

Average home size sets new record



Construction workers build the frame of a house at a new housing development in Hayward, California. (Justin Sullivan / Getty Images)

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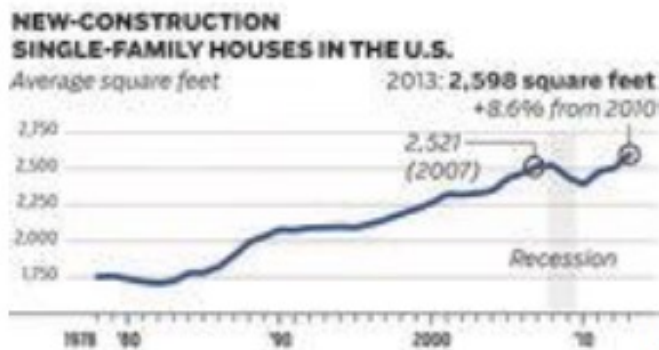


Chart: Single-family homes growing in size

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There are big houses and then there are bigger houses.

In another sign of the housing market's 2013 turnaround, the average size of a new home built in the U.S. set a record last year, according to Census Bureau data released Monday.

At almost 2,600 square feet — 2,598 square feet, to be exact — the average home size recorded was up for the third consecutive year and one-upped the previous record of 2,521 square feet set in 2007, before the housing market's free fall.

But this is not a return to the excesses of days gone by, when homebuyers needed only minimal credit scores, little financial documentation and meager down payments to purchase a property. This time around, only the best-qualified borrowers are able to put down the requisite deposits and meet the tightened lending requirements needed to secure a mortgage. Other borrowers remain stymied.

A decade ago, the median annual income of buyers purchasing newly constructed homes was \$91,000. In 2011, it was \$107,000, according to the National Association of Home Builders.

“It’s a very quick increase in purchasing power,” said Rose Quint, an assistant vice president at the trade group. “It is not a story about McMansions. It is a story about who has access to mortgage credit, and that is defining the characteristics of the homes that are getting built.”

“It’s trying to keep up with the Joneses a little bit,” said Charlie Murphy, president and CEO of ICON Building Group. “The customer wants to build something that will fit in and will stand out, and not stand out by being too small. It’s human nature.”

What also is helping boost home size is cheap money, which is enabling qualified consumers to size up to bigger homes sooner rather than later.

Mortgage rates, while higher than a year ago, have confounded economists who expected them to tick upward by now. Instead, sluggishness in parts of the economy has not only kept a lid on increases, but also has pushed rates down in the past month.

In 2013, the average interest rate on a 30-year conforming loan of \$417,000 or less was 3.98 percent, according to Freddie Mac. In May, the average rate was 4.19 percent — down from 4.34 in April.

Rates on so-called jumbo mortgages of more than \$417,000 are also holding largely steady. In May, the average interest rate on a jumbo loan was 4.45 percent, according to mortgage information site HSH.com. For all of 2013, it was 4.23 percent.

At K. Hovnanian Homes, the difference in price between a 2,600-square-foot home and one offering 3,100 square feet is \$12,000 to \$25,000, a gap that is easier to stomach at a lower mortgage interest rate for 30 years.

“Mostly, we see people buying homes over 3,000 square feet,” said Sarah Diedrich, a company spokeswoman. “People always end up going bigger. Most of the time, people like the layouts better and they like to have the extra space.”

What's in bigger houses? According to the census data, 44 percent of homes completed last year had at least four bedrooms, and 33 percent had three or more bathrooms. One in 5 new homes included garages that held at least three cars.

The extra space carries a higher price tag.

Nationally, the average price of a new single-family homes sold last year was \$324,500, compared with \$292,200 in 2012.

A lack of for-sale existing homes with desired features is steering consumers toward new homes, even though new homes generally are more expensive than resale properties.

For most buyers, the conversation isn't about square footage. It's about their room needs.

"Someone will come in and say, 'I want four bedrooms, a living room, dining room, den with a bathroom on the first floor,'" said Brian Brunhofer, president of Meritus Homes. "A lot of it is driven by the needs of a particular family."

Those needs don't revolve around how people live in a home, but how many people live there.

Linda Baloun and her family are getting ready to break ground on a 5,200-square-foot home with five bedrooms and four-plus bathrooms in Lincolnshire to replace the 2,400-square-foot colonial they've called home in Wheeling for the past 20 years.

Part of the reason for sizing up was to relocate to a home with a first-floor bedroom and bathroom for Baloun's mother-in-law. But they also plan for this to be their "forever" house, and they want that first-floor bedroom suite for their own use in years to come, if stairs become a problem.

"It's a long-term commitment, so we wanted to make sure it was something we could live in for the rest of our lives," Baloun said. "We designed it with that in mind. The fact that rates were lower was a definite upside, (as was) the fact that since we entered in the contract, housing has picked up somewhat. It provides a very positive spin to a hopefulness that we'll be able to sell our home when the time comes."

The Home Builders Association's Quint doesn't expect to see average home sizes continuing their trajectory long term.

"Once the market allows more average homebuyers to come back into the market, I think we'll see these things recede," she said. "The current market is not reflective of the potential homebuyer population. First-time homebuyers and a lot of people with lower incomes are not able to get back in."

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