

A SIMPLE GUIDE TO TEARDOWNS

By teardowns.com

www.teardowns.com



Is my house a teardown? Is it worth fixing up? Is the value of my real estate in the land? Even in the current economic environment large metropolitan centers, surrounding suburbs and urban neighborhoods, as well as historic towns and vacation communities are seeing the

redevelopment of their housing stock.

About Us

teardowns.com was founded on the premise that the market lacked an efficient way to facilitate the sale of teardown and rehab properties. **Homeowners who identified their properties as teardowns often attempted to sell their houses directly to builders to save on commissions and avoid the inconveniences of preparing their houses for the marketplace. This “by owner” process, however, deprived sellers of the type of exposure, competition and market research they needed to attain a fair price for their property.** The only other option available to such homeowners was to hire a real estate agent to sell their properties, which necessitated the homeowners agreeing to prepare their properties to “sell as homes” and incurring expenses for repairs and updating, as well as having open houses, showings, inspections, etc. And, the end result of that process often was for homeowners to pay 5-6% sales commissions simply to have the home purchased by a local buyer for renovation or demolition.

The teardowns.com marketplace offers a unique solution to both of these dilemmas. teardowns.com and its real estate partners develop an unparalleled, extensive buyer network of “land valued” property. **These local networks consist of local builders, realtors, investors and individual buyers. The marketplace ensures that users receive the maximum possible market exposure to the candidates most likely to buy their homes/property.** This is accomplished without any of the inconveniences associated with the traditional sale of houses. And, **the teardowns.com marketplace does all of this at significantly reduced commissions.**

About Teardowns

What is a teardown?

A “teardown” is a house that is removed from a parcel of land to clear the site for the infill construction of a new home. Why would someone pay hundreds of thousands of dollars -- in some cases millions of dollars -- to buy a house, only to tear it down? The answer is that buyers are purchasing the “buildable lots” when the value of the lot is equal to or higher than the value of the house that sits on it. This also holds true for “rehab” opportunities – buyers are unwilling to pay over “land value” for homes that require significant renovation. **The determining factor for the value of these lots is their location in sought-after communities and near other more valuable properties.**

What fuels teardown activity?

Desire to live in well-established communities. More than 70% of the nation’s largest cities experienced net population increases during the last decade. There is a limited number of neighborhoods and suburbs that are coveted for their proximity to mass transit lines and jobs, excellent schools, attractive tree-lined streets, historic architecture, public facilities such as parks and libraries, and city-like downtown areas with cultural and recreational amenities. Most of them have stabilized in growth and are nearly built out, with relatively few homes for sale and even fewer vacant lots. With many people wanting to move into such sought after areas but desiring newer and larger homes, the value of “teardowns” continues to increase.

Many older homes do not meet today’s standards for the modern new house. New home requirements continue to increase in size and amenities. According to the National Association of Home Builders, the average newly built home has 2,300 square feet of floor space and includes three bedrooms, two bathrooms and a two-car garage. This is an increase of 53% from the average home size of 1,500 square feet in 1970, and a 130% increase from 1950, when the average new house incorporated only 1,000 square feet, with two bedrooms, one bathroom, a small living room and a kitchen. Also,

the list of desired features in new homes today includes such amenities as great rooms, kitchen islands, spa bathrooms, his-and-hers walk-in closets, home offices, nanny suites, media rooms, data networks, and multi-car garages. A house that is built on the site of a teardown generally is representative of this higher-end construction.

Buying a new home is a good investment. While the market is correcting from the fast and unrealistic appreciation in home/land prices - residential real estate values in conjunction with historically low interest rates in an otherwise soft economic climate has still proven to be a viable investment class. While no one knows where housing prices are headed – there is no doubt that over time real estate will continue to be a significant component of an individual's net worth.

Are teardowns good?

As cities evolve and grow, the periodic replacement of outdated structures is both inevitable and desirable. As the National Association of Homebuilders states: “Revitalizing older suburban and inner city markets and encouraging infill construction is universally accepted as good public policy. **Infill development, done wisely, can take advantage of existing infrastructure; provide higher densities in locations where mass transportation is already in place; and integrate new housing into the fabric of the community.**” Even in the most historic of neighborhoods, structures that do not contribute to the overall character of the area are candidates for replacement with higher-quality, better-designed homes.

How do historic preservation efforts affect teardown activity?

Somewhat to the surprise of many teardown skeptics, teardown activity has also coincided with historic preservation awareness reaching its highest level in recent years. Local governments, residents and other nonprofit organizations are working closely together to ensure that truly historic homes are preserved and maintained and that zoning regulations guarantee the scale compatibility of new construction to the existing historic neighborhood. As the numbers of individuals who buy teardowns and renovation projects hire contractors to build “custom” homes once again begins to increase, the newer homes that are being built have this compatible architecture and higher-quality craftsmanship, as such buyers become more sensitive to

the character of the neighborhood. Thus, “controlled” teardown activity has proven to benefit the interests of all those affected.

When will the teardown “rush” end?

“If you see a wave of teardowns in your area, enjoy the ride, because it may not last,” warns a *Business Week Online* report. According to this report, in such neighborhoods, the new homes that are being built tend to be more expensive than others in the area. **“As long as those houses keep selling, they pull up prices of existing properties. But when the market says enough already, builders pull out and the merry-go-round stops.”**

Frequently Asked Questions

Q. Is the value of my real estate in the land?

A. If you live in an older house and there is new construction in your immediate neighborhood that is selling for more than twice the value of your property, your house might be a potential teardown.

Q. Should I try to sell my property as a “home” before I sell it as a “teardown”?

A. Actually, it is better to do it the other way around. teardowns.com and its Realtor partners conduct extensive market research to determine a fair market range of valuation for property in “as is” condition. If you’re able to sell your house without fix-ups, showings, or inconvenience and at reduced fees and the right competitive price, then using the teardowns.com marketplace upfront makes sense. If the marketplace is unsuccessful in selling your property after a relatively short listing period, a full-service realtor can list your home in the Multiple Listing Service. At that time, you can feel confident spending the time and resources necessary to prepare your home for the marketplace.

Q. How do I benefit by selling my property through teardowns.com?

A. A local teardowns.com marketplace organizes the market for “land valued” property and levels the playing field giving equal opportunity for all potential buyers to create competition for your property, resulting in the highest possible price and a seamless sales procedure. Because builders rarely compete for property through an individual seller, we

have designed our business to create competition in the marketplace. Also, with the change in economic climate most of the sales through the marketplace are to individual end-users – a local family looking to build or “rehab”. In order to insure maximum exposure and insure aggressive offerings, local real estate agents are welcome to bring their buyers and participate in the buying process. Higher sale prices and lower commissions together maximize your rate of return on your property.

Q. What exactly are the “convenience” benefits that the teardowns.com marketplace offers?

A. Selling a home can be a difficult and trying experience. Repairs, upgrades, open-houses, interrupted meals, signs, drive-bys and inspections are all part of a traditional home sale. The teardowns.com marketplace along with its partners understands the market for “land valued” property and knows how to extract the maximum price for your property. without the inconveniences normally associated with selling. **Remember, listings are sold “as is” without the normal inconveniences normally associated with selling, our listing period is short and our commissions are low.** Through our buyer networks, reduced fees and privacy-protected sales process, our satisfied clients enjoy the hassle-free comforts and assurances associated with knowing that they are maximizing the sales price of what possibly is their most valuable asset, their real estate.

Q. Shouldn't I call local builders myself or try to sell my property on my own - first?

A. That's up to you. However, the builders or buyers who are willing to pay the most for your property may not be the builders you suspect or even know. – and in today's market the buyer is most likely an individual or investor – not a builder. **Our extensive network of local buyers ensures that your property receives the best possible exposure and delivers you the highest competitive price. Also, our established marketplace, coupled with our thorough market analysis and experience, will give you the comfort and assurance that your property will not be undersold.**

Q. Do I miss buyers by not listing my property with a realtor in the Multiple Listing Service (MLS)?

A. Not likely. Through extensive market research and experience, we have learned that the market for “land valued” property is primarily local. In other words, land

is being purchased for redevelopment mostly by local buyers, investors, builders, clients of builders, or local individuals looking to build for themselves. That is why most of our efforts are directed at organizing buyers on the local level, essentially creating our own “MLS” for teardowns. Out-of-state buyers -- typically the only true beneficiaries of the MLS -- commonly purchase completed construction or are not familiar or comfortable enough with a new area to make the most competitive offers.

Q. Is remodeling a viable option for a potential “teardown”?

A. Sometimes. On average, the cost of “gut” remodeling per square foot is substantially higher than the cost of new construction. The risk of unforeseen problems during remodeling is higher as well. People often lose money undertaking such projects that cannot be recovered on resale and never truly attain the “new construction” look or feel of a new home. Remodeling, however, can be justified and should be encouraged if the property has historical or sentimental value.

Q. Should I sell my property now or wait hoping that the market environment will change?

A. Historically, the real estate market has been very strong. The value of land in sought-after locations has performed well over the long term. However, the market is cyclical and depends on a variety of factors including local economic trends. Watch home sales in your neighborhood – they most likely are well off their peak. Buyers are currently in firm control of the market and that most likely will not change anytime soon. No one has any clarity as to the direction of the market. Only in hindsight will you know if the sale price was a good or poor decision.

Q. Where will I go after my property is sold?

A. People sell their residences for a variety of reasons. If you like your location and are comfortable with the costs associated with living where you do, now may not be the best time to move. However, a change in location can often allow you to purchase a better home for the same or less money. Also, if you are interested in upgrading your residence, it is best to do so before you find yourself priced out of the market entirely. Finally, if your personal situation is changing, you should be aware that communities increasingly are offering a variety of housing alternatives for empty-nesters, seniors, single-parents and the like.