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Q III Breaks Three Records – What’s a Buyer to Do?

Like the rest of the country and the world, the Steamboat Springs real estate market has taken a wild ride over the past eight months, from news of the Coronavirus spreading globally in February, then shortly thereafter the local impact of the Steamboat Ski Resort abruptly halting winter lift operations on March 15. The real estate world entered a “COVID Freeze” with buyers holding off their searches and sellers pulling their properties off the market. Brokers were not permitted to show properties, let alone keep their brick-and-mortar offices open. After a month, the Colorado Real Estate Commission took direction from the Governor’s office on new protocols on showing properties and keeping the public safe. Lenders, appraisers, property inspectors, title companies and contractors all had to learn new procedures and stifling activity. The industry flipped upside down.

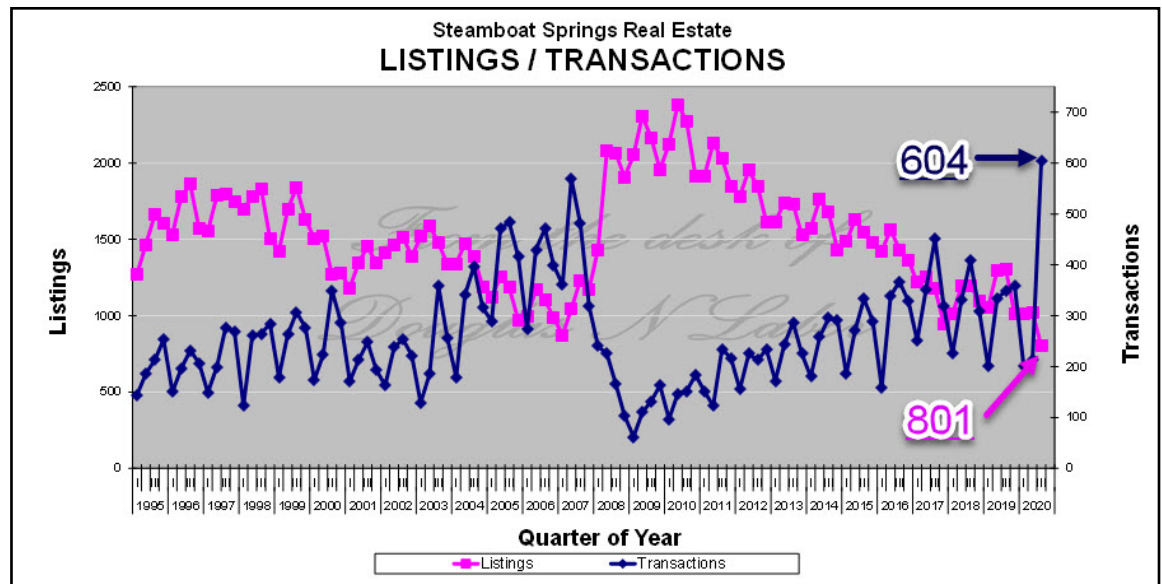
Although prior to the pandemic most of the population had an inkling that working at home was a possibility, it suddenly became a requirement. Many realized that ‘home’ did not even have to be within commuting distance to company headquarters anymore. Providing reliable internet access and for some reasonable access to air travel, employees could be as productive as normal, while employers realized the benefit of reduced overhead. Compounding the pandemic panic was the rioting that hit several big-city streets, giving more people a reason to look elsewhere for a safer haven and healthier lifestyle with small-town living. The exodus for those wanting a change seemed to hit towns like Steamboat Springs in earnest around the end of May.

The statement has become cliché that the pandemic that hit the world is unprecedented and most certainly devastating to the economy. No one would have projected the equally unprecedented and opposite reaction certain real estate markets have had, and Steamboat Springs has become a case study in a nationwide demand for real estate.

A Turn on a Dime

With data compiled by the Steamboat Springs Multiple Listing Service, the second quarter (QII) of the year is typically the second most active for transactions. Over the past five years it has averaged 325 transactions and captures 27% of the annual market. QIII is the busiest quarter averaging 31% of annual transactions. QII of 2020, which was the first full quarter of the pandemic, saw only 214 transactions - a 36% drop from QII 2019 and the lowest posting that quarter had since 2011. However, QIII of 2020 set an all-time high for quarterly transactions at 604 (blue line in the graph) and an all-time low for listings at 801 (pink line). The prior transaction record was set in QII of 2007 at 569, or bettering the old record by 6%.

Over the past three months these 604 transactions generated over \$438 million in sales, surpassing the quarterly record set back in QII of 2007 of \$306 million.



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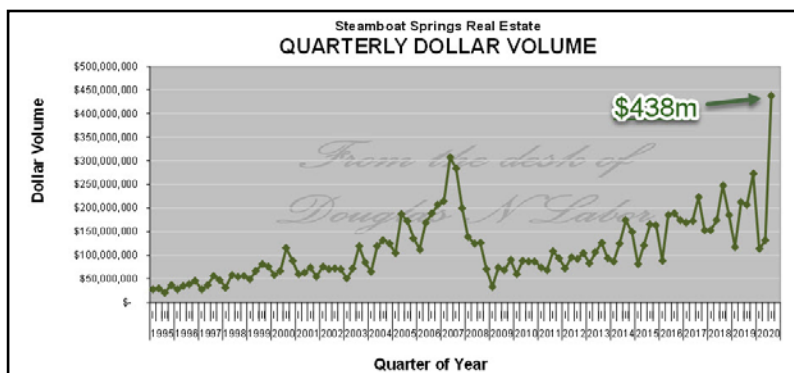
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What's a Buyer to Do?, cont...

Although the increase in transactions from the prior record was only 6% (QII of 2007 to QIII of 2020), the dollar volume increase was an unbelievable 43%!

What's a Buyer to Do?

All this activity has caused a feeding frenzy for buyers. Sellers are certainly in the driver's seat and some have seen as many as 14 offers on their property. So, what is a buyer to do to make his offer stand out? The following are carrots a buyer can throw into an offer to make their offer rise to the top:



Make a cash offer – For most sellers, cash is king. It eliminates financing and appraisal contingencies, which may be troublesome for the seller to accept. If you don't have the cash in hand, consider getting a home equity line on your primary residence instead. If you must finance, get a preapproval letter from your lender before making an offer. This shows the seller you are serious about buying and have the financial wherewithal to do it.

Escalation Clause – In anticipation of competing with other offers, include a clause that will automatically escalate the price you are willing to pay for a property if someone comes in at a higher price than yours. This clause states you will automatically increase your price to a designated amount higher than any other bona fide offer...but only up to a certain limit you would set. Should you include this clause in your offer and you're the only one in the game, your original price would prevail.

Make an offer fast – If you find a property that works, make an offer. Thinking about it or doing research before making an offer only gives other buyers an opportunity to step in before you. Lock up the property and address your concerns within the due diligence period of the contract.

Limit the Inspection – Buying a property "as-is" is a risky proposition but buying it as-is with a contingency that you can still inspect but only terminate if something major is found is totally different. This will give the seller a sense you will not be nit-picking over minor items you want repaired and that you will only terminate the purchase if a major flaw is found.

Make a backup offer – Even though a property is under contract, it does not mean it will close. Approximately one out of every five properties that go under contract come back on the market, so writing a backup offer may be a good way to step into a property in case the existing contract falls through.

Post-Closing Occupancy – Having a quick closing date is typically attractive for the seller, but it may also be difficult to move out quickly. Giving the seller a period of time to vacate the property after closing, either by renting it back or at no cost, may just be the ticket to stand out in the field and relieving the stress they will be going through to get moved. If you are buying a short-term rental property, giving the seller a week or two for the next few years after selling may also be an enticement to take your offer over others.

Retain the right broker – The most important. Get a broker on your side who will keep you informed on the market, let you know as soon as properties that match your desires hit the market and who will keep your best interests in perspective. There's one thing getting you the property you want, but another to bring you back to reality about a reasonable price to pay. Price is not the only item important to a seller, and having the right broker making a smart offer is one way to do that.

Although the Steamboat real estate market had made a full recovery from the Great Recession of 2007, when the pandemic hit in early 2020 it felt like it was heading back to that level again. No one would have guessed the pandemic accelerating the real estate market...but it did. Supply is at an all-time low and with only a handful of new projects are coming online, prices will continue to appreciate and buyers will need to stay on top of their game and be patient but ready to act as soon as a property coming close to their needs presents itself.

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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