

Fort Collins-Loveland, Colorado

HUD Region VIII

(U.S. Housing Market Conditions Report – 1st quarter 2011)

The Fort Collins-Loveland metropolitan area consists of Larimer County in north-central Colorado. The Rocky Mountain range borders Larimer County to the west, and more than 50 percent of the land area in the county is designated as national forest and park areas. The cities of Fort Collins and Loveland are centers for health care and trade in northern Colorado. Smaller cities, such as Estes Park and Red Feather Lakes, which are located along national park borders, are popular destinations for regional tourism. Colorado State University (CSU) is the leading employer in the area, with nearly 6,000 employees. CSU spends \$350 million annually on salaries for faculty and staff, and it generates \$330 million in annual research expenditures, contributing approximately \$1.1 billion annually to the Colorado economy, according to the Institutional Research office at CSU. Other major employers include Poudre Valley Health System and Hewlett Packard Co. with 4,250 and 2,000 employees, respectively. As of April 2011, the population of the metropolitan area was estimated at 301,800. Because of slower in-migration during the past 2 years, population growth has slowed to an average of 4,450 a year, or 1.8 percent, compared with an average growth of 5,725, or 2.1 percent, annually from 2005 through 2007.

Nonfarm payroll jobs in the Fort Collins-Loveland metropolitan area have declined during the past 2 years after peaking in mid-2008 at 141,100 jobs. During the 12 months ending February 2011, nonfarm payrolls decreased by 1,300 jobs, or 1 percent, to an average of 132,300 jobs, compared with the 3.3-percent decrease in payrolls that occurred during the previous 12 months. Before the recent decline, nonfarm payrolls increased by 1,760 jobs annually, or 1.5 percent, from 2006 to 2008. During the 12 months ending February 2011, job losses were heaviest in the construction and manufacturing sectors. Construction payrolls declined 14.3 percent, or by 1,300 jobs, because of weak housing and commercial real estate markets. Manufacturing payrolls fell by 7.5 percent, or 840 jobs, during the same period; this loss included 200 jobs from Hewlett Packard Co. since June 2010. The leisure and hospitality, education and health services, and government sectors had payroll increases of 800, 600, and 300 jobs, or 4.9, 3.5, and 1 percent, respectively, from a year earlier. During the 12 months ending February 2011, the unemployment rate averaged 6.7 percent, up from 6.5 percent a year earlier. The National Aeronautics and Space Administration recently announced that Loveland would be the site for a new Aerospace and Clean Energy Manufacturing and Innovation Park, with the potential to add up to 10,000 jobs over the next 5 years.

Because of the weak economy and tight lending standards, the home sales market in Fort Collins-Loveland is soft. Hanley Wood, LLC, reported that, during the 12 months ending February 2011, sales of existing attached and single-family homes were down nearly 17 percent to 5,925 homes sold compared with 7,100 homes sold during the previous 12 months and were down 58 percent from the average of 14,240 homes sold annually between 2005 and 2007. For the 12 months ending February 2011, the average home sales price was \$236,700, which was essentially unchanged from a year earlier and was nearly 6 percent less than the 2005-to-2007 average price of \$250,650. According to LPS Applied Analytics data for February 2011, 3 percent of all mortgage loans in the metropolitan area were 90 or more days delinquent, in foreclosure, or in REO (Real Estate Owned), which was down from 3.6 percent a year earlier. Single-family homebuilding activity, as measured by the number of building permits issued, is well below the average of 1,600 homes permitted between 2005 and 2007. According to preliminary data, building permits were issued for 460 single-family homes during the 12 months ending February 2011. Although the current volume of homebuilding activity is relatively low, during the past 12 months, the number of homes permitted increased 23 percent from the previous 12 months, suggesting an end to the 5-year decline.

Despite current economic conditions, the overall rental market is now tight. According to Apartment Insights, in the first quarter of 2011, the average apartment vacancy rate fell to 3.8 percent compared with the 6.1-percent rate recorded in the first quarter of 2010. Average asking apartment rents in the first quarter were \$735 for a one-bedroom unit, \$963 for a two-bedroom unit, and \$1,053 for a three-bedroom unit. Overall, average effective rent was \$835, an 8-percent increase from a year earlier. CSU has a significant effect on the local rental housing market. Approximately 23,550 students live off campus, constituting approximately 7,850 households, or one-third of the

total renter households in the metropolitan area. The remaining 5,000 students live on campus in residence halls and university-owned apartments.

Based on preliminary data, during the 12 months ending February 2011, approximately 650 multifamily housing units were permitted, up from the 100 units permitted during the previous 12 months. Despite this large increase in units permitted, the 650 units permitted in the past 12 months are approximately equal to the average number of multifamily units permitted annually between 2004 and 2006. Completion of the 303-unit Lake Vista Apartments in Loveland, which recently began leasing, is scheduled for the end of 2011. Rents at Lake Vista Apartments range from \$1,185 for a one-bedroom unit to \$1,500 for a two-bedroom unit and \$1,710 for a three-bedroom unit.