

Builders' perception of market demand and obstacles to taking on new projects plays a large role in affordable supply.

Looking at the housing market and the supply of affordable options, there are three key players who influence the market: the lender, the real estate agent, and the builder. Fannie Mae has done qualitative and quantitative research into all three and how their perceptions of the market influence the availability of affordable supply for buyers.

In the case of the builders, there are several factors influencing their decision to take on new projects, specifically ones on the more affordable end of the spectrum. Homebuyers' ability to get a loan, builders' profit margins, state and local regulations, and market demand are top of mind.

Their creative interest in projects is also a factor, which skews toward higher-end and higher-priced developments.

As for taking on smaller, more affordable projects, there is a large divide among builders on whether the demand is there. Of those builders who don't build smaller/starter homes, they say there isn't enough demand in the market (35%).

BUILDERS SEE: SMALL HOME, BIG HURDLES

- 42%** Believe there are lower profits on smaller/starter homes
- 23%** Say there are too many regulations on low-to middle-income housing
- 44%** Say buyers not qualifying for loans is their largest hurdle in smaller home creation
- 71%** Have had interested buyers unable to secure financing from a mortgage lender

KEY FINDINGS

37% of builders said they believe small homes sell quickly

36% of builders said they believe lower-priced homes are easier to finance

33% of builders said they see a higher demand for smaller, more affordable homes

74% of builders said they would build more small homes if they're guaranteed a purchase from a housing organization or the government

73% of builders said they support finding pre-qualified buyers

67% of builders said they support zoning and planning for more affordable housing

WHAT DRIVES A LARGER BUILD?

- 52%** Find the build to be more interesting
- 54%** Find that there is higher profit to be made
- 35%** Prefer working with the buyers of larger homes
- 31%** See a higher market demand for larger homes
- 25%** Say it's easier to receive financing for larger builds

In 2019, Fannie Mae conducted proprietary research to understand builders' perception of market demand and obstacles. We conducted one survey and 15 phone in-depth interviews, with 107 builder and developer participants.