

The Real Report Summer 2018

It's another great year in the City Different! Our summer season is in high gear and we are all so grateful for the monsoonal rains as well as for our city's continued ranking as one of the best places in the country to live. We couldn't agree more and home sales for the first half of the year reflect Santa Fe's continuing popularity.

Santa Fe Real Estate Sales

Inventory/Supply

Overall, real estate sales show continued improvement, however, the Santa Fe real estate market is in mixed gears depending upon the area, price and perceived value. While robust sales in some price ranges and areas are creating a clear seller's market, other areas and price points are still in a buyer's market. In general, homes typically stay on the market longer than in other areas of the country. In Santa Fe, a seller's market is typically indicated by less than six months of inventory while inventory above six months shows a buyer's market. Current average inventory levels indicate a 4.2 month supply overall, but if you look at specific price points, you will find both low and high levels.

The chart below shows overall current inventory supply levels by price range.

Price Range	Supply based on current active listings
<\$300k	< 1 month
\$300k - \$500k	1.8 months
\$500k - \$750k	3.5 months
\$750k - \$1 million	5.3 months
\$1 million - \$1.5 million	7 months
\$1.5 million - \$2 million	15 months
Over \$2 million	23 months

As we have noted in previous issues, the largest segment of the market (63%) continues to be single family homes priced under \$500,000. Sales of all homes under \$750,000 comprise 81% of the market. As you can see from the chart, supply in our lower tier market is nowhere near meeting current buyer demand. If inventory keeps pace or increases, however, we should see continued strength in this segment of the market.

Sales Volume History

The chart below shows volume of sales for single family homes in the most heavily populated areas of Santa Fe city and county. We have compared the first half of 2017 with the first half of 2018. In all but the highest and lowest price ranges, the number of sales sold has increased, sometimes dramatically. Overall, volume increase for 2018 over 2017 is 8 percent.

Single Family Home Units Sold by Year and Price Range

Price Range	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	YTD 6/30 2017	YTD 6/30 2018
<\$300,000	784	672	480	323	292	353	372	409	512	528	556	561	518	544	265	244
\$300,001-\$500,000	565	605	585	431	306	269	286	292	336	407	369	425	480	542	259	287
\$500,001-\$750,000	284	352	339	291	183	149	144	144	196	189	206	221	252	294	129	156
750,001-\$1,000,000	98	135	129	134	87	75	71	82	88	87	109	99	103	152	70	87
\$1,000,001-\$1,500,000	63	90	98	98	65	44	43	52	52	61	71	74	87	93	43	54
\$1,500,001-\$2,000,000	15	30	30	31	28	19	19	19	16	17	17	23	24	27	10	12
\$2,000,001+	13	22	23	22	25	7	9	15	15	14	14	11	9	23	9	9
Total Units	1822	1906	1684	1330	986	916	944	1013	1215	1303	1342	1414	1473	1675	785	849

Green - High Units Sold

Red - Low Units Sold

Properties over \$2 million include condos, townhomes and single family dwellings.

Sales Prices

The chart below shows average price per square foot for single family homes in those same areas of Santa Fe city and county by price range. In general, prices are up over 2017 for the same period. Again, if inventory can keep up with demand, we should be able to hold onto these gains.

Average & Median Price per Square Foot by Year and Price Range for Single Family Home Sales

Price Range	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	YTD 6/30 2017	YTD 6/30 2018
<\$300,000 Avg	\$158	\$170	\$185	\$192	\$178	\$167	\$156	\$143	\$137	\$148	\$149	\$155	\$165	\$171	\$169	\$180
med \$/sq ft	\$155	\$168	\$183	\$190	\$177	\$164	\$153	\$143	\$135	\$146	\$147	\$158	\$164	\$169	\$167	\$179
\$300,001 to \$500,000 Avg	\$188	\$201	\$213	\$214	\$211	\$198	\$191	\$182	\$183	\$186	\$188	\$197	\$203	\$206	\$204	\$210
med \$/sq ft	\$180	\$195	\$208	\$211	\$203	\$191	\$188	\$177	\$176	\$181	\$182	\$189	\$195	\$202	\$202	\$208
\$500,001 to \$750,000 Avg	\$237	\$239	\$250	\$265	\$267	\$239	\$230	\$229	\$219	\$240	\$238	\$241	\$235	\$247	\$237	\$249
med \$/sq ft	\$230	\$231	\$244	\$253	\$247	\$228	\$217	\$222	\$215	\$228	\$235	\$229	\$221	\$240	\$234	\$234
\$750,001 to \$1 million Avg	\$276	\$283	\$303	\$303	\$315	\$281	\$261	\$273	\$256	\$262	\$259	\$265	\$272	\$272	\$271	\$270
med \$/sq ft	\$259	\$267	\$289	\$291	\$296	\$276	\$249	\$250	\$241	\$245	\$249	\$257	\$259	\$261	\$258	\$266
\$1.5 million Avg	\$316	\$332	\$360	\$367	\$346	\$320	\$325	\$317	\$322	\$299	\$319	\$325	\$315	\$322	\$309	\$331
med \$/sq ft	\$302	\$314	\$342	\$338	\$335	\$301	\$304	\$303	\$312	\$292	\$293	\$300	\$298	\$311	\$292	\$317
\$1,500,001 to \$2 million Avg	\$324	\$359	\$393	\$407	\$405	\$389	\$343	\$398	\$406	\$347	\$384	\$391	\$368	\$380	\$384	\$453
med \$/sq ft	\$300	\$361	\$378	\$418	\$404	\$399	\$375	\$347	\$366	\$317	\$372	\$366	\$353	\$366	\$353	\$430
>\$2,000,001	\$463	\$457	\$502	\$486	\$494	\$455	\$420	\$512	\$404	\$421	\$479	\$432	\$407	\$497	\$475	\$379
med \$/sq ft	\$400	\$420	\$456	\$452	\$453	\$378	\$407	\$495	\$379	\$381	\$455	\$404	\$336	\$468	\$445	\$403

Green - High Price per Square Foot

Red - Low Price per Square Foot

Properties over \$2 million include condos, townhomes and single family dwellings.

The chart below compares the average price per square foot from 2nd quarter 2017 to 2nd quarter 2018 and the percent of change.

Price Range	2017 \$/sq.ft.	2018 \$/sq.ft.	% change

<\$300k	\$169	\$180	+6.5%
\$300k - \$500k	\$204	\$210	+3%
\$500k - \$750k	\$237	\$249	+5%
\$750k - \$1 million	\$271	\$270	average is flat (median is 3% increase)
\$1 million - \$1.5 million	\$309	\$331	+7%
\$1.5 million - \$2 million	\$384	\$453	+18%
Over \$2 million	\$475	\$379	-20%

According to the Santa Fe Association of Realtors, the average sales price has risen 8% overall. Not all homes appreciate (or depreciate) equally, so we like to show the breakdown of price per square foot by broad price ranges.

The \$1.5 to \$2 million price range shows an 18% increase and it's important to note that half of these properties were below 3200 square feet and all but 2 had been remodeled.

The \$2 million plus category shows the overall greatest fluctuations in price per square foot year after year. With such diverse and unique types of properties, buyers and areas, it's often difficult if not impossible to compare these properties. This year is no exception. We don't put as much stock in the price per square foot in this segment as we do in other price ranges, especially under \$1.5 million.

There is talk on the streets about skyrocketing prices and, yes, pricing is continuing to improve as it has since the lows of 2011-2013. Having said that, all categories except \$1 - \$1.5 million are still below the 2007-2008 record high.

The following chart shows our 2007-2008 high price per square foot and the end of second quarter 2018. As you can see, prices have recovered but there's still a ways to go before they catch up with the historically high prices of 10 years ago. We'll see what the rest of 2018 brings!

Price Range	2007-2008	2018	% change
<\$300K	\$192	\$180	-6.2%
\$300k - \$500k	\$214	\$210	-1.9%
\$500k - \$750k	\$267	\$249	-6.7%
\$750k - \$1 million	\$315	\$270	-14%
\$1 million to \$1.5 million	\$367	\$331	-7%
\$1.5 million to \$2 million	\$407	\$453	+18%

Buyers

Get Clear About Your Expectations

In a market experiencing a housing shortage, buyers need to be crystal clear about expectations and be prepared to make adjustments to them. Our skilled team will negotiate the best possible deal for you, but market conditions are a major factor in determining what can be achieved. Be sure to clearly communicate what you are looking for in a house and which priorities are essential and which might be negotiable.

Be Prepared To Compromise

Buyers may need to resort to compromising on their property wish list. It's not about

discounting your housing needs - it's about prioritizing your needs and wants and balancing the costs and benefits. In a seller's market, you may not be able to find that three bedroom, two bathroom home in your desired area, within your price range. You may need to be flexible on location, or consider buying a home which requires renovations to get into a suitable home.

Get Your Finances Ready Now

In a high-demand market, those that need time to sort out their finances are left behind. Many buyers are using cash to purchase homes, especially as lending rates rise. If you are planning to finance your purchase, talk to your lender and obtain pre-approval for your mortgage, before you even start shopping for a home. In a seller's market where multiple offers are highly likely, showing you're already pre-approved for a loan can help get your offer accepted over others. In turn, this will increase your chances of actually getting the home you want.

Be Proactive in Your Search for a Home

In a tough property market, proactivity is key. If you're not clear on what features you're looking for in a home, write up a list now. Don't rely on homes that are advertised online or elsewhere - houses in a tight market don't last long. We can help you find what hasn't been advertised yet, or what will be coming on the market soon. This will help you get the home you want.

Sellers

As is true in all price ranges, smaller size plus nice upgrades typically drives price per square foot up. Sellers with older homes that have not had upgrades or improvements should keep this in mind when pricing their property for sale. Also, there is a difference between general maintenance (e.g. new roof or stucco) and cosmetic updates or renovations (a new kitchen) and they will garner different rates of return.

Since some buyers today are hesitant to take on remodeling projects, it's up to the sellers to make their properties shine. It's amazing how far a little paint and a few repairs can go to freshen up a home. We also highly recommend using a stager to brighten your décor. Put your best foot forward to achieve the best prices.



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We love to hear from each of you and look forward to assisting you in your next real estate transaction.

Sincerely,

Liz and Karren



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