REAL ESTATE

Sellers under pressure to drop prices

Colorado Springs and Denver lead nation for share of listings that offered buyers a discount

Translate

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Real estate agents usually try to dial in a home's listing price before it hits the market so they can avoid buyers ignoring a property and their sellers being forced to take an unwanted price cut.

Agents' forecasting skills have been a little off in Colorado lately.

Colorado Springs and Denver lead the nation for sellers having to reduce their prices to achieve a sale, and the miscalibration is happening statewide, according to an analysis of data from Parcl Labs by the Common Sense Institute.

Across 15 Colorado markets tracked by Parcl Labs, more than 40% of listings faced price cuts in September. And among larger U.S. metro areas with 5,000 or more listings, Colorado Springs had the largest share of homes for sale that provided a discount at 55.7%, followed by Denver, at 55%.

Other parts of the state aren't faring much better. The share of discounts was 53.7% in Greeley, 52.4% in Grand Junction, 51.2% in Pueblo and 48.7% in Breckenridge.

"The number of home listings requiring a price cut is much higher than in other areas of the country. Whether that fact is a positive or negative development is in the eye of the beholder. What is certain is that the shift could have implications for the state's economy," said Thomas Young, a senior economist with the Common Sense Institute, a business-funded think tank, in his report. More discounting could translate into lower home prices eventually. Using the average listing discount of 3% as a starting point, Young estimates that Colorado homeowners in the top seven markets could face diminished home equity of roughly $35.4 billion.

Cooper Thayer, a Realtor with the Thayer Group in Castle Rock, cautions against drawing a straight line from discounts off list price to marketwide home price declines.

"A listing price reduction is measured against the seller's original asking price, not necessarily the property's underlying market value. Many sellers are still entering the market with expectations anchored to the stronger conditions of previous years," he said.

If so, the study is more about seller expectations adjusting to market reality than it is a harbinger of widespread price declines. Also, some agents still prefer to price optimistically, believing there is room to negotiate.

The median price for a single-family home sold in metro Denver rose 1.6% between September and October to $645,000. It is down only 0.64% over the year, according to the Denver Metro Association of Realtors.

Condos and townhomes have seen softer prices in the past couple of years, but much of that discounting reflects higher homeowner association fees and concerns over deferred maintenance and higher insurance premiums. Median condo prices are down 3.25% on the year, but up 2.7% on the month to $375,000.

Thayer said the impasse between buyers and sellers is showing up most visibly in closings.

"Weaker demand can translate into fewer transactions before it translates into significantly lower prices. Denver metro closed sales were down 23.5% year-over-year in October, which illustrates that dynamic," he said.

The average discount is $12,557, and about two-thirds of the discounts sellers are offering are coming through seller concessions, like interest rate buydowns and help with closing costs, rather than reductions in the recorded sales price, Thayer said, citing statistics from DMAR.

"Buyers are receiving meaningful financial incentives that aren't reflected in headline sale prices," Thayer said.