

WELLS GROUP

— REAL ESTATE —

REAL ESTATE FORECAST

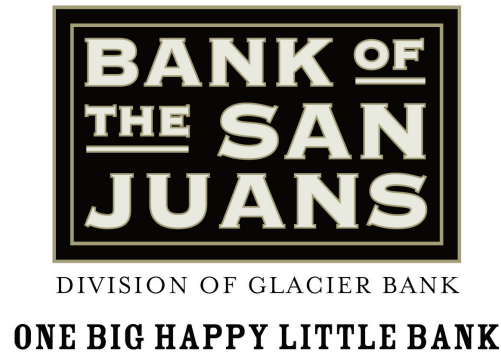
MARCH 2023



Leading

REAL ESTATE
COMPANIES
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THE WELLS GROUP



BOB ALLEN

ALLEN & ASSOCIATES

MORTGAGE INTEREST RATES



Primary Mortgage Market Survey®

U.S. weekly average mortgage rates as of 02/23/2023

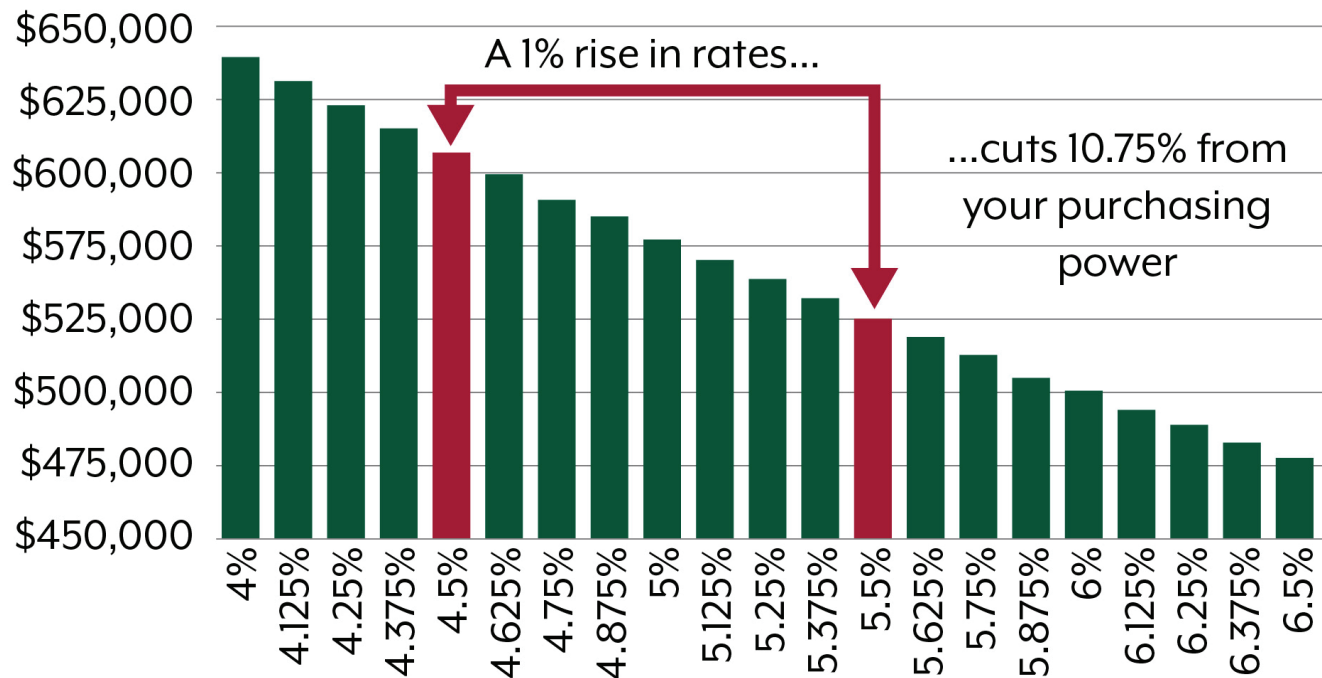


SOURCE: [HTTP://WWW.FREDDIEMAC.COM/PMMS](http://www.freddiemac.com/pmms)

INTEREST RATES

AFFECT PURCHASING POWER

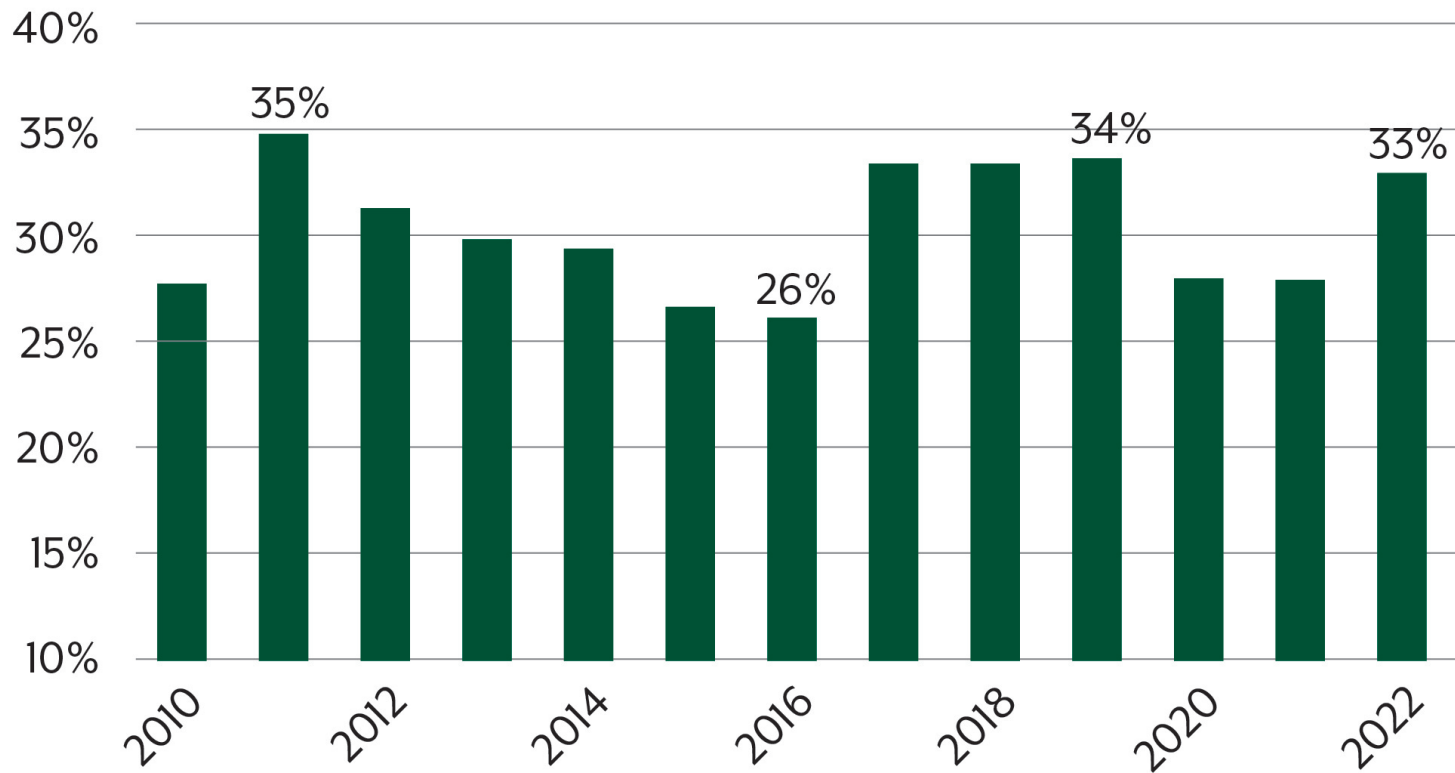
As Mortgage Rates Rise, Purchasing Power Falls



SOURCE: INDIVIDUAL AGENCIES

ALL CASH PURCHASES

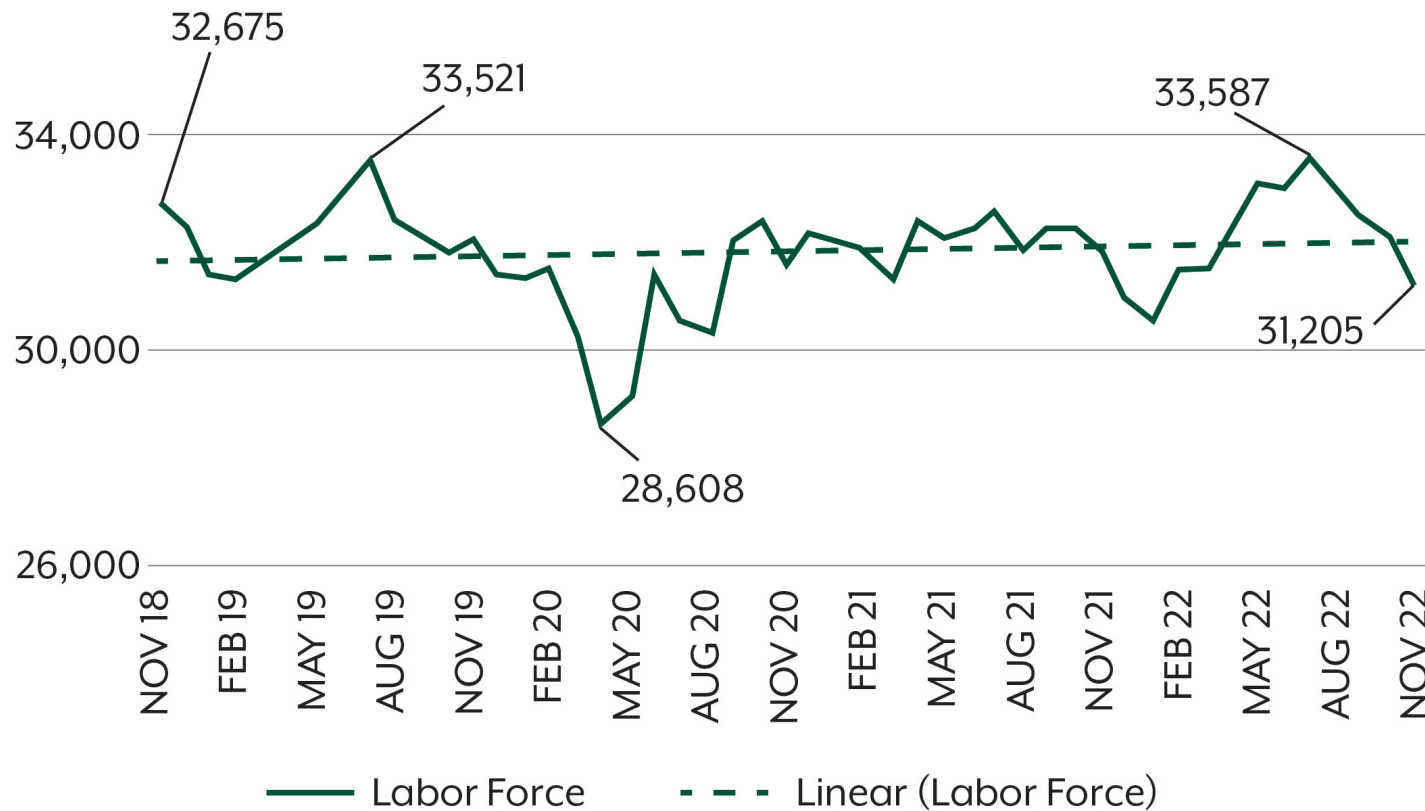
ALL RESIDENTIAL REAL ESTATE



53% of 2022 residential sales above \$1,000,000 were all cash

LABOR FORCE

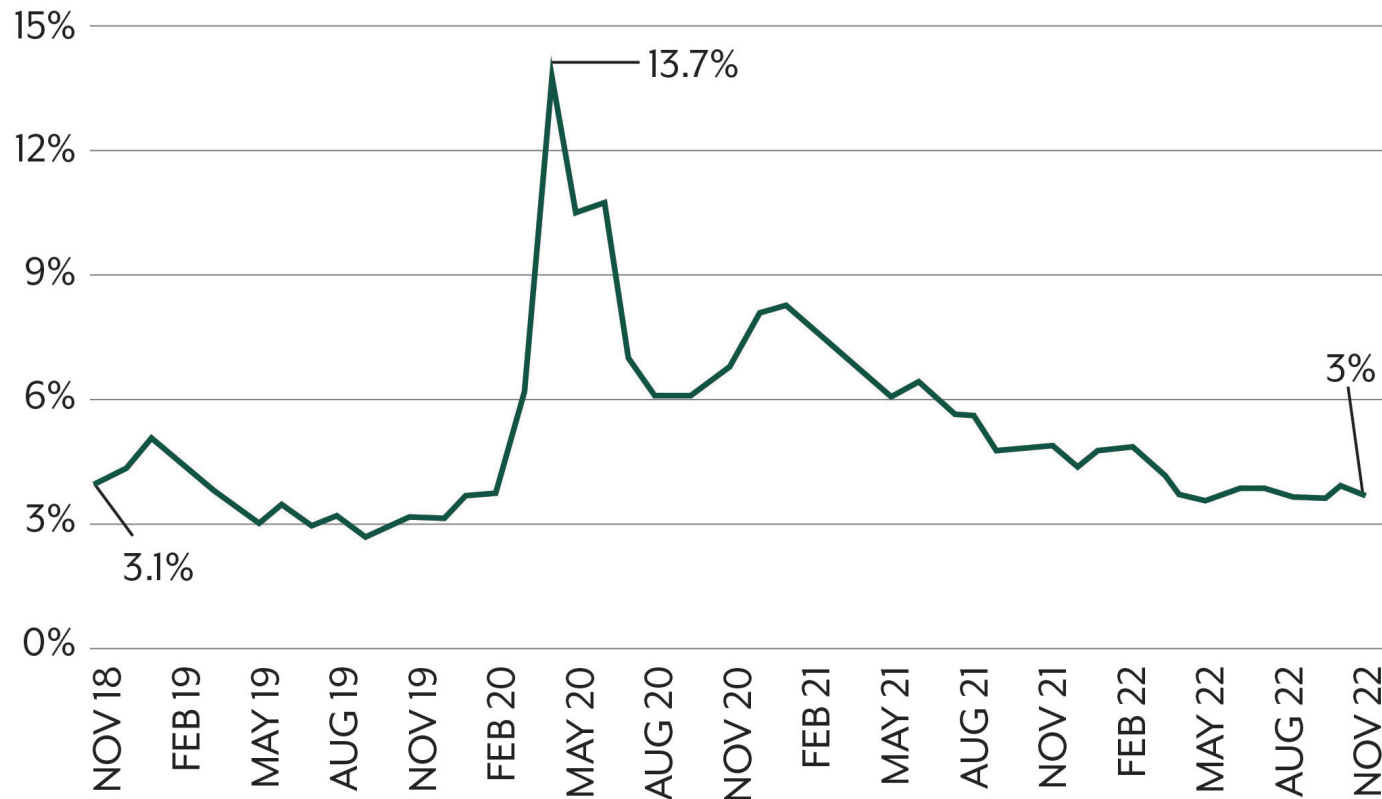
LA PLATA COUNTY, NOV 2018 - NOV 2022



Very little change - more workers might help

UNEMPLOYMENT RATE

LA PLATA COUNTY, NOV 2018 - NOV 2022



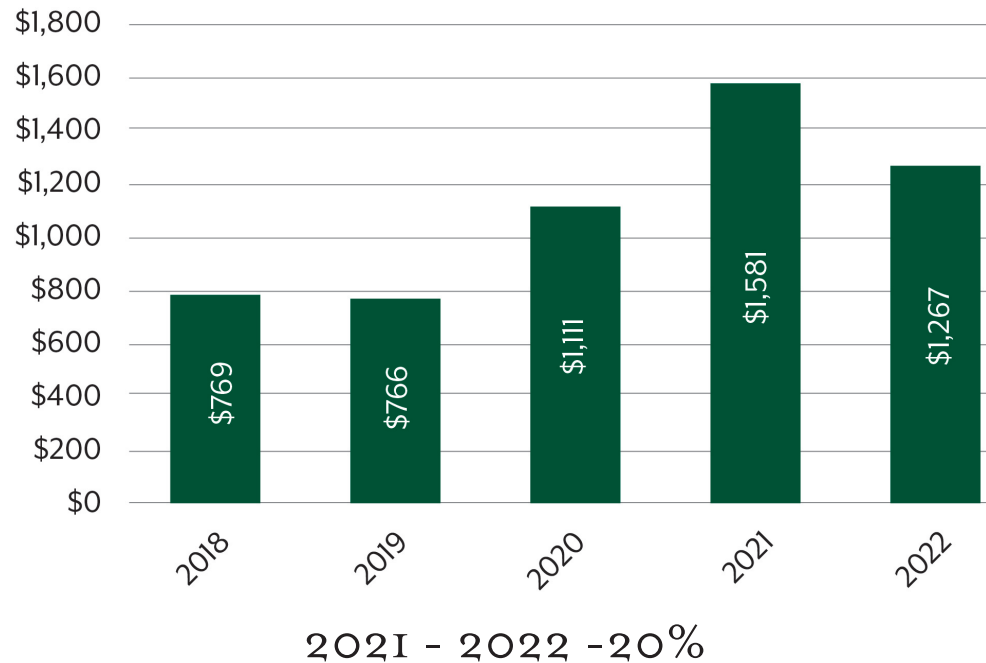
Local employers including government, finance, healthcare, education, retail, tourism, leisure, and hospitality experience staffing challenges due to lack of workforce housing

SOURCE: STATE OF COLORADO LABOR MARKET INFORMATION (LMI)

LA PLATA COUNTY 2022 REAL ESTATE ACTIVITY

ALL LA PLATA COUNTY

Total Sales Dollar Volume (millions)

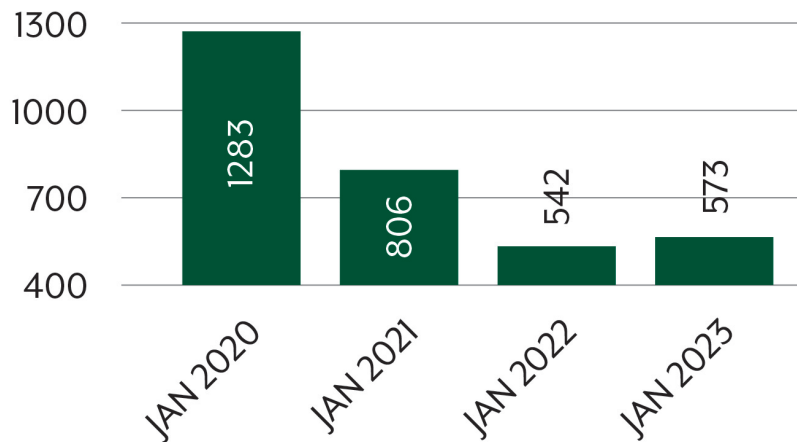


SOURCE: DURANGO AREA ASSOCIATION OF REALTORS (DAAR) & BOB ALLEN - ALLEN & ASSOCIATES PROPRIETARY DATA

SUPPLY & DEMAND

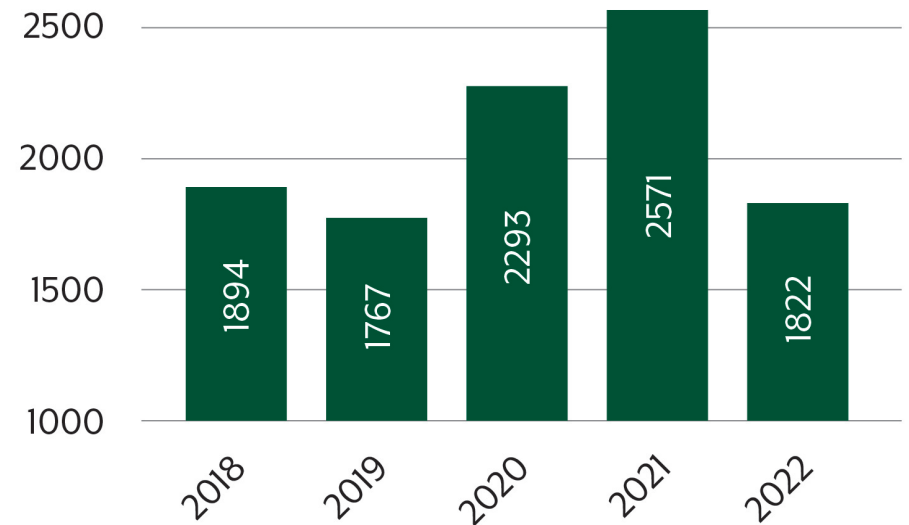
LA PLATA COUNTY

Supply
All Real Estate For Sale



Supply remains near record lows
Modest increased from 2022
-55% from recent peak

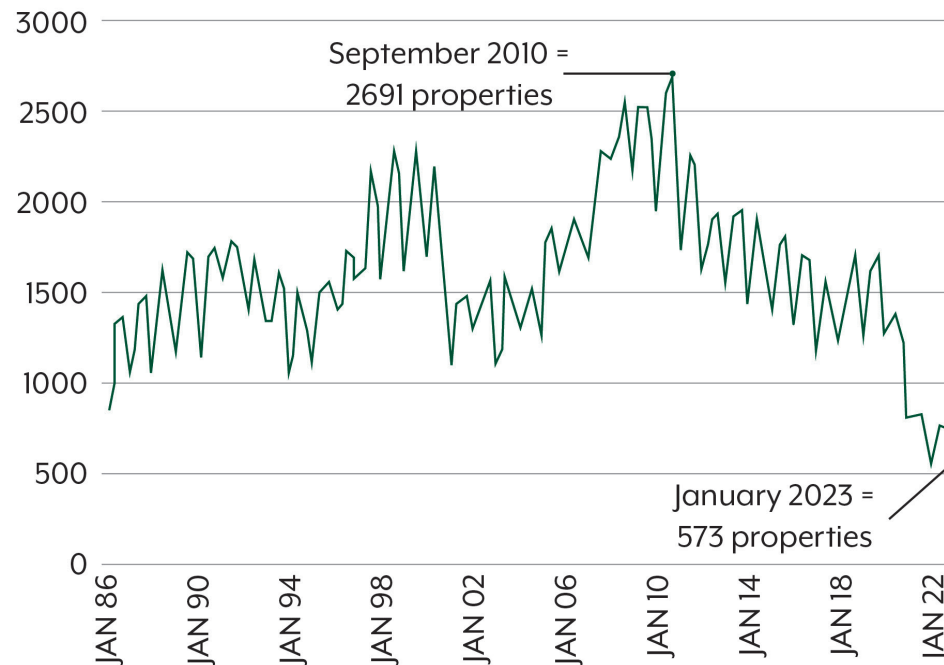
Demand
Annual Real Estate Sales Transactions



-29%
Low supply - increasing mortgage interest rates

ALL REAL ESTATE AVAILABLE FOR SALE - IN LA PLATA COUNTY

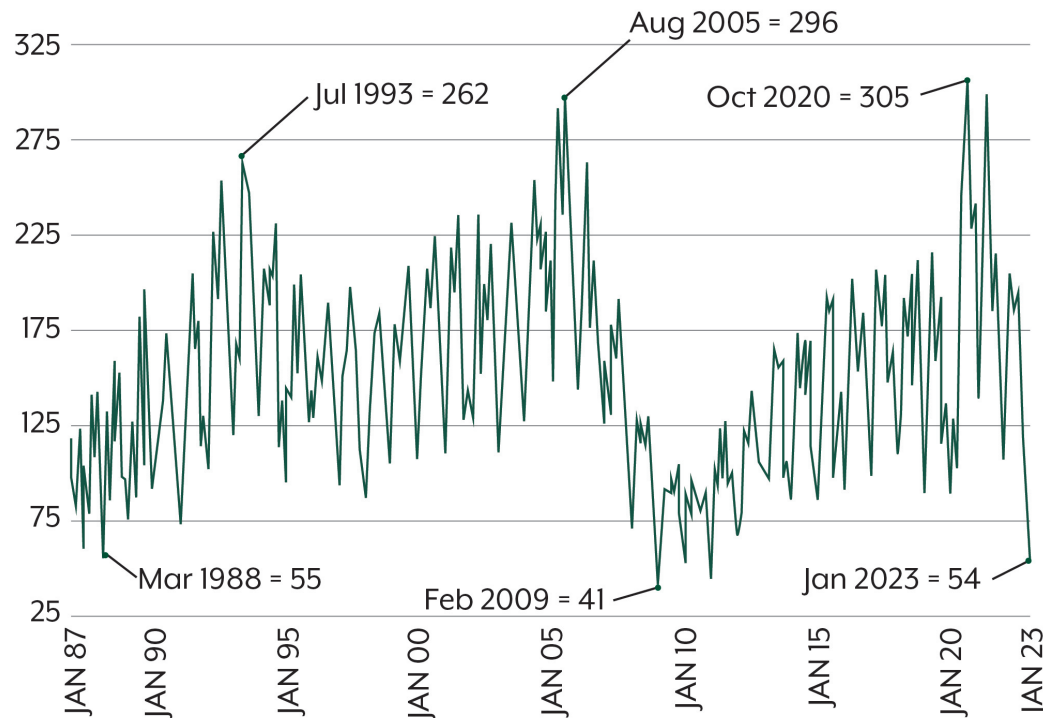
Long Term Seasonal Supply January 1986 - January 2023



Supply remains near record low

ALL REAL ESTATE TRANSACTIONS SALES - IN LA PLATA COUNTY

Long Term Seasonal Demand
January 1987 - January 2023

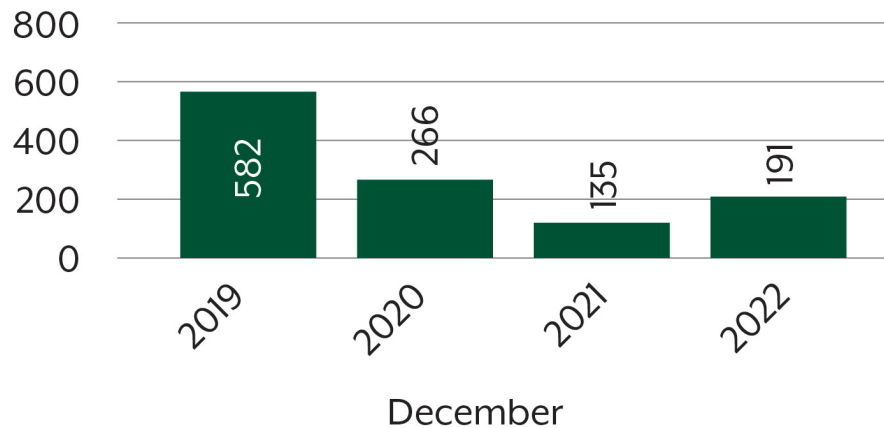


SOURCE: BOB ALLEN - ALLEN & ASSOCIATES PROPRIETARY DATA

HOUSING SUPPLY & DEMAND

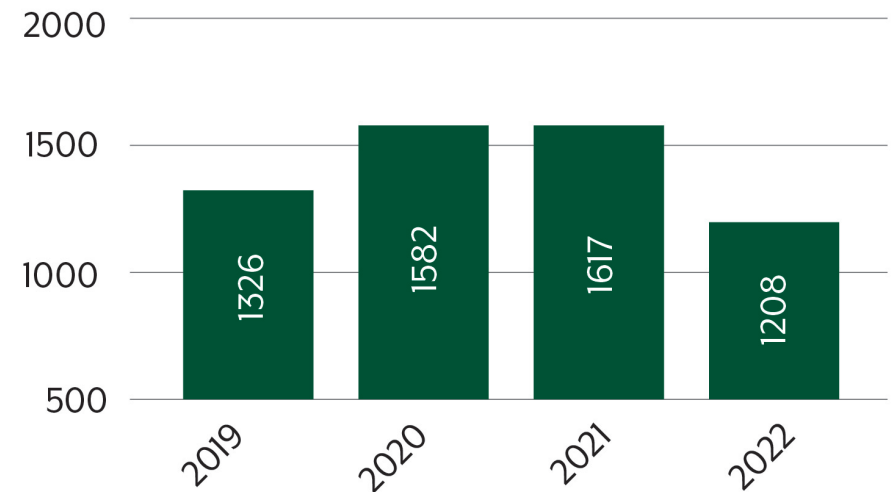
LA PLATA COUNTY - RESIDENTIAL UNITS (SF, CONDOS, THS)

Supply
For Sale - December



-67% from 2019
+41% from 2021

Demand
Sold

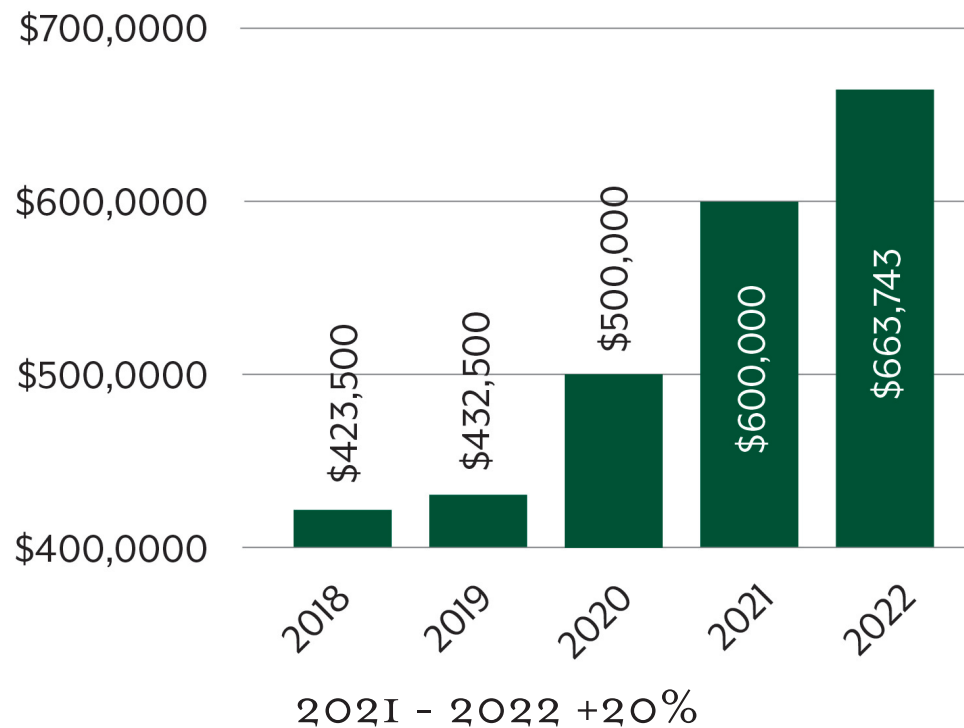


-25%
Low supply chokes demand #

MEDIAN SALES PRICE

SINGLE FAMILY HOMES - RURAL LA PLATA COUNTY

Median Single Family Home Price

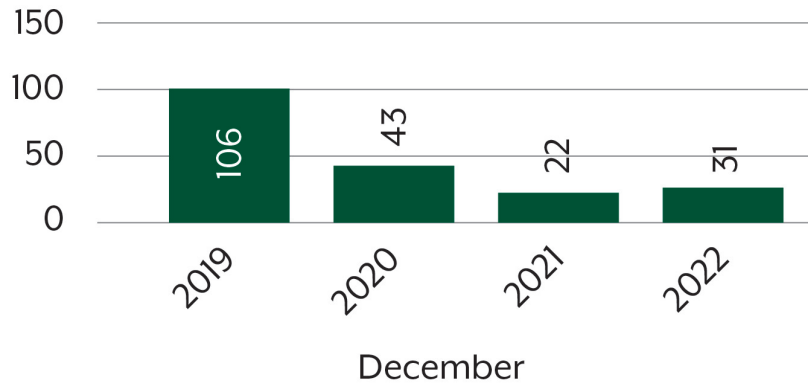


SOURCE: ALLEN & ASSOCIATES PROPRIETARY DATABASE

RESIDENTIAL SUPPLY & DEMAND

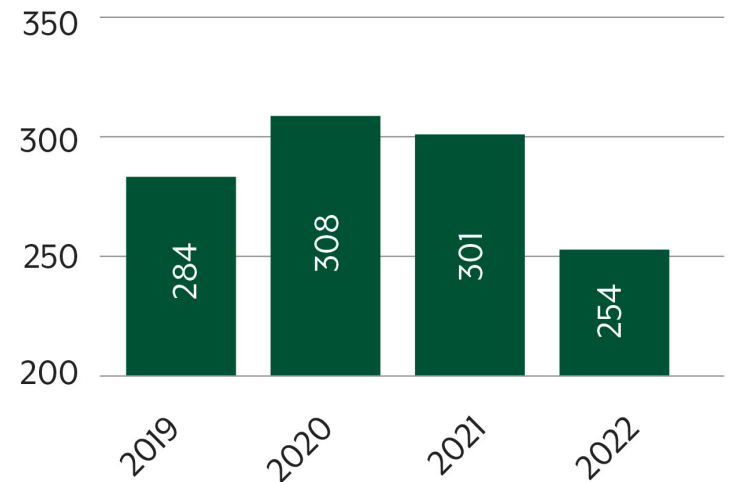
CITY OF DURANGO

Supply
Single Family Homes For Sale - Dec



+41%
But very low

Demand
Single Family Homes Sold

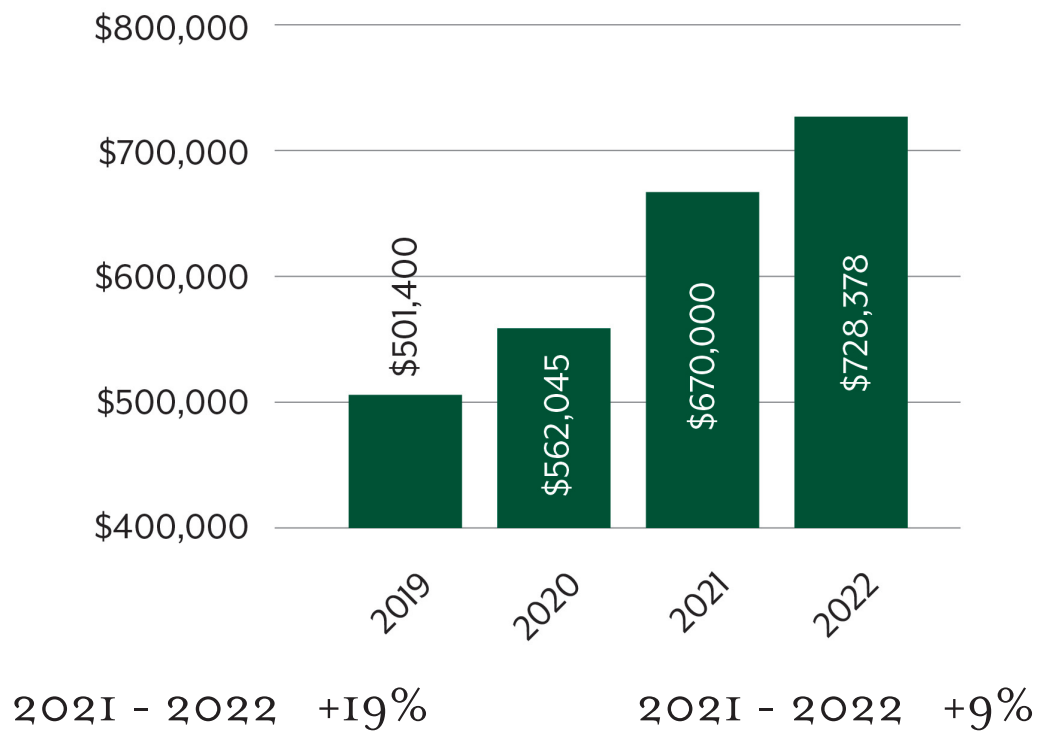


-16%

MEDIAN HOME SALES PRICE

CITY OF DURANGO

Single Family Homes

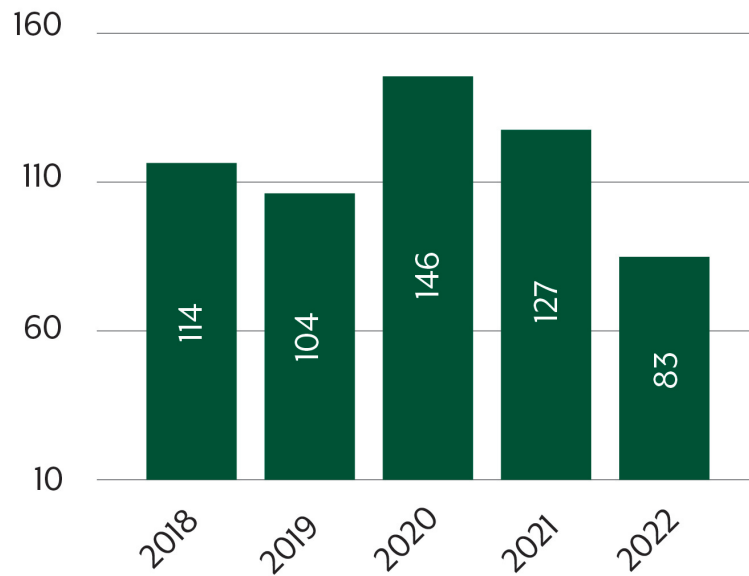


SOURCE: ALLEN & ASSOCIATES PROPRIETARY DATABASE

TOWNHOME SALES ACTIVITY

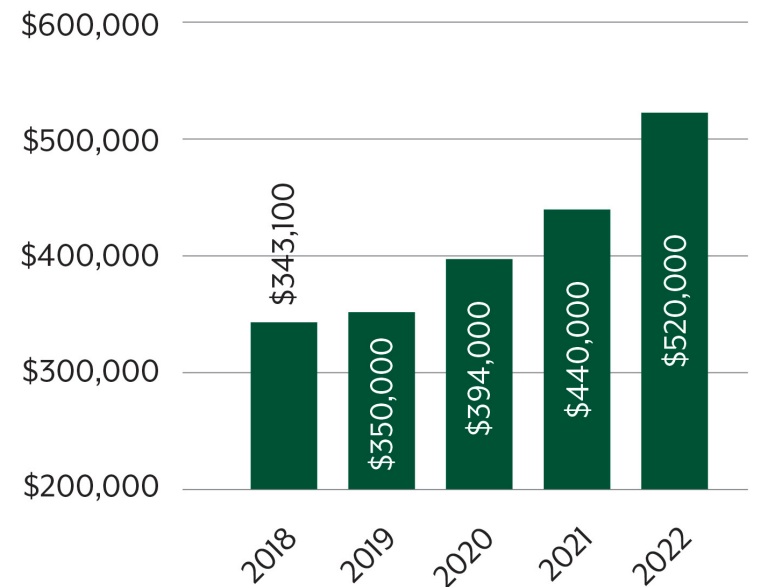
CITY OF DURANGO

Townhome Sales



2021 - 2022 -35%

Median Sales Price

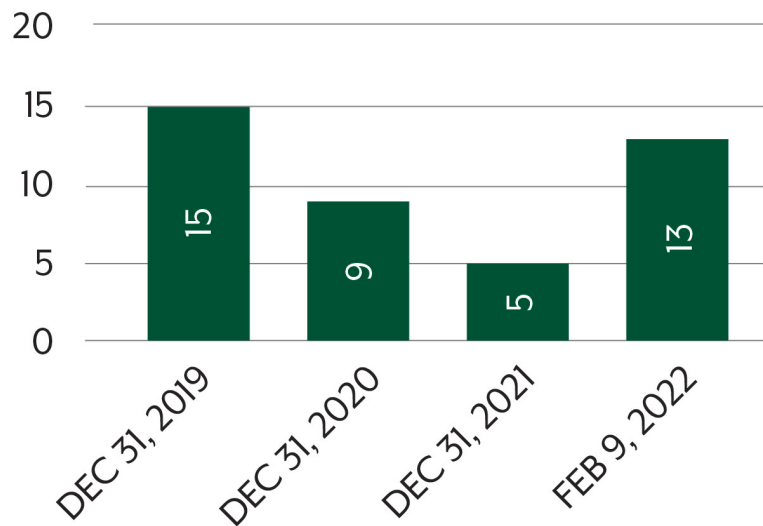


2021 - 2022 +18%

RESIDENTIAL SUPPLY & DEMAND

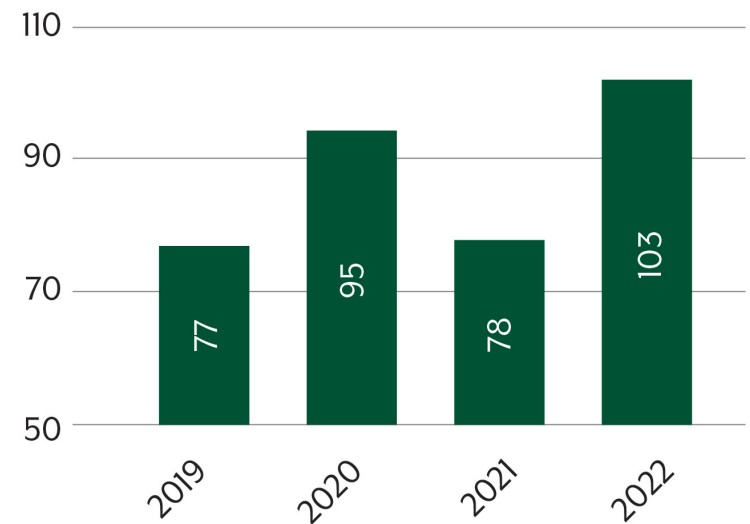
TOWN OF BAYFIELD

Supply
Single Family Homes For Sale - Dec



+160%
Up from 5 to 13

Demand
Single Family Homes Sold

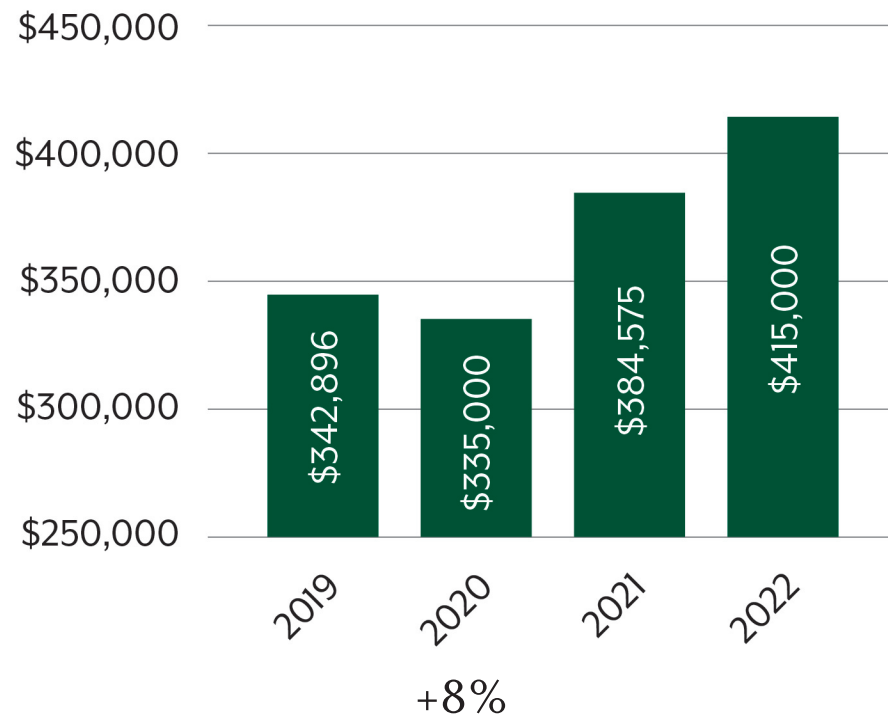


+32%

MEDIAN HOME SALES PRICE

TOWN OF BAYFIELD

Single Family Homes

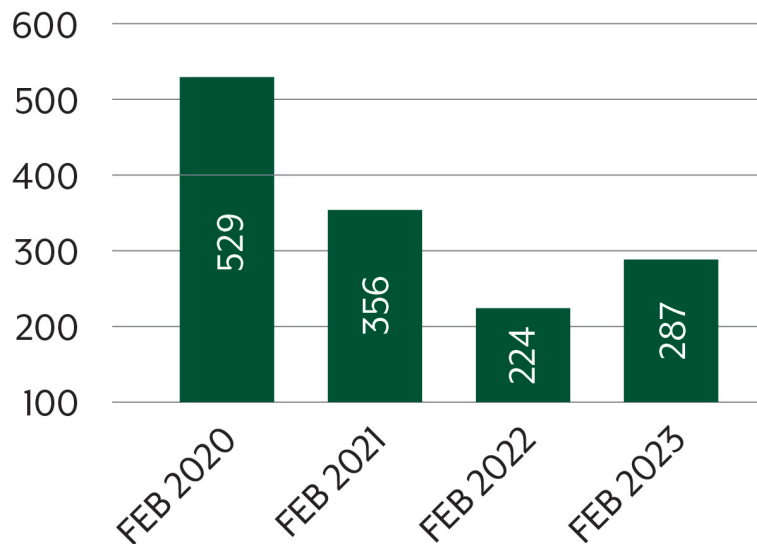


SOURCE: ALLEN & ASSOCIATES PROPRIETARY DATABASE

SUPPLY & DEMAND

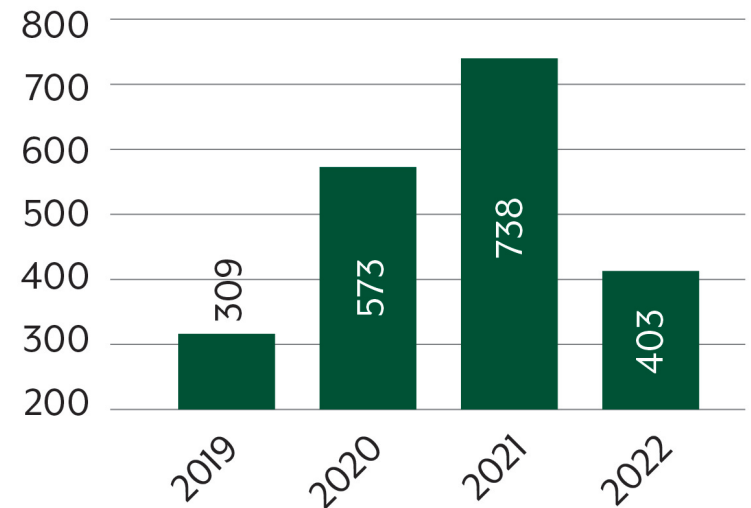
LA PLATA COUNTY LAND SALES

Supply
Vacant Land For Sale - February



+28%
But very low

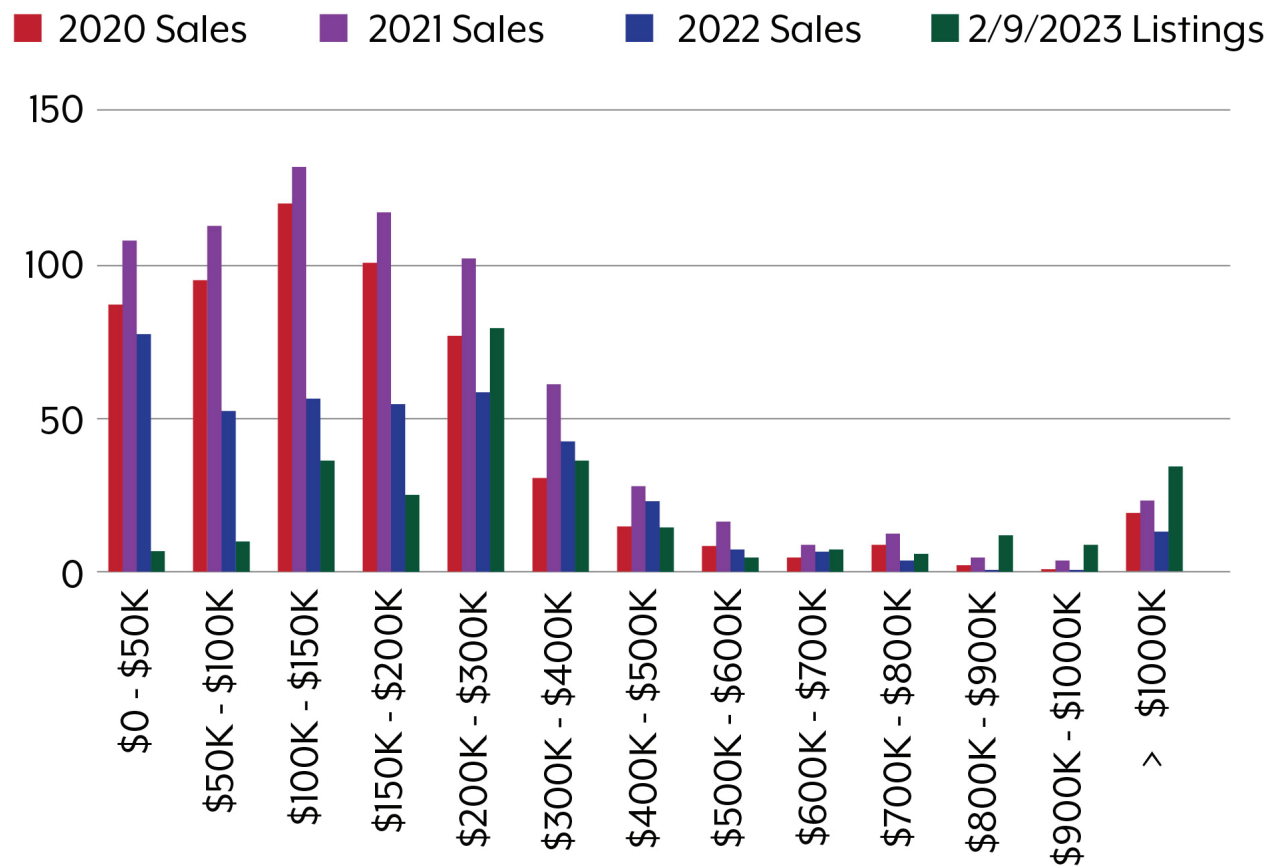
Demand
Total Vacant Land Sold



-45%

ALL LA PLATA COUNTY

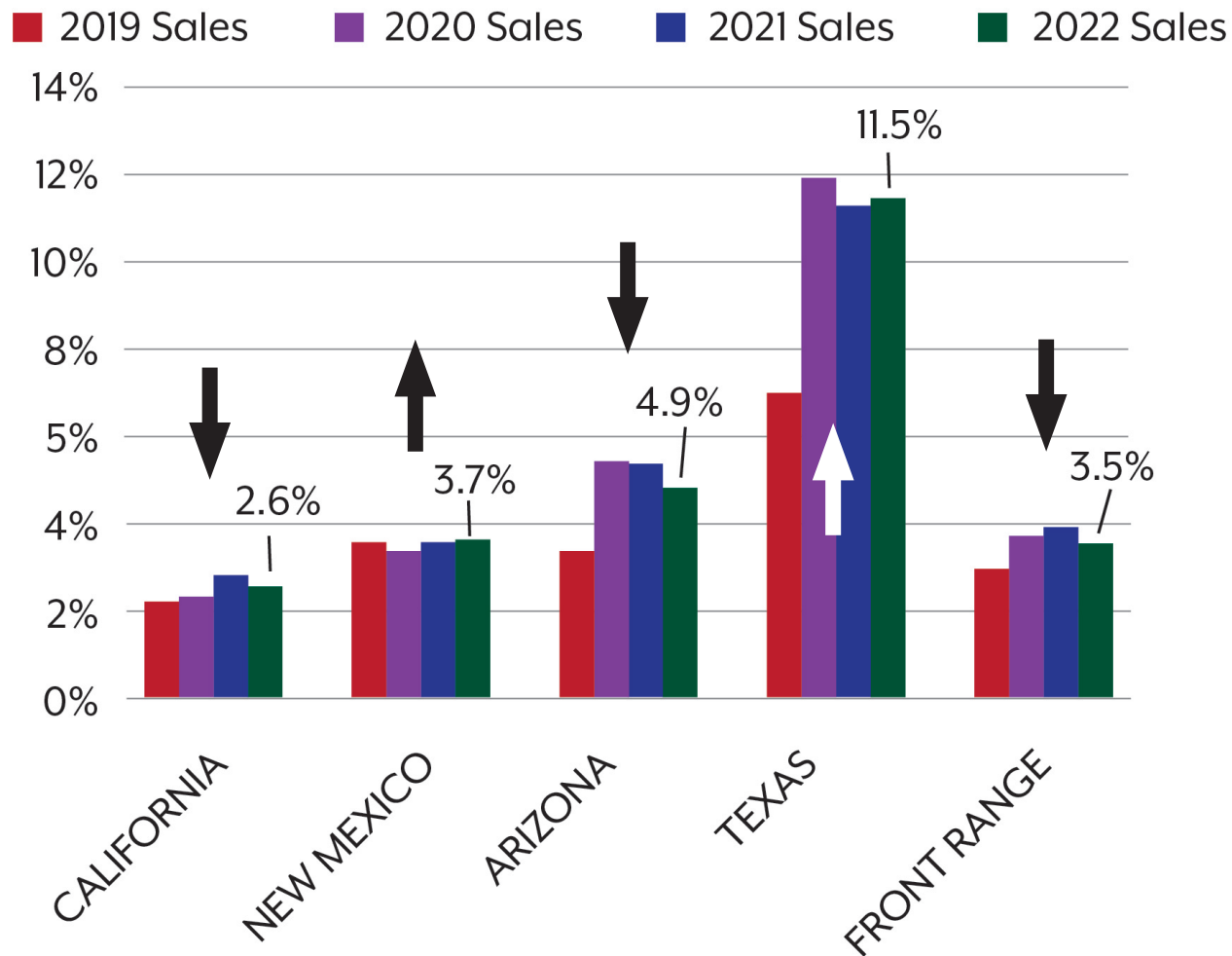
Vacant Land Sales Price Distribution and Current Supply



Low supply at most price points

FEEDER MARKETS

PROPERTY BUYER PROFILE

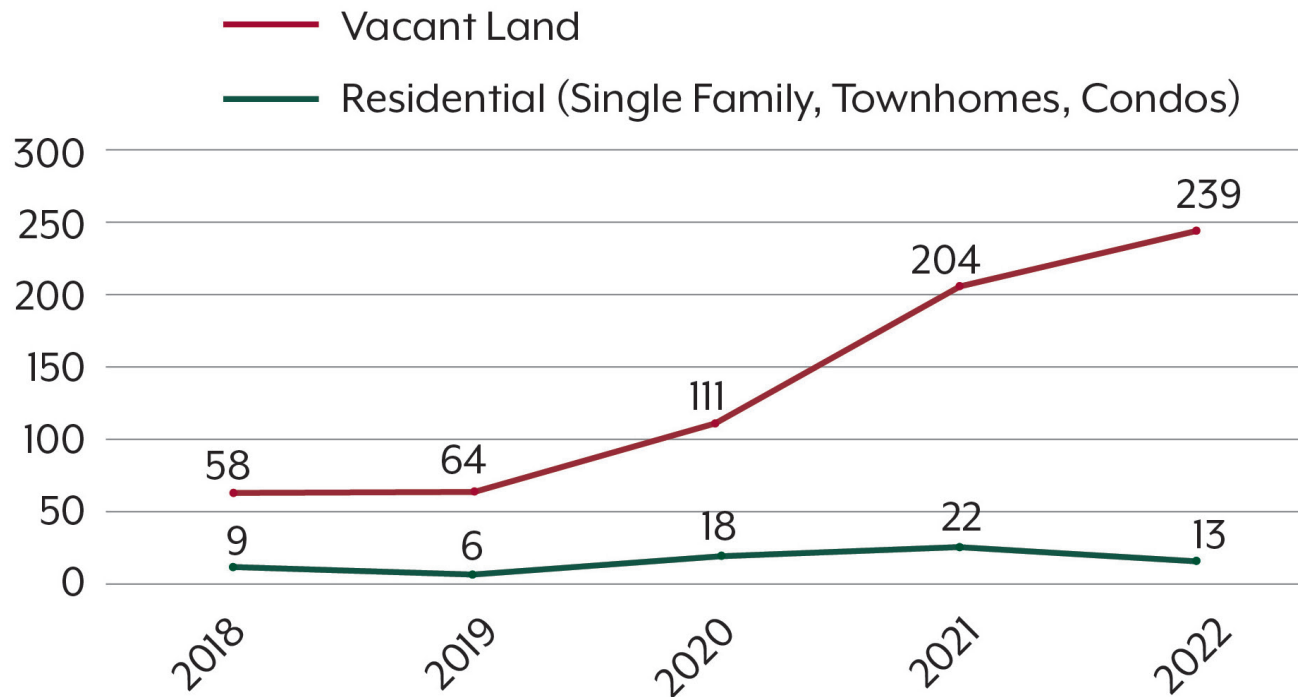


SOURCE: BOB ALLEN - ALLEN & ASSOCIATES AND PROPERTY TRANSFER DEED, LAND TITLE GUARANTEE

LUXURY REAL ESTATE MARKET

LA PLATA COUNTY

Real Estate Sales Above \$1,000,000



All residential
+17%

Vacant land
-41%

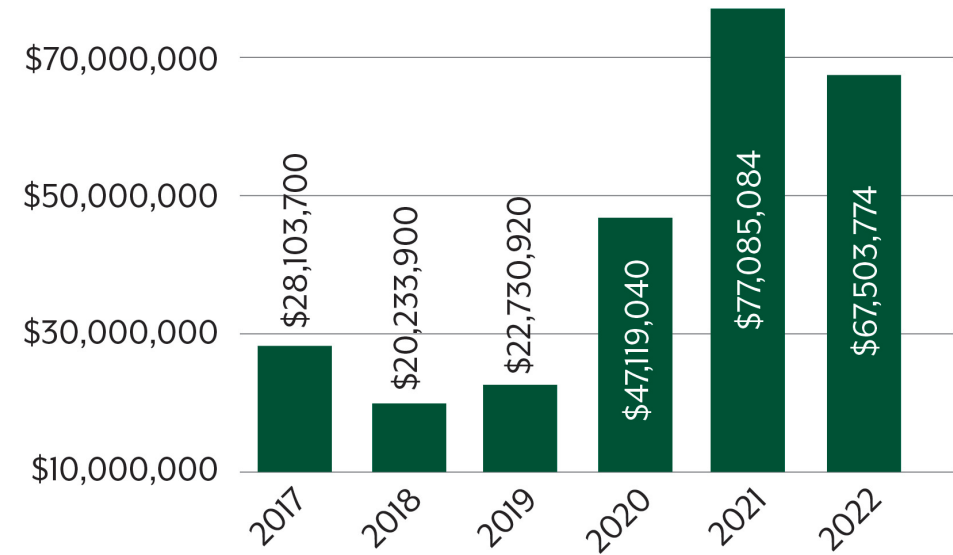
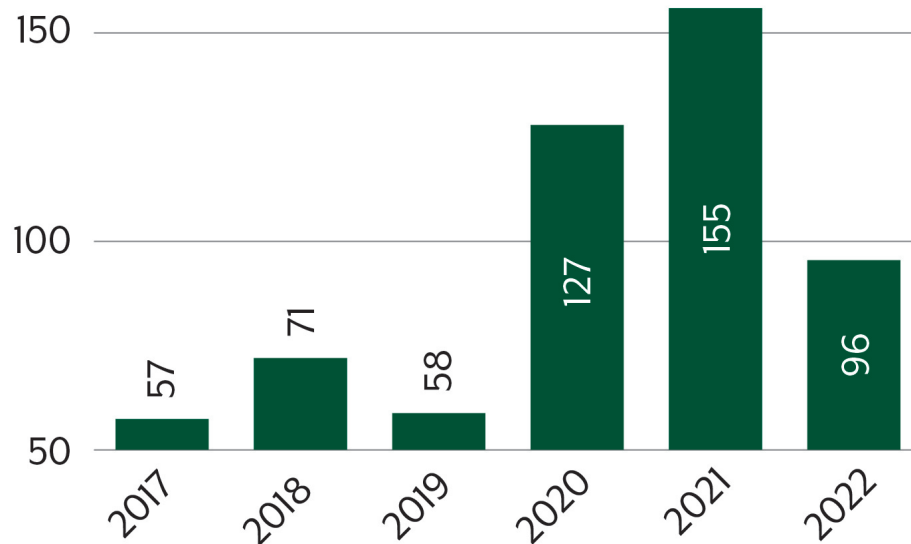
PURGATORY AREA

ANOTHER GOOD YEAR

APN (5089*)

All Sales Transactions
(not including timeshare or fractional sales)

All Sales Dollar Volume
(not including timeshare or fractional sales)



Average condo & townhome sales price +35%
Average single family residential sales price +17%

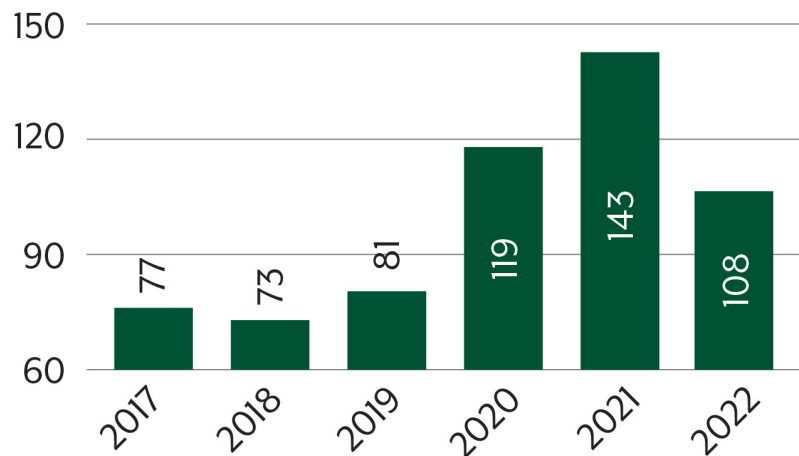
*5089 = Assessors' parcel number associated with Purgatory area

GLACIER CLUB / TAMARRON AREA

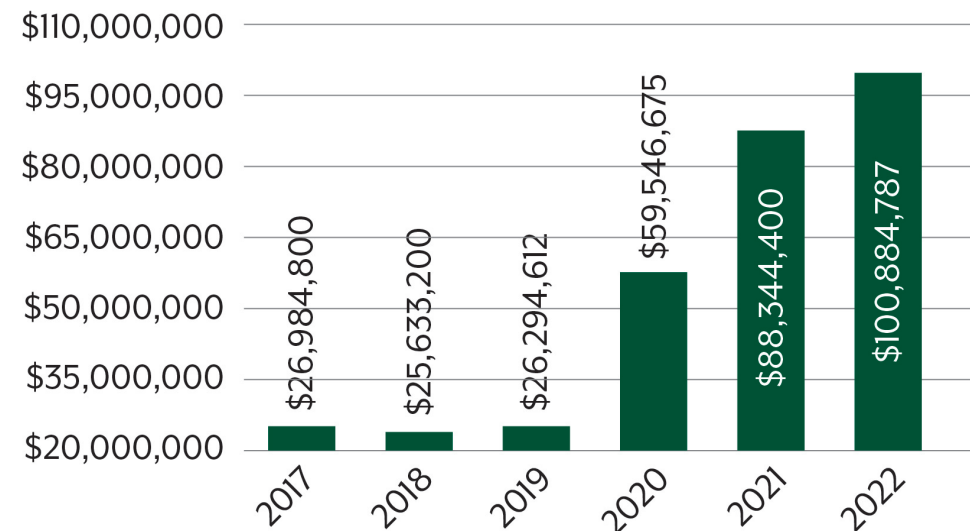
ANOTHER GOOD YEAR

APN (5371*)

Tamarron/Glacier Club Area (APN 5371)
Total Real Estate Sales Transactions



Total Sales Dollar Volume



Record sales \$ volume in 2022 +14%
Average single family home sales price +93%
Average townhome sales price +40%
Average vacant land sales price +11%

*5371 = Assessors' parcel number associated with Glacier Club/Tarmarron area

POPULATION GROWTH

Year (July)	City of Durango	Town of Bayfield	Town of Ignacio	Unincorporated Area	La Plata County Total
2010	16,889	2,357	699	31,496	51,441
2021	19,271	2,885	852	32,891	56,278
2010-2021 Annual % Change	1.21%	1.85%	1.82%	0.39%	0.82%

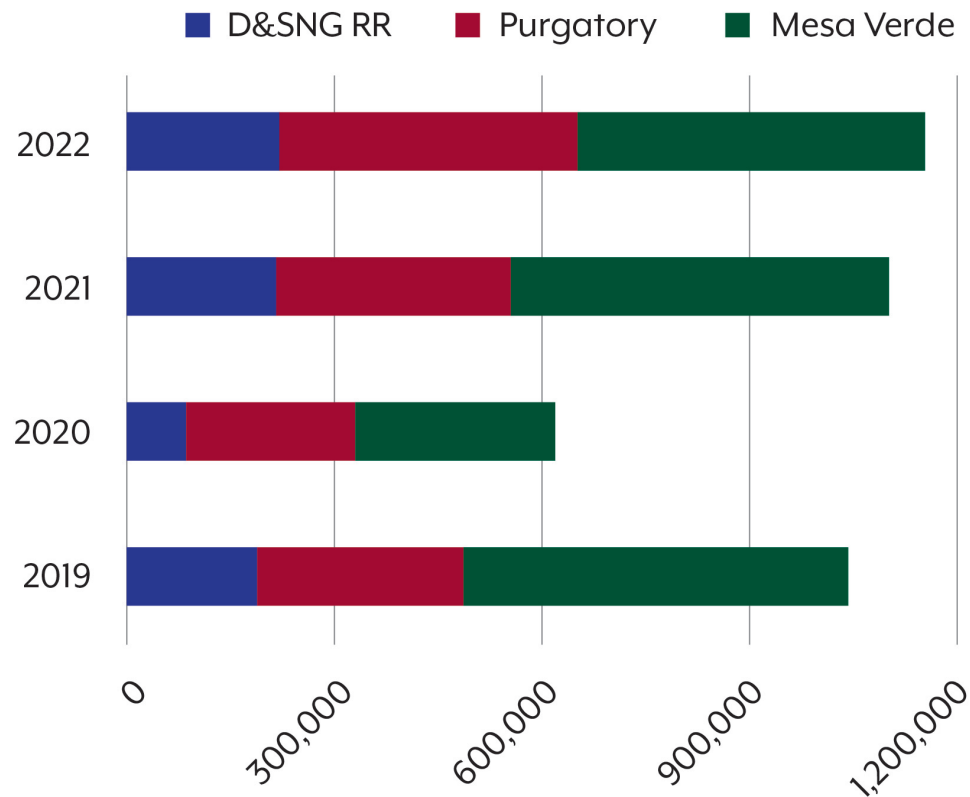
Population growth low due to lack of available housing
If we build it, they will come

OTHER IMPORTANT LOCAL INFLUENCES

MAJOR FOUR CORNERS

TOURIST ATTRACTIONS

Total Visitors



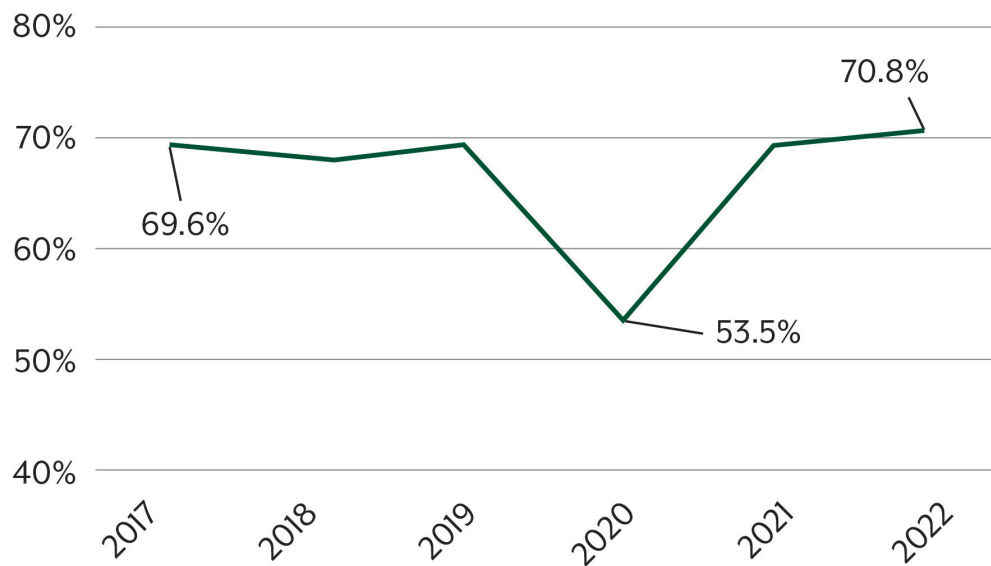
Total 2021-2022 +1.3%
Record year at D&SNG RR & Purgatory

SOURCE: INDIVIDUAL AGENCIES

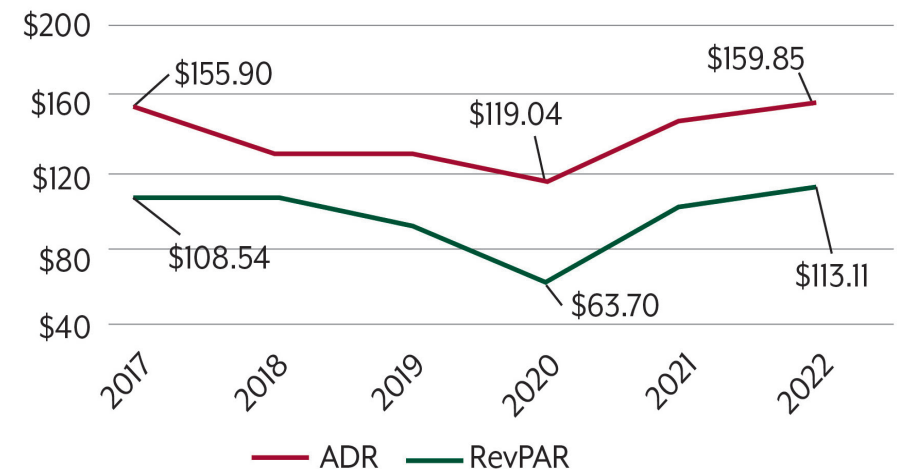
LODGING INDUSTRY

DURANGO - NOT INCLUDING VACATION RENTALS

Motel/Hotel Annual Occupancy



Average Daily Rate
Revenue Per Room Available (RevPAR)

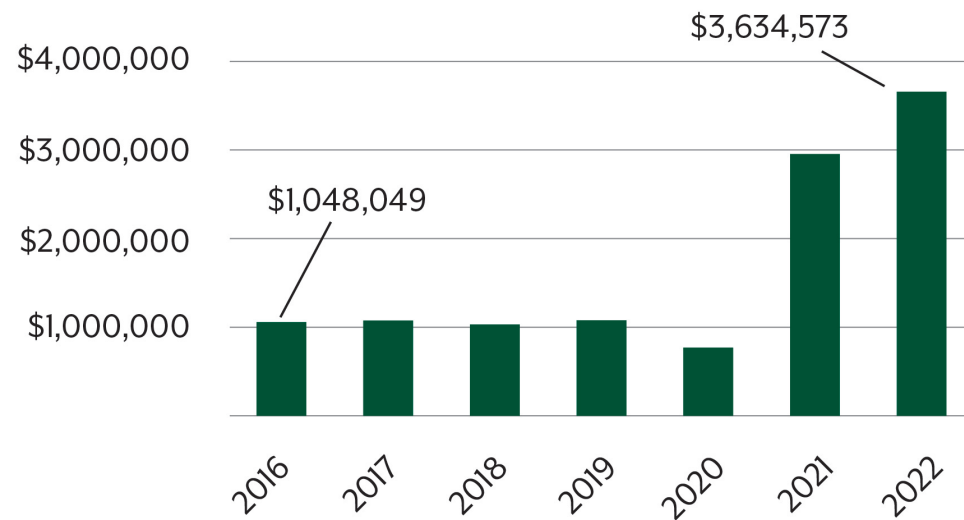


Recovered and above pre-pandemic levels

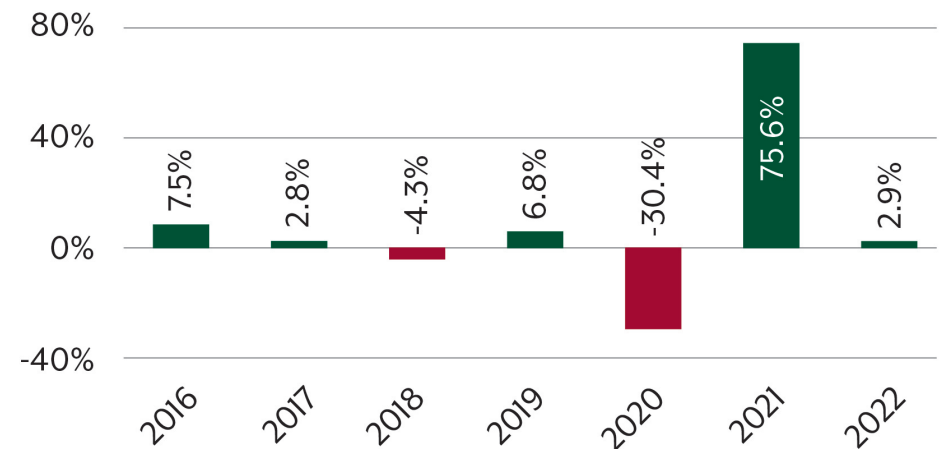
LODGERS TAX COLLECTIONS

CITY OF DURANGO

Overall
(increased from 2% to 5.5% in July 2021)



Annual
(normalized for July 2021 increase)

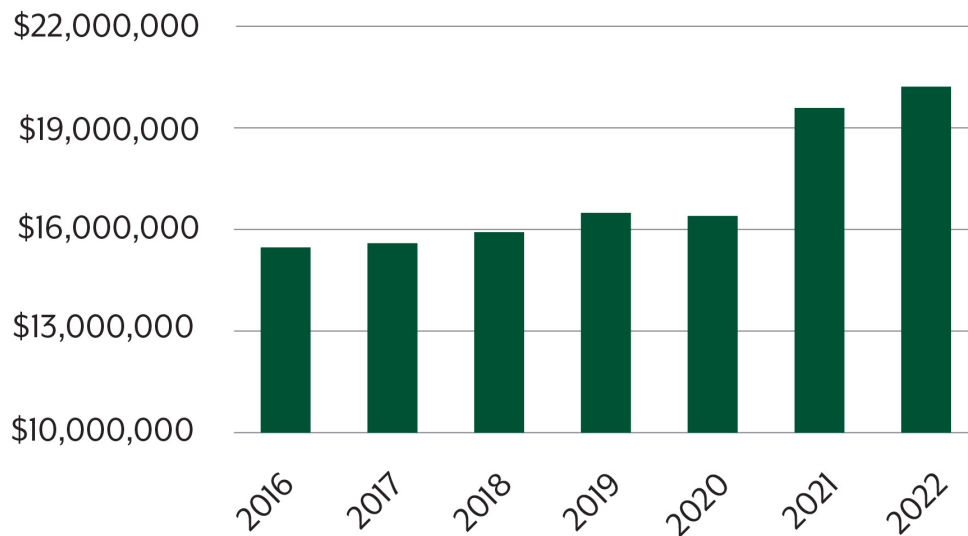


Significant change to Lodgers Tax from 2% to 5.5% in July 2021
2018 decline = 416 Fire
2020 decline = COVID Pandemic

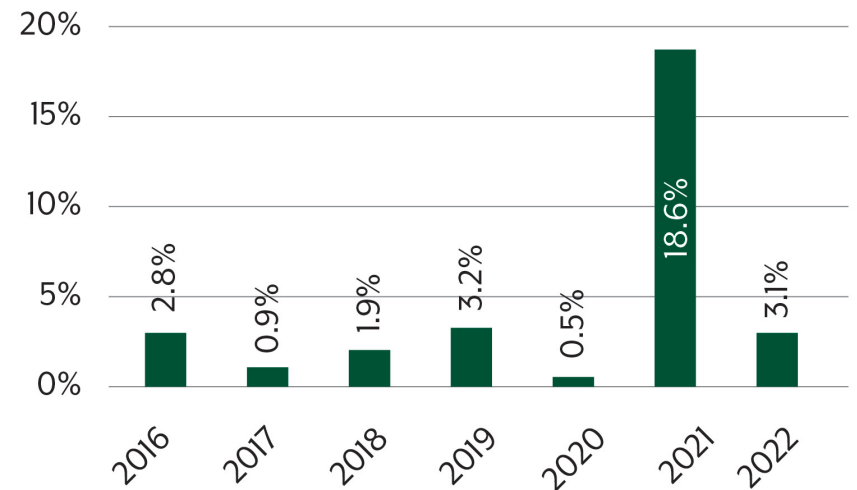
SALES TAX COLLECTIONS

CITY OF DURANGO

2% Sales Tax Collections



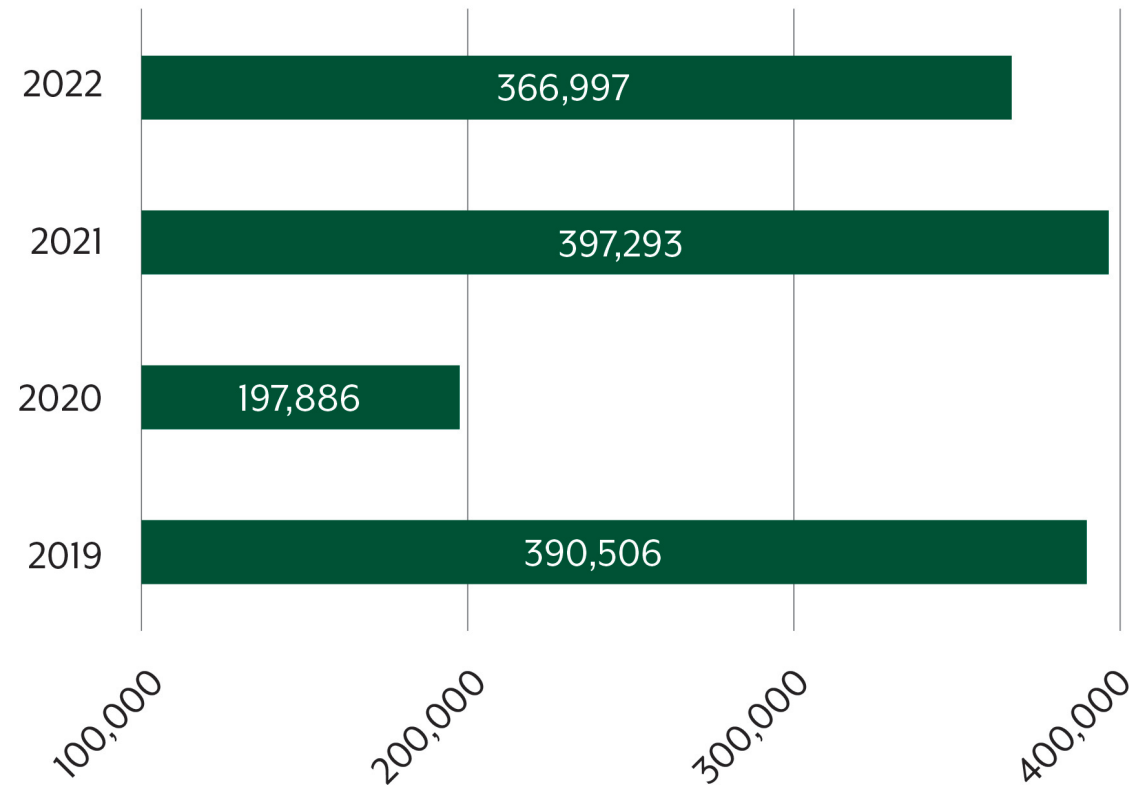
2% Sales Tax Collections
Annual % Change



Growth of City Sales Tax collections reflects retail business strength in Durango
2% portion deposited to general fund

DURANGO - LA PLATA COUNTY

AIRPORT PASSENGERS



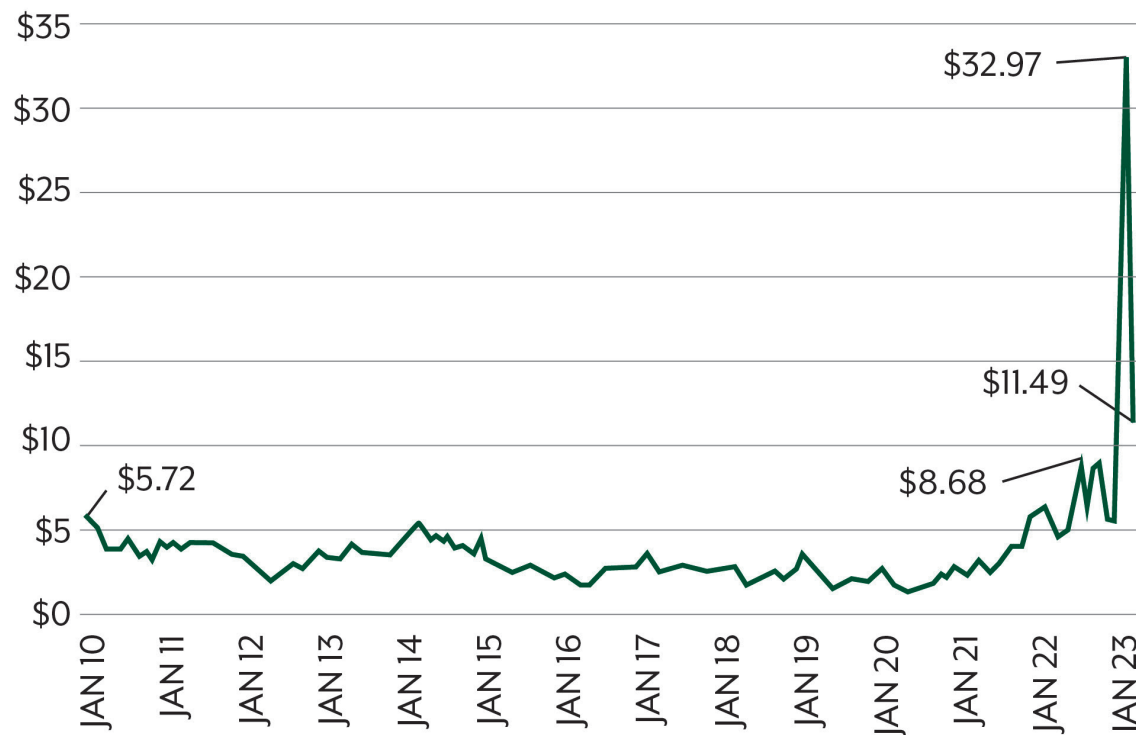
Airport shut down for 10 days in September 2022 - new runway
Airline seat capacity down in 2022 - pilot shortage
\$7 million phase 1A Terminal Development Program in 2023

ENERGY INDUSTRY

LA PLATA COUNTY

El Paso San Juan Basin Natural Gas Monthly Price Index January 2010 - February 2023

More than 10%
of La Plata
County
residents
receive royalty
income from
mineral
interest in La
Plata County



This is an
anomaly but not
an error

CONSTRUCTION

CONSTRUCTION COSTS

Random Lengths Framing Lumber January 2018 - January 2023

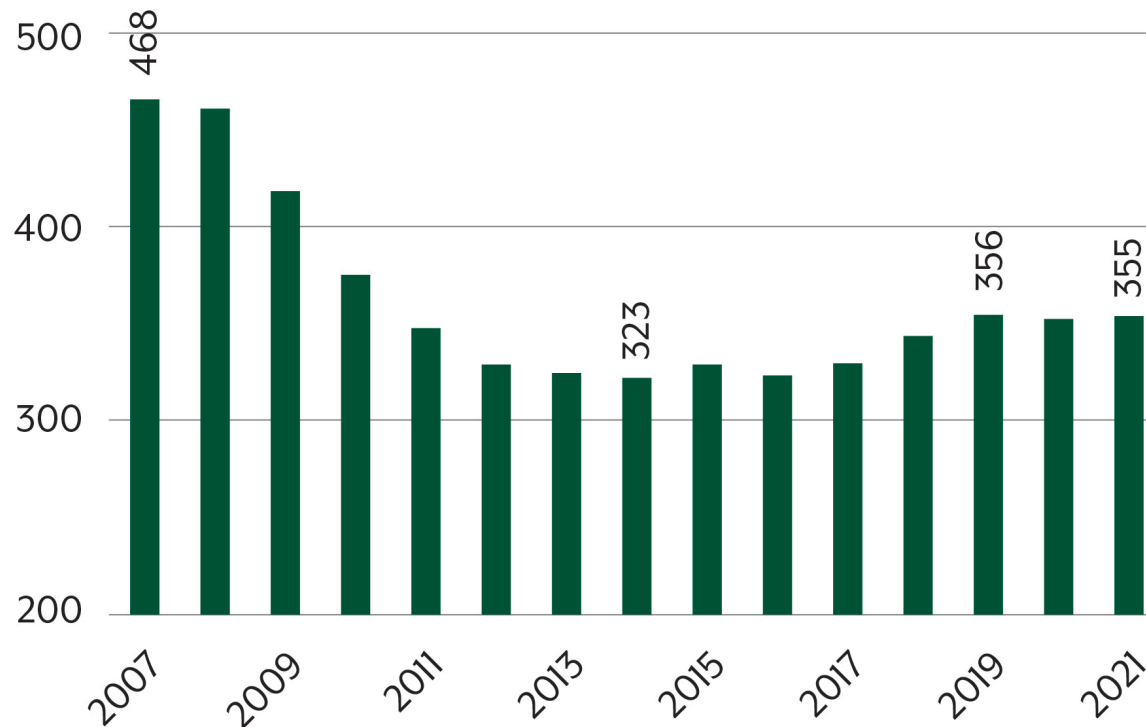


Lumber prices retreat from COVID highs
Prices for manufactured building products still high and rising

SOURCE: <https://www.finance.yahoo.com/LBS%3DF/history>

LA PLATA COUNTY

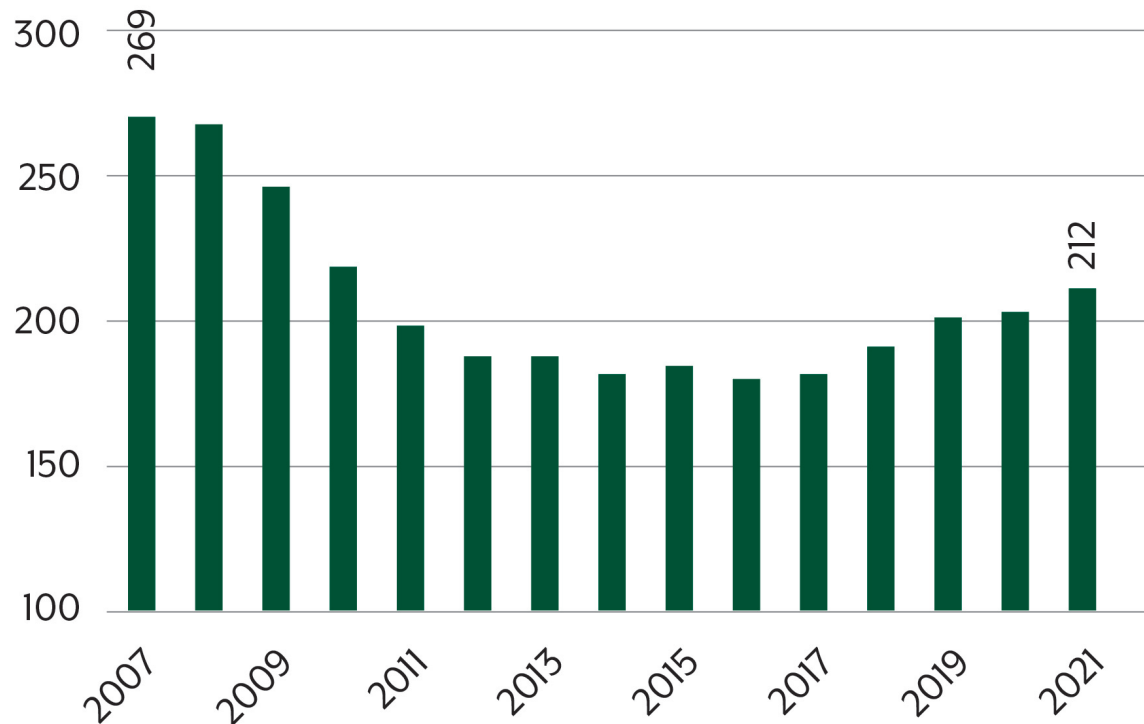
Number of General Contractors in Private Construction



Still 24% less in 2021 compared to 2007

LA PLATA COUNTY

Number of Specialty Trade Contractors in Private Construction

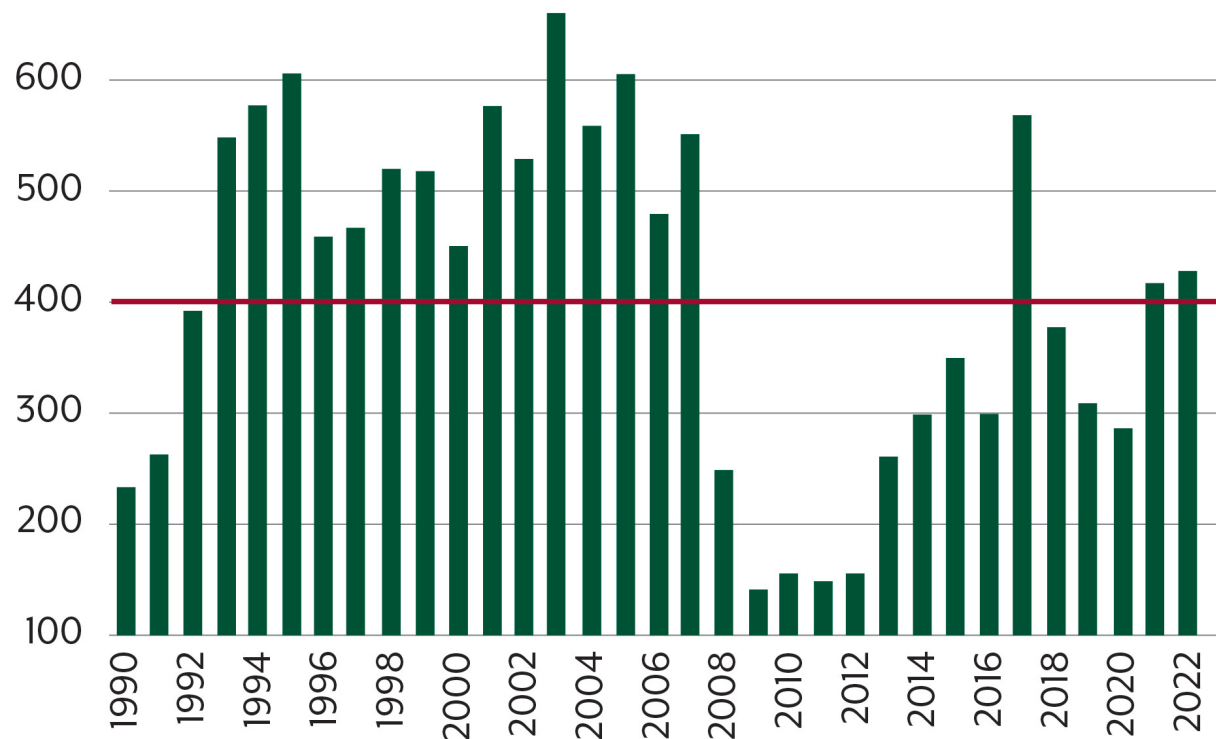


21% less in 2021 compared to 2007
Local construction labor market may be loosening

SOURCE: US BUREAU OF LABOR STATISTICS

ALL LA PLATA COUNTY

Long Term Residential Units Building Permits

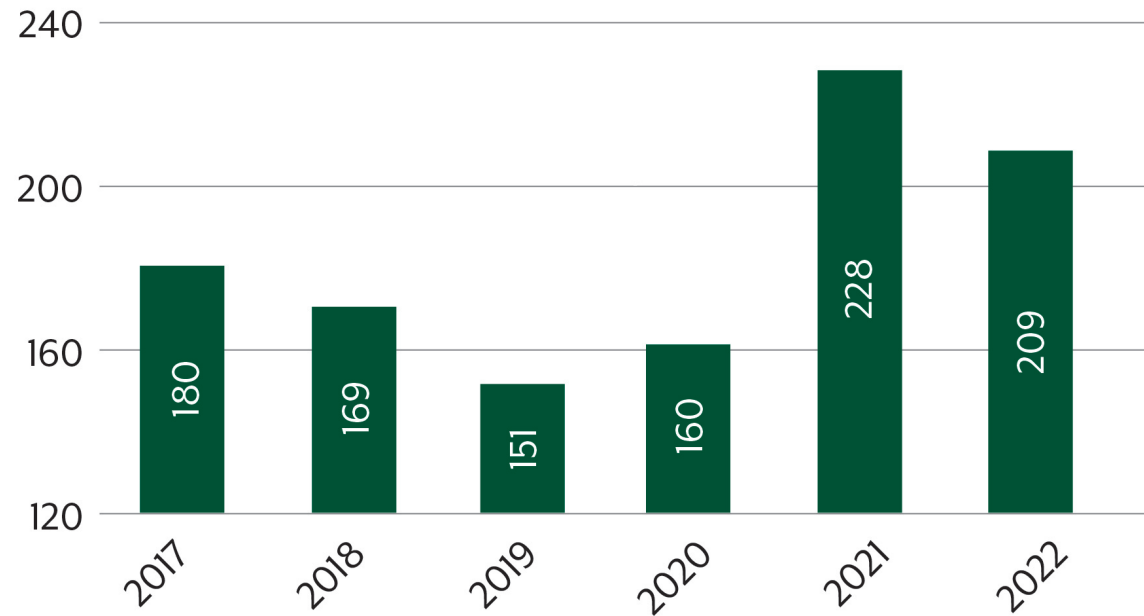


Red Line = Historic Average, 405 units per year

RESIDENTIAL BUILDING PERMITS

RURAL LA PLATA COUNTY

Single Family Building Permits



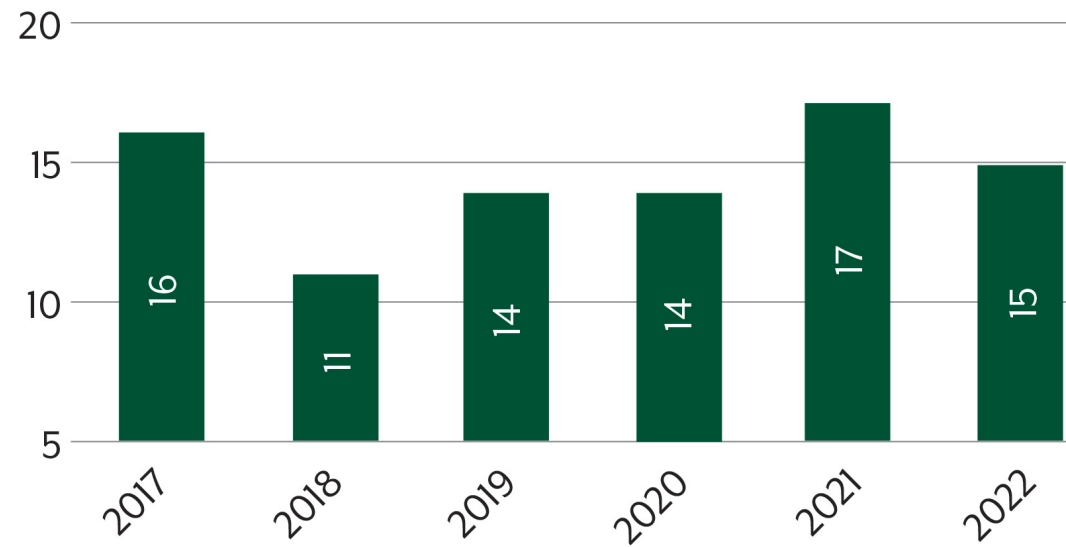
-8% in 2022

SOURCE: LA PLATA COUNTY BUILDING DEPARTMENT

RESIDENTIAL BUILDING PERMITS

TOWN OF BAYFIELD

Single Family Residential Building Permits



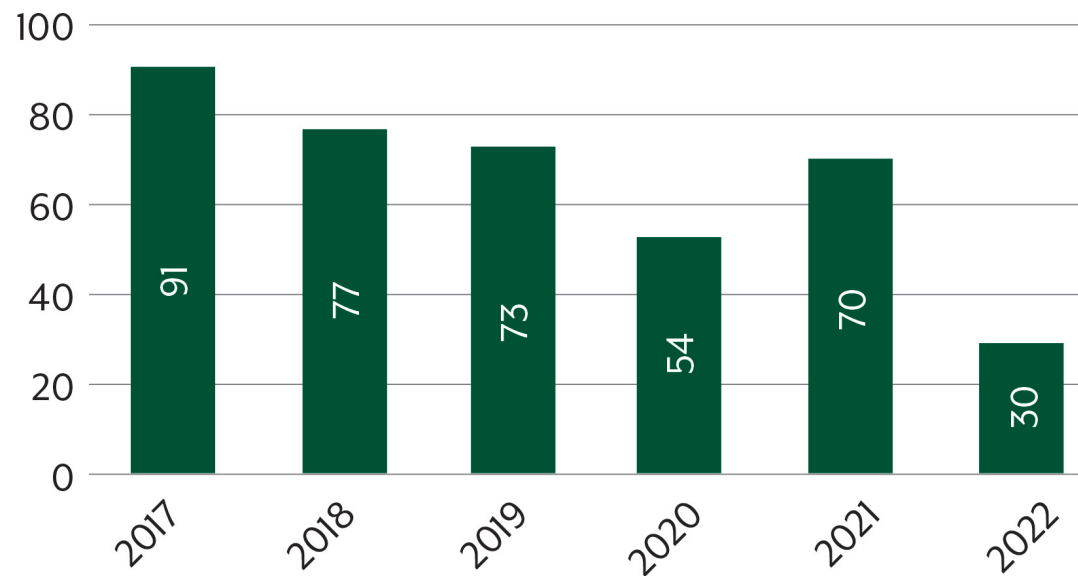
-12% in 2022

SOURCE: TOWN OF BAYFIELD

RESIDENTIAL BUILDING PERMITS

CITY OF DURANGO

Single Family Building Permits

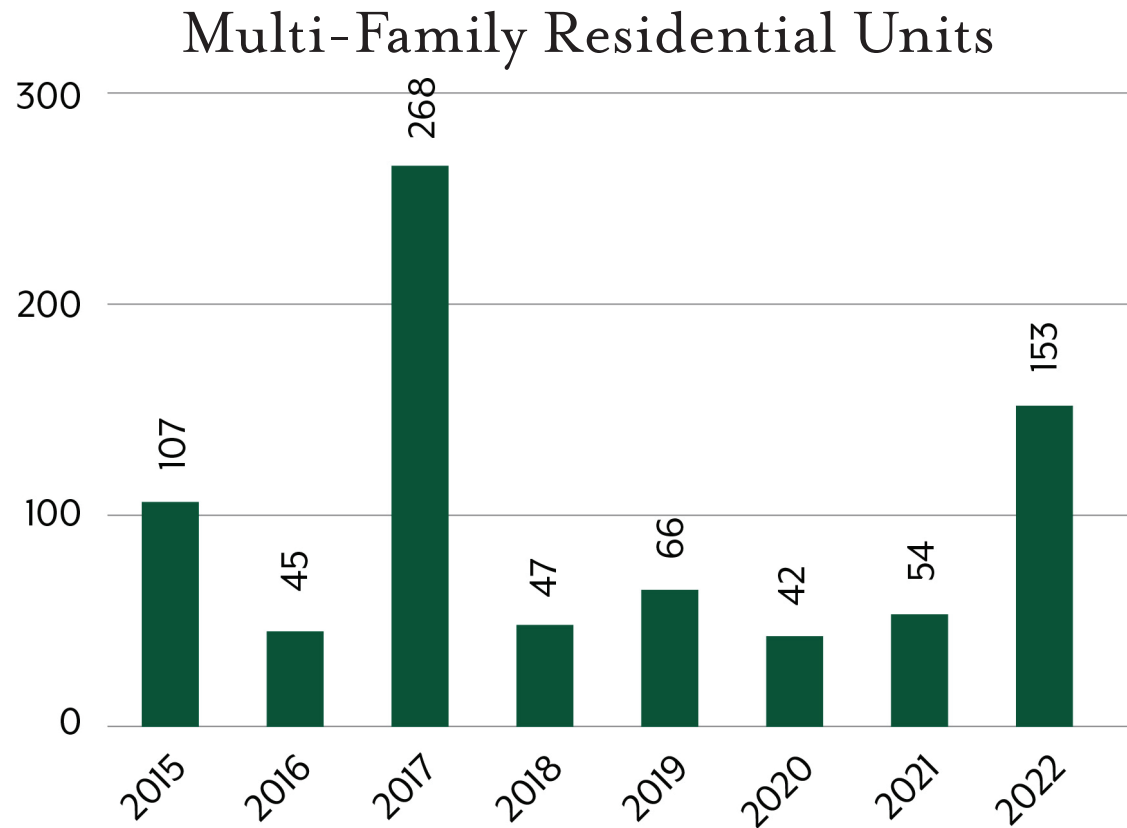


-57% in 2022

SOURCE: CITY OF DURANGO - ALLEN & ASSOCIATES PROPRIETARY DATABASE

MULTI-FAMILY CONSTRUCTION

CITY OF DURANGO



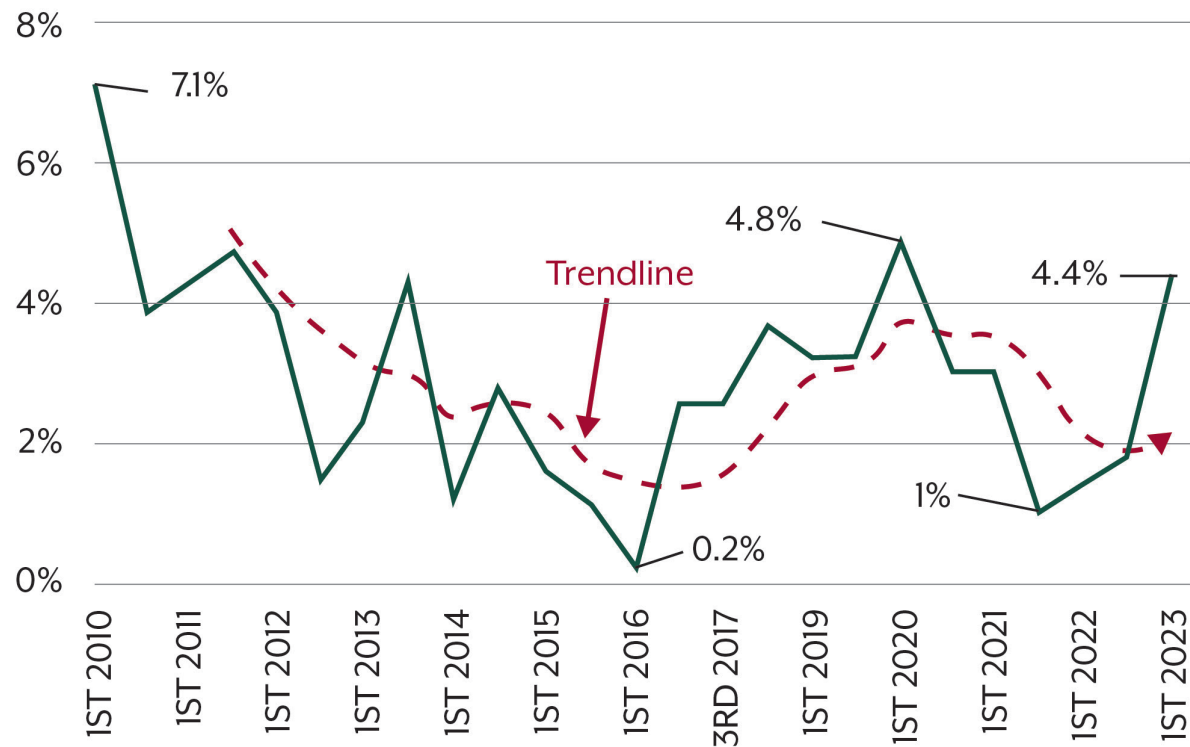
New Multi-Family construction +183%
Increase due in part to motel remodel in favor of
apartment units

SOURCE: CITY OF DURANGO

APARTMENT RENTAL MARKET

CITY OF DURANGO

Durango Residential Apartment Vacancy Rate

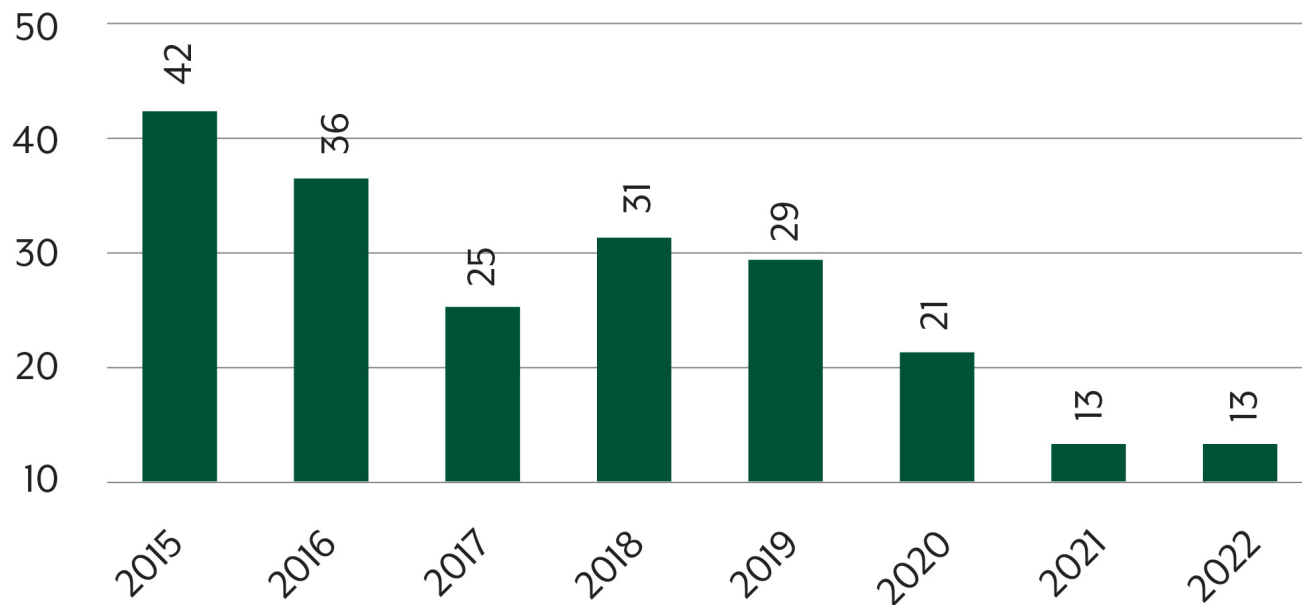


Apartment vacancy rate remains very low

COMMERCIAL CONSTRUCTION

ALL LA PLATA COUNTY

Commercial Building Permits Issued in All La Plata County

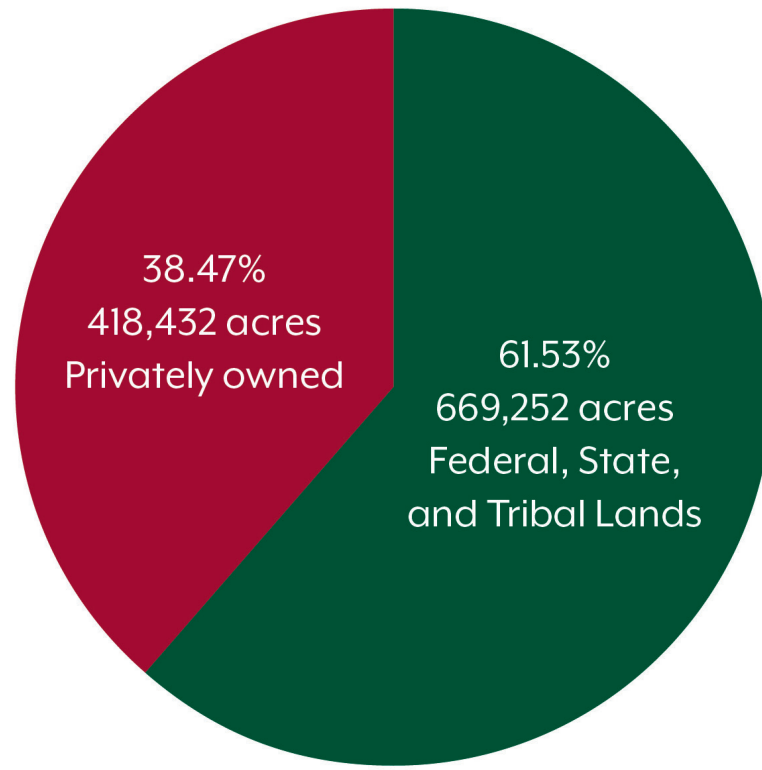


SOURCE: TOWN OF IGNACIO, TOWN OF BAYFIELD, CITY OF DURANGO, LA PLATA COUNTY BUILDING DEPARTMENTS

PUBLIC & PRIVATE LAND

LA PLATA COUNTY

Public & Private Land
1,087,685 Acres Total



PREDICTIONS FOR 2023

1. Rental demand will still be strong, based on the lack of affordable inventory to be purchased from move up buyers (with higher interest rates)
2. Interest rates will “normalize” and will not increase much and may come down a small amount in the year. 40 year average mortgage rate is 7.38%, 20 year average is 4.53%
3. There will be more “creative” financing - Seller carryback seconds, Seller paid points and fees or buy downs, etc.
4. There will be less residential sales in the year because of interest rates, prices, and inventory of homes; in addition there are reluctant Sellers that have secured attractive, low mortgage rates

PREDICTIONS FOR 2023

5. Prices will stabilize for the year even with low supply and moderately high demand
6. There will not be a housing crash. There will be low inventory, tighter lending practices, and continued demand
7. We will see the highest number of buyers becoming Millennials and Gen Z. They have accumulated some savings by renting or living at home or with others
8. For La Plata County, the record high prices, higher interest rates, cost of Pre-K child care and inflation are all creating substantial stress on the workforce in our communities

A VERY SPECIAL THANK YOU TO

Jack Llewellyn
Executive Director of



for moderating this
year's event.

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Hansen



Lauren
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Markus
Lux



Maureen
O'Leary



Max
Hutcheson



Monique
Flora



Morgan
Kimsey



Nicole
Sorensen



Sherry
Exum-Peterson



Sierra
Fullerton



Stuart
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Thad
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Tiare
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Zane
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