

Record 12% of homes passed down

Despite rise, inheritances aren't enough to resolve state's housing shortfall

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In "The Game of Life," landing on the "Inherit a House" square is one of the most coveted on the board. In real life, a home or condo is also one of the greatest financial gifts that can be passed on, especially in a housing-strapped state like Colorado.

More Coloradans are seeing the big wheel spin in their favor each year. But the pace won't be enough to make up for a housing shortfall estimated at more than 106,000 units in 2023, according to a report from the Colorado Department of Local Affairs.

About one in eight homes that traded hands in Colorado last year represented an inheritance, which is a little below the share that new home sales represented, according to data from the real estate research firm Cotality. *Note*

"Inheritance in the 12 months ending in 2025 totaled nearly 12,000 homes, which happened to be almost 12% of all total property transfers. This is higher, both in terms of the number and the share, than previous years — in line with the national trend," said Matt Delventhal, a principal economist at Cotality.

Cotality measured the 12-month pace of home sales, new and existing, and inheritance transfers in Colorado through October for the odd-numbered years from 2019 to 2025. Existing home sales were down sharply between 2021 and 2025, falling from 128,899 in 2021 to 75,833 in 2025.

Likewise, new home sales fell from 22,064 in 2021 to 15,610 in 2023 to 12,755 in 2025, according to Cotality.

Inheritances, by contrast, continued to chug along, going from 10,052 in 2021 to 10,243 in 2023 to 11,945 in 2025. The gap between new home sales and inheritances was only 810. Inheritances are contributing almost as much to inventory as new home construction.

A lack of enough new construction, especially for first-time buyers, has pushed up existing home prices. High prices, when combined with higher mortgage rates, have resulted in fewer sales. Because home sales have fallen so much, the "inheritance" share of all home transfers has nearly doubled in Colorado, from 6.2% in 2021 to 9.9% in 2023 to a record 11.9% in 2025. *Note*

"The increase in the share is a bit sharper than the national trend, mostly because Colorado resales drop off a bit more sharply in 2023-25 than the national average," Delventhal said.

Nationally, the market share of inherited homes went from just under 5% in 2021 to 6.8% in 2023 to 8.7% in 2025, which translated into 412,174 homes and condos passed down. Those percentages also reflect the 12-month tally through October.

"The behavior around inherited homes does feel different from what it did pre-2022. Historically, most estate transfers functioned as pass-through transactions. Heirs would inherit the property, do some light clean-up or

updates, and put it on the market fairly quickly. That still happens, but I am seeing more cases where families pause and evaluate other options first," said Cooper Thayer, a Realtor with the Thayer Group in Castle Rock.

Because inherited homes have little or no debt and strong rent potential, and because selling has become more difficult, heirs are increasingly looking at keeping the homes as rentals or to move into, he said. Note

While Colorado's share of inherited homes is above average, it lags behind California, a more expensive market where 18% of home transfers involved an inheritance, according to Cotality.

In California, favorable tax laws locked in lower property tax rates and provided beneficiaries with an incentive to use an inherited home as a primary residence. For the first time this year, passed-down homes ran more than double the number of new homes sold in the state, according to Cotality.

Prop 19, passed in 2020, limited the transfer of a lower tax base only to homes that a child or heir actually occupied, and excluded rental homes. It also excluded only the first \$1 million in added value beyond the original value used to determine property taxes. The state, however, could see a ballot measure this year that would restore some of the more generous property tax breaks to heirs. Note

At first glance, the increase in home inheritances seems to validate the "Silver Tsunami" hypothesis. Baby Boomers, those born between 1946 and 1964, were not only huge in numbers, but also more likely to own homes than earlier generations. By the time they turned 65, individuals born in 1948 owned 50% more homes than those who were born in 1938 did at the same age. Note

Compared to prior generations, baby boomers have also shown a greater propensity to hold onto their homes more tightly, adding a different meaning to "until death do us part." About six in 10 say they don't plan to ever sell their homes, and three in 10 are holding on so they can pass the properties down, according to HousingWire.

"They are going to have to take me out of there in a box, even though it is a two-story home," said Jennifer Antonio, an agent with Sotheby's International Realty in Denver.

Antonio, who puts herself in the never-sell boomer group, said she and her husband purchased their first home when she was 23. They did so on two minimum wage salaries, proof of just how much better the market did in matching options to incomes. Now the average age of a first-time homebuyer is 38, she said.

Her four millennial children still don't own, despite being college-educated. With her parents too old to host big events, her home has become a stable gathering place for the family, where adult children can flow in and out, and where everyone gathers for Thanksgiving and Christmas.

"I need to stay in that home," she said. Antonio said her older clients complain about a lack of good options if they do sell, which can keep them locked into homes that have become burdensome. Builders, seeking to get as much square footage as they can on a lot, aren't building enough products like ranch homes that would appeal to older buyers. Note

That baby boomer hesitancy, Cotality says, is "effectively freezing the anticipated flow of supply." Boomers can't hold on forever, but it could be well into the 2030s before a substantial amount of older housing stock better-suited for young families emerges. Younger generations could find themselves stuck renting for longer than they would like. Note

Cotality suggests the "tsunami may, instead, hit the beach as a soft, rolling wave."

Tax policy changes could help free up some of those homes. Federal rules make any net home value gain above \$250,000 for a single filer and \$500,000 for joint filers subject to a capital gains tax. Many long-time owners in

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Colorado have surpassed those limits and then some. Raising the capital gains caps or eliminating the tax for seniors could speed up sales.

Colorado's homestead exemption provides homeowners age 65 and above with a 50% discount on the first \$200,000 in property value. But someone must have lived in a home for the prior 10 years to qualify. If they sell and move to a smaller home in an active adult community, they lose their tax break. Making the tax break transferable could help as well.

The state has seen a noticeable improvement from the shortfall of 140,000 homes and apartments in 2019, right before a sharp drop in interest rates during the COVID-19 pandemic unleashed a surge in construction. New home construction has struggled ever since the Federal Reserve lifted interest rates in 2022 and 2023 to combat inflation, and it has largely fallen on apartment developers to try and close the gap.

More is needed. Slower migration to the state both domestic and international, may help ease the shortfall. After fueling Colorado's economy for years, migration could reverse this year. With high housing costs making Colorado less attractive to those relocating from other states, and with international migration going negative, natural increases, or the gap between births and deaths, will drive housing demand in the next few years.

Births are down from what they were in the early 2000s, in part because young adults are having a harder time getting established and finding stable housing. Deaths are expected to rise in the years ahead because of an aging population, freeing up more homes.

Colorado may eventually find itself with too many homes. But that is a problem for another day.

