

Dealing with disappearing land and the realities of rebuilding: modular construction works for the teardown-rebuild process

By Don Shulman

Years ago, the process of selling one house and buying another one seemed less complicated than it does now. When land was abundant and property prices were comparatively low, it was easy to hire a realtor, sell an existing piece of property and find something comparable -- or better.

In recent years, the market and its defining characteristics have changed dramatically. There has been a sharp increase in demand for properties in key, desirable communities. It is not uncommon to hear stories of bidding wars between prospective buyers and a property selling in excess of the owner's asking price. However, the fairly recent "market correction" has altered that somewhat, and as we now find ourselves in more of a buyer's market, prices have dropped a little. That is good news for house-hunters, whether first-time buyers or people seeking to upgrade their property.

However, prices will not drop appreciably. And, even if we put higher prices aside for the moment, the other major change in the real estate market is the scarcity of undeveloped, quality land here in Massachusetts. Nowhere is that more evident locally than in the Southeastern part of the state. That presents challenges of an entirely different nature.

Most long-term homeowners understand that it is their land, rather than the building itself, which offers the greatest value. You can replace a house, but you cannot replace land. Simply put, there's far less land available for real estate development than there used to be. Since land is not in abundant supply, the next best option is to use it wisely and creatively.

Consider the situation of a family who has lived in a 5-room ranch on an oceanfront lot for 10 years. Or, possibly a similarly small house but on a 3-acre private wooded lot that backs up to a river. Both families purchased the property when a 5-room house was sufficient, but larger families are forcing them to consider an upgrade. And the upgrade they require is more than could be accomplished by a simple addition.

If they could do it effortlessly, they might well choose to remain on their existing lot but with a more suitable house. After all, there are friendships with neighbors, community ties, aesthetics – in short, any number of reasons why staying on the same piece of property might be appealing. "If only there were a way to accomplish this that made sense financially and time-wise," they might say.

There actually is a way: one that is gaining in popularity for people with circumstances such as these – the "teardown/rebuild" program.

(Page 2)

Simply put, a homeowner arranges to have his or her existing house demolished and replaced, on the lot, with a newer, more suitable residence.

Real estate developers and builders have noted the shrinking supply of land available for construction, and the teardown/rebuild is akin to baking a different pie in the real estate industry.

The “teardown” allows for homeowners to retain their land and its value, while replacing, their existing home with a newer, more functional one.

This process seemed cumbersome when attempted via the traditional “stick build” route, because constructing a home from the ground up can take as long as six months. A family could literally be without a place to live for the better part of a year, so the option was less than appealing. But then along came the “missing ingredient” to making this teardown process a strong viable option. That is the introduction of factory-constructed, modular housing on the lot.

There are many advantages to the modular or factory-constructed home as a replacement for one being torn down, as opposed to the “stick build” or construction from the ground up process. The biggest, perhaps, is the time saving.

Modular, factory-constructed housing is a concept that, even though it has been around a while, is taking on new relevance in today’s world. Many people don’t realize that the so-called “modular” construction is of A grade materials and available in a variety of models – Capes, Colonials, and Garrisons among them. All initial construction and fitting is done inside at a factory. The product is then boxed up into a number of different containers and shipped to the construction site where the entire home can be assembled in a matter of a day or two.

Pricing is not what “sells” buyers on modular construction. Time and quality are. The pricing of a factory-constructed home is similar to the cost of a traditionally built product. The difference is that a modular constructed replacement home in the teardown/rebuild process can eliminate three months’ time in the construction process.

Typical teardown/rebuild customers may fall into any of these categories:

1. Someone who loves their location, loves the town, but views the house as obsolete. It may just not be big enough for a growing family.
2. Someone who recognizes that the real value of property is in its land.
3. Someone who doesn’t want to go through a six-month (on average) waiting period of selling one home, and then finding another one.

In our industry, we have seen “teardowns” increase to the point where they represent 60% of all the business that we do in this state.

Specific reasons why the modular or factory-constructed rebuild is advantageous include:

1. The time it takes to make the house tight to the weather on site, typically a day or two, as opposed to months done via the traditional route. A complete teardown to rebuild, permitting included, is about half the time of traditional construction
2. A construction schedule that isn't hampered by weather delays. Another advantage is that the "pieces" of the house are constructed in a climate-controlled environment, inside. There are no weather delays on construction, and no chance that the beams or woodwork will get warped or stained by exposure to the elements.
3. Quality. No damage to beams, walls, windows or other components of a house because they have been sitting outside during a lengthy construction phase.
4. Customization. A prospective buyer can customize the location of windows and doors through a CAD process before construction takes place.

Here are a few suggestions for anyone considering the factory-constructed teardown/rebuild route for upgrading.

First, if hiring a builder to provide this service, ask if he or she has significant experience in this area. Also, learn what you can about the factory that this builder works with for modular construction. Ask for a tour of the facility. Ask questions when you are on this tour.

Arrange to visit some existing modular-constructed homes. Ask for references for people who have gone through the teardown-rebuild process. Ask if your contractor will handle all phases of the process, from permitting through design, plans and construction. Be sure that you are responsible only for the details that you expect to be.

The market and its needs are changing. The teardown-rebuild with the assistance of quality, factory-constructed housing is a trend that is answering the needs of a group of people who want to upgrade without being uprooted.

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