

2014 Q3 Real Estate Market Update

Current Market Conditions

Market Indicators for the 3rd Quarter

- Single and Multifamily homes have reached record highs, averaging respectively, \$360,000 and \$217,000
- Multifamily (condos and townhomes) remain very hot, averaging less than 28 days prior to going under contract vs. 33 days for single family (please note both these figures are very low)
- Sold prices for single family homes are up 7% in the last year and multifamily is up 8%

Bringing Statistics Around Full Circle

My subscribers may sometimes lose sight of the big picture of Denver real estate due to the “year over year”, “month over month” terminology used by many statistic-reporting sources, including Zillow Economic Reports, Case-Schiller, and Metrolist. I like to answer common questions utilizing the data and research I perform on a regular basis. There are three common questions that I have been recently asked. My answer to those questions follows.

Are we in the middle of another housing bubble?

I do not believe so. With the fears of another economic collapse at the forefront of many individuals’ thinking, this is a good question. Though the market has regained all the real estate value that was lost during the collapse and has reached a new peak for real estate prices, I am very encouraged by employment figures, net population influx (population moving in vs. moving out), and Denver’s status as a destination city. While marijuana laws have attracted some to the Denver metro area, I don’t believe this has had a material effect on real estate values outside of commercial grow properties.

Will real estate prices continue shooting up through the roof?

Absolutely not. In fact, there has been a slowdown in the marketplace, which began to turn in August. As an agent, I saw a slowing down of market activity (meaning fewer buyers) matched with increased listings (meaning more sellers). This has improved the market for buyers who faced a seller-friendly market in 2013 and so far in 2014. Though it has softened a little for buyers, the market is still seller-friendly. I rate the market a 3.5 on my 1-5 scale (1 being buyer friendly, 5 being seller friend, 3 being a balanced market). I expect price gains to normalize at about 3-4% over the short term, which is healthy and sustainable.

How much longer can I continue to wait to purchase before interest rates increase?

After my lackluster attempts of forecasting interest rates in each of the past 4 quarterly reports, I can waive the white flag of surrender and say, “I give up!” Two of the four interest rate forecasts were written by well-respected lenders who served as guest columnists for my newsletter. This illustrates just how little we really know about where rates are headed in the short-term. The definitive answer is that rates will go up long-term. How long is long-term? We don’t know. With the political unrest in the Middle East, ebola scares, and economic uncertainty in Europe, rates probably won’t do too much in the short-term, however I caution buyers not to play “chicken” too much longer.

Luxury Segment

The luxury market, a segment I characterize as homes listed at one million dollars and above, remains very healthy. The most identifiable cause is stock market growth. It has contributed to gains in savings and retirement accounts, leading the way for more buyers to jump into the luxury segment. Many buyers, uncertain about the stock market, have cashed in on gains and reinvested in the more stable investment vehicle of real estate. Helping formulate this decision, are jumbo loans, which are near historical lows. Lenders are quoting jumbo loans in the low 4%’s with 30 year terms. That’s incredible.

Loans & Rates

Market rates remain extremely low with 30 year, prime conventional rates at 4.25% and FHA loans at 3.75%. As noted previously, the upfront and monthly mortgage insurance premiums of FHA loans generally outweigh the benefits of the half percent interest rate savings over conventional loans. Please consult a reputable lender for further details.

Notes

Above statistics are based on information from Metrolist for the period 1/1/2009 - 10/16/14. The representations herein are based in whole or in part on content supplied by Metrolist, which does not guarantee nor is in any way responsible for its accuracy. Content may not reflect all market activity.



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