

Builder 100: What Types of Buyers Will Drive New Home Demand in 2017?

And which markets are they concentrated in?

By [Hanley Wood Data Studio](#)

According to our monthly survey of regional directors in 36 leading markets across the country, average demand for new homes increased 9.81% between April 2016, when the average score was 7.03, and April 2017, when the average score was 7.72. Compared to April 2015, when the average demand for new homes was 6.61, buyer interest has grown 16.79%, a significant mark of housing's ongoing recovery.

The growth in demand for new homes year-over-year is further evidenced by the [13.62% increase in home deliveries](#) among the top 200 firms in our 2017 Builder 100/Next 100 lists. The bigger question is what types of buyers are expected to drive gains in the coming year, and which markets are they concentrated in?

In our 2017 Builder 100 survey, we asked builders to identify which types of buyers--among single buyers, couples with no children, families with children, empty nesters/active adults, and foreign buyer households of any size--they think will most affect home sales.

By and large, the majority of builders expect families with children to drive home sales in 2017, followed by baby boomers that will drive sales in the active adult segment as they become empty nesters and retire.

Commentary from Metrostudy regional directors echoed the findings of our survey overall, with family buyers and empty nesters/active adults accounting for the two largest shares of home sales. In markets where bedroom communities are predominant, like [Baltimore](#) and suburban [Maryland](#), Northern [Virginia](#), family buyers reign supreme. Elsewhere, the two flip-flopped for the majority; in snowbird markets like St. George-Mesquite, Naples-Ft. Myers, and submarkets of South [Florida](#) like the Treasure Coast and Palm Beach, empty nesters account for the majority of sales. This is also the case in Albuquerque, which has been slower to bounce back from the recession than many other markets. "Product targeted to empty-nesters has experienced success in 2016," [Albuquerque](#) regional director John Covert reports. "[This trend] is expected to provide a steady boost to housing activity in the 'Duke City' for the foreseeable future."

Home sales in [Texas](#)' major markets, [Austin](#), [Dallas](#) Ft. Worth, and Houston, are still dominated by family buyers. However, regional directors in Dallas-Ft. Worth and Houston are starting to see some diversification. Lawrence Dean, regional director of the Houston market, reports that foreign buyers make up a large portion of sales in the highest-volume master-planned communities, Aliana and Riverstone. "It should be

noted that in most instances these buyers are immigrants who are working/ living in Houston and are purchasing these homes as a primary residence," Dean says. "[Houston](#) overall is not seeing foreign buyers purchase homes strictly for investment purposes. "

However, commentary from regional directors shows that most families with children searching for a home are interested in entry-level or first-time product. As the dominant buyer type overall, this underscores the ongoing need for affordable supply of that type of product, which builders are struggling to provide. In 2016, the majority of builders in our Builder 100/Next 100 list reported that [50% or more of units closed were luxury product](#), despite the fact that they recognize family buyers as the number one target in 2017.

Innovative building solutions to mitigate high land and material costs should be a priority for builders in 2017 if they hope to capture family buyers and still make a considerable profit.