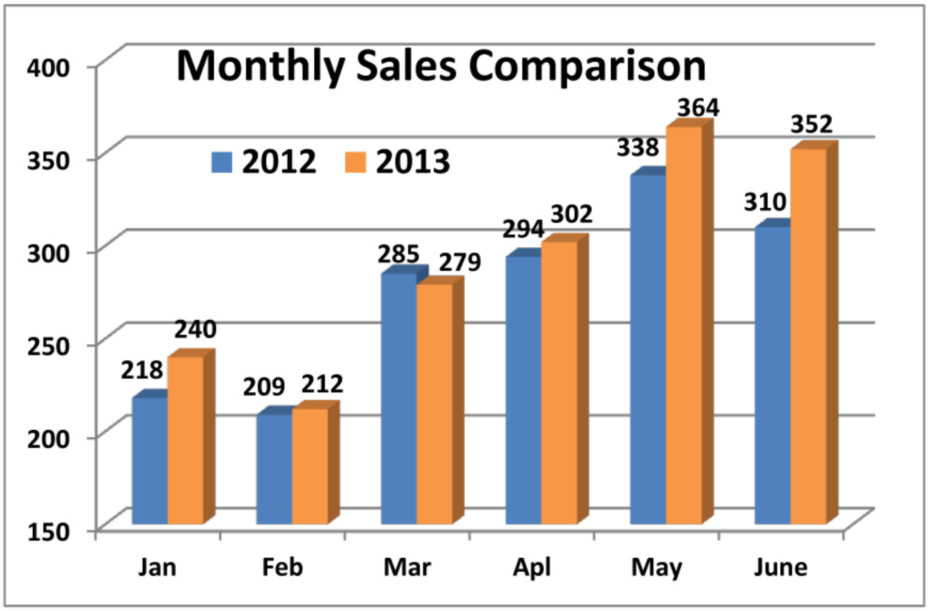
mesa county
Real Estate REPORT

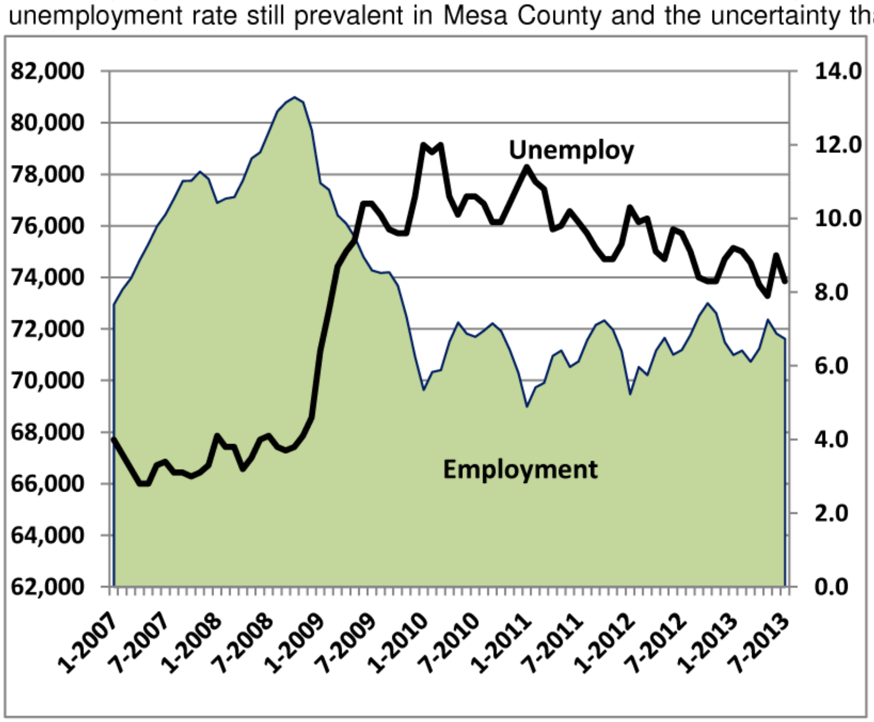
Market Improves with Mixed Signals

Q2 2013

Real estate sales continue to improve over last year's numbers. There were 1018 sales in the second quarter, an increase of 8.0% over the 942 sales for the same period a year ago. For the year, there have been a total of 1749 sales, a bump of 5.7% over the first half of 2012. The dollar amount of sales for the quarter rose 10.4% for the quarter to $204 million; and similarly the first half volume is up 10.2% to $350 million. This modest improvement in the real estate market is in contrast to the almost exuberant market in parts of the Front Range and other parts of the country where recovery started some 18-24 months earlier.



Further progress in the local real estate market has been stymied somewhat by the high unemployment rate still prevalent in Mesa County and the uncertainty that it creates. Despite the unemployment rate inching downward since its high of 12.0% in January of 2010 to 9.0% in June of this year, it is simply too high to instill confidence in the market. Perhaps more importantly, the number of employed persons in the County has remained stagnant for the last 3 years and underemployment is prevalent in most industries represented in the community.



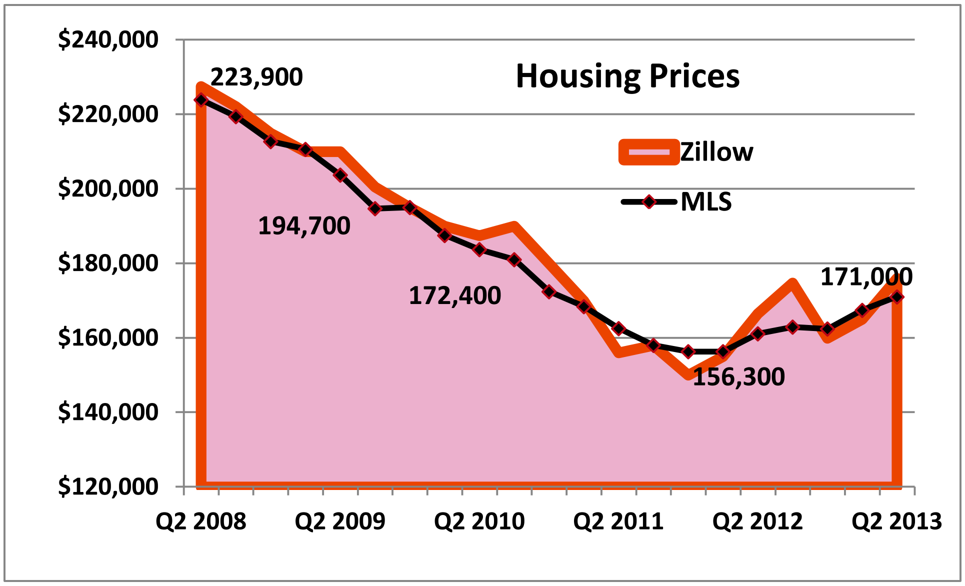
atc
advanced title company

622 Rood Avenue
Grand Junction, CO 81501
970.255.7677 p
970.255.6491 f
www.advancedtitleco.com
atc@advancedtitleco.com

Bob Reece
President

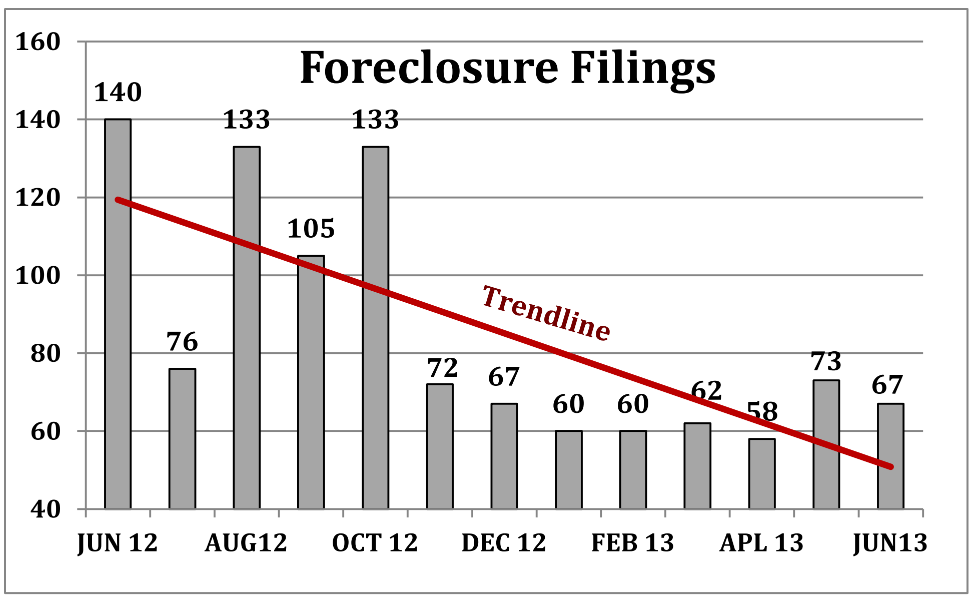
Housing Values Trend Upward

Housing values continue to improve for the 6th straight quarter with the median price for all housing types pegged at $171,000, compared to $161,100 a year ago - a 6% annual gain. The Zillow Price Index reports a very similar improvement. Appreciation of housing values is more pronounced in the lower price ranges as inventory has become very scarce under $300,000. By the end of the quarter, there was only a 4-month supply of housing for under $300,000. Builders that build in this price range are finding success because of the relative dearth of housing inventory and the lure of new houses with modern appointments, new materials and updated designs.



Single-family building permits remained nearly constant with last year's activity with 120 permits pulled in the second quarter, just 4 shy of last year's level. For the year, there have been 210 permits issued, up 3 permits from the prior year. Most of these permits were in the affordable price ranges.

A very favorable trend is the decline of foreclosure filings and subsequent sales that follow. There was a lot of national discussion about "shadow foreclosures", those that were latently awaiting to be filed. It appears that Mesa County has averted this possibility and the level of monthly filings is slowly declining to a more normal plateau.



So, what lies ahead for the rest of the year? The Fed remains conflicted and is sending mixed signals on when it will relax their Quantitative Easing program. Their Board of Governors are speaking out more actively than in the past and they have varying views of looming inflation; thus, market confusion. More importantly, Wall Street, after a very prolonged period of suppressed interest rates, has already decided to hedge against that risk and we are seeing slightly elevated rates in the market today. Aggressive inflation in housing prices in many large metropolitan areas in the country has supported the increase of mortgage rates. Higher mortgage interest rates are premature for the Grand Valley since recovery here does not yet have a solid footing. But since recovery is very tenuous in the nation as a whole, we do not expect interest rates to rise much further, if at all. As the new consumer protection regulations under CFPB continue to roll out, we will see the entire real estate and lending industries spend considerable time and money to adjust to this massive new law. Locally, we expect the market to continue modest gains in real estate sales and homebuilding with a substantive reduction in refinancing activity.