



Established in 2004, Your Castle Real Estate has grown to become the largest independent and 7th largest real estate company on the Front Range according to the Denver Business Journal, with more than 500 agents in 7 offices. Currently, we are the 175th largest and 5th fastest growing real estate company in the country. We sold over \$1.2 billion of real estate in 2015.

In the past few years, Your Castle has appeared in many local and national publications including recent awards from the Denver Business Journal and Inc. 5000. Look below for more of our awards and media to which we have contributed.

At Your Castle, we are passionate about delivering exceptional consumer experiences. By offering a complete suite of real estate services, we ensure that we meet our consumers' every need. From sales and rentals, to commercial and new builds, we have experts in every field to guide you skillfully from beginning to the end of your real estate journey.

We believe that access to the best and most timely information can dramatically shape our decisions and no one does more research on the local housing market than Your Castle. Today's consumer needs a trusted resource that can separate signal from noise and help them navigate the complex process that real estate has become. With our extensive knowledge in every aspect of the field, and fueled by consumer research and insights, we are the go-to source for market information and education.

Your Castle Real Estate: Local Knowledge. Total Commitment.

Awards and Honors...



**America's
Fastest-Growing
Private Company**
2014: #2951



**Denver's
Fastest-Growing
Private Company**
2013: #5
2014: #5



**Top 200
Real Estate
Brokerage
in the Nation**
2014: #186

As Seen In...



Prices are up 11% in the prior 12 months vs historical 6%. Inventories are tighter than last year, especially for homes under 1,700 SF. In 2017, we expect 6-8% appreciation, modest unit sales volume increases, and tight inventories. The crunch is / will be tightest in the first-time buyer market. No relief in sight under \$350K.

Metric	Performance	Observations
Average Home Price	2Q15 vs. 2Q14: +12% 3Q15 vs. 3Q14: +11% 4Q15 vs. 4Q14: +10% 1Q16 vs. 1Q15: +8% 2Q16 vs. 2Q15: +9%	Prices grew 8.5% in 2014, 11% in 2015 and 8.5% for first half 2016. Our historical appreciation rate from 1971 to 2014 averaged 6.3% per year. Recent above-average gains were driven by low inventory (esp: low and middle range of market). In our view, smaller size segment appreciation will continue to outpace larger home categories in 2016-18.
MOI (Months of Inventory)	07/01/15: 1.5 MOI 10/01/15: 1.8 MOI 01/01/16: 1.0 MOI 04/01/16: 1.0 MOI 07/01/16: 1.5 MOI	MOI has been stable to declining for 48 months. On 7/1/16 it was 1.5 months. The smallest 50% of market (homes up to 1745 sq. feet) have approximately 0.7 MOI – a very strong seller’s market. The luxury market (largest 10%) is a buyer’s market, at 6 MOI. Denver will remain a strong sellers market at lower price points for at least another 12-18 months. Luxury homes are balanced. That will likely continue into 2017.
Showings per Active Listing per Month	2Q 2012: 11.6 2Q 2013: 14.2 2Q 2014: 15.9 2Q 2015: 19.5 2Q 2016: 22.4	Showings are a good leading indicator for UC... which predicts sales. Showings in 2Q16 were about the same as 2Q15. Since 2013, “desirable” homes in good condition under \$350K that are priced right still sell rapidly with lots of showings. Sometimes with multiple offers. This is true at all but the highest price points. Overall the market is “as hot” than it was in late spring of 2014 and 2015.
Under Contract (UC)	07/01/15: 5,464 10/01/15: 4,719 01/01/16: 3,413 04/01/16: 4,656 07/01/16: 5,609	UC is the best leading indicator of sales. At the end of 2Q16, the number of homes UC was about the same as 2Q15. We anticipate 3Q16 sales volume to be about the same as 3Q15.
Number Sold	2Q15 vs. 2Q14: +1% 3Q15 vs. 3Q14: +2% 4Q15 vs. 4Q14: 0% 1Q16 vs. 1Q15: +2% 2Q16 vs. 2Q15: -6%	In 2014 unit sales declined -7% vs. 2013. 2015 volume was flat from 2014. So far 2016 unit volume is flat to declining. No bubble here! Price increases have not (yet) brought extra inventory in the market. It’s inevitable that increased prices will increase inventory, but it is impossible to know when. 2017 may see slight increases in unit sales volume.
Inventory	07/01/15: 4,437 10/01/15: 5,419 01/01/16: 2,987 04/01/16: 3,126 07/01/16: 4,666	Inventory levels continue to stay historically low, especially for smaller homes. This will continue to drive big price increases on the low end. Supply and Demand 101 predict inventories should have increased in 2013... we’re still waiting. In our view, inventory for the smallest 50% of homes will remain tight – or get even tighter – in 2017. While it’s difficult to buy, do it now if you can. It could be more difficult in 2017-18.

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- 2 BUYER CHARTS PAGE 13
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CHARTS FOR MOST CLIENTS





Why does Denver have low inventory of homes and condos to buy?

[See Page 7](#)



How does today's inventory compare to historical patterns?

[See Page 7](#)



Has this ever happened before? Can we learn from prior market situations?

[See Page 8](#)



How much have Denver homes and condos appreciated over time?

[See Page 9](#)



Have the market trends impacted large and small homes the same way?

[See Page 11](#)



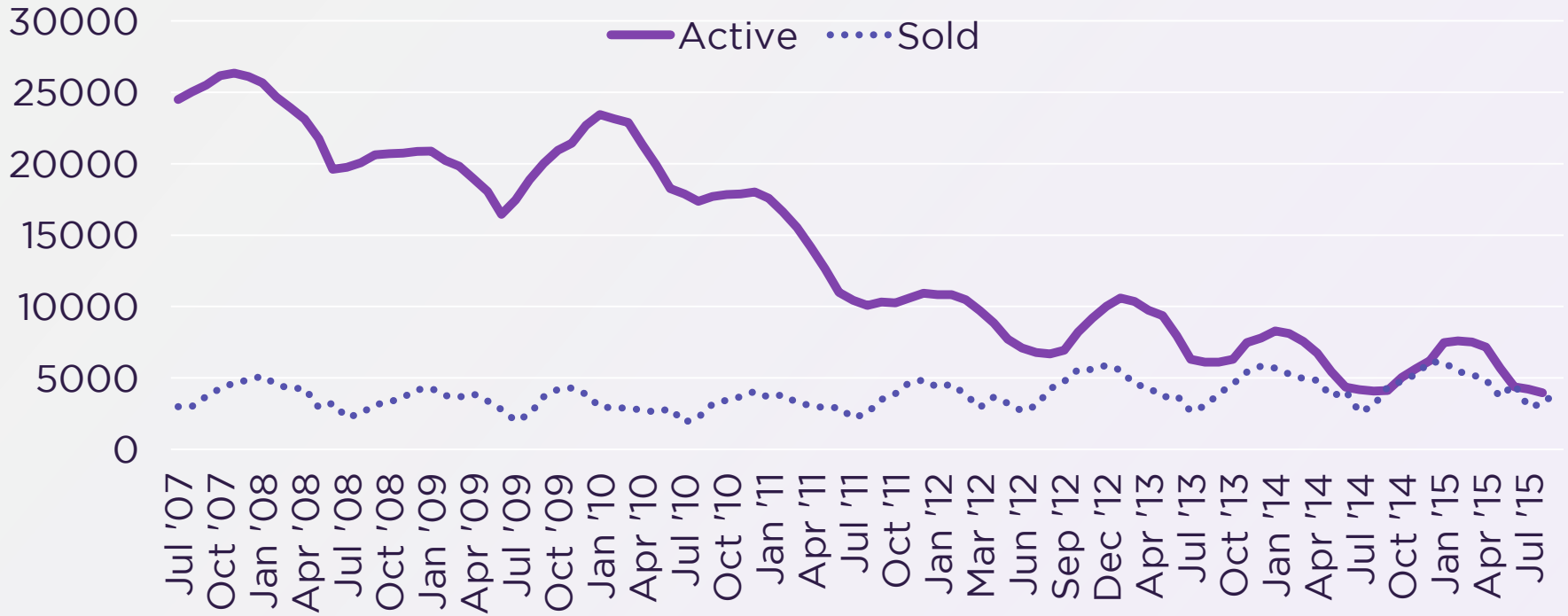
How do these price, inventory and marketing time trends vary by neighborhood or city?

[See Page 12](#)

Inventory levels of homes and condos available for purchase are historically low. It took several years for the inventory to get this tight; it will take several years for inventory to build to historically “normal” levels.

**DENVER METRO (HOMES, CONDOS AND TOWNHOMES)
INVENTORY (TOP LINE) AND MONTHLY SALES (BOTTOM LINE), 2008-2016**

End of Month Active Inventory



Data Source: Denver Metro Association of Realtors: DMAR Market Trends Report July 2016

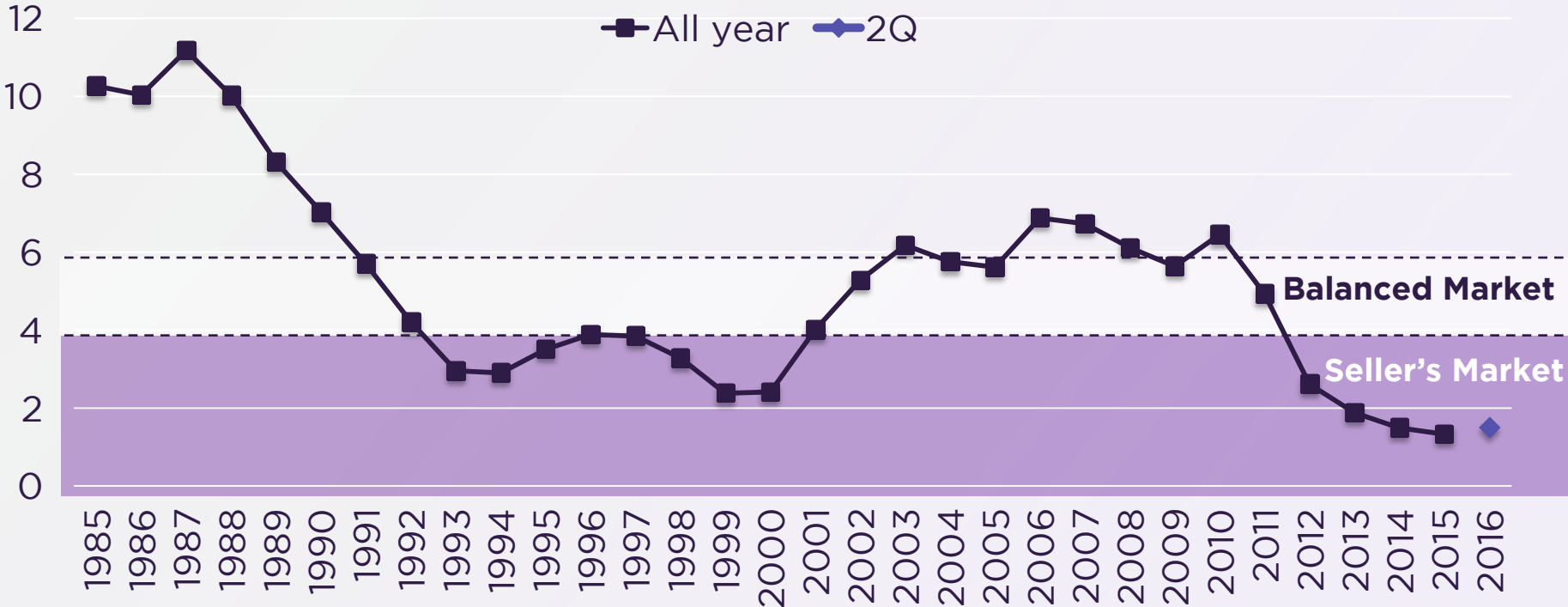
We have been through this before. Inventory is tighter now than in 1999-2000, but not by much. MOI on 7/1/16 was 1.5

MONTHS OF INVENTORY (MOI)

Average MOI

Buyer's Market

■ All year ◆ 2Q

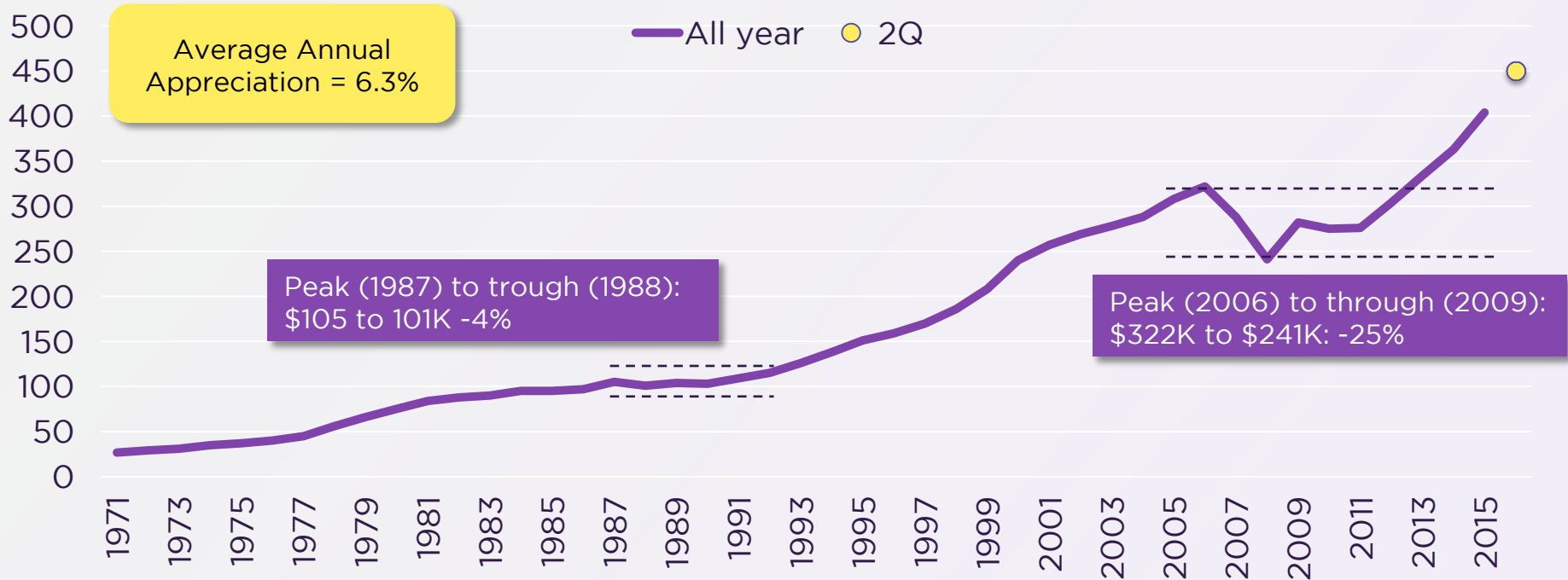


Data Source: ReColorado.com

Average Denver home price from 1971-2014 was mostly an upward march: +6.3% per year. In last recession, prices dropped 25% from 2006 peak, hitting bottom in 2008. Prices rising ever since, reaching all time highs in 2Q16 at \$450,000.

DENVER METRO (HOMES ONLY, NOT CONDOS OR TOWNHOMES)

Sales Prices in \$000

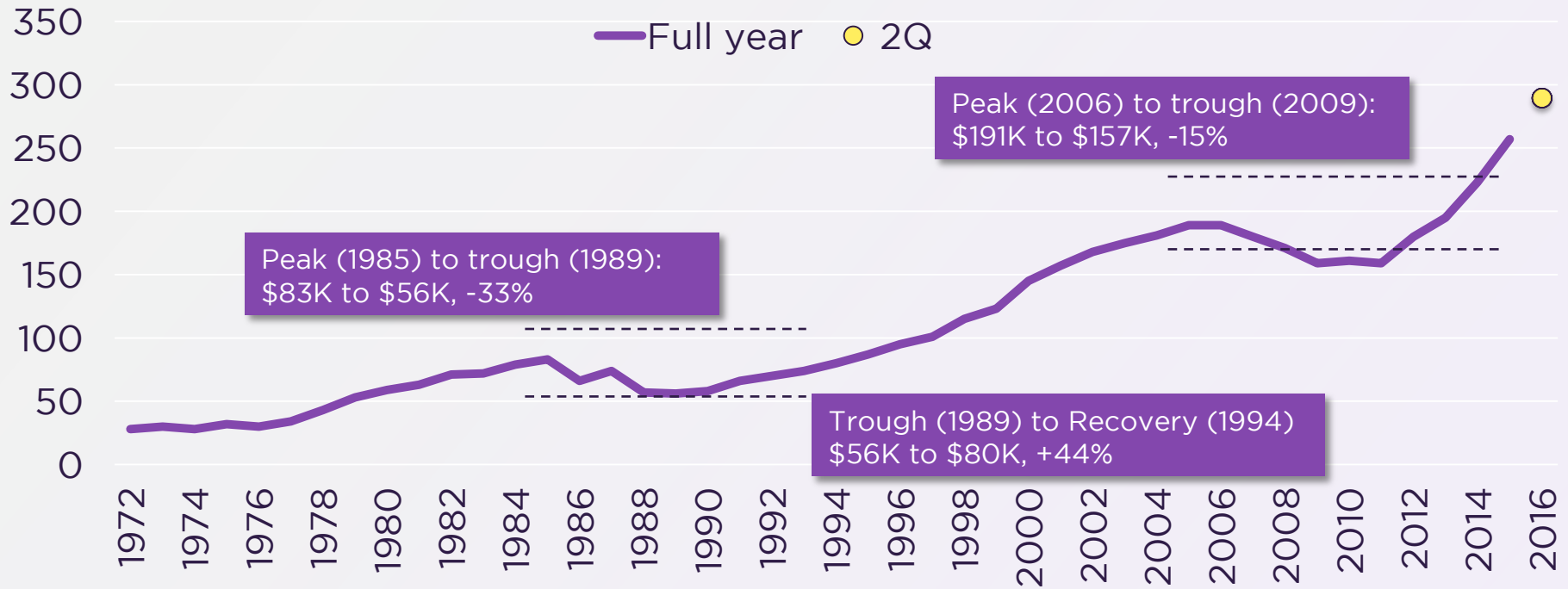


Data Source: ReColorado.com

Average Denver condo price from 1972 to 2014 has mostly been a march upwards: appreciating +5.3% per year. 2015 condo prices hit all time highs, up 15% from 2014.

DENVER HOMES (NO CONDOS OR TOWNHOMES)

Sales Prices in \$000

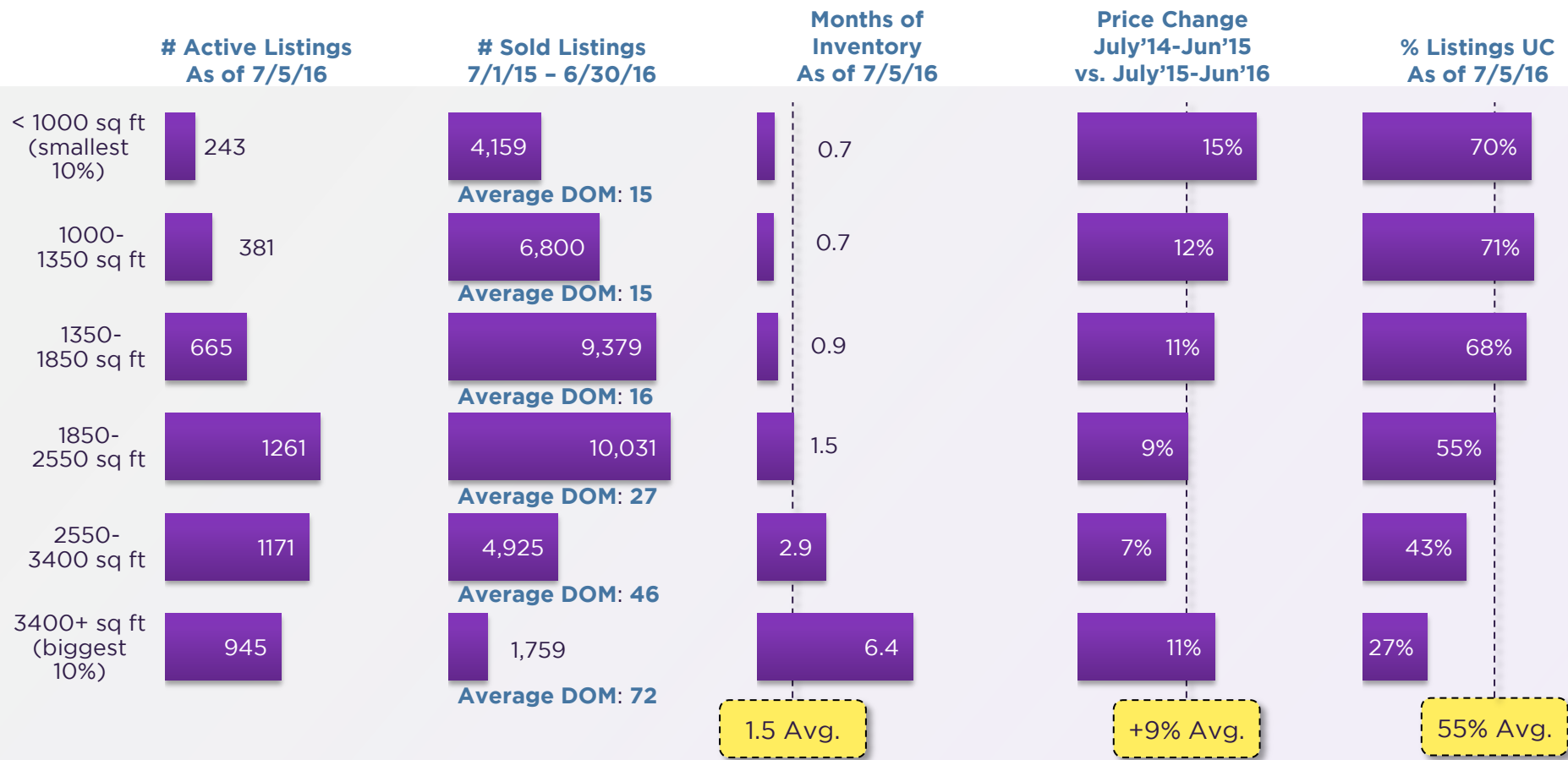


Why did condos appreciate less than homes? One guess: The average home price in 1972 was \$29K, in 1972 it was \$28K. We'd guess the initial condos were relatively luxurious and in great locations. Condos built since then have been positioned as "entry level" - smaller than homes, and thus less expensive.

Data Source: ReColorado.com

Overall, there was 1.5 month of inventory (MOI) on 7/5/2016. There is less than 0.9 MOI on homes under 1,850 SF (very strong seller's market). Homes under 1,850 SF are generally selling at a 1.0% premium to asking price, not at a discount.

DENVER HOMES (NO CONDOS OR TOWNHOMES) BASED ON ABOVE GRADE SF



Data Source: ReColorado.com

T1 - Time Period 1 - July 2014 - June 2015 Note: Data from Metrolist (7/5/2016); analysis by Your Castle Real Estate, Inc
 T2 - Time Period 2 - July 2015 - June 2016 © Copyright 2016 Your Castle Real Estate, Inc

DENVER HOMES Update: July 2016 City	Number of Sales								Days on Market			Avg ASK \$000		Avg SOLD \$000			
	Current Active	Current U/C	% U/C	Sold T1	Sold T2	Chg Sales	MOI	Sold T1	Sold T2	Chg in DOM	Average Asking	Ask vs. Sold Px	Sold T1	Sold T2	Chg Price	Avg Disc	
Arvada	215	300	58%	1,942	2,037	5%	1.3	27	26	(1)	557	42%	355	391	10%	0.5%	
Aurora	467	842	64%	5,155	5,141	0%	1.1	24	18	(6)	461	43%	293	321	10%	0.9%	
Brighton	122	187	61%	1,016	1,041	2%	1.4	32	27	(5)	450	31%	306	343	12%	0.1%	
Broomfield	98	179	65%	1,007	979	-3%	1.2	36	29	(7)	713	59%	416	448	8%	0.2%	
Castle Pines	48	30	38%	233	206	-12%	2.8	42	44	1	901	42%	578	636	10%	-1.8%	
Castle Rock	431	275	39%	1,710	1,616	-5%	3.2	44	40	(3)	916	95%	445	470	6%	-0.5%	
Centennial	179	203	53%	1,619	1,644	2%	1.3	23	19	(3)	631	45%	391	435	11%	0.0%	
Cherry Hills Village	54	13	19%	78	84	8%	7.7	101	91	(10)	3,069	35%	1,769	2,266	28%	-4.5%	
Commerce City	95	116	55%	830	888	7%	1.3	26	23	(3)	383	30%	266	293	10%	0.6%	
Conifer	69	42	38%	235	203	-14%	4.1	51	54	4	773	67%	406	463	14%	-2.1%	
Denver	939	1,186	56%	8,529	8,494	0%	1.3	24	24	(1)	770	73%	406	445	10%	0.2%	
Edgewater	6	15	71%	64	70	9%	1.0	10	17	7	498	41%	310	354	14%	0.5%	
Englewood	79	114	59%	774	765	-1%	1.2	22	20	(2)	954	119%	415	435	5%	-0.2%	
Evergreen	151	87	37%	549	488	-11%	3.7	60	49	(11)	1,321	126%	561	586	4%	-1.7%	
Federal Heights	1	6	86%	28	17	-39%	0.7	12	15	3	239	20%	198	199	0%	0.7%	
Golden	144	115	44%	730	672	-8%	2.6	47	41	(6)	921	65%	498	559	12%	-1.3%	
Greenwood Village	66	32	33%	157	159	1%	5.0	73	64	(9)	1,801	47%	1,107	1,222	10%	-3.0%	
Henderson	12	33	73%	212	200	-6%	0.7	17	17	(0)	335	9%	279	308	10%	0.5%	
Highlands Ranch	166	240	59%	1,693	1,682	-1%	1.2	21	20	(1)	691	44%	438	479	9%	0.0%	
Lakewood	159	225	59%	1,563	1,576	1%	1.2	24	25	0	543	40%	350	386	10%	0.2%	
Larkspur	56	24	30%	131	124	-5%	5.4	94	76	(18)	781	43%	583	545	-7%	-2.2%	
Littleton	276	325	54%	2,451	2,416	-1%	1.4	25	24	(2)	828	88%	403	441	10%	-0.1%	
Lone Tree	53	23	30%	176	207	18%	3.1	55	54	(0)	1,062	41%	741	756	2%	-2.1%	
Northglenn	21	62	75%	405	420	4%	0.6	13	12	(1)	342	26%	236	270	15%	1.7%	
Parker	384	364	49%	2,006	2,017	1%	2.3	36	33	(3)	705	55%	422	456	8%	-0.5%	
Pine	26	25	49%	88	106	20%	2.9	61	47	(14)	664	66%	364	399	10%	-1.5%	
Thornton	153	307	67%	1,815	1,984	9%	0.9	18	22	4	435	30%	296	334	13%	0.9%	
Westminster	135	190	58%	1,450	1,460	1%	1.1	24	21	(3)	592	67%	325	354	9%	0.8%	
Wheat Ridge	61	49	45%	382	357	-7%	2.1	24	27	3	626	64%	330	383	16%	0.4%	
Grand Total	4,666	5,609	55%	37,028	37,053	0%	1.5	28	25	(2)	757	80%	384	420	9%	0.2%	

*Above SF

1 < 1000 sq ft (smallest 10%)	243	557	70%	4,037	4,159	3%	0.7	16	15	(1)	325	20%	235	270	15%	1.2%
2 1000-1350	381	917	71%	6,678	6,800	2%	0.7	15	15	(0)	386	24%	277	311	12%	1.1%
3 1350-1850	665	1,388	68%	9,457	9,379	-1%	0.9	18	16	(2)	441	27%	312	347	11%	0.7%
4 1850-2550	1,261	1,534	55%	9,868	10,031	2%	1.5	31	27	(4)	551	28%	396	432	9%	-0.2%
5 2550-3400	1,171	870	43%	5,077	4,925	-3%	2.9	49	46	(3)	743	26%	549	589	7%	-1.2%
6 3400+ sq ft (biggest 10%)	945	343	27%	1,911	1,759	-8%	6.4	75	72	(2)	1,533	48%	932	1,038	11%	-2.5%
Grand Total	4,666	5,609	55%	37,028	37,053	0%	1.5	28	25	(2)	757	80%	384	420	9%	0.2%

1 \$195K or less	22	73	77%	2,518	879	-65%	0.3	19	18	(1)	154	-7%	164	166	1%	-0.7%
2 \$195K to \$245K	65	277	81%	5,262	2,977	-43%	0.3	14	14	(0)	223	0%	222	224	1%	1.3%
3 \$245K to \$320K	346	1,183	77%	9,668	9,439	-2%	0.4	16	14	(3)	285	1%	280	282	1%	1.2%
4 \$320K to \$430K	960	1,791	65%	9,854	11,803	20%	1.0	26	20	(7)	379	3%	368	369	0%	0.3%
5 \$430K to \$590K	1,226	1,282	51%	5,898	7,380	25%	2.0	42	36	(7)	504	2%	493	493	0%	-0.6%
6 \$590K +	2,047	1,003	33%	3,828	4,575	20%	5.4	65	58	(7)	1,189	33%	886	891	1%	-1.6%
Grand Total	4,666	5,609	55%	37,028	37,053	0%	1.5	28	25	(2)	757	80%	384	420	9%	0.2%

BUYER CHARTS



Q Is it better to rent or buy?

See Page 15

Q How much wealth could I generate for my family by ...
Buying our first time house / condo
Trading up to a bigger place
Moving up to a luxury home

See Page 16

See Page 17

See Page 18

Q Is it still a good time to buy? Isn't the market overheated? Is it too late?

See Page 19

Q Historically, how much higher were mortgage rates in the past? Will interest rates go up? How could higher interest rates impact the market?

See Page 20

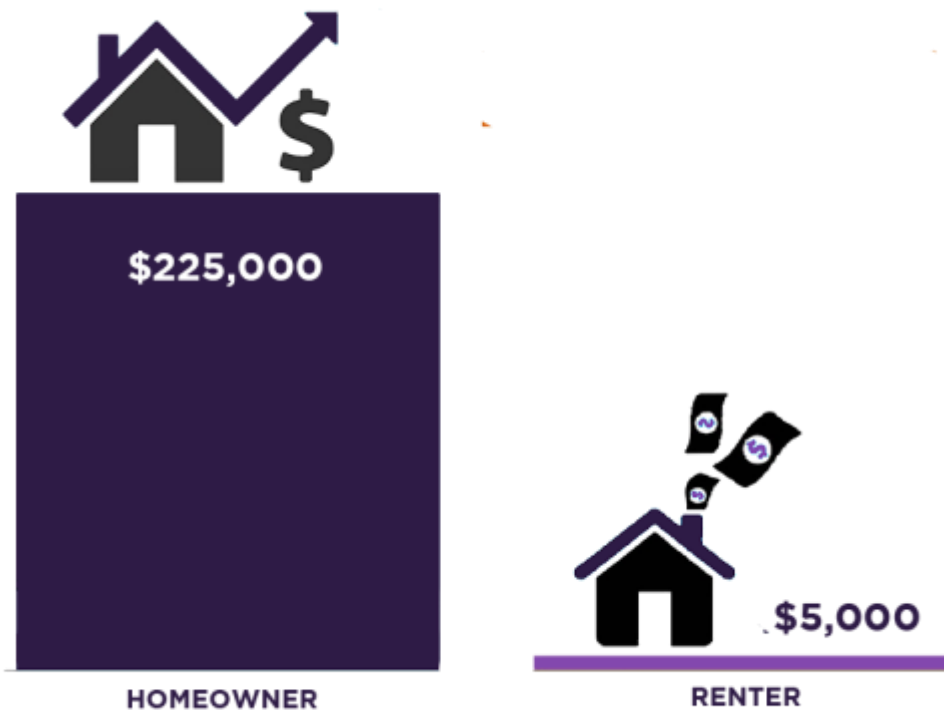
Q Have recent increases in home prices made houses unaffordable?

See Page 21

Buying is generally more affordable and less expensive than renting. In addition, research by the Federal Reserve found that home owners accumulate 35x more net worth than renters over their lifetime.

AN AMERICAN FAMILY'S NET WORTH

It's still a very good idea to buy vs. rent.



Data Source Federal Reserve 2012

If you buy a home today vs. next year (First Time Buyer). Over \$195,000 in wealth creation in ten years!

ASSUMPTIONS

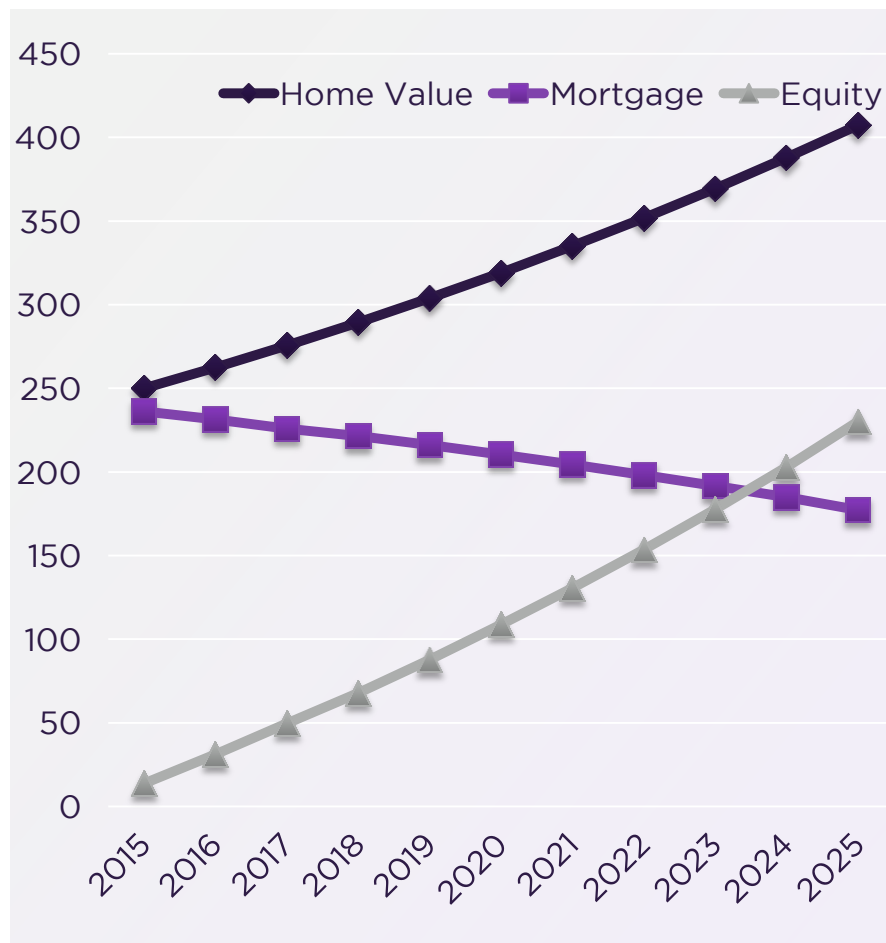
Buy now

- Purchase price: \$250,000
- Down payment %: 5%
- Down payment \$: \$12,500
- Rate: 4.25%
- Amortization: 30 years
- Payment: \$1,107
- Appreciation %: 5% per year
- Appreciation \$: \$157,000
- Loan pay down: \$ 59,000
- Simple ROI: 1700%

Wait 12 months (“watch market”)

- Assume mortgage rates +0.5%
- Assume home appreciation +5%
- Payment in '16: \$1,232
- Payment change: +11%

PROJECTED HOME CHANGE IN VALUE



If you buy a home today vs. next year. Over \$285,000 in wealth creation in ten years!

ASSUMPTIONS

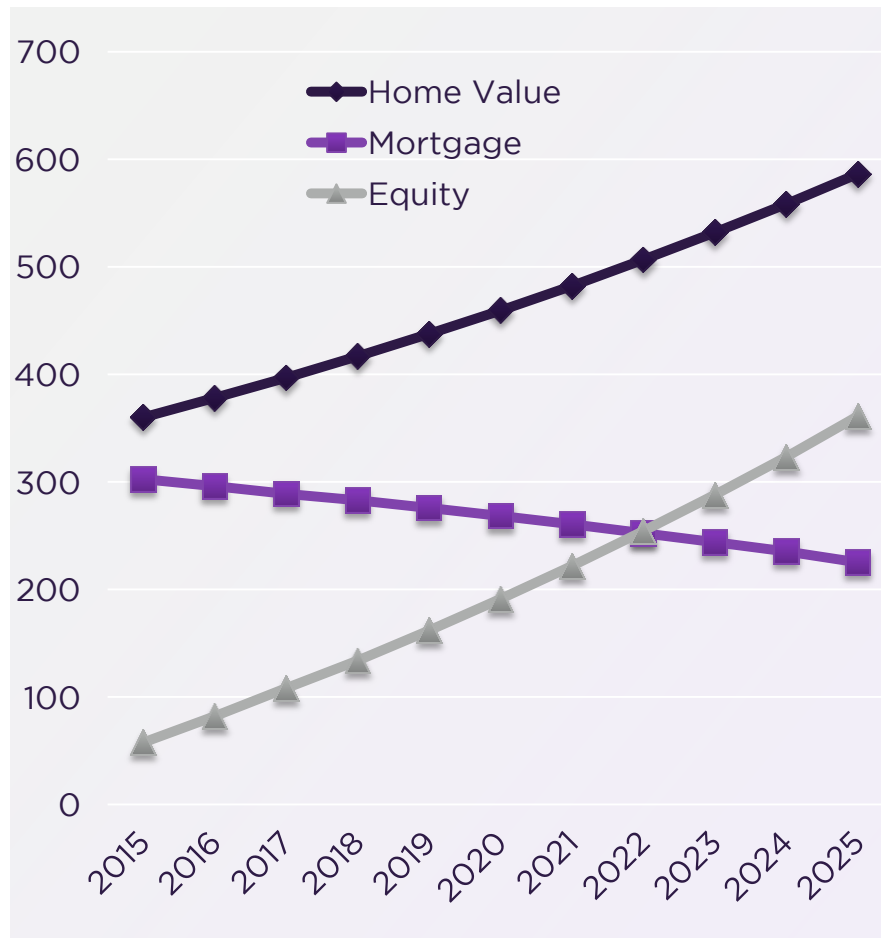
Buy now

- Purchase price: \$360,000
- Down payment %: 20%
- Down payment \$: \$72,000
- Rate: 4.00%
- Amortization: 30 years
- Payment: \$1,375
- Appreciation %: 5% per year
- Appreciation \$: \$226,000
- Loan pay down: \$ 61,000
- Simple ROI: 500%

Wait 12 months (“watch market”)

- Assume mortgage rates +0.5%
- Assume home appreciation +5%
- Payment in '16: \$1,530
- Payment change: +11%

PROJECTED HOME CHANGE IN VALUE



If you buy a home today vs. next year. Over \$550,000 in wealth creation in ten years!

ASSUMPTIONS

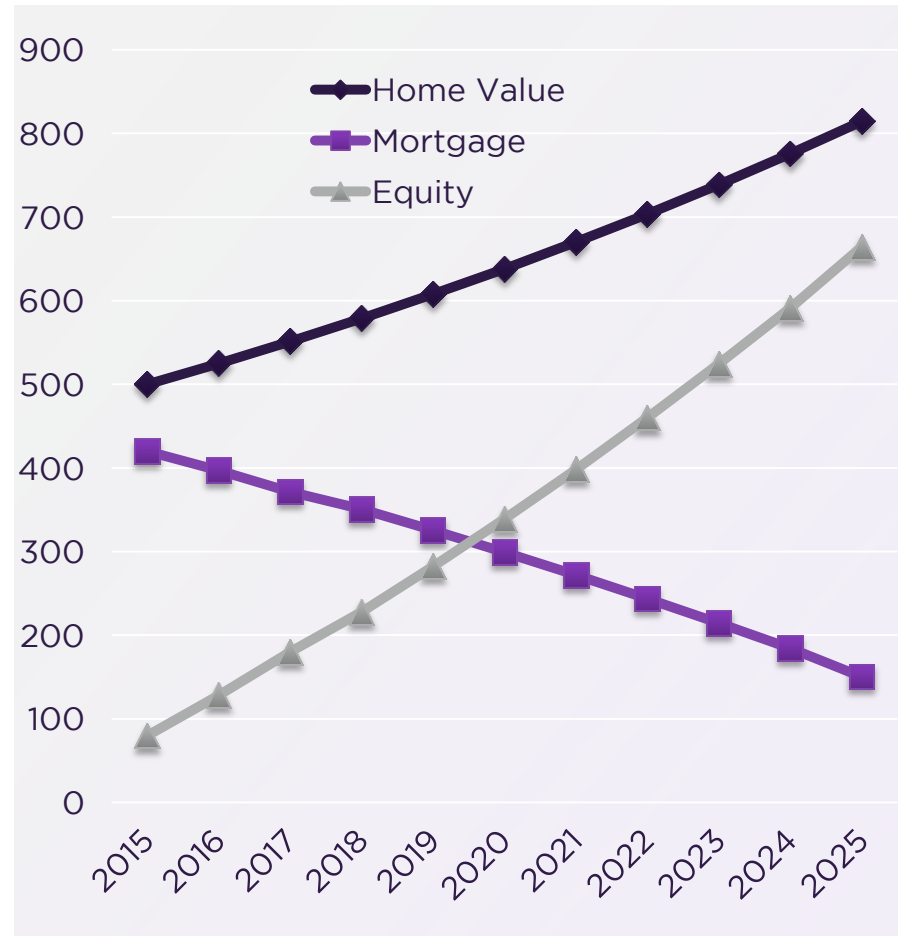
Buy now

- Purchase price: \$500,000
- Down payment %: 20%
- Down payment \$: \$100,000
- Rate: 3.50%
- Amortization: 15 years
- Payment: \$2,860
- Appreciation %: 5% per year
- Appreciation \$: \$314,000
- Loan pay down: \$243,000
- Simple ROI: 660%

Wait 12 months (“watch market”)

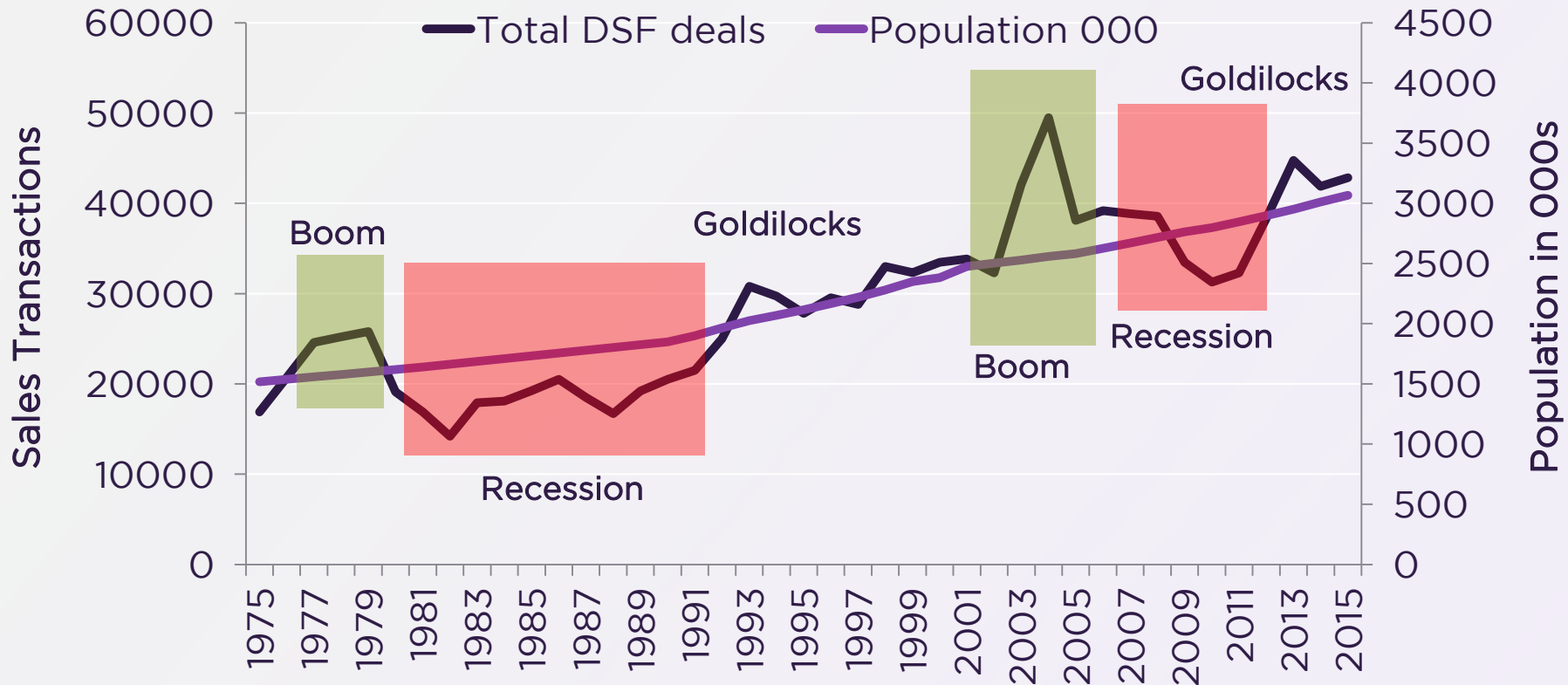
- Assume mortgage rates +0.5%
- Assume home appreciation +5%
- Payment in '16: \$3,110
- Payment change: +9%

PROJECTED HOME CHANGE IN VALUE



Sales unit volume relative to population fluctuates depending Denver's economy. 2014 sales volume was 11% off the 2004 peak, 2015 volume was only +1% ... Metro Denver now has 18% more people than it did in 2004!

RELATIONSHIP BETWEEN POPULATION GROWTH AND HOME SALES

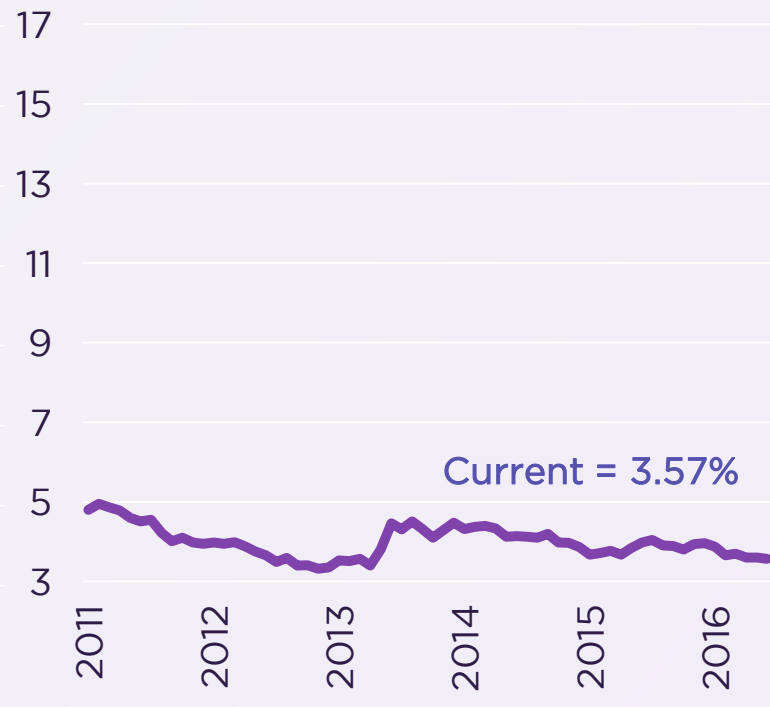
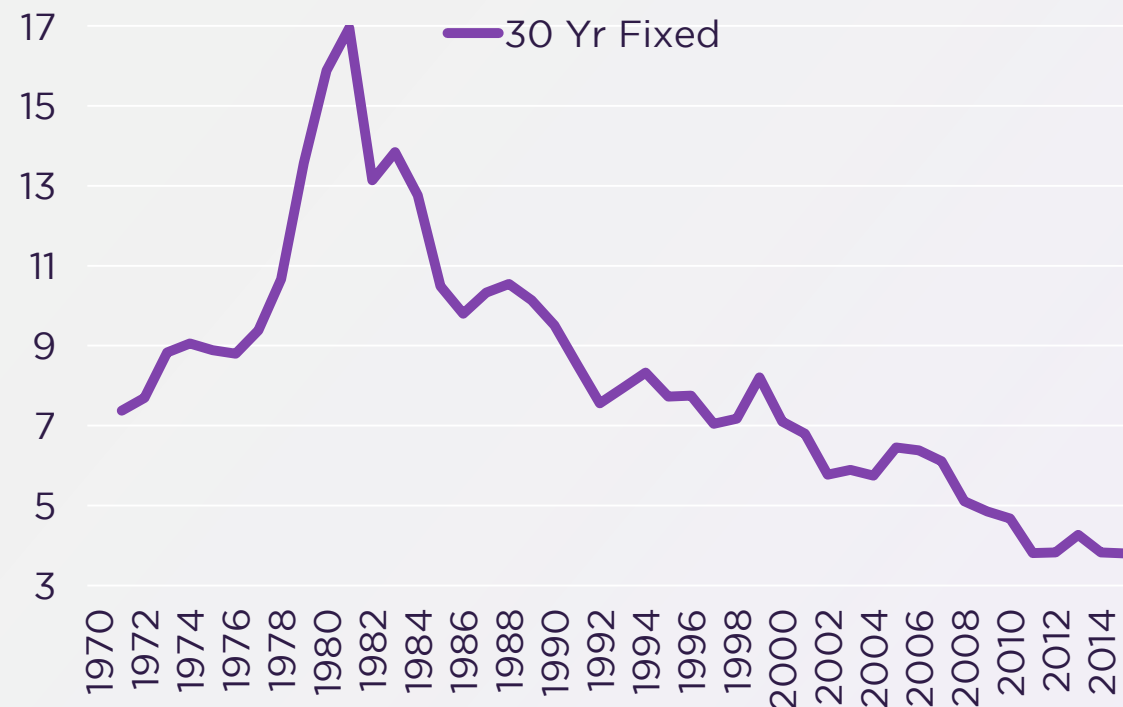


Data Source: ReColorado.com

Mortgage rates are up modestly recently, but are still very low by historical standards. A \$60K household can afford a \$310,000 house at 3.5%. At 4.5%, they can afford \$275,000.

30 YEAR FIXED RATE: 1971-2013

30 YEAR FIXED RATE: 2011-15



'70s Avg = 9%

'80s Avg = 13%

'90s Avg = 8%

'00s Avg = 6.5%

'10s Avg = 4.1%

Payment, P+I, \$200K loan

\$1610

\$2210

\$1470

\$1260

\$965

Max home \$60K person can afford

\$170,000

\$125,000

\$190,000

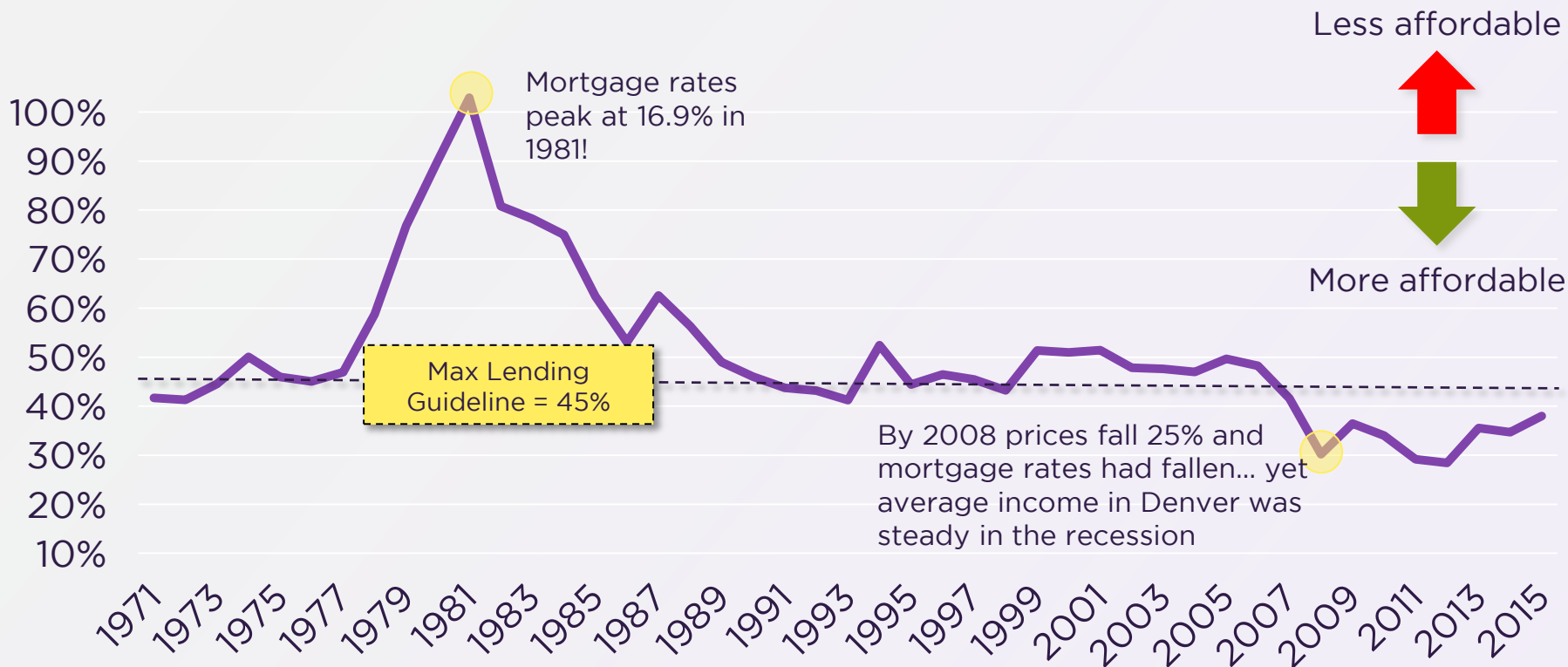
\$220,000

\$290,000

Source(s): Freddie Mac, Your Castle Real Estate
http://www.freddiemac.com/pmms/pmms_archives.html

We compared average Denver per capita income, average home Denver price, and the average annual mortgage rate to find DTI (Debt to Income). A lower number means more affordable. We're still near the historic low for the past 45 years.

DTI (AVERAGE DEBT TO INCOME) FOR DENVER METRO



Source(s): Freddie Mac, Your Castle Real Estate
http://www.freddiemac.com/pmms/pmms_archives.html

SELLER CHARTS





How do home prices vary throughout the year?

See Page 24



How does showing traffic vary by month?
What's a "normal" number of showings?

See Page 25



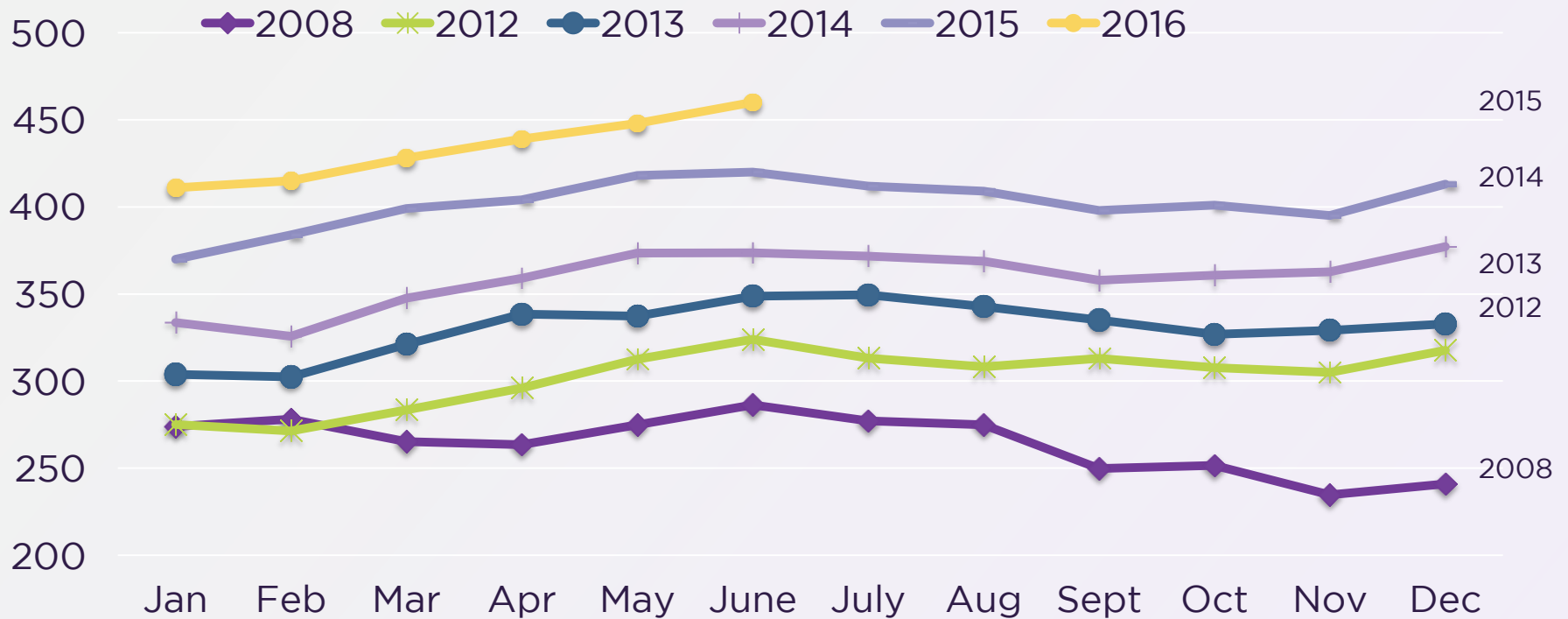
How the price of the home impacts the
expected number of showings?

See Page 26

2015 continued to show strong price appreciation, as has the first half of 2016.

DENVER METRO - AVERAGE HOME PRICE (DSF ONLY, NOT CONDOS OR TOWNHOMES)

Sales Price in \$000

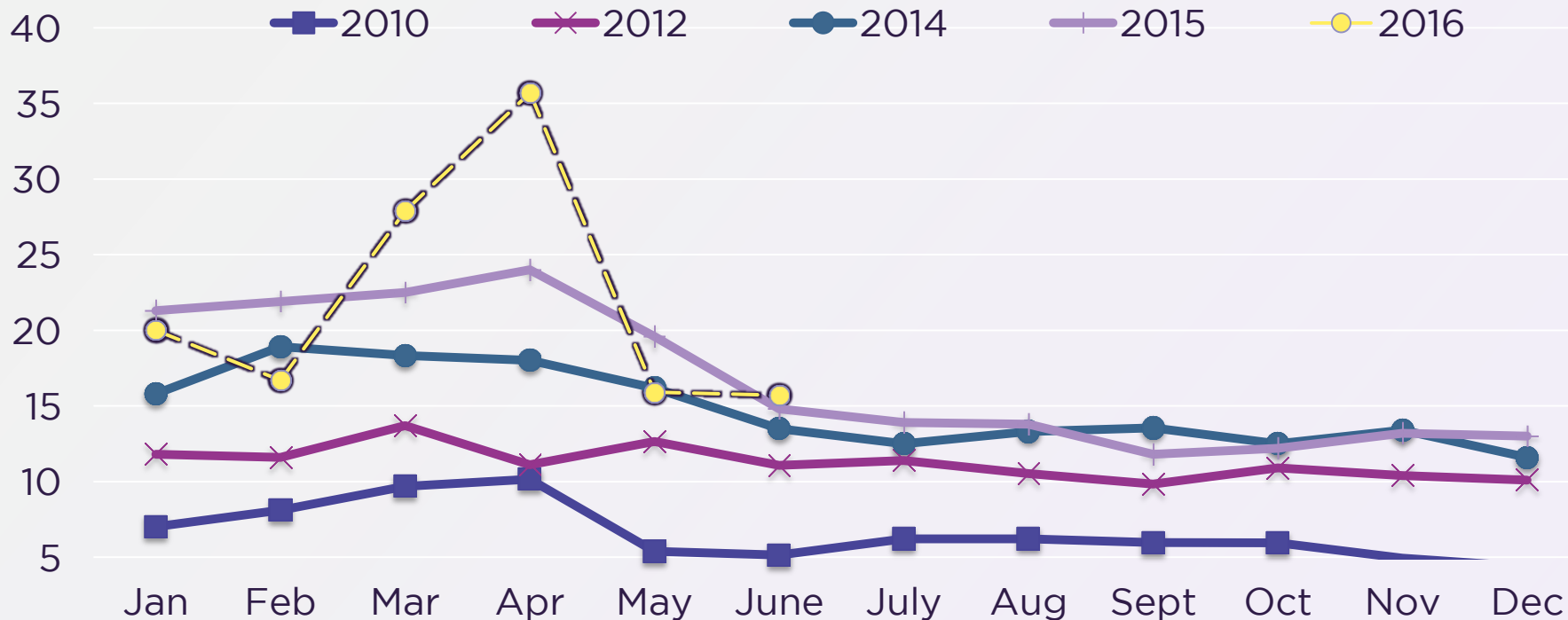


Data Source: ReColorado.com

Showings in 2015 outperformed 2014 overall. 1Q16 saw extremely strong showing traffic, in 2Q16 showing traffic returned to levels more in line with recent years. **It's still a great time to be a seller!**

SHOWINGS / ACTIVE LISTING (HOMES + CONDOS FOR YCRE, 2010 - 2015)

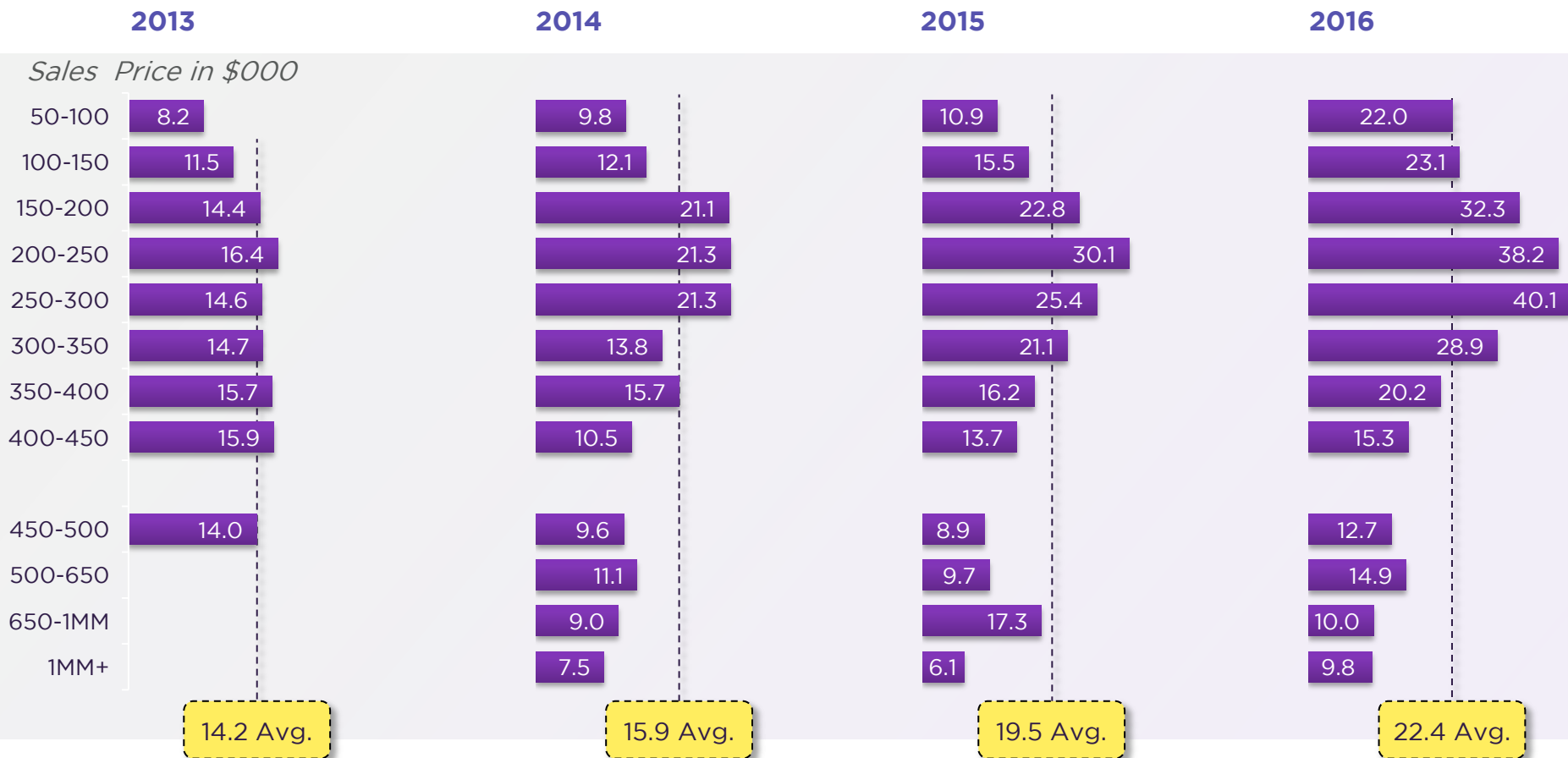
Showings per listing



Source: Your Castle Real Estate analysis. Based on information from Centralized Showing Service

Showing traffic in 2Q16 was similar to that of 2Q15.

SHOWINGS / ACTIVE LISTING - 2Q HOME AND CONDO FOR YCRE. BY PRICE POINT.



Source: Your Castle Real Estate analysis. Based on information from Centralized Showing Service

INVESTOR CHARTS





How much wealth could I generate for my family from our first rental?

See Page 29



How has Denver's population grown historically? What is forecasted? Does population growth relate to real estate?

See Page 30



How do the demographics of the city impact home purchase and rental trends?

See Page 31



What are the trends for construction of new homes and rentals? Are we building too many or not enough? Why are developers acting as they do?

See Page 32



How have the population, demographic and construction trends impacted the rental market? What is likely to happen in the next few years?

See Page 33



How long can the market stay like this?

See Page 34

If you buy a rental property today vs. next year. Even though prices are up 40% in four years, rents have gone up about the same amount, so an investor can still earn great returns today!

ASSUMPTIONS

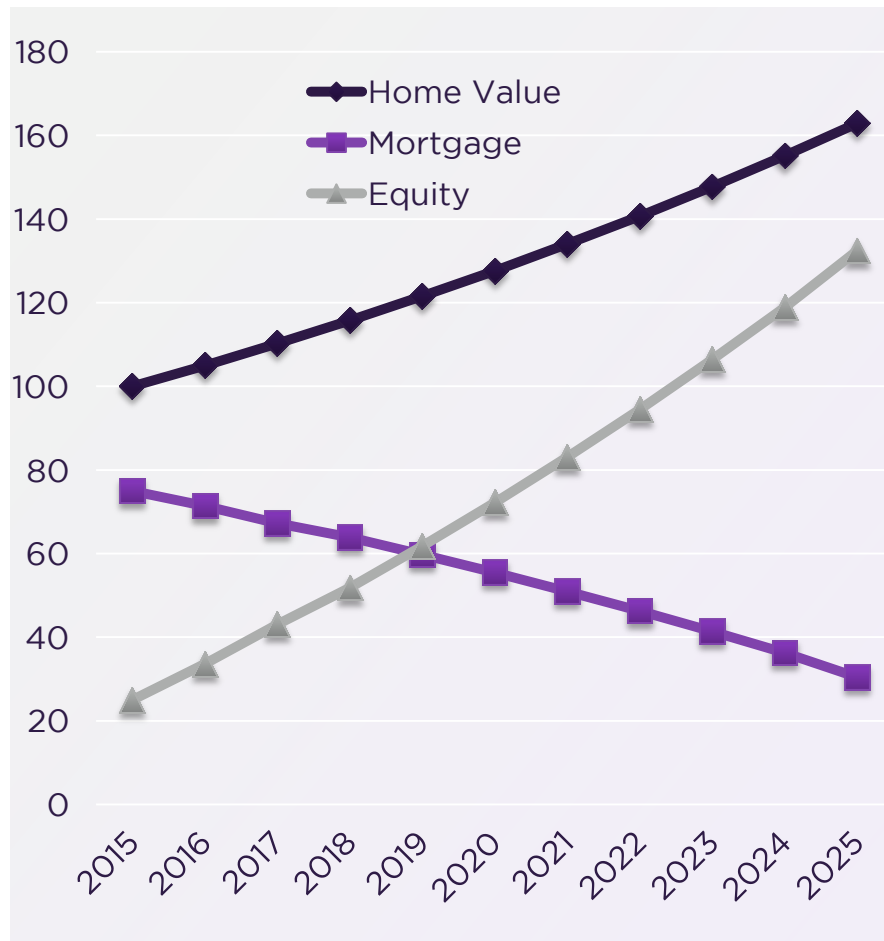
Buy now

- Purchase price: \$100,000
- Down payment %: 25%
- Down payment \$: \$25,000
- Rate: 4.25%
- Amortization: 15 years
- Payment: \$565
- Appreciation %: 5% per year
- Appreciation \$: \$63,000
- Loan pay down: \$45,000
- Simple ROI: 530%

Wait 12 months (“watch market”)

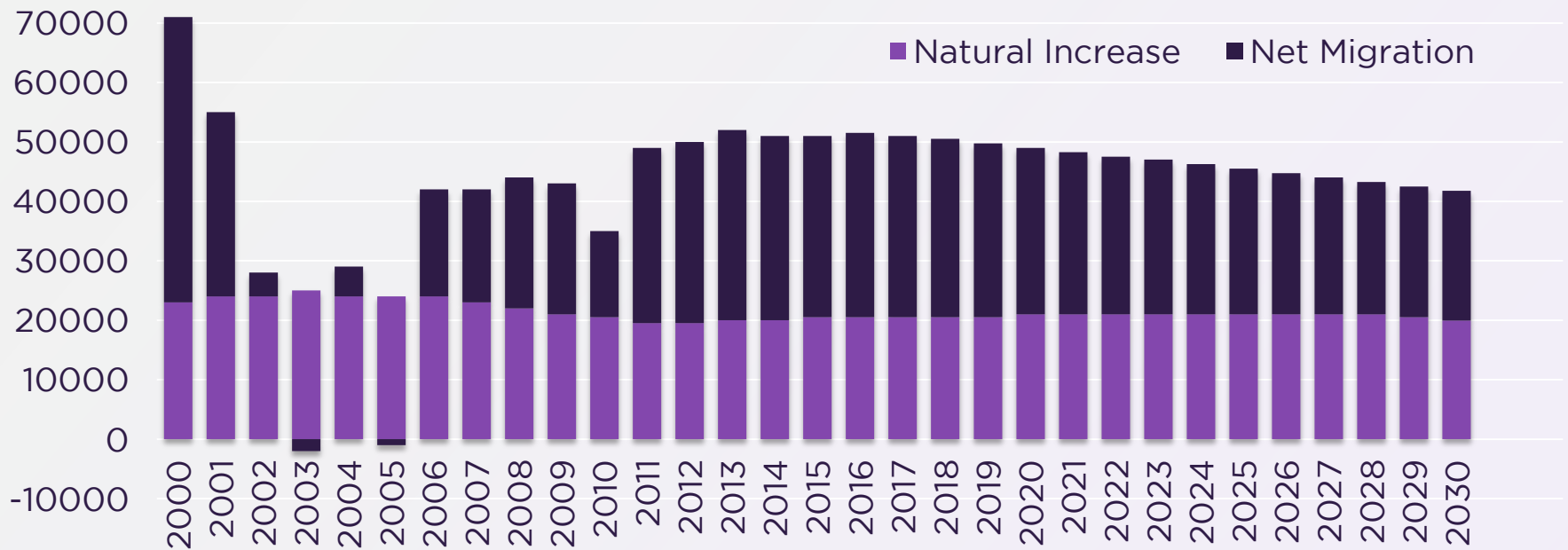
- Assume mortgage rates +0.5%
- Assume home appreciation +5%
- Payment in '16: \$615
- Payment change: +9%

PROJECTED HOME CHANGE IN VALUE



Local economist Patty Silverstein and the Census Bureau expect the Denver population will continue to grow around 50,000 people per year. Where are they going to live?

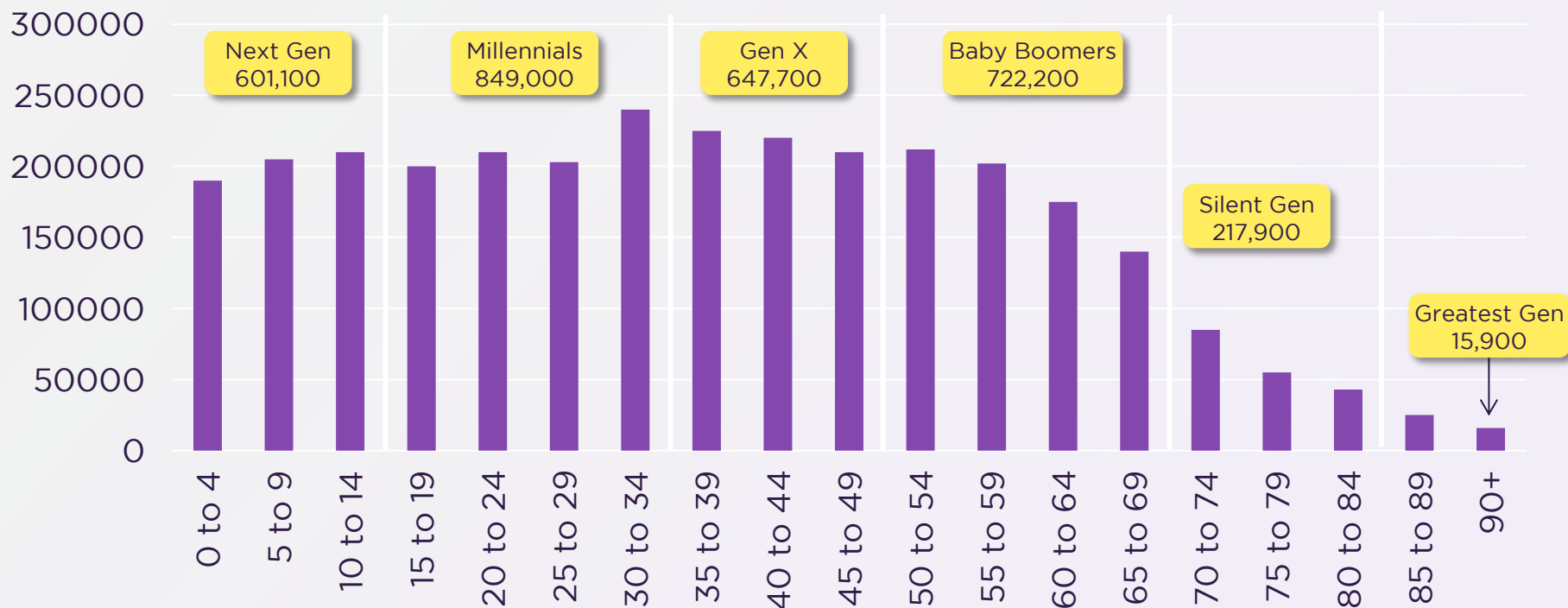
2015 POPULATION - 3.05 MILLION



Source: Colorado Division of Local Government, State Demography Office.

The population of metro Denver will grow from 3.0 million (2015) to 3.5 million (2025). Millennials continue to be the biggest group. 36% of Millennials currently live with parents. This will drive a lot of household growth as they move out.

METRO DENVER POPULATION 2015 = 3.05 MILLION

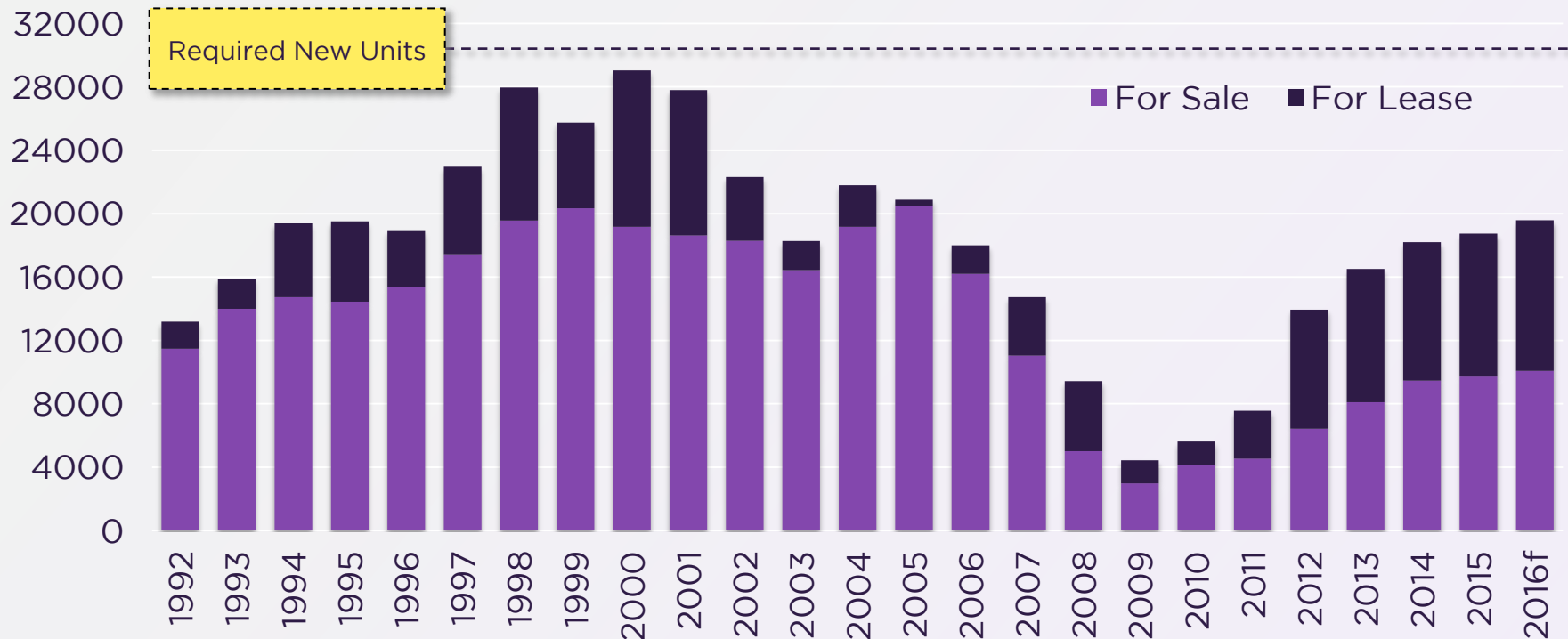


Source: Colorado Division of Local Government, State Demography Office

Local economist Patty Silverstein estimates 16,000 units were permitted in 2014 and 18,000 units in 2015. That’s for rental (top bar, in yellow) and for sale (blue bar).

- 31,000 new units per year (10,000 rental, 21,000 for sale) required to keep pace with 50,000 new residents per year.

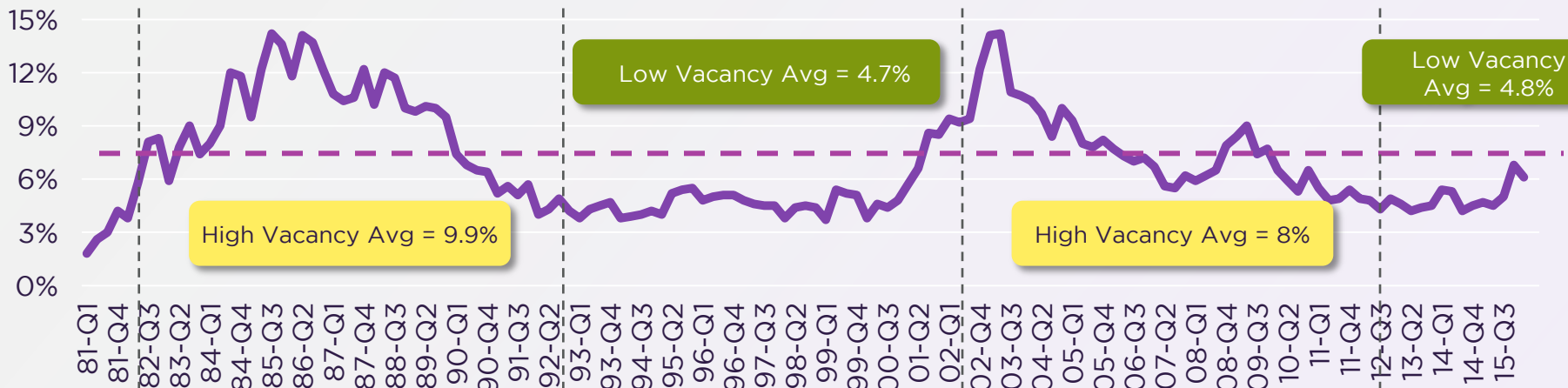
APPROVED PERMITS



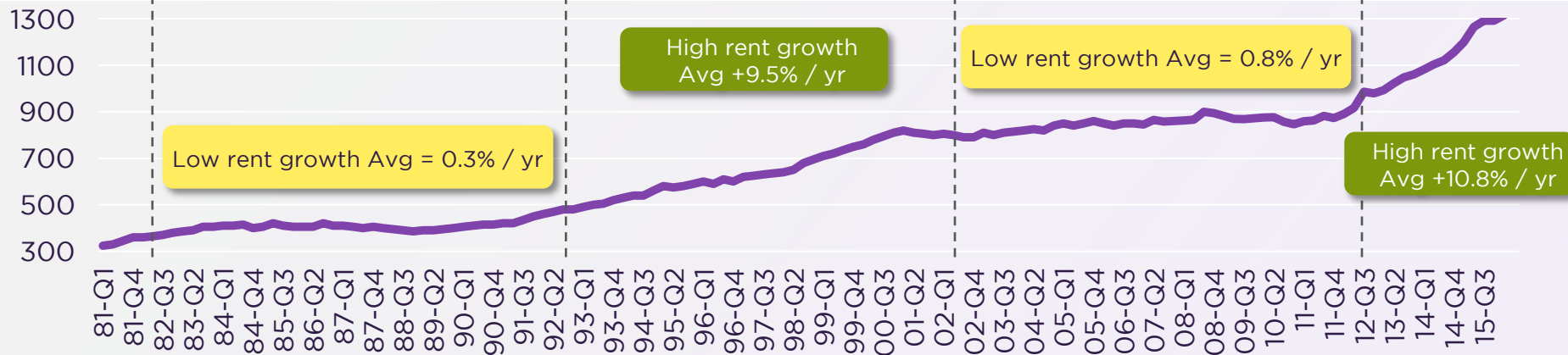
Source(s): The Genesis Group, Home Builder's Association of Metropolitan Denver
 Note: Seven County Metro Denver includes Adams, Arapahoe, Boulder, Broomfield, Denver, Douglas and Jefferson Counties

When Denver rental vacancy is below 6%, we experience rent growth. 1981-2014 average rent growth: 4%. (Apartment data only)

VACANCY RATE BY QUARTER %



MEDIAN RENT BY QUARTER (\$)



Source: Apartment Association of Metro Denver Note: DSF = Detached Single Family Home

“How long will the market stay like this?”

There are three reasons why we don't have much inventory, and while we'll continue to be short of inventory for the next 3-5 years:

- Denver has historically grown by 50,000 people a year.
 - The Census Bureau expects that rate of growth to continue for at least another decade.
 - Denver metro will grow from 3.0 today to 3.5 million by 2025.
- Millennials are the biggest generational group in Denver – 850,000 people!
 - Over 300,000 of them live with their parents and want their own place.
 - This is a huge segment of pent-up demand.
 - By comparison, we sell around 50,000 homes in Denver each year.
- We need to add 11,000 rental units and 21,000 for-sale units each year to keep pace with all of this market demand.
 - In 2015, we'll only add 8,000 rentals and sell 10,000 new homes.
 - Builders can't even come close to keeping up.
 - Land is scarce, water is expensive, and there's a skilled labor shortage.
 - Many building materials have gone up in price quite a bit, too.
 - Local governments that issue building permits are swamped.

As a result, the tight inventory for homes and rental properties will continue, even as interest rates increase.

- Home prices will continue to increase above their historical rate of 6% per year.
- Rents will keep increasing faster than their historical 4% annual inflation.

FUTURE PROJECTIONS





How has inflation behaved over the past 45 years?

See Page 37



Have Denver home prices grown faster than inflation?
Is real estate a good investment when inflation is increasing?

See Page 38



If homes continue to appreciate at the same pace as they did in the past 45 years, what could future prices look like over the next ten years?

See Page 39



How have Denver's average incomes increased over time?
Will future buyers be able to afford these prices?

See Page 40



Have different size homes appreciated at different rates?

See Page 41, 42

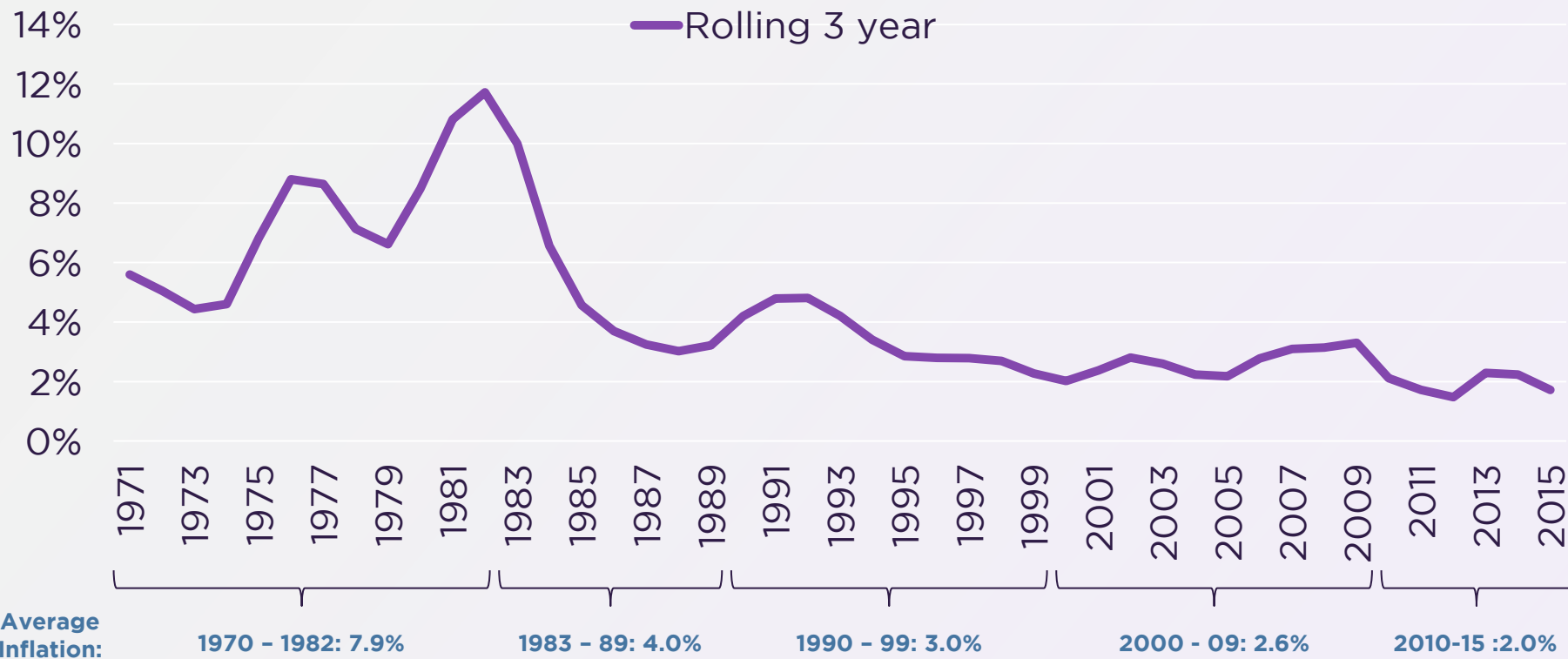


Do some neighborhoods have more appreciation than others over the last 20 year period?

See Page 43

Over the course of decades, inflation has quite an impact on prices. Since 1970, the average rate of inflation has been 4.3% per year. It varies a lot by decade. If you exclude the high-inflation 1970's, the average for 1980-2014 is 2.8% per year.

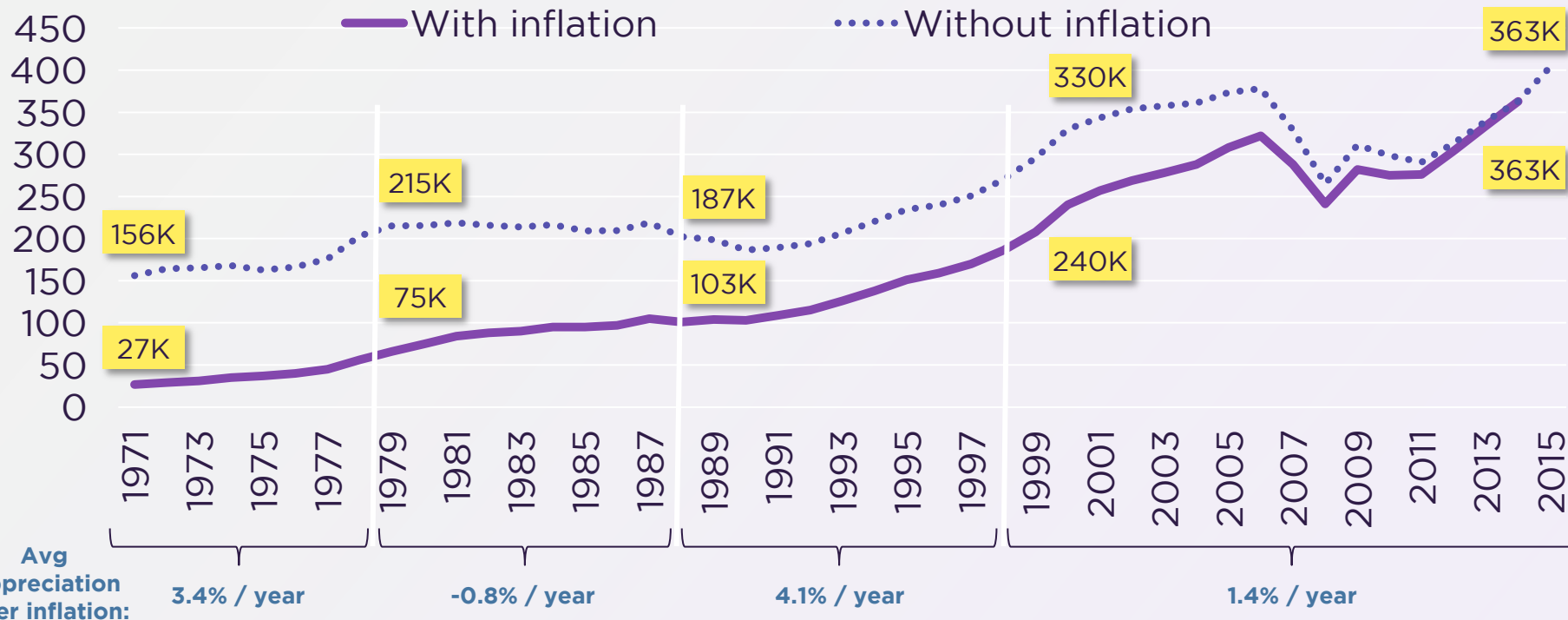
**US CPI (CONSUMER PRICE INDEX)
CHANGE IN INFLATION RATE, ANNUAL AND ROLLING THREE YEARS**



Home prices, adjusted for inflation, have grown 1.9% per year in Denver metro since 1971... from \$155,000 (1971) to \$405,000 (2015). If you do not adjust for inflation, home prices grew 6.3% per year... \$27,000 (1971) to \$405,000 (2015).

DENVER METRO (DSF ONLY, NOT CONDOS OR TOWNHOMES)

Sales Prices in \$000

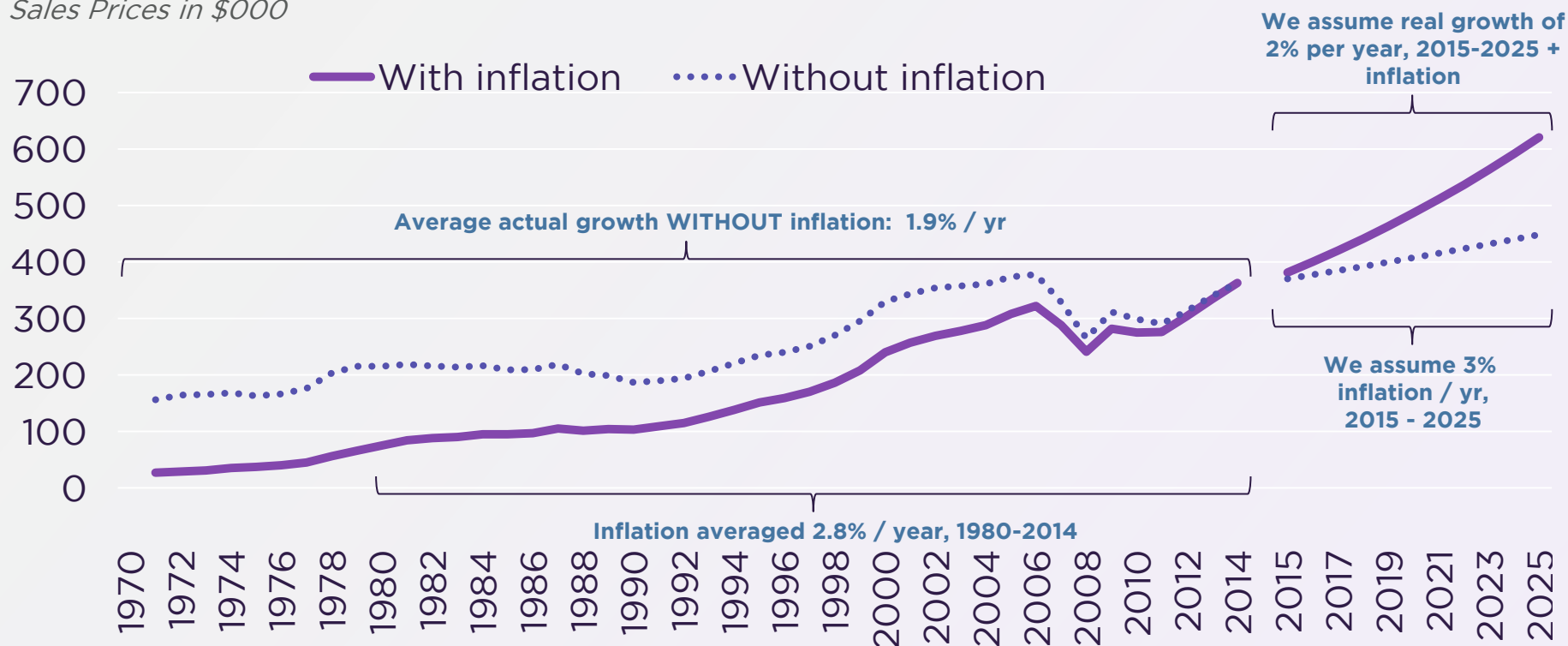


With 2.8% inflation and 1.9% real annual growth, about 5% per year could be plausible. The home price with inflation would grow from \$363K in 2014 to \$621K in 2025.

FORECAST

DENVER METRO (HOMES ONLY) - FORECAST 2015 - 2025

Sales Prices in \$000

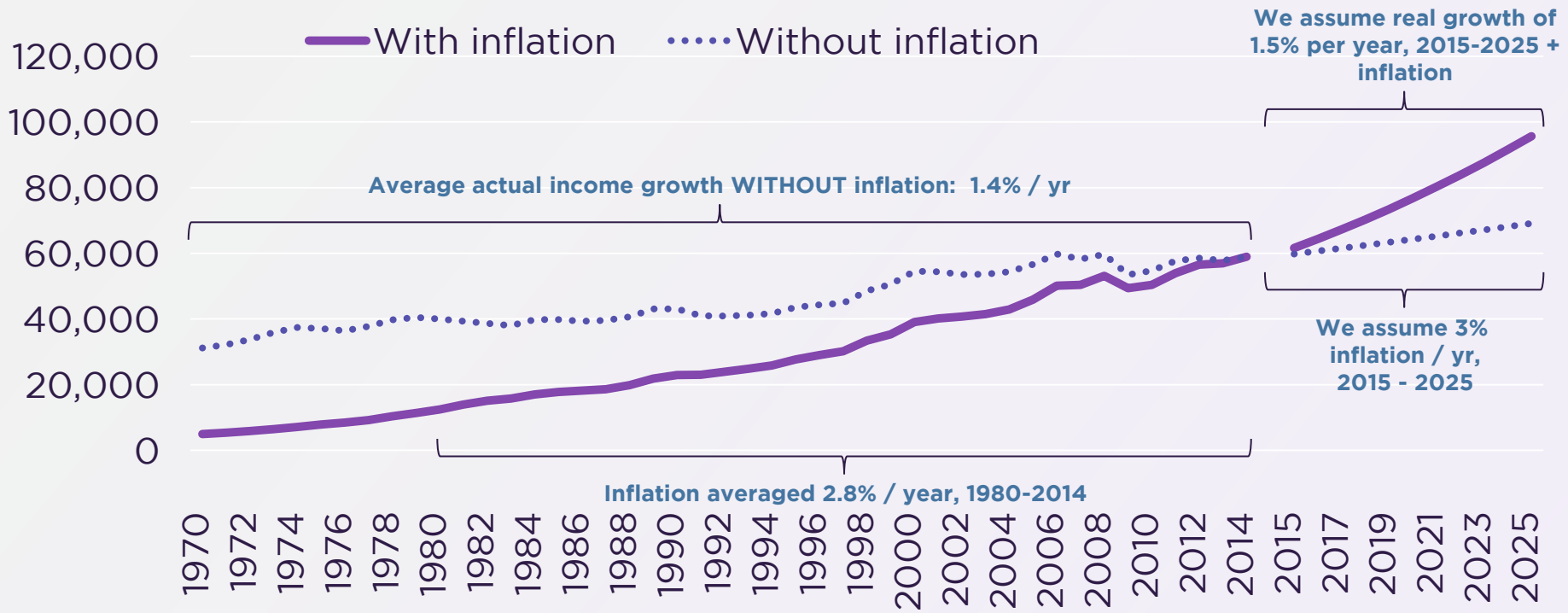


Source: Your Castle Real Estate

It's actually very plausible. Personal income in Denver, before adjusting for inflation, grew from \$4,900 (1970) to \$59,000 (2014). After taking out inflation, that's 1.4% per year – about the same as home price growth! If we assume 4.5% growth per year 2015-25 (with inflation), the average income will grow to \$96,000 by 2025. Home affordability won't change much.

FORECAST

DENVER PER CAPITA INCOME - FORECAST 2015 - 2025

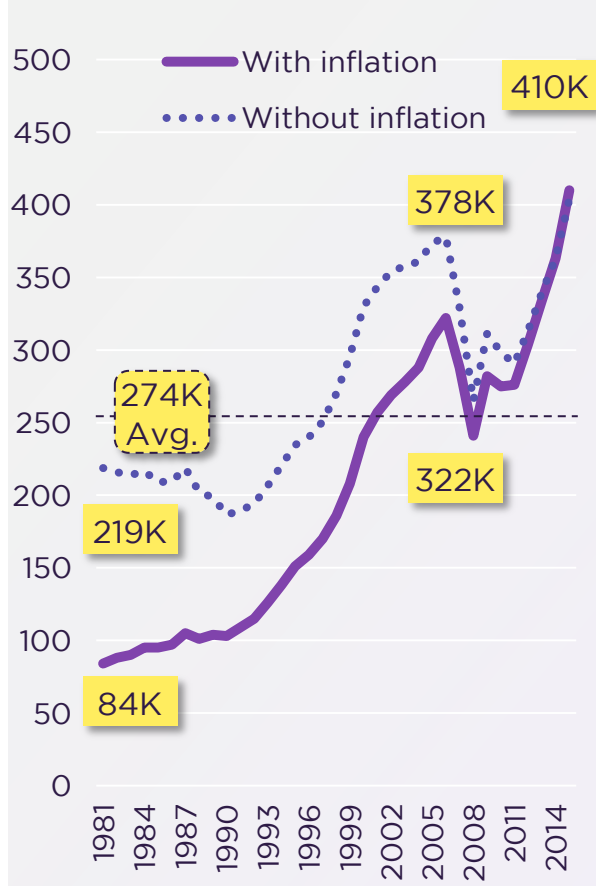


Note: DSF = Detached Single Family Home
Source: Your Castle Real Estate / First Alliance Title analysis

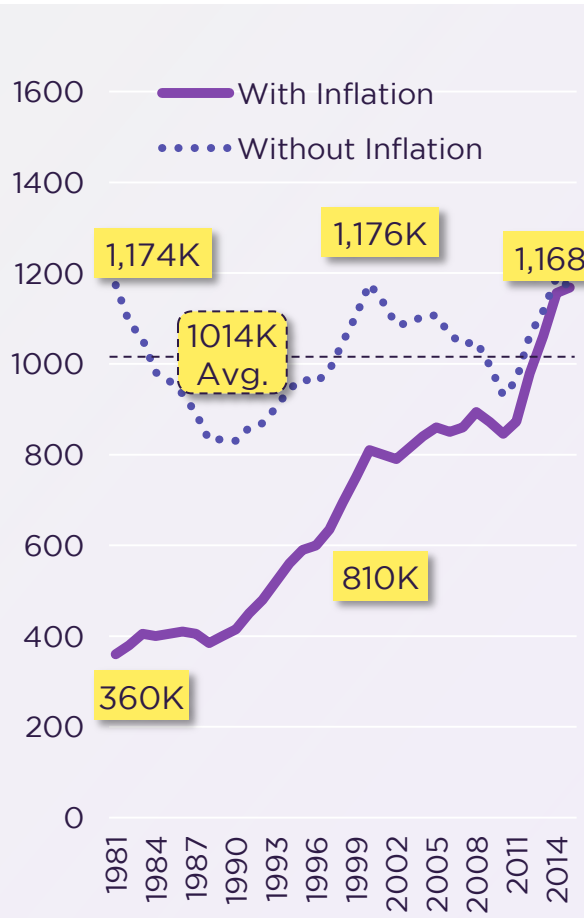
If you adjust for inflation, both home prices and rents are at historical high levels, but are not at unprecedented levels.

DENVER METRO HOME PRICES (NOT CONDOS)

Sales Prices in \$000 w/ and w/o inflation (CPI) factor



DENVER AVERAGE RENT (ALL APARTMENTS)



OBSERVATIONS

- After inflation, home prices peaked in 2006, and just recently hit a new high
- After inflation, rents were essentially the same in 1981, 1999 and 2015.
- Historically speaking, when you adjust for inflation, the recent run-up in rents and home prices is not noteworthy.

Source(s): Your Castle Real Estate analysis. Based on information from REcolorado®, Inc. And the Apartment Assoc of Metro Denver

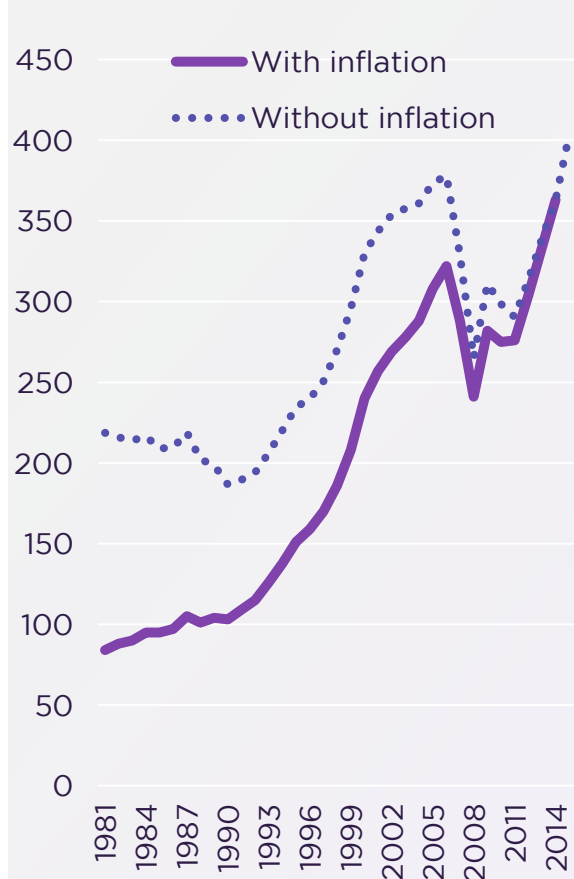
Since mortgage rates are historically low, Denver's home payments are historically still very affordable... cheaper than 2005-2006 with or without inflation.

DENVER METRO HOME PRICES (NOT CONDOS)

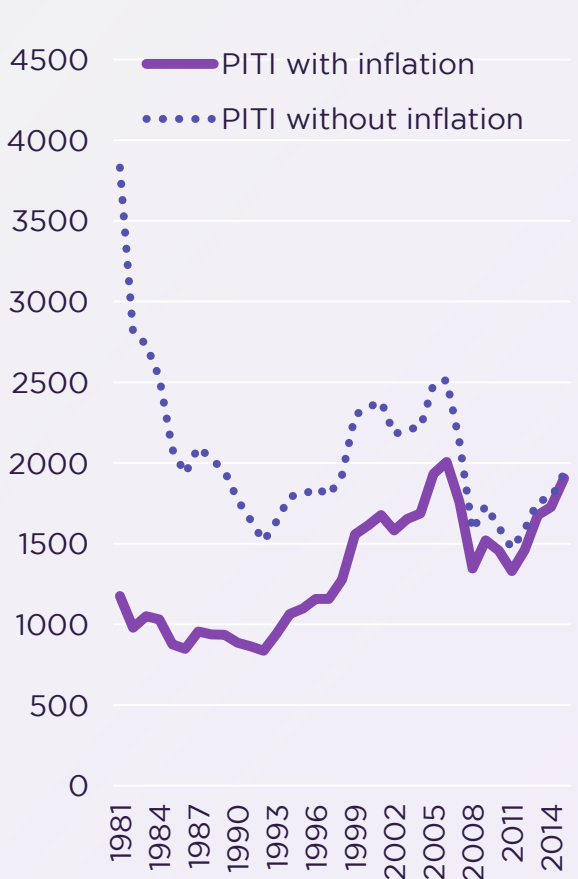
DENVER AVERAGE PITI

OBSERVATIONS

Sale Prices in \$000 w/ and w/o inflation (CPI) factor



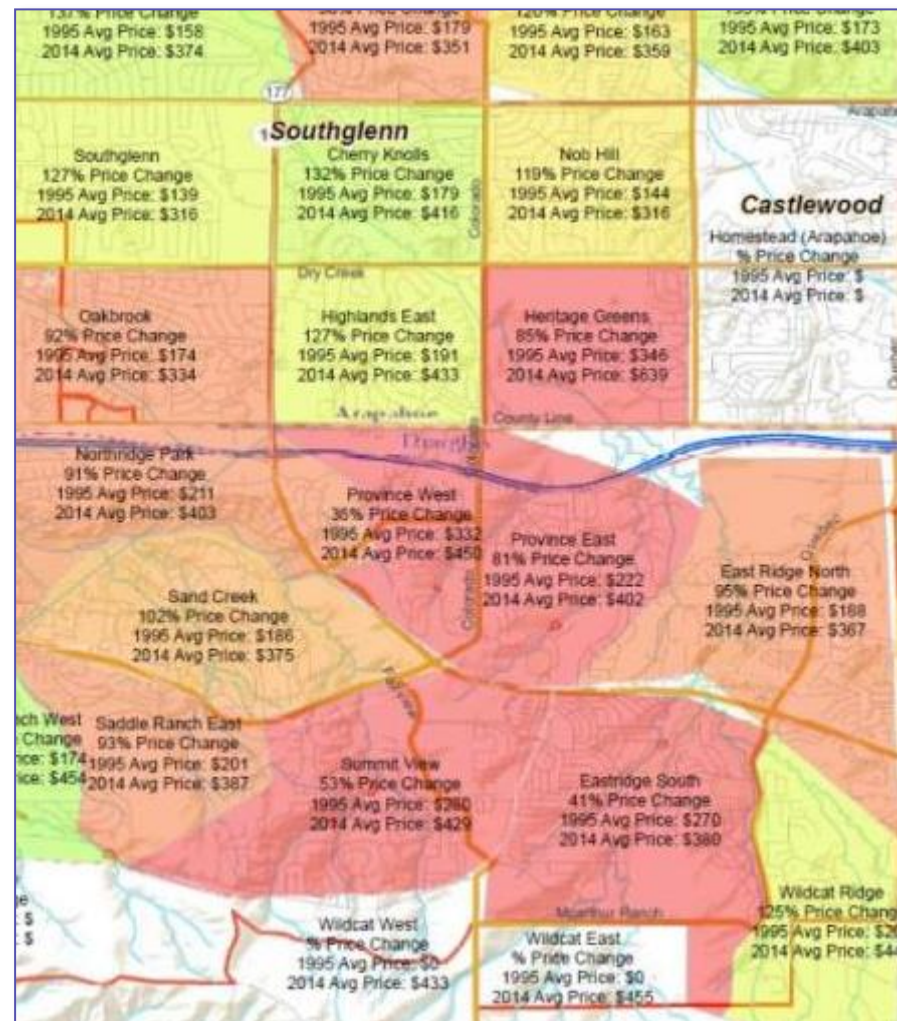
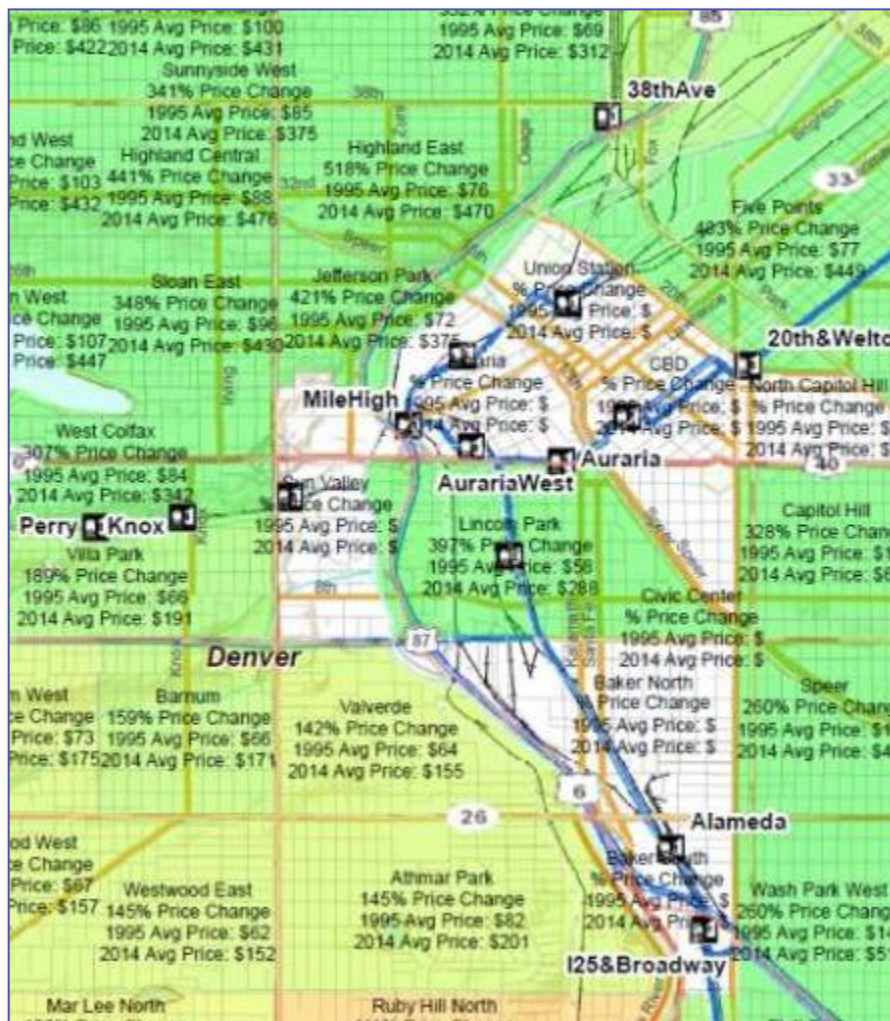
With and without inflation (CPI) factor



- If you adjust out inflation, PITI for the average home in Denver has averaged \$2050 over the past 35 years.
- 2015: \$1935 per month, less than the historical average.
- What if the average mortgage rate went up 1%? The PITI last year would have increased from \$1935 to \$2165
- If the mortgage rate +2%? The PITI last year would have increased from \$1935 to \$2405. That's still cheaper than 2005-06. Cheaper than 1981-1989. On par with PITI in 1995!

Source(s): Your Castle Real Estate analysis. Based on information from REcolorado®, Inc. And the Apartment Association of Metro Denver

Here's a look at some core Denver neighborhoods and their high rates of appreciation, 1994 - 2014.



ANATOMY OF A RE MARKET CYCLE





What leading indicators have historically predicted changes in prices?

See Page 46



What is the trend for MOI (months of inventory)?

See Page 47



Why do less expensive neighborhoods have more price volatility in the market cycle than expensive areas?

See Page 48

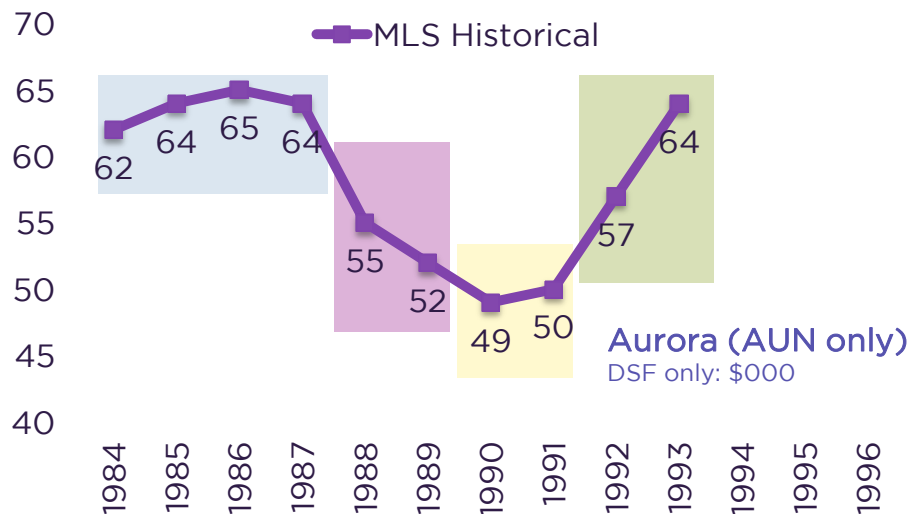
Denver's last two cycles had many common features. This doesn't enable us to predict the future, but it gives insights.

A: Before the Fall

- Prices are appreciating, but at a slowing pace, as the end of the cycle is near.
- Fall is foreshadowed by increasing foreclosure volume (though still at a relatively low level).
- Discounts and Days on market increase as inventory builds.

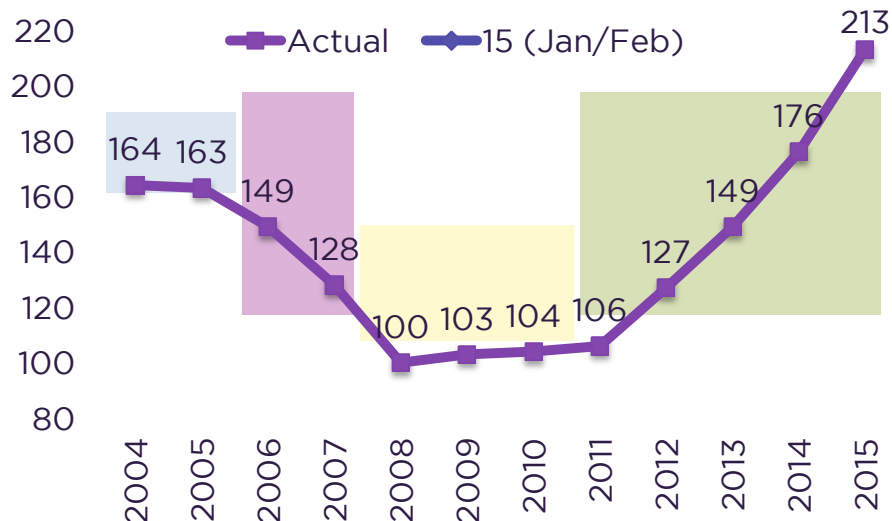
B: The Fall

- Number of foreclosures increases dramatically.
- Low cost distress sales replace regular full price sales; so blended average price decreases quickly.
- Elective sellers in good condition decide to wait or rent their homes, further reducing non-distress sales.
- DOM reaches peak; then inventories fall as owner occupant sellers pull out.



C: The Bottom

- Distress volume peaks and distress pricing hits bottom.
- First time buyers frustrated with lack of move-in ready inventory: pent-up demand.
- F&F'ers start to re-enter.
- Buy and hold investor (land lord) demand outstrips supply; multiple bidding gives a floor to prices.



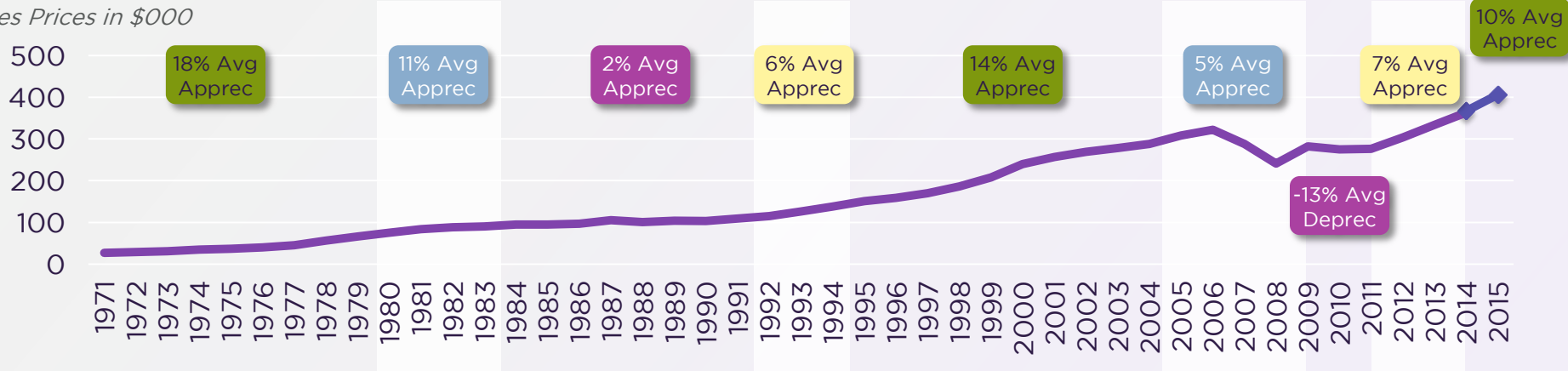
D: The Recovery

- Foreclosure volume declines.
- Non-distress sellers waiting on sidelines finally re-enter.
- Mix shifts from beat-up to nice homes; prices increase.
- "Show me investors" on sidelines rush in to market, increase market frenzy.
- Number of true "deals" shrinks but newbie investors buy anyway, driving up prices
- F&F activity increases; increasing quality and price of inventory.
- First time buyers finally buy; using up pent-up demand.

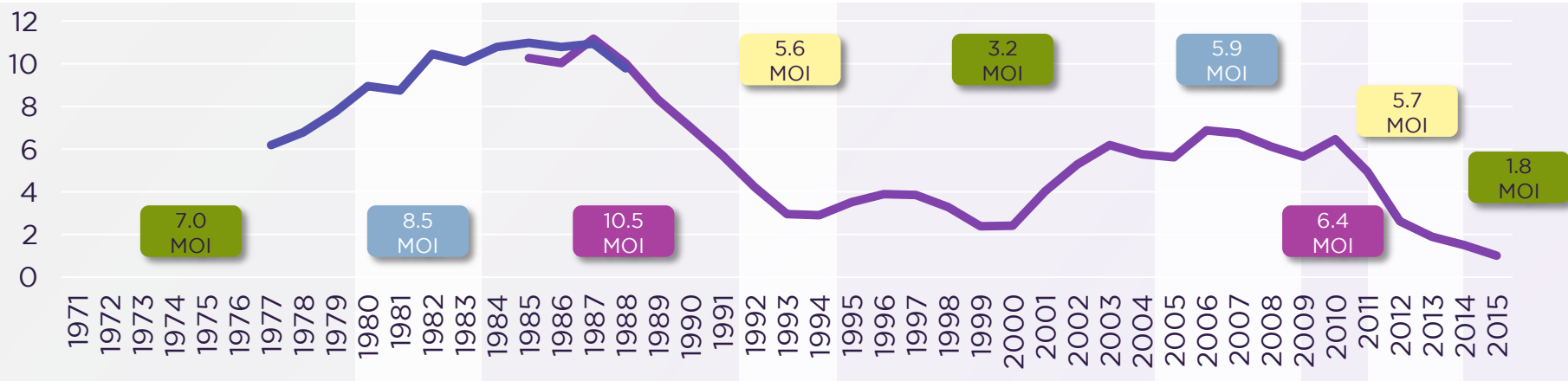
During times of high appreciation, MOI is low. MOI grows for ~3 years (highlighted in green) before a real estate recession starts (highlighted in blue).

DENVER METRO (HOMES ONLY, NOT CONDOS OR TOWNHOMES)

Sales Prices in \$000



MONTHS OF INVENTORY (MOI)

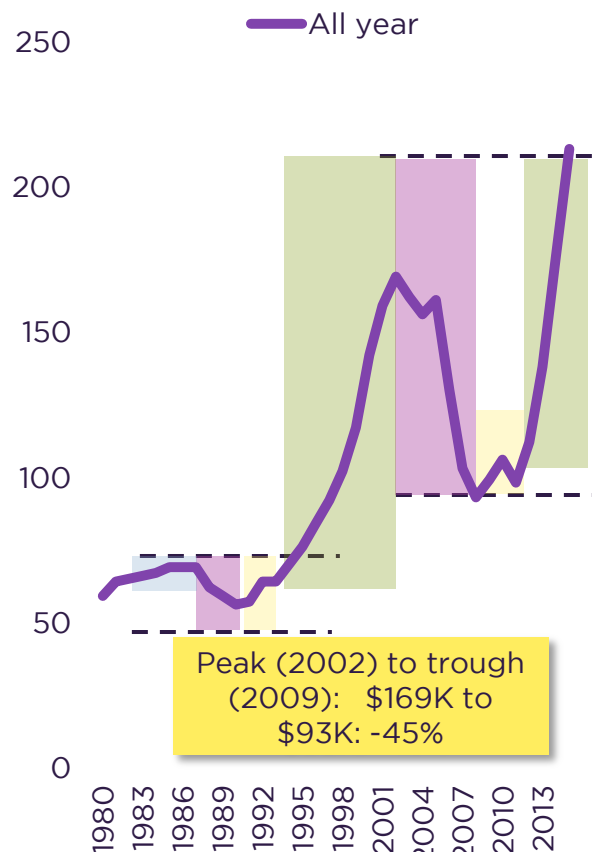


1Q16 update: MOI 1.0

Each neighborhood has a different path through the market cycle. More expensive areas have less volatility. NW Denver appreciated in the downturn. North Aurora was a roller coaster. Moderately priced S Aurora was in the middle.

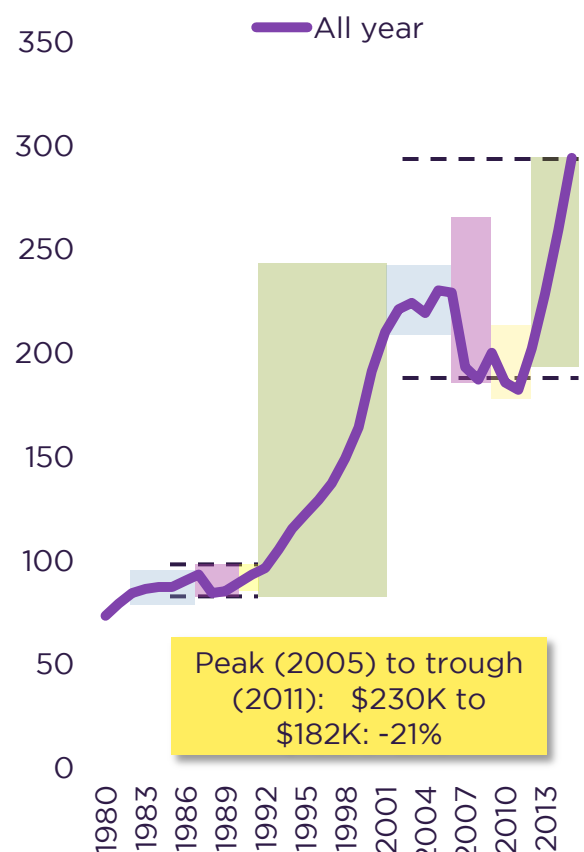
NORTH AURORA HOMES

Prices in \$000



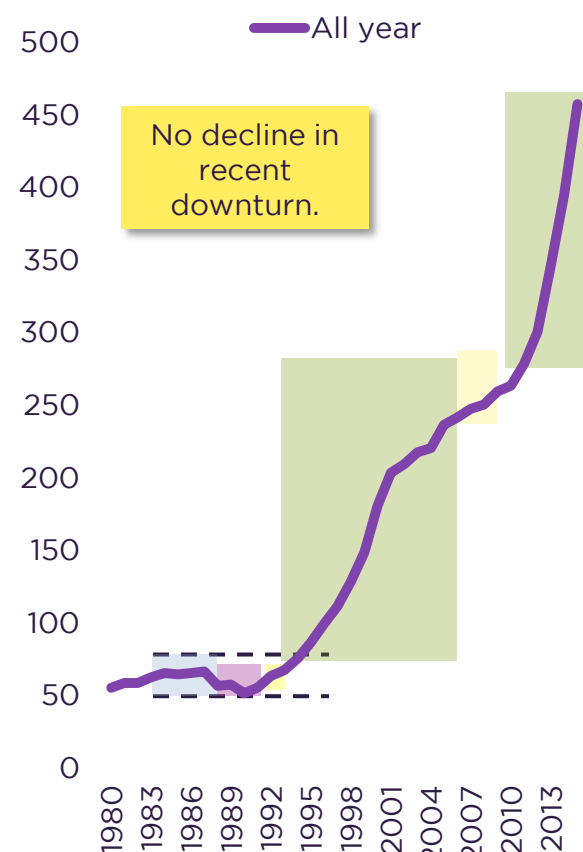
SOUTH AURORA HOMES

Prices in \$000



NW DENVER COUNTY HOMES

Prices in \$000



Source(S): Your Castle Real Estate analysis. Based on information from REcolorado®, Inc. And the Apartment Assoc of Metro Denver

Listing agents extol how Fitzsimmons has/will improve property values. Well, it's been ten years. Did it? No! Actually, SW Denver slightly outperformed N Aurora.

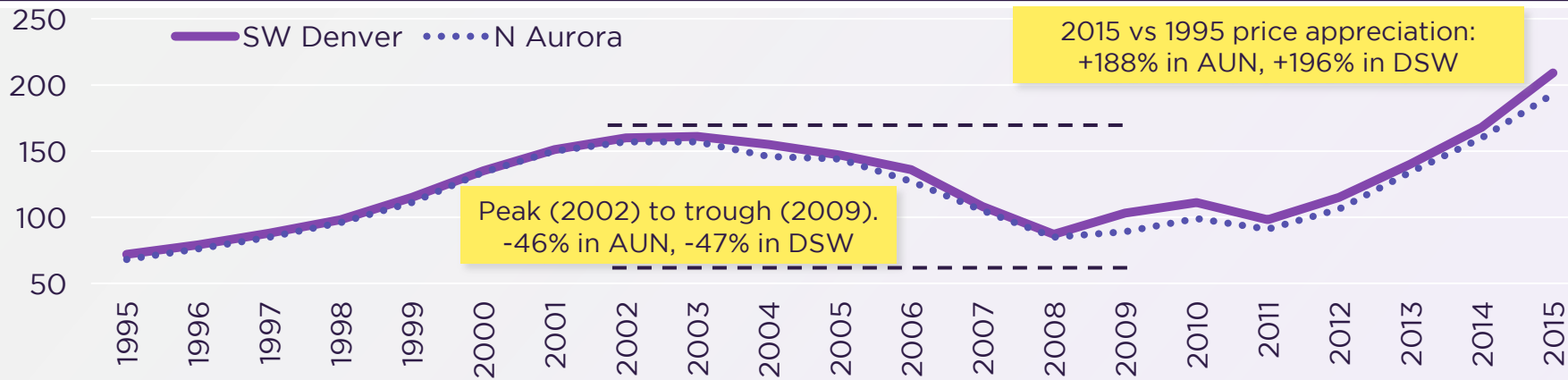
We created an index of the five least expensive neighborhoods in SW Denver County

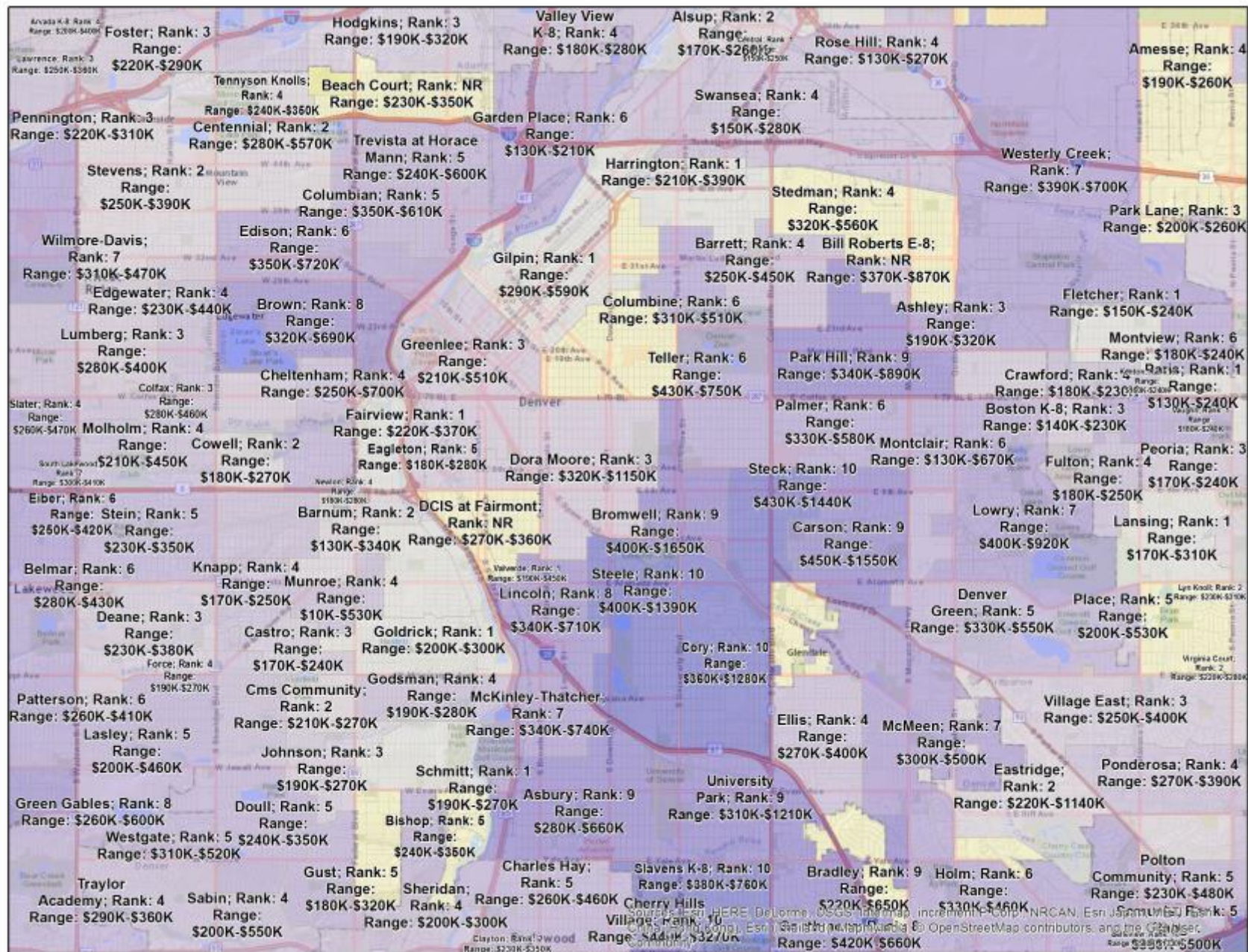


We created an index of the five least expensive neighborhoods in North Aurora near the new hospital



AVERAGE SALES PRICE BY YEAR





Sources: Esri, HERE, DeLorme, USGS, Imagery, Mapbox, OpenStreetMap contributors, and the GIS User Community

Notes from the attorneys...

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Source: Your Castle Real Estate analysis. Based on information from REColorado.com. Not all properties were listed and/or sold by Company. This representation is based in whole or in part on content supplied by the MLS. The MLS does not guarantee nor is it in any way responsible for its accuracy. Content maintained by the MLS may not reflect all real estate activity in the market.

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