

ARCHITECTURAL FEATURES AFFECTING VALUE

BY ROBERT A. BICK

*Above, a classic park-like setting is an attribute that tends to add value. (photos by Robert Bick unless otherwise indicated)
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Architecture is both an art and a business.

The art portion of architecture, as with any work of art, is purely subjective. Its success depends on the perception of the designer: Does it meet the client's perceived desires? Are those positives projected to the community beyond? Opinions on art can vary widely.

The business aspects of architecture are much simpler. Was the project within budget? Can it be defined as a proper investment that will generate an appropriate return on investment (ROI)? The ROI, whether through sale or rental, often depends on the response of the real estate market to the project, the cost of ownership (TCO) and, in some cases, the literal value determinations of the appraisal professional.

Throughout the spectrum of architectural features and choices, with art at one end and business at the other, a vast gray area exists, especially in the broad realm of residential construction. The goal, quite simply, is a home that reflects the owner's lifestyle choices, a balance between comfort and budget, and an appropriate regard for resale value. Much of that is accomplished through creating or adding *features* to a building that move the owner toward his or her vision of the perfect home—a blending of a technical science and a subjective art.

The reality of this quest for balance can be much different. Zoning and planning issues, funding availability, and potential tax burdens lurk as possible pitfalls during the investigation and alignment of needs and desires in the residential “built” environment. Compounded with those intangibles are standard appraisal practices that struggle to define and value unique outside-the-box features that can't be bundled in a business transaction and sold in bulk. So how do we categorize this process and associated value determinations?

Some would call this quest for balance chaos. Some people get bruised “portfolio egos” when appraisals on their Spanish-Tudor Combo, Passive-Solar Ski Lodge with triple-lap



In the quest for balance between resale value and self-expression the minimalist approach sometimes wins out and may even be preferred in some circles.

pools in Coral Gables comes up far short of their investment. I recommend the following:

- Work with your designer.
- Be happy with result.
- Hold your contractors performance expectations to the fire.
- Get your money's worth.
- And let the resale chips fall where they may.

Consequently, the definition of a successful project or a valuable feature may ultimately hinge on the first impetus for initiating the project and whether that need is met. The scope of the project—be it retirement home, in-law apartment, dream home, family room/great room addition, sunroom, or any combination thereof—will delineate the features that are valued by the owner. The market will determine the designs or improvements that are more valuable or less attractive to the potential buyer. The market varies by geographic location, so reflection of that value will depend on the skill of the appraiser in quantifying quality in a dollar format based on regional market desire at a given time.

How is an architectural feature defined and how is it categorized? That is the \$25,000 question. A feature is in the eye of the beholder. Some are brutally specific to a personal style or building preference, like a through-the-wall fish tank. Change the fish tank to a fireplace, and the appeal factor skyrockets. Some are of miniscule detail, like the subtle pattern of a faux finish on a certain wall that captures the radiance of the afternoon sun.

I define architectural features in three categories: appraiser-friendly features (AFF), quality-of-life features (QOL), and Wow, Had Any Takers? (WHAT?).

Appraiser-Friendly Features

As a designer, I don't care about resale value unless my client cares about resale value. However, as part of my discussions with a client, I introduce the notion of resale potential or market value on a given set of features, because I feel obligated to give him or her the understanding required to make an informed decision from both a design perspective and an assessment/appraisal perspective. That being said, an appraiser-friendly feature will, quite simply, add legitimate market value to the home in virtually every market

during any season by maximizing the ROI. Some of these features are as follows.

Kitchen Remodeling

Countertops of all types, hardwood (cherry, maple, oak) cupboards, and kitchen islands with full or breakfast bars top the list of features that maximize their ROI. Wall removal and opening up the kitchen space into another room often accompany a kitchen remodeling and subsequent perception of value.

Bathroom Improvements

Are the mauve fixtures and colonial blue tile killing the sale? Update the bathrooms. Even something as infamous as the "instant fiberglass tub and shower in a day" can be of great benefit. Whirlpool bathtubs now come in all sizes, and how many people opt for the higher priced motel room just to get the whirlpool bathtub? And have you researched choices in faucets lately? Astounding! New fixtures and finishes are the key. Bathrooms are becoming the new get-away spot for quiet relaxation, so spend wisely. Conventional real estate wisdom recommends bathroom improvements as a quick way to enhance residential property value.

Sunroom/Greatroom Additions

Everybody wants a sunroom, regardless of the climate they live in. An adequately

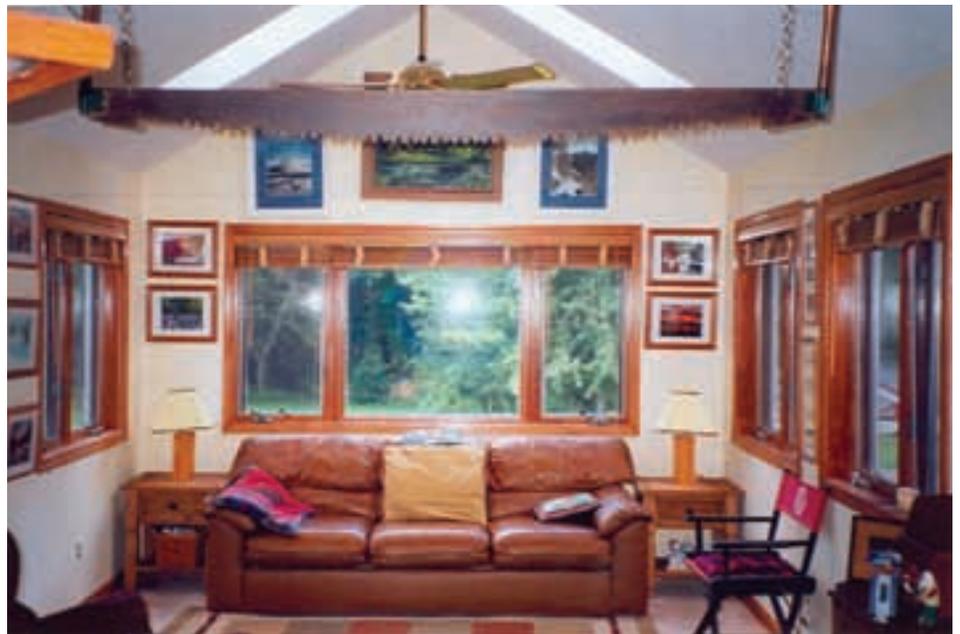
large space and plenty of windows are the only requirements for a successful sunroom. The finish options are endless, and the style potential is wide open, from Adirondack to Cape Cod whitewash to Mediterranean.

But the key is to build it right and create an environment—not just a room. That environment will dominate the perception of the home, and change the way you live your indoor life. It will reward you in many ways, not the least of which is ROI. And virtually everyone who builds one says, "We should have built it bigger."

Entryways

By entryways, I mean doors and sidewalks. How often do you walk into a building, any building, on a basic concrete sidewalk that leads to a mediocre door? That type of entryway immediately conjures up the notion that "maybe I really don't want to be here" or "what is really behind door number one?"

Add a well-sculpted front door and an artistic sidewalk to that same entry and it demands attention. Building envelope manufacturers have dozens of doors, glass styles, and price ranges to suit every taste and budget. A nicely designed brick sidewalk, though fairly expensive, is worth its weight in buyer interest. One of the best products incorporates both choices of



The sunroom or great room is primary factor contributing to the appeal of a home and its ultimate perceived value.

(photo by Chris Bennett)



What does an entryway say about a home? color and a multitude of imprint styles to concrete walks. It is also very pricey, about \$15 a square foot, which may exceed most sidewalk budgets.

Covered Porches

This feature could almost be called a quality-of-life feature, and I have yet to see anyone with a porch who doesn't use it or any home that exists *ad infinitum* without one. It is one of the true middle-class structural icons. If you buy a house with a porch and have never had one before, you begin to use it anyway. The average person is truly drawn in by



A strong, solid front door indicates warmth and security. Surround it with a variety of colors and textures and you have a very attractive entryway.



The author poses in a doorway that would definitely be a detriment to value.



An inviting porch conjures images of quiet conversations and shared thoughts. (photo by Chris Bennett)



The classic front porch, complete with unique railing system is a huge benefit to home value.



A spectacular roofline can magically transform a house into something much more than a big box. (photo by Chris Bennett)

the mystical allure of porch sitting. The porch will call you, and you will come.

Porch costs and construction options run the gamut from reasonably priced generic big box pressure-treated lumber to imported stone or indigenous white pine logs. Finished ceilings, custom lighting, decorative rails and balusters, screens, and a plethora of furniture choices make them indispensable. Without one, a house quickly feels less than it could be, regardless of the climate.

The average person is truly drawn in by the mystical allure of porch sitting. The porch will call you, and you will come.

Roof Lines and Other Elements Simulating Nature

We live in a world intent on creating and rewarding drama. We tend to seek dramatic features in our built environment when possible. Nothing is more dramatic from a street-side perspective than impressive vaulting rooflines. Peaks and valleys echo basic human desires to have attributes of the great outdoors resound in our personal environments. Porches, big windows, fireplaces, and residential ponds all are congruous with our urge to



Multiple peaks can add drama and interest and are very appraisal-friendly.

bond with and control nature. Elevation, the manipulation of water, and the control of fire all played important parts in the advancement of civilization. Now we court them as architectural features.

Impressive and multitudinous rooflines are not cheap to construct, and in high-precipitation areas, the valleys must be built extraordinarily watertight to withstand the rigors of winter and the accompanying snow and ice dams. Yet the look and the subsequent vaulted interior ceilings are worth the effort.

Structure Placement

From my viewpoint as a designer, placing a structure on the lot to take advantage of

natural attributes as well as using construction appropriate for the lot size are the primary architectural objectives—the holy grail of perception. Structure placement will make or break the notion of an outstanding property versus a property “for the masses.” How many of you have seen the 4,500-square-foot transitional on the flat one-quarter-acre former farm lot and thought, “Looks like an elephant wedged into a horse trailer.” Place that same house on as little as a one-acre, landscaped lot with a bit of curve in the driveway and a few stately oak trees standing guard, and you have a mini-estate. As appraisal professionals we are all aware of the appreciation of waterfront, the value of



Matching the structure to the property can make a huge difference to perceived value.

recreational property, and the degree of enhancement the right parcel provides to the right building. Value of the view does matter, both looking in at a property and looking out from the property!

It can be extraordinarily costly to place improvements where they need to be to maximize the lot and the style of the structure. Topography, soil samples, wetlands, tree location, and the desire to keep or not keep trees are imperative considerations in the planning process. In the snow belt a feature like the dis-

tance from the road may inhibit ROI if clearing long driveways is a detriment in the market. It's a classic privacy-versus-convenience argument.

Responsibility for sound and proper use of the site lies with the designer, the builder, and the local municipal authority. Unfortunately, not enough attention is being paid to this responsibility, especially in the stereotypical suburban-sprawl-for-maximum profit construction mentality evident in many areas across the country.



Unique window and door treatments can make a big difference in the appearance and perceived value of your residence.

Fenestration

Derived from the Latin word Fenestra, for window, fenestration is “the arrangement, proportioning, and design of windows and doors in a building” (Webster’s 10th edition). Specifying windows for residential construction has become congruous with picking options for your new car. All shapes, sizes, materials and insulating options are available. But what sells? A good house can be great with the right fenestration application. An average house can become quite extraordinary using the same technique. The placement, the shape, and the view matter. The insulating quality and subsequent overstated potential energy savings have yet to tickle the consumers funny bone. That may change with utility costs skyrocketing.

Fireplaces

For many people, a home with a fireplace conjures up images of cozy evenings watching the snow pile up and Christmas stockings hanging from the mantle. Any fireplace, from the pre-fab pop-ins to the custom two-story river-rock focal point of the home provide literal and figurative warmth. We love to control fire, and any home with a fire feature will always generate some interest.

Appraiser-friendly features can range from fancy roofs, to site-specific designs, to upgraded kitchens, but all add “dollar depth” to your investment, be it new construction or improvements to existing construction. Most of these improvements will return 80–90 percent on your hard-earned dollar, some even 100 percent. The longer you stay in your home, the better chance you have of increasing the value of your improvements. However, this is a very static environment. The purchase price of land and construction costs, which are dependent on the quality of materials and the strength of the real estate market, assist in defining the nebulous nature of ROI and appraisal friendliness.

Is investing \$50,000 in a kitchen with the hope of recouping \$50,000 at an undefined later date even worth the cost? How many investors define breaking even as a positive outcome? That is what the homeowner needs to consider, and

it requires a very diligent and educated consumer to maximize what can be best described as a break-even proposition.

Quality-of-Life Features

Quality-of-life architectural features encompass a wide variety of improvements. These features may or may not provide a reasonable ROI or TCO. However, these considerations may not be imperative for a particular owner/client simply because the features are too much fun or important to his or her lifestyle choices to be left out.

Green Buildings

It used to be that passive solar homes, complete with a classic mid-70's cavity wall air circulation space called a Trombe wall and large masses of rock or concrete called solar mass, were cutting edge. Technology had progressed to the point where we could retrofit an average home with partially energy-efficient features. Currently, however, The PBS show Nova recently researched something called the pan-American evaporation rate, which is a measurement of how quickly water evaporates on a global basis. Through strict and long-term testing, it was determined that this rate has decreased 10 percent in the last 30 years. In a nutshell, this statistic indicates that the sun's rays have been dimmed 10 percent because greenhouse gases, mixing with cloud cover, actually

increase the reflectivity of the clouds. Where does this leave solar heating? That answer remains to be seen.

The investment for going green can be twice as much or more than that for an average home, and there is not enough data at this point to determine whether the savings generated in utility costs justify the added construction costs or can be recouped upon sale (much like a hybrid car).

Green buildings are a more modern attempt to minimize utility loss and maximize material usage and energy efficiency. Data from the U.S. Energy Information Administration as reported by Architecture 2030, a non-profit group dedicated

to the efficient use of our construction resources, shows that 48 percent of all greenhouse gas emissions are generated by existing buildings. However, there is no strict definition of a *green building*. A building can be certified green simply if all materials used in its construction are manufactured and delivered from sources not more than 500 miles from the job site. That requirement alone has a huge cost, as do many cutting-edge technologies. Clearly, work needs to be done and requirements need to be narrowed.

The investment for going green can be twice as much or more than that for an average home, and there is not enough data at this point to determine whether the savings generated in utility costs justify the added construction costs or can be recouped upon sale (much like a hybrid car). It's a responsible eco-friendly lifestyle choice, but it may prove to be non-cost-effective.

I recently visited a true eco-friendly home in the wine country of the Finger Lakes region in New York state. This property had one wall exposed to the south with a bank of windows, 3-foot-thick concrete walls, and a 4-layer roofing system complete with 2 feet of soil and grass on top. It was solar- and wind-powered (engineering features) and actually sold electricity back to the grid. I would speculate it was about 2,000 square feet, and the construction cost was \$500,000. Clearly this project was dear to the heart of the owner. Yet for the average person, how many years would it take to recoup that extra \$250,000 in saved-energy costs to break even with the cost of a super-efficient structure, assuming there are no utility costs at all in the structure?

The owner did mention he had a hard time finding a bank to loan him money and had to abandon his first choice of site because the neighbors opposed the wind turbine.

Log Homes

The log home is one of my personal favorites from an aesthetic point of view, but clearly a very specific choice. The logs themselves are the architectural feature, so if you enjoy wood, nature, and a romantic mystical feeling as if you were waking up in Aspen, this is the way to go.



The allure of a log home often surpasses its drawbacks. Pictured above is a rustic log cabin in winter. Do I hear sleighbells?

A log home is not cost-effective, especially in more extreme climates. The TCO is above average. It is difficult to change the look of the interior of a log home without covering the major investment, the logs, with another cladding material. The wood shrinkage can be intimidating to the home-maintenance-challenged, and mixing a little pesticide in the wood stain is not for everyone.

They are gorgeous and costly, and the additional value is questionable unless the buyer is willing to accept the responsibility.

Outbuildings

Have you heard the humorous anecdote about the United States? "We put our worthless junk in the garage and leave the expensive BMW in the driveway." The proliferation of mini-storage units is a testament to our accumulation of *stuff*. There is also the splitting up and development of farms in the wake of continued sprawl, and with that someone buys the old homestead and inherits the barns.

Old barns, pole barns, and extra garages all are enjoying a renaissance of sorts in America. A well-done outbuilding is a huge benefit upon sale. People envision storing their boats on their own property, possessing a space for the kids to play indoors yet out of the house, or having a spot for that hobby station they always wanted but didn't have the space for.



Outbuildings in need of attention can quickly detract from value as their functional utility decreases.

On the other hand, another building means higher taxes, more maintenance, and increased utility costs. Clearly outbuildings are not for everyone, and complement a certain lifestyle more than others. If the need is there, the investment is worthwhile and the inherent value is in how many uses can be achieved with the space allowed.



A well-constructed outbuilding adds value and convenience.

When my home was initially appraised for purchase, the value put on the pole barn was equal to that of a two-car garage. The appraiser thought it was an over-improvement because it only had two garage doors in it and therefore could not be used as anything more without modification. As I mentioned earlier, some appraisers are unable to recognize added value in obvious places because it is slightly outside the norm of "typical comparables." A good appraiser who can think outside the box is a rare commodity in our one-size-fits-all homogenous world of residential appraisal.

Pools, Home Theatres, Wine Cellars, Home Gyms, and Outdoor Entertainment Areas

These features are what I define as personal recreation features. They are very specific lifestyle choice issues and not attractive or are not functional in all market segments. The existence of some of these features will limit the number of buyers, have questionable ROI, and in some cases wreak havoc with your TCO.

Consider a project under construction that includes a stone outdoor fireplace, 1,000 square feet of stone patio with a 200-square-foot raised center section for a better view of the fireplace and pool, a stainless steel outdoor barbecue, a covered lounging section with extended trellis for shade, a myriad of courtyard-style walls, built-in stone and brick planters, and a monster in-ground pool. The total cost will easily exceed the initial projected construction cost of \$150,000. Note that this is in an upstate New York town, where the average value for an 1,800-square-foot, 20-year-old colonial home is about \$150,000. The owner is a businessperson who entertains, so the expense is secondary to the function. Is it an over-improvement? Time will tell. How would an appraiser value that feature? Five appraisers will have five different opinions.

As another example of appraised values, consider the dilemma of a friend who put a \$50,000 home-theater project in his previously unfinished basement. He borrowed money from his retirement to expedite the project, fully expecting the new appraised value of the home



The bewildering choice of patio options have gone wild but the return on investment is still a mystery.

would reflect the additional investment and allow for a nice home equity loan to pay back his retirement account. The key word here, as we all know, is *basement*. While the financial dust has not yet settled, let's just say that he should have asked some friends for advice before salivating at the thought of a big-screen TV and a popcorn machine below grade.

Decorative Woodwork

Decorative woodwork is one of my favorites, right up there with log cabins. Why? Wood comes in many flavors, textures, and sizes, and it is a decorative blank canvas. With a good saw and some imagination, average becomes amazing. A post can become a decorative column, a corner a focal point of interest, and a railing a work of art. One can take an inexpensive solid-pine six-panel door



Decorative woodwork both interior and exterior can add visual interest.

stained in honey oak and trim out the openings with some decorative low-cost pine stained in cherry and create the illusion of a thicker, multitextured door with greater relief and higher quality.

And if you define hardwood floors as decorative woodwork, the vast majority of average new homes come with some square footage included. Once you start talking cork, teak, mahogany and the like, you enter a different realm, something well beyond the composite and simulated hardwood veneer for the masses, Pergo®. Yet the average buyer sees hardwood as hardwood, and quality is not borne out in added value.



The author's home, a "post and beam" in progress, shows decorative wood fencing enhanced by snow.

Will all the decorative woodwork cost be reflected in the appraisal? Not likely. Consider my home as an example. It is post-and-beam with an historic 1881 barn as the interior framework. The cabinets are cherry hardwood and the countertops are 3 inches higher than standard. The open staircase, railings, and balusters are solid oak with one-piece 6- x 12-inch stringers. The barn beams throughout are hand-hewn, 10 x 10 inches, with accompanying 5- x 8-inch decorative cedar-vaulted ceiling beams. I am a huge fan of ski lodge architecture and have the slivers to prove it. Yet in central New York, this type of architecture is unique and cannot be properly compared because is not a generic style or finish. Thus, for most of my efforts I am out of luck from a valuation standpoint; my choice is not the choice of the masses. The sales approach to valuation cannot do the home justice, unless the appraiser works for an organization that allows consideration of construction cost and reproduction value, rather than replacement value (check your home insurance policy, there is a huge difference). Perhaps I belong in Alaska, where the cost approach is used initially and then adjusted to market value.

Appraisers generally are not trained in construction costing except for the use of the generic corporate program. I believe more construction education should be required for both appraisers and municipal assessment personnel. Both professional groups are certainly more than capable of adding this level of expertise to their knowledge base.



Many homeowners create imaginative names for their seasonal homes. In some cases it's better NOT to ask.

Wow, Have Any Takers? (WHAT?)

This is where design gets fun. Throw out the book on neighborhood norms, appraiser friendliness, and ROI. It's a process I call unleashing the mission-critical applications.



Gargoyles, a love it or hate it feature, are not for everyone. (photo by Chris Bennett)

The mission is “what the owner wants.” In some cases the extravagant also becomes a good investment. Build an indoor bowling alley with glass on three sides in Whistler, B.C., with a view of the mountains, and someone will buy it whether they like it or not because of the novelty. Throw some gargoyles on the stone wall by the driveway entrance and it becomes a love-it or hate-it feature. Or, for another example, consider the aforementioned fish tank in the wall between two rooms—it is somewhat transfixing but not something the average buyer wants or an appraiser perceives as value-enhancing.

The operative appraisal word thus becomes: “superadequacy.” Much of what

happens when an opportunity truly exists to explicate someone's dreams in three dimensions centers around mining a client's deep desires and impressions of life, love, and the pursuit of happiness. The environment created becomes a tool by which the client hopes to gain substantial quality-of-life improvements.

Some examples of these superadequacies include three-level pools with waterfalls, observatories, crow's nests, custom wood-finish elevators, golf courses of all sorts, small-gauge trains, climbing walls, personal sports fields, garage auto lifts to stack car collections, marble walls and ceilings, and voice command utilities.

A classic example lies approximately nine miles from my house, by snowmobile, in the Adirondacks: the former recreational home of Shania Twain, the country singer. She and her husband at the time, record producer Mutt Lang, bought 3,000 acres of Adirondack forest with a private lake previously owned by St. Lawrence University in Canton, New York. Access was through a one-mile-long dirt road through the woods. The property had a beautiful old Adirondack-style house and a classic old barn with absolutely massive indigenous timbers. Twain and Lang bulldozed both buildings and filled a wetland to build a recording studio, a large house, miles of horse trails, a number of riding arenas, and assorted other outbuildings. She consequently moved to Switzerland and put the property on the market for \$9 million; the sale price subsequently dropped to \$6 million and the eventual sale five years later was for 4.1 million. For a private lake and 3,000 acres in the country's largest park, the land alone was worth that price. The improvements, especially due to the uniqueness, had questionable value.



Ornate pillars, a superadequacy or an essential commodity? (photo by Chris Bennett)

Value of Architectural Features

This article has merely scratched the surface of the subject of architectural features that affect value—the topic is insanely broad and deep. Yet all features, whether defined as value-enhancing or charming, are subjective when it comes to actual quantification in real dollars. No one really knows what an architectural feature is worth from a sales approach until the home is purchased, similar properties are purchased, and historic sales data can be compiled.

In my experience, the cost approach is substantially more appropriate than the sales approach when reviewing unique properties. A heavy reliance on sales data is a shortcoming for certain properties, especially within the mass appraisal process, because it downplays the value of unique features. In theory, the adjustment portion of the appraisal should provide enough leeway for appropriate value consideration. But that is where I find some shortcomings in the understanding of actual property valuation—what usually happens is a cursory exercise in comparables review.

The system is designed this way on purpose. The business sector does not like outliers, and in order for financial institutions to bundle and sell mortgages, homogeneity is the rule.

Simply stated, there are specific features that generally enhance or maintain value over time. There are other features that enhance a specific quality of life. And then there are the remainder, the novelty features or superadequacies. The price tag is one thing; the thrill of ownership is another. Somehow, as property valuation experts, we must make sense of it all. ■

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