

Which Remodeling Projects Pay and Which Ones Don't

Seven of the top ten home-remodeling projects that yield the highest returns are exterior projects, according to the 2010 Cost vs. Value Report compiled by Remodeling magazine. What is driving this trend?

Real estate experts suggest that cost is one of the biggest factors, and even large exterior remodeling projects can often be completed for under \$20,000. In tough economic times, homeowners are looking for dramatic results for a lower cost.

One of the least expensive projects that can really give a home's appearance a boost is the replacement of the entry door.

This door is the focal point for the front of the house, and can add interest based on the style and type of door that is chosen. Middle-priced doors can be purchased in the one to two thousand dollar range, and will return an average of 128 percent of the money spent on them. High-end doors constructed of walnut or other fine woods can be purchased for three to five thousand dollars.

Because the real estate market is currently a buyer's market, improving the exterior of the home is a must for serious sellers. A home that is unappealing or unimproved on the outside may encourage a buyer to drive right by and continue on to the next house on their list.



As home prices nationwide have trended lower over the last several years, the opportunities to use equity in a home to finance a remodeling project have decreased or disappeared. Thus, lower cost projects are now the norm. In addition, the cost of expensive kitchen makeovers or room additions are not being recouped by sellers, at least in the short term. Improvements to create fantasy kitchens or dream bathrooms are being put on hold in favor of necessary or functional projects such as replacing the furnace or refrigerator.

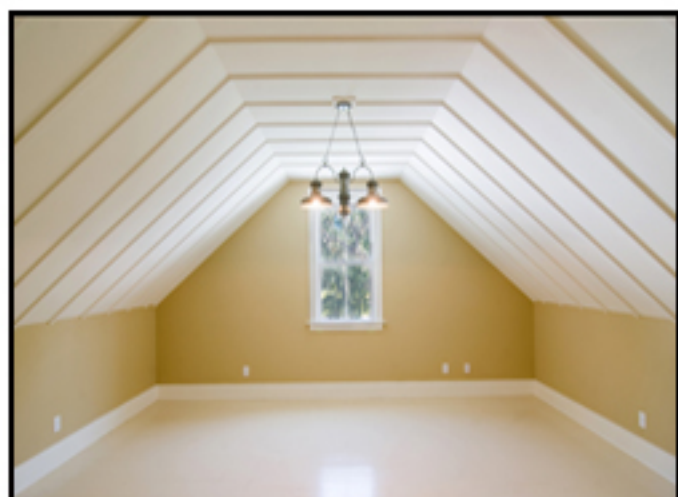
There are a few exceptions, however. Minor kitchen remodels are still holding most of their value, and homeowners

will recover close to 80 percent of the average expenditure of \$16,000 on kitchen makeovers. These makeovers typically include new countertops, cabinet faces and flooring.

Making a home seem more luxurious and roomy ranks higher today than actually adding more room. Crown molding and larger baseboards can provide the illusion of spaciousness at a fraction of the cost of close to \$150,000 for an average second story addition. And while the creation of a sunroom sounds like a great idea, buyers don't appear to agree. Remodelers will pay an average price of \$70,000 to add a sunroom but only recover approximately 50 percent or an average of \$37,000 when selling their home. Home office remodels provide the least bang for dollars spent. For an average cost of \$28,375 to remodel a home office, homeowners will only see a return of 48 percent, or approximately \$13,648.

Adding an attic bedroom on the other hand, can be a good way to add value to a home without breaking the bank. It pays one of the highest returns on investment, costing an average of \$49,346 to complete, and netting \$40,992, or 83.1%, when a home is resold. The lower cost is realized because the space is already there.

It becomes a matter of refinishing by adding insulation, electricity and drywall, versus building out walls or lifting the roof.



Energy efficient upgrades make an impression on prospective buyers as well. According to the Department of Energy, double or triple pane windows can save 15 to 20 percent on energy bills. Sellers are still seeing a return of approximately 77 percent on money spent to upgrade windows.

The keys for sellers today, however, remains curb appeal and home maintenance. Curb appeal is mandatory to get a buyer in the door. During the walk-through, a well-maintained home will then jump to the top of the list. The buyer will be reassured that thousands of additional dollars will not need to be spent on upgrading major systems in the home.