If You Care About Housing Abundance, Minimum Lot Sizes Deserve Much More Attention

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The conventional story is that we are no longer building starter homes. The truth is that starter homes are still being built, but it will take policy changes to scale them.

Our new AEI Housing Center Starter Home Policy Explorer tool shows that builders produced about 750,000 starter homes from 2015 through 2024 in new residential subdivision. That was not nearly enough to meet demand, but it was enough to show what makes them feasible: they are disproportionately built on smaller lots and less-expensive land.

The problem is that local land-use rules make it difficult to build more of them. About 90 percent of municipalities impose minimum lot sizes on zoned lots. In suburban and edge areas, these rules can effectively ban new starter homes.

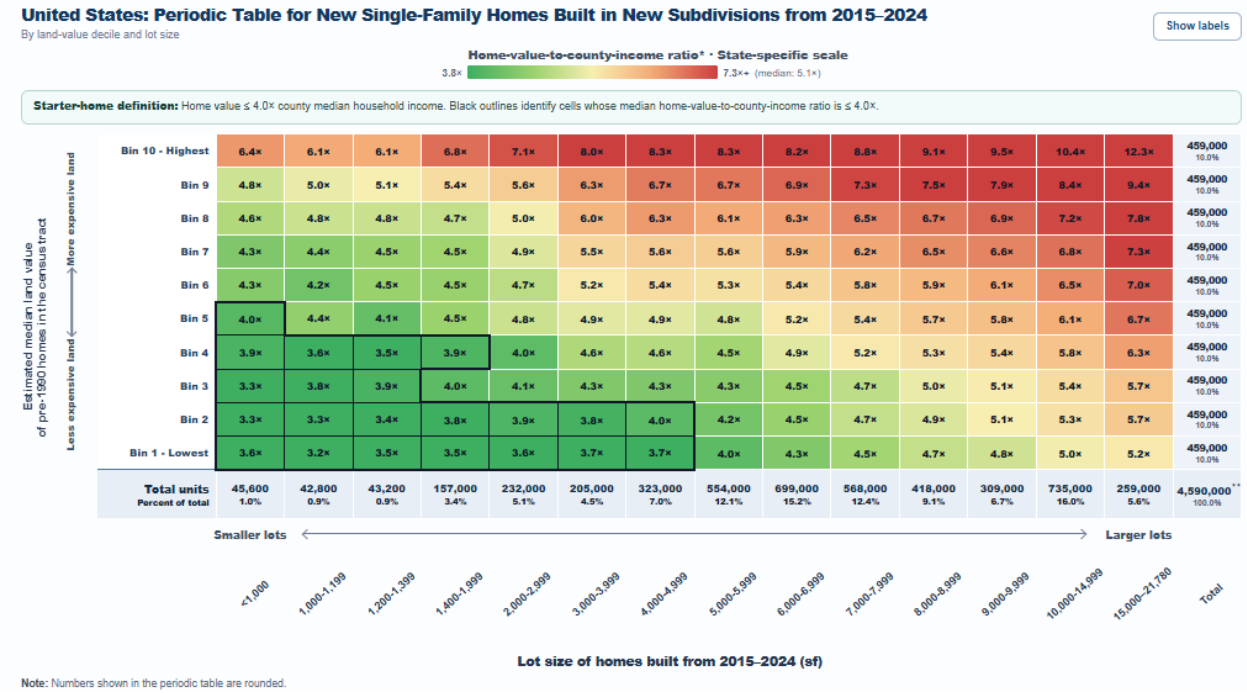
For YIMBYs, that should matter. Minimum-lot-size reform deserves more attention as a housing-abundance tool. The YIMBY agenda has understandably focused heavily on apartments and infill, often on expensive land. But if the goal is also to produce lower-priced, family-sized homes that first-time buyers can own, new subdivisions on smaller lots need to be a much bigger part of the conversation.

What makes a starter home affordable?

The tool shows how lot size and land value relate to home affordability. We define a starter home as a home valued today at no more than four times the county median household income.

The relationship is striking. Home value-to-income ratios fall dramatically when smaller homes are built on smaller lots in subdivisions on less-expensive land. Nationwide, home values range from more than 10 times county median income in many of the large-lot, high-land-value cells in the upper right of the periodic table depicted in red to below 4 times county median income in many of the smaller-lot, lower-land-value cells in the lower left depicted in green.

Note: The same periodic table data are available for every state.



Unfortunately, most localities effectively ban smaller lot sizes. This helps explain why the new starter home has become so scarce. Of the roughly 4.6 million homes built from 2015 through 2024 in new subdivisions in our study universe, only about 750,000, or 16 percent, were starter homes.

Nationally, the median home in a new single-family residential subdivision sat on a lot of about 7,000 square feet, had about 2,200 square feet of living area, and was valued in 2025 at about $476,000—roughly 5.5 times the median county-based household income. That is not a starter home.

Why lot size matters even more now

Land has become a much larger part of the affordability problem. Since 2012, estimated residential land values have risen to nearly four times their 2012 level, while wages and construction costs have risen to only about 1.5 times their 2012 level. This is part of a longer-term trend. As land costs have increased, homes have tended to get larger and higher quality.

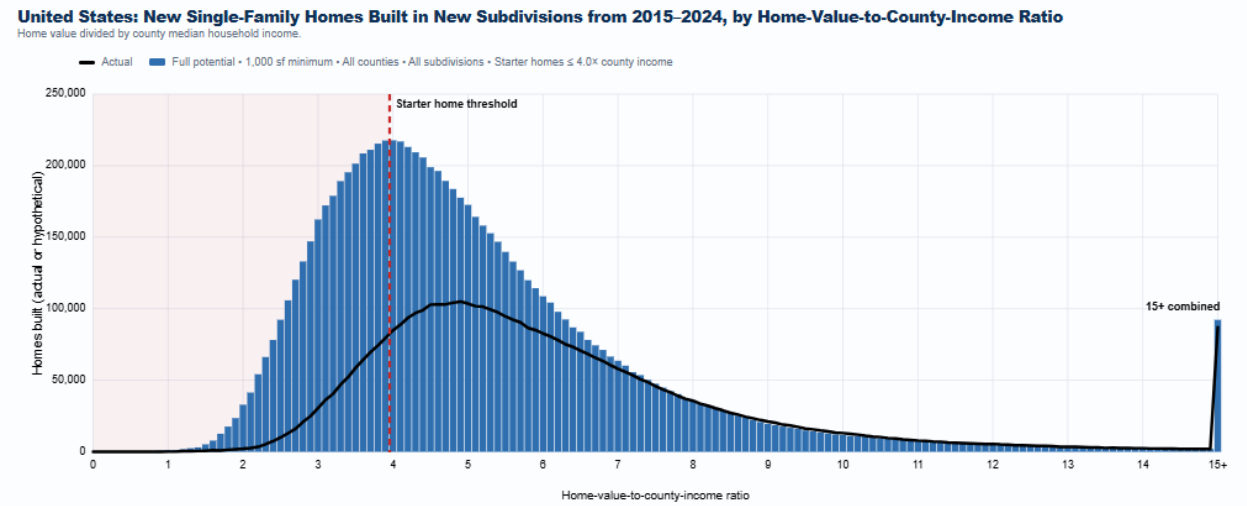
If the land underneath a home becomes much more expensive, requiring every new home to consume a large amount of it makes producing a lower-priced starter home increasingly difficult.

What happens if we end the ban on starter homes?

Our new tool shows what could happen if builders were allowed to reproduce those conditions at scale. It estimates how many more homes—and how many more starter homes—could be built under different minimum-lot-size rules, while also showing what those homes would look like in terms of lot size, living area, bedrooms, and price.

Our tool starts with a straightforward policy: states could set a 1,000-square-foot maximum minimum lot size for new residential subdivisions. This does not mean every new house would sit on a 1,000-square-foot lot. It means a locality could not require a larger minimum lot size. Builders and buyers would remain free to choose larger lots.

The estimated effects are large. Had such a policy applied nationally during 2015–2024, our modeling projects that new-home production would have been about 85 percent higher and would have resulted in roughly 2.4 million additional starter homes—approximately four times the number actually produced.



And these would not be tiny homes. The projected median starter home would have:

- a lot of roughly 2,500 square feet;
- about 1,400 square feet of living area;
- about 2.8 bedrooms;
- a 2025 value of about $276,000;
- a value equal to roughly 3.3 times county median household income.

These are affordable, family-sized starter homes.

Note: These data are available for every state and county. Explore the tool and see how the results change under different policy choices.

The tool shows the tradeoffs for policymakers

Users can vary the maximum minimum lot size, population threshold, subdivision size, and assumptions about the market response, and then see the implications for housing production, starter-home production, and affordability.

We think a 1,000-square-foot maximum minimum lot size is a useful starting point because it shows the scale of what may be possible. But it is not a claim that every state or community faces identical conditions. Infrastructure, water availability, land values, existing development patterns, and political feasibility vary.

A state may decide that 1,000 square feet is appropriate. Another may choose 1,400, 2,000, or 3,000 square feet, or initially limit reform to larger counties or larger new subdivisions.

Texas provides a good example. In 2025, the state enacted SB 15, which limits minimum lot sizes in qualifying new residential subdivisions in larger municipalities and counties. The debate included questions about whether a 1,400- or 3,000-square-foot standard was more appropriate. That debate took place with limited empirical evidence about what each threshold would mean for housing production and affordability. The tool allows policymakers to see what those choices mean for total housing production, starter-home production, and affordability.

The point is not that every state must choose the same threshold. It is that policymakers should have a clear sense of how much housing—and how many starter homes—they gain or give up under each one. In many cases, larger minimum-lot-size thresholds mean fewer starter homes.

United States: Scenario totals and home-value-to-county-income ratios

All counties • All subdivisions • Starter homes ≤ 4.0× county income

Maximum allowed minimum lot size ⓘ	TOTAL HOMES Number of homes				STARTER HOMES Number of homes			
	Actual	Below potential	Somewhat below potential	Full potential	Actual	Below potential	Somewhat below potential	Full potential
None	4,600,000	5,570,000	6,830,000	8,560,000	750,000	1,220,000	1,960,000	3,180,000
1,000 sf		5,560,000	6,810,000	8,480,000		1,210,000	1,950,000	3,120,000
1,200 sf		5,560,000	6,770,000	8,350,000		1,210,000	1,920,000	3,010,000
1,400 sf		5,510,000	6,620,000	8,080,000		1,170,000	1,800,000	2,800,000
2,000 sf		5,400,000	6,370,000	7,560,000		1,100,000	1,650,000	2,430,000
3,000 sf		5,310,000	6,120,000	6,960,000		1,070,000	1,500,000	1,980,000
4,000 sf		5,220,000	5,840,000	6,370,000		1,010,000	1,300,000	1,550,000
5,000 sf		5,100,000	5,520,000	5,880,000		933,000	1,090,000	1,240,000

The tool helps answer what smaller-lot reform would actually produce

One common objection to market-based housing reform is that allowing smaller lots does not guarantee affordability. Arizona Gov. Katie Hobbs made a version of this argument when she vetoed HB 2570, citing concerns including a "lack of affordability guarantees." A related concern arose in Texas: that allowing smaller lots of 1,400 sf would simply produce tiny homes.

The tool helps answer both concerns. Our national data show that starter homes are disproportionately built on smaller lots and less-expensive land, and the modeling shows that smaller-lot reform can produce homes that are both lower-priced and family-sized—typically with roughly 2.5 to 3 bedrooms.

Arizona illustrates the affordability point: much of the new subdivision development captured in our data is neither on the least-expensive land nor on especially small lots. Existing land-use rules in Arizona therefore make it extremely difficult to reproduce at scale the conditions under which starter homes are most likely to be built.

Thus, one of the tool's main advantages is that it allows policymakers to see whether smaller lots would produce homes that are affordable enough and large enough for families. Rather than guessing, they can see the likely outcomes directly—how home prices, price-to-income ratios, living area, and bedroom counts change under different policy choices.

The benefits of more homes on the same land

The benefits of smaller lots are not limited to homebuyers. They can also strengthen the local tax base. The tool includes a property-tax estimator that shows how additional housing production can affect local revenues. More homes on the same amount of land mean more property-tax-paying households per acre and can spread some fixed infrastructure costs—such as streets, utilities, and other public services—across more homes. Under the 1,000-square-foot maximum minimum-lot-size scenario, the estimated property-tax benefit can be as much as 50 percent above the baseline.

That does not mean every subdivision will have the same fiscal impact. More homes can also require additional infrastructure and services, including water, sewer capacity, and waste collection. But policymakers should consider both sides of the ledger: the costs associated with additional growth and the larger tax base that growth can create.

By allowing more homes to be built on the same amount of land, smaller lots also reduce land consumption per home, which helps limit sprawl and preserve farmland. While new subdivisions may be associated with more sprawl or longer commutes, the relevant comparison is not new development versus no development—people have to live somewhere. If the same number of households are accommodated in more compact subdivisions rather than pushed farther outward, that can reduce outward expansion and, over time, potentially reduce vehicle miles traveled relative to lower-density development.

This is also the kind of housing Americans say they want

Our May 2026 National Zoning and Land Use Flexibility Survey found broad interest in more affordably priced starter homes, especially homes people can own. For the option focused on allowing smaller lots in new neighborhoods, support ran roughly 2 to 1: 64 percent in favor and 36 percent opposed. Crucially, support rose 20 percentage points when framed around more affordably priced starter homes on smaller lots in new neighborhoods built on previously

undeveloped land, giving first-time buyers, young families, and local workers more opportunities to own homes in their communities.

More broadly, respondents generally favored smaller, low-rise homes distributed across many neighborhoods, as well as gradual change, greater property-owner flexibility, and allowing more housing to be built as a way to reduce housing costs. Just as importantly, respondents responded most positively to making it easier to build starter homes so first-time buyers and young families can afford to buy in their community.

We need to restore the starter-home ladder. New subdivisions are especially well suited to that approach. They can produce substantial new supply while delivering the things many households want: ownership, family-sized homes, and lower prices.

A new lever for housing abundance

The YIMBY movement has made one basic proposition much harder to ignore: when we prohibit housing, we get less of it.

Much of the housing-abundance debate has focused on infill, which can produce substantial housing supply, but is often built on expensive land and may be less well suited to producing lower-priced, family-sized ownership housing at scale. That is why new subdivisions with smaller lots deserve more attention as a complementary strategy.

The YIMBY movement should not ignore this other lever. New subdivisions have a demonstrated track record of producing starter homes when land-use rules allow them to do so. Minimum lot sizes are therefore an important part of the housing-abundance agenda. If every new house must consume a large piece of land, it should not be surprising when the homes that get built are more expensive than they need to be. Allow smaller lots, and builders have another way to lower the cost of the finished home.

Our new tool shows how much additional housing could be produced, how much of it could be starter housing, what those homes could look like, and what is gained or given up under different policy designs.

Note: Explore your state and county at the Starter Home Policy Explorer tool.