May 2010. Data Through April, 2010 VOL. 5, EDITION 5

ERA Shields REAL ESTATE

THE STAT PACK: Reporting on The Pikes Peak Real Estate Market

"Based on information from the Pikes Peak REALTOR Services Corp. ("RSC"), for the period January 1, 2005 through May 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."

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
Almost 1600 pending and under contract properties to start the month.	No more Tax Credit to stimulate fence-sitting buyers
Rates are back at sub 5.0% levels	Significant increase in foreclosure filings
Fantastic selection in unique, premier areas of the city make for a first-ever double-market	Inventory has dramatically increased, making it harder to sell despite market improvements
OPPORTUNITIES	**THREATS**
Housing Affordability	Will relocation traffic increase as expected?
Fundamentals for buying are fantastic	If the lure of the tax credit didn't sell your house, what will it take to get it to move?

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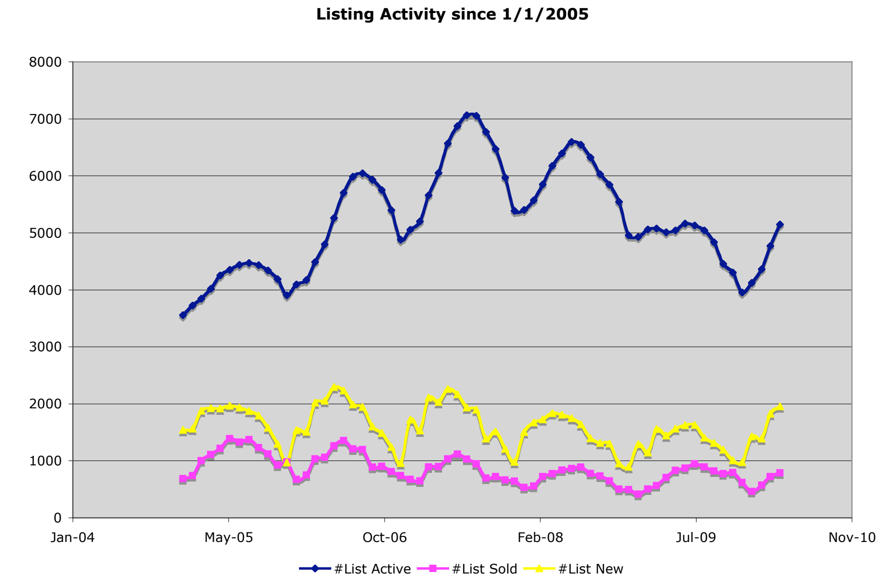

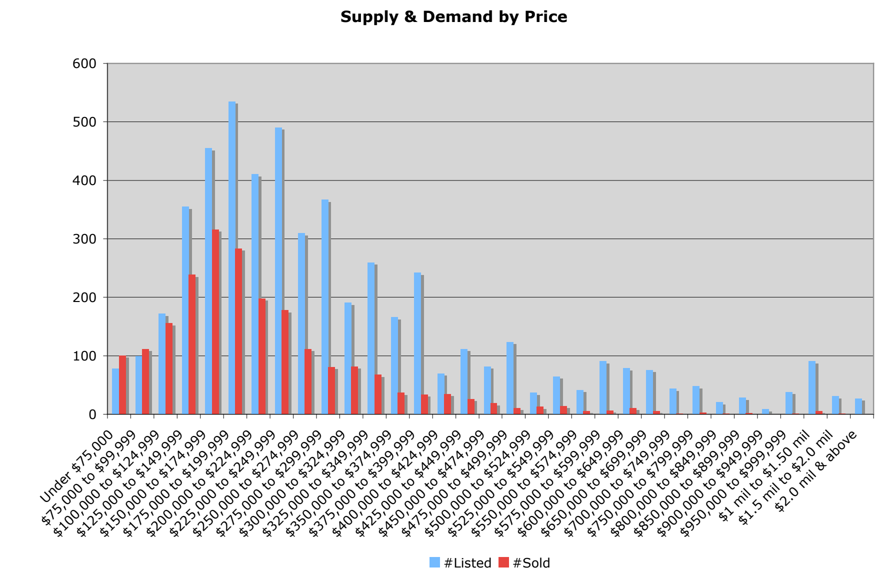

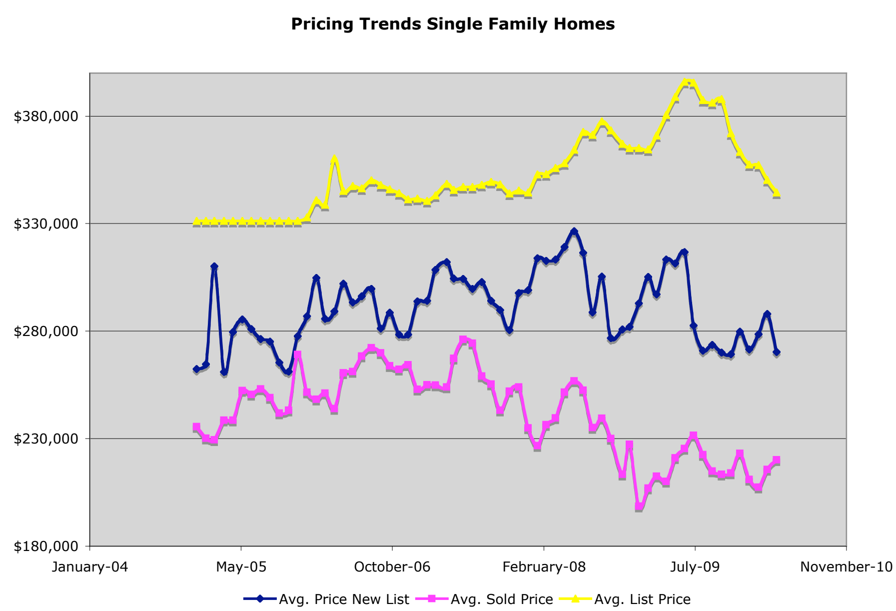

LISTINGS VS. SOLDS

This has been the story of the Pikes Peak Market. While every month of the year has seen a unit and percentage increase in demand, the same can be said for supply. For the first time in two years, there are more homes for sale now than there were at this time one year ago.

The perception that the market had improved enticed many move-up sellers to join the market. These sellers consciously avoided the market the previous two years. Just as buyers were borrowed from the future by the tax credit, so were sellers who wanted to sell their home this spring and take advantage of the $6500 move-up credit by buying a replacement property.

Two big questions: how many of these sellers joined the market early? How many will now leave the market early?

Market Activity by Price Range

The majority of listings are over $250,000, while the majority of buying activity is under $200,000. The valuable ramifications of this effect is that a double market **presently exists: The seller's market is in full force for many properties (especially newer built) between $150,000 and $250,000. By being well-priced and good condition, these homes probably sell this summer. These sellers can then move up into a buyer's market where the supply is larger and demand is lighter.**

PRICING TRENDS

Sales prices ARE moving upward. April 2010 closed out 5% higher on average than April 2009. That does not mean however that negative price movement has stopped in all areas. In general however, the majority of the demand traffic is occurring in areas with significantly less than 6 months of inventory. Prices are beginning to move up steadily in the lower price ranges. Prices "in-general" (not universally) are stagnant for properties in the $225,000 to $350,000 price range, and in parts of BRI & NGT, up to $500K. Above $500,000, there remain threats to further negative price drops, primarily due to insufficient demand and excess inventory.

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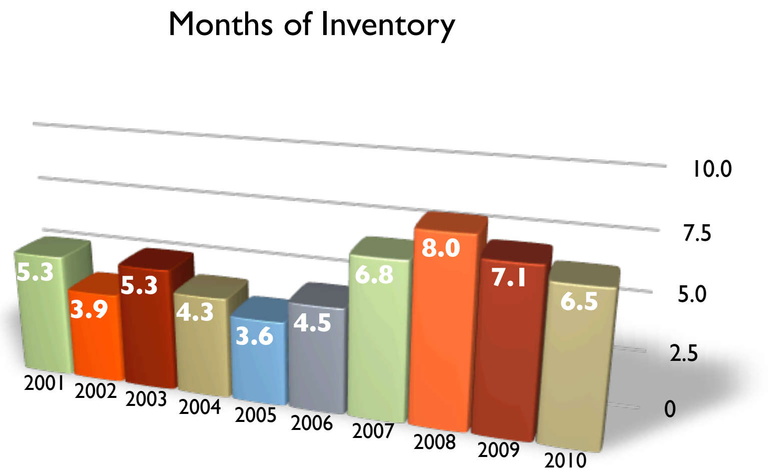
Months of Inventory:

Last month it was predicted that appreciation could being in some earnest if months of inventory for the entire market dipped below 6 months.
Presently the market has improved, but only to 6.5 months.
Correspondingly, market-wide "average price gains" that will occur over the next 90 days, may not have staying power or traction into the fall. Demand has steadily improved to 2007 levels, but the increase in listing traffic has kept the ratios slightly out of balance.



Advice for market participants:

SELLERS: Features are a commodity. Benefits are Lasting Value. Promote your Benefits: Monument, Downtown, Higher-priced Northwest, Southwest and the westside have all been slow year to date. But now that the trees are leafed and flowers are in bloom, these curb appeal areas of distinction have their opportunity to shine. These are unique qualities and ultimately the reason why a buyer might buy in these areas. Whatever your strength might be, promote that. Absent tax credits, buyers buying over the next 120 days are likely going to be savvier, more experienced, and more interested in lasting value qualities.

BUYERS: **Your best selection happens to be in the areas that are most unique. Think fundamentals.** The tax credit was not the reason to buy: it was the icing on the cake. Prices are down. Rates are way down. Supply is good. Match that up with Page One's Rules of the Game, especially LOCATION, LOCATION, LOCATION and the motivation and rationale behind buying becomes clearer: you can obtain lasting value more easily now than anytime in the previous decade.

INVESTORS: **Buyers are more likely to shun bank-owned and short-sale properties.** Increasingly two markets are emerging: short-term gain markets and long-term gain markets. Flipping rules have been relaxed and there is an obvious lifestyle choice among buyers that prefers shiny and new. Apartment rentals are at 93% however, so rentability has increased substantially year to date.

Colorado Springs Single Family Housing Supply & Demand, February 1, 2010 to April 30, 2010 by MLS AREA

Area	#SFR ACTIVE Supply	#SFR SOLD Demand	TIME TO Months	#SFR Listed Last 3 mos	Avg List Price	Avg Sold Price
BLA	165	46	10.76	115	$597,677	$494,226
BRI	331	121	8.21	334	$350,053	$321,879
CEN	297	150	5.94	329	$247,003	$133,709
EAS	197	143	4.13	274	$207,657	$163,682
F/V	445	269	4.96	533	$194,929	$170,587
FAN	207	110	5.65	197	$287,199	$240,244
N/E	366	152	7.22	409	$293,166	$219,131
N/W	165	75	6.6	174	$404,770	$325,652
NGT	181	62	8.76	182	$454,092	$331,832
OCC	103	29	10.66	116	$219,363	$146,952
PWR	434	250	5.21	558	$225,257	$205,756
S/E	186	166	3.36	300	$155,315	$132,980
S/W	367	100	11.01	304	$559,543	$230,601
TRI	383	86	13.36	288	$496,306	$346,237
WES	101	34	8.91	102	$530,454	$331,840
WPK	159	41	11.63	125	$331,022	$189,900

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Colorado Springs Single Family Housing Supply & Demand, February 1, 2010 to April 30, 2010 by PRICE

Price	#SFR ACTIVE	#SFR SOLD	TIME TO SELL	#SFR Listed
	Supply	Demand	Months	Last 3 months
Under $75,000	78	101	2.32	47
$75,000 to $99,999	100	112	2.68	71
$100,000 to $124,999	172	156	3.31	119
$125,000 to $149,999	355	239	4.46	246
$150,000 to $174,999	455	316	4.32	322
$175,000 to $199,999	535	284	5.65	398
$200,000 to $224,999	411	198	6.23	288
$225,000 to $249,999	491	178	8.28	357
$250,000 to $274,999	310	112	8.3	220
$275,000 to $299,999	367	81	13.59	256
$300,000 to $324,999	191	82	6.99	126
$325,000 to $349,999	260	68	11.47	167
$350,000 to $374,999	166	37	13.46	115
$375,000 to $399,999	242	34	21.35	167
$400,000 to $424,999	70	35	6	46
$425,000 to $449,999	112	26	12.92	73
$450,000 to $474,999	82	19	12.95	43
$475,000 to $499,999	124	11	33.82	72
$500,000 to $524,999	37	13	8.54	24
$525,000 to $549,999	65	14	13.93	36
$550,000 to $574,999	42	6	21	28
$575,000 to $599,999	91	7	39	60
$600,000 to $649,999	79	11	21.55	41
$650,000 to $699,999	76	6	38	35
$700,000 to $749,999	44	1	132	26
$750,000 to $799,999	48	3	48	23
$800,000 to $849,999	21	1	63	6
$850,000 to $899,999	28	2	42	10
$900,000 to $949,999	9	0	#DIV/0!	2
$950,000 to $999,999	38	1	114	18
$1 mil to $1.50 mil	91	6	45.5	41
$1.5 mil to $2.0 mil	31	1	93	11
$2.0 mil & above	27	0	#DIV/0!	9
Total	5248	2161	7.29	3503

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Colorado Springs Condo/Townhome Supply & Demand, February 1, 2010 to April 30, 2010 by Price

Price	#SFR ACTIVE	#SFR SOLD	TIME TO SELL	#SFR Listed
	Supply	Demand	Months	Last 3 months
Under $100,000	157	62	7.6	94
$100,000 to $124,999	76	38	6	47
$125,000 to $149,999	175	46	11.41	126
$150,000 to $174,999	140	37	11.35	100
$175,000 to $199,999	71	12	2	47
$200,000 to $224,999	30	11	8.18	19
$225,000 to $249,999	39	1	117	27
$250,000 to $274,999	29	6	14.5	18
$275,000 to $299,999	36	0	#DIV/0!	21
$300,000 to $349,999	20	2	30	8
$350,000 to $399,999	15	1	45	4
Over $400,000	51	2	76.5	33

DISCUSSION: (After the Tax Credit Expiration...)

The Optimist Point of View

The Tax Credit has served to stabilize the market. Every month of 2010 has seen at least a 10% increase in unit sales activity and average sales price has increased 5% over the same time last year. The median price point has moved accordingly. The traditional peak demand season dawns with 5200 +/- listings providing buyers with strong selection and the added value of excellent money leverage with interest rates once again just below 5% on a 30 year fixed rate.

Even better, there exists a “double market” for the majority of likely participants. Those who have a home to sell under $225,000 enjoy more than half of the purchasing traffic and less than a 6 months supply of housing. These individuals can prep their houses to sell and command dollars higher than they could last year, and possibly more than they could two years ago, and expect to sell in 90 days or less (provided pricing and condition are top notch). They can then migrate their equity up into a market place where there is a strong buyers’ market, above $300,000. For those who want to change school districts, buy into a neighborhood, shorten their commute, or get more square footage for their dollar, there has not been a market opportunity like this in two decades. Add to that the super low interest rates, and the market opportunity is unprecedented.

Yes, buyers were borrowed from the future with the tax credit. But so were sellers. It is theoretical (and likely) that a few hundred sellers presently on the market today will quit the market in the next 60 to 90 days because they did not sell in time to take advantage of the tax credit for move-up purchasers. Without their $6500 tax infusion, they will have difficulty borrowing those funds for downpayment needs. Once they are removed from the market, that will shrink inventories, accelerating appreciation.

Finally, relocation, while certainly not strong, should be relatively stronger in 2010 as the market thaws in other regions. The national real estate slowdown was especially harsh on a highly marketable and desirable destination locale like Colorado Springs where people electively choose to move, and where corporation and military relocations support the economy. Just a slight upturn in relocation traffic will increase prices and improve the market.

The Pessimist Point of View

The end is nigh. The Tax Credit created a bizarre situation where buyers were baited into purchasing activity similar to how they buy depreciating commodities, seduced by the shiny and new and not the lasting fundamentals. Areas of newer construction where prices are easier to gauge and inspection issues are assumed to be lower due to the age of homes saw a great market benefit in March and April as buyers needing the tax credit favored these areas over other, more unusual and distinct areas in the foothills, downtown, and Monument.

Additionally, the tax credit presented too rosy a picture to sellers who wished to utilize the move-up credit. 2009 had the fewest number of new listings in years. It appears 2010 will be the highest in 3 years. It is too much too soon. It lured too many homes on to the market and provided too little time for those sellers to sell their homes and then find a replacement property. Correspondingly, the market now has too many homes and the market ratios of supply and demand indicate that any appreciation that might happen this year will be short-lived, creating a double-dip scenario with more seasonal pricing atrophy come fall and winter, 2010. Rates are bound to head up due to inflationary spending, and once that happens, all the positive gains the market has experienced will evaporate.

CONCLUSION

No one really knows what will happen and data cannot be used to support accurately either case. What is true is this: every market is different, and within some neighborhoods there are multiple markets.

A look at the supply and demand trends on Page 2 is required of any buyer or seller before taking market action. Listing supply is up 30% from January and that presents a staggering challenge for some sellers. It also raises the specter of price instability for some buyers who might be using low downpayment FHA loans to get into a property and must be mindful of future price declines. It is an improving market, but it is not a perfect market guaranteed to go up.

What should happen over the next 60 days: listing activity will be strong, but leveling off. Prices should increase, stimulated forward by the actions of the previous 10 months of gains. Closed demand should increase as tax-credit eligible purchases must close by June 30 (and there are 1525 pending and U/C deals). Supply and demand rules all markets, and the key going forward in 2010 revolves around listing traffic and any gains from out-of-market buyers.

Pikes Peak Regional Numbers

Single-Family Homes Sold, April 2010	Trending
792	***1525 pending and under contract properties. UP***
Avg. Sales Price YTD	**Trending**
$220,105 (up 5% over 2009)	**Rising as activity increases from $150,000 to $300,000**
Number of Listings for Sale	**Trending**
5147	**May peak out around 5500 in July. Highest inventory in 2 years**
30-Year Fixed Rate	**Trending**
5%	**Continues to beat expectations, and Fed is trying to walk the tightrope of keeping short & long-term rates low**

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

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