

## Paul Dart's Real Estate Report

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Boulder Area Market 2017  
End of Year Review

Paul Dart's

2017 YEAR END

# Real Estate Market Report

2017 marks the 5th year since the Front Range emerged from the Great Recession. Fueled by the combination of real estate prices that had not changed here since the Tech Bubble had burst in 2001, buying power that had accumulated during that time as incomes increased at 5% per year, and record low numbers of homes for sale as inventory had declined since 2001, starting in 2013 buyers came out in force to snap up bargain-priced houses. We had weathered the Great Recession very well, with housing prices off just 4% on average against markets around the nation free-falling -30% to -40% and more. Since that time, the Boulder County market has appreciated 54% on average. It's now apparent that this market cycle is coming to an end, with appreciation softening across the board. There is no national recession or local economic downturn acting on the real estate market. Both are very healthy. The available number of homes to sell—inventory—remains low in a “new normal” range which began in 2012. So what has changed? With buying power rising at 5%

per year against the value of real estate rising 10.8% on average in each of the last 5 years, the very likely culprit is that buying power has been depleted. With no major housing developments existing, or possible, to add any inventory in the county, I expect growth in this market will soften to appreciation in a range between 3%-6% annually for Boulder County on average. Our next growth cycle will occur once buying power has recharged, barring any substantial negative economic events. How far in the future that may be is anyone's guess, but looking to the past will not provide much, if any, insight. We have entered a new economic reality. Boulder County is out of land to build any new home developments of enough size and density to add housing in any significant volume. What exists is what we have to sell. Google has arrived, and other companies of all sizes are likely to be drawn to the area like moths to the flame. The fundamental economic forces acting on our local economy have shifted. Whatever happens will be in uncharted territory.

## 2017 Boulder Area Single Family Home Market by the Numbers

Colorado #10 State

FHFA\* House Price Appreciation  
Down from #4 a year ago.

\*Federal Housing Finance Admin.

3393

Number of Single-Family Homes  
sold in Boulder County

Boulder 675, Louisville 235,  
Lafayette 290, Longmont 1152

\$1,094,300

Av. Sales Price in City of Boulder  
Only a 2.1% Increase over 2016.  
Louisville \$666k, Lafayette \$570k

Boulder #54 MSA

FHFA % Change in House Prices  
Down from #14 a year ago.

Out of 280 Metropolitan  
Statistical Areas.

50%

Increase in Median  
Sales Price in Boulder  
County since 2013

64%

Increase in Median  
Sales Price in City of  
Boulder since 2013

\$422,000

Av. Sales Price in Longmont  
8.9% increase over 2016.  
Highest percentage increase in  
Boulder County.

1.8%

Unemployment Rate  
in Boulder County  
2.7% in Colorado  
4.1% in the US

100.3%

List price/Sales Price Ratio  
in Louisville  
Lafayette & Longmont 100%,  
Boulder 98.7%

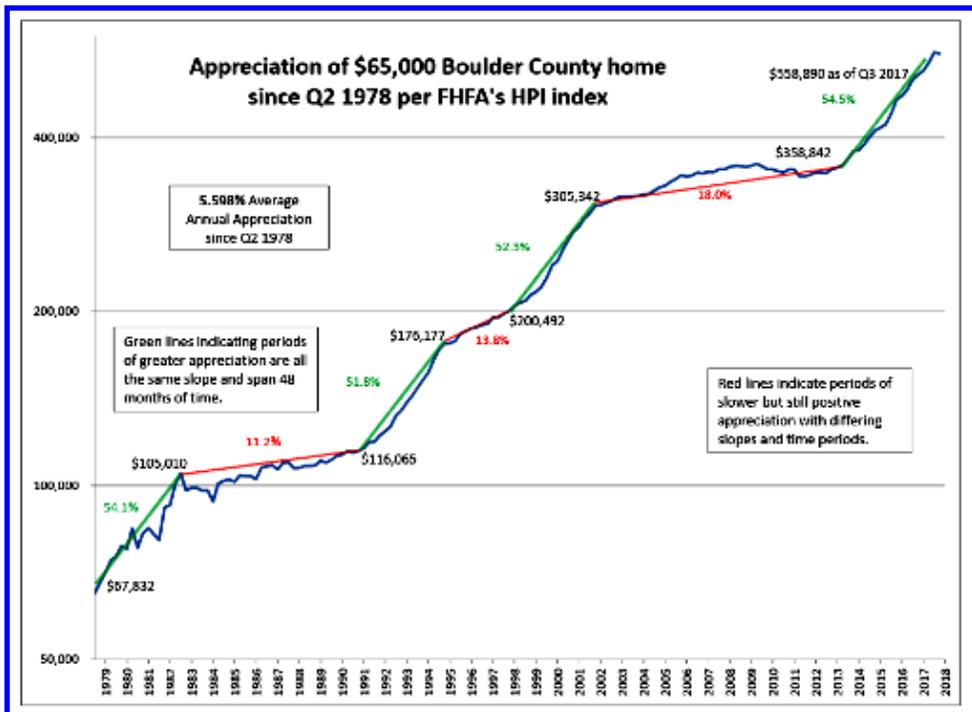
1.1

Months of Available  
Inventory in Lsvl  
1.5 in BoCo  
2.2 in Boulder

63%

Percent of Market Under  
Contract in Longmont  
Louisville 62%, Lafayette 53%,  
Boulder 47%, BoCo 48%

This chart from the Federal Housing Finance Administration tracks the sale of the same homes over time in Boulder County since 1979. That is to say, it follows the repeat sales of houses, and is not based on an average, making this a very accurate chart. What it does not include are sales involving cash or jumbo loans. **Note** that each growth cycle spans 5 years with relative increases of 50%+ appreciation in each. This latest cycle has lasted one quarter more than that. Also note the absence of bubbles—drops in the market—after boom cycles. **As this latest growth cycle changes** to a more balanced market, we enter uncharted territory. For the first time historically in the county there are no new home developments of any appreciable size feeding inventory or any available land for any future developments, while inventory levels remain in a low “new normal” range.



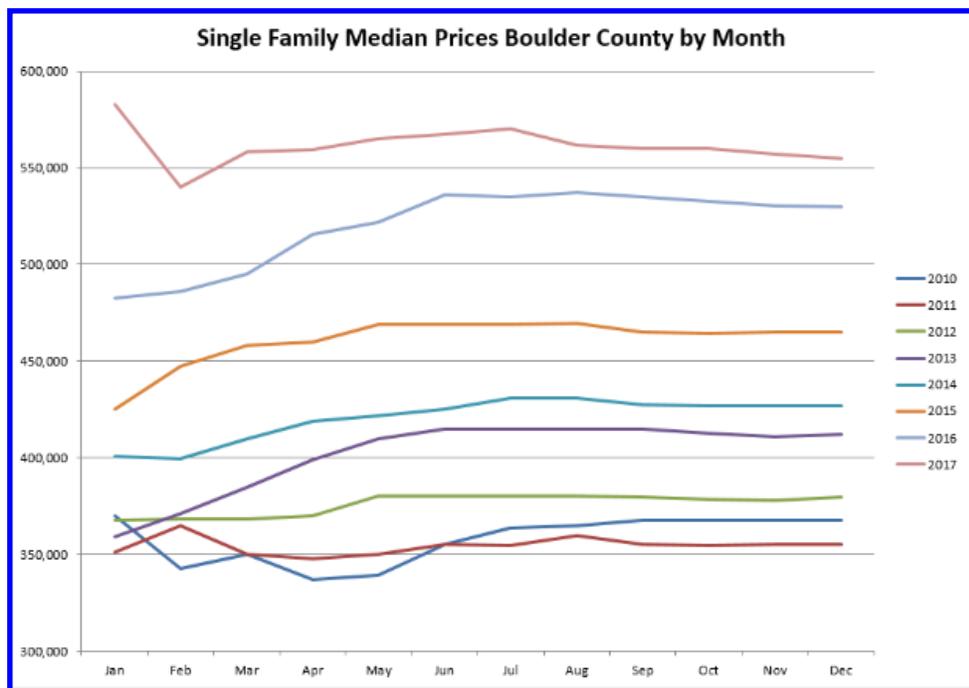
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### 10 Vital Statistics for Boulder County Single Family 2017 January through December

	2017	% Change	2016	2 Yr. % Change	2015
Total Active Listings	416	-.2%	417	-8.2%	453
Median Sales Price	\$555,000	+4.9%	\$529,000	+19.3%	\$465,000
Average Sales Price	\$680,647	+4.4%	\$652,214	+18.2%	\$575,753
SP/LP Ratio	98.4%	-.9%	99.3%	-.8%	99.2%
Average Market Time	61	-3.2%	63	-4.7%	64
Number of Sales YTD	3393	+7.3%	3163	-4.1%	3539
Expired Listings	100	+5.3%	95	-18%	122
Months of Inventory	1.5	-6.2%	1.6	---	1.5
% Under Contract	48%	+9.1%	44%	+2.1%	47%
30 year Mortgage	3.95%	-5.9%	4.2%	-.2%	3.96%

Here's a very telling chart showing the slowdown of the market. It includes 2015, and shows the two-year difference. Average and median appreciation between 2015 and 2016 was 13.3% and 13.8% respectively, but just 4.9% and 4.4% in this last year. The Sales Price/List Price Ratio is also dropping off. This slowdown occurred even though the number of sales increased in 2017 and there were just 6 weeks of available inventory.

This graph shows the average sales price of a home in Boulder County through each year since 2010. The Great Recession ended here in 2013. During a growth cycle you might think that prices would rise steadily through the year, but they don't. Note that price appreciation for the entire year takes place in the first half of the year, and drops somewhat after the peak. It graphically illustrates the frenzy of the spring season. It also shows the change in buyer numbers and attitudes after that time. Buyers are more selective and there are far fewer multiple offers on properties. This is clear evidence that the best time to sell is in the spring, and the best time to buy is in the second half of the year. Why the drop in prices in January of 2017? My data partner and I believe these were the closings from contracts made in December, the slowest time of the year.



	Average Sales Price					Median Sales Price					% SP/LP	
	2015	2016	2017	% Diff.	High	2015	2016	2017	% Diff.	High	2016	2017
Boulder	969.7	1,071.6	1,094.3	+2.1%	2017	795	885	910	+2.8%	2017	99.2	98.3
Louisville	562.9	634.4	666.1	+5%	2017	520	594.5	630	+5.8%	2017	100.2	100.3
Lafayette	489.9	553	570	+3.1%	2017	437	483.5	525	+8.6%	2017	100.1	100
Longmont	342	387.8	422.2	+8.9%	2017	310	357.9	390	+9%	2017	100.4	100
Plains	651.8	731.7	796.4	+8.8%	2017	550	615	645.6	+5%	2017	98.1	96.2
Mountains	560.9	691.3	632.3	-8.5%	2016	470	525	592.5	+12.9%	2017	96.1	96.9
Superior	570.6	614.9	635.1	+3.3%	2017	535	596	618.2	+3.7%	2017	105.4	101.8
Boulder County	575.8	652.2	680.6	+4.3%	2017	465	529	555	+4.9%	2017	99.3	98.4
Broomfield	456.5	496.5	537.3	+8.2%	2017	410	450	500	+11.1%	2017	99.8	98.8
Erie	450.8	496	508.3	+2.5%	2017	410	455	480	+5.5%	2017	99	99.1

This chart shows the change in average and median sales prices since 2015 in all the areas of Boulder County and also Broomfield and Erie. Some significant notes: Appreciation for all areas are off the double-digit rates we've seen in previous years, with Boulder slowing dramatically. Longmont posts the highest appreciation in the county, a strong indication that affordability is moving to the east as buyers chase prices. The gap in the average and median figures for the mountain area shows strong sales of homes priced up to \$600k, but dropping sharply above that. Broomfield's numbers reflect a lot of new construction.

% Change in Sales Prices Single Family