HISTORICAL CONTEXT: DENVER HOME PRICES

Clients always want to know how the market's doing. Start by giving them a historical context of the Denver market.

Important points:

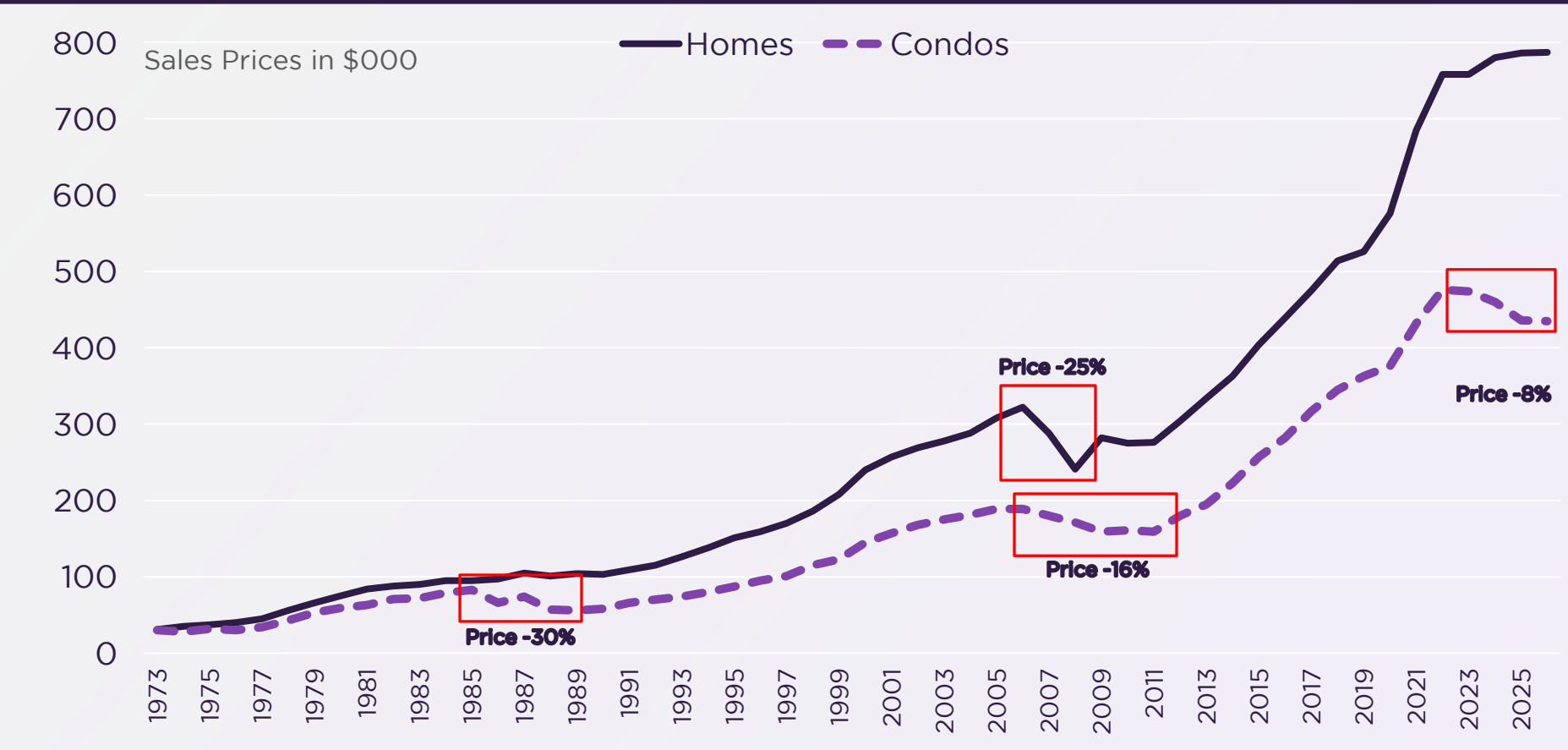
- The average priced home in metro Denver in 1971 was $27,000!
- On average, home prices rise 6% per year, just a bit above inflation.
- Homes have gone up in price all but 4 years in the past 44 years! So, just because we're at record high prices DOESN'T mean prices have to fall next year. People who say that are wrong 90% of the time!
- "Experts" love to talk about a 7-year cycle. However, do you see one on the chart? Prices rose from '71 to '87 (16 years). They held about steady for 4 years. Then rose for another 16 years. Then dropped for 3 years. Note how large the 2006 – 2009 drop was.

What does it mean for the client?

- It's important for clients to understand the market and prices move in long waves. It's hard for them to appreciate this in a 24/7 news cycle era.
- Stay informed on articles on Zillow and the New York Times but don't get too caught up and make a flash decision based on them.
- Look at the long-term trends to best understand the market and how it can help them make their decisions.

Homes and condos appreciated at 6.25% and 5.4% respectively, annually, over 52 years (1973-2025). Around 1986 the desire for single-family homes began to outpace condos. In the past few years, annual appreciation has been over 10%. That's not sustainable. We expect lower rates of appreciation in the next 3-5 years. Condos have experienced a modest price correction. So far in 2026 homes have been stagnant.

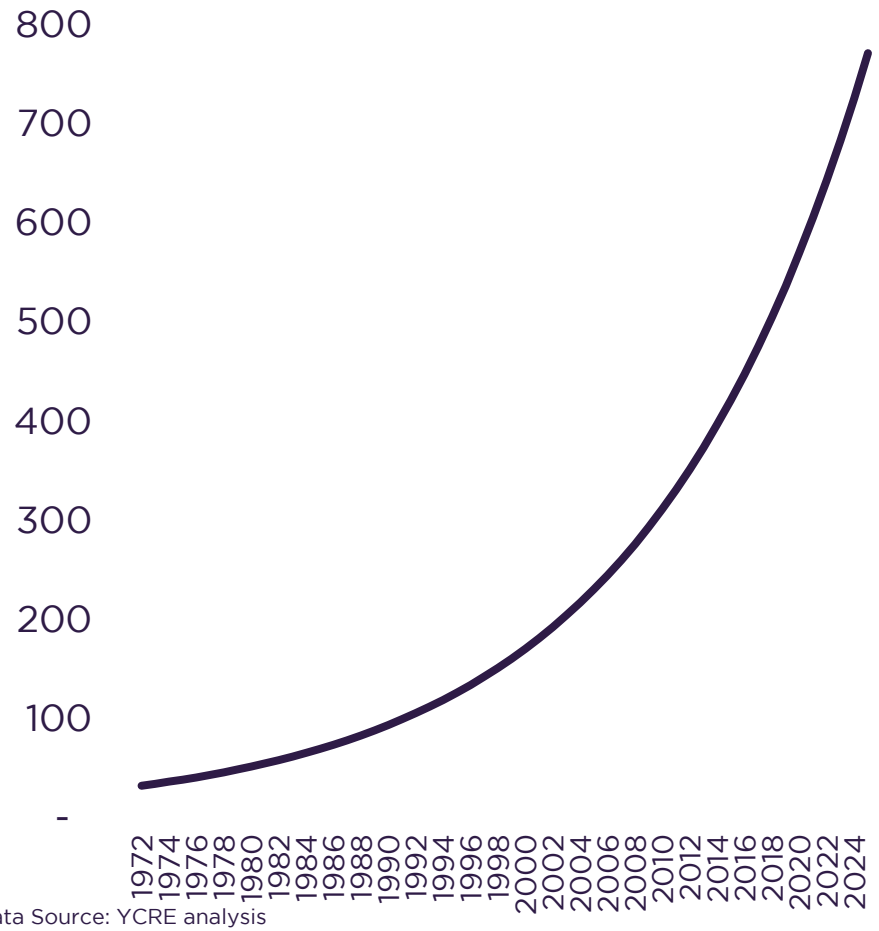
DENVER METRO PRICE APPRECIATION (HOMES VS CONDOS)



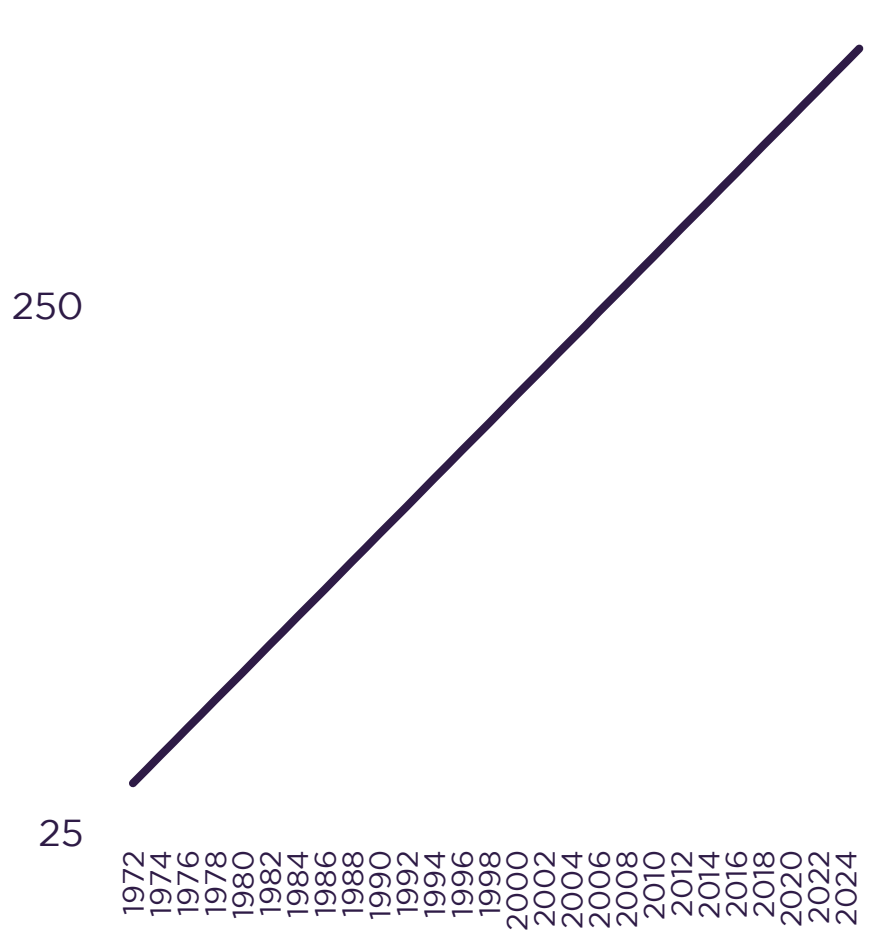
Data Source: Recolorado.com; YCRE analysis

There's another way to look at long term home price trends. **A log scale** spaces prices by percentage, not dollars—so a jump from $100k to $200k looks the same as $200k to $400k. That makes steady growth appear as a straight line, helping you spot real trends and see when prices briefly overshoot before normalizing. Both graphs show 6.25% annual price appreciation EVERY year.

TYPICAL SCALE



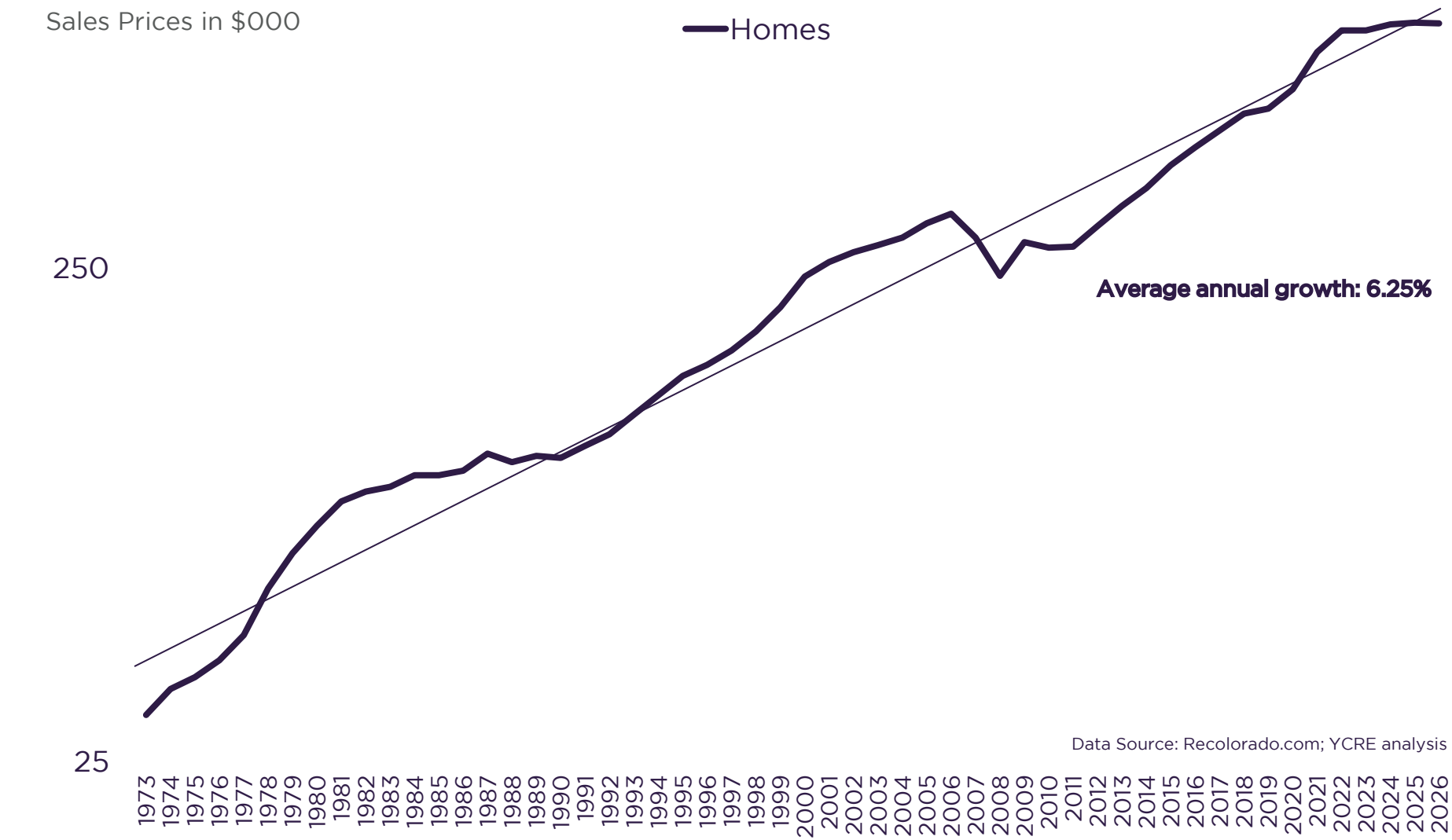
"LOG" SCALE



Data Source: YCRE analysis

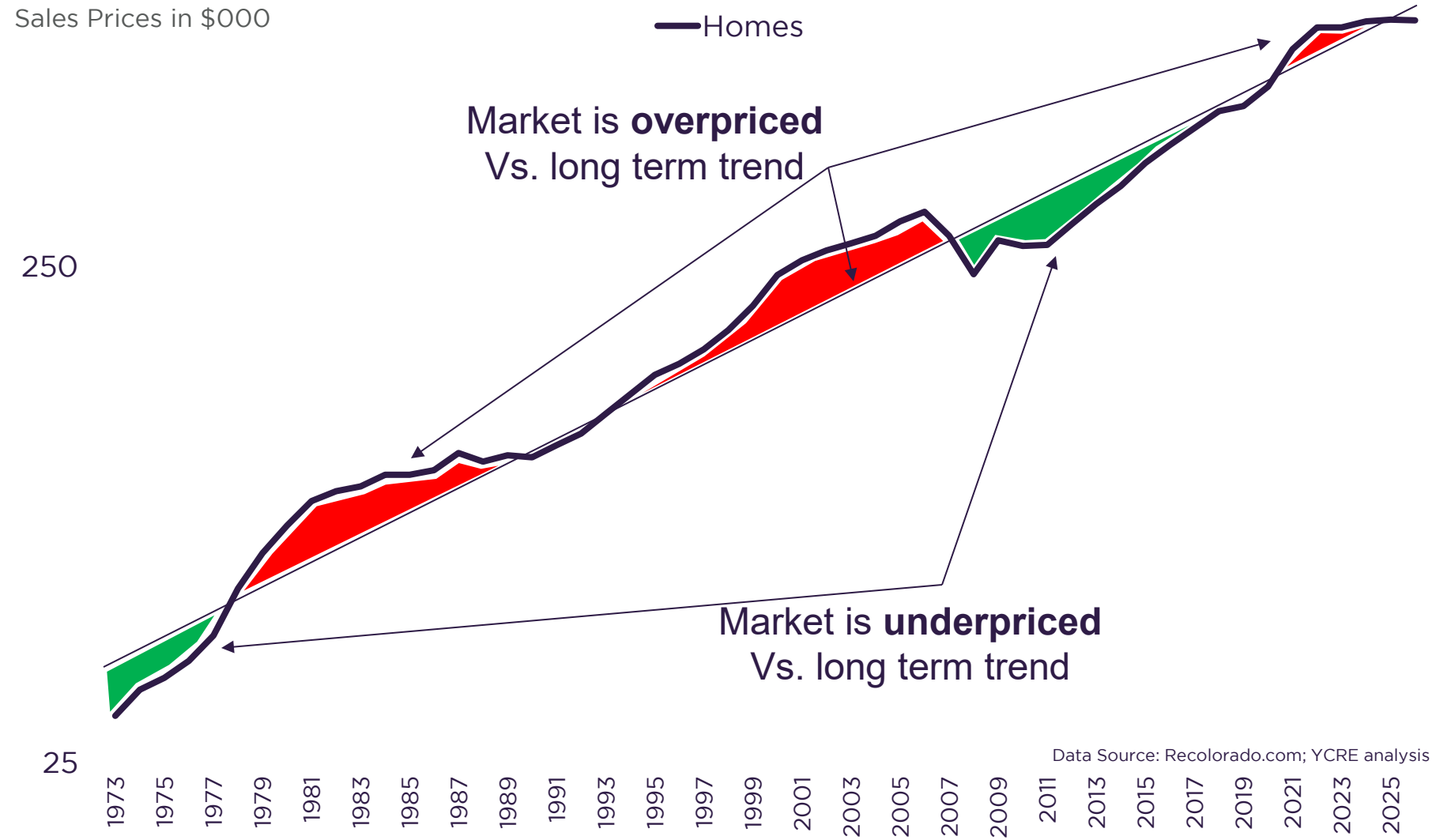
The Denver home price trends on the **log** scale. It's much easier to see the trend.

DENVER PRICE TREND (HOMES)



The years where prices are above the long-term trend line are **relatively expensive.** The years when the prices are below the line are **relatively affordable.** The home prices have not varied much from the long-term trend.

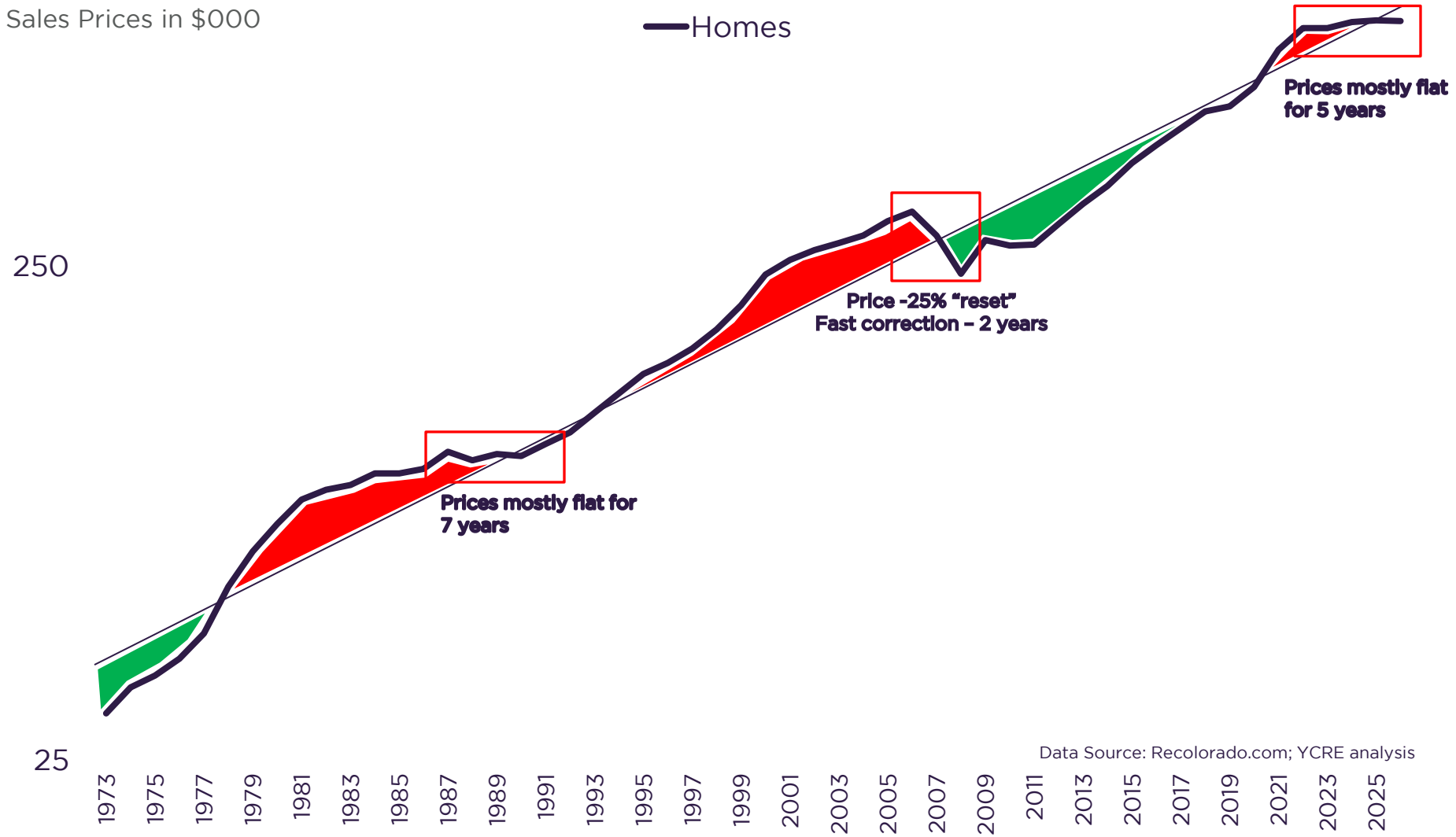
DENVER PRICE TREND (HOMES)



Data Source: Recolorado.com; YCRE analysis

When the HOME market becomes **relatively expensive**, the HOME correction **tends** to be either be (a) several years of slow growth – wages increase faster than inflation, and buyer affordability catches up. Or (b) the prices can drop rapidly to "force" a quick reset.

DENVER PRICE TREND (HOMES)



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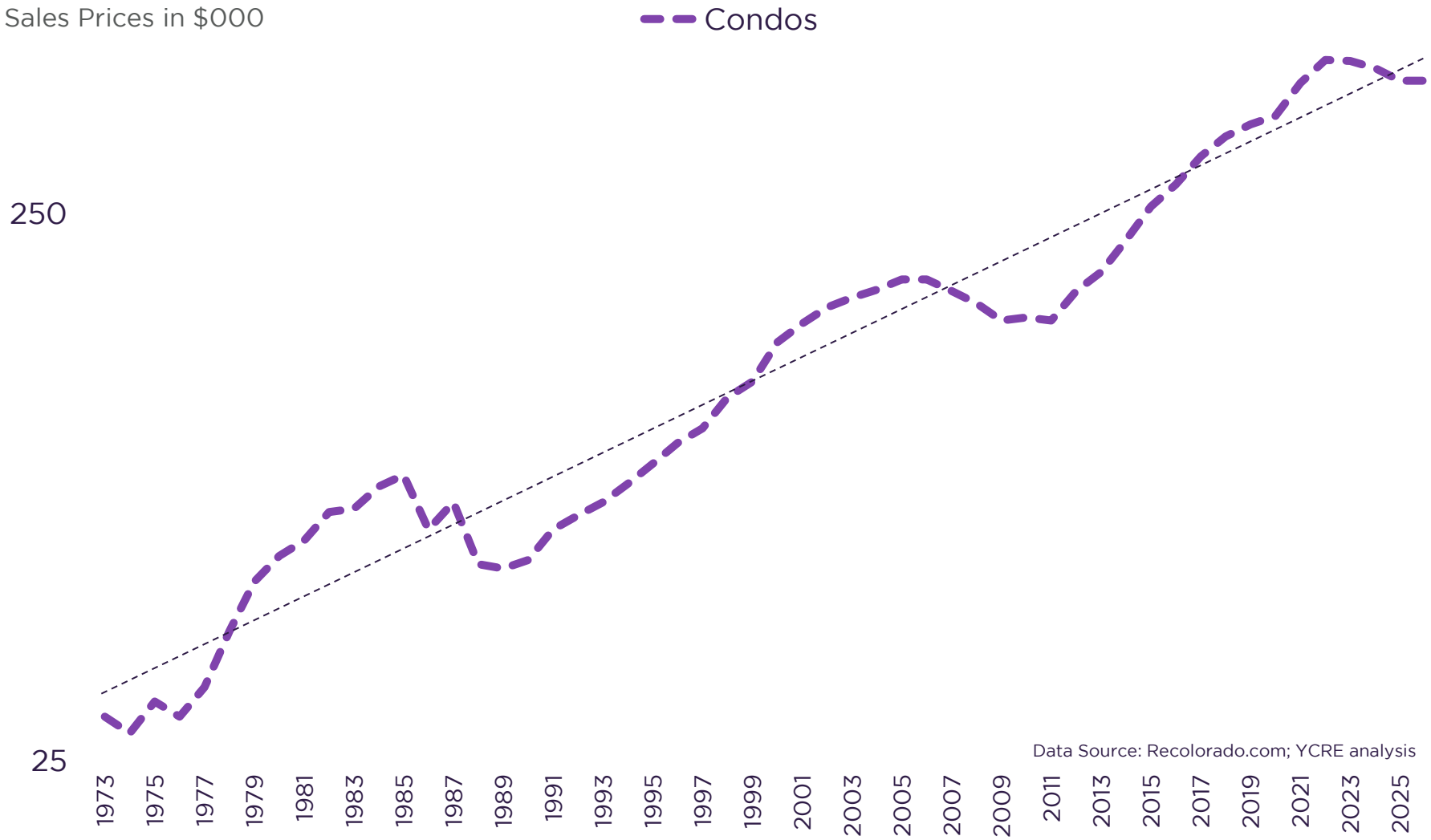
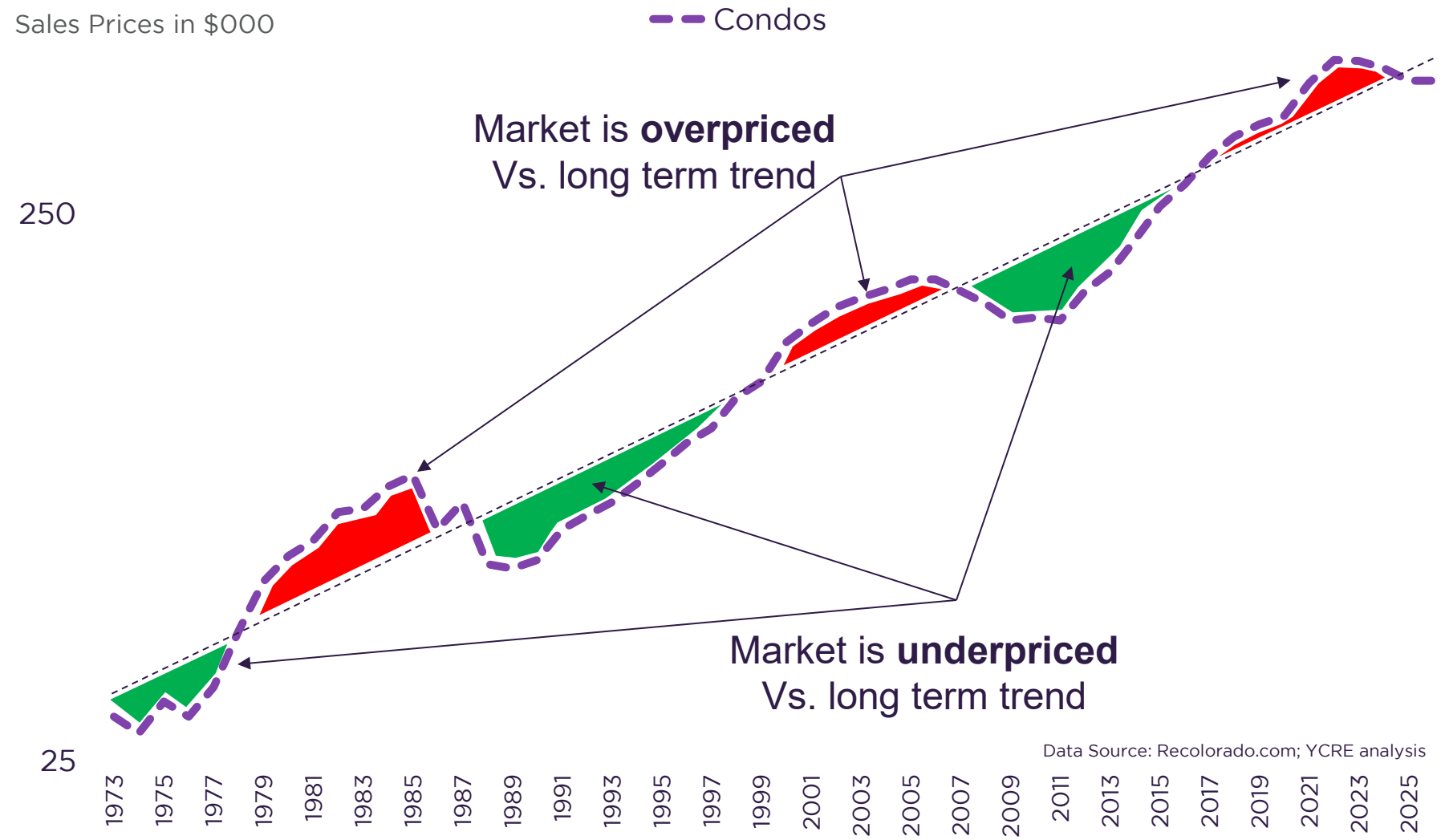
The Denver home price trends on the **log** scale. It's much easier to see the trend.

DENVER PRICE TREND (CONDOS)



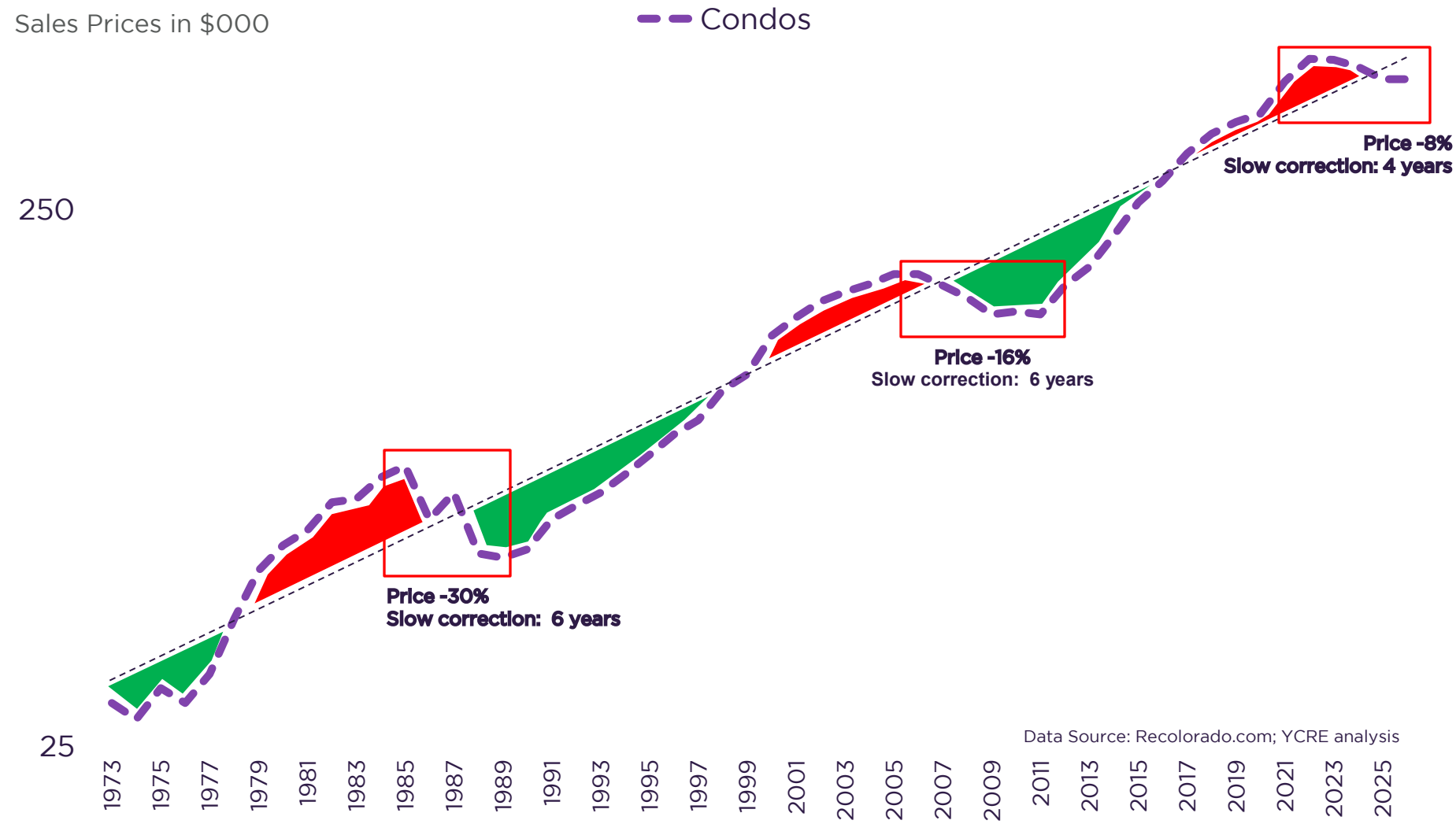
Years where prices are above long-term trend line are **relatively expensive.** Years when prices are below the line are **relatively affordable.** The home prices have not varied much from the long-term trend. Condos have larger price swings relative to homes due to (1) they are cheaper, (b) first time buyers and investors.

DENVER PRICE TREND (CONDOS)



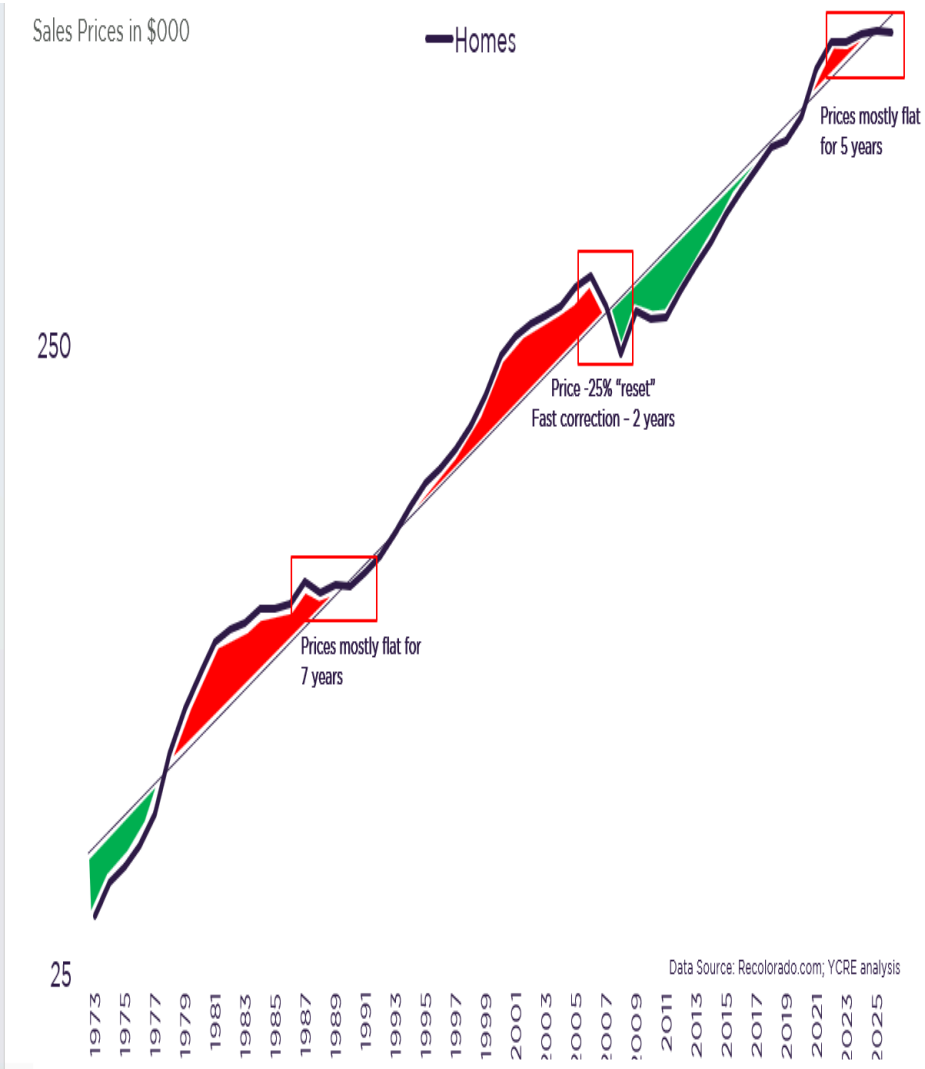
When the CONDO market becomes **relatively expensive**, the correction tends to be (a) several years of slow growth – wages increase faster than inflation, and buyer affordability catches up. Or (b) the prices can drop slowly but meaningfully for a SLOW reset.

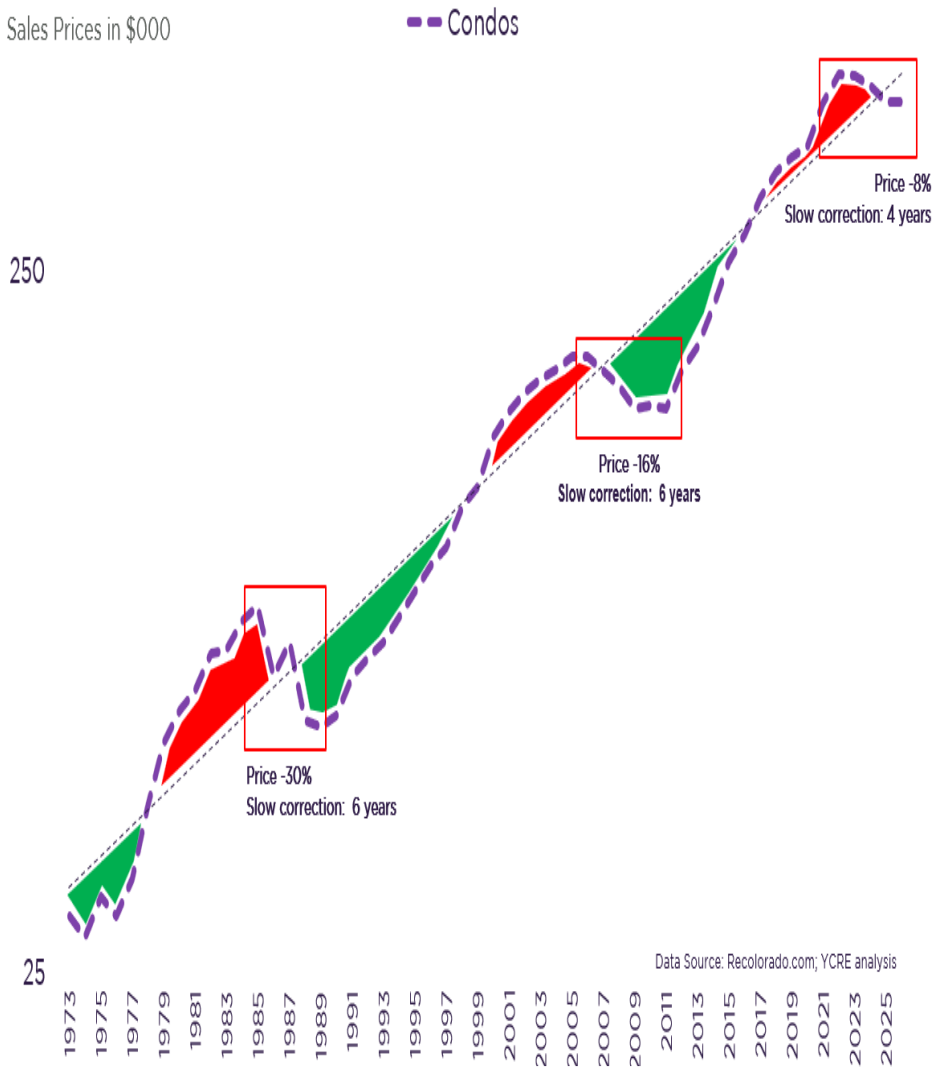
DENVER PRICE TREND (CONDOS)



The condo market historically has had more years of buying opportunities, and larger price corrections than the home market. Homes are more likely to have flat prices for several years to correct high pricing.

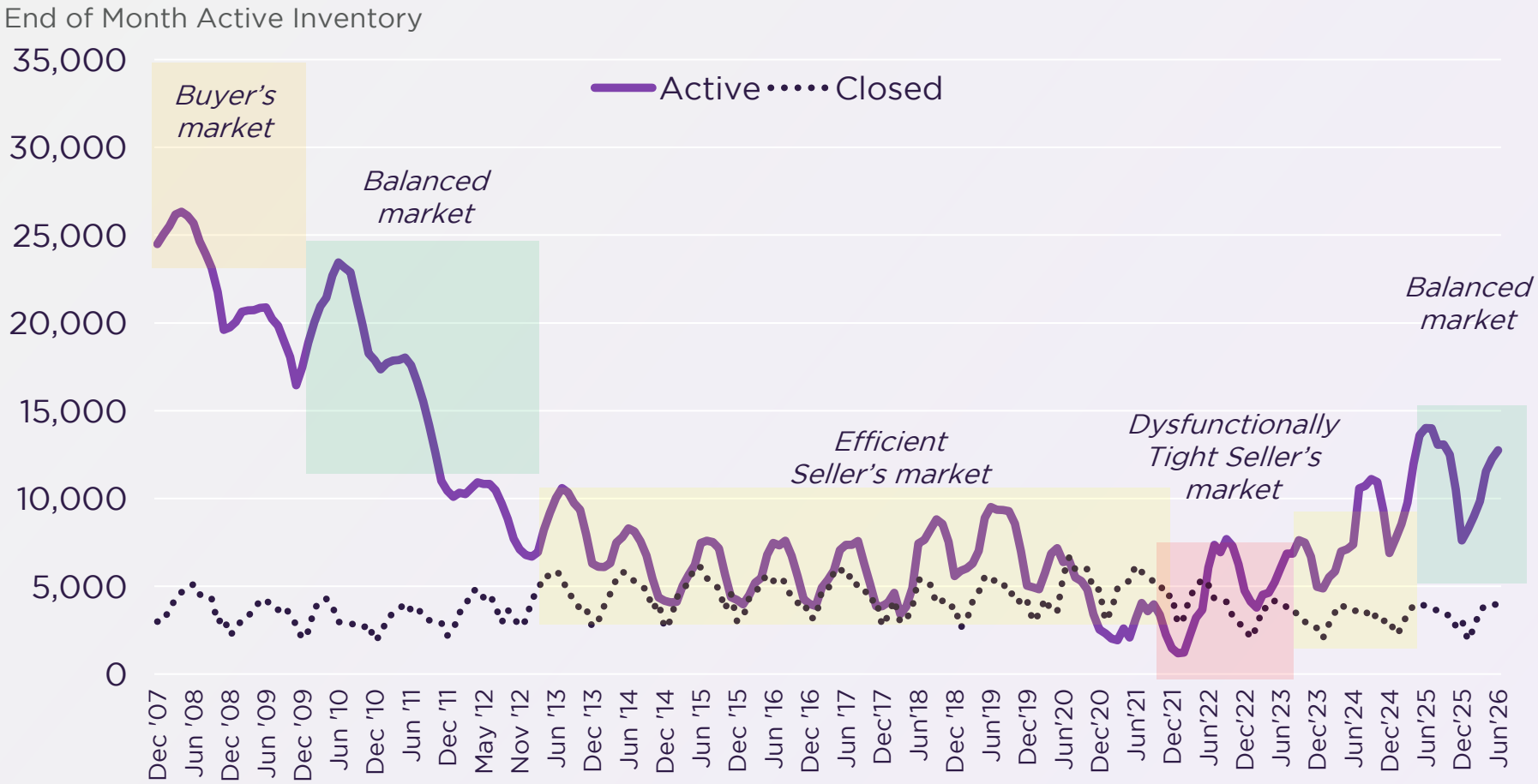
DENVER PRICE TREND (CONDOS)





Inventory levels of homes and condos available for purchase finally started to increase in 2Q22. Inventory is no longer at record lows! Inventory is rebounding into the summer after the same seasonal pullback we always see during the holidays.

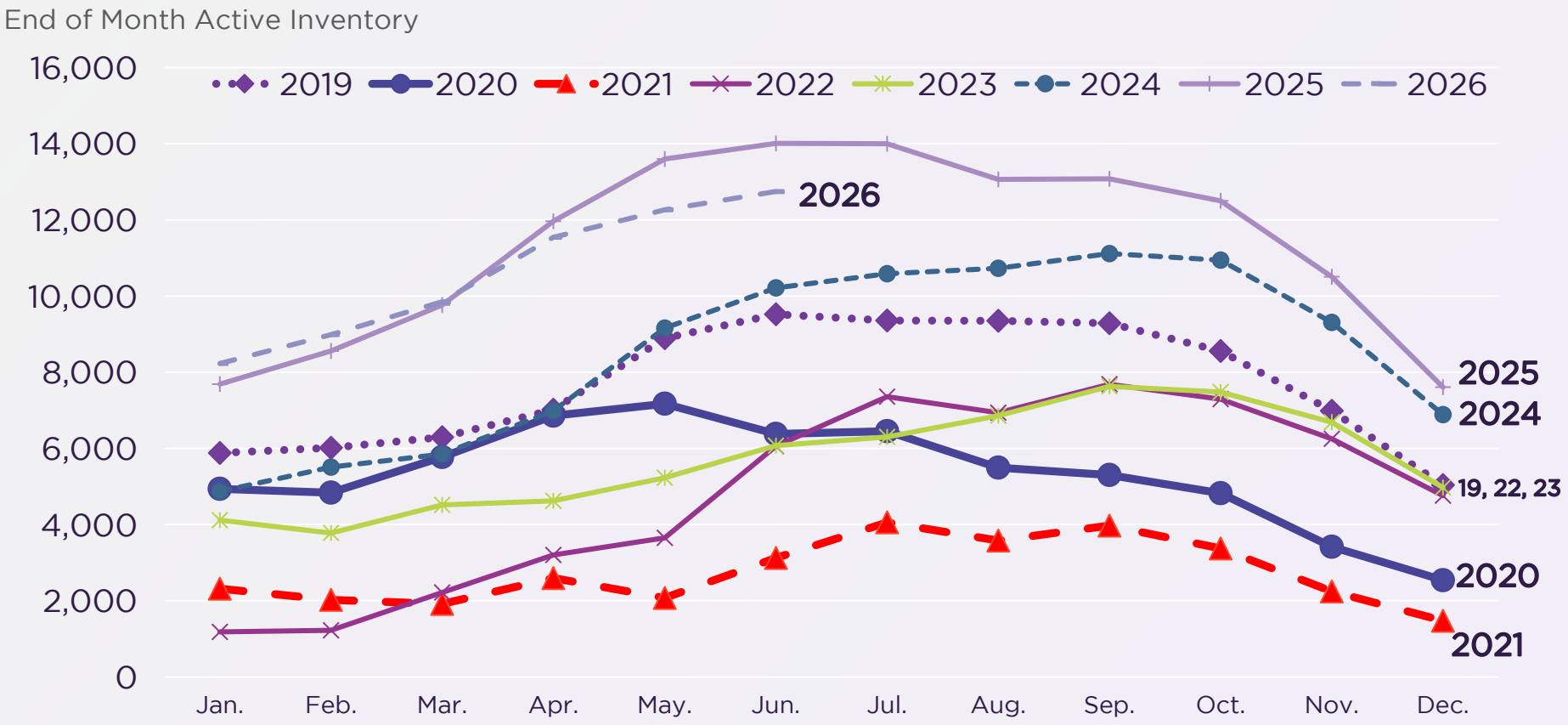
DENVER METRO (HOMES, CONDOS AND TOWNHOMES) INVENTORY (TOP LINE) AND MONTHLY SALES (BOTTOM LINE), 2007-2026



Data Source: Denver Metro Association of Realtors: DMAR Market Trends Reports (11 County Metro Area)

Inventory levels declined at end of 2020. 2021 saw the lowest inventory levels in history. Inventory grew in 2022 & 2023. 1Q 2024 inventory mirrored the same levels we saw in 1Q 2020 Pre-COVID. Inventory has **sharply** increased in the past two years, a welcome relief for buyers!

DENVER METRO (HOMES, CONDOS AND TOWNHOMES) ACTIVE INVENTORY PER MONTH



Data Source: Denver Metro Association of Realtors: DMAR Market Trends Reports 2020 (11 County Metro Area)

Months of Inventory (MOI) is a great metric to track the strength of the market. It is the measure of how long it would take for all the properties on the market to be sold if no more inventory came on the market.

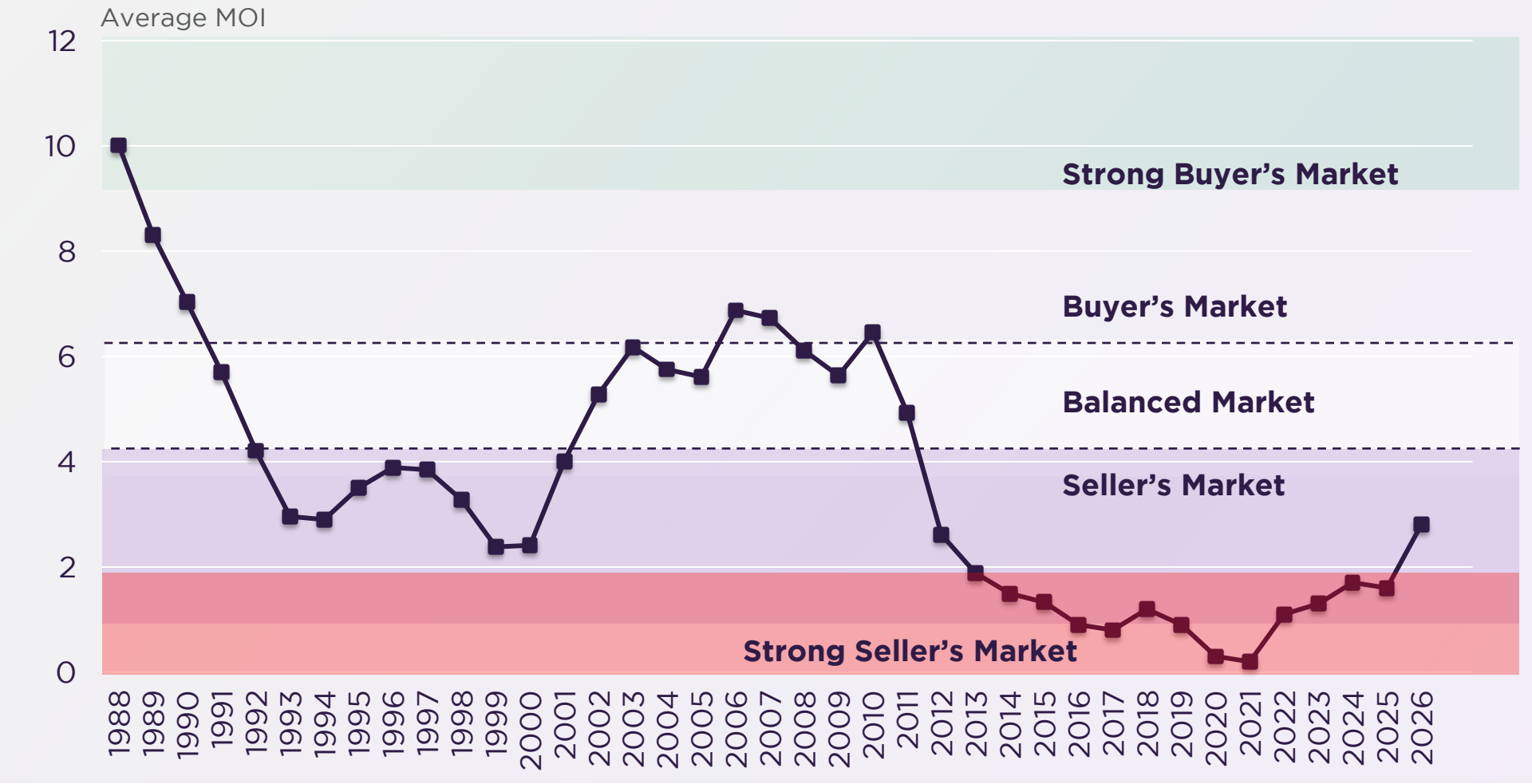
- For e.g., if one home is selling per month in a certain neighborhood and there are currently 6 homes on the market, there would be 6 MOI in that neighborhood. (Note that Six MOI = 90 days on market.)
  - MOI was high in the mid to late 80's, reflecting our slow Denver market at that time.
  - As the market strengthened going into the 90's the MOI plummeted. During the 90's MOI was under 4, a strong seller's market.
  - MOI began increasing in 2001 and leveled off around 2004 at 6-7 (buyer's market).
  - As the market began to strengthen after our downturn in 2007 – 2009 the MOI went down quickly. This indicates there are more buyers than sellers, and housing inventory is not keeping up with housing demand. This is where we are currently in the market.
  - We have way more demand for homes than we have supply, so prices are going up.

What does it mean for the client?

- It is critical for your clients to understand the market in order to make correct decisions.
- Low MOI means a strong sellers' market with all that implies:
  - Multiple offers
  - Picky sellers
  - Buyers need to have their act together with strong contracts and pre-qual letters, etc.
- Sellers: use this to help show your sellers how strong the market is to list.
  - Educate them on the difference between a buyer that is pre-approved vs. pre-qualified, and that not all offers are equally strong.
- Buyers: educate serious buyers on how to be a strong buyer.

We have been through tight inventory in the past (1993-2000). MOI in Q1 2022 ended at just 0.4! Inventory is up from historical lows but is still a seller's market for homes (not condos).

MONTHS OF INVENTORY (MOI) DETACHED SINGLE FAMILY



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