



COMMERCIAL REAL ESTATE

PANDEMIC PRICING

Latent Demand Keeps Agents from Lowering Prices

Sellers' Agents Trust Supply Constraints Will Prevent Big Drop

BY HEATHER BEASLEY DOYLE
SPECIAL TO BANKER & TRADESMAN

As the coronavirus pandemic settled into Massachusetts last month, the city of Medford got to work on an emergency order prohibiting the in-person showings of homes. The order challenged real estate agents to convey a property's look, feel and vibe virtually – and buyers to marry technology with imagination as they decided their housing future.

Shortly after the order took effect April 1, Santana Properties Team, affiliated with Keller Williams Cambridge, deployed the virtual tools in their arsenal, from a three-dimensional virtual walk-through to a property video.

"We were able to sell the house in the first week, [with] a great offer to the seller, without the buyer ever going into the house," Hudson Santana, the team's leader and development specialist, said.

Just a few weeks ago, such a transaction was nearly unthinkable, but the pandemic has slimmed local housing stock and changed how people are selling and buying. Sellers are wary of potential buyers' germs, and social distancing has altered showings and put a halt to open houses.

When the great pause began in earnest around March 12, the Boston-area real-estate market reacted reflected that quickly. Many poised to list their homes opted instead to wait it out, while active listings declined.

"We had a lot of clients that, because of the uncertainty, decided to immediately remove their properties from the market," Santana said. "They weren't telling me they didn't want to sell anymore. It was more, 'I don't know what's going on; let's pull it [off the market].'"

Sellers Pull Back, Condos Suffer

This reflects national trends captured in a National Association of Realtors survey conducted April 12-13, in which 57 percent of respondents reported that at least one seller they work with was delaying selling their home for "a couple of months." Seventeen percent reported that sellers are continuing the process in a remote-only fashion, and 10 percent said at least one of their clients is indefinitely postponing their home's sale.

But some have bought nonetheless: Single-family home sales in Massachusetts increased by 2 percent last month from March 2019, while median single-family home prices rose

6.5 percent to \$402,000, according to The Warren Group, publisher of Banker & Tradesman. This, even as 60 percent of NAR survey respondents reported buyers delaying home purchases for a couple of months, and another 12 percent postponing the process indefinitely.

Even in the Boston area, with its strong single-family home sales, real estate – at least for now – has become purely a need-driven endeavor. Gone are the dabblers hoping for top dollar; only highly motivated sellers and buyers remain.

They're motivated enough that early this month, the local housing market began "slowly recovering from a low level of activity to a moderate level of activity," said Fred Alibrandi, an agent with Douglas Elliman Real Estate.

He's not the only one. According to Brookline-based Coldwell Banker Sales Associate Lexi Crivon, her recently listed properties have taken a little longer to sell than they would have pre-coronavirus, but "there are multiple bids for those trophy properties," in towns with typically strong markets.

The exception to this could be condominiums. While The Warren Group reported a 0.5 percent year-over-year drop in condo sales closed in March 2020, 18 percent fewer condos went under agreement than last March, according to the Massachusetts Association of Realtors, marking the first such sales downturn since November 2018.

Hudson noted that investors are bigger buyers in the condominium market than they are in the single-family market, and that "as soon as this coronavirus thing happened, all the commercial lenders stopped lending." Some properties that were under agreement went back on the market, with some buyers walking away from their deposits, he said.

Limited Discount Anticipated

For the most part, underlying confidence in the Boston-area housing market remains strong, Alibrandi said he's yet to reduce a price over the past month, and Crivon sees this as a good time for buyers.

Advising her clients, Crivon is "factoring in a little bit of a discount right now," and anticipates prices dropping by perhaps 3 percent. She also noted that while offers remain strong, "some sellers think that a buyer is going to buy at any price, and they just won't. It's been like that for the last couple of years.... Even if there is scarce inventory."

Government Aid May Not Be Enough

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Even when the economy does reopen, social distancing guidelines could leave businesses serving fewer customers, Dillingham told Banker & Tradesman, which in turn would require fewer workers. And those who took forbearance opportunities will need to consider impacts on the loan down the road, depending on the forbearance agreement with the lender.

Dillingham said she is looking at effects on the economy and mortgage lending for perhaps as long as 18 months. She said poli-

cymakers, government agencies and lenders have been working to help borrowers and recognize that most had the ability to repay loans before the crisis hit.

"Everybody's just trying to do the right thing," Dillingham said. "But you just keep hitting that wall that if there's no income for three months, how are you going to get back on your feet?"

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Email: dmclaughlin@thewarrengroup.com



Greater Boston's shortage of housing could ultimately keep prices from falling very far during the economic downturn expected to continue even after the coronavirus pandemic abates.

Crivon also suggested a "very humble" social media touch right now, given the fears at play. Given those fears, and with virus containment still paramount, virtual tools such as video tours will remain critical to marketing – and to offering as much information and as many visuals, so that agents and clients can decide if an in-person showing is a worthwhile risk.

Alibrandi included scaleable, downloadable property layouts on the list of virtual must-haves, and pointed to the consultative seller's agent as a non-digital essential. Agents deeply familiar with the communities and properties they're selling, whether through previous sales or professional relationships, can provide insight into property details and possibilities.

"It kind of precedes and clearly augments all the other visuals," he said.

Looking ahead, not even the most-informed, data-driven real estate agents, knows for certain how the pandemic and its economic fallout will shape Boston-area home sales.

Crivon anticipates more job loss in professional sectors, while Alibrandi's hunch is that the current downturn is less fundamentally concerning than the 2001 and 2008 recessions. They both agree with Hudson's succinct conclusion, which keeps them from pricing properties lower in and near Boston: "There's clearly way more demand than inventory."

Email: editorial@thewarrengroup.com

NAR: No Evidence of Panic-Selling

The National Association of Realtors says its weekly flash survey of its members shows no sign homesellers still on the market are panicked and lowering prices in a hurry.

Nearly 3 in 4 of the 2,915 Realtors who answered the survey – conducted nation-wide on April 19 and 20 – said their clients haven't reduced listing prices to attract buyers. Of the sellers who are dropping their home's price, most are only doing so by less than 5 percent with a smaller number dropping their price between 5 percent and 10 percent.

"Consumers are mostly abiding by stay-in-shelter directives, and it appears the current decline in buyer and seller activity is only temporary, with a majority ready to hit the market in a couple of months," NAR Chief Economist Lawrence Yun said in a statement. "The hous-

ing market faced an inventory shortage before the pandemic. Given that there are even fewer new listings during the pandemic, home sellers are taking a calm approach and appear unwilling to lower prices to attract buyers during the temporary disruptions to the economy."

NAR asked members how the coronavirus outbreak has impacted the residential and commercial real estate markets.

The survey found 87 percent of respondents reported some decline in buyer interest in their market, with 40 percent reporting buyer interest has halved. For the buyers that remain, 64 percent of Realtors who took the survey said buyers they work with are expecting a drop in prices in their market with the largest share – 24 percent – expecting a 5 percent to 10 percent drop.

COVID-19 Will Speed Up Malls' Demise

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Demand for brick-and-mortar real estate was already on the wane before the crisis hit, and the epidemic and its economic fallout are likely to speed that trend up dramatically.

By contrast, demand for housing isn't going anywhere anytime soon.

While this downturn will likely result in a decline in home sales, and possibly a big one at that, prices are traditionally "sticky" on the way down, as the late, great Wellesley College economist Chip Case was wont to say, so forget about any big collapse.

And whatever the coronavirus short-term economic fallout, the Boston area faced a massive shortfall of hundreds of thousands of homes, apartments and condominiums before the crisis, and that shortage isn't going anywhere.

If anything, that shortage will only grow worse as demand is bottled up and projects are derailed by this crisis.

The looming troubles at the region's biggest malls present an historic opportunity for new housing development, and lots of it, in a region where developable land is scarce and most new residential projects are hotly contested by NIMBY local politicians and homeowners.

They don't make new land around here anymore, but millions of square feet of developable space can be found at the Boston area's largest malls.

No, this is not something that will happen overnight, even with this unprecedented crisis; it's a trend that could take another decade or so to play out, if it does at all.

But as the coronavirus turns the world as we know it upside-down, and what would have seemed outlandish just a few months ago suddenly doesn't seem so far-fetched.

Scott Van Voorhis is Banker & Tradesman's columnist; opinions expressed are his own. He may be reached at sbvanvoorhis@hotmail.com.