

MARKET INSIGHTS



A look at the current real estate market.
An information source provided by **RE/MAX Alliance**.



January 2017 saw **124** homes available for sale in the **Mountain Suburbs**. Of those, **49** sold and closed at a median price of **\$520,000**. Of the **150** offered for sale January 2016, **40** made it to the closing table at a median price of **\$451,200**. The 2017 sales took on average **76** days to go from sale to sold, longer than the previous year's **54** Days on Market average.

Wrapping up the real estate overview, according to results of the S&P CoreLogic Case-Shiller U.S. National Home Price Indices, year over year home prices were up just under 6%.

Denver was reported to be in the top three markets with the sharpest increases. David M. Blitzer, managing director and chairman of the index committee at S&P Dow Jones Indices declared "...one can argue that housing has recovered from the boom-bust cycle that began a dozen years ago."

Based on the numbers, we'd agree with Mr. Blitzer, at least in our marketplace.

The major contributions that supported the full recovery include low mortgage interest rates, falling unemployment numbers and consistent gains in per-capita disposable personal income.

Not everything was an increase, evidenced by the final quarter of 2016 which did see some slow down, with sales dipping almost 3% in November. Even with those dips, sales were still slightly under 1% higher than previous years in the last quarter. Only December saw a decline year over year, and Lawrence Yun, NAR's chief economist, thinks that blame lies squarely with low inventory levels.

The final analysis? People want to buy a home. Those buyer numbers will continue to increase as millennials wake up to the benefits of ownership and multiply the already swelling marketplace. In 2016, sales of previously owned homes reached their highest level that they've been at in 10 years, according to new estimates from the National Association of REALTORS®.

Predictions are that lower-than-normal inventory levels mean prices could continue to see upward pressure unless more homeowners

put their homes up for sale; or if new home construction ramps up enough this year to meet the increased demand.

It is interesting to note, however, that, according to an article written by U.S. News and World Report, a surprising issue appears to have been uncovered, that may be one of the major contributing components to these stagnant inventory levels that are plaguing our real estate market.

The issue? Unrealistic expectations of first time home buyers.

On average at any given time about 32-38% of buyers in our markets are those venturing into the buying experience for the first time.

Where once it was accepted and expected that houses one might describe as a starter home would most likely require a little work done, the current wave of first time buyers would seem to have a very different idea of what a starter home should be.

While what we might describe as a starter would absolutely be livable and functioning, we would probably also expect they would feature lower end appliances and fixtures.

Where it might have been taken for granted that a first time buyer would naturally assume a need to paint and update to personal taste, the fact is that just isn't the case anymore.

First time buyers in this marketplace, seeking that starter home, have an expectation of move in ready that includes fresh paint and updates that used to be reserved for that bigger, and maybe more upscale second home.

The article went on to reveal that house condition and size expectations of first time buyers is simply not in line with prices! Very low purchase offers or no offers at all on the types of homes that fit the starter home description may be a big part of what is putting off sellers who own homes that fit this category and suppressing our inventories.

Getting the news of equity gains out to sellers to stimulate inventory growth is important. Just as important is helping buyers recognize the reasonable price structure of homes available in this market.

Stat Check

2016 2017

Active

150 | 124

Number of Units Sold

40 | 49

AVG Days on Market

54 | 76

Median Price

\$451,200 | \$520,000