

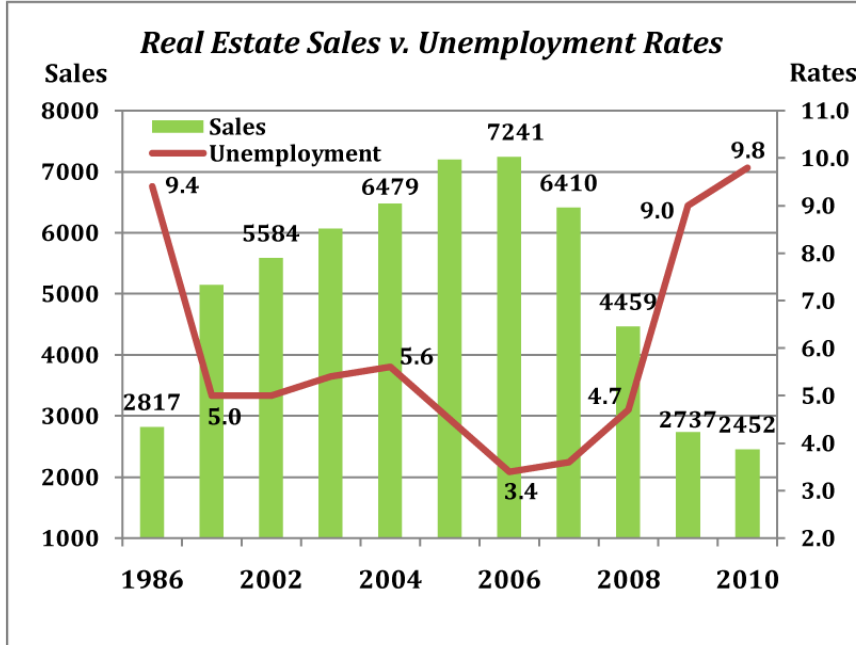
Real Estate REPORT



Annual Report 2010

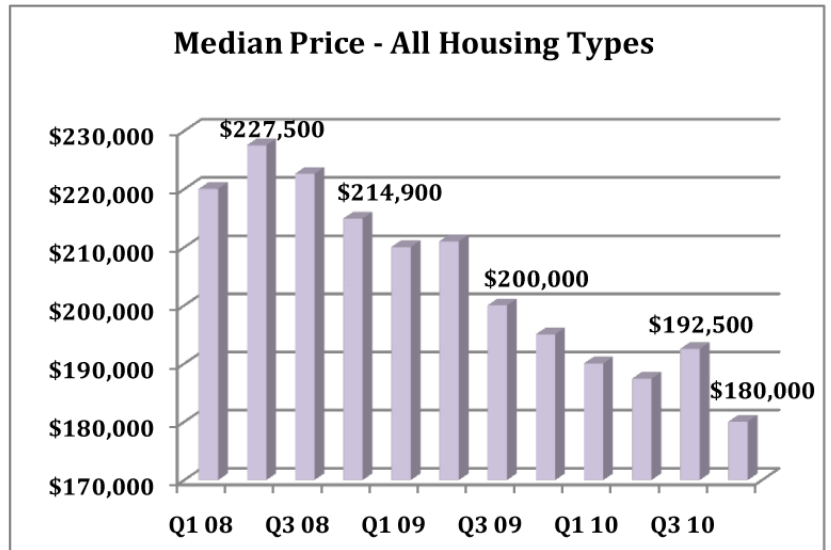
It was a dismal year for real estate activity in Mesa County. Sales were comparable to 1986, the first year of recovery from the bust of the 1980's. The beginning of the year started well.

Sales were up 5.5% through the second quarter. But by the end of the year, sales lagged 8% behind 2009. The fourth quarter finished with 622 sales, a 16% drop from the 739 sales reported in the same quarter a year ago. There were 2518 real sales in 2010, compared to 2737 filed last year. Some part of the decline in real estate activity can be attributed to the end of the federal



tax credit program for home purchasers. However, a far bigger role was played by: (1) the high number of jobs lost and related foreclosures; and (2) the continuing decline in housing prices that left many buyers uncertain when to purchase and sellers unable to sell their existing property. Fewer sales and declining values caused the dollar volume of sales to fall from \$661 million to \$581 million, a 12% drop. Large dollar transactions remained flat. There were 36 sales for \$1.0 million and above in 2010, the same as last year.

The median price of housing types dropped in the 4th quarter to \$180,000, an 8% decline from \$195,000 a year ago, according to Realtor data. Price declination has made it more difficult for home mortgage lenders and banks to secure adequate appraisal values to facilitate lending for sales and refinancing. The Grand Junction area has had a roller coaster ride in housing prices over the last 5 years, rising and falling precipitously.



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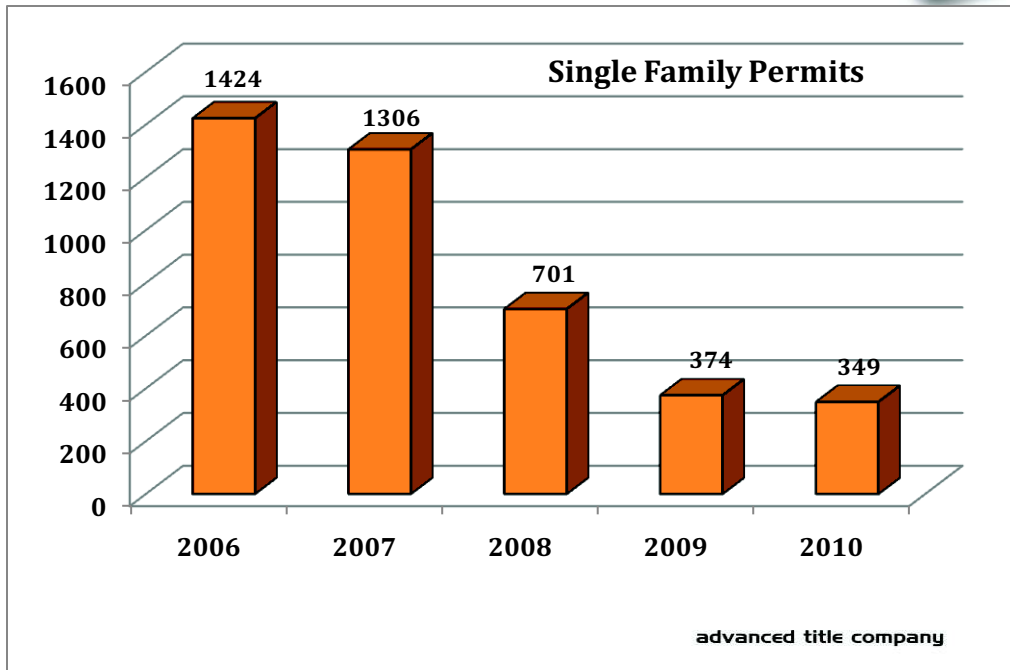
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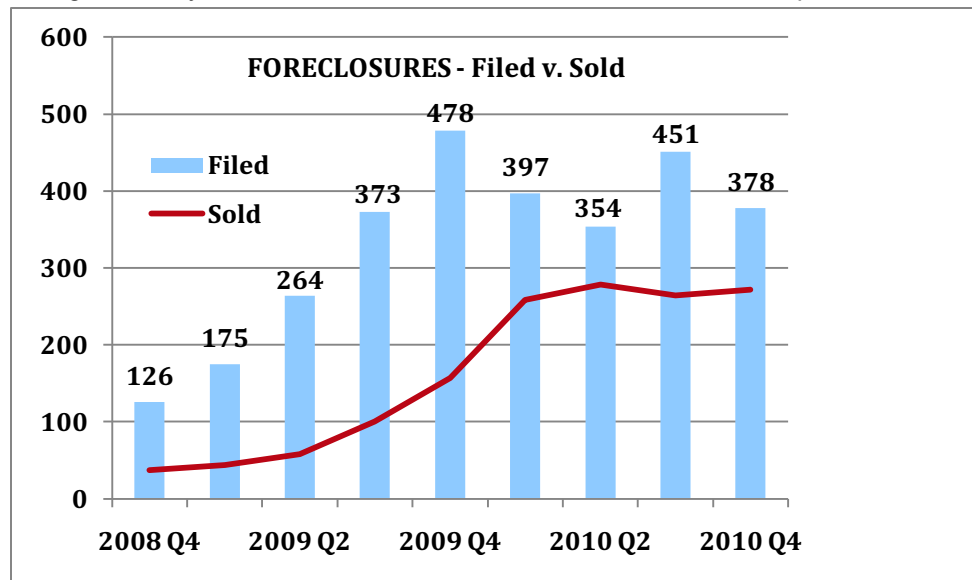


Home building lagged by 8% from 2009. There were 348 single-family permits issued in 2010, compared to 379 permits issued the previous year. This is 25% of the number of permits issued in 2006 when 1427 single family permits were issued. The decline by nearly 1000 single family units per year has caused a loss of 3000 direct and indirect high paying jobs in the home building industry. Also, the slow increase of housing stock is not keeping pace with population growth and latent demand is increasing. Arguably occupancy per housing unit is increasing to accommodate the growing population.



Foreclosures continue to be a thorn for real estate values, in addition to the personal challenges they cause for residents. The persistent high level of foreclosures has produced a downward pressure on real estate prices that continued throughout the year. There were 378 foreclosures filed in the last quarter of 2010, a drop of 21% from the 478 filed in the last quarter of 2009 but still high enough to push property values lower.

For the year there were 1580 foreclosures opened in the Public Trustee's office, a 47% increase from the 1072 filed in 2009; and the number of foreclosures proceeding to sale remains quite high. Even if foreclosures begin to trend downward, it will be up to a year thereafter before a positive effect in the market will be felt because of the lag time between the beginning of foreclosure and the eventual successful sale to a bona fide purchaser.



Last year we forecast that in 2010 interest rates would remain low, foreclosures would remain a bane to the community, speculative building would not improve, prices would continue to deteriorate, and jobs would be the key to improvement in real estate activity and firming of real estate prices. All of that forecast should be applicable to 2011.