

The Resilient Home

A Paradigm Shift - Potential Changes in How We Determine Real Estate Value

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There is a paradigm shift in progress for how we value domestic real estate. The leading-edge of this shift is happening now, and the full effect of the shift could happen quickly in the next few years. It is a shift from your home being a center of consumption, to your home being a center of production. This paradigm shift is easy to understand once we step-back historically, and understand the decades-long changes in the model for what we consider to be a valuable home and compare that to the global changes currently at play.



Beginning shortly after World War II, developers conceived of and promoted the idea of a 'subdivision.' We are all very familiar with this concept, as these are still being developed at numerous locations in our area. Originally, it was the opportunity to move out of the city core, and own a home in an 'estate' setting much like the aristocrats of the 20's and 30's. The concept sold quickly to the post-war public, but even more importantly it tied in extremely well with the growing model of consumerism in the 50's, 60's and 70's. Living in a subdivision required an automobile and regular purchases of gasoline. Also, it perfectly promoted the idea that every family unit needed one of everything (lawnmowers, washing machines, etc., etc.) so that consumption could be maximized. The economy was on a roll over those decades using that model for housing.

Today, like most homes in North America, our homes in St Margarets Bay still closely follow this model. Our home is set-up and designed to be a center of consumption. The consumption model still sells, the public is used to it, and developers know that. Homes are still built today for that primary purpose. External services get connected to a large floor space with enough lawn space on the outside to create at least a modicum (or better) of the old estate feel. It is up to the consumer to fill that floor space with all the consumables required for the dream

lifestyle. Real estate value is based on square footage, amenities, views, size of the 'estate' lot, etc. – all to increase the ability to enjoy consumption.

The consumption model assumes that we will use our homes first and foremost for consumption. It is the location where we eat, sleep, watch TV and store our stuff. It is dependent on numerous external supply chains to keep the model operating, including power, heating fuel, cars and gasoline, grocery stores, appliance repair, cable TV, internet and more. The model has worked well for decades.

This consumptive model, however, is now becoming 1.) increasingly expensive to maintain as the cost of the necessary inputs increases, 2.) more and more exposed to disruption as these various supply chains begin to get more fragile, and 3.) increasingly less sustainable as the ability to maintain these supply chains demands more scarce resources. An immediate example that we are most familiar with is having the power knocked out after a storm. This event immediately brings home the fragility of the model, and remember that power is only one of the many supply chains. Globally, there are dramatic changes occurring in the world economy and energy supply which could have a significant effect on everything that is required to supply the consumptive model of the home.

An indicator of the shift is the fact that real estate values have not been increasing across North America in recent years, and are dramatically declining in some areas. For example, a recent news report estimated that 50% of home mortgages in the USA are now underwater (i.e. the mortgage is more than the value of the home). While values in HRM have remained relatively steady, there may be new considerations in the future of what constitutes the value of a home.

There is a new model beginning to take effect, and it is important to take notice and assess your own current situation with this new lens. This new model is not being promoted by real estate developers, but it is being brought on by dramatic changes globally which could quickly undermine the consumer model for the home.

In the years ahead, our homes will be valued not on how well they fit the consumer model, but on how much productive value they can deliver. This is the paradigm shift – moving from consumption to production. For example, with ever increasing costs of power, it becomes more and more attractive to own a home that produces at least some of its own power. There are the two-fold benefits of reduced electricity bill and back up resilience in the event the



local grid goes down. Domestic power generation can be seen as a productive asset of the home, as opposed to a consumptive amenity. There is real estate value in domestic production of power, as opposed solely to domestic consumption of power. Similarly, the ability of a home to generate some portion of its own heating and hot water, through various solar, geothermal or wood-burning options, becomes a productive asset that will also increase the real estate value of the home.



The developed capacity of a home to grow some portion of the family's food also becomes a productive asset, such as a fertile garden, a small greenhouse or other growing infrastructure. There is usually plenty of space available on the average suburban lot, but it is typically taken up largely by grass (which is another consumptive feature). There is enough non-productive lawn surrounding the average suburban home to grow all the food you need for the entire

year – even in our climate. Finally, other features of a home, such as an office, workshop or studio where home-based production of goods and services can occur will increase as a visible productive asset.



In the years ahead, it will begin to become more and more apparent that we are moving from the old consumption model for our homes to one in which the valuable homes of the future will be those that also produce things of value. It will be important to consider these ideas when doing renovations or retrofits, or building from scratch. Try to be modest about the consumptive aspects of your home, and increase the productive assets of your home. It should pay off well in the future.