

# THE CATALYST GROUP REAL ESTATE

BENEFITTING THE COMMUNITY THROUGH REAL ESTATE, ORGANIZATION & EDUCATION

# STAT PACK

*"Based on information from the Pikes Peak REALTOR Services Corp. ("RSC"), for the period January 1, 2005 through September 8, 2010. 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, Colorado Springs Business Journal, Trulia.com*

## INTRODUCTION:

The Purpose of the Stat Pack is to provide comprehensive information about the Pikes Peak Regional Real Estate Market. It is designed to be a document that benefits Residential Real Estate Owners, Sellers, Buyers, Investors and Builders. The Goal of the Stat Pack is to provide factual data and locate opportunities in a fluid real estate market. Real Estate sales and acquisitions are investments and all investments involve risk to a certain degree. We hope this document helps make your process beneficial and informed.

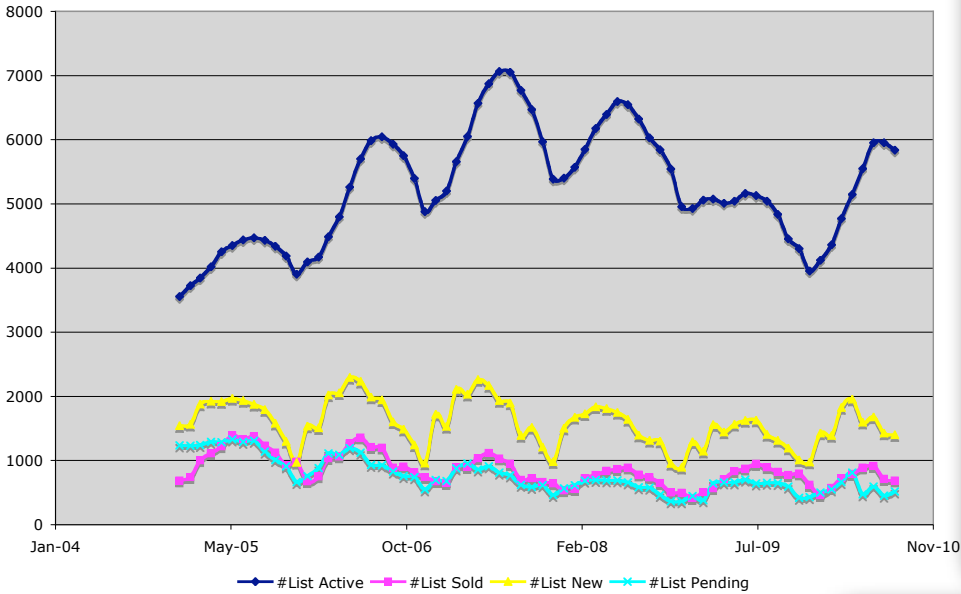
## THE RULES:

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):

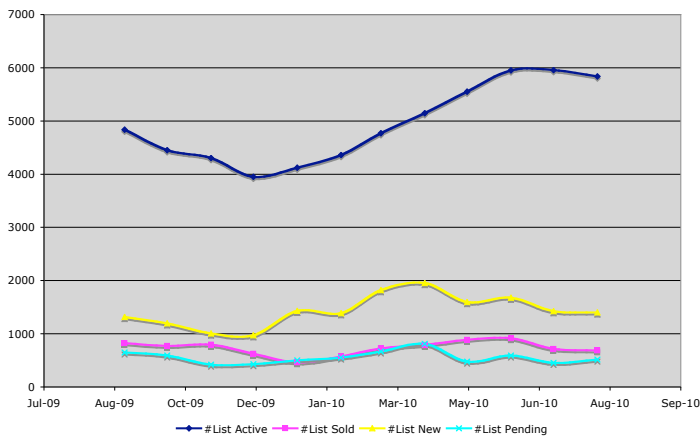
- **LOCATION, LOCATION, LOCATION**
- **MONEY IS MADE ON THE BUY**
- **SELLERS SET ASKING PRICES; BUYERS DETERMINE VALUE**
- **BUYERS BUY VALUE**
- **THOSE WITH POWER HAVE FEW NEEDS. THOSE WITH NEEDS HAVE LITTLE POWER**
- **THE HARDEST THING TO GAIN IS TRUST; THE EASIEST THING TO LOSE IS TRUST**
- **REPUTATION AND ETHICS ARE VALUE-ENHANCING ATTRIBUTES**
- **THE BEST NEGOTIATING POSITION: WINS**

STRENGTHS	WEAKNESSES
Average price continues to climb showing an increase in market value.	The lowest August demand in 17 year recorded history of Pikes Peak MLS.
All-time Record Low Interest Rates of 4.3% presently available.	Poor August follows miserable July. Two consecutive months of bad selling conditions.
Extensive Selection of homes to choose from presently.	Conflicting economic data and abundant selection leads to paralysis by analysis
OPPORTUNITIES	THREATS
September is not usually the best pricing of the year. But recent price reductions say it is.	5800 +/- sellers vying for 600 - 700 monthly buyers. That's tough.
A 15 year loan comes with a larger monthly payment, but on a \$200K loan saves a consumer \$91,000 in interest.	Unemployment Nationally was 9.5% 1 yr. ago and is 9.5% now; if jobs are lost in the fall and winter, it will further impact real estate.

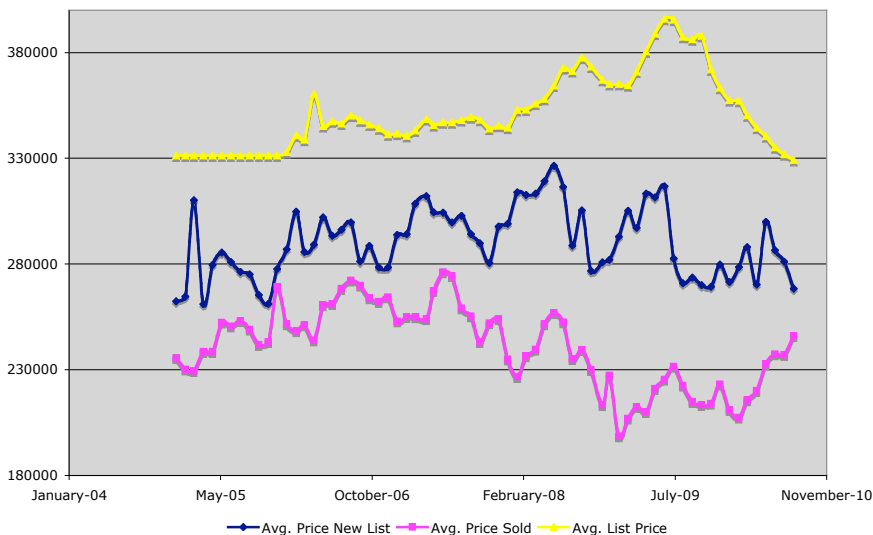
Single Family Home Comparison 2005 to Present



Single Family Home Comparison Last 12 Months



Pricing Trends, 2005 to Present



**LISTINGS VS. SOLDS**

The dark blue line is the line that matters.

The seasonal expectation is for the “#List Active” line to increase quickly in the Spring, flatten by July, then dip into the Fall.

In 2009, it never really rose, but rapidly fell at the end of summer. This was because purchase activity had positive traction and new listing action was light.

It appears now that the light listing action of the past 2 years was the big anomaly. Sellers chose not to sell in 2008 and 2009 because it looked hard. By then end of 2009 it looked “easy.”

The listing surge of 2010 has flipped the listing and selling trajectories into reverse. This is not a local phenomenon. What is of note locally is how buying activity is “figuring out” the out-of-balance market.

**LISTINGS VS. SOLDS Last 12 months**

This chart pulls out just the last 12 months of unit activity.

In early September last year, the trajectory of active inventory was trending downward quickly, while pending activity was higher than recent years and maintaining stability. This relationship devoured inventory. January through April 2010 saw increased pending action, but also a substantial increase in listing traffic that outpaced sales contracts. This fattened inventories.

No pattern is yet established, but it “looks” like pending and sold patterns are starting to adjust back towards seasonal rates of sale.

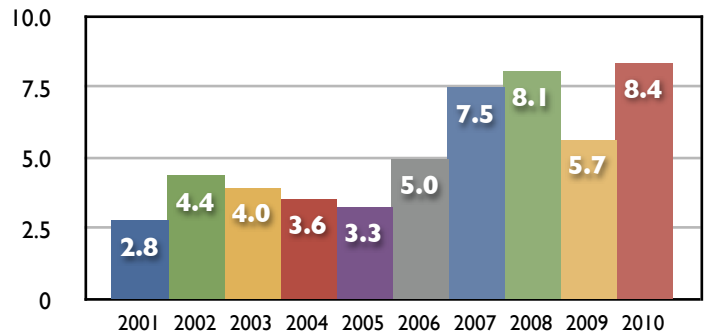
**PRICING TRENDS**

So if supply and demand rules everything... why is this data moving in opposition to the heavy supply and light demand of the present-day? Throughout 2010 price have moved steadily towards equilibrium. There are two reasons why: 1.) Interest Rates increased buying power 2.) Lessened Seller Expectations. The average All-Market price has dropped 20%, the average new listing price has shown less volatility and sold prices have continued an upward trend initially started in Feb. 2009.

Part of the reason prices are still going up despite lax demand is that pricing trends tend to lag several months behind unit sales. What the present sales data shows to be more likely: consumers are stretching their dollars due to low interest rates and better condition commands a premium price. There is speculation that the buying pool is experiencing short-sale/foreclosure fatigue as well. See Analysis.

**Months of Inventory:**

8.4 Months? Ouch! How important is pricing? It is now 47% harder to sell your home this September than last September. From 2001 to 2005 the average months of inventory at Labor Day stood at only 3.6 months of sell-thru supply; today, it is at 8.4 months to sale. Despite the obviously grim conditions... they are not as bad as expected. The highly negative trajectory established after July stalled. August sales were down from July but only 3.5%. It will take 9 to 12 months to return to where the balanced market of April and May. But there are signs the recovery persists.



**Advice for market participants:**

**SELLERS: How important is pricing? It is 47% HARDER to sell your home this September than last September.** The sheer number of sellers on the market has slowed the probability and opportunity to sell. With purchasing traffic doing an about-face from Summer 2009, the cruel reality that probability of sale has declined by close to 50% is resulting in widespread price reductions. The good news is that new listing competition will be scarce based on seasonal dynamics. The bad news: your pricepoint will likely be compromised by another seller maneuvering below your price soon. Since late August, daily price reductions outnumber new listings 2:1.

**BUYERS: How much opportunity is in this market? There's 15% more inventory to choose from and interest rates provide 9% more purchasing power.** A buyer can be forgiven for reading the advice to sellers ("look out! Someone is going to go below you in price tomorrow!") and concluding "I will wait for the market to come to me". They can be forgiven for concluding this; but they should not use that as a strategy. Last year the sheer lack of new market options dramatically reduced inventory and with the word out that the market soured this summer, it is very unlikely that many new motivated new listings will debut this Fall. **That means the best selection is right now.** Will rates go up or down? Who knows. But timing an interest rate move when they are already at all-time record lows seems a little foolhardy. Since 2005, the active number of listings has declined by at least 15% between September 1 and December 31st; over the last five years, it has averaged a 23% reduction, including over 27% each of the last three years.

**Colorado Springs Single Family Housing Supply & Demand, June 1 to August 31, 2010 by MLS AREA**

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	202	47	12.89	117	\$565,064	\$377,532	95.10%	198
BRI	323	176	5.51	263	\$332,973	\$298,927	98.30%	79
CEN	354	139	7.64	276	\$229,602	\$175,686	95.70%	96
EAS	290	141	6.17	288	\$198,228	\$178,532	95.80%	75
F/V	508	266	5.73	459	\$189,218	\$173,739	99.20%	77
FAN	241	91	7.95	172	\$276,588	\$252,800	98.40%	89
N/E	476	178	8.02	376	\$283,285	\$224,971	97.30%	75
N/W	217	84	7.75	156	\$403,818	\$366,328	96.20%	73
NGT	179	100	5.37	128	\$414,563	\$453,340	92.60%	158
OCC	114	51	6.71	104	\$203,384	\$190,670	97.40%	44
PWR	489	244	6.01	429	\$221,738	\$192,193	98.40%	76
S/E	225	131	5.15	241	\$145,109	\$126,309	98.20%	61
S/W	410	136	9.04	272	\$584,274	\$410,141	94.40%	91
TRI	458	133	10.33	300	\$480,569	\$349,994	96.90%	89
WES	119	45	7.93	59	\$510,699	\$323,577	94.20%	80
WPK	202	54	11.22	141	\$340,752	\$320,896	94.60%	148

**Colorado Springs Single Family Housing Supply & Demand, June 1 to August 31, 2010 by PRICE**

Price	#SFR ACTIVE	#SFR SOLD	TIME TO SELL	#SFR Listed
	Supply	Demand	Months	Last 3 months
Under \$75,000	82	67	3.67	50
\$75,000 to \$99,999	159	106	4.5	104
\$100,000 to \$124,999	266	154	5.18	159
\$125,000 to \$149,999	466	231	6.05	274
\$150,000 to \$174,999	537	270	5.97	319
\$175,000 to \$199,999	663	232	8.57	407
\$200,000 to \$224,999	443	216	6.15	277
\$225,000 to \$249,999	500	166	9.04	303
\$250,000 to \$274,999	320	137	7.01	177
\$275,000 to \$299,999	345	105	9.86	192
\$300,000 to \$324,999	190	91	6.26	103
\$325,000 to \$349,999	256	88	8.73	139
\$350,000 to \$374,999	176	63	8.38	95
\$375,000 to \$399,999	227	64	10.64	121
\$400,000 to \$424,999	92	47	5.87	50
\$425,000 to \$449,999	126	29	13.03	80
\$450,000 to \$474,999	91	28	9.75	43
\$475,000 to \$499,999	116	19	18.32	58
\$500,000 to \$524,999	39	15	7.8	27
\$525,000 to \$549,999	77	15	15.4	37
\$550,000 to \$574,999	52	15	10.4	30
\$575,000 to \$599,999	97	14	20.79	34
\$600,000 to \$649,999	71	18	11.83	28
\$650,000 to \$699,999	80	4	60	34
\$700,000 to \$749,999	34	7	14.57	18
\$750,000 to \$799,999	74	7	31.71	33
\$800,000 to \$849,999	27	2	40.5	11
\$850,000 to \$899,999	46	1	138	17
\$900,000 to \$949,999	6	1	18	1
\$950,000 to \$999,999	34	1	102	10
\$1 mil to \$1.50 mil	78	7	33.43	28
\$1.5 mil to \$2.0 mil	46	2	69	16
\$2.0 mil & above	27	1	81	7
<b>Total</b>	<b>5843</b>	<b>2223</b>	<b>7.89</b>	<b>3282</b>

**Colorado Springs Condo/Townhome Supply & Demand, June 1 to August 31, 2010 by Price**

Price	#SFR ACTIVE	#SFR SOLD	TIME TO SELL	#SFR Listed
	Supply	Demand	Months	Last 3 months
Under \$100,000	172	84	6.14	93
\$100,000 to \$124,999	113	41	8.27	59
\$125,000 to \$149,999	161	70	6.9	83
\$150,000 to \$174,999	117	43	8.16	63
\$175,000 to \$199,999	77	21	11	47
\$200,000 to \$224,999	30	5	18	12
\$225,000 to \$249,999	46	12	11.5	21
\$250,000 to \$274,999	29	9	9.67	15
\$275,000 to \$299,999	28	5	16.8	12
\$300,000 to \$349,999	26	6	13	10
\$350,000 to \$399,999	22	1	66	8
Over \$400,000	58	12	14.5	18

**The Summer that Wasn't...**

The euphoria of a corrected market that had spread through the rank and file of the real estate community has lapsed into concerned talk of a marketplace-wide double-dip. It borders on open panic in the streets. Prices are slashing...Delirium among Sellers... The single worst summer month in total units (since June 1997)... Obviously, a Fall 2008, Redux, is looming right around the corner.

**Booga-Booga...!** Halloween came early this year.

For all the lousy real estate numbers in August, there are actually just as many that are positive that fly in the face of the bad news:

Sales were 23% lower in August 2010 than one year prior, but "Average Price" in August bounced \$9000 over July 2010 and \$24,000 over August 2009. For the year, "The-average-price-of-what-is-selling" (a far better term than "average price") is now up over 4% over 2009. The entry level market of \$150,000 to \$250,000 has seen slackened demand and longer inventory times, but months of inventory from \$300,000 to \$450,000 looks strangely similar to their less expensive brethren. Example: from \$150,000 to \$250,000, a blistering seller-controlled market in April has faded into a buyer-controlled, over-supplied market with 7.3 months of inventory. Market time-to-sell in this price bracket has increased by 25%. Conventional Wisdom would conclude that if the market was soft from \$150,000 to \$250,000, it must be terrible from \$300,000 to \$400,000. Yet that isn't the case; it takes another 30 days in time to sell, but there is only 8.4 months of inventory from \$300,000 to \$450,000. That is actually an improvement of 31% from April. That number is as good as anytime in the last three years. High-end showing traffic is increasing, and there were 7 condo and townhome sales over \$400,000 just in August (5 of those over \$590,000); there had been four sales over \$400,000 in the previous 90 days. Both of these trends make sense in regards to economics. The first-time buyer had a lot of opportunity this spring, and an \$8000 credit to buy a \$200,000 home is an attractive incentive to reward purchasing behavior. Additionally, many of those buyers acted early in the credit and closed in late April and early May "to take advantage of the sure-to-rise interest rates". Well, those interest rates did not get worse, instead, they improved, and for over a month 30-year rates have been below the all-time record low and today stand at 4.3%. Super low interest rates and logical reform to the jumbo credit market has made larger luxury purchases increasingly palatable. Even more dramatic, those who are buying are less and less afraid to use cash: half of the over million dollar sales in the last 90 days have been cash transactions. The big, unsustainable market run-up of 2005 to 2007 in the luxury market was fueled by lax underwriting using "other people's money". Example of how cash is making a comeback: there were 12 sales over \$1 million from June 1, 2010 to August 31, 2010 and six paid cash; there were 27 such sales in the same time period in 2007... but during those "healthier" economic times, the same number paid cash (6) as in the Summer of 2010.

So, where is the simple answer? Answer: there is not a simple answer.

The perception that the real estate market has gotten worse is accurate - *in relation to where the market was in April*. Considering the MULTIPLE forces at play that expired simultaneously this spring, August can be seen as a bit of a recovery over the wretched numbers from July. The Tax Credit expiration gets most of the blame for the market slowdown, but many variables have changed in the last four months. Seller confidence that they could sell their house brought an additional 500 to 1000 for-sale units to market that had not been for sale in previous years. Builder confidence in the market's return was expressed with limited spec inventory for the first time in two years. A final blast of foreclosures and short-sales glutted the market. All of these supply forces have waned or expired. Demand was encouraged to close early by the tax credits, but also by the (inaccurate) fear that interest rates would balloon to 6% in late 2010. Instead, rates have plunged another half percent. There are several hundred bank-owned and short-selling proper-

ties on the market, but after three years of selling through these long-escrow, poor condition homes, the marketplace has exhausted most of the eligible pool of distress-sale buyers. So even "great deals" in the distress sale world are sitting. All of these variables lead to a major correction in the midst of recovery. The numbers were not good for August, but they were not as bad as July.

Fact: The market has more homes for sale and less demand than the same time last year. These numbers are so wildly different that sellers have 47% less chance of selling their home than one year ago previous. Fact: Buyers have almost 10% more buying power due to decreases in interest in the mortgage market. Fact: Tax credits are a short-term solution. Low interest rates alleviate future debt and are a superior long-term solution. Fact: There were almost as many listings that reduced price in August as there were new to market listings (and more total price reduction actions than new listings for the month). Predictions: Price reductions will increase and listing activity will decrease this Fall. Every year since 2005, actively listed inventory has gone down by at least 15% between Labor Day and New Year's with an average reduction of 23%; each of the last three years have seen inventory reduce by over 27% the last four months of the year. Some of that is purchasing actions, others are sellers quitting the market and removing their home from sale. Yet the relevant information all buyers should know in light of the attractive inventory and historic low rates: rates might get lower, but waiting on lower when they're at a record bottom is foolish; that inventory that looks so enormous today is likely to shrink by 20%+ in the next 90 days.

The market has taken a major shot and positive gains for the year are no longer likely. Yet the market is not crippled, and if interest rates stay low, the recovery is likely to steadily resume in the next six to nine months.

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

### Pikes Peak Regional Numbers

<b>Single-Family Homes Sold, August 2010</b>	<b>Trending</b>
<b>688</b>	<i>Fall closings typically are slower, but pendings have increased slightly</i>
<b>Avg. Sales Price YTD</b>	<b>Trending</b>
<b>\$227,192, up 4% from 2009. August 2010 was at \$246,072.</b>	<b>Avg. Seller asking price is down 2 to 4% from April. Sold prices will drop next</b>
<b>Number of Listings for Sale</b>	<b>Trending</b>
<b>5839 or 16% more than 2009.</b>	<b>Peaked and declining.</b>
<b>30-Year Fixed Rate</b>	<b>Trending</b>
<b>4.3% (BROKEN RECORD... lowest recorded since records began in 1973)</b>	<b>At all-time low as recorded. Waiting on lower is likely an incremental benefit.</b>



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