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Note Worthy

Real Estate Websites

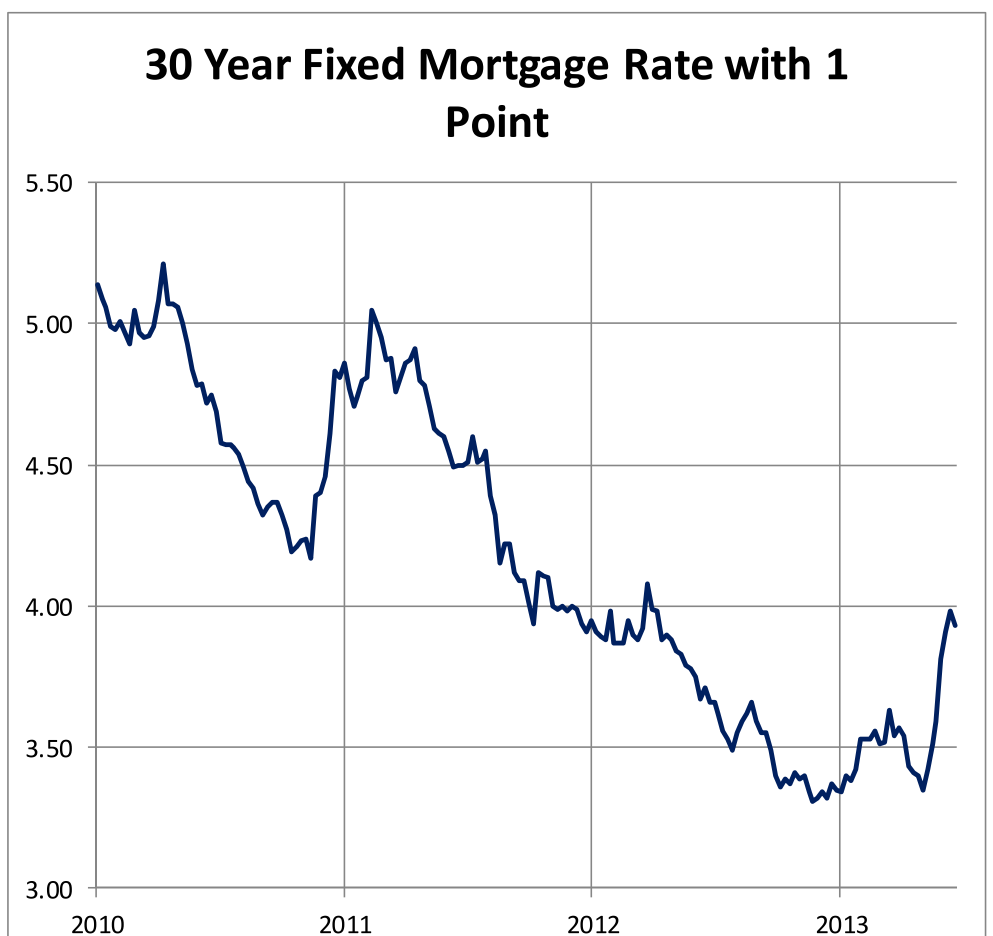
ColoradoHomesAndRealEstate.com - Our website has everything you need to know about real estate and mortgages in the greater Denver - Boulder area, including the ability to search for homes for sale and view our current listings. We also have links to the local school districts, news outlets and all the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



Mike Malec's **Real Estate Watch**

4th Quarter 2013

In This Issue

Bernanke Giving Homebuyers Second Chance

This was supposed to be the year that Herb Harrison found a newer, bigger home to replace his current house in Framingham, Massachusetts. Then, in May, mortgage rates began to rise and he put his hunt on hold. "My wife and I looked at each other and said 'no way,'" said Harrison, who works in information technology. "It was something we thought about when rates were at rock-bottom, but once the rates spiked, we decided to stay where we are."

Now shoppers like the Harrisons are getting another chance, thanks to Federal Reserve Chairman Ben S. Bernanke. After five months of public speculation about when the Fed would end its housing stimulus sent mortgage costs to a two-year high in September, the U.S. central bank last week pledged a continuation of the bond buying responsible for last year's all-time low 3.36 percent for a 30-year fixed loan. Interest rates may now hold at close to 4 percent through early next year, said Joel Naroff, president of Naroff Economic Advisors. "People who were priced out of the market by the jump in rates are getting a do-over," said Naroff, based in in Holland, Pennsylvania. "Rates aren't going back down into the low 3s, but we may see the high 3s and we'll see those rates remain stable through at least February or March. That's going to restore buyer confidence."

The four-year economic expansion has been buttressed since early 2012 by a housing recovery that lifted construction and supported consumer spending. That rally was helped by borrowing costs that fell to a record low in December.

Demand for properties began to weaken after Bernanke said in May that the Fed could slow the pace of its bond purchases. Speculation intensified in June and rates reacted with a surge that sent pending home sales tumbling 9 percent in the four months through September to the lowest level of 2013 while home affordability fell to a five-year low. Homebuilders, among the biggest beneficiaries of monetary stimulus, slipped 1.4 percent as of 10:39 a.m. today in New York trading, according to an index of the companies. The measure has slumped about 23 percent since a May peak.

Last week, the Fed policy-making board headed by Bernanke issued a statement saying "the recovery in the housing sector slowed" in recent months. That was a shift from its assessments in prior months when it said housing demand was strengthening, said Diane Swonk, chief economist at Mesirow Financial Inc. in Chicago. "It's clear the Fed became concerned about housing over the last month, and that's why it came out so firmly on the side of bond-buying," Swonk said. "After months of talking about ending the program, the statement was crystal clear it would continue, open-ended."

The Fed might have jumped the gun with talk about tapering because of Bernanke's desire to end the stimulus by the end of his final term in January, Swonk said. President Barack Obama has nominated Janet Yellen to replace Bernanke. "Bernanke wanted to exit the stimulus before his goodbye, and now the Fed is in a no-man's land where they're stuck buying," Swonk said. "For now, they can't stop because of the market reaction."

The Fed began purchasing bonds guaranteed by Fannie Mae, Freddie Mac and Ginnie Mae in January 2009 with the aim of bolstering the housing market by reducing financing costs. In that first phase of the stimulus, the Fed bought $1.25 trillion of the mortgage securities by the end of March 2010. The month before the purchases began, the spread between the 10-year government bond yield and the average U.S. 30-year fixed mortgage rate had been about 3 percentage points, the widest since 1986, showing how investors who had little competition in the market were demanding higher payment for risk.

The Fed announced a second round of purchases, known as QE2, for the second phase of quantitative easing, in November 2010, and a third round, QE3, in September 2012, with the Fed buying $85 billion of long-term bonds a month, including $40 billion of mortgage-backed securities. By then, the spread had dropped below 2 percent.

When the Fed began talk about tapering in May, rates were near last year's record, and without the Fed's comments they might have fallen even lower, said Christopher Sebald, who oversees $26 billion of assets, including mortgage bonds, as president of Advantus Capital Management. "The housing and mortgage markets responded very poorly to the scare in May about tapering," Sebald said. "The Fed doesn't want to take that chance again until the economy is a lot stronger, so we saw this very clear statement the program will continue."

Just before speculation grew in May that the Fed could reduce its bond-buying program, the average U.S. 30-year fixed mortgage rate was at a 2013 low of 3.4 percent. The rate peaked in the beginning of September at 4.7 percent, according to Bankrate Inc., based in Jacksonville, Florida.

The commitment last week to extend the program reassured the market, Sebald said. The average fixed rate fell to 4.13 percent the day the Fed made the announcement, the lowest since June, according to Bankrate.

The Fed is now expected to delay the first reduction of its bond-buying program until March, according to the median estimate in a Bloomberg survey of 30 economists conducted Oct. 17-18. Tapering will begin with Treasuries in March, and mortgages will follow "shortly after," according to analysts at Goldman Sachs Group Inc. in a Nov. 1 report. "I think if rates stay close to 4, we won't feel locked in to staying where we are," said Harrison, the Framingham homeowner. "It's going to give us options we didn't have a few months ago when rates had gone so much higher."

The continued bond-buying will strengthen housing demand, said Fed Governor Jerome Powell in an Oct. 11 speech. He was one of the Fed policy makers who voted with Bernanke to continue the stimulus. At some point, though, the housing market will have to function without support from the Fed, he said. "'Open ended' does not mean unending," he said.

By Kathleen M. Howley - *Bloomberg*

Mike's Trend Report

Life has returned to normal for most of us, but there are some people still mired in the middle of flood recovery a month and a half after the rains have stopped. Hard to believe. Like most people, the activity in the real estate market appears to have recovered from the flood without too much damage. Showings in my office did drop precipitously during the flooding itself, but by the first week of October they had recovered to pre-flood levels and just this week have risen above the levels we saw last fall. The flood reaction in the showings stats reminds me of the reaction caused by some of our big winter blizzards. Showings drop dramatically during the storm when people can't get out and stay curled up by the fire. Eventually though, after about a week, everyone digs out, rests and recovers for another week and then life continues. Since the flood was a more major event, the timelines for recovery have been slightly elongated, but for most people and the real estate market, life continues.

I wanted to take a look at the stats through the end of the third quarter which I've compiled. If there was a flood effect in these, I think it was minor due to the timing of the event close to the end of the 3rd quarter. We may see a larger effect in the year end stats.

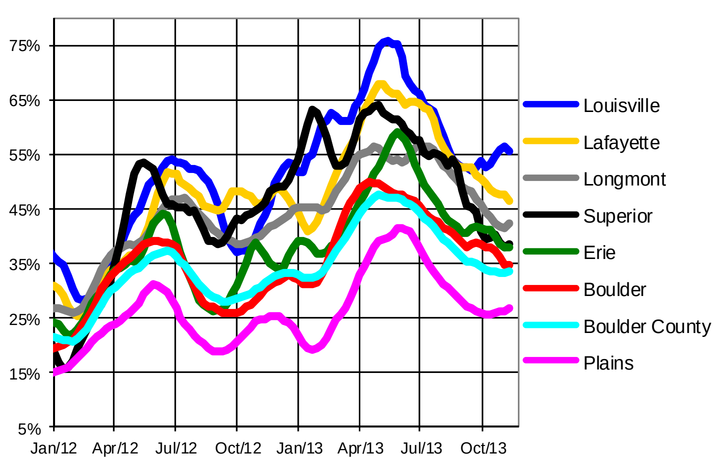
One of the interesting things I looked at was the number of sales year to date through the end of the third quarter over the last 12 years. While we've definitely had a recovery in the number of sales during this more active market, we're still below the levels we saw before the national downturn. As of the end of the third quarter 2013, we have not yet gotten back to the sales levels we saw in 2007 but we are almost 900 sales higher than the lowest point in 2009 or a 46% increase over the bottom.

Sales numbers don't always tell the whole story though. If prices are going up, the sales volume of the market might still be increasing while number of sales has fallen. From a sales volume perspective, we've recovered a little more strongly, besting the 2007 numbers and only being $71 million below or 5% off the all-time high in 2005. Since the bottom of the market in 2009, sales volume has come roaring back, increasing 74% or $583 million.

The last thing I wanted to look at was the change in average and median sales prices. Generally, I don't put a lot of weight in average and median numbers as they can be too easily influenced by the mix of homes selling (distressed versus non-distressed), new construction projects coming online, changing housing stock and various other factors, but over long time lines, they are the easiest way to show trends. Interestingly our Boulder County Average and Median Sales Prices are at all-time highs at a $415,000 median price and an average of $493,617. This good news was spread fairly evenly across all of Boulder County too with every sub-market hitting all-times highs in median price and only Longmont and Suburban Mountains not having all-time high average sales prices.

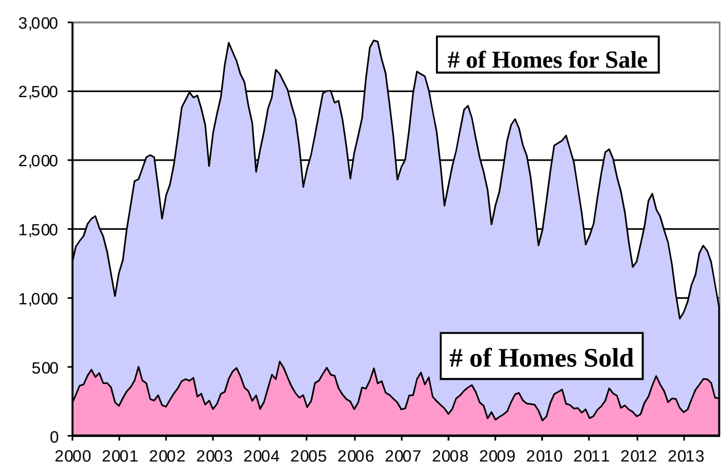
So, new all-time high prices, most markets experiencing very robust activity, and showings above last year's levels which were all-time highs. Life continues!

Mike Malec



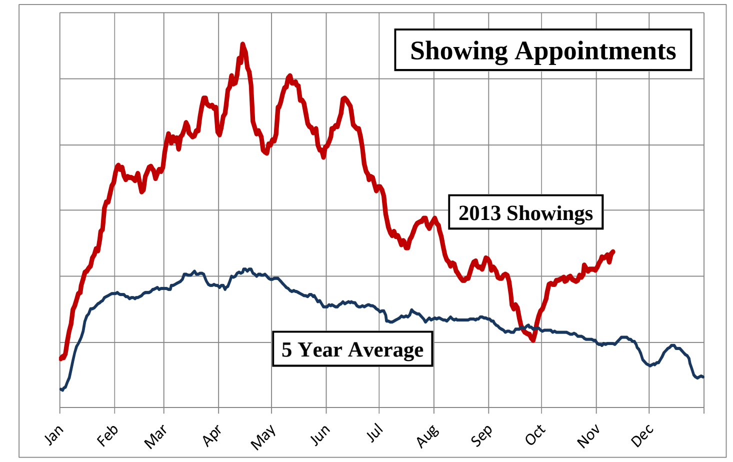
% of Homes Under Contract by City

This chart shows the relative strength and weakness, as measured by the percentage of homes under contract, of the various Boulder County municipalities. For a number of years now, we've noted that the market has become hyper-local, meaning that countywide statistics may paint a different picture than the local city or even neighborhood may be experiencing. Hard to believe, but this late into the year, Louisville remains over 55% under contract in our chart. About a 30% swing between that top spot and the laggard, the Suburban Plains at 26% under contract. As market activity has regained strength after the flood effects, many of the cities are seeing an increase in % under contract as we move into the fall.



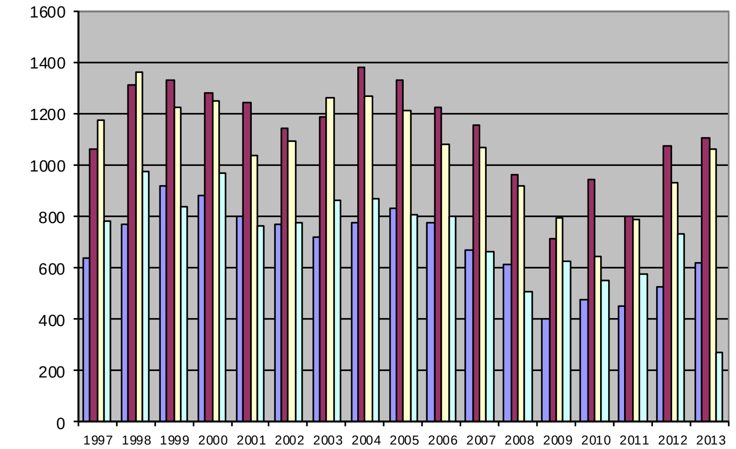
of Homes for Sale vs. # of Homes Sold

This chart shows the disparity between the number of homes for sale versus the number of homes actually selling across all of Boulder County. The big blue blob of excess inventory that has affected our market since the tech downturn in 2001 has gone away and we are quickly experiencing the opposite problem. Too little inventory. The 934 single family homes on the market at the end of October is the lowest level I've seen since I started my tracking in 2000. With a market this tight, any small influx of buyers into a city or price point can cause a frenzy of competing offers and localized appreciation. Until we get greater numbers of buyers, the price blips will remain localized to the markets where the buyers are.



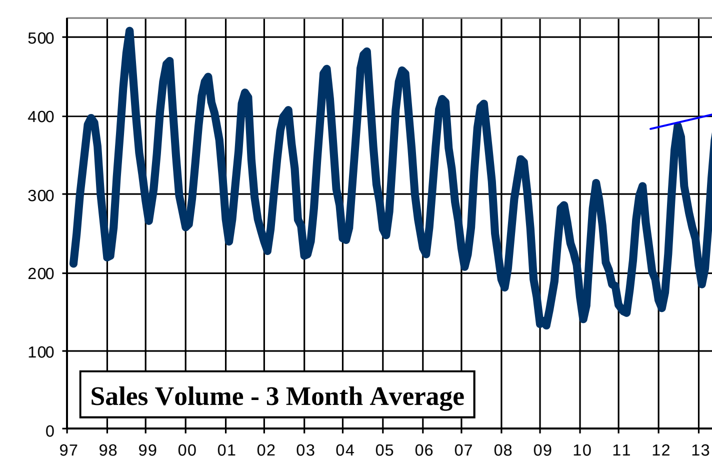
Office Showing Appointments

This chart shows the 14 day average of the showing appointments on available listings within my office as compared to the five year average. The bold red line shows this year's showing appointments and the blue line is the five year average for showings. The mid-September flood event can clearly be seen in our showing activity within the office. A quick drop off in mid-September and a quick recovery about three weeks later. What is interesting is that the showings have now risen above the levels we saw in August prior to the rains. Is the market continuing to strengthen as we move into the holiday period? If it is, what will the typical holidays lull and start of the New Year look like?



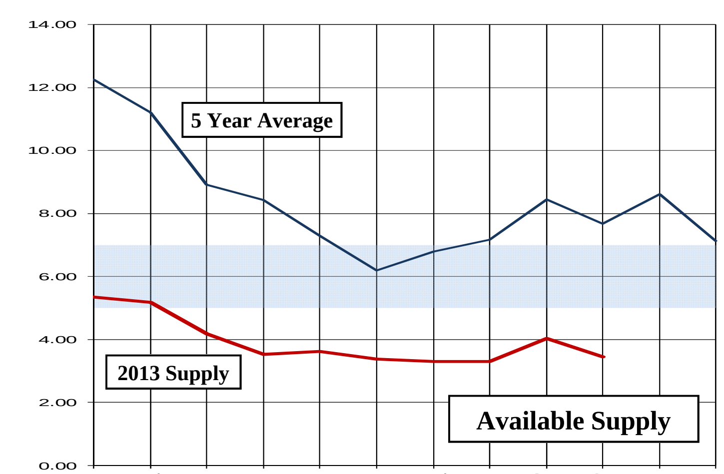
Quarterly # of Home Sales

This chart shows the number of single family homes that sold during each fiscal quarter going back to 1997. We use this chart as a way of gauging market turns and strength on a faster time frame than the annual charts. Last newsletter we said we'd watch this chart to make sure we were not just moving sales around within the year. With this year's third quarter strongly beating last year's even with the flood effects, the suspicion that we may just be moving sales around within the year has waned. The test will now be how strongly the fourth quarter numbers come in and what the overall annual sales figures reveal. Interest rates that have ticked up at the start of November may play a factor for the remainder of 2013.



Sales Volume Chart

This graph shows sales volume as an average over the last three months. 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. Our summer peak in sales this year actually occurred in August and with that summer peak you can see the Blue trend line above is showing positive growth in sales volume. We'll now be watching and waiting to see where our winter trough gets set. Hopefully we'll see a winter trough that continues on the upward trend line set by the winter troughs that we've seen since 2009.



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 horizontal band in this chart signifies a balanced market. We can see we had a late summer softening in the supply chart above. We didn't soften enough to get to a balanced market, but some of the frenzy seemed to have worn off. The October numbers show a renewal of some of that frenzy. Hard to say if this is a long term trend or just an after effect of the flood event where buyers were prevented from doing much for most of September and returned strongly to the market in October.

1607 Mountain Drive
Longmont, CO - $439,000

Open floorplan on a corner lot. 4 bedrooms on upper level and a full unfinished basement for your future needs. Cherry cabinets and granite counters.

5310 Clover Basin Drive
Longmont, CO - $439,000

5 bedroom home with home theater and wet bar in full finished basement. Incredible large yard with patio and fire pit. Hardwood floors entire 1st floor.

I am *Now* Taking Listings.

Do you know someone who wants to sell?

1379 Charles Drive #B-1
Longmont, CO - $289,000

60+ Senior Living luxury condo. One level living with high ceilings, solid surface counters and a 2 car garage.

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Single Family Residential Sales

October 2013 Statistics

Location	Total # Sold	Inventory	Avg. Sales Price	Avg. Days to Contract	Median Sales Price
Boulder	68	187	$790,920	38	$615,000
Broomfield	32	88	$368,603	30	$305,750
Erie	35	102	$462,560	52	$380,000
Lafayette	28	72	$406,526	38	$339,000
Longmont	88	276	$281,782	38	$262,500
Louisville	20	42	$475,274	32	$432,000
Superior	11	25	$450,882	32	$449,000
Mountains	27	225	$389,857	72	$344,800
Plains	23	184	$750,522	67	$590,000
Total	**332**	**1201**			

Previous 12 Months

	Total # Sold			Average Sales Price		
Location	**10/01/11 09/30/12**	**10/01/12 09/30/13**	**% Chg**	**10/01/11 09/30/12**	**10/01/12 09/30/13**	**% Chg**
Boulder	741	834	13	$667,588	$729,977	9
Broomfield	384	409	7	$359,466	$392,100	9
Erie	282	402	43	$346,850	$369,640	7
Lafayette	292	324	11	$380,121	$408,833	8
Longmont	942	1144	21	$257,532	$277,916	8
Louisville	231	243	5	$422,858	$486,312	15
Superior	153	143	(7)	$421,254	$463,170	10
Mountains	293	323	10	$409,195	$457,787	12
Plains	396	426	8	$598,420	$682,503	14
Total	**3,714**	**4,248**				

	Average Days to Contract			Median Sales Price		
Location	**10/01/11 09/30/12**	**10/01/12 09/30/13**	**% Chg**	**10/01/11 09/30/12**	**10/01/12 09/30/13**	**% Chg**
Boulder	76	44	(42)	$570,000	$629,857	11
Broomfield	75	38	(49)	$326,400	$349,000	7
Erie	71	47	(34)	$328,836	$338,975	3
Lafayette	68	40	(41)	$353,231	$378,450	7
Longmont	64	44	(31)	$231,000	$257,000	11
Louisville	63	34	(46)	$385,000	$449,900	17
Superior	44	30	(32)	$398,000	$437,000	10
Mountains	126	122	(3)	$343,000	$375,000	9
Plains	92	66	(28)	$470,000	$525,000	12