

Zillow: 9 in 10 homes lost value

BY ALDO SVALDI

ASVALDI@DENVERPOST.COM

Metro Denver is leading the country for the share of homes that have lost value over the past year, with 9 in 10 homes down in price compared to only half nationally, according to an analysis from Zillow.

About 91% of metro Denver homes lost value in the past year compared to 53% nationally. Denver edges out other once-hot metros like Austin, with 89.5% of homes down in value and Phoenix, with 86.9% down the past year.

Home prices have bounced around in a narrow band since the peak in June 2022, making it hard to discern the overall trend. Overall, Denver home prices are about 10% below the peak, matching the average decline measured nationally, Zillow said.

"Denver's home values were growing in 2024, so it's natural to see a bit more giveback now. What stands out more is the depth of the losses. The average Denver home has lost about the same as the national average, while Austin's average drop is more than twice that," said Mischa Fisher, Zillow's new chief economist, in an email.

While nearly all Denver homeowners have lost equity, those losses are mild and very much in line with what homeowners across the country are experiencing when measured from the peak, he said.

If the declines accelerate, however, the situation could prove problematic for first-time buyers who bought near the top, especially if they made only a small down payment and are forced to sell.

The Zillow Home Value Index for metro Denver, which includes both homes and condos, peaked at \$592,969 in June 2022. Last month, its index reported a value of \$530,699. That represents a decline of \$62,270 or 10.5%.

In Colorado, the average commission that a seller pays is 5.65% of the sales price, which would mean about \$30,000 that needs to be covered. Someone who bought a typical home at the peak and sold last month would be down about \$92,000, not counting other closing costs.

Back in 2022, the average down payment a first-time buyer made was 6%, according to the National Association of Realtors. And someone using a 30-year mortgage might pay down principal by about 5% or 6% in the first three years. It isn't 10% because the bulk of monthly payments in the earliest years of a mortgage go to cover interest.

Vulnerable buyers, however, represent a small share of the overall market. The volume of activity or turnover has slowed down since the peak, and of the homes that do sell, only a quarter to a third are claimed by first-time buyers. Depending on where they bought, when they bought, and how much they put down, even those buyers might still have equity.

"Absent a major hit to the economy, most of today's paper losses will likely have turned into profits down the road when recent buyers sell," predicted Fisher.

Another way to look at the stress on a specific housing market is what share of homes are being listed below the last price paid. From that viewpoint, Denver's market is still in good shape.

About 6.3% of homes in metro Denver are being listed below the prior sales price, which compares to 3.4% nationally, according to Zillow. The metros with the biggest shares of homes being discounted are San Francisco, 14%; Austin, 13%; San Jose, Calif., 9% and San Antonio at 8%.

In 2019, 0.6% of homes sold below the prior sales price in Denver, compared to 5.9% nationally. That measure has improved nationally but deteriorated locally. Building equity looks like it will be more of a slog for buyers who started down the home ownership trail late in metro Denver, and they will need to watch their footing. But patience will still be rewarded, Fisher argues.