

Housing market has hit reset button

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Home sales and new listings fell in October in metro Denver, an ongoing sign that slower activity may be a feature, not a phase, according to a monthly update from the Denver Metro Association of Realtors.

Buyers purchased 3,354 homes and condos last month, which is down nearly 7% from September's pace and 7.7% year-ago levels. New listings fell to 4,483, which represents a 9.7% decline month-over-month and a 4.6% decline from a year earlier. Because new listings fell faster than new sales, the inventory of listings available for sale at the end of the month declined 4.4% to 12,495.

"The Denver market has, in many ways, hit its reset button," Amanda Snitker, chairwoman of the DMAR Market Trends Committee and a local Realtor, said in comments accompanying the report. "We're not witnessing volatility. We're seeing normalization. For real estate professionals, this means grounding our strategies in data and confidence, rather than relying on headlines or memories of the past."

Snitker notes that the median home sales price in the metro area rose 38.5% between March 2020 and April 2022, which worked out to an unsustainable annual growth rate of 19.25%. From the start of the pandemic through October, the increase has been 33.7%, which works out to an average annual growth rate of 6.7%.

While that remains ahead of the 4.2% average annual change in the Denver consumer inflation rate and the 4.7% gain in average annual wages, home price appreciation, measured over the entire decade, is starting to normalize.

The median price of a detached home that sold in October was \$650,000, up 2.36% from September but flat with the median price measured a year ago. For townhomes and condos, the median price was \$388,220, which is down 0.46% on the month and 2.95% on the year.

In another sign of the market slowing, the share of homes selling fell to a low last seen in the early mid-1990s, according to a report from the brokerage firm Redfin. Nationally, 28 out of every 1,000 homes traded hands in the first nine months of the year. Denver was just under that with 27 per 1,000 homes.

"America's housing market is defined right now by caution," said Chen Zhao, Redfin's head of economics research, in the report. "Buyers are walking away from deals more often, sometimes due to affordability issues and sometimes because they're re-evaluating whether now is the right moment to commit."

Some renters are sitting on the sidelines waiting for a bigger drop in mortgage rates to make purchasing more affordable. Many owners are staying put, either because they don't want to surrender a super-low mortgage rate or because they won't take an offer below expectations.

"When both sides hesitate, sales naturally fall to historic lows," Zhao said.

Snitker adds that rather than engaging in a game of waiting for things to change, sellers and buyers alike need to realize that "we are experiencing the next chapter of Denver real estate."