



Third Quarter 2013

Q3 Springs Homes

MARKET REPORT

This seems to be the year the Pikes Peak region faced some of our most serious vulnerabilities, fires, floods and the Federal Government. Early summer fires shut down the Black Forest market, mid-Summer floods impacted sales on the west side including Manitou Springs and the Ute Pass area. Then the government shutdown this fall illustrated just how much the Colorado Springs economy depends on the Department of Defense. 8% of our region's wages go to federal employees. This makes us number 7 on the at risk list from the federal shutdown. Additionally, this took some steam out of the already cooling real estate market.

The first quarter of 2013 now seems to have been the turning point for our real estate market. This year we have seen both low interest rates and high rents jump start buyer activity. This upswing continued throughout the second quarter but began to taper during the third quarter. Now as we move into Q4 we are seeing normal seasonal slowing coupled with fear from our problems in Washington. Markets don't respond well to fear so we are seeing buyers pull back and take a "wait and see" attitude. We really won't know if our recovery is going to continue until Q2 of 2014. At that point the annual relocation season will be underway and we will know which direction our market is headed.

The best news for the Pikes Peak regional housing market would be the development of more private sector jobs. Our economy is very dependent on public sector jobs and much like a healthy portfolio; our economy could use a little diversification.

At the end of the day, the Pikes Peak region is still a desirable destination that offers a fantastic quality of life in a beautiful setting. The area continues to be a top choice for individuals. Let's hope more businesses start to make us a choice as well.

The Rebirth of Mountain Shadows – Brooke Mitchell

I was astounded visiting the west side of Colorado Springs during the Parade of Homes in August 2013, at the amount of new homes. I think the area that struck me most was the Majestic neighborhood. I went into one Parade home there and couldn't believe where I was. This area, Parkside/Mountain Shadows, is one that is mid-level homes of about 2,000-2,700 square ft. Before the Waldo Canyon fire, many were starting to feel their age, built in the late-80s to early-90s. The average sales price in 2012 before the fire was \$217,000. The average price range this year in this specific neighborhood is \$285,000 for the homes built in the 2012-2013 range thus far. According to the Pikes Peak MLS, the older homes that didn't burn are seeing an improved price point as well, one selling this year for \$245,000.

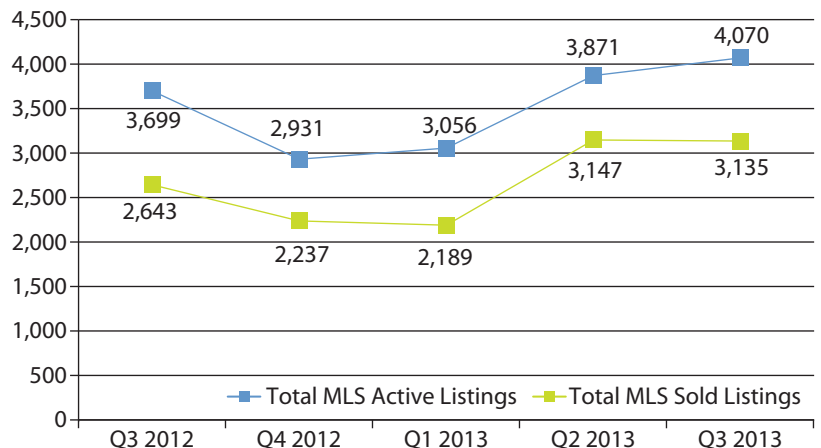
Overall, Mountain Shadows has seen a significant recovery in the burn area. Records indicate 346 homes were burned in the fire (not including those with damage). According to the Pikes Peak Regional Building Department, thus far 235 permits have been pulled to build new homes, with 142 final/complete and 93 open and still in construction phase.

"Up the hill" some more, I think we all expected this area to recover even stronger. The stats are all over the place, but it was awesome to hear the stories. One homeowner had their same builder from many years ago; build them the exact same house with minor changes because they loved their home so much. One couple expanded their home's "footprint" by building on both lots they owned, while paying homage to the

fire and recovery efforts with rolling video of the before & after story, and household display cases of burned articles.

I was so encouraged that this area is recovering so well both emotionally and physically; even improving over what was there before. There are so many stories, some published, some word of mouth. All of it amounts to abundant evidence that we are "Colorado Strong"!

Total Active versus Sold Listings
Q3-2012 – Q3 2013



Flood Insurance Questions and Answers – Kelly Moriarty

With all of the focus on wildfires the past couple of years, the threat of floods was completely off the radar until the tragic floods of Northern Colorado. The Colorado Department of Regulatory Agencies, Division of Insurance publishes a simple straight-forward fact sheet that addresses many of the questions regarding Flood Insurance.

Does standard homeowner insurance cover floods?

No, basic homeowners insurance does not include protection from flood damage. Instead, the Federal Emergency Management Agency (FEMA) administers flood insurance through a federal program that may be purchased as a separate policy.

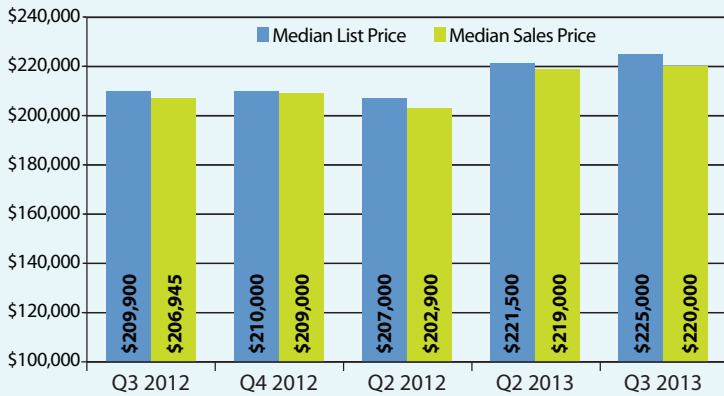
Who is eligible for National Flood Insurance?

Homeowners, renters and business owners with property in communities that participate in the National Flood Insurance Program can purchase flood insurance. Currently, more than 19,000 communities in the United States and its territories participate in the NFIP by adopting and enforcing ordinances designed to reduce flood damage. National Flood Insurance is available to any property owner whether or not the building is in a floodplain.

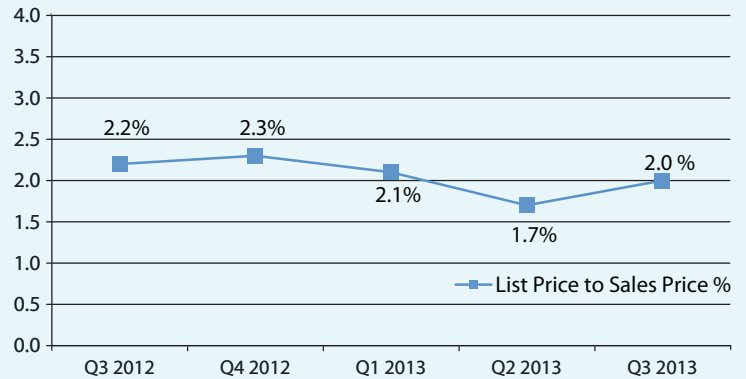
How much coverage can be obtained?

The maximum coverage available for contents is \$100,000 for residential policies and \$500,000 for commercial policies.

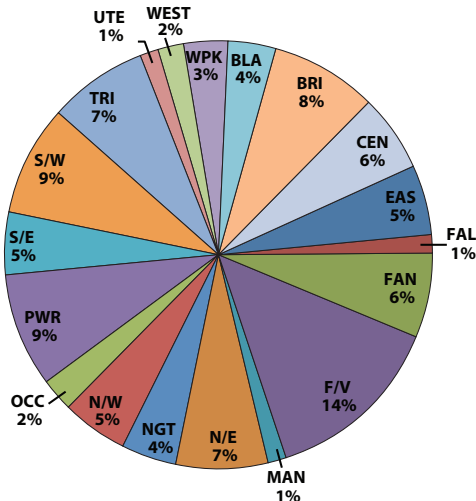
Median List Price versus Sales Price
Q3 – 2012 to Q3 – 2013



Listing Discount by Quarter
Q3 2012 - Q3 2013



Total Active Listings by Area
Q3 – 2013



What does flood insurance cover?

Building coverage insures a house or dwelling, attached and detached garages, as well as certain permanently installed fixtures such as built-in dishwashers, permanent shelving and cabinetry, furnaces and radiators, hot-water heaters, plumbing fixtures, stoves, ovens and refrigerators. In the basement, National Flood Insurance covers structural elements, essential equipment and other basic items normally located in a basement. However, National Flood Insurance doesn't cover basement improvements such as finished walls, floors or ceilings, or personal belongings that may be kept in a basement, such as furniture and other contents.

How do I buy flood insurance?

To buy a National Flood Insurance policy, call your insurance agent or contact one of the Write Your Own (WYO) insurance companies, private insurance companies that write flood insurance under a special arrangement with the Federal government.

Awake Palmer Lake!

– Jennifer Boylan

The namesake of Palmer Lake is completely gone, almost as if it evaporated into thin air. What once was a destination for Father’s Day picnics, fishing on Sunday morning and letting kids burn off steam has become a dried-up lake bed. Citizens of the community have formed “Awake Palmer Lake” in hopes of raising money to refill the lake, but with antiquated water rights and battles in court, the lapping of water on the shore of Palmer Lake might be well into the future.

Palmer Lake is a water table lake and that is spring fed. In very wet years, the springs from the mountains will flow down and fill the lake. But in dry years, it is not enough flow to fill the lake let alone replace what is lost due to simple evaporation. Without rain the lake evaporates at a rate of 3 feet per year, mostly happening in the summer. So, how has Palmer Lake

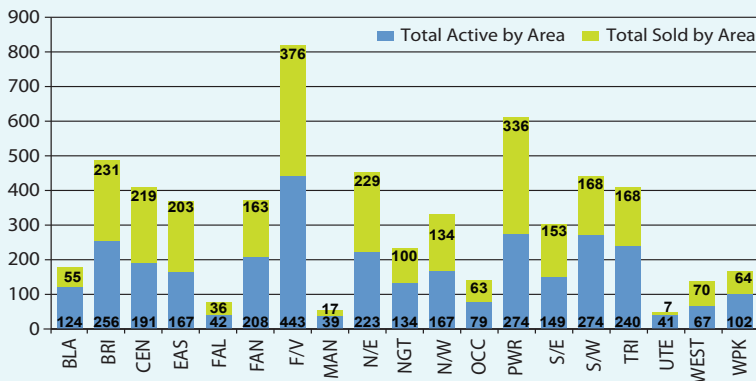
FHA Extending the Flipping Waiver

– Jennifer Lohrig

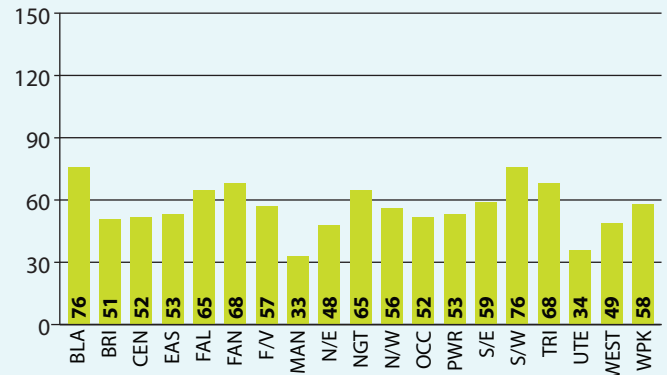
FHA is extending the Flipping Waiver until December 31, 2014. This regulation prohibits the use of FHA financing to purchase single family properties that are being resold within 90 days of the previous purchase. This Anti-Flipping rule affected those mortgage borrowers who were using FHA-insured mortgages to get their loan in a “fix and flip” type situation. FHA-insured loans are one of the most popular loan choices in the lending world, especially for first time home buyers because of the low down payment (3.5%) and credit requirements. This rule was suspended in 2010 by the FHA, in an attempt to move the excess inventory of homes off the market and move buyers into those homes, thereby improving the struggling economy.

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Total Active Listings versus Total Sold Listings by Area Q3 – 2013



Average Days on Market by Area Q3 – 2013



thrived in the past? Many years ago, the railroad built two reservoirs above Palmer Lake and a pipeline that feeds down the mountain and into the lake. Water was fed into the lake via turning on a valve to the pipeline. For close to 100 years, the lake was filled this way in order to offset water that went into the steam engines and water lost to evaporation.

Around the year 2000, the state of Colorado found out that Palmer Lake was filling the lake with water from the reservoir as they had been for more than 100 years and decided to put a stop to it. Now the matter is tied up with geo surveys, engineering reports, legal opinions and fights over water rights dating back 100 years. The community group “Awake Palmer Lake” has been busy this summer hosting fundraisers with local restaurants, selling t-shirts and raising awareness to this cause. This Halloween they are even featuring a haunted hay ride to raise money. Visit the website www.awakepalmerlake.com for more information or if you are interested in volunteering or donating.

Key

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|-----|-----------------|------|-------------------|
| 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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FHA Extending the Flipping Waiver — continued from page 3

Although several of the rules regarding fix and flips are waived, there are several key rules that still need to be adhered to in order for FHA to insure the loan. First, the buyer and seller must be independent and not in collaboration together. Second, there must be documentation provided showing specific improvements or a second appraisal from an FHA-approved appraiser if the sales price is 20% or more than the previous sales price. Additionally, if the sale price is greater than 20% the seller's acquisition price there must be a property inspection performed on the property. If the inspection report identifies repairs are required due to "health and safety" concerns, then those repairs must be completed prior to closing of the sale, regardless of whether the buyer wants the repair corrected. Once the appraisers and property inspectors have given their reports and conditions, the seller must comply with the items being completed prior to loan approval. Also, the property must be "re-inspected" by both appraiser (if there were conditions) and the home inspector (for the items required to be done-safety/health). And finally, only "forward mortgages" not reverse mortgages are eligible for the waiver.

It is essential that the seller and listing agent are fully aware of the buyer FHA loan requirements when writing an offer on a "fix & flip" property to ensure that they will be willing to comply with the requirements. If not, this could be a costly decision for the buyer because home inspections and appraisals could end up being an unanticipated cost.

Year to Year Comparison
Q3 – 2012 to Q3 – 2013

