



Mesa County

REAL ESTATE REPORT

By
Bob Reece,
President

Advanced
Title Technology

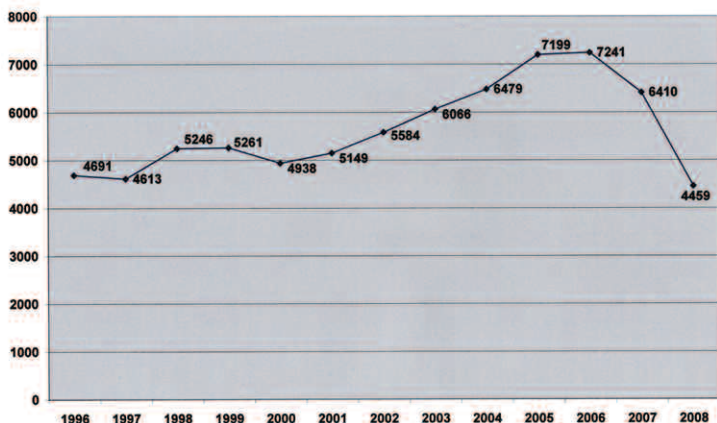


Annual Report 2008
ADVANCED TITLE TECHNOLOGY

(970) 256-0178 • email: info@advancedtitletech.com
101 S. 3rd Street, Suite 300 • Grand Junction, CO 81501

Real estate sales continued in a downward trend for the fourth quarter. It was the 10th successive quarter of declining sales when compared with the same quarter of a year earlier. There were 840 sales in the 4th quarter of 2008, down 37% from the 1325 sales in the same quarter of 2007. For the year, 2008 reported a total of 4459 real estate sales of all property types, a decline of 30% from the 6410 sales in 2007. This is close to the number of sales recorded in 1996. From the graph below, one can see that 2005 and 2006 were banner years for real estate transactions. Certainly, the sub-prime debacle and the national economic trauma that followed have taken a toll on real estate activity in Mesa County.

Annual Real Estate Sales

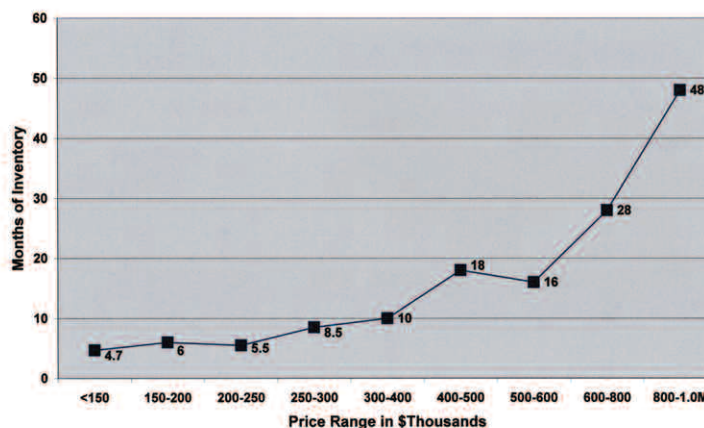


The dollar volume of transactions dipped 23% from \$1.71 billion in 2007 to \$1.32 billion in 2008. Notable large transactions in the 4th quarter were: (1) The sale of the 3D Systems building near the airport for \$5.5 million to MNL Investments, (2) the sale by Leitner-Poma of America of their former Foresight Circle manufacturing facility to the Mesa State College Real Estate Foundation for \$4,750,000, and (3) the sale by local company, Monument Oil, of their 10-acre parcel with improvements near 24 and G Roads for \$4,670,000 to Helmerich & Payne International Drilling Company. And the two largest transactions for 2008 were the sale of the 135-room Marriott Courtyard hotel for

\$15,991,900, and the sale of a large ranch near Collbran by O'Dell Land & Livestock to Delta Petroleum for \$15,685,000.

Housing inventory, based on the number of sales in the last half of 2008, stands at 8 months for all housing types. There were 1269 houses sold in the last half of 2008 as reported in the local Multiple Listing Service. This is an annualized number of 2538 sales, even though historically there are slightly fewer sales in the last half of the year; and there were 1702 housing listings at the beginning of 2009. Based on the sales velocity for the last half of 2008, it should take approximately 8 months for 1702 listings to be sold. However, there is variance in the marketing time for the different price segments as shown below. It is evident from this information that the market favored houses that were under \$400,000 in the last half of 2008, while houses above that figure took progressively longer to market. Not shown are houses listed for over \$1.0 million. Those 56 listings are burdened with a calculated 168-month marketing time.

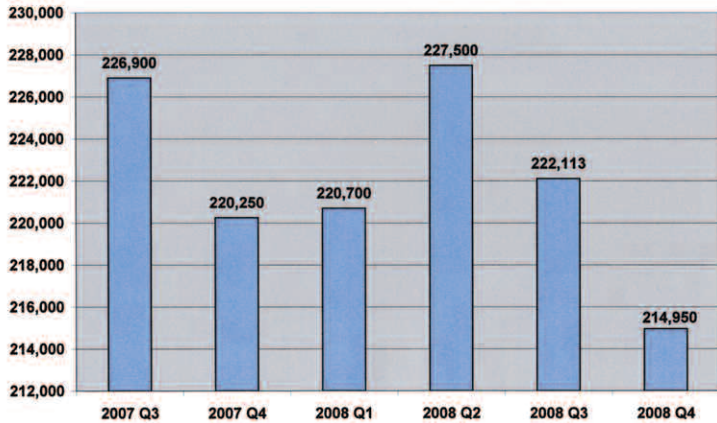
Housing Inventory - January 2009



Median housing prices have fallen the last 2 quarters and there is some disparity of opinion between national reporting services regarding appreciation of housing in Mesa County. Zillow reported a year over year, ending in the 3rd quarter, decline in value of all housing types of 2.5%; the Office of

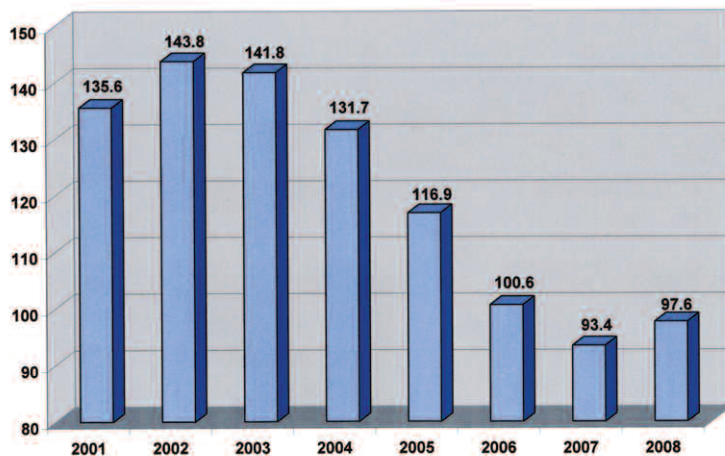
Federal Housing Enterprise Oversight (recently changed to the Federal Housing Finance Agency) reported a 1.2% appreciation in the 3rd quarter; and HousingPredictor.com forecasts a 3.1% appreciation rate (down from 4.7% two months earlier) for houses in 2009. Each of these reporting services use proprietary models to come up with their figures. As an example, OFHEO only uses conventionally financed transactions in its model and does not include transactions financed with loans above \$417,000, the so-called “jumbo” loans. Despite the different approaches to valuation by these entities, market values in Mesa County are doing no better than simply hovering.

Median Prices For All Housing Types



While current market and financing conditions are challenging both buyers and sellers alike, one area of improvement is the affordability index for housing. The index relates personal income, housing costs, and interest rates. An index of 100 suggests a person with median income would be able to afford a house of median value given conventional financing and down payment requirements. When the cost of housing decreases and interest rates decline, there will be an improvement in the index, assuming personal income stays the same or improves. In the past year, we have seen the first improvement in 6 years in the index for Mesa County residents as shown in the graph below.

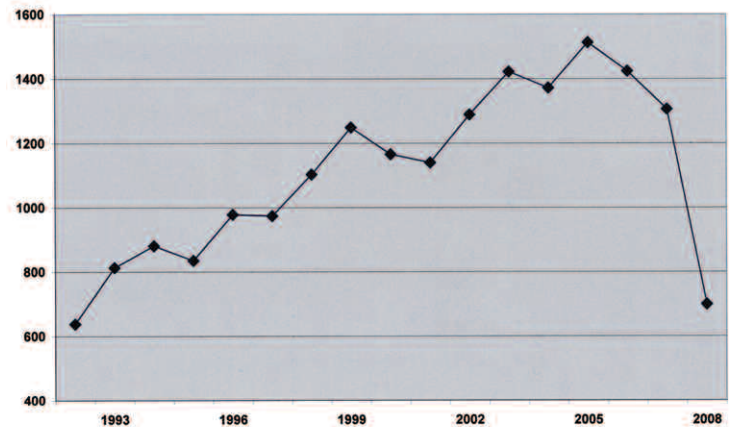
Mesa County Affordability Index



Single-family permits issued this year totaled 701, down 46% from the 1306 issued last year. This represents a general level of permits not seen since 1993 when 813 permits were issued. Builders reacted to the slowing real estate market by pulling fewer permits and focusing efforts on reducing their inventory to manageable levels. Consumers have enjoyed price reductions on virtually all new housing stock. Builders, and developers of residential lots, are trying to position themselves for improved market conditions sometime in 2009.

For the community, the reduction of home building is a big loss. In an updated study completed near the end of 2008 by the National Association of Homebuilders, an average of 305 jobs are created by the construction of 100 single-family homes, and these 100 homes generate \$8,921,600 in federal and state taxes, and local fees. The reduction of 600 single family permits in 2008 therefore resulted in a reduction of 882 construction jobs and another 948 jobs related to the construction industry. In addition, there was a reduction of \$53 million in federal, state, and local taxes and fees collected. The economic multiplier effect is high for housing construction because most of the funds spent in this industry are recycled locally.

Annual SF Permits - Mesa County



The prospects for 2009 are encouraging to some. There is widespread expectation that bank and mortgage interest rates will continue to remain quite low throughout most, if not all, of the year. Freddie Mac just reported that the 30-year fixed rate mortgage is at the lowest rate since they started to report in 1971. This will help many borrowers reset their payment schedules to more affordable levels. Local builders should be able to sell most of their inventory this year albeit at prices that will cause their balance sheets to suffer. The progressive real estate market that the community has enjoyed for nearly 20 years will continue to reset until sometime in the middle of 2009, when prices should have stabilized. If federal legislators and regulators finally come to grips with a workable financial plan, consumer confidence should improve sometime later this year just about when real estate values are primed to improve.