



555 Washington Street
Wellesley, MA 02482
781.237.5000

*Providing Full Real Estate Services
to the Western Suburbs of Boston*

PINNACLE REPORT

**THE WELLESLEY
AND WESTON
REAL ESTATE
NEWS**

**Important information concerning
your property values in
Wellesley and Weston**

Volume 19
January, 2015

www.PinnacleHouses.com



Our 2014 year-end Pinnacle Report examines MLS residential property sales data in Wellesley and Weston and compares it to that from 2013. Our last issue reported closed sales from the Spring Market through July 31. In this issue, we incorporate the sales from the end of Q3 through Q4 and compare the full year over year.

We'll begin with a brief look at statewide sales activity. Year over year in Massachusetts, total single family transaction volume (number of MLS sales) was down 3% while the median price increased 4%. For condominiums, the overall transaction volume was down just 1% and the median price was up 5.5%. By price range there was considerable variation. The single family volume was down only for homes priced under \$350,000 – a result of low supply and rising prices. By contrast, sales volume was up in all other price ranges – by as much as 25% for homes over \$2M. Condominium volume was down in price ranges below \$450,000, but actually up for every other price range – by as much as 18% for condos over \$2M. This was a very strong year for the luxury market. *Now for a look at our towns...*

Wellesley - Single Family

In 2014, the total number of single family sales declined 3.5% while the median was up nearly 9% from 2013. Median price changes are often just a reflection of where trade occurred as opposed to appreciation or depreciation, and this past year was illustrative: while there were 11% fewer sales *under* \$1M in 2014, the number of homes sales *over* \$3M increased 160%. 2014 began with a very low inventory, but by Q4 the supply had grown significantly (up 80% from early March) in every price range except that over \$3M.

When we focus on Wellesley's 2014 Q4 and compare it to 2013 Q4, the overall transaction volume increased 16%. This increase was the result of a sudden rise in demand (double that from Q4 2013 and most of 2014) only for homes priced between \$1.5M-\$2M and preferably new. New construction continues to be in strong demand as 21% of all sales in 2014 were purchases of homes that were new or nearly new. In response to this demand and to get a jump on potential 'tear-downs', many builders continue to solicit older residents from whom they can buy smaller homes directly. However, those sellers who MLS listed on the open market instead, averaged significantly higher sales prices (as much as 18%). During 2014, 66 new construction permits were issued - up from just 36 in both 2013 and 2012.

In our last issue, we reported an unusually low supply of homes priced under \$1M during late winter and early spring months. That lack of inventory resulted in many buyers paying a premium for those that were available. As the supply rose later in the year, the occurrence of multiple, over-asking-price offers slowed considerably. By mid-Q3, Realtors had to look very cautiously at factoring earlier sales prices from the frenetic Spring when pricing homes for the fall market.

PINNACLE REPORT

The following data for single family properties was extracted from the Greater Boston Multiple Listing Service and therefore includes the great majority of fair market value sales in each town. (The relatively small number of non-MLS sales do not necessarily represent fair market value as these are properties that were not fully exposed to the open market.)

YEAR-END MARKET COMPARISONS*

	WELLESLEY		WESTON	
TOTAL NUMBER OF SINGLE FAMILY HOMES:	7,286		3,404	
	2014	2013	2014	2013
\$ 0 - 400,000	2	2	1	0
400 - 600,000	15	19	3	3
600 - 800,000	49	51	13	21
800 - 1,000,000	49	58	30	29
1,000 - 1,500,000	84	103	36	53
1,500 - 2,000,000	69	51	30	34
2,000 - 2,500,000	16	22	11	11
2,500 - 3,000,000	11	14	5	4
3,000 +	21	8	17	11
Total Number:	316	328	146	166
Avg. Days on Market:	85	81	100	135
Median Sales Price: (\$)	1,225,000	1,126,500	1,397,500	1,235,750
Lowest Sale: (\$)	250,000	230,000	320,000	490,000
Highest Sale: (\$)	6,250,000	7,050,000	12,500,000	10,000,000
Total \$ Volume: (\$)	454,070,332	432,284,203	257,138,115	250,029,670

* Sales from January 1 through December 31

Q4 2014 SALE PRICES AS A PERCENTAGE OF NEW 2015 ASSESSMENTS (Based on your latest town assessments as of January 2015)

	WELLESLEY	WESTON
\$ < 600,000	96%	**
600 - 800,000	107%	**
800 - 1,000,000	105%	102%
1,000 - 1,500,000	107%	98%
1,500 - 2,000,000	104%	**
2,000 - +	104%	106%

** Insufficient data



Weston - Single Family

By the end of 2014, the overall total number of sales declined 12% and the median was up 13% year over year. When examined by price range, there were sharp contrasts. Under \$1M, sales were down just slightly. From \$1M-\$2M they were down a steep 23% and this decline was most precipitous in Q4. Most of the supply in that range was comprised of existing home resales. While the sales level was about the same between \$2M-\$3M, in price ranges *above* \$3M, it was up 50%. During 2014 the total supply increased by 38% (Q4 2013 was when Weston housing inventory reached its lowest level in 14 years) and Weston homes sold 26% faster.

Composition of the Weston supply. In our areas, while demand is strong and growing for new homes priced from \$1.5-\$2M it is not as strong for existing homes in that same range (remember, Wellesley sales between \$1.5M-\$2M rose, but mostly for new construction). Of the 30 total sales that occurred in Weston from \$1.5-\$2M during all of 2014, just one was of a new home. A look at the supply composition shows why. There were also 30 homes available at the start of Q4, but only one was a new home. There aren't many viable options for builders to purchase good Weston lots for under \$1M to make the numbers work. Building is relatively restrictive in Weston and costs to build are higher (septic system installations, demolition delays, etc). Builders, therefore, have to pay more for conforming lots and then spend more to develop and construct a home. Not much opportunity for them to be able to offer new homes for \$1.6M.

At the top of the market, sales of Weston's luxury homes, both new and existing, were very strong – the ***number of sales over \$3M increased more than 50% from 2013.***

Local Prices in 2014. In both towns, some price ranges have fully rebounded and, in fact, have reached new heights, including homes on conforming lots and priced under \$1M as well as new construction priced from \$1M-\$2M.* For homes at the mid-to-high end of the market, buyer preferences have changed from less emphasis on location and more on condition and the floor plan. Many more *very* high sales prices occurred during 2014, of both new construction and resales of existing homes in top condition. **In order to determine the fair market value of your property, it is important to obtain a professional evaluation.**

*Just as we're seeing newly constructed homes selling for a hefty premium over existing homes locally, the trend is national. In December, Dr. Lawrence Yun, Chief Economist for the National Association of Realtors, reported: "Across the country, the gap, which historically had been 15 to 20 percent, has in recent years widened to 30 to 40 percent. In the most recent monthly data, in November, the median home price of a newly constructed home was \$280,900 while the median price of an existing home was \$206,200. This gap is 36 percent.

The Local Condo Markets

In Wellesley, the overall condo statistics are misleading at first glance, because the supply changed so much. Sales nearly doubled, from 25 to 47, because of the addition of the low end supply of rental to condo conversions on Oak Street. Therefore, the median price plummeted 21%. However, condo prices surged nearly 20%. There is a particularly strong demand for Wellesley Green condos, which are now snapped up as soon as they become available. (These figures do not include the incomplete, high priced new units in town.)

In Weston, while there were fewer MLS-recorded sales of the lower priced townhouses near the center of town (down from 20 to 14), nearly as many of them sold as in 2013 - but this year, they were not all offered in MLS. Demand is actually up, and the median sales price of these units has increased by more than 20%, year over year. Weston's luxury townhouse supply continues to offer an appealing option to empty nesters. While there were fewer closings in 2014, there was an equal number of pending sales, with more closings pushed ahead to Q1 2015.

Observations and Projections

Across the nation, economists are optimistic for the 2015 housing market. Analysts are estimating an additional 2.5+ million jobs will be added this year. Household formation from young Millennials is expected to increase. Rents are likely to continue to rise and this should encourage tenants who are able to qualify for a loan, to buy instead. New low down payment programs introduced in December will help these buyers. These factors should spur more first-time home buying in areas of Massachusetts that offer a greater supply at the lower end.

According to CoreLogic, increasing demand, tight supply and lack of new construction in lower price ranges has resulted in low-end homes appreciating at roughly 1.5 times the rate of higher-end homes in all top 25 markets during 2014. Depending upon area, 'low-end' and 'high-end' are, of course, relative. Our low end appreciated disproportionately as well. New construction at the low-end, even by our definition, isn't an option in Wellesley and Weston, as land cost is much too prohibitive.

Across the country, the brisk home price increases that began in 2013 slowed during 2014 as supply rose. Foreclosures that had been suppressing sales prices continued to fall in 2014 and most analysts agree that they will likely drop to pre-crisis levels in 2015. Investors retreated from the single family home market as there were fewer distressed sales and higher home prices. More stable growth resulted. In its 2014 Housing Review, Realtor.com stated: "Increases in home prices are now consistent with long-term historical performance. Housing affordability will continue to remain strong next year."

Recently, interest rates have dipped below 4% again. We expect rates to rise slowly and just slightly during 2015 as inflation isn't a factor. The stock market increased by more than 11% in 2014, there was growth in the GDP and in jobs as well as a sharp reduction in fuel oil prices. These factors have had a powerful impact on consumer confidence. Locally, business development is increasing along Route 128. Demand for homes has increased in all price ranges, from entry level through trade-up to luxury. We definitely see it continuing through 2015 in our very strong western suburban location.

Our next report will be available in September, 2015.



555 Washington Street
Wellesley, MA 02482

Whatever the market conditions, we can develop a powerful and effective plan to sell your property.

What's your home worth in today's market? Call us for a confidential, complimentary evaluation.

781-237-5000



**Winner of the Better Business Bureau
Torch Award for Ethics and Excellence**