

## Small Northern Colorado towns prepare for big futures

Some of Northern Colorado's smallest towns are finding success by getting in front of the inevitable. While residential construction is slowing in the region's bigger communities, Severance, Timnath and Wellington are experiencing exponential growth. Here's a snapshot of what's happening in each of these mini boomtowns:

- **Severance** – For 2 years this small town near Windsor has topped the U.S. Census Bureau's list of Colorado's fastest-growing communities. It now has an estimated population of 2,000, and more is on the way with the annexation of Hidden Valley, which could bring 860 homes and 2,500 residents. The town had issued 180 residential building permits as of mid-September, compared with 142 all of last year. Installation of a sewer line connected to Windsor, slated to begin this winter, could accommodate 11,000 new residents.
- **Timnath** – After the town board approved nearly 2,100 acres in annexations last year, this little town between Fort Collins and Windsor could swell from 223 people to nearly 12,000 residents in 15-20 years with the construction of 4,449 homes. It will also add a golf course and about 220 acres of commercial and mixed uses. Town Administrator Guy Patterson said enough of the land is dedicated to accommodate schools, public buildings, open space, roads and infrastructure for the growth.
- **Wellington** – Officials in this little town north of Fort Collins are pleased to see more rooftops going up. Population growth could bring more retail business and, therefore, more sales-tax revenue to fund services. As of Sept. 12, the town had issued 223 single-family building permits, compared with 204 at the same time last year and 279 for all of 2004. While the U.S. Census Bureau estimated the town's population at 2,786 in July '04, town officials say that number is around 4,700 now.

**Are you surprised?** We're not. At our Annual Real Estate Forecast in January, we identified the four Northern Colorado growth corridors to watch. They are: 1) I-25 from Wellington to Berthoud; 2) East Harmony Road from Fort Collins to Eaton; 3) U.S. 85 from Denver International Airport to Ault; 4) U.S. 34 from Estes Park to Greeley. All three small towns are situated along one or more of these growth corridors.

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## Real estate by the numbers

- **\$1 million** – How much Leo Hindery Jr., former chief executive of Yankees Entertainment and Sports Network, has cut the asking price for his 1,400-acre Lazy H Ranch in Larkspur, Colorado. The ranch, which includes a 17,000-square-foot home, 2-story horse arena and 16-stall barn, is now for sale for only \$12.6 million.
- **53 million** – The number of square feet of turf grass removed in Las Vegas after the city paid \$1 for each square foot of grass homeowners took out to reduce water use.
- **12<sup>th</sup>** – The ranking of Fort Collins-Loveland on the nation's Best Educated Technical Work Force list, while Boulder was No. 2, according to *Expansion Management* magazine. Fort Collins-Loveland ranked 10<sup>th</sup> for Top Metros for Scientists and Engineers Per Capita, and Boulder ranked 4<sup>th</sup>.
- **\$176 million** – The amount TIAA-CREF has agreed to pay for the Palomino Park Resort apartment community in Highlands Ranch, according to the *Rocky Mountain News*. The previous record for an apartment sale was \$90 million paid for the Riata Bel Mar Park apartment community in Lakewood in 2003. However, the \$150,000 per unit TIAA-CREF is paying pales in comparison with the \$180,700 per unit The Metro apartments in downtown Denver sold for, and the \$270,833 per unit a Cherry Creek high rise sold for earlier this year, according to the *Colorado Real Estate Journal*.
- **700,000** – The number of jobs, ranging from land surveyors to brokers, the real estate industry has created in the last 4 years, according to Economy.com.
- **25<sup>th</sup>** – *Runner's World* ranking of Fort Collins on its 25 Best Running Cities in America list.
- **11** – The years it will take to build out the remaining developable land in Summit County, at the rate permits are currently being issued, according to area appraisers/Realtors.

## Big deals around Northern Colorado

- Winston Hotels Inc. and Grand Heritage Hotel Co. are investing \$5 million in equity and financing \$13 million to buy Estes Park's historic Stanley Hotel. The partners are acquiring the hotel from New Stanley Associates LP, which purchased it in 1995 for \$2.85 million.
- Agilent Inc. has agreed to sell its Semiconductor Products Group, which employs 6,600 worldwide, to Kohlberg Kravis Roberts and Co. and Silver Lake Partners for \$2.66 billion. The sale should close by the end of the month. Of Agilent's 620 SPG employees in Colorado, the majority work in Fort Collins. The media has reported that the new owner plans to offer most of those employees jobs.
- Holcim Inc. auctioned off its land and water shares in LaPorte for \$16.8 million – \$9.2 million for 885 shares of Colorado-Big Thompson water and \$7.6 million for 2,886 acres (more than \$2,600 per acre) – in mid-September.
- Greeley Medical Clinic PC will move most of its 200 doctors, nurses and other employees to west Greeley. The clinic and North Colorado Cardiology PC, with 7 doctors, are teaming up to buy 17 acres at Promontory Business Park, with the clinic planning an 80,000-square-foot building and the cardiology doctors a 20,000-square-foot building. The clinic now has a 50,000-square foot building across from North Colorado Medical Center, and the cardiology practice is housed in a 9,000-square-foot building next to the hospital.
- Later this month, the Promenade Shops at Centerra in Loveland will open. This 681,000-square-foot lifestyle center will be the largest single retail development ever built in Northern Colorado.

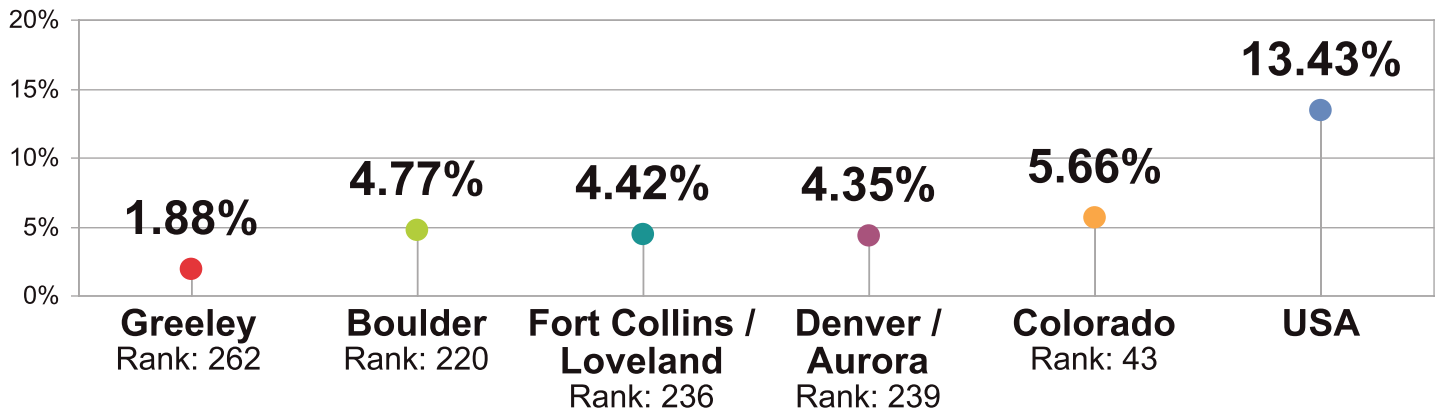
## Hurricane Katrina's impact on Louisiana's real estate

Just how much Hurricane Katrina has cost in human life and living remains to be seen. The monetary value of the homes and businesses destroyed by the storm reaches into the billions of dollars. Here are a few facts gathered from the media about the impact of Katrina and other acts of nature on the Gulf Coast:

- Louisiana has lost 1,900 square miles to the Mississippi River and the Gulf of Mexico since 1930, the *Wall Street Journal* reported.
- Judah Hertz, the president of Hertz Investment Group in Santa Monica, Calif., invested \$200 million into commercial real estate in New Orleans in the 3 years leading up to Hurricane Katrina. In fact, he had just spent \$99 million on 2 downtown towers in July, according to the *Wall Street Journal*. He's hopeful that the buildings are repairable and that insurance will cover the damage.
- When their city was flooded, more than 200,000 New Orleans residents flooded Baton Rouge, just 75 miles northwest of their home town, according to *USA Today*. The influx has increased the city's population to nearly 1 million, squeezed the housing and commercial market dry and driven up real estate prices. Other communities in Louisiana as well as other states like Texas are experiencing sudden growth as hurricane victims seek temporary or permanent homes elsewhere.

## Colorado resale home price index is sluggish

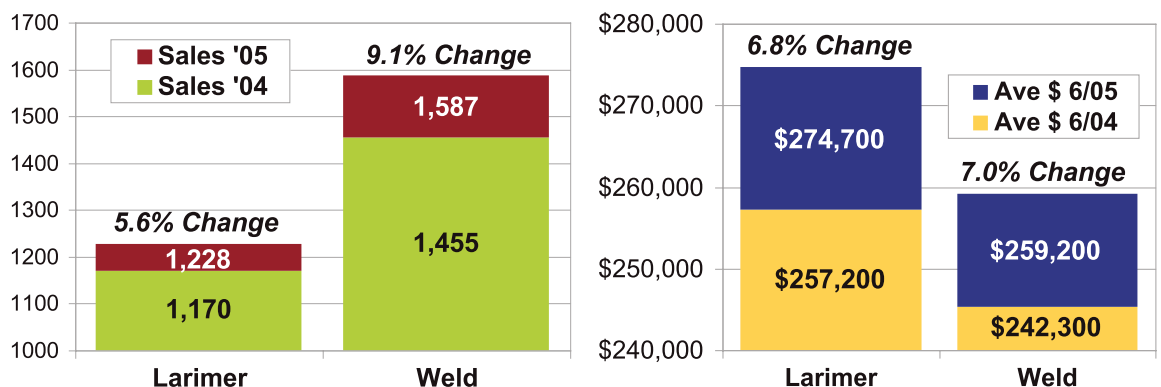
While the nation saw a 13.43% increase in resale home prices in the 2Q of 2005 compared with 2Q 2004 – the biggest increase in 25 years – Colorado didn't follow the trend, according to the Office of Federal Housing Enterprise Oversight. In fact, Greeley ranked 262 out of 265 metropolitan areas, with only a 1.88% increase. Colorado ranked 43<sup>rd</sup> out of the 50 states plus the District of Columbia. Visit [www.ofheo.gov](http://www.ofheo.gov) for more information.



Source: Office of Federal Housing Enterprise Oversight

## Regional new-home sales and prices rise

Northern Colorado saw an increase in both the number and the prices of new homes in the first 6 months of '05 compared with the same period in '04. Here are the numbers:



Source: David Laffoon, Home Builders Research, (303) 470-5220

# INSIDER VITAL SIGNS

A monthly snapshot of Northern Colorado's economic health

						Likely Direction in Next Six Months	Forecast	
<b>Mortgage Rates</b>						↑	More pressure for rates to rise than to fall, but not much movement in either direction.	
Sept. 15, 2005	5.74%							
Sept. 16, 2004	5.75%							
Sept. 18, 2003	6.01%							
<b>Existing Home Sales</b>						↔	Sales still strong but an oversupply in many market segments make it tough on some sellers.	
	Fort Collins	Greeley/Evans	Loveland	Windsor				
YTD Aug. '05	2,145	1,851	1,255	334				
YTD Aug. '04	2,196	1,768	1,309	351				
YTD Aug. '03	2,062	1,943	1,193	275				
<b>Housing Starts</b>						↔	Supply of new homes exceeds demand; builders will slow their pace the rest of the year.	
	Fort Collins	Greeley/Evans	Loveland	Windsor				
YTD Aug. '05	491	557	446	321				
YTD Aug. '04	650	694	502	301				
YTD Aug. '03	618	591	422	205				
<b>Average Single-Family Sales Price</b>						↑	Prices will continue to rise and will average 4% overall increase this year; however, some segments will be flat.	
	Fort Collins	Greeley/Evans	Loveland	Windsor				
YTD Aug. '05	\$265,995	\$194,207	\$254,287	\$318,450				
YTD Aug. '04	\$251,742	\$192,051	\$247,662	\$281,530				
YTD Aug. '03	\$247,175	\$181,960	\$232,531	\$255,058				
<b>Employment</b>						↑	Net jobs will continue to increase (more "hirings" than "firings").	
	Larimer County	Weld County	Colorado					
Aug. 05*	157,970	105,835	2.43m					
July 05	158,443	106,164	2.43m	*Not seasonally adjusted.				
Aug. 04	157,852	103,733	2.42m					
<b>Unemployment</b>						↓	Since 4% is considered full employment, we can drop only a little more.	
	Larimer County	Weld County	Colorado					
Aug. 05*	4.1%	4.7%	4.8%					
July 05	4.4%	5.1%	5.2%	*Not seasonally adjusted.				
Aug. 04	4.2%	5.0%	5.2%					
<b>Apartment Vacancy Rates</b>						↓	Will continue gradual decline but it will take a couple of years to absorb the excess rental inventory.	
	Fort Collins	Greeley	Loveland					
1Q 2005	12.9%	12.1%	10.5%					
1Q 2004	13.9%	14.5%	10.8%					
<b>Commercial Vacancy Rates</b>						↑	Rates will rise somewhat due to a dramatic increase in supply – especially in retail.	
	Spring '05			Spring '04				
	Fort Collins	Greeley	Loveland	Fort Collins	Greeley			Loveland
Industrial	4.7%	8.1%	2.4%	6.19%	7.14%			5.61%
Retail	5.12%	4.5%	1.85%	6.57%	8.2%			5.92%
Office	12.33%	10.8%	7.7%	11.13%	10.8%	16.86%		
<b>Sales and Use Tax*</b>						↑	Gradual improvement; improving faster in Loveland and Greeley than in Fort Collins.	
	Fort Collins	Greeley	Loveland	Windsor				
YTD Aug. '05	\$48.66m	\$29.8m	\$20.29m	Not Available				
YTD Aug. '04	\$47.53m	\$28.0m	\$19.11m	Not Available				
YTD Aug. '03	\$45.29m	\$58.4m	\$17.59m	Not Available				

\*Represents year's first seven months of receipts; includes taxes collected in January for December's receipts.

Sources: Freddie Mac; cities of Fort Collins, Loveland, Greeley and Evans; town of Windsor; Home Builders Association of Northern Colorado; Realtec Commercial Real Estate Services; Gordon E. Von Stroh; State of Colorado; IRES.