



Mike Malec
 2425 Canyon Boulevard, Suite 110
 Boulder, CO 80302
 (303) 441-5618 direct
 Mike@ColoradoHomesAndRealEstate.com

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Mike Malec's Real Estate Watch

3rd Quarter 2014

Colorado economy on a roll with new businesses

More than 51,000 new businesses filed incorporation documents in the state in the first half of this year, which signals more jobs and sustained economic growth in the second half of 2014, according to Colorado's Quarterly Business and Economic Indicators Report released Friday by Secretary of State Scott Gessler.

"Coloradans continue their entrepreneurial spirit and putting their creative ideas to the test," Gessler said in a statement. "Their leadership and innovation should translate to moderate employment growth through the rest of the year."

However, the report noted that while 24,601 new businesses emerged in the second quarter, that was a decline from 26,522 in the previous quarter. But year-over-year new entity filings — which includes limited liability corporations, nonprofits, corporations and other business entities — increased 13.1 percent year over year, and the number of existing entities that kept up with filings with the secretary of state increased 3.9 percent for the year that ended June 30.

The quarterly report is prepared at the University of Colorado's Leeds School of Business using quarterly data from the secretary of state's central registry.

Richard Wobbekind, executive director of CU's Business Research Division, said Colorado recorded 92,606 new entities during the past 12 months ending in June, a 4.8 percent increase from the year before.

The new business filings suggest job growth will continue in the third quarter, but the report cautioned that monthly gains probably will slow in the fourth quarter.

"Weakness in new entity filings in late 2013 and early 2014 caused us to pause somewhat in the outlook," Wobbekind said. "But strong filings in subsequent months have reaffirmed healthy employment expectations for the rest of 2014."

In a summary, the report said year-over-year new business filings, existing entity renewals, trademarks and trade names all increased in the second quarter.

The data, said the report, are consistent with strength exhibited in the broader Colorado economy.

In fact, looking at the broader economy, the report said Colorado is on a roll:

- State employment, wealth and building activity point toward sustained economic growth in the last half of 2014, said the report. Employment rose 2.8 percent year over year in the second quarter, reaching a new peak in June of 2.4 million.
- Personal income totaled \$252.6 billion in the second quarter, marking an increase of 4.9 percent year over year, although annual wages per employee fell 0.2 percent quarter over quarter.
- Consumption continued to drive growth. The 12-month trailing total of retail sales was \$173 billion for the second quarter of 2014, up 1.1 percent from the first quarter, and is expected to continue
- Annual foreclosure filings and sales decreased dramatically in the second quarter: Filings dropped 24.7 percent, and sales fell 41.5 percent.

By Howard Pankratz - *The Denver Post*

Note Worthy Real Estate Websites

ColoradoHomesAndRealEstate.com - Our website has everything you need to know about real estate and mortgages in the greater Denver - Boulder area, including the ability to search for homes for sale and view our current listings. We also have links to the local school districts, news outlets and all the municipalities.

ColoProperty.com - website of the Boulder/Longmont/Larimer County Boards of Realtors.

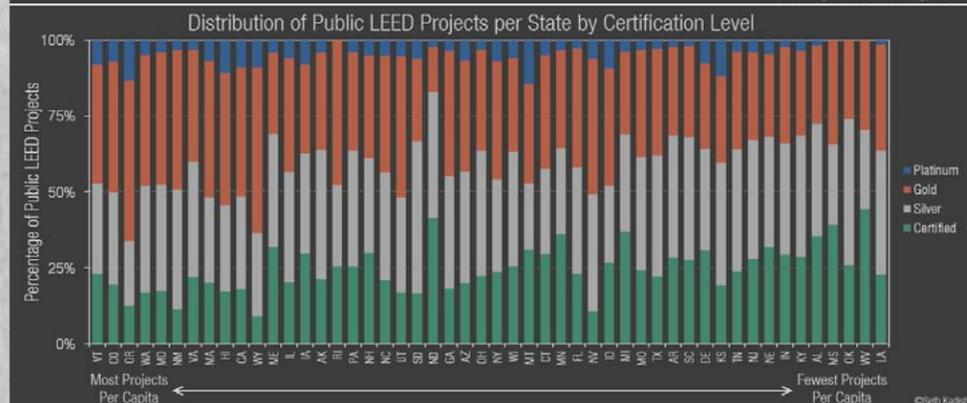
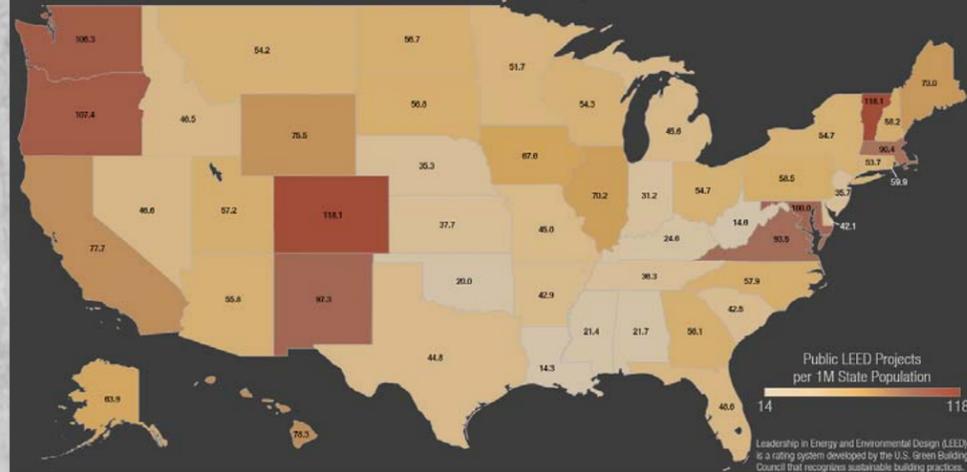
REcolorado.com - website of the Denver/Metro Boards of Realtors.

Realtor.com - official website of the National Association of Realtors.

AnnualCreditReport.com - free online credit reports from the 3 credit bureaus.

bit.do/NewHomes - online map showing new construction projects in the Front Range Metro area.

Green Construction: Public LEED Projects by State and Certification Level



Current Listings



917 Ninebark Lane Longmont, CO - \$450,000

Premiere location in SW Longmont on the Dry Creek Greenway with views down the open space to the snow capped divide. Views from kitchen, dining room & master bedroom.



956 Shavano Peak Drive Superior, CO - \$370,000

Most affordable home currently for sale in Rock Creek. 3 bedrooms, 2 1/2 baths. Upstairs loft that could be 4th bedroom or study.



10764 Cherry Street Thornton, CO - \$220,000

Fully remodeled 3 bedroom home with 2 full baths. Kitchen has been remodeled with new hickory cabinets. Great yard with brand new deck.



Mike Malec CRS, GRI, CDPE, SFR
(303) 441-5618 direct
Mike@ColoradoHomesAndRealEstate.com



2425 Canyon Boulevard, Suite 110 - Boulder, CO 80302
Office (303) 449-7000 - Fax (303) 449-8554

Single Family Residential Sales

July 2014 Statistics

Location	Total # Sold	Inventory	Avg. Sales Price	Avg. Days to Contract	Median Sales Price
Boulder	93	251	\$835,904	36	\$700,000
Broomfield	51	89	\$429,387	30	\$375,000
Erie	51	122	\$415,018	21	\$370,000
Lafayette	46	95	\$453,135	17	\$412,500
Longmont	115	315	\$318,897	29	\$265,000
Louisville	17	49	\$572,652	31	\$507,000
Superior	19	30	\$556,491	26	\$603,500
Mountains	33	347	\$504,503	59	\$462,500
Plains	42	244	\$814,722	50	\$637,394
Total	467	1542			

Previous 12 Months

Location	Total # Sold			Average Sales Price		
	07/01/12 06/30/13	07/01/13 06/30/14	% Chg	07/01/12 06/30/13	07/01/13 06/30/14	% Chg
Boulder	782	757	(3.2)	\$711,092	\$784,889	10.4
Broomfield	375	389	3.7	\$377,338	\$402,683	6.7
Erie	376	406	8.0	\$368,285	\$404,533	9.8
Lafayette	311	308	(1.0)	\$396,972	\$418,251	5.4
Longmont	1093	1133	3.7	\$270,860	\$296,797	9.6
Louisville	235	219	(6.8)	\$469,609	\$506,144	7.8
Superior	149	139	(6.7)	\$450,599	\$485,818	7.8
Mountains	232	321	38.4	\$429,976	\$502,274	16.8
Plains	415	361	(13.0)	\$640,509	\$695,177	8.5
Total	3,968	4,033				

Location	Average Days to Contract			Median Sales Price		
	07/01/12 06/30/13	07/01/13 06/30/14	% Chg	07/01/12 06/30/13	07/01/13 06/30/14	% Chg
Boulder	53	36	(32.1)	\$605,400	\$650,000	7.4
Broomfield	52	31	(40.4)	\$330,000	\$349,000	5.8
Erie	56	40	(28.6)	\$339,425	\$375,750	10.7
Lafayette	46	35	(23.9)	\$370,629	\$379,450	2.4
Longmont	50	31	(38.0)	\$248,000	\$268,500	8.3
Louisville	50	24	(52.0)	\$425,000	\$455,000	7.1
Superior	34	24	(29.4)	\$430,000	\$451,000	4.9
Mountains	129	103	(20.2)	\$359,000	\$387,000	7.8
Plains	73	61	(16.4)	\$500,000	\$566,000	13.2

Mike's Trend Report

Earlier this year we had talked about a possible inflection point in sales in Boulder County. I feel that it's no longer a possible inflection, but a real change in trend in our gross sales numbers. With the data in for the first half of the year, we can also compare the start of this year to the last couple of first halves and see where we stand.

My best guess is we are close to being down just over 8% in gross sales for the first six months. I say that is my best guess as it can get complicated when trying to determine where we stand. If we do or do not include Metrolist only sales (the Denver MLS System) and whether we look at single family or attached or both, the answer can range from barely being down at all to down about 11%. I'm ignoring the positive 9.72 change in attached Metrolist only sales as in the past I've found that category to be the least reliable. You can make the numbers support whatever you want to say, otherwise known as lies, damned lies and statistics.

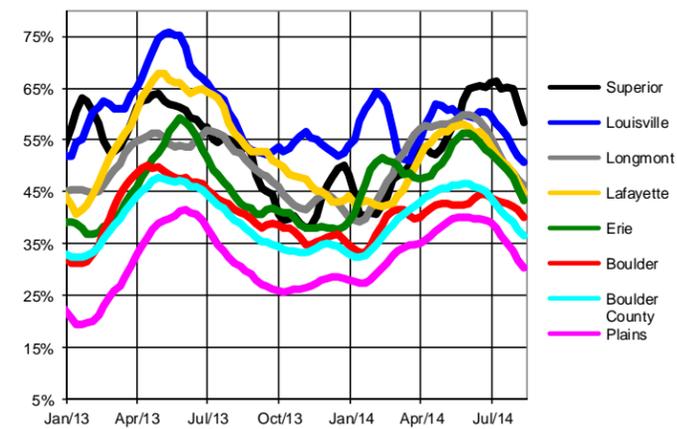
I still do believe that part of this downward movement in gross sales numbers can be tied to low inventory levels. Looking at all of Boulder County for single family homes not under contract at the beginning of August, we currently have 902 homes available, a drop of 2.69% from the 927 we had at the start of August 2013. Hard to have increasing sales numbers when you have fewer options for buyers to purchase.

I think a second factor coming into play this year is buyer reaction to the quick price jump we've experienced in the County. I'm hearing anecdotally that many buyers, not wanting to pay the higher prices they are seeing, are travelling outside of the moat of open space in Boulder County and expanding their searches into Broomfield, Weld and Larimer Counties. Our drop in gross sales numbers in Boulder County then is offset by the increase in gross sales numbers those adjacent areas are seeing. The Erie, Frederick, Firestone and Dacono markets are red hot right now. I think this price aversion is also reflected in the greater strength we're seeing in the typically lower priced attached market.

A final factor is the increasing number of transactions that are occurring outside of the MLS. Many brokers are selling their listings to colleagues in their offices or based off a "coming soon" yard sign. If we continue to see lots of properties selling outside of the MLS system, that could call into question the validity of comparing current trends with historical patterns based on the data coming out of the MLS.

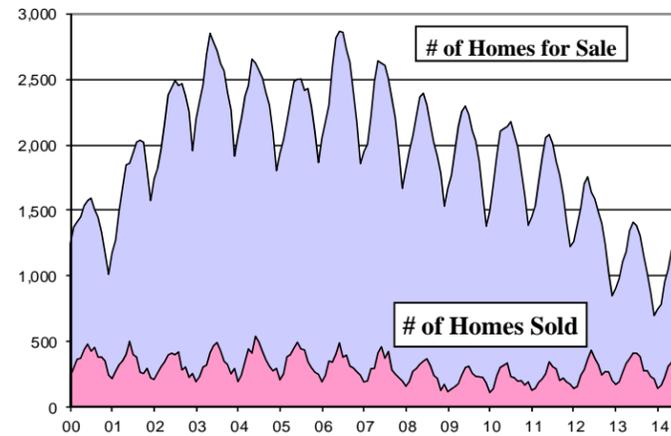
For the second half of the year, I think we'll see an increase in inventory, but we'll still stay close to the levels we saw in 2013. The biggest thing I'm hearing from potential sellers that is preventing a greater increase in inventory is that many potential sellers are looking around for replacement properties first, not seeing what they like or want out there in the few properties for sale and deciding they are staying put in their existing homes. Hard to argue with this point, but someday mortgage rates will rise and many potential sellers may regret not locking in another property when rates were in the 4.00's.

Mike Malec



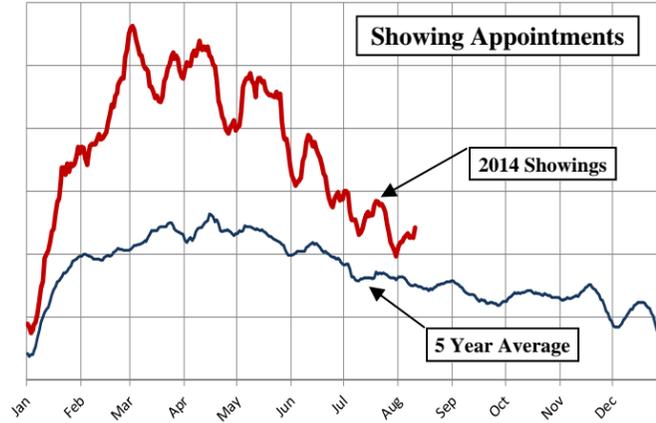
% of Homes Under Contract by City

This chart shows the relative strength and weakness, as measured by the percentage of homes under contract, of the various Boulder County municipalities. While we didn't set any new highest peaks in this metric like we did last summer, other than Longmont, most cities still experienced very high percentages under contract and were generally higher than at any time back to 2004. Most cities are seeing the lower price points remain very active but are seeing slowing in the mid to upper price points. You'll see that the % under contract will now drop through the end of the year, but it will be interesting to see what happens to this metric as the inventory also decreases through the end of the year.



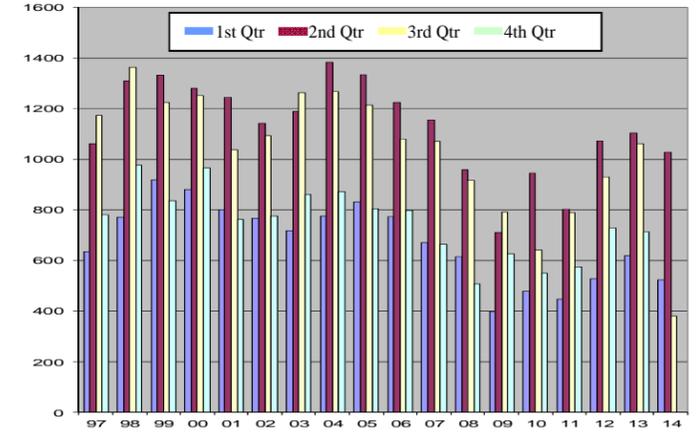
of Homes for Sale vs. # of Homes Sold

This chart shows the disparity between the number of homes for sale versus the number of homes actually selling across all of Boulder County. The big blue blob of excess inventory that has affected our market since the tech downturn in 2001 is gone and we have quickly moved to too little inventory. The peak in the # of Homes for Sale this summer was lower than at any point since I've started tracking this number in 2000. We definitely need more sellers to decide to put their homes onto the market. The # of Home Sales is down as well and the big debate is if this is a market reaction or due to the lack of inventory. There is also some evidence that more buyers are buying outside of Boulder County due to high prices.



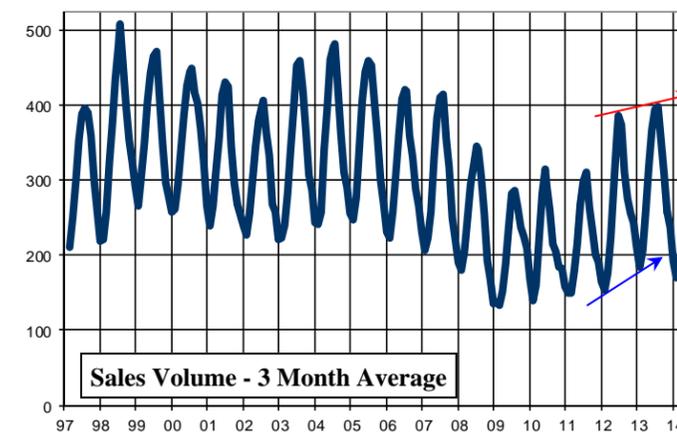
Office Showing Appointments

This chart shows the 14 day average of the showing appointments on available listings within my office as compared to the five year average. Since our last newsletter, showing activity has dropped off quite a bit and actually has been below the levels we saw last year. Homes in the lower price ranges are still receiving lots of showing activity in each market, but the mid to upper price points have been slowing down. Each year we seem to get a lull in activity right at back to school time and Labor Day. This is typically followed by stronger activity through mid-November. We'll have to see if this year we follow the typical pattern or break out in a new direction. With last year's Sept. floods, comparisons to last year won't work.



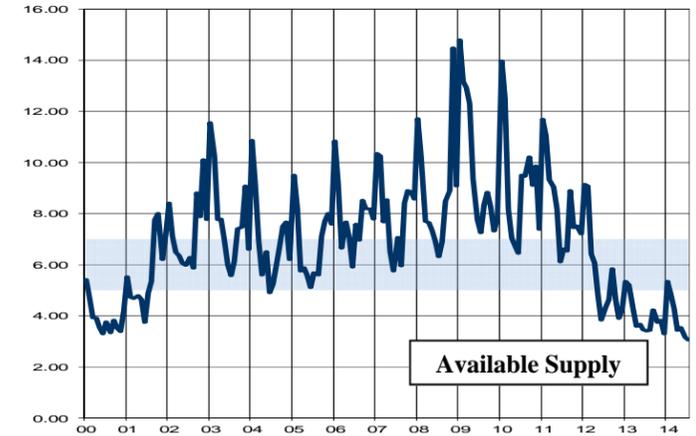
Quarterly # of Home Sales

This chart shows the number of single family homes that sold during each fiscal quarter going back to 1997. The first and second quarters of 2014 were down compared to 2013, an indicator the market may be taking a breather. Anecdotally, the slowdown became more pronounced in mid-June. It will be interesting to see if Q3 2014 beats the numbers from 2013. Adding additional complications to the comparison is the effect of last fall's floods. If Q4 2014 beats 2013, is that renewed market acceleration or flood effect. As we've mentioned before, the buyers seem to be ranging further afield as prices in Boulder County have jumped. Since this chart only track Boulder County sales, it may be misleading.



Sales Volume Chart

This graph shows sales volume as an average over the last three months. This graph really shows the ups and downs in the numbers of home sales over the last few years. We also can clearly see the seasonal nature of the market. Almost twice as many homes sell during the summer months compared to the winter months. Last winter's low point in sales broke through the blue trend line of the past couple of years possibly indicating a slowing market. We'll be watching this summer's peak in sales, which typically comes in July or August, to see if it touches the red trend line linking the peaks. If this summer's peak in sales doesn't rise to the red trend line, that would be another confirmation the market is slowing.



Available Supply Chart

The current number of homes listed for sale divided by the number of homes sold during the previous month creates an estimate of the months supply of homes currently for sale or "Available Supply". The light blue horizontal band in this chart signifies a balanced market. This is one of the charts that shows how confounding the current market is. Many of our other metrics and anecdotal evidence are showing a slowing market. The Supply chart however shows we are in a stronger Seller's market than at any time since 2000. I think this has more to do with our low inventory than with increased demand. Sellers can be aggressive since there are so few homes for sale, if we see increasing inventory, sellers may lose their advantage.