

**You've Heard Real Estate Has Bombed!!  
 What Has Happened Is Actually Very Much More Complex Than That!!  
 So, What Did Happen?**

News all across the US is that housing sales have slumped. And that is true! What is not true is that real estate has been a disaster, the impression one gets through the news. Far from the carping in the press about bubbles, crash, etc., *the market has been a mixed bag!!!!* So, what has happened in particular in Ashland, the home market for the Homes Connection? What has happened in general in adjacent towns?

**Intro:**

It is apparent from the data be-

low that the period 2005/6 can be described as a "flat" period for house prices. Since most homeowners are concerned more about prices, we are going to use that two year period—2005/6—as the base period across which all comparisons and conclusions will be discussed.

Data from Ashland, Framingham, Holliston and Hopkinton will be included. These communities have the closest market characteristics to Ashland's.

**Observations:**

**1— Prices:**

A - Single family house prices for properties that sold have essentially been flat over the period; up slightly in Ashland and Hopkinton but unchanged in Holliston and Framingham. The period again is 2004-2006.

B—Prices for condos that sold have fallen — 8% in Ashland and 6% in Hopkinton. Condo prices are up 8% in Framingham. A seemingly major deviation from these prices occurs in Holliston; condo prices have doubled. This is not a result of a strengthening market. Rather, it results from sales at two, new, 55+, adult condo communities, just beginning to sell. Prices in these communities are substantially higher than what has been the norm for the existing condo base in Holliston.

**2—Time on the market:**

**Sales take much, much longer!**

This is the "new" news for MetroWest sellers and it is the one that disrupts sellers' lives the most. It is the most significant change in real estate in our area in years.

**RE Sales Data 2001 thru 2006 (Year-end):**

Source—Multiple Listing Service  
 For Ashland, Framingham, Holliston and Hopkinton

Houses							Condos			Inventory:					
Year	#	Prc(\$k) Avg	Days on Mkt	#	Prc(\$k) Avg	Days on Mkt	Date	#	\$k	DOM	#	\$k	DOM		
Ashland															
2004	166	446	45	233	340	41	1/1/05	20	460	115	17	353	52		
2005	124	474	43	163	364	49	1/5/06	47	485	79	55	367	81		
2006	140	460	111	143	315	101	1/5/07	57	512	147	54	344	148		
Framingham															
2004	655	409	51	264	188	34	1/1/05	94	498	101	58	208	73		
2005	618	425	60	304	222	46	1/1/06	155	500	118	124	273	100		
2006	497	408	98	185	204	85	1/1/07	180	460	151	188	277	180		
Holliston															
2004	154	478	90	26	141	59	1/1/05	37	619	124	4	122	62		
2005	132	518	82	21	146	59	1/1/06	65	591	138	10	167	138		
2006	135	482	132	19	291	57	1/1/07	76	528	195	14	276	163		
Hopkinton															
2004	207	601	72	29	379	32	1/1/05	54	805	180	17	457	55		
2005	212	630	89	37	379	79	1/1/06	73	815	170	21	386	59		
2006	194	629	117	32	356	117	1/1/07	93	735	166	27	416	191		

A—time on the market for single family houses in Ashland and Framingham has doubled; time on the market in Holliston and Hopkinton is up 50%. Market time for single family homes is now 100 days or longer in all four communities. No more multiple offers the same day it goes on the market.

B—Time on the market for condos has also increased significantly. It has doubled in Ashland and Framingham, and it has tripled in Hopkinton’s small condo market. In Holliston, it remains unchanged.

**3—Number of Sales:**

As might be expected, with the stretching out of time on the market, the number of sales of both condos and houses has fallen.

A—The most substantial drop in numbers for single family houses occurs in Framingham — 30%. For condos, the largest drop is in Ashland’s large (~2000) condo base — 40%. Both numbers are outside the norms, little comfort to folks trying to sell.

B—Condo sales in Holliston and Hopkinton are essentially unchanged but the number of condos in these towns is small. Thus, times on the market in them do really impact market trends.

**Observations—Closing Remarks:**

Prices in the four towns have been essentially flat. That in itself

says that the market has not collapsed, despite what the newspapers have blared.

But, and this is a substantial BUT, the number of sales are off and time on the market has stretched out as many buyers look for lower prices than sellers are willing to accept. A Bubble bursting? - Not! But, it is a market shift that has made life uncomfortable for many trying to sell.

**Ashland Details:**

The above observations provide a background against which Ashland data can be measured. The base line year for comparison will be represented by the data for year end, 2004, as explained earlier. What is Ashland’s data?

In 2006, the number of sales of condos has fallen a lot—40%. The number of sales of single family homes has gone down much less — about 12%.

In both categories, time on the market for houses that have sold has doubled. This is an important qualification; time on the market for houses which have not sold is longer than for houses which have sold. And, that is the main point of this market today — **sales simply take a lot more time than even a year ago.**

So, there has been a serious reduction in the number condos sold, which has impacted sellers,

and there has been a lengthening in the time-to-sell for both condos and houses.

There is also another difference in the sales of houses and of condos. In the table of Ashland-only data below, you can see that both house and condo prices in 2005 rose over 2004, even as numbers of sales fell. Prices peaked and time on the market was unchanged in 2005 over 2004.

It appears that 2005 stats describe the beginning of Ashland’s correction — much longer market times were coming. Thus, using 2004 numbers for a base line of comparison with 2006 makes more sense than using 2005. So, what does the table say?

A—House prices in 2006 are up a little from 2004 and down a little from 2005 — in effect flat; days on the market for houses is about twice as long in 2006 as 2004. Some of this increase in time on the market reflects unwillingness of sellers to accept lower prices for their houses. But, there are eager buyers out there. *Houses priced well sell quickly!!* House prices were off 3% against 2005, but up 3% over 2004.

B—Condo prices on the other hand are down over both 2004 and 2005 prices. Using the base line year of 2004, condo prices were off about 8% in 2006. As with houses, time on the market

<b>Ashland RE Sales Data 2001 thru 2006 (Year-end):</b>							<b>Inventory:</b>						
Source—Multiple Listing Service													
Houses				Condos			Houses			Condos			
Year	#	Prc(\$k)	Days	#	Prc(\$k)	Days	Date	#	\$k	DOM	#	\$k	DOM
		Avg	on Mkt		Avg	on Mkt							
2001	153	366	59	133	280	39							
2002	146	383	58	137	291	51	1/1/03	31	485	67	11	331	55
2003	166	421	53	138	313	39	2/5/04	17	495	56	24	379	31
2004	166	446	45	233	340	41	1/1/05	20	460	115	17	353	52
2005	124	474	43	163	364	49	1/5/06	47	485	79	55	367	81
2006	140	460	111	143	315	101	1/5/07	57	512	147	54	344	148

for condos-sold doubled over 2005 and 2004.

C—Looking at present market time for houses and condos (those which have not sold and are presently on the market) shows that time on the market has increased about 50% and that list prices asked are about 10% higher than 2006.

#### **Framingham:**

Of the four towns considered here, Framingham prices are, on average, the lowest. The number of houses for sale is also the largest.

But other than these two points, Framingham data is remarkably similar to Ashland's over the 2004/2006 period — house prices flat, and time on the market doubled.

There is a substantial difference, though, in the number of sales of single family houses Framingham — sales are down by one third; as with the Ashland condo market, this has major impact on sellers.

The largest correction in the four towns for single family homes has been in Framingham.

#### **Holliston:**

Prices of single family homes in Holliston are slightly higher than Ashland's and the number of sales are about the same.

Slightly different from Ashland, time on the market for houses that have sold has gone up only 50%. However, time on the market in Holliston has historically been longer than in Ashland, so that the final amount of time on the market makes Ashland's market time equal to Holliston's.

The condo market in Ashland is very different; Holliston has very few condo sales, Ashland has 10

times as many. Holliston's 55+ condo market is nascent; Ashland's has been established for 5 years. Holliston's general condo market is about 1/10th the size of Ashland's. Little in the way of meaningful comparison can be made.

#### **Hopkinton:**

Housing prices for single family homes are about 1/3 higher than Ashland's and condo prices are about 15% higher. As with Holliston, the numbers for time on the market in Hopkinton have historically been longer than Ashland's; Ashland's market times have now lengthened to be as long as Hopkinton's.

Like Ashland, Hopkinton sold-housing prices are flat. Unlike Ashland's drop in price, Hopkinton sold-condo prices are flat.

The number of sales for both Hopkinton houses and condos is flat. Last, Hopkinton's condo market, like Holliston's, is very small compared to Ashland's.

#### **Closing:**

Why are some houses taking so long to sell? It is partly the result of price expectations by sellers, and partly because buyers continue to hold out for lower prices. Houses and condos priced well, sell. But, it is also true that some sellers have more invested in their home than current prices will support. Reluctance to reduce list price and take a loss upon selling is understandable.

If one looks at time on the market for houses and condos which have sold and compare them against houses and condos current listed, it becomes clear that properties in inventory have "market times" that are about 50% higher than that of sold prop-

erties. They also have significantly higher list prices, as well, ranging from a low of +9% to up into the high teens. An "over-price" of 10% makes a property difficult to sell; an over-price in the high teens makes it nearly impossible. Time on the market soars; properties sit and don't sell. Unrealistic seller price expectations can have very negative consequences, if prices are not adjusted to account for market realities.

As stated earlier, properties priced well, sell; properties which are priced higher than buyers are willing to pay, just do not sell. There are many of these cases.

Have some sellers had to set prices below where they wanted to? Certainly! Have the frenetic days of 2002, 3, and 4 left us? Also certainly! Adjustments in seller expectations re: price are part of the story of today's buyer's market.

Has your house or condo retained its value from those earlier heady days of 2001, 2, 3, and 4? Across all sales, probably. But, the case for each house or condo is individual. Individual assessments of value are just not possible in a document like this.

It is a buyer's market now. That market will have its own characteristics and slowly but surely, as the inventory of properties available for sale is reduced, it will shift back toward a more neutral and perhaps into a seller's market. Everything about the housing market, like the stock market, is cyclical.

If you would like to discuss house and condo values in greater detail, call us at 508-231-4566. We'd be pleased to share our thoughts with you. © *The Homes Connection of MetroWest, Inc., John Ellsworth—508-881-3404*