



THE GROUP INC. REAL ESTATE

Insider

A PUBLICATION OF
THE GROUP, INC.

Northern Colorado Makes 'Soft Landing' in 2006

January 2007

As expected, the Northern Colorado real estate market moved toward a "soft landing" in 2006. Increased average sale prices, decreased volume and dropping inventory point toward a normalization of the market over the next several quarters. Home sales totaled 9,735 (5,521 in Larimer and 4,214 in Weld) influenced by low interest rates, quality of life and a resilient and diversified Northern Colorado economy. Foreclosure rates, particularly in Weld County, were among the nation's highest.

AREA	HOMES SOLD '06	DOLLAR VOL '06	AVERAGE PRICE '06
Fort Collins/Wellington	3,701	920,687,503	\$248,767
Greeley/Weld	3,521	730,978,806	\$207,605
Loveland/Berthoud	1,820	464,160,780	\$255,033
Windsor	693	220,753,731	\$318,548
Totals	9,735	2,336,580,820	\$240,019

2006 Highlights

- Record Employment.** Despite job losses in some sectors of the economy, employment in Larimer and Weld counties rose to 280,481 in 2006, an increase of 5.23%. The unemployment rate dropped to 3.4% in Larimer County and 3.8% in Weld County. The number of people employed in Northern Colorado has increased by more than 55% since 1991.
- Record Home Prices.** The average price of a home in Northern Colorado increased to \$240,019, up 2% from \$235,429 one year ago. New home sale price average for Larimer was \$308,400, an increase of 10% from 2005; and Weld's was \$277,300, an increase of 8% from 2005.
- Commercial Momentum.** I-25 Corridor (Main Street)/ Crossroads, Centerra (I-25/ U.S. 34), the U.S. 34 corridor and East Harmony Road are the hot spots for commercial development in Northern Colorado. The I-25 and U.S. 34 area has the largest concentration of construction in Colorado at the present time.
- National Recognition.** Top rankings on national lists put Northern Colorado on the radar screen of companies and individuals thinking of relocating. The one gaining the most attention was Money Magazine naming Fort Collins the "Best Place to Live in America."

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Fort Collins/Wellington Residential Sales Statistics

Year	# of Homes	% Change	Dollar Value	% Change	Average Sales Price	% Change
2001	4059	+ 10%	\$864,736,896	+ 21%	\$213,042	+ 10%
2002	4175	+ 3%	\$907,286,750	+ 5%	\$217,314	+ 2%
2003	3821	- 8%	\$873,255,500	- 4%	\$228,541	+ 5%
2004	4087	+ 7%	\$942,415,724	+ 8%	\$230,589	+ 1%
2005	4008	- 2%	\$983,941,789	+ 4%	\$245,494	+ 6%
2006	3701	- 8%	\$920,687,503	- 6%	\$248,767	+ 1%

Greeley/Weld Residential Sales Statistics

Year	# of Homes	% Change	Dollar Value	% Change	Average Sales Price	% Change
2001	3776	+ 17%	\$645,266,523	+ 24%	\$170,886	+ 6%
2002	3794	+ .5%	\$678,858,087	+ 5%	\$178,929	+ 5%
2003	3761	- 1%	\$710,750,905	+ 5%	\$188,979	+ 6%
2004	3840	+ 2%	\$759,980,195	+ 7%	\$197,911	+ 5%
2005	3885	+ 1%	\$794,017,139	+ 4%	\$204,380	+ 3%
2006	3521	- 9%	\$730,978,806	- 8%	\$207,605	+ 2%

Loveland/Berthoud Residential Sales Statistics

Year	# of Homes	% Change	Dollar Value	% Change	Average Sales Price	% Change
2001	1866	- 5%	\$392,471,195	+ 3%	\$210,327	+ 9%
2002	2045	+10%	\$445,880,256	+14%	\$218,034	+ 4%
2003	1976	- 3%	\$438,846,011	- 2%	\$222,088	+ 2%
2004	2162	+ 9%	\$514,310,240	- 17%	\$237,886	+ 7%
2005	2142	- 1%	\$531,754,516	+ 3%	\$248,251	+ 4%
2006	1820	- 15%	\$464,160,780	- 13%	\$255,033	+ 3%

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		
	2004	2005	2006	2004	2005	2006
Fort Collins	987	735	458	308	244	432
Loveland	866	754	445	137	118	429
Greeley/Evans	888	724	367	427	331	67

Commercial Vacancy Rates

Property Type	Fort Collins		Loveland		Greeley/Evans	
	1/1/06	1/1/07	1/1/06	1/1/07	1/1/06	1/1/07
Apartments	9.5%	8.9%	8.6%	8.0%	8.8%	7.3%
Office	13.4%	13.0%	5.0%	9.0%	20.8%	9.0%
Retail	4.9%	8.0%	1.9%	10.0%	5.8%	16.0%
Industrial	4.9%	10.0%	2.0%	1.0%	7.1%	15.0%

Forecast for 2007

Continued low interest rates, growth in employment and quality of life throughout this part of the state will continue to be the drivers of real estate sales in Northern Colorado. These indicators, along with rising residential rents and falling vacancy, have historically preceded an improving market.

While all of our challenges are not behind us (oversupply of new homes, lots and office space, and a high volume of vacant, foreclosed properties in Weld County) most signs point to improvement. Builders, developers, sellers and investors should do their homework before proceeding. Here are our predictions for 2007:

2007 RESIDENTIAL SALES FORECAST				
Prediction	Fort Collins	Loveland	Greeley/Weld	Windsor
Number of home sales	3,846	2,637	3,584	724
Residential sales volume	\$982m	\$691m	\$754m	\$237m
Average sales price	\$255,360	\$262,000	\$210,280	\$327,750

Trends for 2007

- 1. Good Market.** Very competitive with buyers and tenants expecting quality, value, design and “wow!” Large inventory will give them much from which to choose. Sellers, builders, and landlords must bring their “A” game. Those who do will reap the benefits.
- 2. Design Power.** Buyers today demand more design in their housing. The “wow” factor is expected in today’s world and those who provide it will do very well.

Turn-ons. Sizzle in all price ranges: slab granite, travertine tile, city scape cabinetry, tankless water heaters, resort-style/sanctuary dwellings with outdoor fireplaces and outdoor living spaces, lots of wood (anything but oak), warm color (anything but white), big amenities, views, large yards, ranch style.

Turn-offs. Overpriced and tired homes, laminate flooring, white walls, hollow core doors and anything of low quality, dated cut-up floor plans, clutter, vinyl, oak.

- 3. Apartment Rents.** An increase in the interest rates limits some would-be buyers. Vacancy has decreased (the 3Q of 2006 showed apartment vacancy rates at 8.9% in Fort Collins, 7.3% in Greeley, and 8.0% in Loveland. The 3Q of 2005 showed vacancy rates at 9.5% in Fort Collins, 8.8% in Greeley, and 8.6% in Loveland) As the rental market improves, expect a modest increase in rent of 2-4%.
- 4. Commercial Market.** As Northern Colorado makes itself known to the “outside” world, national players (developers, retailers and investors) are showing interest in our area. Almost 1 million square feet of new office space is planned for delivery soon with a heavy emphasis on properties along the I-25 business corridor. Absorption will not keep up with supply, but the job-growth numbers give cause for optimism.

To view additional information about The Group’s Real Estate Forecast go to:

www.thegroupinc.com

5. Advice for:

- **Sellers.** There is a lot of competition and the market is unforgiving. Buyers are selective and sophisticated. Get your house ready for the market (clean, paint, repair) BEFORE you put it on the market. Have your home pre-inspected to avoid surprises. Know the competition and price your home accordingly. Be aware of mortgage fraud: over asking-price offers are often a signal.
 - **Buyers.** Know the market, get pre-approved for a mortgage and be ready to purchase when you see what you want. This is the time to buy.
 - **Builders.** Know the market and watch your supply. Build products with the design elements today's customers expect. Buyers are selective and sophisticated. Provide excellent customer service.
 - **Developers.** Create resort-style neighborhoods with a sense of arrival and "big" amenities. Northern Colorado buyers like large view lots that will accommodate ranch style houses and 3-car garages.
 - **Investors.** Know the market, look for well-located properties in good condition and be ready to purchase when you find the right one. As always, competitively priced, clean properties rent the fastest. Fix and flip is more difficult right now. A better plan is to fix, hold and flip.
6. **Interest Rates.** Nationally, trillions of dollars in adjustable rate mortgages will adjust to higher rates this year. This will drive an active refinance market. Look for a small increase in mortgage rates this year, but not strong pressure in either direction that would create a barrier to an active market in 2007. Look also for a crackdown on mortgage fraud in Colorado – one of the factors creating the high number of foreclosures.
7. **Hot Markets.** Timnath will come on strong in 2007 with several new neighborhoods attracting buyers from Fort Collins and surrounding areas. Hot markets will continue in Windsor, Centerra, and east of I-25 between Harmony Road and Highway 257. The I-25 Corridor and U.S. 34 east of I-25 will see continued commercial growth.
8. **Economic Drivers.** (a) Commercial construction projects; (b) job growth in construction, retail, health care, small business and manufacturing; (c) a ready talent pool of skilled workers; (d) low interest rates. All of these indicators add to higher consumer confidence and "Another Year in Paradise."

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



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