

# Santa Fe REAL ESTATE Guide

Artisan/craftsman/**builder**

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## About 'price per square foot'

by Kurt Faust

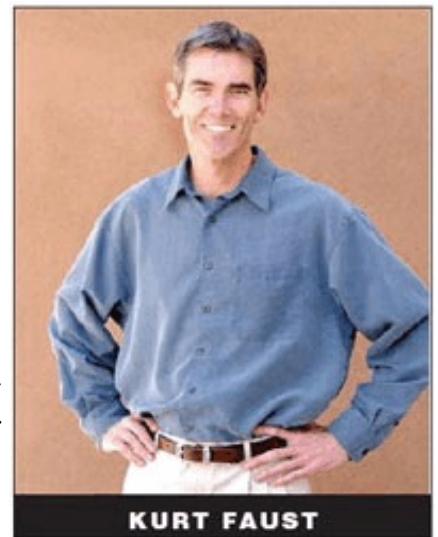
Of the several hundreds of people I have met with who have considered buying a custom home, I find most were trying to make a value judgement based on very little information. Too much emphasis is placed on price per square foot and what I call the "flung" number.

When comparing existing homes it is a much easier task to consider the relative value of the properties because all of the features and amenities are already defined. The condition of the property is discoverable, a value can be placed on the location, and the price is published. The process of making an offer is virtually the same for all existing homes. Price per square foot works best in large, homogeneous tracts of housing. Since Santa Fe doesn't have many of these, this is the closest that price per square foot works as a metric of comparison.

When comparing subdivision builders, the features and quality of the homes are easily seen except now you must consider the building process and the warranty period, two intangibles that are difficult to put a value on. The building process includes the floor-plan changes allowed, the finish choices available, and how agreeable the builder is to customer input. The more limited the customer input, the easier it is to make an "apples to apples" comparison. The value of having a warranty has every thing to do with how amenable the builder is to returning to set right the punchlist of things that crop up.

When it comes to fully custom homes, the value judgement is more difficult to come by. The variables are much greater and the home is not yet defined. It is still a dream and resides in the realm of all possibilities. One of the first questions I am asked is what the price will be per square foot. This is where the "flung" number comes in. Since the customer is looking to make a value judgement, the builder has large incentive to quote as low as possible the price-per-square-foot number. It revolves around an unspoken assumption that goes like this: There is a home (theoretically) that could be built for \$X per square foot (insert the lowest justifiable price).

The problem with this data and with making a value judgement based on it is that it does not usually reflect the dream; it reflects a stripped-down version or one that allows very little customer input.



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Construction is highly competitive and most builders operate on a very small net profit. For prices to widely differ, it has to come from somewhere. Corners can be cut where they are not visible: in the foundation, framing, roofing, plumbing, electrical, etc. Mediocre craftsmen can be employed and materials can be skimmed on. Insurance can be minimal or non-existent. Safety can be all but ignored. Lip service can be paid to customer input in some blow-'n-go operations; if it's already built, it is too late to change it. Details can be lost or forgotten and change orders never processed or implemented.

Although I don't think we can get away from using price per square foot in discussing relative values on custom homes, remember it is only the beginning of a truly meaningful evaluation and comparison between custom builders.

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