



CAPTAIN REAL ESTATE GROUP OF COMPANIES

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Guam Real Estate Market Update

Although foreign investment in Guam real estate appears to be temporarily sidelined, local investors have remained confident, limiting the anticipated slowdown in sales activity. The 2008 3rd quarter statistics are relatively robust, reported Nick Captain, President of Captain Real Estate Group, with \$99.8 million in sales volume. However, year to date real estate sales volume is down by 41 percent vs. 2007 figures. "We were expecting a steeper decline in activity", stated Captain. A number of high priced sales involving local buyers kept the market from a sharper fall. "We don't see the high price sales activity continuing through the 4th quarter and we are projecting another 40 percent decline. The majority of investors remain in a wait-and-see mode, primarily due to global economic volatility and credit issues as well as the local moratorium on development. And keep in mind that 2007 was a very strong year in Guam real estate. Anything measured against 2007 will likely reflect a steep decline", said Captain.

Local market confidence was reflected in several multi-million dollar land deals, but is most evident in the residential sector as the median price of a Guam single family dwelling reached a new record high at \$235,250, up 20 percent from a year earlier. The dramatic rise in median home prices, more than doubling since 2003, compares favorably to mainland markets which are suffering from historic declines. The change in product mix continues to impact the local median home price as a growing number of new houses are built and sold. Newer houses typically sell at prices higher than older houses, pushing median prices upward. Residential transaction activity during the 3rd quarter remained healthy with 191 houses sold. The high end of Guam's housing market, which has been recently characterized by

oversupply and limited demand, also staged a rally with seven houses selling at prices above \$500,000 during the 3rd quarter. The 3rd quarter high end home sales included a recorded \$852,000 sale at the nearly completed Talo Verde Estates, Guam's premier residential subdivision. Many high end home sellers have adjusted their price expectations which has allowed for significant growth in the high-end sector. However, the supply of high end houses remains excessive with 47 listings priced above \$500,000 in the Multiple Listing Service.

The condominium sector, which is typically more sensitive to foreign investment, continued to spiral downward as the median



price declined for the 4th consecutive quarter to \$125,000. The 57 condominium units sold during the 3rd quarter reflected the lowest level of transaction activity in four years. However, condominium sales activity included the July 2008 sale of an upscale Tasi 17 unit to Clubs of Guam, Inc. at a recorded price of \$1.0 million, a record non-beachfront condominium price for Guam.

Real estate market conditions for land continue to slide as the weak economy, a moratorium on development and increased prices have combined to limit activity in this sector. Land sales volume has plummeted in 2008, down by 41 percent compared to 2007 fig-

ures. "The land sale rate of decline is, unfortunately, increasing. We expect the land sector to rebound when foreign investment returns, sometime after the moratorium on development is lifted", said Captain. The moratorium-impacted 3rd quarter land sale figures reflected a decline of 55 percent from 3rd quarter 2007 sales, a loss of \$28 million.

Based on the surprisingly strong 3rd quarter, Captain has revised their 2008 total sales volume projection to \$375 million, up \$25 million, but still down by 45 percent from 2007. Captain's forecast for 2009 involves additional contraction. "Based on our analysis of sales activity trends and regional market conditions, we are projecting a 15 percent decline in aggregate sales volume for 2009", stated Captain.

Captain further added, "The market is moving in different directions. The residential market is characterized by strong consumer confidence which is evident in healthy transaction activity, significant new construction and record high median pricing. Fortunately, Guam banks are still lending and we haven't experienced the liquidity issues which have put downward pressure on market conditions in the mainland. However, foreign investment in land and several proposed development projects appear to be temporarily sidelined."

"When the market softens, that creates opportunity. Although we don't expect to see the heightened duress activity that was reflected during the 2000 to 2004 downturn, there will likely be a few bargains on the horizon. The window of opportunity may be short-lived because the fundamentals of the Guam real estate market will change once the military build-up plans are more established. By 2011, Guam real estate should be entrenched in a three to four year growth cycle", Captain noted.