



# REAL ESTATE MARKET UPDATE

An Information Service of *Chris Ermold, RE/MAX Alliance*

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To say that 2009 has been an interesting year thus far would be a huge understatement. The true impact of a global economy has become part of the world's consciousness. Billions upon billions of tax payer dollars have been poured into various state and government programs to hopefully stem the tide of growing unemployment. The stock market has wreaked havoc with individual's retirement funds and future plans. Real estate values have tumbled across nearly all sectors of the American landscape. A pessimist would say the sky is falling. An optimist would say there is opportunity to be had here.

A brief article in the *Denver Post* newspaper (11/8/2009) had the following headline: **Homebuilders on the hunt for land as prices stabilize.** The article talks about large production builders i.e. Ryland Group Inc. and Meritage Homes Corp. purchasing land for new home development in areas like Southern California, Las Vegas and Orlando. These have been some of the hardest hit housing markets in the nation.

Real estate markets fall quickly and recover slowly. Two things normally signal an upbeat in real estate activity: (1) Sales trends having stabilized and beginning to move upward, and (2) New home construction increasing. For the *past two months*, Boulder County **SOLD** listings have mirrored 2008: 471 single family home sales in 2009 vs. 483 in 2008; 197 attached unit sales in 2009 vs. 186 in 2008.

During the last two years there has been minimal new home construction across the Boulder Valley. In a balanced real estate market, where there are a reasonable number of home buyers and an acceptable number of properties for sale, new home construction becomes part of the housing landscape. Homebuyers contract to have new homes built and builders are willing to take the risk of building "spec homes" anticipating they will attract a buyer during the construction phase.

**Risk versus reward** is the key element in most real estate transactions and it doesn't apply solely to the buyer and seller. Standing in the wings is a third entity and, in most cases, they are the determining factor in how this all plays out. They are the purveyor of the golden rule: **He who has the gold makes the rules!** They are the lender.

New home construction is dependent upon financing; financing of construction loans and financing of permanent loans when the home is completed. Builders are at the mercy of the lender. Most lenders today shy away from new home construction unless it is a "presale" and the lender's risk is minimal. Want to build a spec home and get lender financing? Good luck finding a bank that will work with you without 30% to 40% down, two to three points over prime, etc. The good old days of 20% down construction loans at prime or prime plus one are history.

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Below is a brief overview of *single family* home values within certain geographic areas of the Boulder Valley comparing the past two years *through October of each year*. Information is provided by IRES, the Northern Colorado Multiple Listing Service.

<u>Area</u>	<u>2008 Solds</u>	<u>2009 Solds</u>	<u>% Change</u>	<u>2008 Average Price</u>	<u>2009 Average Price</u>	<u>% Change</u>
Boulder	684	466	-31.87%	\$653,314	\$638,975	-2.195%
Broomfield	316	306	-3.16%	\$401,412	\$355,610	-11.41%
Superior	111	121	+8.26%	\$441,192	\$416,028	-5.71%
Louisville	191	190	-----	\$393,709	\$369,103	-6.25%
Lafayette	232	192	-17.24%	\$354,349	\$348,488	-1.655%
Longmont	926	767	-17.17%	\$256,706	\$241,215	-6.035%
Sub. Plains	402	308	-23.38%	\$524,203	\$519,379	-0.990%
Sub. Mtns.	233	167	-28.32%	\$435,036	\$404,542	-7.00%