

Paul Dart's Real Estate Report

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2019 Real Estate Market
by the Numbers

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Real Estate Market Report

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End of Year 2019 Boulder Area Market By the Numbers

Single Family Homes

\$1,246,250

*Average Sales Price
in Boulder— Up Just 2.6%*

Louisville **\$724,100**, Lafayette **\$646,240**, Longmont **\$470,450**
Down 3.4% Up 4.6% Up 1.9%

1197

Number of Sold Properties in Longmont
Up 6.4%

Boulder **664**, Lafayette **318**, Louisville **230**
Up 5.7% Up 16.1% Up 19.2%

47%

*Percent of the Market Under Contract
in Lafayette*

Louisville **45%**, Longmont **43%**, Boulder **33%**

594

*Number of Sold Listings
over \$1 Million in Boulder County*
Boulder **345**, Louisville **21**, Lafayette **22**
Longmont **16**

50

*Average Days on Market
in Louisville*

Lafayette **51**, Longmont **59**, Boulder **66**
(From offer to closing)

2.1%

*City of Boulder
Unemployment Rate*

2.6% in Colorado
3.5% in the US

Boulder County

Median Sales Price **\$601,000**
Average Sales Price **\$755,000**
Average Days on Market **61**
Number of Sales **3411**

3.725% - 4.0%

*30-Year Mortgage
Interest Rates*

Trend is falling

My greatest privilege is to serve the friends and family of my clients.

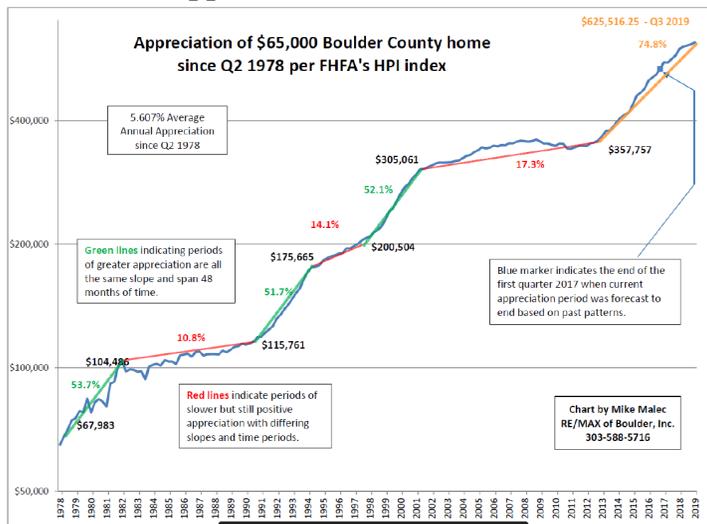
Your generous recommendations to family and friends are priceless. Thank you!

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Will the Appreciation Ride Continue in 2020?



The above Federal Housing Finance Administration (FHFA) chart illustrates perfectly that real estate markets are local. Increases and declines are primarily influenced by 3 key factors that can mollify or even overcome a national recession. The number of people coming into or leaving the area, called net migration; the soundness of the local economy; and the number of homes available to buy, or inventory, are the pulse of every real estate market. Following the 2001 tech bubble burst, and with all three factors in excellent shape by 2007, this local real estate market was just beginning to rise when the Great Recession hit. But the strength of those 3 factors here served as a buffer against the worst effects. Average prices in Boulder County were down just 4%. In 2012, our market took off at the same time the numbers of homes for sale plummeted to historic lows. Seven years of strong appreciation followed. Then 2019 showed all the signs that the cycle was finally ending. This chart, always a quarter behind, shows only 2019. Net migration is still very positive and the local economy strong, and even with inventory up 10%, we're experiencing a high volume of showings and numbers of under contracts. Unless the numbers of available homes dramatically rises, and accounting for the unknown possible effects of the Wuhan virus, I don't see any change on the course of this market.

Sizzle vs. Steak

In the now 27 years I've been practicing real estate I've observed the behavior of buyers with a keen interest in what motivates them. Bargains are at the top of the list, but when was the last time a property in this area was underpriced for its location and condition? Cheap houses are cheap because they need a lot of time and money to bring them back. That's no bargain.

After price, it is the fancy, fashionable, eye-catching features, especially in the kitchen and master bathroom, that have a powerful influence on buyers. Sizzle is found in the quality and materials of cabinets, countertops, fixtures, flooring, appliances, fresh paint and smart home features. This alluring eye candy in remodeled and updated homes is a powerful persuader. White appliances are equally as functional as stainless steel, but the psychological difference is vast. It's true—people will pay more for the shiny object over an identical and equally functional plain one.

Amazingly, down on buyer's lists are the important elements of a home that make up the infrastructure—the steak—like the age of the furnace, A/C, electrical service panel, windows, roof, quality of the insulation and optional items like radon mitigation system and photovoltaic solar electric systems. Out of sight and largely unnoticed, every home must have them.

Within their basic requirements of bedrooms, bath, square footage and price, with few exceptions I observe that buyers will downplay or completely ignore the expensive infrastructure of a home and be seduced by the sizzle. When remodeling a home for a quick sale most real estate investors take full advantage of this. Time after time a home that is being flipped is awash with a thin layer of bling and glitz, but the ancient furnace, leaky windows and old roof remain. The message to sellers is clear: Buyers will pay a premium for a home tricked out with fancy-looking upgrades—even if they are of just average quality. The message for buyers: *Snap out of it!!!* You need fancy cabinetry, granite counters and shiny appliances a lot less than you need reliable heating and cooling, energy-saving windows, and a roof that you can depend on for years to come. If you find a remodeled home, check the quality of the steak and if needed, count the cost of these items against the listed price. Because sooner or later you will be spending that money. Or maybe that house is just a pig with lipstick.

Instant Offers from Zillow, OpenDoor, iBuyers, et al.: The Value of Data and the Cost of Convenience

You've heard or read about them in the news: It's the new way to sell your home. No agent, no getting your home ready for showings, no strangers walking through your house, no waiting for a buyer's loan to be approved, done in no time at all, and they'll pay the market price. Just get on your computer or mobile device and get a quote. What could possibly be easier, and why haven't we been doing this before?! Is this going to revolutionize home buying and selling? There's always more to the story, and here are the facts when you dig beneath the surface:

- 1) These companies are most interested in homes valued within the local average home price. In the metro Denver area and Boulder County that can widely vary. Anything less or more is outside of their business model and would take special consideration. Effectively then, there are only certain markets in the country that qualify.
- 2) When you contact the company they make you an instant offer conditioned upon an inspection. Once they see it, their offer may change, and they may mandate that repairs be made before they buy.
- 3) There are various fees that the seller pays, totaling between 11%-13%.
- 4) These companies are not interested accumulating real estate. In fact, the properties they buy are quickly turned around without any improvements they have made and sold for a price very close to what they were bought for.
- 5) Reports from various sources indicate that the percentage of people who take advantage of these instant offers is very low.

If all this seems like a lot of effort on the part of these companies for little or no apparent return on the resale of the properties they buy, you're right. On the surface the numbers don't add up. You have to step behind the curtain to understand their true motivation.

Recall that this is the Information Age where information is wealth. Let's look at Zillow. Zillow's business model has been to harvest the home-selling data from all the multiple listing services (MLS) around the country. That data is generated by real estate brokers when they list a property, and Zillow downloads it for next to nothing. They then repackage it on their website, including all the photos, again at no cost. Potential buyers get on the Zillow site to look for houses. Zillow collects all their data when they register. Agents pay for the privilege to be featured on Zillow's site, and Zillow then sells buyer leads to those agents. Zillow makes money. If the buyer works with one of those agents, when the transaction closes Zillow gets a very nice percentage, and they make more money. But this model only attracts buyers, and

Zillow would like to sell seller leads to agents as well. But how to do that? How about offering to buy homes quickly for a good price? Tens of thousands of prospective sellers will call to check it out, and whether they agree to sell or not, all of their data is gathered and can now be sold to agents hungry for seller leads. As with buyers, a closed sale nets Zillow even more. Zillow limits the homes they buy to those they know will resell quickly, and most if not all of their transaction costs are covered by the fees charged to the sellers. So Zillow (and all the companies offering this) are really in it to gather the information from people who have indicated they would be interested in selling, and that data base can be turned into a handsome profit. The instant-offer home-buying side is just the bait. These companies would probably really rather not end up buying houses because at best it's a break-even proposition.

What about sellers, though? Can't this be a legitimate avenue for those who want to sell quickly, and who don't want to go through all of the effort to get their homes ready, have people marching through, and then wait for a buyer's loan to hopefully close? Absolutely. If the home is within the target price range and the seller is happy with the offered price, what a great way to move on quickly. But there is a cost to this convenience. The total seller fees significantly exceed those resulting from a sale utilizing a real estate broker. (All seller fees, including title insurance and assuming an aggressive commission rate, would probably never top 7%.) Also, Zillow et al. offered price may be something below what might be gained if the property were exposed to all potential buyers in the MLS. Especially in our market.

A disruptor revolution in selling real estate? Likely, it's just another choice in how to sell a house. And choice is good.

Curious about how you can add value to your home?

It would be my pleasure to stop by for 15-20 minutes to walk through your place with you and answer any questions that you have concerning things that you're considering doing to your home prior to remodeling or selling it. I'll provide you with thoughtful recommendations based on 27 years' experience as well as referrals to trusted companies that can help you take care of any home projects. Of course there is no obligation on your part whatsoever. Contact me any time to set up an appointment at 303-931-5198 or email at paul@pauldart.com. look forward to talking with you soon!

If your home is currently listed with another Realtor, it is not my intent to solicit your listing. Homes noted may have been sold by other companies.

The data presented here is collected from the IRES MLS & RE Colorado MLS. The accuracy of their data is the responsibility of these MLS'.