

Real Estate REPORT

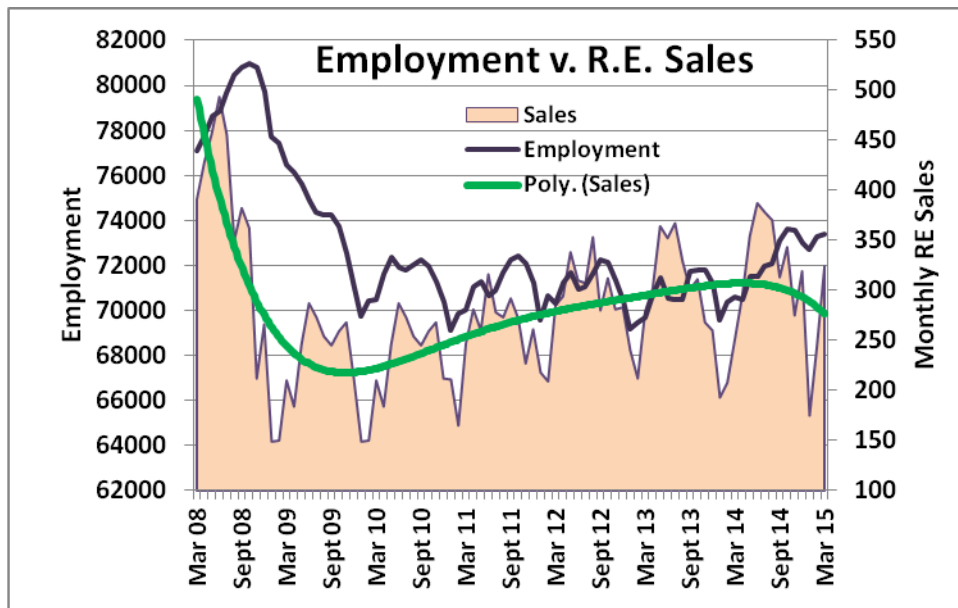


Real Estate Sales Improve

Q1 2015

After a sluggish January that reported a 9% decline from the same month in 2014, the first quarter of 2015 finished on a decidedly upswing. There were a total of 744 real estate sales in the quarter, up 14% from 652 sales in the first quarter of last year. And dollar volume advanced by some 18%,

from \$133.4 million in the first 3 months of 2014, to \$157.5 million this year. A few of the larger sales in the quarter involved the following: (1) sale of the Kohl's strip center for \$10.0 million to an out of state purchaser; (2) sale of the La Quinta motel in Fruita for \$3.65 million; (3)



industrial improved property on 22 Road for \$3,150,000; (4) lots 3 and 4 of Subaru Subdivision North of Mesa Mall for \$1,792,000; and (5) a Redlands residence for \$1,205,000. There is a fairly good relationship between the level of employment and the level of real estate sales as shown on the graph above. The green line is a trend line for sales.



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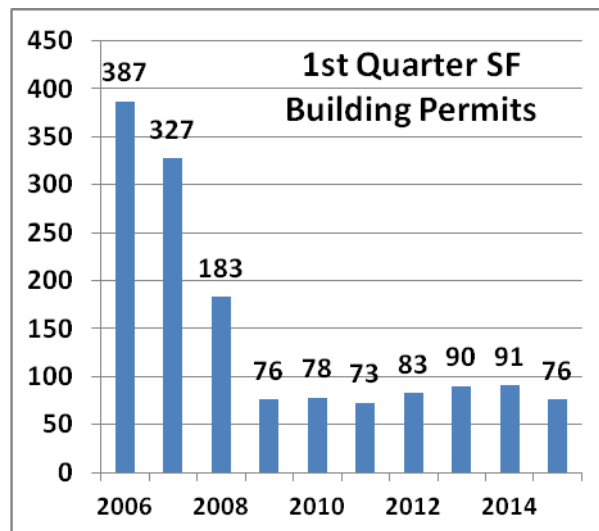
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Bob Reece
President

Single Family Construction Slows

Building activity was particularly slow in January, slowest since 1991, causing the quarterly figures to lag behind last year. There were a total of 76 single family permits issued in the first quarter, a drop of 16% from the 91 permits in the first quarter of 2014 and a far cry from the 387 permits issued in the first quarter of 2006. The slowdown in single family building is not a great concern when considering the relatively stagnant population growth in the Grand Valley. Perhaps of greater interest is the decision by the largest production builder, one who builds in the affordable price range, to retreat from the building business altogether. The market only has a 3-month supply of under-\$300,000 housing at

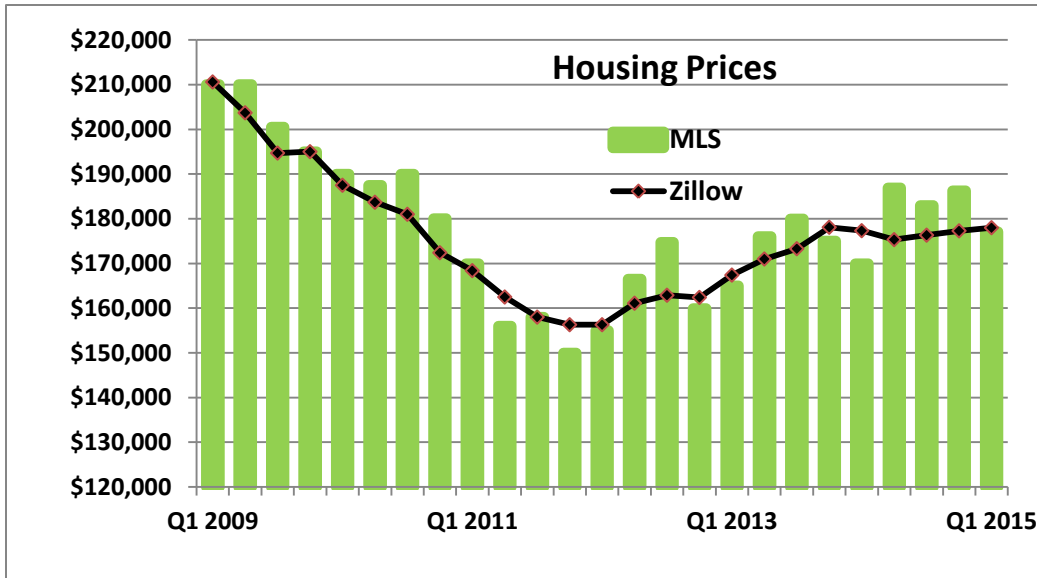




this time. Any slowdown in building in this range is likely to have an inflationary impact on prices for first time buyers. It will be interesting to see if other builders successfully fill the gap for entry level purchasers of new houses.

Property Values on the Rise

Property values continue to rise slowly. The median price of a house rose to \$178,000 according to the MLS information, a 4.2% rise from a year ago. Zillow also reports that housing values have increased by some 1.5% in the last 12 months.



The scarcity of affordable housing may be affecting housing values more than demand. Housing in Grand Junction is the most affordable of Colorado's metropolitan areas except for Pueblo. This is a sharp reversal from early 2008 when Mesa County had the highest median house price outside of Boulder. Affordable housing continues to be a very important part of the market since real median (inflation adjusted) income for a household in this area is approximately \$46,500; That is \$13,000 lower than the peak in 2008.

Foreclosures Sharply Decline

Foreclosures in Mesa County are heading in a most favorable direction. There were 108 new foreclosure filings in the first quarter, the lowest amount since the 4th quarter of 2007. Similarly, foreclosure sales declined to 64 for the quarter, down 77% from the high of 278 in the 2nd quarter of 2010. Mesa County appears to have rung out the last vestige of foreclosures generated by the Great Recession.

Lending Steady

Overall lending activity remained the same with 1121 loans being recorded in the 1st quarter of this year compared to 1134 in the same period in 2014. 2014 construction lending in Mesa County was led by Home Loan State Bank with 29 loans, followed by Bank of Colorado (18), Grand Valley Bank (15), Alpine Bank (13), Timberline Bank (12), First National Bank of the Rockies, now Bank of the San Juans (8), Wells Fargo (3) and ANB Bank (2). A number of construction loans are being made by private party lenders.

