

MASSACHUSETTS ASSOCIATION OF REALTORS®

Detached Single-family Home Sales

<u>August '02</u>	<u>August '03</u>	<u>% Change</u>
4,824	5,663	+ 17.4%
<u>July '03</u>	<u>August '03</u>	<u>% Change</u>
5,319	5,663	+ 6.5%

Condominium Sales

<u>August '02</u>	<u>August '03</u>	<u>% Change</u>
1,466	1,868	+ 27.4%
<u>July '03</u>	<u>August '03</u>	<u>% Change</u>
1,858	1,868	+ 0.5%

Detached Single-family Home Average Selling Price

<u>August '02</u>	<u>August '03</u>	<u>% Change</u>
\$367,704	\$393,768	+ 7.1%
<u>July '03</u>	<u>August '03</u>	<u>% Change</u>
\$387,629	\$393,768	+ 1.6%

Condominium Average Selling Price

<u>August '02</u>	<u>August '03</u>	<u>% Change</u>
\$263,605	\$280,601	+ 6.4%
<u>July '03</u>	<u>August '03</u>	<u>% Change</u>
\$270,325	\$280,601	+ 3.8%

NOTE: Figures reflect data from 5 of 5 REALTOR®-affiliated Multiple Listing Services in Massachusetts as of September 19, 2003.

Talking Points

Detached Single-family Home Sales:

- The sales increase between August 2002 and August 2003 marks the second consecutive month that home sales have exceeded the sales volume for the same month one year earlier in Massachusetts.
Notably, the 5,663 detached single-family homes sold in August 2003 are the most ever recorded during the month of August in state history. The previous record for August sales was 5,526 in August 2001.
- The 17.4 percent annual gain in August sales is largely the result of increased buyer activity brought on by rising mortgages rates late this spring. Additionally, a healthy increase in inventory levels during the past year has made it a more attractive market for buyers who have a larger selection of homes from which to choose. Modest growth in the financial markets in the second quarter also provided some buyers with the additional confidence and financial resources necessary to move forward with a home purchase.
- Inventory levels continued to rise last month, in spite of strong August sales. The number of listings has risen 18.6 percent over the past 12 months, from 25,539 listings in August 2002 to 30,299 in August 2003. As a result, there were 5.4 months of supply on the market statewide this past August compared to 5.3 months of supply in August 2002. The improvement in inventory levels means more opportunities for buyers and a better balance between supply and demand, which should provide for a healthier market in the long-term with more modest home price appreciation in the market.
- Mortgage rates rose more than one-half a percentage point from July to August 2003 – with the average 30-year fixed rate mortgage in Massachusetts climbing from 5.94 percent in July to 6.55 percent in August. Rates also have jumped nearly a full point since June (when the average 30-year fixed rate mortgage in Massachusetts was 5.50 percent). The short-term impact of this rapid rate change has been to motivate large numbers of buyers to move quickly to lock in a rate and purchase a home before any additional rate increase. The longer term effects of the rate hike are that it will hurt the ability of entry-level buyers to purchase a home and could knock them out of the market temporarily. As a result, it's likely that sales activity over the next few months could slow. Notably, however, the average for a 30-year fixed rate mortgage has dropped back to 6.21 percent as of last week, which should help to pull buyers back into the market this fall.

Condo Sales:

- First-time buyers, as well as empty-nesters looking to downsize, are helping to drive condo sales to record numbers. In fact, the 1,868 condos sold during August 2003 are the most ever recorded in a single month in Massachusetts, eclipsing the prior one month high of 1,858 sales set in July 2003. The 1,868 condominiums sold last month also are a record for condo sales during August in the Bay State. The previous August record for condo sales was 1,660, set in August 2001.
- Like the detached home market, the condominium market has experienced a steady increase in inventory over the past year. Listings have increased 28 percent statewide in the last 12 months, from 7,597 units in August 2002 to 9,731 this August. At the current sales pace, there is 5.2 months worth of housing supply, the same as there was in August 2002.

Detached Single-Family Home Average Selling Price:

- After experiencing double-digit price appreciation for five consecutive months between November 2002 and March 2003, this is the fourth time in the last five months that the statewide average selling price of detached homes has risen a modest 6-7 percent over the same month one year earlier. The more modest appreciation rate is good for buyers and the market as a whole, suggesting a better balance between supply and demand in today's market vs. markets in recent years.
- This is the 86th consecutive month selling prices have risen vs. the same month the prior year (dating back to June 1996).

Condominium Average Selling Price:

- The 6.4 percent increase in the average selling price from August 2002 to August 2003 is the smallest price gain in four months (April 2003 - when the average price rose 5.3 percent over April 2002), and may suggest that buyers are becoming a bit more discriminatory as supply levels improve and they have a wider range of condos from which to choose.
- August 2003 marks the 56th consecutive month that average selling price for condos has risen over the same month the prior year in the Bay State (dating back to December 1998).
- The statewide average selling price of \$280,601 in August sets a new record high price for condominiums. The previous monthly high price at which condominiums sold for was \$276,653 in June 2003.

With record demand occurring as prices continue to climb, it's important to understand that it's not the cost of the home, but the monthly housing expense that is most critical to consumer's decision making process to purchase a home. Thus, the high volume of sales in August illustrates that even as mortgage rates have risen since the spring they remain near record lows, allowing large numbers of households to enter the market for the first time or to trade up to a larger home.