

Real Estate Insider



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published by

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see all Summit County listings

Inside Reports:

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

Bargains Abound In Summit... but prices have not declined for the past 9 months

If you had the chance to buy gold at the 2006 price, you would do it, right? It's scarce, it's valuable, it has increased in value over time. How about premium resort area real estate? It's better than gold because supply is more limited, it's very desirable, and unlike gold it has real, not artificial, value.

Right now, there is serious opportunity in buying premium mountain real estate at temporarily depressed prices.

Temporarily? Yup, because these will always be premium properties no matter if we are using rocks and shells for currency.

This is the time when new fortunes will be made by those with the foresight and guts (and, yes, faith in themselves) to act.

Sorry sellers, but this is a full blown buyer's market and there's no use in pretending otherwise.

There are about 2200 properties for sale this fall in Summit County and about half that many will sell this year.

There is no better value right

now in Summit County than land. We are out of new land and are 95% built out on what's left. And much of the vacant 5% is on the market.

In late September, there were 416 lots and acreages for

sale. 54 had sold through August. The average sale price was \$257,000. In 2008, at the peak of the market, the average was \$496,000.

Bankers

won't lend on land or new construction without a down payment big enough to make a loan irrelevant. Spec building is about dead and top quality existing homes are available for less than it costs to build. Almost the only new construction is



How's This For A Major Opportunity?
Crystal Peak Lodge:
Ski-in Ski-out 2 BR in Breck
- Sold New in 2008 For \$1.65 million
- Resold This Year For \$740,000

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Some owners won't like my message about bargains now available in this edition of the Insider. But buyers are what the market needs and doesn't have.

Buyers need to recognize the opportunities now available here.

Our market problem is only partly that prices are too high. It's mostly that neither buyers or sellers in this market have to buy or sell, so they do nothing.

Encouraging buyers to overcome their inertia helps sellers and will result in a better market.

Bottom line: don't sell if you don't have to and buy if you can. And be ready for the market turn.

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**The Summit County
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Opinions and analysis expressed in this publication are mine and mine alone, as are any mistakes.

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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in custom homes for current landowners with cash.

Because of this, first-class building sites in Three Peaks start at \$139,000; less than half of what they sold for new. Highlands at Breckenridge begins at \$185,000, another huge discount from new. Given that the finished house should be worth about 4 times the land price, and that homes in these neighborhoods are worth \$1 million and up, there are some serious values here.

Single-family homes in good local residential neighborhoods are about 14% less than in 2008. High-end homes are more than 21% lower than at the 2008 peak and are often cheaper than replacement cost.

Condominium prices are at bargain levels as well. At Crystal Peak Lodge, 3 year old units at the lifts in Breckenridge are selling for about half of the original prices in 2008. Typical resale units in premium older complexes are running about 25% less than at the peak. Affordable units good for rental to local workers and residents are selling for up to 40% less than in 2008.

I began buying property in 1986 in a market much like this one. I now have several income properties and I'll keep them for several more years. These properties are my hedge against the inevitable inflation. I

can raise rents as prices go up, my renters are a lot less likely to be buyers in the future and they tend to stay longer than they used to.

Real estate is real and tangible and can help us take direct control of our financial life if we handle it properly. It is more secure than stocks and bonds. You don't have to let your money ride at the whim of guys who buy and sell a million shares a day in one second intervals.



This year, this home sold for about 15% more than it did in the recession of 2003, the last major buying opportunity.

And resale property in Summit County bought in the last recession in 2003 is still selling for more than it did then.

If you are reading this, you didn't

hock your equity for a vacation in Vegas. You handled your investments and income well enough to still have a financial future to plan for. You are among the few in a position to benefit from this national car wreck.

But there is good news for sellers and troubling news for buyers waiting for better prices. The average sale price for resale properties is the same as last year for the past nine months. That's right, prices have stopped falling for several months despite everything.

Even though I'm a cynic, I'm betting that there will be a recovery, it may even have begun. Want to join me in the game, or just watch from the sidelines?



Rumor,
Gossip &
Innuendo

If you thought I-70 traffic backups were bad before... wait until they close one side of the Twin Tunnels by Idaho Springs to widen it. It sounds like Denver bound traffic will detour on the old highway (now a bike path) right next to a drop off into Clear Creek. CDOT thinks drivers are afraid of the tunnels and slow down because it looks dark and small. So... drivers who are afraid of small places will feel better about hanging out over the creek? We'll see...

"Don't bother us unless you really don't need money." With mortgage rates poised to go below 4% you'd think everyone would be buying or refinancing... but lenders can offer any interest rate they want to if they never have to produce a loan. What next, negative interest rates?

The USA Pro Cycle Challenge that came through for a week in August was a smash hit... the State estimates 1.5 million folks lined the route. Towns that didn't think they wanted the bother are lining up to bid on next year's event. This will become America's Tour de France. You should have seen the crazy crowd up on Swan Mountain Road and on the time trial course out of Vail. It looked just like the costumed nuts crowding the French climbs.

Everyone knows that when you get 5 miles away from I 70 there's no cell phone service in Western Colorado... but that may change. Residents in the high dollar acreages North of Silverthorne are lobbying for a cell tower and are even offering private land to build it. The stretch of road between Silverthorne and Kremmling has no cell service at all, tons of Steamboat bound traffic and there are about five deer for each car.

Mortgage Lenders Won't Lend... So sellers are doing it themselves

In a normal market, interest rates in the 4% range would be driving a boom in sales. But lenders offer these great rates, then won't qualify anyone to get them. Because of this, the market is dependant upon cash buyers for the majority of sales and that means a lot less buyers.

If banks won't do their job, some sellers are taking matters into their own hands. Owner financing is a very viable option for owners who face a difficult market.

Owner financing turns the property into an asset that produces income without having to deal with rentals and upkeep. The seller/lender no longer owns the property, but instead owns the promissory note.

It has benefits for both parties. For buyers, it makes for a generally easier loan with no points or fees. They still need to give the seller/lender any credit and financial information he asks for and will probably need a substantial down payment. But owner carry sales can work for buyers who are good credit risks yet don't fit the normal profile (i.e. retired with little income but lots of assets).

For sellers, part of the capital gain is deferred and offering financing can bring a quicker sale at closer to the full price. Also, the principal balance doesn't decline much over the typical 3 to 5 year term of such a loan, so the payments are almost entirely interest and owners can usually command a higher interest rate than institutional lenders offer.

Owner financing is rare enough that offering it will attract attention to your property in a market stuffed with inventory.

Not all owners are in a position to be lenders. First, you need to own the property free and clear or be able to pay your mortgage off. Second, most owner/lenders are reluctant to foreclose if the payments fall behind adding needless months to the eventual recovery of the property.

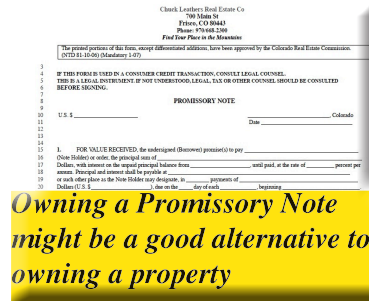
There are Colorado Real Estate Commission-approved standard promissory notes and deeds of trust that you and your Realtor can use.

Colorado is a trust deed state so if you foreclose, the public trustee (usually the County Treasurer) handles most of the legal process to recover the property and effectively stands between you and the borrower.

There's a lot to know about owner financing and you should get legal and tax advice before trying this at home. But there are some real advantages to being the lender that might work for you.

And don't forget to stop by the golf course and thank a banker for this opportunity.

Bankers: Unhappy? Do your job and I'll get off your case.



Best Bargains are in the \$900,000 Price Range

Ok... If you were ever looking for a really nice home in Summit County for an absolute bargain price, raise your hand. All of you, huh? Well... now's the time! Here's the market situation through three Quarters of 2011.

For the year to date through September, residential properties priced between \$400,000 and \$700,000 held their value the best; selling for an average of 93.7% of list price with a total discount of 11.6% from original list.

For those still looking for that half-million dollar bargain, the time may be past. Low-end bargain hunters will do best in the under-\$150,000 sector. This segment is selling at an average 16.4% discount and at 91% of list price.

You'll find yourself in Dillon Valley, Silverthorne or a much older studio in Breckenridge. But for this kind of money, rentals make sense and a few of these are very well located.

Homes priced from \$900,000 to \$1 million did the worst selling at an average 85.9% of last listed price and an average 24.9% discount from original list.

There were only 53 properties for sale in the \$900,000 to \$1 million range in early October, so the best bargain price range is getting scarce.

In September alone, 11 homes sold for more than \$1 million and went for an average of 89.4% of the last listed price. And that's on top of the 22%

discount from their original list price. That's nearly one-third off!

These homes are in neighborhoods like Three Peaks, Hamilton Creek, Shock Hill and Gold Flake. They had been on the market for an average of over 425 days and the longest was on the market for nearly 4 years.

There are still over 200 properties priced between \$1 million and \$2 million, but much of the distressed inventory is slipping away.

Despite a slowing of sales in late summer, resale property values have stopped falling so far in 2011. The average resale property sold for \$476,500 through the first 9 months of 2011, down only .8% from the same period last year. Resales lasted for an average 258 days on the market.

True bargains are still out there for now. Until the tea party is over and the adults get home to clean up the mess, economic anarchy will continue to create opportunities for those with foresight... oh, and money.



This \$2.85 million Breckenridge home sold for over \$1 million less than originally asked after over 1300 days on the market.

Seasonal Rentals... A Growing Market

If you are thinking about renting your Summit County property, there's an alternative market that has been growing for the past few years.

It's called seasonal or mid-term rentals (as opposed to short-term, weekly, or long-term, yearly). These have become a good solution for owners who don't want to or can't sell, don't ski or want to keep the property for future personal use but get good income for now.

Often a couple of families from the Front Range will go together to rent a place here from Thanksgiving to mid-April and have exclusive use during that time. That means they can go skiing mid-week or stay over until Monday morning to avoid 170 tie-ups. But they don't have the responsibility and expense of ownership. They aren't tied to a shared ownership calendar either.

Monthly rent is often much higher than a long-term yearly rate.

A 2 bedroom condominium that might rent for \$1000 per month long-term might bring \$2000 per month for the five or six month term of a seasonal rental.

There is typically less wear and tear than full-time residents would cause and renters are generally more financially qualified than long-term renters.

Some management companies cater to this market but most owners use the Summit Daily, VRBO website or Craig's List to find seasonal renters.

The best time to look for these folks is before Thanksgiving, but in a big snow year, it could be all season.