



THE **GROUP** INC.

Annual Report

- YEAR END REPORT FOR 2012 -

Market Overview

The Northern Colorado real estate market started and ended 2012 on a big upswing. From the very beginning of the year we noticed strength in all of our submarkets and in all but the high-end price ranges. Long-term investors and first-time buyers fueled a very active market in the lower price ranges. Move-up buyers had the unique opportunity to sell in a seller's market and buy in a buyer's market. While some markets across the country suffered a hangover from the Great Recession, the Northern Colorado market was clearly in a pattern of sustained growth based on our healthy economy and job climate.

First-time buyers and investors looking to take advantage of incredibly low interest rates found themselves competing for the very best properties in prices under \$300,000. Properties

selling before hitting the market and bidding wars were common.

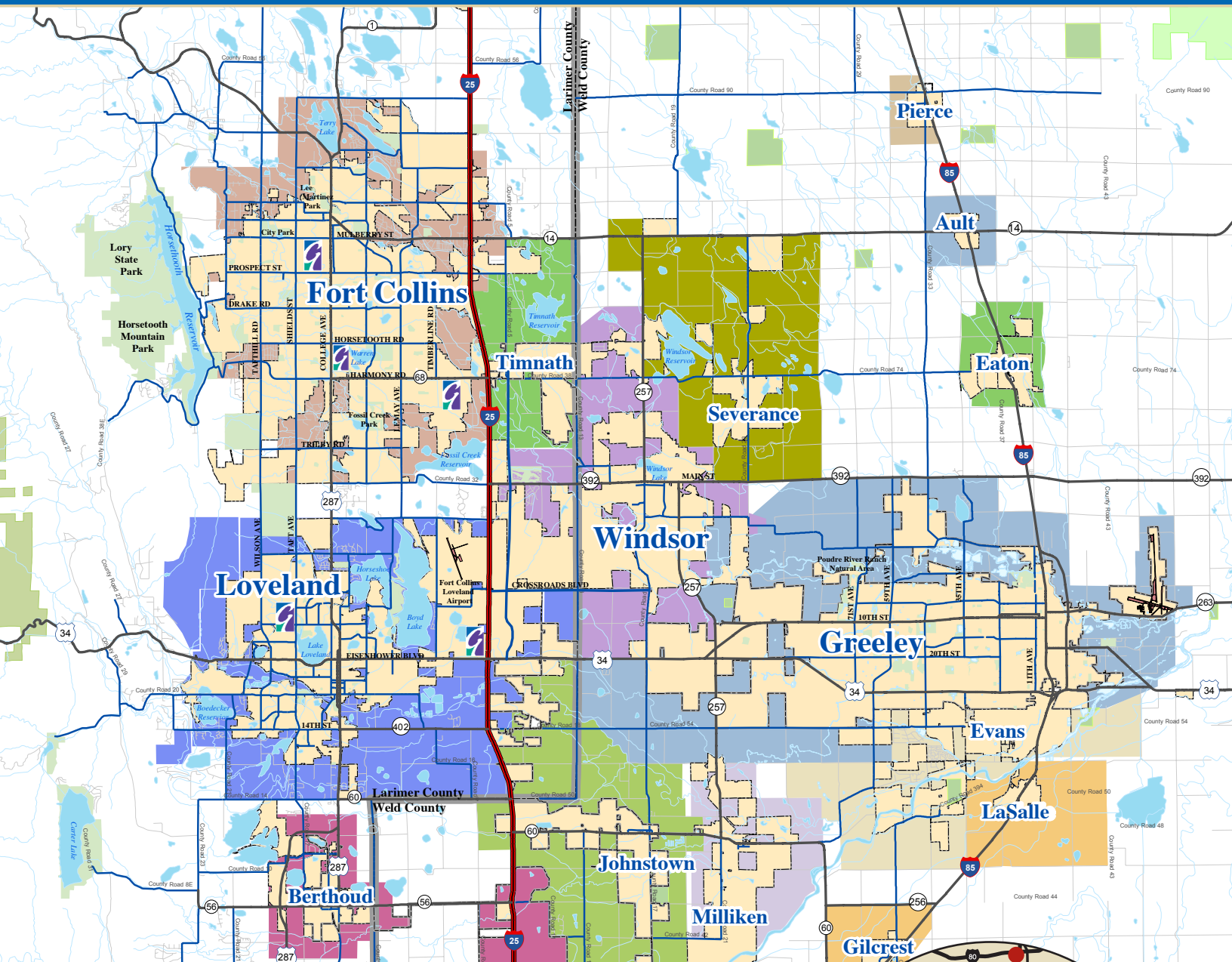
An extremely unique dynamic emerged in 2012 where a seller's market existed in the lower price ranges and a buyer's market existed in the higher price ranges. This dynamic gave move-up buyers an incredible opportunity to sell their home for a good price and buy their dream home at a discount.

Investors could not pass up the historically low interest rates and bought properties to hold for the long-term. A large percentage of the investors were buying their first-ever rental properties. These were people who had grown weary of the stock market and who had much more confidence in our local real estate market.

Residential Statistics

- The average sales price of \$237,138 in Northern Colorado was up 6.6% from the previous year.
- The dollar volume of home sales in Northern Colorado for 2012 was \$1,914,653,663, an increase of 27.3% from 2011.
- The Group, Inc. Real Estate was involved as the listing and/or selling brokerage in 33% of all residential transactions in Northern Colorado for 2012.
- There were 615 new homes sold in Larimer and Weld counties in 2012.

Area	Homes Sold		\$ Volume	Average Price	
	2012	2011	2012	2012	2011
Fort Collins/Wellington/Timnath	3,356	2,733	\$874,553,145	\$260,594	\$253,720
Greeley/Evans	1,490	1,461	\$241,495,519	\$162,078	\$142,158
Loveland/Berthoud	1,677	1,381	\$411,194,676	\$245,197	\$233,552
Windsor	656	492	\$200,424,260	\$305,525	\$297,490
Ault, Eaton, Johnstown, Kersey, LaSalle Mead, Milliken	895	695	\$186,986,063	\$208,923	\$192,875
Totals	8,074	6,762	\$1,914,653,663	\$237,138	\$222,427



The Group Inc. Office Locations



Harmony Office
2803 E. Harmony Road
Fort Collins, CO 80528
(970) 229-0700



Centerra Office
5401 Stone Creek Circle
Loveland, CO 80538
(970) 613-0700



Horsetooth Office
375 E. Horsetooth Road
Fort Collins, CO 80525
(970) 223-0700



Loveland Office
1401 W. 29th Street
Loveland, CO 80537
(970) 663-0700



Mulberry Office
401 W. Mulberry Street
Fort Collins, CO 80521
(970) 221-0700



**Sperry Van Ness /
The Group Commercial, LLC Office**
2020 Caribou Drive, Suite 201
Fort Collins, CO 80525
(970) 207-0700





Regional View

People are attracted to Northern Colorado for the quality of life. Located in the foothills of the majestic Rocky Mountains with outdoor recreation at our back door, responsibly planned and vibrant cities, two major universities, world renowned art communities, a thriving and growing brewing industry, one of the most educated populations in America, excellent schools, low crime, and a mild, dry climate draw visitors and new residents and keep them here.

Ongoing national recognition keeps Northern Colorado's visibility high. Continuing to be desirable for relocating individuals and companies takes intentional work and many local groups are focused on sustaining our economic vitality and maintaining our high quality of life. An educated workforce, a business-friendly environment, and an atmosphere that supports innovation and growth all contribute to our area's success. Northern Colorado receives top rankings among places to raise kids, retire, grow your business, attend college, and live a healthy lifestyle.

Residents see themselves as 'Citizens of Northern Colorado' - living in one city or town, but working, shopping, and recreating in the entire area. There is so much to do and so many places to do it - all within a short distance. Many prospective home buyers ask to look at more than one community, each offering something unique. Our commitment to answering their questions and helping them understand the entire market is the primary reason The Group, Inc. has five offices strategically located through Northern Colorado.

Commercial Market Provided by Sperry Van Ness

The new "phenomenon" to our regional commercial real estate marketplace has been the impact of capital flows exceeding one billion dollars. The energy, R&D/technology, and agriculture industries all increased over this capital flow mark in 2012. Likewise, investors increasingly found northern CO an attractive place to buy real estate, and most of the larger transactions came from out of state buyers. Owner users, most notably small business and the medical industry, participated in the increased market activity.

In all, over 500 commercial properties traded for a combined volume of approximately \$500 million, in the two county region. This was a substantial increase over 2011. Leasing activity was slightly behind 2011, (2.3 million square feet vs. 2.5 million), but absorption remained positive at 1%, reducing overall area vacancy rates to 9%.

From the Niobrara shale natural gas and oil play, exploration expenditures topped \$3 billion in 2012 and are expected to increase over the next five years. National energy firms made their mark in commercial real estate. Noble built a new 60,000 square foot regional headquarters in Greeley, and both Halliburton and Anadarko are involved in new facilities.

Vacancy Rates	Industrial		Retail		Office		Apartment	
	12/12	12/11	12/12	12/11	12/12	12/11	12/12	12/11
Fort Collins	4%	5%	6%	7%	7%	9%	2%*	2%
Loveland	14%	16%	4%	5%	7%	11%	2%*	3%
Greeley, Evans, Windsor	18%	7%	9%	1%	7%	8%	3%*	2%

*Data available through 3Q'12, 4Q statistics unavailable at the time of publication.

On the agriculture side, Leprino Cheese is opening in phases a new 750,000 square foot facility in Greeley. Agriculture exports grew rapidly in our area, and many rural property owners also enjoyed mineral rights royalties from the energy industry.

The technology industry activity was buoyed by the Tolmar bioscience firm \$6 million purchase for a new plant in Windsor. Multi-family building sales included two \$30 million property trades, Rams Village and The Arbors at Sweetgrass, both in Fort Collins. Eagle Ridge apartments was close behind with a \$23.5 million trade in Loveland. On the medical front, Kaiser Medical bought a building in Loveland and leased a large space in Fort Collins. The Mountain Vista medical building in Greeley sold for \$13 million to California investors. The retail sector had investor activity, too, evidenced by the \$18 million Whole Foods center trade in Fort Collins.

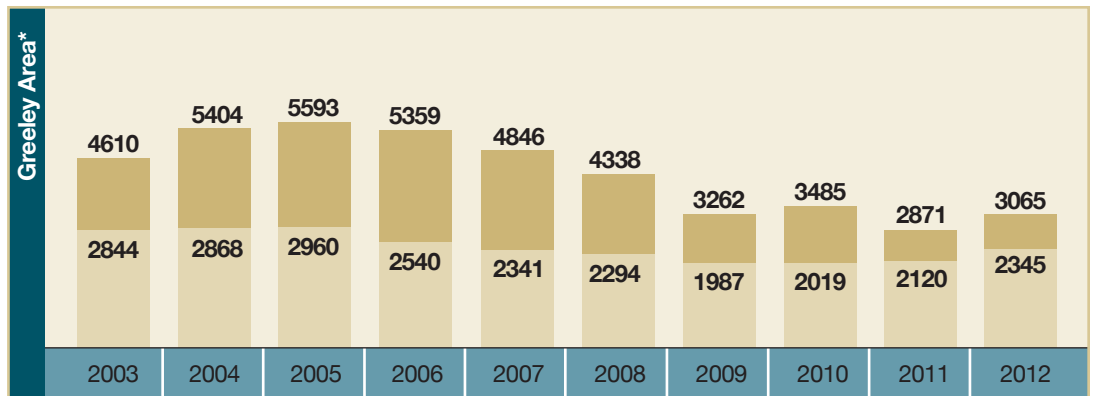
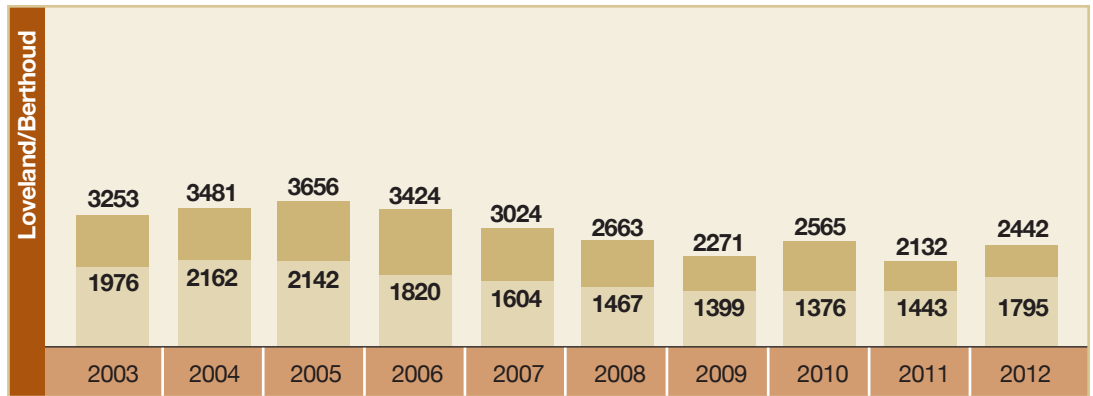
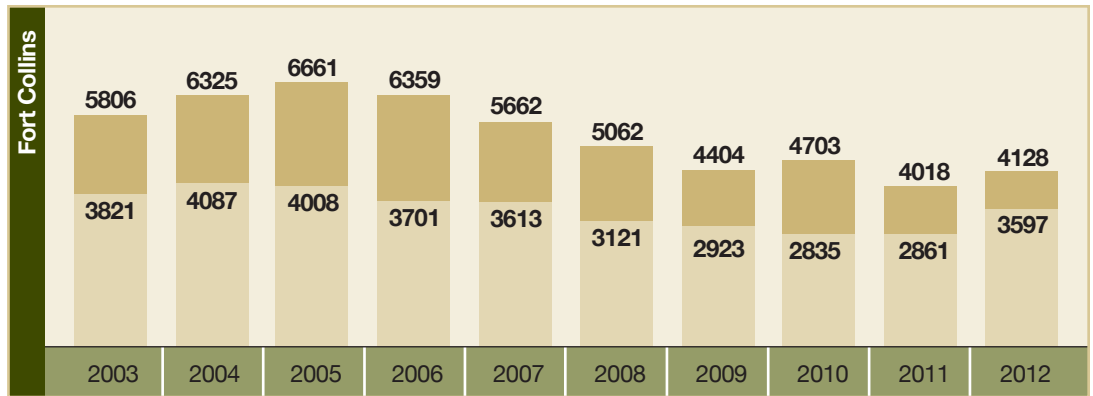
As outside capital "flows" to northern Colorado, expect this activity trend to continue!

Residential Sales History

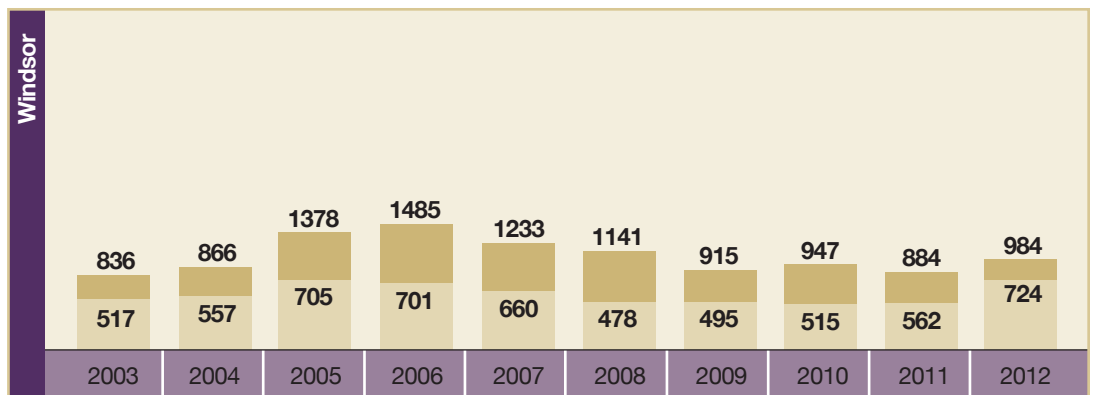
	Year	# of Homes	% Change	Dollar Value	% Change	Average Sales Price	% Change
Fort Collins Wellington Timnath	2003	3,821	-8%	\$873,255,500	-4%	\$228,541	+5%
	2004	4,087	+7%	\$942,415,724	+8%	\$230,589	+1%
	2005	4,008	-2%	\$983,941,789	+4%	\$245,494	+6%
	2006	3,701	-8%	\$920,687,503	-6%	\$248,767	+1%
	2007	3,613	-2%	\$916,175,623	-0.5%	\$253,578	+2%
	2008	3,121	-14%	\$783,626,770	-14%	\$251,081	-1%
	2009	2,923	-3%	\$699,252,210	-11%	\$239,223	-5%
	2010	2,877	-2%	\$707,478,460	+1%	\$245,908	+3%
	2011	2,733	-5%	\$693,415,796	-2%	\$253,720	+3%
	2012	3,356	+23%	\$874,553,145	+26%	\$260,594	+3%
Loveland Berthoud	2003	1,976	-3%	\$438,846,011	-2%	\$222,088	+2%
	2004	2,162	+9%	\$514,310,240	+17%	\$237,886	+7%
	2005	2,048	-1%	\$509,190,492	+3%	\$248,628	+4%
	2006	1,709	-17%	\$439,562,980	-14%	\$257,204	+3%
	2007	1,535	-10%	\$376,943,056	-14%	\$245,565	-5%
	2008	1,386	-10%	\$333,496,631	-12%	\$240,610	-2%
	2009	1,335	-4%	\$301,738,889	-10%	\$226,021	-6%
	2010	1,342	+1%	\$315,724,463	+4%	\$235,264	+4%
	2011	1,381	+3%	\$322,535,668	+2%	\$233,552	-1%
	2012	1,677	+21%	\$411,194,676	+27%	\$245,197	+5%
Greeley Evans	2003	2,352	-5%	\$404,866,176	0%	\$172,137	+5%
	2004	2,214	-6%	\$392,171,143	-3%	\$177,132	+3%
	2005	2,225	+0.5%	\$407,305,044	+4%	\$183,058	+3%
	2006	1,857	-16%	\$324,713,094	-20%	\$174,859	-5%
	2007	1,704	-8%	\$281,539,881	-13%	\$165,223	-6%
	2008	1,662	-3%	\$250,523,236	-11%	\$150,735	-9%
	2009	1,671	+0.5%	\$232,955,393	-7%	\$139,410	-8%
	2010	1,522	-9%	\$216,400,874	-7%	\$142,181	+2%
	2011	1,461	-4%	\$207,693,163	-4%	\$142,158	0%
	2012	1,490	+2%	\$241,495,519	+16%	\$162,078	+14%
Windsor	2003	517	+16%	\$114,615,015	+17%	\$221,692	+1%
	2004	557	+8%	\$131,992,749	+15%	\$236,971	+7%
	2005	705	+27%	\$219,181,664	+66%	\$310,896	+31%
	2006	701	0%	\$223,702,916	+2%	\$319,120	+3%
	2007	660	-6%	\$219,222,307	-2%	\$332,155	+4%
	2008	478	-28%	\$149,071,110	-33%	\$311,864	-7%
	2009	495	+0.5%	\$141,649,327	-5%	\$286,160	-8%
	2010	523	+5%	\$161,193,177	+14%	\$308,208	+7%
	2011	492	-6%	\$146,364,892	-9%	\$297,490	-3%
	2012	656	+33%	\$200,424,260	+37%	\$305,525	+3%
Ault Eaton Johnstown Kersey Milliken Mead LaSalle	2003	799	+12%	\$166,862,565	+17%	\$208,839	+5%
	2004	860	+7%	\$180,009,097	+7%	\$209,312	0%
	2005	795	-8%	\$172,302,909	-4%	\$216,733	+3%
	2006	707	-11%	\$159,017,056	-8%	\$224,918	+4%
	2007	662	-6%	\$143,527,537	-10%	\$216,809	-4%
	2008	652	-2%	\$130,212,087	-10%	\$199,711	-8%
	2009	532	-19%	\$100,097,095	-23%	\$188,152	-6%
	2010	503	-5%	\$95,759,711	-5%	\$190,377	+1%
	2011	695	+38%	\$134,048,226	+40%	\$192,875	+1%
	2012	895	+29%	\$186,986,063	+39%	\$208,923	+8%

Residential Listing Inventory

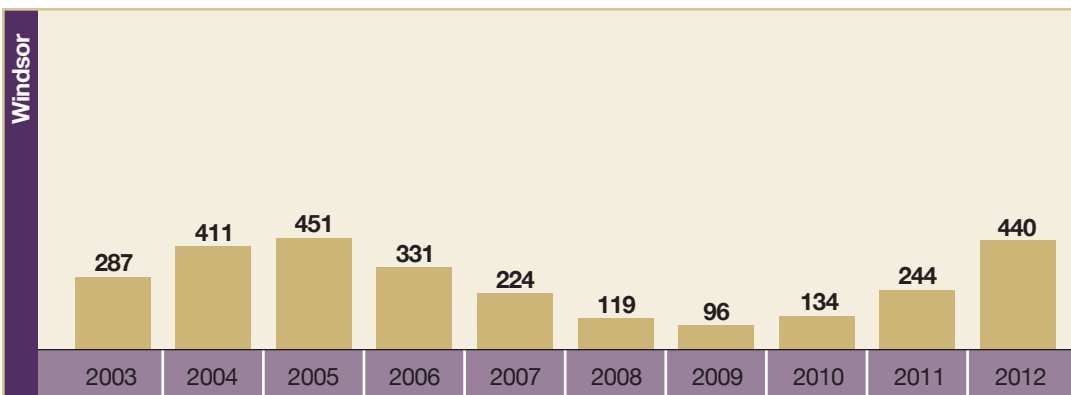
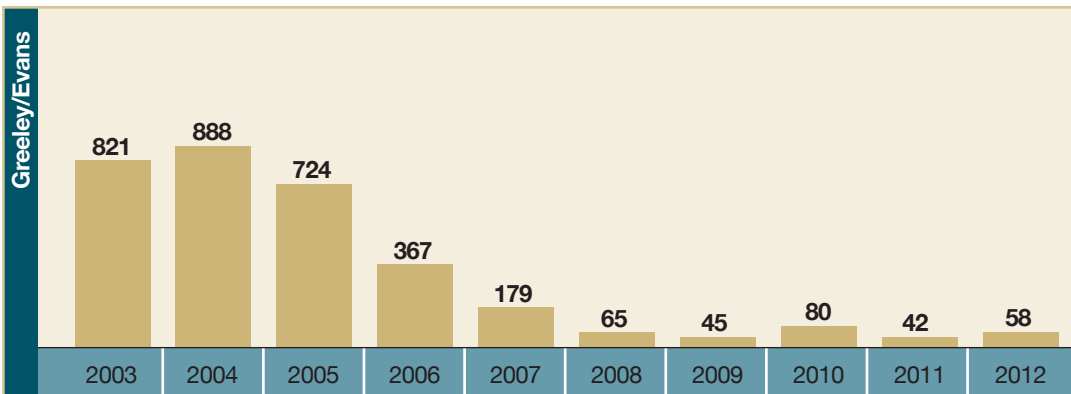
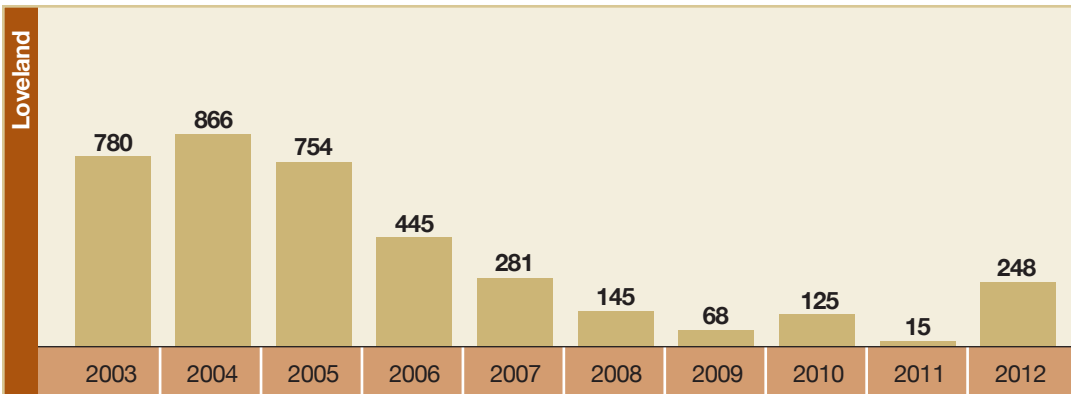
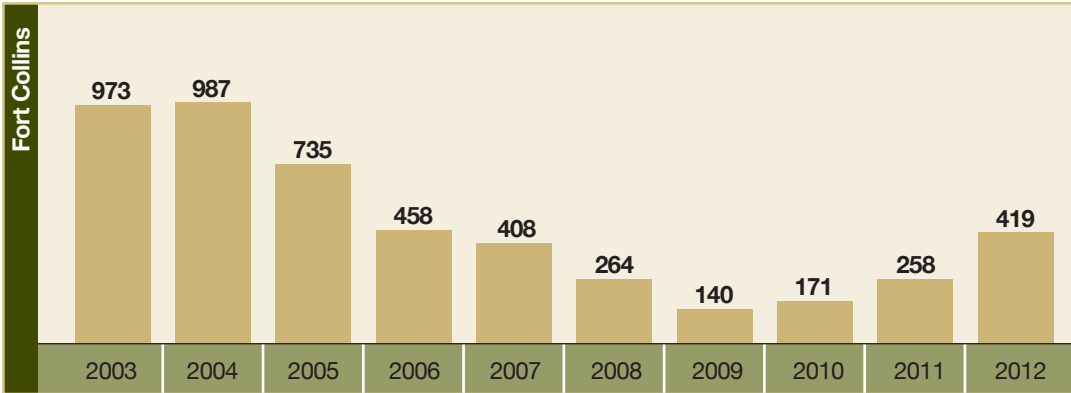
■ Homes Listed
■ Homes Sold



*Greeley, Evans, Ault, Eaton, Johnstown, Kersey, LaSalle, Mead, Milliken



Single-Family Building Permit Activity



Our Commitment to Innovation

The Group app, launched in 2012, was created to bring a high-tech touch to house hunting for customers and is available for Android and iPhone users. Users have access to several features that bring photos and information about homes for sale right into their hands.



The Group app for the Android and iPhone.

Our Commitment to Education

The Group University provides education opportunities for Group Realtors, support staff, and our customers. In 2012, The Group offered monthly classes to residential real estate investors. Hundreds of customers had the opportunity to gain valuable knowledge to help make the best decisions for their own situations. Many of them took advantage of the information and unique market conditions to build their real estate portfolios. A schedule has been created for upcoming classes in 2013.



Make a Difference Day.

Our Commitment to the Community

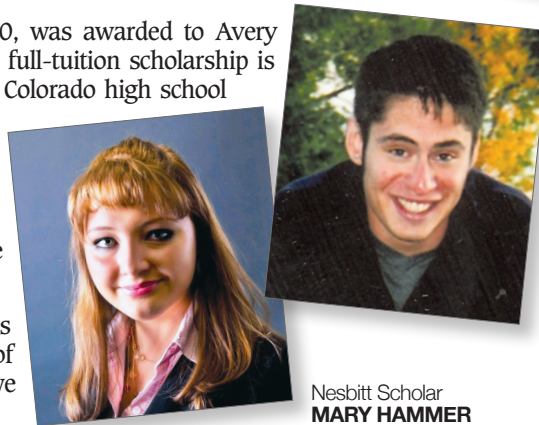
In 2012, Group Partners once again ranked among the top 10 donors to the United Ways of Larimer and Weld Counties. This year's contribution exceeded \$205,000 from the individual Partners and staff at The Group. Group Partners also participated in two different *Make a Difference Day* projects.

The Group joined other businesses in the United Way's Business Cares initiative. The purpose of this program is to expand our volunteer outreach by providing training to our employees, and volunteer activities for our participation.

The Group Real Estate Scholarship, established in 2000, was awarded to Avery Buser, a graduate of Rocky Mountain High School. This full-tuition scholarship is awarded each year to a graduating senior of a Northern Colorado high school who will be attending the College of Business at Colorado State University.

The Nesbitt Scholarship, a full-tuition scholarship established in memory of Group Partner, Harvey G. Nesbitt, was awarded to Mary Hammer, a student in the College of Business at CSU.

Group employees continue to volunteer in their communities for organizations of their choice. Countless hours of hands-on work and donated money are other ways we proudly participate in our communities.



Nesbitt Scholar
MARY HAMMER

Group Scholar
AVERY BUSER
Rocky Mountain High School

Our Commitment to Customer Service

Our mission since 1976 has been to 'help people get where they want to go on time – make it easier, make it faster, be their source of real estate knowledge.' The Group's family of companies, all critical in the real estate purchase process, helps us bring unmatched convenience to our customers who choose to use our affiliated businesses. By partnering with industry leaders – Citi Mortgage, Stewart Title, and Allstate Insurance – The Group brings a high level of accountability to the real estate transaction.

Sperry Van Ness the Group Commercial shares the same philosophy of local ownership with The Group. SVN provides expanded resources, tools, and a national network for our commercial customers to tap into.

