

# Homebuyers Turn to *New Construction* in Competitive Real Estate Market

By Danielle Letenyei

A competitive real estate market, with limited inventory and rising home prices, is making many people turn to building their own home rather than buy an existing home.

According to data from the National Association of Home Builders, sales of newly built, single family homes across the country rose by 11-percent since the beginning of 2017.

"The reason we are seeing that, at least on the local level, is because of the lack of inventory in the city of Janesville and surrounding area," said Henry Londo, realtor with Century 21 Affiliated's Janesville office. "The Midwest is really hot right now."

That lack of inventory of existing homes and bidding wars between buyers vying for the same home, has also increased the value of homes in the area, Londo said.

A home's value is determined by what the market will

pay for it. If a home listed at \$100,000 gets five offers and sells for \$112,000, that's what it's worth, Londo said.

Over the past four years, the average sale price of existing homes in the area has increased while the number of homes on the market has decreased. In July 2014, the average sale price of a single-family home in Janesville was \$129,800 and there were about 449 active listings, according to the South Central Wisconsin MLS. Fast forward to July 2017, the average sale price has increased to over \$163,000 and there are only 206 active listings.

The increasing home prices can make it tough for first-time home buyers. Londo predicts that, in the next eight months, homes priced

\$100,000 and below will be non-existent in the city of Janesville.

"The first-time home buyer is going to be priced out of the market," he said.

Buyers are getting frustrated with not being able to find what they want in the existing market, especially when they get outbid even if they make a full price offer, said builder Doug Scott with Advantage Homes.

"That's when they decide to explore building a home. At least they can build what they want," Scott said.

Scott's business has improved significantly every year since 2011, he said. This year, the company is expected to build about 20 homes and five duplex/condos in the Rock County area.

"I wouldn't call it booming by any means but it has increased," Scott said.

Over 18-percent of the new homes built in Janesville this year will be built by Advantage Homes, said Vicky Miller, development specialist with the city's public works department.

To date, the city of Janesville has already issued 49 building permits for new single-family homes and six duplexes, Miller said. She expects a surge of building permit requests this October. Most of the new development is happening on the city's north side.

Scott recently took over the Ridges subdivision located between John Paul Road and Highway 26 on the city's north side. The subdivision has



85 developed lots and 78 platted undeveloped lots. Most of those homes will be priced between \$225,000 and \$300,000. A model home is currently under construction and should be open by October, he said.

For Tom Naatz, of Naatz Construction, business is up about 70-percent over the past five years. This year he expects to build 10 or 11 homes. His company built just three homes in 2016.

Naatz also sees the effect the competitive real estate market has had on his business.

“Prices have gone up on existing homes in the last year and they’re not such a good bargain anymore,” Naatz said. “People would rather have a new home because then they get everything they want.”

Clients who put their house on the market with plans to build are selling their homes in as quickly as a week, Naatz said. “That puts a lot of pressure on us. It takes about a month to get plans drawn up and priced out,” he said.

Most of the homes Naatz builds are in the rural areas around Rock County and are priced between \$300,000 and \$500,000. He said younger people are building the large homes while older clients are downsizing.



When financing a new home build, buyers can take advantage of lower interest rates, making interest only payments on just the money drawn during the construction phase, said Al Herbst, senior mortgage loan officer with Johnson Bank in Janesville. This makes it more

convenient for homeowners to stay in their current homes while building new, instead of selling their homes and then having to find alternative living space until their new home is done, he said.

Another increasing trend is buyers purchasing older homes and tearing them down to build new. According to the National Association of Home Builders, about 10.2-percent of single family homes built in 2016 were tear-down starts. A tear-down start is when a new home is built on a site where a previous home stood. That number is up from 7.7-percent in 2015.

Scott said he has worked with several clients, some who are moving to the area from Illinois, who decide to tear down old farmhouses to build a new home.

Naatz has had clients that like to incorporate materials from the old homes and repurpose them into their new home. One of the homes he has on this year’s Parade of Homes incorporates materials from the old farmhouse that previously stood at the site, he said.

2016- 2017



STUDENT BUILD



SCWBA would like to thank the following local businesses and subcontractors for the involvement in this year’s home. John Favreau, owner of Evergreen Design and general contractor for this home along with Joe Kruser, Janesville Scholl District Technical Education Instructor provided an outstanding educational opportunity for this year’s student works.

The student build program originated in 2007 as a collaboration of the South Central Wisconsin Builders Association and Janesville School District’s Craig and Parker Advanced Construction Classes.

The program is designed to be a working classroom and mini apprenticeship program,exposing students to every aspect of the new home construction process. Formal hands-on training ensures students learn the proper techniques and methods used by licensed, SCWBA professional construction and trades contactors. SCWBA is proud to say the program has been the foundation of numerous students’ career opportunities in the trades business.

THANK YOU CONTRACTORS!

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| Alliant Energy         | Marling Lumber              |
| Baumberger Foundations | McCann Floors               |
| City of Janesville     | M-H Seamless Gutters        |
| City Wide Insulation   | M-J Lavery & Sons           |
| Clark Electric         | PAB                         |
| Combs & Associates     | Pella Windows and Doors     |
| Country Door Systems   | Pipe Dreams Plumbing        |
| Evergreen Designs      | R & W Heating               |
| Flatwork Design        | Ray Lloyd Plastering        |
| Grand Appliance and TV | Tim Nehls                   |
| Guenther Construction  | T&K Helgesen                |
| Hallman/Lindsay Paints | Top Hat Fireplace & Chimney |
| Hazeltine Painting     | Windsor Building Systems    |
| Lumber Specialties     | Wisconsin Building Supply   |

THANK YOU STUDENTS!

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