

From condos to legacy homes,
the second home market...

McCrerey Fine Homes, LLC repurposed an old farm house and built this roughly \$3 million New Age farm house on a 45-acre infill site in Boulder county. McCrerey has found that the legacy homes he's building today are completely outfitted with about \$200,000 in high-tech controls and home automation, all controlled by an iPhone, iPod or iPad.

is **ALIVE —** and **KICKING**

By Kim Jackson / Photograph by Jon Eady

Contrary to what you may think, second home building continues throughout Colorado. For some buyers, the down market has offered a chance to get in on a mountain property at nearly rock-bottom prices. For others,

while they're keeping an eye on the economy, they're building multigenerational legacy homes. For others still, they're buying condos, town homes or patio homes for their attractive lock-n-leave convenience.

Admittedly, the market has cooled in the past few

years. Yet an August NAHB blog reported that five percent of all the nation's housing units — more than 6.9 million of them — qualify as second homes.

Using data from the most-recently available 2009 American Community Survey (ACS), the blog

noted that in Colorado, there are five counties where at least half of the housing stock is made up of second homes: Hinsdale (86%), Mineral (67%), Archuleta (65%), Grand (60%) and Summit (59%).

In April, the Summit County assessor's office



PHOTO COURTESY MATT KRANE

This 5,500 sq ft home in Elk Run at Keystone was designed by Summit Studio, PC and built by Travis Construction. Construction cost of the home was \$1.3 million and it features five bedrooms, five-and-a-half baths. Inside, the owners had spent a fair amount of time in Andalusia, and wanted the home to reflect that Spanish influence throughout. Because they love entertaining, a full wine bar was built into the living room.

issued an analysis of the county's economic activity for 2011 reappraisal. However, in contrast to the ACS data, Summit County reported that 68 percent of the county's housing units are second homes.

CASH BUYERS ON LEGACY HOMES

At all income levels, the economy has had its effect. Yet in the second home market, there's an interesting phenomenon afoot. People are building legacy homes. Big ones. And they're paying cash.

Mark McCrerey has been building custom homes in Summit and Boulder counties since 1978. Until the past few years, the owner and CEO of McCrerey Fine Homes, LLC built an average of a dozen custom homes a year, evenly split between spec and second homes. Half of his second home buyers lived in the Denver metro front range, while the other half lived out of state. And before 2008, McCrerey said, our custom homes averaged \$1.5 million in costs."

This year, he's building two custom homes: One is a second home outside Golden city limits; the other is a primary home in Boulder county. Each home's costs are \$3 million or more. Both are legacy homes. And both owners paid cash for their homes.

The 7,900 sq ft Golden legacy home was built to accommodate three generations of a family that everyone can enjoy all at once. While the heart of the home is still the kitchen and great room, there's a recreation room for games and movies. The informal dining room flows into the kitchen/great room space, without separation.

The 7,500 sq ft Boulder county New Age farm home sits on a pristine, 45-acre property that's surrounded by city of Boulder open space. McCrerey deconstructed and repurposed the home that was previously there for the new home, so the new owners could enjoy the stream that runs through the property, mountain views, open spaces and their horses.

HOME AUTOMATION, STONE ADD TO COSTS

According to McCrerey, both homes live large — and they're completely finished with a number of amenities, including about \$200,000 in high-tech controls and AV equipment. "That's a big statement," he said. A fully automated home includes automated lighting control, shade control and all electrical appliances.

The computer systems that used to control the home automation or lighting systems have been replaced with an iPad, iTouch or iPhone. "These people generally travel," McCrerey observed. "So when they're gone, they don't have to be there to check the temperature or if they turned the lights on or off, because they can do that remotely. They can check the camera to see if anybody is in the house or the driveway. Home automation is one thing that's bringing the cost of the house up."

So are the walls of stone. His customers are opting for whole walls done in stone now in quartz, granite or



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limestone, which “are adding a lot of cost to a house. That much masonry is cumbersome and heavy, so we have to beef up the foundation to support the walls,” he said. The homes also use stone veneers, colorful and expensive glass and onyx tiles and handmade lighting fixtures accents.

BIG HOMES, LOW HERS RATINGS: HOW IT'S DONE

Both homes enjoy low HERS ratings. An NAHB-certified green building professional and a graduate master builder, McCrery sources the best materials locally, which also fit the green building criteria. He built the Golden home with a 10 kw photovoltaic solar array on the roof — so it produces electricity — and achieved a HERS score of 32.

The Boulder county home attained a HERS score of 19. “We’re better than 81 percent of the houses out there that meet building code,” he said. The property has a 29 kw photovoltaic solar array — 290 panels — in the field. “That’s one way to achieve it,” McCrery said. “The other way is we drilled nine geothermal wells down to about 600-plus feet. We’re circulating water to pre cool and heat the house.”

While federal government tax credits and Xcel Energy rebates help defray the cost of the systems, photovoltaic solar arrays and geothermal wells still add to the cost of a home. “A geothermal water system can add \$7,000 to the cost,” McCrery said. It’s estimated that a photovoltaic array returns its investment in seven years, where a geothermal well’s payback is 12 years. And he sees a trend: “If they’re spending that kind of money on their homes, they still want to build sustainable homes and pass that along to their kids.”

ARCHITECT DESIGNS LEGACY HOMES AT COPPER MOUNTAIN

Patrick Hubbell, AIA, also has been working on legacy homes this year. The president of Summit Studio, PC started his architectural practice in Frisco 18 years ago and collaboratively works with builders on production homes, custom spec homes and full custom homes.

He’s currently working on two homes at the base of Copper Mountain. One is a client’s legacy home; the other is a spec

home for a builder. The 6,000 sq ft custom second home is designed for the entire family to stay there. With four full families, including grandchildren, it’s expected that there will be more than 20 people in the house at times.

So Hubbell designed the house with two master suites; one is on the main level and the other is on the top floor of the three-level home. Because the home was designed on an uphill site, there’s an elevator that’s mainly used to bring bags to the upper two floors. The home has six bedrooms, six and a half baths, an exercise room and a den that can be an additional bedroom when there are a lot of people there. “The idea behind the den is when you’ve got 20 people in the house, the owners need a place to escape from the mob hanging out in the kitchen,” Hubbell said.

When complete, the home will also be energy efficient. He’s added an EPA rated, solid masonry fireplace in the kitchen, which will burn wood more efficiently than a traditional fireplace. “The masonry burns almost all of the wood and leaves almost no smoke at all,” Hubbell explained. He’s also designed a bread oven in the kitchen, which again, generates more toasty heat.

When construction is complete, there will be an outside fire pit and hot tub, as well as a heated driveway “to melt the ice every once in a while,” he said. All told, the construction budget on the home is \$2 million.

SPEC CUSTOM SECOND HOME IS ON THE BOOKS

Down the road at the base of Copper Mountain, he’s designing a similar spec home, with the same square footage, two master suites and six bedrooms. “People who can afford this kind of a second home, obviously, have a certain amount of money and want a certain amount of luxury in the home,” Hubbell said. “They let their imagination go a little bit more than they would in a primary home. A ski home has to have lots of bedrooms and baths; it really needs to accommodate a lot of people, so big dining rooms, big kitchens and lots of space for entertaining are a must.”

Pine Ridge Construction built 16 town homes along the Fossil Trace Golf Course in Golden, which were designed as owners’ first homes, however, 40 percent were bought as second homes.

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Directly adjoining the Tiara Rado Golf Course, and against a backdrop of the Bookcliffs and Grand Mesa, this 2,800 sq ft courtyard home in the Seasons by Tiara Rado features an open living concept. Priced in the low \$700s, the front of the home faces the Colorado National Monument.

MANY BUYERS WANT LOCK-N-LEAVE HOMES

On the other side of the second-home spectrum are those buyers who live more modestly, yet want to have a home in Colorado to enjoy the outdoor life that's readily available or be closer to their children and grandchildren. For many of these second-home owners, that means a condo, town home, patio home or courtyard home — often

on a golf course or in a ski resort area.

Faris Cox has been building small, planned developed units for 17 years in Golden and Jefferson County. And while the owner of Pine Ridge Construction (formerly Pine Ridge Development) didn't set out to specifically build second homes along the Fossil Trace Golf Course in Golden, 40 percent of the town homes there are owners' second homes.

Most of his buyers are from Colorado; often they own a home in the mountains and want another one closer to Denver. "Folks are downsizing, and looking for smaller, flex place rooms," Cox said. "I don't think the second home market is looking for too much different than the primary market, except maybe for smaller units and going vertical."

He recently had a mixed use project in Golden, where in addition to office space, ten 1,200 sq ft condos were available. Half of them became second homes. "It's very convenient to lock the door and leave," he said.

ATTACHED, SINGLE FAMILY HOMES ARE SECOND HOMES OF FUTURE

If Cox looked into a crystal ball, he'd see fewer single family detached, and more attached, single family homes. And he has plans for creating another 16-unit planned development when home building picks back up. "I'm keeping my eyeballs open," he quipped.

Part of his plans are a reflection on his own life. "Condos and town homes offer living for the elderly, such as elevators or no stairs to climb," Cox said. "I'm still quite mobile, but one day I may not be. There are a lot of considerations for all of us when we get to that level of what is next for us."

While Cox contends that most second homes are town homes and condos, he also knows many people with second homes in the \$3 or \$4 million range. He owns a second home in Montana and another man he knows there also owns homes in Colorado, Phoenix, Texas, Mississippi. With an annual income of \$30 million, he can certainly afford several homes.

ECONOMY HAS AFFECTED SECOND-HOME BUYERS, TOO

Yet, Cox said that the economic downturn has affected everyone, even at that level. "They're not dummies," he quipped. "They want an investment. And most everybody has not escaped from this. Even the wealthy have investments that haven't done what they wanted them to do. They'll look hard at putting dollars out there, period. Second-home buyers have all gotten hammered along the way; their net worth may not be what it was. They may be more scrupulous about where they put their dollars."

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Hubbell added that while the custom home he's designing right now is a legacy home that the owners want to keep in the family for decades, many traditional second-home buyers have, in the past, bought homes to keep for a while and sell for a profit. "I'm seeing a lot less of that ski house; that confidence is gone now," he said. "People don't think they can necessarily sell the house at the end of the day for more than they paid for it."

APPRAISAL SITUATION DUE FOR A CORRECTION

Jack Acuff agreed. The past CAHB president and developer of the Seasons at Tiara Rado in Grand Junction, said, "One of the tough things people have to deal with somewhat psychologically is the fact that more than likely, when they build a home in today's market, when it's done, that home is probably going to appraise for less than what it cost to build it."

He added, "That's just because the appraisal situation is so messed up right now. For financial reasons, people have had to dump certain properties and sell them for less than what they owe. Appraisers are using that information — and it doesn't necessarily reflect the true market. It's a little disconcerting that after you build a house, it appraises for less than the cost to build it."

GRAND JUNCTION DEVELOPMENT APPEALS TO SECOND-HOME BUYERS

The development is a horseshoe-shaped development that surrounds the back nine holes at the city-owned Tiara Rado Golf Course. Most of the development's outside border is federal lands, primarily associated with the National Park Services' Colorado National Monument.

The development's buyers are typically empty nesters and retirees who usually relocate from other parts of the country to single family detached homes with more than 2,200 sq ft. Patio and courtyard homes there are typically 1,300 sq ft and appeal to second-home owners, due to the single-floor living, outdoor spaces, low-maintenance exterior materials and low-water landscaping.

"The second-home buyers I've seen want to be here to be with the grandkids for a meaningful part of the year, and the rest of the year, they may have a home somewhere else," Acuff said. "The second reason people come here is the climate in Grand Junction appeals to people, and they want to be here part of the year." He feels the third reason people move there is Grand Junction is close to outdoor activities, including Moab, Lake Powell, Vail and Beaver Creek.

MIDWESTERN BUYERS LIKE FOUR SEASONS

And they often come from the Midwest. "Many times, you see Midwestern folks move to the Phoenix area, and they miss the seasons," Acuff explained. "So they start working their way back. Maybe they stop at places like Sedona or Prescott, AZ or St. George, UT. They find western Colorado and end up settling here, because we do get the seasons — and that's the main reason I named it the Seasons at Tiara Rado."

With a 29 kw solar array (290 panels) in a field near the home and nine geothermal wells, the New Age farm house has attained a HERS score of just 19. McCrerey said the owners felt that if they're spending that kind of money, they wanted a sustainable home to pass along to their children.

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Even though most of his owners are scaling back on square footage, they're still looking for outdoor living, "and that's cheap living space," Acuff said. "Our climate is conducive to outdoor kitchens, fire pits and covered patios most of the year. If they're an active empty nester, they also don't need a plethora of empty bedrooms."

Looking ahead, the builders, developer and architect see that to stimulate the second-home market, problems in the financing sector must be corrected. While McCreery's and many of Acuff's buyers pay cash, Acuff noted that they often still need to sell their properties somewhere else. "Even if they could afford to own two properties at once without financing, as you get older, you want to simplify your life and divest yourself of what you're not using. It's really slowed down our market, because people can't sell something somewhere else. And with that market fairly in neutral right now, it's really an impediment to getting that second home market — the portion I deal with — as stimulated as before."

McCreery added that although his clients don't generally get loans for their homes, they're still concerned about the economy. "Everybody's portfolios have lost value," he said, "whether they're the regular working people or those who own these legacy types of homes. Everybody's thinking about it. Some are thinking that by putting their money into a hard asset like this, they can protect it over time, rather than being in the market. It gets back to the macro economic climate, both in the U.S. and worldwide. People are really worried about how Europe or China can affect us, or how we invest in them can affect us."

SILVER LINING: NEW OPPORTUNITIES

Yet the tougher second-home building market does present opportunities. For example, McCreery didn't set out to be a legacy home builder. "At this point," he said, "we're willing to build any homes, any types."

Yet interestingly enough, both of this year's homes are being built for customers he built second homes for 15 or 20 years ago. "Both clients have come back to say, 'Hey. I want to build another one now,'" McCreery said. His advice? "Always stay in touch with your clients. You never know when they want to come back. That's how I've gotten the legacy home work; it's all by referral."

Over the years — and even though he doesn't have to — he encourages customers to call if they need anything. And if a customer asks McCreery to look at the boiler, "I gladly go over there. You never know if they have a friend or another family member who wants to build a home." ■

In Congress' cross hairs: Mortgage interest deduction?

While some second-home buyers don't rely on financing to get into their homes, many buyers do. Our U.S. Congress may have something to say about that, too, which could become a complete disincentive for Americans to own a home — both primary and any secondary home.

In Congress' efforts to raise money, Skip Howes, CAHB's representative to NAHB, said that one of the issues on the table is to address the mortgage interest deduction (MID). As part of the discussion, Howes said, Congress is considering lowering, or completely eliminating, the amount of the deduction on a primary home. Our representatives are also considering taking away equity-line-of-credit loans and the MID on secondary homes, which includes vacation and motor homes.

"When you look at it from the second-home standpoint, what's the impact going to be on local economies and businesses?" asked Howes. "It'll be interesting to see what happens, because the Super Committee's report of recommendation is supposed to be out November 22 or 23, before they go on their Thanksgiving break. Then Congress has to act on those by the Christmas break, or the automatic cuts come into play."

While Howes doesn't think it's in our Congressional leaders' cross hairs, there is potential that the "mortgage interest deduction could come under assault," Howes said. "If the MID went away, you'd probably see another decline in property values, because there's no longer a benefit to owning a home."

Part of that benefit extends to the community in that building homes provides jobs and helps the economy. "So now we're starting to see a decline in foreclosures, along with fewer people who are behind in their payments," Howes said. "All we need to do is whack home ownership with another Samurai sword and property values plummet again." At the time of this writing the Congressional Super Committee had not yet met.

NAHB has created a web site: www.SaveMyMortgageInterestDeduction.com, to stay on top of the issue. But according to Howes, "everybody's waiting for the Super Committee to come back with its recommendations, then congressmen will posture and play on what they might and might not do."

And, he noted, many congressmen are preoccupied with their re-elections more than serving their constituents. "It's time for Congress to think about the citizenry of this country, rather than Wall Street."

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