



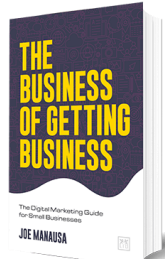
New Construction

Update



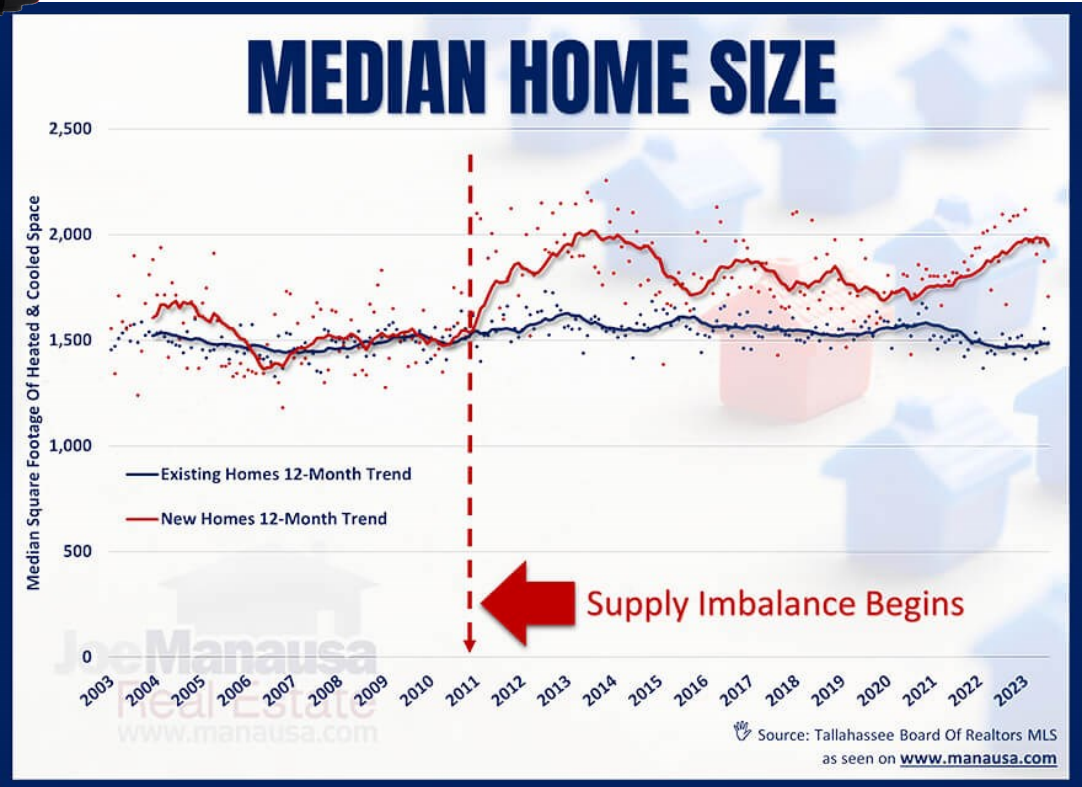
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When Did It All Start To Go Wrong?



A significant shift in the size of newly built homes, compared to existing ones, began in 2011.

The accompanying graph uses blue dots to represent the median size of existing homes each month, while red dots symbolize that of new homes. The 12-month trend for each is depicted by corresponding colored lines.

In the period stretching from the 1990s to the 2006 housing bubble burst, newly built homes typically outsize existing ones by 5% to 10%.

However, with the housing market weakening in 2006, culminating in a crash by 2008, the median size of both new and existing homes became almost identical.

As the housing market bottomed out towards the end of 2011, home builders began constructing larger homes.

It's Time To Build Smaller Homes

Given that mortgage interest rates have stayed above 6% for nearly a year, it's unlikely they'll dip below that mark any time soon, as historical trends suggest.

Therefore, builders must start constructing homes that are affordable and align with what buyers can manage financially. This likely means smaller unit sizes and a higher percentage of multi-family homes and condominiums and townhomes within the single-family home categories.

Home affordability has taken a big hit and it will not return until we have enough housing units for everybody.

