

## Why are new homes so huge?

**WE BOTH ASSUMED IN A POST-GREAT-RECESSION WORLD NEW HOME SIZES WOULD SHRINK. I MEAN, WHO NEEDS A 3,500 SQUARE FOOT HOME ANYWAY? APPARENTLY EVERYONE.**

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Why so big one might ask? Did someone say dirt is expensive? **"Lot values hit record highs" says the National Association of Homebuilders.** Let's chat about the cost of land and how it relates to building big.

As more and more money is printed, more and more inflation is present, everyone is happier, and prices are rising. Is someone making more land? Not until living extraterrestrially is a thing.

Homebuilders are in business to make money. Whether they build a \$200,000 house or \$800,000 house, they make roughly the same gross margin (around 20%). If you were a builder would you rather make 20% of \$200,000? Or 20% of \$800,000? Exactly.

As long as local new home appraisals support values (which they usually do), builders will always build bigger. It doesn't make much sense for a builder to pay exorbitant prices for a piece of land to put a small home on it. The only thing that would do is make them less money.

That said...do buyers these days need huge new homes? Probably not. Do they want a huge home? Some we've worked with do, some don't. But most do. The problem is buyers don't really have a choice. But keep reading.

# Alrighty then. Can I build a small(er) home?

**THE SHORT ANSWER? YES.**  
**THE LONG ANSWER? KEEP READING.**

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Say homeowner A & B want to live somewhere close to downtown Northville. They don't want a huge home, but location is everything so they're willing to sacrifice the size of the home to be in the location they desire.

Northville land is crazy expensive, assuming it exists.

Take an average builder's cost to build (around \$175/ft.) x 2,000 square feet. That's \$350,000 just for construction.

A Northville area lot? Let's assume somewhere around \$275,000.

All in for a 2,000 square foot home you're looking at \$625,000 for a pretty basic house. Not to mention site specific costs like tree removal, septic (if needed), water hookup, and more.

At \$313/ft., that still makes sense from an appraisal perspective so financing **will** be available. It all just depends on a buyer's lifestyle and needs.

Like the peeps say, real estate is all about Location Location Location.

Want to build a small new home for cheap? It all starts with cheap land. Construction costs are generally the same.

Whatever your new home dream, we can help!