

Overall real estate transactions are down sharply

(CREG) - Credit markets and liquidity problems have shaken investor confidence globally and although insulated from the housing crisis impacting many mainland markets, Guam has felt its share of tremors.

According to Captain Real Estate Group statistics, Guam's aggregate real estate sales volume during the fourth quarter of 2008 reflected \$64.7 million, or a decline of 52 percent from a year earlier.

A closer look at the fourth quarter of 2008 activity reveals that market contraction has increased at an increasing rate, which does not bode well for early 2009.

The most recent market activity reflects a notable lack of foreign investment but Guam's residential market has remained remarkably strong.

"When it comes to Guam real estate, forget the location axiom. On Guam, it's military, military, military."

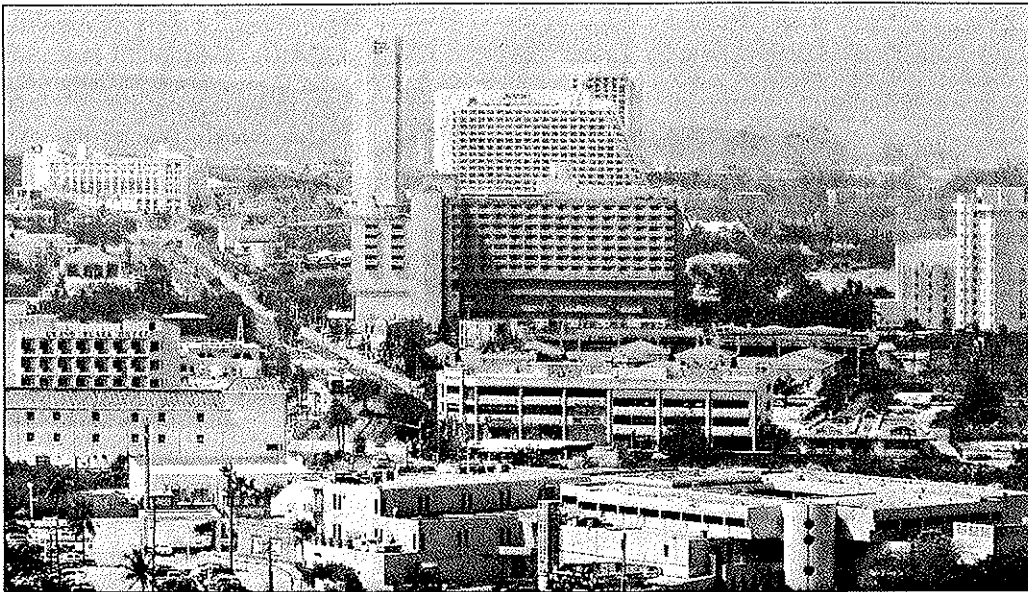
Nick Captain

Captain Real Estate Group president

Foreign investor confidence is weak due to shaky credit markets, the collapse of overseas real estate funds, a strengthening US currency, a moratorium on development and other factors.

Overall, 2008 real estate sales volume reflected \$368.9 million, a decline of 46 percent from 2007. However, the median price of a Guam home increased by almost 10 percent in 2008 to a record \$215,000.

imelyly \$325 million. "We expect market conditions to bottom out in the first half of 2009, creating a small window of opportunity for home buyers and investors. We expect the near-term recovery to be driven by extremely low interest rates combined with limited price declines and increasing infrastructure projects and military activity," stated Nick Captain, president of the Captain Real Estate Group.



There has been a notable decrease in foreign investment in Guam's big ticket real estate assets such as prime Tumon properties. The Captain Real Estate Group attributes this to shaky credit markets and the collapse of overseas real estate funds. Photo by Paul Blas

Perspective

Projecting a market bottom when the median price of a single family house on Guam has increased by 87 percent since 2003 may appear contradictory, but the vast majority of Guam's residential market remains robust and healthy. "The market's high, the market's low, it's all about perspective," said Captain.

Median price trends on Guam continue to oppose the hardest hit mainland markets where prices have fallen by 20 to 30 percent in 2008 alone.

On Guam, the median price of a single family dwelling increased by 13 percent in 2006, 19 percent in 2007, and 9 percent in 2008.

"The disconnect between real estate sales volume and pricing will impact 2009 market conditions," predicts Captain. However, he added that the risk of

any significant decline in pricing is mitigated by low interest rates, the military build-up and the dominant investor profile, which is typically more conservative and long-term in nature.

"When it comes to Guam real estate, forget the location axiom. On Guam, it's military, military, military," Captain stressed.

Continuity at the Department of Defense is a major reason that Captain expects a renewed interest in Guam real estate in the second half of 2009. A significant amount of Guam's build-up planning (as well as its "Tip of the Spear" defense moniker) has occurred under Secretary of Defense Gates's watch and his re-appointment was a reassuring move by President Obama whose plans to reinvigorate the economy through investments in infrastructure bode well for Guam.

Captain expects market con-

ditions to improve in late 2009. "If the market bottoms out in 2009 with \$325 million in sales volume, that's still more than double the activity reflected during the 2002-2004 downturn years," noted Captain.

Surge

Guam is not the type of market you want to be locked out of. The projected surge in population and economic activity place Guam's real estate market on a long-term growth trend and the eventual military build-up significantly reduces risk.

However, price fluctuations will likely be driven by sellers in 2009, as market conditions will favor buyers with adequate cash and good credit. The sellers in Guam's market have so far remained relatively strong and the number of distress deals will ultimately determine price direction.

The window of opportunity may be small if military and/or economic stimulus news is positive by mid-2009.

"The prevailing sentiment that the military build-up will be delayed by one or two years has already been built into the market, so if initial timelines are met, market conditions could improve quickly. At this point, we are expecting a short shopping season. Anyone expecting to find 2003 or 2004 type of opportunities will be disappointed; there will be good buys in 2009, but we expect that these will be exceptions and not the new norm," Captain concluded.