



# REAL ESTATE TODAY

For the GREATER ALBUQUERQUE AREA

## THE ALBQ MARKET vs THE BIGGER PICTURE!

by Barbara

### THE GLASS HALF FULL.....

**LOWER INVENTORIES:** The dramatic oversupply of unsold homes is finally beginning to fall—by about 4 percent last month, according to the latest figures from the National Association of Realtors. That's still an 8.8-month supply at current sales rates (well over the six-month threshold that signals a buyer's market), but it at least suggests that supply and demand are beginning to come in line.

**ALBUQUERQUE METRO AREA:** As of this writing, there are 7100 homes on the market. In April 2007, MLS surpassed the all time record high of 3518 held in 1998! Therefore, in the last 4 months, the area's inventory has doubled! We still only have a 7 month supply but that is based on an extraordinarily inventory!

**FIRMING PRICES:** Although one month does not a trend make, prices of existing homes have staged a bit of a comeback of late and are actually higher than they were a year ago, according to the NAR. Unfortunately, sales volume has continued to drop as sellers brush off buyers' low-ball offers. But at least those houses that do sell are going for a bit more.

**ALBUQUERQUE METRO AREA:** The average price of a home purchased increased 8% from January 2007 thru June 2007. The median price went over \$200,000 for the first time in June. Have prices really gone up that much? More likely it is that more higher priced homes are being purchased than lower priced homes.

**NO SUBPRIME SPILLOVER:** As spooked as stock market investors have been by the subprime mortgage mess, the overall economy is holding up just fine. Employment is strong in most parts of the country, and consumer spending—the economy's most important growth engine—is humming right along, both of which suggest that home buyers remain able, if not willing, to pull the trigger when the right house comes along.

**ALBUQUERQUE METRO AREA:** The area hasn't been hit as badly as most in the area of subprime defaults or in defaults in general.

**STEADY MORTGAGE RATES:** Although they've ticked up a bit since earlier this summer—to about 6.625 percent for a fixed-rate loan, versus about 6.25 percent a month ago—mortgage rates remain below their historical norms and aren't expected to rise substantially in the near future. So with personal income rising and house prices steady or falling, buyers can now afford more house than they could have a year ago.

**ALBUQUERQUE METRO AREA:** Where go national mortgage rates, so goes the area.

**TIGHTENING MORTGAGE CREDIT:** Lenders are taking a much closer look at mortgage applications—verifying income, assets, and the like—as they look to reduce their exposure to bad loans. The long-overdue move may slacken demand over the short run, but it will prevent the sort of surge in delinquencies and foreclosures that that has recently wreaked havoc on the market.

(continued on Page 2)

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November 2007

## WHAT'S UP! (continued)

**ALBUQUERQUE METRO AREA:** We are seeing many delays in closings as mortgage companies exhibit “knee jerk” reactions particularly in the level of documentation required from Buyers—unexpected, last minute and sometimes impossible to comply with demands.

### THE GLASS HALF EMPTY.....

**RISING FORECLOSURES:** The subprime mortgage meltdown has contributed to national foreclosure rates that have nearly doubled in the past year. (They're actually up nearly 800 percent in California.) With little or no equity, many subprime borrowers are simply walking away from their homes, leaving their bankers holding the bag and the neighbors staring at the unsold eyesore across the street. And with more foreclosures expected as a flood of adjustable-rate mortgages reset higher over the coming year, supplies of unsold homes will only increase—at the worst time possible.

**ALBUQUERQUE METRO AREA:** Not as hard hit as many areas as “overbuying” is not as easily done in an area where the average price is still under \$250,000.

**BUILDERS KEEP BUILDING:** Despite a sharp falloff in construction permits, home builders with thousands of acres of undeveloped land have little choice but to keep building. The result: Inventories of unsold new homes have fallen by a paltry 5 percent over the past year. Some economists say it will take a decline of at least four times that before the market—and prices—finally firm up.

**ALBUQUERQUE METRO AREA:** Builders in the area continue to build but are mostly building only homes that are pre-sold. “Standing” inventory will be at a minimum going forward.

**LENDERS GETTING COLD FEET:** Tightening credit standards may help the market over the long run, but they are crimping buyers' ability to get in the game. Moreover,

the disaster in the subprime mortgage market has all but dried up demand for subprime-backed bonds and is even making investors in other, less-risky mortgage-backed securities skittish. The likely result: less liquidity in the market and, if things get worse, a full-blown credit crunch that could dry up key sources of home-lending dollars.

**ALBUQUERQUE METRO AREA:** As goes the nation, so goes the area! There is definitely more scrutiny being given to loans and “undocumented income” loans are now non-existent!

**HOUSES STILL UNAFFORDABLE:** Despite falling nationally by about 4 percent since their price peak in 2006, houses in many parts of the country remain less affordable than at any time in the past 15 years. Although personal incomes are rising in most areas, it would take three or more years of flat house prices for affordability to get back to where it was before the recent boom—either that or an additional 5 percent haircut on the median price of a home.

**ALBUQUERQUE METRO AREA:** Yes, the statistics still show that area homes are selling at 98% of asking but often the price on which that statistic is based has been reduced two or three or four times before sale!

**NOT-SO-PRIME BORROWERS (OR LENDERS):** The wild card still to play out in the housing market is whether all those prime loans made during the heyday of the easy-money boom are as first rate as many mortgage brokers led lenders to believe. News that Countrywide Financial—long regarded as a lending bellwether—has suffered increasing defaults by its prime borrowers and the subsequent bankruptcy filing by American Home Mortgage is a sign that shoddy lending standards (and outright fraud) have put too much house in the hands of people with too little money to pay the mortgage.

**ALBUQUERQUE METRO AREA:** Once again, as goes the nation so goes New Mexico!

## It's SUMMER! Do you know where your house is?

Relative to the market that is!

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For a Buyer, statistics such as Average

*“A realtor can..... impact your ability to effectively sell or buy a property.”*

Price per Square Foot and Number of Sales by Month will assist you in more accurately determining your purchasing power when that purchasing power will have the most strength.

Each edition of “Real Estate Today” will have the most up-to-date statistics for your area. Two editions are published — one for the Greater Albuquer-

que Area and one for the Lynnewood Park & Brentwood Hills areas.

And we are always available to work with clients to research other areas.

To receive additional or future copies of either publication, contact us at the information shown on the back cover.

In the meantime.....

Enjoy finding out what YOUR HOUSE is worth! Contact **Barbara Madaras** at **505.301.1033** for a FREE Market Analysis.

This publication is not intended as a solicitation if your property is currently listed for sale with another broker.

## KIDDIE CONDO UPDATE!

About five years ago, the mortgage industry initiated a new concept in lending that has become known as the "Kiddie Condo".

It was obviously a practical and economically efficient idea to purchase a home for a student to live while in college or graduate school as opposed to paying annually for dorm fees.

The "downside" was that the financing on a "second home", particularly one that would not be occupied by the owner (i.e., the parent) would often require as much as 20% down payment as it was viewed as an investment property.

The "Kiddie Condo" loan was conceived to offer this opportunity to parents at more traditional loan down payments and rates.

The "Kiddie Condo" concept has recently been expanded in a most interesting way.....

Now, a home owner can apply the "Kiddie Condo" concept to a home that is purchased as assistance to anyone with whom the home owner has a relationship.

It can be used for a home owner to purchase a home for older parents, for siblings, for almost anyone with whom the home owner has a long standing relationship who needs that kind of "backing".

This concept has been particularly useful in post-divorce situations where one spouse has carried all the credit his-

tory and subsequent to the divorce, the other spouse is left with no credit history to provide as credentials when applying for a home loan.

Because both parties appear on the mortgage, the party in need of credit history or improved credit history will be establishing credit as participant in a mortgage. How the payments are actually made is up to the "partnership".

The down payment is the standard FHA 3% and the purchase is treated as an "owner occupied" property.

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(Recipes for the Culinarily Challenged)



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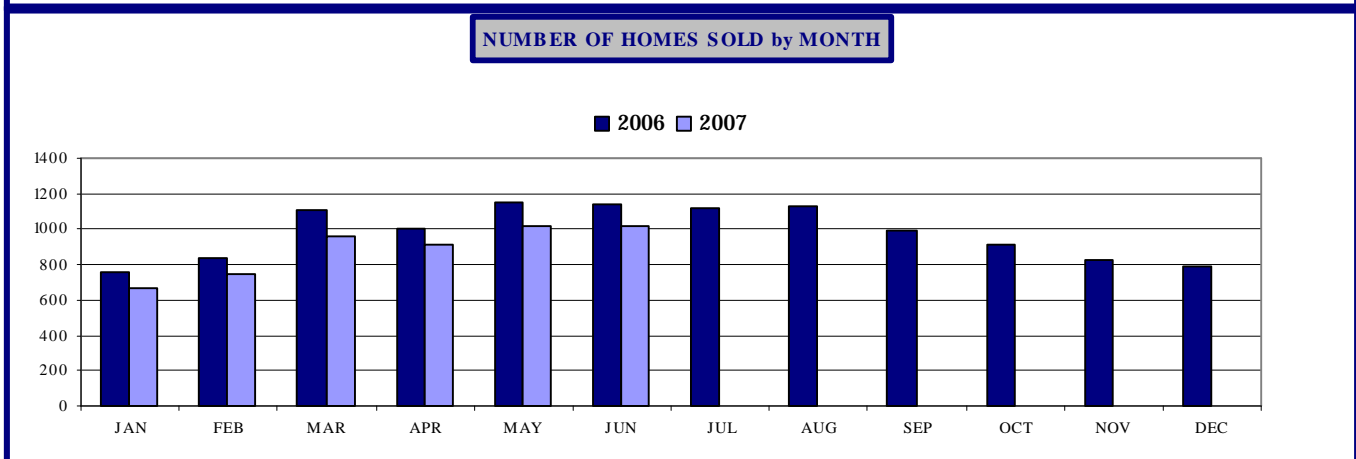
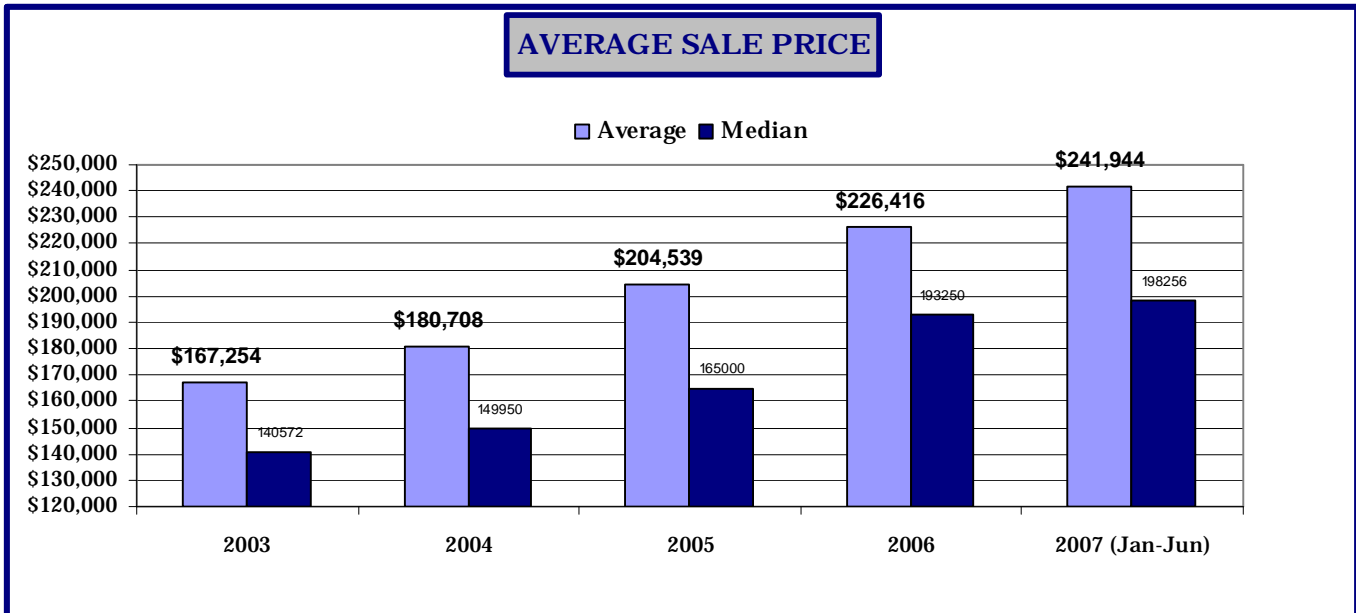
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# SINGLE FAMILY DETACHED HOME SALES (RESALE)

Greater Albuquerque Area



Charts are derived from Multiple Listing Service statistics which are deemed reliable but not necessarily correct.

IF YOU KNOW OF ANYONE NEEDING ASSISTANCE  
WITH BUYING OR SELLING A HOME...  
IT WOULD BE MY PLEASURE TO BE OF SERVICE TO THEM

**Barbara Madaras**

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Barbara Madaras, CRS, REALTOR®



**LEGACY**

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**IT'S THE BEST TIME  
IN A LONG TIME  
TO INVEST IN  
ALBUQUERQUE REAL ESTATE**



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