

DONNA DEJEAN – CRS, ABR

Phone: 800-319-2146 | Cell: 602-363-6169



Remodeling, Repairs and Resale Value

Tips by Real-Estate-Agents.com

For most of us, homes are not only where we live but are also our single biggest investment. As a living space, its design and condition affect our lives daily. As an investment, its value in the marketplace is something we seek to preserve and enhance. When considering repair and improvement projects, we must consider both roles.

Basic Repairs and Maintenance



For basic repairs and maintenance that are needed around the home, your decision is relatively simple. In general, a well-maintained home yields better day-to-day service and provides long-term financial returns. Taking care of repairs as they arise makes sense: problems are solved while still small, and the home remains a safe and comfortable place in which to live.

Renovations and Remodeling

Decisions to undertake renovations, remodeling, or other major home improvements are more complex. The best starting point is your own desires. How much more do you think you will enjoy your home if you go ahead with the project? How long do you think you'll stay in the house? If you are planning to stay in the house ten years or more, most of your decision should be based on how much the enhancements will improve your lifestyle. If your expected length of stay in the house is shorter than ten years or is quite uncertain, or if the contemplated project is quite large, you need to pay more attention to the improvement's impact on probable resale value.

Many national homeowner magazines publish tables indicating the return on investment one can expect from such projects as remodeling a kitchen or adding a deck. The write-ups are often broken down by region, with impressively specific payback numbers for a wide variety of projects.

The only problem with these popular reports is that it is difficult to find two such reports with even remotely similar numbers. One report might indicate that a major kitchen remodeling project returns to the homeowner 43 percent in the form of a higher resale value. Another guide might say the same project will return 128 percent!

While the guides are fun and interesting and give some insight into trends, they are not very useful for making decisions about your home, mainly because home resale values are driven more by timing and location than anything else. If a magazine article states that kitchen remodeling returns 55 percent on the dollar in the eastern U.S., it doesn't really matter to you, because you live on Oak Street and your neighborhood is its own unique market.

The Five D's

Every home market is different, but you probably know quite a bit about your market simply because you live there. With that knowledge and an understanding of the Five D's, you should be in a position to sort out the advice you'll get from contractors, neighbors, magazines, and family members. The Five Ds are:

- Distance
- Deficiency

DONNA DEJEAN – CRS, ABR

Phone: 800-319-2146 | Cell: 602-363-6169



- Distinctiveness
- Demand
- Degree

Distance

. encompasses the issue of how well the property looks from the street, before people get out of their cars for a closer look. A big part of selling your home is a numbers game. There are thousands of houses from which prospective home-buyers can choose. If they don't have any interest at first glance, they may not come in and find out that the home is just right for them! Some people call this aspect "curb appeal." Things that make your home more attractive from a distance generally have a high rate of return. Landscaping, the front entrance, and the condition of the paint or siding are the biggest factors in curb appeal. Good landscaping does not require anything particularly elaborate. Well-trimmed foundation plantings; perhaps some potted plants at the corners of the front porch; a trim, tidy, and relatively weed-free lawn; and well-defined, mulched flower beds are about all that is essential. Flowers certainly add to curb appeal, but you may do better to add them at the last minute, depending on seasonal considerations.

The front entrance can be a big draw and seems to play a large role in curb appeal. The door should be in great shape and have a fresh coat of paint. New hardware can also upgrade its appearance. If the houses on your street look alike, it might be worth adding more elaborate door trim, flanking windows, or a sharp-looking stoop or porch. The front walk and steps should also be in good repair.

The house paint or siding should be in good shape. Sometimes a thorough washing can freshen the look of paint or siding. Shutters should be clean, neatly painted, and hung straight.

Deficiency

. refers to whether or not your house is flawed in some basic way, and often defines how your home compares to nearby homes. If you have one bath and everyone else has three, adding a bath is likely to have a relatively high return. Obvious deficiencies will usually reduce the value of your home substantially. Deficiencies like no air conditioning, an old, battered roof, or a wet basement get noticed right away and prospective buyers tend to lower their offering prices by an amount greater than the actual cost of the remedy. Taking care of such problems makes sense in terms of resale value and will also make your remaining stay in the home more pleasant. Deferring such repairs can lead to the need for even more costly repairs later.

Distinctiveness

. is the one thing most people like to talk about. It's what you and your Realtor talk about when you describe the house to others. When people buy a house, they tend to buy on emotion and then back up the decision with rational considerations. A key to selling a house at a good price is to get the buyers emotionally interested in the home, so that they will then take on the work of formulating the rational justifications for the purchase.

Homes generally sell better if they have two or three special or distinctive features. Things like a walk-in closet, a whirlpool bath, a nice fireplace, attractive landscaping, or a grand foyer can separate your home from the crowd and stir interest in buyers. Special features become even more important in a competitive market where many similar homes are on the market. Every home needs a couple of special features to make it stand out.

The last two Ds, demand and degree, temper the first three.

Demand

DONNA DEJEAN – CRS, ABR

Phone: 800-319-2146 | Cell: 602-363-6169



While the special features that make up distinctiveness are important, they are of no help and can even lower the value if they are not features widely in demand. You may think a whirlpool in the living room will give your home a terrifically distinctive character, but if those looking to buy your house don't see that as valuable you may actually reduce the value of your home by adding the feature.

Anything zany or out of character with the neighborhood should be avoided. For example, an ornate fireplace with a sculpted marble mantel may add plenty of value in an upscale neighborhood of \$500,000 homes. But the same fireplace may be seen as difficult to clean and energy inefficient in a working-class neighborhood. Limit improvements to those for which there is well-documented demand. Look at new model homes to verify that features you're considering adding are present in those homes. If the builders, with all their market research and surveys, aren't including the feature, you can bet that the market for it is limited.

Degree

The final D, degree, also has a limiting effect on the first three D's. No matter what you do, don't overdo it. If the front entrance is quite attractive already, doing it over in a new color will rarely be worth the cost.

Whether enhancing how your home looks from a distance, adding distinctiveness, or addressing deficiencies, one can usually get a fairly high rate of return up to some point (to some degree). After that point is reached, the rate of return drops markedly. If your house is the only one on the street with only one bath, spending \$4,000 to add a new bath might yield a return of \$6,000 to \$8,000 in terms of resale value. However, adding a bath that costs \$15,000 may also yield an increased value of only \$6,000 to \$8,000. If the house already has a number of special features, each added one will have a relatively smaller impact on resale value.