

THE WINDERMERE REPORT

WINDERMERE REAL ESTATE | DENVER

JULY 2021

INFLATION & REAL ESTATE

What happens?

LISTING INCREASE

More properties are available

MONDAY WITH MATTHEW

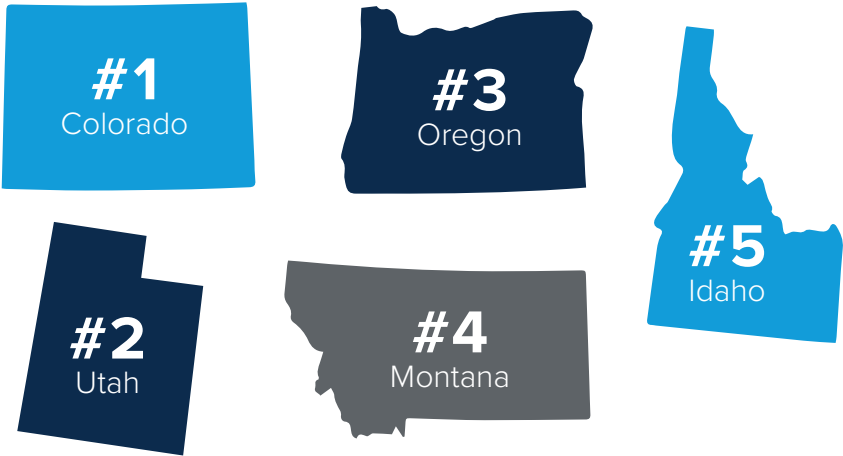
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TOP BUILDING COSTS

What goes into each home

TOP PERFORMING STATES

For home price appreciation since Q1 of 1991



Source: Federal Housing Finance Authority

INFLATION AND REAL ESTATE

It seems that the ‘I word’ is being used frequently when describing the economy. Many people wonder and even worry about future inflation. This begs the question; **how does inflation impact real estate?** There are three different effects that inflation has on real estate:

- 1. Prices follow inflation** – In healthy local economies, like the Front Range of Colorado, home prices over the long term tend to track the rate of inflation. In large part, this is driven by construction costs. As the cost to build a new home goes up, the price of new homes go up, which influences the price of re-sale homes.
- 2. Interest rates will rise** – An expected outcome of inflation is the rise of mortgage interest rates. This is because policy makers use interest rates as a way to cool the economy. If future inflation is expected, it would make sense to lock in a fixed-rate mortgage at today’s low rates.
- 3. Rents will rise** – Just like prices, in healthy economies, rents tend to rise with inflation. This dynamic creates a significant benefit for the real estate investor who is able to charge higher rents while maintaining a consistent monthly mortgage payment tied to a fixed interest rate.



LISTING INCREASE

We are (finally) noticing a meaningful increase in available properties for sale. As of press time, **listings are up 14% in Northern Colorado and 32% in Metro Denver** compared to just two weeks ago. This is very welcome news for buyers who have been (patiently) waiting for more selection.

MONDAY WITH MATTHEW

Windermere’s Chief Economist offers a free video series on YouTube for our friends and clients. On the last Monday of the month, he releases an insightful look at the national economy and our local real estate markets. These videos have been an invaluable resource for people wanting to stay informed on the state of the market. Simply go to YouTube and search “Monday with Matthew Windermere” to find the series.



TOP BUILDING COSTS

What exactly goes into the cost of building a new home and what are the most expensive components? **The most expensive piece isn’t part of the house at all -- it’s the land underneath the house.** After the cost of the land, the next major expenses are lumber and concrete. An often overlooked, yet significant piece of the expense is the ‘soft costs’ that a builder incurs before construction even starts; including permit fees, water tap fees, and architecture fees.

