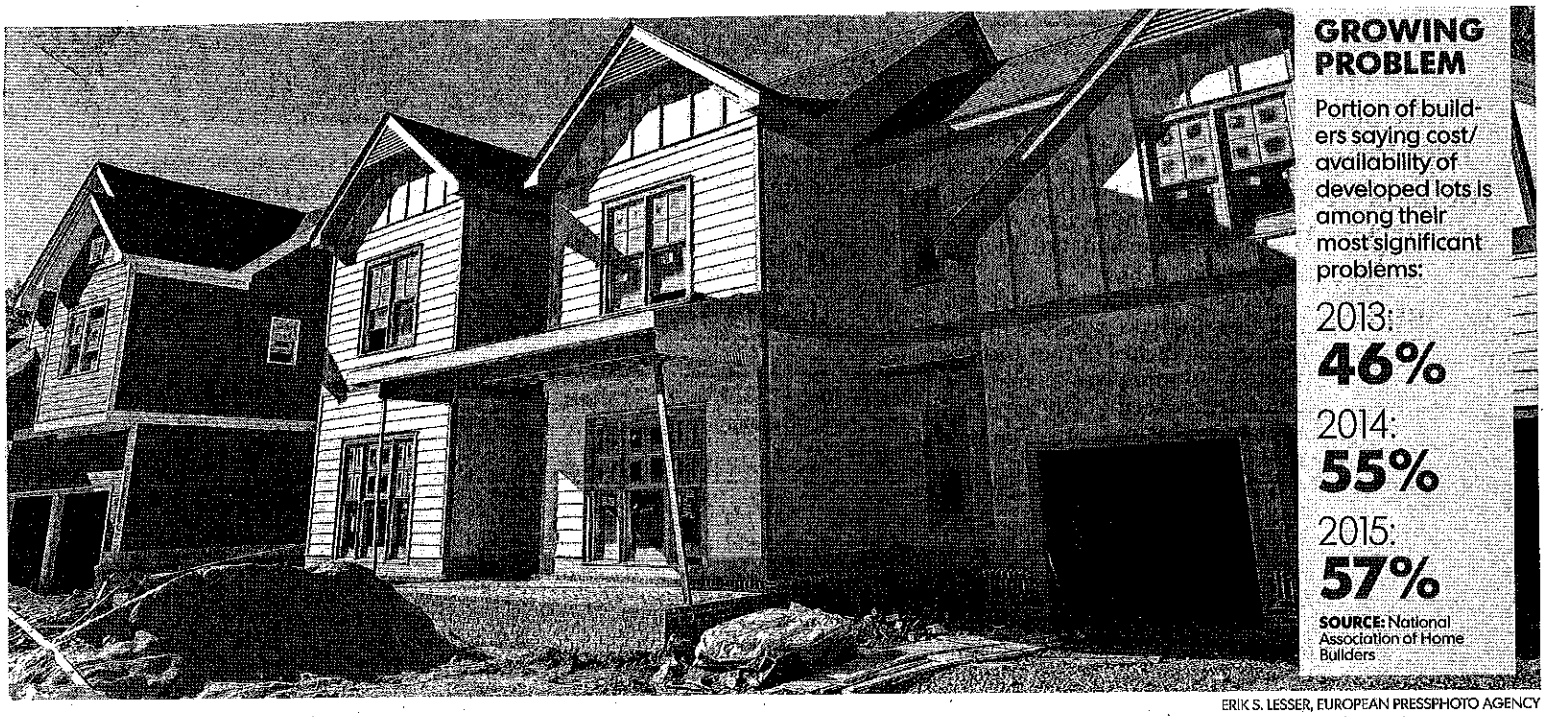


ERIK S. LESSER, EUROPEAN PRESSPHOTO AGENCY

The National Association of Home Builders expects 1.1 million housing starts this year. Above, new construction in Atlanta.

Housing lot shortage stymies home sales

Builders blame stricter regulations, tighter financing

Paul Davidson
USA TODAY

Home construction should hit a post-recession high this year, but a fundamental problem is preventing a bigger surge: shortages of places to put the units.

Builders are increasingly complaining of a dearth of developed lots, a crunch growing more prominent as housing starts pick up. They blame regulations, tight financing for lot development and buyers' growing preference to live in or near land-constrained cities.

"It's likely limiting the number of new homes for sale," says David Crowe, chief economist of the National Association of Home Builders. And skimpy supplies are "raising the price of a house."

New home sales fell 11.5% in September, the Commerce Department said Monday, but they're up 18% for the year, and builders' sales expectations are at a 10-year high. NAHB expects 1.1 million housing starts this year, up from 1 million in 2014 and the most since the 2007 real estate crash but still short of the 1.5 million historical average.

One reason starts aren't accelerating faster is the shortage of developed lots. Typically, a developer installs infrastructure such as roads and sewer lines on a vacant parcel of land and sells the tract to a builder. Earlier this year, 57% of builders said they expect the cost and availability of developed lots to be among their most significant problems in 2015, up from 46% in 2013.

Among the reasons:

▸ **Regulations and local demands.** Federal environmental rules have gotten tougher in recent years, including a broader definition of wetlands that builders must avoid or mitigate. Meanwhile, local governments increasingly require concessions from developers, such as financing the expansion of a sewage plant. That can delay or scuttle projects, and it's more prevalent as the improving economy reduces local officials' need for the tax revenue that new development brings, Crowe says. Builders told NAHB that regulations have added seven months to projects, up from four months in 2011.



MARK ELIAS, BLOOMBERG

A worker builds a home in Doral, Fla. New home sales are up 18% for the year.

Randy Noel, head of Reve, a home builder in New Orleans' western suburbs, says more expensive wetlands mitigation mandates have curtailed lot development. He plans to cease subdivision construction next year and build pricier homes on isolated lots. "I've been begging (developers) to get something in the ground," he says.

▸ **Limited financing.** Banks remain wary of financing land acquisition and development, leaving fewer lots for builders. Of those that develop land and build houses, about 13% said they didn't seek a loan earlier in the year, certain they wouldn't get it.

Some lenders are raising costs. Dean Mon, head of the Mon Group, says he'll build 48 apartments in Union City, N.J., instead of three projects with 132 units because he can borrow just 80% of the cost, down from 90%.

▸ **Less land in cities.** Many buyers want to live in or near cities for amenities, but there are few available lots, especially for multifamily complexes, Zillow economist Svenja Guddell says.