

BUSINESS > REAL ESTATE

Metro Denver home sellers losing more ground as market enters slow season

Nearly a third of area sellers offering price cuts, the highest ratio among major cities



Denver's housing market has swung against sellers, with longer time spent on the market, more price discounts and more sales falling through. (AP Photo/David Zalubowski, File)



In the tug of war between sellers and buyers, metro Denver's housing market remains competitive, but sellers are definitely feeling the rope burn their hands and their feet skid as they try and fail to stay firm on price.

Nearly a third of Denver area home sellers, 31.1%, lowered their listing price in September, the highest share of any major metro in the country and nearly double the U.S. average of 16.7%, according to a study earlier this month from Seattle brokerage firm Redfin. The average discount sellers offered was 3.3%.

"Denver is shifting to a buyer's market for much of the same reason most of the country is — there is now more inventory available as sellers slowly become unlocked. At the same time, demand is declining with affordability, still strained and buyers feeling jittery about the economy," Chen Zhao, who heads up Redfin's economics team, said in an email.

After Austin, Denver has experienced the second-largest swing toward a buyer's market over the past year among large metro areas, another Redfin study found. Sellers outnumbered buyers by about 10% a year ago, close to a balanced market. Now that gap is 55.7% with 15,812 sellers active for every 10,158 buyers last month, or two buyers active for every three sellers.

That's higher than the U.S. ratio of 36.7% in favor of sellers, but Denver hasn't reached the ranks of the most extreme buyer's markets yet." In Austin, sellers outnumber buyers by 130%. Fort Lauderdale, north of Miami, is second on the list at 118.5%, followed by West Palm Beach, to the north, at 133%, followed by Miami at 112.2%. Note

Cities that people left during the pandemic have found a new popularity as the economy weakens, Zhao said. Newark and New Brunswick, (N.J.); Nassau County, (N.Y.); Montgomery, (Pa.), and Cleveland currently have the strongest seller markets, per Redfin's analysis. Note

Another sign that sellers are losing their grip comes in the rising share of contracts canceled before closing. Finding a willing buyer isn't enough anymore. About 15% of home purchase contracts nationally were terminated last month. In Denver, that rate was 17.1%, up from 16.3% a year earlier, according to Redfin. Note

Tampa led the country with one in five contracts canceled. Orlando, Atlanta, and San Antonio and Fort Worth, Texas, also had higher rates of buyers dropping out. Most cancellations, about seven in 10, happen during inspections, when buyers make repair requests of sellers for problems they find, according to Redfin.

"Buyers, sellers, and real estate professionals are confronting a hard reality that has been months in the making, and September made it clear: it is not a great time to sell a home," said Cooper Thayer, a Denver County Realtor, in comments on the September market provided by Colorado Association of Realtors.

On the flip side, buyers are seeing the most favorable conditions in years, with more options to choose from, more time to review prospects and more room to negotiate terms and price.

"When selling gets tougher, buying gets better, and today's market gives buyers more leverage and choice, even with higher rates," Thayer said. "After a long seller-dominated run in Colorado, the shift is healthy and a welcome change for homebuyers."

One of the most important things sellers need to get right in a buyer's market is their initial listing price. Despite an abundance of resources to help with that, many sellers put themselves in a predicament from the start.

"It is more important now than it has been in the past couple of years to get it priced right straight out of the gate. Because you can hurt yourself by (a listing) becoming stale," said Matt Purdy, a Redfin agent active in northern Colorado.

Buyers look at the equation in terms of what the monthly payment is and what they can afford. Sellers look at it in terms of what they paid and what the maximum price they can obtain is.

For most households, a home represents their biggest investment and most important source of wealth. The inclination is to try and obtain top dollar, even if that means ignoring the signs that the market is softening, Purdy said. Some agents will tell a seller what they want to hear rather than what they need to hear in terms of a workable list price.

"Many are thinking about yesterday's market when they price instead of where the market is headed," Zhao said. Testing the market by pricing high is becoming a losing and time-wasting strategy.

That mismatch in pricing is resulting in listings spending more days on the market. It now takes 56 days on average, nearly two months, for a listing to sell in metro Denver, compared to 44 days a year ago and only 14 days in September 2021, according to the Colorado Association of Realtors.

Some sellers, especially those who bought recently, are overpricing to avoid taking a loss. Metro Denver home and condo prices have bounced around in a narrow range since 2022, rising only \$10,000 to a median price of \$585,000, according to Homes.com.

For anyone who purchased after 2022, their home may not have appreciated enough to cover the transaction costs of a sale. In some areas, and with some home types, like condos, sellers may be facing a loss. The temptation to overprice is stronger.

Note

The Denver area neighborhoods seeing the biggest increase in listings in September include Lower Downtown, the Central Business District, Hampden, Cherry Creek, Candelas and north Broomfield, according to Homes.com, a listing portal.

Another tip from agents to prevent an offer from falling through is that sellers should obtain a pre-inspection that identifies major issues before listing. They should fix any problems identified to avoid surprises and delays, with special attention paid to the roof, plumbing and drainage.

And sellers need to prepare to negotiate concessions like price credits and repairs rather than be offended by them.

Purdy notes that he is seeing more investors start to unload rental properties because of stricter state rules on landlords, higher capital and operating costs and the ability to earn comparable returns in risk-free investments. Those additional listings will provide even more competition for sellers in the months ahead.

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2025 > October > 24