

# DENVER REAL ESTATE

## 2012

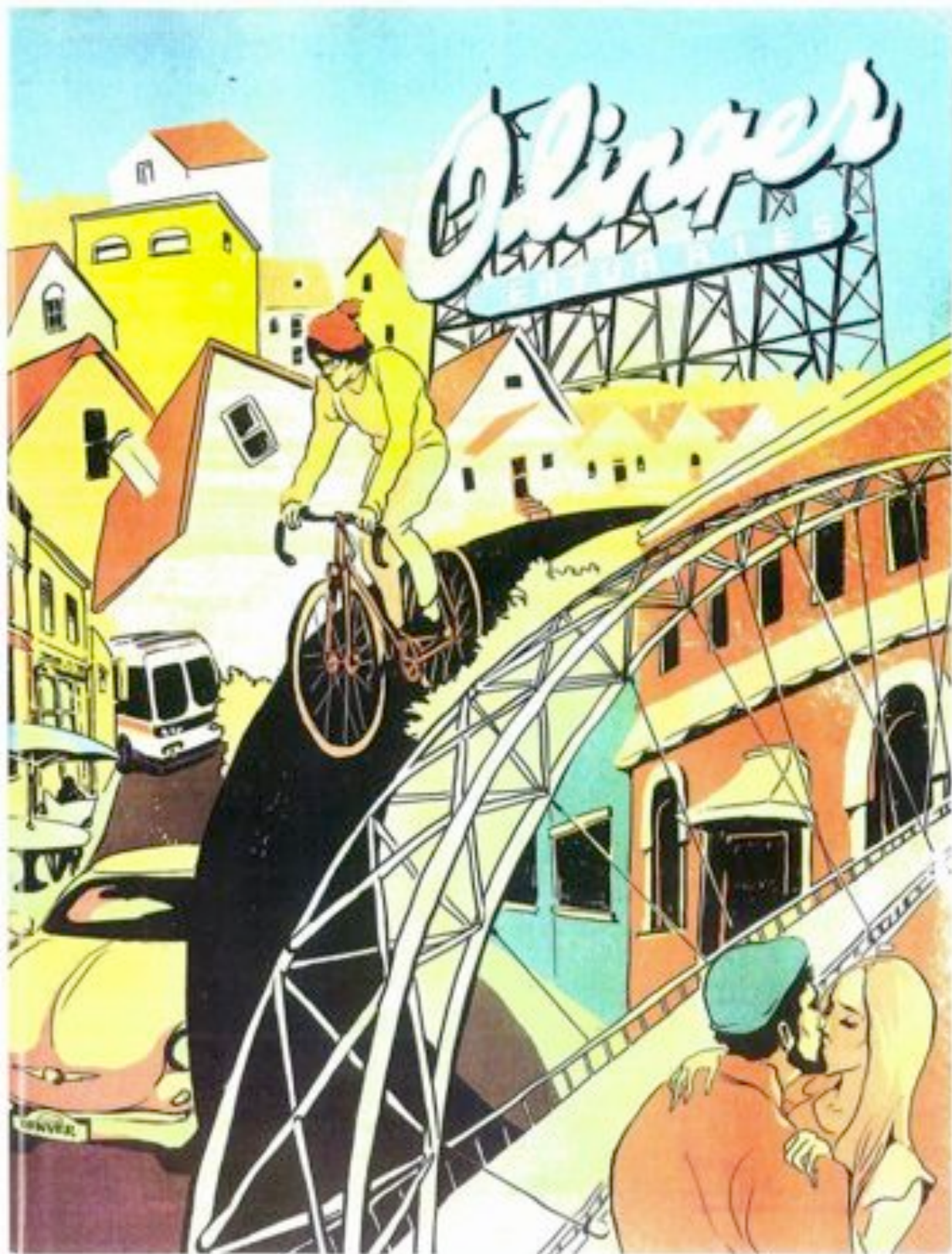
We may not be in a citywide bull market, but there are plenty of reasons to feel pretty darn good about real estate in the Mile High City this year. This is especially true of Highlands, which has become a nationally recognized, trendsetting model for the possibilities of 21st-century new urbanism. Here's how Highlands became the hottest part of town—and which local neighborhoods might be next.



BY LUCY HALLIDAY

ILLUSTRATION BY CHRISTINA OWE







On any given night, ask your friends, colleagues, or neighbors what they're doing and where they're going, and chances are the word "Highlands" will be part of the answer. Maybe they'll be dining on pork steamed bao at the hotter-than-hot Linger, or grabbing a Negroni at the hipper-than-hip Williams & Graham. Maybe they'll be canoodling over glasses of Burgundy at Z Cuisine, or downing a burger and a pint of Odell's Levity Amber Ale at Highland Tap and Burger. Or maybe they'll be queuing up for a cold treat and a warm night at Little Man Ice Cream.

Just as Manhattan's formerly seedy Lower East Side and San Francisco's Mission District have evolved from undeserved no-man's-lands into hip nightlife destinations (while maintaining just enough seediness to stay interesting), Highlands (which is composed of East Highland—aka LoHi—and West Highland) has over the past few years become the part of town to live in and be in.

What makes Highlands so hot? We polled some Denver real estate pros to determine the factors behind the boom, and in the coming pages we detail which neighborhoods have Highlands-type potential.

This is not to suggest that Highlands is problem free. The area's educational options are still works in progress. Academia Ann Maria Sandoval Montessori magnet school and the bilingual Escuela de Guadalupe, for example, are much-lauded elementary learning centers, but North High School has a more modest track record. The education situation, though, will likely change **"as families decide to stay in the city awhile and get more involved in the schools,"** says Kent-



Linger's dining room

**Wood City Properties' Liz Richards.**

The burgeoning commercial activity means parking is threatening to become a big city-type concern. **"Parking really needs to be thought out now,"** Richards says. **"There's certainly a need, and if more parking can be provided"—**via dedicated lots or garages—**"people can make money on it, and it'll be win-win."**

Then there's overdevelopment. Besides the proposed multi-unit projects in Highlands Square, LoHi is witnessing all kinds of construction, much of it new buildings with

dozens of rental units. Because LoHi has largely been zoned MDD, or mixed-use up to five stories, it's ripe for new apartment buildings. **"This area went from being transitional a few years ago to having a number of big name developers coming in,"** says Ryan Diggins, a partner with Gravitas Development Group, which has several Highlands projects. He says developers are using assemblages—purchases of multiple adjacent single-family lots—to get the necessary acreage for bigger rental projects. **"They're building primarily smaller, contemporary, more manageable, affordable, and energy-efficient units,"** Diggins says.

**"LoHi is almost a blank canvas for this sort of thing."**

**Richards, by now, says new rental properties in that area are actually overbuilt.** **"Until recently, there hasn't been any new construction that's a decent rental, so it's fulfilling a huge need in the marketplace,"** she says, adding that she doesn't see the Highlands boom slowing any time soon. **"Whether they're buying or renting,"** she says, **"people want to go where it's hot."**

**📍 LOCATION**

The rehabilitation of LoHi is every major rail to the Highlands restaurants. The railroads' new urbanism trend has revived the appeal of city living, and since Denver stretched the Millennium, Platte River, and Highland bridges, the seamless pedestrian and bicycle link between downtown Denver and downtown made it that much easier to walk or bike to work or to LoDo restaurants and recreation. Other neighborhood trends, regardless of their proximity to downtown, have followed suit by improving paths for biking and walking or by adding light rail lines to speed commuters and get people out of cars.

**🏢 MIXING COMMERCIAL AND RESIDENTIAL**

The area-booming, inner-downtown Highlands commercial areas have been revitalized over the past decade. It's more than just the retail and restaurant hub at Highlands Square; the area is also building over with main-commercial districts such as 32nd Avenue and Zuni Street, along Tejon Street, and on Tennyson Street between 38th and 43rd avenues—streets with a few setbacks or boulevards that break up the residential enclaves and bring in visitors from other parts of town.

**🚶 WALKABILITY**

Even if you aren't heading downtown or out to eat, Highlands West has plenty of attractions for the everyday pedestrian, such as Sloan's Lake to the west and the Platte River trails to the east. There are plenty of parks—a boon to the growing number of young families in the area—and they're served out enough that the occupants aren't constantly fighting stroller traffic like in more congested parts of the city. And between historic Victorian, well-kept bungalows, Denver Squares, and vibrant new construction, a walk in Highlands is like a self-guided architectural tour.

**💰 SPREADING THE WEALTH**

One benefit of Highlands fever is that it's surrounded by a number of more modest neighborhoods that are becoming the indirect beneficiary of Highlands' success. **"Interest is moving north to Berkeley, east to Conynville, south to Jefferson Park, and east to Sloan's Lake,"** says Charles Roberts of Four Castle Real Estate. **"You can almost see it on a block-by-block basis up to Peoria Street. The prices are still high in the apartment, but they're moving into those other neighborhoods."**

**NOTE:** Although neighborhood boundaries are often in dispute, for our purposes West Highland is bordered by 38th and 29th avenues and Federal and Sheridan boulevards, East Highland sits between 38th and Speer Boulevard, and Federal and I-25. Together they form Highlands.



## GOING UP

In Denver's hottest and most saturated neighborhood, there's only one way to build—and some people aren't too happy about it.

The new category of real estate Highlands currently lacks is mid- to high-end rental properties, so it's no surprise that developers would want to fill that market gap. Unfortunately, the proposed buildings designed to do just that have roused a vocal group of Highlands homeowners who think it's a looming disaster.

RedPeak Properties will break ground later this summer on three plots near Highlands Square at 32nd Avenue and Lowell Boulevard. The project will result in low-rise (four- or five-story) apartment buildings with about 150 rental units. One of the three buildings will have some 3,000 square feet of retail space. The apartments will be studios, one- and two-bedrooms that will rent for \$950 to \$2,000 per month and are designed to be "a new residential option" for a neighborhood that currently lacks rentals, according to RedPeak development director Dan Lichtenfels.

Although the project is in compliance with Denver's zoning code, and RedPeak tweaked its plans after area residents' stated concerns about its size and scope, certain holes haven't been mended. The resistance has gotten ugly at times—councilman Susan Shepherd got into a shouting match last fall with anti-development activists on two non-front porches.

The concern is that the new buildings will create an unbearable traffic crunch in an area that already can be difficult to navigate. "They want to build on these lots that are already public parking lots, plus the project will eliminate some on-street parking because of the codes," says Bill Marwood, a representative for the group No High Rises in West Highlands, which has vociferously opposed the project. "Councilman sense tells you this will cause major problems."

No High Rises rejects RedPeak's claim that it can only make money on a one-story, mixed-use complex. Marwood cites another nearby project at 32nd and Irving—five stories above townhomes with a small retail complex—as proof that a developer can build something profitable that also fits in.

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LOCATION—AREAS WITH EASY ACCESS TO DOWNTOWN, OTHER NEIGHBORHOODS, AND FREEWAYS

**BAKER** | 30th (Stanton Market) #6 | Average Sale Price: \$254,000  
Price Change: One sale over year (December 2011)  
5 December 2011 | +4 percent

Although Baker seems to have enough amenities to become the next Highlands—from nightlife and inventory to the preponderance of hipsters—it also has limitations such as small lots and occasionally sketchy blocks. "Baker's a good example of what Highlands was like in 1980," says Charles Roberts of Your Castle. "It's wonderfully transitional, but you don't want to end up in the wrong part of it."

ONES TO WATCH

CAPITOL HILL | 30x153 | Average sale price: \$421,000 | Price change: -2 percent

CURTIS PARK (IN POINT) | 30x137 | Average sale price: \$284,000 | Price change: 0 percent

## PRIORITY REPORT

Some of the things potential buyers and sellers should be thinking about as they navigate the housing market.

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### LOCATION > SIZE

What? Think you can get more for your money in the suburbs, but do you really want to live there? Why? There's continued migration into the city, where people want proximity to trendy areas. Don't want to deal with commuters, who would rather have a 1,000-square-foot townhome, great location, rather than a 2,000-square-foot farmhouse? —Liz Roberts, RedwoodCity Properties

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the Highlands landscape. "It boggles the mind that here's someone who thinks you can make money on that type of project, within the character of the neighborhood, and RedPeak is saying no, and the city is OK with it," says Mercedes, who also contends that the city won't rectify an earlier zoning error.

Luthjens insists the LEED-certified project won't create the feared heat island effect; he says the buildings will have ample parking, including bike parking (RedPeak is negotiating with the city to get a Bi-Cycle station on site). The developer worked with an advisory committee that includes councilwoman Shepherd and several groups—including No High Rises—to tweak the buildings' design. "We've tried to be sensitive to residents' concerns and create designs that fit the area's existing structures," says Luthjens, who characterizes the advisory committee's meetings as productive and amicable. "We've made concessions, but no matter how many we make, there may always be people opposed to the project."

The 32nd and Irving project features houses (two are actually on 31st Avenue) built by Gravitas Development, which are priced at around \$600,000. Although Ryan Higgins, a Gravitas partner, says his company tried to fit the existing landscape, he also understands RedPeak's motivations. "There are almost no rental apartments in that neighborhood, so they're eliminating a key demographic that wants to be there," he says.

Another Highlands-focused broker doesn't understand all of the fuss. "I think

the biggest sticking point is the city's own policies around density and height. The city has been very clear about wanting to increase density and height in the Highlands, and they're trying to do the opposite. It's a bit of a disconnect, but I think it's a good thing that the city is trying to do this. It's a good thing."



ONE OF DENVER'S PROMISING AREAS THAT TASTEFULLY BLEND RESIDENTIAL COMFORT WITH DAILY RETAIL CENTERS

## BERKELEY WEST

Q1M88  
Average Sale Price: \$290,000  
Price Change: +8 percent

A neighborhood on the rise, thanks to the inspiring Tennessee Street Cultural District and its proximity to Highlands and Five Forks. "Tennessee Street gives residents more options than just one or two restaurants or coffee shops, and the area is trending along the lines of Highlands with a mix of new builds and fix-uppers," says Lar Richards of Sandwalk City Properties.

ONES TO WATCH  
CHERRY CREEK: Q1M120 Average Sale Price: \$814,000 Price Change: -2 percent  
PLATT PARK: Q1M114: Q1M118 Average Sale Price: \$294,000 Price Change: +5 percent

## 2 UPCOMING ELECTIONS < MARKET REALITIES

**What:** Think the November elections will fundamentally change the housing market? Think again. **Why:** "We've seen data showing congressional and presidential election years, and an election year doesn't change anything. Look at what's actually happening in the market, not at the horse race itself." —Chris Powers, Vice-City Real Estate

## 3 DENVER > THE REST OF THE U.S.

**What:** Housing trends here don't quite seem like those of the rest of the country, with home prices rising and fewer in the area of most other markets nationwide. **Why:** "Denver is one of the top five, at least, for the past several years. It's not great yet, but it's not falling off a cliff like a lot of other markets." —Jonathan D. Reed, RE/MAX



# STAPLETON

QOM/14 Average sale price: **\$432,000**  
Price change: **1 percent**

This area is more than fulfilling its new-urbanist mission, with plenty of parks, an evolving commercial district, and a planned light-rail line. "Stapleton is one area where values have held up, and a lot of new residential and commercial development is going on," says Lisa Krylov of EMA Herman Group Real Estate.

**ONES TO WATCH**

**CHEERY CREEK**—QOM/128 Average sale price: **\$884,000** Price change: **7 percent**  
**DOWNTOWN**—QOM/103—QOM/87 Average sale price: **\$274,800** Price change: **1 percent**



## MARKET READER



By CEO and founder Lane Morning on the surprisingly sunny picture of Denver real estate.

**Q: What's your overall assessment of the current market?**

**A:** We're still in a recovery, but it's gathering momentum in different places.

**Q: What is it about Denver's real estate that makes things so much better than in the rest of the country?**

**A:** There are a couple of things. In home-price metrics, Denver's been in the top five, at least, for the last couple of years. A guy on CNBC just sent me something saying Denver is the place he's telling investors and real estate pros to buy property. We have a migration happening, and it's in the right demographics. We're third in the country in migration, but in the key demo of 25- to 44-year-olds, we're number one. These people are moving here not necessarily for jobs, but for lifestyle and a better housing market. It's relatively stable and healthy, and it doesn't look skinny to them. The markets on the coast are getting healthy enough to let people get out of them.

**Q: How did the downturn affect people's assumptions about home ownership?**

**A:** You'd think that the dream of home ownership is dead, especially among the millennials. But survey after survey says the millennials want home ownership as much as any other generation. It's smaller, smarter, not so much for-and-flip, but they really want home ownership.

**Q: But they're going about it differently?**

**A:** Right. It's gotta be smart and well-researched. They're way savvier, and they know the market. They're really cautious, and rightly so, all the way through the transaction. What's great about that is that they make great sellers later on, because they bought right. They're not underwater, or in a bad house with a bad floor plan, or on a bad street.

### 4 LIFESTYLE > QUICK RETURNS

**What:** "The days of the wild flip are over for almost everyone but the elite. And that's all right. **Why:** "People have realized their job didn't rise faster than their house in years or a more than an hour's commute. People used to be smart, but they're buying 4 years for the emotional connection that we have. They think it'll be worth more in a few years." —Lisa Richards

### 5 NEW RENTERS > OLD RENTERS

**What:** "Being a renter used to mean you're struggling, young, unstable, and that underwrote the logic. **Why:** "My perception of today's renters, especially in areas like Portland, is that they're affluent and high-end in ways that can only improve a neighborhood." —Lisa Richards



## HOW LOW CAN IT GO?

Denver's real estate market is promising for both buyers and sellers—if only there were more properties to buy and sell.

Real estate brokers may not agree on strategic approaches to where we sit in the market today, but they're unanimous about one thing: We need more inventory.

Although the world of the foreclosure which is arguably over, banks are still piling on countless foreclosed homes nationwide. It's frustrating buyers, sellers and brokers alike, especially in a relatively strong market such as Denver. "Right now we have about 10,000 properties on the market. Four years ago we had about 25,000," says Charles Roberts, a co-owner and managing broker with Four Castle Real Estate. "Our inventory is down 33 percent from last year for single-family homes, and more than 50 percent for condos. It's a dramatic change, and it's driving everything right now."

The reasons for the shortage vary. When foreclosed properties flooded the market a few years ago, they were often dumped as low-priced, as-is deals that investors could quickly fix and flip. Now banks are releasing homes much more slowly, but in better condition. "They've put in new carpeting, interior paint jobs, anything to make them more marketable," says ERA HomeGroup's Lisa Kaylor. "It helps bring them closer to market price."

Then there's the ongoing perception among would-be sellers that, with a buyer's market, "they're out in Denver. Homes that, at under \$500,000, nothing could be further from the truth," Roberts says. He says that potential buyers in the 25- to 35 age range have only modest budgets, so they're "overcommitting" by making offers. And more lenders report fewer transactions.

For now, all brokers caution to wait and watch on the fence sellers about how the combination of fewer than ever interest rates and minimal inventory—not to mention Denver's recent ranking by the Case-Shiller index as the number-three real estate market in the country—should finally motivate them to dive into the market.



SPREADING THE WEALTH—AREAS WHOSE ATTRACTIVENESS IS HELPING SURROUNDING NEIGHBORHOODS GROW AND THRIVE

## WASHINGTON PARK EAST

200-200 Average sale price: \$300,000 Price change: +2 percent

This old standby remains as attractive as ever, and its desirability is helping sustain the tonier Belcaro and Cary-Merrill neighborhoods through a tough down period, while extending its reach to areas like University and Virginia Village. "In a neighborhood like Virginia Village, which is right near these areas, you can get a lower price for decent-size lots and a good location," says Lorie Hornung of Re/Real Estate.

ONCE TO WATCH

CITY PARK WEST—200-54 Average sale price: \$281,000 Price change: +34 percent  
SOUTH PARK HILL—200-26 Average sale price: \$442,000 Price change: +3 percent



# 6

## AFFORDABILITY > GREENNESS

When it comes to green homes, there are two main reasons why they're so popular. **Why?** "People like them because they're better for the environment, and they're also better for the wallet," says Lorie Hornung of Re/Real Estate. "People are looking for ways to save money and live a greener lifestyle."

## WHAT'S AT LEAST 10 MILES LONG, ABOUT A HALF-MILE WIDE, AND HAS A RIVER RUNNING THROUGH IT?

**A: Denver's next great "neighborhood."**

At a gathering of real estate pros in March, Paul Washington, executive director of the Denver Office of Economic Development, called the Platte River Corridor "in my opinion, the most underused riverfront real estate in the entire country," one that presents Denver with a development opportunity of more than \$1 billion. In the coming decade, the corridor will undergo a massive overhaul that will improve existing trails and parks along the South Platte, add new ones, and create a landscape that should improve commercial and residential environments along the entire stretch of the river. Here's a peek at what's already been accomplished, and what Denverites can look forward to seeing on our one and only waterfront.

### DOWN BY THE RIVER

NUMEROUS MUNICIPAL ORGANIZATIONS ARE WORKING TOGETHER ON THE CHANGES OUTLINED BELOW. SOME MODIFICATIONS ARE A WAY'S OFF; SOME ARE ALREADY UNDER WAY. THE NET RESULT IS THAT THE NEW SOUTH PLATTE SHOULD GIVE WIMY AREAS—COMMERCIAL, RESIDENTIAL, AND RECREATIONAL—A WELCOME MAKEOVER.

#### GREEN STREET CONNECTIONS

Expanding and improving certain streets that traverse the river to make them more pedestrian and bike friendly, and provide easier access to adjoining neighborhoods.

#### BRIDGES

Erecting bike and pedestrian bridges to make the river crossable at more points, which will increase non-auto traffic and encourage green-space development along the shore.

Follow stretches of the river.

#### RIVER GATEWAYS

Creating sewer- and nice-entrances to riverside bike and walking paths.

#### NIGHT LIGHTING

To make quiet stretches of the river safer during the evening hours.

#### LIGHT RAIL

Expanding current routes to include more stations to get people out of their cars and encourage commercial and mixed-use development.

Along transit lines.

**RE-ZONING:** Tweaking current zoning codes in areas near the Platte to allow for development of mixed-use properties.

#### ENVIRONMENTAL IMPROVEMENTS

More people using the Platte for boating, fishing, swimming, or simply walking next to it means a greater need for the environmental safeguards necessary to keep water quality high and preserve natural habitats.

**SOURCES:** Denver Departments of Parks and Recreation, Community Planning and Development, and Office of Economic Development; Your Central Real Estate.com; Real Estate

	Interstate / Highway		Existing Light Rail Station
	South Platte River		Planned Light Rail Station
	Surface Water		Existing Light Rail
	Parks / Open Space / Golf Course		Planned Light Rail
	Denver County Boundary		Planned Light Rail
	Study Area (Quarter Mile Buffer)		Planned Light Rail
			Planned Light Rail
			Planned Light Rail



## 7 SMART > CHEAP

**What:** Last November, you all offered a home loan to a woman who couldn't get a mortgage. **Why:** It was 2011, and you realized that your job was in a very important new industry, but you were worried about your financial responsibility. But this will be the best thing you've ever done for the woman's family to be released. —Lara Fleming

## 8 FIX IT UP > MOVE ON UP

**What:** The credit crunch is affecting homebuyers to get the money they need to buy a house. **Why:** People are increasingly interested in moving to their homes. They're willing to spend more for a new kitchen or bathroom because they're not for the long haul. —Jeffrey