



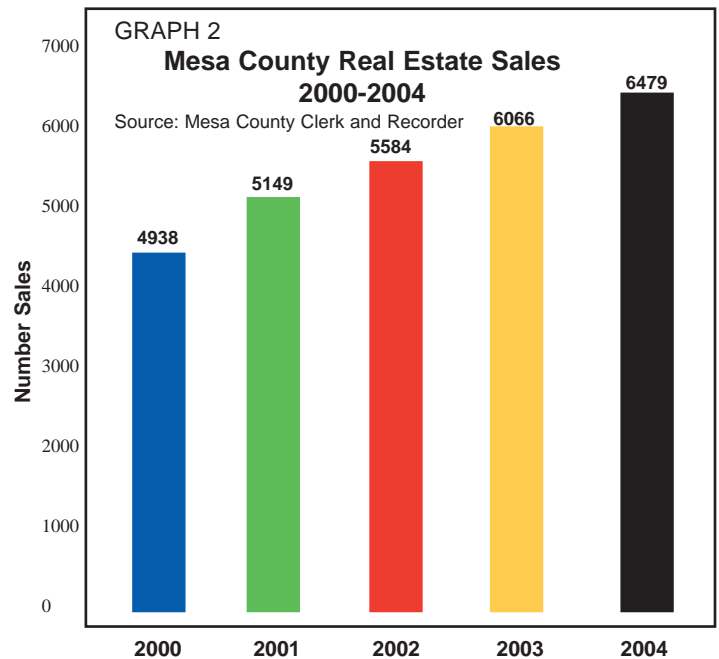
Mesa County REAL ESTATE REPORT

Annual Report 2004
ADVANCED TITLE TECHNOLOGY

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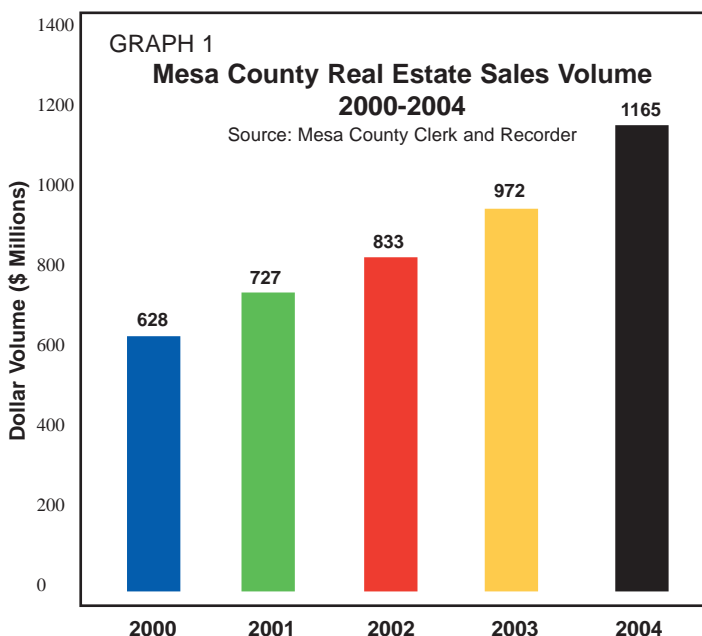
Real estate sales in 2004 were consistently better than in 2003. Not only did the fourth quarter exceed the performance of the fourth quarter of the previous year, but each quarter of the year surpassed the comparable quarter of 2003, both in the number sales and the dollar amount. Further, June of 2004 reported the largest ever monthly sales (658) and dollar amount (\$118.6 million). Certainly favorable interest rates throughout the year helped the performance of real estate in Mesa County, but the overall economic health of the community was also a good part of the success. Employment numbers improved during the year and consumer spending was healthy, as evidenced by very healthy sales tax receipts reported by the City of Grand Junction. Graphs 1 and 2 below show a comparison of sales and dollar volume for the last five years.



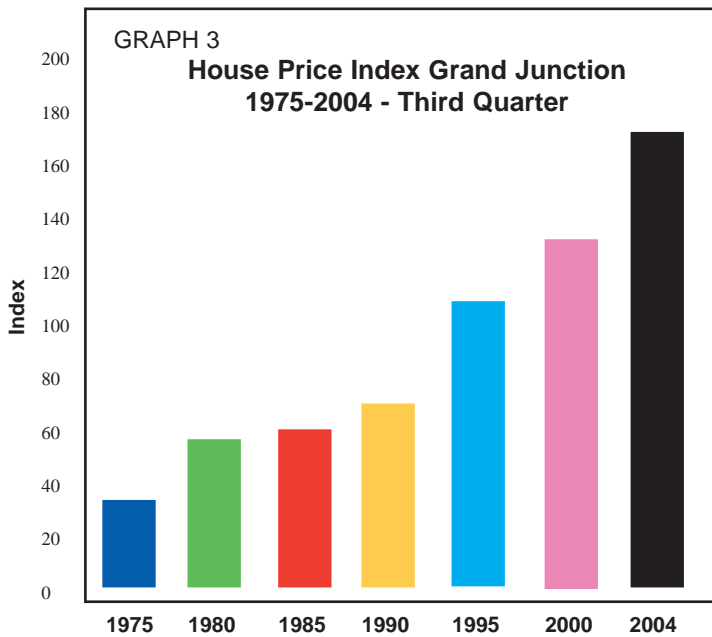
The largest sales in 2004 included 52 sales for \$1.0 million or greater; in 2003, there were only 33 such sales. The most notable of the sales were:

- The largest sale was by West Tocol Development of Denver of the Primary Care Partners' Services/Hospice Campus to a local doctors' group called PCP Investors, LLC, for property located at 3150 N. 12th Street for \$11.7 million.
- Sale of the Adam's Mark Hotel (now the Grand Junction Hotel) to a New York partnership for \$10,997,000.
- Sale by a local couple of the RV Monument Park in Fruita for \$4.6 million to a Scottsdale, Arizona limited liability company.

2004 was also notable for three residential homes that sold in excess of \$1.0 million without large acreages involved. One property is located in Quail Run Subdivision, another in Monument Valley, and the last

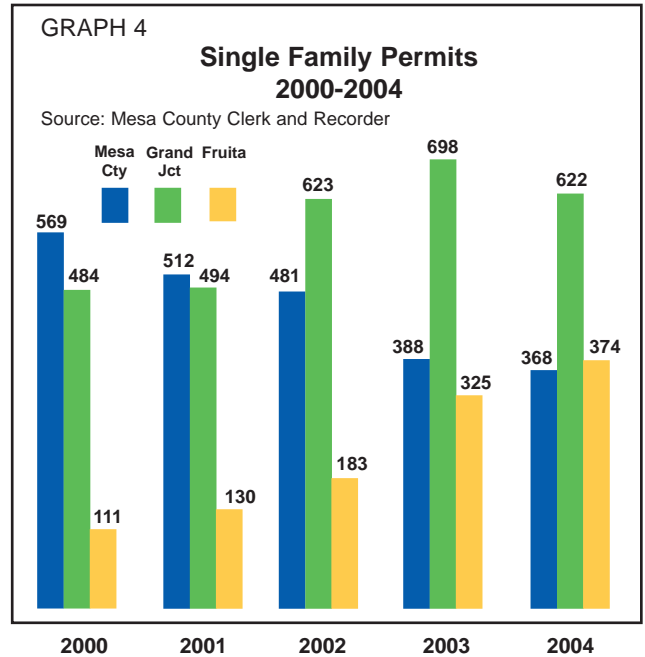


one in High Point Estates. Also, 2004 saw two speculative homes by local builders, each one for sale in excess of \$2.5 million. A brief view of price increases for all property in Mesa County is given by comparing prices in the lower and higher ranges. All price ranges below \$120,000 experienced declines in the number of sales, despite increases in the overall market from 2003 to 2004. Conversely, all price ranges over \$120,000 experienced substantial increases in the number of sales. This price shift is more scientifically tracked, in the residential sector, by the Office of Federal Housing Enterprise Oversight (OFHEO) which measures housing price appreciation from its large bank of sales data for each market that it measures. For the twelve months ending in the third quarter of 2003, housing prices in the Grand Junction metropolitan area have increased by 10.5% and this market has fared better than all other measured markets in the State. According to OFHEO, a typical Grand Junction house worth \$100,000 ten years ago is now worth \$182,454 today. This is one reason real estate has, for many, remained an attractive investment over the long term. Graph 3 shows the House Price Index for Grand Junction for the last 30 years.



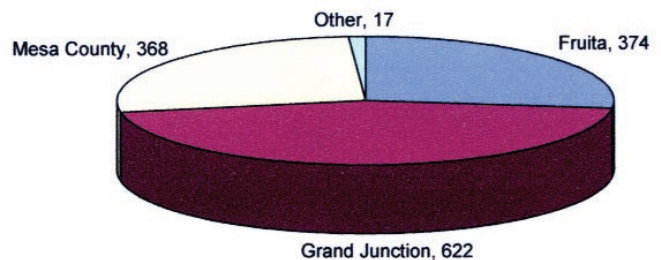
Single family building activity remained slightly ahead of 2003 levels through the second quarter, and then declined somewhat in the second half of the year. There were 1372 single family permits issued in 2004, a 3.5% drop from the 1422 permits issued the prior year, but still 6.4% ahead of 2002 levels. There is some question as to why single family permits would retreat in the second half of 2004, when overall real estate activity was healthy when measured by (1) increasing number of sales and dollar volume, (2) a level average marketing

time (days on market) for residential properties for the past two years, and (3) a very high listing to sale price ratio, for all residential types of property, that edged up to 99%. With these factors in high gear and very favorable interest rates throughout the year – and the local economy purring along, one would expect to see an increase in single family permits. A quick look at Graph 4 may provide an answer.



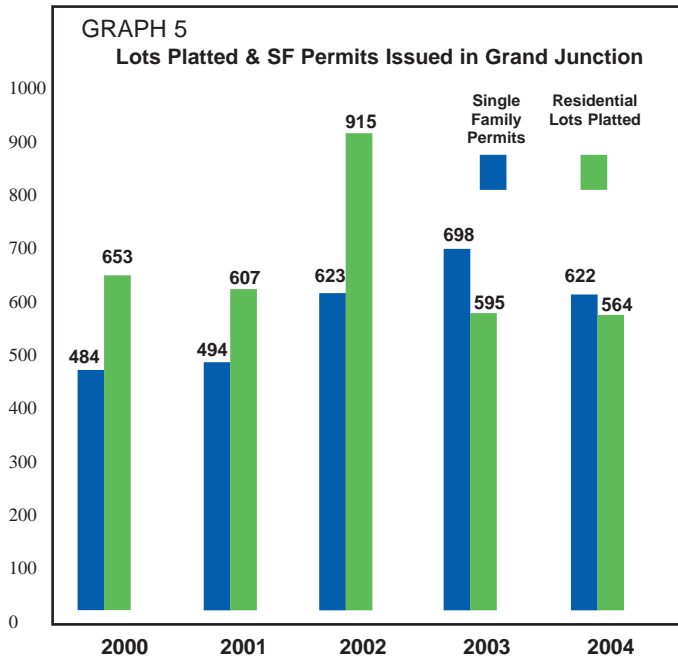
Fruita has shown a steady increase in building permits as it continues to attract new residents and subsequently new businesses. In 2004, Fruita reported for the first time more single family permits than the unincorporated areas of Mesa County. Not surprisingly, the level of permits issued for the unincorporated areas of Mesa County has declined since 2000, as more land is annexed into Grand Junction in order to make sewer service available to new subdivisions. A graph of the relative number of permits issued in all of Mesa County is shown below.

2004 Single Family Permits



The anomaly is the City of Grand Junction that reported an 11% reduction in single family permits. Based on market conditions, one would have expected permit levels in the range of 750 for the City, instead of the 622

actually issued in 2004. There were 698 Grand Junction permits issued in 2003. A Graph of residential lots approved and recorded in the City of Grand Junction compared to the number of single family permits issued in the City is shown below.



The reduction of permits is linked to available lot inventory which is a leading indicator of permit activity. Based on the above information, we would expect single family permits issued in the City of Grand Junction to decline in 2005, unless most of the excess inventory is absorbed by builders. That would place a greater upward pressure of lot prices. It appears that developers are applying for fewer residential lots to be approved by the City or the approval process for residential subdivisions is taking longer now than in past years, resulting in fewer lots available for home builders. If this trend continues,

while demand for housing stays high because of population growth and good economic conditions, there will be a price jump for affordable housing. A market is best served when it is “open”; that is, one without arbitrary barriers, so home builders will have a vested interest in assuring that the process that provides sufficient lot inventory is unfettered to meet future demand.

Other real estate related factors worth note in 2004 are:

- The average 3-bedroom house, as reported by the Multiple Listing Service of the Grand Junction Area Realtors Association, rose 8.4% from \$158,950 for 2003 to \$172,237 for 2004. This is somewhat less than the House Price Index published by OFHEO for houses purchased with financing.
- Foreclosures opened with the Public Trustee in 2004 climbed to 392, up 19.5% from the 328 filed in 2003, and the 2004 level is close to the recent high mark set in 1988 of 438. However, when one measures the population per foreclosure 2004 fares far better than in 1988. One in 194 people were subject to a foreclosure in 1988, compared to only one in 319 in 2004.
- Bankruptcy filings for the Grand Junction/Western Region dropped for the first time in 5 years, from 1930 in 2003 to 1906 in 2004. The other two regions of the state continued to experience increases in the number of bankruptcy filings. Nearly 50% of all personal bankruptcy filings nationwide are caused by medical expenses.

The prospects for real estate activity for 2005 remain promising. One should expect a small increase in interest rates but consumer spending should remain strong, adding fuel to the economic engine in Mesa County.