

# Home Buyers Have Widely Differing Needs and Motivations

During my two decades as a licensed real estate agent and Realtor, I've met and worked with a wide variety of buyers and gotten to know their varying needs and motivations. Allow me to share some of that with you. I've identified at least five categories of buyers.

**First-time home buyers:** This group has always enjoyed a wide variety of programs to meet their special needs. By the way, you are deemed a "first-time" homebuyer if you have not owned a home for at least 3 years.

The primary need for this group is obtainable financing. We can connect first-time buyers with lenders who require as little as \$1,000 out-of-pocket to get into a home, and who offer classes for first-time homebuyers to help them succeed as homeowners.

The motivation to change from renter to owner is well understood. Homeownership is the number one method of wealth creation. Not only are the taxes and interest on your

## REAL ESTATE TODAY



By **JIM SMITH, Realtor®**

home tax deductible (with some limitations now), but your home may well appreciate in value as much as or more than what you pay for it each month. Then, when you sell, your capital gain on it will be mostly or entirely tax free. With such incentives, first-time home buyers are highly motivated *and* rewarded for buying a home.

**Move-up buyers:** Homeowners frequently *need* to buy a bigger home or simply *want* to buy a more luxurious one. Typically, this is

when children are born or adopted, but with Covid-19 we've seen homeowners who need more space to work at home, not just temporarily but long-term. Employers have learned that workers can be highly productive working at home, and employees like the lack of commuting time and expense — but they need space for a home office.

**Downsizing buyers:** Empty nesters rattling around in 5-bedroom homes with lawns to mow and bushes to trim are wanting, if not need-

ing, to have a simpler life in a smaller home — perhaps a "lock-and-leave" home where they can travel and not worry about their home while they're gone. Many of these homeowners have long ago paid off their mortgages, or their mortgage is small enough that they can buy a newer, smaller home and live mortgage-free. Taking out a home equity line of credit on their paid-off home could provide the cash to buy the replacement home without a contingency on the sale of their current home, which also allows them time to transition from one home to the next. That's just one strategy that I can share if you are in this group.

**Investors:** I don't work much with investors, preferring to work with people who buy a primary residence, but I have broker associates with extensive experience serving this group of buyers. With the bidding wars going on currently, investors, especially fix-and-flippers, are having trouble buying homes with

enough margin to make a profit on reselling them, but it can be done.

**Relocation buyers:** In this column last week I wrote about "climate refugees" relocating to Colorado from areas with high climate risks. Others move here for jobs or family. Such buyers need to find the right city, community and home to buy despite being new to Colorado. That's where they need us the most. Yes, we can give them tours and answer their questions after carefully listening to their needs and wants. Before they even come to town, I like to send them listings and FaceTime them as I preview homes of particular interest. In just the past month I sold an Arvada listing to a couple from Minnesota and a Denver listing to a couple from Los Angeles. Both went under contract based solely on my video tours and only saw the home in person when they came for the inspection a week or so later. They could have terminated at that time, but they both

## How High Are Bidding Wars Pushing Up Home Prices?

We've all heard some crazy examples of bidding wars in which homes have sold for way over their listing prices, so I took a snapshot of just one day's closings, limited to a 15-mile radius of downtown Denver. That takes in an area from Broomfield to Highlands Ranch and from Golden to Aurora. It does not include Boulder.

The day I chose was last Friday. The source was REcolorado.com.

I limited my search to homes, condos and townhouses that were on the MLS at least one day and no more than 6 days before going under contract. Those are the homes with bidding wars. I divided the results into homes which sold up to \$500,000 and those that sold for more than that.

On April 16th there were 48 closings up to \$500,000. The median home sold for 4.7% over its asking price. It was a tri-level home in Aurora listed at \$420,000 which sold in 3 days for \$440,000. Only 3 homes sold for the listing price and 2 sold for less. **The highest ratio was 25.8% for a**

**home in Aurora that sold in 1 day.**

There were 68 homes that closed on April 16th for more than \$500,000. The median home in that group sold for 8.3% over its listing price. It was a 1950 ranch in Denver's North Hilltop neighborhood listed for \$600,000 that sold in 3 days for \$650,000. **The highest overbid in this group was 18.8% for a 2-story home in Westminster listed for \$425,000 that sold in 5 days for \$505,000. Only 5 sold for the listing price and 4 sold for less.**

To get a statistically meaningful number of closings over \$1 million, I looked at 68 such closings from April 1-16. The median ratio was 4.3% over listing price. **The highest was for a 1954 bungalow in Denver which was listed at \$965,000 and sold for \$1,205,000, 24.9% over listing.**

**Note:** These statistics reflect the bidding wars that were taking place during late March, when most of these listings went under contract. Today's bidding wars appear to be even more intense. Stay tuned!

## Golden Real Estate Wins Sustainability Award

Back in 2010, Golden Real Estate was awarded the "Sustainability Award for Business" from the City of Golden for the brokerage's solar-powered office. Eleven years later, we have been awarded this recognition a second time because of how much further we have taken our passion for sustainability.

Back in 2010 we had a 5kW solar array on our roof — enough to power our office, but little else. We had a couple other features — sun tunnels to daylight our office reducing the need for artificial lighting, extra insulation to reduce the amount of natural gas needed to heat the office, and we accepted polystyrene (aka Styrofoam) for recycling.

Now, we have 2 ground-mounted solar arrays adding another 15kW of solar power, providing enough electricity to heat and cool our office with heat pumps and to power our five agent-owned Teslas as well as offering free EV charging to the general public. We had our gas meter removed

in 2017 and now our Xcel Energy bill is \$10 to \$11 per month, which is the cost of being connected to the electric grid. We are now a "net zero energy" facility — and we're taking two truckloads of Styrofoam to a reprocessing center in Denver every month.

Thanks to "net metering," the electric grid functions like a battery, receiving our excess energy during sunny days and giving it back to us when we need it. We like to consider our office an example that other businesses can aspire to, and we are grateful for this week's recognition by Golden.



Brokers Jim Smith and David Dlugasch pose with the award in front of their Teslas.

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