Boulder County ranked as most stable housing market in U.S.

For people trying to buy a house in Boulder County's red-hot market, multiple offers, rising prices and limited inventory make the area one of the toughest areas to compete. But for those who already own homes here, the market is the best — the best, in fact, in the nation, according to a recent report by personal finance company SmartAsset.

With data from the Federal Housing Finance Agency home pricing index, the analysis ranked Boulder County as the most stable housing market in the U.S. for the second year in a row. "The average homeowner in Boulder haven't suffered any significant price declines since 1991, and the metro area has the highest average home appreciation of any city in our study," said AJ Smith, vice president of content at SmartAsset. Home prices have grown 308 percent since 1991 — more than double the 128 percent national average.

While the average American home gains 3 to 5 percent in value annually, Boulder County house prices grew 14.44 percent last year, according to the FHFA data. The area is currently more than three years into a four-year boom cycle typical of the Boulder Valley, said D.B. Wilson of Re/Max of Boulder. "From 1976 until present, there are really four different high appreciation cycles that have all lasted four years," Wilson explained. "The first was '78 to '82, the second one was '90 to '94, the next one was '97 to about 2001." Home prices in the county went up between 51 and 54 percent during each of those four-year cycles.

Despite those impressive gains, none of those high-gain periods were what could be considered bubbles because they never popped. "Even during the lean times, we've not seen the declines many areas of the country has," Wilson said. "In the Great Recession, on average, (homes in) the U.S. lost about 20 percent (of their value). Boulder County as a whole lost less than 5 percent, and the city of Boulder lost 1.5 percent." A study Wilson conducted with peer Mike Malec identified three periods of lost value: The second quarter of 1982, with the largest downturn of 9.7 percent; a 3.4 percent drop in early 2009, and a slight decrease of 1.43 percent in mid-1987. But those losses were allayed if homeowners were able to stay in their homes for three years, the report found.

The typical American stays in a home for nine years, according to the most recent annual Profile of Home Buyers and Sellers by the National Association of Realtors — an all-time high. The median tenure in a house used to be five to seven years — the length of time recommended by economists in order to maximize return on investment. Staying in your house for a decade in Boulder County pretty much guarantees you to make money: SmartAsset assessed the risk of losing more than 5 percent of your home's value over 10 years as exactly zero.

Factors that impact home value in normal markets — increasing traffic, redevelopment, a suddenly-busy train track or airport — don't really apply here, said Kyle Snyder of Land Title Guarantee in Longmont. "In a normal market they have more of an influence because then you have choices: 'Do I want to buy this house for $200,000 by the railroad tracks or up that to $225,000 and go farther away?' "But when prices go up to $400,000 and that's the cheapest thing to buy and you have to buy it, it doesn't matter."

One of the biggest drivers of declining home values — overbuilding — hasn't been an issue here since the early aughts, Snyder said, which will help temper losses in home value during the next downturn. "There certainly are going to be areas that are going to have price fluctuation," Wilson added, "but based on the data, the quality of life here, the jobs, the high demand — I don't see the stability of our market changing unless the Flatiorns blow up or something."

Source: Castle, S. (2016, July 6). What bubble? Boulder County ranked as most stable housing market in U.S. *Daily Camera Boulder*

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2183 Kincaid Place. Boulder - $1,280,000

Watch the eagles fly in front of snowcapped peaks from this perfect home backing to open space. Cherry cabinets, slab granite counters/ backsplash, island & wood floors in kitchen. Soaring vaults & a wall of west facing windows

2319 23rd Avenue Longmont - $369,000

New carpet & new interior paint in this wonderful home in NW Longmont close to McIntosh Lake. Open, airy & bright floorplan with vaulted ceilings & skylights. Eat in kitchen with Corian counters opens onto separate dining room.

7113 S. Newport Way Centennial - $599,900

Wonderful home in Homestead in the Willows. Great location backs to the neighborhood walking path & greenbelt. Granite counters, stainless steel appliances, extensive wood floors, plantation shutters, new roof, new windows, new HVAC.

1404 Cannon Mtn Dr Longmont - $650,000

Best location in the complex abutting the Gunbarrel Commons Park. Sunny SW facing garden level unit means low utilities, it stays warmer in winter and cooler in summer. One bedroom and one bath with extra storage locker off patio. Wood

Trend Report

Lately, at the start of August I always wonder if the market is slowing or if the recent weakness I've felt is just due to a mid-summer slump. For the third summer in a row, Mid-June through July has felt slow to me and to many of the other brokers I've spoken to. I've heard lots of reasons for this; clients on vacation, brokers on vacation, buyers burnt out after the spring frenzy, and etc., but I'm not sure there is one sole cause of the mid-summer slump. The fear I have every year is that the mid-summer slump isn't a typical annual occurrence, but the start of a market trend change. Usually though as we get into August it feels like market activity starts to recover.

So far, the numbers for this July are down about 21% compared to the total number of sales for single family and attached sales that we saw in July 2015. That number should improve a percent or two as some July sales get added in for this year as stragglers finally get reported, but home sales will still be down significantly since last July.

Another way of judging when the market feels to have peaked is to look at the percent of homes under contract. The busiest time will be just before and during the peak on that graph lower left. You can also see the mid-summer slump and the rebound towards the end of the year in 2015. The busy period will be before the peaks and rebounds due to the nature of the buyer's need to look at homes prior to writing an accepted contract that shows up in graph.

So, is this period of slower feeling activity the mid-summer slump we've had the past two years or something different? I think it's just the seasonal slowdown. I can't point to any market force that would be causing something different. Local unemployment is still low. In-migration to our area is still strong. Mortgage rates are still at historic lows. The one possible market force that could be creating a market change is affordability. The large upswing in prices may have exhausted the stored buying power of the buyer pool. Mitigating that possible negative is the lack of future growth areas in Boulder County. The lack of future new home building is an influence we've never had before so it's hard to characterize what impact that will have on our market. This lack of buildable land in Boulder County will also affect surrounding areas in Broomfield, Jefferson and Weld Counties. As people get priced out of Boulder County, we'll see more sales and price appreciation in adjacent areas as buyers drive further to find homes they can afford.

If you're a buyer, now is the time to be out looking. There are still homes for sale and the competition for them has moderated since this spring. If you're a seller, sometime in August the market activity will start to pick up again before it cools off for the end of the year holidays. In many previous years I would have counseled sellers to wait and think about selling in the next spring's frenzy. With some possible market changes hinting in the metrics, I'm not sure I'd make that same recommendation today.

Hope everyone enjoys the end of the summer and is looking forward to fall and the start of school.

Mike Malec