

THE GROUP INC.

# REAL ESTATE

## Insider



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### 2007 – Year of Challenge and Opportunity

The Northern Colorado real estate market presented both challenges and opportunities for consumers in 2007. Home sales totaling 8,421 in the region were driven by low interest rates, good selection and value for buyers, and continued in-migration and job growth. The region will face challenges again in 2008, but is poised to continue its recovery and will fare better than much of the country.

### 2007 Highlights

1. **Record Employment** – Employment in Larimer and Weld counties rose to 282,636 in 2007, an increase of 1.5%. Despite the increase in employment, the unemployment rate increased to 3.8% in Larimer County and 4.6% in Weld County, below state and national levels. There is a trend toward an increasing number of commuters and workers in home offices.
2. **Record Home Prices** – The average price of a home in Northern Colorado increased to \$242,298, up 2% from \$240,019 one year ago. New homes averaged \$321,100 in Larimer County and \$286,500 in Weld County.
3. **Vacancy Down, Rents Up** – After a year of higher-than-normal vacancy and declining rents in the residential market, improvements began occurring mid-year in 2007. In Fort Collins the vacancy rate was at 4.9%, down from 8.9% the previous year; in Loveland 5.9% down from 8.0%. Greeley saw a slight increase in vacancy rate from 7.3% in 2006 to 8.1% in 2007.
4. **Commercial Momentum** – In 2007 almost 50% of the dollars spent on commercial real estate came from out of state buyers. National developers are making a major mark with retail growth. Industrial, office and retail vacancy are all lower than national levels.
5. **National Recognition** – Top rankings on national lists put Northern Colorado on the radar screen of companies and individuals thinking of relocating. Our educated workforce is attractive to biotech, energy and technology firms who have announced plans to begin or expand operations. *Fast Company Magazine* praised Northern Colorado and Fort Collins as a research center that has generated an exceptional number of patents (4 times the US Average).

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**Fort Collins/Wellington**

Year	# of Homes	% Change	Dollar Value	% Change	Average Sales Price	% Change
2003	3,821	-8%	\$873,255,500	-4%	\$228,541	+5%
2004	4,087	+7%	\$942,415,724	+8%	\$230,589	+1%
2005	4,008	-2%	\$983,941,789	+4%	\$245,494	+6%
2006	3,701	-8%	\$920,687,503	-6%	\$248,767	+1%
2007	3,613	-2%	\$916,175,623	-0.5%	\$253,578	+2%

**Loveland/Berthoud**

Year	# of Homes	% Change	Dollar Value	% Change	Average Sales Price	% Change
2003	1,976	-3%	\$438,846,011	-2%	\$222,088	+2%
2004	2,162	+9%	\$514,310,240	+17%	\$237,886	+7%
2005	2,142	-1%	\$531,754,516	+3%	\$248,251	+4%
2006	1,820	-15%	\$464,160,780	-13%	\$255,033	+3%
2007	1,782	-2%	\$479,925,500	+3%	\$269,318	+5%

**Greeley/Evans**

Year	# of Homes	% Change	Dollar Value	% Change	Average Sales Price	% Change
2003	2,352	-5%	\$404,866,176	0%	\$172,137	+5%
2004	2,214	-6%	\$392,171,143	-3%	\$177,132	+3%
2005	2,225	+0.5%	\$407,305,044	+4%	\$183,058	+3%
2006	1,857	-16%	\$324,713,094	-20%	\$174,859	-5%
2007	1,704	-8%	\$281,539,881	-13%	\$165,223	-6%

**Windsor**

Year	# of Homes	% Change	Dollar Value	% Change	Average Sales Price	% Change
2003	517	+16%	\$114,615,015	+17%	\$221,692	+1%
2004	557	+8%	\$131,992,749	+15%	\$236,971	+7%
2005	705	+27%	\$219,181,664	+66%	\$310,896	+31%
2006	701	0%	\$223,702,916	+2%	\$319,120	+3%
2007	660	-6%	\$219,222,307	-2%	\$332,155	+4%

**Ault/Eaton/Johnstown/Kersey/Milliken/Mead/LaSalle**

Year	# of Homes	% Change	Dollar Value	% Change	Average Sales Price	% Change
2003	799	+12%	\$166,862,565	+17%	\$208,839	+5%
2004	860	+7%	\$180,009,097	+7%	\$209,312	0%
2005	795	-8%	\$172,302,909	-4%	\$216,733	+3%
2006	707	-11%	\$159,017,056	-8%	\$224,918	+4%
2007	662	-6%	\$143,527,537	-10%	\$216,809	-4%

The number of "homes sold" is defined as "purchased dwelling units" and includes both new and resale single-family homes, town homes, condominiums, and patio homes. Change in average sales price is not the same as appreciation.

**Residential Building Permits**

City	Single Family			Multi-Family		
	2005	2006	2007	2005	2006	2007
Fort Collins	735	458	408	244	419	211
Greeley/Evans	724	367	179	331	67	215
Loveland	754	445	281	118	429	0
Windsor	451	331	224	42	167	0

**Commercial Vacancy Rates**

	Fort Collins		Loveland		Greeley		Windsor	
	1/07	1/08	1/07	1/08	1/07	1/08	1/07	1/08
Industrial	10.0%	5.0%	10.0%	5.0%	14.0%	13.0%	7.0%	5.0%
Retail	8.0%	7.0%	10.0%	4.0%	13.5%	5.0%	12.0%	10.0%
Office	13.0%	10.0%	9.0%	13.0%	9.0%	7.0%	9.0%	4.0%

## Forecast for 2008

Continued low interest rates, projected growth in employment, and quality of life throughout this part of the state will continue to be the drivers of real estate sales. These economic indicators, along with rising residential rents and falling vacancy historically indicate an improving market. Inventory will continue to balance throughout Northern Colorado as builders limit their supply, and foreclosures are absorbed.

While all of our challenges are not behind us, signs point to improvement. Builders, developers, buyers, sellers and investors who do their homework will find opportunity in this market. On the horizon we see pent up demand and even inventory shortages in some price ranges and neighborhoods as the economy recovers nationally. Here are our predictions for 2008:

### 2008 Residential Sales Forecast

Prediction	Fort Collins	Loveland	Greeley/Evans	Windsor	Ault/Eaton/Johnstown/Mead Kersey/Milliken/LaSalle
Number of home sales	3,685	1,800	1,636	673	596
Residential sales volume	\$953,125,250	\$489,620,124	\$259,492,635	\$226,893,419	\$124,049,437
Average sales price	\$258,650	\$272,011	\$158,614	\$337,137	\$208,137

## Trends for 2008

1. **Good Market** – The media will continue to be relentless about a ‘gloomy’ national real estate market, but opportunity awaits those who are ready to buy in our improving local market. Buyers and tenants expect quality, value, design and ‘wow!’ As usual, sellers, builders, and landlords must put their best product out there. Those who do will reap the benefits.
2. **Design Power** – Today’s buyers expect the latest features in both new and resale homes. Consumers want to be ‘dazzled’ and ‘excited’ !

Well maintained and maintenance free homes with interesting interiors and exteriors attract buyers. Daring colors, the abundant use of natural materials, outdoor amenities (patios, fireplaces, cooking areas) to extend the living area, extra garage space, and views add ‘WOW’ to a home. Green design is being fueled by a growing concern for resources and human health.

White walls, dated kitchens and baths, worn-out carpet, and dirty anything are sure turn-offs for today’s buyers. If the home needs work or updating, it must be priced accordingly in this market.

3. **Apartment Rents** – The stricter lending rules and the slow-down in entry level housing construction have kept some renters from purchasing. Vacancy will decline and rents will continue to increase modestly.
4. **Commercial Market** – National developers, retailers and investors are interested in our area as is evidenced by construction along the I-25 corridor and the Harmony corridor. Much of the construction is retail oriented but about one million square feet of new office space is also planned. Some office developers will delay their construction starts. Job growth will help with absorption, but expect an over supply through 2008. Industrial space will be in demand to support service companies and distributors.

5. **Advice for:**

**Sellers** – Buyers are selective and sophisticated. Houses that are in ‘sale condition’ (clean, repaired, painted, etc.) and properly priced will have the advantage. Have your home pre-inspected to avoid any surprises, be aware of sub-markets, and price accordingly.

**Buyers** – Get pre-approved for a mortgage and be ready to purchase when you find what you want to buy. Be educated about the market. With the lowest rates since 2000, now is an excellent time to purchase. Foreclosures can offer opportunity for patient and prepared shoppers, and the most desirable homes will often generate multiple offers.

**Builders** – Continue to watch your supply and build floor plans with design elements that today’s buyer is looking for. Buyers expect high quality work and excellent customer service.

**Developers** – “Big” amenities and a sense of community are attracting today’s buyers – golf courses, walking trails, fishing ponds, and gathering areas. Buyers want large lots with views.

**Investors** – With record low interest rates and rising rents, this is an excellent time to purchase investment property. Look for well located properties in good condition. Clean properties that are competitively priced rent the fastest. Fix and flip is can work if priced properly, and expect to see investment groups buying homes in numbers, banking on future appreciation.

6. **Interest Rates** – We expect that mortgage rates for 2008 will be volatile with a much wider range than in the past few years. We anticipate the bottom on 30 year fixed rate mortgages to be near 5% with occasional spikes in the high 6% range. Additionally, anticipated Fed Rate Cuts could cause the yield curve to steepen which would benefit the 3 year and 5 year adjustable rate mortgages.

7. **Markets to Watch** – New neighborhoods in Timnath are attracting buyers from throughout Northern Colorado. Others markets of interest include investment property, areas in proximity to new schools, affordable Old Town Fort Collins properties, and proposed Town Centers – Presidio in Fort Collins and Grand Station at Centerra.

8. **Economic Drivers** – (a) Job growth in construction, retail, health care, technology; (b) a ready talent pool of skilled workers; (c) low interest rates; (d) quality of life.

Next year, when we look back on 2008, we think it will have been a better year in local real estate than many expected.

*If you know someone who would like to receive this newsletter, please call me.*



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