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It's all about the market: There are many sub-markets within a market

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For housing, 2014 has been a year of lowered expectations. After a gangbuster 2013, expectations haven't quite lived up to the hype. With lower volumes, but with prices mostly holding their own, many observers are not anticipating a new boom.

My contacts tell me things like: "the Brookline market is all over the place..." "how many buyers of $2 million condos are there left in downtown Boston?" "the luxury market is hot...the luxury market is thin..." "these rents can't keep increasing..." "builders can't find enough teardowns in [pick one] Wellesley/Needham/Newton" "What's going on with Somerville, Medford, Norwood, and Franklin?" 'The new bubble is about to burst - It will be 2009 all over again soon!" ... "What about northern Worcester County, the Berkshires and Springfield?"

NAR reports that home sales "slow slightly" in August. The chief economist notes that, while activity is stronger than earlier in the year, the likely reason for the "slight decline" is that investors are stepping out of the market. He notes that bidding wars are "receding" and first time buyers have a better chance of purchasing a home now that "supply constraints" have "significantly eased" in many parts of the country. Further, NAR notes that the national median existing home price for all housing types in August 2014 is 4.8% about August 2013.

MAR reported (9/23) that August median home prices rose 1.4% compared to the same time last year, while sales over that period dropped 6.9%. The press release notes that this was the 23rd straight month for price increases and the seventh month showing year over year sales decreases. Condo sales showed a larger decrease in sales volume than single families.

Inventory overall is lower in August 2014 by -6.5% than in August 2013 with a slightly lower months of supply, 5.6 months in 2014 vs. 6 months in 2013. Days on market increased, from 78 t0 86 days. New listings dropped by -1.4% from 6,319 to 6,233. The press release notes that some "market areas are showing inventory increases with prices leveling off...."

Let's consider some contrasting markets.

Looking at a high value community like Newton, there are 172 properties on the market as of 9/25/14 with an average days on market of 92. The median price is $1,809,500. Of those properties, 40 are listed for less than $1 million. This is contrasted to 138 properties on the market as of 9/25/13 with an average days on market of 78. There are 36 properties listed for less than $1 million.

For Newton sales, for the past six months, the median price was $999,000 with 48 days on market on average with a 101% SP/LP ratio.

For purposes of contrast, in Attleboro, a location with much different demographics and housing stock, the median price for the past six months is $275,000 with an average days on market of 101 and a 98% SP/LP ratio. For the same period in 2013, the median price was $253,500.

If listing activity is reviewed, there were 107 listings on the market as of 9/25/2103 with a median list price of $249,900 and an average days on market of 102. A majority of the listings fall between $150,000 and $300,000.

For 2014, there are 122 listings noted with an average days on market of 105. The median price is $315,450. Where there were three 2013 listings at $600+, there weren't any in 2014. My guess is that this kind of anomaly falls well within the characteristics of a small sample or there is less new construction on the market.

One last contrast: Somerville. Looking at listings activity for both multi-families and condos in Somerville it shows list prices are up in both categories. Inventory is limited. Further investigation indicates very tight sales price/listing price ratios.

What do we make of this market? First of all, it's not the market, but it's many markets, as the data clearly shows. Generalizations from market to market are fraught with peril. Be precise in measuring the dynamics.

Don't get caught up in the conventional wisdom. Take the view from 35,000 feet and then get boots on the ground and figure it out. Don't be that guy (or person, better still) that coasts along with generalizations and rumors in hand. Do the market research that will allow a solution to the analysis problem. Each market is different, there are many sub-markets within a market. Sometimes these sub-markets span communities, such as in many luxury markets. Use the tools appropriate to the job at hand. Above all, be vigilant, observant, and careful out there.

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