

THE SCOOP

NORTHERN COLORADO REAL ESTATE NEWS
PRESENTED BY WINDERMERE REAL ESTATE



LONG TERM HOME PRICES

Larimer & Weld County
price appreciation index

BUBBLE OR NO BUBBLE

Are we in a housing bubble? Is
it about to pop?

UNDER RATED

Will interest rates increase
dramatically in 2021?



WELCOME TO “THE SCOOP”

Everything You Need to Know About the Northern Colorado Real Estate Market

Produced Quarterly by Windermere Real Estate in Northern Colorado

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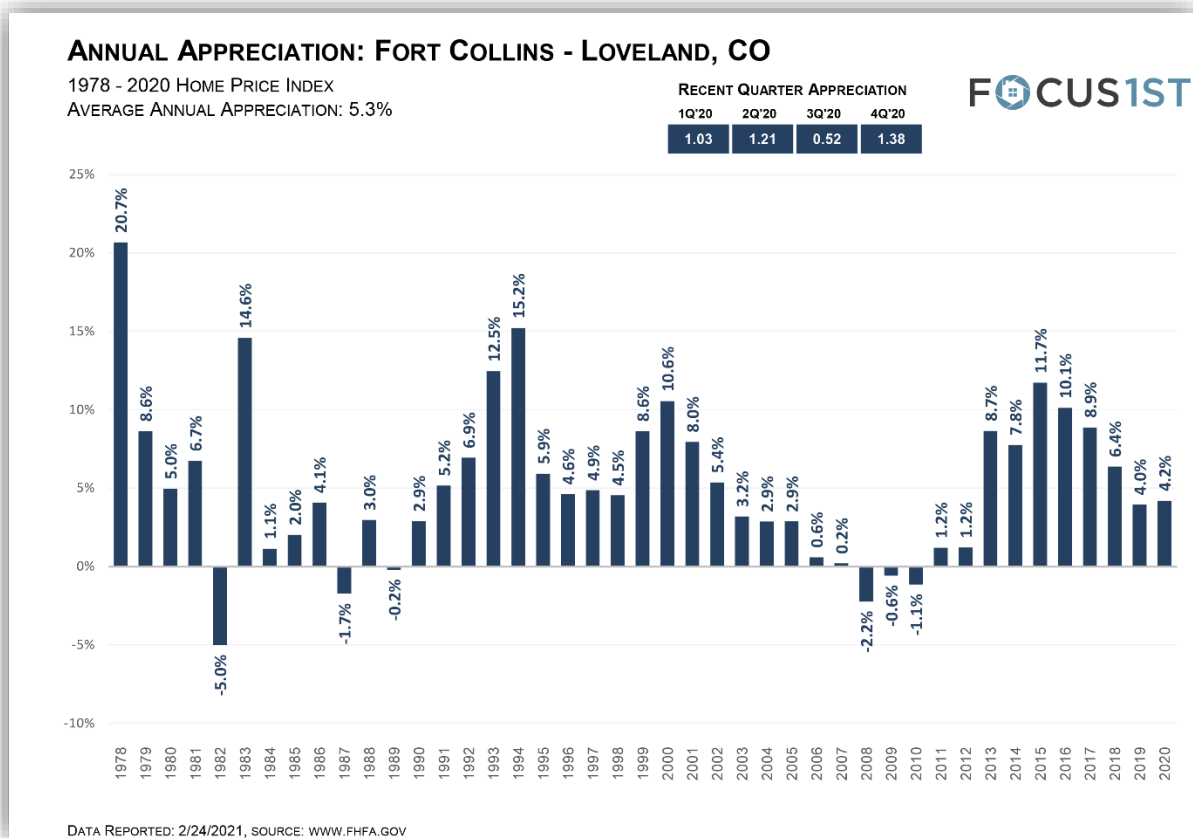




LONG TERM HOME PRICES

LARIMER COUNTY

A trusted resource is the Federal Housing Finance Authority (FHFA) which tracks nearly 300 markets across the country and produces a quarterly price appreciation index.



To obtain detailed price information, contact us at 970-460-3033.

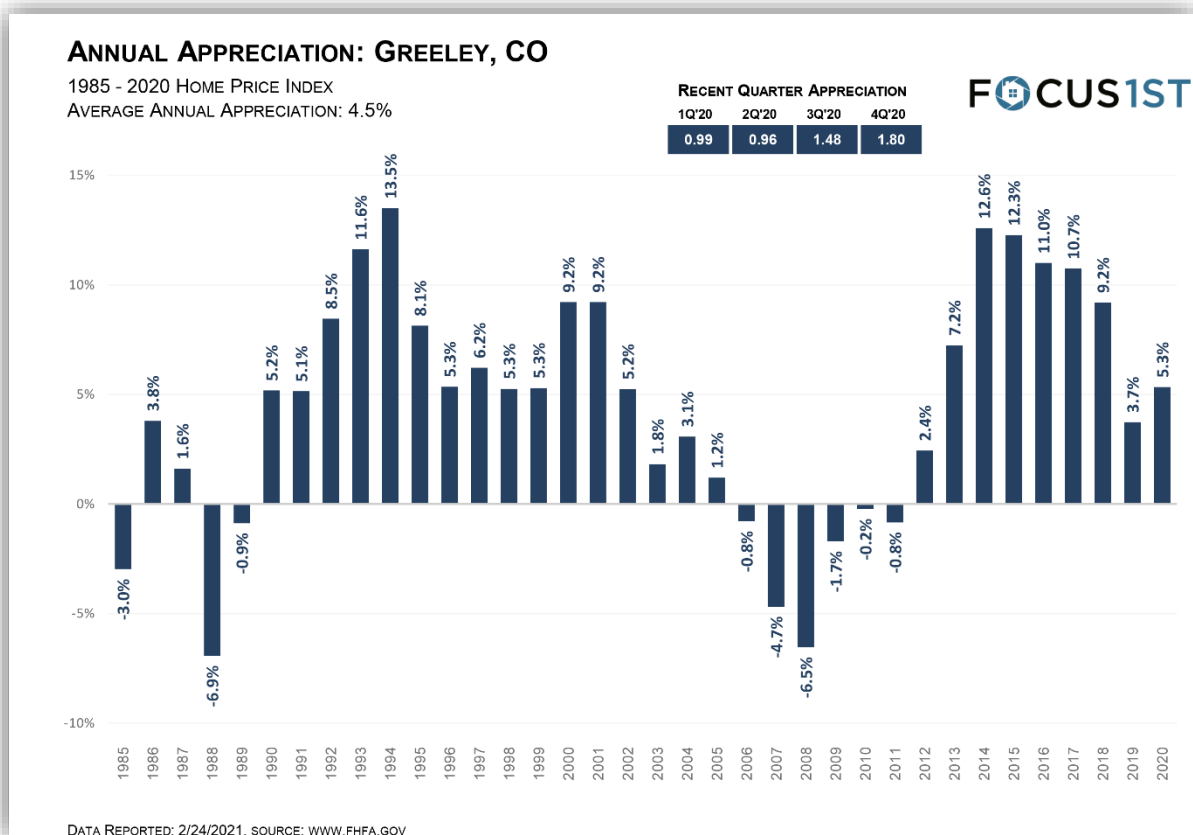
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LONG TERM HOME PRICES

WELD COUNTY

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BUBBLE OR NO BUBBLE

The activity in the Front Range market is causing us to hear the bubble question again. People are curious to know, based on recent growth in price appreciation, if we are in a housing bubble. This question seems to crop up when prices go up.

While we do not believe that the current double-digit price appreciation is sustainable for the long term, we firmly believe we will not see prices crash or see any kind of a bubble bursting. Here's why we think that...

- 1. Inventory is (incredibly) low.** The number of homes for sale is down over 40% compared to last year. The market is drastically under-supplied. Based on simple economic principles of supply and demand, inventory would need to grow significantly for prices to drop.
- 2. Buyers' credit scores are very high.** The average credit score for buyers last month, for example, was 759. So, by definition, average buyers today have excellent credit, which means there is low risk of them walking away from their mortgage and causing a foreclosure crisis.
- 3. Buyers have high down payments.** On average, buyers are putting 18% down on their purchases. This means that prices would need to fall by a considerable amount for the average buyer to be 'upside down' on their mortgage.
- 4. Owners are equity rich.** Well over a third of property owners along the Front Range have more than 50% equity in their homes. This means that it is highly unlikely that a severe economic downturn would cause a slew of distressed properties to hit the market.

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THE MOVE UP MARKET

The lowest interest rates ever, combined with consecutive years of above-average price appreciation, makes today arguably the best time in history for the move-up buyer. There are countless stories of clients being delighted and amazed at the amount of equity in their home. In fact, over a third of homeowners on the Front Range have at least 50% equity.

Here's an example of how equity can grow significantly in just 10 years:



PURCHASE HOME – 10 YEARS AGO

Value = \$300,000

Loan Balance = \$240,000

Equity = \$60,000



SELL HOME - TODAY

Value = \$550,000

Loan Balance = \$191,000

Equity = \$359,000

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RATE MEANING

Mortgage interest rates have hit another record low. They are now just below 3%. So, what does that mean for a home buyer? Let's look at two scenarios and assume a 20% down payment:

HOME PRICE	MONTHLY PAYMENT @ 3%	MONTHLY PAYMENT @ 4%
\$350,000	\$1,180	\$1,337
\$500,000	\$1,686	\$1,910

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AVERAGE RENTS

Here are the most recent rental rates along the Front Range and their change compared to last year:

- › Fort Collins **\$1,437 / ↑ 2%**
- › Loveland **\$1,451 / ↑ 2%**
- › Greeley **\$1,195 / ↓ 1%**
- › Denver **\$1,512 / no change**

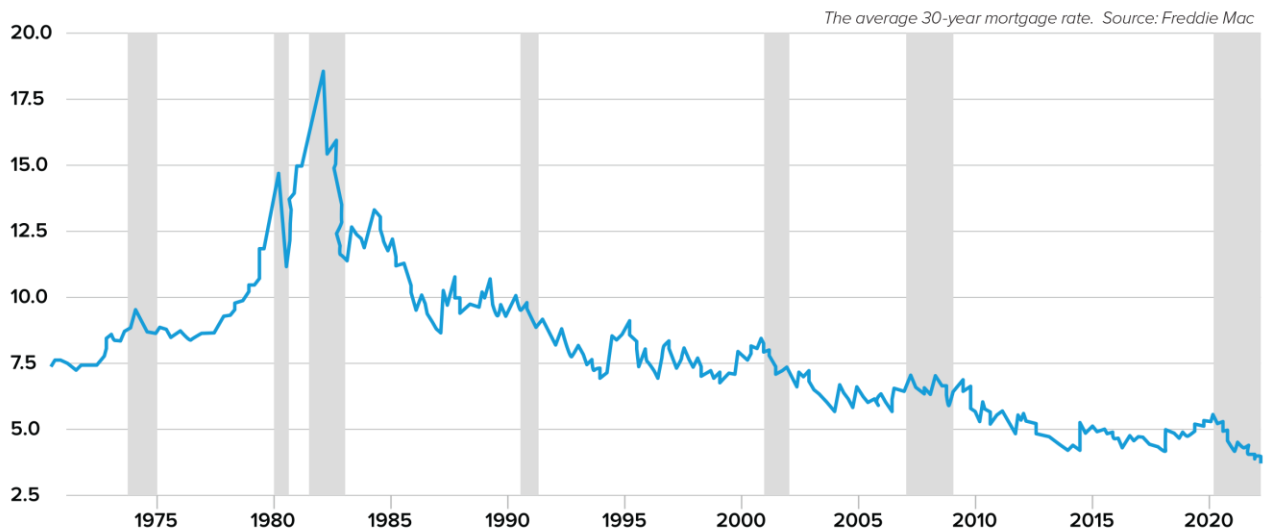
Source: Colo. Division of Housing & Denver Apartment Association

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UNDER RATED



The 30-year mortgage rate is the lead story of 2020. It is the reason why we continue to have double-digit home price appreciation. It is the reason why we have significant housing demand even in the midst of a global pandemic.

30-year rates hit a record-low **11 separate times** this year. 30-year rates are **60% below their average** over the last 40 years, and a **full percentage point** lower than one year ago. There are two reasons why rates are so low.

- 1** The Federal Government has implemented policies to stimulate the economy during COVID-19.
- 2** During economic uncertainty, bonds are in higher demand which pushes their yields down.

In any case, we don't see rates increasing significantly for at least the next year. So, we expect demand and appreciation to continue.

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MARKET SPEEDOMETER

Each quarter, our Chief Economist Matthew Gardner produces his economic report for Metro Denver and Northern Colorado. Inside you will find his market speedometer. This speedometer reflects the state of the region's real estate market using housing inventory, price gains, home sales, interest rates, and larger economic factors.



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A UNIQUE SOLUTION

SELLER PROTECTION

With inventory levels so low in our market, some would-be sellers are reluctant to sell their homes because they are worried they won't be able to find a replacement property. We have worked closely with our attorneys to design a Seller Protection Program which provides our customers with the time they need to select a new property once their current home goes under contract. Contact us to receive the details.

