

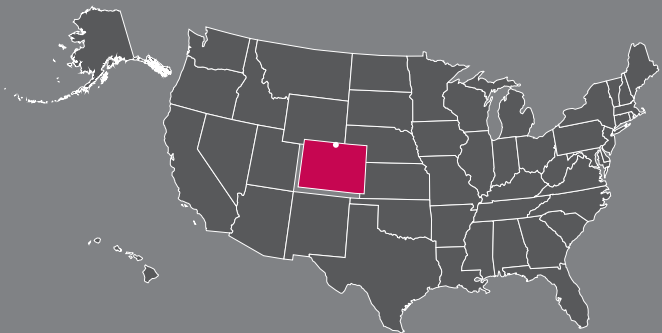
HUD PD&R Housing Market Profiles

Fort Collins, Colorado



Quick Facts About Fort Collins

- **Current sales market conditions: tight.**
- **Current apartment market conditions: slightly tight.**
- **Estes Park, a town in the Fort Collins metropolitan area, is the gateway to Rocky Mountain National Park (RMNP) and is a base for tourism in the area. Direct travel spending averaged nearly \$620 million annually during 2015 and 2016, up 8 percent from the average during the previous 2 years (Dean Runyan Associates).**



By Sam Young | As of October 1, 2017

Overview

The Fort Collins metropolitan area is coterminous with Larimer County in north-central Colorado. The metropolitan area is home to Colorado State University (CSU), the second largest university in the state, and RMNP, the fourth most visited national park in the country (National Park Service). CSU is the largest employer, with 7,225 employees and on-campus enrollment of 26,200 students in the spring of 2017.

- As of October 1, 2017, the population of the Fort Collins metropolitan area is estimated at 347,400, an average increase of 6,375, or 2.0 percent, annually since April 2010.
- Approximately 75 percent of population growth since 2010 was from net in-migration, which averaged 4,950 people a year. Net in-migration averaged 4,425 people from 2010 to 2014 and surged nearly 30 percent to an average of 5,675 people a year since 2014, partly in response to strong economic growth.
- Student households comprised an estimated 13 percent of renter households in the metropolitan area, living primarily near the CSU campus. Enrollment has increased 1 percent annually since 2010, and the university budget grew 5.3 percent for fiscal year 2017 to \$1.11 billion (CSU, Institutional Research, Planning and Effectiveness).



Growth occurred in nearly every sector in the Fort Collins area during the third quarter of 2017.

	3 Months Ending		Year-Over-Year Change	
	September 2017 (thousands)	September 2017 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	162.9	169.7	6.8	4.2
Goods-producing sectors	24.9	26.1	1.2	4.8
Mining, logging, and construction	11.5	12.5	1.0	8.7
Manufacturing	13.4	13.7	0.3	2.2
Service-providing sectors	138.0	143.6	5.6	4.1
Wholesale and retail trade	23.2	23.6	0.4	1.7
Transportation and utilities	3.2	3.4	0.2	6.2
Information	2.8	2.8	0.0	0.0
Financial activities	6.7	7.0	0.3	4.5
Professional and business services	20.5	20.6	0.1	0.5
Education and health services	16.7	17.5	0.8	4.8
Leisure and hospitality	22.4	25.0	2.6	11.6
Other services	5.9	6.1	0.2	3.4
Government	36.6	37.6	1.0	2.7
	(percent)	(percent)		
Unemployment rate	2.7	1.9		

Note: Numbers may not add to totals because of rounding.
Source: U.S. Bureau of Labor Statistics

Economic Conditions

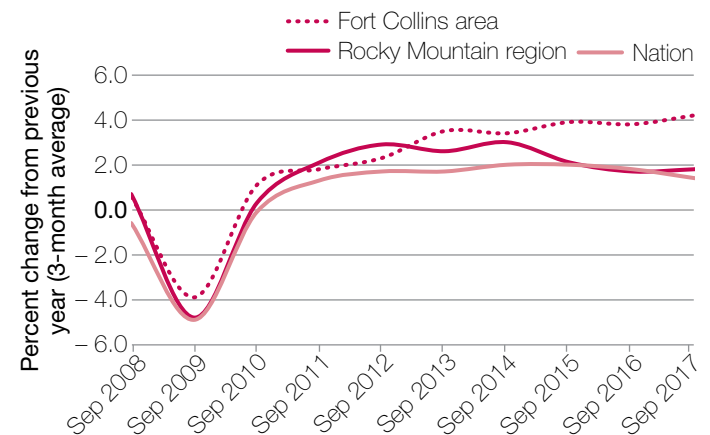
Economic conditions in the Fort Collins metropolitan area have been strong since 2010, and the rate of nonfarm payroll growth increased during 2017. Nonfarm payroll growth following a single year of job losses during 2009 averaged 2.7 percent annually from 2010 through 2016, higher than the rate that occurred from 2003 through 2007, when nonfarm payroll growth averaged 1.6 percent annually.

During the third quarter of 2017—

- Nonfarm payrolls increased by 6,800 jobs, or 4.2 percent, to 169,700 compared with a year earlier. The unemployment rate averaged 1.9 percent during the same period, down from 2.7 percent a year earlier. The Fort Collins metropolitan area had the second lowest unemployment rate in the country, behind Fargo, North Dakota.
- The leisure and hospitality sector added the most jobs and grew by the greatest percentage compared with the same period a year earlier. Sector payrolls increased by 2,600 jobs, or 11.6 percent, to average 25,000 jobs.
- Government payrolls increased by 1,000 jobs, or 2.7 percent, to average 37,600 jobs; of the jobs added, 600 were in the state government subsector. Government is the largest employment sector in the metropolitan area, accounting for 24 percent of

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Nonfarm payroll growth in the Fort Collins area has outpaced growth in the region and nation since 2012.



Note: Nonfarm payroll jobs.
Source: U.S. Bureau of Labor Statistics

Largest employers in the Fort Collins area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Colorado State University	Government	7,225
University of Colorado Health	Government	5,740
Larimer County	Government	1,639

Note: Excludes local school districts.
Sources: BizWest 2016 *Book of Lists*; Colorado State University, Institutional Research, Planning and Effectiveness

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total nonfarm payrolls. State government comprises about 55 percent of government payrolls and is anchored by employment at CSU.

- The mining, logging, and construction sector had the second highest percentage growth, rising 8.7 percent, or 1,000 jobs, from a year earlier to an average of 12,500 jobs. Residential and nonresidential construction projects across the metropolitan area support sector job growth, including a \$300 million rehabilitation of The Shops at Foothills mall and 1,600 apartments under construction in the metropolitan area.

RMNP was the fourth most visited national park in 2016, behind the Great Smoky Mountains, Grand Canyon, and Yosemite National

Parks. Approximately 4.5 million tourists visited the park, up nearly 10 percent from 2015. In 2016, visitors to the national park spent \$299 million in the surrounding communities in conjunction with visits (Headwaters Economics). Visitors to the park who spent money on food, lodging, and activities supported approximately 4,575 jobs in the leisure and hospitality sector (Headwaters Economics). Prior to the centennial anniversary of RMNP in 2015, tourism to the national park grew nearly 4 percent annually from 2011 through 2014, contributing to leisure and hospitality sector gains of 700 jobs, or 3.9 percent, annually, during that period. Sector growth increased from 2014 through 2016 to an average of 900 jobs, or 4.8 percent, annually, as overall economic growth strengthened and tourism to RMNP rose nearly 15 percent annually.

Sales Market Conditions

The sales housing market in the Fort Collins metropolitan area is currently tight, with an estimated 1.0-percent vacancy rate, down from 2.0 percent in April 2010. Strong employment growth and in-migration contributed to increased demand, along with low levels of for-sale inventory. The 2.2-month supply of inventory for new and existing single-family homes, townhomes, and condominiums in September 2017 was unchanged from a year earlier but down significantly from the 5.1-month supply in 2010 (Colorado Association of Realtors®). Additionally, the average number of days on market declined 10 percent to 70 days for single-family detached sales in September 2017 compared with a year earlier, supporting strong price increases in the metropolitan area.

- As of August 2017, 0.4 percent of home loans in the metropolitan area were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into real estate owned (REO) status, down from 0.6 percent a year earlier (CoreLogic, Inc.). The rate of seriously delinquent mortgages and REO properties peaked at 3.5 percent in February 2010.
- New home sales totaled 1,900 during the 12 months ending August 2017, up nearly 20 percent from the 1,600 sales a year ago. The average sales price for a new home was \$414,200, an increase of less than 1 percent from a year earlier (CoreLogic, Inc.).

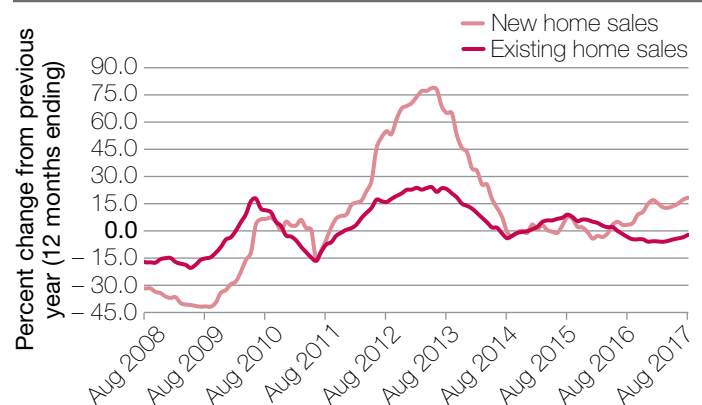
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Existing home sales price growth remained strong in the Fort Collins area, but new home price growth slowed.



Note: Includes single-family homes, townhomes, and condominiums.
Source: CoreLogic, Inc., with adjustments by the analyst

New home sales have increased since 2016 in the Fort Collins area, but existing home sales have declined.



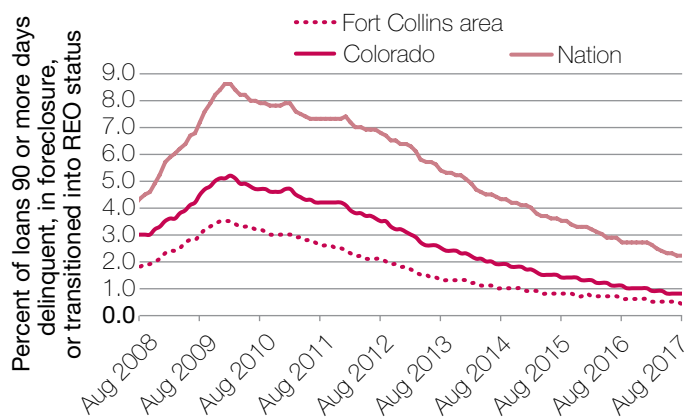
Note: Includes single-family homes, townhomes, and condominiums.
Source: CoreLogic, Inc., with adjustments by the analyst

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- Existing home sales totaled 7,375 during the 12 months ending August 2017, down 2 percent from the previous 12-month period. The average sales price was \$359,800, an increase of 10 percent from a year earlier (CoreLogic, Inc.). In 2013, existing home sales prices surpassed the prerecession peak reached in 2007, and the tight market conditions continue to generate strong upward pressure on prices.
- Low for-sale inventory of condominiums and townhomes constrains sales and contributes to strong sales price increases. During the 12 months ending September 2017, existing townhome and condominium sales decreased 7 percent to 1,225 homes sold compared with a year earlier, and the average sales price increased nearly 7 percent to \$265,100 (Metrostudy, A Hanley Wood Company).

Single-family homebuilding activity, as measured by the number of homes permitted, is increasing in the Fort Collins metropolitan area in response to tight sales market conditions and a low level of for sale inventory. Homebuilding activity is rising despite reported labor shortages in some trades and limited numbers of developable lots in the cities of Loveland and Fort Collins. Home construction is increasing in the suburbs, including Johnstown, Wellington, and Windsor, and beginning to extend east toward the adjacent Greeley metropolitan area, where more affordable, developable land is available.

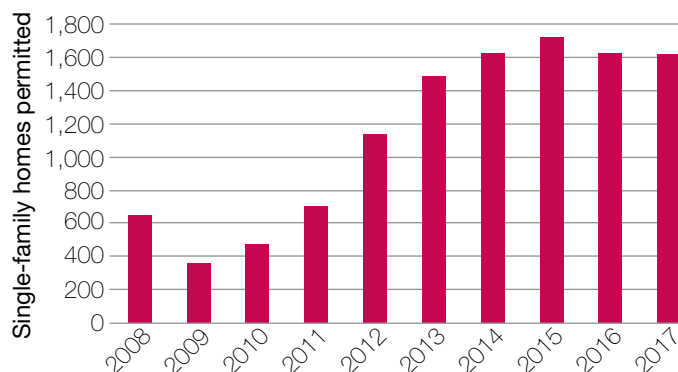
The Fort Collins area consistently had a lower rate of seriously delinquent home loans and REO properties than the state and the nation.



REO = real estate owned.
Source: CoreLogic, Inc.

- The number of single-family homes permitted totaled 2,000 during the 12 months ending September 2017, up 32 percent from a year earlier (preliminary data). Single-family home construction continues to grow from the low of 360 units in 2009, increasing by an average of 180 units, or 24 percent, annually from 2010 through 2016.
- Construction is under way at the 165-acre Kechter Farm master-planned community, with prices starting at \$384,000 for a two-bedroom, two-bathroom home. In total, 415 homes are planned, and buildout is expected to take several years.
- Condominium construction remains subdued in the Fort Collins metropolitan area. Construction began on approximately 100 condominium units in 2016, up from the average of 40 units built annually from 2010 through 2015 but well below the average of 290 units built annually from 2000 through 2009 (McGraw-Hill construction pipeline database).
- The 120-unit Flats at Centerra is the largest condominium development under construction in the metropolitan area. The first units are expected to become available in the spring of 2018, with prices ranging from the \$200,000s for one-bedroom units to the \$300,000s for three-bedroom units.

Single-family permitting has increased sharply since 2009 in the Fort Collins area and has remained elevated since the recent peak in 2015.



Note: Includes preliminary data from January 2017 through September 2017.
Source: U.S. Census Bureau, Building Permits Survey

Apartment Market Conditions

Apartment market conditions were slightly tight during the third quarter of 2017. More than 1,600 units from 11 projects are currently under construction and in lease-up. However, absorption of 870 apartments during the past 12 months kept vacancy rates low. The apartment vacancy rate was 3.8 percent, down from 5.3 percent a year earlier (*Apartment Insights*).

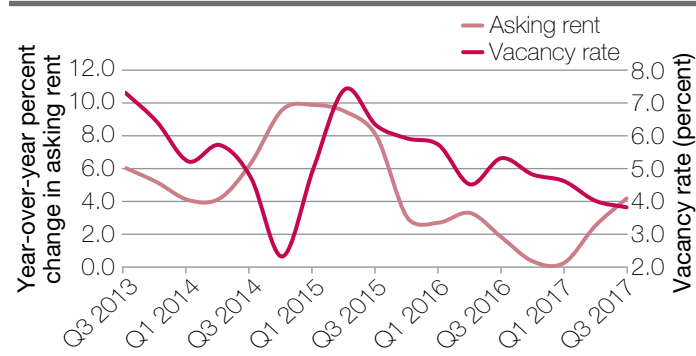
- The large number of apartments under construction and the use of concessions during initial lease up contributed to a slowdown in rent growth. Rent growth averaged more than 6 percent annually from the third quarter of 2010 through the third quarter of 2016, but during the third quarter of 2017, average rents increased only 4 percent to \$1,092 compared with a year earlier.
- The 310-unit Crowne at Timberline apartments were completed in the city of Fort Collins and opened in the summer of 2017. Approximately 87 percent of the units were leased-up by the third quarter of 2017, and starting rents range from \$1,471 for one-bedroom units to \$2,154 for three-bedroom units. Concessions offered during lease up include 1 month free with leases of 13 or 14 months.
- In the submarket containing the northern portion of the city of Fort Collins, including CSU, the vacancy rate was 3.7 percent during the third quarter of 2017, down from 9.5 percent a year earlier, when more than 610 units were in lease-up. Rents increased 8 percent to average \$1,274 during the period.
- Construction is expected to begin on approximately 950 apartments during the next 12 months, and another 2,550 units are

in various stages of planning. Even if recent absorption trends continue, apartment market conditions may soften during the next 12 to 24 months.

Multifamily construction, as measured by the number of units permitted, declined during the past year, following a sharp increase in activity during 2016. Apartments comprise the majority of multifamily units permitted, averaging 97 percent of multifamily units permitted since 2010 compared with about 60 percent of multifamily units permitted during the previous decade.

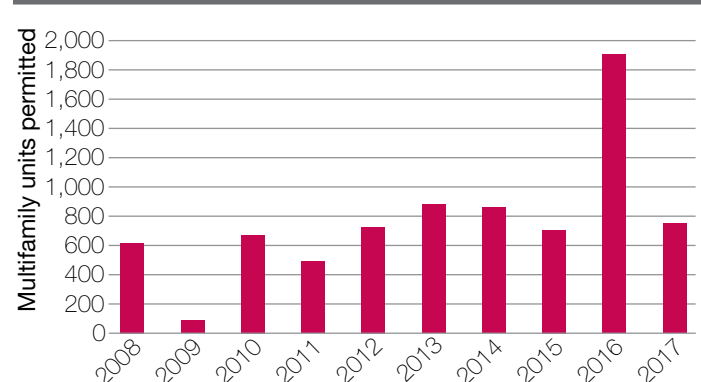
- The number of multifamily units permitted decreased 25 percent during the 12 months ending September 2017 to 1,200 units (preliminary data).
- Following a low of 90 multifamily units permitted in 2009, permitting averaged 730 units annually from 2010 through 2015, a period of strong net in-migration. By comparison, during 2015 and 2016, net in-migration surged 30 percent, and multifamily permitting increased to 1,900 units in 2016.
- Apartment projects under way include the 276-unit Vibe Apartments in the city of Fort Collins. Completion is expected in February 2018, with monthly rents ranging from \$977 for studios to \$1,997 for two-bedroom units.
- The 405-unit Cycle Apartments near The Shops at Foothills mall is expected to be complete by November 2017. Preleasing began in August 2017, and monthly rents for studio, one-, and two-bedroom units start at \$1,270, \$1,460, and \$1,800, respectively. Modest concessions of \$250 with leases of 12 months or longer are offered during the lease-up phase.

Declining vacancy rates since the third quarter of 2016 in the Fort Collins area have led to rent growth since early 2017.



Q1 = first quarter. Q3 = third quarter.
Source: *Apartment Insights*

Apartment permitting spiked during 2016, partly in response to increased net in-migration to the Fort Collins area.



Note: Includes preliminary data from January 2017 through September 2017.
Source: U.S. Census Bureau, Building Permits Survey