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Trends or transformations: Housing market and the pandemic - by Bill Pastuszek

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A year ago, the economy was in a deep shutdown state. The real estate industry was despairing of signs of viability in the retail, offices and lodging sectors and looking at a looming rent payment and eviction crisis in multi-family sectors as everyone was hunkered down in what seemed at the time to be an endless wait for a return to someplace. There was agreement that industrial was a bright spot, driven by e-commerce.

During the time – referred to by some as “The Pause,” clearly a facetious, deep understatement – it became increasingly clear that housing was moving in a direction different from much of the rest of the real estate universe.

Current market conditions are strong. Nationally, NAR notes that: pending home sales decreased by 10.6% in February with all regions showing a decline and, “after eight consecutive months of year-over-year gains, pending home sales decreased by 0.5% from a year ago.” Further, it is noted that “modestly” rising interest rates do not appear to have had a significant impact. NAR’s chief economist notes “The demand for a home purchase is widespread, multiple offers are prevalent, and days-on-market are swift but contracts are not clicking due to record-low inventory.”

According to The Warren Group, “Massachusetts single-family homes and condominiums continued to set records in February as buyer demand showed no sign of slowing down.” The number of single-family home sales increased by 12.8 percent from February 2020, which is the most single-family home sales in February since 2004. The median single-family sale price “surged 17.1 percent on a year-over-year basis to \$445,000.... from \$380,000 in February 2020 – a new all-time high for the month of February. The median single-family home price has now been above \$400,000 for 12 straight months.” Year-to-date, the number of single-family sales increased 10.7% from the first two months of 2020 and the from year-to-date median single family home price increased 15.3%, to \$445,750. Tim Warren, CEO of The Warren Group, notes: “Whether you’re a first-time

homebuyer, a retiree looking to downsize, or looking to your “forever” home, good luck, because the competition is fierce, and prices reflect that.”

The condominium market was more measured. Warren notes that as the state continues to reopen, and barring any setbacks to the reopening, that market may “surprise.” Sales volume increased 8.1% from the first two months of 2020 with a median sale price of \$410,000, which represents a 2.5 percent increase.

Mass Association of Realtors note: “February median prices for single-family homes and condos in MA continue to surge past previous years’, inventory reaching new record lows.”

A review of MLSPIN data shows that statewide, days on market/days to offer are way down consistent with a decline in listings. Overall, median prices are up over 17% with the sales/list price ratios are noted as being in excess of 100%.

In outlying, low density, locations, the trend is similar if not accelerated. For example, Franklin County, one of the most rural counties in the state, saw a strong increase in the number of units sold with median prices increasing over 30% from 2020 and nearly doubling since 2017. Sales/list price ratios are slightly less than 100%.

My niece recently called from the west coast looking for guidance on house buying. She and her husband were not having much luck with their home search as homes in their market routinely sold in hours and for well over – no, hugely over – listing prices. She asked, “How do I know if I am over paying?” Good question. I responded: “My advice: keep trying, don’t fall in love with a house only to be disappointed (again), and persistence will win out. When will you know you are overpaying? When you think you are, you probably are. Make decisions based on your needs and don’t follow the herd.” It seemed like good advice; they thought it was helpful.

It’s a somewhat mystifying time to be an appraiser but also a time when an appraiser can be truly an expert when operating with the best real time information available. Getting that information and interpreting it correctly takes skill and commitment.

Do these phenomena define a classic price “spike” due to COVID? Or, is this simply a continuation of the ridiculous imbalance between demand and supply? Or, more ominously, is this a “bubble” that will burst? And, if so, when.

Let’s take another look at 1-4 family housing markets at the end of this year. We may be able to more precisely understand the forces affecting housing at that time and see if these trends are transformational or transitory.

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