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INSIGHTS

Q3 2021

In This Issue:

- Denver Market Update
- Local: Affordable Housing
- National: FHFA Priorities
- Investors: Interest Rates
- THINKtank Recap



INSIGHTS



MARKET UPDATE

Denver's residential real estate market in the 3rd quarter was not as crazy as 2nd quarter, but still saw continued price appreciation. Demand is still high and inventory is still low, so sellers are likely to get the price they want, even if there are not multiple offers in the first 24-48 hours of listing. According to a recent tech talent report, Denver continues to attract tech talent, and companies, due to it's high percentage of adults with Bachelor's degrees, a large population of millennials and the lure of outdoor activities.

For those in the market for a new home, now is still a good time to buy if you find a home that meets your needs and budget. While price appreciation may cool in the coming months, research shows demand for homes will remain high, supply will remain constrained and projected interest rate increases will mean monthly mortgage payments will cost more in the future, even if prices stabilize.

Source: DMAR Market Trends

3Q YOY Residential Stats



SOLD Listings -11%

2021: 17,055
2020: 19,105



Average Active Listings -33%

2021: 3,869
2020: 5,749



Avg Sold Price +17%

2021: \$619k
2020: \$530k



Days on Market -17%

2021: 5 days
2020: 6 days

LOCAL: AFFORDABLE HOUSING SOLUTIONS

If you live in Colorado, you know affordable housing is becoming a bigger and bigger concern. In Invalesco's September blog, we wrote about one promising solution. Due to increased rates of homelessness, exacerbated by COVID, Colorado's larger cities are focusing additional efforts and federal funding on basic, for-rent affordable housing. The sizeable market that is left wanting are those looking to purchase a sub-\$200,000 condo or townhome, or a detached home less than \$350,000. Merima Brkic, an Invalesco Real Estate Advisor, has worked with many buyers in this challenging market segment. "The biggest challenge for these buyers is getting their offer accepted among many offers on limited housing stock. There's simply not enough affordable inventory," says Merima. Recently, Invalesco's Managing Broker, Gilda Zaragoza, spoke with the CEO of Elevation Community Land Trust, a Denver-based non-profit tackling affordable housing. Elevation will purchase single-family homes for re-sale, but where they make the biggest impact is in providing affordable, attached housing via new construction projects. Elevation incentivizes developers by agreeing to purchase a finished development at a pre-determined price, guaranteeing a sale upon completion. Elevation will then sell the units at 80% of appraised value, making the units affordable to families who meet strict income thresholds. Elevation absorbs the loss through the grants and donations it receives as a non-profit. A recent example is the La Tela development in the Santa Fe Arts District (pictured). Read the full article at invalesco.com/blog.

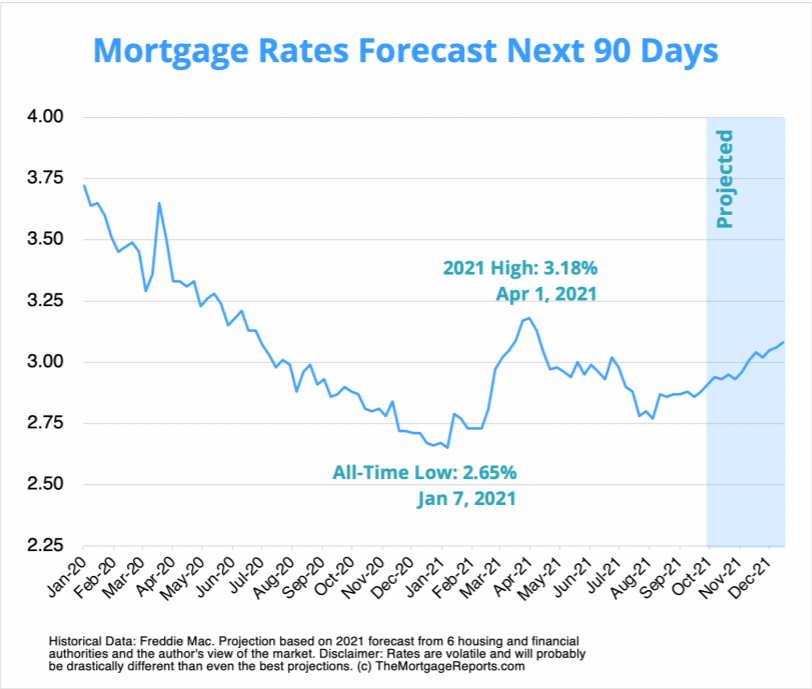


Source: Elevation Community Land Trust

INVESTORS: MORTGAGE RATES INCREASING

Since the start of the COVID pandemic in March of 2020, the Federal Reserve has been buying \$40 billion of mortgage-backed securities per month, keeping mortgage rates artificially low in an effort to stimulate the economy. Now that the economy is showing a sustained rebound, the Fed has indicated that it will start to taper its MBS buying program, possibly as soon as November. Knowing the Fed will begin to ease its MBS buying program soon, banks have already started to increase mortgage rates. The average 30-yr mortgage rate is currently 3.22% according to bankrate.com, up from 3.05% just a month ago. Beyond Fed actions, increases in inflation also historically cause mortgage rates to increase. Most economists predict inflation to continue its upward swing well into 2022, pointing to further increases in mortgage rates.

Source: themortgagereports.com, bankrate.com



NATIONAL: CHANGING PRIORITIES AT FHFA

Since being appointed acting director of the Federal Housing Finance Authority in June, Sandra Thompson has encouraged affordable housing advocates with a renewed focus on upholding fair housing standards and increasing the pool of qualified applicants for mortgages backed by Fannie Mae and Freddie Mac, the two Government Sponsored Enterprises (GSEs) that the FHFA oversees. Thompson has moved quickly, eliminating the adverse market fee on most refinanced mortgages that was put in place to protect Fannie and Freddie from pandemic-related losses, but that also increased costs for homeowners. Thompson also lifted restrictions which prevented Fannie Mae from acquiring loans secured by second homes and investment properties, with the hope of adding more supply to the pool of rental homes. In August, the FHFA signed an agreement with HUD aimed at improving fair-lending enforcement and proposed new housing goals for lending in minority communities. To increase the pool of potential borrowers, FNHA also announced that Fannie would begin to incorporate rental payment history into its mortgage underwriting process. Thompson is also trying to address the disparity in black and white homeownership, a gap that is larger today than it was in the 1960s. David Dworkin, President and CEO of the National Housing Conference calls Thompson's actions leading the FHFA "extremely encouraging." Dworkin added, "If the enterprises (GSEs) aren't going to be involved in expanding liquidity for the affordable housing market, why do they exist at all?"

Source: National Mortgage News, therealdeal.com

New Priorities at FHFA

1. Expand the credit pool
2. Reinforce fair lending standards and reporting
3. Increased lending in minority communities

THINKTANK RECAP: BUILDING SMART HOMES IN 2021

On October 12th, Invalesco hosted local realtors and builders at our THINKtank on building smart homes at GRID Workspace on S. Broadway. Our expert panel included representatives from Digital Media Innovations, Samsung's SmartThings and Larsen Development. The conversation was broad and deep and covered all aspects of smart home automation. While retrofitting an existing home with smart home features can be done, it's much easier to plan ahead for a fully automated home. Most production home builders are now offering tiered packages to homebuyers like a "Healthy Home Package" that may include a robot vacuum and air purifier in addition to standard security features. All of the panelists agreed that the next frontier for home automation was energy conservation, where energy efficiency can be maximized room by room. Invalesco hosts THINKtanks multiple times a year to learn about trends in real estate, from legal and financial to design and innovation. To learn more about future THINKtanks, visit our website at invalesco.com/events.



Halyley Selden
Digital Media
Innovations



Steve Herbert
Samsung's
SmartThings



Lauren Browne
Larsen
Development