

# WSJ Print Edition

## Condo Owners Face Worst Market Since '12

BY NICOLE FRIEDMAN

Condo owners are struggling with the worst market in more than 10 years.

Prices for U.S. condominiums posted their biggest annual decline since 2012 earlier last year. Single-family home prices have also slowed, but they are still up from the year-ago levels.

The condo market's softness reflects ways the housing market and buyer preferences are evolving. Many condo buildings are located in urban downtowns, which are less attractive than they used to be for people who now work from home at least parttime. Condos are popular in second-home markets, which have suffered from a slowdown in demand.

Rising homeowner-association fees due to higher insurance premiums and maintenance costs are also making condominium purchases less affordable.

The rise in those condo HOA dues "is giving a lot of buyers pause," said Kirby Arkes, a real-estate agent in Portland, Ore. "Homes are just taking so much longer to sell."

In September and October, condo prices fell 1.9% from a year earlier, the biggest declines since 2012, according to Intercontinental Exchange, a financial technology and data company. More than one in 10 condos had a lower estimated value in November than their most recent sale price, according to a Zillow

Group analysis.

In nine metro areas, it was even worse: More than 25% of the condos were estimated to be worth less than their most recent sale price. *Note*

In many of these markets, such as Austin and San Antonio in Texas, a glut of supply is weighing on prices. In Florida markets including Cape Coral, higher insurance costs and hurricanes are also spooking buyers. And in San Francisco and Portland, the price declines reflect downtown districts that deteriorated during the pandemic.

Single-family home prices, meanwhile, continued to edge higher, because many buyers prefer to own houses and the supply of single-family homes for sale is still lower than prepandemic levels. *Note*

In November, only 4.5% of single-family homes were estimated to be worth less than their last sale price, according to Zillow.

With their homes sitting on the market, many condo sellers are torn over whether to be patient, keep cutting prices or rent out their units instead.

Janice and Edward Grimm listed their vacation condo in Murrells Inlet, S.C., for sale in August after moving to the area full-time and buying a single-family home.

With no offers, they have cut the price to \$295,000, which is less than they paid to buy the condo in 2022.

"The market just got really slow all of a sudden," Janice Grimm said. She thinks the monthly fees might be deter-ring buyers, who have many condos on the market to choose from.

"We're going to lose big time on this condo when we sell it," she said.

Condo fees, which can range from less than a hundred dollars to more than \$1,000 a month, cover a building's insurance and maintenance, as well as amenities such as swimming pools or landscaping.

Another challenge for condo owners is that it can be difficult for buyers to get mortgages for units in buildings that need major repairs or don't have enough property insurance.

Since the Surfside condo collapse in Florida in 2021 killed 98 people, "lenders have really been watching condos closely," said Laurie Kane, a real-estate agent in the Dallas area.

The Florida condo market has taken a major hit since the Surfside collapse, partly due to new state requirements to make sure older buildings are structurally sound.

Sandra Phillips and Dennis Green are struggling to sell a townhouse in Flagler Beach, Fla. They delisted the unit in July. They plan to put it back on the market early this year for around \$200,000, which is roughly what they paid in 2020.

"It's very, very disappointing," Phillips said. "Flagler Beach is saturated with places for sale."

Even so, most condo owners have gained equity since they purchased, with the typical condo estimated to be worth 43% more than its most recent sale price, according to Zillow. *Note*

For owners with low mortgage rates or no mortgage, many can cover their costs by renting out the unit instead of selling it, said Mischa Fisher, Zillow's chief economist.

~~Almost 7% of condo sellers took their homes off the market in September~~, the highest rate for any September in a Redfin analysis going back to 2015. The delisted condos in September had typically been on the market for more than 120 days, and almost 20% of them were at risk of selling at a loss.

After their one-bedroom condo in Park City, Utah, sat on the market for five months, Conor and Susan Buckley delisted in July and rented it out.

"People weren't really pulling the trigger on purchases," Conor Buckley said. "I think it has a lot to do with the overall greater economic uncertainty. [And] rates are still stubbornly high."

Many condo owners don't need to sell and are willing to keep their units on the market for a year or longer rather than compromise on their desired sale price, said Gregg Lynn, a real-estate agent in San Francisco.

Herbert Roskind listed a condo he's owned in Phoenix since 2021 for sale in 2023. "There are very few people that are even looking at condominiums," he said, estimating the unit has one showing a month.

Roskind said he can keep waiting for the market to improve and a buyer to come along. "I think there's a bit of a standoff here, where the sellers are not anxious and the buyers aren't either," he said.

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