Paul Dart's Real Estate Report
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2022, a Year of Sharp Contrasts

Paul Dart's Real Estate Market Report

Jan. 2023

4th Quarter 2022 Boulder Area Market By the Numbers

Single Family Homes

All figures are in comparison to the 4th quarter of 2021

$1,454,250
Median Sales Price in Boulder— Up 7.7%
Louisville **$958,000** Up 11% Lafayette **$924,857** Up 23% Longmont **$614,000** Up 14%

737
Number of Sold Properties 2022 in Longmont down 30.1%
Boulder **537**, Lafayette **194**, Louisville **148**
Down 28% Down 23.0% Down 16%

59%
Percent of the Market Under Contract in Lafayette
Longmont **33%**, Boulder **31%**, Louisville **13%**

1092
Number of Sold Listings over $1 Million in Boulder County
Boulder 443, Lafayette 97, Louisville 87, Longmont 56

34
Average Days on Market in Longmont
Louisville **45**, Lafayette **45**, Boulder **59**
(From offer to closing)

5.8%
City of Boulder Unemployment Rate
6.4% in Colorado
6.1% in the US

Boulder County
Median Sales Price, **$875,000 up 7.4%**
Average Sales Price, **$1,143,282 up 9.2%**
Number of Sales 2022, **2374 down 27%**

6.2% - 6.5%
30-Year Mortgage Interest Rates
Trend is unstable

Data from IRES MLS & RE Colorado MLS.

2022 FIVE STAR REAL ESTATE AGENT
Paul Dart
2010 • 2011 • 2012 • 2013 • 2014 • 2015 • 2017 • 2018 • 2019 • 2020 • 2021 • 2022

My greatest privilege is to serve the friends and family of my clients.
Your generous recommendations to family and friends are priceless. *Thank you!*

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2022
Forbes Magazine
Five Star Legend
Nov-Dec Issue

A Year of Sharp Contrasts

Looking at the median and average sales prices of single family homes for 2022 for each city and Boulder County on the whole, and the short average days on market, it might appear that our real estate market had another banner year. And up until April that seemed the case when the early season market launched with all the fervor of the past several years. But looking at the percent of those various markets under contract at year's end should cause one to pause. (Lafayette was a strong outlier, but as I write this at the end of January, that has dropped to 39% of listings under contract.) On April 1st, 67% of the listed properties in Boulder County were under contract. Then freefall to 34% by the 2nd week in August. That percentage bumped along on a plateau for 30 days but then dropped to 27%. By the close of the year it stood at 32%, rising primarily in proportion to the numbers of listings which had dropped to the year end low. It is easy to determine when the mortgage interest rates rocketed in rapid steps.

Clearly, buyers pulled back, shocked by an unprecedented rise from the mid 3%s to a one week peak of 7.5%— a four point shock— in a matter of weeks. Never have rates spiked in such a short time. As I write this, a no fee rate (no additional charge) for a 30-year fixed-rate mortgage has been hovering between 6.375% and 6.5%.

Note also the large percentage drop in the total numbers of single family home listings sold in Boulder County in 2022, down 27%. Compared to year end 2021, the number of available homes on the market was up 127% from 112 to 254. Just for a moment, let those two number sink in. Both are ridiculously low. For perspective, prior to the Great Recession at the end of 2006 that number was near 1600 available homes. As this market transitioned out of the Great Recession in 2011 that had dropped 63% to just over 1000.

The numbers of single family homes sold over $1M is a story of the increasing average sales prices. Consider that the average price of single family home in Boulder County is $1,454,250. In 2022 there were 760 sales over $1M representing 32% of all sales, up from 25% the year before. There were 230 sales over $2M for 9.7% of total SFH sales. In Boulder where the average sales price of a SFH was $1,746,046, 58.7% or 443 sold over $1M. 128 of those, or 23.8% of the market, sold over $2M. Louisville had 87 sales over $1M or 40% of all SFH sales, 8 exceeding $2M, on an average sales price of $1,068,437. Lafayette had 97 sales, or 38% of all sales, 9 over $2M, on an average sales price of $999,979. In Longmont there were 56 sales over $1M, or 9%, 15 over $2M, on an average sales price of $661,031.

The Crystal Ball

Candles casting dark shadows, ethereal music in the background, and perhaps a little incense smoke wafting through the room, it's time once again to draw the silk cloth off the glowing orb and gaze deeply inside to see what the coming year will bring to this year's real estate market.

Quiet now… Focus— I see, I see… that it still hasn't been cleaned. Rats! Does anyone have a Ouija Board? Failing a reliable device to predict the mind-bogglingly complex and dynamic workings of the free market economy under stress, or even the weather 10 minutes from now, I'll make what I hope sounds like an educated guess.

What we know:

♦The numbers of available homes to buy is at rock bottom. With the specter of a possible recession, unless forced by pressing need, sellers will sit on the sidelines in the comfort of their very low interest rate mortgages to see how the coming months play out. So the homes that do come on the market will be just that, people who have to sell. That can't be very many. And even if job losses begin to mount, it will likely be next year before those stressed enough will list their homes.

♦Mortgage interest rates have doubled in just a few weeks, more rapidly than at any time before, rocketed by a Federal Reserve Bank wielding fire and brimstone to expunge the Demon Inflation. Buyers headed for the doors, some pausing, certain prices would fall. But without a lot— a lot— of new inventory, Professor Supply and Demand doesn't see it that way.

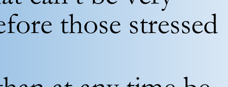
♦We have never been at the gates of a recession when there has been a shortage of available houses AND buyers. Or any number of other confounding economic circumstances. Nothing here looks like pre-recession. What it does look like is the combined results of systemic and cascading effects of a worldwide pandemic and shocking open war in Europe, which, among many other things, kicked inflation into high gear. It's a topsy-turvy train wreck.

What we can likely expect:

Following 10 boom years, the 2023 housing market will feel like winter arrived the day after a long, balmy summer. As homeowners who are not pressed step back to watch, comforted by their very low mortgage interest payments, market activity will be made up of sellers forced by circumstance to sell, and buyers braving the interest rates to get that property with the qualities they've been holding out for, and a plan to refinance in the future. The spring market may even see some buyers again competing for that same house, but unless interest rates miraculously fall into the 5%s by April, the spring selling season will be short and activity will slow again. With so few available homes, prices will remain stable and we can anticipate that home appreciation will stagnate into the low single digits.

And I'll go out on a limb and predict that the Fed's unprecedent rapid interest rate increases, combined with people pulling back on spending for anything other than what they must, will cause inflation to unexpectedly drop from under the Fed before deeply damaging employment and causing mass layoffs. In a new and different economy with new and different circumstances we can anticipate new and unexpected outcomes.

Take that, Ouija Board!



In this new and uncertain economic environment, many are concerned about the effects on the value of their homes.

I have been performing market value snapshots for several of my clients, reviewing the results with them to give a more complete understanding of the value of their investment at this time, in their particular neighborhood and it its present condition. This also serves as a valuable tool in understanding if the home is properly insured. The trauma experienced by those who lost their homes in the Marshall Fire brought into stark focus the critical importance of coverage that will not cause owners additional out-of-pocket expense.

It is my pleasure to spend a few minutes with my clients to give them peace of mind. Call 303-931-5198 or email at paul@pauldart.com and we'll find a convenient time to do a quick review. Cheers!