

First Quarter 2013

Q1

The Standard & Poor's/Case-Shiller 20-city index showed home prices rose by 9.3% in February compared to one year ago, representing the largest such gain in nearly seven years. This news supports the rebounding of the housing market after hitting its low point last year. All 20 cities in the survey posted year over year price gains and the forecast shows prices are set to rise amidst a decline of inventory and an increase of Buyers looking for homes.

Numbers don't tell the entire story, however. According to Stan Humphries, chief economist at Zillow, "The appreciation rates we're currently seeing in the Case-Shiller composite are not broadly reflective of what's happening in the national housing market right now." The Case-Shiller series, he added, "is overly skewed to quickly rebounding markets—particularly in the Southwest and on the West Coast—and is being boosted by a shift in transactions away from foreclosure re-sales."

In the rental market, activity is still above the same period in 2010, but the first quarter of 2013 has seen about a 20% softening. The most interesting aspect about the rental market is the continued desirability of higher-end homes \$500,000 and up. This leads us to believe that until changes are made in the Jumbo loans underwriting guidelines, we are not going to see a change in the luxury market. What we are seeing is that people want to sell and buy these homes but in the absence of reasonable financing options, they are opting to rent until the financing regulatory landscape changes.

On the investor side we have seen a good number of people cashing out of the stock market and stepping into real estate. With today's interest rates and a strong rental market, it makes sense to a lot of investors to have a good portion of their portfolio in real estate.

## Turning your Retirement into an Investment

Recently we have had several clients purchase investment property using their retirement savings/investments. The general consensus from these clients is that their retirement savings make negligible profits so why not invest in something a little more tangible. This strategy may work for some, but is not without some risks.

Investors need to have a totally different mindset when purchasing an investment property. Choose an area that is projected to "turn around" within the timeframe you want to hold the property. Single family homes tend to show more increase in value, but may have more maintenance involved. Condos and townhomes are generally a safe choice for many investors and tend to lease quickly.

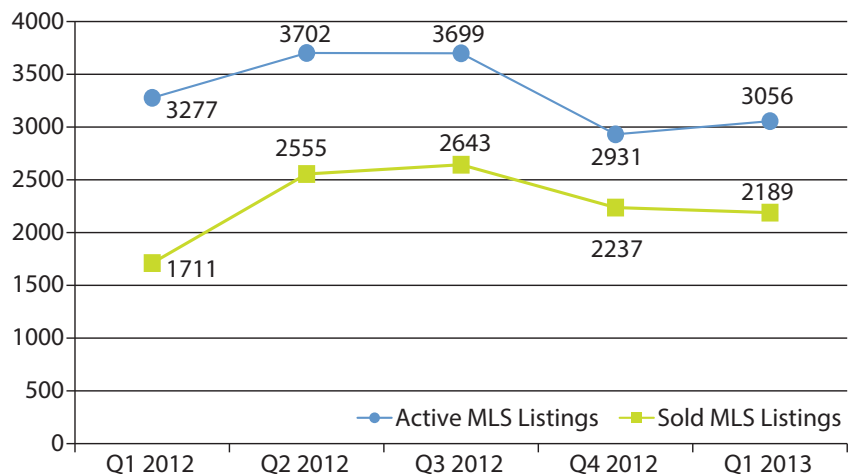
There are some investors that like the work involved in fixing up a home and prefer to manage it themselves. Buying a house, fixing it and holding is fun for

them and in general and can lead to a more profitable situation long term.

Financing can be a challenge for people in the investment world, but there are options out there. 80% loan to value (LTV) is more of a reality

these days than it was a year ago. Interest rates with 75% LTV tend to bring a little lower rate. Borrowing money from a retirement account for an investment property is feasible but check with your financial advisor for the rules and regulations.

Total MLS Active versus Sold Listings  
Q1-2012 – Q1 2013



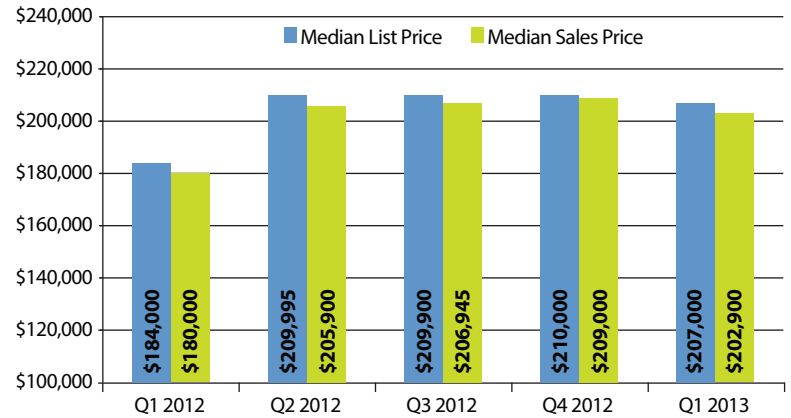
## The New, New Construction

A few years ago, Realtors complained that the housing market had softened. Home prices were down, consumer confidence was low, and home sales had diminished drastically. But today, we sing a different song as the market has recovered nicely! So far, this year sales of single family homes have increased by 27.9% over last year. And when the housing market makes such a recovery, new construction soars. Colorado Springs has some great homebuilders. Copperleaf specializes in custom new builds, where you purchase your land separately and then have the builder design and build a home on your lot. A typical custom builds start at around \$500,000 and can go up from there. For buyers wanting to stay below that price point, there is a more affordable option, semi-custom builds. A semi-custom build is where builders in specific neighborhoods offer lots and floor plans for sale as a package. Buyers go pick out their lot as well as floor plan from the builder's predetermined selections. For example, in Forest Meadows (Woodmen and Black Forest) there are about five semi-custom builders currently. Buyers can visit each builder site, and choose a lot and a floor plan. And you also get to choose your exterior house colors as well as interior colors such as cabinets, countertops, flooring and appliances. Prices in Forest Meadows start in the low \$200,000's and climb from there. Because of the convenient location and attractive pricing, buyers are flocking to the neighborhood and scooping up lots at a record pace. For example, according to Journey Homes' on-site agent, Adam Gemoets, "We are selling about 10 houses per month out here in Forest Meadows. And inventory homes (specs) sell before they are even completed."

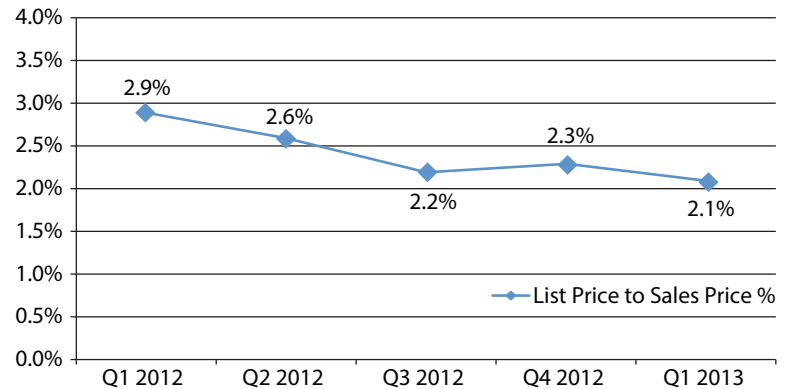
Buyer incentives also make these semi-custom homes quite attractive. For example, Saint Aubyn Homes gives the buyer \$12,500 to use however they want, towards closing costs, price reduction or upgrades. Journey Homes gives the buyer a \$17,500 incentive, which can also be used towards closing costs, price reduction or upgrades. And one thing I like is these builders do not require the buyer to use their specific, preferred lenders without penalty. I can remember selling new homes in the late 1990's when builders weren't so flexible. The buyer had to use the builder's preferred lender AND builder incentives were usually modest like \$2,500 towards closing costs. But times have changed. When our housing market softened around 2008, the builders had to get generous and flexible in order to stay in business. I just hope this trend will continue even in this improved market.

So far this year our regional building department reports 871 permits for new, single family homes have been pulled. That averages to about 218 new homes per month. In comparison, last year 2,388 new permits will pulled. And in 2011, 1,563 new permits were pulled. I suspect this increase will continue for a while as the market continues to rebound. And now Realtors have something new to complain about...not having enough days off!

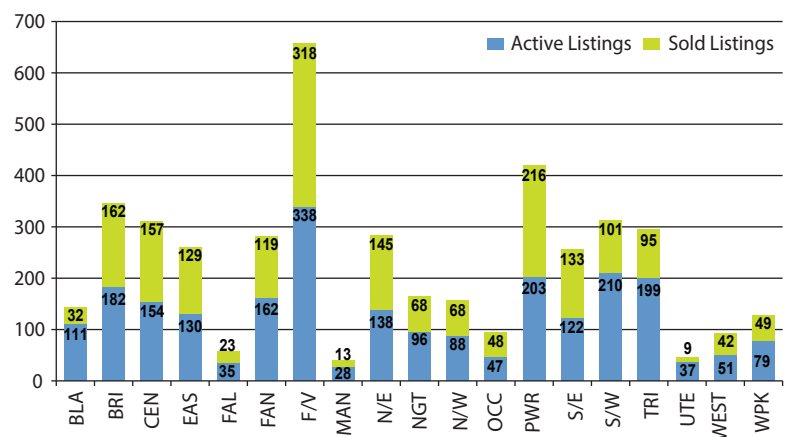
Median List Price versus Sales Price  
Q1 – 2012 to Q1 – 2013



List Price to Sales Price %  
Q1-2012 – Q1 2013



Total Active versus Sold Listings by Area  
Q1 – 2013



# Neighborhood Notes from the agents

## Fort Carson – Kelly Moriarty

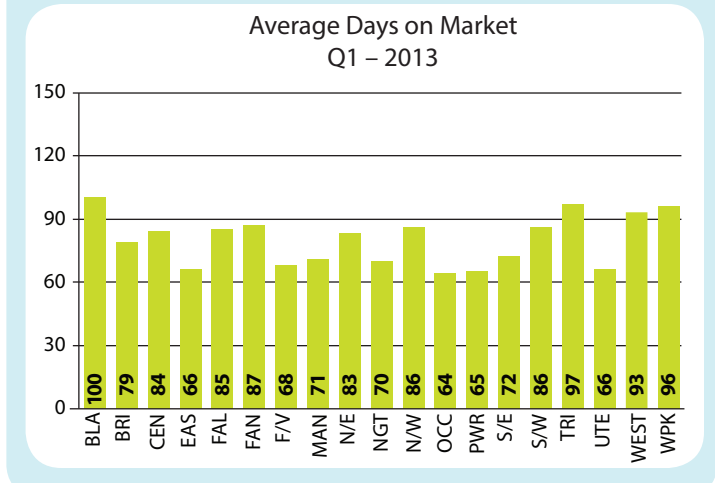
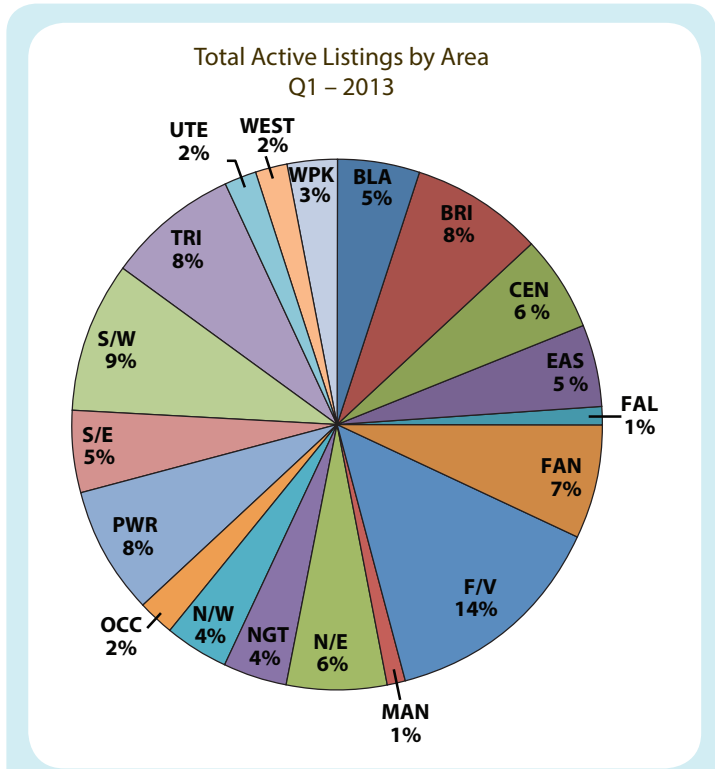
Ft. Carson has always contributed to keeping the Colorado Springs real estate market healthy, and it will continue to do so in 2013. A large amount of growth has already started this year and is expected to continue. Many of the major posts in the U.S. have relocated their division headquarters to Ft. Carson. The families from division headquarters started arriving in mid-April. The largest addition is the 4th Aviation Brigade. The Brigade began relocating here in January and is expected to be complete by May 2013. Other additions to Ft. Carson include the Aviation Brigade, and 2 Battalion of Special Ops Personnel. Approximately 3,000 assigned personnel are expected, which means that housing demands are going to pick up significantly, because the housing on post will be at capacity. This is all very exciting for our economy in the Springs, especially in real estate.

At Boylan & Company, we offer a very competitive military rebate program that offers up to \$3,300 in cash incentives. To learn more about this program, or if you have any housing/finance/relocation questions, please email me at [kelly@springshomes.com](mailto:kelly@springshomes.com).

## Copper Ridge – Brooke Mitchell

The Copper Ridge development is exciting not only because of the Bass Pro Shops anchoring this center but because of everything else that will surround it. In the area surrounding Voyager and Northgate, we expect to see increasing home sales and rising residential property values. There are a number of factors benefiting this area - proximity, visibility, density, access, families, professionals, and climate. Taking these into account, we expect to see improving home value and increased sales based on the fact that Copper Ridge development will have good local and highway exposure. The development was designed to sit nicely down the hill, careful not to obstruct the invaluable mountain views, particularly in the Northgate Highlands and Grey Hawk neighborhoods. The developer has made various accessibility points taking care not to directly affect residential and school traffic patterns. The expansion of Powers Blvd and widening of I-25 will also help access to the Northgate and Copper Ridge areas as well.

The impact of commercial real estate development on residential real estate values tends to vary. Some studies have shown improvements in property values from 5-30%, depending on type of stores. Upscale stores tend to garner larger increases because they tend to attract other supporting higher-end businesses. I think we can expect to see improving values in the middle of that expected range, because Copper Ridge is slated to be a quality center with good planning and great stores. Actual results will be hard to measure since we are already in a slowly improving market, but all in all, it should help values in the Northgate area. If you are interested in seeing homes in this area, feel free to contact me at [brooke@springshomes.com](mailto:brooke@springshomes.com).



|     |     |                 |      |                   |
|-----|-----|-----------------|------|-------------------|
| 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       |      |                   |

## Be Prepared....to Flip – Jennifer Lohrig

When looking for a property to flip it is important to have an agent that has their eyes and ears open and your best interest in mind. Typically, distressed properties won't last very long on the market and will have multiple offers so the pressure will be on. Once your agent identifies a property for you, time is of the essence. In order to be prepared, here are some things to remember:

1. Have all your financing or funds in order prior to looking so that you can move fast once you have identified the property.
2. Be prepared to be competing with multiple cash offers. Often, these properties go above asking price.
3. Don't underestimate the work involved. It's important to have a knowledgeable agent to advise you realistically on the amount of work that the property requires.
4. Know the area. An experienced agent will advise you on the market in that particular area as well as guide you on

buyer expectations for renovations in order to get you the greatest return on your investment.

After securing the property it is important to have a timeline and licensed contractors lined up so that renovations can proceed immediately. Make sure you pull proper

permits because this will come up during your buyer inspection. Failure to follow the rules will lead to added expenses and delays.

Flips can be personally and financially rewarding. If you want to learn more about flipping, contact me at [jlo@springshomes.com](mailto:jlo@springshomes.com). Happy flipping!

Year to Year Comparison  
Q1 – 2012 to Q1 – 2013

