mesa county
Real Estate REPORT

4th Quarter
2009

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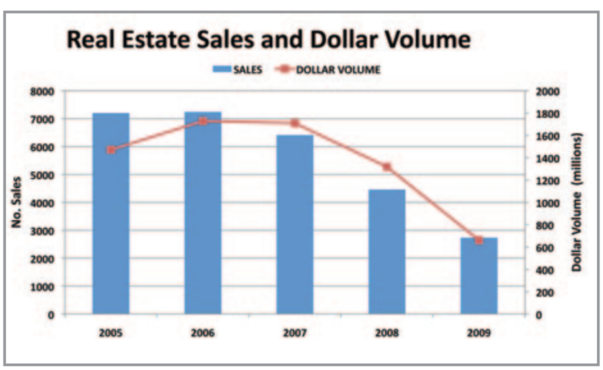
Real estate sales continue declining trend

Real estate sales for the 4th quarter of 2009 continued on a declining trend for the 14th consecutive quarter, the decline having started in the 4th quarter of 2006. There were a total of 739 real estate sales in the last quarter of 2009, down 12% from the 840 sales in the same quarter of 2008. For the year, Mesa County reported 2737 sales which is a 39% reduction from the 4459 sales the prior year and just slightly ahead of the total sales of 2663 back in 1984. The silver lining, if there is one, is that the amount of percentage decline, when compared to the same period a year earlier, lessened each quarter as the year progressed.

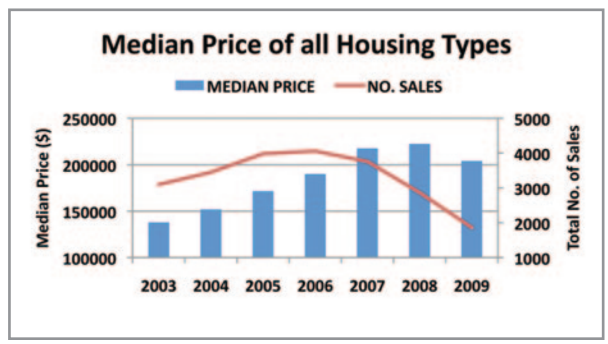
The dollar volume of real estate sales took a precipitous 50% drop from last year; from $1.32 billion in 2008 to $661 million last year, a level nearly that of 2001 when $727 million in sales were recorded. Large transactions were relatively scarce last year but the most notable were: (1) Sale of the Fruita Walgreens store property to a Tennessee company for $4,060,000; (2) Sale of the Corner Square Walgreens property at 1st and Patterson for $4.4 million to an Arizona firm; (3) Sale of the Toys-R-Us store property at Mesa Mall for $4,211,000 to an Illinois company; and (4) Sale of 16 duplex lots in Shadow Run at The Ridges for $3.45 million to CMR Investments of Boulder.



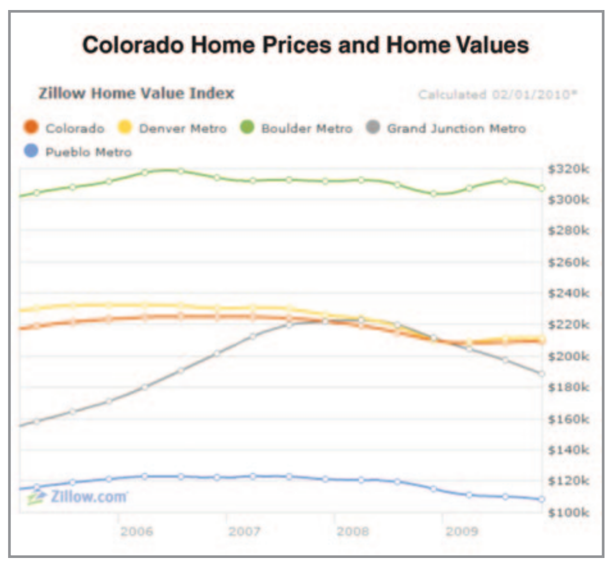
Source: Mesa County Recorder

The median price of houses sold, as reported by the Grand Junction Realtor's Multiple Listing Service (MLS) for all types of housing, fell to $195,000 in the 4th quarter of 2009, down from the peak of $227,000 in the third quarter of 2007. For the year, the median price for all housing sold stood at $204,000, an 8.3% drop from $222,400 for all housing sold in 2008.

Zillow.com has become a robust and relatively stable source of market information for the public and their data has tracked Mesa County sales trends rather well even though their numbers have usually been a few thousand dollars below those of the local MLS. A recent Zillow comparison of median housing prices in Colorado metropolitan areas is shown below. It appears that the Grand Junction area is on its way to become, once again, one of the most affordable metropolitan areas for housing in Colorado. The graph also demonstrates the more rapid rise and later decline of the Grand Junction area's median housing price when compared to certain other metropolitan areas and Colorado in general.-

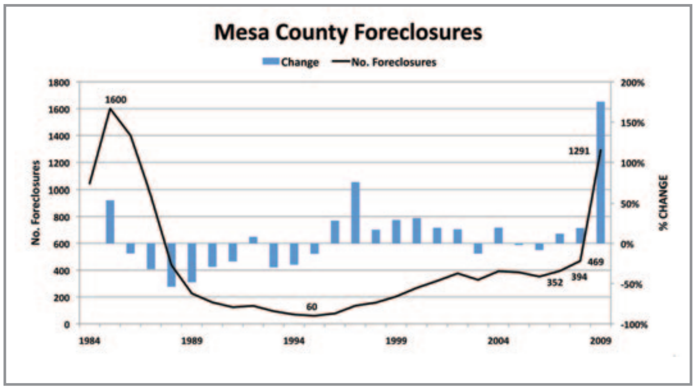


Source: Grand Junction Area Realtor Association MLS



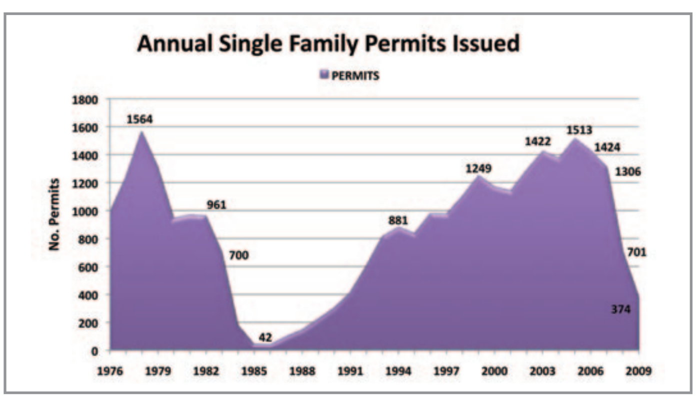
Source: Zillow.com

A key factor in the price decline of real estate is the current high level of foreclosures. Foreclosure filings through the Public Trustee's office rose 175%, from 469 in 2008 to 1291 last year with the last 6 months of 2009 experiencing a rapid increase in filings. The average of foreclosure filings in the five years prior to 2008 registered 370 per year. The two highest annual levels of foreclosures were in 1986 with 1400 and 1985 with 1600. The heightened level of foreclosures places a downward pressure on real estate prices because the additional properties on the market are considered distressed sales in most instances and lenders generally can afford to market properties at a more competitive price.



Source: Mesa County Public Trustee

Single family building permits declined to a level commensurate with the real estate market. The year ended with 374 permits, down 46% from the 701 permits pulled in 2008 – and down 71% from the 1306 permits in 2007. Builders took heed of the slowing market and started far fewer speculative houses and much of the building activity centered on custom construction. The average number of single family permits for the five years prior to 2008 equals 1407. The drop in single family construction alone, in the last two years, has resulted in a loss of 2,850 direct and indirect construction related jobs in the last few years according to the National Association of Home Builders. In general, these are well paying jobs and create a very favorable economic multiplier effect for a community.



Source: Mesa County Building Department

We generally report on housing and residential lot inventory at the end of the year, but this year creates some added challenges to real numbers. The MLS reported 180 residential lot sales in 2009 and at the end of the year there were 682 listings for residential lots. This would result in an inventory index of 45 months; that is the expected time to market that total number of listings. That assumes that market trends remain the same for the following year. However, we know that many residential lots are not being marketed at this time. There are approximately 1650 residential lots, 1300 of which are in the City of Grand Junction, that are fully developed and ready for construction in Mesa County. And there are more than that number of residential lots at some level of the entitlement or planning process. Assuming a measured improvement in real estate and building activity in the next few years, Mesa County should have an adequate supply of residential lots for the foreseeable future.

So, what is in store for the real estate market and building industry in 2010? First, we expect mortgage interest rates to stay attractively low throughout the year. There is some speculation that lending rates will rise as soon as inflation rears its ugly head. However, with a large amount of employment capacity to spend first, inflation this year is not likely. Although this will help both mortgage lenders and banks, qualifying borrowers for loans will continue to be a challenge.

Second, it does not appear that the worst days of foreclosure are behind us. This market appears to be at least 6-12 months behind the Front Range in new foreclosure filings and the foreclosure process takes, in general, four months to complete in the best of circumstances and another uncertain amount of time to market the properties. This process will moderate prices despite the pent up demand in certain segments of the market.

Third, entry level speculative builders and custom home builders should enjoy a modest level of activity for those customers who are free of the constraints of selling their current home; while land developers and all other speculative builders will continue to be burdened with moving their inventory to avoid serious financial consequences.

Lastly, we expect to see further price deterioration for housing while foreclosed properties make their way through the market and employment levels remain somewhat stagnate in the near future. Once we see improvement in employment levels and consumer spending, we can expect to see a firming of real estate prices and a platform for growth in sales and home building.