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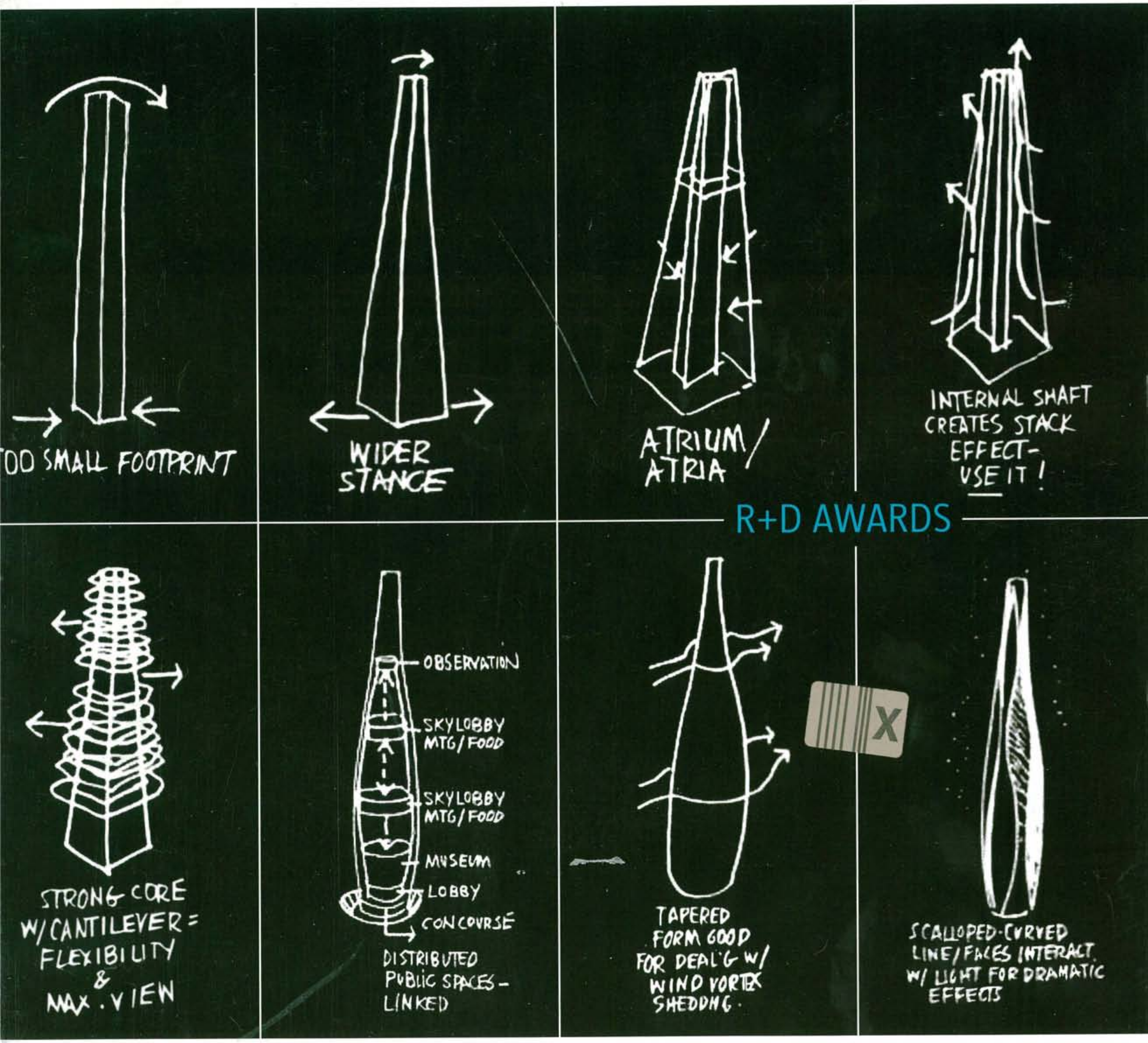

R+D AWARDS

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The New Normal

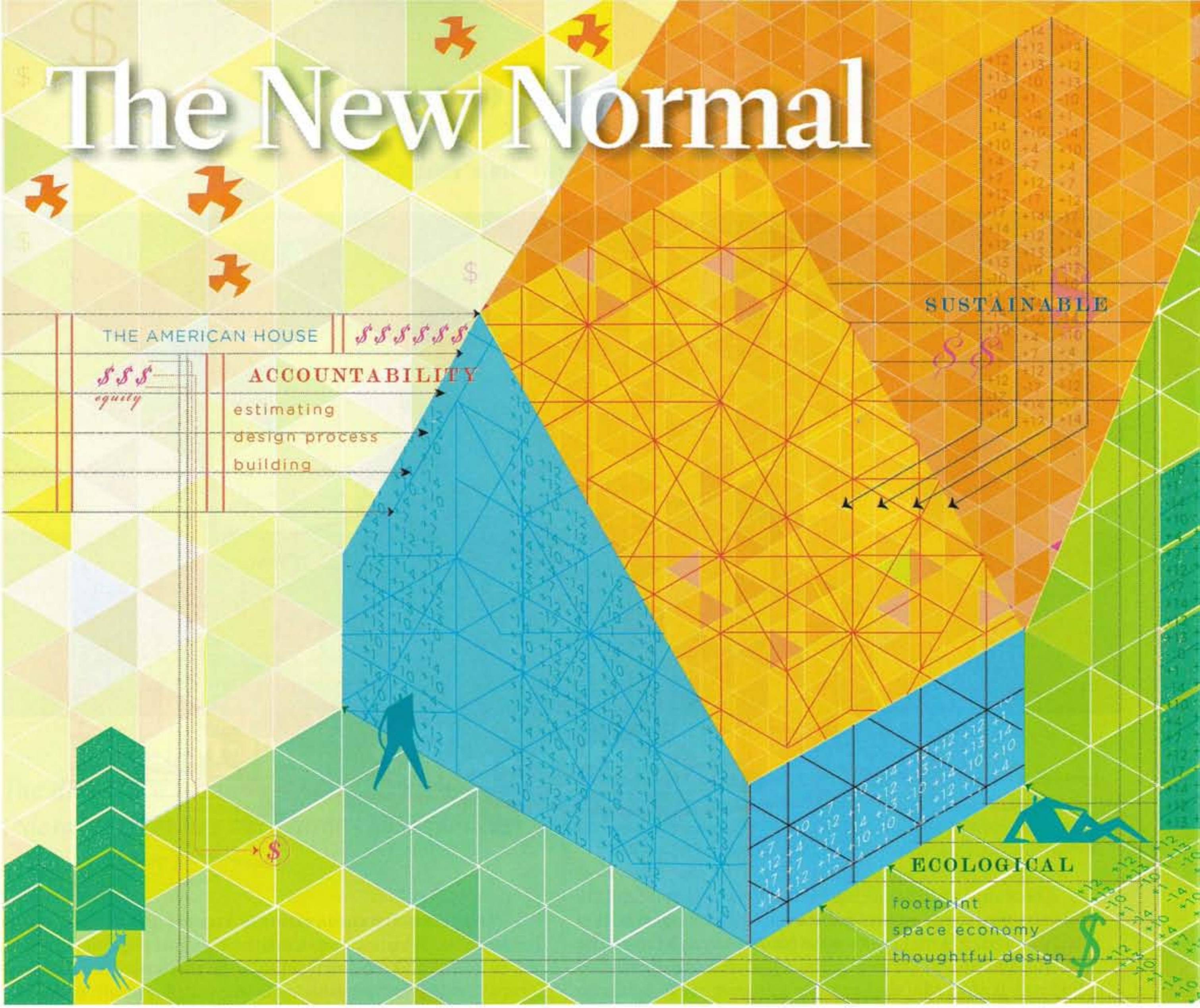


ILLUSTRATION: MARK MCGUINNIS

Ownership and equity are about more than square footage in today's home—they're about design's value and process, too.

BY CAMILLE LEFEVRE

The first in a three-part series on residential architecture in today's economic climate.

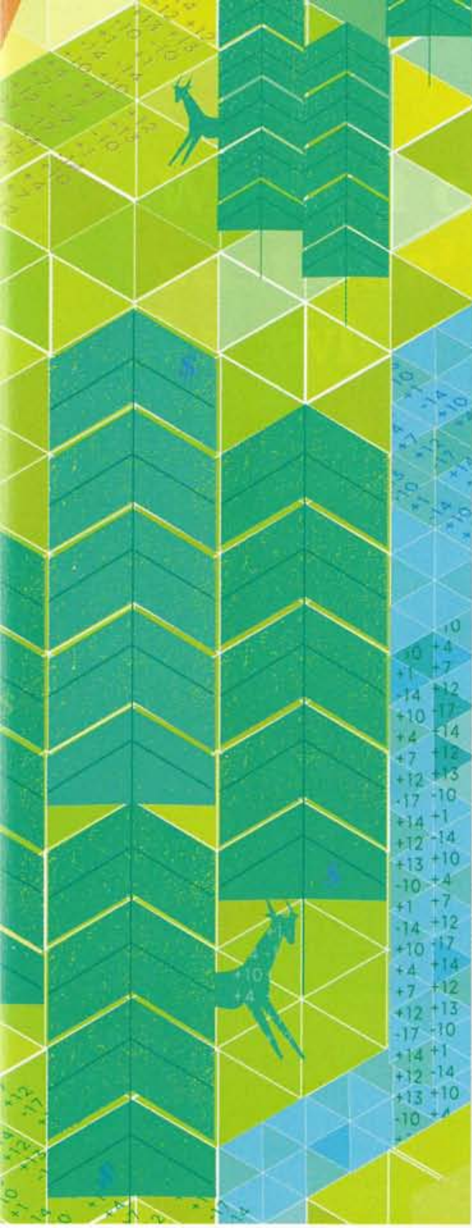
ANY ARCHITECT WHO HAS BEEN PRACTICING FOR A WHILE IS well aware that the United States has sustained several economic recessions over the past 30 years. But aside from a few regional blips during the dot-com bust, the housing sector largely sailed through these downturns with homeowners' equity intact. Then a perfect storm of factors—including low interest rates and unprecedented access to mortgage credit, booming home sales financed by mortgages bundled for sale to insatiable investors, and escalating home prices—created a bubble doomed to burst.

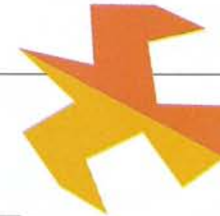
"The hype of equity was a classic bubble that assumed an upward value unrelated to the actual worth of the commodity," explains Duo Dickinson, AIA, NCARB, CORA, principal of Duo Dickinson Architect, Madison, Conn. "For the first time in the history of world economics the cause of the recession was a building type: the American house."

In the wake of the housing crash, followed by record unemployment and foreclosures, homeowners who kept their houses still lost tens of thousands of dollars in equity. According to the S&P/Case-Shiller Home Price Indices, home prices are down more than 30 percent since their peak in 2006, and the housing data firm CoreLogic found that 11 million homeowners still owe more than their houses are worth. Finger-pointing continues as political pundits and economists sort out the causes.

Dickinson doesn't hesitate to point to his own profession for a mea culpa. "To me, [the housing crash] was merely an ironic, extreme interpretation of how far architects have drifted away from any sensibility in the American consciousness that we have value," says Dickinson, author of *House on a Budget: Making Smart Choices to Build the Home You Want* (American Institute of Architects, 2007) and *Staying Put: Remodel Your House To Get the Home You Want* (Taunton, 2011).

"Rather than talking to an architect about whether their house was really worth $257,000, home buyers talked to a real estate agent





or mortgage broker," he adds. "The truth is, that's our fault, not the consumer's fault. They have no concept that an architect will give them straight information about where their greatest liabilities are—the mortgage—and what their assets are. Until a few years ago, that net asset was a positive dollar amount between the mortgage and the house value. We have distanced ourselves as a profession from doing the dirty work of making our buildings account for cost."

Today, clients for single-family residences do exist. They are savvy businesspeople who refrained during the boom and now have the money to build new or renovate while receiving more value on the dollar in a more competitive market. They are also homeowners who can't sell or move up, but still have some equity or savings to renovate their homes.

In short, they survived the crash with funds intact. "To an extent, all architects who do custom residential work are more or less dealing with people who are financially above the mean," says Andrew Porth, AIA, LEED AP, principal of Porth Architects in Red Lodge, Mont.

But even potential clients of means are, since the recession, stingier than ever with the dollars they spend.

"Our clients have become more sensitive to the value of our services, what we bring to the design process, and what they're going to build," says Jean Rehkamp Larson, AIA, CORA, principal of Rehkamp Larson Architects, Minneapolis. "When dollars tighten, architects need to provide a good value and the leadership to take clients from here to there in an efficient way."

Carney Logan Burke Architects in Jackson Hole, Wyo., weathered the recession by creating a marketing plan to make the firm appealing to a broader array of clients, says Eric Logan, AIA, principal. The plan included self-publishing a hardcover survey of the firm's work. Now that the firm's busy again, he continues, "We're hearing more from people that they have a very strict budget, and our contracts are scrutinized in a way they weren't before.

"We also can no longer ask for the fees we used to get," he adds. "We go with this, as a business decision, to keep our clients happy, which means our work has to be done more efficiently if

The recession "tightened everything. It made leadership, clarity, and the design process more important."

we're going to remain solvent." For Rehkamp Larson, the recession "tightened everything. It made leadership, clarity, and the design process more important."

For the first time, she's also been asked to give away her time: A potential client suggested she complete a schematic design and compete against two other architects. She declined. "As residential architects, we sell our time and expertise," Rehkamp Larson says. "Giving away our best skills and fundamental talents isn't a sustainable way to run a practice."

Residential clients are expressing their new fiscal conservatism in other ways. One is the smaller footprint. "There's been a scale shift," Logan says. "More clients are saying, 'I don't need a 10,000-square-foot house. We can manage in a thoughtfully designed 4,500-square-foot house.'" The trend toward less square footage is borne out by NAHB's recent "The New Home in 2015" survey. Responses indicate that space in the average new single-family home will decrease by almost 10 percent from the average size of single-family homes started in the first three quarters of 2010—to about 2,152 square feet—by the middle of the decade. Greener features ranked at the top of the trend list as well.

Homeowners are also choosing to stay put. "The percentage of clients looking at options to stay within an existing home has increased," says Rehkamp Larson. According to Harvard University's Joint Center for Housing Studies, the remodeling market will recover from its 12 percent drop between 2007 and 2009, and expenditures will increase at an inflation-adjusted average annual rate of 3.5 percent between 2010 and 2015.

Many potential clients still face roadblocks to financing a new or remodeled home. "Buyers are now being asked to come up with a 20 percent down payment," explains Porth. "A whole of raft of potential buyers has been blindsided by this renewed requirement." For architects, an ongoing challenge is to convince "appraisers and lenders that there's value in architectural design," Porth says. "Managing to get even the cost of our services incorporated into an appraisal or a loan is tough."

Nonetheless, residential architects and their clients remain steadfast in their belief that "good design adds value," says Rehkamp Larson. "That was true before the recession and is true after the recession." As clients shift toward smaller square footages and remodeling existing homes, "That idea of value, of making sure you're spending your money on the things you care about, is as important as ever." AIA

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