

Denver housing market takes an early holiday

New listings fell 41% from October, matching the decline seen last year

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Metro Denver's housing market usually slows around the holidays, and for the second year in a row, November experienced a big drop in both new listings and sales, according to a monthly update from the Denver Metro Association of Realtors.

Sellers put 2,620 homes on the market last month, which is 41.4% fewer than the 4,470 listed in October. For the year, new listings are down 4.6%. A year ago, the monthly drop was almost identical at 41.5%, with the annual change up 1%.

Buyers also continue to hold back. Closings fell 23.4% month-over-month and are down 13.2% year-over-year in November. That contrasts with monthly declines of around 16% the prior two Novembers. With new listings down more than sales, the inventory of homes and condos on the market fell 15.9% in November to 10,506. The inventory remains up 12.8% from the same month a year ago.

Rather than viewing the soft numbers as signs of a breakdown, they should be looked at as a market taking its normal seasonal break, according to comments included in the report.

"It's not that sellers don't desire to sell their current home and move, it's that they don't desire to part with a low APR rate on their current mortgage and trade it for a rate that could be three to four times higher," said Susan Thayer, a member of the DMAR Market Trends Committee and an area Realtor, in comments included with the report.

Likewise, it isn't that homebuyers don't trust the homebuying process as much as they may not trust the state of the economy.

"Sellers who desire to sell and price their homes accordingly will find there are still plenty of buyers out there — even in the top price range of our market," Thayer said.

Listings took a median of 36 days on the market in November, up from 28 days a year earlier. But attracting a buyer in today's market is only half the battle. Close to 17% of sellers in Denver had a pending sales contract fall through in October, according to the real estate firm Redfin. That is above the U.S. average of 15.1%, and sits between San Diego and Phoenix in the rankings. Aside from uncertainty, buyers may also be sensing that a long-awaited pivot in home prices might be underway. The median price of a single-family home that sold in November was \$640,000, down 1.5% from November and up 0.8% from a year earlier.

A reversal is more evident in condo and townhome prices, which are down 2% on the month and 7.3% on the year to \$380,000. Higher HOA fees and more borrowing restrictions have made attached properties less appealing, even though they are more affordable on the surface.

Combine the drop in sales and the mix of homes sold, and November's sales volume was down 25.6% from October and 11.3% a year earlier.

The slowing seen in Denver is happening in many other places. The annualized rate of existing home sales in the U.S. was 4.1 million in October, close to September's rate of 4.05 million.

"For some perspective, this is the same activity level that prevailed in October 2008 during the middle of the Housing Bust and a month after Lehman Brothers collapsed.

It's about 20% lower than the worst month in 2001 during the dotcom bust, and light years away from the 2001 peak of 6.6 million," noted Elliot Eisenberg, with Econ 70, who will be providing an economic forecast to DMAR next month, in an email.

Eisenberg also notes that the share of the U.S. population who considered themselves as middle class has fallen from 85% a decade ago to 54% today. More than 40% of people now consider themselves as lower or working class.

"This suggests that a very large and growing section of society no longer sees themselves as upwardly mobile and sees the finer things as increasingly out of reach," he said.