

Economic SnapShot

MID-YEAR REPORT 2009

A Publication of Fredericksburg Realty

A large, illuminated sign for Fredericksburg REALTY. The sign features the word "Fredericksburg" in a large, stylized, cursive font, with a small graphic of a house and trees above the word "REALTY" which is in a bold, sans-serif font. The sign is mounted on a dark background and is brightly lit against the night sky.

Fredericksburg
REALTY

THE BEAR BITES!
stay informed

Texas Economy Feeling Recession, Still Stronger Than Nation's COLLEGE STATION (Real Estate Center) – The Texas economy is in a deep recession but is still weathering the downturn better than the nation's economy. The state's economy lost 274,600 jobs from June 2008 to June 2009, an annual job loss of 2.6 percent. Over the same period, the U.S. economy lost more than 5.8 million jobs or 4.2 percent of its total non-farm jobs.

The state's seasonally adjusted unemployment rate rose from 4.8 percent in June 2008 to 7.5 percent in June 2009. The U.S. rate rose from 5.6 percent to 9.5 percent during that time.

Only two Texas industries (education and health services and leisure and hospitality) and the government sector had more jobs in June 2009 than in June 2008. Nine industries had net job losses over the same period.

Only three Texas metro areas had positive employment growth rates from June 2008 to June 2009.

Twenty-three metro areas had net job losses. Odessa ranked first in job creation followed by Killeen–Temple–Fort Hood and McAllen–Edinburg–Mission.

The states actual unemployment rate in June 2009 was 8 percent. Amarillo had the lowest unemployment rate followed by Lubbock, Midland, Abilene and Texarkana.

Reprinted from RECON an Online News Service of the Texas Real Estate Research Center

the Fredericksburg Realty report

This Mid-Year Update on Gillespie Co. and the Hill country is brighter than our previous 1st Quarter Report. Beginning in April the city residential market began picking up and sales resulted. Most sales were for homes under \$300,000. This was the bright spot and it kept the real estate market going. This does not include homes out of town which are not selling in this market. There were a few city lot sales, but remaining inventory far outweighed sales. Ranch asking prices and sales have remained stagnant. Buyers are looking for deals, if not steals. Ranches over 100 acres continue to ask in a range from \$8,000 to \$10,000 per acre, but buyers are trying to buy from \$5000 to \$7000 per acre.

Rural building sites and commercial properties are just about standing still even with price reductions.

Overall buyers are still looking for a bargain and Hill Country prices have not come down to the level buyers expect. Many offers are beginning 30% below asking prices and that is after many sellers have made additional price reductions. Sellers are negotiating on offers being presented, but when offers start that low it is hard to bring the deal together. Buyers who have sold and need to buy, or Buyers who want to take advantage of the continued low interest rates are the best buyers in the market.

The Seller is looking for the answers on the market. How long will this continue? Will prices stabilize? Will I sell at this new lower price? Why aren't we getting showings? When is the market going to get better?

We are working in and on this market daily. Modern technology gives us a lot of tools and information regarding local real estate markets. We may not be able to answer all the questions above, but we do have the facts at our fingertips. Call us so we can help you.

After a tough first quarter, I have been watching the market data on a daily basis, happy for every sale that occurs. I have also felt that there was lot of hope by Realtors that with the large number of in-town home sales that the first half numbers would be better. We are currently missing the volume of sales in city and rural developments that are a large part of unit numbers in our business. Traditionally these sales were to buyers who were looking to retire in the Hill Country at a future date. The lack of these sales can possibly indicate that builders will see more slow down in the coming year than they have in the past years.

your local edge on real estate

The large dollar sales previously driven by ranches and expensive homes is keeping the dollar part of this report low. The ranch buyers are looking, but they are waiting to see what the market does. Large home sales has been a recent luxury in our marketplace driven by a strong and vibrant economy. Without this economy, the sale of homes over \$1M is limited.

Around the area, tourism continues to be a bright spot thus far with Hotel Occupancy Tax (HOT) reports still holding at this time. Restaurants seem to be busy, but on the street we are hearing that retail is starting to suffer. While Fredericksburg sales tax is only down 2.44% year to date; the last reporting period dropped 9.88%. Everyone is waiting on the August numbers for both HOT and Sales Tax to if a pattern is developing, or are the lower numbers just a one time event?

Construction is doing better than real estate, but we are hearing that contractors and subs are slowing down. An interesting number to note is the Gillespie Co. foreclosures; about 17 posted for July and 12-14 are posted for August. I have not witnessed numbers like this in the 30-years I've been in the business. Some are related to the fact that some people should have never bought; but others are victims of the economy.

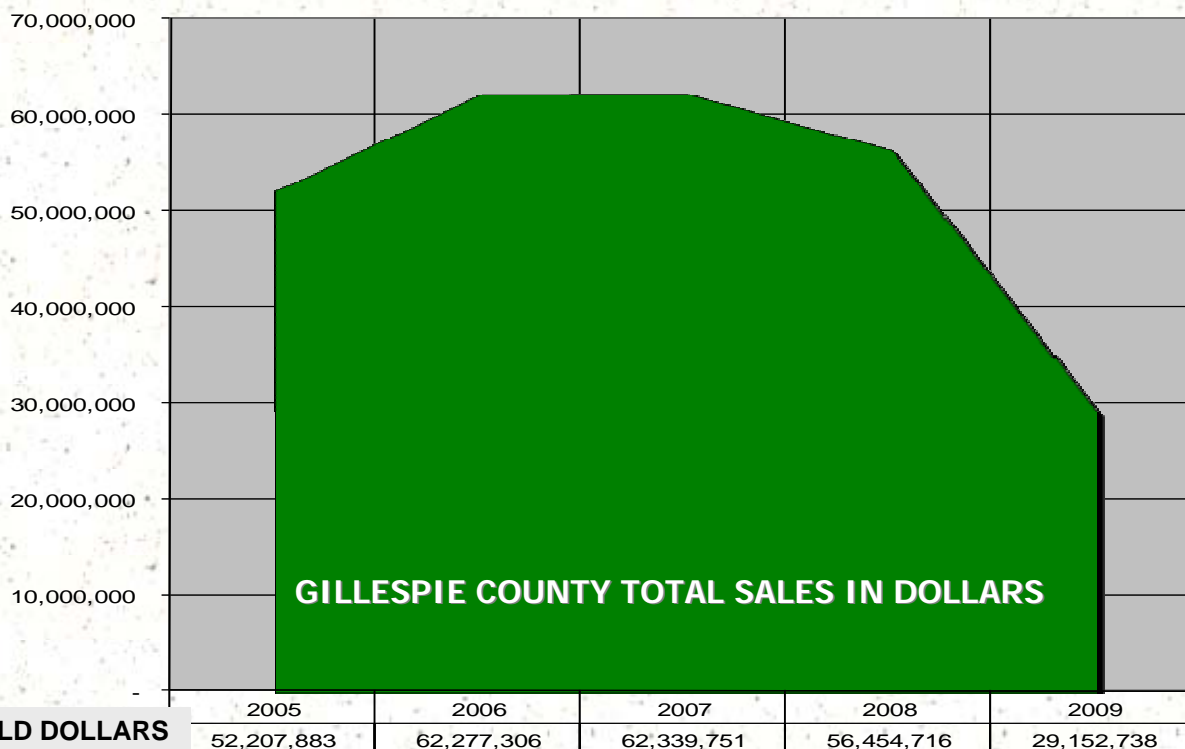
We don't have a crystal ball so we may not have all the answers, but we are here to help, call us any time.

Thanks!

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GILLESPIE COUNTY TOTAL SALES IN DOLLARS

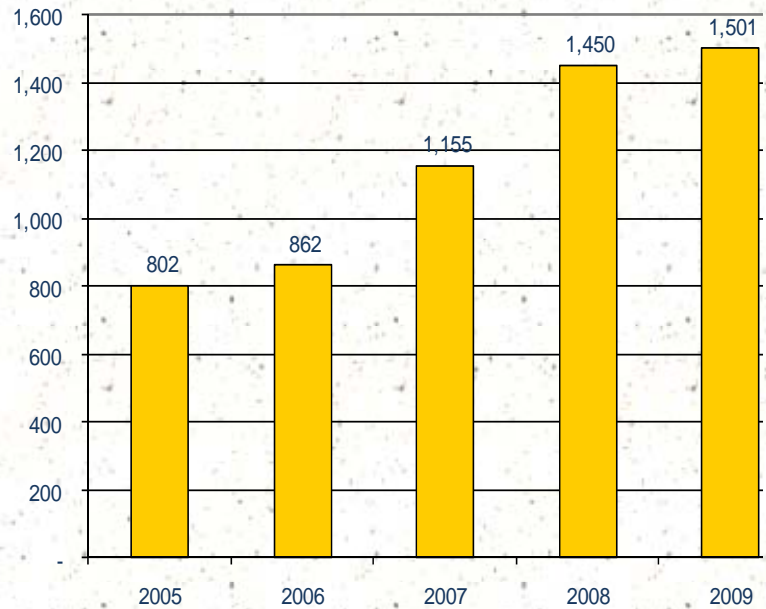
TOTAL SOLD DOLLARS

2005	2006	2007	2008	2009
52,207,883	62,277,306	62,339,751	56,454,716	29,152,738

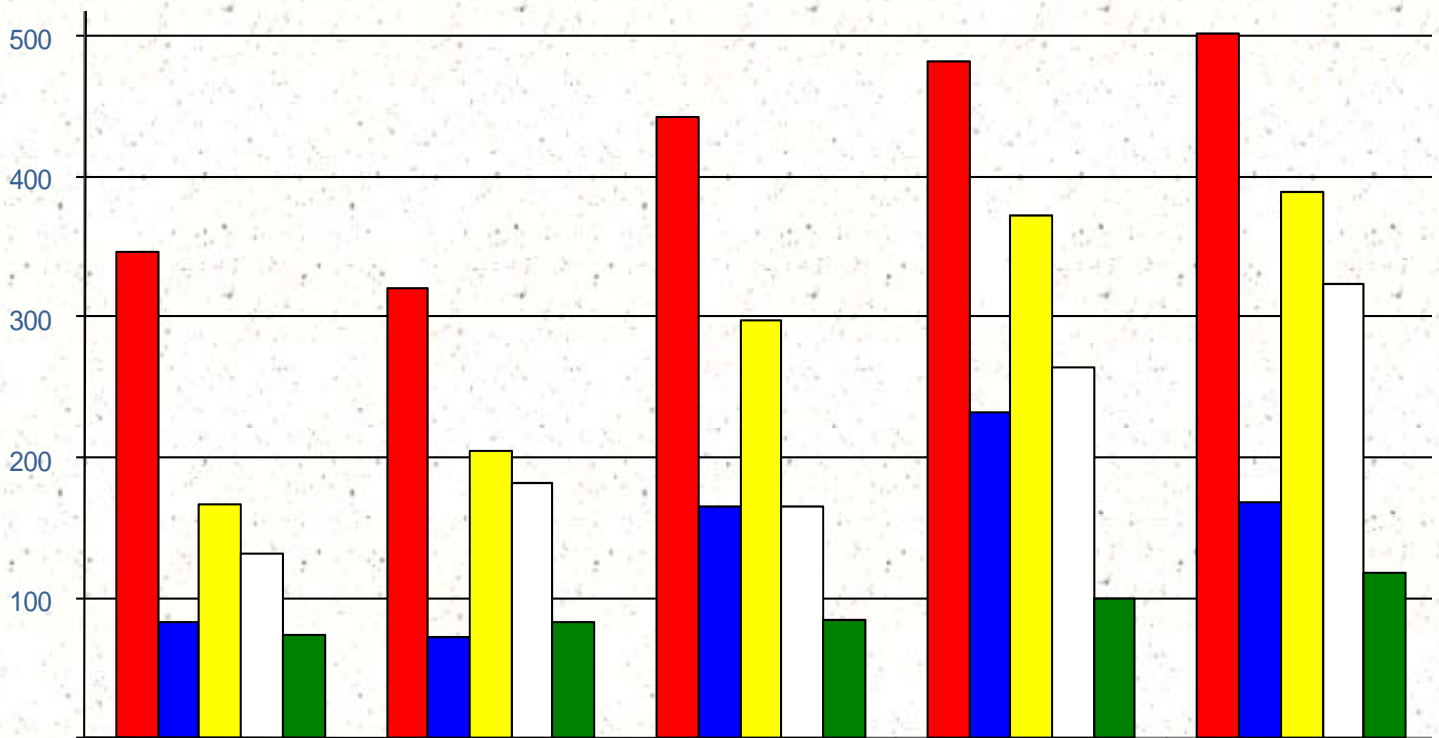
The information contained herein is from the Gillespie County Multiple Listing Service. Information when listed as ALL includes data from all participating members which includes Gillespie, Llano, Mason, Blanco and other counties. Information listed as Gillespie Co. is for properties located only in Gillespie Co. In each category the info is Year-To-Date, January 1 thru June 30, 2009. This information is an overview of market conditions in the areas listed. We can make available any specific data you have interest in.

ACTIVE LISTINGS TOTALS—COMPLETE MLS *HOMES LOTS RANCHES TRACTS COMMERCIAL*

OBSERVATION: Active listings are properties for sale on June 30, 2009. The graph tells the story. While the one year increase may not be significant, actives listings have almost doubled since 2005. During the same time, sales have dropped 40%, (see pg 7). The graph below shows the breakdown by categories. While the year over year numbers doesn't show significant changes, the change from 2005 to the present is where the story is. 2005 and 2006 were the two high points in sales for most real estate companies. Sales were already dropping in 2007 and that drop has increased considerably to the present time. Break down by categories is below.

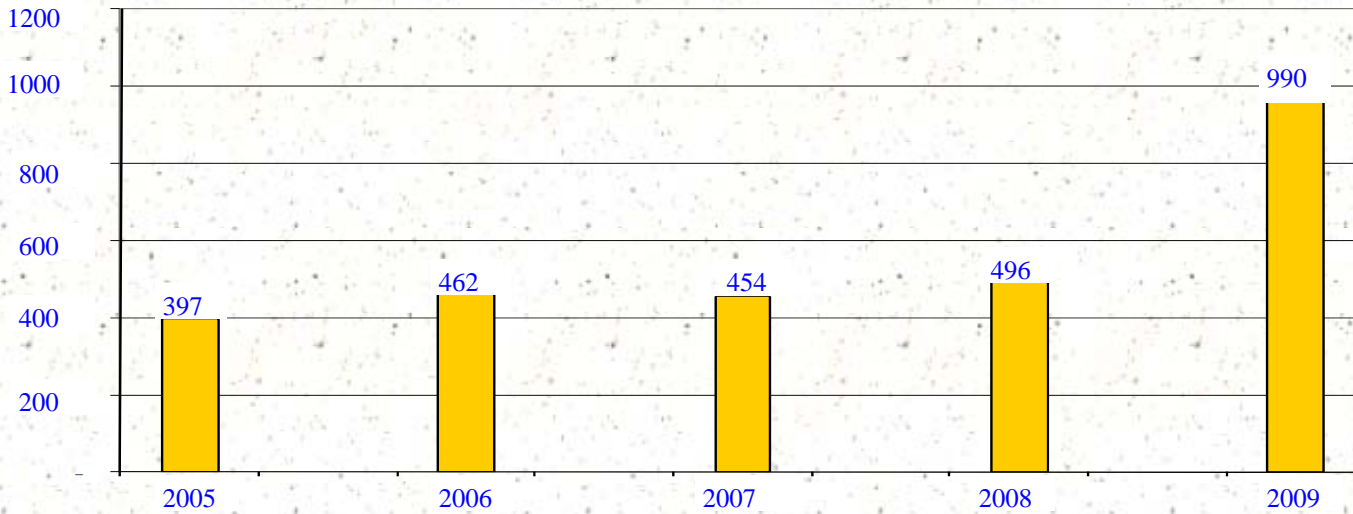


ACTIVE LISTINGS—COMPLETE MLS *HOMES*



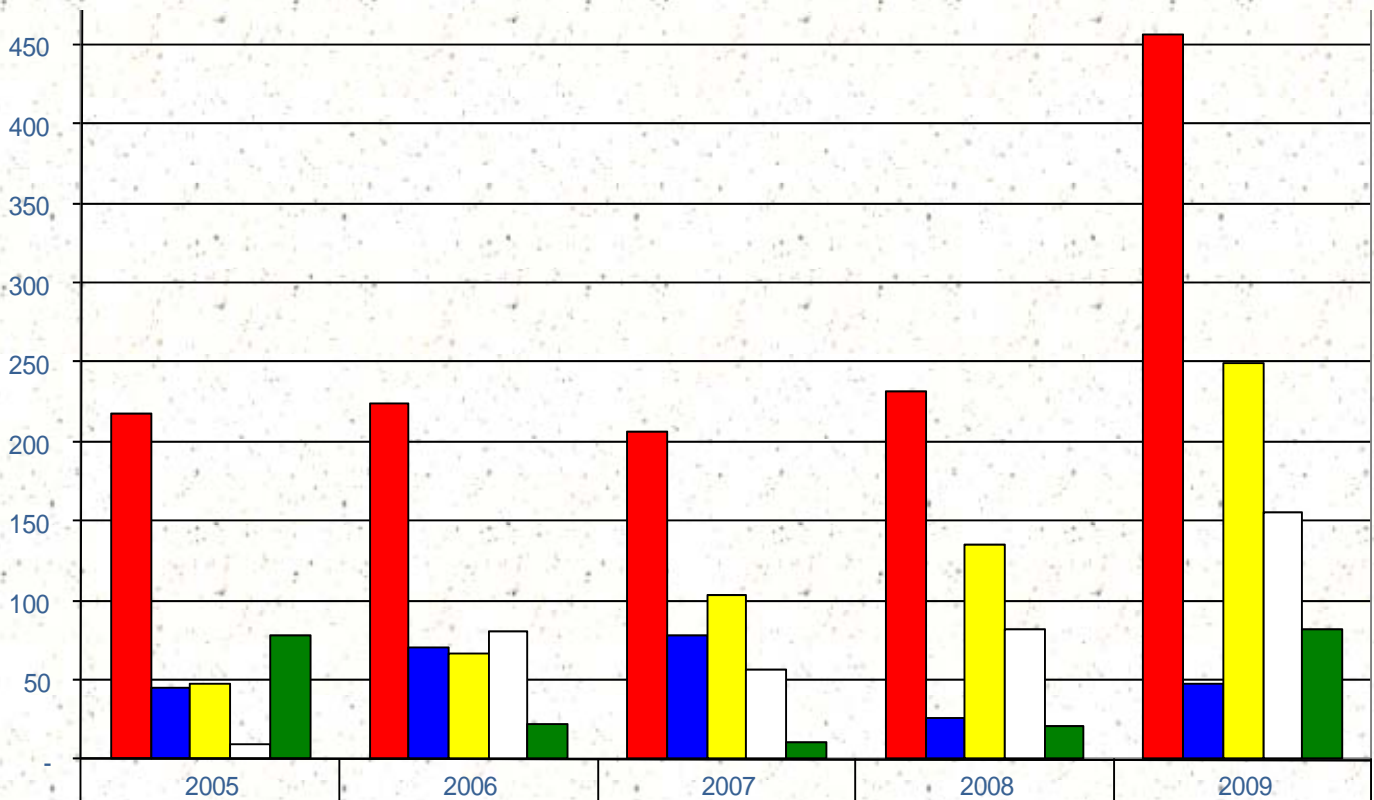
	2005	2006	2007	2008	2009
■ Homes	347	320	443	482	502
■ Lots	83	72	165	232	169
■ Ranches	166	205	297	373	389
□ Tracts	132	182	165	264	323
■ Commercial	74	83	85	99	118

NEW LISTING TOTALS—COMPLETE MLS *HOMES, LOTS, RANCHES, TRACTS, & COMMERCIAL*



OBSERVATION: Less is selling and more is coming on the market with 100% new listings in one year shown in the graph above. Make comparisons here with the sold data shown on page 7. Many listings were being absorbed by the market in 2005 and 2006. The change is substantially increased listings combined with slow sales. The graphs at the bottom shows category breakdowns. A key piece of information not shown here is the lack of homes sales over \$500,000 and homes on acreage. This market has been very slow. In the graphs on this page, it is important to note how new listings were very similar each year until 2009.

NEW LISTINGS—COMPLETE MLS *HOMES, LOTS, RANCHES, TRACTS, COMMERCIAL*

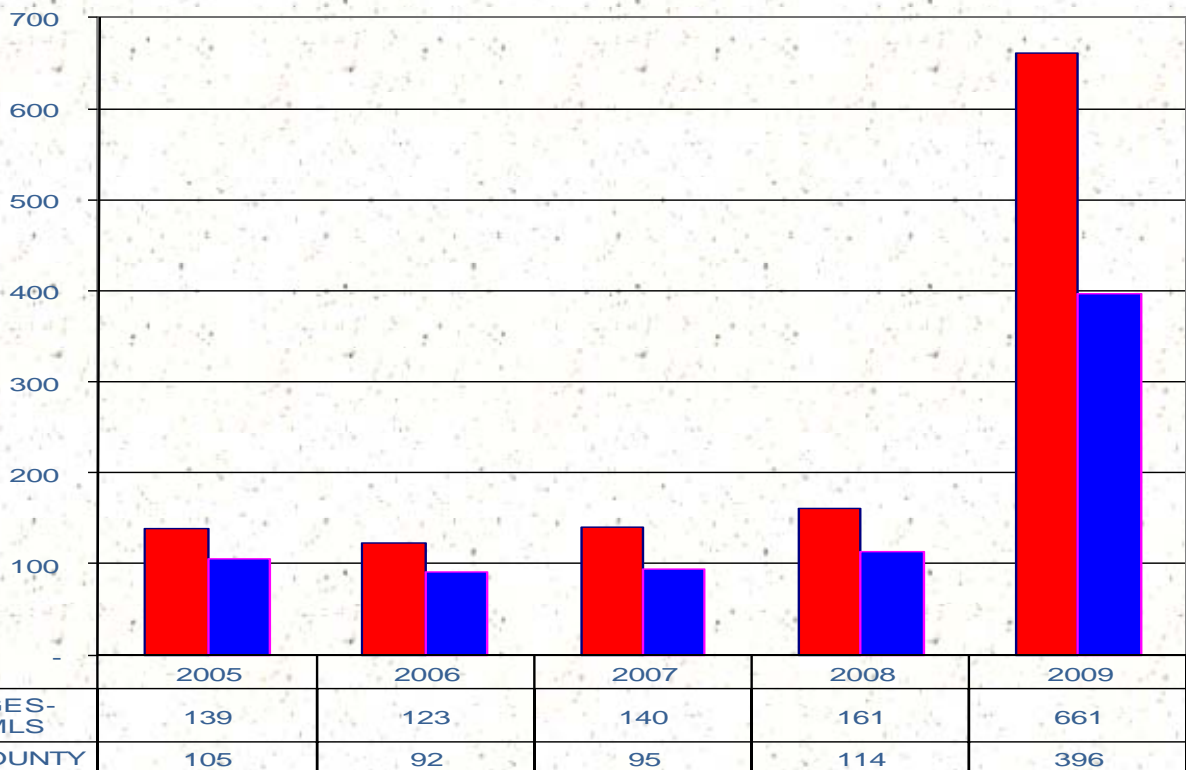


	2005	2006	2007	2008	2009
■ Homes	218	224	206	232	456
■ Lots	45	70	78	26	47
■ Ranches	47	66	103	135	249
□ Tracts	9	80	56	82	156
■ Commercial	78	22	11	21	82

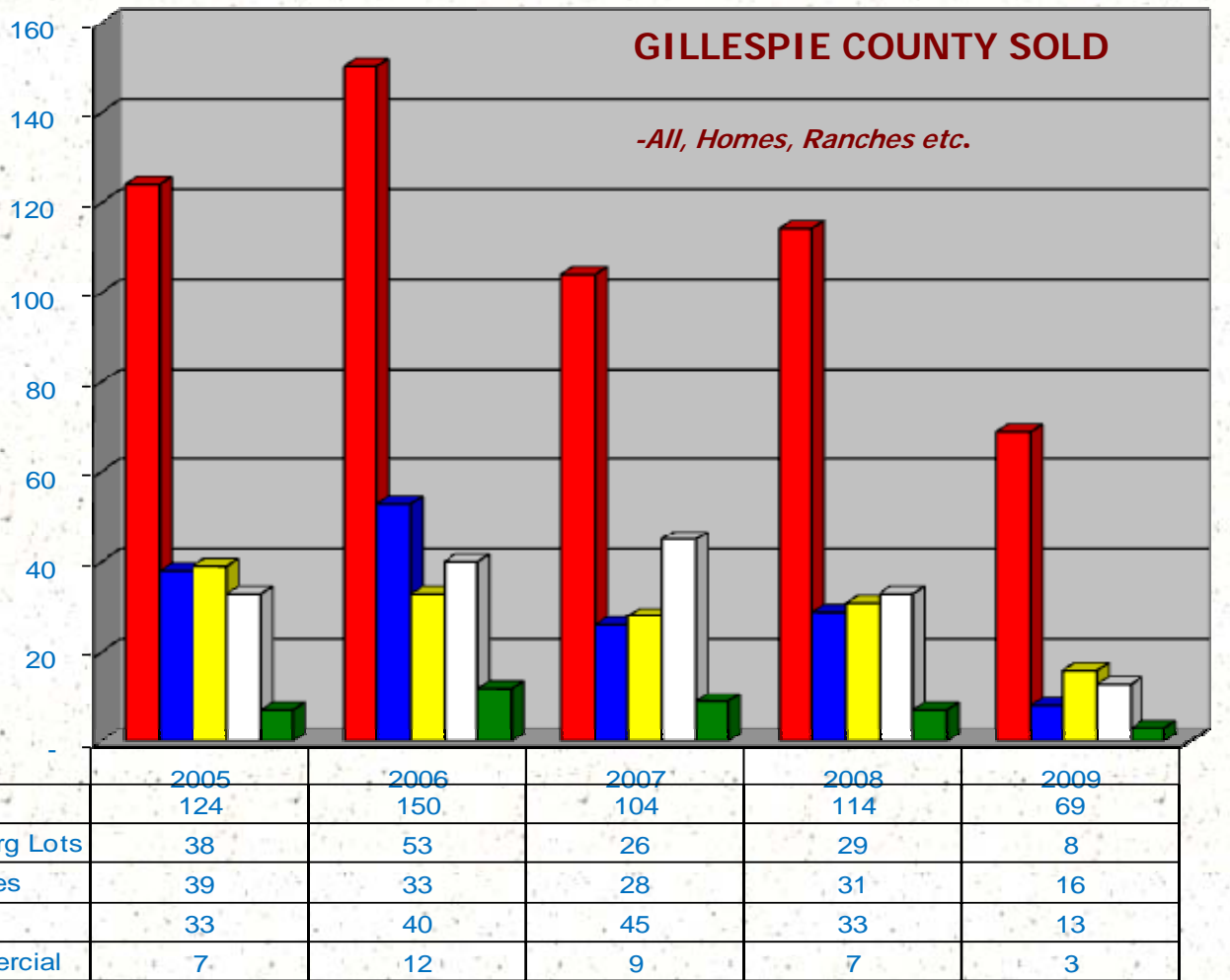
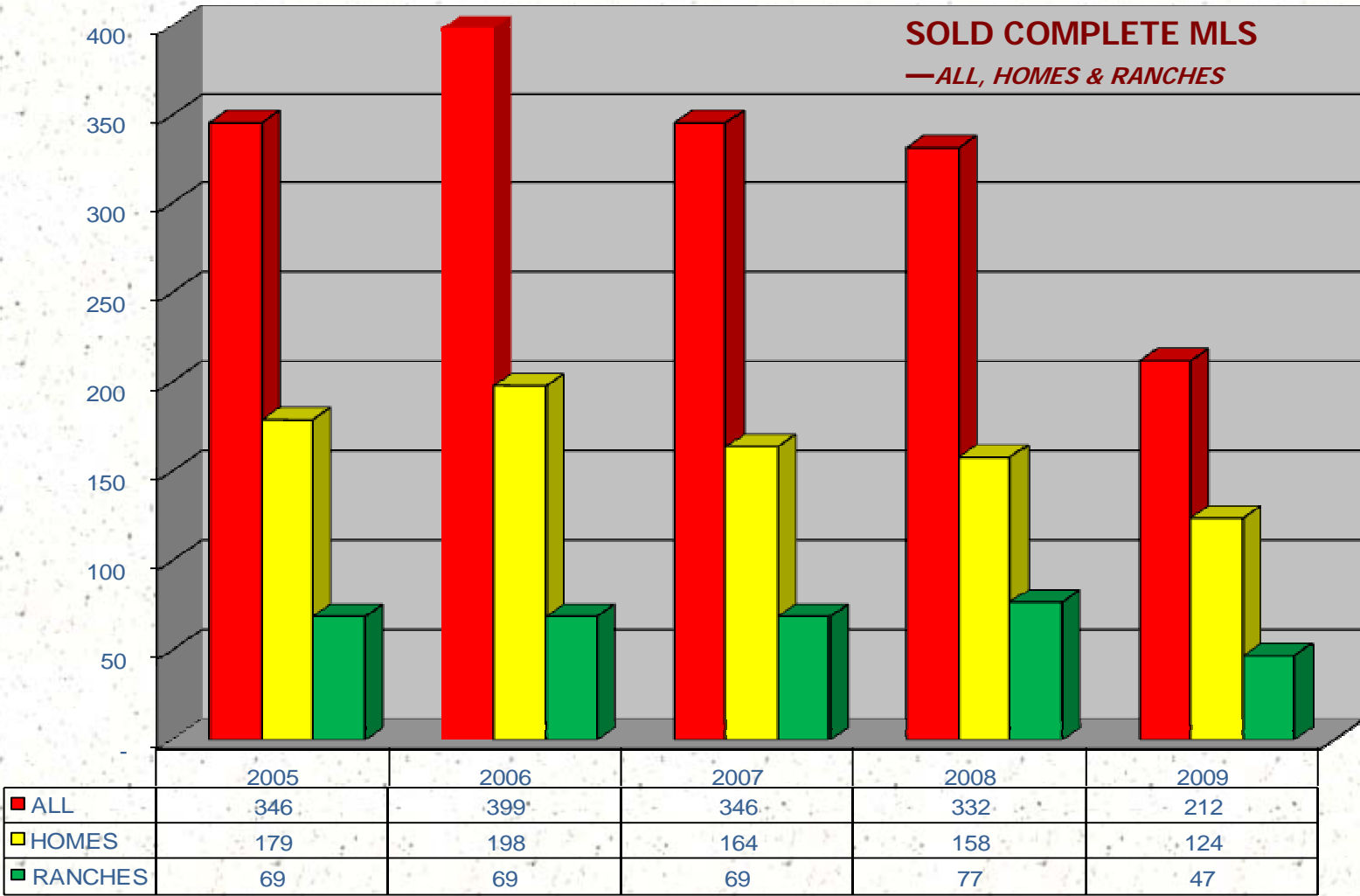
OBSERVATION: While many sellers may not be excited about their price reductions, the positive is that sellers are reacting to the lack of activity in showings on their property. Many sellers are still chasing the market down. This means that while they are making price reductions on their property the buyers are moving down on their offers even more. As personal observation in our office, investors are telling us they are looking for a 'steal' not a 'deal'.

There are national reports out there about better sales activity and less inventory in select markets, but the truth is that when you pick up the Wall St. Journal on any Thursday, Friday or Saturday and their real estate pages are full of Absolute Auction sales. Investors are staying out of our local market because there are much better buys elsewhere. This limits our "buyer pool", which could mean further price reductions for people who need to sell. It is our feeling that the Hill Country and Texas have weathered this debacle fairly well, but we are not seeing what the news has been telling us. The question is: are we nearing the bottom? Or is Texas just beginning to get what has been going on everywhere else?

PRICE CHANGES—HOMES, LOTS, RANCHES, TRACTS & COMMERCIAL

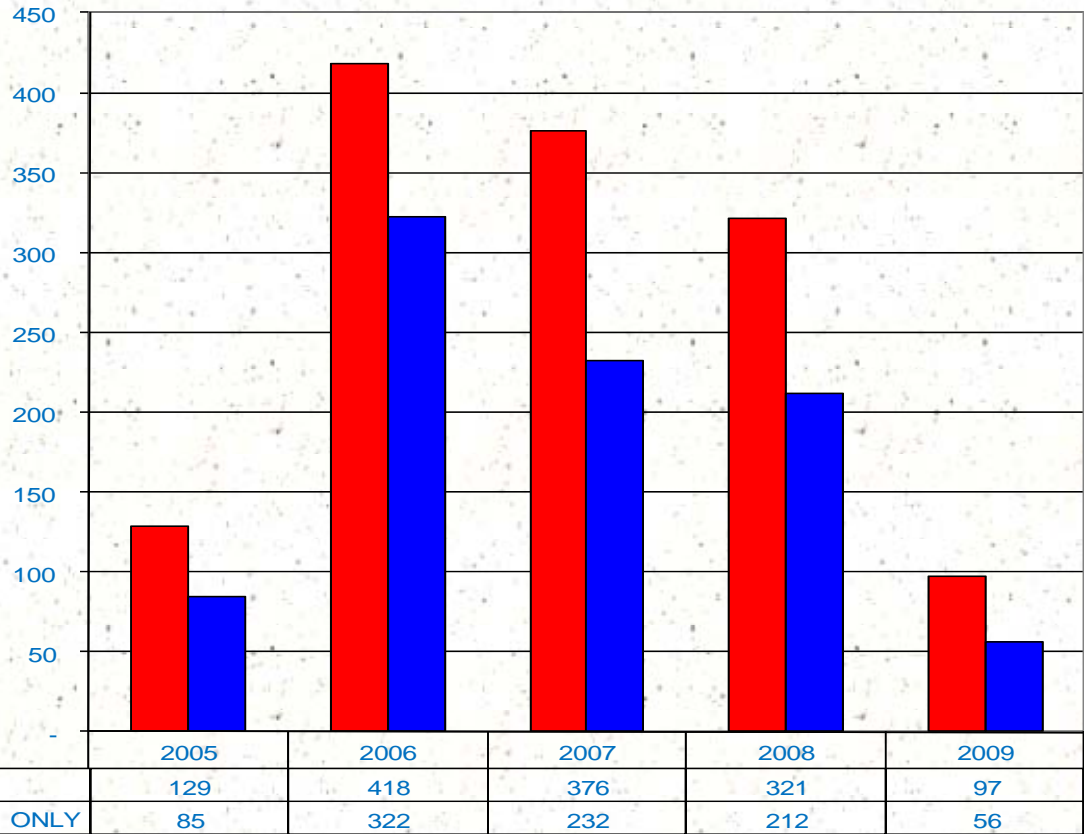


OBSERVATION: SOLD, it is all that really counts! The complete MLS shows the downward pattern that has been developing since 2006 with a year to date drop around 35%. Gillespie County in comparison is down 50% overall. In both cases home sales (these are homes in the city limits) are keeping the numbers from being worse. Take note of the Sold Dollars in Gillespie County which is down 46% year-to-date and down 60% from the high of 2005. For Gillespie Co. we have made the following Inventory data by comparing ACTIVE listings versus SOLD listings. Currently there is a 1 year supply of homes in town, 5 year supply of homes out of town, an 8 year supply of city lots, an 8-year supply of ranches over 100-acres in size, an 8.5 year supply of rural residential tracts, and a 10-year supply of commercial property at the current sales rate. Supply vs. Demand is at a point where serious sellers are being hurt by the sellers who tell us, "we'll sell if we can get this" . The data tells us prices continue to be 10-20% too high. The next information will show, there is nothing to tell us sales are Drastically improving.



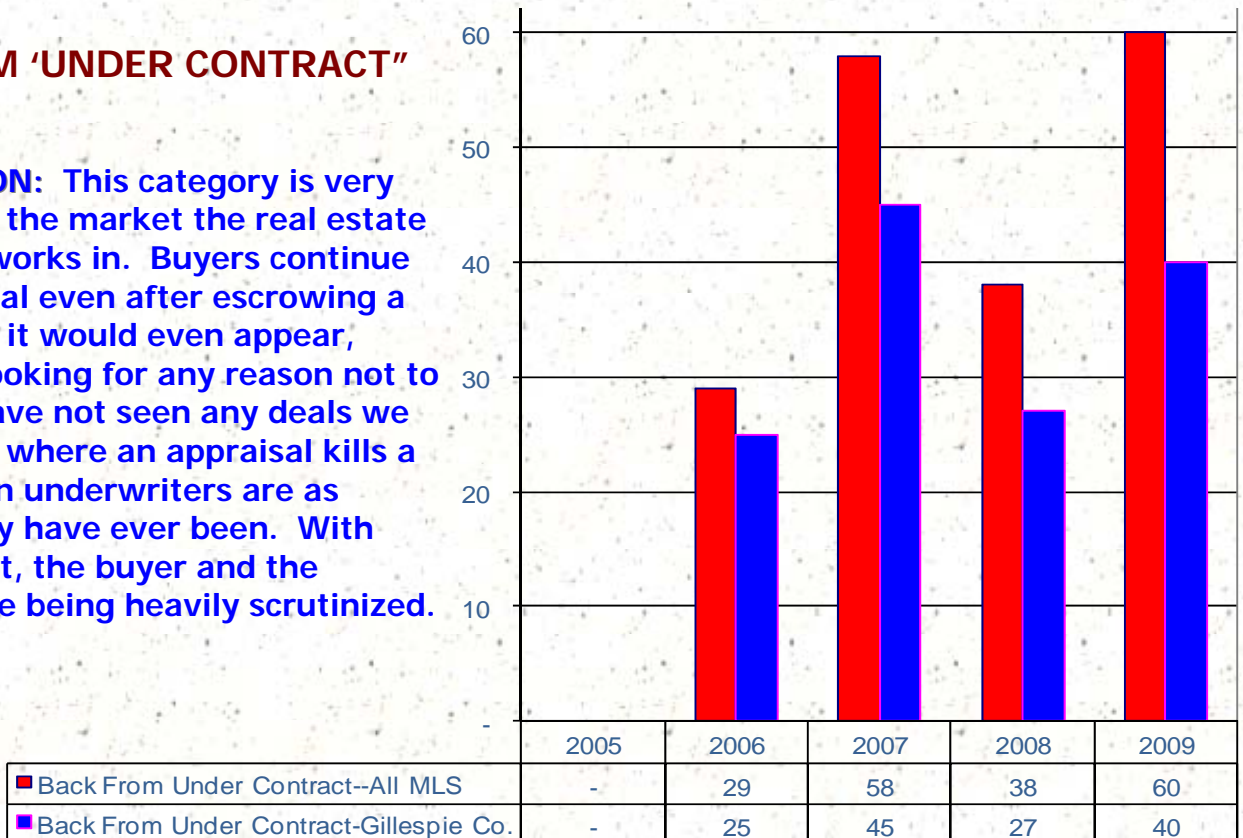
OBSERVATION: The Pending report shows no sun on the horizon. This is a major signal that we continue to monitor to tell us if the market is in fact getting better. While the numbers are much better than they were in the first 90-days of the year they are substantially under the previous four years. "Pendings" are properties that should close in the next 30 to 45 days.

PENDING CONTRACTS YTD



BACK FROM 'UNDER CONTRACT'

OBSERVATION: This category is very reflective of the market the real estate community works in. Buyers continue to be skeptical even after escrowing a contract and it would even appear, buyers are looking for any reason not to close. We have not seen any deals we are aware of where an appraisal kills a deal, but loan underwriters are as tough as they have ever been. With each contract, the buyer and the Appraisal, are being heavily scrutinized.



NUMBER OF DEALS NOT BEING CLOSED