

August 2012

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by Erik Broman, Broker

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REALTEC

COMMERCIAL REAL ESTATE SERVICES

WWW.REALTEC.COM

400 E. Horsetooth, Suite 100
Fort Collins, CO 80525
p. 970.229.9900 • f. 970.282.1080

123 N. College Ave., Suite 350
Fort Collins, CO 80524
p. 970.407.9900 • f. 970.407.7885

350 E. 7th St., Suite 2
Loveland, CO 80537
p. 970.593.9900 • f. 970.593.9901

1711 61st Ave., Suite 104
Greeley, CO 80634
p. 970.346.9900 • f. 970.304.0707

Apartment Activity

By: Erik Broman, Broker

RENTS

Throughout northern Colorado, rents have been gradually increasing since 2006; however, we have experienced a particularly dramatic increase within the past year. As examples, "average" rental rates in Fort Collins and Loveland are approximately \$900 per unit; Greeley's rents have increased correspondingly to \$700/unit. Again, these numbers represent an average of rents across all apartment types, from studios to 3-bedroom units. Regardless of the product type, the certainty is that rents are increasing in all three cities. The trend in rental rates is driven by strong demand and a growing shortage in supply. For apartment owners, this is good news as cash flows have been improving.



The increased demand is due in part to several factors: previous home owners returning to the rental market; young adults previously living with their families who have moved to their own residences; the gradual recovery from the recent recession. Although the economy could not as yet be classified as "healthy", we are seeing positive signs that conditions are moving in the right direction.

It is our expectation that this trend will continue for the foreseeable future; however, one important factor will slow the rapid rental increases recently experienced: new development. In the past seven years, there have been few large apartment complexes built - that has precipitated current pent-up demand. Several developers are positioned to meet the demand for both traditional and student housing. Expect to substantial construction of new units hitting the market in the next few years. In Fort Collins alone, there are 2,700+ units in the pipeline which will be coming on line in the next 12 - 24 months. These new projects will ease demand, but our prognosis is that the rental market will remain strong. If rents continue to rise and interest rates remain at unprecedented low levels for home purchases, renters may return to home ownership, which could have an effect on the market.

The demand for multi-family real estate continues to be cyclical. Many owners recall when large concessions of free rent were needed to entice new tenants, lowering rent was necessary to retain tenants, and standards for applicants were compromised in an effort to stave off vacancies. Fortunately, now is a much better time to be an owner and apartment values are at all-time highs. If you are considering an exit strategy, this could be an excellent time to evaluate the disposition of your apartment assets.

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Apartment Activity

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VACANCIES

Since 2009, vacancy in Northern Colorado has steadily declined dropping below 5% which is considered 'equilibrium'. We have been below the 5% mark for so long, we are seeing a lot of new multifamily projects being built – Terra Vida in Fort Collins & Lake Vista in Loveland – and many more projects in the pipeline and currently under construction. Of the new units in the works, several student housing projects in Fort Collins are of note: The Grove – 600 beds, The Commons – 676 beds and District at Campus West – 600+ beds. Several other large projects are imminent in the near future. What will this do to vacancy?

FORT COLLINS – Expect to see a slight softening in the student rental market, especially outside the 'core' (near CSU) location for rentals. Although enrollment at CSU is growing and the outlook is to continue this growth; however, this is a lot of new units hitting the market. There are several market rate projects also coming online shortly which also will have an effect on market rate rentals and vacancy.

LOVELAND – McWhinney has brought about 550 new units to the market in the last two years. Lake Vista is about 100% occupied and Van de Water is leasing up very well. This is an indication the Loveland market is healthy and can sustain these added units. There are several projects slated for the downtown area, however not of the magnitude we saw at I-25 & Hwy 34. Loveland will remain very solid and will continue to see low vacancy and steady increases in rents.

GREELEY – Greeley gets the award for most improved market in Northern Colorado! Most owners can attest to the rising rents and very tight vacancy. Some owners are not turning units because tenants need to get in so quickly. We can point to the exploding oil and gas industry and other new to the region primary employers for pushing rents higher and vacancy as low or lower than both Fort Collins and Loveland. Greeley historically has been more volatile than other cities in NoCO, however I expect to see positives in Greeley for many years to come. There is currently little to no new construction of multifamily units, however although there is a large remodel underway downtown. There is a lot of very cheap land and I would expect to see a developer take advantage of the cheap land and build new to meet the rising demand of the area. In the meantime, expect low vacancy and a steady increase in rents.

- Erik is a top multifamily broker in Northern Colorado. He has successfully sold over \$24 million in apartments and more than 400 units in the last six years. Contact Erik at: 970.229.9900.

WHERE CAN I FIND...

Over the years, some of our brokers have migrated to different offices. Here's the most current information about where you can find Realtec's best.



FORT COLLINS - Horsetooth

T.J. Antinora
Erik Broman
Rhys Christensen, CCIM
Jeffrey Doran
Michael Ehler, CCIM, MAI
Peter Kast, CCIM, SIOR
Peter Kelly
Perry McCormac
Annah Moore
Steve Stansfield, CCIM, SIOR
Larry Stroud, CCIM, SIOR

FC - DOWNTOWN

Dan Eckles, CCIM, SIOR
Jim Mokler, CCIM, SIOR
Matthew Patyk
Patty Spencer

LOVELAND

Larry Melton, CCIM
Patrick O'Donnell
Joseph J. Palieri, II, CCIM
Kate Struzenberg

GREELEY

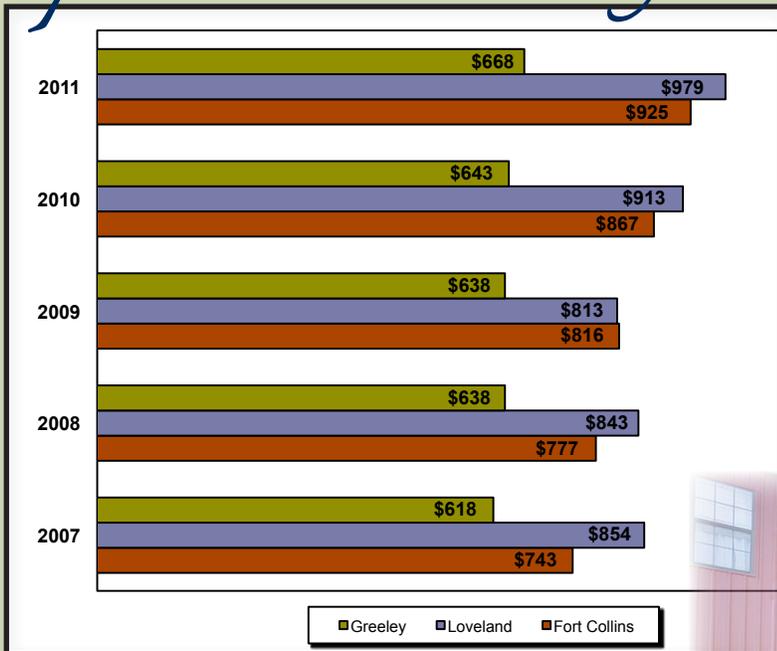
Nick Berryman
Mark Bradley, CCIM, SIOR
Tom Reznik
Barry Van Everen
Renee Wehrung



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Apartment Rents by City



Rents 2012 Q1:

Fort Collins	\$1,010
Loveland	\$969
Greeley	\$688



Apartment Vacancies by City

Vacancy 2012 Q1:

Fort Collins	2.6%
Loveland	4.5%
Greeley	5.8%

