

Remodeling by the Numbers

Dear Friend,

If you can't decide whether to remodel or move, your answer might be—both, in that order! Remodeling can give you the added or different space you need now, but you should also carefully consider the resale value of any project you undertake. Some remodels allow for a bigger payoff than your original investment, while others might be needed just to keep the resale price on par with the neighborhood.

This month's item of value contains information that will help you evaluate the potential payoff of your remodeling project, as well as shows you how to budget for it. You'll find a guide for how much the top remodels can return in resale value, with style trends and suggestions for what to tackle in the most popular projects.

The backside of this month's Item of Value provides a concise guide for budgeting your remodel project. A checklist covers the budgeting process as well as tasks to do before you start the budget. There is also a worksheet to help you itemize estimated costs by category, and keep your overall budget on track.

Whatever remodeling project you take on, may it have a happy and high-value ending!

Sincerely,

Oh, by the way™... if you know of someone who would appreciate the level of service I provide, please call me with their name and business number and I will be happy to follow-up and take great care of them.

REMODELING YOUR HOME BY THE NUMBERS



Maybe you've been feeling the need for more space, less space, or just different space. You've been wondering—which solution will give me what I want with the least financial hit? Here's one gauge to use: Expect moving to cost about 10 percent of your home's current value. If your remodel project can be done for less than that, stay and do it! But plan it with an eye on the potential resale value. Read on for ideas and tips that will help you take the lead in plotting your home remodel.

WHAT TO REMODEL

When you're ready to nail down your plans (so to speak), here are suggestions from industry experts:

Kitchen

Add usability with dual sinks and cooking stations. Add aesthetics with commercial-quality and stainless steel appliances, stone or stainless steel countertops and ceramic tile back splashes. Add space with breakfast nook or walk-in pantry. Add livability with computer desk, mudroom, or hobby area.

Bathroom

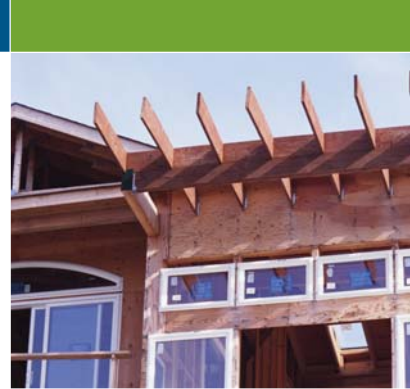
Add light with skylights and glass blocks without losing privacy. Add space with walk-in dual shower, vaulted ceiling, recessed medicine cabinet, or a curved shower curtain rod. Add functionality with twin sinks or vanities. Add aesthetics with ceramic tile or stone flooring, stone countertops, heated towel bars and floors.

Siding

Remodeling the exterior is as much about maintenance as it is about curb appeal. Vinyl siding looks fresh and tidy year after year with minimal upkeep. With stucco siding, a new polymer covering can be sprayed or troweled onto a fiberglass mesh base.

Windows

New windows will help you realize additional savings in monthly utility bills. Prospective buyers view windows as they do other structural items, so failing to update old ones can result in lower—or no—resale offers. Newer styles include seamless bent-glass corner windows, curved glass, and casements with no center stile.



WHY REMODEL?

Ideally in resale you'll be able to regain the money you put into a remodel. With some projects, you may recoup more than you spend! Remember that payoff also depends on:

- Condition of the house overall
- Value of similar houses in the neighborhood
- Availability of new homes in the area
- Rate at which property values are changing
- Location

According to *Realtor Magazine Online*, since 2002 four remodeling projects—kitchen, bathroom, siding and windows—have had the biggest return on investment at resale nationally. Here are the 2005 national average cost and resale figures:

Remodel Project	Job Cost	Resale Value <small>Within one year of remodel</small>	% of Cost Recovered
Minor Kitchen Remodel	\$14,913	\$14,691	98.5
Major Kitchen Remodel: Midrange	\$43,862	\$39,920	91.0
Major Kitchen Remodel: Upscale	\$81,552	\$69,194	84.8
Bathroom Remodel: Midrange	\$10,499	\$10,727	102.2
Bathroom Remodel: Upscale	\$26,052	\$24,286	93.2
Siding Replacement: Midrange	\$7,239	\$6,914	95.5
Siding Replacement: Upscale	\$10,393	\$10,771	103.6
Window Replacement	\$9,684	\$8,681	89.6

Adapted from *Remodeling* magazine's "Cost vs. Resale Report." Available at Remodeling Online, www.remodeling.hw.net, or *Realtor Magazine Online*, www.realtor.org.

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MASTERING THE BUDGET FOR YOUR HOME REMODEL



If you're thinking about remodeling your house, your first task will be to create a realistic budget.

But that involves some careful pre-planning. Go through the guidelines here, then use the worksheet to create your remodeling budget.

CALCULATING YOUR REMODEL BUDGET

Construction Labor Including subcontractors. Multiply wages by estimated hours for each worker. Remember payroll taxes and worker's comp insurance if you do the hiring.	\$
Contractor Fees Fees charged by contractors and subcontractors, such as electricians.	\$
Construction Materials Lumber, nails, paint, wallpaper, insulation, flooring, tiles, plumbing fixtures, cabinets, countertops, heating & ventilation.	\$
Tools & Equipment All tools purchased and rented for the project, from hammers to post-hole diggers. Also includes safety equipment such as goggles, hard hats, ear muffers, etc.	\$
Permit Fees Contact the city planning department. Contractors may handle this for you.	\$
Decorative Add-ons Window treatments, light fixtures, cabinet hardware, etc.	\$
Repairs Due to Remodeling Repairs needed resulting from the remodeling, such as patching the wall after plumbing vents are moved or replanting lawn where equipment had been kept.	\$
Cleanup Trash bin rental, hauling fees, dumping fees, removal service.	\$
SUBTOTAL	\$
Contingencies Includes cost overruns as well as upgrades, changes, supply shortages, weather delays, miscommunication, etc. Budget up to 30% of subtotal.	\$
Add Contingencies to Subtotal for TOTAL	\$

BEFORE YOU BUDGET

- **Imagine** the new space and make sketches. It's easier to plan something you can see.
- **Explore.** Talk to people who have done a similar renovation. Read books, magazines and Web sites, get onto renovation listservs, watch instructional videos. Take notes!
- **Think ahead.** Is the renovation intended to add value when you sell next year? Then pay special attention to assessing the value of the house and neighborhood. Add comfort or pleasure? Accommodate a growing or shrinking household? If you plan to stay for at least 10 years, almost any renovation will be worth its cost.

THE BUDGET PROCESS

- Figure out how much money you have to spend on a remodel without straining other budgets.
- Figure your debt-to-income ratio. If you're planning to borrow, you need to know whether you can handle the extra debt.

If you're working with an architect, designer or contractor, bring your drawings, budget and other figures to them for help with cost breakdowns. But if you're going it alone, the following will be your responsibility:

- Estimate project costs for materials, labor, permit fees, and so on.
- Create a timeline to help contractors plan the project and help you budget efficiently.