

Does price downturn signal trouble ahead?

Forecasters see slight dip in 2026 but don't foresee more demand

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A maxim in real estate claims that condo prices are the first to fall and the last to recover whenever the housing market slumps. Condo prices are definitely down this year, but does that mean the larger market will follow them lower next year?

The median sales price for attached homes is down 3.1%, and sales are down 8.1% through the first 11 months of the year compared with the same period in 2024, according to the Colorado Association of Realtors. Single-family-home sales, by contrast, have risen 2.9%, and prices are flat.

Condo and townhome sales prices are down 3.2% in Jefferson County, 4% in Douglas County, 3.4% in Denver County and 4.9% in Arapahoe County. Those declines aren't dramatic, but stack it with inflation of 3%, and owners are seeing a noticeable erosion in wealth. And then there is Broomfield County, which is either an anomaly or a harbinger.

Median condo sales prices were down 12.2% in Broomfield in November compared with last year, according to the Colorado Association of Realtors. And it isn't about a bad month. Year-to-date, the year-over-year decline is 9.6%. Listings, which took 55 days on average to find a buyer last year, took 97 days in November. Sales across the year are down by a fifth from last year.

It isn't for a lack of effort. Several listings have banners advertising recent price declines of \$15,000 at Via Varra, the county's largest condo development, as sellers chase a downward-moving market.

For Unit 411 at 13456 Via Varra, the December price cut is even larger, at \$20,100. That top-floor two-bedroom property with a private balcony boasting Flatirons views hit the market at \$525,000 on July 10. By July 24, it had a 4.8% price cut, followed by a 6% drop Oct. 2. On Dec. 10, the price was cut by \$20,100 or an additional 4.3%, bringing it down to \$449,900, according to Zillow.

Although condos offer a lower price, and should be in demand in a market where the lack of affordability is a problem, several things have come together to make them less attractive, said Justen Staufer, a Realtor with Staufer Team Real Estate in Louisville and the property's listing agent.

On a day when the wind was howling, Staufer recalled the Marshall fire of Dec. 31, 2021, which destroyed 1,084 homes in the area and forced the evacuation of Avista Hospital, which is near Via Varra. Property insurance premiums spiked, with threefold or higher hikes common. Higher insurance costs have, in turn, contributed to a doubling or more in homeowners association fees.

At Via Varra, those fees used to average around \$300 a month and now are above \$600 a month, Staufer said. The more a potential buyer has to shell out in HOA fees and property taxes, the less buying power they have and the less banks are willing to loan on a mortgage.

“A lot of the condo and townhome associations raised their deductibles to keep premiums lower,” Staufer said. Some raised them so high that they made their developments unwarrantable. Essentially, the Federal Housing Administration will no longer guarantee loans on those properties. First-time buyers, who rely more heavily on FHA loans, are finding themselves increasingly blocked out.

An oversupplied apartment market has pushed rents lower and taken more renters and investors out of the buying pool. Given the more generous concessions being offered and the added costs of taking on a mortgage, more renters are deciding to stay put. And more investors can't make the returns they need, given the downward pressure on rents.

One-bedroom apartment rents are down 7% this year compared to last in metro Denver, which ranks as the 25th-most-expensive large rental market in the country, according to Zumper. The average one-bedroom rent is at \$1,580 a month and a two-bedroom at \$2,160, bargains compared with taking on a mortgage and paying hefty HOA fees.

The region is a much more affordable rental market than it is an ownership market. When it comes to buying, metro Denver regularly ranks in the bottom 10% of major metros on affordability, even with its higher household incomes.

Increasingly, more households view renting as a long-term lifestyle choice rather than a short-term compromise. About 34% of renters now say homeownership is not part of the American Dream, up from 27% in 2021, according to Zumper. Note

Staufer said Broomfield has aggressively raised its water and sewer fees, which have put additional upward pressure on HOA fees. Those increases have averaged 5% to 9% a year since 2015, greatly outpacing inflation. And don't forget property taxes, which rose in response to an unprecedented surge in home prices from 2020 to 2022.

So is the Broomfield condo market the canary in the coal mine for the larger metro Denver housing market, a signal that the oxygen is gone and that home prices could fall across the region next year? Staufer argues no. And although some forecasts are calling for declines, they aren't large and will be tempered by lower mortgage rates. Note Note

"Unless rates flip again and they start to increase, I don't think next year will be worse," he said. Lower mortgage rates have gotten the phones ringing again, even for condos, and Via Varra is seeing more properties start to go under contract.

Zillow, the Seattle-based real estate portal, predicts that U.S. home prices will rise 1.2% next year after a flat 2025. Of the 50 largest markets, Zillow estimates that two dozen will end this year with price declines, but that only 10 will be down next year. Denver is one of them, ranking 47th-weakest out of the 50 biggest metro areas.

New Orleans is expected to see the biggest declines in home values, at 5%, with San Francisco down 2.3% drop and Austin, Texas, down 1.4%. Then comes Denver, with a 0.8% decline.

"Denver is expected to be among a small group of major markets where home values will fall next year. These losses are likely to be modest, making this more of a healthy cooldown after a few red-hot years than anything that should cause alarm — most homeowners remain well-insulated by strong equity gains," said Orphe Divounguy, a senior economist at Zillow.

Home-buying demand has cooled because many Denver buyers have reached the limits of what they can afford. It doesn't help that job gains have stalled in the region. Still, the 0.8% decline forecast represents an improvement from the 4.2% annual drop the metro area Zillow has measured through this November.

Zillow predicts Colorado Springs' home price index will be down 0.8%. Boulder and Greeley prices will be down 0.7% in the year ending November 2026. Owners of mountain properties are predicted to see the strongest price appreciation in the state next year, with Steamboat Springs, Edwards and Glenwood Springs forecast to have appreciation rates topping 5%.

Cotality, a leading real estate research firm, said its home price index for Denver turned negative on an annual change basis in June. As of December, the decline had widened to 1.8% compared with a 1.1% gain in home prices nationally. Next March is when the index is expected to bottom out with a 3.2% decline and then start improving. By October, annual price gains for Denver-area homes should be running around 3.3%, Cotality forecasts, in a pattern similar to what happened in 2023. Note

Denver has one of the lowest mortgage delinquency rates of any major city, and borrowers have a very thick equity cushion even after recent price declines. Borrowers had an average of \$398,000 in home equity in the second quarter of 2022 at the market peak. That is down to \$342,000 based on price declines but still above the U.S. average of \$299,000, according to Cotality. Note

Realtor.com, in its forecast, is calling for metro-Denver home prices to drop 3.4% and sales to fall 2.9%, making it one of the weakest housing markets next year outside of Florida. Of the 100 largest markets, Realtor.com places Denver 91st in its rankings for 2026.

Denver is a leader when it comes to the price cuts sellers are having to make and ranks second only to Miami among major markets for "delistings" or sellers yanking their homes off the market. For every 100 listings brought to the market in October, 37 were removed in Denver. That contrasts with 24 delistings nationally for every 100 new listings, according to Realtor.com.

Fewer new listings and all those delistings have pushed down the inventory of homes for sale. But Denver still has 58% more listings on the market than it did before the pandemic, the most of any major metro area, according to Realtor.com. Note

"Condos and townhomes will continue to see more pronounced softening in prices, while in the absence of substantial relief from declining mortgage rates, single-family-home prices could come under pressure in 2026," predicts the Colorado Business Economic Outlook for the University of Colorado.

All of that suggests that sellers and their listing agents are struggling to find a price point that will engage buyers, although it could be more of a question of acceptance of what it will take than knowledge of the market.

Housing consultant John Burns, in a recent forecast, suggests that even though the U.S. housing market is undersupplied by 1.1 million homes and apartments, affordability needs to be restored to bring more buyers and renters into play.

"America is not undersupplied at today's home prices and rents. We have less growth than in prior decades, and it's less affordable," he said.

Negative consumer sentiment will restrain buyers next year, and mobility remains suppressed, Burns notes. Tenants are hopping around less. Many homeowners don't feel the urge to sell and upgrade, especially if it involves trading a lower-rate mortgage for a much higher one. A big drop in international migration will further reduce demand. Note

A key to the housing market next year, as it is any year, will be mortgage rates. Zillow predicts the average rate charged on 30-year loans will remain above 6%. LendingTree's Chief Consumer Finance Analyst, Matt Schulz, predicts in his forecast that mortgage rates could dip below 6% in 2026 but adds that any drops won't last long or boost affordability in a meaningful way.

"Refinancing activity will increase, driven by occasional rate dips. However, homebuying will stay stalled as most owners cling to mortgages far cheaper than today's," he predicts.

And as far as 50-year mortgages and "portable" mortgages that borrowers can carry with them, Schulz doesn't see those proposals from the Trump administration to loosen the market coming to fruition in 2026.

