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The Best Remodeling Choices for a Soft Housing Market

These days, new exterior doors often bring a better return on investment than a kitchen re-do

By Rachel Koning Beals

Updated kitchens, pretty and functional bathrooms, and classy curb appeal still rank high on the list of renovations that lure homebuyers. But today's soft housing market conditions demand that homeowners carefully consider projects in order to get an attractive return on their investment.

Homeowners should conduct a cost analysis of their remodeling budget and pay close attention to local real estate values. A \$50,000 kitchen renovation in a home currently worth \$200,000 makes little sense for resale in the predicted steady to slowly improving months ahead.

"In general, kitchens and baths still sell a house, though maybe to a slightly lesser degree than when the market was stronger. Buyers seem to be more interested in "the deal," and if they have to do some work themselves, they seem to be amenable to that," says Atlanta-based ReMax Realtor Bill Golden.

Yet in some locations, buyers are demanding turn-key purchases more than ever. Tracie Golding, an agent with Stribling & Associates in New York's Manhattan borough, says buyers are using low interest rates and high inventory levels to hold out for fully renovated apartments. Buyers would rather move into a mint-condition space they can finance than spend out-of-pocket to renovate, she says.

Space and flow are the keys to [home buying](#) decisions and should drive remodeling choices, too. "The basic size, layout, and location of kitchens and baths are still of utmost importance to buyers," says Golden. "In other words, it may be OK if they need updating, but a tiny kitchen or bath, or one that's poorly located in the home, are still big turnoffs for most buyers."

Sal Alfano, editorial director at *Remodeling* magazine, which publishes the annual Remodeling Cost vs. Value Report, agrees. His research finds that in the current housing economy, homeowners are getting more bang for their buck on space changes within the existing footprint of their house, rather than with new additions. For instance, upgrading from a 1 ½-bathroom to a 2 ½-bath home in a neighborhood that's flush with 2 ½-bath dwellings is money well spent and likely necessary to compete against comparable listings, he says. Basement renovations, especially if they include an extra bedroom or an office, also bring value.

Resale homes also have to compete with newly built properties, which impacts remodeling return-on-investment.

"Some features that in the past were standard are not as important to many buyers today. For example, about half of our buyers don't really care about having an indoor fireplace or a formal living room that they will rarely use," says David Greminger, division president—California, with home builder Fieldstone Homes. "In areas where the weather is temperate, people place a huge value on outdoor living spaces that serve as an extension of their home."

Flooring, with hardwood being the major preference, and technology-ready upgrades are remodeling features that will help [existing homes](#) compete with the newly constructed competition.

Construction experts emphasize the importance of attending to the shell first, including fresh paint, low-maintenance siding, or a new roof. "While it may not have the 'wow' factor of a major kitchen remodel, it pays off more in the end," say the principals at Smykal Renovations, a contractor in suburban Chicago.

Curb appeal, both structural and decorative, is vital to increasing homebuyer foot traffic and to closing the deal. The most notable and valuable project moving up in the rankings of Remodeling Cost vs. Value Report over the past few surveys: new garage doors. New exterior front doors also rank high.

Energy-saving steps are increasingly appealing for current occupants and future owners. This includes upgrading the furnace to a more efficient model and putting in Low-e or argon-filled windows that will help save on utility bills. Homeowners might consider an energy audit to see if these upgrades would provide a significant benefit.

In tough market conditions, homeowners might be best advised to make smart decisions but also opt for the upgrades they'll get the most use of: a chef-quality stove because they love to cook instead of an entirely new suite of high-end cabinets, for instance.

"These days, it's hard to put your finger on just how much of a kitchen renovation you'll recoup in the [home sale](#). That is, unless a kitchen is decades out of date," says Ronnie Potter, president of Potter Sunderland Construction, Inc., in Louisville, Tenn., near Knoxville. "Homeowners, in many cases, are renovating kitchens because they plan on staying for awhile."

Project list. *Remodeling's* Cost vs. Value Report is an annual region-by-region calculation of [home improvement projects](#). The report differentiates between midrange and upscale projects and includes the percentage of cost recouped at resale for the most popular projects and whether the recouped amount is trending higher or lower. Nationwide, the total cost-to-value ratio of remodeling is down, with homeowners getting back 60 percent of their costs, on average, in 2010/2011 compared to nearly 64 percent a year earlier. Construction costs have fallen in step with a weaker economy, but home values have fallen more dramatically.

The newest report, covering 2011/2012, comes out in November and will be available on the report's website then. See the 2010/2011 report with complete analysis and regional breakdown [here](#).

Here's a snapshot of 2010/2011:

Mid-range projects

- Garage Door Replacement: Cost: \$1,291; Resale: \$1,083; Recouped: 83.9%; Trending: Up
- Steel Entry Door: Cost: \$1,218; Resale: \$1,243; Recouped: 102.1%; Trending: Down
- Major Kitchen Remodel: \$58,367; Resale: \$40,126; Recouped: 68.7%; Trending: Down
- Minor Kitchen Remodel: Cost: \$21,695; Resale: \$15,790; Recouped: 72.8%; Trending: Down
- Wood Deck Addition: Cost: \$10,973; Resale: \$7,986; Recouped: 72.8%; Trending: Down

Upscale projects

- Bathroom Remodel: Cost: \$53,759; Resale: \$30,738; Recouped: 57.2%; Trending: Down
- Master Suite Addition: Cost: \$232,062; Resale: \$122,370; Recouped: 52.7%; Trending: Down