

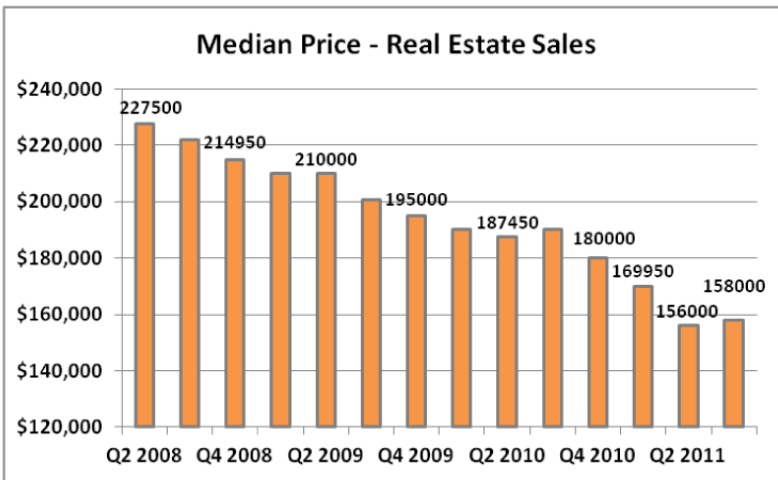
mesa county  
**Real Estate**  
 REPORT



## Sales Up While Prices Firm

## Q3 2011

A year ago, we reported that median price of residential housing of all types in Mesa County had taken an upward tick for the first time in 9 quarters, only to be followed by 3 quarters of continuing price declination. The third quarter of 2011 witnessed slightly over 1% increase in median price to



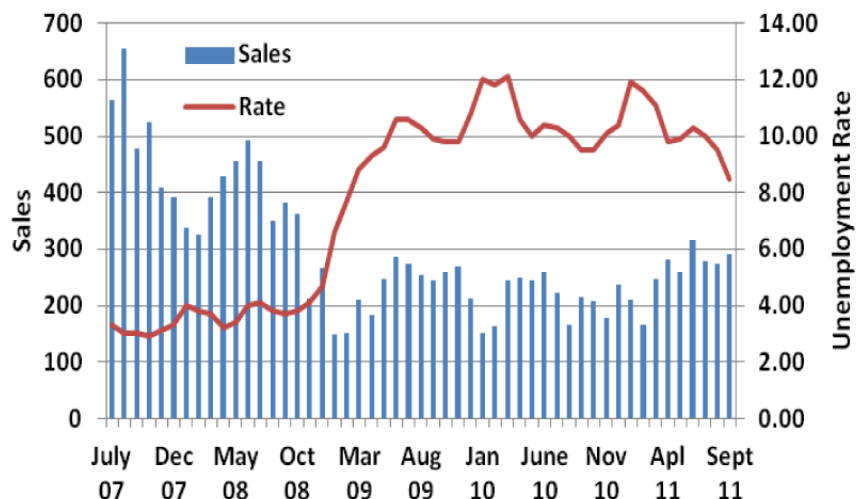
\$158,000, up from \$156,000 in the previous quarter. Year over year, this represents a 17% drop in the median price of all housing types for the county from the \$190,000 reported a year ago, and a 30% drop from the high of \$227,500 in the second quarter of 2008. For years, the Grand Junction area had experienced a growing disparity between the median income of a family and the median price of a house, creating the so-called housing bubble. That disparity has

now evaporated and housing prices are now in concert with the median family income. Housing affordability is now at a level not seen for a few decades for those who have the ability and confidence to purchase a home.

Real estate sales took a large upward swing in the third quarter with 843 sales reported, a 40% jump from 602 sales reported in the third quarter of 2010; while the rate of unemployment took a full percentage point step down to 8.5%. Real estate sales and the unemployment rate has a historical inverse relationship.

Third quarter sales brings year to date total sales to 2323, up 21% from 1913 sales filed through the first 9 months of last year. While it is promising that the unemployment rate has dropped below 9% for the first time since March of 2009, it is worth noting that the actual labor force in the Grand Junction metropolitan area is still 1500 less than it was a year ago and some 7,000 less than three years ago.

## Real Estate Sales v. Unemployment Rate

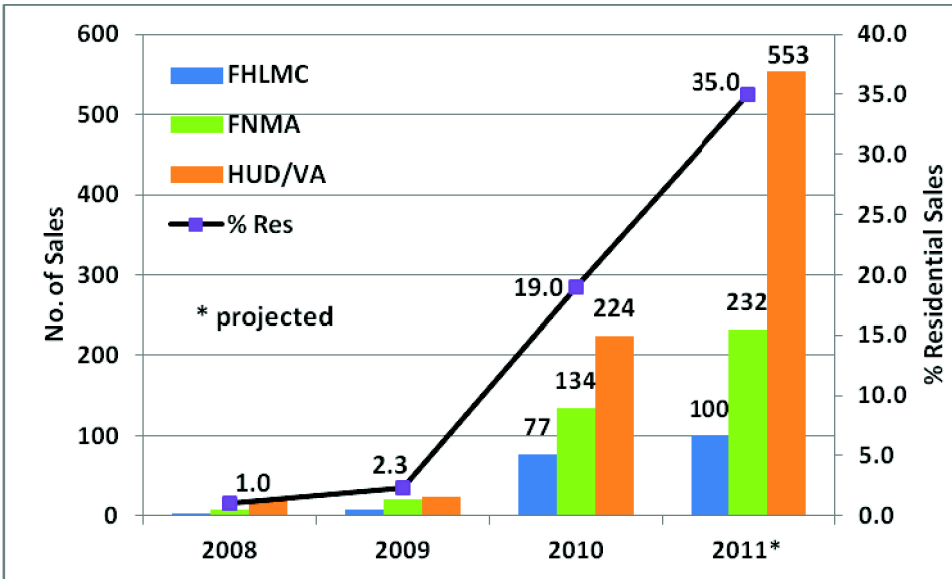


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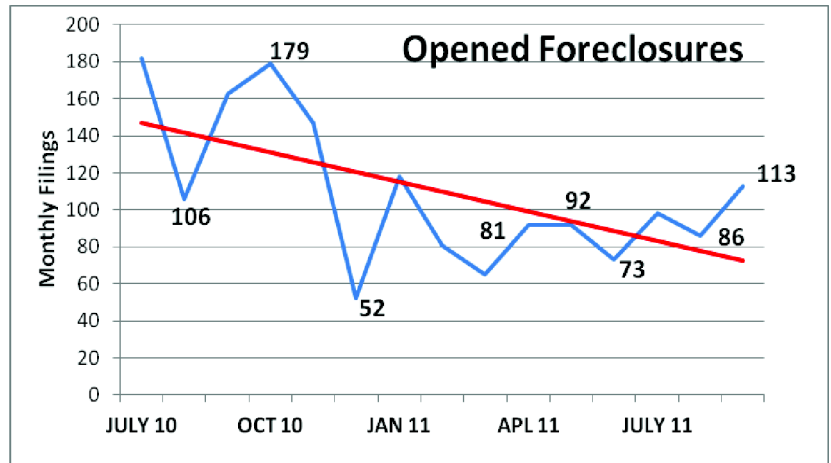
Bob Reece  
 President



There is no question that foreclosed properties now being re-marketed and sold have provided a large impact on total sales in the county. Three of the largest players in foreclosed sales are Fannie Mae (FNMA), HUD, and Freddie Mac (FHLMC). The Veterans Administration plays a much smaller role. A review of FNMA, FHLMC, and HUD/VA sales shows that collectively they represent a growing portion of real estate sales in Mesa County. We project a 35% segment of the residential market by the end of the year based on 3<sup>rd</sup> quarter numbers. This is a sharp increase from the 19% of the market last year. These government and quasi-government entities also play a dominant role in

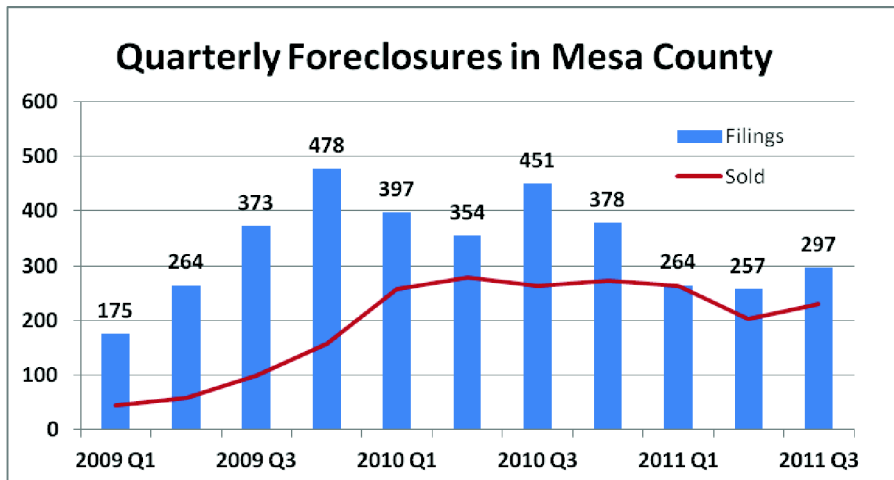
setting prices for the market. We will continue to track the portion of the total market that these players have in Mesa County since historically these sellers have placed the greatest downward pressure on housing prices.

Home building permits continue a downward trend as homebuilders struggle to provide affordable alternatives to existing housing options. There were 76 single family permits issued in the third quarter bringing the year to date total to 213, a 23% drop from the 277 permits issued by this time last year. The numbers of permits issued so far places Mesa County on schedule with the number of permits issued in 1990.



New foreclosure filings took a jump in September to 113, up from a monthly average of 84 for the prior 6 months. Nonetheless, there is still a downward trend in new filings from a year ago. For the quarter, there were 229 new filings of in the Public Trustee's office, up 13% from the previous quarter but down 13% from the 3<sup>rd</sup> quarter of 2010. Foreclosures that proceed to sale have remained relatively high from the first quarter of 2010 until now. Few foreclosures are being cured or redeemed, so we expect foreclosure sales to remain nearly at current levels until new filings decline further.

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By all current accounts, improvement to the real estate market will be a long process. The Federal Reserve now projects an unemployment rate of 6% to be realized in 2016 or 2017 and this will play a major role for real estate activity and, in particular, home building. Housing price declination seems to have come to an end or has substantially slowed. The future level of foreclosures will determine if prices have stabilized.