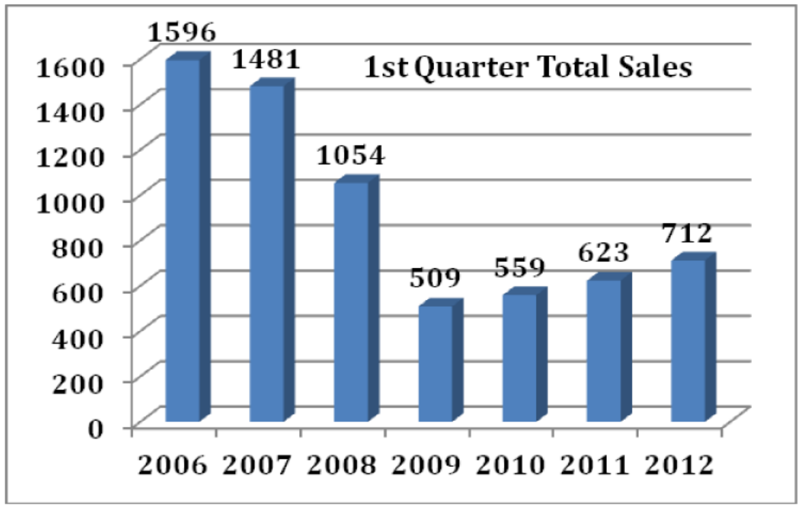
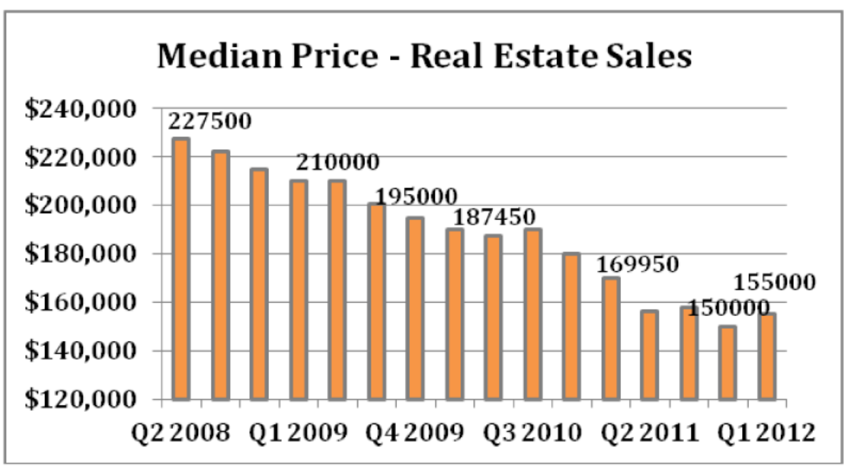
mesa county
Real Estate REPORT

The first quarter brought some encouraging signs for the real estate market in the Grand Valley. There were a total of 712 sales in the quarter, a 14% increase from the same quarter in 2011 and a 40% increase over the recent low of the first quarter of 2009. This represents four consecutive years of first quarter improvement in real estate sales and may be a good indicator of the pace of improvement to be expected in the ensuing years. The dollar volume of sales also improved from last year. The first quarter reported $132.8 million in sales, up 5% from the $126.6 million last year. There were no sizable sales during the quarter but United Companies did spend $4.3 million for two parcels of vacant land; and a recycling property near the 5th Street bridge sold for $1.8 million; and a developer acquired residential land for $1,419,000 in Silver Mountain Subdivision for future development.





There was modest improvement in the median price of housing, from $150,000 in the last quarter of 2012 to $155,000 in the first quarter of 2012. The median price has been hovering around that level for the last four quarters and this may be an indication of housing price stabilization. A factor working against price stabilization is the continued high percentage of sales by the government agencies of HUD, Fannie Mae, Freddie Mac, and to a lesser degree the Veterans Administration. These agencies still command approximately 25% of the sales of residential property. Historically in a normal, stable market, they would participate in approximately 1% of residential sales as a result of foreclosures.

Another factor mitigating price stabilization is the continued high level of foreclosures. There has been a recent uptick in opened foreclosures the last two quarters resulting in

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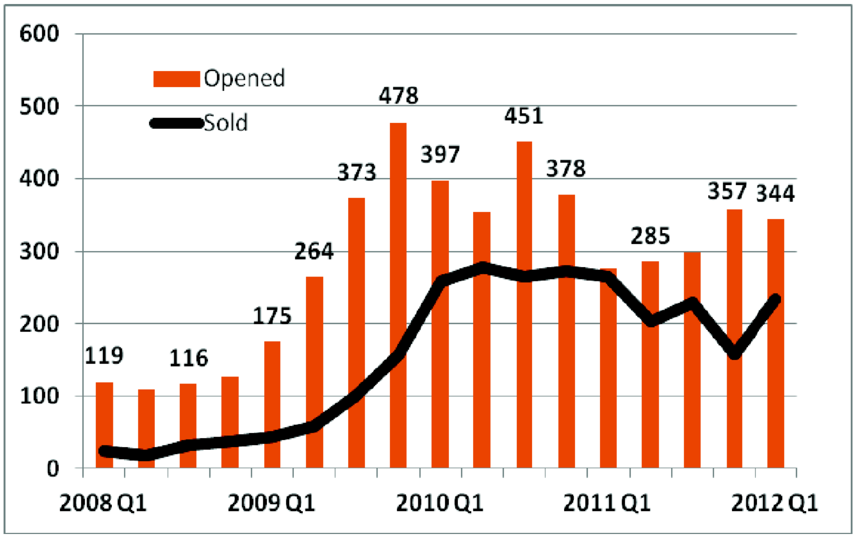
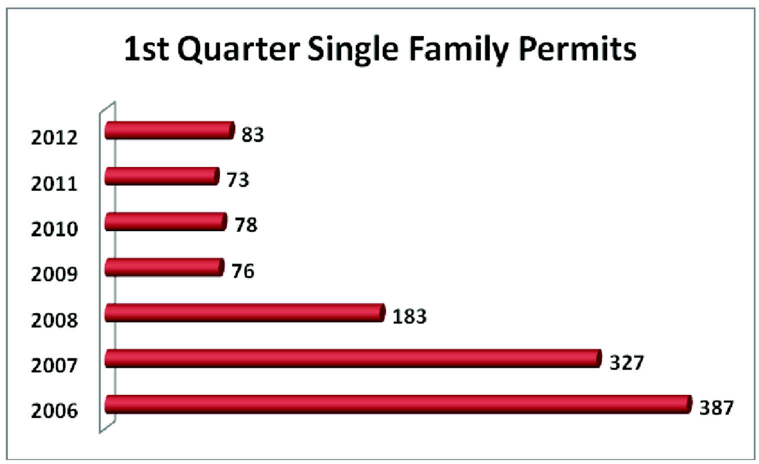
concern of a second spike in foreclosures. The foreclosure process simply feeds more properties to government agencies and banks, and places a downward pressure on housing prices. Once new foreclosure filings drop consistently below 200 in a quarter, the market will see a measurable improvement in pricing soon thereafter.



Consistent with the current market demand is the level of new housing permits for single family homes. There were 83 such permits issued in the first quarter, up from 73 permits for the comparable quarter a year ago. The number of permits issued in the first quarter is virtually unchanged in each of the last four years. The vast majority of permits issued in the last four years has been focused on low to moderate income families. Many first time homebuyers are taking advantage of new housing at very attractive prices and historic low mortgage interest rates. And there remains a certain smaller segment of the market for custom homes, for those who have the discretionary means to build a new home.



What remains for this community to return to a more normal real estate market is an marked improvement in the employment picture. The unemployment rate for the Grand Junction area remains uncomfortably high, higher than both the state and federal levels. Once the unemployment rate falls below the 7% level, virtually all parts of the real estate market will improve measurably.