



FORTIUS
CAPITAL



Two Rivers Village Case Study

Two Rivers Village is a development consisting of 257 residential lots and 11 acres of commercial located in Dotsero, CO.

Summary

Two Rivers Village is a 130 acre lake front community in Dotsero, CO. Consisting of 257 residential lots and 11 acres of commercial. The community while not deed restricted in any manner was created with the idea of building an “attainable” or entry level housing product for the working class of Eagle County. The original developers broke ground in 2002 and sold approximately 100 homes through 2008. Unfortunately, the real estate market changed drastically with the economic downturn and the partnership was still carrying a significant debt load and ended up surrendering the project to the lender.

Expectations
of new home sales
were exceeded in the
first and second years
following the change in
the operation team.

Summary (cont.)

The community was bought out of foreclosure in late 2009 by an affiliated investment group, which attempted to partner with a local builder/developer to pick up where the first developer left off. In 2011 as conditions began to improve the partnership decided to construct six homes. Unfortunately, the product and pricing were not well received and they were unable to sell any of the newly constructed homes. With growing frustration in 2014 the owners decided to list the entire community for sale with NAI Mountain Commercial's Invest Sales Team.

Solution

While listing the land for sale the developers were repeatedly met with offers from builders to buy small tracts of lots at vulture prices, but no buyers were willing to take on the risk of buying the entire project even at distressed pricing. Armed with the numbers and the local knowledge of the type of home needed for buyers, the NAI team decided to strike their own deal with ownership to recapitalize the partnership and takeover as the operating partner in a joint venture agreement.

In order to control costs, scheduling, and shorten the time to build a new home NAI decided the best route was to build a modular (system built) product. A system built home enabled the developers to build homes year round and provide the type of construction and high level of finish that Vail Valley locals come to expect. Most importantly the team was able to build them cost effectively and quickly.

Finally, an in-house sales team was established to market and sell the new homes at Two Rivers Village to area buyers and brokers. In addition to understanding the local market the sales team was also tasked with educating themselves on every aspect of how a modular product is built and how it stacks up to a traditional site built home. With a team dedicated specifically to selling the new homes the developers were best able to control the marketing, sales and development of the community.

Outcome

The cost of housing in the Vail and Roaring Fork Valleys continues to rise, with very little new inventory coming to the market. With little availability of land there are few projects that are even in the development or planning phase at this time. At the same time demand for the Colorado mountain lifestyle and the prevalence of resort based job opportunities continue to bring new residents to the area.

The benefit of the new home sales can be seen throughout Two Rivers Village. The HOA and Metro District have additional funds to operate the community and the happy faces of new home owners dot the landscape. The community is even drawing interest from commercial operators looking to establish a business as a result of the increased demand in Two Rivers Village.

In less than one year of operation under the new team, over 25 new homes were under contract or sold in Two Rivers Village, and exceeded the expectations to build 30 homes in 2016. Margins have also continued to increase as we have pushed prices nearly 16% since breaking ground on the first new homes. The home sales are nearly double the partner's expectations and momentum continues to build at the project.

