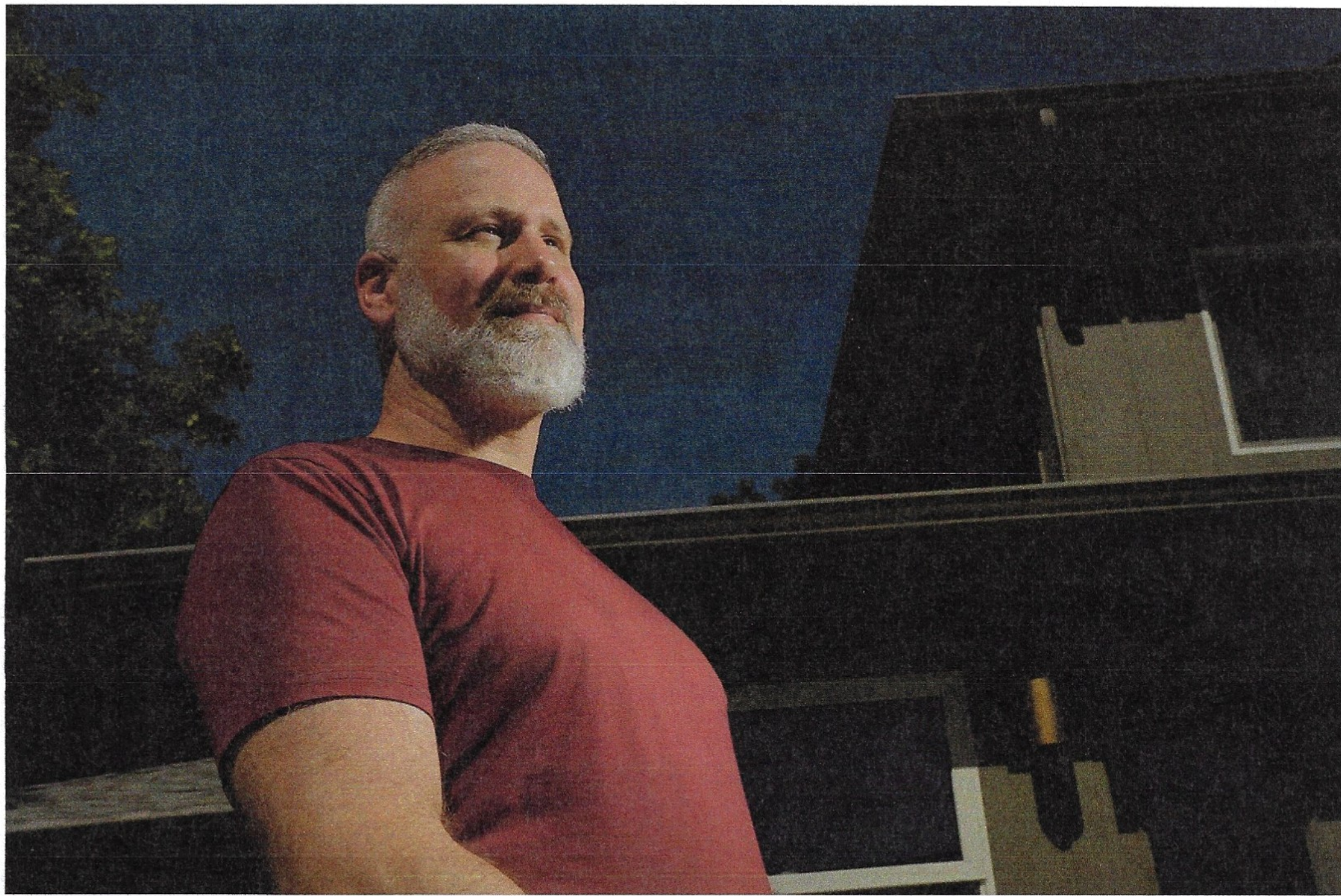


Market struggles with higher rates

Region lags behind other areas after a predicted rebound fails to emerge



Jeremy Make has tried without success to sell his condo in Capitol Hill for two years. Despite dropping his price, he didn't receive a single offer and decided to rent the condo again, even if it means losing money. HYOUNG CHANG — THE DENVER POST



A new housing development in various stages of completion in Elizabeth in April. AARON ONTIVEROZ — DENVER POST FILE

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Jeremy Make listed and failed to sell his Capitol Hill condo at what he thought was a below-market price two times since 2024.

Both times, he has received zero offers, as in none, nada, zip.

“If someone came to the door and said I will offer you \$180,000, I would say, ‘Great, take it!’ ” he said.

After failing to find a buyer on the second go-around with a list price of \$259,000 last spring, he rented out his condo again, even though it meant losing \$300 a month.

The U.S. housing market is not performing the way buyers, sellers and the agents who represent them had expected this year.

It has even tripped up housing experts, such as the National Association of Realtors chief economist Lawrence Yun, who thought a rebound would finally arrive in 2026.

After a series of sluggish years, Yun had predicted a 14% gain in home sales nationally based on mortgage rates dropping below 6%.

Now he predicts only a 4% increase in sales and a 4% gain in home prices this year, with mortgage rates averaging about 6.5%.

He hasn’t given up on a double-digit increase in sales but has pushed it out to next year.

-Note

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"I think the housing market is bottoming in terms of unit sales — it's pretty much occurring at the moment. It's just a question of how much of an increase we can anticipate," Yun told attendees at the National Association of Real Estate Editors conference in Miami this month.

His recalibration traces back to weaker-than-expected job growth and the headfake 30-year mortgage rates made after the conflict with Iran reignited inflationary pressures.

Federal Reserve rate cuts, which were widely expected in 2026, appear to be off the table for now. Yields on the 10-year Treasury notes, which heavily influence mortgage rates, remain higher than expected.

If affordability is one pillar of a healthy housing market, a strong job market is another. U.S. job counts are at a record level, which should translate into a record number of home sales, Yun said.

Note
That isn't the case. Although the headline number is strong, Yun said that about half of states, including Colorado, have lost jobs over the past year.

"Housing has been in a recession for some years — essentially since mortgage rates spiked in 2022," Selma Hepp, chief economist with Cotality, said at the NAREE conference. "And that has led to very low housing market activity, and also very low turnover."

Home sales, measured against the number of households, are the weakest they have been since the early 2000s, when the country was dealing with the tech and telecom bust, Hepp said. Note

In a statistic that is not widely understood, per-household sales are weaker than they were during the housing downturn of the late '00s. Note - Note

And although home prices aren't crashing as they did during the housing bust, they aren't keeping pace with inflation. And Denver's housing market is one of the weakest anywhere when it comes to price appreciation. Note

Cotality helps assemble the S&P Cotality Case-Shiller Home Price Indices, a closely watched home price measure.

Denver has consistently ranked at or near the bottom for its annual change in home prices in recent months. Note

In February, Denver dropped below Tampa, Fla., to claim the biggest annual decline in home values among the nation's 20 largest metro areas.

In March, Seattle, whose index fell 2.5%, overtook Denver, down 2%, for the bottom spot. Note

Add in inflation, and owners in weaker markets like Denver are losing more ground than they may realize, noted economist Elliot Eisenberg in an email.

In Denver, the median price of a single-family home sold in May is up 1.5% year over year, although the median condo and townhome price is down 2.5%, according to the most recent update from DMAR.

Denver's annual inflation rate, as measured by the Consumer Price Index, reached 5% in May. Adjusting for inflation, the typical condo or townhome owner has lost 7.5% in "real" value.

In metro Denver, year-to-date home sales volumes are down 3% from levels seen the past three years and a quarter from the peak year of 2022. Note

And after accelerating the past two years, new listings are down 6% so far this year in Denver compared with last, a sign of seller fatigue. Note

The spring home-selling season, Eisenberg declares, was a "failure."

Zillow's chief economist, Mischa Fisher, also speaking at NAREE, said the unexpected rise in inflation this year didn't push rates higher than where they were last year. But they have acted as a restraint that consumers can't shake off. And the chains serve as a reminder that the promises of relief, long anticipated, have yet to arrive.

"Mortgage payments have doubled, while incomes are up a third in the last six years," Fisher said. "It really reset what it means to be a homeowner, and it reset how accessible homeownership is."

Historically, 30-year mortgage rates are below their long-term average, Yun said.

But a stretch of unprecedented low mortgage rates of about 3% in 2020 and 2021 transformed the housing market in ways it is still trying to work through.

Yun and Hepp don't forecast mortgage rates dipping below 5%, a level that would boost affordability for potential buyers and free more current owners to sell, any time soon.

Patience pays off for buyers

For Sundeep Viswanathan and Elizabeth Perkins-Pride, the rebound in interest rates this year has worked in their favor.

The married couple has kept a close eye on their Observatory Park neighborhood near the University of Denver for the past three years in search of a bigger home to accommodate their family.

But until recently, the market was working against them. Prices were elevated, the inventory was tight, and as buyers, they had almost no negotiating power.

Things have changed, even in one of Denver's hottest neighborhoods.

Observatory Park homes that were going for \$4 million three years ago can now be had for closer to \$3 million, Viswanathan said.

"We have a lot of leverage and try to negotiate as much as we can," he said. "We will try to get a good deal, and if we don't, we will walk."

The couple expects to close on a home next month that has been on the market for six months and is seeing a significant price drop.

The couple, who moved from California in 2013, paid off their original mortgage. They don't wear the "golden handcuffs" of a low-rate mortgage that can't be replaced.

Because they are bringing so much equity to the table, they are less sensitive to interest rates. But freeing up that equity will require them to sell.

"The challenge for buyers waiting on rates to come down is that everyone else is waiting for the same thing," said Bret Weinstein, founder of Guide Real Estate, and the couple's agent.

Lower rates will mean more demand and competition, which will cause buyers to lose some of the leverage they currently have working in their favor.

"For buyers who can comfortably make the numbers work right now, this market can offer a significant advantage," he said.

The condo market is a quagmire - NOTE

Although the lack of affordability remains a major headwind for the market, condos and townhomes, which represent an important pathway into ownership for many first-time buyers, are struggling.

Insurance costs have risen sharply, driving up association fees. Older developments are coping with deferred maintenance costs. Property taxes are higher.

Make has felt all those pressures and then some. He considered selling back in 2016 when he and his soon-to-be wife moved into a single-family home in the suburbs of Jefferson County.

But it didn't feel right, and for years, the condo was a profitable rental. When he needed to raise some cash in 2021, he took out a home equity loan.

He thought he had locked in a low fixed rate, but it was actually a variable rate loan, one that is up to 8%.

"Condos are a tough hold right now, and they are a tough sell," he said. "I thought this was going to be a long-term retirement plan."

Condos, especially older and more affordable units, are in direct competition with apartments. Denver is among the cities that have seen a surge in new apartment supply this decade.

Fisher notes that in 2019, only 4.4% of Zillow rental listings came with concessions like a month or two of free rent. Now that is up to 40% nationally, with Denver and Austin, Texas, approaching 70% of rentals offering concessions.

Zillow's "Rent or Buy" calculator shows that typical rents in Denver are only 1% higher than the national average, while home prices are 30% higher.

Over seven years, a Denver renter will come out ahead of a buyer by \$108,151, assuming 3% home price appreciation and 3% rent inflation.

More renters who might have bought a condo in the past are staying put.

Yet, the market defies absolutes. Some listings still sell in a few days, while others languish for months, agents note.

"I've been traveling around the nation this year, and I am hearing a lot from you that it's a really wonky market," Jessica Lautz, NAR's deputy chief economist, told a gathering of Realtors on June 16 in Washington, D.C.

"You'll list a home on the market, and sometimes it'll sit for months. And sometimes it's going to have multiple offers, and they can be next door to each other," she said.

Weinstein said interest rates are definitely impacting the market, but it's still very neighborhood-specific.

"Buyers are still active and getting deals done," he said.

Absent a big drop in mortgage rates or a recession, Denver's housing market may remain stuck.

And many people will find themselves in a holding pattern, as Viswanathan did for three years and as Make continues to be.

