

Veneer Survey Prepared for Malvern Hunt HOA

Introduction

Cogent Building Diagnostics was retained by the Malvern Hunt Homeowners Association Board to survey the primary stakeholders in the issues associated with stucco veneer that has been applied to the exterior of their houses. Some homeowners have requested permission to apply fiber cement siding ("Hardie" Siding) as a replacement to stucco to avoid possible negative impacts on the sale of their houses because of potential buyer concerns with stucco veneer. The Malvern Hunt Covenants currently do not allow the use of siding or other materials other than the stucco and adhered stone veneers used during the original construction. The Board requested Cogent to prepare a factual basis of decision whether to allow the use of alternate veneer materials.

Survey

Over the years Cogent has developed contacts with many of the stakeholders in the housing industry that includes Buyers and Sellers, Realtors®, contractors, home inspectors, appraisers, bankers, insurance agents and attorneys. To provide the Board with information needed to support their decision process, Cogent surveyed senior Realtors® and real estate appraisers along with contractors experienced with installing and repairing the veneers in question. All the people questioned were versed in the subject and freely shared their opinions but asked not to be identified as they did not want to spend time defending their opinions or did not want to share their opinions or pricing with their competitors.

Findings

Realtor® Opinions

- There is a wide distribution of Buyer awareness of the potential for stucco veneer to experience water damage and the cost of such repairs. Their experience comes from many sources including the Internet, experience in nearby communities and conversations with friends and neighbors. About 20% of Buyers will not even consider a stucco house, while if a house is tested and repaired most Buyers will equally consider a stuccoed house with other types of veneers.
- Virtually all Buyers do not understand that window failures and lack of detailing cause damage to houses that is a common problem with all veneers. Experienced Realtor® understand this issue. This is a problem in the industry as Buyers can unknowingly buy houses with latent defects.
- It is the Realtors'® job to education Buyers and Sellers concerning all the issues associated with the buying and selling process, assemble data to as-best possible quantify issues and provide guidance concerning the issues, pro and cons, and remedies.
- The increasingly common practice is to evaluate a stucco house and make repairs prior to listing the house for sale. A report is needed that is prepared by an independent party that documents the repairs are satisfactory. This information becomes part of the selling disclosure package.

Increasingly, Realtors® will not consider showing a house to prospective buyers if this information is not available. If this information is available, concern over stucco is fair less of an issue. A roofing example explains this process. Envision a situation when a 15-year-old house has some missing roof shingles. The roof probably has 5 to 10 years of remaining useful life. If the roof is inspected and repaired before the house is listed for sale, a buyer and their home inspector would recognize the age of the roof, that it was repaired and not considered the age of the roof as an issue. If the missing shingles were identified by a buyer's home inspector, the buyer typically expects the roof to be replaced.

- Experienced Realtors® now recognize that window failures and lack of flashings and caulking cause damage to houses, rather than the stucco itself. There is an increasing awareness that all veneers are more-or-less prone to these damage causes.
- It is a common experience that if a small number of houses have converted stucco veneer to Hardie siding buyers doubt about the community results and the desirability and value of the community suffers. If a community decides to replace stucco with Hardie siding, house sales in the community essentially stops until the changeover is essentially completed.
- Replacing stucco with Hardie or other types of siding on one unit of a multi-unit building should be avoided, as this is a “red flag” that problems likely exist with all the units. Sales and values of all the units suffer.
- Replacing stucco with a veneer that is already common in the community does not create a “red flag” concerns with Buyers.
- In the situation of a relocating employee, relocation companies have varying practices that sometimes do not pay for repairs to a synthetic stucco house (i.e., Dryvit®) and more recently Portland cement-based hard coat stucco (Malvern Hunt has Portland cement-based stucco).

Appraisers Opinions

- Preparing a real estate appraisal is a highly controlled process that closely follows government and lender procedures and guidelines.
- Unless an appraiser is presented with specific information, they prepare the appraisal assuming all aspects of a house are in good working order. They do adjust for readily observable condition and age.
- Appraisers do not credit or debit a house for the type of veneer. A stucco house is not given a lesser value than a Hardie sided house for instance.
- Based on experience or observation an appraiser may recommend to a lender that additional evaluation be performed. This is done outside of the written appraisal document. Appraisers know that stucco veneer can be an issue but consider this as a lender issue.

- The appraisers have never known a mortgage to not be issued because a house has stucco veneer.

Contractor Costs

- A survey of costs was developed based on information provided by well-known and established contractors providing stucco repairs, stucco removal and veneer replacement services.
- All the contractors work with stucco, adhered stone and Hardie siding
- All the contractors can provide services to Malvern Hunt
- Cogent has reviewed each contractor's work product for compliance with the Building Code and accepted practices.
- Note that cost of installing Hardie siding varies as the amount of detailing provided in a base-bid is different among the contractors.
- One contractor noted he does not like to install adhered stone that can explain why his cost is much other than other contractor costs
- The data suggests that on a like-to-like basis the services cost among competent and well-established contractors does not vary greatly as they work in a competitive market
- The data suggests that the cost difference to install stucco compared to Hardie siding is not substantial on a total project cost basis or when compared to the value of a house

Cost Survey to Remove Stucco and Reinstall Stucco, Hardie Siding and Adhered Stone

	Cost to Remove Stucco, \$/ft2	Cost to Install Stucco, \$/ft2	Cost to Install Hardie Siding, \$/ft2	Cost to Install Adhered Stone, \$/ft2	Cost to Remove and Properly Reinstall a Single Window, \$	Cost to Install Azek Trim Around a Single Window, \$
Contractor 1	8	12	8	22	500	150
Contractor 2	8	12	10.50	22	500	
Contractor 3	8	12	12	30	500	
Contractor 4	7.50	12.50	12.50	19	600	

Notes:

Each contractor has been in business for a long time and their work is known to comply with the Building Code and other accepted practices

All the contractors can provide services to Malvern Hunt and have ample resources to do so in a timely manner

The above costs do not include repair of water damage, as this cost can vary widely from project to project and is often the reason why proposals have significant variation from contractor-to-contractor

Note that the cost of Hardie siding varies among the contractors as the detailing, such as trim surrounding windows and doors, varies between the contractors