Mike Malec's Real Estate Watch

Boulder County Best Market in Country for Growth and Stability

Home appreciation is generally considered a good thing. It means more equity for homeowners, and a bigger payout when the time comes to sell. But as we learned during the financial crisis, when home values grow too quickly, a boom can quickly turn into a bust. That can lead to vanishing equity, underwater mortgages, foreclosures and a lot of unwanted stress for everyone who owns a home.

For that reason, most homeowners would probably prefer moderate, steady price growth to the up and down cycles that characterize some markets. Housing market stability isn't only good for financial health, it's good for a homeowner's mental health too. So which cities have historically had the most stable growth in their housing markets?

To find the U.S. housing markets with the most stable growth, SmartAsset analyzed home price data from the Federal Housing Administration on the 358 largest urban markets. We looked at home prices for each of these areas going back to 1990.

For each market, SmartAsset first calculated the overall growth since the first quarter of 1990. These ranged from as high as 320% (in Casper, Wyoming) to as low as 27% (in East Stroudsburg, Pennsylvania). We then calculated the probability over that same period of time that a homeowner would have experienced significant price declines (5% or more) at any point in the 10 years following his or her home purchase.

Next, we computed a score for each of these metrics. A city with growth of 250% or higher since 1990 scored a 100 for that metric, while a city with 0% growth would score a zero. Every other city got scored somewhere in between, relative to the highest and lowest cities. Likewise, a city with a 0% historical probability of significant price declines would score a 100 for that metric, while any city with 58% odds of significant price declines (the highest possible in our study) scored a zero. Lastly, we averaged the scores for overall growth and long-term stability to find the housing markets with the most stable growth.

Five of the top ten housing markets with the most stable growth over the past 25 years are located in the west. These cities – one each in Colorado, Wyoming, Alaska, Montana and Washington State – have all had overall growth north of 200% and very few dips in home prices.

The Lone Star state also fared well, with three of the top ten cities. The state capital, Austin, placed second overall, with a 242% total growth rate since 1990. Texas is known as a relatively homeowner-friendly state because of its low closing costs and light zoning regulations.

1. Boulder County, Colorado

Over the past 25 years, home prices have grown an average of 4% a year in Boulder County and are approaching a price level nearly quadruple that of 1990. During that time, home prices have never once seen a decline of more than 5% in Boulder County – not even during the national foreclosure crisis. That stability means homeowners in Boulder County have been spared the stress of a plummeting market, while still reaping the benefits of price appreciation.

By Nick Wallace, SmartAsset

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908 Snowberry Street
Longmont - $469,500
Brand new carpet. Wood floors in eat-in kitchen with granite counters. Main floor study plus separate dining & living rooms. Sitting room off master could be 4th upstairs bedroom. Cul de sac.

6205 Misty Street
Niwot—$590,000
Mid-Century modern in the country. Extensively remodeled ranch home with a finished basement on one acre. 4 bedrooms and 2 bathrooms. Custom walnut cabinets and walnut floors.

Inventory remains historically tight. Do you know someone who wants to sell? I'm looking for my 2015 sellers.

1545 Taylor Mountain Dr.
Longmont—$545,000
Slab granite counters, granite backsplash, cherry cabinets, stainless appliances, dining nook & large eating space island in kitchen. Cul de sac location close to schools and trails. Mountain views.

Trend Report

With the first half of 2015 in the books, the Boulder County real estate market remains strong but some slowing has become evident. As you can see in our Showing Appointments chart below, the number of showings that each available listing is receiving has dropped from the early spring highs. It has been typical, the last couple of years, for there to be some slowing in July & August with a pick up once the kids are back in school. We'll see if this year follows that trend.

Home sales have been slightly ahead of last year, with 157 more sales throughout Boulder County through July 2015 than there were through July 2014. The mix has changed little, with the extra sales coming proportionately through more sales of single family homes and attached homes. You'll see that Q2 this year was not as strong as Q1 when compared to same quarters in 2014. That matches the subjective feel of the market where it felt slower during mid-summer this year.

It's important to remember that when we talk of slowing, we mean slowing, not that the market has stopped or reversed. We're slowing from an amazingly tight market to just a tight market. Many homes are still being scooped up the first weekend with multiple offers. The difference can be that in the spring, we may have saw 5-10 offers on a very attractive home, now we may just be seeing 1-3 offers. So a slowing, but most homes are still going under contract quite quickly. If you look at the Available Supply chart, you'll see that our supply levels have not risen at all yet. As we slow, the hyper-local aspect of our market or what some people have termed patchiness has returned. Not all price points and areas across the County are seeing the strong activity. In the less strong areas, if a house doesn't generate an offer the first week on the market, it can now sit for a month or more.

One chart where you can clearly see the slowdown is in the % of Homes Under Contract chart. I really like this metric as it reacts more quickly to changes in the market than the home sales metrics, which are looking back at market strength 30-60 days ago due to the timeline of a transaction. The % Under Contract tells you quickly how active the buyers are in the individual areas and are a forecast for where home sales should be headed 30-60 days from now. In our chart you can see that every area in the County has hit their peak for the year and is now trending down. Partly this is a seasonal response to fewer buyers looking now that summer is drawing to a close, but it looks to me like this slowdown happened earlier than it did last year. You can also see that Lafayette remains a brighter spot. Many brokers believe we see positive home appreciation whenever this under contract metric is over 35%.

Last chart, the # of Homes for Sale versus the # of Homes Sold, shows the marked change in our market over the last 15 years. The glut of inventory that built up to the point where we saw four homes for sale for every one that sold each month. You can see we've worked all of that excess inventory off and our summer peak in inventory totaled just over 1,000 homes for sale for the entire County and we've been selling almost half of them each month.

A tight market indeed, enjoy the end of your summer!

Mike Malec