

# THE STAT PACK



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## INTRODUCTION:

The Purpose of the Stat Pack is to provide comprehensive, objective information about the Pikes Peak Regional Real Estate Market. The Goal of the Stat Pack is to provide factual data and locate opportunities in a fluid real estate market.

## THE RULES:

There are many rules in a fluid real estate market, but here are a few that we believe hold true IN ANY MARKET (one favoring buyers; one favoring sellers; it does not matter):

- LOCATION, LOCATION, LOCATION
- MONEY IS MADE ON THE BUY
- SELLERS SET ASKING PRICES; BUYERS DETERMINE VALUE
- BUYERS BUY VALUE
- THOSE WITH POWER HAVE FEW NEEDS. THOSE WITH NEEDS HAVE LITTLE POWER
- THE HARDEST THING TO GAIN IS TRUST; THE EASIEST THING TO LOSE IS TRUST

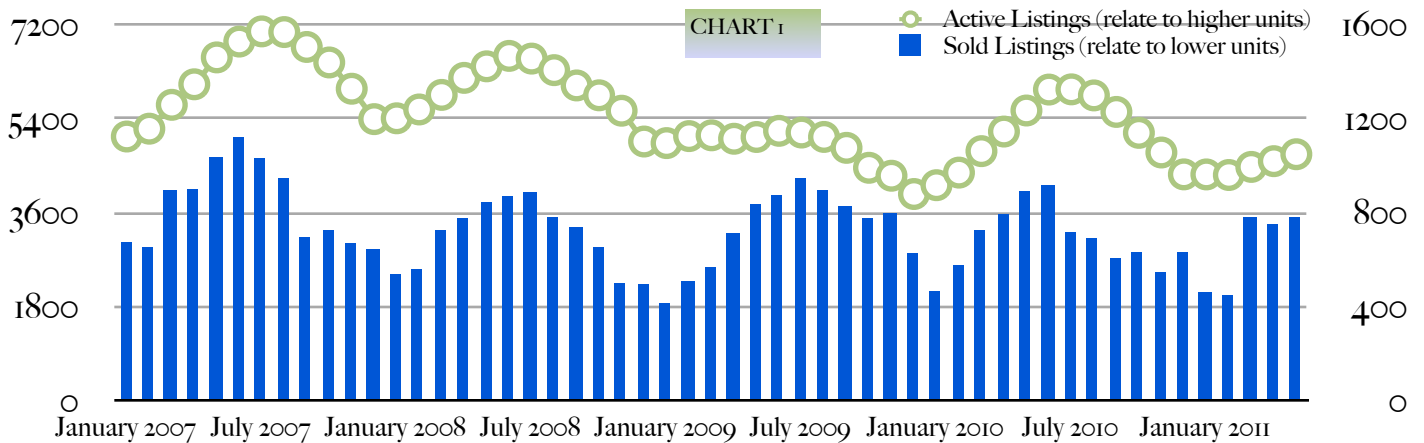
"Based on information from the Pikes Peak REALTOR Services Corp. ("RSC"), for the period January 1, 2005 through June 8, 2011. RSC does not guarantee or is in any way responsible for its accuracy. Data maintained by RSC may not reflect all real estate activity in the market and is provided as is without warranty or guaranty." Additional sources include CSHBA, PPRBD, The Gazette, [www.FHFA.gov](http://www.FHFA.gov), Zillow.com, Standard & Poors, Freddie Mac, Colorado Springs Business Journal, ROOST.com, ALTOS Research, [www.PMI-US.com](http://www.PMI-US.com).

STRENGTHS	WEAKNESSES
Third straight month posting 6 months of inventory with most sales in a month YTD.	Slowest May sales activity since 1998, with average price at 2003 levels
Interest rates lower and houses even more affordable than this time last year.	Interest rates dropping because of economic concerns, lack of job creation and Wall Street woes
There are almost 18% FEWER homes for sale than this time last year at 4713	There is again a disconnect between average listing price and average selling price making deals harder to achieve.
OPPORTUNITIES	THREATS
Private Mortgage Insurance ( <a href="http://www.PMI-US.com">www.PMI-US.com</a> ) rates the Colorado Springs home affordability index at over 150% with less than a 17% chance of future declines	The stuttering and faltering economy that refuses to move in a linear fashion like everyone wants it to. Job growth is sporadic, real wages are unchanged for a half decade.
PMI also allows for risk-based pricing and one-time mortgage insurance to help buyers with less than 20% down. Colorado Sprngs has one of the lowest risk-based MI rates in the US.	The recovery happens when consumer demand picks up. May just posted the lowest number of units closed in 13 years.

**Single Family Unit Comparison (Chart 1):** One month of data positive or negative does not constitute a trend. Three consecutive months constitutes a trend.

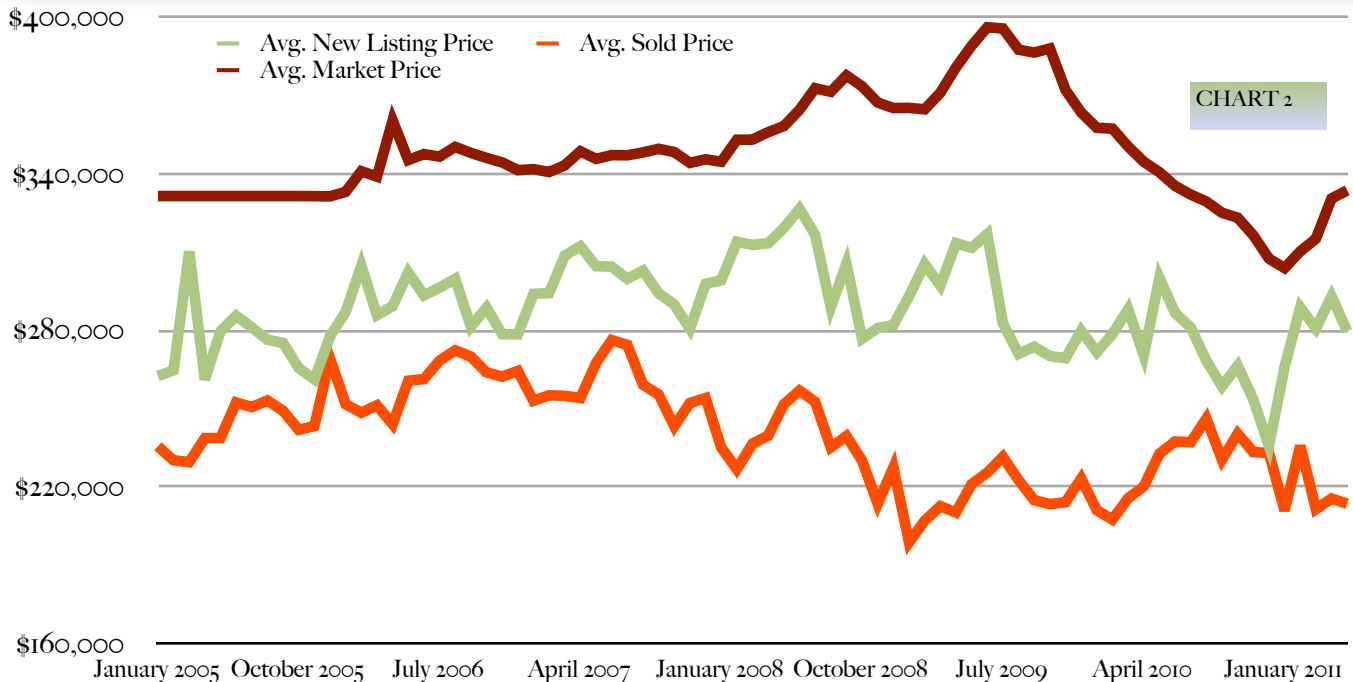
The prevailing trend for 2011 is lower listing volume. This is well-established and there are fewer listings for sale now than at anytime since 2005. What also appears to be established is lower - albeit persistent - purchasing activity. The last three months have all been lower than tax-credited 2010 results for the same month, usually by 10-15% fewer sales.

For the year, sales units are off 6.6%, and new listings are off 17.7%. May experiences a slight increase in closings over April (32 units, 4.3%) and a slight decrease in new listings over April (31 units, 2.1%). For the year, the probability of sale has increased: at this time in 2010, only 42.1% of all listings had sold; presently, 47.8% of listings have sold.



**Average Price Comparison (Chart 2):** Our market tends to move closest to pricing balance in the mid-winter months and then sellers getting speculative come spring and buyers take longer to react to an uptick in price. So far, that case has prevailed in 2011. New to market prices have already appeared less aggressive on average. However, selling prices have not picked up. Average sales price for May was \$22,000 behind May, 2010.

Part of the reason the market is not improving in terms of price is because the higher end is so soft, especially above \$525,000. From \$525,000 to \$1 million, there is 27 months of inventory, with only 51 sales in the last 90 days, and 486 properties for sale. Yet there's a gap in that buyer demand: in the very high-end, 11 sales in the last 90 days, and only 18 months of inventory from \$1.0 to \$1.5 million.



Months of Inventory (Chart 3): The alarm bells ringing over pricing and low units are muted somewhat by the stable ratio of supply and demand expressed in months of inventory. Months of inventory is right where it has been for four of the last five years.

What will be interesting is to see if June sales increase and listings flatten or decrease. Listings continued up in May (they began their descent in May 2009), and pending sales in May were weak.

New Market Activity (Chart 4): May produced the highest number of closings for the year so far, but also saw a second straight month of declining new contracts in the pending index, dropping significantly by 113 units in May.

While sales activity has been poor again this year, a market characteristic is sellers choosing not to participate: backing that up, foreclosures are down around 30% for the year.

CHART 3

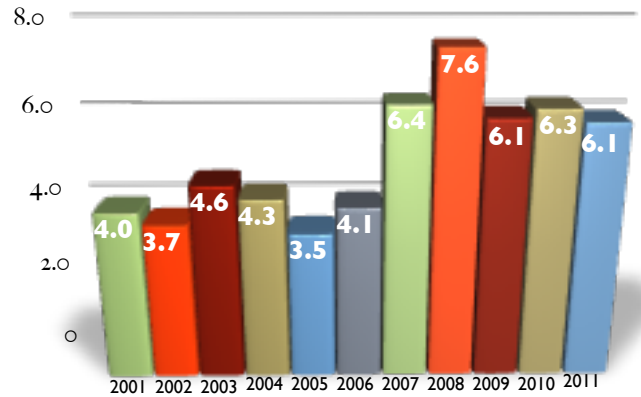


CHART 4

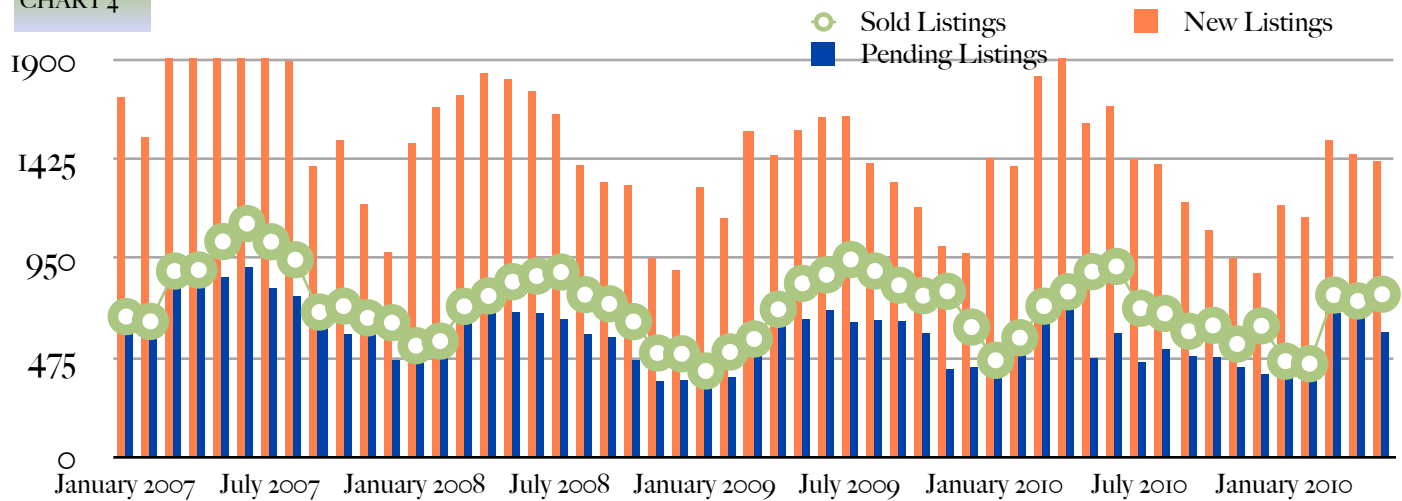


TABLE 1

Single Family Area	#SFR AC-Supply	#SFR SOLD Demand	TIME TO Months	#SFR Listed Last 3 mos	Avg List Price	Avg Sold Price	SP to List %	Avg. DOM
BLA	170	44	11.59	113	\$599,558	\$342,400	98.7%	112
BRI	234	135	5.20	251	\$347,872	\$295,145	97.8%	77
CEN	268	118	6.81	265	\$213,999	\$159,740	95.4%	71
EAS	212	109	5.83	203	\$203,704	\$163,971	98.2%	87
F/V	398	253	4.72	433	\$184,025	\$156,204	99.1%	77
FAN	186	96	5.81	207	\$279,300	\$225,600	98.5%	101
N/E	326	162	6.04	297	\$276,032	\$205,966	98.2%	98
N/W	182	57	9.58	153	\$399,953	\$303,945	97.0%	100
NGT	166	66	7.55	155	\$422,513	\$361,038	96.8%	79
OCC	87	40	6.53	90	\$198,841	\$167,108	99.2%	53
PWR	351	195	5.40	354	\$218,975	\$192,338	98.4%	74
S/E	194	152	3.83	226	\$133,831	\$119,384	100.3%	66
S/W	323	127	7.63	254	\$606,898	\$302,489	94.3%	88
TRI	317	89	10.69	246	\$501,361	\$368,773	95.8%	87
WES	109	38	8.61	83	\$467,396	\$197,014	98.5%	124
WPK	165	41	12.07	113	\$363,303	\$208,985	96.4%	168

TABLE 2 Code for this month's chart: **RED Numbers** equal values **lower** than the same time March 2010. While sales are down, ability to sell has **increased** due to lower inventory

Single Family	#SFR ACTIVE	#SFR SOLD	TIME TO SELL	#SFR Listed
Price	Supply	Demand	Months	Last 3 months
Under \$75,000	118	160	2.21	46
\$75,000 to \$99,999	174	143	3.65	83
\$100,000 to \$124,999	203	174	3.50	81
\$125,000 to \$149,999	367	253	4.35	132
\$150,000 to \$174,999	407	325	3.76	124
\$175,000 to \$199,999	431	263	4.92	155
\$200,000 to \$224,999	328	191	5.15	114
\$225,000 to \$249,999	366	189	5.81	123
\$250,000 to \$274,999	262	108	7.28	91
\$275,000 to \$299,999	290	92	9.46	100
\$300,000 to \$324,999	172	70	7.37	66
\$325,000 to \$349,999	235	77	9.16	75
\$350,000 to \$374,999	143	46	9.33	56
\$375,000 to \$399,999	202	43	14.09	73
\$400,000 to \$424,999	68	36	5.67	26
\$425,000 to \$449,999	125	26	14.42	49
\$450,000 to \$474,999	84	11	22.91	31
\$475,000 to \$499,999	119	15	23.80	54
\$500,000 to \$524,999	29	12	7.25	14
\$525,000 to \$549,999	66	14	14.14	32
\$550,000 to \$574,999	43	9	14.33	18
\$575,000 to \$599,999	74	5	44.40	31
\$600,000 to \$649,999	62	12	15.50	27
\$650,000 to \$699,999	66	5	39.60	31
\$700,000 to \$749,999	30	1	90.00	14
\$750,000 to \$799,999	53	2	79.50	31
\$800,000 to \$849,999	18	1	54.00	10
\$850,000 to \$899,999	37	4	27.75	15
\$900,000 to \$949,999	9	1	27.00	3
\$950,000 to \$999,999	28	1	84.00	18
\$1 mil to \$1.50 mil	66	11	18.00	40
\$1.5 mil to \$2.0 mil	41	2	61.50	23
\$2.0 mil & above	22	0	# DIV/0!	12
Total	4738	2302	6.17	1798

TABLE 3

Condo/Townhome	#SFR ACTIVE	#SFR SOLD	TIME TO SELL	#SFR Listed
Price	Supply	Demand	Months	Last 3 months
Under \$100,000	130	93	4.19	51
\$100,000 to \$124,999	95	54	5.28	48
\$125,000 to \$149,999	118	40	8.85	49
\$150,000 to \$174,999	86	30	8.60	35
\$175,000 to \$199,999	52	14	11.14	24
\$200,000 to \$224,999	17	8	6.38	4
\$225,000 to \$249,999	24	8	9.00	15
\$250,000 to \$274,999	14	4	10.50	4
\$275,000 to \$299,999	21	1	63.00	11
\$300,000 to \$349,999	15	3	15.00	2
\$350,000 to \$399,999	17	0	#DIV/0!	11
Over \$400,000	52	6	26.00	34

**Advice for market participants:**

**SELLERS:** Depressed. That might describe your emotional state; it might describe your real estate value. Only two tracked areas were ahead in price May 2011 over May 2010. It is more likely that your home has lost value rather than gained value in the last 12 months. Because buyers are actively comparing inventory, Zillow, and what their friends' bought, they know this better than sellers. You're also probably selling to someone who is stretching to buy your home: there's next to no one out there buying a house saying "shoot, these things are so cheap, I ought to buy two or three of 'em!" These are buyers who are willing to stretch because "it hurts now, but in a couple years, we'll be okay, and we're going to be here awhile". So if they're buying a stretch deal... they're probably not able to pay top dollar.

**BUYERS:** Be careful how you measure lasting value and sustainability. All of the following criteria effect your long-term cost of ownership: Location. Floorplan. Energy Efficiencies. Landscaping. Size of Lot. Quality of Components. Commute Times. Proximity to Services. Proximity to Schools. Curb Appeal. Neighborhood Upkeep. The price you pay for the home. Your interest rate. Your lifestyle. A careful, objective self-examination and focused attention to these criteria will help you objectively assess the marketplace and make smart purchasing decisions that can be proud of in the short-term, and delight in five to ten years from now.

**Analysis:**

It's back to being a mess. Welcome the Double Dip. So many of the indicators are looking bad. We might even default on our debt as a nation.

Hey, does anyone remember \$4.00 gas? We were talking about that last month. It's \$3.55 today. Remember the good ol' days of October, 2010 when rates were below 4.5%? They're back...

One door closes, and another one opens. The May market data was lousy. Not July 2010 lousy, but definitely weak. Not hitting 800 sales shows a market that is tied up in knots. The increasing span of distance between seller asking prices and buyer's comfort is creating yet another stand-off. Considering that more and more of the market per capita are "real sellers" (not banks, and not distressed sellers asking for their banks financial relief in order to sell) this distance makes some sense. A seller with skin in the game and personal affection for their home is going to have a harder time dumping price to get to gone. A buyer that is stretching all of their resources just to get into a house quite simply can only afford to stretch so much. Suze Orman, in another one of her endless financial advice pieces on PBS the other night said "the market will only recover when buyers choose to participate." Half of that is right. Sellers can't sell something a buyer won't buy. But that sentence reveals the half missing from Ms. Orman's rant: if seller's adjust to where buyers are at, the stand-off is resolved.

**WHERE THE PRICE STAND OFF IS RIDICULOUS:**

Looking at a half million dollar bandwidth of the market tells how wacky the price stand-off is presently, one where sellers are sick and tired of giving, and the only buyers that are cashing in are the ones that are willing to stretch. From \$500,000 to a million there have been 66 sales in the last 90 days. That might strike you as high. Of the 66, 52 were less than \$650,000. That means there were only 14 sales from \$650,000 to \$999,999. Yet there were 11 sales from a million to \$1.5 million. In other words, it was just as about as likely that a million dollar sale had a buyer as a sale from \$650,000 to \$1 million. It's almost like the buyers that can afford to get above \$650,000

decide, “you know what, let’s really check out what’s out there”, or, just as likely, they do a custom build. You can get into Cathedral Pines today for less than half of what the original dirt costs were.

**SO WHO SHOULD BE BUYING?**

The long-term owner. Nothing should be done to accommodate the class of ownership that is transient and not attached to place. Real estate may not be the right investment for that person. Real estate is all about place. Correspondingly, the person that wants to own something for five years minimum is a decent candidate. The person who wants to own, and has a motivation to stay put, for ten years... they’re a great candidate. These numbers will produce a much smaller number of people to the buying pool than previous years. The market cannot and will not rebound quickly under the weight of such a massive demographic shift. Houses are not liquid like stocks. So for the next year, and possibly two to three, it will be characterized by the stretching buyer. Low interest rates in the short-term are a necessity for such buyers; job creation is a necessity in the long-term. But why there is room to be bullish on future appreciation is this: under \$250,000 now, every price bracket has less than 6 months inventory (seller-controlled pricing). That constitutes more than 70% of all sales. Without a deadline-fueled stimulus, with 30% fewer foreclosures year to date, with actual people and not banks making decisions, this base can rebuild the market. It won’t rebuild the market quickly and won’t provide good press, but it will do it slowly and sustainably.

If you know someone who would appreciate a copy of this newsletter, please call or email today...

**Pikes Peak Regional Numbers**

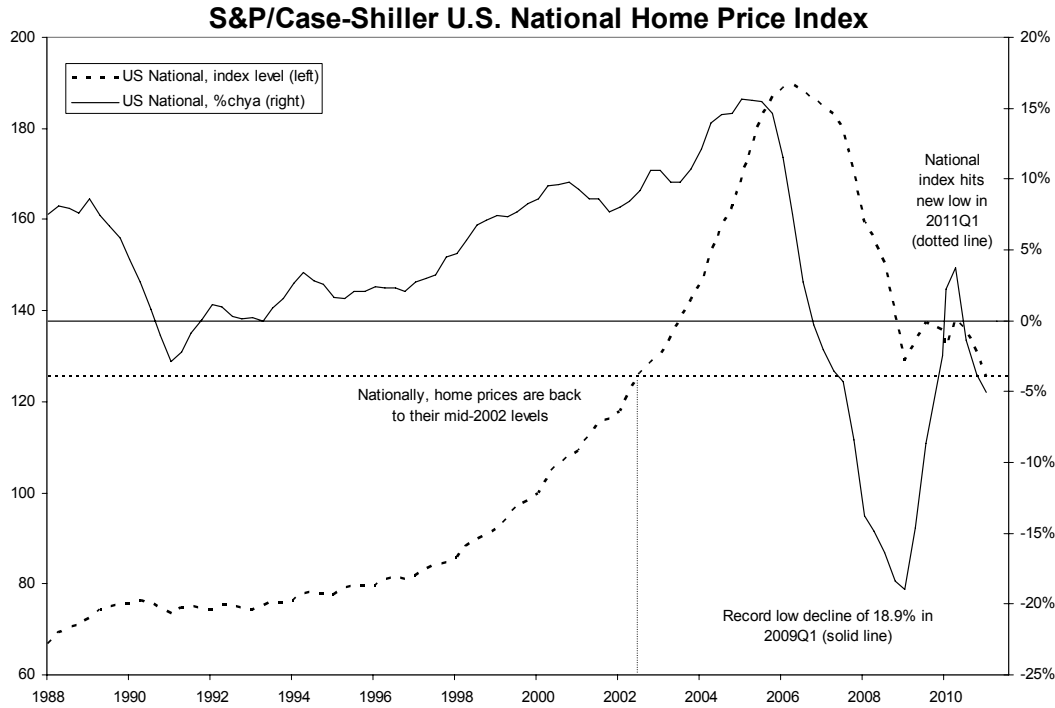
Single-Family Homes Sold May 2011	Trending
780	Sales were off 2.5% from projections and May pending sales were weak
Avg. Sales Price YTD	Trending
\$213,500	Surprising dip in May, the normal inclination is for a series of gains into August.
Number of Listings for Sale	Trending
4713, down almost 18% and 837 fewer units than this time last year	May still crest near 5000, but due to scarce supply, relocating buyers are deciding quickly
30-Year Fixed Rate	Trending
4.6% Rates via Tim Duvall, Academy Mortgage	Rates improved last 10 days, with VA rates as low as 4.5%, FHA and CV occasionally lower than 4.5%



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CHART 5

Appendix: Additional National Data and Third-Party Information Sites



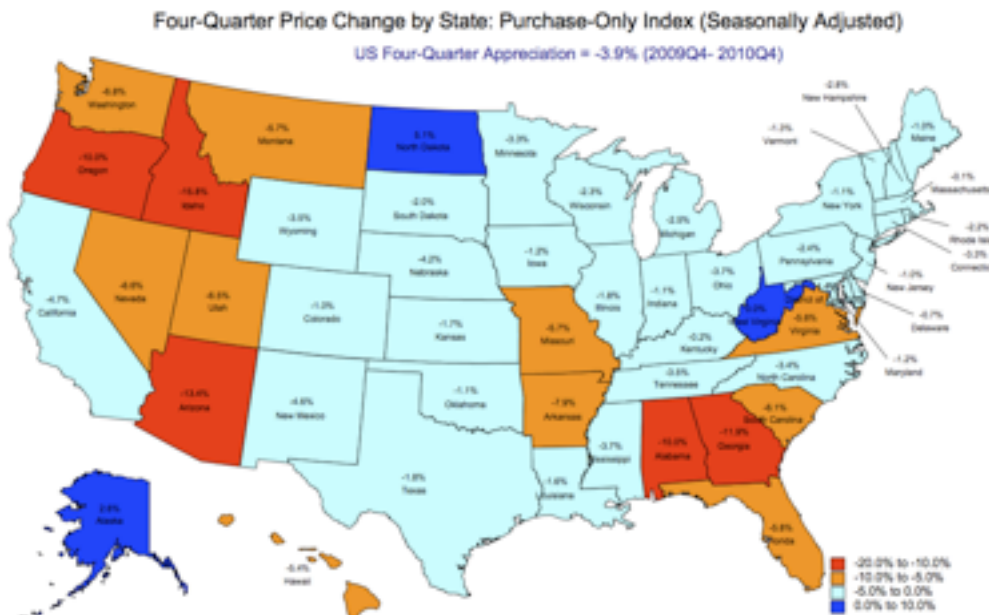
Source: Standard & Poor's and Fiserv

<http://www.standardandpoors.com/indices/sp-case-shiller-home-price-indices/en/us/?indexId=spusa-cashpidff--p-us--->

National Pricing Trends:

Chart 5 shows the popular graphic showcasing prices in the Top 10 and Top 20 National Real Estate markets as created by investment company Standard & Poor's. Nationally, a double-dip is happening with 18 out of 20 markets reporting drops in the last report. The post tax credit slump has past and values in this index on a national basis are showing a downward progression beyond the early 2009. Detroit, Cleveland and Las Vegas are all at pre-2000 prices, and Phoenix is very close to prices circa 2000.

CHART 6



National Pricing Trends:

Chart 6 shows dated from FHFA.gov a government oversight agency that monitors loan activity, both purchase and refinance, for all counties in the United States. This data has moved more incrementally and with less volatility. This graphic shows that price declines are still the norm nationwide, but that those declines have moderated.

## Freddie Mac 30 Year Fixed Rate Mortgage Monthly National Averages

**TABLE 5**

	2011		2010		2009		2008		2007		2006		2005	
	Rate	Pts	Rate	Pts	Rate	Pts	Rate	Pts	Rate	Pts	Rate	Pts	Rate	Pts
January	4.76	0.8	5.03	0.7	5.05	0.7	5.76	0.4	6.22	0.4	6.15	0.5	5.71	0.7
February	4.95	0.7	4.99	0.7	5.13	0.7	5.92	0.5	6.29	0.4	6.25	0.6	5.63	0.7
March	4.84	0.7	4.97	0.7	5	0.7	5.97	0.5	6.16	0.4	6.32	0.6	5.93	0.7
April	4.84	0.7	5.1	0.7	4.81	0.7	5.92	0.4	6.18	0.5	6.51	0.6	5.86	0.6
May	4.64	0.7	4.89	0.7	4.86	0.7	6.04	0.7	6.26	0.4	6.6	0.5	5.72	0.6
June			4.74	0.7	5.42	0.7	6.32	0.6	6.66	0.4	6.68	0.5	5.58	0.6
July			4.56	0.7	5.22	0.7	6.43	0.7	6.7	0.4	6.76	0.5	5.7	0.5
August			4.43	0.7	5.19	0.7	6.48	0.7	6.57	0.4	6.52	0.4	5.82	0.5
September			4.35	0.7	5.06	0.7	6.04	0.7	6.38	0.5	6.4	0.5	5.77	0.6
October			4.23	0.8	4.95	0.7	6.2	0.7	6.38	0.5	6.36	0.4	6.07	0.5
November			4.3	0.8	4.88	0.7	6.09	0.7	6.21	0.4	6.24	0.5	6.33	0.6
December			4.71	0.7	4.93	0.7	5.29	0.7	6.1	0.5	6.14	0.4	6.27	0.5
Avg			4.69	0.7	5.04	0.7	6.03	0.7	6.34	0.4	6.41	0.5	5.87	0.6

### Consumer Information:

Table 5 shows just how low today's interest rates are relative to the previous six years of abnormally low interest rates. While these rates are very low, it is notable that to get a market rate on a \$200,000 mortgage, it now costs a consumer around \$650 more to get that rate in closing costs than it did just three years ago (see the accompanying column called "Pts", abbreviation for "points-paid to obtain rate." The just released average rate for March is 4.87, consistent with the last three months of rate activity.

Chart 7 shows where interest rates have been each of the last 10 years. Right now, rates are actually lower than they were in April 2010, the lowest they have ever been entering peak buying season. Graphic Information courtesy aMY L cavENDER., Sr. Loan Officer, Cornerstone Mortgage Company Mobile: 719-321-4575 Fax: 888-749-7751 [acavender@houseloan.com](mailto:acavender@houseloan.com) amycavendereml@gmail.com

**CHART 7**

