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Condo Sellers Struggle With Falling Prices, Growing Supply

BY VERONICA DAGHER

Condo sellers haven't faced a market this weak in more than a decade.

Prices are down, supply is up and sellers often feel lucky to get an offer, especially in the South.

In several parts of the country, prospective buyers hold most of the cards. They are often winning concessions from sellers eager to unload condominiums that are likely facing rising homeowner-association dues, in part because of higher insurance costs.

The prospects for condo sellers are far bleaker than for those selling single-family homes, where supply is tighter. Though costly houses and high mortgage rates dragged sales down to a nine-month low in June, home prices still climbed to a record that month, according to the National Association of Realtors. Prices aren't adjusted for inflation. Note

Condo prices tend to outperform when the market heats up and underperform when the market cools, said Andy Walden, head of mortgage and housing market research at Intercontinental Exchange. Note

This dynamic is playing out in today's market. While singlefamily home prices are high, they are rising slower now. The average condo price, meanwhile, fell 1.4%, marking the softest condo market since 2012, according to Intercontinental Exchange.

Condos are more likely to be found in sought-after neighborhoods and locations in major metropolitan areas and tend to sell at higher prices per square foot than single-family homes within that metro, said Jake Krimmel, senior economist at Realtor.com, which is operated by News Corp, parent of The Wall Street Journal.

Per square foot, condos typically list at a 45% premium to single-family homes. This premium jumped to about 60% in 2021 when the condo market was super hot but sat at around 30% in June, said Krimmel. Note

High list prices for smaller spaces might not seem as desirable when mortgage rates are around 7%.

Condos are also more likely to be near shorelines, so the rising cost of home insurance might be finally deterring potential buyers as natural disasters increase, he said.

The months of supply for condos, which indicates how long it would take to sell the existing inventory at the present sales rate, is near a 10-year high, said Asad Khan, senior economist at Redfin. And aside from a momentary peak at the start of the Covid-19 pandemic, it hasn't been so high since the early 2010s.

Greater supplies tend to put downward pressure on prices.

The median number of days on market and the gap in supply between condos and single--family homes is particularly elevated, especially in the Sunbelt, Khan said.

Condos play a major role in Florida's housing market, accounting for 16% of all home sales, compared with just 10% of home sales nationwide, said Molly Boesel, Cotality senior principal economist. Note

In some metro areas, the share is even more pronounced. But nearly every Florida metro saw a drop in share of condo sales in recent years.

The 2021 partial collapse of a Surfside, Fla., condo building, which killed 98 people, brought national scrutiny of the safety of condo structures.

Florida condos have since been subject to newly imposed safety regulations on older buildings, rising insurance premiums and a decline in both domestic and international migration. That has contributed to waning buyer interest—especially among retirees, said Boesel.

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