

Home market begins to shift

Houses kept going up in state last year but at slower rate than nationally — and where they were built changed

By Aldo Svaldi *The Denver Post*

Despite the economic headwinds the nation faced last year, homebuilders pulled nearly one million more single-family home permits in 2020 than they did in 2019, making it the most robust year for new home construction since the waning days of the housing boom.

And while builders were also very busy in Colorado, pulling 1,880 more single-family permits last year than in 2019, the 7.6% gain came in below the 14% gain measured nationally, according to an analysis of U.S. Census Bureau data by the property research website Neighbor Who.

“The 2020 home-building increase was due to two big factors that were, we believe, both pandemic-related: historically low mortgage interest rates and greater demand to move to new locales in the wake of COVID-19,” said Michael Pugh, an analyst with Neighbor Who, in comments accompanying the report.

With 26,636 single-family permits pulled last year, Colorado ranked ninth for activity, behind Tennessee and ahead of Virginia, the same spot it held in 2019. Builders pulled permits at the 10th highest rate given Colorado’s population, so no slacking there either.

But when it came to the increase in permits last year, the state ranked 34th overall, behind Wisconsin and ahead of Massachusetts, neither standouts for their population gains.

The shortfall in Colorado’s relative home construction performance essentially came down to three counties — Denver, Boulder and Broomfield — which respectively saw 1,090, 169 and 110 fewer single-family permits pulled in 2020 than in 2019.

Had those three counties found a way to stay even with pre-pandemic levels, the state would have nearly matched the 14% gain in single-family home permits seen nationally.

Combined, metro Denver only had a 1.4% gain in single-family home permits last year, one of the weakest showings among large U.S. metros. Houston, Dallas and Phoenix all saw permit activity rise by more than 25%, according to NeighborWho. If it’s any consolation, metro Denver at least matched Seattle, which was also up only 1.4%.

“The underlying story is that the shift from the urban infill areas like Denver, Boulder and Broomfield and to some degree Jefferson County, the more landlocked areas, accelerated,” said John Covert, regional director for Zonda, a housing market research firm.

That shift was underway before the pandemic, and it has favored suburban counties like Adams, Arapahoe and Douglas, as well as other counties up and down the Interstate 25 corridor.”

El Paso County, up by 997 permits or 25.3%, and Larimer County, up by 610 permits or 38.6%, had the biggest gains in single-family construction. Weld County, long a hotbed of home construction, was off by one permit as its economy coped with a big drop in oil prices and drilling activity.

Metro Denver’s eastern edge was home to the next three hot spots after El Paso and Larimer. Arapahoe County added 542 permits, for a 22.7% gain, while Adams County increased the number of single-family permits by 523 or 23%, and Douglas County added 174 more permits for a 6.6% gain.

Although smaller than those suburban counties, Elbert County added 100 permits, a 51% increase. Of Colorado’s 64 counties, 36 recorded an increase in single-family home permits, four remained flat and 24 had a

decrease last year.

Covert said strong residential construction gains in El Paso and Larimer counties reflect the underlying economic strength in those areas, but also the increasing lack of affordability in metro Denver, which continues to push priced out homebuyers north and south along the I-25 corridor.

“A lot of the people moving down to El Paso County are coming from Denver,” he said. “They are still working in Denver but have found a more affordable home and are commuting.”

Granted, that trend was already in play. But the pandemic made employers more open to remote work arrangements, while also boosting the preference for larger homes with yards over apartments and condos in more crowded urban neighborhoods.

Although homes closest to central Denver still command a higher price than those further away, the strongest price gains in the past two years have come among homes that required the longest commute times to reach Denver’s central business district, according to an analysis from Zillow.

“In many areas where homes are most expensive near downtown job centers, home values are growing slowest or even falling in those expensive areas. But in markets where homes near downtown are typically more affordable than elsewhere in the metro, the opposite is true,” said Zillow spokesman Alex Lacter in an email.

Denver is in that first camp. Since 2019, median price gains, at 14.6%, have been most tepid for homes where the commute to downtown Denver is under 10 minutes. Homes 71 to 80 minutes away from downtown, by contrast, have appreciated 32.6% or more than twice as much.

Construction activity in El Paso County is on track to reach 5,000 housing starts this year, Covert said, within striking distance of the peak of roughly 6,000 starts reached in 2006. It’s the closest any Front Range county has come to reaching its old construction highs.

Metro Denver is only back to around 60% of its prior home construction peak, despite having added 500,000 residents since 2006 and the seemingly insatiable demand for homes.

“We are not even building to the long-term historical average for housing starts and permits over the last 30 years,” Covert lamented.

Several things came together last year to slice Denver’s singlefamily permit activity by nearly half.

With Lowry built out and Central Park, which occupies the former Stapleton Airport site, almost done with its 12th and final neighborhood, Denver simply doesn’t have as much land as it once did to accommodate single-family homes.

Covert said Denver’s ban on slot homes also reduced the economic incentives developers had to buy up older homes and scrape them. Slot homes allowed for more units to fit on a lot than say a townhome or other design, and more so than in other areas, redevelopment of existing lots is an important source of permits in Denver.

Pandemic-related restrictions also seem to have hampered the permitting process more in Denver than elsewhere.

“It wasn’t because the demand wasn’t there and I wouldn’t say it was because of a lot supply issue, at least for us,” said Patrick Hamill, chairman and CEO of Oakwood Homes, which is building homes at Green Valley Ranch in Denver and at Reunion in Adams County.

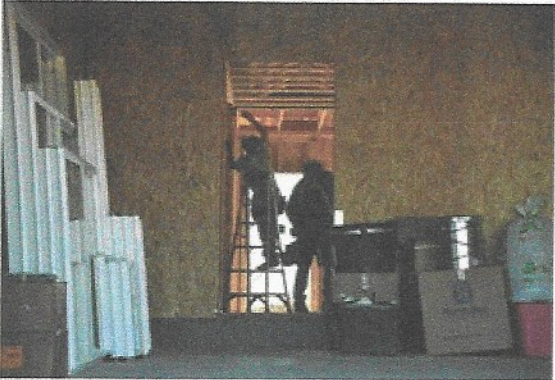
He said remote work arrangements caused a loss of synergy and productivity in Denver, bogging down the approval process more than was the case in Adams or Douglas counties. Even though Oakwood had buyers beckoning and the land to accommodate them, it permitted 90 fewer homes in Denver last year than in 2019.

“Permit times that were taking four weeks were taking eight weeks,” he said. “For sure it has definitely been a permitting issue.”

Aldo Svaldi: 303-954-1410, asvaldi@denverpost.com or @AldoSvaldi

A construction worker focuses on the siding of a new home at the Oakwood Homes Sterling Collection at Reunion in Commerce City on Thursday. *Photos by Eric Lutzens, The Denver Post*

Precision Building Systems contractor Carlos Amador, foreground, nails a piece of wood to the exterior of a home under construction while his brother, Jorge Amador, watches at the Oakwood Homes housing development in Commerce City on Thursday.



Construction workers continue building new homes at the Oakwood Homes Sterling Collection at Reunion in Commerce City on Thursday. *Eric Lutzens, The Denver Post*

[Copyright \(c\) 2021 Denver Post, Edition 7/25/2021](#)

[Powered by TECNAVIA](#)

Where homes were built during the pandemic

The number of single-family home permits issued varied greatly by county in 2020. Larimer County saw the biggest percentage increase while the city and county of Denver saw the biggest decrease. The highest number of permits were issued in El Paso and Weld counties.

SINGLE-FAMILY HOME PERMITS

Permits issued in 2020

	Change in single-family home permits from 2019	Single-family home permits issued in 2020
Larimer	39%	2,190
El Paso	25%	4,928
Adams	23%	2,796
Arapahoe	23%	2,928
Douglas	7%	2,797
Jefferson	5%	823
Weld	0%	3,334
Boulder	-23%	573
Broomfield	-33%	223
Denver	-48%	1,167

Source: U.S. Census Bureau, Neighbor Who

Kevin Hamm, The Denver Post

Colorado a top-10 state for new home permits

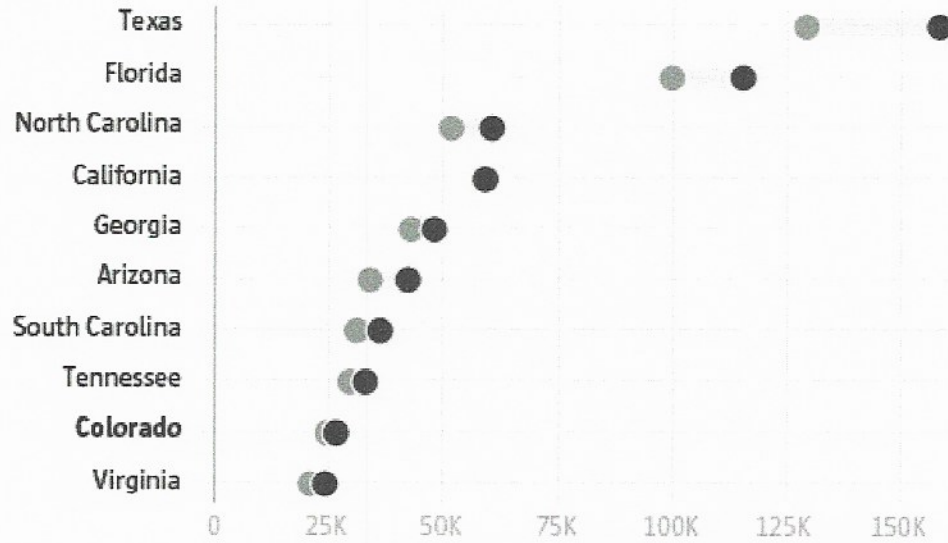
While the number of single-family home permits issued in 2020 was high, the pace of growth from the previous year ranked 34th, pulled down by a big decline in Denver.

SINGLE-FAMILY HOME PERMITS

Permits Issued

● 2019

● 2020



Source: U.S. Census Bureau, *Neighbor Who*

Kevin Hamm, *The Denver Post*

