



Mesa County Real Estate Report

*Annual Report
2006*

“For the record, foreclosures in Mesa County are down 8.3%”

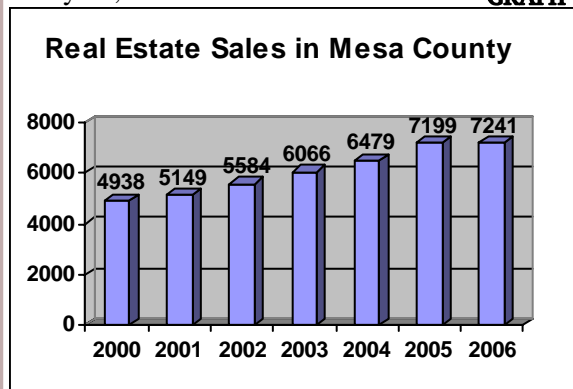


Bob Reece
Western Slope
District Manager
Stewart Title
970-243-3070 Office

Every time I travel to the Front Range, my management colleagues are quick to ask if our area has been hit “yet” by the foreclosure plague. They think it is inevitable. I have been a little reluctant so far to tell them how well the economy is doing in Mesa County. I guess I do not want to jinx myself. From a purely economic standpoint, I am somewhat relieved that the pace of real estate has slowed in the last two quarters. A torrid pace for too long usually has an abrupt ending that is not healthy for a community. For the record, foreclosures in Mesa County are down 8.3%. Here is a summary of real estate activity in 2006.

The fourth quarter saw a slight dip in real estate sales. There were 1673 sales, compared with 1710 sales in the same quarter of 2005; a 2.2% decline. This was similar to the third quarter results. The first half of the year witnessed a 9.6% gain in sales and the second half reported a 7.2% decline. The net result for the year was less than a 1% gain. For the year, there were 7241 sales recorded, up 0.58% from the 7199 sales in 2005. There were seven record months in 2006, five in the first half and two, November and December, in the second half. Graph 1 below shows a comparison of sales in recent years.

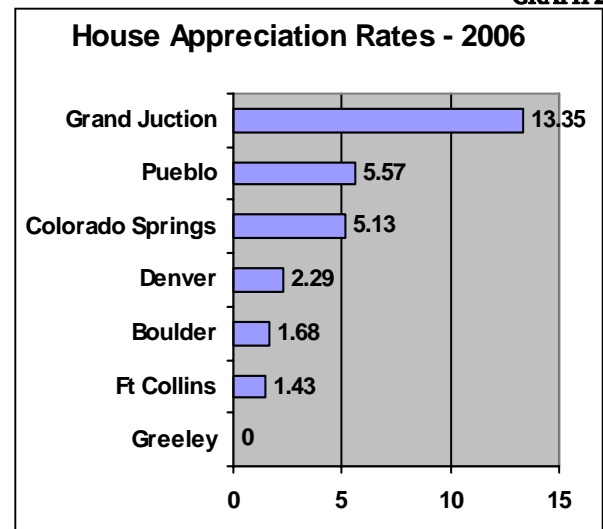
While sales slowed some in the second half of the year, the dollar amount of sales **GRAPH 1**



continued in a “fast-forward” mode. Sales totaled \$41.5 million in the fourth quarter, a 16% jump over the \$35.8 million in sales for the same quarter a year earlier. And for the year, there were \$1.73 billion in sales, up 17% from the \$1.47 billion reported in 2005. There was one particular sale of size, just over \$24 million, and even factoring this sale out, the dollar volume of

sales would have been up 16%. Another view of market heft is that in 2005 there were 79 sales of \$1.0 million or greater for an aggregate amount of \$164 million. In 2006, there were 95 sales of that size for an aggregate of \$254 million. The above, together with developer conversations about the rising cost of land, is good anecdotal evidence that substantial price appreciation is occurring throughout Mesa County. Better information is provided by the Office of Federal Housing Enterprise Oversight (OFHEO). This is the watchdog for Fannie Mae and Freddie Mac, two of the largest players in residential mortgage securities. They report that from the third quarter of 2004 until the third quarter of 2006, the average appreciation rate for homes in our metropolitan area is 11.2%. The third quarter of 2006 experienced a 13.35% appreciation rate for the 12 months prior to end of the quarter. The Grand Junction Metropolitan Statistical Area (MSA), as it is called, has fared much better than the other MSA’s in Colorado. A comparison of the last reported figures for Colorado MSA’s is shown below on Graph 2.

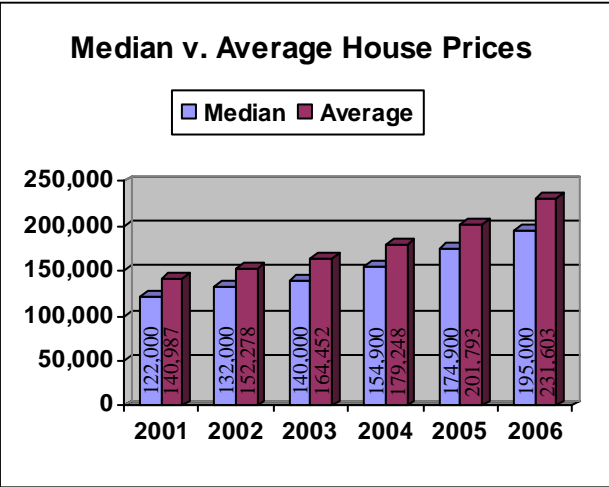
GRAPH 2



Another indicator of price movement in the market is the median price of a home and the average, or mean, price. The average price of a home in the last six years has increased faster than the median price. The median price of a house in Mesa County rose 11.5% from \$174,900 last year to \$195,000 this year, while the average price jumped even more - 14%, from \$201,793

in 2005 to \$231,603 this year. The differential between median and average prices continues to widen as we see top-end homes being sold in greater numbers, thereby skewing the calculation for the average sales price. Graph 3 below shows a comparison between median and averages prices for the last six years.

GRAPH 3

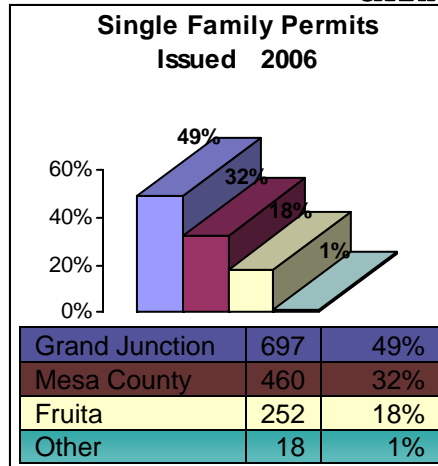


By far the largest sale in 2006 was the July sale of the Ricky Schroder ranch to Westland LLC, a Florida investment company for \$24,333,440. Westland, in turn, sold off parts of the ranch to five separate purchasers for an aggregate of \$30.5 million. We have reported on the first three parcels carved out the ranch in earlier reports. The last two parcels sold by Westland were to (1) a local individual for \$8,757,450 who, in turn, carved out a portion on a later sale for \$4,685,000, and (2) another local investor for \$4,472,868. The original ranch sale and subsequent sales accounted for nearly \$60 million in real estate transfers. Another notable sale was to Wagner Equipment by GPD Global, a Mike Ferris company, for property near 23 and I-70 Frontage Roads for \$8,750,000. This involved a large industrial building and additional land. Also, a large residential tract in Mack was sold to a Craig Burbage of Bow-Mar, Colorado for \$6,850,000. Lastly, the Toys R Us pad at Mesa Mall was sold to an investor for Best Buy for \$4,447,010

Home building activity kept on pace with last year through the third quarter but dropped 24% in the last quarter. There were 290 single family permits issued in the last quarter, down 92 permits from the 382 permits in the last quarter in 2005. October permits were level with a year earlier but November and December showed a sharp decline. For the year, 1427 single family permits were issued throughout the county, down 6% from the 1513 permits issued in all of 2005. Grand Junction and unincorporated Mesa

County reported permits on par with last year, but Fruita experienced a 29% decline in permits; from 354 in 2005, to 252 this year. This was a direct result of a sharp drop in Fruita's approved residential subdivisions in 2005, when only 172 lots were approved. Conversely, in 2006 there were 647 lots approved. Because of the heightened activity in the platting process, we expect to see a substantial rise in single family permits in Fruita for 2007. It is an area of high demand and the slowdown in the platting process in 2005 has only increased housing demand for this community. Graph 4 below shows the relative amounts of permits issued by community in 2006.

GRAPH 4



The biggest player in home building remains the City of Grand Junction. In general, when we see a large increase is residential lots approved for platting in one year, we find a resulting increase in single-family permits issued in the following year. Based on the table below, we would expect permits to be on the increase in the City in 2007. The outlook for real estate in 2007 remains a pretty positive picture. Demand should remain fairly high with a population push based not only on the continued growth of the energy sector but also the success of non-energy sectors of the market, together with a continued lagging of supply of housing and residential lots. There is still less than a four months supply of housing at the start of 2007 and that also suggests strong housing demand. Interest rates appear poised to remain in an attractive range for home buyers and our local governments are financially robust at this time.

City of Grand Junction

	Lots Platted	Permits Issued
2000	653	484
2001	607	494
2002	915	623
2003	595	698
2004	564	622
2005	797	687
2006	863	704

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Stewart Title
Grand Junction
Division
601B 28 1/4 Road
Grand Junction
Colorado, 81506