

MARKET INSIGHTS

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A look at the current real estate market.



Boulder County - August 2018

Dan and his new wife Beverly had what they believed was a simple and foolproof plan. Both would continue to work after the wedding for at least 2 years. During this time, they would rent instead of purchase a home, with the idea of living off Dan's income while banking Bev's income as a base for their nest egg and to use toward the down payment and associated expenses for a home of their own. Once they secured a mortgage and established that they could continue to live off Dan's income, which they certainly hoped would have grown by then, they could start the family they both wanted at least as much as the future Grandmothers from both sides of the family!

Only one thing stood in the way of their perfect little plan and that was skyrocketing rental costs! It would take all of Dan's current salary plus most of Bev's to rent and pay the living costs for even the most affordable of places. Dan's current apartment wasn't an option since he would have to sign a new lease and the landlord had already advised him of a major rent hike to keep pace with the market. Bev lived at home with her parents, and Dan had no intention of making his first home a bedroom in his in-laws' house!

While Dan and Beverly are fictitious characters, they are also a composite of a great many would-be home buyers. The marketplace they, and real-life potential home buyers, are actually experiencing is not fiction but fact. Buyers are swelling the market but homes to purchase are not. The reasons current homeowners aren't jumping in to sell are multiple and as varied as the peaks of each Rocky Mountain range. The reasons buyers are so plentiful are compelling.

Employment confidence is the highest it has been in the last 6 years; climbing rental costs make buying a better long-term investment, and low interest rates lead to greater purchasing power. For sellers though, tight inventory pushing prices higher should inspire a sale, but potential move-up buyers are concerned about the ability to find another home.

The facts are, that even when rates went as high as 18%, like they did in 1981, people still saw buying a home as a sound investment, and they continue to feel that way even if rates rise a little higher.

Speaking of sound investments, 472 sound investments were made out of the 982 homes available for sale in Boulder County this past July. With RES homes going from sale to close on average in 43 Days on Market, new home builders are working overtime to close the gap and meet demand from those still bulging the ranks of this marketplace. Renters like our fictitious Dan and Beverly may well discover it makes the best financial sense to secure a loan and move ahead with purchase plans while median RES sale prices are still a healthy \$612,450 rather than later, when prices may rise further.

One interesting detail to note is that while most homeowners have historically used their accumulated equity in a home they sell to help them buy their next home, some are now opting to pay off debt instead. This may be contributing to the swell in the ranks of renters. Whether or not this is a trend that will impact the market in significant ways in the long term is worth watching. Most of those opting to rent are anticipating short-term leasing with a return to homeownership within 2-4 years. All indications are that the desire to own rather than rent is on an upward path, having risen nearly 5% over the last several months. As we move into the final quarter of the year we'll watch the trend and keep you informed.