

BALLOU DIGEST

[Q1 2013]



PO Box 7804, CHICO, CA 95927 | P: 530.518.5914 | F: 530.809.1147 | TARA@BALLOUCOMPANY.COM | WWW.BALLOUCOMPANY.COM

REAL ESTATE TOPICS

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IN THE NEWS

[Q1 2013]

The Economist just published an article that does a great job explaining today's macroeconomic environment. The article is called "A World of Cheap Money: Six Years of Low Interest Rates in Search of Some Growth." The takeaways below might help us better understand what's going on in Chico's real estate market.

- "NEVER in recent economic history have interest rates been so low for so many for so long."
- Interest rates are forecasted to remain low at least through 2014.
- The average interest rate for a 30-year mortgage was 3.57% on March 29, 2013. The lowest rate in history was 3.31% in November, 2012.
- Although U.S. existing home sales are still well below 2007 levels (4.66m sold in 2012 and 5.04m sold in 2007), they have increased 9% from 2011 to 2012.
- In 2012, annual sales for new homes increased for the first time since 2005, and construction is also starting to pick up.
- On top of all this, the Dow and the S&P 500 reached all-time highs in March, 2013.

FUN FACTS

- According to a study from the National Association of Realtors, real estate-related searches on Google.com have grown 253% over the past four years.
- According to the U.S. Census Bureau 2011 American Community Survey, the homeownership rate in the U.S. is about 65% and approximately 55% in California. The U.S. homeownership rate was at its greatest in 2004 at 69%.
- According to the National Association of Realtors, almost 32% of all sales nationally were purchased by all-cash buyers, which is almost double the amount of cash buyers between the period from 2000-2010.

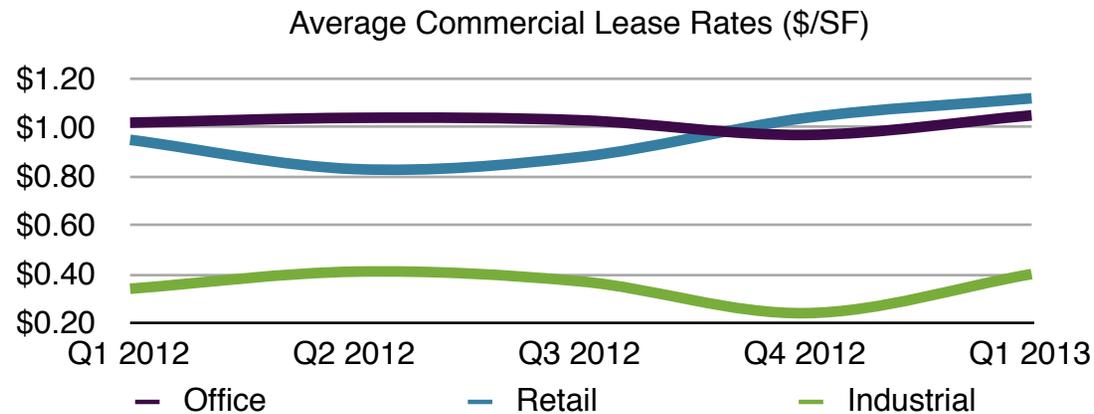
Source: "A world of cheap money: Six years of low interest rates in search of some growth." *The Economist*. 6 April 2013. Web. 6 April 2013.

COMMERCIAL LEASING ACTIVITY

Chico, California

At \$1.05 for Office, \$1.12 for Retail, and \$0.40 for Industrial, commercial lease rates have increased since last quarter. At the same time, the average listing period (Days on Market) for all three asset classes has decreased. With higher lease rates and a lower listing period, the commercial real estate leasing market is moving in the right direction.

COMMERCIAL LEASE DATA: Q1 2013			
	Average Lease Rates (\$/SF)	Average Days on Market	# of New Leases Signed
Office	1.05	188	15
Retail	1.12	36	3
Industrial	0.40	163	3



Source: CARETS Commercial MLS

Lease Rates represent newly signed leases entered into CARETS Commercial within that particular time period and they may not represent rates for existing leases. Data may not always represent the market, especially if there were not enough transactions to give fair estimates.

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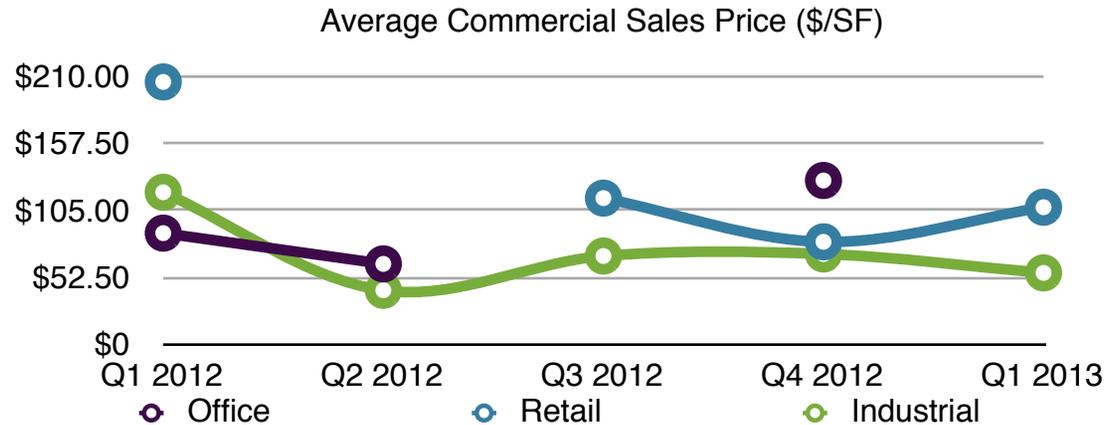
By Tara Davis DRE: 01860993 On 4/2/2013 8:09:13pm.

COMMERCIAL SALES ACTIVITY

Chico, California

It is difficult to analyze commercial real estate sales in Chico for this quarter due to limited data. Compared to last quarter, the average sale price (\$/sf) increased for retail and decreased for industrial this quarter. However, the average sale price (\$/sf) for retail and industrial were still well below their levels compared to Q1 of 2012.

COMMERCIAL SALES DATA: Q1 2013					
	Average Total Sale Price (\$)	Average Sale Price (\$/SF)	Average Days on Market	# of New Sales	Cap Rates*
Office	-	-	-	0	-
Retail	\$275,000.00	\$107.67	294	2	-
Industrial	\$270,000.00	\$56.20	138	3	-



*Cap Rates are seldom entered into the MLS, which is why many spaces are blank.

Source: CARETS Commercial MLS

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By Tara Davis DRE: 01860993 On 4/2/2013 8:09:13pm

RESIDENTIAL SALES ACTIVITY

Chico, California

The average sales price of single family homes this quarter was about \$268,000, which is a 3% increase from last quarter. However, Chico home prices are still down by approximately 25% compared to 2007. According to the Wall Street Journal, today's real estate investors are not focused on flipping properties like they were in 2006. Instead, they are focused on purchasing properties as rental investments. This new trend has helped stabilize housing prices and increased investor momentum. Many people speculate that home prices are going up because the housing supply is low. In fact, there were 641 homes for sale this quarter, compared to 1,314 homes for sale in Q1 of 2009 and 1,631 homes for sale in Q1 of 2007.

RESIDENTIAL MARKET DATA: Q1 2013					
	Average Listing Price	Average Sale Price	% Change in Average Sale Price from previous quarter	Average Days on Market	# of New Sales
SFR*	\$279,648.00	\$267,927.00	↑ 3%	71	219
Residential Income	\$324,506.00	\$229,525.00	↓ -35%	40	10
Condo	\$120,829.00	\$116,125.00	↓ -14%	73	12



*SFR: Single Family Residence

Source: CRMLS. Data may not always represent the market, especially if there were not enough transactions to give fair estimates.

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By Tara Davis DRE: 01860993 On 4/3/2013 8:42:39am

RESIDENTIAL INVESTMENT DETAILS

Chico, California

There were ten residential income properties sold this quarter. The average price per unit for residential income properties decreased by about 5% this quarter, while vacancies increased slightly.

RESIDENTIAL INCOME MARKET DATA: Q1 2013		
	Average Sales (\$/Unit)	% Change in Average Sale Price from previous quarter
Residential Income	\$87,745.78	↓ -5%

VACANCY RATES	
	1/15/13
Houses	7.1%
Apartments	3.2%

Sources: CRMLS and NVPOA

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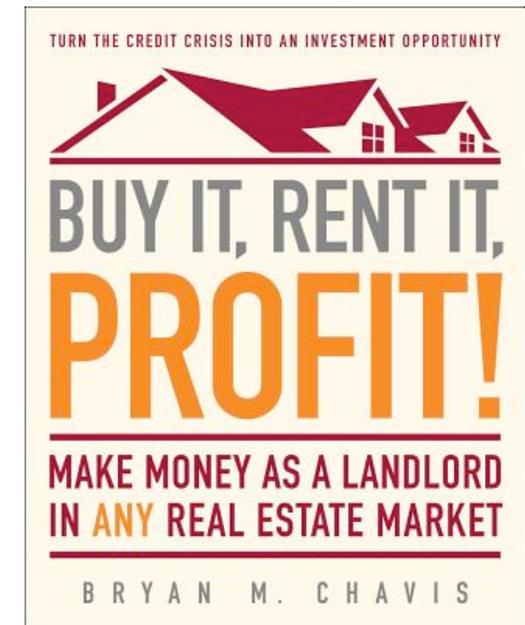
By Tara Davis DRE: 01860993 On 4/3/2013 8:42:39am

BUY IT, RENT IT, PROFIT!

By Bryan M. Chavis

IF YOU WANT TIPS ON HOW TO BE A SUCCESSFUL REAL ESTATE INVESTOR, I highly recommend reading this book. The author highly encourages long-term investing rather than flipping properties. He describes what to look for in a potential investment, gives tips on property management, and much more. I have listed below some of my favorite quotes and information from the book.

- Flipping real estate is like checkers; rental investment is like chess.
- “Mark my words, you don’t get paid what you are worth. You get paid what you negotiate.” -Gary Sheffield
- As an investor you must hope for the best but plan for the worst.
- According to the Ewing Marion Kauffman Foundation, about 465,000 new businesses are created each month in the U.S. One in eight households includes a home-based business, according to the Office of Advocacy of the Small Business Administration. These statistics show that starting a business is actually more common than having a baby.
- It’s a heck of a lot safer to hang on to property for the long term than to try to work the market with risky “fix-it-and-flip-it” schemes.



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By Tara Davis DRE: 01860993