February 2024 — NATIONAL TRENDS

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Your Castle Real Estate was started in 2004 and has grown to become the largest independent brokerage on the Front Range, according to the Denver Business Journal (DBJ). With over 750 agents in 6 offices, we sold over $2 billion of real estate in 2023. We have also appeared in local and national publications, including recent awards from the DBJ and the Inc. 5000 (See below).

Our staff and agents are passionate about delivering exceptional consumer experiences. We offer services from residential sales to corporate relocation and beyond, so that we can meet our clients' every need. We have experts in every field to guide clients skillfully from the beginning to the end of their real estate journeys. We believe that access to the best and most timely information can dramatically shape decisions, and no one does more research on the local housing market than Your Castle.

Your Castle Real Estate has given over $375,000 in charitable donations. We're a proud sponsor of the Ronald McDonald House and Boys and Girls Clubs of Denver.

Awards and Honors…

America's Fastest-Growing Private Company
2014: #2951
2015: #2163
2016: #2313

Denver's Fastest-Growing Private Company
2014: #5
2016: #10
2018: #5

Top Ranked Non-Franchise Firms in Colorado 2019: #1

Top Ranked Brokerage Firms in Colorado by Transactions
2019: #4

Best of Colorado 2017
Best Residential Real Estate Agency

As Seen In…

WHO IS JOE MASSEY AND CASTLE & COOKE MORTGAGE?

Joe is a graduate of the Colorado School of Mines with a degree in Economics and Business. Joe has been a lender since 2002; was named as a "Million Dollar Loan Officer" in 2007 and recognized by 5280 Magazine as a Five Star Mortgage Professional since 2012. Joe has been recognized as a top 500 loan originator nationwide by National Mortgage News and Scotsman Guide, most recently being recognized as the #64 top nationwide loan originator. National Mortgage News has ranked him in the top 1% of all originators nationwide since 2015. Prior to working with residential mortgages, Joe was a commercial lender, underwriter and financial analyst which prepared him for his mortgage career and taught him the specifics of how to get loans approved and how to find the best terms for the customer.

Joe now works as a Senior Loan Officer for Castle & Cooke Mortgage, a Billion Dollar mortgage lender based in Salt Lake City, Utah. In addition to his Loan Officer responsibilities, Joe manages several offices for Castle & Cooke Mortgage, including the Denver branch, which has been a leading office for the past 10+ years and remains a top office for Castle & Cooke Mortgage. In partnership with Your Castle Real Estate, First Alliance Title, Ironton Capital, Pine Financial and other real estate companies in Denver, Joe has closed hundreds of loans for both experienced and first-time homebuyers as well as numerous property investors. Joe continues to contribute to the real estate and mortgage community with his monthly presentations on financing options and continuing education.

Awards and Honors…

Top 500 Loan Officer Nationwide
2015 2016
2017 2018
2019 2020
2021 2022

Scotsman Guide Top Nationwide Mortgage Lender
2019
2020
2021
2022

Top 1% Nationwide Mortgage Lenders
2015 2016
2017 2018
2019 2020
2021 2022

As Seen In…

Interested in Passive Real Estate Investing? Our first four growth funds are tracking to a 17% annualized return. We offer three solutions.

Visit IrontonCapital.com

IRONTON CAPITAL

NATIONAL DIVERSIFIED FUNDS

Our National Diversified Funds (NDFs) are diversified along the three dimensions of risk management: **Strategy, geography, and Asset Class. IRR of 17-20%**

A typical NDF of $12-15 million will generally invest in 8-10 projects, with $1 to 3 million per project. This amount enables us to get exclusive access to premium projects and often receive better terms than small investors.

Learn More

SHORT TERM INCOME FUND

Our Short Term Income Fund (STI) provides investors with significantly higher income (**7.5-9.75% annually**) compared to money markets with a **good level of liquidity.** Dividends paid quarterly.

It's diversified among 200+ loans. It's run by commercial bankers, who apply rigorous underwriting. STI is taxed at the lower REIT tax rate (20% at federal level), resulting in tax savings for many (consult your CPA).

Learn More

MEDIUM-TERM INCOME FUND

Our Medium-Term Income Fund (MTI) provides investors with a fixed, predictable return of **11-13% annually**.

It provides a good level of liquidity over a slightly longer term. Dividends paid quarterly.

MTI is a great option for investors wanting **further diversification**, a **higher supplemental income**, and a similar risk profile relative to our Short-Term Income Fund.

Learn More

"While Lon Welsh, the Founder and a General Partner of the Company, is affiliated with Your Castle Real Estate; Your Castle Real Estate and its parent entities, subsidiaries and affiliates (collectively, "YCRE Entities") (i) have no affiliation with National Diversified Fund or Ironton Management, LLC and (ii) do not endorse or recommend, or have any position with respect to the merits of an investment in the Units/Interests."

Rates are not slowing down sales as much as the media thinks.

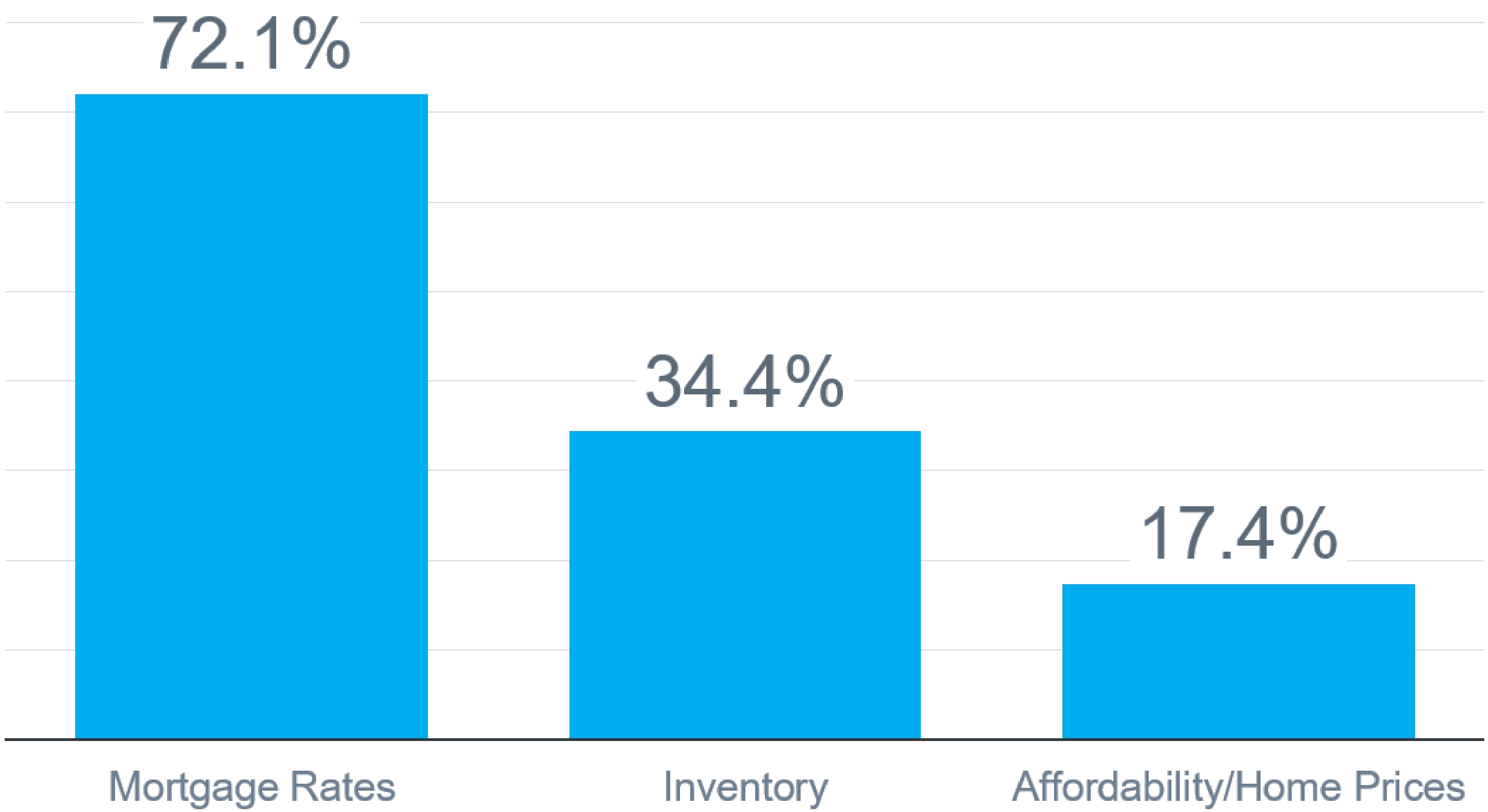
Homeowners who are selling aren't influenced by rates, with 91% of successful November sellers stating they were going to sell regardless of what rates were.

Half (51%) of November buyers were going to buy regardless of interest rates and another quarter (23.9%) purchased with cash. Cash will continue to be king even as rates ease next year. And no matter the direction of rates, households buying out of necessity will continue to find a way to purchase.

-- Erica Plemmons, Housing Analyst, Bright MLS

Top 3 Reasons Buyers Paused Decision

Reasons Given for Pausing Their Purchase (Multiple Could Be Chosen)



Source: Bright MLS

Client Summary points – 1Q 2024.

Summary Points

Good News
- Housing is normalizing after two unprecedented "unicorn years".
- Prices were up a little in '23.
- Buyers are active as housing is normalizing.
- New home builds are up; 31% of total sales vs. 12% historical average.

Reality Check
- Rates improved from 8.0% to 6.7%, but affordability remains primary challenge.

Outlook
- New construction is growing, offering more options for buyers and sellers.
- Expect Spring '24 to be busier than Spring '23.
- With rebounding prices, homeowners ready to move are in a solid position.
- Mortgage rates could decline modestly in '24.

How to Coach Clients

If you are a first-time buyer (FTB)
- Buy ASAP before rates drop; refi when you can.
- Number of buyers will grow much faster than number of sellers when rates drop, leading to competition+.

Trade-up buyer with average to nice house
- Buy now, for reasons in FTB.
- Make sure your home to sell is parade ready.

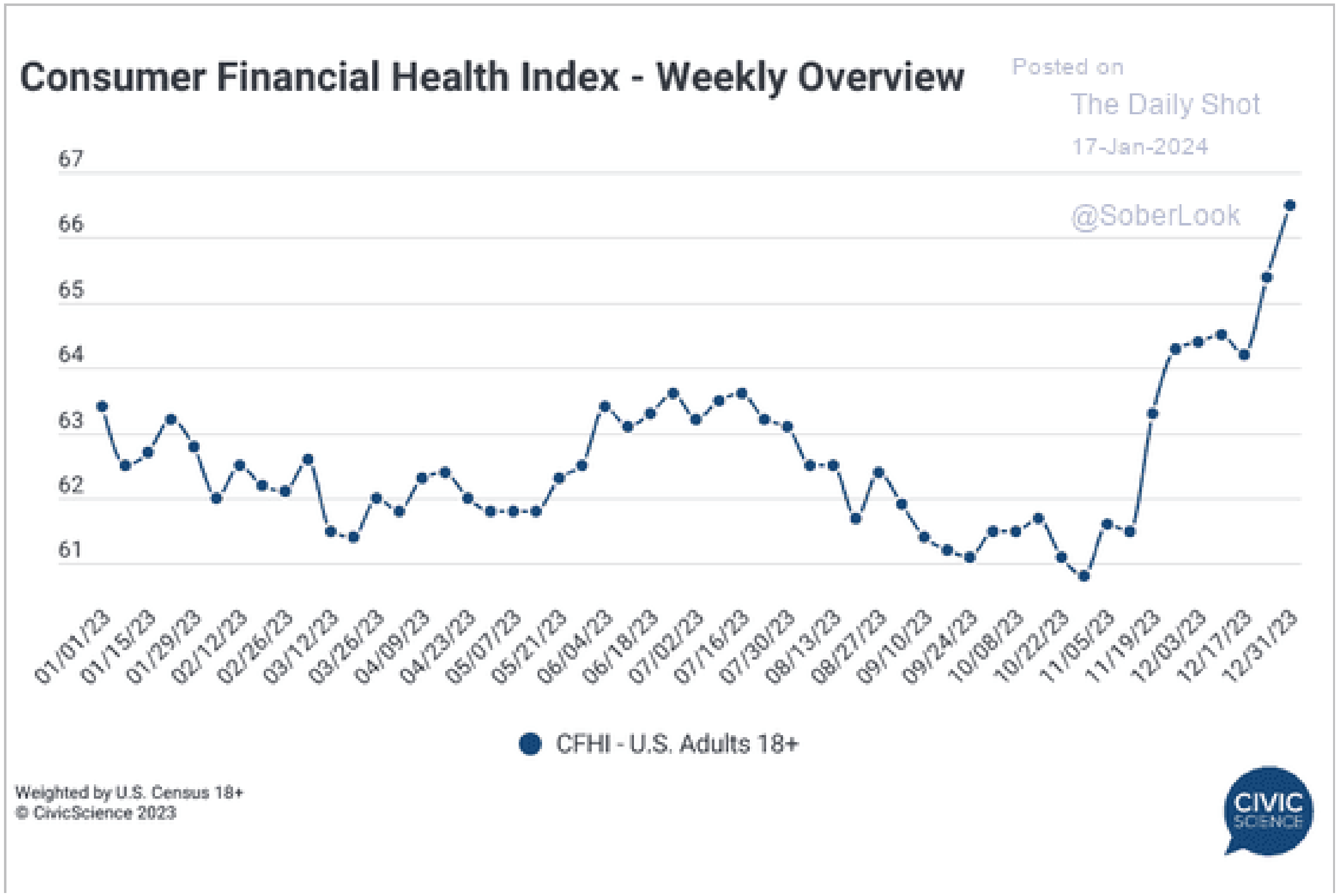
O/O (owner occupant) Seller, not buying
- Wait. When prices drop, demand will increase faster than supply, and your market power will increase.

Trade-up buyer with below average house
- Wait. Your sub-par home won't sell easily in this market with very fussy buyers.
- When rates drop, competition will make it easier to sell.

Investor buyer
- Buy now. Refi later.

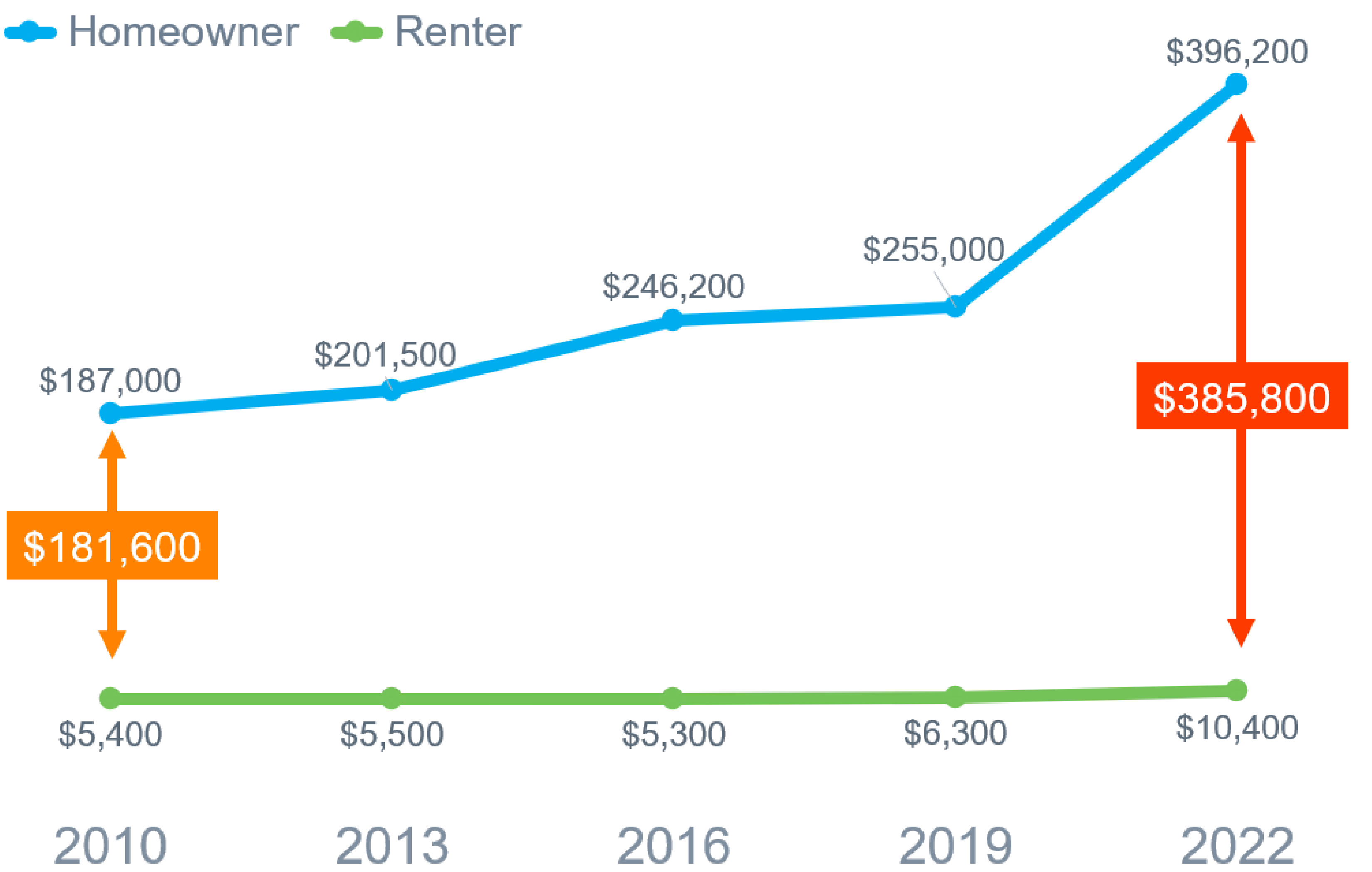
Investor trade-up (1031 exchange)
- Buy now. Refi later.

According to CivicScience, “consumers ended 2023 feeling increasingly optimistic about the short-term future of their overall financial health.”



Source: Civic Science

Why buy real estate? The Gap in Net Worth Is Widening!

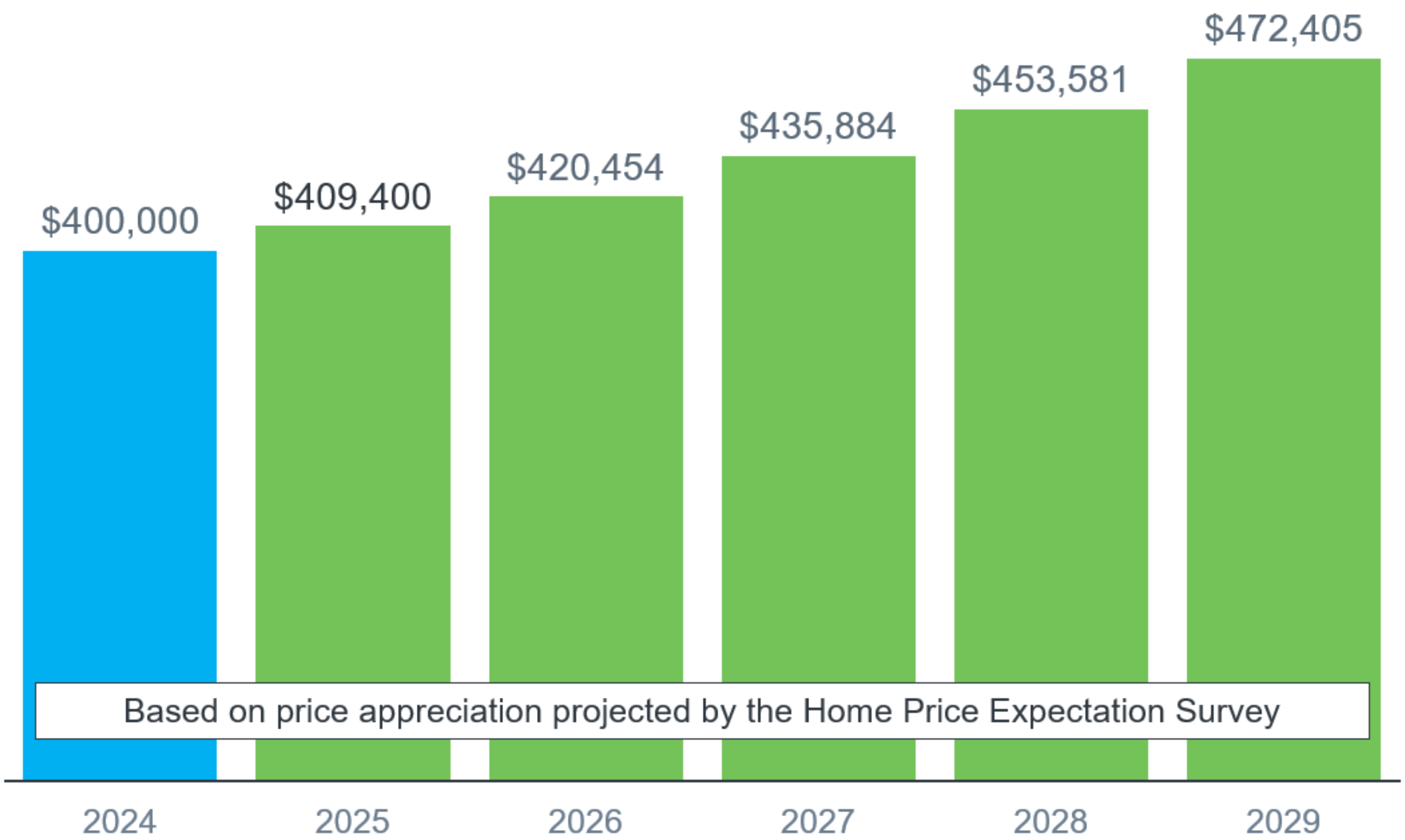


Source: The Fed

Owning a home will power wealth gains in the future, as well.

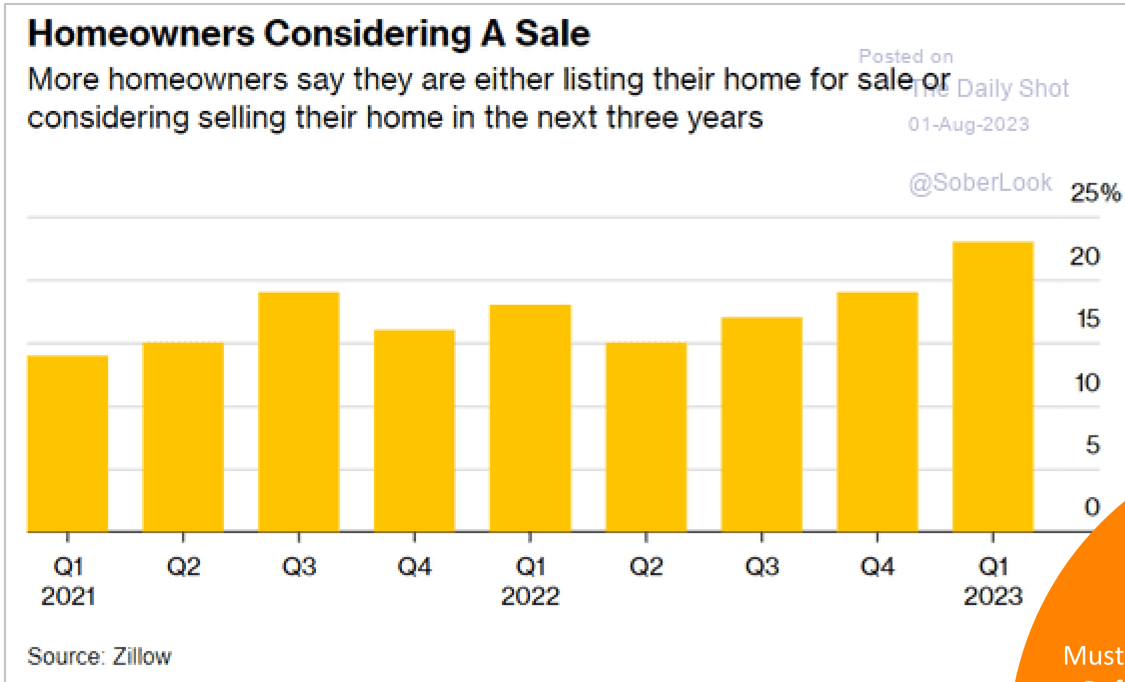
$72,405

Potential growth in household wealth over the next 5 years based solely on increased home equity if you purchase a $400K home in January 2024

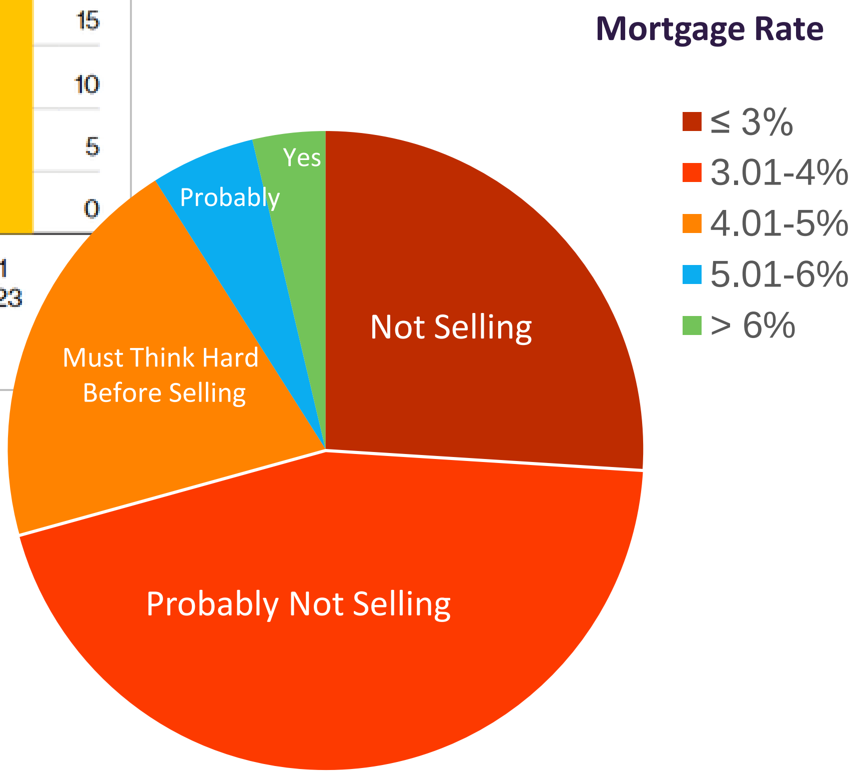


Source: HPES

The number of potential sellers is increasing… Slightly. Owners with a mortgage over 5% are twice as likely to want to sell. Unfortunately, only 20% of mortgages are above 5%.



Who is Considering Selling Depends on Their Rate



Source: Freddie Mac

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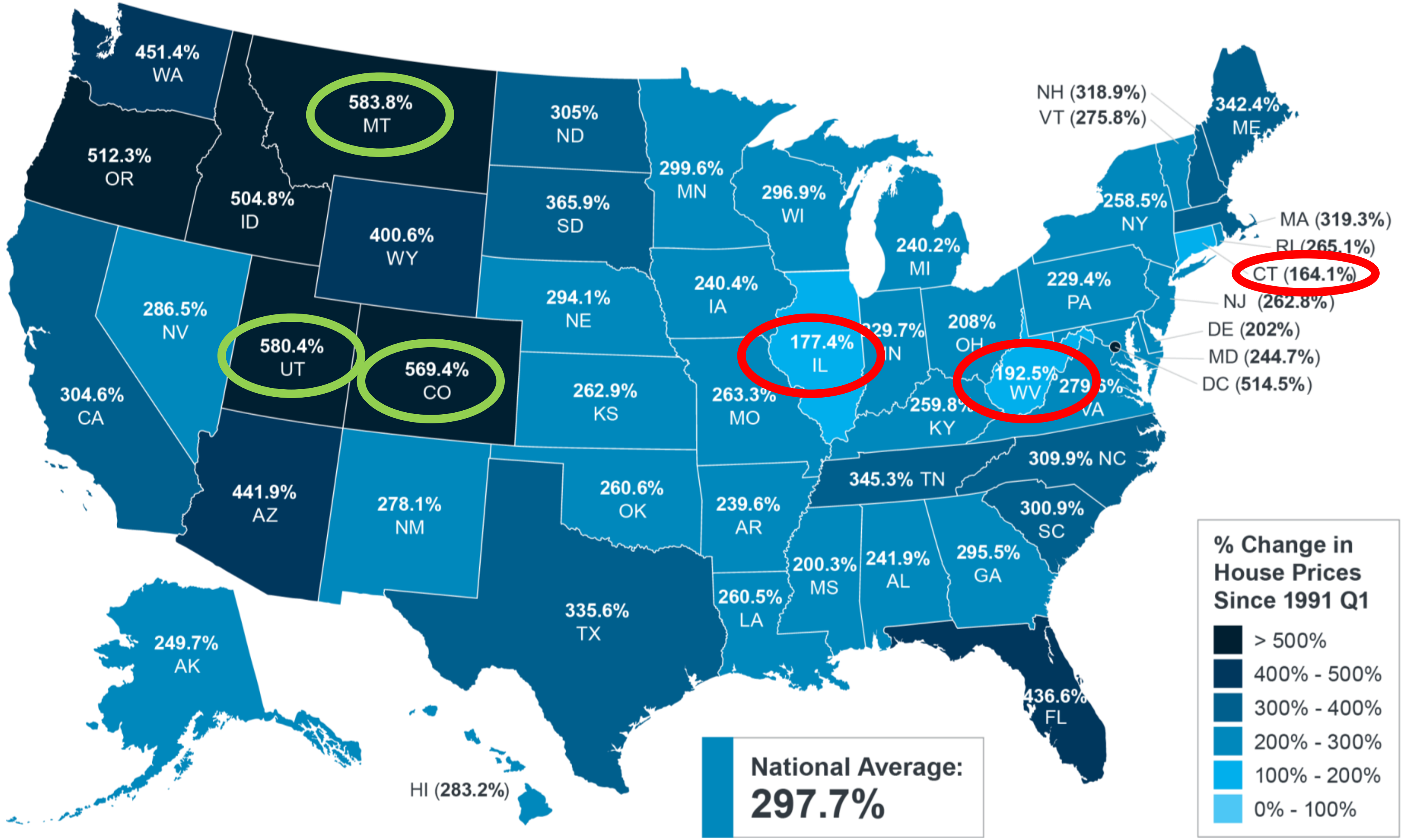
- How do Americans Feel about Real Estate?

IN TIMES OF UNCERTAINTY, PEOPLE FOLLOW THE CERTAIN

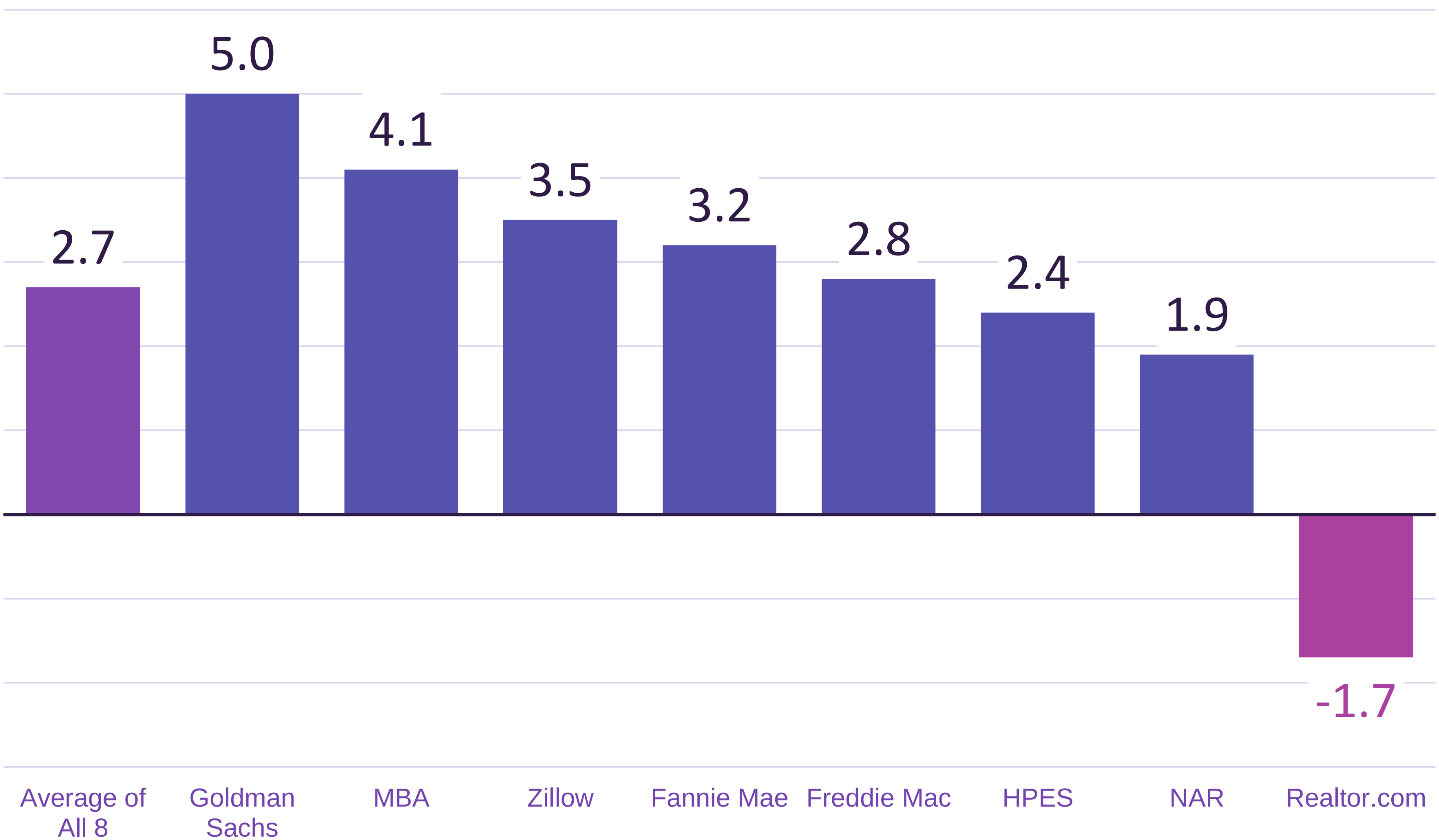
While prices have been stable in Colorado, remember that prices here are up 570% since 1991. That's in the top three for the US.



Source: FHFA

There is a broad range of 2024 home price change forecasts from the "experts".

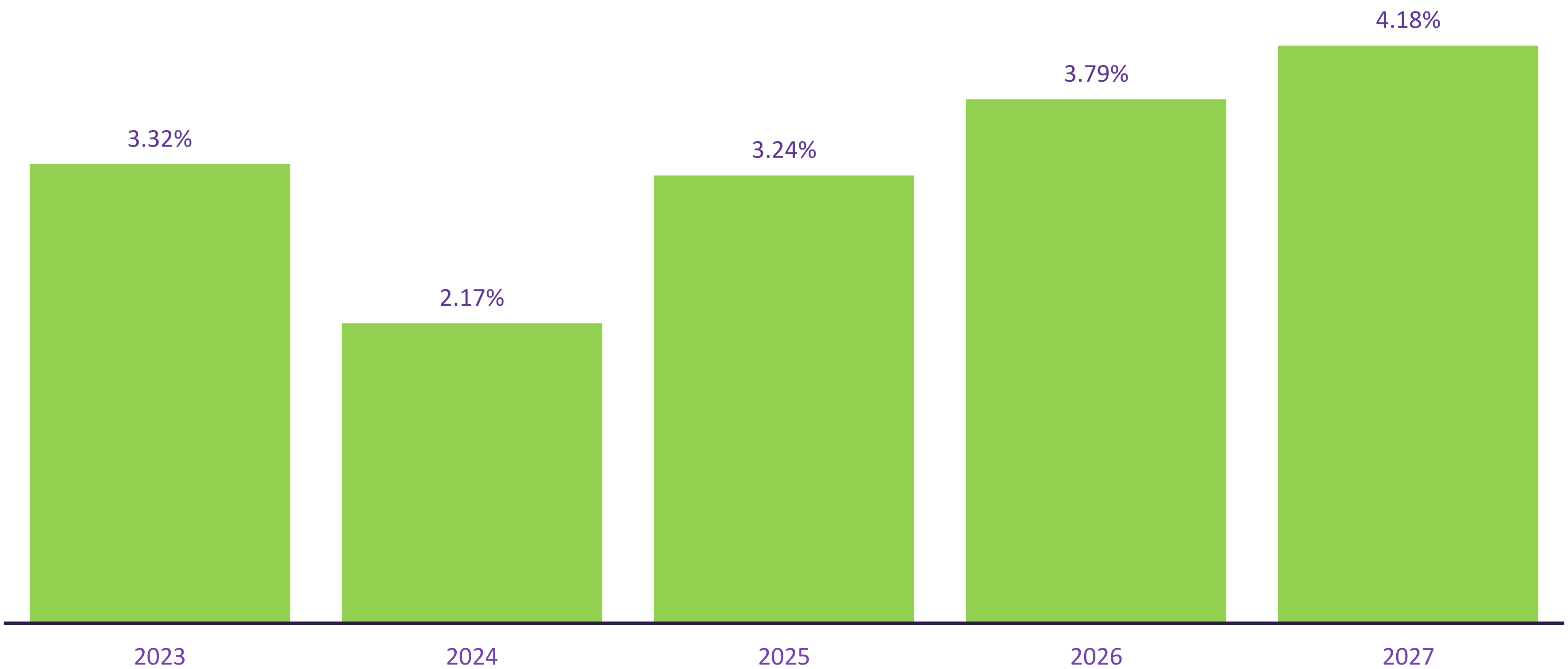
As of 1/29/24.



Source: the companies

A nationwide panel of over one hundred economists, real estate experts, and market strategists think that prices will continue to go up.

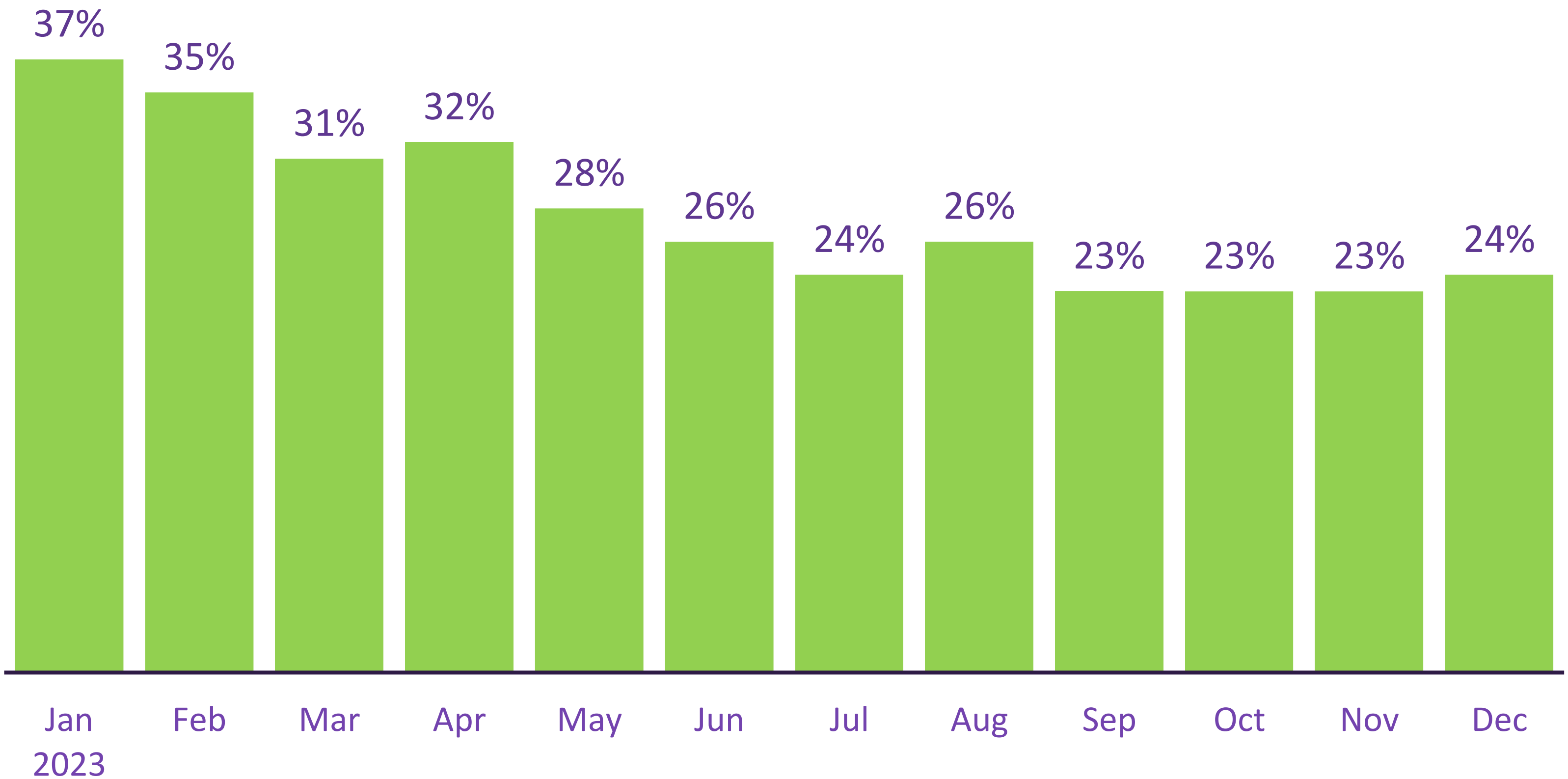
December 2023 survey results – expected home price change.



Source: HPES

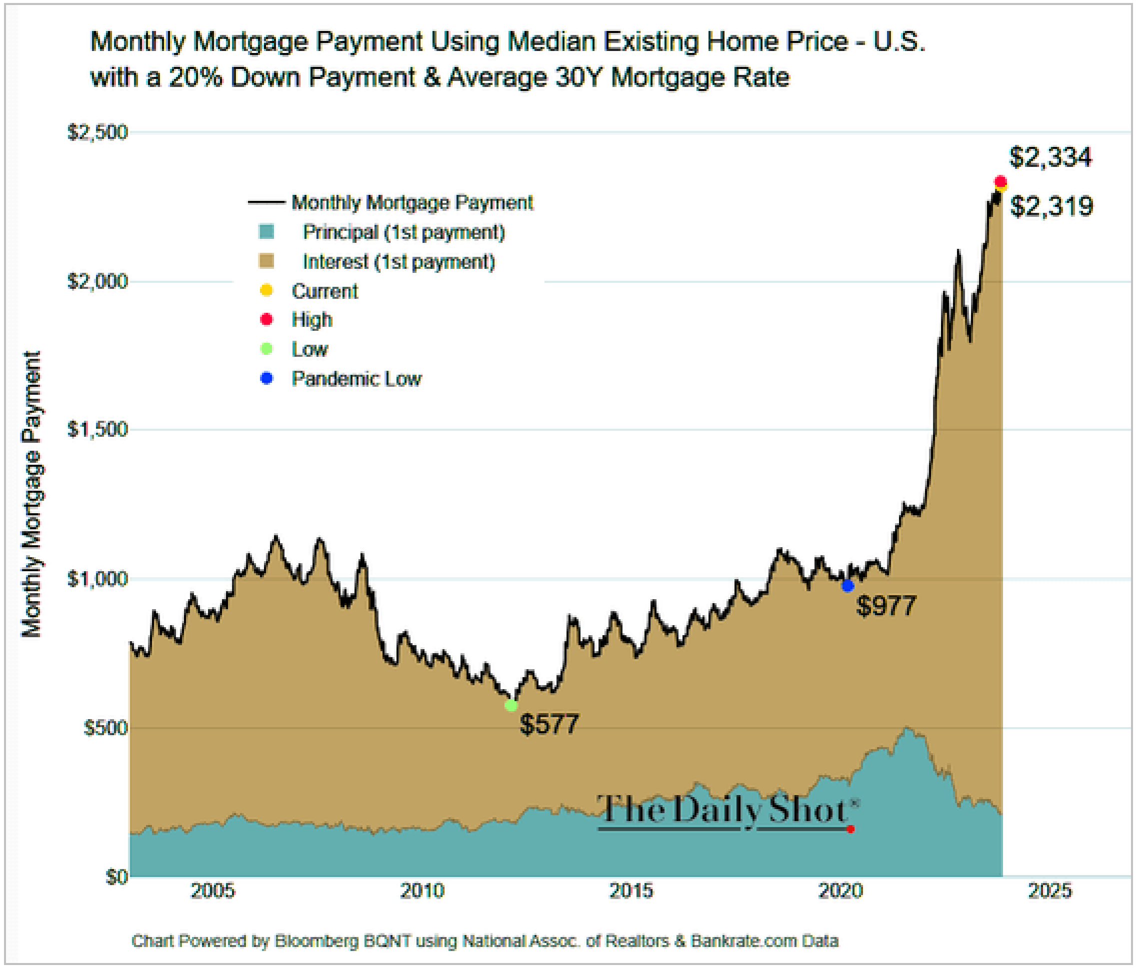
A lot of Americans hold a pessimistic view of housing market's future. The majority in the industry see a better picture. We have a lot of educating to do!! Fortunately, attitudes are improving over time.

Percent of Americans Who Think Prices Will Go Down over the Next 12 Months



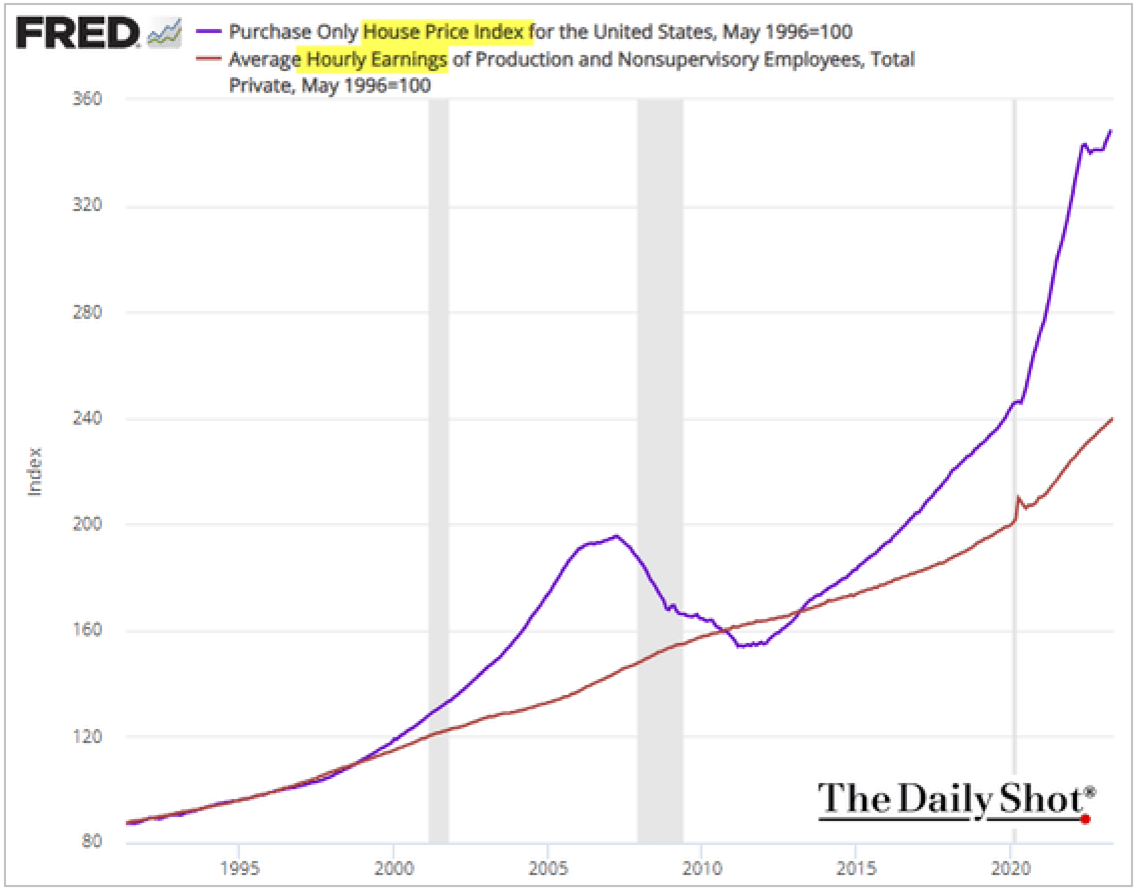
Source: Fannie Mae

Why are consumers so gloomy? Affordability is a challenge.



Source: @TheTerminal, Bloomberg Finance L.P.

The gap between home prices and wages continues to widen.



Source: FRED

Appreciation Skyrocketed in Last 3 Years. US average = 42%.

% Appreciation in Top 20 Cities Since March 2020

Metro	% Change	Metro	% Change
Atlanta	49.5%	Miami	63.1%
Boston	38.8%	Minneapolis	29.5%
Charlotte	54.3%	New York	38.6%
Chicago	33.5%	Phoenix	54.2%
Cleveland	38.9%	Portland	32.7%
Dallas	50.8%	San Diego	52.1%
Denver	38.6%	San Francisco	27.6%
Detroit	37.1%	Seattle	37.8%
Las Vegas	37.2%	Tampa	63.8%
Los Angeles	39.7%	Washington, D.C.	29.9%

Source: Case Schiller

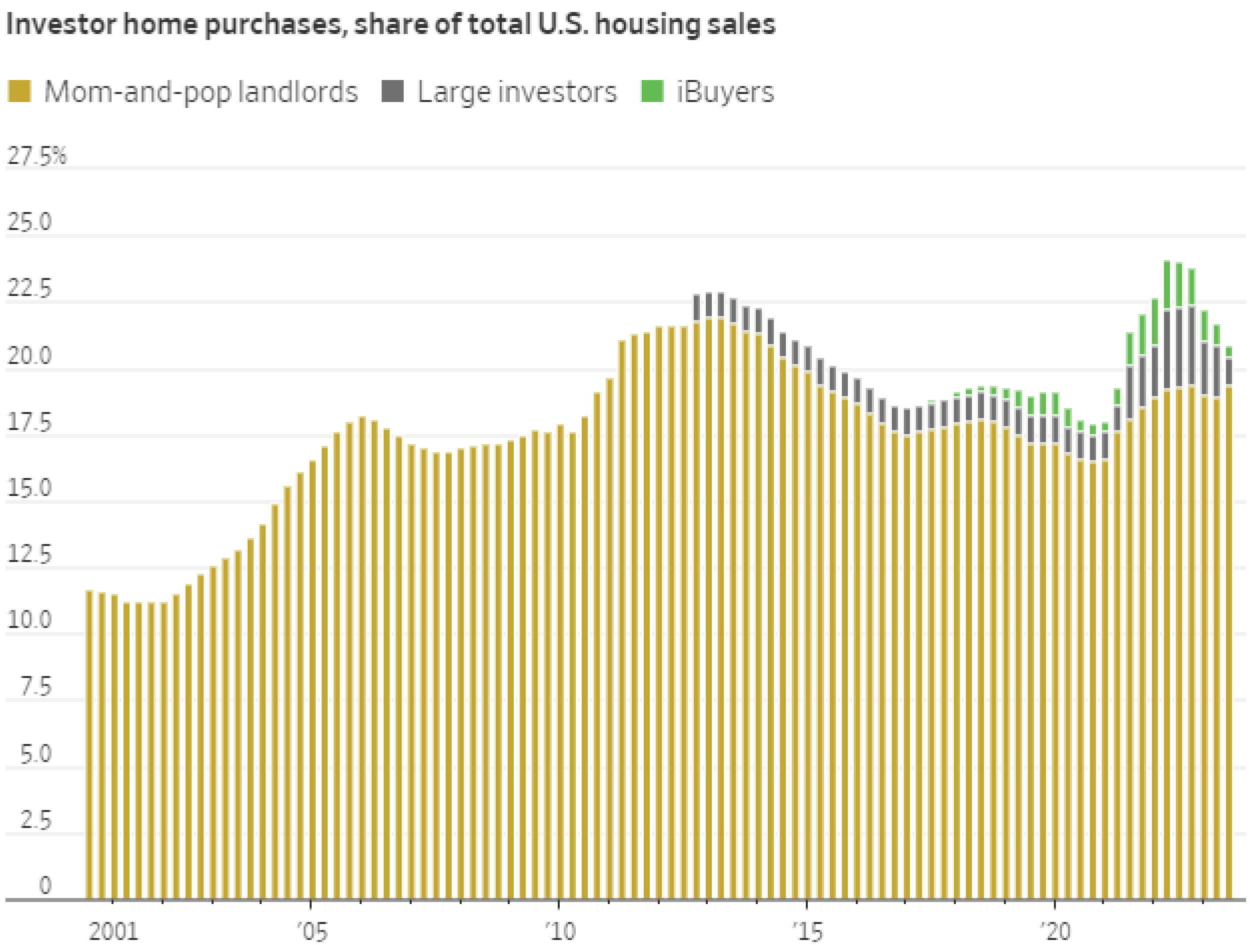
Appreciation Skyrocketed in Last 1 Years. US average = 5.1%.

% Appreciation in Top 20 Cities, 2023 vs 2022.

Metro	% Change	Metro	% Change
Atlanta	5.9%	Miami	7.2%
Boston	7.1%	Minneapolis	2.7%
Charlotte	7.0%	New York	7.4%
Chicago	7.0%	Phoenix	2.5%
Cleveland	7.4%	Portland	-0.7%
Dallas	1.7%	San Diego	8.0%
Denver	1.5%	San Francisco	2.0%
Detroit	8.2%	Seattle	1.6%
Las Vegas	2.1%	Tampa	3.4%
Los Angeles	7.2%	Washington, D.C.	4.7%

Source: Case Schiller

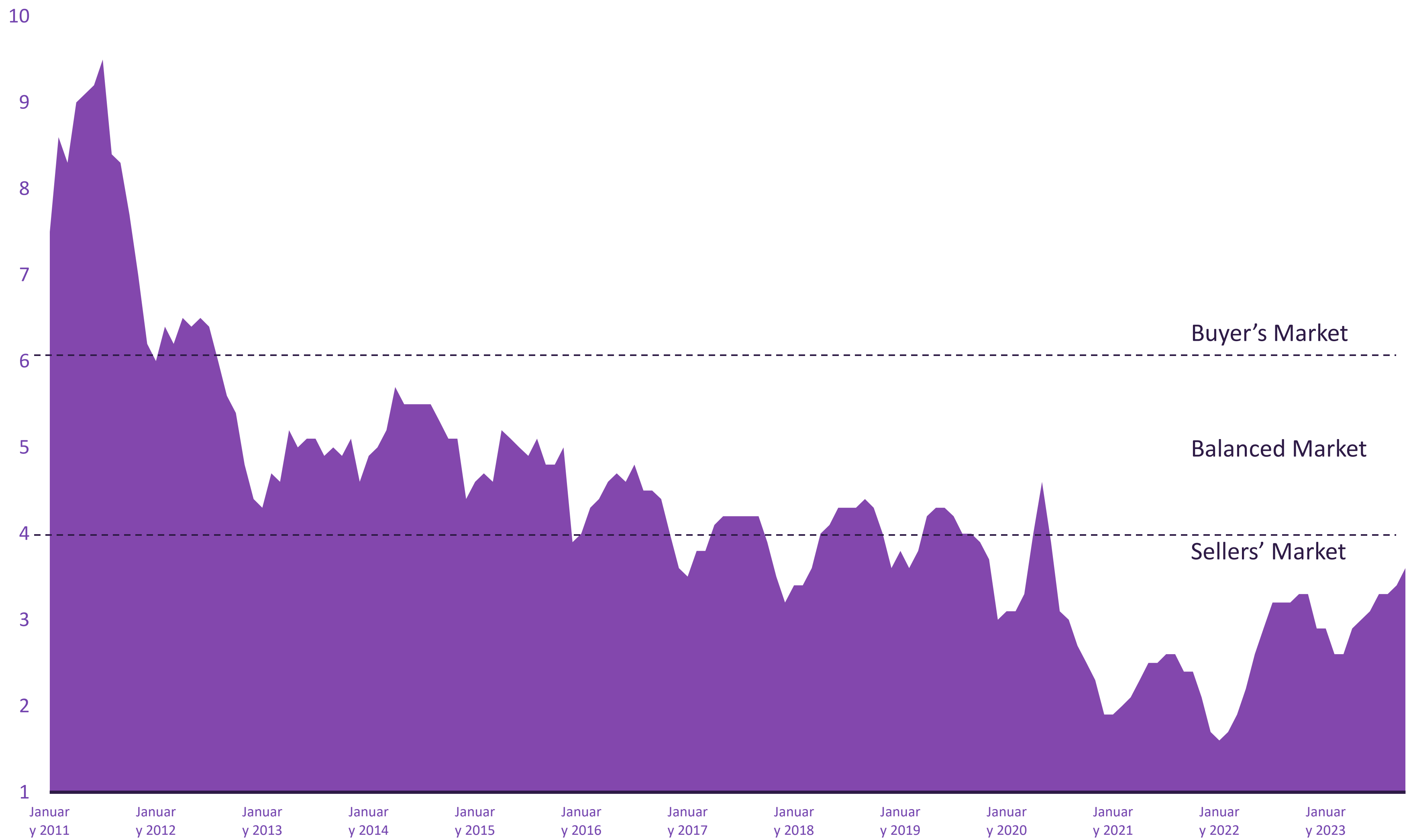
Some Investors have left the market, making it easier for first time buyers. iBuyers have declined dramatically. There 900 BTR “Build to Rent” communities in the US; 10% of all new construction is BTR. Institutional investors are moving away from the resale market.



Source: John Burns Research and Consulting

Why are prices not declining? Lack of inventory.

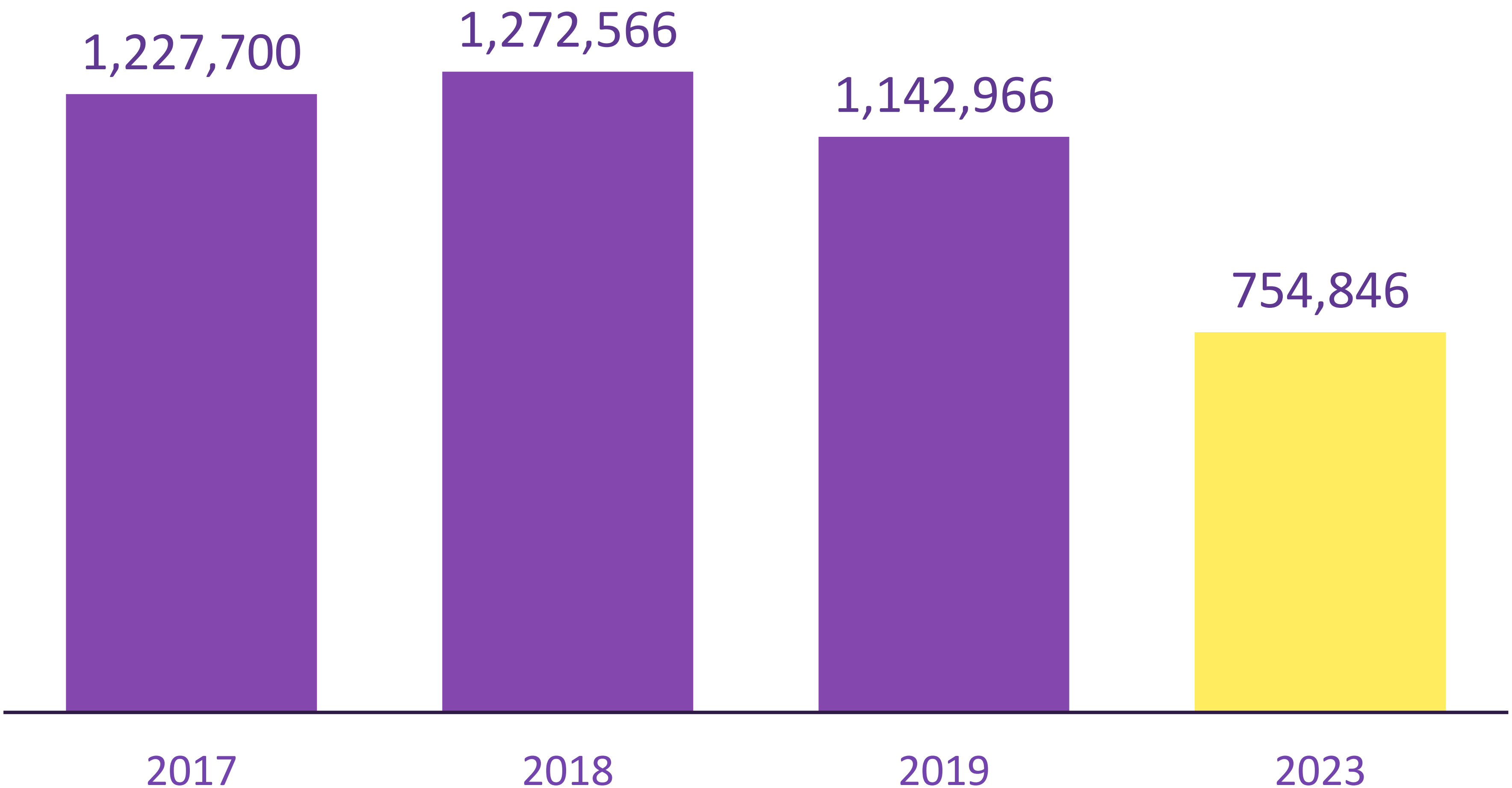
Months of Inventory of resale homes for sale.



Source: NAR

Active listing count is down dramatically.

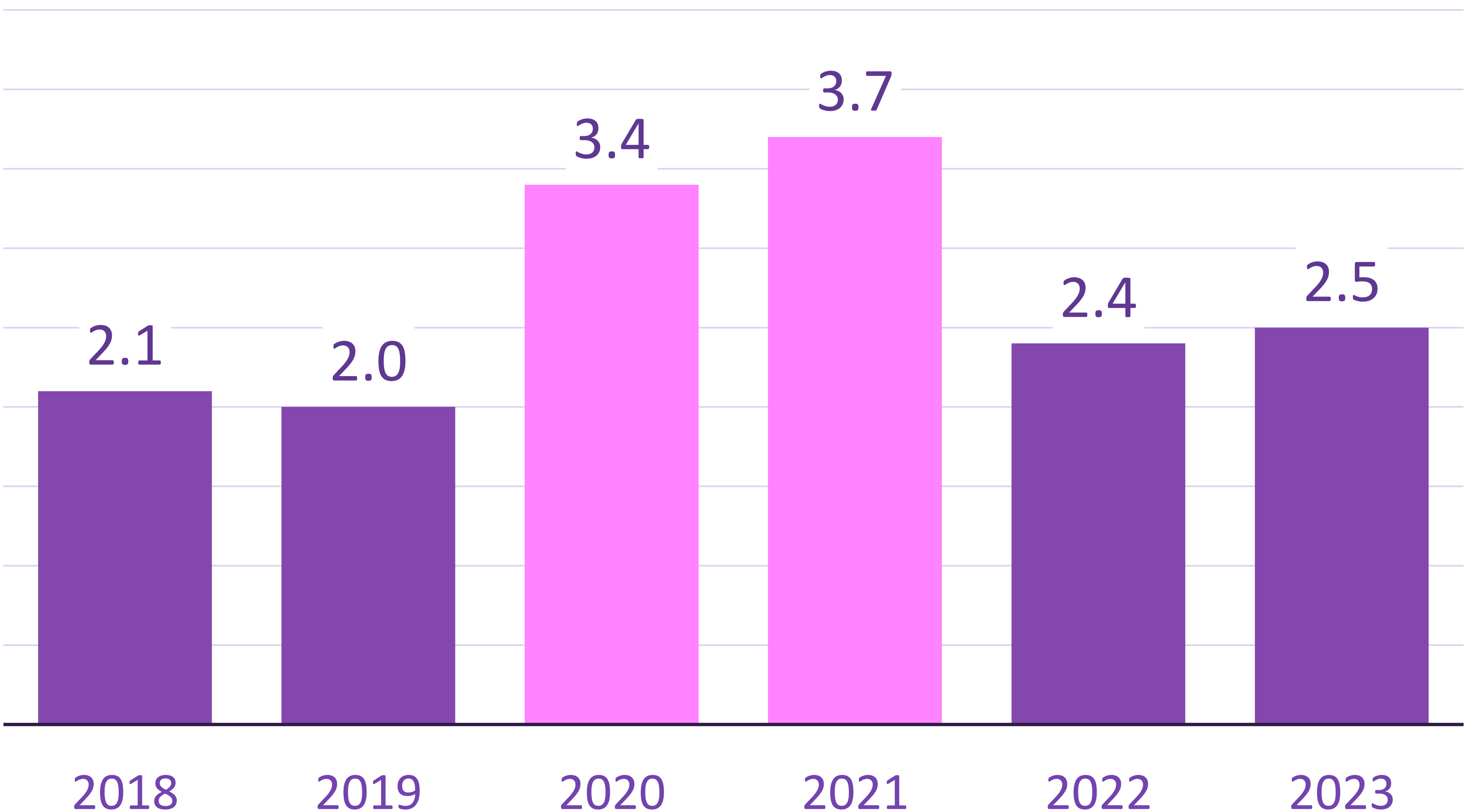
November 1, for each year.



Source: Realtor.com

Multiple offers are still reasonably common, which also supports prices. Not as good as the "unicorn" years 2020/21, but better than pre-COVID!

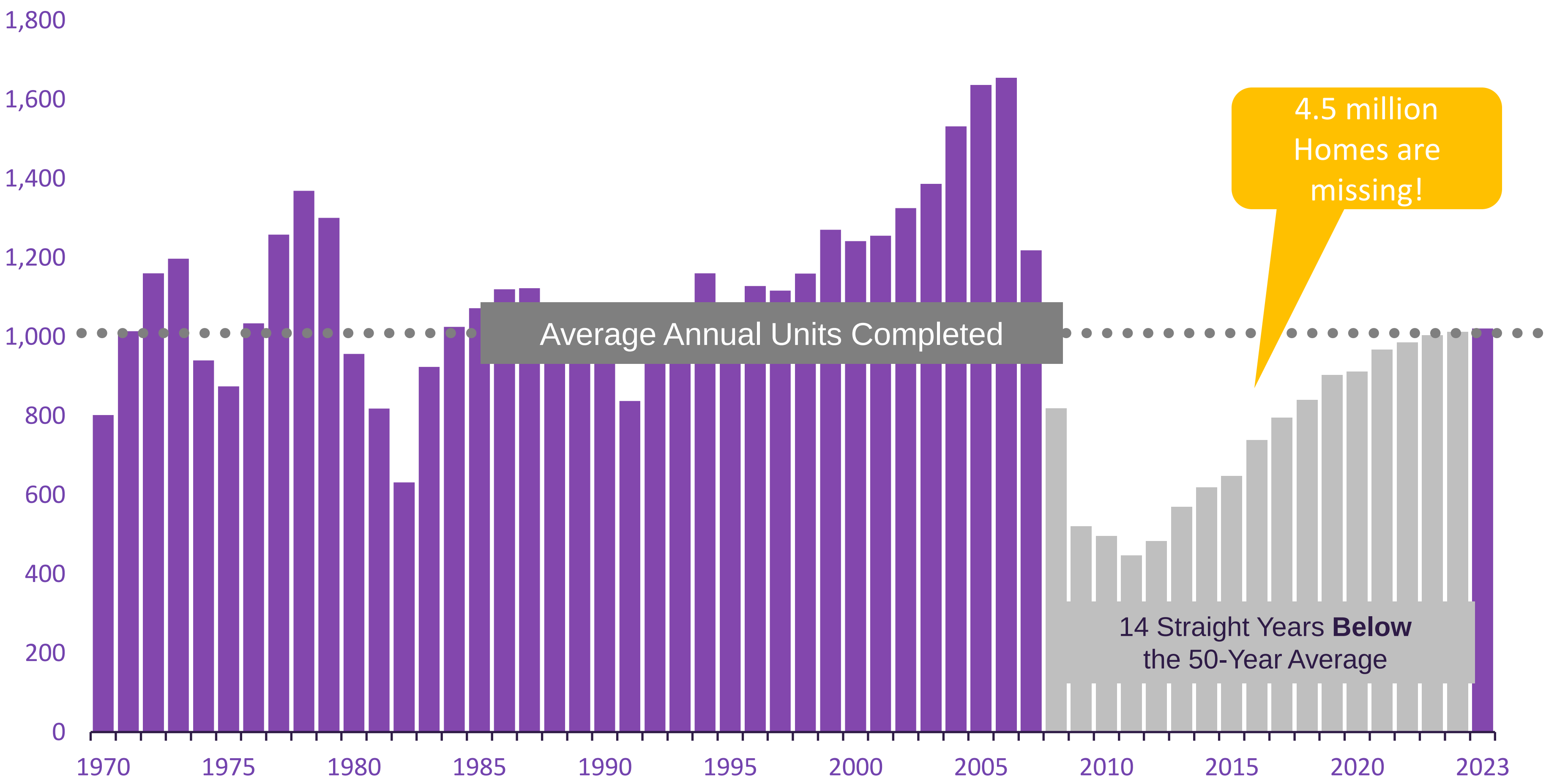
Average number of offers. Data for October each year.



Source: NAR

Supply: Why are we short of inventory? We have not been building enough homes to keep up with demand. High labor and commodity prices are not helping. In CO, scarcity of land and water, and slow gov't permitting processes are additional headwinds.

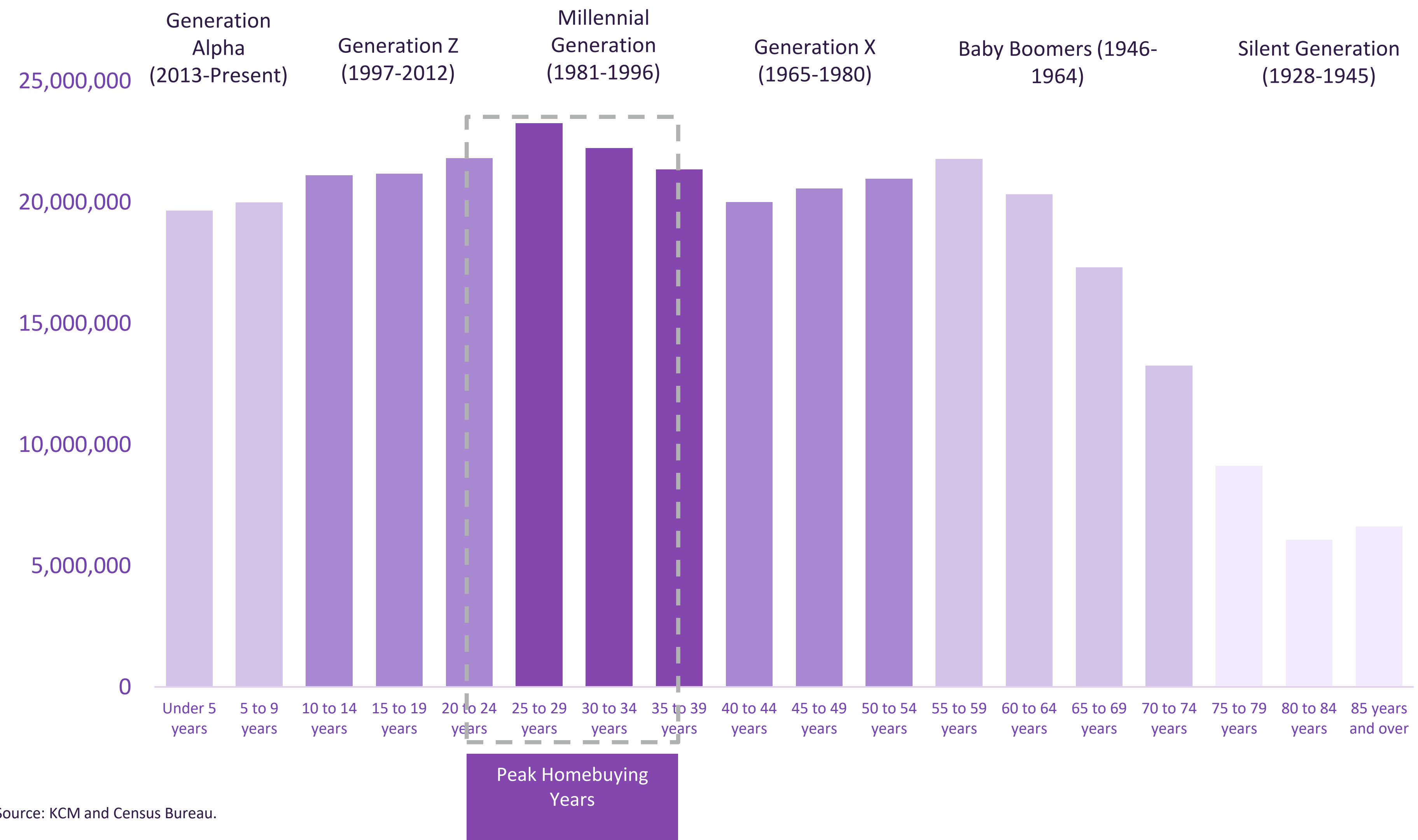
Annual number of new homes built nationally.



Source: KCM and Census Bureau.

Demand: We have a large demographic cohort that is in their prime years to be first time buyers.

US Population by generational cohort.



Source: KCM and Census Bureau.

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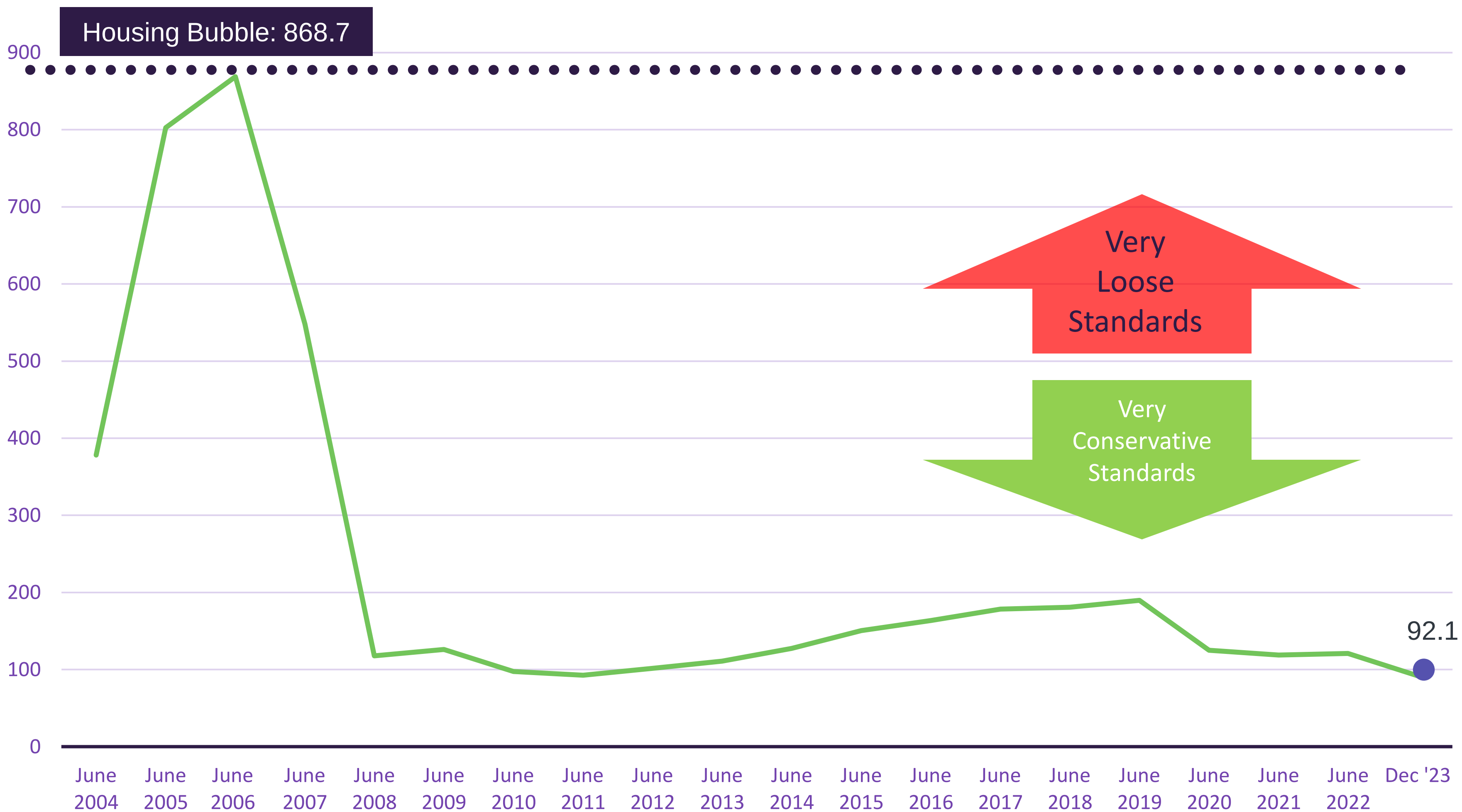
Inaction breeds doubt and fear. Action breeds confidence and courage. If you want to conquer fear, do not sit home and think about it. Go out and get busy.

Dale Carnegie, Author

Lending standards are still very strict compared to the housing bubble (that led to the 2007/08 crash)…

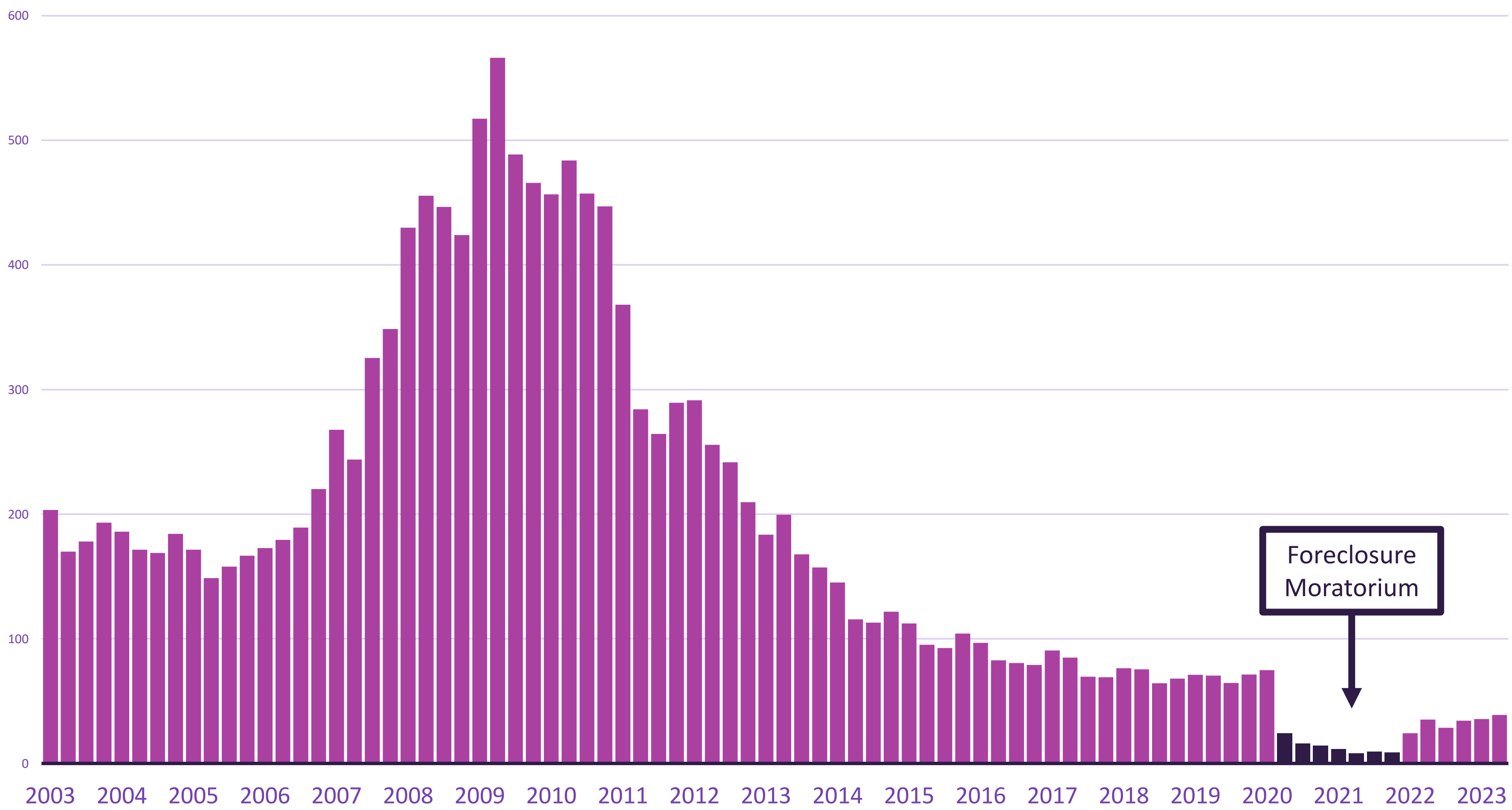
Historical data for Mortgage Credit Availability Index (MCAI)



Source: MBA and KCM

The number of foreclosure filings is a great leading indicator for the number of foreclosures in the next 6-18 months. There is a modest uptick, but we're at 10% of the level of 2010.

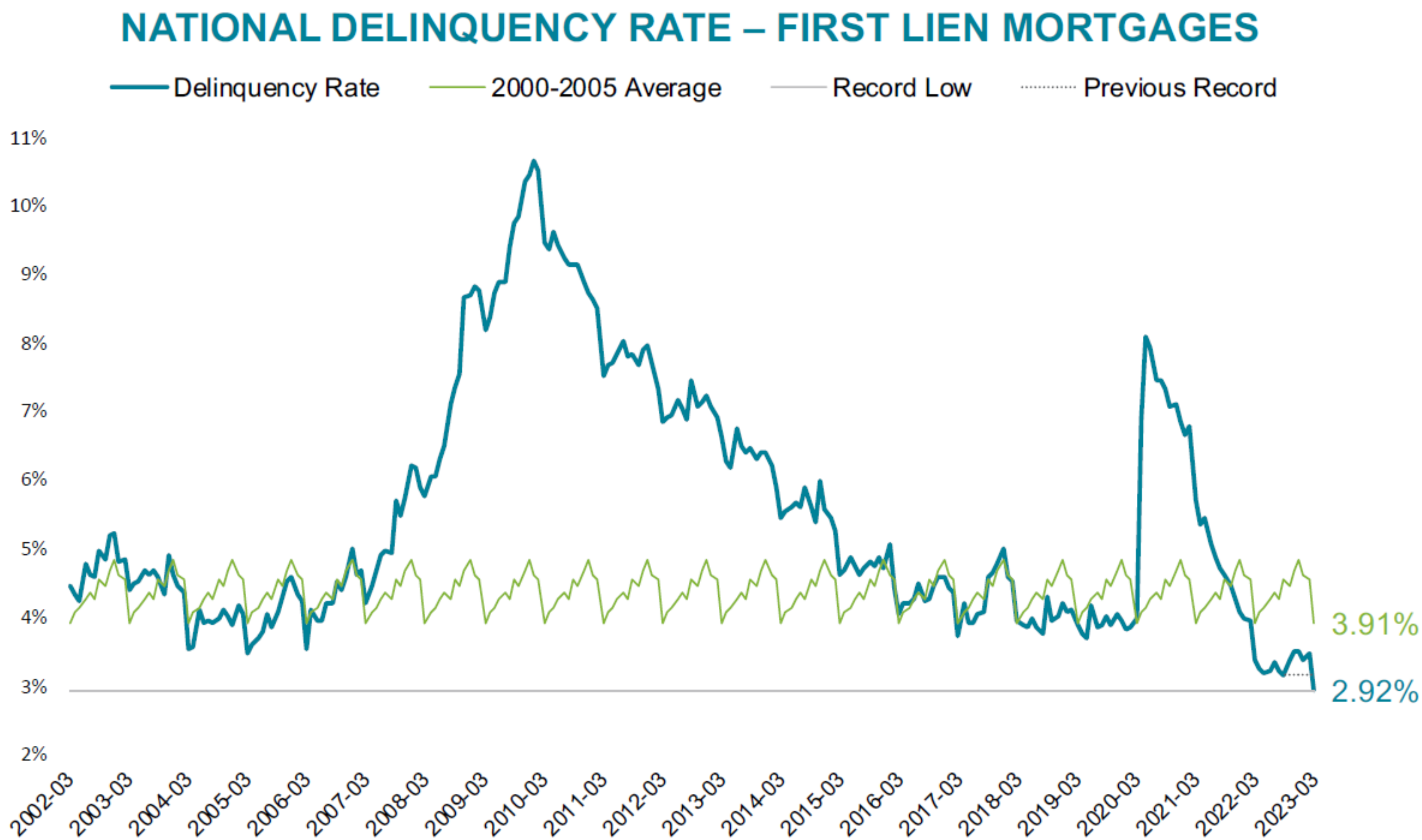
Quarterly - U.S. Properties with Foreclosure Filings.



Source: The Fed

Source: KCM, Federal Reserve.

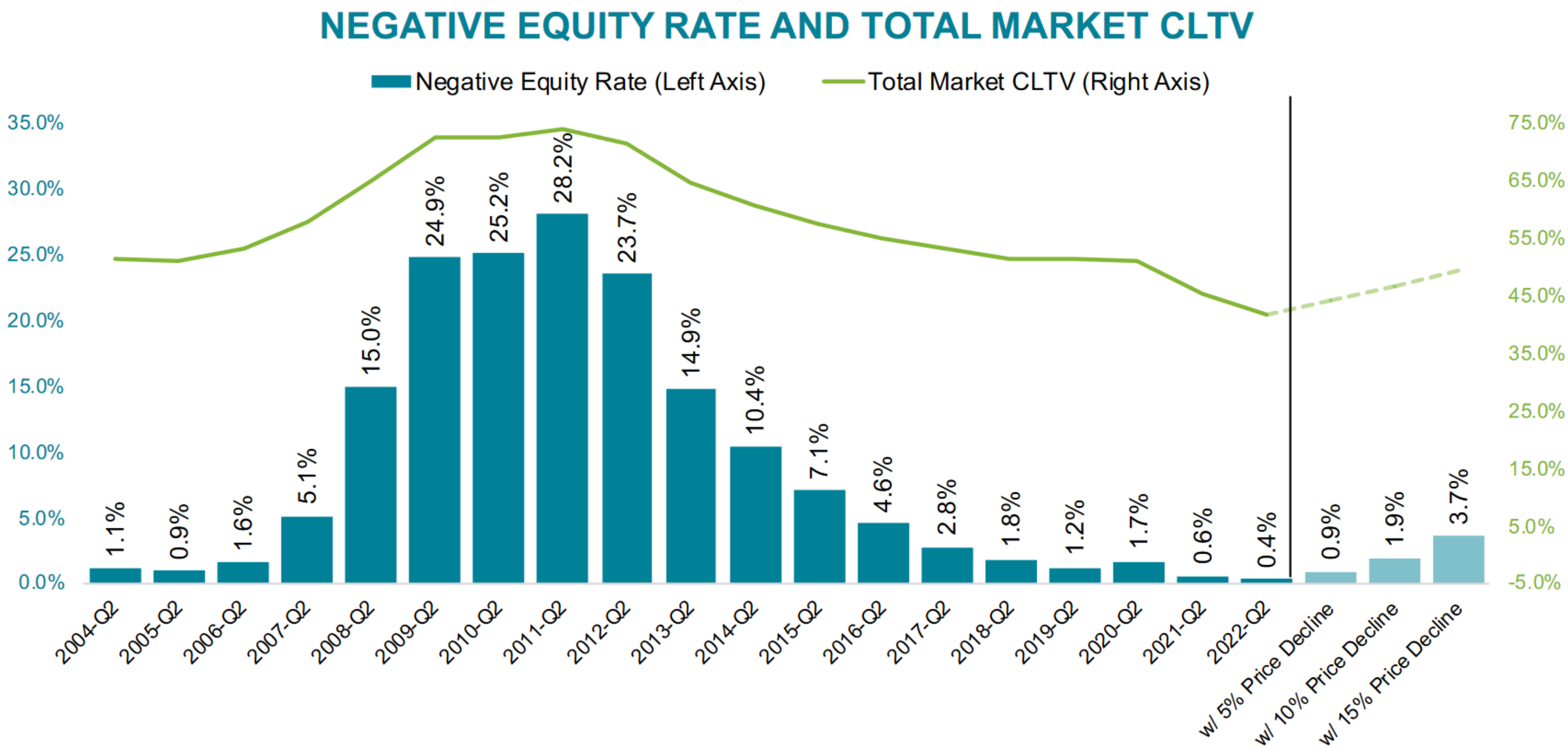
Will the number of foreclosures go up? The leading indicator is delinquencies – consumers currently behind on their mortgage. We're near record low levels.



Source: Black Knight, McDash

In 2010, 28% of the homes had negative equity, leading to many foreclosures. Currently, 3.7% of homes have negative equity. Owners in financial distress can easily afford to sell their homes without a short sale.

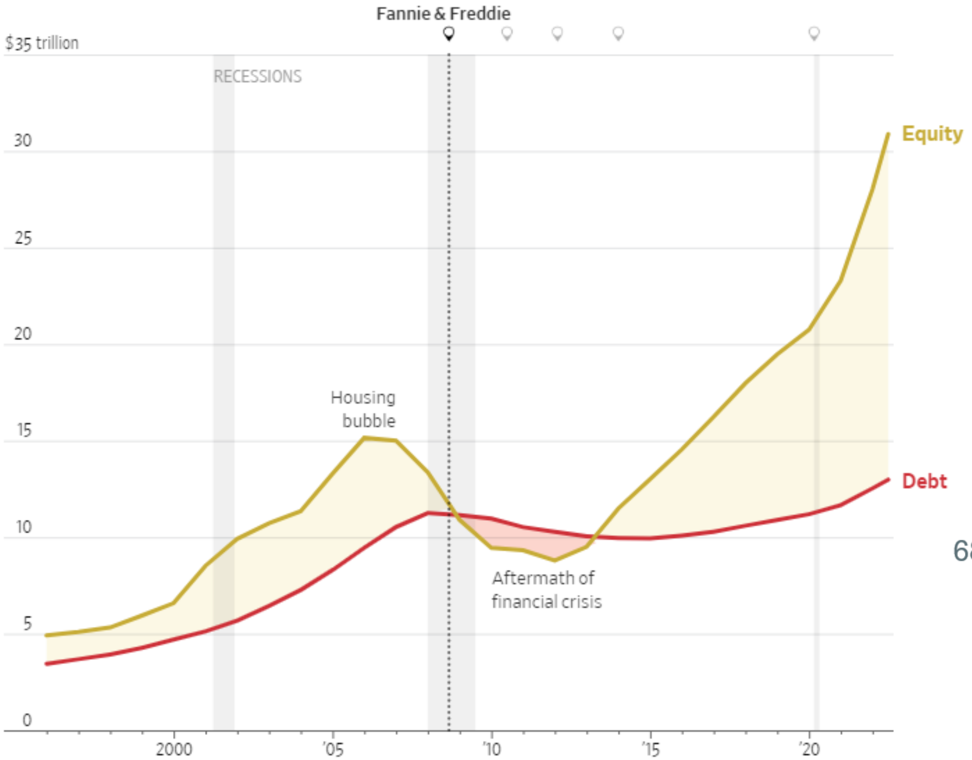
Bars: % US homes with negative equity. Line: Total market CLTV (combined loan to value)



Source: Wall Street Journal, Black Knight.

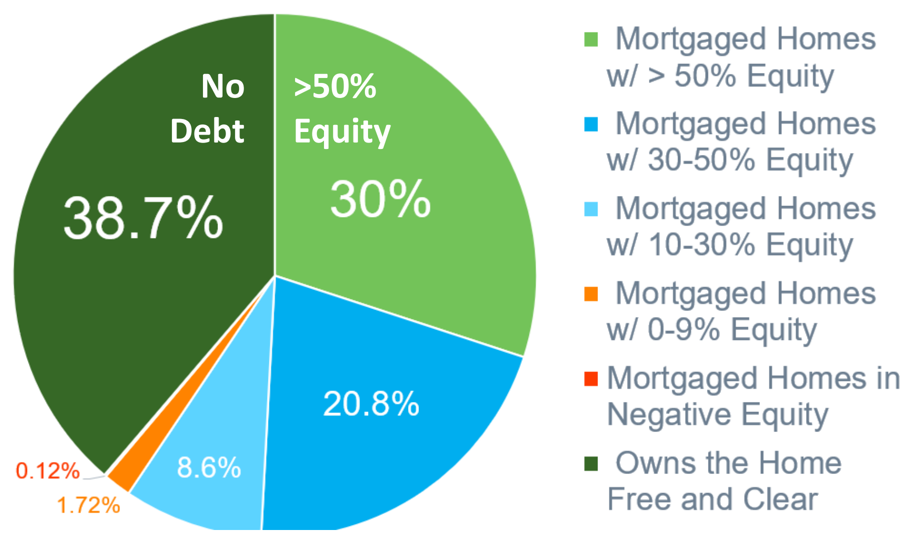
Homeowners are sitting on record amounts of equity.

Value of U.S. single-family housing market



Note: Single-family data includes one- to four-family homes with mortgages. Home equity is calculated from value of household and nonfinancial business sector.
Source: Urban Institute
Peter Santilli/THE WALL STREET JOURNAL

68.7% Have Paid off Their Mortgage or Have at Least 50% Equity



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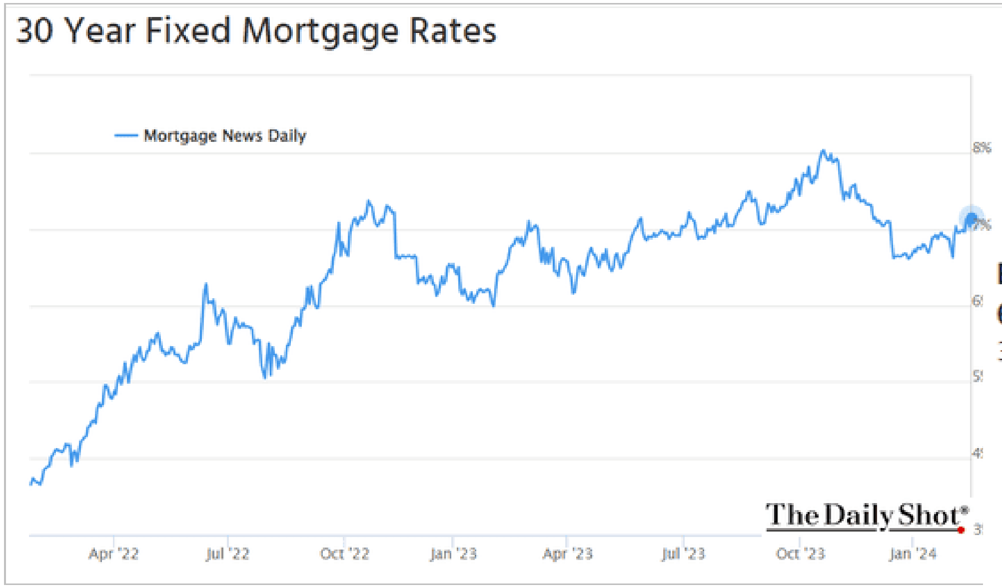
Mortgage trends. Rates have dropped from the highs to 6.63%. Goldman Sachs expects then to stay between 6.0 – 6.5% over the next year.

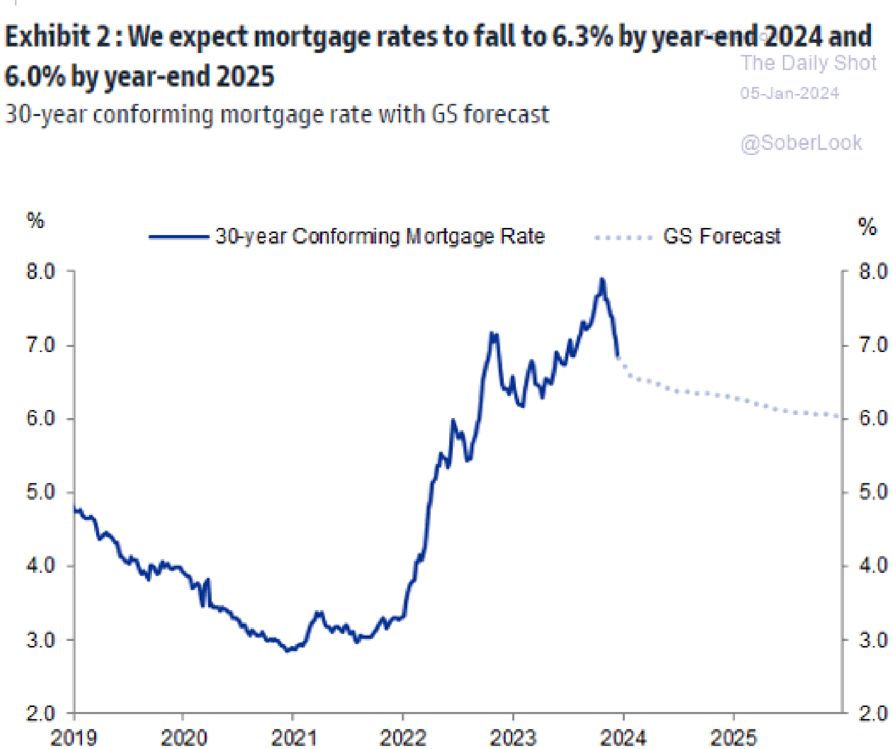
The average 30-year mortgage rate.



Source: Mortgage News Daily

Exhibit 2 : We expect mortgage rates to fall to 6.3% by year-end 2024 and 6.0% by year-end 2025

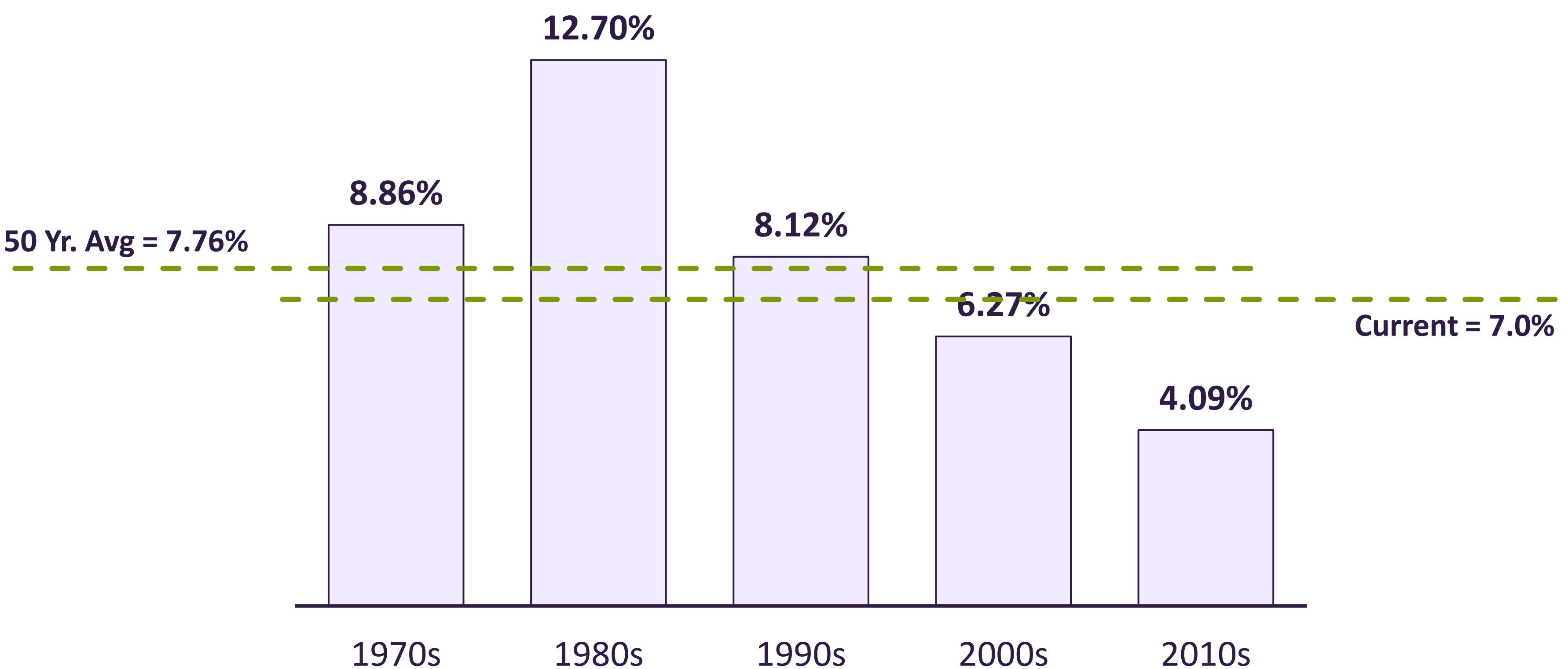
30-year conforming mortgage rate with GS forecast



Source: Freddie Mac, Goldman Sachs Global Investment Research

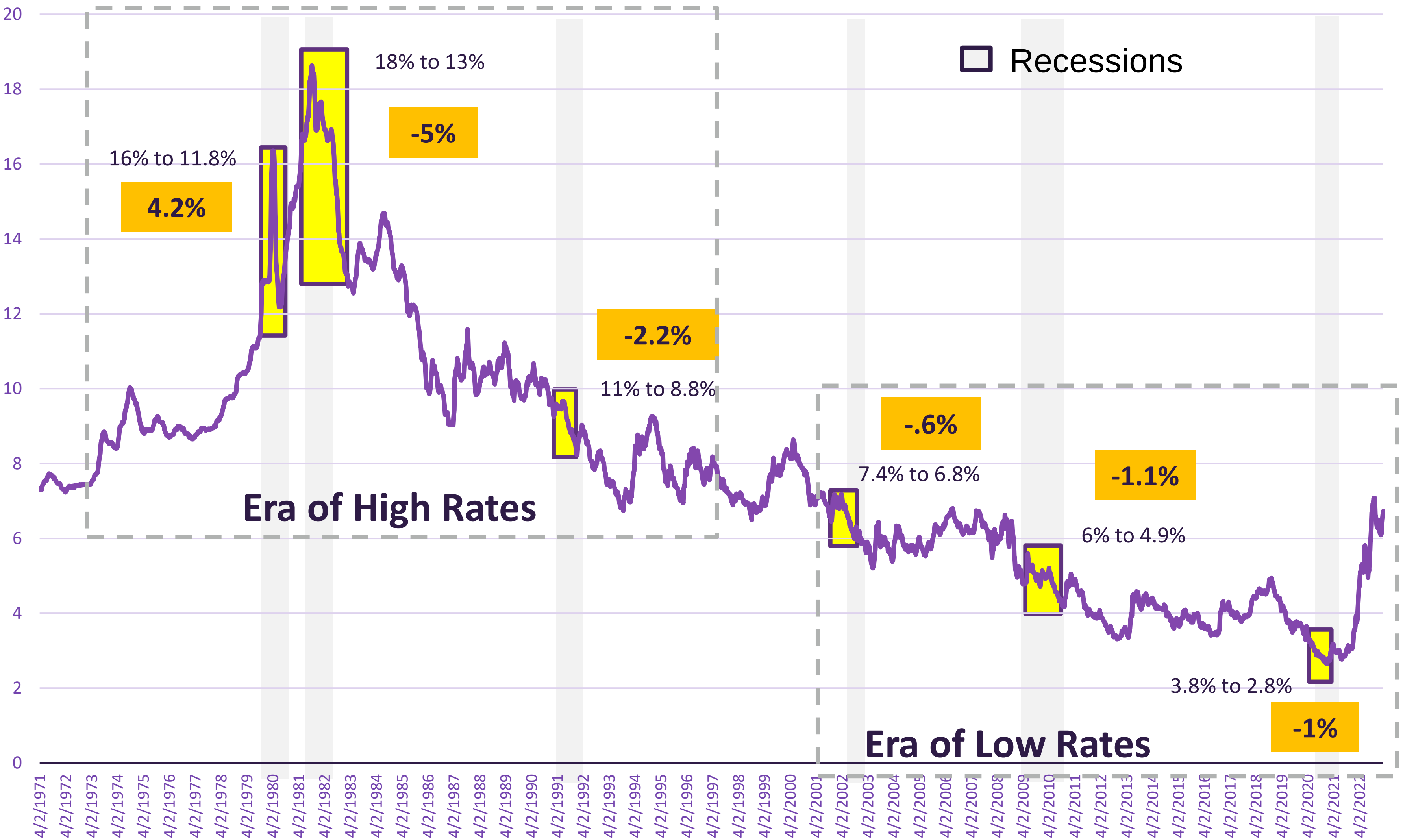
Mortgage rates increased in ‘22 but are still historically quite attractive.

The average 30-year mortgage rate by decade.



Source: Freddie Mac, KCM

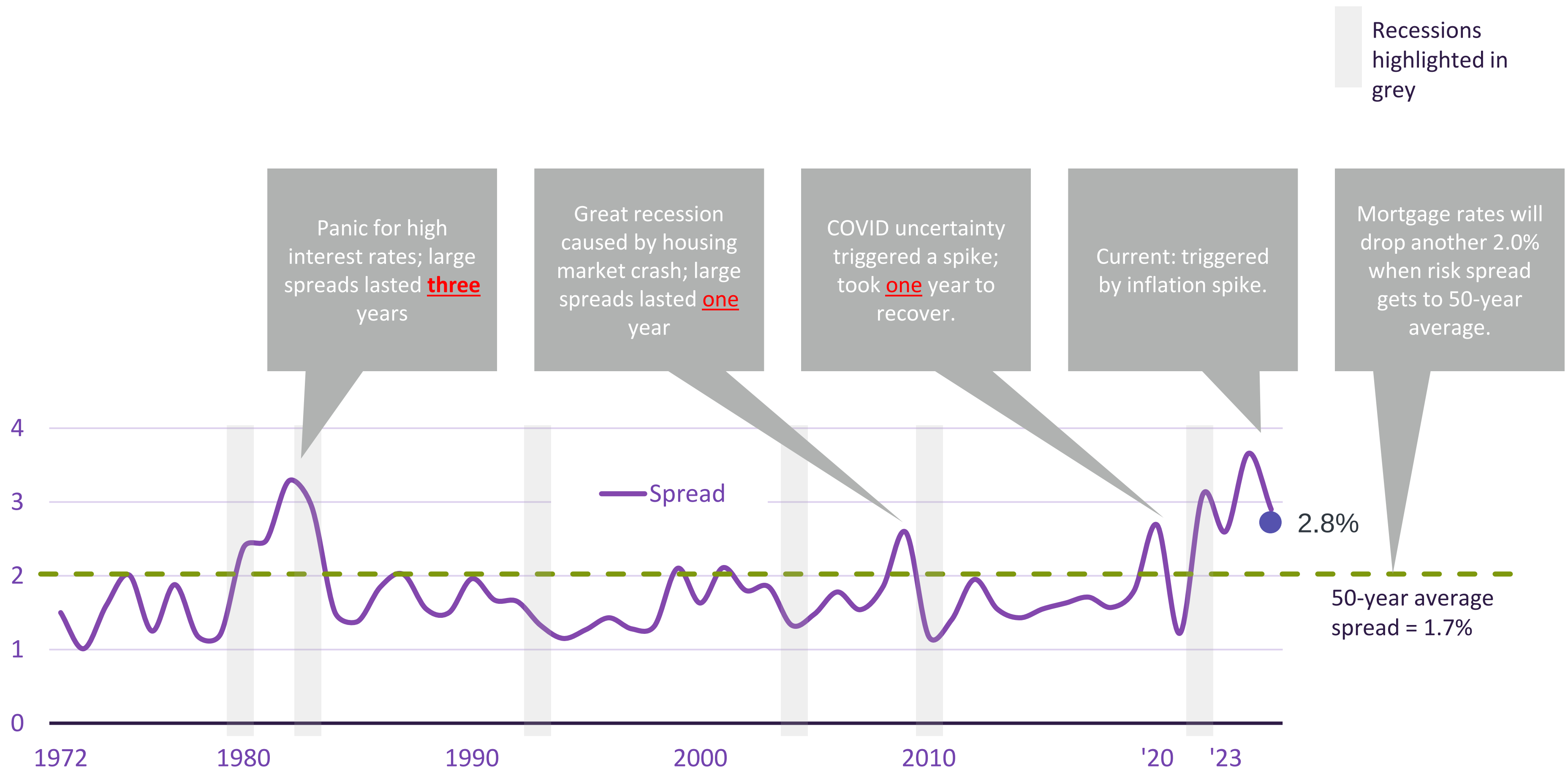
1. Mortgage Rates & Recessions. There have been six recession in the last 50 years. The 30-year mortgage rate fell every time. The average decrease was -2.4%. To learn from history, we should segment these recessions into era of high rate and low rates.



Source: Freddie Mac, Mortgage Specialist, KCM, Ironton Capital Analysis

2. The <u>spread</u> or gross profit is the difference between the ten-year treasury and the average 30-year mortgage rate. Currently the spread is 2.8%.

50-year trends for the spread between the benchmark 10-year treasury and the 30-year fixed mortgage.



Source: KCM, Freddie Mac, Macrotrends, YCRE analysis. '23 data as of 5/10/23

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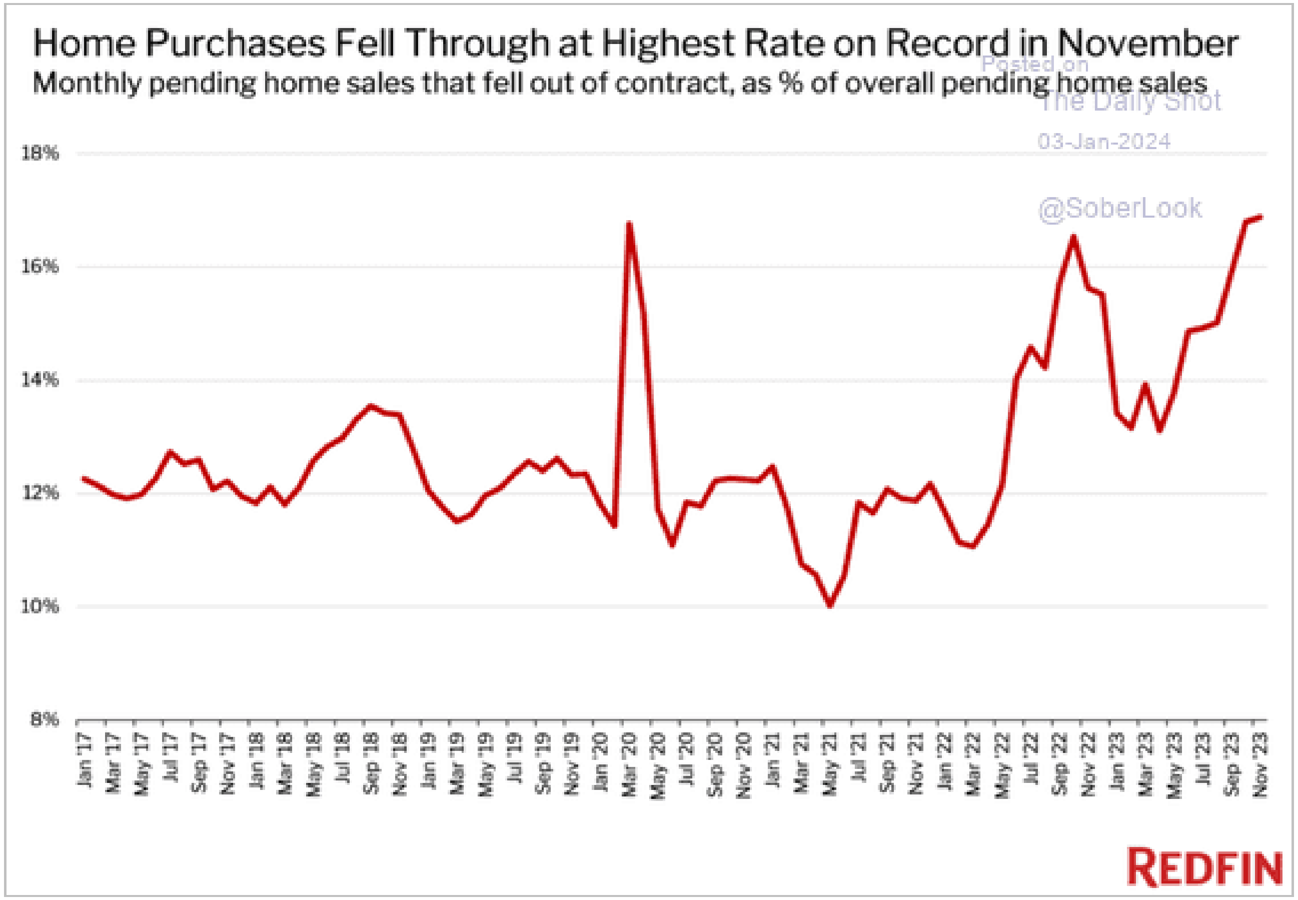
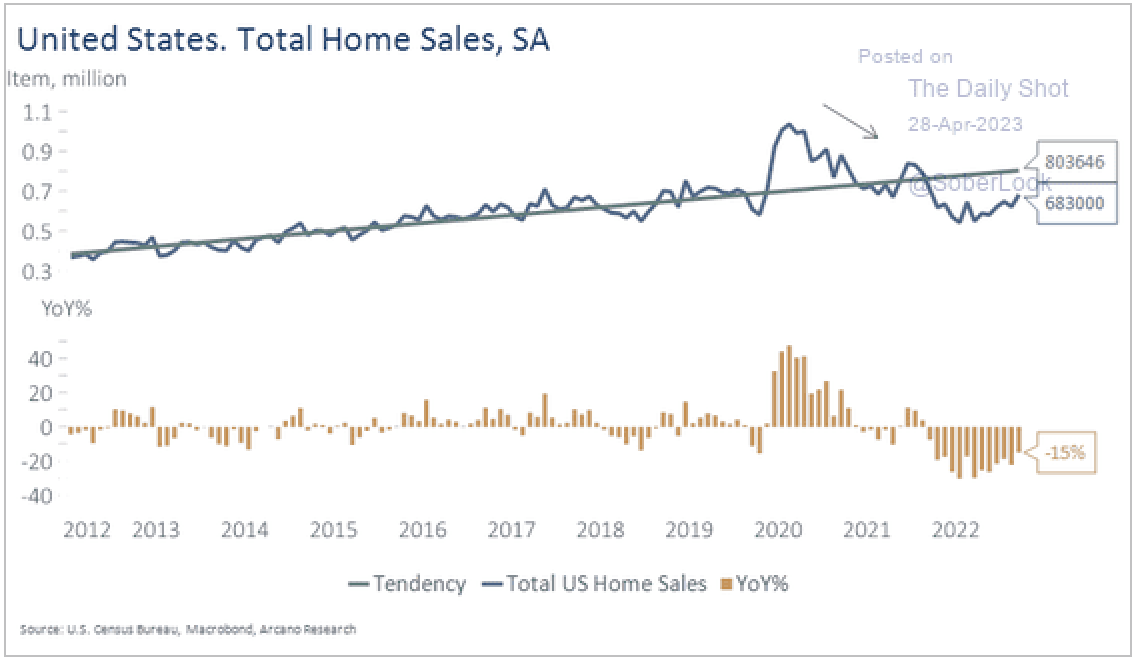
The number of homes falling out of contract is at record highs. Inspection notices reveal hidden problems that cash-strapped buyers can't afford to fix.



Source: Redfin

Source MBA **Mortgage Banker Assoc**

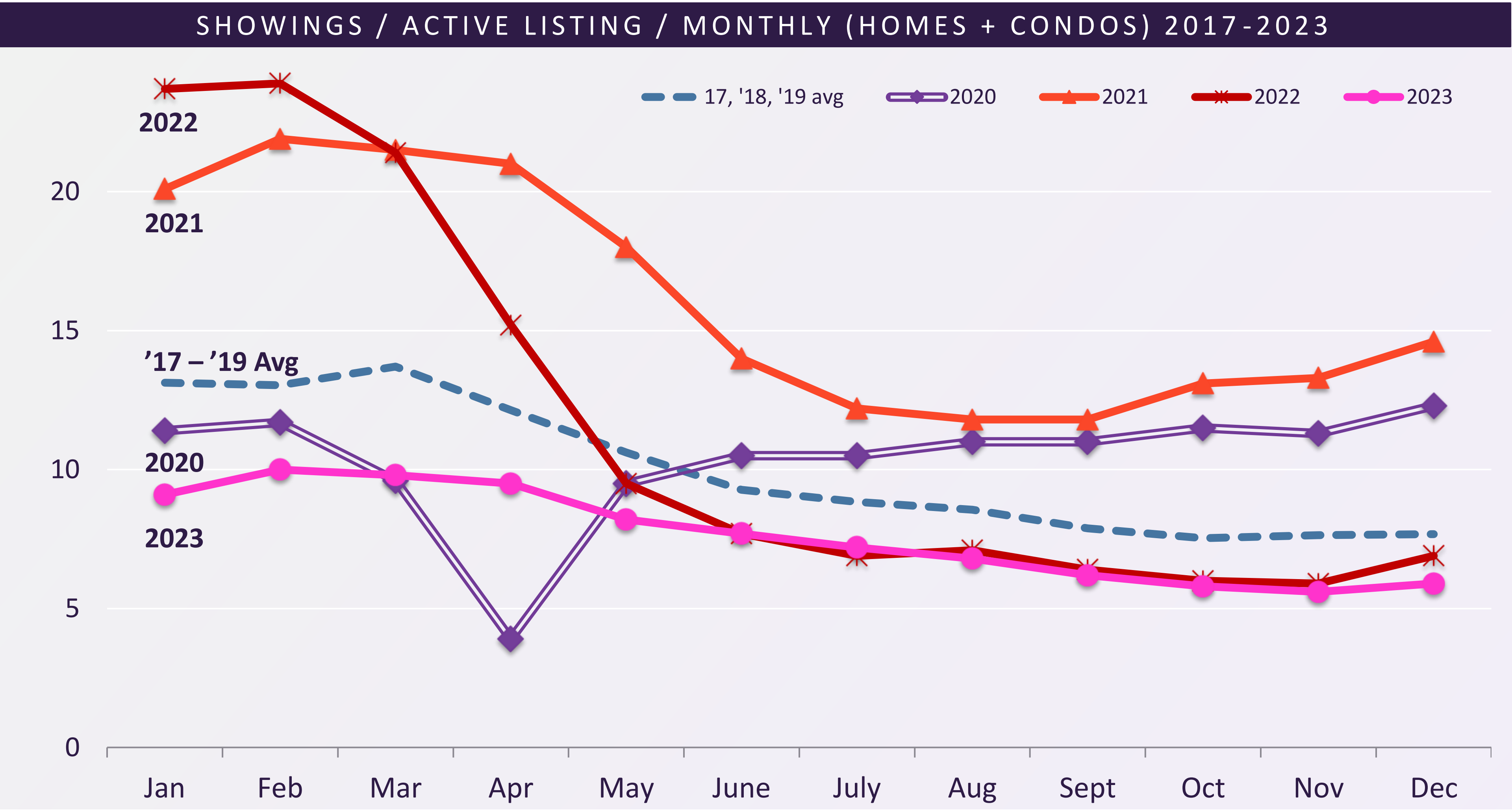
How sales unit counts compare to the long-term trend. The deficit in the sales count vs. long term trend line in 2022/23 is about the same as the excess number of homes we sold in 2020/21.



History has shown that higher rates may take the steam out of rising prices, but it doesn't cause them to collapse entirely. This is especially true in today's housing market, where the demand for homes continues to outpace supply, keeping the pressure on house prices.

Mark Fleming, Chief Economist, First American

2023 ended with a slight uptick in showings, keeping with most previous years' trends!



Source: 29 Cities that make up Denver Metro Area from ShowingTime.

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There is a lot of enthusiasm for STR (short term rentals) among home owners.

Realtor.com and CensusWide

2023 Short-Term Rental Survey

59.8%

Would consider renting out their current house rather than sell it, if they were to buy or rent another home in the future.

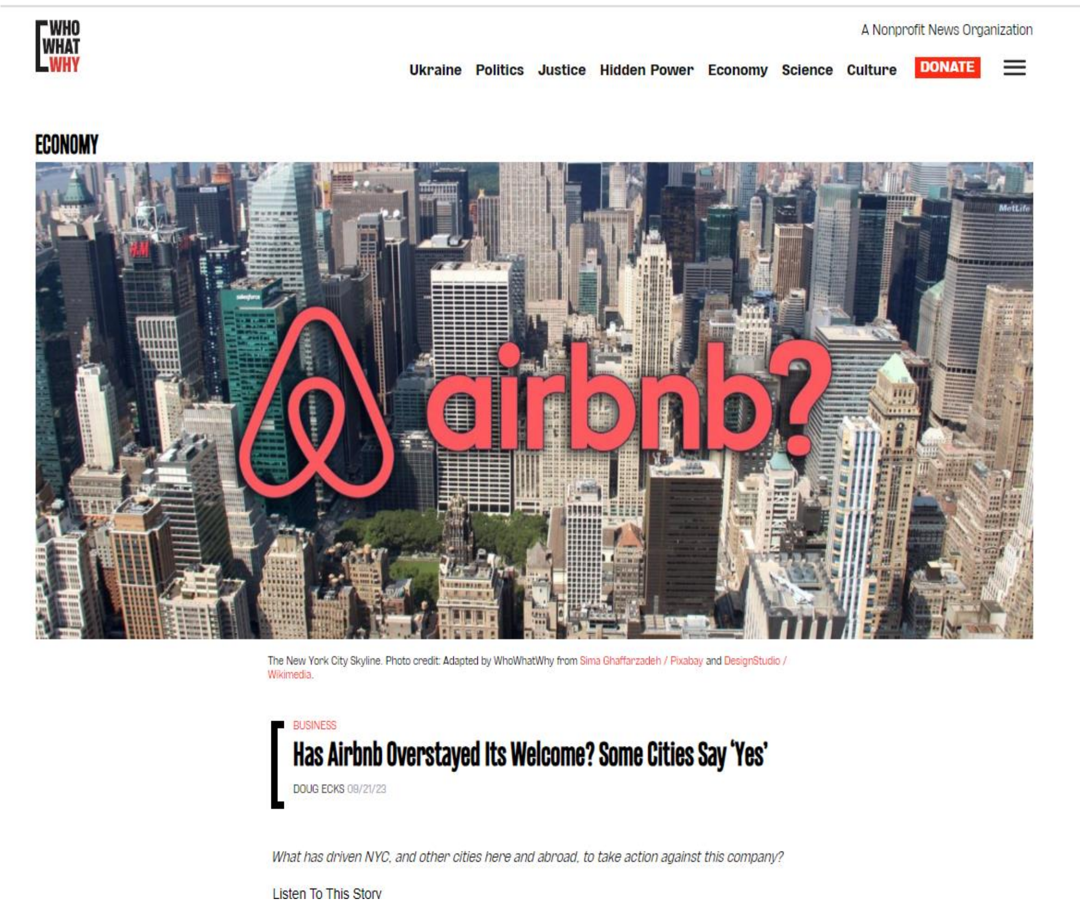
≈20%

It would be great to have extra income from a renter

≈18%

The idea of owning a rental or investment property appeals to me

Some cities think airBNB has overstayed its welcome, like NYC. The NYC ban dramatically slashed the number of units available.


WHO WHAT WHY

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ECONOMY

The New York City Skyline. Photo credit: Adapted by WhoWhatWhy from Sima Ghaffarzadeh / Pixabay and DesignStudio / Wikimedia.

BUSINESS

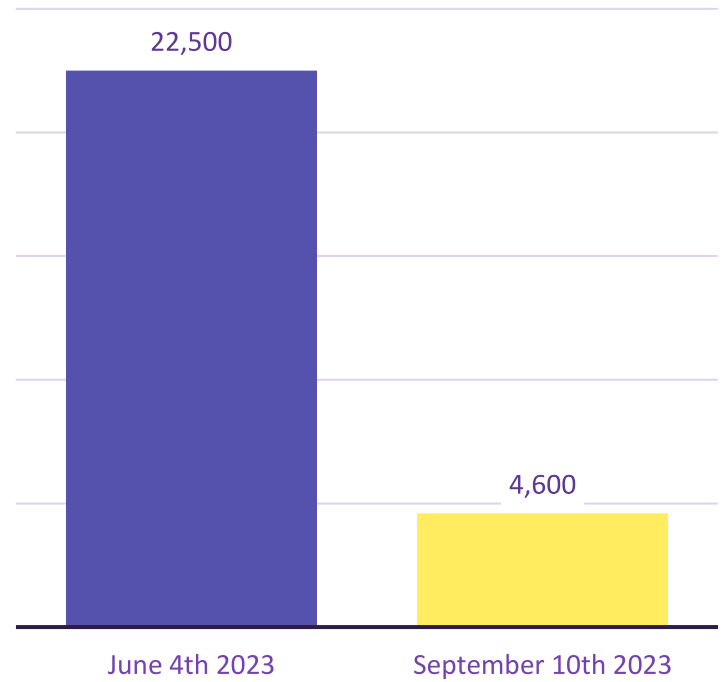
Has Airbnb Overstayed Its Welcome? Some Cities Say 'Yes'

DOUG ECKS 09/21/23

What has driven NYC, and other cities here and abroad, to take action against this company?

Listen To This Story

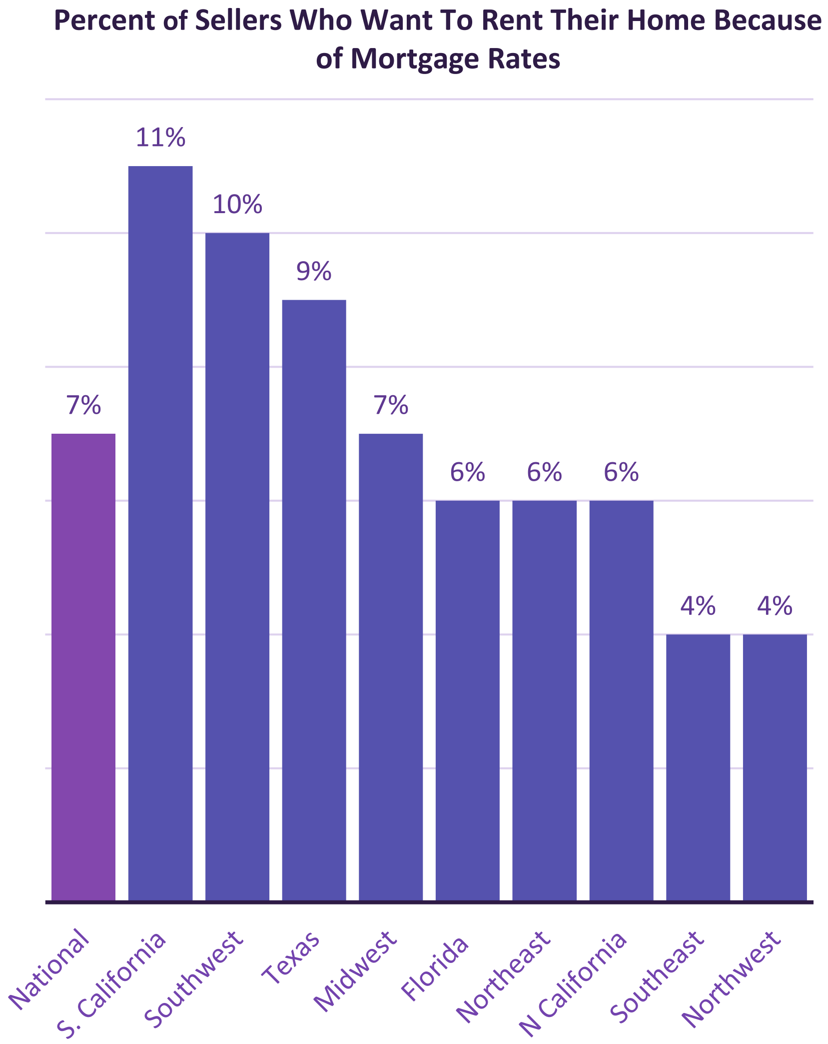
Number of airBNB listing in NYC



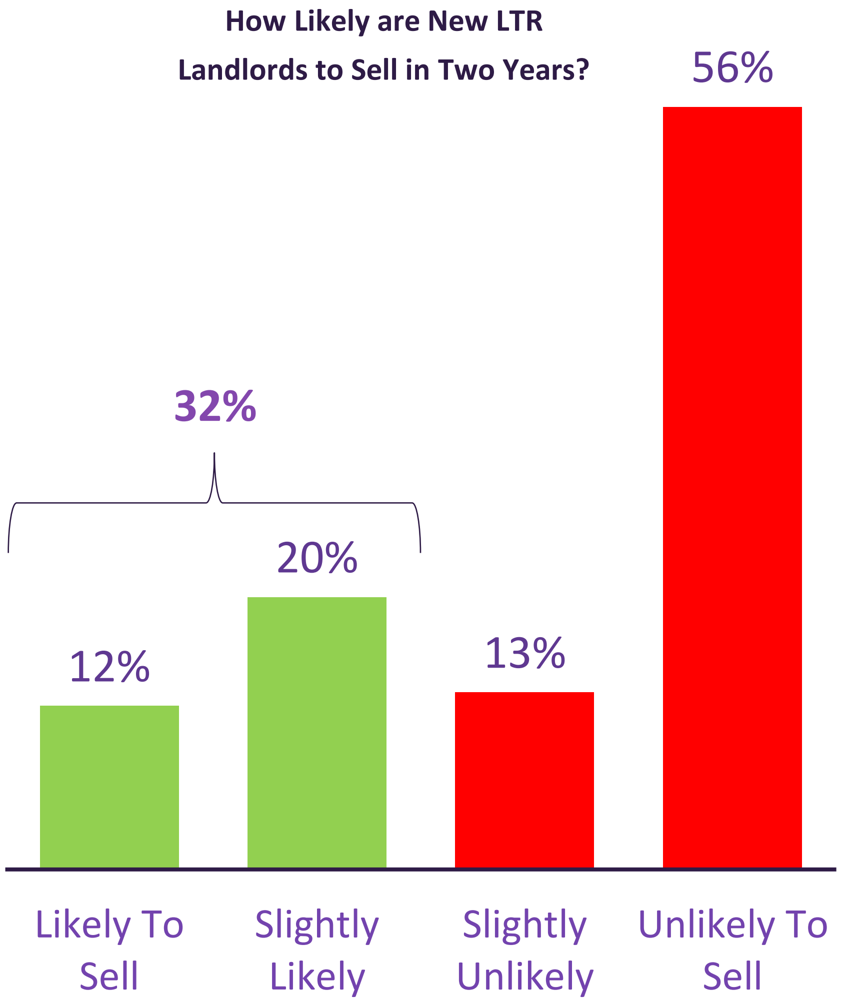
Sources: Skift, KCM

Overall, global airBNB volume is growing rapidly post-COVID.

Not only are would-be sellers turning to STR, many are also looking at LTR (long term rentals). Rental Owners' Plans To Sell Properties in two Years To Come (presumably when rates drop).



Source: John Burns Consulting



Source: Buildium

Net, there could be pressure on rents for a few years.

Apartment construction is roaring along at a 40-year high. That means more choices for renters, likely at lower rents, as everyone jockeys for tenants.

- Lew Sichelman, Author, "The Housing Scene" Column

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