

Posted on Sun, Feb. 22, 2004

## The characteristics of a house's worth

A study on Philadelphia-area sales provides insight into the way home pricing works.

By Alan J. Heavens  
Inquirer Real Estate Writer

In a period of fast-rising home values, it's getting more difficult to figure out just what it is about a house that increases its sale price.

As it turns out, in a study financed by the National Association of Realtors (NAR), a pair of Florida State University professors have decided that just about every characteristic of a house - pitched and flat roofs, skylights, and fireplaces, to name just a few - has an effect on price.

The study was based on roughly 29,000 home sales recorded by Trend, the Philadelphia region's Multiple Listings Service, between 1996 and first-quarter 2003 and obtained by the NAR.

Those sales were a mere fraction of the total number of transactions in the 21 counties in Pennsylvania, New Jersey and Delaware covered by Trend during the period. For example, in 1999 in the eight-county Philadelphia area alone, 83,548 home sales were recorded.

But the professors, G. Stacy Sirmans and David A. Macpherson, say that the number of housing components and how they affect price is the largest ever studied and that they provide some insight into the way home pricing works these days.

What they found does not necessarily apply to every house. Yet, at a time when determining proper pricing is not as easy as it once was, the data do offer some guidance.

At the top of their list is the fact that between 1996 and the first quarter of 2003, overall sale prices for homes increased 37 percent.

Across the 21 counties studied, Sirmans and Macpherson found that the average selling price was \$213,335 and that the average time on the market was 72 days. The average house had 3.5 bedrooms, 1.80 full baths, and 0.68 partial baths.

Sirmans, a real estate professor, and Macpherson, an economist, embarked on their Value of Housing Characteristics Study to get an idea of how individual components of a house (a bathroom or a fireplace, for example) and a combination of attributes (square footage, lot size, age, number of stories) determine how much someone pays for it.

In an interview, Paul Bishop, director of the NAR's National Center for Real Estate Research, said: "Being able to determine which attributes of a home add or detract value is a useful tool for Realtors in developing a market plan to sell a home."

Of course, not all houses in this region are commanding prices 37 percent higher than they would have brought seven years ago. A property on a busy street, for instance, will see a decrease in value even if its physical characteristics are perfect.

On the other hand, Sirmans and Macpherson noted, houses on golf courses or in good school districts may experience a relative increase in value.

An important part of the equation is the extent to which certain attributes of a house - say, architectural type - are favored according to geography.

"Tastes and preferences often differ within a county," said Noelle Barbone, office manager at Weichert Realtors in Paoli. "For instance, there are newer sections of Delaware County that are more like Chester County and older sections that are more like Philadelphia."

In Chester County, she said, "people love Victorians, while Tudors are harder to sell. But on the Main Line and Drexel Hill, for example, Tudors seem to be prized."

The conclusion: Even with the weight of 28,825 real estate transactions behind the study, there are exceptions to every rule. Bishop said the results of the study, in general, were consistent with conclusions of earlier research, although the latest effort was more detailed.

The professors found that the selling price of a house did not increase as days on the market increased. Although for the properties studied the average time on the market was 72 days, one house was for sale for more than 1,300 days.

Characteristics that apparently had the greatest impact on selling price were square footage, lot size, number of bedrooms, number of

bathrooms, presence of a den, central air conditioning, and nine-foot ceilings.

According to the study, the market especially values bathrooms and central air conditioning. Each additional bathroom above the 1.80 average will add more than 20 percent to the selling price, the data suggested.

The value placed on central air conditioning was higher in the 2000-03 period of the study than it was between 1996 and 1999. Sixty-eight percent of the properties in the study had central air conditioning, which added about 12 percent to the sale price.

"If a house doesn't have central air, it will typically sit on the market longer," Barbone said.

Having a basement increased the sale price of a house in the region by 9 percent. Yet buyers in some areas prized them more than in others.

For example, in Burlington County, where the high water table and clay soil make building homes on concrete slabs less costly, a house with a basement increased the sale price by 25 percent.

In Montgomery County, where few houses lack basements, it increased the sale price only 5 percent.

Despite the variations indicated by the study, Gary G. Schaal, vice president of sales and marketing for Orleans Homebuilders in Bensalem, said all new-home buyers expected to have basements.

"Even buyers of smaller back-to-back townhouses are demanding them," he said. "Soil and water conditions do tend to make them more expensive to build in some areas than others, but lower interest rates have helped make them easier to pay for."

Sale prices can vary considerably from area to area for that 3.5-bedroom, 1.8-bathroom average house, the study showed. For example, the average selling price in Kent County, Delaware, was 6.83 percent less for that house, while the price was 26 percent more in Lancaster County.

Somerset County, N.J., is an interesting example of price differential. The average selling price there was 90 percent higher than the area average. About half that differential was explainable by differences in characteristics for Somerset (houses typically had more bedrooms or larger lot sizes) and half to variations in the value placed on those characteristics (a fourth or fifth bedroom was more highly prized there).

Those variations caused the average price in Ocean County, N.J., to be 36 percent less than the area average. But when you began adding things to a basic house that are important to buyers (such as more bedrooms and bathrooms), the study showed, the price gap closed to 20 percent.

The effects on price of square footage was studied in eight of the 21 counties. Six of the eight showed that it had both a positive and significant impact.

In Berks County, each additional 1,000 square feet of living space increased the selling price by 20 percent. In Delaware County, the price increased by only 6 percent.

Lot size was most important in Delaware County, which is already mostly built out. There, each additional acre added 16 percent to the selling price.

"Some people think that having a second acre should double the selling price, but that's not the case, and I'm glad the study supports it," Barbone said.

Fireplaces tend to add value to a house. Going from no fireplace to one added 11 to 18 percent to the price of a house.

"We've included fireplaces as standard in all but our starter homes," Schaal said. "Like basements, people expect them. And they prefer gas fireplaces to wood-burning, because they are easier to use and care for."

And, like central air conditioning, fireplaces were amenities that buyers demanded more in 2000-03 than in 1996-99, according to the study.

A house's age was a big factor where price was concerned, the study said. It could have a negative impact on houses from six to 100 years old, the study said, though it did not affect the price of houses up to five years old. After a century, houses are likely to be historic and may have premium prices attached to them.

Age had the greatest negative effect among houses that were 21 to 30 years old.

"Bingo!" exclaimed Barbone. "And selling properties of that age is tougher if they haven't been maintained or updated."

---

Contact real estate writer Alan J. Heavens at 215-854-2472 or [aheavens@phillynews.com](mailto:aheavens@phillynews.com).

---

© 2004 Philadelphia Inquirer and wire service sources. All Rights Reserved.  
<http://www.philly.com>