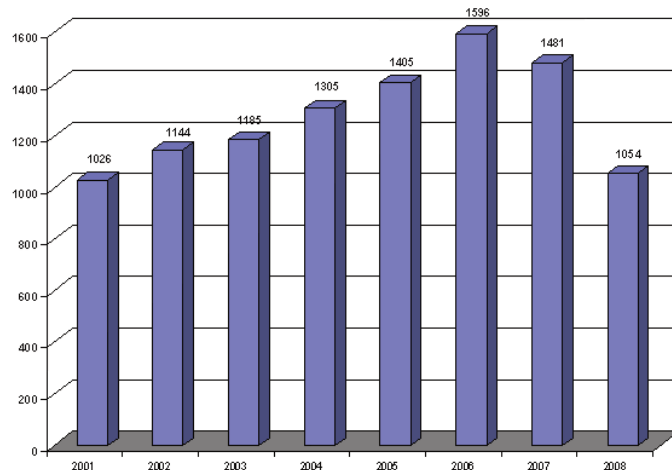


The Mesa County Real Estate Report

Stewart Title
Grand Junction Division
First Quarter 2008

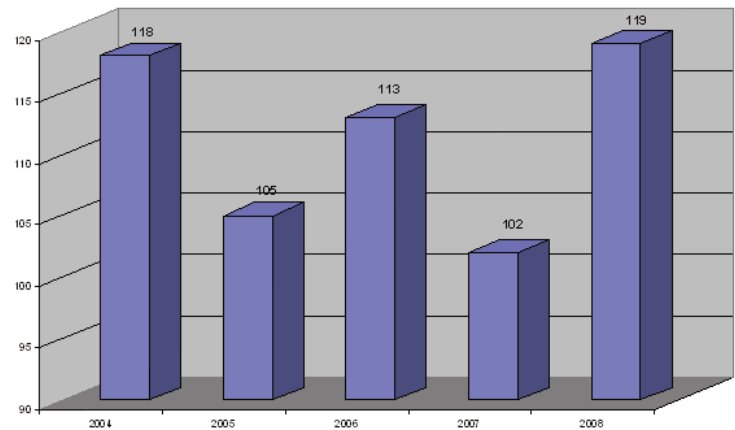
Real estate sales continued soft in the first quarter of 2008. It was the seventh consecutive quarter where sales declined from the corresponding quarter a year earlier. The county registered a total of 1054 sales in the quarter, down 29% from the 1481 sales filed in the first quarter of 2007. Each month reported a decline but February had the sharpest with a 37% drop from February of 2007. Certainly, the weather had some bearing on real estate performance for the quarter but it may be a harbinger of a soft market for the rest of the year. Second quarter results are always a much better indicator of annual market trends because weather rarely plays a role then, so we will be watching closely to see what happens in the next few months.

1st Quarter Real Estate Sales Count



The dollar level of sales for the quarter totaled \$315 million, down 8% from the \$343 million for the same quarter in 2007. This gives some further indication that prices may have softened further from the end of last year. When sales continue in a declining mode, values are usually headed in the same direction. The main forces in Mesa County that counter a valuation decline are good job growth, low unemployment, moderate foreclosure rate, and otherwise healthy spending by local consumers.

First Quarter Public Trustee Foreclosures



The recent slowdown in home sales is directly connected to a very quick appreciation of housing values in the past 2-3 years. Those values hit a price point where some buyers were simply priced out of the market. And now that credit tightening has occurred for home mortgages on a national level, it has made it more difficult for some buyers to acquire their first home or make a move up purchase. Also, many people moving to the Grand Valley are experiencing difficulty in selling their current home in order to purchase one here or are finding housing prices in Mesa County higher than they expected, thereby slowing the buying process.

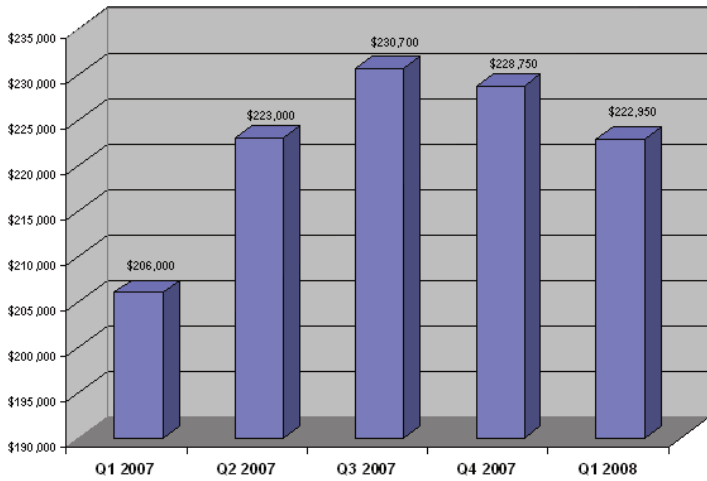
The median price for a single family home in Mesa County has also softened to some degree, so housing appears to be headed toward a more affordable stance. This prospect may not be too appealing to current homeowners, but open market forces are in effect and ultimately will move housing prices to the correct level. The key question will be how long will it take for Mesa County housing to make its "adjustment" to a more balanced market.

Housing sale velocity varies substantially by price segment. A six-month supply of inventory is generally considered a balanced market for buyers and sellers. The graph below demonstrates expected velocities based on the sale experience for the prior 12 months. Clearly, houses in the \$500,000 -

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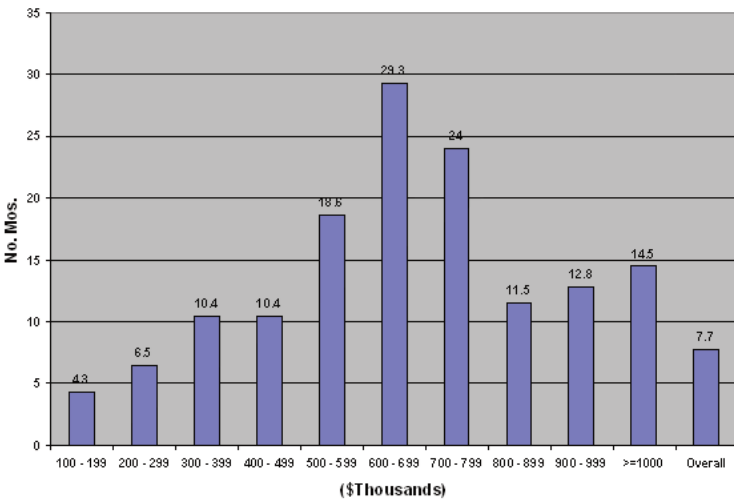
Grounded In Trust

Median Single Family Sales Price



\$800,000 price range will either require extended time for a sale or are subject to price reductions to shorten the marketing time. In contrast, housing near or below 300,000 should remain in high demand.

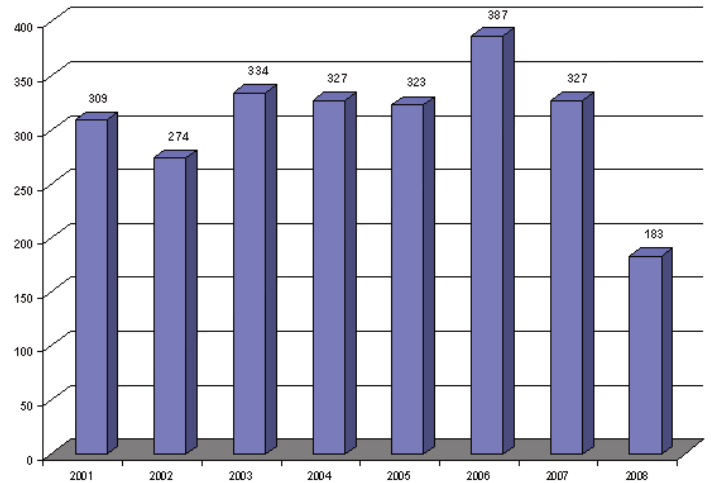
Single Family Housing Inventory Velocity - May 2008



Home building followed suit with real estate sales and reported a substantial decline in the first quarter. There were 183 single-family permits issued in the first quarter, down 44% from the 327 permits issued in 2007. The February permit count of 42 was the smallest February permit volume since 1993. One might expect the entry-level and moderate priced spec builders to be affected the most, but this slowdown is being experienced

broadly by builders in all price ranges, and by custom home builders too. We expect builders, in general, to pull fewer single-family permits this year until their current inventories shrink to a level acceptable to their respective business plans. One result of this operational restraint by builders will be a reduction in the pace of purchasing raw land for future residential lot development. Land owners who were cashing in on the frantic pace of land acquisition by developers a few years ago, are also experiencing a “market adjustment” or softening for the value of their land.

1st Quarter Single-Family Permits



While the market continues to seek the appropriate price level for homes and land for residential development, commercial activity should plug along at a reasonably good pace, as long as sufficient loan credit remains available to commercial developers. The second quarter should tell us how real estate will perform for the rest of the year.



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