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What the Experts Say About Our Market

Recently the Northern Colorado Business Report presented their annual economic forecast for 2011. Offering their perspective on the National, Colorado and local Northern Colorado markets were Mark Snead, a Vice President at the Federal Reserve Bank, and John Green, a leading local economist. They both had a positive outlook on the economic picture in the United States, Colorado, and the Northern Colorado region. Here are some of the interesting points that they made:

- Economic data for Colorado is looking better and better by the day.
- The U.S. recovery appears more sustainable and stronger by the day.
- The estimate for U.S. GDP growth in the 4th Quarter is 3.1%. This would be the 6th quarter in a row of positive GDP growth.
- Retail spending in the U.S. has rebounded to 'normal' levels and consumer spending has been stronger than expected.
- Indications are that national mortgage delinquency rates have peaked and have started to decline- an excellent indicator of a recovering real estate market.
- The Federal Reserve confirms the end of the recession in Colorado.
- In Northern Colorado employment levels are expected to return to their peak by the end of 2012. The peak last occurred in 2008.
- Northern Colorado unemployment is expected to be at 6% at the end of 2011.
- Construction spending in Northern Colorado should see a little stronger recovery in 2011 and stronger yet in 2012.
- Interest rates are expected to increase this year.

POPULATION FORECAST

Metropolitan Statistical Area (MSA)

Northern Front Range

2010	564,319
2015	629,688
2020	717,224
2025	814,893

Source: dola.colorado.gov/demog

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Fort Collins/Wellington

Year	# of Homes Sold	% Change	Dollar Value	% Change	Average Sales Price	% Change
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%
2008	3,121	-14%	\$783,626,770	-14%	\$251,081	-1%
2009	2,923	-3%	\$699,252,210	-11%	\$239,223	-5%
2010	2,877	-2%	\$707,478,460	+1%	\$245,908	+3%

Loveland/Berthoud

Year	# of Homes Sold	% Change	Dollar Value	% Change	Average Sales Price	% Change
2005	2,048	-1%	\$509,190,492	+3%	\$248,628	+4%
2006	1,709	-17%	\$439,562,980	-14%	\$257,204	+3%
2007	1,535	-10%	\$376,943,056	-14%	\$245,565	-5%
2008	1,386	-10%	\$333,496,634	-12%	\$240,610	-2%
2009	1,335	-4%	\$301,738,889	-10%	\$226,021	-6%
2010	1,342	+1%	\$315,724,463	+4%	\$235,264	+4%

Greeley/Evans

Year	# of Homes Sold	% Change	Dollar Value	% Change	Average Sales Price	% Change
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%
2008	1,662	-3%	\$250,523,236	-11%	\$150,735	-9%
2009	1,671	+0.5%	\$232,955,393	-7%	\$139,410	-8%
2010	1,522	-9%	\$216,400,874	-7%	\$142,181	+2%

Windsor

Year	# of Homes Sold	% Change	Dollar Value	% Change	Average Sales Price	% Change
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%
2008	478	-28%	\$149,071,110	-33%	\$311,864	-7%
2009	495	+0.5%	\$141,649,327	-5%	\$286,160	-8%
2010	523	+5%	\$161,193,177	+14%	\$308,208	+7%

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

Year	# of Homes Sold	% Change	Dollar Value	% Change	Average Sales Price	% Change
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%
2008	652	-2%	\$130,212,087	-10%	\$199,711	-8%
2009	532	-19%	\$100,097,095	-23%	\$188,152	-6%
2010	503	-5%	\$95,759,711	-5%	\$190,377	+1%

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/depreciation.

Residential Building Permits

	Single-Family			Multi-Family		
	2008	2009	2010	2008	2009	2010
Fort Collins	264	140	171	524	4	6
Greeley/Evans	65	45	80	3	0	2
Loveland	145	68	125	97	6	32
Windsor	119	96	134	0	0	0
Timnath	62	41	64	0	0	0

Commercial Vacancy Rates

	Fort Collins		Loveland		Greeley		Windsor	
	Dec '09	Dec '10	Dec '09	Dec '10	Dec '09	Dec '10	Dec '09	Dec '10
Industrial	6%	5%	20%	17%	10%	11%	3%	6%
Retail	8%	6%	5%	5%	10%	10%	24%	19%
Office	14%	12%	13%	11%	8%	7%	6%	9%

Trends

- **Interest Rates** – Most experts believe that interest rates will rise in 2011. For example, the Kiplinger Letter expects rates to be at 5.5% by the end of June. Rising rates will impact both buyers and sellers and each have the ability to take advantage of low interest rates right now.
- **New Residential Construction** – Because new home closings have outpaced new home starts for several years in a row there is actually a shortage of new product in some price ranges. New home activity will increase as national builders take on a bigger presence in our market and as banks slowly begin to provide more lending to builders.
- **New Apartment Construction** – Low vacancy rates have caused an increase in new apartment activity. There will be several large apartment developments under construction in 2011.
- **Commercial** – An increasingly healthy Northern Colorado market and a surplus of cash inside corporations will mean more activity in the commercial market.
- **Dual Market** – Properties below \$300,000 will continue to be in high demand while properties above \$700,000 will see strong competition and fewer buyers.
- **Design** – Buyers today are attracted to smart, efficient designs with an emphasis on high-quality, durable finishes as opposed to purely square footage.
- **ACE** – It appears that Loveland and Longmont are finalists for the Aerospace and Clean Energy Manufacturing and Innovation Center which is estimated to create up to 7,000 jobs. This would create a tremendous stimulus to the Northern Colorado real estate market.

Advice

- **For Investors** – Investors who take a long-term approach are having success in today's market. The combination of historic lows in vacancy rates and interest rates has created an ideal situation for investors looking to own rental properties. Today's market dynamics for long-term investors are the best they have been in recent memory.
- **For Builders** – Large national builders understand the healthy dynamics of the Northern Colorado market and they will create a larger and larger presence here as time goes on. It is important for local builders to stay focused on their individual market niche. Also, because down payment requirements have increased, buyers today have less cash to spend after closing than they did a few years ago. This means builders today should consider including those items that buyers typically pay for out-of-pocket like landscaping, window coverings, and appliances.
- **For Buyers** – In an environment of rising interest rates, the biggest risk that exists for a buyer is waiting to buy. Even though prices are not appreciating rapidly, the costs brought on by rising interest rates are significant. Buyers should partner with professionals who can communicate the facts about the market and who can assist with pre-qualification for a loan. An effective plan at the beginning of the buying process will result in a confident decision when the opportunity presents itself.
- **For Sellers** – Rising interest rates will also affect sellers and their ability to attain their desired price as time goes on. Successful sellers in today's market have three things in common. First, they take the time to understand the market and view the competition through the eyes of a buyer. Second, they hire a professional who offers a detailed marketing plan and provides a thorough analysis of the market. And third, they commit to pricing the property at fair market value.

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



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Forecast

Today there is a considerable amount of optimism about the real estate market in 2011. The optimism is grounded in the reality of today's economic climate and the lessons learned from the past five years. The outlook is for the Northern Colorado market to continue to outperform the nation as a whole because of very strong fundamentals that exist here. The prediction is for moderate increases in all of our markets in both average price and number of transactions.

2011 Residential Sales Forecast

Prediction	Fort Collins	Loveland	Greeley/Evans	Windsor	Ault/Eaton/Johnstown/Mead Kersey/Milliken/LaSalle
Number of home sales	2,970	1,380	1,550	540	515
Residential sales volume	\$752,895,000	\$333,270,000	\$223,200,000	\$170,640,000	\$99,910,000
Average sales price	\$253,500	\$241,500	\$144,000	\$316,000	\$194,000

We forecasted 7,175 sales in 2010, 6,767 home were sold – an accuracy rating of 94%.

U.S. Home Prices

Here is an interesting look at U.S. home prices since 1991. Even though prices have declined recently, the appreciation rate for the last 20 years is essentially the same as the appreciation rate of the last ten years. This shows that, in the long run, home price increases can be predicted with a fair amount of certainty.

MONTHLY HOUSE PRICE INDEX FOR USA

Purchase-Only, Seasonally Adjusted Index, January 1991 to January 2010



Sources: www.fhfa.gov

