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The mid-year 2014 Eastern Mass. luxury home market continues to build on strength

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While it is perhaps inevitable that the local and national media paint the Eastern Massachusetts residential real estate market with a broad brush, the reality is that we live in a series of submarkets. Certain towns may actually have an inventory glut at the same time that other communities are experiencing a shortage of available properties for sale. In one town there could be significant unmet buyer demand for single-family houses while the condo market languishes.

One submarket that receives a great deal of media attention is the luxury home market. To some degree this is a valid focus because high end market activity can be a leading indicator for the broader market. An increasing number of million dollar sales often reflects growing consumer confidence on the part of Massachusetts corporate executives and investors responsible for local hiring and purchasing decisions.

At mid-year 2014 we see a high-end market that continues to build on the strength that first emerged in the late fall of 2012.

In June 2014, based on MLS PIN data, 331 single-family properties were conveyed over \$1 million in Eastern Massachusetts (not including Cape Cod and the Islands). That is 31 more than in June of 2013 - a jump of 10%. It is interesting to note that the number of single-families closed over \$1 million in June 2014 was the highest since 2006 and only the second time monthly sales exceeded 300 homes. (June 2013 was the first time this occurred.) On a year-to-date basis, million dollar sales for the first half of 2014 are almost 12% ahead of 2013.

Because July and August tend to be heavy months for residential real estate closings, it is perhaps too early in the year to draw any hard and fast conclusions, but the \$2,000,000 to \$2,999,999 price band has started the year strongly. 112 properties have closed so far this year in that range versus 99 last year, which was itself a very good year.

Even within the luxury market there are submarkets. And not surprisingly, the market for single-family homes \$3,000,000 and \$3,999,999 is much more thinly traded than the \$1 million or \$2 million range. In the first half of 2014, 35 properties closed in this price band in Eastern Massachusetts while 30 closed in the same period of 2013.

As one would expect, sales of luxury properties tend to cluster in certain communities. While 87 towns are represented in the 1,012 closed sales over \$1 million for the first six months of 2014, the data are skewed towards the more popular communities. The top 5 towns (Newton, Wellesley, Lexington, Brookline, and Needham) account for over 38% of the closed million dollar sales. Not surprisingly, there is a heavy concentration of sales in this price range in the towns with the closest proximity to the City of Boston.

Some other statistics for this market segment:

* The average price for a single-family sold over \$1 million so far in 2014 is \$1,690,490

* The average house in this price range had approximately 11 rooms and 5 bedrooms

* On average, these houses sold at 95.25% of their original listing price -- underscoring the importance of accurate pricing in today's market. Listings priced too far over market value are not selling; today's buyers are perceiving value, but they are too well-educated about the market to overpay.

For the Commonwealth as a whole, million dollar single-family sales in the first six months of 2014 exceeded the same period of last year by almost 12%. The top 10 towns for million dollar sales are essentially flat over last year: 583 conveyed this year compared with 580 last year.

Perhaps the most dynamic luxury submarket thus far in 2014 is the million dollar plus condominium market which is dominated by exuberant demand and new construction in downtown Boston.

18 cities and towns are represented in the 418 closed million dollar plus condominium sales, but Boston alone accounts for 69% of the closed million dollar condo sales. The City of Boston was followed by Brookline (42 sales), Cambridge (28), and Newton (24).

Some other statistics for this market segment:

* The average price for a condo sold over \$1 million for the first six months of 2014 was \$1,758,739. (Interestingly, this is higher than the average sales price for a million-dollar single-family home in the same period.)

* The average condo in this price range had 6 rooms and approximately 3 bedrooms. The average square footage was 2,118.

* On average, these condos sold at 99.31% of their original listing price!

We believe that only a firm that focuses on the high end market can provide the most appropriate pricing advice to a seller client looking to navigate the sale of a luxury property. If you have a need as a buyer or a seller, our advice is simple: find a great real estate agent to represent your interests. Locating the right home to buy or finding the right buyer for your home is the easy part. The real challenge is dealing with all the details involved to make sure the final outcome exceeds your expectations. This is what we at Hammond do every day.

Mark Lippolt is the senior vice president of operations for Hammond Residential Real Estate, Chestnut Hill, MA

New England Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540