



A Tale of 2 Homes

Unconventional Wisdom
Leads to
Extraordinary Results

We all come across opportunities and events that at the time we have no idea how important or impactful they are going to turn out to be. This happens to be one of those events.

It started out so simple; looking for a lot to build a spec. home and ended with an unexpected revelation. The code was cracked. It's code that even top homebuilding professionals don't know.

It's the "Value Creation Code."

What is so important about Value Creation Code is its importance for the success of homebuilders and building professionals. The reason it is so elusive is that it's completely counter-intuitive. Most home building professionals believe that value is created through installing expensive finishes and creating homes that are costly to build. But, nothing could be further from the truth.

To understand how create value in a home, think of value as a three-legged stool. If one leg is missing, the stool becomes unstable. The same holds true for a home's value.

The three legs to a home's value are:

- Showcasing the positive attributes of the building lot
- The homes livability
- A home that feels much larger than it really is

So how was the code cracked?

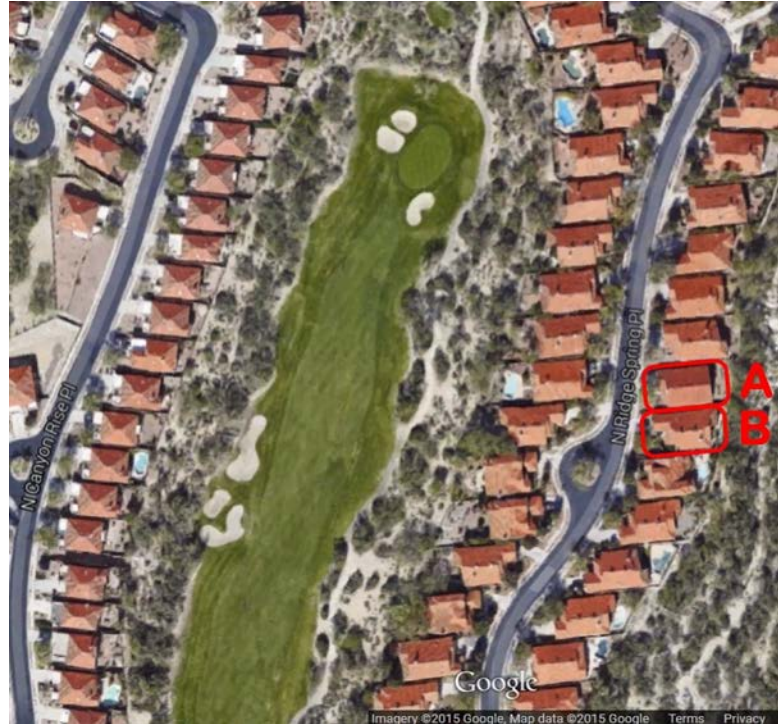
First of all, the lots in this case study were the final two un-built lots in a 54 lot subdivision. The subdivision was a sub-community, which was part of a larger master planned community that featured an upscale clubhouse and golf course and was sited adjacent to a mountain range. The lots were adjacent to each other and had two different builders that constructed spec homes.

Here they are... it couldn't be any better for a case study. The homes are side by side. There is no better way so evaluate value as perceived by prospective buyers than this.

Both lots were virtually identical in shape and size. In fact, both were purchased for the same price.

The builder that had built out the 52 other lots constructed the home on lot **B**. This builder had a substantial advantage. Having built and sold all of the other homes, he knew his buyers.

A contractor was hired by an investor to build home **A**. Since this home was not built by the home builder that developed the other lots, a home had to be designed for this lot. But any home wouldn't work. And that's what makes this the best case study possible.



The home for this lot had to pass through the sub-association's architectural review committee and the master association's architectural review committee. Between the two committees, the house was heavily scrutinized.

I designed the home to be cost effective and appealing to buyers. The only problem: the home wasn't good enough for the master association.

They required that the home match any one of the other homes on the street... exactly. Yes, they wanted it to match. They were unyielding in this requirement.

By the time home **A** garnered its permits, home **B** was in the finishing stages of construction. The home was being trimmed out by the time the home I designed started construction.

Which is Which



On the left is house A, and house B is on the right.



Can you tell which house is more valuable?



Digging a little deeper... did Home 'A' have more Value?

Don't compare these two homes by the quality of the photographs... one was photographed without any furniture. This is where looks can be deceiving.



Just the Facts:

- Livable Square Feet:
 - Actual 2331
 - Feels Like 2600
- Beds / Baths 3 / 2
- Flooring: Ceramic Tile
- Countertops:
 - Kitchen Granite
 - Bathrooms Cultured Marble
- Orientation: East & North
- View: Mountain
- Sales Price \$ 369,900
- Days on Market 0 (zero)





Or was it home 'B'?

The cabinets in this home are comparable to the other. The stone flooring in this home is superior as are the appliances.

This home also has a larger patio area as well as more defined rooms. Where do you place more value, compartmentalized spaces or open, less restricted areas?



Just the Facts:

- Livable Square Feet:
 - Actual 2373
 - Feels Like 2300
- Beds / Baths 3 / 2
- Flooring: Stone
- Countertops:
 - Kitchen Granite
 - Bathrooms Cultured Marble
- Orientation: East
- View: of Houses
- Sales Price \$ 330,000
- Days on Market 118

Well...

Which one is it? Which home commanded the higher price? Now that you've picked the winner, make a mental note of why the home you chose sold for \$39,900 more than the other.

There are many elements that are considered when designing a home. Careful consideration of how spaces flow is critical as well as how livable the home is. But the most important element of all is for prospective buyers to see themselves living in the home. That's what separates the amateurs from the pros. Understanding the previously discussed design principles will make your homes sell faster.

Building A Better Home

Excellent design increases value. Good design isn't good enough. It costs money to increase value in a home while excellent design doesn't.

This is the real premise I used for home **A**. Look at the picture of both homes. Can you see the remarkable difference? It is not apparent from the street. The difference occurs inside. Superior value was created based on two principles.

First, the home's design was created using the clever concepts that make homes feel larger than they really are and the "Value Design" process that I developed over a decade ago. These are two of seven profit magnifiers in the Home Building Profit Blueprint.

The second principle I used in this home's design was the clever concept of creating a 'Psychological View Catcher'. The minute I saw this lot I knew one thing, the builder that built out this subdivision really screwed up. He did what builders do: Commissioned an architect to create designs

without ever considering the unique conditions of his project.

All of the lots in this project had an East-West orientation. All of the lots were built on a ridge that mandated the East-West orientation. And that's what he did. The rear windows of his homes faced opposing homes along the next ridge. A natural valley that was about 200' wide separated each group of homes. It created privacy and separation.

But that was the big mistake. I did something that was really sneaky. I provided an 8'x8' sliding glass door off of the nook. Nothing you would consider as special here. But the trap was set; I placed the wall at a 45% angle to the back of the house.

See, this wasn't my first rodeo. I knew that a couple would walk the home and stop in front of the sliding glass door. And once there they would look out perpendicular to the wall that the doorway was placed. It's only natural.

This was a **BLINKING NEON SIGN** that said, "LOOK AT THE BEAUTIFUL MOUNTAIN VIEW RIGHT HERE!"

When I created this house, I knew that I had to do one thing first. Create a home that a buyer could imagine living in. With that problem solved, I knew I could make the home completely irresistible by focusing on a view that everybody else missed.

Talk about shooting fish in a barrel. It couldn't have been any easier. I knew this home would sell. But not only sell. It would sell for top dollar. And it would sell fast.

However, one thing happened that I never would have expected to happen.

The home sold to the very first couple that walked it. But that doesn't begin to describe my shock and awe. The home was not even for sale. In fact, nobody knew it was for sale... yet. The realtor that was going to list the home specialized in selling new-homes. She wasn't a resale specialist. So, she and her husband drove the master association's neighborhood to do some research and see how the competition stacked up.



It's hard to imagine that this is the only home on the street that took advantage of the mountain view.

They happened across an open house. While walking the home, they spoke to the owner. They disclosed that they were about to list a home at the other end of the subdivision and were just looking at the homes in the neighborhood.

During the course of their conversation the owner stated that she had placed her home on the market because she wanted a larger home. The home that I had designed fit that description. It was larger.

She followed the realtor to the home. She walked in and her jaw dropped. The home was the right size based on their conversation but it felt much larger. There was no way this home was 2331 square feet. It felt like it was so much larger.

She walked through the bedrooms, the great room and then the kitchen. That left one room, the nook. Remember what I did to the nook? She stopped at the door and looked straight out as if in a trance.

She was sold! All that was left was the price and terms. What a push over... the price was full ask with a 30 day close.

I couldn't believe it. The asking price for this home was a full \$40,000 higher than the one that had just sold next door. And that home took months to sell after completion.

But it gets better. The home next door (home **B**) was really dolled up on the inside. The appliances were expensive. So were the cabinets and countertops. But, there was a problem. The house was cut-up. It felt the as the size that it really was, 2373 square feet.

To be sure, it had excellent attention to detail. It had art niches, archways, even crown molding.

With all of its features, the neighboring home was only missing two things. Unfortunately, those two things cost more than three months in hold time and \$40,000 in sales price.

If they could do it over, do you think they would do two things that really make the home a buyer magnet?

...Capture a **FREE VIEW**... and make the home feel large...

I bet not. See, the other builder had misplaced pride. They were enchanted with over-detailing the home. They believed that their homes were stunning works of art. It's unfortunate that they didn't truly pay attention to what the buyers want.

By capturing a free view and making home **A** feel larger than it really was, the home became irresistible.

The Simple Concept that Wowed



By no stretch is this an ultra-glamorous design. But, this home spoke to its buyer. And in doing so, this home was supremely profitable. Being a model plan, it was designed using the principles that make homes feel large and sell fast.

Case study finale

It's baffling why building professionals make poor siting decisions every day. On the surface it really seems as though it's a case of penny wise and pound-foolish. But really, it normally comes down to fitting a square peg into a round hole. In other words, the wrong home solution is placed on the wrong lot. The best way to enhance the value of a home is to magnify the unique attributes of the building lot.

This principle works in all conditions of housing (from starter production home lots to high end customs). One of the prime features this house had was the scenic view. The home was so compelling that it sold to the first prospect that walked it.

It really wasn't the market. In fact, the home next door, which looked almost identical from the street, took four months to sell once complete. To top it off, the alternate home sold for considerably less... over 11% less!

The choice is yours. Prepare little and build an ordinary home. Or, pay attention to the details and have a home that wows. In this case, a little thinking equaled 4 months less selling time and \$40,000 in greater value. It also netted a home that was less expensive to build. Talk about hitting a trifecta.

From now on, listen to your lot like home A and pay attention to the details. You will end up with a superior home that's more valuable and costs less to build... guaranteed!