

# Randall Garrett Gazette

Price: Priceless

Vol. III

Home Builder News

April 2008

## **NEW HOME PAGE** **Of interest....**

### **Why do Houses Cost a “Lot”?**

**HAVE you ever wondered what drives housing prices? Hmmm?** Have you? Well, it's the land. You know the thing that God isn't making any more of (except in Dubai). Yes, land. Land is the largest cost-driving factor for a residential developer, and the largest single line item on a home builder's budget. How can that be? Some of you think the fluctuation of gasoline, lumber, concrete, sheetrock, doors, blah, blah, blah, are what drives the price. Wrong! It is the dirt beneath our feet.

The cost for putting in streets, utilities, setting the drainage, etc., is virtually the same no matter where you put them. Obviously, the more lots in a sub-division, the more “improvements” costs there are. Certainly, if the developer puts a theme park of water falls and Frank Lloyd Wright sculptures, as an entrance to the “Look-at-me-I-live-in-a-McMansion” neighborhoods, then that tends to add a smidge to the development cost. It is the price paid to the landowner that factors into what lot price the developer can put on the ground.

(imagine Cinderella's  
Castle as a subdivision  
entrance)

Consequently, the amenities and stuff required consumer class of upper-crusted families with their 1.9 children. Marketing say in the \$200,000 range (sound outrageous - get ready! - in the next few years that will be starter home lot prices), you have to have “green space”, walking trails, iron see-thru fences, waterfalls, and ponds complete with man-eating swans (those birds are mean) , of course. In the \$25,000-lot neighborhoods, all you get for an entrance is a couple of 3 inch trees in front of a short brick wall, with a concrete sign calling the sub-division “*Something Oaks*”. They name it *Something Oaks* because “*Siding Ville*” doesn't have that same lovely ring to it. Curiously, there is not a tree within miles in *Something Oaks*.

Ok, so we have established how a lot price is determined. How is that factored in to a home price? Generally speaking, the lot cost should be about 20% of the sales price of the home. Of course, there are exceptions to the rule, for example, in Highland Park

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and University Park ("the bubble"), in Dallas, lot costs can be as high as 50 - 60% of the sales price, but the homes sell for \$300 per square foot and more. Conversely volume builders tend to keep their lot costs at 17% or less, because they buy a large quantities of lots at a given time, and to set up at least one model home.

Once the lot price is established, then the builder can decide what size home is prudent and what amenity package works. For example, the homes I am building in Bourland Oaks, in Keller are about 4,000 square feet. The lot cost is \$100,000. The homes should sell, I hope, for \$140 to \$150 per square foot. That puts my lot cost at 16 - 17%, or about \$25 per square foot of living area. Since sticks, bricks, concrete, and sheetrock, are essentially a given, that allows me to decide what amenities like crown mould, hand-scraped wood floors, media rooms, yada, yada, yada, I can put in the home to help it sell and stay competitive. If I were to build a 7,000 square foot home in Bourland, the lot cost percentage would be considerably lower but the house would be about a million dollars. That's about 25% higher than any other house in the area - not a good idea. A residential real estate appraiser would deduct a great deal of your value because all of the comparables in the neighborhood would not be close to the same. Why? I don't know. The math real estate appraisers use is similar to Chinese arithmetic. Just trust me, they will not give you full square footage value.

(Is this article too long?)

One last point, using the Bourland Oaks example, if I were to build a 2,000 square foot house (which deed restrictions will not allow me to, but just pay attention) would only be \$300,000, but the lot cost would be 33%, or about \$50 per square foot of living area. Once again, Mr. Appraiser comes out, with his Chinese arithmetic calculator, and says, "You don't get \$150 per foot for your house because you have \$50 per square foot in your lot and the house is only 2,000 square feet and is not worth \$100 per foot, because your house is non-conforming to the rest of the houses, and all of the other 2,000 square foot homes in Keller are only worth \$60 per square foot. So, your property is only worth \$220,000." You're screwed, glued, and tattooed, again.

The bottom line is...land costs determine lot costs. Lot costs determine house prices, and house prices determine whether you get hand scraped wood floors and built-ins, or coleche drive ways with a "Frederich" window unit keeping you cool at night.

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## Market News...

**Randall Garrett Homes** has updated our website.

[randallgarrethomes.com](http://randallgarrethomes.com) has pictures now. Will miracles never cease? Please go to the aforementioned website and click on gallery, then click on the various and sundry houses to view the current "doll baby" models that are move-in ready. *"I'll meet you at two in the morning, if I know you are coming"* (Henry Lewis, of Lewis Chevrolet, in Canton, Texas). I will too, but you better be there with your check book.

\*\*\*\*\*

## ***BUSINESS AND OFFICE PAGE***

### ***Of interest...***

**Mill Haven Plaza has a new neighbor.** Mill Haven Partners, LP, and the tenants of Mill Haven Plaza welcome the ***Tarrant Campus of Dallas Baptist University*** to the land next door to us, on Grapevine Highway, in Hurst. They are moving from a shopping center in Colleyville. It will be called the "Herman and Patsy Smith Center". Obviously, it is named for the Patsy Smith, and her late husband. She recently made a very generous contribution of the land, and other contributions to DBU, of which she sits on their board, in order for them to expand their accessibility and influence to the Tarrant County side of the Metro-Plex. We welcome them to the "hood", and look forward to sharing this part of town with them.

**FOR RENT** - Mill Haven Plaza, located at 104 Grapevine Hwy., in Hurst, still has one space available in our building. It is 1700 square feet, zoned office or retail. It is the south end-cap of our building. It has 3 separate entrances with lots of "window offices". It can be drawn to custom fit your business since it is not finished out yet. It would be an excellent space for a doctor, lawyer, CPA, insurance agent, a boutique shop, , or, of course, general office. The lease rate is \$17.50 per square foot, plus triple net. For more information, call Annie Adams at the office, at 817.428.7103, or my cell, 817.475.4644.

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## On the Drawing Board...

**FOR RENT NEXT YEAR** - As I mentioned last month, we are putting together another project approximately a mile north of Mill Haven, tentatively called "Colleyville Crossing". If growing your business calls for high visibility right on Grapevine Highway in the heart of the Metro-plex, call us for more information. Retail or office will work great there.

## Investment Ideas...

Put your cash in your mattress till this is over, unless, of course, it's a waterbed.

## In My Opinion (that and \$5 will get you \$0.50 worth of coffee at Starbucks).....By Randall Garrett

**Presidential Race** - Everyone that knows me, also knows which side of the aisle I lean (I'm the one standing just to the left of Attila the Hun), so it will probably not come to anyone's surprise regarding the following opinions:

\*\*\* I would never vote for Monica Lewinski's ex-boyfriend's wife.

\*\*\* Barack *Hussein* Obama - First of all, sorry, but the Hussein part is not working for me. Secondly, with respect to his buddy, Reverend Wright, his pastor for over 20 years, performed his marriage, and now he is trying to distance himself from the Reverend; all I have to say about that is, "birds of a feather **do** flock together.

\*\*\* John McCain - Is this all we've got? I'm struggling with this one too, but at least he is not one of the above.

**Global Warming** - I do not believe there is scientific evidence to support global warming. I am not convinced that in the course of our wonderful planet's existence, enduring billions of years, that a warming trend of a couple of hundred thousand years, or even a couple of million years, has not occurred. I believe that the nature and the earth, being in perfect balance, has on-going systems constantly cleansing and adjusting itself through time. I do not concur with the arrogance of man's idea that he is more powerful than nature, or the power of God (for those share this belief), and has the

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ability to override its(His) forces. I do believe man should be good stewards of the planet, but can be considered culpable of narcissism and fear mongering tactics, frightening in the common man, in order to extrapolate funding for research of questions that have unattainable answers. Whew! That ought to get the Al Gore warming up in the bull pen. He might even call for a sit-in some university president's office. Ah, that would be the good old days again, huh?

**Environment** - Yes, let's turn off the lights. Let's get more energy efficient. Let's clean up the air and the water. There is no excuse for pollution or defacing Mother Earth. I believe our consciousness has been raised, so I think we are working towards that end, although it will take some time. Pat yourself on the back, Americans, we were instrumental in progressing that forward. By the way, I hope in my life time, we can free ourselves from the bondage of our dependence on foreign oil. Just imagine, if we Americans, the largest consumer of petroleum in the world, told OPEC, et al, "no thanks, we won't be needing anymore of your petroleum products". They would have nothing to sell, but SAND!! Although, I do use a load or two on every house, so they could have a little income.

That's enough of my opinions for one month. AlGore is emailing me (you know, on the internet he invented), and he seems upset. I guess he hasn't got his tree hug today.

## ***FUN PAGE***

***Of interest....***

## **Wine Tip of the Month**

**Menguante** is the vineyard. **Garnacha** is the varietal. This is from a family owned vineyard in Spain, that was founded in 1760. The fruit comes from 80 year old vines, purple in color. Some guy named Jay Miller, the Wine Advocate, gave it a 90 point rating (who ever he is). The literature says it has "*a fragrant nose of kirsch (what!?!?) and blueberry*". It goes on to say, "*Medium-bodied, this wine is packed with ripe fruit and layers of flavor all the way through to the finish. This awesome value can be likened to a Cotes du Rhone on steroids*". I think Brother Miller needs to taste, then spit, and not swallow so much. He's trippin'. I can't taste any of that. I can just taste -

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goooooooood! Sounds like a \$50 bottle of why, huh? WRONG!! The building business is flat right now. \$50 anything is not in the budget for Brother Garrett and family. This wine \$10 per bottle at Tivoli Wines, at 62 Main, Suite 110, in the Villages of Colleyville. I have seen it for \$7.99 on line.

**Bonus Wine tip (on the house).** Try your favorite wine in different wine glasses. Different shapes and sizes of the bowls of wine glasses embrace or inhibit the bouquet of the wine, thus the flavor. (You know, some bowl shapes might kill all of the little “kirsches” - palleaasee). And, please, for the love of all that is tannin worthy, don't drink a nice cabernet from those little chianti glasses. It is blasphemy, I tell you!! Blasphemy!!

## Humor of the Month

### (minor adult subject matter)

A man goes into a hotel bar (where else would men go) where upon he takes an obligatory seat at the bar. He orders his obligatory something-on-the-rocks. He casts his eyes upon a beautiful lady sitting a short distance down the bar from him, smiling at him (naturally). He walks over to her and says, “I saw you smiling at me, which indicates to me that you might have an interest in me, so would you mind if I asked you a question?” To which she says, “Ask away.” He proceeds to ask her if she would go up to his room and spend the night with him for a \$1,000,000. To which she answers, “Yes, I would go up to your room and spend the night with you for a million dollars”. The man thinks about it the favorable response he gets from the beautiful lady, then turns, and goes back to his obligatory seat at the bar. He sits there for a moment, sipping on his something-on-the-rocks, then he gets up and walks back over to the beautiful lady. This time he says, “Can I ask you another question?” Of course, she says, “Go ahead.” This time he asks her if you would go up to his room and spend the night with him for \$5.00. This, obviously upset her, and she lashed out at him, “No, I would not go up to your room and spend the night with you for five dollars!! What do you think I am?” The man calmly answers, “We both know what you are, I'm just trying to establish a price”.

## Parting Thought

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***“Potential will get you beat 49 to nothing every time.”***

- Coach O. A. “Bum” Phillips, on the subject of under achievement.

Another “Bum” quote, when referring to Earl Campbell, Heisman Trophy Winner and NFL Rookie of the Year in 1978.....***“I wouldn’t say Earl is in a class by himself, but it sure would take long to call roll.”***

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