

## Economist's forecast sees Denver housing turnaround

By John Rebchook  
Rocky Mountain News

The only thing this is holding back the Denver-area housing market is "irrational pessimism" from prospective buyers.

That insight comes from Lawrence Yun, chief economist and senior vice president of real estate for the National Association of Realtors. Yun, who presented his 2008 real estate forecast to the Jefferson County Association of Realtors in Lakewood on Wednesday, noted afterward that "all markets are local" and that the bleak national market conditions do not represent what is happening in the Denver area.

Yun said unemployment is lower in the Denver market than nationally, while job creation is stronger. The Denver real estate market also didn't experience the huge run-up in prices that other markets did. It takes far less of the typical income in the Denver area to buy a house than in such areas as San Diego and Miami, he noted during his presentation.

"And interest rates are basically at their 45-year low," Yun said. **"I would say the Denver market is past its bottom and is now in the early stages of recovery. The one thing that may be holding back your market is buyer pessimism,"** Yun said. "I think for your housing market is irrational pessimism. You have very strong affordability."

He said buyers' gloomy attitude springs from all the attention on the collapse of the sub-prime market. "Wall Street made a very bad mistake by being overly exuberant on the profits gained from sub-prime lending," he said. "But those are mistakes made in the past. It's not related to home buying today or in the future." He did say, however, that the number of foreclosures, which set a record in the metro area in 2007, will continue to rise this year. **But he still expects overall housing appreciation in the Denver area this year to be 4 percent to 5 percent, while the nation as a whole will be flat.**

**Previously hot markets, such as California and Florida, will likely see home prices continue to fall this year, he said. Yun predicts that home prices in the metro area will rise another 5 percent to 7 percent, on average, in 2009.** Yun said that if there is a recession this year, Denver should weather it better than the county as a whole.

"That would really be bad news for a city like Detroit, where they have had seven years of rising unemployment," he said. **"But Denver will be able to escape most of the job losses of a recession because of the highly educated work force and because you've already wrung out the excesses of the dot-com boom," with a huge loss of tech jobs starting in 2001, he said.**

Also, a recession would mean further cuts in mortgage rates, which would make Denver housing even more attractive, he said.

Jim Smith, owner of Golden Real Estate, called Yun's talk "fascinating."

The facts speak for themselves," he said.