



Steamboat

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Dedicated to serving buyers in the Steamboat marketplace.

What to Anticipate With Distressed Properties in Steamboat

The plague that infected the real estate market throughout the country took a little while longer to find its way into Steamboat Springs. Like a physician trying to treat an unknown virus strain, sellers and buyers, as well as REALTORS, attorneys and title companies have entered unknown territory in trying to deal with the challenge at hand.

Most distressed properties generally fall into one of two categories:

Short Sale

A short sale is when an individual owner still has legal ownership of the property, but is advertising the property at a price less than the amount owed, or selling "short" on the indebtedness. It is most likely at a time when the owner/seller is delinquent in loan payments. As the seller is offering the property for an amount less than what is owed, the seller needs to obtain lender approval for the sale. The lender is the one who will be taking the loss along with the seller. Thus, a short sale is a two-step process of first negotiating a purchase price between buyer and seller, then seller and lender. Not only will a seller's credit be impacted by this unfortunate situation, but the amount of debt relief (amount the seller is short on the mortgage) is considered income by the Internal Revenue Service, and taxes will need to be paid by the seller. Furthermore, short sellers have to wait at least two years before being approved for a mortgage to purchase another property.



In lieu of facing foreclosure, most sellers will try to sell their home via short sale first. However, if unsuccessful, it falls into the second distressed property category:

Foreclosure

A foreclosed property is one where a lien holder (lender) has taken legal ownership of the property. There are three types of foreclosures in Colorado: 1) Public Trustee; 2) Judicial Foreclosure; 3) Tax Sale. The most common type of foreclosure is the Public Trustee Foreclosure. Buyers of foreclosures deal directly with the lender, or a facilitator hired by the lender.

For this study only residential properties (single family homes, condominiums, town homes, mobile and multi-family homes) will be studied, as they make up the majority of the market, aside from land and commercial properties. All data was collected by the Steamboat Springs Multiple Listing Service.

Although the Steamboat Springs market started its downturn in 2008, most residential short sale and foreclosure sales did not begin hitting the books in earnest until 2010. In looking at distressed property activity from 2010 to present, sales may be leveling off. 2010 to 2011 transactions increased from 580 to 725 (25%), then in 2011 year-to-date 2012 (May 17) has posted 252 sales, seasonally adjusting to 756, or a projected 4% increase.

It appears more distressed properties are making it on to foreclosure rolls than being purchased as a short sale. Residential fore-

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closed properties have made up an average of 18% of overall purchases; short sale properties captured 8% of the overall market. While closings would suggest foreclosures are more desirable, the reality is that many short sale contracts never make it through to closing. A short sale is a two step process. It has been estimated that only a third of all short sale properties that go under contract with the seller actually close. Once a lender receives notification the property is under contract with the seller, they may take anywhere from a few days to several months to consider the offer, let alone accept. For the patient and persistent short sale seller and buyer, the average time between contract and closing is 73 days. The average time it takes for a foreclosure is 43, making it look like lenders are expediting the sale of their own properties than those in short sale.

Geographic Activity				
	Distressed	Non-Distressed	Total	% of Distressed Sales
Steamboat Springs	235	729	964	24%
OC/Pburg/Yampa	39	14	53	74%
Hayden Area	21	39	60	35%
Hwy 40 West	9	11	20	45%
North Steamboat	16	31	47	34%
South Valley/GrCk	20	34	54	37%
Stagecoach	66	15	81	81%
Other	7	36	43	16%

Property Type				
	Distressed	Non-Distressed	Total	% of Distressed Sales
Condo	112	305	417	27%
Single Family	207	324	531	39%
Townhome	88	150	238	37%
Mobile	2	16	18	11%
Multi Family	4	6	10	40%

From a geographic perspective, the area with the lowest percentage of distressed sales is in Steamboat, where 24% of all sales either were short sales or foreclosures. The area with the highest incidence is Stagecoach, where 81% of the sales were of a distressed nature.

Mobile homes have been able to best avoid the distressed property plague, representing only 11% of the distressed sale market. But

more interesting is that condominiums, which have received a bad reputation in other parts of the country for delinquencies and deadbeat owners, is one of the better type of properties to own. 27% of the condos that have been purchased were distressed. Perhaps the rental income these properties generate have kept them somewhat immune from distressed status, where single family homes, townhomes and multi family dwellings fall within a few points of one another as the most likely to catch cold.

Strange as it may seem, data suggests that sellers of non-distressed properties are willing to negotiate more than those in a distressed situation. Typical sellers are willing to take an average 9% discount off of their list price, whereas a short sale seller (and lender) is willing to discount their price by 7% and foreclosed properties an average of 6%.

If you are a buyer in today's market looking for a good buy, it is important to not only consider a short sale or lender owned property, but attention should also be given to a "normal" sale. It seems most distressed properties hitting the market were purchased between 2005 and 2008. This is when Steamboat Springs properties were at their peak. Owners of those properties, including lenders, most likely have a cost basis that is higher than current values. With current values equal to +/- 2005 prices, non-distressed owners, whose cost basis is going to be less than the distressed owner, may be willing to meet or beat those prices, not to mention the process can be much less frustrating for those eager to own property. Additional challenges of buying a distressed property include that most owners will only sell the property in "as-is" condition and there are no guarantees on communication or timeliness. While there are opportunities out there in the foreclosure and short sale market, buyers need to be mentally prepared for the myriad of obstacles that may come their way.

Major Upcoming Steamboat Events

July

- 1 - 4 104th Cowboys' Roundup Days and 4th of July Celebration
- 7 - 8 Hot Air Balloon Rodeo
- 21 Kitchen & Garden Tour, Tour de Steamboat Bike Race

August

- 2 - 5 Steamboat Wine Festival
- 16 - 19 All Arts Festival
- 19 Steamboat Triathlon

September

- 1 - 2 Wild West Air Fest
- 1 - 3 Downtown Sidewalk Sale
- 2 Chili Challenge



Buyer Tip of the Month

**Get Our
Foreclosure Hot Sheet!**

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