

HOME AND CONDO SALES SOFTEN, PRICES CLIMB IN MARCH ACROSS BOSTON AREA
AS LOW INVENTORY AND RISING MORTGAGE RATES DIMINISH BUYER ACTIVITY

Boston, MA. -- Sales of single-family homes and condominiums declined from year ago levels for a fourth consecutive month in March as depleted inventory levels and rising mortgage rates have created hurdles for many buyers shopping for a new home at the start of the busy spring market. Home buyers also encountered near double-digit price appreciation in the single-family home and condominium markets last month, with the median selling price for condos climbing to a new all-time high this March, according to data issued today by the Greater Boston Association of REALTORS® (GBAR).

In the single-family home market, sales slid 7.9 percent over the previous 12 months from 812 homes sold in March 2021 to 748 single-family homes sold last month. It's the lowest sales total for the month of March in four years. Condo sales fell more sharply, declining on an annual basis by 21 percent, from a March record high of 1,097 units sold last year to a third best total for the month of 867 condominiums sold in March 2022. However, sales did improve on a month-to-month basis, with single-family home sales increasing 52.3 percent from 491 homes sold in February and condominium sales up 56.5 percent from the prior month when 554 condos sold in February.

“It's been a slower start to the spring selling season than we are accustomed to and a lot of that has to do with the fact that listings have been few and far between over the first few months of the year,” said GBAR President Melvin A. Vieira, Jr., an agent at RE/MAX Destiny. “Some buyers have been intentionally sitting out the market until inventory improves after getting frustrated on losing out on several other properties they made offers on, while others have been forced to the sidelines due to rising mortgage rates and higher home values. That's certainly taken some momentum out of the market,” he added.

While buyer demand may have softened a bit compared to the last several spring seasons, home prices continued to rise steadily last month. In the single-family home market, the median selling price increased on an annual basis by 9.4 percent from \$721,450 in March 2020 to \$789,500 this March. The median selling price for condominiums also rose 9.4 percent over the past 12 months, climbing from \$617,150 last March to a new all-time high monthly median of \$675,000 in March 2022. On a month-to-month basis, median selling prices also improved, climbing 3.9 percent for single-family homes from a median price of \$760,000 in February and up 3.8 percent for condos from February's median selling price of \$650,000.

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“While we aren’t seeing the same frenetic sales pace as we did from the second half of 2020 through 2021, buyers are still having to pay top dollar with many properties drawing multiple offers and selling above asking price,” Vieira, Jr. noted.

Indeed, on average, the typical single-family home sold in March went for 106 percent of the original list price. Similarly, in the condominium market the typical condo unit sold last month had a sold to original asking price ratio of 102 percent.

“Right now, the market is largely being controlled by the laws of supply-and-demand. With millennials hitting their peak home buying years and many baby-boomers now looking to downsize, there are far more buyers than homes to sell. That’s helping fuel bidding wars, and that’s why we are continuing to see strong upward pressure on home prices,” he explained.

At the end of March, there were only about 2,700 single-family homes and condos for sale in the Greater Boston region. While that’s up 40 percent from roughly 1,900 homes and condos for sale in February, it’s still down from year ago levels. Specifically, the inventory of single-family homes declined 9 percent last month, from 1,138 active listings in March 2021 to 1,036 this March, and condominium listings fell 19.5 percent from 2,077 units for sale last March to 1,671 in March 2022.

“One of the biggest challenges for our market is that many homeowners who are thinking about selling have been hesitating, unsure whether they’ll be able to find another home to purchase if they do sell. When that occurs, trade-up activity slows and the entry-level market stalls, which is why first-time buyers are having such a tough go of it,” stated Vieira, Jr.

“We’re also building fewer and fewer new homes each year. With labor and material costs climbing and supply chain issues causing major delays, new housing construction isn’t going to solve our inventory shortage any time soon,” he added.

Fortunately for buyers listing inventory tends to increase steadily throughout the spring market, which will offer more opportunity to buy in the near term. Notably the number of new listings added to the market in the past month rose sharply by 90 percent for single-family homes, from 864 new listings added in February to 1,642 in March. Additionally, new condo listings rose 60 percent from the prior month, from 1,152 units placed on the market in February to 1,854 in March.

Another factor likely to motivate buyers to act this spring instead of postponing a home purchase is the fact that mortgage rates have risen steadily over the past seven months and are now above 4 percent on average for a 30-year fixed rate loan.

“Buyers are demonstrating a greater sense of urgency to act now before their buying power gets reduced further. So far, the impact on affordability has been limited to the starter home market, with buyers in the middle-and-upper markets shifting their focus to lower price points. However, long-term, sellers could see fewer buyers for their property,” Vieira Jr. said.