

What Is the Effect of Today's Surging Inflation Rates on Real Estate?

With everything costing more these days, from groceries to gasoline to natural gas, what is the effect on the real estate market?

Perhaps you heard that the consumer price index increased by 6.8% year-over-year in November, the highest increase in 40 years.

You are also likely aware that real estate prices and rents have increased. So how do those statistics compare, and is buying still a better choice than renting?

Home prices have risen more than consumer prices over the last year, making real estate ownership the best hedge against inflation. In the Denver metro area (excluding Boulder) as of Sept. 30, 2021, according to the National Association of Realtors (NAR), the average sold price of homes was \$614,800, an increase of 21.5% over the prior year. The average apartment rental price was \$1,689 per

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month, an increase of 12.5% over the prior year. If you used mortgage financing, the average monthly cost of ownership of that average home purchase was an astounding \$4,126 per month for a single-family detached home, making the rental of an average apartment much more affordable.

But, of course, the money you spend on rent is money down the drain, whereas the homeowner may find that the value of his/her home increases by more than the monthly mortgage payment. To me, there's no comparison to owning vs. renting, but I understand that renting makes sense for many households.

So, what's the prognosis for home ownership in 2022? Because of the inflation rate, we can also expect mortgage rates to rise from around 3% to 3.7% in 2022 accord-

ing to NAR, but if you already own your home, your low interest rate is probably locked in. Mortgage rates currently average 3.1%, according to Freddie Mac.

Rising mortgage interest rates, however, could affect what you can sell your home for, if that's in your plans. Compared, however, to the increase in value you've already experienced, I don't think the effect of higher interest rates will be too much of a downer for you, should you choose to sell.

Unless you've switched to heat pump heating and cooling and have installed solar panels to generate the

electricity, your home heating cost will increase in 2022. The cost of natural gas has already increased by 25%. The nice thing about electricity is that its cost can only increase by a vote of the Public Utilities Commission, and those increases are more gradual.

Gasoline costs have skyrocketed, but, again, the electricity to power EVs has not, and if you installed enough solar panels, you probably pay nothing for your car's fuel. I suspect that solar installers are doing a good business nowadays. The cost of solar has plummeted, so call an installer for a quote.

Realtor Magazine Features All-Electric Home Trend

This week's email from Realtor Magazine featured "13 Home Trends Stealing the Spotlight in 2022," and I was pleased to see that trend number twelve was "All-Electric Homes."

I could have written it myself! I can't improve upon the wording, so here it is, verbatim:

More homeowners understand the importance of "decarbonizing" everything from products to transportation, and especially their homes, says Boulder-based architect Nate Kipnis of Kipnis Archi-

itecture + Planning.

"The way we can best do this is by eliminating all fossil fuels use from houses and including induction cooktops rather than gas for cooking, which offers safer, faster, and more even cooking," he says. Kipnis recommends using either an air-source heat pump (mini-split) for the HVAC system or a ground source system (geothermal). The big payoff, he says, is that renewable energy has become the cheapest form of electricity generation.

Housing Trends Reflect Pandemic's Influence

The effect of pandemic lockdowns has triggered more interest in working at home, a trend that will be long-lasting and possibly permanent.

Early in the pandemic we saw a surge in real estate activity as buyers sought more space for working from home. Compounding that was a desire for more at-home entertainment and exercise. People want not only a home office, but a home theater and a home workout facility. These are features that will, in my opinion, dominate home design and buyer demands for at least the coming decade.

People feel safer at home, but they don't want to feel cloistered. They want elbow-room.

Lockdowns also triggered more separations and divorces as couples who weren't really in love found that being cloistered together at home didn't work for their relationship. This, too, contributed to the real estate boom of 2020 and 2021.

Real estate was considered an "essential service" in the early days of Covid-19 lockdowns, and we Realtors certainly relished the lack of traffic and traffic jams on

local highways. Those days of free-flowing traffic may be gone, but there is still a widespread appreciation of working from home and doing less commuting.

Some homeowners are creating additional space at home instead of trading up to a bigger home. There's increased interest, for example, in building ADUs over detached garages, not to create rental income (a great idea) but for the homeowner's own use as a studio or a refuge from household distractions.

An attached garage can offer great potential for additional living space, not just as a workshop, but as a home office, art studio, workout room or even a bedroom if necessary. The posting of this article at GoldenREblog.com includes advice on finishing a garage.

Heating, cooling and insulating your garage will be job #1 before improving the flooring, walls and ceiling. Rather than extending your home's ductwork, consider installing a heat pump mini-split system. I saw this on a garage in north Golden—a perfect application of this technology.

Just Listed: 3-Bedroom Home in Arvada

This home at 9710 W. 82nd Place enjoys the largest lot in Wood Run III, and is convenient to many amenities, including the Dry Creek Trail, Stanley Lake Library, Wood Run Park, Fireman's Park and Pomona Lakes 1 & 2. If allergies are an issue for you, you'll appreciate the lack of any wall-to-wall carpeting. The upper level with the 3 bedrooms is all parquet flooring except for the tiled bathrooms. Other features include a wood-burning fireplace, skylights in the living room, lots of real wood walls, including cedar, a whole-house steam humidifier, newer clothes dryer and fencing, large covered deck, and mature trees pruned earlier this year. You can look forward to a new community pool in 2022. Seller says the neighbors are wonderful. You can watch a narrated video tour with drone video and interior photos at www.ArvidaHome.info. Open Sat., Dec. 18, 11-1.



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