

Homes Built in Nonmetropolitan America

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Of the 848,000 single-family homes started in the U.S. in 2017, roughly 79,000 were nonmetropolitan—that is, they were built outside one of the officially-defined metropolitan areas. This article looks at the characteristics of these newly built nonmetropolitan homes, using data from the [Survey of Construction](#) (conducted by the [U.S. Census Bureau](#) with partial funding from [HUD](#)).

Highlights include

- The 79,000 nonmetropolitan single-family starts in 2017 is up only 40 percent from the trough in 2011, compared to a 97 percent for single-family starts overall.
- The average size of a single-family home built in the nonmetropolitan part of the U.S. in 2017 was 2,148 square feet, compared to 2,639 inside metropolitan areas.
- The average price of a single-family home built for sale in the nonmetropolitan part of the U.S. was \$245,552, about a third less than in metropolitan areas.
- On a per square foot basis, the differences are less pronounced. The average price of a single-family home built for sale in the nonmetropolitan part of the U.S. was \$96.70, only about 10 percent less than in metropolitan areas.
- Over half of new single-family homes built in the nonmetropolitan U.S. use vinyl for the primary siding material (compared to less than a quarter of new homes in metropolitan areas).
- Over 16 percent of single-family homes built in the nonmetropolitan part of the country are purchased for cash (compared to under 9 percent inside metropolitan areas).

The rest of this article discusses the concept of nonmetropolitan and why it is often used in practice, then describes the abovementioned characteristics of nonmetropolitan home building in more detail.

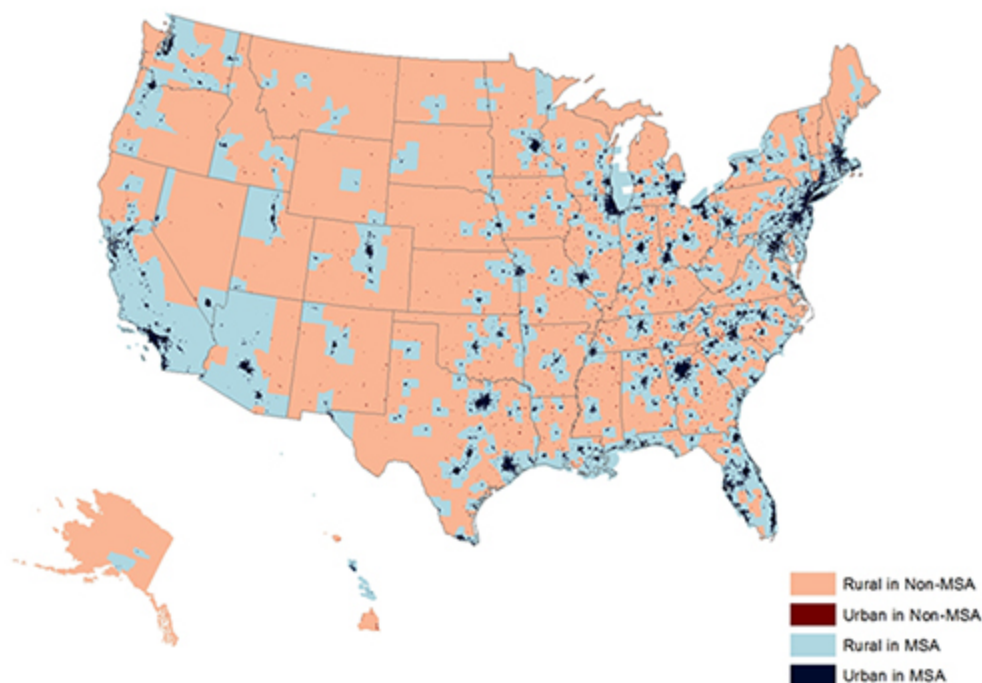
The Nonmetropolitan-Rural Distinction

Before delving into specific characteristic like house size and price, it is necessary to cover some potentially confusing issues of terminology. In common language, the term most often used for territory outside of large population centers is “rural.” The federal government uses the term rural in several ways, but always in a way that mean something substantially different from nonmetropolitan.

To cover a few of the basics, the [Office of Management and Budget](#) publishes the official list of [metropolitan areas](#) (although in practice the Census Bureau does most of the heavy lifting in producing the list). These are called Metropolitan Statistical Areas (MSAs) and are aggregations of contiguous counties, based largely on commuting patterns. Anything outside of the MSAs is considered nonmetropolitan. The Census Bureau uses a totally different system to define [urban areas](#), based largely on population density, using building blocks much smaller than counties. Anything outside of these urban areas is categorized as rural.

Figure 1 illustrates the intersections of urban and metropolitan areas with a four-color shading scheme. The blue areas are metropolitan areas. The two dark colors are urban areas. Dark blue shows urban territory inside metros. The dark maroon color shows urban territory outside of metros. On the map the maroon areas appear as very fine dots, each consisting of a small number of pixels, that may be difficult to see without magnifying the image.

Figure 1. Urban and Rural In and Out of Metropolitan Areas (MSAs)

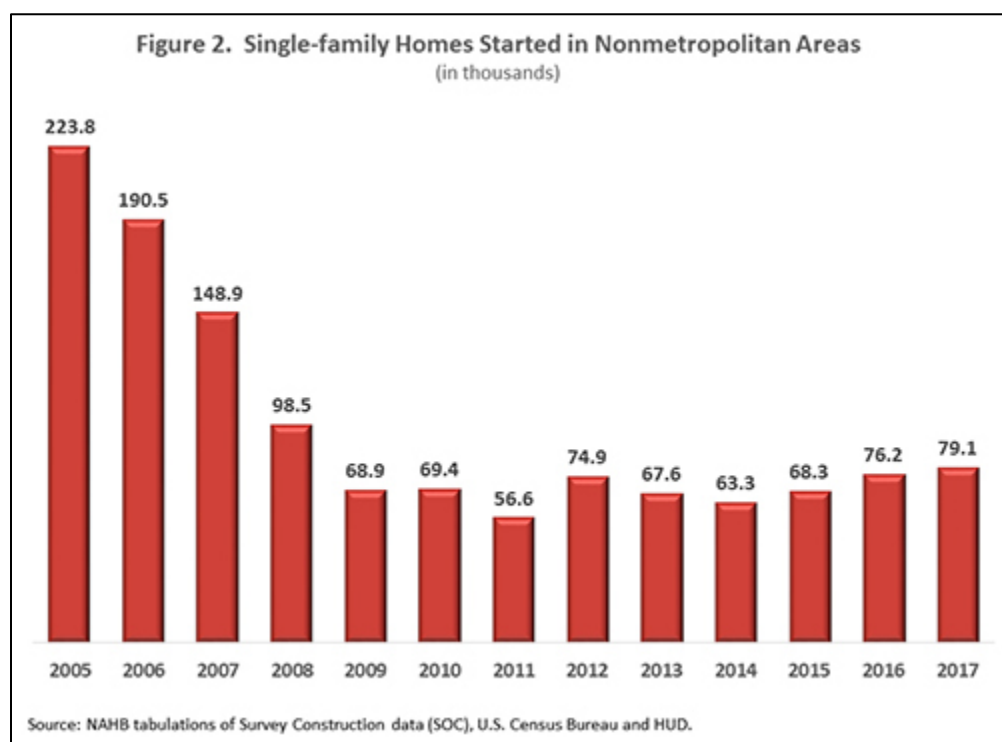


However, it is easy to see that a relatively small share of the map is covered by a dark color. In other words, the vast majority of land in the U.S. is rural. The light blue shows that there is a lot of rural territory even within metropolitan areas. In case this does not seem confusing enough, the [Department of Agriculture](#) maintains multiple definitions of rural—some mostly for [research purposes](#), others to establish geographic eligibility for the [housing and other development programs](#) it operates.

Much analysis of the part of the country outside of the population centers is based on nonmetropolitan rather than rural (however defined) geography, due simply to data availability. This article, for example, is based on single-family homes started in 2017 outside of metropolitan areas, because the metropolitan-nonmetropolitan breakdown is the only one available in the Survey of Construction. Many readers will probably be tempted to call these nonmetropolitan statistics rural, but keep in mind that this is inconsistent with federal government terminology. If you use the term “rural housing starts,” for example, the Census Bureau will deny that such a statistic exists and tell you it cannot be produced from Survey of Construction data.

Volume of Nonmetropolitan Construction

Figure 2 is the annual series of single-family starts in the nonmetropolitan part of the country since the peak of the housing boom in 2005. As the figure shows, there were 223,800 of these nonmetropolitan starts in 2005. The series dropped to a trough of only 56,600 nonmetropolitan single-family starts in 2011, then recovered to 79,100 by 2017.

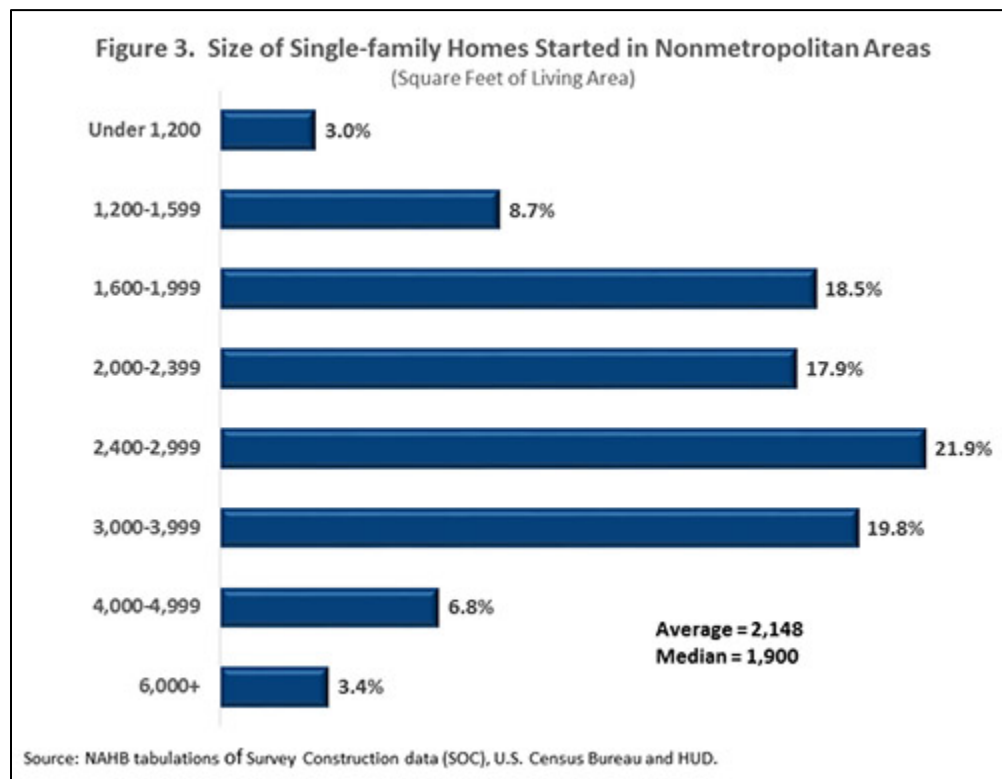


Total single-family starts (in metropolitan and nonmetropolitan areas combined) followed a similar pattern, with a peak in 2005 and trough in 2011, but the subsequent recovery has been stronger. In 2017, total single-family starts were roughly 848,000. This is up 97 percent from its trough in 2011, but still 50 percent below its peak in 2005. In contrast, the roughly 79,000 single-family starts in nonmetropolitan areas is up only 40 percent from its trough in 2011, and still 65 percent below its peak in 2005.

In short, the recovery of single-family housing production in nonmetropolitan areas has been particularly weak. This also shows up as a drop in the share single-family starts taking place in nonmetropolitan areas. Nonmetropolitan construction accounted for at least 12.9 percent of single-family starts every year from 2005 through 2012, but for under 10 percent of single-family starts every year since 2014, reaching a low of 9.3 percent in 2017.

House Size and Purpose of Construction

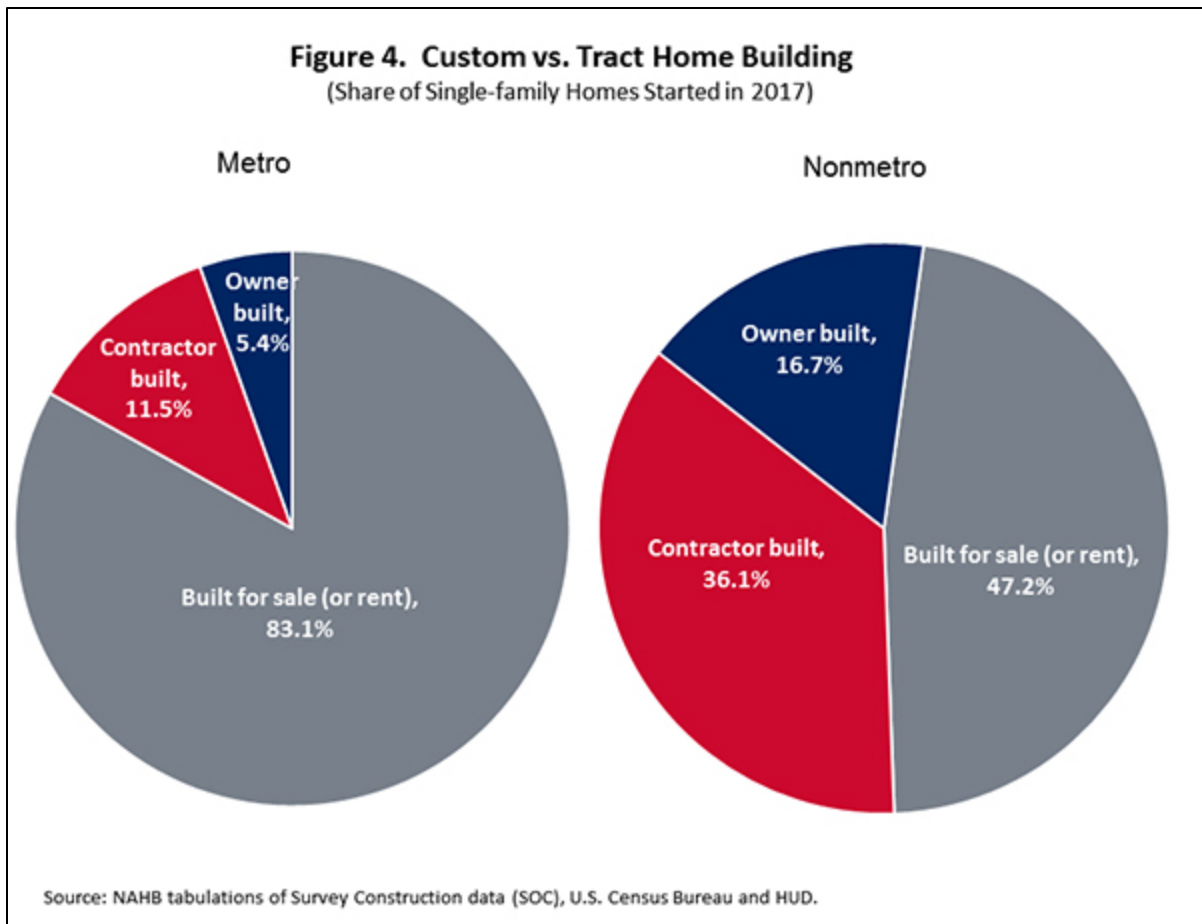
Figure 3 shows the size distribution of single-family homes started in nonmetropolitan areas in 2017. As the figure shows, most (78 percent) of the homes have between 1,600 and 4,000 square feet of living space. Fewer than 12 percent have less than 1,600 square feet, and only a little over 10 percent have 4,000 square feet or more.



The typical new nonmetropolitan single-family home is smaller than its metropolitan counterpart by a few hundred square feet. In 2017, the average size of a home built in the nonmetropolitan part of the country was 2,148 square feet (compared to 2,639 inside metropolitan areas), and the median was 1,900 (compared to 2,400 inside metros).

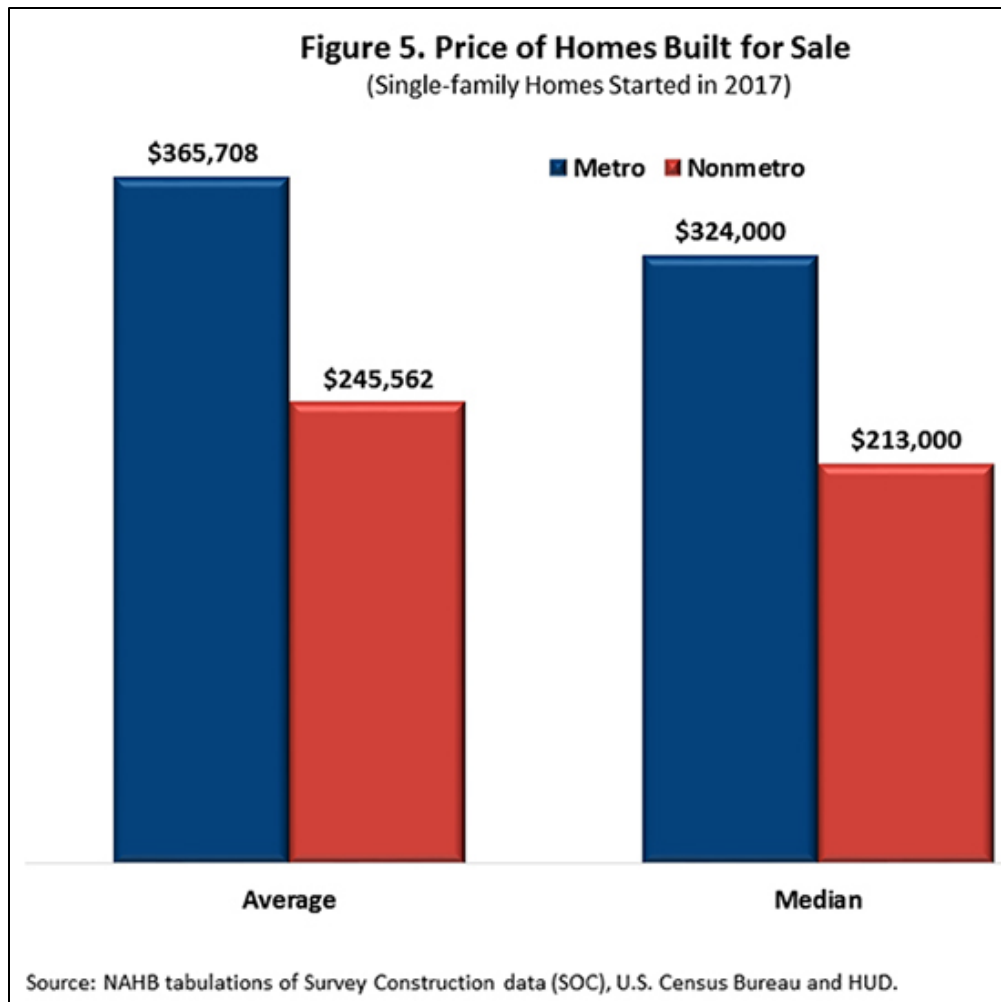
One of the distinguishing features of home building in nonmetropolitan areas is the relatively high share of custom homes—that is homes built one at a time on the home owner's land. These include homes classified by the Census Bureau as "contractor built" if the owner employs a builder; and "owner built" in cases the owner his- or her-self serves as the general contractor. Inside metropolitan areas, only 11.5 percent of the homes started in 2017 were contractor built and 5.4 percent were owner built. The vast majority (over 80 percent) were built for sale (or rent), usually in tracts or subdivisions.¹

In contrast, fewer than half (47.2 percent) of single-family homes started in 2017 in nonmetropolitan areas were built for sale (or rent). Just over 36 percent were contractor built and 16.7 percent were owner built (figure 4). In other words, compared to its metropolitan counterpart, a single-family home started in a nonmetropolitan area is over three times as likely to be a custom home, built one at a time on the owner's land.

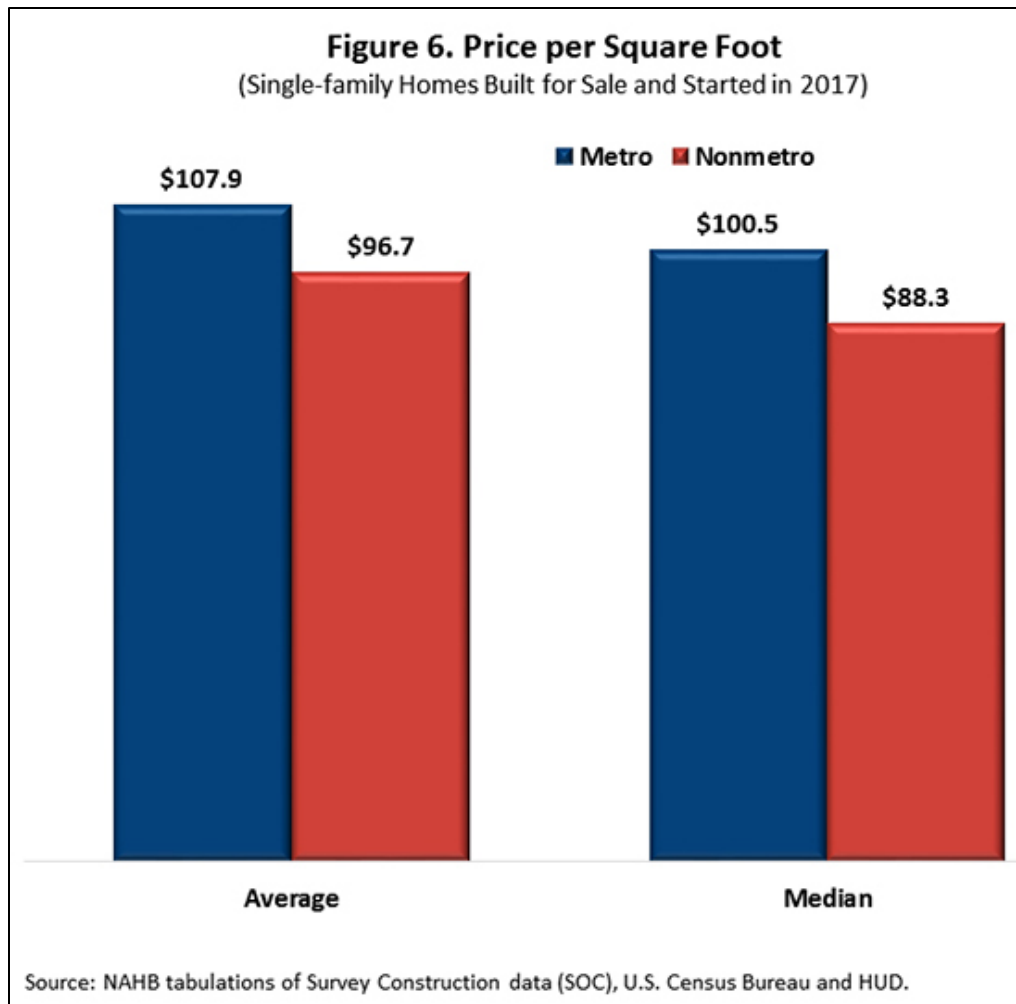


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In addition to being somewhat smaller, single-family homes built in the nonmetropolitan part of the country tend to be somewhat less expensive. The average price of a single-family home built for sale and started in nonmetropolitan areas in 2017 was \$245,552, 33 percent less than the \$365,708 in metropolitan areas. The nonmetropolitan median was \$213,000, 34 percent less than the \$324,000 in metropolitan areas (fig. 5).

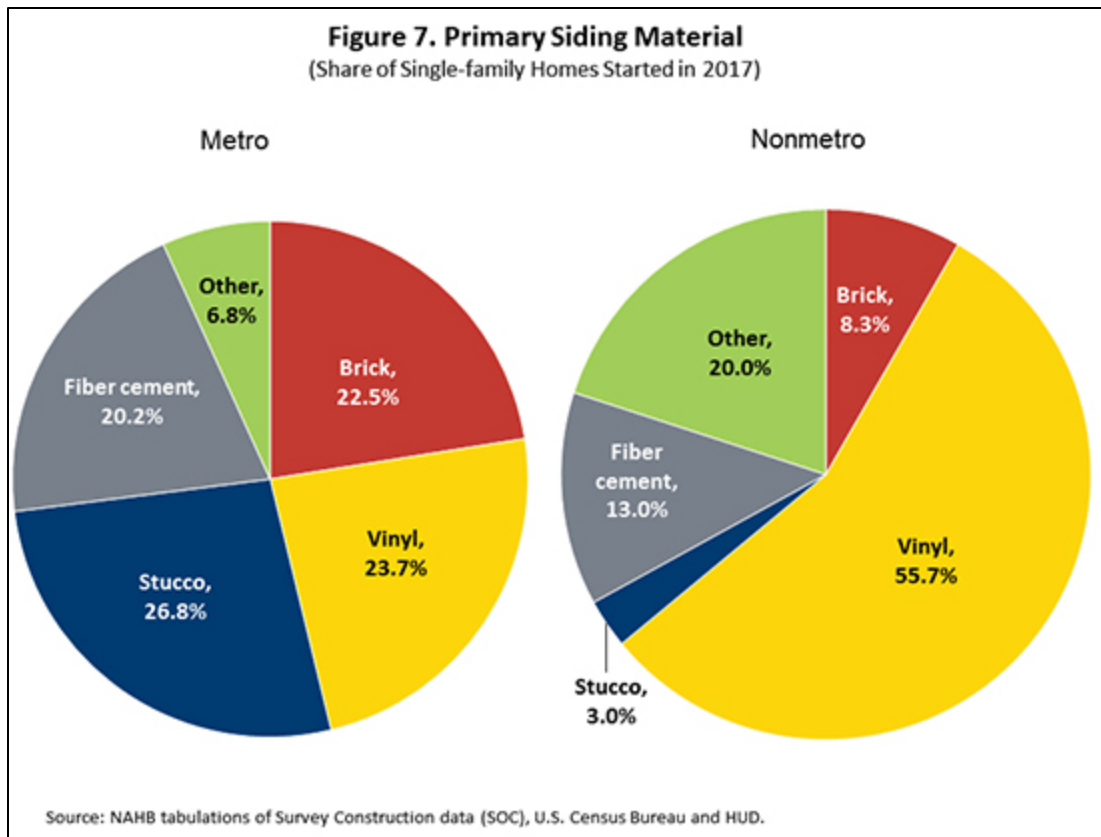


On a square footage basis, however, the differences are less pronounced. The average price per square foot of a single-family home built for sale and started in nonmetropolitan areas in 2017 was \$96.70, only 10 percent less than the \$107.90 in metropolitan areas. The nonmetropolitan median was \$88.30 per square foot, 12 percent less than the \$100.5 in metropolitan areas (fig. 6). In other words, nonmetropolitan homes are achieving a lower average price more by sacrificing square footage than by being less expensive to build per square foot.



Other Metropolitan-Nonmetropolitan Differences

In addition to being smaller, new single-family homes in nonmetropolitan areas may be achieving a lower average price in part by using less expensive siding materials. Over half (55.7 percent) of single-family homes started in 2017 in nonmetropolitan areas use vinyl siding as the primary exterior wall material, compared to under a quarter (23.7 percent) of homes built inside metropolitan areas (fig. 7). According to [Home Advisor](#), “you can spend less on vinyl siding than on any other material.”



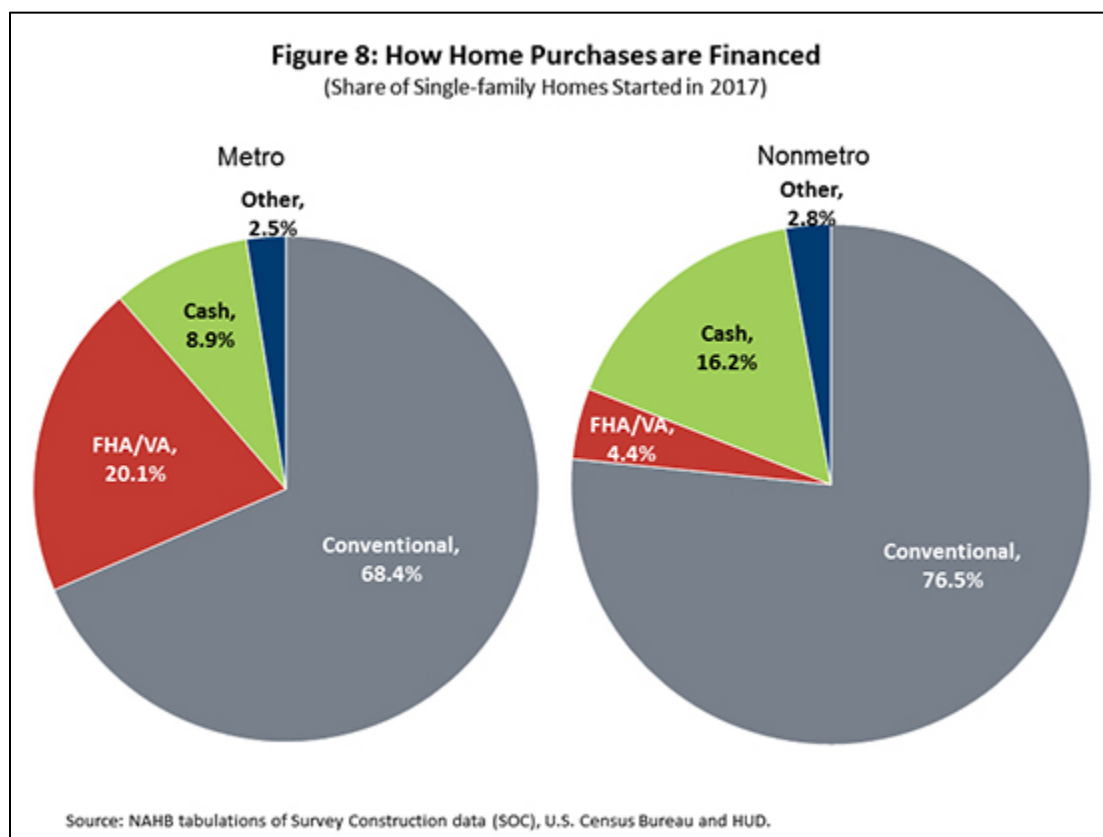
The other materials used on homes built in nonmetropolitan areas include fiber cement (13.0 percent), brick (8.3 percent) and stucco (3.0 percent). One-fifth use some other type of siding. The “other” category is comprised mostly of a completely unspecified alternative, or some type of wood product. A vanishingly small percentage of homes, either inside or outside of metropolitan areas, use one of the other specific types listed in the Survey of Construction: stone and concrete block. The survey no longer collects data on metal siding. Next to vinyl, metal and engineered wood oviducts generally provide the next least expensive alternatives.

Finally, home buyers in the nonmetropolitan part of the country are somewhat different in terms of how they pay for new homes. Irrespective of location, the majority of buyers take out a conventional mortgage: 68.4 percent of new single family homes started inside metropolitan areas, and 76.5 percent in the nonmetropolitan part of the country were financed that way. However, inside metropolitan areas, a fifth of buyers relied on an FHA (insured by the [Federal](#)

[Housing Administration](#) or VA (guaranteed by the [Department of Veteran Affairs](#)) loan, compared to only 4.4 percent of new home buyers in the nonmetropolitan part of the country.

The Survey of Construction does not collect information about loans made under one of the Department of Agriculture's single-family programs (April 13, 2017 Special Study). These are an option outside of densely settled areas and are probably included in the conventional financing total.

A relatively high share of new single family homes in the nonmetropolitan U.S. are purchased for cash. Of the new single-family homes starting in the nonmetropolitan U.S., over 16 percent of new single-family homes were bought for cash, compared to less than 9 percent inside metro areas (fig. 8).



There are a number of possible reasons for a greater share of cash purchases in the nonmetropolitan part of the country. One is a more limited number of financing options and resulting greater difficulty of obtaining financing. Conventional wisdom that the one-at-a-time and often unique nature of homes built outside of metropolitan areas makes loans more difficult to underwrite and package for the secondary market.

Summary and Conclusion

Standard government statistics show that the recovery of single-family production in the nonmetropolitan part of the U.S. has been very modest. Nonmetropolitan single-family starts in 2017 were up only 40 percent from the trough in 2011, compared to a 97 percent for single-family starts overall.

Homes built in the nonmetropolitan part of the U.S. tend to be less expensive. This is explained partly by lower price per square foot, but more by a smaller average home size. Homes built outside metropolitan areas are also less likely to be purchased with an FHA or VA loan, more likely to be purchased for cash.

A slow recovery, smaller homes, and greater share of cash purchases all suggest that home building faces particular challenges in the nonmetropolitan part of the country, and helps explain why many people think housing in outlying areas still needs targeted support from programs like the Department of Agriculture's single-family programs (April 13, 2017 Special Study).

¹ The Census Bureau now includes single-family homes built for rent with those built for sale. Historically, the share built for rent has been very small. This is the primary reason the Census Bureau stopped providing a separate category for them.