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Here's a Statistical Review of the Denver Real Estate Market in 2023

Now that 2023 is in the books, I have done some statistical analysis of the year and how it compared to the other three "Covid years."

REAL ESTATE TODAY

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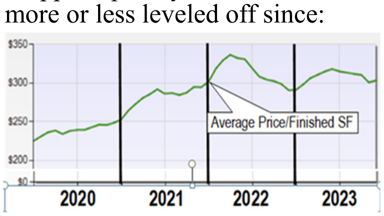
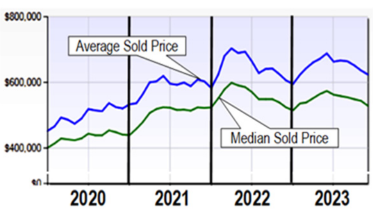
The result of that research is reflected in the various charts on this page. In addition to the Covid years, of course, we have the interest rate surge years, which had the opposite effect.

Covid unexpectedly supercharged the real estate market, while the interest rate surge put a wet blanket on it. The effects of each are clearly visible in the charts.

One way to do an apples-to-apples comparison of the years is to look at the ***price per finished square foot,*** which is independent of the price of the home. In this first chart, you can see how the value of homes using that criterion surged during 2020 and 2021 but dropped quickly in 2022 and has more or less leveled off since:

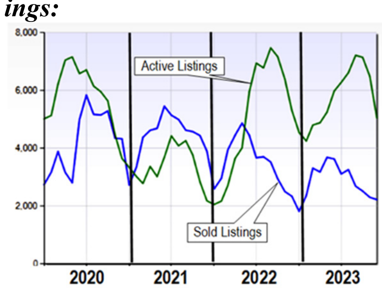


Looking at the both the ***median and average sold prices of homes,*** you see the same trend. I like to look at the median rather than the average when studying the market, because a few multi-million-dollar home sales can have a big effect on the ***average*** price of sold homes but has no effect on the ***median*** price.



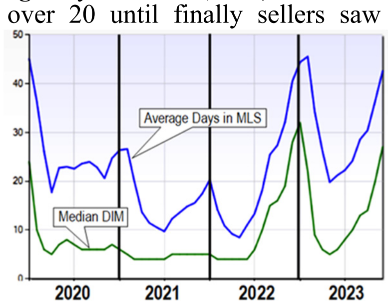
However, the fact that the average sold price is consistently higher than the median price shows how active the market in million-dollar homes is.

In a seller's market, the number of active listings drops, not because homeowners aren't putting their homes on the market but because listings go under contract so quickly. However, when interest rates surge as much as they did in 2022-2023, homeowners will refrain from moving up (or downsizing) because of "rate lock." They don't want to sell their home with a sub-3% mortgage only to buy a replacement home at double that rate (or more). You can see that in this chart of ***active vs. sold listings:***



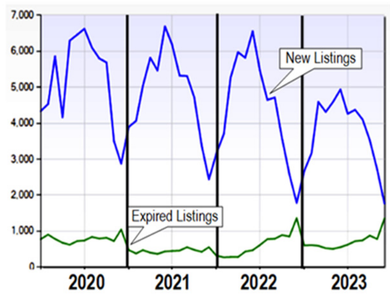
In mid-2022 as interest rates began to rise, the sale of homes began to plummet and sellers took or kept their homes off the market at a rate higher than usual. The initial surge in active listings at that time was because fewer of the listings already on the market were going under contract as buyers waited in hopes that interest rates would decline again. By January 2023 it was evident that rates were staying high, and the pent-up demand of buyers to buy and sellers to sell kicked in.

So, how slow did the market become? The following charts are good measures of that. As the pandemic took effect in March 2020, buyers flooded the market (as reflected above) buying homes further from their places of work and/or with more room for home offices now that work-at-home became a thing. This depleted the supply of homes for sale (again as reflected above), and caused the ***median days on market*** to plunge to 5 or 6 days. Because there are always overpriced homes which languish on the market, the ***average days in MLS (DIM)*** remained over 20 until finally sellers saw



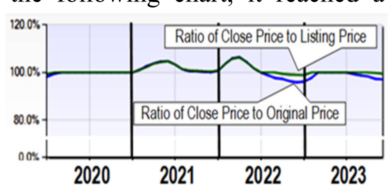
the writing on the wall and lowered their prices enough to sell, hence the low ***average*** DIM by mid-2023.

By November 2022, ***new listings*** had dropped to a record low, but that was matched last month as shown in the next chart. ***Expired listings*** are another measure of the market's health — and of how



many sellers overpriced their homes. That, too, hit a peak in late 2022 and again at the end of 2023.

One of my favorite measurements of the seller's market during Covid was the ***average ratio of sold price to listing price,*** indicating how much the average home benefited from a bidding war. In early 2021 and 2022, as shown in the following chart, it reached a



record of about 6% over asking price. Prior to 2020 it was typical for homes, on average, to sell slightly below asking price. As this last chart shows, homes aren't now selling for above their original price but are selling for about their ***current*** listing price once that price had been lowered enough.

As I've said so many times in the past (see the archive of my columns online at JimSmithColumns.com), pricing your home at or slightly below the market will typically net you more than if you list it for a wished-for price and then chase the market downhill.

Also, just like politics, all real estate is local. Even within my hometown of Golden, I have watched homes languish on the market in one neighborhood while they trigger bidding wars a mile or two away.

Bottom line, always hire an experienced Realtor like those of us at Golden Real Estate if you want to price your home right and get the highest price.

How I Define Metro Denver

Every real estate statistician I know defines the metro area using county boundaries. The statistics I have gathered for this week's column are derived from REcolorado's listings within an 18-mile radius of downtown Denver, as shown above.

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"I cannot do all the good the world needs, but the world needs all the good I can do." —Jana Stanfield