

Adding value to your home; Easier than you think

Whether you currently have a family or might have one in the future, it is important to consider your family's current and future needs when buying a home.

As most homeowners know, adding value to your home can be a large cost upfront with a less-than-sure payoff down the road. We'll help you be smart about home improvement.

In 2004, Americans spent an enormous \$127 billion on remodeling. Of course you know that improving your home is a good idea. However, not all projects' added value will outweigh the cost. A recent Parade magazine article shares tips on becoming home improvement-savvy.

Before You Begin...

...ask yourself, "Will this project enhance my life?" If the answer is yes, then consider these three factors to determine whether the project will enhance your financial situation as well.

1

Look around the neighborhood.

According to Allyson Bernard, a real estate agent in Danbury, Connecticut, it's a good idea to make your house as attractive as your neighbors' houses but not significantly more so. You're unlikely to recover the cost of outdoing your neighbors. Also, adds Terry Hanker, an agent in Cincinnati, Ohio, compare your home to others in the area in terms of price range and features before deciding what to spend. For example, if most houses have two and a half baths and you only have two, consider adding a half bath.

2

Think about the cost.

A \$50,000 improvement project doesn't necessarily add on \$50,000 to the property value. Often, in fact, a modest improvement project pays off better than a big budget one. Also, many projects, such as adding a bathroom or renovating a kitchen, have large cost ranges. Get several bids and ask for references from contractors.

3

Examine the local market.

If the local market is booming, your home improvement project is more likely to pay for itself. If the market is slow, you may have trouble recouping the money you put in. Keep in mind that nationally, homeowners on average only recovered 80 percent to 90 percent of the money they put into home improvement projects last year. In other words, you have to find a project that will pay off emotionally as well as financially.

Profitable Projects

You have decided that a home improvement project is definitely for you, but where do you start? Add a guest house? Put in wood flooring? Add another bathroom? Another bedroom? Finish the basement? There are countless options. A valuable resource to check out when deciding what project to embark on is Remodeling magazine's annual "Cost vs. Value" report. This report compares the cost and value of identical remodeling projects in 60 different cities, based on information provided by contractors and real estate agents.

The Kitchen

Renovating an outdated kitchen is pretty much a sure thing. Don't, however, fall into the trap of splurging on small luxuries like built-in espresso machines and hand-painted tiles. The basics are always a good place to focus on: installing new flooring, re-facing existing cabinets, installing new countertops, installing new, more functional appliances. According to Remodeling, the nationwide average cost of these changes last year was \$15,273, but the average resale value added was only \$14,195. As discussed earlier, however, in strong markets, these improvements more than paid for themselves at resale. In Chicago, a strong market, a new kitchen cost \$17,313 last year but added \$23,464 to the resale value.

Remodeling an Old Bathroom

Another great bet, and one that costs less than remodeling a kitchen. Bathrooms are always a big sticking point for potential buyers. A project like this typically includes: installing a new bathtub; installing a new toilet; adding a vanity counter with a double sink and a recessed medicine cabinet; adding ceramic-tile flooring; and putting up vinyl wallpaper. According to Remodeling, the average cost of this project would be \$9,861, while the average value added would be \$8,887.

Adding a Bathroom

Another bathroom is pretty much essential, especially if you have a small number of bathrooms, like one or two. Adding a bathroom pretty much includes the same items as remodeling an old bathroom, plus a linen storage, lighting and ceramic tile surrounding the tub/shower. The average cost for this project nationwide was \$21,087, and the value added was \$18,226. Again, in many booming markets, this project more than paid for itself.

Surprise!

Be sure to do your homework before you start remodeling or renovating to minimize nasty surprises. Check your local zoning laws and find out what permits you need. Even for a small project such as a bathroom renovation, you may need several permits. If your house is older, also consider that you may have to pay for more than you thought to bring your home up to building code specifications or to function with new products.

Don't Forget Curb Appeal

The exterior of your house is just as important as the interior, if not more so. Buyers may not decide if they want to buy your house upon seeing it for the first time, but they could definitely decide they do not want to buy your house when they drive up. A very financially rewarding outdoor project last year was installing new vinyl siding and trim. Another rewarding project was adding an outdoor deck.

Disclaimer: The information above is deemed reliable. However, because current demographics, local yellow pages listings, and other neighborhood information such as crime statistics, weather, house values, and other market conditions can change rapidly in any given local area, please check with the exclusive HBMP Realty real estate agent for the data above before acting on this information. HBMP Realty, Inc. is not liable for the accuracy of the data.