

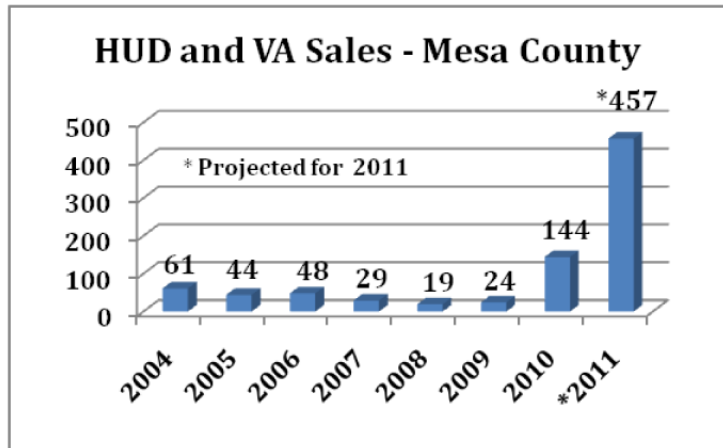
mesa county
Real Estate
 REPORT



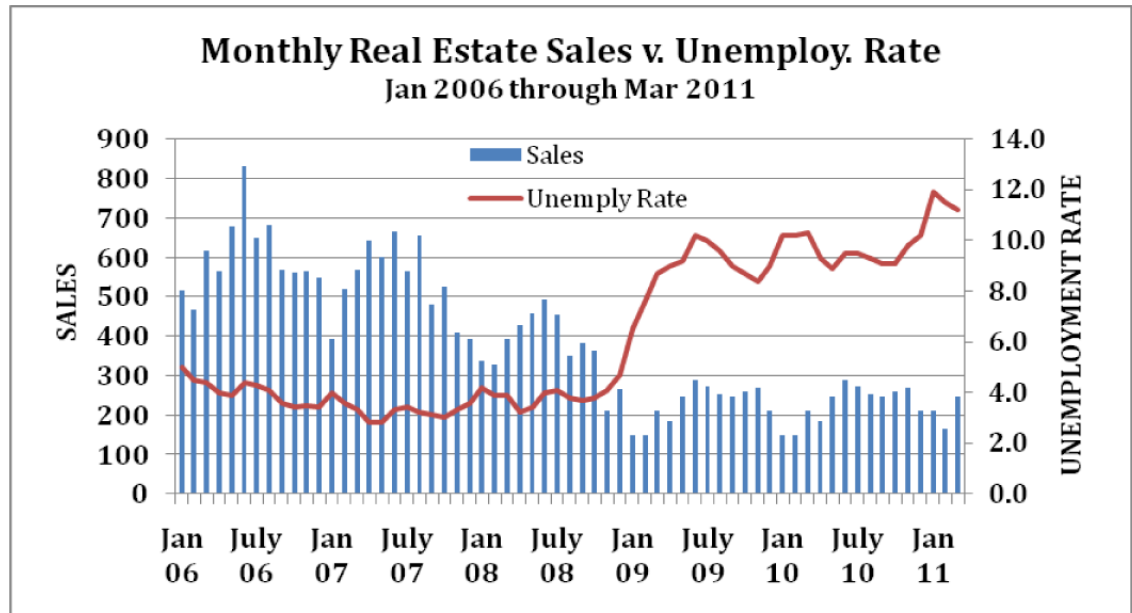
Improvement in Real Estate Market

Q1 2011

[NOTE: For a number of years we did not count sales that were state tax exempt. These are basically sales by government entities and the number of those sales have been relatively small compared to the total market in Mesa County. Today, sales by HUD and the VA are increasing substantially, so we have now adjusted our current and historic sales data to include this growing sector in order to provide a better comparison and a more accurate real estate picture.]



Real estate sales improved in the first quarter compared to the same period last year. There were 623 sales in the first quarter of this year, an 11.5% increase from the 559 sales in the first quarter of 2010. HUD accounted for 37 of the sales in the quarter of this year and the VA accounted for 7 of them.



The dollar volume declined 8% however, from \$137.6 million in the first 3 months of last year to \$126.6 million this year, as a result of lower property values and the market's appetite for lower priced real estate. Historically, real estate sales are very healthy when unemployment rates hover in the 3-4% range and conversely do very poorly when those rates climb above 7%. We will continue to track this relationship until a real estate recovery is well along its way.



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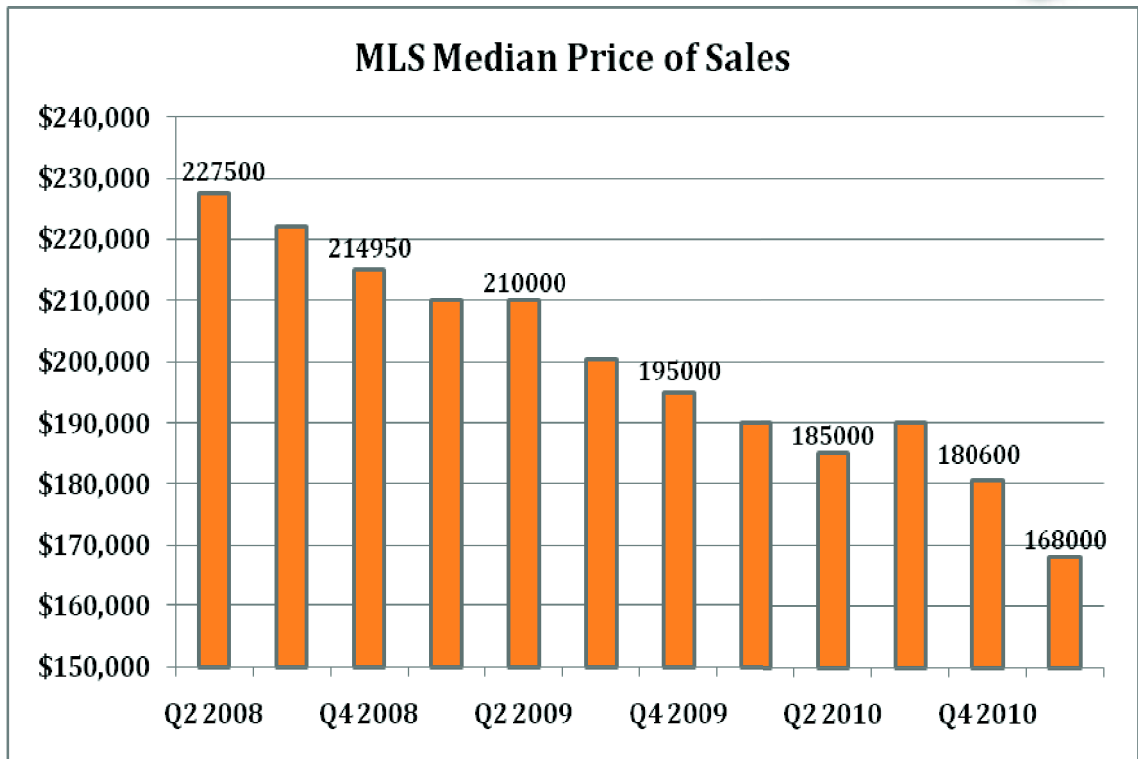
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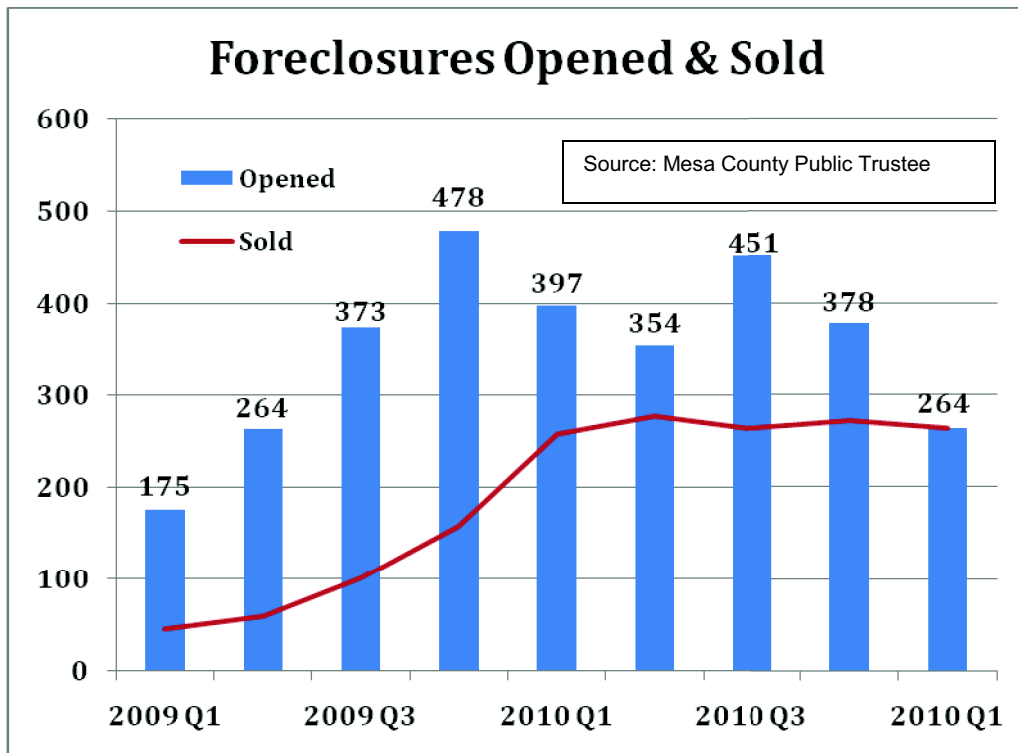


Housing prices continue to stagger under the weight of foreclosures and a tight job market in Mesa County. The median price of housing dropped to \$168,000 in the first quarter, a 7% decline quarter over quarter and a 26% reduction since the high of \$227,500 in the second quarter of 2008. HUD, the Veterans Administration, Fannie Mae, Freddie Mac, and banks can afford to market foreclosed properties at a lower price than the general public, thereby placing downward pressure on real estate prices when they, as a group, represent a large share of the market.



One benefit of the lower prices, and current low mortgage interest rates, is that the affordability of housing in Mesa County has improved for those buyers entering the Mesa County housing market.

The Public Trustee's office opened 264 foreclosures in the first quarter of 2011, down 34% from the 397 opened in the first quarter of 2010. The monthly average from December of 2010 through the first quarter of this year stands at 79,



compared to the monthly average of 132 for all of 2010. While foreclosures proceeding to sale continue to be at a high plateau, we expect properties going to sale to decline in the following months because of the lag time between the opening of a foreclosure and its eventual withdrawal or sale. The sharp decline in the number of foreclosures opened with the Public Trustee is a favorable indicator that the local real estate market may be on the cusp of a reversal of its decline the last few years. If this trend continues, prices should start to firm up in the next 9-12 months as foreclosed properties move through the market and are sold.