

Metro Area Prices Soften while Sales Volumes Rise

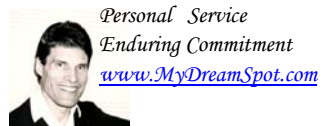
According to the National Association of REALTORS®, in the third quarter metro area median existing-home prices were down 4.7% from the 3rd quarter of 2010. The encouraging news, though, was that sales volumes rose in every state. From the third quarter of 2010, they were up 17% across the nation. These encouraging results, though, must be tempered with the realization that the pace of sales was artificially low during the third quarter of 2010; coming, as it did, on the heels of the more frenzied pace of housing activity over the prior two quarters, as would-be home buyers rushed to make their purchases ahead of the Obama Administration's housing stimulus deadline.

Among individual metro areas, prices in Washington D.C. were up 0.3% since August 2010, while those in Detroit were up 2.4%. In the Atlanta metro area prices were off 6.3%, while those in Minneapolis recorded the worst 12-month drop of 8.5%. During the 3rd quarter here in the Albuquerque Metro community the number of houses sold, compared to the same period in 2010, increased some 15.15%. However, as average house prices were down some 9.4% year-over-year, this translated into only a 4.34% increase in sales activity measured in total dollar volume.

Meanwhile, the 3rd quarter's housing affordability index scored 183.8, which was only just below the historic record set earlier during the first quarter of the year.

[The affordability index measures the relationship between the median home price, median family income, and mortgage interest rates: The higher the index, the greater household purchasing power. Recordkeeping began in 1970.]

At the same time, rents are rising and many/most homes are selling for less than the cost of construction. So, for people with secure jobs, good credit and long-term plans to remain within their community, today's conditions may be remembered as a golden opportunity to enter the housing market(?). However, Fiserv, which provides real estate financial analytics to industry, is projecting a further home price decline of 3.6% through the end of June 2012. So, there would seem to be no rush to buy; though making payments on a mortgage may now be cheaper and more attractive than paying rent.



7001 Prospect Pl. N.E., Suite 200
Albuquerque, NM 87110
Cell: (505) 307-0497



Investor activity in the market was little changed from a year ago; now standing at 20% of transactions, compared to 19% last year. Historically, entry-level buyers account for about 40% of all transactions. Presently, they account for some 32% of all purchases.

Distress sales accounted for 30% of third quarter 2011 sales, compared with 33% in the second quarter and 34% during 3rd Q 2010. - As it is expected that many more foreclosures will soon be coming onto the market, it can also be expected that distress sale activity will tick back up in the near future. This will likely undermine prices further.

In October, the U.S. foreclosure rate climbed to its highest level in seven months, as banks continued to clear their books of the large backlog of delinquent loans that built up after many months of near inactivity subsequent to the robo-signing scandal.

Foreclosure filings — including default notices, scheduled auctions, and bank repossessions — were issued on 230,678 homes in October, up 7 percent from September but 31 percent below the level of October 2010, according to the report issued by RealtyTrac.

States where there was a significant increase in notices included Indiana (61 percent), Pennsylvania (50 percent) and Florida (up 28 percent).

Nevada, California and Arizona remain the states with the highest foreclosure rates. However, in Nevada default notices fell by almost 90% in October compared to September after legislation was enacted turning it into a "judicial" foreclosure State. Foreclosures in Nevada can now be expected to take up to three years compared to less than one year previously. The resulting substantial drop in foreclosure activity in Nevada in the short-term can be expected to provide some temporary price support for the housing market there. However, the longer term picture is likely to remain unchanged.

According to RealtyTrac, in New Mexico one out of every 894 houses received a foreclosure filing in October 2011. Here is RealtyTrac's webpage for NM October foreclosure activity: <http://www.realtytrac.com/trendcenter/nm-trend.html>

According to LPS Applied Analytics, foreclosure sales are moving so slowly in half the states that, at the current pace, it will take more than eight years on average to clear the 2.1 million homes in foreclosure or with seriously delinquent mortgages. It's estimated that in New York, New Jersey, and Washington D.C. it will take over 50 years to clear this inventory, while in New

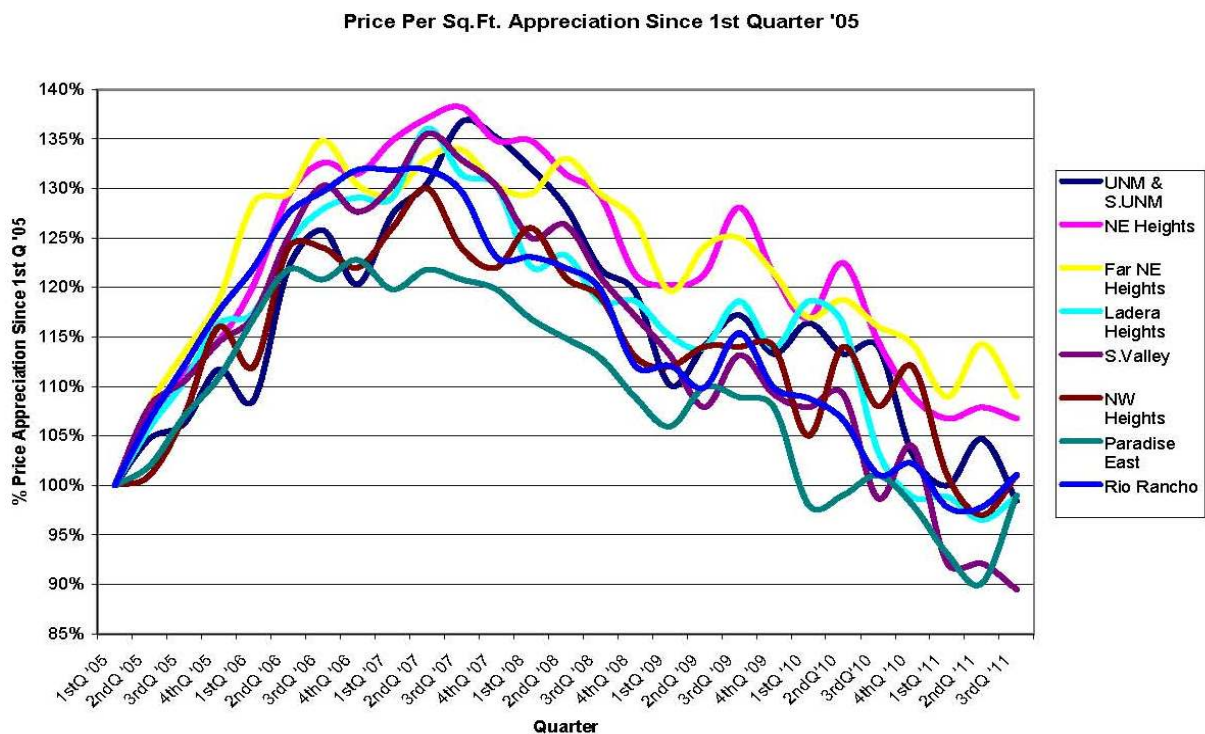




Mexico it will take “just” 6 years. – Of course, this assumes that we aren't hit with another economic crisis that bloats out the inventory of distress properties still further.

Given these statistics, is just as well that the Obama administration has rolled out its new **Home Affordable Refinance Program (HARP)** which, it is proposed, will allow home-owners to refinance even if they will have an 120% loan to value ratio, if their present home loan was sold to Fannie or Freddie prior to May 31st 2009, and if they aren't yet delinquent on their house payments. This will certainly help. Unfortunately, however, it will do nothing for those who have either fallen behind in their payments or have houses that are worth but a fraction of their prior purchase price.

Here is a graph of house prices in various broad regions across our local Albuquerque Metro community in terms of average price per square foot appreciation / depreciation since early 2005:



HUD Homes for \$100 Down:

The U.S. Department of Housing and Urban Development (HUD) is offering its foreclosed HUD homes for \$100 down from now until October 2012.

Here are the program requirements:



Personal Service
 Enduring Commitment
www.MyDreamSpot.com

7001 Prospect Pl. N.E., Suite 200
 Albuquerque, NM 87110
 Cell: (505) 307-0497



- You must use a HUD-registered real estate broker or agent, who must specifically enter your request for the \$100 down incentive when writing up your offer.
- You must qualify for and use Federal Housing Administration (FHA) mortgage financing.
- You must be an "owner-occupant", buying the property to live in - not an investor.
- The home's purchase price must be no more than the appraised value of the property. If you bid a higher price you must pay the difference. You cannot finance it into your loan.
- In some cases, HUD will also cover up to 3 percent of the closing costs.
- The \$100 down payment program is eligible for FHA 203(k) loans, which allow borrowers to use a portion of their purchase loan to repair and renovate run-down homes.

HUD homes are sold in an "as-is" condition. However, HUD homes often include a property condition report, which provide fairly reliable guidance on key repair issues that will need to be addressed. However, HUD home buyers are always encouraged to order their own independent home inspections to determine just what "as is" is.

Links of Interest:

Rising Rents Improve Investors' Returns

<http://www.realtown.com/articles/view/rising-rents-improve-investors-returns>

How to measure noise with your Android phone

http://howto.cnet.com/8301-11310_39-57322061-285/how-to-measure-noise-with-your-android-phone/

A Gold Rush of Subsidies in Clean Energy Search

http://www.nytimes.com/2011/11/12/business/energy-environment/a-cornucopia-of-help-for-renewable-energy.html?pagewanted=3&_r=1

Air Pollution: Bad For Health, But Good For Planet?

<http://www.npr.org/2011/11/11/142218650/air-pollution-bad-for-health-but-good-for-planet>

Recent Alternative Solar Cell Development

<http://oilprice.com/Alternative-Energy/Solar-Energy/Unconventional-Approaches-to-Solar-Energy-Capture.html>

What does a resilient community look like?

<http://www.theresilientfamily.com/2011/11/what-does-a-resilient-community-look-like/>



Personal Service
Enduring Commitment
www.MyDreamSpot.com

7001 Prospect Pl. N.E., Suite 200
Albuquerque, NM 87110
Cell: (505) 307-0497