

2009-10 Cost vs. Value Report: Small Projects, Big Bang

Judicious home remodeling is still worth the investment, according to Remodeling magazine's annual "Cost vs. Value Report." | January 2010

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Uncertainty and restraint are the order of the day in this economy, and that sense of caution is reflected in home owners' return on their investment in remodeling projects, according to REALTORS® in 80 metropolitan markets surveyed by *Remodeling* magazine for this year's Cost vs. Value Report.

The majority of the 10 remodeling projects with the best return on investment nationally are a testament to pragmatism. **Six of the 10 projects—siding and window replacement** using a variety of materials—involve home maintenance that costs less than \$14,000.

Two more—adding an attic bedroom or a wood deck—reinforce the notion that boosting the amount of livable space in and around your home will attract buyers who are increasingly looking for more room for their buck. In past years, converting an attic into a bedroom was a project that landed squarely in the middle of the rankings, but this year it leapfrogged over other categories into third place. It's an admittedly pricey project, with an average national cost of nearly \$50,000, but it generates an average national return of 83.1 percent and a better-than-100 percent return on investment, according to REALTORS® in 14 of the 80 cities surveyed. Adding a wood deck is much more economical, with an average national cost of slightly more than \$10,000. Its average national return is 80.6 percent, but in six cities, its return is estimated at 100 percent or greater.

The six siding and window home maintenance projects in the top 10, combined with the project with the biggest return on investment—a mid-range entry door replacement—prove something that every sales associate tells sellers throughout the country: First impressions count. A mid-range entry door replacement, a project new to the survey this year, is the only home remodeling project that REALTORS® expect to generate a full return for the money nationally. It's the least expensive of the 33 projects included in the analysis, yet it brings a whopping average national return on investment of 128.9 percent. It generates a better-than-100 percent return in 48 of the 80 cities, according to REALTORS® surveyed, and in several cities, its return is estimated at more than double its cost.

Additional data prove the value of restraint. **Upgrading kitchens and baths is still a smart bet.** However, home owners will recoup the greatest share of their costs by foregoing super-deluxe projects in favor of mid-range kitchen and bath remodels. A mid-range kitchen remodel brings an average 72.1 percent return on investment, while an upscale kitchen re-do returns only an average of 63.2 percent of the money invested. A mid-range bathroom project has an average 71 percent cost recovery, but the average recovery on an upscale bathroom project is nearly 10 points lower, at 61.6 percent.

The only upscale projects that cracked the top 10 were the home maintenance projects of fiber-cement siding replacement and vinyl window replacement. The average cost of fiber-cement siding is more than \$13,000, but its return on investment reached 83.6 percent, placing it squarely in second place in the survey. The average cost of vinyl window replacement is nearly \$14,000, and it generates an average return of 76.5 percent, or tenth place in the survey. Of the 12 upscale projects, nine landed in the bottom half.

Overall, home owners recouped an average of 63.8 percent of their investment in 33 different home improvement projects, according to REALTORS® who responded to the survey. The expected cost recoup was generally down from previous years in line with the drop in home prices nationally (see page 23). The return on home owners' investment in remodeling projects has declined an average of 3.5 percentage points between 2008 and 2009. That's down from the 2.7 point drop between 2007 and 2008 and much less than the 5.5 point drop between 2006 and 2007 and the 10.5 point drop from 2005 to 2006.

Zooming in from the national to the city level, Honolulu sits atop the rankings for having the most projects—18—that generate at least a full return on investment. In Honolulu, adding a wood deck, completing a minor kitchen remodel, adding fiber-cement siding, and replacing an entry door bring the highest returns, ranging from 121.1 to 195.3 percent return on investment. San Francisco is closest behind with 10 projects generating at least a full return on investment. Adding a master suite, doing a minor kitchen remodel, and replacing an entry door have the biggest returns, producing between 112.2 and 119.1 percent return on investment.

One surprise: Despite the common perception that contractors are hungry for work and therefore willing to wheel and deal, the average national cost of every project surveyed has gone up, though at a slower rate than in the previous year.

[View 2009-10 Cost Vs. Value Report.](#) *Data courtesy of Remodeling Magazine*

10 Big-Impact, Low-Cost Remodeling Projects

Working with sellers who have some—but not unlimited—cash for upgrades? Here are budget-minded enhancements you can suggest to make their home stand out.



1. Tidy up kitchen cabinets.

"Potential buyers do open kitchen cabinets and look inside," says Morrissey. "Home owners can add rollout organizing trays so when buyers peek in, they feel like there's lots of room for their stuff."



2. Add or replace tile.

"By retiling very inexpensively, you make a room look way cleaner than it was," says Javier Zuluaga, owner of Home Repairs and Remodeling LLC in Tempe, Ariz. "Every city has stores that offer \$1 to \$2 tile, so home owners have to pay only for the low-cost tile and labor to replace a dated backsplash or add a new one. We also use inexpensive tile to upgrade bathrooms."



3. Add a breakfast bar.

When a wall separates a kitchen from a family room, suggest cutting out an opening to create a breakfast bar. "In one home, there was a cutout in the wall between the kitchen and living room," explains Matthew Quinn, a sales associate at Quinn's Realty & Estate Services in Falls Church, Va., who handles estate and real estate sales for family members whose loved ones have passed away. "We left the structure of the cutout, added an oversized granite breakfast bar, and put chairs in front of it. That cost about \$600."



4. Install granite tile instead of a slab.

"Everybody is hot for granite kitchen countertops, but that can be a \$5,000 upgrade," says John Wilder, a general contractor and owner of Fence and Deck Doctor in New Castle, Ind. "Instead, home owners can put in 12-inch granite tiles for about \$300 in materials and get very high impact for little money."



5. Freshen up a bathroom without retiling.

"With a dated bathroom, I recommend putting in a new medicine cabinet for \$100 to \$150, light fixtures for about \$100, a faucet for \$50 to \$75, and a vanity for \$200 to \$300," says Wilder. "And instead of replacing the tile, the existing grout can be lightly scraped and regouted, which leaves a haze that can be buffed out and will make the tile look brand new. Also install glass shower doors. A French door adds a lot of panache and elegance for \$250, and people will notice the door, not the tile. With all that, you've done a bathroom remodel for \$1,000 to \$2,000."



6. Freshen up the basement.

"If home owners have cement block or poured concrete walls in the basement, suggest they have a contractor fill in cracks with hydraulic cement and then paint with waterproofing paint," recommends Wilder. "They can then add a top coat to add color. They can also paint the basement floor with a good floor paint, which spiffs it up. The basement may not be finished, but it's no longer a damp dungeon."



7. Add a room.

Look for large spaces that can be enclosed to create a new bedroom for just the price of creating a wall. "One time, we closed off a half-wall to an office and added a door to the other side of the room, thus creating another bedroom," says Quinn. "That \$400 procedure, which took a contractor one day, netted about \$40,000 in the sales price." Zuluaga has also added bedrooms inexpensively. "In a two-bedroom house, there was an archway that led to a third room that was used as a den," he explains. "It had a dry bar where there would have been a closet, so we took out the dry bar and created a closet so the owners had a third bedroom."



8. Spruce up cabinet fronts.

Suggest home owners update tired-looking kitchen cabinets. Reconditioning is the least expensive move for under \$1,000. "If the wood is starting to look shabby from use or contaminants in the air, we take out the nicks and scratches, recondition it with oil, and put new hardware on," explains Heidi Morrissey, vice president of marketing and sales at Kitchen Tune-Up in Aberdeen, S.D. For \$1,500 to \$4,000, owners can replace the cabinet doors and drawer fronts, and for \$4,000 to \$12,000, they can have all the cabinets refaced. "With refacing, owners can change the color of the cabinets by replacing the door and having a new skin put on the boxes," says Morrissey. "If they have oak cabinets today, they can have cherry the next day."



9. Replace light fixtures.

"In a foyer and in bathrooms and kitchens," says Wilder, "replacing overhead light fixtures provides a lot of pop for a little money." If the kitchen has track lighting, Zuluaga suggests the home owner spend \$450 to \$600 to have an electrician replace it with recessed canned lights on a dimmer switch to add ambience. For about \$700, Zuluaga also suggests installing pendant lights over a kitchen island or peninsula.



10. Tech-up the garage.

"Sometimes we replace the garage door opener with a remote touchpad entry system," says Zuluaga. "That costs about \$425 and makes it look like a high-end system."