

SALES, PRICES DECLINE AS BOSTON AREA HOUSING MARKET COOLS IN DECEMBER

Boston, MA. — The downturn in the Boston area housing market intensified last month as stubbornly high inflation, elevated mortgage rates, and a sharp decline in the inventory of properties for sale over the last three months of the year frustrated buyers leading to softer demand. Sales of single-family homes and condominiums each fell by roughly one-third in December from year ago levels while median selling prices declined on both an annual and month-to-month basis, an indication the market likely has plateaued, new data from the Greater Boston Association of REALTORS® (GBAR) shows.

In the single-family home market, sales fell 31.2 percent over the previous 12 months from a second best on record for December volume of 1,307 homes sold last December to 899 single-family homes sold in December 2022. Last month's sales total is the lowest for the month in over a decade, dating back to December 2011 when 873 homes were sold.

Meanwhile, on a month-to-month basis sales remained stable slipping just 0.2 percent from 901 homes sold in November. Similarly, condo sales declined on an annual basis by 36.5 percent from a December all-time high of 1,120 units sold in December 2021 to 711 this past December. It marks the slowest December for condo sales since December 2011 when 677 units sold. Sales were flat compared to the prior month however, sliding 1 percent from 718 units sold in November.

“Compared to the torrid sales pace of the last two years, it was much quieter December than we’re used to, as more buyers than normal chose to take a step back to evaluate the market this fall,” stated GBAR President Alison Socha, an agent with Leading Edge Real Estate in Melrose. “With mortgage rates climbing and inventory shrinking, many buyers have opted to pause their home search at least temporarily, preferring instead to take a wait-and-see approach as to whether rates and home prices might come down allowing their purchasing power to increase in the new year,” she explained.

With buyers exercising more caution and listings still at a premium, single-family home sales declined on an annual basis for the first time in four years in 2022. Sales decreased 14.1 percent on a year-over-year basis in Greater Boston from a record high of 14,543 homes sold in 2021 to 12,487 last year, the lowest annual sales total since 10,512 homes were sold in 2011. In the condominium market, sales fell for the fifth time in the past six years, dropping 21.8 percent from an annual record of 13,931 condos sold in 2021 to 10,889 this past year, the lowest total since 10,874 units sold in 2019.

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“The buyer exuberance and selling frenzy that was triggered by the pandemic and historically low mortgage rates back in 2020 has largely dissipated,” said Socha. “As interest rates, inflation, and home values have risen, some buyers have been priced out of the market, while others have become more cautious and cost-conscious to avoid overextending themselves financially. Many sellers also are choosing to remain in their current home rather than sell and take on a new, higher rate mortgage, and that’s resulted in today’s more modest sales pace typical for a normal, balanced market,” she added.

As the buyer pool has shrunk, not only has sales activity cooled, but home prices have moderated as well. In December selling prices decreased both on a year-over-year and month-to-month basis. Among single-family homes, the median sales price declined 1.2 percent on an annual basis, from \$749,000 in December 2021 to \$740,000 last month, and dropped 2.6 percent from one month earlier when the median price stood at \$760,000 in November. In the condominium market prices fell even more, declining on an annual basis by 2.4 percent from a median selling price of \$624,950 last December to \$610,000 in December 2022, and decreasing 7.9 percent from November when the median price was \$662,500.

“With fewer buyers in the market, the number of homes drawing multiple offers is down and homes are taking longer to sell. That’s reduced much of the upward pressure on prices, and given buyers more room to negotiate,” noted Socha.

In fact, in December, the average sold to list price ratio for single-family homes fell to 97.6 percent, its lowest level since February 2020, while the typical condo sold for 96.8 percent of its original list price, its lowest mark since January 2021.

Still inventory levels remain limited, with buyer demand continuing to outpace supply for much of this past year, and that allowed annual median selling prices to appreciate for a thirteenth consecutive year. Last year, the median selling price for single-family homes rose 6.8 percent, from \$750,000 in 2021 to \$802,000 in 2022, while the condominium median sales price increased 5.6 percent, from \$625,000 a year ago to \$660,000 in 2022. Both figures are annual record highs.

Notably, though active listings improved in December over year ago levels – increasing 62.4 percent for single-family homes, from 526 last December to 854 in December 2022, and climbing 6.7 percent for condos, from 1,072 in December 2021 to 1,144 this past December – that still meant fewer than 2,000 properties were available for sale across metro Boston, a drop of more than one-third from November when there were 1,369 single-family homes and 1,787 condos on the market.

“The lack of inventory is our biggest issue as we approach the spring market,” observed Socha, noting buyer traffic has picked up in recent weeks with the holidays over and winter off to a mild start. “We’ve not produced enough housing to keep up with demand, so as long as the economy stays healthy, it’s likely any price declines we see will be modest,” Socha asserted.