



REAL ESTATE INSIDER

Vol. 43, No. 1

LOOKING BACK ON 2018 IN NORTHERN COLORADO REAL ESTATE

Consistency has been a hallmark of Northern Colorado's real estate landscape in recent years. Factors such as rising home prices, housing construction activity in the region's smaller towns, continuing job growth, and a slim supply of homes for sale have shaped the market for multiple years running—and did so again in 2018. But last year also brought some interesting new twists on these familiar themes.

WHO NEEDS AMAZON? When Denver made the short list of cities for Amazon's HQ2 search (and the potential for 50,000 new jobs), much speculation followed about how it could impact Front Range housing, traffic, and more. As it turned out, Amazon went elsewhere, but job growth kept on clicking. Between Sept. 30, 2017, and Sept. 30, 2018, Larimer and Weld counties added nearly 10,000 jobs combined. And as history shows, all that job growth adds up to housing demand about 12-18 months later.

ZOOM, ZOOM! I-25 EXPANSION REVS UP Northern Colorado is a busy place for commuters, meaning those who live in one town and work in another. Between Boulder, Larimer and Weld counties, about 110,000 commuters cross county lines for their jobs. That's most evident if you're among those who sit in traffic on Interstate 25 every workday. But we're on the road to relief. Starting in September, the state of Colorado got to work on a \$300 million expansion project, adding a lane in each direction between Johnstown and Fort Collins. Due for completion in 2021, the extra pavement ought to help commuters pick up the pace.

MORTGAGE RATES MAKE AN IMPACT It seems economists have been expecting interest rates to go up for several years—and consequently affect housing decisions—and it happened in 2018. After starting the year about 4.15 percent, average rates for 30-year fixed rate mortgages climbed above 4.5 percent and even eclipsed the 5 percent threshold at one point in the fall. That matters to both buyers and sellers because every 1 percent hike in lending rates reduces purchasing power by 10 percent.

NOCO GOOD FOR BUYERS, GOOD FOR SELLERS Even with interest rates on the move, Northern Colorado still stands out as a great place to buy a home—and a great place to sell a home. According to financial website WalletHub, Fort Collins (18), Longmont (30), and Greeley (34) were among the nation's top-ranked towns for buying a home. One reason? Price appreciation. This makes them good places to sell. Realtor.com found Greeley-area owners who bought a home in the first half of 2017 turned an average profit of 10.3 percent one year later. Longmont owners averaged 13.5 percent, while Fort Collins and Loveland owners could expect 6.3 or 7.3 percent profit respectively.

SMALL TOWNS, BIG ATTRACTIONS Low inventories continued to be a limiting factor last year in the overall number of sales across Northern Colorado—just like 2017. For the year, all sales in 2018 were up just 1 percent. But also like 2017, one of our smaller sub-markets provided a notable exception in 2018. While Berthoud saw great growth in home construction and total sales in 2017, the Windsor-Severance market was a star in 2018, seeing an additional 450 sales, or 44.7 percent. The only other sub-markets to experience a gain in transactions were Greeley-Evans, at 2.1 percent, and Longmont at 1 percent.

2018 IN A NUTSHELL

- ↑ Average Price Up 5.9% to \$388,200
- ↑ Residential Sales Up 1% to 10,605
- ↓ Residential Inventory <\$500K is Below 6 Months in All Markets

SALES ACTIVITY BY MARKET

FORT COLLINS/TIMNATH/WELLINGTON

Year	# of Homes Sold	% Change	Dollar Value	% Change	Average Sales Price	% Change
2014	3,816	-2%	\$1,146,193,050	+6%	\$300,365	+8%
2015	3,721	-2%	\$1,264,256,756	+10%	\$339,763	+13%
2016	3,661	-2%	\$1,368,126,689	+8%	\$373,703	+10%
2017	3,826	+5%	\$1,519,178,696	+11%	\$397,067	+6%
2018	3,642	-5%	\$1,560,927,986	+3%	\$428,709	+8%

LOVELAND/BERTHOUD

Year	# of Homes Sold	% Change	Dollar Value	% Change	Average Sales Price	% Change
2014	1,977	-1%	\$556,336,704	+8%	\$281,405	+9%
2015	2,100	+6%	\$665,133,740	+20%	\$316,730	+13%
2016	2,050	-2%	\$720,546,555	+8%	\$351,486	+11%
2017	2,275	+11%	\$866,955,606	+20%	\$381,079	+8%
2018	2,076	-9%	\$827,626,036	-5%	\$398,664	+5%

GREELEY/EVANS

Year	# of Homes Sold	% Change	Dollar Value	% Change	Average Sales Price	% Change
2014	2,280	+17%	\$461,049,659	+34%	\$202,215	+14%
2015	2,450	+7%	\$550,163,302	+19%	\$224,556	+11%
2016	2,480	+1%	\$627,355,272	+14%	\$252,966	+13%
2017	2,162	-13%	\$600,752,248	-4%	\$277,869	+10%
2018	2,207	+2%	\$665,638,003	+11%	\$301,603	+9%

WINDSOR/SEVERANCE

Year	# of Homes Sold	% Change	Dollar Value	% Change	Average Sales Price	% Change
2014	787	-4%	\$273,390,928	+5%	\$347,384	+9%
2015	824	+5%	\$311,164,717	+14%	\$377,627	+9%
2016	1,021	+24%	\$398,487,589	+28%	\$390,291	+3%
2017	1,007	-1%	\$437,281,979	+10%	\$434,242	+11%
2018	1,457	+45%	\$612,132,404	+40%	\$420,132	-3%

AULT/EATON/JOHNSTOWN/KERSEY/LASALLE/MEAD/MILLIKEN

Year	# of Homes Sold	% Change	Dollar Value	% Change	Average Sales Price	% Change
2014	1,279	+21%	\$334,731,851	+36%	\$261,714	+12%
2015	1,134	-11%	\$330,482,439	-1%	\$291,431	+11%
2016	1,035	-9%	\$327,055,340	-1%	\$315,995	+8%
2017	1,226	+18%	\$424,002,610	+30%	\$345,842	+9%
2018	1,224	0%	\$450,531,443	+6%	\$368,081	+6%

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

RESIDENTIAL BUILDING PERMITS

	Single-Family (Attached and Detached)		Multi-Family Units	
	2018	2017	2018	2017
Fort Collins	415	583	898	695
Loveland	237*	285	785*	36
Greeley	338	111	199	238
Windsor	485*	516	60*	414
Berthoud	426	435	0	-
Timnath	200	269	112	-
Wellington	101	188	50	-

*Numbers through November only.

VACANCY RATES

Commercial	Fort Collins Area		Loveland Area		Greeley Area		Longmont Area	
	Dec '18	Dec '17	Dec '18	Dec '17	Dec '18	Dec '17	Dec '18	Dec '17
Industrial	3.0%	2.4%	3.0%	14.6%	3.0%	2.4%	2.9%	3.9%
Retail	5.6%	4.3%	4.7%	3.3%	5.6%	4.7%	5.8%	4.0%
Office	7.2%	5.2%	9.0%	9.5%	9.3%	4.1%	9.2%	8.6%

Source: CoStar.

Residential	Fort Collins Area Q4 2018	Loveland Area Q4 2018	Greeley Area Q4 2018
	9%	10%	4.3%



2019 TRENDS

HERE THEY COME, AGAIN Attracted by one of the country’s best economies coupled with its majestic mountain backdrop, people will keep moving to Colorado. The state was No. 8 on United Van Lines’ ranking for inbound migration last year, and it was No. 3 for net migration of millennials. We don’t see a reason for that to change in 2019.

CREATIVE MORTGAGE-MAKING As interest rates inch up, homebuyers will be looking to get the most out of their buying power and sellers will be looking to make a deal. With tactics such as sales concessions or mortgage rate buydowns, the conditions are ripe for more creative financing to make sales happen.

SLOWER PACE FOR HOME PRICES Remember double-digit price appreciation? Don’t expect it back again this year. Annual appreciation eased up in 2018 for most communities in Northern Colorado, and we expect that to resume in 2019, with growth rates likely to reach about 5 percent. Of course, some neighborhoods will be exceptions, but the regional market is normalizing.

RENTAL MARKET After years of rapidly rising rents, there are signs that monthly bills for tenants will moderate, or be flat – particularly in Loveland and Fort Collins. There are an increasing number of rental units to choose from.

CONDO COMEBACK When the Colorado General Assembly acted last year to relax the construction defect laws on condominium developers, it made it more feasible for investors to build more of these entry-level options for first-time homebuyers. It’s fair speculation that more condominiums will come under construction this year to help ease the long-running inventory squeeze in our area.

CRYPTOCURRENCY While the values of cryptocurrencies has experienced ups and downs, the underlying blockchain technology will emerge as the key element that will impact real estate in the future. How we record property ownership, or title, will change in the near future due to the advantages of these new digital ledgers.

2019 ADVICE

FOR SELLERS Buyers are looking for updated, properly priced homes in move-in condition. They like clean homes with a modern edge. Get advice from your Realtor® and don’t be insulted if changes are recommended; this is for you to SELL your home, not LIVE in it! Seriously consider using a stager, or get a qualified consultation, and take to heart the adage “You only get one chance to make a first impression.” Work with a local professional to determine pricing; don’t trust popular websites for accurate valuations! Price to sell and don’t overprice.

FOR BUYERS Don’t get hung up on the asking price. Not all sellers work with local real estate professionals, so sometimes the asking price can just be an arbitrary number and may not be tied to data as it should. Work with a reputable, local lender to assure your transaction goes smoothly and closes. Through the Group Mortgage, a joint venture between The Group Real Estate and Cornerstone Home Lending, Inc., we offer in-house processing, underwriting, and funding which simplifies the process. Don’t let lenders say you must put 20 percent down. There are options.

FOR INVESTORS Positive cash flow is out there. To find it, look to regional markets that are showing strong economic growth (e.g. jobs). Still, breaking even is worthwhile and represents solid cash flow. Stay on your toes, and when the right property in a good location is available, be ready to buy it. Be patient but get in the game. With prices increasing and interest rates rising, what are you waiting for?

FOR BUILDERS Our Partners constantly interact with potential homeowners, so they understand the changing landscape. They report buyers looking for energy-efficient properties with smart technology, ranch-style homes with main floor masters, high-quality or unique finishes not typically found in entry-level construction, along with patio homes. Get creative with smaller floor plans. Don’t increase prices and be ready to offer incentives. Builders can understand more about what buyers want by working closely with the Realtor® community.

Group Partners’ Design Trend Predictions

Rough edges

Black maple

*Blues moving away
from gray*

Textured vs. subway tile

*Moving away from white
to warmer neutrals*

Warm wood

*Light and bright yet cozy
and warm*

Mid-century modern

Quartz countertops

Antique brass

Clean lines

Integrated smart homes

*Smaller homes
with yards*

Energy efficiency

Green homes

Unique finishes

COMMERCIAL MARKET UPDATE

In 2018 – in the four commercial market sectors – **Retail** sales volume led with \$166 million in Northern Colorado, up from \$163M in 2017; the **Office** category showed the largest year-over-year increase at \$116M up from \$67M, in 2017; **Industrial** saw \$95M in sales volume, up from \$89M in 2017, while **Land** sales registered \$119M, down from \$130M in 2017 and \$177M in 2016.

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



Horsetooth Office 970.223.0700
375 E. Horsetooth Road, Fort Collins, CO 80525

Harmony Office 970.229.0700 Mulberry Office 970.221.0700 Old Town Fort Collins Office 970.493.0700
 Centerra Office 970.613.0700 Loveland Office 970.663.0700



PRSRT STD
 U.S. POSTAGE
 PAID
 FORT COLLINS, CO
 PERMIT NO. 304



www.thegroupinc.com

RETURN SERVICE REQUESTED



Corporate NMLS 1170166 Office Phone 970.419.2374
 Regulated by the Division of Real Estate

2019 FORECAST

2019 is shaping up to be another positive year in the Northern Colorado real estate market. Our increasing population and robust job growth continue to drive the housing market. Though the number of transactions should flatten, prices and new home starts should continue their upward trend. The fundamentals of our region continue to make Northern Colorado a smart place to own real estate. Here are our predictions for 2019:

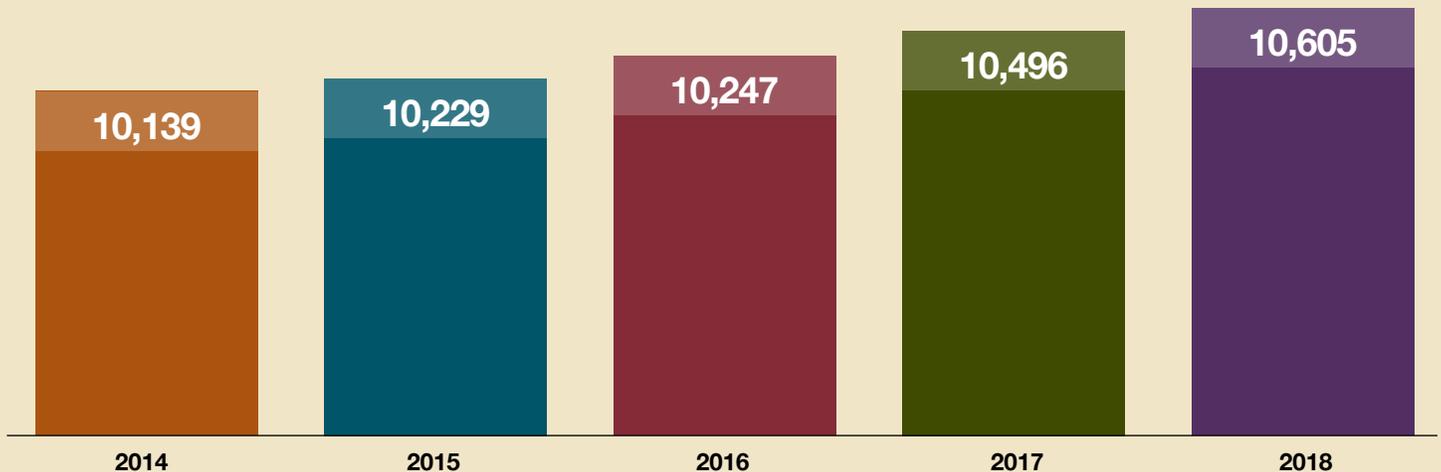
2019 Residential Sales Forecast

Prediction	Fort Collins/ Wellington/ Timnath		Loveland/ Berthoud		Greeley/ Evans		Windsor/ Severence		Ault/Eaton/Mead Johnstown/Kersey Milliken/LaSalle	
		% Change		% Change		% Change		% Change		% Change
Number of Home Sales	3,678	+1%	2,117	+2%	2,273	+4%	1,312	-10%	1,225	0%
Average Sales Price	\$450,144	+5%	\$414,610	+4%	\$319,700	+7%	\$428,534	+2%	\$386,485	+5%

2018 FORECAST ACCURACY

Our prediction for residential transactions in the Northern Colorado real estate market in 2018 was 95.27% accurate. We forecasted 11,132 sales and 10,605 sales actually occurred in 2018. The average home price market-wide was \$388,200. Our prediction was \$390,998 (99.28% accurate).

FIVE-YEAR RESIDENTIAL TRANSACTION HISTORY - NORTHERN COLORADO REAL ESTATE MARKET



Source: MLS. Numbers are for residential and attached sales only.

