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# INSIGHTS

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# INSIGHTS



## MARKET UPDATE

The Denver market saw another record breaking start to the year with prices up 17% over the same quarter last year. The total number of homes sold was down versus last year simply due to a lack of inventory. We hit another inventory low with less than 9,000 homes for sale in the metro area on average throughout the quarter, compared to a historical average of about 14,000 homes. We are still seeing a very competitive buying process but the number of offers received per home and the rate of escalation appear to be slowing as the market has already priced in significant price increases. About 20% of appraisals are coming in lower than contract price. While we expect to see increased inventory in the summer months, that will not translate to lower prices as overall supply has a lot of catching up to do.

With rising interest rates, mortgage applications dropped to their lowest levels since December 2019. However, we expect to continue to see appreciation in our local market through 2023 with many economists forecasting a stabilization to come in 2024.

### 1Q YOY Residential Stats

**SOLD**

**SOLD Listings -12%**

2022: 18,674  
2021: 21,143



**Average Active Listings -36%**

2022: 8,569  
2021: 13,492



**Avg Sold Price +17%**

2022: \$623k  
2021: \$531k



**Days on Market**

2022: 5 days  
2021: 6 days



# 4 STAGING TRICKS THAT ARE OUTDATED !

On average, staged homes sell 88% faster and for 20% more than nonstaged homes. That is why it is important to get it right, even in a hot seller's market! Here is a list of 4 outdated strategies and what to do instead.

**Using Fake Plants:** While plants can bring color and life to a space, you should instead use live greenery, fresh flowers, and a real bowl of fruit on the dining room table instead of using anything fake. Bringing live flowers and plants to a space can help give it a fresh, authentic appearance that will make the home more enticing to buyers.

**Including a Formal Living Room:** Ditch the formal living room, as many potential buyers will have a hard time envisioning how they would use such a formal space. Instead turn it into an informal living space or even into an office or game room. This is a more practical use of the space that will help buyers visualize their lives in the house.

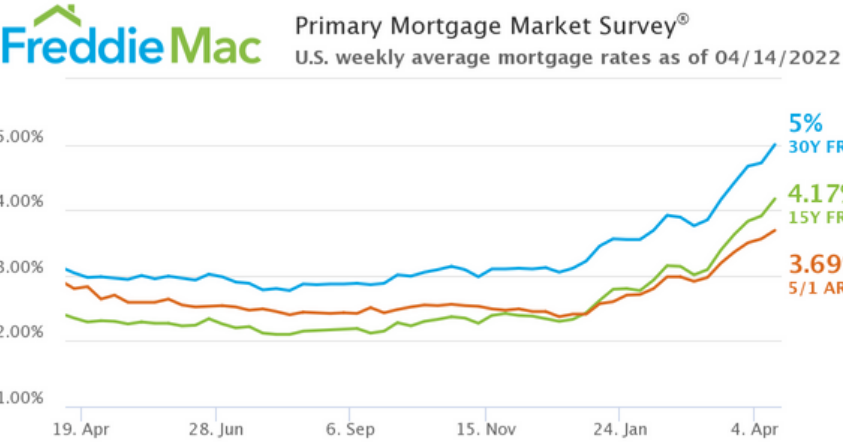
**Fake Scents** False scents may make buyers suspicious that you are trying to cover up odors. Strong scents like candles and air fresheners can also be overwhelming to buyers, potentially driving them away. Bring a fresh scent and feel to the home you are staging by opening windows to allow fresh air in or place fresh-cut flowers in each room.

**Leaving a Home Personalized:** Buyers may have a harder time imagining themselves living in a home that is personalized to someone else's life. A staged home needs to be as neutral as possible, so depersonalize each room and replace family photos and knick-knacks with strategically placed decorations and artwork to create a space that is both neutral and inviting.



# INTEREST RATES ON THE RISE

The past weeks have seen some significant developments transpire in the US rates markets. The 10 Year Treasury yield has increased nearly 100 bps year-to-date. This rise was triggered by the Fed's quantitative tightening that abruptly began in December after stating it wouldn't commence until 2022. They accelerated their timeline and their appearance of fear caused a ripple effect into the bond market causing interest rates to rise in January. The chart shows how mortgage rates had been stable at a record low for months and popped at the beginning of the year. Though a lot of the increase has already been built in, we expect that the Fed's monetary policy will cause rates to increase further with the 30 year rate hitting 6% in May. Inflation caused by a series of negative supply shocks will also bring added pressure to rates.



What will the situation in Ukraine mean for rates? The negative supply shock from Ukraine will arrive in the US in two phases: initially, we will see supply chain disruptions and higher prices, but later this year global demand for US goods and services will fall as the world economy slows down. Ukraine is an extra argument for rate hikes because of additional inflation pressures.

What does this mean for buyers in Denver? For a \$600,000 home purchase with a rate of 4.5%, the monthly payment would be \$3,040. With a rate increase to 5.75%, that monthly payment would go up by almost a full \$500! The cost of waiting is high as rising rates are not yet done and prices are continuing to escalate.

# INVALESCO AT THE HBA BUILDER PRODUCT EXPO

Invalesco held an exhibition at the 2022 Home Builders Association of Metro Denver (HBA) Builder Product Expo, on March 24th. The Expo is an industry-specific trade show for associate members to exhibit their products and services to local builders and remodelers. The HBA represents Builder Members from custom home builders to large production builders, that in 2021 accounted for an astounding 84% of all closings in the metro area.

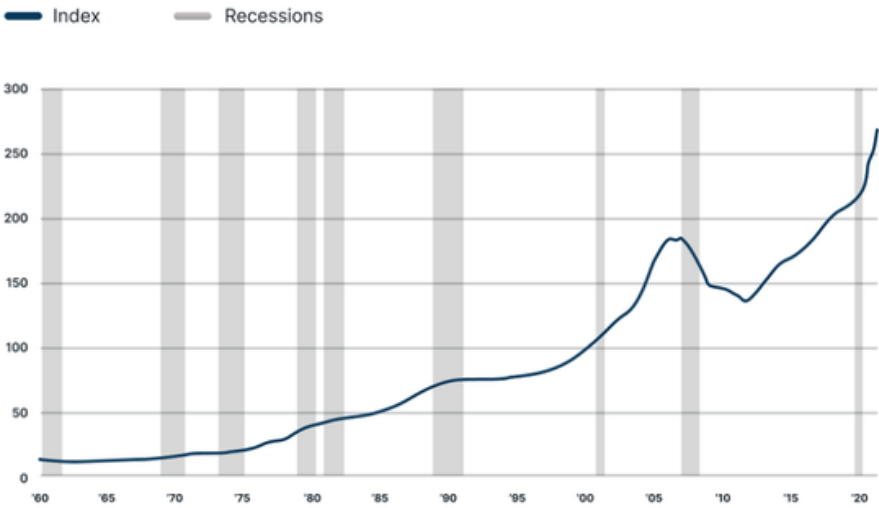
In attendance were HBA members in job sectors such as architecture, legal services, appraisals and mortgages, real estate and title services, suppliers, appliances, design, and so many others. Invalesco's exhibit showcased their New Construction Program which provides a comprehensive Marketing & Sales Plan to tackle all aspects of marketing new development. The dedicated sales team of advisors fosters collaboration and provides a unique marketing plan that focuses on the customer journey and maximizes a new construction project's impact.



# WHAT WOULD A RECESSION MEAN FOR HOUSING?

Economists are forecasting a recession for the end of 2022 or beginning of 2023. What exactly defines a recession? It is two consecutive quarters of negative GDP growth. But, we want to know what that would mean for housing! Consumer Spending is 70% of GDP. If consumer spending were to decrease, that would help our supply chain issues and allow some respite. This may help our construction woes and stabilize the price of new homes.

S&P Case-Shiller U.S. National House Price Index



Historically, during all recessions, except for 2008, housing values increased as interest rates declined with a slowing economy. Since our housing panorama is much different than in 2008 with homeowners having a lot of built equity in their homes, housing is in a strong position to whether a recession.