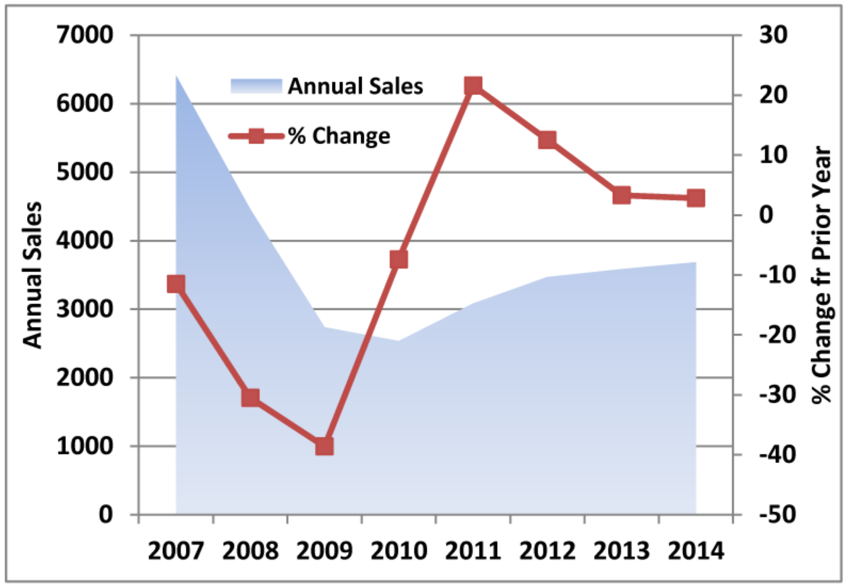
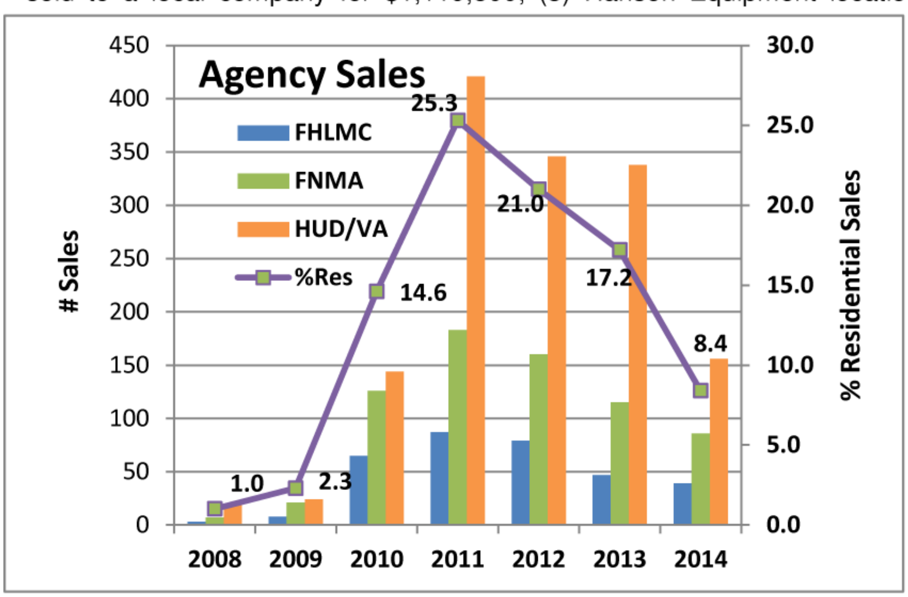
mesa county
Real Estate REPORT

Q4 Sales Improve From Last Year

Q4 2014



Real estate sales remained virtually unchanged through the first 3 quarters of 2014, but the last quarter showed signs of advancement. The 4th quarter recorded 937 real estate sales, up 11.7% from 839 sales reported in the last quarter of 2013. Total sales for the year counted 3,686, up from 3585 sales in all of 2013, a modest 2.8% improvement. Virtually all of the additional 101 sales for the year occurred in the final quarter. The dollar volume for the quarter totaled $199 million, up 4% from $191 million for the same quarter in 2013. For the year, there was a total of $802 million of real estate sold, a similar 4.3% advancement from the prior year of $769 million. The market in Mesa County is improving albeit methodically. The graph above shows how the pace of market recovery has slowed since 2011. A few notable sales for the last quarter were: (1) Crossroad Wine & Spirits store location sold for $950,000; (2) the Sleep-N-Aire store on Patterson Road sold to a local company for $1,119,800; (3) Hanson Equipment location along I-70 sold for $3,250,000 to a Denver firm; and (4) the Glacier Ice Arena sold to a California company for $2,970,000.



A very positive part of the market is the reduction of government-owned properties being sold. In 2011, when this public group represented 25% of all residential real estate sales, there was a large downward pressure on prices since these agencies are not compelled to accept market price for their inventory. Today, the federal government influence on the market has been reduced to 8.4%, a move in the right direction.

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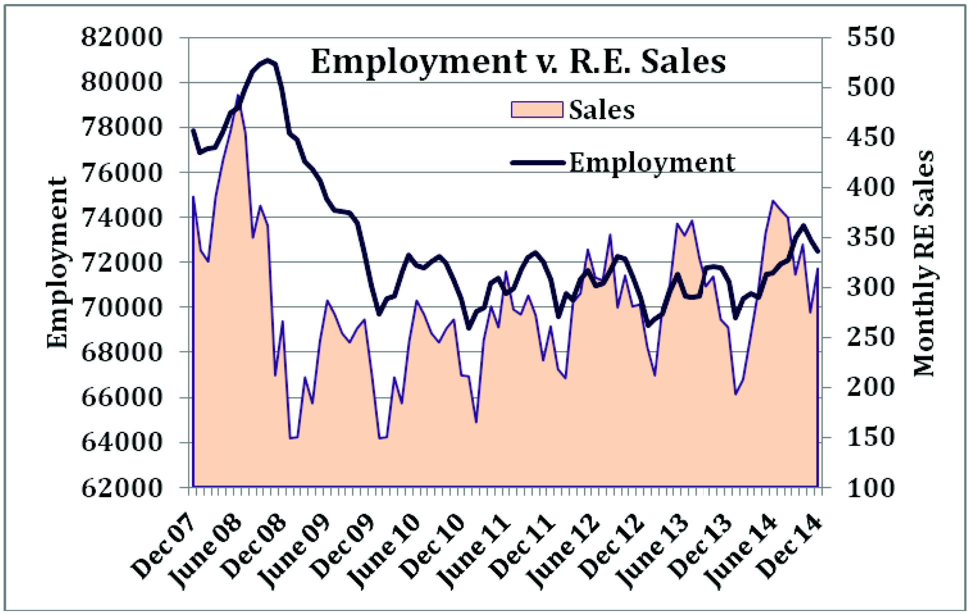
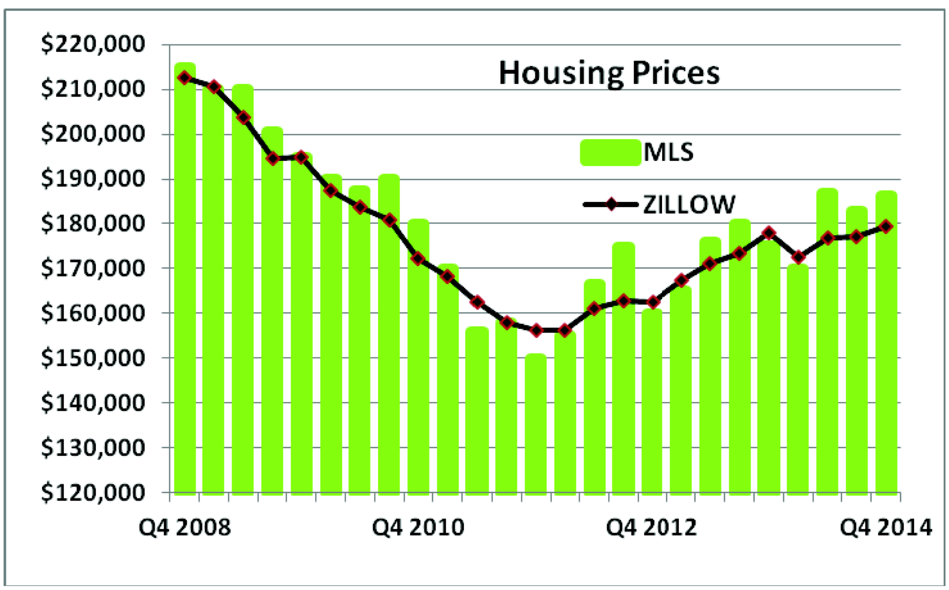
Effects of Employment



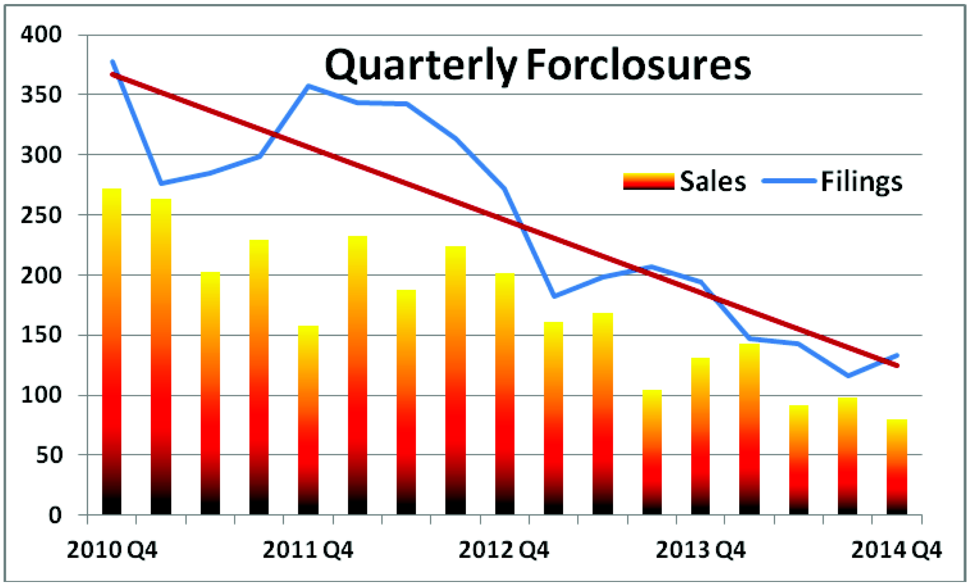
Another key topic of local interest is the effect of unemployment on the real estate market. In the past decade, when the unemployment rate nears 4%, we have seen monthly sales in the neighborhood of 450. That direct relationship no longer applies. Perhaps a better view is the relationship of total employment with the level of real estate sales as shown to the left. The real estate market in Mesa County has demonstrated some resiliency since the low ebb in early 2009. As total employment slowly improved, real estate sales moved upward, but at a measured pace. The benefit of "full employment" cannot be underscored enough.

Property Values Inch Up

Property values continue to rise in an irregular pattern. The median price of a house in Mesa County increased 6.4% in 2014 according to the Multi-Listing Service of the local board of Realtors; from $175,000 at the end of 2013 to $186,250 ending December of 2014. Zillow reports an appreciation of housing values by 3.1% in the same period. They also predict a valuation increase for 2015 of 3.4%. From the graph, one can see the sharp decrease in values during the Great Recession compared to a slower recovery in values beginning in the 4th quarter of 2011. The view by many Realtors that the market is creeping upward is not an illusion.



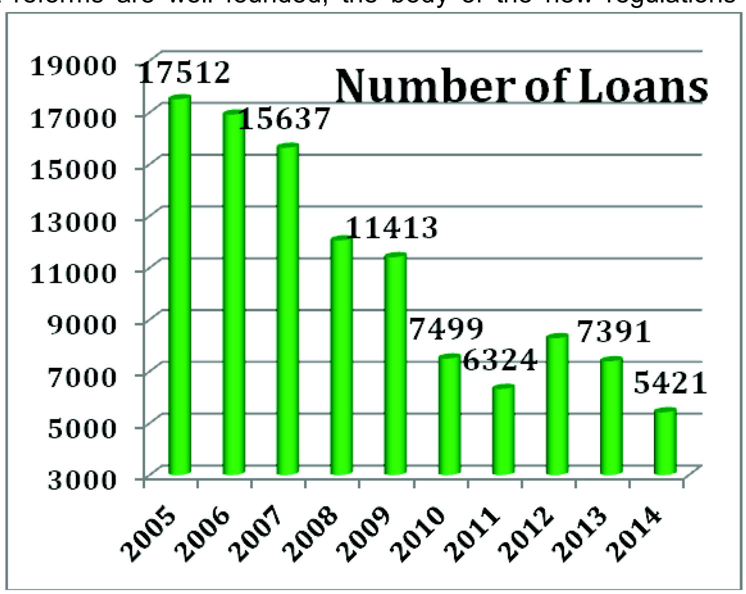
Single family building activity increased by 16% in the last quarter, from 91 permits in the last quarter of 2013 to 106 permits this year. For the year, there was a total of 452 single family permits issued, up 2% from the total of 443 issued last year. This is about one-third of a normal market for single family construction in Mesa County. Much like real estate sales, the pace of increase in permits has slowed from 2011. There is a brisk business in the affordable price range and there are pockets of success in higher-end custom building such as at the tony Redlands Mesa subdivision where 15 houses are currently under construction. Housing construction enjoys a very favorable economic multiplier for a market and creates 3 jobs for each house built. This community will be at full economic throttle when annual single-family permits rise to the neighborhood of 1400.



Foreclosures continue in a downward trend, despite a small spike in new filings in the 4th quarter. There were 133 new filings in quarter, up from 116 in the prior quarter. However, the trend line continues to be favorably downward. The boost in fourth quarter filings may be attributed, in some part, to job losses in the energy sector.

Lending Under Fire

Mortgage lending and commercial lending are staples of the economy and an integral part of the American way of life. No other country has the body of law, efficiency of process and the public filing facilities necessary to provide funds to borrowers in such a timely fashion and in the volume sought by borrowers. Federal banking and mortgage regulations since 2008 are quickly reaching their full force and effect, the result of which is a whole new layer of complex regulations and limitations to lending. While much of the Wall Street reforms are well founded, the body of the new regulations together with the general economic conditions in Mesa County has led to greatly reduced lending since the onset of the recent recession in 2008 and even more so from the peak in 2005.



Outlook for 2015

The factors contributing to success in real estate are mixed for the coming year. The FED is giving clear signals that short-term rates may be bumped up by the middle of the year. The bond market, however, is responding with a continuum of low long-term interest rates, those that have some impact on interest rates for home mortgages. It seems that notwithstanding the general weakness of the U.S. economy, it is still much better than all of its global trading partners. The rush of foreign investment to the safety of U.S. treasuries is likely to keep long term rates low throughout the year, a benefit for home ownership. And inflation does not seem to be a concern yet either with low energy prices and sufficient labor capacity keeping wages from rising quickly.

City sales and use tax receipts have been flat for 4 years, a good indication that residents are either unable or lack the confidence to spend more. The essential issue for the community is the number of people employed, and employed with attractive salaries and wages. Once that prospect improves, real estate and virtually all aspects of commerce will improve in parallel.