

# THE STAT PACK



The Stat Pack is created by Benjamin Day and Hannah Parsons, Selley Group Real Estate. Find them at [www.PikesPeakUrbanLiving.com](http://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):

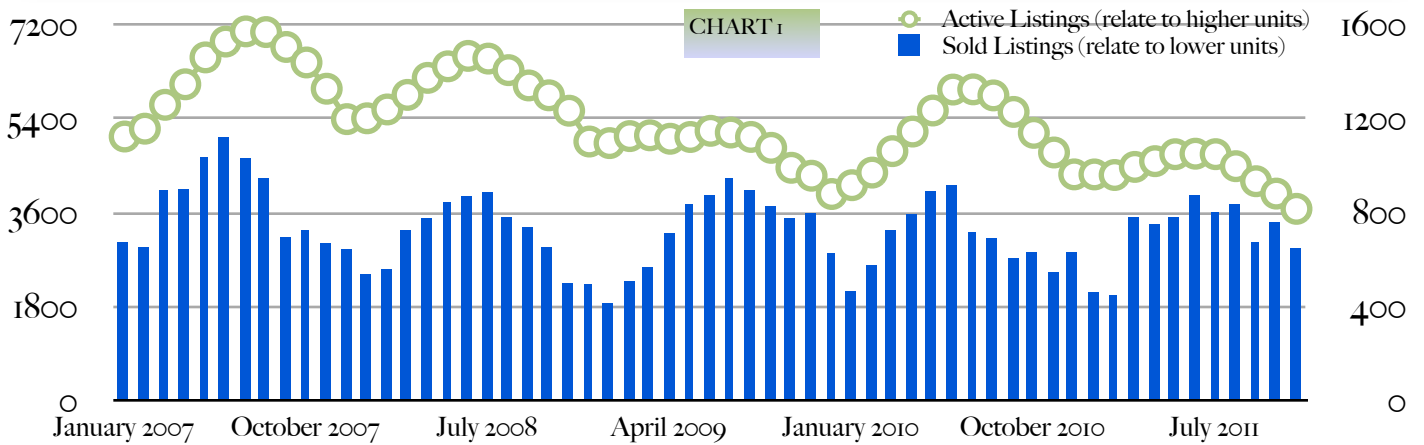
- LOCATION, LOCATION, LOCATION
- MONEY IS MADE ON THE BUY
- SELLERS SET ASKING PRICES; BUYERS DETERMINE VALUE
- BUYERS BUY VALUE
- THOSE WITH POWER HAVE FEW NEEDS. THOSE WITH NEEDS HAVE LITTLE POWER
- THE HARDEST THING TO GAIN IS TRUST; THE EASIEST THING TO LOSE IS TRUST

"Based on information from the Pikes Peak REALTOR Services Corp. ("RSC"), for the period January 1, 2005 through December 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](http://www.FHFA.gov), Zillow.com, Standard & Poors, Freddie Mac, Colorado Springs Business Journal, ROOST.com, ALTOS Research, CNBC.com, Bloomberg.com, [www.PMI-US.com](http://www.PMI-US.com).

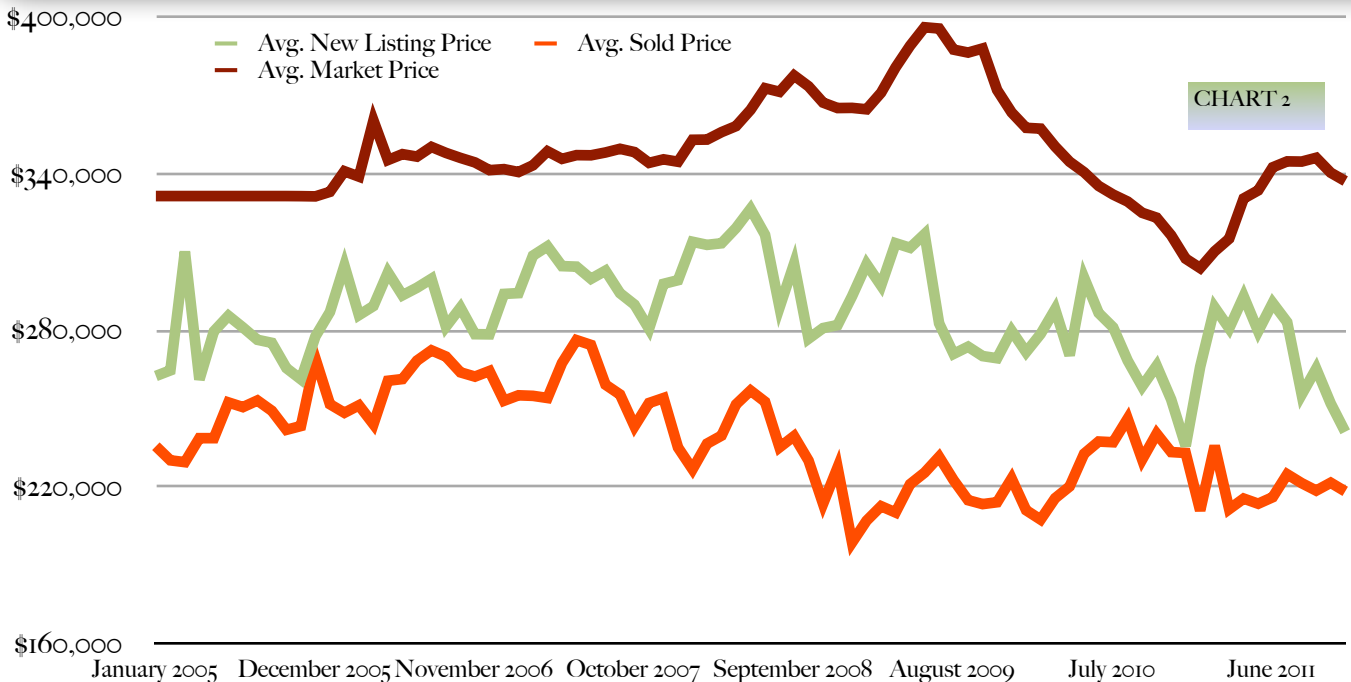
| STRENGTHS   | WEAKNESSES   |
|---|--|
| If numbers for recovery were to be dreamed up, they would show less than 6 mos of inventory, all-time low rates, reduced inventory and stable purchasing activity. All presently apply. | Budget Deal? Debt Deal? What are those. Government malfunctions are casting an increasingly large shadow over all markets.   |
| There are more than 1000 fewer listings than this time last year (22.7% fewer) and 250 more sales (3.4% increase) than last year  | It is terribly difficult to accurately project what will happen in 2012. The market is poised for improvement now. All it takes to undo that is a surge of new listings.         |
| The most amazing stat is that there are only 5.68 months of inventory for sale in December. That number was 8.75 last year, and nationally is at 8.5 now.                               | The macro-economic environment is bad enough; coupled with a toxic political environment, prospective buyers can be forgiven for not paying attention "the market of a lifetime" |
| OPPORTUNITIES   | THREATS  |
| It is \$4.77 per thousand to finance your money these days. That means the Principal & Interest payment on a \$200K mortgage is only \$954 a month.                                     | Purchase money remains very tight and only for the highly qualified.   |
| This is a buy and hold market, but the "hold" part is looking better and better   | Will the lack of Debt Deal really lead to an additional \$500 billion in DOD cuts? How much of that in Co. Springs?  |

Single Family Unit Comparison (Chart 1): The dominant trend in the market is scarce inventory. Inventory began declining in June and now represents the smallest inventory available for purchase in 10 years. If you are looking for similar market conditions, you would have to go back to December 2001 to find so few houses for sale. And months of inventory (5.7) is at the lowest point it has been since December 2005, back in the days when conventional wisdom said that a home ought to appreciate 10-20% a year. These variable improvements lead us to say "the conditions are perfect for recovery in 2012; but it is entirely dependent on consumer action."

Should present conditions hold, appreciation will occur in 8-15 months. But there is no reason to believe conditions will stay the same. If the six year downturn has taught us anything, it is that all conditions stay the same... until they change. And everything changes. The dominant trend in 2011 (as in 2001) was low inventory. It seems reasonable to believe that listing volume will remain low in 2012 because this is a "volunteer" market: sellers are less and less being forced to sell, foreclosures and distress sales are a smaller percentage, etc. But if listings increase, all bets are off.



Average Price Comparison (Chart 2): 2011 has lacked pricing volatility. Average sales price is down 4.5% but has been down around 4.5% for most of the calendar year; this number also appears to be skewing the economic realities of a flat market. While the "average price" measures what is selling, individual neighborhoods for the most part are frequently showing prices down less than that year over year and in some cases are flat to just slightly ahead of where they were one year ago. More motivated new-to-market sellers showed great restraint again last month registering a very reasonable \$243,000 average starting point: these are sellers pricing to sell. One year ago, that number was \$10,000 higher, two years ago \$25,000 higher and three years ago \$37,000 higher. The relationship between average new listing price and average selling price is shortening, and with less than 6 months of inventory (6.22 months of inventory for 8 straight months now), the market appears to be in competitive balance.



Months of Inventory (Chart 3): The most compelling way to show that the market fundamentals are moving back into line is in months of inventory, which has been at 5.2 to 6.2 months each month since April. December begins at 5.7. This barometers an improving market.

From 2001 to 2006, the average months of supply on the market this time of year was 5.35 months. Right now we are at 5.68 months of supply.

New Market Activity (Chart 4): Pending activity has decreased but activity has remained higher than this time last year. Sales have been up and down, but remained largely stable this year compared to the greater peaks and valleys in the three previous years.

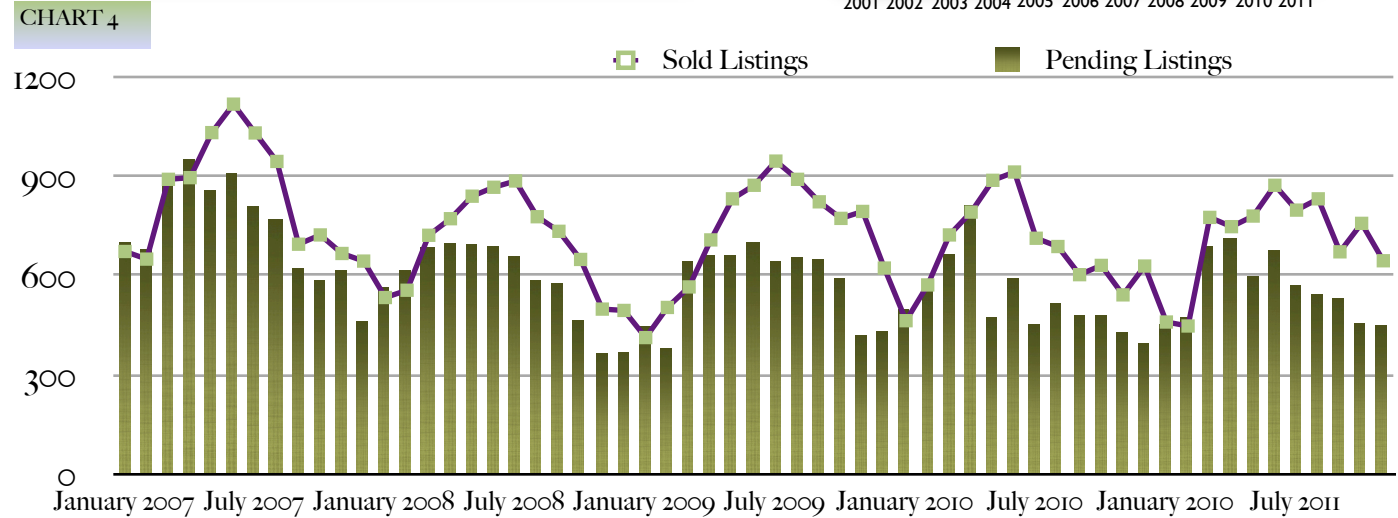
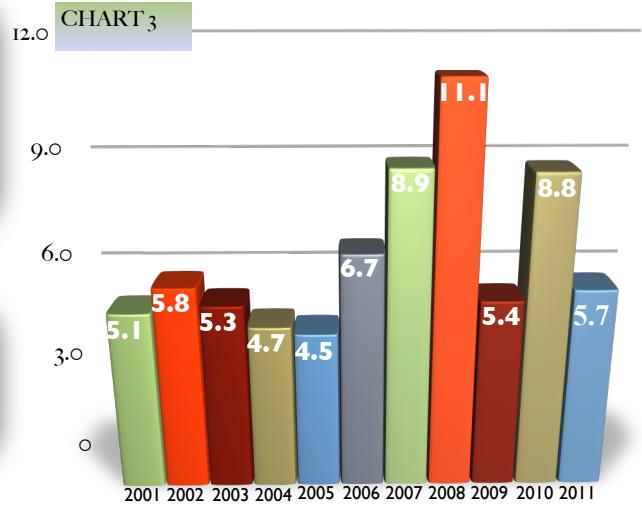


TABLE 1

| Single Family Area | #SFR ACTIVE All For Sale | #SFR SOLD Last 3 mos | TIME TO SELL Months | #SFR Listed Last 3 mos | Avg List Price | Avg Sold Price | SP to LP List % | Avg. DOM |
|--------------------|--------------------------|----------------------|---------------------|------------------------|----------------|----------------|-----------------|----------|
| BLA                | 135                      | 65                   | 6.23                | 75                     | \$628,809      | \$334,551      | 89.9%           | 133      |
| BRI                | 187                      | 150                  | 3.74                | 170                    | \$329,723      | \$251,907      | 101.2%          | 104      |
| CEN                | 227                      | 204                  | 3.34                | 211                    | \$234,360      | \$163,371      | 97.1%           | 88       |
| EAS                | 180                      | 191                  | 2.83                | 203                    | \$196,336      | \$154,061      | 97.8%           | 97       |
| F/V                | 335                      | 372                  | 2.70                | 391                    | \$191,587      | \$177,069      | 100.9%          | 60       |
| FAN                | 229                      | 144                  | 4.77                | 127                    | \$275,601      | \$224,932      | 97.7%           | 72       |
| N/E                | 212                      | 211                  | 3.01                | 247                    | \$270,193      | \$227,631      | 97.4%           | 102      |
| N/W                | 135                      | 86                   | 4.71                | 106                    | \$393,957      | \$374,670      | 96.0%           | 126      |
| NGT                | 129                      | 92                   | 4.21                | 126                    | \$482,136      | \$344,593      | 95.9%           | 87       |
| OCC                | 76                       | 69                   | 3.30                | 83                     | \$198,135      | \$162,338      | 95.5%           | 92       |
| PWR                | 232                      | 249                  | 2.80                | 270                    | \$213,259      | \$178,837      | 98.4%           | 91       |
| S/E                | 154                      | 181                  | 2.55                | 185                    | \$141,223      | \$117,966      | 98.7%           | 104      |
| S/W                | 241                      | 157                  | 4.61                | 177                    | \$641,164      | \$414,317      | 90.4%           | 111      |
| TRI                | 226                      | 150                  | 4.52                | 159                    | \$489,436      | \$361,307      | 96.7%           | 111      |
| WES                | 72                       | 29                   | 7.45                | 47                     | \$519,830      | \$237,844      | 98.5%           | 155      |
| WPK                | 100                      | 35                   | 8.57                | 40                     | \$446,632      | \$223,458      | 96.6%           | 88       |

TABLE 2

| Single Family          | #SFR ACTIVE | #SFR SOLD   | TIME TO SELL | #SFR Listed   |
|------------------------|-------------|-------------|--------------|---------------|
| Price                  | Supply      | Demand      | Months       | Last 3 months |
| Under \$75,000         | 88          | 142         | 1.86         | 48            |
| \$75,000 to \$99,999   | 144         | 136         | 3.18         | 81            |
| \$100,000 to \$124,999 | 179         | 155         | 3.46         | 119           |
| \$125,000 to \$149,999 | 328         | 219         | 4.49         | 184           |
| \$150,000 to \$174,999 | 288         | 247         | 3.50         | 175           |
| \$175,000 to \$199,999 | 301         | 232         | 3.89         | 171           |
| \$200,000 to \$224,999 | 247         | 182         | 4.07         | 136           |
| \$225,000 to \$249,999 | 272         | 154         | 5.30         | 158           |
| \$250,000 to \$274,999 | 212         | 108         | 5.89         | 112           |
| \$275,000 to \$299,999 | 211         | 81          | 7.81         | 97            |
| \$300,000 to \$324,999 | 130         | 69          | 5.65         | 58            |
| \$325,000 to \$349,999 | 152         | 55          | 8.29         | 75            |
| \$350,000 to \$374,999 | 107         | 50          | 6.42         | 59            |
| \$375,000 to \$399,999 | 142         | 42          | 10.14        | 63            |
| \$400,000 to \$424,999 | 53          | 19          | 8.37         | 25            |
| \$425,000 to \$449,999 | 83          | 27          | 9.22         | 31            |
| \$450,000 to \$474,999 | 45          | 22          | 6.14         | 14            |
| \$475,000 to \$499,999 | 83          | 20          | 12.45        | 26            |
| \$500,000 to \$524,999 | 18          | 10          | 5.40         | 9             |
| \$525,000 to \$549,999 | 50          | 15          | 10.00        | 15            |
| \$550,000 to \$574,999 | 37          | 5           | 22.20        | 14            |
| \$575,000 to \$599,999 | 56          | 7           | 24.00        | 15            |
| \$600,000 to \$649,999 | 38          | 9           | 12.67        | 12            |
| \$650,000 to \$699,999 | 50          | 9           | 16.67        | 15            |
| \$700,000 to \$749,999 | 25          | 5           | 15.00        | 7             |
| \$750,000 to \$799,999 | 36          | 2           | 54.00        | 13            |
| \$800,000 to \$849,999 | 16          | 1           | 48.00        | 6             |
| \$850,000 to \$899,999 | 26          | 0           |              | 4             |
| \$900,000 to \$949,999 | 6           | 2           | 9.00         | 4             |
| \$950,000 to \$999,999 | 21          | 3           | 21.00        | 5             |
| \$1 mil to \$1.50 mil  | 66          | 2           | 99.00        | 18            |
| \$1.5 mil to \$2.0 mil | 30          | 4           | 22.50        | 7             |
| \$2.0 mil & above      | 20          | 3           | 20.00        | 3             |
| <b>Total</b>           | <b>3560</b> | <b>2037</b> | <b>5.24</b>  | <b>1779</b>   |

TABLE 3

| Condo/Townhome         | #SFR ACTIVE | #SFR SOLD | TIME TO SELL | #SFR Listed   |
|------------------------|-------------|-----------|--------------|---------------|
| Price                  | Supply      | Demand    | Months       | Last 3 months |
| Under \$100,000        | 103         | 92        | 3.36         | 63            |
| \$100,000 to \$124,999 | 55          | 30        | 5.50         | 30            |
| \$125,000 to \$149,999 | 64          | 46        | 4.17         | 30            |
| \$150,000 to \$174,999 | 51          | 20        | 7.65         | 31            |
| \$175,000 to \$199,999 | 38          | 17        | 6.71         | 24            |
| \$200,000 to \$224,999 | 10          | 15        | 2.00         | 7             |
| \$225,000 to \$249,999 | 18          | 4         | 13.50        | 11            |
| \$250,000 to \$274,999 | 14          | 10        | 4.20         | 7             |
| \$275,000 to \$299,999 | 10          | 1         | 30.00        | 7             |
| \$300,000 to \$349,999 | 12          | 5         | 7.20         | 6             |
| \$350,000 to \$399,999 | 3           | 1         | 9.00         | 1             |
| Over \$400,000         | 31          | 3         | 31.00        | 9             |

### Advice for market participants:

**SELLERS:** Getting a jump on the “spring” market does not hurt. If your neighborhood has low inventory and good sales August through October, there is probably sufficient demand to sell your house by the end of January. There are far fewer buyers, there is a ten-year low in inventory, there is practically zero new construction, and if people really wanted a foreclosure or short-sale, they probably would have bought something by now. Price is your most important marketing weapon. Put your home in play where buyers have been over the last 60 days.

**BUYERS:** This is not a triple-dip market, it is a double-market. In terms of housing, there is less than 6 months supply of available real estate for only the 2nd time since 2005. There is a 10-year low in inventory. Rates are at 4%, so every \$10,000 costs you a mere \$48 a month. Analytically, this is the most solid time to buy in generations. Therefore, all the questions are personal: area, size of home, floorplan, payment affordability, your job security, your professional industry's future, home upkeep, necessary repairs, future utility costs, neighborhood traffic patterns, quality of schools, your personal mobility, etc. Think that stuff through with great thoroughness.

### Laissez-Faire works when there are Volunteers. Enter the Volunteer Market

You can start espousing economic theories and political philosophies and it's all very entertaining and heady and makes you look sophisticated when you know the difference between Locke and Hobbes and Dubner (the last guy seems to be the one people know best, of late the only prominent Econ Prof at the University of Chicago without a Nobel Prize, but he wrote Freakonomics so he's actually wealthy), but the fact remains that they are theories in large part, and there is selective data that supports and defeats these theories simultaneously. Economics, in it's purest form, is about asking the right questions for the right situation. Locally, a prominent economist loves to say that he uses Nobel Prize winning methodology. But the methodology is 30 to 40 years old and used to answer what are often the wrong questions (like what do 60 year olds think of housing? Answer: they ain't buying anything, so why don't you ask them what they think of college!).

But here is a handy place where theory actually meets the road: if you're going to take the government's hand off of a market and allow the market to “correct itself”, it will never happen unless there are volunteers to actually do the correction. When a market is not working at all, it probably needs some tinkering to get up and go, kind of like a VW Bus with a balky clutch needs a bunch of folks to push-start it. When a market is over-heated and unsustainable, again it might need government involvement to make sure it doesn't over-cook the same transmission. But if the idea is, “hey, this transmission thing will work if we just leave it alone”, well someone has to 1.) start the engine and 2.) shift the thing into drive to find out if anything is gonna happen.

**STARTING THE ENGINE:** If you want to monitor the idle rate of the present market, you need to take account of your diagnostics and what you can actually measure. One would be average price. It is down, but at a stable rate of -4.5% since June. It isn't really moving, and June is an interesting month because the first time tax credits stopped in June 2010, and they were an example of too much intervention and an artificial value inflation in the market. So to be a stable -4.5% since then is not great, but kind of decent. Supply: there are 1000 fewer homes for sale now, and you'd have to go back to 2001 to find a December with so little to choose from. That's kind of like the traffic on the road in front of you, there isn't much. Can it increase? Yep. But is it good now? Sure is. Then there is the gas in the tank, also known as interest rates: last month, Freddie Mac posted the lowest 30-year fixed rate average ever at 3.99. Imagine if gas was \$2 a gallon. Think you might be more apt to take a vacation to Yellowstone?

**ENGAGING THE CLUTCH:** This is where things jump to the “who knows” territory on our balky VW Van Road Trip. What happens after you engage the clutch? Does the van lurch forward? Does it hum along peaceably? Does it die somewhere outside Hope and Prosperity, or Truth and Consequences? The “Known Knowns” are pretty awesome: super low interest rates, stable purchasing, apparent buyer enthusiasm to buy well-priced properties, the probability of sale at 57% (the highest probability since November 2006 was at 63%) and scant inventory (a 10 year low). Foreclosures year to date are down 30% from one year ago and have been lower every month this year when compared to last year. Since Colorado had more exotic loans than other places for a longer period of time, we have probably seen the very worst of the foreclosure crisis come and go and have been dealing with tighter, more qualified loans over the last four years, which are far less likely to foreclose. What is “Known” looks very promising.

The “Unknown Unknowns” are kind of daunting: what happens after the Debt Deal? There’s supposed to be an ADDITIONAL \$500 billion in DOD cuts starting in 2013. That won’t effect troops nearly as much as it will effect DOD suppliers and their contractors, many of which live and work in El Paso County. What if there is a surge of listing activity? Part of what fueled the 2010 increase was the promise of buyers (the first-time buyer tax credit) that sellers knew about, but the other was a straight-up lure: the allusion of cash in their pocket if they qualified for the silly move-up tax credit. This caused inventory to increase by 50% between January 1, 2010 and June 30, 2010 and caused the second market dip in the last half of 2010 as inventory vastly exceeded demand. What if now the scant inventory (likely around 3400 January 1st, 2012) fuels excess seller optimism and a big slug of homes hits the market between January and March?

When we go to “engage the clutch” will the known-knowns prevail, or the unknown-unknowns?

**THE VOLUNTEER MARKET:** What is so interesting about this is that there is very little in the way of outside forces stimulating or pushing the market in late 2011 or early 2012. There are no tax credits or financial lures that have an expiration date attached. There is no threat of a financing program drying up as the market has already dried up, and if anything, there are tiny little glimmers of new products and better lending ahead (we’re talking tiny glimmers here, but simply say that it isn’t getting tighter/worse is positive). Foreclosure sellers are fewer and fewer. We are now going on year four of tighter underwriting and credit laws moving the market further in time away from the problems of excess leverage and financial irresponsibility. Unemployment is lousy, but it doesn’t appear to be getting worse, if anything, it’s been pretty stable for close to a year. This all means: the people who are participating in the market are more often than not in the market by choice. The last five years have been characterized by need-to-sell sellers and the problem with need-to-sells is that they have no way of defending their price. Get a lot of them together and the market goes down the tank. But when the market is characterized by volunteers, people buying and selling by choice, something different happens.

Those who buy by choice, by one of two choices usually: pain, or pleasure.

What we see going into 2012: there appears to be less pain. Yeah, we’re really hedging our bets with this one, because we are not at all gonna say that there is “more pleasure”. That’s false. But it appears that there is less pain. There is less getting worse.

Now back to that philosophical, heady, Locke/Hobbes/Dubner conversation, here is the equation for 2012: Less Pain + Volunteer Market + Balanced Improving Market Conditions = ?????? Remember: Good Teachers pull the right answers from their students.

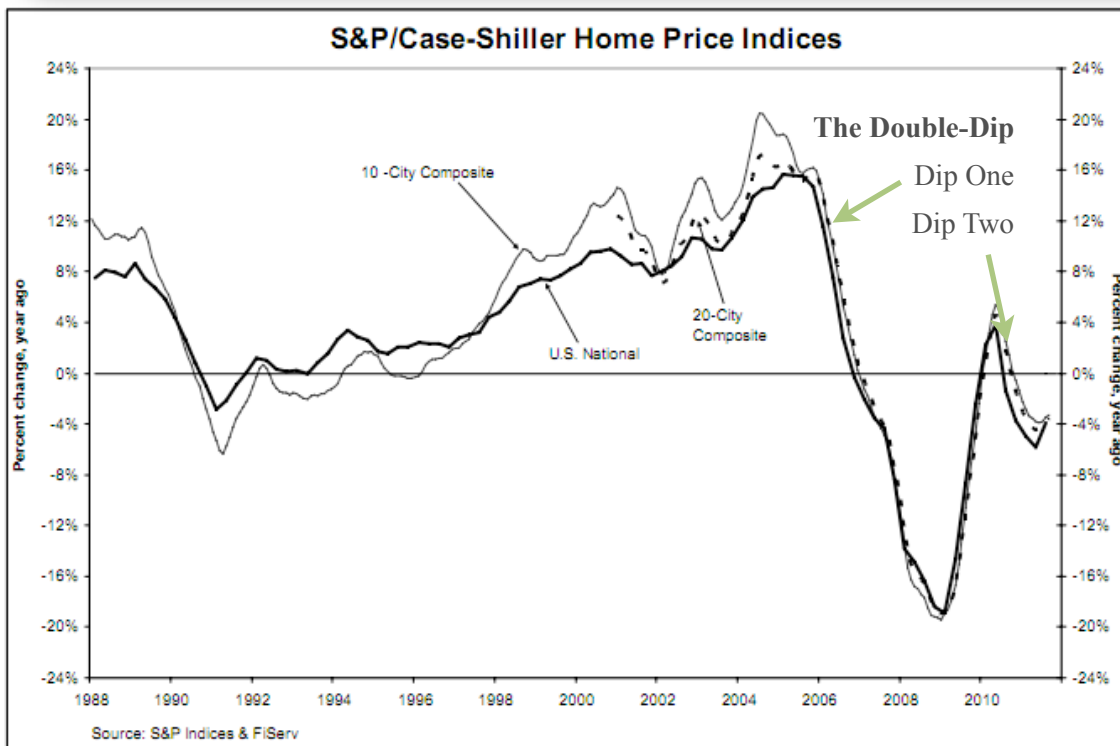
| Single Family Home Sales October | TREND-ING   | Avg. Sales Price, YTD | TREND-ING   | No. of Single Family Units For Sale | TREND-ING   | 30-Yr Fixed Rate | TREND-ING   |
|----------------------------------|---|-----------------------|---|-------------------------------------|---|------------------|---|
| 645                              | <br>November to February represents the lowest amount of activity annually | \$218,230             | <br>Is likely near where it will finish 2011 | 3667                                | <br>Lowest December Inventory in 10 years | 4.00%            | <br>Unknown; might improve, or be as good as it ever gets. |



**Selley Group REALTORS**  
[www.SelleyGroup.com](http://www.SelleyGroup.com)  
 2139 Chuckwagon Rd.  
 Colorado Springs, CO 80919  
 (719) 598-5101

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

## Appendix: Additional National Data and Third-Party Information Sites



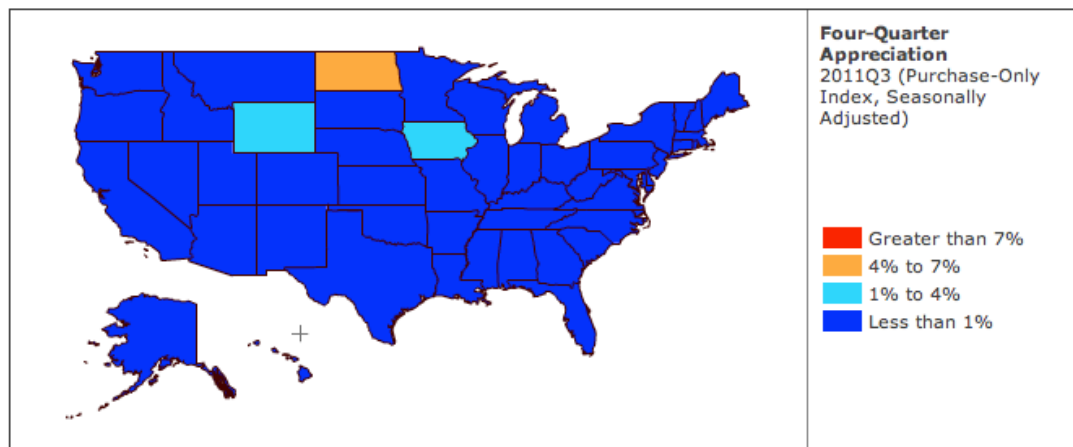
### National Pricing Trends:

Chart 5 shows the popular graphic showcasing prices in the 10 and 20 National Real Estate markets as created by investment company Standard & Poor's.

The Top 20 index does not include Colorado Springs and takes a sample of markets throughout the country as chosen by Case-Shiller (they are not necessarily the ten or twenty largest markets). It is meant to show year-over-year repeat sales growth or declines and sample only repeat sales. It is provided for investors in Real Estate Investment Trusts, and therefore, ups and downs carry weight like a stock index more than a reflection of persistent, long-term values.

## Change in FHFA US Combined and Census Division House Price Indexes

### HPI 4Q Appreciation



(Double-click on your state to get more detailed information.)

### National Pricing Trends:

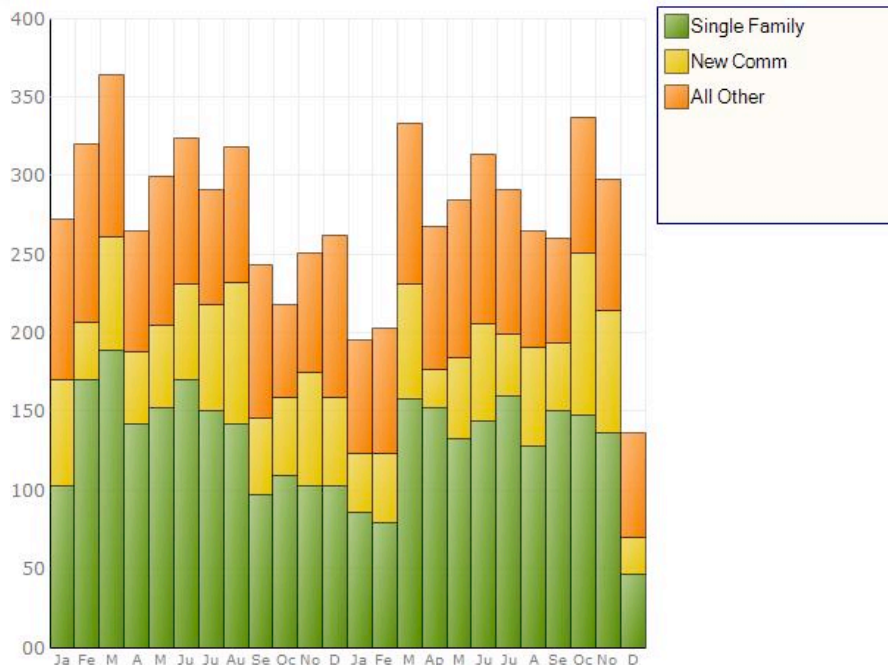
Chart 6 shows data from FHFA.gov a government oversight agency that monitors loan activity, both purchase and refinance, for all counties in the United States. They are also pushing the agenda for QRM, a proposal that would remove less than 20% down conventional loans from circulation unless lenders 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.

The chart to the left shows projected appreciation/depreciation for the fourth quarter in all US Markets. Two interesting observations: Only three states are projected to gain more than 1% in value year over year, ND, WY and IA. The other 47 are less than 1%, and most are negative. Colorado is projected to lose only 0.2% compared to one year ago, a sign that the double dip was less severe here.

# 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      | 4.55 | 0.7 | 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    | 4.27 | 0.7 | 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 | 4.11 | 0.7 | 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   | 4.07 | 0.8 | 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  | 3.99 | 0.7 | 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: November 2011, the new all-time low recorded for 30-year fixed mortgages, 3.75% to 4.1% rates at closing are now common on conventional, FHA and VA loans.



## Local Building Trends

Chart 6 shows a 2 year comparison of single-family and other new construction permit activity in the Pikes Peak Region. This information is produced from Pikes Peak Regional Building's website at [www.pprbd.org](http://www.pprbd.org).

This graphic shows that the 2010 sales year got off to a robust start fueled by the optimism surrounding the first-time buyer tax credit. Permitting was higher than anytime since 2007. From their near-term peak in March 2010, they were cut in half by the following December and January.

Permits started out very poorly in January and February and then experienced moderate growth in the spring. That moderate growth stayed true through the summer season and has been relatively stable through the fall months, with September through November significantly outperforming the same time period one-year ago.