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Buyers do flips as values rise at condo tower

At the new Glass House near downtown, many owners are investors who are quickly selling their units for tidy profits.

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A week after Deviree Vallejo and Dan Brown closed on their one-bedroom condo in the Glass House, they put it back up for sale.

Within two days, they sold the unit in the Riverfront Park neighborhood west of downtown for 24 percent more than they paid for it.

"It was a great investment," said Vallejo, a real estate broker with Kentwood City Properties who has several units listed in Glass House.

Jed MacArthur, a broker with Re/Max, saw his investment increase 19 percent when he resold the one-bedroom unit he bought for \$296,000 in February.

With prices starting below \$200,000, it took just a matter of weeks for developer East West Partners to sell the 389 units in the 23-story Glass House tower, at 1700 Bassett St., near Denver's Commons Park. Although the metro Denver housing market generally is slumping, buyers are snapping up the Glass House units that are coming back on the market because they're still perceived as a good value for downtown real estate.

"East West did a really good job of creating a lot of energy and excitement over the building before it was built, and they created a price point for that location that was going to have a lot of demand," MacArthur said.

Buyers started closing on their units in late January. Since then, 24 of the units have been resold, and another 44 are on the market. A significant portion of the buyers who have flipped Glass House units for a quick profit have been real estate brokers. Scott Connors bought two units - one to live in and one to flip. He and his girlfriend and daughter moved into their condo Jan. 31. They closed on their investment unit June 7 and put it up for sale with an asking price of \$375,000, 25 percent more than they paid for it.

"It's the lowest-price-per-square-foot dwelling you can get on the park," said Connors, who runs the Denver office of Sotheby's International Realty.

When the condos first went on the market, they sold for an average of \$350 a square foot. Today, they're fetching about \$450 a square foot.

"Glass House was priced very well when we released it for sale, which was intentional," said Chris Frampton of East West Partners. "It's highly amenitized, and Riverfront Park has really emerged as a pretty good neighborhood. It's 25 feet from the park."

Newer projects in the area, which are selling for about \$750 a square foot, also are selling well. At The Park One Riverfront, for example, 11 of the development's 18 units are under contract and construction hasn't started.

Despite the number of resale units available at Glass House, East West is moving forward with a similar project called City House, a 23-story tower expected to break ground later this year.

While Glass House attracted a slew of investors when it went on the market in April 2006, Denver hasn't drawn the number of people looking to flip that markets such as Florida and Las Vegas have.

"In certain areas, it's almost a profession," said Randy Nichols, who is developing The Spire, a 41-story downtown building that will include 503 residences priced from \$200,000 to just over \$1 million. "Fortunately, Denver hasn't gotten to that stage.

"It's good that it hasn't. If it's all investors, you haven't gained anything. You sell all your units and the next day, 70 percent go back on the market."

That's more of a problem in cities like Miami that draw tourists than it is in Denver, where people are lured to downtown for its lifestyle, said Tami Door, president and chief executive of the Downtown Denver Partnership Inc.

"This investor flip is going to balance itself out," she said. "When you look over a downtown area and you know that X number of units have been sold, but there are no lights on in the development, that's a problem. But I don't think that's the case here."

Nichols said there's no way to completely avoid speculative buying, but there are ways to discourage it. Developers can require investors to pay a higher deposit and impose deed restrictions on the property prohibiting its sale until all the units have been sold.

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