



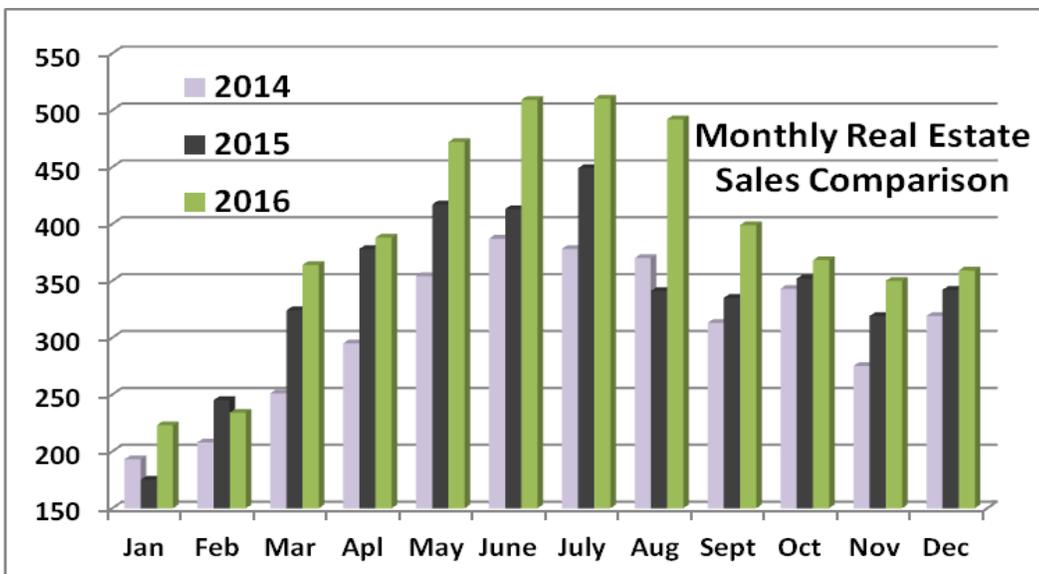
TOP STORY

Sales Continue to Advance (Source: Mesa County Clerk and Recorder; MLS; Zillow)

Real estate sales advanced some 6% in the fourth quarter of 2016 when compared to the last quarter of 2015. There were 1077 sales for the quarter, up from 1013 last year. For the year, there were a total of 4668 real estate sales, an increase of 14% over the 4090 sales reported in 2015. There has been a steady growth in real estate activity since 2010 with an average annual increase in sales of 14%. All months of 2016, except for February, reported an increase in the number of sales from the 2015 counterparts. Interest rates on loans,



particularly mortgage interest rates, were at or near historic lows in 2016, fueling in part the increase in sales. Total employment for the county has been relatively flat for the past two years, hovering just below 73000; and sales tax collections for the City and County have likewise not improved during that period of time providing evidence of the spending appetite or ability for the local population. The data for tax collections and employment would suggest that



real estate is doing better than expected.

The dollar volume of sales for the 4th quarter ended up at \$276 million, a 12.2% rise from the 4th quarter last year. The dollar amount of sales for the year topped \$1 billion for the first time since 2008 and landed at \$1.10 billion, up 11.4% from the \$984 million in volume a year ago. There were 39 sales for \$1.0 million and greater for an aggregate of \$93.5 million, compared to

2015 for a total of \$157 million. Some of the larger sale transactions in 2016 were (1) Mesa Creek Elk Ranch for \$4,355,000; (2) Candlewood Mobile Home Park for \$20,115,000; (3) 2500 and 2518 Broadway (in Redlands Marketplace) for \$2.3 million; (4) Colorado Mesa University purchase of the Seventh-Day Adventist church at the corner of Mesa and 7th Street for \$4,075,000; and (5) sale of the 24-1/2 Road Burger King for \$7,379,700.

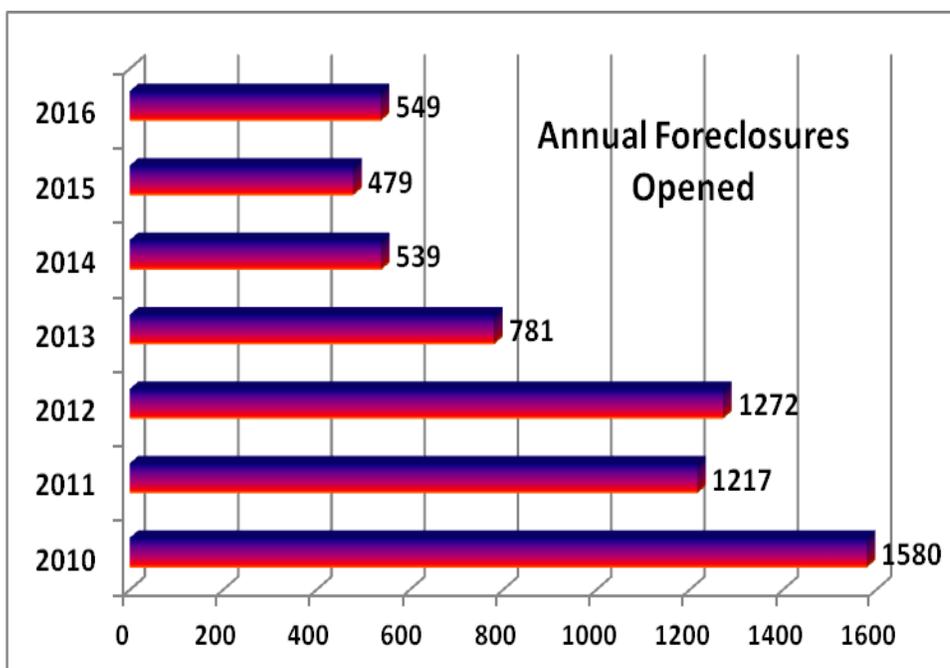
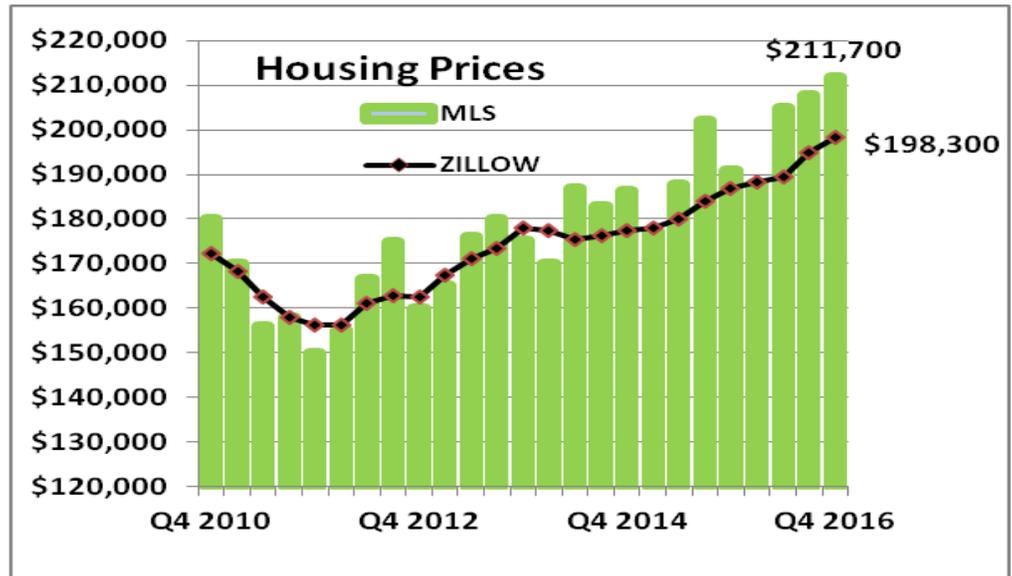
WHAT'S HAPPENING

Property Values Improve (Source: MLS and Zillow)

Zillow provides good macro data for property value trends in communities across the country. It fails, however, to provide precise information for specific properties. Perhaps that is one reason 81% of all sales in Mesa County go through a Realtor.

Zillow reported a 6.2% appreciation in market values in the last year, while the local Board of Realtor's MLS reported a median sale price increase of 10%, from \$191,000

in the last quarter of 2015 to \$211,700 this year. The high point for median sales price, as reported by the MLS, was \$227,500 during the second quarter of 2008. So, this market has regained a good portion of property value since the beginning of the Great Recession. We believe Zillow has a better measurement as to overall market appreciation. More importantly, property values are improving for the overall market in Mesa County, while certain price segments of the market are faring better than others.

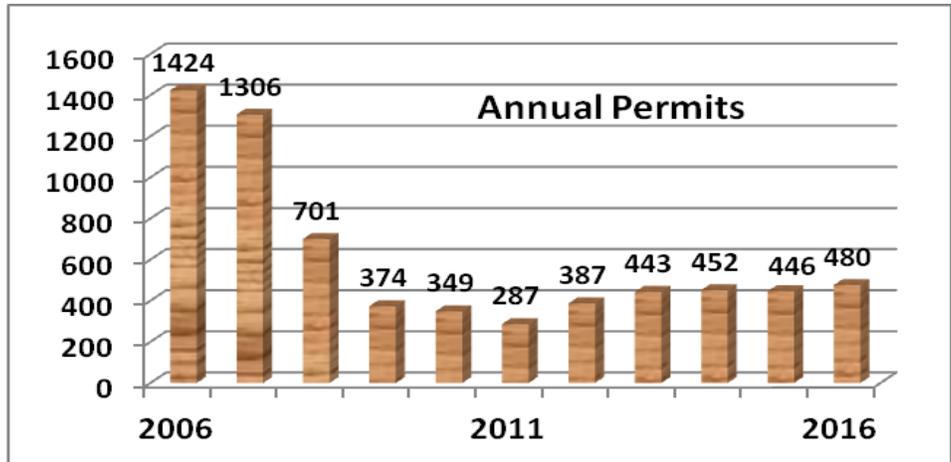


Foreclosures initiated in the Public Trustee's office in the fourth quarter were slightly below the number opened in the last quarter of 2015. There were 109 foreclosures opened this quarter, down 11% from the 123 started in the fourth quarter a year ago. The annual totals for the last 3 years are about one-third of what Mesa County experienced in 2010 at the recent height of foreclosures. In November according to RealtyTrac, 1 in every 1235 households in Mesa County received a foreclosure notice. Although every foreclosure is painful for those affected, the Grand Valley at large is experiencing a much improved level of foreclosures in the last three years.

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

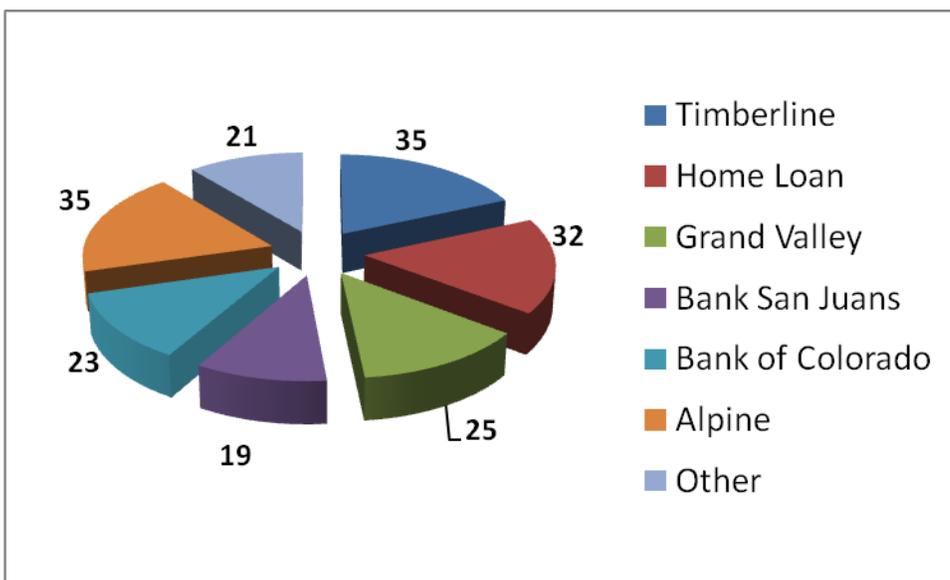
Single family permits rose 4% for the quarter, from 134 permits issued in the last quarter of 2015 to 139 such permits issued this year. For the year, there were a total of 480 single-family permits issued, a 7% rise over the 446 issued last year.

Builder	Permits
Senery Builders	32
Porter Homes	19
Chronos Builders	16
Colman Builders	13
Mountain Coast	13
Chaparral West	12
Sunshine of Redlands	12
Western Constructors	11
Dahl Builders	11
Ridgewood Heights	11



This is approximately one-third the number of 1424 permits issued at the recent high in 2006. The all-time high number of permits issued was in 1978 when 1564 single-family permits were pulled. Builders with the largest number of permits issued to them are shown in the accompanying table. A heat map of the location of permitted properties ([click here for map](#)) created by the Grand Junction GIS Department shows where the predominate building activity was located last year. Each average new house built results in employment of approximately three full-time people who command above-average wages. Once the community reaches 1500 single-family permits a year, it will realize an additional 3000 full-time jobs and the associated economic effects that heightened employment brings.

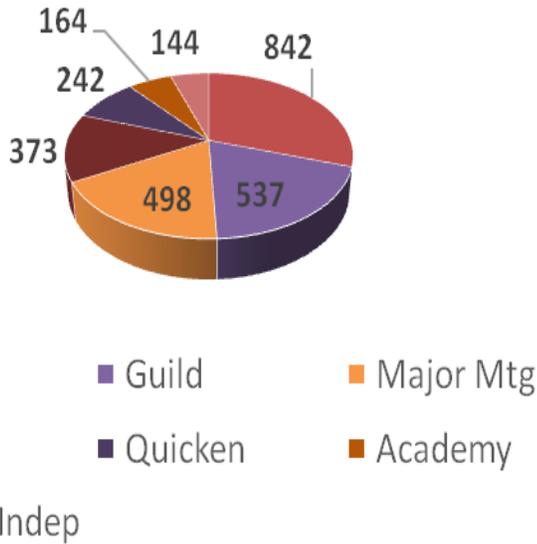
Lending Improves with Low Rates (Source: Mesa County Recorder)



The primary source for single-family construction loans is still local banks. Nearly 90%, 169 of the total of 190, of bank construction loans are centered among 6 institutions and are spread somewhat evenly among them. Of the more than 400 houses started in 2016, more than half were constructed without bank financing. Some were financed by the owner with available cash and the rest were financed privately. Banks comply with recording the Colorado required Disburser’s Notice for a construction loan while inexplicably virtually no

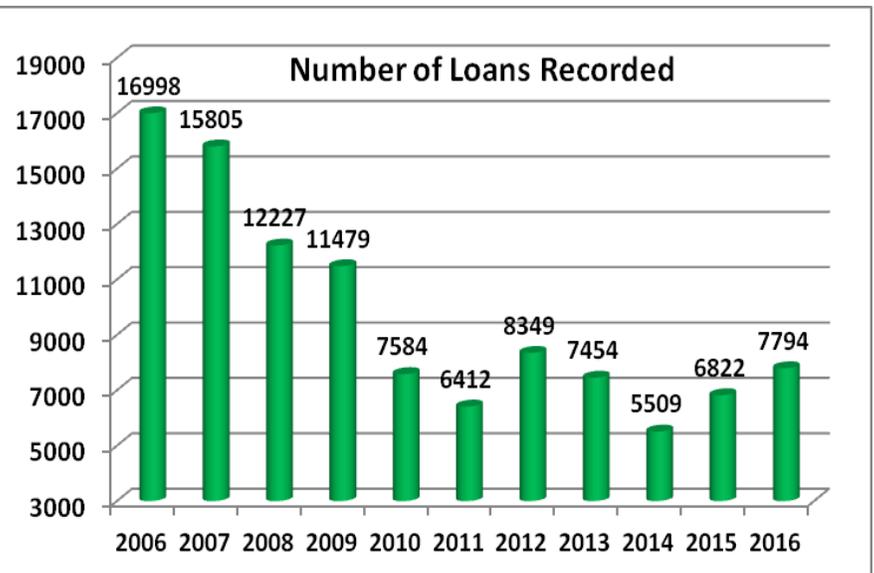
private lender files this important document.

Mortgage Lending



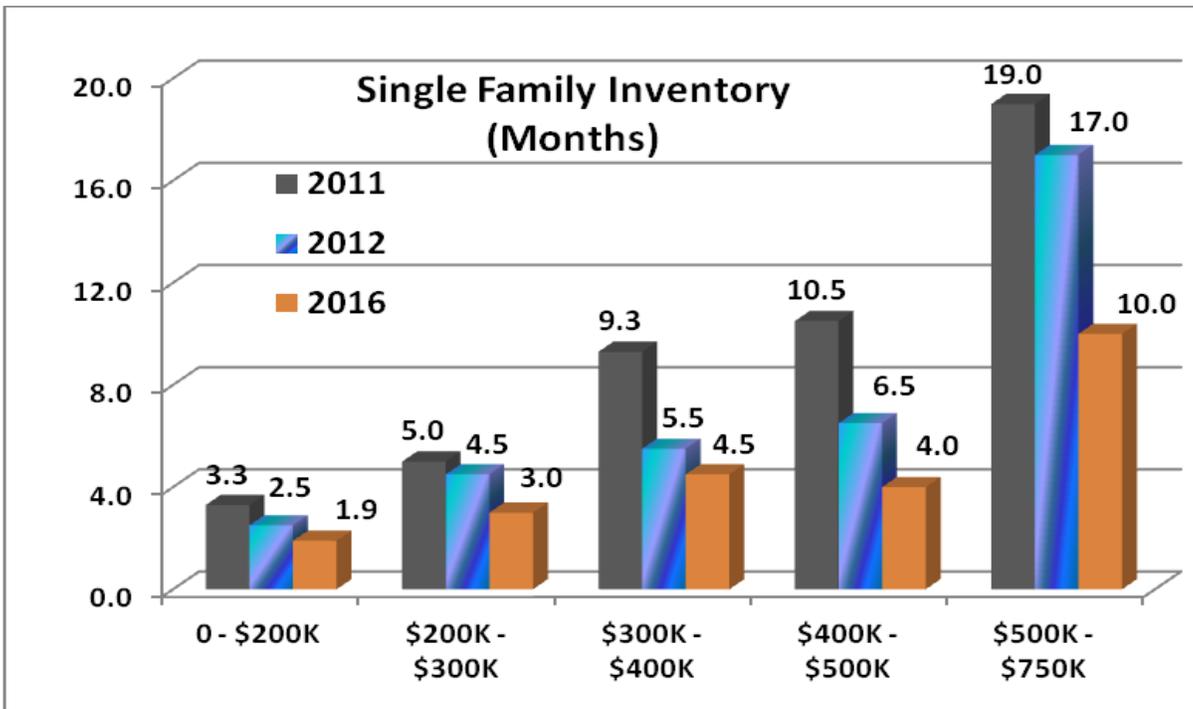
Mortgage lending is competitive in this market as in most markets. For the major banks, one cannot easily differentiate between a bank loan (commercial, HELOC, etc.) and a mortgage loan since they record all loans in the name of the bank. For mortgage companies, we can simply count the Deeds of Trust in the respective names of the mortgage companies. Below is a comparison for 2016 of mortgage lending activity for the largest non-bank mortgage lenders. The three leading mortgage lenders by the numbers of loans made are Fidelity Mortgage, Guild Mortgage and Major Mortgage.

Total lending activity in Mesa County improved this year with a total of 7794 loans recorded affecting real property, up 13% from 6822 loans filed last year. Lending volume has vacillated up and down since 2010 and is currently experiencing an up-trend. Given a stable population level, lending is an indicator of economic health and confidence of a community. There has been progress in Mesa County for the last two years even with heightened borrower requirements for the mortgage sector. The community has a balanced representation of lenders at the national, regional and local levels.



Inventory Shrinks (Source: MLS)

Inventory as measured by the number of months to sell existing listed properties for a particular price segment is particularly tight for properties listed under \$400,000. There is barely a 2-month inventory for properties listed for sale at \$200,000 and below, and only 4 months inventory for the \$400K-\$500K segment. The graph below provides some perspective from 2011 and 2012 with inventory shrinking in all price ranges in 2016. For properties above \$750,000, there is a 27-month inventory. It is understandable why Realtors are "shaking the bushes" for more listings. A six-month inventory generally connotes an even balance between seller and buyer control over the market segment and is considered an optimum time frame for an average listing to result in a sale. In this case, neither the buyer nor seller can make extra demands on the other party in regard to price.



Forecast for Mesa County in 2017

We do not see a downside to market influences for 2017. Interest rates may edge up slightly but not to an extent to greatly affect purchasers of resale or new homes. Economic development has found renewed footing in Mesa County and we predict millennials taking a bigger role in new job growth. The broadband game plan will take shape and attract a new group of employees that choose to work remotely from the Grand Valley and eschew lunch for the Lunch Loop. There has been a slow-brewing new vibe in Mesa County and it will start to pay dividends for real estate sales and home building, and the economy in general.

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