

South Metro Denver Association of Realtors – Trends Article – April 2008

Recap of First Quarter 2008 Home Price Performance

By Lon Welsh and Andrew Darlington, Your Castle Real Estate.

The average home price in Metro Denver increased +2% in the full year 2005 to the full year 2006, from \$309,000 to \$317,000. Comparing 2006 to 2007, the average home price across the metro dropped 2%, to \$311,000. The first quarter of 2008 was \$278,000 vs. the first quarter of 2007 was \$296,000: a 6% decrease. Note that prices in the first quarter are usually a bit less than the rest of the year. This is because families that tend to purchase larger, more expensive homes tend to move in the summer months when their kids are out of school.

The average price of a foreclosure or short sale dropped -3% to \$188,000 from 2006 to 2007. The average price of a non-distress sale increased 5% to \$370,000. Sales volume over the last twelve months is off -4% for DSF/ASF. Foreclosure and short sale volume is up +31%; non-distress seller volume is off 20%. This trend continued in the 1Q 2008; foreclosure volume was up another 15% at the expense of the non-distress sellers.

Some areas did better than others. The attached chart shows different neighborhoods in South Metro Denver. Each region has the neighborhood's name and the percentage of sales in the last twelve months that were either short sales or bank-owned properties. The second line has the price change the twelve months from April 2007 to March 2008 vs. the twelve months immediately preceding. Next, you'll see the average home price in the last twelve months and the number of homes that were sold.

The good news is that the foreclosures are likely to peak in the next six to nine months. Many of the foreclosures were due to resetting rates on ARMs (adjustable rate mortgages). There are two reasons. First, according to Bank of America data, the volume of ARM resets is set to peak in March 2008. It often takes six months or a bit longer for an ARM reset to conclude in the sale of a foreclosed home. Second, the index rates that many ARMs use have declined lately. As a result, some borrowers that might have had a huge shock if their rate reset a year ago might get less of an increase today. For these reasons, we're likely to hit the bottom of this cycle this year.

There had to be at least twenty sales in the last year for an area to be included. The numbers are more reliable in areas where there were more sales.

Source: Your Castle Real Estate analysis, MLS data

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