

Why Aren't More Homes Going on the MLS Amid This Record Shortage of Listings?

This January, only 3,237 non-builder homes were entered for sale on the Denver MLS within 25 miles of downtown Denver, the lowest number of new resale listings in that area for any January in at least 10 years. That's a big drop from January of 2020 (pre-pandemic), which saw 4,171 new listings of non-builder homes for sale.

I find these statistics surprising, given what an ideal time it is to sell one's home. We've had a seller's market throughout the pandemic, but this month it became a sellers market on steroids, partly because of the Marshall Fire, which destroyed over 1,000 homes, putting even more pressure on the limited supply of homes for rent and for sale.

Of January's 3,237 new listings, 2,611 went under contract before month's end, and the median time on market before they went under contract was a mere 4 days. Only 214 (8.2%) of them were active more than a week before going under contract.

Of those listings which went under contract before the month's end, 284 of them **closed** in January, 227 selling for more than the listing price, with the median listing selling for 5.2% over listing. More than 1 in 9 sold for at least 15%

over the listing price. Obviously, most of the homes that went under contract were the subject of bidding wars, and the thing to remember about a bidding war is that there are losers — *many* losers who are still in the market, possibly interested in *your* home. Except for the small number who get totally discouraged and quit looking, they are still on the lookout for a home to buy.

Any new listing, if priced appropriately, should sell quickly and, frankly, for more than it will appraise for — but appraising is not generally a problem because, as we all know, a home is worth what a willing buyer will pay. We're not seeing problems with homes appraising, especially when the listing agent can show the appraiser multiple arm's length offers for close to the same price.

Even so, it is common practice now for winning bidders to waive appraisal objection, meaning they agree to bring additional cash to the closing if their lender won't lend them the contracted amount because of a low appraisal.

Buyers are incentivized to purchase now more than they were last year (or even last month), because it's quite clear that mortgage interest rates, which have hovered

around 3% for a year or longer, have started rising. By the end of 2022, we may see interest rates for mortgages in the 4% range. On a \$500,000 loan, a 1% higher interest rate equates to an additional \$417 per month on your mortgage payment. That's a strong incentive to buy now.

With the ranks of buyers swelling because of these and other factors, why aren't homeowners putting their homes on the market?

The number one reason I encounter is that would-be sellers dread being a buyer in this market. Being a buyer is very frustrating, and although sellers know they will be able to **sell** quickly, they worry about being able to **buy** a replacement home. They understandably don't want to end up homeless.

This problem is mitigated when a seller can make an offer that is not contingent on the sale of their current home, something that might be more possible than you think.

For example, if you have a lot of equity in your current home — say, for example, you owe \$50,000 on your existing home, but it's worth \$700,000 — you can probably get a credit union to give you a Home Equity Line of Credit (HELOC) for 80% of your equity minus what you owe. In the above example, that would be about \$500,000.

The nice thing about a HELOC vs. a regular mortgage is that you don't pay any interest until you draw on that line of credit, such as at the closing on the home you're buying. Then you put your current home on the market, sell it quickly, and pay off the HELOC at closing, having paid as little as one month's interest on that \$500,000 loan.

I like credit unions because they are non-profit member organizations, and the closing costs are typically less than with other lenders. If the line of credit is small enough — say, 50% of your equity — credit

unions have been known to waive a full appraisal, saving you several hundred dollars.

If you have a lot of money tied up in stocks that you don't want to sell, you can borrow against them, then pay off the borrowed amount when you sell your current home.

If you have a large balance in an IRA, you can withdraw money from it and not pay any penalty for early withdrawal if you re-deposit the withdrawn amount within 60 days, which is possible since you'll be selling your current home within that time period.

Another highly effective approach is to sell your home requiring a 60-day closing and a 60-day free rent-back, which gives you 120 days after going under contract to find and close on a replacement home as a cash buyer (if you'll be netting enough from the sale). You could also make the penalty for overstaying the free rent-back period be a reasonable rental amount such as \$100 to \$150 per day. The seller still has the ability to evict you but may be open to this arrangement as long as you're making a good faith effort to buy and move.

Sometimes a would-be seller tells me that they don't want to buy while prices are so high. I point out that if you are selling and buying in the same market, it doesn't matter what prices are, because you benefit in the same way on the sale of your current home. The same applies in a depressed market. Don't want to sell because you won't get what you'd like for your current home? If you're buying in the same market, you won't pay as much for your replacement home.

My broker associates and I are happy to arrange an in-person or phone conversation with you about selling your current home and/or buying a replacement home. Our phone numbers are below.

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By **JIM SMITH, Realtor®**

Houston Builder Specializes in Net Zero Homes

A reader who has been following my January columns about fire resistant home construction, including

concrete, sent me information about a Houston TX builder, **Everlasting Homes Building Group LLC**, which uses RSG 3-D structural concrete insulated panels to build homes which are not only fire resistant but also meet "extraordinary levels of excellence in energy and performance."

At the top of its excellent home page, EverlastingHomesGroup.com, is the following statement: "Our vision is to design and build the most comfortable, healthy, resilient & sustainable living spaces dedicated to creating the best net zero energy homes and communities for our future." They promise to build homes "resistant to hurricanes, tornados & floods, extreme cold / hot weather, earthquakes & fires, wood-destroying insects, and allergens, pollens, molds & dust."



GOLDEN REAL ESTATE
Hometown Service Delivered With Integrity

Jim Smith
 Broker/Owner, 303-525-1851
Jim@GoldenRealEstate.com
 1214 Washington Ave., Golden 80401
Broker Associates:
JIM SWANSON, 303-929-2727
CHUCK BROWN, 303-885-7855
DAVID DLUGASCH, 303-908-4835
TY SCRABLE, 720-281-6783
ANAPULA SCHOCK, 303-917-1749

