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Colorado's condo market unraveling?

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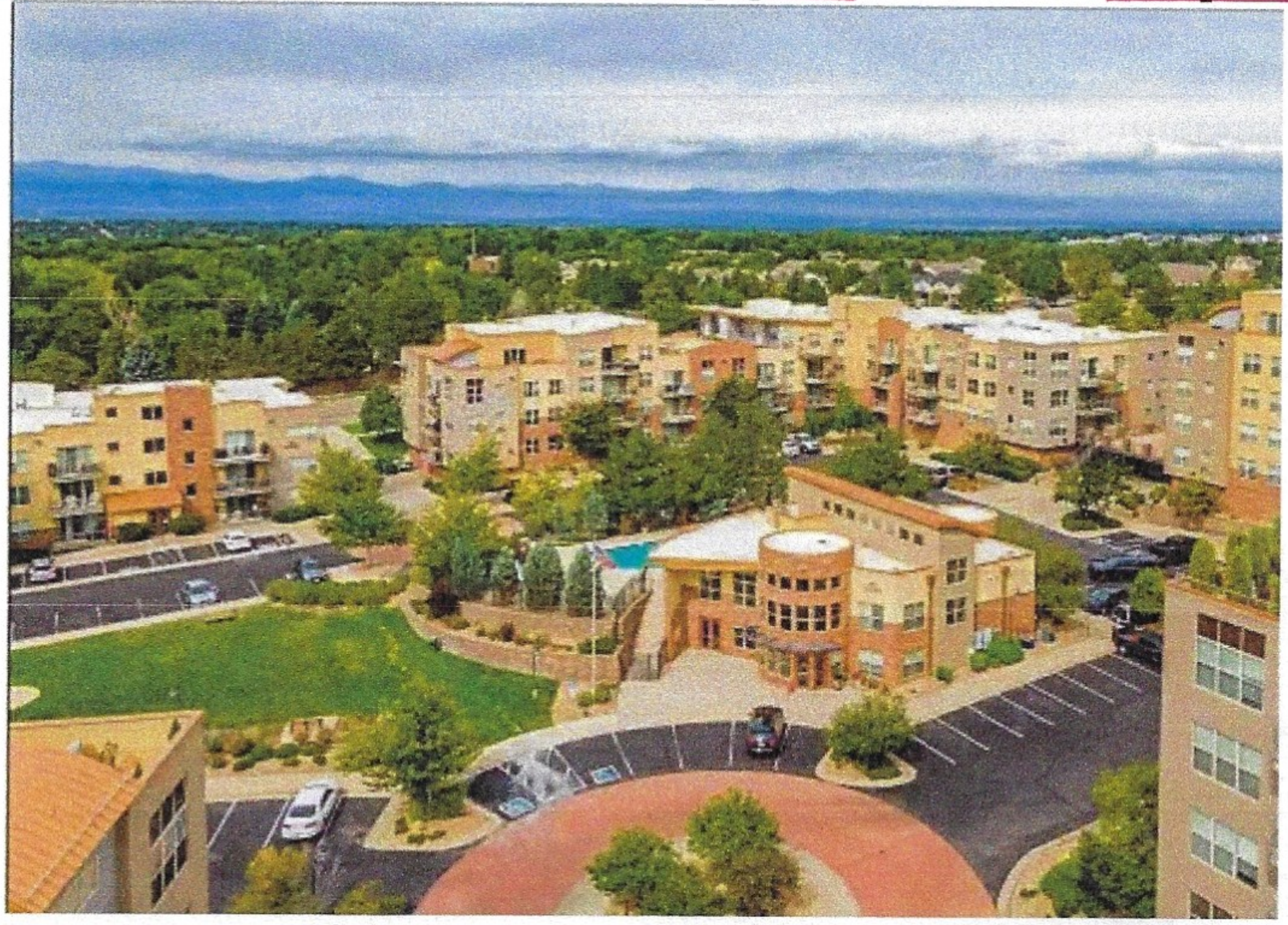
Denver's residential real estate market this year is a bad-news, good-news story — with continued slow sales activity impeded by mortgage costs but with home prices holding their own.



However, none of that optimistic side applies to condominiums.

As far as condos go, it is practically all bad news.

That message was underscored this week when agent-analyst Cooper Thayer of the Thayer Group, who advises both the Denver Metro Association of Realtors and the Colorado Association of Realtors on their monthly Market Trends reports, released a detailed analysis calling out condos as generally poor performers for owners.

Condominiums, according to the new report, show several weaknesses, but they can be summed up in a single fact.

While practically all housing prices here and around the nation showed a drop-off following the price rise that accompanied the three years of the COVID pandemic, median home prices here in the Denver area have largely come back and are climbing again.

In contrast, condo prices are failing that test. Condos are not recovering their peak pandemic values and are also falling to levels that match median values early in the COVID-19 era or even before.

"The issue we're seeing is isolated to a specific product in multifamily urban condominium environments, where insurance and HOA dues are a big inhibiting factor," Thayer told The Denver Gazette. "Smaller townhomes aren't affected as much, and single-family homes are not seeing any declines. They're right around all-time highs on those," he said.

Denver prices off 14% from 2022

Note

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In Denver, median condo prices posted for sales through July 20 lie some 14% below their peak in the years 2020 to 2022. The falloff is even more pronounced in per-square-foot prices, down around 22% to 23%.

Thayer's numbers are limited to condominiums within the city of Denver, though he noted that the performance is an "urban condominium" phenomenon.

"The majority of the (Denver) metro area is showing similar trends," Thayer said. "Denver is probably hit the hardest with these metrics with the size of the change, but the metro-wide market is moving in the same direction."

Thayer said the situation is particularly discouraging for buyers entering the market, many of them new to Colorado, for whom the condominium market appears as a single price point that may be attainable based on their income level and savings.

'Adjustment was overdue'

In his report titled "The Unraveling of Denver's Condo Market," Thayer noted that his own early purchase was a condo in Denver's Golden Triangle neighborhood.

"In June 2022, on trailing averages, the typical Denver condo sold in about a week and closed a little above its original asking price," Thayer recounted in the report. "By June 2026, the same measures had stretched to nearly seven weeks and roughly 5% below the original price." Note

At first, the pullback looked like a normal adjustment after the pandemic boom, he added, noting that "some adjustment was overdue."

"Four years later, the numbers are harder to explain away," he said. "Sales have fallen back toward levels last recorded in 2008. Inventory keeps accumulating, units take longer to sell, and more sellers are cutting from their original asking prices."

Are all condo investments troubled now? Note

Other agents who have commented on the 2026 market suggested that some condos may still be a good investment.

"I don't disagree with that. There are many buildings with associations that are well funded and have reserve balances that allow them not to raise HOA fees, and they can be good buys," Thayer said.

He added that a purchase has to make sense on the buyer's balance sheet and it needs a mortgage rate that works.

However, he said the differential costs between renting and buying have continued to widen in Denver. Note

"A buyer will spend about 80% more to buy," Thayer said.

A widening gap

Thayer said the current overabundance of rental apartments, which leapt in 2024 as thousands of new units arrived online, has further widened that spread. Note

"I don't see that widening more," Thayer added.

Ironically, Thayer said, some builders are creating new single-family homes, often in outlying parts of the metro area, with purchase prices not much higher than the current median condo price in Denver, currently $317,000, according to Thayer.

Colorado builder Oakwood Homes is currently showing a single-family home price just below $300,000 for a two-bedroom, two-bath plan with an attached two-car garage at its Muegge Farms community in Bennett, east of Denver International Airport.

Thayer, whose company operates under the Keller Williams brand, said that, even apart from insurance and construction-defect litigation costs greatly affecting the condo market, basic construction costs of condos struggle to keep up with the affordability of single-family homes.

If builders were actually bringing condo products online now, they would be better priced for buyers.

"It's counterintuitive," he conceded, "but frame construction is a lot cheaper per-square-foot. In commercial construction with posttension concrete, the costs are larger than frame."

Hiring has weakened

Contiguous with Thayer's analysis, commercial real estate brokerage Marcus & Millichap issued its own second-quarter report on the Denver metro market this week.

That report noted that slower population growth and shifting migration patterns were prompting investors to examine the locations and qualities of properties, among other factors, in weighing their value.

Population growth, according to Marcus & Millichap, has slowed to 0.3% over the year, showing an increase of only around 9,000 residents, while household formations grew by just 0.8%.

That report added that hiring had weakened significantly, showing a net loss of nearly 8,000 jobs over the year ending in March 2026.

Thayer said that despite the poor performance of the condo market, the wider performance of other residential products showed that the Denver area market is far from going over a cliff.

"As much as people like to say that (Colorado) is slowing in growth, it is still one of the most desired lifestyles in the country," Thayer said.

As for younger buyers contemplating a condo purchase, he suggested caution before moving ahead.

"Maybe save up for that single-family home in the suburbs," said Thayer, who has a book coming out this month, "Mastering Market Trends."