

Fourth Quarter 2011

Q4

Have you noticed anything strange in your neighborhood lately? As each month passed in 2011, For Sale signs began disappearing. As the real estate industry enters 2012, the big story is the lack of houses for sale; disappointing many would be buyers who had become accustomed to a pretty deep pool with lots of options and the upper hand in negotiations. Whether buyers are looking to downsize or trade up, there just aren't that many houses on the market to choose from.

By and large, economic data is looking up indicating continued stabilization across all segments of the economy. Foreclosure filings totaled 31,914 in Colorado during 2011 which is a decrease of 25% compared to 2010. At peak, Colorado saw 46,934 filings in 2009. There are hundreds of thousands of homes across the United States that are in danger of foreclosure in 2012 but are being held up by slow processing at banks due to increased regulatory scrutiny. Thanks to a more stabilized job market, the number of delinquent mortgages across Colorado and the United States continues a downward trend further slowing foreclosure activity. Confidence is still off as Americans continue a trend of avoiding long term commitment whether it be renting a house, leasing a car or short term contracts at fitness clubs. This lack of confidence continues to hold back enthusiasm for real estate.

In this issue of our Market Report, we will take a look at the overall market, distressed home market, and our advice for buyers and sellers in 2012.

The Big Story...Where Did the For Sale Signs Go?

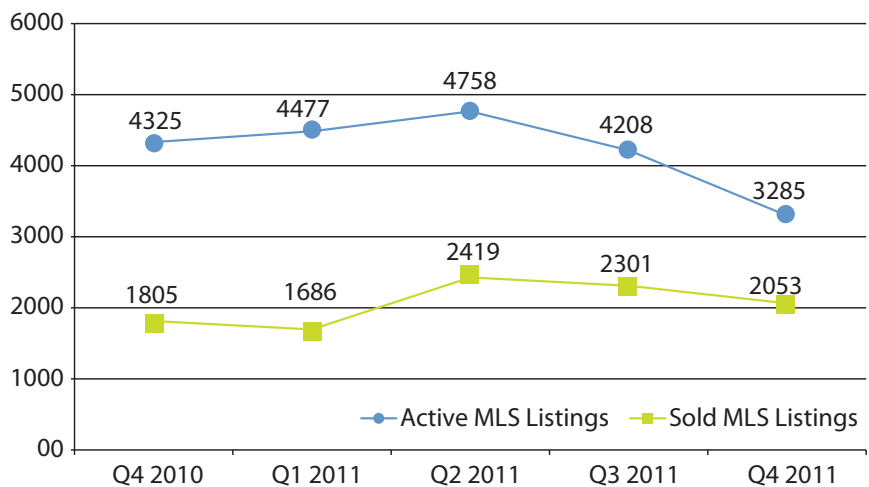
The year ended with 3,285 active listings compared to same quarter 2010 in which there were 4,325 listings. There is a seasonal lull over the holidays but something strange was going on with fewer listing appointments being set up with owners. What happened? Housing inventory comes from three sources; traditional sellers, distressed properties, and new construction; all of which have seen retraction.

The greatest retraction has occurred among "traditional" listings; homeowners who want to trade up, downsize or relocate out of area. Check out page 3 Seller's Strategy for opportunities in the current market. In communities such as El Paso County, there has historically been strong new construction activity. New inventory has declined significantly due to difficulty associated with obtaining financing and a general distaste for risk by many homebuilders. This has

left fewer homes to show and sell. Distressed properties have slowed in their entry into the market over the last two quarters. This slowing is because the rate of foreclosure activity has slowed significantly thanks to broader economic

stabilization and very slow rate bank processing. The Federal Reserve is forecasting another downturn as the clogged pipeline of distressed homes begins to move. Further details are on page 2 as we look at national trends.

Total MLS Sold Listings
Q4-2010 – Q4 2011



National Trends

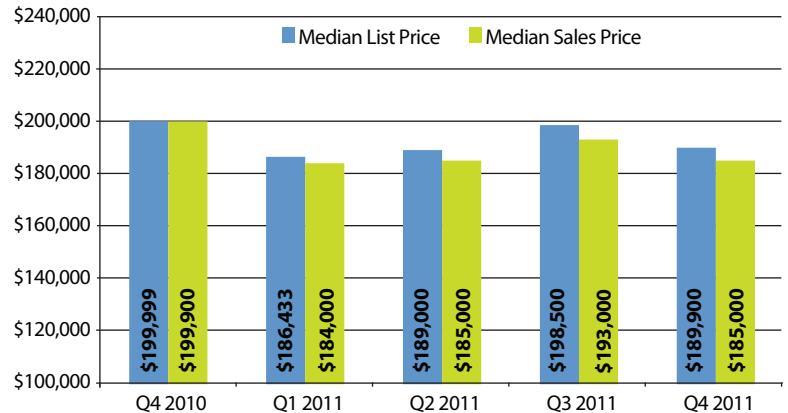
The overall economic news over the last thirty (30) days has been increasingly positive. Jobless claims appear to be declining with an increase in private sector hiring, there is some GDP growth, moderate growth in personal income and outlook. Locally, sales tax revenues are up, and new vehicle registrations were up 17% in El Paso county. While there will be continued foreclosures, overall rates are declining and more homeowners seem to have a grasp on their financial situation as job losses have stabilized.

The January 31, 2012 Case Shiller Home Price Index dampened sentiment by reporting a 3.7% decline in property values in its 20 city index. This decline was slightly more than expected but didn't dampen sentiment on Wall Street. Atlanta posted the greatest decline in a year over year analysis of 11.8%. Detroit led the comeback pack with an annual increase in value of 3.8%. Industry experts estimate that upwards of 1 million homes will be seized in foreclosures this year; this is dependent upon heavily scrutinized proceedings moving forward. This, combined with sluggish sales, has caused economic analysts and the Fed to keep their forecast of the market dim. Value will be pressured for at least another year due to distressed homes affecting appraisal values. It is anticipated that there will be an upturn in twelve (12) to eighteen (18) months once the foreclosure pipeline clears out. The most common indicator we watch to signal this upturn will be interest rates. Once the yield curve starts to favor banks and investors again, we think the market will be solidly on its feet.

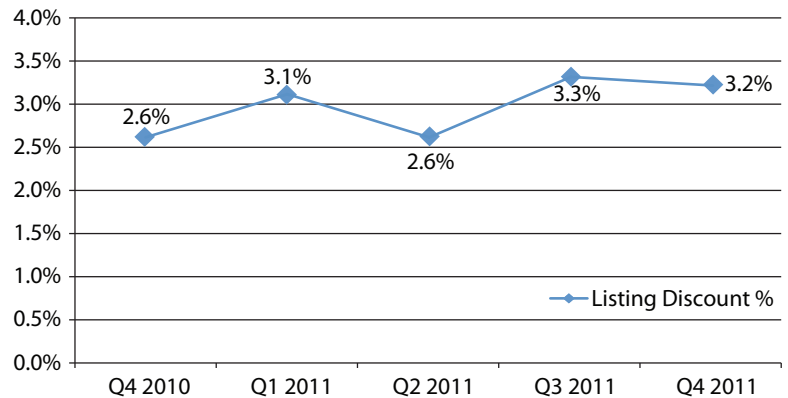
Rates remain at near historic lows. Interest rates are hovering under 4% for a 30 year fixed rate mortgage. These low rates have not served as a stimulus to the real estate market. Title companies have benefitted from the boom of refinances but this seems to be slowing. Would be buyers are finding that mortgages are available and if ready to buy, able to close.

New construction is starting to uptick in activity. The National Association of Homebuilders (NAHB) produces an Improving Markets Index (IMI) which tracks employment growth, single house permits and house price appreciation. The IMI has just released the February analysis that indicates 98 major markets are moving in a strong pattern and dropped seven markets including San Jose and New Orleans. Strong additions include Miami, Boston, Detroit, Kansas City, Portland OR, and Salt Lake City.

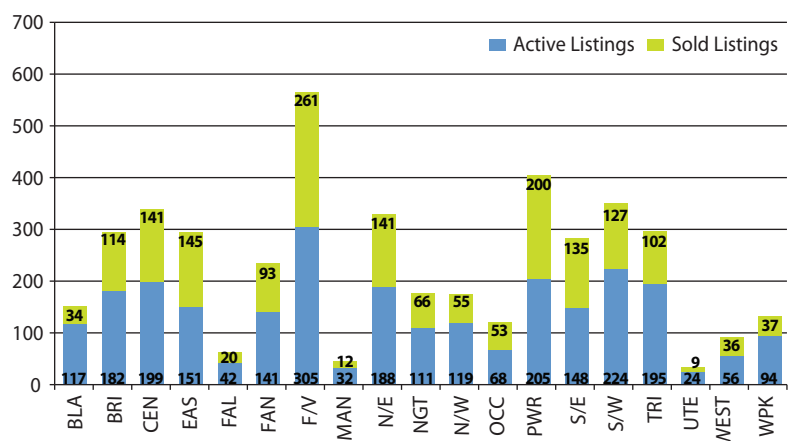
Median Sales Price
Q4 – 2010 to Q4 – 2011



Listing Discount by Quarter
Q4-2010 – Q4 2011



Total Active Listings by Area
Q4 – 2011



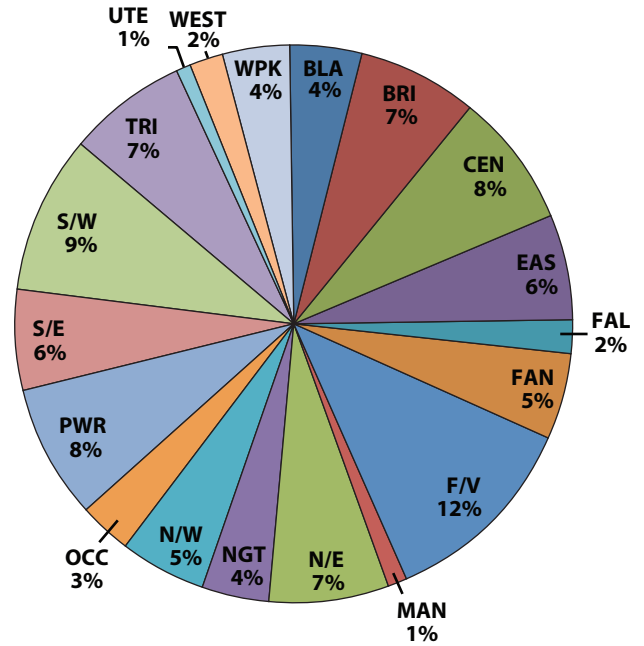
Seller's Strategy

For several years, the market favored buyers with low interest rates, influx of distressed homes bringing down listing prices and appraised values, and a large inventory providing numerous options. While there are buyers and Realtors happy to low ball, this strategy is winding down. With the decrease of good inventory, an opportunity for the well positioned seller has been created. A well-positioned seller is a homeowner that is not upside down on mortgage and wants to use this opportunity to move into another home while prices and interest rates are low. A well-positioned buyer will take care to ensure the condition of their home is good distinguishing themselves from the inventory that appears desperate. It is not unheard of to receive multiple offers for these homes and driving the contract price at or above the list price. The major hurdle to this scenario is getting the house to appraise for the offered price. Sellers must be willing to work with good buyers to get the deal done. Good buyers come in with solid financing and an amicable perspective on the process.

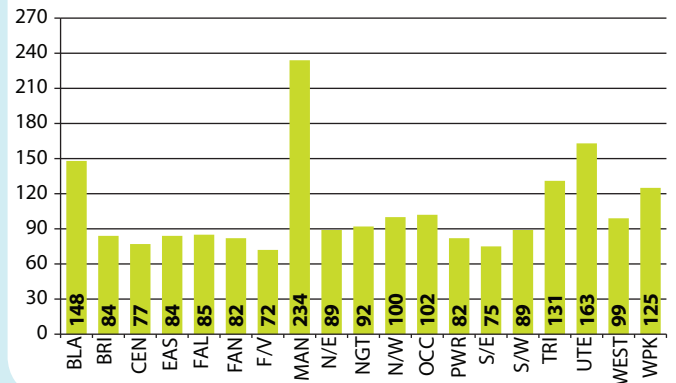
Buyer's Strategy

The best strategy for buyers in this market of 2012 is to be patient and realistic. Where there were dream homes on the auction block two years ago, now it's taking what you can get if patience isn't a virtue. The most desperate of the sellers have fallen out of the market and banks have held back their inventory due to greater regulatory scrutiny. Homeowners who are stable do not have inclination to enter the market and risk losing any of their investment. As the spring unfolds, we should see more listings come on the market and banks will start releasing their inventory. Buyers are becoming more competitive, so, we suggest if you find something that looks like a value, jump on it. If you wait for more inventory to hit the market, you may end up paying more if home prices do start to appreciate again.

Total Active Listings by Area
Q4 - 2011



Average Days on Market
Q4 - 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 | | |

Real Estate in the News

Real estate led the way for the greatest economic fallout since the Great Depression and has dominated the headlines for literally years. At some point, we become numb to it and perhaps overwhelmed. It is our professional obligation to not only stay abreast of the news but to understand how it impacts your home and your unique situation right now. At the same time, this understanding has to be about more than the immediate sale; for many people, the purchase of a home is the single largest financial transaction they will engage in and losing in the long term just isn't an option. At Boylan and Company, we take great pride in being educated and prepared in our given profession to ensure that our clients are well advised.

2012 will be an interesting year in real estate. As this goes to press, a major settlement around foreclosure proceedings has been announced. This may pave the way for banks to begin releasing foreclosed homes back into

the market, provide some financing relief for underwater borrowers and influence future policies and initiatives. Boylan and Company is ready to help buyers and sellers successfully navigate the real estate market.

Year to Year Comparison
Q4 – 2010 to Q4 – 2011

