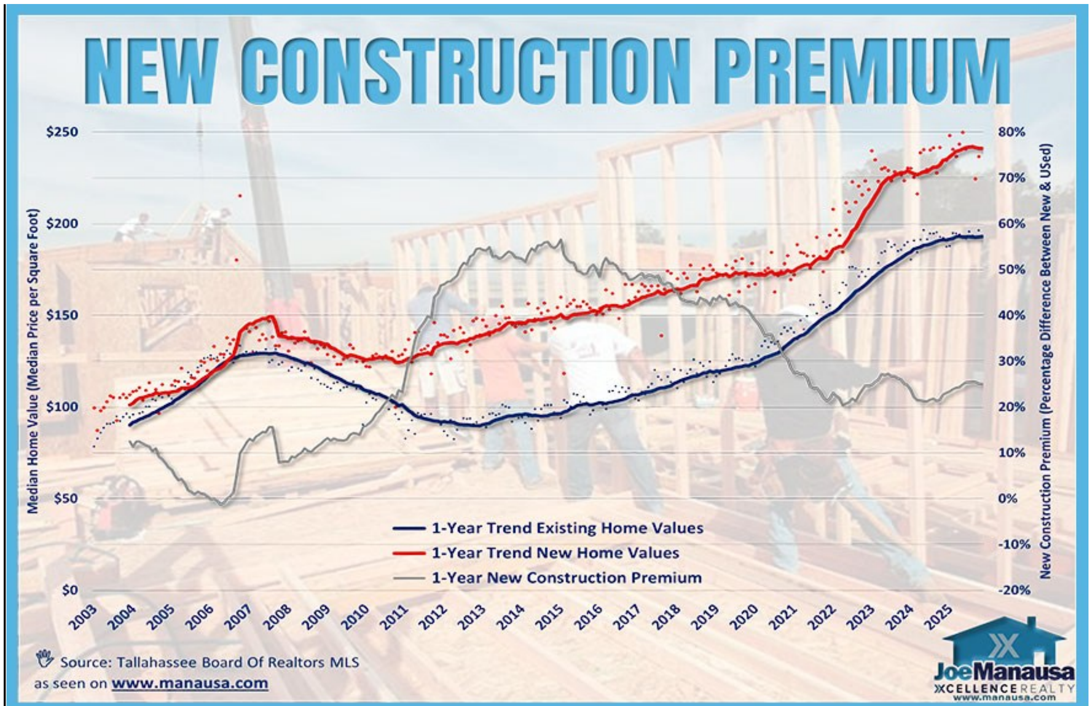
Volume XXV, Number XLIV

Tracking the New Construction Price Gap



The latest data from the Tallahassee Board of Realtors highlights a long-term trend that homeowners should be watching closely.

For decades, the price gap between new construction and existing homes stayed near 10 percent, a stable and predictable premium that kept the market balanced. That long-standing pattern has shifted, and the way we track the new construction price gap today reveals how much the market has changed.

That dynamic changed dramatically after 2010. As construction costs rose and labor inflation accelerated, particularly through rapid minimum-wage increases, builders lost the ability to deliver affordable entry-level homes. Even efficient builders could not produce a new property at a price the bottom half of buyers could reach. The result was predictable. Builders shifted toward higher-end homes that only the top half of the market could afford, and the new construction premium exploded. For several years, that premium sat between 60 and 80 percent, far beyond the historic norm and far beyond what a healthy market can support.

The good news is that the premium has cooled. The graph shows the difference between new and existing home prices has eased into the 20 to 25 percent range over the past five years. This is a meaningful improvement, and it signals that the market is slowly adjusting. But even at today's level, the premium remains two to three times higher than what Tallahassee experienced for decades. That still represents a structural affordability problem, not a temporary fluctuation.

Understanding this trend is essential for homeowners planning their next move..

Want to know how these trends affect your specific neighborhood or property value? Contact the Joe Manausa Team at Xcellence Realty for a detailed home value or neighborhood analysis.

JoeManausa XCELLENCE REALTY www.manausa.com

Why We Are Not Building Starter Homes

- Selling A Home
- Home Valuation Tool
- Property Search
- The FSBO Book

Get Pre-Approved

Read Joe's Book!

Joe Manausa, MBA
info@manausa.com
(850) 888-0888

SUBSCRIBE