
The incredible shrinking house

Soaring fuel costs, environmental concerns and aging baby boomers mean the American dream home is a lot smaller than it used to be.

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Last Updated: May 14, 2008: 4:21 AM EDT

(Money Magazine) -- Out on the range is the last place you would expect America's long-running obsession with big houses to be laid to rest.

But four years ago Rachel Odom, an Oklahoma City home builder, began constructing an exclusive development where houses average just 1,800 square feet. That's far smaller than the homes of up to 6,000 square feet that her company had been building until then - and nearly 500 square feet smaller than the national average for new construction.

"Our concept was that people would pay up for smaller homes with more architectural character," says Odom. "But since nearly everyone seems to dream of owning a large home, we were taking a huge risk."

That risk may not have been as big as she thought. In Odom's Talavera development, where houses cost as much as \$275,000 (or about double the median local home price), she sold 115 homes in the first 18 months and expects to sell as many as 600 in total. These days small houses are, you know, big.

Up until now: Over the years, many a seer has predicted the mass downsizing of the American home. Instead, the average size of newly built houses has continued to rise from just over 1,600 square feet in the late 1970s to nearly 2,300 now.

But a number of trends suggest that this time Americans really might be willing to swap their McMansions for McCottages. For starters, baby boomers, whose eldest members turned 62 this year, are increasingly becoming empty-nesters; with children gone, they need less space.

Families themselves have changed dramatically. Between 1970 and 2000, the percentage of nuclear families - married couples with kids - declined from 40% of households to 24%, according to the Census Bureau. And childless families are expected to increase. For them, the supersize house may no longer be the ideal.

Then too, Generations X and Y seem more intrigued with life downtown where they can enjoy easy access to restaurants and entertainment, a minimal commute and smaller, easier-to-care-for living spaces.

"Ask anyone how many rooms in their house they don't regularly go into and most will admit that they actually live in a small percentage of their home," says Marianne Cusato, an architect who used to design 3,000-square-foot-plus homes but now specializes in cottages.

In a February survey of potential home buyers by the National Association of Home Builders, 60% said they

would rather have a smaller house with more amenities than the other way around.

"In the past, people would say 'Give me space and I'll add the features later,' " says Gopal Ahluwalia, the NAHB's vice president of research.

The next evolution: How will Americans cope with shrinking space? Cusato believes that newly built houses will have layouts that can "live bigger" than their square footage would suggest. Rooms can do double duty. For example, a den can be dressed up as a formal living room when needed (which Cusato contends is not that often).

Also slated for possible demolition: the formal dining room. Families can satisfy all their dining and entertaining needs by slightly expanding the breakfast nook. The great room could also become a relic. "Open spaces are great, but people don't know how to use undefined rooms," says Cusato. "So they don't."

Sarah Susanka, author of *The Not So Big House*, agrees. "The majority of your guests want to be in rooms you live in, not have their socks knocked off by a three-story foyer." She says storage can swallow a lot of a small house as well. So she designs homes with as much built-in storage as possible.

If the trend toward smaller homes does take root, it could trigger a seismic shift in home values. A recent study by online house-pricing service Zillow.com found that less expensive houses appreciate more than costlier and presumably larger homes. If that continues, the ubiquitous McMansion may turn out to be the real estate bubble's biggest booby prize. ■

First Published: May 7, 2008: 8:38 AM EDT
