

Buyers Preference Shifting to Smaller Homes

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By Amy Connolly

Homebuyers are increasingly looking to build smaller, more affordable homes. The average size of a new-build home in 2023 fell to the smallest size since 2010.

WASHINGTON – A growing number of buyers building new homes want smaller structures with affordable designs. A National Association of Home Builders (NAHB) analysis found that new homes built in 2023 reached their smallest median size in 13 years.

More than a third (38%) of builders say they built smaller homes in 2023, and more than a quarter (26%) plan to construct even smaller this year, according to NAHB.

According to NAHB's latest **What Home Buyers Really Want**

study, there has been a downward shift in buyer preferences for home size in the last 20 years. In 2003, the typical buyer wanted 2,260 square feet; now, that number is 2,067 square feet.

“Homeownership remains a goal for families who are eager to put down roots and have a place to call their own,” said NAHB Chairman Carl Harris, a custom home builder from Wichita, Kan. “Our nation’s builders are meeting the moment by finding solutions in home construction to allow for more individuals to purchase a home.”

Indeed, data from the U.S. Census Bureau confirm new homes have been shrinking for nearly a decade. The average (median) size of new homes built in 2023 fell to 2,411 (2,179) square feet, the smallest since 2010. The drop was a continuation in a downward trend that began in 2015. The only year that saw home size increase during this period was 2021, due to the pandemic-induced desire for additional space to work/study from home and the low interest rate environment that allowed buyers to purchase those bigger homes.

NAHB expects builders to continue offering smaller homes and more affordable designs as housing affordability remains a barrier to homeownership. Yet builders face supply-side challenges that continue to increase the cost of constructing homes, such as the scarcity of buildable lots, lack of skilled labor and restrictive codes. The median price of new homes in 2023 was \$428,200, down 6% from 2022.

“Boosting the nation’s housing supply is key to improving housing affordability,” said Harris. “The residential construction

industry is committed to keeping the cost of housing at the forefront of the national agenda and is working with all levels of government and both sides of the aisle so more Americans can achieve the dream of homeownership.”

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