Published Jan. 18, 2018, in the Denver Post's YourHub section (Denver edition)

Study of Competitive Neighborhoods Reflects Slowing of Our Real Estate Market

REAL ESTATE TODAY

By JIM SMITH, Realtor®

If you have noticed a slight slowing of our real estate market, you are not alone. My colleagues and I at Golden Real Estate have noticed it too and found some confirmation of that fact by a recent Redfin analysis reported in the Denver Business Journal.

The company reported that in 2017, Denver's metro area had only ***one*** neighborhood among the nation's top 25 most competitive neighborhoods — and it was ranked #25. By contrast, in 2016, ***seven*** of the top 25 neighborhoods were in the Denver metro area.

Redfin calculates neighborhoods' competitiveness "based on several indicators of competition, including the percentage of homes that sold for more than their asking price, how quickly homes went under contract and annual price growth in 2017."

The Denver neighborhood that made Redfin's list this year was ***Athmar Park,*** east of Federal Blvd. between Alameda and Mississippi. The median sales price there was $310,000, up 17.2% over 2016. The average sale-to-list price ratio was 102.7% vs. 101.2% in 2016. Homes there spent an average of just 4 days on the market, down from 6 days in 2016.

Seattle, where Redfin is based, dominated the list with 19 of the 25 most competitive neighborhoods in the nation in 2017. Let's assume that's coincidental!

Here in the City & County of Denver, we can quantify the change in the real estate market by looking at the same criteria. As a whole, Denver's median sales price ($395,500) rose by 8.2% for 2017 over 2016. Meanwhile median days on market held steady at 8, and the average sales price was 99.9% of list price, compared to 100.0% in 2016.

Here is the breakdown of those statistics for various areas within the City & County:

Homes just west of Athmar Park in ***West Denver,*** which I'm defining as between Sheridan and Federal, from 6th Ave. to Yale Ave., had a median sales price of $289,000 in 2017, up 13.7% over 2016. Sold prices averaged 100.7% of listing price, up from 101.5% the year before. Median days on market remained unchanged at 6.

Stapleton remains a really hot market, with a year-over-year increase in median sales price of 19.9%, but homes sold more slowly (median 7 days vs. 6 days), and homes sold, on average, for 100.0% of their list price vs. 100.3% of their list price in 2016. The median sales price in 2017 was $530,750.

Homes in ***Green Valley Ranch*** (south of DIA) had a median sales price of $315,000, up 10.8%, but sold quicker (6 days last year vs. 7 days in 2016) and sold for 100.8% of list price, up from 100.6% in 2016.

Homes in ***Highlands, Berkeley and Sunnyside*** (between 26th Ave. and I-70, between Sheridan and I-25) had a modest 5.5% increase in median sales price ($523,500 in 2017), with median days on market of 8 days vs. 11 days in 2016, and homes sold for 99.6% of list price, unchanged from 2016.

Homes in ***Southwest Denver***, that hodgepodge of annexed suburban neighborhoods south of Yale Avenue and west of the Platte River, experienced an 6.4% increase in median sales price over 2016. Days on market was up from 5 to 6, with homes selling for 100.8% of list price on average, up from 100.7% in 2016. The median sales price here was $329,900.

The ***Wash Park area,*** from Alameda Avenue to I-25 between Logan Street and University Blvd., continues its steady rise in values, with a median 2017 sales price of $727,750, which is 7.2% above 2016. Median days on market fell to 8 in 2017, down from 14 days in 2016. The median ratio of sold price to list price was unchanged at 99.4% and has not exceeded 100% over the past five years.

Another high-priced section of Denver that has not exceeded that 100% ratio in the past five years is the ***North Country Club/Cherry Creek/Hilltop*** corridor, extending south from 6th Avenue to Cherry Creek and from Logan Street to Monaco Street. The median sales price in 2017 was $867,500, up only 2.1% from 2016. Over the past 5 years, the average ratio of sales price to sold price has never been above 98.4%, and in 2017 it dropped slightly to 98.1%. The days on market dropped slightly from 25 in 2016 to 24 in 2017.

In conclusion, although the pace of local markets may not be quite as brisk as we've seen recently, it's clear that we are still in a hot seller's market. As evidenced by the number of homes that sell above their listed price, we continue to see competing offers, although fewer of them.

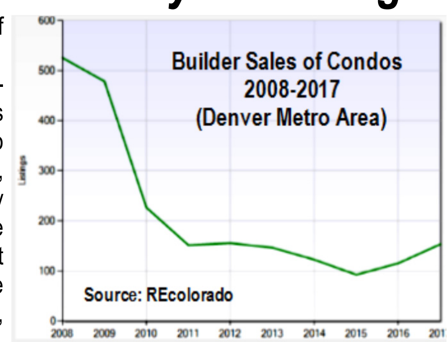
But if I have learned anything about real estate, it's that it is unpredictable. What I ***can*** predict is that Golden Real Estate agents will continue to serve buyers and sellers well, and that I'll write another column next week!

Condo Construction Ramping Up Ever So Slowly Following 2017 Legislation

Last summer, after years of partisan disagreement, the Colorado General Assembly passed, and the Governor signed into law, a construction defects law aimed at eliminating the single greatest impediment to the building of new condominiums in Colorado.

Previously, a condo board, without membership approval, could engage in litigation against their builder/developer for construction defects. I saw this happen firsthand about 10 years ago. A law firm specializing in such lawsuits made a hard-to-refuse offer to the condo board of directors, by which they would inspect the building in an effort to identify construction defects and then sue the developer for a cash settlement for found defects. These law firms typically work on a contingency basis, charging nothing to the condo association upfront, but keeping 30% or more of any winnings — plus reimbursement for all the inspections and other expenses.

So many law firms engaged in this practice that some insurance companies stopped writing policies for condo construction projects in Colorado. That's why the vast majority of multi-family construction over the past several years has been of apartment buildings instead of condos. One exception has been for luxury condos, where the price point of the units made the risk worth taking on the part of builders and insurers.



For several years, Republican legislators pushed bills that swung the pendulum too far in the opposite direction, making it unlikely that any condo board could get the necessary member support for litigation. On the other side were Democratic legislators, who believed that condo owners would be victimized by increasingly shoddy construction. Last year the two sides came together and unanimously approved a reasonable compromise. No longer, regarding such matters, will condo boards be allowed to act without member approval.. Also, the 2017 law (HB 1279) requires a 90-day election period during which each side can present both the pros and cons of litigation to the condo owners.

Clearly, the expectation was that condo construction would increase from 3% of new housing construction to the 20% it was a decade or more ago, but seven months later, it's hard to find much of a surge. MLS data shows a definite increase in the sale of new condos during 2017, but the numbers are still small, as shown in this chart. Hopefully we will see a more dramatic increase in condo sales by builders during 2018.

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The company reported that in 2017, Denver's metro area had only one neighborhood among the nation's top 25 most competitive neighborhoods — and it was ranked #25. By contrast, in 2016, 7 of the top 25 neighborhoods were in Denver.

Redfin calculates neighborhoods' competitiveness "based on several indicators of competition, including the percentage of homes that sold for more than their asking price, how quickly homes went under contract and annual price growth in 2017."

The Denver metro neighborhood that made the list in 2017 was Athmar Park, which is west of I-25 and north of Mississippi Avenue in Denver.

Home prices grew nearly 17 percent in Athmar Park during 2017, the average sale-to-list price ratio was 104 percent, about 77 percent of homes sold above the asking price, and homes there spent an average of just four days on the market.

Seattle, where Redfin is based, dominated the list with 19 of the 25 most competitive neighborhoods in the nation in 2017.

Here in Jefferson County, we can quantify the change in the real estate market by looking at the same criteria. For example, Jeffco's median sales price was $389,000, up 8.1% from 2016. Meanwhile median days on market held steady at 7, and the average sales price was 100.1% of list price, compared to 100.3% in 2016.

Those are countywide figures. Here is the breakdown based on city addresses within Jefferson County, keeping in mind that these are postal addresses, which include unincorporated areas:

Arvada matched the countywide median price ($389,000), also up 8.1%, but median days on market was 8, up from 7 in 2016, and homes sold, on average, for 100.2% of their list price vs. 100.7% of their list price in 2016.

Homes with ***Golden*** addresses, meanwhile, experienced a 5% increase in median sales price (to $530,000), with median days on market of 11 vs. 12 days in 2016, and homes sold for 99.4% of list price — unchanged from 2016. Homes ***within the city limits of Golden*** had the same median sales price ($530,000), up 2.6% from 2016, but sold quicker (7 days last year vs. 6 days in 2016) and sold for 100.3% of list price, down half a percentage point from 2016.

Wheat Ridge had a median sales price of $386,000, up 5.8% from 2016, with median days on market of 6 vs 7 days in 2016, and homes sold for 100.4% of list price, up from 100.2% in 2016.

Lastly, ***Lakewood*** experienced an 8.9% increase in median sales price (to $355,000). Days on market was unchanged at 6, with homes selling for 100.5% of list price on average, also unchanged from 2016.

In conclusion, although the pace of local markets is not quite as brisk as we've seen recently, it's clear that we are still in a hot seller's market. We continue to see competing offers (as evidenced by the number of homes that sell above their listed price), but perhaps fewer competing offers.

The slowdown has been particularly noticeable this winter. In recent years, there was more listing activity during December and January than we've seen so far this winter, with more buyers competing for those listings.

But if I have learned anything about real estate, it's that it is unpredictable. What I ***can*** predict is that Golden Real Estate agents will continue to serve buyers and sellers well, and that I'll write another column next week!

What Improvements Should You Make Before Listing a Home?

This is a common question that I get from my readers. Should they replace their appliances, paint the house, install hardwood floors or new carpeting, etc.

Let me share my usual response to this question. Keep in mind that improvements do not typically produce more in added value than what you pay for them.

The only improvements a seller should make, in my opinion, are ones which eliminate eyesores — that is, things which draw negative attention by a visitor.

I wouldn't replace items that are dated but that are in good condition. I wouldn't, for example, replace Formica counters that are in good condition, but I would replace them if they have burn marks or other damage.

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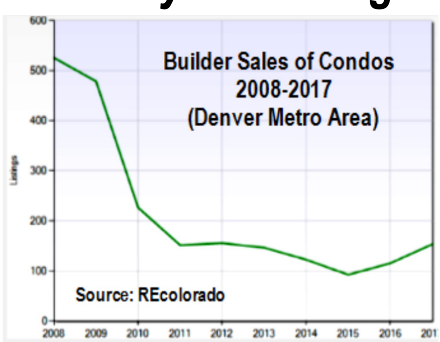

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