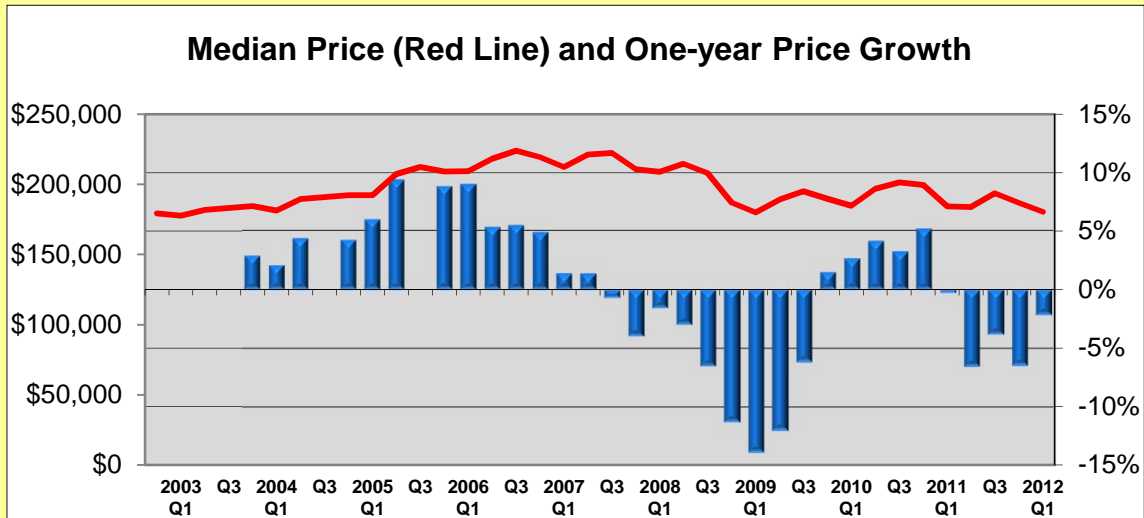


## Colorado Springs Area Local Market Report, First Quarter 2012

### Today's Market...



Local Price Trends			
Price Activity	Colorado Springs	U.S.	Local Trend
Current Median Home Price (2012 Q1)	\$180,300	\$158,000	Prices are still down from a year ago, but the trend is improving
1-year (4-quarter) Appreciation (2012 Q1)	-2.2%	0.0%	
3-year (12-quarter) Appreciation (2012 Q1)	0.2%	-5.7%	
3-year (12-quarter) Housing Equity Gain*	\$300	-\$9,567	The relatively recent correction in local home prices wiped out most of the equity gained over the last 7 years
7-year (28 quarters) Housing Equity Gain*	-\$11,900	-\$41,567	
9-year (36 quarters) Housing Equity Gain*	\$2,600	-\$9,200	
*Note: Equity gain reflects price appreciation only			

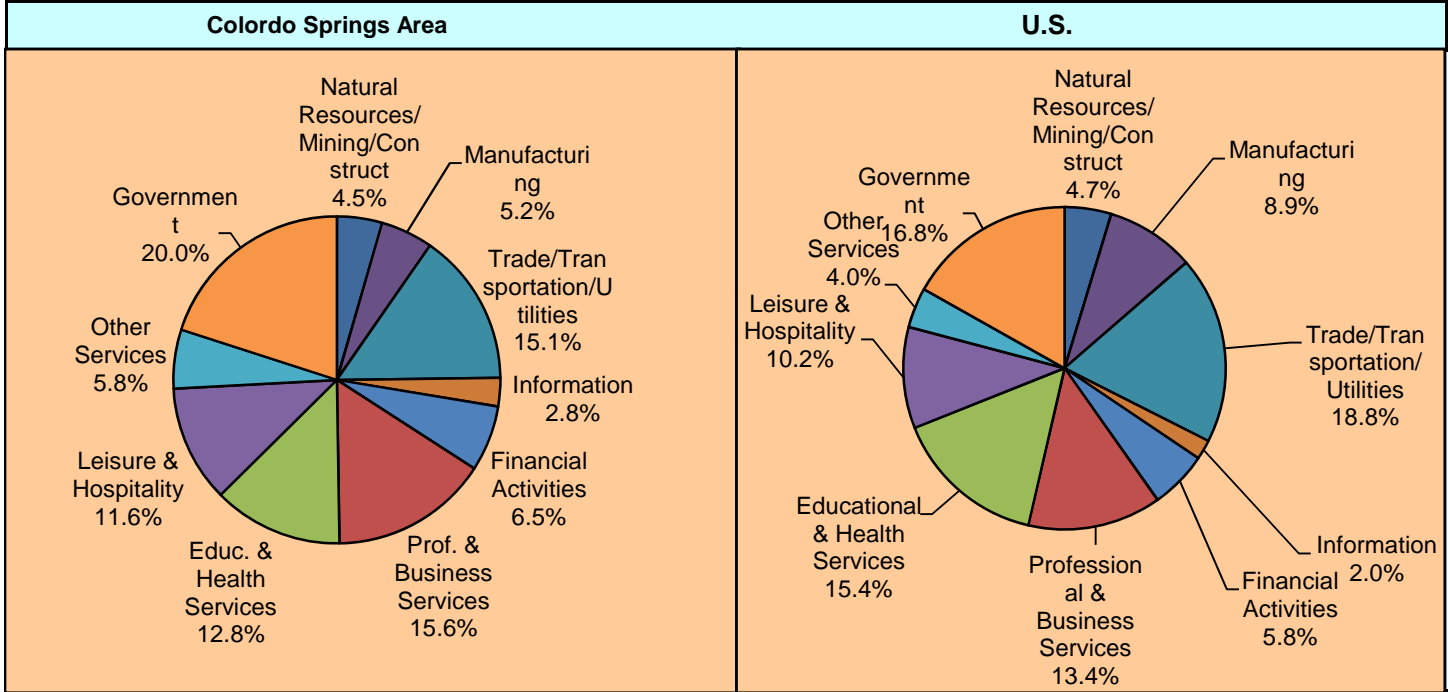
	Colorado Springs	U.S.	
<b>Conforming Loan Limit**</b>	\$417,000	\$729,250	Most buyers in this market have access to government-backed financing
<b>FHA Loan Limit</b>	\$417,000	\$417,000	
<b>Local Median to Conforming Limit Ratio</b>	43%	not comparable	
Note: limits are current and include the changes made in November of 2011			

Local NAR Leadership
The Colorado Springs market is part of region 11 in the NAR governance system, which includes all of Wyoming, Colorado, New Mexico, Arizona, Utah, and Nevada. The NAR Regional Vice President representing region 11 is Michael Labout CRS, ePro, GRI.

# Drivers of Local Supply and Demand...

Local Economic Outlook	Colorado Springs	U.S.	
12-month Job Change (Mar)	1,300	Not Comparable	Employment has held up and is on an upward trend
12-month Job Change (Feb)	100	Not Comparable	
36-month Job Change (Mar)	-3,000	Not Comparable	Colorado Springs's unemployment rate lags the national average, but has improved relative to the same period last year
Current Unemployment Rate (Mar)	9.4%	8.2%	
Year-ago Unemployment Rate	9.8%	8.9%	Local employment growth is poor and needs to improve
1-year (12 month) Job Growth Rate	0.5%	1.3%	

## Share of Total Employment by Industry



### 12-month Employment Change by Industry in the Colorado Springs Area (Feb - 2012)

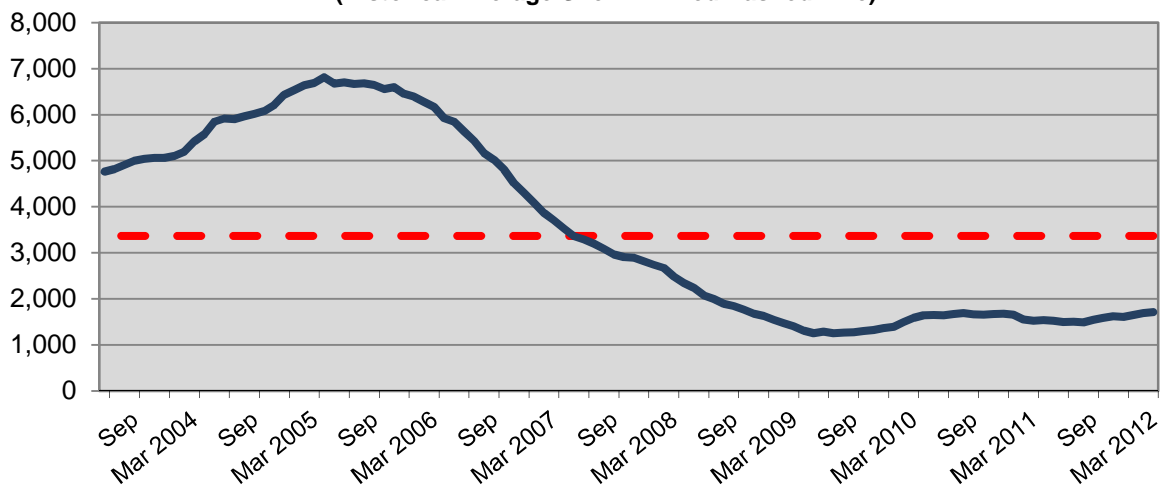
Goods Producing	NA	Information	-200
Natural Resources/Mining/Construction	-100	Financial Activities	600
Natural Resources and Mining	NA	Prof. & Business Services	-600
Construction	NA	Educ. & Health Services	1,500
Manufacturing	300	Leisure & Hospitality	-300
Service Providing Excluding Government	NA	Other Services	0
Trade/Transportation/Utilities	0	Government	100

State Economic Activity Index	Colorado	U.S.	
12-month change (2012 - Mar)	3.3%	2.9%	Colorado's economy is stronger than the nation's, but slowed from last month's 3.43% change
36-month change (2012 - Mar)	0.8%	4.3%	

## New Housing Construction

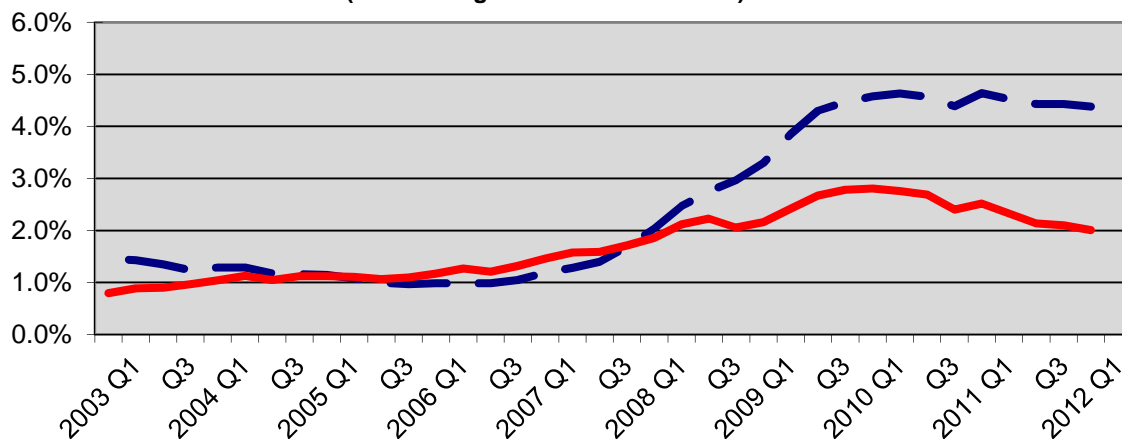
Local Fundamentals	Colorado Springs	U.S.	
12-month Sum of 1-unit Building Permits through Mar 2012	1,708	not comparable	The current level of construction is 49.3% below the long-term average
8-year average for 12-month Sum of 1-Unit Building Permits	3,368	not comparable	Reduced construction will limit new supply to the market, allowing demand to catch up with the inventory more
Single-Family Housing Permits (Mar 2012) 12-month sum vs. a year ago	12.0%	2.2%	Construction is on the rise relative to last year, suggesting that the local inventory has stabilized

**Construction: 12-month Sum of Local Housing Permits**  
(Historical Average Shown in Red Dashed Line)



While new construction is the traditional driver of supply in real estate, foreclosures now have a strong impact on inventories, particularly at the local level. Rising inventories, through construction or foreclosure, place downward pressure on the median home prices.

**State Total Foreclosure Rate vs. U.S. Average**  
(U.S. Average in Blue Dashed Line)



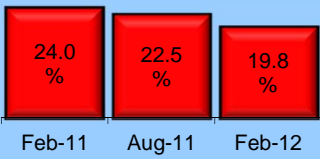
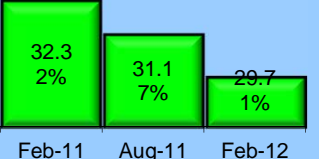
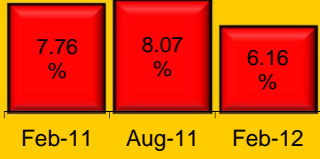
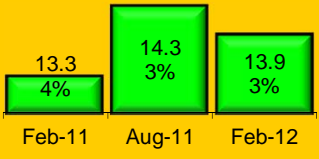
Source: Mortgage Bankers' Association

## Composition of Mortgaged Homes in Local Area

Monthly Market Data - February 2012	Colorado Springs	U.S.	
Prime Mortgages Outstanding (estimate)	139,086	49,265,915	There are nearly 18.9 prime loans for every subprime mortgage in the Colorado Springs market, which is more than the national average of 14.6 suggesting that subprimes make up a smaller share of the local market than on average.
Subprime Mortgages Outstanding (estimate)	7,366	3,384,471	

Source: First American CoreLogic, LoanPerformance data

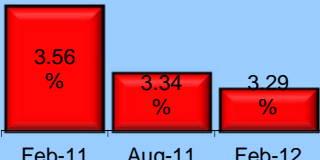
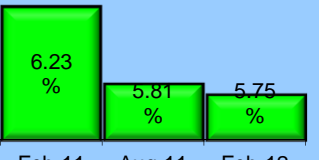
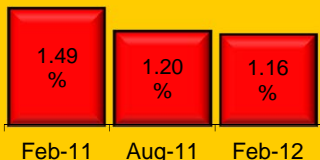
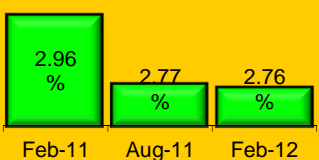
## Subprime Foreclosure and Delinquency Rates

Monthly Market Data - February 2012	Colorado Springs	U.S.	
<b>Subprime: 90-day Delinquent</b>			The 90-day delinquency rate for subprime mortgage in Colorado Springs fell over the 6-month period ending in 18.9
<b>Subprime: Foreclosure + REO Rate</b>			The recent decline of the 90-day delinquency rates suggests that local foreclosure rates will continue to decline in the near future.

The "foreclosure + REO rate" is the number of mortgages, by metro area, that are either in the foreclosure process or have completed the foreclosure process and are owned by banks divided by the total number of mortgages for that area.

Source: First American CoreLogic, LoanPerformance data

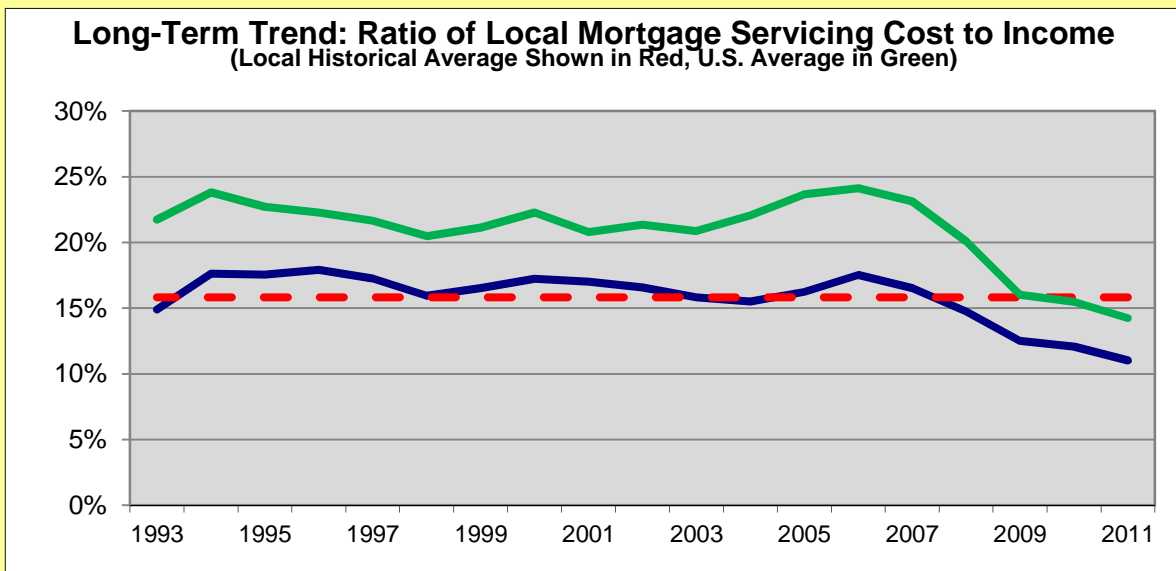
## Prime Foreclosure and Delinquency Rates

Monthly Market Data - February 2012	Colorado Springs	U.S.	
<b>Prime: 90-day Delinquent</b>			The 90-day delinquency rate in Colorado Springs fell over the 6-month period ending in February
<b>Prime: Foreclosure + REO Rate</b>			The recent decline of the 90-day delinquency rates suggests that local foreclosure rates will continue to decline in the near future.

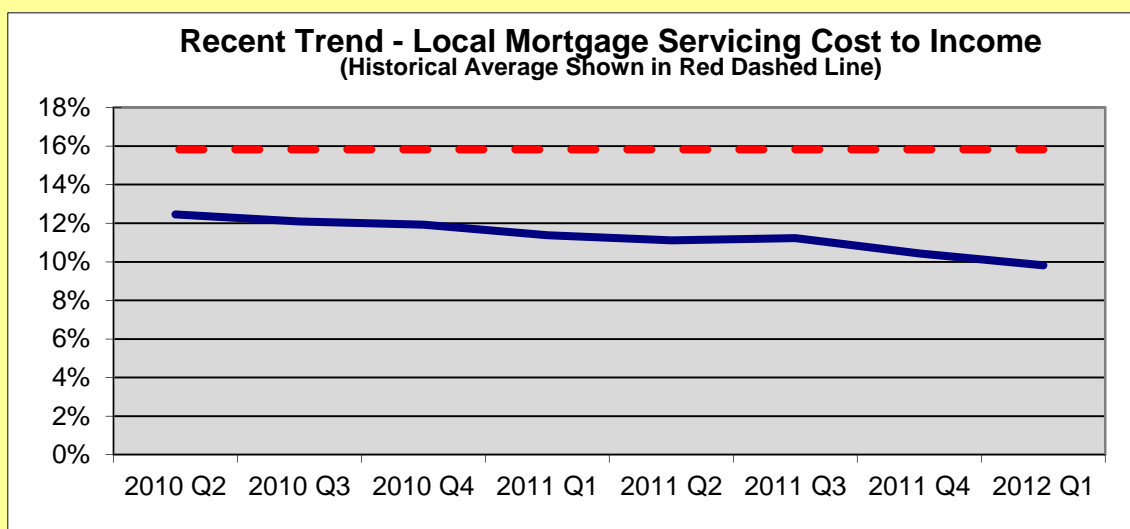
The "foreclosure + REO rate" is the number of mortgages, by metro area, that are either in the foreclosure process or have completed the foreclosure process and are owned by banks divided by the total number of mortgages for that area.

Source: First American CoreLogic, LoanPerformance data

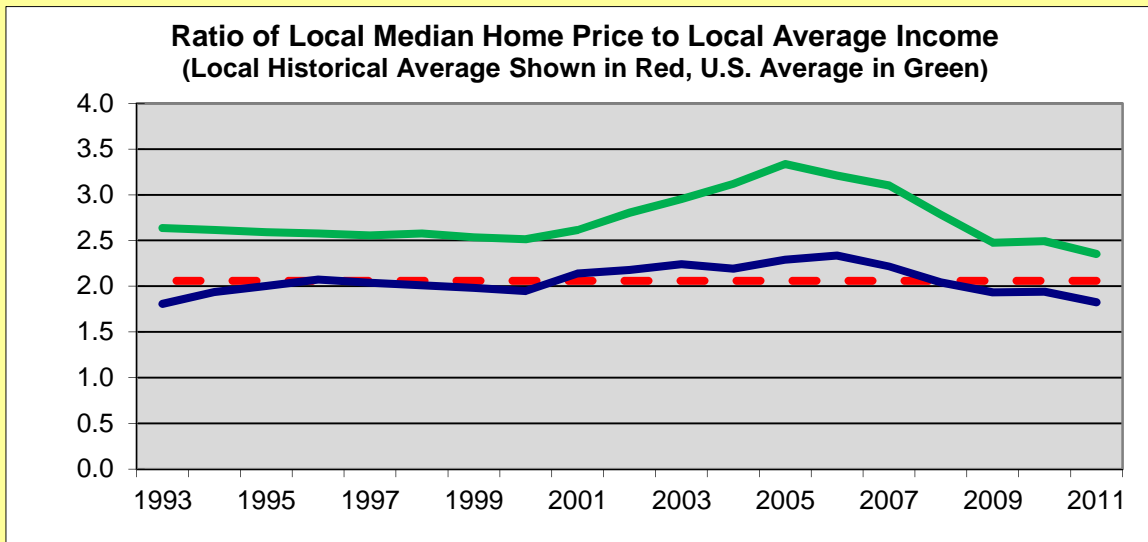
# Affordability



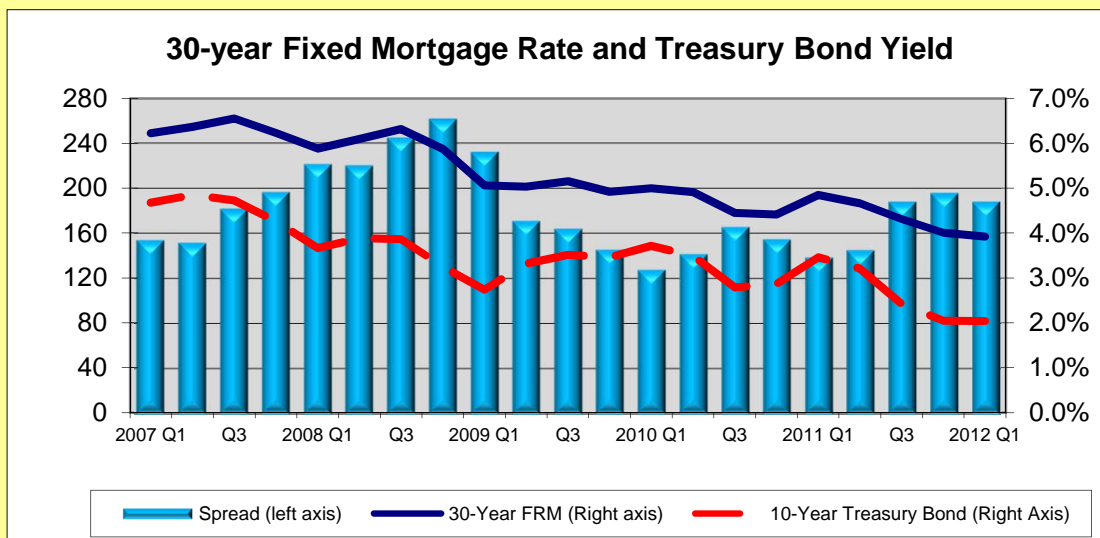
Monthly Mortgage Payment to Income	Colorado Springs	U.S.	
Ratio for 2011	11.0%	14.2%	Historically strong and an improvement over the fourth quarter of 2011
Ratio for 2012 Q1	9.8%	12.5%	
Historical Average	15.8%	21.4%	More affordable than most markets



Median Home Price to Income	Colorado Springs	U.S.	
Ratio for 2011	1.8	2.4	The price-to-income ratio has fallen and is below the historical average
Ratio for 2012 Q1	1.7	2.2	
Historical Average	2.1	2.7	Affordable compared to most markets

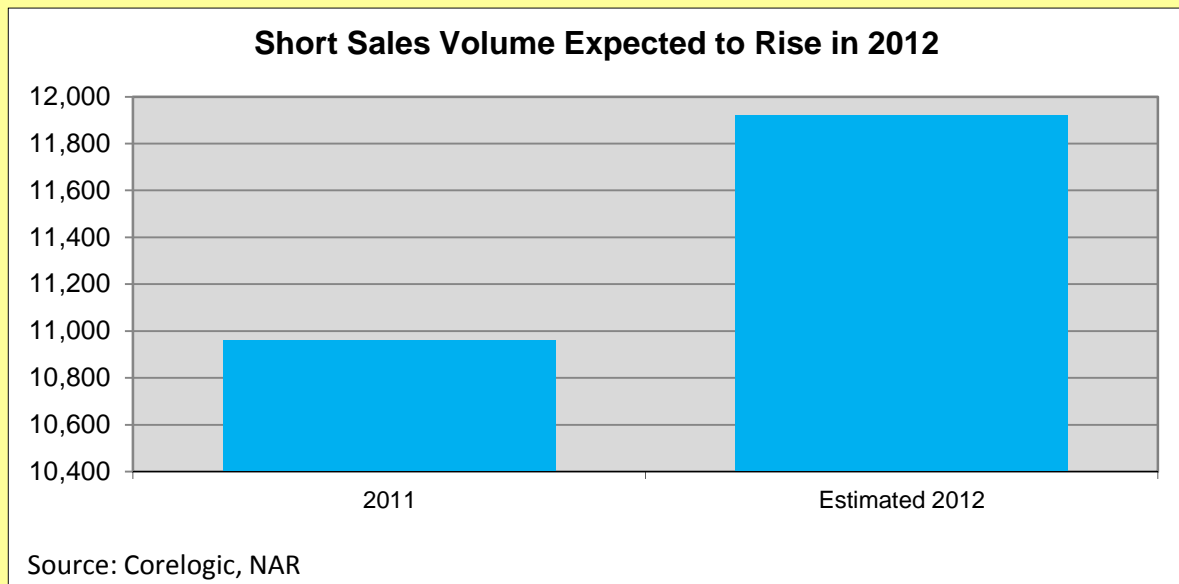


## The Mortgage Market



Mortgage rates hit a new record low during the first quarter of 2012. Despite a flattening of the 10-year Treasury and modest increases at points, the 30-year fixed rate mortgage averaged 3.9% for January, February, and March and for a few weeks edged even lower. Demand for mortgages increased as a result for both purchases and refinances. Rates edged upward toward the end of March on several positive economic news releases, but have since eased on weak employment news in April. The economy is expected to slowly improve and positive readings of unemployment claims in late April and early May point to stronger employment figures around the corner. The result is likely to be higher mortgage rates later this year, which will be tempered by the continuation of the Federal Reserve's "operation twist", which is intended to flatten the yield curve putting downward pressure on long-term rates, helping to maintain low mortgage rates. The 30-year fixed rate mortgage is expected to average 4.3% in 2012 before climbing to 4.9% in 2013, which implies that rates are likely to average near 4.5% for the 2nd half of 2012.

# A Closer Look...Short Sales



Modified Loans	Colorado	U.S.	
2011	10,960	509,990	Short sales in Colorado made up 2.1% of the U.S. total in 2011
Estimated 2012	11,920	554,550	

Short sales have increased steadily in 2012 and are expected to continue to rise in 2012. While still distressed sales, this shift toward short sales is a sign of improvement in how the market handles distressed properties and is a trend that is in the best interest of homebuyers, homeowners, and the communities that they live in. Short sales in the state of Colorado are expected to rise from 10,960 in 2011 to 11,920, an increase of roughly 9%. There is potential for a surprise on the upside to our estimates for 2012. Both Bank of America and the Federal Housing Finance Agency have announced new programs in the past few weeks that are aimed to streamline the short sale process, reducing the time for buyers to hear back about offers and improving the communications between sellers/buyers and the bank or Fannie Mae/Freddie Mac. Improvements in the short sale process could have important impacts on the market. Buyers often wait months to hear back about offers on short sales. If response times decline or if the uncertainty to the consumer is reduced by having a finite timeline, demand for short sales could rise, reducing their price discount to the market. Stronger prices would make short sales even more attractive to the banks. A virtuous cycle like this would help to stem the flow of properties into foreclosure.

## Geographic Coverage for this Report

The Colorado Springs area referred to in this report covers the geographic area of the Colorado Springs metro area as officially defined by the Office of Management and Budget of the U.S. Government. The official coverage area includes the following counties:

El Paso County and Teller County

More information on the OMB's geographic definitions can be found at [http://www.whitehouse.gov/omb/inforeg\\_statpolicy/](http://www.whitehouse.gov/omb/inforeg_statpolicy/)