

High inventory forecast for real estate in Durango in '09

Properties in city limits a bright spot, brokers say

by Chuck Slothower
Herald Staff Writer

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Durango home prices could slide in 2009, but transactions should pick up, a real estate brokerage predicted Wednesday.

In its annual forecast at Fort Lewis College, The Wells Group predicted the real estate market would stabilize by summer or fall.

The local real estate market saw prices hold steady in 2008 even as sales dropped dramatically. But Durango real estate faces a number of challenges, including tight credit and weakness in several "feeder" markets, places where people who move to Durango often come from.

The forecast, which attracted hundreds of business and government leaders, real estate industry professionals and others and was presented by real estate consultant Bob Allen, acknowledged 2008 "was an awful year." It further predicted: "There will be more bad news, more foreclosures, more company failures, more large-scale layoffs, slow real estate and construction conditions as well as more empty local storefronts."

Slow sales "may result in some price adjustment which will stimulate activity and provide buyer opportunity," the forecast said.

Historically low interest rates, combined with an \$8,000 federal tax credit for some homebuyers, should help spur sales, the brokers said.

The median sale price of in-town Durango homes rose 1 percent, from \$389,000 in 2007 to \$392,450 in 2008. But total sales dropped 23 percent, from 163 in 2007 to 126 in 2008.

"The economy didn't encourage people to go out and take risks in 2008," said Don Ricedorff, a Wells Group broker, in an interview before the forecast presentation.

The inventory of homes on the market has climbed to "near all-time highs," Allen said.

Building permits issued by local government agencies dropped dramatically in 2008, but prices for construction materials have also decreased.

In-town single-family homes have been among the strongest sectors, outperforming rural homes and vacant land. The market is undersupplied with homes costing less \$500,000, Allen said.

Tight credit has affected sales, the brokers said. Jim Wotkyns, co-owner of The Wells Group, said in an interview that buyers must have "all your proverbial ducks in a row right now" to get a residential mortgage loan. High credit scores and money in the bank are a must, he said.

Allen said credit is still flowing locally, especially with strong refinance activity tied to low interest rates. Sales in La Plata County have declined to levels not seen since 2003. Still, Durango has shown more

resilience than areas that rely even more heavily on second-home buyers, such as Telluride and Pagosa Springs.

Weakness in feeder markets such as Phoenix continues to dampen activity in Durango. Prices dropped 26 percent in the Phoenix area from 2007 to 2008, or about \$100,000 on average. On the bright side, the Denver area, where inventory is on the decline, looks as if it is beginning to turn around, the brokers said.

In Durango, the median sale price of single-family homes increased at an average 9.9 percent annual rate from 2000 to 2008. The brokers recommended investors consider buying in town.

"In previous recessionary times, in-town Durango residential has fared better than other sectors," the presentation said.

John Wells, co-owner of The Wells Group, said "we will see some price adjustments" in 2009.

But, he added, this year is "an excellent time to invest in real estate."

chuck@durangoherald.com

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