What Drives Single-Family Home Values?

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The value of a single-family home depends not only on its physical features but also on its location and neighborhood context. Using the latest 2023 American Housing Survey (AHS), this study focuses on which physical features and neighborhood conditions materially boost single-family detached home values and by how much. The overall square footage of the home and the number of bathrooms stand out as especially strong value drivers, while metro locations and neighborhood quality also add significant premiums.

Key Findings

- Homes between 1,000 and 2,000 sq. ft. are valued about 17% higher than smaller homes, while those with 2,000–3,000 sq. ft. gain 30%, and homes 3,000 sq. ft. or larger are worth 55% more. Each full bathroom adds about 32%, and even a half bath adds 15% to value. An extra bedroom contributes roughly 5%.
- Homes built after 2020 are valued about 19% higher than those built before 2010, reflecting modern design, energy efficiency, and updated systems.
- Homes in large metropolitan areas are worth about 60% more than comparable homes in rural areas.
- For every one-point improvement in neighborhood quality (on a 1–10 scale), home value rises by about 2%. Homes near abandoned or vandalized buildings lose 17%, and those with visible trash nearby drop about 8%.
- Garages, fireplaces, and central air conditioning each add 7–11% to value, with central air conditioning having the largest impact in the southern U.S.

Methodology and Caveats

This analysis uses data from the 2023 AHS, which provides detailed information on the physical characteristics of homes and the neighborhoods they are in across the United States. This study focuses on single-family detached homes and employs a hedonic regression model, a well-established statistical method in housing economics that measures how individual home features, such as size, age, location, or neighborhood quality, influence overall market value.

Homeowners in the AHS report their own estimates of home values. While they are not independent appraisals or recorded transaction prices, research by Kiel and Zabel[1] (2004) finds that AHS homeowners, on average, overestimate their home values by about 5.1%. However, these over-estimations of home values are not systematically related to characteristics of the house, its occupants or neighborhood. As a result, owner-reported home values in AHS remain reliable estimates of the prices of house and neighborhood characteristics.

Home values are log-transformed to account for the fact that a $50,000 change in value means something very different for a $150,000 home than for a $500,000 home. This approach allows us to express findings are percentage changes rather than dollar amounts, making the results comparable across homes at difference price points and in different geographic divisions.

It is important to understand what this model can and cannot tell us. Due to the data limitation on geographic levels, these results represent averages across the Census divisions rather than estimates for a particular house in a specific neighborhood. The local market conditions, specific neighborhood environments or home characteristics will create the differences within each division. Moreover, the model is based on values of existing homes. It captures what homeowners value most in the current housing market, not what it costs to build them. For example, the model shows that adding a full bathroom is associated with a 28% increase in home value, but that does not mean it costs 28% of the home value to build one.

Physical Features of the Home

Home size is one of the strongest value drivers in today's housing market, as shown in Figure 1. Compared with smaller homes under 1,000 sq. ft, homes between 1,000 and 2,000 sq. ft. are valued about 17% higher. Moving up to homes between 2,000-3,000 sq. ft. increases value by around 30%, while homes with 3,000 sq. ft. or more adds 55% more to the market value. These effects are measured after accounting for differences in region, age of structure, and other key features.

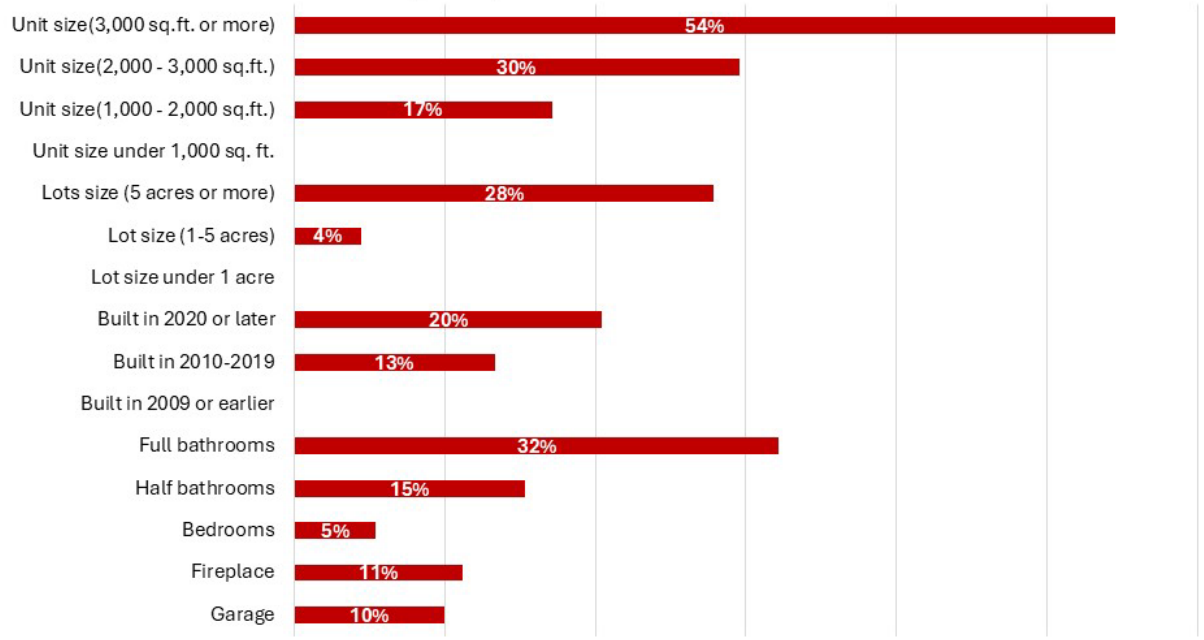
While both the number of bathrooms and bedrooms contribute to single-family home values, the number of bathrooms has a larger impact. Each additional full bathroom increases home value by approximately 32%, compared to about 5% for an additional bedroom, holding the square footage and other features constant. Even a half bathroom brings meaningful returns, adding an estimated 15%.

[1] Kiel, K. and Zabel, J. (2004). "Location, Location, Location: The 3 L's of House Price Determination." *Journal of Housing Economics* 13(1): 1–23.

The age of the home is also a contributing factor to the final market value, even after accounting for other features and neighborhood conditions. Compared to homes built before 2010, homes built between 2010 and 2019 have 13% higher values, and homes built after 2020 are valued 19% higher. These premiums likely reflect improvements in energy efficiency, insulation, and modern building systems that are appealing to more buyers.

Other amenities also bring solid returns, like garages, fireplaces and centralized air conditioning. Garages add around 10% to home value; Besides a protected parking space, garages offer the flexibility for additional storage or turning it into a workshop/hobby space. Having a fireplace can add value to a home, increasing its value by around 10%. It is appealing to some home buyers, as it not only provides a cozy ambiance, but also could reduce heating costs in some regions. Centralized AC adds about 7% to home value nationwide, but its impact varies across the divisions. In the South, including the South Atlantic, East South Central, and West South divisions, centralized AC adds 23%, 40%, and 48% more values, respectively.

Figure 1. Estimated Percentage Change in Home Value By Physical Home Features



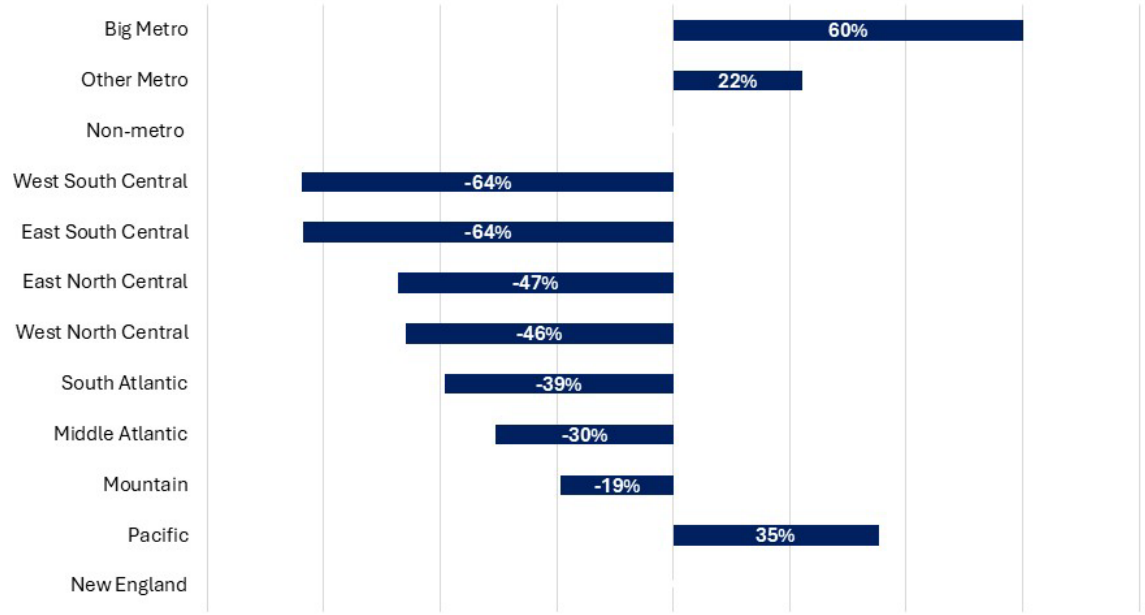
Source: 2023 American Housing Survey, NAHB Analysis
Baseline categories are unit size under 1,000 sq ft, lot size under 1 acre, built before 2010, respectively.

Location, Location, and Location

Not surprisingly, location remains one of the strongest drivers of home values (Figure 2). Homes in a big metropolitan area are valued 60% higher than comparable homes in non-metro areas, while those in smaller or midsized metro areas are 22% more.

Home values also vary significantly across census divisions. Using New England as the baseline, homes in the Pacific Divisions, including Alaska, California, Hawaii, Oregon, and Washington, are valued around 35% higher values on average. By contrast, homes in the rest of the divisions show substantially lower values relative to New England. Homes in the East South Central and West South Central divisions are more than 60% lower in value, while those in the Middle Atlantic are about 30% lower. In the East North Central and West North Central Divisions, home values are roughly 47% and 46% lower, respectively. Homes in the South Atlantic are 39% lower, and those in the Mountain Division are about 19% lower.

Figure 2. Estimated Percentage Change in Home Value By Location

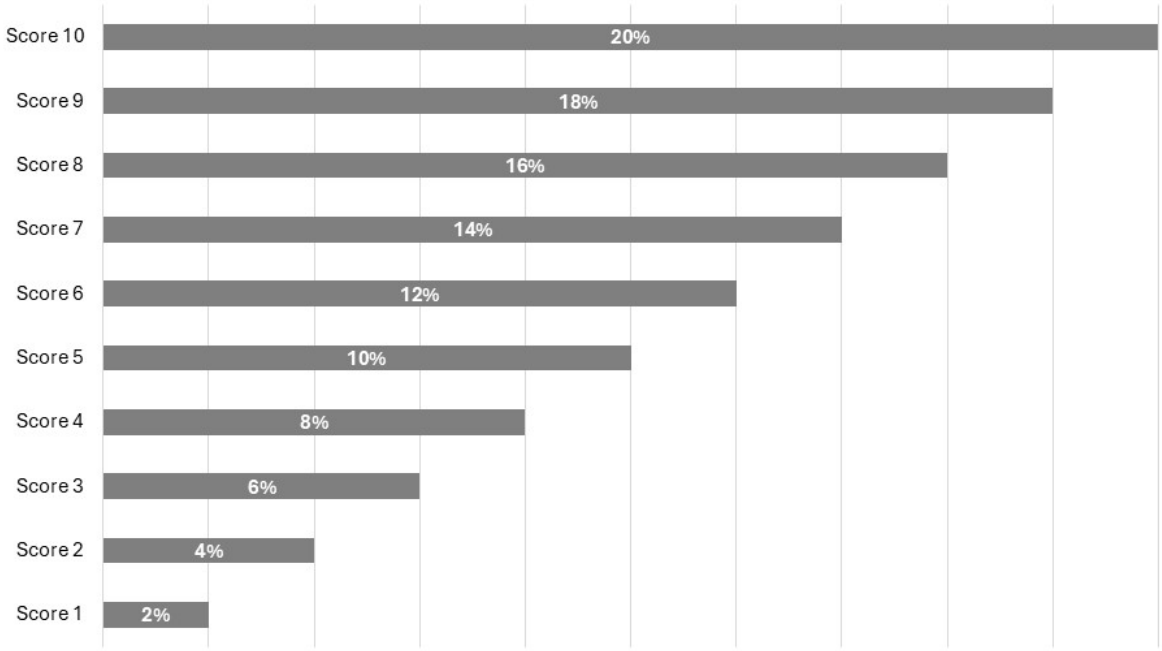


Source: 2023 American Housing Survey, NAHB Analysis
Baseline categories are non-metro areas, and New England division, respectively.

Neighborhood Features

People are willing to pay a premium for a better neighborhood. The analysis shows that a higher overall neighborhood quality rating, measured on a 1 to 10 scale, contributes about a 2% increase in home value for every 1-point rise (Figure 3). For example, moving from a neighborhood rated 5 to one rated 7 could increase your home value by 4%.

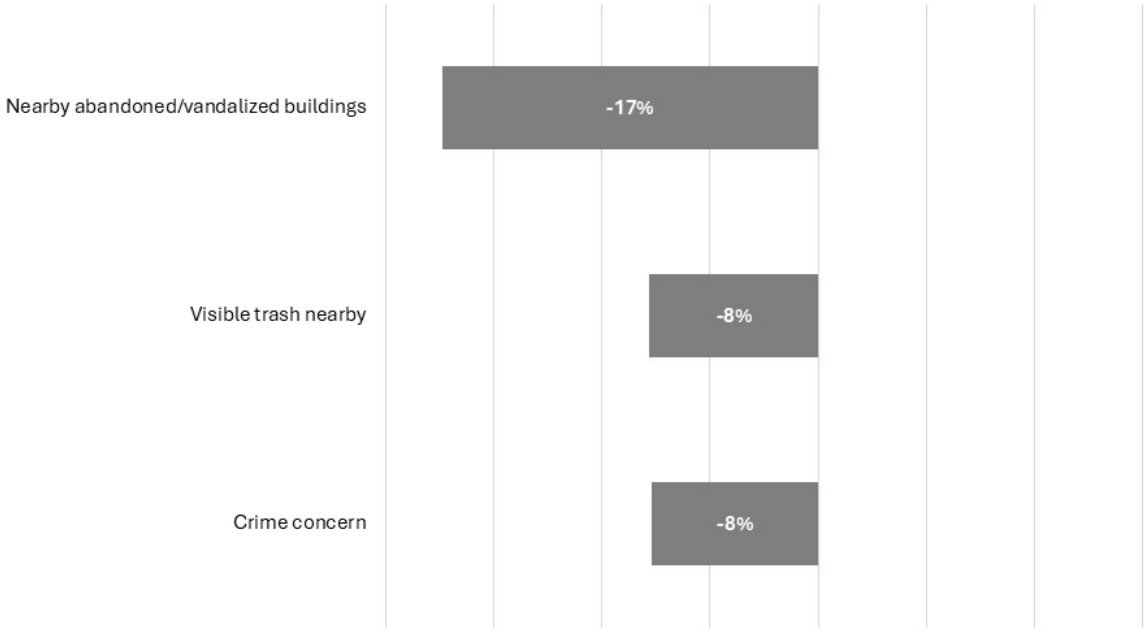
Figure 3. Estimated Home Value Impact By Neighborhood Ratings



Source: 2023 American Housing Survey, NAHB Analysis
Neighborhood Rating is 1-10 score.

On the other end, the impact of specific negative conditions is substantial (Figure 4). Homes located near abandoned or vandalized buildings have 17% lower values. The presence of visible trash nearby reduces home values by 8%. Improving the broader neighborhood environment could have as much impact on the final home value as upgrades inside the home.

Figure 4. Estimated Home Value Impact By Neighborhood Features



Source: 2023 American Housing Survey, NAHB Analysis

Model Performance and Limitations

The regression model explains about 47% of the variance in home values. It is relatively strong for cross-sectional housing data, given many factors, like homeowners' preferences, house finishes, and other neighborhood characteristics, are not captured in the AHS or only included as internal only. Most key factors are statistically significant, meaning they are strongly backed by the data.

However, no data set or statistical model can capture every single feature that affects the price of something as complex as a house. As a result, some features may act as proxies for others that are not directly measured. NAHB addresses this issue by including relevant variables that theory and prior study suggest matter, use interactions where appropriate, and use regional controls for unobserved differences, avoiding proxying multiple concepts with a single variable, like neighborhood quality is measured by more specific variables (crime, nearby abandoned/vandalized buildings, visible trash nearby and neighborhood rating).

The AHS data does not have the granular geographic level below the Census divisions. Therefore, the results represent the averages across divisions, not local or neighborhood level estimates. Moreover, regression results describe marginal effects (shown in the Appendix), how each feature value when others are held constant, not casual impacts.

Despite these limitations, this methodology allows us to examine the independent contribution of each feature while holding others constant. It mainly answers the question “how much does this specific feature add to value, all else being constant?” Therefore, results should be viewed as market-level insights and trends, not a precise predication of any specific home price.

Appendix: Regression Results and Marginal Effects

	Coefficient	Marginal Effect (%)
Middle Atlantic	-0.363***	-30%
	(0.101)	
East North Central	-0.639***	-47%
	(0.095)	
West North Central	-0.615***	-46%
	(0.137)	
South Atlantic	-0.499***	-39%
	(0.099)	
East South Central	-1.012***	-64%
	(0.138)	
West South Central	-1.013***	-64%
	(0.119)	
Mountain	-0.214*	-19%
	(0.130)	
Pacific	0.302***	35%
	(0.081)	
Other Metro	0.200***	22%
	(0.018)	
Big Metro	0.471***	60%
	(0.019)	
Lotsize (1□<5 acres)	0.044***	4%
	(0.015)	
Lotsize (5+ acres)	0.246***	28%
	(0.024)	
Unitsize(1,000 to 2,000 sq.ft.)	0.158***	17%
	(0.033)	
Unitsize(2,000 to 3,000 sq.ft.)	0.259***	30%
	(0.035)	
Unitsize(3,000 sq.ft. or more)	0.435***	54%
	(0.038)	
Built 2010□2019	0.125***	13%
	(0.018)	
Built 2020+	0.186***	20%
	(0.026)	
Crawlspace	0.173*	19%
	(0.089)	
Basement	0.019	2%
	(0.074)	
Full bathrooms	0.279***	32%

	(0.011)	
Half bathrooms	0.143***	15%
	(0.013)	
Bedrooms	0.053***	5%
	(0.008)	
Garage	0.095***	10%
	(0.021)	
Fireplace	0.106***	11%
	(0.011)	
Central AC	0.069*	7%
	(0.036)	
Neighborhood rating (1□10)	0.019***	2%
	(0.003)	
Nearby abandoned/vandalized Buildings	-0.191***	-17%
	(0.036)	
Visible trash nearby	-0.081**	-8%
	(0.034)	
Crime concern	-0.080**	-8%
	(0.035)	
Middle Atlantic × Central AC	-0.001	0%
	(0.049)	
East North Central × Central AC	-0.001	0%
	(0.061)	
West North Central × Central AC	0.049	5%
	(0.128)	
South Atlantic × Central AC	0.211***	23%
	(0.076)	
East South Central × Central AC	0.337***	40%
	(0.117)	
West South Central × Central AC	0.395***	48%
	(0.100)	
Mountain × Central AC	-0.064	-6%
	(0.098)	
Pacific × Central AC	-0.224***	-20%
	(0.050)	
Middle Atlantic × Crawlspace	-0.240*	-21%
	(0.123)	
East North Central × Crawlspace	-0.194*	-18%
	(0.109)	
West North Central × Crawlspace	-0.273**	-24%
	(0.112)	
South Atlantic × Crawlspace	-0.325***	-28%
	(0.093)	

East South Central × Crawlspace	-0.079	-8%
	(0.100)	
West South Central × Crawlspace	-0.202**	-18%
	(0.101)	
Mountain × Crawlspace	0.183*	20%
	(0.111)	
Pacific × Crawlspace	-0.056	-5%
	(0.096)	
Middle Atlantic × Basement	-0.019	-2%
	(0.100)	
East North Central × Basement	-0.030	-3%
	(0.085)	
West North Central × Basement	-0.003	0%
	(0.092)	
South Atlantic × Basement	-0.188**	-17%
	(0.077)	
East South Central × Basement	0.097	10%
	(0.087)	
West South Central × Basement	0.189	21%
	(0.131)	
Mountain × Basement	0.235***	26%
	(0.087)	
Pacific × Basement	0.029	3%
	(0.085)	
Observations	21526	
R2	0.474	
Adjusted R2	0.473	
Residual Std. Error	0.574 (df=21471)	
F Statistic	209.423*** (df=54; 21471)	

Note: *p<0.1; **p<0.05; ***p<0.01