The Genesis Perspective

Fishing for Answers? Think Like a Fish!

New Housing Overview

2011 Northern Colorado Real Estate Conference
Tuesday, September 27, 2011
Fort Collins Hilton

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Start with Demographics

- Larimer & Weld Counties expected to grow by nearly 5,000 households per year 2010-2015
- Recent pace is less than 1,500 new housing units per year, fewer than 1,000 for-sale units

Are we building pent-up demand for over 3,500 units per year?

Professional Forecasting (don't try this at home)

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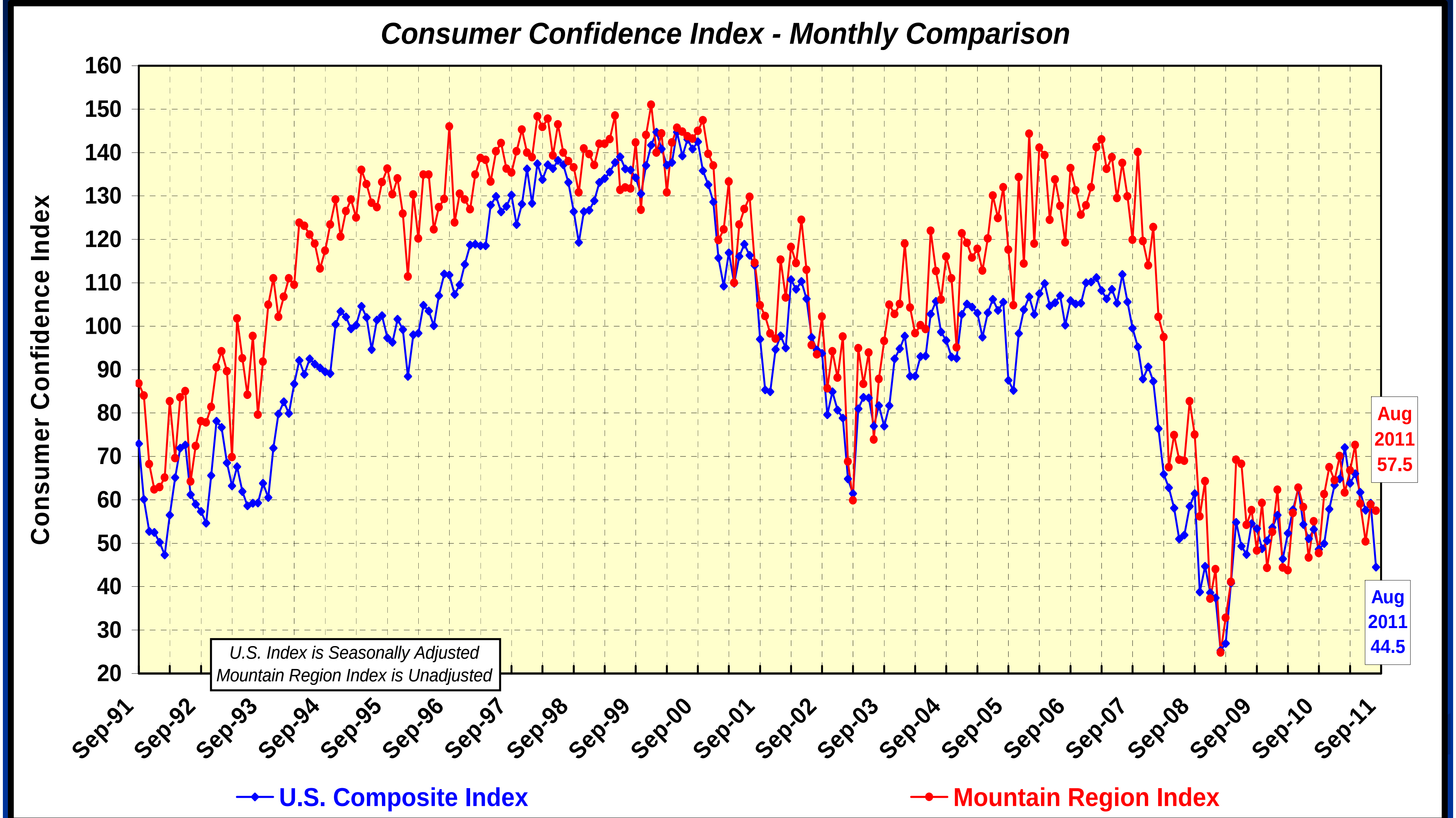
Consumer Confidence



Source: The Conference Board

Up from the depths of despair in early 2009

…but still at historically low levels

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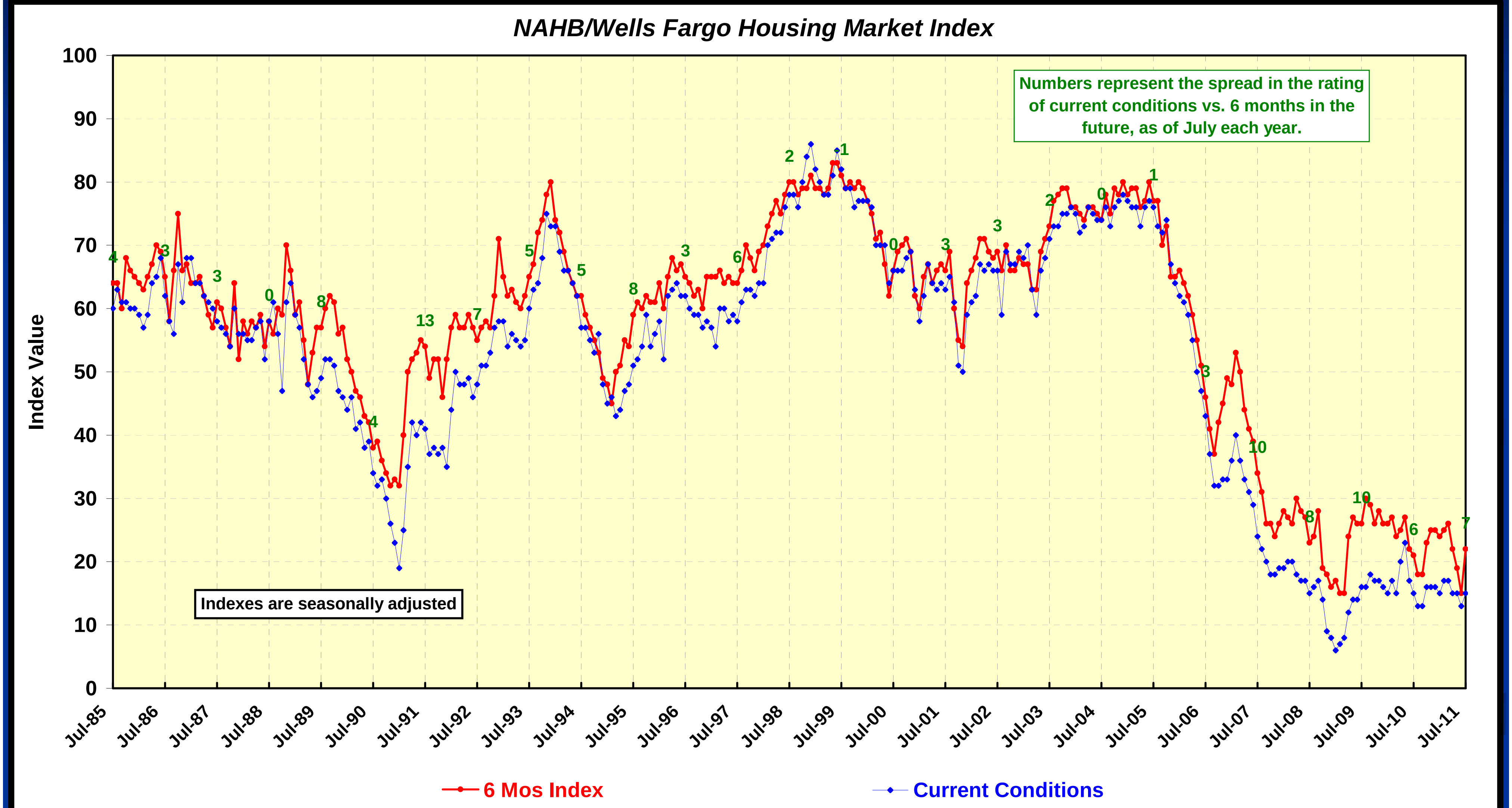
Homebuilder Confidence

For 3-1/2 years, homebuilders more pessimistic than any time in 25 years



Sources: National Association of Home Builders, Wells Fargo

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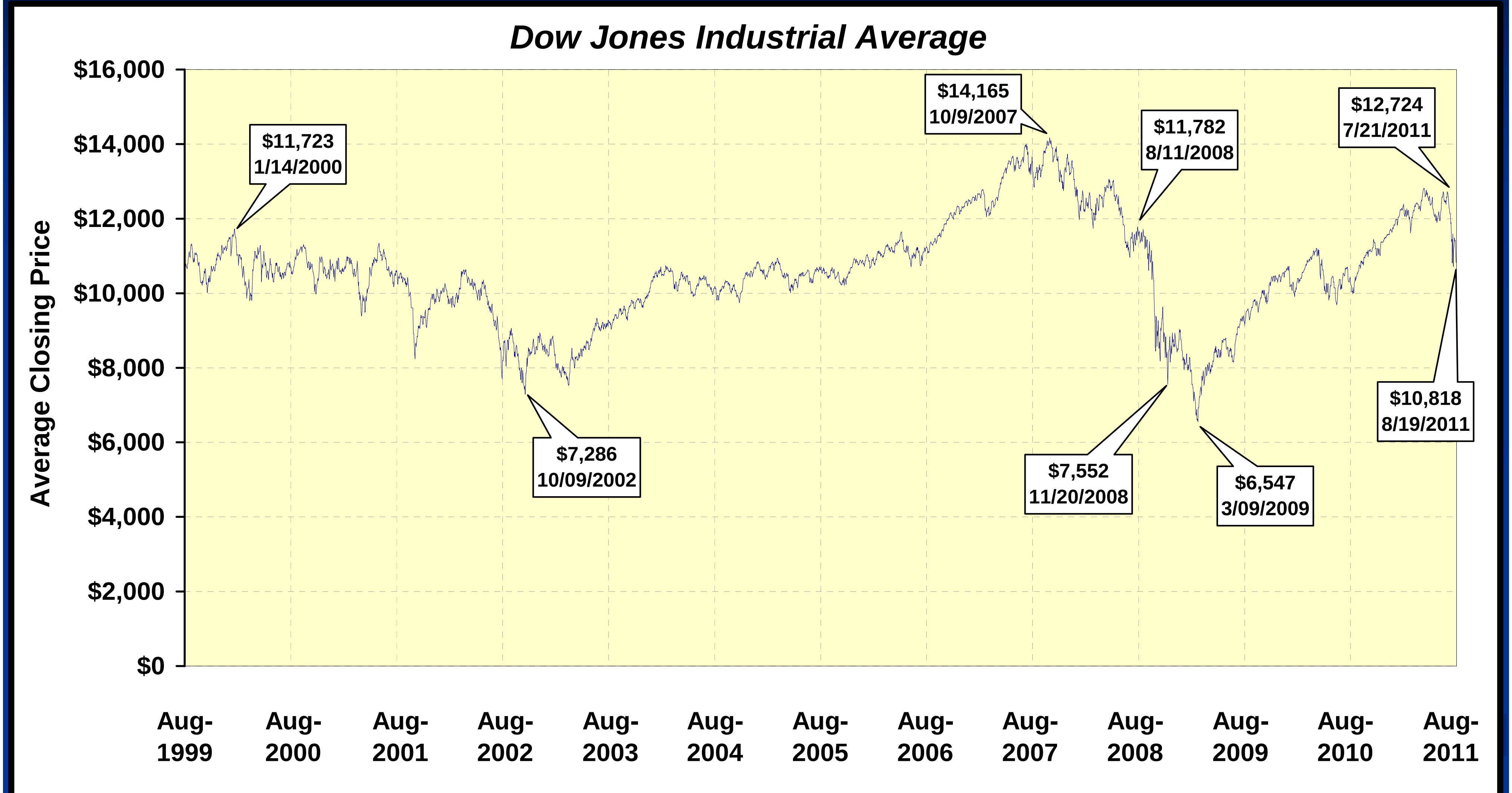
**** - Homebuilders nearly always believe market will be better in 6 months!***

Volatile Equity Markets

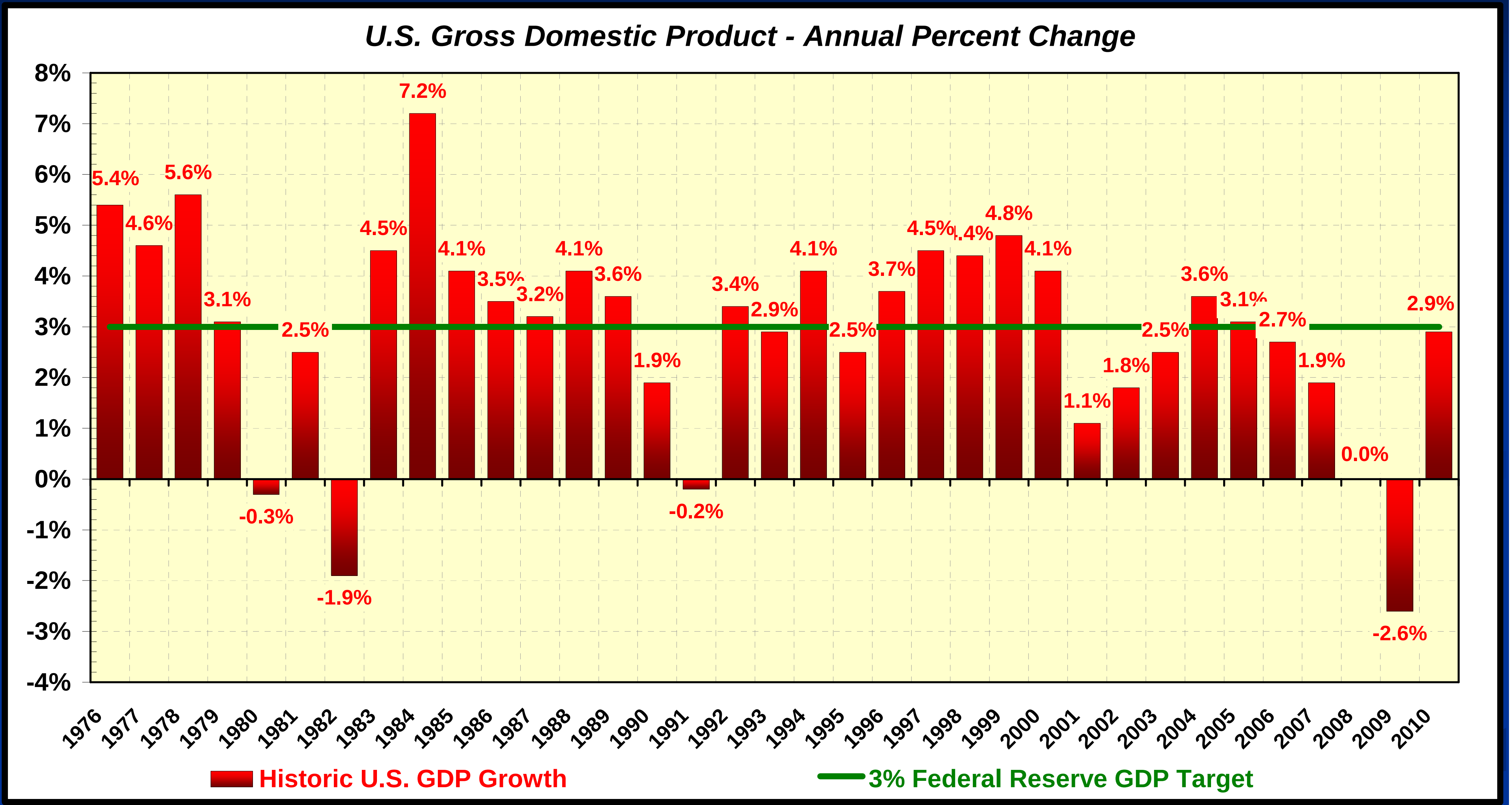


Source: djaverages.com

15% One-Month Decline Through August 19

Closed at 11,044 September 26

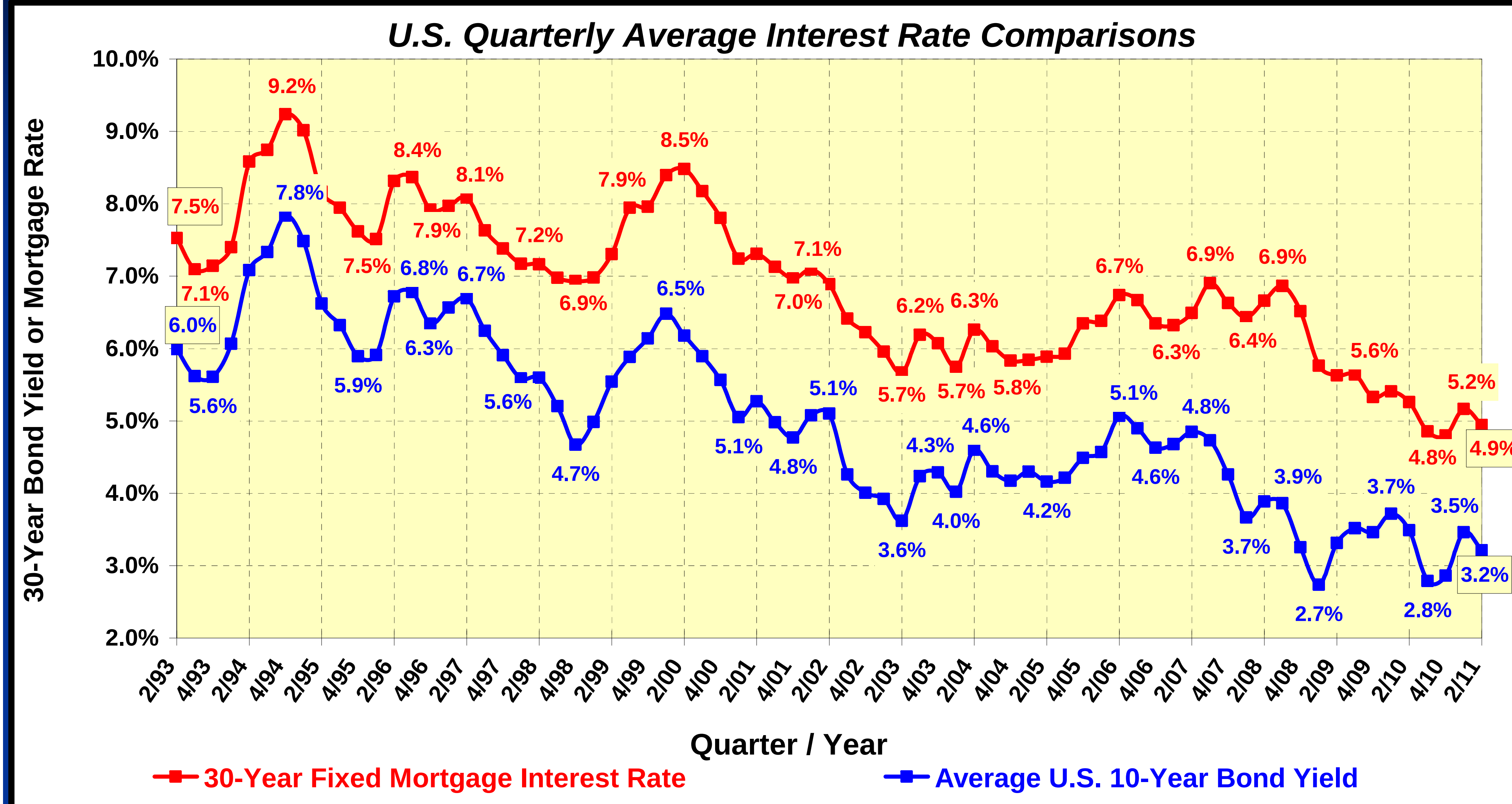
Gross Domestic Product



Source: Bureau of Economic Analysis

WSJ February consensus forecast of economists: 3.5% growth in 2011
August forecast: 1.6% growth in 2011, 2.8% in 2012

Interest Rates

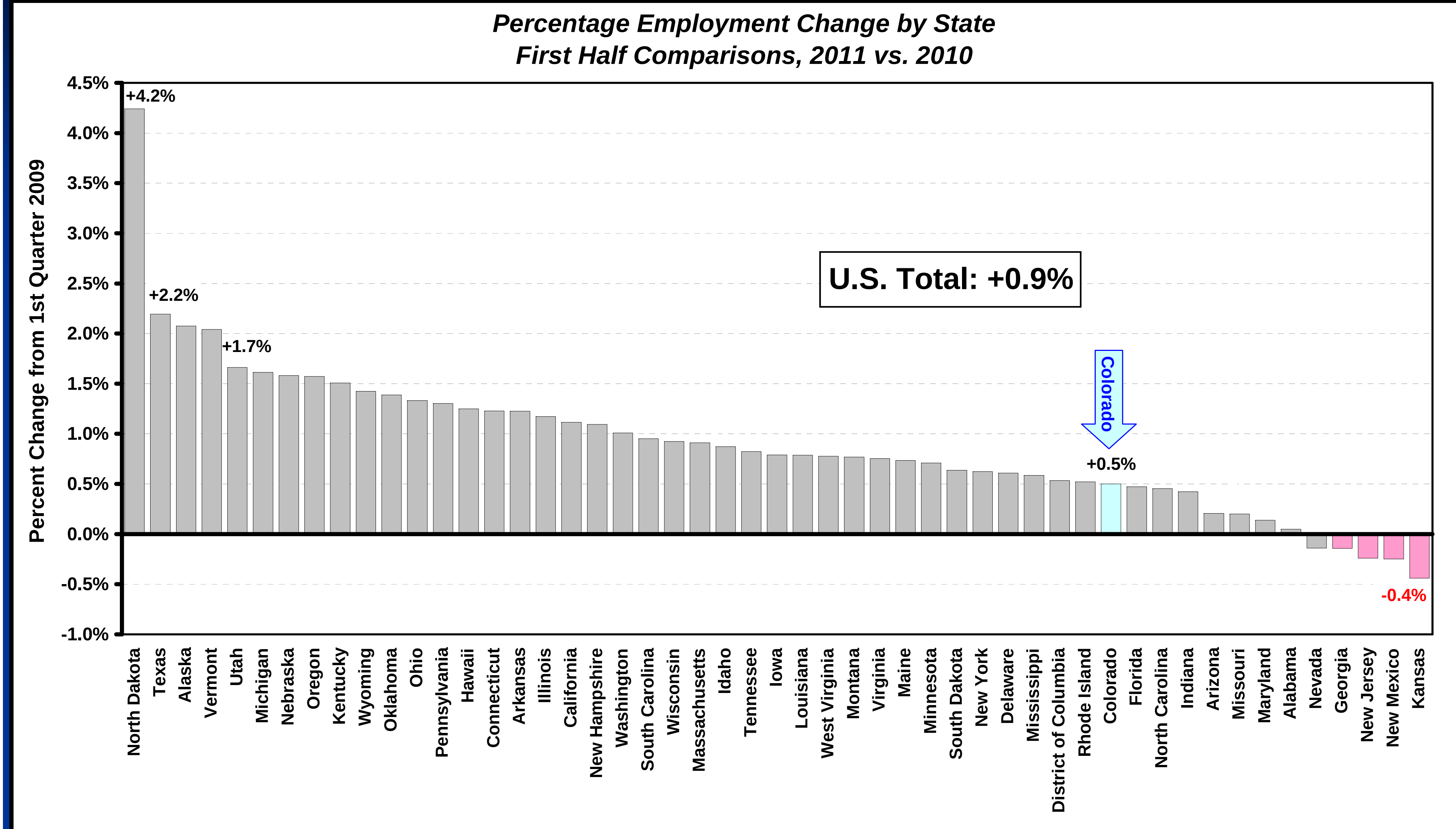


Source: Federal Reserve Bank of St. Louis, HSH Inc.

Yield spread once again favorable

**** Rates have since dropped sharply: 4.4% - 1.7% last week!***

Job Gains by State



Source: U.S. Bureau of Labor Statistics

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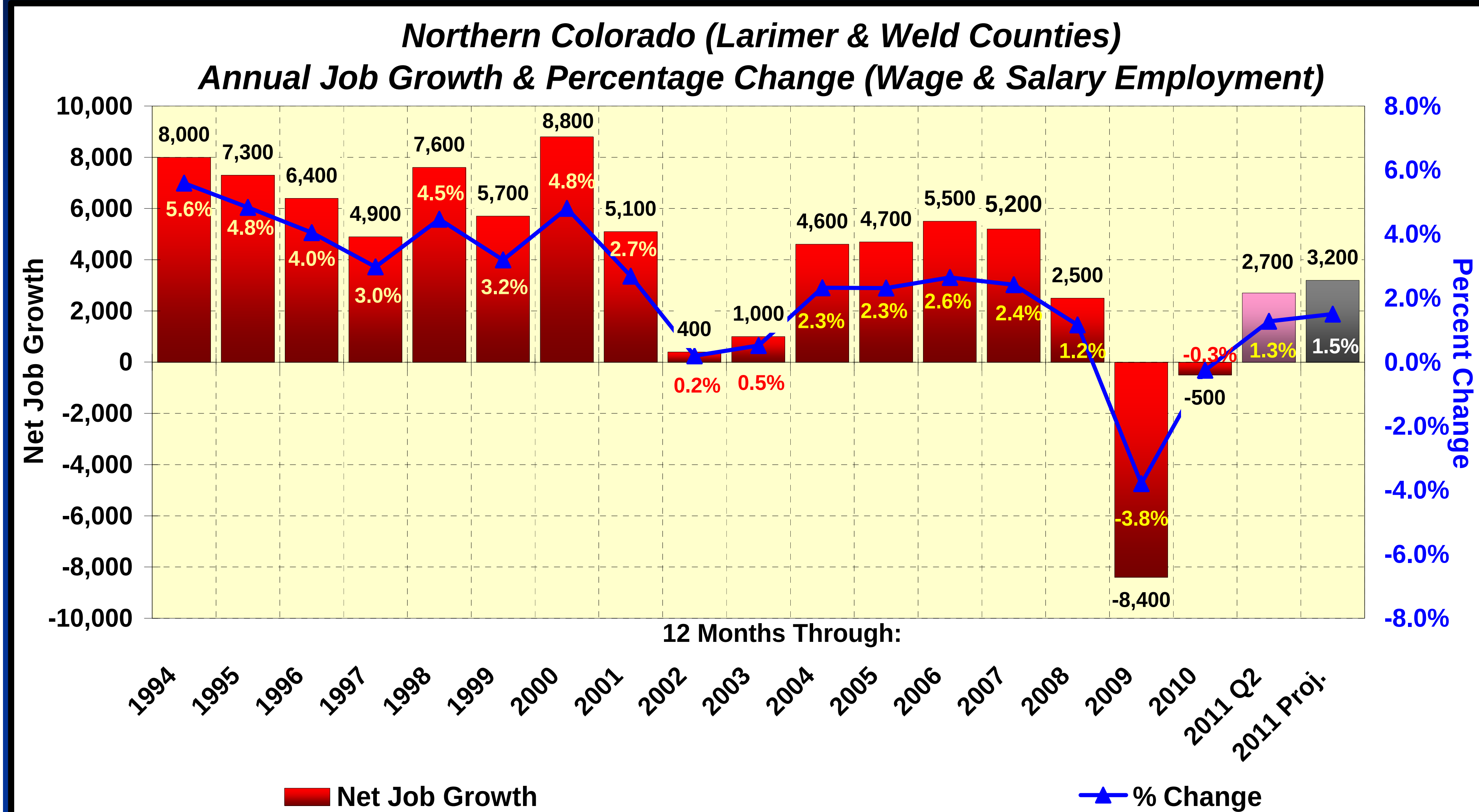
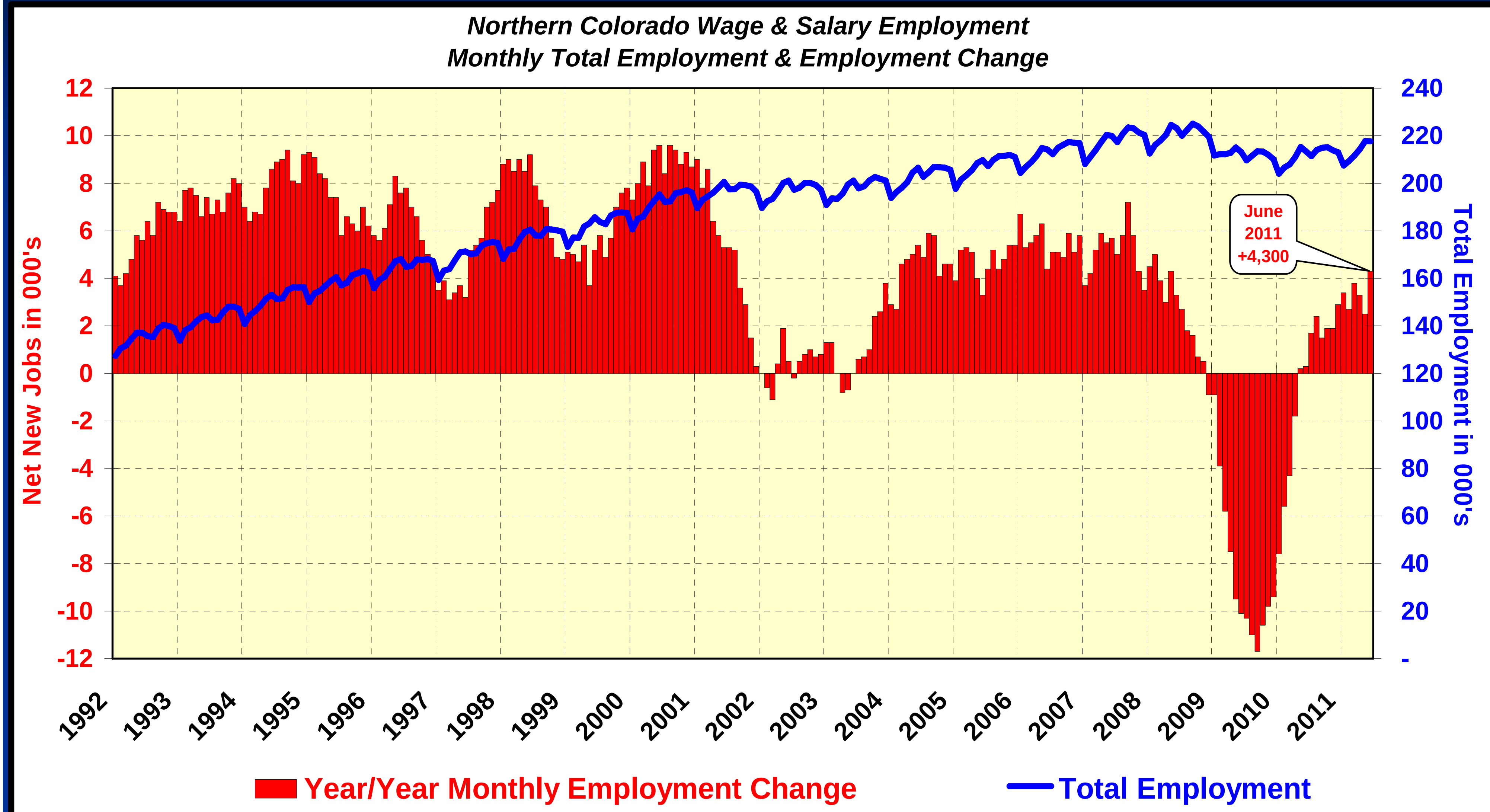
Employment History, Forecasts



Source: Bureau of Labor Statistics

Modest Gains For 2011

Monthly Job Growth



Source: Bureau of Labor Statistics

Improvement Continued in Second Quarter 2011

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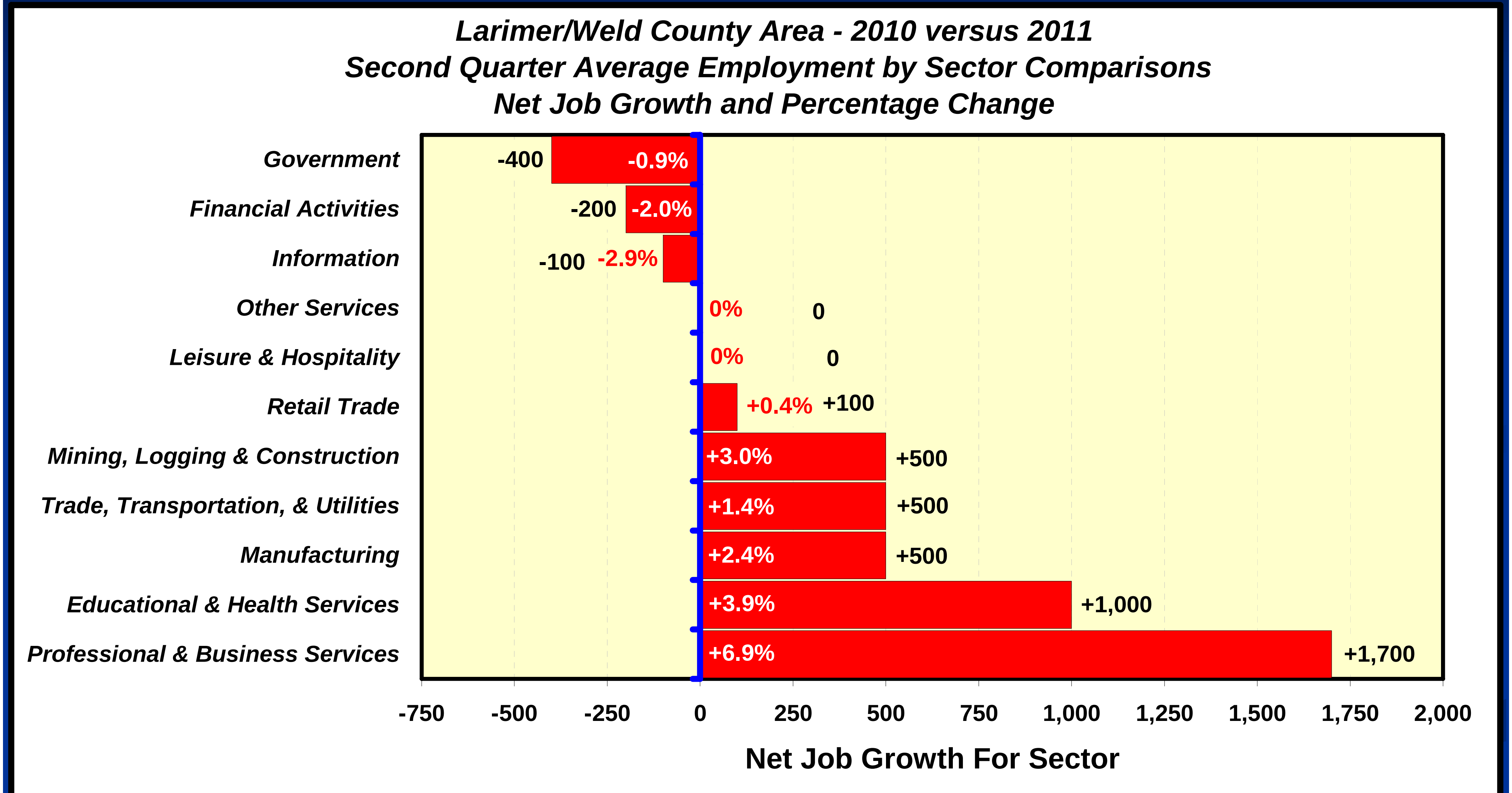
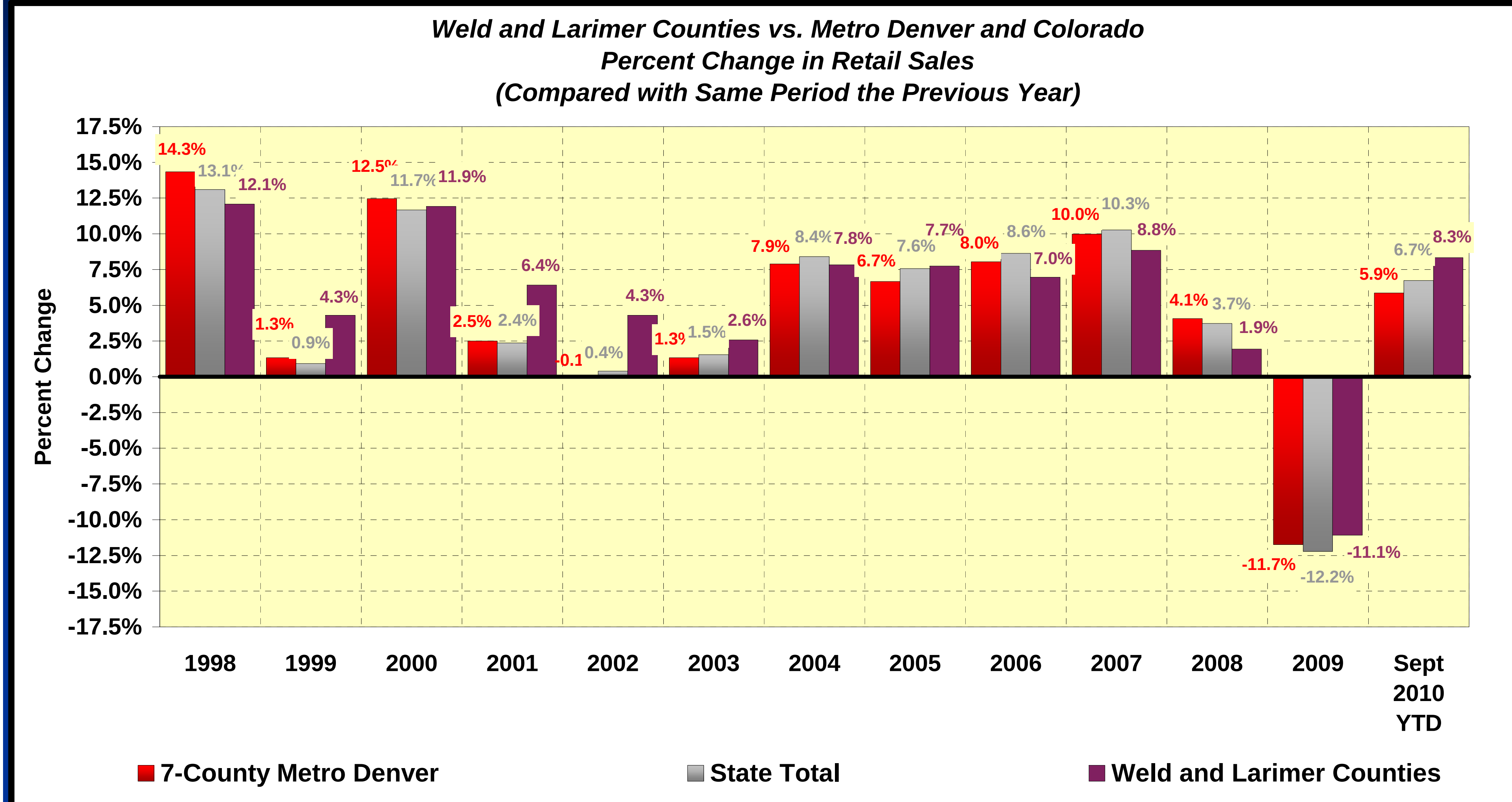
Job Growth by Sector



Source: Bureau of Labor Statistics

Retail Sales



Source: Colorado Department of Revenue

Unprecedented declines in 2009, Climbing Back in 2010

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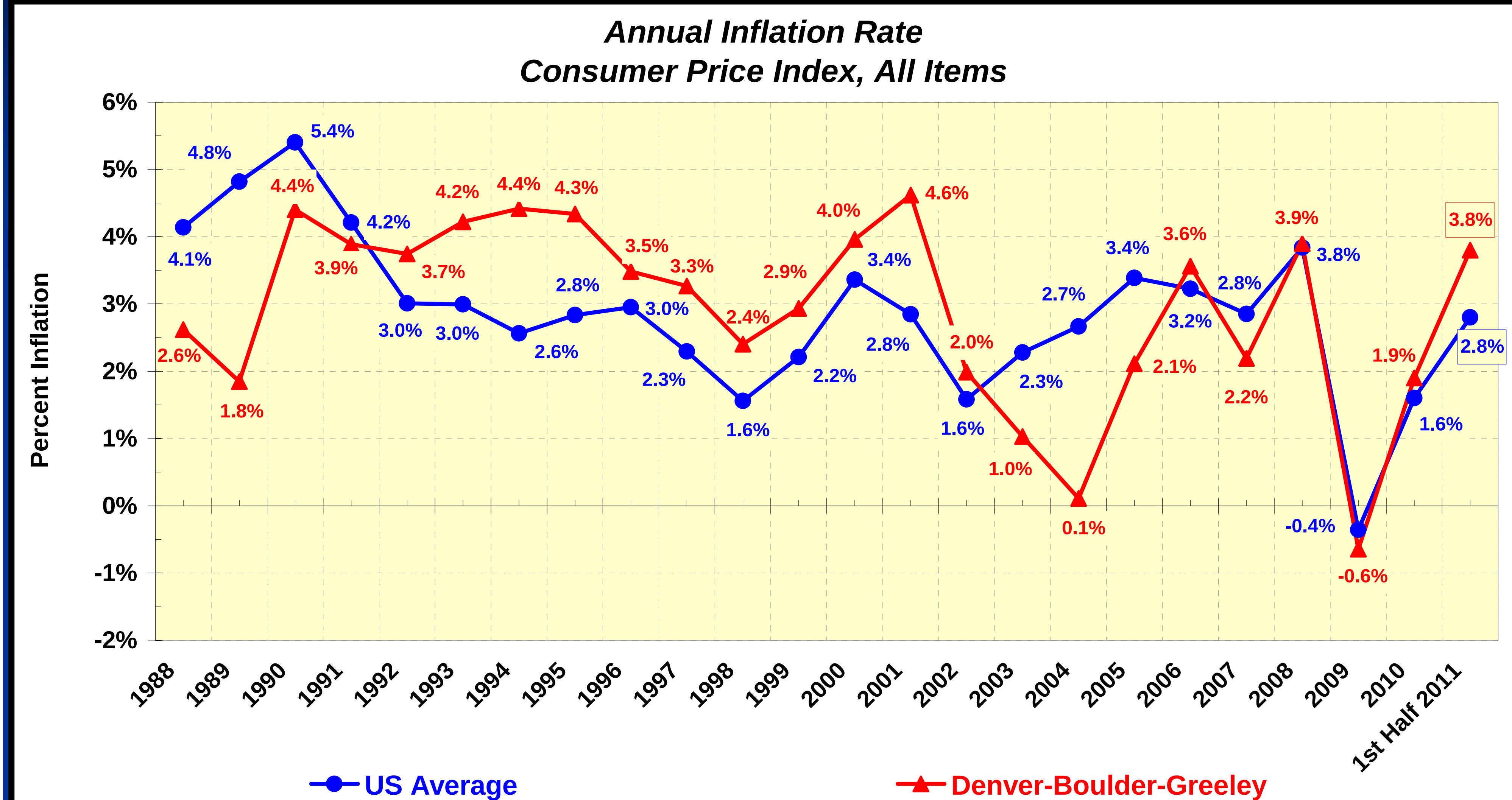
Consumer Price Index



Source: Bureau of Labor Statistics

Starting to pay the price for Quantitative Easing?

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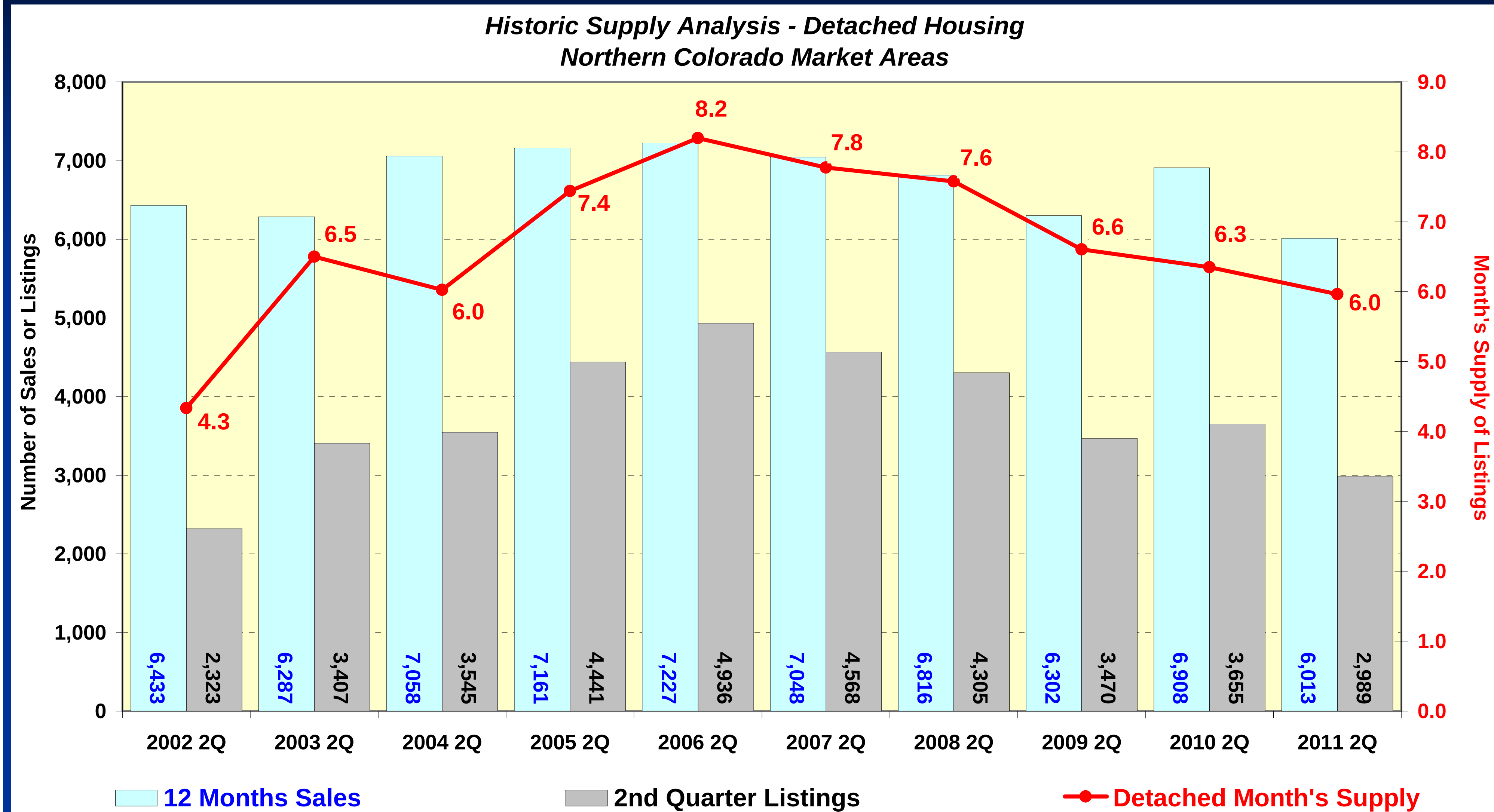
Resale Market Trends – 12 Month Comparisons



Sources: Metrolist, IRES

Total closings up 5% in 2010, down 18% in 2011

$1.91 Billion Industry in 2006 off by 22% to $1.49 Billion

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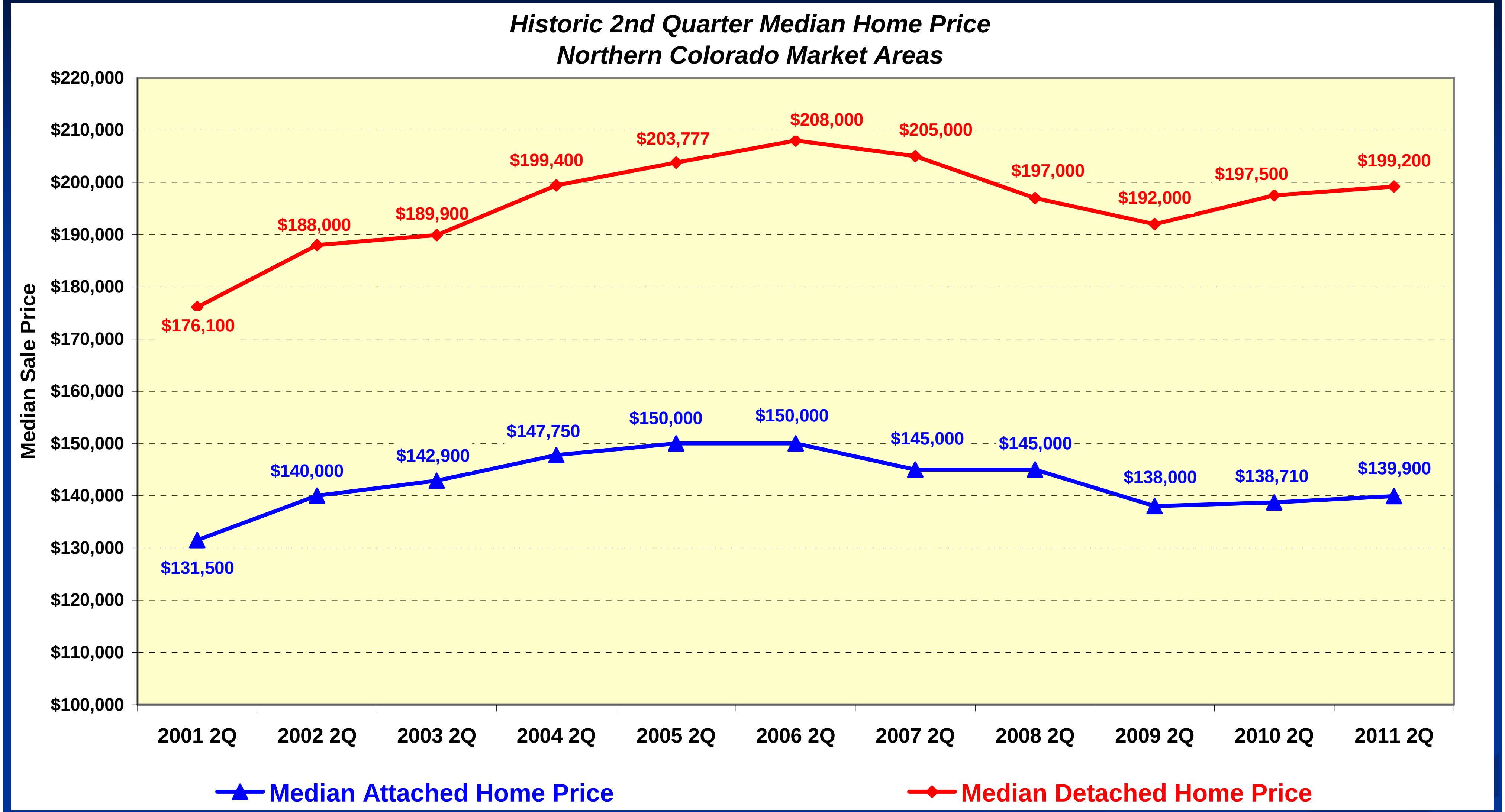
Resale Home Price Trends



Sources: Metrolist, IRES

Median prices appear to be recovering
Detached home prices within 5% of peak

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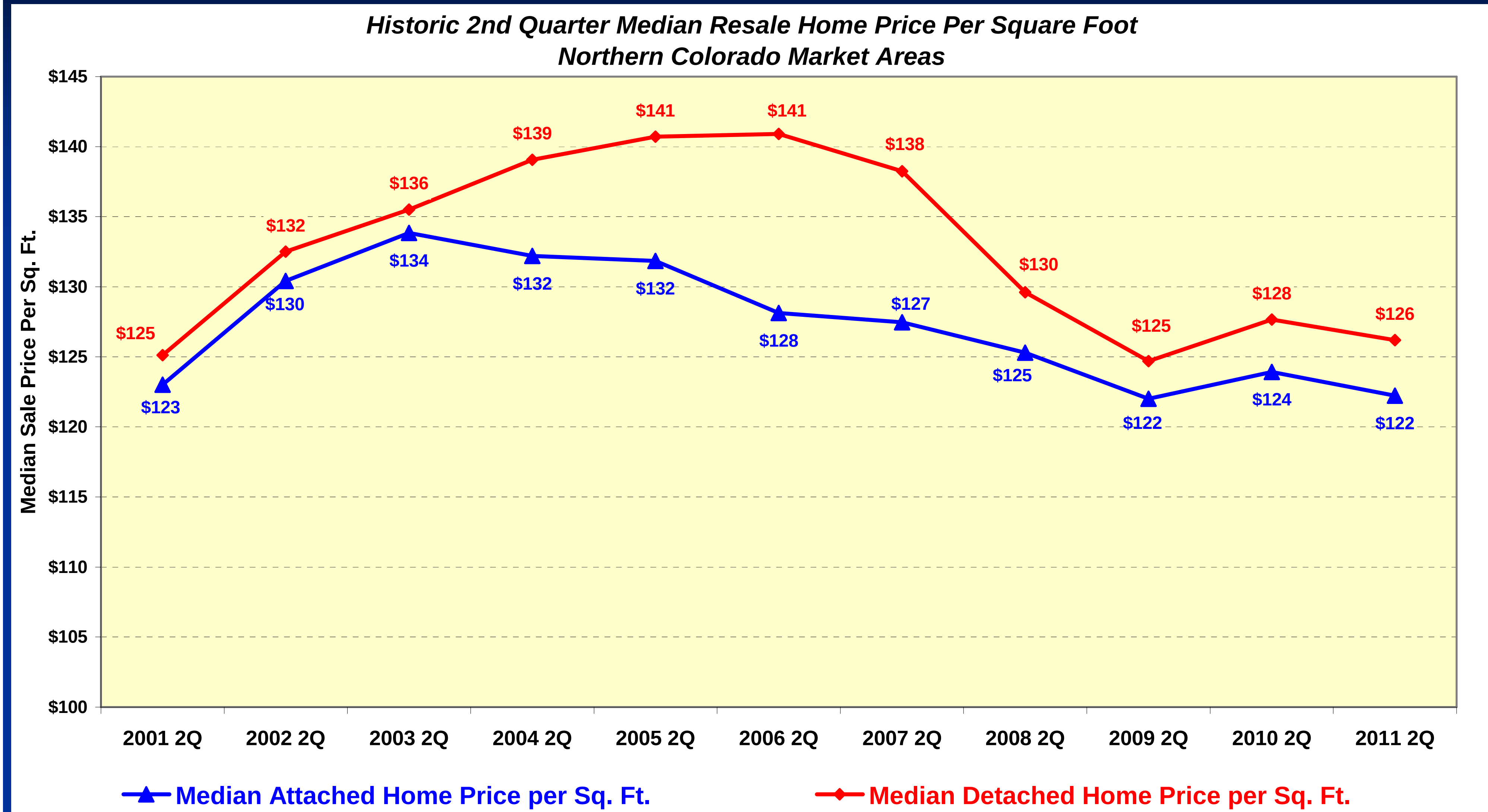
Resale Home Price per Square Foot Trends



Sources: Metrolist, IRES

Still waiting for solid recovery

Prices per square foot remain 9% to 11% below peak

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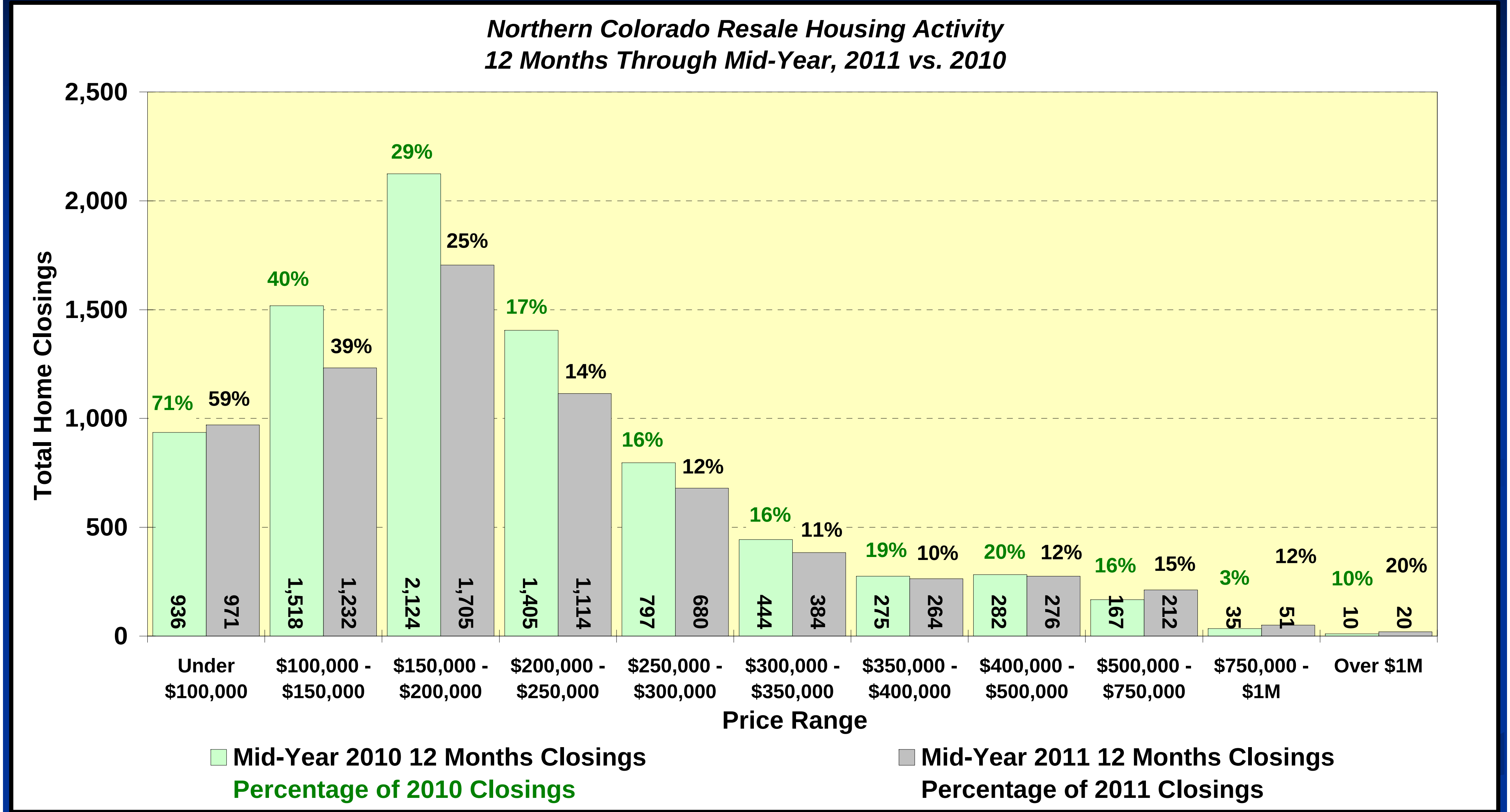
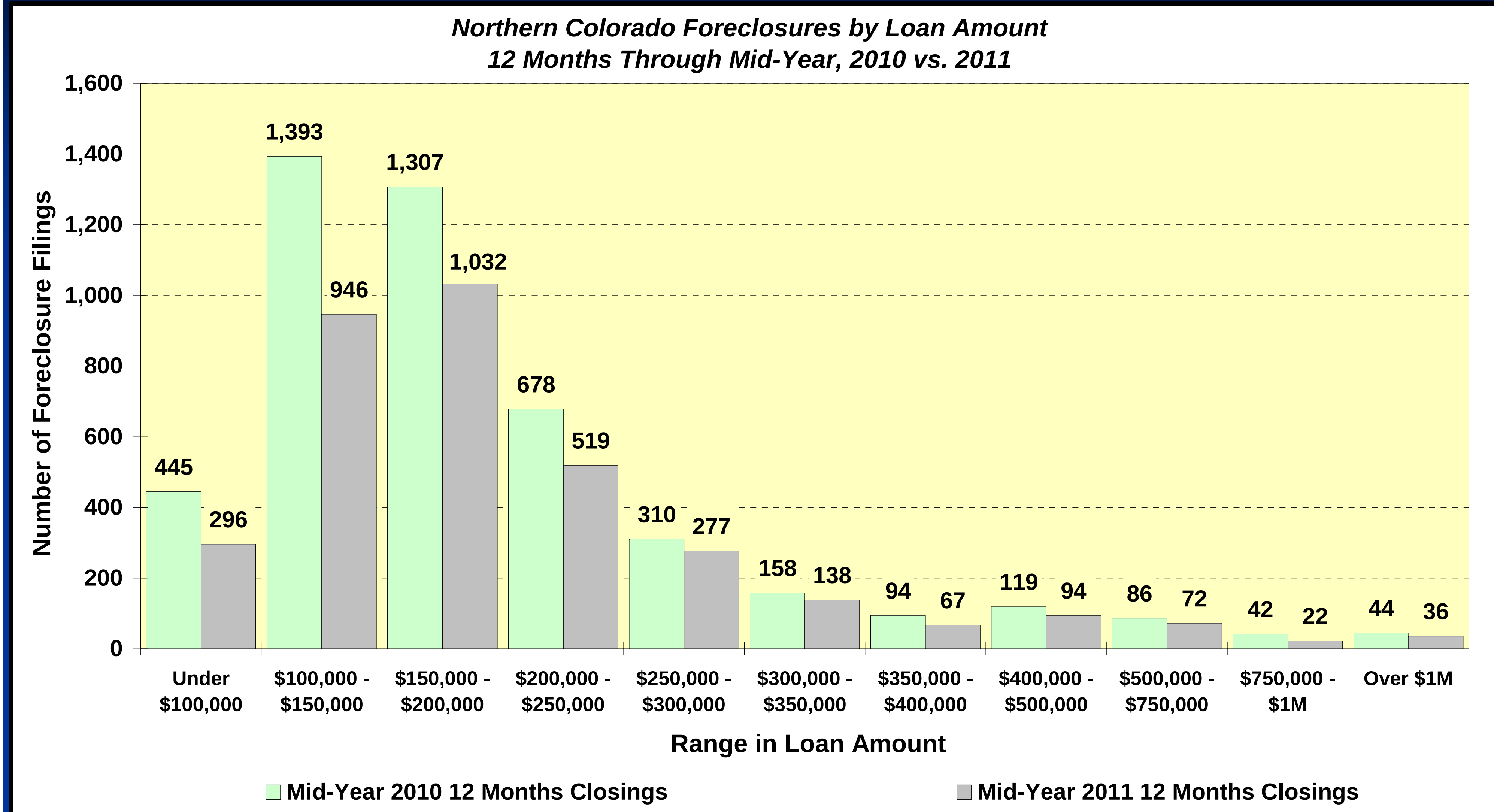
Distressed Home Sale Trends



Sources: Metrolist, IRES

REO's & Short Sales accounted for 27% of all resale closings, Down from 31% in 2010

Foreclosures – Initial Notices of Default



Source: Public Records via SKLD

Foreclosures down 25% for 12 Months Ending Mid-Year 2011

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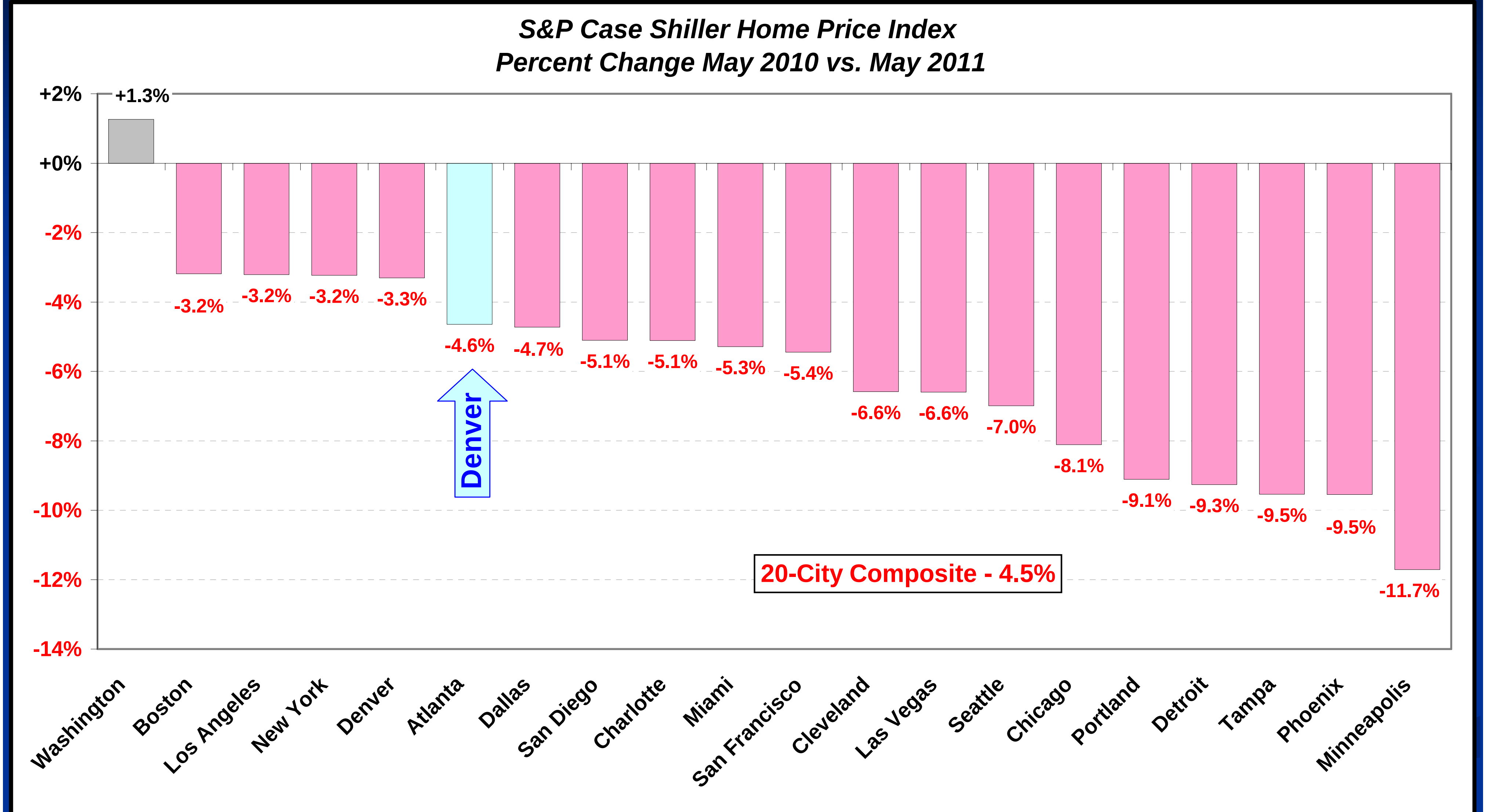
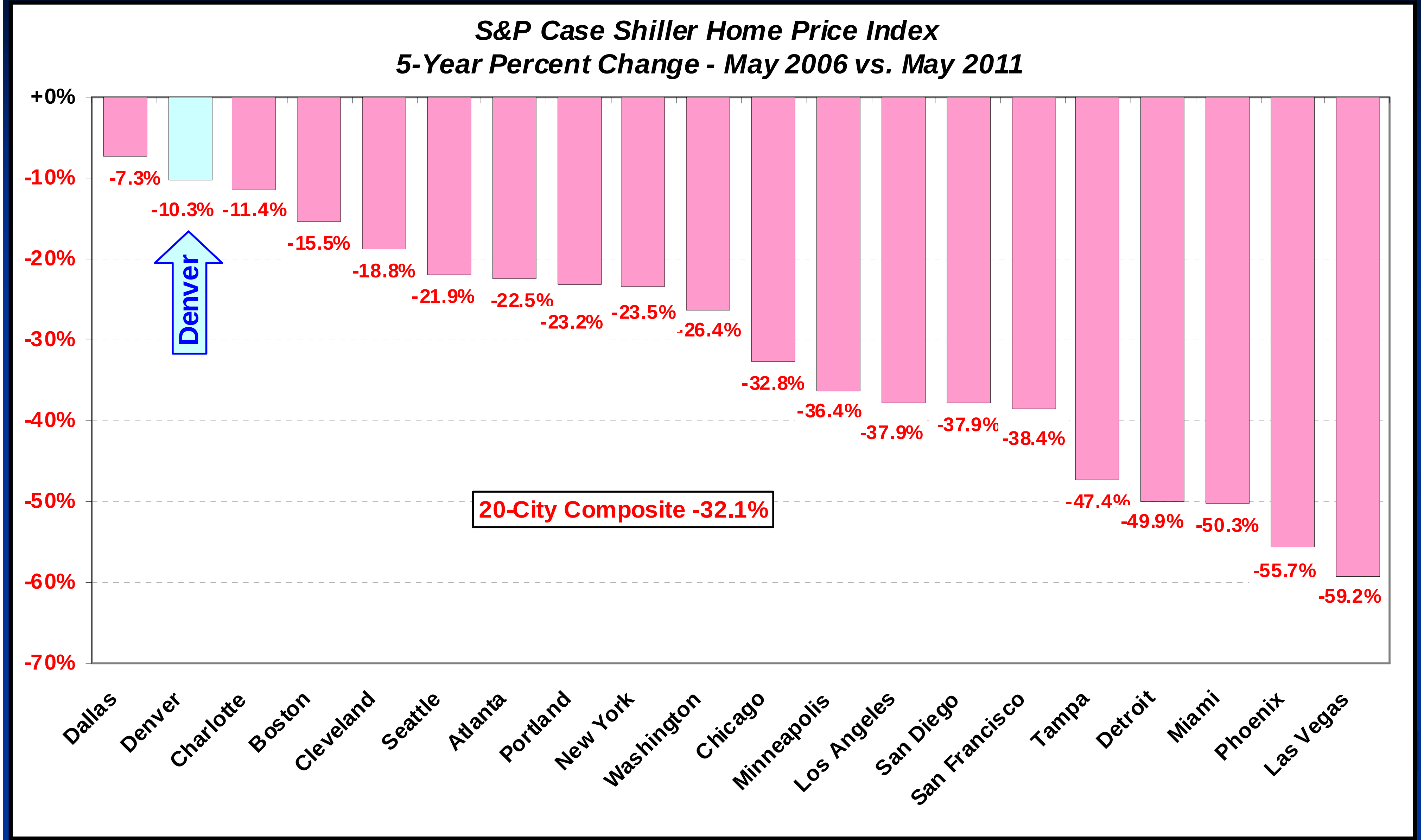
Annual Home Price Appreciation



Source: S&P/Case Shiller

20-City Composite Down 4.5%

5-Year Home Price Declines



Source: S&P/Case Shiller

It Could Have Been Much Worse!

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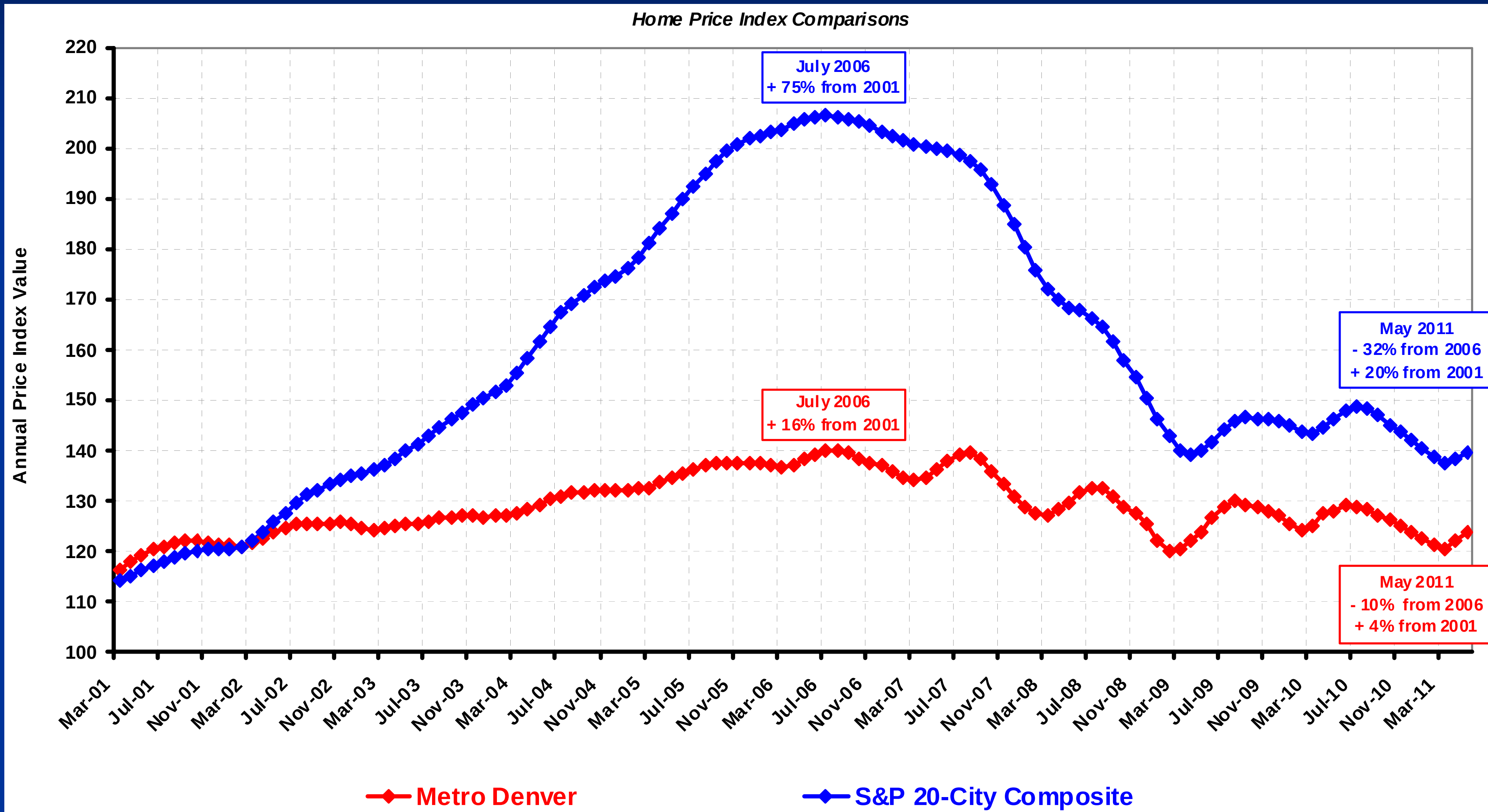
Price Matters – Avoiding the Drug of Price Appreciation Makes Withdrawal Easier



Source: S&P/Case Shiller

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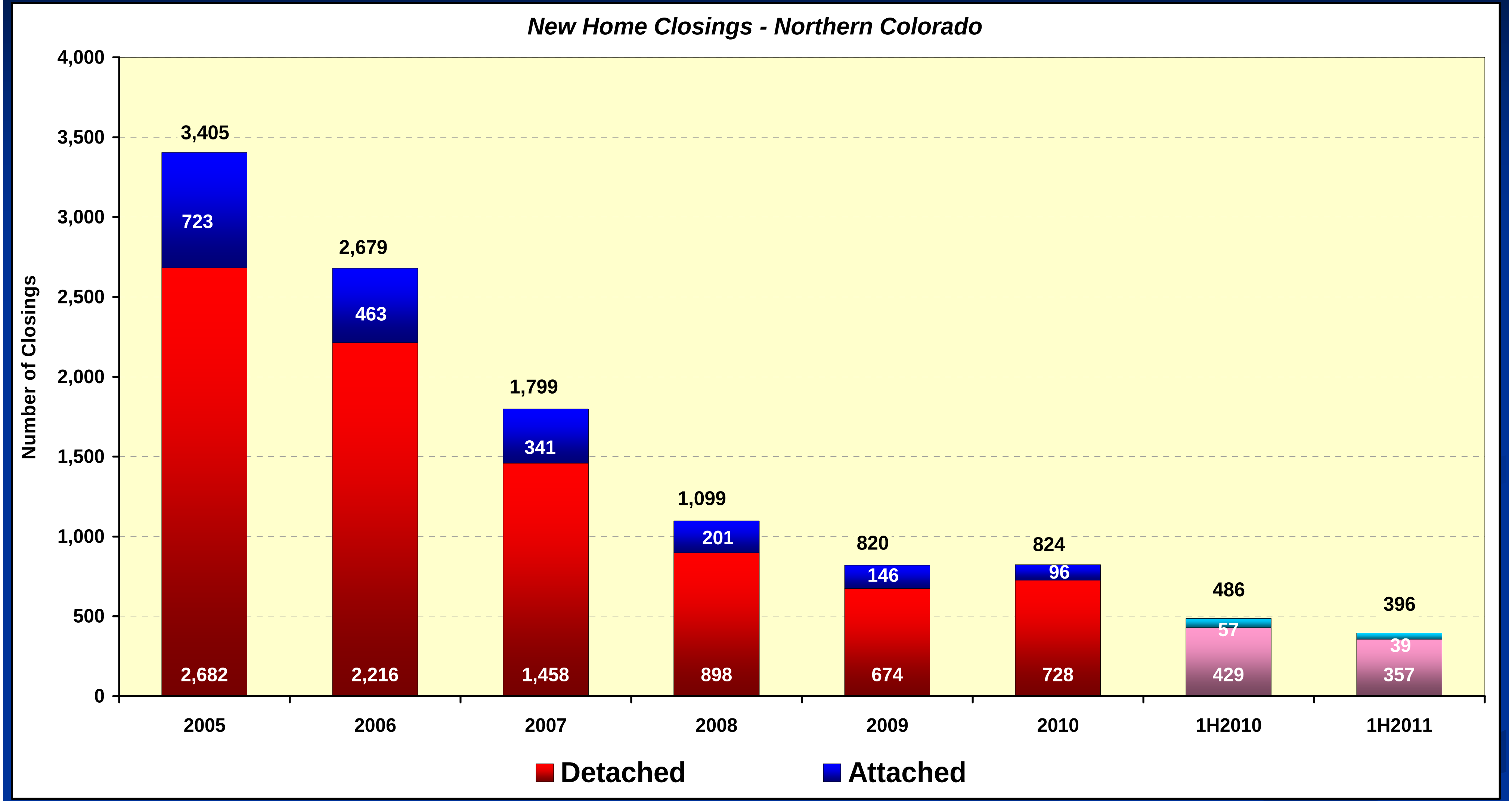
New Home Sales History



Source: Hanley Wood Market Intelligence

No Change from 2009 to 2010, Down 19% in 2011

2nd Quarter YTD: Single Family Detached -17%, Single Family Attached -32%

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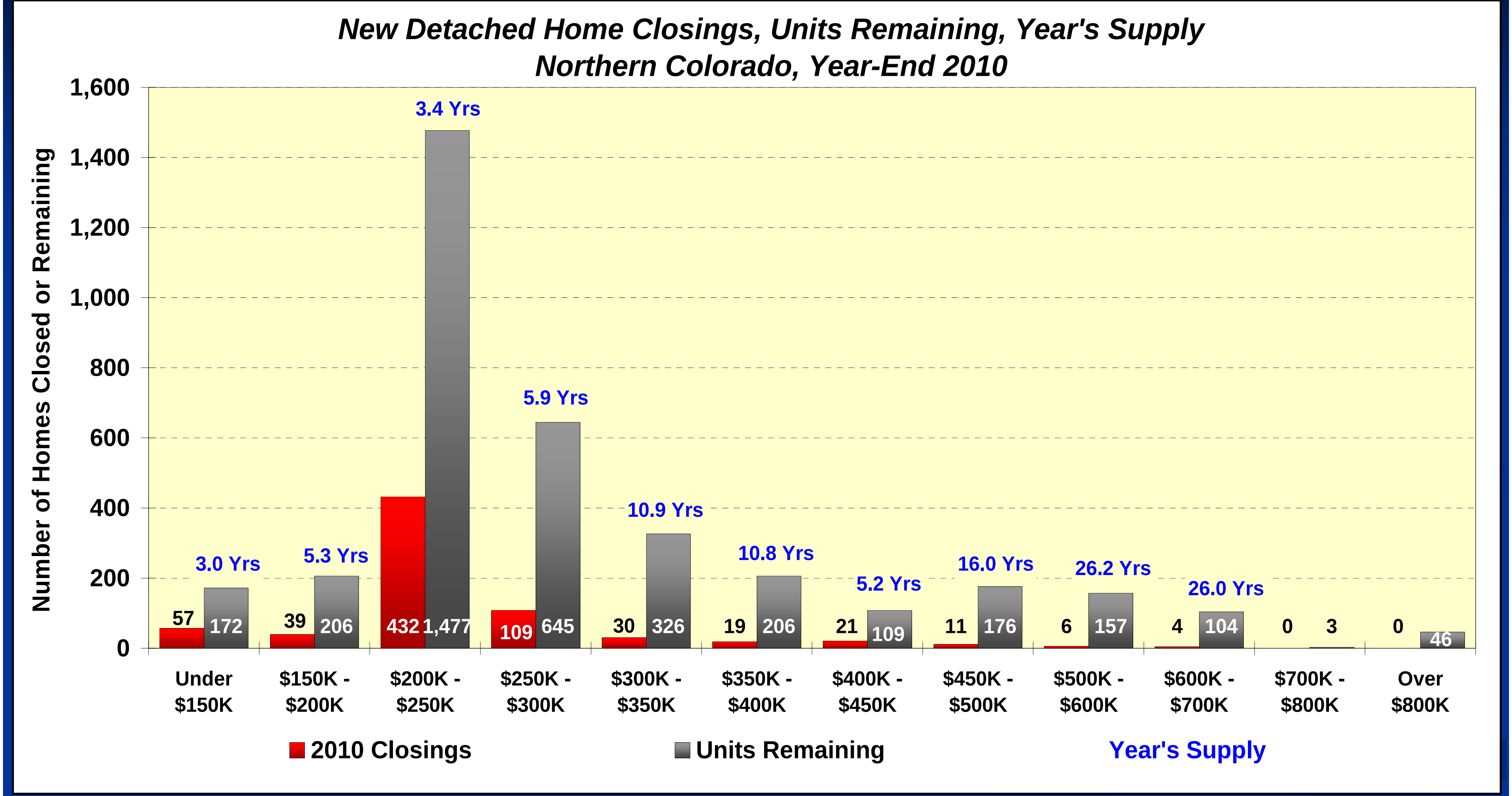
New Housing Remaining Sellout – Active Projects



Source: Hanley Wood Market Intelligence

3,627 Total Remaining – 5.0 Years

Over 7,000 Finished SFD Lots – 10 Year Supply

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Homebuilder Trends

- In 2005 the top 10 Northern Colorado homebuilders accounted for 62% of the market.

  Journey Homes captured 12%

  There were 88 active builders, 10 were nationals

- In the first half of 2011, the top 10 accounted for **76% of the market!**

  Journey Homes captured 23%

  There were 39 active builders, 4 were nationals

Strong Headwinds = Slow Market

- New and Resale Housing Demand Has Declined for 6 Years
- Zero Net Job Growth Over Past 5 Years
- Strict Mortgage Underwriting, Higher Down Payments = Fewer Buyers Qualify

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There Is Good News

- Foreclosure Volume Declining
- Rental Vacancy Rates Low and Falling, Rents Likely to Increase
- New Detached Home Sales Declines Likely to Bottom Out in 2011
- In-Migration Continues
- People Defer Moving Despite Changing Family Needs = Pent-Up Demand
- The Rental Alternative – Increasing Opportunities for Single Family Rentals

Fishing for Answers?
Take a Lesson From Nature – Think Like a Fish

Look up with sunny optimism: where's that flashy thingy that was so great last time?

Look down with depressed pessimism, see if there's anything that works on the bottom, grab it and move on.

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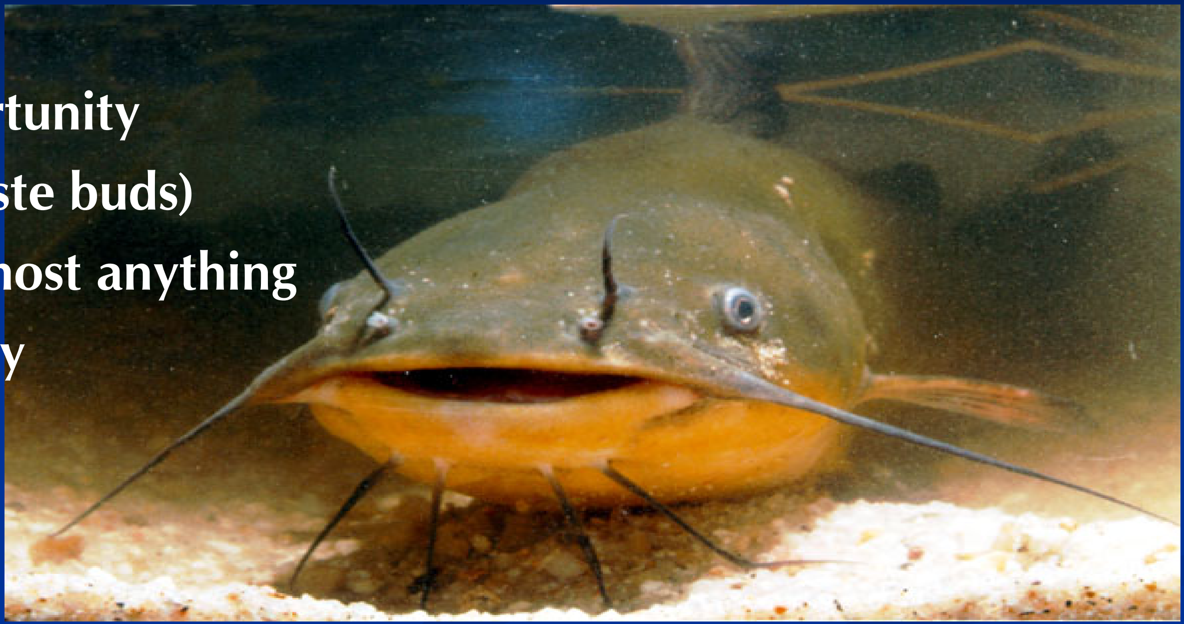
Be a Catfish!

- Thrive in slow moving water
- Terrific ability to sense opportunity
  (entire body covered with taste buds)
- Can devour and thrive on almost anything
- Prized for their fighting ability



Think clearly about reality, be opportunistic!
Recognize treasures buried in the muck
as well as the juicy tidbits that
drift along in the current

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