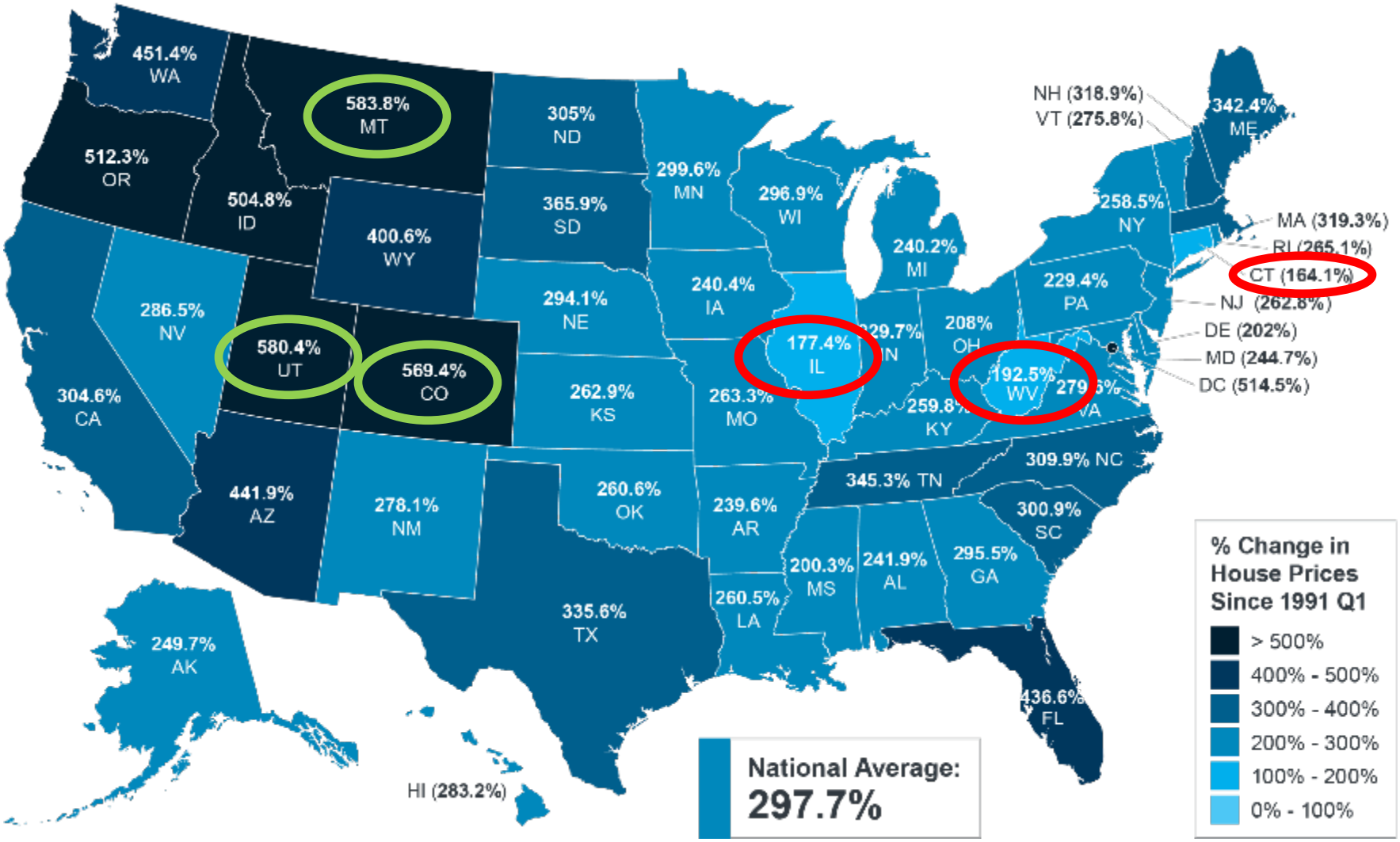
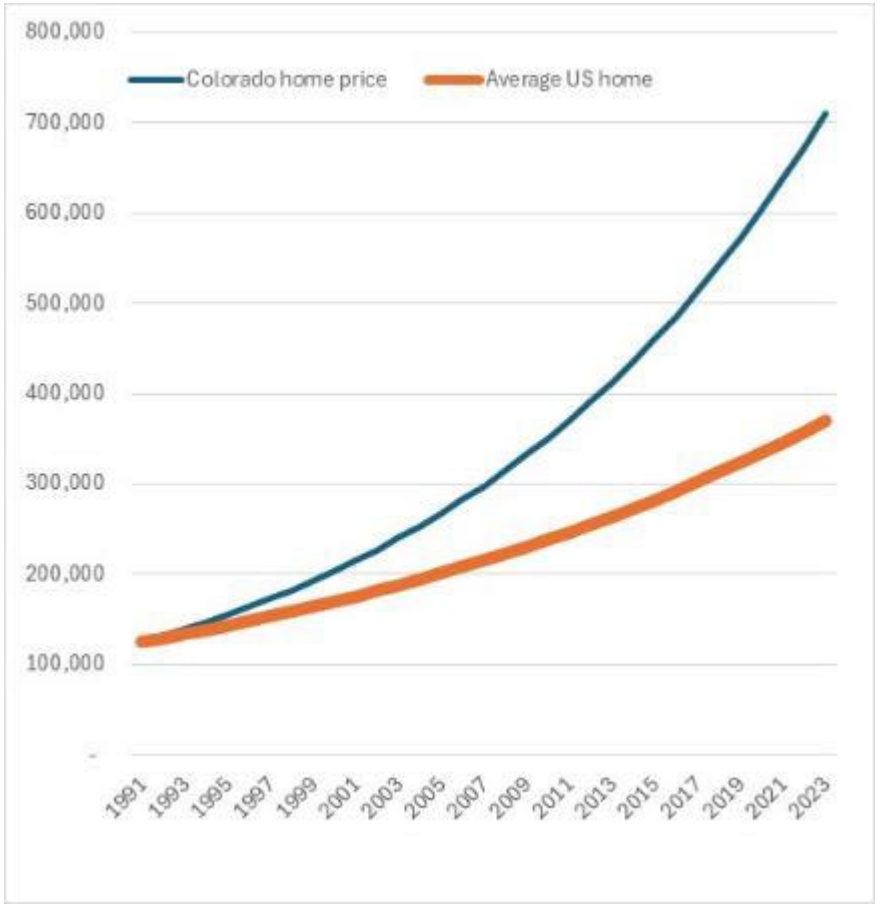
Colorado has historically been a great place for real estate appreciation.
*Current home prices vs. 1991*



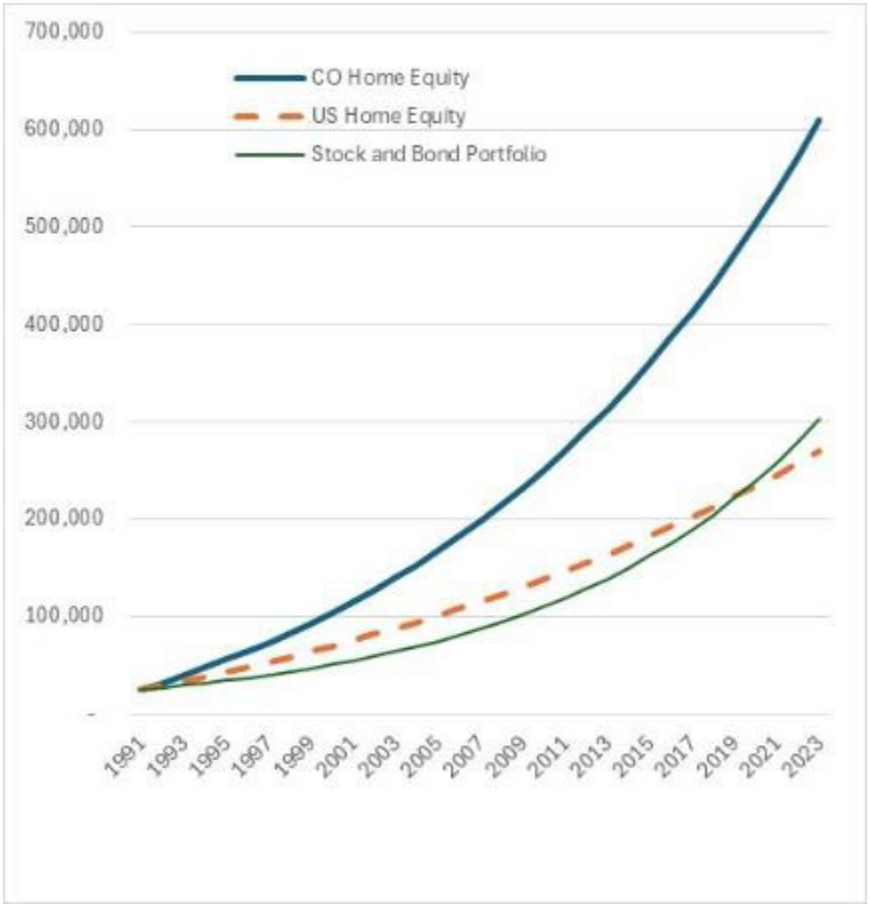

Data Source: FHFA

# An investment in Colorado real estate outperformed a typical stock and bond portfolio in 1991-2023. The US average home appreciation was just as good!

## Average Home Price Growth




## Growth of $25K downpayment




Source: Ironton Investments Analysis
Data Source: FHFA

Denver wealth creation for first-time buyers. The Federal Reserve chart about net worth is interesting, but let's try to make it a bit more tangible for Denver.

- We'll consider several typical scenarios – this one is for a first-time buyer
- The top left looks at what that first-time buyer client might face if they buy today.
- The bottom left examines how much more their payment might be in a year if..
  - Home prices go up 5%
  - Interest rates go up 0.5%
  - The payment could go up 11% if you wait for a year (and what will your rent do in the interim?)
- The right side is a chart depicting…
  - Top: The home value, with 5% annual appreciation.
  - Middle light purple: the mortgage balance, which is paid off over time.
  - Lower heavy grey line: the accumulated equity ("wealth creation") for the client.

## What does it mean for the client?

- The first-time buyer's 5% down payment of $25,000 turns into almost $400,000, or +1581%.
- For most buyers, this gain would be tax free!
- You also get to save on rent expense.
- Potentially, you deduct your property taxes and mortgage interest as tax deductions, reducing your tax burden. These benefits are not included here. Talk to your CPA.
- Historically, the stock market (S+P 500) returns around 11% per year before tax or 8% per year after tax.
- If history predicts the future, that $25,000 down payment invested in the stock would worth $54,000 (after tax) in ten years, for a 115% return.

If you buy a home today vs. next year (First Time Buyer). **More than $400,000 in wealth creation in ten years!**

## ASSUMPTIONS

### Buy now

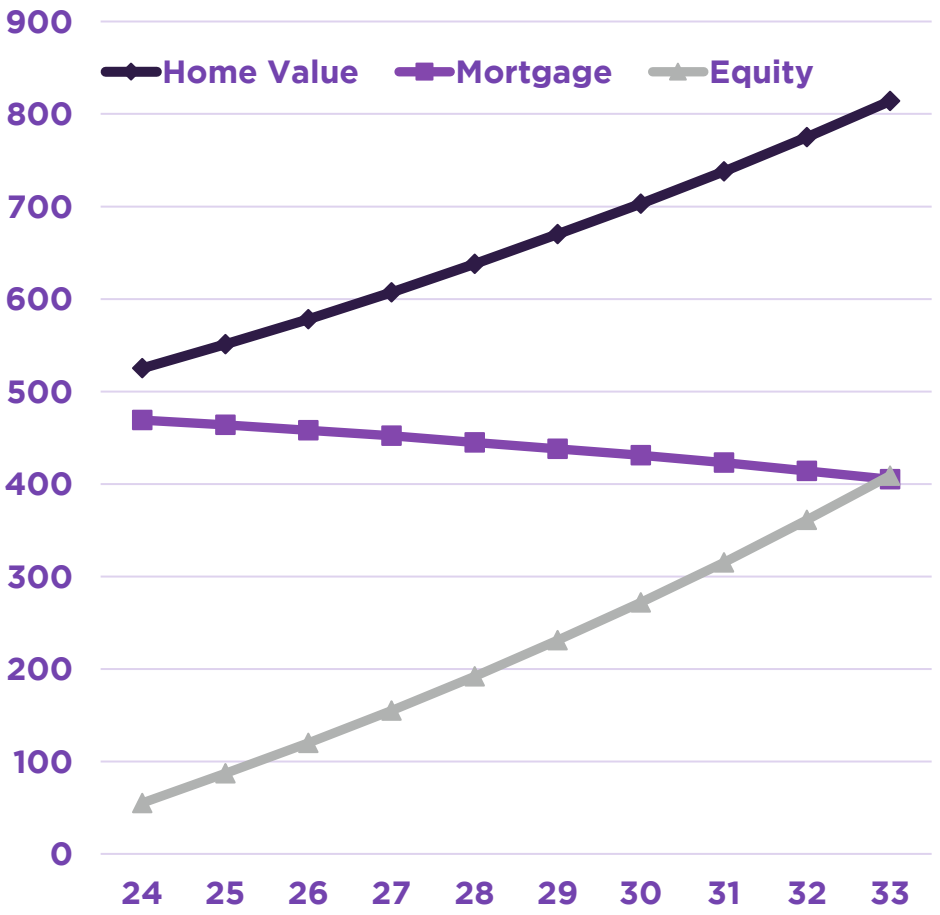
- Purchase price: $500,000
- Down payment %: 5%
- Down payment $: $25,000
- Rate: 6.75%
- Amortization: 30 years
- P/I Payment: $3,081
- Appreciation %: 5% per year
- Appreciation $: $314,447
- Loan pay down: $69,820
- Simple ROI*: 1637%

### Wait 12 months ("watch market")

- Assume mortgage rates -0.5%
- Assume home appreciation +6%
- P/I Payment next year: $2,940
- Payment change: -5%

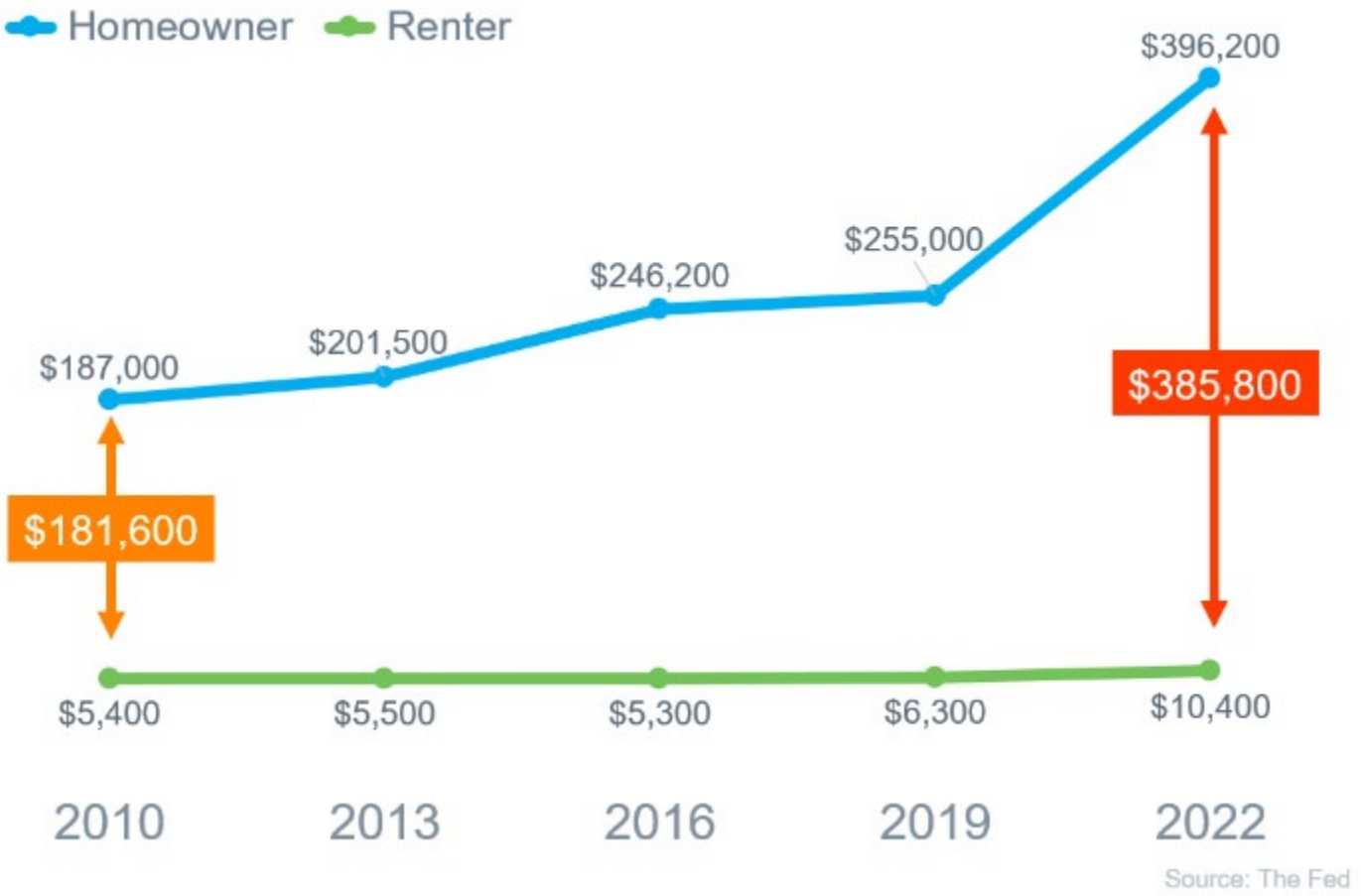
Data Source: BankRate.com
*This does not include approximately $93k paid in interest over first 10yrs.

## PROJECTED HOME CHANGE IN VALUE



# NET WORTH FOR OWNERS IS HIGHER THAN RENTERS

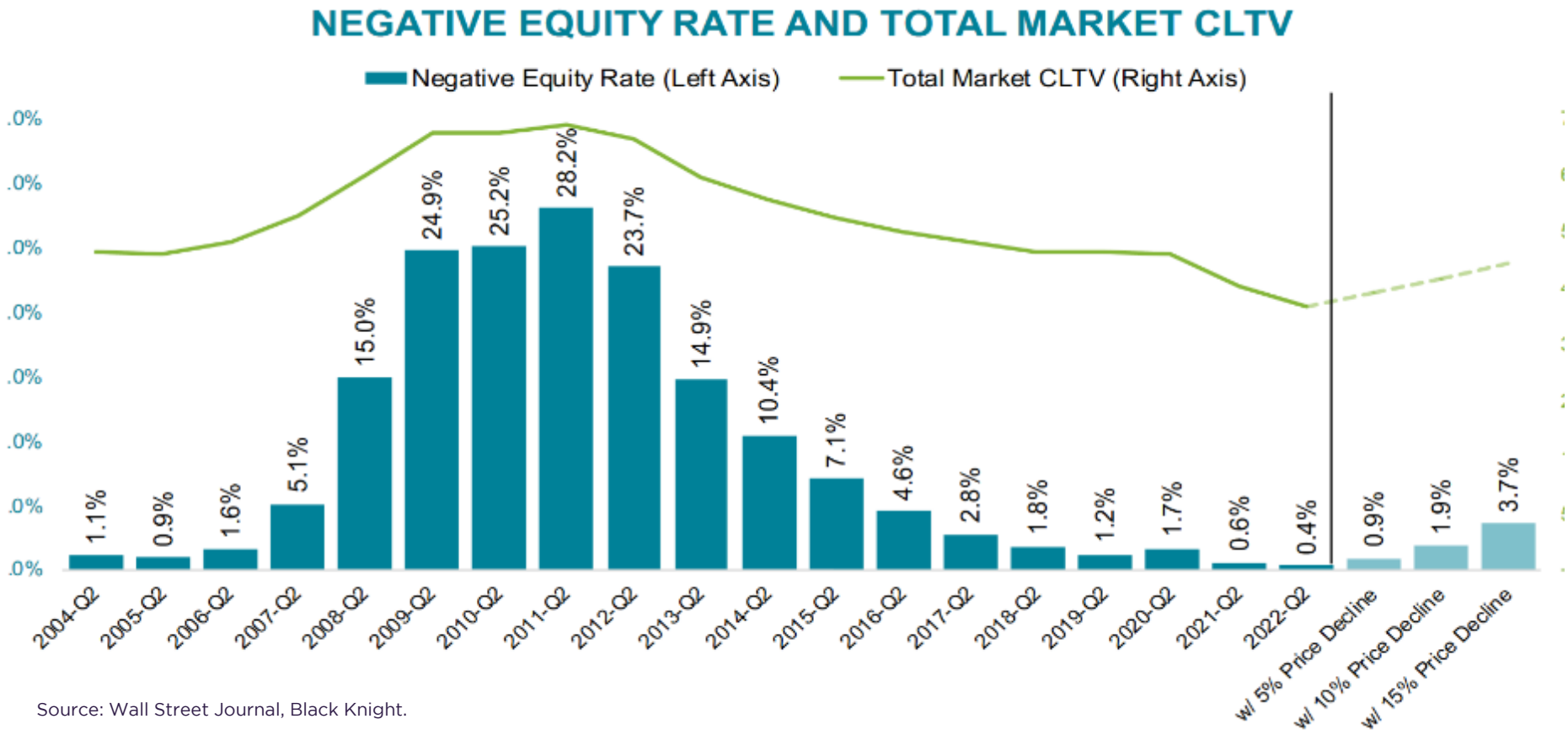
Research by the Federal Reserve found that homeowners accumulate 40x more net worth than renters over their lifetime.




Data Source: Federal Reserve Survey of Consumer Finances 2016-2022

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.