

THE STAT PACK



The Stat Pack is created by Benjamin Day and Hannah Parsons, Selley Group Real Estate.
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):

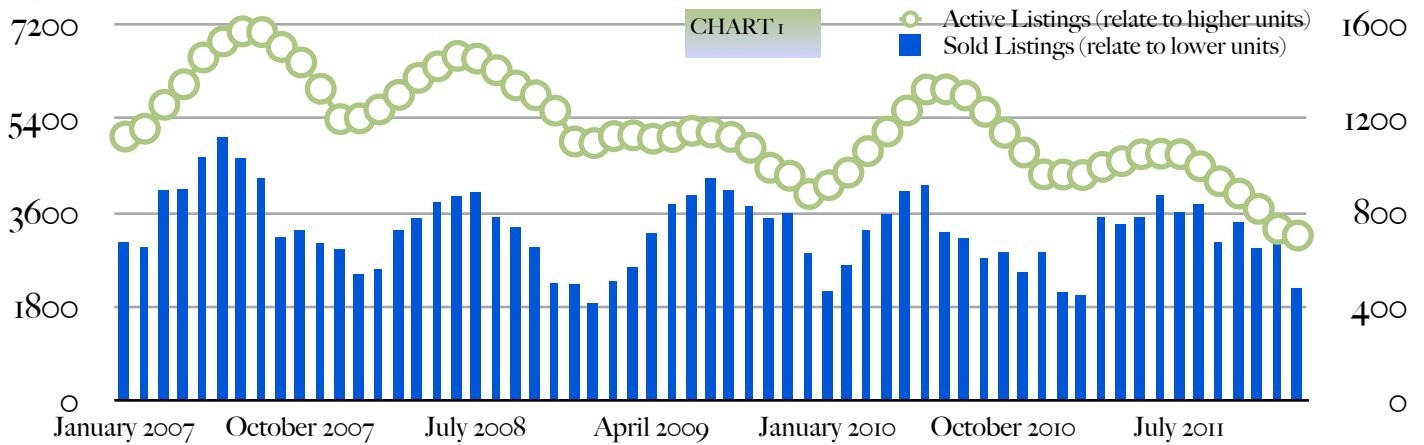
- LOCATION, LOCATION, LOCATION
- MONEY IS MADE ON THE BUY
- SELLERS SET ASKING PRICES; BUYERS DETERMINE VALUE
- BUYERS BUY VALUE
- THOSE WITH POWER HAVE FEW NEEDS. THOSE WITH NEEDS HAVE LITTLE POWER
- THE HARDEST THING TO GAIN IS TRUST; THE EASIEST THING TO LOSE

"Based on information from the Pikes Peak REALTOR Services Corp. ("RSC"), for the period January 1, 2005 through February 10, 2012. 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, CNBC.com, Bloomberg.com, www.PMI-US.com.

STRENGTHS	WEAKNESSES
Market balance. Months of Inventory is at a 10-month high, but that number is only 6.7 months of inventory, likely static for the next month before settling close to 5 for the rest of the year.	The Big Five Bank Settlement puts to bed "robo-signing," which will spark a surge in foreclosures putting dozens of discounted properties on the market and creating price instability.
Seller probability of sale in 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	The lack of selection can lull buyers into complacency, encourage renting until there's more to look at, and overall, frustrate the market.
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.	Economic sensitivity is still very tenuous. Consumers remain more willing to believe negative news rather than positive news. It doesn't take much to tip the market negative.
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?

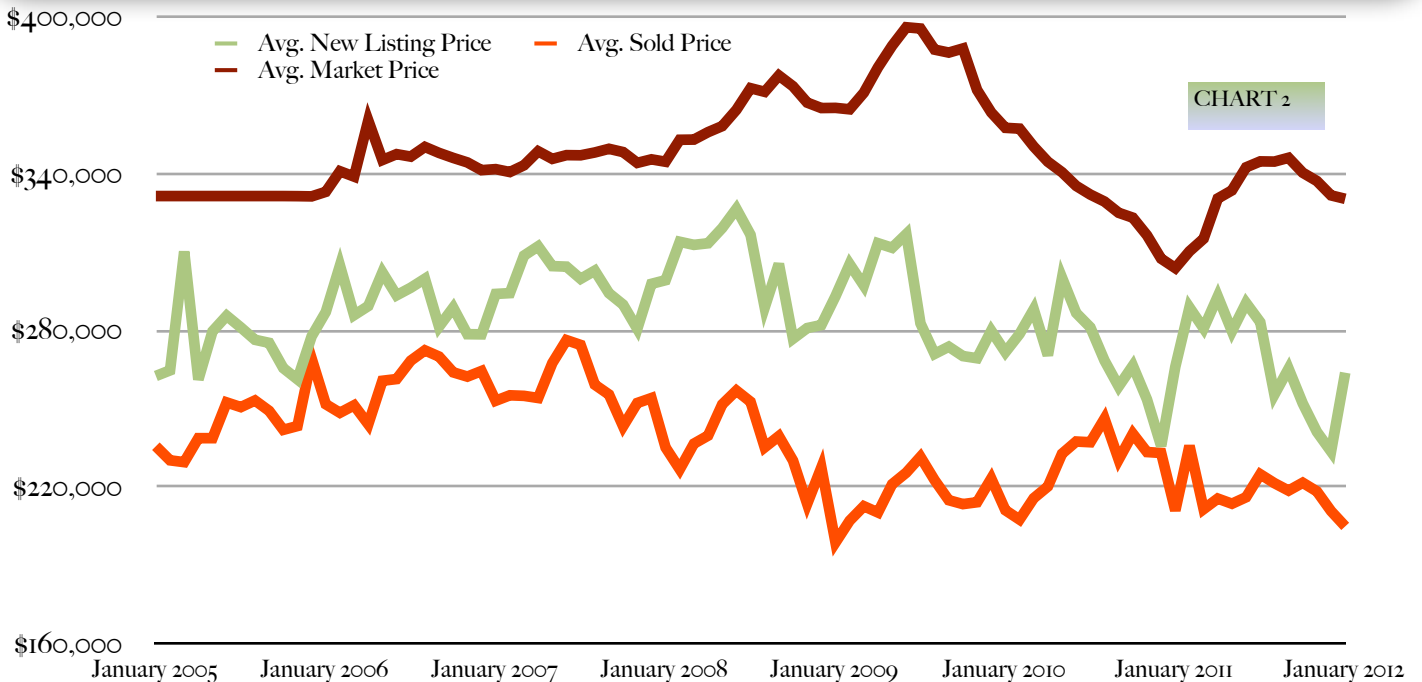
Single Family Unit Comparison (Chart 1): January is a good barometer month for market activity going forward when the relationships between active listings and sold listings are compared and contrasted. Simply looking at unit values (x listings for sale, y units sold / month) is not as accurate as looking at the momentum that surrounds the January reporting as well and the market activity that preceded January reporting.

The dominant characteristic for the previous five January's was a large span between units closed in January and units for sale. The crippling market conditions that appeared in late 2008 can be seen gestating in January with a huge span between listings for sale and listings actually closed. The relationship was similarly large in early 2009, with January 2009 likely going down as the single worst month in the MLS's online history. But in that case, the span was not quite so great because inventory was lower. In January 2010, the span was tighter, but listing inventory bumped significantly. In 2012, the span is smaller than anytime seen since early 2006, and the several previous months showed a market very much in competitive balance.



Average Price Comparison (Chart 2): January listing price is a good barometer for seller expectations in the new year. When we track the individual price brackets for new listings (Page 4) it was readily obvious that a bunch of more expensive (over \$500,000) properties had sat out the holiday season and either debuted in early 2012 or returned to market for another go around. The average new listing price was \$30,000 higher in January than it was in December, while the average sold price (never very impressive in January) sank \$6000.

In the coming year, we expect the average market price to remain high, over \$320,000 or possibly climbing as the high-end will take the longest to recover and has the greatest amount. Average price will not increase more than 3% this year for several reasons: 1.) what is selling well are properties under \$200,000. These are flying off the shelf. In the middle of winter, for all price ranges under \$250,000 there is less than 5 months of supply. This will likely get tighter from March onward. The other reasons prices won't climb quickly is because consumers won't let them. No one yet is willing to relent and pay "above market value" for a home. This buyer of today is still very value-conscious.



Months of Inventory (Chart 3): The 6.7 months of inventory in January was only the 2nd time since April that there was more than 6 months of inventory on the market, locally. Nationally, months of inventory is around 8.5 month. A six month market indicates balance and February will likely also be over 6 months, but March through summer should show a less than 6 month market, giving sellers some very moderate, but positive, traction as the year progresses.

New Market Activity (Chart 4): Pending sales indexes locally are not used with consistency and are not enforced by the local MLS jurisdiction. Many listings go pending once they contract to turn off future showings, but can still come back on market after negative inspections or appraisals. This lack of consistency makes it a trickier number to gauge market activity. Nonetheless... January had 474 closed sales and 474 pending sales. That might be an indicator of positive market conditions carrying forward.

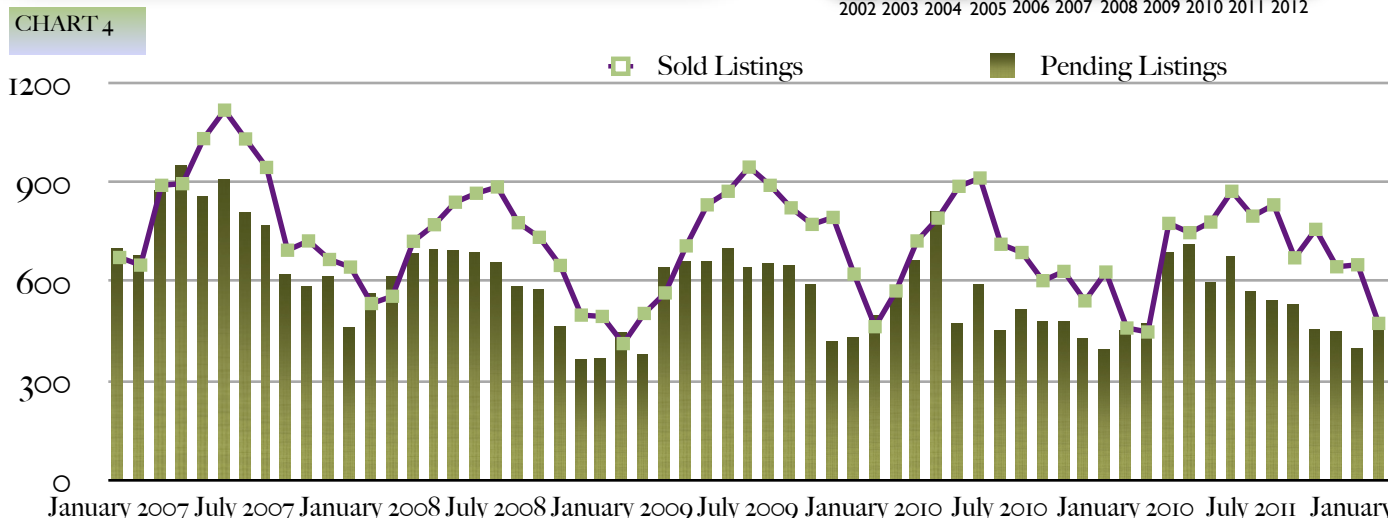
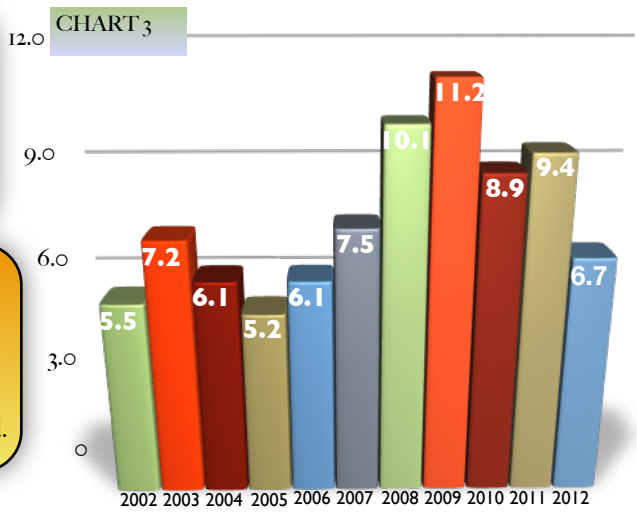


TABLE 1

Single Family Area	#SFR ACTIVE All For Sale	#SFR SOLD Last 3 mos	TIME TO SEL Months	#SFR Listed Last 3 mos	Avg List Price	Avg Sold Price	SP to LP List %	Avg. DOM
BLA	107	34	9.44	47	\$628,564	\$475,823	96%	150
BRI	191	114	5.03	153	\$336,070	\$221,384	97.2%	58
CEN	187	141	3.98	187	\$228,138	\$114,461	99.4%	111
EAS	150	145	3.10	165	\$191,455	\$168,696	96.5%	95
F/V	308	261	3.54	348	\$189,432	\$156,914	98.9%	60
FAN	115	93	3.71	131	\$269,511	\$247,860	99.4%	128
N/E	173	141	3.68	184	\$256,752	\$195,174	97.7%	79
N/W	109	55	5.95	83	\$386,872	\$328,749	95%	92
NGT	111	66	5.05	72	\$482,176	\$332,286	96.4%	118
OCC	60	53	3.40	55	\$189,876	\$168,091	96.5%	106
PWR	214	200	3.21	214	\$217,304	\$181,171	98%	124
S/E	128	135	2.84	156	\$139,074	\$111,683	96.9%	94
S/W	223	127	5.27	126	\$614,635	\$322,418	95.6%	148
TRI	179	102	5.26	109	\$492,932	\$358,397	99%	136
WES	52	36	4.33	30	\$468,386	\$217,498	95.9%	127
WPK	96	39	7.38	47	\$393,402	\$218,633	99.5%	167

TABLE 2

Single Family	#SFR ACTIVE	#SFR SOLD	TIME TO SELL	#SFR Listed
Price	Supply	Demand	Months	Last 3 months
Under \$75,000	70	107	1.96	29
\$75,000 to \$99,999	109	113	2.89	61
\$100,000 to \$124,999	179	143	3.76	69
\$125,000 to \$149,999	281	197	4.28	124
\$150,000 to \$174,999	277	192	4.33	104
\$175,000 to \$199,999	304	192	4.75	122
\$200,000 to \$224,999	224	150	4.48	98
\$225,000 to \$249,999	248	153	4.86	104
\$250,000 to \$274,999	189	72	7.88	81
\$275,000 to \$299,999	186	69	8.09	93
\$300,000 to \$324,999	122	60	6.10	50
\$325,000 to \$349,999	154	38	12.16	71
\$350,000 to \$374,999	92	26	10.62	48
\$375,000 to \$399,999	122	40	9.15	73
\$400,000 to \$424,999	48	16	9.00	24
\$425,000 to \$449,999	71	19	11.21	37
\$450,000 to \$474,999	35	11	9.55	23
\$475,000 to \$499,999	63	17	11.12	39
\$500,000 to \$524,999	21	5	12.60	12
\$525,000 to \$549,999	37	8	13.88	24
\$550,000 to \$574,999	33	6	16.50	19
\$575,000 to \$599,999	40	8	15.00	23
\$600,000 to \$649,999	36	7	15.43	21
\$650,000 to \$699,999	39	8	14.63	24
\$700,000 to \$749,999	21	4	15.75	10
\$750,000 to \$799,999	31	5	18.60	16
\$800,000 to \$849,999	8	2	12.00	5
\$850,000 to \$899,999	19	0		12
\$900,000 to \$949,999	6	2	9.00	3
\$950,000 to \$999,999	20	3	20.00	14
\$1 mil to \$1.50 mil	60	2	90.00	51
\$1.5 mil to \$2.0 mil	26	2	39.00	21
\$2.0 mil & above	19	2	28.50	14
Total	3190	1679	5.70	1519

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: Don't be greedy. Be smart. No one, yourself included, wants to pay more than something is worth, especially in real estate. What exists now is an opportunity for unusual benefit, a market where you might have little to no direct competition. That might mean you can fudge the price a couple thousand dollars (a couple here means what it literally means, "two") but not several thousand dollars. Even though money is cheap, and yes, a buyer can afford to stretch \$48 a month to buy a house \$10,000 more expensive when no other property exists at their lower price range... they don't want to do it. And if a buyer doesn't want to do it, a buyer won't do it. They still cannot be converted, and they have history on their side that more properties will come on the market in the coming months.

BUYERS: Don't over think the financial aspects of a price if you're within your comfort zone. A couple thousand dollars financed over 30 years will add up, yes. But what if you don't get the house because of the price difference? What if you buy at 4.00% instead of 3.75? That actually results in several thousand more financed over 30 years. The stark problem for buyers is that the word is out on the good thing going out there: prices are basically at 2001 to early 2004 levels depending on area, interest rates are 2 to 3% lower than they were in that same time... and inventory is even tighter. Because of the lack of inventory, be on guard and prepared for bidding wars.

The Bank Owned World: After Robo-Signing

Selley Group REALTORS do not specialize in the bank-owned market. We get the occasional bank-owned listing and we certainly show plenty of them, but the reality is that we build our business on relationships instead of property accounts or a specific financial segment of the market. So this is not intended to be a description of the bank-owned system, more our experience guiding the path for our future buyers, and hopefully illuminating the realities of bank-owned for our sellers.

Falsehood One: Bank-owned properties do not count as comparable sold properties on an appraisal. Of course they do. In some areas, the bank-owned sales may represent the majority of units closed. In other cases, the only sold property in the last ninety days might be bank-owned. In both cases, there is no avoiding them. This is why foreclosures eventually undermine values.

Falsehood Two: Banks won't make repairs or improvements to their properties so these dumps are an unfair comparable sold. Freddie Mac and Fannie Mac are two of the big participants in the local bank-owned world, and depending on the asset manager, market conditions, and the value of the foreclosed loan relative to the present market value of the home, they might replace carpeting, vinyl, repaint interiors, replace appliances, furnaces and water heaters. No, they won't replace diseased trees with new ones, and they won't give you a \$10,000 credit for a deck replacement when it was obviously rotten before you contracted for it, but banks are ultimately in this for the money, so \$6000 of repairs can be used to leverage a \$30,000 price. While bank-owned is not synonymous with "perfect condition" it is not always true that bank-owned properties are all disasters.

Falsehood Three: You need more cash to buy a bank-owned home. This can often be the case, but Fannie Mae's Homepath offers conventional buyers the chance to buy with 3% down and no mortgage insurance and FHA's HUDHomeStore offers free appraisals.

Reality One: Bank-Owned homes cost more money during your due diligence and in closing costs. This is very true. You can count on at least one dewinterization cost with any bank-owned home, sometimes three, \$100 in re-keying fees, additional title insurance

charges (VA and HUD make the buyer pay all of the title insurance), and if the house is on well and septic, well y'all have fun finding the lids this time of year.

Reality Two: Robo-Signing's "settlement" will result in more foreclosures coming to market. This is very true. The five banks mentioned all held up their foreclosure procedurals for several months and now that they have a clear path for action, expect them to start foreclosing more homes. More foreclosures means more properties coming on the market at deeply reduced prices. When... is anyone's guess.

Reality Three: Post-Robo-signing foreclosure increases will be larger in other marketplaces than Colorado Springs. This is somewhat true. Ever see a Bank of America branch in Colorado Springs other than an ATM? This is not a big market for them. But Countrywide was pretty big and there will be plenty of those. Additionally B of A took on the servicing of many thrifts that went under so they're sitting on those piles of to-be-foreclosed loans. While we're not Charlotte or Phoenix, we do have a lot of these bank loans in the system. But the main reason we won't see as many as that the negative forces on the market are lower here. Our supply is one of the lowest in the country and our price losses, while in some places amounting to 25%, are usually 8 to 16% off of peak values. The problem is more persistent and larger in scale in areas that have had a bigger drop in price.

So why all the talk about foreclosures?

The most curious fact of the 2012 market is: there is not much for sale. Increasingly, buyers want to buy, but buyers just do not have much to buy. This should result in a steadily progressing market with definite appreciation if all other variables remain normal. But the thing about markets, and real estate especially, is that they are complex, and the variables never stay stable and constant. Foreclosures, Greek debt, election cycles, job gains, job losses, Federal Reserve tinkering, all of these forces create ripples in the market. Some ripples cancel out others, while some serve to amplify and build on the others. What happens with foreclosures is one of the big variables in the market, and it bears pointing out the a large rise in foreclosed listings will increase supply, decrease prices, confuse consumer perceptions of recovery, and in short, muddy the waters some more.

But right now, the waters are pretty clear: there are 3200 single family listings for sale at this writing, a ten-year low. Interest rates are at another, never-before seen low. Appraisers are having an easier time finding good sold comparables from the previous three months, almost unheard of this time of year when the trailing data almost always is lousy. What this means is that the market is at a place of balance unseen in the previous five years. The market conditions look strikingly similar to where they did in early 2002 and 2003, the start of the big market run-up. While we know that the next five years will not replicate those five years in terms of sales volume and price gains, it's interesting to compare the wisdom of the age, knowing what we know now, compared to what we knew then.

Single Family Home Sales December	TREND-ING ➡	Avg. Sales Price, January	TREND-ING ➡	No. of Single Family Units For Sale	TREND-ING ➡	30-Yr Fixed Rate	TREND-ING ➡
475	Similar to the last several Januarys	\$204,814 down 3% from 2011	January and February are volatile	3157, fewest since January, 2001	January started flat and then went down.	3.9%	Unknown; might improve, or be as good as it ever gets.



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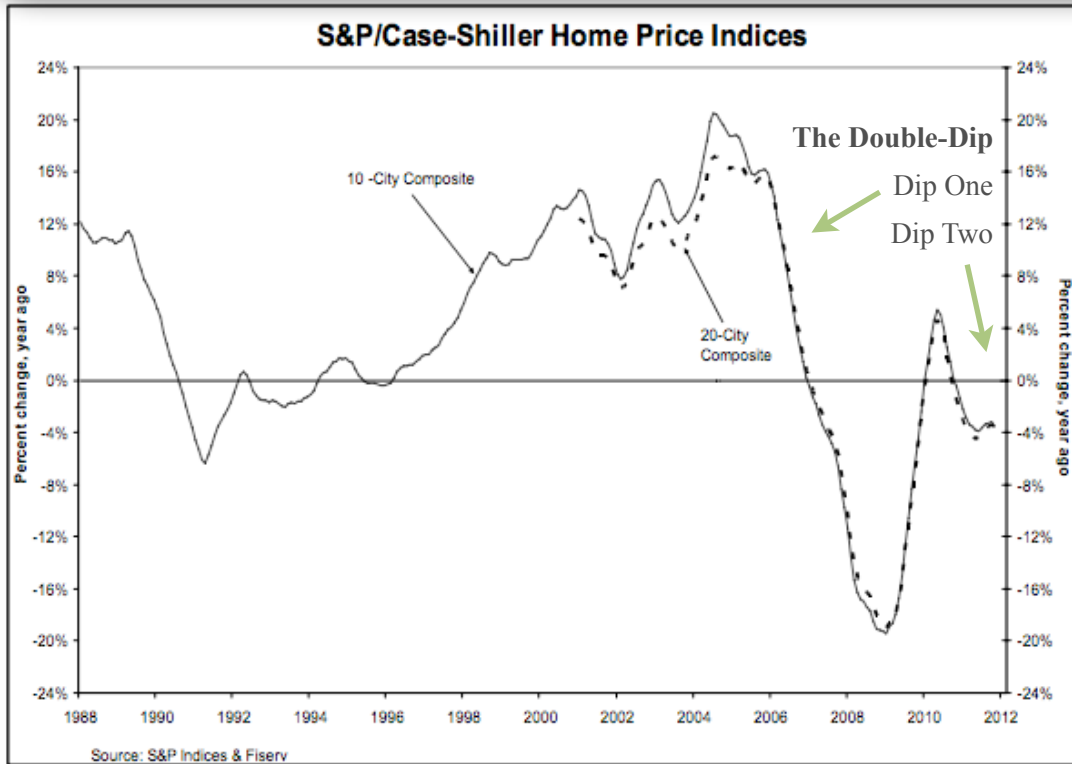
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If you know someone who would appreciate a copy of this newsletter, please call or email today...

Appendix: Additional National Data and Third-Party Information Sites



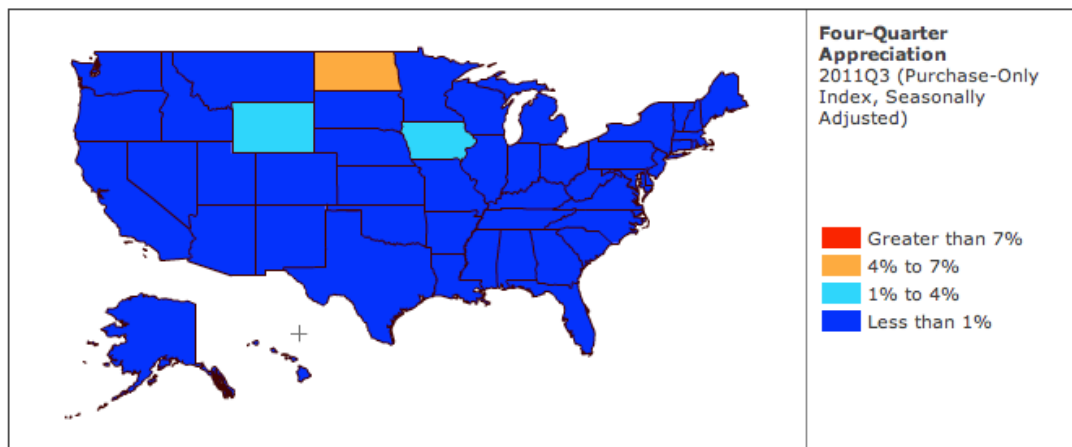
National Pricing Trends:

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.

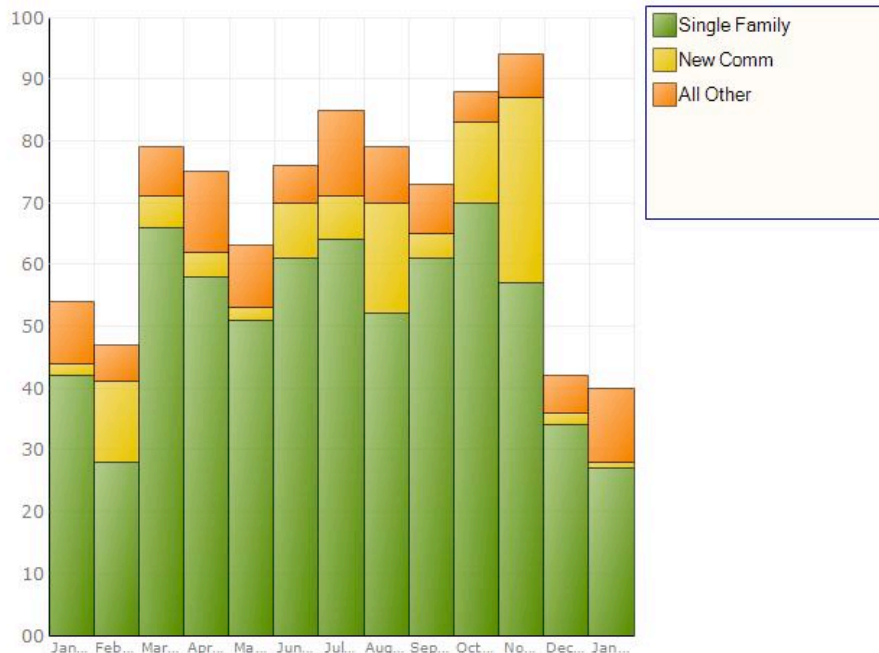
The chart to the left shows projected appreciation/depreciation for the fourth quarter in all US Markets. Two interesting observations: Only three states are projected to gain more than 1% in value year over year, ND, WY and IA. The other 47 are less than 1%, and most are negative. Colorado is projected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

	2012		2011		2010		2009		2008		2007		2006		2005	
	Rate	Pts	Rate	Pts	Rate	Pts	Rate	Pts	Rate	Pts	Rate	Pts	Rate	Pts	Rate	Pts
January	3.92	0.8	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			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

CHART 7

Money Leverage: January, 2012, 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 13-month 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.

In 2011, 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 out-performing 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.