

Report Names 7 Cities Most at Risk of a Housing Crash. Denver Isn't One of Them

With the crazy seller's market we're experiencing now, it's common for people to ask whether we're in a "bubble" which could burst at any time.

Well, last Wednesday UBS Group released its annual Real Estate Bubble Index, and while it listed three U.S. cities (San Francisco, Los Angeles and New York) as "overvalued," none of the seven cities listed as "bubble risks" were in the U.S.

Those seven cities with the highest "bubble risk" included Toronto (#3) and Hong Kong (#4), but the rest were all in Europe — Munich (#1), Frankfurt (#2), Paris (#5), Amsterdam (#6), and Zurich (#7).

Boston squeaked into the "Fair Valued" group, and Chicago narrowly made it into the "Undervalued" category.

I was surprised at this analysis until I read the UBS report myself instead of just the coverage of it on a real estate news service to which I subscribe.

The answer as to why more American cities weren't on the list turns out to be very simple — UBS Group only studies "25 major cities around the world," and the U.S. cities I mentioned above are the *only* U.S. cities analyzed each year in the report! Twelve of the 25 cities studied for this report are in Europe, with the rest divided between North America, the Middle East and Asia/Australia. It should be noted that the UBS Group office which creates the report is based in Switzerland, so it's rather Euro-centric.

I have put a link to the full report on our blog, www.GoldenREblog.com.

Despite the limited number of U.S. cities included in the UBS report, there are some useful observations about our market, such as this one:

"Overall, the drop of mortgage rates to historically low levels supports house prices in the U.S. But price changes in the analyzed cities trail the nationwide average. Inner-city demand growth has slowed down as citizens move out to the suburbs as a result of affordability issues and the impacts of COVID-19. Continued migration to lower-cost and more tax-, business-, and regulatory-friendly states has accelerated this trend."

Claudio Saputelli, Head of Real Estate at UBS Global Wealth Management's Chief Investment Office, added the following: "The rise of the home office calls into question the need to live close to city centers. Pressure on household incomes cause many people to move to more affordable suburban areas. Moreover, already debt-ridden or economically weaker cities will have to respond to this economic crisis with tax increases or public spending cuts, neither of which bode well for property prices. Taken together, these factors amplify some longer-term uncertainties surrounding urban housing demand."

Doing my own statistical analysis on REColorado, Denver's MLS, I see the trend described

above. While the number of active (i.e., not yet sold) listings and days on market are at nearly all-time *lows* in Jefferson County, they are near all-time *highs* in the Lodo/Downtown Denver market. This is not a good time to sell a condo in any city center (except small cities like Golden), but it is sure a good time to sell a single-family home (or a condo) in Jefferson County, as I have reported in previous columns.

The last time Realtor Magazine even dealt with the question of a real estate bubble was in November 2018. The consensus of real estate economists is that our country is not in a real estate bubble, but it's hard not to worry about it as one looks at the recently increased *rate* of appreciation in home prices.

With no end in sight to the low mortgage interest rates and with the rich getting richer under the Trump tax cuts, it's understandable that the real estate market is performing as it is, but such appreciation cannot be sustained long-term.

Only time will tell, and our crystal balls will at

least clear up a little after the current election season ends. A Biden victory is sure to bring rollbacks of the Trump tax cuts which benefited the rich (defined as those having taxable incomes over \$400,000 per year) and the super rich, which will reduce some of the upward pressure on home prices, but those rollbacks are critical to address the widening wealth gap in America and the exploding national deficit — something that used to be an important issue among Republicans!

REAL ESTATE TODAY



By JIM SMITH, Realtor®

If You Missed the EV Roundup...

You can view a short video report about last Saturday's Electric Vehicle Roundup at Golden Real Estate on my YouTube channel. The shortcut for accessing my YouTube channel is www.JimSmithVideos.com.

And you can still tour the homes on the 26th annual Metro Denver Green Homes Tour by clicking on "Playlists" on the same YouTube channel.

Just Listed: 3-Bedroom Patio Home North of Golden

Parkview Villas is a community of 111 ranch-style patio homes reserved for seniors 55 and over. This home at **5602 Van Bibber Ct.** is the larger model, with 3 bedrooms and 2 full baths spanning 2,410 square feet of living space. Like the other homes, the attached 2-car garage is accessed from an alley, and the front door opens to a greenbelt shared with several other homes. Instead of a basement, there's a taller-than-usual crawlspace with concrete floor, suitable for storage and accommodating the home's furnace. But the feature that will really grab your attention is the mountain and open space view from the master suite. See that picture and take a narrated video tour at www.ParkviewVillasHome.info. Then call your agent or Jim Smith to set a showing. I'll hold it open **Saturday, 11am to 2pm.**



Price Reductions on 2 Previously Featured Listings

David Dlugasch's fabulous townhome listing at **707 20th Street**, within walking distance of downtown Golden and the Colorado School of Mines, originally listed at \$787,000 is now reduced to **\$750,000**. It has 3 bedrooms and 3½ baths on three levels. It is the end unit, overlooking Kinney Run, a wooded year-round stream giving you the feeling of being in the woods, not close to downtown! Take a video tour at www.GoldenTownhome.com, then call your agent or **David Dlugasch** at **303-908-4835** for a private showing. Or attend the **open house Saturday, Oct. 10th, noon to 3 p.m.**



The listing price on **12181 Crane Lane** in Austin CO has been reduced by \$31,000 to **\$429,000**, below the previously appraised value! Escape to the Western Slope at this secluded country location minutes away from city conveniences. Come home to this energy efficient custom straw bale house on 9.96 acres with irrigation water for your hobby farm, a 3-car/2-story external shop for your toys, and a 2-car attached garage. Go to www.OrchardCityHome.info or call **Kim Taylor** at **303-304-6678** to learn more about this great home at a great price!



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