

The Kearney Report



Boulder County Real Estate
2014 Year in Review



2014 Market Summary

2014 started out very strong and continued in a healthy manner throughout the year. It was definitely a sellers market. Throughout the spring, the combination of low inventory and high demand made it difficult and frustrating to be a buyer. Multiple offers were very common and in many situations, full price wasn't enough to win the negotiation. Throughout the spring, home values increased.

By mid June, the pressure of the market had eased a bit. All of the fundamentals in the market were still in place but just less intense. More houses were coming on the market and that supply brought the market back closer to equilibrium. The fall continued in a similar fashion with even fewer houses coming on the market. In 2014, it took on average 38 days to find a buyer and accept an offer. This is a full week quicker than 2013 and a full 49 days quicker than 2010. Low inventory and good buyer demand were the trends for 2014.

The Causes and Effects of Price Appreciation in Boulder County

Using a simple measure, median prices of homes and condos in Boulder County increased by 5.5% this year. Last year they were up 6% using the same math. FHFA the national agency which tracks home sales for the Federal Government reported that the home values in Boulder County increased in value by 8.35% for the one year period ending on September 30th (see this represented graphically on page 4 of this report). Homes have appreciated over the past three years, which has erased the affects of the economic downturn. What I'd like to touch on are the causes of the appreciation locally and the effects of the appreciation we are seeing in the market.

Boulder County didn't go through the boom and bust cycle between 2006 and 2011 that much of the country experienced, so our recent appreciation can't be explained by saying it is a bounce. A return to historical value. Home prices are now 17% above where they were 5 years ago. Over the past three years I point to three major factors that contributed to our appreciation; low supply of homes on the market, strong buyer demand caused by a strong local economy, low interest rates.

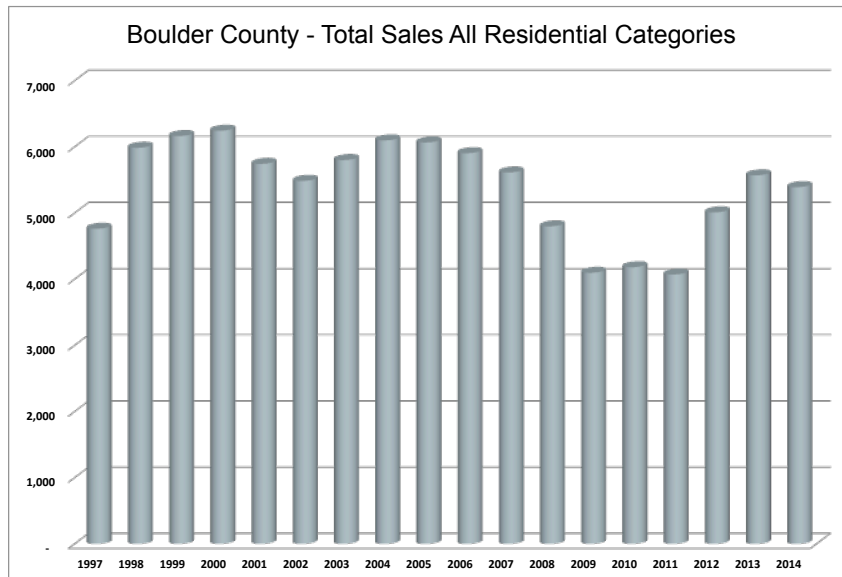
The supply of homes on the market comes from two main sources, resales and new construction (note we don't have, nor have we had a large supply of foreclosure homes, this has been another source in other areas). Both sources of supply have been constricted since 2008. Existing homeowners have increasingly been sitting out of the market. Many feel that while it would be easy to sell their home it would be difficult to find an acceptable replacement. If you have enough people thinking along these lines it becomes a self-fulfilling prophecy. The economic downturn was difficult on home builders and their banks forced them to sell existing supply and to stop building spec homes. The supply of new homes was a trickle in 2009 and 2010. Builders are now up and running but they can't keep up with buyer demand. They are also constricted by a lack of tradesman due to so much commercial construction.

The US Census Bureau estimates that Boulder County grew by 5.3% between 2010 and 2013. This means that 15,000 new people moved to our county. Given that there are on average 2.42 people in a household in Boulder County this means that there are over 6,000 new households in Boulder County over the past four years alone. People are moving here because of our robust economy and available jobs. This equation has led to the construction of many new apartment buildings, rising rents and a very tight real estate market with low inventory and rising prices.

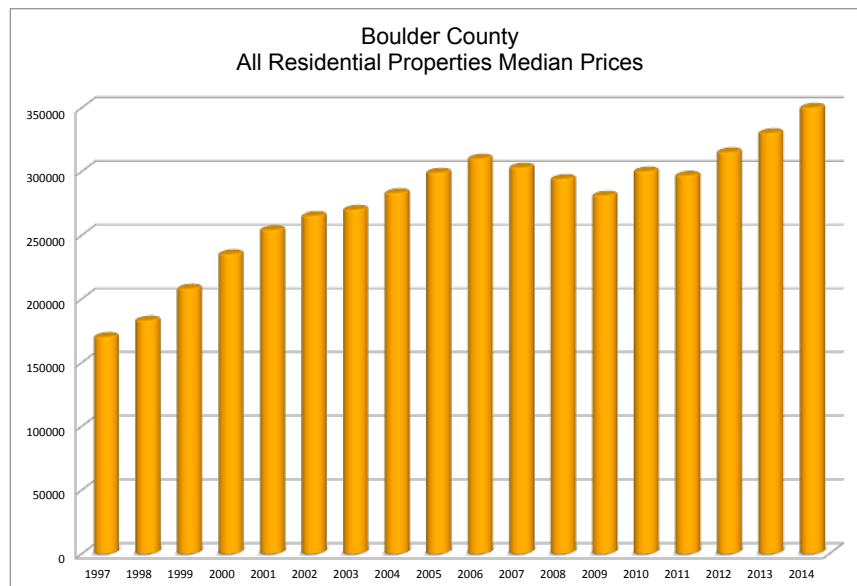
The last factor causing appreciation is low interest rates. Affordability has two multipliers; price and cost of money. If one stays low while the other rises, affordability stays reasonable. If both rise, demand falls. For the past six years interest rates have been very low so as prices have risen the out of pocket expense is still reasonable. From the buyer's perspective, if they need to be aggressive on price in order to get a home, they can do it because they can still easily afford the payment. Sellers have been able to ask more for their homes and buyers have had the ability to afford the payment and the will to beat out their competition.

As you browse through the rest of the report you will find, for comparison purposes, a number of market measures displayed for each of the submarkets in our area. Enjoy the report.

Boulder County Overview – Sales and Home Values

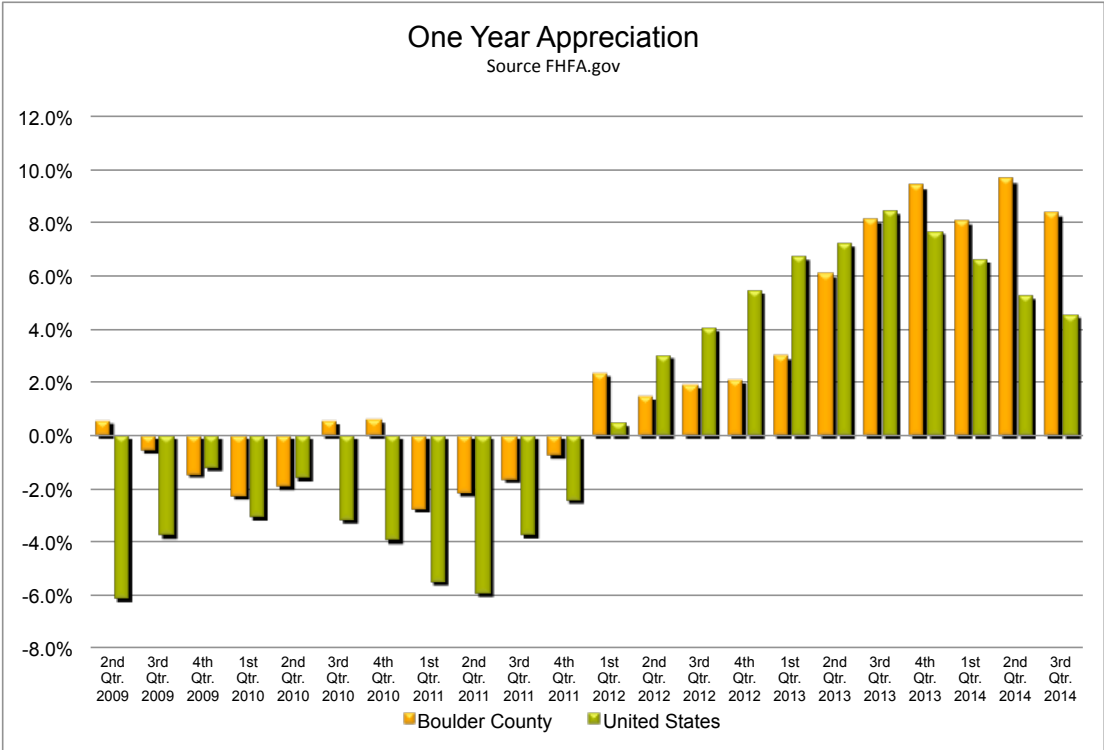


The top graph shows sales in Boulder County since 1997. It's interesting to see that sales in 1998 were higher than they are now. This illustrates that either the market has changed or that we haven't fully recovered from the economic downturn in 2009 – 2011. I suspect that the market behaviors have shifted. We just have seen a steady downward shift in the number of homes listed per year. More and more homeowners have become increasingly happy with their current home. Baby Boomers are also staying in their homes longer than past generations.

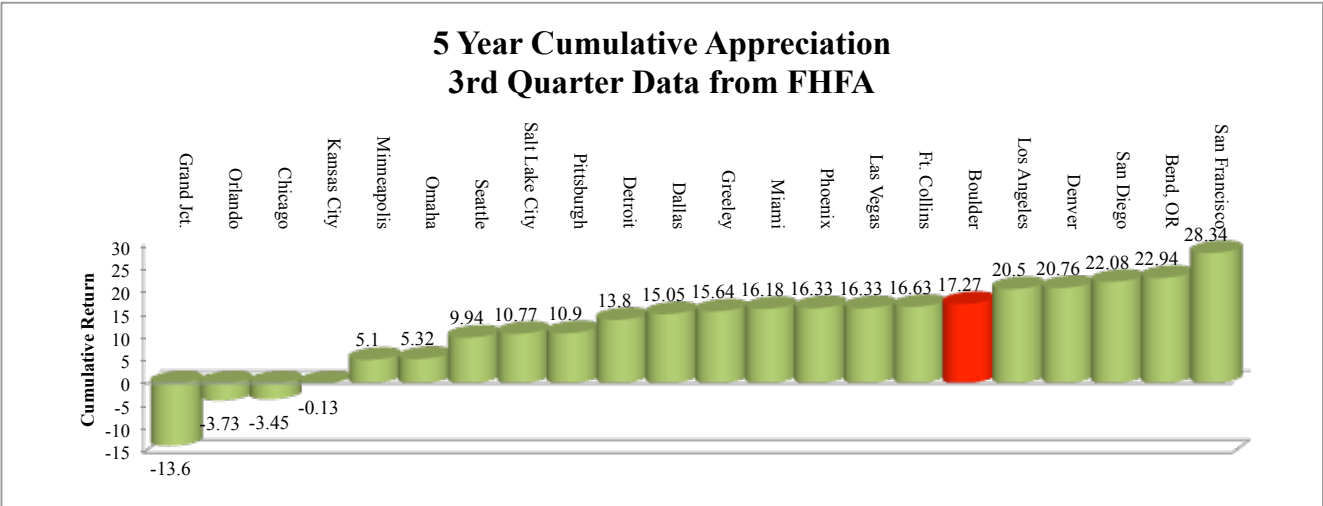


The lower graph shows median prices in Boulder County over time. Prices have been steadily increasing over time. Boulder County real estate has been a very good investment indeed.

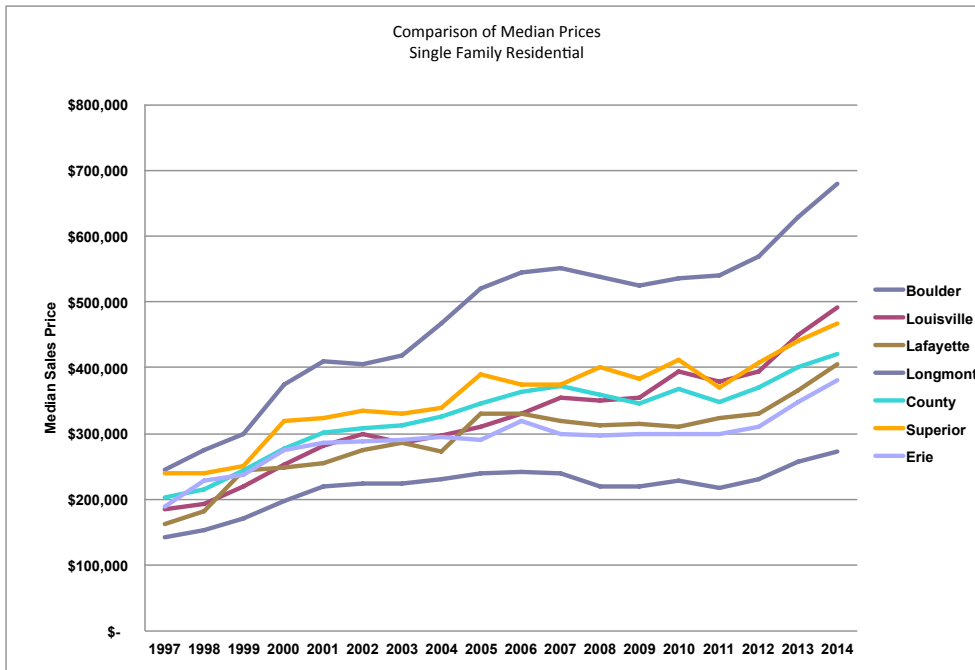
Boulder County Price Appreciation



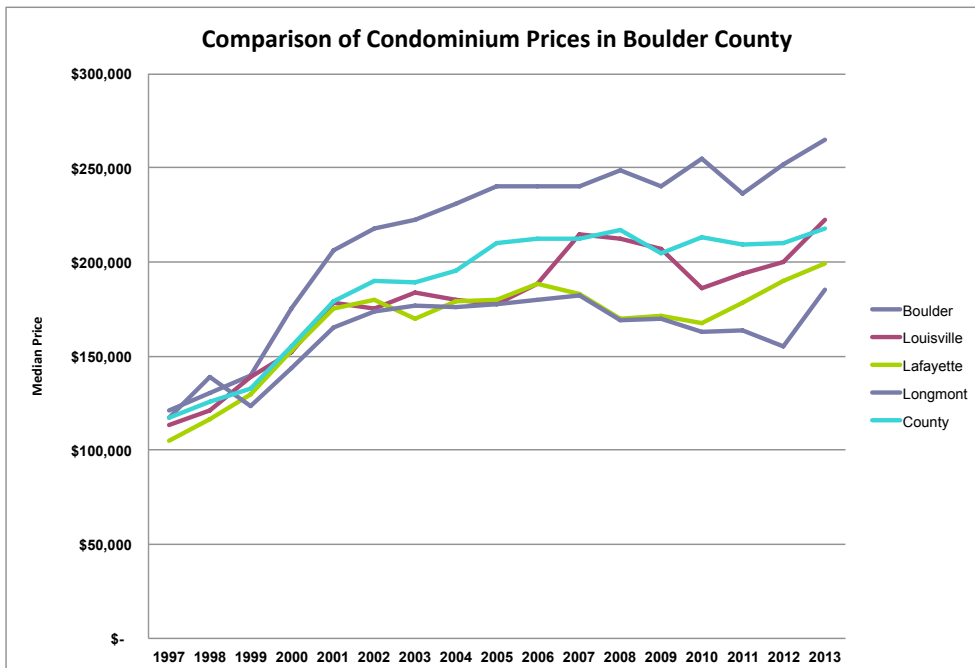
The graphs on this page use FHFA.gov data to show how prices in Boulder County compare to other areas. The graph above shows the last five years of price appreciation in Boulder County and the US average reported on a quarterly basis. The lower graph shows the cumulative price appreciation of 22 select markets over the last five years. Boulder is indicated in red. Over the past five years the average home in Boulder has gained 17.27% in value. The returns are ranked from lowest to highest from left to right. Homes in San Francisco have appreciated by 28% during the last five years.



Comparison of Median Prices Across Communities



Back in 1997 prices throughout the county had a much smaller disparity. The median price for a home in Boulder was just 20% above the county average. In the ensuing years the gap has increased considerably. Now the median price of a home in Boulder is nearly \$700,000 while the county median is just over \$400,000.



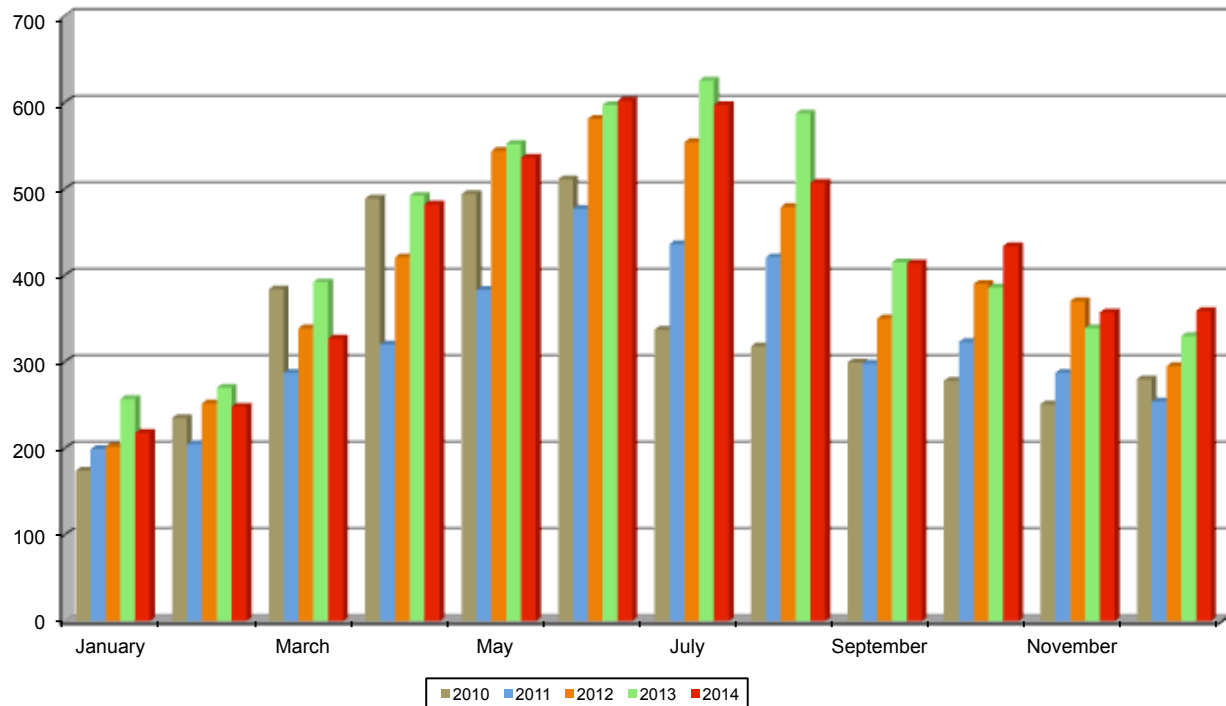
The top graph shows the prices of single family homes in each of the principle communities in Boulder County. After six years of treading water, appreciation kicked in throughout the county in 2012.

The lower graph shows the prices for attached dwellings in Boulder, Louisville, Lafayette, Longmont and Boulder County. There isn't as much difference in condos as there is in single family homes. One reason for this is that the condos in Boulder tend to be smaller than those further east.

Boulder County Sales by Month and Price Range

Boulder County Sales by Month

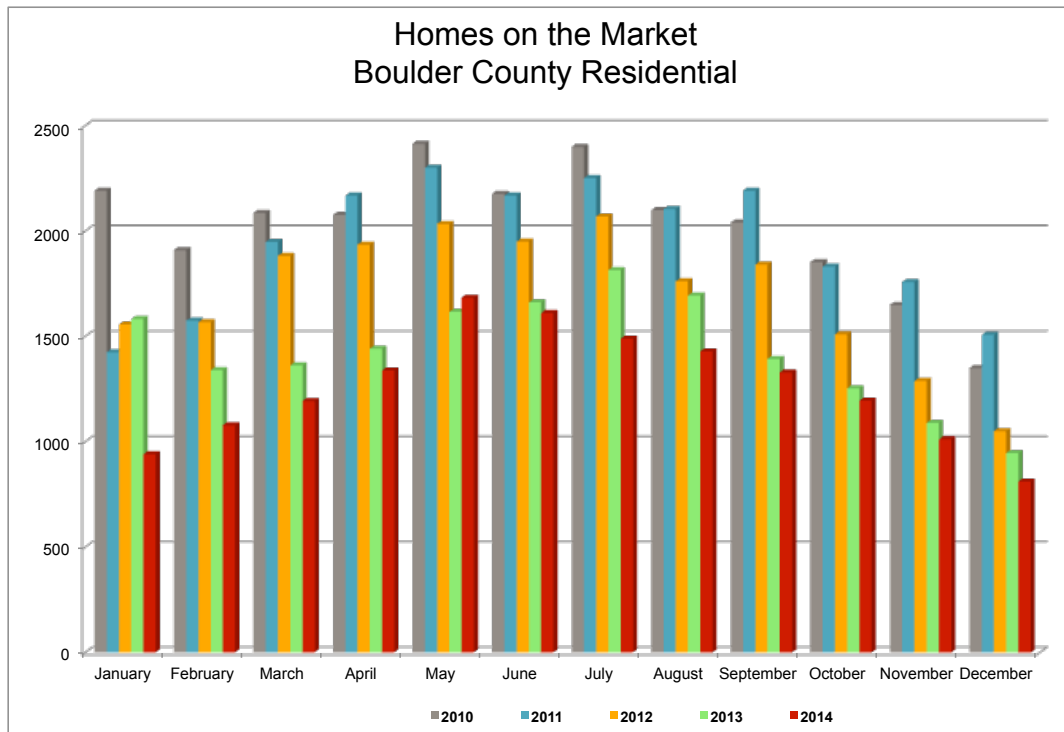
Single Family and Condos



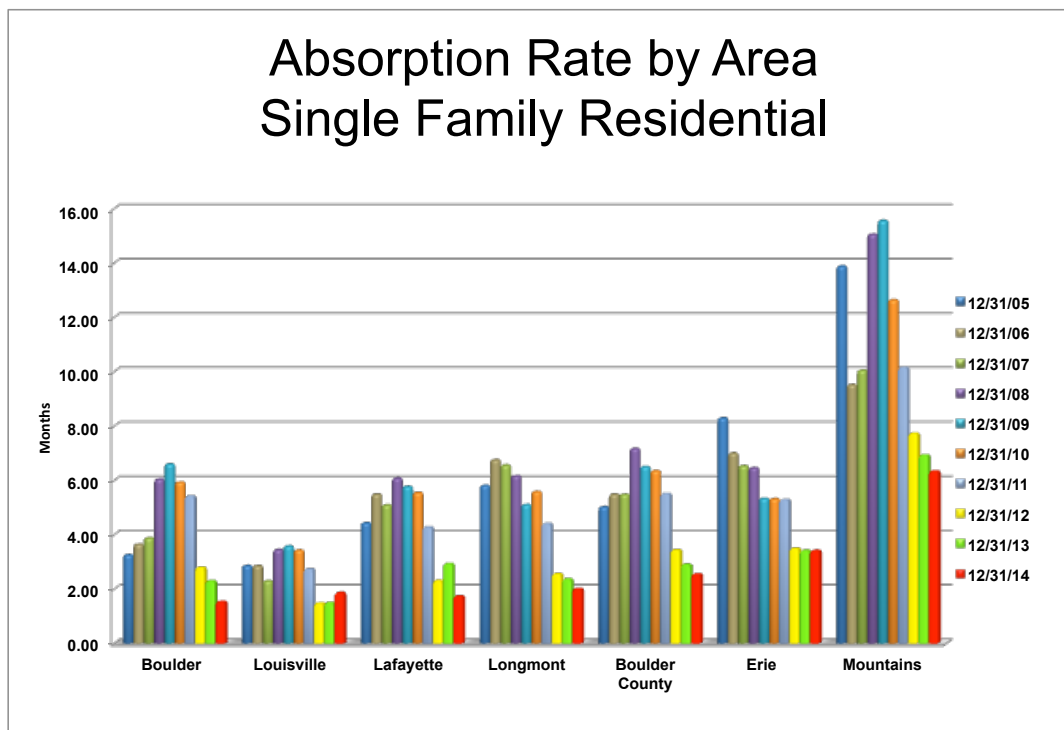
	2009	2010	2011	2012	2013	2014	1 Year Change
0 - \$250,000	1703	1571	1569	1796	1786	1567	-12%
\$250,000 - \$500,000	1614	1684	1610	2123	2364	2321	-2%
\$500,000 - \$750,000	431	515	477	669	871	911	5%
\$750,000 - \$1 Million	132	137	144	232	296	300	1%
\$1 million - \$1.25 million	45	61	54	83	105	114	9%
\$1.25 million - \$1.5 million	21	28	34	50	58	78	34%
> \$1.5 million	49	45	53	55	91	99	9%

The top chart shows the flow of real estate closings by month throughout the year. Boulder County has a consistent pattern that resembles a bell curve. There are sales throughout the year, but the busiest time in the market is the spring. The results shown here are closings. The actual buying decision was made at least thirty days prior to the closing. This year May and June had the most activity in terms of contracts written. The table shows five years of data of sales by price range. Understandably, most of the sales in the county close with a price of \$500,000 or below. The "1 Year Change" column shows the difference in sales in each price range between 2013 and 2014. The lower price ranges lost percentage share and the largest gain was seen in the \$1.25 - \$1.5 Million category that showed a 34% rise. As prices rise throughout the county, sales below \$250,000 will become less common than they

Boulder County Real Estate Inventory

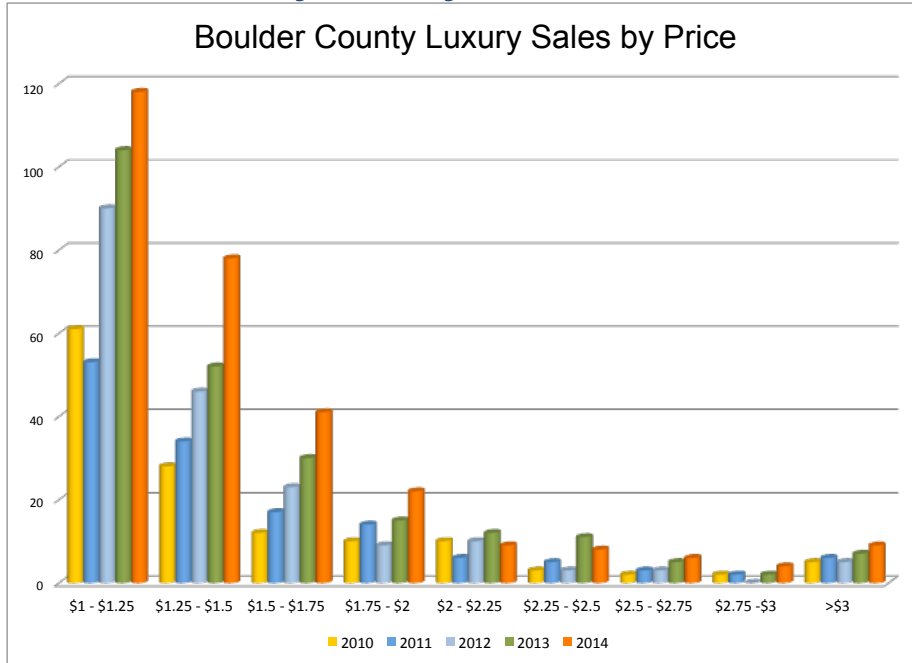


The lack of inventory of homes on the market has been detrimental. Like a car that can't get enough gas, willing buyers were turned away by the lack of houses on the market. The top graph shows the number of homes on the market at the end of each month over the past five years. 2014 is represented by the red bars. We have seen a noticeable drop in available inventory over the past five years. On one hand this lack of supply has helped cause price appreciation. On the other hand it has led to decreased overall sales.

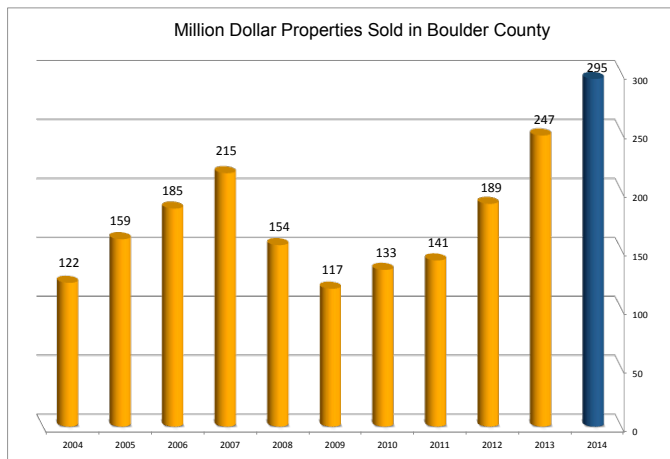


The lower chart illustrates the lack of inventory in a different way. The bars indicate how many months it would take to sell all of the active inventory on the market at the end of a given year. With low inventory and steady sales this number is very low. For example it would take just 1.5 months to sell all of the listings in the City of Boulder. It is a sellers market!

Boulder County Luxury Homes



The luxury market (sales over \$1 million) in Boulder County was very strong this year. There were 295 sales, which was up 19% from last year and a new record. The chart to the left breaks the luxury category into smaller segments. Substantial sales growth was seen below \$2 million and there was a small gain for sales above \$3 million. More than half of the sales in the luxury market are between \$1 and \$1.5 million.



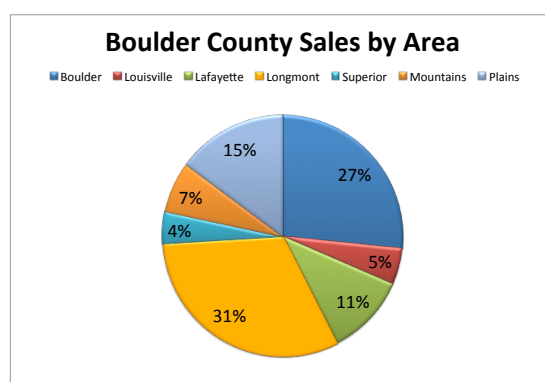
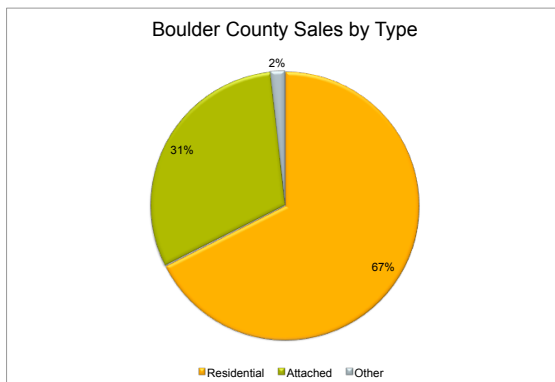
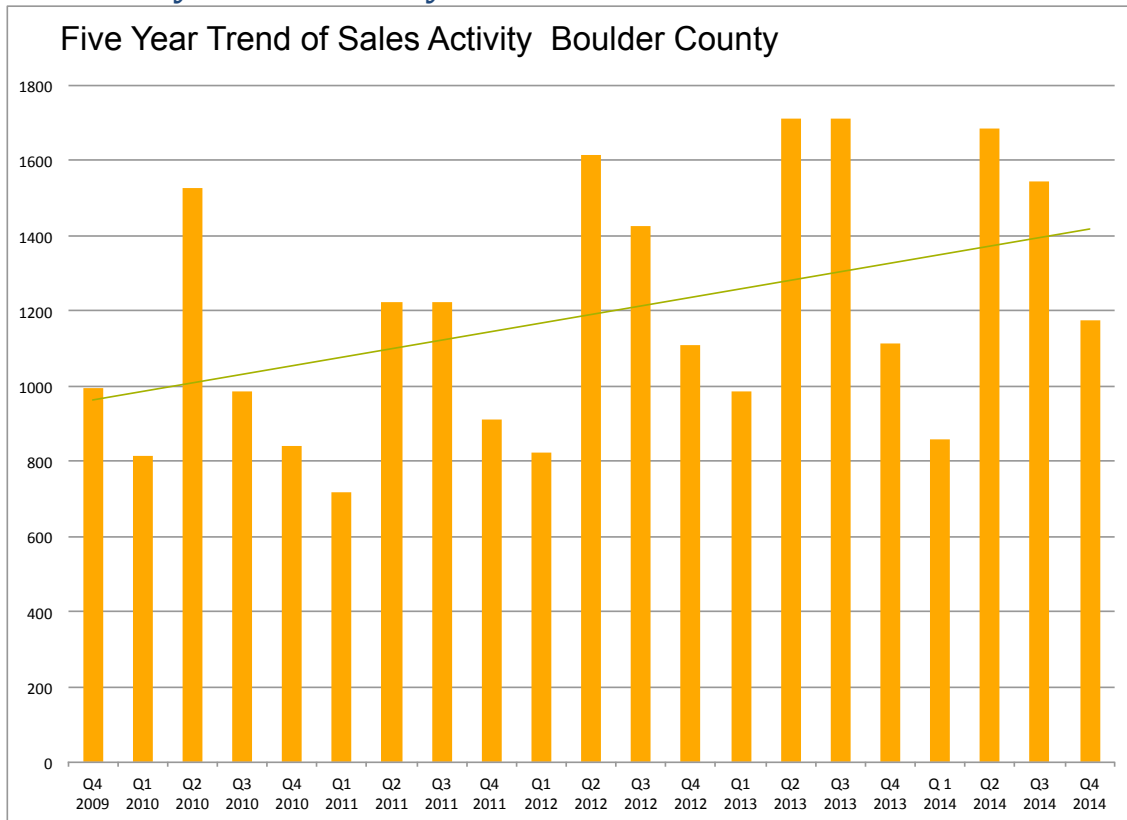
Average Negotiation off of last list price Boulder County

	All Properties	Luxury Properties
2005	2.44%	5.32%
2006	2.78%	5.99%
2007	3.15%	6.18%
2008	3.20%	5.51%
2009	3.81%	6.77%
2010	4.17%	8.18%
2011	4.10%	7.67%
2012	3.35%	7.12%
2013	2.37%	5.61%
2014	1.89%	4.49%

The luxury market segment has recovered well from the economic crash in 2008. Luxury homes are more and more seen as diversification in the portfolios of the wealthy. Over the past decade the housing stock in Boulder County has improved significantly. More and more homes in the luxury segment are built and remodeled each year. Boulder County is becoming known as a relevant destination for high net worth families looking for a lifestyle change. I predict that this trend will continue.

Negotiations in the higher price range are different than the average transaction in Boulder County. This past year the average buyer in Boulder County was able to negotiate 1.89% off of the list price. At 4.49% the negotiations for a luxury home were more than double that average. In general, there were more homes on the market in the luxury segment at any given time, so it was more of a buyer's market. Although in looking all the way back to 2005, this past year was the strongest seller's market across the board in terms of sales sticking close to list prices.

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Boulder County Sales Activity

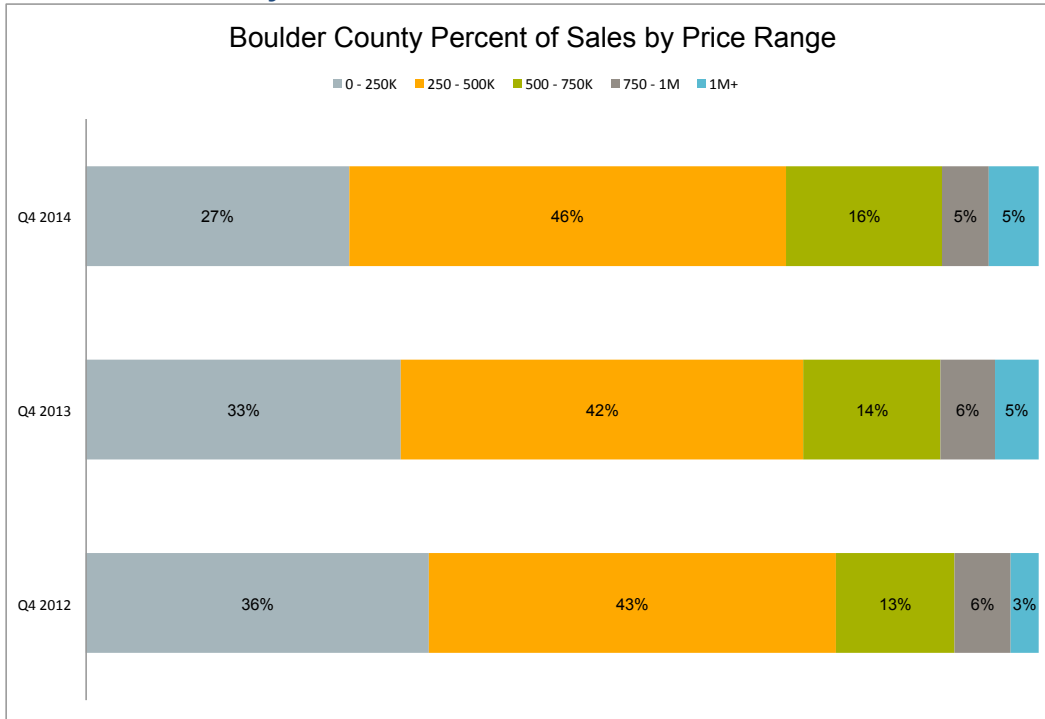


The top chart shows the total number of sales in Boulder County each quarter over the past five years. The trend line shows that sales are increasing over that time period. To read the graph correctly, compare the same quarter in each year. Taking the most recent quarter as an example, we find that this years sales were higher than any other 4th quarter over the past five years.

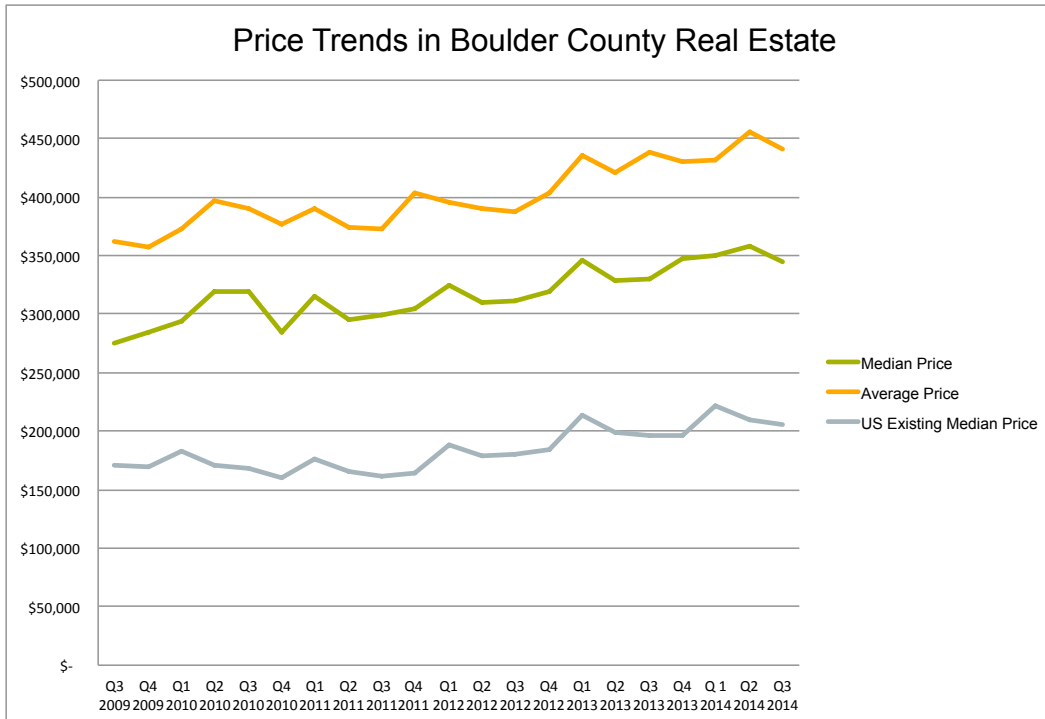
The chart titled “Boulder County Sales by Type” shows that 67% of all sales are single family residential homes and 31% are condos or townhomes and 2% are other categories such as vacant land and income property. As you will look through the submarkets later in this report you will find some interesting distinctions between our local communities.

The colorful pie chart on the right shows where the sales took place in Boulder County during the most recent quarter. Longmont had the most sales (31%) followed by Boulder (27%).

Boulder County Price Trends

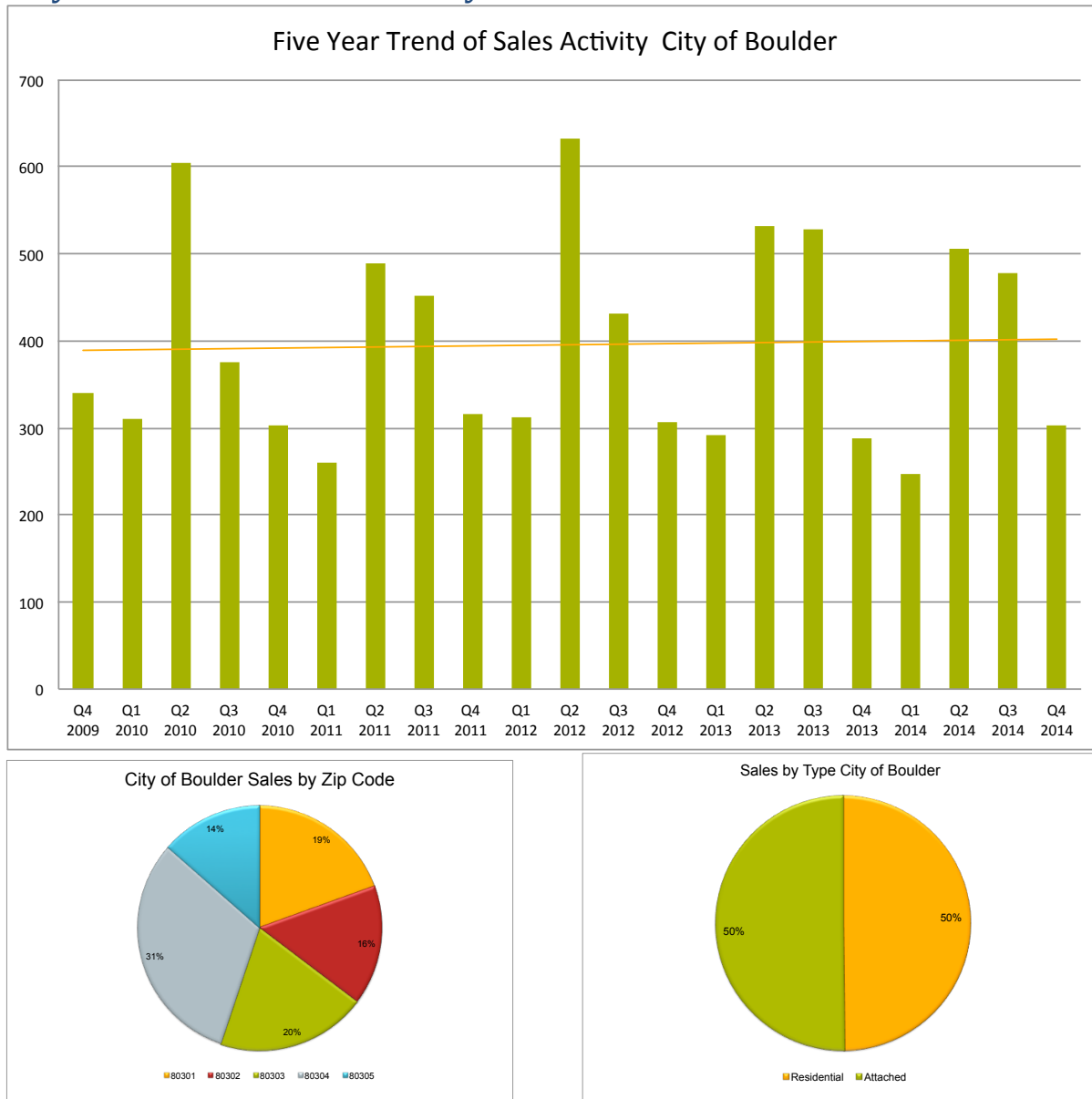


The top chart to the left shows the price breakdown of sales in Boulder County in the 4th quarter over the past three years. It's interesting to see that as prices have increased, the percentage of homes that have sold less than \$250,000 has decreased from 36% to 27%. As prices have increased, there has been a shift to the right on this graph over time. Less light grey and more orange, green, dark grey and blue.



The lower graph shows the rise in prices in Boulder County compared to the national average. Average prices in Boulder County have increased almost \$100,000 in the last five years!

City of Boulder Sales Activity

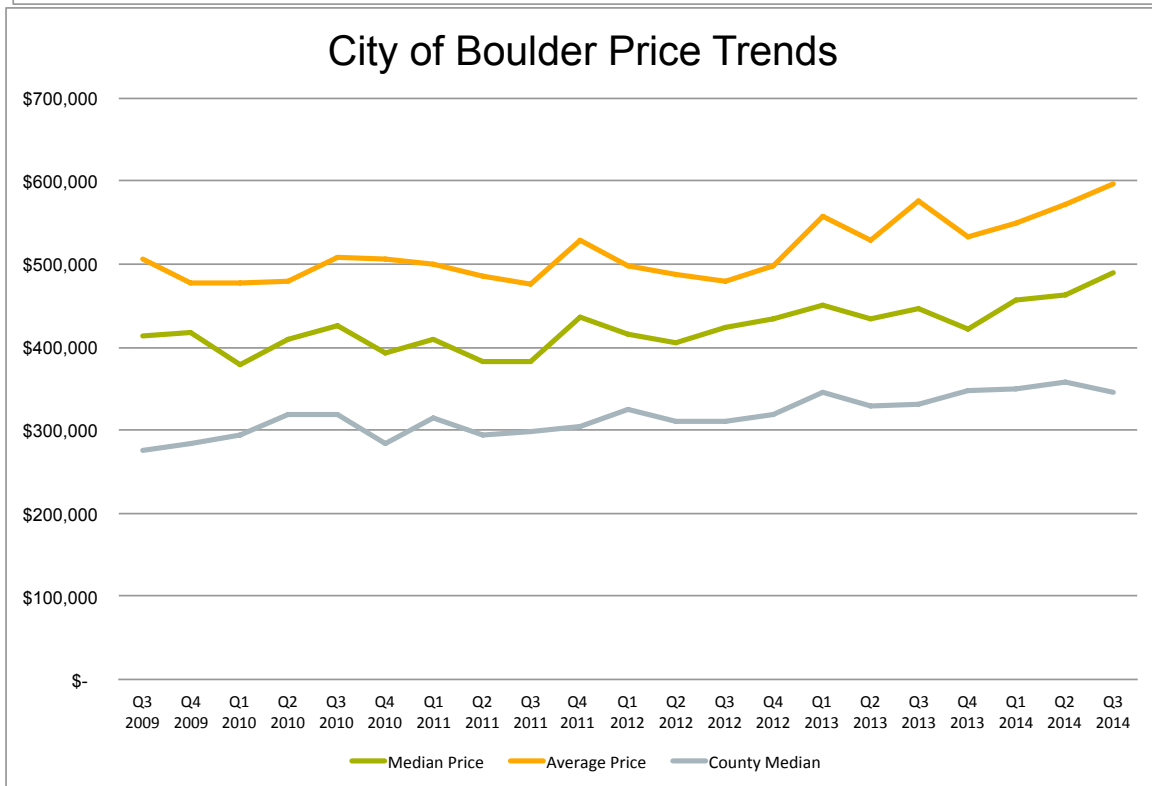
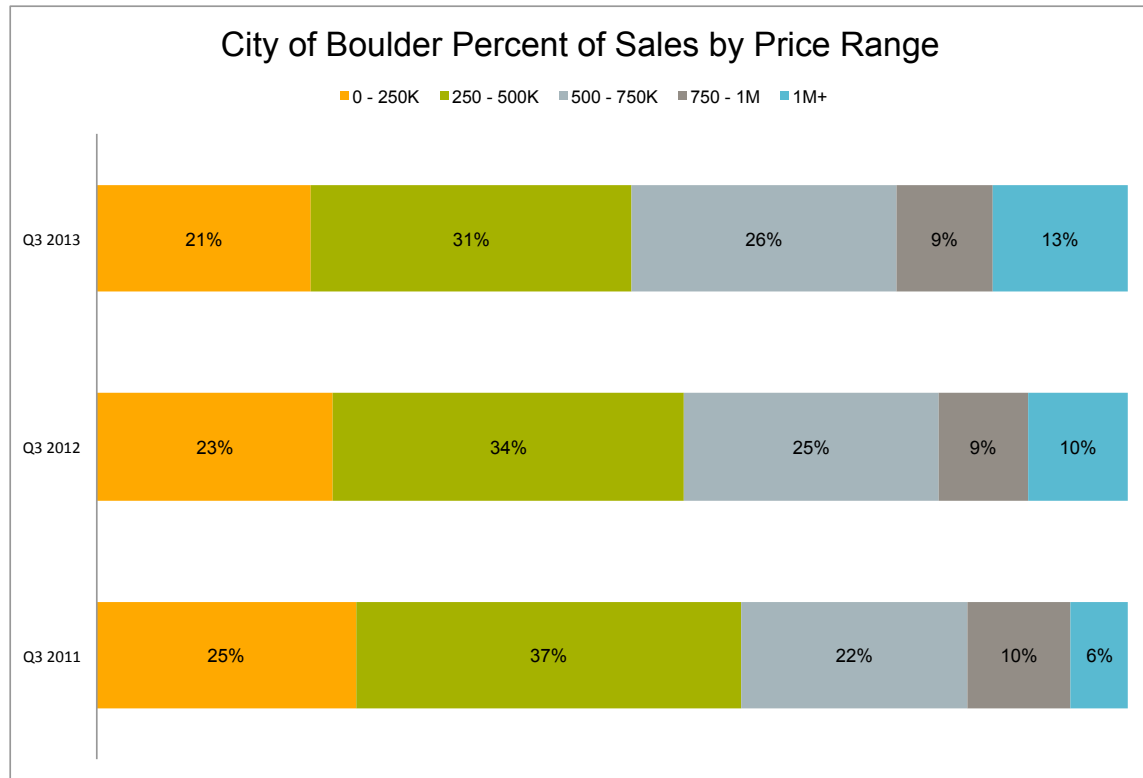


The trend line for sales in Boulder County is almost flat over the past five years. The lack of new construction and the lack of inventory within the city limits have combined to hold sales relatively steady. Sales in the City of Boulder were down 6.4% this year compared to last year.

The pie chart on the left shows sales during the 4th quarter broken out by zip codes. This past quarter, the zip code of 80304 in the northwest part of the city had the most sales.

The pie chart on the right shows that the sales mix between single family homes (orange) and attached dwellings (green). This past quarter the sales mix was a perfect 50/50. Recall that in the county as a whole it was 67% residential and 31% attached dwellings.

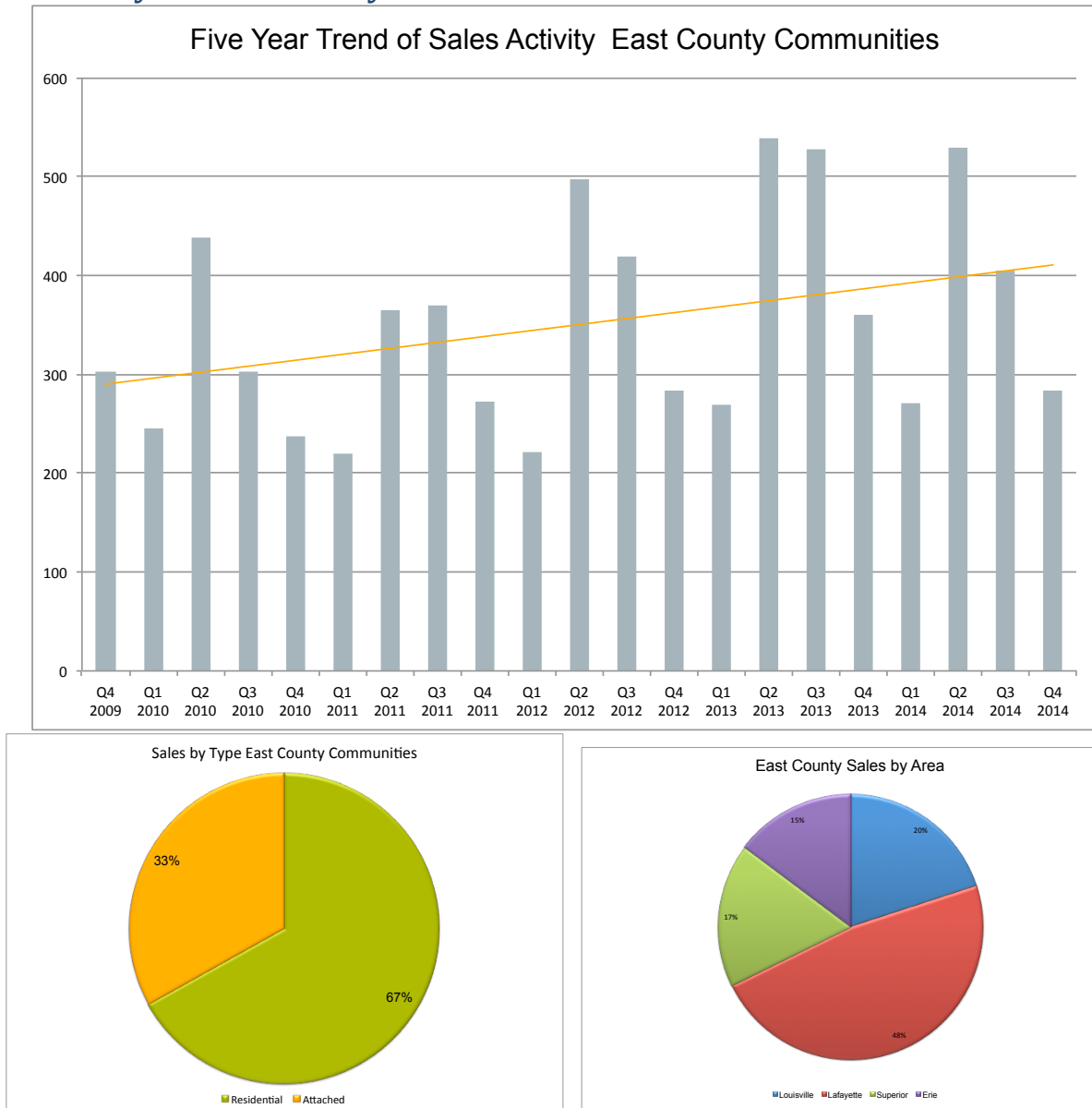
City of Boulder Price Trends



The top chart on this page shows that the price of homes in the lower ranges within the City of Boulder has shrunk by 10% over the past three years. Sales under \$500k in 2012 represented 62% of the market and this past quarter is was 52%. Sales over \$750k represented 16% in 2012 and now it is 22%.

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East County Sales Activity

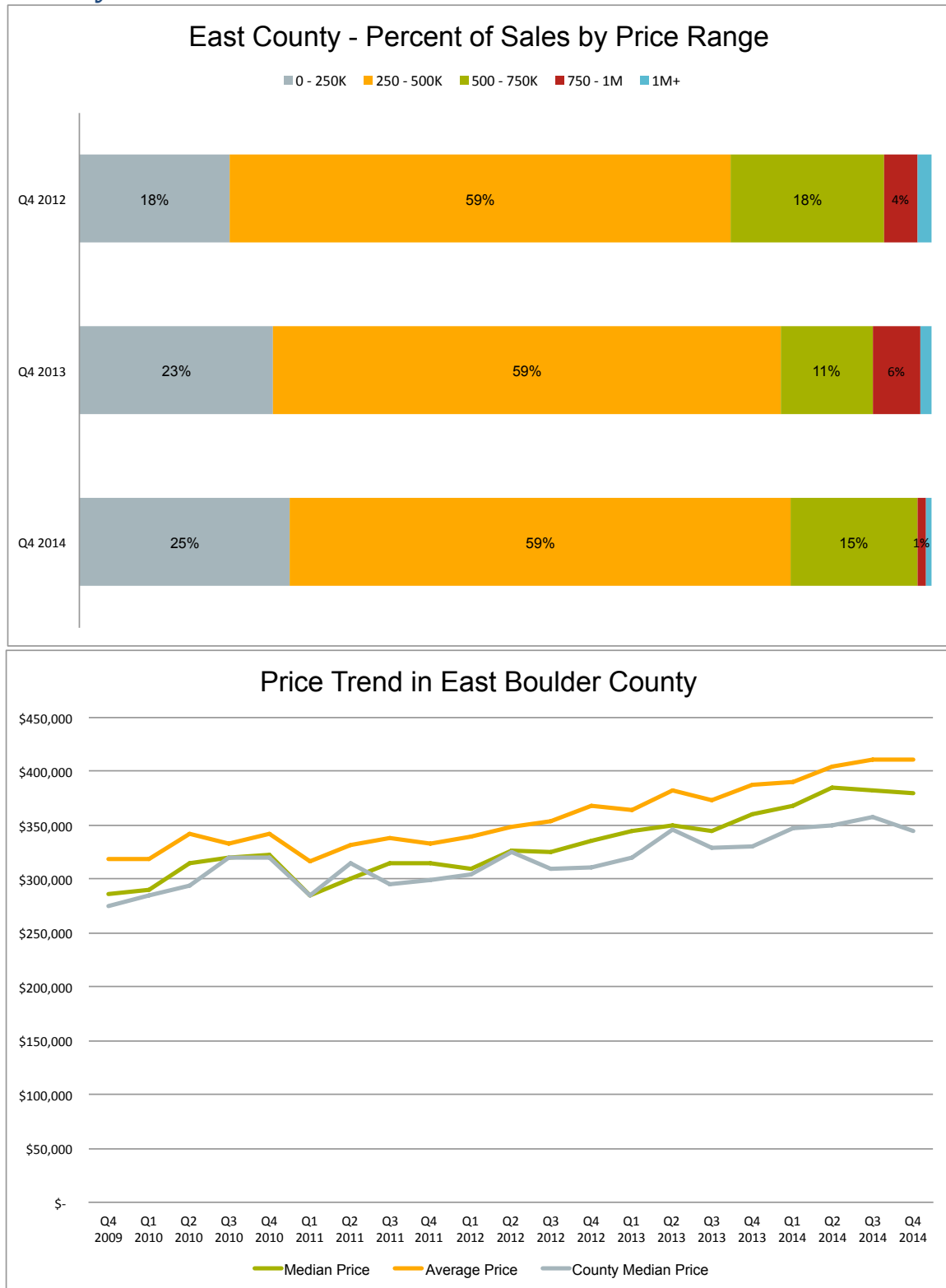


East County comprises Louisville, Lafayette, Superior and Erie. Sales have increased in these communities over the past five years. My data is compiled through the local MLS system IRES, which doesn't include all new construction, so these numbers should be even more pronounced. The fourth quarter was strong but sales were lower than the previous two years. For the year, sales were down 12%. This is the largest decrease of the areas studied. County wide sales were down just 3%.

As you move East, you find fewer and fewer attached dwellings. In the most recent quarter 67% of the sales were single family sales. It will be interesting to see if there are more attached dwellings constructed in these areas as buildable land becomes scarce.

During the most recent quarter, Lafayette had 48% of the sales for this quartet of communities.

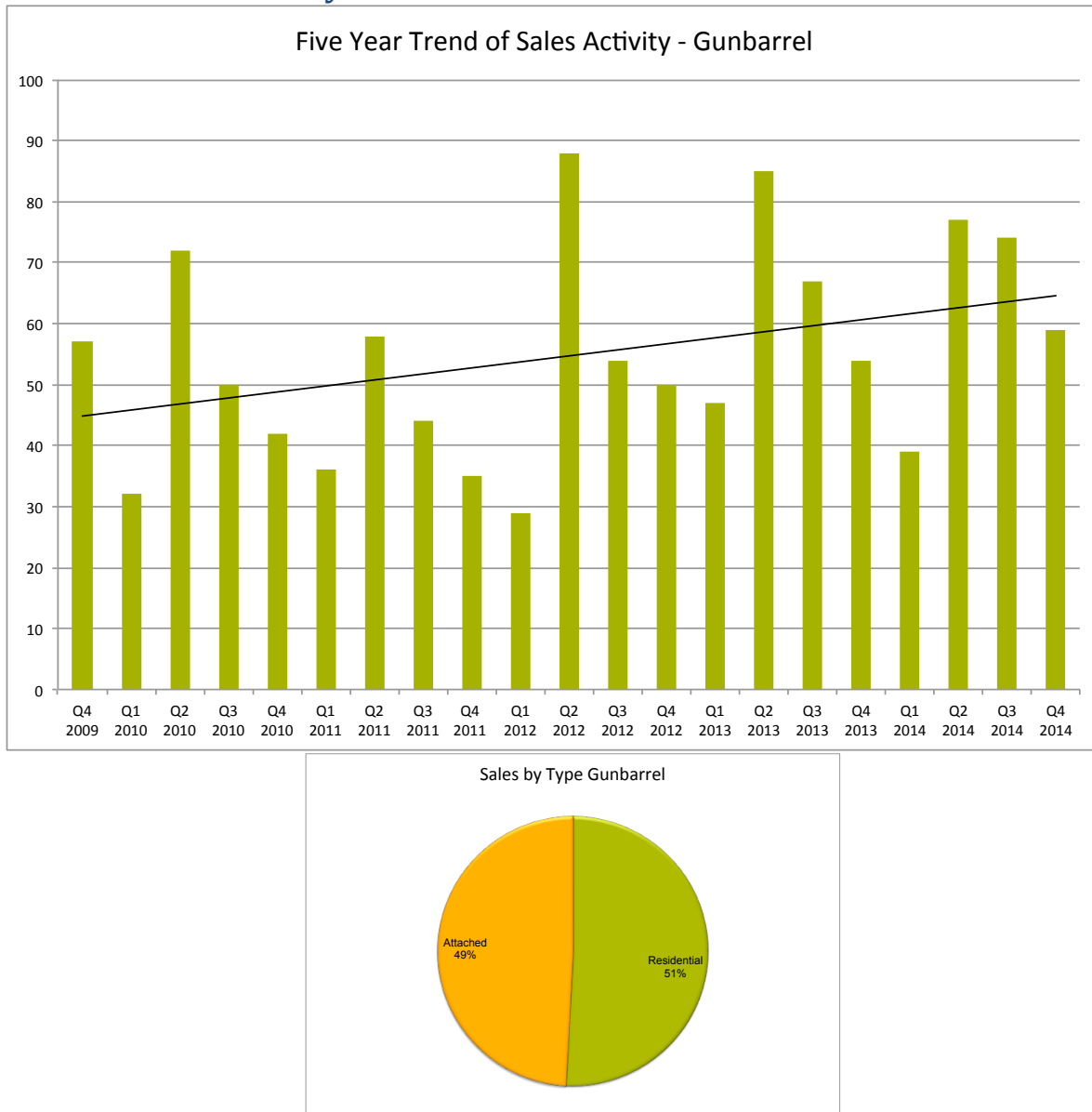
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East County Price Trends



Over the past four years, sales in the entry-level price range (under \$250,000) in Louisville, Lafayette, Erie and Superior have decreased from 25% to 16% and the \$500 - \$750k price range has grown from 15% to 18%. Price growth has been steady.

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Gunbarrel Sales Activity

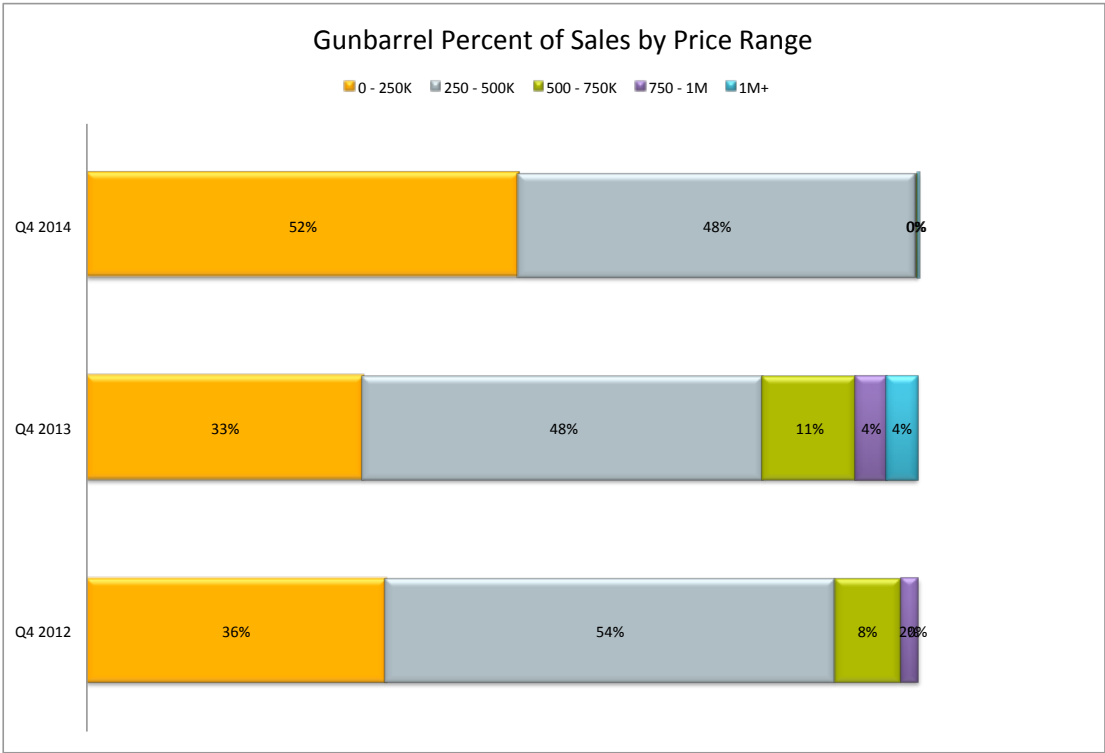
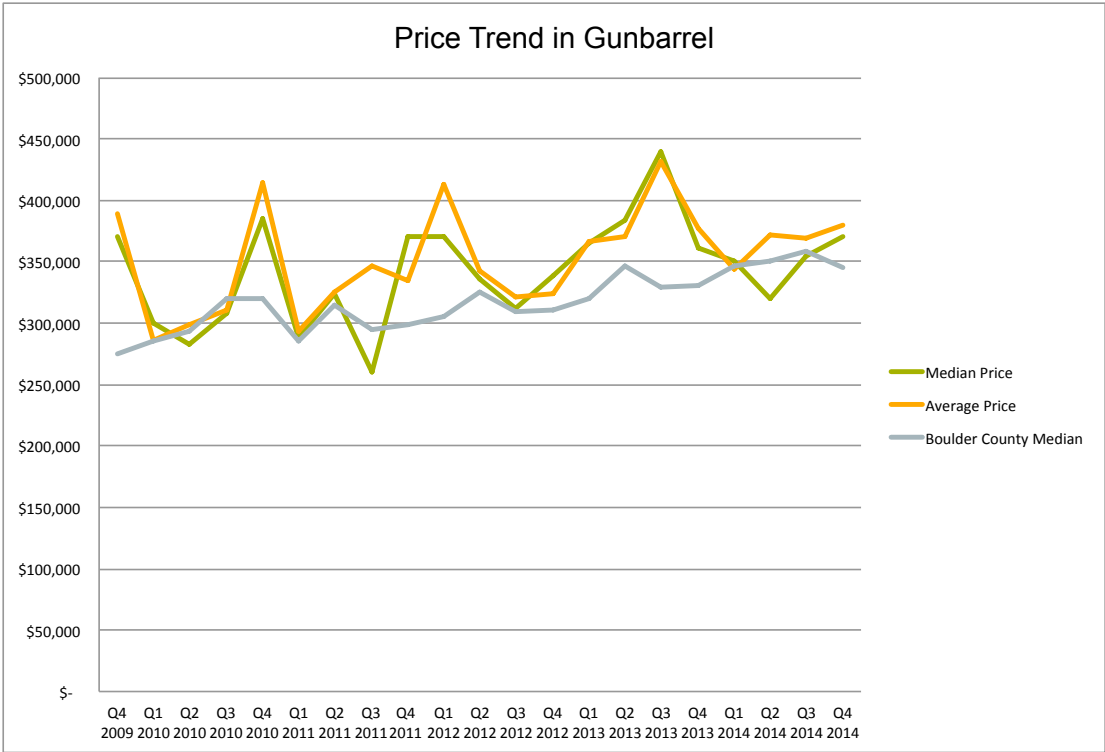


Gunbarrel includes a geographical area roughly 5 miles northeast of Boulder and includes properties both in and out of the city limits. During the most recent quarter there were just 59 sales, this is by far the smallest market segment we track. Because of the small sample size the data tends to be more volatile than the other areas presented in this report.

Sales have trended up over the past five years in Gunbarrel. The fourth quarter in Gunbarrel was lower than the third quarter but better than any other fourth quarter over the past five years.

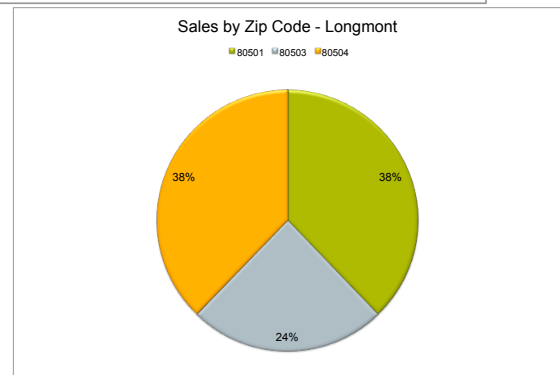
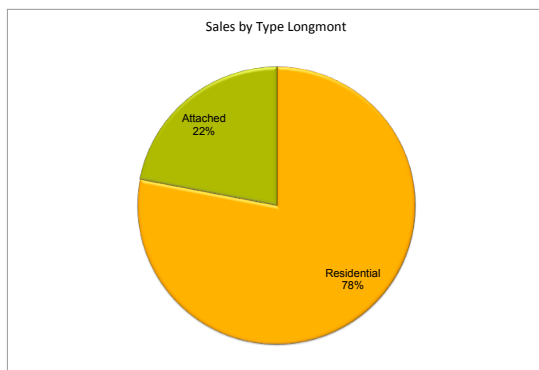
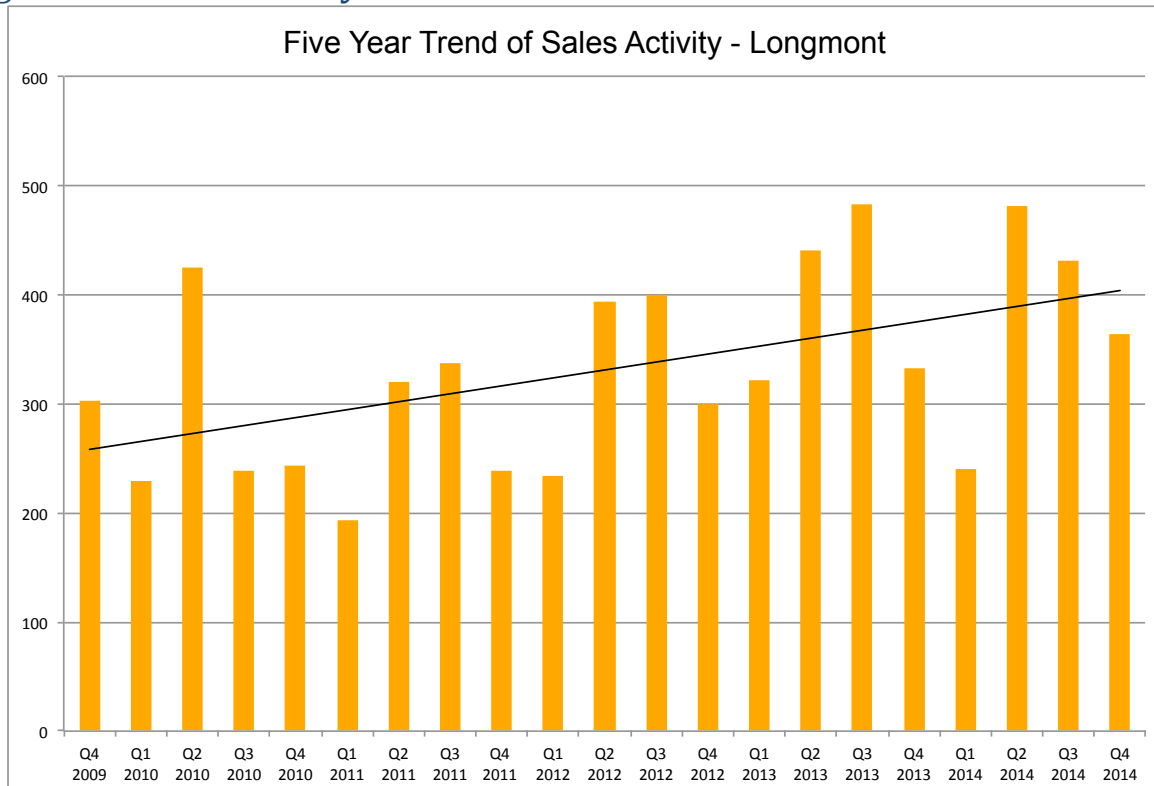
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Gunbarrel Price Trends



The prices in Gunbarrel are more reasonable than in the City of Boulder. As the prices rise in Boulder, Gunbarrel becomes a good option. The median price in Gunbarrel for the most recent quarter was \$370,000 compared to \$489,000 in the City of Boulder. Both Boulder and Gunbarrel have a similar percentage of single family vs. condo sales.

Longmont Sales Activity



During 2014, the number of sales were down 3.8% in Longmont. The trend shows increasing sales and the low prices in Longmont are becoming a draw to first time home buyers.

During the most recent quarter 78% of the sales were single family detached homes. This is typical for Longmont. There tend to be more smaller entry level homes instead of condos in Longmont.

The pie chart on the right shows where the sales took place in Longmont. This past quarter central Longmont (80501) and Northeast Longmont (80504) had the most sales.

Longmont Price Trends

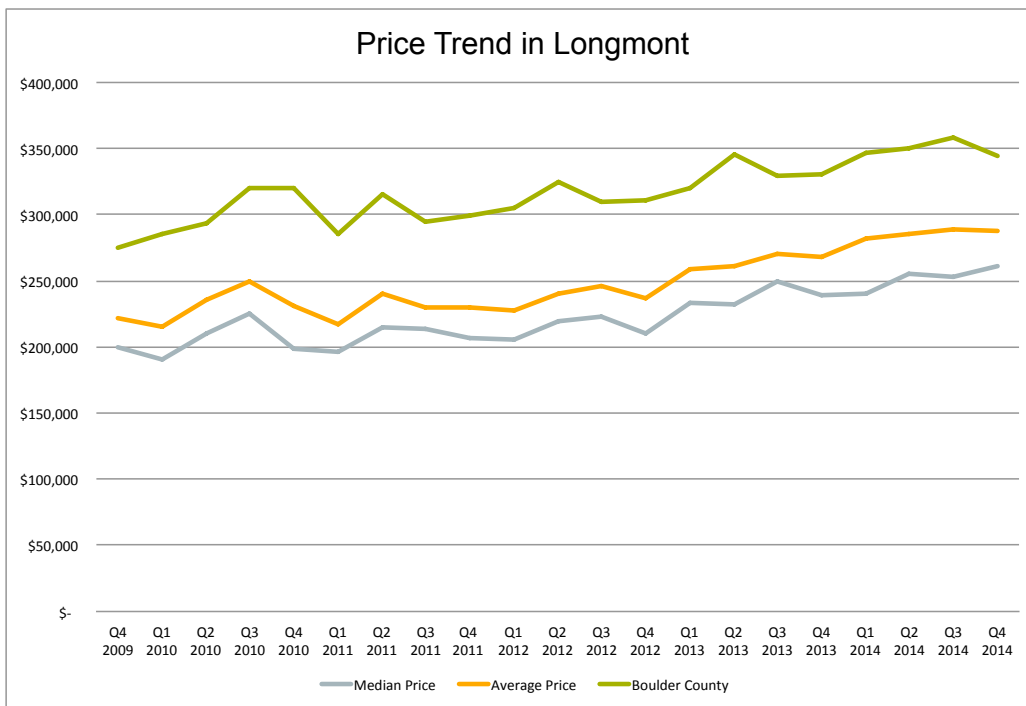


The median price for all sales in Longmont for the quarter was \$261,000. Much lower than the county average of \$345,000. For the year prices in Longmont are up by 9.2%.

The top chart to the left shows clearly the affects of increasing prices. Sales over \$500,000 in Longmont are a very small part of the market so as prices increase you can see that a large chunk of homes appreciated from below \$250k to above \$250k over the past three years.

Longmont is the only area where the median and average price are lower than the county average.

If you are looking for affordable housing, Longmont is still a great place to look.



Kearney Realty Co. – 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** – A culture of giving our time and money back to the profession and the community.
5. **Innovation** – Continually striving to find new and better ways to serve our customers and our associates.

