



The Best Way to Buy Real Estate in Steamboat



Steamboat

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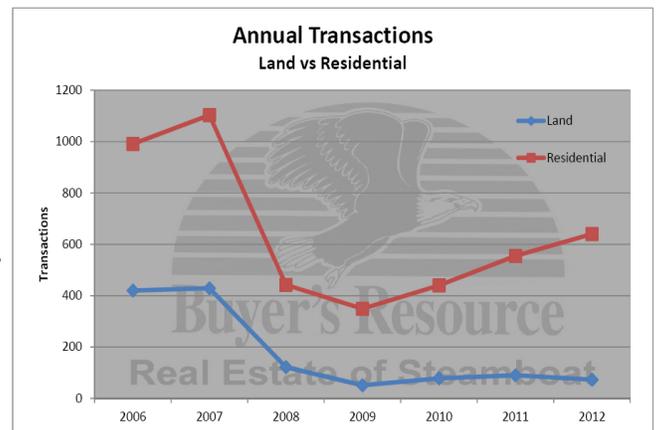
Dedicated to serving buyers in the Steamboat marketplace.

Time to Buy Land?

With the slow but steady improvement in the local residential real estate market over the past few years, it is likely that the land market will follow. An increase in land interest is a function of low inventory of residential units (forcing individuals or developers to build what cannot be found), or it can also be that standing housing inventory is more expensive than someone building a new residential home.

In comparing land to the residential market, the across-the-board land products have seen the greater decline in value since the 2007 market peak. At that time, the total of single family homes, town homes and condominiums within the Steamboat Springs Multiple Listing Service sold for an average dollar-per-square-foot (\$/sf) price of \$386, and in 2012 it dropped by 41%, to \$227. Initially, looking at all land products, they sold in 2007 for an average \$16,569 per acre and the average price per acre throughout the MLS in 2012 was \$5,114; a 69% decline. However, a majority of land sales occur in parcels under 5 acres in size, and taking a closer look at those show the average price dropping by only 6%. This is important as we discuss later.

The most striking change when comparing land and residential products is once both product types took the plunge in 2009, residential purchases began recovering at a much faster pace. 2007 posted 1,103 residential and 429 land transactions (with land representing 28% of total sales between the two). 2012 captured 640 residential and 73 land transactions (10% of total). Said another way, residential purchases had a 42% decline from 2007 to 2012, and land had a staggering 83% decline.



Why the slow recovery?

The pricing adjustments sellers made in residential properties have been greater than their land owner counterparts. Land parcels less than 5 acres in size have only dropped 6% in price between 2007 and 2012, whereas residential properties dropped 41%. Besides the obvious that the residential property may be the seller's primary residence, and if the owner has to sell to relocate, their urgency is greater than a vacant piece of land. Furthermore, no matter if the residential property is a primary, second, rental or vacation home, the carrying costs of utilities, taxes, homeowner association dues and maintenance on a residential property would be greater than those for a piece of dirt. Hence, a greater motivation to sell.

When Will Buyers Return?

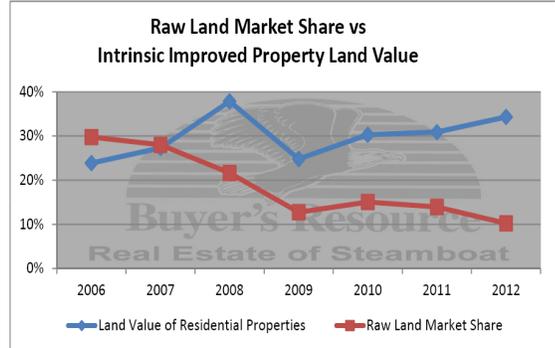
Buyers will need to recognize one of two changes before the land market improves: Either the prices of residential properties need to increase or land prices need to decrease. This is confirmed by the spread that has grown between the intrinsic continued...

Additional information on the Steamboat real estate market can be found by visiting our web site, at www.BuySteamboat.com.

If you would like us to conduct a personal property search, please give us a call, toll free, at 877.970.8885.

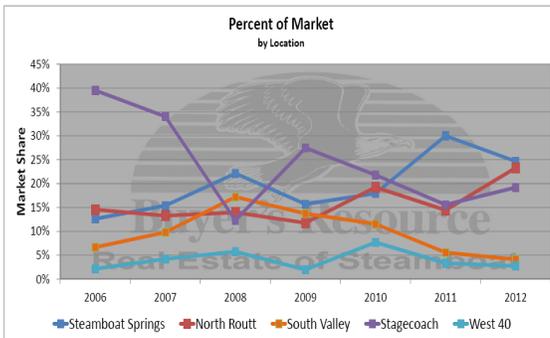
value of land in residential sales and the market share of raw land (as percentages). Intrinsic being that when a house sells the price one pays not only includes the structure but also the land on which it sits. This percentage can be calculated by backing out improvement costs of dollar/square foot and average home sizes, then reassessing land values based off of dollar/acre costs and average lot sizes.

As represented in the graph to the right, due to the lower prices of residential properties over the past few years, the intrinsic value of the land (blue line) has actually increased from buying a residential property over the past three years. Because of this, the market is acknowledging a greater value in residential product than land product, which results in a loss of raw land market share (red line).



What Locations Have Reacted Best to The New Market?

There are five areas that capture the majority of land sales in the Steamboat Springs MLS: 1) Steamboat Springs; 2) North Routt; 3) South Valley; 4) Stagecoach; and 5) West 40 (directly west of Steamboat). In 2006 and 2007 Stagecoach posted 317 and 329 land purchases, respectively, and captured 50% of all land purchases in these geographic areas. This was due to a good amount of supply, affordability and the potential revitalization of the master planned resort community. As those thoughts faded with the market, buyers recognized better opportunities in Steamboat Springs, which enjoyed the greatest interest in 2012 capturing 33% of the market, followed by the lands in North Routt / Steamboat Lake area. Stagecoach's market share dropped to 25%.



Some of the most expensive real estate in the market is located in the South Valley, and home to subdivisions like Dakota Ridge, Catamount, Alpine Mountain Ranch, Whitewood, Big Valley Ranch and Sidney Peak Ranch, to name a few. Limited supply, phenomenal views, larger parcel sizes and easy access to some of Steamboat's most popular amenities all contribute to the demand for this location. Market share (sales) in this area has been declining since 2008, and it is most likely due to the limited supply and commensurate higher prices.

Land is a very dynamic purchase for many. As opposed to an improved lot where a house already exists where views are known, driveways are in, utilities are installed and the cost of ownership is pretty much known, raw land possesses more variables. Therefore there needs to be more financial incentive for a buyer to make the commitment to an undeveloped land parcel than to buy an existing home. That is not to say that those looking for land should wait, look elsewhere or for an existing home. There are good opportunities out there, but buyers need to be cautious as to what they are buying, its value, and having an exclusive buyer's broker to provide them an honest assessment. As a whole, however, before the land market picks up more change needs to occur. This includes land prices coming down or residential inventory being reduced.

Major Upcoming Steamboat Events

Continuous Summer Events: Fri, Sat - Pro Rodeo; Sat - Farmers Market; First Friday Art Walk; Stings Music Festival. Visit www.steamboatsummer.com for all event info.

June

- 2 32nd Annual Steamboat Marathon, Half Marathon, 10k
- 8 Weekly Downtown Farmers Market Begins Every Saturday
- 13 - 16 23rd Annual Rocky Mtn Mustang Roundup
- 29 - July 4 110th Cowboys' Roundup Days

July

- 4 Parade and Fireworks
- 13 - 14 32nd Annual Hot Air Balloon Rodeo & Art in the Park
- 19 - 21 Steamboat Mtn Soccer Tournament

August

- 4 - 11 Steamboat Wine Festival
- 15 - 18 All Arts Festival
- 21 - 22 USA Pro Cycling Challenge

Buyer Tip of the Month

"Look for an Exclusive Buyer's Agent, if possible, who will have your interests at heart, and can help with strategies during the bidding process on the home of your choice"

US Dept of Housing



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