January 2012, Volume 8, Edition 1

THE STAT PACK

PIKES PEAK URBAN LIVING

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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):

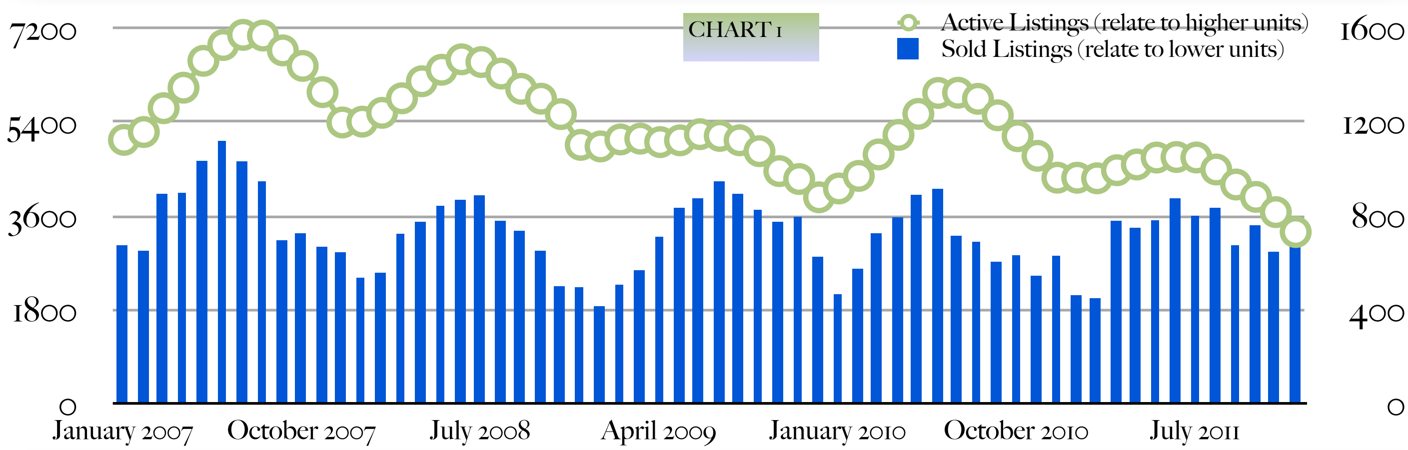
- LOCATION, LOCATION, LOCATION
- MONEY IS MADE ON THE BUY
- SELLERS SET ASKING PRICES; BUYERS DETERMINE VALUE
- BUYERS BUY VALUE
- THOSE WITH POWER HAVE FEW NEEDS. THOSE WITH NEEDS HAVE LITTLE POWER
- THE HARDEST THING TO GAIN IS TRUST; THE EASIEST THING TO LOSE

STRENGTHS	WEAKNESSES
Market balance. Nine consecutive months have produced inventory levels of 6.2 months or less, with seven of the nine "in the 5's", less than the benchmark of balance, 6 months.	Financing is available only for the exceptionally qualified. Want to build? Ha! While dirt is cheap and builders are relatively desperate, the risk-basis to lenders is still mostly unacceptable
Seller probability of sale for 2011 was 60.1%. In 2010 it was 47.6%. That means a seller's chance of sale INCREASED by 26% in 2011. With a 10 yr low in inventory, sellers have little competition	Supposedly Robo-sign held up hundreds of thousands of foreclosures destined to be dumped on market. Where are they? Will they ever show up? That would thrash market stability.
That 10 yr. low in inventory. Sellers can't ask what they want for a house, but if buyers continue their measured increase and return to market, appreciation WILL happen in 2012.	Confidence in markets is starting to return. Confidence in government? Different story. With a presidential election coming soon, don't expect anything bold out of Washington.
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.	Sellers could duplicate the Spring of 2010 with a flood of listings that pushed supply and demand out of balance and into the Winter 2010 double-dip.
This is a buy and hold market, but the market balance has presently reduced some of the risk.	Will the lack of Debt Deal really lead to an additional $500 billion in DOD cuts? How much of that in Co. Springs?

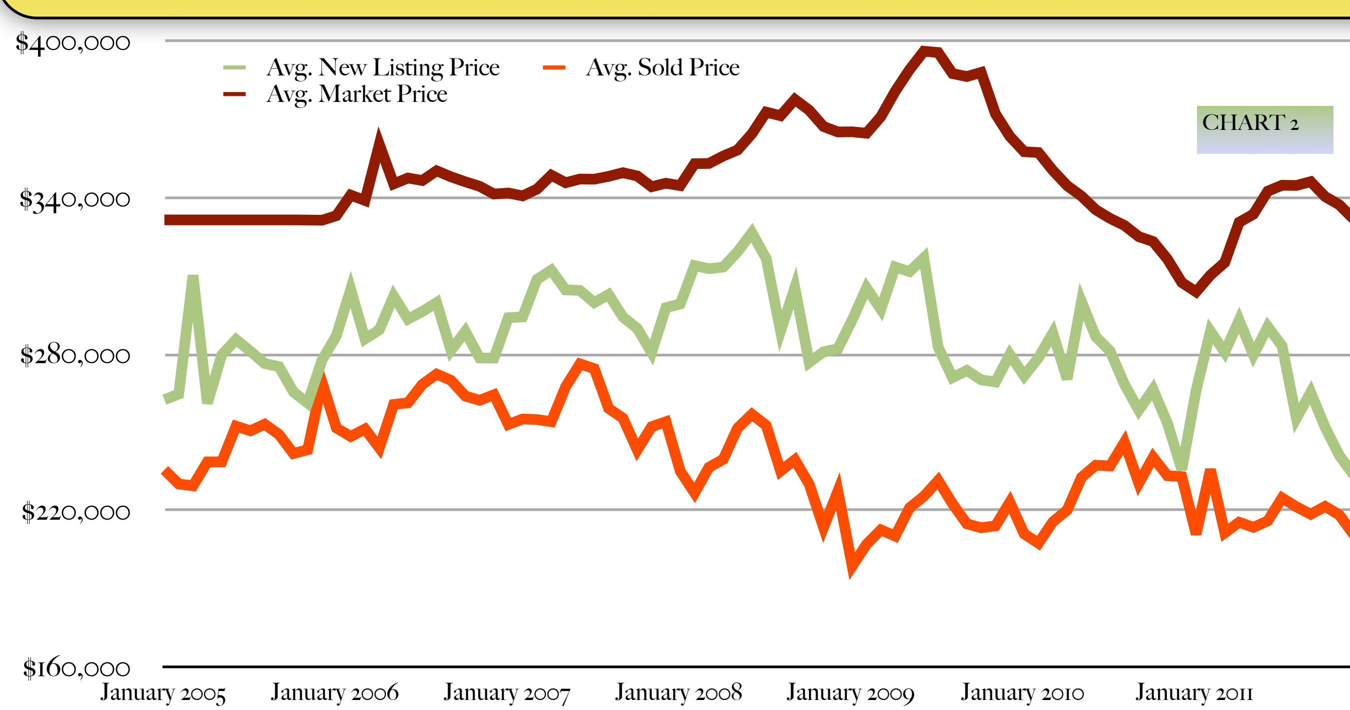
Single Family Unit Comparison (Chart 1): This chart utilizes two vertical axes, one with numbers five to 10 times higher than the other. The overall story though is that listings (higher units in green circles) lead closings (lower units in blue bars) with listing season typically kicking off in February or March, and closing season really getting going in April and May.

One of the interesting attributes of this graph is when the moving green caterpillar is met by the surging blue line. It has happened one-time: December 2011. The market is at a place of competitive balance last seen six years ago.

Sales activity has been marginally higher in late 2011 than the previous year. Fourth quarter sales were almost the entire difference in the year's annual sales, with 2011 finishing 272 units ahead of the previous year, and fourth quarter representing a 250 unit (13.9%) gain over the previous year. That indicates some positive buyer momentum heading into the new year. Showing negative momentum (presently, we are apprehensive to say this trend will last even another week) is listing activity, which just in December was off 21.2% from the previous year.



Average Price Comparison (Chart 2): 2011 was boring for price... on the surface Another year, another drop in value, but that drop was consistent for the majority of the year. For the last six months the market has been down from 12 months prior 4 to 5%, but the hidden reality of this figure is that the higher end has struggled, and dirt really mattered in 2011. If price dropped, the expensive MLS areas of TRI, BLA, NGT, S/W and N/W all should have been down, right? Well, no. Only BLA and NGT were down in price. S/W was off in sales, but N/W and NGT saw a small unit increase in sales. So where was the big drag in price? Three of the five most popular MLS areas (EAS, N/E, F/V) saw gains in sales in 2011, but all five (S/E and PWR as well) saw avg. price drops, ranging from 3 to 8%. These five MLS areas accounted for 43.6% of all single family sales in 2011. Interestingly, all have less than 6 months supply, and have had less than six months for most of 2011. This means that disparity in land values, and the competitive differences between MLS areas, expanded in 2011. Some areas held their value better with 2011 buyers than others.



Months of Inventory (Chart 3): Right now the marketplace balance is better than the start of 2004 and quite similar to the start of 2003. In our coming annual report, we are expecting more listings in the 2nd half of the year as the market gains momentum. In technical terms, the market is not a buyer's market, as less than 6 months of supply favors sellers. The market has been 6.2 months of supply or less for 9 consecutive months.

New Market Activity (Chart 4): Hopefully one of the changes to NAR data management in 2012 will be the use of the term "pending". Pending contracts are used to forecast future closings, but as evidenced in the graph below, in 2011 there was an inverse relationship between pending sales and closings. Pending terminology is supposed to mean a "sure thing" future closing, but the preference for "UC" "Under Contract" shows a seller and agent unwillingness to promise such certainty.

CHART 3

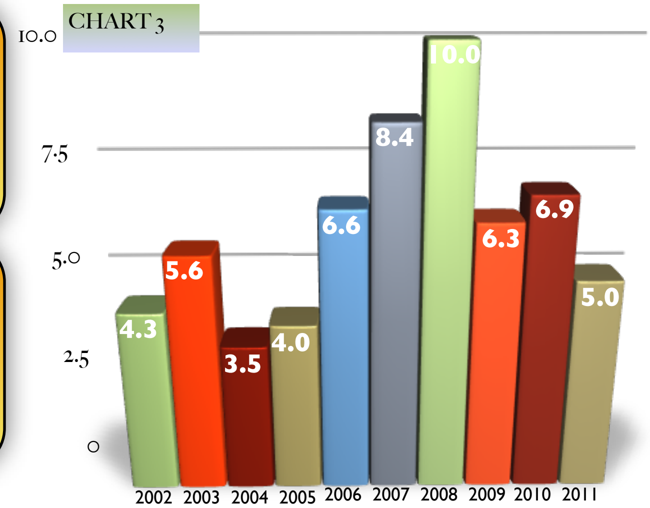


CHART 4

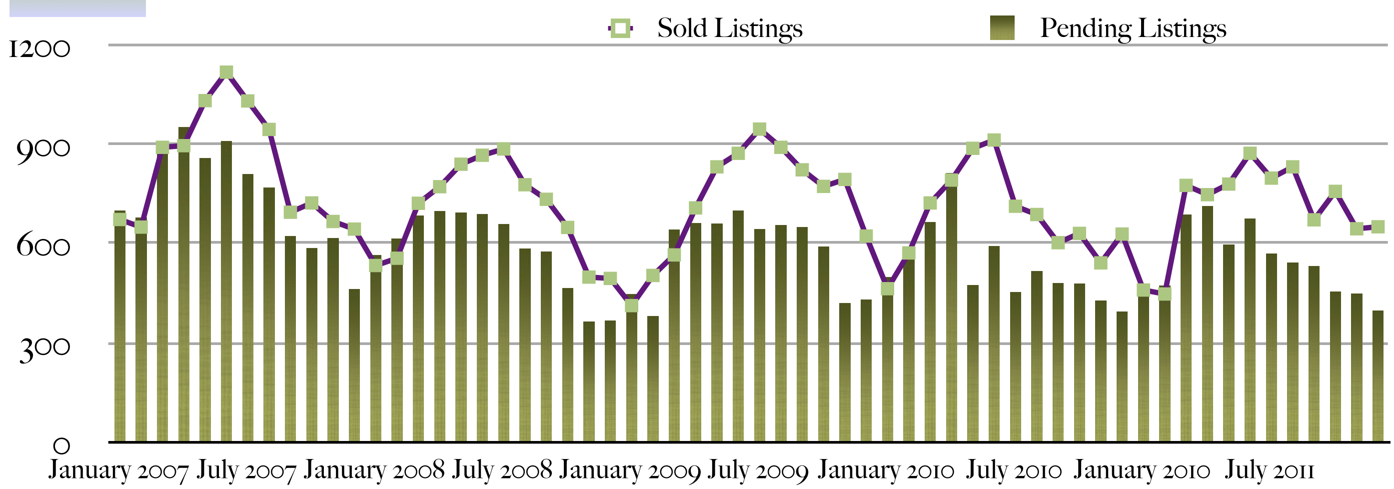


TABLE 1

Single Family	#SFR ACTIVI	#SFR SOLD	TIME TO SEI	#SFR Listed	Avg List	Avg Sold	SP to LP	Avg.
Area	All For Sale	Last 3 mos	Months	Last 3 mos	Price	Price	List %	DOM
BLA	117	34	10.32	47	$643,236	$385,038	98.0%	166
BRI	182	114	4.79	153	$326,979	$294,770	98.9%	97
CEN	199	141	4.23	187	$229,165	$136,286	96.7%	58
EAS	151	145	3.12	165	$191,730	$151,126	97.4%	64
F/V	305	261	3.51	348	$189,547	$174,548	99.6%	81
FAN	141	93	4.55	131	$271,709	$229,422	99.3%	87
N/E	188	141	4.00	184	$260,255	$206,501	96.2%	83
N/W	119	55	6.49	83	$388,364	$327,953	97.5%	106
NGT	111	66	5.05	72	$491,619	$352,280	97.0%	93
OCC	68	53	3.85	55	$198,953	$209,805	98.4%	111
PWR	205	200	3.08	214	$216,656	$188,554	97.5%	86
S/E	148	135	3.29	156	$137,670	$130,286	98.1%	70
S/W	224	127	5.29	126	$612,431	$288,391	96.0%	80
TRI	195	102	5.74	109	$504,585	$387,047	96.9%	130
WES	56	36	4.67	30	$485,084	$274,140	94.0%	59
WPK	94	39	7.23	47	$403,212	$233,530	97.4%	152

TABLE 2

Single Family	#SFR ACTIVE	#SFR SOLD	TIME TO SELL	#SFR Listed
Price	Supply	Demand	Months	Last 3 months
Under $75,000	86	136	1.90	58
$75,000 to $99,999	124	132	2.82	64
$100,000 to $124,999	172	176	2.93	106
$125,000 to $149,999	304	203	4.49	170
$150,000 to $174,999	293	228	3.86	187
$175,000 to $199,999	301	238	3.79	178
$200,000 to $224,999	214	184	3.49	116
$225,000 to $249,999	245	141	5.21	140
$250,000 to $274,999	194	100	5.82	82
$275,000 to $299,999	176	83	6.36	81
$300,000 to $324,999	139	68	6.13	81
$325,000 to $349,999	141	52	8.13	75
$350,000 to $374,999	105	47	6.70	53
$375,000 to $399,999	129	37	10.46	50
$400,000 to $424,999	53	22	7.23	27
$425,000 to $449,999	72	24	9.00	41
$450,000 to $474,999	78	18	13.00	57
$475,000 to $499,999	68	19	10.74	19
$500,000 to $524,999	20	8	7.50	10
$525,000 to $549,999	40	10	12.00	14
$550,000 to $574,999	33	4	24.75	15
$575,000 to $599,999	44	4	33.00	12
$600,000 to $649,999	34	11	9.27	12
$650,000 to $699,999	45	9	15.00	14
$700,000 to $749,999	19	3	19.00	9
$750,000 to $799,999	32	3	32.00	15
$800,000 to $849,999	16	0		4
$850,000 to $899,999	20	2	30.00	4
$900,000 to $949,999	5	1	15.00	3
$950,000 to $999,999	19	1	57.00	4
$1 mil to $1.50 mil	61	1	183.00	13
$1.5 mil to $2.0 mil	27	3	27.00	7
$2.0 mil & above	18	3	18.00	3
Total	**3327**	**1971**	**5.06**	**1724**

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: Be ready to go NOW. There is very little inventory presently for sale, and with so little inventory, buyers WILL BUY the best property available to them. But you still must convince those buyers that you are the best available property, and better than one that will list in the next 30 to 90 days.

BUYERS: Buyers today do not enjoy something buyers have enjoyed for years: broad selection. This is the lowest inventory in 10 years. Rates are the lowest… ever. Prices are at a six to nine year low depending on the market. Increasingly forecasts are predicting national real estate appreciation to begin in 2013 due to decreasing inventories. But the national months of inventory is at 8.5 months; Colorado Springs is just over 5.0.

Winter Market Dynamics

We have been asked by many sellers, "when is the best time of year to sell a house?" This is an interesting question, because it indicates something the seller deals with firsthand, the act of selling, usually a necessary prelude to a later purchase, and it is also interesting because buyers almost NEVER ask the question, "when is the best time of year to buy a house?" It is a question that sellers ask; and buyers don't.

Buyers, if afforded the luxury, should ask this question.

January is when the listing season begins. Listings don't necessarily come on the market, but it is when the inbound calls happen, and when conversations and plans commence towards the sale of a property later in the winter or spring. In many markets however, the very best time to sell is June through early August. There are many reasons: one, buyers that buy that time of year usually understand that there are other buyers out there purchasing, that there is competition, and hopefully that understanding leads to quick action. It is also a time of year when more elective relocations happen, and buyers that are moving from one real estate market to another don't have time to wait for a theoretical "better" property to come on the market, instead, they have to buy the best selection. But the real reason it is often better is price. Consider: average sales price usually peaks between May and August every year. Not only are these the months with the highest number of single-family unit closings, but price moves. The splendid folks at S&P Case-Shiller don't seem to recognize these seasonal dynamics on markets, and broadly proclaim monthly moving price indices as indicative of factors other than, well, school being out, and when companies move people. Usually (we'll come back to that choice of words) the summer is the best time of year for maximum dollar.

The inside-out of this equation is that the lowest sales volume and typically the cheapest sales of the year occurs in the middle of winter. Buy around Christmas and you can usually rightly assume that you're the only fool buyer out looking at properties with Christmas decorations. With more lower value sales and few higher value sales to go around, appraisals are suppressed in the winter and spring making it flat-out hard to get a higher value for a house unless there are more sales, and especially, more higher value sales. Prices rise with units sold because the units that sell supply the market with suitable sales comparables to justify higher appraisals, which are a snapshot in time of a property's value as it relates to the previous 90 to 180 days.

January 2012, Volume 8, Edition 1

How the market usually works is this: The summer promises not just sunny weather and better landscaping, but higher prices, higher probability of sale, shorter time on market and a nicer sale for the seller. The winter usually promises dead grass, low prices, low probability of sale and and a tiresome time on market for the seller.

That is how the market usually works.

What is so weird about the market right now is that this seasonal logic is a little confused. Over the last three years, December sales prices have only been a few percentage points less than June's. Now January has remained lousy, in some case 20% lower than the previous July (see January 2009 compared to July 2008 for such an example), but this year what is odd is that the average asking price on the market has remained fairly steady, and at a time when inventory has dropped dramatically. In previous years, the average price on the market has also tailed off in December, to be quite a bit lower than the previous June and July, but that's not the case this year: asking price has stayed higher. This comes at a time when inventory has dropped at a faster than normal pace, and buying traffic, while lower, was a higher percentage of peak year sales than seen in previous years: December sales were 75% of what they were in June.

Now add to that the really interesting little twist: December sales were 75% of June sales, but December inventory was only 69% of June inventory. In other words, late in the year, "when nothing is happening", both the probability of sale and the crucial metric of months of inventory, improved. There was 5.9 months of inventory in June; there was 5.1 months of inventory in December.

December is not supposed to have less than 6 months of inventory. That has not been seen since 2005 rolled into 2006.

Now add to that low interest rates.

Add to that five to seven years of price drops.

This means that in terms of marketplace fundamentals, 2012 could be the year the market doesn't just stay flat, but turns up in appreciation. We will re-emphasize that phrase "could be." All we are talking about is equations and mathematical formulas. Buyers have to ultimately cure the market by their actions to purchase property, and if they don't, all the fundamental arithmetic can't change the course of consumer action.

Which brings us to a very important change: who the buyer is.

The buyer in 2012 readily identifies with these lifestyle words and phrases: family, schools, kids, yards, long-term, raise-'em-here, neighborhood, sustainable, get-it-right-the-first-time, sense-of-space. You know what you don't see here? These words and phrases... while some may end up applying, they don't rush out of the mouths of people: 3-5 year plan, place to make money, potential, near traffic corridors. Sites like Walkscore.com and others are cool and embrace the idea that people will not just want location, but walkable attributes, but Walkscore, at least in Colorado Springs, is largely irrelevant, because the young family with kids that profits so significantly from low interest rates, also wants a place that will be home for a long-time because few people who are buying are buying with a motivation to make money. Sure, in economic terms, the measuring stick is growth in financial value measured in dollars. But where real estate presently is being viewed as "valuable" is by buyers who see a cost effective way to control/manage and enjoy their family for the next decade plus. It's interesting that this motivation out of emotional desire could end up leading the real estate recovery.

Single Family Home Sales December	TRENDING	Avg. Sales Price, YTD	TRENDING	No. of Single Family Units For Sale	TRENDING	30-Yr Fixed Rate	TRENDING
653	A good December for closings but January will probably be under 500 units	$217,829 down 4.9% from 2010	Mostly stable last six months	3285, 10 year low	January has started flat. Might see a 150 - 300 unit increase	3.9%	Unknown; might improve, or be as good as it ever gets.

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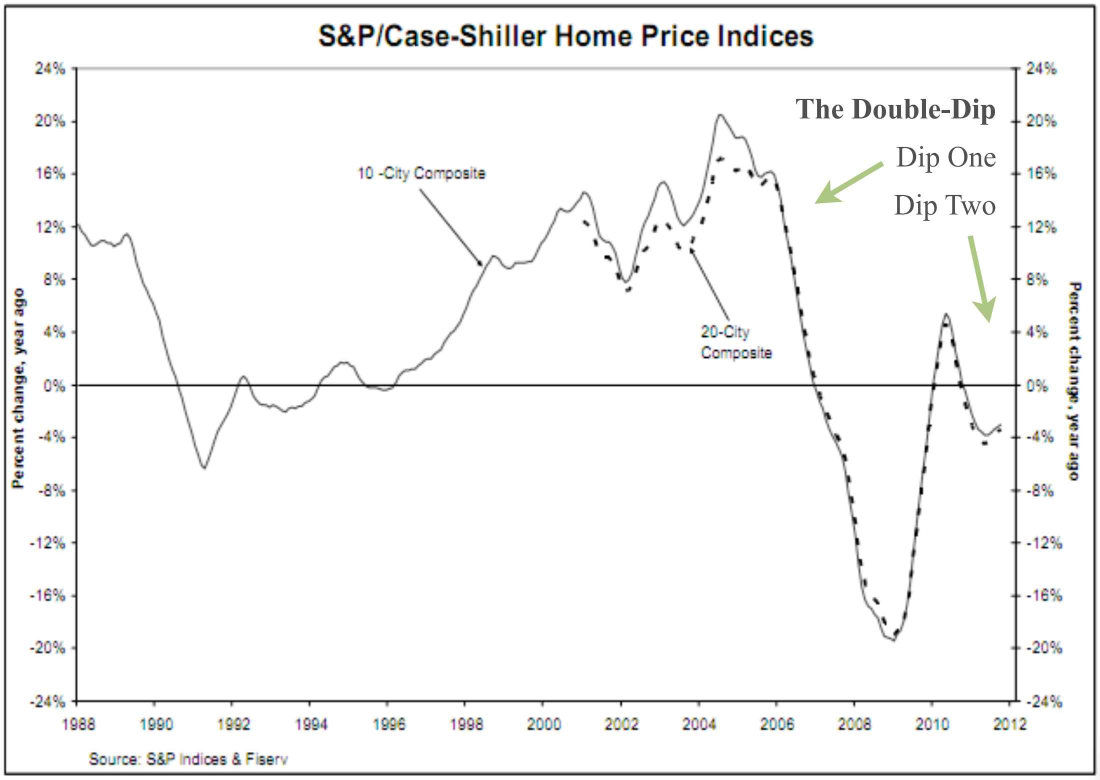
If you know someone who would appreciate a copy of this newsletter, please call or email today...

CHART 5

Appendix: Additional National Data and Third-Party Information Sites



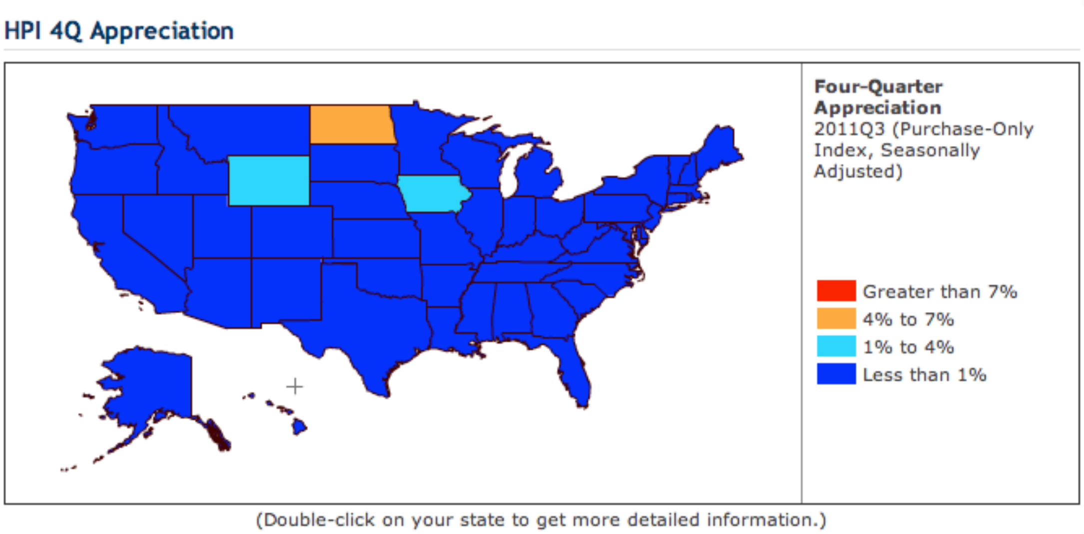
National Pricing Trends:

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.

CHART 6

Change in FHFA US Combined and Census Division House Price Indexes



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.

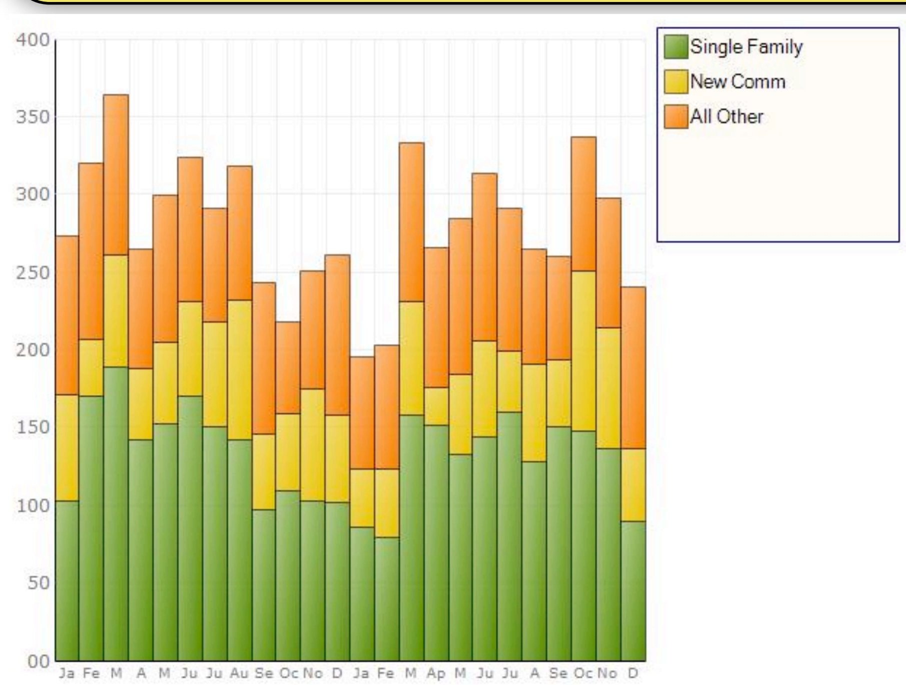
The chart to the left shows projected appreciation/depreciation for the fourth quarter in all US Markets. Two interesting observations: Only three states are projected to gain more than 1% in value year over year, ND, WY and IA. The other 47 are less than 1%, and most are negative. Colorado is projected 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

CHART 7

	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	4.51	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
Septem-ber	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
Novem-ber	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
Decem-ber	3.96	0.7	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	4.45	0.7	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: December 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 complete 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.

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.

Much like the improvements in the residential resale arena, new construction improvements could be described as unspectacular, but persistent. 2011 out-permitted 2010 by approximately 12%, and 300 units.