



Mike Gallagher
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"I will Empower You with the Best Real Estate Knowledge Anywhere in Hawaii"



Mike Gallagher Real Estate, Inc.

Trying to Understand the Market in 2013

By: Mike Gallagher Real Estate, Inc.

Due to the fiscal uncertainty in our Nation which is currently being discussed in Congress with the looming threat of Sequestration, we now face the prospect of multiple mini-cliffs in the coming months that could impact negatively Consumer Confidence and create an Economic drag regardless of the outcome in Congress.

"Sequestration" by definition is "a legal writ authorizing a sheriff or commissioner to take into custody the property of a defendant who is in contempt until the orders of a court are complied with." The word is derived from British law and amounts to the act of taking someone's property until a debt has been paid.

In the U.S., budget laws allow the executive branch to "undo" congressional appropriations with small, across-the-board spending cuts. In its current use, sequestration amounts to \$1.2 trillion in across-the-board government spending cuts scheduled to occur over the next decade.

According to the [Office of Management and Budget](#), "bipartisan majorities in both the House and Senate voted for the threat of sequestration as a mechanism to force Congress to act on further deficit reduction. The specter of harmful across-the-board cuts to defense and non-defense programs was intended to drive both sides to compromise. The sequestration itself was never intended to be implemented."

That threat didn't work. Because the supercommittee failed to reach an agreement, the automatic spending cuts were set to go into effect on Jan. 2, 2013. However, as part of the "fiscal cliff" negotiations, sequestration was delayed until March 1. There was hope that the cuts would be replaced by a more nuanced plan, but such a plan has yet to materialize.

The 'keywords' in the above passages are "fiscal cliff", "negative impact upon Consumer Confidence, Regardless of the outcome."

The result of what is currently happening could have a damaging effect upon the Housing market and more specifically the willingness and ability to buy homes may be significantly impacted.

The Consumer Financial Protection Bureau (C.F.P.B.) recently announced its regulations for the "Qualified Mortgage." (Q.M.) These new regulations include an "Ability to Pay" otherwise known as "Regulation Z."

"The CFPB amended Regulation Z, which implements the Truth in Lending Act (TILA). Regulation Z currently prohibits a creditor from making a higher-priced mortgage loan without regard to the consumer's ability to repay the loan. The final rule implements sections 1411 and 1412 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), which generally require creditors to make a reasonable, good faith determination of a consumer's ability to repay any consumer credit transaction secured by a dwelling (excluding an open-end credit plan, timeshare plan, reverse mortgage, or temporary loan) and establishes certain protections from liability under this requirement for "qualified mortgages." The final rule also implements section 1414 of the Dodd-Frank Act, which limits prepayment penalties. Finally, the final rule requires creditors to retain evidence of compliance with the rule for three years after a covered loan is consummated."

(Source: <http://www.consumerfinance.gov/regulations/ability-to-repay-and-qualified-mortgage-standards-under-the-truth-in-lending-act-regulation-z/>)

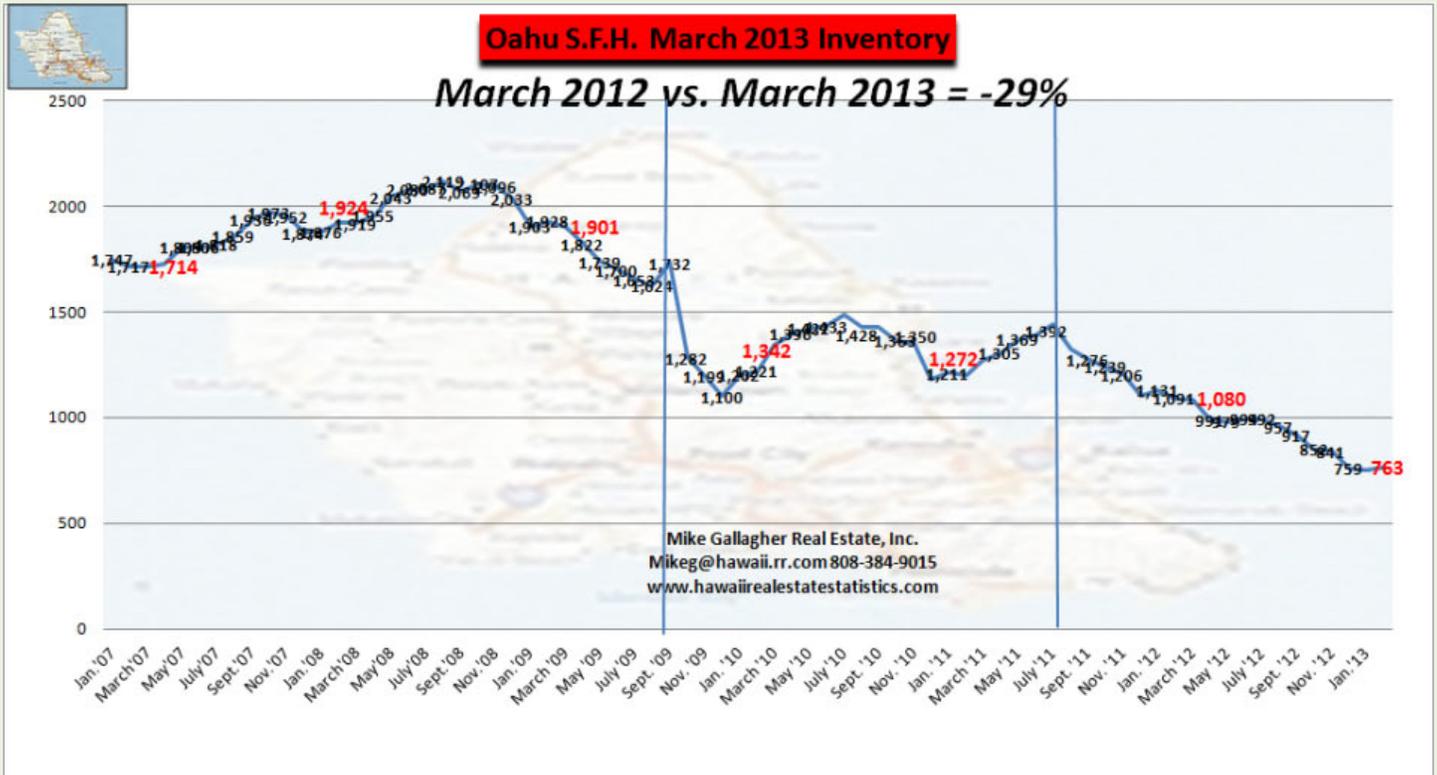
Cap on how much income can go towards debt

QMs will generally require that the borrower's monthly debt, including the mortgage, isn't more than 43 percent of the borrower's monthly pre-tax income. Temporarily, QMs can also be loans that can be bought by Fannie Mae or Freddie Mac or insured by certain government agencies, such as the Federal Housing Administration. For more on this, read: [Ability to repay rule](#)

While year 2012 was a stronger year for Mortgage Originations, volume was not based upon normal demand for New Mortgages but upon refinancing. Because interest rates will most likely not drop any further than they have already which is what brought many investors into the market, the 'word' is: refinancing is expected to decrease over the next two years. Since New Mortgage Originations have been such a small part of lending recently in comparison to the enormous amount of refinancing that has taken place, New Mortgages are not expected to replace the current refinancing volume for some time to come.

Most would be Sellers still waiting for the market to rise have also decided to take advantage while they can the low interest rates available in refinancing. When these refinancings are finished there is less incentive for the Sellers to come onto the market as they have just reduced their monthly payments and increased their equity positions.

If there are to be even less would be Sellers coming on the market then there is going to increased competition for Mortgage Orginations or New Mortgages. This should mean low interest rates on New Mortgages for many qualified buyers as Lenders will have to compete for the smaller pockets of qualified buyers by offering not only low mortgage rates but they will have to add incentives and trim their profit to gain the advantage.



In year 2012 the Dodd-Frank Wall Street Reform & Consumer Protection Act made it mandatory that a reasonable Good Faith determination of the borrowers ability to pay back the loan occurred. This Act is the basis for what is termed "Qualified Mortgage."

In addition to the Q.M. there is now a Q.R.M. or "Qualified Residential Mortgage" which created additional underwriting standards with it's most notable feature: Mandatory Down Payment feature.

In January of 2013 Debt to Income Ratios for Q.M.'s became standard at no higher than 43%. Other Q.M. standards eliminated low and No Documentation Loans, Balloon Payments and Interest Only Loans but...the new rules also still temporarily allow for up to seven years from now, exclusions from the standards set forth in the Q.M. Standards for G.S.E. (Government Sponsored Enterprise) and F.H.A. (Federal Housing Administration) underwriting guidelines.

This is ironic as this reinforces the role that G.S.E.'s have on the market place, thereby making harder to inact G.S.E. reforms. One exclusion are Jumbo Loans which do not

qualify for the exclusion since they cannot be refinanced by either G.S.E.'s or the F.H.A. For more on F.H.A. Loans go to: <http://www.fha.com/>

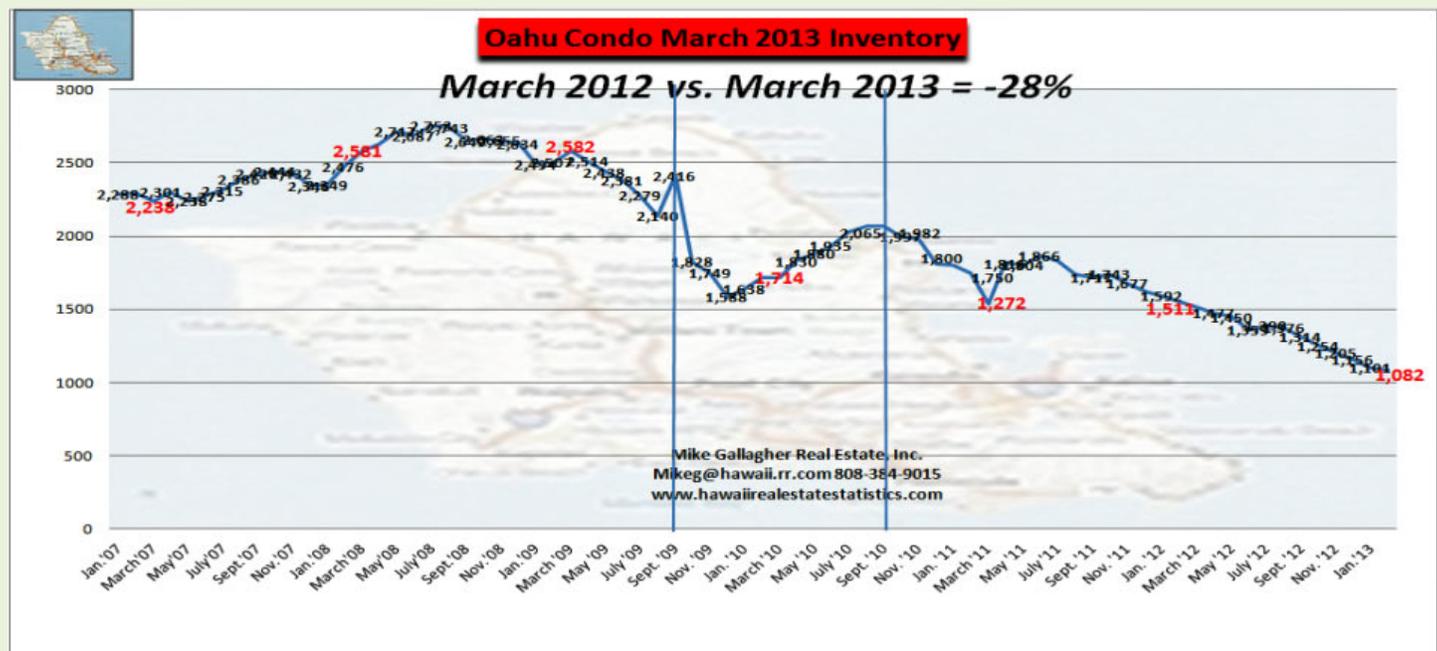
Nevada is the State most impacted by the Q.M. with only 42% of loans meeting the requirements of the Q.M. rule. What this means is: Less Qualified Buyers. Other States heavily impacted by the Q.M. rule are Hawaii (43%) and Alaska (44%). In addition to these States other States heavily impacted by the Q.M. rule are primarily 'boom-bust' States such as California, Arizona and Florida.

The largest impact for the Q.R.M. rules is for the State of Arkansas where it impacts 25% of all loans. Seven of the Top 10 State impacted by the Q.R.M. rule are in the South or Mid-West where they have lower incomes and wealth than the rest of United States. The Q.R.M. rule has the least impact in the State of Massachusetts where it impacts only 6% of all loans. The other States with minimal impact are New York, New Jersey, Hawaii and the D.C. Area where they all have above Average Household Income.

It is said that the long term impact of the Q.M. and Q.R.M. rules will be large since it will effect close to 50% of all Mortgage Originations.

Overall, the well qualified buyers, those with F.I.C.O. scores of 780+ make up close to 35% of all Mortgage Originations which is up 15% from a decade ago.

This means for us here in Hawaii that we will continue to see more unit sales, at higher price ranges and many of them will be from Foreign Nationals and Ex-Patriots living over-seas. It would appear that most of the local residents of Hawaii have no interest in owing a home since the ownership level in Hawaii 57.7% which is the third lowest State in the United States. Hawaii is just slightly ahead of California and New York. The National Home Ownership rate as of January 31st. 2013 is 66%.

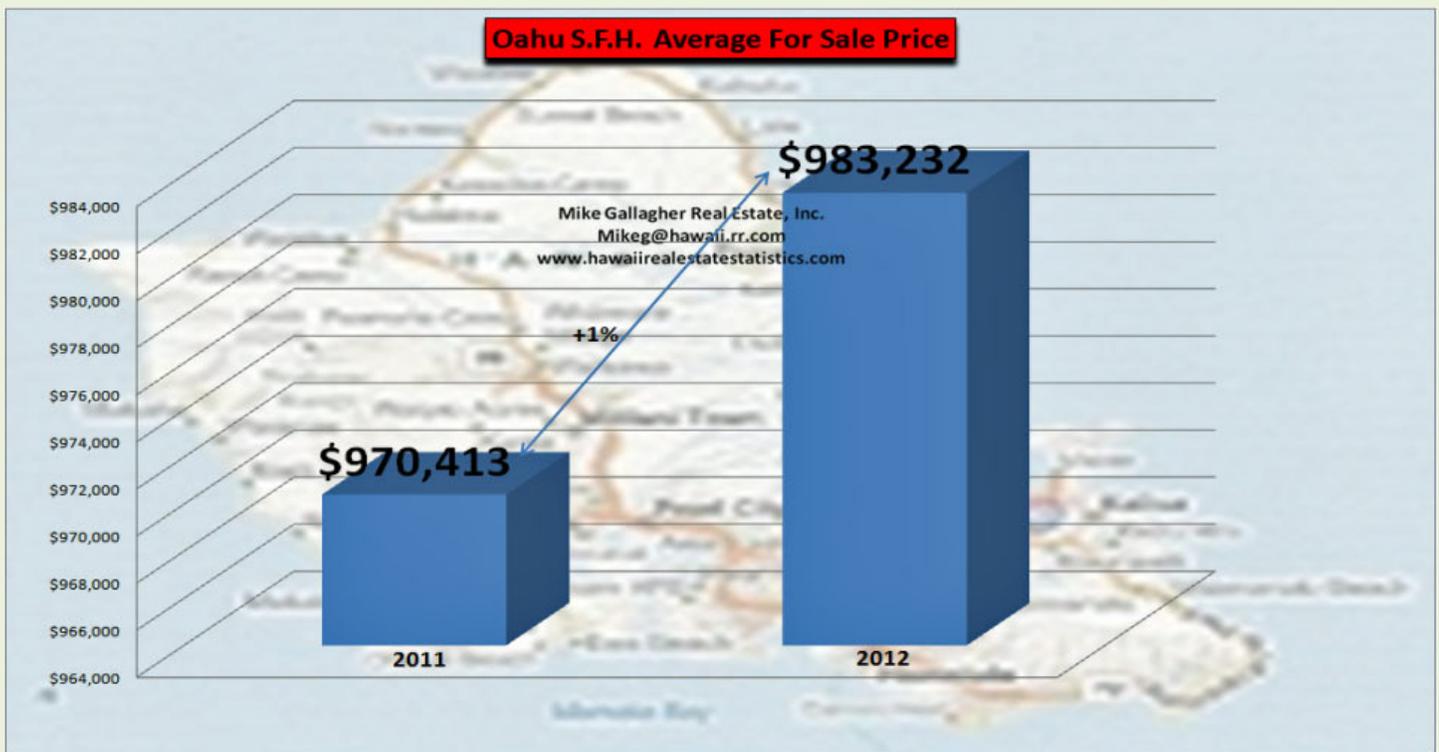


Of course the low Home Ownership rates in Hawaii area a no-brainer as how many of us can afford the January 2013 Average For Sale Price of \$1,003,034 for a Single Family Home nor the Average For Sale Price of a Condo or Town Home at \$482,220.

If you would like read more about Foreign born Home Ownership: <http://www.realestaterama.com/2013/01/30/census-bureau-report-shows-homeownership-rates-among-foreign-born-increase-with-time-in-the-united-states-and-citizenship-ID018519.html>

All but four States are experiencing year over year price gains in For Sale Prices. For the full year, home priced increased 3.5% nationally in 2012 which is the highest rate since year 2006, two years before we went on 'wild ride' down a sink-hole of home prices.

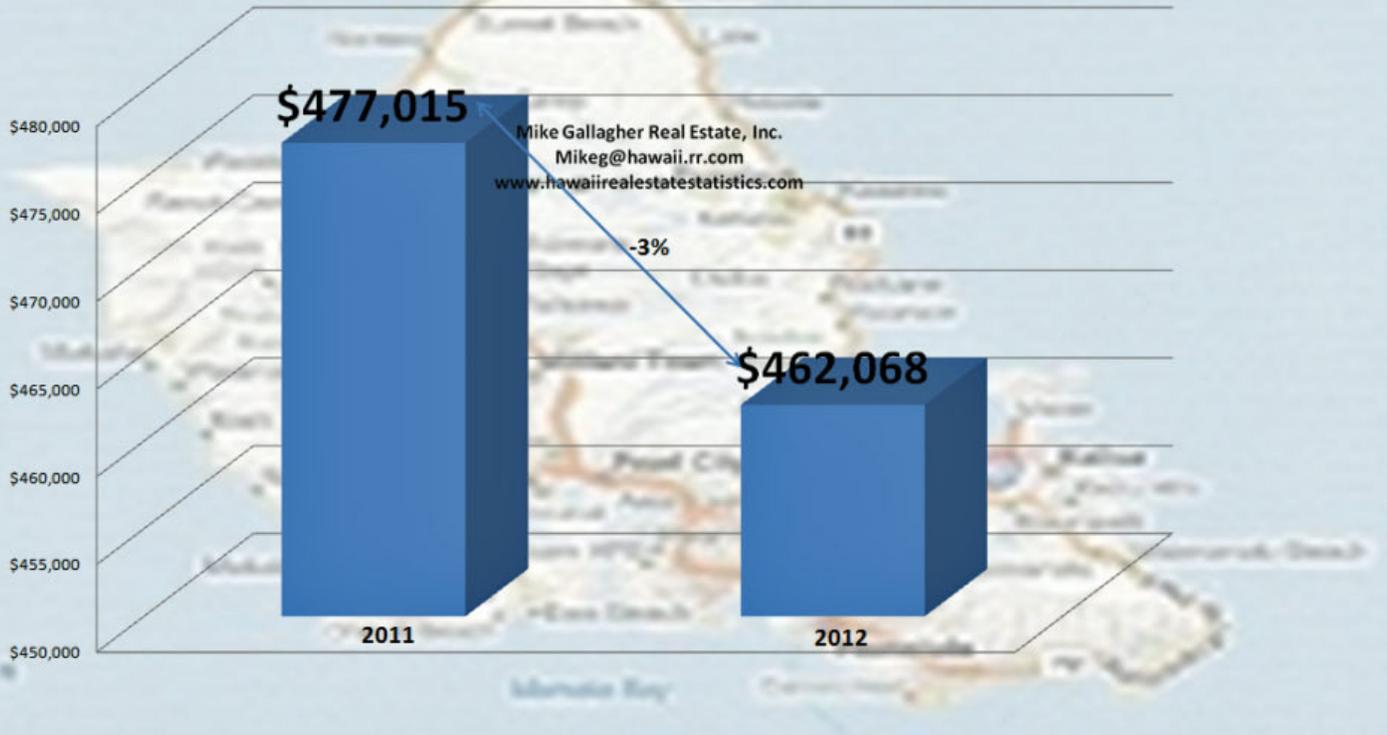
I believe that some sources would like you to believe that the Home Prices in Hawaii rose. I do not think so.



This might look like a rise to you but a rise of 1% is nothing. This is 'Flat-Line.' This is also indication that higher priced homes came onto the market in greater numbers.

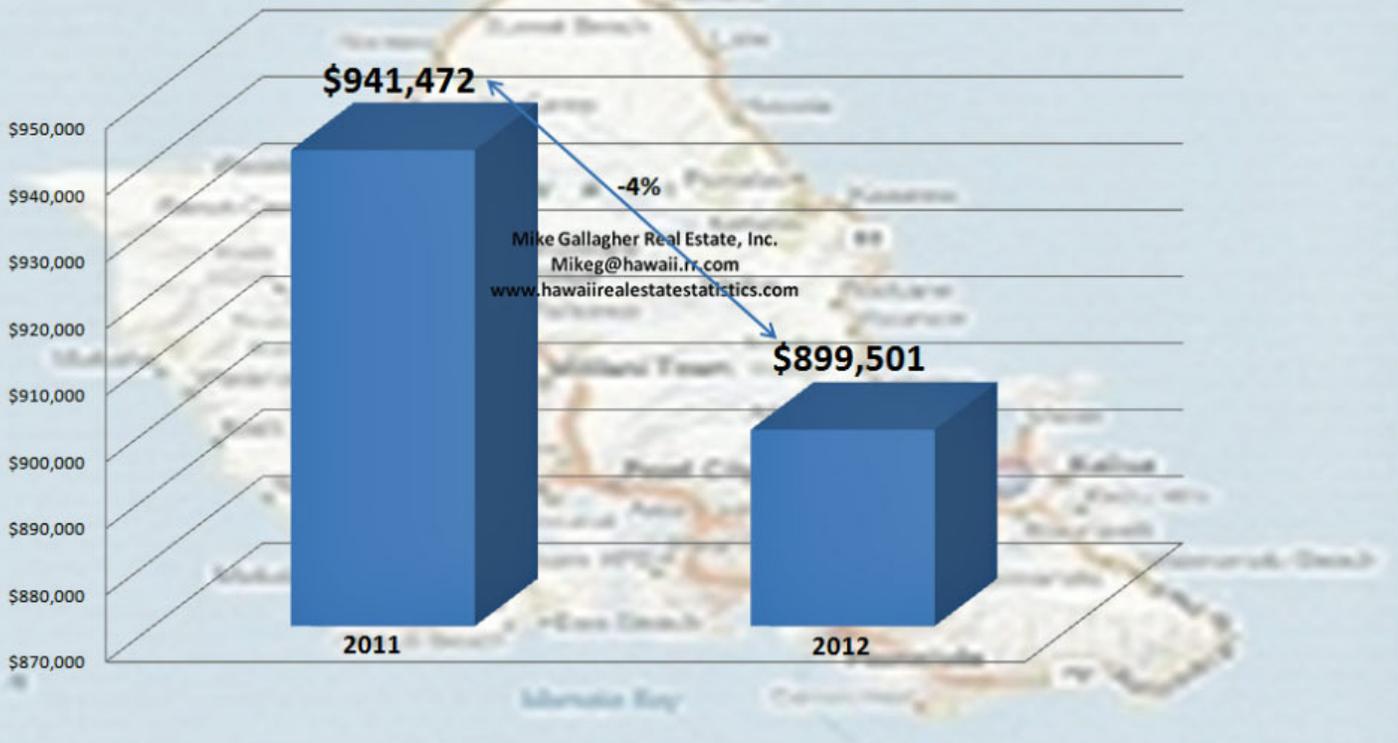
As I mentioned before, the inventory level for all homes on Oahu just keeps on going down. Multiple choices for buyers are almost non-existent. A buyer today has to be able to sprint to the Seller with an offer and then they often have to wait in line behind other offers.

Oahu Condo Average For Sale Price



It really does not matter that the Average For Sale Price went up. What matters is what was purchased.

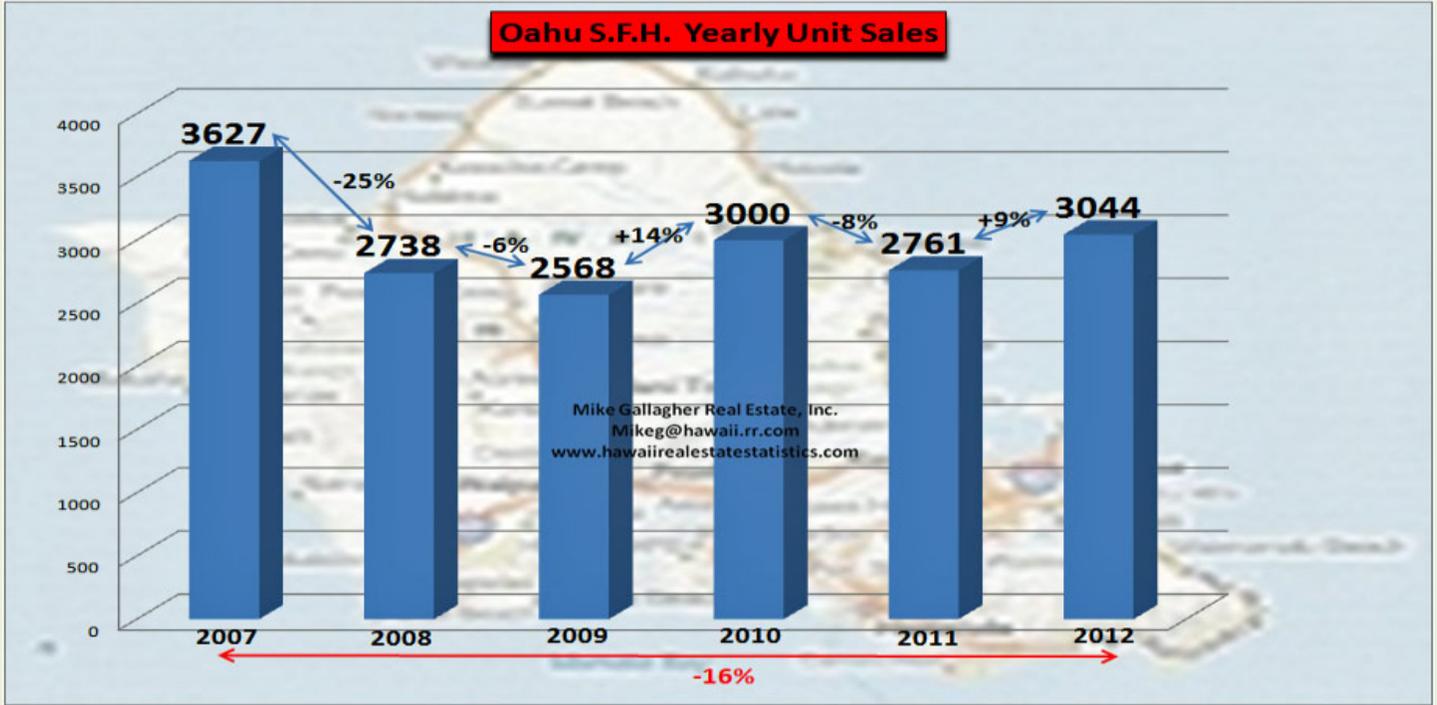
Oahu S.F.H. Yearly Average Sold Price



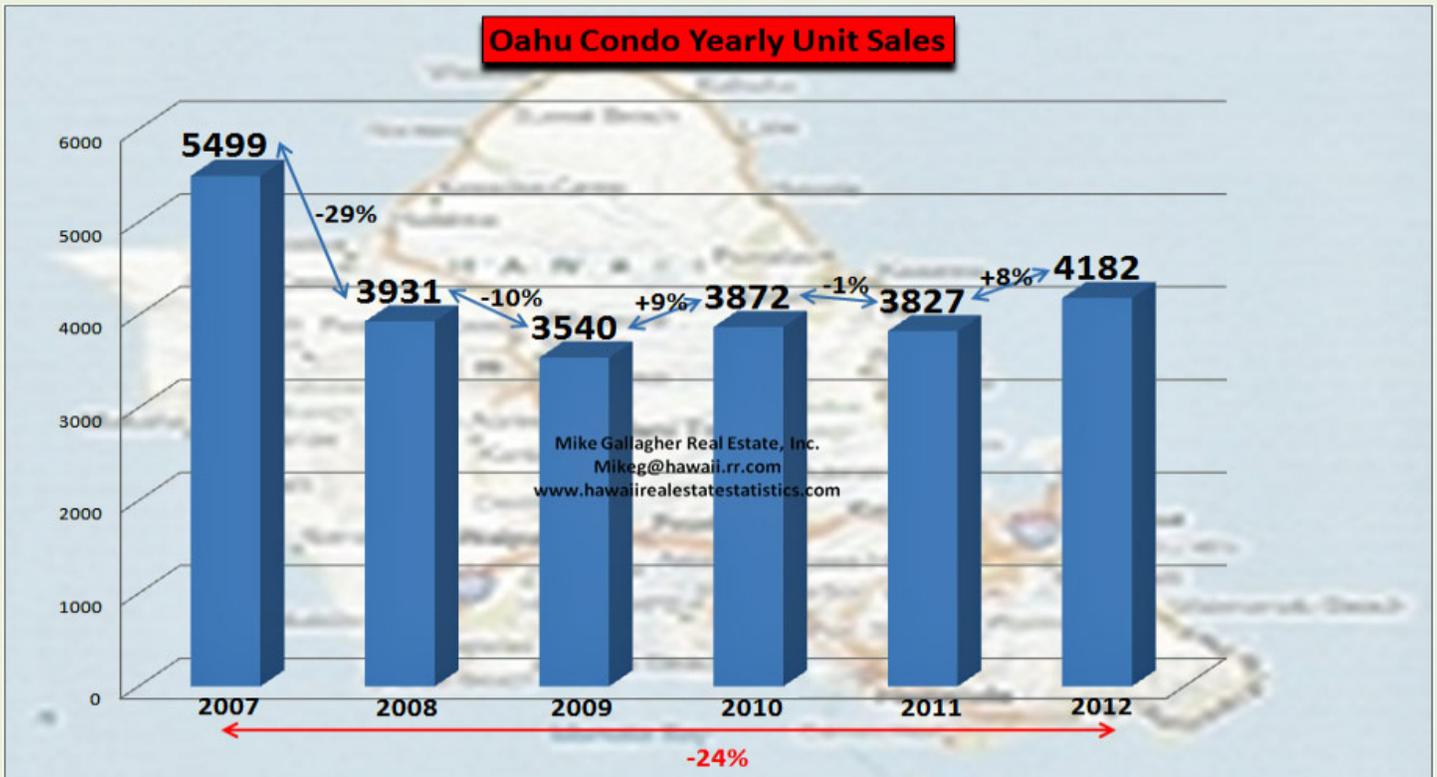


The fact of the matter is most buyers chose lower price ranges to invest. It did not matter that higher priced listings came onto the market.

Hawaii Real Estate in a nut-shell should be looked like we are in a 'Holding-Pattern.' We will experience in 2013 hardly any movement either up or down in home Sold Prices. Unit Sales will continue to increase slightly as buyers are hungry and those buyers that can qualify for a mortgage are snapping bargains where ever they can find them.



Oahu Condo Yearly Unit Sales

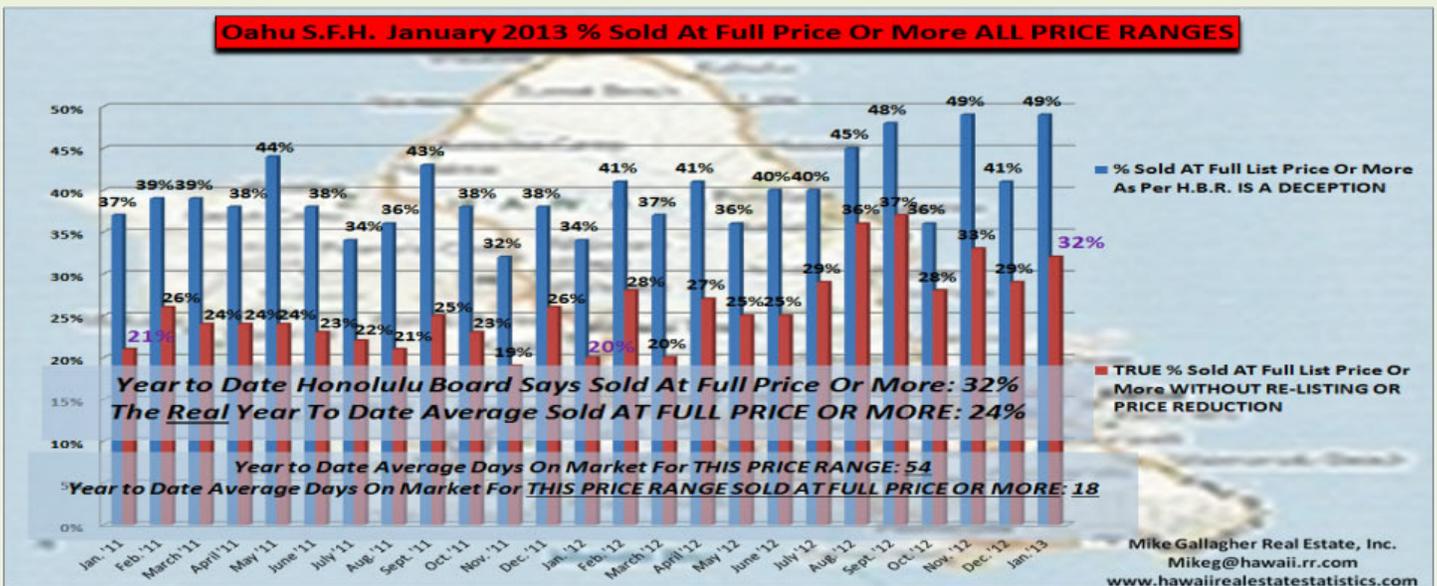


On the bright-side of things, many of these sales as I mentioned before are coming from Over-Seas and the U.S. Mainland residents and Foreign Nationals and there is a very large part of these investments being made by purchasing Rental Properties or properties that can be converted to Rentals.

Rental Incomes are soaring all across the Island of Oahu and they continue to remain scarce. Investors have the best of both Worlds: Low Interest Rates and Higher Rental Fees. This equates to higher Net Profit.

Also on the bright-side the percentage of homes Selling At Full Price Or More is rising:

Oahu S.F.H. January 2013 % Sold At Full Price Or More ALL PRICE RANGES



Oahu Condo January 2013 % Sold At Full Price Or More ALL PRICE RANGES



What is a non-property owner to do if they have no down payment, less than a 760 F.I.C.O. score or simply cannot afford the Average Prices here on Oahu even if they wanted to buy? The answer is, they rent and we are renting on Oahu in even greater numbers as before with no end in sight.

'I feel' for the local populace as I am one of them too but I have to tell you I was fortunate enough to be left with some inheritance and I have personally decided to take about half of it and invest it into two Condos in Kailua. I will purchase them for approximately \$300,000 and I will rent them for \$1,800.00 per month. I will invest in a popular Kailua Town Condo Complex that is excellently run, no pool, low Monthly Maintenance and in a good year can produce a +12% appreciation. There is no more land to build in Kailua and there is a moratorium on building any High-Rises.

I hope that you have enjoyed this article and if you need help in finding an investment property please consider my services.

I know of no other Realtor or Agent on this Island of Oahu who knows the Market as well as I do and more importantly, where the Market is headed.

If you really want to have the 'straight info' on what is really happening in Hawaii Real Estate you will be refreshed by visiting my website and speaking to me, as I tell it like it is.

I have been in this business for twelve years and I have helped buy and sell many homes for my clients. My references and knowledge are both excellent.

If you have the time please visit my website for a wealth of information on the Oahu Real Estate Market and read my Monthly articles on Time/Warners Oceanic Cable:

www.aroundhawaii.com



AroundHawaii

www.hawaii realestate statistics.com

www.aroundhawaii.com

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You may also want to visit at my website to learn more about various other Neighborhoods around the Island and see the comprehensive report for Oahu. A quick trip there will provide you with a wealth of Real Estate knowledge you never before even knew was available.



I sometimes offer Videos of my Sales Reports but I only do these as time permits. What I do have available is on my website and Youtube.com

If you would like to receive my Monthly News Letter every month featuring the newest stats with quick links to all information on my website, others websites and a great source of information just send me an email to: Mikeg@hawaii.rr.com

Example:

Subject: Real Estate News from Mike Gallagher November 2012

Having trouble viewing this email? [Click here](#)

December 2012



Bora Bora French Polynesia

Real Estate News

By Mike Gallagher, Broker-Owner, Principal Broker, Mike Gallagher Real Estate, Inc.

Aloha All:

It is almost the end of December and we are all swiftly headed towards Christmas and another New Year! I cannot hardly believe it. Time goes by so quickly.

I have completed all of my Real Estate Reports for the month of **November** and they are linked here and available on my website: www.hawaii realestate statistics.com

The process of recapping the month of December 2012 Sales, Producing the End of Year 2012 Report and producing the Reports for your readership will take place on January 3rd, 2013 and in order of production the following will be available for you:

- Oahu Report: January 5th.
- Oahu End of Year 2012 Report: January 10th
- Kailua Report January 8th.
- Mililani Mauka Report January 12th.
- Hawaii Kai Report January 15th.

All Specialized Reports will be available on or around the week of January 20th such as: Oahu's High End Single Family Homes, Oahu's High End Condos, Kalaheo Hillside, Lanikai, Beachside, etc.

I want to wish you all a Very Merry Christmas!

Mike Gallagher

All New Reports for November 2012



Hawaii Real Estate Statistics Website

All New Reports now available for Oahu for the Month of November 2012 and I invite you to take a look and see what is going on either by clicking onto the links in this email or going to my website directly at

www.hawaii realestate statistics.com

Mike Gallagher

My Oceanic Cable Monthly Article:

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Quick Links



Mike Gallagher Bio



Oahu Real Estate Report

Corelogic
U.S. Housing &
Market Trends

Housing Trends



Local Housing Trends



Honolulu Board Of Realtors

"Oahu Real Estate Market Predictions for Year 2013" January 1st. 2013



The Word for
2013: Caution

Aloha Everyone! Every year at this time of year I once again take a deep breath and boldly make Real Estate Market predictions for Oahu each year, all the while thinking: "I sure hope I am right!" Oddly enough, I usually am correct as I was born with a gift for numbers which I apply to my Real Estate business to bring you solid

information.

This article breaks on Time Warner-Oceanic Cable on January 1st. 2013 but is now available here for you.

Mike Gallagher

Corelogic November 2012 Market Report

Corelogic
U.S. Housing &
Market Trends

Corelogic
November 2012
Market Report

Earlier this month I sent out to you this report but if you missed it, here is another opportunity to read it.

Corelogic has just released their New November Market Report which provides insight into the numbers and what is happening all over the Mainland in terms of Real Estate Sales.

The report features everything from New Construction statistics to Negative Equity Share and will tell you what is happening in the National Market and where we are headed.

[This is a great read and I highly recommend it.](#)

Mike

National & Local Real Estate News

MLS & More



Mortgage Trends &
Interest Rate
Projections



N.A.R. Research



This Sunday Open House

News

National & Local Real Estate
News

News

National & Local
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News

If some of you have not been utilizing the National & Local Real Estate News link on my website you might just be missing some vital Real Estate News that may be of importance to you.

I recommend checking this posting every week to see what has been happening here locally and across the Nation.

This month some of the short News Stories are:

**Household Formation to Outpace Apartment Boom,
Millennials Gaining Housing Confidence,
Buyer Urgency Expected to Drive 2013,
Builders' Confidence Grows, But Fears Loom**
and much more.

Mike

I hope that you are all doing well and I wish you all the best.

December no doubt is busy for all of us and in January after we make our "New Year's Resolutions" and head back to the Gym, start living on Salads and other Vegetables and Fruit we might just want to see the recap of What Really Happened in Oahu's Real Estate Markets in 2012.

Extensive Reporting will be available to sum up the year of 2012 and why the reports are important to us all.

For brief glimpse of what the Year 2013 will be like in terms of Real Estate I highly suggest you read the New Oceanic Cable Article as noted above with the "Caution Sign."

Thank you all for readership and most of all your Friendship!

I wish you You All Much Aloha,

Michael Gallagher
Mike Gallagher

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