

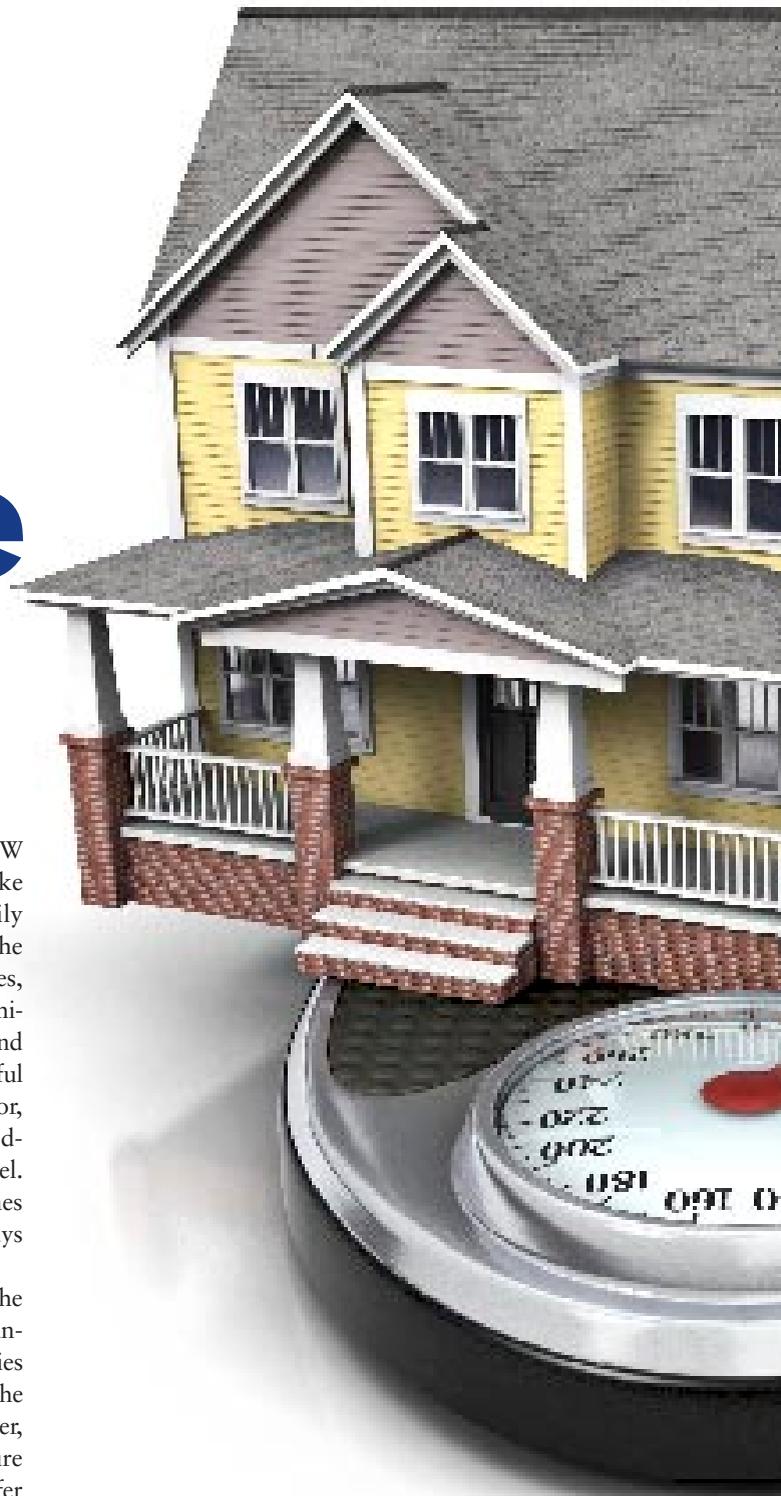
THE Fat-Free House

By Anne Kadet

IT'S OPEN-HOUSE DAY AT MADISON PLACE, A NEW development in northwest Fresno, Calif., and it looks like boom time all over again, as shoppers wander dreamily through the sumptuous model homes, checkbooks ready. The homes certainly recall a bygone era, with their "Tuscan" facades, granite countertops and walk-in closets big enough to house a rhinoceros. But there's a reason the prices start at just \$199,000—and builder Karen McCaffrey is on hand to show off some of her artful economies. The massive "wooden" beam above the garage door, for one, is actually painted foam. Inside, the expensive wood-burning fireplace has been downgraded to a gas-burning model. And that big picture window in the dining room? Sliding panes were replaced with a fixed piece of glass. "You can't open it," says McCaffrey. But heck, it *looks* positively fantastic.

Behold the house of the future. It's just like the house of the past, only with some subtle nip-and-tuck work. Across the country, home builders are redesigning houses using a set of strategies they call "value engineering"—the art of building a house on the cheap without making it look cheap. The new designs are smaller, but their clever layouts create a spacious illusion. They feature high-end finishes, but only in high-profile areas. And they can offer interesting surprises, like the one Lonsdale, Minn., engineer Brett Isaacs encountered after buying a new split-level ranch this year:

Builders are digging out of the housing mess with some curious shortcuts, from foam beams to picture windows that don't ever open. Our look at the home of the future.





REAL ESTATE: THE NEW RULES

Third in a series on buying and selling as the housing market recovers.

no gutters. Tom Schutz, warranty manager for builder Key Land Homes, says barring certain soil and grade conditions, there's no reason for them. After all, maybe future occupants won't care about their flowers being decapitated. "You might be wasting \$1,000," he says.

After watching demand for new homes plummet 75 percent from the market's peak in 2005, builders are asking architects to revise boom-era home designs in ways that cut costs without diminishing what pros call "perceived value." Translation: Keep the high-profile amenities, but skimp everywhere else. And apparently, the strategy works. KB Home says its new Open Series, "affordably priced to compete with resale and foreclosure homes," helped spawn a 59 percent spike in new orders in the second quarter of this year. In Fresno, McCaffrey Homes brags that its modestly priced 231-unit Madison Place development is almost sold out. Even the luxury stalwart Toll Brothers says it has been tweaking plans to keep overall costs down, and with good results: the first gain in new orders since 2005.

Indeed, as buyers creep back into the market with tighter budgets and less generous financing, builders think they'll be looking for trimmed-down versions of overblown, overpriced boom-era construction. KB Homes, for one, says it does extensive research in every community to devise a precise mix of cutbacks and amenities designed to suit local tastes. Some strategies, like basing the home's dimensions on standard lumber lengths, save builders thousands without any adverse effect. But even the shrewdest compromises can't produce a mix that appeals to all buyers. And since these modifications typically adhere to local building codes, a homebuyer usually has little legal recourse—even if he or she feels cheated after discovering that the "double garage" isn't actually wide enough for two cars. "There aren't many cost-cutting measures that are good for the homeowner and the home builder," says El Paso, Texas, housing inspector Mark Eberwine. "That's a rare bird."

VALUE ENGINEERING IS HARDLY A 2009 INVENTION, but during past recessions, builders weren't so concerned with preserving appearances. Today the artful austerity often starts before you walk in the front door. Builder Neal Communities, which has constructed more than 7,000 homes in southwest Florida, now squeezes some 20-foot-wide dwellings into 27-foot-wide lots, leaving much less wiggle room than the typical tract-house plan. That's part of a broader trend in which builders strategically situate homes to save money on infrastructure. Wedging a house to one side of a yard, for example, reduces landscaping costs, while plopping it close to the street saves thousands on sewer connections and asphalt paving. Others save money by narrowing the driveway from two car widths to one as it approaches the curb.

Illustration by Ryan Etter for SmartMoney

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When it comes to homes' exterior shells, square-box shapes and two-story designs pack more square footage per construction dollar than sprawling ramblers with interesting nooks and bays. And builders are becoming increasingly proficient at generating high-end curb appeal using low-end materials. At Madison Place, for example, paint and polyurethane quietly sub in for costlier wood. That massive beam over their Tuscan-style garage doors is actually a sculpted foam pop-out painted brown and glued to the stucco facade. And the sturdy-looking wooden moldings around the windows? They were optically enhanced to appear bigger than they actually are, with a dark painted "shadow."

But creative economizing can come back to haunt homeowners. Those faux beams don't have the longevity of wood, says Eberwine, since foam deteriorates in sunlight. (Architect Kevin Crook, hired by the developer to re-engineer Madison Place's home plans, says foam was the best choice, because a heavy beam could crack the stucco.) And not only do shrinking lots diminish property value, but those narrow driveways can be tough to navigate, too. Maple Grove, Minn., resident Marco Pena says he's shelling out \$2,000 to widen his after accidentally digging up the lawn with a snowplow: "You think you're on the driveway, but you end up on the grass."

ONCE INDOORS, SUCH FRUGALITY can have an even more direct impact on owners' lives. When Boston-based editor Anne Baseler worked closely with an architect to design her sun-drenched dream cottage for \$350,000, she took an active role in cost-cutting decisions. Together, they chose a gas fireplace (\$7,000 cheaper than a wood-burning model) and an open floor plan—which both saved money on walls and give the modest home a spacious, airy feel. Yet months after moving in, Baseler is still grappling with the trade-offs. That new fireplace provides no back-up heat source if her gas boiler goes out, a concern during New England winters. And the dearth of walls has its downsides: The kitchen has only one overhead cabinet, and there's no street-facing front door because it would've opened onto the stairs or the kitchen sink. That didn't bother Baseler—until the post office refused to deliver the mail to the side entrance. "Who knew?" she marvels.

Indeed, cutting out walls is a popular way for architects to evoke spaciousness in Americans' newly downsized dwellings. According to the U.S. Census, the median size of a new house dropped 10 percent between 2007 and early 2009. But after a decade of training buyers to expect double-height foyers and squash-court-size master bathrooms, builders are selectively scaling back boomer-era layouts. They still tout the popular combo-kitchen-and-family "great" room, for instance—minus the soaring ceilings and massive windows. And they're quietly erasing formal living and dining room spaces from floor plans altogether. Now on Thanksgiving,

The Skinny On Cutbacks

The 17-Foot Double Garage

BUILDER SAVES: \$5,000–\$8,500
The recommended width for a two-car garage is 20 feet, but some builders shave off 3 feet. Good luck getting out of the car.

Grade: D



Textured Walls and Ceilings

BUILDER SAVES: \$450 (for a 3,000-square-foot house)
Pebbled ceilings and walls can take less labor to create than a smooth surface. But after that, patching can require hiring a pro to match the texture.

Grade: B

Reduced Central Air

BUILDER SAVES: \$1,000
Unless a builder also invests in extra insulation, installing weaker AC systems can mean a house takes ages to cool down.

Grade: D

Missing Water Valves

BUILDER SAVES: \$35 per valve
When builders forgo under-the-sink shut-off valves, the savings seldom lower the home price. But when there's a leak, owners can face big plumbing and cleanup bills if they can't easily turn off the water.

Grade: F



Home-building shortcuts can slash costs—and reduce a home’s initial price tag. But will they lead to headaches down the road? We grade the cutbacks.

Centralized Plumbing

BUILDER SAVES: \$600–\$1,500
Building bathroom and kitchen fixtures around a central “service core” is a time-honored savings strategy. But architects say there’s no getting around the fact that it restricts a home’s layout possibilities.

Grade: B

Advanced Framing Techniques

BUILDER SAVES: \$10,000
Engineering studies show that builders can use less lumber on a frame—placing studs at 24-inch intervals rather than 16, for example—with no loss of structural integrity. Bonus: Wider intervals means more room for energy-saving insulation.

Grade: A



Fixed Windows

BUILDER SAVES: \$200 a window
While decorative fixed windows aren’t necessarily a sin (ever been to church?), they can significantly reduce a home’s fresh-air factor. The key: strategic placement.

Grade: C

the turkey-stuffing, table-setting and football-watching all happens in the same room. Hello, family togetherness.

The easiest way to cut down the cramp factor, of course, is to give a smaller home lots of windows. They cost a lot—on average, twice the square-foot cost of exterior walls—but builders can get around that. Neal Communities saves 15 percent by using the same three standard window sizes on all its homes, arranging them in different combinations to achieve custom looks. Fixed windows also save money, and don’t necessarily spell suffocation. Atlanta banker Randy Harris doesn’t mind that half the windows in his new custom-built contemporary don’t open; his architect spaced the functioning ones so they draw breezes through the house.

When it comes to interior surfaces, the value-engineering crowd applies a similar “just enough” strategy: Reserve the fancy finishes and trim for high-profile rooms, or substitute cheaper materials that suggest a pricey look. In Northern Virginia, upscale home builder the Airston Group, whose sales are off 80 percent since the market peak, still offers baseboards and crown moldings as a standard feature. But the baseboards shrank from 5.5 to 3.5 inches, and the three-piece crown moldings were reduced to a single slab. “To my eye, it makes a difference, but most buyers don’t see it,” says Airston CEO Robert Guaglianone.

IN FACT, IT’S THE CORNER-CUTTING BUYERS DON’T see that can be the most objectionable. Some builders look to mechanical systems to cut costs, installing smaller water heaters and furnaces, cheap toilets that clog, or plumbing fixtures that wear out fast. Phoenix architect Robert Klob says one builder asked him to reduce the cooling power of its air-conditioning systems by 40 to 50 percent—leaving behind the kind of weaker system that some home inspectors say takes forever to cool down a home. Klob explained to the builder that this would save just \$35 per house, but the builder insisted. The reason? Spread across 3,000 houses, the savings equaled the cost of building an entire additional home.

Fake beams and wimpy AC aside, critics of the new trend worry we’ll value-engineer ourselves right back to Levittown-style tract housing. Memphis architect Carson Looney, for one, says home builders competing on price tend to produce lowest-common-denominator designs masked with a few predictable clichés that signify luxury. Those discretionary dollars, he suggests, could buy thoughtful amenities that make today’s smaller spaces more livable and functional—things like staircase storage cabinets, covered porches and high-performance insulation. For their part, builders say today’s cost-conscious buyers still want high-end flourishes. And retirees Monte and Linda Goodwin agree. They love their new Madison Place home, even though it’s smaller than their last place and lacks a formal dining room. After all, says Monte, “we got our crown molding and granite.” 

Photographs by Steve McAllister (house frame); ML Harris (garage); Jean-Yves Bruel (kitchen)/Getty (3)