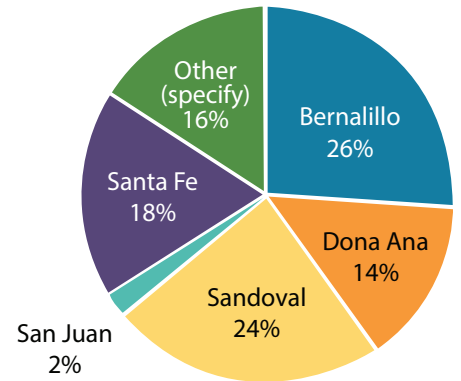


New Mexico Home Builders Association Housing Challenges Survey Executive Summary

Housing Attainability in New Mexico: A Growing Concern

Housing attainability remains a pressing issue for New Mexico and the nation. In collaboration with the National Association of Home Builders (NAHB), the New Mexico Home Builders Association (NMHBA) conducted a membership survey in August 2024 to identify key government regulations driving up home prices. While many regulatory costs are necessary for safe and quality constructed homes, our findings show overly burdensome regulation and gross inefficiencies in the regulatory process raise costs of home prices by ~38.8%. We hope to provide strategic insight into the economic realities faced by builders as public policy continues to evolve.

Survey Respondents by County



This survey, distributed to NMHBA members, is designed to guide further research and encourage policy reforms that can improve housing attainability across the state. The methodology follows the NAHB’s 2021 report *Government Regulation in the Price of a New Home*, quantifying the cost of regulations on new single-family home construction in New Mexico. By gathering data from home builders and lot developers, we are able to estimate the cumulative cost of regulations and their impact on home prices.

Workforce and Land Challenges:

Although workforce shortages and the limited inventory of developed land ranked as the top challenges by survey respondents, this study underscores the significant role government regulation plays in both the supply and affordability of housing. The cost of compliance with these regulations creates substantial barriers, driving up prices and limiting access to attainable homes.

Key Findings:

Our study shows that regulations imposed by federal, state, and local governments account for an average of **38.8% of the purchase price** of a new home in New Mexico. Of this, **16%** stems from regulatory costs during lot development, while **22.9%** is attributable to regulations incurred during the construction of the single-family home. Notably, these figures are higher than the national average reported in NAHB’s 2021 study, where regulations made up **23.8%** of the price of a new single-family home, with **10.5%** coming from lot development and **13.3%** from construction-related regulations.

Housing Challenges (based on a scale between 1 (no problem) – 5 (extremely severe problem))

Housing Challenges	Average Rating
Cost/availability of labor	4.1
Cost/availability of developable/developed lots	4.1
Gross receipts tax on a new home	4
Time and cost of 3rd party approvals (utilities, DOT, etc.)	4
Building Codes/energy efficiency requirements	3.9
Other hook-up impact fees	3.9
Time and cost to obtain building permits	3.9
Cost/availability of building products and materials	3.6
Time and cost to obtain inspections	3.6

Respondent Comments

- Cost of DELAY is worse concern than cost of permit applications itself.
- Costs are cumulative, so each of these items adds to the cost, in the end the cost is way too high, but not because of any one problem.
- PNM is always challenge for yard lines and building inspections.
- New inspectors and plan reviewers don't know how to interpret codes.
- PNM feeder lines are at or near capacity which does not allow homes to receive roof mount solar.

Based on the respondents' responses, the National Association of Home Builders conducted the following analysis.

Table 1. Average Cost of Regulation and the Gross Receipts Tax for a New Home in New Mexico

A. DURING LOT DEVELOPMENT					
	Share Subject to the Regulatory Cost	Regulation as a % of Lot Cost		Regulation as a % of House Price	
		Average When Present	Average Across All Lots	Average When Present	Average Across All Lots
Cost of applying for zoning & entitlements	94%	14.3%	13.4%	3.6%	3.4%
Cost of electric service outside the tract/subdivision	81%	10.5%	8.5%	2.6%	2.1%
Cost of other infrastructure outside the tract/subdivision	88%	16.1%	14.1%	4.0%	3.5%
Cost of electricity connections inside the tract/subdivision	75%	7.8%	5.8%	1.9%	1.5%
Land dedicated to the govt. or otherwise left unbuilt	69%	10.4%	7.1%	2.6%	1.8%
Standards (setbacks, etc.) that go beyond the ordinary	63%	6.1%	3.8%	1.5%	0.9%
Environmental or other regulations	69%	7.0%	4.8%	1.8%	1.2%
Gross receipts tax paid by the developer	50%	7.0%	3.6%	1.8%	0.9%
Pure cost of delay (if regulation imposed no other cost)	94%	2.9%	2.7%	0.7%	0.7%
All Regulation & Gross Receipts Tax During Development	100%	63.8%	63.8%	16.0%	16.0%
B. DURING CONSTRUCTION OF THE STRUCTURE					
	Share Subject to the Regulatory Cost	Reg. as a % of Construction Cost		Regulation as a % of House Price	
		Average When Present	Average Across All Homes	Average When Present	Average Across All Homes
Amount paid to the electric utility supply company	84%	4.6%	3.8%	2.8%	2.4%
Other fees paid by the builder after purchasing the lot	98%	5.8%	5.7%	3.6%	3.5%
Changes to building codes over the past 10 years	95%	11.9%	11.4%	7.4%	7.0%
Architectural design standards beyond the ordinary	77%	8.4%	6.5%	5.2%	4.0%
Gross receipts tax paid by the builder	100%	8.1%	8.1%	5.0%	5.0%
Pure cost of delay (if regulation imposed no other cost)	100%	1.4%	1.4%	0.9%	0.9%
All Regulation & Gross Receipts Tax During Construction	100%	36.9%	36.9%	22.9%	22.9%
TOTAL COST OF REGULATION & THE GROSS RECEIPTS TAX					38.8%

Percentages in the "Average When Present" columns are calculated on different bases and cannot be added together. Percentages that do not sum perfectly across all lots or all homes are due to rounding.

Table 2. Average Delays Attributable to Regulation

I. During Development	
A. Obtaining approvals and connections from the electric utility company	7.4 months
B. Obtaining other approvals and complying with regulations	14.0 months
II. During Construction of the Structure	
A. Obtaining approvals and connections from the electric utility company	6 weeks
B. Obtaining other permits & inspections, and complying with regulations	14 weeks

Table 3. Average Results by Electric Utility

	PNM Public Service Company	El Paso Electric
I. During Development		
Cost of electric service outside the tract/subdivision	10.4% of lot cost	
Cost of electricity connections inside the tract/subdivision	5.9% of lot cost	
Time required to obtain approvals & connections	8.6 months	
II. During Construction of the Structure		
Amount paid to the electric utility supply company	3.4% constr cst	4.8% constr cst
Time required to obtain approvals & connections	6 weeks	7 weeks

Next Steps:

The goal of this study is to continue the conversation around housing policy, providing a data-driven basis for reducing costs while maintaining quality standards. We hope to collaborate with policymakers to explore solutions that can increase housing availability and affordability for New Mexico residents.