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Denver soars to No. 1 in home value increase

Area leads nation with small gain in quarter that saw overall decline

**By John Rebchook, Rocky Mountain News
October 31, 2007**

Denver squeaked out the No. 1 ranking in a national report on home prices released Tuesday.

The closely watched S&P Case- Shiller Home Price Indices showed that Denver-area homes gained 0.3 percent in value from July to August.

Although a meager appreciation rate, it was good enough to make Denver tops in the nation during that period. The 20 cities ranked showed an overall average decline of 0.7 percent.

From June to July, Denver homes rose in value by 0.8 percent, bested only by the 1 percent increase experienced by Detroit during that period.

"It looks like Denver may be one of the first markets in the turnaround mode. Maybe," said Maureen Maitland, an analyst and vice president at Standard & Poor's.

Maitland said she would like to see more data before she's comfortable in saying that Denver's down cycle is over.

"However," she added, "Denver has had five positive months of price movement in a row."

Maitland noted that Denver -real estate stumbled earlier than most cities in the country and in recent years didn't go through the double-digit price appreciation experienced by other formerly hot markets on the coasts and places such as Phoenix and Las Vegas.

Nevertheless, the new-home market in the Denver area is still suffering through its worst period in more than a decade, according to a report by the Genesis Group.

Genesis said that there were 5,842 sales of new homes in the first half of the year, a 33 percent drop from the 8,758 sold in the first half of 2006. And 2006 was the worst year for new home sales in a decade.

There are pockets of robust price appreciation in Denver.

Deviree Vallejo, of Kentwood City Properties, who on Tuesday was showing a prospective buyer a \$1.15 million home in Cherry Creek North, said she has seen a huge appreciation of home prices in the Denver neighborhoods where she focuses.

She said she is concerned, in fact, that values have risen too fast in some areas and aren't sustainable.

"We've seen appreciation in Highland at 13.5 percent and Cherry Creek North at 22 percent," Vallejo said. "What we want is appreciation at 7 percent to 10 percent."

Tom Clark, executive vice president of the Metro Denver Economic Development Council, said he thought the S&P/Case-Shiller report would show Denver-area home values falling less than the rest of the country, not rising in value.

Denver's housing downturn started around 2001, and the area dodged "the 2006 housing bubble bursting in other parts of



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This \$1.15 million house for sale in Cherry Creek North is in an area of Denver that has seen a huge appreciation of home prices.

the country," Clark said.

In the past, he would have considered it bad news from an economic development perspective that home values were on the rise.

"But now it's probably not a factor because homes in Phoenix, our No. 1 competitor, are more expensive than our housing," Clark said.

Carolyn Sandberg, a broker associate with Metro Brokers, said the report shows that Denver housing is at the "very, very tip of turning around."

Rising adjustable-rate mortgages will mean more foreclosures through 2008, which will dampen appreciation at the low end of the market, she said, but are not affecting more-expensive homes.

"There will be another year for buyers to buy," Sandberg said. "But a lot of people are going to wait until all of the doom and gloom is over, and they are going to end up paying more.

"You need to buy when the market is down to get the best deal."

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