Nonmetro Areas Gain In New Housing Market

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United States Department of Agriculture
Economic Research Service
RDRR-38
December 1983

Abstract

The nonmetro share of total U.S. housing completions, declining since 1976, began to grow in 1981. Both metro and nonmetro areas, however, have seen housing completions drop by about 46 percent since 1979. Median size of new nonmetro homes increased in 1982, while new nonmetro home size decreased. The 1982 price of new nonmetro homes sold increased slightly, while prices of new metro homes declined for the first time in a decade. The proportion of housing financed by conventional sources decreased 35 percent in metro areas, but only 28 percent in nonmetro areas. FHA-insured financing and cash payments increased dramatically in both areas. Use of less conventional heating fuels and heating systems is increasing in nonmetro homes, while electricity, as a fuel source, has increased in metro homes by close to 20 percent since 1976.

Introduction

Nonmetro areas now see changing trends in the new housing market, with a slightly growing share of housing completions, a narrower gap between metro and nonmetro new home prices, and lower costs per square foot compared to new metro homes. Both metro and nonmetro areas have shifted types of financing: use of Government-insured loans and cash payments have risen dramatically, while conventional financing has declined. New nonmetro housing now swings more to nonconventional heating-cooling fuels and systems, while new metro housing more often features electrical systems.

This bulletin compares the recent metro and nonmetro housing markets in terms of housing completions, sales prices, costs per square foot, type of financing, and heating-cooling sources.[1]

[1] Data in this report were compiled from "Characteristics of New Housing: 1980," *Construction Reports*, C25-80-13, Bureau of Census, Department of Commerce, and the Department of Housing and Urban Development, August 1978, and "Housing Completions," *Construction Reports*, C22-83-13, Bureau of the Census, Department of Commerce, and the Department of Housing and Urban Development, June 1983.

Housing Completions

Total new housing units completed in the United States between 1979 and 1982 declined by 46.3 percent, reversing a previous growth trend of housing completions (fig. 1). The decline was similar between nonmetro (44.8 percent) and metro areas (46.8 percent). The percentage of total new housing built in nonmetro areas declined steadily from 1976 to 1980, but the trend reversed in 1981 (table 1).

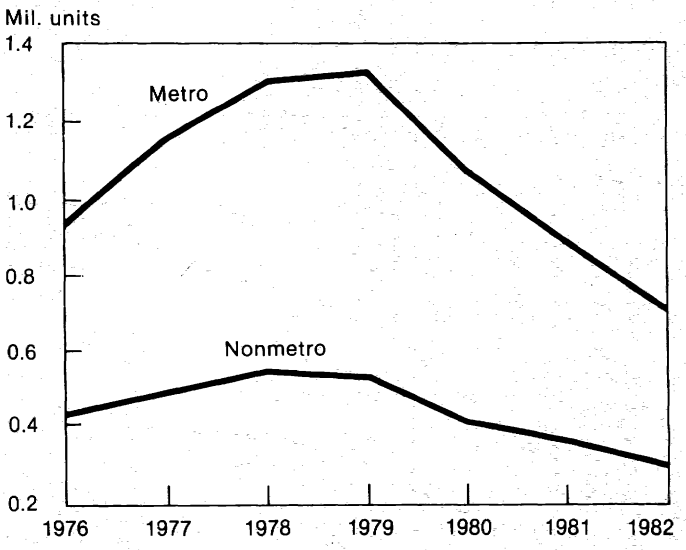
Sales Price

Just as income levels differ by nonmetro-metro location, so does the price of new housing. Sales price reflects differences in size and amenities as well as location, and the price of the lot as well as the structure. Until 1982, the price of new housing sold in metro areas was rising faster than in nonmetro areas.[2] The median sales price of new one-family housing units sold in metro areas increased by

[2] The remainder of this report includes only data on new, one-family housing units.

Figure 1

New Housing Units Completed[1]



[1] Includes all privately owned new housing units completed.
Source: Characteristics of New Housing (see text footnote 1).

Table 1—Total new housing completions

Year	Privately owned new housing units[1]				
	Nonmetro		Metro		Total
	Number	Percentage of total	Number	Percentage of total	
	Thousands	*Percent*	*Thousands*	*Percent*	*Thousands*
1976	427	31.0	950	69.0	1,377
1977	495	29.9	1,162	70.1	1,657
1978	554	29.7	1,314	70.3	1,868
1979	539	28.8	1,332	71.2	1,871
1980	423	28.2	1,079	71.8	1,502
1981	377	29.8	888	70.2	1,265
1982	297	29.5	708	70.4	1,005

[1] Data unavailable for publicly owned units completed after 1976. Total for new housing units includes both one-family and multi-family units.

56.5 percent from 1976 to 1982, while the sales price increased 47.3 percent in nonmetro areas. However, metro housing prices seem to have been affected slightly more by the recent recession. They rose by 8.5 percent from 1979 to 1982; nonmetro prices rose 9.3 percent (fig. 2). The price of nonmetro homes sold continued to increase between 1981 and 1982, while prices of metro homes sold decreased for the first time in a decade, thus narrowing the metro-nonmetro housing price gap.

Cost Per Square Foot

The cost per square foot measure provides a different view of the cost picture by accounting for house size but not for the lot or other characteristics. While the median price per square foot was higher in nonmetro areas than in metro areas in 1976 and 1977, this trend reversed itself in 1978. Since then, median metro costs per square foot have been higher than nonmetro costs and the metro prices have been rising at a faster rate than nonmetro prices. Greater increases in price per square foot for metro areas are thus expected. The median price per square foot of new homes increased 70.6 percent in metro areas between 1976 and 1982, compared with 53 percent in nonmetro areas (table 2).

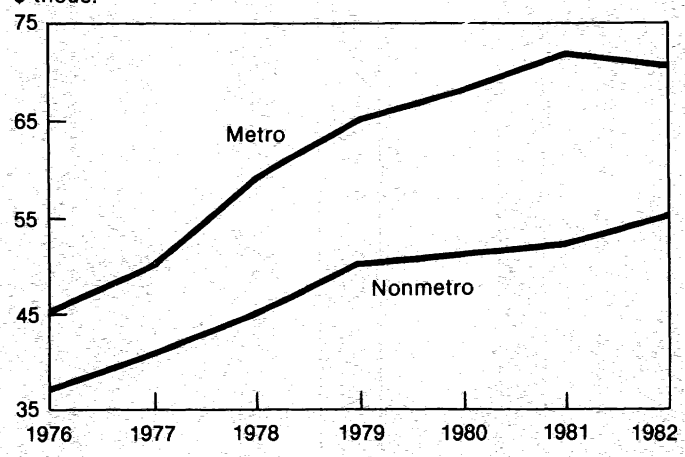
New nonmetro housing units have been consistently smaller than metro units, which partially explains the lower price of nonmetro homes (fig. 3). Between 1981 and 1982, however, the median size of new nonmetro homes increased slightly, while in metro areas the size of new homes declined by nearly 5 percent.

Type of Financing

A dramatic shift occurred in the type of financing used in purchasing new homes in metro and nonmetro areas between 1976 and 1982. Use of conventional financing

Figure 2

Median Sales Prices of New Homes



Source: Characteristics of New Housing (see text footnote 1).

Table 2—Median sales price and median cost per square foot for new one-family housing units

Year	Metro		Nonmetro	
	Sales price	Price per square foot	Sales price	Price per square foot
		Dollars		
1976	45,700	22.25	37,600	22.85
1977	50,900	24.70	41,100	25.10
1978	59,000	28.10	45,300	26.90
1979	65,900	31.55	50,700	30.80
1980	68,400	33.70	51,800	32.75
1981	72,800	36.70	52,400	34.10
1982	71,500	37.95	55,400	34.95

declined 35 percent in metro areas and 28 percent in nonmetro areas, while the proportion of homes with FHA-insured financing more than tripled in metro areas and nearly tripled in nonmetro areas. The proportion of homebuyers paying cash for their new homes increased 78 percent in metro and 34 percent in nonmetro locations during these years. The majority of metro and nonmetro houses sold in 1982 were purchased using conventional financing, 47 and 42 percent respectively. The second most often used type of financing in nonmetro areas was cash payments (35 percent), followed by FHA-insured funds (11 percent). These sources were reversed in metro areas, with FHA-insured funds second (25 percent), followed by cash payments (16 percent). Farmers Home Administration (FmHA) insured funds accounted for 10 percent of all financing in nonmetro areas, compared with only 1 percent in metro areas. VA-guaranteed funds comprised 2 percent of financing in nonmetro areas, but 10 percent in metro areas.

Energy

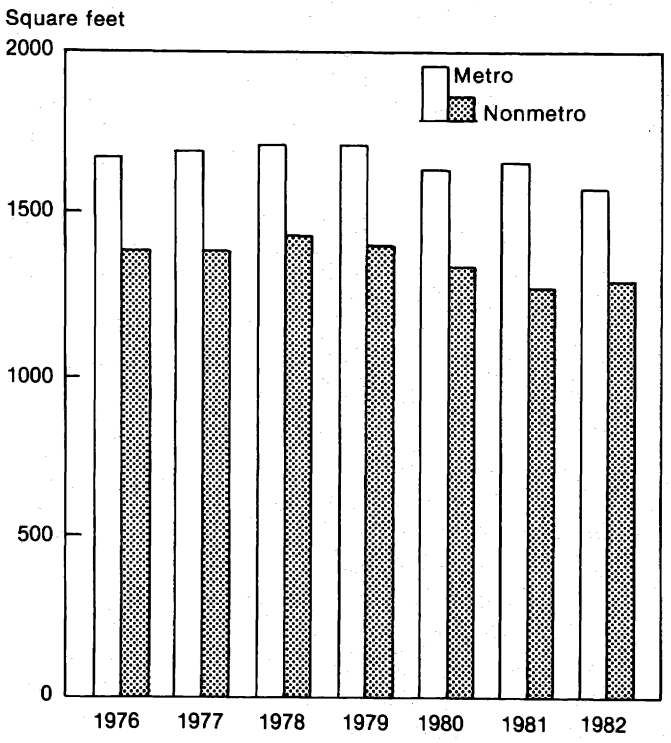
New construction has been influenced by an increasing emphasis on energy conservation. Recent changes affect the heating fuel and heating and cooling systems used. Use of nonconventional fuels and heating-cooling systems is on the upswing in nonmetro areas, while the more conventional electrical systems are used more often in new metro housing.

Heating fuel

Use of oil has declined in metro and nonmetro areas since 1976, while gas use has remained essentially steady in metro areas and has continued to increase in nonmetro areas (table 3). Electricity as a fuel source has increased by 18.5 percent for metro locales since 1976, serving close to 50 percent of the new homes built. In nonmetro areas, however, electricity as a fuel for heating declined, while the proportion of homes using other types of fuel, such as wood and coal, quadrupled. Nonmetro consumers and builders find these fuels to be more viable alternatives than nonrenewable fuels because they are generally less expensive, are readily available in rural parts of the country, and, used properly, provide adequate heat for the home.

Figure 3

Median Square Feet of Floor Area in New Housing



Source: Characteristics of New Housing (see text footnote 1).

Table 3—Heating fuels used in new one-family housing units

Fuel	Metro							Nonmetro						
	1976	1977	1978	1979	1980	1981	1982	1976	1977	1978	1979	1980	1981	1982
	1,000 homes													
Gas	321	382	411	398	301	258	190	86	94	100	114	93	82	61
	(48)	(46)	(45)	(46)	(48)	(49)	(46)	(24)	(22)	(22)	(26)	(29)	(28)	(27)
Electricity	273	364	415	394	300	247	195	227	271	295	268	182	160	120
	(40)	(43)	(46)	(46)	(47)	(47)	(48)	(63)	(64)	(64)	(60)	(56)	(55)	(54)
Oil	77	84	70	55	19	13	13	34	35	38	31	10	3	4
	(11)	(10)	(8)	(6)	(3)	(2)	(3)	(9)	(8)	(8)	(7)	(3)	(1)	(2)
Other types or none	4	7	11	11	13	12	10	15	21	29	30	39	44	38
	(1)	(1)	(1)	(1)	(2)	(2)	(2)	(4)	(5)	(6)	(7)	(12)	(15)	(17)
Total	675	837	907	858	633	530	409	362	421	462	443	324	289	223

Note: Number appearing in parenthesis refers to that fuel's proportion (percentage) of the total.

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Heating and cooling systems

Metro area central heating systems were installed in approximately 92 percent of the new homes built between 1976 and 1982. Such systems include warm air ducted systems (heat pump, furnace), hot water, or steam systems. Central heating was less widespread in nonmetro areas, with an average of 69 percent, while 31 percent of new homes contained built-in systems, such as electrical baseboard, panel and radiant systems, room and space heaters, solar heating, and others. A significant shift occurred in the type of built-in system used. New installations of electric heating systems declined by 54 percent in nonmetro areas between 1976 and 1982, and the new installations of woodburning stoves, space heaters, and solar heating almost tripled.

The number of homes built with fireplaces in both metro and nonmetro areas increased slightly between 1976 and 1978; however, use of fireplaces has declined steadily since 1979. In nonmetro areas, 49 percent of homes built in 1976 had at least one fireplace, compared with 41 percent in 1982. These figures in metro areas declined from 64 percent in 1976 to 61 percent in 1982. This decline is probably due in part to attempts by builders to cut production costs by eliminating extra features. The decline may also be due to the fact that fireplaces are an inefficient means of heating.

Data on central air conditioning are inconsistent with the emphasis on energy conservation. Of all metro housing units built in 1982, 72 percent had central air conditioning, compared with 53 percent in 1976. Fewer new housing units in nonmetro areas had central air conditioning, 54 percent in 1982 compared with 42 percent in 1976. The increase in central air conditioning may, however, primarily reflect the geographic distribution of new housing construction with more new units built in the South than in the other regions.