



3RD QUARTER 2021

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.

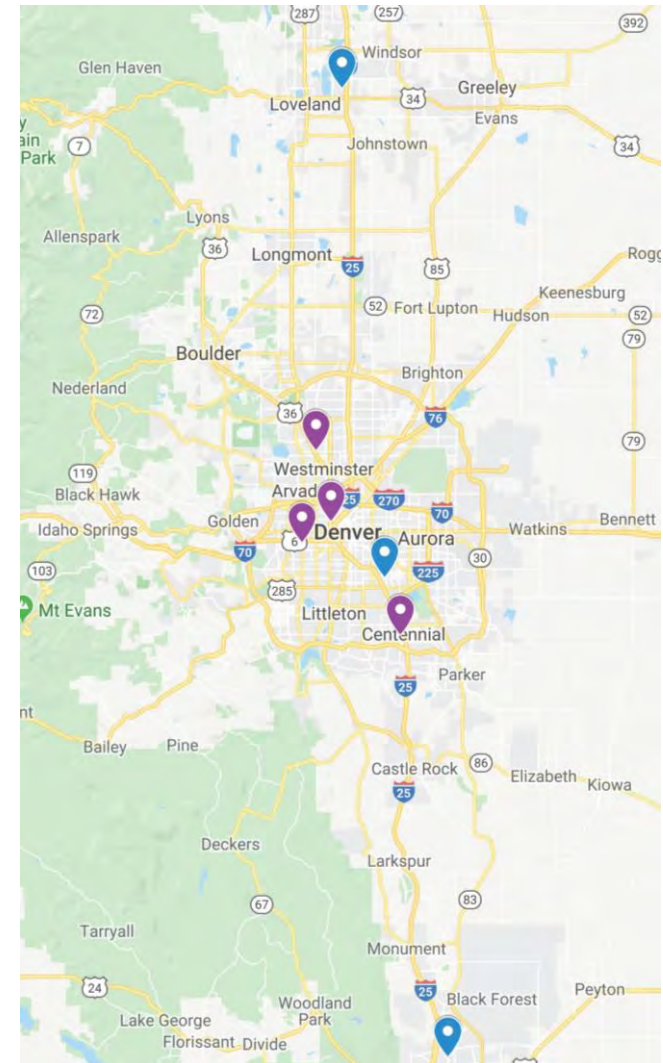
BROKERS & SALES ASSOCIATES

Shorewood Real Estate and its affiliates employ 700+ 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 5% of detached SOCO market). Annual appreciation continues to soar (23%) – *above* that of the entire market average (19%). Sales count is through the roof, MOI and discount all indicate that the luxury market is going strong.

METRIC	PERFORMANCE		OBSERVATIONS
Average Home Price	3Q20 vs 3Q19: 4Q20 vs 4Q19: 1Q21 vs 1Q20: 2Q21 vs 2Q20: 3Q21 vs 3Q20:	+8% +14% +29% +29% +23%	Luxury home prices had been increasing Quarter over Quarter for more than a year. It's recently slowed just slightly. The average price in these 24 areas was \$862,000 vs \$473,000 for the entire market in the trailing twelve months. Homes that are not the first choice in any neighborhood, or secondary luxury neighborhoods may see modest price declines.
Number Sold	3Q20 vs 3Q19: 4Q20 vs 4Q19: 1Q21 vs 1Q20: 2Q21 vs 2Q20: 3Q21 vs 3Q20:	+78% +166% +47% +157% +2%	As expected, units sold in 20Q2 decreased year over year due to COVID. In the same vein, 21Q2 saw triple-digit sales growth compared to 20Q2. This pattern has been seen across the front range. The market has recently returned to "normal" rates of sales growth.
DOM (Days on Market)	3Q20 vs 3Q19: 4Q20 vs 4Q19: 1Q21 vs 1Q20: 2Q21 vs 2Q20: 3Q21 vs 3Q20:	38 vs 48 46 vs 63 28 vs 55 14 vs 34 26 vs 45	Marketing time has risen a bit, but is still incredibly less than one month, which is outstanding for luxe properties. The overall market average is at less than two weeks DOM. Naturally, larger homes require more marketing time to get under contract. Even so, marketing times are significantly lower than this time last year.
MOI (Months of Inventory)	3Q20: 4Q20: 1Q21: 2Q21: 3Q21:	2.2 0.7 0.8 1.1 1.0	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 was clearly evident in 2020. 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	3Q20: 4Q20: 1Q21: 2Q21: 3Q21:	-1.3% -1.2% -0.1% +1.8% +1.7%	Discounts on the high end usually run a little higher than that of the market average. The luxury market is actually strengthening in this regard in that the average luxury buyer continues to pay a <i>premium</i> for these properties!

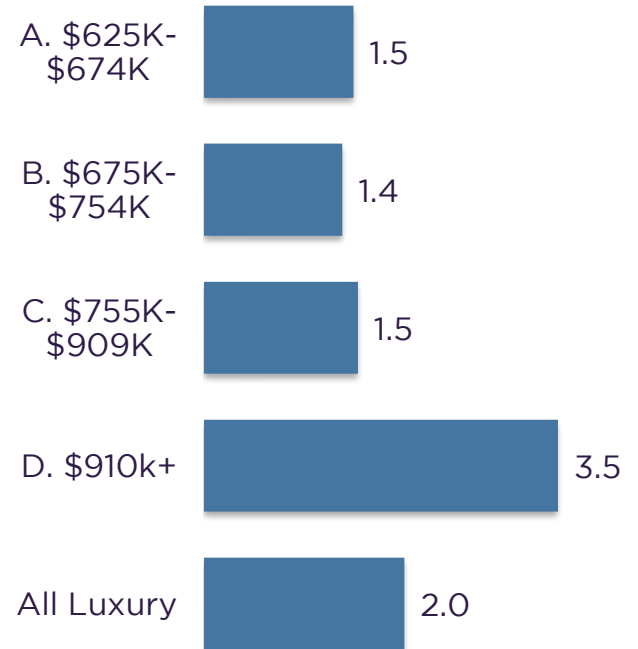
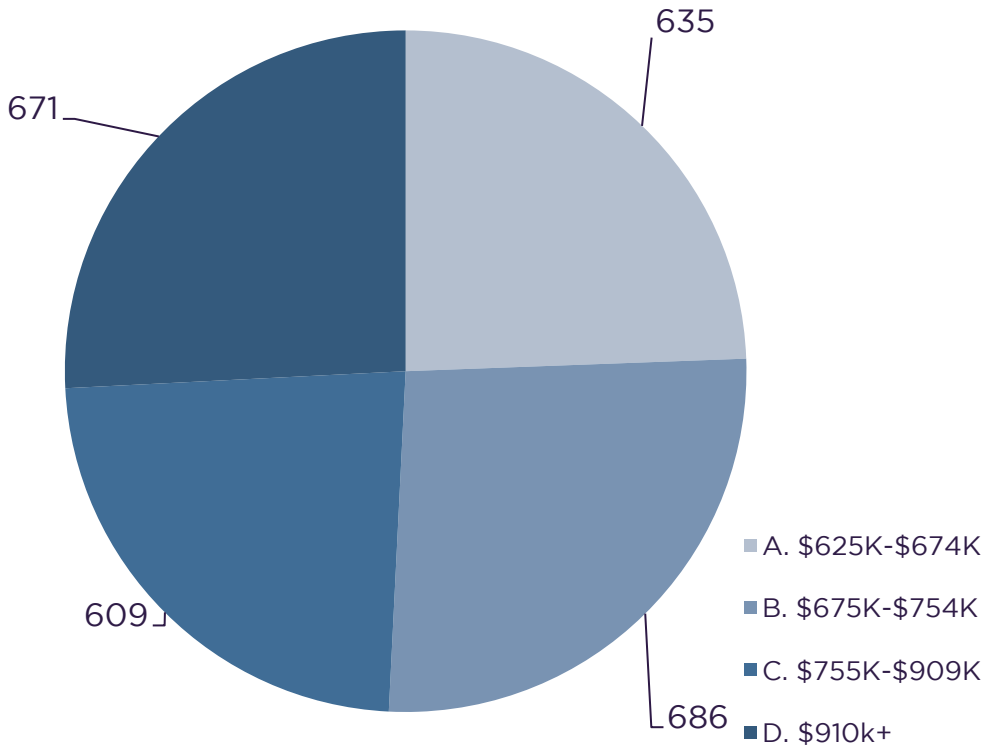
The SOCO market overall had 17,317 home sales in the prior twelve months. These 24 neighborhoods below represent the most expensive 5% of the neighborhoods we track (807 sales). The bottom of this chart highlights the top 10% of the market, or ALL homes over \$625,000 (top 10% of overall DSF market). Sales **DOUBLED** over the past year in these price ranges.

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	2	67%	14	4	-71%	3.0	21	5	(17)	1,500	635	771	21%	3.3%
Broadmoor	9	11	55%	83	107	29%	1.0	42	35	(7)	2,473	637	802	26%	-0.6%
Canterbury	2	5	71%	14	8	-43%	3.0	31	22	(9)	1,445	739	844	14%	-0.5%
Cedar Heights	2	1	33%	14	17	21%	1.4	54	27	(27)	838	702	847	21%	0.5%
Flying Horse	6	2	25%	102	123	21%	0.6	47	24	(23)	1,031	673	870	29%	0.1%
Hawkridge	-	-	-	10	5	-50%	-	60	4	(56)	0	742	827	11%	1.1%
High Forest Ranch	1	2	67%	19	11	-42%	1.1	68	30	(37)	1,495	1,243	1,384	11%	-0.8%
Kettle Creek	-	-	-	9	7	-22%	-	13	4	(9)	0	581	613	5%	1.0%
Kings Deer Highlands	3	4	57%	33	39	18%	0.9	55	30	(25)	1,277	869	1,007	16%	1.3%
Kissing Camels	3	2	40%	58	49	-16%	0.7	35	33	(2)	1,040	727	864	19%	1.9%
Neal Ranch	15	13	46%	134	155	16%	1.2	64	31	(33)	2,224	790	949	20%	0.4%
Northgate Estates	1	1	50%	8	5	-38%	2.4	73	4	(68)	825	623	724	16%	4.0%
Park Forest Estates	1	2	67%	16	18	13%	0.7	53	30	(23)	2,287	616	681	10%	-0.6%
Serenity Park	2	3	60%	27	35	30%	0.7	27	21	(6)	858	646	694	7%	1.2%
The Ridge at Fox Run	-	1	100%	15	14	-7%	-	30	14	(15)	0	598	814	36%	2.3%
The Timbers	-	-	-	8	3	-63%	-	35	215	180	0	729	1,422	95%	-2.5%
The Trails	1	1	50%	27	29	7%	0.4	35	20	(15)	890	634	670	6%	0.5%
Upper Skyway	11	9	45%	54	86	59%	1.5	34	17	(17)	958	627	905	44%	1.0%
Walden	2	5	71%	35	28	-20%	0.9	42	25	(17)	2,750	729	900	23%	2.3%
Wildwood Village	1	-	0%	12	9	-25%	1.3	31	13	(18)	1,200	604	759	26%	3.5%
Wissler Ranch	-	-	-	10	9	-10%	-	51	25	(25)	0	836	911	9%	0.7%
Woodmen Valley	1	6	86%	12	10	-17%	1.2	27	7	(20)	1,250	635	814	28%	3.2%
Woodmoor Greens	2	4	67%	29	29	0%	0.8	45	11	(34)	740	584	667	14%	2.4%
Woodmoor Mtn	2	3	60%	12	7	-42%	3.4	35	29	(6)	823	660	764	16%	0.0%
Grand Total	66	77	54%	755	807	7%	1.0	45	26	(19)	1,570	709	862	22%	0.7%
Homes of \$580k+, regardless of neighborhood															
A. \$625K-\$674K	78	98	56%	312	635	104%	1.5	37	17	(20)	646	646	645	0%	1.6%
B. \$675K-\$754K	78	111	59%	363	686	89%	1.4	48	18	(31)	711	711	710	0%	1.4%
C. \$755K-\$909K	77	94	55%	357	609	71%	1.5	61	33	(28)	838	820	824	1%	0.8%
D. \$910k+	195	116	37%	269	671	149%	3.5	77	53	(24)	1,821	1,261	1,269	1%	-0.4%
Grand Total	428	419	49%	1,301	2,601	100%	2.0	55	30	(25)	1,228	839	865	3%	0.8%

The top 10% of SOCO's most expensive homes sell for \$625,000 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.

October 2020 - September 2021

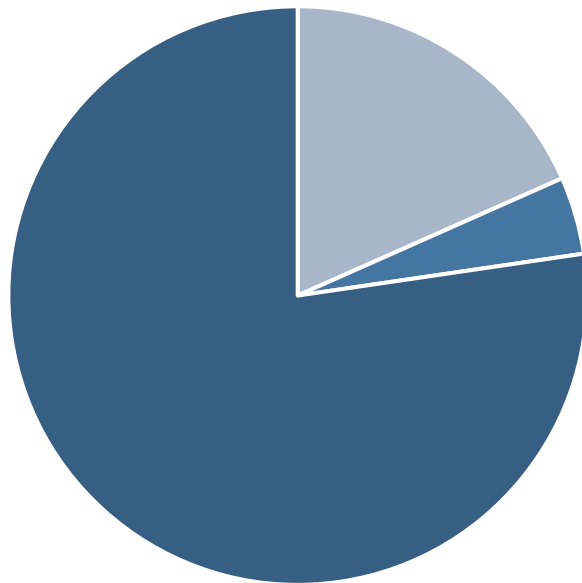
% OF SALES IN EACH PRICE SEGMENT | **MONTHS OF INVENTORY BY SEGMENT**



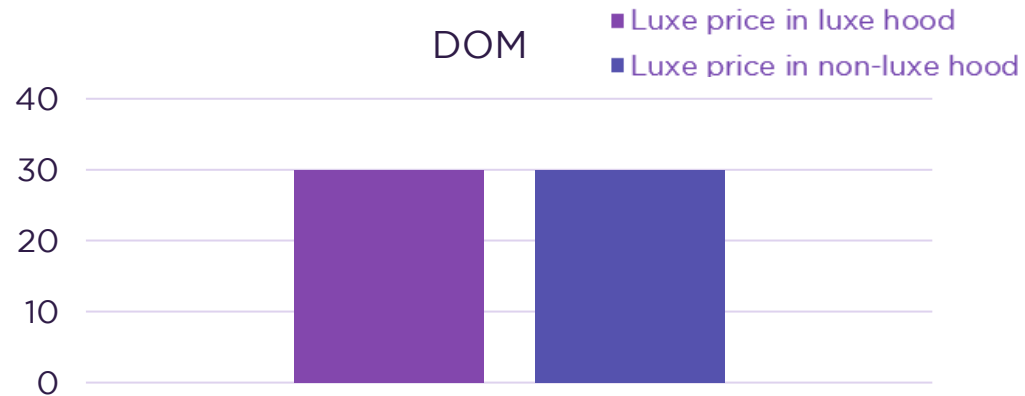
Data Source: PPAR.com; Shorewood Real Estate Analysis

We can define the luxury market in two ways: 1) houses sold in neighborhoods that have an average sales price of \$625k or greater, or 2) any house that sells at the top 10% of the market (\$625k+). Does the neighborhood in which you're selling a luxury-priced home affect performance?

Marketing time (DOM) is identical. For price, houses in the luxury neighborhoods will get about a **18% premium** 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.

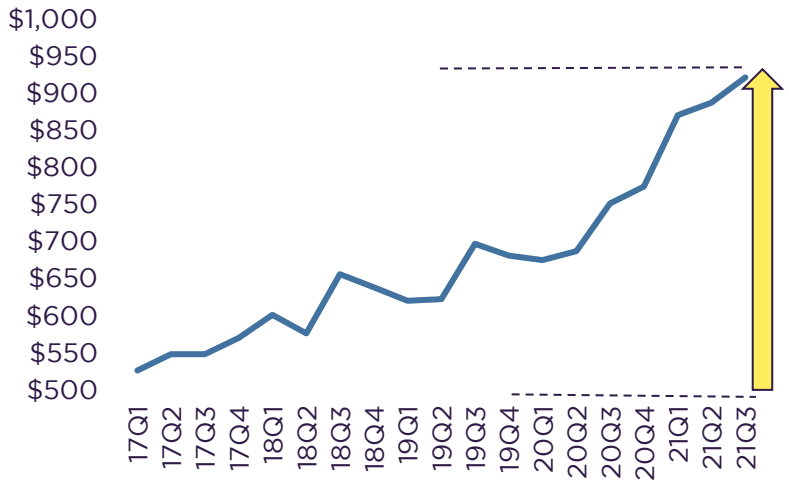


- BOTH luxe price and luxe hood
- Luxe HOOD, but not luxe price
- Luxe PRICE, but not luxe hood

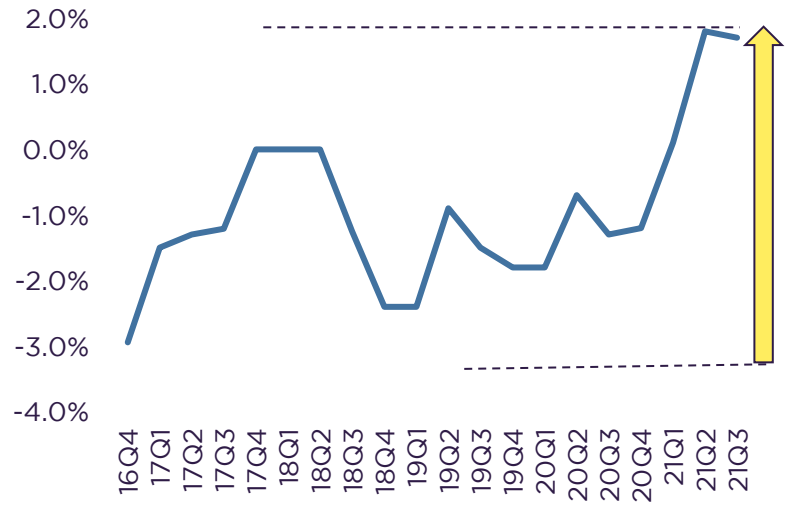


Data Source: PPAR.com; Shorewood Real Estate Analysis

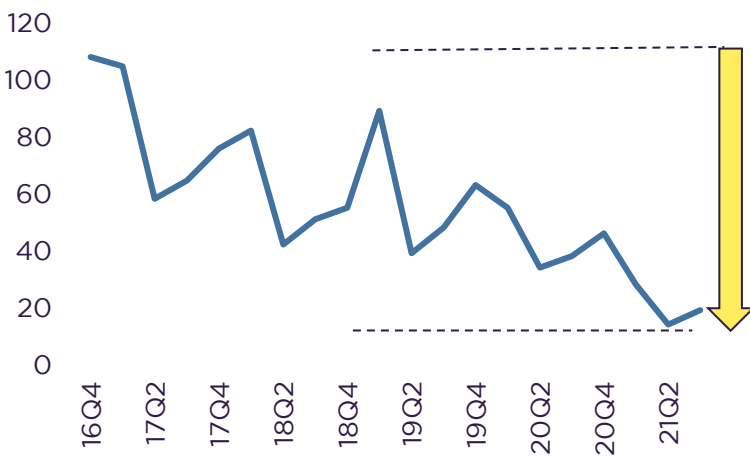
SALES PRICES IN \$000



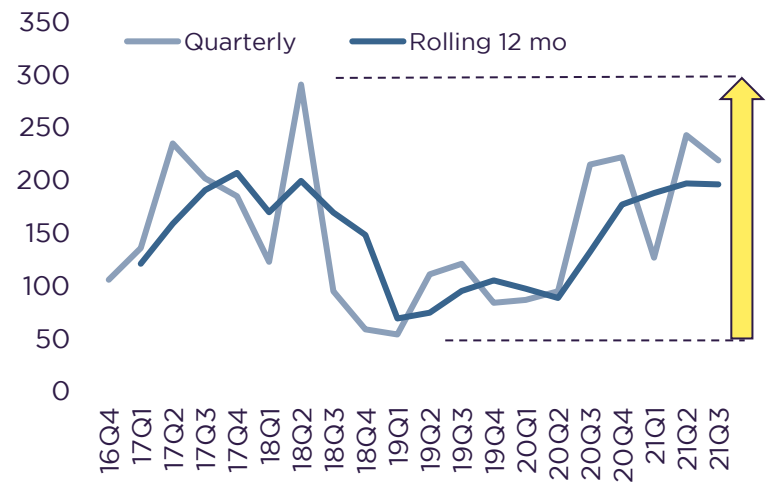
DISCOUNT (SOLD PRICE / LAST ASK \$)



DOM (DAYS ON MARKET)



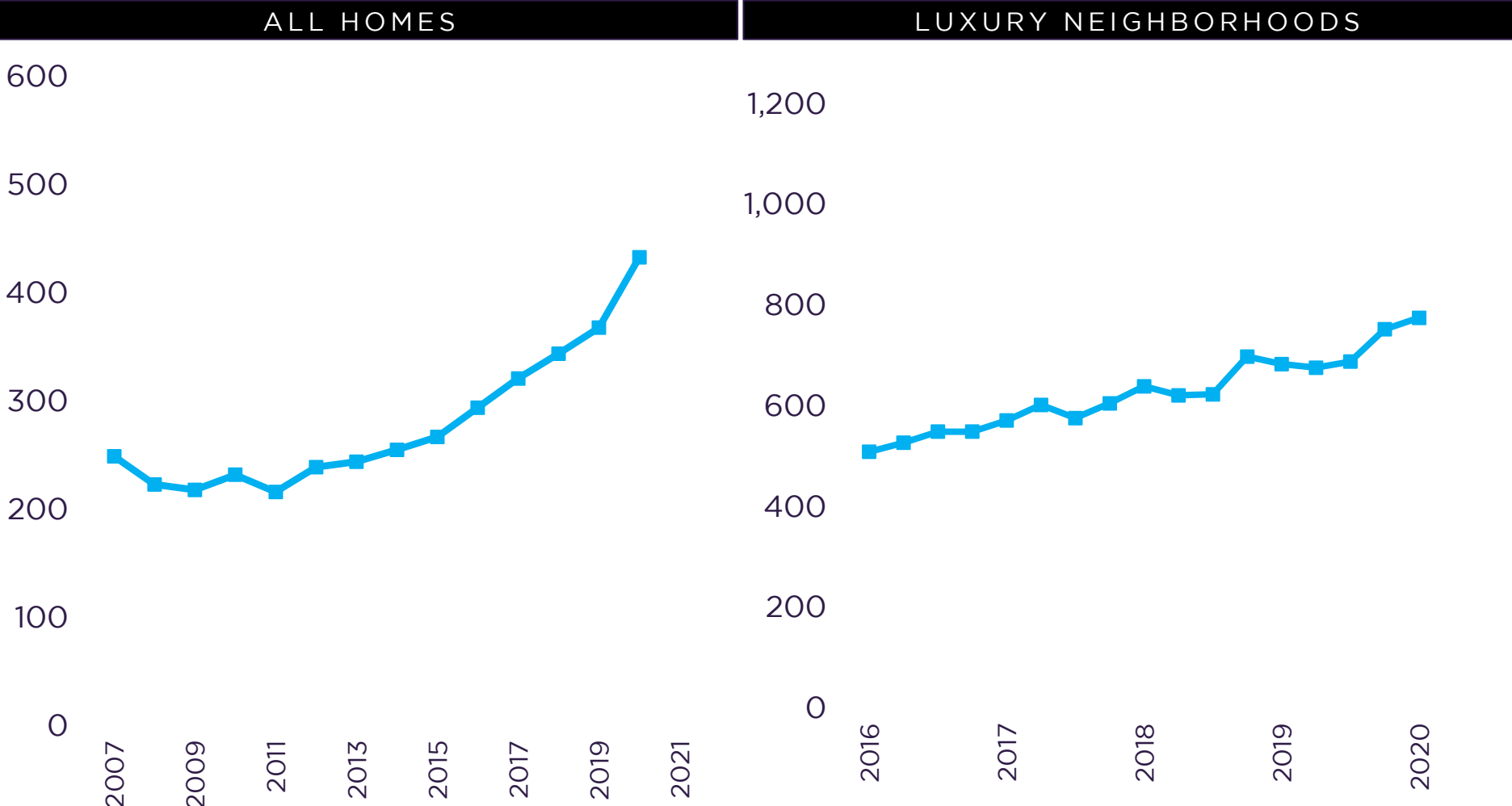
NUMBER OF HOMES SOLD



Data Source: PPAR.com; Shorewood Real Estate Analysis

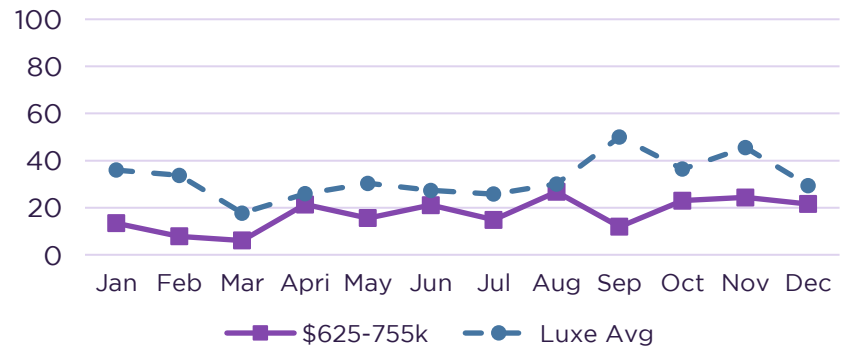
The overall market has recovered all its losses. The luxury market has also recovered all its losses. The luxury market LAGS behind the overall market a bit. The luxury market is nearly double the price of the average home.

Sales Prices in \$000

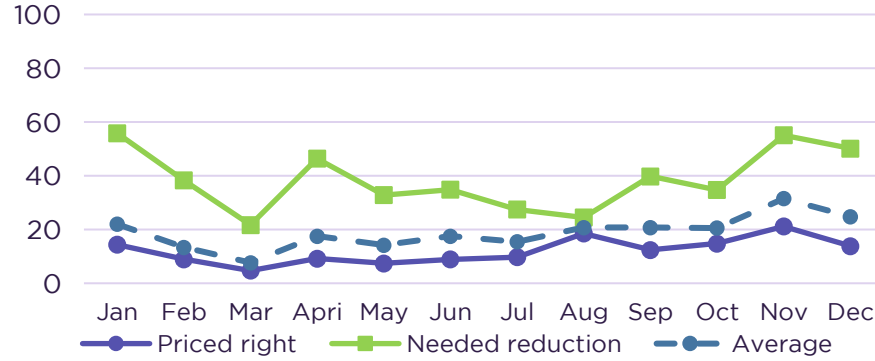


Data Source: Recolorado.com, PPAR.com, Shorewood Real Estate Analysis

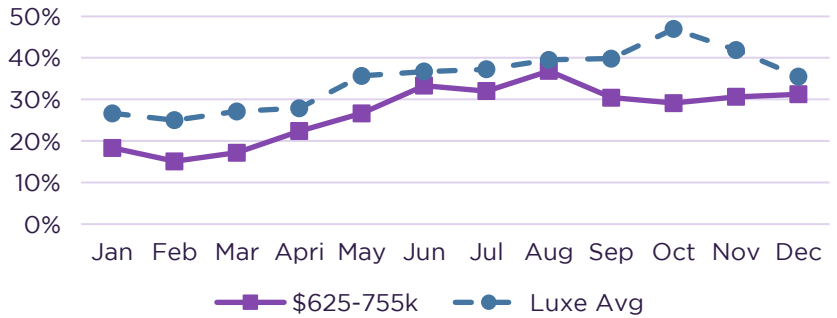
DAYS ON MARKET



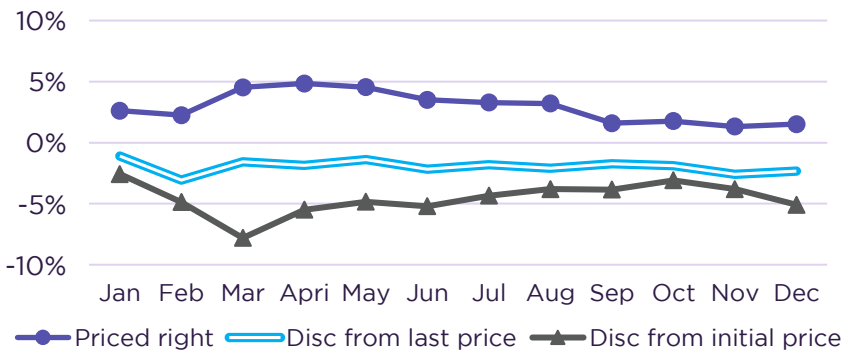
PRICE IMPACT ON DOM



% OF SOLD NEEDING PRICE REDUCTION



% PRICE ADJUSTMENT

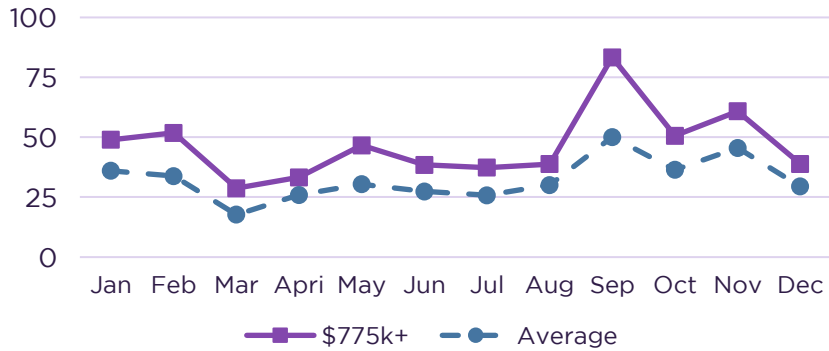


SUMMARY FOR \$625-755K SELLERS

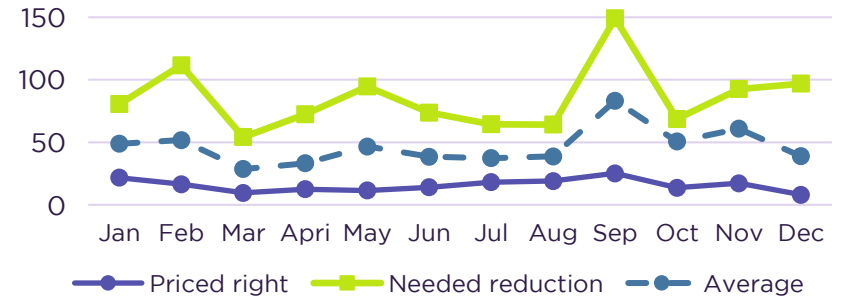
- Sales volume for all luxe properties has **doubled** over the past year.
- Days on market (DOM) - The gap between this price segment widens during the seasonally slow months.
- % that need \$\$ reduction - Over the past 12 months, best months: January - March.
- How pricing impacts DOM - Homes priced right when listed sell much faster (14 DOM) than homes that are initially overpriced and needed a price drop (50 DOM)
- Discounts are much smaller for homes that are priced right on day one (3.3% *premium*) vs. homes that need a price drop (4.7% *discount*)

Data Source: PPAR.com; Shorewood Real Estate Analysis

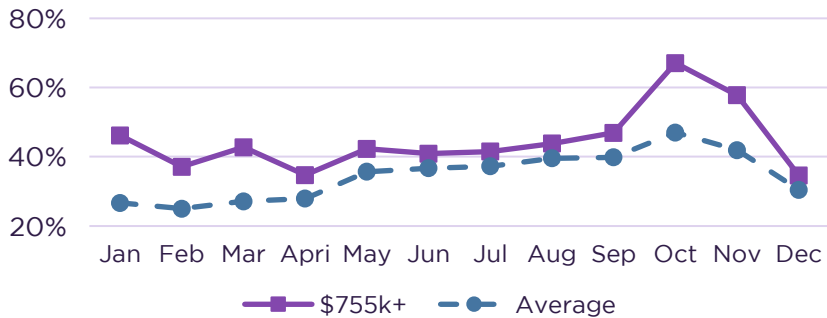
DAYS ON MARKET



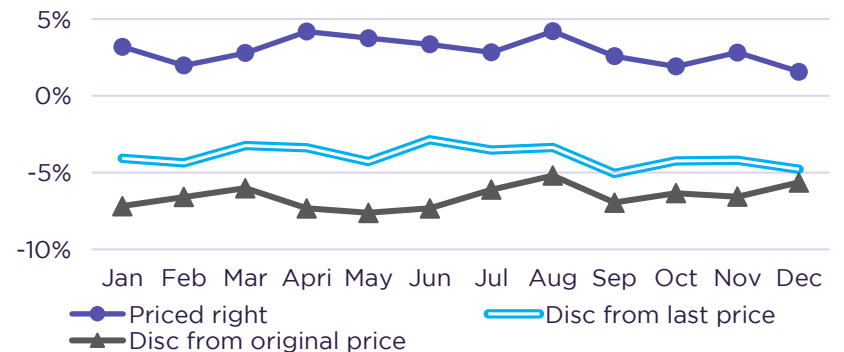
PRICE IMPACT ON DOM



% OF SOLD NEEDING PRICE REDUCTION



% PRICE ADJUSTMENT



SUMMARY FOR \$755K+ SELLERS

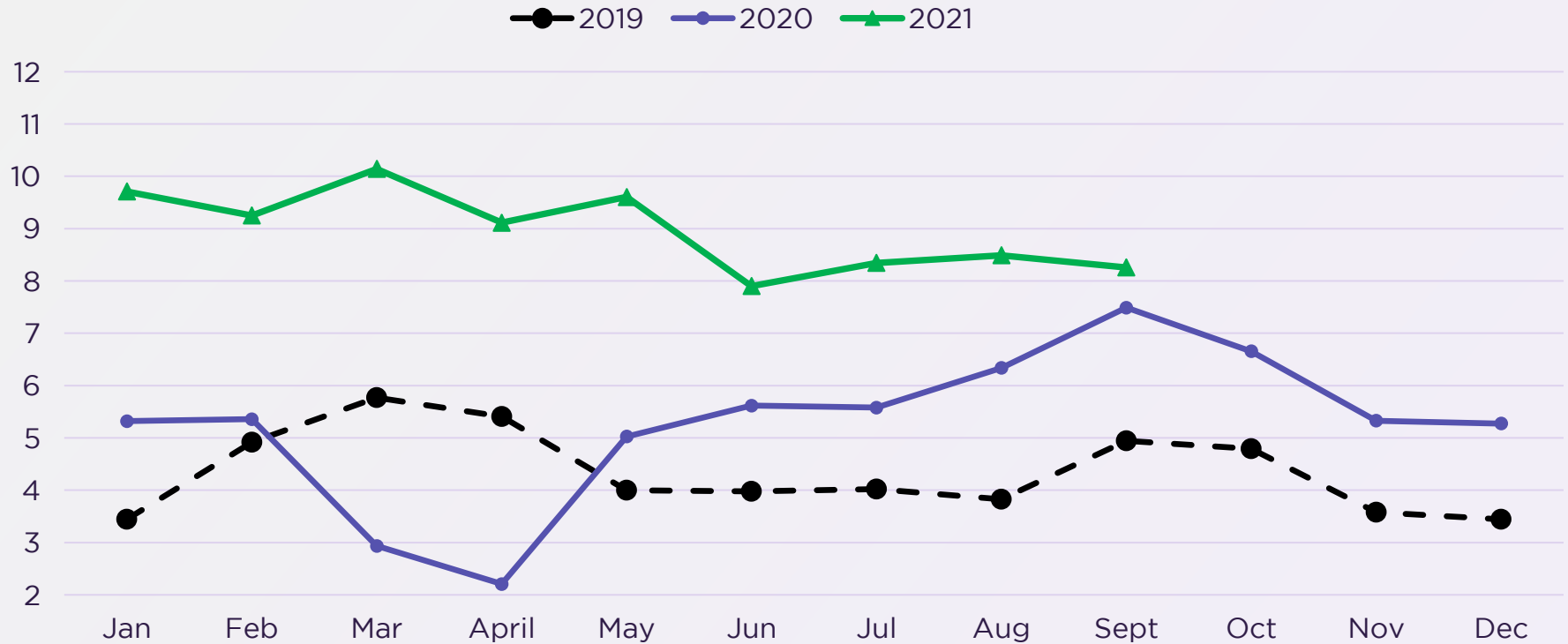
- Sales volume for all luxe properties has **doubled** over the past year.
- Days on market (DOM) - lowest for homes listed in March and April.
- % that need price reduction - February and April listings are least likely to need reductions
- How pricing impacts DOM - homes priced right when listed sell much faster (16 DOM) than homes that are initially overpriced and needed a price drop (85 DOM)
- Discounts are much smaller for homes that are priced right on day one (3.2% *premium*) vs. homes that need a price drop (6.6% *discount*)
- The difference in performance between properties that are priced correctly from the get-go versus those that need even one price reduction in the MLS is growing.

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 - 2021)

Showings per listing per month



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

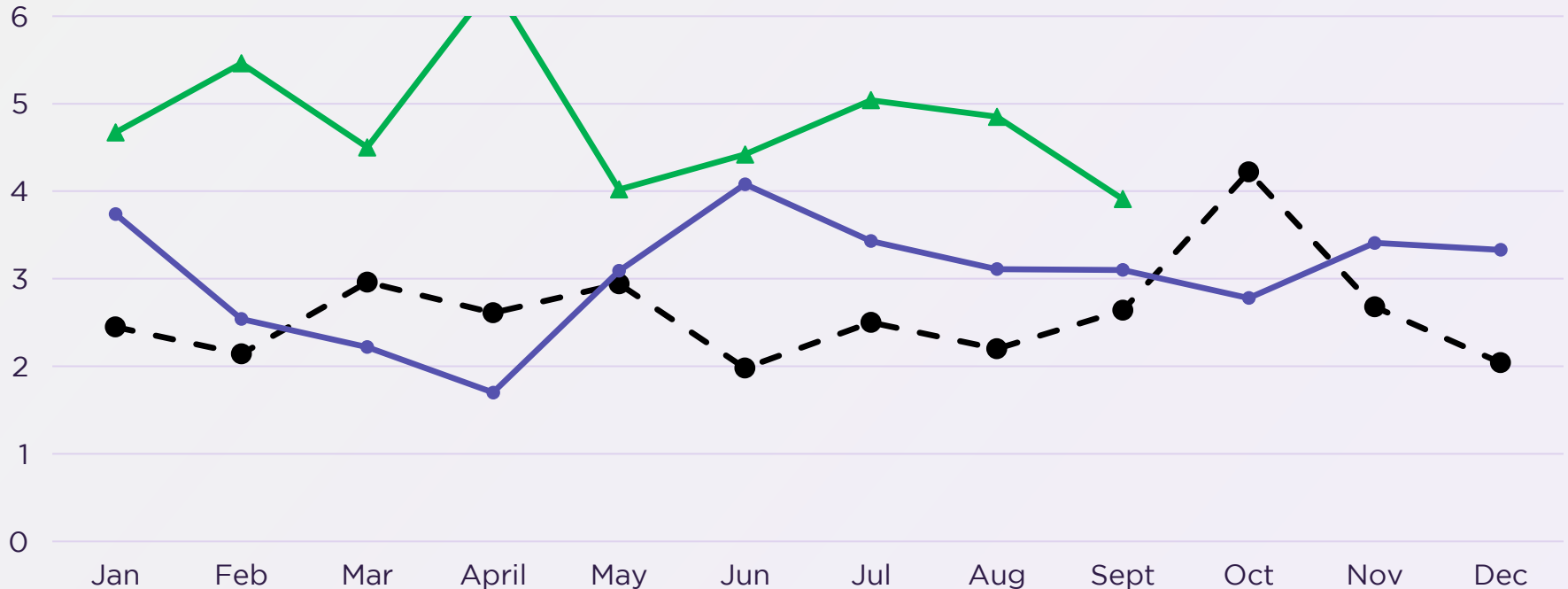
The \$1MM+ home showings trail the \$650-1MM market by about 40-50%. But the showing traffic is *usually* very similar year over year. As with the entire real estate market, COVID cautions caused an unprecedented drop in April 2020, but showings bounced right back the very next month. 2020 started at high levels for all price segments.

Over \$1 million

SHOWINGS / ACTIVE LISTING (HOMES + CONDOS, 2019 - 2021)

Showings per listing per month

● 2019 ● 2020 ▲ 2021

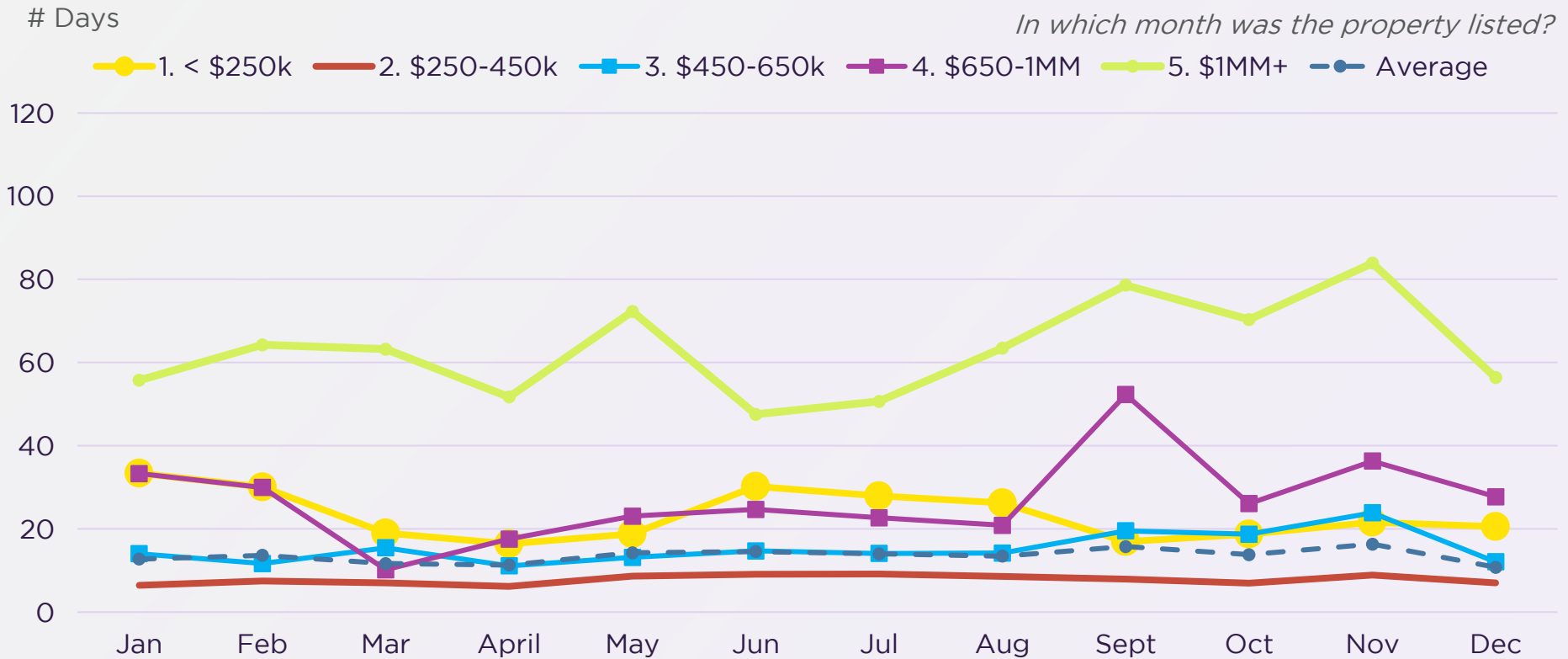


Source: Shorewood Real Estate analysis. Based on information from Showing Time.

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. The homes in the 20-40th percentile continue to perform better than the entry-level products.

Comparing all Price Segments

DAYS OF MARKETING (HOMES ONLY, 20Q3 - 21Q2)



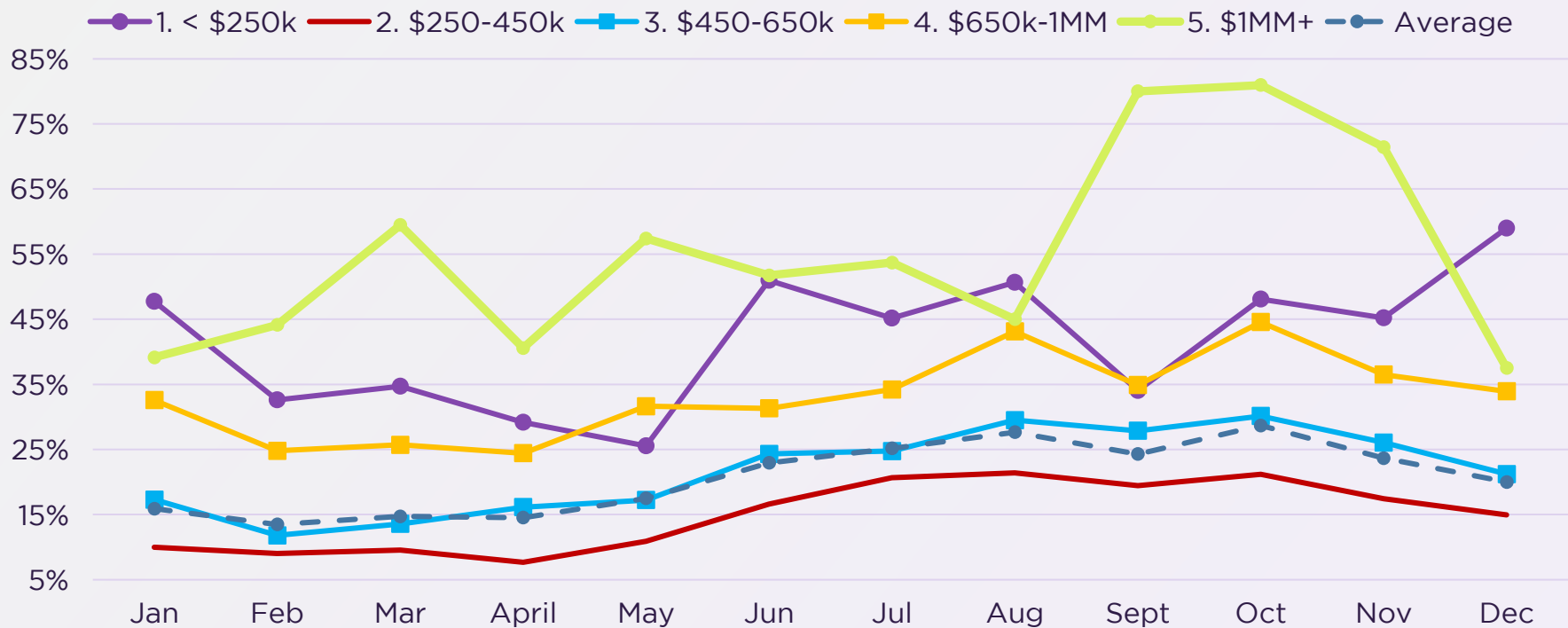
Source: PPAR.com and Shorewood Real Estate analysis.

Listing agents of entry-level product have been a bit too aggressive in their pricing, over 40% of listings requiring a reduction. Again, the homes in the “second tier” are performing the best, with only 15% needing a price reduction. The availability of “true” comps - the pricier homes have less direct property comparisons - might be part of the reason for this segment’s volatility.

Comparing all Price Segments

% OF SOLD NEEDING PRICE REDUCTION (HOMES ONLY 20Q2 - 21Q1)

In which month was the property listed?



Source: PPAR.com and Shorewood Real Estate analysis.

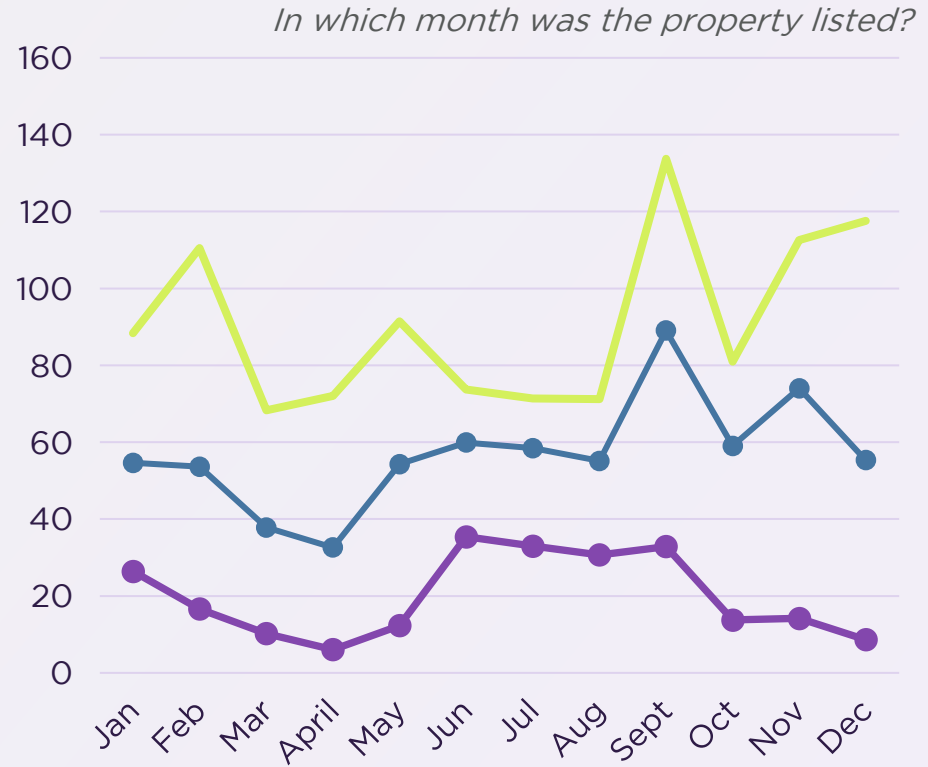
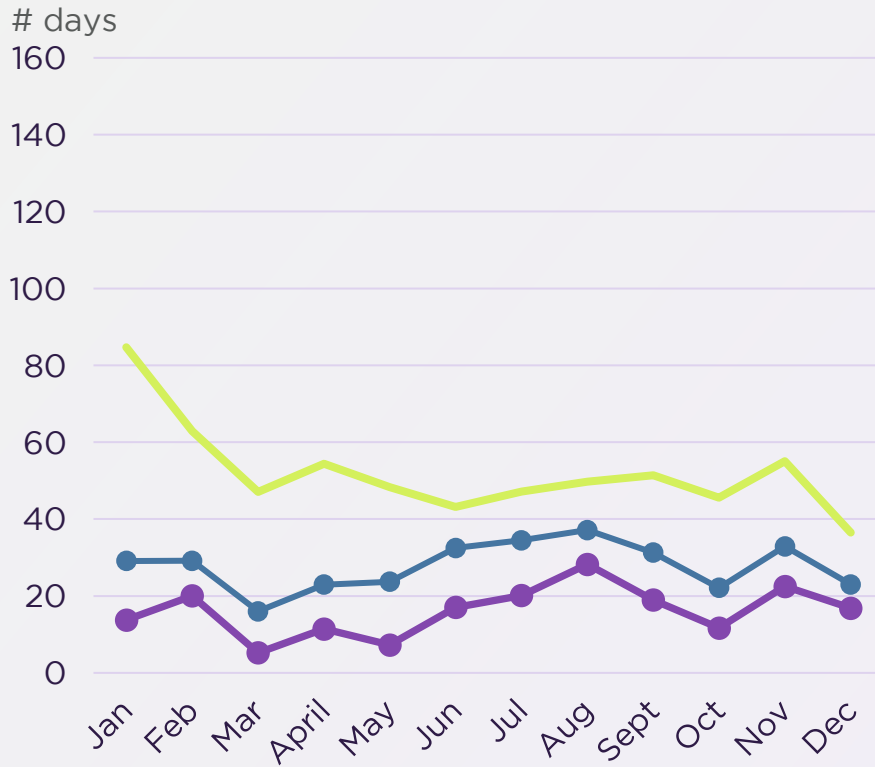
Over the past 12 months, homes between \$625K and \$755k that were priced right at initial listing (e.g., did not require a price reduction) sold in 22 DOM. Mispriced homes (that required a reduction) needed 76 DOM, or 3.5x. It takes nearly 4x as long to market properties priced incorrectly in the \$755k+ market.

\$625,000 - \$755,000

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

\$755,000+

DOM (2019-2020)



Source: PPAR.com and Shorewood Real Estate analysis.

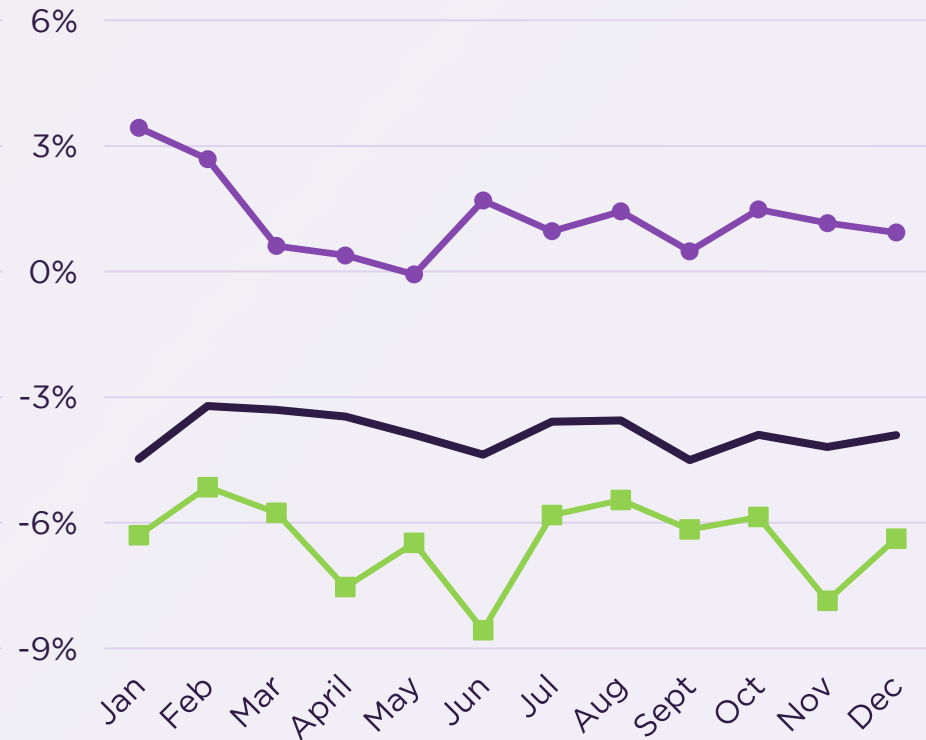
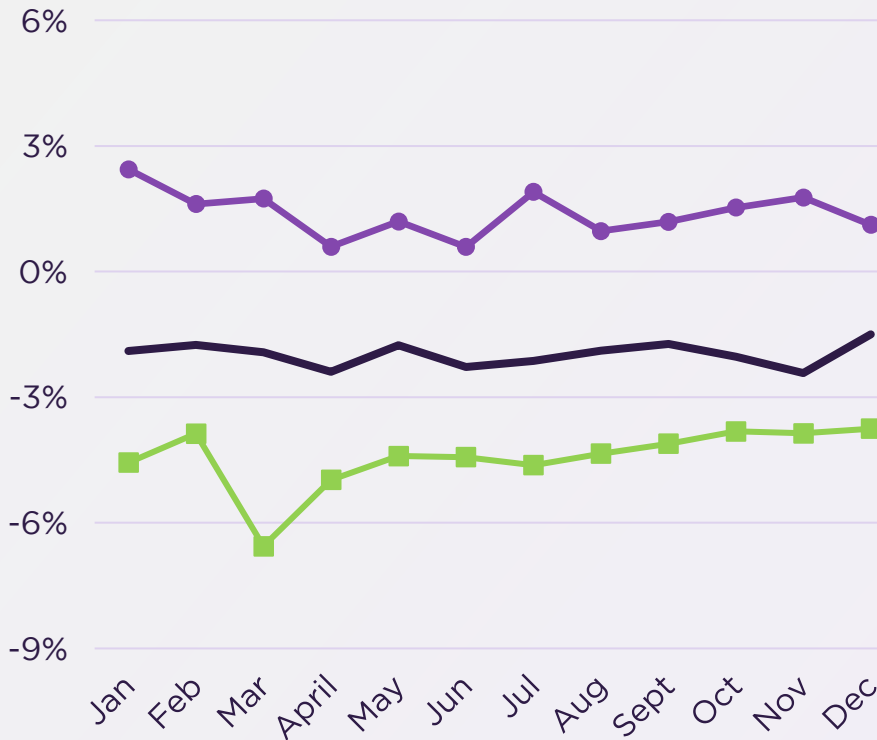
The discount from last list price is between -2% and -4%. SOCO buyers actually pay a premium for properties that are listed at the right price. Of course, most overpriced homes never sell at all; these are just the lucky ones that did.

[\\$625,000 - \\$755,000](#)

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

[\\$755,000+](#)

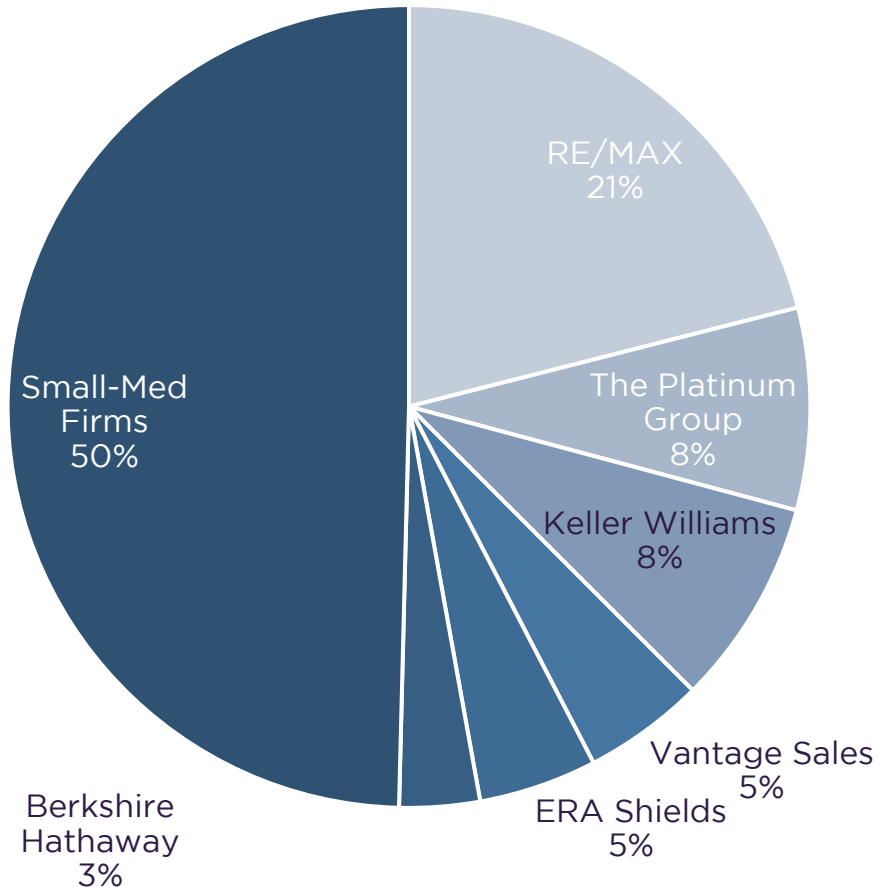
DISCOUNT (SOLD PRICE TO LAST LIST PRICE)



Source: PPAR.com and Shorewood Real Estate analysis.

Do you have to work at a “luxury” brokerage to get luxury listings (\$625k+)?

TTM Listing Count



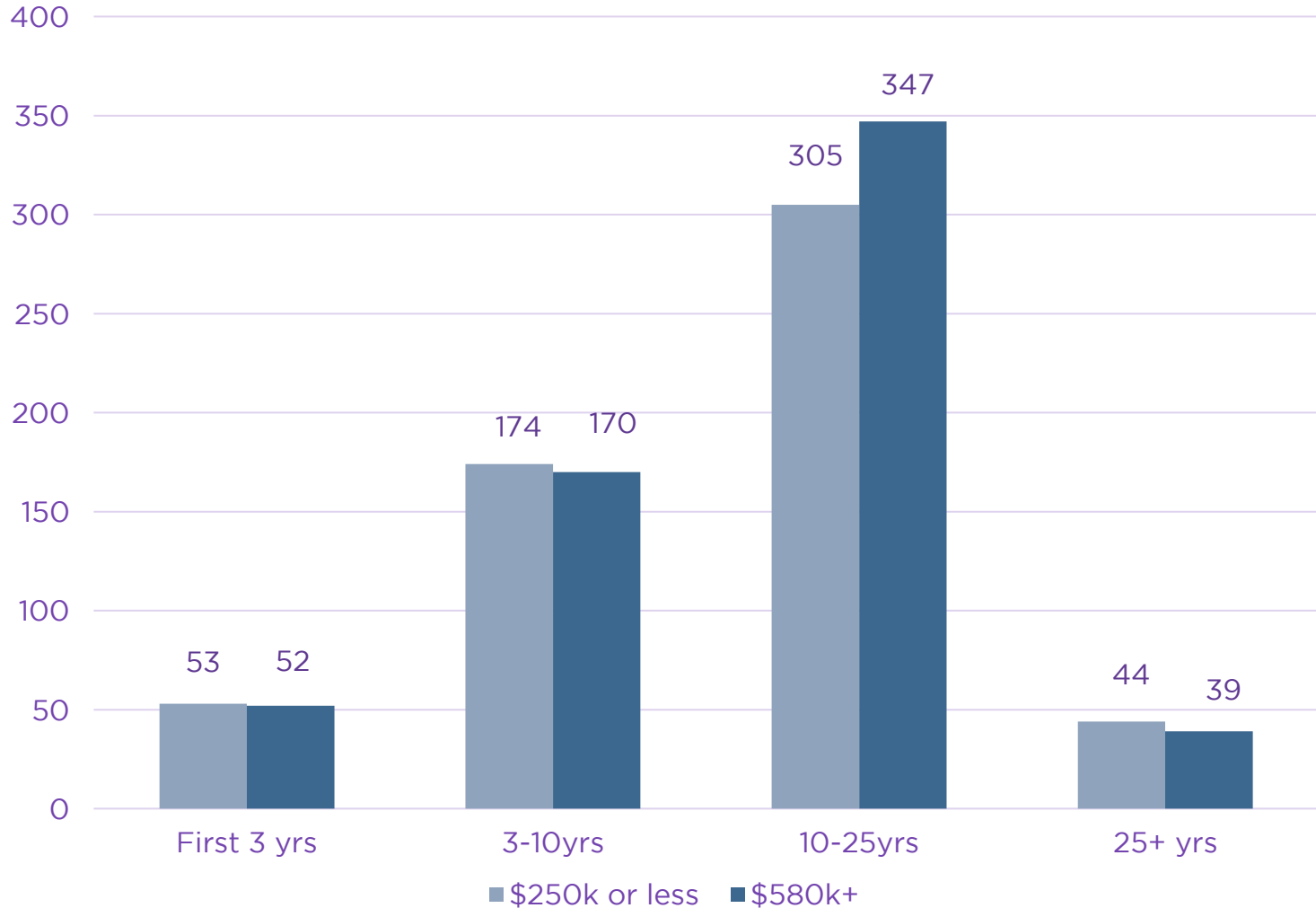
There are plenty of listings to go around.

- 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.*

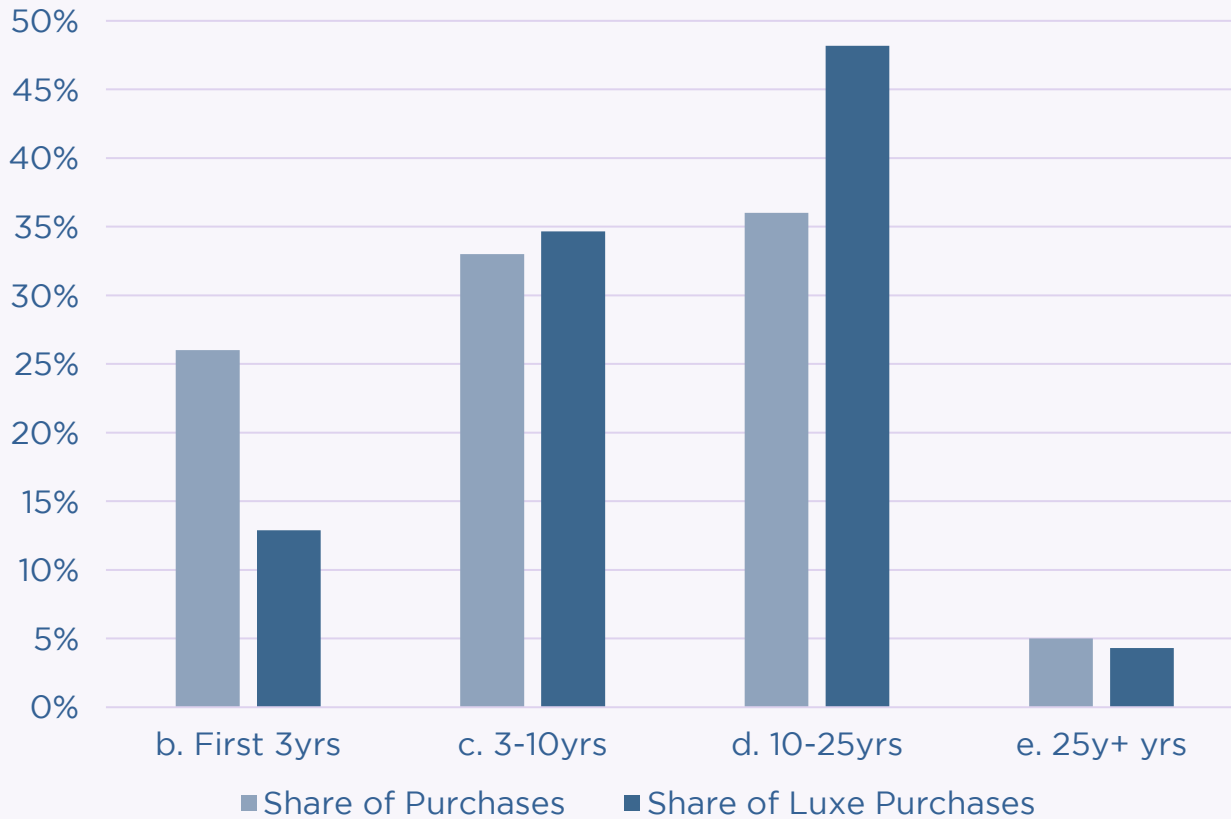
NUMBER OF LISTINGS BY EXPERIENCE LEVEL



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

What buyer agents are successfully closing large deals?

BUY-SIDE TRANSACTIONS



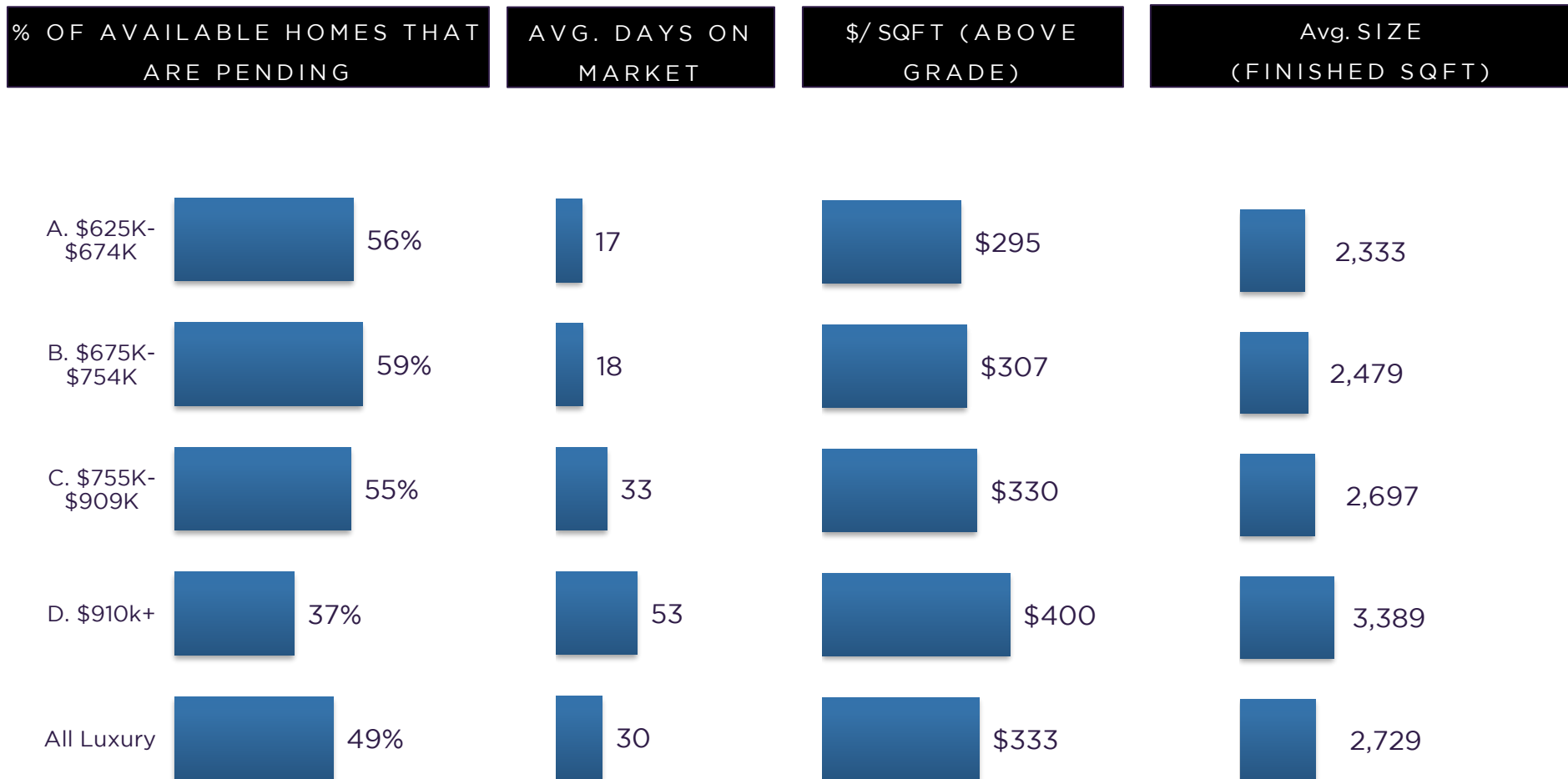
- Agents with experience of 3-10yrs OR 25+ years have about the same share of the luxury market as they do the overall market.

- 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.

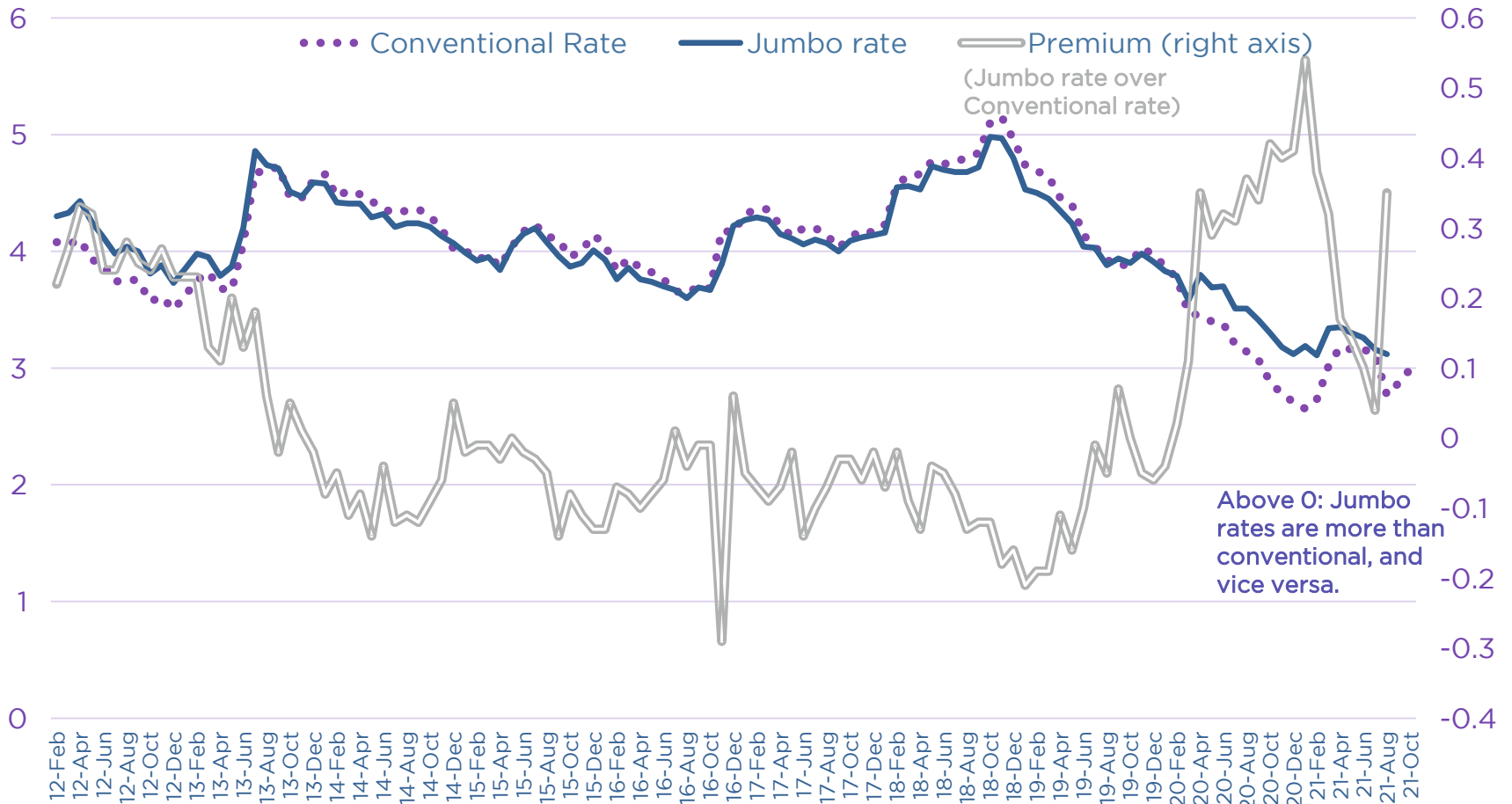
Data Source: PPAR MLS; SW analysis. *Of agents with known license date.

Note the pricing approach of “price high and we’ll consider a lower offer” works at +/- 15% when the home is over \$900K. Under \$900K, 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

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, MortgageNewsDaily.com. Note: all rates are fixed.

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Notes from the attorneys...
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