

SALES, PRICES SLIDE IN FEBRUARY ACROSS BOSTON AREA HOUSING MARKET,
AS LACK OF INVENTORY, DIMINISHED PURCHASING POWER STUNT ACTIVITY

Boston, MA. — Sales of single-family homes and condominiums declined last month in Greater Boston, dropping to their lowest level in over a decade, as buyer activity slowed steadily over the final months of 2022 due to elevated mortgage rates and a limited supply of properties for sale. Sales fell on an annual and monthly basis in February, but demand has rebounded since January when a temporary easing of interest rates and further softening in median sales prices began drawing buyers back into the market, according to a report from the Greater Boston Association of REALTORS® (GBAR).

In the single-family home market, sales fell for a ninth consecutive month on an annual basis, decreasing 15.9 percent from 492 homes sold in February 2022 to 414 this February. Last month's sales volume also reflects a 18.3 percent decline from the 507 homes sold in January, and is the lowest monthly sales total in 12 years, dating back to February 2011 when 409 homes were sold. Meanwhile, condo sales declined for a fifteenth straight month on an annual basis, dropping 23.5 percent from 558 units sold last February to 427 in February 2023, and sliding 23.8 percent on a monthly basis from 560 units sold in January. Last month was the slowest month for condo closings since February 2012 when 407 condos sold.

“Even though it's a less competitive market than it was at this time a year ago, it's no less challenging for buyers,” stated GBAR President Alison Socha, an agent with Leading Edge Real Estate in Melrose. “Today's higher mortgage rates have led to reduced purchasing power, especially for first-time buyers. We've also seen fewer listings on the market ahead of the spring selling season this year as many prospective sellers have opted to stay put, rather than put their home up for sale and enter a market where they'd have to take on a higher rate mortgage or be unable to find a new home in a timely manner. The market did come to a bit of stand still last month, as buyers had limited options given there's so little to sell,” she said.

As a result of the slower sales pace, selling prices continued to soften last month on an annual and month-to-month basis. The median selling price for single-family homes declined on an annual basis by 7.6 percent, from \$757,500 in February 2022 to \$700,000 this February. This is the largest year-over-year price drop since October 2011 when the price fell 10.3 percent. The median price also slipped 0.7 percent from one month earlier when the median for homes sold in January was \$705,000. The single-family home median sales price has declined on a monthly basis in seven of the past eight months, and February's median is 22.2 percent lower than the record high monthly median of \$899,950 reached in June 2022.

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Additionally, in the condominium market, the median selling price decreased 3.1 percent on a year-over-year basis from a median price of \$655,000 last February to \$635,000 in February 2023, and dropped 7.8 percent on a month-to-month basis from \$688,700 in January. Last month's year-over-year price decline of 3.1 percent is the largest percentage decrease since June 2020 when the median price declined 4.8 percent from the prior June, and February's median selling price is now 11.1 percent lower than the all-time high monthly median sales price for condos of \$715,000 set in April 2022.

"As mortgage rates have risen, the buyer pool has shrunk, so sellers can no longer be as aggressive on pricing, bidding wars have become less frequent, and buyers have more room for negotiation," Socha noted. "Currently there's very little upward pressure on prices, so in many areas they're down from their peak, which should entice buyer activity," she added. Indeed, most properties sold in February went for less than their asking price, with the typical single-family home selling for 96.8 percent of its original list price, and the typical condominium garnering 97.3 percent of its original list price.

"The market still favors sellers, but they're no longer able to push the envelope on price and terms," Socha asserted. "Pricing needs to be in line with other similar listings on the market, not set to match or beat what the neighbor's house sold for last spring or fall, which is another reason we're seeing a disparity between asking prices and the final sale price," she explained.

On top of that, today's buyers are savvy and acting with less urgency than in recent years, according to GBAR's president. "Many buyers have been house-hunting for months, if not years, and most are looking for properties that are move-in ready, so they know what fair market value looks like and aren't going to pay for a home that is overpriced," said Socha.

While inventory levels saw some modest improvement last month, the number of residential listings for sale remains inadequate to meet current buyer demand with just a 2-3 month supply available entering March. In the single-family home market, active listings rose 29.5 percent from 654 homes for sale in February 2022 to 847 last month, but listings fell 8.8 percent from 929 homes for sale in January. Meanwhile, condo listings increased 6.1 percent in the past 12 months from 1,268 units for sale last February to 1,345 in February 2023, and rose 4.3 percent from 1,289 units for sale in January. However new listings declined in February over year ago levels by 24-25 percent for both single-family homes and condos.

"Buyers have been turning out in large numbers at open houses and property showings, but the influx of new listings we typical see at this time of year has yet to materialize," Socha stated. "Consequently, we're expecting it to be a competitive spring market, albeit at a slower sales pace, as neither buyers or sellers appear to be acting with a lot of urgency," she said.