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When to Subtract a Home Addition

Eliminating a clunky extension can add value to a home at resale time.



*In a hot housing market, every square foot counts—but there can be perks to paring back.
In some remodels, smart subtractions can actually broaden the buyer pool.*

Annie Yan loved the fairy tale quality of her 1917 Cotswold-style Craftsman in Pasadena, Calif.—the thatch-like roofline, the matching brick chimneys, the whimsical wood details.

The 800-square-foot addition with protruding window air conditioner? Not so much.

“It was just all wrong,” said listing agent Matt Berkley of Crosby Doe Associates, who helped oversee the removal of the dark enclosure, which was glommed onto the rear of the 6,300-square-foot home in the 1940s.

Ms. Yan said she spent \$30,000 to demolish the addition as part of a larger project to restore the home to its original state. Now she is selling the home for \$4.78 million—almost \$600,000 more than she bought it for in 2014.

Every square foot counts in a hot housing market, but there can be perks to paring back. Unwise or uncharacteristic additions can hurt a home’s resale prospects, agents say. In many remodels, strategic subtractions can broaden the buyer pool and make a space feel new. And in some markets, restoring a home to its original size can mean major tax breaks.

In New York’s West Village, Bret Hirsh is lopping off about 200 square feet from his four-story, 3,900-square-foot townhouse. That reduction could theoretically cost Mr. Hirsh about \$800,000 in potential resale value: Prices in his neighborhood can exceed \$4,000 a square foot. But he’s betting his renovation will offset that loss. He bought the house for \$5.95 million in 2014, city records show.

“That was a no-brainer,” said Mr. Hirsh, who works in finance, about the decision to scale back. His architect, Peter Pelsinski of SPAN and his designer, Brooke Abrams, suggested reducing an upstairs

dining room to create a double-height area in the downstairs kitchen and great room, which faces a 24-foot wall of glass overlooking the backyard.

He is also restoring the historic facade and excavating a basement to create a 1,500-square-foot multipurpose space, which won't count toward the home's total square footage because it is below street level. The project will cost over \$1 million, Mr. Hirsh said.

Real-estate agent Jim St. André with CORE, who wasn't involved in the sale of Mr. Hirsh's home, says reductions that sacrifice floor space for light and volume are reviving the market for brownstones, which sometimes lack natural light. "It was a groundbreaking moment for people who hadn't considered townhouses before," he said. One of the most expensive sales in the neighborhood, an \$18.96 million townhouse sale in 2012, sold after a similar reconfiguration, he said.

"We don't live and die by square footage," said real estate appraiser Jonathan Miller, who said he first noticed townhouse reductions about 15 years ago, when homeowners replaced the rear facade with glass and took down claustrophobic additions. While cutting off too much square footage can be detrimental to resale value, he said most projects aim to replace that loss with something more appealing, like a gain in outdoor space.

Cutting back can pay off in other ways. Ms. Yan, a 47-year-old homemaker, bought her landmark Craftsman home in Pasadena, Calif., with her husband, the owner of a real-estate brokerage, for \$4.2 million in 2014. Ms. Yan said, through a translator, that she planned a major restoration of the home, starting with the removal of the dark and drafty addition on the rear of her home.



A look at remodeled homes in Montgomery, Ala., and Pasadena, Calif., that heeded the rule of 'addition by subtraction'

For her efforts, the city granted a tax break on the property, through a preservation program known as the Mills Act, which effectively cuts the property tax from \$50,000 a year to \$13,000, said the county assessor's office. The tax break will stand for at least 10 years, provided that other promised restoration projects, including replacing the roof, are also completed.

Ms. Yan is selling because her son will attend college on the East Coast and her husband splits his time in China. Ms. Yan likely won't benefit from the tax cut, since the change takes effect later this year, but the benefits will carry over to the new buyer. The buyer will have to restore other historic features of the home to maintain the tax break.

Home subtractions are still rare in luxury markets, where soaring land prices encourage owners to maximize their lot. The median size of new homes last year was 2,467 square feet, 61% larger than 40 years ago and 11% bigger than a decade earlier, according to the Census Bureau. Much of that demand is driven by the luxury sector.

John Milner, an architect in Chadds Ford, Pa., whose firm opened in 1968, says he has reduced the size of homes only a handful of times, but most have been in the past few years. In 2008, his firm demolished an 1,100-square-foot sunroom off the back of a historic, 9,100-square-foot Mediterranean-Revival style mansion in Merion Station, where similar homes can list for \$2 million and up.

Why sacrifice the valuable space? Because the addition, a relic of a 1980s renovation, clashed with the rest of the house. "It had porthole windows and weird skylights and a strange, black wet bar," said Justin Detwiler, senior project designer for the firm.

The team convinced the homeowners to remove the addition as part of a major renovation that opened the floor plan and restored historic details that had been hidden by the sunroom, such as original French doors.

Juliet Cordeiro, a Keller Williams agent who works in the area, said removing unsightly square footage can both raise the sales price and attract more buyers, because her market prizes historic homes and original features. And when dealing with homes of this scale, she added, "You're not going to get someone come in and say, 'Oh my God, it's only 8,000 square feet?'"

In Montgomery, Ala., Marney Garzon, 73, bought a 1900s home that has been in her family since at least the 1920s. Ms. Garzon, who owns an upscale fitness center, said she bought the home and 2 acres for \$275,000 in 2004, and has put in around \$500,000 to declutter years of additions dating back to the 1950s, when her great uncle still owned the property.

"It's removing the saddle bags that have been thrown on the horse," said architect Greg Tankersley, with the firm McAlpine, who suggested the reductions. He carved off about 800 square feet, including a number of bedrooms and bathrooms in the rear, to create the updated, 2,300-square-foot home. They moved the kitchen to the center of the home and added windows and French doors to fill the open floor plan with light. The renovation was completed in 2007.

The cuts haven't cramped Ms. Garzon's style. Living with less space has acquainted her with every nook in the house, she said, but she still has enough space to host 80 people on Easter Sunday.

"Everything in here means something to me," she said. "It has real heart."