

# NEWSLETTER from Agents for Home Buyers



*Consumer Advocates...Not Sales People*

September 2010



[Photo by Charles Pfeil](#)

Welcome to the September 2010 issue of our newsletter. It's been several months since the our last edition, in large part because we've been working on a major expansion and revision of our statistics on the local real estate market. You can see the results of that work at our web site under [Local Real Estate Stats](#). There is a wealth of information there, indeed, a rich enough lode that we're only just beginning to digest it.

In addition to several improvements to format, we've made two major changes to our stats. First, in addition to tracking pricing and sales numbers through the major MLS systems in the area, we are using county real estate tax records to provide parallel data. The tax records provide a more comprehensive perspective than MLS sales alone, since they include things like foreclosure sales and builder sales that aren't always reflected in the MLS data. Second, we're presenting data in two distinct formats, our traditional approach which facilitates comparison between the communities we cover and a new one that facilitates comparison of data on different property types within particular communities. You can see the data presented in this new format on our web site page called [Data for Each Community](#).

We're currently working on additional data that will help us get a richer understanding of what's happening in the current market. We're wrapping up work that will break out stats on various neighborhoods in some of the larger communities we cover (e.g., Boulder and Longmont). Before the end of the year, we will also post stats that will help us understand what portions of total sales are bank sales and short sales and how these are impacting prices and sales by individual home owners in the various communities we cover. From a real estate market perspective, we are definitely living in interesting times.

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## Interest Rates at 40 Year Lows

Given current interest rates, it is one of the best times ever to either refinance your current home or buy a new one. In July 2010, one of the major providers of mortgage loans in the United States ([Freddie Mac](#)) published a history of mortgage loan interest rates since the early 1970s. We've reproduced these data in the chart below:

- [Average Interest Rates \(1972 through July 2010\)](#)

Ignoring the dramatic contrast between the current 4% to 4.5% rates to the historic highs of 14% to 16% in the early 1980s, these data remind us that interest rates were generally in the 7% to 8% range throughout the

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### What's New With the A4HB Team

On the personnel front, our big news at A4HB is that Lindsey Wolf was married to Grant Lunney in June, and is now Lindsey Wolf Lunney.

After a honeymoon at a cabin by a lake in northern Minnesota, Lindsey's back hard at work wrapping up her second year with us here at A4HB...and her 4th as a licensed real estate agent.

Other news: Sandra O'Neill has moved on, leaving us as a 2 person team once again at A4HB. We'll evaluate adding a 3rd person to the team later in the fall.

Meanwhile, we're working

1990s...a time of real estate price and sales booms in Boulder County. Rates didn't drop below 6% until 2002 or 2003. The significance of these interest rates hit home more directly if expressed in terms of what you would have to pay on a monthly basis for a loan...or what you could borrow for a given monthly payment. We translated Freddie Mac's interest rate data into these more consumer friendly terms in the following two charts:

- [Monthly Payment on a \\$300,000 Loan \(1972-2010 Interest Rates\)](#)
- [Loan Amount for \\$2000 Monthly Payment \(1972-2010 Interest Rates\)](#)

By way of illustration, you would have paid more than \$4000 monthly for a \$300,000 loan in the early 1980s and roughly \$2000-\$2200 through most of the 1990s. In July of 2010, your payment on that loan would have been about \$1600. Reversing our perspective, lets keep the monthly stable while focusing on borrowing power. Here we find that a \$2000 monthly payment in the early 1980s would have got you a loan of \$150,000 to \$175,000. In the 1990s, this same monthly payment would have bought you a loan of \$275,000 to \$300,000, while in July of 2010 \$2000 it was the requirely monthly payment for a \$375,000 loan, \$200,000 more than in the 1980s and \$100,000 more than in the 1990s. Wow!

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## What's Happening with Home Prices?

In the 1990s, whatever your measure or area of focus, pricing stats consistently indicated increasing prices. The current picture is much more complex.

The big picture isn't great, but it isn't consistently bad either. Different measures provide different perspectives on what's happening and the same measures provide varying results for different segments of our market.

Broadly speaking, [the FHFA House Price Index](#) indicates that Denver metro area prices began dropping in the range of 1/2% to 1% annually since about the 3rd quarter of 2007. This depreciation got significantly worse in the first two quarters of this year, with an annual price drop in the 3.5% range. For Boulder County, this index indicated slight price increases continuing until the 3rd quarter of 2009, when prices began to drop very slightly for the County. This negative trend has continued for the first two quarters of this year, with the annual rate of depreciation at just under negative 2%. See the following chart: \_

- [Chart of FHFA House Price Data](#)

While relatively small in size, these price drops are historic. In the Denver Metro area, this index last reported price depreciation in the 2% to 5% range in the 10 quarters beginning with the spring of 1987 and ending in the spring of 1989 (oil industry bust). During that same period, Boulder County saw 3 quarters of 1% price depreciation, from the fall of 1987 through the spring of 1988. While they are historic in the sense that we haven't seen any falling prices for 20 years, these price drops are relatively trivial in size...particularly when compared to drops of 30% or more in other parts of the country.

Given the trivial size of the price drops for these large metro areas, it is no surprise to find that the pricing trends are mixed when we shift focus from metro areas to local communities. You can look at the details for various housing types and communities in the area by following the following links to our stats:

- [Median Prices: Compare Housing Types Across Communities](#)
- [Median Prices: Look at What's Happening in Specific Communities](#)

Following are the general conclusions I would draw from the recent pricing data we've compiled on our local community level housing markets:

hard improving systems and resources for serving our home buyer clients and for communicating with past clients and the local community. We'll be touching base about our new company Facebook page and our real estate market blog in the coming months.

1. Price changes over the past few years have been relatively minor, whether they've been in a positive or negative direction.
2. There is currently no clear picture whether 2010 will end up as a positive or negative year for home prices in our area.
3. Boulder, and the communities nearest to Boulder like Louisville and Superior, have fared better than others.
4. Smaller, more affordable homes have done better than larger and more expensive homes.

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## Big Drop in Number of Sales

While housing prices haven't moved much in either direction over the past few years, there has been nothing subtle about the changes in the number of sales in our local housing markets. While there is certainly variation from one type of housing or one community to the next, sales for 2008 and 2009 were generally down 20% to 40% from prior years, with some drops of 50% and even 60%. We've put together a variety of data on the number of home sales in our new real estate stats.

In our section called [Number of Sales](#), you'll find data on the number of sales on an annual basis since 1990, the number of sales in 2008 & 2009 compared to prior years, and the number of sales in the first 6 months of 2010 as compared with the first six months of 2008 & 2009. You'll find a similar breakdown of annual sales data on a city by city basis in our section called [Data for Each Community](#).

Some brief comments on these stats:

- For communities like Arvada, Broomfield, Longmont and Erie, you'll see much larger drops in the number of sales if you focus on the stats derived from the tax records than the stats derived from the MLS. This reflects the fact that there were large numbers of sales of new homes in these communities prior to 2008 & 2009, while the bottom dropped out of that part of the market in 2008 & 2009. Many new home sales aren't reported through the MLS systems.
- These dramatic drops in the number of sales impacted not only communities like Longmont, Erie, Arvada and Broomfield where prices were generally level or dropping, but communities like Boulder and Louisville where prices were relatively strong.
- Generally, while the number of sales in 2008 were dramatically lower than those of prior years, the number of sales dropped further in 2009.
- Generally, while the number of sales in the first half of 2010 have been a bit lower than 2008, they show improvement over the numbers for the first half of 2009.

While the details are intriguing, the general news is that 2008 and 2009 were very tough years for home sellers...and for real estate agents and their income...in both Boulder County and the Denver metro area. And while early data indicate that 2010 may be a bit better, this is still clearly a very good market for home buyers.

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## Welcome Agents for Home Buyers, LLC



We are [exclusive buyer agents](#), committed to providing first rate real estate services to homebuyers. We know that buying a home can be an intimidating process, especially for first time homebuyers or for people who are new to the area. Our job is to help you through the process, locating the best home we can, negotiating the best deal we can, and protecting your interests every step of the way while keeping you fully informed. It's a job we take seriously. We work hard every day to make sure that we get it done and get it done right.

Norris Minick, Ph.D, CRS, ABR, GRI

*Helping people buy homes in Boulder County and the North Denver Metro Area since 1992*

Norris Minick & Lindsey Wolf Lunney

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