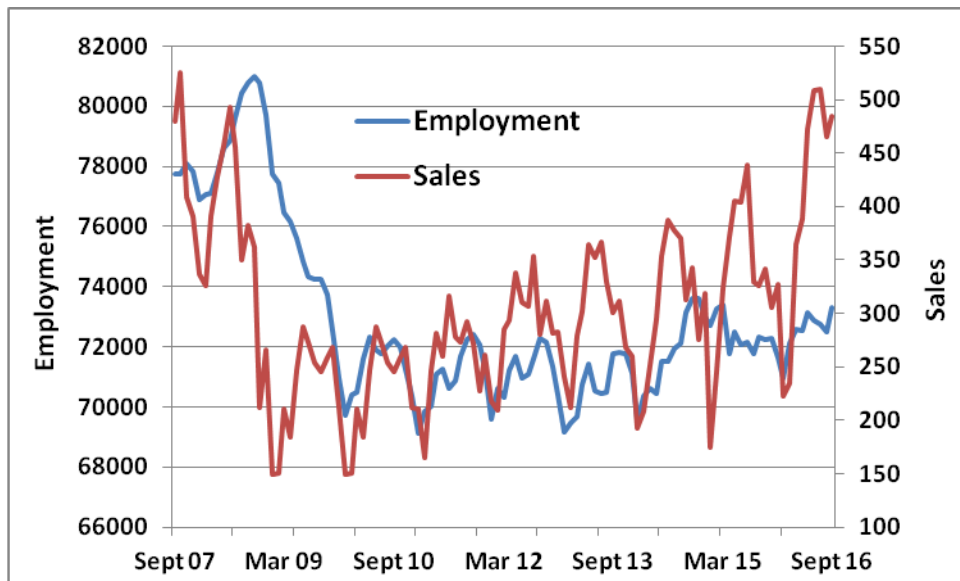
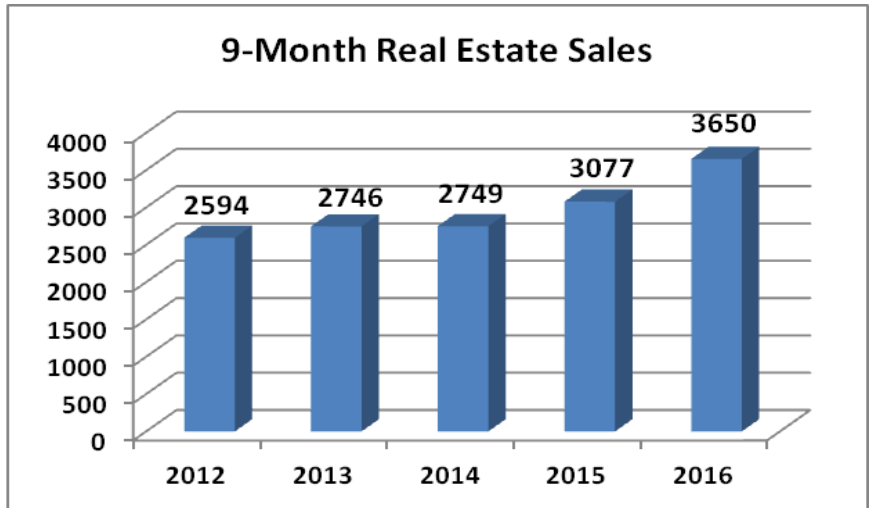




TOP STORY

Sales Jump in the Third Quarter (Source: Mesa County Clerk and Recorder; MLS; Zillow)

Real estate sales improved by 25% in the third quarter when compared with the same quarter of 2015. There were a total of 1401 sales in the quarter, a substantial increase from the 1125 sales in the third quarter of 2015. Dollar volume of sales performed similarly, increasing some 18% from \$271.8 million in 2015 to \$320 million for the third quarter this year. For the year, sales stand at 3591, an increase of 17% over the 3077 reported for the first 9 months of 2015. Dollar volume for the nine months of 2016 landed at \$820 million up from \$738 million a year ago. Notable sales in the quarter were: (1) Sale of Christianson Vineyards of Palisade to High Country Orchards for \$1.75 million, financing provided by American AgCredit; (2) Collbran ranch sale for \$1,635,000 to Koehler Cattle with financing also provided by American AgCredit; and (3) Fruita agricultural land sale for \$1.5 million to a California individual with financing provided by the seller.

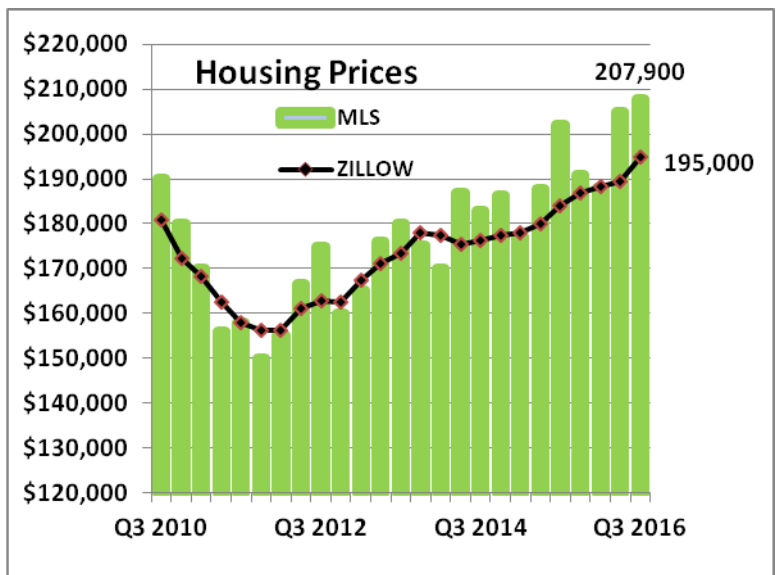


The level of real estate sales activity remains aligned with total employment in the Grand Valley. As employment slowly trends upward out of recession levels, real estate sales have improved and at a rate slightly better than the improvement in employment levels.

Housing prices have risen 6.0% from a year ago according to the Home Value Index from Zillow and 2.9% according to the median price reported by the local Board of Realtors MLS. This represents a

sustainable level of price appreciation for most markets. Of the 969 residential improved sales for the quarter, as

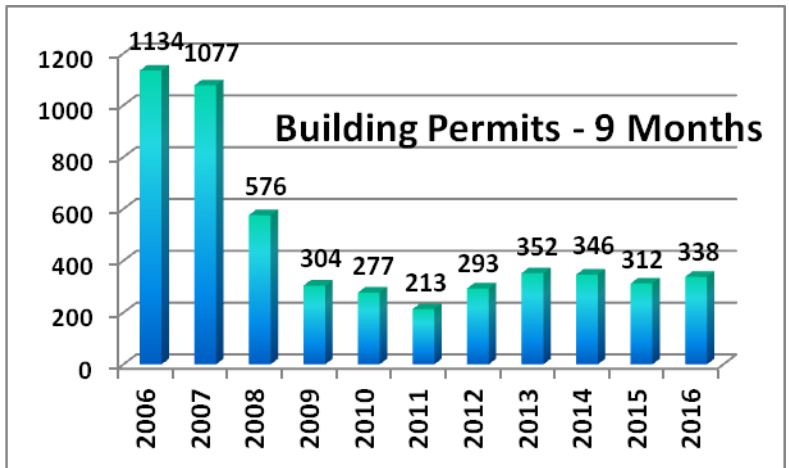
reported by the MLS, the majority of housing units by far was single-family housing with 872 sales. Only 62 townhouses were sold in the quarter followed by 35 condominium units sold. Declining affordability may push increased construction of townhouses and condominiums. One-third of the market in the 3rd quarter, or 324 sales, was in the range of \$200,000 to \$300,000. This has been the so-called sweet spot of the market for the past few years. It is indicative of the relatively stagnant salary and wage levels in Mesa County. There is a growing possibility that just when pay scales start to rise appreciably, inflation may well swallow up any benefits of better wages. We will take a look at the housing affordability index in the next newsletter.



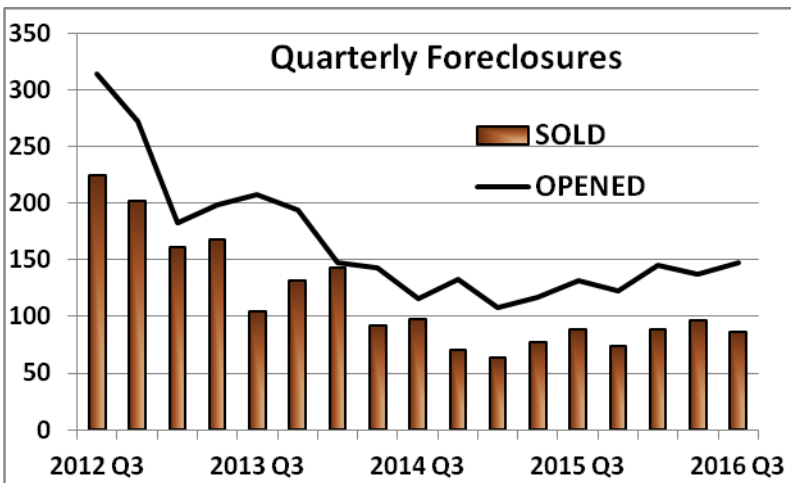
WHAT'S HAPPENING

Single Family Home Building Remains Steady *(Source: Mesa County Building Department)*

Single family construction has been relatively flat since 2009 when 304 permits were issued in the first 9 months of that year. There was improvement from the recent low in 2011 but the past three years have been unremarkable. Most of the activity remains in entry-level houses attracting first-time home buyers and investors looking for a new property to rent. There has also been a good amount of activity in custom home building as well - even in the upper end as represented in Redlands Mesa. The Home Builder's Association Parade of Homes this Fall showed off new designs, materials and workmanship that were very impressive and may well have a positive effect on the market for new construction. If interest rates remain at attractive levels, we expect an increase in permits in 2018 based on the builders currently in the market and their ability to bring quality to an affordable price.



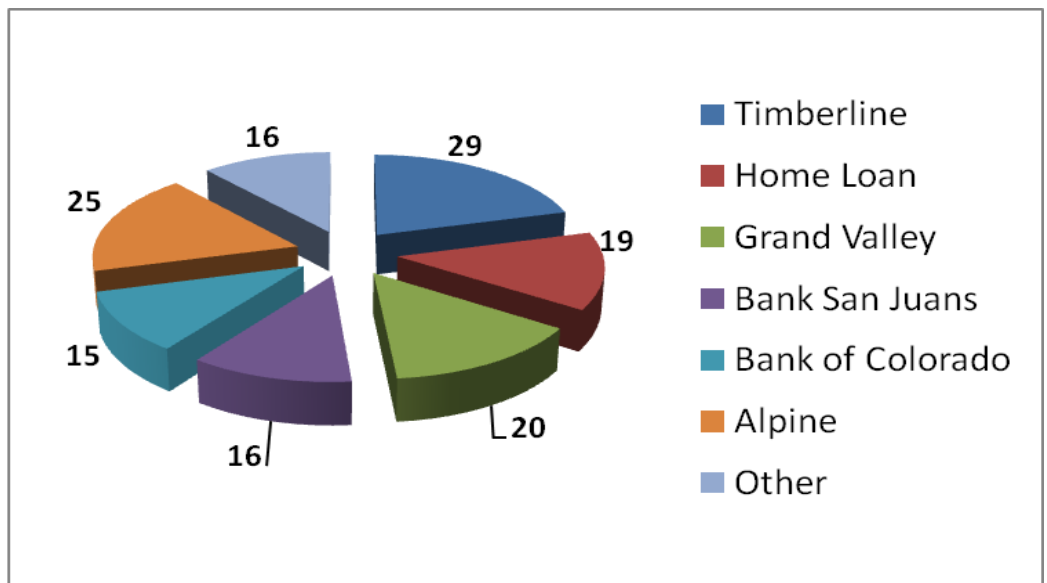
Foreclosures Creeping Up *(Source: Public Trustee of Mesa County)*



Foreclosures took another uptick in the third quarter. There were 147 new filings opened in the quarter, a 12% hike from the 131 filings for the same quarter a year earlier. Each quarter this year reported a similar increase in newly filed foreclosures with the Public Trustee. There are other foreclosures initiated in the District Court but the Public Trustee handles the vast majority of all foreclosures in Mesa County. For the year, there have been a total of 429 foreclosures initiated with the Public Trustee, a 21% increase from 2015. There is no direct evidence that the increase is based primarily on the reduction of energy jobs, but it is likely. It should be noted, however, that the third quarter level is one-third of the high of 451 foreclosures in the third quarter of 2010.

Construction Lending Unchanged *(Source: Mesa County Clerk and Recorder)*

Approximately one-half of all new construction lending is done through financial institutions. Timberline Bank and Alpine Bank are the two leading banks offering such loans measuring the past two years, but all the local banks are lending construction monies in similar volume. The number of construction loans made through banks totaled 140 for the first 9 months of the year. This is on par with 2015. The graph to the right is for the first 9 months of 2016.



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