October 2010. Data Through September, 2010 VOL. 6, EDITION 10

THE CATALYST GROUP REAL ESTATE

BENEFITTING THE COMMUNITY THROUGH REAL ESTATE, ORGANIZATION & EDUCATION

STAT PACK

INTRODUCTION**:**

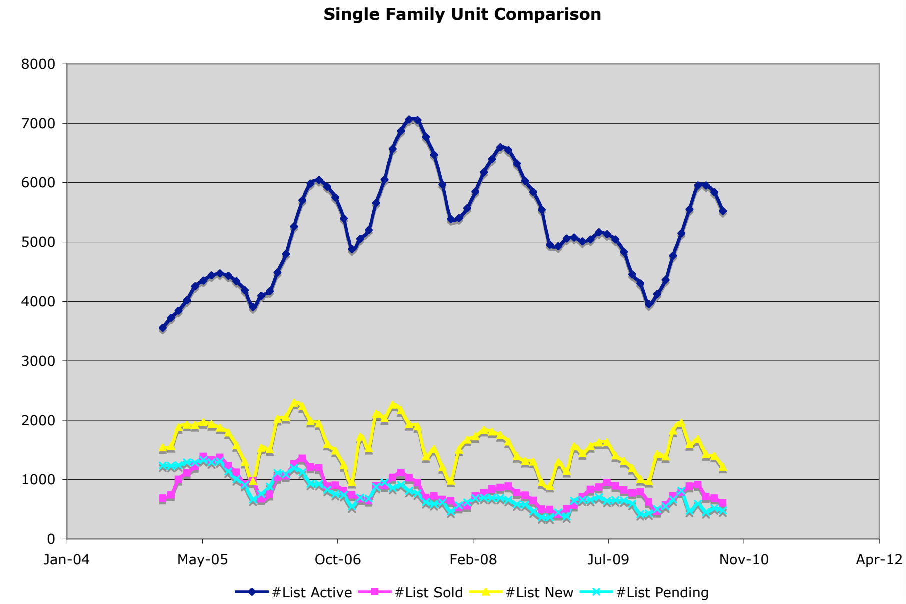
The Purpose of the Stat Pack is to provide comprehensive information about the Pikes Peak Regional Real Estate Market. It is designed to be a document that benefits Residential Real Estate Owners, Sellers, Buyers, Investors and Builders. The Goal of the Stat Pack is to provide factual data and locate 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.

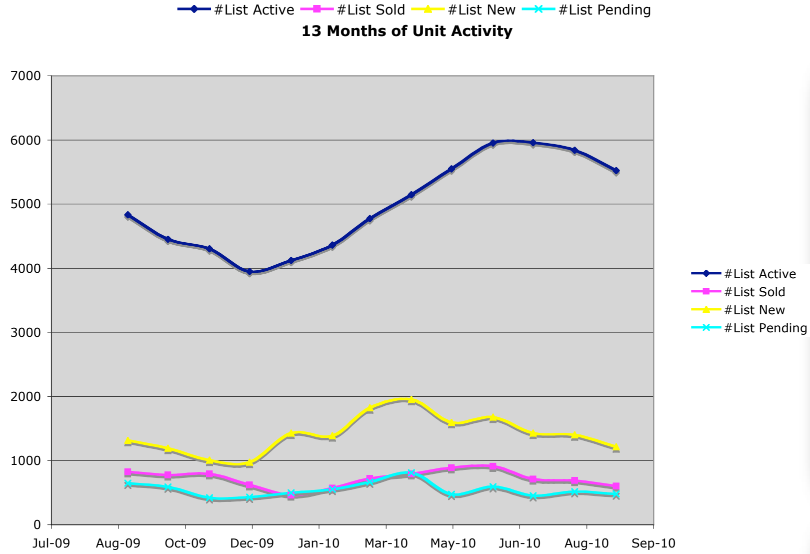
THE RULES:

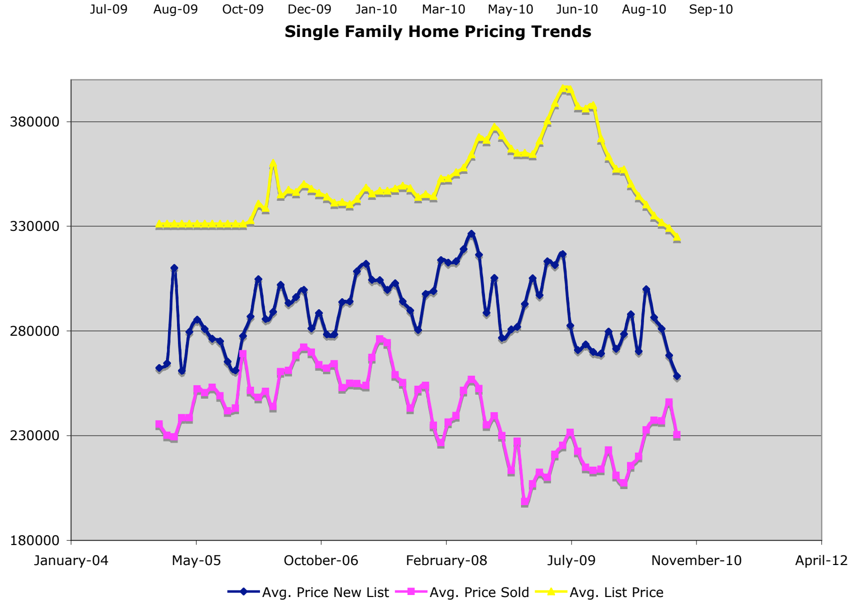
There are many rules in a fluid real estate market, but here are a few that we believe hold true IN ANY MARKET (one favoring buyers; one favoring sellers; it does not matter):

- **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 has increased in 2010, and buyers have shown a willingness to "buy up".	"Buying Up" often means getting an updated house at a 2004 price.
All-time Record Low Interest Rates of 4.3% presently available.	Buyers are not at all afraid to offer 90% or less of asking price, further leveraging their power.
Extensive Selection of homes to choose from presently.	Price reduction is often the only thing a seller can do to garner a buyer's interest.
OPPORTUNITIES	**THREATS**
...are GREAT in neighborhoods with less than a 6 month supply of housing.	... like 5500 +/- sellers vying for 600 - 700 monthly buyers. 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. Pressure is heavy for further reductions here.







LISTINGS VS. SOLDS

One of the most irregular years in recent memory has continued on a highly unpredictable and unorthodox course into the Fall.

Seasonal **listing volume** should gently taper; September closed with a 6% drop in listing volume, largely due to sellers quitting the market. That's a big drop, not a gentle taper.

Seasonal purchasing activity should decline steadily after August; yet September had more **pending sales** than either May or July this year.

Prices have made monthly gains year-over-year for over a year and the average price is more than 4% higher than a year ago, so closed sales should be brisk, right? Like everything else, there is no pattern for that either as September saw a poor showing with 603 **closed units**.

LISTINGS VS. SOLDS Last 13 months

This chart pulls out just the last 13 months of unit activity, with the first month September 2009 and the last month September 2010 for comparison.

The year-over-year listing increase, and it's cause, are visible in the blue and yellow lines. Pending sales (bright blue) usually lead closed sales (pink) by 45 days; so the major drop in sales in July can be tracked to the large drop in pending sales in May.

One beneficial note that might lead to health later this Fall/Winter: pending sales have stabilized.

PRICING TRENDS

So if supply and demand rules everything... why is price 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.

September saw a notable drop in sold price, but that mirrored recent September sales patterns of the last few years. The lower pace of sales in the Fall makes price fluctuations more noticeable on a monthly basis. Year-to-date and for the month, prices are up more than 4% from 2009. With the average price of all listings at a 6 year-low, pricing is moving to a place of balance.

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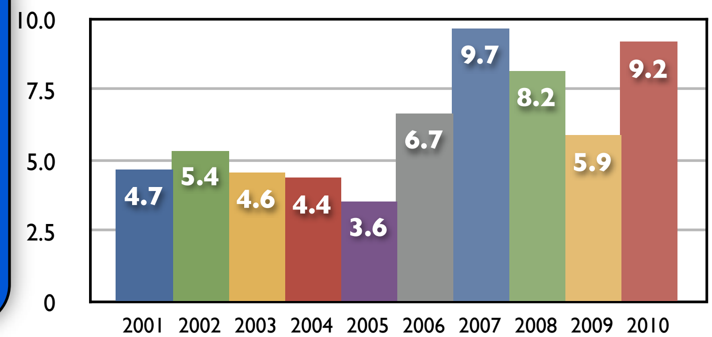
Months of Inventory:

The best example of what happened in 2010: there is a 64% increase in months of inventory.
The likely reality: the market improved last year, but the gains were artificial. September 2006 started a post-summer-funk where the market stalled in terms of demand and still had significant numbers of listed properties sitting on the market. From 2001 to 2005 September had a 4.5 month supply of housing to sell-through. From 2006 to present, September has averaged 7.9 months. This puts significant pressure on sellers to lower prices. One preemptive action taken by sellers this year? Removal from market.



Advice for market participants:

SELLERS: How important is pricing? It is *64% HARDER* to sell your home this October than last October. Who would buy a home ever fractionally over-priced? The out-of-whack patterns in supply and demand have reached their apex with 9.2 months of supply now sitting on the market based on last month's absorption rate of 603 listings sold and 5523 listings for sale. Buyers are definitely willing to buy up, but have enormous expectations. Buyers buying power is extreme: while prices are (factually) at 2004 levels, the homes buyers are getting for that price often come with six years of modernization. Modernization is not keeping up with the paint and cleaning up after the cat. That's merely maintenance. Nobody is going out-of-their-way to pay a 2004 price for a home that merely has been maintained. They are going out of their way to buy a home that is improved, modern, sophisticated and feels like new.

BUYERS: **Sellers are taking note with aggressive pricing - or their removal from the market.** Fickle sellers will pull their properties off the market either to rent or wait. If you didn't have to sell, would you choose to sell for a 2004 value? How about a 2001 value? That fickle behavior can be explained as the difference between needing to sell and wanting to sell. A need-to-sell seller must stay on the market until their home sells; they also are more likely to make price reductions. A want-to-sell seller does not need to stay on the market until their home sells; correspondingly, they are less likely to make price reductions (or reductions only as great as the opportunity behind putting their home up for sale in the first-place).

Colorado Springs Single Family Housing Supply & Demand, July 1 to September 30, 2010 by MLS

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		43	12.98	104	$559,983	$325,033	96.80%	103
BRI	320	137	7.01	262	$326,581	$325,557	97.90%	83
CEN	333	113	8.84	271	$229,247	$165,707	98%	57
EAS	298	122	7.33	255	$195,164	$163,127	97.50%	68
F/V	471	246	5.74	453	$183,716	$166,442	98.40%	63
FAN	210	79	7.97	144	$273,338	$235,963	98.40%	95
N/E	437	158	8.3	343	$278,921	$234,630	97.30%	107
N/W	186	76	7.34	140	$398,028	$311,831	98.10%	74
NGT	160	71	6.76	112	$402,852	$522,223	94.10%	92
OCC	109	53	6.17	109	$201,969	$167,437	97.20%	83
PWR	437	210	6.24	381	$224,723	$197,548	98.70%	81
S/E	251	106	7.1	220	$142,491	$128,301	97.60%	75
S/W	374	114	9.84	243	$573,264	$356,542	94.90%	115
TRI	391	115	10.2	234	$482,220	$336,313	96%	101
WES	98	41	7.17	67	$476,737	$348,140	97.20%	110
WPK	178	54	9.89	110	$379,484	$230,905	94.90%	139

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Colorado Springs Single Family Housing Supply & Demand, July 1 to September 30, 2010 by PRICE

Price	#SFR ACTIVE	#SFR SOLD	TIME TO SELL	#SFR Listed
	Supply	Demand	Months	Last 3 months
Under $75,000	100	69	4.35	60
$75,000 to $99,999	177	94	5.65	104
$100,000 to $124,999	262	134	5.87	160
$125,000 to $149,999	449	196	6.87	267
$150,000 to $174,999	537	249	6.47	301
$175,000 to $199,999	606	221	8.23	365
$200,000 to $224,999	408	171	7.16	250
$225,000 to $249,999	479	146	9.84	282
$250,000 to $274,999	277	128	6.49	143
$275,000 to $299,999	335	90	11.17	189
$300,000 to $324,999	188	69	8.17	99
$325,000 to $349,999	235	71	9.93	120
$350,000 to $374,999	174	52	10.04	93
$375,000 to $399,999	196	51	11.53	82
$400,000 to $424,999	88	38	6.95	53
$425,000 to $449,999	115	30	11.5	56
$450,000 to $474,999	82	23	10.7	38
$475,000 to $499,999	105	17	18.53	41
$500,000 to $524,999	39	13	9	18
$525,000 to $549,999	73	15	14.6	33
$550,000 to $574,999	45	6	22.5	20
$575,000 to $599,999	79	17	13.94	33
$600,000 to $649,999	65	15	13	22
$650,000 to $699,999	67	2	100.5	28
$700,000 to $749,999	30	5	18	11
$750,000 to $799,999	60	3	60	18
$800,000 to $849,999	27	2	40.5	10
$850,000 to $899,999	42	3	42	13
$900,000 to $949,999	7	2	10.5	1
$950,000 to $999,999	35	1	105	13
$1 mil to $1.50 mil	77	9	25.67	23
$1.5 mil to $2.0 mil	40	1	120	12
$2.0 mil & above	27	2	40.5	8
Total	5526	1945	8.52	2966

Colorado Springs Condo/Townhome Supply & Demand, July 1 to September 30, 2010 by Price

Price	#SFR ACTIVE	#SFR SOLD	TIME TO SELL	#SFR Listed
	Supply	Demand	Months	Last 3 months
Under $100,000	160	76	6.32	87
$100,000 to $124,999	117	40	8.78	69
$125,000 to $149,999	158	61	7.77	78
$150,000 to $174,999	119	37	9.65	70
$175,000 to $199,999	62	16	11.63	38
$200,000 to $224,999	29	8	10.88	13
$225,000 to $249,999	40	10	12	19
$250,000 to $274,999	25	9	8.33	11
$275,000 to $299,999	29	4	21.75	10
$300,000 to $349,999	24	3	24	10
$350,000 to $399,999	21	1	63	7
Over $400,000	57	10	17.1	14

Third Quarter Review

Trend One: Sellers Quitting

Look at the average time to sell in some markets right now: 100+ days in Black Forest, Northeast, Southwest, Tri-Lakes, West and Woodland Park. That means the average home that gets a contract was on the market with a sign in the yard for more than three months before a contract was signed. That 100+ day average is only for homes that sold and closed. The MLS doesn't measure active listings or failed-to-sell listings' time on market. For the last four months, one in six deals has registered as "BOM", an apt abbreviation for back-on-market. Year to date there are over 13,900 listings and just under 6400 sales; that means 45.8% of all listings sold. Further more, that means 54.2% of all listings never...got...a...contract. That's major seller frustration. They are expressing this by leaving the market and hoping to seller later... maybe a year or three later.

Trend Two: Prices Going Up

Sellers are so frustrated that they are quitting the market, so prices logically are going... ***up****? How is that possible?* The reason is that the buyers who see this as an opportunity are often ones who focus on their interest savings, interest that won't change for 15 to 30 years. At 4.375% - the going-rate on a 30-year mortgage - every $1000 increase in price represents a mere $5 a month in payment to a buyer. So a buyer who increases their search by $20,000 only ends up paying $100 a month more (or $1200 a year) for a home that is probably significantly "more" in every way. With the low taxes of the Pikes Peak Region, a $200,000 30-year fixed mortgage usually has less than a $1200 monthly payment, even with taxes and insurance escrows.

The hidden story here is that buyers end up reaching, and what they end up buying are homes that previously were considerably more expensive. Take a home in N/E, where the average time to sell was around 100 days last month at and average price of $234,000. The buyer of that home might have capped initially at $220,000, not found what they were looking for, and stretched in price to $240,000. There, they found a home that initially started at $259,000, reduced to $250,000, then $245,000, before finally getting to the right price at $239,900. With a 97.3% price differential (the sold price divided by the final asking price), they were able to settle at a very-near-all-market-average price of $234,000. The data on the story is really this: the buyer came up $14,000 and the seller came down $26,000; the headline is that prices are going up. Here, reality and headlines are not really the same thing.

Trend Three: Sellers "Gettin' Real"

The pricing trends graphic pops off the page on page 2. Located at the bottom of the page, the yellow line and blue line are in nosedive trajectories. This data is perhaps the most encouraging sentiment of a market correcting itself without intervention, explicit rules, or economic trends outside it's control: it is a self-correcting action geared towards balance. The average price for all homes for sale is at a six-year low. It has been four years since the average new listing price (what is just coming on the market) and the average sold price were so closely approximate; for the first time in the last six years, the average asking price (all listings for sale) is moving in steady progression with the new listing price; finally, the three values have not moved towards the same point at anytime in the last six years, but they are doing so now. What is important to note is that sellers are moving towards buyers quickly, and buyers are moving towards sellers gradually. This pricing trend happens to come at a time when the sales rate of only 600 units per month puts the supply and demand balance heavily in favor of buyers. The pricing trend itself is more similar to a market operating in balance, or at least one that is seeking balance. Balance in pricing means that future price declines are increasingly unlikely.

Trend Four: Scalable Inventory

It is not totally consistent, but the months of inventory by price range moves up in a steady, incremental progression as price increases. This also indicates sellers getting increasingly realistic with their prices and matching their asking price to the demands of the marketplace, not their own wallet.

Trend Five: Price is Everything

Many appraisers will say that this is the key factor that they see in their market reports. Why did one home sell and another one not sell? Price. A home can be "a good value" and still not sell. A home can be well-maintained and clean and still not sell. Year to date, less than 46% of listings have contracted and closed. It is well-priced... or badly-priced.

Trend Six: "Like New" is still more important than Location

This is not a trend that is sustainable; this is a trend of a fear-filled market. One in five new loan applications are for 15 year loans right now. That boggles the mind when just three years ago, interest-only adjustable rates with 20% secondary financing on every purchase were the rule. It certainly violated the Buffett Axiom: "Be fearful when others are greedy, and be greedy when others are fearful." America is saving money again, and in some cases, hoarding money. American mobility is compromised, so people are buying as if they might not ever move again in their lives. So it is little wonder the newer, more familiar properties carry a premium compared to some of the unique, high-value locations in Colorado Springs. More buyers buying are "need-to-buy" buyers (new families, new jobs, relocations) not "want-to-buy" buyers (local buyers "smelling the opportunity"). If you're experience is "new", buying new feels familiar... and safe. Ultimately, location will prevail. The report is that the trend of today favors new over location.

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

Pikes Peak Regional Numbers

Single-Family Homes Sold, September 2010	**Trending**
603	***Likely decreasing, but more pending sales in September than May or July***
Avg. Sales Price YTD	**Trending**
$227,467, 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**
5556 or 15% more than 2009.	**Peaked and declining, possibly rapidly. Many sellers giving up.**
30-Year Fixed Rate	**Trending**
4.3% (BROKEN RECORD... lowest recorded since records began in 1973)	**At all-time low as recorded. Waiting on lower is likely an incremental benefit.**

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