

# PER-SQUARE-FOOT PRICING BRINGS DOWN HOME BUILDING QUALITY



## Pricing Houses by the Square Foot Is Like Selling Cars by the Pound

Over the past few years, we have noticed a troubling shift in how homes are perceived by the public, and this shift has negatively affected the quality of U.S. homes. Let's face it, lots of us are very adept at quantifying things, and we're great at crunching numbers, but we have gone too far with this approach when valuing homes. Albert Einstein had it right when he said, "Not everything that can be counted counts, and not everything that counts can be counted."



Let's look at an example: When you buy a KIA, you know what you're buying. The car is built to comply with Department of Transportation safety and performance standards. You can upgrade to leather seats, but it's still just a KIA. However, when you buy a Cadillac or Lincoln, you have a different set of expectations about the car's quality: really nice leather seats, better craftsmanship, superior performance, improved safety and durability, and overall quality "under the skin"—

the things you can't see but you know are built into the car. You can even move from dealer to dealer to get better pricing, knowing you're getting the exact same product. And that's where the problem comes in. People think they can treat buying a house like buying a car. We've mixed up the adjectives quantity and quality by relying too heavily on the all-too-ubiquitous price-per-square-foot yardstick for evaluating homes. This is especially true for high-end custom homes. You can get the trophy kitchen, the Palladian windows, the multiple crown moldings, and the profusion of meaningless steeply-pitched roof angles, but often these "high-end" homes have "behind-the-scenes" components—like plumbing, HVAC, waterproofing methods, structural components, windows, and siding—that are no better than those used in much more affordable homes. And, they can be expected to last about as long, before the occupants experience expensive maintenance problems, or, worse, unhealthy conditions—like water leaks and mold.

## Where Did Per-Square-Foot Pricing Come From?

The price-per-square-foot yardstick is relatively started in the early '80s. Before then, appraisers were more creative with their assessments. Attributes like floor plan design, a house's responsiveness to its setting, care of craftsmanship, and even livability. Per-square-foot pricing has its roots in the production home building business, where there is little difference in the various choices or quality of building materials. Most three-bedroom, two-and-a-half bath homes have approximately the same size two-car garage, an attention-grabbing front entry, and a modest back patio. There isn't much variation. But this is not so for truly custom, high quality, energy efficient, site-specific homes on a particular piece of property with unique views, topography, trees, etc. Value-added areas like these affect the overall price to build the home, but they don't add to the sale price if it is calculated using just the square footage of the conditioned space. This distinction will be increasingly crucial as more green, high performance homes are built. High quality, energy efficient custom homes that "live-well" cost slightly more to build and it would be a mistake to select a builder solely on price-per-square-foot.

