



What's happening with Cape Cod Real Estate? An Insider's View

by Donna Costa Gemborys, Realtor



There is a lot of talk about the real estate market, foreclosures and fluctuating home prices. How does the news relate to us here on Cape Cod?

Last year, 3,482 residential single-family homes and condominiums were sold on Cape Cod with an average price of \$408,000. Compare that with 2008, when 3,626 properties were sold with an average sale price of \$453,600. These numbers indicate a 4% drop sales and a 10% decrease in the average sale price in 2009.

What does that mean?

As a Cape Cod Realtor, I think it means this is the best time to buy a house!

I'm not the only one. Several financial publications suggest that now is the time. A recent Business Week article stated, "Interest rates are at historic lows and trends suggest that they will rise soon. If you want to buy a house, now is the time, and if you don't act soon, you will regret it."

Cape home sales activity did improve in the last quarter of 2009. Some of that activity can be attributed to the "First Time Homeowner" tax credit. Early January statistics point to 430 pending and pending-with-contingencies sales closing in early 2010. The first quarter 2010 may also show increases due to the Tax Credit extension.

The good news for me is that after being in the business for thirteen years, I am enjoying more personal referral business than ever before. I've always believed you should treat every buyer and seller the way you would want to be treated if you were buying or selling. Make them happy, and the referrals will follow. Working with someone who was referred by a former client is very rewarding. Even in a declining market, my business has continued to grow.

With approximately 3,500 available homes currently for sale, sellers must keep their prices competitive to motivate savvy buyers. But selling a home on Cape Cod has become more complicated in recent years.



What Do Today's Buyers Want?

Thirteen years ago, when I began selling real estate on Cape Cod, buyers would ask me to find them a little fixer-upper, something they could work on and grow with. They wanted a cottage or bungalow, something on a sandy street with no television, something near the beach.

Fast-forward to the present, and my clients describe a very different home.

Baby Boomers and Boomer babies are "Generation Technology." They are still looking for something near the beach, however, their list of "needs" is vastly different from the buyers of yesteryear.

Today's buyer wants luxury and toys. I have personally noticed a trend towards wanting homes that are "turn-key." In other words, buyers prefer homes with modern amenities such as High Speed Internet, Cable Television, stainless appliances and granite counters, hardwood floors. Younger buyers ask about green eco-friendly homes and energy efficiency.

Gone are the days of, "I can fix it myself." Today's buyers want it all done for them, including the furnishings. If you take a close look at the properties I closed last year, the vast majority of them were in great condition, selling quickly and close to the asking price. The homes that were "dated" lingered on the market, and the feedback was usually was the same: "It needs too much work."

With the current economic decline, we also have those buyers who are looking for a bargain. Again, gone are the days of "Location, Location, Location." Now it is all about "Price."

Often times I have to remind my buyer-clients that nothing is a great bargain if it's in the wrong location, no matter what price you get it for. You can always "change" a house but you can't change the location.

Prices vs. Interest Rates: the Math

When do you think 30-year interest rates are going to come back down to current rates again?

Certainly not in my lifetime, and I doubt it will happen in my kids' lifetimes.

Rates may go down, but fees are going up. There are lots of different fees and pricing bumps that Fannie and Freddie are adding which are making rates a lot more expensive when you get into the individual loan. It used to be that anyone with a credit score of 680 or higher could get the best rate possible. Now it takes a 740 or higher score to get that same deal.

So, while there is a chance that rates will be lower in three months, the chance that many people can't take advantage of that due to increased fees is also good. If it makes sense, grab it now.

Every quarter-point change in interest rates is equivalent to approximately \$6,000 for each \$100,000 borrowed over the course of a 30-year fixed-rate mortgage. So, if you have decided to put down \$40,000 and borrow \$200,000 to help pay the typical nationwide home price, but you wait until mortgage rates rise one full point, you will end up paying an additional \$48,000 over the course of your loan. Borrow \$500,000, and you are out an extra \$120,000.

Last July, the Wall Street Journal explained it like this: "If prices come down another 10% but interest rates increase by one percentage point, that would mean the same monthly payment today versus waiting."

Housing prices have dropped, as you know, but just recently they have begun to stabilize. Housing inventories are above historical averages, thus selection is currently high, but I want to point out that our inventory on the Cape has already started to decline.

Higher demand in the busy spring Cape Cod real estate market will mean even inventory to choose from when aggressive spring buyers get here. If you want to get a good buy on a house coupled with a terrific low interest rate, my advice would be the sooner the better.

KINLIN GROVER HOMES

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