2024 Year-End Review
& 2025 Housing Market Outlook

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2025: A Year of Stabilization and Opportunities for Buyers and Sellers

Nadia Evangelou

Senior Economist & Director of Real Estate Research

The housing market faced significant hurdles in 2024. Mortgage rates ended in 2024 higher than they started, making it the worst year for home sales activity since 1995. However, 2025 ushers in a sense of optimism as the year stabilizes, presenting opportunities for both buyers and sellers.

After several years of tightening financial conditions, the Federal Reserve began lowering interest rates in 2024. While this long-awaited shift offered some relief, the impact on affordability has left many people disappointed so far. Mortgage rates, which had soared to multi-decade highs, began to decline in anticipation of the rate cuts. However, when the actual rate cuts occurred, mortgage rates rose again, hovering above 6.5 percent through the end of the year.

Looking ahead, 2025 is expected to bring more stability and opportunities for homebuyers as the housing market continues to recover. The Federal Reserve is likely to maintain a gradual approach to easing monetary policy. Although concerns about federal deficits and rising public debt may cap the extent of those rate cuts, borrowing costs are anticipated to stabilize overall, offering some relief to prospective buyers. However, significant reductions in mortgage rates are unlikely. The National Association of Realtors® expects mortgage rates to average six percent in 2025. While this may not meet the expectations of many buyers and sellers, rates below 6.5 percent help keep homeownership within reach for the American family. Thus, with rates stabilizing near this six percent—albeit higher than the pandemic lows—more buyers are expected to reenter the market, increasing demand for housing.

The positive momentum seen at the end of 2024 is expected to carry into 2025, supported by two key factors: robust job growth and increasing inventory. Job growth provides financial stability for prospective buyers while improving inventory levels offer choices in the market. New construction is projected to ramp up this year, and the so-called "lock-in effect"—where homeowners are reluctant to sell—is expected to ease. Consequently, home sales activity is forecasted to grow between nine and 12 percent, with existing home sales likely to reach 4.5 million units. With more inventory in the market, price growth in 2025 is expected to moderate, with a two percent increase projected—a significant slowdown compared to recent years.

Denver's Housing Market in 2025

Denver's combination of strong job growth, positive migration trends and favorable demographics make the metro area a resilient and robust housing market. Together, these factors stimulate demand and underscore Denver's appeal as a highly desirable place to live and work.

Key Drivers of Demand in Denver

- **Strong job growth.** Denver's job market is outpacing the national average, with the local economy adding six percent more jobs since March 2020, when the pandemic began disrupting economies.
  Why it matters: Job growth provides economic stability and increases incomes – both crucial factors for home affordability. Areas with robust job creation attract prospective buyers, as stable employment enables more people to pursue homeownership, thereby boosting housing demand.

- **Migration Gains.** Denver reversed its net migration losses in 2023, welcoming approximately 6,900 more residents than those who left. This metro area is also attractive to professionals. With a strong job market, Denver attracted workers relocating for new opportunities, achieving a net job migration gain in 2023. Data shows that 50.4 percent of job switchers moving in and out of the area chose to settle in Denver—a clear sign of migration gains.
  Why it matters: In-migration brings more than just new residents; it brings economic potential. Workers relocating for jobs boost local economies, drive up housing demand and can even reshape regional development patterns. While job relocation may not be the most common reason for moving—trailing behind housing and family reasons—the influx of professionals has a significant impact on both the economy and the real estate market.

- **Favorable demographics.** Over the next five years, 13 percent of Denver households will enter the 35-40 age range, a critical demographic for homeownership. Currently, the median age of homebuyers in Denver is 37, aligning perfectly with this trend.
  Why it matters: Households in the 35-40 age group are at the peak of their homebuying years. As more households enter this demographic, long-term demand for housing will increase, contributing to long-term market stability.

But, local inventory constraints, driven by the lock-in effect and limited new construction, present challenges for buyers and are expected to persist in 2025. Nearly 78 percent of mortgage originations in Denver between 2019 and 2023—representing about 750,000 borrowers—carry rates below six percent, discouraging many homeowners from listing their properties. Compounding this, building permits in Denver are 10 percent lower than last year and 18 percent lower than in 2019, further restricting new housing supply.

While inventory remains tight in the Denver metro area, it's important to highlight the relatively larger stock of starter homes compared to other areas. Nearly 43 percent of properties in the area are valued at $408,650 or below, aligning with the price range for starter homes in Denver. Starter homes, typically priced at 85 percent of the median-priced homes, play a critical role in helping first-time buyers enter the housing market. Areas with a higher proportion of starter-home inventory provide greater accessibility for younger buyers.
If the "lock-in effect" eases further this year, Denver's stock of starter homes could present significant opportunities for first-time buyers to enter the market.

Although affordability challenges will persist, the worst of the market appears to be behind us. As the market stabilizes and demand remains robust, 2025 offers a year of opportunity for the Denver housing market and beyond. As the year unfolds, buyers and sellers alike can look forward to a more balanced real estate market.

2024 Housing Market Recap: Modest Gains Amid Persistent Challenges

Steve Danyliw

Past Chair of the DMAR Market Trends Committee and Denver Realtor®

The housing market in 2024 mirrored many of the challenges seen in 2023, with elevated mortgage rates continuing to shape buyer and seller behavior. While some areas experienced slight growth, the attached single-family segment underperformed, weighed down by rising HOA fees and a growing preference among homeowners to rent rather than sell.

One of the standout developments of 2024 was the significant increase in inventory, driven by an influx of new listings. The year closed with 55,839 new listings, up 12.6 percent from 2023's total of 49,589. A deeper dive reveals that detached single-family homes accounted for much of this increase, with a 15.76 percent rise in new listings, compared to a more modest 5.19 percent growth in the attached segment.

This disparity raises important questions: Is demand for attached single-family properties waning, or are homeowners opting to rent instead of sell? For historical context, the market saw 69,984 new listings in 2020, underscoring the relatively subdued activity in recent years.

In 2024, the Denver Metro market closed 42,404 transactions—a modest 0.9 percent increase from 2023. While the forecast had anticipated stronger growth, persistently high mortgage rates dampened activity. Nonetheless, Denver outperformed national trends, as experts are now predicting a five to 10 percent decline in transactions nationwide compared to 2023. For additional context, the market peaked in 2021 with a record 64,114 closings. The 2024 total represents a decline of 21,710 transactions in just three years, highlighting the impact of shifting economic conditions and rising borrowing costs.

Despite concerns about distressed inventory flooding the market, data shows this segment remains negligible. In 2023, only 0.25 percent of closed transactions involved distressed properties, including just 33 short sales. In 2024, that figure rose slightly to 0.35 percent, with 65 short sales. These numbers pale in comparison to 2012, when 3,576 short sales were recorded. The median closed price for 2024 reached $590,000, a slight increase of 2.08 percent over 2023's $577,980. While modest, this growth represents a positive outcome given the year's challenges. A closer look at the detached and attached segments, however, reveals contrasting trends. Detached homes saw a 2.28 percent price increase, while attached homes experienced a 1.93 percent decline—further evidence of the attached segment's underperformance.

The average time on the market rose sharply in 2024, with properties spending 38 days in the MLS compared to just 14 days in 2021. By December, this figure had climbed to 56 days, reflecting a clear trend toward longer selling times. Inventory levels also increased significantly, ending the year with 6,888 active listings—up 38.56 percent from 2023. Mid-year inventory levels showed even more dramatic gains, exceeding 70 percent year-over-year growth. Notably, in late September, active listings surpassed 11,000 for the first time since November 2011.

While 2024 shared many similarities with 2023, it outperformed in several key areas, including inventory growth and transaction volume. However, elevated mortgage rates, longer selling times, and challenges in the attached single-family segment tempered overall performance. As the market continues to adapt, buyers, sellers, and agents alike will need to navigate a landscape defined by incremental changes and persistent headwinds.

2025 Housing Market Forecast: Higher Rate Environment and Continued Modest Gains

As 2024 draws to a close, marked by modest housing market performance, the outlook for 2025 is expected to focus on familiar challenges. Buyers will continue to face affordability constraints, while sellers will grapple with the need to differentiate their properties in an increasingly competitive environment. Mortgage rates are once again positioned to play a pivotal role in shaping the market.

Looking beyond the Denver metro area, national economic indicators suggest slower growth. According to the University of Colorado's Leeds School of Business, real GDP is projected to decline from 2024's estimated 2.7 percent growth to 2.3 percent in 2025. Meanwhile, Colorado's population growth will remain steady, with a net migration of approximately 32,700 people, many of whom are expected to settle along the Front Range.

Mortgage interest rates will remain a dominant influence on the Denver Metro housing market. The trajectory of rates—whether they rise or fall and to what extent—will have significant implications. We're forecasting a range of 6.25 to seven percent for 2025 with the lower end of this range seen later in the year. Builders are anticipated to continue leveraging mortgage buydowns as an incentive, offering relief to buyers navigating elevated borrowing costs. Federal Reserve Chair Jerome Powell has signaled a cautious stance on future rate reductions, citing ongoing inflation concerns.

The 2025 housing forecast includes a more granular view of transaction activity by separating the attached and detached single-family markets. Detached single-family home sales are expected to increase by four to six percent compared to 2024, reflecting modest growth. Conversely, attached single-family sales are likely to see a decline of seven percent to 10 percent, driven in part by rising HOA fees that constrain buyer affordability.

At the national level, projections for closed transactions are mixed. The National Association of Realtors®' Chief Economist anticipates a seven to 12 percent increase, while Realtor.com®'s Chief Economist offers a more conservative estimate of 1.5 percent growth.

Forecasting home prices remains a complex task due to numerous variables. In 2024, we forecast an increase of two percent to five percent in median closed price. The low end of that forecast was realized posting a modest 2.08 percent gain. For 2025, assuming mortgage rates remain above six percent, the Denver Metro area is poised for minimal price growth, with median closed prices projected to rise by zero percent to three percent.

Inventory trends are expected to stabilize. In 2024, inventory rose significantly due in part to a nearly 13 percent increase in new listings, even as closed transactions mirrored 2023 levels. For 2025, inventory levels are forecasted to grow slightly, by zero percent to three percent.

The challenges facing buyers and sellers in 2025 will persist. While buyers may benefit from increased inventory and stronger negotiating leverage, affordability remains a significant hurdle, with little expectation of meaningful rate reductions. For sellers, heightened competition will dampen price growth, necessitating strategic approaches to marketing and positioning their homes. Agents, in particular, will need to innovate and adapt to succeed in a market defined by incremental changes rather than dramatic shifts.

About

MARKET TRENDS COMMITTEE

The DMAR Market Trends Committee, part of the Denver Metro Association of Realtors®, The Voice of Real Estate® in the Denver Metro Area, provides timely, consistent and relevant monthly summaries of valuable local real estate market statistical data for both its members and the general public. Statistics from the "Denver Metro Real Estate Market Trends Report" provide data for the following counties: Adams, Arapahoe, Boulder, Broomfield, Clear Creek, Denver, Douglas, Elbert, Gilpin, Jefferson and Park.

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- Susan Thayer
- Shaylisa Turner

Contact: 303-756-0553 | communications@dmarealtors.com

Media Contact: 817-395-3491 | lindsey@decibelblue.com | Lindsey Hall, Decibel Blue Creative Marketing & PR on behalf of the Denver Metro Association of Realtors®.

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Data Source: REcolorado, the state's largest network of real estate professionals, serves as the primary source of MLS data for the Market Trends Committee. REcolorado.com provides the most accurate and up-to-date property information for Realtors®, real estate professionals and consumers. Rental data is provided by RentalBeast, the nation's most comprehensive database of more than 10 million rental properties.

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