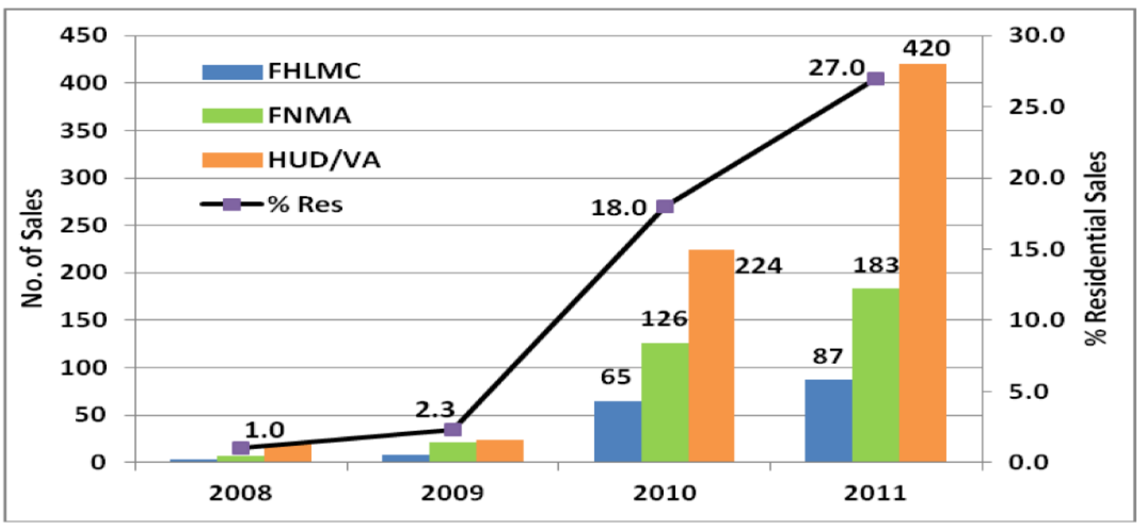
mesa county
Real Estate REPORT

Real Estate Sales On The Rise

Q4 2011

Real estate sales ended on a positive note in 2011 with 760 sales reported in the 4th quarter, a 22% increase over the 622 sales in same quarter a year ago. The year also finished up 22% with a total of 3083 sales, compared to 2535 sales in 2010. The growth of sales is largely attributed to residential sales made by the quasi-government and federal entities of HUD and the Veterans Administration, and by the Government Sponsored Enterprises of Fannie Mae and Freddie Mac. Two years ago, they collectively represented 2.3% of the residential sales. Today they command 27% of the housing market. These entities create a downward pressure on prices, so it is not surprising that the median price of housing in the Grand Junction area continued to decline in 2011. We will continue to track the percentage of housing owned and sold by the large government entities to establish when their impact on the local housing market starts to wane.



The dollar volume of real estate sales was strong in December resulting in 2011 figures slightly up over 2010. There were $587 million in sales in 2011 compared to $583 million in 2010, an increase of less than 1% but, nonetheless, the first increase since 2006. Two of the largest sales for the year occurred in the 4th quarter. One was the sale of 98 developed residential lots in the Redlands subdivision of Red Rocks Valley to a Denver investor for $4.3 million; the other was the sale of the Callahan Edfast Mortuary property on Patterson Road to a Greeley company for $4.2 million.

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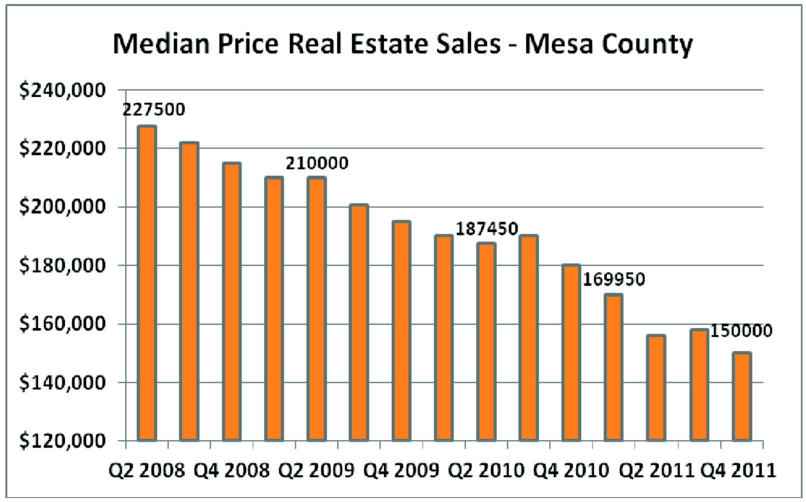
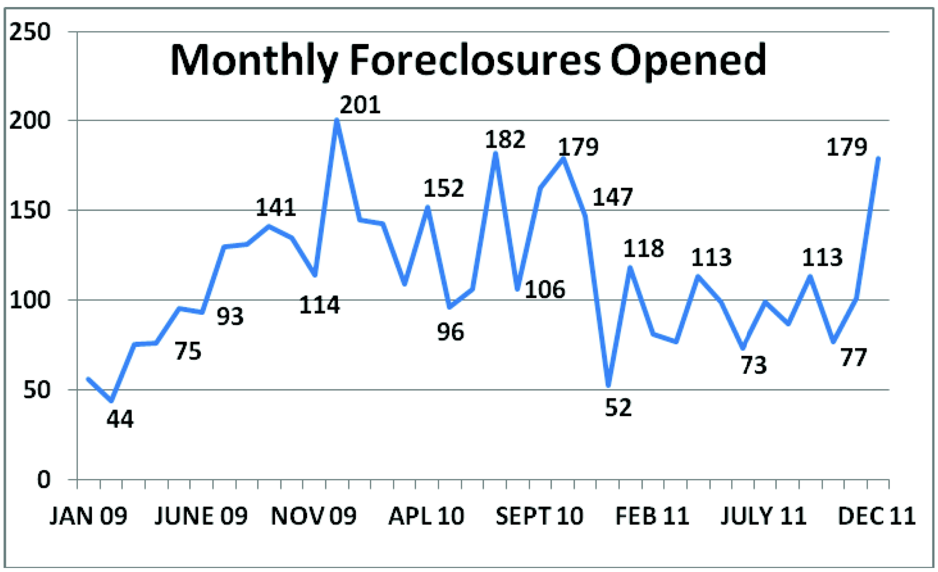
Continuing declination of the median price of housing remains a barrier to the economic recovery of the Grand Valley and most other parts of the nation. Government and institution owned houses that are marketed for resale offer a more favorable price in general to a prospective purchaser, thus placing downward pressure on prices. The key component for recovery remains more jobs and higher paying jobs than the economic environment will currently support.



Single family permits for the 4th quarter were on par with the 4th quarters of 2009 and 2010. There were 74 permits issued for the quarter, bringing the annual total for 2011 to 287, down 18% from the total of 349 single family permits issued in 2010. Total single family permits issued this year were 1226 fewer than the 1513 permits issued in the highest count year of 2005. Construction lending is down 90% from 5 years ago. The impact of new housing construction is profound for a local economy. The National Association of Home Builders estimates, in their June 2009 study on the local impact of home building, that a 1226 decline in single family housing construction would result in a loss of nearly 4000 direct and indirect jobs, a decline of $27 million in taxes and other revenue for local and state governments, and a loss of $258 million in local income; in addition to annual recurring losses based on the lack of new homes being occupied. It is easy to understand why government and the public in general view new construction as a primary driving force out of a recession.



Foreclosures have been bouncing along a lower plateau for most of 2011 until late in the year when 3 of the last 4 four months reported over 100 opened files. The normal level of foreclosures for the Grand Junction area was around 40 per month during good economic times. Foreclosures are fuelling the growth of institutional and government owned properties and until these are at a much lower sustained level per month, property prices will struggle to advance. Foreclosures that proceeded to sale dropped in the 4th quarter and the year ended up 30% down when compared to 2010, a very favorable trend.

Lenders experienced very attractive low interest rates throughout the year. This helped a number of borrowers reduce their borrowing cost or shorten the duration of their loans. Despite the attractive rate environment, the number of loans made in Mesa County dropped 16% from 7500 in 2010, to a total of 6324 in 2011. For perspective, the year 2005 reported a total of 17,512 loans.

Looking forward, one can expect to see interest rates remain low and very competitive on a national level. Inflation does not appear to be a major concern at this time with a substantial employment capacity available to employers. Salaries and wages should remain somewhat flat, much to the discomfort of the labor force, based on a continuing unemployment rate that should remain somewhere in the 8-8.5% range throughout the year. There is growing expectation that the bottom of real estate prices will be realized in 2012 and a slow price recovery will begin.