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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

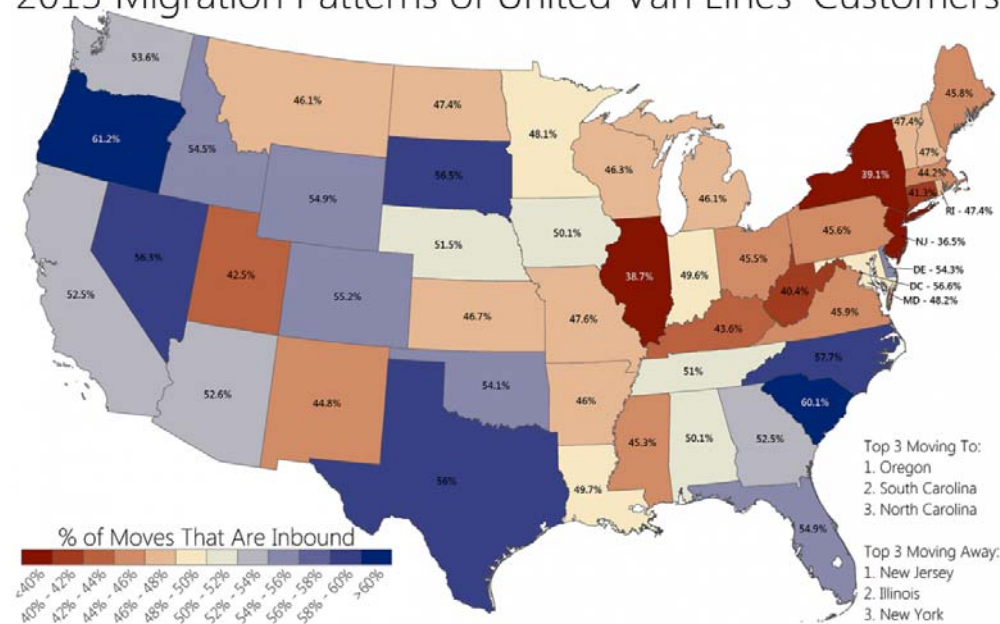
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## Mike Malec's Real Estate Watch

1st Quarter 2014

### 2013 Migration Patterns of United Van Lines' Customers



## Why mortgage rates aren't higher ... yet

Mortgage rates will rise in 2014. At least that was what just about every housing analyst said at the end of 2013 and in fact is still saying. The thinking was that a combination of new mortgage regulations and a pullback in bond-buying by the Federal Reserve would be the rocket fuel to lift rates off near-historic lows. The Fed announced Wednesday it would extend the so-called taper and cut its bond-buying by another \$10 billion, to \$65 billion.

And yet for the past month, rates have not really moved. If anything, they've moved slightly lower from their year-end level and now hover just above 4.50 percent for the 30-year fixed. That has some scratching their heads about where rates will move as we head into the usually busy spring housing market. "The simple answer is that the rate hike due to the Fed's tapering really took effect last May/June—despite the fact that the tapering didn't begin until December," said Guy Cecala, editor-in-chief of Inside Mortgage Finance. "There was no need to hike rates further." Cecala points out, that from the standpoint of the mortgage market, the Federal Reserve is still buying as big a share—and perhaps bigger—of new agency mortgage-backed securities production as it was six months ago.

That is because overall mortgage production is down. The rate jump at the start of last summer ended the refinance boom, and purchase originations are sluggish, as sales slow and all-cash buyers reign. Total mortgage applications are down 52 percent from a year ago, according to a weekly report from the Mortgage Bankers Association. Refinance applications and purchase applications are down nearly 63 percent and over 12 percent, respectively. The average contract rate on the 30-year fixed was 4.52 percent last week, compared with 3.67 percent during the same week a year ago.

The Fed may have cut its mortgage-bond buying by \$5 billion in January, but it has had no effect on rates for one simple reason. "Other parties have filled the void, and then some," said Dan Green, publisher of TheMortgageReports.com. "Mortgage bonds are rallying, and mortgage rates are dropping." The reason: As the stock market falls, investors head to the safety of quality assets such as bonds. Recent economic turmoil overseas has added to that movement and, consequently, to a rebound in Treasury-buying, which depresses yields. Mortgage rates generally follow the 10-year yield.

"A reduction of \$10 billion or even \$20 billion shouldn't change the current situation where the Fed is buying a disproportionately high percentage of new agency MBS production," Cecala said. "Again, the big factor is declining originations and new MBS production."

As for any major policy changes in the mortgage market, they are unlikely at least this year. President Barack Obama mentioned housing just two times in his State of the Union address Tuesday. He said housing is "rebounding," and then suggested that legislation was needed to protect taxpayers from another housing crisis. In a policy fact-sheet released during the speech, Obama reiterated his plan—first outlined last summer—to reform housing finance. The primary reason the president is not pushing a housing agenda is that mortgage giants Fannie Mae and Freddie Mae are making money hand over fist—money that goes directly to the federal government because of its conservatorship. It's also just too big an issue to tackle with Congress facing midterm elections.

"The housing market is in the best shape of Obama's presidency," said Jed Kolko, chief economist at Trulia.com. "Construction and sales in 2013 were both at their highest levels since before he took office, and prices have bounced back to within range of their long-term norms." Kolko also noted that the president's two main initiatives, mortgage refinancing and modifications, don't work as well in a higher interest rate environment.

So will mortgage rates really rise in 2014? Probably, but not entirely because of the Fed's moves or more mortgage regulation. Despite a new regime at the Fed, policy will still depend largely on the employment picture. "What Janet Yellen will do in March will depend on a few more jobs numbers and a clearer view of how markets deal with the current reality of less QE [quantitative easing]," wrote Peter Boockvar, an analyst with the Lindsey Group. Mortgage rates will rise because interest rates always increase with an improving economy and a strong stock market, which appears to be the current trajectory, though they likely will rise more slowly than some have predicted.

### In This Issue

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*Note Worthy*

## Current Listings



**10749 Bryant Court**  
**Westminster, CO - \$515,000**  
Least expensive home abutting the  
Legacy Ridge golf course.



**5306 Clover Basin Drive**  
**Longmont, CO - \$389,000**  
3 bedroom home with 2 full baths and  
a study all on one level. Huge unfin-  
ished basement to expand into. Cherry  
cabinets & extensive hardwood floors.



**2244 Spruce Street #B**  
**Boulder, CO - \$280,000**  
1 bedroom, 1 bath in downtown Boul-  
der. Close to Pearl Street Mall and all  
that Boulder has to offer.



**8329 S. Independence Circle**  
**Littleton, CO**  
Third floor penthouse unit. 2 bedroom,  
two bath.



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# Single Family Residential Sales

## January 2014 Statistics

Location	Total # Sold	Inventory	Avg. Sales Price	Avg. Days to Contract	Median Sales Price
Boulder	27	140	\$682,308	59	\$612,500
Broomfield	21	64	\$401,875	49	\$333,000
Erie	23	78	\$379,481	41	\$355,000
Lafayette	15	59	\$390,040	42	\$377,700
Longmont	47	198	\$314,900	46	\$280,000
Louisville	10	16	\$487,904	42	\$510,000
Superior	4	20	\$616,475	23	\$639,450
Mountains	13	158	\$334,038	193	\$385,000
Plains	19	140	\$654,713	86	\$560,000
<b>Total</b>	<b>179</b>	<b>873</b>			

## Previous 12 Months

Location	Total # Sold			Average Sales Price		
	01/01/12	01/01/13	% Chg	01/01/12	01/01/13	% Chg
	12/31/12	12/31/13		12/31/12	12/31/13	
Boulder	787	826	5.0	\$668,291	\$757,959	13.4
Broomfield	376	412	9.6	\$358,513	\$394,681	10.1
Erie	327	393	20.2	\$348,852	\$386,129	10.7
Lafayette	303	311	2.6	\$385,017	\$413,988	7.5
Longmont	1000	1161	16.1	\$258,404	\$284,726	10.2
Louisville	243	238	(2.1)	\$432,180	\$498,291	15.3
Superior	158	144	(8.9)	\$425,315	\$469,631	10.4
Mountains	296	329	11.1	\$422,299	\$461,411	9.3
Plains	408	420	2.9	\$623,231	\$669,074	7.4
<b>Total</b>	<b>3,898</b>	<b>4,234</b>				

Location	Average Days to Contract			Median Sales Price		
	01/01/12	01/01/13	% Chg	01/01/12	01/01/13	% Chg
	12/31/12	12/31/13		12/31/12	12/31/13	
Boulder	75	36	(52.0)	\$570,000	\$631,250	10.7
Broomfield	68	34	(50.0)	\$323,890	\$348,250	7.5
Erie	72	42	(41.7)	\$330,000	\$348,500	5.6
Lafayette	57	40	(29.8)	\$358,000	\$379,000	5.9
Longmont	61	39	(36.1)	\$233,500	\$260,000	11.3
Louisville	57	30	(47.4)	\$395,000	\$453,800	14.9
Superior	41	28	(31.7)	\$408,000	\$440,250	7.9
Mountains	131	116	(11.5)	\$349,500	\$373,500	6.9
Plains	84	62	(26.2)	\$479,450	\$534,000	11.4

Mike's Trend Report

We have the final numbers in for 2013 and it was quite a year. In a time of fewer homes for sale, we managed to actually increase the number of homes sold in Boulder County. With more demand and less supply, home values jumped as expected.

Here's a look back at what happened in 2013. The number of available single family detached homes on the market at the end of the year was down 18.2% to 507 homes available for sale across the entire County. This is in contrast to the all-time high set in July of 2006 when we had 2,420 homes for sale across the entire County and the all-time high set in a December, 1,608 homes in 2005. Quite a change!

During this same time of constrained supply, the number of sales increased, up 7.7%. This is why we've been seeing some of the competition out in the marketplace, more buyers chasing an even fewer number of homes for sale. When one of the really good homes comes onto the market at a good price, the competition can get fierce. We're still seeing multiple offers and buyers waiving contingencies like appraisal and inspections.

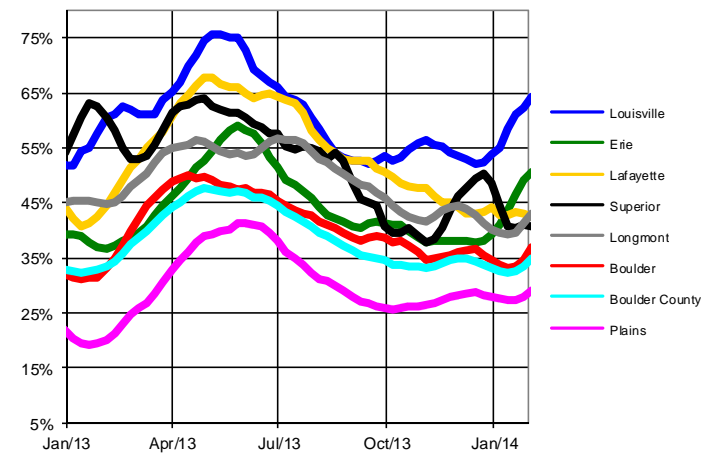
I consistently track these metrics: # of Listings, # Sold, Average Sales Price, Median Sales Price, Sales Price to List Price Ratio, Days on Market, # of withdrawn listings, months of inventory, % under contract and interest rates. In 2013, all of these metrics changed in the direction you want to see for increasing property values. While this is great for sellers, it means higher prices for buyers looking to enter the market. The one metric we'll keep a close eye on during the course of 2014 is the change in mortgage rates. A continued rise in mortgage rates is the one possible dark cloud on the horizon that could apply the brakes to our appreciating market.

The price increases accompanying this more active market are a definite change. To me, it still doesn't feel as subjectively hot as it did in the late 90's but we're getting closer to that feeling. The biggest difference that I can remember is that back then, the below average properties were selling quickly. Today it seems like properties with some type of challenge, backing to a road, under power lines, in terrible shape, etc. are still lingering on the market. This just may be a reflection of the general buying public becoming much savvier than they were 15 years ago.

The continued lack of inventory will likely be a story through 2014. The first couple of week this year have shown a further drop in the number of homes available, the lowest since I've started tracking this back in 2005. I've heard many reasons for the lack of inventory and I'm not sure I think any of these is the sole cause.

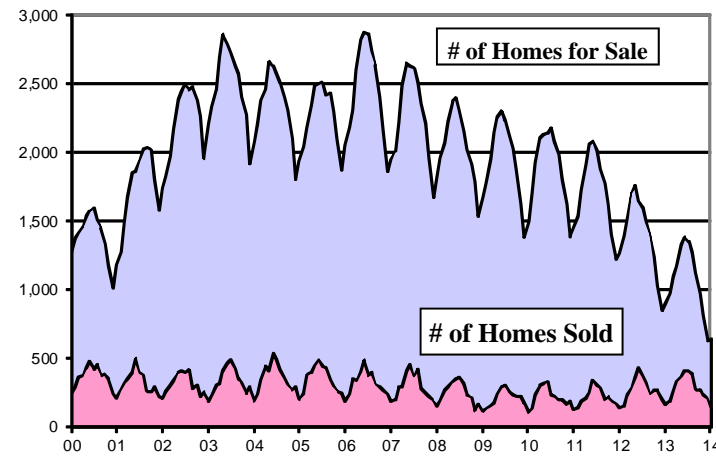
Thoughts for the direction of the market in 2014. Low inventory will cause issues throughout the year much like they did last year. Mortgage rates may rise which might cause drag on the market. I think mortgage rates are probably the biggest unknown for 2014. Buyers will continue to compete for the good properties that hit the market and they need to be ready to make their best offer as soon as a home appears.

Mike Malec



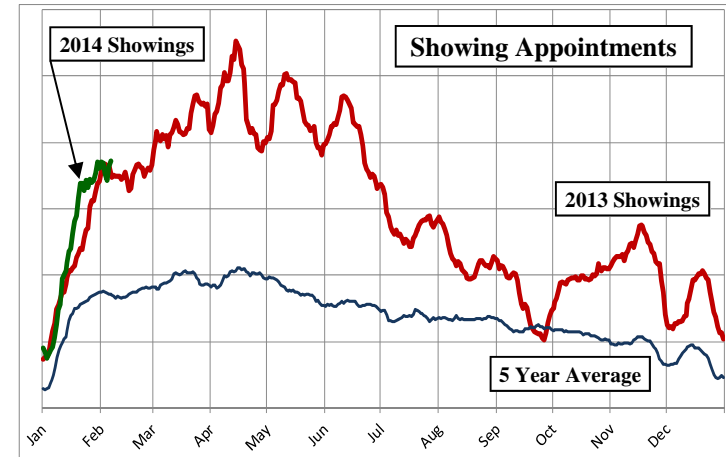
% of Homes Under Contract by City

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. The differences between the various areas in Boulder County show that hyper-local effects are still in place with about a 40% difference between the City of Louisville, the most under contract area at 65% under contract and the Plains area which is just over 25%. What is also interesting is that the various areas didn't drop much over the holidays.



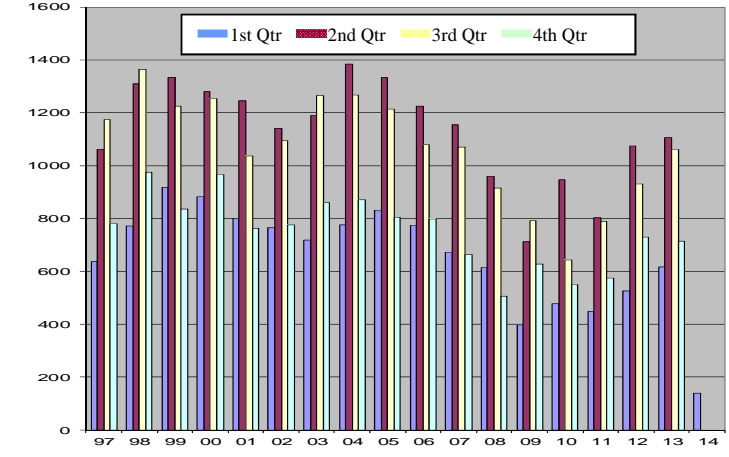
# of Homes for Sale vs. # of Homes Sold

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. Our winter trough in the # of homes for sale set a new low mark of only 623 homes for sale across all of Boulder County at the end of Dec. 2013. 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.



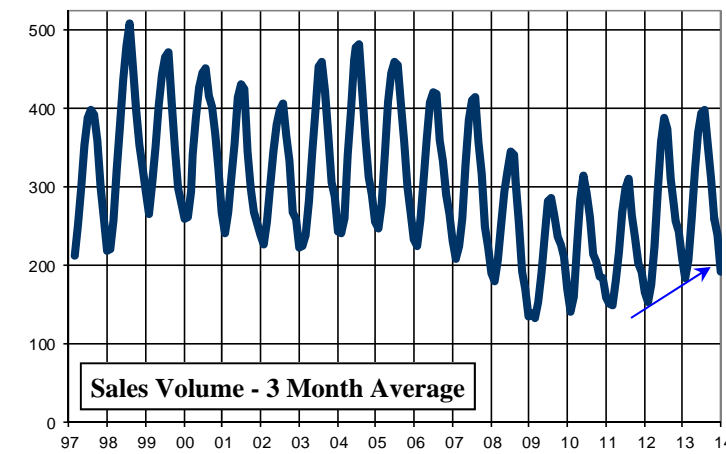
Office Showing Appointments

This chart shows the 14 day average of the showing appointments on available listings within my office as compared to the five year average. Many brokers were wondering if the market activity we experienced in 2013 was a fluke, a combination of low supply and greater demand. If it was a fluke, the fluke is happening again this year. So far, 2014 showing activity in my office has outpaced the activity we saw in 2013 and remains about double the level of the five year average. This is great news for sellers, but can hurt buyers. Many buyers feel they have to drop everything and look at a home within hours of being listed in the MLS. In certain markets and price points this is true. Wait a day and the home will be gone.



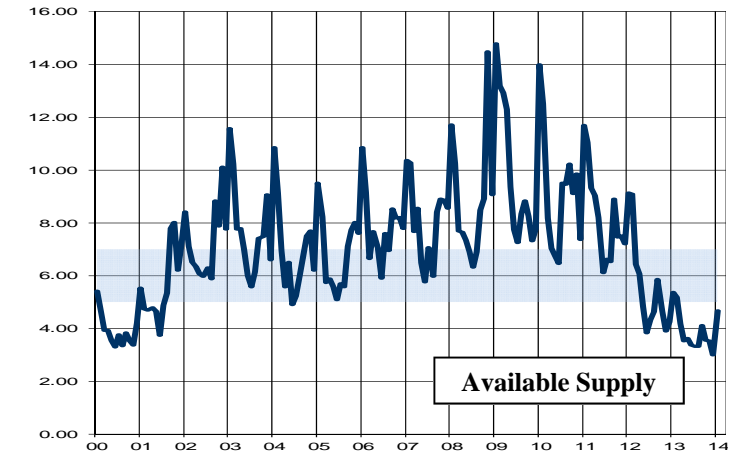
Quarterly # of Home Sales

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 year we worried we might have just been shifting sales around within the year. We now know we sold more homes in 2013 than we did in 2012, so even if we did shift sales around, we still outpaced the previous year's numbers. I think we would have had an even greater 2013 number if the Sept. flood hadn't effected the fourth quarter numbers. Even though the flood happened in the third quarter, the sales effect was definitely seen in the last quarter of the year.



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. It appears we broke below the trend line linking the winter troughs in home sales over the last two years. With the market strength we're seeing, this was somewhat unexpected and may just be an anomalous reading or a leftover flood effect. Another possible explanation is that this is the start of a slowing effect from the higher mortgage rates that we experienced in December. Something to watch.



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. Interestingly, this is the first start of a year where we did not start the year in at least a balanced market or a buyer's market. This may change as the stats mature and missing sales and listings are added, but a contradiction in apparent market strength to the monthly sales numbers in the last chart. This chart feels like the more accurate of the two as many buyers are having trouble finding properties or winning the bidding wars on their favorites.