

The Summit County Real Estate Insider



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all Summit County listings

Inside Reports:

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You Here?

❄ Looking for a
Sure Bet?

❄ Million \$ Homes
Flood the Market

❄ and the usual...
Rumor, Gossip &
Innuendo



Summer 2016

Sales Dip in Second Quarter

Unnaturally Low Inventory Masks Reality

The Summit County real estate market is hot, right? Headlines and young eager brokers tell you it's HOT! New listings are selling in a day and multiple offers are common. Hot, right? Well, the hotness is not what it seems.

A woefully meager inventory and an average number of buyers have created an artificially tight market that could suddenly slow down if more sellers appear or fewer buyers are pouncing on the next listing... or both.

Uncertainty always has an effect on the Summit County real estate market. Between a nasty election, Brexit-related concerns and 3000 point swings in the stock market, we've got uncertainty in spades and it's already having an effect.

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Through the first half of 2016, there were 6 percent fewer properties sold than in the first half of 2015. 811 sales closed this year versus 862 in 2015.

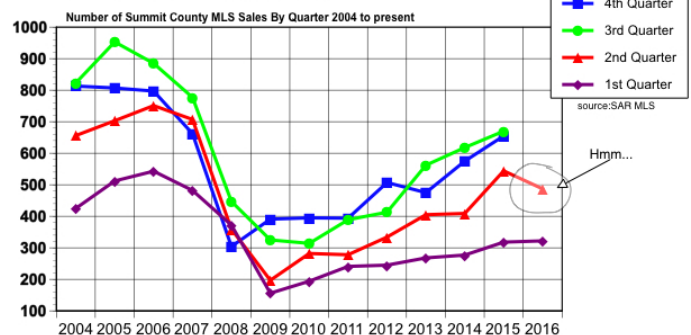
There were about 10 percent fewer properties sold in the second Quarter than last year. This is not good.

The number sold to date is

right at the 15 year average for the second year in a row after finally recovering from the Wall Street melt-down of 2008. But this is still well short of the high point reached in 2006 when nearly 1300 properties sold in the first two Quarters and nearly 3000 sold in the entire year.

Number of Properties Sold by Quarter

**All Summit County MLS Sales
2004 to 2016 through 2nd Qtr.**



It beats 2009, however, when fewer than 400 sales occurred in the first half and about 1000 total sales closed all year.

Sales in the first half of the year have averaged about 40% of total sales over the last 25 years so we can reasonably expect about 2000 sales this year if that proportion holds. But there won't be another ten or fifteen percent increase this year. There may be no increase.

Even if 1200 more properties close by year-end, the July 1

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Once again it's an election year.

Sometimes it's a non-event... sometimes it's a big deal.

Guess which one this will be.

But once more, we'll tighten up and deal with it and once more the market will recover and once more all this will pass.

There comes a time when you realize that there will be no end to uncertainty. You just use what you've learned to work through it.

Call me and we'll use what I've learned to help you through whatever's gonna happen.

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I welcome your correspondence, comments, corrections, requests for more information, requests to just shut up, subpoenas, encouragement, pats on the back, bottles of Wild Turkey, cash, checks or money orders.

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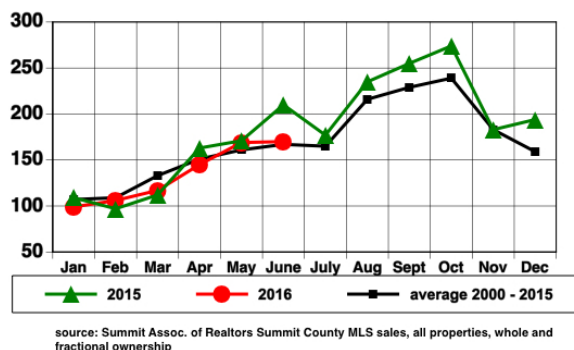
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supply of about 1000 properties is only slightly behind demand. For the past two years, supply has been a lot lower than that and has resulted in

Number Sold By Month... All Properties
All Summit County MLS Sales - January 2015 through June 2016



very quick sales of new listings.

Inventory in specific price ranges, types of property and neighborhoods has been low to non-existent since mid-2014.

If you own a town home, a condominium in a popular complex, or a single family home under \$600,000 the world has been your oyster for about two years. These types of real estate have especially been in solid demand but very short supply.

This could change as the summer goes on and world-wide turmoil continues. Sellers may

decide that this is the near-term price peak and finally let go of their property. Buyers may hit the pause button while the world sorts itself out.

This market is dominated by second home buyers who have to feel financially secure enough to spend on a luxury like a vacation property. Uncertainty dampens our market almost immediately. No one has to buy or sell a second home.

Take away that feeling

of security and the result is more inventory, fewer buyers and often, price stagnation.

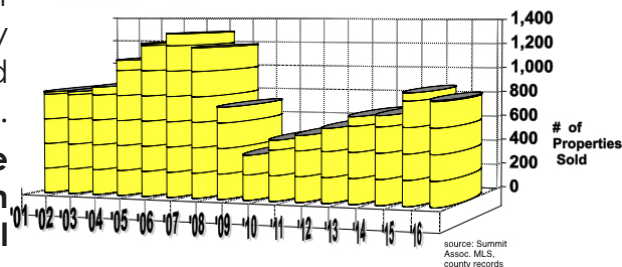
Prices are in the vicinity of the historic high in Summit County having just climbed back to that level last year.

Some neighborhoods are slightly above the historic high, others are slightly below, but price stagnation at this level isn't the end of the world. This isn't 2009 all over again.

Sellers who decide to wait a little longer probably won't see higher prices this year or maybe even next. They will see a lot more competition as the inventory increases.

Buyers who decide to wait for the "next crash" will probably pay about the same in a year or so as they would

Total Sales Through First 6 Months 2001 to 2016



today, meanwhile missing out on two years of enjoyment.

At least the election uncertainty will be behind us by mid-November. The economic uncertainty will probably take longer to resolve itself and the effects on our second home market will continue until it does.

But there won't be any catastrophic change in market conditions, up or down, for a while. The pause button has probably been pushed.



It was just an average snow year... but it didn't stop the visitors. Last season was a record year for skier days in Colorado. We put over 13 million skiers on the lifts. County officials estimate about 5 million skier visits to Summit County alone, about a million more than the entire state of Utah. And you can get a beer in Colorado... just sayin'.

Speaking of records... July 4th is getting to be insane. No one keeps actual numbers for this holiday, but it had to be a record. This year the County was so full you couldn't move. Hot weather in Denver helped. At this rate, you might want to put your lawn chair out by Main St. for next year's parade... this week.

The bike path and the highway are switching places... to straighten out the curve and add lanes. Starting at about the Frisco Peninsula tubing hill to the High School, Highway 9 will be moved to where the rec path now runs. The old highway will become a rec path and run right next to the lake. That's the last section to be 4-laned to Breck... now maybe the cones will disappear for a few years.

OK... it's time for someone to congratulate the Summit High Girl's Rugby team... haven't lost a game in 8 years, 8 state championships in a row, and second place in the Nation this year. So the Rumour Monger will do it - CONGRATULATIONS LADIES!! You'd think you'd be invited to the Tonight Show or the White House or something. Is it because they're just a bunch of girls from some little place in the mountains??

Why Do People Move Here?

Hint: It's not because of I-70

Why do people move to or buy second homes in Summit County?

And why do they choose here instead of in Vail or somewhere else?

Despite the fact that about 30,000 people live here, there aren't 30,000 different reasons for choosing to be here.

All Colorado resort areas offer many of the same things: recreation, solitude, small town atmosphere, access to wild places.

But Summit County offers these things in a location much closer and more accessible to Denver International Airport and the big city amenities of Denver itself.

This opens up the possibility of living here and working remotely until the need to travel arises and then being able to get on direct flights to most of the world.

Since the advent of the internet and remote working, more locals are working in the world economy instead of being tied to the resort service economy.

And in the reverse situation, people can live and work in Denver or Front Range and still get to their mountain retreat fairly easily, depending on traffic. (More on this later.)

Vail is one more mountain pass away from Denver for both locals and Front Range owners. Sure Vail, Aspen and Steamboat and other resorts have their own airports, but to get anywhere (unless you own a jet) it takes at least one transfer

and always at a much higher price.

In addition, Summit County is a commercial hub for the region with supermarkets, big box stores and factory outlet stores with prices comparable to Denver but without the extra travel time.

And yet, with all this development and visitation generated by proximity to the huge Front Range population, you can still get into the mountains

in minutes and completely forget the busy towns.

So far all of this has worked out nicely for us, but a time is coming when Summit County and Colorado as a whole will have to

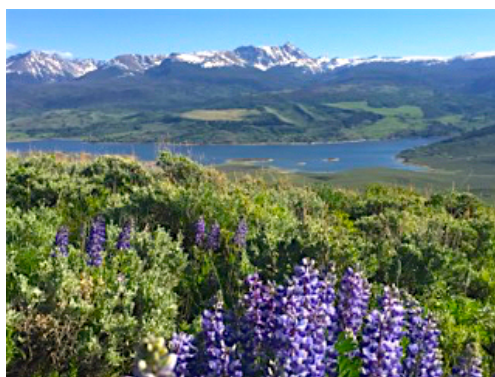
make some changes to keep our advantages from being outweighed by problems.

The foremost problem is transportation to and from Summit County. I-70 is way over capacity and any weather or traffic issues shut it down several times per year. Many second home owners buy for specifically this reason.

It doesn't seem to matter that Switzerland has developed routine and dependable transport and communication in terrain worse than ours. We are continually told that these "European solutions" won't work in America.

Well, we need to borrow some solutions to this stuff from somewhere or eventually we'll find that people won't put up with the problems.

We don't need to reinvent the wheel, we just need to get new ones.



This is why people move here!

Rental Property: As Close to a Sure Thing as You Can Get

Unless nuclear war breaks out and civilization ends, the one sure thing in Summit County real estate is that there will always be more renters than rental units.

Despite years of work to build more rental housing, most workers filling the estimated 22,000 jobs in Summit County drive in from Leadville or Kremmling.

Efforts continue to make the county affordable for workers.

New developments must include affordable rentals. The Summit Housing Authority sells deed-restricted properties. Up to 400 affordable properties will be built on the Dam Road... eventually. Vail Resorts continues to build affordable rentals in Breckenridge and Keystone while putting more beds in current housing units.

But it won't be enough.

The number of jobs continues to increase while the number of places to build continues to decline. **So rental property is gold.**

The problem is to find rentable property at a price that makes sense given the rent rates.

Short-term skier week rentals are not the answer. And mortgages will prevent maximum cash flow. But as a long-term strategy, paying down the mortgage coupled with the increased value of the property over time works with patience and discipline.

It's hard to find investments that will return as much as rental property will for a cash buyer.

A two bedroom unit renting for \$1500 net per month bought

for \$250,000 could achieve a 7 to 9 percent return. This assumes no mortgage and that \$1500 is your net income each month after HOA dues and taxes, etc.

A home or duplex at \$425,000 or so might net \$2500 per month or so and bring a similar return.

Treasury bonds will bring only 1 to 3 percent, but are almost entirely risk free.

Rental property is certainly not risk

free. Summit County rental property, however, cuts the risk of vacancy to nearly zero.

Rentable properties are available at prices that can make sense. But entire buildings are not. You'll need to piece your empire together one property at a time.

Buying one unit in something like a duplex or four-plex, might bring the opportunity to buy the building over time as the individual owners decide to sell.

Being a landlord isn't for everyone. You can either live with your tenants overhauling the Harley in the living room or you can't. Check out your tenants.

And get some financial advice before committing to this large, long-term investment. This article is purely anecdotal. **Your mileage may vary. You may suck at being a landlord.**

But this strategy works because I've done it over the past 30 years. I'll eventually sell my 8 unit building... if I can figure out where to put the money.



Million Dollar Homes Flood the Market

Regardless of the breathless headlines in our local paper, it's not all roses in the million dollar market.

Million-dollar sales are routinely only ten percent of our market but nearly 30 percent of the 1005 listings offered on July 1 were million dollar-plus properties.

Out of 273 properties listed for over \$1 million on July 1 of this year, 100 were listed in the previous 60 days. 37 percent more new high dollar listings suddenly appeared in only two months.



Heading for the exit??

It looks like the affluent are bailing and middle class folks are buying.

In 2015 a total of 212 properties sold for \$1 million or more out of a total 2184 sales in Summit County. That's less than ten percent of the market.

Million dollar plus properties took an average of 338 days to sell in a market where the average was 173 days for residential properties.

In 2015 there were 129 sales of million-dollar properties in the second half of the year, so **with 273 such properties on the market, the Ferraris may be backed up for a while on the exit lane.**

The rest of us in the Toyotas and Chevys will just motor on.