

Valley real estate outlook mostly bright for 2014, but ag could lag

BY TIM SHEEHAN

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Real estate pros say 2014 is looking like a strong year for their business, whether the market is for commercial, residential or industrial property.

For agricultural land, however, there are worries that values could be shaken by California's record water shortage and how the U.S. economy may affect crop exports.

Speakers at the Fresno Economic Development Corporation's 11th annual Real Estate Forecast on Wednesday evening were generally upbeat about where the market is heading. While not fully recovered from a four-year economic storm between 2007 and 2011, property values and market activity are on the increase this year, building on a prosperous 2013.

"2013 was the best year for many of us since 2007," said Bobby Fena, a principal with Colliers International and one of the masters of ceremonies for the forecast event at the Radisson Hotel conference center in downtown Fresno.

Scott Leonard, president and CEO of Fresno's Guarantee Real Estate, said that as recently as 2011, the residential market was dominated by distressed sales -- almost 60% of homes sold had either been foreclosed or were short sales on which owners owed more than the property was worth.

So far this year, Leonard said about 80% of sales that are closing are traditional sales, "and I think we're likely to see that increase to 90% by the end of 2014."

In fact, of the 20,000 homeowners who lost their properties to foreclosure or short sales between 2007 and 2011, many are becoming eligible to borrow for mortgages once again. "That big wave of people is coming back into the market," he said.

Over the past two years, median home prices have climbed dramatically, by as much as 20 to 25% each year -- a level that Leonard described as unsustainable. This year remains a seller's market, but rising interest rates are helping to temper home prices to a more realistic rate of increase. "I believe that by the end of this year, we'll see the number of sales about 3% more than 2013, and about a 5% increase in median price," he said.

While other experts forecast improvement in commercial, retail, and apartment-investment property, agricultural land specialist Stanley Kjar of Pearson Realty said that water concerns could have a major effect on farm prices in the short term.

"We're already seeing people move out of areas where water is not plentiful, on the west side of the Valley, and moving to the east side where water is more available," Kjar said.

But that doesn't mean the bottom is falling out on the west side. "Right now there are still a lot of active investors in the market buying a lot of ground on the west side, even with the water concerns," Kjar said. "There are a lot of people who have been farming the west side for years, and they've gone through this a time or two."

"This (water shortage) is a little more critical than in the past, but there's a lot of hope that California will develop new water sources or that the state will be more conscious of the farmers in the area," he said.

An improving U.S. economy that makes the dollar stronger against foreign currencies could also affect farm property values if it drives down the export market for agricultural products. "For example, 70% of the almonds grown in California are exported," he said. "If exports drop, you're going to see a decline in real estate for almonds."

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