

AS DEMAND SOFTENS, HOME SALES AND PRICES COOL ACROSS GREATER BOSTON IN JULY

Boston, MA. – The once over-heated Boston area housing market continued to cool in July as sales of single-family homes and condominiums both fell from year ago levels, while annual price appreciation rates moderated and monthly median selling prices declined from June. A combination of higher mortgage rates, increased costs from inflation, and steady annual home price gains have diminished buyer demand in recent months and that’s slowed the sales pace and brought a bit more balance to the market, a new report from the Greater Boston Association of REALTORS® (GBAR) shows.

In the single-family home market, sales declined 18.6 percent on an annual basis from 1,696 homes sold last July to 1,380 single-family homes sold in July 2022. Last month’s sales volume is the lowest for any July in more than a decade dating back to July 2011 when 1,193 homes were sold in metropolitan Boston and reflects a 19.2 percent decrease from the 1,708 homes sold in June. Meanwhile, condominium sales fell 25 percent on a year-over-year basis from a July record high of 1,452 units sold in July 2021 to 1,089 condominiums sold this July. It’s the fewest number of condos sold during the month of July since 884 condominiums were transacted in July 2011. On a month-to-month basis, condo sales also dropped steadily, declining 22.7 percent from one month earlier when 1,409 condos were sold in June.

“Today’s slower sales pace has coincided with a decline in purchasing power that’s caused some buyers to pull back from the market,” said GBAR President Melvin A. Vieira, Jr. an agent at RE/MAX Destiny. “While it’s not as frenzied as the past two summers, the level of activity is consistent with what we would see in a more normal market. The smaller buyer pool also means less competition and more time to make an offer for those looking for a home,” he noted.

With mortgage rates and inflation up steadily since March, some buyers have suspended their home search, while others have been forced to look to lower price points and more distant suburbs, according to Vieira, Jr. “At every level buyers are having to dig deeper into their pockets to purchase a home. They’re becoming more cautious and cost-conscious, so homes are taking longer to sell, and in many instances they are attracting less interest and more modest offers,” he added.

Although demand has eased it remains healthy by historic standards, resulting in continued price appreciation over the past year. In fact, last month the median selling price for single-family homes hit a new record high for the July, climbing 6.7 percent over the prior 12 months from a median price of \$788,750 in July 2021 to \$841,500 this July. It’s the 33rd straight month the single-family home median selling price has risen on an annual basis dating back to November 2019.

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Similarly, in the condominium market, the median selling price rose on a year-over-year basis last month by 6.8 percent, increasing from a median price of \$636,500 last July to a new record high for the month of \$680,000 in July 2022.

“Demand may be down, but we still have a shortage of properties to sell, and that imbalance is helping to keep home values strong,” observed Vieira, Jr., who pointed to a sharp decline in housing production over the past two decades, along with many empty-nesters opting to stay put rather than downsize and the millennial generation reaching their peak home-buying years as contributing factors to the years-long lack of supply plaguing the local housing market.

Notably, however, there is evidence of some softening in home values in the GBAR report as median selling prices for both single-family homes and condos declined on a month-to-month basis in July. Among single-family homes, the median price in July dropped 6.5 percent from one month earlier when the monthly median selling price rose to an all-time high of \$899,950. It’s the largest month-to-month decline since the median selling price decreased 6.7 percent from September to October 2021. In the condominium market, the median selling price slid 2.9 percent in July from a median of \$700,000 in June, it’s biggest decline since January when the median price fell 4.4 percent from December 2020.

“It’s a much different market now than when the year started. Sellers still hold the upper hand, but they no longer get to name their price and terms,” Vieira, Jr. stated. Specifically, buyers have begun to shy away from bidding wars, and many have stopped waiving inspections and other contingencies, according to the GBAR president. In addition, with fewer buyers in the market over the past few months, there’s been a decrease in the number of offers per property, while price adjustments have become more common, and homes are now sitting on the market for weeks instead of days, he said.

“There’s a little more room for negotiation these days and with prices starting to level off, it’s creating more opportunity for today’s buyers,” Vieira Jr. remarked. “The days of double-digit price growth are all but over, and in much of the market it’s quite possible prices have peaked, especially now that inventory levels are starting to improve,” he added.

Indeed, single-family home listings improved for a third consecutive month on a year-over-year basis during July, marking the first time that’s happened since January - March 2019. Last month, the number of single-family homes for sale rose 13.4 percent, from 1,502 homes for sale in July 2021 to 1,704 this July, but did slip by 3.7 percent from 1,770 active listings in June. In the more affordable condominium market where sales hit record highs in June and July 2020, inventory remains down a modest 6.2 percent from one year ago, declining from 2,192 units for sale last July to 2,056 in July 2022, and is off 3.3 percent from the previous month when there were 2,127 condos on the market in June.