

Third Quarter 2010

**Q3**

The results of the recent election day will most likely not impact the real estate market one way or another. In spite of strong sentiment on both sides of the aisle, the only real hope for progress in the real estate market is for continued stabilization in the job market, availability of mortgage credit and a slowdown to the foreclosure market. These are long term endeavors which will last through two if not three more election cycles.

**Snapshot of El Paso County:**

- Market activity in El Paso County is down but not far off 2009 activity according to the MLS; there have been 6,140 sold listings with a region wide days on market ranging from 61 days to 162 days depending on area and price point.
- Another rating source, FORBES magazine has pointed out the business potential of Colorado by naming the state among the top five through analysis of regulatory environment, costs, labor supply, current state economic conditions and quality of life. This is a key time to attract job growth.
- Local unemployment rates in El Paso County remain just below 10%, not far off the national averages.
- The median household income is \$58,159.
- Foreclosures continue at a steady rate.
- Overall, the real estate market in Colorado Springs is doing better than much of Colorado in terms of holding value and number of transactions.

The mortgage credit markets are slowly thawing and rates are still at historic lows. The current rates are less than 4.5% for a 30 year fixed rate mortgage. A 15 year mortgage is also very low averaging less than 3.75%. Qualifications are typically a point down, down payment and credit scores above 680. Rates are slowly creeping up but are low enough to positively impact buyer sentiment. Jumbo loan rates vary dramatically by lender and qualifications. The jumbo market, which used to make up 22% of mortgages, now is a slim 6% of mortgages. Investors are feeling confident about the stricter approval criteria for jumbos and are putting money back into the markets which, in turn, makes more jumbo mortgages available. The market is tough for high end homes with listing discounts nearing 10% for homes over \$1 million. Days on market

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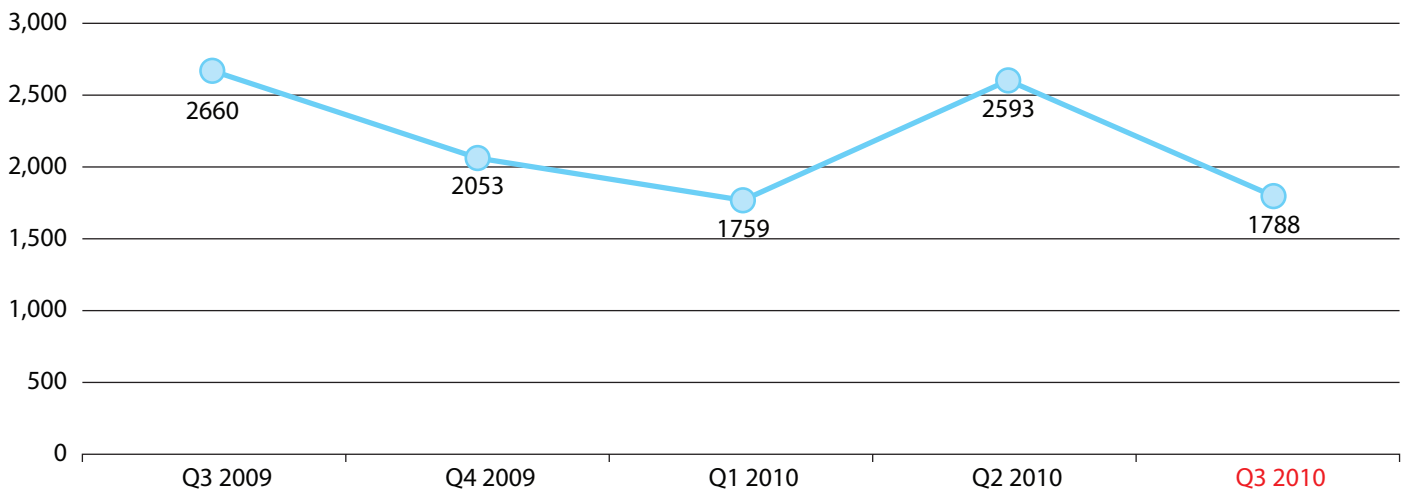
**key**

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

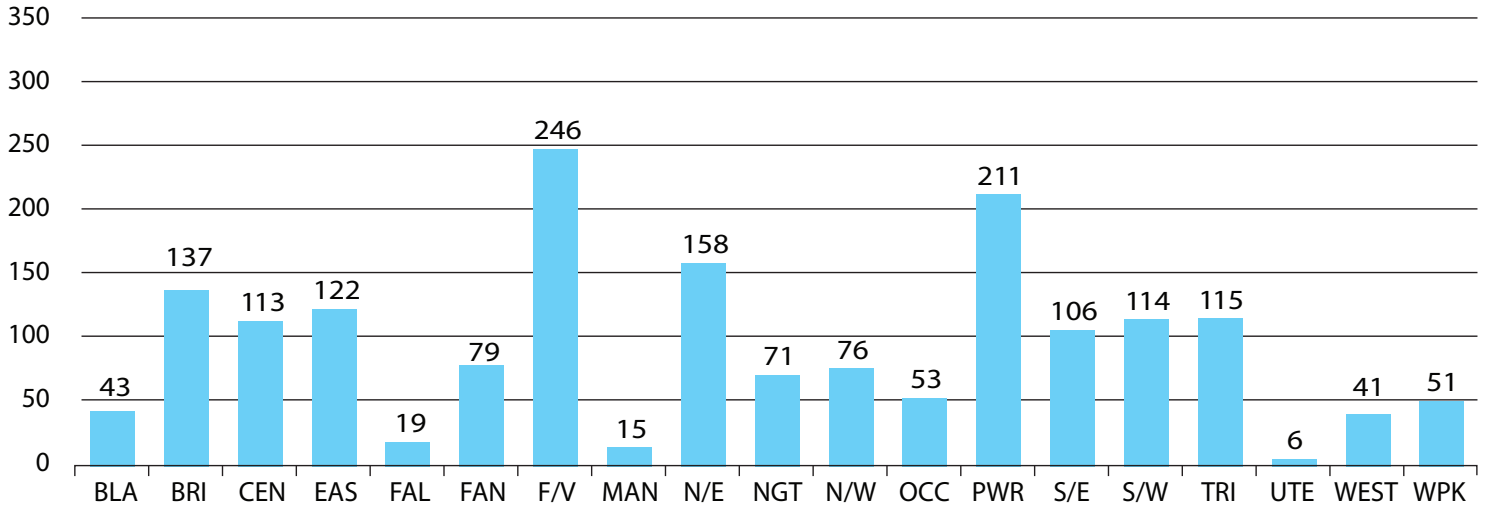
**Q3** As expected, the market “borrowed” buyers in the first two quarters in a rush to take advantage of the first time homebuyer credit before it expired. While the influence of the credit did make the numbers look good, the number of transactions will continue to decline through the remainder of 2010. Without this influence, 2011 is expected to follow the typical seasonal uptick in the spring lasting through late summer with a gradual decline in the fall.

**SOLD LISTINGS**

**Sold Listings Q3 2009 - Q3 2010**



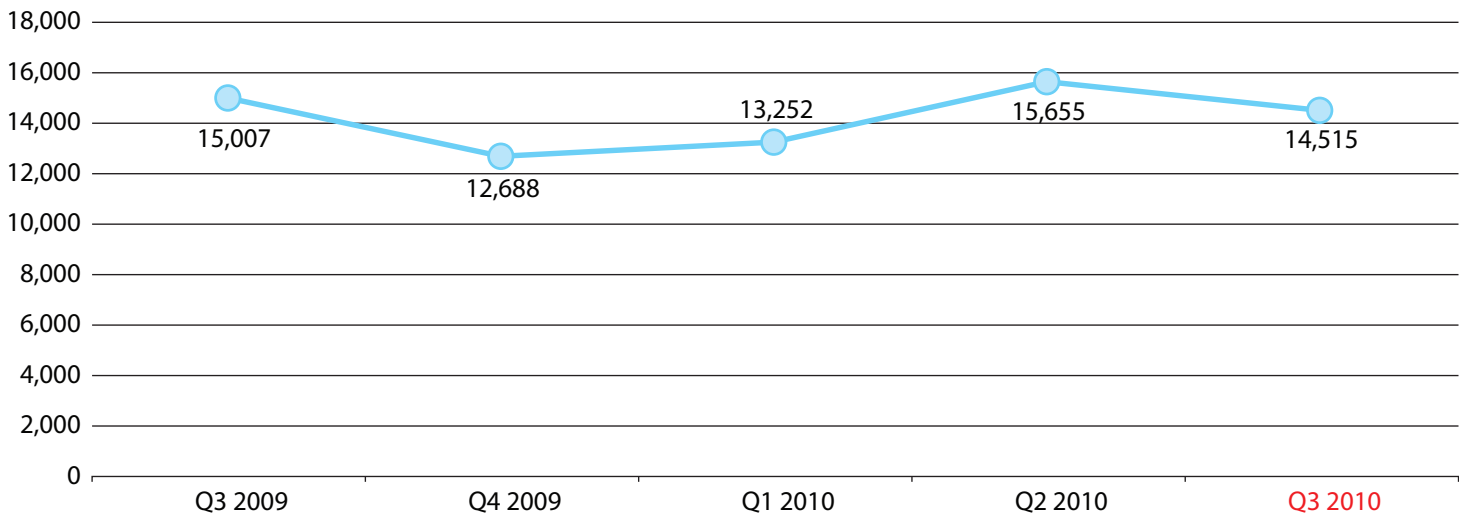
### Total Sold Listings - Q3 2010



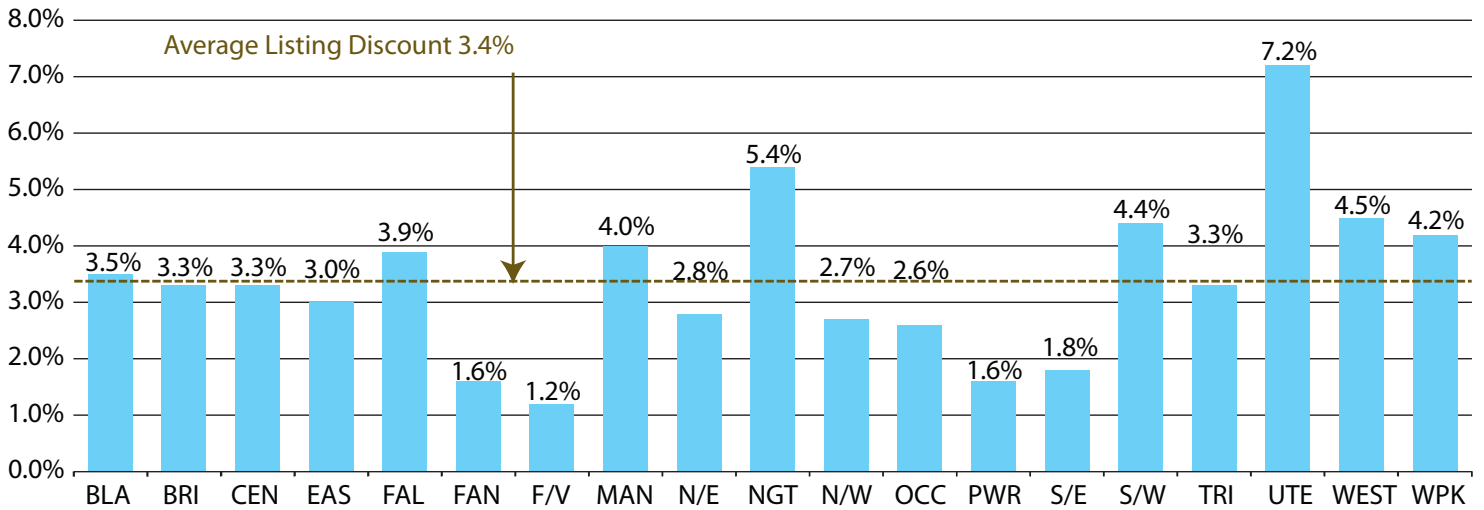
**A**reas immediately surrounding the Powers Corridor are providing the bulk of real estate activity in the Pikes Peak region. As the recession began, local economists noted that the defense related employers would be the saving grace of the region. As the years are passing, this is evident by number of jobs maintained in these sectors. Stable residential sales and appreciation in the neighborhoods around these employers continue to provide strength to the region's economy. While there is sales activity in other parts of the region, the numbers are just trickling in. Over the Fourth of July weekend a catastrophic hailstorm decimated roofs, windows and exterior paint in the eastern and northeastern area of the Springs. Thanks to homeowner insurance awards, the area has received an unexpected boost in curb appeal thanks to thousands of new roofs and freshly painted exteriors. Certain pockets have seen a surge in offers following the massive neighborhood improvement activities.

### ACTIVE VS SOLD LISTINGS

### Total Active Listings Q3 2009 - Q3 2010



### Average Listing Discount Q3 2010



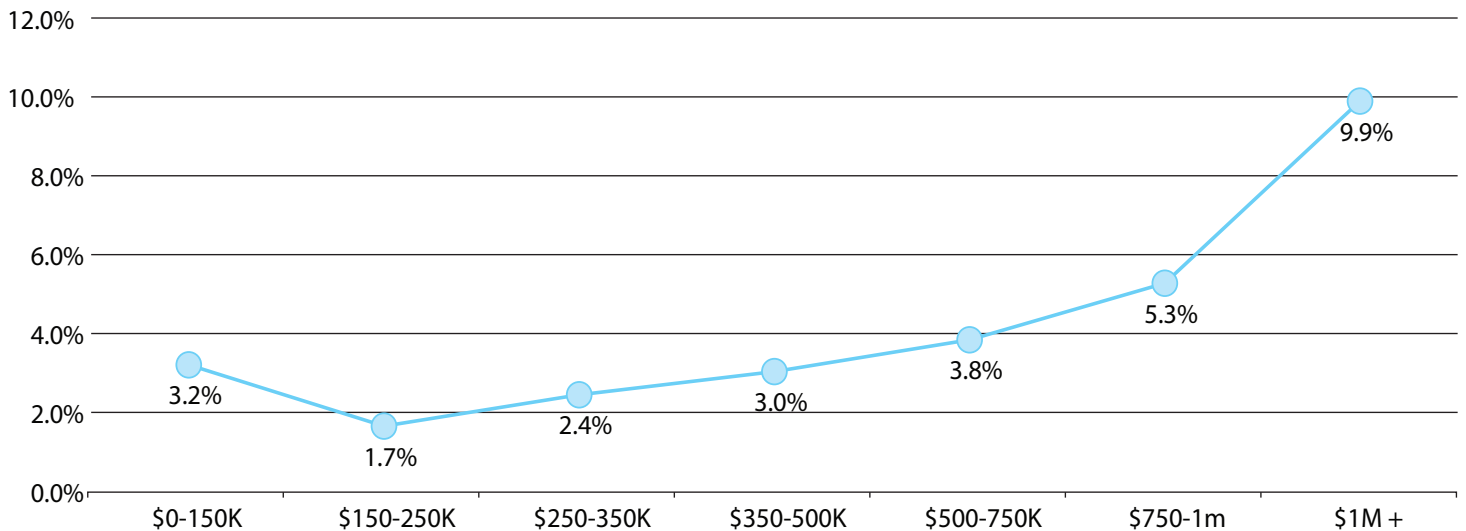
Listing discounts continue to climb; not because values are declining but rather, due to seller desperation. Very few seller's are volunteering for service; most are forced due to personal finances, a job or divorce to sell their home. If priced appropriately and showing well, eventually a buyer will be found. Time is not on the side of a pressured seller. Consequently, listing discounts continue to climb.

The numbers do illustrate very low listing discounts in the more active neighborhoods. Some listings are actually getting offers over the listed price creating unexpected competition among buyers.

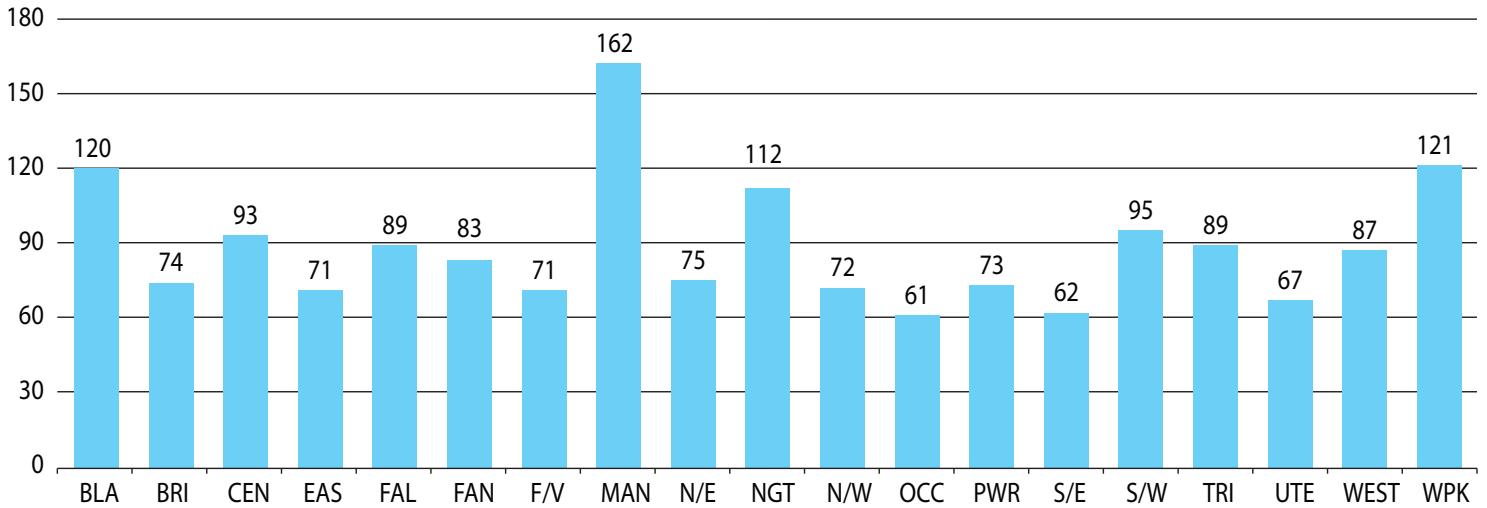
Listing discount is the difference between the listed sales price and contracted final purchase price.

LISTING DISCOUNT

### Listing Discount By Price Q3 2010



### Average Days on Market Q3 2010



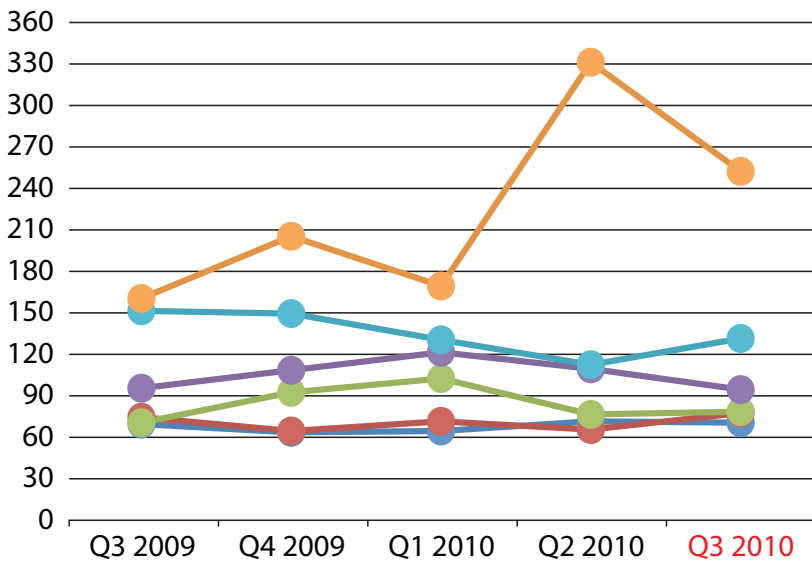
**M**any homes for sale in the Pikes Peak region will receive a contract within the first thirty days or it will take several months to sell. This has been standard for a few years now and the average number of days it takes to sell your home is quite stable across neighborhoods. The higher end of the market did experience some sales activity over the summer which helped average sales prices by negating foreclosure activity, brought down inventory and gave a much need boost of confidence to neighborhoods such as High Forest Ranch in the Black Forest area. Many couples with secure employment, two or more children and the financial means to move up, are exploring the middle to upper ends of the market. In the Pikes Peak region, a mortgage over \$419,000 is considered a jumbo mortgage. While difficult to obtain, it is not impossible. Some of the typical qualifications for a jumbo mortgage are:

- Mortgage payments cannot exceed 38% of monthly income
- Credit scores of at least 700
- Upwards of 20% down payment; recently some borrowers are finding that they can qualify with 5% down depending on credit score and source of mortgage.

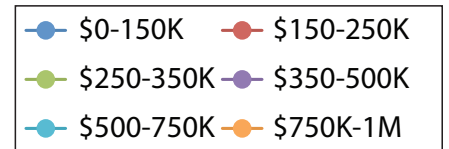
Significant changes are not expected over the next five months as the market takes a break for the holiday season. There should be a drop in all numbers (on this page) by April 2011 as buyers come out of hibernation and credit markets loosen.

### ACTIVE VS SOLD LISTINGS

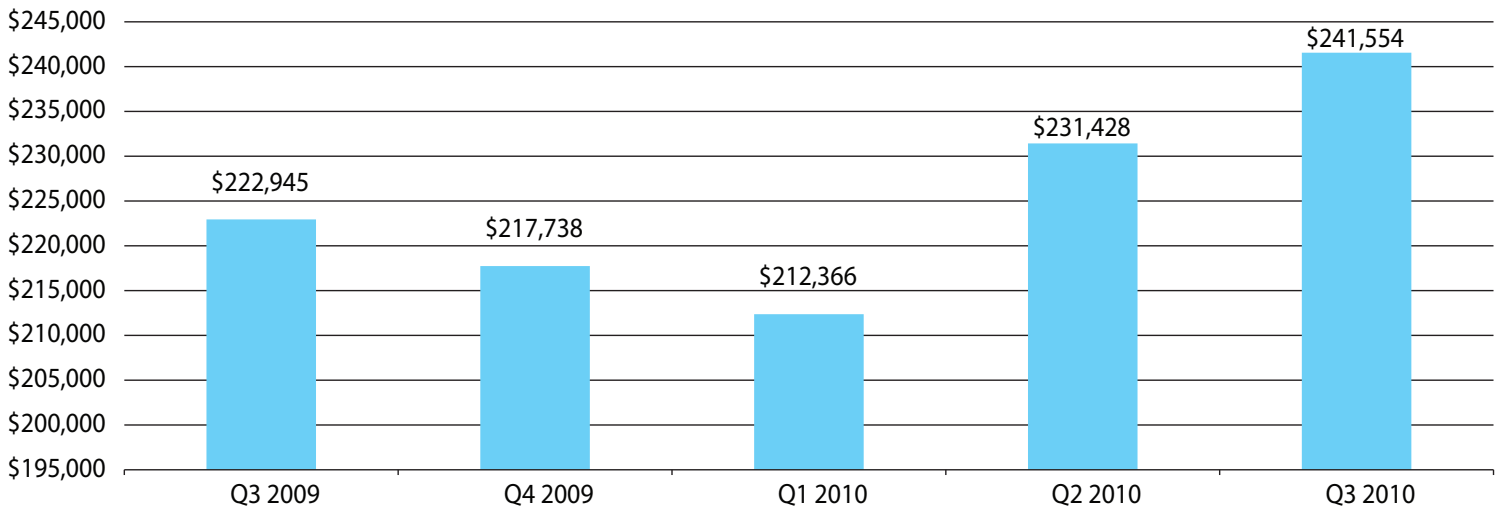
### Average Days on Market By Price



	Q3	Q4	Q1	Q2	Q3
\$0-150K	70	64	65	72	71
\$150-250K	75	65	72	66	78
\$250-350K	71	93	103	77	84
\$350-500K	96	109	122	110	95
\$500-750K	152	150	131	113	132
\$750K-1M	161	206	170	332	253



**Average Sales Price  
Q3 2009 – Q3 2010**

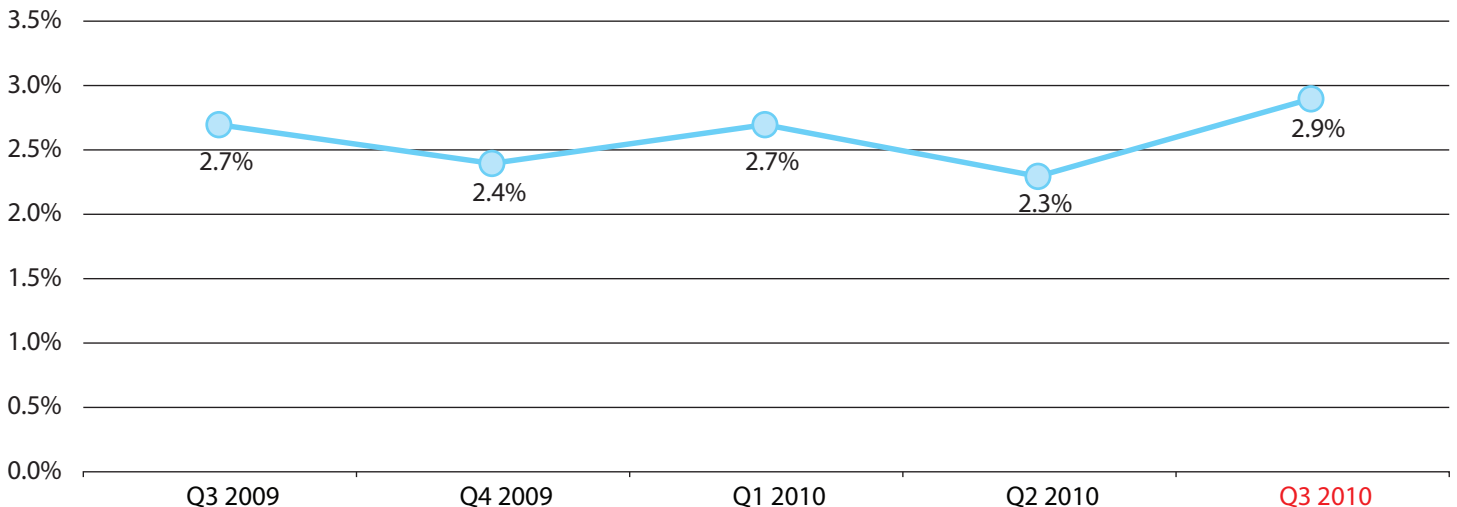


The average and median sales prices are climbing; a good sign but not the entire story. Listing discounts continue to drag the upper end of the market. The heavy lifting was seen in the middle segment of the real estate. The median sales price has pushed above \$200,000 for the first time in a couple of years. This will be short lived as summer activity pushed this number up, but, August and September data demonstrate a downward trend to \$195,000 range. The most dramatic decline in year over year final sales price was in the Northgate area, where a year ago, the average price was around \$325,000 and ended the month of September dipping below \$300,000. A similar slide is being seen in the Northwest neighborhoods. Black Forest and Briargate are clearly moving in the right direction since both have seen at or near double digit gain in sales prices over the last couple of years.

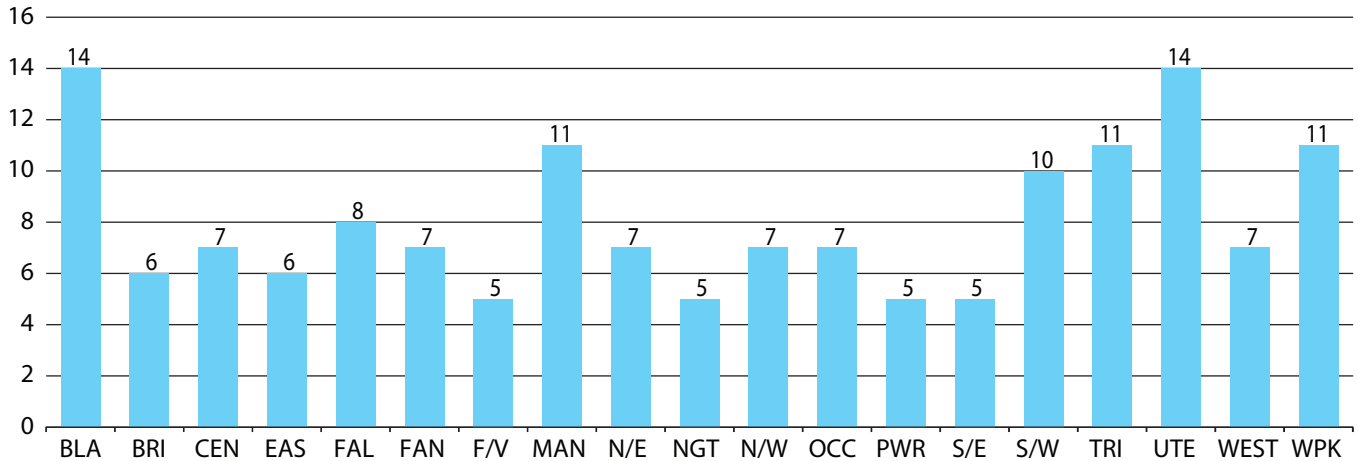
The listing discount appears to have lost its traction since it is increasing. As noted earlier, the pressure is coming from the highest ends of the market where sellers are feeling extraordinary stress to sell. The listing discount is actually less than 2% for many transactions in the Pikes Peak region; a healthy sign for pricing and negotiation.

**SUCCESSFULLY LISTING & SELLING YOUR HOME**

**Listing Discount  
Q3 2009 - Q3 2010**



### Average Months of Inventory Q3 2010

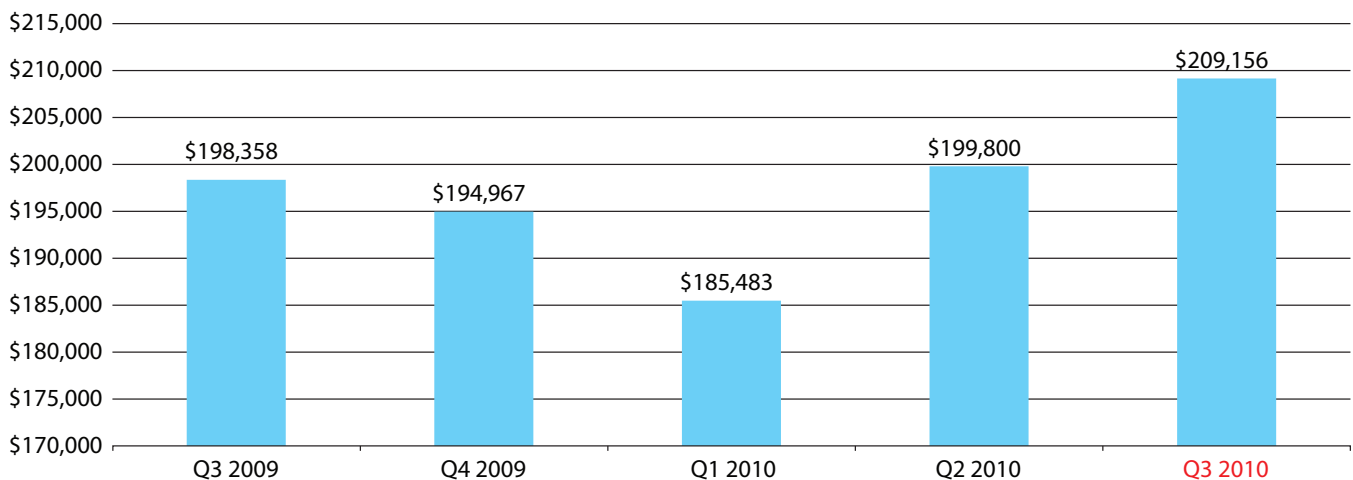


The above graphic depicting months of inventory by area should stress the importance of location; convenience to employment centers and mixed housing prices will draw buyers. Months of inventory represents the absorption rate of the local market. By and large, these numbers have remained consistent since 2008 when the first real excess in supply occurred. The numbers have maintained as sellers self regulate their listing activity in response to buyer interest.

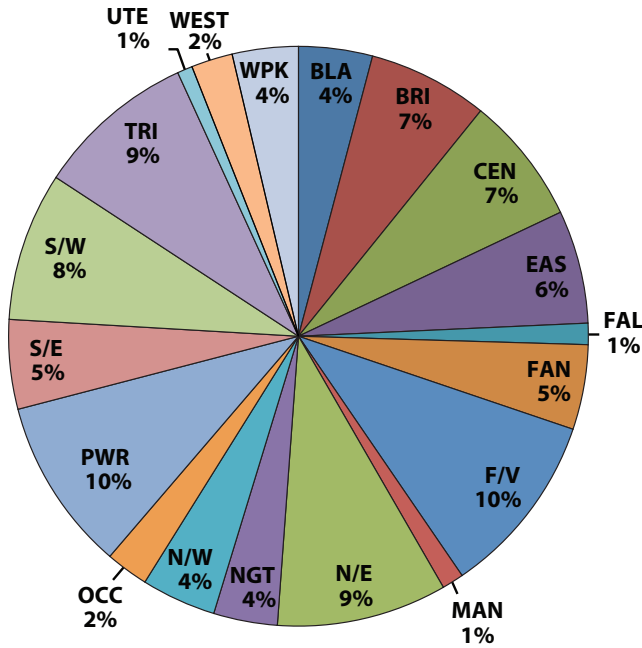
As foreclosures continue to become less of an influence on the market, values and asking prices will climb. A valid appraisal must use three months of recent comparables; fewer stressed sales allows sellers to ask for more. The danger to this confidence is a potential cooling of the market; without influence, the market will work through this over the next twelve to fifteen months.

MARKET ACTIVITY

### Median List Price Q3 2009 – Q3 2010



**Total Active Listings by Area  
Q3 - 2010**



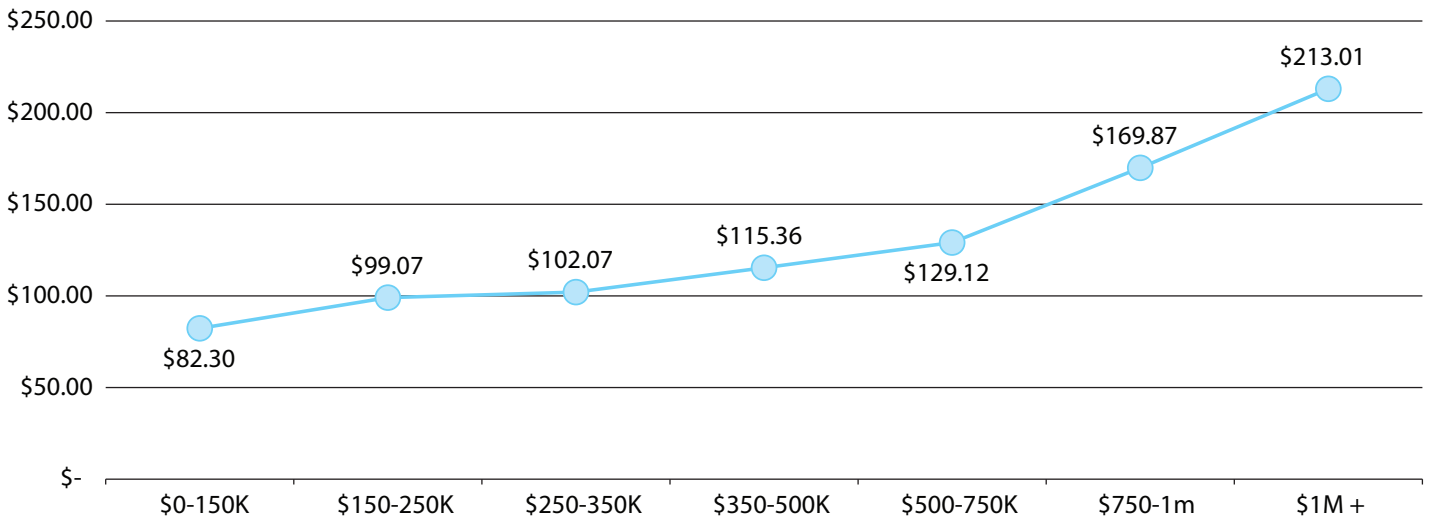
BLA	Black Forest	MAN	Manitou Springs	S/W	Southwest
BRI	Briargate	N/E	Northeast	TRI	Tri-Lakes
CEN	Central	N/W	Northwest	UTE	Ute Pass
EAS	East	NGT	Northgate	WEST	West
F/V	Fountain Valley	OCC	Old Colorado City	WPK	Woodland Park
FAL	Falcon	PWR	Powers		
FAN	Falcon North	S/E	Southeast		

**B**oylan and Company has provided investment advice for over twenty five years to clients, friends and associates. We are now formalizing this into a property management division. Our clients have requested for a long time that we add Property Management; after careful analysis, these services have been added. While the division is new, the services really aren't. We provide active marketing, tenant screening, property showings, move in/out inspections, maintenance and 24 hour emergency service, accounting, as well as deposit and fee management. We have carefully researched the market and set our fees to be very competitive; 10% of monthly rents collected. When the property is vacant, no fee is collected.

Many homeowners have found themselves forced into the rental market as career or other personal circumstances dictate geographic changes. We find many landlords fall into one of three categories: a strategic investor, accidental landlord or seasonal landlord. Finding pre-screened renters, reliable 24 hour services and a property management company marketing like a real estate firm can be difficult. Boylan and Company is now offering full service attention; call us today to learn more.

**INVESTMENT OPPORTUNITIES**

**Price Per Finished Square Foot  
Q3 2010**



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numbers continue to climb in the higher price ranges; one year ago, the average \$1 million listing sat on the market for 161 days whereas now it is 253. Buyers are finding more and more opportunities for conforming mortgages and demonstrating pretty strong sales activity in the lower price ranges.

In September, allegations surfaced that a number of large loan servicing companies pushed through foreclosure proceedings prematurely or incorrectly. The investigation is early and ultimately, these companies may be forced to rewrite the terms once foreclosed upon. It is unclear if this potential will clog the mortgage pipeline down the road. According to Colorado's Department of Labor, Division of Housing, the city of Colorado Springs has been granted \$3.9 million for the Neighborhood Stabilization Program. This program, funded through the Housing and Economic Recovery Act, is intended to assist the areas hardest hit by the effects of foreclosure through stabilization measures up to purchasing and rehabilitating properties to be resold. Many of the programs have income and location criteria tied to award. Some of the local activity includes the rehab and consolidation of multi-unit housing, acquisition and rehab of a dozen or so single family units. The state of Colorado has been granted \$34 million for which similar activity is being conducted across the state. The glut of foreclosure activity will most likely continue well into 2011; it is foreseeable that this activity could slow by 2012. Consequently, the impact of these foreclosures is likely to hold back home prices.

What can we expect the next few months? Inventory will continue to drop as sellers continue frustration and buyers take a break for the holidays. Foreclosure activity will continue to be a factor; buyers are advised to research prospective neighborhoods to determine foreclosure activity over the last few years as this may be a predictor of neighborhood stability. Spring should bring additional thawing to the financial markets due to investor sentiment. Quality of listings is good and terms are good for qualified buyers. Sellers should expect flexibility will be key to success and forced to remember that real estate was meant to be a long term investment; albeit longer than expected.

***Happy holiday season to all of our clients! May the remainder of the year be positive and enjoyable. See you in 2011!***

