mesa county

Real Estate REPORT

Vacillating Market

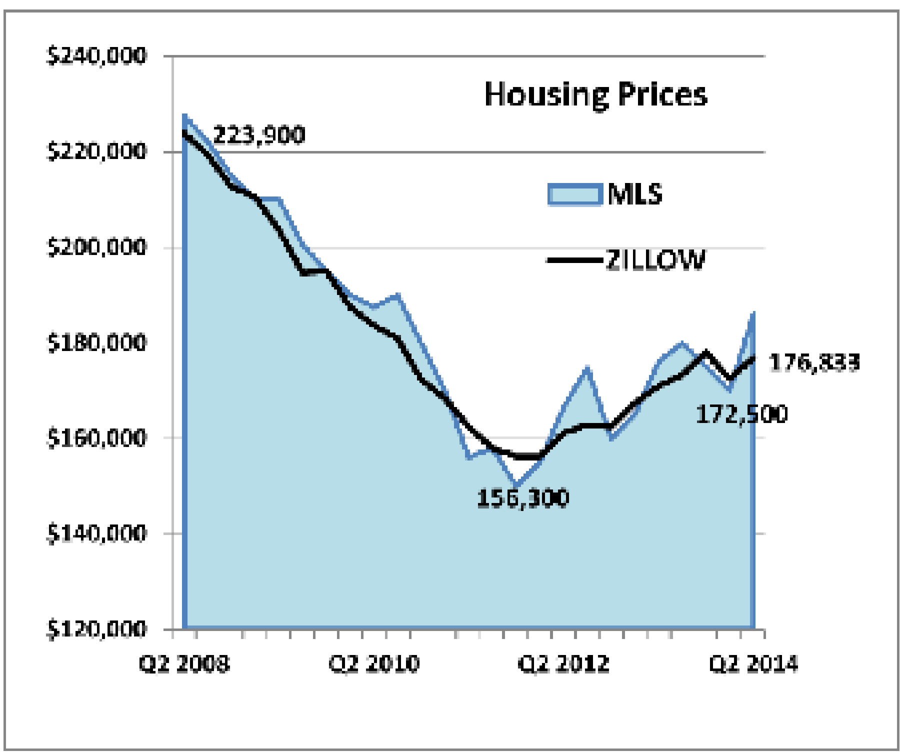
Real estate activity this year has been up and down and generally flat for the first six months - a market without a personality. There are some good signs but enthusiasm by Realtors and mortgage lenders has been somewhat muted by the reality that recovery from the recession is taking too long.

Market Summary

There were some promising, albeit small, advances in real estate activity in the second quarter. There were a total of 1036 sales in the quarter, a modest 2% increase over the same quarter last year. The dollar amount of the quarterly sales, buoyed by a few large transactions in June, jumped 12% from $204MM in 2013 to $234MM this year. Year to date through June, there have been 1688 sales, a drop of 3.5% from the 1749 sales in the first half of 2013, indicative of the sluggish first quarter. Dollar volume for the year is up 5%, from $350.2MM to $367.6MM.

A few notable sales during the second quarter were: (1) Teller Arms Shopping Center sold to a Texas investor for $6.6 million; (2) Sherwood Plaza office building acquired by a local investor for $2,275,000; (3) A site for a new FEDEX facility acquired for $1.0 Million; (4) a residence North of town on H Road purchased for $1.1 million; (5) a residence North of town off 25 Road purchased for $1.5 million; and (6) a residence on the Redlands in River Terrace Subdivision purchased for $2.9 million.

Home Values



According to figures from the local Multiple Listing Service, the median price for housing jumped 9.3% from the first quarter of this year, from $170,000 to $185,950. Zillow reported an increase in their Home Price Index from $172,500 to $176,833 for the same period; a 2.5% increase and a much better indication of price appreciation than using the median price of sold residential properties. Year over year, homes have appreciated 3.4% in the Grand Valley.

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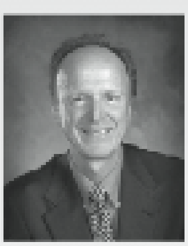
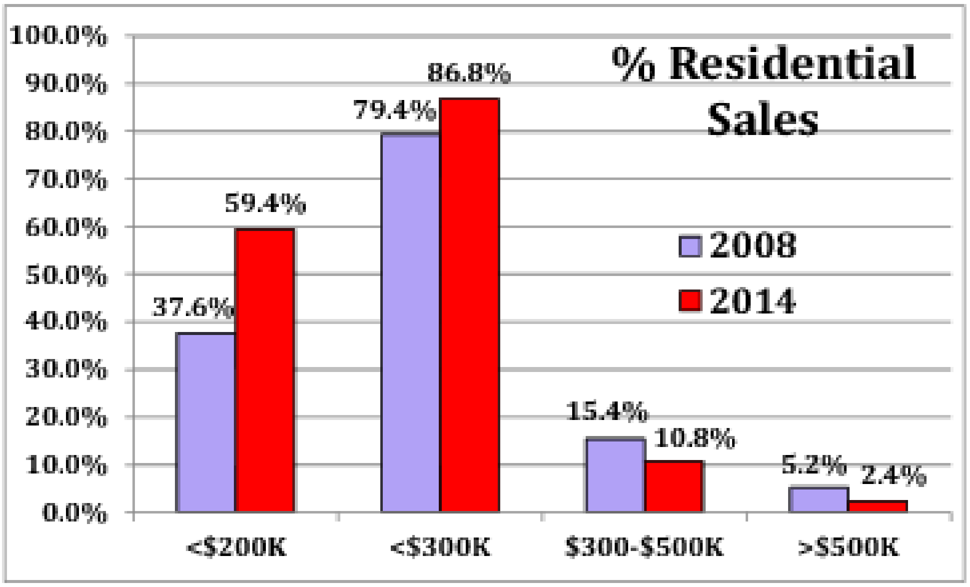


Bob Reece
President

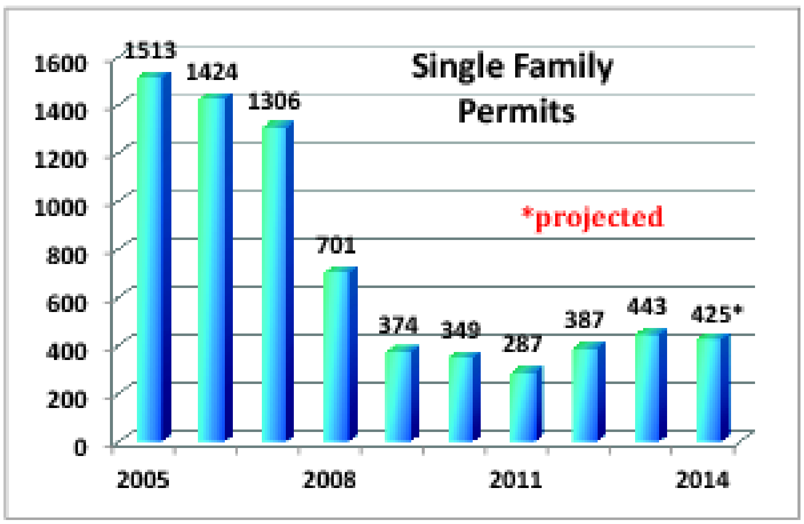
What's Selling

Perhaps most telling of the Grand Junction area market is the price point shift of residential sales in the past six years. Comparing the first halves of 2008 and 2014, it is clear that the vast majority of sales lie under $300,000. Also, the segment of residential sales under $200,000 rose from 37.6% of all sales in 2008, to 59.4% in 2014. Aside from re-sales, much of new home building is in the neighborhood of $200,000.



Home Building Flat

Single family permits dropped 8% year-over-year for the second quarter and they remain 5% below 2013 year to date. There were 110 permits pulled in the second quarter, 10 fewer than in the second quarter of 2013; and through June, there have been 201 single family permits issued, a mere 9 fewer than in the first half of 2013. After two years of steady increases of single family construction, there may be a leveling off this year. The third quarter will reveal the prospects for the annual performance of the single family building industry.



Another bright spot in the real estate market is the declining trend of opened foreclosures in the last two years. The monthly average of foreclosures is still double of what we would expect to see based on historical figures for 20 years prior to this recession, but the current trend is very promising, particularly in light of the modest and tentative recovery in jobs and wages for the community.

The FED appears poised to finally tighten credit and fend off any prospects of inflation. That remains a hotly debated topic at the national level. However, they have substantially reduced their role in buying mortgage backed securities, so only time will tell us if their strategy will work. In the meantime, improving the number and quality of jobs and the participation rate of workers in the market appears to be the solution for the local economy – with improvement in consumer spending to follow.