Here’s Why the Fluctuation in Average Sold Price Can Be Rather Misleading

Each month the media reports two statistics regarding home sales — how many homes were sold last month and the average sold price. Most importantly, we are told the percentage increase or decrease in these numbers from the previous month and the same month a year ago. While the number of sales can have meaning, I consider the average sold price potentially misleading. A good example of that can be found in the recently released statistics for condo sales in the MLS area known as Jefferson County West (JFW).

During September 2011, the average condo in JFW sold for 42.4% more than in September 2010, as reported by Land Title based on data from Metrolist, Denver’s MLS. Pretty awesome, no? The average condo in JFW sold for $280,993 this September vs. only $197,391 last September. This might lead you to think that condo prices have increased, but have they really? Maybe a little, but not 42.4%.

I know, because one of the condos included in September’s statistics was one I myself sold for $635,000 — more than twice the selling price of the next highest priced condo. It’s a penthouse facing Clear Creek in downtown Golden. It is the highest priced condo sold in JFW in the last 12 months. Indeed only one other condo sold for more than $455,000 during the last 12 months.

Don’t you think that would distort the statistics? Of course it would. Unless there’s a similar sale in October, you can expect to read next month that the average sold price of condos in JFW has “plummeted,” and it will be just as meaningless as September’s “huge increase.”

The smaller the sample, the more misleading the statistic. For example, in Evergreen North there was one condo sold for $95,000, compared to one condo sold for $190,000 the prior September. So, should you conclude that condo values in Evergreen North dropped by 50%, as reported?

I’d like to see the reporting of average sold price replaced with average price per finished square foot — and even that statistic needs to be consumed with a grain of salt. Using that statistic, condos in JFW sold for 21.1% more this September than last September, not the 42.4% increase quoted above. And condos in Evergreen North dropped in value by 26%, not 50%.

But always remember that statistics can’t factor in such important differences as interior finish, location, views, and overall condition.

should Government Promote Urban Sprawl?

There’s a battle underway over the rezoning of 1200 privately owned acres west of Highway 93 north of Golden. The owners want to rezone it so that it can be developed with a mixture of residential and commercial structures, including high-rise buildings. Neighbors want to keep it undeveloped to preserve the “mountain backdrop.”

Joining them is the long-time organization Friends of the Foothills. Our County Commissioners can be expected to rubber stamp the zoning change because it means millions in additional property tax for them and millions in profits for the interests which so generously contribute to their campaigns. Promoting such development is what completing the beltway is about.

On the one hand, denying a property owner the right to develop his land is a government taking, but isn’t that the purpose of zoning — to allow and promote different uses in different areas to maximize the public good?

When I first drove highway 93 between Golden and Boulder in the early 90’s, I was so delighted that undeveloped land was this close to the city. Perhaps we must allow urban sprawl east of that road, but can’t we keep the area west of Highway 93 undeveloped?

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