

Realtors® Help Consumers Remodel With An Eye Toward Resale

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Kitchen and bathroom remodeling projects are returning more of a homeowner's investment than ever before, according to the 2005 Cost vs. Value Report published by the National Association of Realtors in REALTOR® Magazine and by Hanley Wood LLC in Remodeling magazine.

Many homeowners who complete midrange bathroom remodels can expect to make money; the cost on a national average for this project is \$10,499, and the return is \$10,727, or 102.2 percent, compared with 87.5 percent in 2002. On average, major midrange kitchen remodels cost \$43,862 and return \$39,920, or 91 percent of the costs to remodel, up from 66 percent in 2002. Nationally, homeowners who add an attic bedroom spend an average of \$39,188, and on resale, they recoup 93.5 percent of the cost. Master suites, however, do not fare as well; an upscale addition, which costs \$137,891 on average, returns only \$110,512 on resale, or approximately 80.1 percent of the remodeling expense.

The Cost vs. Value Report includes information provided by NAR members about the resale value of common remodeling projects in 58 U.S. housing markets. The report includes cost data, resale value and percentage recouped at sale for 18 projects, including a first this year: a home office remodel. Given that America's homeowners spent more than \$139 billion on home improvements and repairs over the past year, according to data from Harvard's Joint Center for Housing Studies, the report contains valuable information for anyone who is considering embarking upon a remodeling project.

"Realtors® have industry expertise that goes beyond the initial real estate transaction," said 2006 NAR President Thomas M. Stevens, senior vice president of NRT Inc., from Vienna, Va. "Our members' experience and familiarity with the communities in which they work make them valuable resources. They understand what makes a good home investment, whether their clients are buying, selling or remodeling. Realtors® not only sell housing; we also build communities."

The desirability of different remodeling projects varies by region and metropolitan area. In the West, window replacements are highly valued,

perhaps due in part to insulation and cooling concerns in desert regions, with nearly 103 percent of costs recouped on sale. Westerners also prefer remodeled kitchens and basements; in this region, for example, a minor midrange kitchen remodel may return 112.3 percent, and a basement remodel is estimated to return 108 percent.

In the Midwest, however, the same kitchen and basement projects return only 85 and 73 percent, respectively. Midwest buyers appreciate homes with updated siding; midrange and upscale siding replacements return 96 and 98 percent of the project costs, respectively. Siding replacement projects fared well at resale in all four regions, likely because new siding is a relatively inexpensive way to update and refresh a home's curb appeal.

Buyers in the South are partial to upscale bathrooms, which return an average of 98.5 percent of project costs. When considering resale value, however, Southerners may want to think twice about midrange window replacements; this improvement, which is so popular in the West, only returns an average of 83.7 percent of project costs in the South.

In the East, a midrange attic bedroom addition returns an average of 98.1 percent at resale, but a home office remodel only returns 75 percent. In fact, remodeling projects that involved home offices were among the lowest returns on investment across all four regions.

"Local and regional differences in the resale value of remodeling projects are not surprising -- the desirability of certain home features varies by neighborhood and is heavily influenced by buyers' expectations in a given area," said Stevens. "For example, adding a bathroom to a one-bathroom house in a neighborhood where most homes already have two may not return as much as remodeling an outdated bathroom in that same community."

In the final analysis, however, homeowners who are thinking about a remodeling project should consider their own needs and desires as well as those of the home's future inhabitants. "Keeping up with the Joneses can be a savvy investment move," said Stacey Moncrieff, editor, REALTOR Magazine. "But ultimately, the best reason for a remodel is to enjoy it."

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