

Third Quarter 2012

Q3

Fall in the Pikes Peak region is hard to beat. Crisp mornings, golden hued trees and bright blue skies are invigorating, but they also signal that summer has wound down and the first snowstorm is not far away. Believe it or not, big box stores are already carrying holiday decorations and it won't be long before we are scribbling 2013 on our checks.

Although there is still a quarter to go in the year, by most accounts 2012 will go down in history as a year of stabilization. Some view the recovery optimistically, "Importantly, we believe the housing market has turned the corner", states Jaime Dimon CEO of JP Morgan on a recent conference call with media members. Turns out he isn't alone; all three of the four biggest U.S. banks agree. Others are more cautiously optimistic, "We are all seeing some elements of what I would call stabilization in the housing market," Citigroup's CFO John Gerspach told reporters, "But there are still some rather significant challenges to be faced." He added, "There's still a question in my mind about whether we've got a strong enough economy to continue sustaining the housing market". The Federal Reserve's latest Beige Book seems to lean on the optimistic side by claiming that the housing market has "showed widespread improvement." According to the Beige Book just released, 10 out of the 12 monitored bank districts posted modest economic growth while all 12 districts posted stronger existing home sales, and in some areas sales were "substantially" higher.

Whether you are a glass is half full or half empty type of person, we can all agree that the market fluctuation is mild compared to years' past and all signs of recovery and stabilization are welcome. Continue reading this Quarterly Report to learn more about national and local trends and read our agents' insights on some of the local neighborhoods.

New Home Sales versus New Home Starts

New Home Sales and New Home Starts are key statistics published by the National Association of Realtors (NAR). Many watch these numbers to assess the stability of the recovering real estate market and economy. Jennifer Boylan explains to us that the two statistics are not necessarily measuring the same thing. "New Home Sales strictly measures contract signings, not the total number of closings for New Home Sales. If an owner builds his own home and it doesn't come on the market, it will appear in the New Home Start figures, but not in the New Homes Sales figures. That is why typically New Home Starts are significantly higher than New Home Sales."

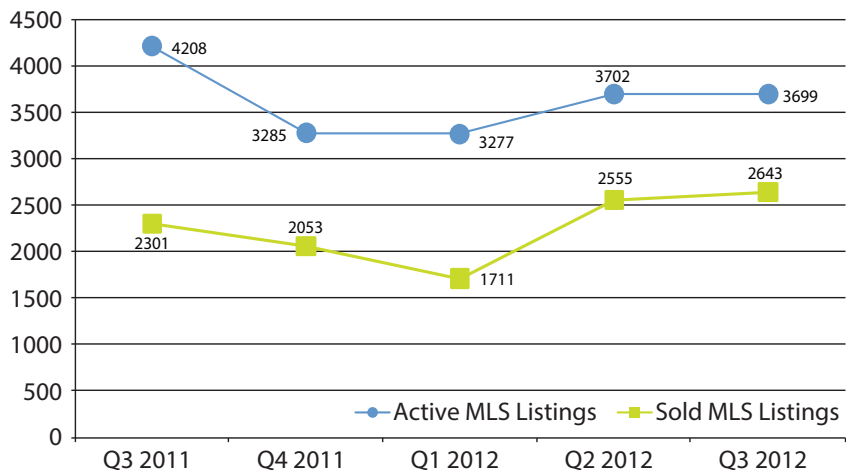
According to the NAR Economic Report of September 27, 2012, New Home Sales nationally have been rising by 20% so far in 2012 with a forecast to beat 2011 by 45%. The forecast for 2013 would place us on track to double

the 2011 figure for New Home Sales. Likewise New Home Starts have been rising nationally by more than 25% so far this year.

Trickling this trend down to a local level, Jennifer believes that the effect of the

Waldo Canyon fire may pump up the New Home Starts statistic for 2012 and 2013. It will be interesting to watch values in the Mountain Shadows area as homeowners/builders decide to rebuild either for themselves or passing lots on to builders for spec homes.

Total MLS Active versus Sold Listings
Q3-2011 – Q3 2012



National Trends - Is Flipping Back?

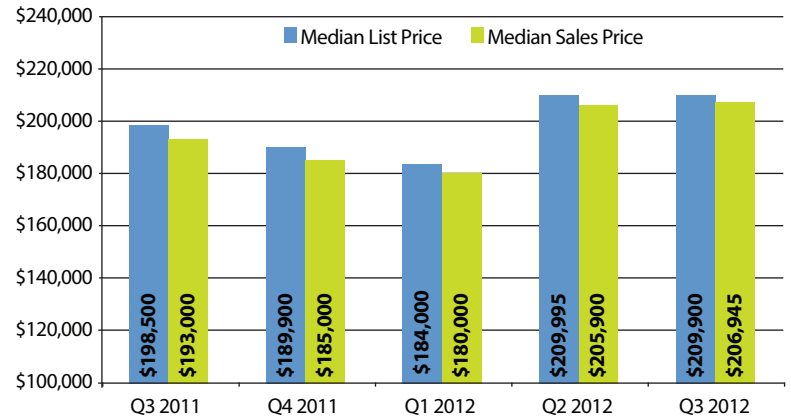
Flipping houses became the “in” thing to do during the housing boom. The practice of buying dilapidated houses, fixing them up, and then selling them again as quickly as possible for a profit appealed to a lot of people. After all, they make it look pretty easy on HGTV and reality TV capitalized on it with a number of popular shows showing us how fun, exciting and profitable it could be.

But what about flipping houses now that the real estate bubble has passed? The research firm RealtyTrac just reported that the number of flips rose 25 percent during the first half of 2012 from the same period a year earlier with the gross profit on each property averaging \$29,342. “There are flippers in any market, but a market where home prices are appreciating is much more forgiving for flippers than a market where prices are depreciating,” Daren Blomquist, vice president of RealtyTrac, told The Washington Post.

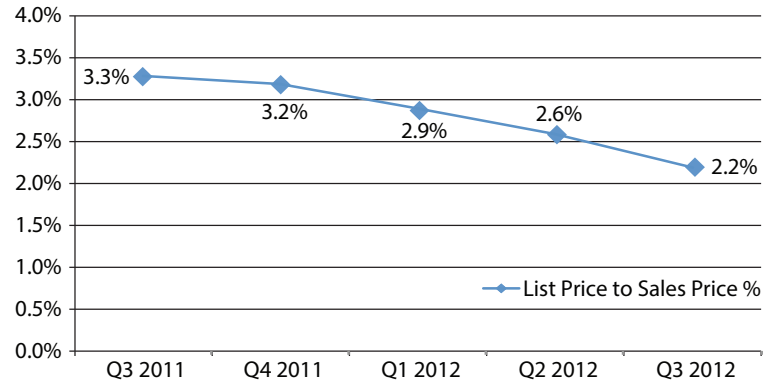
People flipping houses these days are taking a slightly different approach than those investors during the housing boom. Rather than relying on appreciation of the home due to the market, flippers now have to rely on finding the right home for the lowest possible price and keeping their margins very thin. This means flippers are often focused on distressed homes that are short sales or foreclosed properties which can be difficult and lengthy to purchase.

If you are looking to add house flipper to your resume, it is well worth doing your homework on how to calculate the actual costs. Between the purchase costs, renovation costs, carrying costs, real estate costs, interest and marketing costs, it might be more enjoyable to settle for experiencing the fun and excitement of flipping houses through reality TV.

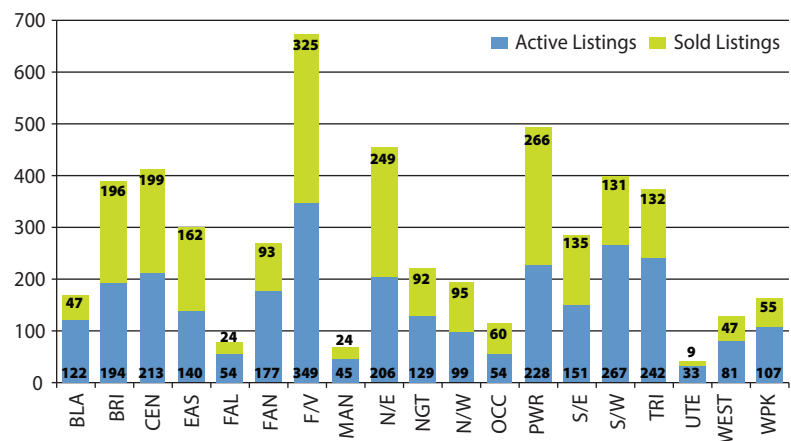
Median List Price versus Sales Price
Q3 – 2011 to Q3 – 2012



List Price to Sales Price %
Q3-2011 – Q3 2012



Total Active versus Sold Listings by Area
Q3 – 2012



Agent Notes from the Neighborhood

Northgate

Agent Brooke Mitchell lives northeast of Colorado Springs, and brings her two young boys to school in the Northgate area every day. After a couple years of an almost stagnant visible new construction market, there is a noticeable difference to the horizon off Hwy 83 and I-25 near Northgate Rd. Flying Horse has seen a new burst of residential and future commercial development along the east edge of the prestigious community. The homes are built by a variety of builders, and include patio homes & single family homes with base prices ranging from \$275,000-400,000. Brooke notes, "We are still experiencing low resale inventory in this area." Another major factor affecting the Northgate area is the construction Copperfield retail development anchored by Bass Pro Shops, which is now well underway just off the corner of Voyager Pkwy & Northgate Rd. The Copperfield project in addition to the future commercial Flying Horse development will continue to encourage further development in the area.

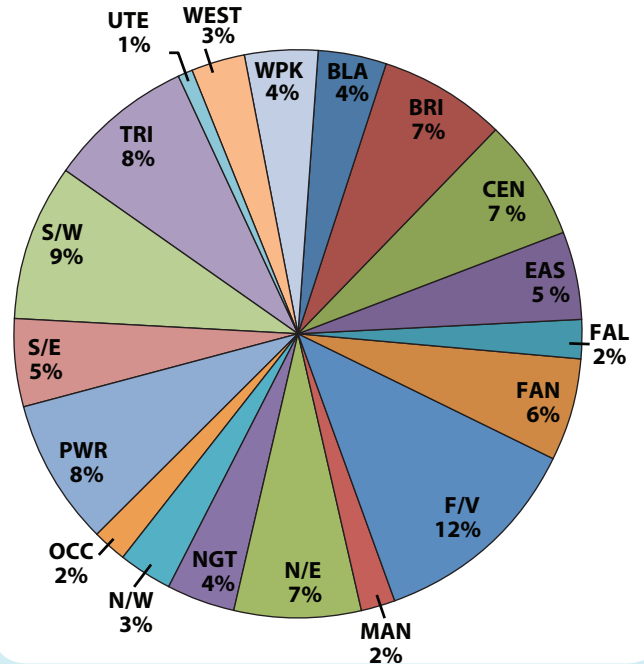
TriLakes

Growing demand for new construction in turn points to a large demand for land. The Tri Lakes area, north of Colorado Springs, is primed for future development. "Added retail growth, residential construction and available undeveloped land have enticed many families and businesses to consider the Tri Lakes area" notes Jennifer Boylan. Jennifer believes that these factors coupled with the widening of Interstate 25 from Colorado Springs to Monument are all positive signs of growth in 2013.

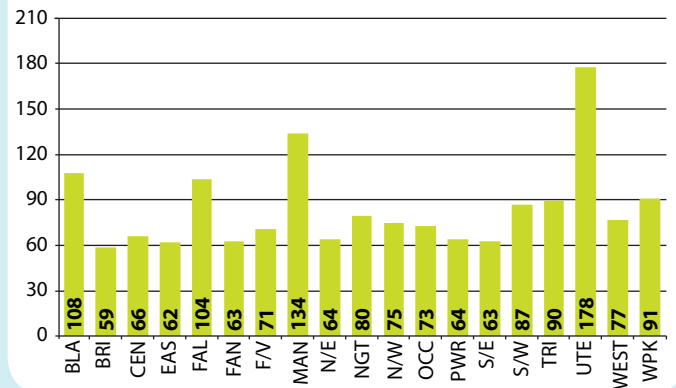
Downtown

Living in the Patty Jewett neighborhood gives agent Jennifer Lohrig a front row seat to the changes in the downtown area. Over the past several years she has witnessed a renaissance of vibrancy, diversity and beautification as both new and established home owners lovingly renovate, restore and remodel their existing homes. This resurgence of restoration is adding additional beauty and appeal to some already sought-after neighborhoods increasing both the value of existing homes and the opportunity for home sales. In addition, the desirability for homes in the quaint downtown neighborhoods has led to shortage of inventory, creating a bustling market for sellers and increased competition for eager buyers. As the trend for restoration in the one-of-a-kind, charming downtown neighborhoods continues, it will prove a valuable investment for future home buyers.

Total Active Listings by Area
Q3 - 2012



Average Days on Market
Q3 - 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		

End of Distressed Sales Boosts Median Home Price

Everyone is ready for the foreclosure crisis to end. Agent Nicole Happel has been following this event closely. "There is a benefit here for future Home Sellers. As distressed sales (foreclosures and short sales) are winding down, we expect to see the median home price rise. Although it makes logical sense, not everyone thinks of it this way. Since fewer distressed properties will be selling, the negative impact of the low pricing will not have as big of an impact in the upcoming years. This will translate into the median price of homes being higher than when compared to the past few years" says Nicole.

The National Association of Realtors (NAR) agrees. "So in addition to the normal supply-and-demand dynamics that have been pushing up repeat price indices such as Case-Shiller and

government price data, the median price will also be rising and probably faster because of the fewer distressed over the horizon." Nicole cautions not to expect a huge jump though. "The impact of higher median prices will

obviously have a greater impact on areas that had a greater concentration of distressed sales, like on the coasts and in cities like Las Vegas and Phoenix, but there should be a perceivable impact on the Pikes Peak region."

Year to Year Comparison
Q3 – 2011 to Q3 – 2012

