

HRRE Bread 6-29-2021

For the past week in Denver two topics have been most talked about in real estate news – inflation and a changing real estate market (possibly).

**Inflation** has been almost talked to death since the start of 2021, especially as March, April, and May's Consumer Price Index (CPI) numbers came out reporting significant increases in monthly prices compared to one year ago.

At first sign, those numbers might seem alarming, but a closer look and better understanding of the CPI statistical process strongly indicates an anomaly – a glitch. When Covid struck America's economy in 2020, consumer prices for March, April, and May dropped pending the great unknowns of the pandemic. However, by June and July, a substantial economic rebounding kicked into gear.

The key to understanding today's inflation numbers (March through June) is understanding how CPI prices are determined. They are based solely on year-to-year numbers! The Covid-induced price drops in 2020 would be by definition alone a major distort inflation one year later – and it has! Time alone will tell if inflation is for real.

June and July's CPI numbers will be important if inflation really has a toe-hold on us. Most experts suggest today's inflation is "transitory" based on select product manufacturing and supply line problems -- all caused by Covid layoffs from last year.

As for a changing local real estate market, it's far too early to say that; however, some national and local trends are pointing that way. Our strong sellers' market has slowed down in terms of numbers of home showings and number of monthly closings. That has been expected given "buyer fatigue", a dwindling home inventory CAUSED by excessive demand, and a much anticipated vacation season. Also, the number of multiple offers to buy has subsided too for reasons already mentioned.

Aldo Savaldi's Denver Post article on 6-27-2021 reports similar observations, so please check it out at this site's **RE Reports** section. I post his articles and others to keep readers updated.

I have personally noticed other changes, too. I use a real estate monitoring/reporting system by MLS to "oversee" seven areas of metro Denver that I'm currently working in. I've noticed a decline in homes going under contract as well as an increase in new listings. In my own listings for sale, the showing volume and number of offers have slowed down, but in one sense that's been a relief to my sellers. It's hard to make sense out of offers 15% above asking price as well as dealing with "appraisal gap" clauses.

Double-digit home appreciation (inflation) is unsustainable except in short-term markets. Incomes cannot keep pace as well as cash for down payments and appraisal issues. This market has to change, but when and by how much?

Pete and I will keep you posted.