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A recovering economy is spurring an uptick in the number of new homes going up in the Indiana metropolitan area of Bloomington-Normal. But that growth is tepid compared to pre-recession levels of building.

Contractors are optimistic that a healthy market is on the horizon, but they are faced with the rising cost of building materials, said Ed Neaves, president for the Bloomington-Normal Area Home Builders Association.

“People are still buying houses here. But the amount of specs is still low and until that demand catches up, that won’t change,” said Neaves, speaking of speculative homes that are built without a buyer. “The builder takes 100 percent of the risk; (builders) employ people and those people get paid. But the builder has taken on the risk that the house will sell regardless of the cost of materials.”

Last year 206 new homes were built in the Twin Cities, according to data from the Bloomington-Normal Association of Realtors. That’s a 7.3 percent increase from the 192 homes built in 2011, but a far cry from the 563 homes built in 2005, prior to the recession.

Neaves said price hikes in materials such as siding and shingles in combination with stricter government building regulations are adding pressure to the market.

“To build a house right now, the entire house could cost between 8 to 12 percent more than a year ago,” said Neaves, adding that the pressure has meant fewer new homes entering the market. Of the 1,000 houses now listed for sales in the Twin Cities, about 7 percent are new homes, said Neaves.

Still, Vic Armstrong, owner of Armstrong Builders in Bloomington, said the slight

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to build more spec homes to capture new clients who are relocating to the area for work but don't have time to design a new home, said Armstrong.

New homes in subdivisions across Bloomington-Normal are generally smaller than those built years ago and they feature a more contemporary design and greater amenities. Three-car garages and finished basements with open windows are among the features that appeal to buyers, said Armstrong.

Jeff Tarter, owner of Tarter Builders and Tarter Construction in Bloomington, said ceramic counters and built-in furniture are among the features that buyers are seeking. The size of a home is no longer as important as the quality of the build, he said.

"They are looking for moderate homes with a lot of detail ... more comfortable size," said Tarter. "They are willing to sacrifice size for details."

Tarter said 2012 was a flat year in terms of growth for his home building company. But 2013 is already more promising.

"Our outlook for 2013 is very good; we've got work on the books," said Tarter. "We are getting ready to start two model homes this spring in a subdivision. Our anticipation for the market is that is coming back and for us to put two houses is a big deal."

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