

March 19, 2018

Welcome to the fourth annual Longmont Housing Affordability Review. Our goal since inception of this report is to compare the affordability of homes in Longmont with the affordability of homes in other towns in Boulder County and nearby. This introductory note lays the foundation for our data, its analysis and conclusions.

The data from this report comes from the two Multiple Listing Service (MLS) systems that REALTORS® and real estate agents alike use to market homes for sale. These two systems are IRES [1], used primarily by agents who reside and do business in Northern Colorado; and REColorado [2], which is the predominant MLS used by agents in the Denver Metro area. It does not take into account any private transfers or for sale by owner transactions. Due to the high usage of these MLS systems, the data covers a majority of all home sales in these markets.

The biggest change in the report this year is our affordability scale. In previous years, we used the \$150,000 price point as the affordable benchmark in the attached (condos and townhomes) market. For single-family homes, our affordability benchmark was set at \$250,000. When we first conceived of this report in 2013, we chose those price points because they were widely regarded by local experts as reasonable benchmarks. At inception of this report there was an ample supply resale properties in those price ranges. Between 2014 and 2016, we saw a steady decline of resale units in both single-family and attached home categories. In fact, in the 2016 report there were only 28 reported sales of attached dwellings in all cities combined. The market had outpaced our measuring stick.

With the 2017 report this year and moving forward, we formulated a new measuring stick. Our new affordability scale is one that adjusts for changes over time in the economy, house prices, income levels, the unemployment rate, and other economic indicators. Basically, we are handed income level data by the experts and then we reverse engineer a price level that a borrower can qualify to buy.

The City of Longmont, The U.S. Department of Housing and Urban Development (HUD) [3] and other governmental agencies use Area Median Income or AMI [4], to inform many decisions. A reasonable argument can be made that the AMI used for Longmont is inflated since it's actually a county-wide number used by HUD. With this in mind we used Longmont's 2017 Maximum Income Limits for Housing Programs [8], which are much more conservative than the Boulder County AMI.

By definition, AMI is a measure of income. In 2017, for Boulder County, the AMI was \$98,200. This is also the number the Colorado Housing and Finance Authority (CHFA) [5] looks at to qualify people for down payment assistance. According to the City of Longmont the income limit for down payment assistance for a single person household is \$47,600 and \$68,000 for a family of four. Using these income levels, a borrower could qualify for a CHFA 5 percent down payment assistance program to help them get into a home.

Using the single person income of \$47,600, the CHFA down payment assistance of 5 percent, a current 5.5 percent interest rate, and a \$200 per month HOA payment, the borrower would qualify to purchase a home up to \$270,000. It's reasonable to expect that this single person would strongly consider an attached home, such as a condo or townhome.

For a family of four, using the income limit of \$68,000, the same 5 percent CHFA down payment and a current 5.5 percent interest rate (no HOA fee), this family would qualify for a loan up to \$350,000. This larger family would need more space, so it is reasonable to expect the family would strongly consider a single-family home.

We used a common sense approach to measure affordability in this year's report. The most common barriers for borrowers at the incomes we've identified to actually qualify for these loan amounts are low of credit scores and high debt in the form of car, credit card and student loan payments. As with the price of most consumer goods, like a gallon of milk, a refrigerator, a car or a home; the price at any point in time by itself doesn't tell the whole story of the cost. How that price has changed over time tells a larger story. For housing, it is widely assumed we are facing a home affordability crisis, simply because the prices have risen. For example, in the year 2000 the average price of a home in Longmont was \$219,684, but interest rates were higher in 2000, so loans were more expensive. According to the US Bureau of Labor Statistics (USBLS) [6], the measured purchasing power of the consumer for today's average priced home is the same as a home that cost \$285,000 in 2000. Why the disparity between the actual price and the USBL price calculation?

Mark Fleming, chief economist at First American Financial Corporation argues that homebuyers today still have historically high levels of house-purchasing power, when factoring in income levels and interest rates. His proprietary First American Real House Price Index (RHPI) [7], measures the price changes of single-family properties throughout the U.S. adjusted for the impact of income and interest rate changes on consumer house-buying power over time. Because the RHPI adjusts for house-buying power, it also serves as a measure of housing affordability. According to his most recent RHPI report in February 2018, real house prices are 37.1 percent below their housing boom peak in July 2006 and 15.5 percent below the level of prices in January 2000.

The cities and towns included in this report make up a majority of home sales in Boulder County. Additionally, the competing markets of Firestone, Frederick, Dacono, Mead and Berthoud were once again included because so much of our workforce lives in these towns. This report also again includes Loveland, whose population is approximately 15 percent smaller than the population than Longmont, but Loveland consistently has more real estate sales than Longmont.

Housing prices are increasing at all levels in Longmont. However, despite the increasing price of real estate in nearly every corner of Colorado and throughout the Unites States, especially for first-time home buyers, once again it is evident that the availability of affordable housing in Longmont surpasses that of most of our neighboring towns.

Respectfully,

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2017 Longmont Housing Affordability Review

By

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&

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Single Family Residential

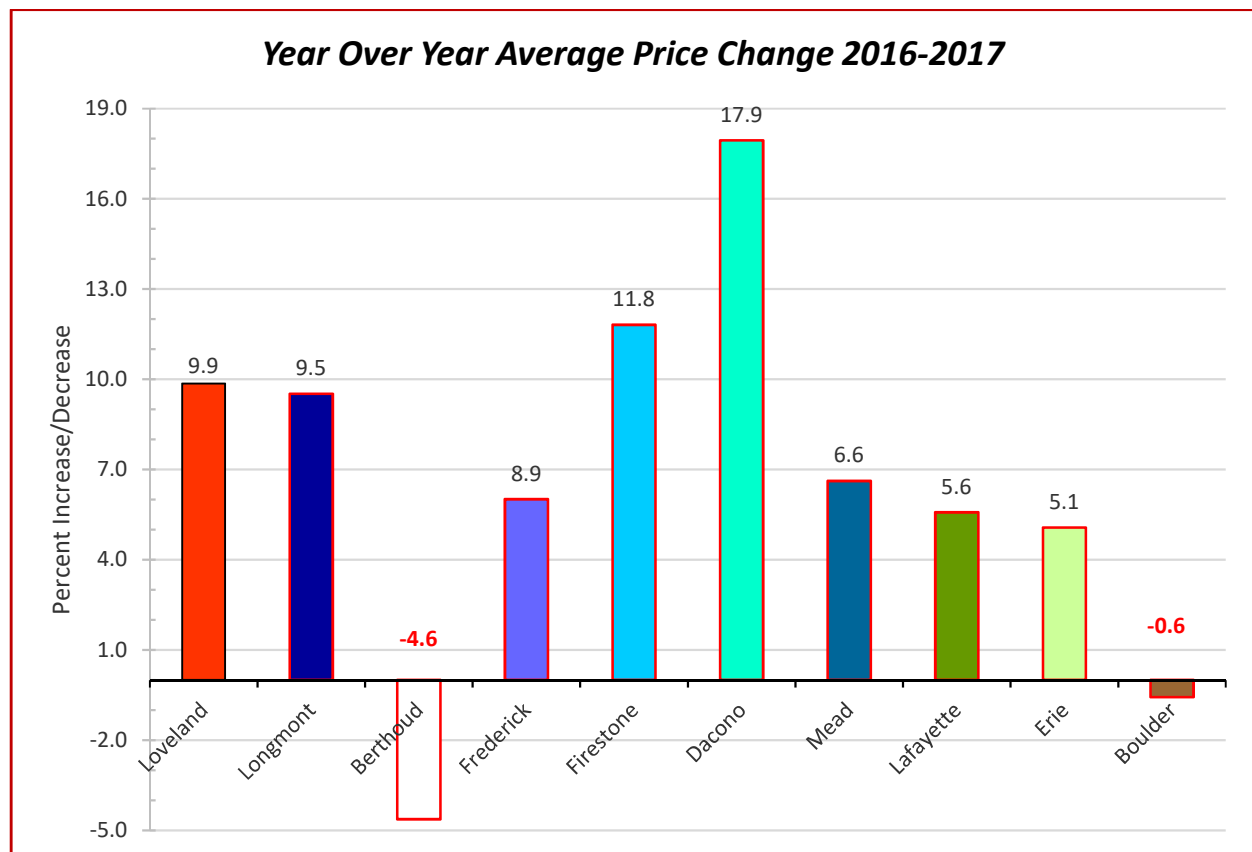
City	Total Units Sold	Average Price	Median Price	Sold below \$350k	% of Market	Total Active	Active Below \$350k
Loveland	1586	\$ 391,817	\$ 347,700	827	52.1%	141	11
Longmont	1207	\$ 420,356	\$ 400,000	426	35.3%	67	3
Berthoud	481	\$ 405,349	\$ 362,250	221	45.9%	68	0
Frederick	329	\$ 369,027	\$ 370,150	122	37.1%	19	2
Firestone	290	\$ 396,979	\$ 384,500	73	25.2%	43	2
Dacono	95	\$ 312,979	\$ 332,975	61	64.2%	7	2
Mead	111	\$ 450,802	\$ 365,000	46	41.4%	17	2
Lafayette	361	\$ 579,034	\$ 529,500	19	5.3%	21	0
Erie	581	\$ 516,137	\$ 484,950	15	2.6%	81	1
Boulder	634	\$ 1,060,614	\$ 880,000	4	0.6%	60	0
Louisville	258	\$ 658,788	\$ 620,000	3	1.2%	10	0
Superior	131	\$ 630,178	\$ 605,000	1	0.8%	9	0

Notes and Observations

- Active Listings were as of 3/2/2018.
- Three of the four single family homes sold in Boulder below \$350,000 were in an Affordable Housing Program.
- For the fourth year in a row, Loveland provides the greatest number of affordable housing units in the area.
- For the second year in a row, the average sales price in Boulder exceeded \$1,000,000; however, it did fall from 2016 by \$6,060, or 0.6 percent.

- Berthoud experienced a 139 percent increase in the number of overall sales (from 201 in 2016 to 481 in 2017) due to significant new construction projects and its average sales price dropped by 4.6 percent.
- The low number of active listings is typical for this time of year.
- There were 593 more total sales in all areas in 2017 than in 2016, a 10.8 percent increase.
- Longmont remains the most affordable town in Boulder County. Longmont had the lowest average sales price, lowest median sales price, as well as the greatest number of overall home sales and the greatest number of single-family homes sold for \$350,000 and under.
- The ratio of total homes sold to homes sold under \$350,000 is nearly identical for the entirety of the Firestone, Frederick and Dacono (FFD) market versus the Longmont market (34.5 percent for FFD vs 35.3 percent for Longmont)
- In last year's report, Lafayette, Louisville, Superior and Berthoud did not have a home sell for under \$250,000. This year, they still did not have a home sell under the affordability benchmark, even though the affordability benchmark was increased by \$100,000 to \$350,000 for the 2017 report.

Average Year-over-Year Price Change for Single Family Homes



Single Family Year over Year datasheet

City	2016		2017		% Change
Dacono	\$	265,363	\$	312,979	17.9
Firestone	\$	355,042	\$	396,979	11.8
Loveland	\$	356,642	\$	391,817	9.9
Longmont	\$	386,043	\$	420,356	8.9
Mead	\$	422,818	\$	450,802	6.6
Frederick	\$	348,095	\$	369,027	6.0
Lafayette	\$	548,446	\$	579,034	5.6
Erie	\$	491,239	\$	516,137	5.1
Louisville	\$	627,938	\$	658,788	4.9
Superior	\$	615,435	\$	630,178	2.4
Boulder	\$	1,066,674	\$	1,060,614	-0.6
Berthoud	\$	425,018	\$	405,349	-4.6

Attached Dwellings

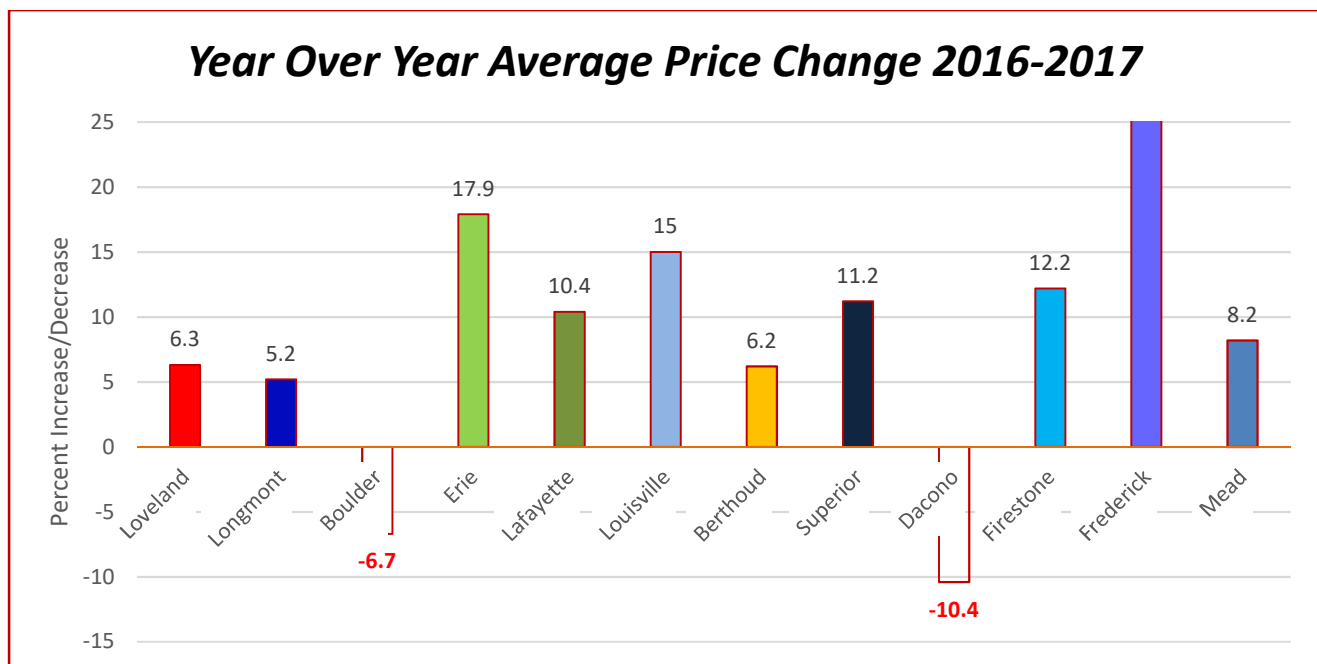
City	Total Units Sold	Average Price	Median Price	Sold Below \$270k	% of Market	Total Active	Active Below \$270k
Loveland	238	\$ 273,212	\$ 264,900	140	58.8%	32	5
Longmont	331	\$ 314,718	\$ 298,500	106	32.0%	27	3
Boulder	642	\$ 457,061	\$ 399,950	92	14.3%	72	4
Erie	101	\$ 306,600	\$ 273,000	48	47.5%	5	0
Lafayette	157	\$ 356,752	\$ 360,000	43	27.4%	5	0
Louisville	79	\$ 426,628	\$ 401,025	9	11.4%	12	0
Berthoud	22	\$ 303,138	\$ 295,000	7	31.8%	7	0
Superior	56	\$ 424,024	\$ 330,000	8	14.3%	3	0
Dacono	8	\$ 213,081	\$ 215,000	8	100.0%	0	0
Firestone	6	\$ 271,667	\$ 269,500	4	66.7%	0	0
Frederick	8	\$ 288,074	\$ 295,490	4	50.0%	6	0
Mead	2	\$ 139,125	\$ 139,125	2	100.0%	0	0

Notes and Observations

- Loveland has the third largest number of attached home sales in 2017 and the largest number of those sold below \$270,000 (140), which equates to 58.8 percent of Loveland's entire attached home market.

- The attached home resale market in Boulder is nearly double that of Longmont, yet they still have fewer attached home sales below the \$270,000 price point.
- Permanently affordable housing units make up 31 of the 40 lowest priced attached home sales in Boulder in 2017.
- There were a total of 24 attached units sold in Dacono, Firestone, Frederick and Mead, and 18 of them sold for \$270,000 or less. These four towns have the lowest average sales prices in this report, but despite the low prices there are very few attached homes to buy. The overall sales volume of attached homes in Dacono, Firestone, Frederick and Mead equals just 1.5 percent of the overall sales volume of attached homes contained in this report.
- Dacono's total of eight attached homes sold in 2017 dropped from 27 in 2016, and the average sales price in Dacono dropped 10.4 percent as well. This is a direct result of the completion of the Sundance Townhome project that accounted for 19 new townhomes that sold for an average of \$247,537.
- At this time there are a total of four permanently affordable homes for sale in Boulder. Two of them are listed below \$270,000 and two of them are listed above the \$270,000 mark and, therefore, above the limit to qualify to be purchased by a single person.

Average Year-over-Year Price Change for Attached Dwellings



Attached Dwellings Year over Year datasheet

City	2016	2017	% Change
Frederick	\$ 195,000	\$ 288,074	47.7
Erie	\$ 259,977	\$ 306,600	17.9
Louisville	\$ 370,862	\$ 426,628	15.0
Firestone	\$ 242,180	\$ 271,667	12.2
Superior	\$ 381,267	\$ 424,024	11.2
Lafayette	\$ 323,140	\$ 356,752	10.4
Mead	\$ 128,633	\$ 139,125	8.2
Loveland	\$ 256,939	\$ 273,212	6.3
Berthoud	\$ 285,520	\$ 303,138	6.2
Longmont	\$ 299,100	\$ 314,718	5.2
Boulder	\$ 490,102	\$ 457,061	-6.7
Dacono	\$ 237,765	\$ 213,081	-10.4

Resources:

- [1] IRES – Information and Real Estate Services <https://www.iresis.com>
- [2] REColorado - <http://www.recolorado.com/>
- [3] HUD – U.S. Department of Housing and Urban Development <https://www.hud.gov/>
- [4] AMI – Area Median Income <https://www.hud.gov/>
- [5] CHFA – Colorado Housing and Finance Authority <https://www.chfainfo.com/>
- [6] USBLS - <https://www.bls.gov/cpi/>
- [7] RHPI - <http://www.firstam.com/economics/real-house-price-index/>
- Calculation of purchasing power - <https://goo.gl/JEaLWp>
- [8] Longmont Income and Asset Limits - <http://bit.ly/2FFWFnp>