

## How rising prices are redefining the starter home market



Sara B. Hansen

Starter homes are no longer simply small, affordable first homes.

Instead, they have become a homeownership entry point, which could mean a condo, town home, or even an Airbnb.

“‘Starter home’ means different things to different people. For some ,it’s a cozy condo; for others, it might be a multi-million-dollar estate,” said Michael Coleman with The Agency Denver.

“What’s consistent is that real estate, when done right, is always a good investment. Whether it’s a fixer-upper needing TLC or a high-end property with room to grow ,there’s an opportunity at every price point.”

First-time buyers and younger buyers who struggle with higher-priced properties and higher interest rates are becoming more likely to buy duplexes, condos, or town homes.

“We have also seen a significant increase in house hacks like duplexes, condos, or Airbnbs that provide revenue and shelter as first-time buyers tackle affordability,” said Kerron Stokes, RE/MAX Leaders owner.

“So, consumers still view their initial purchase are an entry point, not a final destination.” While multi-family properties like condos and townhomes can be more affordable, some buyers prefer detached homes. ✖

Doug Yetman with West + Main said buyers can still find opportunities for single-family homes but may have to adjust their expectations. That may mean taking on a more work-intensive project.

“I always counsel, ‘ Buy the house you can afford today. ’That may mean taking on a house they previously wouldn’t have been willing to consider,” he said.

“It’s not completely renovating down to the studs, but it’s taking on something that isn’t perfect and making it work for them.”

Other buyers turn to new construction.

Brandon Loveridge, Goodwin Knight president and CEO, said builders play a more significant role by designing smaller homes that feel more open and larger to provide affordable housing for the “missing middle” income group.

“The homes are designed to feel bigger than they are.” he said. “ With an open floor plan, you can make the home feel larger than if you had more interior walls.”

Goodwin Knight also offers its Great Start rent-to-buy program, designed to help bridge the gap between renting and buying.

Craig Harcek with 8z said that no matter what type of property first-time buyers purchase, they must understand that they won’t make a quick profit.

Instead, home owners should plan on keeping a property for at least five years. ✖

“Think of your house as along-term piggybank,” Harcek said. “I have previous clients who bought starter homes and are now moving to bigger homes. I’m still seeing first-time buyers, but the expectations for what starter homes look like have shifted. I encourage first-time buyers to buy condos or townhomes. It’s a more affordable route while still providing the same ability to build wealth.”

Buyers must realize their first home doesn't have to be their forever home.

Stewart Seeligson, The Agency Telluride managing partner and lead broker, said instead, it's a way to start building equity, making it easier to move up to a larger property later.

"While prices today may seem so high that homes may become forever homes, that is simply not true," he said.

"The first home purchased often proves to be the most difficult. With leverage and price appreciation over time, most homeowners find they can parlay their first home into a second and even a third home over their lifetime far more easily than the purchase of their first home."



Sara B. Hansen has been an editor and writer for more than 20 years. Her professional background includes editing positions at The Denver Post, The Des Moines Register, The Fort Collins Coloradoan, and At Home with Century 21. She's also the founder and editor of DogsBestLife.com and the author of "The Complete Guide to Cocker Spaniels."