

## 6 Homebuilding Trends Shaping 2025 and Beyond

By Courtney Klosterman, April 10, 2025



The homebuilding industry is in a state of rapid transformation. As affordability concerns push buyers toward innovative housing solutions, staying ahead of homebuilding trends is critical.

This report dives into the key homebuilding trends shaping the market today and explores their long-term impact. From embedded insurance solutions to building to withstand climate emergencies, understanding these shifts is essential for anyone looking to confidently navigate the future of home construction.

### 1. Downsizing and the shift to smaller single-family homes

As affordability pressures mount, the homebuilding industry is adapting by constructing smaller, single-family homes. This shift is reflected in new data from the [National Association of Home Builders \(NAHB\)](#), which revealed the average size of new single-family homes has been steadily shrinking.

In fact, NAHB reports that the average size of new homes in 2023 dropped to just 2,411 square feet—the smallest in 13 years. This continues a downward trend from 2015 when home sizes peaked at 2,689 square feet.

While the 2021 housing market saw a temporary increase in home size, the smaller home trend resurfaced in 2022 and continued into 2023. Builders are taking note of buyers' desire for smaller homes and how it relates to affordability as the [cost of homeownership increases](#).

Seeing an opportunity in this market shift, [D.R. Horton](#) (America's largest homebuilder) reduced its average home size to attract budget-conscious buyers. This strategic shift met consumer demand and contributed to the company surpassing Q1 expectations, demonstrating the market's strong appetite for more affordable, efficient homes.

### 2. Building to withstand extreme weather and natural disasters

In 2024 alone, the National Centers for Environmental Information (NCEI) confirmed 27 climate and weather-related disasters in the U.S., with each event causing over \$1 billion in damage. This has fueled growing concern over home resilience.

Further highlighting this trend, our [2024 Housepower Report](#) found that 28% of U.S. homeowners reported feeling worried about extreme weather preparedness in 2024, up from 25% in 2023. This rising concern is driving demand for more disaster-resistant home features, like durable materials and weather-ready designs.

Many homebuilders are considering innovations based on regional weather risks to respond to this rising threat and market shift. This includes strategies based around, but not limited to, the following:

- **Materials:** Fire-resistant siding, non-combustible roofing, and reinforced concrete or steel framing help reduce vulnerability to disasters.
- **Construction techniques:** Reinforced foundations for earthquake resistance, impact-resistant windows and doors for hurricanes, and ember-resistant vents for wildfire protection.
- **Community safety features:** Fire-resistant water systems, reduced vegetation in high-risk zones, expanded drainage infrastructure to manage heavy rainfall, and a transition away from gas lines to lower fire hazards.

[Re-Structure Group](#) (RSG) is an example of a homebuilding company at the forefront of climate-resilient construction with its 3-D building panel system. RSG asserts that these panels serve as fire-resistant substitutes for conventional wood framing and can also withstand hurricanes, earthquakes, and other natural disasters.

Products like RSG's 3-D panels are not yet widespread in residential construction, but they highlight the potential for advanced materials to shape the future of disaster-resistant homebuilding.

### 3. The rise of modular and prefabricated construction

The demand for faster, more efficient home construction is fueling the rise of modular and prefabricated building methods. Unlike site-built homes, modular construction pre-fabricates sections of a home and transports them to the site for assembly.

According to a [McKinsey & Company](#) report, this offers the following advantages:

- **Reduced construction timelines:** Modular construction can accelerate build schedules by 20–50% compared to traditional construction.
- **Improved quality control:** Factory settings allow for better oversight, reducing rework and defects that might surface months or years later.
- **Minimized material waste:** Offsite manufacturing results in significantly lower material waste, with potential cost reductions of up to 10%.

Modular construction also supports disaster recovery, helping families rebuild and return home more quickly after a natural disaster. Recognizing this shift, Lennar—the second-largest U.S. homebuilder—[recently acquired Veev](#), a modular building startup, to further advance resilient building solutions.

Given these advantages, it's unsurprising that this practice is experiencing substantial growth. According to a [Markets and Markets report](#), the global modular construction market is expected to increase from \$104.1 billion in 2024 to \$140.8 billion by 2029.

The push for faster, more efficient construction isn't just about meeting demand—it's also a response to ongoing supply chain challenges and rising material costs. Josh Qian, Licensed Contractor, COO, and Co-Founder of [Best Online Cabinets](#), sees this trend as a potential solution.

"I foresee a rise in modular and prefabricated homes," he says. "These construction methods reduce waste and streamline the building process, making home construction faster and more cost-effective. It can be particularly appealing for first-time buyers looking for affordable options without compromising quality."

### 4. Sustainability at the forefront of homebuilding

Sustainability is no longer a niche concern—it's a defining factor in modern home construction. The [Green & Resilient Single-Family Homes 2024 report](#) highlights the growing presence of green building in the industry.

Homebuilders, in particular, are taking the lead in eco-conscious construction.

Nearly one-quarter (22%) of homebuilders reported that 90% of their 2023 projects met strict green building criteria, whereas only 6% of home remodelers reached the same threshold.

This shift toward sustainable construction presents both challenges and opportunities for builders. While eco-friendly materials and energy-efficient designs can come with higher upfront costs, they also offer long-term savings on utilities and maintenance—an

attractive selling point for buyers.

## 5. Increased interest in AI-powered smart homes

As smart technology becomes more mainstream, homes equipped with AI-powered features may see increased marketability and long-term value. A new [Statista](#) report supports this, predicting that the global smart home market could surpass \$170 billion in revenue in 2025, with household adoption reaching 77.6% this year and rising to 92.5% by 2029.

Steve Sagerson—owner of a luxury custom homebuilding company, [Legacy Classic Homes](#)—has seen firsthand how demand for AI-driven home automation continues to grow. “Given that younger generations are growing up with so much technology, this seems like a trend that will continue,” he says, pointing to systems like [Control4](#), which helps builders integrate and manage multiple smart home features from one platform.

Meanwhile, companies like [EarthCam](#) have developed AI-powered cameras capable of detecting workers operating at heights, enabling safety personnel to monitor and enforce compliance with safety protocols.

As these innovations become more widespread, it’s clear that AI has the power to enhance homeownership and transform the builder experience.

## 6. Embedded insurance streamlines homebuying

Embedded home insurance is gaining traction in the homebuilding industry to help elevate the buyer experience. By integrating insurance directly into the purchasing process, builders reduce closing delays and remove friction for buyers who would otherwise have to secure coverage separately.

Addressing insurance needs upfront streamlines the handoff from construction to homeownership, reinforcing trust and improving overall buyer satisfaction.

Adapting to a changing landscape

As homebuyer expectations shift, staying on top of upcoming homebuilding trends can gain a competitive edge while improving efficiency, safety, and overall home value. At Hippo, we understand the challenges builders face and offer strategic partnerships designed to support innovation and protect new homes from day one.

[Learn more](#) about how Hippo partners with builders to help simplify insurance for the modern homebuyer.