

# Remodeling Investments that Pay Off

## Maximize Your Home Improvement Budget

Remodeling can make your home more valuable, as well as more livable. Although the cash you spend on improvements seldom yields a dollar-for-dollar return when you sell your home, some remodeling will certainly return more of your investment than others. Stick with the projects that will allow you to both sell your home quickly and recoup most of the investment.

### Strategies to Bank On

There are a few guidelines to follow that will help improve your chances of a good return:

- **Keep the value of your property within 15 to 20 percent of others in your neighborhood.** If you live in an area of \$150,000 homes, buyers probably want a home close to that price. Buyers who can afford pricier homes will shop in more expensive neighborhoods.
- **Style your remodeling for mass appeal.** Buyers prefer neutral, mainstream design. Play it safe with colors, patterns and kitchen design. Consider local preferences, too.
- **Give buyers quality construction.** Use materials that look good and wear well. If you plan to do the work yourself, obviously you can recover a substantial amount of your investment; however, honestly evaluate your ability to do it right. A poor do-it-yourself job costs money in the long run.
- **Keep your remodeling compatible with the existing house.** Additions and improvements that look “tacked on” may detract from a home’s appeal. Choose materials and design elements that match or blend with what’s already there.
- **Finally, before beginning any major remodeling, consider consulting a professional for advice.** The right improvements can help a home sell more quickly and for a higher price.

### Type of Improvement: Minor Kitchen Remodeling

An older-style kitchen can easily be updated without major structural changes. Painting the walls and cabinets might be a starting point. Vinyl flooring, new countertops, a ceramic-tile backsplash and a double-basin sink are some other modern options. Some new appliances might be included in the facelift such as a dishwasher or a drop-in range.

- **Recovery can reach 90 percent.** Kitchen improvements usually offer high returns. The smaller your investment in a kitchen facelift, the higher the potential for recovering costs. If resale value is critical, avoid extras such as state-of-the-art cook tops or premium countertop materials. A modern kitchen is a top priority prospective buyers look for and are willing to pay to have.

### Type of Improvement: Major Kitchen Remodeling

In some cases, an antiquated kitchen may need to be gutted. New cabinets and countertops will probably be necessary, as will new appliances such as a dishwasher, stovetop with grill, microwave oven, wall oven and refrigerator.

- **Recovery can reach 80 percent.** Though an outdated kitchen detracts from your home, a total redo makes sense only if the colors and design appeal to most buyers. Consider features such as a second sink that makes the kitchen work for two.

### **Type of Improvement: Adding a New Bath**

Second only to a newly-remodeled kitchen, replacing an older bath ranks high in terms of dollar-for-dollar return. Options might include a new tub, sink, shower and new flooring. Adding a new or larger window to allow more natural light is also a common addition to the bath.

- **Recovery can be as high as 90 percent.** A second full bath will usually net a higher return than a third or fourth bath. Neutral colors have the broadest appeal.

### **Type of Improvement: Bathroom Remodeling**

Sometimes a dated bath simply needs a facelift. Ceramic tile might be installed on the countertop, tub surround and floor. Walls can be painted and cabinets may be replaced or painted for a fresh look. A new sink and faucet set are another option, as are new light fixtures.

- **Recovery can be as high as 90 percent.** Fixing up a master bath makes more sense than splurging on a guest bath. If updating the only bath, consider revamping it for double occupancy with two sinks and a separate shower and tub.

### **Type of Improvement: New Room**

A ground-level addition may pay for itself at resale. To add a room with a foundation and crawl space onto the back of your home, work will involve floors, walls, windows, roof, door and interior and exterior painting. To maximize profits, if your home is a two-story, consider making the addition two-stories high rather than one; many of the costs are the same as for a one-level addition. But since value is based on square footage, adding a second floor when already building a first-floor addition means your profits increase substantially while your expenses do not.

- **Recovery can reach 90 percent.** Be careful not to overdevelop the property for your neighborhood. For example, a room addition that is a third bedroom will be more valuable than a fourth bedroom. A first-floor family room is also a strong selling point.

### **Type of Improvement: Master Suite**

A master suite can be a persuasive element to prospective buyers. By annexing an adjoining area into the master bedroom and bath, you can save the expense of building an addition. The suite might feature a walk-in closet. The bath may require updating to maintain a style consistent with the new suite.

- **Recovery can reach 80 percent.** To create a luxurious master suite, it's cheaper to modify underutilized areas than to add on because the roof, foundation and some walls are in place. But if you eliminate a third bedroom in the process, you may find it harder to sell your home.

### **Type of Improvement: Finished Basement**

Basement conversion is usually an inexpensive way to increase square footage. A large basement might be divided into a workroom, game room and bath. Features would probably include insulation, painted drywall walls, ceiling and floors. The half bath includes a toilet and sink.

- **Recovery can reach 70 percent.** Pouring money into a below-grade space doesn't yield the return it would in other areas of the home. The project might still be a great solution for a young family who plan to live in a too-small house for several more years. Recovery rates are higher for a walkout basement.

### **Type of Improvement: Garage**

If most homes in your neighborhood have garages, you might consider adding one too. A concrete floor, footing, walls, roof, siding, windows and, of course, the doors are included in the average 600 square foot, two-car garage. An oversize two-car garage might also include a workshop and storage area.

- **Recovery can reach 65 percent.** An oversize garage has advantages if you need work and storage space, but in some cases may over-improve the average home in a middle-class neighborhood. The return on a garage depends in part where you live -- in cold

weather markets, buyers demand them

#### **Type of Improvement: Deck**

A popular addition, the deck is an ideal do-it-yourself project. If price is a consideration, use pressure-treated wood, the least expensive type of deck lumber by far. The project will include excavation, digging post footings, pouring concrete and in most cases, constructing stairs and railings.

- **Recovery can reach 75 percent.** Outside living areas are popular in all climates. The project will be more desirable if the deck includes features that provide some privacy. A small entry deck that replaces a crumbling concrete stoop can make a positive impact on the sale of your house.

#### **Type of Improvement: Sunspace**

If your home suffers from a lack of natural light, you might consider adding a sunspace. The simplest option is adding a prefabricated solar greenhouse kit with thermal glazing to the back wall of your home. A sliding glass door may be installed.

- **Recovery can reach 20 percent.** Real estate professionals generally feel that a greenhouse adds limited or no value to a home. You'd get better payback from a sunspace bump-out that expands the square footage and views of an existing room.

#### **Type of Improvement: Swimming Pool**

The decision whether or not to add a swimming pool can be problematic; while some buyers actively search for a pool, many others may wary of the upkeep required. Basic work will include digging, pouring concrete, brick work and grading.

- **Recovery varies by market.** Check out local preferences before building a pool. In colder climates, a pool may add no value because buyers believe it requires too much upkeep for its limited use. In warm climates, however, a pool can deliver a 65 percent return or better.

#### **Type of Improvement: Skylight**

To lighten up a room, a skylight seems the obvious choice. A skylight that features insulating glass can be an added attraction. Work includes constructing a skylight shaft of drywall and painting.

- **Recovery can reach 30 percent.** Many real estate professionals feel that a skylight adds nothing to a home's value. If your house has a dark, stuffy entry or gloomy bath, a skylight might make it more attractive to buyers.

#### **Type of Improvement: Windows and Doors**

Energy-saving windows and doors have a certain appeal to the energy-conscious buyer. An aging front door can be replaced with an energy-efficient door. A sliding glass door may be replaced with an energy-efficient swinging patio door. Sliding windows may be replaced with insulated windows.

- **Recovery can reach 80 percent.** These projects improve comfort and appearance and their recovery value, especially on an older home, is high. On a new home most buyers assume that windows and doors will be in good condition. If you can do the work yourself, a good payoff is probable.

#### **Type of Improvement: Insulation**

If you own an older home, your loose-fill attic insulation may have compacted significantly, causing energy loss. New fiberglass roll insulation may be added to bring the depth up to 10 inches and help you reap substantial energy savings.

- **Recovery can reach 25 percent.** Beefing up insulation in your home improves comfort and lowers energy bills but doesn't add much value to your home. Today's buyers feel entitled to adequate levels and don't pay much more for a house that is well insulated.

### **Type of Improvement: Energy-efficient Fireplace**

Fireplaces hold great appeal. Options include going with a prefabricated fireplace or installing a brick one.

- **Recovery can reach 100 percent.** Many buyers are willing to pay extra for a fireplace -- even in climates where a fireplace isn't a necessity. The prefabricated fireplace project can earn a good recovery because a prefab unit with a boxed in metal chimney will be much less expensive than a real brick one.

### **Type of Improvement: New Heating System**

If your furnace is old and needs replacing, an energy-efficient gas furnace will save money in the long run. The project may not require any major alterations to ductwork throughout the house, but most likely, a contractor will be necessary.

- **Recovery can reach 50 percent.** Buyers expect a functional heating system. A high-efficiency furnace is a bonus they'll like but may not reward. If your old furnace works and you plan to sell soon, let the buyer replace the heating system.

### **Type of Improvement: Re-roofing**

If your roof shows signs of wear, new shingles can improve your home's first impression on buyers. Composition shingles can be installed over a single layer of shingles. If the roof is in good shape, no repairs may be required before adding a second layer of shingles.

- **Recovery can reach 30 percent.** A new layer of shingles on an older roof doesn't raise the value of your home much, but may help you get the price your home is worth. Buyers usually subtract the cost of a new roof from your asking price when deciding what to offer.

### **Type of Improvement: Exterior Painting**

Though it should be part of routine upkeep, exterior painting greatly increases the look of your home. Some scraping and priming of the wood siding may be needed to prepare the surface before painting. If the siding is in good shape, no re-caulking or replacement of damaged siding should be necessary.

- **Recovery can reach 50 percent -- or significantly higher if you do the job yourself.** A fresh coat of paint peeps up the exterior and makes it more attractive to buyers. Choose a neutral shade to broaden your home's appeal. Preparation before painting (scraping, filling holes, caulking) is the key to a project that increases your home's value.

### **Type of Improvement: Siding**

If the exterior of your home is in poor condition, it may have to be resurfaced with lap siding, a substantial investment.

- **Recovery can reach 35 percent.** Although new siding costs more than painting, it may be your only option if the siding is badly deteriorated. If you have to re-side, consider newer products that bring your house up-to-date.

### **Type of Improvement: Landscaping**

As with other remodeling projects, the degree of landscaping buyers expect varies greatly according to region. Options might include a new concrete walk with a brick edge, sodding the yard, planting new trees and shrubs, ground cover for flower beds and window boxes. The extent of work involved in such a project depends upon what you choose to put into it; unlike many other projects, landscaping can be undertaken by most homeowners.

- **Recovery can reach 60 percent.** A planting project that perks up your home is a good choice if you plan on selling soon. Don't over-plant; some buyers think extensive plantings are more work than they can handle. Scraggly plants and bare patches of grass detract from your house no matter how well kept it is inside.