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Article Launched: 8/16/2006 01:00 AM

business

Home sales' foundation weakens

As sellers proliferate, the median home price nationwide and in most Colorado metro areas fails to increase as quickly as before.

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U.S. home sales declined sharply in the second quarter, dragging down home-appreciation rates in many states, including Colorado, according to a report Tuesday from the National Association of Realtors.

Existing-home sales nationally fell 7 percent in the second quarter, led by a drop of more than 23 percent in Nevada, Florida, Arizona, Virginia and California.

"With more sellers competing for the pool of buyers, the (upward) pressure on home prices has evaporated in most metro areas," said David Lereah, the NAR's chief economist.

The median single-family home price in the U.S. rose 3.7 percent in the year ended June 30 to \$227,500. That's down sharply from the 12.2 percent price appreciation enjoyed nationally for all of 2005. The median condominium price nationally declined 0.3 percent in the second quarter to \$225,800. Last year, condos appreciated at a 13.6 percent pace.

The median price is the point at which half of homes sell for more and half sell for less.

Colorado home sales fell 2.3 percent in the second quarter compared with the same period a year ago. In the 12 months ended June 30, median single-family home prices rose:

2.7 percent in the Denver-Aurora area to \$255,200, down from a 3.3 percent rate for 2005.

5.3 percent in Colorado Springs to \$218,300, down from a 9.8 percent pace last year.

7.8 percent in Boulder to \$373,200, up from a 7.1 percent pace last year.

"Colorado has really avoided the wide swings in supply and demand that have occurred on the coasts, particularly in California and Florida," said Walter Maloney, an NAR spokesman.

But the home market in Denver continues to suffer from a glut of unsold properties, said Steig Seaward, an analyst with the Denver Board of Realtors.

A record 31,989 existing homes were available in the Denver metro area in July.

Colorado has reported a foreclosure rate three times the national average for the past several months, according to Realty Trac.

"The increase in foreclosures has really put an unneeded strain on the market," Seaward said.

Real-estate broker Will Roberts, a franchisee of Metro Brokers, said homes are taking much longer to sell, 103 days on average compared with 60 days four years ago.

"The inventory has increased beyond demand," he said.

Given that peak home-selling season is right now, Seaward said he wouldn't be surprised to see the housing market continue to

deteriorate in the months ahead.

"I anticipate the market will go down; the question is how far and how fast," he said. "That will have a lot to do with what the Federal Reserve does with interest rates."

The Producer Price Index, a gauge of inflation in wholesale goods, rose only 0.1 percent in July compared with a 0.5 percent jump in June. A slower pace of inflation could make a rate hike less likely from the Fed when it meets Sept. 20.

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