The Kearney Report

Boulder County Real Estate
2013 Year In Review

KEARNEY REALTY CO.

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The Economics of Real Estate

Last year in this space I spoke of the recovery of the local real estate market. If the market is likened to a large ship, 2012 was a year where much of the work went into changing directions. By the end of the year the turn was made and it was full speed ahead into 2013. The beginning of 2013 was characterized by a very robust market where buyers were out in force and sellers were reaping the rewards of an improved market and multiple offers. Throughout the spring, sales were strong but new listings were scarce. This brought into play the basic supply/demand curve you may remember from Economics 101. The basic concept of this principle is that if demand exceeds supply then the cost of those goods will naturally increase. We definitely saw this in action. It wasn't uncommon to have five offers on a home with bidding going well above the asking price. This gave the next seller in the neighborhood to ask even more for their home and many times their "aggressive" price was rewarded with a quick offer. The market frenzy continued until June when buyer demand slowed and more sellers decided to take advantage of the market. Below is a quick summary of the market in 2013. To get a full view of what is happening in the various market segments, I encourage you to study the graphs and explanations included in this report.

The number of residential properties that sold in Boulder County was up 9.7% during the year. Each month sales were higher than the previous four years until fall when the market slowed a bit after the flooding. The number of sales in the price range below $250,000 were down slightly but all other price ranges showed increased sales. The greatest increase was seen in the luxury segment where sales above $1.5 million increased by 65%.

Prices increased throughout our market area. The median price of residential real estate rose by approximately 9% during 2013. This is the largest single year gain we have seen since 2000 when our market was among the best in the nation. Through the third quarter, the national market increased by a similar amount (8.44%). The largest price gains were seen in the markets that were most depressed during the recent downturn. For example, prices in Las Vegas were up by 22.5% last year but they are still down 25% over the past five years. For comparison, Boulder County was up 8.11% (according to FHFA.gov) for the past year and up 7.44% over the past five years. Our one year appreciation ranks our market 60th out of approximately 300 market areas. The tide is rising.

The big story for the year was low inventory. Throughout the year buyers had very little to choose from and by the end of the year the number of active listings was down 37% from just two years ago. To go back to the ship analogy, the waters are clear but we can't run the engines at full speed because we are low on fuel. In order for the recovery to continue we will need the supply of homes to more closely match the demand. Otherwise, would be buyers will turn into renters in frustration. If you have been thinking about selling but have been putting it off, we would love to explore that possibility with you and let you know if it makes sense for you.

The remainder of this report gives a detailed view on many segments of the local real estate market. If you don't see your neighborhood represented please give us a call we can run the numbers for your specific area.

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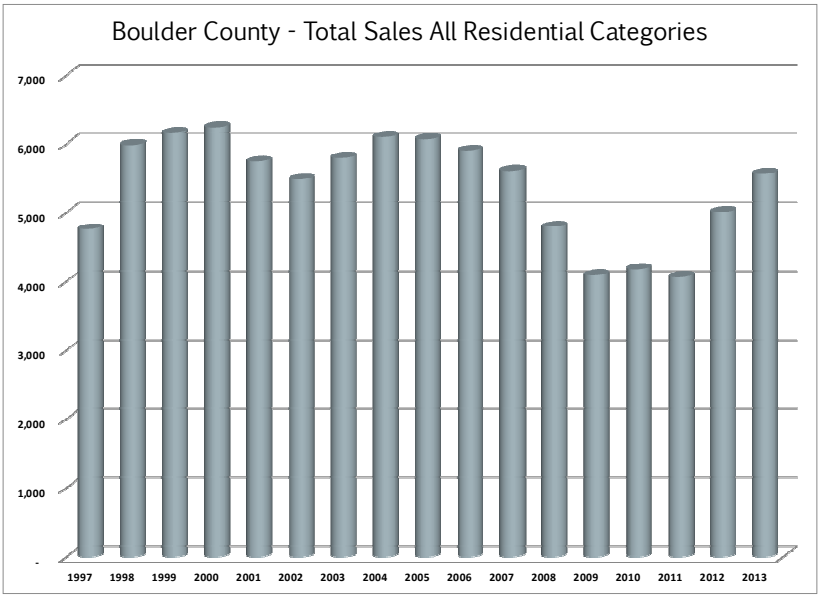
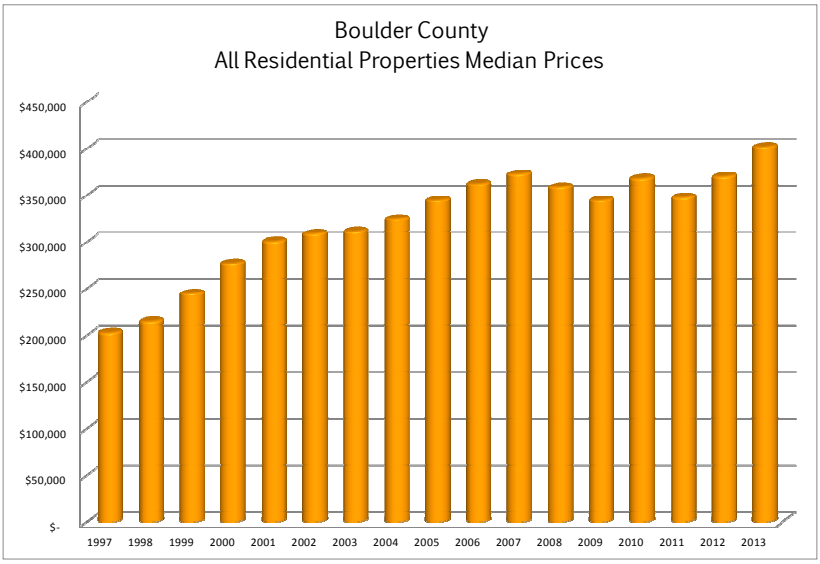
Boulder County





The total number of sales in Boulder County increased by 9.7% during 2013. This compounds the 23% gain last year, and now we are at 2003 levels before the housing bubble expanded. We definitely have room to expand further although I predict at a slower pace.

Median prices in Boulder County made a significant jump this past year. The median prices are now at their highest level ever. The prices of single family homes increased by 8.65% and prices of attached dwelling raised by 3.7% during the year. Single Family Home Median prices throughout the county (increase in parenthesis):

- Boulder $628,250 (10.4%)
- Louisville $450,000 (14%)
- Lafayette $365,000 (10.4%)
- Longmont $258,050 (12.2%)
- Superior $440,000 (7.8%)
- Erie $348,750 (12.5%)
- Plains $457,182 (8.8%)
- Mountains $425,000 (14%)

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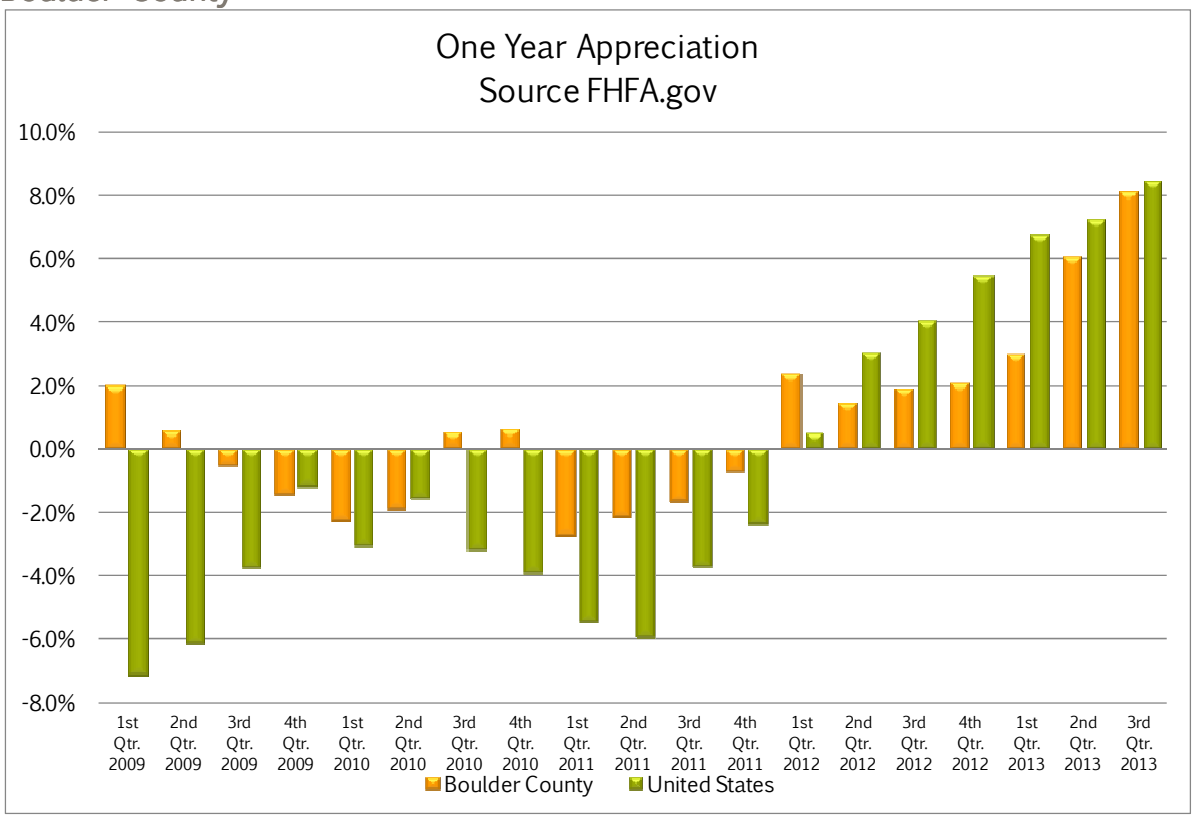
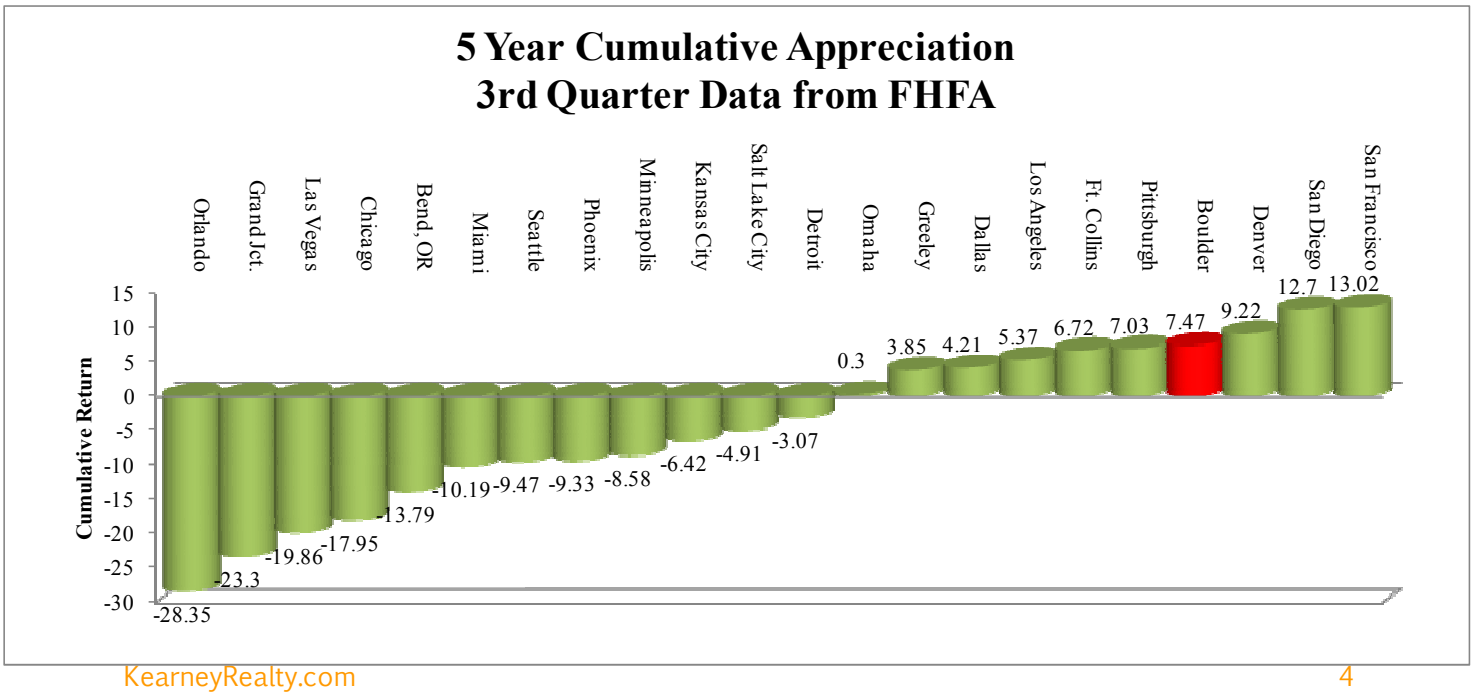
Boulder County



The Federal Housing Finance Agency (FHFA) tracks home values in 287 metropolitan areas across the United States. There is a bit of a reporting lag, so the latest data available as this is written are sales through September 30th. Over the year ending at that time, prices had increased 8.11%. During the 3rd quarter alone, prices rose 3.39%. The top graph shows Boulder County's appreciation on a quarterly basis compared to the United States average. The lower graph compares Boulder's most appreciation over the past 5 years to other select cities across the nation. In comparison to most areas our area is doing very well..



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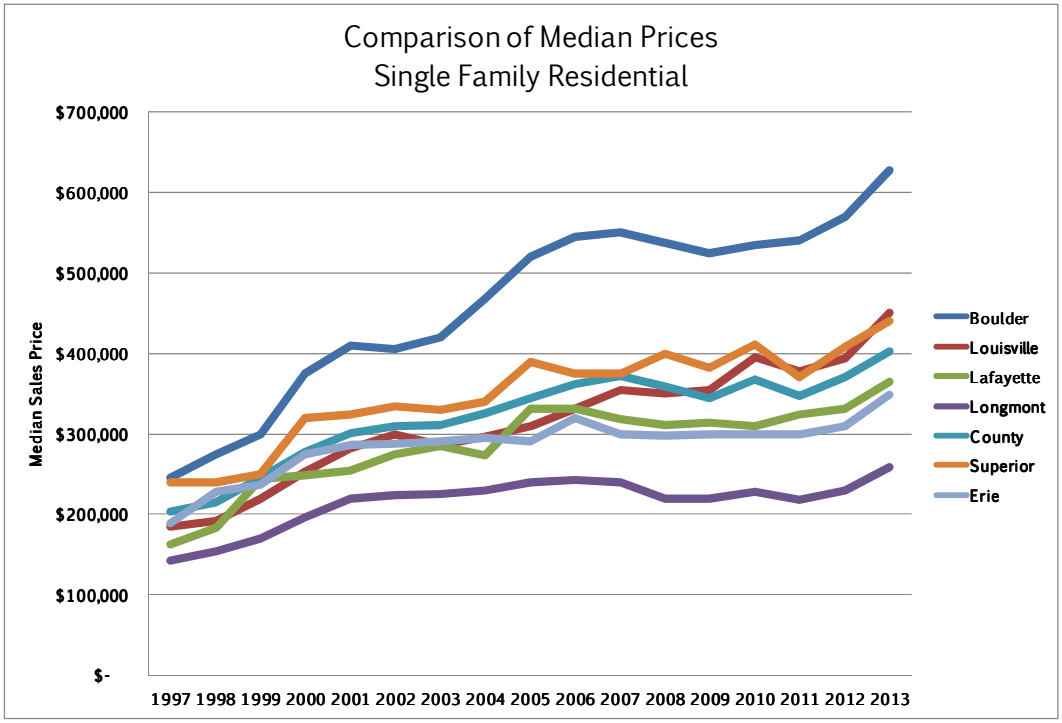
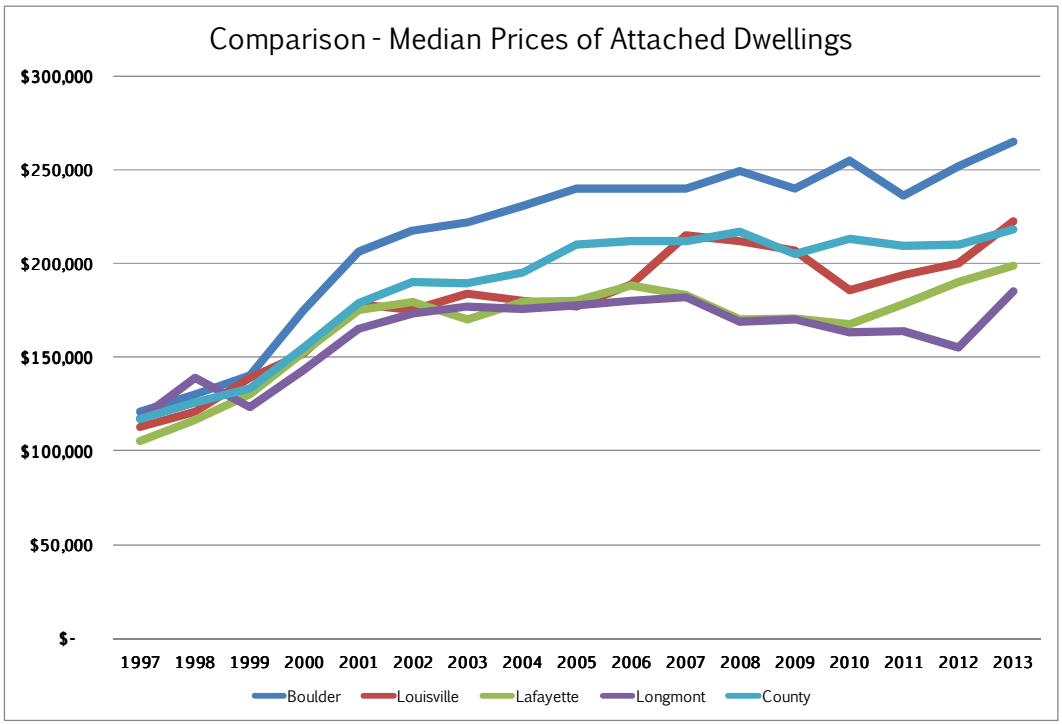
Boulder County





The charts on this page offer an interesting view of the real estate market in Boulder County. The graphs show home appreciation since 1997 in all of the major area communities. What stands out here, is the difference in median price between the City of Boulder and the rest of the county. There are many reasons that Boulder's median prices are so much higher than the other communities. Here are the top few: 1) More people want to live in Boulder than can afford to live in Boulder. 2) There is a greenbelt of open space that surrounds the city that restricts new building (and adds to the quality of life). 3) Many of the homes in Boulder have been improved in recent years so that the homes are different and more valuable than they were a decade ago. This effect is not so dramatic for attached dwellings, as seen on the bottom chart. All areas have seen price gains over the past two years.

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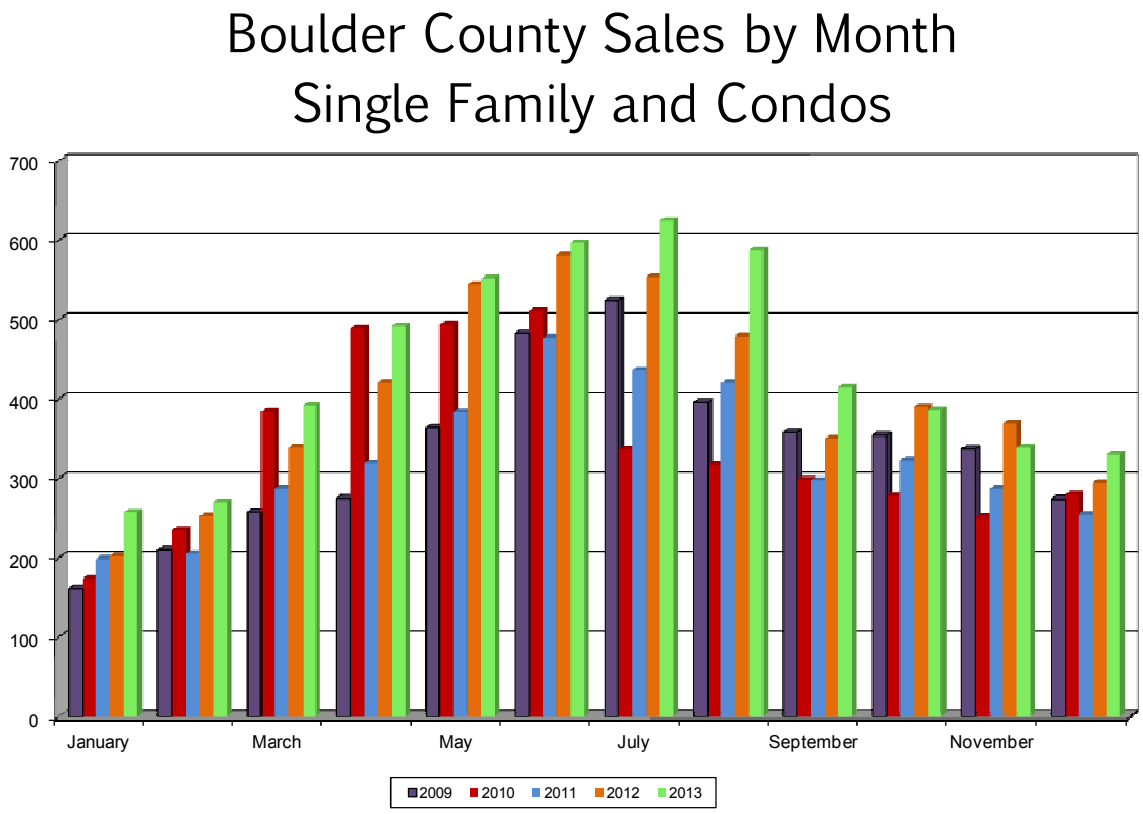
Boulder County



	2009	2010	2011	2012	2013	1 Year Change
0 - $250,000	1703	1571	1569	1796	1786	-1%
$250,000 - $500,000	1614	1684	1610	2123	2364	11%
$500,000 - $750,000	431	515	477	669	871	30%
$750,000 - $1 Million	132	137	144	232	296	28%
$1 million - $1.25 million	45	61	54	83	105	27%
$1.25 million - $1.5 million	21	28	34	50	58	16%
> $1.5 million	49	45	53	55	91	65%

The top chart shows the home sales pattern for Boulder County. Typically, sales peak from April through June and the rest of the year the sales form a smooth bell curve. Notice that the monthly sales each month exceeded the same month in previous years until October and November. The table on the lower half of the page shows the number of sales by price range. The number of sales in Boulder County were up 9.7% during 2013. The greatest gains were seen in the $500k - $750k, $750k - $1M and >$1.5M price ranges. Sales below $250,000 fell as prices rose.

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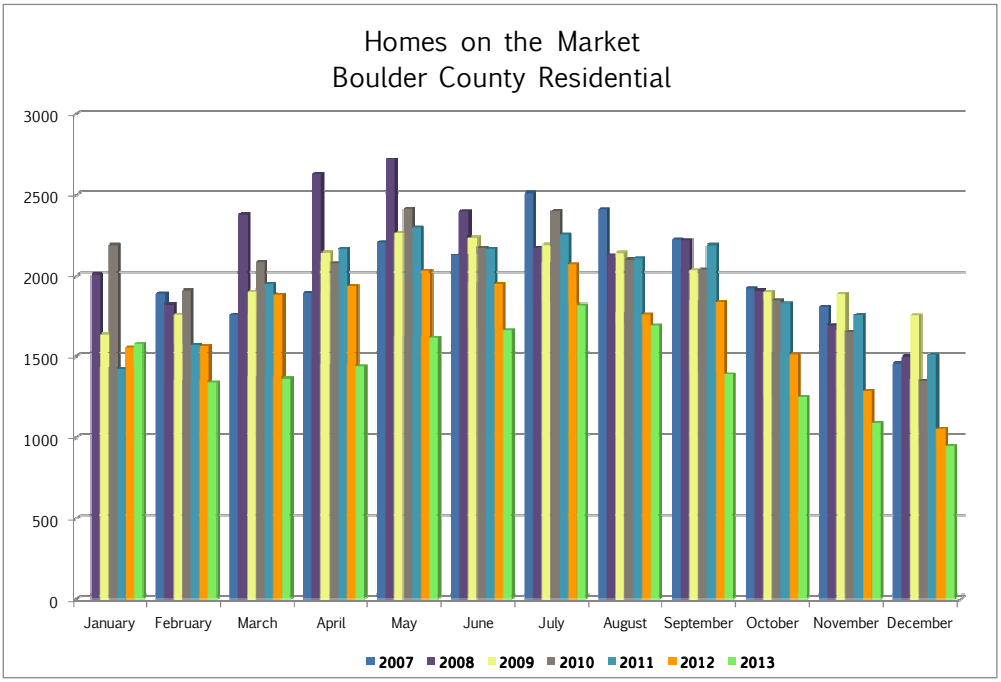
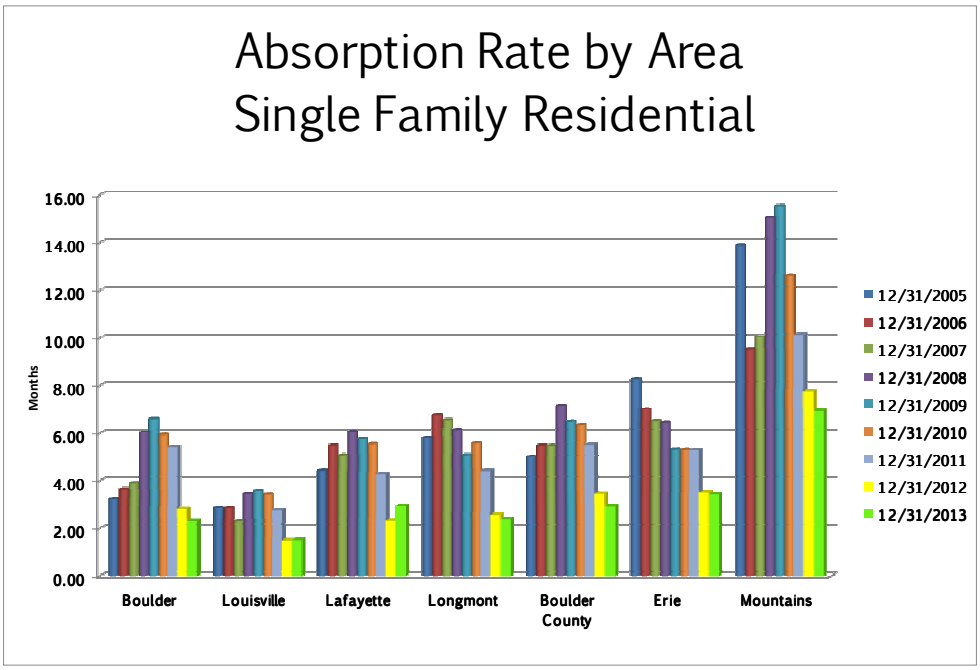
Boulder County

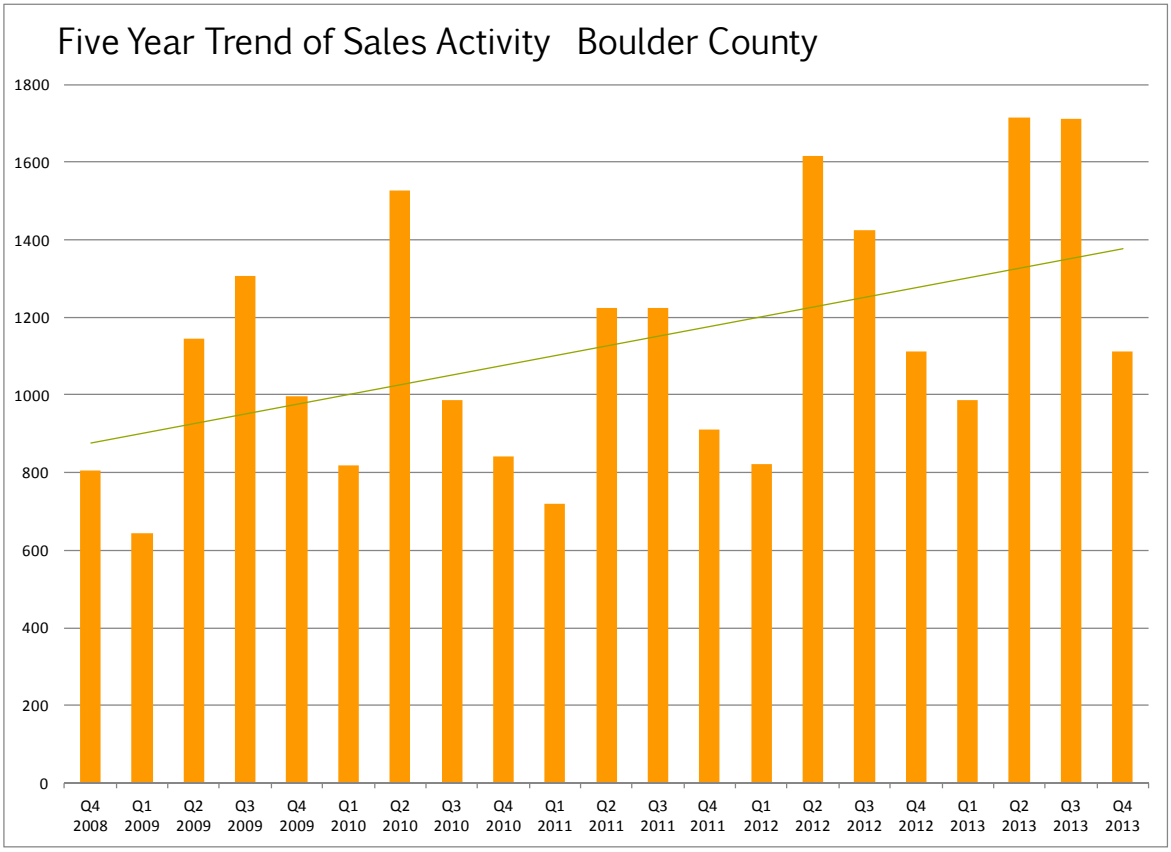


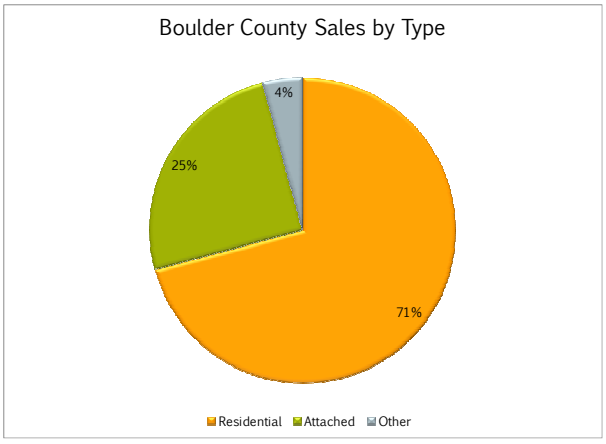
The number of sales were up and the inventory of homes on the market dropped. This has caused a shortage of listings in the market and created positive pressure on prices. The top graph shows the available home on the market (green bars are 2013). The trend toward lower inventory started last year and accelerated as 2013 progressed.

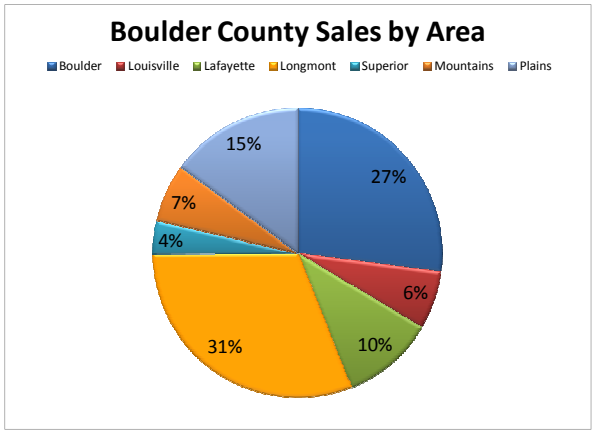


The bottom graph shows absorption rate. Absorption rate relates the sales rate (how many properties sell per month) to the number of homes on the market. The graph shows the number of months it would take to sell all of the current listings. The lower the number the more activity in the market. This years numbers are a bit improved from last year and much improved from past years. This is mostly due to the low inventory.

Boulder County

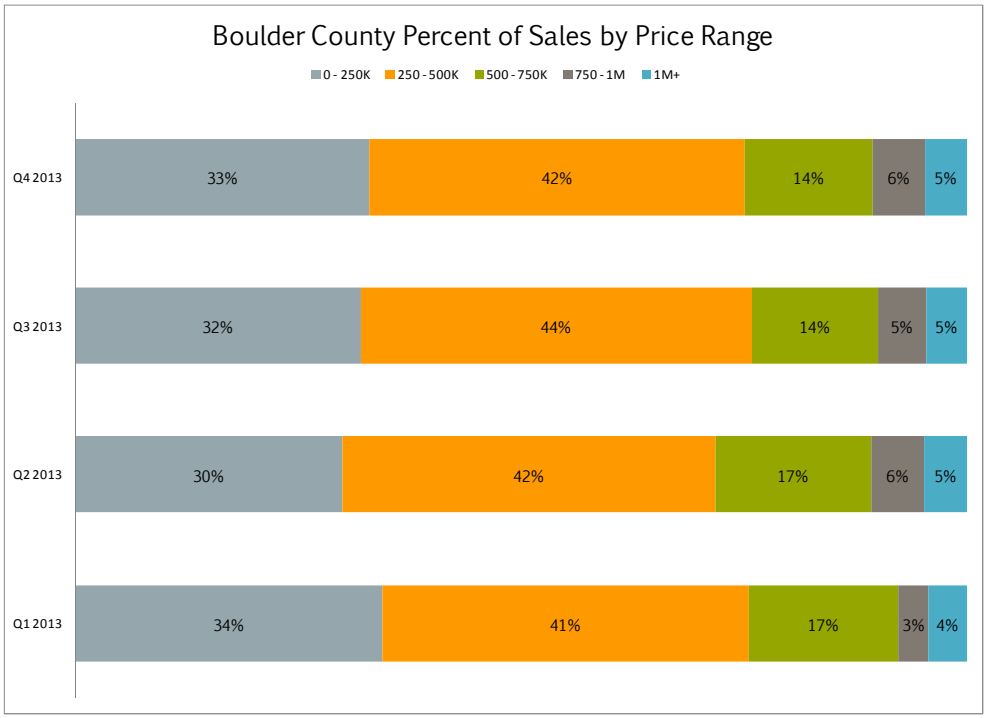






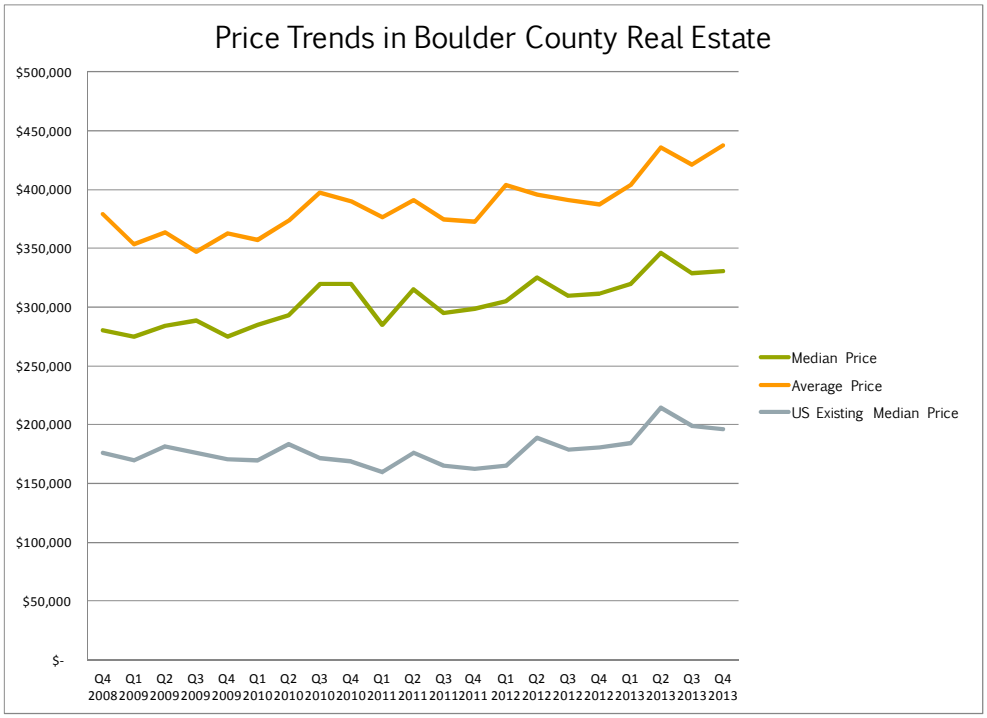
Total sales in the 4th quarter were equal to a year ago in Boulder County. For the year sales were up 9.7%. Throughout Boulder County, 71% of all real estate sales during the fourth quarter were single family homes. The pie graph on the right shows the breakdown of the percentage of properties that closed during the quarter in each area locale. 31% of the closings took place in Longmont, followed by Longmont at 27%. The third largest market is the Suburban Plains which includes Gunbarrel, Erie, Niwot and the areas in between.

Boulder County



The charts on this page offer an interesting view of the real estate market in Boulder County.

The top chart shows the percentage of closings that occurred in each price range in Boulder County over the past four quarters. What stands out is that 75% of the sales in the County close for less than $500,000. Million dollar sales are a very small segment of our market, just 5% during the fourth quarter.



The lower chart shows prices in Boulder County over the last five years on a quarterly basis. Homes have appreciated roughly 9% over the past year. As a comparison, the blue line shows the US median price. This graph mixes local price data from the MLS (top two lines) with national data (bottom line).

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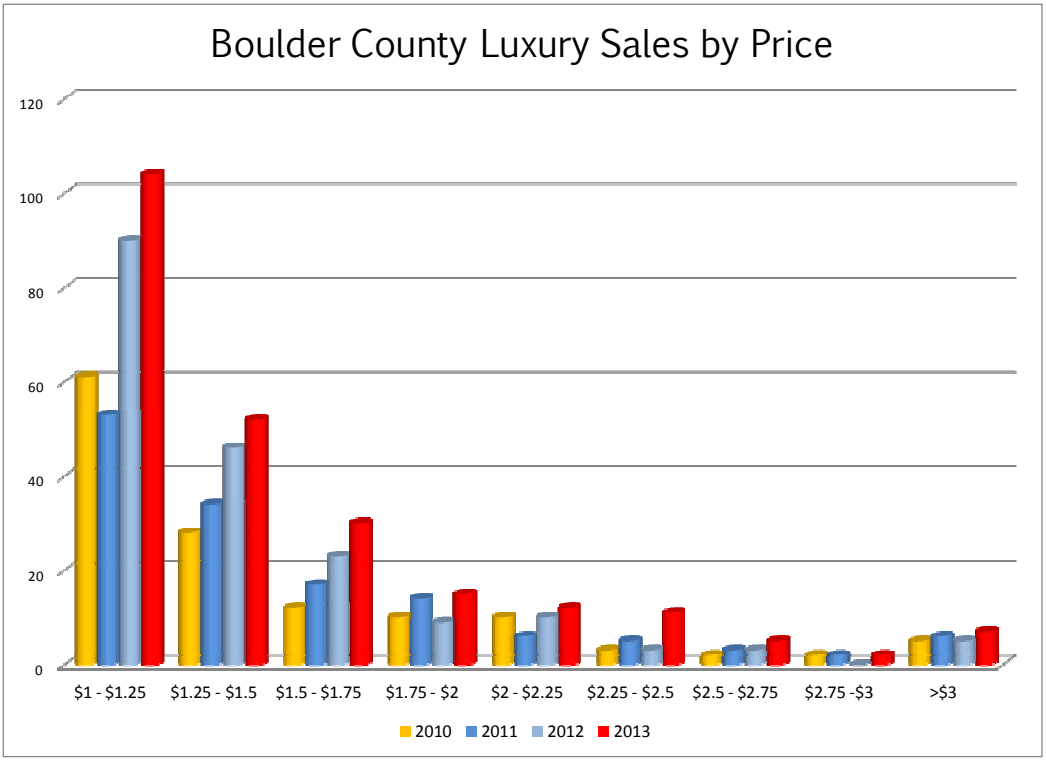
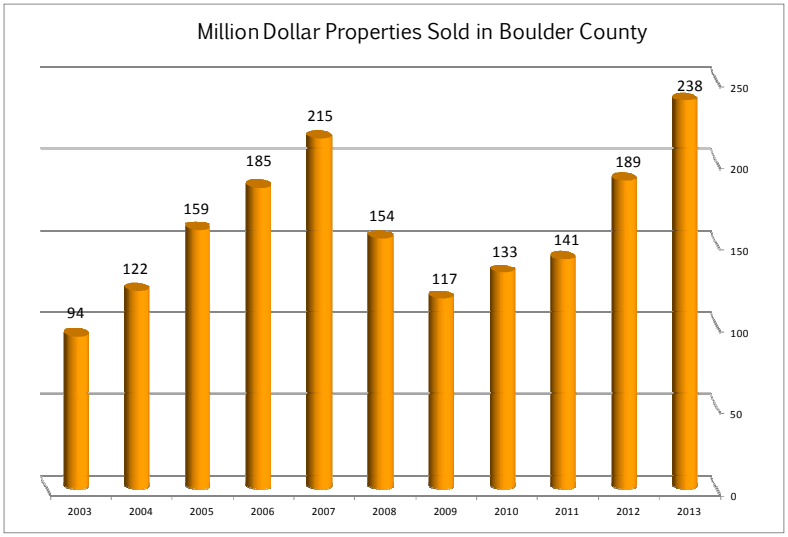
Boulder County Luxury Homes



2013 was a record year in the luxury home category. 238 homes sold for over $1 million during the year. This represents a 26% increase from a year ago and a 69% increase from two years ago. The chart to the left shows the number of sales in each smaller price range. You can see that the majority of the sales took place under $1.5 million. The lower chart shows sales in the luxury market over time. The average negotiation during a sale is a very interesting measure of the elasticity of price in the market. The table below shows that negotiations were smaller this past year as the market improved. A good rule of thumb in the market is that as price range rises, negotiations get larger. Using median prices, the average negotiation for all homes in Boulder County would be $7,937 (based on a price of $334,900) and the average negotiation for a typical sale above $1 million would be $74,000 (based on the median price of $1,319,482).



Average Negotiation off of last list price:

Luxury Market	Boulder County Market
2013 - 5.61%*	2013 - 2.37%
2012 - 7.12%	2012 - 3.35%
2011 – 7.67%	2011 – 4.10%
2010 – 8.18%	2010 – 4.17%
2009 – 6.77%	2009 – 3.81%
2008 – 5.51%	2008 – 3.2%
2007 – 6.18%	2007 – 3.15%
2006 – 5.99%	2006 - 2.78%
2005 – 5.32%	2005 – 2.44%

*Average negotiation for the 39 homes that sold for over $2 million was 7.4%

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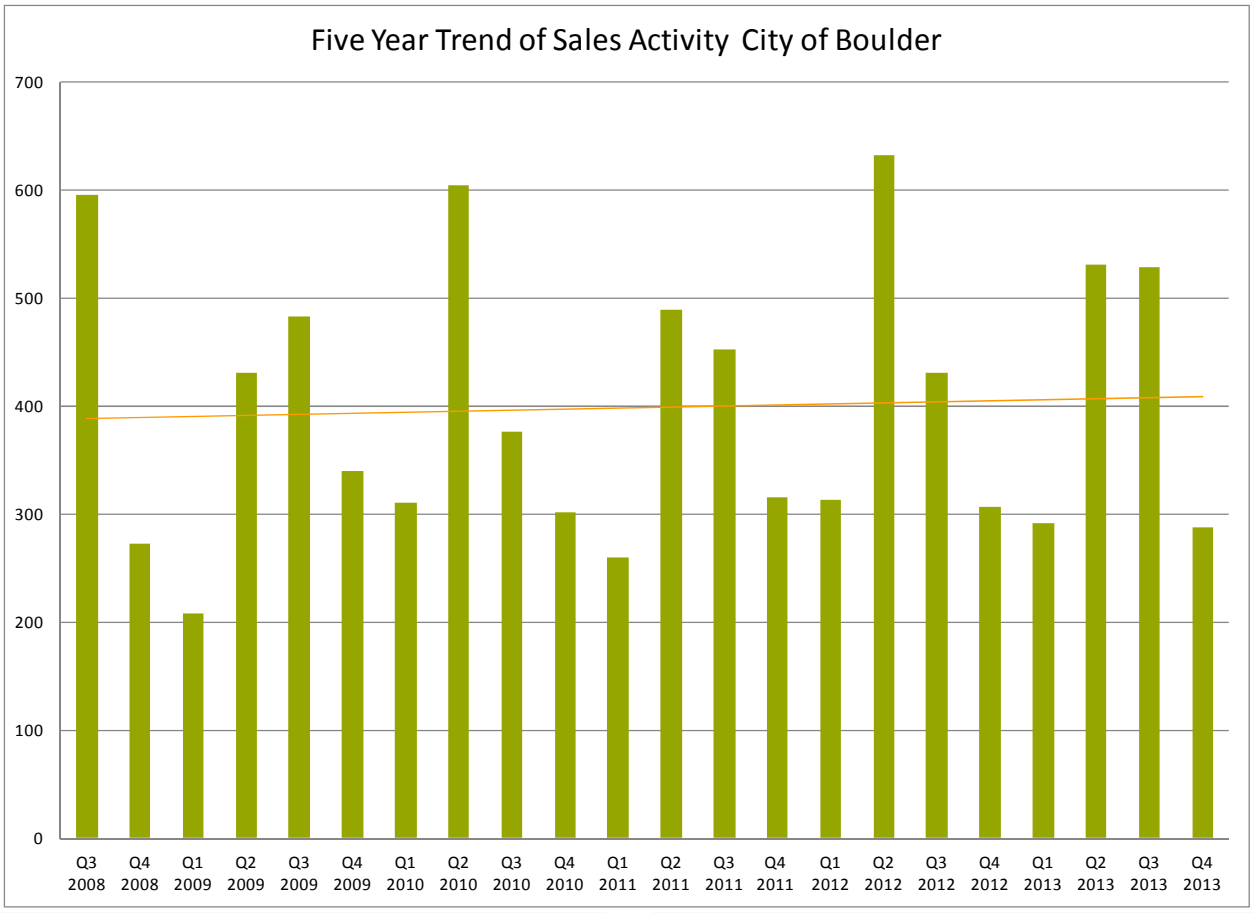
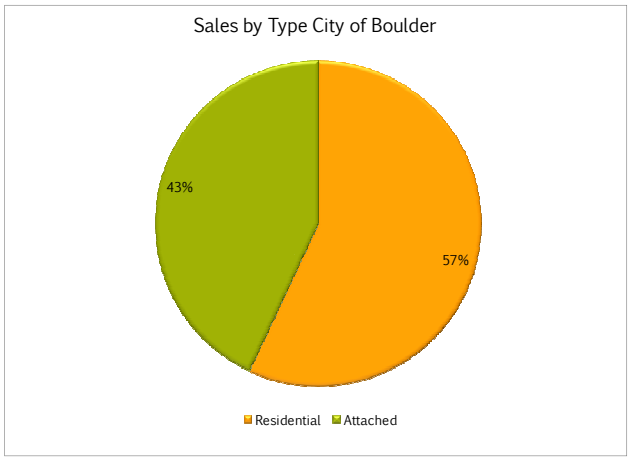
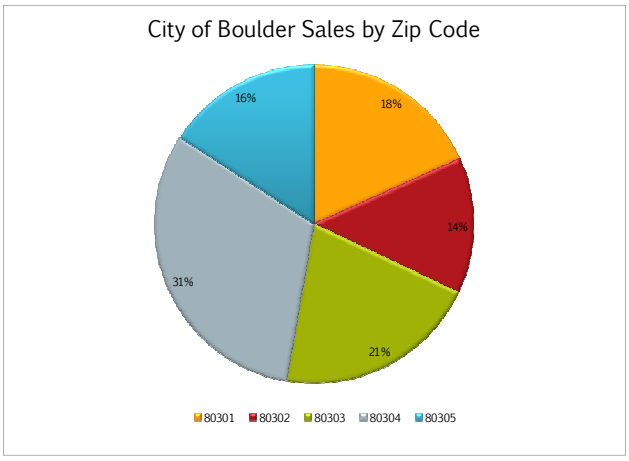
City of Boulder







This page and the one following includes only data from the City of Boulder. The top chart shows sales on a quarterly basis over the past five years. Contrary to the trends in Boulder County, sales in the City of Boulder decreased by 2% during 2013. The sales mix in the City of Boulder this past quarter was 57% single family and 43% condos and townhomes. This is usually closer to 50/50. Sales by zip code throughout the city are fairly wide spread. This past quarter, the area with the most sales was 80304 which is in the NW quadrant of the city.

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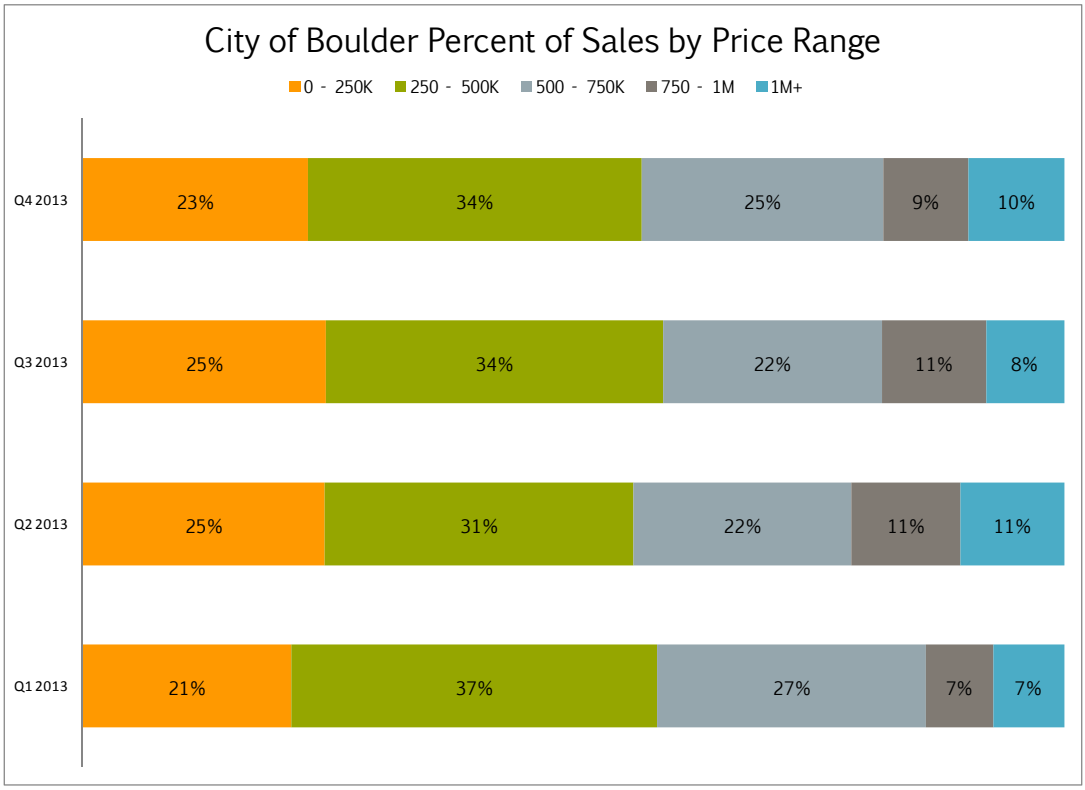
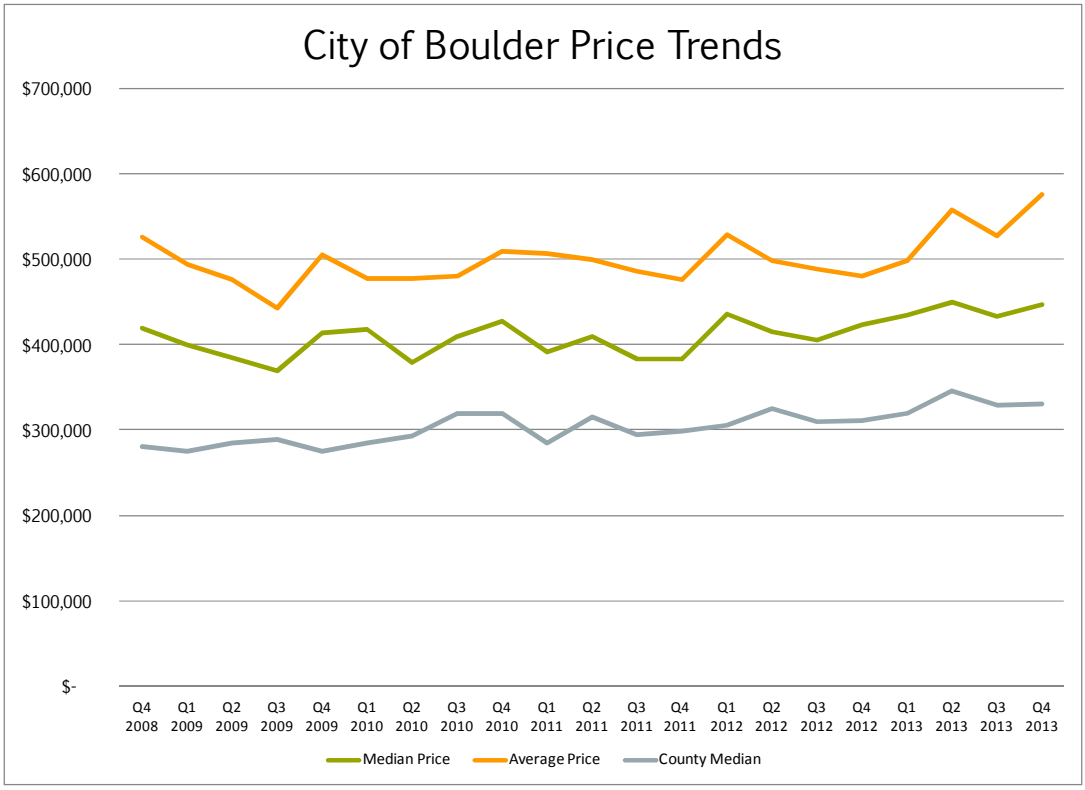
City of Boulder





The City of Boulder has more homes sell in the luxury quadrant than other parts of the county. 75% of the sales countywide were below $500,000, in Boulder only 57% of the sales were below that threshold. Sales over $1 million were 10% of the market this past quarter, this is double the percentage of the county. 23% of the sales in the city were below $250,000. This is much lower than the 33% which was recorded county wide. Those sales are picked up in the $500 - $750k category which is 25% in the city and just 14% in the county.

The lower chart shows prices in the City of Boulder over the past five years. This includes both single family and condo sales. The median sales price in Boulder during the fourth quarter was $446,750.

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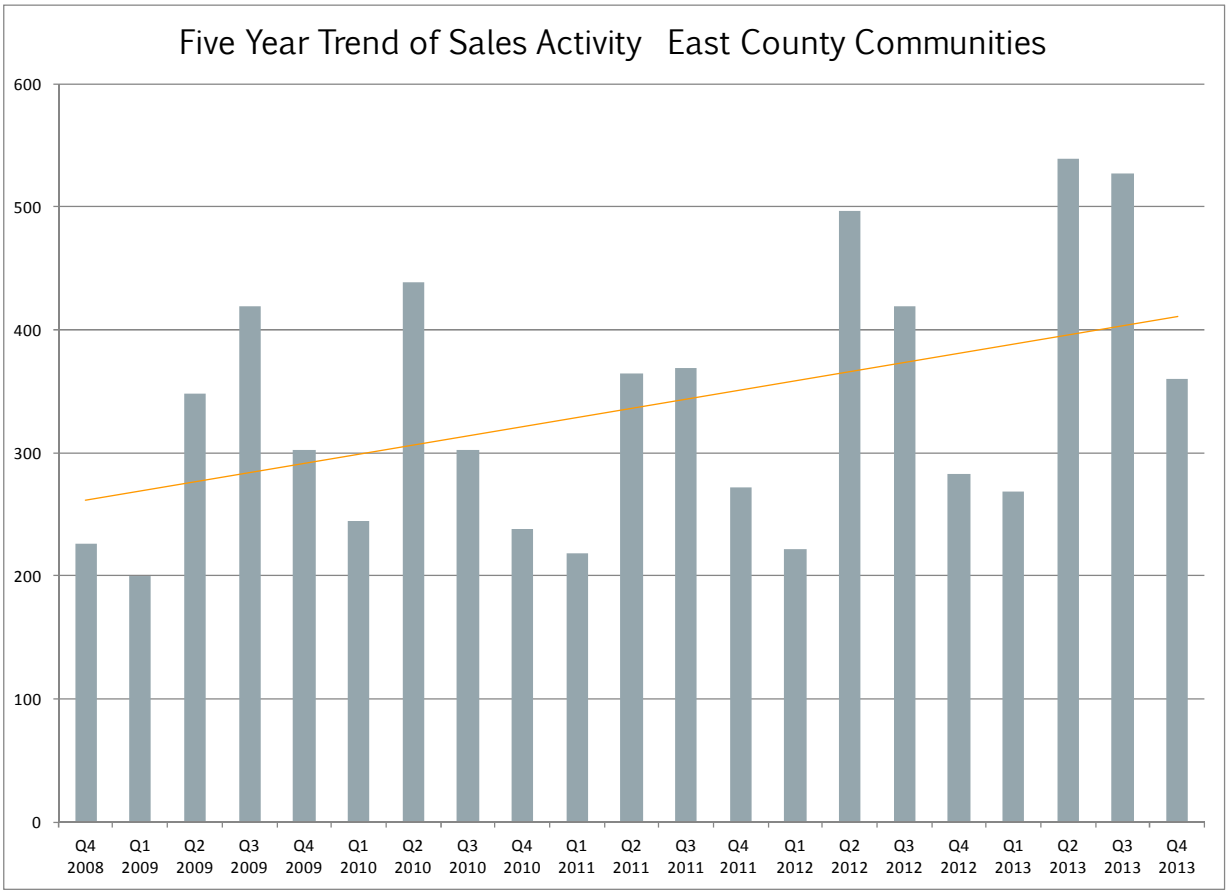
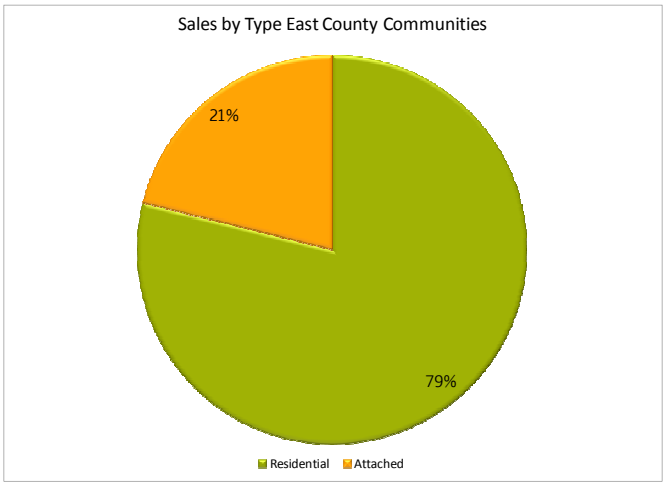
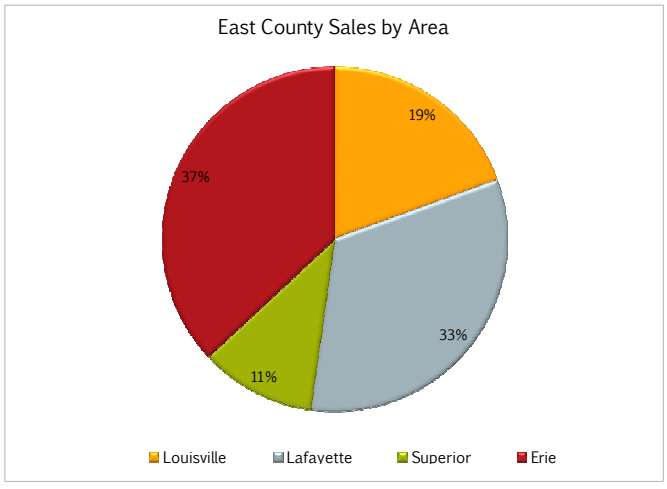
East County







East county includes sales in Erie, Lafayette, Louisville and Superior. The top graph shows a five year sales trend. In 2013 sales increased by 19% in the East County communities, higher than the county wide average. A vast majority of the sales in east county are single family homes. Just 21% of sales were condos or townhomes. The pie chart on the right shows where the sales are taking place. This last quarter 37% of the sales in East County were in Erie.

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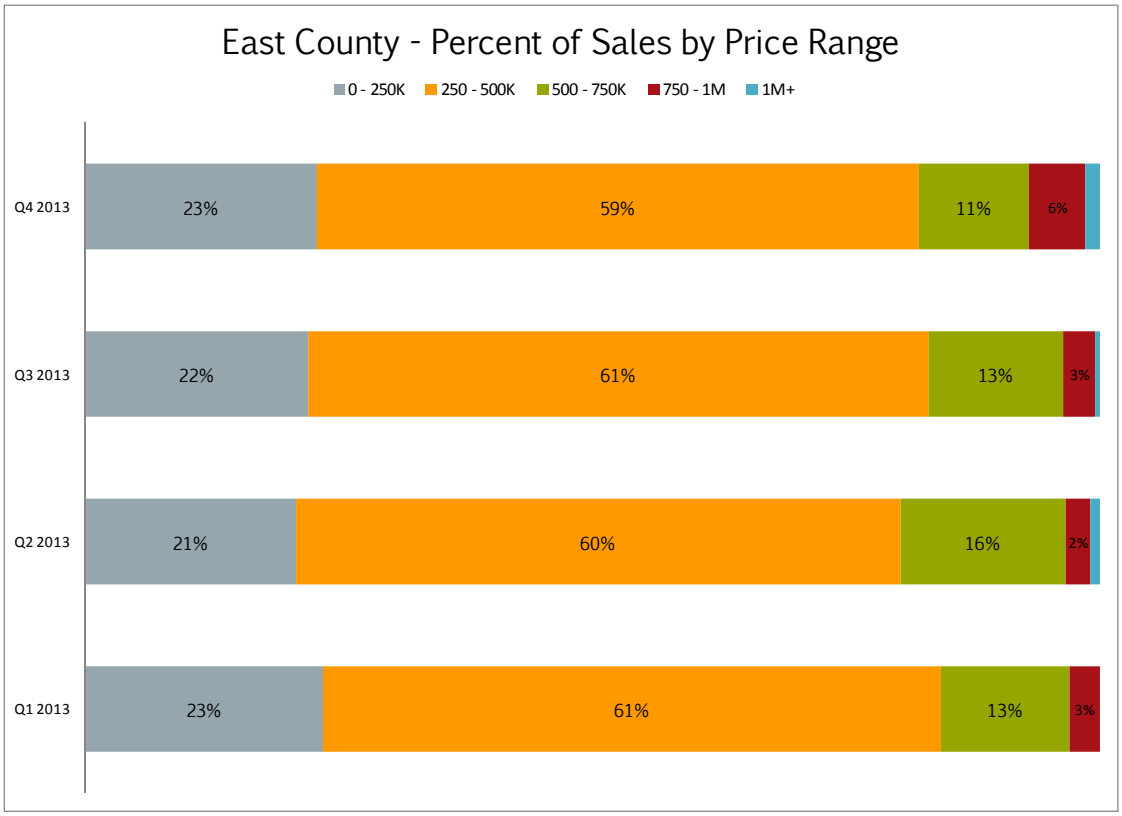
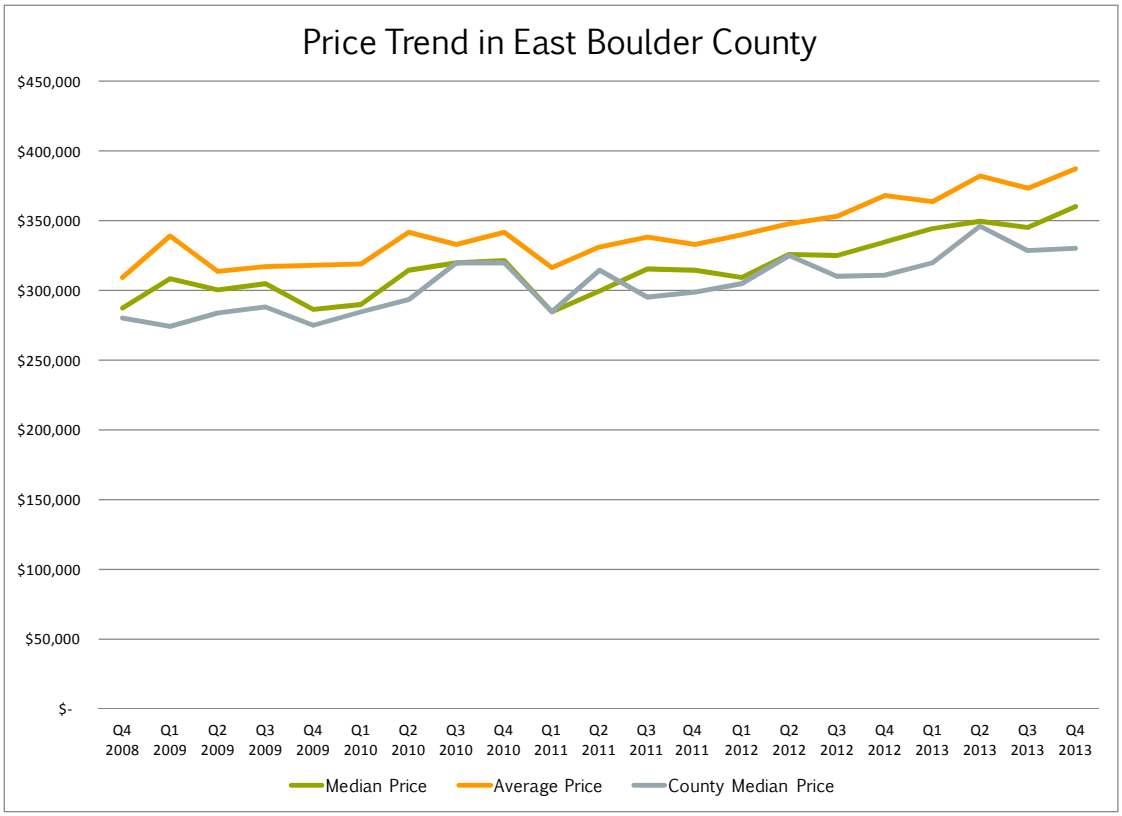
East County



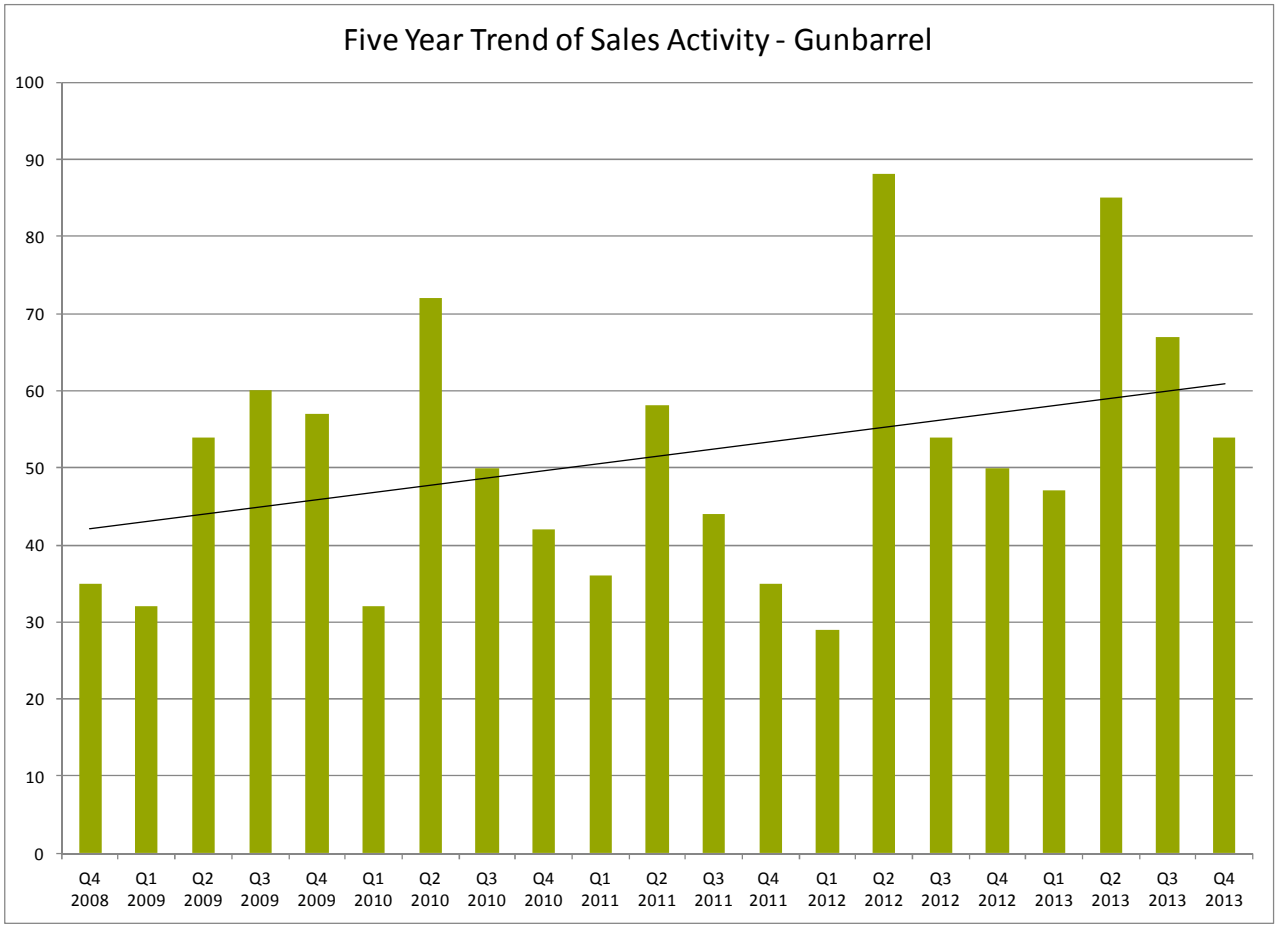


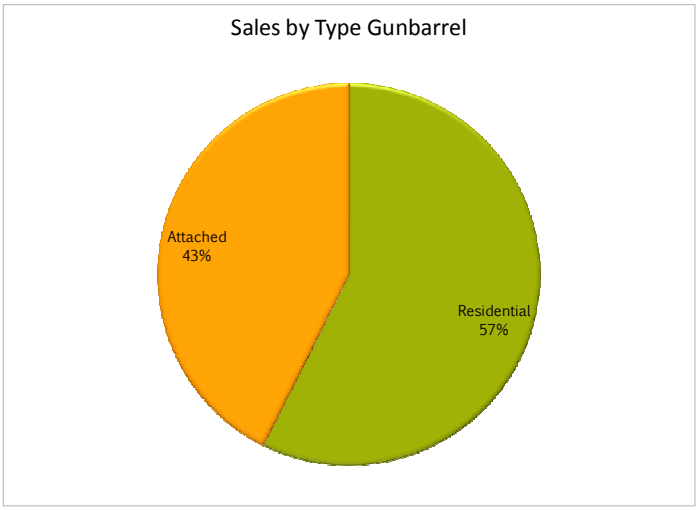
The median price for sales in Erie, Lafayette, Louisville and Superior during the fourth quarter was $360,000. A vast majority of the sales in this area are in the $250 - $500k range. There were more sales in the price ranges above $750,000 this quarter, 25 sales representing 7% of sales.

The price trend in these communities has been consistently positive over the last two years. The prices here mirror closely the median prices of Boulder County as a whole.

There is a lack of inventory in many of the markets in East County. The mix of proximity, lifestyle and reasonable prices have made these communities very popular with buyers.

Gunbarrel





Gunbarrel is an area just northeast of Boulder. It is comprised of properties both within the City of Boulder and others which are in Boulder County. The sample size of this market is smaller than others in this report however, it is a distinct market area which would not be well to lump in with Boulder. Sales were up 14% during 2013. This past quarter 57% of the sales in Gunbarrel were single family homes and the balance were condos and townhomes.

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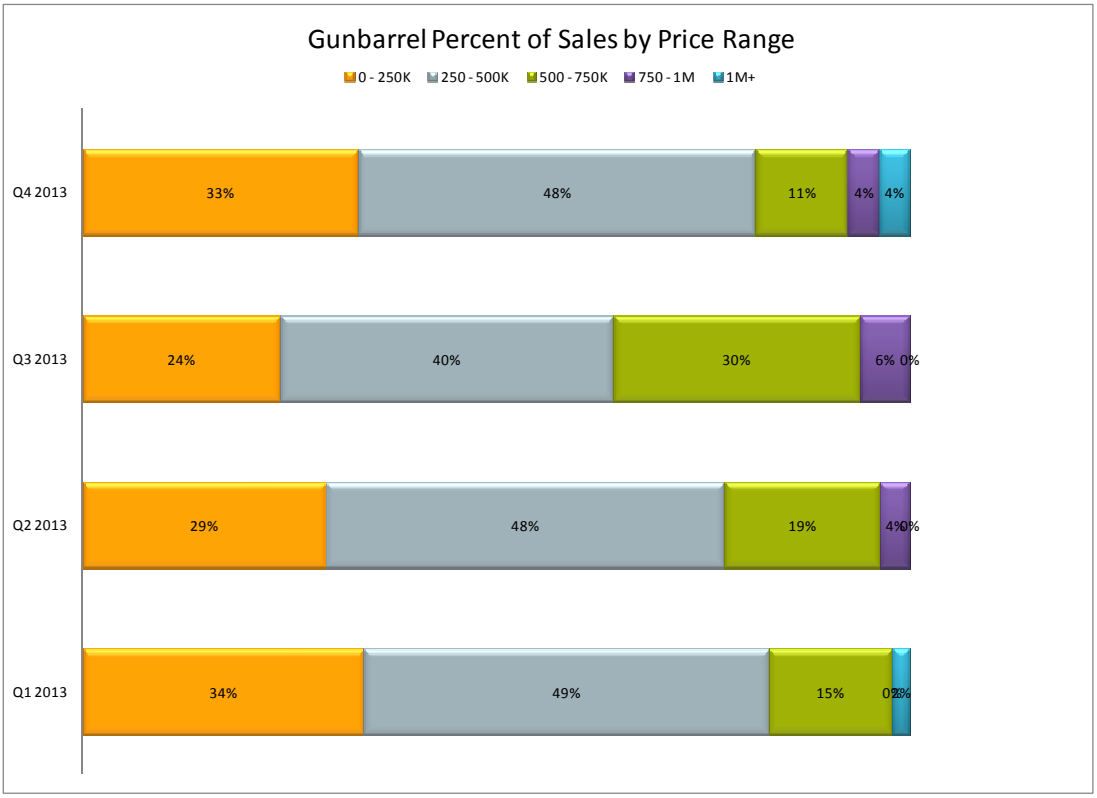
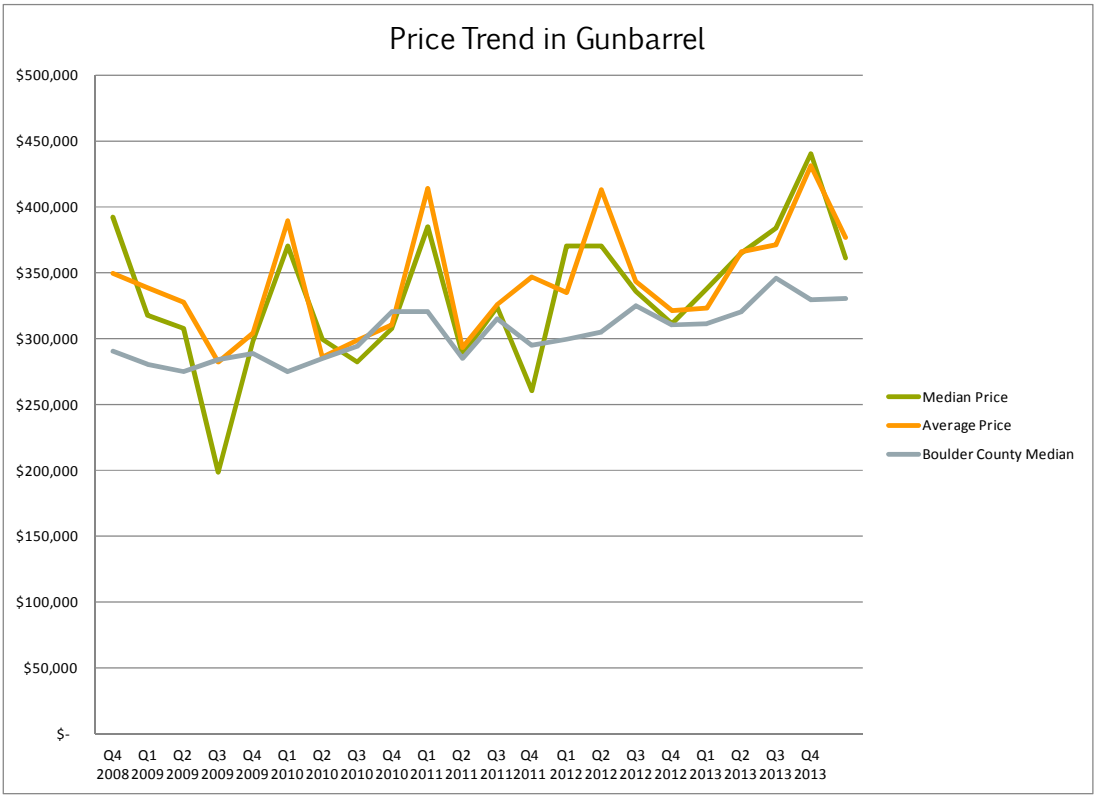
Gunbarrel

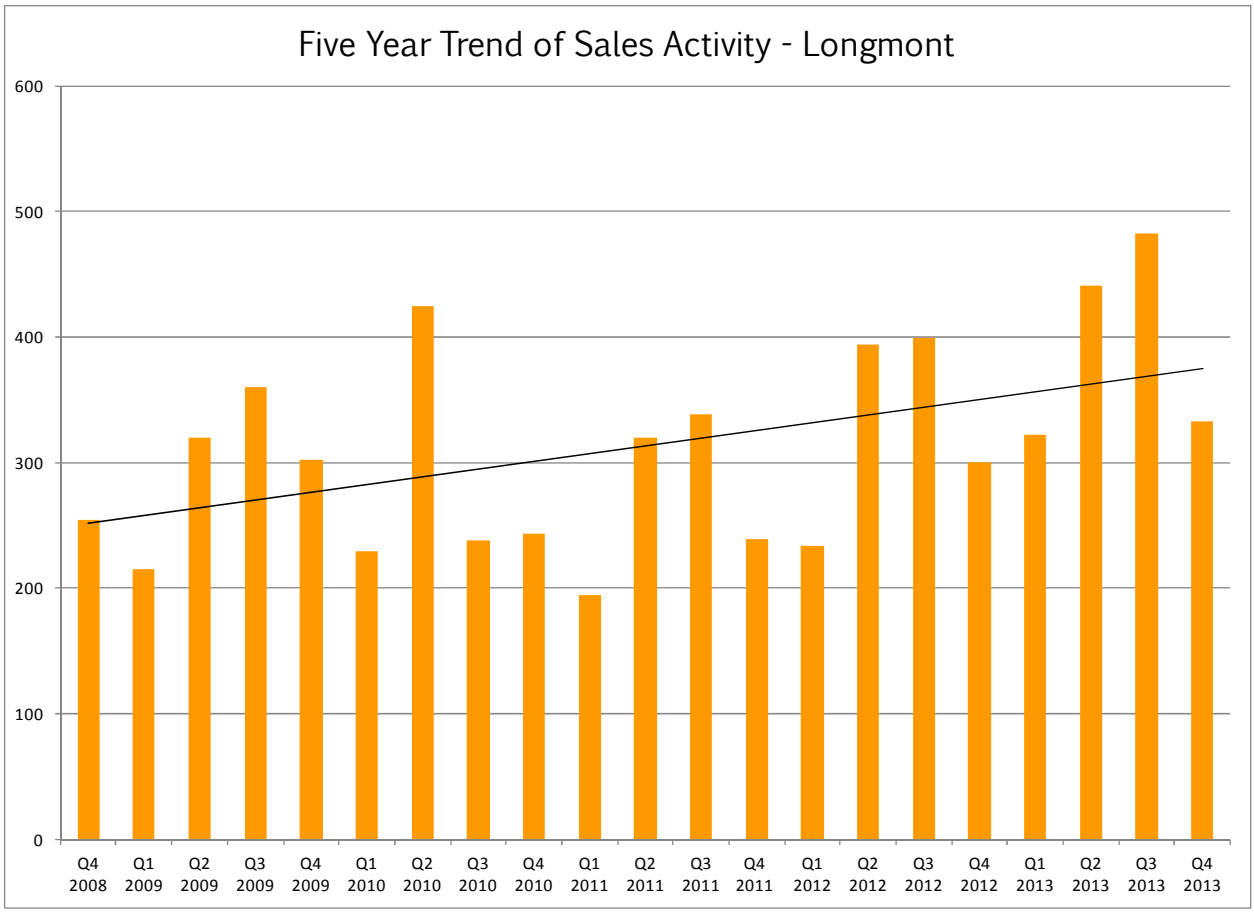


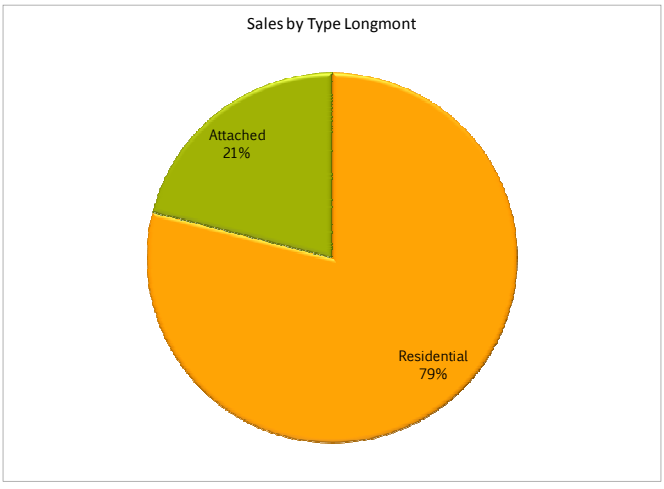


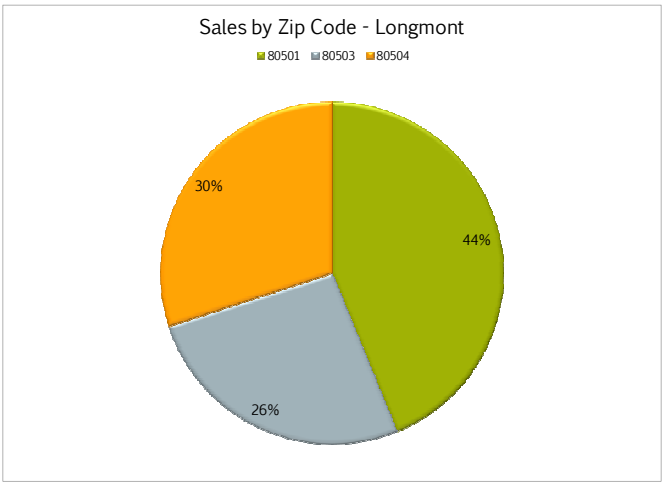
The median price for all sales in Gunbarrel during the fourth quarter was $361,000. Most of the sales in Gunbarrel closed for $500,000 or less. In 2012 there were only four sales over $750,000, during 2013 there were twelve.

Due to the small sample size of just 253 sales during the year, the median and average price are more volatile than other areas in this report. The median price for sales in the fourth quarter were $361,000 which is 7% higher than it was during the fourth quarter a year ago. Prices rose throughout Gunbarrel this year but there was definitely more of a spike in single family homes than there was in condos and townhomes.

Longmont



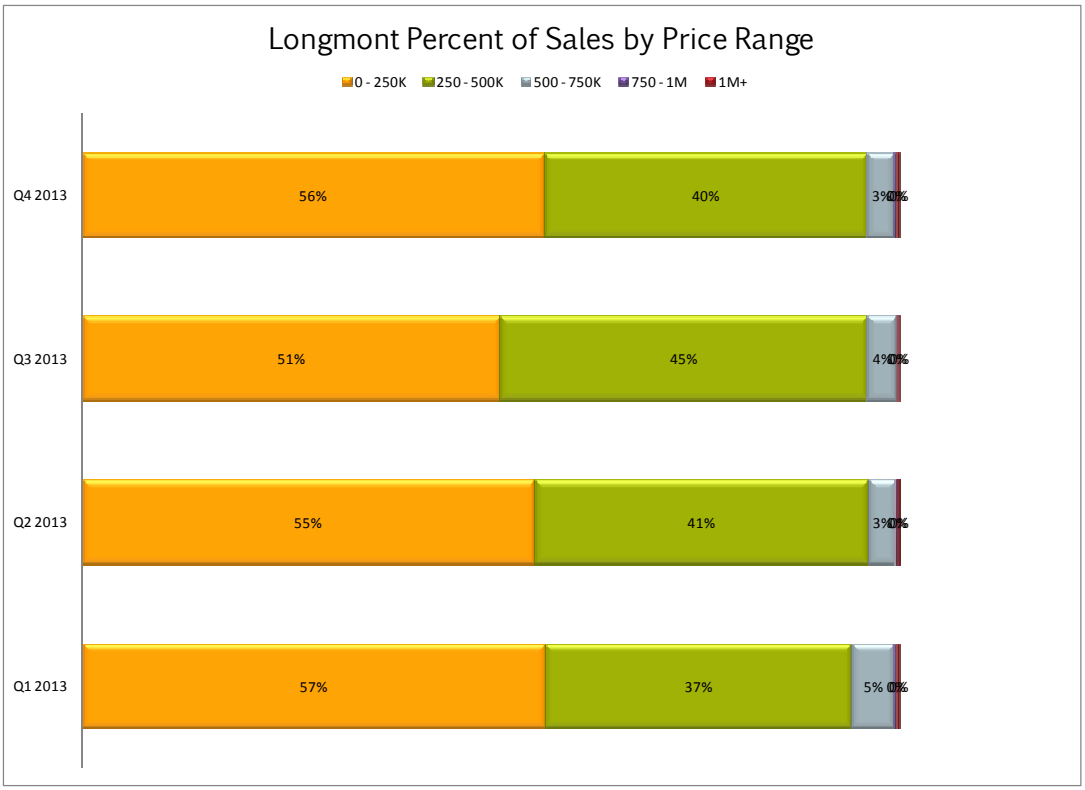




Sales in Longmont were up 19% for the year. The second and third quarter were especially busy. Longmont, as a community is the second largest community for sales in Boulder County. 79% of the sales in Longmont in the fourth quarter were single family homes. The 80501 zip code includes most of downtown Longmont and that area had the most sales during the fourth quarter.

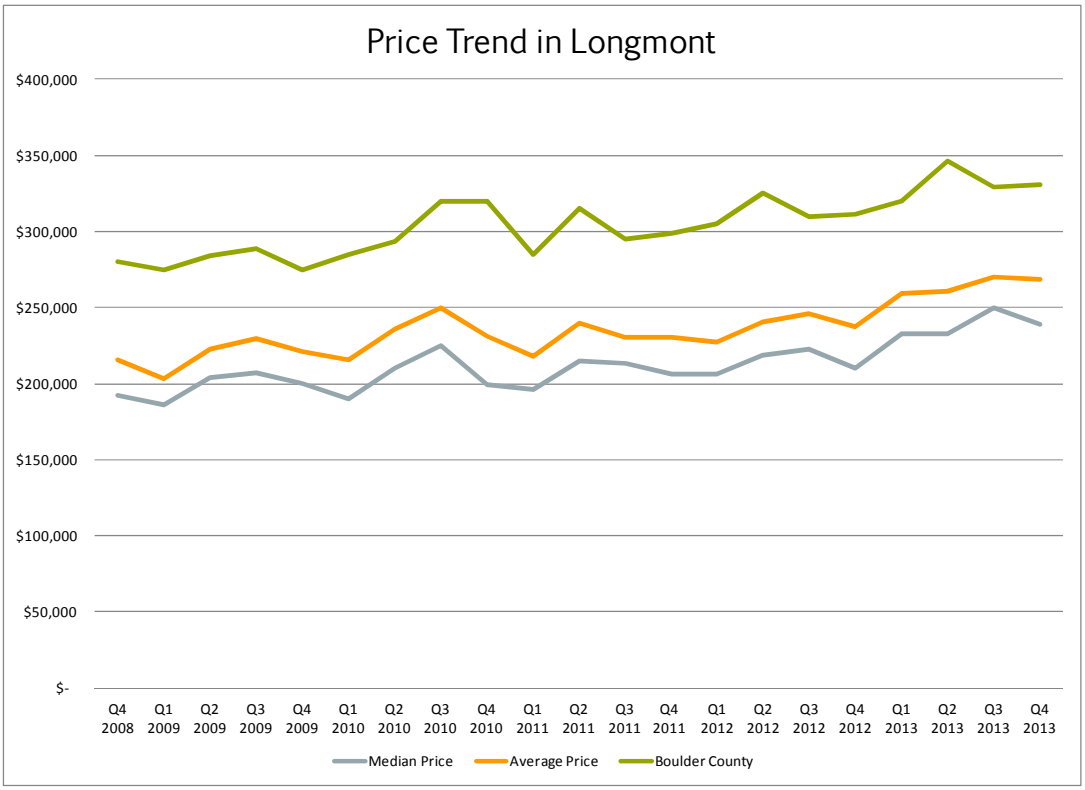
The Kearney Report

Longmont



The median price for all sales in Longmont during the fourth quarter was $239,000. 96% of the sales in Longmont closed for $500,000 or less. There have only been eight sales over $750,000 over the last four quarters.

The median and average prices in Longmont are lower than the county average. Prices have been pretty stable here but this year we did see some overall appreciation.



On Our Radar for 2014

- Low inventory of available homes will become a problem if we don't see improvement this spring.
- Interest rates are still very low but they are rising. Rising interest rates and rising prices will continue to decrease affordability.
- The local economy is showing continued strength. As a state we are gaining jobs.
- Many new rental units are coming on the market in 2014. This will take some of the pressure off of the rental market and slow the trend toward higher rents.
- Road maintenance funding - The county has set up a local tax district which places liens of homes in unincorporated Boulder County for street improvements. These liens will affect real estate transactions and the total, which is due over 15 years will become payable at the closing.

Kearney Realty - Our Core Values

1. Integrity and Class – Keeping our word; knowing what's right and doing what's right.
2. Selfless Service – Exceeding expectations by focusing on exceptional service.
3. Caring - All of our relationships are based on mutual respect, cooperation and consideration.
4. Connected - Give back to the profession and the community. 5% of company profits are donated to local charities.
5. Innovation – Continually striving to find new and better ways to serve our customers and associates.