

How to Get Top Dollar From Your Home With a Small Investment

The Value of Repairs, Improvements and Additions to Your Home

**Colette D. Smith**

Your Real Estate Consultant For Life

RE/MAX Homestore

2001 S. Rainbow Blvd. Ste. E

Las Vegas, NV 89146

Cell: 702-285-6968

E Fax: 702-921-6345

<http://www.lasvegasrealtorcolette.com>

Las Vegas, NV 89146

Cell: 702-285-6968

E Fax: 702-921-6345

<http://www.lasvegasrealtorcolette.com>

Anyone who has owned a home for any length of time can attest to the ongoing maintenance required to keep a home in good condition, not to mention the time and expense involved in updating and improving. Over those years, it's not unusual for some of the "little maintenance jobs" to have been overlooked or even forgotten. As a result, features and systems in homes vary considerably in age and condition. In many cases, the fact that these features have not been replaced or improved can present a substantial negative when it's time to sell.

The purpose of this report is to separate the different types of home maintenance and improvement tasks that you may encounter, and how they may affect the market value of your home. The nature of the task will in large part determine the return-on-investment potential you can expect, but never underestimate the importance of aesthetics. The details of any project can make or break it. A poor execution can leave an expensive project looking shoddy, and a great execution can make an inexpensive one look great. The return-on-investment potential can be divided into these categories:

1. Repairs/Routine Maintenance:

Fixing or replacing those items or areas of the home that have fallen below the standard level of acceptability in today's real estate market. Replacing rotten boards on soffits, or

tuckpointing the bricks on the chimney that have eroded through are both examples of repairs. Repairs should be considered routine maintenance – those things required by you, the homeowner, to keep your home in good condition.

Additional areas in this category include furnace, roof, driveway, siding, tuckpointing, and even new windows. These repairs will usually return only a fraction of their cost if you sold your home immediately after completing one or more of these projects. But, if you do not make these kinds of repairs, they may cost you even more money if they become an issue down the road during negotiation with a buyer. A home requiring many repairs would likely be viewed as a “fixer-upper,” often selling for far less than other homes of the same size.

2. Improvements:

Updating kitchens and/or baths, painting, replacing older carpeting, adding premium roof shingles, replacing an asphalt driveway with concrete, or replacing a concrete driveway with paver bricks are examples of improvements. The return-on-investment potential for these projects can vary from 25% (concrete driveway) to well over 500% (painting).

Updating kitchens and baths has a reputation of returning a high percentage of the investment, but don't “over-expect.” There are not many new \$20,000 kitchens that add anywhere near \$20,000 to the home's value. Expecting a buyer to pay retail price for a kitchen or bath that you designed, selected and enjoyed is unrealistic. Like a car, the minute you take it home, its value is reduced.

3. Additions:

Additions are improvements with added square footage or functionality. Room additions, adding a second bath, and replacing a one-car garage with a two-car garage are all examples of additions. Care must be taken with these projects. They can be very expensive, and often require time for the home to appreciate and absorb the expense. Due to the expense of such projects, return on investment will likely be poor upon completion of the project, but will increase as the home has an opportunity to “appreciate” into it.

A good rule of thumb is to avoid such projects unless you plan to stay in the home a minimum of three to five years after completing large, expensive projects.

If you plan on doing much of the work yourself, or have friends in the trades that can save you money, you may fare better and ultimately recoup more of your cost. Keep in mind that the finished product must look professional if you expect maximum return on investment. It is important to know that any addition, improvement or even repair can be very subjective. If a simple repair makes a substantial visual improvement, then it will likely be worth much more than the investment. Inversely, if an expensive family room addition is built onto a home but doesn't “flow” with the home or varies from conventional standards for such a room, its value can be greatly diminished in terms of return on investment. In other words, “The best addition is an addition that doesn't look like an addition.”

You will occasionally see a newspaper or magazine article quote the return-on-investment percentages that you can expect from various home improvement projects. In theory, these figures are wonderful, but theory and reality are often strangers. These estimates can vary greatly from one corner of the country to another. Knowing the

reasonable market value of your home prior to your proposed project is a good place to start. This cannot be determined by simply keeping your eye on the home sales published in the newspaper, or by making a reasonable assumption. Remember that similar homes can vary greatly in condition and appearance, resulting in wide ranges in market value. A close comparison of your home to neighboring homes like yours that have sold in the recent past is the best way to determine your home's current value. This is where a Realtor can be invaluable. The Realtor should be familiar with your area's homes, both inside and out. A "Before & After" evaluation of your home will give you both the current, reasonable market value of your home as well as an estimate of your home's value after the proposed addition. This will, of course, be a speculation, but may shed additional light on the entire project. A good question to ask yourself when making improvements is, "Will this project give me more than I have now?" If yes, then the project has the potential for a good return on investment. If the answer is, "It won't give me more, but it will be better, nicer, etc.," then be careful not to over-expect. Try to fight off the urge to buy top-of-the-line fixtures. As a rule, anything you spend above the "slightly above average" price range should be spent for your own personal enjoyment. Excessive luxury adds little value (except in ultra-expensive homes).

4. Decorating:

A point that cannot be overstressed is neutral decorating. If you have plans of selling someday, keep things simple. White, off-white, or light beige are the paint and appliance colors to use. Benjamin Moore Navajo White is the most widely recommended brand and color of paint. Kitchens and baths fall under the same white/beige rule. If replacing wood cabinets, the wood should be light or natural in color. Painting wooden cabinets is a popular and inexpensive alternative (white/off-white).

Be careful with bold colors. Magazines are filled with many beautiful kitchens and baths that use bold colors effectively, but most of those homes are very expensive, where decorator touches are expected. New carpeting should also be light and neutral. If you have hardwood floors, consider exposing them or partially covering them with area rugs. Keep wallpaper to a minimum. Painted walls can easily be repainted if the buyer doesn't like your colors, but wallpaper is tedious and time-consuming to remove.

Ask your friends and family what they think of your project (and ask them to be honest with you). You may not agree with them, but it's their opinion and worth noting. The person who someday buys your home will also have an opinion uninfluenced by your opinion. If you've spent many hours working out your plan, you will quickly become biased. Also, architects, builders or service people may have an inflated opinion of how much value their service or product will add. Opinions from disinterested third parties, if considered, can help keep your thinking realistic.

5. Over-Improving:

Over-improving your home can also be risky. Your home's value is affected by the price of surrounding homes. Turning your home into the biggest and best home in the neighborhood will usually result in a lower sale price than if it were nestled among other similar homes.

Of course, with something as personal as a home, exceptions exist. Many unusual improvement plans have a surprisingly good effect on the home. Other, seemingly

mainstream projects fall short of their intended effect and yield a less-than-expected result. Your preconstruction research and homework will still be your best bet for home improvement success.

Colette D. Smith

Your Real Estate Consultant For Life

RE/MAX Homestore

2001 S. Rainbow Blvd. Ste. E

Las Vegas, NV 89146

Cell: 702-285-6968

E Fax: 702-921-6345

<http://www.lasvegasrealtorcolette.com>