NAR COVID Economic Update

On May 13, Lawrence Yun, chief economist for the National Association of REALTORS® (NAR), presented the latest in market updates during the Residential Economic Issues & Trends Forum as part of the 2020 REALTORS® Virtual Legislative Meetings. This year marks the first virtual iteration of NAR's legislative meetings, which bring around 10,000 REALTORS® to Washington, D.C., every May. More than 25,000 people had registered as of May 13.

One of the biggest takeaways in Yun's session: home prices are still on the rise. According to Yun, due to an inventory shortage pre-coronavirus, the current withdrawal of homes on the market is continuing to drive prices up. "If anything, prices appear to be rising just as if we are in a pre-pandemic period," said Yun. "How is that the case when we have our economy on lockdown? We had an inventory shortage before the pandemic, and during the pandemic many listed properties were taken off the market. Therefore, we have even more of an acute housing shortage during the pandemic, and consequently the prices are not falling, and are in fact rising." In terms of pricing, buyers are onboard—they have the same mentality they did at the beginning of the year. "About 40 percent of the buyers indicate they don't anticipate any reduction in prices, so there are normal market price negotiating strategies happening."

What has drastically changed, however, are pending contracts. According to Yun, April should be the absolute low point for pending transactions, with May numbers picking up. "It's not going to be the same as last year, but there will be less of a decline in the month of May," said Yun.

A good indicator of future market behavior? Days on Market, said Yun. "One of the most important economic variables that I'm looking at for the housing sector is Days on Market," he said. "If the properties linger on the market for a long time, it's still a struggle. But, right now, buyers are picking up the properties quickly, especially in the mid-price point."

Another indicator, mortgage applications. "Back in late March, early April, applications were down about 35 percent from the year before. But this week the rate is only down 10 percent," said Yun. With many U.S. residents unemployed or furloughed due to the economic impacts of COVID-19, mortgages are at risk. Yun, however, noted that it's important to give homeowners a chance to bounce back. "If the job market is not back up to say 90 percent of the normal capacity [in the next six months] then we may begin to see foreclosures unless Congress and the administration decide to prolong the mortgage forbearance period."

While there have been concerns that the pandemic will drive the economy into a depression, Yun said that is not something we have to worry about as things stand, though inflation challenges could arise in the long-term. "The market slowdown occurred not due to something wrong with the economy, but due to the pandemic and the imposed lockdown," said Yun, who emphasized what should be of concern is the continued inventory shortage as we move toward post-pandemic recovery. "If you build homes, it will help the economy recover faster. This will be key to the overall broader economic recovery," said Yun.

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2425 Canyon Boulevard, Suite 110
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303-588-5716 direct

1531 Peacock Place
Loveland - $267,500

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17610 W 58th Drive
Golden - $695,000

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929 Compass Drive
Erie - $845,751

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5743 Marshall Drive
Boulder - $1,200,000

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Trend Report - The COVID Edition

How the world has changed since I wrote my last newsletter back in mid-February! Since then, we've experienced a statewide total lockdown that stopped the real estate market in its tracks and have seen a gradual re-opening in the Denver/ Boulder area only since April 27th with vacant only home showings and a wider re-opening on May 9th when we could show occupied homes. Obviously, the COVID pandemic has affected everything and everyone in ways great and small. Many of the metrics we track will have permanent blips in the data from this time, but we're really focusing on what the data tells us for the future. I have a couple of new charts that show the COVID impact to our market and our ongoing recovery. We'll also be keeping a close eye on what the data tells us about the trajectory of our future recovery.

One of my new charts, top left below, this one shows the COVID impact to our showings as compared to last year. We started 2020 strong but were slowing back down to the general showing levels of 2019 through February. During the third week of March, right as the major sports leagues were announcing their cancellations and I think the public became more aware of COVID, we saw showing traffic drop precipitously. A small levelling off at end of March and then another drop as Colorado enacted Stay at Home orders. The handful of showings after that at the very bottom were virtual showings through Zoom, Facetime, etc. We've started our climb off the bottom as vacant only showings started and then the big spike up on May 9th as we returned to the new normal of showings with masks, gloves and home sanitization after every showing.

Another of my new charts, top right below, this one shows how COVID has impacted the # of homes sold, the # homes available for sale, the #of homes under contract, and the total # of available and under contract homes in Boulder County. Couple of interesting things to note here. Sales are a lagging indicator, always 30-45 days behind current conditions due to the 30-45 day minimum timeframe of a typical transaction. We're probably just be starting to see COVID impacts to our sales numbers. The total #of homes for sale and under contract both started dipping prior to the CO lockdown as sellers and buyers reacted before the state did, with both of those metrics starting there decline towards the end of February. We've likely bounced off the bottom (other than sales due to lagging above) and will now be watching to see how much of our lost ground we recover.

Other than the % Under Contract chart, our other metrics aren't showing much change yet. I expect by year end we'll see some blips in every metric. As we've learned over the last few months, the situation can change quickly. If you have any questions about your personal real estate situation or any future changes we're seeing prior to the next quarterly newsletter, feel free to reach out for a more detailed analysis.

I hope everyone is well, be healthy!