

Higher mortgage rates drag down sales

Conflict with Iran keeps rates elevated, constrains affordability



A "For Sale" sign sits in front of a new house. COURTESY PHOTO

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A renewed rise in mortgage rates weighed on both sellers and buyers in the metro Denver housing market in May, according to a monthly update from the Denver Metro Association of Realtors.

Home and condo sales declined 4.3% to 4,004 across an 11-county area in May compared to the previous month, and the sales pace fell nearly 7% compared to May 2025. Sellers also showed signs of fatigue, with new listings down 9.5% from April and 17.5% from last year.

"A quiet exhaustion has taken hold on both sides of the transaction table. Homeownership attainability fatigue is leading buyers to pull back and sellers are locked in place," said Amanda Snitcker, chairwoman of the DMAR Market Trends Committee and a local Realtor in comments accompanying the report.

Note

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Inspection contingencies, seller concessions, and rate buydown negotiations are all becoming more common after disappearing during the frenzied market seen in the recent past, she added.

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Although prices surged at an unprecedented pace from late 2020 to 2022, they have bounced around in a narrow range since then. Going back to May 2017, median price gains have averaged 6% a year, which is ahead of wage gains, but close to historical rates of appreciation, Snitker said.

The median price of a single-family home sold in May was \$675,000, which is up 1.5% over both the past month and the past year.

Note
The median price of condos and townhomes sold was \$395,000, up 2.6% from April and down 2.5% for a year ago.

Note
The pain point in terms of affordability remains mortgage rates. At today's median home price, the monthly payment on a home with a 10% downpayment would run \$3,498 a month at the current 30-year mortgage rate of 6.5%, compared to \$2,580 at the 3.8% mortgage rate in play in May 2020, Snitker said.

"Focusing on a rate solution is far more productive than waiting for a 40% price correction that the data simply does not support. Every 1 percent decline in mortgage rates reduces the monthly payment on today's median-priced home by approximately \$315, a rate buydown or future refinance away from meaningfully changing the affordability equation without requiring any movement in price," Snitker said.

Note
But looking at the historical average of the 55 years that the 30-year mortgage has been popular, the current rate of around 6.5%, up from 5.99% before the U.S. and Israel began their bombing campaign against Iran at the end of February, is a bargain.

"This is a lower rate than the historical average. It is still a good rate," said Lawrence Yun, chief economist with the National Association of Realtors, speaking to the National Association of Real Estate Editors in Miami.

Yun had forecast a 14% rise in U.S. existing home sales this year driven by a decline in the 30-year mortgage rate to below 6%. And for a moment, rates did cross that threshold. But after hostilities began with Iran, they have risen back into the mid 6% range.

NOTE
Yun now predicts that U.S. home sales will increase 4% this year. In metro Denver, home sales through the first five months of the year are down nearly 3% compared to the same period of 2025.

Maybe we get 14% next year," he said.