

# Home Update

Ideas for Living

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## Home improvements that make “cents”

**A** gourmet kitchen! Spa bath! A new deck!

The excitement of living in a newly remodeled home is wonderful, but wouldn't it be even better if you knew that your improvements were also a wise investment? Knowing a little bit about the return on investment you can expect may not dictate the changes you ultimately decide to make, but it will let you go into the process with realistic expectations and, hopefully, let you enjoy your “new” home even more when the project is completed.

### **Will your investment pay off?**

Americans love investing in their homes both for personal satisfaction and for financial return. In fact, home remodeling accounts for about 40% of all residential construction spending—over \$230 billion in 2006. In addition to a higher return at resale, the right changes can make your house more appealing to live in, help to bring more potential buyers in the door and potentially reduce the number of days it's on the market.



### **Home Pricing Guide**

When planning your remodeling project, be sure you're maintaining the integrity of your home's original design. Nothing turns off a buyer more than an add-on that looks like an afterthought, so try to stick with either the same materials or complementary ones. Also keep in mind that a lifestyle project such as a pool, sauna or wine cellar may be meaningful to you, but won't necessarily appeal to other buyers or add up to additional dollars at resale.

Planned well, home renovations can add enjoyment for you and increase your home's value in the future.

### **TIPS**

#### **The best minor remodels**

Interestingly, less is sometimes more when it comes to remodeling. Because they're less expensive, minor bath or kitchen upgrades generally yield a better ROI than major renovations.

If a financial return is important to you, there are things you should think about before diving into a remodeling project.

**• How long do you plan to stay in the house?**

Like most investments, it can take time for that new equity to grow, so most renovations should be considered a long-term investment. If you're not planning to stay in your home for at least three years, it's best to restrict your investments to exterior/curb appeal enhancements and regular maintenance. Making sure that all major systems like plumbing and electrical are in good condition pre-inspection can help ensure a good sale price.

**• Keeping up with the Joneses.**

People shopping for homes in your neighborhood expect a certain standard, and if your home doesn't make the grade, an upgrade may be in order just to stay competitive. For instance, if most of the homes have one-and-a-half baths or more and you have only one bath, adding an extra half bath will more than pay for itself. The same is true if most of the homes are 20 years old but have upgraded kitchens. On the other hand, a high-end kitchen remodel might be de rigueur in one neighborhood but a waste of money in another.

**• Don't overbuild.**

The flip side of building up to standard is that overbuilding beyond the neighborhood standard can really work against you financially. If you expand your neighborhood-standard three-bedroom, one-and-a-half bath home to five bedrooms and three

**• Adding a deck:** "Livable space" has come to include the great outdoors, and adding a deck (particularly in the West) has become a popular home improvement.

According to the National Association of Home Builders in 2007, 31% of home builders reported an increase in outdoor remodeling work compared to the previous year, and the most common type of outdoor remodeling job was adding a deck.

**• In the kitchen:** Adding functionality with dual sinks and cooking stations is worthwhile. So are cosmetic improvements like marble or granite countertops and ceramic tile backsplashes. Even if all you do is replace the appliances with stainless steel ones, you'll make a positive impression on potential homebuyers.

**Revamping space for a growing family**

When a Seattle couple purchased their home it was plenty large enough, even with just a partially finished daylight basement. But five years later with a baby on the way, they decided it was time to make better use of the unused space by remodeling the basement rather than adding on.

"When we moved in, the basement just had some dated knobby pine paneling and partial walls, and we just used it for storage and a workshop. Our goals for the remodel were to create a space that was warm, light and inviting for kids to hang out in and to make better use of a space that felt piecemeal and unplanned."

baths, you're probably pricing yourself out of the market, as people with that kind of cash will likely shop in a different neighborhood.

- **Know what's hot in your region.**

Some home improvements have broad appeal no matter where you live, but others seem to be in high demand in certain regions only. For instance, a kitchen or bath remodel, deck addition or basement remodel can bring big bucks in the West while on the East Coast, some of the hot improvements are those that save energy and add attic bedrooms.

- **Check the pulse of the real estate market in your area.**

When real estate prices are rising you're more likely to gain an increase in your renovation investment. If the market is cool, however, it can be harder to get back those improvement expenses.

**Other things that can affect the return on your investment**

Kitchen and bath remodels consistently offer good returns because most buying decisions are based on emotions. When homebuyers walk into a nicely redone kitchen or bath, or grand new master suite, they enjoy the thought of spending time there and the knowledge that they won't have to invest time and money remodeling it themselves. Some other improvements such as a new roof just aren't perceived as "sexy."

The couple hired a contractor and then brought in a designer to help them take a fresh look at the layout, a decision they believe was a good one. In addition to laying out rooms to accommodate a new office, they say the designer's help in choosing materials and pre-shopping saved a lot of time the busy couple couldn't spare.

In all, the remodel took 10 months and went about 20% over budget—a fairly typical overrun. The four bedroom, one-and-three-quarter bath home had already doubled in value over the prior five years and the couple plans to stay in the home for at least another five, so they're confident they'll recoup much of their investment when they do decide to sell. "And besides," they say, "now our home is more functional and I believe more marketable thanks to these improvements."