

REAL ESTATE

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THE REAL DEAL

Real Estate News You Can Use

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Anatomy of a Teardown

Author's note: This column, updated since its first publication in February 2004, is just as timely today. In

fact, a current exhibit at the Westport Historical Society counts over 200 teardowns in the past three years alone. And westportnow.com's "Teardown of the Day" feature is perhaps its most closely-watched content.

For additional perspective on teardowns, consult my recent columns "The New Land Rush" and "The Transitional Neighborhood."

Love it or hate it, "regular" homes are being torn down all over Westport – and "deluxe" homes are taking their place. Questions frequently posed to me range from the general ("What's going on with teardowns?" "Where will it end?") – to the very personal ("Is my house a candidate?" "How much could I get from a builder?").

With full recognition that this is a controversial topic, here are the answers.

Teardowns continue to be a fact of life in Westport, and are likely to be so for the foreseeable future. It's a simple matter of supply and demand. Westport is a desirable destination. Demand for 21st century homes with luxury amenities is high here, but there's no virgin land available on which to build them.

Demand for "buildable" land has been so great these past few years that when a good candidate comes up for sale, there is a frenzy of activity swarming around the property within moments of its availability being announced within the listing agent's office, or – if it makes it that far – hitting the multiple listing service (MLS). Builders and their agents remain poised and ready to pounce each

morning when the daily real estate hot-sheet is opened.

There are three ways to know if your property is a teardown candidate. The first is if a builder knocks on your door and asks if you've ever considered selling. If this happens to you, please be cautious. Builders are known for being vague with property owners about what they're willing to pay. Often they'll put the onus on you to set a price. Some builders will lowball you, hoping that the number will sound good enough to cause you to do a quick, private deal without the "cost" and "inconvenience" of listing your property, or – in the worst case – underestimating its value. Please be assured that these are the very same people who will pay top dollar and bid up the price of your property once it's on the market.

The second is to understand the anatomy of a teardown. Simply put, a teardown property:

1. Is worth more as a building site than a buyer would be willing to pay for it as a dwelling. To assess this, real estate professionals look at what comparable dwellings have recently sold for, and then compare this to current average land values in town. If comparables show that your property would command less than these going rates as a dwelling, its "highest and best use" could be as a land. If it would command more, then your property is probably not a teardown candidate unless you live in one of several "killer" neighborhoods in town. You know the ones.

2. Can support the construction of a home that would sell for around triple what the builder pays for the site. This is bottom-line builder mathematics. Unlike individuals, builders make purchase decisions logically, not emotionally. They will not pay \$1,000,000 for your land unless they can build a \$3+ million house on it. Such a house will be 6000+ square feet,

have 5-6 bedrooms, a 1500-1750 gallon septic system, a pool site and full complement of upscale amenities.

3. Will have minimal wetlands. Significant wetlands kill many teardown deals because conservation regulations can reduce the usability of the land, preventing the type of house just described from being built there. On the other hand, a small percentage of wetlands may have no impact at all on your property's value. It all depends on how much you have and where the wetlands are located.

4. Is located in a "worthy" area. There will either be new construction or more expensive homes already in the area – or at least nearby – or these can easily be envisioned there. If your property is the first one in your area to be bought by a builder, expect to net less than your neighbors will net after your home has been replaced by new construction.

The third – and the best – way to know is to consult with a real estate professional who has special expertise in land valuation. Evaluating a property's potential value as a teardown is a detailed process that the average homeowner would have no idea how to do on his/her own.

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