Mike Malec's Real Estate Watch

More Owners Tap Into Equity, Conservatively

As home values rise, more home owners are tapping into their equity with cash-out mortgage refinances. But they're not taking out nearly as much as they did in the past.

The average amount taken out by owners was more than $60,000. According to Black Knight Financial Services, the average loan-to-value ratio after the refinance was 67 percent – the lowest level ever. On average, borrowers then left 33 percent of equity still in the home after the cash-out refinance.

Forty-two percent of mortgage refinances last fall had borrowers who took cash out of their homes and did not refinance just to get a lower interest rate – the highest share since 2008, CNBC points out.

"All totaled, there was $64 billion in equity tapped via cash-out refinances over the past 12 months, the highest dollar amount for any equivalent 12-month period since 2008-2009," says Ben Graboske, Black Knight senior vice president. "Even so, this amounted to less than 2 percent of available equity being tapped. This is slightly below the post-crisis norm, and 80 percent less than the total amount of equity extracted from the market in 2005-2006."

Lenders are also being more stringent about who can do cash-out refinances. Borrowers who did a cash-out refinance had an average credit score of 748.

"The people that are transacting have passed the credit screens," Graboske says. "Borrowers are taking out what they need. It's the mindset right now. Use what you need and not more. The only other explanation would be a lender level credit overlay, but these levels would be unprecedented. There is definitely money being left on the table."

The money that is taken out most often goes toward paying for home repairs, education costs, or medical bills. Borrowers are no longer using it for vacations or extravagances like they did a decade ago, CNBC reports.

"It seems they would rather use their home as a savings account, not a checking account," CNBC reports.

Source: "Owners Cautiously Taking Cash Out of Homes," *CNBC* (Feb. 1, 2016)

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1529 Stones Peak Dr.
Longmont - $650,000

Watch the eagles fly in front of snowcapped peaks from this perfect home backing to open space. Cherry cabinets, slab granite counters/ backsplash, island & wood floors in kitchen. Soaring vaults & a wall of west facing windows

662 Clarendon Drive
Longmont - $442,500

Wonderful home backing to the 13th hole of the Ute Creek Golf Course & abutting a greenbelt. Sit on the deck & enjoy the golf course & mountain views. 5 bedrooms, 4 on upper level and 2.5 baths. Home theater in the finished basement

The best time to sell in 2016 will be early in the year, Jan. 15th through March. Let me know if you're thinking of selling your home in 2016.

4678 White Rock Circle
Boulder - $214,000

Best location in the complex abutting the Gunbarrel Commons Park. Sunny SW facing garden level unit means low utilities, it stays warmer in winter and cooler in summer. One bedroom and one bath with extra storage locker off patio. Wood burning fireplace.

First Quarter 2016

Trend Report

The final numbers are in for 2015 and I thought for this issue, I'd review how last year went and make some forecasts for 2016. The first comment I would make about the metrics for 2015 is that every change except one benefitted the sellers with increased price appreciation. 2015 was a great year to be a seller and a challenging year to be a buyer.

Low available inventory defined our market last year and I expect will define the market in 2016 as well. We have an amazingly small number of homes actively for sale on the market. The good homes that do come onto the market are absorbed almost instantly and the available listing number stays doggedly tight. As we've discussed here, with ever decreasing buildable land in Boulder County, I don't see this low supply issue changing dramatically in the near future.

The number of listings sold increased in 2015, showing stronger demand which, coupled with the very low supply, led to our strong price appreciation. Many people have asked me if we're starting to experience a bubble. The less than 9% uptick in sales tells me we aren't. If sales we're dramatically increasing, I would be more concerned about a bubble. This level of sales increase isn't enough to absorb the population change for the area and with our relative lack of new building, we're still seeing more in-migration than sales.

The Average and Median Sales Price were up 10.1% and 8.9% respectively. Good strong appreciation that quickly makes home buyers safe in their new homes even if they have to sell quickly. In one year, you've appreciated enough to absorb transaction costs and still gain some equity. Because of this, foreclosure levels in Boulder County are near to all-time lows.

Average Sales Price to List Price ratios also increased last year to 99.2%. We never see this ratio drop too low as this is a measure of last MLS price to sales price, but I've seen it as low as 96% during some of our downturns. If this was a measure of first listed price to sales price, we would see this ratio vary much more during periods of differing market strength.

The stats gurus at NAR tell us that 5-7 months of inventory represents a balanced market where neither the buyers nor the sellers are in control. The 1.88 months of supply we currently have in Boulder County puts us strongly into the seller's market territory. Amazingly, in some of the attached dwelling markets, the months of supply numbers are measured in weeks rather than months.

The one metric that possibly could be interpreted as a threat to the market strength and price appreciation is the mortgage rate comparison. At the start of the year, mortgage rates had bumped up a touch from the start of 2015. The expectation is that rates should continue to rise this year. To the expert's surprise and consternation, so far they have actually dropped. With a very complicated global economy, many forecasters and the Fed can't quite agree on where rates are headed, but many experts think we could see 5% this year, a far cry from the 3.625% they are as I write this in Mid-February.

Showing traffic so far in 2016 is almost exactly mirroring 2015, and far above 2013 & 2014. I've already seen multiple offer situations this year and some properties that had languished on the market since last fall get snapped up. It will be interesting to watch and see if we get a similar spike in activity this March like we had last year.

Mike Malec