December 2010. Data Through November, 2010 VOL. 6, EDITION 12

THE STAT PACK

PIKES PEAK URBAN LIVING

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

"Based on information from the Pikes Peak REALTOR Services Corp. ("RSC"), for the period January 1, 2005 through December 7, 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, www.FHFA.gov, Zillow.com, Standard & Poors, Freddie Mac, Colorado Springs Business Journal, ROOST.com, ALTOS Research & Trulia.com.

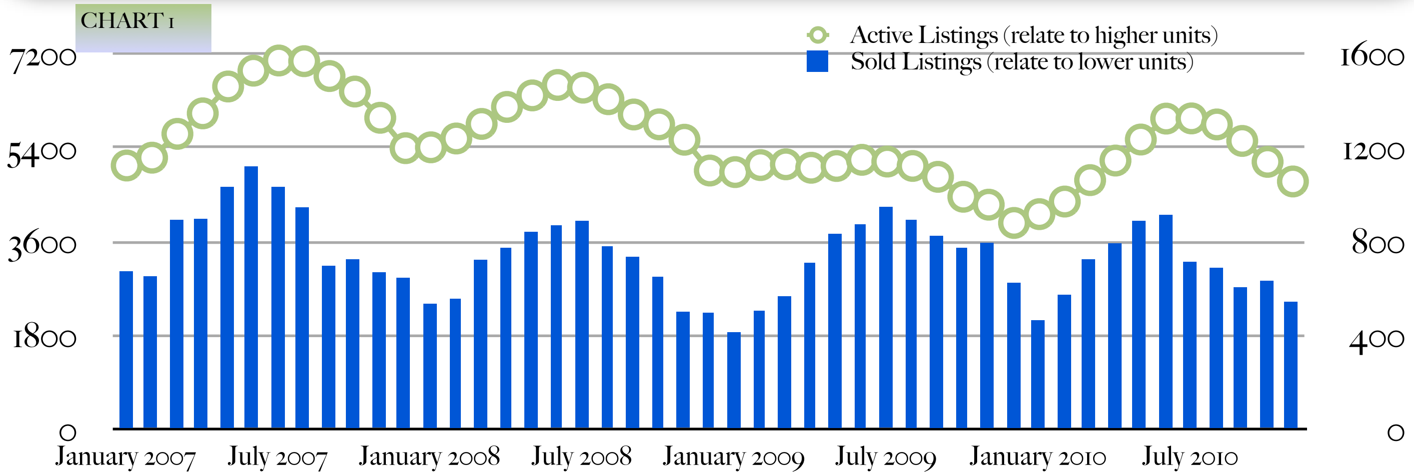
STRENGTHS	WEAKNESSES
Average price has increased in 2010, and buyers have shown a willingness to "buy up".	Homes that have not yet sold are about to get a ton of competition from the January - March surge.
All-time Record Low Interest Rates of 4.3% presently available.	No-room-for-error pricing for sellers due to 8+ months of inventory and seasonally-soft demand
Decent selection available for December, expected to increase dramatically January through March	Interest rate bottom may have come and gone. If an under 4.00% rate was your only way into home-ownership, that ship may have sailed.
OPPORTUNITIES	**THREATS**
...are GREAT in neighborhoods with less than a 6 month supply of housing. There are some surprising areas with tight demand that likely are headed up in price.	... like 4800 +/- sellers vying for 400 - 550 monthly buyers. That's the next two to three months. That's tough.
...to save interest with a 15-year loan over a 30-year loan. On a $200,000 loan, a buyer would save $91,000 in interest on a 15-year.	...are VERY REAL in neighborhoods with greater than 15 months supply of housing. Further price reductions are more likely than not in these areas.

Single Family Unit Comparison (Chart 1): One of the most irregular years in recent memory has finally started to adjust for seasonal patterns. One year ago, the expected deadline of the First-Time Buyer Tax Credit created a late rush in sales with almost 800 units closing in November, 2009. The paltry 554 units that closed in 2010 (a 32% decline) is misleading due to the onslaught of late year activity and tiny inventory from Fall 2009. Now, with rates 1% lower and inventory 15% higher, and no looming deadlines (except holiday shopping), the numbers have tailed off. A more appropriate comparison would be to Fall 2007 and 2008. This year's activity was 20% lower than 2007 but 11% better than 2008. In other words: buying activity did what was expected.

In terms of listing volume: the seasonal decline is matching up with the sorts of declines that occurred last year. There is a certain fatalism to sellers that their chances decrease dramatically in the fall, and last year, the selling season ended with 1000 fewer listings for sale in late December than late August. Already in early December, the market has shed 1100 listings from inventory.

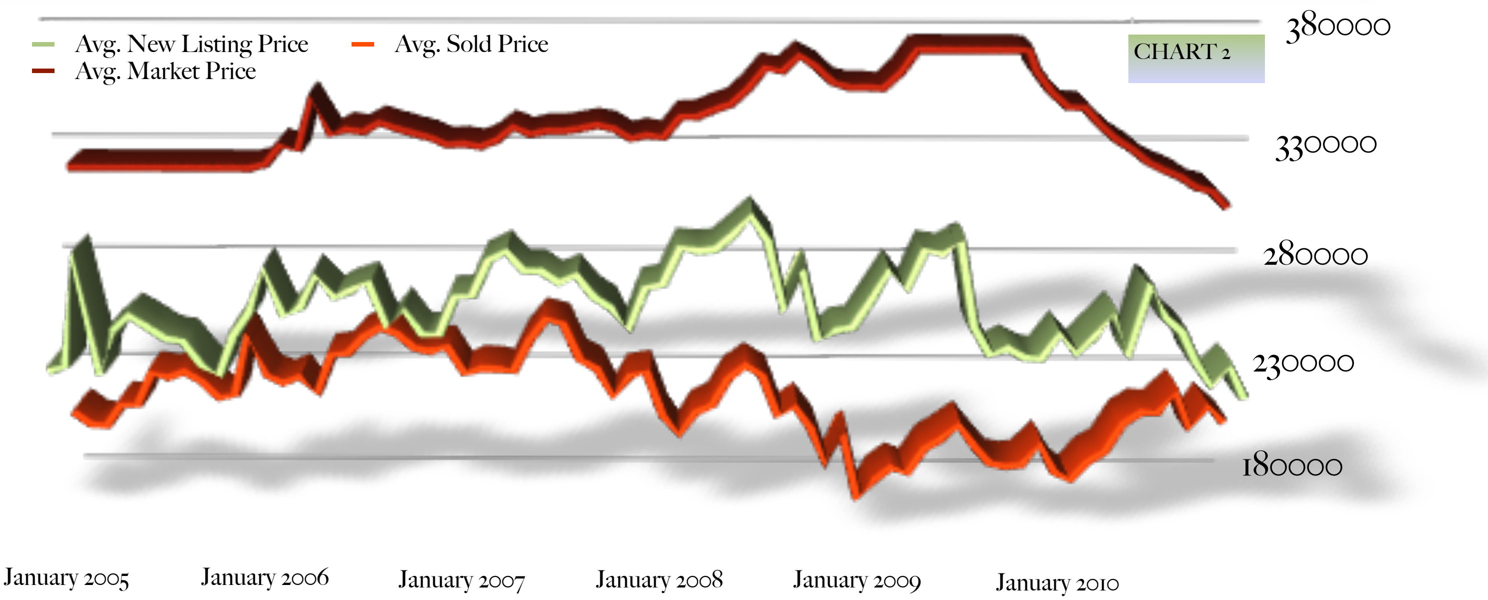
The 30 day outlook will predict slow buying activity (but those that buy are likely doing so with great purpose and certainty this time of year); and slow listing activity (but those that do list are not messing around). January through March consumer activity will determine much of the course of 2011. If the first of the year produces a bumper crop of new listings, or a significant number of high-priced new listings, or both, sales will likely be slower and months of inventory longer than 2010. But if listings are priced right, or fewer properties coming on with misplaced hopes, the market can begin to gain traction towards a prolonged recovery.

CHART 1



Average Price Comparison (Chart 2): Proving that late season sellers are far more motivated than peak season sellers, the average new listing price for November was a puny $253,000. This is the lowest number registered in this category in at least six years. It indicates that sellers are far more cognizant of market realities. If you are thinking about putting your home on the market in January or later, ask yourself this important question: "why will my home be worth more in 30 days than it would today?" Sellers in December are not necessarily smarter than sellers in January (the odds favor January sellers almost 2:1 that they will get a contract due to the increase in buyers), but it is an important point for moving forward that low seller expectations lead to low closed selling prices... which lead to low future appraisals. A low appraisal in February through April is often a disaster for a seller, especially if that appraisal is for VA or FHA financing (more than 50% of the market) where the appraisal holds for 6 months. So Spring Sellers: Be cautious. Your late winter compatriots are not helping your future values. Good thing for you there are not many of them.

CHART 2



Months of Inventory (Chart 3): This documents how artificially strong last November's sale performance was. For the last three years, the average November inventory has been at 8.5 months, and presently, it is at 8,7, better than two out of the last three years. It is still a "buyer's market" because it is in excess of six months, and will remain this way through January for certain, and possibly through Spring, 2011.

New Market Activity (Chart 4): A new chart to The Stat Pack, this documents what is happening right now: new listings, new closings and new contracts (pendings). The domino-effect here is that new listings lead new contracts which lead new closings. That's how it is supposed to happen; mid-year, 2010, that did not happen. Listings happened, sales did not. This began to stabilize in August and September.

CHART 3

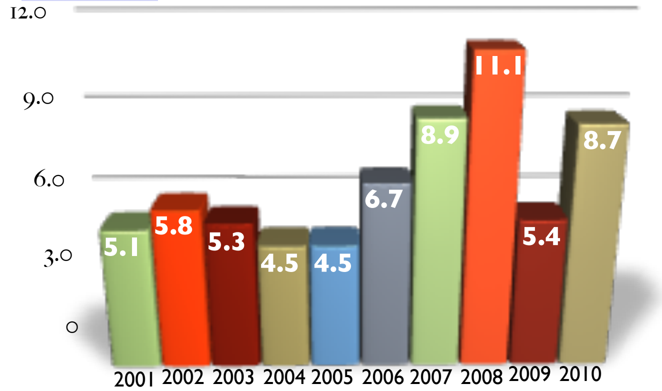


CHART 4

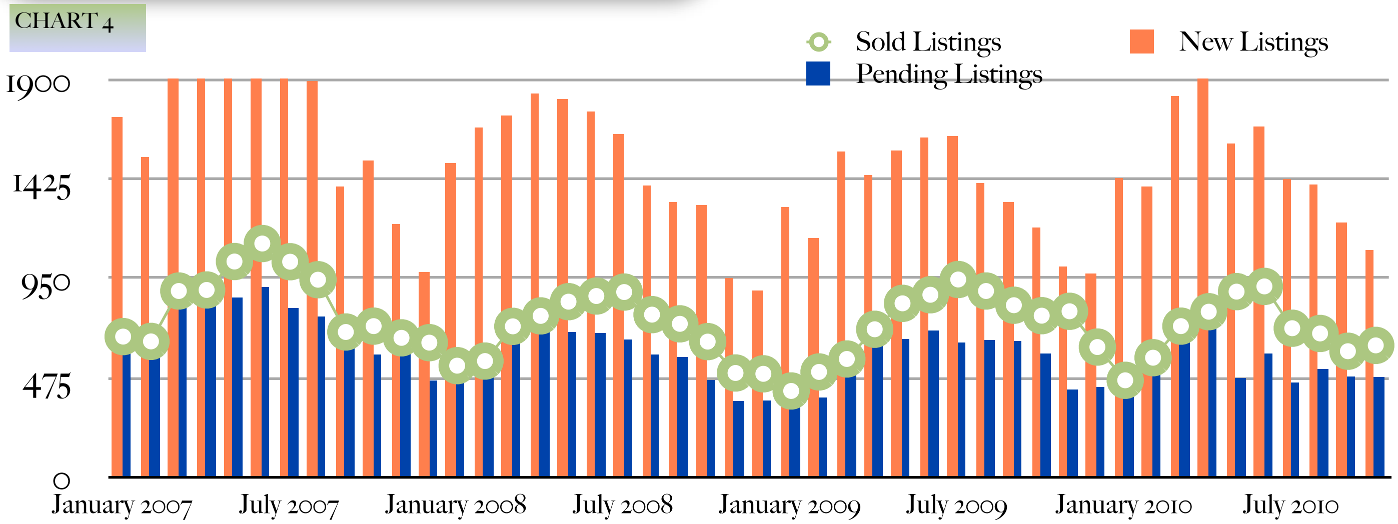


TABLE 1

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	141	40	10.58	80	$560.931	$349.045	94.5%	115
BRI	268	123	6.54	229	$337.052	$290,228	99.5%	97
CEN	271	116	7.01	240	$195,600	$185,705	104.0%	105
EAS	273	106	7.73	243	$195.495	$171.440	98.3%	96
F/V	443	222	5.99	408	$181,214	$162,170	99.0%	74
FAN	178	76	7.03	133	$269,387	$256,030	98.5%	132
N/E	336	155	6.50	277	$271,189	$238,895	96.8%	84
N/W	155	78	5.96	137	$403,818	$288,365	97.7%	96
NGT	142	64	6.66	118	$402.937	$377.459	96.0%	131
OCC	101	52	5.83	111	$205.955	$151,409	96.5%	113
PWR	381	195	5.86	264	$215,827	$211,884	98.7%	119
S/E	241	102	7.09	240	$136,238	$125,888	97.7%	104
S/W	293	109	8.06	215	$553,894	$276,561	97.5%	63
TRI	306	108	8.50	205	$482,674	$351,825	96.1%	83
WES	95	37	7.70	65	$476,976	$262,029	97.4%	93
WPK	149	51	8.76	93	$365.426	$247,673	96.1%	147

TABLE 2

Single Family	#SFR ACTIVE	#SFR SOLD	TIME TO SELL	#SFR Listed
Price	Supply	Demand	Months	Last 3 months
Under $75,000	94	65	4.34	48
$75,000 to $99,999	197	91	6.49	106
$100,000 to $124,999	274	124	6.63	156
$125,000 to $149,999	422	166	7.63	233
$150,000 to $174,999	480	219	6.58	259
$175,000 to $199,999	496	223	6.67	258
$200,000 to $224,999	356	160	6.68	198
$225,000 to $249,999	382	146	7.85	176
$250,000 to $274,999	226	103	6.58	115
$275,000 to $299,999	279	78	10.73	138
$300,000 to $324,999	138	51	8.12	75
$325,000 to $349,999	219	59	11.14	99
$350,000 to $374,999	122	44	8.32	59
$375,000 to $399,999	155	56	8.30	64
$400,000 to $424,999	68	25	8.16	34
$425,000 to $449,999	89	26	10.27	40
$450,000 to $474,999	66	19	10.42	19
$475,000 to $499,999	84	18	14.00	32
$500,000 to $524,999	32	4	24.00	9
$525,000 to $549,999	59	13	13.62	20
$550,000 to $574,999	36	9	12.00	12
$575,000 to $599,999	67	18	11.17	26
$600,000 to $649,999	55	10	16.50	18
$650,000 to $699,999	54	6	27.00	18
$700,000 to $749,999	26	1	78.00	6
$750,000 to $799,999	47	2	70.50	8
$800,000 to $849,999	21	3	21.00	3
$850,000 to $899,999	32	3	32.00	5
$900,000 to $949,999	6	0	#DIV/0!	3
$950,000 to $999,999	31	6	15.50	6
$1 mil to $1.50 mil	68	10	20.40	11
$1.5 mil to $2.0 mil	38	2	57.00	6
$2.0 mil & above	19	1	57.00	6
Total	4738	1761	8.07	2266

TABLE 3

Condo/Townhome	#SFR ACTIVE	#SFR SOLD	TIME TO SELL	#SFR Listed
Price	Supply	Demand	Months	Last 3 months
Under $100,000	146	71	6.17	74
$100,000 to $124,999	120	38	9.47	72
$125,000 to $149,999	141	49	8.63	78
$150,000 to $174,999	88	30	8.80	47
$175,000 to $199,999	51	18	8.50	28
$200,000 to $224,999	23	15	4.60	12
$225,000 to $249,999	27	11	7.36	9
$250,000 to $274,999	20	9	6.67	8
$275,000 to $299,999	22	6	11.00	6
$300,000 to $349,999	16	3	16.00	6
$350,000 to $399,999	13	0	#DIV/0!	5
Over $400,000	51	1	153.00	12

Advice for market participants:

SELLERS: Buyers have three concerns about every house: Paying too much for it, something is wrong with it... and what if someone else gets it? This first two concerns are remedied by data, but the third is emotional. Properties new to market are generally considered more likely to sell than properties that have sat for months and missed offers. This is one reason for sellers to remove their home for sale from the market today: they can sit off market for 30 days and have their days on market timer (on the MLS listing) reset to zero. Does this fool anyone? Yes. It also resets things online and many agents do not check the historical cookies in the listing to see how many changes or different listings have occurred for a single property. Saying that, removing the home from market now might miss a motivated buyer looking today. Re-listing as a way of denying reality and expecting a higher price in the Spring is unlikely to work.

BUYERS: Your time with low interest rates might have ended. The steady inclination the last 30 days has been for moderate increases in price, so if the expectation was to get a sub 4.00% rate, that window has closed for now. Inventory has decreased by 20% since market peak this summer so there is less to choose from. There will be more listings coming to market in January and February, but there is also an expectation that there will be more buyers buying for simple lifestyle issues, not purely economic issues in the coming year. As inventory increases, the buying opportunity is great for many buyers who may need to simply move on with life. That could increase your competition for properties.

Analysis:

Year-End Wrap:

One of the strangest years ever is concluding (at long last). This sales year 2010 in local real estate circles will probably be known as the year that nothing made sense. The extension of the first-time buyer tax credit greatly increased buying demand in the Spring but it also fostered seller hope that was not realistic. A huge number of properties came on the market compared to the previous two years, glutting inventory with over-priced and under-conditioned homes. The buyer changed: buyers increasingly want a real estate product consistent with their other - keyword, tangible - purchases: new, custom, just-right, familiar, updated, you name it. The old pattern of buying was that location mattered for something. Now, updating is not considered beneficial: it is considered mandatory. Correspondingly, dated homes in choice areas were more often than not completely refused by buyers. View, floorplan, curb appeal, neighborhood, yes, these are nice; but dated lighting, old plumbing fixtures, tired carpet, “ancient” HVAC components, old windows, inferior landscaping... you know, those things sellers like to call “potential.”

Another huge change was that the average buyer was young, probably single, probably buying for the first-time, had an uncertain job future... and still thought that they would live for a decade in the home they were buying. Objectively speaking, that is called a cauldron of emotion/fear/concern. That fear-based economy makes selling extremely difficult. A single problematic attribute (old furnace, T-Loc shingle roof, busy street, brass everywhere, no fence around yard, neighbor with chickens) could render a house completely unsellable when the buyer is buying not from hope, but from fear. Last year, 47% of all buyers were first-time buyers. Historically, that number is usually around 31%. A fifty percent increase in this pool of buyers is enormous. First time buyers big ticket purchases are usually TV’s, MP3 players, cars, iPads, etc. Consider these totems of adulthood: modern devices representing the cutting edge, often acquired on credit cards or by extensive consumer financing. How they approach home-buying is new for most sellers. Their demands seem foolish at first ("they're missing the neighborhood!" "my view!" "these are nine foot ceilings on both levels!" "I paid $8000 to hardwood the entire main level!" "I slaved in this yard rehabilitating it from the pit of weeds it is!" "but I need another $15,000 to even get back what I put down seven years ago!") who focus strictly on their own story and their own needs. To cut to the chase: buyers - for the most part - don't care about seller needs. With almost half of the buying population barely three decades old, not even a decade out of college, probably on their third unique career, never having purchased previously, enjoying prices from five to ten years ago, enjoying 22% more money leverage than buyers two years ago, used to buying shiny and new, and most importantly, never having enjoyed job certainty or seen prolonged economic well-being in the investment world with their own eyes... Sellers have been forced to sell to a cauldron of emotional more used to making decisions out of fear, than hope.

Correspondingly, much, if not all, of the consumer activity seems to come down to economic-based decisions. A plain and simple commodity-driven marketplace offers little chance for market differentiation and becomes reliant on price first as the common denominator, and new as the next best thing. Other motivating variables like location and floorplan become secondary. There is still a very elastic (beneficial) market for new; there is no market at all for potential.

The big question for 2011 is this: how long will potential be put aside? How much longer will people be making purely economic decisions? When the marketplace comes to grips with the fact that prices are great, selection is favorable and money-leverage is outstanding... now let's just buy a house... that's when the market recovery sustains. Eventually, this too will even out. The unknown is when.

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

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Pikes Peak Regional Numbers

Single-Family Homes Sold November 2010	Trending
554	Trending down for the next 60 days, likely increasing February
Avg. Sales Price YTD	**Trending**
$228,936, up 4% from 2009. Monthly avg. sales price dipped.	This will fluctuate monthly due to the slower pace of sales
Number of Listings for Sale	**Trending**
4729. 7% more than 2009, but down almost 1300 from peak in July	Many will quit in December to re-list after 30 days in January.
30-Year Fixed Rate	**Trending**
4.3%	Has now risen slowly for the last 30 days. Sub 4.00% rates were available (past tense).

Appendix: Additional National Data and Third-Party Information Sites

CHART 5

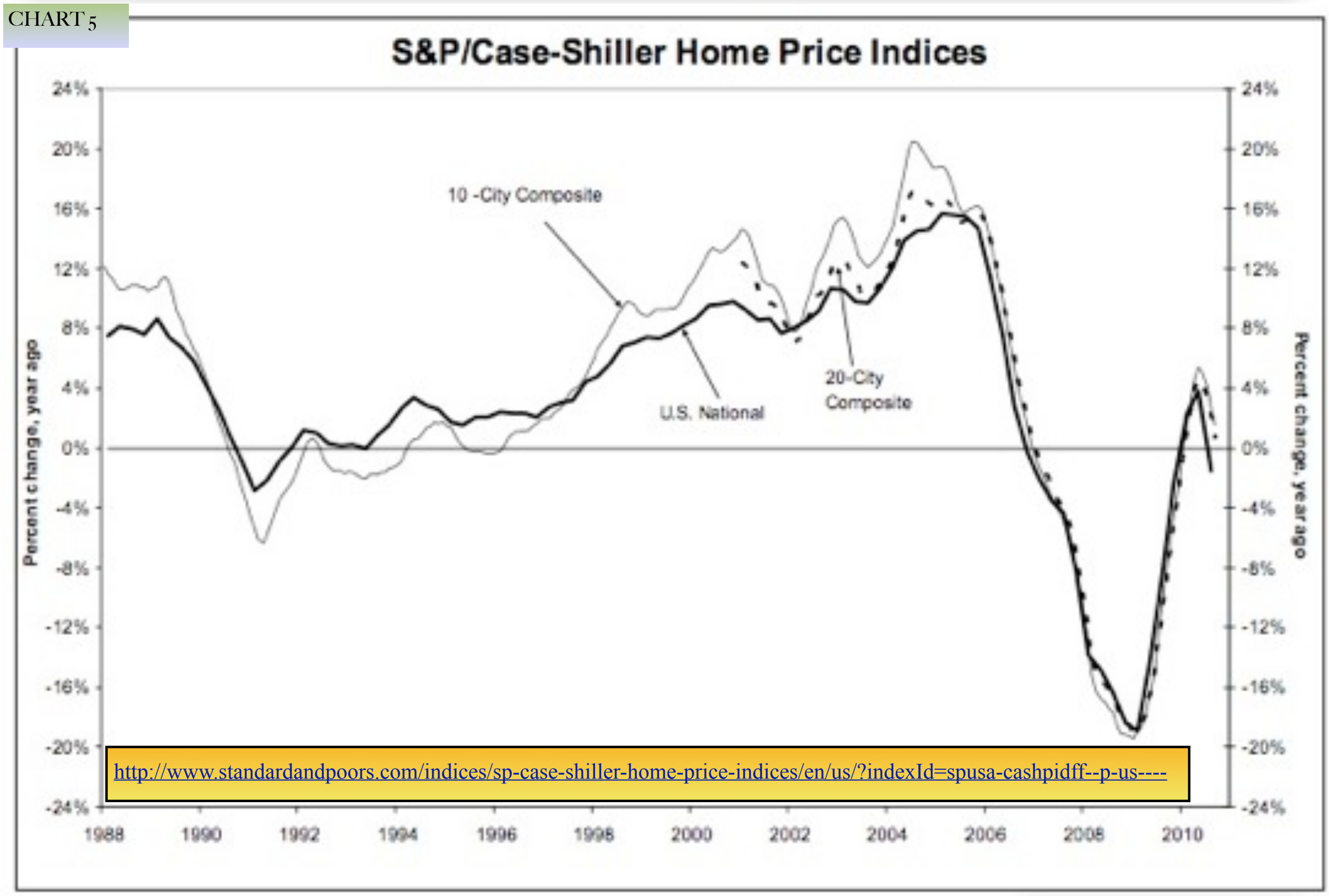
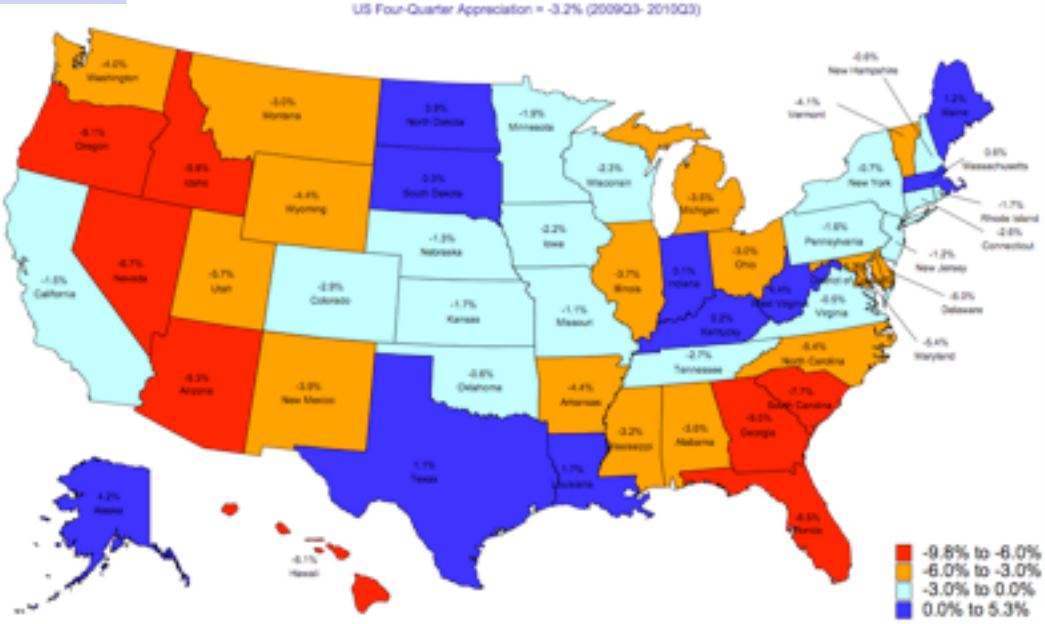


CHART 6

Four-Quarter Price Change by State: Purchase-Only Index (Seasonally Adjusted)

US Four-Quarter Appreciation = -3.2% (2009Q3- 2010Q3)



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. This document has notably shown the wild and often violent swings in home prices over the last 7 years. Third Quarter saw a retraction in prices nationally after the expiration of the First-Time Buyer Tax Credit. 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. Colorado is 28th in appreciation, but at less than -3%, is performing better than the national average of -3.6% annual decline.

Freddie Mac 30 Year Fixed Rate Mortgage Monthly National Average since 2005

TABLE 5

	2010		2009		2008		2007		2006		2005	
	Rate	Pts	Rate	Pts	Rate	Pts	Rate	Pts	Rate	Pts	Rate	Pts
January	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	4.99	0.7	5.13	0.7	5.92	0.5	6.29	0.4	6.25	0.6	5.63	0.7
March	4.97	0.7	5.00	0.7	5.97	0.5	6.16	0.4	6.32	0.6	5.93	0.7
April	5.10	0.7	4.81	0.7	5.92	0.4	6.18	0.5	6.51	0.6	5.86	0.6
May	4.89	0.7	4.86	0.7	6.04	0.5	6.26	0.4	6.60	0.5	5.72	0.6
June	4.74	0.7	5.42	0.7	6.32	0.7	6.66	0.4	6.68	0.5	5.58	0.6
July	4.56	0.7	5.22	0.7	6.43	0.6	6.70	0.4	6.76	0.5	5.70	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	6.40	0.5	5.77	0.6
October	4.23	0.8	4.95	0.7	6.20	0.6	6.38	0.5	6.36	0.4	6.07	0.5
November	4.30	0.8	4.88	0.7	6.09	0.7	6.21	0.4	6.24	0.5	6.33	0.6
December			4.93	0.7	5.29	0.7	6.10	0.5	6.14	0.4	6.27	0.5
Annual Average			**5.04**	**0.7**	**6.03**	**0.6**	**6.34**	**0.4**	**6.41**	**0.5**	**5.87**	**0.6**

CHART 7

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 then it did just three years ago (see the accompanying column called "Pts", abbreviation for "points-paid to obtain rate."

Chart 7 is from Zillow.com, a popular site for buyers researching areas prior to making a purchase. This elaborates on market conditions in a graphic manner, including documentation on the relatively moderate price declines in Colorado Springs, and how much less volatile the market has been locally compared to the nation.

Table 6 shows online search popularity for the top 10 MLS areas locally. This is an indication of where buyers are looking and where contracts will be written in the next 60 to 120 days. This is simply a measure of users on Trulia.com, a site that seems to attract more high-end buyers.

Colorado Springs neighborhoods	Avg. listing price		Avg. sales price		Median sales price		Price per sqft		Trulia popularity
	Week ending Dec 1		Sep-Nov '10		Sep-Nov '10		Sep-Nov '10		Week ending Dec 1
Name	Amount	w-o-w	Amount	y-o-y	Amount	y-o-y	Amount	y-o-y	Rank
Southwest Colorado Springs	$870,932	-	$446,259	1.2%	$382,500	-2.5%	$177	-6.8%	2
Rock Creek	$552,691	4.8%	$261,500	-47.2%	$261,500	-47.2%	$208	10.6%	9
Old Colorado City	$432,723	-8.4%	$336,000	-49.5%	$380,000	-36.5%	$152	-42.0%	10
Northwest Colorado Springs	$428,847	1.5%	$298,109	-7.0%	$273,950	3.4%	$147	-9.3%	5
Briarsgate	$329,316	-1.0%	$263,136	0.9%	$240,000	-4.5%	$147	-2.6%	-
Northgate	$318,432	1.8%	$259,897	-9.2%	$255,900	-3.0%	$132	-8.3%	8
Central Colorado City	$297,252	-0.1%	$240,039	8.0%	$206,900	15.4%	$154	2.7%	6
Northeast Colorado Springs	$244,749	0.3%	$192,485	0.9%	$162,325	-7.2%	$132	-4.3%	4
East Colorado Springs	$220,893	-1.1%	$192,109	-16.7%	$160,000	2.2%	$137	-4.2%	7
Powers	$193,357	-1.4%	$169,904	0.8%	$166,195	0.7%	$122	-5.4%	1
Southeast Colorado Springs	$147,018	1.3%	$120,736	-7.6%	$110,162	-8.8%	$99	-11.6%	3
Briargate	-	-	-	-	-	-	-	-	-

TABLE 6