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Colorado sellers are pulling homes off the market

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Colorado's inventory spikes aren't an isolated trend. Nationwide, the combination of rising inventory and stagnant demand, which may initially come across as good news for buyers, left roughly 44% of April listings sitting on the market without a buyer for two months or longer.

The number of days a home sits on the market has "definitely been going up" for markets in Colorado, according to Dana Cottrell, president of the Colorado Association of Realtors. The average number of days on the market for homes in Altitude Realtors' service area — which includes parts of Summit, Routt, Grand, Park, Jackson and Lake counties — is 41 days.

Residential sales across all of Altitude's markets began to fall after June 2021 and have remained relatively flat since spring 2023. Although the number of sales recorded in the last two months are the highest since May 2023, there aren't enough buyers to account for the growing number of listings.

While in some markets this might mean sellers are stuck with their homes for another season or until the price is low enough for a sought-after buyer, delisting homes in time for the winter seasons is not an unusual strategy among Western Slope homeowners.

Long-term rentals for the winter ski season in Colorado mountain resort towns typically book from November to April. When for-sale homes in these markets don't go under contract by the end of the summer, sellers often resort to pulling their homes from the market and renting them out to visitors for another season before attempting to sell again in the spring.

"What I see in that trend is that they keep it for the winter, they rent it, ... and then somewhere in April, May, when the tenant moves out, they clean it all up and get it on the market by June. So that's pretty normal," Cottrell said. "By September or October, (the seller) is looking for that tenant. And as soon as she gets that tenant, she pulls it off the market."

"That is a really common trend in the resort markets," she added. "We're a little bit different than a primary market because we have so much rentability in the winter for our properties."

Although Cottrell said sellers on the Western Slope aren't withdrawing listings at an unusual rate (as opposed to sellers on the Front Range), she expects more might turn to the rental market as the leaves start to turn.

"In another six weeks or so, I would expect that we'll see things that are on the market get pulled off because they're gonna go back into the rental pool," she said.

As an alternative to withdrawing a listing, some sellers may wait until their property expires off the market, meaning its listing agreement with an agent ends without the property selling. It will then be up to the seller to decide to renew the contract or no longer sell the property.

Because an expired or stale listing can signal to buyers that a property may have struggled to sell, sellers might choose to withdraw their listing before the agreement expires and either wait for better market conditions, or address needed property repairs and improvements.

"We did not have this influx of buyers that we normally have in the summer," Cottrell said. "It's going to be interesting to see, what's going to be the trigger that brings people back to the market up here?"

Altitude Realtors recorded roughly 1,226 active residential listings for the month of August across its counties — the highest number since June 2020 and up from a low of 390 listings in March 2022. While the average sales price for a home in these counties is still at a staggering \$1.37 million, this figure has fallen slightly from April's record-high average of \$1.38 million.

"We're not talking about massive change here. If it's gone down, it's only gone down a little bit," Cottrell said.

As opposed to the current statewide trend, Altitude's months supply of homes for sale doesn't exactly indicate a buyer's market. Altitude's August data shows it would take roughly 6.4 months to sell every active residential listing, the highest count since before 2017. Although the threshold for a balanced market is considered to be six months, according to Cottrell, recent changes to the behaviors of sellers and buyers on the Western Slope gives the impression of a buyer's market.

"It's not really the buyer's market, it's not really the seller's market. But because we've been in such a hardcore seller's market, even a balanced market feels way more friendly to a buyer's side," she said.

Another indication of a balanced market is that home prices aren't budging too much, despite buyers regaining some negotiation power in recent months.

"What's interesting is that we have supposedly this big supply and fewer sales ... so supply and demand should say, 'This is a buyer's market. This is great.' And what I'm seeing is there is a lot more concessions being made," Cottrell said. "People are definitely giving money toward buying a rate down, or paying HOA fees, or whatever it might be."

The two factors that determine which homes are friendlier to buyers, Cottrell said, are location and condition. Homes in a prime location don't often need to be in the best condition to attract buyers, while homes in a less desirable location might have trouble selling quickly without some remodeling. -Note

"It always depends on your location. Location, location, location," she said. "If you are in a prime location, you are seeing your prices go up. If you are in a further field or maybe less desirable location, or if your house needs work, you're going to be sitting on the market a lot longer."

Cottrell said something she's noticed in common among sellers who end up taking their homes off the market without going under contract is that they don't want to remodel. Likewise, buyers who end up turning down those properties are those who want a second home or an investment property that won't require them to "put the elbow grease into it". -Note

"I'm seeing that with the buyers I'm working with, and I'm also seeing it with a house that I have listed," she said. "They don't want a project."