

Inventory Shortages Keeping Home Sales Low

Home sales will pick up to a solid 5.3 million this year and are expected to hit 5.5 million next year, but until inventory constraints improve, the country's large pent-up demand for home sales can't be met, NAR Chief Economist Lawrence Yun said at the 2015 REALTORS® Legislative Meetings & Trade Expo in Washington, D.C.

Overall, the economy is on a steady growth track, with solid job formation, continuing low interest rates, and the large millennial generation entering its peak household-formation years. But with buyers having to compete for a limited selection of properties in many markets across the country, home prices are rising fast, making it hard for many first-time buyers to get into the market.

Yun's concerned that, as a result of these conditions, many households risk missing out on the wealth-building effect of home ownership at a time of low interest rates and strong price appreciation. "Young people are in a position to leave their parents' home because job growth is picking up, but the lack of inventory and rising prices is making that hard," he said.

For lawmakers, there are important policy implications, because home ownership is the path most people take to building wealth. As more households find their options limited to renting, inequality—already rising across the country—will worsen. "Without home ownership, many people will not be able to enter the middle class," he said.

Despite the need for more inventory, builders are concentrating on the multifamily rental market right now, because that's where the demand is, said Robert Dietz, vice president for tax and market analysis for the National Association of Home Builders. Dietz, speaking at the same forum on residential issues and trends, said the renter population has been the big growth story in real estate since the economic recovery began several years ago.

There's plenty of interest among builders to fill the need for more single-family homes, too, but small builders, who historically have been responsible for building two-thirds of new homes each year, can't get the acquisition and development financing they need to get back into the market. Lenders want them to have buyers already lined up before they give them financing, Dietz said, making it hard for builders to get inventory in the market for buyers to look at. Also keeping housing starts down are a lack of skilled labor and a shortage of developed lots, he said. Prices of building materials are on the rise, too.

Yun is forecasting 1.1 million housing starts this year, rising to 1.4 million next year. Prices are on track to rise 6 percent this year and then ease to a sustainable 4 percent next year, as more homes come on the market. He predicts long-term mortgage rates will stay at a low 4 percent this year, rising to 5.2 percent next year. Yun said interest rates will continue to rise, but he doesn't expect big jumps in the years ahead because inflation remains in check and energy prices aren't expected to go up to any significant degree in the years ahead.

By Robert Freedman, Realtor Magazine



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**1545 Taylor Mountain Drive
Longmont, CO -
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Slab granite counters, granite backsplash, cherry cabinets, stainless appliances, dining nook & large eating space island in kitchen.



**2213 Steele Street
Longmont, CO -
\$269,950**

Immaculate and ready for quick occupancy, shows beautifully! Open floor plan with vaulted ceilings Stained glass inserts bring a touch of warmth and color.



Inventory remains historically tight. Do you know someone who wants to sell? I'm looking for my 2015 sellers.



**3454 W. 125th Point
Broomfield, CO -
\$310,000**

Former model home for the neighborhood. Low maintenance townhome living at its finest. Open floor plan.

Welcome to the new look newsletter.

As a way of being greener, we've reduced the size of our newsletter to one page. We've kept the most critical market statistics, but if you're missing something I used to send, please let me know and I'll get it to you. This change will also allow me to get this newsletter out in a more timely manner. Any comments you have for improvements would be welcomed. Hope you all enjoy the new format!

Trend Report

With the new format we'll be discussing the below charts here instead of below each chart. Lots of interesting things happening as we continue moving into 2015.

First chart on the left, our showings chart, shows the incredible buyer demand for available listings in the market. We have almost double the showing traffic we've seen over the last two years and almost triple the showing activity we saw from 2007-2012. Most homes get a rush of showings the first week on the market and then quickly go under contract.

The bottom left chart shows the incredible breadth of the market activity. Every sub-market in the County is over 50% under contract expect for the plains. Louisville and Lafayette have both been over 70% under contract for months.

Top right chart shows quarterly sale volume. Q1 2015 volume was up just over 20% compared to Q1 2014. A strong improvement at a time where there were even fewer homes for sale. The competition for good properties has remained fierce.

With fewer homes available for sale and more home selling, the Available Supply continues to favor the sellers and has hit levels lower than any I've seen since tracking this metric in 2000. We could double our supply and that would just bring us into a neutral market.

The number of homes for sale across Boulder County is lower than it's ever been in my 17 years of selling real estate. As of mid-May, we only has 520 homes available across all of Boulder County. In a more typical year, that number would be just above 1,200 homes available for sale. With just 43% of the normal number of options, buyers are competing fiercely for good properties that are coming available in their desired price ranges and areas. It's not unusual to see multiple offers for properties the first week on the market and most will be over asking price. Some buyers are offering in the range of 10-12% over asking price to stand out above the competition in the lower price points. Many buyers are also waiving inspection and appraisal clauses although those are both risky steps to take to acquire a property.

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