



4th QUARTER 2020

SOCO Luxury Trends



ABOUT SHOREWOOD REAL ESTATE

Founded in 1969, Shorewood Real Estate has experienced steady growth over the past 50+ years. Acquired by the widely esteemed Lon Welsh of Your Castle Real Estate in 2017, Shorewood gained access to a tremendous team of managing brokers, data researchers, marketing professionals and more. This has elevated Shorewood Real Estate from an already premier position in the Colorado Springs market to a higher plateau of prestige and insight. We now proudly serve the entire Colorado Front Range, with offices in Denver, Colorado Springs, and Loveland.

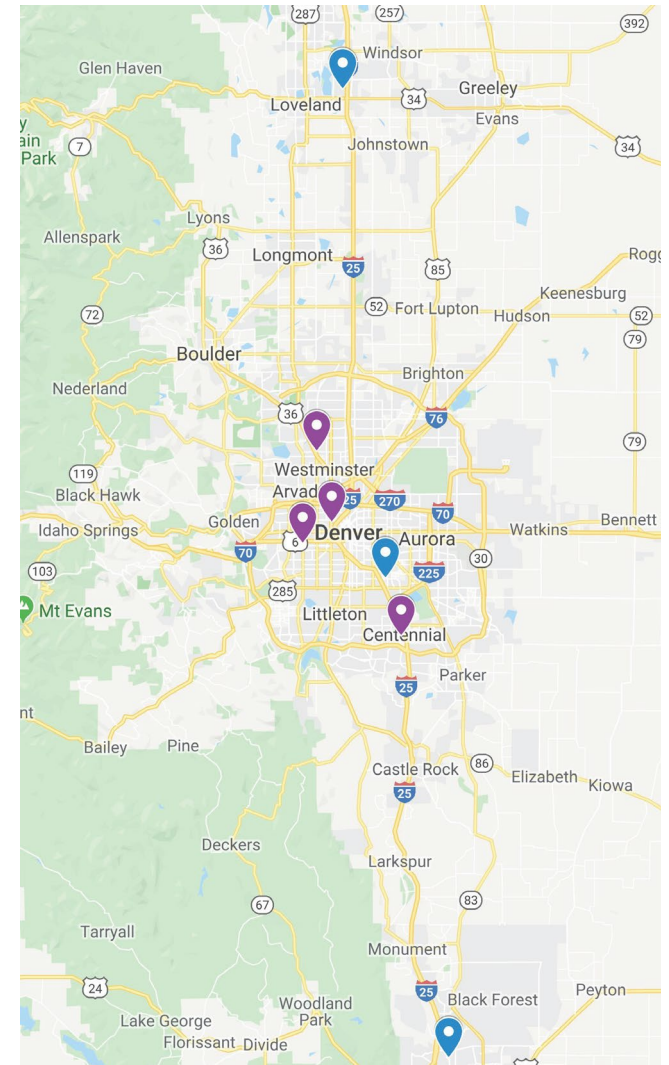
BROKERS & SALES ASSOCIATES

Shorewood Real Estate and its affiliates employ 650+ real estate agents in six offices across Colorado. We sold over \$2 billion of real estate in 2019 and 2020, and conduct approximately 5,000 transactions per year. Our agents have access to a team of a dozen managing brokers who can help guide them through even the most complex transactions.

COMMUNITY ENGAGEMENT

Investment in our community has always been an integral part of our company's mission. The brokerage gave \$175,000 to local charities in 2020. We're a big sponsor for the Ronald McDonald House and Boys and Girls Clubs in Colorado. Since 2014, Shorewood Real Estate has also volunteered over 17,500 hours in the community.

Office Locations



Key messages for top 24 luxury neighborhoods (top 3% of SOCO market). Appreciation has bounced back in a big way – nearly the same as the entire market average! Sales count, MOI and discount all indicate that the luxury market is gaining strength.

METRIC	PERFORMANCE		OBSERVATIONS
Average Home Price	4Q19 vs 4Q18: 1Q20 vs 1Q19: 2Q20 vs 2Q19: 3Q20 vs 3Q19: 4Q20 vs 4Q19:	+7% +9% +10% +8% +14%	Luxury home prices have been increasing Quarter over Quarter for more than a year. The average price in these 24 areas was \$731,000 vs \$414,000 for the entire market in the trailing twelve months. We expect this momentum to continue for another quarter or two. We expect slower luxury traffic in the second half of 2021. Homes that are not the first choice in any neighborhood, or secondary luxury neighborhoods may see modest price declines.
Number Sold	4Q19 vs 4Q18: 1Q20 vs 1Q19: 2Q20 vs 2Q19: 3Q20 vs 3Q19: 4Q20 vs 4Q19:	+43% +62% -15% +78% +166%	Units sold over Q2 decreased year over year due to COVID. But third quarter was incredibly strong across the front range, including COS luxury. The pattern continued as 2020 came to a close – finishing with two and half times as many sales as 19Q4! Core COS will have the best stability in unit counts; secondary markets may see more unit count erosion.
DOM (Days on Market)	4Q19 vs 4Q18: 1Q20 vs 1Q19: 2Q20 vs 2Q19: 3Q20 vs 3Q19: 4Q20 vs 4Q19:	63 vs 55 55 vs 89 34 vs 39 38 vs 48 46 vs 63	It is taking just 46 DOM to get these luxury homes under contract, up slightly from last quarter. The overall market average decreased to 21 days. Naturally, larger homes require more marketing time to get under contract. Even so, marketing times are lower than the were a year ago in 19Q4.
MOI (Months of Inventory)	3Q20: 4Q20:	2.2 0.7	MOI varies quite a bit from one luxe area to the next. The lowest number of homes on the market is usually around the December holidays for this market segment – which is clearly evident here. As demand for the entire metro area booms, the luxury segment is going right along with it (as opposed to lagging a bit behind).
Average Discount from Last Ask Price	4Q19: 1Q20: 2Q20: 3Q20: 4Q20:	-1.8% -1.8% -0.7% -1.3% -1.2%	Discounts on the high end usually run a little higher than that of the market average. The average discount has not been greater than 2% in 18mths. The luxury market remains strong, as discounts for the rest of the market are nearly non-existent.

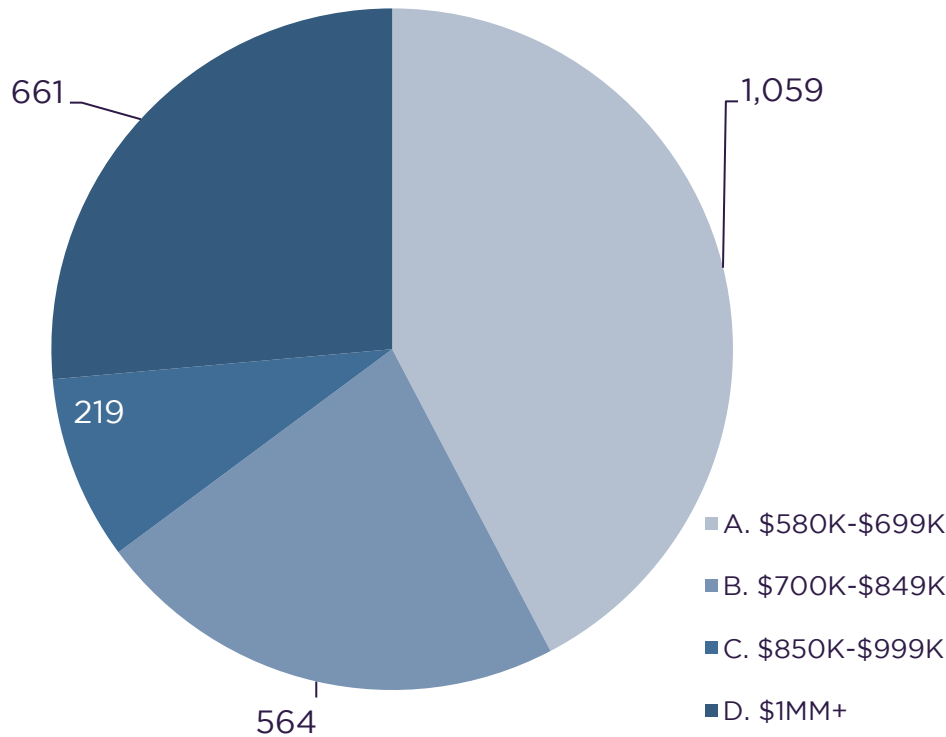
The SOCO market overall had 16,511 home sales in the prior twelve months. These 24 neighborhoods below represent the most expensive 5% of the neighborhoods we track (827 sales). The bottom of this chart highlights the top 10% of the market, or ALL homes over \$580,000 (top 10% of overall market).

T1 - Time Period 1 - January 2019 - December 2019												Note: Data from PPAR 1/04/2021; analysis by Shorewood Real Estate				
T2 - Time Period 2 - January 2020 - December 2020												© Copyright 2021 Shorewood Real Estate				
COLORADO SPRINGS HOMES			Number of Sales					Days on Market			Avg SOLD \$000					
LUXE NEIGHBORHOODS	Current Active	Current U/C	% Listings U/C	Sold t1	Sold t2	Chg Sales	MOI	Sold t1	Sold t2	Chg in DOM	Average Asking	Sold t1	Sold t2	Chg Price	AVG Disc	
Arrowwood	-	1	100%	7	12	71%	-	36	19	(17)	0	632	639	1%	0.2%	
Broadmoor	12	7	37%	83	94	13%	1.5	51	42	(9)	1,460	587	660	13%	-2.2%	
Canterbury	1	-	0%	11	12	9%	1.0	13	28	15	1,050	617	775	26%	-1.3%	
Cedar Heights	1	2	67%	17	15	-12%	0.8	79	49	(30)	1,000	612	707	15%	-1.0%	
Flying Horse	5	7	58%	97	117	21%	0.5	60	42	(18)	1,903	650	695	7%	-0.8%	
Hawkridge	1	-	0%	1	12	1100%	1.0	7	51	44	1,695	675	750	11%	-0.4%	
High Forest Ranch	1	-	0%	12	18	50%	0.7	110	63	(47)	1,165	1,093	1,246	14%	-2.5%	
Kettle Creek	-	1	100%	9	13	44%	-	23	11	(12)	0	470	584	24%	-0.7%	
Kings Deer Highlands	-	-	-	24	40	67%	-	96	52	(43)	0	817	882	8%	-0.7%	
Kissing Camels	6	2	25%	43	62	44%	1.2	73	27	(46)	1,295	806	734	-9%	-1.3%	
Neal Ranch	12	20	63%	123	147	20%	1.0	78	55	(23)	2,194	694	817	18%	-1.9%	
Northgate Estates	-	-	-	9	6	-33%	-	27	81	54	0	695	618	-11%	-2.3%	
Park Forest Estates	-	1	100%	13	23	77%	-	54	40	(14)	0	541	666	23%	-2.2%	
Serenity Park	-	2	100%	27	32	19%	-	48	24	(24)	0	559	678	21%	-0.7%	
The Ridge at Fox Run	1	-	0%	17	16	-6%	0.8	34	24	(9)	688	618	616	0%	0.0%	
The Timbers	-	-	-	6	9	50%	-	14	102	89	0	716	947	32%	-1.5%	
The Trails	-	5	100%	26	31	19%	-	34	35	1	0	528	629	19%	0.1%	
Upper Skyway	2	5	71%	66	62	-6%	0.4	31	32	1	1,315	633	653	3%	-0.0%	
Walden	1	1	50%	29	36	24%	0.3	64	47	(17)	565	662	789	19%	-1.3%	
Wildwood Village	-	-	-	9	9	0%	-	38	45	7	0	665	636	-4%	-0.9%	
Wissler Ranch	1	-	0%	4	12	200%	1.0	27	55	29	895	844	809	-4%	-1.7%	
Woodmen Valley	-	-	-	15	12	-20%	-	36	20	(17)	0	682	671	-2%	-1.4%	
Woodmoor Greens	1	4	80%	24	29	21%	0.4	31	42	11	500	523	586	12%	-0.4%	
Woodmoor Mtn	2	2	50%	9	8	-11%	3.0	42	28	(15)	879	561	726	29%	-3.5%	
Grand Total	47	60	56%	681	827	21%	0.7	56	42	(14)	1,555	655	731	12%	-1.2%	
A. \$580K-\$699K	66	106	62%	659	1,059	61%	0.7	51	42	(9)	644	629	629	0%	-0.5%	
B. \$700K-\$849K	35	55	61%	332	564	70%	0.7	62	48	(14)	768	765	763	0%	-0.9%	
C. \$850K-\$999K	33	30	48%	140	219	56%	1.8	69	69	0	931	910	912	0%	-1.1%	
D. \$1MM+	112	110	50%	407	661	62%	2.0	68	58	(11)	1,754	781	882	13%	-1.2%	
Grand Total	246	301	55%	1,538	2,503	63%	1.2	59	50	(10)	1,205	724	751	4%	-0.8%	

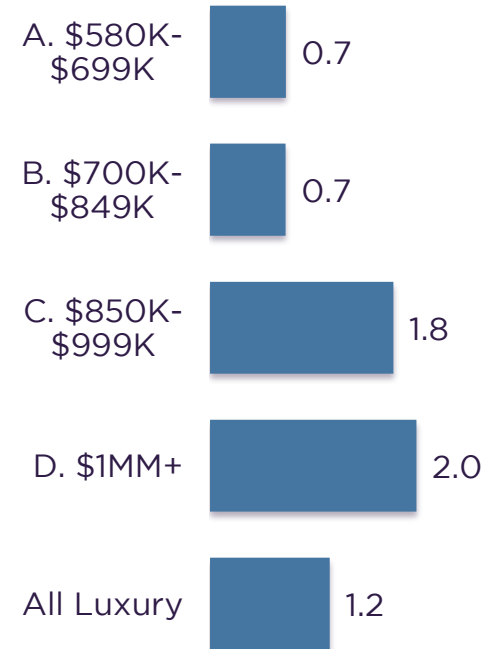
The top 10% of SOCO's most expensive homes sell for \$580,000 or more. Homes in different luxury home segments have different characteristics. As the average home price increases, the "lower-end luxury" market continues to grow in popularity among former non-luxury clients.

January 2020 - December 2020

% OF SALES IN EACH PRICE SEGMENT

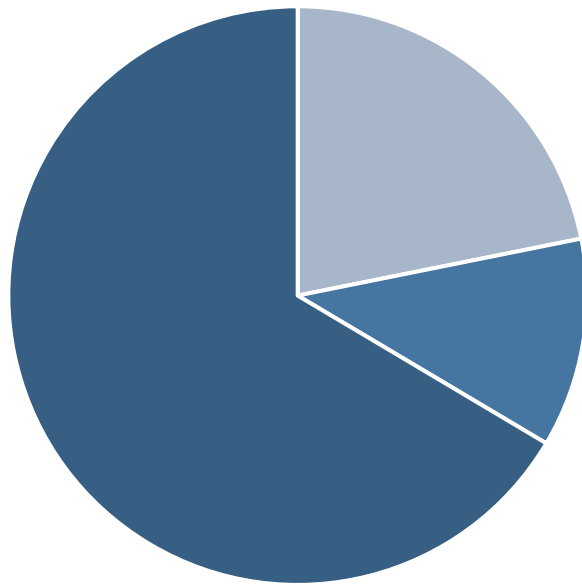


MONTHS OF INVENTORY BY SEGMENT

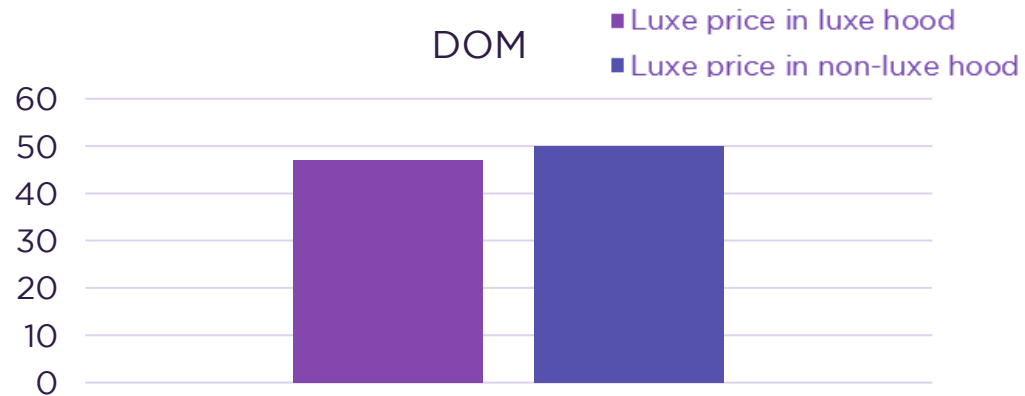


We can define the luxury market in two ways: 1) houses sold in neighborhoods that have an average sales price of \$580k or greater, or 2) any house that sells at the top 10% of the market (\$580k+). Does the neighborhood in which you're selling a luxury-priced home affect performance?

Marketing time (DOM) is nearly identical. For price, houses in the luxury neighborhoods will get significantly higher sales prices than the top 10% of sales in other neighborhoods. If most/all of your neighbors sell for a premium price, it seems to reinforce values better than having the one nice house in an average area.

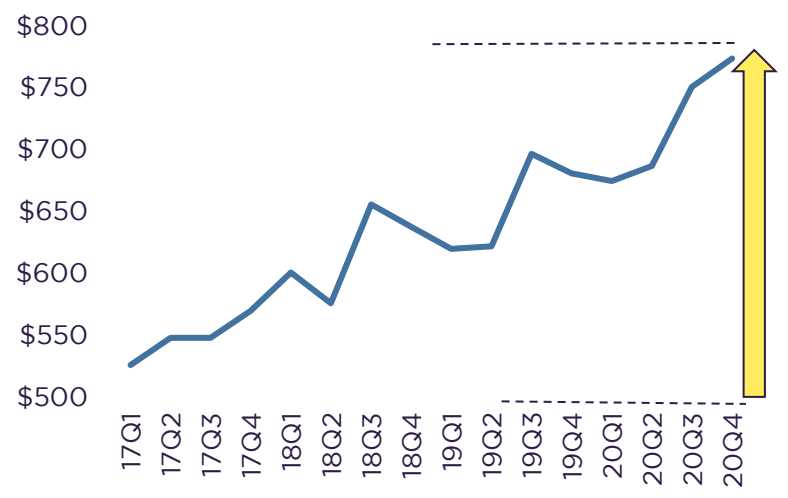


- BOTH luxe price and luxe hood
- Luxe hood, but not luxe price
- Luxe price, but not luxe hood

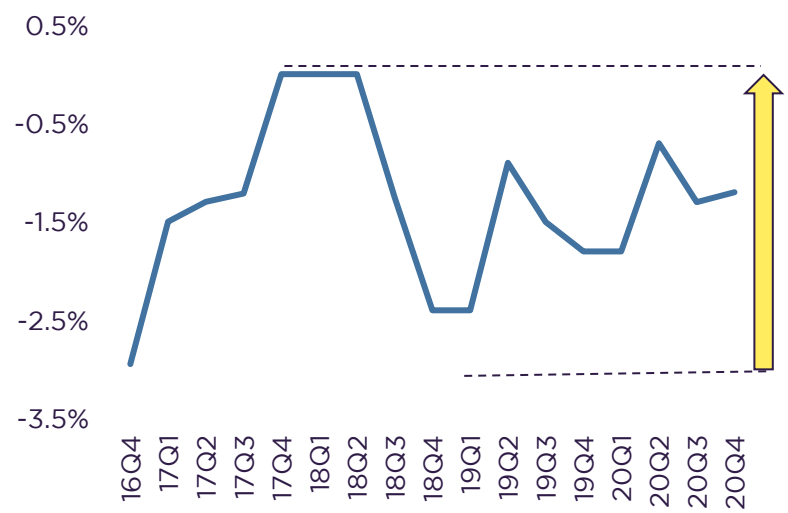


Data Source: PPAR.com; Shorewood Real Estate Analysis

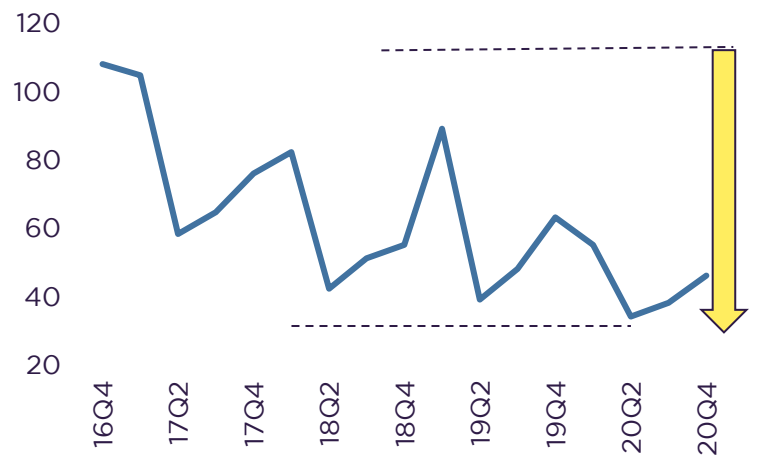
SALES PRICES IN \$000



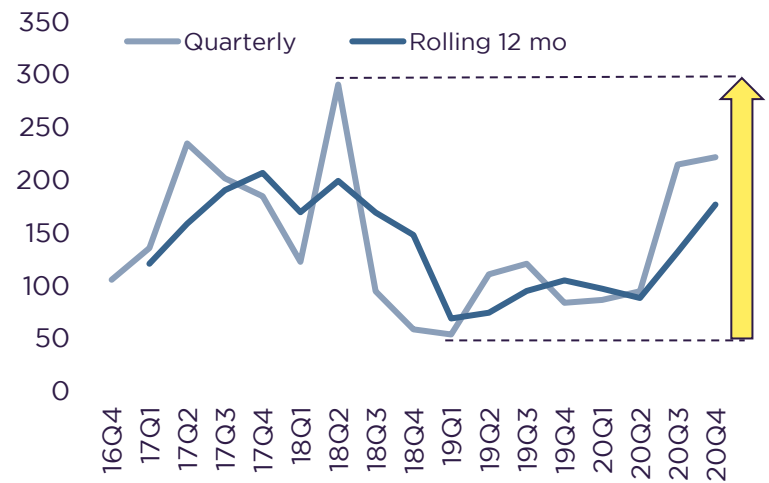
DISCOUNT (SOLD PRICE / LAST ASK \$)



DOM (DAYS ON MARKET)



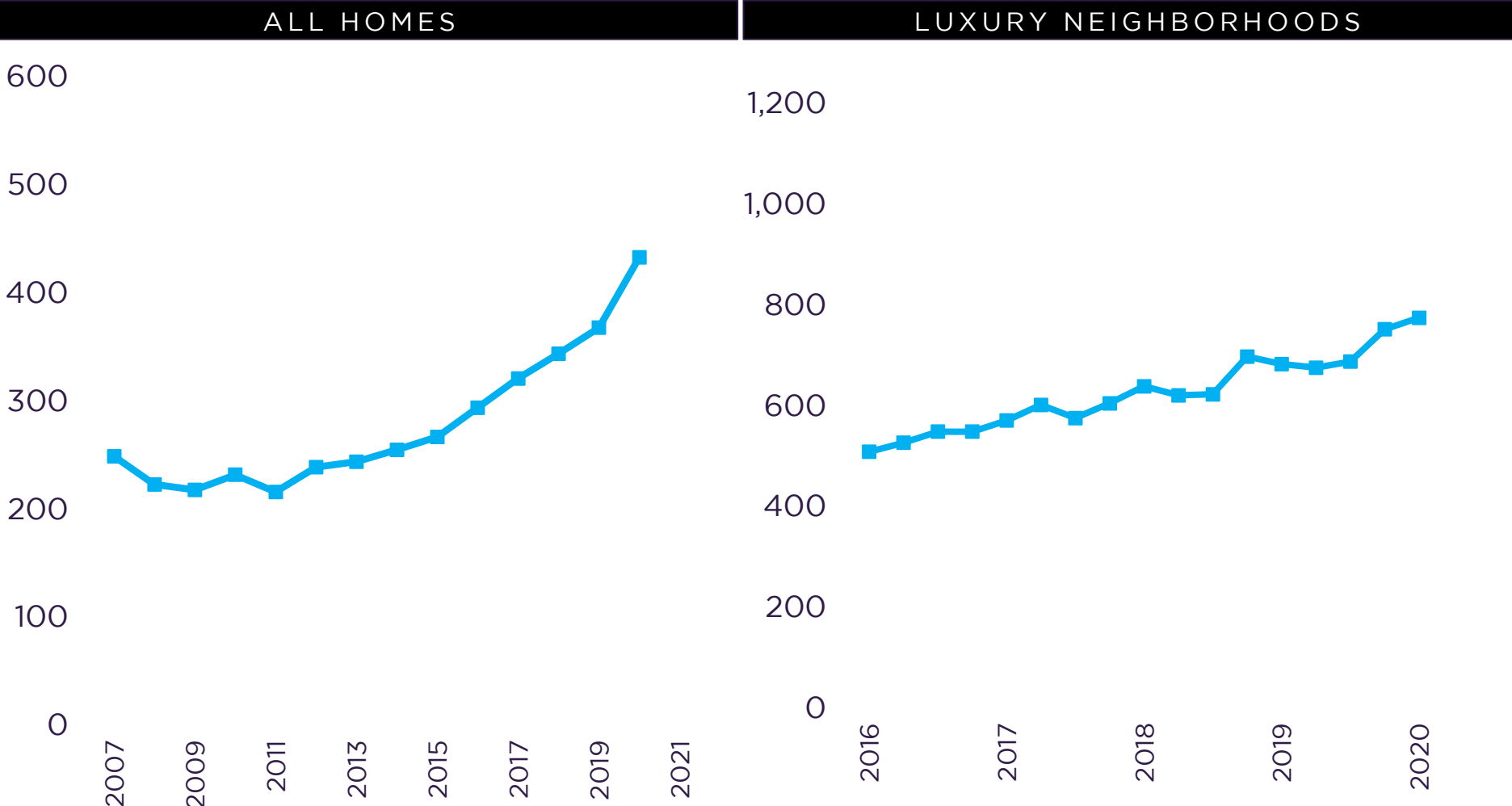
NUMBER OF HOMES SOLD



Data Source: PPAR.com; Shorewood Real Estate Analysis

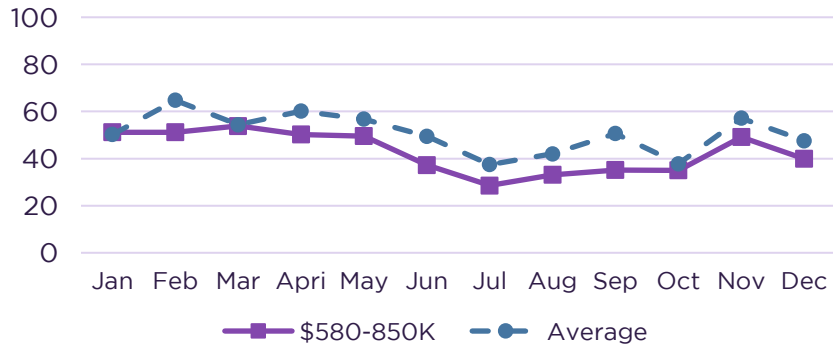
The overall market has recovered all its losses. The luxury market has also recovered all its losses. The luxury market LAGS behind the overall market a bit. The luxury market is nearly double the price of the average home.

Sales Prices in \$000

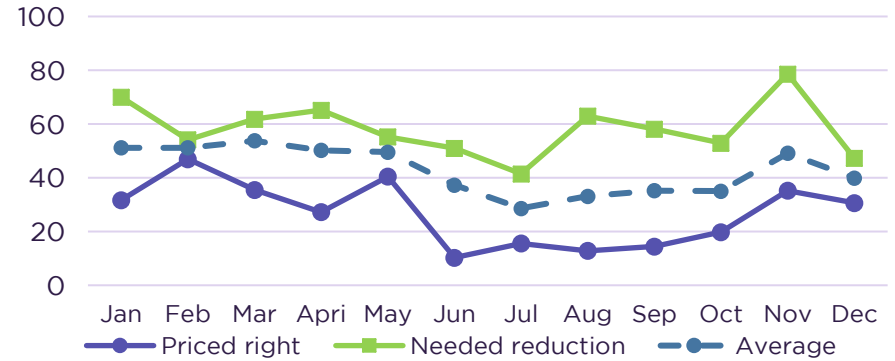


Data Source: Recolorado.com, PPAR.com, Shorewood Real Estate Analysis

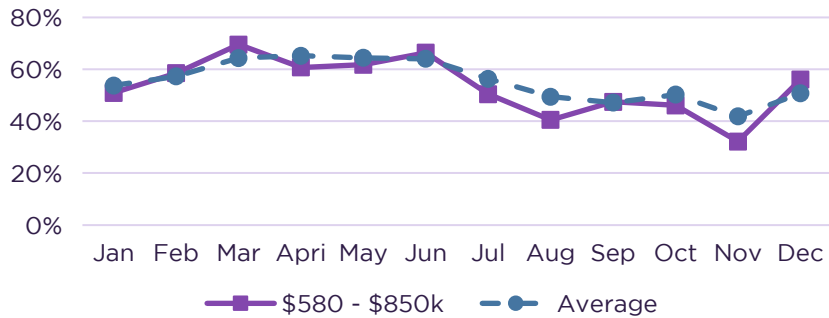
DAYS ON MARKET



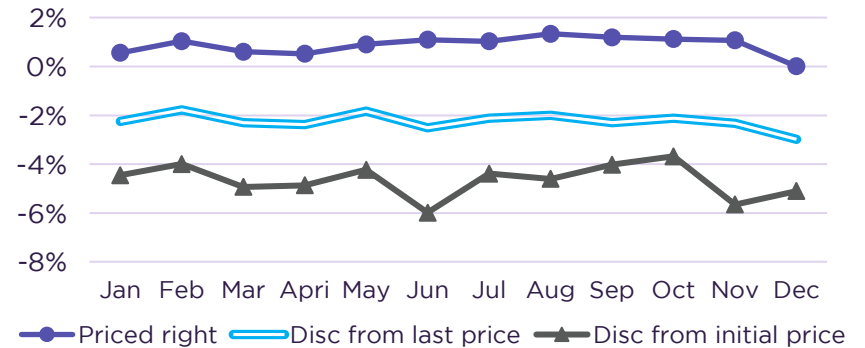
PRICE IMPACT ON DOM



% OF SOLD NEEDING PRICE REDUCTION



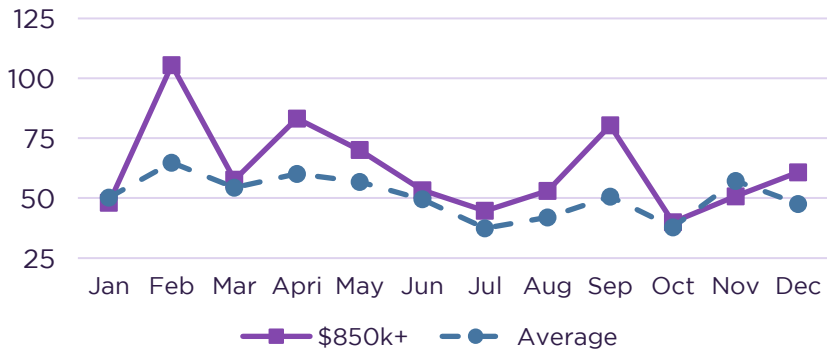
% PRICE ADJUSTMENT



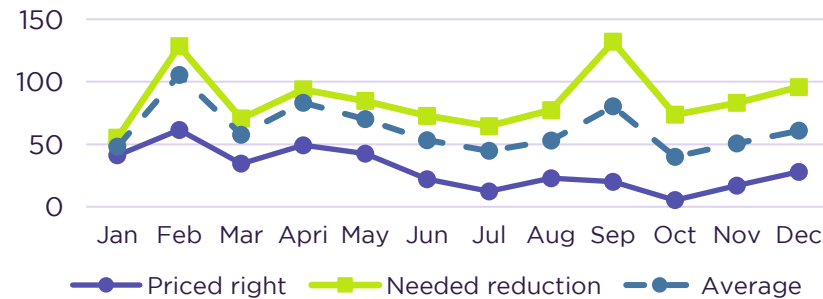
SUMMARY FOR \$580-850K SELLERS

- Days on market (DOM) - The gap between this price segment and the luxury average is not too different as it makes up nearly 65% of all luxury sales.
- % that need \$\$ reduction - In the past year, best months: Aug and Nov.
- How pricing impacts DOM - Homes priced right when listed sell much faster (25 DOM) than homes that are initially overpriced and needed a price drop (63 DOM)
- Discounts are much smaller for homes that are priced right on day one (1.0% *premium*) vs. homes that need a price drop (4.6% discount)

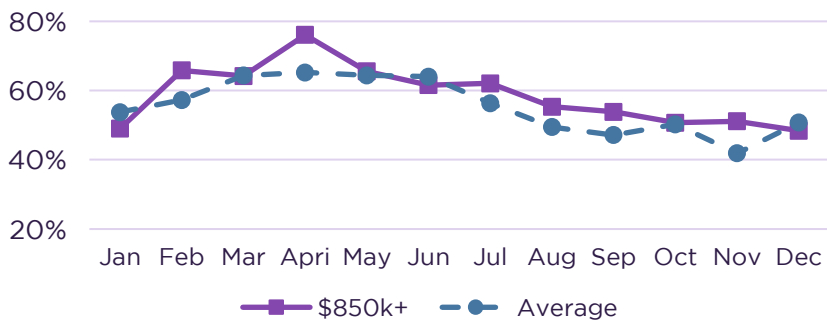
DAYS ON MARKET



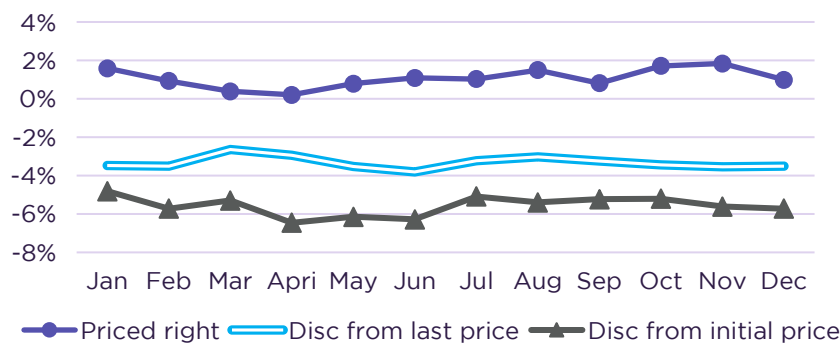
PRICE IMPACT ON DOM



% OF SOLD NEEDING PRICE REDUCTION



% PRICE ADJUSTMENT



SUMMARY FOR \$850K+ SELLERS

- Statistics in this segment can skew and very greatly due to the small sale count; not to mention that 2020 was an anomaly in many respects.
- Days on market (DOM) - lowest for homes listed in January and October.
- % that need price reduction - the fall months matched the typical best month of January
- How pricing impacts DOM - homes priced right when listed sell much faster (30 DOM) than homes that are initially overpriced and needed a price drop (86 DOM)
- Discounts are much smaller for homes that are priced right on day one (1.1% *premium*) vs. homes that need a price drop (5.7% discount)

Data Source: PPAR.com; Shorewood Real Estate Analysis

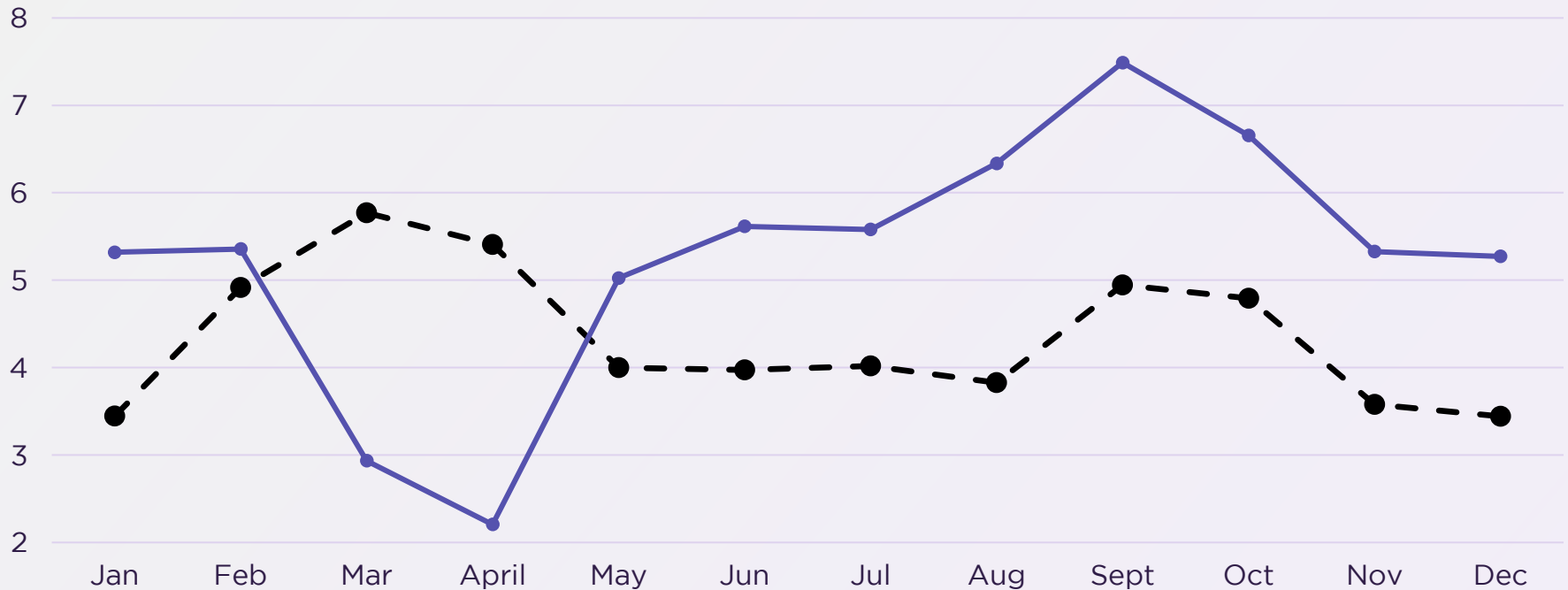
As with the entire real estate market, COVID cautions caused an unprecedented drop in April 2020, but showings bounced right back the very next month and have been above average for each respective month since. Denver and SOCO follow a similar pattern, with SOCO showings about 40% less than Denver.

\$650,000 - \$1,000,000

SHOWINGS / ACTIVE LISTING (HOMES + CONDOS, 2019 - 2020)

Showings per listing per month

● 2019 ● 2020



Source: Shorewood Real Estate analysis. Based on information from Showing Time..

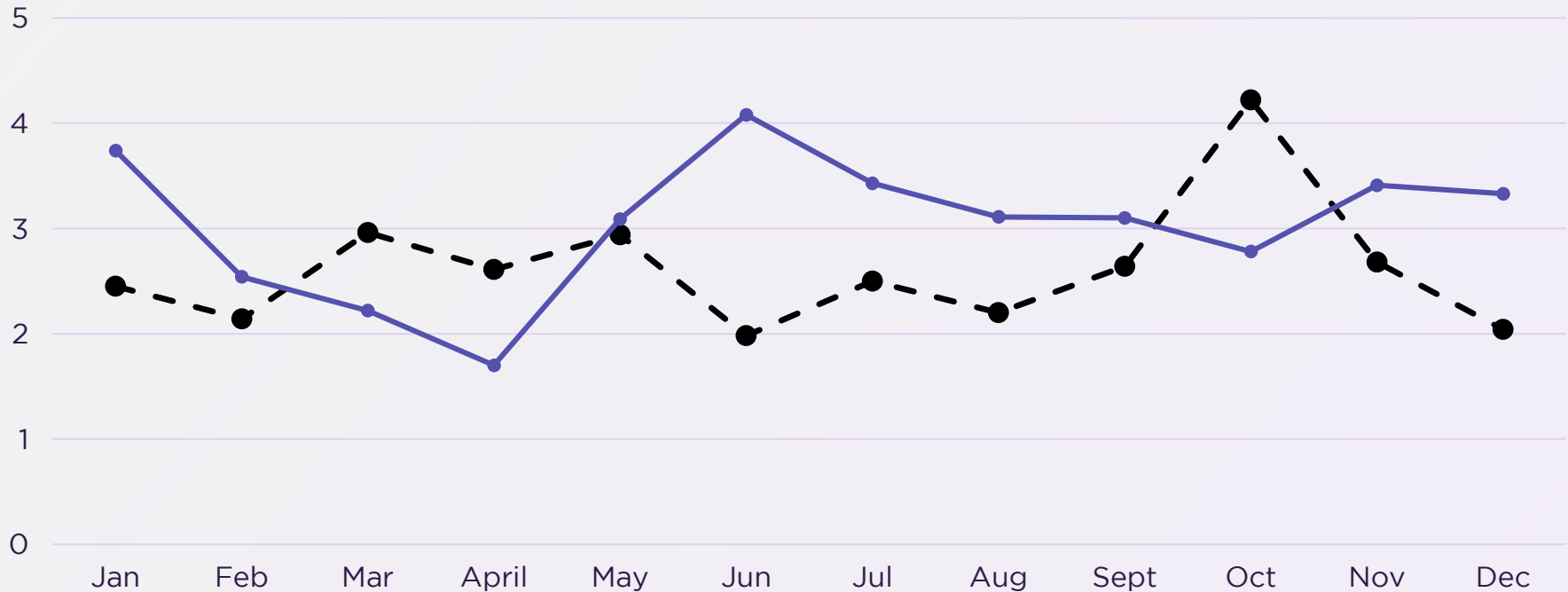
The \$1MM+ home showings trail the \$650-1MM market by about 40-50%. But the showing traffic is *usually* very similar year over year. As with the entire real estate market, COVID cautions caused an unprecedented drop in April 2020, but showings bounced right back the very next month. In 2019 there was an unusual spike in activity in October, but otherwise showing activity is up from 2019.

Over \$1 million

SHOWINGS / ACTIVE LISTING (HOMES + CONDOS, 2019 - 2020)

Showings per listing per month

● 2019 ● 2020

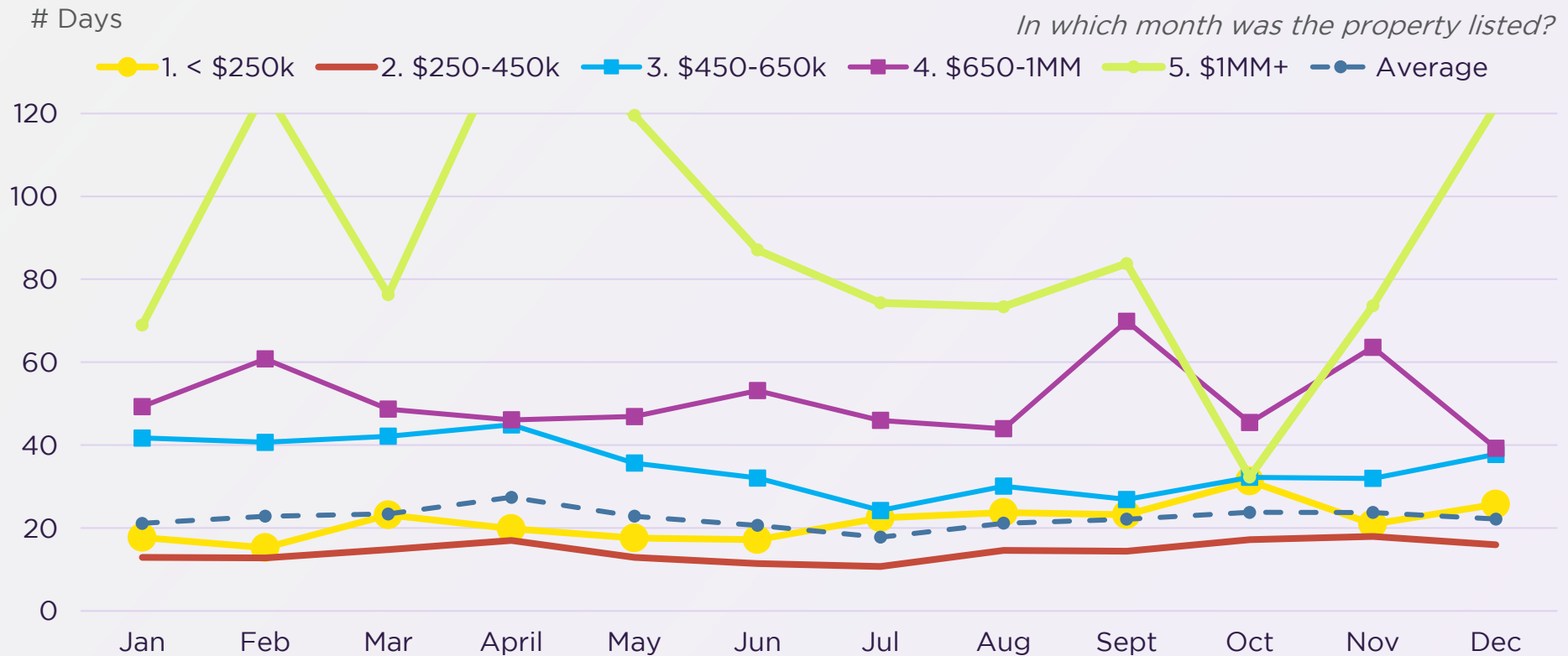


Source: Shorewood Real Estate analysis. Based on information from Showing Time.

Number of days on market (list to UC) by listing month. As we've seen before, the luxury market experiences more volatility than the rest of the market.

Comparing all Price Segments

DAYS OF MARKETING (HOMES ONLY, 1Q19 - 4Q20)



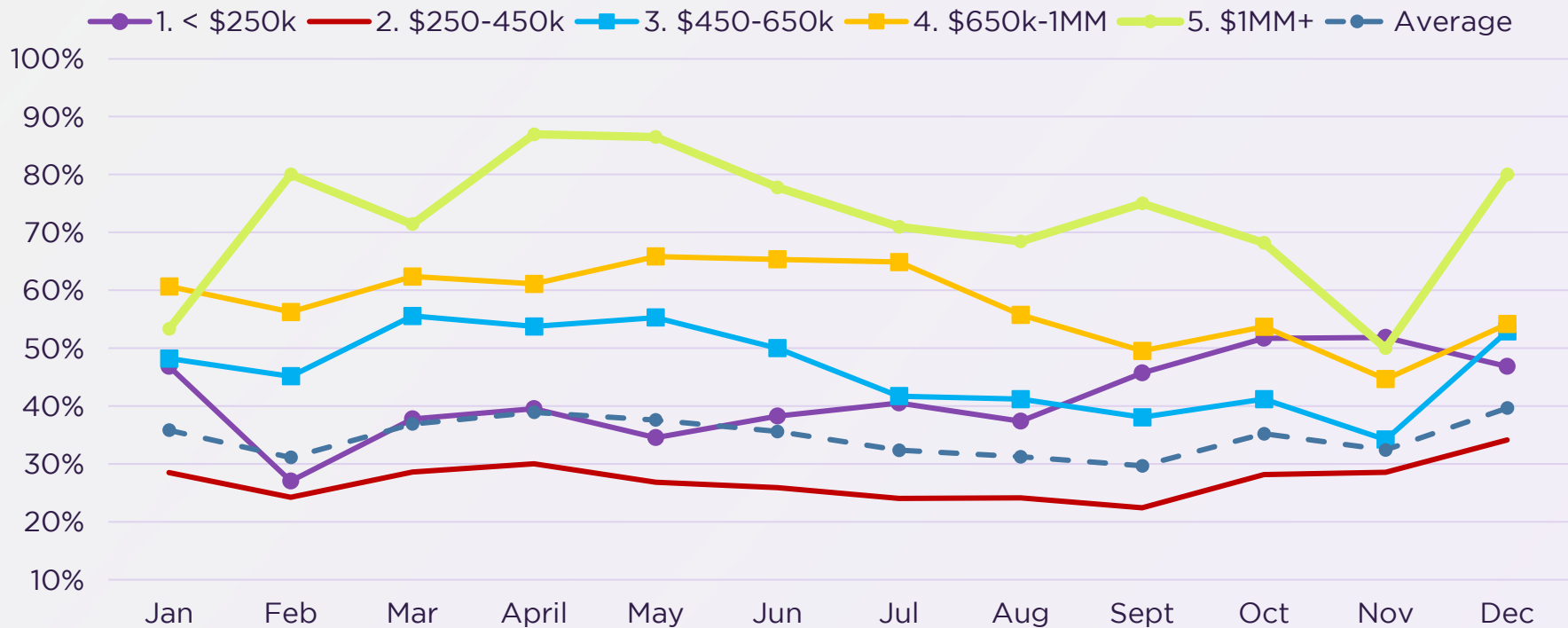
Source: PPAR.com and Shorewood Real Estate analysis.

60% of homes over \$450K needed reductions. Not surprisingly, the most affordable homes are more likely to be priced right and not require a reduction (only about 35%). The availability of “true” comps - the pricier homes have less direct property comparisons - might be part of the reason.

Comparing all Price Segments

% OF SOLD NEEDING PRICE REDUCTION (HOMES ONLY, 6 COUNTY METRO, 1Q19 - 4Q20)

In which month was the property listed?



Source: PPAR.com and Shorewood Real Estate analysis.

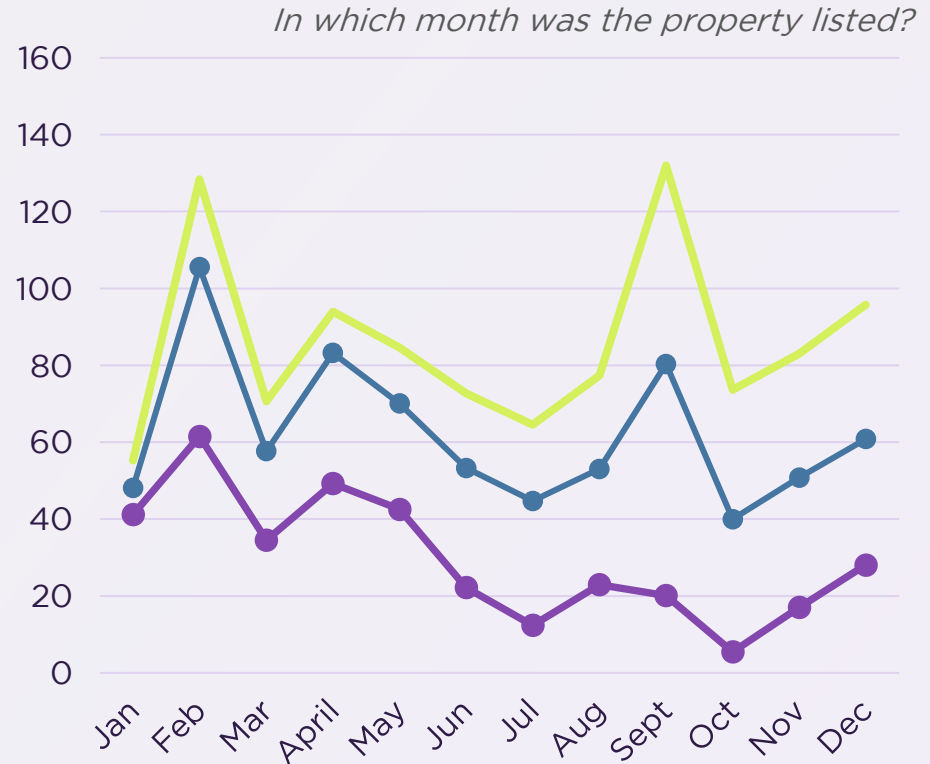
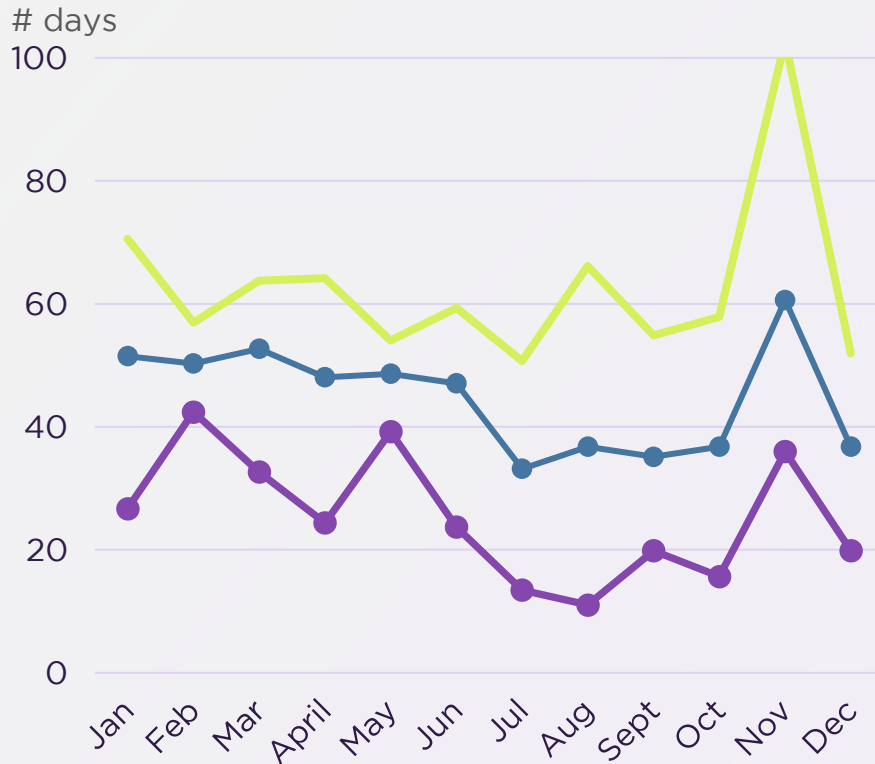
Over the past 12 months, homes between \$580K and \$850k that were priced right at initial listing (e.g., did not require a price reduction) sold in 25 DOM. Mispriced homes (that required a reduction) needed 63 DOM, or 2.5x. It takes nearly 3x as long to market properties priced incorrectly in the \$850k+ market.

\$580,000 - \$850,000

—●— Priced right
 —●— Needed reduction
 —●— Average

\$850,000+

DOM (2019-2020)



Source: PPAR.com and Shorewood Real Estate analysis.

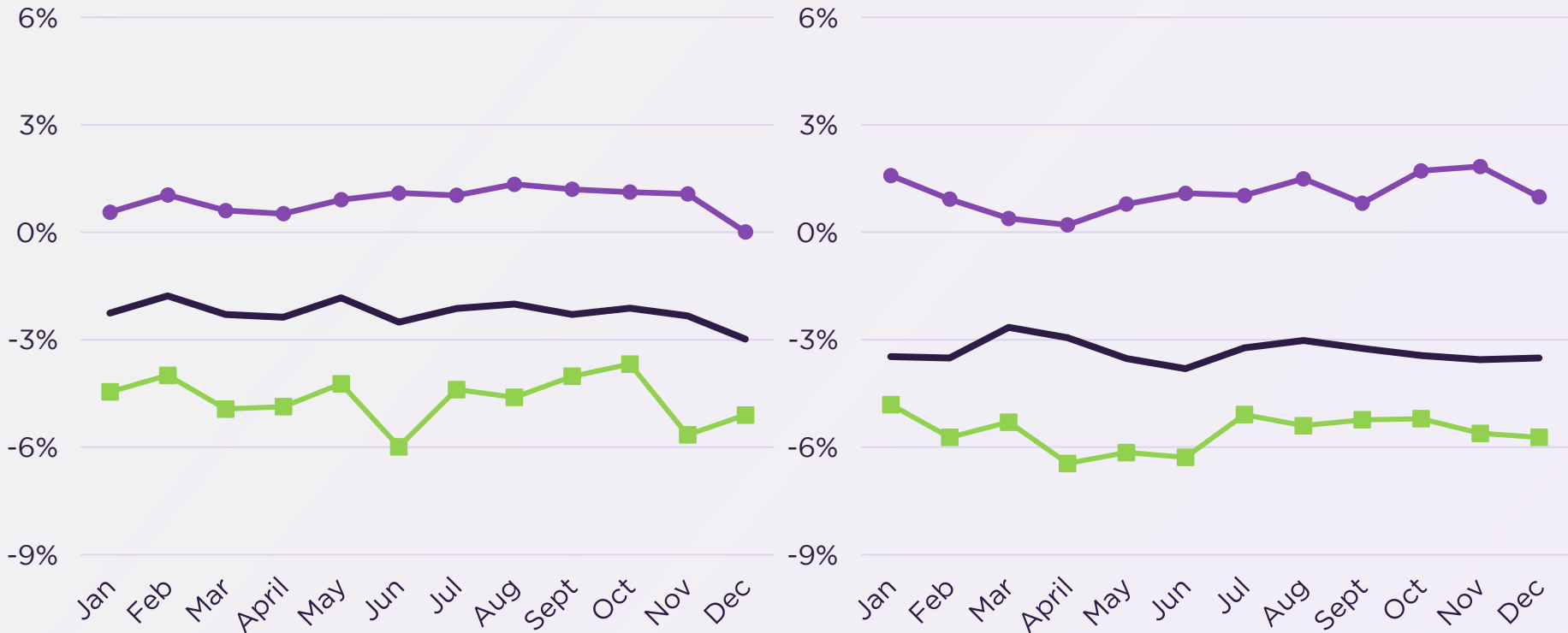
The discount from last list price is between -2% and -4%. SOCO buyers actually pay a premium for properties that are listed at the right price. Of course, most overpriced homes never sell at all; these are just the lucky ones that did.

\$580,000 - \$850,000

● Priced right
 — Disc from last price
 ■ Disc from initial price

\$850,000+

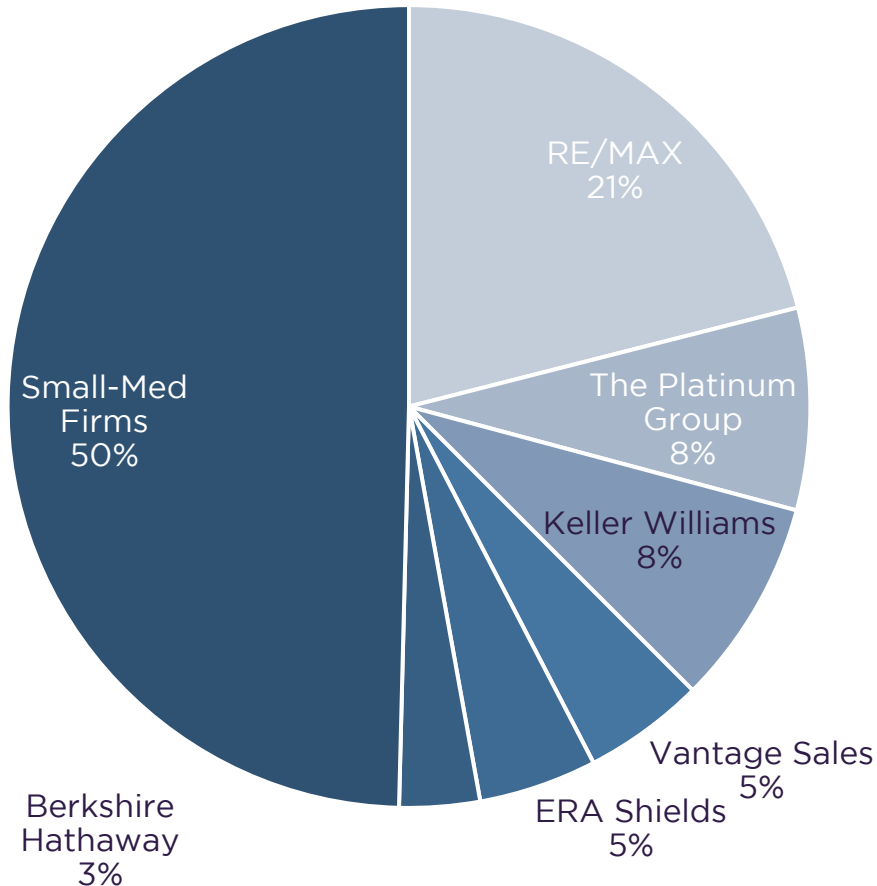
DISCOUNT (SOLD PRICE TO LAST LIST PRICE)



Source: PPAR.com and Shorewood Real Estate analysis.

Do you have to work at a “luxury” brokerage to get luxury listings (\$580k+)?

TTM Listing Count



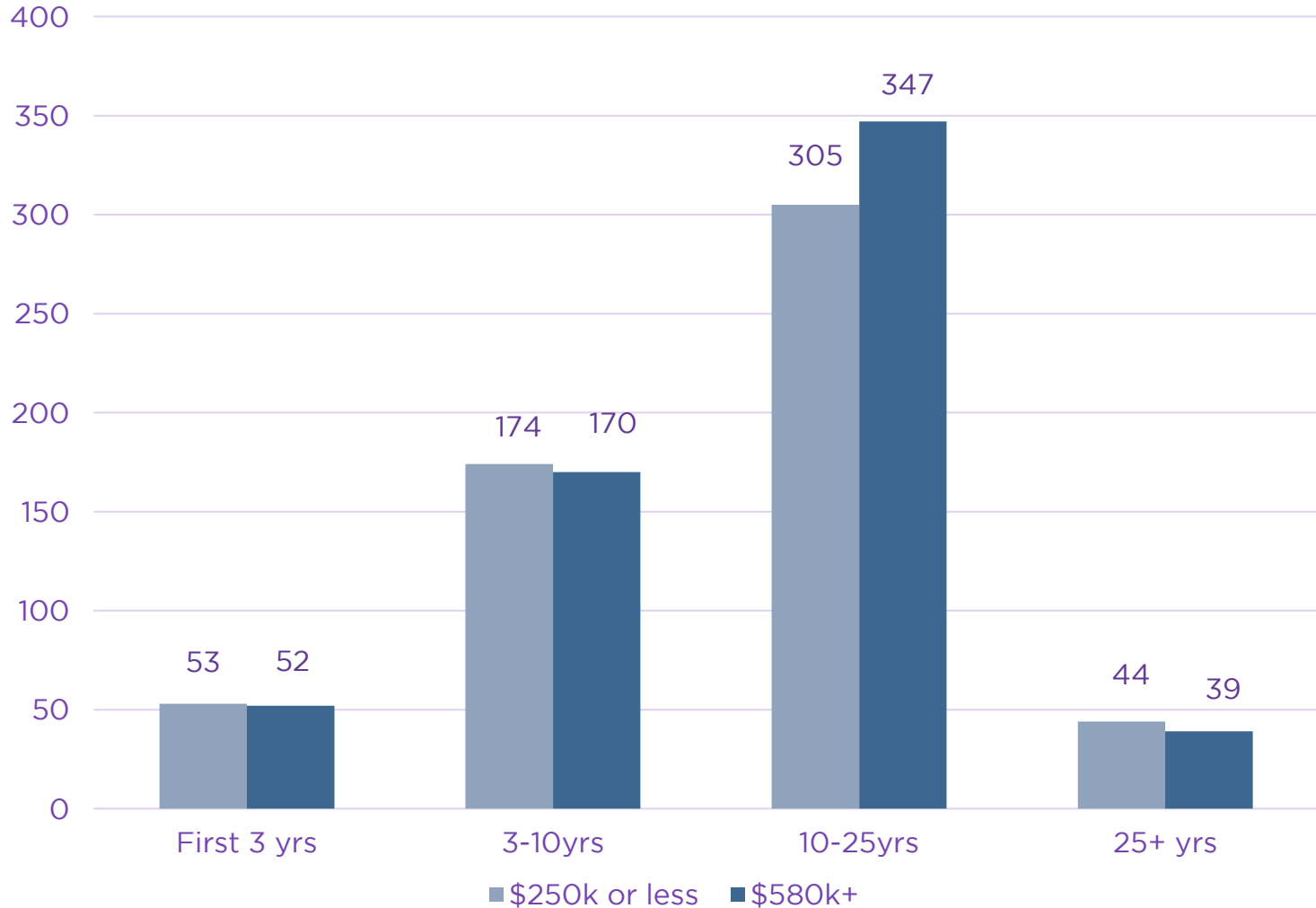
There are plenty of listings to go around.

- RE/MAX has the lion’s share of luxury listings in SOCO
- Keller Williams and The Platinum Group have the next largest pieces of the luxury pie
- Together, the top 6 brokerages in luxury listings make up 50% of the market. The other half are sold by small to mid-sized firms.
- Sotheby’s, the known “luxury” brand, does not even have 2% of the market

Data Source: PPAR MLS; SW analysis

An incredible phenomenon: agents are just as likely to list a low-cost property as they are luxury listings, at any experience level! Agents with 10-25yrs experience list twice as many houses as those with 3-10yrs experience, who list 3.5x what new agents do.*

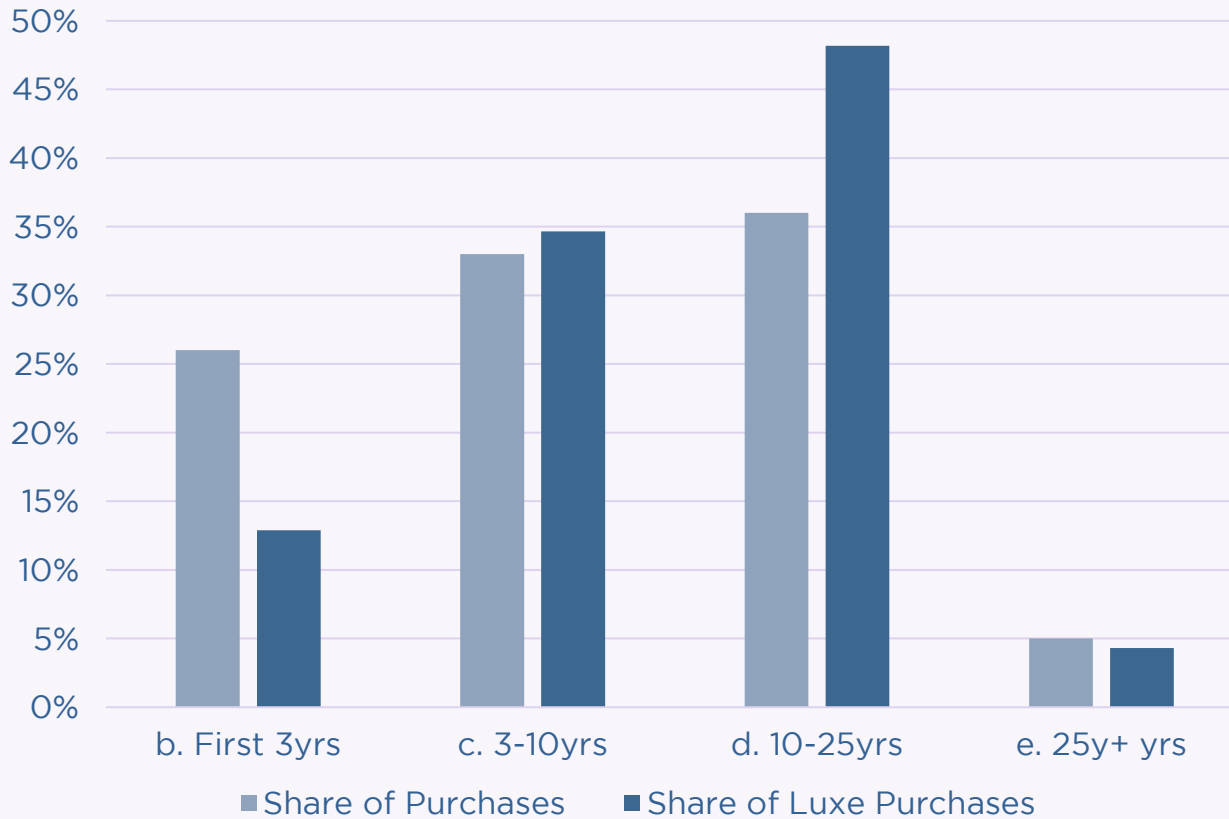
NUMBER OF LISTINGS BY EXPERIENCE LEVEL



Data Source: PPAR MLS; SW analysis. *Of agents with known license date.

What buyer agents are successfully closing large deals?

BUY-SIDE TRANSACTIONS



- Agents with experience of 3-10yrs OR 25+ years have about the same share of the luxury market as they do the overall market.

- Not surprisingly, newer agents have twice the overall market share than they do that of the luxury purchases.

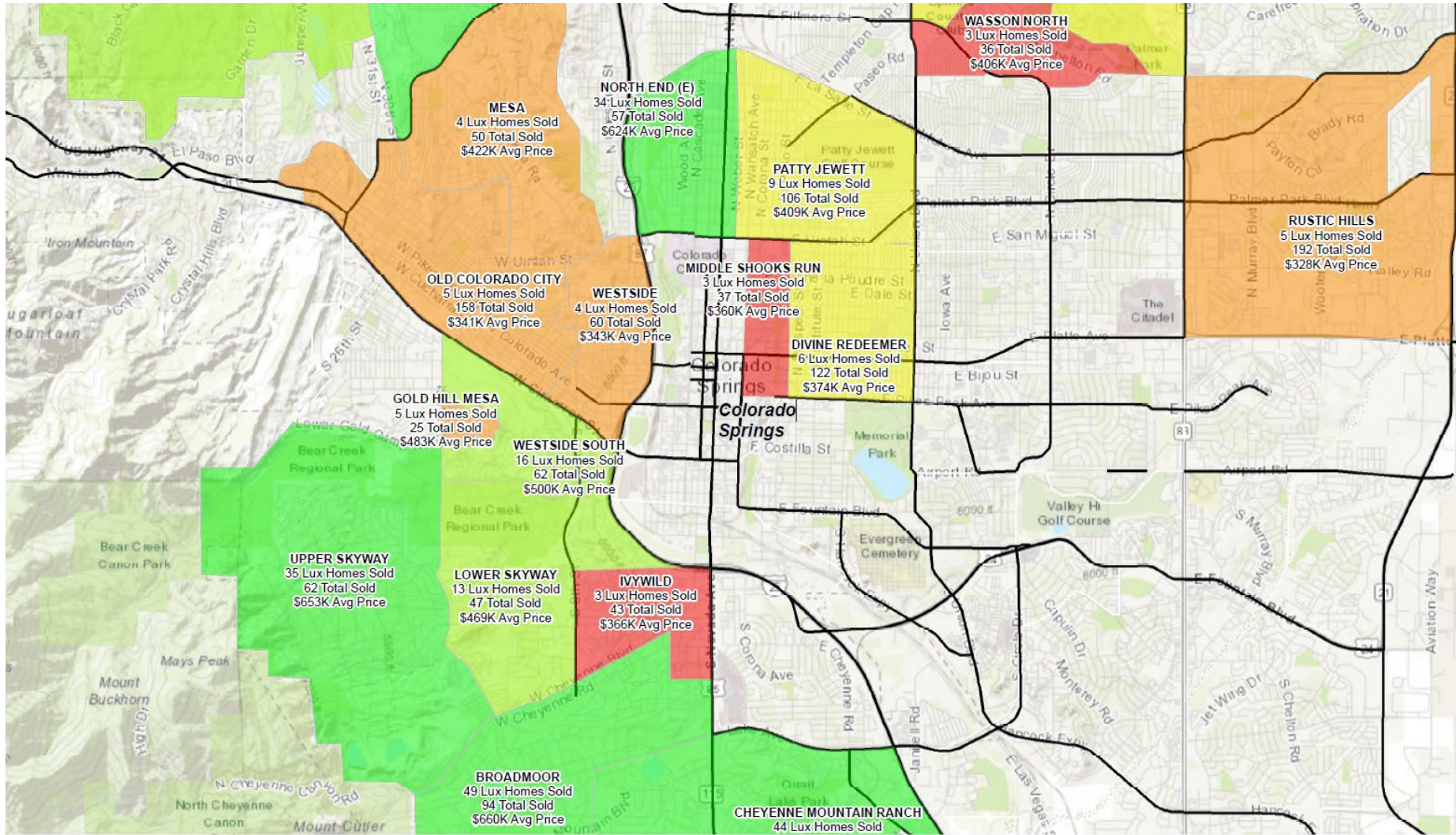
- Agents in the prime of their careers, 10-25yrs, outpace the luxury purchases of any other experience segment.

Data Source: PPAR MLS; SW analysis. *Of agents with known license date.

Note the pricing approach of “price high and we’ll consider a lower offer” works at +/- 15% when the home is over \$1MM. Under \$1 MM, when the home is listed at about the right market price (within 5%), you’ll get an offer close to the asking price.

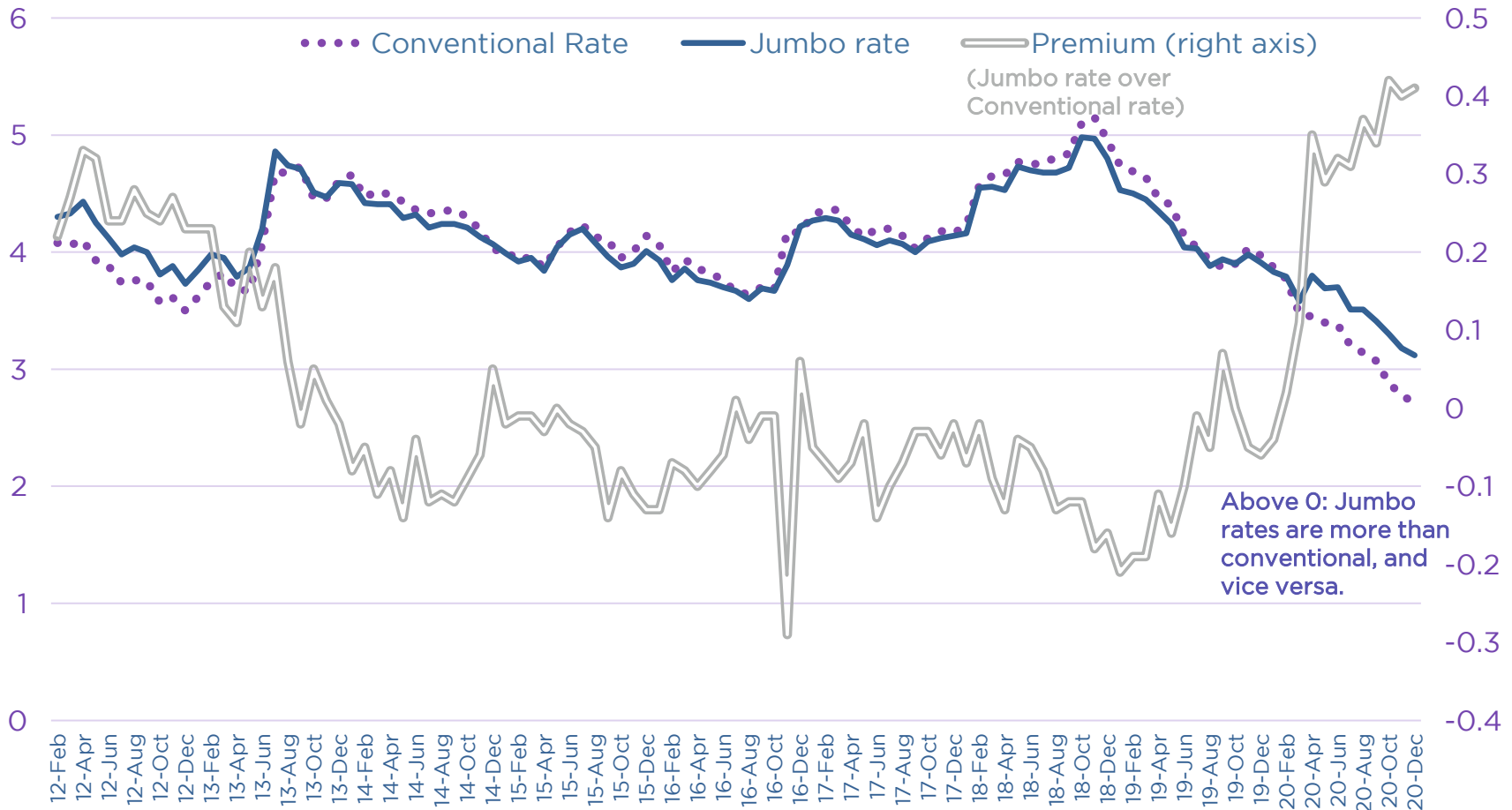


Data Source: PPAR.com; Shorewood Real Estate Analysis



Source: PPAR.com and Shorewood Real Estate analysis. Only neighborhoods with 3+ luxe sales are included.

Jumbo mortgages aren't the cheapest anymore. The reversal is just one of the ways the coronavirus crisis has wreaked havoc on the mortgage market. The same force pushing most mortgage rates to record lows – investors piling into safe-haven assets like government bonds – has pushed jumbo loans out of favor, Orla McCaffrey (Wall Street Journal) reports.



Data Source: Bankrate.com, [FreddieMac.com](https://www.freddiemac.com), [MortgageNewsDaily.com](https://www.mortgageNewDaily.com). Note: all rates are fixed.

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Notes from the attorneys...

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