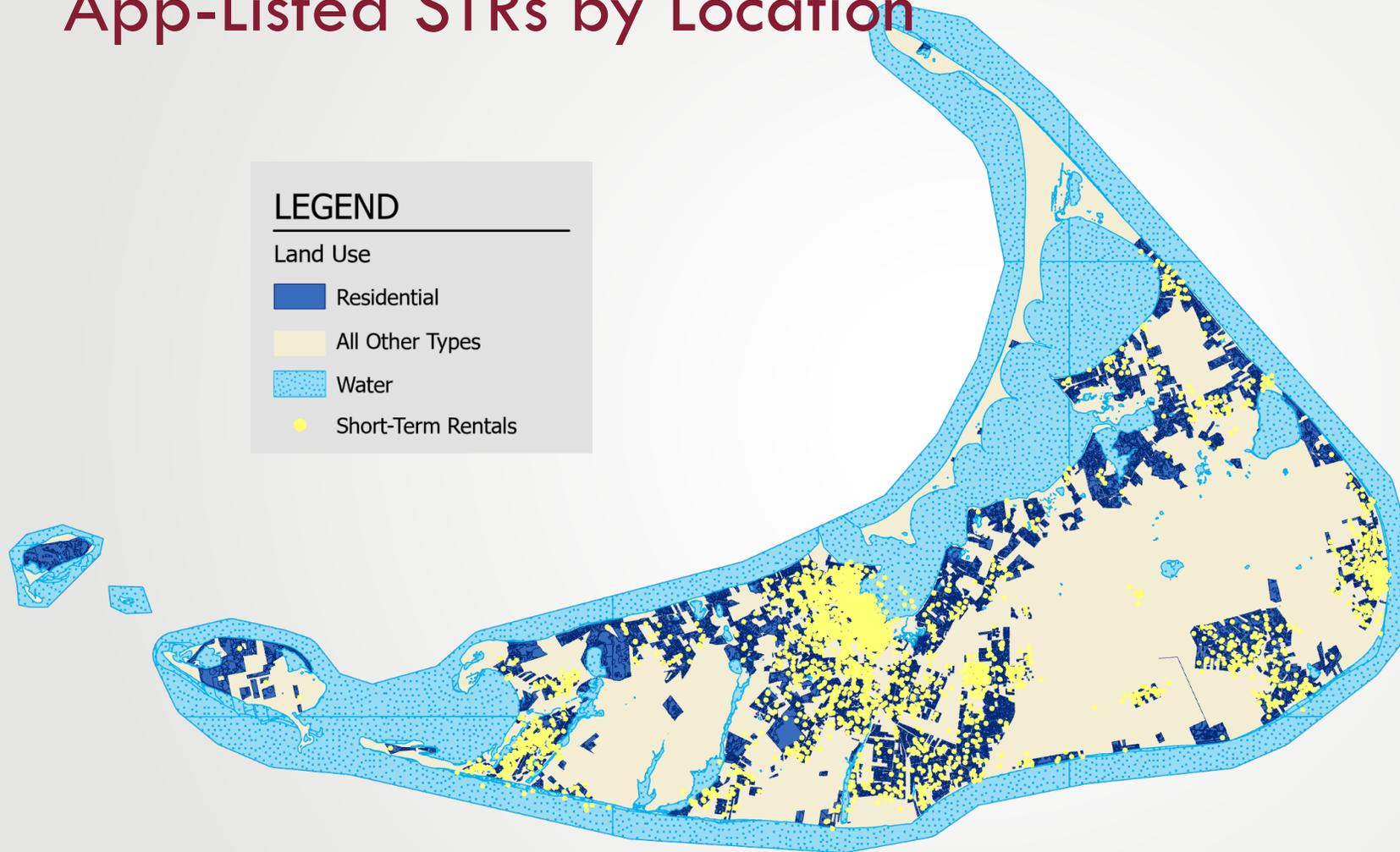
In December 2022, Nantucket had the 3<sup>rd</sup> highest median home price of any county according to Zillow. Only Manhattan and Pitkin County, Colorado (home to Aspen) had higher home prices. This data shows that Nantucket's housing market is expensive even among high income places. Such high prices are typically only supported by competition for homes by high-income buyers, as would be seen in a vacation destination frequented by high net-worth vacationers.

Top 40 Counties by Zillow Home Value Index for Single Family Homes



Source: Zillow Home Value Index January 1996 – December 2022, 2021 ACS 5YR Median HH Income; While this analysis looks at single family home prices across regions, it does not correct for the size of the typical single-family home nor the amount of land the house sits on.

# App-Listed STRs by Location



App-based STRs are found throughout the island. Latitude and longitude are approximated by AirDNA for privacy reasons. The available data shows that most STRs are in residentially-zoned areas.

This analysis was limited to entire home rentals, rather than rooms. Hotel rooms are available through app services, but we excluded them from this analysis. Also excluded were any homes with more than 9 bedrooms which were clear outliers on every measure. (n = 141 in 2022 on the island)

The DOR lists 2,789 STRs registered on the island as of August 2022. AirDNA contains 1,160 for that same year. This suggests that most rentals are through real estate agencies or rented independently.

# Median Daily Rate for a 3-Bedroom Short-Term Rental

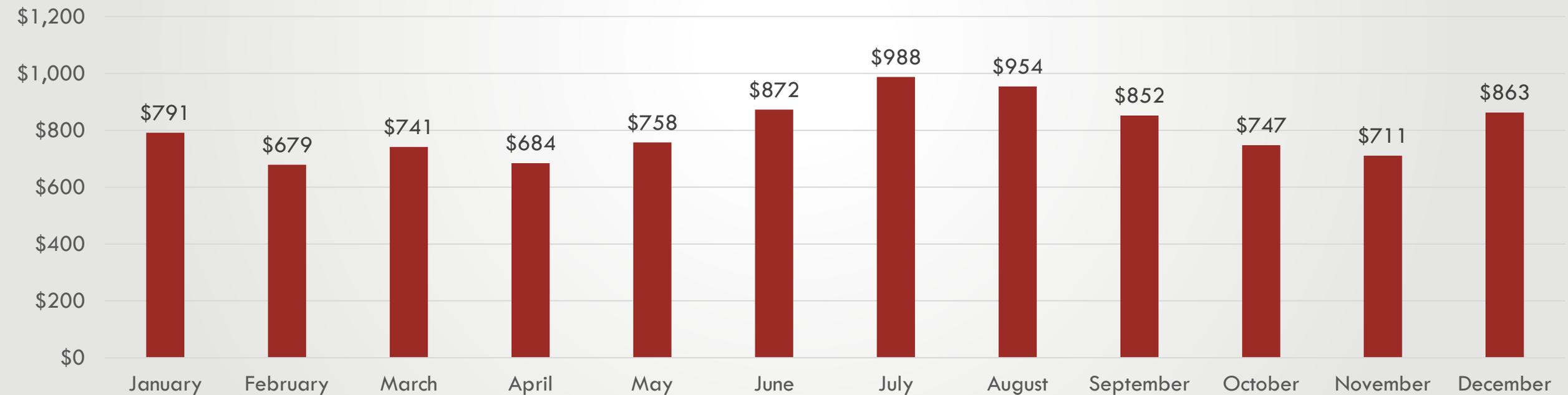
The median daily rate is calculated for 3-bedroom rentals only, which are the most common property type on the island. Further, it only includes those listed through either Airbnb or Vrbo, which are about half of registered STRs. Anecdotal evidence suggests STRs listed on the apps are less expensive than those rented through the island's real estate offices.

Compared to other vacation regions around the state, Nantucket is an exceptionally pricey area for a short-term rental. These high prices, coupled with high purchase prices, can motivate residents to rent out their homes at least part time. Since 2019, prices for Nantucket rentals have grown 8 percent while neighboring Martha's Vineyard has experienced a 19 percent price increase closing some of the price gap between the two islands.

County	2019	2020	2021	2022	2019-2022 Change
Nantucket	\$782	\$791	\$834	\$842	8%
Dukes	\$515	\$523	\$566	\$612	19%
Barnstable	\$373	\$385	\$406	\$413	11%
Berkshire	\$322	\$330	\$360	\$342	6%

# Median Daily Rate for a 3-Bedroom STR by Month, 2022

In 2022, the median daily rate is around \$842, at the peak of the summer season the median rate may be \$100 more per day. This further incentivizes short-term renting of island homes particularly in-season between June and July, this is also the time on the island when the most rentals are available. Between May and June 2022 the number of active rentals rose 24 percent.



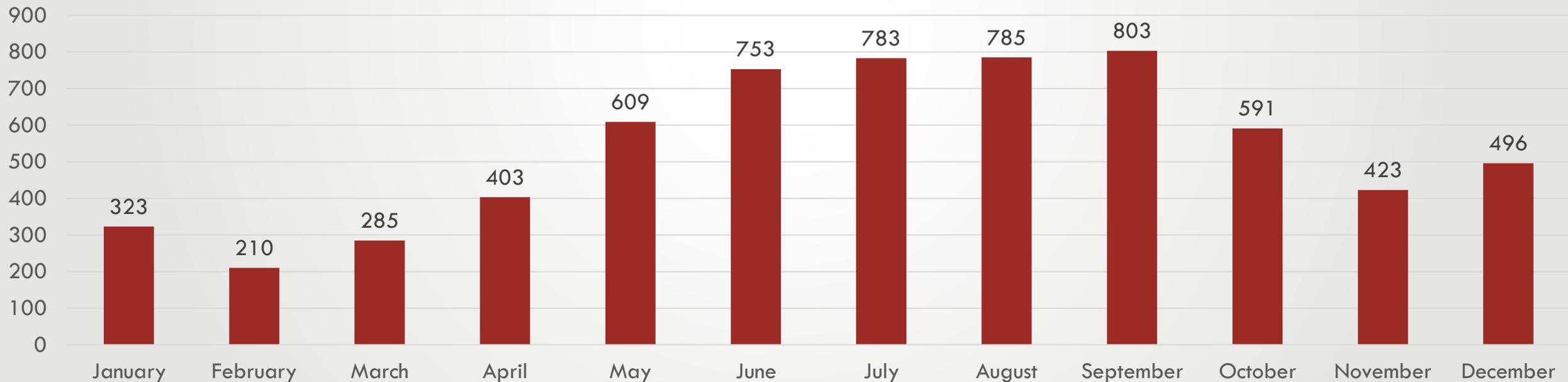
# Revenue of a Summer Rental Vs. Year-Round Rental

3-bedroom homes are the most common type of housing unit on the Island. Rented for 30 days at the average 2021 rate, an owner could bring in \$25,260. The central estimate for gross monthly rent for a three-bedroom home from the Census is \$2,307, while the high estimate is \$3,333. Note that gross monthly rent includes utilities, so it is higher than rent received by the owner.

Using the above numbers, an owner could expect at most \$40,000 per year renting a 3-bedroom house. When compared with \$25,000 per month, the incentive for second-home owners to rent long term is clearly lower than that to rent short term. Furthermore, when doing short-term rentals, the owner retains use of the property for much of the year, unlike with a year-round rental. This underlines the attraction of a short-term rental in the Nantucket market.

# Number of Active Units by Month, 2022

Different properties rent at different times, while there are nearly 1,200 units in the AirDNA dataset, there are at most 800 units that are actually offered for rent in any one month. In 2022, 55 percent of all app rentals on the island were available for more than half the year, the median unit is rented for 66 days and rented or available for 206 days.



# Nantucket Assessor's Records

Using a list of registered STRs from the Massachusetts Department of Revenue, we created an address list of STRs on Nantucket. We obtained assessor data for 1,938 of these properties representing over 2,200 registered short-term rentals, a majority of the 2,789 registered STRs on the island.

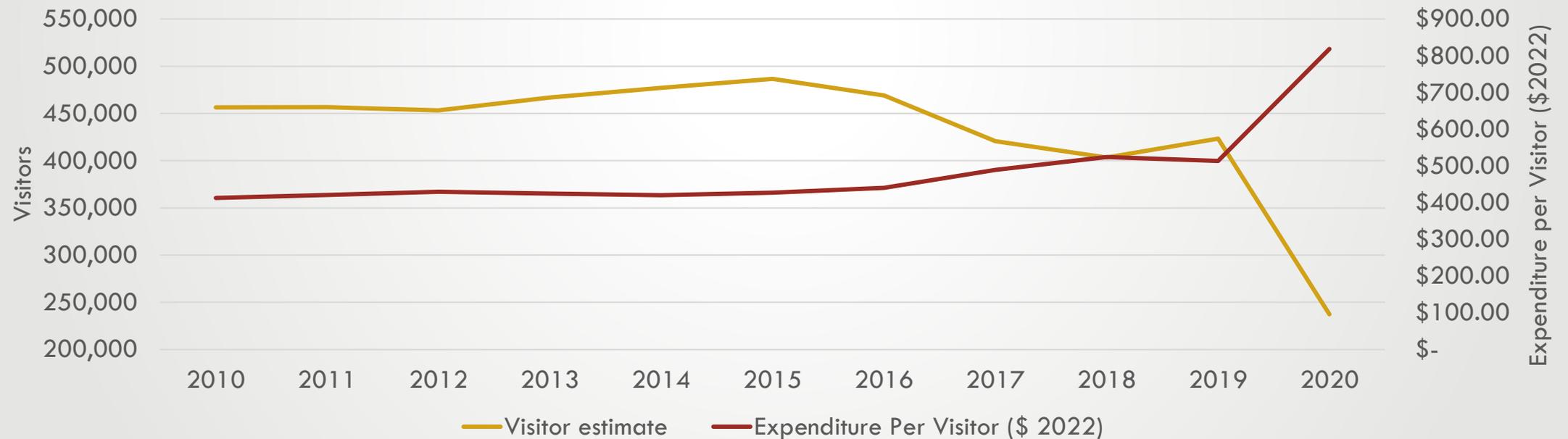
Of the 1,401 properties sold since 2010, the median sale price was \$2,010,019 adjusted for inflation.

The median assessed value of these properties in in FY2022 was \$1,685,400.

Of the properties we obtained data for, 77 percent are owned by off-island residents. We identified 45 owners (individuals or companies) who own more than one STR. They collectively own 148 properties.

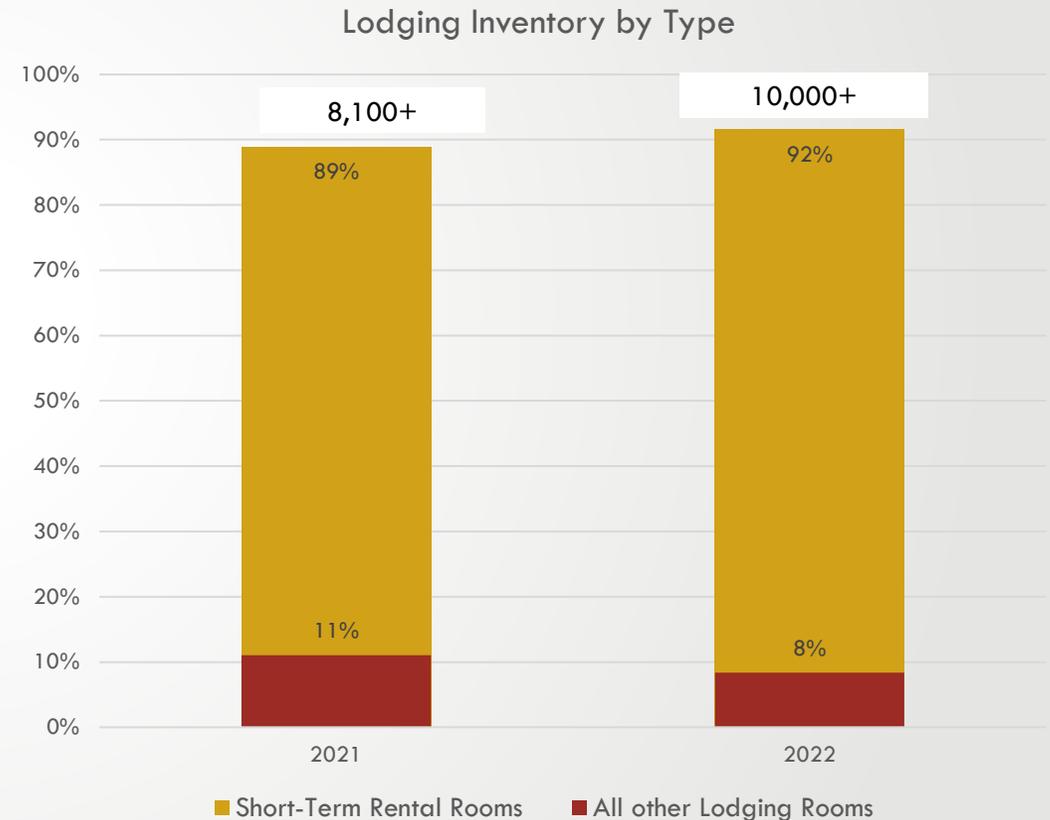
# Visitation and Spending

- An analysis of ferry and airport statistics reveals a slight downward trend in visitation on the island before 2020, which was exacerbated by the pandemic.
- Visitation in 2020 was almost half of that in 2019, but those who did visit the island spent nearly double what they did in 2019. This also appears to be an artifact of COVID shutdowns.
- Expenditure per visitor has been gradually increasing since 2010 prior to spiking in 2020.



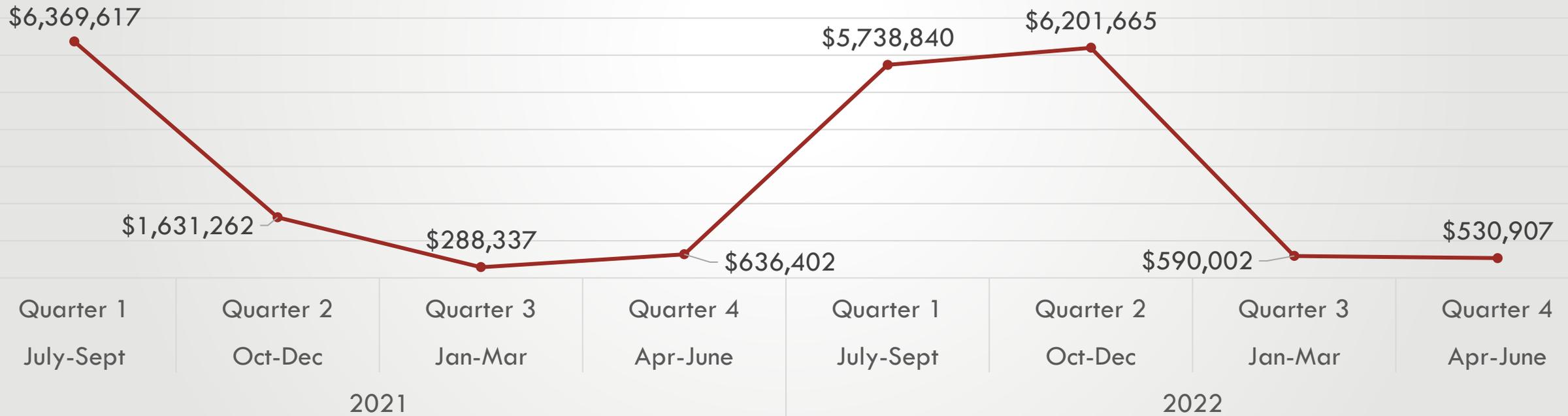
# Lodging Inventory

- Short-term rentals make up 92% of all lodging rooms on Nantucket, up from 89% in 2021.
- Between resident and non-resident properties, short-term rentals offer about 9,100 rooms to Nantucket visitors.
- The remaining 8% of lodging establishments (hotels, inns, etc.) provide about 840 rooms for visitors to stay in, a 7% decline from 900 rooms in 2021.
- The stock of short-term rental establishments grew 26% since 2021, adding about 600 new rentals for about 2,000 new rooms.



# Tax Revenues

Lodging on Nantucket has generated over \$20 million in tax revenue since the start of FY2021, with Q1 being the greatest revenue generating period. Occupancy tax payments in FY2021 could be delayed until Q2 of FY2022 causing a large increase in tax revenues for that quarter in the most recent year of data. Taxes on STRs averaged \$7 million and other lodging roughly half that per year over FY21 and FY22. The town's budget averaged about \$107 million during this same time. Taxes from STRs are equivalent to about one-quarter of school salaries or one-third of town salaries.



Source: Department of Revenue, \$2022 Dollars

# Impacts on Visitation of Proposed STR Regulations

The proposed regulation of STRs scheduled for a vote at the May 6<sup>th</sup> town meeting limits STRs in the following ways:

- In residential areas, STRs are permitted only on properties that are owner occupied for at least 6 months in a year.
- If a property is not owner occupied by that definition, short-term rentals are permitted if:
  - All dwellings on the property are primarily for long-term residential use.
  - The short-term rental is registered with the town under the new STR registration law which requires annual certification, a registration fee, an emergency contact, insurance, occupancy limits and parking requirements.

# Impacts on Visitation of Proposed STR Regulations, contd.

The Department of Revenue Short-Term Rental Registry list shows only 114 of 2,293 STRs as owner-occupied, about 5 percent.

Because the large majority of short-term rentals are in residential zoned areas, only 5% of STRs are owner occupied, and 67% of all homes are seasonally vacant, the primary effect of this regulation is to force owners of STRs to choose between renting their home to someone for most the year, moving to Nantucket themselves, selling the home, renting under the table, or renting for 32 days to a group that shares time in the property over the course of a month.

If enacted, based on current uses, it appears that the STRs that are unambiguously compliant with Article 60 are largely limited to the 114 owner-occupied units. As a result, the regulation will reduce the number of STRs offered on the island and with it the amount of taxes to the town and visitor revenue to the island's businesses.

# Impacts on Visitation of Proposed STR Regulations, contd.

The ambiguity of the article's language means that its eventual impact and enforcement are unclear. However, based on most logical interpretations, owners who cannot spend at least half the year on the island but would still like short-term rental income, can rent out their home to “long-term” renters for most of the year in order to become compliant.

This might boost the number of longer-term rentals on the island; however these would not necessarily be year-round rentals. They could be rentals for 8 or 9 months a year, where the renter then must vacate the property at the start of the summer season when STR rates reach their maximum.

It is also possible that wealthier vacation homeowners will opt out of the rental market entirely (both short and long term) to maintain flexibility in using their space while keeping lower maintenance costs. This regulation would primarily impact homeowners who use short-term renting to afford owning a house on the island.

Additionally, any vacation homes that are non-winterized will be difficult to occupy for the required amount of time, making it especially difficult for owners of those homes to qualify to operate a short-term rental.