

# Group: Home prices were up in 2020 and, no surprise, will rise in 2021

By [Ken Amundson](#) — January 19, 2021

FORT COLLINS — The pandemic and its related recession aside, home prices in Northern Colorado increased over the past year. And no surprise, they'll likely increase again in 2021.

Brandon Wells, president and CEO of the Group Real Estate with its headquarters in Fort Collins predicted during the firm's annual real estate forecast Tuesday night that the average home sales price in the region in 2021 will be \$461,667. Last year, he predicted an average sales price of \$424,761 for 2020, which was exceeded at \$439,117.

Every community in the region tracked by the Group saw increases in average home sales prices — from 1.7% in Johnstown to 11.5% in Longmont. Average home price increases in nearly every community were driven by increased sales of luxury homes, especially those over \$1 million in price, he said. Some of that resulted from people fleeing more urban areas in search of more space in which to operate home offices or have space for children to learn from home during the pandemic.

Home prices were affected, too, by relative scarcity of supply. "Inventory was reduced by 50% over what we saw last year," he said in reference to 2019 inventory.

Several factors will drive home prices in the region in the coming year and beyond, he said.

**Employment** — Disruption in the workforce because of the pandemic has affected the ability of some to buy homes, especially at the lower price ranges. The region has recaptured many of the jobs lost at the height of the pandemic but much remains to be done to return to pre-pandemic employment levels, he said.

Wells also said that the pandemic has demonstrated to companies and workers that they can work from home, and some are choosing to live in one region and work in a totally different region of the country, because they can.

**Interest rates** — While prices have continued to escalate, interest rates have remained low and even gotten lower, said Jason Peifer, president of Group Mortgage. "We thought we were at the end of the refinance trend at the start of last year," Peifer said. But as a result of the pandemic and federal response, rates have declined further.

"The consensus is that interest rates will go up, maybe to a little over 3% by the end of the year," he said.

He said the effect of refinancing for many families has been a financial stimulus of \$200 to \$300 per month for 30 years, which has an economic impact on the region as that money is spent elsewhere.

**Appreciation** — While average sales prices have climbed, so too have the appreciated prices of homes for people who don't sell. "The statistical average for appreciation in our region is 5.4% per year," Wells said.

**Supply and demand** — The Group considers a balanced market — when the housing market neither favors buyers nor sellers — is a six-month supply of homes for sale. None of the communities in the region are balanced, and several are strongly to the seller's advantage with a less than one-month supply of homes for sale.

**New construction** — Northern Colorado and the nation as a whole are producing far fewer new homes than the demand might indicate. Affecting the new construction are the costs of inputs such as lumber and water, which result in higher prices for buyers.

"The word of the year will be 'back order,'" Wells said. Supply chain disruption will have an impact on how quickly new homes can be brought to market.

"2021 will be a catching up year. We won't see a lot [of homes] delivered, but we will see a lot of projects get started in the region," he said.

**Rents and vacancies** — Wells predicted stability in rental rates for apartments as things settle out from the pandemic, during which the government has limited evictions.