

First Quarter 2012

Q1

Welcome to our quarterly snapshot of the local real estate market. This newsletter will provide insight to our local market within the context of the national market. The national trends now heavily influence local markets. The saving grace of any community is its local job market and sources. Colorado overall remains a strong employment market supported by educational, military and defense industries.

The first quarter of 2012 showed to be solid with 1,711 sold listings according to the Pikes Peak MLS. While this was a decline from the fourth quarter of 2011, it is an increase over same quarter activity in 2011. The median list and sales prices have suffered from some pressure seeing minor quarterly declines. Analysts seem to feel the market continues stabilization but the real test will come in the second quarter of this year. The second quarter typifies our spring home selling season. Although Q1 in Colorado Springs only saw a 1.5% increase, activity has been heating up locally over the past couple of weeks. Nationally, existing-home sales and pending home sales are up about 9 percent compared to the same time year ago, this according to February housing data by the National Association of REALTORS®. Paul Dales of Capital Economics told USA Today that he expects the spring selling season to “be the best in four or five years” for the real estate industry.

Thanks for spending a few moments reading this newsletter and visit SpringsHomes.com for more information and home searches.

Useful Tools for our Clients

Boylan and Company has been a leader in the real estate industry for years providing our clients with the latest information in a user friendly format. We are rolling out two new tools in 2012 on our website; an interactive mortgage calculator and a video series on financing.

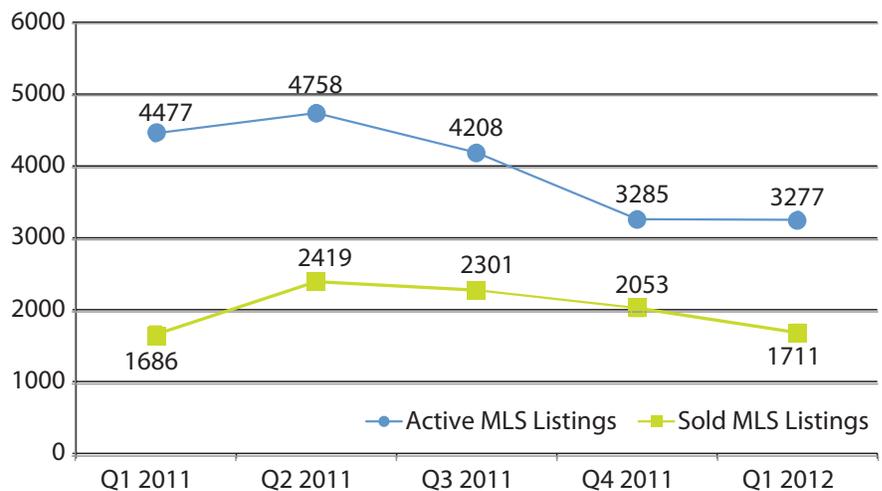
Mortgage calculators aren't new but having to consider credit score so heavily is. New underwriting guidelines and stricter lending regulations have motivated us to create a new mortgage calculator. This calculator takes approximate credit scores into account as well as various down payment options. Visit <http://www.springshomes.com/buying/finance-for-buyers.html> and take a look!

Short informal videos debuted on SpringsHomes.com last year and have been a hit. Continuing this with a series that is timely and useful, we debut a new video series on financing in today's market in the Buyer's section under Buying/Financing.

Rental and Property Management Services are a comprehensive extension of our real estate services ensuring maximum exposure for a home whether it is to be rented or sold. Whether an investor, seasonal

resident, or accidental landowner, we provide full service management and associated services. Property management fees are straightforward, 10% of monthly rent collected.

Total MLS Sold Listings
Q1-2011 – Q1 2012



Financing brings the reality check to any real estate rally.

The Wall Street Journal reports that loans closed by banks and mortgage lenders in February had borrowers with a credit score of 750, this is up from 740 six months earlier, and an average loan-to-value ratio of 76%. The average denied loan had a credit score of 699 and a loan-to-value ratio of 83%. "Talk about high-quality loans — those are pristine," says Jonathan Corr, chief operating officer of Ellie Mae, a mortgage software provider that tracks the characteristics of loans run through its platform.

Most mortgages today are being backed by federal agencies such as the Federal Housing Administration or through mortgage-finance giants Fannie Mae and Freddie Mac. While lenders will still underwrite FHA-backed loans with credit scores of 620 and down payments as low as 3.5%, they have sharply tightened up their lending standards for Fannie- and Freddie-backed mortgages out of concern they'll have to buy back the loan if it defaults.

The foreclosure wave is still out at sea.

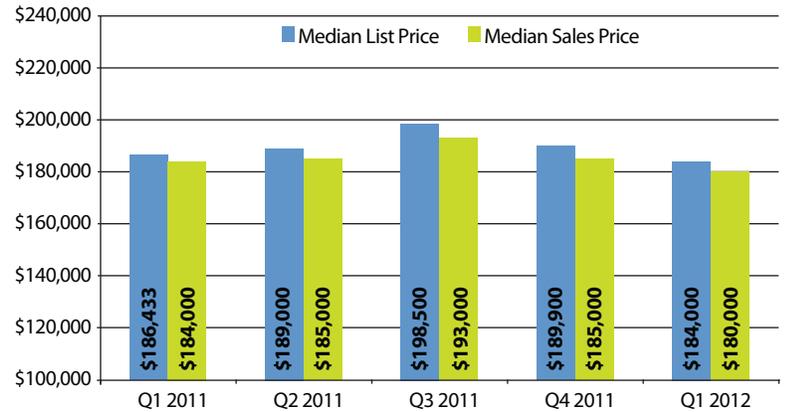
For months, housing pundits have warned that banks were likely to jumpstart the foreclosure process after finalizing the massive \$25 billion settlement with the federal government and 49 state attorneys general. But so far, there's little indication of a lift in foreclosures. The number of newly initiated foreclosures actually fell in February from January and from one year ago by around 15%, according to Lender Processing Services. That marks the 11th straight month in which the level of foreclosure "starts" has fallen versus the same month in the previous year.

According to Realty Trac, the top foreclosure cities in the United States are Chicago, Miami, Las Vegas, Los Angeles, and Phoenix with a national average foreclosure sales price of \$177,192. In Colorado Springs, the average foreclosure sales price is \$172,824. Same month comparisons of price, show annual increases while month over month comparisons of actual numbers of foreclosure show decline. As the fallout of the settlement continues, we will monitor foreclosure activity. The impact of foreclosures upon home values has been extraordinary and we are hoping the foreclosure wave stays at sea.

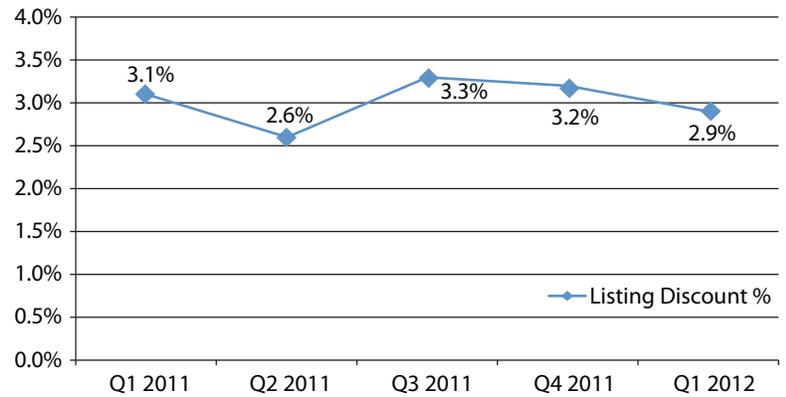
Local Interpretation

The charts to the right detail statistics that we feel are important to understanding the local market. The median sales price is more statistically valuable than average sales price because it doesn't allow a single large or small transaction to drag the numbers. Historically, the fourth quarter would see a spike in average and median sales prices. This trend has shifted to the third quarter on a local basis.

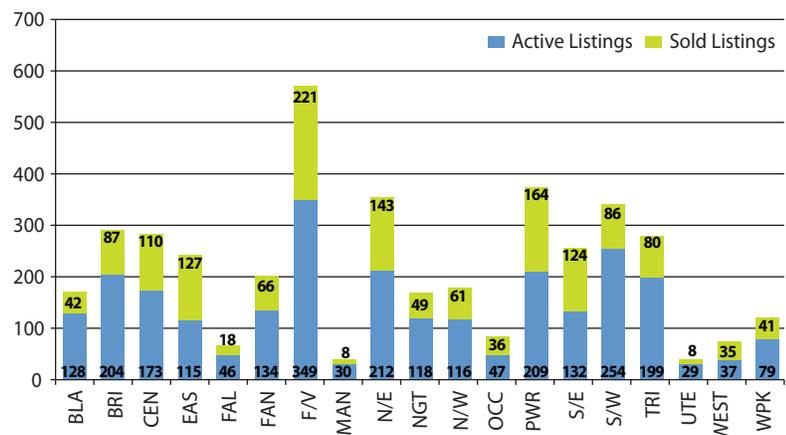
Median Sales Price
Q1 – 2011 to Q1 – 2012



Listing Discount by Quarter
Q1-2011 – Q1 2012



Total Active Listings by Area
Q1 – 2012



Buyer's/Seller's Strategy

Supply and demand will keep Home prices stable in 2012.

Colorado Springs is considered a "balanced market" by economists. In terms of real estate, this describes the balance between inventory and pricing. Demand for homes is at an acceptable level but the sharp decline in houses for sale actually puts pressure on prices in an upward direction. This quarter saw a slight increase in sales volume; up 1.5% over the same period one year ago. Meanwhile, the number of available listings was down 26%. If there had been more compelling inventory, more buyers may have written contracts.

This gap in good housing inventory hasn't escaped the watchful eyes of local builders. Several local builders have seen their most encouraging number of starts in years, mostly in the northern part of the Springs and in Fountain.

Seller to sell or rent it out?

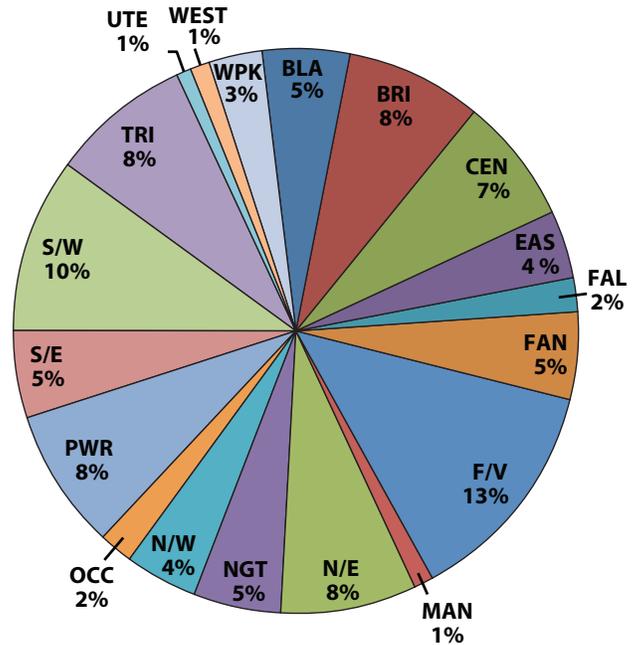
As local some local homeowners are forced to leave the area, the inevitable question is whether to sell at current market terms or rent for a few years to wait out the market? Before deciding, it's important to have an analysis done because there are some very hot pockets in the Colorado Springs area that have appreciated over recent years and some stable areas that have held value with little depreciation. On the other hand, the rental market is brisk in El Paso County as most folks relocating to the area are leary of buying or can't get qualified for a mortgage. This demand has actually started to push rental rates upward. As this movement continues, would be renters will eventually put down roots and buy.

The "Average Days on Market" Chart to the right gives would be sellers useful information in making this decision. Different areas in the region see varying lengths of time for the average house to sell. Neighborhoods that are either higher in price, geographically more distant from military and defense employers or unique in features tend to see the longest stats.

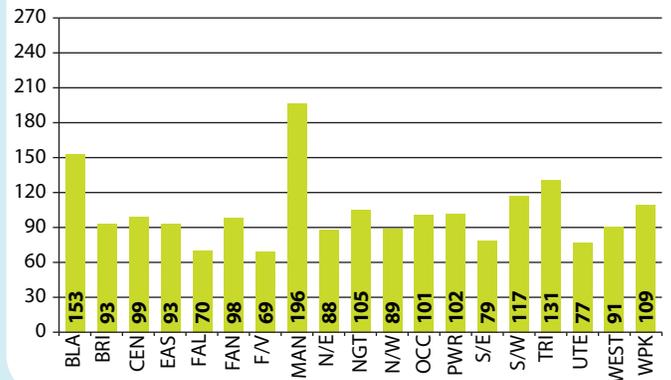
Is it time for Buyers to jump in?

Sellers think Buyers are a fickle bunch. Housing prices are often lower than what a seller paid especially at the higher price points, interest rates remain historically low, and traditional listings are in great condition. So, why the Buyer hesitation? Buyers remain concerned about job stability and further decline in housing prices. As we get more months under our belt of increasing home value, this confidence will increase.

Total Active Listings by Area
Q1 - 2012



Average Days on Market
Q1 - 2012



Key

| | | | |
|-----|-----------------|------|-------------------|
| BLA | Black Forest | NGT | Northgate |
| BRI | Briargate | OCC | Old Colorado City |
| CEN | Central | PWR | Powers |
| EAS | East | S/E | Southeast |
| F/V | Fountain Valley | S/W | Southwest |
| FAL | Falcon | TRI | Tri-Lakes |
| FAN | Falcon North | UTE | Ute Pass |
| MAN | Manitou Springs | WEST | West |
| N/E | Northeast | WPK | Woodland Park |
| N/W | Northwest | | |

Breaking down El Paso County

El Paso County can be broken down into three general areas, North, Central and South.

The Central area of Colorado Springs is the only of the three areas to demonstrate increases in average list price, monthly sales and average sold price. The Central area includes the western side of Colorado Springs, Manitou Springs, Old Colorado City, Powers Corridor, the Southeastern areas and the Northeast areas extending from downtown. The supply of homes is diverse ranging from newer construction to the much older homes in the Old North End. The average sold price of a home in this area was \$185,405 in 2009 and is at \$205,020 ending the first quarter of 2012.

The North area of Colorado Springs includes Briargate, Black Forest, Peyton and Tri-Lakes. For several years, this area boomed with new construction and upper end homes. Probably the

fastest to decline, certain pockets of this area suffered the greatest loss in value in recent years. It is expected that this area will hold value for new buyers in the coming years. The average sold price for this area is \$205,020 ending

the first quarter of 2012; there are many homes in the upper end of the price range that have difficulty selling due to financing struggles for jumbo loan seekers. This area has seen a boom in rental activity in the last year.

Year to Year Comparison
Q1 – 2011 to Q1 – 2012

