

Everyone Wants to Know: Where's the Real Estate Market Going in 2021?

As 2020 limps to an end, we face so many unknowns. How bad will Covid-19 get before it's brought under control? How bad will the wave of evictions be when the moratorium on them expires later this month? How many home owners will be forced into foreclosure? What relief will we get from our lame duck Congress? If Republicans retain control of the U.S. Senate, how much will Joe Biden be able to accomplish? For that matter, will there be a peaceful transfer of power?

Despite these unknowns, I'll offer here some insights of my own but also share what I'm reading in trade publications and news services.

Realtor.com has released a "2021 housing forecast" that predicts home prices, which have spiked during the pandemic, will continue to rise through 2021, to the detriment of first-time home buyers. The historically low mortgage rates will also tick up in 2021, further reducing affordability. The report predicts a rate of 3.4% by year end — still quite low, but an increase over current rates well below 3%.

To quote realtor.com, "folks shouldn't hold their breath for a bargain."

The report predicts that the double-digit appreciation seen nationwide in 2020 will decline to a still high 5.7% in 2021.

That said, there remain "hordes of buyers" who can still buy homes and who are bidding up the prices of the homes that do come on the market.

As I've reported previously, the inventory of active listings is not low because sellers are reluctant to sell. Sellers know that now is the best time to sell. We are seeing record numbers of new listings, but they sell so quickly that the number of active listings remains low. And, of course, that dynamic is creating bidding wars which are driving up prices, beyond what comparable recent sales would justify.

That raises the question of how homes can appraise when they are bid up past their market value. The answer is two-fold. First of all, the winning bidders are often the ones who waive

appraisal, and, secondly, an appraiser has to consider the existence of competing offers in determining market value. If a home sells for \$30,000 over what it should appraise for based on recent sales of comparable properties, but the appraiser is told about losing bids that are as high or nearly as high, those other offers establish market value. Even if the appraisal then comes in below the contract price, the seller is typically able to stand firm, forcing the winning bidder to drop his appraisal objection or make room for buyer #2 to step in at the same price. This is bad news for buyers, but excellent news for sellers.

Getting back to the predictions for 2021, I believe that the Covid-19 effect I have described previously will continue well into 2021 and possibly beyond. That effect is a mass migration from crowded cities with high-rise condo and apartment buildings to single-family neighborhoods throughout Denver and the other metro counties.

That migration will continue to drive down prices in high-rise buildings while driving up prices in townhomes and detached single-family homes.

I should note, since I'm featuring a condo in Belmar Plaza below, that the Covid-19 effect

should not apply to that low-rise (5-story) building. A \$690,000 condo there went under contract this week. On multiple visits to my own listing, I can't recall sharing the elevator with another tenant more than once, and the stairs are an easy option since it's only on the second floor.

FHA Raises Loan Limits — Now \$596,850 for Metro Area

Not only are mortgage interest rates at historic lows but FHA has increased the amount of government-backed money you can borrow to purchase a home.

Currently, the FHA loan limit in the Denver metro area (except for Boulder) is \$575,000, but it increases to \$596,850 in 2021. That is the loan limit for one-family homes. You can use an FHA loan to purchase duplexes, triplexes and fourplexes. The new limits for those are \$764,050, \$923,600 and \$1,147,800 respectively.

Those are the *loan* limits, not the *purchase price* limits. FHA loans are known for their low down payment requirement, currently 3.5% of the purchase price. The main drawback of FHA loans, however, is that they require mortgage insurance, regardless of how much equity you have. I'll have more about this topic in my monthly mortgage column on page 2 next week.

News Literacy, Like Civic Literacy, Needs to Be Taught

I'm not alone in pointing out that our electorate suffers from a lack of *civics* literacy. Surveys have shown, for example, that a majority of Americans can't name the three branches of government and don't know that they are co-equal.

I suggest, however, that we also need to promote *news* literacy. The lack of knowledge about professional journalism demonstrates this need. Most people don't understand the difference between straight news articles and columns. They

think a news article is biased when the reporter quotes someone who expresses an opinion they disagree with, ignoring how the same article quoted opinions they *do* agree with. But an article that quotes only one side of an issue is not a news article at all. It is an opinion piece, and such pieces are clearly identified as opinion in a newspaper that adheres to journalistic principles.

Society would benefit from having the principles of journalism taught in America's schools.

If You Want to Buy or Sell a Solar Powered Home, Call Us

Jim Smith and the broker associates at Golden Real Estate are especially knowledgeable about solar powered and sustainably built homes, so consider us first if you are contemplating buying or selling such a home. Between us, we own every model Tesla vehicle — S, 3, X and Y — so we're experts in electric vehicles, too. Our solar-powered office is "net zero energy," with no gas service, and our Xcel Energy bill is \$10 per month (the cost of being connected to their grid), so we know what we're talking about. Jim's home is near-net zero (because he still has natural gas service), and he has a large network of friends with such homes, at least one of whom is planning to sell in 2021. Call Jim at 303-525-1851 if you'd like to talk.



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REAL ESTATE TODAY



By JIM SMITH, Realtor®

Experience the 'New Urbanism' in This 2-BR Belmar Plaza Condo

This beautifully finished condo at 7220 W. Bonfils Ln. #201 has hardwood floors throughout. This unit has two reserved parking spaces in the building's secure garage, plus a storage cage. The building faces Belmar Plaza, which is very active year-round with concerts, outdoor dining and even ice skating in the winter! And of course, it's in the heart of Belmar. Walk to Whole Foods, Dick's Sporting Goods, Target, BestBuy, Nordstrom Rack, many restaurants such as Ted's Montana Grill, and more. You'll find more details, interior pictures and a narrated video tour at www.BelmarCondo.info.

