REMOLDING - COST vs. VALUE REPORT

With home values in most markets appreciating at a steady rate and stock values swinging wildly, mostly in a southward direction, it's no wonder many Americans are looking to real estate as a safe haven for their money. Naturally, many buyers and sellers want to increase the return on their real estate nest egg through remodeling projects. Call it this decade's version of a retirement savings program.

In the State of the Nation's Housing: 2002, the Joint Center for Housing Studies at Harvard University reports that spending on home additions and alterations soared to $99 billion in 2001, up 10 percent since its previous peak in 1996 and up 62 percent since 1991.

But just how much value does a remodeling project add when it's time to sell? To help you counsel your clients on their remodeling ventures, REALTOR® Magazine and Remodeling magazine have teamed for the fifth straight year on the "Cost vs. Value Report." The report outlines the costs of specific remodeling and home improvement projects and the estimated percentage return in various markets should the house be sold a year later.

Most of the remodeling projects we feature—in addition to providing peace of mind and comfort to their owners—provide a decent return at resale time. And a few projects are worth their weight in gold. Say a Minneapolis homeowner laid out $18,096 to add a bathroom. Real estate practitioners in the Twin Cities area say, if the house were sold a year later, the extra bathroom would add $18,800 to the selling price, a 104 percent return.

The costs for our featured home improvement projects were estimated by HomeTech, based in Bethesda, Md., which publishes estimating software for professional remodelers. The value numbers are based on the opinions of more than 200 real estate salespeople and appraisers who work in the 35 metro areas listed as the top remodeling markets by the Joint Center.

Caney Research contacted salespeople and appraisers and compiled the statistical information. Because of wide price and value differences within four large metro areas—New York City, Los Angeles, San Francisco, and Washington, D.C.—this year Caney broke each of those markets into submarkets.

If you work with clients who can afford high-end remodeling work, you'll benefit from another major change in the five projects featured here: midrange and upscale project descriptions, price points, and value numbers.

What's important to remember when reading the "Cost vs. Value Report" is that return on investment is an approximation, a figure relative to specific homes and neighborhoods. In a neighborhood where property values are stagnant or in decline, a major remodeling project is unlikely to recoup much of its cost. In a neighborhood experiencing a rapid run-
up in values, on the other hand, the return could well be higher than the report cites.

Many variables—including the value of similar homes in the neighborhood, the market's health, and the quality of the design and construction—help determine what homeowners can expect to recoup from their remodeling investment.

In addition, the cost of materials and labor can vary dramatically from market to market. The midrange master suite described on page 35 would cost $55,775 in Tampa and $79,133 in Minneapolis. That's a 42 percent difference for the same project with the same materials.

So what is the bottom line here? For the most part, remodeling is a plus. I would strongly recommend that you consult with one or two professional real estate agents and allow them to share their experience and opinions with you. They should know what is most popular, the way things seem to be trending and where your dollars are best spent.

### THE PROJECTS

Percent cost recouped (national average)

<table>
<thead>
<tr>
<th>Pg.</th>
<th>Project</th>
<th>Midrange</th>
<th>Upscale</th>
</tr>
</thead>
<tbody>
<tr>
<td>32</td>
<td>Kitchen remodel</td>
<td>67%</td>
<td>80%</td>
</tr>
<tr>
<td>34</td>
<td>Bathroom remodel</td>
<td>88%</td>
<td>91%</td>
</tr>
<tr>
<td>35</td>
<td>Master suite addition</td>
<td>75%</td>
<td>77%</td>
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<tr>
<td>36</td>
<td>Bathroom addition</td>
<td>94%</td>
<td>81%</td>
</tr>
<tr>
<td>37</td>
<td>Window replacement</td>
<td>74%</td>
<td>77%</td>
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</tbody>
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