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## Note Worthy Real Estate Websites

**ColoradoHomesAndRealEstate.com** - Our website has everything you need to know about real estate and mortgages in the greater Denver - Boulder area, including the ability to search for homes for sale and view our current listings. We also have links to the local school districts, news outlets and all the municipalities.

**ColoProperty.com** - website of the Boulder/Longmont/Larimer County Boards of Realtors.

**REcolorado.com** - website of the Denver/Metro Boards of Realtors.

**Realtor.com** - official website of the National Association of Realtors.

**AnnualCreditReport.com** - free online credit reports from all three credit bureaus

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## Mike Malec's Real Estate Watch

October / November 2012

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Mike Malec's Real Estate Watch **1**

### Mortgage Rates Forecast to Rise in 2013

After reaching record lows in 2012, mortgage rates are expected to creep up slowly in the year ahead, the Mortgage Bankers Association predicted on Tuesday. Rates on the 30-year fixed-rate mortgage are expected to average 3.8% in the fourth quarter of 2012, rising to 3.9% in the first quarter of 2013 and eventually rising to an average 4.4% by the fourth quarter of next year, the MBA said. The mortgage is expected to average 4.1% for all of 2013.

Granted, in these times, mortgage rates are increasingly difficult to predict. So take this forecast with a grain of salt. Last year, the MBA rate forecast was way off. It predicted the 30-year fixed-rate mortgage would average 4.4% for 2012. Instead, rates plunged and hit an estimated annual average of 3.8%, spurring a flurry of refinance activity.

Underlying factors that economists would normally look at as those driving interest rates, including inflation, aren't driving rates now, said Jay Brinkmann, MBA's chief economist, during a Tuesday briefing with reporters at the association's annual Convention & Expo in Chicago. Instead, it was uncertainty in European economies and actions taken by the Federal Reserve that moved rates so low this year.

In fact, continuing purchases of mortgage-backed securities through the Federal Reserve's QE3 program will likely keep the 30-year fixed-rate mortgage below 4% through the middle of 2013, he said.

"The Fed has committed to buying \$40 billion of agency mortgage-backed securities per month until the labor market shows significant signs of improvement," he said. "Based on MBA's originations estimate, the Fed will be buying 36% of all mortgages originated in 2013, and a much higher percentage of those swapped into agency mortgage-backed securities."

Despite the Fed commitment to an open-ended purchase program, the MBA forecast assumes the program will last 12 to 18 months, said Mike Fratantoni, MBA's vice president of research and economics. The "aggressiveness, open-endedness and focus on the mortgage market" that came with QE3 led to the highest refinance volume in four years, he said.

In the meantime, high refinance activity will likely carry over into next year. "Applications that come in November we aren't going to see close until sometime after the first of the year," Brinkmann said. The "long tail of refs" will extend through the middle of the year then drop off, he said.

Indeed, things are looking at least somewhat better for the industry. Mortgages to finance a home purchase are expected to rise by 16% in 2013, compared with 2012, as the economy grows modestly and more owner-occupied home sales occur, as opposed to cash purchases by investors, Brinkmann said. Also helpful to driving home purchases are the 1.5 to 1.8 million private-sector jobs expected to be created next year, though the growth is below what would be needed for a "robust" home-sales market, he said.

Single-family housing starts are expected to reach 586,000 in 2013, up from 527,000 in 2012, according to the forecast. The median existing-home price is expected to rise to \$186,000 next year, from \$179,400.

While the improvement may be slow, it's also worth pointing out that the country has added 4.8 million renter households since the end of 2006, while losing 1.7 million owner households, according to the MBA. And that net household growth could spell home-buying demand in the future. "People with jobs are moving on their own some place," Brinkmann said. And while some of them might be renters now, "eventually we would expect some of that household formation to go into homeownership."

by Amy Hoak - MarketWatch

## Current Listings



**8008 W. 111th Avenue**

**Broomfield, CO - \$450,000**

1.2 acres horse property. Well built custom, ranch style home with 3 bedrooms plus office and 3 baths. Irrigation well and domestic well.



**246 Rendezvous Drive**

**Lafayette, CO - \$289,000**

Quietest unit in Hedgerow. Light & bright end unit with wraparound front porch and landscaped yard overlooking the private neighborhood park.



**115 Cessna Drive - Erie, CO**

**\$224,900**

2 acre buildable lot with runway access.

Inventory is low,  
lowest levels since  
2006. If you've been  
thinking of selling,  
now would be a great  
time!



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# Single Family Residential Sales

## September 2012 Statistics

Location	Total # Sold	Inventory	Avg. Sales Price	Avg. Days to Contract	Median Sales Price
Boulder	55	309	\$614,112	48	\$515,000
Broomfield	30	107	\$343,250	75	\$327,000
Erie	15	119	\$436,976	76	\$355,000
Lafayette	19	83	\$362,063	40	\$355,000
Longmont	75	329	\$234,279	43	\$205,000
Louisville	14	53	\$393,788	169	\$398,500
Superior	13	42	\$395,954	50	\$411,000
Mountains	32	328	\$408,479	101	\$333,500
Plains	28	291	\$482,121	88	\$420,000
<b>Total</b>	<b>281</b>	<b>1661</b>			

## Previous 12 Months

Location	Total # Sold			Average Sales Price		
	09/01/10 08/31/11	09/01/11 08/31/12	% Chg	09/01/10 08/31/11	09/01/11 08/31/12	% Chg
Boulder	618	723	17	\$657,872	\$671,142	2
Broomfield	348	385	10.6	\$364,088	\$361,705	-0.7
Erie	248	286	15.3	\$324,676	\$339,698	4.6
Lafayette	222	300	35.1	\$362,850	\$381,168	5
Longmont	811	939	15.8	\$248,593	\$258,714	4.1
Louisville	195	235	20.5	\$418,972	\$424,157	1.2
Superior	110	146	32.7	\$436,499	\$420,039	-3.8
Mountains	239	278	16.3	\$393,590	\$405,593	3
Plains	324	385	18.8	\$635,320	\$605,282	-4.7
<b>Total</b>	<b>3,115</b>	<b>3,677</b>				

Location	Average Days to Contract			Median Sales Price		
	09/01/10 08/31/11	09/01/11 08/31/12	% Chg	09/01/10 08/31/11	09/01/11 08/31/12	% Chg
Boulder	92	78	-15.2	\$534,900	\$570,000	6.6
Broomfield	92	73	-20.7	\$325,000	\$328,000	0.9
Erie	87	72	-17.2	\$305,000	\$325,250	6.6
Lafayette	80	74	-7.5	\$315,000	\$348,500	10.6
Longmont	76	66	-13.2	\$220,000	\$234,000	6.4
Louisville	60	56	-6.7	\$380,000	\$380,500	0.1
Superior	63	43	-31.7	\$400,500	\$392,200	-2.1
Mountains	129	128	-0.8	\$341,000	\$342,250	0.4
Plains	104	93	-10.6	\$499,000	\$472,000	-5.4

## Mike's Trend Report

The third quarter numbers are in and 2012 is, as expected, shaping up to be much stronger through the end of the third quarter when compared to the same time period in 2011. The big story is the lack of inventory, but it's not the only story as we also have had more buyers than in years past. This combination of less supply and more demand has really goosed the market.

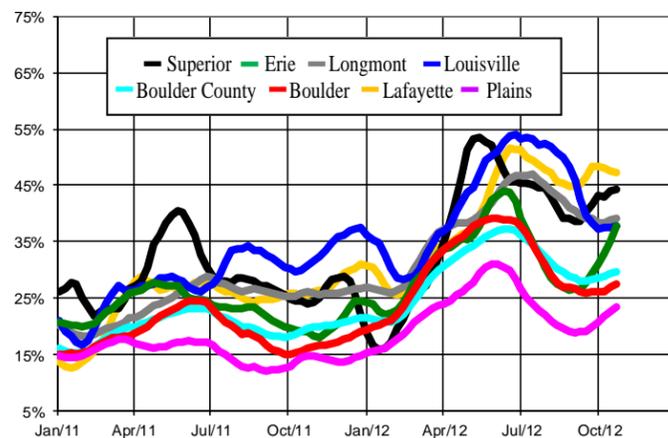
Across all of Boulder County, the number of single family homes for sale as of the end of the 3rd Quarter was down 24.5% when compared to the same time period in 2011, the number of attached homes for sale was down 40%. While we had fewer homes for sale, the number of single family sales for that same time period rose 22.6% while attached sales rose 24.3%. The aggregate value of those sales also increased 26.9% for single family homes and 26.6% for attached homes

Across all of Boulder County, the average sales price at the end of the third quarter was up 2.7% compared to the same time period in 2011. The median sales price was up 6.9% for the same time period. Many cities within the County are at their peak in prices over the last 5 years. I think most of this strength can be attributed to the low inventory levels we've been experiencing.

The low inventory levels really are astonishing. As of the end of October, we have about 58% of the number of homes for sale that we would expect to see at this time of the year. The question frequently comes up, why are there so few homes for sale? The answer is not easy and varies for different groups of would be sellers. Some would be sellers now believe the market has turned and that prices are going up. These sellers don't have an immediate need to sell so they are waiting for values to return to a level where they believe their homes are worth. Some would be sellers would sell if they were confident they could find a suitable replacement property. Since inventory is so low, many of these sellers are waiting for inventory to increase to give them a larger selection of replacement homes to choose from. Many would be sellers while happy their homes have regained some value, expect the replacement homes to have not gone up in value. They still think the buyers are in control and can make successful low offers. Other would be sellers, those who purchased roughly after 2006, just have not had enough appreciation to sell their homes and pay transaction costs without losing their initial investment or having enough of a down payment for the replacement home. I think these sellers are fairly rare in Boulder County. The last group of would be sellers are people that have listened to the national media horror stories about the housing market and don't realize that Boulder County has luckily been spared the worst of the housing downturn. These sellers can't believe they would be able to sell their homes today for a good price, but locally, the chances are good.

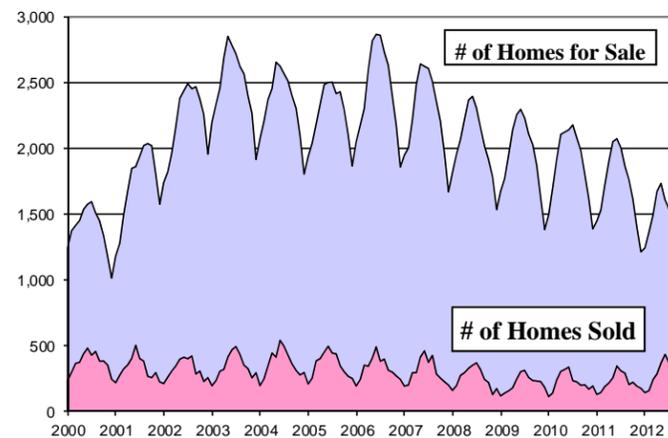
I hope everyone enjoys the upcoming holidays.

*Mike Malec*



### % of Homes Under Contract by City

This chart shows the relative strength and weakness, as measured by the percentage of homes under contract, of the various Boulder County municipalities. While we are off the record high levels of percentage under contract in the cities of Boulder County, we are still much higher than we have been in recent memory. It seems as if the well priced homes that show well without any major defects are getting scooped up almost instantly. If homes are overpriced, don't show well, or have issues like backing to a major road, power lines, etc. they can still sit on the market for extended periods of time. It will be interesting to watch the % Under Contract charts through the winter to see where these levels go.



### # of Homes for Sale vs. # of Homes Sold

This chart shows the disparity between the number of homes for sale versus the number of homes actually selling across all of Boulder County. What's easy to see in this chart is that the number of homes for sale is much lower than in the past couple of years and has already peaked for the summer. What is now also clear is that the red area at the bottom of the chart showing the # of homes sold also peaked well above the level of the last few years. Less supply and more demand, a recipe for price appreciation. We'll be watching this winter to see where our inventory hits its lowest point. We expect it will be below the trough of winter 2011/2012 but will be curious to see where it actually lands.

## Should you replace your furnace today?

In 2007, the U.S. Congress passed the Energy Security and Independence Act (the "2007 Energy Bill"). This bill set a new precedent by allowing the Department of Energy (DOE) to develop regional standards for the installation location of heating and cooling equipment. In northern states, including all of Colorado, high-efficiency furnaces are required after May 1, 2013.

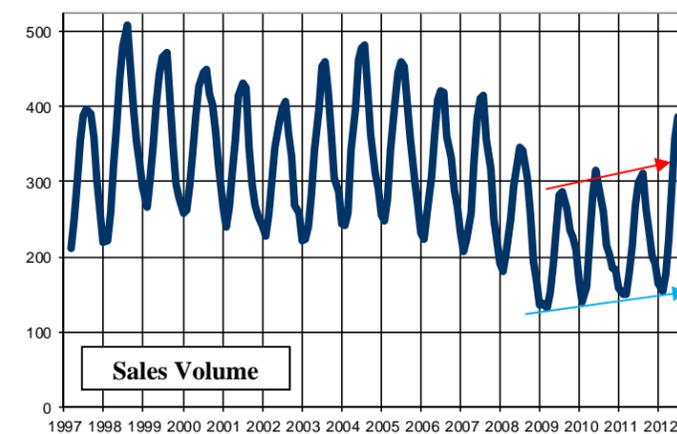
If you live in the North Region, you may be looking at costly issues when it comes time to replace your existing furnace. The three main issues likely to arise when replacing a non-condensing furnace (what was considered a normal furnace) with a high-efficiency condensing furnace: One, Equipment space constraints, Two, Exhaust venting requirements, and Three, Condensate disposal constraints. Many homes have limited space for furnaces, and condensing furnaces and their different space requirements may not fit in your furnace's current location. This could mean renovations, knocking down walls, and losing living space. An alternative would be to relocate the equipment, but this brings other issues.

Requirements for venting the exhaust for condensing furnaces differ from those for noncondensing units. What if the best new venting path for the condensing furnace runs through space that belongs to a neighbor or a finished basement? Also, if the non-condensing unit used a common vent with other appliances, it may be necessary to resize the vent if one of the appliances is removed. Finally, the exiting exhaust is designed to be an appropriate distance dictated by the building code from features like windows, doors, dryers, vented gas regulators, etc. The new furnace must also comply with code, and its venting path may require the unit to be moved, even if there is enough room at the current location!

The third major technical issue would be how to dispose of the water condensate produced by the new furnace. If the current unit is a non-condensing furnace, there was no condensate. A condensing furnace, however, will require attention to collecting and disposing of condensate before it can freeze and lead to water overflow, which can damage the building.

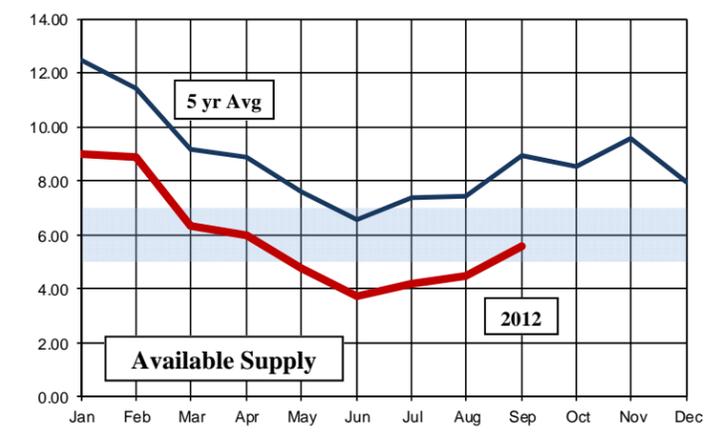
A solution to some of these issues would be to 'simply' move the equipment. Unfortunately, that would necessitate re-designing and re-sizing the duct system, as well as installing new components. Additionally, moving the furnace would also require re-routing the gas piping and electrical power.

If you currently have an older furnace and live in a condo or have a finished basement, it may make sense to replace your aging furnace with a new non-condensing furnace prior to the May 1st deadline. I always hate to recommend buying less efficient equipment, but there will likely be many instances where the new furnace installation requirements will cause many costly issues for the reasons detailed above. If you have any questions or want more info, give me a call and I'll walk you through your options and get you the names of some HVAC professionals I trust.



### Sales Volume Chart

This graph shows monthly sales. This graph really shows the ups and downs in the numbers of home sales over the last few years. We also can clearly see the seasonal nature of the market. Almost twice as many homes sell during the summer months compared to the winter months. We've broken our red trend line above, set over the last three years, indicating continued growth in our sales volume. We'll be watching the light blue trend line linking the seasonal troughs in the chart over this winter. We expect that this winter's trough in sales will be well above this light blue line indicating a corresponding break in trend like we had in the sales peak.



### Available Supply Chart

The current number of homes listed for sale divided by the number of homes sold during the previous month creates an estimate of the months supply of homes currently for sale or "Available Supply". The light blue band across this graph represents a balanced market. Above the blue bar, a buyer's market and below a seller's market. As you can see, we've spent almost all of 2012 either in a balanced market or below 5 months of supply, firmly in the seller's market territory. Contrast that to the 5 year average which aside from one dip in June has spent all its time in the buyer's market territory. We'll be watching the supply levels closely over the winter as an indicator of what to expect at the start of 2013.