

size of housing

[Robin Mower compilation as of March 11, 2024]

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<https://www.washingtonpost.com/business/2024/03/10/smaller-new-houses-affordable/>

Less money, less house: How market forces are reshaping the American home

Major homebuilders are prioritizing narrower houses with fewer doors, windows and cabinets. Median homes sizes are at a 13-year low.

By Abha Bhattarai

March 10, 2024

The new American home is shrinking.

After years of prioritizing large homes, the nation's biggest and most powerful home builders are finally building more smaller ones, driving a shift toward more affordable housing.

The boom in smaller construction has cut median new-home sizes by 4 percent in the past year, to 2,179 square feet, census data shows, the lowest reading since 2010. That's helped bring down overall costs and contributed to a 6 percent dip in new-home prices in the same period.

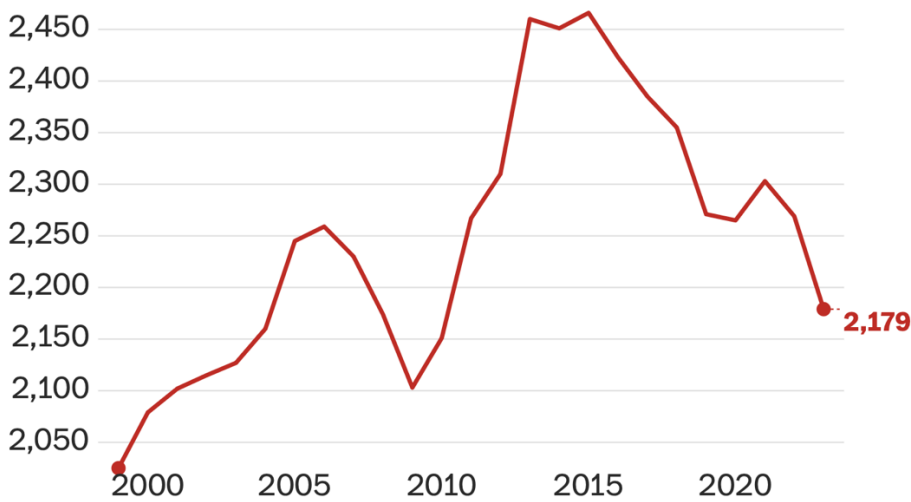
Townhouses, in particular, are increasingly popular, accounting for 1 in 5 new homes under construction at the end of 2023, a record high, according to an analysis of census data by the National Association of Home Builders. To cut costs, companies are building smaller and taller, with fewer windows, cabinets and doors.

Altogether, this wave of new construction promises a crucial first step toward addressing a critical shortage of starter homes that has sidelined first-time home buyers and contributed to inflation.

[see below graph]

New homes are gradually getting smaller

Median square footage of single-family homes under construction



Source: [U.S. Census Bureau](#)

“Even a slightly smaller home can be thousands of dollars cheaper — for both builders and buyers,” said Andy Winkler, director of housing and infrastructure at the Bipartisan Policy Center, a Washington think tank. “This is a trend driven by just how unaffordable housing has become, with sky-high prices, rising interest rates and so few homes for sale.”

Nikki Cheshire kicked off her home search in Frederick County, Va., with a wish list: three bedrooms, an attached garage and a yard for her dog. But she quickly realized she’d have to think smaller.

The stand-alone houses she toured were well beyond her \$450,000 budget. Cheshire looked for six weeks, was outbid twice and eventually landed a newly constructed townhouse for \$408,000. It checks all the boxes, albeit at a smaller scale — the garage, for example, fits one car, not two. But more importantly, she said, it’s affordable.

“I looked at so many houses, but so many of them were too big and too expensive,” said Cheshire, 29, who works in corporate communications. “The one I got — yes, it’s smaller and doesn’t have everything — but it’s enough.”

This new trend is an about-face from early in the pandemic, when Americans sought out larger living spaces. Many moved into sprawling homes on the outskirts of town, sending luxury-home prices soaring. Extra pandemic savings, combined with rock-bottom interest rates, made it possible for many families to buy homes for the first time or upgrade to larger, more expensive properties.

As a result, median home prices have jumped a whopping 28 percent in the past four years, to nearly \$418,000. At the same time, mortgage rates have more than doubled to almost 7 percent, down slightly from a 23-year high reached in November. Taken together, homes in the United States are less affordable than they’ve ever been, according to Goldman Sachs.

A shortage of homes, especially smaller, more affordable entry-level ones, has added to the problem. Builders for years have focused on more profitable properties, with construction

concentrated in two extremes: houses on large suburban lots, or steel-and-concrete apartment buildings in urban areas, according to Robert Dietz, chief economist for the National Association of Home Builders.

That has slowly begun to change, as home builders face higher borrowing costs and growing demand for more affordable options. In earnings calls, some of the country's largest publicly traded home builders have said they are rethinking their plans so they can prioritize smaller, more affordable housing. D.R. Horton, the country's largest home builder, sold more than 82,000 homes last year, most of them under \$400,000 and to first-time buyers. Its lineup now starts at about 900 square feet.

"We are continuing to shift ... to more and more of our smaller floor plans to address affordability issues in the market," Jessica Hansen, senior vice president of communications, said in a November earnings call.

Even Toll Brothers, known for its high-end properties with an average sales price of \$1 million, is downsizing to lower-priced options, which are also faster to build. Sales of "affordable luxury" homes — starting at about \$400,000 — more than doubled in the past year, outperforming more expensive properties.

"With 75 million millennials out there, we were not going to wait for them to hit their 40s and buy their move-up home," chief executive Douglas Yearley said in a December earnings call, adding that he expects entry-level homes will eventually make up 45 percent of homes sold by the company. "I'm really proud of how ... we went after the more affluent first-time buyer."

The housing crisis has been an ongoing challenge for the Biden administration. In his State of the Union address, the president proposed sweeping measures to encourage more entry-level homeownership, including building and renovating 2 million affordable homes and offering \$9,600 in tax credits that Americans could put toward a mortgage.

"I know the cost of housing is so important to you," President Biden said. "Inflation keeps coming down, and mortgage rates will come down as well. But I'm not waiting."

Prices for entry-level homes — which hit a record \$243,000 last year, according to Redfin — have risen rapidly since the Great Recession, when home-building activity slowed to a halt.

The country added fewer single-family homes in the 2010s than in any decade since the 1960s, according to Daryl Fairweather, Redfin's chief economist, resulting in a shortage of millions of homes.

"It is clear that there simply aren't enough homes to accommodate everyone," said Orphe Divounguy, senior economist at Zillow, which estimates a national shortage of at least 4.3 million homes. "The decline in affordability meant buyers have pivoted to lower-priced homes, which includes what we could consider starter homes."

Although price increases for luxury homes have moderated in recent months, entry-level homes have continued to get pricier, in part because of growing demand. Overall, starter home prices are up 2 percent from a year ago and more than 45 percent from 2019, Redfin data shows.

At the same time, borrowing costs have risen sharply since the Federal Reserve began hiking interest rates in early 2022 to bring down inflation.

The housing market has slowed precipitously in response, though the results have been uneven. The wealthiest buyers, who have enough cash to avoid borrowing altogether, have been undeterred by rising borrowing costs. But those on the lower end are having to cut their budgets and downsize their plans.

In Anaheim, Calif., first-time home buyers Anna Kolev and her fiancé began their home search in September and had to rethink their plans every week or two, as mortgage rates fluctuated, with a goal of monthly payments below 25 percent of their salaries.

“We’d have to reevaluate every time interest rates changed or prices started creeping up. It was like, ‘Are we still in the game? Can we still afford this?’” the 29-year-old software engineer said. “We definitely had to temper our expectations of what kind of house we could afford.”

Earlier this year, they bought a three-bedroom house for \$910,000. At 1,550 square feet, it’s about 200 square feet smaller than Kolev would’ve liked, but anything larger was prohibitively expensive, she said.

“We compromised on so many things: location, square footage, kitchen,” she said. “But we’re very lucky that we were able to buy at all.”

The acute need for more housing is forcing local governments to rethink zoning laws, lot size requirements and other land-use policies often geared toward keeping smaller homes out of wealthier neighborhoods. Portland, Ore.; Austin; Charlotte; and St. Paul, Minn., have all recently made changes that allow building as many as four homes on a single lot.

Some communities are going even further. Sheboygan County, Wis., is partnering with local employers such as Johnsonville, Kohler and Sargento Foods to build 600 entry-level homes as part of its effort to draw more front-line manufacturing workers to the area. The county will also offer down payment help for the new homes, priced at about \$230,000 to \$250,000.

Still, housing economists caution this spurt of smaller new homes makes up a sliver of the overall housing market. New construction also tends to be pricier than existing homes, putting it out of reach for many first-time home buyers.

“It’s going to be hard to fix this problem without more existing homes on the market, and clearly that’s a tough thing to solve for,” said Winkler of the Bipartisan Policy Center. “I’m generally skeptical we’re building enough true starter homes to put a dent in the housing shortage.”

Even if the shift holds, it would take years of sustained growth to build enough homes to satisfy demand, he said. Plus, there’s another wrinkle: Americans have long been conditioned to think bigger is better when it comes to housing.

“Smaller homes are cheaper at the moment, for both builders and buyers, but it’s hard for me to fathom this becoming a long-term trend,” he said. “Americans haven’t become suddenly enamored with small houses. They just can’t afford anything else.”

Three years ago, Gary and Christen Powers found the perfect first home for their family: a sprawling, 2,200-square-foot new build in Texas City, Texas, with two primary suites, including one for Christen’s aging mother. Then, before they could lock it in, wood prices soared, sending the home’s price tag from \$287,000 to \$340,000, well out of their budget.

They began looking again — on a smaller scale. Last month, they closed on a home that's about 25 percent smaller, with three bedrooms instead of four. And, at \$273,000, it was under budget.

"It's on the small side," said Gary Powers, 56, finance director for an LGBTQ mental health facility. "The bigger thing was finding something we could afford."

READER COMMENTS INCLUDE (SELECTIVE):

1) Small houses use less energy too. We raised 4 kids in 1600 square feet. No one was deprived.

REPLIES TO THE ABOVE:

a) I wish the builders in my area (McLean VA) would get that message! They keep tearing down ramblers for 7,000-square foot, 7 bedroom "modern farmhouse" monstrosities that will look dated in 10 years. They sit on the market for months but the builders have such a high profit margin they don't care. Our teachers and public service employees, even a lot of IT workers, are forced to live way outside the area. I predict at some point these homes will become duplexes and triplexes like we see in the Northeast.

b) I hear you but land prices in places like McLean are so high that it doesn't make financial sense to build small homes on lots that can handle larger ones. My parents live in McLean and a neighbor's ancient home sold for 1.4 million simply because of the value of the lot. The huge house that replaced it sold before it was completed.

REPLY TO (b) The solution is incentives to add additional homes on the lot or to split up the lot. Laws allowing for rapid building of ADUs in other areas is a step in this direction.

When done as part of a coherent infrastructure plan, such as variety of public transportations, clustered shopping/services, etc., the transformation can be beautiful and stunning.

REPLY TO ABOVE: ADU's are the bane of civilized life. Worst housing idea ever.

REPLY TO ABOVE: Depends on area. Works well in my neighborhood. About a 10 minute walk away, a two square mile corridor has been rezoned to allow for rapid construction of multi-use and condensed infrastructure. Zoning requirements for single lot homes now no longer require a car garage if within a direct mile of public transportation. These garages can now be converted to ADUs.

Lots of families love having other families living on their lot as well as ability to rent for additional income.

2) Western European countries have a higher standard of living than we do, and virtually no one lives in isolated houses with big yards. Europe is full of happy families living in charming, sturdy, creatively-renovated buildings that are sometimes hundreds of years old.

Here, we're surrounded by cheaply constructed McMansions with vast expanses of sterile space.

The contrast has historical reasons since we have a much lower population density than Europe.

Nonetheless, I've definitely noticed a trend of people, including families, moving back into cities from the suburbs - into neighborhoods that until recently were blighted. I see people walking their dogs on tree-lined sidewalks, and there are nice restaurants again. And families are realizing they don't need or want 4000 square feet.

REPLY: You don't know Europeans very well; most would love to get to nice homes past the city limits but prices are much, much higher than in U.S. (I've lived 10 plus years in three European countries)

3) Hi Pusheen... There are school districts that are getting home owners to rent out a bedroom to teachers.

You are probably right about the McMansions being converted in about 30 years.

There is no incentive for builders to walk away from high-profit building.

The writer is trying to sing the song-

'Be community-minded and charitable by building lower profit houses'.

4) High-density housing today: tomorrow's ghettos...

5) I grew up in a family of seven in a four bedroom, 1700 sq ft home. It was a lovely home, built in the early 50s, in a beautiful neighborhood. Plenty of room, albeit us five kids shared bedrooms until we began leaving to start our adult lives.

My first adult home for my spouse and two kids was 1900 sq ft, and was very spacious. Individual bedrooms for all.

When we retired we looked for a smaller home to downsize into and found that with one exception builders weren't interested in providing nicer, smaller homes. The exception was a number of 55+ age-restricted communities in our area. Those builders had the market nailed, offering 1500 sq ft homes -- still spacious for two, in my opinion -- with great floor plans and all the luxury touches we wanted)

REPLY: Ah, the over-55 communities. The houses are great! Perfect size, perfect floor plans, perfect price. They'd be great for families, too, really alleviate the "missing middle" problem, if only they allowed younger residents.

I do wonder, since builders create wide swaths of reasonable housing for over-55, why can't/won't they do it for younger owners. Our problem was we didn't want to live in such a community.

I suspect we'll end up like my son and his family who live in a 1500 sq ft two bedroom condo in a high-rise, or my sister who lives in an 1100 sq ft two bedroom luxury apartment in a former school that was converted into apartments.

A Higher Monthly Payment, but Less Square Footage

Homebuilders are responding to rising interest rates with an innovation: a small house in the traditionally spacious exurbs.

By Conor Dougherty

Oct. 17, 2023

The American home is shrinking.

With interest rates rising and mortgage costs with them, homebuilders are pulling in yards, tightening living rooms and lopping off bedrooms in an attempt to keep the monthly payment in line with what families can afford. The result is that new home buyers are paying more and getting less, while far-flung developments where people move for size and space are now being reimagined as higher-density communities where single-family houses have apartment-size proportions.

In a recent survey of architects, John Burns Research and Consulting found that about half expected their average house size to decline. New communities will have more duplexes or small-lot single-family homes that are just a few feet apart. Even in Texas, where land is abundant, builders are adding more homes per acre, the company found.

“The monthly payment matters more than anything else and builders have responded with smaller, more efficient homes,” said John Burns, the company’s chief executive.

Consider Hayden Homes, a Pacific Northwest builder that focuses on small towns and exurbs where middle-class families (its typical buyer has a household income of \$90,000 a year) have historically traded more house for a longer commute.

Two years ago, when interest rates were low, the average Hayden home was a 1,900 square-foot three-bedroom that cost \$500,000, or about \$2,000 a month, said Steve Klingman, the company’s president, in an interview. This assumed a 5 percent down payment and a 30-year fixed-rate mortgage with a 3 percent interest rate.

Now, as borrowing costs consume more of buyers’ mortgage payments, Hayden is lowering prices and square footage to keep customers’ payments stable. The average Hayden home is now 1,550 square feet and costs about \$400,000, or \$2,100 a month, Mr. Klingman said. To buy it, however, a customer has to produce a 10 percent down payment and, even with incentives, is paying a 6 percent rate on a 30-year fixed-rate mortgage.

“We are reconfiguring our floor plans, our features and community design all to get to that payment buyers can afford,” Mr. Klingman said. “People want to own if we can make it attainable.”

In dense areas like Southern California, the high cost of land has long led developers to focus on compact homes. Trade-offs like a side yard instead of a backyard, or a garage that opens to the street instead of a driveway, have compressed size and reduced cost. Now those kinds of urban designs are arriving in the exurbs.

For instance, in Hayden’s hometown, Redmond, Ore., a city of 35,000 about 30 minutes from Bend, Ore., its Cinder Butte Village development now has homes as small as 400 square feet (a

one-bedroom, one-bath with a garage on the back alley). The average is around 1,000 — half the typical home size in the community two years ago.

Mr. Klingman expects smaller homes to drive the market in the coming years. Hayden shifted all of its floor plans down as mortgage rates started rising and has prototypes for new communities that are twice as dense as the ones it built during the pandemic.

“I think this is for the long haul,” Mr. Klingman said.

New homes are a tiny slice of the U.S. housing stock — builders started about 1.5 million houses and apartments last year, while 142 million already existed — but since they are built in every market and bought almost entirely with mortgages, their size and cost are relatively sensitive to changes in the economy. This makes fresh construction a useful picture of how families are affected by higher borrowing costs.

American families have for generations had more space than households elsewhere in the developed world, but their homes were shrinking even before interest rates rose. The median new U.S. home peaked around 2,500 square feet in 2015. Over the next five years, new homes shed about 200 square feet as costs rose, urban living boomed and smaller families became more common.

The pandemic, with its rock-bottom interest rates, led to what seems poised to be a short-lived increase. As white-collar workers ditched their commutes, and home-based offices went from perk to necessity, builders added rooms and exurban subdivisions thrived.

Today’s buyers are dealing with the hangover. The average rate on a 30-year fixed-rate mortgage has roughly doubled over the past two years, to 7.57 percent, according to Freddie Mac. This has all but frozen the market for existing homes by making buyers who locked in low rates reluctant to trade up or move, keeping home prices stable despite a huge increase in borrowing costs.

The price that sellers will accept “is unusually high,” said Daryl Fairweather, chief economist at Redfin, the real estate brokerage. “They need somebody to buy them out of their mortgage.”

The decline in the inventory of existing homes for sale has made new homes a much bigger slice of the market. New home sales have consumed about a third of the market this year, or double the level in 2019, according to Redfin.

Homeowners who can’t get their price can always sit out the market. But homebuilders have to sell to survive. And in a market where borrowing costs are consuming more of their buyers’ payments, and after years of rising material and labor costs, that means selling less house.

The cuts will not be equal. In its survey, the John Burns consultancy found that dining and children’s rooms are being sacrificed to preserve bigger kitchens and primary bedrooms. To do this, builders are replacing tubs with showers. They’re expanding kitchen islands so they double as a dinner table. Outdoor spaces are being connected by covered patios and wall-size sliding doors that make a smaller living room seem open.

Bigger is still better, even if it only feels like it.

READER COMMENTS INCLUDE (SELECTIVE):

1) October 17, 2023—St. Louis—As a retired Baby Boomer currently sitting on too much house and land, those smaller houses and denser communities look just right for my demographic. And

many downsizing elders can pay cash, so interest rates don't matter. My three bedroom, 2 bath with a decent yard in a good school district should be occupied by a family again. Pay attention, builders. It's not just young first-time buyers who want this product.

2) LINY—Oct. 17, 2023— I don't know who said it but. Small homes make wallets fatter, material possessions fewer, relationships stronger, conversations easier, laughter louder, cleaning times shorter, and fun times longer.

3) Jane Dough, The Kitschen, Oct. 17, 2023—2 years ago I inherited my 800 sq ft, 2 bed/1 bath childhood home — a classic post-war "Cape Cod" cracker box with the original asbestos shingle siding. It was in very poor repair and the town wanted to tear it down, but I wanted to save it. It cost approximately \$120,000 to do a complete renovation. I was quoted \$150,000 to tear it down and rebuild a comparable house. (Most of the work was done by local Amish, who are skilled but unlicensed, which probably lowered the cost.) To me it is the coziest, most perfectly-sized house possible. It has a wonderful garden plot, mature trees, and is walkable to everything in town. It costs less than \$100/month for electric and water in the mild months. I wish they still built houses like it!

3) PA, Oct. 17, 2023

I have a 748 square foot one story bungalow. My dream house allows for vacuuming from one outlet, one bathroom, and of course a front porch for watching the seasons change. A small house and a generous yard with NO grass bring a lot of serenity and opportunities to observe Mother Nature's miracles.

4) It would be nice if communities had a range of options. It seems like communities are either all McMansions or all tiny homes. It would be nice if people could stay within a community as they go through life stages: starting with a starter home, moving into a larger one as a family grows, then downsizing to a more modest one as empty nesters.

REPLIES:

Brentwood, TN, Oct. 17, 2023—@Jo many of the newer developments in our area have exactly that. People can move "up" in house as they are able, then downsize later in life-without leaving the neighborhood or disrupting their lives with a move. It works well if you like being in a planned community.

Fcschwartz, Washington Dc, Oct. 18, 2023—@Jo The trouble with that approach is that it costs a lot to sell and each time you trade, whether up or down, You lose a lot of money.

5) Chicago, Oct. 17, 2023— I think people forget that in the 1950s and 1960s, which people like to romanticize as peak "cheap housing," it was normal to cram a family of 4 into a 2 bed/1 bath 1,000 sqft house. My father-in-law grew up in a family of 10 and lived in a 3 bedroom / 1 bathroom home his entire childhood.

It's still painful that people are having to pay more for less house, but it may be a good thing for families to "right size" their homes back to something more reasonable.

6) AhBrightWings, Ohio, Oct. 17, 2023—"The monthly payment matters more than anything else and builders have responded with smaller, more efficient homes,"

This is the right move. The concept of the McMansion was ruinous. It's utterly absurd that smaller families were building and buying enormous, yet poorly made and garish monstrosities.

When I lived in Northern Virginia, these faux mansions were everywhere, and a greater eyesore I've never seen. There were infamous stories of how shoddy they were. One in McLean had a second-story tub come crashing through the ceiling smashing into a dining room (where it destroyed antique furniture) which then fell through to the basement. Another builder had left the earth removed from the footprint piled in the back. In the first rainstorm, it became its own mudslide and took out much of the house. The builder was rumored to not make good on the catastrophe. The WaPo did an expose of several which were made--and I'm not making this up--of faux "stone" which was actually styrofoam.

Friends and I would tour each new horror in a state of disbelief over what people were paying (multiple millions) for ten-bedroom/ten-bathroom junk.

We need much greater diversity in housing, too. The big push should be for housing where the elderly can age safely in place and green housing. Any new house should have to conform to much stricter and better environmental standards starting with mandatory solar panels and gray water systems.

We can and must do better.

7) hen3ry, Westchester, NY, Oct. 17, 2023—Bigger is not better. It gets harder to keep a large home clean as you age. Some of us still do our own cleaning and gardening. We don't pay anyone to do it for us and as we've become older it's become more difficult to keep up with the chores. However, if we own the home, finding something less expensive and decent is difficult.

There is a distinct lack of decent affordable housing in this country to downsize to or to rent. Nearly everything in the last 30 years has been built as luxury living space and priced accordingly. And a good bit of it isn't quality construction: it falls apart after 20 years or less.

The other problem is that Americans are inconsiderate neighbors whether it's in apartments or single family dwellings. They seem to think that the entire neighborhood wants to hear their music until long past bedtime. Or hear their television shows. In my area people seem to think that it's perfectly fine to flout laws regarding the use of leaf blowers, snow blowers, etc.

We don't need huge houses. We need reasonably sized rooms and yards, and less suburban sprawl. What we really need is well built, soundproofed, decent affordable townhouses that we can rent or own. However, I doubt that will happen.

8) Pasadena, Ca, Oct. 17, 2023—I am laughing at this. My husband and I always have bought small houses in better neighborhoods with outstanding schools. While many of my children's friends lived in huge homes, we 4 shared 3 bedrooms and 1 1/2 baths in 1600 sq feet. Today we 2 live in what was a normal family house when built in 1926 and is 1150 square feet on a beautiful lot. Just right for a retired couple. Large homes mean larger upkeep expenses. The amount of energy required to run a large home is wasteful. Added bonus a small home is easier to clean and promotes closeness!

9) Seattle, Oct. 17, 2023—I grew up in a 900-square-foot house on a postage stamp lot ten miles from Boston. We somehow managed to cram my mom, my dad (and stepfather after my dad passed away), my brother, and myself into that home and do just fine with it. There was even enough room to be found that when I co-opted the study (a little 10-by-10-foot glorified closet) in

my adolescence with a Super Nintendo and what was supposed to be the family computer, nobody really raised a fuss about it.

20 years after I left my childhood home, I dated a 30-year-old who lived with her parents in a McMansion, and upon describing my boyhood sanctuary to my then-girlfriend, she reacted as if I'd told her I lived in the cardboard box a dorm fridge comes in.

Way I see it, two things need to happen.

One is the renewed construction of small houses on small lots that are nonetheless big enough that four reasonable human beings should be able to have a room. Maybe not much more than one room, but who needs more than one room of their own? Not wants, needs.

And two is a prohibitive tax rate on "investors" who buy up housing stock either to turn it into rental property—a stiff tax on property that is not one's primary residence ought to do it, and fund a bunch of municipal budget shortfalls besides—or worse, to "flip it" and keep it vacant in the meantime.

10) Boston, Oct. 17, 2023

We're not seeing this in the inner Boston suburbs. Instead, we're seeing a relentless gentrification, where modest homes are torn down and replaced with McMansions that crowd the lot. Down the street, a small 5-room house sold for \$700,000, torn down and the developers are trying to sell it for \$2.2 million! Gentrification is squeezing out the middle class. Here in the inner Boston suburbs, homebuilders are responding only to the rich !

(11) Home, Oct. 17, 2023

I don't see this anywhere around the Boston suburbs, that's for sure. Every regular human sized house , mostly those built from the 50s-70s are being torn down to erect hideous 4,000-6,000 sq ft black and white purportedly farmhouse style houses.

Just as climate change is starting to affect Americans' daily lives in real ways, we are putting up the most wasteful housing structures imaginable. All for the benefit of developers and those wealthy enough to afford these new monstrosities.

We usually talk about gentrification in terms of race but it's really about class. The wealthy are displacing the middle and lower middle class families who can no longer afford a home in a nice town.

12) PDX, Oct. 17, 2023

@Kat You make a good point, but let's also not romanticize cramming a family into a small house. It was so great, we wouldn't have trended toward larger houses to begin with.

It's also important to acknowledge the modern life is different today. With so many people working from home, there is a need for more workspace. People used to bathe less frequently so 1 bathroom seemed to suffice. And communities aren't always designed for walking and letting kids play outside a lot My guess is that in the '50s, when people felt cramped inside, they just went outside. Which works today if there are safe public spaces for kids to do that, but not all communities are designed that way.

Still, I agree with your point, that there is value in learning to live with less house.

13) nyc, Oct. 18, 2023—1600 SQ ft is not small by European or NYC standards including for a household of 4!

14) PDM. MA.. Oct. 17, 2023—There has always been strong demand for smaller 1,500-1,800 sf homes in good areas/neighborhoods.

Many stay in big homes because these homes are not available and builders seem to build the largest house they can build on the lot for higher profit...a bit like automakers.

Many turn to condominiums with condo fees/condo restrictions.

We, personally, would consider selling a 2,300 sf porch house if there are/were more options in more places. Lower energy costs alone and no condo fees make a difference for younger or older home buyers

The Great Compression

Thanks to soaring housing prices, the era of the 400-square-foot subdivision house is upon us.

By Conor Dougherty

Published Feb. 17, 2024, Updated Feb. 22, 2024

Robert Lanter lives in a 600-square-foot house that can be traversed in five seconds and vacuumed from a single outlet. He doesn't have a coffee table in the living room because it would obstruct the front door. When relatives come to visit, Mr. Lanter says jokingly, but only partly, they have to tour one at a time.

Each of these details amounts to something bigger, for Mr. Lanter's life and the U.S. housing market: a house under \$300,000, something increasingly hard to find. That price allowed Mr. Lanter, a 63-year-old retired nurse, to buy a new single-family home in a subdivision in Redmond, Ore., about 30 minutes outside Bend, where he is from and which is, along with its surrounding area, one of Oregon's most expensive housing markets.

Mr. Lanter's house could easily fit on a flatbed truck, and is dwarfed by the two-story suburban homes that prevail on the blocks around him. But, in fact, there are even smaller homes in his subdivision, Cinder Butte, which was developed by a local builder called Hayden Homes. Some of his neighbors live in houses that total just 400 square feet — a 20-by-20-foot house attached to a 20-by-20-foot garage.

This is not a colony of "tiny houses," popular among minimalists and aesthetes looking to simplify their lives. For Mr. Lanter and his neighbors, it's a chance to hold on to ownership.

Mr. Lanter, who is recently divorced, came back to central Oregon from a condominium in Portland only to discover that home prices had surged beyond his reach. He has owned several larger homes over the years and said he began his recent search looking for a three-bedroom house.

"I did not want to rent," he said after a five-minute tour of his "media room" (a small desk with a laptop) and bedroom (barely fits a queen). After being an owner for 40 years, the idea of being a tenant felt like a backslide.

And after living on the 17th floor of a Portland condominium, he had ruled out attached and high-rise buildings, which he described as a series of rules and awkward interactions that made him feel as though he never really owned the place.

There was the time he sold a sofa and the front desk attendant scolded him for moving it down the elevator without alerting management a day in advance. Or the times he came home to find someone parked in the spot he owned and paid property taxes on. Try to imagine a random driver parking in a house's driveway, he said — there's no way.

A single-family home means "less people's hands in your life," Mr. Lanter said.

He wanted the four unshared walls of the American idyll, even if those walls had minimal space between them and were a couch length from his neighbor.

A Chance at Ownership

Several colliding trends — economic, demographic and regulatory — have made smaller units like Mr. Lanter’s the future of American housing, or at least a more significant part of it. Over the past decade, as the cost of housing exploded, home builders have methodically nipped their dwellings to keep prices in reach of buyers. The downsizing accelerated last year, when the interest rate on a 30-year fixed rate mortgage reached a two-decade high, just shy of 8 percent.

Mortgage rates have fallen since, and sales, especially of new homes, are beginning to thaw from the anemic pace of last year. Even so, a move toward smaller, affordable homes — in some cases smaller than a studio apartment — seems poised to outlast the mortgage spike, reshaping the housing market for years to come and changing notions of what a middle-class life looks like.

“This is the front end of what we are going to see,” said Ken Perlman, a managing principal at John Burns Research and Consulting.

Extremely small homes have long been an object of curiosity and fodder for internet content; their tight proportions seem to say large things about their occupants. On social media and blogs, influencers swipe at American gluttony and extol the virtues of a life with less carbon and clutter than the standard two-car suburb.

Now, in the same way décor trends make their way from design magazines to Ikea, mini homes are showing up in the kinds of subdivisions and exurbs where buyers used to travel for maximum space.

The shift is a response to conditions that are found in cities across America: Neighborhoods that used to be affordable are being gentrified, while new condominiums and subdivisions mostly target the upper end of the market, endangering the supply of “starter homes” in reach of first-time buyers. That developers are addressing this conundrum with very small homes could be viewed as yet another example of middle-class diminishment. But buyers say it has helped them get on the first rung of the housing market.

“They should help out more people that are young like us to buy houses,” said Caleb Rodriguez, a 22-year-old in San Antonio.

Mr. Rodriguez recently moved into a new community outside San Antonio called Elm Trails, which was developed by Lennar Corporation, one of the country’s largest homebuilders. His house sits in a line of mini dwellings, the smallest of which is just 350 square feet.

On a recent evening after work, neighbors were walking dogs and chatting along a row of beige, gray and olive-green two-story homes of the same shape. The development has a pond where residents picnic and catch bass and catfish. The houses do not have garages, and their driveways are wide enough for one vehicle or two motorcycles — proportions that pushed the sale prices to well under \$200,000.

“I wanted to own, and this was the cheapest I could get,” said Mr. Rodriguez, who moved in this month and works at a poultry processing plant in nearby Seguin, Texas. He paid \$145,000 and hopes the house can be a step toward wealth building. Maybe in a few years he will move and rent it out, Mr. Rodriguez said.

Homes under 500 square feet are not taking over anytime soon: They are less than 1 percent of the new homes built in America, according to Zonda, a housing data and consulting firm. Even Mr.

Lanter, who evangelizes about his newly low heating bill and the freedom of shedding stuff, said he would have preferred something bigger, around 800 square feet, if he could find it.

While these floor plans might be an edge-case offering reserved for certain kinds of buyers — “Divorced ... divorced ... really divorced,” Mr. Lanter said as he pointed to the small homes around him — they are part of a clear trend. Various surveys from private consultants and organizations like the National Association of Home Builders, along with interviews with architects and developers, all show a push toward much smaller designs.

“Their existence is telling,” said Ali Wolf, chief economist of Zonda. “All the uncertainty over the past few years has just reinforced the desire for homeownership, but land and material prices have gone up too much. So something has to give, and what builders are doing now is testing the market and asking what is going to work.”

Builders are substituting side yards for backyards, kitchen bars for dining rooms. Suburban neighborhoods have seen a boom in adjoined townhouses, along with small-lot single family homes that often have shared yards and no more than a few feet between them — a kind of mash-up of the suburb and the urban rowhouse.

The great compression is being encouraged by state and local governments. To reduce housing costs, or at least keep them from rising so fast, governments around the country have passed hundreds of new bills that make it easier for builders to erect smaller units at greater densities. Some cities and states — like Oregon — have essentially banned single-family zoning rules that for generations defined the suburban form.

These new rules have been rolled out gradually over years and with varying degrees of effectiveness. What has changed recently is that builders are much more willing to push smaller dwellings because they have no other way to reach a large swath of buyers.

“There is a market opportunity and people are using it,” said Michael Andersen, a senior researcher at Sightline Institute, a Seattle think tank focused on housing and sustainability.

A Big House on a Little Lot

American homes have long been larger on average than those in other developed countries. For most of the past century, the country’s appetite for size has only grown.

The iconic Cape Cods in Levittown, N.Y. — often considered the model post-World War II suburb — were typically about 750 square feet, roomy for a one-bedroom apartment but small for a free-standing house with two bedrooms. Today, though, the median American home size is about 2,200 square feet, up from around 1,500 in the 1960s. Lot sizes have remained more or less the same, which means the typical home is built to maximize the size of the kitchen and bedrooms even as its yard contracts and its proximity to neighbors increases.

The expansion came despite a profound shift in household composition. Over the past half-century, America has gone from a country in which the predominant home buyer was a nuclear family with about three children to one in which singles, empty nesters and couples without children have become a much larger share of the population. Meanwhile, housing costs shot up in recent years as cities around the nation grappled with a persistent housing shortage and a surge in demand from millennial and Gen Z buyers.

This has created a mismatched market in which members of the Baby Boom generation are disproportionately living in larger homes without children, while many millennial couples with children are cramped into smaller houses or in rental apartments, struggling to buy their first home.

Even buyers who are willing to move across state lines are finding that affordable housing markets are increasingly hard to find. In the Bend area where Mr. Lanter lives, housing costs have been pushed up by out-of-state buyers, many from California, who have flocked to the area to buy second homes or work there remotely.

The influx of money has helped raise the median home price to almost \$700,000 from a little over \$400,000 in 2020, according to Redfin. Driving through the downtown on a snowy afternoon recently, Deborah Flagan, a vice president at Hayden Homes, pointed left and right at storefronts that used to be boarded and are now part of a vibrant ecosystem of retailers that includes numerous high-end coffee shops, a “foot spa” and a bar where people drink craft beer and throw axes at wall-mounted targets.

The upscaling extends well beyond downtown to adjacent neighborhoods, where the small-footprint “mill houses” that once served a blue-collar work force now sit on land that is so valuable they are being slowly erased by two-story moderns with seven-figure sales prices. Toward the end of the snowy driving tour, Ms. Flagan pointed toward one of those old mill houses — a compact, ranch-style home with fading yellow paint and a white picket fence pocked with broken boards. She estimated it was no more than 800 square feet, and framed it as an example of the small and affordably priced housing whose stock needs to be rebuilt.

“What we are doing now is what they were doing then,” she said.

Four Walls, Close Together

Hayden builds about 2,000 homes a year throughout the Pacific Northwest. Its business model is to deliver middle-income housing that local workers can afford, Ms. Flagan said, and it does this by skipping larger cities like Portland and Seattle in favor of lower-cost exurbs like Redmond (where the company is based).

Like a lot of builders, Hayden has spent the past few years whittling back sizes on its bread-and-butter offering of one- and two-story homes between 1,400 and 2,500 square feet. But because its buyers are so price-sensitive, it decided to go further. After rates began rising, Hayden redesigned a portion of Cinder Butte — the Redmond subdivision where Mr. Lanter lives — for homes between 400 and 880 square feet.

Most of Cinder Butte looks like any subdivision anywhere: A mix of one- and two-story homes that have faux exterior shutters and fill out their lots. The corner where Mr. Lanter lives is strikingly different, however, with a line of cinched homes that front the main road into the development and have driveways in a back alley.

The alley is where neighbors say hi and bye, Mr. Lanter said. And because nobody has much space, people often throw parties in their garages.

The smaller houses sold well, so Hayden has now expanded on the idea. It recently began a new development in Albany, Ore., in which a third of the 176 homes are planned to be under 1,000 square feet. “Our buyers would rather live in a small home than rent,” Ms. Flagan said.

A decade ago, Jesse Russell was a former reality TV producer looking to get started in real estate. He had just moved back to Bend (his hometown) from Los Angeles, and began with a plot of two dozen 500-square-foot cottages sprinkled around a pond and common gardens. When he pitched it at community meetings, “the overwhelming sentiment was ‘nobody is going to live in a house that small,’” he said.

Then the units sold out, and his investors nearly doubled their money in two years.

Mr. Russell’s company, Hiatus Homes, has since built about three dozen more homes that range from 400 square feet to 900 square feet, and he has 100 more in development — a thriving business. How does he feel about subdivision builders getting into a product that used to belong to smaller companies like his?

“I love it!” he said. “I hope that at some point a tiny house just becomes another thing. It’s like, ‘Oh, that’s a duplex, that’s a townhouse, that’s a single-family house, and that over there is a cottage.’ It just becomes another type of housing you get to select.”

READER COMMENTS INCLUDE:

1) When you get to the point where the garage is as big as the house - the car given as much living space as the human - you have to think there's some kind of cultural failure here.

2) Long Island, NY, Feb. 17—This is a brilliant idea. Anyone looking for a new home just about anywhere in the US would have a hard time finding anything under 1,200 square-feet. If you’re in the market for something in the 5,000 square-foot range, you can have a field day.

Smaller is better. They are cheaper to build, to maintain, to heat, to air condition, and at tax time. This is the future of America, and it can’t come soon enough.

3) Los Angeles, Feb. 17—In all the home shopping I've done in places like Seattle, Palm Springs, Austin, Ojai, and many more, I almost never find the thing I want: a small house with no shared walls and a place to plant a tree or two, for a reasonable price.

This story is encouraging.

REPLY: Colorado, Feb. 17—@TJ I'd encourage you to consider townhomes. If they're well built or relatively new, you won't have any problems with noise/vibration. And what you gain is a bunch of extra space (or reduced cost because you aren't wasting space), plus they're far more energy efficient because they have less surface area exposed to the elements - it makes a huge difference to utility bills in either warm or cold weather. Lots of them even have a small backyard that could suit your needs.

REPLY: AIS, Seattle, Feb. 17—@TJ I live in a 100+ year old small home in Seattle. But it's unlikely you'd be able to buy a house like this because they're always snapped up by developers who build very expensive homes (1-4 units per lot, as now allowed by Washington law). I get at least one letter a week from a developer wanting to buy my little house "as is." It's a myth that replacing little houses with new development reduces prices. The new homes, even if more units, are much more expensive. And of course lack garden space.

REPLY: Austin, TX—I love the idea of a smaller homes and think they deserve a place in the housing vocabulary of Americans. My apartment in Austin is around 600 square feet and it works fine for me as a single man in his late 20s. If you told me I could own a new place this size, with no

shared walls, yard to maintain, be close to the city, and have the unit be ballpark \$200k - I would be all over it. Just because it may not fit one person's idea of adequate housing doesn't mean it isn't someone else's dream. Not all of us want huge homes with big yards.

4) East Coast—In my neck of the woods, where we need to protect vehicles from bad weather, a two-car garage is almost a necessary. A one-car will send some buyers away and no garage can be a deal-killer.

5) Here's hoping that the gratuitously large cookie cutter McMansion era has come to an end. I just sold my 2700 sq ft farmhouse for a 1200 sq ft 'granny' house and am breathing a sigh of relief. The only sq footage I'm longing for is a greenhouse and a henhouse. Those are the spaces I wish to spend my retirement in.

6) MagpiesAndCrows, NH, Feb. 17—my neighborhood is filled with homes in that 700-800 sf range, with even smaller ones here and there. I'd guess most of them are from the first half of the 20th century. My own house is roomier, around 1300, but it's pretty obvious that the upstairs was finished later, probably when a growing family started running out of space. I'd say the era of McMansions was just a momentary aberration.

7) Ireland, Feb. 17—Smaller homes are quite normal here in Ireland, they're cheaper to manage, less people have to downgrade. Aren't we all just wanting bigger, shiny things when what we have is adequate? Less bigger homes is a great thing in my opinion.

8) Italy and Nepal, Feb. 18—The Europeans are smarter than the Yanks. It pays not to fall in love with cars, and make cars the be-all and end-all of a society. Look at the photos with this article--- houses and cars and houses and cars. And the kicker: You can be happy in the USA if you can find a house for 600 square feet that is less than \$300K US dollars.

Here's happiness in Europe: A two story stone house with tiled floors, rooftop terrace with views of snow-capped mountains in Italy, fireplace, bathroom with bathtub, 2 bedrooms, kitchen and balcony: 10K euros. Portugal and Spain have similar deals. No need for a car, because you can walk to the small grocery stores and markets. Three cafes within ten minute walk. There's a train station five miles away---grab a cab at the cafe and you're on the train to Rome or Venice, and so on. All for 10K euros, which is roughly \$10,800 US dollars.

9) Montreal, Feb. 18—I remember visiting an elderly woman who'd lived in the same home for fifty years. She and her husband had raised five sons in about 1,000 square feet. I wondered at how expectations had changed. I wondered at how much laughter and joy those walls had held.

A friend was looking for a new home. When I asked how it was going, he told me, "I've been in hell." Huge homes, large bedrooms and baths, tiny living rooms, kitchen bars instead of dining rooms. Homes to be alone in, together.

Size isn't everything.

10) Ray, Seattle, Feb. 17—As a Baby Boomer who lived in the same house for the past 36 years, we just sold and moved into a fabulous little 1200 sq ft single family home in neighborhood locals refer to as "Whoville" (Dr. Seuss) Getting rid of tons of useless "stuff" felt traumatic at the time, but now all we feel is freedom!

11) Aunt Bea, Boston, Feb. 18—600 sft is a good size for a small apartment or house.

12) DMO, Cambridge, Feb. 17—These places look like future slums, to me. Where are the community support spaces? Where are the outdoor gathering spaces? Why are they so spread out and only accessible by automobile? How about a halfway decent apartment building? Or is that just too much of an effort?

REPLIES:

TG, Boston, Feb. 17—Add to the list, sprawl. There are more creative affordable housing solutions out there that make far more effective use of scarce land. (See European norms of building upward.) This is at best a bandaid that won't age well.

L, Oakland, Feb. 17—@TG & @DMO Thank you. It took entirely too long to find these comments. In a time of climate change, loneliness, and alienation, it seems natural to build more communal housing, whether that's apartment buildings, 2 or 4-plexes, Mixed-use retail residential, or some other new solution that enables us to reconnect with each other, with nature, and rebuild our lost third spaces and sense of community.

I get that we Americans love our independence but it's only making us lonelier and less healthy. Car dependent sprawl and private yards over shared parks, community gardens or green spaces is not the way. We've really gotta fix zoning laws.

GT, NYC—The problem with all development is the infrastructure schools especially

13) Daminal, Topeka, Feb. 17—We live in a nice neighborhood of single family homes, most 100 years old. Every time a house turns over, the same pattern happens: whoever buys it “blimps” the house: adding ugly square extensions to the limits of the property line and turning what was a graceful 2-3 bedroom craftsman bungalow into a McMansion monstrosity of 5 or 6 bedrooms that only the very wealthiest can afford to buy. On an individual basis this is entirely rational decision-making. The new owners are making an investment and foresee selling the house in the future for considerably more than they bought. But for our community and for our country it is a loss. A larger house does not mean that more people will live there. The addition does not create any greater population density. it just means that we have lost an affordable starter home and significantly increased our carbon footprint. There are solutions to this. But it requires a willingness to embrace European style planning permissions and community regulations that Americans tend to eschew.

14) Iowa, Feb. 18—A developer in my town did a demolition on a half block lot that had been occupied by a church for almost 150 years, and he is making a “pocket neighborhood” of a dozen “luxury one bedroom homes” with detached garages (that butt right up to a narrow alley that looks like it will be difficult to navigate if the alley is icy in winter, and which I predict will be used for storing stuff, not cars). I have watched their ticky tacky construction proceed - they are made of sawdust and glue and plastic, replaced a building made of brick and marble and old hardwoods. They don't have cladding on them yet. The neighbors begged him to use cladding with horizontal lines and an aesthetic that will fit in with the rest of the homes in the neighborhood, but I fully expect him to kit them out like the architectural renderings he claimed were “preliminary,” with black metal vertical siding, industrial aesthetic metal porch railings, and a general look of a FEMA disaster modular mating with a barn. They SHOULD be affordable starter homes, but they aren't being listed that way. Made me raise an eyebrow to see he is listing them for \$412,000 each.

15) Tina, Colorado, Feb. 17—“Then the units sold out, and his investors nearly doubled their money in two years.”

Does not this sentence offer 90% of the explanation as to why so many people cannot afford homes?

The upper 10%/investor class and the rest of us. What more needs to be said?

16) Jake, Colorado, Feb. 17—@Bo The failure is in building such a car-dependent society that we have to give up so much room to store vehicles that we then struggle to find space for people. So much valuable space and money lost to oversized home garages, enormous parking lots (which are rarely near capacity even now), on street parking, public garages, driveways - not to mention our ever-expanding roads and highways.

If we scaled up public transit and allowed more/denser housing in high demand areas, we'd be able to scale back so much of the car infrastructure that's too costly to maintain and pollutes the air, while allowing more room for people people to live/play/whatever. Take a look at any major European city and you'll see what we could have if we, as a society, cared enough to do something about it.

17) Mike Goyette, Chicago, Feb. 17—The people designing these tiny home communities are going to ruin it if they don't introduce some beauty and style into the land and the housing, and stop the greed.

These communities could thrive if the cold sharp accounting-minded developer steps aside and brings in some facade variation and curves the street a little. Maybe plan for some space for trees and open up the color palette.

It's shameful to convince struggling people that one of these bland and barren homes is worth \$145k. The builders are price gouging buyers, knowing the housing inventory is extremely low and calling their profit capitalism.

It's not right, and sometimes illegal, to hike prices for critical materials and services during a national crisis, but that's what's happening with housing right now.

18) young person, Minnesota, Feb. 17—As a young person who will likely never own a home, it pains me to see the construction of houses like these. I want community and walk ability. More and more I wish we just had built commie-blocks instead of all these single family homes, as the years of my childhood spent in the suburbs were dreadful compared to the years I spent as a child in a dense urban area.

19) dy s, New York, Feb. 17—@Lin Yes. The photo was not aesthetically very inviting. Even tiny homes can have some variety so the neighborhood looks better. And could there be some kind of shared garbage collection process that does not require each tiny house to have a classic monstrous plastic brown garbage bin? They are nearly the size of the houses?