

Second Quarter 2011

Q2

August marks the peak of the residential real estate year with many buyers frantically trying to get settled in before school starts for their children. 2011 hasn't been a stellar year but it also hasn't been a bad year. Many in the industry find it has been unpredictable month to month and unsettling but that isn't cause for alarm for the average home buyer or seller. The market is following the "bump along the bottom" strategy we have been expecting. There haven't been any major ups or downs for quite some time and there won't be any major ups and downs for quite some time. The residential real estate market on a local level, and to a certain extent, the national market, has reached equilibrium. Buyers and sellers have reached reasonable expectations of each other. We all want a strong push forward when it comes to appreciation and ease of mortgage lending but that really isn't realistic given the larger economy.

There are many conflicting statistics in the media that can be very difficult to filter. This edition of the Market Report puts out the most relevant statistics that can help would be buyers and sellers get a snapshot of the market. Appraisal concerns, inventory and strategic approach are some of the topics we will cover.

Take a moment to read on!

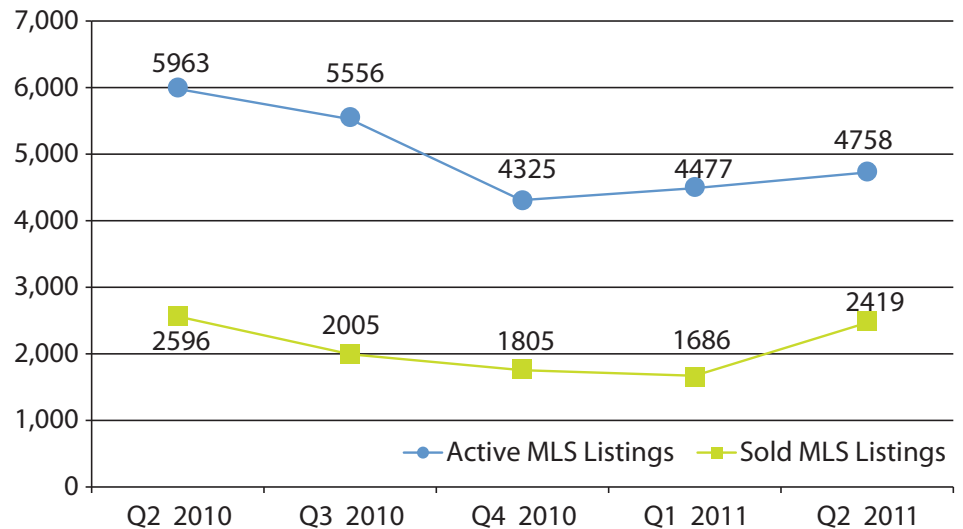
Pikes Peak Real Estate Market Offers a Wide Range of Opportunities.

Local and national sales data indicates the market is following its usual uptick as a result of seasonal demand. The numbers should continue to trend upward through August. There were 2,419 sales in the second quarter of 2011 according to the Pikes Peak MLS. The seasonality to the market is comforting because it indicates that, while modest, there is some confidence in the long term real estate market. Looking at the year over year data; the same period last year saw 2,596 sales which is a slight decline. The median sales price saw a similar decline; \$185,000 for this period compared to \$195,000 for the same period last year. It is important to remember that last year's numbers were influenced by the First Time Homebuyer's Credit. It could be argued that this year's numbers are influenced by the program but in the opposite way; the program encouraged 2011 and 2012 would be buyers to

jump into the market sooner rather than later to take advantage of the tax credit. This ultimately dwindled down the 2011/2012 buyer demand. Many economists and real estate

professionals look to 2013 as the first strong year of the recovery in the real estate market; there should be stronger demand and the mortgage market will have thawed.

Total MLS Sold Listings
Q2-2010 – Q2 2011



National Trends

The national real estate continues to wear a thorny crown. There are pockets of opportunity, pockets of stability and many markets that are just plain scary. This uncertainty has many professionals turning down opportunities to move for new positions; those who have built equity and can afford the risk are taking the opportunities. The national market peaked in July 2006; values are off that by about 33%. Fortunately, over the years, Colorado didn't dramatically peak or fall so market values have seen varying declines in the 12% to 20% range since the July 2006 peak. Continued technology, military and natural resource development in the state of Colorado will continue to provide long term growth and stability.

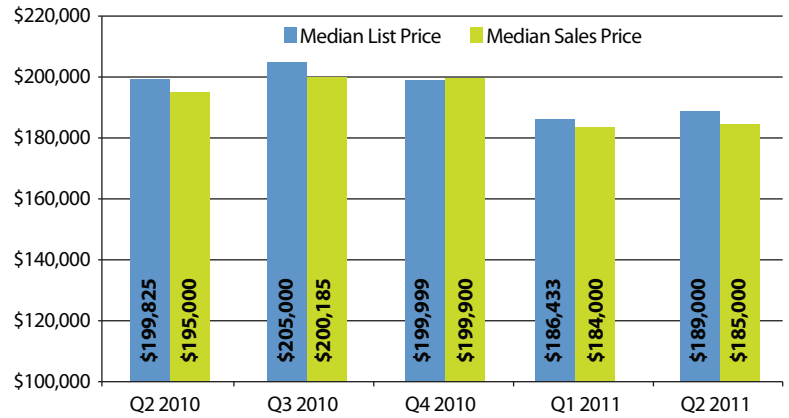
According to the July Case-Shiller Home Price Index, the Washington, D.C. market posted modest increases in home values for several months straight. Nationally, modest gains just over 1% have been noted for a couple of months which is most likely due to seasonal demand. Inventory is tight as many would be sellers remaining cautious about moving locally or across the country. Minneapolis continues to lead the nation with declines with double digit declines in year over year comparisons. Detroit, Las Vegas, and Tampa are struggling as well. It is clear that the real estate market will not rapidly gain value or transaction activity until the broader market stabilizes. While the collapse of the real estate market was the lead pony into the recession, it will be a lagging indicator of long term recovery.

Interest rates continue to remain historically low. Many buyers are closing with rates near 4%. The challenge is in securing the mortgage. Many would be buyers have seen changes in employers, employment status and income levels. Mortgage underwriters are scrutinizing applicants as never before noting these changes in a very negative way. This, coupled with higher required cash down payments, have scared would be buyers (including trade ups) into not even trying; applications for loans are down significantly. According to the Mortgage Bankers Association, refinancing makes up about 70% of applications for mortgages.

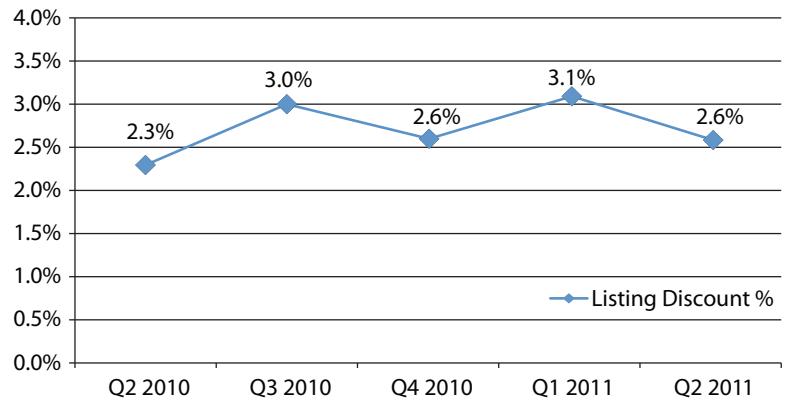
Nationwide, new housing construction starts for the year are up 16% over last year according to the United States Department of Housing and Urban Development. Analysts had expected no better than 3% so this is a highlight in the year's housing data.

Late July and August mark the peak of the real estate season. As the sales numbers are examined, we will have a better sense of exactly how 2011 will stack up in terms of transactions and values. The market struggles to regain momentum in spite of the ever tightening of credit and job market.

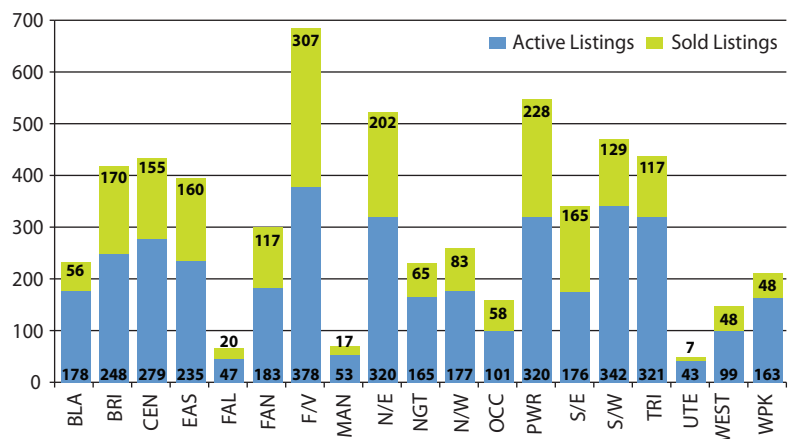
Median Sales Price
Q1 – 2010 to Q1 – 2011



Listing Discount by Quarter
Q2-2010 – Q2 2011



Total Active Listings by Area
Q2 – 2011



Seller's Strategy:

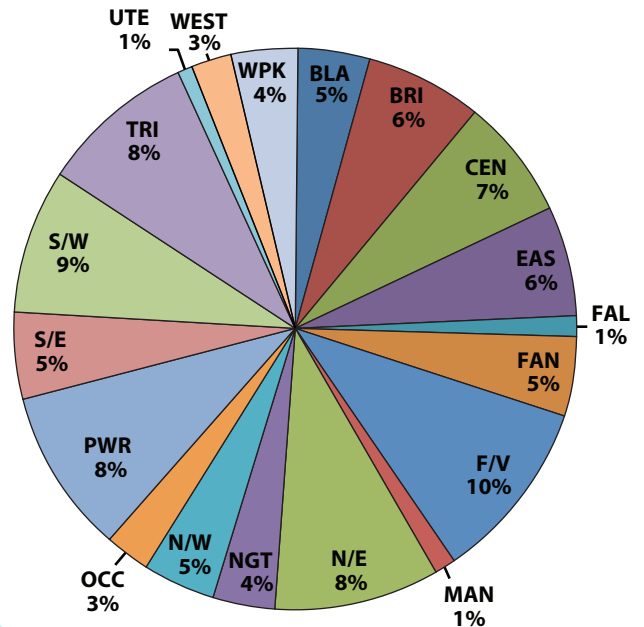
Pricing is increasingly difficult to determine. The reason for this challenge is the lack of good comps. Comps are comparable sales that the mortgage company will use to determine value and how much they will approve for the buyer's mortgage. Being hamstrung to use only the most recent data (3 months), appraisers are increasingly forced to use distressed sales for comparison. Occasionally, there is significant difference between the list price of a house and the final sales price due to appraised values. There has been a recent decline in foreclosure activity because banks are taking a lot of time to process the paperwork to ensure they are not violating any rules or standards. This is resulting in a silent increase in the shadow market that will most likely move into the mainstream market over the next 15 months. This will continue to drag the market as a whole.

The news isn't all gloomy though; in the Colorado Springs area, there are some very strong neighborhoods that are appreciating in value due to buyer demand. The strongest areas continue to be the northeast, Powers Corridor and southeast regions of the Springs. These areas are priced such that they do not need jumbo mortgages and are relatively new so that they appeal to a broad base of buyers. Understanding the nuances of the market is critical to get the most out of the sale.

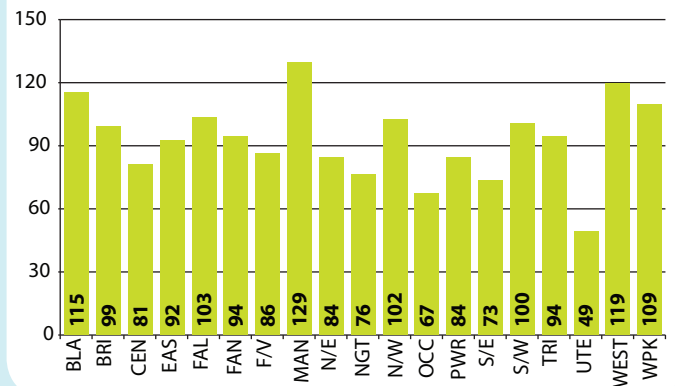
Buyer's Strategy:

Buy smart! With a mix of up and down in the local market, wading through and finding a good deal requires market insight. Inventory is actually quite light; many buyers assume that all homeowners are distressed and that deals abound. This actually isn't the case; sellers are holding tight and don't want to lose on their long term investment. Unless family size or job demands relocation, many homeowners are going to wait out the market. Buyers are quite surprised when they start looking at the market, realizing that they should have given themselves more time to look around. Finding the right house is harder than it was two years ago. With interest rates remaining at historic lows for the foreseeable future, real estate continues to be a good investment.

Total Active Listings by Area
Q2 - 2011



Average Days on Market
Q2 - 2011



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		

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Second Quarter 2011
MARKET REPORT

In closing...

In closing, the market is still soft but don't let the alarmists fool you. Don't let the eternal optimists fool you either! There are opportunities and pitfalls that can only be weighed against need. For long term investors, this remains a good market. We have seen a bit of resurgence lately with cash only investors; the market is good for rentals. There are a lot of folks who can't or won't buy a home for the next couple of years; they still have families to shelter and are looking for nice homes to rent.

Odds and Ends of Interest

The 2011 HBA Parade of Homes begins August 5 and runs through August 21. This year, the Parade features 25 home builders with home prices ranging starting under \$300,000 to well over

\$1,000,000. Twenty-two communities are featured in this year's parade. The Parade of Homes is a great way to check out lots of different communities and builders. Current home decorating and landscaping trends are the obvious perk. For more information, visit www.cshba.com or

pick up tickets at a local Safeway.

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Year to Year Comparison
Q2 – 2010 to Q2 – 2011

