

The 2011 Reappraisal: Property Values in a Declining Market

By Brad Hughes, County Assessor



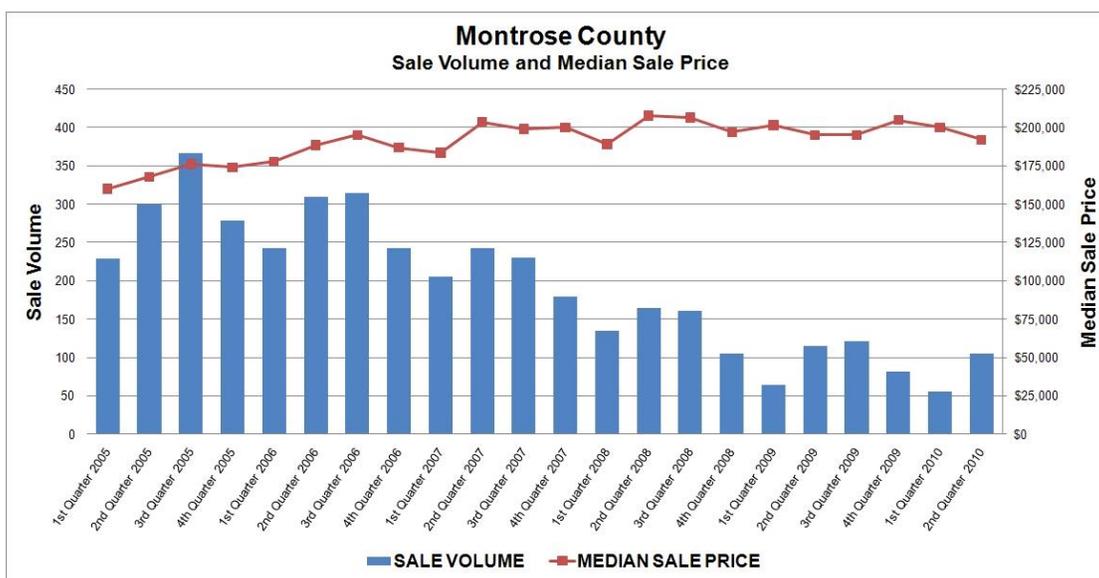
Under Colorado law, county assessor's offices throughout the state conduct a complete revaluation of all properties in their county every two years. The Colorado Legislature sets the appraisal date, the market sales data collection period, and the annual calendar for the assessment process.

The previous revaluation was completed in 2009 and was based on a June 30, 2008 level of value. These valuations were established using market sales data from January 1, 2007 through June 30, 2008 and were used for tax years 2009 and 2010 (payable in 2010 and 2011 respectively). As a result of the assessment calendar, property tax assessment valuations will always lag behind current market conditions.

The current revaluation is based on a June 30, 2010 level of value. The new values have been established using market sales data from January 1, 2009 through June 30, 2010 and will be used for tax years 2011 and 2012 (payable in 2012 and 2013 respectively). The initial decline in property values, which occurred prior to June 30, 2010, is reflected in the new valuations. However, any continued downward market conditions that have occurred between June 30, 2010 and today cannot be considered at this time.

All classes of real property, with the exception of agricultural land, experienced a decrease in value between June 30, 2008 and June 30, 2010. Vacant land experienced the greatest decrease in value, declining about 20% during the timeframe. The large decrease in vacant land valuations can be attributed to an oversupply of subdivided lots accompanied by lack of demand for new residences. Residential property decreased an average of 9% during the same two year timeframe. Sales occurring after foreclosure and short sales undoubtedly impacted existing home values. One in every five residential sales used for revaluation analysis involved a financial institution. During the two year interval, commercial property values declined an average of 10%. The commercial market experienced a decline in rental rates, an increase in vacancy rates, and higher capitalization rates.

An important factor to understand regarding the new valuations is the difference between a decrease in the volume of sales activity versus a decrease in selling prices. Over the past several years there has been a definite decrease in the overall number of sale transactions, however, the sale prices of these transactions have not declined by the same magnitude. (See graph)



After receiving your new Notice of Valuation in May 2011, please review the change in value. If you disagree with the revised valuation, there are detailed appeal procedures on the back of the notice. If you have any additional questions, concerns, or comments please call the Montrose County Assessor's Office at (970) 249-3753 or email us at assessor@montrosecounty.net