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COVID-19 Real Estate Update

by Eugene Buchanan and reprinted with permission of the Steamboat Pilot & Today

While experts maintain it won't likely precipitate a fall as severe as the one after the 2008 crash, the COVID-19 pandemic is leaving its mark on the local real estate market. Still, most brokers remain optimistic, largely because of the quality of life Steamboat Springs offers.

"The pandemic has certainly caused some uncertainty in the market, with a number of potential buyers pursuing their searches," says Nick Metzler, broker/owner for Colorado Group Realty. "However, there is still activity happening. Steamboat is no less desirable to live for location-neutral workers, and I suspect the pandemic will ultimately have a positive impact on real estate activity."

Market metrics showed strong sales heading into the year's second fiscal quarter, with the first quarter tallying \$101 million in Routt County sales compared to \$86 million the year before. And the outbreak didn't spell instant panic. March saw \$40 million in total sales versus \$27 million in March 2019. The effects were mostly seen in the last two weeks of March.

"March was still pretty good," says Jon Wade, broker/owner of The Steamboat Group. "In those last two weeks, everyone thought they should close those sales that were already under contract—so basically nothing new went under contract then. Most people still closed, a few people renegotiated and a few people opted out."

Omitting some outlying high-dollar property sales, total sales in the last two weeks of March were relatively flat compared with the same period in 2019. While the second quarter likely won't be as strong, there's still interest, especially as the economy reopens. And without as much competition, entry-level locals might not be outbid when submitting an offer.

Many brokers feel that prices aren't likely to drop significantly.

"Owners aren't panicking and throwing their property on the market, which means the market is still going to be tight," says Doug Labor, associate broker and general manager of Steamboat Sotheby's International Realty downtown.

At the end of March Routt County showed 978 listings, down about 7% from last year. That means sellers are looking for a good price, not selling because of need, Labor says. He adds that the real estate market isn't as quick to react as the stock market is.

The normal time for a property to go under contract to close, Labor says, is about 50 days. Add another 30 days for a buyer to find a property, and it's about three months total.

"Assuming this all began Feb. 1, the real estate market is just now seeing the closings happen during the pandemic," he says.

The pandemic also has affected the way brokers are conducting business, including the procedures to secure transactions, inspections, appraisals, showings and closings. Public health orders had dictated that if a property is occupied, it can't be shown to prospective buyers, further restraining sales.

April 27 marked the first day brokers were officially allowed to start showing properties again after a four-week hiatus. Caveats include not carpooling with clients, removing shoes outside the door, having only three people inside a home at a time and wearing masks and gloves. Sellers also are asked to sanitize before and after each showing.

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While there are still opportunities for buyers, sellers may have to lower prices for their property to stand out.

“Some sellers have decided to pull their property off the market, waiting for when the timing is better,” Labor says.

The six weeks after March 15, MLS statistics showed 60 residential-type properties going from actively listed to pending, says Metzler, with more than 21% of those above \$1,000,000. All this foretells an ongoing shortage of inventory.

“Before the pandemic we already had an inventory shortage,” says Colleen de Jong of Steamboat Sotheby’s International Realty. “With COVID, a lot of sellers have decided to not list their properties this season—whether they’re staying put or fearing a decline in market value. Even as we get back to normal-ish, we’re likely to continue having an inventory shortage.”

The beginning of this year’s second quarter, adds Labor, saw the MLS’s fourth-lowest number of listings ever. From Feb. 1 to May 5, 71 sellers withdrew their properties from the MLS, from those wanting to wait it out to those not wanting people coming in their homes. The average number of listings are down 14% year to year, from 1,172 to 1,002, with transactions also dropping.

“Combined with the listing shortage, you’d expect the number of sales to drop.” Labor says. “However, the absorption rate has remained the same, which is encouraging. And low supply has kept prices in check.”

Steamboat Springs Board of Realtors CEO Ulrich Salzgeber believes those properties will likely all come back to the market once the situation improves. In a survey conducted with the board’s members on the outlook of the local market, results show that COVID-19’s immediate impact was sellers pulling their listings to disallow showings.

“With such a major investment, you naturally want to see the property you hope to purchase,” Salzgeber says. “This spring there was no avenue for this to happen.”

Adds de Jong: “This could be a window for buyers to take advantage of. But in the long run, I think there will be new buyers who want to move to the safety and lifestyle of a smaller town. As restrictions lighten, our market could be right back to where it was before—low inventory and a seller’s market.”

The initial impact on buyers, adds Salzgeber, will be based on the economy and the ability for them to afford their mortgages. And while there might be a short period of downward price adjustments, that doesn’t solve the local dilemma of low inventory.

Two major questions emerged from the survey: Will COVID-19 be the impetus for people to escape urban environments and seek the safety and solitude of mountain towns or will it damage the economy to a scale where new homebuyers or second home purchasers no longer have the ability to purchase?

Even if it’s the latter, towns like Steamboat still benefit from the age-old adage of location, location, location. In the last two weeks of April through the first week in May, 41 properties went under contract, almost two per day, says Labor. “That’s great when you consider everything the market has had to deal with,” he says.

And we do live in an incredible valley and town.

“People will want to live in places like Steamboat after going through social isolation for the past two months.” says Pam Vanatta, broker/owner for Steamboat Sotheby’s International Realty. “We are so lucky to live in such an incredibly safe and healthy environment. Right now things look very good.”

ABOUT DOUG...

Doug Labor has over 37 years of real estate experience, including executive level positions with some of the largest ski and golf resorts in North America. He is the General Manager of Sotheby’s downtown Steamboat Springs office. What he enjoys most in his real estate practice is providing imaginative, yet logical and valuable guidance in helping clients reach their goals.

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