

New-home building badly lags demand created as new jobs are added in metro Denver

Shortage becomes chronic as builder-defect laws remain unresolved, labor is short

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Metro Denver has constructed 67,403 fewer single-family homes than needed given job gains the past three years, creating one of the most severe new-home deficits in the country, according to a [new study](#) from the National Association of Realtors.

Historically, one single-family home is needed for every 1.6 new jobs added in an economy. But metro Denver has added only 24,353 homes to house workers taking 145,892 new positions the past three years, a ratio closer to one home for every six jobs, the NAR said.

“Denver’s job market is solid and is thereby boosting housing demand. However, due to grossly insufficient new home construction, the inventory of homes for sales has dropped to unhealthy levels,” said Lawrence Yun, chief economist with trade group, which represents the nation’s Realtors.

Real estate agents are concerned that the lack of new homes is creating severe distortions in places like the northern Front Range, northern California and the Pacific Northwest and pricing buyers out of the market. Metro Denver home prices have risen by double-digit gains the past two years and are on track to do so again in 2016 — an unprecedented run.

“Good news for homeowners to see such a price gain, but for renters they are feeling left out and demoralized in unable to partake in ownership and housing wealth,” Yun said.

Several large cities have more extreme shortfalls. New York, Long Island and northern New Jersey had the biggest gap in single-family permits at 218,541, while Trenton, N.J.; San Francisco and San Jose all were running at ratios above 20 jobs for each single-family permit.

Jeffrey Whiton, CEO of the Home Builders Association of Metro Denver, didn’t take issue with the study, saying the ratio of one single-family home for every 1.6 jobs is widely accepted. Nor did he offer hope for those still hoping the industry can ramp up enough to meet demand, especially from first-time buyers.

“We are not going to see supply catch up with demand unless something radically shifts,” Whiton said. “The biggest missing piece is the affordability factor. We consider condos single-family attached and they are are missing in action.”

Condos once accounted for a quarter of for-sale home permits, but now are running at 1.5 percent, which Whiton and many builders blame on the state's construction-defects rules.

For four years straight, efforts to modify the [rules in the legislature to leave insurers comfortable and reduce builder concerns](#) about getting sued have failed.

Whiton cited other bottlenecks, including land and labor. Lot developers are keeping pace with construction, but well-situated parcels are getting more expensive and harder to come by. Local governments are imposing costs that can add \$40,000 to \$60,000 for each parcel right off the bat, he said.

A lack of skilled laborers is also delaying construction times and makes it harder to ramp up production.

In theory, higher prices in a high demand market like Denver should attract builders from across the country and motivate the ones already here to ramp it up. But the home building industry has struggled to overcome the devastating blow suffered during last decade's housing crash.

And even if builders can eventually match new supply with job growth, they will have a huge deficit to overcome.