TELLURIDE ASSOCIATION OF REALTORS©

MARKET UPDATE

APRIL 2009 TELLURIDE, COLORADO

Telluride Hangs On and Holds Strong

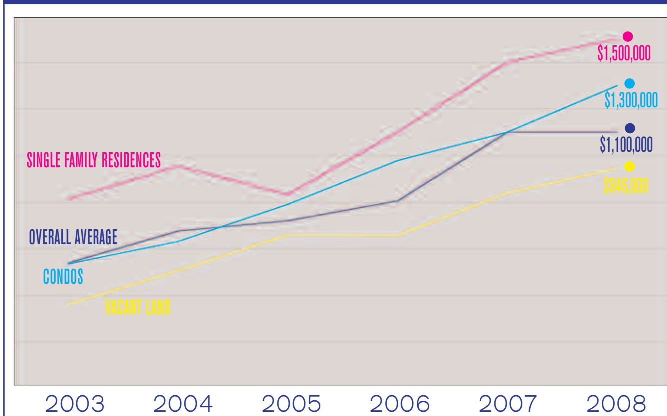
Prices and Property Values Remain Steady as Overall Activity Slows

It's a difficult time for real estate and while the trickle-down effect is undoubtedly impacting San Miguel County, the Telluride region is in what could be described as more of a lock-down holding pattern. Contrary to what is occurring in much of the country, with prices plummeting and bank sales running rampant, this resort market is seeing prices remaining steady, properties maintaining value, and foreclosures at a bare minimum. According to data compiled by the Telluride Association of Realtors*, activity has slowed with total dollar volume figures and sales numbers considerably lower than in recent years. But many local brokers speculate that while the local real estate economy is certainly feeling the heat, people are likely just sitting tight until things improve. "There is still a lot of money out there, over 4 trillion in money market funds sitting on the sidelines," says Eric Saunders, TAR President. "Investors are waiting for confidence to be restored and when it does, hard assets, like a home/condo in Telluride will likely be one of the first places it will go."

BETTER THAN MANY

Economists say the recession technically began in December 2007, but things were taking a turn for the worse far before the official slump was declared. Fortunately, Telluride didn't really feel any impacts or real tremors until 2008 as spending less and watching pennies became a dire reality. That delayed reaction, paired with the fact that Telluride is primarily a luxury market, is causing this region, overall, to fare better than many other places in the country. In August, for example, roughly 8,800 of the 19,366 homes that sold in Los Angeles, Orange, Riverside, San Bernardino, Ventura and San Diego counties were in foreclosure, according to San Diego-based MDA DataQuick. By the year's end, as reported by RealtyTrac, foreclosure rates in certain metro areas around the country were: Las Vegas/Paradise, Nevada — 8.89%; Riverside/San Bernardino, California — 8.02%; Phoenix/Mesa, Arizona — 6.02%; Atlanta/Sandy Springs/Marietta – 3.21 %; Denver/Aurora, Colorado – 3.20%; Los Angeles/Long Beach, California -- 2.89%; Chicago – 2.49 %; Boston/Quincy, Massachusetts – 1.77%; Dallas, Texas – 1.49%; San Francisco, California — .98%; and Seattle/Bellevue/Everett, Washington — .86%. Granted the Telluride region is much smaller than these areas, but even taking that into account, San Miguel County, with its population of roughly 7,600, has a foreclosure rate of less than .5% of its inventory, according to Saunders.

AVERAGE PRICE OF A REAL ESTATE TRANSACTION IN THE TELLURIDE REGION



THIRD AND FOURTH QUARTERS

Third quarter figures, although lower than those from recent years, were still rather impressive as dollar volumes totaled $90 million — $25 million in July, $30 million in August, and $35 million in September (the second highest grossing month of the year behind April's $69 million). Unfortunately, 2008's fourth quarter only brought in a total of $47 million, (2007's fourth quarter totaled $148 million), but several factors likely contributed to this decrease in activity. For starters, there was the upcoming election in November, followed by a post-election "waiting it out" mentality to see what President Obama and the start of 2009 would have in store. Additionally, the economy and financial markets took an even bigger turn for the worse in the last few months of the year. "Fourth quarters are often slower because the months don't translate into good time frames for tourist and second homeowner activity. Even if we see a spike in activity over Christmas it typically doesn't result in sales because people are too busy and consumed with family," says TAR President-Elect Teddy Errico. "The 2008 fourth quarter was particularly low because we were in the midst of a presidential change, the economic news was brutal and the mortgage industry was a mess."

THE NUMBERS DON'T LIE

But despite a significant decrease in sales numbers and total dollar volumes, Telluride's average prices in 2008 were the same, if not higher, than they were in 2007. While total dollar volume in 2007 was $710 million, distributed over 670 transactions and total dollar volume in 2008 was $310 million, distributed over 283 transactions, the overall average price for property in the Telluride region in both 2007 and 2008 was $1.1 million (actually, $1.05 million in 2007, and $1.09 million in 2008). More specifically, average prices for the three primary property types (single-family residential, vacant land, and condominiums) were higher overall in 2008 than

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in 2007.This provides evidence that prices and property values are maintaining strength in the present economy. "Most of the sellers in our market can ride out the storm," says Saunders. "Many aren't carrying a lot of debt and aren't in trouble; therefore they're not that motivated to sell."

Based on figures from other luxury markets, and those noted above, it seems relatively fair to say that Telluride is on par with those of its kind where sales might be in a downswing, but prices are holding. In Aspen, for example, Pitkin County ended 2008 with almost half the real estate sales volume it had in 2007, and 10-15% higher home prices, according to a January 27th article in the Aspen Daily News. The article stated, "Despite the sharp drop in sales, the average single-family home price in Pitkin County was $5.1 million, up 10% from 2007. The 2008 median single-family home price of $4.1 million was up 15% from 2007. Median single-family home values actually went up 7% last year in Aspen, 4% in Snowmass Village, 16 % in Basalt, 9 % in Carbondale and 4% in Redstone…Condo prices were up across the board, with Aspen actually seeing a 45% average hike." In Jackson Hole, the Jackson Hole Report – Year End 2008, published January 29th by David Viehman, noted that while overall dollar volume was down 54% to $726 million, the average sales price was only down 2%, while the median sales price was up 22%. Additionally, out of the 100 sales in the upper-end of Jackson Hole's market (above $2 million), almost half were between $2 and $3 million, 57 were over $3 million and 19 were over $5 million. "…there hasn't been the panic in our Jackson Hole market like other real estate markets across the country, although we definitely have been affected," the Report stated.

SIGNIFICANT TRANSACTIONS AND THE YEAR AT A GLANCE

If Telluride were to hold the same criteria as Jackson Hole for its upper-end market (much smaller in numbers by comparison on account of population), 2008 brought in 37 transactions above the $2 million mark, with 19 above $3 million and two above $10 million. With regard to specific months, April, the biggest revenue-producing month of the year, brought in an $11.1 million sale on Deep Creek Mesa, a $10.7 million sale in Mountain Village, $8.5 million sale in Dolores, $6 million sale in Mountain Village and $4.8 million sale in Mountain Village; July brought in a $5 million condominium sale in Mountain Village and a $3.4 million single-family home sale in the town of Telluride; August had a $3.25 million land sale in West Meadows; and September witnessed a $6 million condominium sale in Mountain Village. Even during the fourth quarter, the weakest quarter of the year, a few sizeable transactions stood out as a reminder that big deals are still closing: a $3.4 million home and $2.6 million home, both in Telluride, in October; and a $4 million commercial property in Telluride, $4 million condo in Mountain Village, $2.5 million home at Cornerstone, and $2.5 million home in Telluride, all in December.

> ***"The good news is markets like ours have historically rebounded faster than other markets and usually take a significant jump after a downturn."***
>
> **TAR President Eric Saunders**

Overall in 2008, single-family residential sales were the highest grossing property type at $148 million in total dollar volume for the year, with condo sales second at $86 million, and vacant land sales third at a $53 million. Although these figures were a big change from 2007 (58%, 49%, and 64%, respectively), they were not that far off from those earlier in the decade. Just five years ago, for example, total dollar volume was $151 million for single-family residential sales (less than 2% higher than in 2008), and $91 million for condo sales (less that 5.5% higher than in 2008).

HOPEFUL FOR FUTURE

While tough to gauge for this economic crisis, on account of its severity, Telluride typically comes to the economic turmoil table later in the game (which it did this time), and leaves early (which it hopefully will again). "The good news is markets like ours have historically rebounded faster than other markets and usually take a significant jump after a downturn," says Saunders. Until then, however, it could be a good time for buyers as even without widespread price reductions, there are still deals in virtually every segment of the market. With a lot of inventory, certain sellers are motivated and could grow increasingly more so in the months ahead. Furthermore, aside from 2008, the Telluride market has increased at a compound annual growth rate of 14.75% between 2001 and 2007, adding a sense of promise that real estate in the region is a sound investment. "Telluride is no less beautiful or unique than before a downturn" says Saunders, "and there is always a lot of pent up demand for this market. Buckle your seatbelts…it's going to be a wild ride."

Data compiled by TAR is deemed accurate but not guaranteed