



REAL ESTATE MARKET UPDATE

An Information Service of Chris Ermold, RE/MAX Alliance

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Real estate market activity across the Northern Colorado and metro Denver market area continues to limp along waiting for the Federal government to throw a lifeline to the national housing market.

During the presidential campaign, Barack Obama said: “You can put lipstick on a pig, but it’s still a pig.” This “bail-out plan” conceived by two disparate political parties has that same feeling. Housing markets don’t magically change the path they are on by slapping some lipstick on them. They are slow moving entities composed of numerous elements i.e. mortgage lenders, appraisers, inspectors, etc. Not to forget the two key elements of any housing market are buyers and sellers. What has been missing from the market over the course of the past two to three years has been an ample supply of buyers. Not lookers or maybes, but real buyers. People willing to step to the closing table and sign their name(s) on the dotted line.

What has kept them from doing this in large numbers is two-fold: motivation and availability. Motivation can be a result of several things i.e. concern about the direction of housing values, concern about job stability, ability to qualify for financing, etc. Availability relates directly to the mortgage industry. For a period of time, mortgage lenders adjusted their strategy from lending to anyone with a pulse to lending, at an exorbitant rate and terms, only to A+ buyers. People like Bill Gates, Warren Buffet and Donald Trump come to mind. Well, maybe not Donald Trump.

For the housing market to stabilize and begin to move toward a more balanced playing field will require several things to happen.

1. **Home values to settle.** The “median price” of a single family home in the Northern Colorado market area was \$208,265 (January/2009); \$218,500 (January/2008); and \$235,000 (January/2007). A reduction of over 11% in the past two years.
2. **Realistic number of available properties for sale.** Scarcity creates demand. The Northern Colorado housing market hasn’t reached that point, although the inventory of available properties has continued to decline. In January/2009 there were 1,535 new listings in our market area; 1,940 in January/2008; and 1,892 in January/2007. A reduction of about 19% this past January compared to January/2007.
3. **Changes in the mortgage industry.** We are a country that relies to a great degree on the financing of most things we buy whether it is via credit cards, automobile leases or real estate purchases. For the housing market to shift in a positive direction, the mortgage industry needs to help create “in the mind of the consumer” that this is a great time to buy real estate. That can be accomplished by (1) Increasing the maximum loan amount for conforming loans; now \$460,000 for Boulder County. Most Colorado counties remain at \$417,000 for single family residences. When a buyer exceeds the maximum conforming loan amount for the county in which the subject property is located, they normally have two options regarding financing – obtain a Jumbo loan (usually at an interest rate 1%+ higher than a conforming loan) or get a second mortgage to go with the conforming first. (2) Work with prospective buyers to find creative ways to provide financing that fits the buyer’s ability to qualify and make the payments i.e. loosen the purse strings a little.