

Scarce land, stylish design add to the price of new house

By JUDY ROSE
FREE PRESS REAL ESTATE WRITER

Why does a new house cost so much and what can you do about it?

Here are some answers and some tips:

The No. 1 reason a new house costs what it does is the soaring cost of buildable land. Today it's 24 percent of the price of a typical house, says the National Association of Home Builders.

What's more, that jump is magnified by basic building economics. No smart builder will put a low-priced house on a high-priced lot. The return doesn't justify the money tied up in land.

Experts advise builders that if the cost of land goes up \$10,000, the value of the house on it should increase \$50,000. No wonder new houses keep getting bigger and more expensive, even while many buyers complain they can't find an affordable home.

Also driving up the average new-home price are the housing economics in metro Detroit: The market caters to new home owners who will buy a subdivision house that is 1,800-3,000 square feet and costs \$180,000 to \$250,000.

Last year, the average existing house in the United States sold for \$147,800. The average new house sold for \$211,900.

Despite the rising costs, there are ways you can get a good value on your new house. That's not to imply you should do everything on the cheap. You should enjoy the luxuries you buy — and choose — yourself.

In addition, to ensure that your house's resale value increases, you are smart to include the upgrades that are typical for your neighborhood.



Here are the four biggest components in the price of a house and some tips for bargain hunters:

Land cost

If you shop where land is cheaper, you may find a more economically built house.

For example, virtually no new single-family homes under \$300,000 are being built in the south half of Oakland County, because land there costs so much.

But in Washtenaw County's Ypsilanti Township, where land is less expensive, you can find new houses in the high \$100,000s. Unlike a new house in Oakland County, however, it will probably include economical choices like vinyl kitchen flooring and molded tub surrounds rather than hardwood floors and ceramic tile.

Other areas with land bargains include the Downriver area and the south end of Van Buren Township in Wayne County, and Hartland Township and Green Oak Township in Livingston County. In Macomb County, look north of 23 Mile or 24 Mile in thinly populated places like Lenox Township, Ray Township and around New Haven.

You also can try the few close infill projects in older Detroit suburbs. Cities like Taylor, Trenton, Pontiac, Warren, Wayne and Detroit are filling up their vacant land with new houses.

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Architecture

The closer your house is to a two-story box, the less it costs to build. Today, the typical new house has extra zigs and zags in the floor plan, plus multiple gables in the roof — all adding to the cost.

By contrast, the classic rectangle colonial-style house of the 1940s is a masterpiece of efficient construction. If you want to hold down your new-house cost, stay closer to that shape.

Two other kinds of economical architecture eliminate the basement.

The stacked ranch or raised ranch is common today, especially in western Wayne County in subdivisions of houses that sell in the higher \$100,000s.

The raised ranch looks like a two-story rectangle, with an entry door about 5 feet above ground. You climb up to that door, then climb another half story to get to the top-floor living area. The bottom floor will include the garage and recreational space to finish later.

The second economical style is the tri-level — a blast from our past in the 1960s and '70s. Today it's mainly built in areas where low cost is crucial — often infill, inner-city property. But this is a good way to get a lot of square footage at a moderate cost, again, partly because there's no basement.

Square footage

One reason new houses are expensive today is that they've grown quite large. In 1950, the average new house measured 983 square feet, says the national home builders group. In 2000, it measured 2,265 square feet.

So you can help cut costs by not letting the house grow too large, but there is a catch.

The first 1,000 square feet of a new house are expensive; after that the space gets cheaper. That's because so many costs — land, permits, streets and sidewalks, water and sewer hookups — are fixed and are added to the price per square foot.

So go smaller if it suits you, but weigh the sacrifice against savings. You may pay about \$110 a square foot for a standard three-bedroom house, but find that adding a fourth bedroom over the garage costs just \$45 a square foot.

A dollar-wise consumer will look for a builder whose average cost per square foot is reasonable. Today, including land, a middle-of-the-road price for a single-family house might be \$105-\$115 per square foot — the smaller the house, the more per square foot.

In an upscale area it's easy to spend \$120-\$140 per square foot. But you also can find new houses at \$95-\$105 a square foot, especially on lower-priced land. If you go that route, be sure to check

what's included in the price.

Interior appointments

The 1950 new house had one bathroom, says the NAHB; the 2002 house has 2½. The 1950 house had two or three bedrooms; today it's three or four. Kitchens have grown twice as big in 50 years and refrigerators today can

spit out ice cubes and chilled, filtered water.

More than half of new houses today come with air conditioning, a fireplace and an attached, two-car garage — all missing from the typical 1950 house.

Contact JUDY ROSE at 313-222-6614 or rose@freepress.com.

OPTIONS | You can't have it all; here's what we picked

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price on the house we picked — a two-story 2,600 square-foot-home — was already \$267,990.

That included about \$65,000 for the land, a wedge-shaped lot of about a quarter acre, says Brian Kime. That jibes with the National Association of Home Builders' estimate that land today is about 24 percent of a new house's price.

Determined to keep the final price well in the \$200,000s, we didn't have a lot left for options.

How to spend it? The Free Press team and Greg Kime sometimes disagreed, as you'll see below. But when Kime cited sales appeal, he won the argument. When the House Chronicles is done, Kime has to sell this house, so he has the same worries as any owner about what will appeal to the next buyer.

Here are excerpts from RDK's long list of options, similar to what you'd see at any new subdivision. You may disagree heartily with our choices, but here's how we spent \$21,225:

ELEVATION E, \$8,700. Yes. The most extra money we spent was on this dramatic front face with a two-story arch over the front door — though not without dissent. The Free Press preferred the look and the price of Elevation B, which has a low, more human-scale porch and cost only \$2,900, leaving more money to spend inside. But Kime insisted, "This is what will sell," speaking of his Western Wayne County customers.

Sure enough, this two-story arch shows up in subdivisions by many builders all over the Canton-Van Buren area. You could even call it the Western Wayne look. It's also popular on new houses in Macomb Township and Sterling Heights.

Buyers often choose the expensive front elevations, Kime says. "People do spend the money."

"People like me say to them, 'Oh, it's only about 60 more dollars a month.'"

FOUR-BEDROOM PLAN, \$4,000. No. Three bedrooms are standard for this house; adding a fourth is an option. We passed, but as much for design as for cost. That choice will be explained further in the Phase 3 story April 14 when we outline options in a floor plan.

GOURMET KITCHEN, \$2,000. Yes. A quick and easy decision, because a house in the high \$200,000s should have a cool kitchen, and this upgrade looks sharp. Instead of a standard range, we'll have a cooktop and a built-in double oven. The cabinets will be trimmed with crown molding on top. The kitchen already came with an island.

BUILT-IN MICROWAVE, \$425. Yes. This was a logical part of the gourmet kitchen. We need a mi-

crowave in any case, and the other choice was buying one to stand on a countertop at \$250. Building it in seemed like a good investment.

UPGRADED CABINETS, \$375-\$1,800. No. The Free Press team badly wanted something special in kitchen cabinets, but backed off after the total house cost reached the high \$280,000s. Still, an upscale cabinet seems important for resale value in a house at this price, and we are still weighing options. Most buyers will find their builder lets them change their mind within a certain time without a penalty. At RDK it's 30 days after signing the purchase agreement.

UPGRADED GAS FIREPLACE, \$1,800. No. Yes we have a fireplace, but it comes standard with the house — a very nice package that includes gas logs, a heat blower, a ceramic tile face and a painted mantel. We are quite happy without paying extra for a granite face and oak or maple mantel.

UPGRADED PAD AND CARPET, \$1,475-\$2,250. Yes. Kime thought this upgrade was important — a berber or extra plush, instead of a standard plush, for another \$2,250. Indeed, most new houses come with a basic plush carpet that can stand improvement if you have the money. Still this could be an expense to cut back in lieu of a different upgrade. Because the carpet is almost the last thing installed, we have a little fudge time.

OAK FLOORS IN THE KITCHEN AND NOOK, \$1,900. Yes. From a practical view, basic vinyl makes the most sense for kitchen and nook floors, pelted as they are with water and food. But most of today's kitchens open to other rooms in the house, and it looks great to extend the hardwood floor from the foyer through this whole space.

Model homes often do put hardwood in the kitchen, and in an upscale house, some buyers expect it. We have seen some subdivisions charge twice as much for hardwood as the \$1,900 quoted here, so it seemed a good deal. Kime says more than half his buyers take kitchen hardwood.

One good option fewer people choose is a floor of 12 by 12 inch ceramic tile, starting in the foyer and sweeping into the kitchen. It costs a little more than hardwood, \$2,200, but isn't damaged by water and food.

THREE RECESSED LIGHTS IN FAMILY ROOM, \$450. Yes. These lights were important to Kime, because they brighten a dark spot in the family room, and it's his job to make the finished house look appealing. But the cost-conscious buyer might skip these and just keep a lamp in that corner, saving \$450 for another use.

TWO EYEBALL LIGHTS OVER FIREPLACE, \$350. Yes. Fireplace spotlights give good bang for your buck. As long as you have a nice fireplace, it may as well be a focal point. It looks good while you live there and good when you show the house for resale.

ROUGH PLUMBING IN BASEMENT, \$750. Yes. Virtually all buyers take this, says Kime. It allows them or a future owner to finish the basement with a full bathroom, without drilling up the basement floor. We don't want to have the only house without it.

ADVANTECH SUBFLOOR, \$950. Yes. This is an especially sturdy, water-resistant subfloor with a 50-year guarantee — a relatively new product the RDK folks experimented with and liked. We're taking their word that it's a good investment.

PREMIUM FULL-GLASS FRONT DOOR, \$1,950. Yes. Like the flashy, arched front elevation, this door is mainly for pride of place — street chic, wow power. Kime thought it was worth the cost in satisfaction for the future owner.

TUFF-N-DRI BASEMENT INSULATION, \$2,000. No. With its R5 insulation value, these Tuff-N-Dri panels that sheath the basement from the exterior are very hard to give up from the Free Press' point of view. They are considered a good product, helping the basement stay cozy, not dank. They should also cut the heating bill, because non-insulated concrete walls siphon heat off quickly.

RDK includes this basement insulation on condos the company builds in Van Buren Township, called Hickory Woods, but here it is an option. Kime wanted to save the money for other use. But if we were going to live in this house, we would take the basement insulation. "So would I," said company founder Bob Kime.

We would even trade off the fancy door for it.

WHIRLPOOL TUB, \$2,000. No. This was an easy no. Whirlpools are said to be good for resale value, but something of a pain to own for those of us who don't have servants. To clean it you may have to clamber into the big tub, hunch down and scour out those chrome nozzles.

BAY WINDOW IN DINING ROOM, \$1,500. Yes. Bays often seem a bargain, including this one. It adds handsomely to the interior and exterior architecture, increases the window space and increases the length of the dining room from 14 to 16 feet. That means you can host Thanksgiving dinner for 10. At this price it's an easy decision.

What about changes?

Those are our choices. For 30 days we can make a change with-

out charge.

After that the company allows what Greg Kime calls a "heart-ache change."

"Say you ordered a certain countertop, and now you're just sick about it," Greg Kime says. The company will make the change if possible, but if it makes extra work, there's a \$200 charge.

Finally, a few components lock in early and are very hard to change, says Matt Kime, field superintendent for this project. By the time the basement is dug, the builder needs to order your trusses and windows or they won't arrive on time.

That completes the hard money choices. Now the project passes to the hands of the builder. Come back April 14 for Phase 3: Ins and Outs of a Floor Plan, and April 24 for Phase 4: Let's dig! Excavating and Pouring the Basement.

Contact JUDY ROSE at 313-222-6614 or rose@freepress.com.