



UNIT 5 – 1

Types of Housing

Homeownership has long been viewed as part of the “American Dream”. According to the United States Census Bureau there are 108,871,000 houses in the United States. Of these houses, approximately 69% of them are owner occupied. This means that 2 out of 3 households owned their own home.

There are many different types of housing that exist to satisfy the varied wants and needs of consumers in the United States. Consumers can choose from single family houses, condominiums, apartments, houseboats, mobile homes, rowhouses, duplexes, and many more.

Many factors are considered when someone selects their home. Potential buyers must consider factors such as mobility, tax advantages, mortgage vs. rental costs, investment potentials, maintenance, privacy, family size, and more. Because of the substantial cost of purchasing a home, it is vital that the potential homeowner use a reasoned approach to allocating their scarce financial resources in the most efficient way possible.

The purchase of a home may be the single largest purchase that you make in your lifetime as well as the biggest investment. You will want to give it much consideration, effort and perseverance.

Case Study Application

In this lesson, we will explore the different types of housing that are available to United States consumers and factors that consumers should consider in selecting the right house for them. In the case study, we will focus on Scott and Maria’s search for their future dream home.



CASE STUDY: SCOTT AND MARIA LOOK FOR HOUSING

Scott and Maria have been married for four years and are renting a home from Scott's father. They have both completed their education and have secured jobs in their respective fields. They have been saving money each month and think they have built up enough of a nest egg to consider purchasing their first home.

They begin by exploring what type of house they would like to buy and the characteristics of the home. They are starting to realize that they may have very different ideas when it comes to their dream home! Some of the things that Maria finds to be essential aren't at the top of Scott's list. Scott really wants a two-story home and Maria thinks a one-story ranch would be best for them as they grow older. They wonder what the first steps in buying a home should be.

Exploring Types of Houses

With more than 108,871,000 households in the United States, there are many different options available to American consumers. This can include condominiums, single-family homes, duplexes, mobile homes, houseboats, apartments, cottages, and many more.

The most common type of housing in the United States is the single family detached home. This is a home that sits on its own piece of land and is not attached to anyone else's residence. There are many advantages to a single family home including the ability to modify and improve the home how you see fit. In general, the resale value on a single family detached home is higher compared to other types of home. If you need to expand the house, you can usually add onto the existing home.

There are also disadvantages in single family homes: all of the maintenance and repair costs are the responsibility of the homeowner. There could be a lack of amenities that you would find in condominiums or apartment communities such as swimming pools, playgrounds, or walking trails. As the homeowner, you are responsible for the landscaping and maintaining the lawn. Finally, single family homes are generally more expensive to purchase when compared to townhouses or condominiums.

Another type of housing is condominiums or condos. This is basically an apartment that you own. You own the interior portions of your condo—the walls, floors, ceilings, plumbing for your condo, etc. You are also a partner with the other owners in the condominium complex—this would include the exterior areas,



common areas and amenities such as a clubhouse, pool, or play area. You do not own the land underneath the condominium. With a condominium, you pay an additional monthly condo fee which is used to pay for general repairs and maintenance to the common areas of the complex as well as build up a reserve for future needs. Occasionally, you will also be assessed a special assessment for repair work such as a new roof or repairing the building from acts of nature such as a landslide. However, the interior maintenance is completely your responsibility. If the dishwasher breaks, you get the privilege of repairing or replacing it.

A third type of home is the townhouse. A good way to think about townhouses is as the middle ground between a single family home and a condominium. Townhouses have characteristics of both. A townhouse is a home that is attached to one or more other homes, but which sits directly on a parcel of land that you also own, similar to a single family home. Townhouses can be duplexes, triplexes, or even consist of hundreds of similar homes. In general, you are a common owner of shared areas and amenities similar to condo owners. With a townhouse, you may have less exterior maintenance for which you are responsible compared to single family home owners. The close neighbors may provide you with added security and there may be desirable amenities with a townhouse.

There are many other types of homes some of which are unique to particular geographic areas. It is a good idea to explore the different types available to you so that you can find the best match for your needs, interests, and finances.

- Select two other types of housing and list the advantages and disadvantages of each.
- Now, take some time to reflect on your own housing needs. What type of home do you think is best for you? Why?

Housing Characteristics

For every type of home, there are also many different choices on the style, layout, and amenities of the home. Kitchens can be simple with traditional cabinets, sink, stove, and refrigerator. Or they can include wall ovens, convection ovens, granite countertops, dishwashers, microwaves, exhaust fans, refrigerator drawers—if you can dream it, there is a builder who can install it!

The characteristics of the types of styles of homes are also influenced by the geography and location of the house. Elements such as the climate, water level, topography of the land, natural resources, and building codes all influence the style and layout of homes in a particular area.

Choosing a home that fits your lifestyle, needs, and financial situation can be time consuming and at times overwhelming. You will want to not only consider your own wants, but also the appeal of the house to future buyers in the event that



you choose to sell the house at some point in the future. By evaluating different factors, this process can be simplified. Be sure to remember that you are making an investment. This is likely to be one of the biggest purchases or investments you will make in your lifetime!

Before you begin looking at actual home, sit down and brainstorm a list of the characteristics you are looking for in your home. Evaluate the characteristics and rank them in order of importance. Research the area where you are considering purchasing your home. Evaluate factors such as the real estate market, local industry, schools, and the community. This process can be time consuming, but a little additional time up front will save you time, energy, and money in the long term.

When evaluating the characteristics you desire in your home, consider your living needs and family lifestyle. Lifestyles and family needs vary from one family to the next. The characteristics in a house for a family with young children may be markedly different from the characteristics of a retired couple. You will want to take some time to consider the specifics you want or need in a home. Here are some factors that you may want to consider:

Square footage	Pet restrictions
Number of bedrooms	Parking
Number of bathrooms	Fire protection
Practicality of the floorplan	Police
Condition of walls	Snow removal
Closet/storage space	Garbage service
Exterior appearance	Schools
Energy efficiency	Price range
Roof—age and condition	Older or newer home
Appearance of nearby homes and businesses	Renovation that is needed
Traffic	Type of flooring
Noise level	Number of steps
Safety and security	Community amenities
Age mix of neighborhood	Windows
Number of children	Natural space

Keep in mind—this is a time to keep a level head about your decisions. Think about the above considerations and rank them according to the characteristics that you need versus those that you want. Also, think about which characteristics could be upgraded in the future if the house comes close to having all of your needs, but is missing some wants. Can these wants be added at a later date? For example, if you prefer hardwood flooring can this be added at a later date? If the current paint color of the home you are considering is just not your style, can it be painted over?



There are times when you will not be able to find the perfect home, and you may need to make trade-offs to get as close to perfect as you can. You may find as you are looking at different homes that your priorities and opinions change. Also, some of the most important things to look for are things that cannot be changed—the neighborhood, the school district, etc. As you are looking at actual homes available in the market, also consider the following characteristics:

- Location—arguably the most important consideration in purchasing a home. It will impact your lifestyle as well as the future resale value of your home. In real estate, the focus is on location, location, location.
- Crime rate—does the area have a high rate of crime compared to other areas of town?
- Homeowners association—is there a local homeowners association? What is the cost? Is the association active and will they help to maintain and improve the area?
- Neighbors—do the neighbors have similar values to yours? Visit the neighborhood at various times to determine activities that happen in the neighborhood. You may even want to consider speaking with the neighbors about the house. They may have information that will assist you with your decision.
- Noise—visit the property at different times of the day and different days of the week. Is there a great deal of traffic noise? Are you within an airport flight pattern?
- Proximity to amenities—how convenient will it be to get to the grocery store? Post office? Parks? Does this matter to you?
- Proximity to work—how long will your commute to work be? Is public transportation available?
- Schools—how close is the local school? Is the school district a good one? Do you like the school your kids would attend? Even if you don't have children, it is a good idea to consider the schools as the quality of the schools will impact the future resale value.
- Tax rate—do you have to pay both city and county property taxes? What are the school taxes?
- Zoning—what is going to be built near you in the future? What restrictions are there on your potential home? Can you run a home business from your potential home if you chose to do so?

It is a good idea to keep track of your home search. Some realtors recommend creating a home journal. Keep a notebook or folder highlighting the houses you have visited. Take notes on each house as you go through it or immediately after. You may want to include photographs or sketches of the floorplans. Keep track of how each home fits with your list of must haves. You will



probably see at least a dozen homes if not more. The better you organize your notes, the better you will be able to remember which house was which. If the search becomes overwhelming, revisit your list of needs and wants. You may want to scale back the list or reprioritize.

Once you have found a house that you like, it is always a good idea to walk-thought the house several times at different times of the day. You may find things that are different in the morning versus the evening. For example, there may be a barking dog left outside all day while its family is at work and school. The home could be in the line of airport flight traffic at particular times of the day.

Finally, you will want to hire a home inspector to review the home for any potential problems as well as to conduct an evaluation of the house. This person should have experience assessing homes in your area. They can also do an appraisal of the home to help you determine the actual value of the home.

Remember when buying a home, this likely to be one of the biggest purchases or investments you will make in your *lifetime*! The decisions that you make will affect your lifestyle as well as your financial well-being. It should not be a rushed decision. It should be one give a good deal of thought, hard work, and time.

- Think about your own dream home, what style and characteristics do you prefer in your home? Which of these are needs and which do you think will be wants?
- Review our case study with Scott and Maria, what advice would you give them on selecting their future home?

