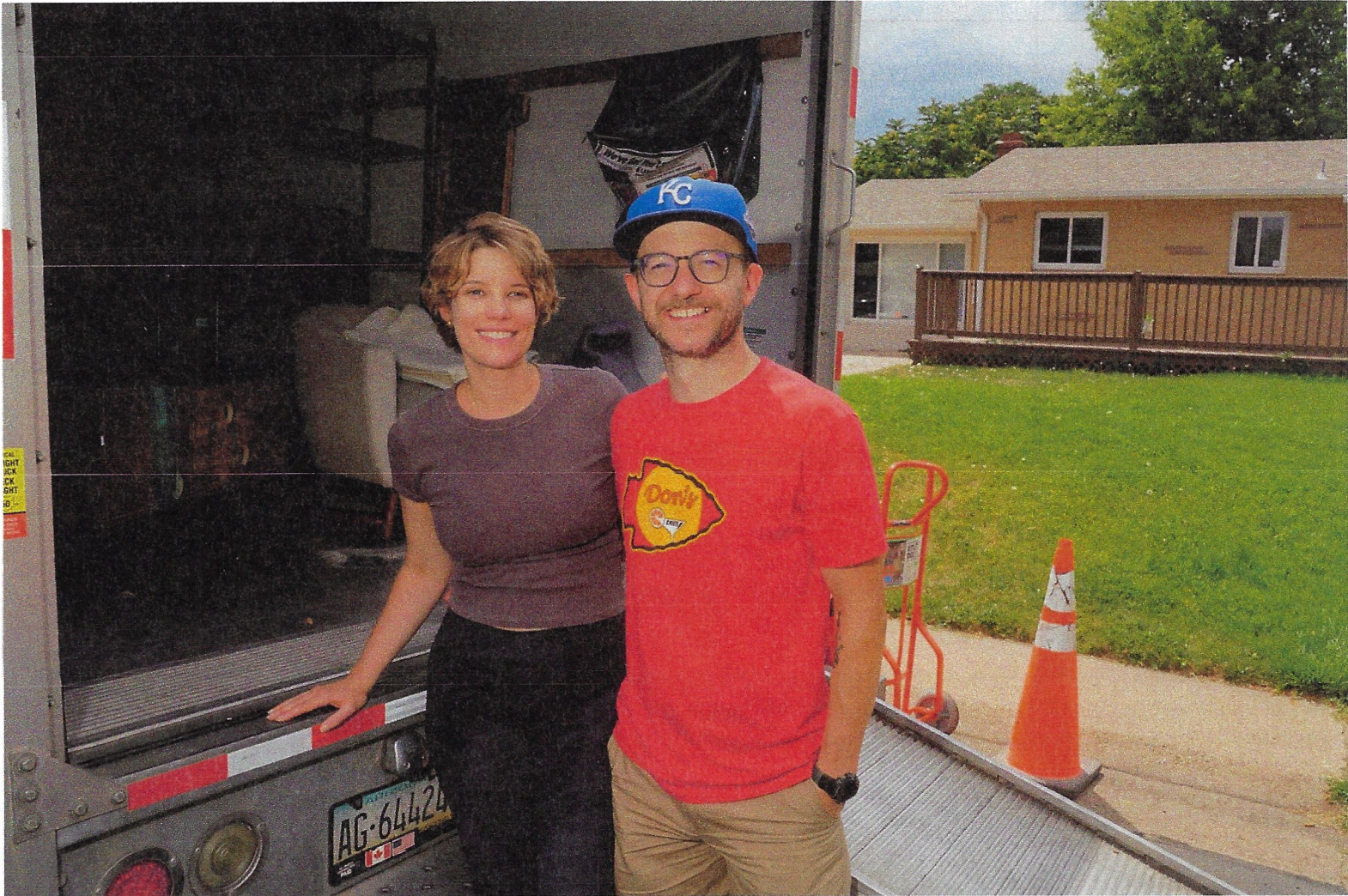


First-time homebuyers finding success in market

Down payments of 10% or less possible using assistance programs



Rachael and Nathan Danigelis pose for a portrait outside their new home in Lakewood on Saturday. The couple recently bought the three-bedroom, two-bathroom home. REBECCA SLEZAK — SPECIAL TO THE DENVER POST

BY JESSICA ALVARADO GAMEZ

JALVARADO@DENVERPOST.COM

When Rachael Danigelis and her husband, Nathan, found out they were expecting their first child, their cozy rental suddenly felt a bit too small.

Both of them had always wanted to be homeowners, as it was a long-term goal they shared. They had even considered buying about two years ago, but financial circumstances at the time made it difficult to move forward.

So they waited.

Now, with a baby on the way and in a better financial position, they decided to start their home search. To their surprise, they found that owning a home was more achievable than they had imagined.

①

"I feel great." Danigelis said when asked how it feels to be a homeowner.

"We've been renting for the last, you know, literally our whole lives. So it's been fun to be able to go in and ... make the house our own."

The couple's experience may be a glimmer of hope in a housing market that has been nothing but grim for young, aspiring homebuyers the past decade.

Cost, of course, is issue No. 1. The median price of a detached home that sold in metro Denver in July stood at \$650,000, which is down 2.26% from the \$665,000 median price seen in June and 0.76% from the median price of \$655,000 a year earlier.

So while the cost is coming down, the metro area still ranks 11th in the country for having the most expensive homes, according to a recent report by financial technology company SmartAsset, which analyzed median sale prices across 100 of the largest U.S. metro areas using Zillow data. ← Note

A second quarter report from the National Association of Realtors' shows that single-family homes in Boulder were the 10th most expensive among metro areas, with Denver-Aurora-Lakewood ranking 22nd on the list. Note

But something else that could assist novice home seekers is a more achievable down payment. Many first-time buyers believe they need a 20% down payment, which can be as much as \$120,000 on a \$600,000 home. However, that is not always the case.

Denver realtors say putting down 10% or less is becoming more common and achievable with the right team and help from local assistance programs.

Ultimately, the real price of entry depends on preparation, strategy and knowing where to focus your search. Note

Danigelis said that she and her husband were looking to live on the western side of the Denver Metro area, hoping to be closer to the mountains.

They began looking mid-June and toured between 16 and 18 properties in several neighborhoods, including Arvada, Wheat Ridge and Westminster.

She said they viewed several three-bedroom homes near Old Town Arvada, a charming and growing neighborhood. However, many of the houses required significant repairs, such as removing rotten floorboards or other major renovations, which would have added extra costs beyond the home's asking price.

Weekends quickly filled up as the couple spent eight to 10 hours exploring different homes, weighing their options and imagining their future.

Then in July, their search came to a close when they finalized the purchase of a single-story, three-bedroom, two-bathroom home in Lakewood.

"It's a milestone in life," said Keri Duffy, a broker associate at Kentwood Real Estate.

"The data shows that people who own real estate are more affluent over time than people who've rented their entire lives. On top of that, you have the joy of updating the home the way you like it, the way you want it, as opposed to the restrictions on rental," she said.

So. what about the down payment?

"There's a myth out there that you know, first-time buyers need 20% down. It can be anywhere from 3% to 5% down of the purchase price," she said.

Danigelis said she and her husband purchased their home for \$500,000 with a 10% down payment. To make monthly payments more manageable, they used additional cash to lower their mortgage rate to around 6%. Note

"There are benefits in the mortgage structure with 20% down, but there are a lot of ways to structure it to not need a down payment that high," said Amanda Snitker, realtor and chair of the Market Trends Committee for the Denver Metro Association of

Realtors.

At today's home prices, buyers need to earn approximately \$127,000 annually to afford the average monthly mortgage payment on a median-priced home, up from \$79,000 in 2021, the report stated. Note

Out of the nation's 46 million renters, only about six million meet that income hurdle. Note

When government-assisted programs such as the Federal Housing Administration, Veterans Administration, or Rural Development Services are available, the down payment requirements may be substantially smaller.

For example, an FHA loan, which is part of the U.S. Department of Housing and Urban Development, can help with a down payment as low as 3.5% of the purchase price. While a VA loan can offer as low as a 0% down payment.

First-time homebuyers can access additional resources like homeownership classes, loan programs and down payment assistance through BMO's Welcome Home Grant Program, the Colorado Housing and Finance Authority and nonprofit HomesFund, as well as through various city and county programs.

However, Duffy said first-time homebuyers often forget that while the down payment may only be 3% to 5%, they also need to factor in additional costs like inspections, moving expenses, home renovations, cleaning and potential repairs.

"I always tell my first time buyers to budget about \$1,000 for inspections," Duffy said.

Even small DIY projects can start to add up quickly, Danigelis said.

"Painting, that's a really low effort way to update your home, right? Well, not really. Every can of paint is \$24. And we chose four different colors for various rooms in the house, and so we spent probably \$150 just on the paint."

Despite the expenses, Danigelis said the process of making their home feel personal has been rewarding.

They've enjoyed tackling projects like redoing the bathroom tile, installing a kitchen backsplash and even adding a Japanese bidet toilet that was gifted by friends through their wedding registry.

She said first-time homebuyers should take the time to truly understand what they can afford.

She recommends getting specific about your budget and being honest about what you're willing to sacrifice and what you're not.

Colorado's housing market

According to a recent DMAR City and County Market Trends Report, in July the median sales price was down 1.2% to \$630,000 for single family homes and 6.5% to \$392,500 for townhouse-condo properties. Days on market increased 25% for single family homes and 44.7% for townhouse-condo properties.

Nationally, the median existing-home sales price rose 2.0% year-over-year to \$435,300, a new monthly high and the 24th consecutive month of annual price gains, according to NAR. Note

Slower sales activity has contributed to rising inventory this year, with 1.53 million properties listed for sale heading into July, a 15.9% increase from the same time last year and equivalent to a 4.7-month supply at the current sales pace. NOTE

Snitker said Denver metro housing data revealed inventory and days in MLS are both rising, while buyer activity has slowed.

"To get your foot in the door or to get started in real estate, you would maybe buy a condo or a townhome and live there for a few years, and then sell that or keep it as a rental and move up to the next," Snitker said.

"But because the HOA costs are so high now that a lot of those attached properties are pricing people out, even if the sale price, you know, is \$350,000 for a condo, you might have four or \$500 a month in HOA dues."

However, buyers in the Denver market have a meaningful opportunity: more inventory, slower competition and stable pricing create space for strategic moves, said Snitker. Note

"There is less pressure to rush into decisions, especially in higher price brackets," Snitker said.

Last month, there was approximately 13,897 single-family inventory of active listings, up 13.6% from the same time last year.

But who makes up today's homebuyers? According to housing data from the National Association of Realtors, as of August 12, 54% of all buyers in the Denver-Aurora-Lakewood area were a married-couple family household. *Note*

Additionally, about 40.9% of all buyers were between the ages of 25 to 34.

Natalie Davis, director of community growth at Keller Williams Realty, said the housing market is starting to seek balance and heading into a buyers market. Davis also said homebuyers are starting to become creative in how they are purchasing homes.

"A couple of trends that we're seeing, in addition to those first time purchases being an older age group, is that there's also multiple individuals that are going in and purchasing together," she said.

"Not that they're in any type of official marital or relational relationship, but they're just doing it from an attainability standpoint."

Lizzy Diaz-Ortiz, senior manager of the Latino Banking Segment at BMO, has also been seeing a similar trend, especially among Latino homebuyers.

"Nearly half need family support to afford their homes, as well as tapping into retirement savings," she said.

Higher interest rates and home affordability challenges are causing 80% of Latino homebuyers in Colorado to delay purchasing a home, according to new data from the BMO Real Financial Progress Index. However, the goal of home ownership remains strong.

Many are leveraging multigenerational support, entering the market earlier at a median age of 28 and finding alternative paths like purchasing fixer-uppers.