

BUILDER

SCARCITY OF LOTS HOLDING BUILDERS BACK

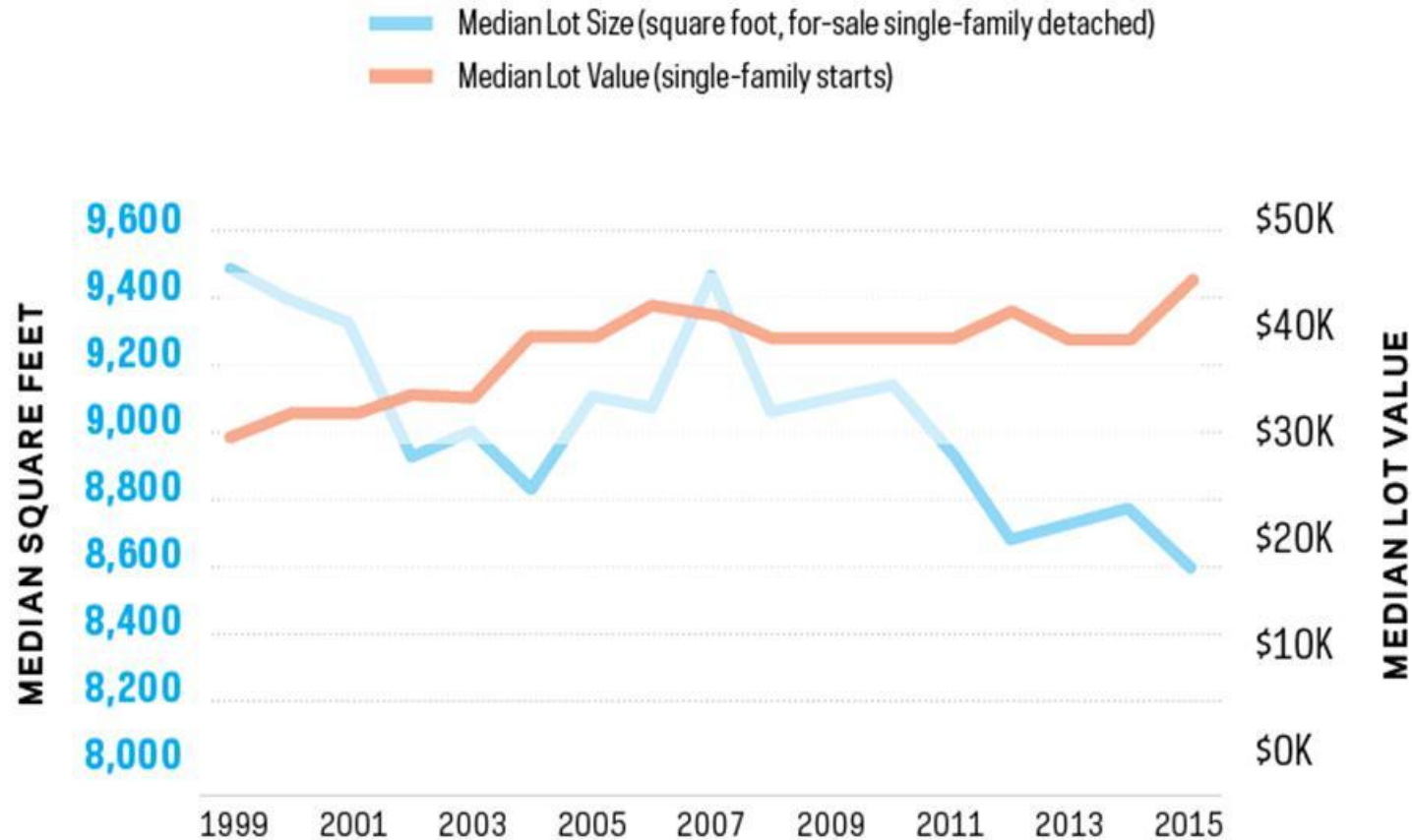
Robert Dietz gives us the inside look at a new NAHB survey where 64% of builders reported low or very low building lot supply.

By [Robert Dietz](#)

As housing demand continues to grow, the rate at which the volume of home building can expand is constrained by the availability of lots, labor, and lending. And the trend for lots is one of tight market conditions. Survey data from the NAHB economics group confirms that the availability of lots is deteriorating as single-family construction expands and multifamily production remains at high levels.

According to the survey, 64% of builders reported the supply of building lots in their market was low or very low. This marked an increase from 62% from a year ago and was the highest reported share since NAHB began collecting the information in 1997. It is also notable that in 2005, when total housing starts exceeded 2 million homes, the share of builders reporting a shortage was only 53%.

BUILDING LOTS



Source: NAHB Analysis of Census Survey of Construction Data

As desirable building lots have become scarce, it's not surprising that lot prices have increased and lot sizes have fallen, as the building market shifted to the high end and home size has grown. NAHB analysis of 2015 Census data reveals half of

all single-family lots were priced at \$45,000 or above nationwide. This is the highest median lot value on record, surpassing the prior peak of \$43,000 in 2006.

As values have gone up, typical lot size has fallen. According to data, in 2015 the median single-family lot size of homes built for-sale dropped under 8,600 square feet. At this size, about 5.6 typical sized building lots could fit on a football field.

The economics behind rising lot values and falling size are related to market forces and policy decisions. Consumer preference data suggest that younger home buyers prefer more density in neighborhood design. To the degree to which builders are responding to such preferences, the market is responding efficiently.



5.6

**median lots in 2015 could
fit on a football field**

Source: NAHB

However, rising regulatory costs for single-family and multifamily development costs are embedded in the cost of owner-occupied and rental housing. A recent NAHB study of regulatory costs found that roughly two-thirds of these burdens

arise at the lot development stage. Thus, rising lot prices and a gradual reduction in lot size are consequences of poor land use policy.

Housing affordability, for both rental and owner-occupied housing, is a key issue for housing policymakers. As housing demand continues to grow as the industry recovers from the recession, such policymakers would be wise to focus on improving land use and zoning rules. Easing fees and rules connected with land development would provide a much needed boost to housing affordability.