



THE GENESIS GROUP



**MESA COUNTY
COMPETITIVE HOUSING STUDY
MID-YEAR 2006**

**Prepared For:
Investors, Developers, Builders**

January 31, 2007

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The Genesis Group was commissioned by a responsible builder to provide an independent competitive analysis of Mesa County competitive market. All information contained in this report is believed to be accurate, reliable and timely. The Genesis Group has no reason to doubt the accuracy of the data compiled in this analysis; however, The Genesis Group is unable to guarantee its contents.



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Residential Building Permit Activity

The Mesa County Building Department issues building permits for all of Mesa County. The planning department of unincorporated Mesa County and each jurisdiction, including Fruita, Grand Junction, Palisade, Debeque and Collbran, submit a Planning Clearance to Mesa County to initiate the building permit process. Each jurisdiction and unincorporated Mesa County operates under independent guidelines wherein each will allow the approval and submittal of the Planning Clearance to the county.

Residential building permits are classified as One-Family, Two-Family and 3 & More Family as well as Mobile Home. A One-Family building permit is issued when the property is owned Fee-Simple for a single dwelling unit. This becomes very important when analyzing the permit activity of attached product. For example, a building that contains three attached townhomes would be issued three separate One-Family building permits. When reviewing permit data, be aware that **One-Family permits include single family detached units and townhomes**. Two-Family permits are issued with duplex product as the two units are sold together on one parcel of land. 3 & More Family permits are issued when the land is not owned by the homeowner and includes condominiums or apartments. Mobile home permits are issued with all mobile homes (whether permanently affixed to the land or where the homeowner leases the land). Mobile homes are difficult to identify within Mesa County permit documentation but every effort has been made to locate and quantify them. Modular housing generally refers to manufactured housing, where pre-built elements are delivered to a fee simple site, removed from any axle or trailer and placed on a permanent foundation. Manufactured/modular housing is considered as One-Family by the county and within this report.

Residential Permit Activity (excluding Mobile Home) - Mesa County, Colorado Year-End 2001 through First-Half

Permit Type	2001	2002	2003	2004	2005	First-Half 2005	First-Half 2006
One Family	1,140	1,292	1,428	1,381	1,420	710	737
Two Family	14 / 28	9 / 18	26 / 52	15 / 30	21/42	12/24	10/20
3&More Family	9 / 79	11 / 67	27 / 109	21 / 149	27/129	12/65	14/74
TOTAL (# of Units)	1,247	1,371	1,589	1,560	1,591	734	761

Source: Mesa County Building Department; US Census Bureau.

Note: Two and three family permits show total permits followed by total number of units.

Permit Activity – Mesa County

- In Mesa County, overall residential building permit activity (excluding mobile home permits) declined 11 percent from 1999 through 2001, due primarily to a reduction in one-family permits. Permit activity realized an increase each year from 2001 to 2005. Residential permits increased almost 4 percent from First-Half 2005 to First-Half 2006. 2006 residential permits are on track to end slightly higher than year-end 2005.
- Permit and recorded plat data reveals that there are **a handful of builders** in Mesa County that are **“primary players”** and concentrate on larger subdivisions. Mesa County permit records for 2005 showed 392 builders pulled One-Family permits.
- Only 8 of the county-listed 392 builders (or **2 percent**) pulled 20 or more permits which accounted for almost **33 percent of the total permits issued in Mesa County in 2005**, attributing to 523 out of 1,591 total permits.
- During the First-Half of 2006, 761 residential permits were issued to about 200 builders, with the 7 largest builders pulling 297 (39 percent of total) permits.
- **The seven largest builders account for about 3 percent of the county estimated 385-400 total builders.** These builders include Contractors West, Infinity Builders, Mustang Builders, Pinnacle Homes, Ridemore Enterprises, Sundance Homes and Zeck & Associates.



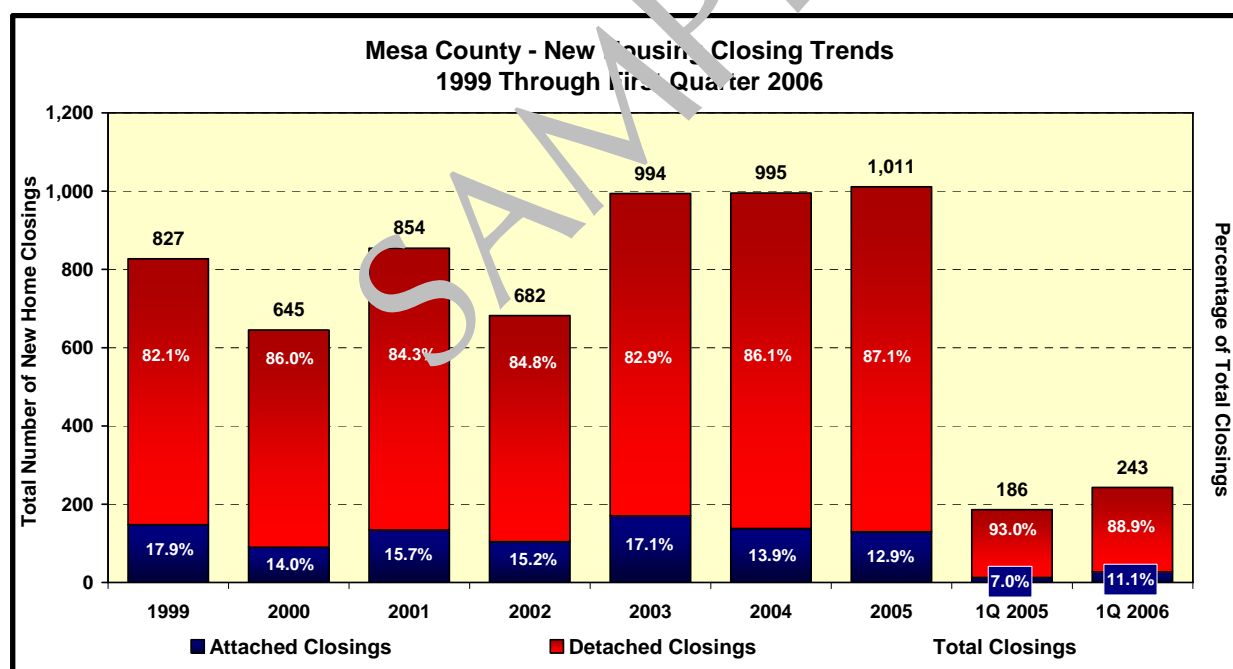
Closing Trends

Due to County transaction time, the most complete closing data was compiled through First Quarter 2006.

New Housing

- New home closing activity has oscillated over the past seven years in Mesa County. New home closings dropped 25 percent from 2001 to 2002. Sales peaked in 2003 with 994 new home closings, a 46 percent increase over 2002. In 2004 there was only one more closing than during 2003. New home closings during 2005 were barely 2 percent over 2004. First Quarter 2006 closings were 31 percent above First Quarter 2005 closings (243 versus 186).
- Clearly, new detached housing captures a larger share of the new home sales volume than attached housing in Mesa County, accounting for over 80 percent of the market over the last six years, and reaching 90 percent by the first quarter of 2005. In 2005, attached new housing accounted for 13 percent of the total sales volume in Mesa County, and was at 11 percent for the first quarter of 2006. This is in stark contrast to the Denver metropolitan area where new detached housing consistently accounts for about 65 percent of the total closing volume.
- The closing volume in both the detached and attached new housing markets has oscillated over the last seven year period. Detached closings have posted between 600 to slightly over 850 home closings annually while attached closing volume ranged between 90 and 170 closings since 1999.

Exhibit 7

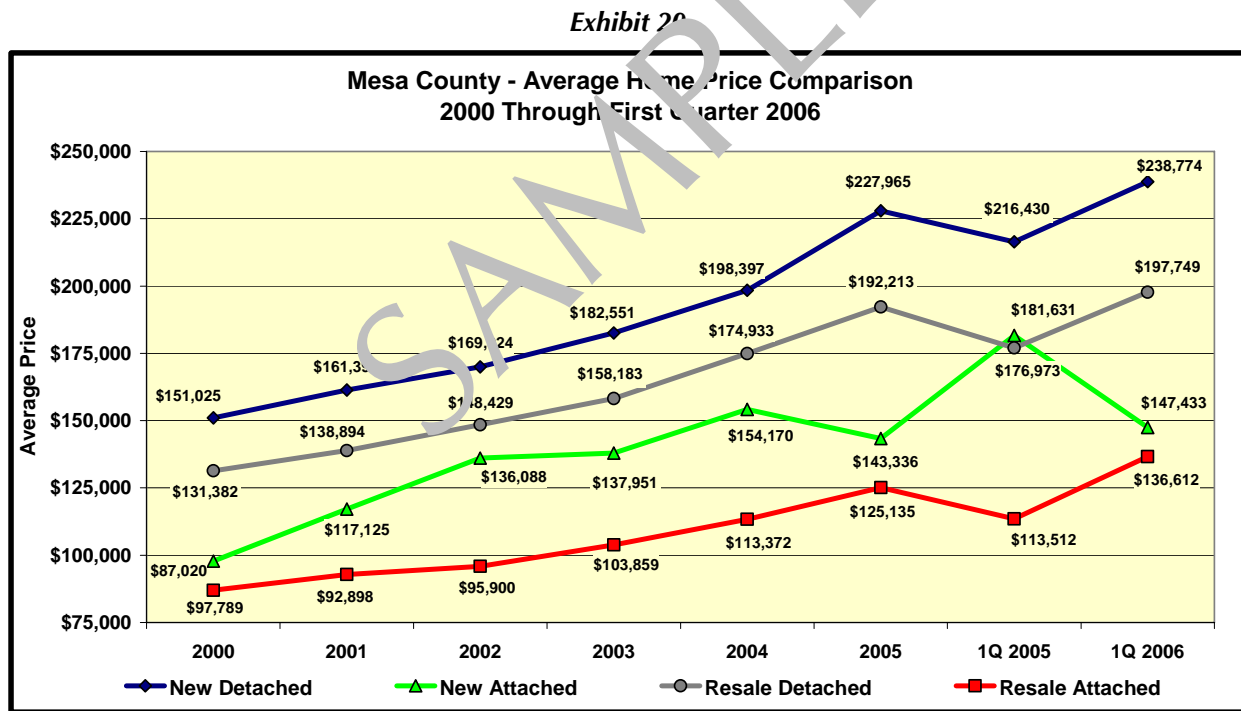


Sources: Mesa County Assessor's Office/Public Records, The Genesis Group



Average Price Comparison

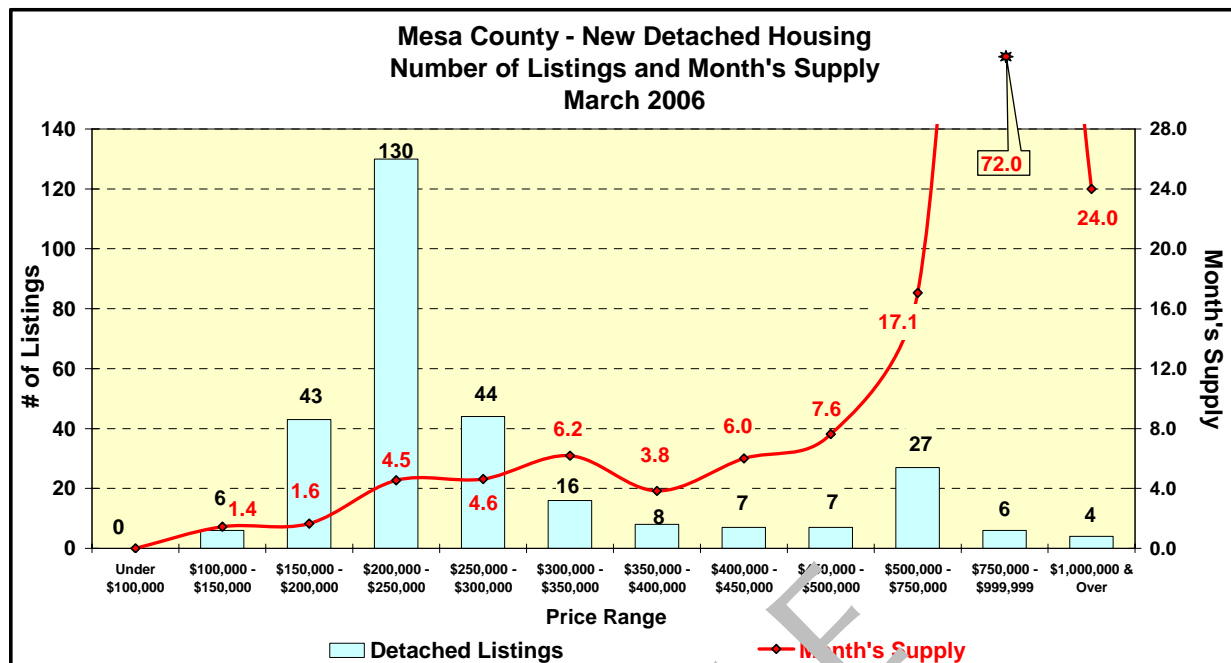
- Over the last six year period, the average price of a new detached home in Mesa County rose by 35 percent from \$151,025 in 2000 to \$227,965 in 2005. The average price of a new detached home increased 15 percent from year-end 2004 to 2005. In comparison, the average price of a resale detached home 46 percent increase from 2000 to 2005.
- Comparing First Quarter 2005 to First Quarter 2006, new detached average prices rose 10 percent and resale detached average pricing increased almost 9 percent.
- The average price of a new attached home has risen quite dramatically since 2000, marking a 65 percent increase from 2000 through year-end 2005. The average price of homes fluctuates from year-to-year depending on what is available. The average price of a resale attached home was \$67,000 less during the first quarter of 2005 than during the first quarter of 2006.
- Comparing First Quarter 2005 to First Quarter 2006, the average price of new attached homes decreased of 17 percent.



Sources: Mesa County Assessor's Office/Public Records, The Genesis Group

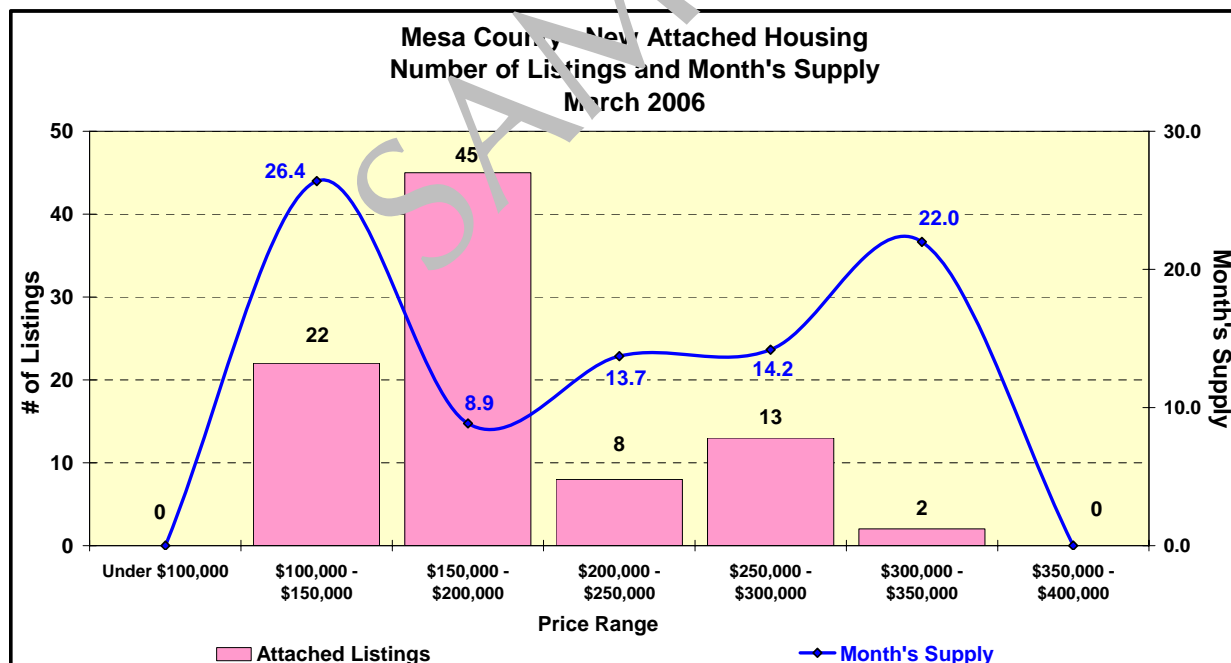


Exhibit 21



Sources: Grand Junction Area Realtor Association; Mesa County Public Records; The Genesis Group
 Note: Sales rate based on the average monthly sales rate from March 2005 through March 2006

Exhibit 22



Sources: Grand Junction Area Realtor Association; Mesa County Public Records; The Genesis Group
 Note: Sales rate based on the average monthly sales rate from March 2005 through March 2006



CANYON RIM

Name:	Canyon Rim	
Address/Location:	Redlands – S. Camp Road. East of Wingate Elementary	
Developer(s):	South Camp Properties	
Builder(s):	Minimum of 15 custom home builders. David Bagg only remaining builder offering lot/home package	
Additional Contacts:	Lori Jones (broker) 970-201-8001; David Bagg (builder) 970-234-2222	
Product Types:	Ranch (90%) & 2-story homes on larger 1/3 to 1/2 acre lots. No basements.	
Total Number of For-Sale Units:	89 Home sales	
Construction Status / Lot Sales Activity:	Much active construction and finished home sites. All lots sold out. Lot/home package available through David Bagg.	
Open Date:	July 2002	
Total Sales / Sales per Month:	60 new home sales	Approx. 1.29 new home sales/mo.
Size:	1,940 to 3,354 square feet	2,454 square feet average
Base Price:	\$286,000 to \$533,500	\$380,190 average
Price per Square Foot:	\$115 to \$208	\$155 average
Lot Size Range:	1/3 to 1/2 acre lots	0.42 acre average
Lot Price Range	\$79,000 to \$125,000	\$82,777 average
HOA Dues:	\$200/year - Irrigation water and open space maintenance.	
Amenities:	None	
Buyer Profile:	<p>Primarily move-up buyers with and without children. Family oriented community. Newer elementary school located across the street from Canyon Rim.</p>	
	<p>Project Comments: Absorption rate for 2005 rose 51 percent over 2004. 2006 has started well.</p> <p>Canyon Rim is located in the Redlands in an excellent location near the base of the Colorado National Monument with tremendous views. This is a higher priced "custom" home community with multiple builders. The majority of the homes are ranch (approx 90%) with a small mix of 2-story homes, and feature stucco elevation styles. No basement product. Lots are larger than the Renaissance community located to the north on South Camp Road.</p> <p>All 89 lots are sold with a majority of lots sold to builders rather than individual consumers yielding approximately 3.0 lot sales/mo.</p>	
Updated June 2006		