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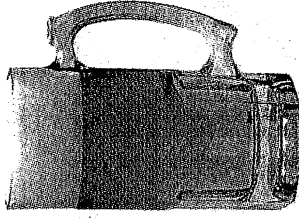
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The Great American Beer Festival sold out three weeks in advance. **A3**



Some homes selling above asking price

BY PAULA MOORE

DENVER BUSINESS JOURNAL

People scrambling to take advantage of the \$8,000 federal tax credit for first-time homebuyers, before it expires, are driving sales of distressed homes in metro Denver — and pushing up selling prices.

Real estate brokers expect distressed home sales, including bank-owned deals and short sales, to continue attracting higher-than-asking prices for a few more months, at least, because they're related to the tax credit. The credit applies to anyone who hasn't owned a home for three years.

The stimulus-related credit expires Nov. 30, but real estate industry groups are trying to extend and increase it.

"Normally, this is the time of year when the summer fling of homebuying dissipates, but we're seeing the opposite because of the tax credit," said Ron Thorne, broker associate at Keller Williams Advantage Realty/Ron Thorne Group in Lakewood.

The average discount for



Lon Welsh is the broker/owner at Your Castle Real Estate LLC in Lakewood.

standard, nondistressed single-family homes selling in the Denver area was 2.5 percent as of August, according to Metrolist Inc. data analyzed by Your Castle Real Estate LLC of Lakewood. The average selling price for a home last month was roughly \$274,000.

The average premium, or increase over asking price, received by lenders reselling homes they purchased at foreclosure sales — called real estate-owned properties (REOs) — was 3 percent last month.

For REOs that sold for less than \$185,000 in

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DISCOUNTS: Homebuyer tax credit is pushing prices up

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less than five days, the premium jumped to an average of 10.7 percent.

Metro-area neighborhoods where home-sales prices are rebounding include northern Aurora and Denver's southwestern region, according to Your Castle.

'Discounts in the \$200,000-and-less price range are going away.

There's not much inventory, so it's moving fast. In the less-than-\$100,000 range, there's less than three days inventory. That product is moving really fast.'

Gary Bauer

independent residential real estate broker

Relatively low-priced distressed homes are selling well and for premium prices because there are more buyers — including those taking advantage of the homebuyer tax credit — than supply, causing “intense competition” for homes, according to Lon Welsh, broker/owner at Your Castle and Metrolist analyst.

“REOs have gone from discounts to premiums because there are not nearly enough deals,” he said.

“Discounts in the \$200,000-and-less

price range are going away,” said independent residential real estate broker Gary Bauer of Littleton, also a Metrolist analyst. “There’s not much inventory, so it’s moving fast. In the less-than-\$100,000 range, there’s less than three days inventory. That product is moving really fast.”

Strong sales of lower-priced homes indicate that property type has hit bottom, or experienced its lowest prices and sales of the current housing market cycle, according to real estate brokers.

“For low-end properties, January or February was probably the low part of the market,” Welsh said. “High-end housing ... has got a long way to go [before it hits the bottom].”

The first-time homebuyer tax credit is part of the American Recovery and Reinvestment Act of 2009, and is an increase over a previous \$7,500 credit that had to be repaid.

The current credit doesn't have a repayment requirement. The homebuyer tax credit could last longer, if real estate groups succeed in getting the U.S. Congress to extend and/or increase the tax credit.

The National Association of Realtors (NAR) and the National Association of Home Builders (NAHB) are lobbying legislators to boost the credit to \$15,000, and to allow it to be used for home purchases at all price ranges in 2010.

Bills are pending in both houses of Congress to extend the credit for another year. Sens. Christopher Dodd (D-Conn.) and Johnny Isakson (R-Ga.) are sponsoring a bill to raise the tax credit amount

to \$15,000, which was the amount U.S. housing industry groups and some legislators wanted for the 2009 tax credit.

“I don’t think the \$15,000 tax credit available to everybody will go through,” Welsh said. “But some form of the tax credit might get extended — maybe an \$8,000 credit for everybody, [not just first-time buyers].”

Premium prices for distressed homes also might be affected by a possible spate of new foreclosures, which would put more distressed housing product on the market for sale and drive down selling prices.

Welsh and other residential brokers think many mortgage lenders, especially large banks, have a “shadow inventory” of homes that should be foreclosed on, but haven’t been because banks have lost money on REO sales.

“Partially to comply with federal programs, a lot of banks are outwardly bending over backwards to modify loans; they don’t want to foreclose if they don’t have to. ... But I think we’ll see more foreclosures,” Thorne said.

Barbara Walker, executive officer of the Independent Bankers of Colorado (IBC) trade group, contends mortgage lenders are doing more to work with homeowners to avoid foreclosure. IBC member banks that make mortgage loans don’t have many foreclosures because they made sound loans, according to Walker.

“Any mortgage lender’s strategy regarding foreclosures is they don’t want to do a foreclosure, because you lose money,” Walker said. “Depending on a

DISCOUNT VS. PREMIUM: Which homes are selling at discounts and which are selling for premiums above asking price depends on the type of property. Many sellers of standard, non-distressed homes must still offer a discount to make a sale, but many owners of distressed homes such as foreclosures are getting more than asking price. Unless otherwise indicated, data below is from August 2009.

Average non-distressed home selling price discount	2.5%
Average overall premium paid for distressed home	3%
Average premium paid on distressed home selling for \$185,000 or less in less than five days	10.7%
Volume of short sales (Jan.-July 2008 vs. Jan.-July 2009)	↑ 86%
Volume of bank-owned home sales (Jan.-July 2008 vs. Jan.-July 2009)	↓ 31%
Average selling price of smallest homes (910 square feet and less)	↑ 14%
Average selling price for largest homes (2,875 square feet and more)	↓ 14%*

* Jan.-April 2009 vs. May-Aug. 2009

Sources: Your Castle Real Estate LLC, Metrolist Inc.

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property’s location, size and price ... the market may allow the existing borrower to make a decent short sale. That helps the borrower as well as the lender.”