



## **What are the Most Important Facts Buyers and Sellers want to know about Today's Real Estate Market?**

There are 5 important questions posed to Real Estate Professionals from the buyers and sellers in today's marketplace that help them decide about what to do in their real estate future. The consumer will ask about "How's the Market" and it's the brokers' job to share the real factual answers to provide the consumers the correct data to overcome the fear of entering the market and take advantage of what could be the most opportunistic housing market in Denver history.

### ***How will homes being foreclosed in my neighborhood affect my home value for the future?***

Answer: Since foreclosed properties are typically sold, "As Is" buyers are purchasing at slightly below market values which will affect the value of homes in the same neighborhood for the short term. However, most neighborhoods have a small percentage of sales that are foreclosures. In fact, foreclosed sales average 7% of homes selling today and most neighborhoods have another 6% of short sales occurring. This leaves 87% of all sales in most neighborhoods selling at market value holding the value of your home closer to the current market conditions.

Rational Thought: Foreclosures sales or short sales do negatively affect value in the eyes of the homeowners living in the neighborhood. However, like any other non-arms length transaction the reduction in value will be dictated by the number of foreclosed properties in relationship to other sales over the last 90 days. Since most banking experts and foreclosure services are stating that any additional numbers of additional foreclosures entering the market are at the peak, the market will see less valuation fluctuations moving forward then we've seen the last 36 months.

### ***What is the current supply/demand of homes?***

Answer: Knowing the supply and demand of any product predicts what the opportunities are in the market. For example, there is a 5.45 month supply of homes below \$250,000 which means prices are going up in the lower price ranges. Conversely, homes priced between \$1 million and \$1.5 million have a 26 month supply. What do you think is happening to prices in that price range? Let me get a specific buyer supply/demand number for your home?

Rational Thought: Residential real estate is a very local market condition better measured down to specific neighborhoods. One neighborhood could have a different supply and demand dynamic than the entire market. When a homeowner asks the question of supply and demand they are trying to "time" the market to maximize their investment.

Metro Area Denver Single Family Supply and Demand for August 2010

<b>SF Homes Price</b>	<b>Active Listings</b>	<b>Sold SF YTD</b>	<b>Annualized SF Sold</b>	<b>Months Supply</b>
	<u><b>8.5.10</b></u>	<u><b>7.31.10</b></u>	<u><b>Data for 2010</b></u>	
<b>0-250K</b>	7943	10146	16364	5.45
<b>250-500K</b>	7415	6450	10403	8.55
<b>500-750K</b>	2141	1098	1771	14.5
<b>750-1M</b>	1002	298	481	24.99
<b>1-1.5M</b>	617	174	281	26.35
<b>1.5-2M</b>	293	48	78	45.07
<b>2-2.5M</b>	122	23	37	39.56
<b>2.5-3M</b>	108	5	8	162
<b>3M+</b>	145	13	21	82.85



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## ***Is it a Good Time to Buy?***

Answer: Prices have stabilized and interest rates are at 45 year lows. You couldn't have more buying power than today. In fact with rates at 4.25% today you will typically save more than \$30,000 over your ownership period if you buy today!

Rational Thought: A buyer buying today has tremendous buying power. If you take a \$300,000 mortgage at 4.25%, the PI payment is \$1,471 per month. If the rate were to increase to 6.25% in 2011, which is still considered a historically low interest rate, the PI payment is \$1,838 per month or \$367 more dollars! If the average person lives in their home 7 years, that extra amount would equal \$30,828 more money in payments over the life of living in the home. What could a homeowner do with an extra \$30K+ in their pocket? They could save it, pay down principal, or invest in other instruments.

## ***What's a Short Sale?***

Answer: This will be home sale that will sell for less than the mortgage amounts owed against the property. This can help the homeowner sell when they are distressed vs. waiting for a foreclosure. The shorter the marketing period or smaller reduction in value helps maintain higher property values in the neighborhood vs. a foreclosure and eliminates a vacant property on the street. Although nobody wants to see someone be financially distressed, if a homeowner has a legitimate hardship, this is an avenue banks and sellers of properties are using to solve the problem of not be able to pay the mortgage.

Rational Thought: Short sales do help homeowners get out from the large payment with dignity. Although the homeowner could be responsible for the deficiency of money not paid, this amount typically is smaller than if a foreclosure occurred. Short sales help the lien holders garner some dollars now vs. trying to secure money via foreclosure, which takes time. Short sales help other homeowners in the neighborhood because the values do not drop as much. Many banks have figured the loss is less on a short sale than a foreclosure, so the lending institutions have gotten better systems to accept short sales.

## ***How do I best protect my investment dollars in my home?***

Answer: Part of my role as your real estate professional is to help you improve the equity in your home. There are several ways to create a stronger equity position and we can create a personalized Real Estate Financial Plan that I am versed in to help you better improve the equity of your home.

Rational Thought: Equity in future home ownership will be successfully achieved by positively altering the principal payments of a loan, not just waiting for appreciation to occur. Prepaying an equal principal amount per month reduces a 30 year amortized loan by more than half the time. By adding just one full payment per year to prepay the principal each year will reduce a 30 year loan to 22.4 years. Of course utilizing a 15 year amortized loan achieves a similar type of savings to the homeowner. Paying principal not interest is the secret to achieve higher equity positions. Equity gives the homeowner lots of options for the future.

What should sellers do in today's market?

- Consider Alternative financing methods if you have a property valued above \$500,000. Seek the advice of a professional to describe your options.
- Position the pricing strategy of your home so it becomes attractive to buyers.
- Have the best conditioned property on the market.



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What should buyers do in today's market?

- Lock your interest rate in to a low rate now if you plan on closing within 45 days. Buyers should not have an extra fee to lock the rate.
- There are different financing packages. Pick the one that gives you the best way to increase your equity position, like a 15 year mortgage or flexible prepay principal type loans.
- Know what the neighborhood supply and demand is to make an informed buying decision.

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