

# HOW TO ADD VALUE TO YOUR HOME

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PUBLISHED: AUGUST 14, 2005, PARADE MAGAZINE

**In a red-hot real estate market, home improvements seem like a smart investment. Indeed, Americans spent a record \$127 billion on remodeling last year. But is conventional wisdom right? It depends, say experts—on the project you pick, what you spend and where you live.**

## What To Consider First

Ask yourself, “Will this remodeling project enhance my life?” If it will, it’s worth considering for that reason alone. But three key factors determine whether it’s likely to pay off financially too:

1. Your neighborhood. Make your house as attractive as its neighbors but not significantly more attractive, advises Allyson Bernard, a real estate agent in Danbury, Conn. You’re unlikely to recoup the cost of outshining the Joneses. Compare your home to others in the same area and price range before deciding how much to spend, adds Terry Hankner, a Cincinnati agent: “For example, if most of them have three full baths and you don’t, consider adding one.”
2. The cost. Sinking \$50,000 into a house won’t automatically add \$50,000 to its value. In fact, a modest makeover may pay off better than a big-budget project. “Adding a second bathroom clearly makes a house much more attractive,” says Richard Gaylord, a Long Beach, Calif., real estate agent. “But the cost can range from \$15,000 to \$50,000 or more. Get several bids.”
3. The local real estate market. In a sizzling market, home improvements can add dramatically to the resale value of a home; in a sluggish market, they don’t pay for themselves. Last year, a \$15,235 kitchen remodeling project in the booming Jacksonville, Fla., market increased the value of a house by \$22,367. In Detroit—a depressed market—the same project cost \$15,229 but added just \$4000 to resale value. Nationwide, homeowners on average recouped only 80-90 cents on each dollar spent last year. The bottom line: To be successful, a home improvement must repay you emotionally as well as financially.

## Projects That Pay Off

So, all things being equal, which projects are likeliest to add value to your home? The standard guide used by experts is Remodeling magazine’s annual “Cost vs. Value” report. Now in its 18th year, this report compares the cost and value added of identical remodeling jobs in 60 different cities, based on information from contractors and real estate agents.

**Make Over Your Kitchen**—Sensibly. You can’t go wrong renovating an outdated kitchen—especially if you resist the temptation to splurge on pricey items like hand-painted tiles and built-in cappuccino makers. Focus on the basics: refacing existing cabinets; installing a new wall oven, cooktop and sink; putting in new wallpaper and flooring. Last year, the nationwide average cost of these changes was \$15,273, according to Remodeling. Average resale value added: \$14,195. But in strong markets, the project more than recouped its cost. In Chicago, for example, this new kitchen cost \$17,313 last year but added \$23,464 to the resale value.



**Give Your Old Bathroom a New Shine.** Remodeling an old bathroom is always a good idea—and it costs much less than updating a kitchen. Last year, this popular project typically included installing a new bathtub, toilet and vanity counter with a double sink, plus a recessed medicine cabinet, ceramic-tile floor and vinyl wallpaper. Average cost: \$9861. Average value added: \$8887.

*Most Desired Extra: A Second Bathroom.* No improvement is more essential to a family's comfort than a second bathroom. A typical mid-priced addition last year featured a tub/ shower with ceramic tile surround, a low-profile toilet, a cultured-marble vanity top, a mirrored medicine cabinet, linen storage, and general and spot lighting, vinyl wallpaper and a ceramic-tile floor.

Nationwide, the average cost for these amenities was \$21,087, and the average value added to the house was \$18,226. In some markets, the project more than paid for itself. In Albany, N.Y., for example, this bathroom cost \$21,497 last year but boosted resale value by \$28,750. In New Orleans, it cost only \$18,724 and added \$27,000 to resale value.



### Avoid Surprises

Don't forget to check local zoning laws before remodeling, warns Judith Mathis, a Scottsdale, Ariz., homeowner. In Minneapolis five years ago, Mathis was in mid-bathroom renovation when she learned she needed five permits: "an inspection permit for the demolition, separate permits for plumbing, electrical and mechanical, plus an overall work permit!" As a result, the job took longer than expected. "My house only had one-and-a-half bathrooms," Mathis recalls, "so for six weeks, I was washing my hair in the kitchen sink and visiting friends on weekends to take showers."

*Another surprise:* Because the house was old, all of its plumbing had to be upgraded to meet current building-code specifications—adding \$4000 to the total. "Still," Mathis notes, "when I sold the house 18 months later, I got all the renovation costs back in the sale price."

### Don't Neglect The Exterior

Buyers decide whether to get out of their car and look at a house based on its exterior appearance, says Richard Gaylord. One of last year's most financially rewarding outdoor projects was putting on new vinyl siding and trim. The average national cost of replacing 1250 square feet of siding was \$6946. Average value added: \$6445. A close runner-up was adding an outdoor deck. A typical project was a 16x20-foot deck with a built-in bench and planter and a complete railing system. It cost \$6917 on average and added \$6000 to the home's value.

### Touch-Ups Add Appeal

An inexpensive way to enhance your house is to install a simple hanging storage wall system in the garage. A survey found that buyers value garage storage capacity more than a big kitchen, formal dining room or big backyard! Spend on "curb appeal," Realtors advise. "Wash windows, trim bushes, recoat your driveway, repaint the front door—and make sure the doorbell works," says Terry Hankner of Cincinnati. "Pay someone to clean your house once a week while it's on the market," adds Allyson Bernard of Connecticut. "A house that's neat and clean tells buyers a lot about how you take care of the property."

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