



REAL ESTATE MARKET UPDATE

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The 2008 real estate market followed a similar pattern to the past few years with sales activity across the area experiencing a continuing decline. In 2005, there were 4,725 *single-family homes* sold in the Boulder Valley area; in 2006 (4,389); in 2007 (4,076); and in 2008 (3,393). Since 2005, that's a reduction of nearly 40% in the number of sales. During this same period of time, the number of new listings has dropped 22.84%.

For real estate markets to sustain themselves in a positive direction they need to churn. They need to have a consistent influx of buyers and an on-going flow of available inventory. When that happens, home values remain relatively constant or increase at a reasonable rate. When the real estate market gets skewed i.e. too many buyers, but not enough available inventory or too much available inventory, but not enough buyers, two things can happen – home values increase noticeably (demand exceeds supply) or home values decrease noticeably (supply exceeds demand).

Over the course of the past three years (January/2006 to December/2008) the Boulder Valley real estate market has seen the average sales price of a *single-family home* go from \$440,236 (2006) to \$456,295 (2007) to \$428,326 (2008); an overall decrease of approximately 2.78%. Which means? The local real estate market has been relatively flat during the past thirty-six (36) months in terms of home values. Considering what has happened negatively to other real estate markets across the country, the Boulder Valley real estate market has held its home values during this economic downturn.

The questions then becomes, How did this happen? It's back to the supply and demand overview noted above. Demand decreased nearly 40% in the past four years; supply decreased nearly 23% in the past four years. If supply hadn't decreased, and demand remained the same, what would have happened to Boulder Valley real estate home values? Although this is possibly conjecture, it is based on other areas of the country where demand decreased noticeably, but supply continued to increase, home values experienced dramatic *decreases*.

The Boulder Valley real estate market has remained relatively stable over the past three years in terms of home values simply because available inventory has also adjusted downward. For a variety of reasons, people chose to either take their homes off the market or not put them on the market. Builders stopped building spec homes they couldn't sell. Potential buyers became renters, resulting in homes for sale being withdrawn from the market. People decided to "settle-in" for the time being to see what happens in the marketplace.

Below is an overview of sales activity for the past two years for *single family homes* in the various Boulder Valley areas, courtesy of IRES – the Northern Colorado Multiple Listing Service.

| <u>Area</u> | <u>2007 Solds</u> | <u>2008 Solds</u> | <u>% Change</u> | <u>2007 Average Price</u> | <u>2008 Average Price</u> | <u>% Change</u> |
|-------------------|-----------------------|-----------------------|---------------------|-------------------------------|-------------------------------|---------------------|
| Boulder | 939 | 747 | -25.70% | \$662,320 | \$655,378 | -1.05% |
| Superior | 169 | 120 | -40.83% | \$411,125 | \$437,818 | +6.49% |
| Louisville | 248 | 203 | -22.16% | \$392,014 | \$391,306 | No Change |
| Lafayette | 315 | 252 | -25.00% | \$404,360 | \$355,934 | -13.60% |
| Longmont | 1118 | 1018 | -9.82% | \$279,404 | \$252,400 | -10.69% |
| Sub. Plains | 571 | 443 | -28.89% | \$587,845 | \$526,399 | -11.67% |
| Sub. Mtns. | 309 | 262 | -17.93% | \$456,849 | \$435,110 | -4.99% |
| Broomfield | 407 | 348 | -16.95% | \$380,019 | \$396,371 | +4.30% |
| | === | === | ===== | ===== | ===== | ===== |
| Totals ... | 4076 | 3393 | -20.12% | \$456,295 | \$428,326 | -6.52% |