

It still pays to remodel

The home-sale market has taken a beating in the last few years, which begs the question: Does it make sense financially to invest in home improvements?

Remodeling Magazine's annual "Remodeling Cost vs. Value Report for 2009-10," published in agreement with the NATIONAL ASSOCIATION OF REALTORS®, indicates that remodeling still pays off, but more so on less expensive projects.

Most high-end remodeling projects don't return dollar for dollar on the investment even in a good market. That is, unless homes are appreciating at a fast clip. In this case, you might get your money back due to appreciation. But the profit on the sale might not be as much as it would have been if you hadn't done a high-end renovation.

Just as today's homebuyers are making pragmatic decisions, so are today's homeowners when it comes to making improvements. Most of the remodeling projects with the largest return were for such things as replacing exterior siding and windows. On average the cost involved was less than \$14,000, according to *Remodeling Magazine*.

These projects returned from 71 to 83 percent nationally depending on the materials used. The project that paid back the highest return was a midrange front-door replacement that cost approximately \$1,200 and returned an average 128.9 percent nationally.

Sellers may wonder why it would make sense to invest in an improvement just for the sake of selling if it won't repay the amount invested. In today's challenging home-sale market, these improvements may be warranted for the home sell at all if there is a lot of inventory in your neighborhood. Buyers expect more for their money and gravitate to listings that are in the best condition for the price.

HOUSE HUNTING TIP: Be judicious about how you spend your money fixing your home up for sale. For example, if your kitchen is a disaster, it makes more sense to do a midrange than an upscale renovation. According to the "Remodeling Cost vs. Value Report," a midrange minor kitchen upgrade will return an average of 78.3 percent nationally. A major upscale kitchen remodel will pay back only 63.2 percent.

The national average returns on remodeling investments do not give an accurate picture of the renovation returns that might be typical in your neighborhood. For instance, the payback for Honolulu homeowners for most of the 18 remodel projects analyzed returned 100 percent of the investment. San Francisco was close behind with 10 projects paying back the full investment.

The cost versus value report recommends the following cost-effective improvements you might

consider to prepare your home for the market: tidying up the kitchen cabinets using organizers will make your cabinets roomy; add an inexpensive tile backsplash to a tired kitchen, and use inexpensive tile to give an old bathroom a new look; add a breakfast bar by cutting an opening between the kitchen and family room; and install granite tile rather than slab.

Other suggestions include: Replacing outdated light fixtures; freshening up the basement; giving the kitchen cabinets a new look by reconditioning and adding new knobs or having cabinet doors and drawers replaced; updating a bathroom without replacing tile by changing the medicine cabinet, light fixtures, vanity, cleaning the grout or replacing it and adding glass shower doors.

The findings of this report were based on a survey sent to 150,000 appraisers and real estate agents in the summer of 2009. The survey included information about the cost and description of the remodel projects and median price data for the 80 metropolitan areas surveyed. Some 6,233 survey respondents estimated how much value the improvements would add to the house at resale in the current market.

THE CLOSING: Before starting any fix-up-for-sale projects, seek your real estate agent's advice so that you don't waste money on improvements that won't pay back much in your area.

*Source: Client Direct – Author: By Dian Hymer
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