



# Mesa County REAL ESTATE REPORT

First Quarter 2009  
ADVANCED TITLE TECHNOLOGY

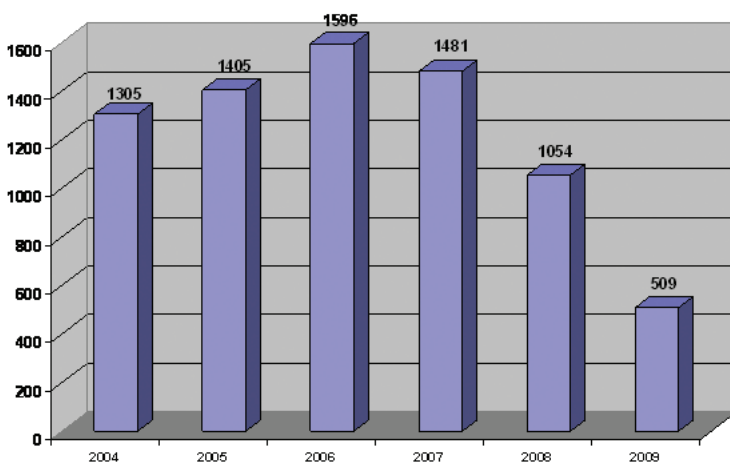
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The local real estate market continues to labor under national economic problems and local trauma created by a sharp reduction in the energy sector work force.

The month of March witnessed 210 real estate sales compared to 391 sales in March of 2008. That represents a 46% decline from March of last year, slightly better than the year to date decline of 51.7%. There were 509 sales in the first quarter of this year versus 1054 sales in the same period a year ago. More telling is to view the level of sales this quarter over time. The graph below compares sales for the first quarter from 2004 forward. First quarter sales this year was approximately one-third the number of sales of the peak year of 2006.

1ST QUARTER REAL ESTATE SALES



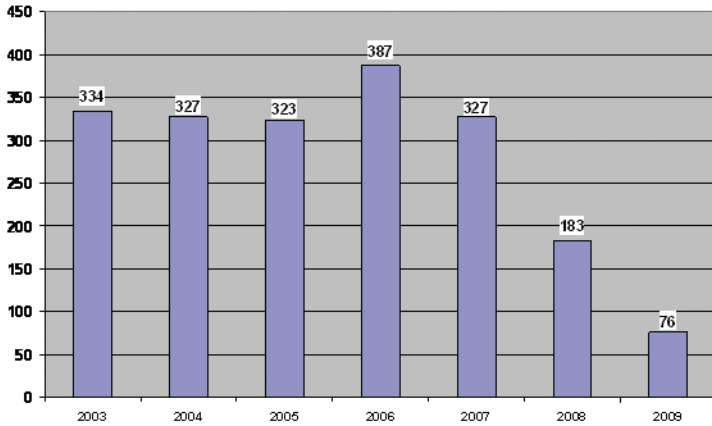
The dollar volume of sales did not fare any better. There was an aggregate of \$128.6 million in sales for the quarter, compared to \$314.7 million in the first quarter of 2008, a 59% decline. Certainly, sales of smaller dollar amounts are occurring this year. Of the top 100 sales in size for all of 2008 and the first quarter of 2009, only 6 sales occurred in 2009 and they were ranked 44th, 66th, 80th, 82nd, 87th, and 93rd respectively. Nonetheless, some of the notable sales in the first quarter are as follows:

1. Purchase by the Hardy Credit Company of the 84 Lumber property for \$2.0 million.
2. Purchase by Housing Resources of Western Colorado of 30 residential lots in Wine Valley Estates for \$1,492,500, or \$49,750 per lot.
3. Sale by Milyard Kokopelli, LLC of 4 commercial condominium units of the Kokopelli Professional Plaza in Fruita to a Florida company for \$1,276,000.
4. Sale of an industrial building at 1331 Winters Avenue for \$1,374,900.
5. Sale of 120 acres on 58 Road in Collbran for \$1,225,000.

Understandably, the number of single family permits has dropped precipitously from last year. There were only 76 permits issued in the first quarter, only 20% of the peak number in 2006 and the lowest quarterly total since the first quarter of 1991 when only 62 permits were issued. A historical view of permit activity is also revealing, not only from last year to this year, but also for the previous number of years. Housing demand has fallen substantially in the last 12 months and is reflected in the reduced number of single family permits issued. The National Association of Home Builders has recently calculated that 3 jobs are created for each single family home constructed. In accordance with that

calculation, last year witnessed a loss of 1800 directly and indirectly related construction jobs in Mesa County and another 1000 jobs will be lost this year, at the current pace, as a result of diminished single family construction. Commercial construction job losses are in addition to these residential figures. These are relatively high paying jobs and job losses in this sector are felt substantially throughout the community.

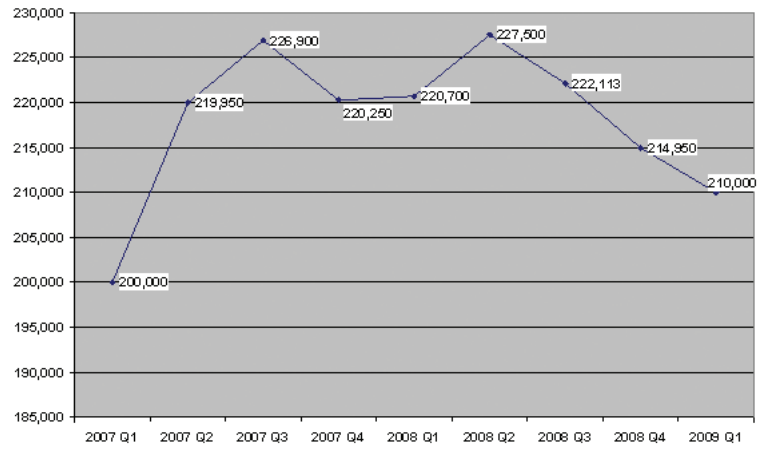
Single Family Permits - 1st Quarter Comparison



Until recently, foreclosure activity was of modest concern despite some small upticks in the number of monthly filings. The month of March reported a larger increase of foreclosures with 76 foreclosures opened with the Public Trustee, compared with only 33 last March. A contributing problem is that property values continue to decline, albeit in smaller measure when compared to other parts of the country, and property owners in distress are having a more difficult time selling their homes for amounts in excess of the loan balance. We expect to see heightened foreclosure levels at least throughout most of 2009 as job losses take a toll on home ownership.

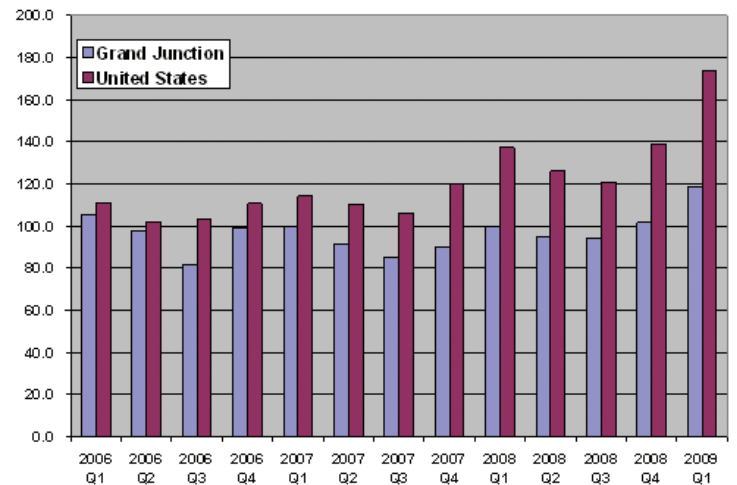
There is still some argumentation among the national property data reporting centers about the accuracy of property value data. Nonetheless, the median price, as reported by the local Multiple Listing Service and measured for all residential types of houses, has dropped further and is now nearly the price found in the 1st quarter of 2007. Zillow calculates that property values have declined 3% in the last quarter and 8% in the last 12 months in Mesa County with higher priced properties taking the greatest hit. Six months ago HousingPredictor predicted a 4.7% appreciation rate for the ensuing year and now they predict a 3.1% decline in housing values over the next 12 months. Regardless of the accuracy of data it is clear that property values have declined and in some segments by no small measure.

Mesa County Housing Median Price



Despite somewhat bleak short-term prospects for real estate in the Grand Valley, there are a few promising turn of events. The number of listings on the local Multiple Listing Service are on the rise and anecdotal information from Realtors suggest buyers are now starting to show more interest in purchasing a home. Part of the increase in activity may be sparked by the unusually low interest rates that have hovered in the 5% range that, in the short term, has created a mini refinance boom and provided home buyers with extra purchasing power. And a new federal tax credit for up to \$8,000 for first time home buyers has created a new group of buyers. As a result of the lowered interest rates and reduced home prices, housing affordability has taken a turn for the positive the last two quarters, even though Mesa County still lags in affordability behind both the US and Colorado markets.

Housing Affordability Index - Mesa County



Source: Jim Coil Research & Consulting