



Shields

REAL ESTATE

THE STAT PACK: Reporting on The Pikes Peak Real Estate Market

"Based on information from the Pikes Peak REALTOR Services Corp. ("RSC"), for the period January 1, 2005 through February 16, 2009 RSC does not guarantee or is in any way responsible for its accuracy. Data maintained by RSC may not reflect all real estate activity in the market."

INTRODUCTION:

The Purpose of the Stat Pack is to provide comprehensive information about the Pikes Peak Regional Real Estate Market. It is designed to be a document that benefits Residential Real Estate Owners, Sellers, Buyers, Investors and Builders. The Goal of the Stat Pack is to provide factual data and locate opportunities in a fluid real estate market. Real Estate sales and acquisitions are investments and all investments involve risk to a certain degree. We hope this document helps make your process beneficial and informed.

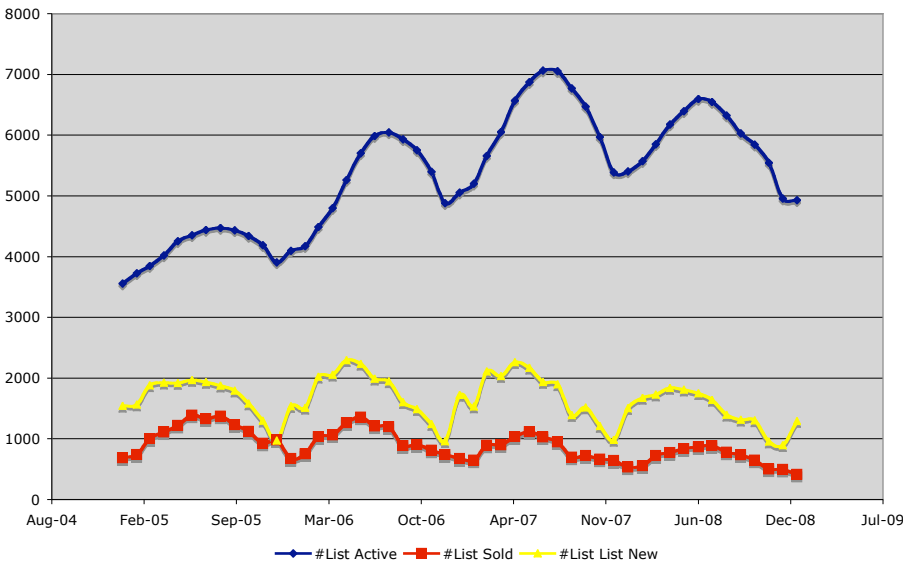
THE RULES:

There are many rules in a fluid real estate market, but here are a few that we believe hold true IN ANY MARKET (one favoring buyers; one favoring sellers; it does not matter):

- LOCATION, LOCATION, LOCATION
- MONEY IS MADE ON THE BUY
- SELLERS SET ASKING PRICES; BUYERS DETERMINE VALUE
- BUYERS BUY VALUE
- THOSE WITH POWER HAVE FEW NEEDS. THOSE WITH NEEDS HAVE LITTLE POWER
- THE HARDEST THING TO GAIN IS TRUST; THE EASIEST THING TO LOSE IS TRUST
- REPUTATION AND ETHICS ARE VALUE-ENHANCING ATTRIBUTES
- THE BEST NEGOTIATING POSITION: WINS

STRENGTHS	WEAKNESSES
Forty-Year Low fixed rates around 5%	Unemployment continues to increase
Inventory continues to drop	Economy is spiraling, as is consumer confidence
2003 & 2004 prices with ample selection	Consumer distrust of "markets" in general
OPPORTUNITIES	THREATS
Prices are low and rates are too?	How about 10% unemployment? A job is a big qualifier for a loan. Employer confidence is near zero
This should be measured: if you have a steady job, good credit, some cash, and few to no contingencies... this is a W-O-W Market. If you don't have all of these... the opportunities are average.	The foreclosure sell-off is on. Good news is there are buyers now. Bad news: the blow-out prices will effect the appraised values of non-foreclosures. No it's not like to like comparison... but those are the sales.

Single Family Home Comparison, 2005 to Present



LISTINGS VS. SOLD

The 413 units sold in January was the lowest single-family unit performance in a single month since February, 1995.

January closings are often December contracts, and with retail sales this past Christmas extremely weak, these numbers mirror other parts of the economy that contracted in late 2008.

The new listing inventory did spike as it does commonly in January, but the number of listings coming to market was 14% lighter than 2008.

PRICING TRENDS

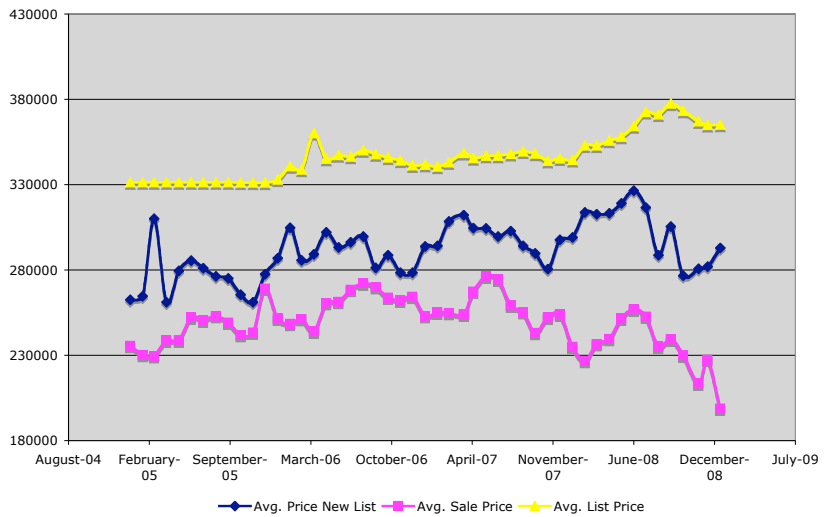
The halcyon days of 2005 and name-your-price have been over for almost three years. Despite further market erosion, the most dramatic effects in pricing however actually occurred in 2007 and early 2008.

The distance between the "Avg. Price New List" and "Avg. Sale Price" widened in early 2008 and the distance between seller expectations and the actual buying activity remained significant until the 4th quarter. Sellers increasingly realistic expectations of value out-paced buyers' desire to purchase by year's end, and the gap between the two narrowed by year's end.

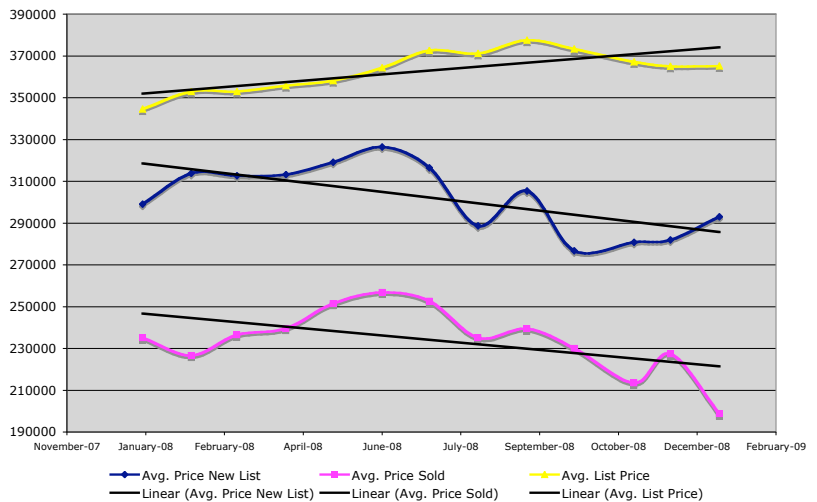
The Avg. List Price continued to escalate throughout 2008, but this was not due to new listings coming on the market, rather old listings that were over \$500,000 that sat for great lengths of time and dragged the avg. asking price upward.

Avg. Sales price declined 7.9% but units were off 16.6%. A major reason for the price drop was the lack of high-end sales. Avg. Sales Price only reflects "what sold", and absent these major values, the overall market value reduction is not as severe.

Pricing Trends from January 2005 to Present



January 2008 to January 2009 Pricing Comparison

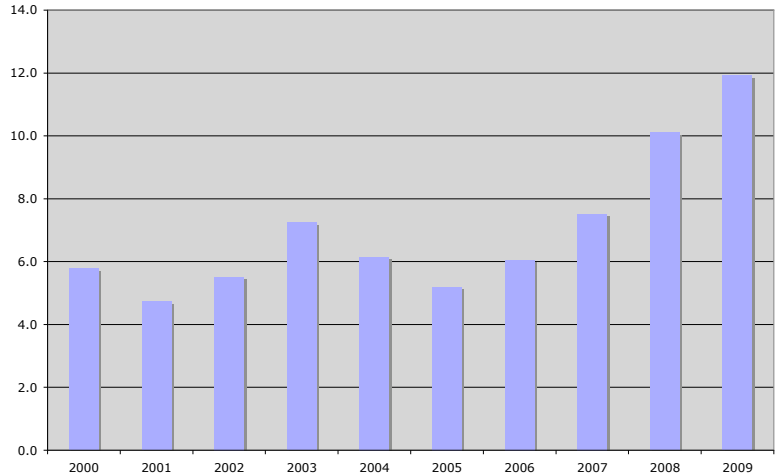


Months of Inventory:

From 2000 to 2005, Supply and Demand favored sellers. The supply of housing was consumed by demand anywhere from a low of 3.7 months (2004) to a high of 5.6 months (2002).

That changed with the enormous listing surge of 2006. The supply and demand ratios tilted to 6.6 in 2006, increased to 8.2 in 2007 and is presently at 11 months of market supply. Local demand and supply ratios are consistent with the rest of the United States and are better than other regions in the Western United States.

Months of Inventory, January 2000 to Present



Advice for market participants:

SELLERS: Why would your home be worth more now than it was in 2008? or 2007? Record values presently are not possible. Why mention this? The temptation for a Spring Seller is that “the market is better” in the Spring. But clearly the demand right now is for distress sales, therefore “cheap housing”. **At least 46% (and likely 55 to 60%) of December sales were bank-owned, foreclosures, short-sales or distressed.** THIS HAS DEPRESSED APPRAISABLE VALUES. In some cases, values are as low as they were in 2003. A smart seller will out-condition and out-value their competition.

BUYERS: Shop Prepared. Have your financing completely approved. Earnest Money in your checking account. Be in the best negotiating position possible. As strange as it may sound, there are areas in obvious recovery right now and multiple offers are downright common on the most compellingly priced properties. Just because sellers are motivated doesn’t mean there are not other buyers buying with the same motivation you might have. Sellers will take the highest AND BEST offer... so that means an offer as free of contingencies, with loan approval and a check.

INVESTORS: For some reason, the market right now has very few investors operating in it. This is not necessarily an endorsement for staying out of the market. Almost 40% of all sales in the US in the 2nd half of 2006 were non-owner occupied. That would be 40% of the sales AFTER the market had peaked. Right now the market is 90% primary resident purchasers. This despite the fact that the Colorado Springs metro area will GAIN 11,000 soldiers this year alone. There is base-housing for less than 1/3rd of that. Think that will help rental demand?

Colorado Springs Single Family Housing Supply & Demand, November 1, 2008 to January 31, 2009 by MLS AREA

Area	#SFR ACTIVE Supply as of Feb. 1	#SFR SOLD Demand	TIME TO Months	#SFR Listed Last 3 mos	Avg List Price	Avg Sold Price
BLA	174	76	6.87	168	\$621,233	\$325,800
BRI	257	89	8.66	161	\$389,501	\$305,116
CEN	271	102	7.97	190	\$199,444	\$131,272
EAS	211	96	6.59	175	\$198,077	\$168,110
F/V	481	172	8.39	338	\$200,167	\$155,219
FAL	307	49	18.8	165	\$294,776	\$237,987
N/E	272	109	7.49	214	\$310,735	\$189,875
N/W	161	44	10.98	98	\$399,476	\$314,866
NGT	152	49	9.31	79	\$548,524	\$420,567
PWR	348	158	6.61	289	\$227,423	\$189,330
S/E	252	112	6.75	199	\$139,646	\$106,954
S/W	293	80	10.99	170	\$693,908	\$239,584
TRI	355	35	30.43	198	\$570,326	\$365,916
WES	90	28	9.64	61	\$530,321	\$170,190
WPK	154	31	14.9	64	\$342,800	\$224,581

Colorado Springs Single Family Housing Supply & Demand, November 1, 2008 to January 31, 2009 by PRICE

Price	#SFR ACTIVE	#SFR SOLD	TIME TO SELL	#SFR Listed
	Supply as of Feb. 16	Demand	Months	Last 3 months
Under \$75,000	187	138	4.07	99
\$75,000 to \$99,999	270	112	7.23	137
\$100,000 to \$124,999	324	146	6.66	186
\$125,000 to \$149,999	509	180	8.48	274
\$150,000 to \$174,999	516	208	7.44	307
\$175,000 to \$199,999	591	186	9.53	321
\$200,000 to \$224,999	376	132	8.55	222
\$225,000 to \$249,999	397	91	13.09	230
\$250,000 to \$274,999	266	78	10.23	153
\$275,000 to \$299,999	352	64	16.5	200
\$300,000 to \$324,999	180	43	12.56	83
\$325,000 to \$349,999	262	46	17.09	125
\$350,000 to \$374,999	137	28	14.68	71
\$375,000 to \$399,999	221	17	39	103
\$400,000 to \$424,999	84	11	22.91	44
\$425,000 to \$449,999	143	5	85.8	66
\$450,000 to \$474,999	66	10	19.8	35
\$475,000 to \$499,999	132	8	49.5	58
\$500,000 to \$524,999	39	9	13	18
\$525,000 to \$549,999	60	6	30	24
\$550,000 to \$574,999	34	4	25.5	13
\$575,000 to \$599,999	94	9	31.33	34
\$600,000 to \$649,999	65	5	39	28
\$650,000 to \$699,999	86	5	51.6	29
\$700,000 to \$749,999	46	4	34.5	16
\$750,000 to \$799,999	74	4	55.5	29
\$800,000 to \$849,999	23	5	13.8	6
\$850,000 to \$899,999	48	3	48	15
\$900,000 to \$949,999	16	0	#DIV/0!	4
\$950,000 to \$999,999	36	1	108	10
\$1 mil to \$1.50 mil	109	4	81.75	32
\$1.5 mil to \$2.0 mil	44	1	132	11
\$2.0 mil & above	50	1	150	16
Total	5837	1564	11.2	2999

Market Stat of Stats: January closings are a reflection of December contracts. As of February 16, 2009 there were 681 properties pending and 482 under contract. That represents 1163 contractual commitments to purchase. That's almost 3 times the January closed number.

Colorado Springs Condo/Townhome Supply & Demand, November 1 to January 31, 2009 by Price

Price	#SFR ACTIVE*	#SFR SOLD	TIME TO SELL	#SFR Listed
	*Supply as of Feb 16	Demand	Months	Last 3 months
\$100,000 to \$124,999	102	21	14.57	51
\$125,000 to \$149,999	115	32	10.78	58
\$150,000 to \$174,999	104	26	12	62
\$175,000 to \$199,999	91	16	17.06	40
\$200,000 to \$224,999	42	8	15.75	15
\$225,000 to \$249,999	26	4	19.5	13
\$250,000 to \$274,999	27	3	27	11
\$275,000 to \$299,999	34	2	51	17
\$300,000 to \$349,999	32	4	24	14
\$350,000 to \$399,999	37	0	#DIV/0!	14

DISCUSSION:

The Colorado Springs Residential Real Estate Market saw the slowest market performance in 14 years in January, 2009. Does that make it the worst single month in a decade and a half?

If you're a seller, and you re-financed your home at maximized market value in 2006, this past month cannot be pleasant.

If you're a seller who is offering a beautiful home in pristine condition that's a bit smaller than some of the foreclosures, and you want to buy a pretty, shiny, new-build... you're probably wondering when it will be your turn to sell.

If you're a buyer and the last three homes you liked ALL had another buyer (or 2, or 3) offer on them... you're probably wondering what the heck is going on.

The market right now is the tale of dozens of individual stories. There is not one "global" market. However, there is one global "umbrella term" that can be used to describe it: inconsistent.

The sell-through rate right now is 11.2 months. Most buyers cling to that nugget of information and apply it to the entire market. Big mistake. If you're looking at Briargate under \$225,000. Since January 1st, there are 31 for sale. Twenty-five have contracted or closed. That is less than 2 months of inventory. This is a popular relocation destination and the average home here will take 58 days to sell.

Then there is the market that is 25% higher than the local average sales price: from \$325,000 and above, every price point has over 13 months of inventory. From \$375,000 and above there are only three brackets with less than 20 months of sell-through. If you're on the market here and it feels like there is no one looking, you may be right.

Will this market continue to experience dramatically awful months like January, 2009?

Probably not. Here's why:

January sales are the product of December contracts. Ask yourself: did you think twice this year about your Christmas budget? Secondly, the historic interest rate plunge did not start until mid-December. It created a bevy of re-financing opportunities at year's end. But re-financing and purchasing are two very different things.

Secondly, buyers that are buying are looking for outstanding values. They are finding them. Short-sales are not getting easier to finish but banks are anxious to get rid of stagnant inventory. They may not get the short-sale done any faster, but the more they can eliminate bad debt from the books, the better. Already foreclosed properties are sometimes coming on the market at incredible discounts. The reason for that appears to be a measured gamble by banks: they can't fix demand problems in other markets (CA, FL, NV, AZ); but they can fix them in Colorado. Bottom-line: consumers (likely primary resident buyers) are purchasing foreclosed properties and thinning the ranks of inventory. Conventional Wisdom would say that a sales unit decline of 22% would result in a substantial increase in inventory. Conventional Wisdom (as usual) would be wrong: Inventory from January into February went down, the first time that has happened in over a decade. A

market “lie” is that inventory is still increasing. There are fewer homes on the market now than there were this time last year. There are fewer homes now than there were 2 years ago. The rates and prices now are significantly better.

CRYSTAL BALL:

Consumers are deciding that it is a good time to buy. No one can be sold on this idea. If you’re job is at risk, if your employer may be shutting down, if your credit is shot, if your debt burden is high, if you owe on a car and you don’t know if that company will even be around to service the warranty in 6 months... you have some worries that will prevent you from buying a house.

However... There are 681 properties pending right now and 482 under contract. That represents 1163 contractual commitments to purchase. That’s almost 3 times the January closed number.

Rates are around 5%. There is an \$8000 REAL CREDIT available for first-time buyers. Not a loan, but a credit, for any first-time buyer (or non-homeowner in the last 3 years) to take advantage of. Need an advance from the folks for your down-payment? Up to \$228,000, you can borrow the entire 3.5% FHA downpayment and repay them within 12 months. Have the cash and want to eliminate debt? For being a good citizen and buying your first home, you can take a swing at your car or student loan payments this time next year.

This market is a long way from recovery. Yet there are signs parts of it (under \$160,000) are already in the midst of a year-long recovery.

Pikes Peak Regional Numbers

Single-Family Homes Sold, December, 2008	Trending
413	Purchasing to increase
No. of Single-Family Homes Sold, 2008	Trending
8339	Down 1st qtr, rising 4th qtr, flat for the year
Number of Listings for Sale	Trending
4922	Heading to 6000 by July
30-Year Fixed Rate	Trending
5%	May have seen bottom, but below 5.5%

If you know someone who would appreciate a copy of this newsletter, please call or email today...



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