

TELLURIDE DAILY PLANET

OPINION

A reduction of density

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[Print Page](#)

We often hear the question "what drives the real estate market here in Telluride?" One possible answer is the idea of supply and demand.

Supply and demand is perhaps the most generic law of economics. Yet, the over-used phrase is the functional foundation of the housing market, especially in this quaint little town we call Telluride. The healthy differences of seller and buyer are what grease the housing market. Unfortunately there are several monkey wrenches jamming the system.

When the housing market self-destructed in 2006, supply surged and demand was vanquished.

While there are many factors to monitor that will dictate when the housing market can reinvent itself, the following are a few pertinent to our area:

Telluride real estate parcels are unique and finite. You cannot fill a real estate supply shortage by manufacturing more identical units. Though you might be able to create more condos in Mountain Village, the space itself is unique and cannot grow to accommodate a short supply. If there is a shortage of land for homes in the town of Telluride, you cannot move in more land to relieve the shortage. Real estate is where it is. For this reason, it will always be a local commodity influenced by local conditions.

In a market like Denver, Dallas or Phoenix, over-supply usually means lower prices. You can usually expect there to be a fall in prices when there is an over-supply of homes or land in those areas. You cannot move the overstock to another area to keep prices stable.

In a market like Aspen, St. Barts or Maui, under-supply usually means higher prices. If there isn't enough land or homes in a given area, then prices will almost always rise. Even if there is the ability to construct more homes, the time delay cannot fill the demand and prices will rise.

Imagine the Telluride region with lots of supply and no demand. Imagine the Telluride region containing 22,000+/- residents; Lawson Hill with close to 1,000 people, The Valley Floor with 1,770 people, West Meadows with 2,400 people, Aldasoro with 1,664 people, Sunnyside with 500 people, Mountain Village with 8,000 people and the Town of Telluride with 6,000 people. These are the numbers that at one time were part of the Telluride region platted population (revised 4/12/93). Staggering.

In the 1970s and early '80s the onslaught of applications for density began to arise. Ron Allred was moving forward with the development of Mountain Village and people were concerned with him making application for a very dense development. Land owners thought "We need to hurry up and get our applications for density in. And then we can take our time developing and figuring out a master plan." Once they got the application approved they could always go back and down zone, which in all cases, they did.

Some of the ideas and plans included mini-alpine villages with dense pedestrian cores connected to the town of Telluride and Mountain Village via a ski rail, gondola and light rail. If you have ever looked at old plat maps of Lawson Hill and Aldasoro you would find gondola easements.

At one point, a British planning firm specializing in urban development, had planned for the Valley Floor to contain upwards of 3,000 people. One developer wanted more than 2,000 "real people" (working class) to live in West Meadows, complete with chickens and goats, bowling alleys and t-shirt shops.

In the late 1980s and '90s people's mindsets changed. Mountain homes became more sought after than the higher density, core areas. Acreage, sun and views became more important than proximity to the slopes, restaurants and bars. In the 2000s we started to see second homes becoming primary homes. With advances in technology and telecommunications people were able to work at home and office from tiny towns likes Telluride. Nobody would know if you were trading stocks from Wall Street or Pac. Street.

The future of development for our region is slim. There are areas for some fill-in development. And as a town like Vail has seen, some cases for re-development will become present. There will be a premium on vacant land again

when the price for re-development becomes too expensive and vice versa. You may also see the rural areas (Aldasoro, Sunnyside) become more attractive when the urban areas (town of Telluride, Mountain Village) become too expensive. And vice versa. Our real estate prices tend to fluctuate from area to area over periods of years, maybe even just a few months.

As the Telluride Region slowly emerges from what has been an economic downturn of historic proportions, the supply/demand curve returns to relevance. The areas of the country that will continue to languish for several years in the wake of this cycle, were simply overbuilt and without supply-constraints; while conversely those that have seen a stabilization frequently have a limited supply of developable opportunities and recurring demand cycle. Over time, those areas that offer that rare combination of dramatic scenery, rich history, dynamic cultural opportunities, and supply-constrained real estate markets prove to be the most stable places for enjoyment and investment. We are all truly fortunate to call this special place home.

— Kevin Holbrook is the appointed past president for the Telluride Association of Realtors.

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