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Behind the List: Demand drives Denver-area homebuilder growth

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[Molly Armbrister](#)

Reporter- Denver Business Journal

[Email](#) | [Twitter](#) | [Real Deals blog](#)

Homebuilders on the Denver Business Journal's 2014 busiest-homebuilders list increased the number of metro-area homes completed by 46 percent from the number built a year earlier.

Some of the growth can be attributed to the fact that there are four more builders on the 2014 list, with 19 entries, than on the 2013 list, which had 15 entries.

But the bulk of that growth is a result of the rapidly improving residential real estate market, as buyers finally comfortable enough in the market to buy a new home snap them up almost as soon as they hit the market.

All that demand means that builders on the list are once again hammering away at homes in metro Denver, building a combined 4,119 homes in 2013, compared with 2,814 in 2012.

The growth experienced by the builders on our list is generally in line with that seen in the overall market, said [Jeff Whiton](#), president of the Metro Denver Home Builders Association.

And the activity is not limited to just part of the metro area, Whiton said. "There's not one submarket that's not showing improvement."

But all that building is getting more expensive all the time, as costs for both materials and land go up.

Two years ago, there were plenty of lots left over from the crash with low prices that made it easier for homebuilders to buy up parcels and put moderately priced homes on them. But now, that supply of low-priced lots is used up, Whiton said.

Lot pricing varies widely depending on location, Whiton said, but lots can range from \$70,000 to \$500,000 in the priciest parts of town.

Materials costs have gone up, too, pushed up by demand and also by factors such as last September's flooding, which meant that large amounts of concrete and other necessities were being used to rebuild roads washed away by floodwaters rather than for building new homes.

All of these cost increases are a top-of-mind concern for builders who are trying to keep their homes at an affordable price point, Whiton said. The average cost of a new home in the metro area is in the low \$400,000 range, he said. The median resale home price is about \$275,000.

Louisville-based Boulder Creek Neighborhoods builds homes beginning near the median price at \$300,000. The company specializes in homes for the "active adult" demographic, said [David Sinkey](#), founder and president of Boulder Creek.

The company builds in Boulder County, Stapleton and Castle Rock, to name a few of its neighborhoods.

Boulder Creek's homes are geared toward people with active lifestyles who don't want to spend too much time worrying about the maintenance of their homes.

The active adults who buy Boulder Creek's homes aren't all retirees either, Sinkey said, although that is an assumption that is often made about the company.

In fact, 30 percent of Boulder Creek's buyers are single women around age 40, he said. The homes work for anyone who would rather spend time relaxing or engaging in some recreational activity than maintaining a lawn or other chores that typically come with homeownership.

Catering to this demographic allows Boulder Creek to keep growing, Sinkey said, because most homes are built for more typical buyers — families with children.

"It's an underserved market," he said. "The resources are woefully out of sync for people looking for a home designed for active lifestyles."

Even with the rapid growth of the housing market, Sinkey believes that the industry is still in a safe zone, far from the risk of another bubble.

"The idea that we're in a bubble is not in context with a longer view of historical realities," Sinkey said.

Of course, there are unforeseen elements, nationally and internationally, that could impact the market, Sinkey said, but he remains optimistic.

That said, Sinkey, like Whiton, is very aware of the rising cost of materials and land.

"We will look back at the time right after the recession and see that the cost to get into a home was the lowest ever," he said.

"Prices of new homes are going to rise significantly," Sinkey said.

He estimates that the cost of a new home could rise 5 to 10 percent over the next few years.

For a home in the low \$400,000s, where new homes are currently trading, that means an

additional \$20,000 to \$40,000.

Molly Armbrister covers real estate, retail and construction for the Denver Business Journal and writes for the "Real Deals" blog. Phone: 303-803-9232.