

BUILD, DON'T BUY: HOW TO AVOID THE EXISTING HOME SHORTAGE



2021 Housing Market Conditions Make New Construction a Smart Move

Anyone who has looked into buying a home recently knows that the pickings are slim in the existing home market. Homes are selling lightning fast, sometimes sight unseen, and competition for available options is fierce. If you're in the market for a new home, you might be wondering how to avoid the headache and heartbreak of the current housing shortage. Given the condition of the housing market, the best way to get the home you want is to start building now.

Why Is There a Housing Shortage?

We might all be aware that housing inventory is scarce, but what caused the current shortage? The simple answer is that demand is wildly outpacing supply. However, there are more factors in play that have shaped today's housing market.

One explanation for why there are so many buyers looking for homes is that we're in the midst of historically low interest rates. We discussed interest rates, and why they're good for building, in our last post: [Capitalized on Low Interest Rates To Build Your Dream Home](#). With financing more affordable than ever before, many buyers are seizing their opportunity to secure a home with lower monthly payments or a shorter lifespan.

Changes in populations, demographics, and life stages also explain the imbalance. According to [Forbes](#), Millennials now make up 38% of the homebuyer market. This generation group, currently the largest, is full of people getting married, starting families, and growing into larger living space needs. A different [Forbes article](#) mentions that since 2012, nearly 10 million households were formed in the United

States, compared to fewer than 6 million newly constructed homes. Many existing homes are occupied by members of older generations who have no intention of downsizing or moving out. It's easy to see how this has led to a shortage.

Just within the last year, working from home has become a reality for many. With commute times out of the picture and many downtown entertainment venues closed for public health and safety, city living isn't quite as glamorous as it used to be. Urban dwellers are finding that they prefer the extra space and affordability offered by the suburbs. As a result, there's been somewhat of an exodus to the burbs and rural regions, which increases demands in those areas. If suburban life might appeal to you, check out our post: [Benefits of Moving From the City to Suburbs and Outlying Towns](#).

All of these factors affect the "demand" side of the equation, but what about supply? After the housing crash and recession, new construction dropped drastically and has been slow to recover. Single-family housing starts are projected to break 1 million this year; the last time this happened was in 2007. Builders are kicking into high gear to match the new surge of demand, but the existing inventory that might have been built during the 2010s simply isn't there.

Low Inventory Is Bad News for Home Buyers

No one wants to be a buyer in a seller's market. Selecting a new home is already a hefty task, but trying to edge out other buyers adds an extra level of stress. We chatted with John Gscheidmeier of RE/MAX Service First, LLC to get some insight into how the home buying process has been affected by the housing shortage.

John estimated that in the Milwaukee metropolitan area, there are approximately 40% fewer listings compared to last year. In addition, homeowners are more thoughtful and serious about building a new home than they used to be. The lack of inventory is causing buyers looking at existing homes to make quick decisions, often because there's no other choice. "It's not good if you don't like competing," he mentioned. There can be a lot of heartbreak that comes with losing out on house after house or not being able to top another buyer's offer.

With quick decisions and few options, buyers cannot afford to be picky. That means that they might settle for what they can find, rather than what they truly want. They might also pay far more than they had hoped or budgeted for. John also mentioned that the median sale price in this area has increased 12.7% over the last year. Money just isn't going as far.

Rather than turning house hunting into a full-time job and overpaying in the process, there's an easy solution: take this opportunity to build your new home.

The Case for Building Your Next Home

New construction avoids many of the pitfalls of buying in the current market. We're no longer talking about supply and demand. We're talking about you envisioning the home that's perfect for your family and a dedicated builder like Demlang bringing that vision to life.

Some advantages of building over buying are the same as they've always been. The best reason to build is that you can get exactly what you want in your new home. Floor plans, finishes, and features can all be tailored to you and your family's needs. New construction also means new style, with a fresh and timely design, and new infrastructure so you don't have to worry about being up to code or replacing worn-out appliances.

On top of these perennial perks, there are some good reasons why 2021 is exactly the right time to start building. You can still take



advantage of today's low mortgage interest rates to keep payments low or own your new home faster. Building may be pricier than it used to be due to increasing material costs, but if the price of your new home is going to be high, you'd rather spend that money on fun upgrades and customizations rather than beating out a competitive bid. And when existing homes are flying off the proverbial shelves, building allows you to be certain of your future home—and when you can start packing!

Ready to build your forever home?

Learn more about [Outsmarting the Housing Market](#) or [Meet with a New Construction Specialist To Start Your New Home Build Today!](#)