

THE STAT PACK, 2011 Mid-Year REVIEW



The Stat Pack is created by Benjamin Day and Hannah Parsons.
Find them at www.PikesPeakUrbanLiving.com

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):

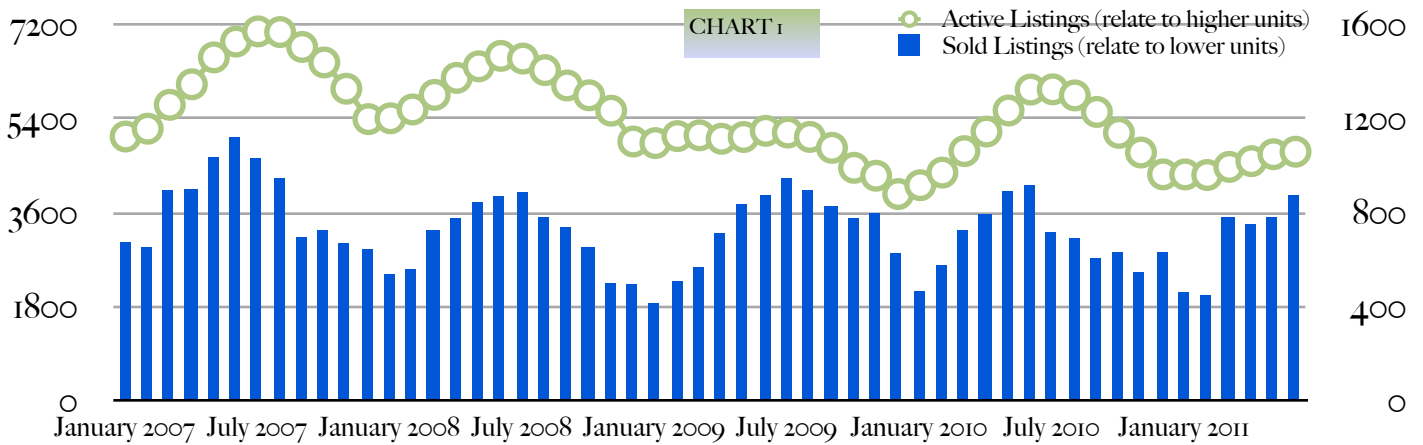
- LOCATION, LOCATION, LOCATION
- MONEY IS MADE ON THE BUY
- SELLERS SET ASKING PRICES; BUYERS DETERMINE VALUE
- BUYERS BUY VALUE
- THOSE WITH POWER HAVE FEW NEEDS. THOSE WITH NEEDS HAVE LITTLE POWER
- THE HARDEST THING TO GAIN IS TRUST; THE EASIEST THING TO LOSE IS TRUST

"Based on information from the Pikes Peak REALTOR Services Corp. ("RSC"), for the period January 1, 2005 through July 13, 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, Zillow.com, Standard & Poors, Freddie Mac, Colorado Springs Business Journal, ROOST.com, ALTOS Research, www.PMI-US.com.

STRENGTHS	WEAKNESSES
Fourth straight month posting 6 months of inventory with most sales in a month YTD.	Low sales in June with a year to date average price similar to 2002
Almost 1200 fewer homes listed than same time last year with similar sales rate	Over 650 listed distress sales and next to no new inventory means that there isn't much to choose from that's "turn-key"
Money leverage continues to be outstanding with 4.5% to 4.75% interest rates	The consumer expectation for quality, features and amenities at a price has never been greater (see Thresholds in Analysis).
OPPORTUNITIES	THREATS
Private Mortgage Insurance (www.PMI-US.com) 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.	You can't save your way to an economic recovery, it ultimately depends on people "spending." Listing inventory is way down, but demand is about what it's been for the last four summers.

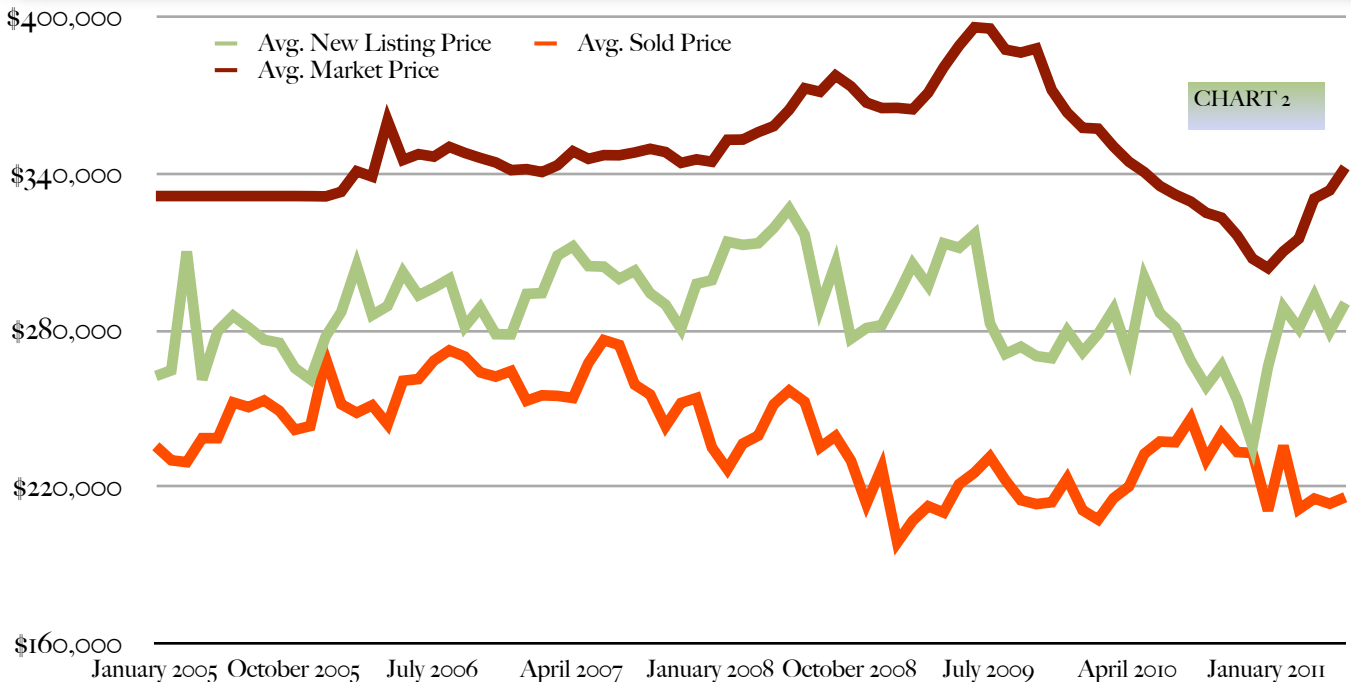
Single Family Unit Comparison (Chart 1): The prevailing trend for 2011 is lower listing volume. This is well-established and there are fewer listings for sale now than at anytime since 2005. What also appears to be established is lower - albeit persistent - purchasing activity. The previous three months have all been lower than tax-credit-fueled 2010 results for the same month, usually by 10-15% fewer sales. But June 30, 2010 was the cutoff date for the 2010 Tax Credits, and the 913 units that closed in June 2010 were only 5% more than the 872 that close in June, 2011. May was a dreadful closing month, but June 2011 was a single unit less than June 2009 and superior to June 2008.

For the year, sales units are off 5.8%, and new listings are off 17.4%. For the year, the probability of sale has increased: at this time in 2010, only 44.6% of all listings had sold; presently, 50.5% of listings have sold. Listing volume continued to climb into August in 2010, but peaked in mid June 2011, and has come down by almost 100 listings from the June inventory peak. At this time last year, the second half promised lower probability of sale as inventories still rose while demand disappeared. This year inventories are whittling down slightly with stable demand.



Average Price Comparison (Chart 2): This is the biggest puzzle in the market right now: there have been four consecutive months around 6 months or less of inventory on the market, a barometer that usually forecasts price increases and seller control. Yet prices have moved steadily downward with no appreciable gains in average sales price, and many neighborhood markets seeing substantial declines consistent with massive power wielded by buyers, not sellers.

The market showed signs of improvement in 2009 and 2010 when sellers responded to buyers by pricing their properties in flow with where buyers were most active. The 2nd half of 2009 benefitted from Tax Credits, but also a big drop off in seller expectations for price. The inventory numbers say prices should rise, but they're not, the next culprit is price and the span in average asking price to average selling price is big.



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 lower this time of year than it has been in five years, and had been stable for three months prior to that.

This balance should propel pricing upward, but first, asking prices must come in line with buyer expectations.

New Market Activity (Chart 4): Sales spiked, pendings were up a good amount and new listing activity declined. In fact, March was the peak listing month in 2011 and fewer listings have been coming on the market each month.

This is leading to a more competitive market between sellers. But sellers still need buyers in order to complete a sale.

CHART 3

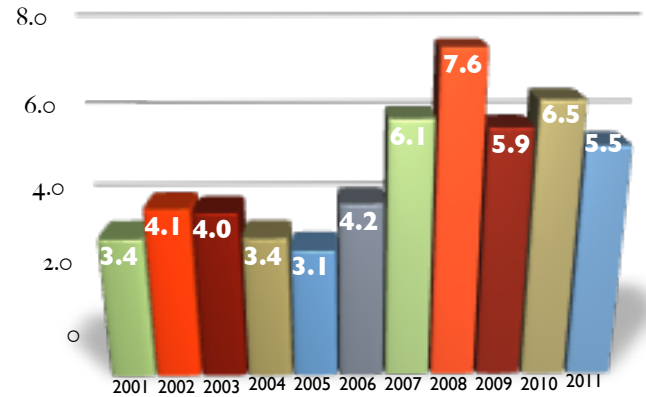


CHART 4

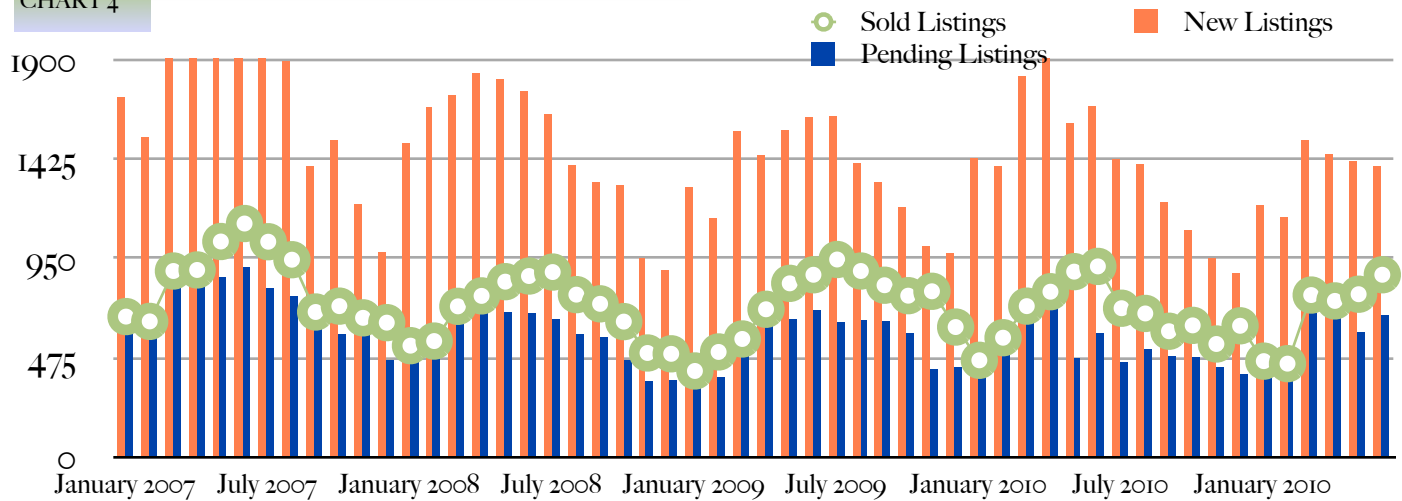


TABLE 1

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	178	55	9.71	131	\$609,444	\$342,400	96.1%	97
BRI	248	168	4.43	262	\$339,344	\$295,145	97.2%	92
CEN	276	155	5.34	288	\$228,114	\$159,740	97.4%	78
EAS	233	157	4.45	225	\$200,395	\$163,971	100.8%	103
F/V	381	304	3.76	444	\$189,354	\$156,204	98.6%	87
FAN	182	117	4.67	209	\$277,518	\$225,600	96.4%	94
N/E	316	201	4.72	351	\$274,503	\$205,966	97.2%	72
N/W	178	83	6.43	170	\$394,629	\$303,945	95.6%	118
NGT	167	64	7.83	143	\$436,505	\$361,038	98.5%	70
OCC	103	57	5.42	93	\$293,572	\$167,108	95.6%	60
PWR	324	226	4.30	395	\$21,918	\$192,338	98.0%	98
S/E	175	165	3.18	231	\$134,900	\$119,384	99.2%	84
S/W	342	128	8.02	270	\$449,250	\$302,489	97.1%	109
TRI	322	117	8.26	248	\$449,900	\$368,773	96.9%	112
WES	98	48	6.13	86	\$339,997	\$197,014	96.7%	77
WPK	164	50	9.84	124	\$299,000	\$208,985	97.4%	99

TABLE 2

Single Family	#SFR ACTIVE	#SFR SOLD	TIME TO SELL	#SFR Listed
Price	Supply	Demand	Months	Last 3 months
Under \$75,000	112	171	1.96	48
\$75,000 to \$99,999	148	133	3.34	63
\$100,000 to \$124,999	209	175	3.58	81
\$125,000 to \$149,999	339	258	3.94	150
\$150,000 to \$174,999	386	339	3.42	131
\$175,000 to \$199,999	427	283	4.53	140
\$200,000 to \$224,999	338	217	4.67	116
\$225,000 to \$249,999	364	206	5.30	117
\$250,000 to \$274,999	265	114	6.97	94
\$275,000 to \$299,999	279	92	9.10	109
\$300,000 to \$324,999	170	65	7.85	65
\$325,000 to \$349,999	256	83	9.25	94
\$350,000 to \$374,999	144	48	9.00	59
\$375,000 to \$399,999	186	46	12.13	76
\$400,000 to \$424,999	70	38	5.53	27
\$425,000 to \$449,999	128	32	12.00	54
\$450,000 to \$474,999	71	11	19.36	25
\$475,000 to \$499,999	116	21	16.57	55
\$500,000 to \$524,999	30	12	7.50	13
\$525,000 to \$549,999	69	11	18.82	30
\$550,000 to \$574,999	40	7	17.14	22
\$575,000 to \$599,999	77	5	46.20	32
\$600,000 to \$649,999	67	15	13.40	31
\$650,000 to \$699,999	70	10	21.00	40
\$700,000 to \$749,999	30	1	90.00	14
\$750,000 to \$799,999	55	3	55.00	34
\$800,000 to \$849,999	22	1	66.00	9
\$850,000 to \$899,999	36	3	36.00	17
\$900,000 to \$949,999	6	0	# DIV/o!	1
\$950,000 to \$999,999	35	0	# DIV/o!	22
\$1 mil to \$1.50 mil	68	11	18.55	45
\$1.5 mil to \$2.0 mil	48	1	144.00	24
\$2.0 mil & above	27	1	81.00	13
Total	4688	2413	5.83	1851

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 (characterized as people of “True Grit”...):

SELLERS: Understand that buyers are a lot like Mattie Ross in True Grit, and your role unfortunately, is a bit like the bewildered US Marshal being pestered by this whipper-snapper. And if you haven't seen True Grit, spend 54 seconds on YouTube and watch this [clip](#). Mattie Ross is a 14 year old girl looking to hire a bonded US Marshal. She also wants - no, demands -to accompany him on the chase. Her experience in the woods thus far in her life was camping out one night with her pappy on a coon hunt. In her eyes, she's good and ready. The US Marshal is understandably confused, bewildered and taken aback by the youngster's brashness. But the persistence and unwavering commitment to her cause is Mattie's strength. Mattie is just like a buyer operating in today's market. The market tipped in April 2006. Buyers have the grit to hold out for something better because it's only gotten better for them over the last five years. Prices have fallen. Inventories have increased. Money leverage has increased 25% due to sunken interest rates. Despite all these advantages, they see themselves as the ones taking all the risk because unemployment is at 9.2% and for a half decade, they haven't seen anyone make money on real estate, only lose money. For five years now buyers have enjoyed more power with each successive month. This “door of opportunity” has not closed once since April 2006, and instead, seems to grow wider with each successive month. Correspondingly, the facts according to the buyers are this: they've got nothing to lose by going for the gold. In fact, they think they're fools if they don't. Sellers tend to think it's audacious and brash to be asked to reduce their price, pay someone's closing costs, leave patio furnishings and pack everything while a buyer goes and sees if they can actually get their loan closed... Who are these uninitiated characters asking such ridiculous things of sellers? Well, they're called buyers. And without buyers, there can be no sales. Sellers: do you want to be offended by the opportunity to get a deal done? Or would you rather not have the chance at any deal?

BUYERS: Mattie Ross would have never found Tom Chaney without US Marshal Rooster Cogburn. In order to get a deal done... you eventually have to buy a seller's house.

Analysis:

Two market-moving trends are running in opposition to one another: average sales price is sputtering and is actually down for the year; this, while months of inventory has been at 6 months or better, a barometer that usually indicates seller control and forthcoming appreciation. If supply and demand rules pricing, why is it not ruling pricing today? If pricing was going up, participants in the market would not be characterized by their grit or their resiliency; they'd be characterized by their optimism, hope and opportunism. Since prices are not moving up (and there were still less than 900 closed units in June, a bellwether month for peaking activity), the contention is that the market is still in the tank. Consumers, media and REALTORS more readily understand the past (average sales price) than the future (what months of inventory might bring). So the question is: in this conflict between sinking prices and decreased supply, which will prevail over the next six months?

THRESHOLDS IN THE MARKET

One of the reasons prices aren't going up is that buyers 1.) feel that it is very risky to buy given the present economy and 2.) calculate value very differently than any generation prior. Consumers are familiar with objectively measuring data (1 is less than 2, a 3-car garage is “better” than a 2-car) because they do this daily and hourly. But high-stakes right-brain decisions (will my family benefit from a higher priced property with a big yard on a cul-de-sac, or in a house with nothing to upgrade for the next ten years?) are not something they do frequently. The “average” buyer plans to be in their home for 10-15 years. How do you objectively use data to determine your

next 10 to 15 years of your life? You don't. You tell yourself a story with your right brain. Sellers, meanwhile, are pricing their homes based on measurable, quantifiable datapoints: the left brain. Buyers, knowing it or not, are buying homes with their right brain. Sellers, knowing it or not, are pricing and marketing their homes with their left brain. This leads to a huge disconnect that makes deal-making hard. Think for a moment about this: historically, a buyer moving up in price, usually didn't buy a home twice the price of the home that they were selling. But that's pretty close to the reality at 4.5% interest. If you're coming out of a 6.5% loan on \$200,000, you had a \$1280 PI payment (that was a standard rate in 2002, 2003 and again in 2006). Have a couple kids, gain a few tax breaks, perhaps you're lucky and make more money now than you did five years ago, and a \$350,000 mortgage will set you back... \$1773 a month. That's all that costs on 4.5% interest. A 39% increase in monthly mortgage expense for a move-up house historically isn't that much. The former model of a move-up purchase (circa 2005): more bedrooms, more bathrooms, maybe a bigger garage and more square footage. The new model is: "hey, we're almost doubling the value of the home we're purchasing, we're not going anyway for a decade at least, it ought to have granite, hardwoods, a quiet big yard..." If you were selling a \$30,000 car in order to buy a \$52,000 car... would your expectations for durability, quality and pride of ownership be significantly greater? Sellers and agents both too often price their homes on "measurable" features. They then are often annoyed and confused that buyers looking around these measurables, and fixate on things like the lack of fence in the yard, the garage that is too short, that bedroom that isn't on the main level, etc. Sellers that price their homes on benefits, and even better, in-flow with buyer expectations... they are part of the 50.5% that year to date have sold.





THE SIX MONTHS TO COME

Forecasting the second half: it's hard to predict a gain in values when they should have happened so far but haven't yet shown, but it is easy to speculate on "ifs". Only one "if" really matters: "if" sellers get in flow with buyers. Buyers have fewer bank-owned homes to choose from. They have fewer to no new built homes to choose from. They have very few properly priced, "good-value" homes to choose from, and when they do have that opportunity, they buy them (60% of the market sells in 60 days or less... but average sales time is 94 days). Sellers that meet buyer's expectations - and not their own - can uncork the market, and make that supply and demand function start to make sense. Buyers are going to run out of options in the second half. The homes they buy are as likely on the market already as they are to come to market between now and December.

The only measure of a home's worth is what a buyer says it's worth. What this means is that the average price on the market will likely fall, as will the average price coming on the market. And with these two metrics falling, the average price selling will actually climb. Sellers: Buyers won't come up to meet you without you making the first one or two moves towards them first. The predicted avg. sale price increase will come at the expense of present and future sellers decreasing expectations. With money leverage comes buyers looking in bigger and bigger price brackets. It only costs \$5.10 per thousand dollars at 4.5% interest. So if buyers are looking to \$250,000 and everything to \$250,000 is lousy compared to you, but you're \$14,000 higher, you might be off that "perfect buyer" radar and instead competing with the expectations of buyers that are looking to \$280,000 or even \$290,000. You can't price a home any more on features and "make adjustments". Instead, you have to place a home in-flow where today's buyer will find it "delightful/enchanting/worth talking about." That's an entirely different game then the one that's been played for three decades.

Finally, it looks like the year will end with fewer than 4000 listings and possibly under 3800 listings. Those are low numbers. If sales rate is stable, that makes a genuine sustained recovery probable.

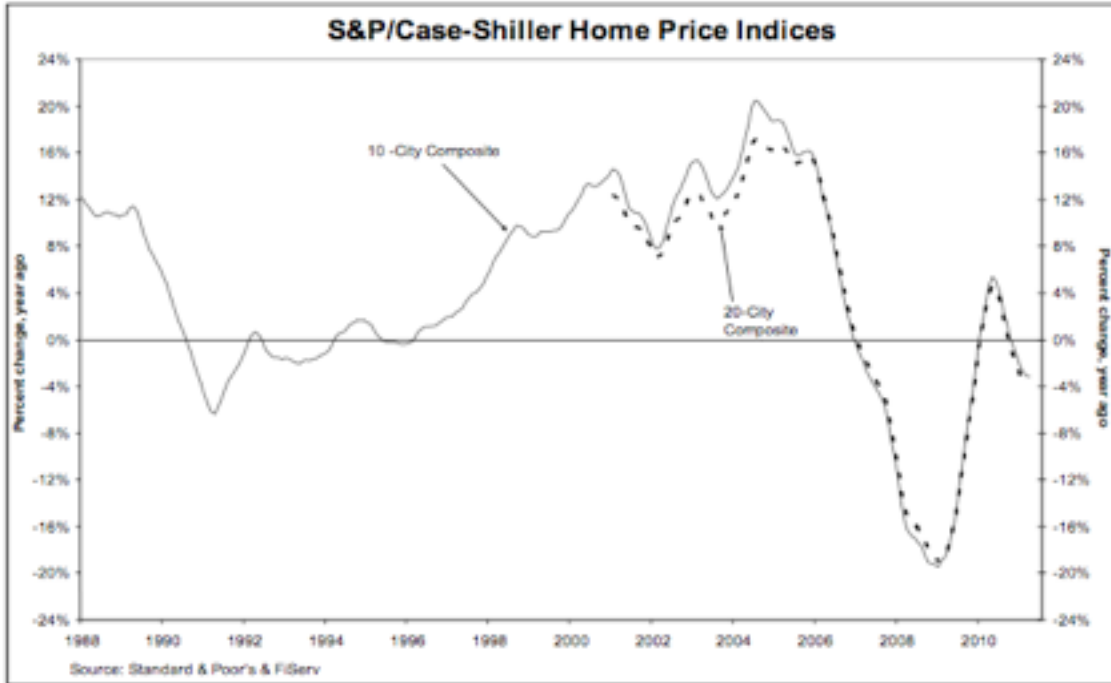
If you know someone who would appreciate a copy of this newsletter, please call or email today...

Single-Family Homes Sold June 2011	Trending	Avg. Sales Price YTD	Trending	Number of Listings for Sale	Trending	30-Year Fixed Rate	Trending
872		\$215,739		4761, down almost 18% and 1158 units fewer than this time last year		4.6%	
	31 units less than the 2010 First Time Buyer Tax Credit Peak Month. Likely 800+ July & Aug		Likely rising to \$220,000 to \$225,000 by year's end, still down from 2010.		Numbers are falling after cresting over 4820 in June.		Rates are volatile, ranging from 4.5% to 4.8% with recent economic uncertainties.



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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 occurred early this spring, and began at least a one month correction in April. Values were higher in 13 of 20 MSA's in the most recent edition, but were trailing year over year by 4%.

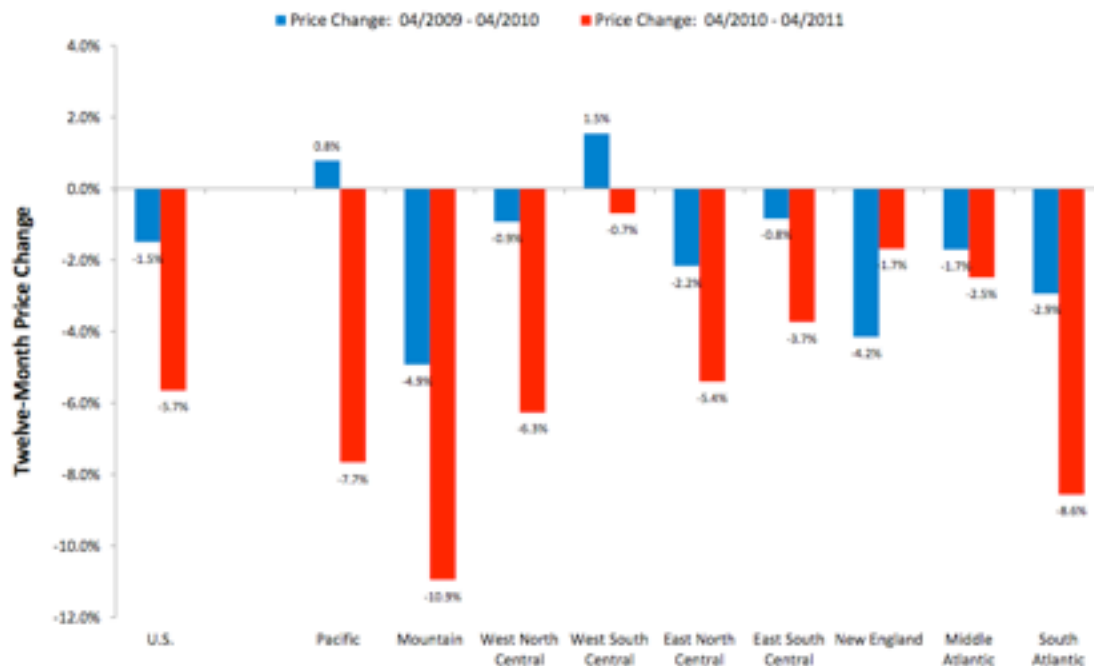
Case-Shiller had projected a possible recovery in three counties in Colorado by the end of 2012, Boulder, Larimer and El Paso (Colorado Springs) due to lower inventories. That report was published in December and has not been updated at press time.

National Pricing Trends:

Chart 6 shows data from FHFA.gov a government oversight agency that monitors loan activity, both purchase and refinance, for all counties in the United States. They are also pushing the agenda for QRM, a proposal that would remove less than 20% down conventional loans from circulation unless lenders had the capital on-hand to actually lend. This is being considered as one of the many highly complicated fixes to the government control of Fannie Mae and Freddie Mac.

Selley Group as a company does not endorse this drastic change being considered, but is providing this graphic showing FHFA's numbers on what has occurred throughout the country after the tax-credit expiration. It should be noted that Colorado Spring drop of 4% in 12 months is half the rate of drop seen in the mountain region.

Figure 4: Twelve-Month Price Changes – Prior Year vs. Most Recent Year



Freddie Mac 30 Year Fixed Rate Mortgage Monthly National Averages

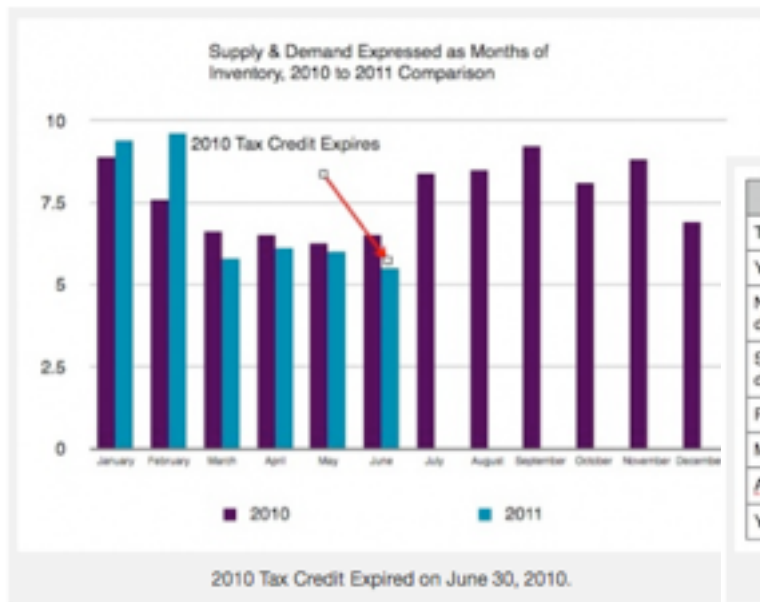
	2011		2010		2009		2008		2007		2006		2005		CHART 7
	Rate	Pts	Rate	Pts	Rate	Pts	Rate	Pts	Rate	Pts	Rate	Pts	Rate	Pts	
January	4.76	0.8	5.03	0.7	5.05	0.7	5.76	0.4	6.22	0.4	6.15	0.5	5.71	0.7	
February	4.95	0.7	4.99	0.7	5.13	0.7	5.92	0.5	6.29	0.4	6.25	0.6	5.63	0.7	
March	4.84	0.7	4.97	0.7	5	0.7	5.97	0.5	6.16	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	4.51	0.7	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	

Money Leverage

So far, 2011 has provided consistently low interest rates. Right now, during peak buying season, they are at a low point year to-date. A quick and easy factor of value is that every 1% drop in interest rate increases a buyer's buying power by 11%.

Mid-Year Perspective

Two graphs highlighting the beneficial shift in 2011 that could be produced due to reduced inventories.



	July 1, 2011	July 1, 2010
Total Active Listings (SFR)	4761	5917
YTD Sold Units (SFR)	4107	4361
New Listings previous 30 days (SFR)	1400	1676
Sold Units previous 30 days (SFR)	872	913
Present Interest Rate	4.625%	4.5%
Months of Inventory	5.4	6.4
Avg Sales Price YTD	\$215,739	\$222,779
YTD Sales Volume	\$886,040,073	\$971,539,219

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