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Whatever Happened to the Starter Home?

The economics of the housing market, and the local rules that shape it, have squeezed out entry-level homes.

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The American starter home has been a bungalow, a shotgun house, a rowhome. Library of Congress

By **Emily Badger**
Emily Badger likes talking to home builders about economics and to historians about architecture. She's done that at The Times since 2016.

As recently as the 1990s, when Jason Nageli started off, the home-building industry was still constructing what real-estate ads would brightly call the "starter home." In the Denver area, he sold newly built two-story houses with three bedrooms in 1,400 square feet or less.

The price: $99,000 to $125,000, or around $200,000 in today's dollars.

That house would be in tremendous demand today. But few builders construct anything like it anymore. And you couldn't buy those Denver area homes built 25 years ago at an entry-level price today, either. They go for half a million dollars.

The disappearance of such affordable homes is central to the American housing crisis. The nation has a deepening shortage of housing. But, more specifically, there isn't enough of this housing: small, no-frills homes that would give a family new to the country or a young couple with student debt a foothold to build equity.

The affordable end of the market has been squeezed from every side. Land costs have risen steeply in booming parts of the country. Construction materials and government fees have become more expensive. And communities nationwide are far more prescriptive today than decades ago about what housing should look like and how big it must be. Some ban vinyl siding. Others require two-car garages. Nearly all make it difficult to build the kind of home that could sell for $200,000 today.

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“It’s just become where you can’t get to that number anymore,” said Mr. Nageli, now the operations manager for the Utah builder Holmes Homes.

Nationwide, the small detached house has all but vanished from new construction. Only about 8 percent of new single-family homes today are 1,400 square feet or less. In the 1940s, according to CoreLogic, nearly 70 percent of new houses were that small.

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Those starter homes came in all kinds over the years: mill worker’s cottages, shotgun homes, bungalows, ramblers, split-levels, two-bedroom tract homes. American families also found their start in brick rowhouses, cozy duplexes and triple-deckers.

But the economics of the housing market — and the local rules that shape it — have dictated today that many small homes are replaced by McMansions, or that their moderate-income residents are replaced by wealthier ones. (A little 1948 Levittown house on Long Island, the prototypical postwar suburban starter home, now goes with a few updates for $550,000.)

At the root is the math problem of putting — or keeping — a low-cost home on increasingly pricey land.

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“When we started out 20 or so years ago, we could buy a lot for $10,000-$15,000, and we could build a home for under $100,000,” said Mary Lawler, the head of Avenue Community Development Corporation in Houston, a nonprofit developer. “It was a totally different world than we are in today.”

In Portland, Ore., a lot may cost $100,000. Permits add $40,000-$50,000. Removing a fir tree 36 inches in diameter costs another $16,000 in fees.

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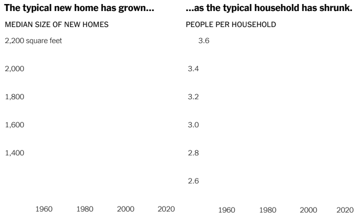
“You’ve basically regulated me out of anything remotely on the affordable side,” said Justin Wood, the owner of Fish Construction NW.

In Savannah, Ga., Jerry Konter began building three-bed, two-bath, 1,350-square-foot homes in 1977 for $36,500. But he moved upmarket as costs and design mandates pushed him there.

“It’s not that I don’t want to build entry-level homes,” said Mr. Konter, the chairman of the National Association of Home Builders. “It’s that I can’t produce one that I can make a profit on and sell to that potential purchaser.”

That reality conflicts with demographics. The typical American household has fallen in size for decades, even as the typical home has grown larger. Downsizing baby boomers and young adults who delay children figure to drive demand for smaller homes. So will increasingly diverse young buyers who have more debt and less access to family wealth.



The typical new home has grown… **…as the typical household has shrunk.**

Sources: CoreLogic Public Records; U.S. Census Bureau

These shifts may force communities, builders and buyers to rethink what a starter home looks like. In places where even small single-family houses are out of reach for many, the answer might be a condo.

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Today in some parts of the country there is hardly anything on the market for under $300,000 resembling the American starter home of the last 70 years. In Raleigh, N.C., entering this weekend there were 17 such single-family homes with at least two bedrooms listed for sale. Across the Denver metro, there were six; around Salt Lake City, three.

In Houston, Felecia Ellis has been driving around on lunch breaks from a dental clinic looking for such a home in the $200,000-$250,000 range.

“Driving through a neighborhood, I’m like, ‘Oh my god, this is a beautiful home, I know I can afford it,’” Ms. Ellis said. Then she pulls out her phone in the hopeful ritual of the first-time home buyer. The answer in the listing, more often than not, is that, in fact, she can’t afford it.

“And I’m like, ‘You’ve got to be kidding me,’” she said. “‘This house is $425,000.’”

‘It’s flexible, it’s malleable’

The starter home has always done a lot of work. It builds equity, creates stability, gives shelter from landlords and inflation. It has been an incubator of small businesses and community institutions like day care centers. And in an earlier form and time, it was more adaptable. Just add a bathroom when indoor plumbing arrived, a second unit to collect rental income, a garage once cars became common.

“It’s flexible, it’s malleable, and it allows for improvement, investment and change over time,” said Marta Gutman, dean of the City College of New York’s Spitzer School of Architecture.

In the early 20th century, communities were effectively using all kinds of models to solve for affordable, entry-level housing. But the arrival of the car enabled people to move further out, and new planning ideas declared what would be built there.

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“That allowed us to say, ‘Forget all those other typologies — a starter home is going to be a two-bedroom detached house on a 7,500-square-foot lot,’” said Nolan Gray, the research director at California YIMBY, as in the opposite of NIMBY.

Small houses, once ubiquitous, are rarely built today. Library of Congress

For a long time, that suburban model worked, although only for white families at first. But the economics and the politics shifted as the land within a reasonable driving distance of downtown filled in.

Land grew more expensive. But communities didn’t respond by allowing housing on smaller pieces of it. They broadly did the opposite, ratcheting up rules that ensured builders couldn’t construct smaller, more affordable homes. They required pricier materials and minimum home sizes. They wanted architectural flourishes, not flat facades.

“Local communities in the last 30 to 40 years have gotten really good at this — way better than they used to be,” Joseph Gyourko, a professor at the Wharton School of Business, said of rules that restrict development that neighbors don’t like.

This mix of good intentions (energy efficiency, tree preservation) and exclusionary ones (aesthetic mandates, minimum lot sizes) has pushed up the cost of building on top of the rising cost of land. Cities have also shifted more of the burden for funding public infrastructure like parks and sewer systems off taxpayers and onto homebuilders.

The result today is that a builder who can put up only one home on an expensive piece of land will construct a large, expensive one.

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Another result is that more affordable homes built decades ago are less likely to stay that way. A small house now sitting on land worth $500,000 will make sense mostly as a tear-down. A family earning $150,000 a year will compete with a family earning $60,000 when there are so few entry-level homes to buy.

“They still have the starter home,” said Ed Pinto, director of the A.E.I. Housing Center, pointing to pricey Santa Clara County, Calif. “They still have the 1954 1,200-square-foot rambler.”

It now sells for $1.4 million.

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Yesterday’s starter homes are often today’s $500,000 listings. Library of Congress

Or take the early 1900s bungalows in the Greater Heights area of Houston. Many were cheap rental housing in the 1990s, with chain-link fences and dismal carpeting.

"When you removed the chain-link fence, pulled back the carpet, and painted the walls back to white, these are charming homes which today we sell for $600,000-$800,000," said Bill Baldwin, a local broker and city planning commissioner.

Houston has relatively lax land-use restrictions, and reduced minimum lot sizes have enabled a townhome boom. But it's not immune to rising costs, either.

One last result of these forces is that investors who surged into the housing market during the pandemic have become attracted to entry-level houses, too. These houses are more reliable as rental properties than high-end homes would be. They can house, after all, the renters who can't afford to buy them.

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Building a dependency over decades

The simplest way to put entry-level housing on increasingly expensive land is to build a lot of it — to put two, three, four or more units on lots that for decades have been reserved for one home.

The outcome would look more like housing built a century ago, with more duplexes, more rowhouses, more homeowners adding their own rental units.

"We need to shift our culture away from this dependency on single-family detached housing, and thinking it's the only solution," said Daniel Parolek, an architect and author of a book on "missing middle" housing.

Mr. Parolek worked with the Utah builder, Holmes Homes, to design one model outside Salt Lake City. They rotated the more typical rowhouse on its side, attaching small two-story homes along an intimate pedestrian path. The homes first came on the market in 2015 at about $200,000.

"It was a home run the minute we built them," Mr. Nageli said. But costs have risen even since then. And the builder hasn't repeated the concept elsewhere because most communities wouldn't allow it.

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The starter home of the future may look more like the starter home historically. Library of Congress

From a builder’s view, there’s nothing particularly preferable about higher-end homes. Their profit margins aren’t generally higher. They demand more customization. They’re riskier to build in economic downtimes. Entry-level housing, on the other hand, is invariably in deep demand.

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If more communities permitted it, builders would return to that end of the market, Mr. Nageli said.

“We would be thriving in it,” he said.

In Portland, where Mr. Wood has long tried to build entry-level single-family homes, zoning reforms now allow multiple units on what were previously single-family lots. Today Mr. Wood is pursuing permits for his first triplexes and fourplexes.

“In 2022, we started our last single-family detached homes in Portland,” he said. “I do not think we will ever do it again.”

Additional work by Gray Beltran.

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