



HUTCHINSON AREA

Real Estate
UPDATE

THE POWER OF TEAMWORK

130 Washington Avenue East

Hutchinson, MN 55350

Earlier this year the government passed a stimulus package that contains incentives for people to purchase a home. According to the plan, first-time homebuyers, (or those who have not owned during the previous three years) who purchase a home from the start of the year until the end of November 2009 may be eligible for an \$8,000 (or 10% of the value of the home, whichever is lower) tax credit.

Looking at the activity for the first half of 2009, it appears that the stimulus package may not be producing the same results here in Hutchinson as are being reported in other parts of the country.

According to the Regional Multiple Listing Service, there were less homes purchased in the first six months of 2009 (83) as compared to the same six months in 2008 (114) and 2007 (150) in Hutchinson.

Along with that, the average sales price in the city of Hutchinson has dropped to \$139,215 compared to \$158,358 in 2008 and \$174,264 in 2007. The cumulative average days on the market didn't change much from 172 in 2009 compared to 170 in 2008. In 2007 it was 116.

From January 1 to June 30, 2009, there were 48 homes sold under \$125,000, 23 homes sold between \$125,000 and \$200,000, and 12 homes over \$200,000. The activity in the price range under \$125,000 continues to be fueled by short sales and foreclosures. Of the 48 homes that were sold below \$125,000, 26 of them were either short sales or foreclosures.

A significant change that has taken place with the short sales this year is that many lenders are now attempting to do loan modifications with homeowners before they get to the foreclosure

Homes Sold in Hutchinson		
<u>Year</u>	<u>Average Price</u>	<u>Units</u>
2007.....	\$174,264.....	150
2008.....	\$158,358.....	114
2009.....	\$139,215.....	83

Homes Sold in McLeod County <i>Excluding the City of Hutchinson</i>		
<u>Year</u>	<u>Average Price</u>	<u>Units</u>
2007.....	\$152,924.....	88
2008.....	\$146,931.....	96
2009.....	\$100,467.....	74

point. Sometimes this means lowering interest rates on the current loans, lengthening the time to repay the mortgage, or a combination of both.

One other change we have seen with short sales, is that mortgage holders are not always requiring the homeowner to sign promissory notes for the deficit of what they owe as compared to what they are

able to sell their homes for. This enables many more people to do a short sale rather than letting their homes go into foreclosure.

Even though these numbers don't paint the rosiest picture, there are some real good things going on. People buying homes are getting mortgages at very low interest rates and are getting the advantage of low housing prices.

We are proud to be Hutchinson's "Hometown" real estate team



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Home Buying Has Changed

Years ago when people decided to purchase a home, they went to their local bank and deposited a 20% down payment.

The closing costs consisted of an origination fee, a title opinion, and a recording fee. Then every month they made payments to their local bank until the home was paid off!

Now, there are many types of loan options available that require little to no money down.

The most common type of financing used today is FHA which requires a 3.5% down payment. The closing costs can vary from 3% all the way up to 6% (or more)! The homeowner starts making payments to one lender

and within a very short period of time the loan is sold to a different company, so the payments get made somewhere new.

In addition to the changes in financing options, there are two other distinct "new" things that have changed about the way people buy homes.

Today, almost 80% of buyers have a professional home inspection done on the home they are purchasing once a purchase agreement is agreed upon.

The cost of these inspections, range from \$250-\$350 and are quite comprehensive. The advantage to the buyer in having a home inspection done is that they understand what they

are purchasing and how to maintain the home they are buying. Also, if there are mechanical, safety, structural, or health issues that are discovered, they can be addressed before the sale is completed.

The other significant change is that about 85-90% of buyers add their closing costs into the purchase price rather than pay for them in cash at closing. Most of the time this is done because the buyers have a limited amount of cash and the interest rates are low enough that it doesn't change their monthly payment very much.

Even though these changes have occurred, buyers still buy their homes based on the number of bedrooms, baths, garage space and location.

Cost vs. Value

Every year the National Association of Realtors in cooperation with Remodeling magazine, publish a Cost vs. Value Report. This report shows the cost of remodeling in relationship to the amount of value added for various projects.

Exterior remodeling projects lead the way for recovery on dollars spent in the most recent report. When the national averages are compared, replacement projects that boost curb appeal (siding, windows, and

decks) give you the greatest chance of recouping your money. Inside, kitchen and bath remodels give the best return on value.

When housing slows down, people stay put and renovate their house to make it more livable. By renovating before they sell, homeowners get to enjoy the new space themselves as well as make the home more saleable when they are ready to move.

Many buyers today don't want to do

Here's what the report shows:

Midrange Replacements:	Cost Recouped:
Fiber cement siding	86.7%
Vinyl Siding	80.4%
Wood windows	77.7%
Vinyl Windows	77.2%
Roofing.....	65.5%

Midrange Remodel:	Cost Recouped:
Kitchen (minor).....	79.5%
Kitchen (major).....	76.0%
Bathroom	74.6%
Attic-to-bedroom	73.8%
Basement.....	72.9%
Home office	54.6%

all the painting and remodeling themselves. They want to just open the door and have everything done. So, making home improvements can make sense for

people contemplating a move in the future.

(These are based on national averages. Individual markets will vary.)