

NEWS & MEDIA



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Nearly 32% of Home Sales in Q4 Were Newly Built

New construction accounted for a large share of home sales in 2023 Q4 because homebuilding has increased and the number of homeowners selling has decreased, Redfin said.

SEATTLE — Nationwide, 31.8% of U.S. single-family homes for sale in the fourth quarter of 2023 were new construction, according to a new report from the real estate brokerage Redfin. That's comparable with 31.9% a year earlier, which is the highest level of any fourth quarter on record.

Newly built homes are taking up a growing share (<https://www.redfin.com/news/new-construction-q4-2023/>) of the for-sale housing pie for two primary reasons:

1. **Homebuilding has increased.** Homebuilding has been on an upward trajectory since 2009 as builders have slowly climbed their way out of the hole caused by the Great Recession. Construction also jumped during the pandemic as builders responded to surging homebuyer demand fueled by record-low mortgage rates.

2. **The number of homeowners putting their houses on the market has decreased** over the last year and a half. That's because mortgage rates started rising in 2022 and jumped to a 23-year high in 2023, prompting many homeowners to stay put instead of selling and losing the rock-bottom rate they scored during the pandemic. While mortgage rates have fallen a bit in the last few months, this "lock-in effect" continues to hamper listings, which are higher than they were a year ago but remain far below pre-pandemic levels.

Homebuilders have been offering sizable concessions, including money for mortgage rate buydowns, to attract bidders and offload inventory. That has made it hard for some individual sellers of existing homes to compete for buyers.

"Newly built homes are selling quickly right now because builders are offering such good discounts," said Heather Mahmood-Corley, a real estate agent in Phoenix. "I recently had a buyer who wasn't interested in a new construction home, but the builder offered such a good rate – 5.25% – that they couldn't afford not to take it. Another one of my buyers got a \$10,000 credit for closing costs from a builder."

While builders are offering discounts, they've also boosted prices, according to Christine Kooiker, a real estate agent in Grand Rapids, MI.

"One of the builders in Grand Rapids that focuses on entry-level homes now has prices in the mid \$300,000 range," Kooiker said. "Not long ago, buyers could get a new construction home here for \$250,000 or \$300,000."

Roughly two of every five (42%) new single-family homes that sold in 2022 went for \$500,000 or more, up from under one-third (30%) in 2021 and 18% in 2020.

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